

China Revisited

By Bill Edwards, President, EGS

Thanksgiving Week, November 1982 – Enroute to Zhanjiang, People's Republic of China. First on a Pan Am 747SP over the Pacific from LA to Hong Kong, then a Russian built jet to Guangzhou and finally via a Russian Antonof 24 twin engine turbo-prop with different colored engine cowlings and corks in the windows for pressure equalization. Chinese military trucks take our five person American oil management team from the Zhanjiang airport (near Korean War vintage Chinese jets) across a wooden ferry to our new oil exploration base camp nearby the second largest Chinese Navy Base. Our bus has great difficulty navigating swarms of bicycles, as there are no private cars.

We are met by China National Offshore Oil Corporation (CNOOC) officials and assigned to a Guest House with no hot water, damp bedding and electricity that varies from 50 to 300 volts in fast swings for a few hours daily. Our passports are 'borrowed' to ensure they do not get lost.

We are assigned Mao-suited Minders to ensure we do not stray far from our Guest House (we are separated by walls from the locals) and do not talk privately to our CNOOC counterparts.

Very little works, everything is a hassle and foreigners are tolerated only because we bring capital investment. Per capita income is less than US\$300 and people exist at a low level of poverty. Communication with our Hong Kong office is by telex.

September 2003 – Almost 21 years later – Enroute to Shanghai from Hong Kong on Dragon Air, the China arm of Cathay Pacific Airlines, in a new Airbus 330. Customs and immigration at the new Shanghai Airport take 15 minutes, including delivery of the baggage. The Mercedes hotel car tools along the 8 lane PuDong Expressway enroute to a city center that looks like a cross between New York and Paris – but works and is friendly and safe. Enroute my GSM cell phone beeps – with a text message that I can get up to date news in English (and American football scores) by pressing *186 anytime.

Check-in is by a smiling hotel staff member who takes me directly to the room, writes my passport number in her records, does not need my credit card until I check out (!) and then connects up my PowerBook to the DSL connection and leaves as the bellman delivers the luggage and explains the Business Center is open and staffed 24 hours a day.

Service and food quality in the Starbucks and Hard Rock Café next to the hotel are world class (not just good, better than in the US) and fairly priced. There are no Minders, everyone is too busy building better lives and making money. There is a higher

density of BMW 300 series cars in a northern Shanghai suburb than in any similar geographic area elsewhere in the world.

In a city of 16 million there are already between 500,000 and one million people with an annual income of more than US\$25,000 and the percentage of these Middle Class two income families are increasing at a 20-30% rate per year. Singapore has the same average the same per capita income as this group. We are told that as income rises in China, there is a growing demand for quality and convenience.

Foreign Aid? Over the past two decades, many Third World countries have received billions and billions of US\$ in foreign aid and loans that are not only interest free but are not expected to be paid back. China has received Foreign Direct Investment – direct investment into training and infrastructure. The different results are startling.

World Trade Organization (WTO) Membership - Almost two years ago China achieved WTO membership, agreeing to cut all trade barriers over a period of years and to strengthen intellectual property laws and enforcement. And to deregulate and privatize most industry. Two years on progress is immense, as are the challenges implementing and enforcing WTO requirements outside the Eastern Coastal cities. Russia does not have WTO membership and may not get it this decade.

Okay, I am a Believer. And those who know me well will remember that after almost four years of living and working in China in the early 80s in the oil business plus taking an American business service concept into China in the early 90s, I have generally been negative about China becoming First World, the establishment of the Rule of Law and doing business at a Western level.

Okay, we were in the industrial engine of China – Shanghai. And we stayed in and had meetings in the best parts of Shanghai. What we saw is what a majority of China will be in 2010. Why? The Chinese do not see Shanghai as a special situation or even a planned situation. Just as a model for the rest of the one billion population to follow. Consumer market? The biggest, but real and demanding.

Oh yes, Zhangjiang is also different with many Boeing jet flights a day direct to Hong Kong, beach resorts and a CNOOC that is publicly traded on the New York Stock Exchange.

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Enroute to Los Angeles, September 24, 2003

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