Distinguished guests, ladies and gentlemen. It’s absolutely an honor to be here. I am very thankful for Professor Edy Wong and also Dean Michael Percy for your invitation. It is indeed a very special privilege to stand here at the Tory Building to do this address. As I said the last time I was here was 32 years ago. When I left school for 32 years, this is a very meaningful revisit. Edy gave you a snapshot of myself professionally. I thought I would share something about myself before we start the conversation about China. He talked about me professionally. I did live in Shanghai, China for 5 years when I was responsible for China region. Very lucky, I saw the fastest growing period of the China financial world. I went there at the end of 2004 and beginning of 2005. It was the time that China has allowed the widest latitude of foreign banks participation, allowing banks to have Renminbi licenses to deal with corporates and later on with Renminbi licenses to deal with individuals. So it was quite some experience that I had there. The bank I worked for 18 years is the bank that has the longest history, as Edy said, in China and Hong Kong. The bank was established, although it is a British bank out of London, but out of Kolkata, India, as well as Shanghai, China in 1958 together. So it is a quite interesting bank. In a way if I look at this fate, somehow it bears a very strong resemblance of the fate of the two countries that I was born in and grew up in. In another word, it was doing quite well lately. I was born in a family of six children, and I’m the only girl actually. We had four cousins living with us under the one roof, together 10 children. I only had one cousin that is a girl. In short, I know what growing up with boys is like. That helped me tremendously in terms of preparing myself to operate in a male dominated business community.

Looking back, actually, it is a lot of emotions when I was writing this speech and thinking of the fact that I was coming back here to revisit the place that I have not been for 32 years. Looking at that is like looking back at my life. I had some major turning points in my life. The most major one was the time I spent in Canada. I came here to join my two brothers. I had three brothers studying in the U of A. At that time, I only had two brothers in Edmonton. I joined them when I was 16 shortly after my mom passed away. And it was very tough days then I remember. One thing is that I was academically inclined; otherwise my father didn’t have to push me away. If he didn’t have to send me this far away, I’d have stayed to compete with other kids in Hong Kong to go to only two universities in Hong Kong those days. So I was academically inclined. The other thing is that everything was new. I found that I needed to support myself through school. All these are such tremendous learning. I didn’t choose to study at University of Alberta. But it is a university that I truly enjoyed. The atmosphere encourages people to learn seriously, to explore, most accommodating, down to earth and unpretentious unlike a lot universities. I think it was a lot of gratitude towards the tutelage, the support and the encouragement of the faculties. Not only have I gained academic learning, I also have gained personal strengths as well as a sense of humility.

Now to China. Joining inspiration from the university’s vision document “Dare dare to discover”, I would like to share with you some of my thoughts in discovering China. Napoleon Bonaparte said once in his quote of China, “When she wakes, she’ll shake the world”. It seems rather obvious that Napoleon’s foresight was vindicated. With China being the world’s fastest growing economy, now the second largest economy. It is the world’s factory, the largest consumer for iron
and copper, and the largest vehicle market. This celebratory list can go on and on. But one thing is that it is also a country filled with challenges. It is really a one that requires constant monitoring and change of your company policy, and also the government is continuously shifting the policies to address these challenges. Looking at this very wide territory filled with challenges, filled with opportunities, how should one do business there? Based on my personal experience, I would consider that before you play it right, you need to know it right and then to position yourself right. So you would indulge me to share with you quoting some of the examples of Standard Chartered. Not to promote, but these examples are the closest to my heart. I would share with you how to know it right, position right and play it right.

First I think it is a modernization underpinned with pragmatism. When it is stressed in Article one of the PRC Constitution that the social system should be the system that China operates on as the country's basis system. China has always been a pragmatic than an ideological entity. The famous saying by Mr. Deng Xiao Ping is "No matter if the cat is black or white, as long as it catches mice, it is a good cat." I think that clearly illustrates this point: what matters is not what it is, what matters is what works. Keeping this in mind, we can easily decide the differences in structures between China's reforms versus the other countries'. If we look at Russia, Russia has a short sharp shock method guided by the thinking of free market economy in which you would immediately privatize a lot of industries when Russian reestablished itself after it broke away from the previous USSR, China didn't do that. China is more pragmatic and it took its time. It retained its key industries and allowed several industries, the property development industries, manufacturing industries and things like that to take private entrepreneurship, but it keeps the key industries as it is now. If you look at China, 90% of the bank loans go to state owned enterprises. I'll go in to more details on this later. Essentially, as China pursues its modernization, it is not dogmatic, but it is more flexible and pragmatic as its choice of means.

