CITY BUSINESS
Magazine

College of Business

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THE GLOBAL RESET

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CONTENTS

From the Dean

We live in extraordinary times. The populist spirit is abroad, and politicians and peoples alike are contesting the efficacy of the globalization project as never before. As economic nationalism takes hold across the North Atlantic, I take a look at President Xi Jinping's One Belt One Road initiative, and how the mantle of Free Trade Champion appears to be passing — perhaps surprisingly — to China. US President Trump has placed a searchlight on Sino-American trade relations, and in *The Chinese manufacturing exodus*, Professor Frank Chen evaluates the latest trends suggesting that manufacturing industry is moving out of China to Southeast Asia, Africa, and the US. This picture of a thriving Chinese manufacturing diaspora is brought home vividly in *Manufacturing by the moon*, where DBA learning partner Frank Leung, tells of the challenges in setting up shop in Ethiopia.

The ephemeral nature of a country's "manufacturing base" is vividly demonstrated by DBA alumnus, Dr Sheng Li, who describes how economic downturn has caused the near collapse of China's small- and medium-size shipbuilding companies. Accountancy, on the other hand, seems to thrive in good times and bad, and in *Mergers, Collapse, and Accountability* we get an insight into the development of the Chinese accountancy market through the eyes of alumnus William Mak, Partner in PricewaterhouseCoopers Hong Kong.

From the relative calm of a College of Business in Hong Kong, there is perhaps a temptation to frame the globalization debate in narrow economic terms. As a recipient of international refugees, Sweden has been grappling with the human costs of disruptive immigration for several decades. In *Getting to Sweden* we hear from visiting Swedish Member of Parliament, Thomas Strand, on how the country's inclusive social democracy is coping with recently accelerated immigration. The globalization project can of course fall apart disastrously. In the past five years, Syria has borne the full brunt of war, and the region an ensuing humanitarian crisis. In *Until war ravaged the nation*, PhD candidate Ghazwan Hassna reminds us of how quickly a peaceful society can slide into war. In the face of the full-scale humanitarian crisis which is Syria, and as we search for a global "reset", we are reminded that much more is at stake than mere logistics.

CB's International PPP Specialist Centre of Excellence for Public Transport Logistics is discussing aspects of globalization, at a conference entitled *Implementing the United Nations 2030 Agenda for Sustainable Development through effective, people-first Public-Private Partnerships* from 9 – 11 May 2017 at CityU. We hope to see you there.

Houmin Yan

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ON THE COVER
Illustration by Nate Kitch. Nate is an illustrator from the UK with a love of jazz, cinema, reading and abstract art. He is often lost in his thoughts and feeds off this to inspire his work.

PRESSING THE GLOBAL RESET BUTTON

By Professor Houmin Yan

As the protectionist spirit takes hold across the North Atlantic, ***Dean Houmin Yan*** *describes how China's One Belt One Road project is promoting connectivity and collaboration across Eurasia using the Public-Private-Partnership model, and how China is emerging as a surprise champion of global free trade.*

The globalization project is due for a reset. With the United Kingdom's impending exit from the EU and the accession of the Trump Administration in the United States, the two countries who have held aloft the torch of free trade over the past two centuries are lurching onto an opposing tack. Protectionism rather than free trade is the new mantra. As globalization enters a new era, the mantle of free trade champion is passing — surprisingly — to China.

Europe is in flux. For the people of the United Kingdom, the conflation of the four European Union freedoms — the free movement of goods, of services, of capital and of people, was one freedom too many. In a continent with widely disparate economies, that fourth freedom — and the reality of open borders — was stunningly rejected by Brexit. Whether the peoples of Europe will follow suit is now down to this year's elections in various European countries.

Walls or open markets?

On the other side of the Atlantic, President Trump is putting America First. Symbolic of the new protectionist spirit, a wall is being built. Peter Navarro heads up the White House National Trade Council with a strategy to renegotiate existing trade deals and scrap bad ones. This means "no" to the Trans-Pacific Partnership, and at the very least a renegotiation of the North American Free Trade Agreement. Meanwhile, at the Davos Economic Forum in January, China President Xi Jinping upheld the benefits of globalization and open markets. In the midst of the Brexit and America First mayhem, China's One Belt One Road (OBOR) project is emerging as a bulwark of world free trade.

> *"Seamless logistics are central to the free trade project"*

China's first direct freight train to UK

Seamless logistics are central to the free trade project. The day after British Prime Minister Theresa May stood up to finally offer a definition for Brexit in January 2017, the first direct goods train from China to the United Kingdom arrived in London. The end of an 18-day journey, of 12,000 km, with two changes of gauge, the service passed through Kazakhstan, Russia, Belarus, Poland, Germany, Belgium and France before entering the UK via the Channel Tunnel. The train hauled 34 containers packed with £4 million worth of clothes, visible proof that One Belt One Road is reaching out to the metropolitan heartlands of the United Kingdom and Europe. This train is just one of 14 dedicated rail routes linking China directly to European nations.

Win-win scenario

At the heart of the OBOR project is China's strategy to promote connectivity and collaboration across Eurasia. "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st century Maritime Silk Road" by the National Development and Reform Commission (NDRC), released in March 2015, speaks a language very different to the Trump protectionist mantra. It talks of mutual benefit, and seeks "a conjunction of interests and the 'biggest common denominator' for cooperation so as to give full play to the wisdom and creativity, strengths and potentials of all parties." According to Beijing, this is the classic win-win scenario. OBOR fosters collaboration, leveraging each country's advantages in technologies, management and resources. Overall, the vision is to reform production structure. China's high quality of services and resources will flow to the OBOR countries, and push forward supply-side structural reform to the benefit of all.

Public-Private-Partnerships

The driving force behind the new Silk Road is the tried and tested Public-Private-Partnership (PPP) model, which is being pursued at full steam ahead. According to a joint statement released by the China Securities Regulatory Commission and NDRC in December 2016, PPP infrastructure projects established for at least two years may

© Reuters Pictures

The largest trading partner in goods in 2014

The map shows each country's major trading partners, exports and imports combined

© Digital Globalization: the New Era of Global Flows/ McKinsey Global Institute

now raise funds by issuing asset-backed security products. Given that there are more than 10,000 China PPP projects, with an investment of more than US$1.85 trillion, PPPs are set to gain significant leverage along the Silk Roads in 2017.

The PPP model has been chosen for several reasons. They are excellent vehicles for underpinning the finance and management of large scale infrastructure projects. Their transparent tendering mechanisms facilitate the OBOR project selection process, and the variety of models available such as build-operate-transfer (BOT) or concession, can be adapted to suit various kinds of project. Risk management is another area where the PPP model scores. Governments tend to be more expert in areas of legally related risk, whilst the private sector excels in managing financial and operational risks. Finally, the long-term framework of OBOR projects, typically some 20 to 30 years, means that government plays an important role as guarantor to underwrite the project's success.

Chain morphs to matrix

As North America, the Pacific region and the United Kingdom face uncertain and increasingly protectionist futures, OBOR is a major growth point for international trade with China at its fulcrum. China is building on existing strengths. Some of the fastest rates of growth in GDP are in countries along the OBOR corridors, and China is already the largest trading partner of many of these countries. The growth points are at the European end destinations, and that is where the dedicated direct goods train services are beginning to play their part.

This is not however merely a new version of the traditional supply chain system, to produce in the east and consume in the west. The recent Fintech surge, the advancement of logistics systems, the use of multi-channels in marketing, and the ubiquitous presence of e-commerce, are resulting in more fragmented, diversified demand in the production process. Both production and consumption are going global. The chain is morphing into a matrix.

Is the loss of manufacturing really a loss?

As part of this process, many countries along the old Silk Roads are reinventing themselves as major producers. Take Bangladesh, a lead player in the manufacturing industry in South Asia. Its population of 160 million has enjoyed strong economic growth, with a GDP of over 6% p.a. over the past six years. Garment factories have moved here from China in large numbers. Protectionist wisdom would see this as a threat to the incumbent manufacturing nation. But is China really suffering?

As the world's largest importer of textile raw materials, China possesses a high level of automated textile processing industry and has excess capacity. The shift of the manufacturing industry to Bangladesh actually benefits China's export of textiles. It releases excess capacity in production, and accelerates the transformation of manufacturing industry towards higher value added industries. From a classic supply chain perspective, allocating the production process to a low-cost country, enhances the overall efficiency of the chain. So, the OBOR infrastructure investment, reduces the cost of logistics and trade, and encourages industry transformation.

Anti-austerity demonstrations in Greece

© Reuters Pictures

The Marshall Plan

How should we understand One Belt One Road, compared to two other global projects, the 1946 American Marshall Plan and the 2014 European Union "Juncker Plan"? Opinion remains divided on the post-World War Two Marshall Plan. Some view it as an American act of benevolence, helping a devastated Europe to get back on its feet. Others as an expedient means to creating a market for America as it retooled its factories from war production to domestic goods. The plan certainly also had a political dimension, acting as a bulwark for supporting western democracies at a time when the Iron Curtain was coming down over Europe, and the threat of Soviet expansion was very real. It necessitated strong leadership from the US, who provided support in finance, technology and facilities, and spawned international institutions. The plan created a template for stronger European cooperation, later enshrined in the EU, and has proved influential down to the present day.

The Junker Plan

The 2014 Junker Plan arose in very different circumstances. This large-scale infrastructure investment plan was designed to unlock public and private long-term investments in the "real economy". After seven years of stagnation, the aim was to kick-start the European economy by investing in energy, transport infrastructure and other socially-beneficial assets. So far there are seemingly positive consequences: A European Fund for Strategic Investments to develop the real economy has been set up. New investment has flowed to the 27 member states to the tune of EUR138.3 billion in the first 18 months. But mid-term the jury is out. Europe remains in crisis. There are unprecedented levels of youth unemployment in Greece and Spain, and vast flows of refugees have entered Europe from Syria and Africa at levels that cannot be comfortably assimilated under a multicultural model. Looking ahead, a stagnating European economy and the rise of nationalistic political parties with overtly protectionist agendas threaten regional unity.

One Belt One Road

One Belt One Road differs from the Marshall Plan in that it was not prompted by an outright crisis. There was however an economic slowdown in China post-2009, and the OBOR initiative can be seen as a stimulus to China's flagging State Owned Enterprise sector. Like both predecessors, it is ambitious and of vast scope. More than 60 countries from Asia, Africa and Europe are involved, including many developing countries with diversified economic environments. Funding infrastructure is vital. A Silk Road Fund and Asian Infrastructure Investment Bank have been set up to encourage private companies to invest, and produce a flow of policies, infrastructure, trade, finance and capital, connecting people of many countries. The new Silk Roads seek to create win-win situations within expanding regional economies.

Long-term PPP

OBOR is powered by long-term PPP agreements between government and private entities for the provision of public services and the development of infrastructure. Responsibilities and returns are shared by both sides. A private sector strong in analysis, innovation, operation, and risk control provides funds. And long-term PPP contracts will address the issue of under-maintenance of public infrastructures.

Results are impressive: To date, the People's Republic of China Ministry of Finance has approved 232 model projects, with a total investment of 802.54 billion Yuan. The total number of archived projects is 9,285, with a total investment of 10.6 trillion Yuan. Overall, the private sector accounts for nearly 40% of project participation.

Hong Kong

In all of this, Hong Kong has a crucial part to play. The region's well established financial and legal systems, together with mature logistics and retail service sectors, provide an excellent platform. In partnership with countries possessing less developed systems, Hong Kong can be a leader in OBOR. And the College of Business at CityU is set to play a key role. The new International PPP Specialist Centre of Excellence for Public Transport Logistics will develop OBOR research projects, international policy briefs, and share PPP best practices and international PPP standards in public transport logistics.

The Wheels of Commerce

It has been said that a volume of Jewish history is equal to half the history of Western civilization, a volume of Henan history is equal to half of Chinese history, and a volume of Silk Road history is equal to half of the history of globalization. But the Silk Roads are not confined to history. A new chapter is being written, and in a disrupted world, One Belt One Road policies, infrastructure, trade, finance and capital, are lubricating the wheels of commerce. At odds with the North Atlantic protectionist zeitgeist, and driven by a still expanding China economy, OBOR is a vital contributor to global economic growth. As the world reaches for the global reset button, China and the countries of the ancient Silk Roads play a pivotal role in keeping the wheels of commerce turning.

The Chinese manufacturing exodus

© Reuters Pictures

President Trump meets Alibaba boss Jack Ma

By Professor Frank Chen

Against a background of rising costs, Chinese manufacturing is on the move — to the US and Southeast Asia. ***Professor Frank Chen****, Head and Chair Professor of Management Sciences, investigates latest trends and how a record inflow of Chinese investment is helping revitalize the American economy.*

When the then President-elect Donald Trump met Alibaba executive chairman Jack Ma in January 2017, he characteristically said he had a "great meeting". They discussed one of the incoming President's favourite topics, American jobs. The headline news? One million new US jobs to be created.

"We're focused on small business," Ma told reporters after the meeting. "We specifically talked about ... supporting one million small businesses, especially in the Midwest of America."

Ma said that Alibaba's expansion would focus on products like garments, wine and fruits, with a special focus on trade between the American Midwest and Southeast Asia.

Of course, Alibaba has clout. With more than 10 million active sellers as of 2015, the company estimates its China retail marketplaces has contributed to the creation of over 15 million job opportunities.

The meeting came against a background of stalled US reshoring (US companies returning to their homeland) whilst Chinese investment remains buoyant. Every year since 2012, Chinese investment in America has exceeded investment flows in the other direction. And in 2016 Chinese companies' investment in the US economy was at a record US$18 billion. This embraced sectors from entertainment to micro-electronics, information technology, household appliances, and hotels. The investment went beyond financial sector mergers and acquisitions to include the building of new manufacturing plant on green or brown field sites.

The world's workshop?

As early as 2010, Bloomberg Business Week ran the title "Why Factories Are Leaving China". Chief Economist at the Industrial Bank, Lu Zhengwei, dates the shift to 2012, when China's services sector overtook manufacturing for the first time as the biggest contributor to nominal gross domestic product. At the time this was heralded as a milestone towards industrial restructuring.

"The process began to get serious a long time ago… When we spoke highly of the increasing role of the service industry in our economic structure, it had already kicked in. That was 2012," Lu said, adding that China's high taxes and high land costs are now turning business away.

China's manufacturing base is indeed transforming. Lower end manufacturing is moving offshore to Southeast Asia countries such as Vietnam, Indonesia and African countries such as Ethiopia, whilst higher value added manufacturing is encouraged against a background of increasing automation. The heyday of China's manufacturing boom is long gone. These were the 1980s and '90s, and especially the years after China joined the World Trade Organisation in 2001. In these years, the gains to China's manufacturing base can often be directly correlated to losses in the

Chairman Dewang Cao tours the Fuyao plant in Ohio

© The Washington Post/Andrew Spear/Getty Images

2016 Record-breaking Chinese investment in the US

- **January** In the largest China-Hollywood deal to date, conglomerate Dalian Wanda Group Co. acquires production and finance company Legendary Entertainment for US$3.5 billion.
- **April** Omnivision Technologies, whose camera sensors have been used in Apple Inc.'s iPhone, is acquired by a consortium of Chinese private equity firms including CITIC Capital Holdings, Hua Capital Management and Goldstone Investment Co. for US$1.9 billion.
- **April** Tianjin Tianhai buys Ingram Micro for US$6.07 billion. The deal marks the largest Chinese takeover of a US information technology company to date.
- **June** Qingdao Haier Co. spends US$5.6 billion to buy the appliance division of General Electric, giving the Chinese appliance manufacturer an opportunity to boost its presence in the US market.
- **September** Anbang Insurance's, one of China's largest insurance companies, completes a US$6.5 billion deal for Strategic Hotels and Resorts.
- **October** Chinese conglomerate HNA agrees to pay private equity firm Blackstone Group US$6.49 billion for a 25% stake in Hilton. The move is part of HNA's efforts to enhance its global tourism business.

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Automated car manufacture at the Beijing Hyundai Motor Company

US. Some sources state that the US trade deficit with China cost 3.2 million jobs between 2001 and 2013.Manufacturing was eager to relocate from the advanced economies, and within a decade China was the world's second-largest economy.

Southeast Asia boom

A confluence of political and economic factors is now producing another decisive shift — away from China. On both sides of the Pacific, government policy is playing a role. In China, Beijing has encouraged labour-intensive businesses to move elsewhere as it tries to steer the economy towards higher value-added services and automation. In the US, President Trump has suggested that a tariff barrier may be placed between the two countries, and encourages "Made in America". The question remains, who by?

For China, the new policy means less emphasis on shoes and apparel. Vietnam has overtaken China to become the largest producer for Nike shoes. Garment exports from Southeast Asian nations to the EU, US, and Japan have been very strong in recent years, sharply contrasting with the performance from China. Companies such as Eclat Textile, Taiwan's largest apparel company, are pulling out of China completely due to deteriorating business conditions and surging wage costs.

Even the high-tech sector is affected. More than 50% of Samsung smartphones are now assembled in Vietnam, and one more Samsung factory is currently under construction. It is reported that 80% of Samsung's China capacity will be moved to Vietnam. When such giants move, so do their immediate supply chain partners, sooner or later, followed by second-tier and accessory suppliers. The result — many Vietnamese companies are also intensifying investment in the electronics supporting industry.

