



DOING BUSINESS IN CHINA

A brief on Asian Business Experience
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Introduction

In my travels over the years, I have found that few Westerners, business professionals in particular, truly understand – or seem to embrace – Asia. Its many nations' diverse cultures, foods, music, history, social and business protocol, make up a highly intricate tapestry. Many within the North American shoreline and Continental Europe struggle to come to grips with Asia's increasing influence in world affairs. Our job at Waymark is to bridge that gap.

62% of the world's population resides in the Asia-Pacific Region. Over 60% (and climbing) of the global business communities' GDP (Gross Domestic Product) is to be found in Asia. During the 20th Century, a number of major conflicts were in Asia: World War II, Korea, Vietnam, India versus Pakistan, and terrorism in Indonesia and The Philippines. Meanwhile, Taiwan and China act out their threatening gamesmanship.

Some of the planet's oldest cultures reside here. So does poverty and corruption at levels incomprehensible to most of us. On the other hand, one can travel amongst natural beauty unlike anywhere on Earth.

In terms of commerce and agriculture, this remains the region of boundless opportunities, all-the-while perhaps fraught with assorted risks to be sure. The people of this region have an endless desire to please in terms of customer service and deep, abiding friendships. They possess a sense of family obligation and dedication to personal accomplishment, and a work ethic second to none.

Where did America's consumer electronics industry go during the late 1960s and the decade of the '70s? Who consumes the world's steel/aluminum/cement and crude oil at an ever-increasing rate? Which nation's high schools produce the highest math and science test scores every year? Which airlines have the best ratings for service, comfort, attentiveness, food, and profitability? 30% of graduate (and undergraduate actually) student populations in the U.S. institutions for higher learning – in engineering/physical & biological sciences are from what Asian country?

Increasingly, art and fashion, food and entertainment, banking, and yes – manufacturing of all kinds – are exported to the United States and Europe from Asia-Pacific nations.

While Europe continues to embrace the 32-35 hour workweek and the social welfare state, Asia has challenged all of us to think “outside the box” with regard to the new metrics for competitiveness in a world linked forever by trade in ideas and knowledge as well as finished goods and services. Who is an ally to America is increasingly hard to define.

In developing a business focused upon Asia – China in particular – Waymark and its clients are on a quest to understand perhaps a worthy adversary, or quite possibly walk alongside the future of global commerce. Like it or not, America’s diversity has broadened and we must now re-think the following: culture, economics, politics, the environment, even strategic military intentions – and how each will play out in Asian minds.

Waymark specializes in watching and reporting on Asia. Business, social & cultural, political, military, environmental, and many other factors that create and sustain a society, all combine to help leaders make informed and enlightened decisions. Policy makers, academics in the pursuit of knowledge, leisure travelers trying to make sense out of very non-traditional ways of thinking and students attempting to understand their career aspirations have looked to us. And the most frequently asked questions continue to involve China. And so, this is where we begin the journey, by way of this briefing paper – it is a story from a land very dear to me, Greg Hallberg. I wish to share in this discovery with you.

The China Experience

Where does one begin to describe all that China is – all that it represents? It is a land of enormous potential, an extensive history of art, literature, craftsmanship, music, science, and political upheaval. Indeed, it is the world’s most populous nation, with almost 1.3 billion people. China possesses tremendous natural beauty and natural resources, coupled with some of the world’s most aggrieved environmental issues. Its total land mass is about equal to the United States.

The people are kind and generous, but also known for their aggressive entrepreneurial skills and appetite for material status. I have found, contrary to what Westerners may think, when comparing the Communist Chinese government’s totalitarian policies to those represented by American democracy, the two cultures remain remarkably similar. My most recent trip to China made up my 54th trip to The Middle Kingdom of the planet – or so China once was regarded to be. Certainly its 5,000-year history gives it credibility to be considered perhaps the focal point of our world’s cultural heritage of language and written text, numerous scientific inventions, and home to modern mathematics. Modern astronomy and a calendar began here.

Gun powder was created in China. So was the magnetic compass, the first calculator (abacus), bronze castings, ceramics and porcelain, currency for financial transactions with paper money over 700 years ago, and many other everyday items now taken for granted. The first dynasty, the Xia (2070 B.C. to 1600 B.C.) gave the world developed government at both a national as well as regional level. Over a dozen dynasties later, China took on political reformation, European conquest and humiliation as a result of the Opium Wars. The invasion of the Japanese in 1937, and “modern” communism became a reality in 1949. Then there was Chairman Mao, and his Little Red Book.

China has seen great times in its history, with creativity and inventions that rivaled any of the world’s societies at any given period. It has seen war and famine. This nation that anchors the economic stability of Asia was, as recent as the mid-1970s, embracing the Cultural Revolution, with its human suffering and property confiscation. During these dark times, China witnessed the most severe political oppression ever known to humankind. Yet now, China seems to be embracing all that is Western in commerce, if not politics. We shake our heads at human rights violations as well as continued property confiscation in the name of progress and urban development.

The capital, Beijing, will host the 2008 Summer Olympics. It is considered by many to be culturally a backwater when compared to Shanghai, Asia’s most cosmopolitan environment by anyone’s standards. Beijing-ers speak in tones of a slightly militaristic Mandarin dialect – forward and aggressive, full of heavy “aers” pronunciations. Shanghai speaks a gentler Mandarin, including the confounding Shanghainese, replete with a softer resonance and as different from Beijing Mandarin as Americans might find when side-by-side with folks from New York City and North Carolina.

China remained a closed society for centuries. As recent as the end of the Cultural Revolution, China was desperately behind its Asian industrial neighbors in every facet of modern manufacturing, banking, and retailing. Now, China holds a commanding lead as Asia's hub of manufacturing activity – with a virtual who's who of North American, European, Japanese, and Korean multi-national companies setting up shop with world class factories all over China. I have had the pleasure of being in many of them. Caterpillar, for example, has 10 operations, including both joint ventures and wholly owned facilities, all over China. The quintessential symbol of American industrial might, CAT is helping build China's roads, dams, and water infrastructures.

The fashion conscious Japanese and Singaporeans no longer have the lead in fashion avenues, which dot the municipal landscapes of every major Chinese city. Only a few years back, men and women wore unsightly Mao jackets, while now Chinese women possess the trend setting fashions and make-up of the day, surpassing in beauty anything that the West has to offer in many people's opinions.

