Chinese producers take aim at world brands
Jason Subler

Oranges being sold from a truck in Shanghai. Mandarin oranges from Nanfeng are known across China for their sweetness. (Zou Qing/Agence France-Presse)

Dole pineapples. Chiquita bananas. But Taina mandarin oranges from Nanfeng, China?

Chen Quanlong's ambition to turn his locally famous oranges into a recognized consumer brand speaks volumes for the direction in which the world's fourth-largest economy is headed and what it could mean for the rest of the world.

Like an increasing number of businesses in a swath of sectors, Chen and his colleagues want to set themselves apart from their competitors by creating value.

Not that their wares are entirely generic. The oranges grown around this county seat in the hills of southern Jiangxi Province are known across China for being particularly sweet.

They were offered as a tribute to the royal family for generations, and a few years ago Prime Minister Wen Jiabao dubbed them as a "golden brand," the local government's Web site boasts.

"Right now, China only has some regional brand names like Nanfeng oranges," Chen said in his makeshift office at the firm's processing plant. "We want to build a brand of our own, including other fruits."

With good packaging, sound distribution channels and advanced sorting and storage techniques, Chen figures that Taina can demand a premium, his confidence underscored by the new offices the company is planning to build, complete with a decorative pond.

"We aim to become the No. 1 fruit brand in China by 2012," Chen said.

In seeking to move up the value chain, Taina is hardly alone. Beijing, eager to upgrade the economy, is prodding firms across the board to do so, with incentives such as tax breaks.

The fact that even a fruit grower has its eyes on such a goal highlights the widespread desire to focus more on quality. That has implications for companies around the world. As China moves out of low-end products, it will potentially compete more directly with firms that are higher up the food chain.

Donald Straszheim, of Roth Capital Partners in Los Angeles, pointed to China's recent announcement of its intention to produce large jets and Intel's plans to set up a chip plant there as examples of just how hard Beijing is working to shift manufacturing and exports to higher-value-added products.

Underlining that trend, Straszheim said in a note to clients, was the fact that high-tech exports grew at an average of 34 percent a year from 2000 to 2006, twice as fast as textiles.

"This is the next frontier of trade friction, and is what China is referring to when they talk of substituting, in their economic growth plans, 'quality for quantity,' " he said.

Not so fast, said Ren Ruoen, an economics professor with the Beijing University of Aeronautics and Astronautics and an expert in international competitiveness. China may be able to foster a few firms in some industries that are ready to move up the value chain, but it is probably a long way off before it goes head-to-head in a serious way with major players, Ren said.

"China has been dreaming of making its own big airplanes for decades, but it is still doubtful whether it can really develop its own Boeing or Airbus," he said.

China's vast pool of migrant workers, most of whom have only a basic education, means that the country will continue to rely on labor-intensive sectors for at least another two to three decades, Ren estimated.

Still, China's increasing ability to produce what it used to have to import, such as machinery, is one of the reasons its trade surplus has exploded recently, reaching $177.5 billion last year, said Arthur Kroeber, managing director of the Beijing research firm Dragonomics.

Kroeber said it would probably be a long time until Chinese firms could compete as consumer brands in the West, as the domestic market was not developed enough to be a training ground.

But by moving into higher-end goods and being able to offer them in mass quantities at cheaper prices and with sufficient quality, they could essentially commoditize products that previously survived on brands, Kroeber said.

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