

Subject: opportunities
to improve
international business
in china



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MEMO President C&C Industries 24th January Re: Opportunities to Improve Business Prospects

In response to your recent announcement about the exciting new venture that C&C Industries are starting in China, I am writing with a few initial thoughts on the local business conditions there. The first thing that people often think of in connection with China is its size. In fact, however, the land area of China is just a little smaller than that of the United States of America. The really impressive statistic about China is its population size, of 1, 330, 141, 295 (July 2010 estimate: source <https://www.cia.gov>) which is the biggest in the world. The repressive regime of the communist Cultural Revolution in the mid-1960s to mid-1970s, and the political unrest that we all saw in the Tiananmen square incident in 1989, are indications that there have been some major social issues in recent years. This has now been replaced by a much more open style of government. China is eager to join the rest of the world, in joint business ventures and the prospects for our company are very good. It is reported that the private sector now accounts for around 65% of Gross Domestic Product and 70% of tax revenues. This compares with only 20% of GDP in the late 1990s. (source: <http://factsanddetails.com/china.php?itemid=355>) These upwards trends are continuing, and all the predictions are that China will increase its growth in the near future. There are, however, some risks with doing business in China, for example in the area of contracts, law enforcement and civil liberties. China has very different ideas about privacy and access to information, including things we take for granted like telephone and internet. The rules for financial dealings are also quite different in China, and anyone

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found to be in breach of Chinese law can find him or herself being treated harshly. This means that we would need to do a lot of preparatory research before launching a major transfer of our staff over there. There would be an issue also about cultural and language competence for our staff. Chinese is a difficult language to read and write, because it depends on a very complicated system based on pictures originally. Experts recommend that people need at least 3, 000 characters to read ordinary Chinese, and 6, 000 or more to be fluent in more complex areas like technical writings, (source: [http://www. omniglot. com/writing/chinese. htm#characters](http://www.omniglot.com/writing/chinese.htm#characters)) Spoken Chinese is a tonal language, which can be tricky for Westerners to grasp, but with good training it is feasible for most people to learn sufficient spoken language for daily interaction with Chinese people within a few months. People often talk about the well-known concept of Guanxi, which is a kind of close business relationship based on the building up of trust on both sides. A lot of this is common sense, however, and not very different from the way that good business is operated in our company at home. It is all about getting to know our business partners and contacts, being hospitable, and keeping our word when we agree to do various things. The overall picture for us in China is challenging, but also holds the potential for great rewards, both for the company as a whole and for those colleagues who may be asked to relocate to China. Please be assured you can count on me to be among the first to take up this marvellous opportunity when the time comes along!