China was an American ally in World War II, then our enemy in the Korean conflict, along with the Cold War. Now presidents and dignitaries line up in the People's Hall in Beijing to be received by all the power brokers that make up China's elite. As mentioned previously, thirty percent of graduate students in the sciences in American universities are originally from China. Yo-Yo Ma, the talented cellist, has CDs stacked up in every bookstore's best-seller listings. Cinema has found an American audience.

China is fiercely independent, and raises the One China agenda as a flexing of its political and military muscle with regard to the independence of Taiwan. By the same token, China embraces almost everything that is Western – food and wine, business practices, profit maximization, and has developed an appetite in the race for space supremacy. China can espouse this mindset for capitalism, all-the-while permitting the violation of intellectual property rights vis-à-vis music and engineering designs, consumer products and computer software. The overwhelming majority of software currently in everyday use in China is pirated. China has been admitted into the WTO (World Trade Organization), but staunchly defends its right to keep the currency rigidly set at an exchange rate of 8.28 Yuan to the U.S. Dollar, hardly a means of inviting support from the global business community as it pertains to trade deficits and balance of payment issues.

How can an economy that, as I learned recently in a lecture at Beijing's University of International Business and Economics, almost collapse during the 1976-1977 year, rebound to be an annual growth machine estimated to be chugging along at between 8-14% annually? Most calculations put the annual growth figures to be around a manageable 7.5% to a slightly worrisome 9.5%, but still a juggernaut by any international comparisons.

Indeed, China is a land of contradictions. An economic miracle, or a bubble ready to burst and place the entire world economy in a global depression? Is this a hotbed of scientific discovery and development in manufacturing, bio-tech and commerce, or just a bootleg black market swamp for product reverse engineering? Are they a staunch ally of the West, or our next theatre of war, presumably over Taiwan? Is this nation a center for ancient discoveries in medicine and herbal remedies, or the new epicenter for infectious diseases and plagues such as AIDS, Bird-flu, and SARS?

Is China's repression of Falun Gong and Christianity a mere blip on the transition to a democracy, or are we looking at a totalitarian regime holding the planet's environment and hard goods manufacturing hostage to their whims? Is a market economy on the horizon, or just another house of cards ready to crumble under the weight of a fragile banking system about to go bust with hundreds of billions of dollars in nonperforming loans? An activist movement is quickly gaining ground to acknowledge China's enormous pollution problems – a by-product of rapid new industrialization and an increase of 14,000+ new automobiles per day on the country's roads. The Chinese Earth Day campaign cannot be ignored. Articles are pumped out almost daily describing the plight of China's major rivers, including the Yellow River and Yangtze River, while further elaborating on the degradation of fresh water lakes and streams, ports, the pungent smell of coal burning in the air for heating, cooking, and skyrocketing needs for power generation, with acid rain afflicting the forests of rural areas. This is all occurring in a land of incredible natural beauty, in a nation of artistic heritage that celebrates its natural wonders. Meanwhile, the wheels of commerce roll on without flinching. China is a curious culture.

Students walk up to foreigners seeking answers to questions about personal wealth, love, music, literature, politics, and life outside the country's borders. Yet in the classroom, students continue to subscribe to rote drill and memorization as the basic model for learning – never questioning the teacher's instruction protocol or queries into the content of the material presented. Still very Asian, but scratching to become more enlightened – both desired attributes in this society – in perpetual conflict. Collectivism in practice as a societal norm is apparent. Individualism in business and personal success is a desired trait in a culture that recognizes only success, with little regard for failure, a commodity simply not allowed in families or companies. Adolescents in Chinese families are admonished by their parent to stay indoors and practice the violin and do mathematics exercises well beyond their peers' educational levels, while their friends are outside playing. To be admitted into an institution of higher learning less than an M.I.T., Harvard, or Stanford is unacceptable. In some cases, even the likes of New York's Columbia, Northwestern, or University of Michigan is to be deemed a disappointment by family members. Not always, but frequently.

China is an enigma. It remains a contradiction. But we can learn from this, a country with a lot of catching up to do. And China is doing precisely that. Economically, they are transforming cities at a rapid clip, often times at the expense of entire neighborhoods bulldozed to the ground to make way for high rise developments. Thus we see an upsurge in home owner activists, with reticent legal assistance, to perform ritual battles with city authorities over land use legislation and remuneration for property losses. Entire books are being written about this sociological pandemic, which threatens the fabric and morale of communities. Then there is the persistent migration from the countryside farms to urban areas, another China dilemma. The country is increasingly becoming a nation of two poles – the urban “halves,” and the desperately poor rural “have-nots.” The impoverished are flocking to the cities to find jobs. The farming community maintains a daily struggle to make ends meet, often sharing transfusion needles to cultivate blood plasma products upon which to try and collect a few coins – only to tragically find themselves afflicted with the HIV virus. Entire families are being wiped out, and Beijing has only recently decided to recognize the problem, dragging their collective feet just as they did with the outbreak of the SARS epidemic. Meanwhile, the global health care community is stunned.

Quite possibly the best way to develop a forum to discuss China's various issues and needs is to present a review of five (5) areas in particular where Waymark does a considerable amount of its client research. They include: business and the economy, the environmental conundrum in China's growth equation, followed by agricultural initiatives and production. Finally, politics and the advancement of technology will complete the writings here.

Before moving onto those five subjects, please allow me to conclude with a handful of remarks which help us reflect upon where the China Dream, to borrow the “phrase” from a book title, has traveled in its journey into the framework of the 21st Century. As we examine the subtle and not-so-subtle evolution of China, then and now, a few tidbits might be worth sharing. In the last 25 years, China's population has gone from 975 million to 1.3 billion. Back then, Deng Xiaoping was the stalwart Communist leader. Now and MBA graduate by the name of Hu Jintao runs things. Jiang Qing, and her Mao suit ruled the fashion scene (such as it was), while the seductive Gong Li can be seen on magazine covers and movie promotions everywhere today. We have Asian 007 Bond-girls sharing in his adventures. Oil imports did not exist back then. The current daily barrel count, according to my research, moves between 2-2.25 million barrels a day – and it is rising. Back in the “good old days,” the U.S. traded with China annually to the tune of \$2.3 billion – while today published reports peg trade at a figure closing in on \$200 billion. America had a trade surplus back then of \$1.1 billion, and nightly business reports on television and trade publications' graphs remained fairly quiet. After all, what is there to report on? Now, according to The Wall Street Journal, we compete with a \$123 billion deficit on our backs.

