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INDUSTRY INSIGHTS

GCC

Tesla: The Future of Automation

An Analysis of Tesla – Autopilot, Elon Musk and Stock Market Trends

According to Forbes (2020), “Tesla Is Now the World’s Most Valuable Car Company With A $208 Billion Valuation” (Forbes). Being one of the world's leading car manufacturing companies, Tesla becomes the world's most valuable automaker. Without a doubt, Tesla success is worth discussing. This article will focus on Tesla’s Autopilot system, the founder of Tesla--Elon Musk, and the analysis of Tesla stock.

1. Tesla Autopilot

According to the Tesla website (2016), “Full autonomy will enable a Tesla to be substantially safer than a human driver, lower the financial cost of transportation for those who own a car, and provide low-cost on-demand mobility for those who do not” (Tesla). Therefore, Tesla has adopted the “Autopilot” system to its products. There is no denying that the autonomous era is approaching as the improvement and the advancement of technology and artificial intelligence.

However, has the Autopilot system of Tesla perfectly developed? Can the Autopilot system perfectly help the drivers drive safely? The answer is NO. According to the Guancha (2020), a website gathering the essence of Chinese and foreign thinkers, “as Tesla's sales volume increases year by year and the number of Autopilot users increases, as of December 2019, there have been 12 car crashes suspected to be caused by the failure of Tesla's Autopilot in the United States alone” (Guancha). Furthermore, “three fatal car crashes caused by Tesla's Autopilot have occurred in the United States'' (Guancha 2020).

From these examples, the Autopilot system does not perfectly assist drivers that still need to be improved. Someone may wonder why the Autopilot system cannot perfectly assist the driver. The article “Tesla's Autopilot technology is unable to identify big trucks'' published by StockFeel, a financial platform, states possible reasons for this imperfect Autopilot system. In this article, the author Xuyang Yao (2020) claims that all visual detection task algorithms have limitations and boundaries, which is the natural defect of Tesla Autopilot and many automatic driving visual detection schemes (StockFeel). Autopilot system’s algorithms basically adopt deep learning technology with the characteristics of generalization. This means that the system needs to be trained beforehand to recognize objects. However, if the Autopilot system encounters objects that have not been trained before, Autopilot is then unable to recognize them, causing car accidents (StockFeel 2020).

Although Autopilot has not become a 100% perfect system to install in cars, its future is still promising with the approaching of the age of automation.

2. Elon Musk & Tesla Stock

When it comes to how widespread it can be for Elon Musk laying out his business, the answer is everything and everywhere. From new energy business to space launches to new tech industries like AI, Elon Musk has been the pioneer to discover, to fathom even to create the future. Elon Musk devoted and staked almost the entire viability of his empire to delineate the future.

It is thus compelling to take a closer look at how Elon's empire, particularly Tesla shares performed in the financial market? Also, is there any fortune secret for Elon Musk? If any, what are they?

Starting from the second season of 2020, Tesla achieved superb financial performance that the price of the shares surged to a value of more than $700bn. While after a breaking-record rebound, Tesla stock price braked in the week which started with February 16th, 2021. While the temporary fluctuations of the stock, either purge or downwards going, is unable to foresee the futuristic picture.

It is also essential to map out the key support and resistance level of the Tesla stock when it comes to moving forward the stock trends.

In terms of the prediction of Tesla stock, Todd Gordon, from TradingAnalysis.com, has commented that the Tesla stock performance should not be considered alone since the company's investment strategy is highly associated with the space exploration company SpaceX. Indeed, SpaceX raised $1.33 billion from three rotated funding in 2019. As a private company, SpaceX's net value is somewhat tricky to evaluate. Musk is the biggest shareholder and the CEO of SpaceX. Compared to the figure of $100 million that Musk invested in the company, SpaceX apparently worth far more than the initial investment (Investopedia 2021).

Besides the intricate intervention with SpaceX, Tesla stands out as the pioneer in the Electric vehicle industry. While some commentators, such as AG Thorson, are not optimistic about the Tesla future, particularly the stock trend, criticizing the EV market is highly potentially another bubble style and short-lived industry. AG Thorson even baldly predicts and analyzes the possibility that the stock price of Tesla could crash below 100 us dollars per share in 2021, according to his most recent analysis report (Fxempire 2021). The reasons behind the pessimism seem to be solid.

Another finance expert, Michael Burry also commented the precipitous investing in these recent months would invite another bubble plunge up to 90% for the Tesla stock. What is also worth being attentive to is that the sharp decrease of Tesla will not be accordingly reflected in the system, that is, it would not crash the system. More investors will simply turn to be diffident to invest in the bald future.

