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Stop, look and listen to the unwritten rules of life in China



Patti Waldmeir



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Mould your own way rather than use kindergarten morality



Crossing sign traffic light in a city

The first rule I taught my children when we moved to China was that green doesn't mean "go". Don't walk when the green man says walk, and don't stop when the red one says halt. I think we all found it wonderfully liberating.

China has its own rules — and they are not the ones I learnt in kindergarten. In fact, after seven years as a pedestrian and several forays as a driver, I have not yet figured out exactly what they are — but they seem to work. So you are better off making your own deal with the oncoming traffic (or any of the other challenges of living and working in China) than expecting "stop, look and listen" to apply. China has 5,000 years of history and that means 5,000 years of knowing instinctively that pedestrians have no right of way. That green man may look just like the guy in London or Los Angeles, but he is not the same. He has been localised.

So I tell my kids what I would tell anyone coming to do business in China: don't expect rules to protect you, but don't worry that they will thwart you either. And read Tim Clissold, the British businessman whose book *Mr China: A Memoir* (2004) is probably the best I have ever come across about China. Now he has written another: *Chinese Rules: Mao's Dog, Deng's Cat, and Five Timeless Lessons from the Front Lines in China*; it's about what makes China tick — for foreigners who can clearly hear it ticking but can't quite figure out why.

Rule one in his book is that China does not play by anyone else's rules so stop wishing that it would. To which I would add: you can make that work for you. My children love never having to wait for the lights to change to cross the street. That is certainly one way to celebrate what others

might call lawlessness.

In the big picture, lawlessness has receded monumentally since we moved here in 2008. New laws, closely guided by western models, have been passed in virtually every area of business life in China, from intellectual property to competition law. But old habits die hard, and it may take decades for the habits of legality to trickle down to the average wage slave. So I still have plenty of daily opportunities to see people ignoring rules I thought were written in stone and to teach my kids how to make that work for them. Often, this happens in hotels, perhaps because “the customer is always right” is another one of those rules that China most definitely does not play by.

Recently, I took the kids to a five-star hotel for one of those quintessential parent-teen bonding excursions that involve letting them lie in a hotel Jacuzzi and order room service all day. When we got there, the hotel clerk calmly informed us that he had rented out our pre-paid room to another guest who really, really wanted to stay there.

Armed with my kindergarten rule book, I began to splutter about having booked through Priceline and paid with a credit card, which made it a binding contract, surely? But I didn’t know how to say Priceline in Chinese and he wasn’t having it anyway. Someone else was in our bed; that was the long and short of it.

Of course, in the end they found us a suite instead, and the kids celebrated by inviting several classmates to share the Jacuzzi and sleep over — in a room with a maximum official occupancy of two. So that is the teen version of the green man “don’t walk” rule: if the other guy breaks the rules, so can you. You may get the better end of the bargain.

Clissold’s fourth rule (I won’t tell you the others; buy the book) is that given the choice between the right result and the right rule, China will always choose pragmatism. That one has worked in my family’s favour, too: like the time when the police allowed us to license two dogs — in the same week that the law changed, making owning more than one dog illegal.

Being an inveterate stickler for the rules, I tried to point out to the accommodating cop that what we were doing was against the law. He indicated that, being a policeman and all, he was aware of the new law — so could I please stop looking my gift dog in the mouth and just go home.

My message to my kids, and to anyone else who wants to live a happy life in China, is not to get hung up on rules; nobody else does. And you must ditch the kindergarten morality. It is too simple for this place.

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May 26, 2015 3:22 pm

Beware the risks of giving staff in China the chop



Patti Waldmeir in Shanghai



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Sackings are never simple and can go haywire in a way that is all too common



The Wild West flavour of investing in China will be known to anyone who can spell IPO (or better yet Hanergy). But it's not all multibillion-dollar stock losses and billionaire chairmen gone Awol. Sometimes the losses are tiny, the companies obscure and the people involved are nobodies doing business in the middle of nowhere. Don't let that fool you, though: even if the headline is small, the headache may be huge.

Consider the case of Sorbic International: a London-listed Chinese food preservatives company with a market capitalisation of only £1.5m but a problem big enough to make anyone think twice about going into business in a country where corporate governance is stuck somewhere back in the

Qing dynasty.

Sorbic, which is based in the coastal province of Shandong but listed on London's junior Aim exchange, this month gave the London Stock Exchange (Aim's overseer) an update on the suspension of its shares that should be required reading for anyone who still thinks there is low-hanging wealth ripe for the plucking in the Chinese hinterland.

Sorbic has removed its Chinese chief executive from office, and from his position as legal representative of the company in China. But sackings are never simple here — and this one has gone haywire in a way that is all too common, even in the Middle Kingdom of the 21st century.

Wang Yan Ting, the chief executive, “declined to hand over the company's corporate seals (chops) and business licences, which he removed from the premises before he was dismissed”, Sorbic told the market.

That may not sound like a big deal to anyone doing business in jurisdictions where a chop is a carnivorous meal option. But corporate China is all about chops — which is why “steal the seal” is popular with disgruntled executives. With the chops and the business licences, Mr Wang can continue to control the company's bank accounts and day-to-day operations.

Sorbic says Mr Wang has used his power to transfer Rmb70m (\$11m) of the company's money to, well, they know not where. Worryingly, the company also pointed out that this had been brought to the attention of the local police, who “deemed Mr Wang's non co-operation as a commercial matter and were therefore unwilling to assist”. (Sorbic says the Chinese authorities have since become involved.)

Not surprisingly, Mr Wang disputes all this. Zhang Yingzheng, his lawyer, told the Financial Times his client did not steal the seals. “The chops are still at the company and Mr Wang is also at the company, so Mr Wang did not take the chops. He is still operating the company. How could he operate the company without the chops?”

Nor did he divert Rmb70m in company funds, says the lawyer: Mr Wang is owed back pay, he says (an allegation Sorbic denies), and he was promised a 50.1 per cent share in the company (which Sorbic says is nothing to do with them as it relates to events “before Sorbic's acquisition of his business”). Mr Zhang helpfully added that, should the FT not print an “accurate” version of the dispute, “we will sue you, using the weapon of the law”.

It seems the law won't have much of a look-in resolving the he-said he-said, though. “It's a conundrum in China, that if you want to replace a legal rep, the change in legal rep document has to be ‘chopped’ by the outgoing legal rep, and if he takes the chops then you can't make the change,” says John McLean, a UK accountant who is Sorbic's non-executive chairman. “Our approach is to get him to the table to negotiate because the legal system takes a long time.”

“The HR law in China greatly favours the employee. It can enable people basically to . . . hold the

company hostage,” says Kent Kedl, head of the Control Risks consultancy in China. “Situations like this are way too common. Any labour dispute issue that we handle for clients has something similar to this: they have the chops, the keys to the safe or password or whatever,” he adds. Talk about job security: it’s not easy to see what Sorbic can do if Mr Wang continues refusing to step down.

So those of you who can spell IPO: by all means, read the Hanergy headlines — but don’t forget the Sorbic small print.

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