Further, the currency was nonconvertible. In 2004, it was convertible in trade at 8.28 to the dollar. Back then, there was no such thing as a stock exchange. Today, stocks can be traded on two exchanges, with initial public offerings (IPOs) of Chinese company stocks even listed on the New York Stock Exchange (NYSE), such as China Life Insurance. Finally, we have to resolve a couple of outstanding territorial issues: Taiwan and South China Sea Islands. Years back we had to deal with that pair of unresolved claims, plus Macau and a handful of former Soviet border regions. On top of all that, Hong Kong was returned to Chinese rule – with certain caveats attached. Clearly Hong Kong has lost its luster as the hub of Asia. You can feel it walking the streets, in the clubs and restaurants, and sitting in meetings as I frequently do. Tokyo, while the epicenter for the world's number two economy, is much quieter. Shanghai is the place to be. One can see it in the skyline which now rivals Manhattan. It has a pulse.

Business and the Economy

Much has been written about the Chinese economy, and its surge forward to a place of leadership – or I should say prominence – in the global economy. With its acceptance into the WTO, a new credibility has given China a front row seat to decision making and policy formulation in world economic affairs. China is still technically considered a developing country. This is attributable to many factors especially the notion that with its enormous population divided into its gross domestic product, the simple math means that per capita income is still extremely low at around \$900 (U.S.). Clearly, most of the citizens do not enjoy what the so-called modern world would consider a middle class status, but again, that is rapidly changing as an increasingly large percentage of the population enjoys the many pleasures of a middle class existence, including first-time automobile ownership.

The wealth is not at all equally distributed. There are many budding entrepreneurs who have excelled at attaining remarkable wealth. As one of my China university-lecture series papers indicated, China is still accustomed to equal wages for everyone, with personal incentive for constantly improving standard of living conditions a major point of contention. As mentioned earlier, the Chinese respect and applaud honest wealth prosperity. Even numerology in China – the study of numbers as related to fortune telling and the occult – have significance, alongside color distinctions. For example, the number 8 and the color red are equated with prosperity, good fortune, and happiness.

A growing private sector has overtaken the state-run, dilapidated industrial infrastructure. China has its own version of a tired, old, heavy industrial “rust belt” not unlike America’s Buffalo-Pittsburgh-Cleveland geographical ribbon. This area in China consists of the northeastern provinces, including Liaoning, Jilin, Heilong, and to a lesser extent Beijing’s Heibi Province. Here, once mighty factories turned out the nation’s steel, heavy equipment, chemicals, machinery, rubber products, and cement. Between 2001 and 2003, the number of unemployed workers in this area of China comprised one-fourth of all unemployed workers in the country. In 2003, state-owned corporations remaining here still contributed more than 70% of the local GDP. The government is infusing large amounts of cash to build up a social security system pilot program in Liaoning. A major revitalization program for the northeast provinces continues, with state intervention to transform more pure state-owned corporations into mixed stock companies, allowing private investors to take stakes in key businesses. This is also intended to bring about the encouragement and support of private sector and foreign investments.

In contrast, the southwestern provinces, especially Guangdong – the epicenter of the SARS outbreak – are experiencing an explosion of growth from foreign direct investment (FDI) as major companies from all over the world come to this area to build factories and set up trading offices and bonded distribution centers. The names include: Sony, Ingersoll-Rand, Sullair Compressors, Nestles Foods, Honda Motors, Panasonic, Siemens, and General Electric. I have been in these organizations doing business planning in many cases, and find their work in the region to be world-class. The public outcry and editorial ranting with certain members of the American media is thought provoking, but fails to consider that the entire world is in China, not just U.S.-based corporations. The Chinese worker is highly productive, the technical expertise is better than in many of the world’s industrialized locations world wide, and the factories are not sweat shops.

While attending college, I paid my way along as a card-carrying U.A.W. (United Auto Workers) member, working various factory shifts. My father was a life long product of American engineering know-how and management expertise. While I fear for the Western middle class, where does it say in the global economy rule book that America and Western Europe can perpetuate a certain lifestyle, while most of Asia, parts of Eastern Europe, and other underdeveloped regions continue in abject poverty? While this paper describes China, I have traveled extensively throughout South America, Mexico, Southeast Asia, and very remote villages in China. Why shouldn’t they all have in their midst, a future of hope and begin to think about quality-of-life issues like the rest of us? It’s time. China knows it. And they are doing something about it. We can resist. We can assist.

The United States leads the way in its appetite for inexpensive, reasonably high quality Chinese-made goods. Furniture makers to consumer electronics, microwaves to television sets and personal computers, shoes and textiles are being transported via ocean-going container vessels to importing ports throughout the United States. A furniture maker, for example, departed its North Carolina home base of operations and headed for Chinese production – boosting profits and dazzling investors with a stock that has more than quadrupled in two years – due to increasing levels of Chinese productivity along with low wages and increased automation of Chinese plants, providing quality higher than even in the U.S. Trans-Pacific shipping charges do not even to begin to offset the tremendous advantages of building furniture in China. Siemens Germany made a risky decision to place design, engineering, manufacturing, and quality assurance in the hands of their Chinese colleagues for localization of cell phones. The project turned out a family of mobile phones better designed to suit the Chinese consumer, and it was a higher quality, built faster and under budget compared to what the Germans could have imagined possible.

Tensions continue to increase with mass business migrations to China from U.S. shores. While software developers and call center facilities accelerate their exodus from America to places like Ireland and India, this pales in comparison to the sheer numbers of manufacturing facilities being set up in China. And they are making everything. Shanghai has become the center of production for personal computers. Automotive assembly plants dot the landscape, with General Motors' massive Buick and minivan operation in the Shanghai area, to virtually every construction machinery company establishing a presence in Xuzhou. Recalling the days when Milwaukee-Chicago, Cleveland, and the Quad Cities area of Iowa were home to everything that mined coal, built highways, and paved roads or plowed the heartland's soil. John Deere Agricultural Tractor has a joint venture with the state-run tractor firm located in Tianjin – now also home to Motorola.

Burgeoning business ties with China, however, have become treacherous terrain. Anxious to calm worker's worries about jobs, and fearful of appearing unpatriotic, even some U.S.-based companies that rely on China are joining industry coalitions clamoring to curb what is being called the "China Threat." But, according to countless newspaper articles that I continue to read, there is another side to China's dynamism. China is slotting itself into the global economic order that America dominates and largely created. As a critical link to this capitalist chain, "nominally Communist" (as The Wall Street Journal puts it) China helps enrich companies such as the furniture maker described earlier in this report. Simply put – and there is no other way to sugar coat it – America's superpower status also includes its gargantuan hunger for foreign goods and capital. In 1985, the trade gap between the U.S. and China with Chinese exports to the United States was pretty much zero. By 1995, it was \$5 billion in American exports to China with Chinese exports to the U.S. at \$49 billion. Then according to figures that I found in the U.S. Census Bureau had the score at: U.S. exports to China \$25 billion in 2003, China exports to the U.S. settled in at about \$138 billion!

