

Opportunities and Challenges for Chinese Companies in the Reverse-Globalization World

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Abstract: The concept of anti-globalization is no stranger to the public. More and more Chinese enterprises are involved in all stages of the general trend from globalization to anti-globalization. This paper gives the author's observation results from the recent practice, experience, and future development of the globalization process of Chinese enterprises in the trend of anti-globalization.

Keywords: Globalization; Reverse Globalization; Anti-Globalization; Chinese Companies

1. Globalization and Reverse-globalization\ Anti-globalization

If we raise our perspective and overlook the world, we will find two conflicting trends: one is globalization, the world is constantly moving towards interdependence and integration, emphasizing the commonality of human beings; Another trend is resisting this kind of globalization, which can be called "anti-globalization" or "tribalization" by some scholars.

Most of the first emerging anti-globalization forces come from less developed countries or groups in the international order. They feel that they need to resist the impact from the West. However, in recent years, the economic rise of developing countries has led to the emergence of strong anti-globalization forces in western developed countries. The rise of protectionism and nationalism is reflected in such phenomena as xenophobia, anti-immigration, and Brexit. If we say that the collapse of the Bretton Woods system in 1971 represents that the capitalist movement has entered the comprehensive expansion period of globalization, and then global goods, capital, technology, and labor have entered the accelerated free flow of transnational, which has brought profound structural changes to global governance and national policy choices. However, it is worth thinking that these changes have existed for many years. The rise of a few developing countries, such as China, has had an impact on the world order. But why has it caused such a big wave recently?

Domestic scholars have made some conclusions:

- Gaobo's article pointed out that the fundamental reason was that when globalization was in crisis and people generally expected the government to provide more social protection, the government went against the trend and tried to open the country with greater efforts to promote the free flow of capital and goods, which could not but cause people's fear and aroused a strong political backlash. The political impetus for the reversal of globalization comes from this set of contradictions: the urgency of requiring the transformation of policy paradigm in a crisis environment, and the strong inertia of policy makers to always use the old methods of neo liberalism to solve new problems.

- Zheng Yu's article puts forward that although the reality of globalization is far from the expectations of neo liberalism, globalization has not reversed, but has just encountered a speed bump. It is not a bad thing that the downturn trend of developed countries and the trend of differentiation of developing countries have weakened the impetus for the continued expansion of globalization. The taut rubber band should really be relaxed, otherwise it will be very likely to break. At the same time, all countries should re-examine and evaluate their domestic policies, and formulate more reasonable rules of the game of global governance to make the distribution of globalization fairer and more reasonable.

- Wang Xiangsui's article, from the perspective of long history, points out that the globalization of capitalism has gone through several cycles, and each cycle will go through a process from germination, growth to decline; The leading country in each

cycle will break out a holistic crisis due to its inherent defects. The essence of the current round of anti-globalization process is that the globalization led by the United States has begun to show the decay of life structure and aging of functions. The future new type of globalization belongs to the globalization of the global people. It is a globalization that countries on the edge of capitalism can also join equally. However, it needs to go through a period of regional adjustment through the transition of multi polarization, diversification and multi center before entering the new globalization of "taking the world as the world and the world as the world".

For Chinese enterprises, no matter what the reason, the benefits obtained by participating in globalization are obvious. At present, what stage are Chinese enterprises in the process of globalization, how are they evolving, and what position should they be in the future? How to follow the development law of global trade, cross-border investment, and personnel flow in the new round? Including the possible challenges and difficulties in the new round of globalization? These issues will be discussed in depth below.

2. Current State of Chinese Companies

Overall, the globalization process of Chinese enterprises is closely following the national policy. From the "going out" strategy in 2003, to the entry to the WTO, to the "The Belt and Road Initiative", RCEP etc., we can see the evolution trend. From recent observation, we find that,

- Chinese companies are accelerating the efforts to expand overseas.

One indicator of measuring company's global status is revenue generated overseas, with over 50% of it indicates this company's global status, otherwise it would stay in sub-level like international. From CEIBS survey's data, nearly 14% of companies reported that more than half of their 2020 revenue come from outside China. This indicates that China is continuing to open up its economy, and that Chinese companies are becoming increasingly global. Meanwhile, 75% of the companies surveyed generated most of their revenue from domestic business, with overseas revenue accounting for less than a fifth of their total revenue.

Two-thirds of the companies surveyed are engaged in overseas business activities, such as importing/exporting products and services, establishing overseas branch offices, serving as OEMs/ODMs, and engaging in cross-border e-commerce. 40.9% also export goods or services outside of China.

- Extensive global presence

74.7% of companies have a presence in Asia. According to statistics from General Administration of Customs, China's foreign trade volume in Asia amounted to \$2.39 trillion in 2020, accounting for 51.4% of China's total foreign trade.

