

# Chicago Tribune

## In China, Daley touts Chicago to investors

By Michael A. Lev  
Tribune foreign correspondent

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SHANGHAI -- During a luncheon here Monday for Mayor Richard Daley and a visiting business delegation from Chicago, Jack Sandner of the Chicago Mercantile Exchange turned to a Chinese financial industry executive and said, "So, you're in the futures business. ..."

While no more than a conversation starter, business deals have to start somewhere--in this case, a VIP reception at an elegant restaurant overlooking the harbor and skyline of this booming commercial capital.

Chicago's business and civic leaders know that if they don't start cultivating stronger ties with China now, they will risk missing out on the next crucial stage of China's development: investments in America by Chinese companies.

That's why Daley was in Shanghai giving a speech about Chicago called "The Global City," in which he made a pitch to the Chinese for Chicago's business environment, its central location, its lakefront attractions and architecture--everything but the weather in February.

This was Mayor Daley's first visit to China, but he was following in the well-worn footsteps of his brother. As commerce secretary under President Bill Clinton, William Daley played a big part in China's boom by helping to negotiate its accession to the World Trade Organization and giving it most-favored nation trading status. Years before Mayor Daley was introduced to the mayor of Shanghai, William Daley was holding meetings with Chinese leader Jiang Zemin.

The idea that Chinese companies will join the ranks of Japanese and Europeans as investors who will set up stateside factories and buy American companies is new, and it is almost certainly inevitable.

China's enormous economy is still based at home and export-driven. It is the world's biggest recipient of foreign investment, having

surpassed the United States last year when it attracted \$53 billion from overseas.

But already Chinese companies are beginning to compete with foreign companies, and they are looking to go global. Shanghai Automotive Industry Corp., one of China's biggest car companies, has signed a deal to buy South Korea's struggling No. 4 vehicle manufacturer, Ssangyong, while giant China Minmetals is in talks to buy Noranda, a Canadian mining company, for about \$5 billion.

Marshall Bouton, president of the Chicago Council on Foreign Relations, who organized the Chicago trip to Shanghai, said that when Chinese companies come to the U.S. to set up offices and factories, "Chicago should be on their short list."

Few Chinese firms in U.S.

Just a few Chinese companies have made the move to the U.S., including Haier, the appliance and consumer electronics company, which makes refrigerators in South Carolina. There is at least one smaller Chinese company in the Chicago area, a Shanghai Automotive parts distributor in Rockford.

The Chinese investment boom is still a prospect because most big companies here are struggling to transform themselves from cogs in the communist system to profit-driven enterprises.

But William Best of the Chicago-based consulting firm A.T. Kearney Inc., who has spent much of his career in Asia, said his firm was stunned to see how quickly the Chinese can adapt.

When he opened Kearney's China office in 1992, Best assumed the client list would be exclusively foreign firms and that it would take 15 or 20 years to start working for Chinese companies.

"It's 12 years later," Best said, "and over half of our work is with Chinese companies."

On the question of how soon the Chinese will open up shop in the U.S. or start buying American competitors, he said, "I wouldn't be surprised to be surprised again."

The challenge will be diverting the attention of the Chinese away from the New York-Washington corridor, which they know from government circles, and the West Coast, which they know from immigration patterns. During the early phase of the Japanese investment boom of the 1980s, Chicago was overlooked.

"In this era of globalization, there is going to be

consolidation in the business world and also in cities," said William Daley, now the Midwest chairman of JP Morgan Chase, who also was along on the China trip.

Bouton organized the trip to Shanghai for Mayor Daley and several dozen Chicago-based executives, and he arranged for participating corporations such as Motorola, Material Service Corp. and Boeing to pick up the tab.

Establishing ties takes time

Under the name "Chicago-Shanghai Dialogue," business and government leaders of the two cities met for two days with the goal of using business ties to broaden their relationship. Daley met Shanghai's mayor Sunday; Shanghai's mayor agreed to visit Chicago.

Daley wasn't starting from scratch in trying to sell Chicago. In China's sophisticated business community at least, Chicago's reputation has finally reached beyond vague references to Michael Jordan or Al Capone. Most dealmakers here have been to Chicago.

But in Chinese culture, it takes time to get to know people and build ties.

Also Monday, Daley signed an agreement with China's Education Ministry to receive support for the teaching of Mandarin in Chicago's public schools.

Chicago in the last few years has built a Chinese language program that now covers 3,500 children in 15 schools. The Chinese government agreed to help set up a teacher training resource center in Chicago and donate 2,000 books a year, said Robert Davis Jr., the Chicago Public School system's Chinese language coordinator.

"They promise to send delegations over throughout the year with experts in teaching Chinese so they can train our teachers with newer methods of learning," Davis said.

It's good for business on the Chicago side, Davis said, because speaking Chinese will become more important for Chicago-based companies.

Mayor Daley agreed. "It's extremely important in this century to learn English and Chinese," he said. "It is imperative that our city lead the effort, which we are."