China's emergence as a major economic power is beyond doubt, as stated in an assortment of news accounts, and my extensive business travels all over China confirm the country's diversity of commerce and technical competency. It has an economy running at \$1.2 trillion. This is, of course, still smaller than that of the United States of America, which is reported to be a \$10.4 trillion economy. Japan is at \$4 trillion, with China expected to catch up to Japan within the next two decades. There remains a feeling of insecurity in America over the rapid rise of the Chinese economy, but actually the U.S. and China economic platforms compliment each other, many would suggest. China's rests heavily upon industry, with manufacturing and mining accounting for 51% of their gross domestic product. America generates only a quarter of its GDP from industry and just 14% from manufacturing. Services contribute nearly three quarters, according to World Bank figures.

Environmental Issues

It goes without saying that alongside explosive growth, any nation must contend with the exponential resurgence in damage to the natural environment. As discussed earlier, China is enjoying unprecedented freedoms in automotive ownership, but at a price. Clogged streets, road rage episodes, and dangerous levels of smog permeate the atmosphere. Again, referring to past travels as well as numerous articles concerning the transportation infrastructure, citizens still travel by foot, bicycle, motor scooters, trains, buses, and the ever-present 3-wheeled pedicab. Overall, few people have cars, in spite of the huge demand for autos. While a large percentage still do not own cars, at a rate of close to 14,895 new titles registered every day in China, the roads are filling up fast. So quickly in fact that that a lottery system has been implemented to bid on license plates as a means of rationing car ownership, until such time as China can build more thoroughfares, much to the chagrin of the ever-expanding auto assembly plants. The truck population grows with factories at an equally rapid pace. Automobile assembly production is actually outpacing the ability of Chinese consumers to purchase them, thus cars will likely be exported to the United States and Japan. Names like Toyota, Honda, Ford, Buick, and BMW fill Chinese showrooms. At an expected capacity of almost 10 million vehicles in the next couple of years, China's expanding middle class remains on a car buying rate of about 2.2 million vehicles annually. Again, where will the rest of that manufacturing capacity go?

Much is being reported on with regard to China's electrical power generation infrastructure too. China now has the mandatory inclusion of "brown-out" days and selected power outages to better manage the energy requirements of both the industrial and residential sectors. In several of China's more prominent municipalities of commerce and industry, selected blackout days are being enforced, creating a night shift use of a variety of manufacturing facilities – to both reduce the air conditioning output on hot days, as well as utilize less-than-peak demand electrical power availability. For example, DFP Shoe Company, located in Dongguan, found themselves confronted with a situation where their electrical needs were rationed – going from shutting off the electricity one day a week at first – to a twice per week outage. From that set of circumstances, instead of getting better, matters only became worse, as power consumption was reduced at peak-hours elimination five days per week. This forced the shoe manufacturing company management to enlist the 2,000 person workforce's support to come to work at night. Sleep-deprived workers lost a considerable amount of productivity working nights, and the company found itself confronted with a need to produce their own electricity, through the implementation of self-contained diesel power generation units. As might be expected, many organizations caught in the same predicament, purchased generator sets.

While this delights the companies that have localized manufacturing of generators, such as General Electric, Mitsubishi Heavy Industries, Caterpillar Engine, and Cummins Engine, it does not bode well for the air quality environment of China. The outages are a reminder of the role Communist-style central planning still plays in the power sector – and of the blunders that can result. To build any decent-sized power plant in China requires central government approval. But in the aftermath of the 1997-98 Asian financial crisis, Beijing was not at all enthusiastic to permit massive investment into new electricity infrastructure. With, at that time (and I remember it very well living there) China's nervousness relative to the appearance of long term moderate economic growth, China did not spend lavishly on infrastructure – with the notable exception of highways.

Back in 2000, the State Development and Planning Commission drew up a five-year plan that envisioned electricity demand rising by less than 7% annually. When demand jumped by more than 15% in 2003, they were blindsided. So, China entered into WTO membership and an investment boom followed. China, as we all know, was propelled into the current economy scenario that has become a reality beyond even the most optimistic expectations. Industries that consume the most energy – steel, non-ferrous metals, cement, and auto assembly – are among the hottest destinations for investment money. Those industries, plus chemical manufacturing, use up over 29% of the nation's electricity.

As such we are left with the correct assumption that coal-burning power generation facilities are a "quick-fix" answer, especially in light of China's abundant supply of coal and their ability to mine this natural resource from mine operations already in place. Siemens AG, the big German conglomerate and a 20-year player in the Chinese economy, has installed the main components to 16 coal fired plants. Sulfur dioxide and other emitted pollutants contribute to increased levels of acid rain exacerbating a gravely serious problem all over China.

Shifting gears for a moment, I would like to discuss the development of an ecological movement that is spreading quickly in China, especially among the younger, well educated generation. They are simply referred to as “Green Groups.” Stories abound with college students putting up handmade posters on college campuses warning that the Earth is in Crisis. Subsequent to that proclamation, one such student spent an afternoon trying to raise environmental awareness at a local police station.

Apparently the authorities had never heard of Earth Day, and our hero was detained and vigorously questioned during the June 4th anniversary of the Tiananmen Square crackdown. In spite of his hassles, it brought considerable attention within the Chinese circles of public opinion. Books are being written, such as The River Runs Black. From desert sands encroaching upon the western provinces – and even as I experience in the dusty haze of Beijing (It is the sand from Mongolia and the dust stirred up from rampant development absent any environmental controls or vegetation plantings.) – to all of the pollutants described earlier in the briefing paper, China is in trouble. And the country is adversely affecting its neighbors’ environmental quality of life, such as the prevailing winds blowing China’s pollutants to Japan and the Korean peninsula. China has become the world’s second largest producer of greenhouse gases, behind the United States.

By official statistics, China now has over 2,000 nongovernmental groups, up from virtually zero just a decade ago. The nation’s green groups comprise a wide spectrum of activities, including a sampling that can be illustrated here. Grassroots Community (2000) offers legal aid and other help to resolve environmental complaints of residents in my “new hometown” of Shanghai. Established in 2001, the Green Student Organization provides training and internet information that links 184 student environment groups in China. Snowland Great Rivers and Environmental Protection Association was started in 2002, founded by two Tibetans, to focus on protecting the origins of China’s biggest rivers that flow from Tibet. Then there is the Xiamen Birds Association (2001) and the Xinjiang Conservation Fund (est. 2001) to raise environmental awareness levels among citizens and officials in resource-rich Xinjiang region.

