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Economist**

**Business in China and the West**

## A tale of two expats

**Life is easier for Western expatriates in China than it is for Chinese expatriates in the West**

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HEARTS lurched into throats. Your correspondent's driver braked hard. But it was too late. After the crash, the motorcyclist, who was miraculously unhurt, picked himself up and argued vigorously that it was not his fault. After all, who doesn't whizz round blind corners on the wrong side of the road from time to time?

The Chinese attitude to safety often causes sharp intakes of expatriate breath. "It's a real problem," says the manager of a Western chemicals firm in Shanghai. "You set strict rules for what goes on in the factory. But as soon as your employees step outside the gates, they face a completely different atmosphere. Ask someone to wear a seat belt and they laugh at you."

Yet Western expatriates in China have a far easier time than they did a generation ago. They no longer huddle in drab hotels and endure Maoist standards of food and service. These days they can have almost anything, for a price: soufflés and sushi, Western-style villas with gardens, private schools with famous names for their children. (Harrow and Dulwich College, two posh British schools, both have offshoots in Beijing.)

The air in China may be gritty and the censorship irksome. Conference calls with head offices in America at 4am are tedious. But life is otherwise comfortable. And business in China is more exciting than perhaps anywhere else on Earth.

"We're doing great!" gushes another Western executive. His firm sells engines for "every [kind of machine] that makes stuff". His wares are often pirated, of course. "They just take a laser scanner and copy them," he shrugs. But China's demand for machines that make stuff is ravenous, and that makes up for a lot of intellectual-property theft. Sales are growing by 15-20% a year, salivates this executive.

China's spectacular growth over the past three decades has prompted hordes of businesspeople to jump onto aeroplanes and move house. Western multinationals have sent many of their most ambitious executives to the country, to find new suppliers, set up factories or sell jet engines and whisky to the Chinese.

### **Crossing continents**

In recent years a swelling number of expatriates have also moved the other way. Chinese firms are increasingly global. They scramble for oil and copper in Africa. They scout for investment opportunities in America and Europe. They are starting to set up offices throughout the world. Naturally, they are sending out Chinese executives to run them.

Expatriate Chinese executives are a relatively new phenomenon, and a sign of Chinese strength. Previous waves of emigrants fled China because the country was poor, violent and despotically ruled. They sought a better life elsewhere, and usually found it. They arrived with nothing, prospered through wit and hard work, and often settled permanently abroad.

The new Chinese expatriates are different. They are sent abroad because the Chinese firms they work for are expanding. They arrive on foreign shores with the security of a job and a salary. Their assignments are temporary: they expect to return after a few years.

Their situation is in many ways like that of a Western expatriate, but there are glaring differences. Western expats in China have typically moved from a liberal democracy with a sluggish economy to an authoritarian state with a fast-growing one. Chinese expats in the West have done the opposite. Each journey presents its own challenges. This article seeks to illustrate them, unscientifically, by contrasting the life of a Western expat in China with that of a Chinese expat in Europe.

Revealingly, none of the Western businesspeople in China interviewed for this article was willing to be quoted by name. Causing offence to the Communist Party remains easy and also catastrophic for the bottom line.

"The rules [in China] are not always transparent," sighs "James Smith", an executive at a Western firm that sells beauty products in China. His firm operates through a network of locals who knock on doors and pester their acquaintances to buy lipstick and shampoo. These salespeople also recruit other salespeople.

Such "multi-level marketing" (also known as direct selling) is controversial in many countries, but especially so in China. Some officials think it poses a threat to the "harmonious society"—a slogan coined by the country's president, Hu Jintao, which means, roughly, "a society in which very little that the Communist Party disapproves of occurs".

Multi-level marketing companies are allowed to operate only under tight conditions designed to keep out scammers. For example, they must maintain bricks-and-mortar shops, so that disgruntled staff and customers have somewhere to go to make complaints.

Mr Smith says his firm is more than happy to abide by the rules. But that is not as simple as it would be in the West, for China's written laws are an unreliable guide to what is allowed. For example: is it legal to recruit students to work as part-time salespeople? As far as Mr Smith knows, it is. But when some of his employees started recruiting on a university campus, the students' parents complained furiously and the government took their side, making it plain that Mr Smith's firm had crossed an invisible line. "I think it's a Confucian thing," he muses. Chinese people place an immense value on education, and abhor anything that might distract

students from their books. Mr Smith's firm now steers clear of students.

