



KAN, Qian

I am Kan Qian, I am the Director of the Online Confucius Institute at the Open University and Head of Chinese in the School of Languages and Applied Linguistics. It's my pleasure to welcome and introduce our guest speaker, Giles Chance. He's the author of [*China and The Credit Crisis: The Emergence of New World Order*](#), published in 2010, [*Doing Business in China*](#), the fifth edition in 2022, and [*Living with Dragons*](#), just published in 2024. He was educated at St Andrews University and Dartmouth College in New Hampshire. Charles also served in the military, worked in the City of London as a banker, and then with refugees in Somalia and Sudan before becoming interested in China in the 1980s. He's also an adjunct professor at Peking University and Dartmouth College.

So ,without much further ado, I hand over to Giles.

Giles Chance

Okay, good afternoon, good morning, good evening, and welcome. And thank you very much for coming to my talk.

I'm going to talk today about I think what will be recognized eventually as one of the most important periods in world history, certainly in Chinese history, which is the period between 1980 and 2010, and in particular, I'm going to focus on the period between 1988 and 2008, because that's the period when I was closely involved with China in ways that I will describe later. Just to give you some idea of what an extraordinary period that was, in 1988, China's GDP was \$312 billion, and by 2008, twenty years later, it had increased 14 times to \$4.6 trillion. On a per capita basis, GDP in 1988 was \$284 - not very much - and that increased 12 times to \$3,468 per head. That's a twelve-times increase. Just to give you a comparison, over the same period, 1988 to 2008, America's GDP increased three times, and so did the UK's. And in 2008, America's GDP was about three times China's. Today, as we all know, it's much closer to America, and America's GDP is now only one and a half times. So, 1988 to 2008; this remarkable thirty-year period, I think, is the most interesting and the fastest period of fastest change in China, and as I'll say later, in the early 80s and mid 80s, China was still a very, very poor, isolated country with all sorts of internal problems, but by 2010, you could say it was a superpower, or at least it was about to become a superpower. So, it's a very remarkable period in history, which has had a considerable impact on the outside world, America, Europe, and the rest of the world.

Here's the outline of what I'm going to say: I will talk to start with what I found when I first went to China, and then I shall talk in more detail about the three components of China's extraordinary growth, which I think are: first of all, leadership; secondly, the release of private enterprise and the creation of private companies' and thirdly, the welcome from the rest of the world and the decision by particularly America to admit China to the World Trade Organization in November 1999.

So, let me now talk about China in 1988. Really, China in 1988, as I've said, was backward, isolated, destroyed, traumatized, and fragmented. I first visited China on April the 7th, 1988. I remember the date exactly, because two days previously, I had been watching my Chinese wife, Ying walk, down the aisle of the church in London, when we got married - and in fact, we spent our honeymoon in China. So the first time I ever went to China was two days after we got married. And what did I find there? Well, I found all those words which you can see there. And no cars, no one had any money, no one owned anything. Most people just had the clothes on their back, and probably one or two personal items at home, things like vases and plates, although much of it, those things had been destroyed or lost during the [Cultural Revolution](#), which I'm going to talk about in a moment.

I think to understand what China was like in the late 80s, we should go back in history, and I'm going to start with the 1930s, because in the 20s and 30s, China's situation wasn't too bad. In fact, it was quite stable. On the left there, we can see a private house in Shanghai in the 1930s. On the right, a fashionable lady also in Shanghai. And you can see from that, that for many people in the 1930s, in the main cities, Beijing, Shanghai, and some others, life was actually quite good. They had plenty to eat. Some of them had a lot of money and so on. But that all began to change in 1931, when the Japanese invaded northern China. For the next, really, 20 years, between 1931 and 1949 - 18 years - China was involved, first of all, in a nasty war with the Japanese, which started in the north and spread throughout the country, and from 1941, became at war with the America against the Japanese. That ended, of course, in 1945-46. And secondly, the civil war within China between [Mao's](#) communists and Republicans, led [by Chiang Kai-shek](#), who were busy, of course, also fighting the Japanese. So, it was a very difficult time, and that led to an even more difficult time.

