

IPS Corporate Associates Lunch Dialogue: Doing business in China

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The President and Group CEO of CapitaLand Limited, Mr Lim Ming Yan, spoke to IPS Corporate Associates this month on the challenges of doing business in China. The lunch was well attended by a total of 59 participants and the discussion was chaired by IPS Special Advisor, Professor Tommy Koh.



Mr Lim spoke of CapitaLand's large business presence in China. Its portfolio in China spans a gross floor area of 22 million square metres, comprising integrated developments, shopping malls, serviced residences, offices, homes and its flagship brand of Raffles City developments. The China market is attractive because of its large population and thus large demand. China continues to grow at a rate of 6.5 per cent, outperforming global growth rate of 3.4 per cent.

On the digital front, Mr Lim pointed out the chasm between China and the non-China world, driven by language, cultural differences and government regulation. In place of Google, Baidu has risen to be the dominant search engine; in place of Facebook, WeChat is the

prevailing social media platform. The list continues for shopping, ride-hailing, browser, e-payment and travel-booking options. As one of Asia's largest real estate companies with significant presence in China, CapitaLand is in a unique position to bridge the China and non-China worlds. Beyond providing real estate space, it is important to incorporate digital elements into CapitaLand's products to create the experience for customers both online and offline. It is about analysing customer data, understanding, engaging and owning the customer.

One important factor to note when working in China is the ability to understand the local context. He said that the "tendency is to rely on experience from back home" and a Singapore-centric mindset may not always work. This challenge can be overcome by building a strong local team, staffed with Chinese nationals, but imbued with CapitaLand values. They will be able to navigate the complex business terrain, which is less structured and has few transparent rules.



Question and Answer Session

Relationships, reasonableness, law

A member of the audience asked about the process of litigation in China. Mr Lim said that the Chinese prefer to rely on relationship, reasonableness and, as a last resort, legal recourse (情理法), whereas a legal resolution would be the first choice in other parts of the world. The Chinese's worldview is different from the Western, or even Singapore's worldview. The Chinese prefer to settle issues amicably between two parties by mediation and conciliation. Hence, for any multinational company, the headquarters should "trust the individual on the ground, who is leading the negotiations". It is also crucial to delineate the

sequence of transactions clearly so that one is “not held ransom if the counter party does not honour their part of the contract”. For instance, CapitaLand made sure that payment for land acquisitions are only made when certain preconditions are fulfilled.

Singapore’s value proposition

Another question centred on Singapore’s value proposition to a rising China. Mr Lim said that CapitaLand is facing the same challenge to remain relevant. One advantage that the firm has is its established presence in China and its global reach — from Southeast Asia to Australia and the United States. Mr Lim explained that while the company’s China presence gives local partners a sense that it understands China, these partners also like CapitaLand’s global network. That is why the future of CapitaLand must be global so that it remains relevant to China.

Professor Koh asked if CapitaLand had considered entering the India market. Historically, there has been a deficit of trust between India and China, and Singapore’s value proposition is to play a bridging role. Mr Lim replied that CapitaLand does have projects in India (e.g. the Celebration Mall in Udaipur and the Forum mall in Mysore).

Professor Koh added that attention should be given to the new state of Andhra Pradesh. The incumbent chief minister, N. Chandrababu Naidu, “is a great fan of Singapore”. This is a historic opportunity to help in his masterplan of a new city. He reiterated the importance for Singapore to partner China into third countries like India, or Myanmar. This is because, if a Chinese company were to enter India, they would not be welcomed due to legacy issues. But, should a Chinese developer go in with a partner, it would change the perception of the Indians.

Corruption

The audience asked if corruption is still a common phenomenon in China as it was years ago. Mr Lim said that while corruption is taken by some as an easy route to expedite projects, the company decided early on in its China journey that it was not the path the company would take, even if it had to lose business opportunities. This has reaped them long-term benefits, as CapitaLand’s clean track record in China has made it a choice partner to local officials.

Intellectual Property Rights

A member of the audience pointed out that one of the hesitations of investing in China was the issue of intellectual property (IP) rights. A question was raised as to whether this trend had persisted or changed. Mr Lim said he has noticed a change. The Chinese do want to protect IP rights now since they have started to own their local brands and invest in research and development. This is compared to before 2010 when the Chinese were very clear of their production role as Original Equipment Manufacturers (OEMs) which did not own the IP of the brands. They have also been participating in and coming up with their own set of rules instead of abiding by those set by the Americans previously.

Professor Koh reflected on Singapore's similar experience in the 1980s. During Free Trade Agreement negotiations with the US, there were views that Singapore should not concede to their IP laws. It was George Yeo who took a strategic stance and said that Singapore should not look at the issue as conceding to the US' demand, but as an opportunity for Singapore to have the highest IP law regime in Asia. It protected national interests and would help knowledge intensive industries grow. Professor Koh concluded that China would take time to make progress on IP laws, and that Singapore companies should be mindful of Chinese cultural norms when doing business in China.

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