



Global
Business Leadership

SHAKING THE GLOBE NEWSLETTER

Courageous
Decision-making in
a Changing World



China Touches the Sky

Volume 1, issue 3

Last week I was in Beijing and Shanghai for a board of directors and CEO peer exchange. It was shocking to return to a city I thought I knew and not recognize the place. The city of Shanghai made me realize that vast and rapid transformations are possible when ideological changes and practical action are aligned. One stunning fact encapsulates this dynamic: in 1991, Shanghai had 20 buildings with 20 or more floors; today, the city skyline burgeons with 6,500 skyscrapers! That's 360 new trophy buildings each year. Can you imagine any other country in which a major building is completed each day for eighteen consecutive years in the same city? China touches the sky and continues to soar in changing its economic place in the world.

While I was in China, I had several striking insights into the business environment in China. I'd like to share three of them with you that I think are important: 1) the state of China's economy today; 2) China's competition dynamic; and 3) a special opportunity to "shake the globe."

1: China's Economy Today

As Shanghai reaches for the sky in its architecture, the Chinese government is rushing to stimulate economic growth. As I wrote in [Huffington Post blogs](#) during my trip, the Chinese stimulus of \$586 billion represents 5% to 7% of China's GDP, which puts the U.S. stimulus plan of 2% of GDP in perspective.

He who knows most says he knows least.

—Confucius

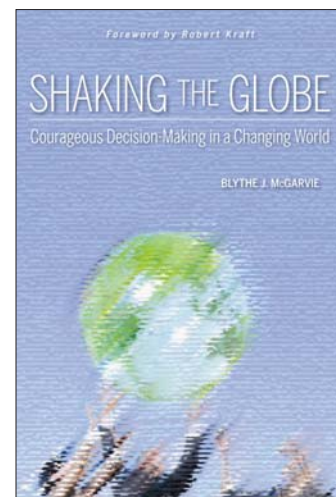
The Chinese government now understands that widespread rural poverty and government corruption are dangerous. In the last year, the country's leaders have experienced riots in Tibet, and the devastating earthquake in Sichuan prior to the Olympics exposed the fact that China has serious internal problems with rural poverty. The government recognizes that the stimulus program must address rural livelihood and social welfare issues, expand the middle class, and promote an increase in consumption. Chinese citizens would be willing to save less and spend more if there is a safety net of social programs in place. The stimulus plan—if spent as planned—will make China emerge even stronger.

2: China's Competition Dynamic

As a result of past growth and the stimulus, it is time for American and other Western companies to treat China as our second home-market. I draw this argument from the degree of current economic activity in China emphasized by several American businessmen living in Beijing. It's myopic



McGarvie and James McGregor, author of *One Billion Customers*, in Beijing discussing China.



Blythe McGarvie's *Shaking the Globe*, with a foreword by Robert Kraft, was published by John Wiley & Sons in February 2009. Purchase it at these or other fine book sellers:



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to consider China as simply the manufacturing workshop for the world. With more people speaking English in China than in the United States, it's easy for Western business people to communicate with many people in China. The purchasing power parity (PPP) of the middle class ranges from \$5,000 to \$12,000 in China, depending on the city. This is the equivalent of \$50,000 in U.S. PPP. The Chinese have raised at least 250 million of their citizens into the middle class over the last two decades.

*I see, I forget.
I hear, I remember.
I do, I understand.*
—Chinese proverb

China, as a second home-market, allows American business to face competition with different prices, products and services, and even brand positioning without initially disturbing the primary home-market. Even if you don't face direct Chinese competition in your primary home-market today, you will. It's better to learn the Chinese competition on their turf, take the information, and shore up your defenses in your traditional markets.

3: Opportunity to Shake the Globe

In the 1990s, when I first started doing business in China, we learned about the "one-pants family." It was said that families in rural China owned *one pair* of pants: the man wore it when he went to work during the day, and the woman of the house wore it at night when she went to work. Such abject poverty may still exist, but it has lessened as the Chinese population has been migrating to cities for several decades—650 million Chinese now live in cities. I was amazed at the magnitude of the opportunity that we now have to reach consumers and suppliers who have experience with recognizable brands and who now have the purchasing power to buy Western goods. If nothing else, the size of

this new demographic will influence the global industry for your product. If American automakers continue to founder, we will look back at 2009 as a pivotal year: if we annualize January car sales, China sales of 10.7 million will exceed the fewer than 10 million car sales in the United States.

I asked James McGregor, author of *One Billion Customers: Lessons from the Front Lines of Doing Business in China*, how Americans can become more aware of the importance of China's competition. He is an authority I quoted in my recent book chapter on cultural norms, and he is someone on the front line, having lived in Beijing for decades. He said the executives and print media are doing a good job communicating the magnitude of business competition from China. This, he thought, was a result of many person-to-person relationships established between Chinese people and non-Chinese business people.



Pudong skyline as of April 2009.

In contrast, McGregor thought that politicians and TV were the poor sources for a realistic understanding of competition from China. He said to "retire Lou Dobbs" because Dobbs is "irresponsible," and McGregor seems to think that the United States "has ADD" (Attention Deficit Disorder).

I agree with Mr. McGregor that first-hand market knowledge is the best source of information. Just as the Chinese are now learning business practices and management techniques from the West, the West needs to understand the ideological and practical transformations occurring in China's cities. Go to the cities, talk with the experts (some of whom are trained sinologists), and meet with other business men and women to learn from their experiences. This will help you discover ways to grow your business—and your sky-high hopes will not be dashed. ♦♦♦

Global Perspective: Items of Note

Blythe McGarvie has opened up a new blog on the *The Huffington Post*. Read her entries from China on:

- [Earth Hour](#)
- [China's Housing Market: Build it and they will come?](#)
- [Art of Dealing with Perception](#)
- [Shaking the Globe with China's Stimulus](#)
- [G-20 Summit and the China Viewpoint](#)
- [China Dragon Bites Back](#)
- [G20 and the Shanghai World Expo](#)

The *Shaking the Globe* newsletter is written for decision-makers who recognize the critical importance of our interconnected world for financial stability and growth. Blythe has been called the "antidote to Lou Dobbs" because she shows how to strengthen, rather than weaken, our global community.

(URLs: www.BlytheMcGarvie.com and www.LIFgroup.com)