Admittedly there are certainly good reasons to hold the Tesla Stock tightly in hand. Tesla launched its novel Model Y SUV in the first season of 2020, in advance of around half-year as the original launching time. In addition, there is also an enormous production expansion on both sides of new model innovation and the construction of new factories (Nasdaq 2021). Unlike SpaceX and another field of industries that are literally money burning, Tesla has been recorded profitable with a stunning cash flow purge. For example, only the third season of 2020 has reached the free cash flow at $1.4 billion. As the company's ambitious blueprint of new factories and production lines, some commentators even predict the potential that the new series vehicle of 2021 could break the new profitability record which can increase more than 50% the 2020 levels (Nasdaq 2021).

Regardless of the financial performance of Elon Musk's industry, to be fair, Elon Musk hasn't implemented his business aiming to be profit-oriented. Elon Musk has been continuously setting his foot at the forefront of driving. His field enlarges to the expansion of investment, research, and development in the industry of autonomous driving, the solar business, and notably, the five trillion dollars market Electronic vehicle in the next decade.

Reviewing his interview in 2014, he frankly said that he would possibly spend his entire fortune to build a base on Mars. He simply sees himself as an engineer or a designer rather than a billionaire. He does everything out of passion and imagining baldly about futuristic fantasies. "I kept expecting us to advance beyond Earth, and to put a person on Mars, and have a base on the moon, and have, you know, very frequent flights to orbit," he said (BBC).

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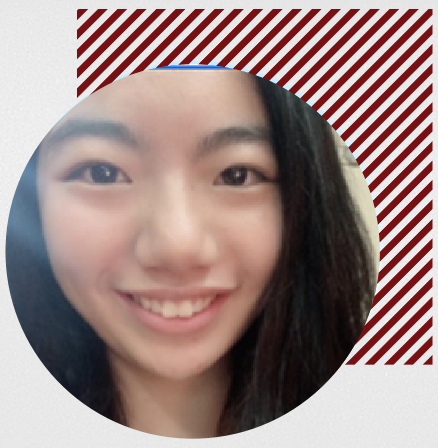

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After the Pandemic: Impacts of COVID-19

Impacts of COVID-19 on Business Models, Financial Institutions and Consumer Behaviors

There is no doubt that Covid-19 has brought unprecedented changes for every entity, even for the individuals or businesses that used to do well in counter risk management. The pandemic reshapes the future not only to households, well more radically to the business scenarios. Phenomenal stagnation in supply chains, the accelerated shift towards digital shopping, and turbulence and corresponding reformation in the financial market can make people realize the strike has come more fiercely than imagined.

The pandemic has led to significant instability and high volatility in global capital markets. The financial sector has been one of the most affected, with bank valuations dropping in all countries around the world (P/NAV multiple experienced a severe downfall from 1.00x in December 2019 to 0.69x in April 2020). At the regional level, North American banks are still trading at P/NAV equal to an average 1.15x, while Asian and European banks (with exception of the Nordics) are currently trading at significant discount levels (with average P/NAV at 0.56x and 0.52x, respectively). This giant influence can also be found through the change of stocks. In the period from December 2019 to April 2020, most banks saw a price slump in mid-March. What's worse, the pandemic not only has a negative impact on the commercial bank itself, but also related goods and services it provided in the global markets.

For one thing, the low interest rate scenario, resulting from the COVID-19, is reducing the core banking profitability in mature markets. Thus, financial institutions are shifting towards commission-based income from the likes of payments and tech businesses. For another, increased credit risk of corporate and retail clients of the banks seem to be inevitable due to this health emergency. In order to continue financing the real economy and support its recovery, commercial banks are called to distinguish between purely temporary phenomena, destined to be reabsorbed in a short time, and longer lasting impacts which would require actions of management and reclassification. The contraction in economic activity is having adverse consequences on credit quality as banks are increasing loan loss provisions. Some European banks, have already posted significant losses in Q1'20 (Jan-Mar) to face a potential surge in bad loans.

At the same time, the pandemic also helps commercial banks to think about the chances of digitization as well as the ability to offer an excellent customer experience, even though it has highly influenced the real economy. They are now encouraged to make the use of channels that have never been their strategic priority. This phase would be particularly complex, which banks need to address by demonstrating real proximity with their customers. The clear understanding by banking operators of their gap in the provision of services, becoming more tangible than ever before with COVID-19, could make them even more inclined to accelerate the digital transformation path through partnerships and collaborations within the fintech community.