Second is that its feasibility is determined by controllability as how I would summarize it. The importance of controllability is the aspect that is to your face. We can have many examples. By looking back at China's history over the past century, the fall of the Qing dynasty in 1911, civil wars in Sudan, and the invasion of the Japanese, the civil war between the communist and the nationalist, and the Lefties' political action that commanded during 10 years of culture revolution that only ended in 1977. China was battled by internal instability and internal encroachment. This is the context of China that you are seeing today. So it is an over-rising concern to the country that it has to be stable. The policymaking and the macroeconomic methods that we see is about what is feasible is what is controllable. It knows far too well that it needs to open up. China knows that the control, the continuous embargo of the capital accounts. It opens up its current account and but the continuous embargo of the capital accounts cannot be long. It is not sustainable with the way that it opens up to the world economy. But the thing is it cannot let go so quickly of exchange rate, and also of the capital flow. This is so true. I have got several measures just yesterday regarding the inflow of hot money in the light of the American's QE2 and also tremendous pressure on the appreciation of the Renminbi. We see this is the China's way of making things feasible and yet controllable. I think China is somewhere between centralism and federalism. It is a centralized and yet a very diverse country. The central government is very powerful and has final say of many of the policies, and it developed a lot of policies at different times. But if you look at how one operates,
if you think that there are some multinational companies that I know very well that have strong government backing particularly some of the American companies. They apply a lot of pressure on the Chinese central government to get their way. Some of them are in banking. They won’t go too far. The thing is it is a country with 34 provinces, 600 and more major cities. The local municipal chiefs have lots to say and are very powerful in saying. Many of them are actually member of the poli-bureau. You look at Shanghai, you look at Guangdong, and you look at Chongqing. The party secretaries are members of the poli-bureau. They are the leaders. If you have a say in Beijing, and you go to Chongqing, you think you can do it again in your way, dream on. So it’s never a unitary or a singular market, it is a vast country. We talked about how many provinces and cities; it has a population of 1.3 billion. We know of Shanghai, Beijing, and Shenzhen. But do you know of Inner Mongolia? The place where the GDP grew in bad days like last year like last year was still riding at 28%, and good days about 30%. I know the university has some programs with Xian’an. Xian’an in the worst days still had a fixed investment at 34%-38%. It’s a tremendous growth. China is made of all these. To add onto that, Taiwan has very special space in high-technology research and development, and Hong Kong is truly a financial international center. It is a very potent and powerful economic block we see in Greater China. So it is not centralized.

I’ll move on to talk about how to position right. I want to share with you a story about Mencius, the Chinese philosopher, who is arguably the most famous Confucian after Confucius himself. He was born 2300 years ago at the times of the warring period of China. China was basically divided up into many states controlled by different warlords who called themselves kings. And there were a great market for consuls, as we say nowadays. A lot of philosophers roam from one state to another giving advice and consultations. It was one day Mencius went to see this King Hui of Liang. King Hui said to Mencius, “Since you had come far to come here, may I presume that you would provide consuls to benefit my kingdom? When Mencius disagreed with the King, it should be not benefits to him or benefits solely to his kingdom. But you can see clearly that in the King’s mind, what is about him is what about the kingdom. If you want to earn my listening ears, you have to say something that fits into my personal interests. This is what I would share about operating in China. First you have to know who you are dealing with. What state of China? What state of your target group is operating in? Are you operating in a state that is growing? There is a 10% GDP growth in last 30 years. So you need to know not only the record but also what they are looking at next. This foresight is very important. I would share with you an example of Standard Charted. In 2004, China started the personal banking. That has pushed forward the private enterprises to have a role to play. They have always been growing, but there were no easy ways for them to get financed. As I said, 90% of the bank loans go to state-owned enterprises. We call them SME in Standard Charted. China as a country is so keen to support them, but doesn’t have a lot of means. Around 2005 and 2006, we came up with something we call Legend of Tomorrow. A legend of the future Chinese leading enterprises of Tomorrow’s Award is basically set up to promote the SME. Now it is the fourth year that we are organizing it. We have a panel that collaborates with CASS, the Central Academy of Social Sciences with the panel trying to promote the best SME. Strangely, every SME that got the award becomes very famous with their original province. The rationale behind this is simple. You go where the country wants you to go. The country needs you to promote and support SME. And they don’t have a lot of means. You want to be seen that you promote them. You want to be seen to support them. This is a win-win situation. For us we want to
be part of the SME promotion because we are doing quite well. Because of this award consistently carried out by Standard Charted, we are well known to SMEs in China. If you ask people in banking in China, what is Standard Charted, they will say that we are the SME bank. But frankly, SME constitutes less than 10% of our balance sheet. But because of this, we have this name. This is an example of how we support the government to raise a profile.

