Bringing it all back home?
A Chinese bank going global

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Abstract

This thesis examines the role of trust in the global expansion and activities of Chinabank over the past eight, and especially the past two, decades and the associated transformative effects of this emergent geography. Three specific moments of change involving questions of trust are investigated: i) attempts to project the Bank as a legitimate presence in the City of London; ii) the reconciliation of expatriate and local practices of work in the Bank in London; and iii) the transformation of relations of governance within the Bank and between the Bank and its headquarters and the Chinese State in Beijing.

The underlying argument of the thesis is that global economic geographies are enabled, in part at least, through social geographies - here social geographies of trust - which are a prerequisite in bridging the differences involved in the processes and relations of globalisation. But, of course, concepts and practices of trust are themselves geographically variable and so globalisation in turn involves negotiations over, and transformations of, trust. Thus the thesis argues that trust is relationally constructed as different conceptualisations and practices of trust interact with, and shape, each other. In this sense, globalisation is a process of hybridisation rather than of flattening.

The main contributions of the thesis are i) to explore globalisation from ‘periphery’ to ‘core’; ii) to consider some of the implications of bringing together two very different sets of political economic relations (communist state and market-based capitalist financial relations); and iii) by exploring the nature and significance of trust as a socio-spatial relation, to contribute to the literature on the social conditions of existence (the social geographies) of economic globalisation. In addition, the thesis draws attention to the impact of different orientations/attitudes towards personal trust and regulatory trust in forming financial relations and their complementary role in
the making of financial space. Thus the research explores the implications of the working practices of the Bank in London not only for relations between it and its headquarters and the Chinese state in Beijing but for working practices in London in coming to terms with the rapid growth and globalisation of finance in China.

Qualitative methods predominate but findings are triangulated across a range of data. Methods employed include semi-structured interviews (within the Bank in London; in its head office and the offices of its supervisory authorities and other state bodies, in Beijing; and with UK clients of the Bank and other leading financial institutions in London); participant observation and textual analyses; and the analysis of published data from a variety of sources.
Bringing it all back home? A Chinese bank going global

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Abbreviations

ABC  Agricultural Bank of China
AMCs asset management companies
Big Four ICBC, CCB, ABC and Chinabank
BOCOM bank of communications
CBRC China Banking Regulatory Commission
CCB China Construction Bank
CCP Chinese Communist Party
CEO chief executive officer
CFWC Central Financial Work Committee (China)
Chinabank Chinabank Group Ltd Beijing
Chinabank LB Chinabank London Branch
Chinabank UK Chinabank UK Ltd
EMC executive management committee
D/Dept department
FDI foreign direct investment
FSA UK Financial Service Authority United Kingdom
GDP gross domestic product
GM general manager
HKTDC Hong Kong Trade development Council
HQ head quarters
Huijin China Central Huijin Investment Ltd
ICBS Industrial and Commercial Bank of China
IMF International Monetary Fund
IPOs initial public offerings
MFAC Ministry of Foreign Affairs of People’s Republic of China
MOF Ministry of Finance
PBOC People’s bank of China
PPP purchasing power parity
PRC  People’s Republic of China
RBS  Royal Bank of Scotland
SEZs  Special Economic Zones
SFAE  State Administration of Foreign Exchange
SOF clients  state-owned firm clients
UN  United Nations
The Bank  Chinabank UK
TNCs  transnational corporations
USTR  United States Trade Report
WTO  World Trade Organization
Dedication

This thesis is dedicated to my parents in China where my father is fighting against cancer and my mother is taking care of him. I am sure they will be so proud of me having this thesis finished though they can’t read any in English.
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Lord Ye’s love of dragons

During the Spring and Autumn Period (770-476 B.C.), there lived a man who called himself Lord Ye. He was known to have a great love for dragons. His belt was carved with dragons, his teapots and wine vessels were painted with dragons, and his house was decorated with dragon carvings.

Hearing about Lord Ye's great love for dragons, a heavenly dragon came down to visit him. The dragon extended his head into Ye's window, and put his tail in Ye's living room. Upon seeing the real dragon, Lord Ye was scared out of his wits. Turning completely pale-faced, he ran away hurriedly.

Today, the expression "Lord Ye's love of dragons" is used commonly to indicate an inconsistency between words and actions.

Source: Xinxu: Miscellaneous by Liu Xiang from Han Dynasty.
**Chapter 1 Introduction**

Four of the world’s ten biggest banks by market value are now Chinese. In 2004 none was.

… although they make money and have the trappings of public companies, the state owns a majority stake and the Communist Party appoints the top brass, whose pay is a fraction of that of their Western peers. Those bosses, with their dual role as party bigwigs and chief executives, are beholden to a higher authority than the stockmarket.

_The Economist_    July 8 2010

This thesis explores the nature, role, relative significance, practice and understandings of trust in establishing, sustaining and expanding financial relations in a context of globalisation. Globalisation is an ongoing process (Dicken 2007) which involves the construction of relationships. These relationships are built through commodity chains, global production networks and other networks for learning and innovation to interact with spatially distributed resources in a global market (Jacob 1965; Baker 1990; Bourdieu 1977, 1986; Burt 1992; Coleman 1988, 1990; Amin and Thrift 1995; Granovetter 1973, 1985b; Uzzi 1997; Ettlinger 2003; Dicken 2003b; Williams 1988; Yeung 2004). But the establishment and maintenance of such material relationships involves the negotiation of common, socially mediated frameworks of meaning. These embody symbols - words, signs and gestures – as well as cultural and moral rules (Lynskey 2004; Hampel 2006; Ogborn 2002, 2007).

As the ‘intensification of worldwide social relations’ (Giddens 1990 64) increases, globalisation brings together people from different political economies who once lived in ‘different spatial-temporal worlds’ (Rosenberg 2000 6). Different languages are spoken and different rules and norms are followed. Dealing with difference involves communication. To secure successful communication requires a formal legal system such as law and regulation to regulate our economic relations, and informal institutions such as shared values or norms to guide and inform social
cultural behaviours. Thus the establishment and maintenance of ‘production circuits and networks, configured at a multiplicity of geographical scales, from the local through to the global’ (Dicken 2007: 29), require both face-to-face meetings and interactions across distance with the help of material and non-material intermediaries (Jones 2007). As one element in a complex of social-cultural relations, relations of trust enable communication among actors across space and time. Establishing the trustworthiness of partners reduces uncertainty (Hardin 2002; Boone and Buck 2003) and, in the case of global financial relations, helps deal with matters of difference and otherness.

As this thesis is about the establishment, sustenance and expansion of financial relations from a post-communist state to a capitalist financial centre, at least two geographies are apparent here. What I am interested in in this thesis is ways in which relations of trust facilitate the transformation of financial relations from one geography to another. Thus the thesis investigates how relations of trust are constructed, and how conceptions and practices of trust are different in and across geographies; how actors negotiate these differences; and what the consequences of these negotiations are.

This introductory chapter briefly explains (1) what this thesis aims to achieve, why and how; (2) why trust matters in facilitating the global expansion of Chinese finance; (3) why China matters in the globalisation of finance; (4) why Chinese finance and Chinabank1 are the chosen case studies; and (5) why Beijing and London are the chosen sites. The chapter also provides an outline of the thesis.

1 ‘Chinabank’ is used in this thesis as the anonymised name for the case study bank, headquartered in Beijing
1.1 What this thesis aims to achieve, how and why?

Although there is a large literature on the role of trust in facilitating innovation, entrepreneurship, and regional development, most studies fail to underscore the spatial and temporal factors involved in the construction of relations of trust in shaping the global economy. Moreover, there is some lack of clarity in conceptualisations of trust whilst many scholars, especially economists, choose not to problematize trust at all.

This research explains the significance of a relational concept of trust to the understanding of the processes of financial globalisation. By examining the operations of Chinabank UK\(^2\) (hereinafter called ‘the Bank’) which originated from the branch of Chinabank in London (Chinabank, London Branch hereinafter called ‘Chinabank LB’\(^3\)) opened by the parent Chinabank in 1929, this thesis focuses on the global expansion of the social relations of Chinese finance into a capitalist financial centre. The thesis asks how and in what ways trust is significant in the establishment, sustenance, and expansion of financial relations from one geography to another. It is especially concerned with the dynamic processes of place and space in the transformations of the social relations as the Bank comes to terms with a new social, political and economic environment in London. It argues that while the Bank is projecting itself onto a global economy, such transformations are relationally constructed partly through the internal manipulation of the role of trust in the Bank in Beijing and in London, and partly through external impacts of global forces on conceptions and significance of trust for the Bank in London and Beijing. Hence the concern in the thesis for the significance of trust in the globalisation of financial relations.

The intended contributions of the thesis are

\(^2\) ‘Chinabank UK’ is used in this thesis as the anonymised name for the UK subsidiary of Chinabank

\(^3\) ‘Chinabank LB’ is used in this thesis as the anonymised name for the UK branch of Chinabank
• to add ‘a more inclusive conceptualisation’ (Dicken 2004 19) of globalisation by focusing on Chinese experience rather than on a further ‘projection of Western practices and experiences’
• to explore the significance of a spatialised and relational concept of trust in understanding financial globalisation
• to investigate both personal and regulatory trust and their complementary role in making financial space
• to explore the implications of the new financial practices of the Bank in London not only for relations between the Bank and its headquarters and the Chinese state in Beijing but for financial practices in London in coming to terms with unfamiliar practices of financial production in the Bank.

These objectives are to be achieved by examining the trajectory of the globalisation of the Bank under state supervision and the challenges to it from the global world. Within this context, the following research questions will guide the thesis.

1 In what sense is trust a socio-spatial relation and how does it contribute to the shaping of material geographies of globalisation?
2 In what ways do notions of trust differ from culture to culture and how do actors in different cultures cope with such differences?
3 How are relations of trust constructed and transformed as the geographies over which they are practised are extended over space and across cultural difference? How do such transformations both promote and constrain a process of ‘going global’ and the building of a new corporate culture in the practice of creating global financial relations?
4 How does the incorporation of new notions of trust challenge corporate culture and the working practices of employees and how are different notions of trust confronted and negotiated in the practice of establishing a presence and of engaging in financial production in a global context?
5 What do the negotiation and transformation of notions of trust bring back home to head office, to financial regulators and to the home state?
Multiple methods including a brief questionnaire, in-depth semi-structured interviews, participant observation and textual analysis are applied to examine these research questions. In addition, published data from a variety of sources are used. Empirical research was carried out in two main major locations – London and Beijing. A detailed description of the methodology is offered in chapter 4.

1.2 Why trust?

This thesis is about the role of trust in financial relations. It does not therefore focus so much on material infrastructure and material flows in financial systems. But in adopting this focus I do not mean to devalue the significance of materialities in financial globalisation by implying that trust is the only thing that counts. Rather, I pick up one element (trust) ignored by many mainstream economists (see, e.g., Gambetta 1988; Murphy 2006) in the complex of relations of finance to explore the nature of trust and how it works in enabling communication over difference in the global economy and, thereby, in facilitating the flow of ideas, money, people and things under the process of globalisation. For Coe, Kelly and Yeung (2007 399), for example, “The bond of trust in business relationships is especially effective in ensuring that contracts are honoured even when partners are oceans apart – a relationship based on trust is far more easily ‘stretched’ across global space than one based on legal contracts”. This thesis explores these stretched geographies and the role of trust in the formation of global relations.

The focus on relations of trust is due not simply to the emerging significance of trust and other manifestations of ‘cultural-economy’ within economic geography. It relates primarily to the critical significance and distinctive notions and practices of trust both in Chinese social life - especially in the context of the contemporary revival of Confucian thought in China – and in the relations and practices of finance.
However, taking off from Murphy (2006) and inspired by Harvey (2006), trust is conceptualised in this thesis as a socio-spatial relation.

I use terms such as Western notions of trust, Confucian/Chinese notions of trust as an entry point to illustrate territorially distinctive notions of trust held by people in different political economies. Nevertheless, I am fully aware that there is no territorial space that is absolute in the global world. In practical life, neither Western nor Confucian culture, for example, is a fixed or autonomous category. Rather, all geographies are dynamic and open-ended sets of relations which reflect the formative interactions between absolute, relative and relational notions of space.

But categorising Western versus Chinese notions in an absolute way is often taken for granted in theory construction and demonstrates the influence of Western ontologies (Said 1978, 1993). I will attempt to illustrate how misleading this oversimplified, essentialist categorising is. The same kind of argument applies to the focus on personal trust and regulatory trust in the thesis. I apply these terms to illustrate distinctive orientations towards trust in particular contexts. But I am fully aware that they are not fixed categories either.

‘Personal trust’ refers to trust built on personal networks, kinship ties and close relationships. It is also called ‘thick trust’ by Williams (1988) to mean trust arising from ‘micro’ personal sources in specific relations. This kind of trust may consist of emotion, passion, taste or habits. In short, personal trust is belief in trustworthiness assured by personal relations rather than by formal laws or regulations. ‘Regulatory trust’ refers to ‘thin trust’ (Williams 1988). It is impersonal and arises from ‘macro’ sources in organized society. It is supported by the ‘institutional environment’ of law, norms, values, standards and agencies. It reflects an attitude/habit of mind in following regulations and laws. In short, regulatory trust is confidence in trustworthiness guaranteed by rational contracting. However, I will try to show that
personal trust and regulatory trust are mutually formative and transformative in trust building process.

1.3 Why China?

Headlines like “China’s merchant adventurers set off in search of global conquests” (Dickie 2005 8) in the western media in the past few years have shifted people’s attention from viewing China as a giant absorber of global inward FDI (foreign direct investment) to characterising the country as a cash-rich ‘predator’ looking to extend its global reach.

It is relatively easy to understand why foreign investment pours into China given its cheaper labour and large market (Huang 2003; Lardy 1998). But for many it is surprising to see that the Chinese are eager to go global (Wu 1993; Nolan 2001; Steinbock 2005). The series of big moves of Chinese companies penetrating new markets in the past few years have shocked the western world (Shenkar 2006), especially when they involve sensitive areas such as oil, power and high technology. The success of the Chinese personal computer company Lenovo in purchasing IBM’s PC division for $1.75bn (Mure 2005) and the failure of the CNOOC bid for Unocal worth $18.5bn (Guerrera 2005) are evidence of this process. Chinese firms will accelerate their attempt to ‘go global’ in the coming years. This accelerating growth is leading to a radical remaking of the global economy. According to Shenkar (2006), the Chinese economy is bigger than official numbers suggest and China will overtake the U.S. as the world’s largest economy by 2025, much earlier than the year 2041 predicted by Goldman Sachs and others.

Looking back into the process of Chinese economic reform from 1978, this is not hard to understand. Since China entered into the WTO in 2001, "going global" has become a Chinese national project (Wu 2002 a, b; Nolan 2004). As a strategy to
build up a national economic team competing with global forces, a group of state-owned companies were selected and financially sponsored by the state (Nolan and Zhang 2002). This strategy aims to help Chinese state-owned companies raise their competitive ability in the global environment while learning by doing business with international competitors (Shenkar 2006).

However the concern of geographers for globalisation has focused mainly on the institutions, values and norms of developed countries in Western Europe and North America. Relatively few research the globalisation of emerging markets in developing countries. But globalisation is not a one-way process from centre to periphery. As such the role of emerging economies should also be addressed. Urging geographers to board the ‘globalisation’ boat, Dicken (2004 19, emphasis in original) advocates the development of ‘a more careful, a more considered and a more inclusive conceptualisation’ of globalisation. In his opinion, empirical analyses of both processes and outcomes of globalisation should have ‘a much greater range of place-based cases across the world’.

A primary need is to adopt a perspective that is less ethnocentric than is the norm: to recognise that globalisation processes are not merely a projection of Western practices and experiences. In focusing on an emerging economy, this is what my thesis attempts to do. Globalisation is defined by Held et al (1999 16) as ‘a process (or set of processes) which embodies a transformation in the spatial organization of spatial relations and transactions - assessed in terms of their extensity, intensity, velocity and impact - generating transcontinental or interregional flows and networks of activity, interaction and the exercises of power’. For Lee (2011 199)

globalisation involves the multiple interactions of more (or less) geographically expansive circuits of value, especially circuits of capital, diverse networks of influence, social relations, metrologies and semiotics with local circumstances
and the resultant social and material contradictions and contested transformations of the local and the global.

This definition highlights the ‘transformations of the local and the global’. Countries such as China and India attract the world’s attention not only by their increasing share of the volume of trade and investment but also as the driving forces behind this development. They present good stories to illustrate the different experiences and practices engaged in the complex processes of globalisation. According to Lee (2000 195), economic geographies are ‘the geographies of people’s struggle to make a living’. In this sense, the motivation for countries such as China and India to survive and to learn (see, for example, S.London 2005a 1 and 2005b 12) helps to make these regions the most active and dynamic in the world (see table 1.1 and figure 1.1).

Table 1.1 Global shares of GDP (at PPP) 1820-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Western Europe</th>
<th>United States</th>
<th>Russia (USSR)</th>
<th>Japan</th>
<th>China</th>
<th>India</th>
<th>Other Asia</th>
<th>Rest of World</th>
<th>Total World</th>
</tr>
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<td>19.1</td>
<td>8.6</td>
<td>2.6</td>
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<td>7.6</td>
<td>5.4</td>
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<td>9.6</td>
<td>3.0</td>
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<td>9.4</td>
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</tr>
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<td>8.9</td>
<td>4.5</td>
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</tr>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
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</tbody>
</table>

sources: Maddison 1995; Fang 2005
As one of the most dynamic emerging economies in the world economy and with a different cultural and social background from western capitalist economies, China is especially significant in a thesis which addresses questions of difference arising from globalisation.

1.4 Why Chinese finance and Chinabank?

The study is focused on the financial sector of post-socialist China because the Chinese financial system plays an increasingly important role both in the global economy and in Chinese political economy. According to one prediction (Centre for Economics and Business Research Ltd. April 2006 57), China’s share of world activity in wholesale financial services will grow from 3.9% in 2004 to 9.2% in 2020, implying an annual growth (at constant prices) of 11.3%. Besides this, Chinese finance is at the heart of Chinese economic reform involving a financial reconstruction under the strict control of the state. Dicken (2007 379) states:

Finance is also the most controversial of economic activities because of its historical relationship with state ‘sovereignty’. Ever since the earliest states...
emerged on the scene, the creation and control of money have been regarded as being central to their legitimacy and survival. Today, in the context of a globalizing world economy, this tension has become especially acute as national states see their traditional control of their monetary affairs being threatened by external market forces.

This tension and the role of trust in negotiating it within Chinabank, are major concerns of the thesis. As one of the big-four state-owned banks of People’s Republic China (PRC), Chinabank plays an important role in the Chinese economy. Chinabank LB, established in 1929 as the earliest overseas bank branch of China, has a significant story to tell about this dynamic change. Ranking 14th in the top 1000 world banks in 2010 and 7th of the 25 most profitable banks in the world according to the British Banker magazine (The Banker 2010), Chinabank’s logo (figure 1.2) implies its ambition of going global. The logo takes the shape of ancient Chinese money. The sign in the middle like a Chinese character ‘中’ (zhong), meaning ‘China’; the rounded outside shape, symbolises ‘global earth’.

Figure 1.2 Logo of Chinabank

The logo as a whole means that Chinese money serves the world but with the use of Chinese culture and ethics (Zhang 2000; The Chinabank website).

If it was just a blueprint of ‘going global’ in 1980s when Chinabank headquarters in Beijing asked the Hong Kong designer Mr. Jin to mix Chinese culture and the goal of
Chinabank in the logo, then ‘going global’ as a strategy began in earnest at the beginning of the 21st century. Having established a strategic partnership with RBS Group and other international investors, the Initial Public Offering (IPO) in Hong Kong in June 2006 symbolized a new stage of Chinabank’s globalisation.

The contemporary goal of the Bank is to act as an independent economic actor to meet the demands of the market rather than being the state’s moneybox. By mid 2007, 21 banks in China had overseas strategic partners and the three of Chinese ‘big four’ state banks including CCB (China Construction Bank), Chinabank and ICBC (Industrial and Commercial Bank of China) had undertaken an IPO in Hong Kong (Lau 2006). The IPO of Agricultural Bank of China launched in Hong Kong and Shanghai in July 2010, marked the end of a reform process launched by Zhu Rongji, the then prime minister, in 2002 (The Economist July 8 2010). From looking for strategic partners to banks’ IPOs in Hong Kong, the Chinese government intended to build a global image of its state-owned banks and the confidence of international investors in their legitimacy and to improve their corporate governance and competitiveness of its banks (Anderlini 2010a; Yi 2009; Sun and Tobin 2005).

As one of the key actors in the Chinese monetary and capital networks, Chinese banks are involved in a complicated set of relationships (Keister and Lu 2004) with central government, their strategic partners, investors, clients, and international advisers and accountants. The more independent the Chinese banks become, the more conflicts they will face with the party-state. This is because microeconomic elements of bank management, risk measurement, corporate governance, and business ethics are shaped increasingly by the economic environment rather than by the Chinese Communist Party (CCP) (Li and Ma 2004).

In this thesis, Chinabank tells a particular story. Although it seems a single narrow case, it occupies a complicated position in different geographies operating at multiple scales and it illustrates the processes of disengagement from China, engagement with
western finance and re-engagement with China and the Chinese state, so illustrating the processes of transformation involved in globalisation. The emergence of these financial geographies is discussed in more detail in chapter 2.

1.5 Beijing and London: a tale of two cities?

To achieve its global strategy, Chinabank must engage in active participation within capitalist financial markets. In this context, the Bank has to adapt itself to an exotic local context in order to make the new financial spaces involved in its globalisation.

Located in the City of London with its headquarters in Beijing, the Bank occupies at least two key geographically distinctive spaces, Beijing China and London UK, each with its own configurations of social-cultural space. London is a global city and a financial centre in the developed world; Beijing is the political centre of China, a want-to-be global city in an emerging market (Broudehoux 2004). London is well equipped with financial regulations and roles to supervise its banks. Beijing is busy making new laws and regulations to facilitate its economic activities. By taking advantage of these two cities, the Bank has to facilitate the growth of what Storper (1997a 39) calls ‘traded’ and ‘untraded interdependencies’. The Bank must make good use of the intensive spatial clusters of financial architecture in London not only to reduce transaction costs and uncertainties of relationships, but to seek tangible benefits through face-to-face contact, social and cultural interactions, and an enhancement of knowledge and innovation (Dicken 2007 22).

But first of all, the Bank has both to identify itself as a global financial institution through negotiation with its home-state in Beijing, and to establish its new identity in, while learning from, ‘local’ (i.e. London) practices and norms and incorporating them in the Bank’s own practices and norms. The processes of learning by doing requires the Bank’s disengagement from local, state control and the role of finance within China, and engagement in the quite different market driven norms of financial
capitalism in London. Finally it requires *re-engagement* in Beijing as state control must be transformed in the face of the dynamic norms of capitalist finance.

Given that the Chinabank UK in London wants to develop local links and take advantage of a global financial centre to transform its own norms and working practices and to bring back the advanced technologies and tacit knowledge to China, it has to follow the institutional context in London and build its legitimacy as a capitalist bank by learning and innovation. But the continuing significance of the state and its parent bank, Chinabank, for Chinabank UK, this process must involve negotiation between the bank in London and the headquarters and state authorities in Beijing. This process involves the transformation of state-centred understandings and practices and the creation of new systems whereby emergent financial behaviour (rather than purely administrative and/or politically-inflected behaviour) of the Bank and the consequences of that behaviour are transmitted back to Beijing. The emergence of these new relationships will in turn, be based in part around the construction of sufficient levels of trust (and perhaps new forms of trust) to enable the Bank to work as a bank and not merely an administrative branch of the state. This process has implications not only for relations between the Bank and the Chinese state in Beijing but for financial practices in London in coming to terms with the rapid and large-scale growth of finance in China. For example, the growth of so-called sovereign wealth funds has led the investment banks to create dedicated teams in London, Hong Kong and Japan to ‘cash in on the growing wave of activity from government investment companies’ (Saigol 2007 17).

1.6 Conclusions and an outline of the thesis

The increasing involvement of China in processes and relations of globalisation necessitates reforms of its financial system. Chinese bankers, trained with western theories of commercial banking, but cherishing Confucian code of ethics, try to
establish their own global space in the capitalist financial world whilst at the same
time, recognizing ‘honesty, trust, competence, responsibility, innovation, and
harmony’ as Chinabank’s core value system (Chinabank 2007).

The negotiation of the profound differences involved in such transformations is the
central concern of this thesis. It focuses on trust as a means of enabling the stretching
of Chinese financial relations across highly distinctive political economies. This
concern poses a range of questions: How and in what ways, are relations of trust
significant in the emergence of this geography? How is trust, conceptualised and
practised by the Chinese bankers away from home in global financial centres? How
is this conceptualisation and practice of trust with a strong sense of political
economy/patriotism challenged and negotiated in the capitalist financial centre of
London? How does the process of negotiation influence the policy of their home
country while constructing the ‘socialist harmonious society’ advocated by Chinese
president Hu Jintao (Li 2006)? How does the active negotiation of emerging banks
influence London’s dynamic as a global financial centre not only for the advanced
world but to emerging economies? Answering these questions is my interest in
writing this thesis.

They will be approached and explored through a range of processes and events faced
by the Bank in its strategy of going global. They will be tackled in this thesis first by
examining the dynamics of Chinese political economy at a macro-scale in the
making of global banks (chapter 2) before moving in chapter 3 to discuss the role of
trust in economic relations. Following an account of the methodology used in this
thesis (chapter 4), three empirical chapters will investigate the transformations of
three sets of micro relations involving the attempt to project the Bank as a legitimate
institution within capitalist finance through the opening ceremony in Mansion House
in 2007 (chapter 5); the transformations of work practices within the Bank in London
(chapter 6); and, in chapter 7 the transformation of the relations of governance within
the Bank, between the Bank and the Chinese State in Beijing. Throughout the thesis
relationships between the Bank and the City of London provide the actively formative backdrop for the detailed empirical studies. Chapter 8 offers some concluding comments.
Chapter 2 Chinese political economy in the making of global banks

“Feeling for rocks while crossing a river” connotes a gradual progress: when a step forward does not feel right, a step in another direction might be necessary. China’s constitutional reform and open-door policy have moved the country toward progress, but when CCP is daunted by too much “progress” too soon, it takes a step back.

Bradley L. Milkwick 2005 306

And the country's banks had a good crisis, largely because they never entirely left the government’s embrace. So although they make money and have the trappings of public companies, the state owns a majority stake and the Communist Party appoints the top brass, whose pay is a fraction of that of their Western peers. Those bosses, with their dual role as party bigwigs and chief executives, are beholden to a higher authority than the stockmarket.

The Economist July 8 2010

This chapter describes the role of recent Chinese political economic change in the making of global banks. Chinese economic reform is not taking place in an environment isolated from the world economy. It is a relational process: a product of intertwined forces formed by both the global economy and the domestic drive to development. This chapter offers a summary account of significant changes in the geography of Chinese finance.

2.1 Re-orientation of the Chinese economy towards the global economy

Chinese economic reform was launched at a time when ‘the political rhetoric of the Cold War era was refashioned into discourses of neoliberalism, which continue to promote Western political economic goals in new “globalized” ways’ (Cartier 2001 2). The transformation now taking place in China is path-dependent and shaped by cross-nationally (and sub-nationally) variant historical legacies (Logan 2002 6). With the adoption of an open door policy and economic reform, China began to integrate into the global economy. Unlike the ‘shock therapy’ applied to Russia and central Europe by outside supervisors such as IMF, the World Bank, and the Washington
Consensus in the 1990s, China’s shift from central planning to a market-driven economy has been manipulated step by step by the Chinese communist government. In this sense, Fulong Wu (2003) is right to argue that Chinese economic reform is a state project in the post-socialist transition in which marketisation and globalisation are entangled processes.

2.1.1 ‘Crossing the river by feeling for the stones’

In a communist state, lacking experience and knowledge of what a market economy is, economic reform proceeded gradually through trial and error - ‘crossing the river by feeling for the stones’ as Deng Xiaoping put it (Gabriel 1998). Although this reveals that China does not have a ‘well designed and recognized package’ of economic reform, Ma (2002 1546) points out that, unlike other socialist countries where the political structures have been fundamentally altered by the demise of communism in the late 1980s, China’s economic reform has been carefully handled by the prevailing power of a communist state.

The initiation of China’s economic reform can be dated from the Third Plenum of the Eleventh Party Congress Central Committee in Beijing at the end of 1978 (Yu 2003; Nolan 2002, 2003; Cartier 2001). But the reform started first from the change of attitude towards capitalist countries in late 1970s (Yu 2003) and a discourse around ‘four modernizations’ (concerned with agriculture, industry, education, and science and defence (Dicken 2007 225). Recalling the history of the early background of reform and his own experience, Yu Guangyuan (2003 18), a former vice president of the Chinese Academy of Social Science, recalls that Gu Mu, the vice premier at that time of early reform in late 1970s, was an important figure in leading the change of attitude:

Unlike most officials returning from visits to capitalist countries, he did not focus on the corruption of capitalism, instead he suggested that certain experiences of the capitalist countries were worth learning for China… To support the idea of learning from the west, Lenin’s words were quoted that ‘we must learn how to howl when we are with the wolves’
The initial significant success of economic reform relied on carefully controlled export-orientated foreign trade, inward investment strategy and political manipulation of economic space (Nolan 2002). Encouragement of foreign direct investment (FDI) is one of the key elements of Chinese economic success following its ‘open door’ policy (Nolan 2002; Fung et al 2002; Dicken 2007). In 1980, four Special Economic Zones (SEZs) were set up in Shenzhen and three other cities in the southern part of China and in 1984 another 14 coastal cities were opened for FDI. The law granting foreign investment a legal status in China was formulated and privileged policies for FDI were issued. During the 1990s, FDI represented between 11-17 percent of China’s fixed asset investments (The US-China Business Council 2002). China became the world’s largest recipient of foreign direct investment (FDI) for the first time in 2002 (Ministry of Commerce of PRC). And, as figure 2.1 shows FDI has continued to grow apace.

Figure 2.1 FDI in China 1984-2009

![Utilized value US$ billion](image)

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
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<td>1984</td>
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</tr>
<tr>
<td>2005</td>
<td>110</td>
</tr>
<tr>
<td>2008</td>
<td>120</td>
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</tbody>
</table>

sources: website of Ministry of Commerce of PRC; website of National Bureau of Statistics of China

By locating their manufacturing in China for cheaper labour and other resources, multinational companies make China ‘the workshop of the world’ (Story 2005 95). Foreign direct investment has been recognized as one of the most important driving
forces facilitating China’s modernization and regional industrial growth (He et al 2006 437).

Along with the flows of FDI, western ideologies penetrated China as well. The events in Tiananmen Square in 1989 raised another big national debate about the goal of Chinese economic reform, i.e. will China be transformed to a powerful socialist country or a westernised capitalist country? The conservatives in the Communist party treated the events as a rebellion caused by capitalist liberalism supported by evil western forces while the reformists regarded it as a movement demanding further reform in political democracy. The different attitudes towards the events showed what Dicken (2007 227) describes the internal power struggle between ‘modernizers’, who wish to sustain and develop the open policies of the recent past, and those who wish to retain a degree of isolation. The end of the events by force was a clear sign that the conservatives finally won the debate and it is also a clear sign that the Communist party was determined to hold its exclusive power in the reform. A party-state continues to dominate the political economy of China (Goodman 2001 246).

The solution to the events of Tiananmen Square put Chinese reform at a crossroads. Inside China, a purification campaign to get rid of capitalist liberalism was launched nationally and, outside China, the international world - especially western societies applied economic measures including withdrawing FDI to protest against the Chinese government’s anti-democratic behaviour. The Chinese economy stagnated for a couple of years and the real annual growth rate fell to 4.1 in 1989 and 3.8 in 1990 compared with 11.4 and 11.3 in 1987 and 1988 (National Bureau of Statistics, PRC 2000). At the same time, the debate around whether China should be on en route to ‘socialism’ or ‘capitalism’ continued.

Before the debate caused further harm to China’s economy, Deng Xiaoping, the general designer of the reform decided to make a second tour to the south where he
began the reform. In 1992, he visited the modern city of Shenzhen. Inspired by its dramatic change, Deng Xiaoping made his famous ‘Speech on the Southern Tour’ which brought China back to its economic growth. His remark - ‘Development is the hard truth’ (Deng Xiaoping 1993) - has been used as the development slogan, displayed in many cities together with the advertisement boards of multinational companies. The saying by Deng (1993 322) ‘No matter a white cat or a black cat, it is a good cat if it catches mice’ became famous in illustrating his development theory. According to Yu (2003 18), after Deng Xiaoping’s speech the Fourteenth Party Congress pushed the reform to an important new stage by affirming the idea of ‘establishing a socialist market economy’. Growth via the market economy without substantial political change is the content of ‘Socialism with Chinese characteristics’ (Dicken 2007 225)

2.1.2 International institutions

The re-orientation of the Chinese economy towards the global economy was due not only to FDI but also to the commitment made by the Chinese government to the international world through membership of various world organizations. Such involvement shows that China was willing, formally at least, to follow the rules of international communities.

China had been excluded from most mainstream international organisations for the first two decades after its declaration as a socialist state in 1949. In 1971 Beijing finally gained China's seat at the UN when relations with the United States became less antagonistic. Since then, especially after the reform in 1978, China has joined most affiliated agencies such as the World Bank and the IMF under the policy of opening up to the outside world. It has also been eager to receive economic and technical assistance from such agencies as the UN Development Program (Yang 2005). In 1986 China renewed its application to regain its seat as one of the founding members of the General Agreement on Tariffs and Trade (later replaced by World
Trade Organisation). By the late 1980s, China had joined several hundred international and regional organisations, ranging from those of considerable importance in world affairs, including the International Atomic Energy Agency, the World Intellectual Property Organisation, and the International Olympic Committee, to those of less significance in political economy such as those concerned with acrobatics or seaweed!

China’s eagerness to engage with such international institutions and the willingness of the international world to accept China as a member owes much to the neoliberal policies adopted by many governments during the 1980s. According to Harvey (2005 121), these policies opened up the whole world to transformative market and financial forces and, thereby, opened up a space for China’s tumultuous entry and incorporation into the world market in ways that would not have been possible under the Bretton Woods system (Harvey 2005 121). The desire to open up new geographical markets for a new competitive environment (Dicken 2007 383) pushed deregulatory processes in developed countries such as the US and UK. In this context, the vast size and large population of China is the great attraction of international investors (see Table 2.1).

After hard talks with the United States, China finally entered into WTO in December 2001. This was a very important event not only for China but also for international actors especially US and European negotiators (Walmsley et al 2006). The implications for the service sector are especially significant. According to Aaditya Mattoo (2001 1) of the World Bank, China’s commitments in the services sector ‘represent the most radical services reform program negotiated in the WTO’.

For China, commitment to the service sector means a liberalisation of trade and finance over the next few years; for US and European negotiators who are most interested in the service sector, it means increased access to a large Chinese market (Walmsley et al 2006). But ease of access for international players remains an issue
Table 2.1 China in the global economy

- World’s largest foreign reserve from 2006 to 2009
- World’s 2nd largest GDP in 2009
- World’s 3rd largest FDI absorber from 2002 to 2009
- Rapid economic growth: about 10% GDP every year from 1979-2008 on average
- Share of global consumption
  - coal 46.9%, oil 10.4%, of which 54.26% depending on export, 66% of world iron-ore imports and about 40% of global consumption of aluminium, copper and zinc in 2009
- Rising share of world trade
  - less than 1% in 1979; about 10% in 2006. In 2009, the world’s largest exporter
- Developing middle class and high savings rate
  - there are 55m middle-class households today. That number could more than quadruple to nearly 280m in 2025 to represent more than three-quarters of all China’s urban households
- Enormous foreign currency reserves
  - $2399.2 billion in 2009


as China’s WTO accession was, and still is, characterised by a gap between actual practice and legal stipulations (Herrmann-Pillath 2006 561). As my thesis is about the expansion of a Chinese bank, a discussion of what the WTO brought to Chinese banking sector later will follow in section 2.4 after the following sections comment on the relational processes of change in Chinese economic reform (section 2.2) and the changing role of financial relations in Chinese political economy (section 2.3).

2.2 Relational processes of change: global vs. local

Chinese economic reform and success is not an accident. The economic reform is a by-product of globalisation (Bai 2002), an ‘unintended consequence of the neoliberal turn in the advanced capitalist world’ (Harvey 2005 121). It is generated in fact by a
new wave of globalisation that began in the 1970s and which accelerated in the 1980s as a result of increased cross-border trade, transnational production and capital flows described by Dicken as ‘global shifts’ (Dicken 2007).

2.2.1 Neo-liberalism in the global economy

The collapse of the former Soviet bloc signifies the emergence of ‘transitional economies’ and a shift in the socialist camp to the market economy (Dicken 2007). This was also a time that most western countries were undertaking a transition from a post-war ‘Fordist’ regime of accumulation and regulation to a new regime that Harvey termed ‘flexible accumulation’ (1989b). Global shifts in the production of goods and services allowed transnational corporations (TNCs) in the advanced economies to spread all over the world and involve more diverse networks of production and consumption in seeking a privileged position in the global economy (Dicken 2007). The emergence of a ‘new’ global financial system generating unprecedented flows and transactions across national boundaries led many nation-states to adopt neo-liberal policies. International footloose investment in the service sectors was attracted to developing countries such as India and China. Urban governments in the North American and Western Europe became much more innovative and entrepreneurial to secure a better environment for the investors (Harvey 1989a). All these quantitative and qualitative changes dramatically altered the geography of the global economy.

Thus Harvey (2005 1 2) comments:

Future historians may well look upon the years 1978-80 as a revolutionary turning-point in the world’s social and economic history…Neoliberalism is in the first instance a theory of political economic practices that proposes that human well being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.
In the United States, the liberalism of finance began from 1970s, with an increasingly flexible environment for both foreign bank entry into the domestic market and US banks expanding overseas (Dicken 2007 388). In the United Kingdom, the liberalisation of financial activities caused by ‘Big Bang’ occurred in 1986. The ‘Big Bang’ removed the existing barriers between banks and securities house and allowed the entry of foreign firms into the Stock Exchange (Dicken 2007 388). The ‘Little Bang’ in France in 1987 gradually opened its financial markets. Although taking a conservative approach, Germany and Japan also opened their financial markets. Many other countries including the developing ones across the world followed suit to open up their financial sector in order to integrate into the world economy. The formation of major regional economic blocs and negotiations within the WTO also helped to foster a global consensus on the internationalisation of the financial system.

These radical and extremely rapid changes in the financial system in the past few decades are described as ‘a revolution in the way finance is organised, a revolution in the structure of banks and financial institutions and a revolution in the speed and manner in which money flows around the world’( Dicken 2003a 439 quoting Hamilton). This revolution increases the global integration of financial markets collapsing space and time but, according to Dicken (2007 386), completely borderless financial trading does not actually exist, for the simple reason that most financial services remain very heavily supervised and regulated by individual governments. Sassen (2002) also thinks that states remain as active agents in global economy. In global-national dynamics, virtually no country is solely or largely controlled by global systems, and the nation-state remains a key global actor in international polity and the global economy (Sassen 2002). According to Law (2007 32) the nation-state possesses legitimacy and command over the allocation of resources within its geopolitical borders, and the regulation of the flow of people, capital, goods, services, and information across them.
The following sections show how the Chinese state responded to global competition by decentralisation of the central government to encourage various actors to participate in economic development and at the same time to control power through party-state’s intervention to the economy through limiting its scales and spatiality.

2.2.2 Decentralisation of state power

If the re-orientation of the Chinese economy towards the global economy suits the neo-liberal logic of globalisation, then it is the transition within Chinese political economy that makes this shift possible and desirable. According to Fulong Wu (2002a 154),

[T]he economic reform initiated in the late 1970s in China is more or less directly related to the internal ‘logic’ and the overcoming of the constraint of the state socialism. However, marketisation itself is a learning process from some Western experience, real or imagined.

After the reform of the 1970s, the Chinese government applied various measures to encourage economic actors and agents. The rapid economic growth cannot be understood fully without taking into the consideration the initiatives of the local governments, state-owned enterprises and other actors manipulated by the central government. Dicken (2003a xvi) is right in saying that the process of globalisation is not a simple ‘top down’, one from the global to the local.

Conditions at a range of geographical scales, themselves play an active role in mediating and influencing the precise operation of ‘global’ forces. Indeed, everything that is global is also, in a very real sense, local.

To motivate the various interest groups involved from local state and non-state organisations to engage in Chinese economic development, a shift was made from centralisation to decentralisation. According to Ma (2002 1547), this shift was made from the traditional power centres in Beijing and provincial capitals to local and regional governments (municipalities, counties, townships, and even villages). The fiscal system, the cadre evaluation system, and the national political and market environment were all modified. This involved the redistribution of various
resources controlled by the state to the local governments. And these modifications have changed the incentive structure for local cadres and the forms of property rights that they are willing to support, particularly a shift towards privatisation and share-holding and the co-operative system from 1994 onwards (Whiting 2001).

According to Huang (1996), local governments not only enjoy extensive autonomy in output planning and goods allocation but also gain control over the lending operations of local specialised banks. This allowed local government and enterprises more initiative and freedom in engaging in economic activities. Inter-urban competition for luring foreign direct investment and prompting local economic development led to what Harvey (1989a) calls urban ‘entrepreneurialism’ in many Chinese cities such as Shanghai (Wu 2003), Shenzhen (Shi et al 2007) and Guangzhou (Xu and Yeh 2005). Due to the immaturity of civic society and the lack of party politics, entrepreneurialism in Chinese cities is driven largely by decentralisation, and of intercity competition for external capital (Fu 2002). Local governments became actively involved in ‘entrepreneurial’ practice, based on ‘public - private partnerships’ (Harvey 1989a 364). Local cadres are assessed and prompted by the central Communist Party according to their economic performance. In this way, the cadre evaluation system and the promotion system designed by the central government promote regional economic growth.

Whereas the state’s legitimacy embedded in the public ownership of production has been eroded through marketisation, the entrepreneurial project allows the state to tap the market to restore its role in response to perceived, as well as real, globalisation (Wu 2003). But it is wrong to think that, as the state retreats from overwhelming economic command, the mode of co-ordination is unlikely to be dominated by the ‘market’. Globalisation imposes the need for ‘structural competitiveness’ but the limited autonomy of economic agents means that the state leads the strategic promotion of the economy (Wu 2003 1675). However, as the next section shows, this is increasingly contested.
2.2.3 Re-consolidation of state power by intervention

The transition from a centrally planned economy to one increasingly dominated by market forces has not weakened the power of the central government led by the Communist party. Instead it has developed a sophisticated manipulation of a dual system to keep the power of the party within the government. On one hand, economic power is decentralized from the central state to the local government. On the other hand, political power is kept and recentralized by the party-state through the vertical integrated state structure. This structure is achieved by means of cadre and administrative systems and fiscal policies (Ma 2002: 1549).

i) ‘A visible foot tramps on an invisible hand’

Being an ‘initiator’ and ‘engineer’ (Xu Xiaonian 2006: 48) of Chinese economic reform, the role of the party-state can always be seen in the whole process of the reform. The presence of the Chinese state is everywhere in the ‘complex interaction between higher-level policies, existing institutional arrangements, and the informal relations between current and aspiring holders of posts at various bureaucratic levels’ (Pieke 2004: 533). From reform in rural China to reform of state-owned enterprises, and the public listing from 2005 of state-owned banks, economic reform has been created and designed by the central government as a state project under the leadership of the Communist Party. The party-state becomes a key element of the socialist governance structure (Wu 2002b). That is ‘a government must be under the leadership of the Chinese Communist party’ (Goodman 2001: 246). Rather than a political reform within the party-state, a strong political control is presented as key to economic growth i.e. there could be no economic growth without the right leadership of the Chinese communist party in the government.

Intervention by the party-state becomes the ‘Chinese characteristic’ of a ‘socialist market economy’ (Pearson 2005; Piek 2004; Wei and Lin 2002). No wonder some Chinese reformers describe the market interventions of the Chinese party-state as like
“a visible foot that tramps on an invisible hand” (Fang 2000). Arguing that it is logical for the party-state to exert its influence, Pearson (2005 296) states:

… in even the most market-oriented systems, firms rely extensively on governments using consistent regulatory systems to foster conditions for successful markets. Even the economic deregulation that has swept through much of the world in the past two decades involves creating a new role for the state - new institutions, new rules - rather than eliminating its influences. Moreover, as countries deepen their integration into international markets, as China has done, the role of states remains far from minimal.

According to Pearson, the question surrounding the governance of China’s market, then, is not whether the government will remain involved but, rather, what form the new “regulatory state” will take. Pieke (2004 517) believes that political change has certainly taken place, ‘but in the context of a deliberate and selective process of streamlining, professionalisation, democratisation, and centralization of the Chinese state apparatus, in conjunction with an equally deliberate process of further market reform’. Harvey (2005 120) also remarks:

The outcome in China has been the construction of a particular kind of market economy that increasingly incorporates neoliberal elements interdigitated with authoritarian centralized control.

Indeed, the state has positioned itself as a crucial player at the commanding heights of China’s economy; in that realm, regulatory reform has sustained, rather than attenuated, government control (Pearson 2005 321).

**ii) Redefinition of the party-state with changing discourses**

The strict control of the state is not without controversy. Being aware of the criticism levelled at it, the party-state keeps on redefining itself in the Chinese society by changing its official discourses to convince people of its legitimacy. In traditional Chinese political thought, the establishment of an official discourse that could order society was a major concern of both thinkers and policymakers alike (Golden 2006 267). In 1980s, Deng Xiaoping’s discourse ‘getting rich’ played an important role in successfully leading China into a market economy. Thus a discourse of ‘getting rich is glorious!’ displaced Mao’s discourse of ‘class struggle’ in the 1980s and 1990s.
According to Lewis and Litai (2003 927), the Chinese Communist Party (CCP) has cast its lot with the beneficiaries in the apparent belief that only development and expanding opportunities can ensure stability and mitigate the problems.

As the private economic sector has surpassed the state-owned sector and is creating a myriad of new private interests independent of and in competition with the Party’s interests (Lewis and Litai 2003), the party-state again faces a new challenge. Since 2000, the party-state had launched a national campaign for a new official discourse - ‘The Three Represents’ proposed by then the party secretary, Jiang Zemin. Pieke (2004 517-18) describes the new definition of the party-state in Chinese economic reform.

Instead of a ‘revolutionary party’, it now defines itself as a socialist ‘ruling party’, a concept which has been officially expressed since 2000 in terms of the Party’s ‘Three Represents’ (sange daibiao, i.e. the party represents the fundamental interests of the broad mass of the population, advanced productive forces, and advanced culture). Equally importantly, the Party has sought to broaden its base in society by allowing private entrepreneurs to become Party members.

The “fourth generation” of the Chinese leadership4 headed by Hu Jintao proposed a new official discourse as ‘building a harmonious society’ in which everyone has an opportunity to make a living (McGregor 2007a). "The CPC and the central government have made it an important task to build a harmonious society, as China is facing thorny domestic issues, as well as complicated and volatile international situations," said Hu Jintao (2005) in a speech at a high-level Party seminar. According to Hu (2005), to meet this goal is to change the role of government involving democracy, the rule of law, equity, justice, sincerity, amity and vitality.

For Herrmann-Pillath (2006 542), the significance of official discourse lies in its semiotic approach to culture, which explicitly asks for the collective mechanisms as

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4 1 Mao Zedong; 2 Deng Xiaoping; 3 Jiang Zemin; 4 Hu Jintao (see also Milkwick 2005 for China’s four regime changes)
to how meaning is created and assigned to single units of perception. With the powerful public media controlled by the party-state, this new discourse might function well to convince people of the government’s sincerity in improving the ‘socialist democracy’ and ‘socialist rule of law’ (The 16th Party Congress 2002). But as the state is ‘the biggest boss’ of the country (Zhu 2003 47) and ‘both the shareholder and regulator’ of the economy (Broadman 2001 862), to what extent, “a harmonious society” will be made by the government that commits itself to a co-operative and equal relationship with the diverse groups remains a question. Through the official discourse, the image of a ‘state over the society’ (Zhu 2003 39) is deliberately replaced by a ‘state in society’ (Migdal 1994, 2001) and, according to Pieke (2004 517), now the ‘state is society’. The role of the state is gradually integrated into the social life of Chinese. But to avoid new resistance, the party-state will need to take new forms to survive. That justifies Huang’s statement that the search for the ideal range of state intervention has become a learning process for Chinese party-state (Huang 2002).

To summarize this section so far, China’s economic reform is a state project under the process of globalisation. On the one hand, the economic reform is impossible without the ‘first push’ from the central government and the active participation of the local state; on the other hand, without international capitalist forces, Chinese economic reform will not go so far as it is today. The decentralisation of the central government encouraged the local state to take part in entrepreneurial behaviour whilst the success of economic reform actually helps to re-establish the position of the party-state (Yang 2001 19). After more than two decades of reform, the Chinese party-state is not weakened as Western observers expect. Instead, the party-state seeks new ways to survive through producing new official discourses. Fu (2002 113) is right in the following remark:

China’s reform has been mainly understood as a gradual process of marketization and decentralisation. However, it can be also seen as a process of redefining the Chinese state.

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The constant redefinition of the Chinese state is a learning process not only influenced by economic practice in China but also by its increasing economic integration into the world economy. As China connects closely with processes of globalisation, the state will be also shaped by other factors including the efforts of global economic actors and the regulatory frameworks of the global economy.

2.3 Changing role of financial relations in Chinese political economy

The reforms of the state not only changed the relationship between the central and local state but also the financial relations of the state. This occurred as a consequence of the restructuring of the Chinese financial system. Before the economic reforms initiated in 1978, China followed the former Soviet practice of having banks control the whole of the nation’s finance. Banks were the government’s ‘state agency’ (Lardy 1998) and ‘accounting offices’ (Pohl 1995; Li and Liu 2001). The banks’ managers were governmental officials bearing administrative titles. Profit-making was not their first priority as ‘state-owned banks are expected to support a wide range of political and social activities’ (Sun and Tobin 2005 82). Since the reforms of 1979, dramatic changes have taken place in the Chinese financial system. New financial markets were established; banks were restructured to be commercial banks; wholly state owned banks became shareholding companies as a consequence of public listing. Financial relations have thus been changed as well as those of Chinese political economy.

2.3.1 Establishment of Chinese stock markets

Before the reform, regular stock market activities were banned and the Chinese financial system was restricted solely to banks (Lin 2000). For example, no stock markets existed for enterprises or investors to trade in securities and futures. Chinese stock markets developed from 1990. The access to non state funds in a stock market signals an opportunity to reduce dependence on the state and encourages firms to
engage with the market economy (Keister and Lu 2004). But, like other economic sectors, Chinese stock markets, engaging in ongoing reform with the aim of liberalizing trade of formerly non-tradable stock, possess the characteristics of an emerging and transitional market. A “Two Low” phenomenon is characteristic of China’s Financial Sector (Fang 2005), i.e. the role of the securities market is low in the economy and the level of direct financing is low. In 2004, market capitalization of listed companies accounted for only 33 % of GDP, much lower than that of the world average of 97.7%, and significantly different to the 133% in UK and 139% in the US (http://web.worldbank.org). Ninety percent of the financing stems from indirect financing controlled by the state banking system (World Bank 2005; Fang 2005).

Figure 2.2 Publicly-listed companies in China (1990-2009)

sources: website of National Bureau of Statistics of China; website of China Securities

A 股 - A shares: companies incorporated in mainland China and are traded in the mainland A-share markets. The prices of A shares are quoted in Renminbi, and currently only mainlanders and selected foreign institutional investors are allowed to trade A shares.

B 股 - B shares: companies incorporated in mainland China and are traded in the mainland B-share markets (Shanghai and Shenzhen). B shares are quoted in US dollars. In the past, only foreigners were allowed to trade B shares. Starting from March 2001, mainlanders can trade B shares as well. However, they must trade with legal foreign currency accounts.

H 股 - H shares: companies incorporated in mainland China and are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars.
Today Shanghai and Shenzhen maintain their position as key stock markets in China, with about 1500 (Wei 2006) public listed companies in 2005 and over 1600 by the end of 2009 (see figure 2.2). However, taking into the consideration the 15,000 middle-sized and largest state-owned companies (Bai 2009; Chen 2010), the listed companies are in a tiny minority. The stock markets cannot provide adequate capital for the enterprises. This means that the banks, especially the big four state-owned commercial banks, contribute to a highly significant role in the growth of Chinese economy by providing capital to the enterprises (Yeung G 2009).