Another fundamental change is consumer behaviors due to the fact of lockdown, social isolation, and economic instabilities. COVID-19 affects the everyday life of consumers and influences their shopping behaviors. The survey "Impact of the covid-19 crisis on short- and medium-term consumer behavior" conducted by Deloitte monitor collected information from around 2000 consumers and industry experts in Germany regarding how consumption behavior changed and how the long-term impact can look like. The new changes turn out to be a rocketing number of purchases via digital channel, the phenomenal rising in sharing economy, the resurrection of local businesses, and the mind-set change of gaining more convenience with the cost of loosening data privacy (Deloitte 2021).

As consumers purchasing behaviors change drastically during Covid-19, in turn, it leads to a regressive reformation of market structure as well. Regional based firms are forced to shut down because they are facing the deficiency of essential supplies and the limitations of operational capability. The need of diversifying businesses from nationwide dominance to global distribution has arisen. Simultaneously, more firms have adapted to enhance the operational agility with comping up the multinational enterprise strategy in research and development, with more job opportunities available which open the vacancies to all over the world (European Business Review 2020).

The Covid-19 traumatized retailer revenue during the first break out, however, at the same time inspired the business to accelerate the progress of technological innovation and the pace of reformation. For the business which can seize the chance of the transition adapting to the new business-mode, apparently they can win the battle thanks to the spirit of innovation. The ideology of running a business after Covid-19 shifts to a focus of business technology innovation, reduction of costs with structure optimization. It seems now is the best timing to "think outside of the box", enterprises such as Dropbox, Uber, and Airbnb released and promoted the idea of "sharing economy" which indicates a shifting norm that pushes against overconsumption and increases people's awareness of the value of sharing (2014).

The long-term effects should not be neglected. Though more retailers gradually reopened their business after Covid-19, consumers intend to have the preference about picking the retailers which offer them decent digital shopping channels during their sadden quarantine time. The new inclinations of purchasing behaviors after Covid-19 include discovering new brands or products via online channels, selecting goods with promotions available, and favor towards goods which are perceived safer during the special period of Covid-19. Regardless of the influence of Covid-19, demands of goods remain heterogeneous all the time which incur the soar of growth of revenues in tremendous business (Mckinsey 2021).

COVID-19 pandemic is undoubtedly an era-defining challenge for the entire world. The global economic downturns and substantial change in consumers' behavior posed unprecedented challenges on foregone banking and retail business models. Retailers and financial institutions around the world are forced to embrace digital transformation. To go digital, or go dark. Crisis breeds ingenuity and the devastating COVID-19 indeed becomes the catalyst for digitalization in finance and commerce, two areas with the closest linkage to peoples' lives.

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INTERNATIONAL RELATIONS

U.S.-China Relations Under the Biden Administration

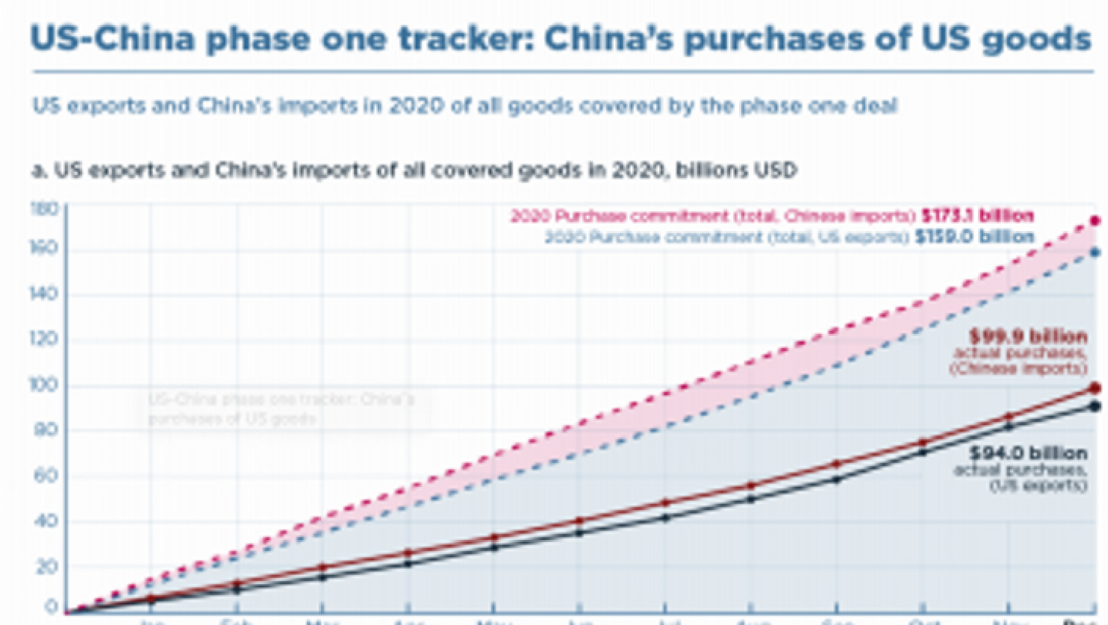
Developments Impacting U.S.-China Political and Business Engagement in the Biden-Era