Another example is Renminbi Internationalization. I don't know how much you follow this. If you ask me, Renminbi Internationalization is really the next big bank. It is a major player in banking. If you are in finance or economy, follow this closely because the speed of changing is so fast. Now a little story. It was a rainy day in spring last March, I took our group of directors who are responsible for corporate banking to meet with the vice mayor of Shanghai who is responsible for finance. In that discussion, an academy pointed out that China has ambitions to internationalize the currency. Nobody knew at that time. We came out immediately. I smelled something and said that we had to write the paper to share our experiences. Out bank ranks, in terms of world status, as number 6 in US dollar clearing and number 5 in Euro dollar clearing. Also we are the major Euro clearer in Hong Kong. We know what it takes and that we could share the experiences with them in terms of how to do it because there are so many ways. We immediately set up an international task force with my colleagues from London, Singapore, Hong Kong and China. We focus on what are the operational hurdles if we are going to do it. We looked at a big chart of removing big financial hurdles. We did it first before they actually wrote out anything. We also looked at a new system support. That was not an easy thing. It requires investment and diving into your faith. We did that. Last November in Hong Kong, we started to give high interest to attract Renminbi deposit. On those days nobody gave interest in Renminbi deposit. It cost us. As a result, in March this year, one thing after another, new Renminbi products are rolled out. In terms of trade, the first thing they did was Renminbi trade. We were the first bank after the pilot bank. Two banks piloted the Renminbi settlement, Bank of China and Bank of Communications. We were the first bank, which was awarded the settlement license and agency license. You may think what is so big deal? It is a big deal. 76 foreign banks in China right now only have 2% of the market share. If you look at the big banks, there were four major state owned banks, the Commercial Bank, City Bank, etc. We were the first foreign bank that started the pilot program. Why? Why did they give it to us? It was not because they favored us, it was because we wrote five papers by the time in March this year. We also went on a big lobbying campaign and we knew our way to send those papers to find the right audience. I just want to share with you this little example. If you look at the table, the PPOC, the central bank publishes every month on trade settlement. We really lead the pack. Among foreign banks, we position number four to number six, while the next foreign bank positions number nineteen, number twenty. So consistency, to think ahead, and to invest ahead is what I’d like to share with you in terms of how to position ourselves right.

Positioning right, another example is the collaboration with the Agriculture Bank of China. It is the most infamous bank. Before its IPO in July this year, everybody is thinking that this bank is pled by bad loans. In fact, China had to use trillions of Yuan to clear its bad loans before it was ready for its IPO. We align with them. Why did we do that if you look at this kind of background? Why did they want to deal with you, such a small foreign bank in China? Although our bank is small, in world ranking we are the largest global bank among small foreign banks with operation in 17 countries.
We have what the Agriculture Bank doesn’t have. We have footprints because we focus in Asia, Africa, Middle East and India. These are the footprints is what most of Agriculture bank’s clients are targeting at. So we have what they don’t have. They have what we don’t have. They have massive domestic presence. They have 24000 something outlets. They have 320 million customers. It’s a larger than the population of America. They have 2.4 million corporate clients. So all these make sense for us to collaborate. But why Standard Charted waited so long? I’ll share with you a little confidential information. If we wanted, we could have been the strategic partner with Bank of Communication instead of HSBC. We were the first choice. We walked away from it. Not because they were any inferior, but we thought they were a too big bank. If you make a strategic investment of maximum 20% without management control, it has no difference from just being an equity play. Our bank believes in something we learned from hard time. There is no point in just making an equity investment; you need to know what’s going on. You need to have very good control of what you are doing. Otherwise, the money may not be good enough to compensate for reputational risk. “We are here for good” is our latest slogan. We were looking for somebody that allows us to have this management play and put our money in. We waited and waited. So this is an example of positioning right. Don’t jump into the first opportunity but find your match. And ABC wanted to do an IPO. I went in with my team. My role right now is strategic relationship. I took my team to do an IPO pitch. But this IPO pitch made me learn so much about them and I got so excited. Immediately I wrote a quite long paper to our board to ask for a real strategic participation that requires quite a lot. Very lucky, backdrops in studying many different targets before, they also appreciate what I saw. Very quickly, we came to conclusion that we should focus on ABC. They invited us to be a cornerstone investor. We put in 500 million. As of today, since July this 500 million has just made us 180 million looking at the share price. Of course we are not selling. This is just from the equity. But more importantly, for me, it is not an equity play. On the outset, the agreement was that we need an equity stake as an sincere gesture so that we could work with one and another. We signed an MOU in July, committed to signing four agreements last week when our board visited China. Two chairmen signed these four agreements. We have concrete items and subjects to work on. For a foreign bank, for a consumer bank, it’s really exciting. I am really looking forward to seeing some of the results. It is just another example to share the tip to wait, be patient and find your match.