2.3.2 Restructuring the banking system

Before the reform of the Chinese financial system, China had only one financial institution - People’s Bank of China (PBOC) (Lin 2000; Lardy 1998). Being an integral part of the planned economy, PBOC served as the central bank and at the same time provided commercial banking services (Lin 2000). After the start of economic reform during the 1980s PBOC became the central bank. In 1984 it gained independence from the Ministry of Finance (MOF) (Chung and Tongzon 2004; Nanto and Sinha 2002). Four specialised banks (the Big Four) were established under the PBOC as financial intermediaries to deal with foreign trade and investment (Chinabank 1979), fixed investment (the China Construction Bank /CCB 1979), agriculture (the Agricultural Bank of China/ABC 1979) and commercial transactions (the Industrial and Commercial Bank of China/ICBC 1984) (Lardy 1998). The reform at this stage constructed a basic framework for the Chinese banking system that was dominated by the four big state banks named above.

In fact, China did not have a clear direction of banking reform until 1994 (Lin 2001). The big four were involved in the heavy burden of serving non-performing loans (Cull and Xu 2000). Owing to the establishment of a socialist market economy in 1993, China created three ‘policy’ banks in 1994 to free the Big Four from policy loans which finance national projects. These policy banks are the State Development
Bank, the China Export-Import Bank and the China Agricultural Development Bank (Nanto and Sinha 2002 472). At the same time, a whole range of other commercial banks and non-bank financial institutions were established. This further restructuring demonstrated the willingness of the Chinese government to release the big four from the responsibility of policy lending and signalled the real turn for the big four from being specialised banks to becoming commercial banks (Zhou 2004). However, remaining in state ownership, the big four cannot escape from state policy. According to Zhou (2004), the president of PBOC, such state directed lending did not stop completely until the year 1997 – although, of course, it is difficult always to detect such lending. And the government did not treat as urgent the problems of bad loans, under-capitalisation and low efficiency of the big four until the Asian financial crisis, when the first national meeting on finance was held (Zhou 2004). Fully aware of the effect of bad loans on stability of Chinese financial systems, the central government withdrew the right of local government to appoint bank managers. This stopped the intervention of the local government in the operation of the big four in 1997 (Zhou 2004).

To strengthen the competitiveness of the big four, the government and the central bank replenished the capital base of the state-owned banks to help them meet the Basel Accord’s minimum capital adequacy requirement in 1998. In the same year, the Ministry of Finance injected 270 billion yuan Renminbi ($33 billion) of capital into the big four through the issue a special bond to recapitalize them. Further releasing the big four from past difficulties, four asset management companies (AMCs) were formed to deal with bad loans in 1999. These measures were intended to improve the environment for the big four to carry out the role of real commercial banks. If the reform before China’s entry into WTO ignored issues such as external audit and information disclosure, then contemporary reform now focused on these issues (Zhou 2004). After 2003, the state council put a greater effort into banking reform. A working group for banking reform was established to supervise the big four’s transparency and information disclosure. To help the transformation of
state-owned banks into joint-stock banks, the central bank, the Ministry of Finance and the State Administration of Foreign Exchange jointly founded the Central SAFE Investments Limited (Huijin\(^3\)). Huijin used $60bn (€49.9bn, £32.9bn) from foreign exchange reserves to recapitalise the three largest state banks (McGregor 2005, 2006a). According to *Securities Daily* (August 21, 2010), now Huijin is the biggest shareholder of the country's four largest banks including ICBC (35%), CCB (57%), Chinabank (67%) and ABC (44%).

In October 2005, the Construction Bank of China (CCB) became the first of China’s big state-owned banks to list a proportion of its shares publicly with overseas investors. With its success in public listing, CCB raised US$9.23 billion in Hong Kong Stock Exchange and became the largest global flotation in the previous four years (Guerrera and McGregor 2005). Having raised $9.7billion, Chinabank made a strong debut on Hong Kong in June 2, 2006 (Lau and Mitchell 2006). Chinabank’s mainland Shanghai listing was also a success. Industrial and Commercial Bank of China (ICBC), China's biggest bank, raised $21.9bn in Hong Kong and Shanghai in October 2006 then the world's largest IPO (Mitchell 2006) but recently surpassed by the IPO of the Agricultural Bank in July 2010 (Anderlini 2010b).

Discussing the public listing, Zhou (2004), the president of PBOC, states that the main aim is not to raise capital, as the state is able to put more money into the banks. Zhou (2004) said the principal ‘goal’ is to help the state-owned banks to become real commercial banks by establishing standard corporative governance with a set of market incentives and control mechanisms focusing on the interests of the investors. According to Zhou (2004), like governmental institutions, the state-owned banks tend still to follow the traditional bureaucratic ways in relation to personal recruitment, salaries, welfare, social security, and incentive mechanisms. Thus Zhou

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\(^3\) Huijin (Central Huijin Investment Company Limited), is the investment arm of Chinese Central Bank administrated by the Ministry of Finance of China. It was established in 2003 to create an organizational structure through which the Chinese government could operate as the biggest shareholder of the ‘big four’ state owned banks. As of 2010, Huijin has 68% of the ownership of ‘H’ shares in Chinabank.
suggests that public listing is an important – but merely initial - first step for commercial banks. Chapters 5 – 7 of this thesis explore and illustrate the implications of this point.

### 2.3.3 Role of the party-state in the financial reform

As indicated above, the influence of the party state is apparent in every step taken by the Chinese state-owned banks. Being the primary owner of the big four banks, the party-state, as in reforms of other fields, plays a significant role in Chinese finance.

Pointing out the dominating role of the Chinese Communist Party, Chung and Tongzon (2004) state that even the central bank, PBOC, cannot make independent decisions without the support of a 15- member Central Financial Work Committee (CFWC), a Communist Party cell that possesses the real decision-making power behind the policies. The strict control of the Chinese state-owned banks by the party is quite understandable if we consider the significant role of Chinese banking as the main capital source of its economy. As a matter of fact, almost every state is concerned with its financial sector. This is evidenced by the vivid metaphors used by many scholars concerning money and credit. For example, Harvey (1982, 1989b) refers to credit as the ‘nervous system’ of the economy and describes finance as ‘a great leveller and cynic’ and ‘democratiser’ to illustrate that money is a powerful underminer of fixed social relations. Holding the same idea that finance plays a critical strategic role in the norms and key logics of economies, Hamilton-Hart (2002 1-2) argues that

> Money and credit are not only the lifeblood of every modern economy; they are core concerns of every modern state. An intimate connection between politics and money is universal…Finance is an area where a government role is particularly important and virtually unavoidable.

To maintain the stability of the economy, strict control of the state-owned banks is the Chinese party-state’s priority. According to Mertha and Zeng (2005 324)
Although the Chinese government has a strong wish to reform the financial sector after acknowledging the risk of weak supervision and poor corporate governance after the Asian financial crisis, the same interest exists in preventing the collapse of the state-dominated banks. This remark implies that dramatic changes will not take place in the degree of independence of the Chinese banking sector and the major ownership of the big four by the party-state will not change in the near future. This continuing state of affairs provides the context for the empirical chapters presented in chapters 5 – 7 of this thesis.

From the above, we can see that the Chinese financial reform was initiated by the Chinese government and at the same time was also controlled by it. Taking a look at the reform procedure, the party’s role was clear. The reform was undertaken gradually from 1979 and began with the specialisation reform to re-establish the four state-owned banks. This was followed by the commercial reform to increase their competitiveness, and later by public listing as a step to use the reform of corporate governance. Inviting strategic investors and issuing IPOs become the new trend of Chinese state-owned banks going global. But considering the significant role of the Chinese banking industry, the government will not allow the financial reform to continue to such a degree as to influence the state’s fiscal resources and cause instability for the whole economy. While the government adopts incremental measures to enhance central bank regulation and supervision, stimulate commercial behaviour by major state-owned banks and boost the level of bank solvency, the leadership retains an equally strong interest in preventing the collapse of the state-dominated banks (Mertha and Zeng 2005 324). Therefore, the steps of financial reform will still remain controlled by the state. Given the substantial fiscal challenge that the banks recapitalization is likely to pose for the Chinese government, the path of financial reform will stay cautious and gradual as long as the state can control it. But as the Chinese economy connects more closely with the global market, to what extent the control is efficient by the communist government remains an open question.
2.4 Global integration in Chinese banking

China’s entry into the World Trade Organisation (WTO) was an event of historic significance, comparable in importance to the country’s opening up after the Opium Wars (Nolan 2002 120). As mentioned above (2.1.2), China’s entry was important not only for China but also for the community of WTO. For China, it leads the local to have a deep integration into the global economy. For the WTO community, it brings the global regulatory space to the emerging economy with China’s commitment. This section shows again that globalisation is not purely a global process forced on the local, but an active response of the local to the global. In the case of Chinese banking sector, we see both challenges and opportunities brought with WTO.

2.4.1 The impact of WTO on Chinese banking

The effective date of the Chinese membership of WTO was 1 February 2002. This followed marathon negotiations with the United States which lasted nearly 16 years (Bonin and Huang 2002 1077). Cheong and Yee (2003) state this is the second longest period of international negotiation that China has ever experienced (the first was the talks involved to regain its seat in the United Nations in the 1950s).

In its WTO accession agreement, China committed to open up its banking service for foreign banks over a five-year period. China agreed that, immediately upon its accession, it would allow U.S. and other foreign banks to conduct foreign currency business without any market access or national treatment limitations and to conduct domestic currency business with foreign enterprises and individuals, subject to certain geographic restrictions (USTR 2006). As for local currency business with Chinese enterprises and individuals, a geographical restriction was phased according to a timetable, with a few cities added to the list each year (see figure 2.3).
This explicit use of geography for attracting FDI from 1979 to 2002, noted by Dicken (2007, 226), was practised again by Chinese government. Compared with Dicken’s map (see figure 2.4), two similar patterns can be found. One is that coastal cities were opened up earlier for foreign entry; another is that coastal cities in the southern part of China opened earlier to the foreigners than those of the northern part. As well as the two reasons mentioned by Dicken (2007, 226), i.e. ‘to control the spread of capitalist market ideas and methods within Chinese society’, and ‘to make the policy more effective through externally visibility and agglomeration economies’, there are two other reasons for the geographical restriction of foreign banks’ entry. One is to encourage the Chinese banks in the designated coastal cities to be more competitive in facing foreign banks; and another is to attract capital to heavy-industrial cites in the Northeast area and resource-rich-but-capital-short western area.
According to the WTO commitment, within five years after accession, foreign banks should be able to conduct domestic currency business with Chinese individuals without geographical restriction (Bonin and Huang 2002; HKTDC 2006). Being a member of the WTO, China has to follow the international rules and standards; that means significant institutional changes for the Chinese economy. Like it or not, with the supervision of the international community, China will have to open up more of its financial service to the global competitors while trying to protect its national banking from being challenged by fierce competition by speeding up banking reform.

WTO membership is a two-edged sword. On the one hand, it will promote financial reforms, improve new market mechanisms for competition in the finance sector, and make available new financial technologies and advanced financial products (Cheong
and Yee 2003 268). On the other hand, competition in the domestic banking industry will intensify and the operating risk for domestic commercial banks will increase. Most importantly, the financial supervision and safeguarding of the stability of the financial system will become more difficult for the party-state as financial relations extend with foreign investors taking an increasing share of Chinese big state-owned banks. Later in this chapter (section 2.4.4), I will come back to this point in discussing the relationship between Chinese banks, party-state and foreign investors.

2.4.2 Foreign players in the Chinese financial markets
Since China’s entry into the WTO, foreign banks have been highly active, substantially increasing their presence in China by opening new branches, acquiring equities with Chinese banks, and advancing into new areas of business operation, previously largely inaccessible to them (He and Fan 2004 4).

The trajectory of the entry of foreign banks to China has responded both to internal and external influences (CBRC 2006) (see figure 2.5). It took over a decade (1979 - 1993) for the Chinese government to get foreign banks to do business in China. Before the Asian financial crisis (1994 - 1997), foreign banks developed rapidly as the Chinese government encouraged foreign banks into Chinese market. During the Asian financial crisis (1998 - 2001), the growth of foreign banks slowed due to China’s policy adjustment for the crisis. After China’s entry into the WTO (2002 - 2004), foreign banks entered into a new stage of development. As Chinese financial reform deepened, more foreign banks directed their attention to China (2004 - 2009) (see figure 2.5).

According to Ba Shusong (2007) of the Research Institute of Finance at the State Council's Development and Research Centre in Beijing, foreign banks have also enhanced the competitiveness of Chinese financial institutions by advanced corporate governance. To deepen financial reform further and to help Chinese banks to build

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strong competitiveness in management and technology, the Chinese government encourages foreign banks to be strategic partners by buying stakes in Chinese state-owned banks.

Figure 2.5 **Foreign banks’ entry to China 1979 – 2009**

There are currently about 20 Chinese banks with their own foreign partners (Chinese Banking Regulatory Committee 2006). Ba Shusong (2007) states that the participation of foreign shareholders helps Chinese banks improve corporate governance and risk management. But to what extent, foreign banks can help is still an open question. Many of them had sold their partners’ bank share for a good price in 2009 (Zhang and Xin 2009). China currently limits the purchase of equity stakes in existing state-owned banks by a single foreign investor to 20 percent, while the total equity share of all foreign investors is limited to 25 percent (USTR 2006 82). Negotiations are currently under way to enable a higher level of stake holding by foreign banks.

To summarise, as a result of the reform, the ownership and control of the Chinese banking became more diversified. Before 1979, the Chinese financial system had only one national bank, but now there are not only national, regional, city but also foreign banks (see figure 2.6).
Major players in Chinese banking include not only the big four, which once controlled the country’s finances, but also other players, including joint-stock commercial banks, urban commercial banks and foreign-invested banks. With the IPOs of state-owned banks and the recent world financial crisis, the Chinese financial landscape has changed dramatically.

2.4.3 Playing the globe: Chinabank on a global scale

Following the Party’s call to go global, the Big Four (plus the Bank of Communications) are busy expanding their financial spaces and niches. Chinabank, which has the most overseas branches and offices of the big four (see Table 2.2), already has significant experience of global presence.

These include the Bank of Communications (BOCOM) as well as the big four (see above)
Table 2.2 Overseas institutions in 5 largest banks

<table>
<thead>
<tr>
<th>Name</th>
<th>Time of 1st institution</th>
<th>Place of 1st institution</th>
<th>Number of key branches</th>
<th>Institution in London</th>
<th>Total of institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinabank</td>
<td>1929</td>
<td>London office</td>
<td>51</td>
<td>3</td>
<td>900</td>
</tr>
<tr>
<td>ICBC</td>
<td>1992</td>
<td>Singapore office</td>
<td>8</td>
<td>1</td>
<td>175</td>
</tr>
<tr>
<td>CCB</td>
<td>1991</td>
<td>London office</td>
<td>8</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>ABC</td>
<td>1993</td>
<td>Singapore office</td>
<td>2</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>BOCOM</td>
<td>1991</td>
<td>New York branch</td>
<td>8</td>
<td>1</td>
<td>50</td>
</tr>
</tbody>
</table>

*sources: the banks’ websites and other resources*

Viewing the history of Chinabank’s establishment of overseas branches, a clear geographical and political-economic strategy can be observed (see figure 2.7).

Figure 2.7 Overseas branches of Chinabank

*sources: statistics provided by Chinabank website and Chinabank Annual Report 2009*

Because of the anti-communist ideology in the capitalist world, new China, established in 1949, lost most of the overseas branches of Chinabank including the New York branch (opened in 1936), the Osaka branch (opened in 1944) and the Tokyo branch (opened in 1948). Except for London (opened in 1929), the majority of the branches of Chinabank before 1978 were in Asia, mainly in Hong Kong.
Being the bridge linking Mainland China and the outside world, Hong Kong is the home of the majority of the Chinabank’s contemporary 900 overseas institutions.

Being the first modern bank of China, Chinabank experienced all the changes of political power from the Qing Dynasty to the Republic of China in 1912, from the Republic of China to the People’s Republic China in 1949, and the series of banking reforms after the shift of political economy since 1979. Several key stages may be detected in Chinabank’s global presence.

From 1917 to 1948, Chinabank established 19 overseas branches, but communist China established in 1949 managed to take over only three of them. The three branches are Hong Kong (founded in 1917), London (1929) and Singapore (1936). Now these branches are among the biggest overseas branches by size of employees of the Chinabank. Hong Kong has the most branches and largest number of employees. With about 250 employees, London and New York are of medium size but, as figure 2.8 shows, the majority of branches have fewer than 50 employees.

Figure 2.8 Number of employees of Chinabank overseas branches, 2009

<table>
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<tr>
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sources: based on statistics provided by the Chinabank 2009b 79-83
Note: Branches and subsidiaries in Hong Kong and Macao are not included (see also appendix 6).
The global expansion of Chinabank has a clear link with Chinese political economy. During the Cold War from 1950 till 1978, only the Macau branch was established. Now it is the biggest bank in Macau in terms of total assets (Chinabank 2009 annual report). During the economic reforms Chinabank began to reestablish its presence in key capitalist financial centres. From 1979 to 1999 it opened 30 branches and sub branches including New York (1981), Tokyo (1985), Frankfurt (1986), and large cities such as Sydney (1991), Toronto (1994), Milan (1998) and San Paulo (1998).

From 2000 to 2009, the increased pace of globalisation accelerated Chinabank’s strategy of opening branches around the world including in areas such as Johannesburg and Zambia in South Africa (2000) (figure 2.9).

*Figure 2.9 Number of key branches*\(^7\) of Chinabank opening from 1917-2009

![Bar chart showing the number of key branches from 1917 to 2009](chart.png)

source: based on statistics provided by the Chinabank 2009b; Sun 2001

Note: subsidiaries and newly opened branches in Hong Kong and Macau are not included

By the end of 2009, Chinabank had an ‘international network comprised of over 900 overseas branches’ (see appendix 6) (Chinabank 2009b). Amongst all the overseas branches, the Chinabank LB is especially significant in view both of its historical and current role in the Chinabank’s global strategy (see also chapter 5).

\(^7\) Chinabank defines certain important branches as ‘key branches’
2.4.4 Overseas Chinese banks, party-state and strategic partners

China’s entry into the WTO has bought the Chinese banks, party-state and strategic partners into a new set of relationships (see figure 2.10). The shareholding of strategic partners in three of the big four banks signifies a new start for Chinese big banks to reform their corporate governance and corporate culture.\(^8\) With a board representing the new Chinese and foreign owners, these banks will comply with internationally accepted best practice standards and policies. Being the major shareholder of the big banks, the party-state, in particular, is the key role in the relationship. The intervention of the party-state, evident in many areas of China’s economy, reflects China’s historic yet unfinished transition from a centrally planned economy to a free-market economy.

For Chinese banks, going global does not mean simply establishing overseas branches or issuing IPO overseas but upgrading financial measurement and accountability in line with the international standards. Following international standards will surely challenge the well-established authority of the party-state. And, the overseas Chinese banks away from mainland China in key capitalist financial centres face more complicated political and economic relationships. First of all, they face two quite different financial systems at the same time: a domestic financial system incompletely reformed, bearing a characteristic of path dependence and place dependence on its socialist planned economy; and a global capitalist financial market, insisting on an international standard norms and business cultures. To deal with these two systems involves constant negotiations with the party-state, strategic partners and western clients. To gain credibility in capitalist financial markets and to boost the confidence of strategic partners and other investors, the banks need to focus more clearly on their corporate objective. The corporate governance of a modern bank requires a lessening control of the bank from the party-state and subsequently the adoption of international standards and norms. This will lead to a range of domestic system changes. For example, China has agreed to bring its national

\(^8\) In 2009, the partnership between Chinabank and RBS was dissolved as RBS sold its shares in Chinabank.
accounting standards into line with international rules (McGregor 2006b), a move that will boost foreign investor confidence in the quality of financial information from the fast-growing economy.

Figure 2.10 The Bank’s position in Chinabank’s organization

Establishing modern banking also requires the party committee to stop interfering with internal daily operations of the bank, such as controlling senior personnel appointments, holding "dozens of meetings", debating over loans, insisting that banks report to the party-committee (McGregor 2005 1). The increasing complaints of the senior executives of Chinese big banks about state intervention and the suggestion that the party should play only the role of giving ideological education to
maintain the organisation's vigour, leaving daily operations and supervision to the directors:

It is beyond doubt that China’s emerging global businesses, acting as agents for internationalising the Chinese economy, are creating a special set of social and economic relations between China and the global economy as never seen before. By facilitating China’s opting in, these agents are also turning the Chinese state inside out.

Nevertheless, the state remains the dominant element shaping Chinabank (see figures 2.10 – 2.12).

2.4.5 Finance, trust and geography

Financial services are fundamental to the operation of all production circuits and networks (Dicken 2007 379). In the past few years the deregulation of financial markets has facilitated the opening of new geographical markets, the provision of new financial products and changes in the way in which prices of financial services are set (Dicken 2007 383). Financial activities are global in extent and the locational strategies of international financial service firms are greatly influenced by the national and international regulatory environment as well as technological developments in communication technologies and information.

Given that information is both the means and the product of financial services (Dicken 2007 384), factors concerning markets, risks, exchange rates, return on investment, creditworthiness are all important to the basic functions of financial services firms. Financial services firms have to cope with collecting, interpreting and manipulating information (Dicken 2007 387). Meeting places are necessary for firms to establish legitimacy, build trust, share information with each other and enable learning. Global financial centres such as London provide such a space for banks from the capitalist world. However, as shown in my case of the Bank, the relationships of trust it tries to establish in London are different in the links involved from those with its headquarters in Beijing (see figures 2.11 and 2.12).
As the majority of the shares are held by the Chinese state through its investment arm Central Huijin, Chinabank in Beijing has to maintain trust relationships with the Chinese state council\(^9\) led by the Communist Party; Central Huijin\(^{10}\); its strategic partners and investors; other international financial companies; branches, employees and clients. The Bank in London, has to build trust with the City community, where it aims to expand its local and international business; other banks, on which it...

\(^9\) the Chinese state council is led by the Communist Party. The executive managers of the bank must be appointed by the state council and the managers of the state-owned banks must also be government officials. 

\(^{10}\) Central Huijin is the legal investor of the state-owned banks including Chinabank. It also represents the state.
depends for learning and innovation; its headquarters and financial supervisors in Beijing; the Chinese state in London including the Chinese Embassy; its employees from mainland China and its local employees; its local and global clients; the Chinese state in Beijing, which might exert power through formal or informal networks.

The development and practice of relations of trust are crucial in all of these relationships. However, the discussion above focuses on the macroeconomic perspective of the Chinese economy and Chinese banking. The main argument is that Chinese reform is a product of complex interactions between external pressures from global forces and active domestic responses and political choices guided by the party-state to globalisation. The questions addressed in the empirical chapters of this thesis are about how this macroeconomic environment influences the behaviour of agents in coping with the global economy – in particular, the construction of relations of trust - and to what extent the values and norms of the agents involved in social interaction have impacts on processes of globalisation.

Of course, there are many other relationships underlying flows of globalisation such as organisations, infrastructures, policies and regulations. But I am mainly interested in the relationships of trust between the Chinese state and the Bank, the Bank and financial markets in the City of London, as well as within the Bank. This is because globalisation involves not only flows of ideas, capital, knowledge, people and things, but the establishment of relationships that enable the flows of globalisation to happen. Relationships of trust are certainly amongst those that make a difference. According to Murphy (2006 440), trust not only influences the quality or strength of particular associations in a network but also the network’s spatial extensiveness and openness to new participants and ideas.

Here geography plays a significant role in trust production and there is a crucial spatiality about relations of trust. Trust is qualitatively and quantitatively variable.
across geographies, which distinguishes one place from another. As trust is geographically and temporally differentiated, people from different places might not only hold different notions of trust, but also different orientations towards trust as a social relation. In societies where legal and regulatory systems are not adequately established, there is a greater dependence on personal trust to do business (Nootboom 2002), whilst where legal assurance is high, regulatory trust is more dominant in economic relations (Zucker 1986,1987).

As globalisation brings people from different geographies together to one meeting place, they encounter different notions and practices of trust. To cope with this difference, interaction and negotiation become necessary and reformulation of notions and practices of trust might occur. The underlying argument of the thesis is that these changing geographies involve not only the reformulation of notions and practices of trust as geographical expansion takes place into new locations but the re-construction of trust in the old locations. Thus spatialities of trust might be greatly influenced by the formative effects of emergent geographies of globalisation. In such a context, financial markets provide the means through which relations of trust may be established. As Martin (1999 ii) suggests

Financial markets are themselves structured networks of social relations, interactions and dependencies- they are communities of actors and agents with shared interests, values and rules of behaviours, trust, cooperation and competition.

But, here again, the geography of such markets – expressed most directly through financial centres – is central to the functioning of such markets:

Face-to-face contact, personal recommendation and informal word-of-mouth have always been central to the conduct of financial business and transactions, and remains so even in an age of advanced telecommunications…

In short, as Martin (1999 ii) concludes, “geography matters”. Trust needs geography and geography produces chances for actors to interact and negotiate. Financial centres - and especially global financial centres like London - are the gathering places for the best of the best, secured by sound regulative space, rich networks for
knowledge and innovation, and convincing performative spaces for financial services. This is because financial centres have rich networks providing not only knowledge and information, but also providing multiple meeting places for overseas banks to build trust while mingling with well-known banks, knowing them and being known.

2.5 Conclusions

China’s entry into WTO accelerated bank reform and deepened the integration of the Chinese economy into the global world. The entry of foreign banks into China intensified the competition in banking services whilst the introduction of strategic partners and the overseas public listing of the big banks changed the structure of communist banks. Global expansion of the big banks in key capitalist financial centres challenges the authority of the party-state and has deep implications for relations of trust among various actors involved in the bank operations.

Going global makes the Chinese overseas banks more vulnerable to competition. Problems such as poor management, a lack of knowledge of technology, limited varieties of new products, and a lack of skilled staff, influence their business expansion in host countries where the Chinese government is unable to protect them. Besides technical problems, cultural factors also disturb the bank’s development. As remarked by deputy president of Chinabank Mr. Zhu Min (2007) in a talk at the Boao Forum for Asia,

It is easy to adopt new technology and method but it is hard to change the culture. It may take about ten years or more for Chinese banks to overcome the cultural obstacles.

This thesis focuses on some of these ‘cultural obstacles’ so as to be able to explore the transformation of some of the day-to-day relationships involved in going global. Whilst not especially materially significant in themselves the case studies in this
thesis will focus on particular moments of cultural change or attempted change, their small scale helps to reveal the complex nature of the cultural and social differences engendered by globalisation. Such transformations involve a two-way process which not only influences the Chinese economy but also has implications for actors in the global financial centres in which they take place. Such financial centres provide a place for making this process happen but, since trust is a socio-spatial, relational process, it works through ongoing interactions among the various actors and involves personal as well as regulatory trust.

Although Chinese government is calling for a ‘law society’, its legal system is still inadequate. On one hand, some government officers take advantage of the bureaucratic systems to make personal relations through which to do business (Wu 2007). On the other, the role of party-state confuses the practice of corporate governance. Furthermore, weak ties with the home government mean more dependence on market mechanisms for overseas banks to establish a position in the global economy. Thus new kinds of relations of trust with the party-state, any strategic partners and local clients must be established. This requires the transformation of notions and practices of trust, formed and practised in communist China, to adjust to the local capitalist environment.

But it is not an easy thing to build trust, especially for Chinabank in the period of transition, without the strong support of an adequate legal system and good corporate governance. The social relations involved in the activities of Chinabank make the Bank and its branches a site of contested power relations. Since the aim of this thesis is to investigate how trust is significant in establishing, sustaining and expanding financial relations and how notions and practices of trust are shaped and shape globalisation, an examination of geographies of trust and of the differences which constitute them forms the subject matter of the following chapter.
Chapter 3 Trust and the making of financial space in the global economy

When firms establish production linkages in a new country they are faced with a heterogeneous cultural and institutional environment. Firms have to bridge these differences, establish efficient communication between agents with various cultural backgrounds and adjust their organizational practices to those in the host country.

Harald Bathelt 2005 209

This thesis is about the expansion of a Chinese bank, Chinabank, into a global financial centre – the City of London. It explores the role and significance of trust in enabling this global shift, in constructing a financial space within which Chinabank may operate in London – thereby entering into relational links with other institutions in the City – and in the transformation of relations between the Bank and the Chinese state. It defines trust in socio-spatial, relational terms as a dynamic set of relations established by interaction between various actors. Trust is one of the social relations between distanciated actors (however proximate they may be in a territorial sense) that help to enable their interaction. In the case of Chinabank, trust is a means by which the Bank may be recognized as financially and operationally bona fide, may attract investment, and so may bring together its supply of financial services with the demand for them from potential clients so to establish itself in the City of London and thereby further enable its global expansion. Thus trust is interpreted as a set of socio-cultural relations through which the globalisation of finance is enabled to take place – in this case across highly differentiated political economic spaces.

The thesis takes off from where James Murphy (2006 443) concludes by attempting “a relational understanding of how the means [viz trust] for establishing and sustaining collaborative relationships influences the development of such ‘ends’ as clusters and production networks” – in the case of this thesis, financial clusters and networks of the City of London. But this is a complex task as the absolute, relative
and relational spaces, across which relationships of trust are – or are not – formed, are also transformative of trust itself.

The underlying argument of the thesis is that geographies of trust help to enable geographical expansion into new locations but that this process is recursive in that it involves a reformulation both of the geographies from which and into which expansion takes place, and of the means (here trust) through which this expansion is enabled. Thus the thesis is concerned with the changing nature and role of trust in the

- disengagement (however partial) of the Bank from state control of financial relations and from the politically instrumental role of finance within China;
- engagement in the quite different financial environment and capitalist norms of the market driven political economy of London as a global financial centre; and
- re-engagement of the Bank with its headquarters and the state in Beijing and the consequent degree to which state control is relinquished and transformed in a context of the global expansion of Chinese finance.

In short, the thesis focuses on changes in the nature and role of trust

- within the Bank;
- between the Bank and the Chinese state, and
- between the Bank and the financial system in London

As the case studies will show, these transformations take place in both directions. Thus, whilst the thesis is concerned with the adjustments faced by the Bank in coping with a new social, political and economic environment in London and the different relations of trust which enable networks and business relations to develop in this location, learning in the Bank is not geographically circumscribed. The new financial practices of the Bank in London have implications not only for relations between the Bank in London and the Chinese state as well as for the Bank’s headquarters in Beijing but also for financial practices in London in coming to terms with the rapid and large-scale growth of Chinese finance (McGregor 2007a, b). Furthermore, in this
process of learning, trust is itself changed and so is constantly reinvigorated as a means of relational change.

To explore how relationships of trust within emergent and heterogeneous networks of time and space enable the dynamics of (financial) globalisation and affect the behaviour of major actors involved in it, a first step taken in this chapter is to interrogate and problematise the notion of trust as geography and, secondly, to identify a number of crucial dimensions of trust. The chapter will also examine the conditions affecting practices of trust in financial centres.

3.1 Trust as geography

though work on [trust] dates back several decades (if not earlier), its reemergence as a central topic of discussion across the social sciences in the 1990s can be argued to reflect the political, social, and economic realities of an increasingly interdependent, global world (Cook 2001 xi).

This statement reveals – if only implicitly – the intimate relation between geography and trust. How, then, might trust be conceptualized in order to throw light on its role and significance in this emergent geography? This is no easy question. In both everyday and academic language, trust is a complex and slippery notion. It is what Nuissl (2005 66) calls a ‘fuzzy concept’. The approach adopted in this thesis is to deal with this fuzziness (which contra Markusen (1999) may not be an analytically ‘bad’ thing) by conceptualising trust as geography – as a socio-spatial relation.

In essence, trust is a social relation predicated on, and potentially capable of helping to bridge difference which may be expressed across a range of scales from the inter-personal to the global. In this sense, then, trust is an innately geographical notion. One way of thinking about this is to conceptualise trust through the geographical notions of absolute, relative and relational space (Harvey 2006).
Rather like money (see, for example, Lee 2006a), trust may be thought of as, simultaneously, embedded in geography (absolute space), a product of geography (relative space) and a maker of geography (relational space). Relations of trust are embedded in absolute space in that the circumstances - such as the nature and effectiveness of territorially-distinct legal and regulatory systems or the specifics of cultural norms – that characterise particular places (themselves, of course, dynamic relational entities), help to shape local understandings and practices of trust. As a product of geography, relations of trust are constructed and brought into play to allow communications between actors over the differences that may separate them. As a maker of geography, relations of trust do not merely enable difference to be negotiated but transform the objects or actors that are enabled – through trust - to engage in communicative interaction.

3.1.1 Social geographies of trust: trust in absolute space
Notwithstanding the wide significance of instrumental and rationally calculated notions of trust or notions that assume its embeddedness in relationships, organisations and networks (see Murphy 2006 430 – 435), trust is not a given merely to be inserted into distanciated transactions. Rather, it is the outcome of social practice and performance: trust emerges “from within particular social, material, and political settings and …[is] maintained and transformed through the cognitions, symbolic exchanges and performances of the agents in them” (Murphy 2006 440).

As such, trust is highly responsive to the contexts of space and time in which it is practised and performed. Colin Turnbull (1973), for example, offers a notorious example of the dramatic changes over time in the levels of trust in a spatially displaced society. At the same time, absolute notions of trust point to its uneven development – in both quantitative and qualitative terms – within and across different political-economic geographical spaces. Thus Fukuyama (1995 10) argues that some societies have high-levels of trust and others low. According to Fukuyama
(but see a critique of this argument later in this chapter), Japan and North America are high-trust societies whilst China and some other south eastern countries like Korea are low-trust societies. In other words, the level of trust in particular places varies across geographical space.

Furthermore, the significance of trust as a social relation may also vary substantially across absolute spaces. For example, Confucius told his disciple, Tsze-kung, that three things were needed for government: weapons, food and trust. If a ruler could not hold on to all three, he should give up the weapons first and the food next. Trust should be guarded to the end: "without trust we cannot stand" (Confucius Book XII).

And, given the continuing significance of Confucian thought in China - not least in Chinese political economy - trust and the obligations that go along with it are profoundly significant in bridging the differences involved in establishing and then in extending business relationships to and from China. Recognizing that human beings are social, and communities composed of dependent human relationships, Confucius stressed the power of ethics in controlling human behaviour. Romar (2004 663) argues that Confucianism, with its focus on trust, reciprocity and mutual benefit in relationships, can offer a moral foundation to inter-firm arrangements:

Confucianism is based upon the virtues of trust, honesty and benevolence and is relational and hierarchical. Thus, Confucianism is well suited to opportunistic challenges both within and among organizations (Romar 2004 667)

And, acknowledging Confucius’ contribution in Japanese business success, Lewis (2001) remarks:

The Confucian ethic was essentially a statist and highly altruistic one which emphasized duties rather than rights…The influence of Confucian concepts of honour and self-sacrifice are evident. An American goes into business to make money; a Japanese does so to serve society as well as to make money.

Of course, the objectives, practices and norms of business in contemporary China are dynamic and complex. However, Yeung and Olds (2000 15) conclude that Chinese business culture is still influenced by traditional Confucian ideas:
Personal relationships (guanxi) are the most important mechanism for implementing co-operative strategies in Chinese business networks, although their importance obviously changes over time and differs by geographical and sectoral context.

The underlying argument here is that Chinese business is conducted in ways that are territorially distinctive and closely influenced by valued philosophical understandings of the nature and moral order of humanity.

Confucius said: “People are similar by nature, but through habituation become quite different from each other” (Analects 17:2). Such habituation is closely influenced by social, cultural and geographical context. Thus we can consider the significance of absolute spaces of trust as places within which trust is embedded and takes on particular forms and particular levels of significance. However, no space is merely absolute as interaction between places increases especially under the conditions of contemporary globalisation. When actors in territorially different spaces come across each other through interaction, trust is brought into play as a means of coping with difference. In this sense, then, trust is a product of geographical difference – it helps to enable new geographies to take place. It is a means by which difference is intentionally negotiated. The next section explores this idea with reference to notions of relative space.

3.1.2 Instrumental geographies of trust: trust in relative space

In his account of absolute, relative and relational space, David Harvey (2006 276) offers an arresting image to illustrate the notion of relative space. He is giving a talk in a room and refers to it as an absolute space and time but also as a relative space with respect to his audience “I try to communicate across the space through a medium – the atmosphere – that refracts my words differentially.” This image and the discontinuity “between those who can hear and those who cannot” is helpful in understanding the instrumental role of trust in relative space. Those who can hear are incorporated in - and so, in a sense, are constructed by - the talk. At the same time, therefore, they thereby construct the speaker in a certain way.
In the case of a talk, the volume with which the speaker projects her words will incorporate all or just some of an audience. In an equivalent way, the presence or absence of trust across a relationship of difference may enhance communication. In such a relationship of difference - which, as the quotation from Cook at the head of

Table 3.1 **Instrumentalities of trust** (based on Six 2005)

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<th>Relations of trust enable a range of activities to take place. This table references some of those activities identified in the literature</th>
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<td>• helping to deal with contexts of high ambiguity, uncertainty and high complexity (Lewis and Weigert 1985; Shapiro 1987; Nooteboom 1996; Shaw 1997; Deering and Murphy 1998; Lane 1998; Nahapiet and Ghoshal 1998; Rousseau et al 1998; Sako 1998; Senge et al 1999; Costa 2000)</td>
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<td>• providing a sense of security which will help survival in these contexts (McAllister 1995; Putman 1995; Ellinor and Gerard 1998; Ryan and Oestreich 1998; Reina and Reina 1999; Senge et al. 1999)</td>
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<td>• enabling risk taking necessary for survival in these contexts (Shaw 1997; Lewis 1999; Reina and Reina 1999; Senge et al. 1999; Costa 2000)</td>
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<td>• enhancing the ability to change and to cope with (radical) change (Argyris 1970; Shaw 1997; de Geus 1997; Reina and Reina 1999; Senge et al. 1999; Costa 2000)</td>
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<td>• assisting in learning, creating and innovation (Senge 1990; McAllister 1997; Shaw 1997; Zand 1997; Deering and Murphy 1998; Lane 1998; Lazaric and Lorenz 1998; Nahapiet and Ghoshal 1998; Rousseau et al 1998; Ryan and Oestreich 1998; Sako 1998; Lewis 1999; Reina and Reina 1999; Senge et al. 1999; Costa 2000)</td>
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<td>• lubricating social relations so improving efficiency (Blau 1964; Zucker 1986; Fukuyama 1995; Hosmer 1995; Deering and Murphy 1998; Hollis 1998)</td>
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<td>• reducing the need for detailed contractual and monitoring devices especially important in governance issues (Bradach and Eccles 1989; Shaw 1997; Deering and Murphy 1998; Lane 1998; Rousseau et al 1998; Zaheer et al 1998; Lewis 1999; Nooteboom 1999; Senge et al 1999. Costa 2000)</td>
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this section implies, is intensified both in terms of the degrees of difference to be negotiated and in terms of the distanciation of difference as global geographies are extended - trust facilitates communicative action (Habermas 1984; Giddens 1984).

And just as the volume of a talk is intentional and has clear effects as a means of helping to bridge difference (ie whether or not people can hear the talk), so too trust, considered as “a calculated outcome of relations that emerges when a threshold is reached beyond which trust becomes a rational choice” (Murphy 2006 432), implies an intentional dynamic between those phenomena (people, business norms, languages …) which are differentiated across space. For example, relations of trust are associated with conditions of difference: uncertainty, risk, vulnerability and expectations of the behaviour of others in interactive, and open-ended relations. These characteristics are also intrinsic to banking and financial relations (the topical focus of this thesis) and so have to be dealt with in day-to-day financial practice. In this sense - and in the context of (financial) globalisation and the associated intensification of difference – the establishment of (financial) relations of trust may be understood as a form of instrumental behaviour designed to reduce risk and uncertainty and to enable financial relationships to be entered into and to take place with all the transformative consequences that might be expected to follow from such relationships. In this way, trust “is a key influence on the constitution and development of economic space … [as it] … can significantly influence the transaction costs of exchange … and the quality of information of knowledge flows available to a businessperson.” (Murphy 2006 428).

The kinds of instrumental outcomes that may be served by the development of relations of trust are illustrated in Table 3.1. These outcomes are communicative rather than necessarily implying change in the communicating agents. This reflects Harvey’s view (1973, 2006) that relative space exists only because objects exist and relate to, or are brought into relation with, each other. And, in a sense like static billiard balls which await the momentum of the players to bring them into contact
with each other, interaction through trust is a relationship drawn out of the attempt to bridge difference. In this sense, then, trust is a product of geography. If differences within and between individuals and groups, and within and across space-time were not apparent, then social relationships of trust would be redundant (as would volume in Harvey’s talk). Trust is, therefore, a means of the negotiation of difference both in terms of communication and understanding and as a means of interaction.

3.1.3 Transformational geographies of trust: trust in relational space

According to Harvey (2006 273 - 274)

the relational view of space holds there is no such thing as space or time outside of processes that define them. … Processes do not occur in space but define their own spatial frame. The concept of space is embedded in or internal to process.

Thus

[A]n event or a thing at a point in space cannot be understood by appeal to what exists only at that point. It depends upon everything else going on around it.

By contrast with the territorial or topographical views of absolute and relative space, this is a topological view of space in which things or events are created and create space through their interactions. Thus, a place – even one defined in absolute terms - is always open-ended and always a becoming consequence of multiple interactions across space and time. But at the same a place is always particular as the mix of influences is specific to it. Events in China since 1979, for example, reflect not just local or global influences but multiple interactions at multiple scales which have effects elsewhere and ricochet back and forwards across space and time.

As a relationship enabling and forming interaction, trust is thoroughly implicated in such transformations (see table 3.2 for a summary of some of the relevant literature). It is, in short, a producer of geographies and, in the process, is itself (re)produced and transformed. The geographical expansion of the Bank sets in motion all sorts of consequences in Beijing and London, for example, whereby different entities (e.g.
different political economies) and differing absolute notions of trust are brought face-to-face and (re)negotiated. These (re)negotiations then set off all sorts of further effects and so on in.

Table 3.2 Trust and relational transformations

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<th>author</th>
<th>trust and transformation</th>
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<tr>
<td>Nooteboom (2002 37)</td>
<td>trust is a disposition towards trusting behaviour, that is behaviour with limited safeguards, accepting vulnerability, based on the expectation that the risk is limited.</td>
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<tr>
<td>Deutsch (1962 319)</td>
<td>Trusting behaviour consists of actions that (1) increase one’s vulnerability (2) to another whose behaviour is not under one’s control (3) in a situation where the penalty one suffers if the other abuses that vulnerability is greater than the benefit one gains if the other does not abuse that vulnerability.</td>
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<tr>
<td>Hardin (2002 88 198)</td>
<td>…every analysis of trust are two related matters: some possibility of misplaced trust – and therefore, risk – and some sense of expectations of another’s behaviour. In the encapsulated-interest account, it is the reason for the expectations that defines trust…trust is relational.</td>
</tr>
<tr>
<td>Buchan et al (2002 170)</td>
<td>An action demonstrates trust if it increases one’s vulnerability… to another whose behaviour is not under one’s control. It refers to the conscious regulation of one’s dependence on another.</td>
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<tr>
<td>Gambetta (1988 217 218)</td>
<td>trust (or, symmetrically, distrust) is a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action… The condition of ignorance or uncertainty about other people’s behaviour is central to the notion of trust.</td>
</tr>
<tr>
<td>Fukuyama (1995 26)</td>
<td>Trust is the expectation that arise within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community.</td>
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<tr>
<td>Lewicki and Bunker (1996 117)</td>
<td>A state involving confident positive expectations about another’s motives with respect to oneself in situations entailing risk.</td>
</tr>
<tr>
<td>Dasgupta (1988 51)</td>
<td>trust… correct expectations about the actions of other people that have a bearing on one’s own choice of action when that action must be chosen before one can monitor the actions of those others.</td>
</tr>
<tr>
<td>Tilley (2005 12)</td>
<td>trust as an attitude or as a relationship with practice attached…Trust consists of placing outcomes at risk to other’s malfeasance, mistake, or failure. Trust relationships include those in which people regularly take such risks.</td>
</tr>
<tr>
<td>Bhattacharya et al (1998 462)</td>
<td>Trust is an expectancy of positive (or nonnegative) outcomes that one can receive based on the expected actions of another party in an interaction characterized by uncertainty</td>
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<tr>
<td>Nuissl (2005 66)</td>
<td>trust is a positive expectation held in a state of uncertainty with respect to a future event.</td>
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<tr>
<td>Hart (1988 191)</td>
<td>trust is the negotiation of risk occasionally by the freedom of others, whom we know personally, to act against our interests in relative absence of constraints imposed by kinship identity or legal contracts.</td>
</tr>
<tr>
<td>Baier (1986 235)</td>
<td>where one depends on another’s goodwill, one is necessarily vulnerable to the limits of that good will. One leaves others an opportunity to harm one when one trusts, and also shows one’s confidence that they will not take it.</td>
</tr>
<tr>
<td>Rousseau et al (1998 395)</td>
<td>Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.</td>
</tr>
<tr>
<td>Mishra (1996 265)</td>
<td>Trust is one party’s willingness to be vulnerable to another party based on the belief that the latter party is (a) competent, (b) open, (c) concerned, and (d) reliable.</td>
</tr>
<tr>
<td>Warren (1999 1)</td>
<td>Trust involves a judgment, however implicit, to accept vulnerability to the potential ill will of others by granting them discretionary power over some good. When one trusts, one accepts some amount of risk for potential harm in exchange for the benefits of cooperation.</td>
</tr>
<tr>
<td>Dunn (1988 73)</td>
<td>Trust is both a human passion and a modality of human action: a more or less conscious chosen policy for handling the freedom of other human agents or agencies. As a passion, a sentiment, it can be evanescent or durable. But as a modality of action it is essentially conceived with coping with uncertainty over time…</td>
</tr>
<tr>
<td>Luhmann (1988 95 103)</td>
<td>…trust is a solution for specific problems of risk. But trust has to be achieved within a familiar word, and changes may occur in the familiar features of the world which will have an impact on the possibility of developing trust in human relations…Trust, …is an attitude which allows for risk-taking decisions…A system – economic, legal, or political – requires trust as an important condition.</td>
</tr>
<tr>
<td>Offe (2001 47)</td>
<td>Trust is a belief concerning the action that is to be expected from others. The belief refers to probabilities that (certain categories of) others will do certain things or refrain from doing certain things… As trust is a belief concerning the impact of other actors upon my/our well-being, a mistaken belief involves not just the risk of being wrong, but the tangible risk of suffering a damage.</td>
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This discussion of different notions of space and of trust as a spatial relation helps to identify the issues central to this thesis in its focus on the emergent global geography of the Bank:
• the significance of different (absolute) notions and practices of trust in the development of the Bank’s global relations
• the relative role of trust in enabling and constraining new global geographies in the Bank
• the transformation of relations of trust, power and control between the Bank and the Chinese state and between the Bank and the City of London as a global financial centre as a consequence of the globalisation of the Bank

In such ways, trust is revealed as a socio-spatial, relational process having the ability to facilitate the making of transformed geographies through what Murdoch (1998 357) calls ‘spaces of negotiation’. The discussion also concurs with Harvey’s (2006 277 275 276) conclusions that, in considering geographical space as absolute, relative and relational, “we are inexorably situated in all three frameworks simultaneously, though not necessarily equally so”; that it is difficult to know whether there is an ontological answer to the question “is space (space-time) absolute, relative or relational…?”; and that it is “more interesting … to think constantly through the interplay between them”. Harvey’s example is Ground Zero – “[T]he forces that converged over space to produce 9/11 were complex” (286). Ground Zero is a consequence of absolute differences brought relatively together with shattering relational effects. Thus all objects and processes in space are always relational but are also absolutely particular in the specific mix of influences converging on and diverging from them.

“although the financial system is an increasingly complex and probably riskier place to do business, that it survives at all seems to be due in no small part to the role of trust, which is cultivated through social networks and backed up by abstract expert systems…” . It is this role that forms the empirical concern of this thesis.

However, although the role of trust in establishing and sustaining financial relations in money lending, financial trading and development of financial centres and offshore centres is recognized (e.g. Pryke and Lee 1995; Martin 1999; Calderon et al 2002; Guiso et al 2004; Hudson 1998; Leyshon and Thrift 1997; Leyshon et al 2006), the systematic analysis of the concept of trust remains limited. This is recognized not only in economic geography but also in sociology and economics (Murphy 2006; Glückler 2005; Nooteboom 2002; Nuissl 2005). And, of course, empirical research on trust is possible only with a clear conceptualisation of trust. The following section makes a start on this.

3.2 Dimensions of trust

Many social scientists regard trust as a key variable in forming social relations (e.g. Coleman 1990; Seligman 1997) and, as a socio-spatial relationship, trust is a means of enabling the construction of space-time. Thus Fukuyama (1995 10), for example, argues that trust is crucial to “the ability of people to work together for common purposes in groups and organizations.” Indeed, for Nooteboom (2002 1)

[T]rust is of all times. It is pervasive and indispensable.

This may be so and is certainly supportive of the emphasis placed on trust in this thesis but it is not helpful in making analytical sense of trust. More helpfully, Henning Nuissl (2005 66 – 67) suggests that interest in the phenomenon of trust is rooted in its related roles as both a requirement for individuals to cope with uncertainty, and as a means of social cohesion. Frederique Six (2005), for example,
identifies a range of ways in which trust enables the construction of the *vinculum societatis* (the bonds or ties of society) in the context of socio-spatial difference (see Table 3.1). Thus it is possible to think about trust both as a means of social ‘cohesion’, as a means and basis of communication, and as a means of enabling interactions in space-time.

However, trust is itself neither a static nor an undifferentiated phenomenon. The significance of this is easy to demonstrate. In a critique of Fukuyama (1995), for example, Warren (1999) and Zuker (1986) argue that some societies have high levels of ‘particular trust’ (Deutsch 1973), whilst others high levels of ‘generalised trust’ (Deutsch 1973; Nooteboom 2002). According to Warren (1999), in categorizing China and other Chinese societies (such as Taiwan, Hong Kong and Singapore) as ‘low-trust’, Fukuyama fails to distinguish between trust supported by personal networks and ties on the one hand and generalised trust based on the establishment of civic consciousness, the law and a general confidence in the system of governance on the other. Thus Inglehart’s (1997) research shows that Confucian societies such as China demonstrate a high level of interpersonal trust – at about the same level as Japan - in both the 1990 and 1996 World Values Survey (WVS 1990, 1996).

And this partiality is a common problem in work on trust. Nooteboom (2002) for example points to the frequent confusions in research on trust associated with “partly overlapping and partly conflicting definitions, analyses, explanations, conclusions and recommendations” Thus this section problematises the notion of trust around a number of dimensions. However, as Tables 3.1 and 3.2 demonstrate, the literature on trust is extensive and there is no attempt in this section to be comprehensive. Rather, the purpose is to identify notions of trust which will be applicable in the empirical analyses that follow.
A helpful starting point is the definition of trust offered by Mayer et al (1995 712). For them (and see also Howorth and Mora 2006; Nooteboom 2002; Buchan et al 2002; Gambetta 1988; Dasgupta 1988), trust is

the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor and control that other party.

In this definition, trust is revealed as a relation which must be constructed. The definition suggests that trust is not and cannot be taken as ‘given’, it has to be worked at – the trust between truster and trusted has to be won (Giddens 1991 96). Thus trust is treated not as a static entity, but as a social relation which can be systematically created and destroyed (Flores and Soloman 1998 218). It is an interactive, dynamic process.

For Murphy (2006 440), these dynamics are captured in the notion that “[T]rust-building processes are communicatively driven and shaped by influences at three scales – the micro (the subjective), the meso (intersubjective), and the macro (the structural or institutional ).” But essential to this view is the notion of formative relational influences between these scales: “trust-building processes are not interlinked in a linear, hierarchical, or accumulative fashion, but instead emerge in relation to one another and to the sociospatial contexts where individuals interact .” Such an approach is vital given the interactive and dynamic nature of trust. However, this thesis focuses less on the mutually interactive scales than on the identification of different forms of trust (along with networks through which trust is created, sustained, transmitted and transformed) but, as with the three scales, the mutually-formative relational links between these forms of trust are paramount.

3.2.1 Multiple scales of trust

According to Mishra (1996 271):

Trust is assumed to exist at multiple levels of analysis. It exists within an individual, as in a subordinate’s trust for his or her manager (Gabarro1987). It
also exists within groups or organizations (Ouchi 1981) and between organizations (Barber 1983; Sako 1992). Even at the institutional level trust exists - for example, the public’s trust in the political system (Barber 1983; March and Olsen, 1989) or the professions (Barber 1983; Zucker 1986).

