

The Economic and Trade Factors in China's National Image in the Arab Countries

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Abstract: *In the context of globalization, although governments maintain the leading role in shaping the image of states, the increasing bilateral economic and trade exchanges are gradually becoming an equally important, if not more important, element. The recent years have witnessed a continuous growth of trade between China and Arab countries—a newly established crucial trading partner and platform for practicing the “going-out” strategy. Thanks to both sides complimenting each other, a positive win-win situation has been achieved. However, as more and more Chinese merchandises and enterprises have entered the Arab world, certain problems have emerged, such as poor quality of merchandises, illegal operation of enterprises, and difficulties of certain Chinese employees integrating into local life. These economic and trade elements have become key factors in shaping China's image in the Arab countries, and hence should not be left unattended.*

Key Words: *China's National Image; Arab Countries; Economic Exchanges; Sino-Arab Economic and Trade Cooperation; China and the Middle East*

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Since the reform and opening-up, China has been actively promoting economic and trade cooperation with the Arab countries. Especially since the 1990s, the economic relationship between China and the Arab countries has become increasingly prominent. The exchanges and cooperation between the two sides in energy, commodities, investment, project contracting and labor have become more and more frequent and entwined. Therefore, the Arab countries have started to have larger strategic significance on China's economic development. As China's economic activities in the Arab countries grows, more and more Chinese commodities and enterprises have entered the Arab countries. Naturally, some misunderstandings and frictions caused by the economic activities are inevitable, and some problems have begun to affect China's national image. It is worth noting that, in the era of globalization, despite the fact that the government usually plays a leading role in shaping the image of the country, it is often in a passive position and cannot completely control a variety of complex factors shaping the country's image. All kinds of foreign trade and economic activities carried out by enterprises are a double-edged sword to the country's image, which can either enhance or blemish a country's national image. Therefore, China's image in the Arab world are also challenged by some economic and trade factors.

I. The Country's Image Influenced by Product Quality Issues

(A) Product quality and the image of the country are directly linked

Some scholars believe that there is a close relationship between a country's products and the image of the country. Its emergence and development is divided into three stages: "In the first stage, the consumers have no meaningful experience with the products. So in

this stage, the image of the country can play a halo effect which affects people's belief in the universal features of the products of a country, so as to affect people's attitude toward a particular brand or product. In the second stage, that is, after the buying behavior, the consumers' experience changes his/her awareness of product quality, and thus changes the original image of the country in his/her minds. In the third stage, the expectations or beliefs of the consumers on product quality are once again shaped by the country's image after correction." (Sun, 2002: October) In other words, the purchase and use of a country's products are not only simple consumer behaviors, but can also affect the consumers' perception of other products of the country and even the national image of the country as a whole. There is no doubt that in this process, product quality is the core factor that affects consumers' perception.

Recalling the history of modern international economics, product quality has always played an important role in the industrial development and the rise of a country. For example, from the 1950s, the Government of the Federal Republic of Germany established a principle that comparative advantage in manufacturing should be quality rather than quantity. So the government implemented the policy which uses product quality to promote brand building and use brands to promote exports. It is this policy that enabled the manufacturing sector of the Federal Republic of Germany to quickly recover and rise after World War II. And it is also this policy that nurtured a large number of world brands such as Volkswagen, Bosch and Siemens, which won the products of the Federal Republic of Germany broad reputation of preciseness and perfection. Before the 1960s, Japan's economy was mainly driven by low-end manufacturing. It opened its international market with low price, but their poor product quality was widely criticized. In the face of the plight, Tokyo came up with the idea of "quality for national salvation" and

implemented a series of policies and measures to improve its product quality. Through the strict quality management, Japan soon realized the strategic transformation of industrial economy, from low-value-added industries such as textiles, watches and calculators to high-value-added industries such as home appliances, semiconductors, industrial machinery, and automotives, occupying the world market with high quality products. Meanwhile, consumers started to recognize the Japanese products as fine, beautiful, energy-saving and durable. In another case, the United States has always made the scientific and technological innovation and quality control priority in its economic development process. Especially in 1980s, in order to compete with the rapid expansion of the Japanese products President Ronald Reagan signed into law the Malcolm Baldrige National Quality Improvement Act, establishing the Award and implementing a series of innovative measures to upgrade and enhance product quality. In the mid 1990s, the United States regained its manufacturing advantages, and in particular, established the global leadership in the emerging information and biotechnology industries. As can be seen from the historical experience of these countries, the development of a country's economy, especially in manufacturing, fundamentally depends on product quality. A big development can never be achieved without high product quality.