For many people, life was very hard. On the right there, you can see a picture of a typical peasant with a donkey and two children and a small house or hut. On the left there, you can see a road-building exercise in the 1930s. The majority of people - the population of China in those days was about 800 or 900 million - and probably for 750 to 800 million people, life was very hard. I've heard stories of people eating rice every day, all week, except for Sundays when they had some chilies with it. For some people, life was as bad as that. Then, of course, after the war ended with the Japanese, Mao, by then, had assembled a very large army, mainly of peasants. It was still smaller than the Republican army, it was much less well-trained, and it was much less well-equipped. Mao was a brilliant general and the Republicans were exhausted. Here's a picture of Mao looking triumphant, and he was. He was master really of all he surveyed. Mao, probably many of you know, was a highly educated man. He left school at the age of 12 or 13. But he read enormously all his life. He knew all the Chinese classics and recited enormous amounts of Chinese poetry by heart. He also read a lot of philosophy and books about art and culture, published in Germany, for example, Leibniz, Hegel, Bertrand Russell. He even read [The Wealth of Nations](#) by [Adam Smith](#). All these, of course, translated into Chinese. So, Mao thought he knew, or thought he

knew, a lot about the rest of the world, but he was, first and foremost, a general and he ran China like an army.

In 1958, he decided that China ought to industrialize itself and he started a movement called '[The Great Leap Forward](#)', which involved creating communes throughout China, getting rid of the old feudal systems, and in particular, setting up factories, taking millions of peasants off the fields and sending them to work building factories - which they understood - installing machinery and operating machinery - which they didn't really understand. The Great Leap Forward was a great disaster economically and socially for China. But Mao didn't really know that, because all the reports he got from the local officials were that it was being a great success and China was benefiting enormously from it. Of course, famously, as many of you know, it involved peasants taking all the metal goods from their house - utensils, knives, forks and plates - and burning them in a kiln to try and create steel. It was only when Mao went to a steel factory in northern China, halfway through The Great Leap Forward, that he actually learned that to make high-grade steel, you had to have huge scale, very hot furnaces, and you had to have certain additives. Even so, though, he decided to let The Great Leap Forward continue because he thought it created the correct revolutionary spirit.

The next thing that happened was that because so many peasants had been taken off the fields, China began to be very short of food. Mao was under the impression, though, that the Great Leap Forward had been very successful, so he attributed the shortage of food to birds, and he arranged for peasants all over China, from morning until night, to stand in the fields, banging gongs and shaking rattles, so that the birds couldn't land anywhere, and eventually they all collapsed and died through exhaustion. The result, of course, was that insects multiplied, and the harvests became even worse, and there was a huge famine in China between 1959 and 1962, which killed an estimated 50 or 60 million people in the countryside.

I think at this point, people around Mao began to realize that although he was a great general - in some ways a great man - he was not the right person to lead China in peacetime. And they began to think of ways of getting rid of him and replacing him with somebody else. Of course, Mao realized this immediately, and he spent the rest of his life fighting enemies, whether they were real or imaginary ones. In 1965, he played his trump card, which was to turn China upside down in order to defeat his enemies and kill them or get rid of them. He declared war on counter-revolutionaries, who were landowners, relations of landowners, intellectuals and people in authority. He created an army called the [Red Guards](#) of young people around China to go around and bully and persecute and kill these people - the counter-revolutionaries so-called - and break up their house and smash all their possessions, which is what they did. And that was a 'cultural revolution'. I think the primary reason was because Mao wanted to attack his enemies. That's my own interpretation.

My wife's father-in-law was a professor in Peking University at the time. He was made to walk around his university with a sign around his neck, which read 'counter-revolutionary', and then a few months later, he was sent off to a stone quarry in southern China, in [Jiangxi](#) province, a very poor province. He spent several years working in the stone quarry. My wife, Ying, then about 13 years old, having spent a little bit of time as a Red Guard, went down to Jiangxi province to join him and spent a year living with her father in a hut, learning how to

be a rice farmer. So, that was the nature of the Cultural Revolution. It was extremely hard and many people died, -20 or 30 million Chinese people.