Thus Murphy (2002, 2006) argues that it is helpful to conceive of relations of trust at micro-, meso- and macro-levels. At the micro-level, trust emerges through shared experiences and is driven by an agent’s confidence in the reputation, competence, or capacity of the subject being trusted. It may be shaped by personal networks and/or kinship ties. Meso-level trust may be associated with groups of individuals based around ascriptions or individual characteristics such as ethnicity, religion, appearance, or speech. Thus it may be conceptualised as both a phenomenon of alliance strategies within and between organizations, and as the trust individuals put in those organizations (Kramer and Tyler 1996). Trust is considered to have a specific role in inter-, intra, and extrafirm networks (Murphy 2006 429). Trust-building processes influence the spatial dimensions of firm networks through interactions among human and non-human actors. Thus an extraordinary amount of trust among companies and individuals who are normally in competition with each other has been observed (e.g. Saxenian 1994; Storper 1995; Kramer and Tyler 1996; Powell 1996; Mishra 1996).

Macro-level trust relates to the belief amongst individuals and within society at large in laws and formal institutions. As globalisation increases its complexity in social interactions, the role of personal trust becomes less efficient in organizing social activities and more impersonal forms of trust have arisen (Shapiro 1987; Luhmann 1979; Giddens 1990; Lahno 2002; Mayer 2006). More abstract institutional forms of trust (sometimes referred to as system trust (Luhmann 1979, Giddens 1990, Lane and Bachmann 1996,1998) or institutional trust (Zuker 1986)) supplements personal trust.

Significant distinctions may be drawn between relations of trust at these three levels. Thus for Kramer and Tyler (1996 6), for example, at the macro-level, trust involves a
concern for the influence of social organization on patterns of trust; at the meso-level, it involves an exploration of social networks; and at the micro-level, it involves consideration of the psychological basis of trust and distrust. However, scales of trust are social constructs. They overlap and link with each other. And they exist inside each other and are formative of each other (Mishra 1996; Kramer and Tyler 1996). Thus, in practice, it is impossible to distinguish distinct scales of trust. As globalisation is a process of both disembedding and embedding, relationships of trust exist – simultaneously and formatively - at more than one scale.

Thus, according to Granovetter (1985b 490), even with the increasing complexity of networks of social interaction consequent upon emergent relations of globalisation, …social relations, rather than institutional arrangements or generalized morality, are mainly responsible for the production of trust in economic life.

Similarly, Hess (2004 76) argues that globalisation is not a process of disembedding based on mere market transactions and impersonal trust, but rather a process of transnational (and thereby translocal) network building or embedding, creating and maintaining personal relations of trust at various, interrelated geographical scales. It is this interpretation of globalisation and relations of trust that is explored in this thesis.

3.2.2 Mechanisms of trust: personal trust and regulatory trust

Whilst recognising their mutually formative links, this thesis distinguishes between personal trust – practised by specific persons or groups - and generalised trust involving system or institutional trust (see, for example, Zucker 1986; Sayer 2001; Luhmann 1979, 1988) practised in society as a whole, even amongst strangers. This thesis uses the terms ‘regulatory trust’ or ‘system trust’ to address this form of trust.

Personal trust may be informally made through personal networks or ties. It involves an emotional bond between individuals (Luhmann 1979) and is analogous to ‘thick
Personal trust is process-based. It is tied to past or expected exchange as in expectations arising from reputation or gift-exchange. It is also characteristic-based, whereby trust is tied to person, depending on characteristics such as family background or ethnicity but also to emotions, passions, tastes or habits. Personal trust is rewarded and punished by micro/informal mechanisms which regulate informal tacit relations. These mechanisms include values, social norms of proper conduct, moral obligations, a sense of duty through bonds of friendship, kinship, routines, habituation and empathy. There is evidence that people do punish inappropriate behavior - even though this may be personally costly - and are also willing to reward appropriate behaviour (Kought and Spicer 2002 14).

Regulatory trust refers to generalised trust, formally made and reinforced through social relations such as the law and regulatory networks. It is, therefore, institutionally-based (Zucker 1986 53). In this thesis, it refers to two things: the confidence in the workings of a complex institutional environment designed to minimize the opportunities for fraud and theft in complex economic exchange (Zucker 1986); and the expectation of, and trust in, the widespread social acceptance of, and implementation by a society of, the rules. Regulatory trust is analogous to ‘thin trust’ (Williams 1988). It is general and impersonal and arises from ‘macro’ sources independent of any specific exchange relation. As a strategy, this kind of trust, may be based on policy, knowledge, information, contract, and law. It is rewarded and punished by macro/formal mechanisms, or regulation. Such regulatory practices are carried out institutionally in the form of sanctions from some authority and of contractual obligations in the form of legal systems supporting laws and litigation. “This entails that we trust those institutions to support sources of trustworthiness of people and organizations” (Nooteboom 2002 64). Macro/formal mechanisms are, therefore, helpful in motivating trust and safeguarding trusting from
opportunistic behaviours or pure self-interest (e.g. Zucker 1986, Williamson 1993; Luhmann 1979; Shapiro 1987; McKnight and Chervany 2002).

Both personal and regulatory trust are required in trust building. Personal trust helps create a willingness to exchange accurate and complete information with others, to allow another’s influence, and to accept control from, and dependence on, others (Ring and Van Den Ven 1994). Howorth and Mora (2006 498) argue that such thick forms of trust based on shared values, principles, and standards, can create a competitive advantage relative to firms that base their relationship on weak or thin forms of trust (Barney and Hansen 1994). At the same time, Luhmann (1979, 1988) notes that institutional (regulatory) trust provide forms of assurance that reduce the risks of engaging in trusting behaviour in social and economic exchange (cf. Giddens 1990). “Legal action can keep the scale of losses from misplaced trust substantially lower than the stakes involved in the initial trusting agreement”(Hardin 2002 129). Similarly, James Jr. (2002 298) emphasises that trust and trustworthiness may be prompted through the use of explicit contracts, which involve monitoring and either the payment of incentives or provisions for third-party enforcement (or, more generally, hybrids of these two elements). But none of this should imply that institutions like the law, for example, do not rely upon the existence of personal forms of trust for their functioning (cf. Giddens 1990 83-88; Seligman 1997).

Personal trust and regulatory trust may share the same economic space and develop in mutual relationship. They are complementary and mutually formative. Personal trust needs regulatory trust to secure its power and regulatory trust needs personal trust to smooth its progress. Thus for Ash Amin (2005 1), for example,

[C]ontracts and economic transactions in general are sustained by habits of trust and reciprocity in inter-personal networks as well as instituted rules and norms that require buy-in through various forms.

As argued above different societies have different orientations towards trust and different mechanisms of trust. People in one culture might be different from another
in their readiness to take risks and trust in others for social coordination. Some societies operate more with personal trust, others with regulatory trust. Therefore, what Murphy (2006 433) refers to as “general level of trust in society” is qualitatively and quantitatively variable across cultures. For example, some societies like the UK have a high level of generalized or abstract trust - based on the establishment of civic consciousness with generally high levels of confidence in the regulatory networks and trust in other people to follow the rules, whilst some like China are characterised by a high level of personal (concrete) trust which extends only towards members of the same family, clan, or group (Warren 1999 318). Thus Chinese firms focus more on personal trust (xinyong in Chinese) rather than regulatory trust (legal bonding) in doing business (Tong and Young 1998; Xu 1999; Leung and Chan 2003; Wong and Leung 2001; Leung et al 2005). Similarly,

Some (Americans, perhaps) are more oriented towards legal assurance, others towards assurance on basis of self-interest, others (Japanese, perhaps) towards trust (in the strong sense) based on personal relations (Nootboon 2002 72)

But the relations between personal trust and generalized trust are dynamic. According to Zuker (1986, 1987), trust in American society in mid-19th century was moving away from informal long-term social connections between individuals to formal relationships with more involvement of legal institutions. Uneven development problematises the transformation of trust from private and informal relations between individuals, to its public and institutional forms hedged about by contract, law and mutually assured exchange (Seligman 1997). In rural or ‘pre-modern/pre-industrial societies’ such as countries in transition like China and the former Soviet Union, the shift from concrete to abstract relations of trust is not complete and personal trust remains important in dealing with relationships in economic space.
3.2.3 Motivations of trust

There is much debate in the literature about motivations of trust. Some scholars argue that the source of trust derives from an individual’s rational choice (for example, Gambetta 1988; Hardin 2002); some argue, more altruistically, that it is based on moral attitudes and values (for example, Flores and Solomon 1998; Lahno 2001).

Economists’ concern for trust is associated with rational choice theory which suggests that trust can be understood simply as a strategy adopted by rational actors to maximize their individual interests by reducing transaction costs in repeated exchange relationships (Dasgupta 1988; Gambetta 1988; Kreps 1990; Williamson 1993; Bromiley and Cummings 1996; Coleman 1990). In this view, ‘trust is particularly relevant in conditions of ignorance or uncertainty with respect to unknown or unknowable actions of others’ (Gambetta 1988 218), Thus trust is interpreted as a form of social capital in facilitating individual decision-making (Murphy 2006). But motivation is critical in trust building. Thus, Hardin (2002), for example, suggests a concept of trust as encapsulated interest. He argues if the trustee’s interest encapsulates the truster’s, then the trusted is expected to fulfil the trust.

I trust you because your interests encapsulate mine to some extent- in particular, because you want our relationship to continue…which is say that you have an interest in fulfilling my trust… (Hardin 2002 ixv; 3)

In contrast to the calculative or instrumental models of trust, scholars of business ethics regard trust as altruistic rather than rational (Buber 1951; Lahno 2001; Becker 1996; Sako 1992; Flores and Soloman 1998). They argue that trust is a moral matter arising out of shared norms and values of a society. Trust is, first of all, a central concept of ethics (Flores and Soloman 1998 208). This ethical notion of trust is coincident with Confucian ethics, which endows trust with a significant and moral role in social relations and is regarded by Chinese leaders as a key to the country's
future (Aiyar 2006). The notion of the "socialist harmonious society"\(^{11}\) (see chapter 2) provides evidence that trust in Confucian ethics is considered an important element of national policy in China to sustain political unity, morality, and respect for authority in building a socialist market economy.

The philosophical and educational thinking of Confucius was not widespread or well accepted in his own time, but today it is an important influence, not only in China, but also in other East Asian countries - in particular Korea and Japan (Sansom 1958, 1961, 1963; Lo 1952; Dawson 1964; Dahlgaard-Park 2006). The economic take-off of the so-called ‘Five Dragons’ in east Asia such as Japan owes much to Confucian business culture (Ng et al 2003 45). According to Dicken (2007 128, 131; see also Kiely 2005), the characteristics of the Confucian-based ‘East Asian way’ of doing business involve close intra- and inter-firm business relationships, reliance on personal relationships and strong relationships between business and the state. Indeed, Tu and Tucker (2004) think that the Confucian emphasis on mutuality and harmony in society are an integral part of the Asian states’ political mission to transform the world.

The different motives for engaging in relations of trust have significant implications for trust building across space under globalisation. When, for example, moral sentiments (e.g. Chinese Confucian business) and rational norms (e.g. Western capitalist business) meet in practising trust, they may not only be in conflict but may also be influenced by each other and so may be transformed through relational interactions.

\(^{11}\) This is the current and dominant socio-economic ideology serving as the guiding direction of the Communist Party of China. President Hu Jintao launched this campaign of building a socialist harmonious society to soften the increasing conflicts in domestic and international environments after profound changes in China brought by economic reform. Confucius’ thought provides a foundation for the ethical spirit of ‘harmonious society’.
3.2.4 *Guanxi and Chinese notions of ‘friend’*

In addition to social networks, family and kinship ties, *guanxi* (personal connections beyond blood bonds) are also significant in the formation of trust relationships. One example is the reliance on social networks such as family ties and ethnic ties and business networks through *Guanxi* to utilize and coordinate resources and to raise competitiveness amongst overseas Chinese firms and family business networks operating in cross-border regions. (e.g. Redding 1993; Kao 1993; Davis 1995; Yeung 1998; Dicken and Yeung 1999; Tan and Yeung 2000; Hills 2001; Hamilton 1996; Yao 2002).

The cultivation of personal relationships, or *guanxi*, institutionalises the trust, loyalty, reciprocity and reputation that facilitate business transactions. *Guanxi* may be established or improved through personal and social interactions among family, friends, classmates and colleagues and translated into strong business connections and networks in a Chinese business system. Besides business partners, Chinese business people also value *guanxi* with government officials. Arguing that reliance on trust and *guanxi* is particularly pronounced in doing business in China, Tan and Yeung (2000 448) state:

> Having *guanxi* with political figures is traditionally perceived as a very advantageous and powerful means of getting things done in China

And *guanxi* is a synonym of friendship (Tan and Yeung 2000 451). Trust, for example, has been historically associated with the ‘notion of friend’, but ‘modern usage restricts the number of our friends to a narrow circle of intimates’ (Hart 1988 187). In the case study of migrants from north-east Ghana called Frafras, Hart finds that they invoke friendship quite casually in their economic relations and they tend to engender ‘trust by means of the gift and making a kind of friendship between buyer and seller’ (Hart 1988 190). The value of the broadening application of friendship beyond blood links to do business in the Frafra case study lies in that ‘it forces us to conceptualise social life on the margins of the industrial world; and to concede that
‘trust’ may occupy a rather different place in the spectrum of social organization there than it does in the imagination of economists’ (Hart 1988 193).

The notion of ‘friend’ bound up with trust is still widely applied, maybe with other traditional notions such as loyalty and responsibility (Hart 1988 193). That is why scholars find that, unlike North America and west Europe where there is a long history of building legal systems, transition societies such as Russia and China where legal systems are less well developed, tend to depend more on personal trust rather than regulatory trust in business transactions. However, Chinese notions of ‘friend’ also imply a range of mutual obligations which tend to extend across space and through time in a chain-like fashion and which makes it almost impossible finally to discharge such mutual obligations. Thus there are considerable costs involved ‘friendships’ of this kind and the mutuality of obligation opens up the possibilities of favours and so of contravening certain standards of corporate responsibility.

3.3 Practising trust

For Coe, Kelly and Yeung (2007 399; see chapter 1), trust is especially effective in enabling links across differentiated global space. This thesis is concerned in part to examine this proposition and to explore the extent to which trust does facilitate such stretching and coordination of expectations and interactions between economic actors operating across global geographical space (see also Bachman 2001 338).

3.3.1 Dealing with risk and uncertainty

‘To be human is’ according to Green (2000 78) ‘to face uncertainty. To be modern, to supposedly know the odds, is to face risk’. Trust is a way of coping with this uncertainty and risk which, arguably, increases in dynamic geographies of globalisation. Knight’s (1921 [1965]) distinction between risk and uncertainty is significant in understanding mechanisms of constructing financial relations. Risk, as
a cost, can be calculated and controlled (Knight 1921 [1965]). It is insurable through exchange while uncertainty is not (Knight 1921). Uncertainty, as distinct from risk, cannot be predicted and controlled, but it can be regarded as a gain (Knight 1921[1965]). Acknowledging the distinction between risk and uncertainty is intrinsic in analyzing financial relations (the topical focus of this thesis). Knight’s analysis stresses the game-like and intuitive and, therefore, largely non-rational aspects of financial markets. Financial relations are full of risk, uncertainty and information asymmetries (Howorth and Mora 2006). Although modern banking is based on credit - where risk can be controlled by regulatory trust and abstract expert systems - uncertainty remains and may be ameliorated by relations of personal trust. According to Guiso et al (2004), financial contracts are trust intensive contracts par excellence and higher levels of trust improve the efficiency of financial contracts and increase their use.

3.3.2 Establishing legitimacy

Trust is a risky engagement (Luhmann 1979; Nooteboom 2002). It absorbs uncertainty and diffuses complexity. But at the same time, it produces risk especially if the decision to trust another is taken on limited available information about the past or potential future behaviour of the trusted (Luhman 1979; Mayer 2006; Buchmann 2001). According to Dasgupta, “if the incentives are ‘right’, even a trustworthy person can be relied upon to be untrustworthy” (Dasgupta 1988 54). Thus the establishment of some kind of legitimacy is an important pre-condition. This is made easier if a common social identity, norms of conduct and institutional safeguards such as the law are shared across the boundaries of the cultural and institutional systems (Child 1998 243). But in conditions of financial globalisation, it is important for banks from emerging markets to display competence and evidence of conformity with sound legal and regulatory systems to protect their investors. Thus the establishment and promotion of regulatory trust is a good way to establish legitimacy.
Regulatory trust is fostered not only through sound micro-level governance mechanisms within a firm but also through macro-level legal regulation of the firm. However, ‘the structure of the trust relationship requires that such calculations should remain latent (...), purely a reassuring consideration’ (Luhmann 1979 36). Personal trust still matters in ‘how collaboration occurs and where and/or why it is situated in particular places and space’ (Murphy 2006 429). It is important for individual actors to have frequent fact-to-face contact to know each other’s personal preference and interests in trust building. Although personal trust is necessary to produce the levels and quality of trust needed in highly differentiated socio-economic systems (Zucker 1986; Six 2006; Nooteboom 2002), it is not sufficient, Thus Uzzi (1999 484) argues:

Embedding transactions in social ties does not foreordain cooperative outcomes. Rather, it provides an essential priming mechanism that promotes initial offers of trust and reciprocity that, if accepted and returned, solidify through reciprocal investments and self-enforcement.

Therefore, regulatory trust and personal trust do not exclude each other but work in combination in many cases - of fulfilling the same social functions. Regulatory trust ensures the legitimacy of an actor at the macro-level and personal trust helps to promote social interaction at the micro-level.

### 3.3.3 Manipulating political trust

Political trust relates to how people feel and think about politicians and politics of a state and a government (Hetherington 2001). Studies show that the decline of political trust in government happens not only in developed western capitalist countries but also in post-communist states (Warren 1999; Hardin 1998). However, in social systems which are based on low levels of institutional regulation, political power is often the dominant mechanism in co-ordinating expectations and in controlling social relationships between individuals and organizations (Bachmann 2001 352).
Political trust can be promoted through economic growth and manipulated through the formation of alliances among political, economic and intellectual elites (Wang 2006 229) giving them access to various resources and thereby supporting the party-state’s regime legitimacy. This form of Party-State-Society relationship has resulted in a stable power structure in China (Kang 2002; Wang 2006). Another reason for this stability is that, in contrast to neo-liberal ideology in western economies, Confucian countries such as China are composed of hierarchical relationships (Romar 2004 671). The power of political authority is challenged less than that in western societies. Thus Nee and Cao (1999 800) argue

In classic state socialism, the axial institution was the party-state, which not only managed the economy by fiat power but also maintained direct political controls over the entire ensemble of societal institutions. In state-centred accounts of transition, the structure of public-ownerships and long standard vertical ties linking government bureau with economic actors perpetuate a pattern of resource dependence deeply entrenched in the economy and society. The institutional legacy of the communist political order - both its formal and informal dimensions – comprises the main mechanisms giving rise to persistence of the preexisting stratification order.

The hierarchical nature of Confucian trust contributes greatly to the maintenance of political trust in the party-state. It helps to explain why the Chinese Communist Party can remain in power as a monopolistic party even as China engages with neo-liberalism in the contemporary market economy (Liew 2005).

3.3.4 Relations of trust in financial centres

According to Powell (1996 63), trust is neither chosen nor embedded but is instead learned and reinforced. It is a product of ongoing interaction and discussion (cf. Murphy 2006). For Flores and Soloman (1998 206, emphasis in original)

Trust is a dynamic aspect of human relationships. It is an ongoing process that must be initiated, maintained, sometimes restored and continuously authenticated. Trust is not a social substance or a mysterious entity; trust is a social practice, defined by choices. It is always relational: A trusts B (to do C, D, E)
This relational dynamic is sustained through everyday and ongoing encounters. Global cities provide spaces for these encounters and, in turn, relational trust helps global cities extend their social and economic networks. As argued above, the formative relations between trust and geography/spatiality mean that certain geographies enable the formation of certain kinds of trust whilst, at the same time, trust enables the formation of certain kinds of geographies of interaction. ‘Trust, reciprocity, reflexivity and the minimization of risk thus fuel the explosive growth of global cities’ (Amin and Graham 1997 414).

i) Practised networks: bases of relational spaces of trust

As meeting places for flows of people, capital and technology from all over the world and with a history rich in knowledge and innovation, financial centres are iconic places. They are focal points of globalisation and are rich in networks through which personal trust and regulatory trust may be formed and created.

Financial centres are meeting places (Massey 2007; Thrift 1994) and ‘spaces of interaction’ (Jones 2008). The role of face-to-face interaction is elaborated by many in financial relations because of the high degree of trust required, (see e.g. Gertler 2004; Beaverstock 2004; Faulconbridge 2006; Jones 2002; 2003; 2007) especially as firms transnationalize (Jones 2007).

For Storper and Venables (2002) face-to-face contact is critical in the formation of social relationships. They use the term ‘buzz’ to refer to the information and communication ecologies which are created by face-to-face contacts, co-presence and co-location of people and firms within the same industry and place or region. Bathelt et al (2004 38-9) define the buzz phenomena as follows:

…buzz is never just saying ‘hello’ to some other cluster actors. It refers to the network of communication and information linkages which develop within a cluster. This occurs in negotiations with local suppliers, in phone calls during office hours, while talking to neighbours in the garden or when having lunch with other employees and so on. The nature of buzz is spontaneous and fluid.
Co-presence within the same economic and social context generates manifold opportunities for personal meetings and communication. These meetings can be planned or occur spontaneously. They can be nodedigned and more or less accidental.

The significance of interpersonal interactions in information assessment is also argued by Agnes (2002 256)

Although dealing networks are based on formalised institutional practices defined by local market conventions, they are underpinned by informal relationships among finance personnel that facilitate interbank transactions and the acquisition of market information…While standardised information can be disseminated to any place through electronic systems, nonroutine information can only be obtained and transmitted through face-to-face contacts to clarify ambiguity through the perspectives of collaborators and rivals. Interpersonal contact provides opportunities to make judgments about the quality of information and expertise of potential partners in solving specific business problems.

But personal trust has limits (and see the discussion of Chinese ‘friends’ above). Too much personal trust forms obstacles for new networks. As the economy is not reducible to interpersonal relationships, but composed of multiple production worlds that are defined by product configuration, market principles and technology and production process (Storper and Salais 1997; Hsu and Saxenian 2000, Saxenian and Hsu 2001), regulatory trust is required for the sophisticated managerial and technological learning that is required to compete in a global economy. Further, for Amin and Cohendet (2004), distanciated relations of trust may be developed and sustained through communities of practice.

According to Peet et al (2011 forthcoming) only a few power centres form the kind of spaces that Sassen (1991 4) terms ‘global cities’. These global cities are concentrated command points in the organization of the world economy; key locations for finance and specialized service firms. Together they constitute the capacity to produce global control. The power of global centres is exercised not only by controlling access to world capital accumulation and directing flows of capital in
various forms, but also through influences exerted on the formation of global economic policy by global governance institutions. Thus Peet et al (2011 forthcoming) assert that in ‘global cities, policy is legitimated as true and correct by science and expert opinions rather than elections and democratic consent’. The supposed fairness and trustworthiness make the policy universally standard but global cities are located primarily within western political economies sharing the same western capitalist logic. Policies are inherently western-centred and privileged. More ‘marginal’ spaces are supposed to follow the ‘global standard’ by adjusting their own behaviour and ideologies as the continuous but jagged process of capitalist expansion incorporates non-capitalist spaces (Smith 1984 69).

However, as this thesis attempts to show, people coming to, and working within, global cities are not passive but active agents (Amin 1996; Amin and Thrift 1997). They further transform these spaces in part by forming new relations through personal ties, professional networks or ethnic links. Thus do relational spaces of trust continuously emerge.

**ii) Cooperation, conversations and learning: constructing relational spaces of trust**

Global cities and financial centres are places in which relational spaces of trust may emerge through the ‘complex intermingling of different geographical scales (global, regional, national and local)’ (Dicken et al 2001 95) and the high density of links and networks which constitute such centres. In such spaces of ‘relative autonomy’ (Massey 1999 35), ‘otherness’ and ‘alterity’ might still exist even in our hyper-integrated world’ (Castree 2004 145).

As the role of emerging markets increases, financial centres such as the City of London may compete with other world cities by extending their networks beyond advanced countries. The frequent visits to China by the Lord Mayor of the City of London offers evidence of this endeavour. To deal with Chinese business people, for example, involves a consideration of Confucian ideas in business negotiation. The
City has to find ways to meet with ‘otherness’ not least with respect to notions of trust. Thus ‘otherness’ does not prevent cooperation and difference is not a bad thing. Nevertheless, bridging cognitive distance involves absorptive and communicative capacity (Nooeboom 2002 26). According to evolutionary views on trust, human beings are inherently sociable for ‘survival’. Therefore, people cooperate and like to change accordingly to fit each other for the continuation of cooperation.

…contact with others gives us a possibility to escape from the myopia of our personal cognitive construction, by profiting from the different insights of others, based on different experience (Nooeboom 2002 26)

This communication provides a chance for trust building. Due to different notions of trust held by different actors, relations of trust are also a learning process through mutual adjustment.

One learns to trust by trusting and that is how one gets good at trusting (which includes the knowledge of when not to trust). Trust(ing) is a social skill in much the same sense that communication, charm and salesmanship are social skills (Flores and Soloman 1998 212)

What is important for trust relationships is to ‘mutually recognize and work through’ problems ‘by way of a serious of understanding and renewed commitments’ (Flores and Soloman 1998 223). This relational process is dynamic. It is created through everyday and ongoing encounters. In this sense, ‘trust is created (and damaged) through dialogue, in conversation, by ways of promises, commitments, offers, demands, expectations, explicit and tacit understandings’ (Flores and Soloman 1998 218). The learning process ‘ is iterative – the level of cooperation increases with each agreement between the same partners, and individual partners become more skilled at learning through alliances’ (Powell 1996 57). Thus, for Storper (1997b 251)

The increasing density and complexity of relations is the means to new forms of collective reflexivity, leading … to learning. … In turn, these nodes of relationally linked actors may ‘spin off’ new standardization, decodification processes, but they may also generate variety… sustaining the viability of non-cosmopolitan nodes of interaction. This is but one of the many new dynamics of an economy of reflexivity and its manufactured opportunities and risks
Trust, then, is not only a relationship, socially and spatially embedded (Murphy 2006), but a learning process, involving trial and error (Flores and Soloman 1998 212) to bridge the difference. But where there is difference, there is negotiation and learning. When learning begins, relational spaces of trust emerge. Different cultures with different values within different political economy make the construction of trust an on-going process constantly negotiated in a relational way.

3.4 Conclusions

Trust is central to relationships. It is both the glue that holds most cooperative relationships together (Lewicki and Bunker 1996 129) and, at the same time, it enables the stretching of social relations across space (Coe, Kelly and Yeung 2007). The significance of trust has been recognized in analyses of economic space for more than 30 years but it has been dealt with in a largely unproblematised way. That is why Dasgupta complains that trust is central to all transactions but economists rarely discuss the notion and treat it rather as a background environment, present whenever called upon (Dasgupta 1988 49).

In the field of economic geography, at present, the literature on trust in processes of globalisation is long on suggestion (e.g. Leyshon and Thrift 1997; Lee 2006a; Storper 1997b; Malmberg and Maskell 2002; Hudson 2004), but short on conceptualisation and empirical investigation. This chapter considers trust as a socio-spatial relation. Drawing upon theorisations of trust advanced, for example, by Murphy (2006), on discussions of trust elsewhere in the social sciences - especially within organizational studies, and on the absolute, relative and relational conceptions of space discussed by Harvey (2006) and, in a more empirical context, by Yeung (1998), it sets out to examine the significance of the role of trust.

Trust is ‘a fundamental precondition for many forms of social organisation’ (Glückler 2005 1732) and ‘a fundamental characteristic of business networks, one
which can significantly influence the transaction costs of exchange, the flexibility, innovativeness, or adaptability of firms, and the quality of the information or knowledge flows available to a businessperson’ (Murphy 2006 428). This chapter starts from viewing trust as geography, moves to identify dimensions of trust and finally examines ways of practising trust in financial centres. By acknowledging that trust is formed simultaneously at macro-, meso- and micro levels the thesis suggests that informal/micro and formal/macro mechanisms are complementary in securing trust. The terms ‘personal trust’ and ‘regulatory trust’ are applied to illustrate these mechanisms. By applying Harvey’s (2006) notion of space - absolute, relative and relational, the thesis aims to operationalise trust in relationship construction between the Bank and the Chinese state, the Bank and the City and within the Bank. Arguing that financial markets are facing risk and uncertainty (Knight 1921), this thesis emphasises that banks from post communist countries have more reasons to build trust relationships in capitalist financial centres if they want to participate the global economy. As financial centres are rich in both personal trust and regulatory trust, banks from emerging markets can come to know famous world banks and be known by them. At the same time, they can establish their legitimacy simply by being there and showing their readiness to follow international rules and willingness to learn from others.

This thesis also stresses that trust is a process of geographical learning. As financial firms come from different political economies, they must engage with difference. The process of negotiating difference is also a process of knowing ‘self’ and ‘other’, a process of forming new identities. Mutual understanding may be achieved with acceptance of difference and tolerance of difference. Financial centres provide a highly effective environment for such processes to start. In this thesis, I am interested in how the constant interaction and negotiation of the Bank and the people in the City influence the Bank, the Chinese state and the City itself.
How will western financial centres such as London react as Chinese banks expand their financial spaces? Will the Chinese notion of trust based on Confucian ideas adjust to its local socio-political context? Or will international bankers in London accept the Chinese way of trust building and make adjustments themselves? Such questions will be considered in this thesis from the point view of relational spaces of trust. This involves seeing the ongoing interaction in the global economy not as a one-way process, but as a multiple-way relational process bridging difference through negotiation of different concepts of trust.

In sum, this chapter offers a conception of trust as a socio-spatial relational process and identifies the ways in which the thesis will use and investigate the role of trust in both the practice and the understanding of the globalisation of Chinese banking and finance. In particular, the empirical case studies of changing relations of trust presented in chapters five, six and seven pick up on

i) the significance of developing trustworthiness through an attempt to gain legitimacy via symbolic spaces in a world financial city (chapter 5);

ii) the significance of global cities for encounters/face-to-face contact in building relations of personal and regulatory trust (chapter 5);

iii) the significance of interaction and communication in bridging differences in notions of trust and adapting to new notions of trust in the work space (chapter 6);

iv) the ongoing construction and relational transformation of trust as different cultures with different values within different political economies negotiate their differences (chapter 7);

v) the significance of actors within global cities and organisations as active rather than passive agents.

Thus the empirical chapters which follow pick up on and explore a notion outlined by Jones’ notion of practice (2008 79):
The first principle is the recognition that practice cannot be reduced to a pure economic, social or cultural ‘essence’. Practice-centred concepts are not therefore fitted into pre-existing categories such as, for example, the pure notion of rational economic action. They are always understood as composite phenomena that are influenced by both conventional economic factors (prices, costs, etc), and also unconventional ones (organizational culture, personal friendships, social norms).

In this context, the thesis explores the nature of these ‘composite phenomena’ and argues that globalisation involves continuously evolving hybridities rather than reductive samenesses.
Chapter 4 Methodology: producing an economic geography from core to periphery

For me the greatest joy in field research comes from the interaction with the participants, that is, with the individuals being studied. Here there is a brio because the participants are excited that you are studying them and what they do. You are interested! And you perhaps can help them improve … Field research not only allows scholars to contribute to our knowledge pool; it can also be a lot of fun.

James Wall 2004 349-50; 358

4.1 Introduction

Recent debates in economic geography address the nature of economy. Is the economy an automatic self-contained entity driven by rational economic influences or a complex practice influenced by cultural, social and political factors? The relations between the economic and the cultural have become a key focus of the debates (Sayer 1997). With the contribution of the ‘new economic geographies’, an increasingly broad range of socio-cultural factors in explaining the performance of economic actors has been taken into consideration in industrial organisation, and economic change (e.g. Dicken and Thrift 1992; Lee and Wills 1997; Hughes 1999; Martin 1999; Storper 1997a). With the ‘political’, ‘cultural’ and ‘institutional’ turns in economic geography, economic activity came to be understood as socially and institutionally situated and studied in the wider context of social, cultural and political settings.

The central role of socio-cultural processes in understanding the economic landscape and its evolution is widely accepted (see Amin 1999, 2007; Martin 1999; Martin and Sunley 2001; Peet 1997; Sayer 1997). However, as Sayer (1997 16) has observed, there is a tendency to place culture over all other drivers of economic activity thereby ignoring the powerful social and environmental influence of economy: ‘[E]conomic forces continue to dominate contemporary life, and thus, however unfashionable,
economic analysis cannot be sidelined’. Moreover, there are economic geographers (e.g. Amin and Thrift 2000; Thrift and Olds 1996) who advocate a retreat from economics. The question is therefore not whether to rediscover economics or to go with the cultural, but how to do both at the same time (Lee 2002 335). And this leads to a methodological shift in any attempt to capture the complex influences on economic activity. In contemporary economic geography, influenced perhaps especially by feminist geographers (McDowell 1992; Brunskell 1998), a shift from traditional approaches associated with positivist methodologies to interpretative approaches has been made.

Traditional conceptualizations of economic geography as a spatial science with quantitative methods are criticized as neglecting the economic and social realities of economic actions (Clark 1998, 2005; Massey and Meegan 1985; Rose 1993; Amin 1994; Sayer 1992, 2001). At the same time, new economic geographers are concerned less with the economy as something fixed than with issues of with flux, fluidity and the geography of flows (Thrift and Johnston 1993). Thus ‘soft’ intangible variables that escape quantitative measurement draw attention in our analyses.

In the following sections I discuss the methodologies adopted in this thesis, introduce other research participants and explore some issues of power, politics and ethics in the production of knowledge. Section 4.2 outlines a brief epistemological debate regarding the methods commonly used to research culture and economy. Following Yeung’s (2003) suggestion to go beyond traditional research methodologies in economic geography in order to capture ‘soft’ (socio-cultural) institutional impacts upon the firm, I use this debate to justify my choice of a multiple-methods approach. Section 4.3 discusses my motivation and positionality, and the choice of the case study. Section 4.4 describes the use of a questionnaire, the protocols of in-depth interviews, participant observation processes and the sequence of steps taken in the research. Section 4.5 describes the coding and analysis of the data. Section 4.6 discusses a number of ethical issues and the experience of writing. Section 4.7
4.2 Researching culture and economy

Methodology refers to the entire process of undertaking research (Yeung 2003 443). Methodological debate involves different attitudes towards research philosophies or paradigms that shape how people study their world. Rubin and Rubin (2005 20) state that a paradigm constitutes (a way of) looking at the world; interpreting what is seen; and deciding which of the things seen by researchers are considered to be real, valid, and important to document. A distinction is often drawn between two different philosophies of research: positivist and interpretive/constructionist approaches (Hart and Nolan 1999). Similarly, a frequent distinction is made between specific approaches to research (e.g. quantitative vs. qualitative methods; Clark’s (1998) distinction between ‘stylised facts’ and ‘close dialogue’; and Sayer and Morgan’s (1985) distinction between ‘extensive’ and ‘intensive’ methods). These approaches often set preordained philosophical positions for researchers. Their major intellectual distinctions concern the kinds of explanations that they wish to make and the methods and the data they need to enable such explanations (Rubin and Rubin 2005 19).

Arguing that knowledge production is value-free and objective, positivist philosophy posits that only rigorous observational and quantitative research, such as survey, experiments, and statistical analysis of official and unofficial data obtained by neutral observers of the social world, is rigorous and systematic. Conversely, the interpretive/constructionist approach which guides observational and depth interviewing projects is considered to lack scientific rigour. The designs and findings of research using such an approach are questioned about their validity, reliability and objectivity (Baxter and Eyles 1997). Although some social science researchers (Lincoln and Guba 1985) consider qualitative and quantitative approaches as incompatible, others (e.g. James 2006; Clark 1998) believe that these approaches
overlap and each has its value dealing with different issues. Selection of methodologies depends on the nature of research questions and what goal the researcher wants to achieve.

The influence of the so-called cultural ‘turn’ has added significantly to the use of qualitative methods within economic geography. There is a tendency in economic geography and the geography of finance for research to be based on in-depth interviews or close dialogues with industry respondents (e.g. Crang 2002; Gertler 1997; Clark 1997; Leyshon et al 1998; McDowell 1997, 1998; Schoenberger 1991, 1994; Hall 2006).

4.2.1 Multiple methods

With these considerations in mind, the research strategy that informs my data gathering involves a multiple method approach. I argue that both stylised facts and close dialogue are useful in retrieving data and that an approach using multiple methods is necessary to obtain data in exploring the full complexity of economic life. While quantitative methods may reveal what and where, qualitative methods may produce knowledge about how and why. Qualitative methods show their flexibility in researching the complexities of relations within the real world, especially the micro-worlds where trust is conceived and practised. McDowell’s (1988, 1992, 1999) research in the City of London is a good example of how qualitative methods can explore the ‘meaningfulness’ of social life (Lazar 2002) through ‘reflexive practice based as much on listening as on looking’ (Cloke et al 2004). However, the use of multiple methods enables triangulation to enhance the rigour of the research. Furthermore, different methods produce different types of knowledge (see Sayer and Morgan 1985) and so are able more fully to probe the complexity of relations within firms. Thus survey questionnaires, in-depth interviews, participant observation and textual analysis are used to achieve the data gathering objectives of this thesis. On the one hand, I try to take advantage of all the related methods to acquire rich data.
On the other hand, I want to try minimize their limitations. Table 4.1 offers a schematic comparison of methods used in this thesis.

Table 4.1 A comparison of advantages and limitations of research methods

<table>
<thead>
<tr>
<th>method of data collection</th>
<th>advantages</th>
<th>limitations</th>
</tr>
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<tbody>
<tr>
<td>Open-ended interviews</td>
<td>i) more sensitive to real world complexity and can cover many topics</td>
<td>i) expensive [time consuming]</td>
</tr>
<tr>
<td></td>
<td>ii) allows ‘insider knowledge’ of everyday life and can be modified before or during interview</td>
<td>ii) potential for distortion due to participants personal feelings and the researcher’s interpretation</td>
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<tr>
<td></td>
<td>iii) encourages respondents to think thereby enabling rich data to be collected</td>
<td>iii) sampling problems in large organizations</td>
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<tr>
<td></td>
<td>iv) responses phrased in respondents’ own words</td>
<td>iv) hard to analyse and interpret responses</td>
</tr>
<tr>
<td></td>
<td>v) able to get at what was not done</td>
<td>v) respondent and interviewer bias</td>
</tr>
<tr>
<td></td>
<td>vi) can convey empathy and build trust</td>
<td>vi) self-consciousness</td>
</tr>
<tr>
<td></td>
<td>[see text for more detail]</td>
<td>vii) unreliability of memory</td>
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<tr>
<td></td>
<td></td>
<td>vii) excessive discretion / deliberate falsification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[see text for more detail]</td>
</tr>
<tr>
<td>Standardized questionnaire-fixed choices</td>
<td>i) generates data amenable to quantification and summary</td>
<td>i) incapable of providing an adequate explanation of structures and processes</td>
</tr>
<tr>
<td></td>
<td>ii) the quickest and easiest way to acquire large-scale data sets</td>
<td>ii) the meaning of particular questions is not equally transparent to all respondents</td>
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<td></td>
<td>iii) generates data that is amenable to statistical testing</td>
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<td></td>
<td>iv) no need to administer questionnaires in person</td>
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<tr>
<td>Observations -of people, work settings</td>
<td>i) behavioural data independent of self-descriptions, feelings, opinions etc.</td>
<td>i) constraints on access</td>
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<tr>
<td></td>
<td>ii) data on situational contextual effects</td>
<td>ii) costly and time-consuming</td>
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<td></td>
<td>iii) rich data on hard-to-measure topics – e.g. actual practices</td>
<td>iii) observer bias</td>
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<td></td>
<td>iv) data yield new insights, hypotheses</td>
<td>iv) presence of researcher may affect behaviour of people observed</td>
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<td></td>
<td></td>
<td>v) hard to analyse, interpret and report data</td>
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<td></td>
<td></td>
<td>vi) may seem unscientific</td>
</tr>
<tr>
<td>Analysing secondary data – reports, records, files, documents, etc.</td>
<td>i) non-reactive</td>
<td>i) access, retrieval and analysis problems,</td>
</tr>
<tr>
<td></td>
<td>ii) often quantifiable</td>
<td>ii) generate costs of time and money</td>
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<td></td>
<td>iii) repeated measures reveal change</td>
<td>iii) validity and credibility of sources and measures can be low</td>
</tr>
<tr>
<td></td>
<td>iv) credibility of familiar measures</td>
<td>iv) need to analyse data in context – purpose for which data was originally collected my be different from own use</td>
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<td></td>
<td>v) often cheaper and faster than gathering new data</td>
<td>v) limited data on many topics</td>
</tr>
<tr>
<td></td>
<td>vi) independent sources</td>
<td></td>
</tr>
</tbody>
</table>

sources: Modified from Harrison 1994 25 and James 2003 50
4.2.2 Methods on the move: a reflexive approach

The methods I have used were guided by the research process itself. This was highly pragmatic, evolving to suit the requirements of my study as the research progressed. Thus, despite its limitations in dealing with the subject of my research, one technique I used in various ways was a questionnaire survey (see more in 4.4.1 and survey questions attached in appendix 5). This was because it was a quick and easy way to get a sense of the range of issues involved in the research topic and I used it as an ice-breaker to open up my interview and to inform my respondents about the topic of trust.

However, the survey also revealed the limitations inherent in the method – questions of ‘Why?’ and ‘How?’ were hidden behind responses to the ‘Yes’ ‘No’ questions. In-depth interviews, direct observation and secondary data provided me with much more detailed and nuanced data on this point. In the rest of this chapter, I discuss my research methodology in more detail and again I would like to remind my reader of the recursive process involved in the course of the fieldwork process. A concern for context in shaping and understanding economic behaviour in time and space makes research an ongoing process. In Yeung’s (2003) words, I adopted a process-based methodological framework. This may be defined as the creative and coherent deployment of different methodological practices in different “moments” of a research process sensitive to specific research questions and /or contexts. Therefore,

[I]n an actual research process, we often adapt and adjust our methodological practices in view of changing research contexts (Yeung 2003 446).

Under these circumstances, methodological flexibility and varied strategies are necessary for different dimensions of phenomena. But, in addition, methodological approaches also reflect the motivations of the research. And this is closely related to the case I chose.
4.3 The case study of Chinabank UK: knowing the wood by observing the trees

4.3.1 Motivation for this research

The context of this thesis was set by issues arising from the globalisation of the Bank’s financial space. The Bank was engaged in a process of engaging with western financial markets in part to establish a global role for Chinese banking and, in part, to enable it to deal with the increasing globalisation of both inward and outward investment to and from China. My major concern was not with the material flows in this process but with the social geographies which allow facilitate such global flows. The thesis focuses in particular on the (changing) role and construction of trust as a means whereby differences between spaces of finance in China and in London may be bridged.

This research developed from my interests in the internationalization of Chinese firms in my job at China Ocean University and in the significance of Confucian notions of trust for contemporary business practices in China. Being a lecturer at cross-cultural management, I had been invited to attend many project negotiations as an interpreter. The projects in which I participated ranged from the national level with big state-owned enterprises such as steel works and oil refineries to a local level of township enterprises in textiles, art and crafts. The people I worked with were Chinese government officers, commercial bankers, local entrepreneurs, foreign investors and business people from different regions and countries. I noticed, to my surprise, that sometimes little, culturally-specific things - such as an ‘inappropriate’ performance in a banquet - could lead negotiations to an unsuccessful conclusion. For example, the Chinese may interpret their foreign partners as not being respectful and having no intention to make ‘friends’ with them just because the foreigners refused to drink more liquor in the banquet. Chinese like to make ‘friends’ before doing business with strangers. This is contrary to the idea that ‘money is everything’ in contemporary post-socialist China although it could be argued that a money nexus
is merely supplemented by a nexus of mutual obligations (see chapter 3). Lee’s (2006b 414) statement is justified here:

…the economy … is an integral part of everyday life, full of the contradictions, ethical dilemmas and multiple values that inform the quotidian business of making a living. In short, it is ordinary.

In such ways, cultural factors rather than more narrowly economic negotiations over market price, for example, may have crucial impacts on the establishment of business relationships in the global market. Different concepts of ‘trust’, for example, may make business people from different cultures behave quite differently in the process of business cooperation. The concern about the extent to which the making of the global economy is influenced by such ‘cultural’ relationships - and, in particular, the processes of negotiation and reconciliation of different notions of trust - is central to the research approach adopted here and this has shaped the design, methodology and techniques to be used in the thesis.

The concerns addressed by this research imply that I could not conduct it ‘in some kind of sealed environment or social vacuum’ (Cloke et al 2004 364) with a value-free approach as claimed by positivist approaches to social sciences. And this raises a more general point. Financial markets are assumed to be the most efficient markets of western economies, but their systemic inefficiencies and irrationalities are demonstrated by many scholars (Shleifer 2000; Pixley 2004). Humans are not ‘objects’, and are subject to many influences on behavior, feelings, perceptions, and attitudes that positivists may reject as irrelevant and as belonging to the realms of metaphysics (Bond 1993). The interpretive constructionist approach allows my research to adopt a less analytical and more reflexive method. It acknowledges the empirical diversity involved in geographical research, and so attempts a research process that reflects, and is sensitive to, the effects of research questions in particular contexts of space and time (Yeung 2003). The research process therefore, is an ongoing process of construction by both the researcher and the researched. Incidentally, this approach relies itself on the development of trust between researcher and the researched. Beyond this, the positionality and experiences of the
researcher is highly formative in the development of these relationships. In researching financial relationships, it explores the practices of financial decision making, the exchange of information (including individual interpretations of common data) and the management of networks of information (especially those that rely upon reciprocity) (Clark 1998 82).

As this empirical research investigated a process of globalisation taking place from a ‘periphery’ (China - albeit an increasingly influential periphery) to a ‘core’ of the global economy, the diversity of economic life is my concern. Therefore, providing general law-like propositions by analytical and mathematical methods is not my purpose. Instead, applying a qualitative approach with the additional help of a questionnaire (see above) enabled me to have a deeper understanding of the financial globalisation in a marginalized world.

4.3.2 Chinabank UK as a case study
This thesis concerns the role of trust in making financial spaces and the impact of transformation of notions of trust on this process and on the social and economic actors involved. Given these objectives, I chose Chinabank because it was the first Chinese bank to operate outside China and it has the most overseas branches. It has the longest and most complex history and, as indicated, the first to initiate going global. Of course, I am not claiming that this bank is representative of other Chinese state-owned banks, but it does allow the thesis to explore issues around the transformation of relations of trust in ways which reflect the long and diverse experience of the bank in opening up to the outside world. In this context, several further factors shaped my choice of the Bank as a case study to focus on in this thesis.

First, it operates within and across a mixed range of geographies. As the Bank is registered in London as a UK bank and at the same time its head office is in Beijing,
it has to cope with two influential geographies in operating its business: the capitalist financial centre of London and the socialist capital of Beijing (see chapters 1 and 2). Secondly, with a new identity of a ‘UK bank’, the Bank is regarded as a flagship overseas bank both by its Beijing head office and by financial supervisors in Beijing. Thus every move of the Bank in London draws the attention of Beijing. Third, the Bank was established by Chinabank London Branch, which belongs to Chinabank in Beijing. Chinabank LB was the first overseas bank branch established by the Chinese government in 1929 and was politically highly significant to communist China from 1949 on. While registered in London and supervised by UK FSA, the Bank has a tricky relationship with Beijing and London. On the one hand, the Bank is registered as a London bank supervised by the Financial Services Authority (FSA); on the other hand, it is owned and financed by a state-run bank headquartered in Beijing. The Bank therefore shares the same boss and same management team as its headquarters. The CEO of the Bank is also the general manager of Chinabank L B. Both positions are appointed by its Beijing Headquarters and authorized not only by the UK FSA but also by the Ministry of Foreign Affairs of China (MFAC) in Beijing (see figure 4.1).

Figure 4.1 The hierarchical structure of Chinabank

source: this is a highly simplified version of figure 2.10
In one of my interviewee’s (CBUK 01/20/08/09 London) words, Chinabank UK is the ‘grandson’ of Chinabank in Beijing. The Bank is not only an economic entity but is, like all firms, a ‘sociospatial construction embedded in broader discourses and practices’ (Yeung 1998). However, the ‘broader discourses and practices’ in this case are highly differentiated across and within its constituent geographies. Situating the Bank within the context of these wider social relations and political-economic processes in order to study the intricate and mutually formative relationships between them was what I wanted to do in this thesis. This is because, as a means organizing social life, the Bank, like any firm, is a constellation of network relations governed by social actors. Instead of being a mechanistic production function or an abstract capitalist imperative, it is a contested site for material and discursive constructions at different organizational and spatial scales, and ‘heavily influenced by a range of other key factors (less tangible factors such as cultural norms)’ (Jones 2008 75).

Finally – and very significantly in this discursive context - the choice of Chinabank reflected my own positionality (see also sections 4.7, 4.8 and Appendix 4). As I have a relative who has worked for Chinabank for over twenty years, and as the Bank sets out deliberately to represent itself to its employees as a ‘family’ (see chapter 6), I had privileged access not only to individuals but also to documents. However, this privileged position was a two-edged sword. On the one hand, I had a close and day-to-day insight into the affairs of the Bank and knew from personal acquaintance several of my interviewees with whom I was able to establish a relaxed and trusting relationship. On the other hand – and not only because of the implications flowing from the mutual obligations of ‘friends’ – questions of confidentiality and ethics were much to the fore especially when engaged in interviewing and in observation (section 4.4). My response to this was to try to treat interviewees and all those with whom I interacted in the course of empirical research in line with the ethical guidelines that set the framework for my work (section 4.7) whilst, at the same time, taking advantage of the intimacy of insights afforded but doing so only in the full knowledge of my respondents (see also section 4.8).
4.3.3 Moments of globalisation

As I proceeded mainly from an interpretative constructionist perspective, I focused on particular moments – events and practices – involving the creation, or recreation, of relations of trust within the Bank, between the Bank and its clients in London and elsewhere and its overseers in Beijing. I chose three distinctive moments of the Bank’s activities in London to explore the construction and reconstruction of relations of trust across these geographies. First I chose the opening ceremony of the Bank in Mansion House. I wanted to explore why the Bank wished to celebrate its opening so publicly and why it chose the Mansion House as the venue, how the space was accessed and used by the Bank and how notions of trust played a significant role in this process and changed notions of trust were one outcome of it. This event enabled and exploration of the issue of the integration of the Bank as a member of the City and, in particular, to gain recognition and demonstrate trustworthiness. Secondly I explored the way the Bank recruited its local British managers and examined the strategies adopted by the Bank to manage the Chinese expatriates replaced by them. Again, different notions of trust were both employed and created in this process of integration and in the placatory strategies that were involved. Thirdly, against the background of the Bank’s successful and newsworthy launch of a mortgage product, I examined the conditions through which notions of trust between the Bank in London and its head office and state regulators in Beijing were challenged and transformed. In all three cases, the strategy was to explore the presence and significance of trust in these developments but to recognise and assess voices that were critical of the Bank’s strategy not least as these voices too allowed a critique of trust as a social relation enabling material change.

Although these moments are inherently limited in scope and are ongoing and incomplete, the research that they enable is compelling in its detail and suggestive in drawing out implications that range beyond the context in which they took place. Above all, as they are particularly well-suited for the study of micro-level

12 I undertook my fieldwork from December 2006 to October 2009.
phenomena, the three moments which formed the substantive empirical focus of the thesis enabled the research to capture i) the significance of trust; ii) context in which trust formation takes place; iii) the transformative processes of hybridisation which leads trust to change over space and time; and iv) the meanings that individuals attach to particular interactions. Encouragingly, my focus on these moments were acknowledged by my respondents to be significant for them in the development of the Bank.

4.4 Practising multiple methods

As a crucial first stage I undertook pilots of the survey and in-depth interview questions with a group of managers from the Bank’s Beijing Head office. I chose them because i) they were open to questions concerning the management and daily practice of the Chinese banks; ii) it was geographically convenient for me to get access to them as they were temporarily resident in London for training classes on modern commercial banking practices; and iii) I had known some of them for years and so I trusted their responses and this trust enabled me to explore not only the limits of the questionnaire but the wider objectives of the thesis. However, I was also aware of the problems caused by familiarity. For example, I was aware of their possibly wish to please me through their responses thereby overstating success or agreeing too readily with ideas that they assumed to be important to me (see also Markusen1999). I tried to keep the relationship between me and my researched to ‘be such as to enable social inquiry to be undertaken as objectively as possible’ (McDowell 1997 279) by constant awareness of my relationships with the respondents and by questioning their responses. The pilot interviews helped me to clarify the interview schedules and the survey questions, as well as elucidating the direction and limits of the project as a whole.
4.4.1 Questionnaire

At first I did not consider using questionnaires in my research. The reason I changed my mind and began to use a simple questionnaire as an ice-breaker with interviewees offers an example of the reflexive approach that I tried to adopt. This change of mind grew out of some difficulties experienced in gaining the trust of my respondents.