Exodus

The exodus of Chinese manufacturing goes hand-in-hand with a surge of outbound investment. This is up more than 50% in the first 11 months of 2016 from a year earlier, with manufacturers involved in more than a third of China's overseas mergers during that period. At the same time, China's private sector investment at home rose just 3.1%.

The prospect of reaching a Trans-Pacific Partnership (TPP) agreement accelerated such supply chain shifts. TPP would make Vietnam an open economy and a favourable destination for FDI. With other ASEAN countries intent on joining too, a pattern similar to 1990s' Pearl River Delta was emerging with countries such as Indonesia introducing economic stimulus packages to encourage foreign investment, and keeping currency at low levels. The whole regional block was poised to replace the Pearl River Delta region, benefit from lower labour costs, and emerge as the world's low cost manufacturing centre.

President Trump's abrupt cancellation of TPP has now thrown doubt on the viability of importing to the US. In the short-term, reshoring and FDI in the US should gain renewed impetus. But one thing is for sure, these manufacturers will not be returning to China.

FDI trumps reshoring

Ironically, Foreign Direct Investment seems to be playing a much greater role in the American manufacturing revival than the much-vaunted US reshoring phenomenon.

"The US Reshoring phenomenon, once viewed by many as the leading edge of a decisive shift in global manufacturing, may actually have been just a one-off aberration," says Patrick Van den Bossche, A.T. Kearney partner and co-author of an April 2016 Reshoring Index study. Industries vulnerable to rising labour costs in China have been successfully relocating to other Asian countries, rather than returning to the US, the report confirms. Vietnam has absorbed the lion's share of China's manufacturing outflow, especially in apparel. US imports of manufactured goods from Vietnam in 2015 were nearly triple the level of imports in 2010.

'Made by China' in America

China companies are entering manufacturing in the US in a variety of industries.

Paper In June 2014 Shandong Tranlin announced it would invest about US$2 billion to build a pulp and paper factory outside Richmond, Virginia.

Textiles The Keer Group has built a US$218 million cotton yarn factory in South Carolina, and "are now hiring in places where cotton was king".

Construction Machinery SANY has made a US$60 million investment in office and manufacturing space for construction machinery in Georgia.

Computers Lenovo opened a computer production plant in North Carolina in June 2013.

Auto Parts China's largest auto parts maker, Wanxiang Group, has 28 factories in 14 US states with 6,500 employees.

Garments In October 2016, Chinese garment manufacturer Tianyuan Garments Co. made a US$20 million investment to produce clothes for brands like Adidas, Reebok and Armani — the first Chinese manufacturer to make clothing in the US.

Paper In April 2016, Chinese paper products maker Sun Paper Industry said it was opening its first North America factory in South Arkansas, investing more than US$1 billion to construct a new bio-products mill that would create 250 local jobs.

Steel Pipe Tianjin Pipe has invested more than US$1 billion in a steel pipe plant in Texas, designed to produce 500,000 metric tons per year of steel pipe that is used in the oil and gas industry.

Just a day away

Over in America, Chinese investment is creating much sought-after manufacturing jobs. After nearly 60 years of manufacturing in China, Tianyuan Garments Co is the first Chinese garment manufacturer to set up shop in Arkansas. Cutting distance to customer is a major motivator.

“We’re midway between Canada and Mexico and a one-day’s truck drive to 60% of the US population,” says Mike Preston, Executive Director of the Arkansas Economic Development Commission.

Tianyuan still operates five factories in China, but it sees its biggest market opportunity as North America. Arkansas’ ecosystem as a cotton producing state is especially attractive to textile and clothing manufacturers. And incentives are on offer. In return for its investment, Tianyuan receives a US$1 million infrastructure grant, US$500,000 for training assistance and a 3.9% annual tax rebate, which comes to about US$1.6 million annually. It’s a win-win situation as Tianyuan expects to hire 400 American workers to run the refurbished factory, due to open in late 2017.

Another prominent mover is China’s largest auto glass manufacturer, Fuyao Glass. According to founder and chairman, Dewang Cao, in the US “land is basically free, the price of electricity is half of that in China, and the natural gas price is only one-fifth.” Fuyao Glass plans to open a third American plant this year, bringing its total investment in the US to US$1 billion.

Robo-boom

Manufacturing is in fact booming in the United States and in 2016 hit an all-time record. Strangely, this achievement is not much touted. And the reason is that it is down to automation. The US makes 85% more goods now than in 1987, but with only two-thirds the number of workers, an inconvenient truth in a time of populist politics promising the return of jobs to America.

The next question is, who makes the robots? According to the International Federation of Robotics, in 2013 China became the world’s largest market for industrial robots. In 2014, President Xi Jingping called for a robot revolution, and by the end of 2016 China was scheduled to overtake Japan and become the world’s biggest operator of industrial robots. China is now working to extend the use of robots beyond factories, to agriculture and a range of other applications. As labour costs rise, and spurred on by government support, robots are on the march, especially in the rich coastal provinces where Guangdong alone is set to invest US$8 billion on automation between 2015 and 2017. The result? Higher productivity with fewer workers.

Goodbye to Made in China?

No one expects manufacturing to disappear from the rich coastal areas of China. The complex networks of suppliers for industries from textiles to electronics would take years to build up elsewhere.

But findings from the Trends in Global Sourcing Survey, a survey of global procurement and purchasing executives which assesses the risk environment and sourcing trends, indicate that support for China as a low-cost sourcing destination is waning.

“The share of respondents who agree that China is a low-cost sourcing destination dipped below 50% for the first time in 2016,” said Paul Robinson, economist at IHS Markit. “This was down markedly from 70% in the 2012 survey.”

China is increasingly viewed as a hub of global supply chains. But for some companies in areas such as chemicals, plastic and yarn that are heavy on energy and light on labour, moving to the US can save costs. And President Trump’s much-touted corporation tax cuts would only increase incentives.

Many Chinese companies plan to keep more high-end work in coastal China while moving less sophisticated work elsewhere. The One Belt One Road infrastructure expansion westward sets the seal on the move into relatively new territories. Central Asia beckons.

MADE IN USA

Brand America

For one iconic US manufacturer, Donald Trump's win in November was the final nudge to move production back home from China. Trans-Lux makes the digital screens at the New York Stock Exchange. The company has a rich manufacturing legacy, was the pioneer of electronic ticker technology, and installed its system at the NYSE back in 1923. But for the past two decades those screens have been made across the border from Hong Kong in Shenzhen. Now, shifting production back to the US could have advantages beyond reducing costs.

"Compared to 1997, labour costs are much higher, shipping costs are monstrous and it's very hard to find a new facility to expand our production," said J.M. Allain, President & CEO of Trans-Lux.

"It makes economic sense,” he said. But more than that: "At the end of the day, there's also cachet attached to a made in America brand."

As Chinese manufacturing companies migrate across the Pacific, he is clearly not alone in wanting to reinvigorate Brand America.

© Andrew Caballero-Reynolds/AFP/Getty Images

Distribution by truck in the US

Globalization to withstand protectionist challenges

By Dr Isabel Yan

***Dr Isabel Yan**, Associate Professor in the Department of Economics and Finance, discusses the efficacy of President Trump's protectionist policy, the future of UK-EU relations in the wake of Brexit, and how the One Belt One Road project is boosting economic cooperation.*

There is no doubt that the globalization project is set to travel a bumpy road in 2017. A number of unprecedented events are poised to stall its progress. Brexit and Trump's protectionist agenda are significant obstacles, and will challenge the globalization project as we know it. On the other hand, China's One Belt One Road (OBOR) based on open borders and boosting economic cooperation offers an alternative vision. Time will tell which of these countervailing forces will prove more influential. Are we witnessing the end of an era, or will globalization arise anew from the ashes?

The Trump Presidency

The cozy Clinton-Bush-Obama era Globalization project has already taken some hard knocks, and international policy since January 2017 has turned largely protectionist. The Trump-led administration consistently criticizes pre-Trump trade and immigration policies as insufficient in advancing US interests and in paying too little attention to the interests of US workers. As a result, it advocates policies that put major restrictions on two aspects of globalization: trade and immigration.

Restrictions on trade

As promised, one of President Trump's first acts was to sign a presidential memorandum to withdraw the US from the Trans-Pacific Partnership (TPP). He also intends to renegotiate the North American Free Trade Agreement (NAFTA), crucial to North American economic integration since 1994. NAFTA abolished tariffs on over one-half of Mexico's exports to the US and over one-third of US exports to Mexico. It also set up the CANAMEX Corridor that strengthens connection among the three member countries via telecommunications, railway and pipeline infrastructure. Nevertheless, Article 2205 of the NAFTA agreement gives a provision for members to withdraw with six months' notice.

Trump's opposition to TPP and NAFTA is largely on the grounds of their effect on US employment. Trade liberalization enables large US corporations to outsource their production, which arguably leads to job losses and lower wages for US workers. Nevertheless, this argument has ignored at least three important stylized facts in economic development.

Firstly, trade liberalization can generally increase the welfare of low-income households by reducing the cost of subsistence manufactured goods like textiles or packaged food. It also broadens the choice of consumer goods available to US customers. Secondly, the comparative advantage of the US is in knowledge-intensive services which are skilled labour-intensive rather than in manufacturing industries which are unskilled labour-intensive. Competing with developing countries in secondary industries will not be a suitable strategy to maintain long-term economic growth for the US. Innovations and technological improvements are well-documented drivers of sustainable long-term growth.

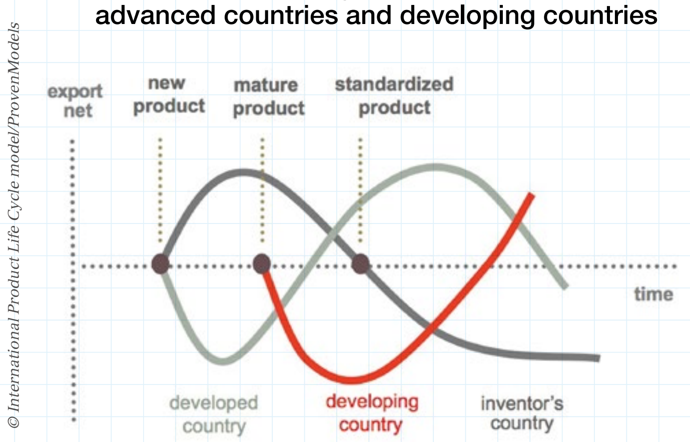
Product life cycle theory

Thirdly, product life cycle theory shows that any product will generally go through three stages during its production life-time. The first stage is the "new product" stage during which products are invented in advanced countries with abundant capital and skilled labour such as the US, and are marketed there at relatively high prices. Exports are predominately from the invention country. The second stage is the "maturing product" stage in which there is growing consumption demand from other advanced countries and the invention country starts to set up production facilities there. The invention country's exports to these advanced countries thus gradually

© Doug Chayka

Product Life Cycle

Implications on the dynamic of trade balance of advanced countries and developing countries



reduce. The last stage is the "standardized product" stage during which the production of the product becomes more standardized and the price lowered. The invention country will take advantage of the lower production cost in developing countries (e.g. China, South Asia) and outsource its production there. The invention country becomes an importer at this stage.

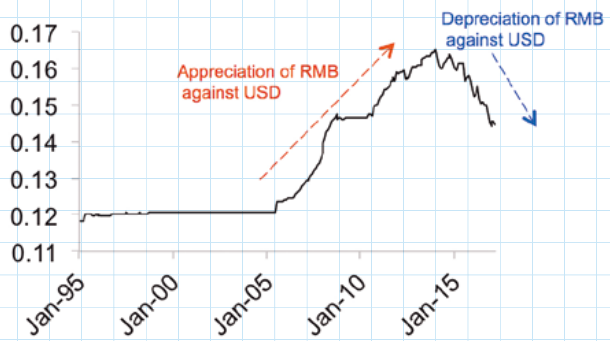
Based on this theory, outsourcing production to developing countries is a natural evolution process in the product life cycle. To maintain its exports, invention countries should focus on continuing to invent new products, rather than restricting the production of mature products to itself which is against its best economic interests. Overall, withdrawing from international free trade agreements will do little to bring factory work back to the US. Instead, it will lead to a reallocation of direct investment to other developing countries and possibly retaliation from countries which are being discriminated against.

Allegations of currency manipulation

Trump's administration also threatens to take a tough line on countries identified as having "violated global trade rules". In particular, it declares an interest in bringing cases against major exporters who allegedly "compete unfairly", including China. Trump accuses China of manipulating its currency to gain trade advantages, which, if confirmed, would allow other countries to impose trade restrictions against China's exports. However, on 28th February 2017, Trump's currency manipulation claim against China was dismissed by the US Treasury itself. In fact, the plot of China's nominal exchange rate over the last two decades shows that the Renminbi broadly followed a persistent appreciation trend against the US dollar until early 2014. There was no evidence that China actively engaged in one-sided intervention to push down its currency value.

In fact, Trump's radical agenda to restrict trade and immigration is not without potential downside. If the US were to start a trade war, affected countries would be likely to retaliate. And there has been a history of Chinese retaliation. In 2009, China responded to the US imposition of tariffs on its tire exports by taking antidumping measures against US's food exports. Besides, any trade cases against China would require a formal dispute settlement from the World Trade Organisation (WTO), a process based upon the WTO's past decisions.

Nominal Exchange Rate of RMB against USD



Restrictions on immigration

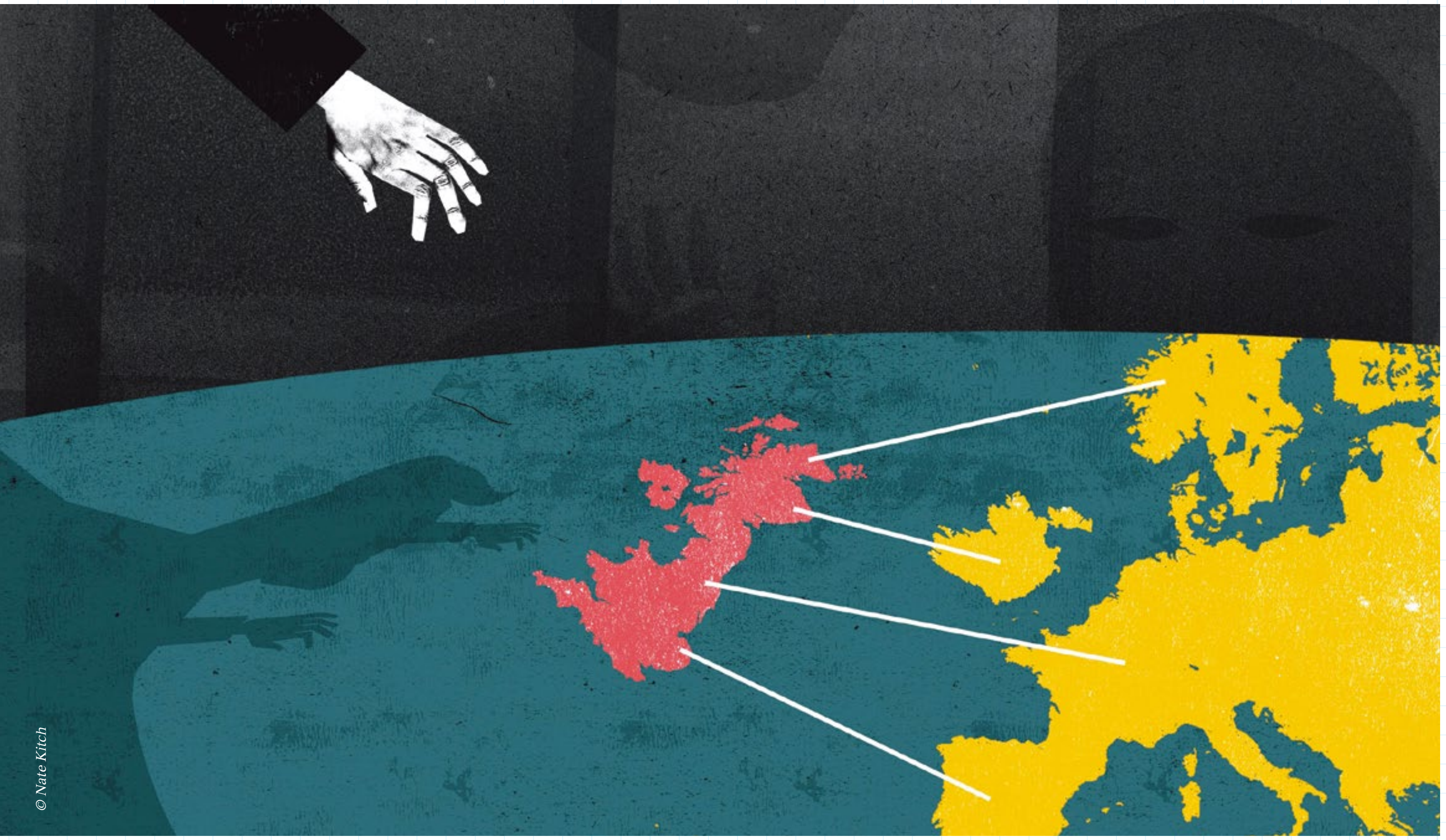
In the first 90 days of his presidency, Trump has signed Executive Orders suspending entry of citizens of seven (later six) Muslim-majority countries for 90 days. Those countries were Iraq, Iran, Libya, Somalia, Sudan, Syria and Yemen. (Iraq later excepted). Trump's future trade and immigration policy is uncertain, but the US's more protectionist policy is expected to result in a redistribution of economic power. Nations whose global trade position is being jeopardized are likely to find ways to lock in their trade position by identifying alternative economic partners. The One Belt One Road Initiative provides just such an opportunity to build new economic connections.