The US-China relations went through a long slump during the previous Trump administration with Donald Trump's hard-line tactics to counter China's rise. The hot topic of days and the believers of "China Threat" theory were coming into the limelight claiming that a new "Cold war" was brewing. However, with the new Biden administration, it is believed that the earlier confrontational stance could change for the better from "fundamental competition" to fundamental cooperation on certain key areas, like climate change, fight against Pandemic, etc where China and the US could work together. In addition, in a world where China triumphs as a sole "manufacturing hub" being a leader in global supply chains, the earlier administration's tough stance wasn't all welcoming. On the backdrop of this regime change and how far the Biden administration may be willing to change its engagement vis a vis China from its predecessor's harsh stand, we'll be enumerating a list of areas where changes could be expected ranging from education to trade.

1. Trade

President Biden has made clear that China is a strategic competitor of the United States, which means a tough stance would continue but in a different manner. Unlike the Trump administration, whose tactics undermined alliances like Europe and Japan, Biden will more likely take on traditional instruments of diplomacy by strengthening and making better use of these major alliances to contend with China. According to Ian Bremmer, president and founder of the consultancy Eurasia Group, some of China's diplomats who aggressively defend Beijing probably prefer Trump, since his leadership damages America's traditional alliance partners and provides grounds for moral equivalence regarding human rights and unilateralism (CNN).

Biden stated that the administration would not make any rash moves before a full review of the existing policies and consults with U.S. partners. The Biden administration tends to further promote decoupling of the two economics, especially in technology, and removing tariffs on Chinese goods does not seem to be a big priority for him. The trade tension between the U.S. and China still persists as China faces demand constraints in meeting the purchase commitment under the phase one trade agreement. It is required that China purchase around $200 billion worth of U.S. goods and services in 2020 and 2021, on top of the amounts imported in 2017. If China continues to fall short of the number committed by 2021, there may be retaliatory action required by the U.S. political pressure. However, there are concerns from the U.S. side that the trade deal undermines the rule of free markets; and given that it also negatively impacts the trade of the key U.S. allies such as Australia, the EU, Korea, and Japan, who are big exporters to China as well, the U.S. may abandon this mandatory trade strategy appealed by the current need of building a coalition relationship with its allies.



2. Culture

On Feb 10th, before the Lunar New Year's Eve, president Joe Biden sent his greetings to Chinese President Xi Jinping and all Chinese people during a phone call with Xi. Biden and the First Lady Jill Biden also delivered their Chinese Lunar New Year greetings through a short video. In the video, he explicitly stated that “racism, harassment and hate crimes against Asian Americans and Pacific Islanders, is simply wrong — it’s a stain on our national character”. Biden showed his determination to tackle the legacy left by the Trump administration as he signed the executive order to advance race equality.

Since the rise of the coronavirus pandemic, former President Donald Trump and his staff repeatedly blamed China for creating the pandemic and called the novel virus “Kung Flu”, or “Chinese virus”. Historian Erika Lee said in one CGTN report, that “One of the persistent myths or charges about immigration has been immigrants don’t assimilate. They bring crime. They bring disease,” the virus is “being seen as something that is somehow some sort of genetic or biological to Chinese people, to Chinese culture.” Words framed by politicians have given rise to the increasing public discrimination and xenophobia against Chinese as well as other Asian citizens within the U.S.

Hopefully, under the Biden administration, we can foresee a more respectful and collaborative attitude in dealing with shared challenges like the pandemic, climate change, and economic recovery. The impact of Chinese culture is more prominent as represented by the Lunar New Year; the quality of Ox - strength, courage, resilience, and perseverance are what the world needs now to overcome challenges ahead.

3. Education

Educational exchanges and institutional partnerships are at the heart of US-China relations. The asymmetry of interests was never a problem between the two and thus such engagement only continued to grow. However, certain changes can be felt where the forces of globalization do not reach.

Professor Zhu Zhiqun points out the unbalance between the US-China educational exchanges and how American students are still too euro-centric.

He points out that “the number of American college students studying in China has declined, and the exchanges between the two countries are extremely unbalanced.” This unbalance could exacerbate differences between the youth of the two nations and The lack of mutual understanding are potential problems in the future of US-China relations.