In December 2006, a group of Chinese bankers from Beijing came to London for a two weeks training course. I gained permission to attend some of their lectures in order to have a direct observation of what they were studying and in what topics they were interested. I was troubled with the problem of how to get my respondents to feel free to talk with me about my research interests and to reduce their suspicion of my research. I wanted to let them understand that I was interested in relations of trust but not economic figures or financial issues of their bank. This concern arose because, when I undertook pilot interviews with two of them, they became nervous. I found that they felt suspicious about my research not knowing what I was going to ask next and why. They were also at a loss having no idea as to why I was interested in trust, especially when I asked questions concerning trust among different actors between Beijing and London.

It occurred to me that it might a good idea to conduct a one-page questionnaire both to explore the limitations of qualitative survey and to begin to test my assumptions about whether or not trust is significant in banking. But as the survey proceeded and their enthusiasm in talking with me about their answers to the survey became clear, I came to realize that this method was a good way for me to introduce the topic of trust to my potential respondents and it could also function as a good entry point for more intensive surveys and interviews.

Therefore, I used questionnaires at this stage of my work not in order to generate a large database, but as an overview of what potential respondents think about ‘trust’ and as an initial guide to the complexities of the topic of trust for the interviewees. I
completed 105 questionnaire surveys in total, 60 of which were conducted face to face and with a 100 percent response rate.

The first questionnaire was undertaken in London and focused on the nationality of the respondents, the nature of trust and of building trust, the role of trust in business communication and performance, the significance of gifting and drinking and the style of corporate culture. Twenty of the respondents were Chinese managers from Beijing and five were City experts invited to deliver lectures. This mix of respondents was especially helpful as discussions with the respondents survey as it highlighted two significant sources of confusion. First, informal discussion revealed that personal trust was thought to be important in doing business, but the survey data suggested only a medium level of significance. Secondly, discussions showed that corporate governance in Chinese banks was described as Chinese in style, while the survey data suggested that it was ‘western style’. The reason behind these apparent contradictions was revealed when one of the City experts asked me to tell him the results of the survey and many of the Chinese managers in the training class heard the request. The Chinese managers thought my survey of trust was too comparative and so they were keen to present ‘our Chinese culture not so backward’ to ‘foreigners’ eyes’ as one of the respondents explained to me (CB07/20/06/08 London). Clearly, factors such as ‘place’ and ‘context’ are highly formative in shaping responses to my questions.

To test this conclusion, I undertook the same survey in China with two groups of 10 Chinese bank managers. I did so around a banquet table before a dinner formally began. This time the place was in Beijing, the context was eating and drinking with friends and the result was confirmative. With little or no worry of ‘losing face’ to foreigners, the Chinese respondents readily indicated that personal trust is of utmost importance and corporate governance in Chinese banks was mainly Chinese in style. Clearly, the context in which surveys and interviews take place have a powerful influence on the nature of the responses.
Table 4.2 Survey methods used in the research

<table>
<thead>
<tr>
<th>Phase</th>
<th>Respondents</th>
<th>Time period</th>
<th>Place</th>
<th>Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot of survey and interview questions</td>
<td>20 Chinese managers from Beijing</td>
<td>December 2006</td>
<td>London</td>
<td>Lecture room</td>
</tr>
<tr>
<td>and technique</td>
<td>5 City experts</td>
<td></td>
<td>Restaurant</td>
<td>Restaurant</td>
</tr>
<tr>
<td>Confirm survey</td>
<td>20 bank managers</td>
<td>Sept 2008</td>
<td>Beijing</td>
<td>Restaurant</td>
</tr>
<tr>
<td>Survey before interviews</td>
<td>60</td>
<td>Dec 2006 - October 2009</td>
<td>Beijing</td>
<td>Restaurant Bar Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>London</td>
<td></td>
</tr>
</tbody>
</table>

With this important finding in mind in the research followed, I used the survey method as an entry point to guide my interview questions. In this way, the survey method, conducted as indicated in Table 4.2, was used only in a complementary way to help interviews. And a number of further findings helped shaped the in-depth stages of the research. Thus, for example, the higher the position the respondents held, the higher they rated the role of trust; and the longer time the respondents had worked in a multicultural work site, the closer their understanding of trust and of the role of trust in enabling globalisation in the Bank. Chinese female respondents had a similar view of the role of drinking in trust making as did British respondents, but differed from them with respect to the significance of gifting. In these ways, the survey results sharpened my awareness of the significance of gender and seniority but especially the role of context in shaping responses to questions and interviews.

4.4.2 Semi-structured interviews

My research focuses on the significance of relational concepts of trust to the understanding of the processes of financial globalisation. Most of the data gathered to research this topic were generated through interviews with, and observations of, its employees and related actors. I recruited 60 interview respondents involved in the strategic development and daily operation of the Bank. There were two main categories of interviewees:
i) 40 people inside Chinabank (managers and staff in its Beijing head office and in the Bank in London)

ii) 20 people outside Chinabank (the Bank’s supervisors in Beijing, business partners, clients, international service providers and media people in both London and Beijing).

Interviews ranged from 45 minutes to 120 minutes and some key interviewees were asked to participate in several follow-up interviews in order to clarify certain issues and track changes under the constant transition of the Bank on its journey in the making of its global financial spaces.

i) Selection and sampling of respondents

The first selection criterion was knowledge-based. However, as Giddens (1984 281) points out

All human beings are knowledgeable agents. That is to say, all social actors know a great deal about the conditions and consequences of what they do in their day-to-day lives.

Thus the process of selection remains important. ‘Knowledge’ is significant in what Rubin and Rubin (2005 vii) call responsive interviewing. This involves

…choosing interviewees who are knowledgeable about the research problem, listening carefully to what they tell you, and asking additional questions about their answers until you really understand them …

Some respondents were selected on the basis of their role in the Chinabank. These were insiders familiar with the Bank. Some elite respondents were key participants in the project. Others were selected from outside the Chinabank on the basis of their expert knowledge of the Bank and of its complex relationships to the financial markets. The purpose of interviewing outsiders was to gain a view from the outside in and to generate evidence for triangulation. Thus, in selecting respondents, I chose both managers and less senior staff. Highly placed managers were involved in all key aspects of the business and consequently have first hand knowledge of the firm’s strategy and administrative activities. Less senior staff offer different voices and add both credibility and critique to the data generation. I also sought to interview a mix of both males and females in the Bank. ‘Corporate historians’ (Glasmeier 1998) were
also a target. I was fortunate to get access to several people who had been involved in the Bank for nearly 30 years. Their stories were part of the story of the Bank. Time was, therefore, also an important criterion. Those who had been working as a manager or employee or involved with the bank as clients, strategic partners and administrators for at least a year are considered as potential respondents.

The sample size I chose depended on the need to answer my research questions and to produce new knowledge. I came to realize that the sample size was sufficient when repetition of old themes occurred and no significant new knowledge was generated; in short, when ‘saturation’ occurred (Baxter and Eyles 1997).

**ii) Allocation of interviews**

Table 4.3 summarises the range of respondents interviewed and further detail is provided in Appendix 2.

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers in the HQ in Beijing</td>
<td>11</td>
</tr>
<tr>
<td>Local managers, expatriates, retired employees of the Bank, and the expatriates’ partner in the Bank in London</td>
<td>29</td>
</tr>
<tr>
<td>Chinese state officials and the Bank’s state client, state media in Beijing</td>
<td>8</td>
</tr>
<tr>
<td>Business partners, clients of the Bank in the City</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

Among the 40 people inside Chinabank, interviews were undertaken with senior and junior managers, members of the board, and staff in the Bank’s Beijing office (11 in total); and with senior and junior managers and staff in the Bank in London (29 in total). The purpose of the interviews was to explore the opinions of interviewees on

i) the role of the City of London in shaping and practising notions of trust as the Bank went about making financial spaces in this capitalist financial centre.
ii) the incorporation of different notions of trust in building the Bank’s capacity in the City through recruiting local expertise; and

iii) the transformations of the relations of trust in the Bank’s business and the significance of these transformations in the relations between Beijing and London.

Among the 20 people outside the Chinabank, interviews were shared more or less equally between i) the Chinabank’s strategic partners ii) its home supervisors and media respondents who have been interested in the Bank; and iii) its key clients as defined in terms of length of relationship, size and nature of business and recent expansion of business. Interview questions were designed to reveal to what extent financial relations require negotiation between different concepts of trust in bridging space and differences across cultures.

**iii) Access to the respondents**

I was lucky in that the ‘going global strategy’ practised by the Bank in recent years changed its traditionally hostile attitude towards the media and outside researchers. When I expressed my research interests in the Bank, one member in the EMC was very supportive. ‘We ought to let the outside world to know us, it’s a good thing you want to take our bank as a case study’ was the response of one of the EMC members I approached (CBUK01/01/12/06 London).

Following the ethical code of University of London, I asked for written permission to undertake interviews from the Bank’s head office in Beijing. As a clear sense of administrative hierarchy is rooted in the Chinese mind, the written permission from Beijing could be used as a pass to research in any part of the Bank. However, I also approached the Bank in London and received oral permission from its administrative department. My research was welcome as a positive sign from the outside world and, in particular, from London. Here the standing of Queen Mary, University of London, as well as of my supervisor Professor Roger Lee, helped to legitimate me as a qualified researcher and my research within the Bank. At the same time, as a Chinese
familiar to, and trusted by, the Bank (see the discussion of my positionality above and in section 4.8 and in Appendix 4), I was given ready access.

Existing established personal contacts offered the most effective way for me to access my respondents. Snowballing techniques were applied at the first stages of interviewing but, to avoid the problem of limited representativeness (Magnaninia et al 2005), I used targeted sampling to increase the validity within the range of responses. Once my respondents agreed to an interview, they all liked to tell me their experience, their ideas about the Bank’s policy or action, and sometimes the interviews were taken far beyond the time limits. Following the initial interview, subsequent interviews were undertaken by telephone or another interview. I used these later interviews to cover new ground where appropriate but also to confirm my own interpretations of the Bank based on previous interviews. However, having been aware of the role of ‘suppliant’ requesting time and expertise from the powerful with little to offer in return (see, for example, McDowell (1992); Parry (1998)), I tried to develop my respondents’ interests in the research by explaining why I was interested in them. In order to build their sense of achievement in participating in my research, I also explained to them the kinds of theories concerning financial globalisation that I was using and how I was going to challenge these theories by reflecting on their experiences. My respondents responded positively to this, and some encouraged me to challenge existing theory.

I am sure all real experience concerning China is typical and will make the existing western theory inadequate. Your work is worthwhile.

Ning Gan, Chinabank board member CB09/17/09/08 Beijing

Several respondents asked me to feed back my results to them in order for them to improve their understanding of their own field. Because of the interest in my work, many of my respondents agreed to my follow-up interviews.

I must admit that London as a place played a significant role in my getting access to the targeted respondents, especially those in Beijing. First, being located in a world
financial centre, the Bank acts a training centre for its bank group, some of my identified respondents were trained in London for a couple of weeks or months. At these times, they were less busy and so it was easier to arrange an interview compared with their busy life in Beijing. Secondly, as the Bank was active in organizing events for its Beijing colleagues, I made good use of these chances to conduct interviews in London with my identified Beijing-based respondents. Thirdly, even if I was unable formally to interview them, I still had the chance to build personal trust with them by accompanying them touring or shopping in London. Returning to China, they then put my interview as one of their priorities. All in all, London as a place helped me greatly in getting access to my respondents and making friends with them. The personal trust built between us allowed me to get a more reliable data from my respondents. They trusted me and were ready to speak honestly and frankly. I also acquired data from free conversation with them when we were together in a trip out of London or lunch together after a busy shopping time. However, I would tell them that I was doing research on the Bank and asked them to let me use the material they provided to me. The data gathered from free conversation were used both to triangulate my existing data and to identify new themes.

4.4.3 Participant observation

A geography that seeks better understandings of how social structures and human agents are stirred and separated in everyday spatial contexts must embrace more, and more rigorous, ethnography (Herbert 2000 568).

Although this study depended only partially on ethnographic work, participant observation played a significant role. Having several friends and relatives working in Chinese banks, I was familiar with their working contexts and this helped greatly in undertaking participant observation – although, as indicated above, this familiarity also raised some difficulties in validating the data gathered. This experience helped me not only to observe the informal rules governing their ways of practising trust and
doing reciprocity but to be sensitive to the transformations of conceptions of trust in their behaviour and to grasp the changes in practising trust.

Participant observation was also applied in observing the daily operations of the Bank, such as celebrations, training courses, and holiday parties. By observing the social activities, I could make an interpretation of the social meaning embodied in them. Following Ley (1988:121), I treated those I observed as knowledgeable agents and tried to make sense of their actions and intentions in organizing and participating in the events and activities (Zelditch 1962; Jackson 1983). As Herbert (2000:558) observes.

Through observing and participating the events, the researcher tries to interpret meanings in context. The ethnographer, in effect, becomes a research instrument and uses his or her developing cultural competence to outline the symbolic architecture of the group under study.

My ‘cultural competence’ (see above) helped me to ‘outline the symbolic architecture’ (Herbert 2000) of events in which I participated and which I observed. Once a month on average, I sat in on several training classes held in London for Chinese bankers thereby getting to know the content of their training, their motivation, and the outcomes of their training. On many occasions I attended formal and informal corporate events. Every year since 2005, I attended Chinese New Year’s Celebrations sponsored by the Bank in London’s Trafalgar Square. I could observe who attended the event, how the Bank presented itself to the public, what the Bank did for the event and why. I attended the annual Christmas Party held by the Bank for all its employees and their families and I participated in the trips organized by the Bank for its expatriate families twice a year at Bank Holidays and over long weekends in spring. In participating in such corporate activities, I could observe the practice of different notions of trust in the Bank and the impact of hierarchy on the Bank. By listening to the speeches made by the CEO or other VIPs, I could learn what corporate discourse was emphasized and repeated. I obtained data about the ways in which the Bank presented itself to its employees and what forms of trust the
Bank tended to promote and build.

I also attended get-togethers for big festivals in the Chinese Embassy twice a year from 2005. By attending the get-together parties in the Chinese Embassy, I got some sense of how the state tried to tighten the tie with its overseas firms. On occasions, I attended banquets held for the Bank’s clients and partners. I observed what notions of trust the Bank tried to communicate with its Chinese and Western clients.

At times during such encounters, I engaged in free-flowing conversations and had access to my identified respondents to listen to their own personal opinions on questions in which I was interested. Although I got the permission from Chinabank in Beijing to conduct research in the Bank in London and in its head office in Beijing, every time I chatted with my respondents, I would tell them why I was interested in the information. In these events, I could chat freely with my identified respondents to understand the Bank’s culture and the way the Bank tried to build trust and confidence with the public and its employees. In such cases, interviews were undertaken in an informal setting. Although these kinds of interviews were usually more like a conversation than a standard interview, they sometimes provided richer information thanks to the relaxed atmosphere and the relatively equal position between the interviewer and interviewees compared with a formal interview.

Visiting the office of my respondents was another way to know my respondents. By observing the displays in the office, I could sense what business issues most concerned my respondents. Quite a few displayed their certificates from famous institutions or photos after training courses or at meetings with VIPs. Only a few put their family photo in the office. While interviewing them, I also observed their dressing code, their way of sitting in the chairs, their way of treating me, their way of treating their colleagues; their way of handling telephone in our interviews. All of these observations helped me to get some general idea about the daily goings-on of my respondents and their way of treating different people.
Because these processes and meanings were context dependent, I was able to detail the role of place in the reconstruction or deconstruction of social life (Herbert 2000 568). Participant observation therefore provided me with insights of how social meaning was expressed in daily life and offered me a means of securing my data ‘within the mediums, symbols and experiential worlds which have meaning’ for my respondents (Vidich 1955 356).

As ethnography relies heavily on interpretation, it is criticized as overly subjective and less helpful in generalizing theory due to its intensive focus on one or a small number of specific situations (Herbert 2000). In combination, participant observation and interviews allowed me to approach respondents from different positions, compare and contrast their viewpoints, and to validate their information and opinions by triangulating between independent observations. Furthermore, debates about the ‘social construction of knowledges and discourses’ and ‘the relations of power embedded within them’ (McDowell 1992 399-400) made me fully aware that applying participant observation methods not only raises a range of ethical issues (addressed in section 4.4 and 4.7) but also that they may reveal the ways in which certain ‘realities’ are in fact constructed.

4.4.4 Secondary data
The case study was further developed using a number of secondary data sources as part of a triangulation strategy to verify interview responses. These secondary sources include two volumes of the Chinabank’s history; documentation for its Initial Public Offering (IPO) in 2006; Chinabank’s annual reports; the Bank’s internal e-news, booklets for the Bank’s promotion and its Beijing headquarters’ staff paper; the website of the Bank and its headquarters in Beijing; visual images or slogans used for advertising Chinese banks. For a critique of these data and an alternative account of Chinese financial reform emanating from outside China, other data was collected from variety of sources including articles and images from major financial
media, in particular, *Financial Times*, *The Economist*, *Chinese Finance*, *Harvard Business Study* and reports by the Corporation of the City of London.

Using textual analyses allowed me to track temporal and geographical changes in the representation of Chinese finance and banks. Changes in the discourse of representing Chinese banks gave some hint of transformation of relations of trust within the Bank, between the Bank and the Chinese state and between the Bank and the City of London. Nevertheless, while using the secondary data, I had been aware that the texts and documents were not just there for me to read and use. They are social artefacts that construct particular kinds of representations with their own conventions rather than objective, transparent accounts of organizational routines, decision-making processes, or professional diagnoses (Atkinson and Coffery 2004:58). Furthermore, those data are often ‘reconstructed’ (Cloke et al 2004:36) by other agencies such as government, companies, media, etc. The data are not ‘simply sitting there’ waiting for me to locate and to access (Cloke et al 2004:36) and they are far from neutral. So to extract significance from these ‘reconstructed’ data for interpretation, it was necessary to consider why, how, when and where these data were constructed. Bearing this in mind, I tried to get a better understanding of the implied meanings in the semiotics of the words and numbers represented within such data.

### 4.4.5 Triangulation

Data obtained from secondary data and textual analysis were analyzed as part of a process of triangulation to check the integrity of the information from other qualitative research such as interviews and observation. In Clark’s (1998:78) words:

> We must be simultaneously committed to the relationships essential to close dialogue and yet be willing to “betray” our informants by reference to the scepticism of cold-hearted theory.

A reflective and evaluative scepticism was considered essential in developing a better understanding of the local context of decision-making in financial relations.
The intention is that differences in data from various sources may offer significant insights into the discursive practices and multiple identities of economic actors. Thus multiple-methods were used to add methodological validity, reliability and reflexivity (Yeung 2003 457). Triangulation is one of the most powerful techniques for strengthening credibility (Baxter and Eyles 1997 514). It involves the attempt to get a ‘true’ fix on a situation by combining different ways of looking at it or at different findings (Silverman 2005 212). It is based on convergence: when multiple sources provide similar findings their credibility is considerably strengthened. Thus, by applying multiple-methods, the integrity of the information, or at least a sceptical take upon it, may be secured and may be cross-referenced with other sources of data including other interviewees, publications and observations. For example, in an interview, the CEO told me that a favourable representation of the Bank’s economic performance in London helped it to gain trust from its headquarters in Beijing. His remark concerned a thick booklet on economic performance produced by the Bank in London for consumption in Beijing which was sitting on the manager’s table. He referred to the booklet several times talking about the good performance of the Bank in London. From this interview and the observations during the interview, I understood why the Bank in London liked to spend money to make beautiful booklets every quarter and newsletters every month in order to represent its economic success and corporate life.

Clearly, the Bank’s achievements are themselves constructed and performed in order to help achieve leverage in Beijing. What is revealed in this example is less confirmation by triangulation than the ever present need for critical scepticism in assessing the mutually reinforcing performativity of behaviour and representation.

4.4.6 Field diary
I wrote a field diary every time I undertook participant observation and interviews, and described what I recorded on the spot in field. While Silverman (2005 158) states
that field notes should never neglect ‘what you can see ’and ‘how you are
behaving/being treated’, Wolfinger’s (2002 91 quoted in Cloke et al 2004 199,
emphasis in original) list is also helpful in shaping the content of the field diary.


My field diary also recorded the contents of each activity and emotional reactions, such as the sense of closeness, stress, pleasure, and content of each activity in order to refresh my memory whenever I went back to reflect on the data. I found that a field diary is a good tool to guide a fresh collection of data, to review the original data, to form new explanations and to report on the research and its implications. Furthermore, the techniques of keeping a field diary through the research process offer a useful format to maintain researcher reflexivity (Burck 2005 245).

4.5 Coding and analysis

As indicated above I undertook a simple survey at the first stage of the field work to help me to identify broad patterns before embarking on the interviews. This material was not amenable to statistical analysis but the qualitative interview data were amenable to progressive qualitative hypothesis testing. Coding and analyzing qualitative data involves their categorisation, conceptualization, and reconceptualization in order that they may be used to examine links between groups of data and develop hypotheses. In short, coding and analyzing are processes of abstraction and iteration.

Firstly, I transcribed the 40 of the interviews which were recorded and organized the notes of the 20 which could not be recorded, highlighting them for essential quotes. The interviews and field notes were then coded using content analysis procedures.
(Lincoln and Guba 1985; Strauss 1987). This involved coding data into categories in
line with the context of the Bank’s development in London and its changing
relationships with Beijing. The data were then structured to address the research
issues identified (Yin 1994). Emerging themes were further pursued to extract leads
for understanding the Bank’s practices in going global. Key issues and ideas in the
quotation were then extracted using the logic of grounded theory (Glaser and Strauss
1967). This process was recursive. It involves several stages:

4.5.1 Pre-theme stage
The coding process, as I experienced it, began at the very beginning of the research
processes. While undertaking the literature research, it was difficult not to form some
preconceptions. Thus the process of theme-formation actually started at the very
beginning when I formed the research questions and interview guide list.

4.5.2 Theme–forming and checking stage
Whilst interviewing my respondents, I confirmed some of the themes identified in
my previous stage and found new themes emerging from the conversation. During
the transcribing and analysis of the interview transcripts phrase-by-phrase and
reading the detailed notes of the conversation which were not recorded, I found a
number of themes ignored in my former encounter with these materials. The exact
words and phrases used by my respondents were used to conceptualize the new
themes. In this way preliminary interpretations first develop.

4.5.3 Preliminary theme checking stage
I put the data back together in new ways, new orders, new categorises and explored
the relationship between these groups. Once again, new themes emerged. So the
theme is not a thing that researcher can fix at the outset. Initially highlighted key
themes in the empirical data were often altered after later reading and analysis. New
themes often emerged when the data were arranged in different ways, orders, places
and categories.

Sometimes I felt that the data were alive and played ‘hide and seek’ with me. When I found a new theme which I had previously ignored, a kind of joy arose in me. This was the moment that field work and data analysis brought me real enjoyment in the research. For example, at first, I did not take ‘guanxi’ as a separate theme into consideration in my thesis. Instead I put it together with ‘friend’. But later when I read my transcript and notes again and again, I found one similar point when my respondents talked about guanxi. Some key figures in decision-making and project-driving emerged repeatedly as key drivers of the Bank’s global strategy within the relations of guanxi through which they worked. I broke down the data again to search for themes related to guanxi.

4.5.4 Interpretation–formation stage

Finally, I took the coded data and scrutinised ideas and hypotheses in an iterative process, moving back and forth between research questions and evidence. When I found themes most frequently, consistently, and spontaneously mentioned in interviews, I was convinced of what my interpretative framework could support and what could not. I also focused on exceptions, extremes and negative examples suggested by Dey (1993) to counter inclinations to include only evidence that confirms my various theories, thereby to qualify my interpretations.

I found sometimes technical tools could be used to raise the effectiveness of data coding and analyzing especially when deeply immersed in familiar data. I applied Power Point rather than Word to give these familiar materials a new look, to allow myself to read them with new ‘eyes’. Power Point also helped me to highlight and abstract my thoughts from these data.
4.6 Writing up and presenting evidence

Writing up is difficult for me as a non native English speaker. The major problems were the limitations of my English vocabulary and the Chinese way of setting out arguments. I tried to use simple sentences as but I often felt that I could not express my meaning fully in English. Sometimes I would be stuck for days whilst trying to find appropriate sentences and in clarifying links between sections. Even now I cannot be sure that readers will not be bruised by my often jerky shifts from one section to another. Besides this language problem, I found it difficult to shift from arguing in the Chinese way to the English way. In the Chinese way, I would, for example, first set out all the themes relevant to a particular argument or issue and then disentangle material such that for an English reading, the logic of the sequence of an argument seemed very confused. Overcoming these cultural differences slowed down my writing but I found it was also a valuable learning experience for a Chinese born and educated researcher working towards a British post-graduate degree. As a matter of fact, the whole process of researching has itself constructed me as a hybrid agent - both Chinese and British.

Quotations supporting and contradicting the main arguments, have been selected from the interviews to provide illustrations of how personal trust and regulatory trust were used to help the Bank to go global. In presenting the relevant general theories in chapters 5, 6 and 7, for example, I was particularly concerned not to lose the complexity and the richness of the narratives I obtained through interviews. Following James (2006), different opinions were often considered together to highlight the complexities and contradictions of the Bank as an economic entity embedded in a complex intertwining of economic with the social-cultural. I have tried to offer a critique of the Bank’s practices as they were described to me by the respondents. With trust already built between us, my respondents often disclosed sensitive information. To protect my respondents from being blamed for their free speech I have, therefore, covered their real name and positions in the thesis. I also
refer to institutions by pseudonyms to protect the confidentiality of my sources.

4.7 Ethical issues

Throughout the research, I kept asking myself the question: Am I acting and working in an ethical manner? A number of ethical issues were considered before the study actually began. They involve the rights of my respondents. These included their voluntary participation, their time planning, protection from potential harm of being identified, the right to be informed about the nature of the research and its outcomes and to feel at ease both about the research as a whole and their roles within it.

4.7.1 Voluntary participation

In this research, the respondents were not paid and had no material benefit. The principal benefit to interview respondents was the opportunity to reflect on their experiences and to express their opinions and feelings. Considering my privileged access to the Bank and the informants, I depended on my personal contacts and the permission from the Bank’s administrative office. Thus I was aware that some respondents might be fearful of offending their friends or authorities in refusing an interview with me. To solve this issue, every time I contacted a potential respondent, I made it clear that they were recruited voluntarily. If they did not wish to be interviewed or were concerned about the interview itself, they were to say so. Thus in addition to written permission from the Bank, I also secured the consent from each individual involved in my research. All respondents were given a written consent form and information sheet (see Appendix 1) set out in both English and Chinese. These formalised procedures were helpful in serving to distance me as a researcher from my respondents as ‘friends’. Before each interview an oral explanation was given of the aims of the research, the reasons why the respondent was being interviewed, the commitment to keep their data confidential and their rights to voluntary participation and to drop out at any time. Before the interview actually
took place, they were again reminded of all those things and before their interviews were recorded, they were reminded again of their consent and their rights. All my respondents were over 18 years of age and had at least a year’s experience in working in the Bank or working relating to the operations of the Bank except two loan borrowers (see Appendix 2).

4.7.2 Time planning
As all of my respondents work in the field of finance, management, international exchange, investment and other business, time is critical for them. As their participation in my research was voluntary, and I was unable to offer financial compensation, good timing, preparation and co-ordination with the respondents were key to the interviews.

4.7.3 Safety and confidentiality
To secure physical safety, interviews was undertaken in offices or other public places agreed upon with the interviewees in Beijing and London. While acknowledging the role of neutrality in the micro-geographies (Krueger and Casey 2000) of research sites (Elwood and Martin 2000), I also put my respondents’ interest as a first priority. Participant observation was undertaken in the Bank’s lecture rooms in London, the Bank’s office, and public spaces such as London Trafalgar Square and Chinese restaurants in London where public events and company banquets were held.

Considering that my use of their remarks in quotation in the thesis might cause negative impacts on inter-personal relationships for my respondents, several strategies were undertaken. To ensure confidentiality (including the confidentiality and physical security of the research data), all interview transcripts were, as indicated, anonymised with false names, and participants were guaranteed confidentiality. In addition the names of certain individuals are sometimes changed and their job titles also anonymised in attempting to preserve confidentiality in the written thesis. The primary data collected were kept in locked drawers in the college office and only the
researcher and supervisors could access to it. Any information which might reveal the identity of the interviewees such as workplace, age, and position was replaced by broad generic categories to cover identification. All electronic data of the interviews was protected by password and kept in a private file. All the data would be destroyed at the culmination of the research in accordance with the regulations of University of London.

4.7.4 Right of feeling at ease in the research

To make respondents feel comfortable in talking about their feelings and experiences, I used several strategies in undertaking interviews believing with Clark (1998: 79) that “close dialogue is an art as much as it is a science”. First, I made very clear the purpose and content of the research to my respondents, and told them that my research is independent of any institutions relating to the Bank; that no commercial secrets were being sought; that they should feel free to ignore any questions they do not like to answer; that they had their right to terminate the interview at any time before and during the interviews. Although I had some potential back-up respondents in mind, fortunately none of my respondents walked away from my research.

However, issues certainly arose. For example, as for the question ‘what have you learned from expatriate/local managers?’, some of my respondents chose to jump over it, some told me it was hard to answer. To obtain the answer, I tried to repeat the question in some other ways later in the interview such as ‘What do you think you gained from working with expatriate/local managers?’ I found that those who were ready to answer the question, like to admit they have learnt something from each other. It shows that not everybody in the Bank agrees that people from different cultures may bring things of value. Secondly, as indicated above, interviews were conducted in places where the interviewees felt most comfortable and at my respondent’s choice. These places were public space including their offices, street restaurants or bar.
There were some cases where tape-recording was an issue. Some Chinese in their fifties, especially leaders and managers, were sensitive to their words being taped and reproduced after having experienced Mao’s Great Cultural Revolution in China. At their request, I did not tape our conversation and instead I asked their permission to make notes (see section 4.8).

4.8 Overcoming limitations of method and data

4.8.1 Reflexivity in coping with positionality and power

i) Positionality

The interviewer may be naively presumed to be neutral, almost invisible, but this is not the case (Clark 1998 81). The gender, age, ethnicity, and status of interviewee and interviewer may all (together or separately) influence both the research and accounts of it. They matter a great deal in establishing contact and encouraging exchanges of confidence (McDowell 1992; Brunskell 1998; Clark 1998 81).

So a critical awareness of my own position in this research and of my inability to be a neutral observer of the social world (Ali et al 2004) remained with me in attempting to keep data reliable and valid. However, it was difficult if not impossible to distance myself from my own culture. Being a female researcher of Chinese origin and an academic researcher from the University of London, my multiple roles and positions inevitably influenced the research process. In conducting this research, I moved uneasily between my own personal worldview and the critical ‘gaze’ of academia (Gold 2002; Wiles 2008). This influenced my judgement of the data gathered from the field work and the production of my geographical knowledge in this thesis. But it also had other effects. Appendix 4 offers an autobiographical account of the dramatic shift that I, an author, underwent during the completion of the thesis.
In trying to keep as objective as possible, I tried to distance myself from my interviewees, adopting the view of an outsider. But I could not help making critical judgements. Therefore I had to balance myself - not too close, and not too far - a hard balance sometimes, involving psychological suffering. On one hand, sometimes I felt my Chinese identity and culture had no merits at all, which made me feel depressed and lost; on the other, sometimes I overvalued my culture.

Thus this was also a process of denying myself and remaking myself. I was feeling that I did not belong anywhere. Like my respondents, globalisation made me a hybrid being, holding Chinese values and British values and mixing them in my daily life. In these ways, I built my knowledge and rebuilt myself. This reflexive process was also a process of negotiation between me as an emotional person of Chinese origin and me as a supposed objective researcher. As a result of these negotiations with myself, I developed an approach to shift myself from a difference-focused way of thinking to the hybrid-focused way of thinking. I began thinking of things in a relational rather than a fixed way. Therefore while doing the field work, I tried to avoid judging my respondents but to empathise with them, knowing that they are not living in an absolute space but in a relational world. This helped me more to understand my respondents’ fluid situation between London and Beijing and their hybrid practice of trust. I sought to explore how my own experiences of living and adapting to life in London helped me understand the ideas and experiences of Chinese bankers in London to make financial spaces.

Being reflexive means to negotiate the identities of myself and my respondents. Rather than accepting and complying with the ‘native’ view, I had, as Anderson (2000) suggests, to question the local value framework of my respondents. But this ‘native’ view involves me as a researcher. Reflecting on the research allowed me to reflect upon my own situatedness (e.g. Yeung 2003 446) and so to be both critically sceptical of any findings whilst taking full advantage of the process of learning through research.
**ii) Power**

As the research process itself is an exercise of power (Cloke et al 2004), I am aware that the power relations between the respondents and myself would affect the construction of research data. Power relations between the researcher and interviewee are important in shaping the credibility of the interview as a reliable source of data. Baxter and Eyles (1997 513) state:

> As the researcher is the active instrument in qualitative research, interviews raise questions about the role of the ‘author’ and how her/his characteristics become a formative influence upon them…[P]ower relations and the presentation of self in the interview are crucial determinates.

As my respondents included Chinese and Westerners, male and female, some of them in a high position in the banks or other institutions, I had to negotiate constantly with my elite respondents. McDowell (1988 21 37) is right in pointing out that elite respondents are ‘keen to demonstrate their relative power and knowledge and your relative powerless and ignorance’. Considering that age, gender, ethnicity, and other outward appearances can affect how respondents react in the interview (Pile 1991), I had adopted several strategies in interviewing elites. First, I used the tactics of ‘impression-management’ or ‘self-presentation’ suggested by Sayer and Morgan (1985 156). I dressed smartly and always allowed myself some time to relax before meeting respondents. Secondly, I presented my research in close relation with the nature of their work so that I could draw their attention to my concerns. Thirdly, I asked them to help me to challenge the existing theories in the economic world so that they might feel a sense of achievement/challenge in helping me in my work.

Again, reflexivity was significant as the research process was always a complex social situation and the data constructed stem from an interactive set of activities which were constantly negotiated and renegotiated between myself as the researcher and my respondents as the researched (Cloke et al 2004 369). According to Gorden (1998 82) the world is made and remade by the interpretations of ourselves and our respondents. As a researcher from a developing country, I was also made and remade
by the processes of research and interaction with my respondents in both developing and developed countries. In sum, the construction of theoretical insight is a process of constant reflection on the practice of research itself (Williams 2002).

4.8.2 Validity and reliability in data collecting and analysis

i) How did I validate responses?

Validity in qualitative research depends not on statistical inferences, but on the validity of the data collecting (Yeung 2003) and data analysis (Bailey et al 1999). People may try to respond in ways which may deliberately represent issues in a manner beneficial to their or their institution’s interests (Clark 1998). Following the logic of ‘new economic geography’ (Yeung 2003 445), interviewees were encouraged to ‘speak for themselves and openly to describe the practices and processes relevant to the issues being researched.’ The researcher must be sceptical about information that has not been corroborated by others. However, all representations of economic practice have a validity. The question is less whether they are valid or not than in making a critical assessment of the senses in which validity might be verified. There is, in this sense, an inherently performative aspect to interviewing. Respondents construct an economic reality that is, for them valid – not least in the context of the interview itself. But this construction is itself valid as the economy is also performed. The issue for the researcher is to recognise the significance of that and to incorporate it into a reflexively informed interpretation. This is what I have endeavoured to do in what follows in the rest of this thesis.

Not all of my respondents spoke openly about the role of personal trust in work, in particular those with whom I had still to build personal trust. This was because they did not want me, a researcher in UK, to regard them as ‘backward’ in an era of globalisation that values the ‘modern’. For example, in one interview my respondent, who had just denied the role of personal trust and instead highlighted his ability, answered a phone call and immediately engaged in relations of personal trust. He
invited the person on the phone to attend a banquet with several others to talk about ‘a project’ of which he was in charge. Afterwards he had to admit:

Frankly speaking, I do not like scholars, especially from the West, studying the backwardness of Chinese culture, for example, renqing and guanxi, and highlighting it as the secret of success. As a matter of fact, it is not regarded as good thing in China now. But, in China, you have to practise it sometimes.

Huo Hai, Chinabank staff CB06/28/09/08 Beijing

Yang (1994, 2002) also notices that, in China, the ethics of personal loyalty and indebtedness and the practices of guanxi are often regarded as ‘backward’.

As most Chinese are aware, guanxixue\textsuperscript{13} is something that most people practise, to varying degrees of effectiveness and artistry, but few people would admit to publicly. There is guanxixue’s association in public discourse with the grey areas between proper and improper behaviour and with getting around rules and regulations (Yang 2002 461).

To allow my respondents to respond in a frank manner, I tried to build personal trust with them - if possible, for example, to share some time with them after work in a banquet or a drink with some common friends or, before the interview began, to encourage them to talk of some experience of which they felt proud to talk (for example, a certificate from a prestigious university or an award displayed in the office might be a good starting point). I also tried to introduce my questions in a way to avoid making them think that I was making comparisons between China and the West. Instead, I explained the diverse arguments about globalisation and asked them to contribute to the argument through their real experience and practice in their daily life and work. Where practical, ‘validation’ questions (Schoenberger 1991) were inserted into the interview schedule in an attempt to address a topic covered earlier in the interview but from a different perspective. This allowed me to check for inconsistencies and responses aimed to mislead. And multiple methods - including participant observation and textual analysis - helped me to increase the credibility of the data obtained from interviews. Similarly, data obtained from observation and textual analysis may also be checked through interview. By triangulation through successive interviews the qualitative evidence was assessed and tested. I explored the

\textsuperscript{13} Guanxixue – meaning the knowledge of how guanxi is constructed
same issues through successive respondents and sometimes paraphrased the questions in another way to ask them of the same respondent.

**ii) Taping or not taping the interview**

As already mentioned, tape-recording the interviews may increase the credibility of the research, but this also depends on social and cultural factors. I found that the British managers in the Bank and some young Chinese who had been educated overseas were not concerned about being recorded. But things were different for the senior Chinese expatriates in London and the Chinese bank managers and state officials in Beijing. When I asked those respondents why they did not allow me to record our interview, one told me:

> You can choose: A, you record and I give you what I am allowed to say, a discounted or distorted truth; B, you do not record and I give you the full truth. Please do not think I do not trust you. Many things do not depend on you or me individually. Your identity now is a UK researcher. If you are stopped and searched by the Chinese police in the name of the state safety …, the recorded material might be confiscated as evidence. You see what I mean?….Maybe you are already targeted, ha ha …

*Li Yong, state official CSA04/04/09/08 Beijing*

Another respondent expressed the same fear about recording:

> I trust you but I still feel uncomfortable with such recording thing. Maybe it is the impacts of Great Cultural Revolution.

*Hong Ming, state official CSA03/11/10/08 Beijing*

Being brought up and educated in China, I fully understand the impacts of the Cultural Revolution\(^\text{14}\) on Chinese thinking and behaviour, in particular, for those aged around 50 or above who experienced it in one way or another. The impact of the Cultural Revolution is one reason for this caution; the current political environment is another. My respondents still fear to reveal their true thoughts and continue to be concerned about being kept on file as evidence to turn against them in an uncertain future. This is because they must be seen to be politically sound if they

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\(^{14}\) During the Great Cultural Revolution (1966-1976), Chinese people on the Mainland could be arrested as criminal if they criticized the Party or its leader Chairman Mao Ze-dong, or if they were listening to overseas broadcasting.
expect to be promoted. I respected the wishes of such respondents and did not use tape-recording in our interview. The rich data they provided were more than ample compensation although I had to take notes as fast as I could and wrote down further details of the conversation directly after the interviews. To secure an ‘accurate’ interpretation of the responses of the interviewees, I sent my interview notes to them via email for feedback. On some occasions, I revisited them to discuss my notes with them and clarify things that confused me. This was intended to avoid Baxter and Eyles’ (1997 509) worry about the misinterpretation of meanings expressed through interview conversations.

iii) Language issues

To secure the validity and reliability of the thesis, I must consider the language issue. As Punch (2005 177, referencing Silverman 1993) states:

Talk is the primary medium of social interaction, and language is the material from which qualitative social research is constructed. Qualitative field data are linguistic in character: observations, texts and interviews all focus and rely on language.

I used Chinese and English in my interviews. As most of my interview respondents are Chinese speakers, my interview notes and transcripts are in Chinese. Some interviews were done in English. As English is not my native language, sometimes I experienced problems in interviewing my British respondents. For example, I could deliver my question in English fluently but sometimes I could not understand fully an English phrase used by my respondents. To solve the problem and to maintain the validity of the data, I asked my respondents to speak slowly and if necessary, I would paraphrase what they said to check for my understanding. I also sent my transcribed notes to them and asked my respondents for their confirmation of accuracy and their permission to use their words in the thesis.

Consistency between interviews was addressed by means of an interview checklist, a list of topics to be covered with all respondents (see Appendix 3). This, on one hand
allowed them freedom to describe their own experiences in their own terms and on the other allowed me to guide the interview flow.

**iv) Interviews with Chinese characteristics**

Two issues are especially significant in this context involving the etiquette around appointments and telephone interruptions. First, many scholars suggest that researchers should begin to arrange interviews as early as possible since lead times may be long and travel schedules difficult to coordinate (Porter 1985). My experience of interviewing Chinese respondents in Beijing revealed that I could get their promise to see me well before the interview was due to take place, but I could not get an exact date arranged in my diary. This is because it is common in Chinese business culture that senior people do not need to consider anyone else’s timetable. So it happened on several occasions that, just before the interview, I was told that my respondent had other plans. This brought disorder to my timetable, but the sense of guilt in my respondents helped me to negotiate more time. So notwithstanding the suggestions of some scholars, booking an appointment months earlier did not suit my situation in China. A flexible timetable is necessary for doing interviews in China. The behaviour of British respondents was different in terms of appointment-making. The appointment was normally made at least one week before the interview and all of them turned up to my interview.

Secondly, in many institutions in China it is taken for granted that an individual must ensure that s/he be accessible at any time. My interviews were often interrupted by phone calls, sometimes I had to listen to the phone conversation for nearly 5 minutes. These phone calls interrupted my interview flow but they also provided me with chances to observe the daily life of my respondents and their relationships with others. What is more, Chinese respondents made up for interruptions by giving me more time. Indeed time, for them, could be very flexible. In contrast, when British respondents promised 20 minutes, and then it was 20 minutes with no interruptions. Thus I had to strip my questions down for some of my British respondents but was
able to take advantage of more time to investigate every detail with some of my Chinese respondents.

4.9 Conclusions

The aim of this chapter has been to situate the research process that has informed the thesis within broader methodological debates within human sciences. In addressing different philosophies of research, this chapter demonstrates the justification for multiple methods in exploring a complex issue such as role of trust in financial globalisation.

Through my own experience, the reality of empirical research is therefore not always as neat as proposed by experienced scholars. Opportunities presented by, and responses to, the context of research played a significant role in the outcome of the research. As indicated above, the construction of theoretical insight is a process of constant reflection through the practice of research itself. Qualitative methods allowed insights into the complexity of economic life that would not be easy to enable if a quantitative approach was applied. Quantitative methods are less sensitive to variations in experiences at the individual social actor level, and they are not necessarily valid in exploring the rationale and behaviour of these social actors (Yeung 2003 448). At the same time, critiques of qualitative methods from traditional approaches associated with positivism remind me to practice rigorously reflexive research especially through processes of triangulation. For example, the very access that I gained to respondents in the Bank may well have conditioned my own framing of the degree of openness practised by the Bank. What I present here is, therefore, a partial understanding but with an attempt to articulate the ways in which it is partial, rather than trying to establish a claim to total or exhaustive knowledge (Rose 1977; Wiles 2008).
Chapter 5 ‘A place to do business’: symbolic spaces and legitimacy
in the City of London

The City is now an important transient space for international financiers, a place to do business. It has become a global node for circulating stories, sizing up people and doing deals. At any one time, much of the City’s population will consist of visitors. But they are not incidental. They are part of why the City continues to exist. They are part of the communicative commotion that places the City.

Nigel Thrift 1996 252

It is this ability to smother difference, to suggest who should be seen and heard and who should not, that can give particular social spaces the impression of sameness rather than displacement and diversity.

John Allen 2003 162

The Mansion House, such a positive image of the Bank, people loved that transition between east and west, an absolutely faultless evening, the food was great. That reflects the bank, that was top guys from banks, top guys from everywhere, corporates, regulators.

Simon, British manager CBUK15/21/01/08 London

5.1 Introduction

With the rapid pace of globalisation and the increased role of information technology, the traditional conception of ‘place’ and ‘space’ is challenged. Scholars such as Toffler (1970 84) predict ‘place … is no longer a primary source of diversity’. Toffler is not alone. O’Brien’s (1992) claimed ‘end of geography’ is echoed by many hypergloblists (see for example, Ohmae 1995; Cohen 1996; Wachtel 1986). They argue that the integration of the world financial market has undermined the significance of location. However, geographers have played a significant role in defending and redefining the meaning of place in globalisation. Relationships between actors and space are highly intertwined in the sense that firms produce places through their place-based activities whilst places produce firms via prevailing
sets of institutions, rules and conventions (see Dicken 2000; Dicken and Malmberg 2001; Hudson 2001; Bathelt et al 2004; Tallman et al 2004). Pred and Watts (1992 11), for example, argue that ‘how things develop depends on where they develop, on what has been historically sedimented there, on the social and spatial structures that are already in place’.

These intersections between places and socio-economic processes are, as many geographers have argued (Friedmann 1986; Sassen 1994; Thrift 1994; Massey 1999; 2007; Allen and Pryke 1994; 2000; Pryke and Lee 1995; Scott and Storper 2003; Clark 2004), played out in global financial centres, located predominantly in global cities. Amongst those arguing that world cities are the principal points through which the processes of globalisation have been articulated and resisted, it is possible to identify two overlapping groups identified by their primary focus on economic or social relations. The former are concerned more with the economic aspect of the world cities or global cities such as London, New York and Tokyo (see for example, Sassen 1991; Knox 2002; Smith 1992; Clark 2005; Clark and Wojcik 2005; Clark 2004; Clark and O’Connor 1997). They highlight the hegemonic power of world cities as financial centres. World cities dominate the world economy by their ability not merely to attract investment but by their control over the abstract power of money thereby articulating economies into the global economy and so serving as global economic nodes.

However, Smith (1996 69), for example, has observed that the ‘space of flows’ is accompanied by ‘deepening spatial fixity’. Globalizing financial practices are rooted in London, New York and other cities. Thus, according to Sassen (1991 4 ), global cities are not only command points in the organization of the world economy but key locations and marketplaces for the leading industries of the current period – finance and specialized service for firms, as well as major sites of production for these industries. Opposing the thesis of the ‘end of geography’ from a slightly different perspective, Clark (2005) suggests that global finance has a strong interest in the
development of global financial standards regulated by global and local control systems and that money flows like mercury – guided in part by geographical constraints. Institutionally, the scholars of this group tend to focus on the more formal institutions\textsuperscript{15} - the global financial architecture.

The second group arguing for the significance of global financial centres and hence of geographies of finance focuses more on social aspects of the cities such as concrete social relations and networks of the cities (see for example Thrift 1994; Massey 1994, 2007; Allen and Pryke 1994; 2000; Pryke and Lee 1995; Saxenian 1994; Scott and Storper 2003). They argue that world cities are relational spaces of interaction and communication. Massey, for example, treats places as open, porous, hybrid; an outcome of a mixture of influences and interaction. Whereas the ‘economic’ team focus on formal institutions, the ‘social’ focuses on informal institutions.

This work contributes greatly to the understanding of world cities in the context of economic globalisation but certain sources of the complexity of world cities are underplayed or remain neglected. One such is the mutually-formative relations between the economic and the social. Some scholars do balance social and economic aspects in their argument. Pryke (1991), for example, stresses the role of ‘symbolic spaces’ of office buildings in the City of London. These buildings may be considered as socio-cultural, technological practices that inform and are informed by the ‘atmosphere’ of financial agglomeration. However, the formation of the social relations which enable the economic geographies of financial centres to take place has not been more fully followed through in empirical detail. A second limitation of the literature on global cities is that much of it focuses on the experiences of firms and cities in the advanced countries. The analysis of financial globalisation is largely

\textsuperscript{15} According to North (1990), two types of rule systems relate to the governance of civil society: formal rules such as constitutional architecture and laws relating to the political state; and informal rules such as ethical habits and social norms. This thesis is interested in the intersection and mutual transformation of such a binary.
occidental. Conversely, literature Chinese finance (see for example, Yeung 2004) tends to focus on East and Southeast Asia.

Through a case analysis of a Chinese state-owned bank in London, my work tries to explore the actions of an agent from the ‘periphery’ of globalisation within a ‘core’ of global economy (cf Dicken 2007). Furthermore, as globalisation involves the construction and establishment of social relations understood as the social means through which material globalisation may take place, my analysis examines the role of notions and constructions of trust (see chapter 3) in enabling the geographical expansion and political-economic transformation of a Chinese bank.

By investigating the dynamic geographies of the relations of trust involved in the global expansion of the Chinese state-owned bank, I want to argue that world cities still matter significantly in the global economy. They are places within which the social relations necessary for global finance may be identified, learned, constructed and practised, thereby enabling the material relations and processes of financial globalisation. The argument is that the economic and the social, the material and the discursive cannot be separated in the spatial practices of economic actors. The two shape, and are shaped by, each other.

This chapter is concerned with the practices of the Bank in the tactical use of regulatory trust and personal trust within the City of London to achieve its goal of going global. In carrying out its global strategy, the Bank created a complex geography - social, economic and political - involving an evolving processes based on both formal and informal institutions. Forms of regulatory trust, new to many Chinese actors in relation to the Bank, were promoted in London. With the help of these new forms of trust, the Bank managed to disentangle itself to an extent from state control at home and to become re-embedded (in part at least) in the different context of London. The adoption of regulatory trust enabled its Chinese expatriate
workers to extend the norms of their home culture and to begin to adapt to a new corporate culture (this will be investigated in the next empirical chapter).

This chapter focuses on the practical use of a symbolic space – the Mansion House – by the Bank in attempting to build personal and regulatory trust so to increase the visibility and legitimacy of the Bank in the City. But before presenting the case study, I must provide a discussion of the Chinabank London Branch (hereinafter referred to as Chinabank LB) as a state agency and its close relationships with the Chinese state since its establishment in London in 1929 (section 5.2). I hope that this will enable my readers to understand why the new management team took advantage of the ‘going global’ policy to distance the Bank from Beijing by integrating into the local economy. The following sections examine how the City’s symbolic spaces are perceived by Chinese bankers as representing hegemonic global finance and how they engaged with this symbolic meaning in setting out to build a new image of the Bank founded on regulatory trust and how the City’s space is used by the Bank both in making social geographies through encounters with capitalist bankers in the City and in the building of personal trust by the Bank with the authorities in Beijing. The conclusion develops a broader discussion of the Bank’s entanglement within absolute and relational spaces in the City and its use of both personal and regulatory trust in the City of London.

5.2 A Chinese bank in the City

Before it was formed as a subsidiary in 2007, Chinabank UK operated under the name of its former body, Chinabank LB. Having been in the City for nearly 80 years, the history of Chinabank LB commands more general interest because of the way in which it is inextricably bound up with the history of economic development and political change in China and its relationships between the Chinese state and the City. Chinabank LB experienced the transformations brought by the economic reforms in
China after 1978. As the first overseas branch of any Chinese bank and acting as an agency of the state, Chinabank LB is ‘especially patriotic’ (The Bank 2007 12) and politically sensitive. Photographs displayed on the wall of the Chinabank LB in the City, record parts of the history and display the key moments of the Chinese bank in London. These images and those in the Bank’s little history museum tell a hidden, untold story of a Chinese state-owned bank which managed to keep open during the cold war and developed along with economic reform in China. They reveal part at least of a complex story of developing relations of trust between the Bank, the Chinese state and the City.

5.2.1 A pre-history of Chinabank UK

I want to use the idea of the ‘visitor’ suggested by Thrift in the quote at the head of this chapter to frame the history of the Bank. However, with respect to Chinabank LB the notion of ‘visitor’ is not appropriate because a visitor must have some degree of autonomy visibility and acceptance. However for much of its history in London, Chinabank LB acted as an agent, an economic agent for the Nationalist government (1929-1949) and a political agent for the Communist government (1949-1978). Even after 1978 it was ignored and marginalized by the City as a state-owned bank from Communist China: hardly even a visitor then. However, after 2004 with a new management team appointed by Beijing it set out to take the Bank well beyond the status of visitor. The intention was to become a member of the City community.

i) Economic agent (1929 – 1949)

On November 4th 1929, Chinabank opened a representative agency in London with the support of then the Nationalist government (see figure 5.1). In July 1946, the

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16 It is described as ‘especially patriotic’ in the beautiful booklet given to the guests of the opening ceremony of the Bank in 2007 and its patriotic deed, ie. staff’s voluntary conversion to Communist China from Taiwan Nationalist government in 1949, was also described in the history of Chinabank (Sun 2001 30).