That leads us to think about a land, like the U.S., that has abundant natural resources and an always growing economy that is presently the darling of the global community. China’s hunger for prosperity has it consumed by land exploitation – from residential displacement and rural development controversy, to endless mining exploitation, and the lack of conservation and/or recycling programs. On the one hand, we might say that China is 50 years behind the United States and Europe in terms of energy management, recycling, solid waste disposal, and land use impact studies as well as protective regulations. That are equally enforceable. So, is it fair to say that China gets a “pass” on dealing with these issues, until such time as it can cope with growing pains and further establish a political process that recognizes dissent and meaningful dialogue to affect problem resolution and positive change? Probably this is not going to happen. Chinese students who have studied in Europe or the U.S. have witnessed a better quality of life in many ways, including air and water quality – for drinking, recreation, and safety. They are coming home to China in droves to nation-build, and make things better. Expatriates living in China are raising expectations through their multi-national corporations and American Chambers of Commerce in China, that to stay in China, they too have living quality standards assumptions. Otherwise, they’ll go back to their home countries and recommend against an overseas career stint in China.

China’s thirst for crude oil has caused a huge increase in oil exploration, both off-shore and in the western provinces, plus an agreement (on-and-off-again) with Central Asia and the former Soviet Union regarding a 3,500 mile pipeline (similar to Trans-Alaska) to move oil and natural gas west-to-east across the great expanse of China. Unlike debate and substantive discussion here in North America, China presses ahead in the absence of any legitimate delay recommendations. Their oil demand has almost tripled from 2.2 million barrels in 1988, to 5.8 million barrels at present, daily.

Agricultural Initiatives

In Waymark’s continuing research, a fair amount of work is performed in the pursuit of study with regard to China’s farming efforts. I recently found out – much to my surprise – that China is now the world’s leading producer of wheat! While that may be unbelievable, I recall an early summer trip into the central provinces, heading to the city of Xi’an to visit the archeological dig sites for the Terra Cotta Warriors. Mile after mile, one could witness the fields of wheat being harvested by the local farmers. I was a bit surprised to see the harvest somewhat mechanized, with combines roaming the fields – but then my colleagues and I saw the farmers also drying the grain on the roads. Once again, we see the China that I have come to know, the old mixed with the new, the modern practices in tandem with age-old ways. This is what China is all about. Just as the United States faces stiff competition from China in automobiles and steel, the U.S. also must contend with competitive trade from Brazil and China in soybeans, wheat, and rice. Just about every commodity, where America once held a commanding lead, has been surpassed by China. Like it or not, they have become America’s newest major trading partner, competitor, and leader on the international stage.

The rural agricultural community in China is poor, even by Chinese standards, and most of the field work remains labor intensive. China, as also mentioned briefly above, is developing more mechanized farming, as evidenced by the harvesters in the wheat fields and by my personal experiences with a John Deere Agricultural Tractor joint venture with the largest state-run farm tractor manufacturer in Tianjin, which is a couple of hours by car away from Beijing in the northeast. Here's the equation: The Chinese get world-class tractor technology – with reliable, fuel efficient, low emission, well-styled and user friendly U.S. and European designs – and Deere receives instant access to the largest, emerging market, growth opportunity in the mature world of farm vehicles. In addition to new vehicle applications and advanced electro-mechanical technology, better seeds and improved fertilizers will be called for throughout China for many years ahead.

One tenth of China's land is considered arable, or suitable for growing crops. I have heard a figure that is closer to 30% of the land is suitable for farming, but either way, with many river tributaries and adjacent marsh land and a vast network of mountain chains, China lacks America's Midwest breadbasket farming region. Most farms are less than 2 acres in China. However the move into more diverse agri-business development is sure to follow. It has to, to feed 1.3 billion people, along with the development of a trade cycle beyond manufactured hard goods already in place.

Eggs, pork, lots of seafood, and surprisingly potatoes are among the staples of nutrition – although availability can be sporadic in certain provinces. My research would also suggest an increasing soybean production – given China's propensity for soy products – including milk, for this 90% lactose intolerant population. More farmers are removing vast fields of grain crops and instead moving to fruit orchards and greenhouse vegetable production. Orange juice (check it out next time you purchase a carton) is arriving in the U.S. from not only Latin America, but now increasingly Asia – China in particular. No longer do just California and Florida supply citrus produce.

Already the world's factory floor, China now wants to become the world's farm stand. The migration from grains is due to a reduction in government rules that once dictated who produced what commodity. As such, farmers are moving into more profitable crops including: garlic, mushrooms, cut flowers, and apples, taking market share away from not only the United States, but also from Japan and Europe. With China selling much more food to the world, changes in agricultural policy coming out of Beijing are changing as quickly as manufacturing, environmental, and cultural issues are being reshaped. Beijing once insisted on farmers being self-sufficient in staple food crops. The United States currently runs a trade surplus with China after a 70% surge in last year's farm (not manufactured) exports. It is the result of Chinese demand for bulk commodities such as soybeans and cotton.

While China is still considered a developing country, it can easily be referred to as a global leader – a world class – exporter for many agricultural products. Some of China's Asian neighbors are, however, quite worried about its push into food exports. The Philippines has tripled tariffs on imported vegetables and smuggling of other farm products. Manila also refused to join the nine other members of ASEAN's trading bloc in an agreement with Beijing that would have provided earlier access to the Chinese market ahead of a reported-on 2010 schedule for implementation of a free-trade pact.

Fields such as forestry science and soil management are becoming popular college majors.

So much reporting and overseas controversy stems from China's increasing dominance in manufacturing, piracy of intellectual property and designs, as well as political and religious repression. But another area of concern, briefly mentioned as well in this report, deals with angst over Chinese society's poor versus increasingly wealthy citizens. This is a nation of "haves" consuming designer labels as fast as humanly possible. It is also a country of too many "have-nots," especially given the tremendous economic advances being enjoyed by the nation as a whole – and on the world stage. China is not alone in this problem, as we can attest to in the United States, or in places like India, Venezuela, Mexico, or the European Union. But everybody is watching China, due in large part to its enormous volume of people, and its emergence as a global economic power. Agriculture and the Chinese farmer are making headlines as well.