Not surprisingly, politics is another sensitive point for the Chinese government. Foreign enterprises must tolerate—indeed, facilitate—the setting-up of Communist Party cells in their Chinese operations. Large meetings organised by the company, by contrast, are viewed with suspicion. Direct-sales firms like to hold big pep rallies for their salespeople. In a democracy, this is no big deal. If throngs of herbal-diet-supplement peddlers want to get together and wax euphoric about their herbal diet supplements, the government could not care less. But China's government sees any gathering it does not control as a potential threat. If the rallies are organised and passionate, they are especially suspect.

Every time his firm wants to hold a rally above a certain size, it must first seek permission from the local authorities. "We never know what the answer will be," says Mr Smith. When a large meeting is allowed, he assumes that the police send spies to make sure nothing subversive is said. He adds, like so many Western executives, that his firm is keen to "develop a long-term relationship of trust with the Chinese government".

The rules grow even stricter whenever the government is staging a high-profile event, such as the Beijing Olympics in 2008 or the Shanghai Expo in 2010. During the Expo the authorities let it be known, informally, that any gathering of more than 40 people would be frowned upon. Any disruption to the Expo would have caused China's rulers to lose face, and they do not like losing face.

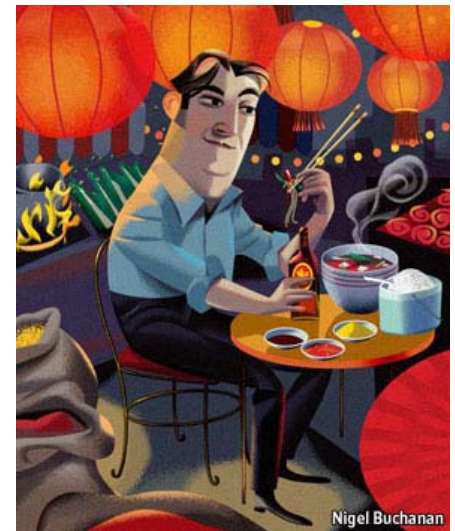
Despite all these hassles, Mr Smith says that he loves working in China. He loves the people. He loves the food. And he sees the local attitude to *laowai* (foreigners) changing for the better. A few years ago he and his Chinese wife would be surrounded by gawkers whenever they strolled together through her provincial hometown. Now they attract barely a second glance. Inter-racial couples are no longer quite so gawkworthy.

Mr Smith bubbles with admiration for his Chinese salesforce. In America direct selling is typically someone's second job; in China it is a full-time occupation. Chinese people tend to have large networks of family, friends and classmates, and they do not hesitate to use them. "It's embedded in the culture," he says. They are not embarrassed to ask for favours or tout business propositions at family dinners. "That really helps us," he beams.

As does the economy, of course. A generation ago, Chinese people had empty pockets in their dreary boiler suits. Now millions of them can afford posh foreign make-up to complement their Gucci frocks. Mr Smith cites a figure for his firm's annual sales growth that would make a taipan raise his eyebrows.

### **Broke among the barbarians**

The lot of a Chinese expatriate in the West is less peachy. Consider the food, for a start. English meat pies, says William So, groping for a tactful way to phrase this, "are dry and have no flavour". British nosh is no longer as awful as it was 30 years ago, he concedes. But prices in London are exorbitant. And Chinese executives who are posted abroad do not enjoy the same lavish pay and perks as Western expatriates in China, especially if they work for state-



owned firms.

Back home, Chinese managers have housemaids. "They are not used to cooking for themselves," says Mr So, a telecoms executive. When sent to work in rich countries, "they even have to clean their own toilets," he chuckles.

Mr So finds life in London easier than many other Chinese expatriates. His English is excellent, not least because he was educated at a British boarding school. ("It was like a prison," he says: surrounded by cow-filled fields and 45 minutes' walk from the nearest town.) He also studied computing at Imperial College, London, which he enjoyed rather more.

Until recently Mr So was the chief executive of the European subsidiary of China Unicom, a huge telecoms firm owned by the Chinese government. (He is now a freelance consultant.) He oversaw China Unicom's operations not only in Europe but also in Africa, a continent now packed with homesick Chinese people who want to ring home. Much of his job involved working with European firms, some of which use China Unicom's fixed-line and mobile infrastructure to connect calls between Europe and China.

Executives at Chinese firms who are posted to the West often come without their families, he observes: "They don't have the kind of expat package that pays for the kids' education and the wife's shopping." This makes for a lonely, gloomy time, unless the expat in question is young, single, fluent in English and gregarious.

In China a senior executive at a state-owned firm is a big fish. Waiters and receptionists grovel before him. The police treat him with deference. In Europe he is just another middle-aged man in a suit.