Brexit

The outcome of the June 2016 British referendum on European Union (EU) membership shocked the world, and set the UK off on the path of departure from the union. The EU currently comprises 28 member countries, of which 19 are in the Euro area. The departure can potentially deprive the UK of four major freedoms with member countries: the free movement of goods, the free movement of services and freedom of establishment, the free movement of persons including workers, and the free movement of capital. These dramatic changes are set to start from the date of the UK's entry into any withdrawal agreement with the European Council, or two years after its notification to the Council of the intention to withdraw.

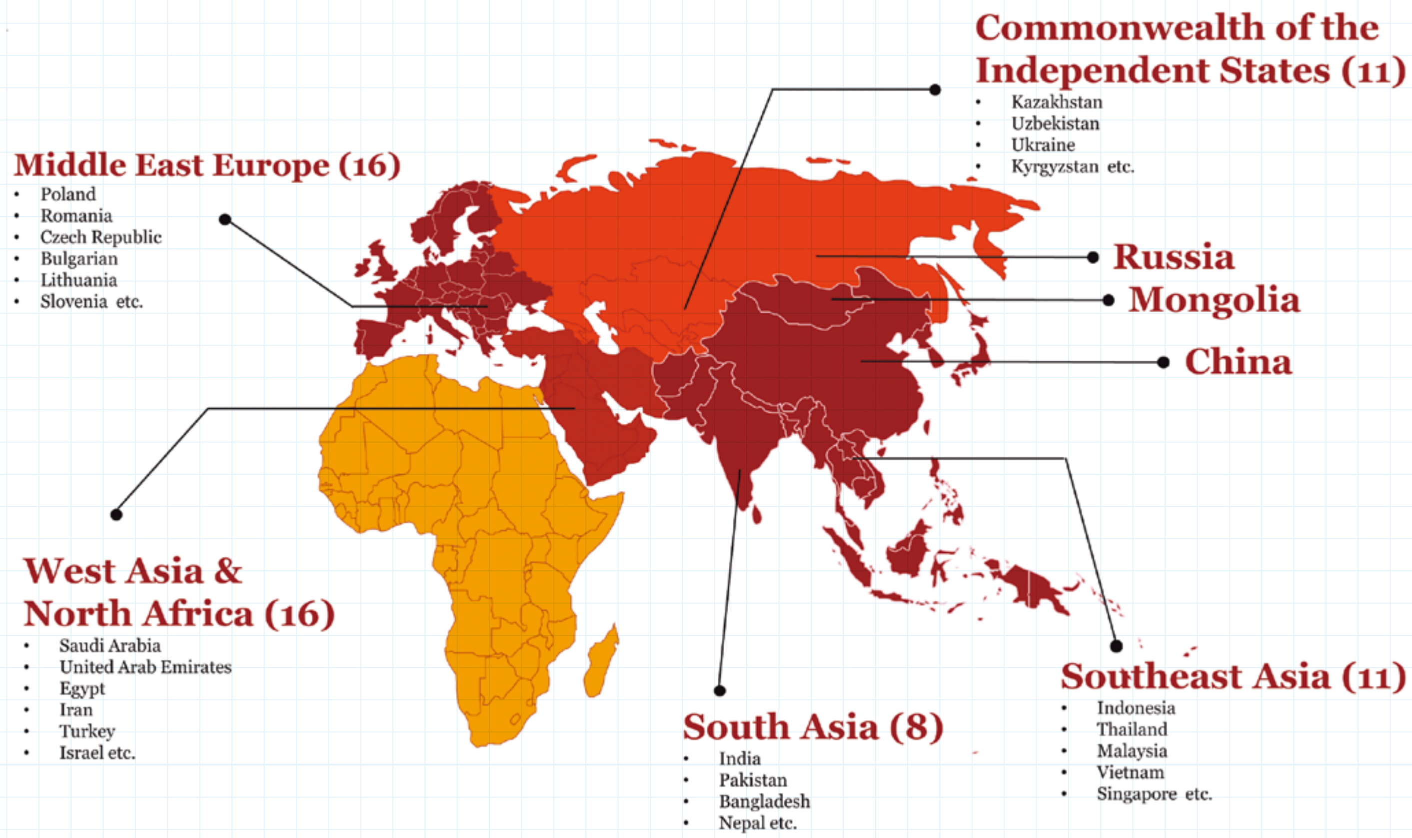
> *"The future of a new UK-EU free trade agreement is uncertain"*

Until new trade and economic agreements between the UK and other EU members are established, the UK's net exports of goods and services to the European Single Market, especially in its key financial services sector, could decline significantly due to the loss of its passporting rights in the EU. In 2014, the UK's trade surplus in financial services and insurance amounted to around £20 billion. Much of this can be attributed to the UK's passporting rights for UK banks and investment companies to provide services to clients in other European Economic Area (EEA) states by establishing branches or providing services across borders without further authorization requirements. Moreover, the UK's position as the top global euro trading centre (the UK accounted for 45% of total global euro trading in 2016) was challenged by the European Central Bank (ECB) whose "location policy" requires euro-denominated trades to be cleared by Central Counterparty Clearing Houses (CCPs) based in the Eurozone. A PwC report estimates a reduction of 70,000-100,000 jobs in the UK's financial services sector as a result of Brexit. The future of a new UK-EU free trade agreement is still uncertain, and represents a backlash against the current process of globalization.



© Nate Kitch

65 countries along One Belt One Road



© PwC report, 'Chinese Outbound Funding', Strategy& (Formerly Booz & Company)

One Belt One Road

Counter to the prevailing protectionist trend, the OBOR plan lays down an economic framework that boosts economic cooperation. First introduced by President Xi Jinping in 2013, it is arguably the largest cross-region infrastructure development project in history. The project aims to connect countries in Africa, Central Asia, Eastern Europe, the Middle East, Russia, South Asia and South-east Asia along the Silk Road Economic Belt and the 21st century Maritime Silk Road. The total population in these countries amounts to about 4.4 billion, relative to 0.3 billion in the US, 0.5 billion in the whole EU and 7.4 billion globally (2016 figures). This multifaceted project includes the construction of port facilities, air transport facilities, IT infrastructure, retail and distribution networks, as well as communications, road, power, and rail networks. The success and widespread acceptance of the OBOR plan serves as a counterforce to Trump's protectionist policy. OBOR is connecting countries in Eurasia interested in reducing poverty, attracting syndicated funding for infrastructure development, and forming ever-closer economic partnerships with China.

The globalization project in 2017 is facing a number of backlashes, but the need for greater cooperation among countries continues to be strong. It is essential that countries work collectively to arrive at win-win situations, not only in boosting mutual economic growth, but also in promoting good governance and environmental protection. For Eurasia and Africa, One Belt One Road is showing the way.

Launch yourself on every wave

By Professor Houmin Yan

*This is the speech delivered by **Dean Houmin Yan** at the College of Business Graduation Ceremony in November 2016.*

Whenever I travel there's always a Kindle or a good old-fashioned book in my bag. And as I left on a recent, rather long trip to Chile, I carried two — both recommended by friends: "How Daren is made?" and "Every Time I Find the Meaning of Life, They Change It" by the American humourist and writer, Daniel Klein. These books enlightened my long journey.

I duly arrived in Chile, a country with a tumultuous recent history, where some forty years ago the world had been turned upside down. The democratically elected Socialist President Allende was violently overthrown by General Pinochet. With open backing from leading western nations, the General was to rule the country into the 1990s.

It made me reflect on the ups and downs of life, even in times of peace. In my own lifetime education has changed enormously. When I started out in my academic career, the narrative of life progression seemed clear. Education was for the beginning part of your life. Work — a career if you were fortunate — was the well-earned result. Business schools trained future business leaders. But even then, back in the 1980s, agencies such as The United Nations Educational Scientific and Cultural Organization (UNESCO) were preparing us for something rather different — the idea of Life Long Learning.

Stuff happens!

Nowadays, the old narrative has been turned on its head. Business schools the world-over are engaged not only in educating future elites, but in working with those in positions of power at the zenith of their careers. So, today I am speaking to you, an audience composed of PhD graduates, MBA, EMBA and DBA graduates. You are at different stages of your life and careers, but you have all found common cause and interest — thankfully — in your partnership with us here at the College of Business.

To go back to Daniel Klein's book, it is interesting to note that the philosophers he mentions do not presume an ordered life experience. We don't always get to set the terms of debate. Stuff happens! And it is how we respond to these events that is the making of us.

World turned upside down

I am reminded of events more dramatic than those that we contend with in contemporary education. People in China who grew up in the 1950s and 60s went through a stage of life when the world was literally turned upside down. Some of our present-day leaders have lived in the caves, in the countryside and without the dignity of professional labels that secure status in the eyes of their peers and the world.

A generation came through a turbulent youth — as workers, peasants and students, began their training and education, worked in institutions such as state-owned enterprises, only finally to enter the modern age as independent business people in the age of mass consumerism. This generation faced trials and tribulations the like of which we can only distantly imagine.

Carpe diem

Dipping further into Klein's book I came across an epigram by Henry David Thoreau, American essayist, poet, philosopher and historian, which seems to resonate. In Walden first published in 1854, Thoreau details his experiences over some two years in a cabin he built near Walden Pond. In his diary, Thoreau wrote:

"You must live in the present, launch yourself on every wave, find your eternity in each moment."

As a call to "seize the moment", you can't get much better than this.

The world has been riding on a great wave. Since the end of World War II, and especially since the mid-1990s we have sailed on a rising tide of globalization. Swapping trade and services has been good for consumers worldwide. And it also makes it easier for countries to coordinate in other ways, like doing research together. Most importantly, our global supply chains have helped the world powers enjoy decades of peace.

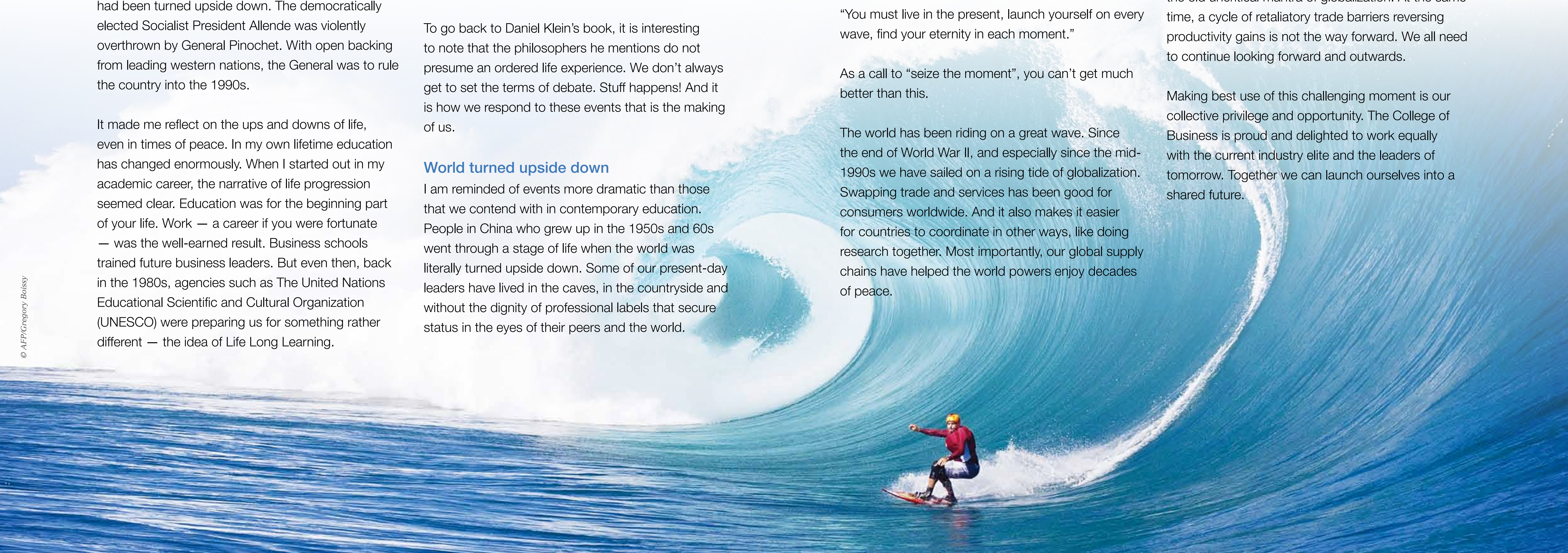
Half-steam ahead

Now the container ships leaving Hong Kong are high in the water, half empty, and steam slowly out of port. Trade is no longer rising. Also, we can add government policy to the slowdown. Look at Brexit. It can be interpreted as a cry from the lost industrial heartland of the United Kingdom. And voters in the recent United States election were also in no doubt. Jobs have disappeared. The rust belt is real. Globalization has not worked for them. And so, the President-elect of the United States signals that he is stepping back from open trade.

Shared future?

How can we work with these new protectionist tendencies? Schools of Business have a leadership role to play in this discussion. We cannot simply replay the old uncritical mantra of globalization. At the same time, a cycle of retaliatory trade barriers reversing productivity gains is not the way forward. We all need to continue looking forward and outwards.

Making best use of this challenging moment is our collective privilege and opportunity. The College of Business is proud and delighted to work equally with the current industry elite and the leaders of tomorrow. Together we can launch ourselves into a shared future.



© AFP/Gregory Boissy

Manufacturing by the moon

By Eric Collins

__Frank Leung__ is President of the Federation of Hong Kong Footwear Ltd. and a learning partner on the College of Business DBA programme. Mr Leung recently won the London GG2 Leadership Awards 2016 — Entrepreneur of the Year Award. With extensive experience of shoe manufacturing in Guangdong and Ethiopia, his story illustrates the contemporary shift of manufacturing away from China. Here he shares his experiences in starting up factories in Ethiopia.

"At first, there were some customs I really didn't understand," Frank Leung recalls.

His workers told him, "If there is no moon tonight, we will see you tomorrow. But if the new moon comes, we can't be there."

With 200 pairs of high fashion shoes to send to Milan by the end of the week, Ethiopia was not looking like the best choice for a startup.

"So, that night," Leung remembers, "I went out and there was no new moon. I thought: Great, the shoes will be ready for Milan! Then the next day I went to the factory and nobody was there."

"I said, where is everyone? They told me the new moon had been seen, not in Ethiopia but in Mecca. I said how do you know? They said, oh, everybody called us."

Welcome to Ethiopia! The workers were celebrating the Eid festival for the next week, and the fashion shoes for Milan had to wait. And there were other issues.

"The fasting period affects us a lot. People don't eat from sunrise to sunset, and we work right through Ramadhan. Some people have fainted from tiredness during their shift. At first, we didn't know what to do. But now we have a rest room for workers."

The world's factory

It's all a far cry from Leung's trusted factories back in Dongguan.

When he started out in the early nineties, Dongguan was the world's factory. From air conditioners to zip lock bags, everything was manufactured there. Heavy industry was to be found in larger cities. Shipping, and the motor industry were in Shanghai. One country, China, made everything.

But the investment environment was changing. Labour costs were rising, land was becoming expensive. So, manufacturers started looking elsewhere.

"Each industry looked for the best location to move to. Garments were the first to move out. Buckles can be easily imported. They don't require a strong supporting industry. So, they tried many places, Sri Lanka, Vietnam, Malaysia, and now Myanmar."

The toy industry is a bit more complex, combining injection mould-making and electronics. "Preliminary work is typically still done in China, but the bulk of manufacturing nowadays is often in Indonesia."

Electronics has an even larger eco-system. This might include component making, circuit boards, and injection moulding. When more than two or three specialist factories have to move together, it is more complicated. So, a lot of higher-end manufacturing, especially if it can be readily automated, is staying put in China.

Getting to Ethiopia

"I have an Italian partner, and one day he told me he wanted to go to Ethiopia to source leather. After that, for two years, he kept asking me to come along, and finally I went with him. My first impressions of Ethiopia were very positive," Leung remembers.

"I was surprised by how happy the people were, despite their suffering over the past 20 or 30 years. They didn't have much. There were no mobile phones."

"The first thing I did was buy leather to get some kind of connection to the place. After that I gave some orders to a government-owned factory to run production for shoes. Workmanship was good and we were happy. After two years' experience, we decided to start our own factory."

Logistics

Ethiopia is a landlocked country so logistics are a challenge.

"It took six months to get the machinery from China. We had to go through the port of Djibouti, then overland to Addis Ababa. At that time, port facility management was not up to international standards."

"Now it is getting better. The journey takes only 35 days, and cross border transportation is improved with a new railway line between Djibouti and Addis." Raw material supply or components is crucial as it affects delivery time. Leung has settled on a mix of sea and air freight.