China recently held its annual legislative session, and thousands of delegates poured in to address their top priority, that of helping those fellow Chinese at the bottom of the heap. They are the country's farmers, who have been left behind amid the country's economic boom. The rural interior regions have lagged behind the coastal cities, such as Shanghai and Guangzhou, or the Hong Kong adjacent city of Shenzhen. Credit is generally given to the government for trying to make a positive difference in the well being of rural farmers. Public discontent and social instability could potentially threaten much of the progress China has already made in recent years. Agricultural policies for rural economic development have been slow to be realized, and more farmers have cherished expectations that are up there with the city dwellers and urban successful and prosperous.

Constitutional amendments, including the protection of private property rights and human rights, have been presented. The misuse of arable land has been the hottest topic among farmers. After two decades of economic overhaul, surprisingly the gap between the prosperous and the downtrodden has actually widened – dramatically. China has 900 million farmers that have been left behind in the economic miracle. Just as the northeastern rust belt has felt the pains of being side-stepped in the global expansion of China, farmers are taking to the streets to vent their frustrations and demand action.

In the central province of Henan, four legislators asked a local newspaper to set up a local hotline to solicit public views on the issues of the session, and daily chats among farmers. 200 calls in eight hours reflect the tension and extent of displeasure building in the farming towns. Occupational safety and food safety concerns also came up on the “hit list” of complaints. I myself wonder, with China’s continued use of many banned pesticides, whether or not we in the West will also see an eventual upsurge in cancer mortality rates directly attributable to eating more of China’s agricultural produce. For as far back as I can remember, all of us travelers to China usually peel away the skin of any fruit prior to consumption, just as a precaution, in addition to vigorous washing of the produce.

Finally, for the very first time, China included in its constitution a sentence that, “the state respects and protects human rights.” Hum, we’ll see... I remain impressed with the Chinese value attached to being on the land, as we might hear our own ranchers and farmers proclaiming. Indeed, China loves a winner – financially, in terms of power attainment, scientific feats of accomplishment, and artistic wealth. Will we see an equal appreciation in Chinese society for those that feed a nation, with the ability to also contribute to their homeland’s economic success by becoming yet another export machine? Most say that the Chinese are too cosmopolitan in their admiration to emulate Americans in say, New York or Chicago. Are farmers respected anywhere in the world for their contributions to the world’s nutritional needs? As China goes, so does the rest of the planet – or at least the Asian hemisphere.

Agriculture will become just as big of an issue in China – and farm policy programs – as it has everywhere else. Subsidies, genetically modified foods, export controls, tariffs, trade imbalances, and similar issues will take up news space. Just like high-technology, space exploration, schools and education reform, manufacturing might, banking systems, pop culture, religion, migration – well, the list goes on. But farming remains one of our world’s back-to-basics matters of concern. And China is no exception.

China’s Politics

As we know, this nation’s political structure is governed by a Communist platform. China has a long history – most of their thousands of years – with the rule of various dynasties. The first was over 4,000 years ago, starting with the Xia Dynasty. Some of the more commonly referred to dynastic periods would be the Ming, famous for its porcelain, which ran from 1368-1644. This dynasty was formed by the native Han, the most populous ethnic group still in China even today. Another of the more prominent dynasties was the Qing Dynasty, which took place from 1644-1911. It is pronounced “Ching.” Here we saw the advancement of more contemporary craftsmanship, including wooden furniture – some of which I actually have in my home today – the more recent, less expensive items, going back only a couple of hundred years up to the beginning of the last century.

During my travels to a number of China’s universities, I had the honor of becoming better informed as to what each dynasty symbolized, and how each period carries with it even today, elements of Chinese culture and philosophy. Waymark’s research library is filled with books, manuscripts, art, and notes from lectures and extensive travel all over this incredible land of mystery and intrigue. Understanding China’s past actually gives all of us a glimpse into how society was formed, not just looking for example at Roman rule, but art as an expression of the inner self, the development of written communication, and the formation of government. Often times we say that understanding our past helps us comprehend our present, and build expectations and dreams for the future. I cannot think of anywhere else in the world where that is more obvious than in China.

By 1911, the dynasties had ended their rule. In 1912, a fellow by the name of Sun Yat-sen came to power trying to unify China and its fragmented opposing warlords. One of the better known names in more recent Chinese history is that of Chiang Kai-shek – after whom Taipei, Taiwan’s international airport is named. He took control in 1927, and subsequently ousted the Communist Party. The Communists were maintaining a position of equal power by the well known figure, Mao Zedong. Both groups coexisted somewhat peacefully, as they joined forces to fight the Japanese occupation from 1937 through the end of World War II in 1945. Mao’s forces came into complete power after the war, and Chiang’s army

fled to Taiwan to try and regroup. They never returned to Mainland China, and even today, Chiang is considered a hero in Taiwan as the representative of Taiwan's desire to remain a democracy, independent of Chinese rule. Mao hung on to rule the Mainland from 1949 until his death in 1976. China still considers Taiwan to be its 23rd province. In China, Chiang is considered an ousted rebel.

Initially, the Chinese welcomed Communism. A period referred to as the Great Leap Forward (1958-1961) was intended to bring enlightenment to China. After that ran out of steam, a decision was made to clamp down on artistic movements, political activism, free enterprise, and scholarly pursuit with the beginning of the Cultural Revolution, which occurred from 1966-1976. Both time periods had a disastrous effect on all of China. Millions were thrown into prison for no apparent reason, or ridiculous charges, and died from torture and malnutrition. Prominent families lost everything they had: money, power, position, property, jobs, and even educational advancement. People of great education, such as professors and graduate students, held menial jobs such as assembling AK-47 machine guns and digging graves, or shoveling coal. An old colleague and personal friend of mine actually learned English in secret, by hiding a couple of books under his mattress – an act that if caught – would have landed him in jail, and likely an execution. In spite of great natural resources, vast personal land holdings and wealth, and superior educations in science, mathematics, and the arts, China fell into complete and total isolation and infrastructure disrepair. They fell at least 50 years behind Japan and the West. As such, today we see their economic boom as playing “catch-up” to the rest of the industrialized world. Family bonds, human psychology and mental health, as well as an obsession with perfection and advancement, are by-products of families remembering stories of relatives caught up in the Cultural Revolution.

