

Analysis of Sino-Western Misunderstandings & Cooperation for Global Harmony

CHINA'S EMERGENCE TO METALS POWER

My 35 years in international trade with China
For Sino-West longterm friendly win-win cooperation

Jonathan Chang



中央编译出版社
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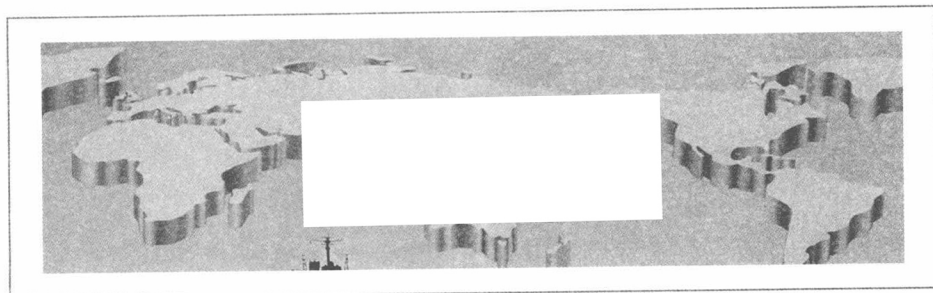
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PREFACE

After decades of hardship and disasters, the China of the 1970s was, to quote Chairman Mao, “poor and blank”. The nation’s per-capita output of metals was among the lowest in the world. There were the Shenyang Copper and Fushun Aluminium Smelters left behind by the Soviet Union and Japan respectively, and not much else besides. But finally the oriental “sleeping dragon” woke up and took flight. After Deng Xiaoping introduced the policies of “Reform and Opening-Up” at the end of the 1970s, China experienced continuous rapid economic growth. Her production and consumption of metals overtook those of Europe and America, to occupy the number one spot in the new millennium.

Experiencing China’s Emergence to Metals Power

The author felt blessed that he was chosen to join the leading

Western metals industrial and trading companies on the eve of China's Reform and Opening-Up, and to start the Far East regional office in Hong Kong and pioneer the new profession then called "China trade" for these British, American and French international groups. Thanks to China's great growth our China representative offices grew from being small loss-making units to overtake the bigger units in Southeast Asia, Korea, Japan, and eventually surpass those biggest in France, Britain, Germany and the USA, so up to the top of our group's worldwide network.

We started our China trade by the prerequisite purchases of Chinese minor minerals like tungsten, antimony and vanadium to let China earn "foreign currency", before we could sell such base metals as aluminium, copper and nickel from the West sorely needed by China. This always involved a lot of haggling over prices. Trade between China and the West had to cope with enormous differences in terms of political and economic systems, ideology, commercial laws, culture and sentiment.

Moreover, the base metals transactions had to follow the rules of the London Metal Exchange (LME), with prices denominated in US Dollars and constantly fluctuating, while multi-million dollar shipments crossed vast oceans but the open market prices limited our profit margins as low as 1% or less. If either side had insisted on a zero-sum game both would have walked away

empty-handed.

Fortunately the dedicated teams and professional leaders on both sides strived to communicate with and understand each other in order to overcome or narrow the differences, so that they could finally reach agreement and sign big contracts. In truth, international trade is never a simple zero-sum, I-win-you-lose affair, but on the contrary it is win-win cooperation for mutual benefit.

Right after China's Reform and Opening-Up we initiated the meetings between the CEOs of the Western leading groups of such metals as nickel, aluminium and later copper and their counterparts in the Chinese ministries. Both parties were the metals world's top leaders, but had never visited each other's countries and couldn't speak the other's language, so we China traders had to take the initiative in organizing these pioneering trips. To bring these Western CEOs to China involved meticulous preparations, from arranging invitation cables for China visa approvals up to the first hand-shakes and "how-do-you-do"s (or "ni hao"). We organized and presided through all the top meetings and tough negotiations, until our international trade agreements were finally reached. Then came all the follow-up work to execute the contracts, and arrange the shipments and payments.

