

JP Morgan China (JPMC)

Summary:

JPMC will become the leading China focused investment business, combining expertise with access in China, Europe and the US. A full scale China focused platform will operate between Beijing, London and New York. All activities of the business are aligned with Chinese central economic policy and fully endorsed by the Chinese leadership. Chinese partners and clients include China's major State Owned and Private Enterprises as well as government entities.

The Opportunity

While China is becoming an economic superpower, the interests and activities of the country are developing rapidly under tight government directions. China today has sufficient capital but lacks the ability to deploy its capital in a coherent manner. The opportunity is to provide financial capabilities in a combination of world-class financial expertise, global access and deep China knowledge. A major area of the JPMC business will stem from a) Chinese companies who are heavily encouraged by the government to embark on significant investments in Europe – especially Germany, UK and Eastern Europe and at a later stage the US - focusing on selected industries (natural resources, chemicals, manufacturing, specialised services, etc) and b) asset management solutions on a global level.

Strategy:

The JPMC strategy is based on a financial platform operating in line with Chinese economic policy incorporating major national initiatives including “go global” (international investments), “western region development” (domestic investment in West China), “build global brands” (Chinese companies entering Fortune 500), “financial excellence” (global asset management capabilities), etc.

When new Chinese policies and projects are defined, JPMC must be involved in shaping these processes together with the relevant ministries, institutions and enterprises, drawing from the JPMC global platform. This is a crucial aspect of JPMC and will lead to JPMC becoming the partner, co-investor or service provider for major Chinese undertakings.

JPMC will not to operate as stand alone China business (as incumbent players in China), but will instead provide international expertise and know-how for the Chinese system by having a global China focused team in Beijing, London and New York.

The key from a Chinese point of view is to work with one team consisting of reliable and trustworthy capabilities inside of China AND outside of China in those geographies where investments and projects will be undertaken. Hence, next to local operations, Chinese and financial expertise must be established in Europe and the US. The JPMC strategy bridges the financial, legal and cultural barriers that exist between China and the West.

Set Up:

The planning stages require a method where the Chinese decision makers are fully informed in the set up stages of JPMC by seeking their advice and endorsement of the operations. This implies that the business is not established based on Western logic and obvious market needs, but in connection with the most up to date Chinese thinking on economic policy and by fitting into the long term plans of Chinese development. This is achieved by keeping a very low profile in initial conversations with selected leaders at Minister, Vice Minister and Director General Level. DS can lead this complete process.

The initial set up requires two locations. Beijing and London later followed by New York.

Locations:

Beijing

The JPMC office in China will be located in Beijing. As capital of China, Beijing is the place of power and decision-making. All leaders and institutions essential for JPMC are in, or frequent frequently, Beijing. One of the key functions of the JPMC Beijing team is to be in constant and close contact with government and policy institutions.

Why not Hong Kong?

The office should not be in Hong Kong as it is seen as Chinese outpost and is Cantonese dominated and therefore not favoured by the Chinese leadership. More pressure will be applied to Hong Kong in due course for uncontrolled currency outflow and round-tripping (Chinese money leaves China and enters China again via Hong Kong as foreign investment and hence taking advantage of foreign investment incentives)

Why not Shanghai?

Shanghai is the place of the stock exchange and an important financial location. However, no key decisions are taken in Shanghai and the city is losing ground because the Shanghai development plan has been completed. The former leadership (Jiang Zemin and Zhu Rongji) are the Shanghai clique; the current leadership (Wen Jiabao and Hu Jintao) are focused on the North East and the West of China. The next leadership will most certainly come from the West of China.

London

The JPMC operation should be steered from London, taking all input from its Beijing office into account. This is exactly where the China expertise has to grow, and develop and where Chinese leaders, partners and clients need it most! Europe is the place which China will embark on with great force (but slowly), followed by the US..

Staff

The JPMC team will be a core team led by DS who will be based in the JPM London office with frequent visits to the Beijing office. The JPMC team operates as extremely efficient platform making full use of the existing JPM resources available depending on the types of projects.

The Beijing office will be lead by a highly experienced finance professional who has been deeply involved in the development of the Chinese banking sector in the last decade. He must have served at least 5 years in a major SOE or government ministry as part of his career. He, and all Beijing team members must a) be from mainland China (not Hong Kong or Taiwan) b) be native Chinese speakers c) have grown up in different provinces and speak different dialects and d) come from a range of backgrounds with a focus on finance, accountancy, legal and junior government posts.

The Europe team based in London must have deep China expertise and experience in the financial and industrial sectors in China. This team should mostly be Chinese speakers and consist of Westerners and Overseas Chinese (recruiting Chinese nationals from business schools etc).

The JPMC Europe team will identify JPM professionals who have affinities with China and incorporate them in this network which will be utilised according to the projects. In addition the Europe team may build an advisory board of "old China hands" such as Lord Powell of Bayswater, Lord Mandelson, Edmund Stoiber, etc.

The key Chinese institutions that will be approached in the set up of JPMC include:

- State Council
- Ministry of Commerce
- National Development and Reform Commission
- Ministry of Finance
- Chinese Embassy in the European Union (ambassador former right hand man to the current Chinese Premier)