Finally, with the end of the Cultural Revolution, China opened up to the West as former U.S. President Richard Nixon visited China, to begin the process of opening up China to the rest of the world. China has long had a cordial relationship with the former Soviet Union, although by now China sees little advantage in staying particularly close to Russia, as this part of the world is considered more European than Asia, along side the fact that the economy in Russia is of no value and the former Soviet breakaway nations have everything tied up in revolution and terrorism. China basically has washed their hands of the former Soviet ally – and while China has embraced the rest of the world as “friends,” China wants no allies – actually supporting the eventual goal of complete self-sufficiency, once their economic needs are met. With that goal accomplished, the notion of Western interference in Chinese politics will be dampened, if not 100% eliminated. This remains the biggest worry for the European Union and the United States of America. Japan and Korea, having also invested heavily in China, remain concerned about the return of their extensive FDI (Foreign Direct Investment) with many huge factories throughout China. All of Asia continues to observe every movement of China, with the same intensity and concern as that with which the E.U and U.S. develop strategic policy and diplomatic protocol.

For a moment, let's return to China as they moved from Chairman Mao's death in 1976, to the government afterwards of Deng Xiaoping. Deng was a more pragmatic leader, who envisioned China as a global economic and military superpower. Essentially, he took the view that with their old ally the Soviet Union – anything the Russians could do, the Chinese could do better. Deng developed more moderate policies conjuring up the opinion that foreign tourism would help the West better understand China, bring in much needed cash, and spread ideas on commerce throughout the Mainland. He was correct in that assessment, as the world became increasingly curious about China's mysteries and seemingly strange ways. With a more liberal economy, China saw the emergence of private enterprise, something that the Communist government saw as a potential threat, but if monitored (i.e. “controlled”) diligently, it could bring tremendous financial gain to China longer term. Conventional thinking said that capitalists loved to be used and manipulated, even if they knew it, they (Western business interests) would sell their soul for market share. To further this agenda of growth, trade was encouraged aggressively, and educational exchanges began in earnest. As most of us have perhaps seen, roughly 30% of all graduate students in the sciences and engineering in U.S. universities are of Asian heritage – and 80% of that 30% are Chinese.

Just as China looked like it was entering a new, very long term period of global understanding, political tolerance, and “enlightenment,” a bunch of Chinese dissidents clamored for faster and more complete reform. This included freedom of speech, of ideas and expressing those ideas in an open forum. The result was that the Chinese Communist government panicked, and the world witnessed the massacre at Tiananmen Square in 1989, just adjacent to the halls of government and near the entrance to the Forbidden City in Beijing. As the world saw tanks rolling into the center of the riots, and young people crushed under the weight of the massive show of military force, China aspirations to become an equal in the new world order took several steps backward.

By 1992, things had settled down a little, and China was once again focusing on economic reform and, with the world's eager assistance, began anew the process of engaging in high energy economic growth. Today, it reads like a who's who of international industrial might all across the landscape of China. Virtually every giant company from Germany, Japan, Korea, the United States, France, Italy, Great Britain, and the rest of the planet has set up operations in China. With the death of Deng in 1997, his successor ramped up the movement to global economic cooperation with the formation of what is commonly referred to as a "socialist market economy," quite possibly a contradiction in terms. But then, contradiction is decidedly Chinese thinking or a perception by the West to be sure. I often times in my seminars lead off with the Golden Rules of China, 12 key points intended to both confuse and lead participants into a lively journey of exploration and discovery about what China is, and is perhaps not. Just when you think something is spelled out, it really isn't – yet...

For decades, the state-run enterprises served as the model for Chinese industry, as well as a mouthpiece for the Communist Party, with members holding secure management positions in Chinese companies. Now, private business is protected as integral to the economy, with a mix of the old firms and the emergence of the new multi-nationals. Joint venture partnerships originally became a way of helping the state-run enterprises maintain a grip on business advances in China, where the foreign company had to find a local partner in the same industry to join forces, in perhaps a 51%-49% role, or a 60/40 proposition, whereby the Chinese organization still had a role in the decision-making processes for whatever industry might be gaining entrance into the marketplace. Joint venture requirements just recently became obsolete in many industries, as it was apparent that FDI would not tolerate such incursions by the mismanaged and corrupt local business entities in a business relationship. With so many unprofitable state-run companies shutting down or greatly reducing their labor forces, the Chinese government finds itself with a difficult task of supporting this massive unemployment dilemma, where most of the labor pool has no access to job re-training.

With increasingly high unemployment, run-down state institutions, growing unrest with the rural poor, health care crises everywhere, a tug-of-war within the political arena over keeping the Communist Party in place, continuing news censorship, human rights, property confiscation for development, environmental degradation as a result of uncontrollable economic advancement, and the Taiwan fight to maintain complete independence – China has its hands full. And the world is watching every move, especially since so many countries have great sums of money invested here. China wants to be on the world stage. The world desires to accept China as a member of the global community, with open arms – admission into the WTO and the 2008 Summer Olympics prove that point. But we are all watching what happens next – and no one could possibly predict.

Technology Advancements

It has been said that 80% of all motor cycles built in China – mostly Japanese brand names – are actually counterfeits, made by local state-run Chinese companies. We have all heard so much about CD music piracy and movie DVD bootleg copies. Even Pert Shampoo contains chemicals and lye that would cause hair to fall out, rather than become smooth and silky. There are stories everywhere about a Western company building a plant, only to find that an exact duplicate of the facility has been constructed down the road a few miles away, making the same competing products, at a cost far below that of the "real product." We have a new vocabulary trying to distinguish between counterfeit and reverse engineering. They are similar, but very different in meaning.

So, what's a company to do? Send B-52s into the countryside and bomb these copycat operations? This is hardly a peaceful solution to be sure. Do FDI firms just shake their collective heads and turn the other way? No. Those Western – and Japanese as well as Korean – companies were sent to China to build market share, by localizing their product designs and manufacturing. The Chinese invited them into China to build industrial might, to enhance product quality and selection for the consumer, and to promote manufacturing "best practices" from which China might erect a world-class economy. But still, piracy goes on – everywhere. And the FDI participants are fed up. They are creating an entire Chinese infrastructure of would-be competitors that will find their way into overseas markets. Markets like the United States and Europe. Japan and Korea will put up sufficient barriers to entry, something that they have done very well for a long time to keep out American and European producers. China welcomed us in for a strategic reason. We all need to be in China, but at what price? How?

Companies from the U.S. are spending huge sums of money in Chinese investments: \$64 million in a GE China Technology Center, a Shanghai research facility and \$26 million in GE's Beijing Industrial Center, a medical diagnostic manufacturing facility. Recently, I was touring a hospital in China and saw first-hand their new MRI department, fully equipped with General Electric's latest imaging technology equipment. That, in and of itself, is a good thing to happen. GE is also spending \$3 billion to supply aircraft engines to Chinese regional jets, \$900 million for power turbines to generate badly needed electrical energy, and \$300 million in a partnership with France's Snecma Moteurs to supply engines for Boeing 737 airplanes flying throughout China. China puts it quite simply by stating that the rules of the game involve a trade-off. Namely to access China's enormous markets and gain market share, a company must be willing to give away its core technologies, as part of the deal. It seemed simple enough to GE's local management team sent to China – sell equipment at the best price. But the so-called “formula” for success by GE, and so many other companies entering China, has changed drastically.

