

Professor offers inside look at China

by Kari Noll, *Central Wisconsin Business*

China's economic growth of the past 30 years offers a test case on globalization with many lessons to be learned about how the nation has grown into a leading world power in such a relatively short time.

Gary Mullins, a professor of business and economics at the University of Wisconsin-Stevens Point and director of the Division of Business and Economics Internship Program, has led several students groups to China since UWSP's China Internship Program began in 2002.

The month-long internships help students learn to understand the economy from the inside out. They work with various Chinese companies and come away with valuable knowledge of business and culture—not just an appreciation for sightseeing, Mullins said.

UWSP has made a number of advances in its programs throughout the past several years, including an international business major and coursework in international marketing and international law. The university ranks among the top 20 schools in the nation offering international experiences.

"A number of students have gone overseas, but a more common type of experience is for students working for a U.S. business to go to China or other countries and negotiate contracts and things like that," Mullins said. "One of the most important things that we want to teach students is that we're living in a global economy, where all countries are highly dependent on each other, and we are competing against every country in the world."

"In this economy, barriers to trade that used to exist are rapidly being broken down by the use of computers and the Internet and that sort of thing."

On the rise

This year's Olympic games in Beijing are a source of enormous pride for China, and the countdown clock erected in Tiananmen Square in 2004 not only represented the upcoming competitions but also a timetable for when China would showcase its achievements to the world.

It was not long ago that China operated as a closed country, strictly governed by communist rule. Within the last 30 years, however, China's economy has experienced much change. China's move to deregulate



Professor Gary Mullins, far right, with a group of interns in China in 2007.

its economy and make it independent of the political environment has much to do with the nation's significant growth in recent years, Mullins said.

Per capita, China remains well behind the United States, considering its population is more than four times the size of our own. Even so, it now ranks fourth in the world in gross domestic product (GDP) at more than \$2.2 trillion, and some experts expect it to surpass Germany within the next five years to move into third. Though this is still a far cry from the top-ranked United States' production of \$12.5 trillion, China has come a long way to its current place in the global economy, Mullins said.

Most people in central Wisconsin tend to think of China as remote, Mullins said, although goods from China often come through our area for distribution via the Canadian National Railway. In addition, China presents one of Wisconsin's largest markets for exports.

Visions of power

The economic position China is in today has much to do with decisions made by former leaders Mao Zedong and Deng Xiaoping.

"During the World War II era, Zedong's idea was that the bigger the population, the more power China would have. The government rewarded people for having kids. It's the opposite now," Mullins said in reference to Xiaoping's one-child policy adopted by China in 1979.

Today China is experiencing the repercussions of the rapid change in population that occurred during Zedong's rule. As Mullins notes, the significant increase in the labor supply caused wages to decline and encouraged labor-intensive manufacturing.

"I expect that as China's economy grows it will begin to move into more sophisticated types of manufacturing, trade and so on," he said. "Future regulations will be important, and I believe that China's economy will take similar kinds of steps that our economy took years ago."

Deregulation and growth

In the late 1970s, Xiaoping, who succeeded Zedong, made the conscious decision to deregulate the economy, saying, "Whether a cat is black or white makes no difference. As long as it catches mice, it is a good cat."

Xiaoping's goal was to grow China's economy, and though the country continued to operate under oppressive communist rule, the lack of regulation fueled the rapid growth of a free market economy in which Chinese people could start small businesses and buy and sell goods.

Mullins notes that the lack of governmental regulation in the economy has led to poor business practices, including pirated heavy goods and the exploitation of workers. Even advertisements go unregulated, and many businesses capitalize on false claims.

The May 2008 Sichuan earthquake that caused billions of dollars in damages in Chengdu, a popular city for UWSP's internship program, brought to light issues regarding poor building standards. Many private buildings crumbled to the ground, while the majority of government structures remained intact.

"In our country, we don't think in terms of regulations until something terrible happens such as the Great Depression, which brought a considerable amount of change to economic regulation," Mullins said. "I think we'll see a great deal of more regulation because of the earthquake in Chengdu. Any kind of disaster or bad situation will cause people to insist on more regulation."

Even so, China's current government does not show much interest in regulation. The lack of parameters can lead to considerable amount of corruption, and one of the reasons government leaders want the economy to grow is because they are benefiting from it, Mullins said. The regime sells the right to produce and build plants and is profiting greatly from the practice.

Nevertheless, the economy continues to be one of the fastest growing in the world, and Mullins says it is experiencing growth pains as a result.

"China went through years of being highly controlled by the government, and now it is not encumbered by a



lot of regulation," he said. "The government really doesn't have much ability to regulate business there because the economy is growing so rapidly."

Culture of business

Although China is making great strides in the areas of small-goods manufacturing, there is not a lot of growth in the financial services sector, Mullins said. The phrase "cash is king" applies, as electronic transactions are rarely used in the cash-oriented marketplace.

Perhaps one of the most important things UWSP students experience is the emphasis the Chinese place on personal relationships before doing business.

"Here, we tend to do business without having friendships," Mullins said. "In China, you must connect with people on a personal basis. Once you've made that connection, you can move on to doing business. The concept is called Guan xi (gwan chi). It's similar to networking, but it's more intense."

If relationships aren't developed, clients may end up paying higher prices or contracts may be less fulfilled, Mullins said.