Now we talk about playing it right. I see some of the MBA faces form this afternoon. I also use MBA being the abbreviation of what I want to share with you about playing it right. M stands for managing your expectations. B stands for building your local teams. And A stands for advance relentlessly. It is a long game. Doing business in China is a marathon race. Now I will share with you our branch in terms of break-even period. It’s long in China, much longer than that in Hong Kong. In Hong Kong, prime site, we can break even in seven months. In China, in Shanghai, on average, it’s two years. In some of the secondary cities, 3 to 4 years. When I went to China, we had 11 outlets. When I left, we had 57. Now we have 60. This is costly. These are investments that you have to take a long-term view on if you want to operate in China. Don’t expect too quick return. And remember that it is a rough market, very volatile. In fact, every day is a new beginning. Many times, many days, it’s like a prior for tomorrow. Every day is a new beginning. Growth doesn’t usually come easily. The banking industry where I am in is highly regulated. When I first went there, we thought it was dazzling speed when they had one regulation per 2.8 days. The speed gathers in pace. Now it is one regulation per 1.2 days, of which 45% are material. On average, we turned in 1000 and more
reports to the regulation including the People’s Bank of China as well as the CBRC. This is something depending on what kind of industry you are in. 76 banks only have 2% of the market share. They want to control. Remember what I said about controllability. They control your pace of growth. The other thing is that you manage your expectations on your colleagues, yourself and also those who make decisions on investments.

Second is local team. Take GAP as an example. They went into China. Having a local team does not only apply in China, it’s everywhere. It’s more efficient and effective than just having international people going in. International people know the company, but they don’t know the locality. GAP started an international movement. Invariably the return of the franchises is higher than those who operate themselves. It doesn’t mean that you shouldn’t operate yourself. But by purely looking at the return, local team gives you a better return. More importantly, local team needs your training as an international company. You give them something that they need. And they give you the local knowledge. This is the perfect match. We have grown in the last few years. When I first went there, we had 600 people. Now we have 6000 people. We grow very fast. You need to do a lot of training. Training is something that you really need to be ready to do. Imparting your knowledge needs you to be generous about. Without that, they can’t know. It is a place that everything is nascent. I can’t stress enough that you need to give them what they need in order to do your business. A lot of multinational companies, they go in there and do the training, but they over delegate. I remember the chat with Monica earlier about whether I’m a micro or macro manager. I said I wouldn’t describe it like that. What I would say is that you really need to know the details. Not necessarily that you have to handle it yourself. But you really need to know details of what’s going on. But you need to think macro, and you need to think far. Only with this combination, multinational company survive, leave alone thrive in China. I talked about regulation change. 1.3 billion people. It depends on how you classify, but it is between 700 to 900 million of rural population. It is a place where the central leaders forever fearing these locations. They need to change and move very fast in order to keep pace with what their close monitoring results tell them. Things change fast. A lot of details you need to monitor closely. But at the same time, you need to think ahead in order to position yourself right. When you set your expectations right for the whole company, and you have the right team, pursue your plan rigorously. You may have to work 16 hours a day. I traveled even more. But it is inevitable. I counted and I traveled 250 to 270 days in my 5 years in China. You need to be prepared. They eat into your weekends; they eat into your evenings. This is a place of Guanxi. It’s not for the faint-hearted. Just now I waked with you through my personal journey and you have been wonderful. I think there are a lot of opportunities there unfolding. It is a very interesting part of the world. I look forward to seeing you delivering and succeeding if you are going to operate in China. And to borrow the gain form the university’s efficient and economic plan, ”Dare to discover and dare to deliver”.

Thank you very much.