Mao died in 1976. There was an intense power struggle. [Deng](#) [Xiaoping] won that, and he completely changed the direction in which China was to go, away from Mao's ideology towards some sort of capitalist or socialist-capitalist system. He opened China up to the rest of the world, and this is all well known. I think I'm right in saying that this is the first and only time in Chinese history that China actually turned outside of itself to borrow ideas and to introduce ideas from the rest of the world into China. Deng was farsighted enough and knowledgeable enough about China to be able to do this with confidence.

That really was the situation when I arrived in Beijing in April 1988. I would say that China was still in shock. I mean, the most extraordinary thing - or the thing I most remember - was that most of the Chinese I met were like zombies. They were sort of staring with glazed eyes, and they were still really in shock. This is really just an acknowledgement of the period, the new period that Deng introduced: economic reform and opening up. By 1988, it hadn't really begun to take hold, but on our honeymoon, we went to [Hangzhou](#), which is an ancient city about 100 or 200 miles west of Shanghai with a canal system and a beautiful lake. One thing that happened there, which really impressed me, and I'll come to it later in terms of China opening up.

I've talked now about China in 1998, the background to it. I just wanted to say something about leadership, the release of enterprise. I think one of the key factors driving China's successful change from 1980 was the leadership of the [Communist Party](#), which many people have not really recognized, but it was something that in the course of my activities in China, I became very much aware of. Indeed, you can see today, many private companies listed in New York and also in Hong Kong, and one or two in London, that some of the equity ownership is, in fact, the local government in China. There's a good reason for that, which I will talk about in a moment. I thought what I'd do is - I've got here a speech given by [Xu Guangdi](#), the mayor of Shanghai in 2000, at a conference or a meeting which I went to in Shanghai. The title is Shanghai 'Taking Off at the Dawn of a New Century'. I'm just going to read a little bit of it to give you some idea of the detail and direction given by the Communist Party to the period of change. The third paragraph of it is called 'Strategic Planning for the New Century'. He says:

To greet the coming opportune and challenging century, Shanghai has set its long-term development strategies for the 21st century, i.e., by 2010 - *he's talking in 2000, of course* - a foundation will be laid to turn Shanghai into one of the world's economic, financial, and trade centres. The position of Shanghai as an international economic central city and [Pudong](#) New Area as an export-oriented, multifunctional, and modern area will be basically formed. The four specific targets are: attain the basic economic scale and comprehensive power of a world metropolis. Annual GDP growth rate will be around 10%, GDP per capita will be the standard of medium-developed countries; a tertiary industry - *in other words, a service industry* - manufacturing and primary industry, which means commodities and mining, will take a share of 60%, 39%, and 1%, respectively; the urban area of Shanghai will reach 85% of the whole of Shanghai. A city layout with multi-centres, multi-levels, and group-wise will form the largest city cluster, together with other cities in the Jiangxi Delta. An international airport consisting of the Pudong International Airport and Hongqiao Airport, a combined port with Shanghai Port at the core, and based on

container transportation, as well as an information port, symbolized by multimedia technologies, will take shape in Shanghai. An integrated and graded traffic system of railway transportation, including subway, light rail, and so forth, will be formed. *And just the last bit, I'm going to say* - establish the operational mechanism of the socialist market economy - *which is the way that Chinese describe the spirit* - a modern market system for exchange of domestic and foreign capital, commodities, technologies, talented people, and information will be set up. Shanghai's securities market will become the national stock exchange centre and one of the major markets in the Asia-Pacific region. The commodity market will be the national centre, one of the major markets in the world.

So, you can see from today, 2024, twenty-four years later, that the mayor's projections all pretty much came to pass. And I think what I want to do is to demonstrate that not just in Shanghai, but all over China, the Communist Party and local government and the central government played a very important part in the development - this extraordinary, remarkable development - of China over the 30 years. And I've nominated some key people: obviously Deng Xiaoping and his successors as president, [Jiang Zemin](#) in particular, and Prime Minister [Zhu Rongji](#), who carried out some very important reforms, [Wen Jiabao](#), and many others. So that's leadership.