In addition to selling sophisticated industrial and aerospace products, GE has had to agree to share technology with two Chinese companies that wanted to eventually make the equipment themselves. This meant GE opening up their vault of technical know-how and proprietary design secrets. They had no choice. General Electric, as well as its competitors, were forced to form joint ventures with state-owned Chinese power companies. Additionally, as if that wasn't enough, GE was also required to transfer technology to their business partners along with advanced manufacturing guidelines for unique products that GE had of course spent billions of dollars to develop on their own. Chinese scientists call it “technology for market.”

China definitely wants to graduate from making toys, textiles, and television sets (articles have appeared to support this conclusion in several trade magazines as well as The WSJ) to highly advanced technologies, including biotechnology advancements. Stem cell research heads this list. While the U.S stalls this research in the midst of political wrangling, Singapore, Korea, Australia, and China are moving forward. Collaboration with American universities, unable to get home-based funding, involves exploring options for such research in Asia. In addition, China wants to begin to produce other products in telecommunications, health care, power generation, and a multitude of advanced manufacturing sectors. Many of the Chinese regional economic development zones are set up specifically for certain industries. For example, Xi'an has an economic development zone that caters to aerospace, computer hardware, robotics, pharmaceuticals, and laser technologies. Industrial parks contain such companies.

As a result, China continues to push for “the crown jewels” of technology from companies that, as has already been said, want access – immediate access – to China's exploding marketplace. As mentioned earlier, China is playing the perceived role of a far-behind and impoverished international member of the global economic community. And they can't wait 50 years to attain an equal level with say, Germany or Japan or even the United States. By then, we will be involved in nanotechnology, advances in medicine and biotechnology, energy conservation and alternative fuels. China wants parity – now.

As is the case with any complicated set of issues, demands such as the ones outlined here fall into yet another grey area of international trade law and economic development strategy. China has agreed to eliminate – through a gradual phase-out period – many tariffs and technology-transfer requirements as part of its entry in December 2001 to the WTO. However, China did not sign a key piece of the WTO agreement that would have prohibited its top planning agency from making such demands. Government negotiators continue to solicit an affirmative response from foreign companies to demand technology transfers to local Chinese partners. Or the other method is to insist on establishing research centers in China to train local engineers. And so it goes... As I have seen so many times personally, and read in countless articles on the issue, the trade-off for pretty much every company going to China is the proposition of short term sales for long term competition.

Anyone can read articles on a daily basis that review this predicament facing FDI ventures. China has a long-standing position as a low technology economic power, and how China has set its sights on high technology in things like semiconductor chip making. Once upon a time, Taiwan was the epicenter of this technology, and before that, Japan and the United States. Cell phones moved from the U.S. to Taiwan, to Malaysia, to China. Beijing spent years to build a high tech sector through central government planning, and found simple, free enterprise market forces would carry the load of attracting foreign direct investment and getting the ball rolling, so-to-speak. Even with the growing tension between China and Taiwan over the island's independence, many Taiwanese businessmen are moving to Mainland China to establish design and manufacturing bases of operations. China even began to emulate Taiwan's tax break offerings, along with other incentives to come to the Mainland and set up shop.

Once again, it boils down to China's desire to migrate away from dependence on expensive foreign technology and quite possibly challenge Western and Japanese companies in advanced design and manufacturing technologies. Much of China's economic boom has its origins in cheap labor. Something like chip making, one of the world's most capital-intensive industries, could help give rise to even more advanced businesses, such as the actual chip design and the eventual development of valuable Chinese-grown intellectual property. The various piles of supporting data that I have seen, confirms that in just the past three years, investors have spent over \$3 billion in China's chip ventures. It suggests just another arena in the pursuit of scientific advancement – and conquest – desired by China, as illustrated by this section of the briefing paper.

Conclusion

China is a magnificent land of beauty, wealth, and promise. It possesses some of the most entrepreneurial talent anywhere in the world. Natural resources abound, amidst the most vibrant region of the entire planet – poised for incredible growth in the 21st Century. This nation has one of the oldest and most inventive cultures in the reaches of human history. Its art is cherished by many around the world. The foods, music, and language dialects are diverse and a delight to savor. Yet it remains a mystery to most people, a land not easily understood, or traveled by most.

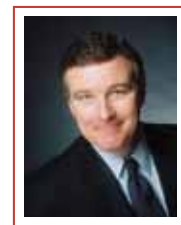
On the other hand, China is governed by an insecure, totalitarian regime – completely unpredictable – in its decisions, even in the face of establishing a position of international economic prominence. Human rights issues and property rights, land confiscation, remain prevalent as residential and commercial development further evolves. China, for all of its natural beauty, is quickly becoming an environmental disaster, destined to adversely affect the rest of the planet. I read an article just recently about the fact that toxic clouds of power plant emissions are actually making their way across the Pacific Ocean and instead of rainfall rinsing the skies en route, actually finding a landing spot in the soils and lakes of New England communities in America.

In spite of rapid economic growth and new-found wealth status, the Chinese banking system is extremely fragile and remains on the verge of collapse, due to a high percentage of non-performing loans. Intellectual property rights are simply ignored. Basic health care is unavailable to most citizens. Restrictions on visas granted and overseas travel are cumbersome. Still, I walk through a park in Shanghai, and I see neighbors of 20-30 folks that meet in groups to sing – like a small choir – traditional songs, operas, and enjoy a humble life. And they're smiling. You can see an energy and optimism in many of the young people in China. National pride is swelling. Europe and America must understand this.

As a trained engineer and a professional economist, I too, shake my head and ponder what is next for our global economy. And China. Waymark Strategists is not in the business of urging organizations to pack up and go anywhere. We remain an information conduit to help you understand the issues, add clarity to comprehension, and hopefully to appreciate what it means to be a capable leader in today's ever-changing international business landscape. Besides, when one travels to another part of the world, in our case as a firm focusing on Asia, it is more fun and certainly more stimulating to appreciate all components that make up your travels and work in a country or region, not just trade laws, but culture and history. That's our job.

Greg Hallberg CEO, Waymark Strategists

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THE BRIDGE TO ASIA-PACIFIC BUSINESS