Manufacturing

Setting up shop in Africa was also challenging compared to the predictability of home.

"China was a settled farming society, which works around seasons, and we share a common culture. At Chinese Lunar New Year, which is the biggest disruption to manufacturing, there are only three days' official holiday, but it is understood that workers take off two weeks. I know exactly when my workers go away, and when they will come back. This is all agreed and known."

It took time to adjust to Ethiopia. "Their new year is in September. It's officially a one-day holiday but actually stretches to one week. Then the two main communities are Christian and Muslim, but they both take each other's holidays! Manufacturing is more difficult to schedule."

Work mentality

Ethiopia was partly an animal herding society. Adjusting to the demands of factory work has taken time.

“Herders take their animals to graze on the hillside. They would sit in the shade under a tree and guard their animals. The journey to the hillside and the sitting were all considered work. They were at work — but not necessarily doing things at work.”

“Then they come to the factory. Whether they move or they don’t move, whether they do or they don’t do, it is all still work in their mind. This was their mentality at first and it took time to change.”

Time was another issue. Almost all Ethiopians use a 12-hour clock, with one cycle of 1 to 12 from dawn to dusk, and the other cycle from dusk to dawn.

“At sunrise, people get up and at sunset they go back home. This caused difficulty with the idea of ‘overtime’. They really couldn’t understand it!”

Enter the Smartphone

But change came fast. In the last three or four years, young entrepreneurs from China have introduced smartphone manufacture to Ethiopia.

“The young Chinese are very ambitious and eager to try everything,” Leung says.

“They buy machinery and ship it to Addis Ababa and make an assembly line. It’s old, labour-intensive technology. But they buy at a low price, and make smartphones suitable for the local market.”

The result is that mobile phone usage has taken off in Ethiopia.

“They sell phones for about half a month’s salary.” And as Leung relates, the mobile is a real Trojan horse: “When they start using the smartphone they become more modern, they need more things and they are willing to work longer hours. One simple phone can change a lot. Now they don’t feel any suffering from working overtime! They feel enjoyment after they receive their wages.”

Made in Ethiopia

“When I started out in Africa, I didn’t factor in customer resistance to ‘Made in Ethiopia’. But for the first three years the buyers gave me very small orders. They were checking the product and they didn’t want to take risks. For their own job security, they want to buy shoes that guaranteed no problems.”

That has changed now, and Leung manufactures about 30% more shoes in Ethiopia than in Guangdong. Short-run production is still best in Guangdong. But anything from 20,000 up goes to Ethiopia.

“There are inefficiencies in starting-up a new model in Addis Ababa. It takes about one week to get up to speed with one style,” he says, explaining the strategy.

Tensions

Ethiopia is a federal government, not centralized like China. With a population of over three million, the footprint of Addis Ababa is still relatively small. But in the last 10 years, Chinese companies have built a lot of new roads, and now the city is expanding into the surrounding land. This is causing problems.

“I have two facilities, one very close to the airport, the other was about 1 hour 40 minutes. But six months ago, a new road reduced that time to about 30 minutes. The government wants to expand the capital city area, acquire more land, and build more public housing. As it is made more accessible, the land is becoming more and more expensive. There have been tensions between the city authorities and the other provinces and village leaders leading to strikes. The state government is opposed to the provinces. And some provinces want to increase their seats in parliament.”

“During the strikes, my Chinese supervisors feared for their lives, but our workers assured them that it is only a show of support for local village leaders in their struggle with the city.”

Jobs for Africa

Frank Leung recently won the GG2 Leadership Awards 2016 — Entrepreneur of the Year Award, in London.

“My story in Ethiopia was very relevant to what the UK was going through with Brexit. I told the panel judges that I thought the best way to deal with the refugee crisis in Europe was to help African and Middle Eastern countries like Ethiopia and Syria to develop their own economies, rather than focussing on stopping refugees crossing the Mediterranean Sea.”

“Some of the Ethiopians may even think about taking the boat to Turkey. I try to help them build their home better, and create more jobs. So, to a certain extent, I think my winning this award speaks to concerns around immigration and refugees at the time of Brexit.”

At peak season, from September to December, manufacturing for the US Spring market, Leung employs up to 1,700 people in Ethiopia, with about 30 Chinese supervisors. For the future, does he plan to expand into neighbouring countries?

“As a SME one can’t do too many things at the same time. If I can make a success of Ethiopia that will already be a great result for me.”

DBA

These days Frank Leung has an unusual monthly commute between Hong Kong, Addis Ababa and his home in London. In the middle of his busy working life, he has signed up for a College of Business DBA. Unsurprisingly perhaps, the theme of his research is Ethiopia. He is researching into why less developed countries with abundant raw material resources and cheap labour force receive less Foreign Direct Investment.

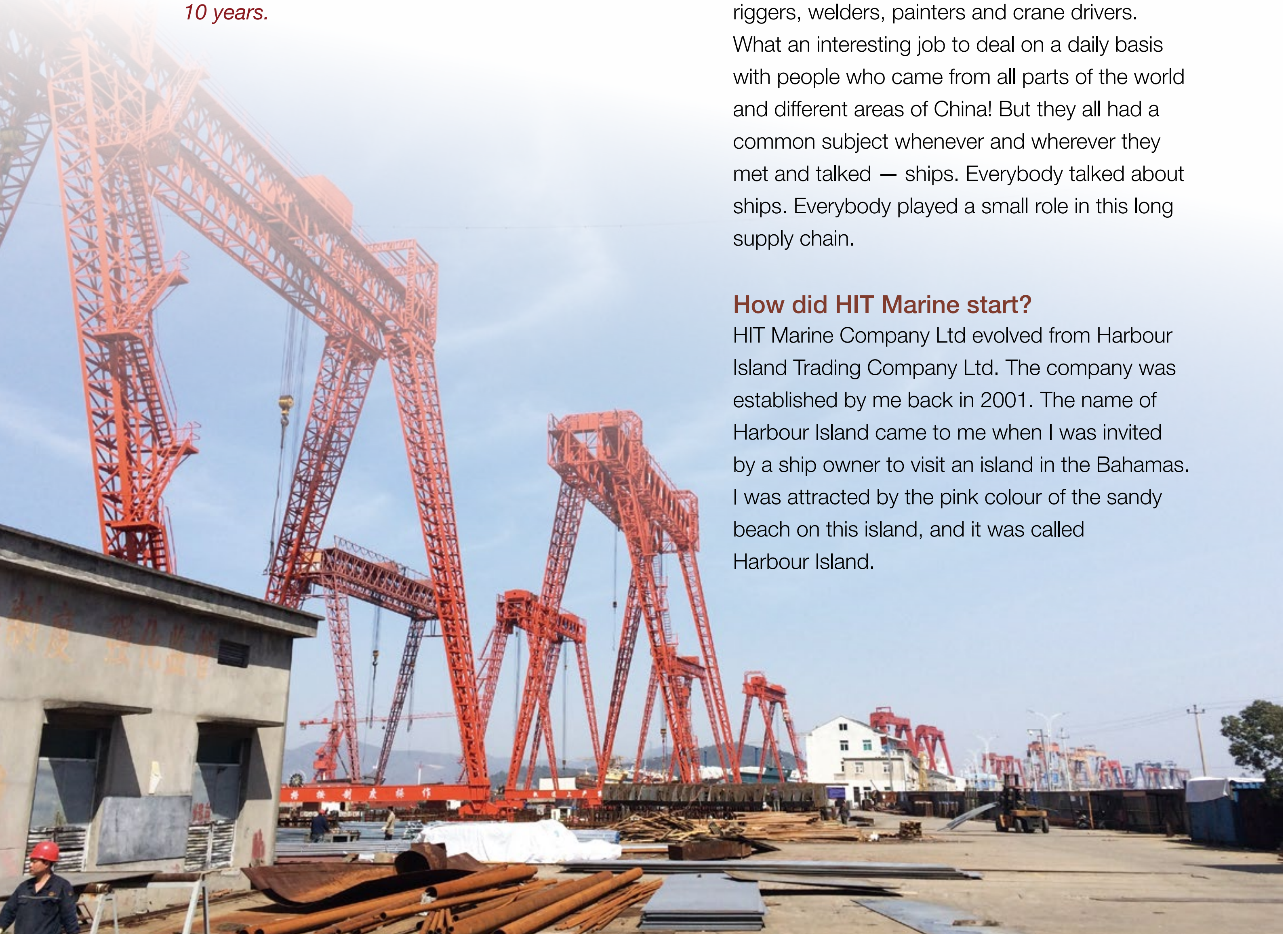
“The main problems in Ethiopia are resources and logistics, so dependency theory is very relevant, and how to bring all the resources together to make a successful business.”

In pursuing his vision, Leung is bridging both cultural and geographical distance. Differences in work concept and time keeping, infrastructure and logistics, with political instability thrown into the mix, make for a challenging life. As he puts it: “The DBA is talking about everything that I am suffering!”

China Shipbuilder for the world

By Eric Collins

***Dr Sheng Li** is President of Shanghai shipbroker HIT Marine, and a DBA alumnus of the College of Business. Here he tells of how he got into the shipbuilding industry, how China got to be the world's No.1 shipbuilding nation, and what the future holds for the industry. We follow with two articles by Dr Li illustrating two aspects of the Chinese shipbuilding industry: the importance of international brand building, and the boom-bust rollercoaster of the past 10 years.*



How did you get interested in the shipbuilding industry?

After graduation from Dalian University of Technology (formerly Dalian Institute of Technology), I was assigned to Dalian Shipbuilding Heavy Industry Co., Ltd. working as an interpreter, where I had a chance to meet with all kinds of maritime people such as ship owners, charterers, class surveyors, equipment suppliers, designers as well as the governmental organization in charge of maritime affairs.

Was it a large shipyard?

There were some 10,000 shipyard employees comprising managerial staff, workshop managers, engineers, as well as first line workers such as riggers, welders, painters and crane drivers. What an interesting job to deal on a daily basis with people who came from all parts of the world and different areas of China! But they all had a common subject whenever and wherever they met and talked — ships. Everybody talked about ships. Everybody played a small role in this long supply chain.

How did HIT Marine start?

HIT Marine Company Ltd evolved from Harbour Island Trading Company Ltd. The company was established by me back in 2001. The name of Harbour Island came to me when I was invited by a ship owner to visit an island in the Bahamas. I was attracted by the pink colour of the sandy beach on this island, and it was called Harbour Island.

In the early days, my company's main business was to provide services to foreign shipping companies and outsource Chinese products including non-marine products for the international market, especially the Bahamas. We grew into comprehensive trading companies including a winery joint venture, food products with Greek companies, and we were the largest importer to the Bahamas for various Chinese products.

How did you get into shipping?

In late 2012, we began to focus on the marine business and changed our name to HIT Marine Company Ltd. In the past few years, as brokers we have helped lots of small and medium Chinese shipyards to successfully secure and deliver various kinds of ships such as container ships, heavy lift carriers, bulk carriers and tankers, etc. We have also placed orders directly with Chinese yards and sold them to foreign clients.

China has 37% of world shipbuilding, Korea 35%, and Japan 19%. Is this set to change?

China will remain as No.1 shipbuilding nation in the world in terms of quantity and completion of carrying capacity ("deadweight tons" in shipbuilding terminology). The argument is that in the last 30 years there have emerged not only a large number of shipyards of different sizes, but also a complete set of shipbuilding materials suppliers and equipment makers in China. The same is true of all three countries, but the trend of losing competitive edge in terms of labour cost from Japan to Korea, then from Korea to China will remain unchanged. In the next five years, the competition for No. 1 shipbuilding nation in the international arena will still be among these three nations. Technically speaking, China has already caught up with Japan and Korea. The only areas we need to improve on are the management skills and coordination of subcontractors.

China is the largest importer of bulk commodities and the largest shipbuilder. Do the two go together?

This is true if we review the history of the development path of some big power nations in the world. Shipbuilding played important roles in the UK, in the Scandinavian countries, in the US, and in Japan, Korea and China today. The nature of shipbuilding is full internationalization and marketization.

How will air freight and railways compete over the next 10 years?

No doubt, airfreight and railways will take a greater share in terms of total shipping volume, especially in the area of containerized cargos and expensive equipment and instruments, but of transport.

What impact will OBOR have on the Asian shipping market?

More Chinese factories equipment and large heavy structure will be transported out of China or along the Belt and Road.

How about the Maritime Road? Will it stimulate the Chinese shipbuilding industry?

As we know the international shipping market was driven by Chinese factors in the last few decades when China imported more than 30% of world's iron ore, coal and crude oil. However, the present shipping fleet is large enough to cover the demand of cargo movements along this Maritime Road. The growth point will be more in the export of infrastructure to build or revitalize new ports along the Road.

China connects to German shipping hub

By Dr Sheng Li

***Dr Sheng Li** tells of how a small German town's shipowners' adventurous spirit and skills gave Chinese shipyards the chance to debut on the international stage. Some 10 years later, that connection is still active despite the difficulties faced by both owners and shipbuilders.*

An adventurous pioneering spirit led to a long-term co-operation between the specialized ship owning community of a small German town and China's small and medium-size shipyards. Despite the downturn in shipping markets, the collaboration is still ongoing.

At Germany's northern border adjacent to the Netherlands lies Haren in Emsland, a small town with a population slightly above 25,000 that many German people know little about, let alone foreigners. However, in the international shipping community, Haren is famous as the third-largest shipping cluster city in Germany, after Hamburg and Leer.

Haren's recent history takes on a special meaning when viewed from a Chinese perspective. During the boom times before the 2008 crisis, it boasted 30 shipping companies. Intersee, Jungerhans, Wessels, the top three each owned more than 50 vessels, typically coasters and multipurpose (MPP) containerships ranging from 6,000 dwt to 11,000 dwt.

At the time, these were mostly built in Eastern Europe, including Poland. In early 2007, however, Haren shipowners started ordering bigger vessels, especially one type, the SSW 1,100-teu containerships. These were firstly ordered by Reederei Sibum at the Bremerhaven-based SSW shipyard, but, due to limited capacity, SSW sold its design to China's Jiangdong Shipyard and Sainty Marine, each of which subsequently received newbuilding orders for 16 units. These ice-class feederships, suitable for calling at northern Baltic ports, became so popular that owners from other parts of Germany also followed suit by placing orders with the Chinese yards.

I saw with my own eyes how German technical people argued intensely with Chinese builders and emphasized German quality standards

Venturing east

It was not the first time Haren's owners had ventured east for newbuilds. In the early 1990s, they had been among the first European owners to order small containerships in small- and medium-size Chinese yards, and they had found their adventurous spirit rewarded. But in the wave of orders after 2007, the Chinese side also profited from their meeting with German craftsmanship and high technical demands.

I saw with my own eyes how German technical people and site supervisors argued intensely with Chinese builders on some minute tolerances and emphasized German quality standards and workmanship.

In those days, many Chinese shipyard executives felt very proud of their shipyards being able to build ships for German clients. The successful completion and delivery of a series for German owners would be considered as a milestone in their yards' history, demonstrating that shipbuilding quality had reached international standards. Long afterwards, they would brag about it in front of their peers and new potential clients visiting the yards.

Thanks to the German shipowners' adventurous spirit and skills, the Chinese shipyards, especially some small and medium yards, had the chance to debut on the international market. And thanks to the complementary strength each party possessed in that particular period, the German owners and Chinese shipbuilders together performed what amounted to a wonderful shipping drama.

Today, despite the difficulties that both owners and shipbuilders face, the Haren-China connection is still active, and small and specialized tonnage involving containerships, heavylift and MPP vessels are still being ordered and built, both newbuilds and conversions.

This article was originally published in TradeWinds Magazine in July 2016 as:
Chinese connection helps Haren stay one of Germany's top shipping clusters

Overcapacity in small Chinese shipyards

By Dr Sheng Li

Overlooked amid headline collapses of major shipbuilders are China's small yards, which account for just a fraction of the world fleet but helped relieve the shortage of capacity during the boom, and by the same token have prolonged the shipping cycle afterwards.

At the southern tip of the Xiangshan Peninsula of China's Zhejiang Province lies Hepu Shipbuilding Park, a shipyard cluster established by the local government. Small yards are strung side by side along the waterfront: from east to west, Guanghe, Hepu, Pudong, Boda, Zhenyu, Donghong, Dajiang, Zhenhe. They sprang up at the peak of the markets like mushrooms, hiring farmers right out of the rice fields who had never seen a ship and putting them to work building simple bulkers, tankers, containers — but also sophisticated multipurpose (MPP) container vessels and chemical tankers.

Back then, the headache for the shipyard bosses of Hepu was how to manage the swarms of customers waiting in their conference rooms, begging to contract newbuildings or buy existing ships of all types and sizes. As the Baltic Dry Index (BDI) rocketed to 11,792 points in mid 2008, the shipping cluster in this small town went crazy as well. Local people did not know much about the BDI but they saw a simple fact: shipping could be easy money for builders or owners. One 20,000-dwt bulker carrying coal from Qinhuangdao in northern China to Wenzhou in the south would easily generate CNY 2 million to 3 million profit per year. The value of ships seemed to go upwards only.