The second driver, I think, is the release of industry. In 1980, you can compare, I think, China to a fertile but unvegetated earth, bare earth. And I think you can then compare these three factors to the water and fertiliser which was poured onto the bare earth to make it grow. That's really what it was like. China was ready for all this to happen and Deng's reforms released huge energy within the economy, which expressed itself mostly in the creation of hundreds and thousands of private enterprises, small, medium and large, all over China. And in fact, today, I think it's right to say that something like 70% of the profits and employment - or even 75% of the employment in China - is the result of private companies. And by private companies, I mean companies the shares of which are owned by private individuals or groups of individuals. And as I said before, very often, some of the shares are owned by the local government, because in order to get licenses and to get capital from state-owned banks and so on, it's very helpful to have the local government involved in China. That's why early on, some sort of deal may be done between a private entrepreneur and local officials. I should just mention, of course, that - many of you know - that since the advent of Xi Jinping, one doesn't anymore see in Chinese restaurants, people stumbling out of a private room in a restaurant with red faces. In other words, three or four Communist Party officials and ten people from some company having drunk fifteen bottles of wine and three bottles of Mai Tai, and they can barely stand up. That doesn't happen anymore, but that's the way business used to be done in China. But the private sector is very important, and that's one of the key drivers, and still one of the key drivers of the Chinese economy, not understood by a lot of people.

The third and very important factor, of course, is the opening up of China, the decision by America to bring China in the [World Trade Organization](#) November 1999. Chinese exports grew by four times between 1998 and 2005, and most of that was a result of China's accession to the World Trade Organization in November 1999. It had a huge impact not only on China, but also on the world. I think that one of the main impacts was a downward pressure on global prices and the so-called '[Great Moderation](#)', which took place really between about 1995 and 2020. Low inflation and relatively high growth throughout the

world, particularly in America, was a consequence. The main factor behind that was China's joining the rest of the global economy. If you think that 1.2 billion people, one-sixth of the world population, then participate in the global economy, it's bound to have some effect. This wasn't recognized at all in the rest of the world. I remember going to be interviewed by the BBC, and there were two newsreaders announcing this, and one of them turned to me - I was kind of the guest - to comment on it: 'What is the impact of it going to be?' And I said, 'Well, I think that if' - as I've just said - 'if you join a huge country like China with a massive population to the rest of the world's economic system, it's bound to have a very substantial effect'. And they looked at me as though I was completely mad. I think that for some years afterwards, people completely underestimated the impact that China made on the global economic system. First of all, to price levels, and later on, as a consumer of commodities. Today, China is the largest consumer in the world - importer of the world - of a number of different commodities like copper, oil, timber, and so on. That's had a huge impact on the global economy. So, the opening up of China, I think, had not only a huge impact within China, in terms of bringing in foreign ideas, foreign technology, but also on the rest of the world.

Here's Beijing as I saw it when I arrived. Anyone who knows China today or has been in China last ten or fifteen years, it's an extraordinary change from the way it is now. You can see just how poor it was, as I was saying. Shanghai Pudong, anyone who's been to Shanghai for the last twenty years, finds it hard to believe that that's what it looked like only 30 years ago. Similarly, [Xi'an](#), if anyone knows Xi'an, the same thing: no skyscrapers, low-rise buildings. Here's a picture of two people in a railway station. You can see how they were dressed, and really, people didn't have anything apart from their clothes. They lived in government accommodation. They worked in the state-owned enterprises. There were no private entrepreneurs, really, at this time, although in the 1980s, you were beginning to see one or two. In those days, it was a very, very difficult thing to be an entrepreneur. I remember one of them telling me that you had to have three certificates to really count as an entrepreneur: a divorce certificate; a certificate for having been in prison; and a bankruptcy certificate. And he wasn't joking.