17 According to Sir Percy Cradick (1994) the UK ambassador to China during the mid 1960s, two managers of the Chinabank were refused entry to UK as they were suspected of spying.
Agency was upgraded to the status of a bank branch in London. It was responsible for the state’s trading and foreign capital exchange with Europe and Africa. From the very beginning, the Chinabank LB carried a clear mark of the Chinese state.

The presence of this Chinese bank in the City was an outcome of its restructuring by the state from its previous incarnation as a Central Bank into a specialized international exchange bank. As a foreign debt collection agency for the government, Chinabank had a close link with Beijing. However, it was unwilling to become merely the ‘Gold Box’ of the Nationalist government. In a precursor of events after 1928, when Zhang Jia’ao was elected as the General Manager, he decided to build Chinabank independent of the Nationalist government and competitive with foreign commercial banks. Chinabank LB was a result of his 10 months visit to 18 Western countries such as Germany, Britain and United States in studying western financial systems. The dream of becoming a banker independent of the Nationalist government was, according to the Chinabank’s official history, the main reason that Zhang was forced out of his position as the general manager of the Bank.

After he entered into Shanghai and established Nanjing National government, Jiang Gaishek took all means to put Zhang Jiaao in control….Jiang asked Chinabank to be the leader in every action, such as issuing loans to the government or selling the government’s bonds….Jiang would put high political pressure on the Chinabank once he found it did not follow his orders. (Po 1995 134-135)

In 1935, Chinabank ¹⁸ came under the full control of the Nationalist government (Po 1995 152; Liu 2008 134-136).

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¹⁸ Chinabank was established as a Central Bank of the Nanjing Nationalist government on the basis of Da Qing Bank (opened in Qing dynasty) after the revolution to pull down the Qing dynasty in 1912.
ii) Political agent (1949-1978)

From 1949 – 1978, Chinabank acted as a political agent for the Communist China intended to extend its political influence abroad. The People’s Republic of China was founded in October 1949 and its communist nature made powerful enemies at the day of its birth. The embargo imposed by the US government on Communist China made life difficult for the new government not least in international financial settlements\(^\text{19}\). What is more, in the context of US support for the Nationalist government in Taiwan, the struggle for ownership of overseas branches of the Chinabank was fierce. Sixteen out of the then nineteen overseas branches such as New York Branch and Tokyo Branch were in the hands of the Nationalist government in Taiwan. However, and in contrast, the cooperation of the staff in London in the communist takeover of the bank was regarded as a revolutionary act and patriotic deed (Liu 2008 31). Certainly, this response was a major reason why the top leadership of the communist government paid significant attention to the Bank.

\(^{19}\) As a consequence of the embargo, sterling was the key currency used by China in international settlements from 1949 to the mid 1970s. China Bank London Branch became the major source of Communist China’s foreign currency (Po 1995).
‘Striving to keep open to serve the socialist construction and overseas Chinese as long as possible’ was the instruction given by Premier Zhou Enlai to the Chinabank LB during the cold war at a time when it suffered a hard time in operation (Sun 2001 324).

However there was little banking business to be done. As one local British manager who worked for the bank for more than 30 years recalled.

There was very little foreign exchange, it was small trade between China and the English banks. We just used to get payment instructions to all the branches they used to pay. I used to work at the inter-branch department. Interbank business, and only with a few Chinabank branches, because they didn’t even have branches in New York… When we started to trade with America again, I think that was in the 70s. I’m not sure when we started, because we never dealt with the States…the paper tigers

Stanley, British manager CBUK CBUK16/10/08/07

Nevertheless, Chinabank LB played a significant political and diplomatic role at this time. In 1964, the Chinese State Council issued a specific policy for Chinabank LB (Sun 2001 326):

Chinabank LB is our centre against capitalist countries. We must take the good advantage of its geographical location and complete our task of international trade settlement, allocation, management and use of foreign exchange capital (Sun 2001 326).

The Bank’s history produced for guests in attending the opening ceremony of the Bank in 2007 (The Bank 2007 16) offers corroboration of this role:

The Chinabank LB operated according to the foreign policies of China, being heavily involved in diplomatic, economic and trade activities… Despite political difficulties at home, the London branch continued to play a crucial role in attracting foreign capital, which was used to improve national amenities and strengthen the knowledge base on which strategic decisions were made at home.

The cold war between the western capitalist countries and communist China made the Chinese bank in London a symbolically significant and politically sensitive space. On the one hand, while the bank branch was asked by the state council to send home first hand information about political and economic affairs in the West, expatriates

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20 Chairman Mao referred to the US a ‘paper tiger’, not worthy of fear.
from Mainland China were suspected of being communist spies by the UK government.

Not all expatriates could get access to local newspapers. Only those who were considered loyal to the Party could. They were asked to read the local newspapers and documents and try to find anything that would be useful in their revolutionary activities. Then if it was regarded as useful, they would translate it into Chinese and hand it to Chinese Embassy… In particular, economic data of the capitalist countries such as US, UK were their top interests. My uncle told me they all felt proud to be trusted by Beijing and considered their work part of fighting against imperialism in the backyard of its empire.

_Bai Yang, Chinabank manager CB01/01/12/06 London_

As a result, expatriate applications for visas were sometimes rejected and the freedom of travel in the UK was curtailed. One local member of staff recalled the sensitive time when Chinese expatriates were strictly controlled and had to apply for permission if going further than 15 miles\(^2^1\) from the City centre.

I used to apply for the permit, er.. if they wanted to go for the weekend to the seaside, they had to apply for a permission from er… the Foreign and Commonwealth Office. There was a 15 miles restriction from the centre, you see. If you want to go out for a day … you have to send the form, the car registration number, how many people were travelling, and the routes they travel by. They are very strict on the Chinese moving around London. ….They were very strict on expatriate people.

_Ross, British staff CBUK21/03/12/08 London_

At the same time, the ‘Great Cultural Revolution’ made communist China pay more attention to the ideology of the staff in the Bank.

Once the Cultural Revolution came, …the whole atmosphere completely changed. There were no parties, no social life as such, but there used to be meetings, and they had Chairman Mao’s quotations about the war, pictures of him, and the other one, the small, Lin Biao’s\(^2^2\) pictures on the wall. They changed them when the Chinese news agency sent new pictures and then they put them on the wall so we could see what was happening.

_Ross, British staff CBUK21/03/12/08 London_

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\(^{21}\) According to another respondent, the limit was 50 miles. I failed to find confirmation in other sources.

\(^{22}\) Number two leader of China during the early stage of Cultural Revolution, Lin fled to USSR after Mao lost trust in him and died in a plane crash on the way.
Mainland expatriates were instructed to study the thoughts of Mao Zedong, anti-imperialist theory and to adopt a patriotic spirit.

We expatriates were selected strictly by the Party and we must all be party members and experienced in banking business. As well as that, we had to study Chairman Mao’s thoughts twice a week. After expatriates finished the service period in London, we must be examined by the Party back in Beijing to see if we were still the Chairman’s loyal followers. The Chinese Embassy in London was the only place considered safe for expatriates. We were taken there from time to time to listen to the latest instructions from Beijing and watched documentaries to show Chinese people’s happy life under the leadership of Communist Party.

*Ru Guo, retired expatriate manager CBUK22/21/09/08 Beijing*

In order to isolate them from the capitalist ideology, expatriates were kept in one closed dormitory, with a shared bathroom. They were picked up each day by bus to be taken to the Bank and dropped off again after work. The Chinese Embassy in London was involved in educating the staff:

During the Great Cultural Revolution, entertainment for the expatriates was minimal. Most evenings we were studying Marxism, Leninism and Mao Zedong thoughts …with our Party secretary…. We were made to believe that we were the only red revolutionists in the heart of imperialist empire and we were carrying out the mission of liberating majority of the mankind who was oppressed. …At weekends, we were gathered to the Chinese Embassy to watch documentaries illustrating China’s successful development and the so-called revolutionary modern Beijing Opera revised under the guide of Mao’s wife…erm, it was strange, erm… if I think of those days, I did not feel much loneliness then. Maybe it was because we were very busy and stressful then, always being afraid that our documents might be stolen, or our business might be examined, or our daily life might be spied. Ha ha…we were asked to have our curtain closed all day and put our things in a way that we could see if somebody came in and touched them. They were funny old days and we were worried and frightened by our imagined enemies in the City!

*Ru Guo, retired expatriate manager CBUK22/21/09/08 Beijing*

Despite the efforts of propaganda to break it down, these arrangements created a real divide between expatriate and local staff

Because they used to have a meeting, they all wore the badges, they all wore the suits, they wore Mao’s suits, the tailored ones with the high collar, they all
carry the red book all the time, they would read it, they would study it. It was all very strange, we were young, we could not understand…And they would shown us films such as “Taking tiger mountain”… I think there were about four or five movies at that time that you could watch, so they would arrange for all the staff to see the movie, I mean … it was just propaganda.

Ross, British staff CBUK21/03/12/08 London

And perhaps there was good reason for this suspicion of western influence.

There was nothing in the world without a class orientation, we were told. We have money for socialism and money for capitalism, we were told, and we must work hard to have socialist money to serve for the socialist construction, and keep capitalist money away in case it would damage our soul. We believed that what we were told was the truth and the only truth in the world! … and now you people in the current generation believe, no matter white cat or black cat, it is a good cat if it can catches the rat. Now money has no class, only glory!

Zhu Peng, retired expatriate manager CBUK29/20/08/09 London

Two photos now hanging on the wall of the Bank in its City’s office mark the relationship between Chinabank LB and the first generation of communist leaders in China.

Figure 5.2 Chairman Mao meets local staff of Chinabank LB in 1961

source: The Bank 2007 17

Beijing (see figures 5.2; 5.3). As the first generation of leaders of communist China,

23 This was one of the revolutionary Beijing operas promoted by Mao’s wife that all the nation had to watch.
Chairman Mao and Premier Zhou never visited western countries. The photos with the managers of Chinabank LB were taken in Beijing. Although overseas branch managers, were rarely able to meet communist leaders, they were invited to Beijing and received by leaders such as Chairman Mao and Premier Zhou for explicit political and economic reasons. The photos show not only the direct control of the

Figure 5.3 Premier Zhou meets the manager of Chinabank LB in 1964

source: The Bank 2007 17

Chinese bank by its state in Beijing but also the significance of, and the great expectation of Beijing with respect to, Chinabank LB. This is because the Chinese bank in London became a window for communist China and a bridge between it and the outside world. At the same time, it functioned as an information centre and foreign currency centre for communist China. The role of Chinabank in London was irreplaceable at a time when China was excluded from all international economic organizations and, until the early 1970s, not allowed to use US dollars in setting its international accounts (Zhang 2003 16).

After the economic reforms in China in December 1978, Chinabank LB established offices in the west end of London, Manchester, Glasgow and Birmingham to develop its retail banking service for Chinese communities in the UK. However, no new economic targets were set by Beijing but political control varied in intensity depending on the political atmosphere in Mainland China. When Beijing launched a campaign against ‘spiritual pollution from the West’24, political control was tight. Cold war thinking could still be seen in Beijing’s management over the bank’s operations and behaviour in London. At that time,

[A]s soon as we came into UK, our passports were collected. We were not allowed to go out without another expatriate’s companionship. Local television programmes were forbidden and we could only watch films on TV

  Zhu Peng, retired expatriate manager CBUK29/20/08/09 London

Life was difficult for the expatriates:

They didn’t have an apartment, they shared bathroom etc. It was not that great but … it was an opportunity to see the world…(noise). Progress was very slow… and I could remember particularly the time of Tiananmen Square, in China. They were saying that nothing is happening, but everybody here was watching it on television so they could see that it’s happening. It still seemed to be under control…

  Ross, British staff CBUK21/03/12/08 London

Being identified as one of the state-owned socialist bank branches, Beijing still required expatriates in London to resist western capitalist ideologies and it was still a requirement that the branch’s general manager had to be a Communist Party member.

The general manager was also the Party Secretary of the Bank; he was appointed by Beijing and supervised by the Chinese Embassy in London. As London was considered the most important overseas bank branch, the person appointed had to be a very senior and mature Communist Party member. The bank he ran could lose money but could never afford to lose the political trust

24 As struggles between reformers and anti-reformers in Beijing continued, an argument was raised nationwide around the question - is Chinese reform a capitalist one or socialist one? The anti-reformers launched a campaign against influences of ideologies and behaviours from the West.
of the Beijing government or to have its loyalty to the Communist Party questioned.

_Meng Guang, Chinabank manager CB08/22/12/09 London_

As a counterpoint, there were some so unhappy with a communist bank in the City that they threatened to ‘blow the bank up’.

There was a time when they threatened … Can’t remember what the problem was but at one time somebody said they were going to blow the bank up. I don’t know who, just some strange person. And then the police came, and when the managers came to work, they used to have a police motorcycle each side to escort them. Although they didn’t like it, it was for their own safety. The managers came by car and the police were on their motorcycles. You know like when you see the Queen or something, ha ha ha ...

_Ross, British staff CBUK21/03/12/08 London_

When political control from Beijing was looser, expatriates could treat themselves to western material civilization. As the salaries of expatriates were low (the same as governmental officials in China), this served as some compensation for working abroad without families. Expatriates were allowed to bring one item from the ‘3-biggest luxuries’ in Chinese eyes at that time (colour television, washing machine, or refrigerator) back home for their annual leave to China.

At that time, colour TVs and washing machines were common in London, but they were hard to get in China. Every expatriate tried to save every penny from their salary to bring home these great luxury things one by one. Families were not allowed to come to London and these were the best things to make compensation. My uncle’s home was the most modern one in the neighbourhood. At Chinese New Year, all relatives were gathering in my uncle’s home to watch a programme on colour TV. We all admired him so much!

_Bai Yang, Chinabank manager CB01/01/12/06 London_

_4) Embryonic ‘western’ banking (ca 1990 – 2004)_

With the rapid pace of financial reform from the 1990s, the state officially launched a project of ‘going global’ and, in 2000, encouraged state-owned banks to ‘dance with
the wolves’ in the world financial markets. This stage of development was relatively stable with the business of international settlement flourishing owing to the increase of foreign trade and economic development in China. The idea of modern commercial banking was introduced to Chinese state-owned banks around 2000. Chinabank LB became one of the main training centres outside China to introduce knowledge about modern banking management to Chinese bankers.

Although economic targets for each bank branch were introduced from ca 2000, they were not taken seriously by bank managers, especially those in overseas bank branches. This was because the economic target was not calculated but estimated by head office according to economic performance during the year before. Thus managers were scarcely motivated to fulfil their economic targets.

London is in the centre of Europe, you know, it is a place that everybody enjoys life. If the head office appoints somebody to be the general manager in London branch, that means, it treats you with a reward before retirement. You can enjoy travelling around Europe and enjoy your life during the three-or-four year-term.

*Bi Li, Chinabank manager CB02/05/10/08 Beijing*

Although it added several new business products through learning from the local market, the bank’s customers remained mostly overseas Chinese. Further, with the impact of the Asian financial crisis at end of the 1990s, the Bank in London was cautious in learning to do new business, ‘going global’ was out of the question. But after its restructuring (into a limited company) in 2004, Chinabank adjusted its global strategy and encouraged its overseas branches to carry out a global strategy depending on their own circumstances (Liao 2007)

But, given its history in London, Chinabank LB had to establish a new identity and image in the City. If it was to change its status from a reluctantly accepted – even

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25 when discussing the fate of Chinese banks after entering into WTO in 2001, Chinese mainland media used to refer to western banks as ‘wolves’.
hostilely opposed - visitor to a member of the City community, its legitimacy as a commercial bank had to be established. This chapter recounts an important initial moment of that attempted transformation but, looking forward to chapters 6 and 7, the bank in London was to find that such a transformation requires hard-edged financial action rather than mere words or PR. And such action, in turn, posed real problems for Beijing.

5.2.2 Chinabank UK (2004 - )
At the end of 2004, a new general manager was appointed by Beijing to Chinabank LB. He is an American citizen, born in China and educated in US. This was the first time a non-Chinese expatriate and non-communist party member had taken such a senior role in the Chinabank LB. It opened a new stage of the bank in London – the stage on which my thesis focuses. Then in 2007 - three years after the new manager was appointed to Chinabank LB, Chinabank UK\(^{26}\) was established as a new financial institution – a subsidiary (as distinct from a branch) of Chinabank. Registered in London, the Bank set out to establish itself in the local market with a new identity.

So, how did this come about? Why was the subsidiary of Chinabank formed when Chinabank LB was already in the City?

I think that Chinabank had decided that they wanted their overseas network to make a much greater contribution to foreign markets, I think both Chinabank London Branch and Chinabank UK will be encouraged to be more profitable, all very much more commercial, and all in full compliance with regulations and so on…

*Peter, British manager CBUK11/18/02/09 London*

According to Stanley, a local British staff member, the Bank wanted to get rid of what the Chinese call an ‘iron rice-bowl’\(^{27}\) (CBUK 16/10/08/07London) but, for

\(^{26}\) I use the terms ‘Chinabank UK’ and ‘the Bank’ interchangeably to refer to the new subsidiary.

\(^{27}\) 铁饭碗(tie fan wan, in Chinese). it illustrates an equal payment system. No matter whether you work or not, you will still get paid. Before economic reform, this system was carried out in China and meritocracy was not valued. Once you get a job, you can hold it for good just like you hold a ‘big iron bowl’ that will be never broken.
Harry, a former British manager in the Bank, it was the issue of regulation and pressure from the UK regulatory authorities that was key:

The subsidiary was established after I left, because of pressure from the FSA. They don’t want foreign banks operating through branches because it keeps them outside proper regulation. They [branches] can do things that they cannot do if they were incorporated in the UK. At the same time, there was a lot of pressure on Chinabank London Branch because they have been in the country for so long as a branch and were outside proper regulation and they were changing rapidly. … The people that I took in, or others that got taken in, meant that they were doing a lot more business than they were in the past. So I think the FSA was right to insist that they were finally incorporated in the UK and came fully under UK regulations.

_UKA08/21/07/09 London_

This point is also stressed by Robert, another British manager, an EMC member of the Bank

… of course the background to that was change in European regulation, it was a European directive which was introduced in 2005, which made it necessary for the FSA to approach all those banks which are head quartered outside of EU, and asked them to open a UK subsidiary, so this was a regulatory requirement. What was unusual was the Chinabank was able to say to the FSA, ‘we’ll open a UK subsidiary but we’ll keep our branch as well’. So unusually the Chinabank was able to keep this branch and open the UK subsidiary.

_CBUK20/16/09/09 London_

The explanations of the local British managers are both correct to some extent. Certainly, they reveal the formative effect of intersecting relational geographies but another significant part of the explanation was beyond their understanding. The story of the formation of the Bank went beyond the economic and involved ‘trust’, ‘loyalty’, ‘politics’ and ‘face’. It was concerned with the logic of Chinese way of displaying the competence of any new leadership team.

When there is a new government, there are also new arrangements to enable it to build its distinctive ability and its own political trust. In China, this is typical. When we get new head of the Party, a new team will replace the old one in every aspect. The heads of the state-owned banks would be changed too, as a consequence, new managers that could be trusted with new strategies would be appointed to bank branches. When everybody is eager to show off their ability, a new strategy will be invented and new events will take place. That’s the politics of leadership.

_Liu Ling, Chinese state media reporter CSA05/30/09/08 Beijing_
And there were other reasons too. The three largest overseas branches of all the Chinese state-owned banks were all run by Chinabank and were located in the three key world financial centres of London, New York and Tokyo. As Tokyo is in Asia, London and New York were regarded as key by head office in its ‘going global’ strategy. The branch in London has the longest history but although its popularity with Beijing was of longstanding it was regarded as less significant than New York. However, after 2003, London supplanted New York as the most important overseas branch in the strategy of ‘going global’. The reason was straightforward:

When Mr. Wang was general manager of the Chinabank New York branch, he was quite a famous figure in New York City. Unlike other managers before him, he was well known for his love of attending parties and hosting parties in his residence. He made a lot of friends with figures in mainstream society. It is said that key financial figures like Greenspan were among his guests and he was regarded as the representative of new generation of Chinese modern bankers. He was so powerful in New York, that … sometimes, he was asked to manage things that the Chinese Embassy in US could not. It was such a pity that he turned himself into prison.

Fei Xue, Chinabank staff CB04/26/09/08 Beijing

In 2002, a US financial supervisor\textsuperscript{28} found Chinabank, New York Branch guilty of illegal operations. (Hu and Gu 2002). Mr. Wang was consequently examined by Beijing and charged with corruption. The scandal of the New York branch destroyed the trust previously built with local clients and the US financial supervisors. US financial supervisors even lost trust in financial supervisors in Beijing. As a consequence, Beijing’s appointment as general manager to the New York Branch was rejected. As time and effort are needed to rebuild trust and expand business, the head office in Beijing could not depend on New York to carry out its global strategy. Under these circumstance, London’s position as a global city in world finance was not in doubt and, indeed, it was growing, Chinabank LB became the great hope of its Beijing head office to carry out its ‘going global strategy’ in the West.

\textsuperscript{28} Office of the Comptroller of the Currency
A further set of influences shaping the development of Chinabank UK lies in the structure of organisation and control through which it works (see figures 5.4 and 5.5). The formation of Chinabank UK was a first move to show off the determination and competence of the new management teams both in London and in Beijing. In the Chinese saying, it was to achieve ‘开门红’ (kai men hong), meaning in English, ‘instant effect’. It is quite understandable that the management team in the head office welcomes exciting news from the branch in London. This is because the presidents of the board and the CEOs of the Chinese state-owned banks are all Communist Party members and government officials appointed by the party committee of the State Council. Their performance is examined, on the one hand, in terms of their political loyalty to the party, and on the other, on their competence in making profits. If they are successful and get promoted, they will be high officials of the State Central Committee (CSA08/22/10/08; CB09/17/09/08). This is an utmost objective of these bank bosses. Since the achievement of the bank branch is claimed by the head office, it is imperative to push and support the branches themselves to make greater achievements in order that the bosses themselves may emerge from all the others state bank managers and be promoted. According to the current Chinese official evaluation, an official’s term of post is normally three or four years, sometimes five or six years, so if they are ambitious, they must make rapid progress.

新官上任三把火29 (literally in English, new boss makes three big fires) is a Chinese saying describing why newly appointed bosses want to impress others. The inauguration of Chinabank UK is an outcome of all these reasons. It is a construction of relational geographies of economic practice, political objectives and financial regulation spanning the globe.

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29新官上任三把火(xinguan shangren sanbahuo), means that any new bosses like to draw others’ attention to his/her instant success after seizing a new post. To achieve this effect, he/she must do at least three things to impress people with his/her ability.
Figure 5.4 Chinabank: organizational structure

source: Chinabank IPO prospectus 2006 201
Figure 5.5 **Role of the Communist Party in Chinabank’s organizational structure**

- Chair of the Board is also the Bank’s Communist Party Secretary
- Of the 15 Board members, 9 are party members
- CEO is also Deputy General Party Secretary and 5 out of 7 senior executive managers are party members
- Most of the 27 operational departments are run by party members. One department is the Party Affairs Department which is in charge of the performance of party members.

source: various sources (media reports, internal documents) relating to Chinabank

The significance of the formation of Chinabank UK is, perhaps, captured through the eyes of two local British managers:

I feel very happy and very proud to work in the Bank. … We are making enormous strides in the so-called commercial markets. The last two years have been amazing, I have seen so many changes. It is all down to our new manager. He has been fantastic for the Bank in the UK. Chinabank has had a branch [in London] for a long time, but it has never really done any business. … The new manager came over, obviously with the backing of the head office. He said ‘No, we’ve got to make it a proper bank, we’ve got to start to make some money’, He put a lot of experienced people in key roles, people who had experiences from working at the commercial sector who could really try and can help to change things, you know, it’s been enormous change. We have taken on so many new people, we are doing business products that we would never dreamed of doing two years ago. That’s really really made an enormous difference. And of course, particularly since I joined, you know, everybody is aware of China. … five years ago … nobody really knew much about China. It was a huge closed state. Everything was state owned and nobody really thought about it too much in banking terms

*Sharon, British manager CBUK13/10/12/08 London*
Because the Chinese banks when they came, they wanted to turn themselves into western banks, that’s what I see in my experience. They are doing all they can to absorb the business practices of western banks and they are buying expertise, product knowledge, systems to develop themselves along western styles. That’s what I see.

*Harry, former British manager UKA08/21/07/09 London*

Although the story of the formation of the Bank is interesting in itself, it is recounted here as a context for understanding the moments of transformation investigated in detail in the rest of the thesis. If I were to attempt to deal with this history in anything like a comprehensive fashion, my research would face a number of ethical issues involving respondent’s confidentiality, corruption, the inner-working of the Bank and the relation of the Chinese State and the Party. This is a big story and my respondents would be fearful that they might get into serious trouble in disclosing information to me. For these reasons – and despite the limitations thereby imposed - I purposely chose to scale down my research. Furthermore, the micro-studies that follow do offer an opportunity to explore the identity and significance of relations of trust which lie at the heart of the thesis.

Therefore, I have chosen several moments since 2004 to explore how Chinabank LB was transformed to Chinabank UK (the Bank) and as a consequence how relations of trust were transformed as well. The moments chosen (see chapter 4), include those that my respondents perceived as significant and meaningful to them. The first of these describes how the Bank tried to present a new image of financial legitimacy and to establish a presence in the City through the use of one of the City’s symbolic spaces. Given the history of Chinabank LB, this was a vital task even if it was able only to begin to counter the legacies of that history.
5.3 Symbolic spaces and representations of the Bank

5.3.1 Space and legitimacy

The production of geographical knowledge has always involved claims to know ‘space’ in particular ways (Johnston et al 2000 767)

Literature on world cities (e.g. Jacob 1994; Zukin 1995) talks about how the meanings given to spaces are challenged by diverse communities. Such discussions draw attention to the notion that space is actively ‘produced’ or ‘constituted ’ through action and interaction. John Allen (2003) argues that the production of space involves relations of power exercised through persuasion and seduction and results in ‘hybrid geographies’. Following Harvey’s (1973, 2006) distinctions between absolute (territorial), relative (territorial) and relational (topological) space, this thesis explores some of the ways in which territorially differentiated notions of trust are brought face-to-face through relative spaces of interaction – between Beijing and London, for example - and considers the production of hybrid relational spaces of trust as the Bank attempts to go global. In these ways, the thesis mounts a challenge to those who argue that globalisation has a flattening effect on geographies of difference in the world economy. Rather the argument is that the construction of hybrid relational spaces of trust transforms rather than eliminates spatial difference.

Thus, unlike those who treat spaces as a pre-given universal of human existence, “bounded settings in which social relations and identity are constituted” (Johnston et al 2000 582) and within which objects exist and events occur (Hartshorne 1958; see also Smith 1984 67-8), Harvey (1973, 1989b) treats space as both territorial and relational. In Harvey’s words, “The question “what is space?” is therefore replaced by the question “how is that different human practices create and make use of distinctive conceptualizations of space?” (Harvey 1973 14). In chapter 4, I argued that trust is an inherently geographical relationship. Notions of trust are formed in certain distinctive absolute spaces (e.g. Confucian China, the changing space of the City of London). With geographical expansion (e.g. ‘going global’), these spaces are
brought into relationship with each other thereby confronting the different notions of trust formed within them. Proponents of hyper-globalisation would argue that this would result in the emergence of a single notion of relations of trust. But this thesis contests this view. It argues that hybrid relational spaces of trust emerge as the Bank attempts to resolve the differences between the practices of capitalist social relations and those of state socialism thereby constructing new spaces through which it may go about its work.

One strategy employed by the Bank to build its legitimacy with potential partners and clients, as well as regulators, in the City of London has been to engage publicly with certain spaces identified as symbolic of western power and legitimacy. For example, over the past few years the Bank has used the Houses of Parliament for a firm promotion event, ‘Bridge to China’, in 2006; held a reception at 30 St Mary Axe (the iconic Gherkin building designed by Norman Foster) to entertain key clients and financial supervisors in 2007; hung the red lantern with the Bank’s logo and the words ‘Chinabank’ each year to celebrate the Chinese New Year; enacted the ‘money god’ to give ‘lucky money’ to the crowds in the Trafalgar Square at the parade of Chinese New Year celebration each year since 2005; and last but not the least, jointly with RBS (its former strategic partner), sponsored a ‘Chinese Garden’ at the Chelsea Flower Show in 2007 which attracted the Queen (see figure 5.6).

This strategy of associating with places and events closely connected with various aspects of London and corporate life reflects the Bank’s desire to increase its public and corporate visibility in the light of its invisibility (see below) since 1929. In this context, the Bank recognizes and employs the symbolism of its presence in a world city and global financial centre such as London in attempting to build legitimacy. The Bank identified, and engaged in, symbolic spaces in London to boost its image as a global player equivalent to other banks in the City. While emphasizing the rationalities, social structures and logics that enable agents to act in a trustworthy manner (in my thesis defined as ‘regulatory trust’), Murphy (2006 9) argues that trust
and trustworthiness are actually ‘performed’ through affective displays and symbolic forms of communication including attitudes, feeling, props and visual cues in real places or technologically mediated spaces. Such spaces are, therefore, crucial in the formation of relations of trust and so of becoming an accepted visitor in the City and, beyond that, a member of the City community.

Figure 5.6 The Queen at the Chinabank UK Chinese garden, Chelsea Flower Show 2007

source: The Bank 2007 32

5.3.2 Desiring western legitimacy and visibility

From the end of 2004, the Bank in London was on the track of ‘going global’. The new management team began by setting out to create a ‘modern commercial bank’ to displace the image of a ‘communist state agency’ in the City.

The state-owned bank used to be a communist state agency and the expatriates used to be governmental officials. It takes time for them to change the identity from socialist constructors to modern commercial bankers. It also takes time for the City to look at us with new eyes. The Bank was wise to promote its image as a modern bank.

_Feng Li, Chinabank manager CB05/26/05/09 London_

This was a good time for the Bank to seek autonomy from its head office and supervisors in Beijing. Back at home, in contrast to the acquaintance society of traditional China, the Chinese government was itself aiming to build a law- and
rule-controlled modern society in accommodating the market economy. Thus what the state refers as 法制社会 (fa zhi she hui, in English, a ‘law society’) is promoted by the state. Terms such as ‘regulatory state’, ‘corporate governance in the firm’ are associated by the state with discourse of a ‘learning society’ in building the legal and institutional environment for the market economy. Furthermore, international strategic partners and potential investors were expecting reforms within the Bank not least in response to a number of scandals revealed in the Prospectus of the Chinabank’s public listing. These included the disclosure of irregularities at the New York branch of Chinabank which had led not only to the cancellation of a planned listing on the New York Stock Exchange (Sun and Tobin 2005 86), but also to the loss of a flagship branch. This placed great pressure on the head office of the Bank to improve the corporate governance of the Bank.

The Bank faced a number of operational problems too. First it lacked advanced technology, a lack which blocked its expansion to the global market. Secondly, it had insufficient expertise in modern banking operation and understanding of international culture. Thirdly, what functions it did have were dominated by its role in foreign exchange for the Chinese state and as a training centre. Fourthly, heavy competition from other state-owned Chinese banks such as ICB and ICCB reduced its privilege of being the premier Chinese bank in the global market.

However, one of the most competitive advantages of the Bank is its longstanding experience of working in the City and this alone was a major factor in the negotiations to set up Chinabank UK and so to secure more autonomy from, and thereby transform the relations of trust with, Beijing.

In China, our London Branch is regarded as the first to go global. We were in London since 1929! But no matter how long we are in the City, we are still a Chinese bank. The problem is that the City does not trust us as a normal bank. As a matter of fact, in the past years, the main objective of the

30 The scandals of the Chinabank were disclosed as a number of ‘special events’ in its IPO prospectus (2006). They include fraud and other misconduct committed by its employees.
bank branch was to serve our country’s economy rather than to focus on expanding banking business. The City has reason to doubt, erm, whether or not it is a bank. The argument in the report written by London Branch is reasonable. I think a subsidiary is necessary.

*Pei Liang, Chinabank manager CB10/12/10/08 Beijing*

In this report, the Bank in London listed several reasons, around regulatory practice in London to support the establishment of a subsidiary. First, as a subsidiary of Chinabank, the Bank would be authorized and regulated by Bank of England and supervised by FSA in London. These links enable it to disembed itself from its communist background and re-embed itself into the local and global economy in the City. A bank authorized and regulated by Bank of England and the FSA would reduce the scepticism of potential investors and clients concerning its state-owned nature. Secondly, it would add confidence to existing clients and, thirdly, it would help the Bank to engage more fully with the local financial community of London. Thirdly, the FSA in London had suggested more than once that the Bank should set up a subsidiary rather than a branch (The Bank 2009 3). On this, Chris, member of EMC commented:

*The UK financial supervisors kept asking us to be a subsidiary in the past years. I can understand why they do so. It can make their supervision much easier if we are a subsidiary rather than a bank branch of a Chinese bank. A subsidiary means a local bank that is registered and regulated by the UK financial supervisor. But as a bank branch, we are still a Chinese bank with our head office registered in Beijing and supervised by Beijing financial authorities. The UK financial authorities won’t trust us until we become one of the Banks supervised by them. This is the key point we highlighted when we discussed and negotiated with our head office in Beijing and financial supervisors in Beijing*

*CBUK02/16/12/07 London*

Furthermore, according to Hanley (2004 213), in a setting of rapid growth, where personal ties cannot easily keep up with the wider business expansion, a new form of trust is likely to have an institutional character involving regulatory trust. And for the regulatory authorities in London, this must involve UK regulatory practice. With the
development of such UK-based regulatory trust, confidence in the Bank’s trustworthiness may be developed. New customers and investors may come to judge its performance and that of its employees according to the Bank’s formal constitution and governance.

In fact, the distinction between regulatory trust and personal trust itself came to play a role in the evolution of the Bank. Blair, one member of EMC of the Bank was once an academic himself and used conceptual reasoning to help further his ideas amongst the staff in London and managers in Beijing. He told me that the terms which I introduced to him in this thesis ‘regulatory trust’ and ‘personal trust’ were useful to explain why a focus on legitimacy is needed for the Bank. As he put it

The term ‘regulatory trust’ is good and useful for me to convince managers in head office of the necessity to establish the Bank’s legitimacy. A Chinese bank in London is not like US banks, for example, The Citi bank in London does not need to promote its identity as a bank, but we do! We need to make our potential clients focus not on the word ‘communist’ when thinking of doing business with the Bank.

CBUK01/08/12/07 London

And in my interviews with other members of the staff in the Bank, I found that we could talk about these notions of ‘regulatory trust’ and ‘personal trust’ quite easily in our conversation. This provides an example of the performative role that research may play in economic practice.

Along with the significance of these differentiated geographies of regulation for the arguments in support of the establishment of a subsidiary, there were issues around the geographies of the Bank’s commercial operation. For political, cultural and technical reasons, the business of the Chinese Bank in London was restricted and concerned traditionally with Chinese diasporic communities and Chinese state-owned enterprises. The bankers themselves recognized the limitations implicit in this:
In our annual party to entertain our customers, you will see all of the Chinese restaurants owners in town are here with us. It is a Chinese reunion party in London! …Other local customers don’t trust us. In China, we are famous, but here is not China, it is London.

Susan, expatriate CBUK18/21/08/09 London

With the aid of such arguments and intensive communication and negotiation with head office and the Chinese financial authorities (for more detail see chapter 7), the new management managed to get permission from Beijing to set up a subsidiary directly under the control of UK regulation and so more independent from its home office in Beijing. And this is now a strategy accepted and approved of by the Chinese authorities.

In the past few years, several Chinese state-owned commercial banks have opened representative offices, branches or subsidiaries in the City of London. As a financial supervisor, we also prefer subsidiaries because they are registered as local banks and it can save supervision cost. We trust UK financial supervisors so that we support our banks who want to set up subsidiaries in London as long as they are qualified and permitted by the UK authorities.

Cui Ming, state financial officer CSA01/10/10/08 Beijing

Besides the issue of legitimacy and commercial presence, another problem faced the new managers of the Bank: visibility. Although the Chinabank LB had been present in the City since 1929, it was kept in the shadows, ‘out’ of the City, by the main City community. Search through David Kynaston’s (1994, 1996, 2000, 2001) four volume history of the City and there is no mention of it. One local British manager, Sharon, told me of the surprise of her friends,

When I told people I was coming to Chinabank in London, most of the people, had the same reaction, to be honest, as I did: ‘I’ve never heard of it before’. Of course I’ve heard of Chinabank in China, but I did not know we have a branch here. So most people were quite fascinated, said, ‘Gosh, I did not know we had a Chinabank in London? Where is it?’ I told them, ‘It’s in Cannon Street’ and everybody said something like ‘I walk up and down Cannon Street every day but I did not see’

CBUK13/10/12/08 London

Simon, another British manager tells a similar story

When I joined the bank I did my research. I phoned around corporates I know and I said ‘Chinabank London’, and they said ‘Who?’ I said...
‘Chinabank in London’. They said ‘Chinabank isn’t in London’. I said ‘Yes it is, it’s been here for 70 odd years’, and they said ‘You are joking!’ It was invisible. No one knew ... Compare that to today and I hope you’ll not get that response.

CBUK15/21/01/08 London

This lack of visibility was keenly felt. As the CEO put it

I was shocked to see people were surprised to see me introducing myself as working in Chinabank. ‘Ah, in the City? Where is it?’ Most people will ask the same question. Can you imagine we have been here for nearly 80 years!

CBUK01/01/12/06 London

I too came more fully to understand why the new management team desperately wanted a glamorous debut in the City and a new more visible image after an incident that happened to me. One day before I stepped into the Bank’s front door in the City of London for an interview, I overheard conversation between two besuited young, white city workers, “A, China Bank? What in hell is a Chinabank doing here? Ha ha ha…”. I felt uncomfortable and regret, maybe even humiliation and anger. And at that moment, I did feel the sense of ‘insider’ and ‘outsider’, ‘we’ and the ‘other’. However, I did understand more fully why the Bank wished to engage with financial hegemony in the City.

5.3.3 Hegemony and symbolism in the City

London is a ‘global city’ (Sassen 1991; Castells 2000; Massey 2007; Peet et al 2011) residing at the top of the global urban hierarchy. With its position as one of the key locations for leading international financial and specialist service firms, its huge financial role and participation in global offshore banking and its cluster of financial talent, London feels the pulse of the global economy. ‘Global finance is indeed London’s identity’ (Massey 2007 42). If a bank wanted to be perceived as a ‘global bank’ it has to be in London (Cook et al 2007 1332).
As a global financial centre, London is a space of global financial sovereignty. London’s spaces serve (or, post financial crisis, ‘served’ would be a more appropriate term) to legitimate the practices of financial actors in the City and its offshoots. As a global locus of flows of people, capital, knowledge and innovation, London is a financially iconic place. And notwithstanding the effectiveness or otherwise of financial regulation, banks operating in the City have to follow global financial standard and local rules and norms. Any successful bank in the City must work on at least two levels - one local, in the City and one global, in the world. The City of London is a brand that confers credibility and status upon firms (Tavernor 2004). But beyond this, as Allen and Pryke (1994 459) state,

…in the case of finance, the abstract space of the City of London has secured its dominance over time through its ability continually to mould the space around it in its own image. The City is finance.

However it is wrong to think that the City of London or London the city is natural and innocent. Rather – and as the financial crisis of the later 2000s shows - it is a social product, created through the hegemonic power of finance in shaping readings and constructions of it. For Pryke (1991 198),

The connection between the production of the built form and spatial practices of the City lies in the conceptualization of the City as place…

Similarly, talking about the building of Venice, Lefebvre (1991 74 76) pointed out that places are made special by symbolic means and emphasized the performativity involved in their construction,

‘A rose does not know that it is a rose.’ Obviously, a city does not present itself in the same way as a flower, ignorant of its own beauty. It has, after all, been ‘composed’ by people, by well-defined groups.

[E]very single site in the city had of course to be planned and realized by people – by political ‘chiefs’, by groups supporting them, and by those who performed the work of construction itself.

In Allen and Pryke’s (1994 454) interpretation of Lefebvre, symbolic spaces like the City of London can be read as ‘centres of representation’ (Thrift 1994 335). They are
abstract, impersonal spaces that demonstrate rationality and modernity to exert hegemony. Thus, for Jacobs (1996), the City is designed to give power to those who code the City with the power of ‘cultural authority’ (Thrift 1994 350) but also to discipline and control, thereby endowing the power to decide who is an insider and who an outsider. So, in attempting to secure legitimacy and visibility, the Bank used the City’s symbolic spaces to engage in the representation of the abstract power of hegemonic finance projected by these iconic geographies.

5.3.4 Engaging with the City
The hegemonic meanings designed and created through financial practices in the City were not only readily accepted by Chinabank UK, it also engaged enthusiastically with them. It was not only willing to buy the hegemonic reading of the spaces but also to convey these readings to its authorities in Beijing. Paraphrasing Hudson’s (2005 265) remark made in a very different context, at certain times and in certain places, people living in particular places construct images of those places in part ‘as a way of surviving and dealing with the risks and uncertainties of their precarious existence’. For Chinabank UK, it is its involvement and acceptance in spaces of the City that will enable it to achieve the same kind of legitimacy as other financial institutions in the City and so reduce the precariousness of a market-based existence.

The opening ceremony was a vivid advertisement for our Bank. Accessing to the Mansion House to hold this ceremony is just as our deputy president of Chinabank said, ‘the City opened its door to us’. Having so many CEOs from famous banks and institutions to attend our ceremony itself also means much to us: the City community is extending its arms to us.

Si Ma, expatriate staff CBUK14/21/12/08 London

This may be elucidated by Allen and Pryke (1994 459) who speak of the significance of social abstraction as involving a representation of space as uniform, coherent, devoid of difference. As a representation of space it is an expression of certain social relations or, more
pointedly, the impression of sameness is something that is produced and secured rather than simply given.
The removal of such ‘difference’ and ‘the impression of sameness’ involves acceptance which, in turn, enables a shift from being a visitor in the City to being a member. If the iconic spaces of the City, with all their symbolic meanings, signs and images, admit the Bank, implying acceptance of it as a legitimate institution in the City, it may thereby become one of the City community, an insider – at least at this level of representation.

5.4 The City – relational spaces

However, no matter how abstract, rational and impersonal the spaces of the City may appear, it is also a ‘lived space’ directly experienced by human financial actors. The City is not only a territorial space of hegemony but a relational space of interaction. And these interactions matter for participants in the City.

Yeah I think hmm … there is a … a ‘space of interaction’ especially in what I’m doing now, I’m in trade in commodities and that is a very small place in London. Old bankers have been doing it for many years and deals get done between them on a personal level. So it doesn’t really matter which bank they work for. They tend to group together and discuss things, everybody knows everyone else, so it was a very good relationship between banks on a personal level and with the companies as well.

Harry, former British manager UKA08/21/07/09 London

The reason why London becomes ‘a very small place’ is that people ‘tend to group together and discuss things’. According to Amin and Thrift (1992), there are three non-economic reasons why localized centres are still needed in the context of a globalizing division of labour. First, centres provide face-to-face contact needed to generate and disseminate discourses, collective beliefs and stories about what world production filieres are like. They also identify knowledge structures that may be tapped. Secondly, centres are needed to enable social and cultural interaction, that is, to act as places of sociability, of gathering information, establishing coalitions,
monitoring and maintaining trust, and developing rules of behaviour. Thirdly, centres are needed to develop, test, and track innovations; to provide a critical mass of knowledgeable people and structures, and socio-institutional networks, in order to identity new gaps in the market, new uses for and definitions of technology, and rapid responses to changes in demand patterns (Amin and Thrift 1994).

My research results are conformable with such observations. As well as being an abstract space, the City is also a concrete, personal and local space full of interaction created in relational space. I illustrate this through an investigation of how the Bank effectively used the space of Mansion House in the City as means to build regulatory and personal trust with the City and the authorities from Beijing.

5.4.1 The event in the Mansion House – building regulatory and personal trust

Chairman Mao once said ‘It is not a revolutionary deed to attend a banquet’. Now the economic reform proved Chairman Mao is wrong: ‘Dinner is revolutionary work.’

Ben, RBS China manager UKA02/05/09/08 London

The Mansion House provides the Lord Mayor of the City of London with living, working and entertainment space.

(http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Leisure_and_culture/Local_history_and_heritage/Buildings_within_the_City/Mansion_house/ (last visited 07 04 10)

Formerly part of the ‘symbolic heart of empire’ (Jacobs 1996 38), now the symbolic heart of the ‘global city’ (King 1990 1991), these features were recognized by the Bank in its choice of the Mansion House as the potential venue for its opening ceremony. It was not so much the Mansion House itself that attracted the Bank to it as the venue for its opening ceremony but the meanings attached to it and its roles – including the hosting of the annual speech of the UK Chancellor of the Exchequer to the City of London - that it plays. Mansion House is the political representative of the abstract financial world of the City but also a meeting place in which financial
actors may construct personal relations. As a symbolic space of power and regulation in the City of London, the Mansion House represents homogenous, rationalized, and legitimate finance. One of the ‘monumental spaces’ (Lefebvre 1991) of the City, it represents the City’s financial power. And yet, although the maintenance of hegemony over ‘others’ works in and through socially constructed places (Anderson 1991), at the same time, the Mansion House is a meeting place enabling new links and connections.

This combination of characteristics was especially attractive to the Bank in announcing the arrival of Chinabank UK in the City:

When we considered the place to hold our opening ceremony for the subsidiary, er...Mansion House, Guildhall, the Houses of Parliament and the Gherkin were all in our prelist. We think first that the place should have a powerful symbolic meaning for finance, and then it should have a ‘wow’ effect, and third, it should have adequate spaces for people to move in and talk to each other. ... But finally we chose the Mansion House. ... Its symbolic meaning - the heart of the City of London - means much to our event.

Chris, member of EMC CBUK02/16/12/07 London

Once established as a London-based subsidiary, authorized and registered under the control of Bank of England and supervision of UK FSA, the Bank wished to trade on its new found relative autonomy in the abstract and impersonal space of finance in which it now found itself to become more widely recognised within the City. Its strategy was necessarily to build regulatory trust but to do so in part by making new connections and links with the City community through the establishment of relations of personal trust. In the process, both the relations of personal trust so characteristic of business relations in China and the relations of regulatory trust which play a more significant role in business in the west would, it was hoped, be transformed and hybridized. And in this, head office of the Bank certainly felt that the Mansion House event had been successful:
The success of the opening ceremony in Mansion House lies not only in its location, of course the location itself is something important to impress our guest, what I mean is that, it lies, more important, in the ability that the Bank can hold such a big ceremony and have so many influential figures in the City present. The presence of them represents confidence in the Bank.

Di Jun, Chinabank manager CB03/25/09/08 Beijing

The following sections set out to elucidate this success.

i) Regulatory trust

The day of the Mansion House event - November 20th 2007 - has been recorded in the Chinabank’s history and its memory kept alive by the well-printed programme and photos (see figure 5.7).

Figure 5.7 The City blowing the trumpet for the new bank

source: The Bank 2008a, 2009b

It is not easy to get access to the Mansion House for such events. The very fact of securing it for an event and to fill it with significant figures is a sign of competence in dealing with the City and a sign of acceptance by the City community.

Mansion House is not a place that anybody can get entry to and dine with the Lord Mayor. But we made it! Getting access to the Mansion House itself illustrated our competence. And getting so many VIPs, senior managers in the City with us showed the network we have in the City. Having the Lord Mayor dine with us again symbolized that we are accepted by the City and
regarded by the City as a legitimate firm. … Anybody who took a look at the guest list would be impressed that our ceremony got almost all the famous banks and corporates in the City involved. I hope our guests would think like that: 'If they can invite the best people here, they must be trustworthy to work with!'.

David, expatriate manager CBUK03/20/12/08 London

The grand hall accommodated about 300 guests, including the Lord Mayor of London, chairs of the Royal Bank of Scotland, HSBC Group, London Stock Exchange, and Chief Executives and Chief Financial Officers of the top 200 banks and companies in the UK and other parts of the world. They all witnessed the Bank’s achievement in establishing a UK regulated subsidiary. The Bank also invited its home financial supervisors from Beijing to the Mansion House. The executive deputy president of Chinabank and chair of the board of the Bank in London, Mrs Zhang, also came from Beijing. She was impressed by the event and stressed the symbolic meaning of the event.

This was the first time the symbolic headquarters of the City of London opened its door to enterprises of China. The management team in London Branch has made great efforts in establishing the Chinabank UK, which has clearly produced excellent results. With this recognition of the Bank, it is as if we have obtained a pass to the European market.

Chinabank 2008, Chinabank 2009c

The good arrangement of the event also revealed the competence of the Bank in getting to know the norms of the City and the presence of so many important guests demonstrated its credibility in the City.

The Mansion House event was excellent, for different reasons. It was excellent because we gained access to the heart of the City - the Lord Mayor of London. People could not fail to be impressed. … Again it was … very well organized, superb. … That event I would say, was the best event we had. … Because we held it in an excellent location, the Mansion House, representing … British finance, the City of power within the country. … You invite the people there, having dinner with them there. … Again the Bank is trying to increase its credibility.

Oliver, British manager CBUK10/06/12/07 London
It was precisely the establishment of ‘credibility’ that the Bank wanted to achieve.

The event revealed the power and significance of ‘monumental spaces’ discussed by (Lefebvre 1991 224).

The indispensable opposition between inside and outside, as indicated by thresholds doors and frames, though often underestimated, simply does not suffice when it comes to defining monumental space. Such a space is determined by what may take place there, and consequently by what may not take place there.

The Bank not only considered itself to be ‘inside’ but, in being able to hold this event in the monumental space of the Mansion House it was able to see itself as an ‘insider’.

It is wrong, however, to think that Bank in the Mansion House was passively ‘being’ in the hegemonic space. Instead, it was actively engaging with the idea of a symbolic power of ‘monumental space’. By engaging in this symbolic way with the City community, the Bank highlighted its ‘sameness’ with other ‘insiders’ and so, by focusing on the theme of a ‘subsidiary under the regulation of UK authorities’, promoted its claims to regulatory trust. The interpretation that, as a representation of a hegemonic global financial space, the Mansion House would admit only those qualified to be there, was highlighted and subsequently used by the Chinese bankers - repackaged and resold to the City community and the authorities from Beijing - to build its legitimacy.

The City is finance, oh, yes, now we are in the heart of the global finance!... By setting up a subsidiary, we show our willingness to follow the City’s rules. …As registered and authorized by UK supervisors, it is easier for us to build trust with the City community. Holding the opening ceremony in the Mansion House has great significance and implications. First it has symbolic meaning: the City has opened the ‘door’ to us. Second, almost all the key financial actors in the City turned out to celebrate our development and it shows their attention and interests in us. Who can afford to ignore event relating to China now? We are a UK bank but I am sure that what they are interested in more is the Chinese background we have. We highlighted
that we are a UK bank but at the same time we also highlighted that we have developed from the Chinabank London Branch which has been in the City for 80 years. Third we take it as a start to emerge into the local community and global finance. I think we made good use of the space of Mansion House to promote our legitimate image and express our goodwill to our guests of the City.

Yue Ming, expatriate EMC member CBUK28/21/09/09 London

Following Allen’s (2003) notions of relations of power, the success of the opening ceremony enabled the Bank to realise and exercise its power, not in the sense as a power of hegemonic financial spaces over financial actors but as a power to persuade leading City players to meet with it and thereby to seduce them in a formal ceremony, to accept the Bank as a City bank. This is evidenced in the comment of one local British manager in the Bank:

It’s quite unusual, many of the guests said they never attended dinner with Lord Mayor in the Mansion House… Mansion House itself is a big attraction to my guests. The dinner was fantastic, the musical was superb, and the organization was perfect. All of my guests were impressed. It certainly raised the credibility of the Bank

Richard, British manager CBUK23/06/03/08 London

Power as seduction certainly seemed to be effective in establishing regulatory credentials. As one expatriate put it:

We ordered the best food for the dinner, entertain our guests with the band, the soloist and provided every guest a special gift. But all these were worth the while. By holding this ceremony, we told all those present that we have changed. Our bank is a UK bank now registered in the City. It is much better and efficient than to call at every corporate to introduce ourself. It is much productive too, compared with putting advertisement through the media.

Susan, expatriate CBUK18/21/08/09 London

The opening ceremony in the Manson House not only helped to build regulatory trust between the Bank and the City community, but also highlighted this growth of regulatory trust within the City to authorities from Beijing. The Bank invited the
authorities from Beijing to see with their own eyes that it was admitted by the City because Bank was now under the regulatory control of the City. Thus the remark of Mrs Zhang on the ceremony was what the Bank wanted to hear.

Going global is a double-edged sword. It means that our bank branches must understand well and follow the local overseas regulatory environment, legal environment and business environment (Chinabank 2008).