On a recent visit to Hepu, these shipyards offered a very different impression to the senses. Lonely gantry cranes hovered over empty slipways. Gone was the noise of sanding on the dust of steel plates, the smells of paint and diesel. Every corner of the yard was silent except for dogs running loose.

There was hardly a worker to be seen other than security guards at the entrance gates. The cold current of the everlasting downturn of shipping markets has penetrated this small shipping cluster. No longer do buyers queue at the manager's office to sign new contracts. No longer do the waves of workers on their motorbikes overflow the shipyards. No longer is the 12-storey onsite hotel crowded with buyers, supervisors and suppliers drinking and hanging out. All the prosperity has gone.

The Baltic Dry Index (BDI) is an assessment of the average price to ship raw materials such as coal, iron ore, cement and grains on a number of shipping routes. The index is considered as a leading predictive indicator of economic activity since it involves events taking place at the earlier stages of global commodity chains.

Three to four years ago, some shipyards thought they could manage the drought of newbuilding orders by placing them on their own account.

It seemed to be a feasible interim measure because there was still tonnage demand in the market and freight was above operating expenses (opex), leaving some margin to pay the banks. But from the second half of 2014, through 2015 and the beginning of 2016, the market in freefall has driven the BDI down to one historical low record after another, and owners suffer from double losses: not only freight rates too low to cover opex and bank interest but also the dramatic drop in ship values, with banks forcing owners to increase equity in order to comply with loan-to-value covenants.

Unlike a few years back, when the problem of lack of liquidity was prominent, buyers now face the "Three Nos": No equity, no financing and no charter. Any ships ordered or built without at least the serious prospect of a charter will lead to a false prosperity of the shipbuilding industry. Eventually shipyards and shipowners have to pay for it. The commodity ships built in Chinese shipbuilding parks like Hepu have proven this. A government policy like the "White List" to limit capacity should have been issued before they emerged, not at the end of a boom when shipyards have no choice but to close down on their own.

Small yard capacity proves hard to take out

Shanghai China's small shipyards present a special obstacle for any hope of a readjustment of shipbuilding capacity: many can survive as going concerns despite near empty orderbooks. China's small shipyards, unlike troubled medium-size and large builders beset by headline crises, are in many cases not even shutting down when the orders dry up.

That means they are a different kind of problem from the big yards, where, as analysts often complain, physical capacity remains in place as a persistent threat, despite bankruptcies, restructurings and takeovers.

The yard owners are not as flash as in the boom years but many are still respected business figures in their local communities despite the downturn.

These small yards are not selling their gantry cranes for scrap steel. Many are staying in business even if the facilities are idle or almost idle, and if there are any signs of demand returning to the market, the capacity will still be there and production can be revived quickly.

This article was originally published in TradeWinds Magazine in March 2016 as:
Small Chinese shipyards constitute a key piece of the overcapacity picture

Photo courtesy of Khorgos Gateway

Centre Pages — *Gateway to the future*

Khorgos East Gate is a dry container port on the border between China and Kazakhstan, and a key component of the 21st century Silk Road. Here giant RMGs (rail mounted gantries) lift containers onto trains bound for Central Asia and Europe.

The reason? China's rail gauge is 85mm narrower than those in the countries of the former Soviet Union. So, there are no "through trains" between China and Europe. But Khorgos is more than a railway station. The multibillion-dollar plan includes a logistics and industrial hub where manufacturing will take place. Finished goods will be warehoused and exported to the rest of the world. The plan is to build a new Dubai.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Mergers Collapse & Accountability

By Eric Collins

William Mak Tze-leung, Partner, Assurance, PricewaterhouseCoopers Hong Kong (PwC), is a recipient of the first CityU College of Business Distinguished Alumni Award. During his 25 years with PwC, Mr Mak has witnessed massive mergers, radical changes in technology, and the advent of automation. Here he tells his story of the worldwide integration of the international accounting community.

The early 1990s was another world. "Connected" people went around with pagers stuffed into their trouser belts. The Nokia 2G mobile phone was still at design stage. And there was a rumour that something called the "World Wide Web" was about to connect us all in a totally new way.

Internationally, the Berlin wall had just come down and the newly unified German economy was dragging. The Soviet Union had collapsed, the UK was entering recession, and the world looked expectantly towards China for signs of economic growth.

In Hong Kong, the Big Six accountancy firms were poised to service the growing China market, and keen to recruit the best students from university campuses. And at the newly established CityU, William Mak was graduating with a degree in Accountancy.

"CityU had just moved from Mong Kok to Kowloon Tong in my second year, and the upgrade from a professional diploma to a degree programme came at the same time, so we were delighted to be graduating with a university degree," says Mak.

Starting out

When he got to Price Waterhouse, the workplace bore little resemblance to a 21st century office.

"Back at the beginning, we used typewriters. There was a typing pool to do the accounts, and the office was full of hard copy filing systems. We would put files on micro fiche every few years, and then destroy the hard copy. You needed a special projector to reclaim the microfiche."

But digital technology was on the horizon. "There were a few computers for the whole division. 10 kg was so called 'portable'."

The big decision was which country to specialize in.

"Many of my colleagues chose to go overseas for secondment such as the US or the UK. But I was more interested in China. The economy was just beginning to boom, and it seemed there was a big future in accountancy."

At this time, the China State-Owned Enterprises (SOEs) were dominant, and international accountancy firms played a major role in assisting these SOEs to go listing outside mainland China.

"PwC has its history in China back to 1902, but in modern times business only really took off in the late 1980s. Especially from 1992, when the first batch of 9 China SOEs started listing on the Hong Kong Stock Exchange. So, many colleagues travelled to China to work with the younger locally recruited employees. There was a close relationship between the Hong Kong and China firms, and we recruited a large number of employees for the China market."

It may have been a boom time, but it was also very challenging for Mak and his fellow accountants.

"Back then we had very difficult times in China. There were cultural differences; some of us including me had poor Putonghua skills. It wasn't easy."

Collapse

Beyond the introduction of digital technology, a major theme in the accountancy industry has been mergers. At the time Mak started out, the Big Eight of the 1980s had already been whittled down to the Big Six. Then in 1998, Price Waterhouse merged with Coopers & Lybrand to become PwC, and briefly the Big Five reigned. What happened next was beyond the usual story of mergers and acquisitions.

The fall of US energy company Enron in 2001, and the ensuing collapse of Arthur Andersen was a tectonic shift in the accountancy profession. A profession hitherto the by-word for propriety, was mired in scandal, and the era of cozy self-regulation was at an end. New legislation and regulations were implemented to improve financial reporting for public companies which had led to the subversion of auditing standards. In China and Hong Kong, Arthur Andersen's practices merged with PwC in 2002.

Accountability

In the wake of Enron, Mak has seen the profession become much more statutory-based regulated.

"The regulatory paradigm changed after Enron. In the past, it was more self-regulated. Enron was a US case, but the impact was truly global."

The ensuing US Sarbanes-Oxley Act (SOX) of 2002 was designed to protect investors by improving the accuracy and reliability of corporate disclosure.

All companies, according to SOX, had to provide a year-end report about the internal controls they had in place and the effectiveness of those internal controls.

US standards have a big impact globally, not only on the accounting side, but its legislative and regulatory requirements reflect on rule makers in other markets. Mak believes that jurisdictions outside the US found

> The Sarbanes-Oxley Act addressed Enron's perceived corporate governance failings. From now on, a Public Company Accounting Oversight Board would monitor corporate behaviour and develop standards for the preparation of audit reports. Firewalls were erected: Auditors of public companies would only be able to provide restrictive non-auditing services when auditing. There were provisions for the independence of audit committee members, restrictions on executives being required to sign off on financial reports, and expanded financial disclosure of companies' relationships with unconsolidated entities.

the post-Enron changes relevant to their markets, and that they have brought benefits to both institutional investors and the general public. Hong Kong, didn't follow the US Securities and Exchange Commission standards exactly, but it did follow the overall trend.

"The Big Four are professional services networks in the world, with the US firm usually the largest and most influential member in the network, so the whole network usually tends to move in the same direction on common ground."

Primarily because of US anti-trust legislation, Mak thinks it unlikely that further global mergers are on the cards.

The China market

In the early 2000, the collapse of Enron, and the dot-com bubble burst cast a dark cloud over the US market. Then in 2003 came the outbreak of SARS in Hong Kong. Confidence drained and recruitment to the accountancy firms dropped sharply.

"Accountancy firms recruited far fewer people, and by 2005-6 when the market picked up, we didn't have enough qualified people in the market."

These were the years when China continued to boom. "At the same time, the locally developed China firms – non-big four – were also growing by mergers and by developing their own international network," says Mak. Firms such as Ruihua CPA and BDO Shu Lun Pan CPA, with their international networks nowadays rank within the top four firms in China and compete with PwC for the number one position in the China domestic market.

"The big accelerator was China's entry into the WTO. That led to a convergence of accounting standards, and by 2007 the Chinese accounting standards were substantially converged with international standards. China standards nowadays are in principle very similar, though retaining several special features, and it continues to work towards full convergence with international standards." In that sense, it is accounting with Chinese characteristics.

More recently, all Big Four firms have undergone legal restructuring in China, converting the audit side into Special General Partnerships (SGPs). The China Institute of Certified Public Accountants (CICPA) acts to certify, and ensure that the governance of the firms is consistent with their professional development. Under this structure most accountants need to be locally qualified Chinese nationals.

"The market has changed because of the development of the Hong Kong and China situation. Nowadays, PwC has around 4,000 employees in Hong Kong, but more than 12,000 employees in about 20 offices in mainland China. Unlike the early days, technical support and other resources are all in place."

"The Big Four have a large number of partners in China. And a majority of them are now locally recruited Chinese nationals."

What is a partner?

"This can be a very technical question. In general, partners are those who hold ultimate responsibility for the business of the firm. From an audit practice's point of view, as our services in Hong Kong are practiced under a Hong Kong partnership registered to perform financial statement audits, an 'audit partner' is therefore one of the partners in the partnership."

This comes with a downside, he says wryly.

"We have to sign 'PricewaterhouseCoopers' in full on each audit report. That's a lot of signing when hundred sets of accounts are in front of you!"

Giving back

William Mak has successfully coached a College of Business team into the final round of the ACCA Business Competition 2016. How does he contribute?

"We have been going through the career path and journey of life just like many of the students are going to face. If students wish to talk about their difficulties just a few words of advice may help," he says modestly.

And Mak is impressed by the achievements of the current generation.

"Students are getting more and more advanced. In our time, we were not exposed to global influences. Current students know much more than we did. We were very restricted, we learned news from the TV once a day. They are much more up-to-speed."

Automation

How fast are people in the accountancy industry being displaced by technology?

"Automation may bite after the next five years. But we are not yet at the stage of automating everything, especially in audit. We are trying to develop tools in-house for global roll-out to improve audit efficiency."

"We are tailor-making software, with new technology to cover areas like data-analytics. This will improve efficiency, and use less manpower. It means junior staff will do more value-added work. Hopefully, they will become more motivated and focused on the audit."

So where does the human factor come in?

"Judgement is the core value of an auditor. We need to follow a set of auditing standards, and everything needs to comply with the standards. This gives trust to the public."

"Technology advancement allows us to focus on more risky areas and be able to provide more insight on business operations from the information obtained. It can improve efficiency and add value, but effective and on-going communication with clients is still of the utmost importance in our business as service providers."

DeepMind gets ever deeper. Does AlphaGo and the defeat of the world's best human Go game player spell the end for the accountancy profession?

"We will always need judgement, if only to judge the role of IT in the accountancy profession! However, I believe one day artificial intelligence type technology will benefit the profession by providing more instant and comprehensive information for us to make judgements that are more effective and supportable."

Recruitment

So, what about employment prospects? Mak sees no big changes in the near term.

"Our recruitment plan is drawn on a long term, and on a moving average basis, in order to meet the expected market development. We believe the use of technology will help to better serve our clients and at the same time allow our people to gain better working and learning experience, not only work more effectively but focus on add-value tasks."

The future looks secure for accountancy graduates, at least for the time being!

Top 10 Chinese Accounting firms in 2016

1 PricewaterhouseCoopers Zhong Tian CPA
2 Ruihua CPA
3 Deloitte Touche Tohmatsu Huayong CPA
4 BDO China Shu Lun Pan CPAs
5 Ernst & Young Hua Ming CPA
6 KPMG Huazhen CPA
7 Pan-China CPA
8 ShineWing CPA
9 Baker Tilly China
10 Da Hua CPA

Getting to Sweden

By Eric Collins

***Thomas Strand** has been a Social Democrat member of Sweden's Parliament since 2006, holding special responsibilities in education, and European Union affairs. In early March, he visited the College of Business, and we took the opportunity to interview him. Here Mr Strand talks about how Sweden is coping with the challenges created by the recent influx of immigrants, and how the country that brought the world Skype, Spotify and IKEA is innovating for the future.*

"Freedom, Equality, Solidarity"

Could this be a slogan from the French Revolution? But no. They are the words of the mild-mannered, rational-sounding Swedish parliamentarian Thomas Strand, spelling out his party's social democratic agenda. And unlike the America of Trump, he is not advocating shrinking the role of government.

"We believe that we can continue to build a very good welfare state. I strongly believe that Sweden's welfare state is fit for purpose," he says emphatically.

Strand's Social Democratic Party has been in power for more than 70 of the past 100 years. The party is both the main architect and guardian of this jewel in Sweden's Crown, one of the most comprehensive welfare states in the world.

Refugees walking from Denmark to Sweden

Around the world, Sweden's achievement and its hospitable society has not gone unnoticed, and social media is spreading the message. To adapt the catchphrase originally given to Sweden's neighbour, Denmark: the world is "Getting to Sweden".

And this is more than an aspirational metaphor. In the past few years, a long line of asylum seekers have made their way north from Syria, Afghanistan and Africa, through Europe, and many have ended up in Sweden.

As Strand admits, "We have had a big debate about the immigration system, especially when we took in a large number as in 2015."

> *"We cannot compete with low salaries, we compete with knowledge and competence"*

Flats from the Million Homes Programme of the 1950s-60s are now a regeneration challenge

"We have a very welcoming system, and we are the top country in Europe in terms of accepting immigrants per capita. But we do need to control numbers so as to be able to give them good education and healthcare."

"We have also recently got a lot of immigrants from Syria who have high qualifications, so we need a system where we can validate their qualifications so that they can get a job quite fast."

Currently there are restrictions on immigration into the country.

"The problem is to integrate immigrants into society and we share that problem with all European countries. It takes too long for immigrants to get a job, now on average 7 or 8 years. We stand out as a humanitarian country, and after these 3 years we hope that we can remove the temporary restrictions."

Free Trade, Yes please!

Unlike the UK, Sweden has not been swayed by the current protectionist spirit.

"We are strong believers in free trade, and we find the Brexit result negative," Strand says.

"Overall there is strong support for EU membership," he continues. "According to a national poll conducted in the aftermath of Brexit, support for EU membership has increased."

"Government wants to be an active player in the EU, and Sweden would like to see a vital and innovative union."

Immigrants have an important role to play in Swedish society.

"Traditionally we welcome newcomers and asylum seekers, through a sense of solidarity to help people. Also, we need more young workers in Sweden to support our welfare state in the face of an aging population."

The young Swedish generation tend to choose academic rather than vocational programmes. And that's where immigrants can contribute.

"We need a good educational system to teach Swedish, get people into vocational training, and out into the world of work. The challenge is when we have these immigration peaks, like 165,000 in 2015. Last year we were back down to 30,000. If we can keep it at that level, we can handle it."

Last night in Sweden

When President Trump recently posed the extraordinary question, "Did you see what happened last night in Sweden?", the world looked on bemused. None more so than the Swedes themselves. Because nothing had happened that night in Sweden. Trump was in fact referring to a Fox News programme about Sweden, which pointed out alleged social tensions around

Stortorget, the oldest market square in Stockholm. Sweden is rated one of the happiest countries on earth

immigration. But Thomas Strand will have nothing of it:

"The talk about no-go zones is a myth. From time to time we have problems, but that is more connected to crime such as drugs. So, yes there is police action related to drug arrests, and there may be riots as a result of these actions."

"We are also aware that we have problems from time to time but that is not to say that we have no-go zones. I can go anywhere in Sweden."

"The special challenge is to get the immigrants out to jobs. That is a challenge also for the education system. They need education. It's a challenge of integration."

A very welcoming people

Has Sweden become too politically correct, stifling debate into a narrow opinion corridor?

"I do not feel we have a PC society in Sweden. That is what is often said by the populist parties. We have a broad, open-hearted and rigorous debate. But in a way, I regret that we didn't open up the debate earlier. We were afraid that if we talked about immigrants, we would stigmatize them."

The shape of Swedish politics has changed and new parties have sprung up.

"We have the Sweden Democrats and they are growing, so we do have a nationalist, right-wing movement. They are spreading a picture of Sweden with no-go zones, and the negative aspects of immigration, but the majority of Swedes are very positive towards immigrants. This majority do not want tougher legislation against immigrants, and remain very welcoming people."

Social democratic tradition

The new government in power is an alliance between the Social Democratic Party and the Greens and is working hard to strengthen the Swedish welfare state model. The economy is running well and the budget is in surplus – very good, according to Strand compared to the recent neo-liberal government which was running a deficit.