One of the places we visited was Hangzhou. The morning after we arrived in our hotel, the local tourist director arrived, and he said he wanted to show us around the lake and explain to us what his ideas were for developing the Hangzhou tourist industry. He took us out in a boat and rode us out to that island you can see on the right, where we had a splendid lunch. He explained all the way there during lunch and all the way back what he was going to do to Hangzhou. And on the way back to London - we had to fly, by the way, via a Soviet city; in those days there was no direct flight from New York or San Francisco or London - and I remember sitting in the airport in Moscow for several hours, waiting for my connection from Moscow to London, thinking about what I'd seen. This invitation from the tourist director in Hangzhou, I thought, was significant because it showed to me that underneath all the rubble and wreckage of the Cultural Revolution, there were some bright sparks. I thought that perhaps China would succeed; I didn't really know whether it would or not.

I went back to my job as an investment manager with one of the city firms. Ying, my wife, worked for a bank for a short time and then she left the bank encouraged by some Chinese friends, set up a business trading. I thought this was an interesting activity, but quite risky, and I felt also that China probably had a future. So, I left my job, joined her, and then a few months later, I decided that we should advise multinational corporations in the UK and also

in Europe on entering and doing business in China. Ying went off to China to create offices in Shanghai and Beijing. And so, we had a small office in London and representatives in Beijing and Shanghai. It was not at all easy in 1989 to find Chinese people who understood anything about commerce, but we were very lucky to find the chief representative of [AT&T](#), an American telephone company, who'd worked for the Americans for five or six years. He became our representative in Beijing and in Shanghai. One of Ying's cousins, who was an engineer - a very intelligent man, and worked for a private company for a couple of years - ran our Shanghai office.

So, there we were. I had to go and try and find some revenue from multinationals, so I went to conferences, rang up people, and found that there was actually very little enthusiasm or interest in China at that time amongst multinationals. I really began to wonder whether we'd done the right thing or not. But then I came across [Rolls-Royce](#), who were very interested in what we had to offer because they had set up in China much earlier. Prime Minister [Edward Heath](#) visited China just after [Nixon and Kissinger's visit in 1972](#). As a sort of welcome present, Chinese bought 20 Rolls-Royce spay engines. And they were delivered to China and then sat in their wooden boxes for 20 years because the Chinese didn't know what to do with them and they became known as the terracotta warriors. By the time our business started to operate, China had become a very interesting market for the aerospace industry because the Chinese were beginning to develop airlines and the central government realized that they needed this sort of transport. And the three engine manufacturers in the world, [Pratt & Whitney](#), [General Electric](#), and Rolls-Royce, were competing hard with each other. So we were hired by Rolls-Royce to provide them with inside information and an idea of how the Chinese viewed Rolls-Royce, the competition, and also any future developments. We carried out that task for about three years. We hired a retired Chinese wing commander in our Beijing office who knew, of course, all the people in the Chinese aviation industry. That was our first contract and thank you to Rolls-Royce.

It was much easier once we had Rolls-Royce as a client to go around and talk to the other people because it's a very well-known company, and we were able then to attract our second client, a company then known as Racal Telecom, which later changed its name to [Vodafone](#). To cut a long story short, Vodafone or Racal Telecom were at that time changing from analog to digital base stations and handsets, so they had lots and lots of redundant analog equipment and the question they thought to themselves, which they'd like to know, with the Chinese who were just starting to set up a mobile network in Shanghai and Beijing, would they be able to use any of the redundant equipment and pay for something which would be a fraction of what it would cost if they bought it from [Ericsson](#) or [Motorola](#)? So, the next thing that happened was that Ying, my wife, and a couple of other people from our China operation found themselves in Shanghai in about the middle of 1991, sitting opposite the Shanghai telecommunications industry and talking about what Vodafone wanted. The Shanghai people were very interested. We were engaged by Vodafone to pursue this project, and it was just what the Chinese wanted. And then we went on like that.

We were very much involved in setting up the [Lufthansa Centre](#), which is now the sort of high-end, expatriate, rich Chinese, shopping centre in the middle of Beijing. In 1992-93, that was a project from the Beijing government. We advised companies like [Marks and Spencer](#) in China, [Unipart](#), and quite a lot of others.

