



# IMPORT/EXPORT: **CHINA**



# Opportunities amid differences

**The February meeting of West Wales Exporters (WWE) dealt with the economic powerhouse that is China and the business opportunities there as a result. Dai Blatchford was in attendance.**

It was already one of the world's most powerful economies and influential countries. In the wake of the global recession, which rocked the very foundations of the western capitalist world, the might of China is only set to get greater. It is an economy that simply cannot be ignored going forward and, the faster Welsh businesses build solid trade links there, the better.

Doing business in China was, therefore, a natural topic for the West Wales Exporters (WWE). Chaired by Steve Smith of Handelsbanken, WWE met in the Oriental

Gardens Chinese restaurant in Swansea's SA1. As part of his introduction, Smith stressed the speed of economic growth in China and its importance as an export target for Welsh businesses. The speakers for the evening were Shelley Zhu, trade consultant of International Business Wales (IBW), and Jane Wang, who works with international students at Swansea University.

Zhu, originally from Shanghai, called her presentation: China: It Is Time To Do Business. Surprisingly, none of the 40-plus representatives of the cross-section of

businesses present raised a hand when she asked how many of them are doing business in China now. Through her presentation, Zhu then encouraged those present to give the country some serious consideration.

She began by looking at China's recent economic history, putting that into context culturally and in terms of the country's government policies. In 2009 (the year of the Ox), Zhu said, China's Gross Domestic Product (GDP) grew by 8 per cent. The Chinese government injected Rmb4 trillion (\$585 billion) into the economy with the aim of rebalancing it.

"The result of this rebalancing was that foreign reserves are high; the country has little debt, while the domestic market is stronger," Zhu explained.

She said this policy formed part of a long-term plan and stressed that taking a long-term view is something Chinese governments excel at. She gave the example of how Chou en Lai (premier of China 1949 to 1976) replied when asked what he thought of the French Revolution of 1789. "It's too soon to tell," he said.

She also highlighted the various trade missions from Wales that have taken place in recent years. "Throughout 2009, IBW continued working to help Welsh businesses become established in China and the overall message is that Wales wants to do business there. It was to China that it took its largest trade mission that comprised some 33 companies represented by over 40 delegates. So the message is a pretty clear one," she said.

Business never stands still, though, and Zhu had plenty of advice for 2010 (the year of the Tiger). "Chinese economic growth remains strong as we move into 2010," she said. "There is more consumer spending and a surge in the domestic market. Chinese companies are very competitive within this internal market, which is significant for Welsh exporters. Chinese consumers have money to spend and they want the best quality consumer goods available."

She said that part of IBW's remit is to spot and

**"WALES  
WANTS TO  
DO BUSINESS  
THERE."  
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help Welsh companies take advantage of trends. She believes important growth sectors to keep an eye on include: automotive, food and drink and sustainable technologies.

She again stressed the issue of quality as being something very important to Chinese consumers. "A Rolls Royce sells in China for the equivalent of over £700,000," she said by way of illustration.

As in all business contacts between countries with significant cultural differences, however, the potential and positives can come with a caveat. If cultural nuances are ignored or misunderstood, or the appropriate research not carried out in advance, ventures into even the most promising markets can prove fruitless.

Research is probably the best tool to avoid such errors. Dealing with China, as with countries such as Korea and Thailand, relies on a basic understanding of the meaning of the Chinese word "guanxi", which broadly translates into "connections and contacts". Zhu made a very brave stab at translation by evoking the spirit of the Welsh rugby club, where business among family and friends can often yield the most positive results.

Fortunately for Welsh businesses looking to export to China, IBW is on hand to ensure that the process is conducted as smoothly as possible. They can help source and provide advice, translators, and trade missions to ensure that the necessary research is as thorough as possible. The message remains that this is a great time to do business with China.

Jane Wang looks after international students at Swansea University and she concentrated on the cultural impact of business dealings with the country. Wang focused on "guanxi" — a concept she freely admitted was hard to translate. "It is really about a relationship network," she explained. The word "friend" means something different in China compared with the Western world. In China, people refer to acquaintances as friends, even if they are not that close. And they tend to be those you regard as important people.

"It can also be hard for the Western mind to understand what a Chinese person means when he or she says 'yes'," Wang said. "Again, it is a



cultural issue, with the main aim being not to upset or offend. Therefore, when they say 'yes' to something it does not always mean 'yes' as we understand it. A general rule of thumb is that if the answer is 'yes' three times in a row then the fourth answer, whether 'yes' or 'no', will generally be the truth."

Business negotiations in China then have a protocol of their own, and some cultural knowledge is essential if relationships are to prosper. Deals are rarely made in the boardroom, as such meetings usually proceed to the restaurant where the real business takes place. But there is a health warning attached to this cultural protocol too, hidden in the innocuous word "gambei". This loosely translates into "bottoms up", and the smart move is to delay too much "gambei" until

**"CHINESE CONSUMERS HAVE MONEY TO SPEND."**  
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negotiations have reached a satisfactory conclusion. It is also crucial to recognise the importance of the customer in the Chinese business chain. In China, customers are regarded as God; they are never wrong and customer service is of the highest importance.

Wang gave a telling example of the extent to which this is true. She explained that customer service phone calls are expected to be answered within five seconds. Any longer and the implications can be serious.

The crucial importance of cultural understanding within the business context was probably best summarised in another of her little vignettes. She told the story of the American chief executive who bought hats for the male workers in the international company he headed in China. Unfortunately for him the hats were green and in China a green hat signifies male adultery. Needless to say, neither CEO nor company prospered there as a result. ♦

For companies in Wales hoping to trade with China, International Business Wales is running trade missions on the following dates:

- Chongqing – 6 to 12 March 2010
- Hong Kong – 8 to 14 May 2010
- Shanghai – Autumn 2010
- Chongqing – March 2011

For further information, visit the following websites:

- IBW at [www.ibwales.com](http://www.ibwales.com)
- WWE at [www.westwalesexporters.co.uk](http://www.westwalesexporters.co.uk)



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