"Sweden is top of the employment ratings in Europe for the 20-64 year olds, at approximately 80%."

But Sweden has its detractors. Good economic statistics come along with doubts over the quality of life. Sweden is conformist, critics opine. The high-rise suburbs in particular are monotonous and increasingly drab.

"In the 1950s and 60s, jobs were booming in the cities and we needed to build to cater for urban migration, so that people could live close to the new jobs," Strand explains.

The result was the "Million Homes Programme", an ambitious plan to build a million homes in ten years. The template was high-rise, something that will be familiar to our Hong Kong readers. It is surprising, then, to hear that Sweden is gearing up for another huge quantitative solution.

"Nowadays we need to renovate the buildings and flats from that era. But we are also building 700,000 new houses and flats within ten years. The difference is that this time we are looking at more sustainable ways of building and more welcoming environments as well."

Despite the high-rise, Sweden rates as one of the happiest places in the world, coming 10th in The World Happiness Report published by the United Nations Sustainable Development Solutions Network (Hong Kong is ranked 75th).

The innovating future

In a country where renewable energy is at about 25% and the aim is to completely phase out fossil fuels and depend on renewables by 2050, the government is working closely with the private sector.

"We are working to strengthen green research and innovation. We cannot compete with low salaries, we compete with knowledge and competence."

"It is important for the state to invest in infrastructure, railways, housing, IT, because that helps companies to strengthen themselves."

How closely does government work with large companies?

"There is a dialogue in different ways. A National Innovation Council has been set up which is chaired by the Prime Minister, and includes top business leaders and researchers."

A recent meeting of the council concluded that everything that is fossil-based today can be made from wood in the future, positive news indeed for a country with 53% forest cover.

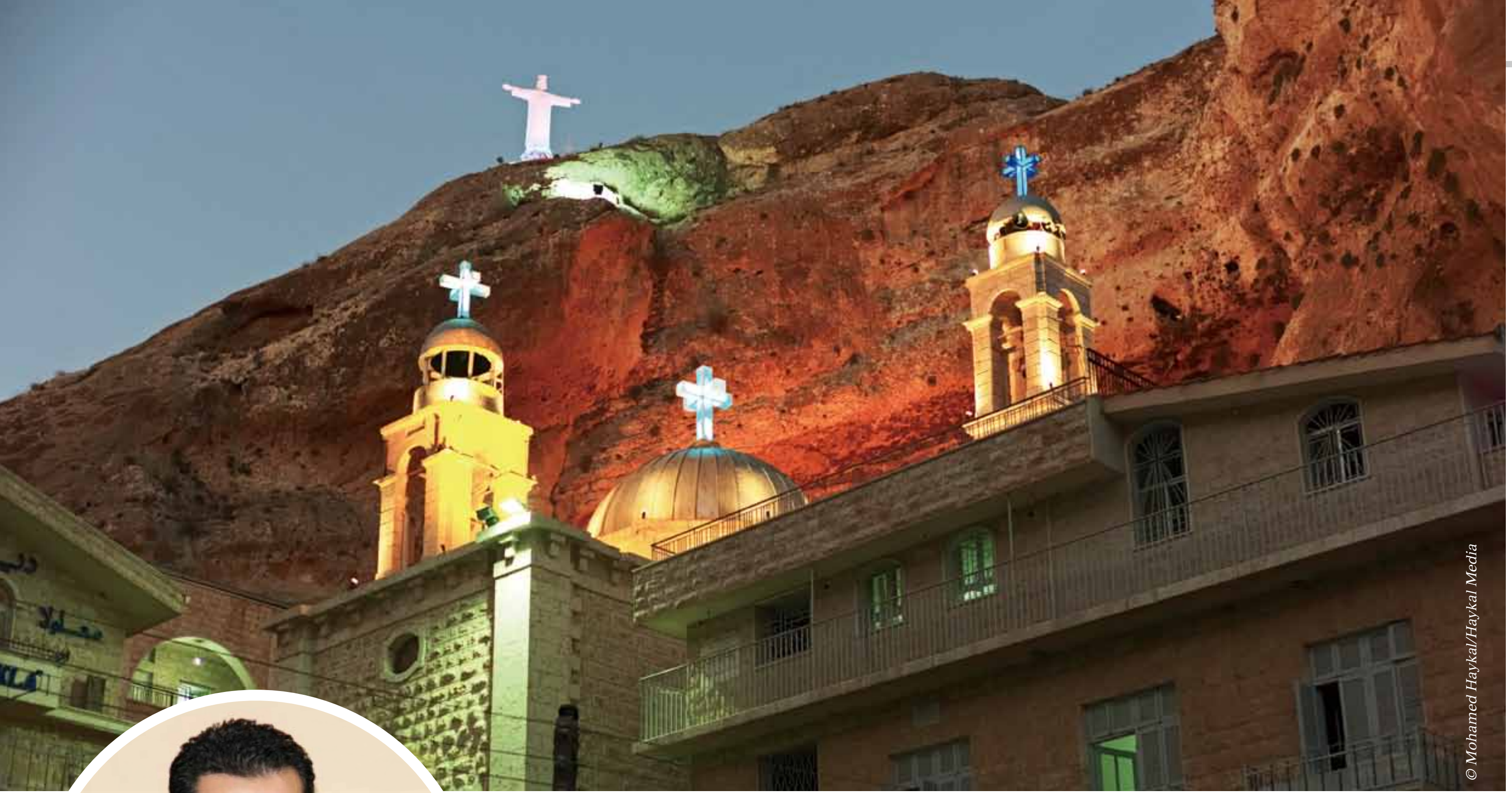
"We want to use the forests. We aim to build more houses with wood rather than concrete, make clothes out of wood, and drive cars on wood gas. There are lots of things that we can do. That's where R&D is very important."

"You have to create very good conditions, excellent schools, higher education, innovation and cooperation between universities, business and public sector, and then you will surely see more new products and processes."

From Skype to Spotify to IKEA, Swedish companies have had a dramatic impact on how we live our lives. Thomas Strand speaks of the careful planning that goes into building an innovation-friendly environment. The world awaits with interest the arrival of Sweden's next disruptive innovation.

Sweden's Welfare State

- An elaborate social safety net — free education and universal healthcare
- Strong property rights, contract enforcement, and overall ease of doing business
- Public pension plans
- Low barriers to free trade, combined with collective risk sharing
- Low levels of corruption
- High percentage of workers belonging to a labour union — 67.7% (2014)
- A partnership between employers, trade unions and the government
- Very high public spending, 50% of GDP (2015). Public employees make up around a third of the workforce
- Strong unemployment benefits — several years before reductions begin
- Overall tax burden is high — 57% (2016)



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Until war ravaged the nation

By Ghazwan Hassna

***Ghazwan Hassna** is a PhD candidate at the College of Business. He holds a BSc in Information Technology Engineering from Damascus University, and an MSc in Management & Information Systems from the University of Manchester. Before war hit Syria, he was manager at a joint project run by the Syrian government and the UN. Here he reflects on the peaceful Syria that he knew, his work in the country as it spiralled down into war, and his hopes for the future.*

Syria today evokes images of war and extremism, but just a few years ago it was an amazing place — generous people, a beautiful landscape, vibrant cities, with a vast history. I often try to show people images taken in Syria before the war to remind them that Syria wasn't always a harrowing place, and to tell stories of its long history.

Syria has seen thousands of years of ancient history, from the very beginning of civilization, to the time of Alexander the Great, the great Crusader castles of the medieval era, through to the Ottoman Empire which fell apart only one hundred years ago. You can still see its rich culture exemplified by ancient mosques, churches, and old cities, six of which are UNESCO World Heritage Sites. Or rather, they were — until war ravaged the nation.

Before the war, Syria was very stable, culturally rich and there was harmony among all social and religious components. Syrian people led regular lives, nobody needed anything. I am not saying that it was a developed country, but people were living in harmony despite the diversity of the population.

Damascus

I was born and raised in Damascus, the capital of Syria and the oldest continuously inhabited city in the world (first inhabited in 3000BC). For 30 years, no one asked me about my religion or beliefs and I never asked anyone about theirs. Churches were built beside mosques, and people greeted each other as equals at Muslim and Christian festivals alike. We never had the type of extremism which has been imported, planted and fostered during the last few years of war. People didn't know the sound of a gunshot or a bomb going off. Police guns were held as a sort of official custom, decorative, but nothing more. Before the war I never saw a policeman use his gun. The most horrifying thing you would ever witness, would be two people yelling at each other, and then everyone went back to whatever they were doing before. That was the definition of horror before the war.

Economically, Syria was growing steadily especially during the first decade of the new century. The president, new at that time, was educated in the UK and wanted the country to be more open. We started seeing an open relationship with Europe and clear economic development. A lot of industries were expanding and started exporting, including textiles, clothes, and food. Tourism enhanced the economy significantly, with many visitors coming from European countries, to learn more about the rich history and heritage of the region. And more important, economically the country was fairly independent without external loans.

First degree

I took my first degree, a BSc Information Technology Engineering, at the Faculty of Information Technology Engineering in Damascus, then a new institution founded in 2000. The curriculum was very current with regular agile updates. Most of the faculty's graduates found their way to the international IT market. More than 90% of my classmates found work in top international companies including NASDAQ London, Yahoo USA, and Google Ireland. One of my close friends won the Most Innovative Person in Sweden Award in 2015 and is now working in a startup that develops social robots "FurHat". I could name more high achievers — the list is long.

Simplifying business

After a year on a British Council Chevening Scholarship in the UK, I was back in Syria during 2009-2013 the period before the war got serious. Until 2010 the country was extremely peaceful and safe and I used to travel by car with my wife across the country, even after midnight, without any fear. When, in 2011, the uprising started in Libya and then Egypt, no one saw what became known as the "Arab Spring" coming (I would say rather "Arab Autumn"). People were happy and confident, and sectarian tension was non-existent at that time. It would have been difficult to convince anyone that war could happen in Syria.

I led an initiative called the Syrian Initiative for Administrative and Regulatory Simplification (ISRAR) under a joint programme between the European Commission and the Prime Ministry of Syria. At that time, the relationship between Syria and Europe was at its peak. The ISRAR vision was to simplify the business environment in Syria by reducing the time and cost of delivering government services to businesses. The mission was to establish a government structure to perform a comprehensive inventory, mapping, reengineering, managing and digitising of all business-related government services, and underlying related administrative processes. I handed over ISRAR in March 2011 but unfortunately,

Krak des Chevaliers, a Crusader castle and UNESCO World Heritage Site, that has now been damaged during the war the initiative stopped a few months after that as the European Delegation closed its offices in Damascus. This was part of the sanctions on the government of Syria, and all experts and consultants had to leave. It was painful seeing your work destroyed after all the ambition and hard work you had put in.

Foreign intervention

A lot of global events were taking place at that time. China for example was expanding its presence in the Middle East and setting the foundations for the One Road One Belt initiative. Many analysts suggested that Syria would have an important role to play in this, especially with the country's strategic position connecting three continents: Asia, Europe and Africa, and its part in the historic Silk Road. The new "Look East" policy adopted by the Syrian government in 2010 supported this strategy.

However, development was not equal in all parts of the country. Also, after three decades of closed socialist economy the sudden economic development caused a shock to society. All of this was USED and EXPLOITED by some regional powers to trigger the civil war. The sequence of events over the past five years shows that the rise of religious sectarianism and extremism in the country was totally driven by regional powers. Unfortunately, Syrian society fell victim to the political strategies of foreign powers.

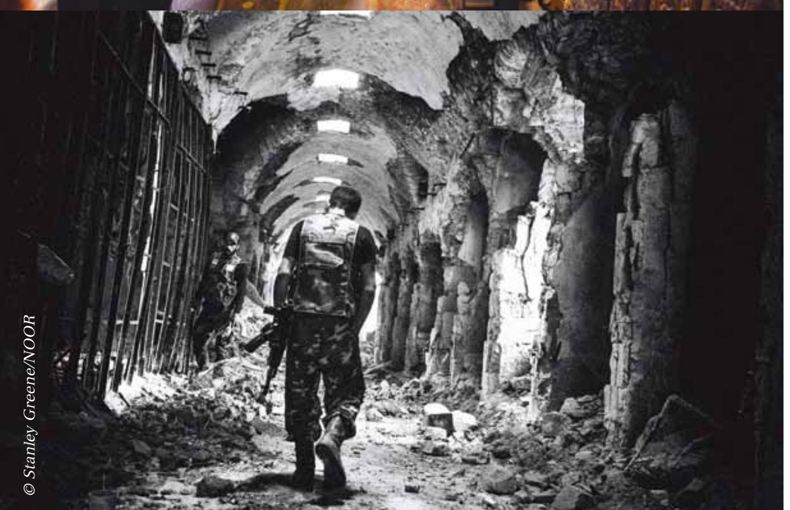
The United Nations

From 2011, I dedicated my work to the e-Government executive team and worked as a manager at a joint project between the government of Syria and the United Nations Development Programme (UNDP). The main goal was to enhance the institutional capacity for e-Government. In such large-scale transformation initiatives, governance is the most critical factor for keeping things on track and making sure that the relevant strategic programmes and projects are delivering their expected planned value. In this senior role, I was responsible for establishing the Monitoring and Evaluation Unit for the National e-Government Initiative in Syria.

Unfortunately, things went downhill quickly, and when the war started both the United Nations and the government of Syria changed their priorities. By the beginning of 2013, the focus had shifted to responding to the humanitarian crises caused by the war. For the last few months before I left Syria we worked on designing and implementing a response system to coordinate the humanitarian effort. Participating parties included local and international organizations, government, business, and not-for-profit organizations. After that I moved to Hong Kong and couldn't keep up with what is going on, but I heard that the project was also closed down by the end of 2013.

Mass destruction

What was happening meanwhile in Syria was dramatic. The mass destruction of the infrastructure was the most obvious result of the war, but actually more threatening was the mass exodus of people. Most of the intellectual people left the country or died during the war. Whilst many people talk about the financial resources required to rebuild Syria, I think creating the circumstances to attract Syrian intellectuals back is the biggest challenge. The country is depopulated. Most of the young generation turned into solders or fighters or escaped the country for a better future. I remember before the war, many Syrian expats were returning to their country as they saw signs of development. Unfortunately, that country no longer remains.



Souks in Aleppo. Above in 2009 and below after an attack in 2013

Syria's future

Economically, I think oil will continue to be a source of income for the country. Before the war, agriculture was an important if underutilized sector. Syria has many agricultural products that were not managed properly including oranges, olives, and others. The service sector and technology are other important dimensions. The Faculty of Information Technology Engineering in Damascus is once again proving the excellence of its graduates. Even after all the horror of war, nine Syrian teams participated in the finals of the World Robot Olympiad in 2016. One team took second place. Their project was about using robots to recycle demolished buildings, and produce materials useful for the post-war reconstruction process. This shows how determined the nation is in the face of adversity.

Strategically, Syria can serve as China's gateway to European market access. With its proximity to a large trading bloc of the EU and some of the fastest growing economies in the world in Africa, the Middle East and Asia, it can be reborn as a regional outsourcing distribution centre. Beijing has a track record of long-term involvement in infrastructure development and business partnerships in post-conflict or politically unstable environments including Sudan and Zimbabwe. With the war ended, and international consensus achieved, China can play a central role in rebuilding the infrastructure, and Syria can regain its position as a trading hub at the crossroads of the world.

Hong Kong

I have always been a person who likes change, development, and travel. In Syria, we knew a lot about the West and by default about the Middle East, but we didn't know much about this side of the world. I had travelled to more than 14 countries for study or work but I had never been to East Asia. With all the news about the economic development here, I decided to see for myself. Hong Kong seems for me to have been the perfect destination. The city speaks two languages and this makes it possible for me to communicate and study. It is the financial hub of Asia which makes it an important business destination. It has a long history with the UK which makes it more open internationally. As for City University of Hong Kong, the Department of Information Systems is one of the top in the world. I am hoping to graduate this summer with a PhD entitled Digital Transformation in the Financial Intermediary.

The war in Syria started in the spring of 2011 and has resulted in one of the greatest humanitarian catastrophes of our time. The United Nations High Commissioner for Refugees (UNHCR) estimates that Syrians today make up 40% of the World's 1.2 million refugees who need to be resettled in other countries. The United Nations International Children's Emergency Fund (UNICEF) says that across Syria, 1.75 million children are no longer in school and some 2.5 million are living as refugees or on the run in search of safety. According to the Syrian Centre for Policy Research, 470,000 people were killed between 2011 and 2016.

A world-class PhD Programme

Dr Ye Lu is Assistant Dean of College of Business PhD programme and Associate Professor in the Department of Management Sciences. Dr Lu received a PhD in operations research from MIT in 2009. His research interests include supply chain management, revenue management, financial engineering and nonlinear optimization. Here he talks about his priorities as Assistant Dean of the PhD Programme.

What have been your strategic priorities as Assistant Dean of the PhD Programme?

To have a successful programme, we need to focus on three key aspects: admission, training and placement. Admission is to recruit best students who are self-motivated, smart and hardworking. We provide them a solid training by offering PhD courses both methodology or foundation courses and advanced topics, set rigorous qualifying exams, and offer careful research supervision. Placement is the outcome or the purpose of the programme. We give necessary support to our final year students for excellent placements.