In China, the product quality has been an issue to which the party and the country attach great importance. As early as 1996, the State Council had issued the "Quality Development Program", clearly pointing out that product quality problems are strategic issues in economic development, in that they are not only a comprehensive reflection of a country's economy, science and technology, education and management level, but they can also affect the country's image. On the Seventeenth Party Congress in 2007, President Hu Jintao repeatedly stressed the importance of product quality and required

enterprises to pay attention to product quality, and relevant departments to earnestly strengthen supervision. But it is undeniable that under the aura of global product marketing in China, there are also a lot of quality problems. Zhi Shuping, deputy Secretary of the State General Administration of Quality Supervision, Inspection and Quarantine, said in the 2010 "3/15" China Quality and Consumer Rights Protection Forum: "Since the beginning of reform and opening-up, although the overall level of product quality has been greatly improved, the level of product standardization remains low, counterfeit and shoddy goods are still produced despite repeated prohibitions, and incidents jeopardizing quality and safety occur often. These phenomena have endangered the health and safety of consumers, and even damaged the image of the country. China's exported industrial products have been the most frequently mentioned for five consecutive years in the EU rapid alert system. Also, cases of Chinese product quality, reported in developing countries, have multiplied. There are intentions to hype the issue, but the issue of the quality of our own products is also involved." (Liu, Z.) As Zhi Shuping said, there are indeed quality problems with products "made in China", and there has been a strong "spillover" effect. If the product quality problem is not solved, then "Made in China" would suffer from the same large-scale identity crisis as Japan in 1960s and South Korea in 1970s and 1980s, thereby affecting China's economic development and the image of the country as a whole.

(B) Some product quality problems have aroused the discontent of the Arab countries.

Arab countries generally have a weak industrial base and low level of development of the manufacturing sector. Therefore, they need to import large quantities of goods. According to the report released by the Economic and Social Council of the Arab League, in the 22 Arab countries, an average of 92% of all goods need to be

imported from outside the region, and the average annual imports are more than \$ 200 billion. This huge market has undoubtedly provided great opportunities for Chinese enterprises. Since the 1990s, Chinese goods, including food, clothing, footwear, household appliances, furniture, automotive, machinery equipment and building materials, have been exported to the Arab countries on a large scale. Overall, Chinese goods have earned consumers' acceptance and recognition in the Arab countries due to their variety, high quality and low price. Today, products "made in China" have been all over the streets of the Arab countries, and become an integral part of the Arabs living. In the planned economy era, the state-owned foreign trade enterprises used to select high-quality merchandises to export. Unlike that, in a market economy, the autonomy of the various types of enterprises has increased, and so has the government's difficulty in regulation. As some fake and shoddy products were exported to the Arab countries, the quality of Chinese products has also caused great concern and even dissatisfaction in some Arab countries. Their criticism of Chinese products is on a gradually increasing trend.

Take Saudi Arabia, the largest consumer market in the Middle East, for example. Saudi used to have few import controls, so many Chinese enterprises went to Saudi Arabia to open up the market. However, some irresponsible companies took Saudi as a destination to dump inferior products. At present, there are counterfeits in different kinds of Chinese products exported to Saudi Arabia. Although these products are inexpensive, they caused Saudi consumers varying degrees of trouble and loss during usage, and thus gradually sacrificed Saudi consumers' confidence in Chinese products. Since the late 1990s, the mainstream media in Saudi Arabia reported the Chinese product quality problems every year. The frequent problems include: part of the household appliances produced in China have proved to have bad quality, which have sparked fires and caused