Another activity we developed in the early 90s, which we were made aware of by our China offices, was the need by Chinese state-owned companies to access foreign technology and

know-how. Volkswagen had set up two joint ventures in China in 1983, one in northern China, one in Shanghai. They were beginning to turn out Volkswagens into the growing car market in China, and they wanted to transfer supply of components from Germany to China. So, there was a huge demand from Chinese factories for all sorts of machines and know-how to make every sort of car component which they could sell to Volkswagen. That was only one of many technology transfers they needed. We completed over seventy of these technology transfers up until the mid-90s.

The business was very hard work and then we started to have a family. And as anyone who's been an entrepreneur knows, trying to have young children grow up and be a good parent at the same time as trying to run a business like this is almost impossible. So reluctantly, we decided to sell this company, which we called 'Chance China', and so we did that. That was our first exposure to - at least my first exposure to - China and Chinese business, and I learned a huge amount from it.

One of the things I learned from it was that corruption in China, which had more or less died under Mao because there wasn't any money, really hadn't died. It had been sleeping. And by '92 or '93, it started to grow very strongly. And as we sold quite a lot of machinery and equipment into the area around Shanghai, we found increasingly that in addition to, let's say, a machine of a million dollars being sold, the client in Germany or Italy or England had to pay an additional \$20,000 or \$30,000 on top, which would be distributed amongst certain decision makers. And this number continued to grow, and it started off as \$5,000, then \$10,000, then \$20,000, then \$30,000. And that's one of the reasons, actually, we decided to exit the business, because we felt that at some point, this was going to end in tears, and we didn't really want to be involved with that. Some general comments on corruption in China. My experience is that Xi Jinping has tried very hard to root it out, but you can never really root out corruption in China. It's just a way that business is done. And I would quickly say that corruption is not unique to China. I would describe America in many ways as extremely corrupt, with Congress, most of Congress having been bought by the military-industrial complex and by the lobby group [AIPAC](#). Many other countries are equally corrupt, even in Europe. So, China has its own system. I think it's endemic to China, and indeed Asia as well. And it's just there, and it's never going to go away.

China in 1995, by the time we sold our first business, had developed quite a lot. And immediately after that period, Zhu Rongji introduced some very important reforms. He allowed Chinese people to own property in 1997, and after a period of two or three years when Chinese were trying to work out what this meant, the whole industry took off. Lots of Chinese people, as you know, made huge fortunes from buying property, and then seeing the price go up by three or four or five or even ten times, and selling it off again. You quite often see people walking down Piccadilly, Chinese people, wearing very modest clothes, and sometimes with their family, and you learn from some of them that actually they're worth about fifty or a hundred million dollars, and that's where it's come from: the enormous expansion in Chinese property values starting in 1997. Also, the whole state-owned enterprise system was completely reformed by Zhu Rongji, and I think really the late 90s was the time when the private sector in China was starting to come into its own.

We took some years out, really to spend much more time with our family.

The second business we started, we saw a need by this burgeoning private sector in China for capital, and also for internationalization; they wanted to joint-venture with foreign companies, they wanted to develop markets overseas, and so forth. So, we set up with a medium-sized investment bank in London called Evolution Group. We set up a subsidiary of [Evolution Group](#) called [Evolution Securities China](#), of which we owned a part, and they owned a majority share. We started off in September 2003 with myself in Shanghai, in the Jinba Centre, and Ying as a CEO in London, with somebody else from the parent company. We did our first deal, and a month later, we helped to raise fifty million dollars from one of the major car manufacturers in China. They also own the [London Taxi Company](#). They bought [Volvo](#), they have 10% of [Mercedes](#), so it ended up being a very large and successful company, but in those days, in October 2003, it wasn't really like that at all. Its founder, [Li Shufu](#), a remarkable man, like many of these Chinese entrepreneurs, started off making washing machines in his local township, and then he started making motorbikes, but what he really wanted to do was to make cars and so he set up a car factory. He needed know-how in technology. I remember when I went to see them to arrange the deal - which we ended up doing - I went to his factory to see his financial advisor, and I asked to look around his factory, and he said, no, you can't. I realized afterwards that the reason he didn't want to show me around his factory was that most of the machines didn't exist. Everything was being done by hand, and the cars would all be stuck together with ticking tape and things like that. But he did sell them. And that was the beginning of his amazing business and it's a very good example of the way that Chinese entrepreneurs have developed and the tremendous impetus they've given to the Chinese economy, and to some extent to the global economy. 'Evolution China', we did a number of fundraisings, and by 2007, from three people, the business comprised forty people, and in 2007, we made a profit of about £840 000 pounds after tax. Ying went off to Japan because she wanted to raise money to develop the business and we ended up being offered by a large Japanese financial services company, \$50 million for 30% of the business. So that was a very successful business in Evolution.