What are potential PhD students looking for?

In the past two years, I have had a lot of communication with prospective students. This is mostly to find whether we have a good match for each other. The purpose of our PhD programme is to train students and place them in faculty positions in world-class research universities. Students need to have the right motivation to be admitted into our programme. Meanwhile, during these communications, we explain to prospective students why and how we can help them to achieve this goal.

> *"Our PhD programme places students in world-class research universities"*

How would you characterize the supervisory relationship at PhD level?

If you ask me why the College of Business at CityU can have a successful PhD programme, above all else I would like to say "We have a group of great faculty members who publish in top journals and are willing to supervise PhD students." At the college level, we provide more resources for these faculty members to reward their great work. We also build a culture and value system of encouraging research active faculty members to take PhD students.

Where do our PhD candidates come from?

The majority of our PhD students come from mainland China. This is because we can attract many excellent applicants from top universities in mainland China every year. On the other hand, the number of international students in our PhD programme has been increasing over the past years. We welcome more international students to join us in the future. We also admit students who are originally from mainland China but received their bachelor or master degrees overseas. We believe that all of these can contribute culture diversity to this programme.

What is the time frame for students to complete their PhD?

The College takes around 30 PhD students each year. We are more interested in quality than quantity. UGC usually gives three or four years' financial support for students to complete their PhD studies. We can provide additional support to students who have research potentials by offering them studentship extensions or postdoctoral fellowships.

How important is placement of our successful PhD graduates?

The purpose of our PhD programme is to have long-term and profound impacts on the academic community by placing our PhD graduates in worldclass research universities. We have had many successful placements at this level of universities all over the world including the US, UK, Europe, Canada, Australia, Singapore, and certainly China. We will continue providing necessary support to our PhD students for great placements.

How do you compare research studies today and those at your time?

If we compare today's world with that of 15 years ago when I first became a PhD student, we can see that the business world has changed rapidly. The advancement of technology has created many new business models and made information much easier to access. On the other hand, companies are facing more serious challenges to survive and develop in a global market. All of these provide exciting research opportunities to conduct business studies.

What challenges do you see ahead?

If the College wants to be a leader and stay at the top for PhD education, it will never be an easy task due to stiff competition, both regionally and worldwide. Competition for the best students in admission and faculty positions in placement will always exist. However, we like competition because it can help us to continuously improve ourselves in the processes of admission, training and placement. As long as we always put students' interests first and maintain a high standard for our PhD programme, I am confident that we can make a great contribution to business PhD education.

After the PhD
What's next?

Melody with her supervisor
Dr Yulin Fang

***Melody Zou** is a Year-4 PhD student in Information Systems, who is now applying for academic posts. Fresh from a round of interviews, she talks to us about the interview process, and her academic experience overseas.*

How do typical interviews proceed?

Well a standard interview procedure is a one-day campus visit. One gives a job talk, meets with junior and senior faculty, and senior management. At the end of the day, there might be dinner with the search committee.

It seems like both sides put in a lot of effort?

I guess we are trying to see if we would be a good fit for one another, especially in the research culture. Often faculty are concerned with personal and professional development – whether the candidate would adapt to the environment, and whether there are people in relevant research areas.

What kind of universities have you interviewed at?

Like CityU, they are research-orientated universities. They put an emphasis on research and value high quality research.

Have you had opportunities to study abroad?

I have been a visiting scholar in the US for six months in a college town. I had a productive time there and wrote some papers. Meanwhile, I learned how to live with myself. For example, I learned Ukulele, took an online course on Coursera, and practiced how to bake egg tarts, and lobster - not together!

Did you see other parts of the US?

With fellow students, we hired a car and organized a trip down to Florida. We stopped off at Orlando, visiting Disney, and Universal Studios, then to Kennedy Space Centre, and down to Key West at the tip of Florida. That was a great experience, planning a road trip by ourselves.

Do you see your future outside Hong Kong?

For me the opportunity to do high quality research is the main thing. But after being a loyal CityU student for 10 years – I did a BBA, a Masters and now the PhD - for my own personal development a switch abroad would probably be good. But the exact location is a secondary consideration.

Yunnan Baiyao Innovating Tradition

__Alina Mo__ is CEO of Yunnan Baiyao Health Industry Equity Investment Fund. Yunnan Baiyao is one of the leading traditional Chinese medicine pharmaceutical brands in China. Alina was recently recognized as one of ECI China's Most Innovative Pioneers in Business of the Year 2016. Here Alina talks about her passion for business innovation, how she came to study on the EMBA (Chinese) programme at CityU, and her take on life.

How does it feel to be the youngest awardee among all these veterans?

I am definitely excited about it. There are many other elite, young people in the industry who have done excellently in their business areas, and I am just one of them to have been given this award. I'm much honoured to receive this. This is a recognition of the efforts I've put in and it's a huge encouragement.

How do you interpret innovation in the context of your business?

Innovation and tradition are not contradictory, they can both exist and better integrate. As a "pioneer", I think the most important thing is to learn and inherit culture and traditions from previous generations. However, we need to find a balance — be brave to challenge the norms, the authority, yet keep the good traditions.

Innovation in an established company like Yunnan Baiyao must be challenging?

Yunnan Baiyao has been introducing innovations since 1999, and as a traditional enterprise, it is not always easy. We started with medicine powder, and then we launched our aerosol, bandage and Baiyao ointment. Our toothpaste has been a pioneering — and disruptive — innovation in the market, helping Baiyao to expand its market, from medicine to daily commodities, and redefine the company's development plan. We have also expanded into new areas such as health care products and functional food items.

How about your role as CEO of the Investment Fund?

This is the first time that Yunnan Baiyao has launched an equity investment fund. Through the fund, we hope to adopt a newer, more innovative way of operating the business. Given our brand's strong positioning in the industry, we've enhanced the current fund model, the business operation, transaction structure and other aspects, and also increased its business value.

How do you go about innovation?

I am someone who constantly strives to innovate. When I was in the marketing department, I worked on a business model to integrate sales and marketing, started using the O2O model, content and scene marketing, and social media marketing. I have studied and trained in law, and am now a licensed lawyer. Then, after acquiring professional qualifications in fund management, I entered the investment industry. I try to leverage my past experiences and creative business ideas, to help integrate into the investment sector — and eventually launched an investment model which can reflect the unique features of Baiyao.

What are your hobbies?

I love reading, traveling, and trying good food. The old saying says "It's better to travel miles than read thousands of books"（讀萬卷書不如行萬里路). Going out to see the world can help to shape our worldview. In return, our worldview encourages us to see the world more. I like to experience other cultures and customs by travelling. I love visiting museums, as I can understand a place best from its history.

How do you find studying on the EMBA course?

I am very fortunate to have chosen to study the EMBA at CityU. The education system in Hong Kong is quite different to mainland China. CB emphasizes theoretical learning, alongside case analysis and practice. Personal responsibility and self-learning opportunities are emphasized. Small class teaching allows everyone to have opportunities to express themselves in class, and teachers are well prepared for class. The learning atmosphere in CityU is serious and competitive. Sometimes we stay up late till the middle of the night, several days in a row, to complete assignments. It seems like we are working harder than we did to prepare for the College entrance exam! Sometimes it is hard to keep going by yourself during difficult situations, but you can go far beyond your limit when you are part of a group.

How do you manage your free time, with your study and work?

My job is very busy, therefore, on the one hand I make full use of my holiday time, and on the other hand I hope to improve my efficiency with the limited time available. When people are watching movies, playing games, mahjong, or involved themselves in the office politics, I tend to avoid all these disturbances and focus on my work. If there is time to waste, I am only willing to "waste" my time on good things, but not on something that could distract me.

Yunnan Baiyao Group Co., Ltd. is one of the leading traditional Chinese medicine pharmaceutical brands in China. Yunnan Baiyao was formulated by Mr Huanzhang Qu in 1902, and became widely used as a trauma panacea. Since the turn of the 21st century, the company has entered into a strategic transformation, partly driven by Alina Mo's work as CEO of Yunnan Baiyao Health Industry Equity Investment Fund.

Headquarters of Yunnan Baiyao

On Global Exchange in Germany

By Ann Ko

***Ann Ko** is an MBA student and spent the first semester of 2016 on the Global Exchange Programme of the College of Business at WHU — Otto Beisheim School of Management, one of the top MBA schools in Germany. Here she tells her story.*

I chose Germany as I have learned German and I admire the culture. The education system is totally different to Hong Kong and the UK system, and the people really commit to both their work and the quality of their life. During my stay in Germany, I got to understand that their way of living and their whole system including the attitude towards the smallest details is totally different to Hong Kong and China. Sometimes, when I am in Hong Kong, I hear people say that people in Europe are laid-back. For Germany, I found this is totally wrong or misunderstood.

Work ethic

In my opinion, Germans are committed to their work. They follow rules and guidelines closely. We all know that German cars are built to a very high standard. You see that also when you take the trains and trams in the cities. They may look old, but they are fast and every button and door works precisely. They have a very high standard of maintenance. When you queue up by the cashier in the supermarket, nothing looks fancy but you can see that the bar code readers work very well and everything is super-efficient.

Sundays off

Sundays are family days and it is time to relax and enjoy time together. People don't work on Sundays or public holidays, and you won't find any shops open on those days in residential or tourist areas. Germans commit to their work but they aim for a balanced quality of life. I believe this has helped Germany become the strongest economy in Europe.

An unexpected bonus

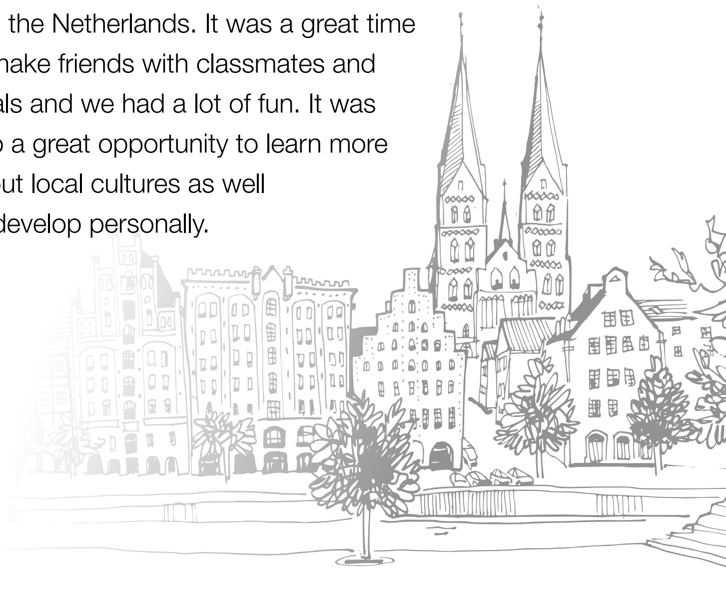
Studying at WHU was a great experience. In the fall semester 2016, more than half of us were Chinese, including two classmates on exchange from their home universities in Canada and the US. We all joined the full-time classes, where more than 15% were Chinese students too! In total, more than 30% of the students came from Asia. Some Chinese classmates told me that the reason why they study in Germany is that the education system in Germany is good and the tuition fees are much lower than those in the US, even though WHU, for example, is a privately-owned university. It turned out that I had a lot of chance to talk and share experience with all classmates. And I found that my Putonghua improved a lot after the trip, an unexpected bonus!

Experiential learning

The classes at WHU were very interesting. I took an experiential course called Competitive & Corporate Strategy Tools. Learning was through doing rather than lectures. The course aim was to win in the "market". We were given an instruction guide about using software modeling a real company. We had to decide different parameters such as sales, operations, human resources, sourcing, investment, R&D as well as financing in different periods, and we had to apply our own strategies in our company. The professor would give us the information and the market situation at the beginning of each period. After several periods, the team who achieved the highest company earnings and the highest stock price won the competition. At the end, after suffering in the early stages, my group won the first runner up. This course helped me to develop dynamic awareness of all parameters in a company. We were the decision makers, something that we could not learn in lectures.

Visiting Europe

Outside the busy projects and exams period, I travelled to various countries around Germany, such as the UK, Hungary, Slovakia, Austria and the Netherlands. It was a great time to make friends with classmates and locals and we had a lot of fun. It was also a great opportunity to learn more about local cultures as well as develop personally.



Eco-Vangelists develop intelligent packaging solution

By Valent Cheung and Nevis Lee

*BBA Global Business Systems Management students **Valent Cheung** and **Nevis Lee** develop ground-breaking intelligent packaging solution for Finnish company.*

At the last minute, five members of a little-known team called Eco-Vangelists decided to apply for the Accenture Digital Innovation Challenge (ADIC) in October 2016. Little did they know they would end up being the Case Day Winner of the competition. They went on to present at Slush, the largest European business startup conference, and interest their Finnish partner company Stora Enso, a leading provider of renewable solutions in packaging, biomaterials, wood and paper, in their innovative solutions.

The team consisted of two BBA Global Business Systems Management students, Valent and Nevis of the Department of Information Systems, who teamed up with three overseas students from the London School of Economics, and the Australian National University. They had all got to know one another during an exchange programme at Aalto University School of Business, Helsinki.

Nevis Lee (second left), Valent Cheung (second right) and their teammates

Cutting waste

On the Case Day, the team pitched their business proposal to the judges, competing with 20 other teams. After a vigorous competition, Eco-Vangelists were awarded the Case Day Winner title, and were selected as one of seven finalists to compete for a grand prize of EUR 10,000 at Slush in December 2016. Slush has grown into a major event and last year brought together over 17,500 attendees from over 120 countries for the two-day event in Helsinki. Eco-Vangelists didn't come out as winners that day, but their project concept is highly valued by Stora Enso, who plan to turn it into a real business solution.

Eco-Vangelists have created a solution to develop a secondary market for reselling apparel via a reselling platform. The solution includes smart lockers that can provide product authentication by sensors including Near Field Communication (NFC) with intelligent apparel packaging. This will help retailers handle returns more efficiently and sustainably. The solution is projected to eliminate waste of return goods by 20-40% of total inventory sold.

Ground-breaking solution

Stora Enso's Intelligent Packaging team supported Eco-Vangelists in polishing their solution and providing business market insights.

"We see tremendous potential in working with young talents like the Eco-Vangelists team. Their ADIC16 solution combines intelligent packaging technologies with new mobile phone readers and applications, and scalable cloud-based software solutions. Such an approach shows the way to ground-breaking intelligent packaging solutions," said Juha Maijala, Director Intelligent Packaging at Stora Enso, Division Consumer Board.

First started as a Swedish mining and forestry products company, Stora and Finnish forestry products company Enso Oyj, merged in 1998 to become the present Stora Enso. The company pursues research and development on biomaterials and intelligent packaging.

Adding value

Stora Enso has been cooperating with NXP, a market leader in RFID (Radio Frequency Identification) and NFC, to build their intelligent packaging for clients. Eco-Vangelists' solution effectively utilises the company's existing partnerships, has potential for building new partnerships with firms that have high return rate of goods, enhances the company's emphasis on social responsibility, and opens up new revenue streams and business opportunities for the company once the reselling platform is set up.

Eco-Vangelists managed to form a comprehensive proposal assisted by visualization tools including

motion graphics and workable solution app, even though there was no requirement to make it a realistic commercial solution. Valent was in charge of visualizing the ideas into practical solutions, "I always try to make personal breakthroughs and set standards to others during my involvement in any events or organizations. The sky is NOT a limit."

Innovation philosophy

Valent and Nevis both believe new-age innovation comes from the merger of new technologies and existing societal patterns. It offers age-old ideas with new twists. Airbnb combines a sharing platform with accommodation search, MoneySQ merges sharing platform with money lending, and Eco-Vangelists' solution mixes a sharing platform with returned goods.

After this competition, both students intend to continue learning from and giving back to society. Valent has recently begun to explore possibilities to foster social inclusion of minorities and the elderly in Hong Kong, using digital innovations. "I think it is time to use my acquired skills to contribute back to the community." And Nevis says: "I hope I can make Hong Kong a better place for everyone by using my creativity."

School Outreach Programme

The College has a vision to reach out to the community to help secondary school students prepare for university study. CB launched its first School Outreach Programme in 2016, appointing student ambassadors to visit their alma maters. Apart from sharing their experience of university life, the ambassadors also gave advice on programme selection, internship and exchange study, etc.

More than 100 ambassadors joined the School Outreach Programme from different disciplines. The programme offers them the opportunity to develop their public speaking and communication skills. The student ambassadors have visited 73 secondary schools and shared their learning experiences with junior students on various occasions including school assemblies, information sessions, lunch time sharing sessions, sports days, graduation ceremonies, school anniversaries, Christmas parties, and dialogue sessions, etc.

"The School Outreach Programme in the College of Business is one of our key initiatives in developing our students' skills to serve the community. The student ambassadors are devoted to helping students from their alma maters and act as role models of university students," said **Dr Weiquan Wang**, Associate Dean (Undergraduate Programmes).

Teachers and students at St. Mary's Canossian College

Asked which part of university life secondary school students valued most, **Edmund Ho Wing-chun**, BBA in Accountancy, ambassador to La Salle College said: "It must be exchange. Global experience and exposure is the most important element in forming the ideal university life — since global perspectives are always useful when you get into society and also for the sake of your own intellectual development."