Also, the increasing speculations about the Chinese students have arisen so much that “A 2018 White House report said that China has encouraged its students to “‘master technologies that may later become critical to key military systems.” Evidently too, the gap has increased due to the Pandemic where Chinese students in America, like the rest of the world were most discriminated against. Furthermore, the closing up of many Confucian institutes which have repeatedly been part of various controversial topics adds much to the growing differences and hence the gap between the ever-continuing stable Educational exchanges between the two nations has increased.

The government of the two countries has always been the major force pushing forward for more cooperation in the field of education and development. Thus, the sour turn of events that has led to widening the gap can only be closed by further cooperation as this major aspect, i.e. of Education tends to be sidelined by other major issues at hand.

4. Political relations

The bilateral relations between Beijing and Washington hit a new low when the Pandemic was at its peak coupled with tensions in the South China Sea, the promulgation of national security law in Hong Kong, US-China disputes concerning the WHO, human rights violation, etc. noting the sensitivity of these issues in the complex security environment, analysts have been keen on knowing the next big of the Biden administration. Secretary of State

Antony Blinken has described the relationship as a 'complicated one', containing a mix of 'adversarial', 'competitive', and 'cooperative' dimensions. And Biden's special climate change envoy John Kerry has made clear that cooperation with China on climate change will be one of his central goals.

However, one thing that is obviously guiding the US foreign Policy is the stable diplomacy tactics which might be continued rather than the Trump administration's hardline approach. For now, the major issue at hand in Washington is obviously its unstable domestic economy. But nonetheless, the ongoing G-7 meeting and Biden's first phone call to Xi indicate that some of Trump's policies may continue to stay like "preserving a free and open Indo-Pacific". However, the difference between the two administration's stand vis-a-vis China can be felt through Biden's "practical, results-oriented engagements when it advances the interests of the American people and those of our allies." However the events may unfold, it can be said that US-China relations can't be taken in binary terms and earlier Zero-sum may continue, but under disguise and with global cooperation which the Biden administration is vying to achieve but its European counterparts are too hesitant to follow the lead.

5. Healthcare

COVID-19 has claimed the lives of millions and the highest being in the U.S. in both the number of cases and deaths. The Trump administration downplayed the severity of the overall virus situation while turning people's attention to other aspects by holding China primarily responsible for the virus and its emergence. He even criticized the United Nations (UN) specialized wing - the World Health Organization (WHO) for their "bias" towards China.

After all, China, where the pandemic began, had managed to quite effectively handle the pandemic with far fewer cases and death numbers. Trump even set plans to withdraw the United States' membership from the WHO made headlines as the U.S. was the largest donor for the agency.

The strained relationship in global health cooperation especially amidst the pandemic, however, started seeing hopes of improvement after the Democratic Joe Biden won the 2020 U.S. Presidential Elections. As China called for the international community to work collectively in ensuring an equitable distribution and use of COVID-19 vaccines on the 20th of January, the US announced, on the next day, about resuming funding for the World Health Organization and joining its commitment targeted at sharing.

6. Technology

In recent years the struggle for technology supremacy between the two economic giants - U.S. and China has been highlighted by the Trump Administration's actions. Harsh actions were taken as privacy risk claims were made against popular Chinese-owned apps WeChat and TikTok. Tough sanctions on Huawei for reasons along the same line demonstrate how much of growing importance this sphere is in international relations.

China, however, continues to innovate and improve its technological competence. Potentials of the combination of two of the popular advances - Artificial Intelligence (AI) and 5G could allow for a giant technological leap. The nation aims to be a world leader in AI by 2030. Having a large internet-using population helps the nation by making large sets of data available which helps it further improve in AI. In the 5G technology, China is already a leader. However, the geopolitical race in technological dominance remains heated as both the giants compete towards researching and patenting the 6G technology which might just be the next industrial revolution.

Rivalry in technology is not expected to cool down even with Biden's arrival. Perhaps a rather clear sign was when Biden warned China of "extreme competition" from the US, despite the indication that the new administration would not be like Trump's. While speculations can be made Biden has not yet announced a systematic technology stance toward China. However, it can be deduced from his televised comments that there will be a promotion for cooperation while protecting and maximizing US interests.

