



Babbel in de Jachtlaan

Shanghai 19 October 2010

Testimonial Marc DE KEGEL - Living Stone Gateway to China, 10-22 October 2010



CHINA : LEADING THE WAY !?

Ever heard of the Living Stone Center for Intercultural Entrepreneurship? Maybe you did, maybe you did not. Let me explain in a few words what it stands for.

As an initiative of the K.U.Leuven, Cera, Joker and supported by KBC and Flanders's government, the center aims at helping entrepreneurs understand better what it means doing business in another country, in another culture. In order to deliver on this general promise the center organizes Gateways to other cultural environments. So far gateways to South Africa, to Russia, to Dubai-Abu Dhabi-Sharjah, to Indonesia, to China are offered ... other Gateways are bound to follow.

Following a very successful gateway trip to the UAE's a couple of years ago, my wife and I decided to embark on a gateway to China. From October 10 till 22 2010, we joined an eminent group totaling 15 people each with their own interests and backgrounds: a MaNaMa (master after master) student specializing in European policies and foreign affairs – a surgeon with broad interest in the global village and his wife who works in the legal affairs department of Tessenderlo Group – an architect with an eye for beauty and city planning – the owner/operator of an hotel constantly in search of service improvement and cost reduction – a former executive of Miko Coffee and his wife exploring the potential for coffee in this vast territory – the owner of Joker tour operator looking for business opportunities – an e-communications specialist in search of new ideas – a DDS and assistant professor in orthodontics working with Chinese dentists – a countess who travels the world – the COO of the Livingstone group who lived and worked about a year in China - an importer of Chinese goods into Belgium for manufacturing labels and packaging materials. For my wife Lieve the special interest lied in the social structure and the arts of the Chinese society, for me the 'doing business in China' was the aspect I wanted to explore the most. As you can see, a most diverse group. That in itself proofed to be enrichment for all.

Our trip started in Beijing, went on to Chongqing, the Three Gorges Dam, and then on to Shanghai where we had the opportunity to spend a couple of days at the World Expo. Sightseeing, group discussions, presentations, meetings with locals as well as expats, were well balanced and made the trip at the same time a voyage in space – a voyage in time and a voyage in mind.



As a way to illustrate this following events and moments of glory are worthwhile mentioning:

- In Beijing: the visit to the Forbidden City with its several palaces like the palace of the Heavenly Purity (Qiangqinggong), the palace of the Earthly Tranquility (Kunninggong) , the Jingshan Park ...- the Tiananmen square - the Mao Zedong mausoleum - the Great Wall - the visit of a Hutong (meaning well , actually a maze of little streets where in the emperor's time the different trades and hand crafts were housed) lecturing by PhD Sun Yehong ('call me Jean') on Feng Shui and building location strategies - on the wining and dining protocol - on the language and its pronunciation with four different tones - on counting in Chinese - on living standards and earnings - on school and education - on health and social security. We had the opportunity to meet someone from Tourism Flanders, who is living for about ten years in China and got married to a Chinese. The trip started to unveil its secrets to all of us. We were fascinated by so much wisdom and tradition. But more was to come.
- In Chongqing : the visit to the old inner city - the industrial complexes for car and bus manufacturing , electrical and industrial products , chemicals etc...- the 3 day boat trip on the Yangtze river with visit to the most impressive Three Gorges Dam..... The group discussion on the Art of War from General Sun Zhou and its application to the business environment. Our minds were filled further and we longed for more.
- In Shanghai : the visit to the World Expo including the Belgium/EU pavilion - the Suzhou gardens - the Bund - the shopping malls....and the presentations on 'doing business in China' by a local lawyer as well as the story on the rising star China with its geopolitical implications, which I volunteered to prepare based upon some articles/viewpoints of

prof.em. Louis Baeck ('The world wide shock of China's giant leap' and 'The new profile of the world economy'), a business report of E&Y and interviews with Dr. Paul Kaplan. For the occasion we were accompanied by several respected guests from Belgium living in China: Mr Bruno Georges Consul-general of Belgium, Mr Kris Put the rep of Flanders Investment & Trade, the local rep of Option, an independent consultant living in China and a rep of Livingstone in China.

All of this resulted in a vivid exchange amongst the group, especially during the cocktail hours. As you can imagine we had quite some Tsingtao beer , Chinese rice wine, Great Wall red and white wine (here the west still has quite some headway), Chinese' liquorto oil and even fuel the animosity about what we had learned and concluded so far.

As a means to summarize our learning's, let me share with you the quintessence of my 'lecture' to the group at the networking event '**Babbel in de Jachtlaan**' in Shanghai.



A couple of mindboggling figures about China

1.3 billion people – about 600,000 engineers and scientists graduating each year, relative share in world production 13 % in 2010, expected to rise to 18 % in 2020 (versus 20 % for the USA in 2010 and 17 % expected in 2020 – 21 % for the EU in 2010 and 18 % expected in 2020), 110.000 clusters of businesses each composed of about 30 to 40 operations big and small, financing 1 trillion \$ of the 3.7 trillion foreign financial debt of the US (2009 figures), financial reserves of 1.2 trillion \$ or 40% of the GNP.....in other words these are no small potatoes!!!