And that really ends my own personal involvement with China.

I just want to look at China today and contrast it with the early China of 30 years before, and as many of you know, that's what it looks like: that's Pudong today. On the right there is part of [Shanghai Port](#), which is the largest port in the world today. And on the left, so the aerial view of Pudong and the [Bund](#), and the [Yangtze River](#) snaking its way through. That's Shanghai Shopping Center.

I think that's the [Nanjing Road](#) (Nánjīng Lù) today, or about a month ago. On the right, a nice picture of Beijing from the Bund of Pudong. And that's Beijing in October. You can see how nice the streets look now, as compared to the 1987 photograph I showed you earlier. Same thing. That's Beijing today.

And finally, I just want to mention my book called *Living with Dragons*. It's a much more detailed account of what I've touched on today. A personal memoir of China's transformation from post-Mao poverty and isolation to modern society. I saw it all close up, as I've indicated to you in my talk. And here on the right, the nice picture of Pudong in 1980, a nice little street, which unfortunately was knocked down and turned into the picture on the right, Pudong in 2024.

Okay, that's it. Any questions, please?

KAN, Qian

Thank you, Giles. So, Giles, if someone is asking you for advice now who wants to go to China to do business, from your experience, reflections, what advice are you going to give?

Giles Chance

Well, I think there's several things I could say. One is that it's very important to do good research. Hermès, the French company, about 60% or 70% of Hermès' profits today come from China. They started in early 2000s looking at China, and they spent three years looking around doing lots of research, and then they decided that China was somewhere that they should develop. So, the first thing they did was to build a beautiful headquarters in the old French part of Shanghai, [Xuhui](#). One of the reasons they did that was to indicate to the Chinese that they were in China to stay there, and they were not going to move, and they were really committed to it. Of course, they've been enormously successful, and no Chinese lady really feels complete without owning something of Hermès. And their prices in China are unbelievable - people seem to pay them.

The second thing I would say is that the most important thing you should know about business in China is that it's very personal. In China and in Asia generally, I would say, but certainly in China, personal relationships are the core of any sort of business activity. If people like you, and they think that you're respectable, then you can do a lot of things, and that's how we operated when we started. We didn't really have anything much, but we did know some people, and they helped us a lot. And that's what you will find in China; if people like you, and they think you're a good person, they can help you in all sorts of ways. So that's one piece of advice I would give: good research and personal relationships.

Audience member

Thank you very much for the talk. I resonate a lot with what you described today as the transformation of China, and I agree that in the past three or four decades, China has transformed a lot, moving from this isolated society to the world stage. But I wonder, on a cultural level - that's my personal observation - it seems like China is still portrayed as a very ancient China, or revolutionary China, or China under a dictatorship, etc. So, it still remains in this very fixed box. It's like, culturally speaking, China is never changing. So, for me, I feel it's still a very isolated world, the modern cultural China is still isolated, in my observation. I wonder what's your view about that, and what's the possible reason for that?

Giles Chance

Well, I think there are two things I can think of saying about that. One is that I've already described how America decided that China should join the World Trade Organization. The main reason they did that is because every large American multinational had an office or several offices in China, and they thought China represented a huge market for them. So, the American government was put under a lot of pressure from American companies to make this happen and that's why China joined the World Trade Organization. But really, in

the last seven or eight years, as you know, and particularly under Trump, with China's growth, it's no longer seen as the El Dorado. It's now become a major threat to America's leadership in the world. We saw Trump react to that, and I think that is going to be the number one focus of its foreign policy coming up. So, I think that also Europe sees now China as a threat, because - look, for example, at the import tariffs they've placed on electric vehicles made in China, particularly by [BYD](#). China's success has created problems for it in the rest of the world, and I think that [Xi Jinping](#) has approached this to some extent in rather an aggressive way for various reasons, which I don't have time to go into now.