As China traders one of our tasks was to provide accurate translation and interpretation. However, due to the aforementioned differences, the starting points of the two sides were often so far apart that to simply passively translate what was being said could exacerbate the differences and even polarize positions, so we had to actively help the two sides communicate and understand each other, positively explain and clarify the misunderstandings, initiatively overcome and narrow the differences, and tactfully emphasize the agreement (mainline) and play down the disagreement (sideline). It was hard work, and for at least 50% of the time, we were the ones doing the talking. The leaders on both sides appreciated our efforts. Our Sino-West trade started from zero by trial orders to establish credibility, and then continued through tough negotiations plus exchange of delegations visiting each other's countries, and so signed ever bigger contracts with ever more mutual trust. We finally surpassed all other competitors to lead the metals world trade with China, while both parties became longterm partners and good old friends.

My former colleagues and old friends both from China and the West, many of whom have retired or even, alas, passed away, exhorted me to put pen to paper and write the story of this win-win Sino-West cooperation. "You are the chosen person for the ideal choice: born in Shanghai, resident in Hong Kong, from

a teacher to an international trader with longterm service with multinational groups head-officed in London, New York and Paris. You have personally experienced the Western and Chinese metals leaders' respective efforts and joint successes in making the metals history, so you have witnessed this history with your own eyes and ears. You were in charge of the Far East region including the Greater China business management, and also coordinated our Sino-West joint ventures. You are based in the most cosmopolitan city of Hong Kong, whose official languages are Chinese-English bilingual, and where Chinese historical culture and traditions are combined with the Western values and the rule of law, in order to maintain the longterm prosperity and joint harmony.”

It is due to the encouragement of these old friends and colleagues that I decided upon retirement to write this account. First and foremost I am grateful for the blessing of having been in the right place at the right time. This was the historic period of unprecedented world peace and prosperity which provided China with the ideal opportunity to pursue her Reform and Opening-Up policy and thereby rebuild the country. This was the environment wherein the metals world leaders in the West and China were able to achieve their win-win successes and make the metals history. I would like to thank all my old friends and

former colleagues and also clients, especially my team members in Hong Kong, Shanghai, Beijing and Guangdong, with whom I have shared thick and thin, weal and woe, difficulties and dangers to develop our Greater China marketing from zero to all-high record successes. Without them I would not have had these treasured experiences and of course would not have been able to write this booklet. I would also like to thank my old friend and former colleague Michael Parker for helping me with the English version.

Metals World's three Centuries of Great Changes

The Western metals groups I worked in charge of our Greater China markets were the world leader producers of such base metals as aluminium, copper and nickel. They respectively made their great achievements in metals history, and vividly exemplified the metals world's fundamental evolutions over three centuries for Mankind to enter the modern age.

The Industrial Revolution which started in Great Britain was the catalyst for the large-scale transformation of the base metals industry and the development of modern concepts of mass production and mass consumption. In 1877 twelve leading metals firms (including Brandeis whom I worked for since 1977) founded the London Metals Exchange, which launched the commodity

first futures trade in Mankind’s oldest metal copper. It also helped to consolidate London’s role as the global centre for the world industry and international trade and finance, and to spur the Great Britain’s development of overseas mining and markets into the “Empire where the sun never sets” — a global superpower — the like of which the world had never seen. The 19th century was truly the “British Century”.

The French company Pechiney refined our Mankind’s very first piece of new metal called aluminium, then the invention of electrolysis in 1886 made it possible for aluminium to start commercial production in America and Europe, and so become the most widely used nonferrous metal in the modern era. Following two World Wars in the 20th century the United States of America surpassed and replaced Great Britain as the world’s superpower, and became the aluminium leader producer and copper leader consumer worldwide. The 20th century came to be known as the “American Century”.