Thus in addressing both the City and Beijing, the Mansion House event was a significant social and political space in the creating of financial space by the Bank.

But this was not merely an event to impress but from which to learn. Recalling the event, one official in Beijing certainly felt deeply impressed even after more than a year had passed but also revealed the effect of the event in creating trans-national concepts and understandings.

I now understand what real ‘English gentlemen’ means. They even have disciplines to wear what kind of clothes in what kind of circumstances. I can imagine how hard it might be for our expatriates not used to working in different locations to cope with all kinds of rules

Chinabank manager CB11/21/10/08 Beijing

This significance of cultural differences and rules-based behaviour is precisely what the Bank wished to impress upon its Chinese authorities. The abstractness of the City’s space is itself a proof of homogeneous capitalist finance and a different context for Chinese banks. But Beijing’s attendance at the ceremony helped the Bank in London to sell the notion of ‘regulatory trust’ to them and thereby helped to increase their autonomy from Beijing.

We invited them to come and see how different our situation is from China, then we can stress the differences in our bargaining for any permissions in the future.

David, expatriate manager CBUK03/20/12/08 London

However, it was not only the Chinese authorities from Beijing that were impressed and transformed to some extent by this event. The expatriate managers in London also felt different.
Sitting among the black-tie crowd, I got a sense of feeling like a real City banker! How strange? …But it feels great!

*Jie Yu, expatriate manager CBUK06/12/02/09 London*

In not only following the programme arranged by the Mansion House, but also following its dress code, the City acts as a hegemonic space controlling the conduct (including appearance, dress style or behaviour) of people gathering in its symbolic spaces. And the Bank used this ‘rule’ to illustrate to authorities in Beijing that ‘when we are in Rome, we do as Romans do’ (*Meng Guang CB08/22/12/09 London*).

By attending the opening ceremony in the Mansion House and following the dress and other codes of the House, the Beijing authorities of the Bank were made to realize that if you want to join the game, you must follow the local rules, and the ‘rules’ are same for everybody no matter from whence they come. At the same time, the Chinese bankers in London experienced a new identity as ‘City banker’. With this new identity, the Chinese bankers began to realize the need to treat rules seriously in building the Bank’s regulatory trust. And this process also involves the Chinese bankers disembedding from their home culture and re-embedding in the local community – the City of London. The build up of regulatory trust within the Bank and between the Bank and the City not only enabled the creation of new economic geographies of the Bank, but also opened up possibilities for the Bank to be a modern commercial bank, increasingly autonomous from Beijing.

Thus, I argue that symbolic spaces such as the Mansion House of the City are designed to represent the hegemonic abstract space of global finance, governed by market interactions and rules and the Chinese bank was ready to buy into this abstractness. By highlighting the significance of the City’s abstractness, the Bank was actively reselling the concept of ‘sameness’ back to the City community, to its Chinese expatriates in London and to its supervisors in Beijing. However, the use of the symbolic spaces of the Mansion House not only allowed the Bank to build its legitimacy, reputation and identity in the City and with the Beijing authorities but to
demonstrate its Chinese characteristics too. Thus, Mrs Zhang (Chinabank 2008 4) states,

While following the City’s tradition to arrange the procedures, this event fully displayed the ‘China concept’ and ‘new image’ of the Chinabank.

This comment on the ‘China concept’ draws attention to the fact that the reshaping of trust in the Bank was not simply a question of building western relations of regulatory trust within and beyond the Bank but also of addressing the question of relations of personal trust.

**ii) Personal trust**

While the symbolic power of the Mansion House representing critical elements of the City was used to build regulatory trust the spaces of Mansion House were also engaged as a lived, concrete meeting place to build personal trust with key financial actors in the City. In the following sections I will demonstrate how the Bank gained access to Mansion House through relations of personal trust, and learned how to build new connections and reinforce existing relations of personal trust in this symbolic space.

Chris, local Chinese, member of EMC of the Bank with longstanding connections in China and with the City, was involved in the organization of the event. He explained his understanding about gaining access to the City’s symbolic spaces and illustrated his experience in the City over a period of almost 30 years as a mixture of the old and the new.

You might hear the expression: my word is my bond. In the City, personal relationships still matter. Many places in the City, the Mansion House, for example, is not a place that everybody can use it if they want to. Otherwise, if anyone can use it, where is its power? ... You must be considered as the ‘right’ people, then you can be there. Er, …credit, yes, is the word, you must have credit to use it. And most important of all, you have to find the right ‘key’ to open the door for you, the ‘key’ here is some privileged figure, influential person in the City, let him introduce you...
When asked about the process of getting access to the Mansion House, Chris told me:

There have been 25 years of friendship between the retired Lord Mayor and me. He thought it was a brilliant idea to have the opening ceremony of a Chinese bank in Mansion House. He was very supportive and instructed me how to do it. As the Lord Mayor in position would retire, he suggested me to discuss with the Lord Mayor to be. He also provided me with a lot of good suggestions as how to discuss it and when and with whom. Another friend of mine, a lady, who is working in the Mansion House also gave me lots of help in the arrangement.

CBUK02/17/12/08 London

Once the place was accessed, an intended guest-list was identified. Besides key customers of the Bank in the City, Chief executives and high-level officers from financial institutions and government involved in the Bank’s operation were also targeted. The Bank knew very well that even if it got access to one of the most prestigious places in the City, it could not automatically guarantee the effect it wanted to achieve. If there were not enough distinguished people to fill up the prestigious space, the Bank would lose face and fail to boost its legitimacy. Once again, the strategy adopted by the Bank to get the identified people to attend was to use personal ties. Li Hua, an expatriate manager of a department described to me how he attracted his target group of people to the event in the Mansion House:

They are very good friends of mine, as soon as I knew the date I called them to get their answer instantly. Then I send invitation letters. You have to be very quick, usually they have so many invitations

Li Hua, expatriate EMC member CBUK08/06/12/08 London

Departmental managers dealt with the key customers they intended to invite, whilst the top managers of the Bank were responsible for contacting distinguished CEOs and high-level officials in person. Pei Feng, an expatriate and member of EMC told me:

I had been busy calling and inviting everyone in my list in the past months before the ceremony. By directly speaking to the person you want to invite over the phone is more personal and involved than a formal invitation letter. The person on the other end of the phone can feel your sincerity and
appreciation for their presence. Most important of all, you got an instant reply, yes or no, and then you can change your plan accordingly.

Describing how he went about making the invitations, Pei Feng revealed the significance of the obligations of ‘friends’ and of the ‘brand’ effect of the Mansion House.

In the City, receptions held by various firms for various purposes are common. Sometimes you received more than one invitation for the same evening. It’s impossible for you to attend them all. People will go to the one where their friends are involved, or attend the one with whom they have a reciprocal basis. Sometimes, you have to show yourself to add some atmosphere to the event. …er…for example, like Mansion House, its hall is magnificent and big, if there was not enough guests there to create a happy and big atmosphere, the main part of our aim of the celebration to ‘make everybody know’ would be lost. So the support of friends from the key financial institutions will be significant. Once you get the key people, say, some VIP in the HSBC to your event, then it is easier for you to get others on board.

Of course, there are material/financial as well as such socio-cultural reasons for attendance. According to Oliver, a local British manager:

China is the market to be in at the moment… They try to develop business relationships with China. So … they would love to have a Chinese bank in these premises because they are getting something back. You know the UK is allowing us to use of the House of Parliament, Mansion House, because they recognize how important (the Chinese institutions are). … China is expanding, the Bank is expanding and also there is an increasing interest in the UK and the West in general in doing business with China. The West recognizes that China is … a growing power, economically, politically, and I think they realized that they’ve got to be part of the market. So it’s something that the UK and all the other countries are buying into.

So, as the City community try to ‘develop business relationships with China’, Chinese bankers can make good use of this chance to build personal trust with them.
It is not difficult to understand why the Chinese bankers used personal relations to get access to the symbolic spaces. On the one hand, ‘abstract’ capital requires a more concrete moment to embed it in ordinary/personal space, and on the other, personal trust characterizes Chinese business life. However, beyond this, personal trust, like the abstract relations of the market and money, is both a product and producer of geography. Trust is embedded in distinctive territorial and topological geographies of environmental, social and political relations and it works in different ways in different places. Although regulatory trust is promoted in the building of the Bank’s legitimacy, personal trust facilitates the means to make it work. Access to, and effective use of, financial spaces, reveals that people coming to and working within global cities are not passive but active agents (Amin 1996; Amin and Thrift 1997). The Bank used relations of personal trust extended and developed in the Mansion House event to create economic and social geographies in the City.

The Mansion House provided a chance for people to gather under one roof. According to Giddens (1984 71), interaction through gathering enables co-presence in active ‘bands’ or ‘strips’ of time-space:

Anyone entering such a band of time-space makes himself or herself ‘available’ for moving into that gathering or may actually form it if it is dyadic in character. Gatherings presume the mutual reflective monitoring of conduct in and through co-presence.

Meetings are, to use Giddens’ (1984 xxv) term, settings:

Locales are not just places but settings of interactions; as Garfinkel has demonstrated particularly persuasively, settings are used … by social actors to sustain meaning in communicative acts.

The role of co-presence in communication is also explicit in Urry’s (2002 259) remark

In particular, co-presence affords access to the eyes. Eye contact enables the establishment of intimacy and trust, as well as insincerity and fear, power and control.

Under the glamorous light of chandeliers, old friends were meeting each other and new friends were introduced in the friendly atmosphere of drinks and chats. Chinese
bankers practised their familiar way of making social space by, for example, asking people attending the ceremony for their business cards.

My wife and I enjoyed the ceremony, it was a fantastic experience... I like to work with Chinese, you get paid for what you did and you got an extra. Once you did some thing for them, they would always remember you. ...treat you as a long-term friend...My wife was a bit embarrassed, ha ha...she was asked by several for a business card.

Ronald, a City-based lawyer UKA12/22/09/09 London

Here in this space, two systems of finance came together and two different concepts of trust began to be negotiated thereby, of course, negating the dualisms. One Chinese expatriate recalled his excitement during the event:

People were all dressed up, holding glasses of wine, friendly and smiling at you. .. I was busy introduced to and collected many business cards from them. These business cards tell me who are doing the same business as me in the City. You know, the City is an amazing place. Once we met and came to know each other, we could meet quite often, in other receptions, forums and the City’s training courses as we are doing the same kind of job in the City. As a Chinese saying goes, the first time you meet each other as strangers, you will become acquaintance the second time you meet. When it comes to the third and forth time, you meet again and again, you will become friends most probably.

Si Ma, CBUK14/21/12/08 London

This response reflects the comment of Cook et al (2007 1328):

The simple act of attending a face - to - face meeting signals a person’s commitment to the relationship and so enhances parties’ trust in one another. Repeated meetings strengthen this signal.

However, there is more than good will at stake here. The City needs China to expand its financial power and China needs the City to provide connections with the outside world. Furthermore, the effort made by the Bank in the Mansion House was an explicit part of the process of disembending from its home state and re-embedding into a global capitalist financial centre by learning to speak the same language as other City bankers and investors. Whether its language was spoken in exactly the same way or not does not matter to the City. What does matter are the possibilities presented by the Bank within a potential set of relationships founded on trust. The importance of such relationships developed in the Mansion House was commented
upon by Jane, a lecturer in the Cass Business School during one of the Bank’s training sessions:

The opening ceremony was fantastic, I would say. I brought my colleague, a British guy with me. This is the first time he had close face-to-face talk with Chinese bankers. Just a few days ago, amazingly he told me, ‘Guess what? I became Chinabank’s customer!’ He told me, he became interested in news concerning the Bank after the ceremony. When he read that the Bank was launching a mortgage product [see chapter 7], he instantly thought of Mr Su. He met Mr Su in the opening ceremony and had a nice chat and exchanged business card. He called his office and Mr Su asked him to come over with some documents and the deal was done.

UKA07/28/07/09 London

Thus this was a major step for the City to build relations of personal trust on the basis of an emergent set of relations of regulatory trust set in train through the opening ceremony.

Gratifyingly for the Bank, the celebration of the opening of Chinabank did not stop at the Mansion House. Many guests wrote letters afterwards to express not only their gratitude for being invited but also a willingness to join the Bank in its future activities. The Bank even received letters from those not in the Bank’s contact list extending congratulations on the success of the opening ceremony and expressing the wish to be invited to the future events as a way of exploring doing business with the Bank. The Bank’s managers and staff also received more invitations from other institutions in the City to attend their receptions and activities.

Having tried to make more face-to-face social connections, especially with members of the mainstream society, the Bank managers and staff subsequently attended as many receptions and events as possible and went to places where the local bankers like to go to make acquaintance with them and try to build relations of personal trust with them.

To meet more people, the best way is to go to receptions held by famous banks and institutions. You go there, introduce yourself, start a conversation
and asking for a name card. Later on you may come across him again in another reception. Some people you will find very interesting and open to you. After some conversations, you will find yourself having the same friends in town. Personal relationships might start from this

Susie, expatriate manager CBUK17/19/08/09 London

Further, as indicated above, events such as the one in the Mansion House not only provide chances for the Chinese bankers to make social geographies with the City but also offer the opportunity for them to demonstrate these new social geographies to others and so to renegotiate relations of trust with the authorities and key actors in Beijing.

Guests from Beijing attending the opening ceremony included managers from the Bank’s head office, officials from Chinese financial regulators, and key clients from other state-owned or private companies. As visitors they were ‘not incidental’ but ‘part of the communicative commotion that places the City’ (Thrift 1994 351). They are the decision makers in Beijing who give permission, authorization or business to the Bank’s operations in London. By inviting them to London, the Bank, was able first, to express its gratitude for their support of its project; secondly, to show its respect for their power; and thirdly, to let them witness the Bank’s competence in gaining access to, and being admitted by, the City’s community. Last, and most important of all, the Mansion House event enabled the emergence of new relations of trust between Beijing and Chinabank UK thereby freeing up the possibilities for new financial relations in London.

The reinforcement and translation of relations of personal trust with members of the delegation from Beijing were also enabled before and after the event as the visitors were looked after by the Bank in London and via informal meetings during banquets in London’s Chinese restaurants, trips to shop at Harrods, listening to a concert or musical in the West End. And, crucially, once personal trust is built, obligation exists.
The guests’ friends and relatives are taken good care by the Bank and, in return, the authorities in Beijing offer more help to the Bank’s daily operations (see also chapters 6 and 7). Frank, a former expatriate now working for a local City bank, told me

Picking up people from the airport, taking care of them and then sending them away, is part of the expatriate’s job in this bank. The guests are not always bank related but they are important for banking business. They might be one of the authorities’ friends or children who come to London for personal trips, either for their children’s graduation ceremony or a short personal trip. It is bothering for expatriates to have to take good care of their stay in London, but they have to do it. The Bank needs them to encourage support in Beijing.

In such ways, existing relationships are strengthened and new, guanxi-based personal relationships (see chapter 3), are developed. And there is another important element associated with the geographical displacement of these visitors. VIP guests of the Bank in London are not ordinary people and it is not easy to access them in Beijing. But they become vulnerable in a foreign land. On a private trip, they may lose their privileges, have no private driver, no secretary and no assistant and, most of all, they do not speak English. They are vulnerable and so feel very happy and grateful to be picked up at the airport and invited to a welcome banquet. Distance across territory decreases their privileges and increases their gratitude. And this is all to the good of the Bank in London; relationships with such visitors increase the efficiency of decision-making. One phone call to them sometimes can make a great difference in the Bank’s business.

Thus as a meeting place, London is used as a platform for the Bank not only to develop and display relations of regulatory trust within London and between London

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31 Many VIPs create a great hustle and bustle if they make visits outside Beijing. The local leadership team would receive them at the airport or highway exit and treat them with first priority. The consequence is that these VIPs forget how to do things by themselves.
and Beijing but to bring such relations into mutually-formative relationship with relations of personal trust – again both in London and between London and Beijing. The demonstration of relations of regulatory and personal trust enables the Bank to establish new guanxi with related actors involved in its business in Beijing.

5.4.2 Effective or not?
The Bank spent quite a sum of money, time and effort in organizing the event in Mansion House. Most people agreed it helped to boost the image of the Bank but also pointed out that it was far from being the only influence and that more was required to enable the Bank to be more fully integrated in the City. For example, Robert, a local British manager and EMC member emphasized the long, if low profile, history of the bank in London:

> I think the bank is very well perceived, it’s perceived as a very strong brand, … I think that the fact that the bank has been established for 80 years in the UK is an important part of that image, even though for much of that time the bank has taken a very low profile, … I think now it [Mansion House event] developed its profile, … Chinabank UK has been well received.

> CBUK20/16/09/09 London

The ceremony was superb. My boss was deeply impressed. He said to me, ‘Alison, Chinese can do things much better than us if they want to!’ It [the ceremony] definitely boosted the Bank’s credibility. .. Now people in the City can’t afford to ignore the Bank any more.

> Alison, manager in global banking RBS UKA01/22/01/08 London

Others argued that the Mansion House event was only a precursor to action (see chapters 6 and 7):

> I think it (Mansion House event) sent a clear message, … in itself it was a good action, [but] we now need to follow through. You know you can make hmm… you can draw a pretty plan of a building but it doesn’t mean it’s going to get built. They have to follow through.

> Oliver, local British manager CBUK10/18/12/08 London
These were not isolated reservations. Simon was concerned about the significance of Chinabank UK as compared with Chinabank LB:

To me there is no difference, we created the target market European corporates, they just want service on time for the right price. Frankly the branch can deliver that just as well as the subsidiary… But is there any big difference in culture? No. …yeah, but is the client interested in that? No. If you want to be technical, I can actually spin that around and say the clients actually prefer to deal with the Branch sometimes because the Branch is part of the Chinabank as a whole and … is a rated organization. So if he wants to do foreign exchange, he wants to deal with a credit worthy organization which has a rating etc rather than a subsidiary which has no rating. Therefore it can be more difficult to do business. So clients don’t say “wow, you have got a UK subsidiary, that’s brilliant!”

Simon, British manager CBUK15/21/01/08 London

There were also criticisms from the Bank managers on the grounds of the cost of ‘image-making’

It’s not easy for us to make money but so easy to throw the money away like water. What’s the point of the event? We spent a lot of money in ordering the best food and the City band, in addition, we invited officials from Beijing and had to rent suits for them, bought shoes for them. …. I think it was something like Chinese face project. But our boss liked this kind of thing, in his words, it’s image-making.

Yue Ming, expatriate EMC member CBUK28/21/09/09London

Clearly, projecting an image of legitimacy and efficiency is one thing. Delivery in hard financial terms is another. This tension mirrors the wider debate in economic geography on the role of culture and economy in economic activity. What is clear form this research is that financial practitioners themselves are themselves divided on the issue. The debate is far from a merely academic nicety. It is, rather, performative.

5.5 Conclusions

This chapter shows how Chinese bankers have engaged with the spaces of the City of London to write a future history and geography for the Bank which is rather different from that of its past. They did so in part by negotiating and transforming relations of
trust so to enable the building of social and economic geographies with City bankers as well as with the authorities in Beijing.

My argument is that the construction of relations of trust is shaped simultaneously by both absolute and relational spaces and by soft social and cultural relations and hard-edged financial activities. This argument emphasizes the complex nature of space and trust. Yet the existing literature has paid little attention to the mixed influence of these spaces and the abstract economic and lived social relations of both personal and regulatory trust. The Bank operates in two distinctive absolute spaces - London and Beijing. In order to form the social and economic geographies – through which financial spaces operate, Chinese bankers moved between these absolute spaces to create relational spaces between London and Beijing. But this involves negotiation within and between the distinctive absolute spaces in which their activities take place. And it also (necessarily) involves the intersection of the material and social dimensions of economic activity.

Whilst concerned with the necessary consumption, exchange and production of value, economic activity is performed as a set of lived practices, assumptions and codes of behaviour (Crang 2002 648). In the case of the Bank, local Chinese understandings of business based on personal trust come face-to-face with the abstract global financial space of the City and so posed problems of establishing the legitimacy of a global bank with regulatory trust. The policy of going global placed a marginalized economic actor within the City’s symbolic, abstract and hegemonic spaces and so necessarily involved a negotiation of these spaces.

Shaping the Bank’s strong desire to build a modern bank is a set of relational geographies. The opening up of the Chinese state, the global strategy carried by the Head Office of the Bank in Beijing, the growing interests in Chinese market by UK and European firms and London’s continuing competitive relations with other global financial centres. Some might argue that viewing the spaces of a global city as abstract and hegemonic is a problematic reading, but the Chinese bankers studied in
this thesis engaged in these spaces in order to build an identity of the Bank as a City bank within the City’s community.

I argue that the global cities such as London play a significant role in such processes with their concentration of symbolic spaces and abstract relations of financial hegemony. Therefore, I suggest, readings of global cities such as London should be multidimensional, both abstract and concrete; material and cultural; territorial and relational. Face-to-face meetings (see, for example, Thrift 2002; Jones 2007; Gertler 2004; Storper and Venables 2004; Faulconbridge 2007a, b) and the building of relations of personal trust in various symbolic spaces enable access to influential people and they are, thereby, highly significant in building regulatory trust and in publicising the Bank. Lash and Urry (1994 254) are, therefore, surely correct to argue that trust is not something simply given but has to be worked at and continually negotiated and contested.

And here too place and space play a central role. Thrift (1994) asserts that international financial centres like the City will not melt away into an electronic space of flows, but he lacks detailed empirical evidence to demonstrate that social and cultural structures are in any sense determinants of the success or failure of international financial centres. I hope this case study of the Bank in the City can add some empirical support to his assertions.

However, the achievement of building personal trust in boosting regulatory trust cannot be seen as a success achieved only through social connections and the construction and activation of social geographies. Instead of claiming that relations of trust are everything in facilitating the Bank’s construction of financial space in London, I would argue that they are themselves shaped by material relations involving, for example, the growing power of China, the openness of the City, the competence of the Bank’s performance and the eagerness of the local community to participate in the Bank’s activity. These material circumstances provide a vital
context within which possibilities arise. But they cannot be reduced merely to a pre-requisite.

As argued above, the contested relationships between hard-edged financial action and the softer relations of the social geographies that enable them to take place reflect the mutually-formative influences of economy and culture widely debated in Economic Geography and illustrated in the practices of diverse economic geographies. The Bank was, of course, the actor that chose the best time to make things happen. In order to engage with the local community, it is significant to know what to do, when to do and how to do it. And here materialities undoubtedly played a part. Participation in the global economy requires regulatory trust but the practice of personal trust in achieving the objective is also indispensable.

In this sense, a complementary use of both forms of trust is necessarily significant for the Bank to go global and both are illustrative of the soft forms of relationship involved in globalisation. In chapter 6 I expand my analysis to show how regulatory trust building, in particular through recruiting local white talent, in the Bank in London, challenged the corporate culture of the Bank based predominantly on personal trust. And in chapter 7, I return more directly to the formative relations between culture and economy in shaping economic geographies in a discussion of the influence of the Bank’s practices in London on its relationships with Beijing.
Chapter 6 Working across boundaries: trust and the internal re-organization of the Bank in London

To go global as a first-class bank, one of the key ways is to employ local people from the country where your bank locates…

*CEO of the Bank CBUK01/01/07/09 London*

I do have an objection to letting foreigners head our Chinese bank. How can they have the right to point their finger at me to ask me to do this or to do that? Some of our bosses in the head office are blinded with a ‘foreigner-worship’ mind. I do not think Chinese bankers are no better than foreigners.

*David, expatriate manager CBUK03/20/12/08 London*

What shocked me first of all was the suspicion really…. There was no trust, no…. I felt very insulted by the lack of trust in me.

*Harry, former local British manager UKA08/21/07/09 London*

6.1 Introduction

Although the CEO of Chinabank may feel that engaging in an international labour market is both desirable and rational, the consequences of doing so are far from straightforward as the ensuing quotes indicate. Indeed, it is arguable that ‘emotion [is] ubiquitous and an important element of all workplaces.’ And, as Nancy Ettlinger (2003 153) goes on to say,

*[A]t issue here is how the intersections among culture, economy, politics, and so on occur, and the actual or potential consequences. The underlying concern of this thesis is with the socio-cultural relations that enable the material relations of globalisation of economic activity to take place across distinct political economies. This chapter focuses on the ‘consequences’ mentioned by Ettlinger for the practical social and cultural geographies of a globalizing workplace.*

The economy is conventionally conceptualized as a self-determining, discrete entity based on self interest and, in capitalist economies, maximum profit as its rationality
and abstract logic. Karl Polanyi (1944) challenged this rationality by arguing that all economic relationships are embedded in both economic and non-economic institutions. Since the mid-1980s, the idea that economic action is embedded in networks of ongoing social relations was encouraged by the work of Mark Granovetter who argued against the atomistic reading of economic relations in transaction cost economies. For Granovetter (2005),

when economic and non-economic activity are intermixed, non-economic activity affects the cost and the available techniques for economic activity. This mixing of activities is what I have called the “social embeddedness” of the economy (Granovetter, 1985) – the extent to which economic action is linked to or depends on action or institutions that are non-economic in content, goals or processes.

It was not until the early 1990s that economic geographers began seriously to address the socio-cultural, institutional and relational dimensions of economy (see, for example, Dicken and Thrift 1992; Storper 1997b; Barnes and Gregory 1997; Lee and Wills 1997). The ‘institutional’ (e.g. Martin and Sunley 1998; Dicken 2002; Amin and Thrift 1997) and ‘cultural turns’ (Ray and Sayer 1999) enabled economic geographers to focus increasingly on ongoing social relations and the rules and culture that shape them in economic activities (see, for example, Barnes 1996; Crang 1997; Thrift and Olds 1996). Of particular interest in this thesis, the impact of culture, including corporate culture, on firms’ economic practice has been a key research focus recognizing a dialectical relationship between the firm as both an economic and social institution (Yeung 1998).

However, there is a danger in this. Focusing too much on socio-cultural (‘soft’) factors in explaining the performance of economic actors, industrial organizations and economic change (e.g. Storper 1997b; Lee and Wills 1997; Crang 1997; Schoenberger 1994; 1997; Thrift and Odds 1996), may lead to a tendency to play down the imperatives of economy (Sayer 1997; Bathelt 2005; Rutherford 2004). In the same way, that the role of informal institutions is ignored or overlooked by mainstream economists who emphasize on self-interest and contract in producing
successful economic performance (see for example, Fukuyama 1995; Luhmann 1979; Baier 1994; Misztal 1996; Jessop 2001), some economic sociologists and geographers ignore or overlook the role of necessary material relations in economic activity. The danger is that of ‘overemphasizing social relations stretched across space at the expense of economic transactions’ (Hess and Yeung 2006 1200).

While the cultural perspective provides a fuller understanding of political economy (Sayer 1995), it is important not to exclude or downplay the material aspects of economic life. As Yeung (2001 298-9) warns:

We must not throw the baby (the economic) out with the bathwater (neoclassical economics and structural political economy)...This means that we have to recognize the dialectical relationship among economy, society and culture, and this recognition must be evident in our research and writing. Sayer (1997 19, emphasis in original) makes the same suggestion:

Economic processes have always been embedded in social relations, which have a cultural content in terms of meanings and representations....While all economies are socially and culturally embedded, in advanced economies, division of labour, markets, money and capital are also disembedding forces...

Stressing the social and cultural nature of economic activities should not go to the extreme of arguing only for one and so undermining the other. As Wills and Lee (1997 xvii) argue

[T]he point is to contextualize rather than to undermine the economic, by locating it within the cultural, social and political relations through which it takes on meaning and direction (Wills and Lee 1997 xvii).

And such debates are the more complex in the context of globalisation. They need to address a range of multi-national and multi-cultural spaces. This necessarily involves a concern for political-economic relations as well as those of culture and yet Gertler (2004), for example, argues that the literature addressing trans-national relations tends to ignore active agents.

Further, existing empirical studies of learning (e.g. Beaverstock 2004; Faulconbridge 2006; Gertler 2001) imply a predominantly one-way process of learning and tend to
focus on ‘advanced’ economies, such as US, UK, Germany or Japan and on knowledge transferred to ‘less advanced’ regions. My case is quite the contrary. It concerns a Chinese bank from an emerging market. Expatriates from its head office are supposed to be the leaders of the Bank in London but, in the eyes of the Bank’s local British workers, they are students to be trained in western ways. This contested process of teaching and learning across cultures and political economies involves the building of workable social relations involving negotiation and compromise.

Therefore, in this chapter, I seek to extend the discussion of differences in relations of trust in chapter 5. I will investigate how the incorporation of new notions of trust into the Chinese bank, not least through the introduction of performance management and the hiring of local British expertise, challenged Chinese bankers’ ways of doing things; how different notions of trust were confronted and negotiated; and how the Bank’s management team’s attempted to bridge the differences thereby leading to a new hybrid corporate culture. I argue that a hybrid corporate culture emerged in the reconciliation of such differences. With Ettlinger (2003 146) I suggest that

multiple rationalities are critical to the formation of different yet interrelated forms of trust that underpin changes in the workplace.

In this way, I hope not only further to examine the inherent spatialities of relations of trust but to provide a contribution to the debate on the relationships between culture and economy.

6.2 Building regulatory trust within the Bank

I try to promote the idea of ‘regulatory trust’ to everybody I meet. I told them that to build the local community’s regulatory trust in our bank means to develop the confidence of the local community in our competence in banking business and trust in our willingness to follow universal rules and the City’s

32 Despite this hybridity, I will continue using the concept of ‘regulatory trust’ and ‘personal trust’
regulations. If we want to integrate into local economy, we must show that we are professionals as any other bank in the City.

*CEO CBUK01/08/02/08 London*

Functioning as the overseas flagship bank within ChinaBank (Wu 2010), the Bank in London is certainly important to the global expansion of the Group. But to go global, the Bank in London must go local first to convince the City that it is a legitimate and competent ‘bank’ not a communist ‘agency’. Therefore, ‘emerging into the local market’ is a slogan and a key discourse in the Bank’s meetings, newsletters and website. Although image-making is important for regulatory trust building, the Bank also has to show its financial competence and adoption of global norms. The recruitment of local expertise and the introduction of performance management were intended further to build regulatory trust in order to integrate the Bank more fully into the local financial economy and expand business beyond the local Chinese community. As a consequence, these practices brought change in the relations of trust between staff and management in the Bank in London, between it and its headquarters and agencies of the Chinese state in Beijing.

6.2.1 From absolute to relational spaces in the City

As discussed in chapter 5, the Bank has been subject to long-term political control from Beijing. As a result of the political sensitivities involved, the Bank formed a relatively closed absolute space within the City of London, having its own clients of overseas Chinese and carrying out the tasks Beijing assigned to it. That was why it had remained unknown by many among the City community. As the state’s loyal ‘cashier’, its management positions were all held by expatriates despatched from Beijing. These expatriates were state officials whose loyalty to the communist state was the top priority and they were strictly segregated.

They [expatriates] weren’t encouraged to have a drink during lunch time. …. And they’d all come together on the bus … driven to work and driven back to their dormitory…They wouldn’t talk too much … just really work related. They were very isolated as everything was arranged so that they didn’t … need other people, so they were really very lonely, I guess. …

*Ross, British staff CBUK21/03/12/08 London*
But what this British employee did not know was that the expatriates were even more closely controlled:

All the expatriate managers had to be communist party members first of all and we were strictly controlled by the party organization in the London branch and by the Chinese ambassador in UK. We were not allowed to watch local television so as to avoid political pollution by capitalist ideas and practices…. Now expatriates are encouraged to learn from our business partners and try to establish a good personal and business relationship with them. That could not be imagined in the past. We were even not allowed to go out alone to see our business partners in the City for the sake of the state security.

    Ru Guo, retired expatriate CBUK22/21/09/08 Beijing

Such close political control and Beijing’s distrust towards the Bank expatriates and the City of London confined the Bank’s business mainly to international settlements and remittances.

And it was not just political control from Beijing which constrained the bank in London. Before 2004, expatriates held more than 95% of the key positions in the Bank (CBUK16/19/02/08 London). Jie Yu had worked in HR for six years before she was replaced by a local British manager.

    For years, it had been a taken-for-granted policy from the head office that majority of the managers should be expatriate. This is a Chinese bank anyway. We had no local British manager in EMC. Among senior managers, we had only one local guy from local. And he is British-Chinese.

    Jie Yu, expatriate manager CBUK06/12/02/09 London

Ross, a British staff who used to apply for work permits for the expatriate managers, confirmed this

    I applied for work permits for the expats because they needed them to come. So we more or less did that, so the majority of the higher positions were filled by the expats. ...

    Ross, CBUK21/03/12/08 London

Today it is rather different (see, for example, the significance of local managers indicated in figure 6.1). Over the past few years, the Bank has recruited about 30
local British experts to reinforce its top and senior managing team in establishing global capacity and credibility.

Figure 6.1 Organizational structure of Chinabank UK and Chinabank LB 2008

![Organizational structure of Chinabank UK and Chinabank LB 2008](image)

source: The Bank 2008b

The majority of middle level managers are now white British:

Now we have changed our logic from providing products according to ability of our human resources to supplying product to meet the requirement of the market. We look for people suitable for the new job. Compared with five years ago, there have been great changes in the employee structure of the Bank. …in our middle level management, the majority of our managers are non-Chinese, and nearly half of our EMC are non-Chinese.

CEO of the Bank CBUK01/16/05/08 London

Robert, a White British told me his experience in coming to the Bank,
When I first met the general manager we had a coffee and it developed into a session where he was saying, “well I have this problem, how would you solve it” and I told him how I would solve it. At the end, about a couple of hours, he said ‘would you write this up for me as a report?’ which I did. And he phoned me up and offered me a job,

_Robert, EMC member CBUK20/16/09/09 London_

This recruitment of local managers has facilitated the breakdown of the formerly closed, absolute space of the Bank in London and the emergence of relational spaces, not least between the Bank and the Chinese state.

There is a 180 degree turn in the state’s attitude towards the business practice in the overseas banks. The state gave us more freedom in daily business, especially in the recruitment of the local talent. …now most of the key positions in the Bank are held by local managers, including human resource manager, chief accountant, head of risk management department… These guys are not Chinese so that they dare to challenge the authority of our head quarters and financial authorities in Beijing. And our authorities in Beijing tend to listen more to our local managers. For example, even with the same complaint, if our expatriates put it, it would be an issue but, if put forward by the local managers, it would somehow become a reasonable suggestion. As a Chinese saying goes: ‘it’s easier for a monk from far away to preach’ (in Chinese 外来和尚好念经)

_Li Hua, expatriate manager CBUK08/06/12/08 London_

Thus, the change from having forbidden expatriates even from communicating with the local community in the City to bringing in local talents to the Bank to help open up the Bank to the financial community in London reflects and enables the transformation of the relations of trust within the Bank between the Bank and the Chinese state in Beijing. As I argued in the previous chapter, the legitimatory role of London as a financial centre in going global is well recognized in Beijing as well as by the new management of the Bank. A key location for financial and special service firms, the City feels the pulse of the global economy and gathers together world-class financial institutions and skilled financial talents. It is, therefore, a favourable place for banks from emerging markets to establish legitimacy and competence through learning by doing. As a result, the Chinese state’s political control over the Bank has been lessened (if far from completely removed; see chapter 7).
The significance of these changes is not lost on the communist official working for the Chinese party-state in Chinabank.

It’s good thing for our banks to go global. They go out to learn new things and bring back new ideas of doing banking. We must let our overseas banks run their business independently and we give them full freedom to expand business as long as they meet the local regulation and Chinese regulation

Meng Guang, Chinabank manager CB08/22/12/09 London

In this sense, the opening of the Bank to the City community in London is on one hand initiated by the Chinese state’ going global strategy and on the other hand, it is decided by the role of London as a global financial centre in which Chinese state wants its state-owned banks to learn and engage with other capitalist banks in the global market. As a consequence of that, trust relations between Beijing and London have been transformed.

When I asked what she thought about the importance of building of regulatory trust through recruiting local talents, Hao Yang, a manager in head office, stated:

In Chinese business culture, professionalism is what we need to build. Everybody is equal in facing of rules and regulations. That is what I understand by the term ‘regulatory trust’ in your thesis…To increase regulatory trust in our bank means to allow our investors and clients to believe that it is regulations in our bank that control the behaviours of our professional, also to believe that our professionals respect rules and regulations

CB07/07/10/08 Beijing

And here again the mutually formative relations of ‘hard’ political economy and ‘soft’ culture are clearly apparent. On the one hand, the City of London was no longer regarded as an enemy, instead Beijing began trusting London as a ‘teacher’ and ‘partner’ in the global economy and trusting the state-owned bank branch with banking business. And, on the other, the rising power of China provides a potential for the City’s talents.

The beauty is for us at the moment is the position we are in … the Chinese phenomenon. It’s the growth and everybody here can see how it is going and they want to be part of it. So to be honest with you the Bank hasn’t has to try too hard, people want to be here, they want to be part of the next phase of China’s growth.

Jenny, British manager CBUK05/17/12/08 London
‘Opportunity’ was what local British managers focused on in explaining their reasons for joining the Bank:

Motivation…erm…one is the potential, prospects for future growth based on the growth of China … so everybody that comes to join talks about the opportunity, the opportunity to work for the biggest bank in the world which is very attractive. The other thing is … the fact the Bank unlike a lot of banks in this market is expanding, so we are actually hiring people and we are developing business when lots of other banks are not.

Peter, British manager CBUK11/18/02/09London

As well as expansion, being ahead of the next wave is also a powerful motivation:

The appeal of joining was I saw it a green field site …they see China as a new opportunity, it’s a bit like the same as the Japanese were viewed in the early 80s…So I think I see China as a potential to catch the next wave, does it make sense?...I join the Bank with a view: I am passenger of a big ship, I am not the captain, I am manager on the floor or something on the boat, I try to help it to run smoothly and get better. Ya…maybe a life boat, ha ha ha..

Michael, British manager CBUK09/17/12/08 London

But at the same time, the excitement of change is not tempered by too much risk:

And yes it is one of the biggest banks in China. It was a good opportunity to come on board. Especially when that hmm…the general manager explained the role what he wanted, and it seemed to fit very nicely with what I’ve done before. So yes it was interesting proposition. I feel very happy and very proud to work in the Bank. I think, we are making enormous strikes in the so-called commercial markets. The last two years have been amazing; I saw so many changes in the past two years.

Justin, British EMC member CBUK07/16/02/09 London

The new recruitment of local British managers to the Bank helped to speed up its incorporation into the local financial community in the City. By engaging with local British experts, the Bank could enjoy not only the codified knowledge (Polanyi 1966) of western financial practice but also, as Robert, Harry and Oliver point out, precious tacit-knowledge and networks in the City.

I have opened a number of different banks, I am used to the process of setting up banks, I know what is involved, I know what the process is, I understand how you should approach that and that’s knowledge that I have from the jobs I had before. So just before I came to the Bank, I opened an Islamic retail bank in the UK, so I started a bank called Islamic bank of Britain, that that was a 2 year project for me.

Robert, British EMC member CBUK20/16/09/09London
I think when I worked for the Bank, I brought a knowledge base, and product specialty they never have before, so I was able to introduce new business with new clients and way of doing things that they had never done before.

_Harry, former British manager UKA08/21/07/09 London_

I worked for a UK bank, an Italian bank,…I have to say it again that this is where I think that I do well with UK corporates because I have been in the market for 20 years. … I’m managing the relationship with UK corporates I am working with 250 UK’s largest in the FTSE. …So it’s all about having contacts. It’s all about the personal trust and confidence, I have got contacts that I have developed over many years in corporate banking. My job essentially has been to work with a group of treasurers, to try to provide banking services to them on a competitive basis.

_Oliver, British manager CBUK10/18/12/08 London_

As Oliver stresses, he brings not only material contacts but ‘personal trust and confidence’ – the soft social relations that helps secure material relations. Thus local British expertise acts as a bridge between the Bank and the City’s local financial community and as a symbol showing that the Chinese bank follows the same logic as any other bank in the City.

Furthermore, the introduction of local expertise not only opens up a door to the local financial community and local/global knowledge, but also reinforces a global control system in the Bank concerning in particular, human resources management and better corporate governance. Robert, a British EMC member explained his role in this process

Part of that I think comes from a long term association with the FSA and a number of banks, so I’m able to maintain the relationship with the FSA because they know me…so I think that establishment there for the UK subsidiaries while the regulators was concerned was made very easy.

And yet the role of the FSA makes a significant difference to the operations of the Bank

Because the FSA is a very demanding regulator, so if they insist that the UK subsidiary operate independently, they insist that the UK board of directors do their job properly. So, for instance, they meet independent directors one on one each year. Every year independent directors have a meeting with the FSA on their own, and they are expected to talk to the FSA about how the bank performed, how the board has performed, and their satisfaction with the
management, so there is a level of scrutiny and a level of accountability which is very specific to the FSA.

These are formative changes

I think it’s a change in the firm’s policy to recruit senior local staff made it possible to do two things. One is to open the UK subsidiary quite quickly, and it enabled the negotiations with the FSA to going more smoothly, there’s no doubt that a number of local staff were involved, and the process was easier as a result. Whether it would have happened anyway, I do not know, but the difference between someone like me and perhaps say Chinese way of general management is…you know what I mean…

CBUK20/16/09/09 London

Local expertise has brought not only new ways of managing, tacit knowledge and material links but also a new set of cultural relations within the Bank. The significance of these changes in the soft relations of business which are explored in the next section is, perhaps, evident in the diffidence of Robert’s response.

6.2.2 From socialist constructor to capitalist banker? Governance, rewards and identities

Chinese state-owned banks used to be governmental institutions and the bank employees were governmental officials (see chapter 2). Thus, as an overseas bank branch, Chinabank LB did not regard profit as a major objective of its development strategy.

The big problem that Chinabank has, is to do with history, … up until a few years ago, the Bank was operating almost like an arm of the government. The biggest challenge that the bank has into become more commercial with its operations, if it wants to compete with commercial banks, be one of them, have real shareholders and be dedicated to providing shareholder return, then it has to change the way it works, and those are sorts of fundamental changes that need to happen.

Robert, British EMC member CBUK20/16/09/09 London

In seeking to introduce such changes, a programme of performance management was implemented to assess the contribution of expatriate as well as local managers to the Bank’s profit and accordingly to ascertain bonus payments. Performance
management also addresses ability in communication and collaboration. Whereas in the past, an expatriate was dispatched by the head office to London with a settled position and salary, now their salary and bonus are not fixed by the head office but depend on their performance in the Bank in London.

In the past our salary level depended on our rank not related to the profit we made. Now if we could not reach a certain target, the salary of a senior manager might be less than a clerk in a profitable department. I like the performance check system. You do not necessarily need to make special efforts to build personal trust with your managers. Your performance at work will bring you a fair play. Ya, I would say, ‘fair play’ is the best thing the performance check brings to our bank culture.

Li Hua, expatriate EMC member CBUK 08/23/08/09 London

The linking of ‘profit’ and ‘capability’ together allowed expatriates to focus more on the economic objectives of the Bank than on its Chinese characteristics of making personal relations with the managers.

It’s better to have the performance check system. At least you have something to prove yourself to others, your colleagues, your boss. How much business you have brought to the bank and how much profit the business generated is there, anybody can see from the record. So whether or not you are capable is not decided only by pure comments of some key individual.

Susie, expatriate manager CBUK 17/08/07/08 London

With the introduction of performance management, the system of feedback on performance in the Bank also changed.

…the intention is to move the Bank across the spectrum from government owned bureaucratic, monopolistic sort of, to one which is much more commercial, much more profitable. … We are all making changes and the changes that had been made by our general manager in terms of HR in the last 4 years are quite dramatic. So we now work like any other bank we have performance contracts, we have performance appraisals, salary reviews and performance review and bonus review and promotion reviews are all entirely transparent, whereas in the past they are not.

Robert, British EMC member CBUK 20/16/09/09 London

In the past, every year some staff would be selected as ‘excellent staff’ and reported to the head office in Beijing for public praise with a record kept in their files. For the ‘excellent staff’, this was a matter of honour and pride. However, to be chosen as
‘outstanding staff’, someone had to make good relationship with relevant colleagues - especially the managers. Reward for their good performance varied. Sometimes for example, it might be a free trip to a holiday resort, or a reception arranged for them and a photo taken with VIPs from Chinabank and its financial authorities. But now in the new Bank, good performance is not selected, but will be revealed automatically in terms of profit earned for the Bank. And the honour of a good performance is rewarded only not symbolically but in harder terms through the payment of a bonus. Compared with the soft, symbolic, and public reward, this hard, material and private incentive defines the expatriates’ as ‘economic people’ performing effectively within the social relations of capitalism. But it is has wider significance than that:

Bonus is a measure and recognition of my contribution for the Bank. ...With the money, I can dress like a smart City banker in the City, I can pay for my boy to go to a better school and pay off my parents’ hospital bill in China. ...Now I have a practical, simple aim to work harder than before when we used to be educated to ‘work for the people’. ...The bonus, I would say, er...means that the Bank treats us ‘socialist constructors’ also as ‘economic persons’ now. I, personally, am very happy to work here. Things changed a lot and the Bank is on a better way.

_Yue Ming, expatriate EMC member CBUK28/21/09/09 London_

With bonuses in their hands and a letter from the general manager to thank them for their contribution to the Bank, the expatriates were infused with an idea that life would be much better and more business done in the Bank in the future. And, not insignificantly for the concerns of this chapter – see below – they could afford to pay more attention to their self-image which, for them, becomes associated increasingly with the Bank’s image:

Now we go out a lot meeting clients around the City, representing an image of Chinabank Group. We cannot look shabby. I think I cannot carry the head with my wife’s hairdo. She used to be my exclusive hairdresser. She is free but quite unstable in terms of quality. I visited Toni and Guy once as I heard my British colleagues say they are one of the best in town. But their performance turned out to be quite disappointing, I think they do not know how to cope with Chinese thick black hair. Now I found one in China Town owned by a Malaysian. She is great and this is her work

_Yu Li, expatriate CBUK27/21/08/09 London_
World famous design brands are the favourite shopping targets of expatriates in dressing themselves like 'City bankers'. 'Boss' suits, 'Burberry' ties, 'Montblanc' pens, 'Church' shining banker's shoes and so on can be easily spotted on the expatriates. When I asked Xu Qiang, an expatriate, whether he felt more like a 'City banker' or a 'Chinese bank employee', he thought for a moment and laughed:

Aha. ha ha.....in such time talking about the 'City banker', people can’t help associating the word’ greedy’ with them…er… I would like to define myself as a ‘Chinese bank employee’ who is working in 'the City’…I think, sometimes, my Chinese colleagues are more ‘City bankers’ than the ‘City bankers’. We look no less smart among other City bankers, dressing and performing our best and we spend more time and money in the City entertaining our clients. When many ‘City bankers’ rush to their Kent or Brighton homes, we are still in the City…. You can call me a ‘City banker’ with Chinese characteristics…ha ha ha…

Susan also thinks of herself as a ‘City banker’ and thinks the Bank is the same as any other bank in the City:

I think our bank is now the same as any other bank in the City relating to the business objectives. I, like other City bankers, work for profit.…'Profit’ is the only way we can survive here. …. I do not understand why the media in the City often add ‘communist, state-owned bank’ when they talk about Chinese banks…In my opinion, that’s nothing to do with socialist or capitalist, communist or whatever….If there is a difference between us Chinese banks and other banks in the City, I think, it is that we focus on long-term strategy and they focus more on short-term.

Susan, expatriate CBUK18/21/08/09 London

As well as treating the expatriates as ‘economic persons’ whose individual actions should be motivated, head office in Beijing also began to think more about the welfare of the expatriates, especially as working abroad is not everyone’s first choice. The families of expatriates are now allowed to come to London to have a normal family life and it is expected that the family members will be taken good care of by the Bank. And this is not an option for Chinabank. As Hao Yang, a manager in Beijing explains,

It’s time for head office to consider the welfare of the expatriates. A few years before, it was regarded as a lucky thing to be dispatched overseas, but now with the development of Mainland China, not all qualified staff members are
willing to be expatriates abroad, given that they may lose their current position and stable family lifestyle without any guarantee that their future position will be there when returning back home. Especially for those working in Beijing, Shanghai, and other developed cities of China, the bank managers can earn much more than expatriates in London. They lack incentives to go abroad now. A strategic workable policy for the expatriates is not only needed for the Bank, it should be a global issue as we have several hundreds of bank branches all over the world. The active participation of the Bank in London gave us a hard push to seek for a quick solution.

CB07/07/10/08 Beijing

Clearly, as well as forcing local adaptations, globalisation brings issues back to Beijing and such transformations are generally welcomed by the expatriates who have been working in the Bank for several years as it is perceived as bringing the Bank closer to western norms:

I feel more certain now as our Bank management puts economic interest first. With the local managers joining us, I feel our Bank is more like a UK bank than a Chinese bank. We are protected by the regulations and laws in UK, as the Bank is a local bank, registered and supervised by the UK authorities. We are not only expatriates but also bank employees in the City

Susan, expatriate CBUK18/21/08/09London

In concluding this section, more than one expatriate told me that they felt that the Bank had changed from what they would call a ‘family-run socialist bank’ to a real ‘commercial bank’. The Bank has become a more formal working space. These strategies and outcomes are similar to those outlined by Domosh (2010) on strategies of American firms for controlling workers through Taylorist labour practices during their early global expansion. But here my concern is not only with showing how a Chinese bank is transforming capitalist space in a Chinese way but also in showing the contrary: how a Chinese bank in London is transformed by capitalist market norms and the socialist constructor was converted to capitalist bankers. It is, in short, concerned with the hybridity of globalisation.

With the recruitment of local managers and the introduction of performance management, the Chinese bank in the City opened its closed space once filled with cold war thinking and transformed itself into a capitalist financial space with an aim
of achieving profit. In this transformed space, relations of trust have also been transformed. Political trust (see chapter 5) and personal trust once had been practiced by the communist bank in the City were supplemented by regulatory trust. This willingness to learn in state-run firms is also shaped by the state’s macro policy. The policy of ‘going global’ involved opening the closed community of the Bank to local talents. Thus it is not enough to argue that control emanates from the Bank. It also comes from the impacts of Chinese state and the involvement of the local managers and expatriates. These relations are mutually influential and recursive.

Thus when the relatively closed space of Chinese expatriates in the City is challenged by the spaces of capitalist space and financial markets and the working norms brought by the local managers, transformations of relations of trust are both cause and consequence. Beijing has to trust the Bank in London and its local talents in the banking business. London has to trust Beijing in its policy of emerging into the global economy. Whilst performance management helps build the basis of capitalist practices and, in turn, enables the establishment of regulatory trust endorsed by the Chinese expatriates in their responses to western norms, there is a different and more complex story to be told. This involves the complex formative intersection of personal and regulatory relations of trust and is the subject of the following section.

### 6.3 Building personal trust

According to Burawoy (1985 125), workplace regimes consists of both the labour process (the way of organizing tasks) and the politics of production (the political apparatus of production which regulates relations between managers and workers). The politics of production is based not only on legal regulation (through a largely national) state but also on custom and practice. In the case of the Bank, the formal introduction of capitalist practices (disembedding from previous custom and practice) in order to build regulatory trust is one thing but to get the ‘consent’ of the workforce
in their practical application is another. Past social relations and social geographies cannot simply be wiped away by a change in policy. For example, expatriate managers in London retain close personal connections with influential people in Beijing and so their response to internal reform is critically important:

The expatriate managers have close relationship with Beijing. Some are even relatives of VIPs or financial regulators in Beijing. If they are not happy with the Bank’s arrangement in London, their unhappiness would soon be transferred to Beijing. To avoid unnecessary inquiry from Beijing, it is important to make friends with expatriates and ask them to support the new management’s decision.

Li Hua, expatriate EMC member CBUK08/23/08/09 London

However, neither the recruitment of local managers nor the introduction of systems of capitalist management is without controversy:

The new management team is worships the ‘洋人’ (‘yang ren’ ‘foreigner’ in English). I am afraid, one day, all our expatriates will be replaced by ‘洋人’…If we follow every practice of ‘洋人’, how can our Chinabank still be called Chinabank? I complained about it and my boss was not happy with me. So I left.

Frank, former expatriate manager UKA04/25/01/08 London

Clearly, for some, the introduction of capitalist practices into the Bank is extremely challenging. The atmosphere became tense and relationships between the expatriates and the local managers became confrontational and there was a feeling of distrust towards the new management team. As Jie Yu, an expatriate manager of the Bank put it:

There was a time that expatriate managers chose to keep silent at manager meetings… We tried to keep away from the executive offices in the top floor. Our behavior at that time was very passive: wait and see. We would not believe that the head office in Beijing would allow them (the Bank in London) to make a mess of it.

Jie Yu, expatriate manager CBUK06/12/02/09 London

The new management team faced the issue of how to convince the expatriates that they would be treated fairly by the Bank and benefit more from the Bank’s reform if they supported the change. Of course it is not an easy thing to do. To persuade
expatriates to accept the concept of regulatory trust was not a task to be finished within a day.