I think the second thing I would say about what you said is that the Chinese are naturally - it's difficult for them to integrate with the rest of the world, because it's not in their makeup or culture to do so, I would say - some people might disagree with that. They've always kept themselves to themselves, and their traditional attitude - and still their attitude today to some extent - is, you know, that people should come and bow themselves down in front of the Chinese because they've got such an advanced culture and it's such an old country. They do suffer to some extent from a superiority complex. That would be, to me, one of the reasons why it's been difficult for China to integrate into the rest of the world. And maybe that will continue to be the case. What do you think?

Audience member

I probably agree with you. I think that because of the trauma and all this great history during all these years in the 60s, there still seems to be a trauma, transgenerational trauma, or a self-esteem issue among most of the Chinese. I cannot represent all the Chinese, but I can observe it from my friends, for example. It seems to be a confidence issue, especially when this global power dynamic is not helping that. It portrays China as a threat or as something to be fearful or too negative. So, I find it still persists this kind of self-esteem thing.

Giles Chance

I think it's still early days. I mean, you know, thirty, forty years ago, China was kind of - nobody really thought about China at all. It's only a very short time since it's become such an important country for reasons which I've spent time talking about today. And I think it will take quite a few more years, probably another century, for people to get a better understanding of China, I mean, for Americans. I think America will end up having a cooperative relationship with China because Trump may think he's going to have a war, but when he thinks, when the [Pentagon](#) talks to him about it, he will realize that America is going to take enormous casualties and the [Chinese navy](#) is actually bigger than the American navy and so forth and so on. He's going to realize that it's not a very clever idea to have a war with China. So, I suspect that's going to - that idea will go away. And I think, I hope, and I believe that China will have to find itself cooperating more with America, and I think that will, to some extent, help China's integration in the rest of the world.

KAN Qian

There's a question in the chat. Lucy, can you read it out, please?

Lucy Moss

Rachel has asked, 'What has been the biggest change that Giles has seen between the 80s and now, and what has not changed in that period?'

Giles Chance

Oh, God. I think the Chinese themselves haven't changed very much at all, and the Chinese food is still the same as it was thirty, forty years ago. I was amazed how good it was even then when the Chinese didn't have any money. Obviously, I think the new generation in China is very different to their parents and grandparents. They have different attitudes. They're much more global. They think in a much more global way. The internet is much more important in China even than it is overseas. Everyone does everything online. And young people know a lot of things about things in the rest of the world. So, that has changed dramatically.

I think I'd better stop there because I know that Qian wants to say something.

KAN, Qian

Thank you so much, Giles, for a very interesting talk. The personal encounters always speak volumes and your insights and so many years living in China has all those reflections. I'm sure the people in the audience have benefited.

Okay, I just want to take this opportunity to tell people about our [Chinese courses](#). We have a [30 credit module](#) [*L108: Beginners' Chinese*] which can contribute towards a qualification. The current module started in October, but for next October, the registration will start in March. Also, we have a lot of short courses, very short, like six units and each week only about six, seven hours study. You can study anytime you want and then that can contribute towards your CPD or career move. We do give people a digital badge to prove you have done it. And then we have this [Introduction to Intercultural Competence](#) course. And then we have a [Chinese Business Culture Essentials](#) short course as well. So do have a look.

And then I'd like to make you aware of our next event. On January 17th, we have the next session of our [Modern Chinese Literature Online Book Club](#). One of the popular authors now, [Fan Xiaqing](#), it's her story called [Yin Yang Alley](#). We'll have the translator Helen [Wang] joined by our usual panel, Emily [Jones] and Nicky [Harman], the very well-known translators to host this session. So the [Eventbrite registration](#) link is already there, although a lot of details, the questions to think about before the session, we haven't put up there, but they will be there soon.

So, thank you all very much for coming to our event today and for engaging with it.

Thank you very much, Giles.

[END OF TRANSCRIPT]