great damage to properties. Bad materials were used in building materials and furniture produced in China, which causes leaking and cracking after using for a short time. Electronic products produced in China are sometimes counterfeits of well-known brands in the world, and failures occur during usage. The engineering machinery produced in China has low reliability and high failure rates, with its reliability level test results only equivalent to 1/3 of the international level. In October 2010, the Saudi Council of Commerce and Industry, Saudi customs and other government departments, "Riyadh" and other mainstream media, as well as ordinary people jointly organized a discussion about the quality of Chinese goods, which at a time were seen as the equal as "of poor quality", "dangerous". Chinese departments quickly explained through the local media on the issue of product quality, stressing that "the vast majority of Chinese exports to Saudi have reliable quality. The quality problems of part of the Chinese products are caused by a variety of reasons: from the export side, there are some Chinese producers that ignore product quality to produce and even export some shoddy products of substandard quality. Speaking from the import side, a part of the Saudi importers use non-standard trade practices and procurement channels. Driven by interests in the procurement of Chinese goods, they are in the blind pursuit of low prices, omitting the strict quality requirements of the imported goods. China has the ability and technology to produce high-quality products, which is an indisputable fact. It does not negate all Chinese goods that part of the Chinese products in Saudi Arabia may have quality problems." (*The Economic and Commercial Counselor Yu Zirong Issued A Written Statement on the Quality of Chinese Goods in the Saudi Market*).

In this regard, the Saudi official position was relatively restraint. They believed that the responsibility for the proliferation of fake and shoddy products cannot be borne entirely by the Chinese side, and

that ineffective supervision of Saudi Arabia, as well as mercenary importers are important factors that cannot be ignored. But they also stressed that “the fake and shoddy products from China indeed have brought about huge loss and damage” to the local economy and consumers” (Riyadh Daily, 2010: October 3). The attitude of the media and the general public was more intense, who thought that “the Chinese people themselves have admitted such fake and shoddy goods exported to Saudi Arabia are hardly seen even in China ... the Chinese product quality problem is an objective fact. China’s explanation is shirking its responsibility..... There is a distinction phenomenon. China’s exports to Western countries are of good quality, yet a lot of those exported to Saudi Arabia are fake and shoddy” (Riyadh Daily, 2010: October 26). At present, the Saudi Council of Commerce and Industry has begun to create a blacklist of fake and shoddy products, and to severely punish importers and exporters in such business. Saudi Customs have also stepped up inspection of Chinese goods. According to reports, only from one city, Dongguan, there have been multiple batches of clothing, furniture, toys and other products that failed to meet the quality standards of Saudi Arabia and therefore were confiscated or refused into the territory in the entry checked” (*Dongguan Enterprises Encounter Clearance Crisis when Exporting to Saudi Arabia*).

The same problem has also occurred in Egypt. As a regional power in the Arab world and North Africa, Egypt’s prime location makes it a major export destination and regional distribution center of Chinese products. China’s exports to Egypt contain the full range of goods and various grades of products to meet the diverse needs of the Egyptians, especially those ordinary people in Egypt of lower spending power, who benefit from Chinese goods. The Egyptian deputy editor of *China Today* Ismail when receiving a television interview from “Al-Jazeera” in September 2010 stated, “Chinese

products are of high quality and low price, in line with the consuming demands of the majority of the people of Egypt. Especially in the moment when inflation has intensified, the Chinese products are critical to the lives of the people of Egypt.” However, some fake and low-quality Chinese products are also exported to Egypt, especially clothing, shoes, stationery, hardware, appliances and other daily necessities. These commodities do not take up a large share in the Sino-Egyptian trade volume, but cover a wide range, and are important to people’s daily life. Consequently the complaints of the Egyptian people on the quality of Chinese products are increasing. Meanwhile, many of China’s exports to Egypt have had an impact on the related local industries. Many Egyptian enterprises and people had psychological resistance to Chinese products originally, and the product quality problem has caused their further criticism of “made in China” and they are now making requests to restrict Chinese goods. The Egyptian government also believes that confusion has been caused by the poor quality of Chinese products in the Egyptian market. Since July 2009, the Egyptian government has asked the Chinese Customs to conduct pre-shipment inspection and supervise the installation of all industrial products exported to Egypt, to ensure the quality of industrial products exported to Egypt, and to prevent counterfeit and inferior products from entering Egypt. However, there are still many enterprises that continue to use means like exporting through the forwarders or forging inspection certificate to export shoddy products to Egypt and thereby impair the image of “made in China”.