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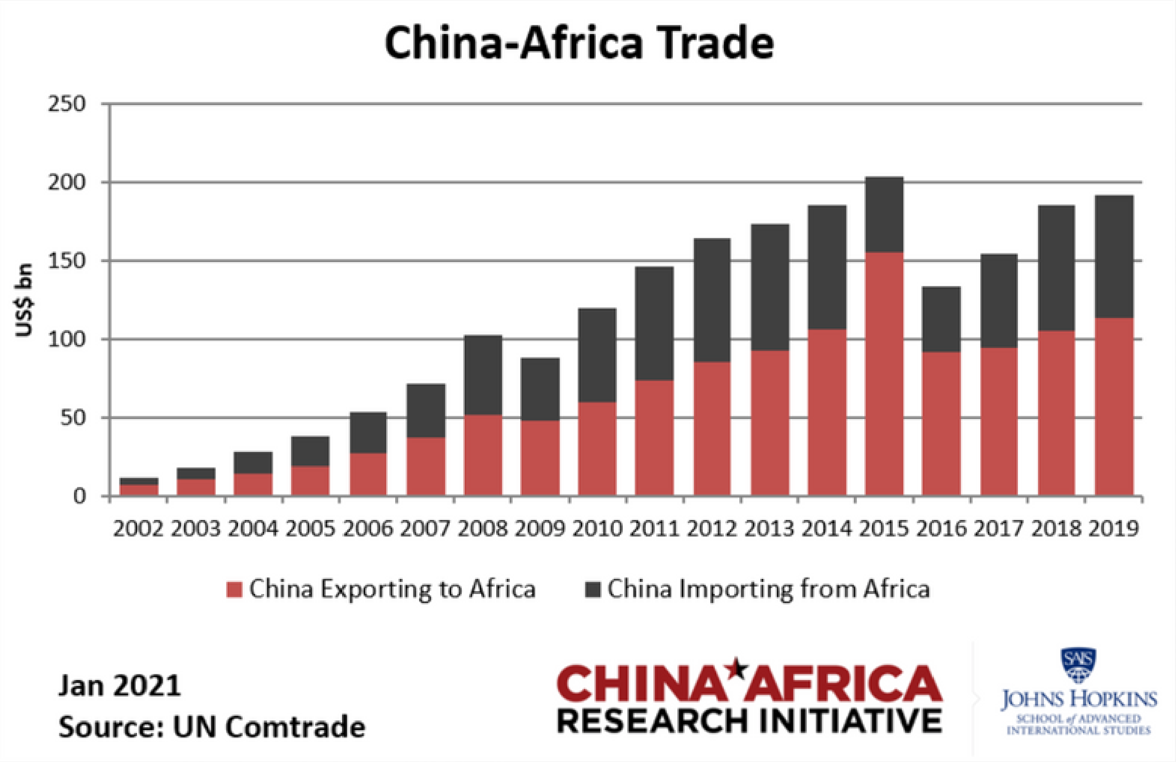
Africa in the Global World: Increasing Strategic Rivalries Over the Region

An Analysis on the Chinese, Russian and European Presences in Africa

The region that was once called the “white man’s burden” is what major global powers are vying for today. The African region which is rich in natural resources and has great potential for market development coupled with other major factors has become what some might call “a resource curse”. The great power rivalries reached the continent when Europe and the USA ignored the potential and strategic importance of the region. The laid-back approach of the west has led two of the emerging powers to gain a threshold and exploit the richness of the region. China extended its economic ties in Africa and has become the largest trading partner of the region now. Russia too has been expanding its presence in the region which was lost since the dissolution of the Soviet Union. This only reflects how Africa has become a hotbed of rivalries when European countries are soon realizing their declining presence in the region. In this article, we’ll be analyzing Chinese, Russian and European presence in the African region and how over the years, the rivalries have intensified due to a number of factors.

1. China

China has been the central player in Africa’s development as much of the continent’s infrastructures are invested by Chinese companies and funding. Africa exceeds Asia to become the largest market for China’s overseas construction. Chinese business in Africa since 2005 adds up to more than $2 trillion, and the Belt and Road Initiative draws the two countries even closer in trade. The shares of other prominent players like the EU and US in African infrastructure have declined over 10% while China claims 40% share which continues to rise (Forbes). The biggest infrastructure projects in Africa are exclusively developed by China, including the $12 billion Coastal



Railway in Nigeria and the $11 billion megaport and an economic zone at Bagamoyo. Apart from the investments along the BRI in African countries, China is also ramping up its influence in the continent through vaccines. Among many other things, the COVID pandemic opens up opportunities for China to extend its clout in the African continent through vaccine diplomacy. According to CGTN, China has distributed vaccines to 19 African countries thus far. The advancing reach of China’s power in Africa is enabled by its pandemic management and relatively high social stability compared to other democratic states that are still suffering from a lack of pandemic control and social unrest.

Chinese medical aid to Africa is nothing new. The Chinese government has been sending medical teams to African countries since 1963. China again sends its medical expertise and supplies to the African countries amid the pandemic, hoping to foster a stronger rapport with the continent. Critics of China’s vaccine endeavor in Africa points out the Chinese vaccine roll-out manifests itself in less than 4% of the Chinese vaccine exports, or 3.15 million shots, indicating a gap between the Chinese officials’ presented effort and the actual action.

