THE SLEEPING GIANT STIRS AGAIN

Chinese firms are doing brisk business once again after financial crisis blip

BY HEBA HASHEM

Few places in the world today can claim to be untouched by the spread of Chinese commercialism. Whether through the proliferation of goods in stores and the emergence of neighbourhood Chinatowns or China-themed malls, Chinese brands have long been a familiarity in the global commercial landscape.

In 2013, for the first time ever, China overtook the United States as the world's largest manufacturing nation, generating $2.9 trillion in output annually versus $2.43 trillion from the US.

In the same year, the country overtook the EU as the top export market for Singapore and replaced the UK as the world's fifth largest arms exporter.

But China's mass production and cheap costs are considered to be a threat by many local manufacturers worldwide. While India plans to impose anti-dumping duties on solar panels imported from China, the US has already done so. EU countries also agreed last year to impose duties on Chinese plates and other table and kitchenware.

Dubai's Dragon Mart is just one symbol of strong UAE/Chinese trade relations

Manufacturing haven

Some global players have taken a different approach and are making the best of this wide-reaching market and its low labour costs.

Tata motors-owned Jaguar Land Rover, Switzerland-based pharmaceutical company Siegfried Holdings and even Dubai-based Danube Building Materials are among the many companies that have set up manufacturing facilities in the world's most populous country.

"Evidence suggests China's largely favourable demographic dynamic and export orientation makes the country an attractive place for investment for large-scale production activities," read a recent Dubai Chamber of Commerce circular on Chinese investment.

The latest UAE player to expand into China is chemical and plastic solutions provider Borouge, a joint venture between the Abu Dhabi National Oil Company and the Austria-based Borealis.

According to Borouge, China is on its way to become the world's largest polyolefins market, which explains why they are setting up a logistics hub there, as well as investing in a new 50,000-tonnes-per-year manufacturing plant in Guangzhou.

"There RE a variety of industries in China that can provide profitable opportunities for UAE investors, including trade, tourism, oil-related activities, financial services and logistics," says Hani Hamil, secretary general from Dubai Economic Council.

Relations are key

The Chinese market, however, may not be the easiest one to access, as bureaucracy and differences in business ethics – as well as the language – represent obstacles.

"A key challenge for foreign investors is government relations," says Shehryar Ashfaque, deputy manager at Gulf Chinese Trading Corporation, the company that established the 100,000sq m China Mall in Ajman in 2010.

"Guanxi, or 'relations' in English, is the typical culture in China. Having harmonious relations with the Chinese

Images courtesy of Corbis / ArabianEye.com

The 100,000sq m China Mall in Ajman

government will pave the way for the long-term development of foreign investments and increase the possibility of high returns," he says.

To this end, public relations are crucial. "Since the culture is so different, it would be better to research the market, including the cultural aspects, and to hire a local," Ashfaque adds.

The Dubai Economic Council has accomplished a great deal in narrowing this gap, sending delegations to China on a regular basis as well as hosting high-profile Chinese delegations.

The government entity has also secured partnerships with numerous Chinese economic decision makers, including the China Council for Promotion of International Trade and the China Economic and Social Council, as well as financial institutions like China Exim Bank, People's Bank of China and China Development Bank, the world's largest development bank.

"DEC believes these partnerships and alliances with Chinese institutions will serve the trading and investment relations between the UAE and China," says Hamil.

Despite the perceived barriers, foreign investments continue to pour into China. Figures by the country's Ministry of Commerce show between January and May this year, the number of newly approved foreign-invested enterprises was up by 1.6 per cent on the same period last year.

"The UAE is now China's second largest trading partner in the Middle East."

Synergies between the UAE and China

One of the strongest synergies between the UAE and China lies in the oil sector. While the Chinese economy depends on the UAE as a trade hub for Chinese products – with nearly 70 per cent of exports re-exported to GCC countries, Africa and Europe – the UAE is a major source of oil for China.

"China is the second largest oil consumer in the world and the UAE ranks seventh globally in oil production. We have seen the Chinese recently bidding for oil concessions in Abu Dhabi," says Alan Rodgers, partner at UAE-based law firm Hadef Partners.

Ties between the UAE and China in the construction sector have also considerably strengthened. Within the last two years, Chinese firms have won construction contracts worth more than $4.8 billion in the UAE, according to the Chinese Ministry of Commerce.

This has led to more Chinese companies setting up in the UAE. When Aabar and China State Construction Engineering Corporation (CSCEC) signed a $2 billion deal to develop 30 property projects in Abu Dhabi, it prompted CSCEC to set up offices in the UAE.

In fact, Dubai Economic Council estimates more than 2,000 Chinese companies are operating in the UAE, "mostly in the construction sector".

When it comes to bilateral trade, volumes increased by an impressive 14 per cent year-on-year in 2013, reaching around $46.2 billion. The UAE is now China's second largest trading partner in the Middle East.

Retail clusters like Dubai's Dragon Mart and Ajman's China Mall are living proof of the success of Chinese products. "Furniture, lighting solutions and apparel are the highest in demand by UAE companies," says Ashfaque.

With such remarkable success domestically and overseas, it's hard to imagine that nearly 40 per cent of China's businesses had either crashed or were on the verge of bankruptcy during the peak of the 2008-2009 global financial crisis. Clearly, the Chinese economy has more than recovered.