Some expatriate managers were sent to the Bank by the head office as ‘senior managers’. But they have no experience in marketing overseas, so when the Bank recruited some local managers to supervise them, the expatriate managers felt their authority was challenged and their actual power was reduced. It’s a kind of losing face for them to allow 洋人 (yang ren, foreigner) to supervise them in doing banking business.

Susie, expatriate manager CBUK17/19/08/09 London

The EMC was fully aware of the consequence if the expatriates were not happy with the reforms:

What we were afraid was that the expatriates would make complaints to the head office in Beijing. Then, the head office would question our reform in the Bank. Although we could cope with the questions, we would lose valuable time in carrying out our strategy here to build what you termed ‘regulatory trust’. We need to build a qualified local team to expand our business here.

Yue Ming, expatriate EMC member CBUK28/20/12/08 London

In this context of change and controversy, the development and transformation of relations of trust, involving the building of personal trust between management and the expatriates in order to facilitate the introduction of the mechanisms of regulatory trust, became highly significant. What follows is a description of some of the techniques used to developing such transformed relations of trust in which the role of different spaces – work and non-work - is central.

6.3.1 Public spaces

Before the internal management reforms were implemented, the Bank started to gather ideas and opinions from the Chinese expatriate group about the future of the Bank. But rather than conducting a survey through the human resource office, the Bank organized free family trips to historical sites or famous scenic places out of London at public holidays or weekends. Outside the formal work place, free family

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33 In this, the EMC gained greatly from its general manager, an American citizen, born and educated in China, with a doctorate in economics from the USA, whose understanding of Chinese culture and western management ideology helped the Bank smoothly through the internal reform.
trips involving public spaces allowed Chinese managers and the new local management team to engage in many informal interactions and communication and provided a chance for the management team to make closer and informal ties with the expatriates’ families to know more about their expectations.

Having almost all the Chinese expatriates with their families in a private coach or sitting around a beautiful castle’s garden, was a good chance for member of EMC to chat with them and get information about their plans for life, their hope and expectations for the Bank. Here the differences between work and non-work spaces were crucial. As Steven, an expatriate manager put it:

You would draw almost everybody’s attention on the management floor if you go upstairs to the general manager’s office. But it is natural for you to sit next to the general manager and talk with him during a trip out of town. You can speak about your ideas about the daily practice of the bank or complain about some unfair issues. It is quite encouraging when you find that the problem you mentioned during the trip is solved soon after returning back from it. I was convinced by their quick response that the new management team really wanted to do something.

CBUK19/30/12/07London

Such events enabled the construction of spaces in which people could interact especially when they could see their children playing around.

During the trip, I tried to have conversations with all the expatriate families, wives or husbands. Most of the talks started from their kids. From the conversation, I got to know what the expatriate families are thinking about their life in UK, what their expectations are from the Bank in London. If I can solve their problems, I can make friends with them. The support of the expatriate family is also important in the bank’s reform.

member of the EMC CBUK01/08/12/07 London

And this technique worked as expatriate families appreciated the trips.

In China, my husband’s bank often organized trips as benefits to employees, but seldom invited family members. I am very happy that the Bank here extended the benefits also to our family members. It’s such a fun to travel around with family and enjoy such beautiful English landscape and

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34 Evidence obtained through participant observation between 2006-2009.
scenery…The general manager is such a nice person talking with us about everything. In China, I can see my husband’s bosses only in their offices. We haven’t been so close to them.

Wei Wei, partner of an expatriate manager CBUK24/03/11/09 London

In such ways, family trips out of London provided a relaxed atmosphere for the management team to develop relations of personal trust and to listen to what the expatriates would not say in formal interviews facing unfamiliar consultants in a regulatory environment. Once the management team knew of their worries and expectations, they could try to solve the problems and ease worries so to remove barriers to the implementation of the reforms.

6.3.2 In-house spaces

Besides free family trips in and through public spaces, the Bank also made use of in-house space to build the atmosphere of a big family (see below) by organizing free family parties for the expatriates in the Bank’s in-house kitchen. As Chinese treat family reunions as particularly significant at traditional festivals, the Bank took this chance further to build relations of personal trust with expatriates and their families. Nothing is more like a big family get-together than when the expatriates and their families were organized by the Bank to make Chinese jiaozi\(^{35}\) to celebrate the Chinese Spring Festival. Children happily took ‘lucky money’\(^{36}\) from their ‘Uncle’s’ (the general manager) hand, each with a sentence of good wishes for the ‘Uncle’ in return. ‘Wish Uncle make big money in the new year’ was a frequent wish. Amongst the laughing of the kids and the chatting of the adults, suggestions about the Bank’s business and complaints about the welfare were gathered from the expatriates.

The Bank made good use of this informal channel based around the development of personal trust to identify unhappy feelings and solve them before news of them went back to its head office in Beijing. Again, as the problems were solved one by one, the

\(^{35}\) Jiao Zi, water dumpling, a traditional Chinese food for Chinese New Year. Its preparation requires teamwork.

\(^{36}\) ‘Lucky money’ is usually wrapped in a red envelope. During the Chinese New Year, it is given by the relatives of the elderly generation of the family to the children to wish them good luck in the coming year.
expatriates came to trust in the new management team so making the implementation of change that much easier.

It really makes me feel warm to see all our expatriates and families get together. It’s a kind of family culture in a state-owned firm that is not easily seen even in China nowadays. I like the sense of community and belonging to a big family created by the Bank for us. We work in London and the Bank here represents our home. I promised the general manager that I would support him heart and soul if he determined to do good for the Bank. I am sure everyone would put the bank’s interest first.

Yu Li, expatriate CBUK27/21/08/09 London

6.3.3 Home spaces
Home space is also used by members of EMC to create a sense of close friend or small family. During weekends, the general manager and his wife often invited other expatriate families to their house for dinner usually cooked by general manager’s wife who is from Shanghai and cooks distinctive Shanghai food. In return, the general manager and his wife would also be invited by the expatriates’ families. Whilst enjoying home-cooked Chinese food, the expatriate families shared their own life experiences and expectations with the general manager and his wife. In such ways is ‘the political significance of domesticity, intimacy and privacy’ (Blunt and Varley 2004 3) revealed and realised.

6.4 The significance of personal trust
Once expatriates regarded the general manager as a close friend or family member, they may entrust him with family affairs. For example, the general manager may be asked to use his guanxi in China to find a job for a relative, or the general manager might offer a solution to some personal problems of an expatriate. These kinds of informal interaction based on notions of personal trust may lead to more reciprocal ones.

When my parents in law visited London, we faced a big problem of how to accommodate them. To book a hotel room was very expensive and
inconvenient. At first, we wanted to make beds for them in the living room. When he knew that, the general manager arranged a vacant room from the bank’s dormitory in the same building and invited my parents to a welcome dinner at his own cost. He behaved like an old friend and he seemed have good guanxi with every expatriate family.

Xu Fang, partner of an expatriate manager CBUK25/03/12/09 London
As guanxi was built during the interaction and personal trust increased, the general manager also freely expressed his worries about internal reform and future business expansion. In exchanging worries and problems, a deeper mutual understanding was achieved. The term ‘heart-to-heart’ really works here. The expatriates received concern and help from the general manager and in return they promised to support his reform.

As Chen and Tjosvold (2006 1730) and Chou et al (2006) have argued, to develop and maintain a trust relationship with their subordinates, Chinese managers are encouraged to develop guanxi by taking time to mentor and demonstrate concern for employees in order to secure their loyalty. This process may succeed to the extent that many Chinese employees become allied with specific managers, whom they consider as their friends (Pearce 1997). Such traditional Confucian relations of personal trust practised by the general manager and expatriates helped the Bank to carry out its strategy to a great extent in creating the internal conditions for the building of regulatory trust within the Bank and between the Bank and the City.

In sum, building relations of personal trust, the Bank was able to manage the replacement of most of the management posts previously held by expatriates with local staff in the effort order to promote regulatory trust in to achieve its objective of integration within the local economy (see figure 6.1). When asked about what he felt about his post being replaced by local managers, Steven, one expatriate manager, stressed the role of his personal trust in the general manager played in his acceptance of the change,

As good friends, I feel obliged to support his work. Otherwise I would not agree to give up my original position that might add value to my future career.
I trust him in that I believe he tries his best to do the Bank good. When the Bank is on a good track, everybody in the Bank benefits. As a general manager, he is competent, he has the knowledge to run a modern commercial bank, but that is not the only reason that makes him win. The human side of his management won him a lot of friends. His concern for the people around him, his respect for others, and his sincerity in communicating with others make him an excellent manager.

CBUK19/30/12/07 London

When talking with other Chinese staff in the Bank, the same category of words such as ‘kind’, ‘considerate’, ‘generous’ and ‘competent’ are repeatedly heard to describe the general manager of the Bank. From this, one can see that the conception of trust in Chinese expatriate’s mind is personal, focused mainly on goodwill. But this also raises some critical issues especially in working with local British staff. I will return to this.

6.5 Spaces of difference and relations of trust

Exploiting the skills and contacts of local British staff, the Bank intended to expand its financial market beyond its original Chinese customers. Thus new links had to be built and old links reinforced not least as a competitive response to other Chinese state-owned banks expanding their own business in London. As different customers practise different cultures of trust, the Bank’s strategy was to differentiate the customers into two groups: local western; and overseas and mainland Chinese.

6.5.1 One bank, two teams/systems

The Bank has two operational teams. One team, which is mainly formed and managed by Chinese staff, deals with retail business with overseas Chinese communities and state-owned enterprises from the mainland. Another team, which is mainly formed and managed by local managers, deals with corporate banking. With these two teams the Bank was attempting to build on its multicultural background to expand its business. And this, in turn, builds ‘spaces of difference’ within the City and the Bank. The two teams formed respectively by locals and expatriates were
differentiated in the ways of handling business, the spaces utilized and the time spent in doing business. The following sections, elaborate on four manifestations of these differences.

**i) Ways of handling business through different notions of trust**

Trust building is significant for both teams but the nature and significance of trust aimed is different in each team. Local British manager focus more on regulatory trust and regard good financial credit as the first priority in choosing business partners rather than establishing personal trust with clients. At the same time, they try to boost their western customers’ confidence in the Bank’s ability and geographical power (relating especially to mainland China) in order to build regulatory trust for the Bank.

I never try to make friends with my clients. Business is business. You may become friends, but I think again you have got to keep your distance in business…After retiring from the work here, I may never see them again. I think my customers are concerned with what I know, what I can supply for them more than anything else. If I fail them, I not only lose their trust in me but also damage the reputation of the Bank I work for. I am representing the Bank.

*Richard, local British manager CBUK23/06/03/08 London*

So they visited their clients only for work and behaved very professionally with them. Smartly dressed, laptop in hand, they were ready to answer any questions concerning the business after giving a presentation.

When it comes to the retail team dealing with clients of Chinese culture, the story is different. Chinese expatriates in the Bank tend to focus more on establishing personal trust in doing business. According to Chinese culture, it is important to make friends before doing business. Unlike local British staff, Chinese staff like to be seen to be doing favours for their clients and expect reciprocity. With such an ideology, business means making friends.
The expatriate team rely more on 老关系 (lao guanxi) ‘long-term relationships’ and tend to build personal trust with their customers focusing on the idea of ‘人情’ (ren qing – personal feelings) or ‘关系’ (guanxi – personal relationship).

As you have several rivals competing for one big Chinese client, for example, the Chinese Petroleum Company, lao guanxi matters and personal trust matters. Of course, lao guanxi, like trees, needs watering from time to time. Personal trust is developed and maintained through doing personal things. For example, to pick up your client’s son from Heathrow and send him to Warwick University where he is studying, that is helpful in building personal trust and guanxi.

Yu Li, expatriate CBUK27/21/08/09 London

Good examples of such practices may be illustrated from the ways in which the team deals with incoming visitors from head office or the state in Beijing. As a world city and a cultural and political centre of UK, London is a new focus for Chinese students and tourists. The Bank in London became one reliable agency for head office staff, Chinese clients and their families and friends to contact when organizing a visit. And, as mentioned in the last chapter, such visitors are normally not easily accessible, even in Beijing. But in London, their vulnerability, due to the temporary loss of privileges as a result of geographical displacement in a foreign land makes them feel more gratitude for the care they receive. This in turn means that they readily make themselves accessible so the Bank can gain access to necessary help when needed in Beijing.

ii) Spaces of business

With different notions of trust and ways of building relations, local managers tend to negotiate business in more formal spaces such as offices or meeting rooms. For example, for a first meeting in particular, Oliver, a British manager didn’t think it appropriate to invite customers for lunch.

I never invite them (clients) for lunch, … for two reasons; one for a lunch meeting it is longer. … you need to allow one or two hours, when you introduce your bank and the potential customers may not have two hours to spare. They are very busy people in treasury, like me. Secondly, they might
feel uncomfortable with a new relationship they do not know, ... it is more intimate to have lunch, and therefore it is inappropriate. It is also inappropriate in my opinion because if you are buying someone something, there is a sense if not bribery, then like 'come on, I’ll buy you lunch and maybe you’ll give me something for return.' It’s not the way to do it in the UK corporate side of things. That’s not the way to establish business. Because for them they’ll think it’s inappropriate, you know well ‘let’s do business first, let’s have the first meeting, and then maybe have a lunch later on, but not in the first meeting’ ... And places like restaurants are, in Oliver’s opinion, not appropriate for business meetings for other reasons too:

... most lunches are arranged in restaurants where you cannot have confidential conversations. Because people around can hear. So you need to have the meeting in a confidential form, that you can discuss what you want to discuss, and talk business very quietly.

CBUK10/18/12/08 London

By contrast, with the idea that business is about making friends around the dinner table, expatriates tend to use informal spaces such as restaurants, pubs, theatres and shopping malls to personalize doing business with their clients. And this relates also to the etiquette of negotiations:

We may use the conference room for contract signing, but seldom negotiate a business there. We like to discuss most of the details of a business while drinking and eating together. A suggestion of a toast or ‘bottom-up’ will skip a direct ‘no’ to a quotation. But in a formal negotiation saying ‘no’ to the face of your partners is very awkward

Sun Yan, the Bank’s state-firm client CSA07/19/10/08 Beijing

Chinese business culture is inseparable from banquets and dinners as Chinese think it is the most efficient way to get to know the personality of their business partners through their behaviour around the table. Those who drink more can win more scores in being assumed as ‘honest’ ‘frank’ and ‘direct’ to do business with. They become the star of the whole table. And because they can drink more, they can toast everybody around the table with their offer of ‘bottom-up’. By way of contrast, those

37 Bottom-up (干杯 gan bei) – drinking a full cup of wine, beer or liquor in one go thereby implying ‘with full heart and soul’. Normally the person who toasts others, especially a senior, will do ‘gan bei’ first to show respect. The partner is not obliged to reciprocate but, if the partner does so, s/he will be considered to appreciate the toast and to respect the person who offers it.
who can not drink are made to feel less reciprocal towards those who can. And ‘capable of drinking more’ is often considered as one of many capabilities in a person’s relationship-making.

The saying that Chinese business deals are concluded around the table accompanying many bottom-ups is not exaggerated in business life, especially in the northern part of China (see, e.g. Shepherd 2005). Another intention of ‘drinking people under the table’ is to get more information such as the bottom-line price in the potential deal to be negotiated in the coming day. This is because some inside information may be disclosed when too much alcohol makes drinkers vulnerable. According to Hsing, You-tien, (1998 136),

> The Chinese culture of group drinking is highly elaborated, and almost ritualised in business and political cultures.

Thus, the banquets are considered to be the best ways to practice the well-known Chinese saying by Sun Zi38 ‘You will succeed in the battle only through knowing your enemy and knowing yourself’.

Besides restaurants, expatriates may also entertain their clients from China to a drink in a Dockland pub or to attend musicals and concerts in the West End. In a similar way, accompanying clients on up-market shopping trips certainly forms one part of the work style of the Chinese bankers in London. When having clients from mainland China, it is a kind of obligation for the Bank to show them these spaces in London to experience the local culture and life in UK.

**iii) Time spent doing business**

With this cultural background, Chinese staff find it normal to spend their out-of-working hours networking for the Bank and regard it as a good investment in his/her own personal trust building. Regular face-to-face meetings with clients are,

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38 Sun Zi, a famous ancient war theorist, his work ‘Art of war’ has been translated into many languages. ‘Know the enemy and know yourself’ is one of the 36 strategies he suggested to conquer an enemy.
simply, regarded as necessary. In a similar fashion, restaurants, shopping centres, theatres and pubs become the most visited spaces by the Chinese bankers to meet up with clients and supervisors from Beijing. And the time they spend in these activities is usually during the evenings of work days and/or at weekends, i.e., in their spare time. In such circumstances, the average time spent with clients was about two to three hours in general.

Hospitality is most important here. We like to quote Confucius’ words ‘what a happy thing to have a friend from far away’. In Chinese business culture, we treat all our potential clients as friends and try our best to impress them with our hospitality. But where does this time come from? From our private time after work, you see? I can say that Chinese managers are ranked highest among those who spend most personal time on firm’s business.

*Si Ma, expatriate of the bank CBUK14 /21/12/08 London*

While expatriates take it for granted that business can be done at anytime, local British managers try not to involve their private time. If they had to work in their spare time for the bank, they would expect extra payment from the bank. In a similar way, they seemed to respect their clients’ spare time as well.

You cannot contact your customers after business hours. Once you are in a relationship with a customer you might invite them for reception. We had a reception at the Gherkin the other week for the Chinese New Year and I invited my contacts along to there. We went to the Chelsea Flower Show last year, similar thing. But in terms of business is business, you hmm … it is not a customary to contact customers outside of business hours. Between eight in the morning and half past six in the evening, I call them on their business number. Normally the people that I am speaking to would be there, but unless they left a message on the landline to say “call my mobile”, I wouldn’t normally call them on their mobile phone after work in the evening, and I certainly will never call them at the weekend. It’s not to be the done thing, to be honest. There’s no need for it, there are enough hours in the day to conduct business matters.

*Oliver, local British manager CBUK10/18/12/08London*

Conversely, Peter, another local British manager, complained about his paid business trip to Scotland,

You know I went to the Scotland over the weekend. It is not something I would like to do. To me I like to split my family life and my business life. I
work to fund my social life and my family. My social life is not my business life. And in the way that things operate in the UK you do not need to do that.

CBUK11/18/02/09 London

Ettlinger (1999) noted similar differences in her study of work practices of Japanese expatriates and managers of US-based firms. In Japan, workers are coerced to volunteer many extra hours of work, whilst in the USA with a tradition of strong union activity, Japanese managers cannot ask for unremunerated extra work from American workers.

iv) Gift or no gift?

Chinese expatriate managers like to prepare gifts in order to give their business partner a good first impression.

In China, we have a saying like, ‘You have no reason to treat a person with gift badly!’ It is also a ritual for people to bring a gift when they call at other’s place as guests. It shows a kind of goodwill.

Dannii, CBUK04/08/12/08 London

But in Chinese business culture, gifts go beyond goodwill. They are signs of sincerity and eagerness to do business. Hsing (1998 9), a scholar in Chinese culture emphasises that what matters is not just the gift itself but also the message carried by the gift:

gift exchange is understood as a process of building trusting interpersonal relationships in economic activities. It is established through the maintenance of reciprocal assistance and enduring indebtedness between the parties involved by exchanging favours and gifts. Chinese gift exchange is different. It is a cultural tool. They are a form of linguistic familiarity that helps to read hidden messages: the measurements of the value of the gift; the meaning and practice of time in the sequence of exchange; and the demarcation of space, such as private and public domains especially when legal and moral issues are concerned.

However, as indicated, local British managers do not like the idea of gift giving and has led to the development of policy on gifts:

We have introduced policies around the giving and receiving gifts. Over a particular amount you have to get permission and this has to be recorded. And sometimes it needs to be signed off by the legal compliance department. And that is very much a regulatory requirement here. … So in the UK there are
very clear rules and regulations, the compliance rules and regulations about what is permissible and what is not permissible. We have that because that’s a UK requirement, that isn’t a Chinabank Beijing requirement.

Robert, British EMC member CBUK20/16/09/09 London

Despite the clear indication of hybridity here, gift-giving is inherently inflationary. In contemporary society, the meaning of gifts changes and the value of gifts also changes. Now a gift is a kind of reward or payment in advance and the value becomes higher and higher. You know why luxury brands are so famous and widely sold in China? It is because they are used as gifts for exchanging for interest and power. In Beijing’s shopping mall, a LV (Louis Vuitton) handbag costs £1500, but in London it is only £500. One of my friends visited London and bought three in New Bond Street. It’s crazy, isn’t it?

Susan, expatriate, CBUK18/21/08/09 London

These different ideas about gift-giving point up differences around the idea of trusting-building in business relationships between Chinese expatriates and local British managers. And these differences must be managed.

6.5.2 Issues with different conceptions of trust

The problem with these 洋人 ‘yang ren’ (foreigners) is that they think too much of themselves. In our Chinese culture, a newcomer is always modest to a new place, trying not to make enemies. But they are just the opposite. To show their ability, they were picking up faults with us here and there, putting on an air of expert or teacher in the Bank.

Yu Li, expatriate CBUK27/18/05/08 London

I think there’s mutual trust and there is an appreciation for what everyone brings to the bank. But I thought it was very personal at Chinabank. In British banks it is less personal. …They should be more open, more trusting, more respectful, really respectful. They talk about respect, but it’s not real. …So many times I felt like an outsider in that bank, no trust.

Harry, former local British manager UKA08/21/07/09 London

Such strongly voiced opinions illustrate the critical significance of soft social relations in globalisation. And, in the case of Chinabank, the strategy whereby two teams take care of Chinese clients and local and global clients in UK is not without problems. Although each team has their own market, in dealing with various clients, a lot of their work overlaps. Many projects need decision-making from both teams. For example, in the case of a loan issued to a Chinese state-owned firm in South
Africa, risk management was the job of the British manager. Lacking the particular knowledge of the relationship between a Chinese state-owned firm in Africa and its parent company in Beijing, the British manager did not give credit to the business as he thought it was a high risk deal in terms of credit worthiness. By contrast, the Chinese expatriate managers regarded this kind of business as having no risk at all as it was backed by an influential state-owned parent company. As a result, Chinese expatriates criticized local British manager for putting obstacles in the way of his business, whilst the local manager attacked the Chinese for knowing nothing about risk in modern banking. Such ‘spaces of difference’ produce different criteria of the trustworthiness of business partners. (expatriate CBUK 08/06/12/08 London).

Thus, while expatriates made great efforts to develop relations of personal trust with their key Chinese clients by using non-business spaces, local managers criticized them ‘for doing things which have nothing to do with banking’. Michael, a local British manager, complained:

They (expatriates) are visitors rather than participants; they are tourists rather than living here …I mean, I had a guy who had been here for four years, until recently he had to spent most of his time when we have visitors, driving cars for them. He is a senior dealer; he sits on the desk to do his job. But it’s more important for him to drive senior Chinese representatives to meet in shops. He called me one day, I asked ‘Where are you Tom?’, he said, ‘I cannot tell you’, I said, ‘Come on please tell me’, ‘I am at the retail outlet centre for Burberry with all the people from China. So they can do their shopping.’ Ha ha, it’s ridiculous, in the world I am living it would never happen.

CBUK09/17/12/08 London

Similarly one issue, closely related with the Chinese notion of ‘face’, was repeatedly criticized by many local managers:

Hmm…one thing that is very prevalent here is the “blame culture”, not taking responsibilities because if you do not take responsibilities you cannot be blamed for anything. Now somewhere along the line, somebody has to take responsibility and to get things achieved. …They’ll always try and move it to someone else’s responsibility. There was this incident this morning I’ve just heard about. Basically, no one has accepted responsibilities for it so nothing’s
going to get done because no one will step up to the plate and say ‘OK, fine, I will sort this out’.

Justin, British EMC member CBUK07/16/02/09 London

Many scholars have addressed the impacts of such cultural difference on the workplace (Saxenian 1994; MacDonald 1995; Schohenburger 1999; Jones 2003, 2008; Faulconbridge 2008; Beaverstock 2002, 2004; Christopherson 2007). Gertler (2004) notices that diversity in the institutional regimes of countries (employment laws, training and apprenticeship requirements, worker and trade union rights in firms) produce significant differences in the way workers behave, expect to be treated and organize the production process. Local British managers brought with them new ways of doing things and many were in conflict with the practices going back many years in the Bank. Such mutual criticisms reveal the tensions and conflicts between Chinese managers, mainly expatriate, and local, mainly British, staff. Resentment at what is seen as arrogance and unjustified superiority is especially significant in cultural terms.

This Bank is the first-class bank in China, but the so-called local ‘experts’ we pay a lot to suggest to us that we are only third or fourth class, I think. Some are very arrogant and look down upon us Chinese. I cannot see anything they can teach us. Instead, their inabilities to understand the special characteristics of Chinese banks made their decision damage our daily operation here.

Chris, local Chinese EMC member CBUK02/16/12/07 London

Another Chinese expatriate voiced a similar opinion, pointing up in particular the different attitude of ‘foreigners’ towards working for the Bank.

Those laowai (foreigners) put an air of an ‘expert’ in our Chinese bank. I do not think they come here with the ‘love’ to work in Chinabank or have feeling in our bank like we do. It is because we provide them a job with a good salary. They work in Chinabank, they should learn our culture and our ways of doing things. What I cannot stand is that they put their noses into everything and pick up faults here and there.

Jie Yu, expatriate manager CBUK06/28/03/07 London

One response of Chinese expatriates in resisting local British managers is to speak in Chinese during meetings.
When I am tired of arguing with them (British managers), I speak Chinese at the manager meeting. If they complain, then let them complain. Working in Bank of China, but they cannot speak Chinese! How can they be categorized as qualified managers for working here? Can you imagine that a Chinese could work for HSBC or Barclays and not speak English?

Yu Li, expatriate CBUK27/18/05/08 London

However, complaints come not only from the Chinese side:

You do get people who create little China frankly; people who do not want to integrate. You can see they are not relaxed in your company. They think Chinese. I have been in meetings where … of course they know I’m English but suddenly they’ll speak Chinese to me and look at me for a reply, … or they do not read European emails, they only read Chinese. So I’ve sent them an email, they never look at it. This is bad culture, it’s bad business culture, but these are the things that will change in time.

Simon, British manager CBUK15/21/01/08 London

As a result of such deliberate exclusion, the achievement of corporate objectives may be further undermined:

Sometimes, they (expatriates) purposefully blocked the news from the head office in Beijing by not translating the documents from Beijing. … I have one I was given … about month ago. It was in Chinese and no one ever translated it for me, although it was instruction to trade within certain parameters. And I have broken it for the last year because I could not read it, I did not know it existed.

Michael, British manager CBUK09/17/12/08 London

And beyond the question of exclusion, language raises the question of responsibility complained of by local British managers:

If they (expatriates) did something wrong, they would say ‘we did not understand what you have said’, …you know, how ridiculous …I say things as simply as I can, … sometimes people do hide behind the language a little bit, they agreed to something to your face, but afterwards, you know…

Sharon, British manager CBUK13/10/12/08 London

These circumstances and the cultural differences that they reveal also inhibit the process of learning from each other (see below). On the one hand, as Jenny, a local British manager, put it

I cannot think of much that I can learn from Chinese, er…if there is something I have learned, that is cultural difference…they are very different from us…er., in expressing themselves. We are very open and they like to hide their true feelings. …They are not ready to learn. Some Chinese are very arrogant. In
discussing some issues, if they want to ignore you, they just speak Chinese among themselves. You are excluded

Jenny, British manager CBUK05/17/12/08 London

And, on the other,

This is one of the big problems in this institution, you have the old school of people, which very much match a meritocracy, oh, no, not meritocracy, what’s it called? I mean, basically they think they can get it by age, by service, rather than a western style of meritocracy. You have the older people, sometimes they have no clue, you talk to them they look, eh... you know, they just haven’t got a clue what to do. That is a fact in this building. You try to explain to them and they nod … but they are not really listening because they do not have to listen to you …

Michael, British manager CBUK09/17/12/08 London

This represents a potentially very serious problem for the policy of ‘going global’.

As one of the local managers said:

This bank won’t become like any other banks in the City unless you … shut it down and start it again… The problem is enormous because … Chinese culture, … the Communist Party, …you know all these complex issues that we don’t really know about. … One of my colleagues once said ‘we should just close it down, employ the people that we want and let the others go’. I mean there is sort of only the one way to do the bank really. We should just close it down and start again.

Ross, retired British manager CBUK21/03/12/08 London

The problems of, and frustrations in, implementing change, are also voiced by the British manager, Michael

… there is no point in fighting the big battles, because you can put suggestions to them but they will go the way they want to go. But you can point out some of the things along the way about how it can be done efficiently or more efficiently that is the way I see our role here, that’s the way I see the westerners are operating in here. You will go your own way even though we think it’s wrong, and you will do your own things even we can sit there and make a strong business case for doing it a different way. There is a stubbornness sometimes to absorb western ways …Our thought process is to learn, to develop, or understand or to disagree sometimes; I mean we are not always right. It’s not right sometimes the Chinese to do what we will do, but they could be a little bit more open minded.

CBUK09/17/12/08 London
But these stubborn differences in the social relations of globalisation are not unknown. For example, Sakai (1997 i ii) demonstrated that both British and Japanese employees in London tended to emphasize their own cultural identities:

They expressed their ‘selves’ and the notion of ‘others’ through their perceptions of what is financial business, work ethics, use of language, gender relations and a sense of belonging…

They talked and constructed difference between them and kept their own culture in their everyday working lives, there is segregation, miscommunication and disappointment between cultures.

However, if a sense of unreachability - ‘they do not have to listen’ - is exacerbated by a complete lack of comprehension ‘all these complex issues that we don’t really know about’, the possibilities for change in the Bank are seriously undermined. The soft relations necessary for globalisation are simply not in place. This situation requires intervention and, in the following section, I explore the reasons for disagreements between Chinese expatriates and local British managers.

### 6.5.3 Mutual disagreements: trust and ‘friend’ship

British managers and Chinese expatriates both accused each other of arrogance, of holding negative attitudes towards each other, of avoiding responsibility and of showing off their superiority. In addition, the Chinese expatriates complained about the inhumanity of local British managers in solving problems, whilst local British managers complained about the Chinese expatriates of being non-professional in dealing with business issues (see Table 6.1).

To try to resolve such problems, the Bank management decided to develop the cultural awareness of the staff. A consultant on cultural difference was hired to interview everyone in the key positions of middle level management to see how culture influences the staff’s thinking and behaviour. My research about cultural influences on conceptions of trust was also encouraged and welcomed in the Bank as
illustrating the issues involved. This helped me obtain subsequent material on this subject and, at the same time, my research helped the staff realize the source of the conflicts.

Table 6.1 **Expatriate and local managers in each others’ eyes**

<table>
<thead>
<tr>
<th>Chinese managers through the eyes of local managers</th>
<th>Locals through the eyes of Chinese managers</th>
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<tbody>
<tr>
<td>Arrogant</td>
<td>Arrogant</td>
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<tr>
<td>Negative attitude towards others critics</td>
<td>Negative attitude towards others’ critics</td>
</tr>
<tr>
<td>Like to avoid responsibility</td>
<td>Like to avoid responsibility</td>
</tr>
<tr>
<td>Not professional, take work issues to personal relations</td>
<td>Think him/herself highly /superiorly</td>
</tr>
<tr>
<td>Solve the people rather than solve the problem (deal with people involved in the problem rather than study the problem itself)</td>
<td>Assume him/her representing the advanced knowledge, best ideology</td>
</tr>
<tr>
<td>Like to put on an air of a big boss</td>
<td>Solve the problem without considering people involved</td>
</tr>
<tr>
<td>Like to say ‘I do not know’</td>
<td>Like to show off his/her knowledge</td>
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</tbody>
</table>

source: interviews

To a great extent the tension was due to different understandings of ‘trust’ and the notion of ‘friend’. When asked about the importance of trust in dealing with working relations, both Chinese expatriates and local British expertise admitted it is significant. Characteristics such as honesty, competence, keeping one’s promise, and being considerate, friendly, and caring were admitted by all staff as affecting their trust in colleagues. But through further discussion, differences appeared in their understanding of the notion of trust. And, when asked to rank the characteristics involved in trust-making at work, Chinese staff rated personal characteristics such as friendliness, consideration and care for others, and good intentions highly, while the local British staff focused more on individuals’ competence and honesty.

Being a friendly and nice person does not win my trust if he cannot do the job properly. ….

Richard, local manager CBUK23/06/03/08 London

But Chinese staff do not think that a lack of ‘competence’ at work would become an obstacle in winning trust.
If he is a nice guy and friendly to me, I would like to teach him to do the job properly. No one was born to know everything. Vice versa, if a guy is a genius but arrogant to me, I would not like to work with him, not to say to make friends with

*Yu Li, expatriate CBUK27/18/05/08 London*

Talking about whether she would trust a person with a lack of competence, Susie replied.

Attitude, attitude, always attitude! If he is very competent, holding an attitude of being better than anyone else, I would rather choose one who is lack of competence but respect others. Only you have a modest attitude towards others, people feel relax to work with you and come to trust you. Take me as an example, when somebody is arrogant in front of me, I will be more arrogant in front of him.

*expatriate manager CBUK17/19/08/09 London*

Here the difference in the conception of trust between Chinese and British staff lies in two dimensions of trust: *benevolence*, an affective component; and *competence*, a cognitive component (Mayer et al 1995). Other scholars make a similar distinction between affect-based trust, depending on the emotional bonds between individuals involving mutual care and concern; and cognition-based trust, depending on “good reasons” as evidence of trustworthiness (Renzl 2008 209, Zuker 1986). These differences were further illustrated in different notions of ‘friend’ship held by Chinese managers and local managers within the Bank. The main reason for Chinese managers to trust a colleague was, as indicated above, the ‘good relationship’ with a colleague as a ‘friend’, while local managers focus on ‘competence’ in a professional. The notion of ‘friend’ was closely related to the definition of trust by Chinese expatriates, while a much looser connection between trust and the notion of ‘friend’ was cited by local managers.

Even the notion of ‘friend’ was found to be quite different. While local managers think making a ‘friend’ is time-consuming, the Chinese expatriates think it might take as long as a lifetime, or as short as a two hour-banquet drinking together. The scope of ‘friends’ recognized by Chinese expatriates ranged across both life and
work, including classmates, colleagues, bosses, and clients etc; and the obligation of friends ranged more widely from helping each other in life (e.g. picking up a friend’s child from an airport), through helping each other in work (e.g. helping a ‘friend’ to be promoted) to helping each other’s ‘friend’ or ‘friend of friend’s’ (e.g. helping a ‘friend’s friend’ to sell his/her products at a good price in the market). All in all, being a ‘friend’ in the mind of a Chinese expatriates, has many obligations and at the same time receives a lot in return. Sometimes it is necessary to sacrifice one’s own interests to fulfil a ‘friend’s’ success.

For the local British managers, the making of a ‘friend’ was never a quick decision based on a simple meeting. If not requiring a lifetime, then it certainly involved more than a mere acquaintance. Analogously for British managers, the scope of making ‘friends’, was relatively narrow. Most often they would exclude their boss or clients because of a concern about how genuine ‘friend’ship may be:

I seldom try to build a close personal relationship with my boss or colleagues on purpose,… They (expatriates) embrace you as a new person into their company, and they are very friendly to you, and I had many of them buying me gifts, which seems an obvious way of building a relationship. I know that they do that quite regularly of course to many local staff. And there’s some of the relationships that are genuine relationships but some of them you know that there is the cultural background to it and they are building this because that’s how it works.

_Jenny, British manager CBUK05/17/12/08 London_

As for the obligations of friends, local British managers did not feel much burdened by helping friends.

Being real friends, we expect to help each other, that’s sure, but never in a way to burden each other. Say I ask my friend to pick me up from but never way to burden each other. … I think the thing I try to get from people I work with is not necessarily friendship at all, it’s more … respect, I always try to gain people’s respect, yes in my previous place I did have people that I got on really well with but I wouldn’t necessarily call them my ‘friends’.

_Justin, British manager CBUK07/16/02/09 London_
Such distinctions feed into different notions of trust and trustworthiness. Table 6.2 is a schematic representation of differences in how Chinese managers, (mainly expatriates) and local managers (mainly British, white), identify the characteristics important for trust building at work, especially for new comers in a firm; why they trust others; and the impacts of their perspectives on working behaviour.

<table>
<thead>
<tr>
<th>being trusted</th>
<th>Chinese managers, mainly expatriates</th>
<th>Local managers, mainly British white</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• good personality (polite and kind to everyone)</td>
<td>• competence</td>
</tr>
<tr>
<td></td>
<td>• makes efforts to make friends</td>
<td>• professional, neutral to others</td>
</tr>
<tr>
<td></td>
<td>• considerate</td>
<td>• direct, open, honest,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• knowledgeable, confident in work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• responsible for job</td>
</tr>
<tr>
<td>trusting others because…</td>
<td>• s/he is a good person that can be a friend;</td>
<td>• s/he is a professional that is competent to finish the job, to keep a promise, a ‘yes’ is ‘yes’</td>
</tr>
<tr>
<td></td>
<td>• ‘trust’ is closely related to ‘friend’ at work</td>
<td>• trust is only loosely related to ‘friend’ at work</td>
</tr>
<tr>
<td>relations with a newcomer</td>
<td>• keep a low profile in doing things as not to arouse other’s jealousy</td>
<td>• look for a chance to impress others with competence</td>
</tr>
<tr>
<td></td>
<td>• take care not to offend others in order not to make enemies</td>
<td>• depend on one’s own observation to make judgments</td>
</tr>
<tr>
<td></td>
<td>• be eager to listen to others to become familiar with internal rules, dos and don’ts</td>
<td>• instruct others to do things to show experience</td>
</tr>
<tr>
<td></td>
<td>• do not take quick actions before the ‘politics’ of a situation is clear</td>
<td>• express opinions to contribute discussion, even if only crudely</td>
</tr>
<tr>
<td></td>
<td>• do not express opinions directly and openly so as not to make wrong judgment</td>
<td>• be direct and open in pointing to other’s job deficiencies without considering other’s personal feelings</td>
</tr>
<tr>
<td></td>
<td>• offer help, time, money to help and entertain other colleague to make friends with them</td>
<td></td>
</tr>
<tr>
<td>notion of friend</td>
<td>a friend in need is a friend indeed</td>
<td>a true friend should help each other but without obligation</td>
</tr>
<tr>
<td>scale of making friends</td>
<td>wide</td>
<td>narrow</td>
</tr>
<tr>
<td></td>
<td>boss, colleagues, clients, classmates</td>
<td>school, club, (colleagues)</td>
</tr>
<tr>
<td>time taken to make friends</td>
<td>from short (immediate) to long</td>
<td>long</td>
</tr>
</tbody>
</table>
Chinese managers, mainly expatriates | Local managers, mainly British white
--- | ---
**function of friends** |  
• reciprocity  
• take care of each other in personal affairs  
- look after each other’s family member  
- look after each other’s friends  
- look after each other’s friend’s friend  
- protect each other at work  
- be supportive  
- provide defence  
- cover up deficiencies  
- help in promotion |  
• enjoyability  
• try to be good company when needed  
- enjoy life together  
- provide help when necessary without obligation  
- provide advice at work  
- provide suggestions  
- provide support

source: This table is based on interviews with my respondents. I am aware that it represents trust as a dualism, but in practice my respondents admit they do bring such essentialised dualisms to bear.

Such differences in notions of trust may be elucidated by the larger economic sociology literature (Granovetter 1973; 1974; 1985a; Giddens 1991; Zucker 1986). Granovetter (1973; 1974; 1985a), which specifies different types of ties and networks. According to Granovetter (1985a), modern West is socially embedded in networks of ‘weak ties’. Weak ties (which may function across space in loose social relationships) entail infrequent relations between people and organizations. For Granovetter (1974, 1985a), strong ties signify a sense network and imply cohesion in a locality or territory in close social relationships. Strong ties may be found in ‘pre-modern’ societies in which trust is local and territorial with strong personal characteristics. But with the annihilation of space by time, abstract impersonal trust may emerge. In Zucker’s (1986) illustration, ‘institutional trust’ emerged in modern American society to take the place of ‘personal trust’ in pre-modern society and, for Zucker, this is the reason why modern American society has experienced rapid economic development.

The relative independence of local British staff in their relationships with ‘friends’ indicates that western notions of legal contractual capitalism (Yang 2002) has helped its members disembed from interdependent close personal relationships, whilst expatriates are still dependent on the close relationship of ‘friends’ because they lack
experience of a legal system to support ‘weak ties’. For Giddens (1991) ‘weak ties’ are an outcome of the ways in which the globalising tendencies of modernity transform intimacy in the contexts of day-to-day life and how impersonal trust dominates modern life. The differences between Chinese expatriates and local British staff suggest that globalisation is an uneven process happening at different places at different speeds and with different degrees and scales. Thus, according to Bathelt (2005), cultural contexts can strongly influence economic actions because they involve implicit and explicit norms, rules, convictions, moral codes and philosophies of life which are accepted by or imposed upon its members. Globalisation has the effect of bringing different culturally-based norms together and can result in conflict.

And yet, when he explains the difference that globalisation makes, Bob Jessop (1999 27) points to its effects on flows of capital:

For it is capital in these abstract moments that is most easily disembedded from specific places and thereby freed to 'flow' freely through space and time. However, in each of its more concrete moments, capital has its own particular productive and reproductive requirements. These can often be materialized only in specific types of spatio-temporal location. This leads to a general tension between neo-liberal demands to accelerate the flow of abstract (money) capital through an increasingly disembedded space and the need for the more concrete forms of capital to be 'fixed' in time and place as well as embedded in specific social relations as a condition for their valorization.

The tension Jessop describes must be accommodated; otherwise, capital flows will be inhibited and the Bank could not carry on its global strategy. In the next section, I will discuss how the Bank managed cultural differences in the daily operation of business and how this led to a negotiation of different notions of trust.

6.6 Negotiation of different notions of trust among expatriates and British managers

Disagreement at work is normal. The key is how to have the correct attitude to it. If we trust each other, we will not think those who disagree with us have bad intentions towards us. They just express their own ideas and they happen
to be different from ours. Once you think like this, work is work, personal feeling is personal feeling. That’s two separate things. Then you will not mind different opinions. In the Bank everybody is trying to do the job better.

*Steven, expatriate manager CBUK19/12/09/09 London*

I told my management team that they should not be afraid of disagreements. Instead we should cherish their existence and respond positively towards them. This is because we could see things behind these disagreements and prepare ourselves in dealing with them in our daily practices.

*CEO of the Bank CBUK01/01/07/09 London*

… the Chinese tend to stick together and the western people tend to stick together in terms of socializing and maybe having lunches. I am conscious now that in my own department that I try to get on as well with Chinese expatriates as I do with my local colleagues. But it’s got to be a two way thing, I make an efforts, it’s got to be a two way thing. If someone does not make the effort, then I’m not going to be bothered too much, but I have not noticed the problem here. Everyone seems to be friendly, helpful and supportive to what we are doing.

*Oliver, local British manager CBUK10/18/12/08 London*

Events and activities recorded in the newsletters of the Bank echo the CEO’s idea and, together with my participant observation and interviews, the techniques the Bank management employed to create spaces for negotiation of different notions of trust are revealed. The kinds of reconciliation revealed in the three responses above was encouraged through the creation of spaces of social interactions and, in particular, by (i) providing extra office space for face-to-face communication; (ii) creating movement space to facilitate co-working together as a team; (iii) providing communal space for lunching together/being together at a certain time. In these ways, the Bank attempted to merge formal spaces with informal spaces, and public spaces with private spaces. Thus a macro space of abstract corporate practice is, as Ettlinger (2003) argues, converted into micro-relational spaces of interaction.
6.6.1 Providing extra office space for face-to-face communication

Face-to-face contact was encouraged in the Bank. The new design of the floor space involving the addition of more meeting rooms on each floor was one of many examples designed to enable conflict resolution.

In the past, we used to come to our supervisor for solution of disagreement at work, then our supervisor would talk with us and transmitted both of our messages to each other. Now we are asked to talk one-to-one and face-to-face. This is effective. Without the medium of our supervisor, we have to face problems honestly and say things explicitly. Now the process of solving argument is different from that in the past. We face a problem and we talk and then we report to our supervisor about how our disagreement is solved and how the decision-making is reached.

David, expatriate manager CBUK03/26/07/09 London

The advantage of face-to-face meeting in helping communication is argued by Storper and Venables (2004). In their opinion, face-to-face contact provides rapid feedback and visual and body language cues, whilst co-presence and a commitment of time contribute to trust building and incentives in relationships. Last but not the least, the loss of anonymity allows a direct action of judging and being judged. The remark of Urry (2002 259) also shows the value of co-presence.

Co-presence is likely to be necessary to talk through problems, especially the unmediated telling of ‘troubles’. Face-to-face conversations are produced, topics can come and go, misunderstandings can be corrected; commitment and sincerity can be directly assessed. Trust is something that gets worked at and involves a joint performance by those in such co-present conversations.

Here, Urry notes that after ‘troubles’ are talked of, ‘misunderstanding can be corrected’, then trust works. This helps to explain why local managers and expatriates found face-to-face contact an effective way of resolving disagreement. According to Jones (2007), face-to-face work is about a process of trust-building and can solve problems caused by lack of ‘cultural proximity’ and differences in business norms and practices. As for the significance of face-to-face interaction, Jones (2007 240-1) states that it is essential to firm success in that face-to-face interaction is the practice which establishes behavioural norms and transmits commonalities in those forms of behaviour that are hard (or impossible) to express in codified forms of knowledge (handbooks, mission statements, etc.).
This also helps to explain the increasing interest in face-to-face interaction in transnational operations and transnational knowledge practices in international law firms or investment banking and other industries for example (e.g. Jones 2002, 2003, 2007, 2008; Faulconbridge 2006; Beaverstock 2004). As one expatriate revealed

I found face-to-face talk is very effective in solving disagreement, erm, compared with the way of having your boss as a go-between. Erm…you ask for a face-to-face talk with the one with whom you have a disagreement and say what you want to his face. You feel you are a gentleman having nothing to hide and expect him to do the same. When both exchange ideas frankly, you would realize there is no enemy around you but misunderstandings.

Si Ma, CBUK14/21/12/08 London

6.6.2 Creating co-work spaces for local managers and expatriates

To encourage communication between different cultures, the Bank adjusted its former policy of dividing responsibility for different aspects of the Bank’s business between local British and Chinese expatriate teams and began to mix expatriates and local managers in the same project team.

I used to be responsible for Chinese clients but now I work with local British manager in corporate finance. The more I work with them, the more common things I feel we have between us. In the past we highlighted the difference as we did things separately and in different ways. But now we work together to figure out things. They consult with us about administrative procedures in Beijing and we learn from them about business norms here in London. I trust them as they are capable of doing market here and they trust me as I have more knowledge about Beijing

Steven, expatriate manager CBUK19/12/09/09 London

Working together provided more co-presence and this co-presence provided opportunities to get to know each other. As time goes by, team members talk about not only their work but also each other’s family life. They created, in Ettlinger’s (2003 146) words, a ‘universe of interaction’. The process of knowing led to mutual understanding and trust and this allows the transferring of formal workplace relations to informal spaces of interaction.
An example shows how complex differences came to be resolved by the experience of joint work. The Bank deliberately sent an expatriate and a British manager who had a history of conflict together on business trips. A three-day trip in Beijing improved greatly the relationship between them. As recalled by the British manager, in Beijing, the expatriate took good care of him. While meeting the Chinese clients, the expatriate acted not only as a colleague but also as an interpreter for him. And after work, the expatriate spent a lot of time accompanying him to visit historical sites, explaining local history and culture to him. Besides that he hosted several big banquets for him. Good food and hospitality impressed the British manager. Subsequently in a trip to Geneva to meet local bankers, the patterns of caring changed. Besides taking care of his Chinese colleague at work and interpreting the local language, the local British manager, also made great efforts to allow the Chinese expatriate experience more local culture and food. The expatriate manager told me the following story to show how he and the local British manager turned out to be friends even exchanging life experiences out of work place.

When he visited a shop to buy a famous brand necklace for his wife, Simon suggested that I should also buy one for my wife. And he also told me several tricks to make a wife happy which Chinese man seldom bother to think of as they are living in a male-dominated world. … When we came back to London and saw each other in the office, Simon asked me how my wife responded to the necklace. … ‘She was so surprised at my behaviour that she questioned me if I have had an affair?’ ‘Ha ha, why was that?’ ‘… the only reason she can think of is that I have done something wrong to her so that I want to buy some gift for her to release my guilt! It’s all your fault and you must pay for it, you devil.’ ‘Ha, ha, it seems that Chinese wives and British wives cannot be managed in the same way’, Simon laughed.

_Simon, expatriate manager CBUK19/12/09/09 London_

Co-activities and experience of the ‘other’ can improve relationships. And such experiences are closely affected by geographies of displacement and of co-working through movement. Not only are different practices and norms confronted but the co-existence of unfamiliarity and local knowledge in places outside the office work space enable positive communication and relationships. When finally one calls you a ‘devil’ face to face, the ‘devil’ in his/her heart is gone, you become their ‘buddy’.

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Spaces of interaction lead, in Ettlinger’s (2003 146) words, to ‘interpersonal relations that may engender any one of a number of logics or rationalities (economic, social, cultural, political, psychological, ecological) and may derive from a wide range of social relations that are personal as well as public, and imbued with emotion as much as calculation’. In the spaces of interaction created by the Bank both within and beyond the space of work in London, local British managers and expatriates actually relate to and begin to understand one another. ‘As a consequence,’ as Alper et al (1998, quoted in Chen and Tjosvold 2006 1731) suggest, ‘they develop trusting, mutually helpful relationships where they are confident that they can work together’.

6.6.3 Creating communal spaces
Besides encouraging co-presence and communication at work, the Bank also created in-office spaces as non-work spaces for co-presence during work breaks. By creating these non-work spaces, the Bank purposely encourages interaction between local managers and expatriates. A new Bank canteen provided a shared space for eating together for both local British managers and Chinese expatriates. The lunch was free and ordered by the Bank according to each other’s taste. The lunch has many national varieties of food from which to choose including Chinese, Japanese, western and vegetarian food. While eating together, the staff, both expatriates and local managers, have another chance to talk and communicate.

Lunch break is about an hour. I think everybody is looking forward to it. We get together, eating, joking and laughing…. exchanging information about everything…such as which store is on sale, which place is the most amazing place to visit.... Sometimes we have some special treat as our British colleagues brought some cakes from their holiday … and our Chinese colleagues brought local delicacies coming back from China. … Our British colleagues introduce their Western food to us and we introduce Chinese food to them. Very interestingly, we found ourselves changing to each other’s taste in the following week. You know, we order our food on a week basis. Sometimes, I try some Western food our British colleague suggests; some are not bad at all. But I can tell you, more British convert to Chinese food than we Chinese convert to Western. … It is very relaxing and joyful … after hours of
work in the office and we (Chinese and British) know each other more through conversation.

Si Ma, expatriate CBUK14/21/12/08 London

Similarly, a new leisure centre was built for staff with a table tennis room, snooker room and other means of entertainment for group or pair-wise participation. Table tennis is the most popular game during the lunch break. It not only enables exercise but builds personal relationships during the game. One local British manager is currently the best player thereby showing the expatriates that the British locals do have talents, they can even play Chinese ping pong better than the Chinese.

No one in the Bank is a rival of Jon in playing ping pong. He plays like he works, very attentively and serious about every point he wins. I used to puzzle why he is so insistent on ‘picking up faults’ with our work. Now I understand that this is his way of doing things. It is quite unlike some of our Chinese, we like to be 马马虎虎 (‘ma ma hu hu’, literally translated into English as ‘horse horse; tiger tiger’). It means not being careful in doing things.

Susan, expatriate CBUK18/21/08/09 London

These in-house spaces were created as informal spaces of interaction for both local and expatriate staff to mingle together and communicate. This practice illustrates the use of multiple rationalities in multidimensional environment that Ettlinger (2003 152) emphasizes:

Behavior and decision making in one place, such as a workplace, derive from a kaleidoscope of thoughts and emotions that emanate from different places associated with different spheres of life and different social networks. An action at work may be very much related to the thoughts and feelings that are embedded in a relationship with a friend, sexual partner, family member, professional colleague, avocational partner, and the like.

