

OPINION

Lessons China can teach us

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I went to China recently to visit some industrial plants, meet the staff and learn from them. As Fonterra's present predicament indicates, business in China is not always straightforward.

China has much to learn about the importance of rigorous quality control systems and provides plenty of cautionary lessons for those considering investing there.

However, China is an economic phenomenon that is still on the rise and it has many other startling, positive lessons, especially for New Zealand.

First, many staff in the factories are graduates. In one Australian-owned plant, half had tertiary qualifications. In contrast to many graduates in our part of the world, who too often want to start part-way up the tree, and who are typically not keen on factory work, those I met in China were fiercely ambitious but willing to start on the factory floor, learn the basics and then compete to move on and up.

The people we met were vibrant, enthusiastic and positive about their prospects. They clearly had considerable dedication and a great sense of purpose.

Competition among graduates was intense. The political correctness of the way we dumb down competition was nowhere to be seen. Indeed, the Government selects each year a large number of the most promising young people and puts them through the most demanding training and experience programmes where only the best make it to the top jobs. Merit is overwhelmingly important.

The interchange between the government and commercial sectors is extensive, with many senior people in the party ranks, the government and the business world having worked in all these sectors. We operate in silos by comparison. We have a huge number of bureaucrats willing to control our commercial operations with all manner of regulations, yet almost none of them have any business experience. Our business people rarely know much about the inner workings of the official world.

The Chinese Government, both centrally and at local level, works closely, often intimately, with the commercial sector in a way which is only occasionally seen here. The relationships are complex and the bureaucracy can be burdensome, but the interaction is much more extensive and positive than I have experienced in New Zealand.

Yet we are smaller and should be able to cooperate so much more easily. Instead, our governments are too often suspicious of business and fail to appreciate that we share many common goals.

The plants I visited were among the best in the world. We think of China too often as a manufacturing country that is so competitive simply because of its low wages. This is a myth. It is true that wages are lower than in New Zealand, but it is often not appreciated that plant efficiency is frequently superior. This is partly a scale issue, partly technology take-up, and partly simply being smarter than us.

Whereas our rate of productivity growth (real output per person) has been declining since 2000 (after a period of a dozen years up to that time when we were among the best in the Western world), China continues to achieve remarkable growth.

Despite the heavy involvement of government in all walks of life, the Chinese manage to get things done so much faster and more effectively than we can manage. They regulate many aspects of the commercial world, but nonetheless facilitate things moving much more rapidly than can be achieved here. Our regulations can at best be said to be well-meaning, but the bureaucracy now surrounding the regulatory processes makes for delays and higher costs.

The irony of all this is, of course, that China has a single-party, authoritarian government, supposedly of a strongly socialist orientation, not one that we would wish for, but which has learnt to live more comfortably with a vigorous fast-

moving commercial world than any Kiwi government seems able to contemplate or even comprehend. The creation of wealth is celebrated and promoted. That is not a fashionable way to think here.

The depth and breadth of infrastructure was stunning, with user-pays widespread. Most new highways are funded by tolls. New car licences in Shanghai are auctioned to the highest bidders. Market mechanisms, much derided in New Zealand in recent years, are pervasive.

What should we do about these sorts of lessons if we are to benefit from them? A colleague suggested we could send all our ministers and senior officials to China for a year while the rest of us got on with life without the nanny state regulating our every move. He was only partly joking.

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