On the other hand, Alex Lo, a columnist from the South China Morning Post comments on the duality of vaccine aid perception, saying "If China and Russia provide inoculation aid to developing countries, it's called vaccine diplomacy. If Western countries do it, it's humanitarianism. Fine, you say to-may-to, I say to-mah-to. Except Western countries aren't conducting much humanitarian aid, rather the opposite."

2. Russia

Russian presence in the African continent has gone through a series of changes starting from the little importance ascribed to the region under Stalin, to gaining the support of major non-aligned countries of the African region under the Soviet camp (the Cold War politics), to growing importance of the region under to counter Chinese presence under Khrushchev, and the period of disengagement after the dissolution of the Soviet Union.

These periods of bustling engagement and disengagement have shaped Russian Foreign policy in the region with its waxing and waning importance. Now, under Putin, Russia has been keen on gaining a foothold in the region with major political and economic agendas in mind, coupled with the need to counter ever-growing Chinese presence leading to a China-Russia rivalry in the region. Russian interests in the region are defined by its desire to procure vast energy and mineral resources of the region, to extend economic aids and enhance business ties, and its political and security interests.

Russia has been employing what could be to some extent called "the Chinese style engagement policy" in the region, i.e. through summits and conferences, through soft diplomacy, etc. In the first Russia-Africa summit held in Oct. 2019, Putin emphasized the importance of the region and its willingness to provide aid or trade deals "without political or other conditions". This statement could also be seen as the earlier Sino-Soviet strategy in Africa, whereby it aimed to "provide most, demand least". However, the Russian presence in Africa has been met with a series of backlash from the west with its growing interference in the internal affairs of the countries, growing military agreements, and arms sales. Russian exports to Africa from 2015-19 accounted for 17% of its total arms exports, which is not the largest but pretty much significant. The trade and investment between Russia and Africa witnessed 185% growth between 2005 and 2015, according to Comtrade. Additionally, Russia has also been heavily investing in the oil and mining industry in the region. Moscow has also started extending its vaccination aid to African countries via the African Union projecting itself as a responsible power during the Pandemic when most of the African countries are suffering from the rise of cases each day. However, the Russian presence isn't that extraordinary vis a vis its competitors and it's a long way ahead.

With Russia facing sanctions turned to new trading partners in the African region and Putin's aim to make "Russia as a global power", the need to get more strategic partners has been driving it to the continent. However, this aim will not come easy when China is already a major trading partner and an important player in Africa. Russian pivot to Africa comes at the cost of China and even the USA who's always double-checking Moscow's intentions and influence in the region.

3. Europe

COVID has accelerated the importance of nations' connections with their neighbors as a result of the growing conflict within, and the multipolarity of the international system. Such has been the case of the EU which has had a strained relationship with Africa from the beginning. In the longer-term Africa provides opportunities for Europe in a variety of areas. For instance, European states could relocate various basic industries and parts of their production chains from Asia to Africa. And Africa's growing middle class, young workforce, increasing consumption, and a huge need for an infrastructure of all kinds could benefit European economies.

The relationship between the European Union (EU) and the African Union (AU) was supposed to be revitalized in 2020 at the AU-EU Summit. In March, the European Commission and European External Action Service had proposed a joint communication for a comprehensive strategy with Africa. Developmental organizations and Think Tank groups were on the topic of the relationship between the two continents. However, the pandemic pushed it all behind. The high-level AU-EU summit, where the EU hopes to turn the Comprehensive Strategy with Africa into a strategic partnership has been pushed to 2021 with no specific date or location.

For both the EU and AU to head towards sustainable growth in a post-pandemic world, containing COVID is necessary. However, access to vaccines for most countries in Africa remains challenged as wealthier nations produce and/or stock available vaccines. This by default would require the African nations to depend on support from other countries for vaccinating their people as Africa is increasingly gaining interest from external powers. The contemporary geopolitical competition is one of the main reasons for this. However, China's growing influence in Africa poses risks for European countries even as they seek out new production capacity and markets on the continent. Europe is still far from having the political consensus, focus, or development policy it needs for engagement with Africa given the range of economic and political interests the different member states have. Given the current pandemic, for the EU to make use of strategic partnerships with Africa, it must integrate playing a larger role in assisting AU nations with vaccines as a supplement.

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CULTURE

Guanxi: How Cultural Values Affect Business

An Analysis of Guanxi - a Form of Interpersonal Interaction in the Chinese Society

Guanxi(关系) is a unique form of interpersonal interaction in Chinese society. The direct translations of this term, like "connections", relationships" or "networks", all fail to reflect the profound cultural meaning Guanxi stands for. Guanxi refers to networks of contacts with which people will prevail upon another. Such strong personal relationships are usually permanent and involve reciprocal favors for the relationship maintenance. Guanxi is a social capital, especially in the business context. Chinese businessmen tend to prioritize or favor those who cultivate Guanxi with them when they initiate business. Therefore, Guanxi can indeed turn into opportunities and material benefits for people who own it.