Regarding the quality of Chinese products, Jing Ning, the head of the coordination office of the Department of Western Asian and African Affairs of the Ministry of Commerce said in September 2010 when accepting the *Africa* magazine interview, “A lot of daily necessities and light industrial goods sold in West Asia and North

Africa have no brand, and consequently there is no guarantee of quality, nor are they recognized by the market Some Chinese businessmen profit by selling inferior products, which has spoiled the reputation of the entire Chinese manufacturing sector, and even the country's image has been marred" (*Let African Re-accredited "Made in China"*). Indeed, the Arabs' opinion of Chinese products is shifting from "known and praised widely" to "better keep a distance". We should learn from past lessons in Russia and Eastern Europe. Once the Arab consumers lose confidence in Chinese products, then the restoration of confidence will surely consume great time and effort. More importantly, it will also damage the national image of China which has been established in the Arab countries as "honest and moral".

II. The Operating Activities of Some Enterprises Undermine the National Image

Enterprises running overseas are one of the main links for China's contact and interaction with the international community and foreign countries. "For the outside world, the behavior of the Chinese enterprises has a direct impact on the knowledge and understanding of the outside world on the rapid development of China. In this sense, the enterprises 'going-out' are important in shaping China's national image" (Wang, G.). Arab countries are an important region for Chinese enterprises to practice the "going-out" strategy. At present, there are a large number of Chinese enterprises in the Arab countries that carry out all types of business. Overall, the Chinese enterprises, especially large enterprises, have a good reputation in the Arab countries. Not only have they achieved mutual benefit and win-win with the host country in economics, but they have also fulfilled their social responsibilities and contributed to the local economic and social

development, hence enhanced the image of Chinese enterprises and even the whole country. Petro China, Sinopec, Huawei and ZTE, as the representatives of a number of enterprises, have been widely recognized by the Arab countries, and considered a model of good corporate citizenship. However, a wide range of issues also occurred during the operation of many Chinese enterprises, which have affected China's national image. These problems are more rather prominent in the engineering contracting business, showing mainly in the following aspects:

First, some enterprises suffer from poor project implementation due to the lack of experience in international operation. It has been just thirty years since China's reform and opening-up, and an even shorter time since Chinese enterprises "went out". The international business of many Chinese enterprises is still a process of "crossing the river by feeling the stones". With neither the in-depth research into the target country's national conditions, cultural, political and economic policies, nor the talent with sufficient international vision and experience in international business, they often simply rely on the courage to be "the first to eat crab" to go abroad. This is not only true for small and medium-sized enterprises, but also for some large state-owned enterprises. And the consequence is that the Chinese enterprises apply their operational experience in domestic construction projects to the Arab countries where the national situation is completely different, which often leads to poor implementation of the project, causing the host countries' dissatisfaction. Mecca light rail project constructed by China Railway No.14 Bureau eventually lost money but earned reputation. However, the key "200 schools project" in Saudi Arabia contracted by the Railway No.15 Bureau could lead to loss in both economic benefits and social benefits. The author has learned from a Chinese business institution in Saudi Arabia that due to lack of experience and ability of the international project contracting and

unfamiliarity with the British and American standards used in the Saudi international engineering contracting, the project management team suffered from the lack of planning and precise control over procurement of equipment and materials, labor organization and production progress. What's more, the subcontracting units were rather chaotic. And among the subcontractors, no unified quality management was conducted. Thereupon during the construction process, the construction level was uneven and the communication with the proprietor and supervisor was hindered. Up to now, the finishing date of the project has been delayed. The Saudi government expressed dissatisfaction about the progress of the project as the proprietor. Since reported by the Saudi media, the ability of Chinese enterprises has been questioned and criticized by many Saudis. As one of the leading enterprises of the domestic construction industry, China Railway Construction Corporation wishes to grow bigger and stronger in Saudi Arabia. However, due to the lack of experience and capacity in the operation of the international engineering projects, the operation of this project met with large problems. The large enterprises are like this, so naturally the similar situation is even more common in small and medium-sized engineering contracting businesses.

Second, some of the vicious competitions among enterprises have led to the decline in the quality of projects. After a large number of Chinese engineering contracting companies flocked to Arab countries, they have carried out vicious competitions for winning the engineering projects since. In international engineering contracting, phenomena like forging bid and bribing officials are serious, which result in very low bid prices that leave the enterprises with limited profit margin. Therefore, in order to save costs, some enterprises start to bribe the supervisors to reduce the construction standards, breach contract specifications, and even to cut corners and carry out

substandard construction. There are quite a few project quality problems caused by the vicious competitions. Some Arab countries have expressed their dissatisfaction. In the past two years, the Chinese embassies in Algeria, Sudan, Saudi Arabia and other countries have sent reminders and warnings to many domestic enterprises of this situation, requiring them to ensure the quality of projects in order to maintain the overall image of Chinese enterprises.

