Personal views of China: The way it was, the way it is

Global Executive Forum members

Last October, 37 members and guests traveled to Hong Kong to attend the Global Executive Forum, which included meetings with leaders from the public and private sectors. Afterward, the group continued on to China for a close-up look at the changes that are occurring as this massive country strives to become part of the global economy.

"We all grew up learning something about China and thinking we knew who the Chinese were," said Don Stevens, director of the Institute for International Business. "We knew about their political history, things like the Great Leap Forward, and the Cultural Revolution. Then, at the last Forum we immersed ourselves in China for three weeks and got to challenge some of these perceptions we've had our whole lives.

"Today, we have taken a cross-section of our tour group and asked each one of them to give some thought to the China that they thought they knew and the China of their most recent experience."

Don Stevens moderated the panel discussion, which included: Burt Boothly, Bob Birdsong, Steve Barnett, and Earl Wright.

Burton C. Boothby is CEO and chairman of the board of The Cumberland Companies, which focuses on acquisition land development. Early in his career, Boothby initiated the legislation that resulted in Colorado's first condominium law. During a sabbatical from real estate interests, he acquired a controlling interest in a concrete company which he grew from an $8 million a year business to a diversified company generating annual revenues in excess of $126 million.

Robert Birdsong is director of international operations for Walter Oil & Gas Corp., and recently agreed to move to London to spearhead the expansion of the company's efforts in exploring for oil and gas in the North Sea. His experience in the oil and gas industry includes top executive positions in such companies as Webb Resources, which was later sold to Standard Oil of Ohio (now BP/Amoco); Bird Oil Corp.; Axem Resources, and Walter & Westport International.

Stephen L. Barnett is a managing partner with Cherry Creek Capital Partners, and a former managing partner with Andersen Consulting. During his 35 years with Andersen, he served on the senior management staff for the Americas and the global organization. Among his areas of expertise are strategic planning and the implementation of enterprise-wide solutions.

Dramatic Changes

Burt Boothby

"I've been to China four times, starting 28 years ago," said Burt Boothby, recalling that he made his first trip when he was in the concrete business and a member of the National Crushed Stone Board, Washington, D.C. Through the board, 20 couples were invited to China as guests of the government, and Burt and his wife were among the group who went there for a month-long visit.

The purpose of the trip? "Twenty eight years ago, in 1973, the Chinese did not know how to make high-stress concrete. They could make regular concrete, pre-stressed concrete, but not high-stress concrete. And they knew this was important to their construction trade."
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The man who initiated the invitation was the head of the Great Wall Construction Co., the only construction company in Beijing. "He had 275 architects, over 300 engineers and they were building everything that had to be built, including the Peoples Hall of China," said Boothby.

How big is the Peoples Hall? "It's so big, from a mile away, you look over there and you can't believe how big it is. And the man told us they built it in 11 months! This was pretty hard to believe. But the way they did it was to put 21,000 workers on the job, working in three shifts of 7,000. It's a gorgeous structure, all built out of stone, and right on Tiannamen Square.

"Their highest buildings were 10 or 11 stories, and they did everything with pre-stressed concrete which was made in a factory. They put these buildings together like Tinker Toys. They mixed all their own concrete on the jobs, and they didn't have enough lumber to build the foundation forms out of wood. It was cheaper to build the exterior walls and the foundation forms out of brick and use plywood on the inner foundation forms. Once the concrete hardened, they would strip the wood so that it could be used again. All their floors were made of terrazzo and they were beautiful. The women did all the work on the floors; in fact, the women did a lot of the physical labor on the construction jobs.

"Except for the main road that went through the middle of Beijing, roads and infrastructure were very poor, really quite primitive. But what they were doing was being done very, very well."

In 1989, Boothby made a second trip to China; by then things had changed dramatically. "They were putting up 40-story buildings everywhere. The infrastructure was somewhat improved, but it was a long way from being perfect. We stayed in nice hotels, and I was very impressed. We again went to many of the main cities. In Shanghai, there wasn't much going on, but buildings were starting to go up."

On the most recent trip, last year, Boothby noted changes in the Chinese people. "They are extremely aggressive and want to make something out of their country. The people who worked in the hotels seemed very happy; I saw nobody who was disenchanted.