The origin of Guanxi can be traced back to Confucianism, the most influential cultural belief in China. Confucianist culture emphasizes the interdependence of people within the communities and mutual obligation and trust. Wulun(五论), the fundamental Confucian idea, categorizes the society into five cardinal relationships: ruler-subject, father-son, husband-wife, elder brother-younger brother, and friend-friend. Under this basis of Chinese social network, people are expected to fulfill their obligations and enjoy the rights specific to the differentiated role relationships. In other words, the social norms according to Confucianism about social interactions are situation-centered in Chinese society. People are required to adapt their behavior accordingly with the purpose of obligating the community principles. To perform these five relationships, people had to hide their independent will, which is depicted as "collectivism" in modern terms. Therefore, the conception Wulun strengthens Chinese relationships and secures the favors in personal relationships by defining obligations and rights, which becomes the historical origins of Guanxi.

It is believed that no appropriate translation of a certain concept of one society can be one of the representative characteristics of the culture. So does Guanxi. In Western culture, the word with the closest meaning is networking. However, there are still many differences between these two concepts. To be concise, networking is an important part of doing business anywhere, especially in making connections between stakeholders. One of the most typical examples of networking is a platform called LinkedIn, where clients could connect with whoever shares similar educational or job experiences, or those whose abilities match the job description well. But developing guanxi isn't as simple as following someone on LinkedIn. As we have discussed above, if someone has guanxi with an individual, they are obliged to do a favor or act on the individual's behalf. Likewise, the individual must maintain guanxi by offering the same support. In comparison, Networking in Western society seems to be a relaxed affair. That is, you can simply scroll through your LinkedIn friend suggestions, spot someone you worked with three years ago, and add them as a friend to finish one networking operation, but maintaining a stable and reliable guanxi relationship requires more effort not only from yourself but also between generations. This also implies two distinctive characteristics between the two countries. First, business in the U.S. can be more direct and unceremonious, compared to that in China, where the latter requires more time in feasts or banquets to maintain guanxi. Second, American managers prefer to separate work and personal relationships and avoid mixing them up as much as possible to prevent any unfair behaviors in decision-making, while Chinese counterparts are much more likely to intermingle the two to guarantee successful development and progress of the project.

With globalization comes the necessity of analyzing the different cultural values that affect business relationships. As there is no universal pattern, adapting to different cultures can pose as a difficulty. What must be indulged, the local or the global trends? As Buckley, Clegg, & Tan (2006) remark, international firms still struggle to succeed or sustain their business presence in the Chinese market due to their lack of awareness or understanding of the specific cultural context. Therefore the obvious question, for example when a business transaction is done between a Chinese party and an American counterpart, how does it manifest?

The general result is that the seller leans towards the buyers trends. Western cultures seeking to do business in China must understand the essences of guanxi for fruitful financial performance, because that is what forms the foundation of the relationship of the two. Guanxi is extremely important in China, sometimes even more than the business presentations themselves. Although local trends fuel nationalism but if the overall gain is more important than global trends are better choices for international trade. Also sometimes, certain cultural characteristics can even question moral values too. Guanxi for example has been apparently known for corruption and bribery in business transactions (Littlefield, 2003). However corruption exists from the passage of time and is everywhere, guanxi alone cannot be held accountable. The answer to the middle path can be looked for in Brannen and Salk's (2000) hypothesis, that as people of different cultures work together in an organizational context a new ‘negotiated culture’ emerges.

To sum up, Guanxi is an important element in Chinese culture. Chinese Guanxi and Western networking seem to both emphasize that interpersonal relationships can be social capital in human life. Nevertheless, the levels such networks impact different aspects in people’s life are different.

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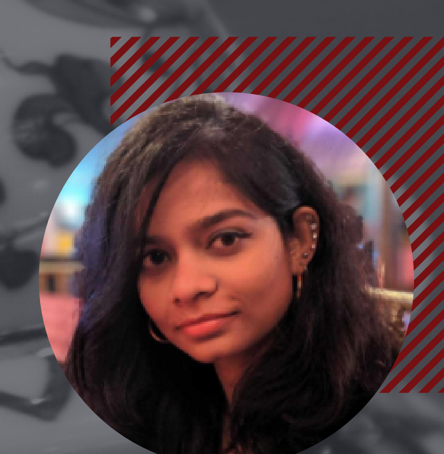

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EDITOR'S NOTE

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