Third, some companies are not law-abiding operators and lack a sense of social responsibility. Although the overall level of economic development is not high in Arab countries, their legal systems tend to be learned from the West, which impose more stringent requirements and specifications on economic activities, especially in regard to labor and environment. Some Chinese-funded enterprises have violated the local regulations and avoided social responsibility during the implementation process of the project, which has caused some adverse effects. For instance, corruption in the Arab countries is common, so some companies accordingly believe that everything can be solved through bribery. Tax evasion illegal operation and other issues exist in many enterprises. Some companies do not hire enough local employees, or follow the old idea of operating in China, treat the local employees with lower wages, worse benefits, shorter vacation, and less labor protection, and often pocket remuneration, often resulting in tension in the labor relations. Some companies use high salaries as bait and collude with illegal intermediaries to recruit large numbers of workers from China to work in the Arab countries, but the actual work environment, labor intensity and wages are often far from what they claimed. This has led to serious confrontation between employers and employees and often civil disturbance, creating adverse effects locally. Some enterprises use the high-energy-consuming and high-pollution equipments that have been eliminated in China extensively in the Arab countries. They are also engaged in wanton

digging and dumping in constructions, and do not use noise abatement measures or anti-dust treatment. Various cases of substandard constructions occur from time to time, causing serious damage to the natural environment and harm to the health and daily life of local residents. These phenomena have seriously scathed the business reputation of Chinese enterprises, and caused some Arab governments and people's dissatisfaction.

Fourth, a part of the enterprises' employees do not comply with the local laws and customs. Before and at the beginning of the reform and opening-up, those companies that went to Arab countries to conduct business were the backbone of the domestic enterprises, and their employees also needed to go through rounds of selection within the enterprise and receive rigorous training for going abroad. Therefore, the Chinese people have been synonymous with "mannered" and "polite" and are all "sincere and amiable" friends in Arab people's mind. In recent years, with the dramatic expansion of the business volume of the Chinese enterprises overseas, all kinds of the personnel engaged in engineering projects went abroad in large numbers without going through any selection or training. Due to a lack of basic understanding of the local laws and customs, combined with weak personal cultivation, Chinese employees often disrespect the local customs and violate the local religious taboos. And there are also a minority of people with a corrupt mentality, who lack basic respect for the local residents and employees and behave aggressively, resulting in rejection and even hatred against the Chinese people and the Chinese enterprises among some locals. For example, in Algeria which has a traditional friendship with China, the public expressed resentment at words and behaviors of some Chinese citizens in recent years, and local media often reported that Chinese workers did not comply with local laws and customs. The Chinese Embassy in Algeria summarized and notified this issue. "The Chinese workers tend to

carry a large number of spare parts and garments in their luggage, so there is a suspicion of evasion of customs duties. A small number of Chinese people do not respect the local culture and customs. They use the national flag of Algeria to polish their shoes, and eat and drink in front of the Muslims during Ramadan. Some Chinese visit the pornography and gambling sites. And a few Chinese workers reported to be lost are in fact working somewhere else unauthorized" (*How Do Algerian People Look at the Large Influx of Chinese Enterprises and Individuals?*). Although Chinese embassies often urge the Chinese-funded enterprises to strengthen their management, organizing special events to "shape the image of China", there are still many Chinese employees that behave improperly and even break the law, which seriously affect China's national image. For example, in August 2010, due to the illegal parking of a Chinese worker in Algiers who ignored persuasion and humiliated the local people, a conflict involving hundreds of people erupted. The Algerian official exercised restraint, but the local residents started to have a strong anti-Chinese sentiment. Some Chinese shops and companies were smashed and some Chinese people were attacked. Currently, it's been common for the employees of the Chinese-funded enterprises in the Arab countries to violate the local laws and customs. This phenomenon is seriously affecting Chinese citizens, businesses, and even China's image in the Arab countries.