In search of the secret of this rising star

According to prof. Baeck things in China started to open up when Deng Xiaoping proclaimed: 'becoming rich is wonderful'. This was the start of reform and opening to the western and even global economy. But of even importance is without any doubt the effective and efficient application of aspects of culture to China's own benefit:

- a cautious policy aimed at first letting farmers make profit, and then based upon the opened-up entrepreneurial spirit amongst many of them, create clusters of small

- companies that became bigger and larger while specializing in their own niches. This led then to clusters of specialized networks around a given set of products, be it textile – cars – household products.
- Well thought out 5 Year Plans and ambitious goals that are carried out rigorously. When we were in Shanghai, the CCP (Chinese Communist Party) approved in a four day meeting the 12th Five Year Plan. Emphasis was put on spreading the wealth amongst the people. It also includes aspects related to energy, health care, environment protection etc.
 - The Chinese culture of '*just tell us what to do*' coupled with the hierarchical structure of government and politics (CCP – NPC or National People's Congress – State Council – administrative subdivisions) which facilitates decision making and execution to its fullest extent. Compare this to the west where our democracies get often in the way of taking timely decisions and where execution stops after each government dispute leading often to new elections and thus a stalemate....
 - The importance of the Diaspora Chinese in the development of the mainland. Chinese from Taiwan, Hong Kong, South Korea and Singapore were involved in the financing of the growth plans. In other words, unlike Japan who did not want anyone from outside the country to play a role in its economic development, Chinese leaders called upon the Chinese in the surrounding countries to take part in the development and the resulting success of the mainland. It stayed within the family!!! And you know the family is sacred in China.
 - The application of the paradigm of the flying geese (Kaname Akamatsu). Geese fly in an upside down V-formation with a leading goose at the front, others following swiftly. In the Asian context this means: countries are working together to reach their goals with a driver in the front. For instance China, the factory of the world is now driving the economies of Korea, Singapore, Vietnam, Cambodia, Laos, Thailand, ... As long as China produces low added value goods with a low level of technology content against a relatively cheap cost, the other countries in the formation will benefit by delivering the basic parts as well as semi-finished goods. And in the future when cost increases in China other countries in the region are ready to take over the leading 'factory' role, like Vietnam...
 - The learning from the west, especially from mistakes made in the west, but also by copying and 'stealing with pride'....



Monopoly is played in the west in the meantime

While China worked its way up the ladder, the US lost itself in the casino capitalism and the Wall Street alchemy with its financial innovative turbo to make money based upon perceived potential values. Clearly we all know that this led to the dotcom bubble in 2001, where companies got a perceived value based upon their potential not upon their balance sheet or real performance. It also led to the 2008 financial crisis as a result of the (re)packaging of loans to people who could not afford the loans in the first place. This complemented with a greedy bonus system, made the system go south very rapidly. Not only the banks, but also the real economy (funny isn't it, to talk about real economy versus banks that become then the unreal...), businesses and countries alike went under. And on top of all of this an illegal war in Iraq and a war in Afghanistan that proves to be without outlook, deteriorated the situation even more.

The EU 27 did not do much better. They followed the financial alchemists of the US blindly and the worst crisis since 1930 came our way. Furthermore the quarreling egos of the individual countries make decision making almost ineffective. In contrast with the one party approach and the hierarchical party lines with 63 million party members in China ... this makes Europe a sitting duck...!?

Plea for action

To the US I would say: Joe Six-pack get your act together, get to it and prove you really can. I personally have always believed in the great American dream and I still believe the US ought not to be discounted too easily. Having said that things need to change in the country of the free. Will Tea Party and right winged Americans be able to take the corner ...I doubt it will happen quickly. To the Europeans I would say: good old lady, put on your dancing shoes but remember it takes two to tango but many to go for gold. Work together as a union, combine forces, use your intellect wisely, and go your own way...

Lessons learned and some thoughts about what ought to be done

- *Asia, spearheaded by China has become 'the' development pool with increasing levels of integration of the industrial fabric.*
- *In case of labor cost increase the labor intensive activities with low added value will easily move to the neighboring countries.*
- *The next flight of the geese will depart most probably from the Mekong delta with Vietnam as driver. Not surprisingly these countries also have a one party regime...*
- *The west has to upgrade!!! Fast.*
- *One major change that ought to be realized in the western world is the transformation from methodological individualism and satisfying the individual, to group dynamics and cooperation across disciplines.*
- *We need less artificial wealth which only leads to bubbles...*
- *We need to accept that China has entered geopolitics through the front door now.*
- *Education in the west needs to be focused on the support of talent and on shortening the studies rather than rendering them longer.*



Is everything so good then about China?

For sure it is not. In one of the newspaper articles I read during my stay in China I observed increasing critique as to the gradual loss in cultural traditions leading to the fast degenerating group-feeling and the increasing individualism with the worshipping of the false god of capitalism. There is also the question of the corruption as a result of the intertwined power of the party and the political system.

There is the issue of the environment, the problem of human rights, the challenge related to food production, the issue of intellectual property rights, etc...etc...

In concluding I would say: this trip is not over yet, it just started ! But what I can recommend everyone, in business, in politics, in academics, in society at large, is to take time to understand the challenges ahead and be prepared in your own way to assist in the creation of a world in which our children and grandchildren can continue to enjoy being alive and healthy.

Marc De Kegel, October 24 2010

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About Living Stone Centre: more can be found via the website – www.lscope.com