"On the first trip, the people looked very dowdy. Nobody had any color in their clothing. It was a little improved at the time of the second trip. But this last trip, they were fashionable. They like everything we like!

"If they keep going the way they are, they'll be telling us what to do in 15 years!"

Questions and concerns

Robert Birdsong

Prior to Robert Birdsong's visit to China, his impressions were based on other people's experiences. Consequently, he thought of China as a country top-heavy with bureaucracy, light on the rule of law, and haphazard in the way regulations were decided and imposed. "My sense was you had to have a lot of capital and a lot of patience to be there. I wasn't particularly interested in investing in that part of the world because I'm big on getting my money out of an investment early, based on my experiences in Latin America and west Africa. Also, I'd heard there was a lot of pollution in the country."

After he'd gotten a firsthand look at China, Birdsong came away with many more concerns which he expressed in terms of three inter-related metaphors: passing through time zones, while walking past the base of a slide zone, all within the confines of a petri dish.
Birdsong related the petri dish to the "mind-boggling social and economic engineering that's underway. It left me wondering what the consequences would be from such a gigantic overhaul of traditional systems." All through China's history, he pointed out, the old people have been cared for by their children. Now that families are restricted to one child, "what's that going to do to the economics, to the social fabric of the country?"

"Second, I felt that I was passing through time zones. We've been fortunate in this country to have undergone very stable, progressive development. In China, I felt like they were skipping what Americans would call normal development." Birdsong recalled seeing a six lane highway being poured out of cement, with heavy equipment. But manual laborers with wheelbarrows were building the on-ramps. "There were some disconnects; it wasn't an orderly progression where the old ways of doing things are replaced by the new."

Social engineering and rapid development lead to Birdsong's third metaphor, walking at the base of a slide zone. "In New Zealand on the Milford Track, there were signs telling you to move quickly because it might all come tumbling down." He wonders whether enormous cataclysmic collapses, socially and economically, will result from the government's policies and the frenzy of activity taking place. "If there are disruptions, are they going to be extremely violent and quick in nature, or will the changes continue to be muted and progress in an orderly way?"

During the Shanghai portion of the trip, Birdsong was impressed with the 90-story buildings being built. "They said that a third of the world's cranes were in Shanghai, and we're talking big cranes, not just little ones. It was like a build-it-and-they-will-come philosophy was being employed." Birdsong was dubious, however, that the buildings were 75-80 percent occupied, as the group had been told in government meetings. At night, the buildings were dark. "Buildings that are occupied have lights on," he said. "And a whole bunch of those buildings are concrete shells. They've been sitting that way for so long it's about time to knock them down."

He posed a question for the Forum: "Is this huge investment in infrastructure going to pay off, or is this a wasted use of the gross national product that's going to be a drag on the future?"

"I think the non-Chinese investment in the country is something that has to be thought about very, very hard." He was duly impressed with the GM plant in the Pudong New Area that, according to the plant's chief engineer, was building $40,000 Buicks and making a profit. But back in the U.S., Birdsong read a Wall Street Journal article that said the plant was cutting back production because the expensive cars weren't selling. "The difference between the two reports was night and day."

Birdsong was also bothered by "what I call the copier mentality. And they bragged about it. At the Three Gorges Dam, the tour guide said the project would have 26 of the world's largest turbines. The Chinese were in partnership with major manufacturers in America and Korea, among other places, to provide the first 12. But the next 14, the guide said, were all going to be Chinese. No more need for the American partner. Will that actually happen? I don't know, but that's the mindset. And what is this saying to GM? Are they being used?"

Social and human rights issues, greed and graft may one day trigger a landslide, Birdsong said. "Personally, I would like to see an optimistic outcome to the problems, and I think that solution may well involve the Internet. In history, when people became educated about something rapidly, they revolted very quickly and violently. With the Internet, more and more people are learning a little bit every day. Therefore, they have time on both sides of the equation to think about what they have, what needs to be done to maintain equilibrium, and the consequences of what each side might lose if violence were to break out."
"Whether we as Americans are smart enough -- and I think we've been woefully lacking in our historic efforts -- to even begin to understand what's going on over there, and be a help to the problem rather than a hindrance, I don't know."

Surprises and contrasts

Stephen L. Barnett

Steve Barnett made his first trip to China with the Global Executive Forum. He wanted to know more about a country that had 1.6 billion people.

