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**Subject:**

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JP Morgan China (JPMC)

Summary:

All activities of the business must be seen to be aligned with Chinese central economic policy and fully endorsed by the Chinese leadership.

The Opportunity

JPM must be seen to be operating in line with the published 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.

The key from a Chinese point of view is to work with one trusted team inside of China AND outside of China in those geographies where investments and projects will be undertaken.

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. JPM must be seen to be 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.

As the operations develop it is essential to identify the key stakeholders from the Chinese side (government institutions and relevant key individuals) and monitor their requirements closely. Each institution in different provinces has its own agenda which must be understood and taken into account. This appreciation of detail will be very welcomed by the Chinese leadership.

Following from there JPMC must create and build up a Guangxi network by carefully analysing existing relationships within the JPMG team and existing advisors. What China needs is to help Chinese SOEs, private

enterprises and government bodies to define their goals and then to provide solutions. The defining of goals is purely courtesy and is mainly achieved by providing insight into international best practice.

JPMC will not have an official advisory board. Instead it must operate a permanently managed Guangxi network consisting of current and former leaders and working level members (not just senior!) from a range of sectors and provinces, that can be utilised for on the record and off the record activities. On the record activities refer to formal meetings in government and business offices where memos are taken and circulated into the Chinese system, while off the record activities refer to dinners or meetings in public places where no memos are taken and agreements from the Chinese side are not official.

The Chinese act of Giving Face is crucial: involving the Chinese leadership in the initial set up is the first aspect of giving face, but it must become a key theme to operate with the highest degree of face giving initiatives.

Features include a) the JPMC management must be based in London for reasons of courtesy and protocol. JPM being an international firm, the JPMC management cannot be based in China only from a Chinese point of view. JPMC wishing to meet a Chinese leader at the level of Minister or above, must be based abroad, and it will be highly valued if the manager flies into China specifically for single meeting b) gifts and wishes for Chinese New Year and Chinese Mid Autumn Festival to the Guanxi network, send from Europe (not China). List of gifts will be send to the International Cooperation Departments of the relevant Ministries in order to be completely transparent and follow government rules c) hosting of senior Chinese delegations when they pass through Europe – this is especially important to educate senior Chinese officials on concepts, ideas or projects without risking them losing face because it is part of an “investigation trip” abroad. Different messages can be places when Chinese decision makers are outside of China than when they are inside the country , etc etc

Locations:

Beijing

The JPMC office in China should be located in Beijing. As capital of China, Beijing is the place of power and decision-making. All leaders and institutions essential for JPM are in Beijing.

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 should mostly be Chinese speakers and consist of Westerners and Overseas Chinese (recruiting Chinese nationals from business schools 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 Human Resources and Social Security

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