If we use modern calculations of Gross Domestic Product, China was the richest country in the world for over 1,000 years, from the Han-Tang Dynasties with the fabled “Silk Road” to the West, to the Ming Dynasty with Admiral Zheng He’s “Seven Voyages to the Western Oceans”. During this period China accounted for approximately one third of total world GDP, but

thereafter languished and stagnated behind closed doors for over three centuries. However, three decades of peaceful Reform and Opening-Up have seen China overtake Britain, France, Germany and Japan, and emerge as the world's second biggest economy and top exporter with the biggest foreign exchange reserves at the new millennium turn. Today China is the world's largest producer and consumer of iron and steel, aluminium, zinc, lead, tin, gold and silver and the biggest consumer of copper and nickel, so both the world's factory and the world's market. Some Western observers have already started to characterize the 21st century as the "Chinese Century". China insists on herself as the largest developing country, with a per capita income only 10% that of the developed powers. Meanwhile, the metals world has already shifted the production and consumption centres from the developed Europe and America to the developing Asia-Pacific, Africa and Latin America.

I was blessed to lead our Far East regional team in developing LME founder Ring dealing member Brandeis' full-range of metals international trade with China since 1970s; and then in the transfer of aluminium world pioneer Pechiney's advanced technology since 1980s to help China's great growth surpass the West to become the world's top producer at the turn of the new century; and also in the breakthrough of copper world leader

producer Codelco's direct marketing sales since the 1990s to help China's fast growth solve its resource shortage to become the world's top consumer at the turn of the new millennium.

We appreciate the praises by China's ministerial leaders and professional experts on our sincere contribution to China's metals industry and international trade, while we also follow up the metals world trends so that we could better serve our Greater China customers and Western producers for win-win cooperation: to actively optimize China's growth opportunity as the world's factory, to positively utilize China's industry upgrading as the world's market, and to take the initiative to meet China's largest consumption challenges with the resources shortage.

“From the Past to the Present, So Many Events Have Passed Amid Our Amicable Discussions”

Since I retired in 2011 from my past busy business travels all over the world throughout the years, I finally have time to review my old notes. I have seen metals prices reach historical lows and highs, yet I can't help being reminded of this famous prelude from the Chinese literary masterpiece *The Romance of the Three Kingdoms*. So rather than bore readers with trivial statistics and technical details I prefer to concentrate in my narrative on what the whole world is seeking — global harmony,

particularly cooperation between China and the West. But in order to realize this vision both sides should first and foremost strive to overcome the many misunderstandings which still exist between peoples from such different cultural and historical backgrounds, as well as those caused by changing values of the modern world. Only in this way will we be able to highlight our areas of common agreement and relegate our areas of disagreement to the sidelines, so that we can finally realize true win-win cooperation and achieve global harmony.

Therefore I drafted this booklet (which is absolutely not my autobiography, nor a monograph on Sino-West metals trade), only as my personal account with actual examples for welcoming the experts to analyse why the West and China misunderstand each other, and how both sides can improve harmony. The individual names are not indispensable, so we follow international corporate rules to protect personal privacy and avoid advertising individuals. Let's better address them respectively as "the Western President or the Chinese Minister" to embody the Western and Chinese metals leaders, and even best sum up as the "Western" and "Chinese" common natures, which are really what the metals sector, including tens and thousands of professionals and millions of fellow workers and even billions of end-consumers worldwide, focus their attention on, show their concern about, and are interested in. Hence I try

to analyse why some Sino-West historical cultural differences lead to misunderstandings about each other's values, and what questions some professional experts have raised on the relevant key issues concerning the so-called economy-industry-trade "globalization" and metals-commodity-price "abstraction".

The Western and Chinese nations all lived in the same Earth village, originated from the same Planet over millions of years, and evolved respectively on the different continents over thousands of years. Then the Western Industrial Revolution over three hundred years helped "the Lions gallop and the Eagles fly", and the Oriental export over three decades let "the Dragons take off and the Tigers leap forward". But both the West and China have been in recent years expanding their own economies and exhausting the Earth's limited resources, and ever more seriously polluting the world environment, warming the global climate, and threatening the Earth's ecology. We Mankind are in the same Ark to face the same unprecedented dangers and disasters, so the only way ahead is harmonious win-win cooperation for our joint survival and progress.

Jonathan Chang

Late 2011 in Hong Kong