"Hong Kong was pretty much what I had expected. We had a great time there. Shanghai was a surprise, and therein began our exposure to China. We found people who were very industrious. We found a country that I think was very capitalistic in the sense that they were trying to create something from the resources they had. We saw people who were busy doing things. "I was amazed at the fact that people worked three shifts a day.

"There are tremendous infrastructure projects under construction -- roads, houses, bridges. They're building bridges over there that would cause the Golden Gate to pale by comparison. What we didn't expect to see were the satellite dishes as we were cruising down the Yangtze; this was a big surprise. We didn't anticipate seeing the number of cell phones that were in use.

"There was also a lot of contrast. In the town where we got off the boat to visit the temple, we saw an older couple waiting to retrieve our used water bottles. I'm sure they will be recycled appropriately.

"We heard a little about what was going on in the rural farming areas, and how 100 million floaters roam the cities looking for work. They can only get a temporary work permit and are somewhat at the mercy of the local authorities. The problem is, how do you keep them down on the farm when the farm doesn't provide the income it once did?

"Some of the reforms that were put in place have increased production sufficiently so that the country is better fed now than it was in the past. But increased production has driven down prices, and now that China is joining the World Trade Organization, there will be more price competition to deal with. So a lot of the population is going to be displaced.

"It's certainly clear that education is valued, and with the thrust toward the Internet, more people will be educated. So what happens when communication opens up and brings the rest of the world to your fingertips? Change occurs."

Barnett referred to the movie 'Crouching Tiger, Hidden Dragon.' "Some of our men and women in Congress may view China as a country to be feared. On the other hand, I think the Peoples Republic of China sees tigers to be feared in our country. Fear is always the wrong motivator to dictate foreign policy."

"Our congressional representatives should go to China to gain a better understanding, particularly of the young people there. We did see the aging population, but we also saw a lot of young people involved and busily engaged in doing things and feeling that this is perhaps the freest time in their country.

"Once change is set in motion it is very difficult to control. The scale of change that has been set in motion in China will make it extremely difficult, if not impossible, for China's government to control." ruled by one dynasty or another throughout its more than 4,000 year history," observed Earl Wright. "I see
communism as nothing more than an extension of an autocratic rule that the Chinese people have been used to."

He repeated what one of the Chinese tour guides told him: "There's an old Chinese saying that the farther away you are from Beijing and the capital, the more happy you can be, and the more productive and industrious you can be." Wright believes this sentiment still exists among the people.

"Everywhere, there was exceptional industriousness. There wasn't a piece of fertile land that I saw where the people weren't planting crops or otherwise doing something useful with it. At the Shanghai Museum, we looked at pieces of art that were centuries old. The capitalistic way of doing things has been there for centuries."

But there were things that the Forum group was not exposed to. "There is 20 percent unemployment, which we did not see. There are enormous issues with regards to productivity in the Chinese society; we did not see that."

The commerce and investment climate were an eye-opener for Wright. "I thought the Taiwanese hated the Chinese. I thought the Chinese hated the Taiwanese. And I thought that the American Chinese were suspicious of the Communist Chinese. But these are the same groups that are investing in China. And there is tremendous pride amongst those who have come from mainland China to the U.S. when they hear about the advances being made in their homeland. I certainly underestimated that when I went there.

"China itself can finance a growth rate of 5 percent. But anything above 5 percent has to be financed from the outside. These people want to grow better than 7 to 8 percent. So there are opportunities for foreign direct investment if you can find a way to participate in the growth of greater than 5 percent, and provided the infrastructure can support that investment.

"There's a savings rate in China of 30- to 40 percent. To put this in perspective, college educated, urban workers earn 2,000 to 3,000 yuan a month. That's equivalent to $250 to $385 a month. We traveled around, and, granted, we were told where to go. We didn't see beggars; we didn't see a lot of destitution. But can you imagine making that sort of money and still having a savings rate that high? I was astonished.

"In the U.S., we have a per capita GDP of $23,000. In China, the per capita GDP is $770. That's lower than Bulgaria, one of the worst places in the eastern block, which has a GDP of $1,600. To me, that just says there's a lot of potential for improvement in China.