58.5% and 57.2% of companies have made inroads into Europe and North America, respectively. In addition, a double-digit percentage have operations in South America, Oceania and/or Africa. This demonstrates that Chinese companies are primarily focused on the Asian market, but also have a presence in other parts of the world.

When it comes to the current business landscape and future expansion, we found that Asia is likely to continue to be the most attractive destination for overseas investment with two thirds of the companies surveyed planning to strengthen their presence in this region. That said, many of the companies had divergent views in terms of the importance of the European market versus the North American market – although the percentage of companies with a presence in Europe vs. North America was very similar (58.5% vs. 57.2%), Europe was the preferred destination for future expansion over North America (41.8% vs. 35.6%).

3. Route of Chinese Company's Globalization

It can be seen from the data that the status of Chinese enterprises in the world has significantly improved. Its milestone is in 2020, China, one of the top 500 enterprises in the world, surpassed the United States for the first time (total of 133 Chinese companies, including Hong Kong, Macao and Taiwan, with 124 companies from mainland), and the number of enterprises has increased year by year since then.

In this wave of growth, we find that the evolution of these listed enterprises, especially global enterprises, has obvious characteristics:

- The process of globalization can be divided into the following stages.

Normally, globalization is divided by five stages according to company's business and management maturity: Export-Initial Expansion-International-Multi-National-Global . However, Chinese companies took a different route, comply strictly with national policy, starting from 1978's "OPEN-UP" policy, 1992-2000's southern speech of President Deng, 2001-2007's WTO and cancellation

of restriction of companies' FDI, to 2008's post crisis era.

●From the perspective of globalization characteristics of enterprises, we found that Chinese companies are paying greater attention to geopolitical issues.

In recent years, China has completed multiple regional trade agreements. Over 20% of companies surveyed reported paying attention to provisions on tariffs, market access, intellectual property, investment, competition, and dispute resolution mechanisms. At the same time, companies have also shown greater interest in international relations, reflecting their increasing awareness of the challenges associated with geopolitical issues.

4. Opportunities and Challenges

We found the impact on Chinese enterprises is multifaceted in the anti-globalization process: on the one hand, anti-globalization has lifted China's strategic position. Social differentiation, political turbulence, trade protectionism and other tendencies are gradually intensifying in the international community. In such an environment, the Chinese government has strengthened its influence and role in the world economy and trade, providing a new opportunity for China's voice in international affairs.

China's promotion of the "The Belt and Road Initiative" initiative, in addition to serving as an opportunity for economic cooperation and development, is also an opportunity for global governance and enhances China's status and influence. It also revealed the ability of Chinese companies to withstand the impact of the COVID-19 pandemic. Survey shows 21.4% of companies reported that their overseas revenue remained roughly the same, while 17.7% reported an upward trajectory, and only 25.3% reported a decline. A further 12.4% of companies saw an increase in foreign investment. These results indicate Chinese companies' resilience in the face of the ongoing pandemic and still-recovering world economy.

On the other hand, the trend of anti-globalization has brought potential risks. The process of China's opening up has been challenged by some protectionist countries. At the same time, China also needs to face more competition in the global market, as well as challenges from transnational corporations and international trade rules. These factors will have an impact on the further development of China's trade, investment, and financial sectors.

Secondly, the trend of anti-globalization has also provided China with new trade and investment opportunities'-globalization will lead some companies to reexamine their business strategies in the world, so that their investment in China and other major countries will receive more attention. For example, some large investment banks in the United States intend to turn their business to the Asian market to seek new development opportunities. In addition, although China is facing trade frictions and an unusually volatile market, its economic growth is still closely following global technological innovation. The constantly changing Chinese market can promote global innovation and economic development.

However, in the context of anti-globalization, China also needs to maintain the openness of its trade and investment policies. China needs to adopt more active trade and investment policies to avoid being gradually isolated and excluded from the international market. At the same time, China also needs to strengthen the protection of overseas investment, support the internationalization of domestic enterprises, and safeguard intellectual property rights. In the global market, China needs to maintain its own image and credibility to attract more business opportunities and foreign investment, and at the same time, strengthen consumer protection to promote the long-term development of China's economy. While the pandemic has led some countries to retreat from global supply chains and call for an end to globalization, our research shows that most Chinese companies are optimistic about globalization (over 50% believed that globalization is an irreversible trend) and that Chinese companies should do more to tap into overseas markets.

To sum up the challenges faced by Chinese enterprises, there are mainly three key aspects as follows:

●Global operation and localized management

/The globalization of enterprises is not a global chess game but based on the localized operation under the overall strategic framework of enterprises. Therefore, many old multinational enterprises have summarized the process of globalization development into one sentence, "Globalization is localization". In short, there should be both the centralized management rules at the group level and the operation processes tailored to local conditions, At the same time, we should coordinate the advantageous resources and supply chain. Therefore, digital operation has become the standard configuration of Chinese enterprises in the new stage of globalization development, which is also a core capability of old multinational enterprises that have developed rapidly since the 1990s.ERP

deployed globally, centralized management or convertible master data system, transnational supply chain collaboration platform, highly automated process processing tools, business data service capabilities available everywhere, as well as group management templates and localized operation processes are the core of global digital operation of enterprises.