The point was echoed by **Anson Mak Chun-him**, BBA in Global Business Systems Management, ambassador to Raimondi College: "The students expect a unique, horizon-widening journey, all of them are looking forward to going on a study exchange as they think studying in Hong Kong is very stressful and they have had enough with that. They want something new, they want to feel the difference between university and secondary school."

Iris Ho Tsai-ying, BBA in Finance, who visited St. Mary's Canossian College commented: "Students want to gain different types of experiences during their university life. They also have a dream of doing internships and having different part-time work experiences during their university life so that they will be able to get a dream job in the future and a prosperous career path."

The ambassadors have received training in presentation, communication and social skills. Renowned actress and TV host Ms Astrid Chan and media veteran Ms Akina Fong taught the students the skills to give public talks, and to present themselves professionally. The ambassadors were also given training sessions by the six Departments in the College, to understand the unique features of the different CB programmes.

Edmund Ho (front row second left) at La Salle College

EMBA visits Cambridge

The College of Business Executive Master of Business Administration (Chinese) has visited Cambridge, UK, on a study trip designed to deepen knowledge in corporate strategy. A group of 61 students and alumni participated in the executive education programme held at the Cambridge Judge Business School in March 2017.

Key business topics included international macroeconomics, organizational management, corporate strategy & innovation, and brand internalization. The group also visited the London Stock Exchange and Cocoon Networks, a Chinese capital-backed company investing in the UK and European startups in areas like fintech, creative industries and biotechnology.

Ben Yang Jigang, 2016 graduate, got some inspiration from the trip on how to innovate a company. "The key is to go back and look into the business models, and to study the market trends, refine the company's positioning and improve the efficiency in execution. The vision, feasibility and execution are always in the strategic planning cycle."

International study trips are one of the highlights of the EMBA curriculum, aiming to deepen students' understanding of international markets, business practices and insights from a global perspective, and to help students apply their management skills effectively in an international business.

Ben Yang dinning at Queens' College, Cambridge

Punting on the Cam

EMBA visits London Stock Exchange

College of Business Distinguished Alumni Award

Professor Yongheng Yang

Mr William Mak Tze-leung

The College of Business honoured two of its alumni at the first CityU College of Business Distinguished Alumni Awards in recognition of their achievements and contributions to the University and wider society. The award recipients were **Professor Yongheng Yang**, Associate Dean and Professor of the School of Public Policy & Management, Tsinghua University, and **Mr William Mak Tze-leung**, Partner, Assurance Services, PricewaterhouseCoopers Hong Kong. The presentation was held during the graduation ceremony in November 2016.

Professor Yang received his PhD in Management Sciences in 2004. He is a renowned expert in public management, particularly in the public service area, and is among several key experts who have made important contributions to develop recent national cultural strategies.

Mr Mak obtained his bachelor degree in Accountancy in 1991, and has been a dedicated supporter of the Department's initiatives, including serving as a Departmental Advisory Committee member since 2008. Mr Mak has served on professional bodies such as the Association of Chartered Certified Accountants (ACCA). Mr Mak has contributed widely to the accountancy profession and the educational sector.

Professor Houmin Yan, Dean of the College, said, "Since its establishment in 1990, the College of Business has accumulated a pool of over 40,000 alumni. This very first Alumni Award aims to show our appreciation to these distinguished alumni, and serves as a platform to reconnect with them, building a stronger CB community. It is an honour to present the award to our two outstanding alumni, who are role models to young people in society. We hope they will continue to support the College and the University as we move forward."

Former Premier of Taiwan speaks on the development of Taiwanese democracy

Professor Yi-huah Jiang, Professor of the College of Liberal Arts and Social Sciences (CLASS), and Former Premier of Taiwan, gave a seminar in February 2017 on The Successes and Failures of Taiwanese Democracy.

Illustrating the meaning of democracy, Professor Jiang went through some milestones in the democratization process in Taiwan. He explained how Taiwan has successfully transited from an authoritarian regime to a democratic society with fair elections, freedom of speech and press, and a peaceful change of power. Professor Jiang went on to point out some of the controversies over national identity and the cross-strait relations during this development.

Professor Jiang also mentioned some of the setbacks in Taiwanese democracy, such as the dysfunction of government administration, strong opposition between political parties, and severe manipulation of mass media, etc. He gave new insights on ways to overcome the current challenges in Taiwan and to strengthen the community.

CB students unleash innovation and discovery

The CityU Discovery Festival 2017 took place in March, celebrating our students' achievements in innovation and creativity. At the opening ceremony, **Professor Way Kuo**, the University President, said "It would be most beneficial when knowledge transfer can take place in society. A good combination of teaching and research distinguishes CityU from other institutions, and we always make sure that the research we conduct is useful to society."

(from left) Alan Ngan and Gigi Chau with project supervisor Dr Terence Cheung

Two CB projects were showcased. **Gigi Chau Yin-chi**, BBA Accountancy'16 alumna and the project leader of Transfriendly: Horizon Guide, said that the project was designed to develop an intelligent transportation and navigation assistance system for visually impaired users. This interdisciplinary project was developed with the help of project supervisors **Dr Terence Cheung**, Assistant Professor of the Department of Information Systems, and **Dr Ray Cheung**, Associate Professor of the Department of Electronic Engineering.

Patrick Hu Fengge, BBA Quantitative Finance and Risk Management student, explained that his team's project Interactive Algorithmic Trading Simulation aims to simulate the actual operation of algorithmic trading. "We are proud that we were able to apply the classroom knowledge to develop such a sophisticated trading system. It was a memorable experience." The team was advised by **Dr Zhong Zhang**, Assistant Professor of the Department of Economics and Finance.

Lessons from Taiwan High Speed Railway project

Professor Kuang-shih Yeh, Professor of Organization Management, National Chengchi University in Taiwan, also the Former Minister of Transportation and Communications of Taiwan, presented at a research seminar in January 2017. The seminar was jointly organized by the College of Business and the Research Centre on One-Belt-One-Road.

Professor Yeh shared his experience in building the high speed railway, one of the largest privately managed and funded Build-Operate-Transfer (BOT) projects in the world. He introduced the project background, the BOT financial model and its application to the railway, legal and administrative issues in the collaboration, as well as the several financial crises encountered and the solutions to overcome them.

Professor Yeh also emphasized the utility of the BOT model in infrastructure construction, and its wider benefits to government and society.

MBA SHARP Forum launches

The MBA SHARP Forum has got off to a lively start, presenting three forums over two months. “The Digital Tsunami: Surviving & Thriving Through Digital Disruption” kicked off the series in December 2016. **Mr Sean Seah**, Head of Digital Experience of HSBC, **Mr Win Mak**, CEO of Mirum Hong Kong, and **Mr Alan Yip**, CEO and Co-founder of Guru Online (Holdings) Ltd., explained how new waves of technology are transforming the way we do business.

The second forum, “Venture Capital vs Entrepreneur: Strategies to raise funds from investors”, also in December 2016, featured **Mr Kelvin Chan**, Head of Investment, Fosun Hani Securities Limited, **Mr Paul Pong**, Managing Director, Pegasus Fund Managers Limited, and **Ms Juliette Gimenez**, CEO and Co-founder of Goxip. They explained the factors investors and venture capitalists consider when funding new businesses, and how startups can effectively strategize to attract support from established firms.

Ms Juliette Gimenez and Mr Paul Pong at the SHARP Forum

“Navigating the future of supply chain in Hong Kong”, in January 2017, featured **Mr Shing-yuk Chow**, Founder and CEO of Lalamove, and **Mr Benjamin Wong**, Head of Transport and Industrial sector team at Invest Hong Kong (InvestHK). They discussed the growing trend of mobile applications, internet and digitalized customer service in the logistics sector, and Hong Kong’s strategic significance in serving as a platform to reach out to Asia.

Challenging Conformity — TEDxCityUHongKong

The first ever TEDxCityUHong Kong was held in November 2016, attracting eight awe-inspiring speakers, and an audience of more than 200. The theme was Challenging Conformity, and explored various ways of making breakthroughs.

Mr Gordon Bedford, one of the keynote speakers at TEDxCityUHonxg Kong

One of the keynote speakers **Dr Yuen-wah Lam**, Associate Professor of Department of Biology and Chemistry, talked about how students are extremely curious by nature. Although society is seemingly discouraging curiosity, it can become a substantial driving force towards self-initiated learning.

Another speaker **Mr Gordon Bedford**, Global Director for Corporate Social Responsibility & Environment, Health & Safety at Mattel Inc., explained how companies can focus more on vulnerabilities to solve problems and loopholes rather than calculating risks assessments.

Lead organizer **Rosen Wong Yat-kwan**, a Year 3 BBA Information Management student, said: “My hope for innovation in Hong Kong is to see a cultural shift where people do not treat failing as a taboo. The younger generation is very innovative. The problem undermining innovation in Hong Kong is not the lack of capability, but the lack of room to fail.”

TEDxCityUHongKong aims to share and spread great ideas and shape the world into a better place. It was co-organized and supported by the Office of Education Development and Gateway Education (EDGE) of CityU.

Cool head, warm heart

The Department of Accountancy has developed a series of Knowledge Transfer Social Enterprise Consultancy Projects, highlighting the increasing student interest in giving back to the community. BBA students serve NGOs and social enterprises by applying their accounting knowledge under the supervision of a senior NGO management consultant.

"The consultancy projects provide a unique extra-curricular opportunity for students to broaden their horizons, to consolidate their knowledge in accounting, finance and business management, and to serve the community,” said **Dr Sidney Leung**, Associate Professor at the Department of Accountancy. “It also fits our departmental philosophy of ideal accounting students, ‘cool head and warm heart’.”

During the last couple of years, teams have participated in various projects including a community services centre, social enterprise restaurants, an online social enterprise platform, and a career planning social enterprise.

Feedback from students has been very positive.

“Our project worked with authentic financial data from St. James’ Settlement Education Centre,” said **Sandra Ip Lok-lam**. “In addition to site visits and interviews, we did analysis and came up with a set of practical recommendations to improve their operating efficiency and financial performance.”

Also working at St. James’, **Joanna Deng Mingming** said, “This was a valuable opportunity for me to think beyond figures and to apply accounting knowledge to real business practice.”

Such reflections are proof of CB students’ sustained interest in the area of Corporate Social Responsibility. The Department of Accountancy looks forward to continuing to provide varied learning experiences to its students, rooted in real-world practice, and ready to serve the wider needs of society.

Mabel Lui Wai-man crowned 10-km champion

Alumna **Mabel Lui Wai-man**, from the Department of Management, won the 10-km Women’s Overall Challenge in the Standard Chartered Hong Kong Marathon 2017 in February, with a time of 38 minutes 6 seconds.

As a primary school teacher, Mabel was surprised to have achieved such a satisfying result despite her busy work life. “I am very happy about the result. Thanks for the support from my family and friends, and my coach. I will keep running and hope to have a better record next time”, said Mabel.

More than 1,000 CityU students, staff and alumni participated in this year’s event. **Professor Way Kuo**, the University President, led the CityU delegation for the ninth year running. A total of 422 runners from CityU entered the 10-km event, while the rest took on the half or full marathon.

COMINGS

We welcome our new faculty who joined us between September 2016 and February 2017.

Dr Eman Leung
Assistant Professor
Department of Management Sciences

Dr Eman Leung first joined the Department of Management Sciences as Visiting Assistant Professor in December 2014. He received his PhD from the University of Toronto. His research interests include biostatistics, public health, healthcare management sciences and implementation sciences. His programme of research bridges between public health research in clinical risk analytics and operations research on data-driven resource allocation.

GOINGS

We extend all best wishes for future happiness, professional fulfilment and prosperity to faculty who left us during the same period.

Professor Giorgio Valente
Professor
Department of Economics and Finance

Dr Kui-wai Li
Associate Professor
Department of Economics and Finance

Dr Eddie Yu Fu-keung
Associate Professor
Department of Management

Dr Simon Mak Kwai-ming
Assistant Professor
Department of Management

Alumni Class Notes

Share your news with classmates and CB alumni! Tell us about the highlights of your year – family, career, accomplishments, and interests. We will publish your updates in the "Class Notes" section of City Business Magazine and on the CB Alumni website.

Simply submit your information (name, major, graduation year) and your news to us on:

Don't forget – you can attach photos with your write-up.

***Leroy Yue Pui-hung**, BA Business Studies'88. After 20 years in senior positions in leading multinationals in the UK, Hong Kong, China and Japan, Leroy recently moved back to Hong Kong and created a startup — PikaPage. www.pikapage.com*

***Dr Haywood Cheung**, EMBA'12 and DBA'14, has recently published his doctoral dissertation in the UK in book format as "Gold and International Finance: The Gold Market under the Internationalization of RMB in Hong Kong". Haywood is currently Chairman of Target Insurance (Holdings) Limited. He was conferred with the title of Honorary Fellow by CityU in 2016. Haywood has taken up various public duties, including serving as President of The Chinese Gold & Silver Exchange Society and Chairman of Shenzhen Qianhai Chinese Gold & Silver Exchange Society Limited.*

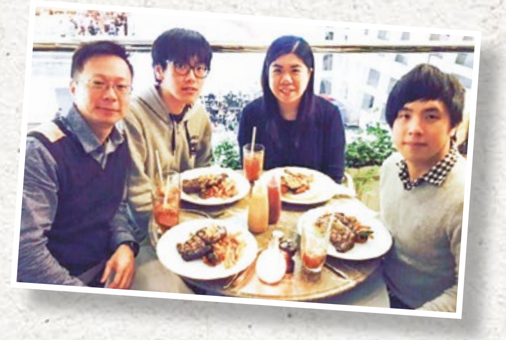
***Peter Cheng Lap-yin**, EMBA'14, Co-founder and Chairman of Hanbo group, Co-founder of the Hong Kong Apparel Society Limited with research interests in supply chain risk management and management science. He strives to take great care of his employees and contribute to as much as possible to society-at-large. Under his leadership, the Hanbo group follows standards of sustainable sourcing and fair trade. In 2015, he set up the Better Schools Foundation to support underprivileged students in China, Cambodia, and Bangladesh.*

***Raphael Cheung Pok-tsam**, BBA China Business'14, originally worked in a transportation company in a managerial position but discovered that helping to develop society and caring about Hong Kong people was much more meaningful than earning money. Raphael established Hong Kong Professional Psychotherapy and Hypnotherapy Institute (HPHI), a psychotherapy centre for social workers and other specialists in early 2016. The centre organizes volunteer work and courses to promote the importance of mental health to Hong Kong people.*

***Timothy Chan Hung-pan**, MSc Marketing'15, has been working as sales and marketing manager at a SME in FMCG. Timothy has a flexible approach to life, and tries to make good use of his potential to get work done and expand his network. Work-life balance seems hard nowadays but it can also be easy. During his down time, he enjoys running marathons. Timothy also enjoys taking time off with his wife and his lovely 3-year old boy to travel the world.*

***Baigang Ruan**, MA Global Business Management'15, is thankful to his programme director, Dr Reuben Mondejar, for both academic and personal development. After graduation, he worked at CCB International, a Chinese investment bank based in Hong Kong which provides various financial services to clients and connects them with global capital markets. He thinks that this is a great time to grow and make a contribution to the development of the world. He would like to add millions of thanks to teachers from CityU and the College of Business for their teaching.*

***Gigi Chau Yin-chi**, BBA Accountancy'16, is working at KPMG and pursuing her goal to become a member of HKICPA. Gigi is glad to work with many different professionals and gain a lot of practical work experience. Despite a busy schedule, she enjoys meeting with her advisors and teammates from project "Transfriendly — Horizon Guide". They keep each other updated on the development of this project. Recently, Gigi and her teammates applied for funding to support the project. She believes that the experiences and friendship she gained from this project will be valuable to all teammates.*



***Dave De Guzman Centeno**, PhD Marketing'16, is Associate Professor in the University of the Philippines (UP) School of Business. He also works as a marketing consultant and resource speaker for a number of private firms in Manila. He has received four UP President's International Publication Awards, and he attributes these successes to his great research training at CityU. Dave treasures his learning experiences and life in Hong Kong during his doctoral studies. He values the relationships he was able to establish with classmates and teachers. He keeps Chinese and Hong Kong art pieces in his university office to maintain his affiliation with CityU and Hong Kong. Special thanks to Dr Jeff Wang, his PhD supervisor, great mentor, and friend.*

***Jeff Hui Tsz-chun**, BBA Human Resources Management'16, is a Co-founder of Affix Group, a Hong Kong-based startup that connects the younger generation and corporates. He says that his experience in Silicon Valley taught him a lot. He embraces the culture of startup innovation and would like to create the same type of atmosphere in the Hong Kong startup community. Jeff is also one of the initiators of #Wecodebusiness, an organization with the aim to nurture student entrepreneurship by providing them with the opportunity to make their ideas come to life.*

***Ka-yee Lam**, BBA Accountancy'16, is currently working as an auditor at Deloitte. She was a member of the CB's Young Scholars Programme and was presented with the Distinguished Young Scholars Award last month. In the programme, Ka-yee enjoyed the overseas study tour, internship and business mentorship very much. She is delighted to have been encouraged by her mentor in choosing her career path.*