"Unemployment is a big issue. We saw that with the right partner - and I guess GM and Motorola had the right partner, which happens to be the Chinese government - you can get a stable labor force, and a very good one. At the GM plant, they said one of the things they didn't have to worry about was people quitting their jobs. I understand why. However, they are the ultimate capitalists and there's a real thirst to succeed."

Nevertheless, Wright said he is concerned about the potential for financial failure. "The banks there are bankrupt by U.S. standards. And yet, where are the people putting the 30 to 40 percent of their savings? In the banks? What will the folks withdraw to pay for health and education in the future? Where do the older people go when the kids aren't there to support them? The banks have some real issues regarding their financial strength that must be worked out."
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Post-discussion observations

Following the panel discussion, some questions were raised about human rights issues, and the "unbelievable corruption and bureaucracy" that characterize China. Were any of these issues raised on the trip? Panelists said they were not exposed to any of these things, but had asked about them. Some comments:

Steve Thomas, associate professor of political science, CU-Denver: "China is as large as all of Europe. It's a big enough place that anything is possible. The last 200 years have been horrible for them. From 1900 to 1949 they had no growth. In 1949 their life expectancy was about 35 years. China was and still is a very poor country. I think the military's attitude on human rights is tied with the experiences they had up until 1949. For 50 years before then, they put up with quite a bit."

Chen Ji, finance instructor, CU-Denver College of Business: "I lived in China for 35 years, and through the Cultural Revolution. I came to the United States in 1987. People have different observations about China depending on the region they visited. From 1968 through 1976 I lived in the countryside. I was making the equivalent of $63 for the whole year. In no single year did the people in my village have enough food. Homes were made of dirt and water seeped in when it rained. Now they have brick houses, color TVs, and food to eat. Generally speaking, their lives are getting better. But the potential issue is the disparity between the rich and the poor, which is getting wider.

"On human rights, the improvement is dramatic. When I lived in China, you could be sent to jail if you criticized the government. Not so today. My concern is that in a country the size of China, vast majorities of the people are living in the same area, and there's a social order that's very restrictive.

"The one-child policy is creating a lot of future problems. There are so many seniors, who will take care of them? One kid will take care of eight seniors? Where does the money come from? Another thing is the kids' behavior; they are spoiled. Nobody has a solution."


Last Sept., the Forum was held in Hong Kong, hosted by board member and Hong Kong resident Hon. Ronald Arculli. A study tour of China followed, as well as a side trip to Lhasa, Tibet. Along the way, the Forum participants were given briefings by both Chinese and American officials and business people. In Shanghai's Pudong New Area, the group took a tour of the General Motors Buick factory, a $1.5 billion manufacturing complex with the capacity to turn out 100,000 Buicks a year.

In the last Forum report, Don Stevens compared Shanghai today with the way it had been when he traveled there in 1989. The Pudong area "was a rundown industrial area mixed with agriculture back in 1989. In 2000 we stayed on the 81st story of the Grand Hyatt and looked out over the $30 billion of infrastructure investments over the last decade and the dozens of skyscrapers designed by world class architects, a true city of the future."

Also on the three-week itinerary were visits to Xian, Beijing, Wuhan, Chengdu, and a three-day cruise on the Yangtze River which highlighted the Three Gorges Dam project, the largest in the world.
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China's "floating" population

From the Oct. 2000 Forum report: As state-run farms and rural enterprises are downsized, tens of millions of peasants leave their homes in search of better jobs and improved living conditions. In 1980, 20 percent of the population lived in urban areas; in 1990 the number was 30 percent.

Urban areas are coping with millions of state workers idled on partial wages or unemployment as a result of industrial reforms. The "floating population," those in transition between places and jobs, is another problem for urban areas. An estimated three million people in Beijing do not have residency permits, a practice tolerated because they are unofficially there until their labor is needed and paid for in cash. This serves as a way to save the better jobs for the local residents.

China more capitalistic than U.S.

From the Oct. 2000 Forum report: Deng Xiaoping started a reform process 22 years ago of major proportions. In 1992, if you wanted to know how much a Cross pen would cost, you would ask the government; every product was regulated including grain and wheat. Now China is much more capitalistic than the United States, which is absolutely socialistic, Karl Marx's ideal.

Previously in China, everyone was guaranteed lifelong security; now the situation is live or die.