

# Romania about China: To Fear, or Not to Fear?

There is no doubt that this is the decade of China both in terms of political and economic influence. China is the world's largest developing nation and also the largest nation making the transition from a communist economy. Many more voices are arguing that in a few years China will surpass the United States and become the world's largest economy.

These facts alone would make Chinese economic institutions a matter of great interest for every single nation-state, who cares about the economic development. The biggest advantage of China though is that it chose to follow a transition strategy, from a communist to a liberalized economy, that was not based on the concept of 'gradual adaptation' but rather on 'sock therapy'. In other words, instead of trying to liberalize, privatize, and quickly move to a capitalist market economy, it left many of its traditional institutions in place, while introducing new ones and making light reforms in the old ones. As compared to other former communist economies, this gradualist approach seems to have paid off.

Therefore, as a former "tiger in waiting" China has not just jumped into the global arena with both feet, it has created a huge shadow that engulfs, scares, and mystifies us. What is interesting about the Chinese phenomenon is that it has been predicted for decades and now that it is upon us we are left asking ourselves, "where did that come from?!" Chinese business was originally seen as master of reengineering and the threat was always related to cheaper imitations entering the marketplace. Today, however, what



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we see is a growing entrepreneurial, innovative, creative awakening that is MUCH more daunting in terms of future business prospects. Multinationals like Boeing and Airbus are preparing for the first Chinese made airplane by Comac (China Commercial Aircraft), Google and Yahoo are watching as Baidu (Chinese search engine) begins making inroads into their home turf after listing on the NASDAQ, and small businesses worry as cheaper Chinese goods

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continue to flood the market but at a higher quality level. At the end of the day, what does this mean for global business, and in particular Romanian businesses, and what can we learn from the rise of this 'elephant like' beast?

## CHINA'S IMPACT ON THE GLOBE AND ROMANIA

At the global and Romanian level, the rise of China is forcing large and small companies to rethink the way they do business or to consider how they can take advantage of the situation – a 'duck and cover' approach is far too risky. When dealing with a country the

size of China (population, geographic spread, political influence) there is no hiding! Consider the fact that Chinese companies invested nearly 385 million dollars in Romania in September 2010 and one has a direct, unequivocal answer to business influence.

We are seeing many companies outsourcing production to China take advantage of the economies of scale they possess in terms of labor. Such an approach seeks to match the competitive advantage of Chinese companies through cost structures. There is also another agenda item in such moves which is to present a 'face' towards selling in China. For example, Airbus has now built its first Chinese airplane, which gives it clout with local actors and cost advantages when selling outside the country.



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Other global companies are partnering with the Chinese to explore not only potential synergies within China, but also global opportunities. This is founded on the notion of "keep your friends close and your enemies even closer". One needs only look at how Chinese companies are expanding into other markets through partnerships and alliances, sometimes with local companies or

governments and other times with another external partner to see this at work. Some argue that if it were not for the foreign direct investments being made by Chinese companies, or in partnership with them, the financial crisis would be even more severe than it has been.

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## SO WHAT? LESSONS FROM THE RISE OF CHINA

One generic lesson that comes up is that both companies and managers around the world need to understand that today's global economic system consists of interrelated aspects. The global economy cannot be seen as subdivided. Everything and everyone is under continuous interaction. This practically means that whatever is happening in one part of the system will sooner or later influence, one way or another, other parts as well. Now, if we consider that China is not just a part of the global economic system, but a major player, then we may draw the conclusion that most probably, and from the entrepreneurial point of view, we need to find ways of cooperation and synergy. In particular, the big lesson that Romanian companies must learn from the rise of China is that Romania is not an 'island'. It is integrally linked to the global economy and attempts to shelter itself will come back to haunt it in the future. Romanian companies have to look at China as an opportunity and not just a threat. It is a market of about 1.3 billion people, who are now actively searching for products and services. Yes, the market is competitive, but what market is not! If the Chinese have taught us anything it is to persevere, to keep working, harder than before, if one truly wants to get somewhere.

The Chinese also work together, collective power is one of the keys to their success. Employees work very hard and are diligent in the work they do. There is something to be said for cohesiveness in a country where they truly believe they are a global player and are out to compete at the highest level possible. In Romania there seems to be more fear than belief in this regard. Romanian managers and companies have to redevelop their pride in what they do and jump outside the borders and show they are not going to be run over by global trade.

Today the Chinese are putting an emphasis on quality to go along with their low price advantage. This is a 'hammerhead' to business. Romanian companies should not be trying to compete at this level in the mass markets. Niche focus is the route forward, somewhere that Chinese companies are not interested in competing – smaller scale, innovative, exclusive markets.

Of course the lessons cannot be so limited. Every single past result, every single partnership and synergy, and many more experiences in many different cases and industries, can be used as unique knowledge that can consult future steps. This is actually, the new role of business people and managers, to continuously develop their views, experiences, and capabilities in a rapidly demanding business world. In this highly competitive world, the option is always to learn and adapt, because there will always be someone better, faster, cheaper, bigger, than us. Today it is China. Maybe tomorrow it will be India. The day after tomorrow... who knows... but definitely someone!!! ■