III. The Management and Maintenance of the Image of the Country should Be Enhanced through Multiple Channels

With the deepening of globalization, the problem above is not only the economic issues between China and Arab countries, but also relates to China's image in the world. If not taken good care of, the issue would have a negative impact on Sino-Arab relations. At the

same time, Western countries would also use these issues to further create pressure of public opinion, calling China “irresponsible” and “neo-colonialism” to hinder China’s great cause of peace and development. Therefore, measures must be taken to effectively strengthen the supervision of economic activities in Arabia to safeguard China’s image.

(A) The product quality management

First of all, we shall identify the entities responsible for product quality, and severely punish the illegal enterprises. Enterprises of production and sales of the product are the entities responsible for the product quality. Corporations have the responsibility and obligation to provide consumers with safe and reliable goods according to the appropriate quality standards. Enterprises that break the laws and regulations, particularly those that produce and sell fake and shoddy goods, must be punished by law or administrative means. Despite the large number of enterprises engaged in exports to the Arab region, departments of industry and commerce, quality inspection, customs and others still need to further increase the quality supervision of export enterprises, especially the SMEs, so as to strive to control the risk at the source. Local governments cannot relax the supervision due to economic interests or use “to respect the principles of the market” as an excuse. There are a number of Arab countries that have asked China to conduct pre-shipment inspection and monitoring of all industrial products. Once quality problems further ferment and other Arab countries start to follow suit, work pressure and difficulties of the relevant departments would increase exponentially. Therefore, it is necessary to take preventive measures.

Second, we should further the research of the Arab national quality standards. Chinese enterprises have become more familiar with the quality standards of Western countries but are still relatively new to the quality standards of the Arab countries. The one-sided

opinion of a few enterprises is that the development of the Arab countries is lagging behind, so they have low quality standards. The six Gulf countries, Egypt and Jordan, the countries that have joined WTO in recent years, have in fact developed a high quality standard with reference to the West and are determined to crack down on fake and shoddy goods. Therefore, we must seriously study the current standards for product quality in the Arab countries. It is important for us to stay prepared, in order to avoid losses from blindly following foreign importers.

Third, the consciousness of “relying on high quality to rejuvenate the enterprises and the nation” should be established in the whole society. Since the reform and opening-up, a few businesses and individuals have been mercenary in foreign trade activities, lacking quality awareness and moral integrity. In the critical period of China's economic and social development and industrial restructuring, there is an urgent need to learn from the experience of the United States, Germany, Japan, South Korea and other countries in the issue of “relying on product quality to rejuvenate the Nation”, to establish a sense of crisis, and to attach strategic importance to “relying on high quality to rejuvenate the nation”, which hinges on the fate of the country's future. A good atmosphere in which enterprises are responsible for their own products, the consumers, the society and the nation is to be created.

Finally, we should take advantage of the international channels to establish the image of “made in China”. China has rich mass communication channels in Arab countries, so it should make full use of these resources and establish a good image for Chinese products before product quality problems happen, so as to consolidate the confidence of Arab consumers in Chinese products.

(B) The contracting business management

First of all, the commercial departments at all levels and the

embassies in Arab countries should earnestly implement the “Foreign Contracted Projects Ordinance” to establish and improve the system of access to overseas engineering contracting business, the delisting and blacklist system as soon as possible, to guide, shape and investigate the business behaviors, and to timely notify and severely punish all kinds of illegal acts that affect the country’s image according to law.

Second, the role of industry associations should be further promoted, making it an important complement to government regulation. For this reason, the industry associations should be encouraged to improve the internal supervision and credit system in accordance with laws and regulations, enterprises with serious breaches can be punished by lowering the credit rating, refusal to issue a letter of support or refusal to recommendation of participation in preferential export buyer's credit projects. In addition, industry associations should also strengthen their training functions, so that employees could have a basic knowledge of Arab countries about the state of the nation, religious taboos, laws and regulations, which will help them to quickly integrate into the local life after going abroad.

Finally, as the main body of market competition, enterprises must change their rough business models and improve their core competitiveness. Most important of all is to train a group of international personnel proficient in Arabic language and culture, familiar with the laws and regulations of the Arab countries and project contracting industry standards as soon as possible. Only by being “people-oriented” can Chinese enterprises achieve a sustainable development in the Arab countries.

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