

The Changing of International Environment and The Shifting of Chinese Enterprise

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Trend of Economic Globalization

The economic globalization has been sweeping across the world since the middle of 1980s. All countries, both the developed and developing countries as well as the most underdeveloped countries have been involved in this course of world economy integration consciously or unconsciously. The arriving of this economic globalization is not by chance and people have put forward various interpretations for it, but we believe the most direct and fundamental reasons are the changes of international environment:

- 1 Ending of the cold war makes the pace and development become the main concerns of the present world. All countries have placed the economic development at their priorities. Economic freedom, privatization and market economy system have been the hot topics of discussion and practices in various countries and regions. The world is moving towards the direction of pluralism.
- 2 Disappearing of planned economy system makes the market orientation the dominant economic thinking. Economic activities in all countries and regions must now follow the law of market economy, which facilitates the exchange of the needs of others and the mutually compensation in economic development.
- 3 More large multinational corporations and enterprise groups extend their economic activities into every corner of the world to fulfill their goal of profit optimization. Over 40000 transnational corporations are contributing now more than one third of the world GNP and more than two thirds of the international trade of the whole world.
- 4 The establishment WTO provides the institutional and organizational supports to the economic globalization. Many international regulations and conventions have been formulated to guarantee the normal operation of the global market economic system.

International trade has been greatly increased, more capitals are moving across the borders and the economic reliance of different countries have reached an unprecedented degree.

- 5 The development of new technologies adds further power to the economic globalization. The invention of modern transport and communication tools in the industrial revolution shortened the distance in the earth. The information technology revolution based on the micro-electronic technology as well as the international networking of present time is merging the world economy into a globalized integrated 'network economy', which might introduce certain new ways of conducting economic activities across borders in the world market.

Adaptation of Chinese Enterprises

China possesses one fourth of the world population and has the largest potential market in the world. Thus it will play more and more important role in the world economy. The national economy of China has kept the stable consecutive high speed development since 1978 when the country adopted the open and reform policy. The country's achievement has drawn a great attention of the world. Therefore, China must be one of the main considerations in the study of world economy and enterprise management.

The relations of production must suit the development of production forces. Based on the principle that the practice is the sole criteria of truth and many year's practices, Deng Xiaoping, the great man of China raised the so called 'Three Beneficial' thinking principle, i.e. the starting point of judgment on any initiatives should be to see if it is beneficial to the development of production forces, if it is beneficial to the increase the integrated state power and if it is beneficial to the improvement of people's life. According to these principles China adopted the well recognized open and reform policy and the one country two system arrangement. With the ideological liberation the country obtained glorious successes in the past two decades. The Fifteenth National Congress of CPC held last September summarized the lessons and experiences in the past and put forward a new theoretical framework for the future, in which it is clearly stated that 'to actively promote the fundamental transformations in the economical system and the economical growth mode', and 'to reform the state owned enterprises by establishing the modern enterprise system'. In particular:

- 1 The economic system transformation should be focused on the reform of the ownership. The single type of property right structure should be changed into the plural structure along with ownership system reform. As the reform proceeds, the state owned enterprises will stand up to the challenges of replacing the out of date products, capital reorganization and solving the

redundancy problem to fit the new requirement of market economy, and more and more in the economy system will be the proportion of foreign capital involved enterprises, the joint stock enterprises, the enterprise groups of various kinds, and the private owned and/or operated enterprises.

- 2 The economic growth mode transformation should be focused on seeking economic benefits. High debt to assets ratio, low net capital return , low productivity and serious circular debt are now common problems existed in the present state owned enterprises, which affectes the efficiency of the national economy in whole. The government has taken many effective measures to deal these problems and the economic performance of the country has been greatly improved. In the first 9 month of the year the GDP of China was increased by 9% over the same period of last year under the comparable price. This economic growth rate has been achieved with low inflation rate, the national average retail price was increased by 1.3% from January to September, and resident consuming price was increased by 3.4%. During the same time the total industrial profit was increased by 32.4%, international import and export was increased by 24.1%. When the average tariff level is lowered to 17% from 23% on the first of October 1997, further increases in international trade can be expected.
- 3 The reform of the stated owned large and medium sized enterprises should be focused on the establishing modern enterprise system characterized by ‘clear cut property right, well defined responsibility, separation of government with enterprises and scientifically managed’. The public corporation is the highest form the modern company and best reflects the fundamental characteristics of the modern enterprise system. The relevant Chinese authorities will choose from the 1000 key state owned enterprises, 120 enterprise groups and the 100 modern enterprise system experimental enterprises the candidates to be public listed in near future.

About Dalian City

Being one of the 14 coastal area open cities of China and the window toward outside for Northeast Region, Dalian city has played an important role in the open and reform process. The city has changed greatly through nearly two decades’ efforts in practicing open and reform policy and introducing foreign investments. The GNP of the city has been maintained a high speed of increase with over 10% of growth rate for every year during the period. Dalian’s general economic power comes to the eighth position among China’s 35 key cities, and the sixth in terms of its financial income. There are more than 6000 foreign invested enterprises in the city now. Based these foundations, the city’s government put forwarded recently the goal to build a ‘North Hong Kong’, i.e. to realize the similar growth rate that Hong Kong has experienced during its development, to

play the similar central city role that Hong Kong plays and to learn from Hong Kong the successful experiences in economic management. To arrive this goal the following four strategies have been formulated:

- 1 Up hold the strategy to develop an outside oriented economy, emphasize on scale, diversity and depth to speed up the internationalization of the city's economy.
- 2 Up hold the strategy to develop the port area economy, fully utilize the advantages of being the hub connecting inland and across the Huanghai sea and the Bohai sea, explore the potentials of being a transit port and develop large scale facing sea industries such as shipbuilding, petroleum, and chemicals, etc., establish large enterprise groups with tens of or hundreds of billion dollars assets to realize the scale of economy.
- 3 Up hold the strategy to prosper through the development of science and technology, bring into full play of scientists and technical personnel, upgrade and rationalize product structure by applying advanced science and technology achievements to realize the technological modernization.
- 4 Up hold the strategy of regional joint development, serve as a leader of Northeast Region's economic development, drive the joint development of hinterland and countryside nearby, play its proper role in the development of Northeast Asia economic ring and the around Bohai economic ring.

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