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We pay more

Unicom, China's No. 2 mobile-phone service, has "started offering a 66-yuan-a-month [\$10] plan for the iPhone, after previously setting the lowest-priced package at 96 yuan," Bloomberg reported. Rival **China Mobile** plans its own rate cuts.

How come mobile service - and cable TV - cost so much less in China than here?

"The economics is different," **Jonathan Kalman**, managing director at **Jaguar Capital Partners**, a Conshohocken-based investor in Chinese and other telecom companies, told me.

"In China you'll see a beautiful flat-panel TV, which would cost a grand here, and it's just \$100. I found there were 70 vendors making flat-panel displays in China. Not like here. So there's an order-of-magnitude difference in price.

"The iPhone we buy for \$300, they buy for \$30."

Why don't savvy traders buy cheap Chinese electronics and ship them here? Trade barriers, and local demand: "Hunan Province has 100 million people," Kalman explained. "It's a big market, and there's no shipping and delivery expenses" for factories there. A new wave of low-cost exports will have to wait until China is saturated.

Why does China's cable TV cost just a few dollars a month? "Government is underwriting" state-of-the-art communications lines, with no-interest loans, Kalman says. By contrast, we pay Comcast for upgrades.

With government easing installation costs, firms such as **China Cablecom** spend just "\$35,000 to acquire 600,000 new customers," he added, citing a recent project by China Telecom.

China's cable "monopolies" are cutting telecom prices instead of boosting them as more Chinese join the middle class, Kalman concluded: "If you raised prices there, people would revolt."