As China Unicom's head man in Europe, Mr So was paid a paltry Chinese salary plus a small cost-of-living allowance. His allowance was only 30% more than that of the most junior employee, he says. He managed to live reasonably well in London only because he has some investments. He founded a small internet firm called Beijing Online and sold it before the dotcom bubble burst. He also owns some property. Without that cushion, his time in Britain would have been less comfortable.

Western expatriates in China are typically there because they want to be. Some find the culture fascinating. Most expect to make good money and burnish their curricula vitae. Western multinationals feel obliged to have a presence in China, and since the country is as tricky as it is potentially lucrative, they often send their most capable staff there. Wal-Mart's global head of procurement is based in Shenzhen. HSBC's boss moved from London to Hong Kong last year. A spell in China helps a Western executive rise to the top.

Yet the converse is not true. Chinese executives, especially at state-owned firms, win promotion by cultivating the right people, and those people live in China. Even a few years away from your connections can mean they go cold, scuppering your chance of promotion. If you are a senior Chinese manager and you get posted abroad, it may mean you are not doing very well at home, says Mr So. And if you work for a state-owned firm, you cannot refuse to go, he adds.

Young Chinese white-collar workers may enjoy the adventure of a foreign posting. Some want to learn about other cultures, improve their English, go clubbing in Amsterdam and generally



have fun. Some fall in love with the West and decide to stay, if they can wangle a visa.

Female Chinese expatriates, too, tend to have a better time than men, reckons Mr So. (Perhaps they find the culture less sexist. Perhaps they are luckier in love.) Male Chinese expats who have left their families behind, by contrast, can't wait for their tour of duty to end.

Many struggle with the language. Some of Mr So's expat colleagues speak hardly any English, which is obviously a handicap. The Beijing subway has plenty of signs in English, but good luck finding any in Chinese on the London Underground.

A Chinese firm needs local sales staff to sell things to British customers, but it is often hard to recruit locals. They need to start with positive feelings about China, says Mr So, and it helps immensely if they have studied Chinese. But such people could earn far more working for a Western firm in China.

The one thing about the West that every Chinese expatriate appreciates is the air. "It's much cleaner," says Mr So. "Everyone comments on this." British people are quite pleasant, too. They are very polite, Mr So continues. When you go into a shop, you do not get the feeling that anyone is hostile. "But if you go into a pub and debate Chinese politics, it would be very hard," he says.

### **Clearer as well as cleaner**

Another plus about working in Europe is that the rules governing business are relatively straightforward. "Everything is transparent," says Mr So. If you want to obtain a licence to do something, you don't need to spend money bribing an official or hiring a go-between: "You just download the form from the internet and apply."

Relationships between companies are simpler, too. In China, says Mr So, firms assume that customers will only buy from someone they like. So they spend vast amounts of time stuffing and lubricating clients in private booths in swish restaurants. Western firms do this too, but not to the same degree.

Differences in corporate etiquette are a minefield. If a Chinese vendor gives a presentation and the customer asks him lots of questions he can't answer or raises lots of potential problems, the vendor will be distraught, says Mr So. He will assume that the customer does not like him. But if the customer is Western, it probably just means that he wants to be given more information. "People here look at the facts, not the person," he says.

Another problem for Chinese expatriates is that "views of Chinese companies outside China are quite negative," Mr So notes. "Most Chinese blame the media," he adds. Chinese brands lack cachet outside the domestic market. At home everyone recognises names such as China Unicom, Lenovo or Bank of China, but most Europeans would struggle to name a single Chinese brand.

What is more, Westerners tend to assume that Western firms are superior. They think a big British bank will be sounder than Bank of China even though the British bank has been in financial trouble, says Mr So. This attitude makes it hard to sell directly to Western consumers. (Of course, such stereotypes tend to change when the underlying facts change. As Chinese products improve, Western consumers will eventually notice. Ask the Japanese or the South Koreans.)

In countries that industrialised long ago, much of the infrastructure is old and creaky. The London Underground opened in 1863, and you can tell. The trains don't even have proper air-

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conditioning, grumbles Mr So. Britain's public transport network reaches nearly everywhere, he admits, but it is not very reliable. In China, the opposite is true.

A final headache for Chinese expats is that, when you move to an oppressive Western capitalist society, you encounter a working class that can throw its weight around. Europe's toiling masses sometimes go on strike, leaving streets unswept and commuters stranded. Chinese expats find this shocking. Though there are stoppages in some factories in China, no one strikes in public services there, says Mr So. "If they did, there would be trouble."

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