Small to Medium-Sized Automotive Supply Manufacturers Form Alliances With Chinese Counterparts to Remain Competitive

Many Âold China handsÂ involved in the early days of joint venturing are now finding cost-effective ways to help US companies establish ground. These professionals are in effect playing matchmaker and enabling the new alliances to compete with their multinational competitors.

(PRWEB) April 28, 2004 -- How victory may be produced for them out of the enemyÂs own tacticsÂthat is what the multitude cannot comprehend.
Sun Tzu on The Art of War

Is your company in jeopardy of losing market shareÂor even its existenceÂbecause of Âworld pricingÂ mandates, outsourcing, or the increasing clout of multinationals on the acquisition diet? Want to turn the tables and creatively compete with the big corporations? You can compete, and you can do it faster and more effectively.

Small- and medium-sized manufacturers can prolong and strengthen their position in the market by finding an appropriate partner in China. The marriage of compatible small- and medium-sized US and Chinese companies can lead to extraordinary benefits for all, including American workers. If you are a survivor who believes in adapting to a changing world, you can find real opportunities where other see inextricable demise.

Many US manufacturing companies have gone out of business in recent years as production moved to China. But few people realize that even more Chinese manufacturing companies and jobs have disappeared.

Take ChinaÂs auto industry, for example. It dates back to the 1950s when it was based on Soviet technology and driven by centrally planned production quotas handed down by Chinese bureaucrats. One of the main purposes of these state-owned companies, which sprang up all over China in the next 40 years, was to provide employment. The factories and labor skills were far below world standards, and their operations were not at all profitable.

As in the early part of the 20th century with the US auto industry, China had more than a hundred automakers and thousands of parts manufacturers. From the 1990s to the present, China has methodically been closing down and selling off these government-owned companies. Unemployment and associated hardships are affecting millions of Chinese. This ÂrationalizationÂ process, as it is known in the Chinese press, has been a major strain on industrial towns and has caused considerable political unrest.

What a shame that these small US and Chinese companies could not join together and build upon one anotherÂs strengths and markets. Before 1999, it was not practical or affordable for these companies to form the alliances that would help them compete in the global economy.

In the 1980s and 1990s, the Chinese government began to support select manufactures and let others fend for themselves. US and Chinese companies with connections to the power base in Beijing have been able to develop strong positions in China. ÂIn 2003, GM and its Chinese partners made $2267 per car sold in China. In North America, GM made about $145 per vehicle,Â reports Tom Walsh in the Detroit Free Press (3/30/04).

With the entrance of China into the World Trade Organization in 1999, professional consulting firms and other service providers are now allowed to do business in a mostly unfettered manner. ÂChina has agreed to eliminate a mandatory localization requirement and will now allow unrestricted access to its market to professionals [that are] licensed and [who] follow transparent procedures.Â (Source: The White House Office of Public Liaison, 11/17/99)

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One powerful and cost-effective way to form an alliance is for US and Chinese companies to invest in one another, often through an exchange of stock or percentage of ownership rights. US companies can often acquire ownership interests in state-owned manufacturers at a fraction of their market value, as deep discounting is allowed to facilitate the governmentÂs privatization efforts. This opportunity is unique, temporal, and mostly unknown to the general press.

A current example of alliance building is a recent project taken on by China Outsourcers, a Michigan and Beijing-based consulting firm (www.ChinaOutsourcers.com). They represent a 400-person Chinese headlamp manufacturer under contract to two of the largest Chinese automakers. This state-owned company hired China Outsourcers to do two things: 1) find a US partner that can help them develop new products and stay competitive in China; 2) find a US partner to help sell their less-sophisticated parts in the huge US auto aftermarket. Of course, a US company could benefit by expanding their market reach into China and taking on new lower-end products to expand their US market share. Everyone wins.

Maybe thereÂs a partner in China waiting to meet you. Why not find out?

We cannot enter into alliance with neighboring princes until we are acquainted with their designs. We are not fit to lead an army on the march unless we are familiar with the face of the countryÂits mountains and forests, its pitfalls and precipices, its marshes and swamps. We shall be unable to turn natural advantages to account unless we make use of local guides. Sun Tze on The Art of War

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