/Global operation capability is a basic capability that Chinese enterprises must build after entering the deep-water area of globalization, which directly affects the success of large-scale globalization of enterprises. We cannot simply copy the routine of the old multinational companies here, but we can stand on the shoulders of giants and make specific design by combining the distinctive institutional mechanisms, traditional cultural advantages, local policies, and other elements.

●Global branding and localized communication

/Brand is another basic condition for the long-term development of an enterprise. Brand is not only a representative of enterprise image, but also a carrier of products to the market. Because the global market systems are different and the cultures of different countries are very different, brand building and communication is an arduous challenge for Chinese enterprises in the new stage of globalization. Influenced by China's traditional culture and unique social system, it is a common way for Chinese enterprises to show their brands through grand narratives. However, this approach will not achieve good results in a considerable number of developed countries and some developing countries. In these markets, consumers are more willing to accept the communication mode integrated with local culture.

/Therefore, how a brand can tell a good global story, and at the same time, it can quickly spread in the local market, and clearly express the corporate image and product advantages to consumers in different markets, is also a required course in the new stage of Chinese enterprise globalization.

●Global talent

/Talents can be said to be the biggest challenge for the globalization of Chinese enterprises. Reviewing the globalization process of the old multinational enterprises, we have built a recruitment, selection, and training system for excellent talents in the years of war and have continuously emerged excellent professional managers to serve the markets around the world. The old multinational enterprises started earlier in various industries and are generally the rule makers of the industry. Their requirements for managers implement the management requirements of the group to the local market and make appropriate improvements while educating the local market. The globalization of Chinese enterprises is a difficult process. Although there is also the global promotion of this advantageous industry, it is more of a "tiger eat", which requires managers to take the initiative to adapt to the local market, combine the overall advantages of the group in this process, develop targeted strategies, step by step, from follower to leader.

Therefore, how to build a development system for professional managers who have a deep understanding of Chinese culture and the unique system and mechanism of Chinese enterprises, as well as the ability to quickly adapt to the global market and regional markets in different countries, is an unavoidable topic in the new stage of globalization of Chinese enterprises.

In today's economic globalization, for most ambitious Chinese enterprises, it is unrealistic to just want to settle in a corner of the domestic or regional market. Whether passive or active, they will eventually participate in global competition. Actively make preparations in all aspects, bravely go out, integrate into the international industrial chain, make full use of all kinds of resources, build a global operation platform and talent team, and tell the global story of Chinese brands. We believe that Chinese enterprises will shine on the stage of globalization, and contribute to the improvement, efficiency, transformation, and development of China's economy.

At the same time, Chinese companies face many challenges when developing their international business. In particular, the greatest challenge of all is a shortage of talent. Fifty-one percent of companies are concerned about the lack of talent needed for overseas business in the future.

In general, anti-globalization has brought a series of opportunities and challenges. For China to achieve sustainable development, the steady expansion and deepening of its opening up is particularly important. China needs to work closely together to strengthen safety net and communication on war routes in order to cope with trade protectionism, political risks, and the struggle for the labor market. In building a world alliance that is more mutually beneficial, dialogue, exchange, coherence, internationalization, and response to the challenges of a diversified global economy. China needs to remain open to achieve greater success in the international market.

5. Outlook

The globalization of Chinese enterprises will enter a new stage, in which more attention should be paid to the overall strategic layout of globalization, including expanding the market, stabilizing supply, and seeking more abundant financial instruments.

In terms of the market, Chinese enterprises not only go to mature markets to participate in high-level competition, establish global benchmarks and obtain stable returns, but also go to emerging markets to take risks and seek excess profits under high risks, and also go out with the core enterprises of the industrial chain to copy China's best practices overseas to form large-scale advantages.

In terms of supply, Chinese enterprises not only strengthen their control over raw materials and scarce resources, but also pay more attention to the introduction of global advanced technology, and also seek more abundant resources of engineers and industrial workers, just as many Western multinational companies have come to China in the past 40 years for the same purpose. At the same time, with the launch of China's "dual carbon goals" and a series of industrial transformation and upgrading policies, some industries must seek new countries and regions to layout in order to meet compliance requirements. Of course, in the process of globalization, many capital importing countries will also have some compliance requirements such as "market for technology" and other aspects, making Chinese enterprises unable to enter the target market through simple commodity trade channels.

Making full use of abundant financial instruments and mature capital markets to realize the global allocation of funds is an important capability of Chinese enterprises in the process of globalization. Different countries and regions have many differences in financial development and different levels of regulation, which requires enterprises to have a global perspective and localization ability to formulate corresponding strategies and implement them.

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