According to Granovetter (2005 43), the firm cannot be viewed simply as a formal organization, but must also be understood as having the essential elements of any social community. Members of staff are not only capitalist workers but also individuals with emotions and feelings (Jessop 1999). Labour is not as passive as institutionalists suppose (Ettlinger 2001). Thus, the creation of spaces of social
interaction for workers from diverse cultures can enable the negotiation of different notions of trust and enable effective collaboration at work place:

While socializing and working together, I came to understand my British colleagues. They are normal human beings like us Chinese. They like to be treated nice and treated with respect. But they are different individuals, too. Some like to make friends at work and some do not. Some are very professional and nice to work with but they seem not like to share personal life with us. I trust them at work although they are not my friends. But I still like to make friend with my workmate, erm…you know, besides your family, the people you spend most of the time together are workmate everyday

Steven, expatriate manager CBUK19/12/09/09 London

6.7 Creation of hybrid spaces

Should the workplace become socially diverse, critically at issue are mechanisms to institutionalize principles of diversity so as to sustain it, the consequences of which would entail profound changes in human relations and production itself (Ettlinger 2001 219, emphasis in original)

‘Changing’ is a word constantly by the respondents in the Bank and the best word to describe the culture of work now in the Bank.

There’s no doubt that the Bank is in transition, … we see it all the time, changing in what the head office is asking us to do, changing the way that things are handled, the way that processes are complete. There are fundamental changes being made through out the Bank of course, and all with the intention of making Chinabank truly go global…

Peter, British manager CBUK11/18/02/09 London

But it is not that the Chinese are more British, or the British are more Chinese. Rather,

I think we have moved more towards to a global corporate culture, in the past 3 years, we are nowhere near as localized as we used to be, and I have only been here for less than 3 years, so with our American manager’s introduction here I think that has created a more of a global culture. it’s a global corporate culture, it’s not just the UK corporate culture, or Chinese culture

Jenny, British manager CBUK05/17/12/08 London

It is, in short, a form of ‘hybridization’ (Morgan 2001 114).
Now we have more common grounds after knowing each other’s culture. We expatriates began to discuss work issues in the public, for example, a meeting, instead of leaving it to friend’s private conversation shutting from British colleagues. The British began to ask expatriates for private conversation to create an intimate atmosphere to solve problems at work. We try to be professional; they try to be more personal.

_Jie Yu, expatriate CBUK06/12/02/09 London_

The strategic use of workplace and non-workplace by the Bank discussed above section created various spaces of social interaction. Following Ettlinger (2003), Yeung (2005 41) argues,

Economic actors are seen as embedded in diverse social discourses and practices, and cannot be conceived as rational and mechanistic economic entities. These actors are influenced by a broad array of hybrid relations among humans and nonhumans, and their action is significantly shaped by multiple logics and trajectories whose significance varies in different contexts.

The two subsections that follow illustrate the hybrid spaces that have thereby emerged after negotiation of different notions of trust.

### 6.7.1 Learning from each other

The strategies adopted by the Bank management team to create spaces of social interaction have led to an increase in trusting relationships in which tension is lessened and learning is spontaneous and voluntary. As Susan, an expatriate recounts

At first I found him very nasty always focusing on details I ignored in my work. Whenever I handed in my report to him, he always picked up the figures and asked me to tell him the sources. After I got to know him and got along well with him, we become friends. After work, I showed him a lot of Chinese restaurants in Chinatown and he became a fan of Sichuan cuisine. During work, I am used to his style. I check all the figures until they are perfect and carry all the resources with me before I give him the report. I learned a lot from him as a professional

_CBUK18/21/08/09 London_

Another story relates to one local British manager. He was promoted to a management position because of his excellent performance in expanding the Bank’s wholesale market, but he asked not to be promoted. He expressed his worry to the
CEO about possible damage to his good relationships with a Chinese manager as his promotion meant that the Chinese manager would lose the position. In his words, he was more concerned with maintaining relationship with colleagues in the department rather than being promoted. This supports Ettlinger’s (2003:146) argument that ‘multiple rationalities are critical to the formation of different forms of trust that underpin changes in the workplace’. Knowing his British colleague’s behaviour, the Chinese manager was clearly moved:

Working together and sharing the same office, we communicate a lot. I learned a lot from him, not only local culture but also his attitude towards work. I am deeply touched by his concern for me. I know he appreciates the good relationship between us. It is just because of that that I trust him more. He should be promoted as he is more capable in working in the local market than I.

Steven, expatriate manager CBUK19/12/09/09 London

As a result of social interaction, notions of trust are negotiated and in such ways hybrid spaces have been created. Chinese expatriates tend to become more professional at work and pay more attention to establishing regulatory trust whilst local British managers think more about interpersonal relationships and the significance of the development of personal trust. This leads to a reversal of the tendency to focus on difference rather than similarities between them.

In most occasions, laowai are very frank and direct, not like us Chinese, saying the first half of the sentence and leaving you to guess the rest. The more you are with them, the easier you find it to work things out with them. …Although there are differences in thinking and ways of doing things, we are the same as human beings, love our family, like to make friends rather than make enemies. We are not so different as described by the media or cultural books.

Xu Qiang, expatriate CBUK26/06/04/09 London

Conversely, local managers understood why it was necessary for their Chinese colleagues to make guanxi with clients and supervisors from Beijing and intended to cooperate if they were needed.

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39 Laowai, is a word used by Chinese to describe people as foreigner. Even in the City, the Chinese sometimes call their local managers ‘foreigners’.
I told my Chinese colleagues that I do not mind going out sometimes during the evenings to accompany our guests from Beijing. I understand that this is part of Chinese business culture.

\textit{Simon, British manager CBUK15/18/12/09 London}

One local manager used a western word to describe this: ‘networking’:

I think from my perspective, I have learnt a lot since I have been here. … years ago we probably didn’t worked with established networks across the business. We were probably quite silent about the way that we worked through networks but now, wherever you go, most larger organizations, are networking internally and externally which is quite similar to how the Chinese work, very much like that. And for example I went to a conference of a very large organization held last year, and literally their staff at the large organization were told you must meet five people, you write their names down, and if you don’t think you can get anything out of them, you walk away from them and you go meet another person.

\textit{Jenny, British manager CBUK05/17/12/08 London}

Interaction and communication provided a way of knowing oneself and others, and it also led to a process of reflection on oneself. Notions of friend and notions of trust were negotiated and changed to adapt to the other. The Chinese admitted that, in their culture, the concern with \textit{guanxi} (personal connections) and \textit{mianzi} (face) stand in the way of establishing regulatory trustworthiness. The Bank’s management team purposely put rules ahead of personal relations in dealing with friendship with expatriates.

In Chinese culture, if you are the boss, your workmate is a friend, you are obliged to protect his face in public if he makes a mistake at work. Here in London, the usual Chinese practice would be that the boss asks for a private conversation with his friend to get him to understand the rules before making it public that his friend was responsible for his mistake. Then, to make compensation as a friend, the boss may invite his friend to a dinner for further comfort.

\textit{Li Hua, expatriate EMC member CBUK08/23/08/09 London}

Chinese expatriates admitted in interviews that they came to stick more to the rules so as not to provide a chance for British colleagues to accuse them of non-standard practice. At the same time, to show their competence in understanding and solving
problems, they began to express themselves more openly and direct and actively to participate in discussion.

I hardly expressed my opinion until I was sure it was right in the past. But when I attended meetings with local managers, I found to my surprise that they took every chance to express themselves no matter how premature their views were in my opinion. Now I begin to practise like them. I regard it as a good opportunity to share my knowledge. As a result, they treated me as an expert in this field and appreciate my opinion.

David, expatriate manager CBUK03/26/07/09 London

At the same time, the local managers tried to understand why expatriates have resistance towards local managers, putting themselves in the shoes of expatriates,

You feel threatened, you feel if there’s something being taken away from you, you are losing your control and your power. Lack of trust is already a negative aspect before you start to work. … I think local people coming to this environment, er, must be aware of that, must be patient, must be respectful and I think as soon as you start to see the respect, that leads to build trust. That’s where we need to start from.

Jenny, British manager CBUK05/17/12/08 London

As for cultural differences, local managers developed a kind of awareness.

I think you have to manage that, you have to be conscious all the time, we mustn’t distinguish between people, we must treat the people the same, we must give everybody equal opportunities, there must be an expectation that everybody’s going to perform properly, they all going to have a job to do, they’re all going to have responsibility, they are all going to be accountable for their performance, they all going to be treated exactly the same way in terms of the way that they work, …I think there are certainly two things, you are going to have mutual respect and equal treatment…

Robert, British EMC member CBUK20/16/09/09 London

Local managers began to respond to the feelings of Chinese expatriates and tried to save mianzi (face) of their Chinese colleagues while expressing different opinions. The local managers came to know that, for Chinese, mianzi involves dignity and prestige and that it is intrinsic to the development of personal trust.

when you can’t get your point across when you first involved in cross-cultural communication, you sometimes go the wrong route, … you raise your voice or… is not the way to do it. As a westerner I think it’s very important to understand the concept of face. If you are going to discipline, to be hard, you do it in private, unless you really want to cause damage to the person. Not
many westerners understand it. I worked in the Orient on and off for about 4 years probably in total. So I’ve got an idea about it.

*Michael, British manager CBUK09/17/12/08 London*

Thus while looking for solutions to problems, the British staff turned to listen more to their Chinese colleagues, rather than merely giving orders. Friendship was also recognized by the local managers as a way of keeping work relationships more harmonious. That does not mean not to follow rules but means to use rules flexibly within the norms of regulatory trust.

I think when I worked for Chinabank, I brought a knowledge base, and product specialty they never have before, so I was able to introduce new business with new clients and way of doing things that they had never done before. What I got from Chinabank, was an important experience culturally, in how the Chinese were at work, … certainly how Chinese banks work. It’s different to the British way of doing things, so I got as much in the relationship as I gave for them.

*Harry, former local manager UKA08/21/07/09 London*

By creating spaces of social interaction at workplace and out of workplace, the Bank converted these spaces into shared spaces for interaction and communication, thus purposely blurring the boundaries of difference between the local and the expatriates. In this way, a negotiation of different notions of trust occurred through the context for change which exists when what Ettlinger (2003 152) calls ‘concerns’ and ‘motivations’ within and without the workplace become mixed up.

People’s concerns and motivations in a public sphere may be intertwined with concerns emanating from a private sphere; the spheres become blurred as thoughts and feelings emanating from one context affect behavior in another and the different logics or rationalities themselves become blurred. (Ettlinger 2003 152)

It was on such multiple rationalities that the Bank depended in enabling the emergence of hybrid notions of trust.
6.8 Conclusions

The labour practices of the Chinese bank in the City illustrate that analyses of a firm in the global economy should involve its social, cultural, political and economic context. Firms are, as Yeung (1998, 2001) points out, a socio-spatial construction embedded in broader discourses and practices. The argument of this chapter has been that, on one hand, in order to embed relations of regulatory trust within the Bank and between it and the markets in which it wished to operate, the Bank introduced global standards in managing the work-force, and, on the other, the Bank continued to engage in relations of personal trust in order to smooth the resistance and tensions of difference within the Bank. By creating spaces of social interactions, the Bank encouraged staff to communicate. Thus, relational spaces of trust and learning enabled the negotiation of different notions of trust. Although this thesis is focused mainly on the significance of ‘soft’ factors such as personal trust, the mutually formative influence of the ‘hard’ influences of political economy in establishing regulatory trust via local recruitment is also acknowledged. In revealing the strategic use of personal trust and regulatory trust in the Bank, this chapter supports the argument that the firm is not a self-contained and homogeneous ‘black box’. Rather it is – and has to be - an active agent responding to the differences, tensions and opportunities of the global economy (see, e.g. Giddens 1990; Ettingler 2003; Jones 2002, 2007).

A number of features of international firms are revealed in this chapter.

(i) It is questionable whether essentialist words like ‘West’ or ‘East’ should be used to express differences within a Chinese bank going global. However, my respondents still hold on to the notions of difference between west and east. Therefore I use them in capitals, but this does not mean that I accept the difference as fundamental. Although some of my interviewees call local British colleagues ‘lao wai’ (literally outsiders, meaning foreigners) in London, the Chinese expatriates are foreigners in
this country. But while working in the Chinese bank in London, they still think the British employees are foreigners in their Chinese community. When their arguments, procedures and positions were challenged by agents from a different culture, they would easily fall back on the category of ‘WE’ and ‘THEY’ ‘US’ and ‘OTHERS’ in reasoning things. Of course, ‘West’ and ‘East’ do not exist as such because they are relationally derived and because in the West there are German, French, British .... etc whilst the East does not stop at China. Similarly, ‘British’ and the ‘Chinese’ do not exist as such, because even in the relatively closed society of China, identities are relationally formed and the same is far more true of the relatively open society of the UK. Nevertheless, a sense of ‘otherness’ remains strong and reductive amongst staff from different cultures. Thus not only did the Chinese expatriates refer to their local managers as lao wai, but local managers use ‘people in the East’ to talk about Chinese expatriates. Reductive difference remains of practical significance in the behaviour of the staff.

(ii) Learning in the firm is not always undertaken willingly or automatically and knowledge is not always transferred from the advanced regions to the less advanced ones. When relations of trust are not built, individual agents may not admit the value of the knowledge and may therefore be resistant to the knowledge. This finding reflects those of other studies (Dodgson 1993; Renzl 2008): interpersonal knowledge sharing and learning are more likely to occur in a trusting relationship.

(iii) Learning produces hybrid outcomes because economic actions are strongly influenced by cultural contexts such as explicit norms, rules, convictions, moral codes and philosophies of life (Crang 1997; Porter 1985; Amin and Thrift 2003). These cultural contexts are not fixed but are produced and reproduced through interaction and negotiation in everyday practices (Lash and Urry 1994; Sayer 1997; Power 2002). In the case studied in this thesis, different notions of trust are communicated and negotiated by delicately creating spaces of interaction. Hybrid
notions of trust emerge. In Ettlinger’s (2001) words, people’s complementarities are effectively coordinated if workplace diversity is recognized as an asset.

(iv) Language, a tool of communication, can also be a weapon of resistance. As shown above, local managers complained that the Chinese expatriates used their language to exclude, and resist control by, local managers.

(v) Language can also lead to misunderstanding especially when spoken by second language speakers even when they speak the language fluently. Not all expatriates are language specialists, although they can speak English fluently. When they communicate with native English speakers, meanings are often constrained by limited vocabulary or the semiotics of the word. Besides, the Chinese are often influenced by their way of speaking in an indirect way. Their local British colleagues have to figure out what they really mean. This sometimes leads to communication failure. Another issue is that the words they choose to say things clearly may offend the native English speakers because it is too direct. Native speakers would choose words carefully to discuss difficult issues, but non-native speakers have fewer words from which to choose. When they need to say something clearly, they may sacrifice ‘politenesses’ for ‘clarity’. So that is why their British colleagues complain about their ‘rudeness’ in speaking. Another issue is that the direct translation from Chinese thinking to English words runs up against semiotic rules of English. The confusion that arises may be actually or potentially damaging to the effective functioning of the Bank.

A local manager who worked in the Bank for more than 30 years passed way. He had become one of the best friends of an expatriate. The expatriate wanted to write something to pay him a tribute. But when the tribute was published in the Newsletter (The Bank 2009), some of the local managers were very unhappy. They did not understand why the expatriate, who was a good friend of the deceased, would say “He seemed a very nice man at first glance, but when you came to know him, you would find it wrong…”. Then he went on to say how this colleague would stick to his principles even with his best friends at work. While intending to say he was ‘easy-going’ at first sight, but a man of ‘principal’, the expatriate put ‘seemed’ before ‘nice’ and, again, used ‘it was
wrong’ after it. Directly translated from the Chinese, there is no problem with the sentence, but in English, it is not the case.

Steven, expatriate manager CBUK19/12/09/09 London

In sum this chapter has tried to illustrate how contemporary globalisation is both dependent upon and is continuing radically to transform the soft social relations – and, in particular, the nature and significance of trust as a social-spatial practice. I have outlined how the development of both regulatory trust and personal trust in the Bank in London are complementary and mutually formative – a duality - in its strategy of going global. As Andrew Sayer (2001 690) notes “Concrete economic organizations like firms exist in both system and lifeworld”. What I try to argue in this chapter is that neither ‘system’ nor ‘lifeworld’ should be undersocialized or oversocialized. Rather the focus the should be upon the formative and mutual interdependencies of the social/cultural, political and the economic, and of agency and structure in explaining economic development.

I have also shown how the recruitment of local managers and the implementation of performance management were strategies used by the Bank’s management in order to introduce a particular economic rationality - here termed ‘regulatory trust’ - into the formal working spaces of Chinese expatriates. But in addition, I have illustrated how the resistance of Chinese expatriates to such systems of control and tensions with local managers were smoothed through establishing personal trust in the spaces of interaction built by the Bank. I have also outlined the ways in which the Bank encouraged interaction and communication thereby building a relational space of trust and learning within the Bank. Some scholars may take for granted that learning in the firms happens if not automatically, then purely as a reaction to day-to-day events. However, I argue that such a view is oversimplistic. Given the differences that must be faced in any process of globalisation, then different notions of trust have to be negotiated through interaction and communication. When significant differences are confronted and reconciled, hybrid relations of trust may emerge between the actors, and both a willingness to learn and the capability of learning
comes to pass and learning takes place. In any event, knowledge is not merely passed from advanced regions to be learned by the less advanced regions. Learning is a two-way process of learning from each other. In chapter 7, I extend my analysis from the Bank’s practice within London and inside the firm to examine the consequent processes of the dynamic and relational changes – and transformations of trust - between Beijing and London.
Chapter 7 Tales of two cities: London and Beijing

As China is still undergoing a series of institutional reforms to create a functioning market economy, the banking reforms … have created a ‘hybrid property’…This transformation of the property structure blurs the conventional boundaries between public and private property, while the state still plays an important role in the regulation and operation of these banks.

Godfrey Yeung 2009a 177

The key to the success of Chinese banking is to stick constantly to the leadership of the Communist Party. To build a socialist economy under the leadership of the Communist Party is a Chinese characteristic. …the Communist Party’s leadership must be guaranteed to see the right direction of the bank. It is our valuable experience to engage jointly with the political advantage of the Communist Party and the advantage of modern corporate governance.

Xiao Gang 2009 52

They have to conform to western banking standards, the regulation,… they have to work within Britain and the rest of world that is different to China, they have to become open, they have to become transparent, they have to abide by new rules on all sorts of things, and they have to conform. So it’s absolutely necessary for them to change, and to...erm, the western style of banking.

Harry, former local manager UKA08/21/07/09 London

7.1 Introduction

Theoretical debates concerning the potential of globalisation have become increasingly concerned with the question of whether globalisation is producing convergence or divergence (Dicken 2007). A convergent world is proposed by scholars arguing for a ‘borderless world’ and the ‘end of geography’ (Fukuyama 1992; Ohmae 1990; O’Brien 1992; Naisbitt 1994; Bryan and Rafferty 1999). They argue that globalisation along with technological change and market forces, bring an age in which convergence is inevitable and a homogenized world is ongoing (Cohen 1996; Falk 1993). To the contrary, geographers and others have argued that

The entry point of this chapter is to argue that this debate has not adequately engaged with some key issues concerning the nature of globalisation especially around the issue of hybridization. The debate on convergence and divergence relates in part to different notions of globalisation. Scholars arguing for convergence focus more on the formal institutional changes in economic structures (Ohmae 1990; O'Brien 1992), whilst scholars arguing for divergence focus more on the embeddedness of firms within their informal settings which shape their daily practices in the workplace (Yeung 1998; Falconbridge 2007; Hess 2004; Hess and Coe 2006; Ettlinger 2003; Beaverstock 2004; Schoenberger 1999; Christopherson 2007). It is therefore important to shift the debate beyond the question of ‘convergence or divergence’.

My argument is that both convergence and divergence occur in the process of the globalisation and that the firms involved may take strategic advantage of the contradictions within globalisation to create new economic and social spaces. In chapter 5, I outlined how the symbolic spaces of the City are perceived, and imagined as both abstract and hegemonic financial spaces within which relations of regulatory trust may be built, and as lived and concrete spaces in which relations of personal trust may be formed by the Chinese bank. In chapter 6, I outlined how the Bank recognized the significance of its internal organizational and social spaces in enabling interaction and communication amongst its multinational staff, thereby building working spaces of trust. However, neither the practice of the Bank nor the notions of trust understood by the economic actors in the Bank changed to some pure
western or Chinese form. Rather, a form of hybridization occurred as a consequence of constant negotiation and communication between actors within the Bank.

From a consideration of the relations of trust in establishing the place of the Bank in London (chapter 5), to the question of the relations of trust within the Bank – London in the Bank (chapter 6) – this chapter changes tack once more. It illustrates the ways in which Chinese practice is brought to London and how London is brought back home to China in the transformation of relations of trust between the Bank in London and its headquarters and state authorities in Beijing. These transformations are complex. This chapter uses the Bank’s response to the heightened interest of City media in the Bank after the successful launch of a mortgage product as a lens through which to explore the dynamics of changing relations with Beijing. This case illustrates how the Bank tried to persuade Beijing of the importance of adopting relations of regulatory trust in extending market reach whilst, at the same time, exploiting relations of personal trust with Beijing as a means of achieving this objective.

My argument is that the co-presence of homogenizing and heterogenizing trends within the Bank points to globalisation as a hybrid process - convergent and divergent at the same time. It is true that globalisation may denote the global integration of finance (Ohmae 1990; O'Brien 1992), the emergence of global corporations (Wever 1995), the development of institutions of global governance (North 1990), the global implications of environmental crises (Stone 2002), and the commodification of previously non-marketed arenas of social life (Jackson 2002), but do these processes of globalisation make those involved in them think the same, feel the same and behave the same? This is the question which underlines this chapter. I conclude that globalisation creates hybridity but that hybridity is itself a dynamic, constantly changing, process.

40 Two other initiatives of the Bank – the opening of a UK Visa Centre in London in 2008 and the establishment of a Chinabank Suisse in Geneva in 2008 - were important in attempting to achieve this objective but space precludes more than passing references to them.
7.2 Financial success in London: creating a household brand

The business of the Bank in London has traditionally been dominated by Chinese clients. However, ‘entering into the local British market’ was not only a promise of the Bank to its head office in Beijing but also a slogan which increased the bargaining power of the Bank in seeking a degree of autonomy from Beijing. The introduction of a residential mortgage product in 2009 was selected as the central task of retail business in the year 2009. The Bank’s wholesale market depended greatly on syndicated loans but it had difficulty in becoming a lead manager. This mirrored the experience of Japanese banks in the London syndication market during the Big Bang in 1990s (see chapter 5) and it presents a real constraint:

As our bank is not well known in UK, our money is just lent under other big bank’s name and sometimes we are not allowed to expose our name to the customer. It is imperative to build our own brand if we want to emerge into the local mainstream market.

_Dannii, expatriate manager CBUK04/16/08/09 London_

The mortgage was regarded by the Bank as a means of entry into the mainstream market and a starting point to enable the Bank to become a household brand in UK. The financial crisis and competitive pricing enabled the Bank to transcend difficulties associated with a lack of trust in, and familiarity with, it:

It is difficult to enter into UK local retail market, but this financial crisis provided us with good chance. We want to create our global brand of Chinabank through this UK local mortgage product. Our price is very competitive and that is what we depend on.

_CEO of the Bank CBUK01/20/08/09 London_

To create a ‘global brand’ through a retail mortgage product seems far from realistic but the timing was auspicious and what was at stake here was the transformation of relations with Beijing as well as hard financial practice. And the decision to launch the mortgage was made in London:

The decision to launch a mortgage product was made by us. Now we are a UK bank, the head office cannot interfere with our business. But of course we communicate a lot with them including this business. To be a global bank, you
must also be local. Like HSBC, its slogan is ‘Your local bank’. Now our slogan is ‘Be always with you’.

_Yue Ming, expatriate EMC member CBUK28/21/09/09 London_

### 7.2.1 Money, markets and legitimacy

Legitimacy-building has been always a headache for a Bank from a country often labelled as ‘communist China’ not least because its corporate governance is questioned by western media. Such doubts are understandable as the Bank began life as a state-owned bank and the state remains the majority holder of its shares (see figure 7.1).

![Hierarchical position of the Bank in London](image)

source: Based on the organizational chart of Chinabank 2009a

And, as with any other state-owned bank from China, the Bank itself is also given particular labels by the City media: ‘the Chinese state-owned bank’ (Goff 2009), backed by its ‘communist-led’ country came ‘flush with cash’ (Hamilton 2009) is now ‘targeting the UK with competitive loan rates’ (Goff 2009). This kind of hostile and aggressive reaction is, as Pei Feng, one of the Bank’s expatriate managers, indicates, puzzling and frustrating for the Bank:

> We are often labelled as state-owned bank from communist China; I do not quite understand why the media in the West like to focus on this point. We come to serve the local market. We must let the Western media know that not every move of Chinese firms has a ‘political motive’ of the state. Our bank is a ‘state-owned’ bank and a commercial bank as well. We are ‘doing the market’
here as any other banks in the City. Talking about motive, yes, we have our motive: to serve the local market and let more local customers know us.

*Pei Feng, expatriate EMC member CBUK12/18/08/09 London*

However, despite the suspicions in the media around the Bank’s origins and motives, the mortgage products of the Bank received a satisfactory response from the media. Indeed, in mid 2009 it seemed that almost all the key media in London suddenly realized that there was a Chinese bank in town. This sudden interest was prompted by the entry of the Bank into the UK mortgage market. The Bank ‘is looking to become a major household name in Britain’s mortgage market’ (Butterworth 2009 4), and ‘wants to become a household name alongside lenders such as HSBC and Barclays’ (Goff 2009). In terms of media coverage, the launch of the mortgage product was relatively successful (see figure 7.2) - at least by comparison with the opening ceremony in the Mansion House or the 80th anniversary of Chinabank LB in London.

Figure 7.2 *Reports of the launch of the Bank’s mortgage product* (July to September 2009)

Certainly, head office in Beijing was especially impressed by the interest of the media in the City.

Key media in the West are now reporting our Chinabank positively, for example, the Financial Times and the BBC. That is to say the Bank really
did well in the past few years. It is accepted by the mainstream society and now by the market. The Bank in London has set a good example for our other overseas branches.

*Di Jun, Chinabank manager from Beijing CB03/22/08/09 London*

And, despite its comparatively modest level, the media interest was unexpected within the Bank in London.

The outcome of it was a surprise for me. In the past few years we used to hold big events to do promotions for the Bank, it used to be hard to get reporters from key media to come and, even if they came, we still could not see our news on the paper. … Now reporters from BBC or FT and many others are keen to ask us for interviews.

*Chris, EMC member CBUK02/18/08/09 London*

This surprise is itself instructive as it suggests a lack of understanding that words and representations not backed up by hard financial actions will create little interest in the City. Certainly, the experience provided a significant learning experience for the Bank in what is involved in going global and in creating new spaces of globalisation.

This [media report] was out of our expectation, but it made us know that the City can be stirred only by hard things. Usually they (the City community) won’t care how many subsidiaries we have opened or how many years we’ve been here. Our bank was never expected to be a competitor. This time, I think, our product touched its nerves. The question is not only ‘who wants to eat my cake?’, it is also ‘who has cake to offer to the market?’. The best way to promote our bank is product. Our state reform designer Deng Xiaoping said ‘development is hard truth’. Here London teaches us ‘product is hard truth’

*Dannii, expatriate manager CBUK04/16/08/09 London*

What is especially important for the Bank is a recognition of the significance of such product-based ‘hard truths’ for the market. The experience of the launch of the mortgage enabled the Bank to learn that in the City the production of ‘hard’ financial services is far more powerful in terms of global recognition than the kinds of ‘soft’ representation which tends to be favoured by the Chinese (see, for example, chapter 5). This recognition was clearly expressed by Pei Feng, an expatriate and EMC member of the Bank in London:
We entered into the market at the right time, with the right competitive product. The market loves us. I think, this is the key to our success. The mortgage product is the best advertisement ever for our bank in London! As a matter of fact, we have been in the City for more than 80 years, but not so many know us as we mainly deal with Chinese community. The financial crisis provides us a good chance to enter into the market which used to be much harder for us.

*CBUK12/18/08/09 London*

Only two months after the launch of the mortgage more than 50% of its mortgage loans had been issued to British customers and the Bank’s profits increased by 41% to September 2009 (The Bank 2009f, g; *CBUK04/16/08/09 London*.)

For clients, it is the reductive and abstract quality of money rather than its politics which is of relevance in measuring the status of the Bank.

I do not care whether it’s communist money or capitalist money, I am interested in its rate. It’s competitive. I don’t think others would care either.

*Gordon, local loan borrower* UKA06/21/09/09 London

Furthermore, city brokers were happy to be partners of the Bank in distributing its mortgage service.

It’s very exciting to bring the Bank to the UK market and good news for the mortgage market and for borrowers because funds have been severely restricted…Foreign competition has already transformed the UK savings market and the arrival of the Bank means greater availability of mortgage finance and severe competition between lenders…

*Paul, local financial broker* UKA10/08/09/09 London

And this form of understanding of money is becoming understood within the Bank.

Money is money, I don’t think our clients and partners care about which place the money comes from. It’s cold war thinking of some reporters to link the money with ‘communist’ China. We want to be one among the first-class banks in the world. This is the simple logic for entering into UK’s market

*Pei Feng, expatriate EMC member* CBUK12/18/08/09 London

Nevertheless, as with its surprise at the response of the media, the Bank did not anticipate the financial success of the mortgage products:
The success left all of us unprepared. When we launched this product, we did not expect such enthusiasm from the local market. I give you an example to show how keen our potential clients are: there are so many calls pouring in these days that our operators could not easily get away to the toilet. Now we have to train more people in receiving the phone calls and answering the questions. In some days, we received more than a hundred calls a day.

Susan, expatriate CBUK18/21/08/09 London

The enthusiasm of local British clients for the mortgages illustrates that, as an international and abstract commodity, money can overcome the politics of space (Jessop 1999). It also shows that even in a global financial centre such as London, legitimacy may be gained through a competitive product. But place still matters as do the qualitative characteristics of the bank in place. This is because, according to Jessop (1999), money is not merely an abstract commodity. It also has a concrete nature demanding a concrete differentiated space. In the next section, I illustrate this through the Bank’s practices in the mortgage market in London.

7.2.2 Hybridity I: personal banking

Chinabank’s approach will differ in several ways from its British peers. It will insist in meeting each borrower face-to-face before deciding to offer a loan, and will fund them from its capital reserve, a more conservative approach than that of many UK lenders in the years of housing boom.

Catherine Boyle, The Times July 25 2009

Mr. Thomson, director of mortgage at Legal and General, said: “while the rest of the market has been moving in the other direction, if this catches on we’ll have gone full back to the traditional way of lending which was based more on personal relationships and individual knowledge than on automated scoring or centralized underwriting of risk.

Myra Butterworth, The Telegraph August 2 2009

As these quotations show, the Bank’s practices in the mortgage market went against the prevailing trends and practices of the City. When few lenders wanted to lend money, the Bank entered the market and did so at an attractive rate. But, in addition, unlike many banks on the high street which depend only on automatic credit rating to
judge the borrower’s soundness in paying back, the Bank insisted on face-to-face interviews. Furthermore, rather than borrowing money on the wholesale markets to lend to customers, the Bank lends its money from its own capital reserves.

i) Face-to-face interviews: building personal trust

As local intermediaries are rich in local knowledge and networks, the Bank chose four well-known brokers - Solent Mortgage Service, Complete Mortgage and Loan Service, Connect Mortgage Group and Savills Solutions - to distribute the mortgage. The Bank in London charges a one percent arrangement fee which is shared between the Bank and the distributor. But every customer scored by the distributor as a qualified borrower must have a face-to-face interview with the Bank’s loan advisers. The face-to-face interview is not only to check credibility but also to build trust with the individual customers in UK.

Local intermediaries have good personal relations with local British customers and they have better local knowledge than our people... Not so many British customers know us and, of course, not to say they trust us. We want our customers know us and trust us. A face-to-face interview is not only a way to check their credibility but also a good way to build each other’s trust. We would like to have more local customers know us as a household brand name rather than struggling to have a bigger share of market.

CEO of the Bank CBUK01/20/08/09 London

This policy of increasing awareness was pursued notwithstanding local practices and norms.

Some of our distributors suggested that we discontinue the procedure of face-to-face interviews. Their argument was that the borrowers might not like the trouble. We have a different view on this and our approach seems to be welcomed by the local borrowers. Face-to-face interviews practised in traditional banking bring a human touch to modern banking and many of our customers like it.

Pei Feng, expatriate EMC member CBUK12/18/08/09 London

Certainly, customers responded positively
The Bank adviser met me for about half an hour and she asked questions about my work, my family and my kids... It’s good to have a face-to-face conversation with her. I know what terms and conditions they offer as she explained to me very clearly. It’s more comfortable than to answer questions on the other side of the phone...you know, it’s very human. I like it. I’ll tell my friends about this product.

Jackson, local loan borrower UKA09/29/07/09 London

One local customer told me that he felt warm and comfortable to talk with us in person and he did not like the coldness of other banks in dealing with customers through telephones.

Dannii, expatriate manager CBUK04/16/08/09 London

The result was a further manifestation of hybridity:

We are not saying that the risk management by credit rating system practised by global lenders is not scientific. By face-to-face interview, we are just adding another method to control the risk. By meeting the potential customers face-to-face, we can get some personal feeling about them, about their honesty. For example, we can judge by observing the way they answer the questions about their salary and work to see whether or not I can trust him. Rating the risk by mathematics is a western way of risk management; it brings no harm to add our Chinese way of judging people. We believe in this saying: ‘Looking into one’s eyes you will see their soul’, there is something in it. In face-to-face talks with us, our British customers can also come to know more about our bank through our qualified and nice loan advisers.

Pei Feng, expatriate EMC member CBUK12/18/08/09 London

These responses elucidate the importance of the relationships between the abstract and concrete social relations of money. According to Jessop (1999), the borrower may be considered as an abstract capitalist customer, treated as something that can be mathematically rated as a ‘sound’ or ‘unsound borrower’. But at the same time she/he is a concrete individual, who is regarded as an emotional person that can be judged via personal conversation and observation as ‘person to be trusted’ or ‘not to be trusted’. In this way, the Bank brings its Chinese notion of personal trust to the practice of mortgage lending in London. This approach was regarded as a market tool and aims to build its competence in regulatory trust at the same time.
ii) Traditional (Chinese) banking: making money the moral way?

Aiming to ‘become a household name alongside lenders such as HSBC and Barclays’ (Goff 2009), the Bank used its traditional practices in lending money from its capital reserves. This differentiated it from its peers who borrowed in the wholesale markets. The mixture of both aiming at modern bank and keeping traditional practices illustrates the hybrid practice of the Chinese bank’s going global.

We believe that the practice of traditional banking still has its advantages. It can control the risk of the banks and secure a healthy financial market. Our return to traditional practices has already caused some reflection in the City. I hope this will make the City bankers think more carefully before they promote any innovated financial products to the market

Pei Feng, expatriate EMCmember CBUK 12/18/08/09 London

Focusing on traditional banking is what the Chinese government requires after the financial crisis. If financial innovations were encouraged by the government before the crisis, they were considered risky after it. By blaming the West for the financial crisis as a result of ‘an excessive expansion of financial institutions in the blind pursuit of profit, lack of self discipline among financial institutions and rating agencies’ (Wen 2009), Chinese Premier Wen Jiabao emphasizes the morality of the economy. When he addressed the staff in the Chinabank UK Ltd during his visit to London in January 2009, Premier Wen (The Bank 2009c, d) asserted that Chinese banks must be for people not for profit. Similarly, whilst attending the 80th anniversary of the Chinabank, London Branch, on May 11, 2009, in the Guildhall, Chinese vice Premier Wang Qishan was critical of City bankers and their supervisors.

There are three basic rules we must remember in managing the financial world. The first is risk, the second is liquidity, and the third is profit. …If these three rules were well remembered, the financial crisis would not occur. But unfortunately, the greedy nature of human beings facing the great seduction of profit would make most smart people forget the three basic rules…Being a student of my London friends in the world financial centre, I have learned these three rules by heart while …working for years in the financial field of
China after reform. I always put the rule of ‘risk’ in the number one priority in my working in the financial world

Wang Qishan, (Chinabank 2009d, The Bank 2009e)

Clearly, yesterday’s ‘student’ is more confident today and gave a lecture back to the City bankers on how to manage financial ‘risks’.

The practice of traditional banking shows not only the prudence of the Bank in doing business in the City, but also a distinctive approach to retail financial relations and a self-confidence gained by the Bank through the crisis. Even local British managers understood why the Bank asked them to focus on the customers’ needs as a first priority.

Another difference I think between the way things are done in the Bank and maybe the way things are done here [in the City]. … People [in the City] think ... erm … that what we are doing is like selling double glazed windows, like a salesman. It is like salesman to a certain extent, but, whereas the salesman that’s selling windows probably would be able to sell windows to someone who does not really need them, I am not selling just anything. We can provide a service, so I have to develop the relationship and then the customers have to believe in themselves that they need the Bank. The Bank can provide the service.

Oliver, British manager CBUK10/18/08/09 London

One Chinese expatriate manager was confident in her way of doing business,

When we have interviews, we honestly tell our customers what our product is and what problems they might face if they fail to fulfil the contract. We never attract them or seduce them to a deal without considering their ability to pay. I know some other people in the City do do that in order to reach a certain target, caring least about whether or not their customers can afford it and what it might happen to them if they can’t.

Dannii, CBUK04/16/08/09 London

Starting to do its business through learning from the West (see chapter 5), the Bank now built its own distinctive features in delivering its financial services.
7.2.3 Hybridity II: Chinese way or British way?

With the Bank’s entry into the mortgage market, it set out to adapt to the local business culture.

We have no intention to bring the Chinese business style to the City…It’s very interesting, we tried to do business their way (the City), and they tried to do our way. We try to do business on the negotiation table with them and they like to discuss with us on the dinner table, ha ha… Sometimes their (the City’s) practices are more Chinese than our Chinese! …But all these are understandable, we all want show our respect and build trust between us and make the business corporation a success

Blair, EMC member CBUK 01/20/08/09 London

Nevertheless, finding the appropriate practices and identities to make Chinese business people feel comfortable is a headache for Western business people in bidding to participate in Chinese projects:

We have several British bidders for the project, one was obviously qualified, I must say, according to his references and awarded projects. But in our interview, he gave us an impression that he was over confident, a bit arrogant. We are all afraid that it’s hard to control him and he would not listen to our opinions in this project. After all, this is our project and we pay professionals to put our ideas in their design. Finally we chose the guys we felt qualified and easier to communicate with. They turned out to be very nice guys and know what we want.

Steven, expatriate manager CBUK19/12/09/09 London

A consequence of this stance is that the Bank looks for partners with Chinese background and experience and, in so doing, begins to change financial practices in the City:

Our company appointed me to do the work with the Bank because I am a British Chinese. They expected me to bring Chinese business to our firm. I did not let them down. The contract just signed between us and the Bank earned my firm not only money but also fame in the City. I got promoted recently and they asked me to build a team to target all the Chinese banks in the City.

Daniel, market manager UKA03/30/08/09 London

HSBC recruited me, I guess my knowledge about China gained me merit. Now I almost become a frequent consultant with my colleagues about what Chinese do like and don’t like. Some even suggested me to teach them Chinese.

Philip, junior manager HSBC UKA11/16/09/09 London
The Bank’s entry into the UK market not only provides a chance for the Chinese bankers to learn how to do business in the City but also provides chances for the City community to learn how to deal with Chinese business firms in an increasingly globalized world. 

We enjoy working with our Chinese partners. This project also provided us a chance to learn more about Chinese culture. We were invited to Beijing and Hong Kong to visit the office building there. They were amusing. We cannot imagine the grandness without seeing with our own eyes. Now we know what is supposed to be ‘China concept’ in our design.

George, City British project manager UKA05/28/02/08 London

Furthermore, the Bank’s active practice in London also makes the City reflect on itself. Hamish McRae (2009 26), the City media reporter, expresses this process thus:

Is it possible that the Chinese have become better capitalists than we in the West? Start with a small story near home: want a mortgage and can’t get one from a British bank? Try the Chinabank. Unlike most British banks - and many other foreign ones - the Chinese were cautious in their lending at the height of the boom and are now in a position to step in. Thus the Chinabank is moving beyond its previous market of lending to the Chinese community in Britain and starting to make buy-to-let mortgages more widely available.

Talking about the success of the Bank, the Reporter continues:

You could almost say that though we have won the battle of the economic systems, the new adopters have become better users of those systems. That is tough to swallow. It feels humiliating and it should be. 

Hamish McRae, The Independent July 29 2009

It is hard to know how much reflection of the City on its past behaviours is involved here but interactions between the Bank and the City may generate a new business style in the City. As the Bank’s business style cherishes capitalist market relations mixed with Chinese notions of personal trust, this style cannot be expected to be purely British or Chinese, American or Japanese. Rather, it is a kind of compromised hybrid style which makes the City business people feel comfortable and feel respected.
When you think of it, the communist system is in place but it’s adopting more and more western practices, in some ways, it’s quite an enlightened approach because you can take the benefits of growth and the dynamics…

Michael, British manager CBUK09/17/12/08 London

Thus, on one hand, the Bank made efforts to establish financial legitimacy through the introduction of a competitive mortgage in order to demonstrate market competence and build regulatory legitimacy. On the other hand, the bank practised notions of personal trust in using local distributors to gain trust from the local market and in engaging face-to-face interviews with the local clients in judging their credit status and making relations of trust with them. In these ways, the Bank mixes global standards of risk management and its own indigenous banking practices in the City. In consequence, the Bank brings traditional modes of banking back to the UK market. It challenges the local market and makes local lenders reflect on ethical codes of practice in the banking business: serving the people rather than serving accumulation.

7.2.4 Hybridity III: self-confidence

The competitive nature of the mortgages also increased the confidence of the Bank in dealing with local and global market. If the Bank was eager to learn modern banking and innovative products from capitalist banks in London before the financial crisis, now the Bank gained confidence in its own way of doing banking business. This is especially important in the light of the effects of different practices of business behaviour. The fate of the Bank’s strategic partnership with RBS is a case in point:

When foreign banks agreed to be our strategic partner, we thought we finally had our saver. Look, what happened to us? Now they are gone one by one. You cannot change a wolf into a sheep. We were encouraged to dance with wolves but never be warned enough of might being eaten by them. The so-called strategic partners, I think, very fool of them doing that to us. They gained short-term return in deed but lost our trust long-term. It fits well to a Chinese saying: you can only judge a horse when it rides long miles, and you can only know one’s true heart when you get long enough to know him. The
financial crisis is good in this sense, we know who we can trust. I would say, depend on yourself and never believe in the wolves you dance with.

Qu Liang, Chinese state financial reporter CSA06/04/06/09Beijing

Even local managers sympathised with Chinabank.

Strategic partnerships should be for the mutual benefit of both, who’s more likely and not a question of who’s gotten to be cleverer and gets the most reward out of it. But I have to say probably the western bank has been doing it for years and knows how to manipulate the situations whilst pretending to give something back. Just look at it, this strategic investment say they bought 5% in Chinabank, and its shares have tripled, so say they spent 5 billion dollars and they make $10 billion out of this already. Well done!

Michael, British manager CBUK09/17/12/08 London

Relying less on their strategic partners, Chinese banks are able to depend on themselves more. The successes of Chinabank, like the emerging operation of Islamic banking (Pollard and Samer 2007) reminds capitalist banks in the City that banking can be done in other ways, following other logics. This justifies Dicken’s (2000) statement that transnational firms are both embedded by territorial systems and influence the places in which they operate.

7.3 Bringing it all back home?

Thus it was helpful to the Bank that, back in Beijing, the successful story of the mortgage product in London was well reported by the state’s key media. The positive example of the Bank’s fight against crisis improved the confidence of its head office in its strategy of ‘going global’ (Chen 2010). The active participation of the Bank in London’s local market not only strengthened its position as a flagship bank overseas but also increased its power of negotiation with Beijing. With a thick package of press cuttings on the success of the introduction of mortgages and a booklet detailing the recent financial performance of the Bank on his desk, the senior manager in propaganda from Beijing was very proud of the Bank’s performance in the mortgage market:
In spite of the financial crisis, the Bank in London did a very good job. It gained big profit in UK market through widening its business scope and successfully entering into the local British market. As a flagship bank, it set up a good example for other Chinese banks overseas.

Meng Guang, Chinabank CB08/22/12/09 London

Data from the Bank’s financial analyses backed up the senior manager’s remark (see figures 7.3 and 7.4). The Bank managed to double its revenue in 2009 compared with that of 2008 whilst a focus on local British market also brought the Bank a large number of non-Chinese clients. In the year 2009, the mortgage business brought more local British borrowers than overseas Chinese.

Figure 7.3 Chinabank UK: total revenue from year 2006 to 2009

41 The currency used in this figure is not identified as I agreed with my respondents that I would not release any economic figures in this thesis to respect the privacy of my case study bank.
[new management team’s] ability and our achievements in the years since 2004.

CBUK02/18/08/09 London

Figure 7.4 The changing proportion of Chinese and non-Chinese clients

![Bar chart showing the changing proportion of Chinese and non-Chinese clients from 2006 to 2009.]

sources: based on the Bank (2009f, g, j)

The positive response of Beijing to the success of the mortgage product and the Bank manager’s satisfaction illustrates the significance of material success but, in fact, the mortgage product is part of a wider story of the Bank’s success in London. Since 2004, when the new management team took over, the Bank was established as an independent UK subsidiary in 2007, the UK visa centre was opened in 2008 and the Bank opened up its own branch in Switzerland in late 2008 (see figure 7.5).

As a result of this series of successes and the credibility that came with them, the Bank was able to bring global rules and new notions and practices of relations of trust to its head office in Beijing and began to influence the establishment of a culture respecting rules and regulations not only in head office, but in its financial supervisor – the China Banking Regulatory Commission (CBRC), and in its state authority and client Ministry of Foreign Affairs of China (MFAC) in Beijing.
7.3.1 Bringing it all back home … to head office?

As a legal system and the associated relations of regulatory trust are not adequately established in Mainland China, people tend to trust in their friends to get things done. Relations of personal trust play an active and often decisive role in business practice. For example, bank managers in mainland China used to lend money on the basis of their own personal judgment, influenced by friends or government pressure. Such practices extend also to the internal relations of Chinabank and so contribute to the distrust with which the Bank is held in London (CB09/06/08/07 London; CSA07/19/10/08 Beijing; CSA08/22/10/08 Beijing; Yeung G 2009b). Thus, bringing London’s norms and practices back to Beijing is, clearly, important for the Bank in London.

When we first expanded our business in UK, the managers in Beijing were quite upset with our projects. They did not understand why we could entrust a corporation with such a large amount of money. The result was that we had to arrange some guy who had good relationships with these managers in Beijing.
to communicate with them. Then we waited for the guy to send back his information from Beijing about what kind of documents and reports we had to prepare for the Beijing managers to consider our project. Sometimes, we lost our big clients in waiting for their approval! Now things have become different. No need to use their friends to convince them, our ability has won their trust in Beijing. This owes much to our good performance in London.

_Steven, expatriate manager CBUK 19/12/09/09 London_

As is indicated in this quote the success of the Bank in London has eased the process of negotiation with head office. On the one hand it increases the efficiency of its market-based operations and, on the other, it enables further increases in autonomy and flexibility to engage with the market. But this involves constant persuasion and a process of teaching and learning:

We developed the Basel II model for the Chinabank group, it was developed here in the UK. … but because the FSA insisted on UK banks being compliant from January 2008, we had to do the work before every other unit in the Chinabank. So we’ve done the work, and our head of risk has presented that information to the head office. ...

_Robert, British EMC member CBUK 20/16/09/09 London_

And, as the following two responses indicate this ‘first-mover advantage’ also played well in headquarters’ relations with Chinese regulators

In London the Bank follows a global standard Basel II to keep our bank safe and to check their client’s credit status. In China few state-owned banks understand Basel II. Our state financial supervisor CBRC [China Banking Regulatory Commission] asked our expert to give lectures to its officers and our head office set up training class in London for the managers as the Bank in London is the most experienced bank in China which is familiar with the practice of Basel II.

_Feng Li, Chinabank manager CB05/26/05/09 London_

As our Bank is advanced in using Basel II, our experiences are very useful for Beijing. Mr. Wang, one of my colleagues working on Basel II in London has now become the key expert in helping Beijing to practice Basel II.

_Li Hua, expatriate EMC member CBUK 08/23/08/09 London_

Globalisation in the Bank’s head office in Beijing is, quite literally, being taught and learnt. However, this is a far from straightforward process. ‘Suspicion’ was natural. I think I have introduced a completely new ways of going about business in as much as I showed them how to prosper before large clients, how to identify the
business needs of those clients, I brought my specialty in credit analysis, introduced ways of understanding those customers’ needs and their credit, and took them into a completely different market. … They had dealt with some large UK companies in the past but it was very hit and miss, there was no continuity in what they were doing. What I brought was an approach that the business with purpose and continuity to the business zone…Initially, I was met with a lot of suspicion, especially in credit area they (head office) were very suspicious about what I was doing and how I was doing it, I think over time I convinced them that this business is good business, it was good for the bank and ultimately good for everyone who work there.

Harry, former British manager of the Bank UKA08/21/07/09 London

Of course, such reactions in a head office are not restricted to China. As Robert points out:

There is obviously an issue there in that head office being head office and people in head office think that they are the best, head office always think they are the best. That’s not a Chinese thing, that’s common in every culture. People in head office always think they are the best.

CBUK20/16/09/09 London

Although corporate decisions do not necessarily emanate from head office (Jones 2002), the economic performance of the Bank in London convinced the head office of its competence and of the legitimacy of global norms, practice and rules. In addition, expatriate staff members were used as a means of bringing experience, knowledge and global rules from London to Beijing. Bringing global rules back to Beijing reduced the traditional practices of lending based on personal relationships and government pressure. Bank managers now focus more on ability and credibility of the projects to give loans rather than on the personal trust involved in the projects. In other words, the introduction of Basel II helped to drive a shift from personal trust to regulatory trust in conducting the loan business in Beijing.

The involvement of the Bank and its head office in a variety of projects also reduced bureaucratic behaviour in Beijing.

Yeah, we participate, for instance, … in head office projects around anti-money laundry and legal appliances, we got staff currently involved in projects with the head office in operational risk and risk management.

Peter, British manager CBUK11/18/02/09 London
The fact that the building of regulatory culture modified bureaucratic behaviour in Beijing was remarked by many expatriates in London. The constant travels between London and Beijing also allowed head office managers and state officers to hear the voices of complaint about their bureaucracy and inefficient ways of supervising the overseas banks. When some of the head office managers became expatriates themselves, they began to experience their home colleague’s intolerable working style and began to reflect on their own way of doing things after they came back from London.

I came to realize how bureaucratic style can do harm to our business and is intolerable for the overseas managers. For example, you tried with all your heart and soul to get a big potential project with a first-class client, but you have to let it go because the permission from Beijing has been delayed for several weeks or months. That is why some overseas branches purposely send some guy from their branch to help in the head office in order to get a good relationship with head office people here and get things done quickly. It is ridiculous!

_Bi Li, Chinabank manager CB02/06/08/09 London_

The reasons for this are clear:

Some staff here in the head office were often complained about by branch managers as being bureaucratic. Even an ordinary staff member with no management title can put an air of a big bureaucrat, telling managers of the branches ‘ah…the procedure is like that …first send us the proposal and we will discuss it with other departments’. When the proposal has been received and handed to so-called related departments one from another. It has been weeks sometimes months passed by. When the branches pushed them and asked the result of the proposal, it is not a surprise when they are told ‘Sorry, we cannot find your proposal anywhere, it might get lost in circulation across the departments, could you send us another copy’?

_Bai Yang, Chinabank manager CB01/27/09/08 Beijing_

To fight against bureaucratic behaviour the head office and CBRC in Beijing have created a special section to deal with complaints and made rules to punish those who often get complaints about their work. For example, on their website, it tells the public in detail the process of a project for approval, the documents for the project
and the time limit in which they need to provide service. There is also a telephone number on which complaints may be registered.

I have been working for the Bank for nearly 40 years. Changes started in mid 80s, but never like it is now. The manager do what they want, have their own ideas, they just want to do things, more interested in business…Now Beijing stop playing Taichi, I mean …we can get immediate results and keep to tight time schedule and objectives. Beijing is learning quickly

Local British manager CBUK16/19/02/08 London

But the net effect of these processes of teaching and learning is not simply the replacement of Chinese with global norms and practices. The outcome is more complex than that.

Following Basel II involved layers of checking the credit statue of the client. So, if a client with poor credit wants to use friendship to get loans, he has to deal with each layer and make friends with everyone and he must ensure that everyone helps him to cheat the Bank. It makes it much harder for personal trust to work and makes local government less powerful in interfering in bank loans

Huo Hai, Chinabank staff CB06/28/09/08 Beijing

A sense of respecting the rules also contributes to the building of a hybridised form of regulatory culture within the Bank’s headquarters. This is helped by those expatriates who worked in London and had been appointed back to key positions in its headquarters in Beijing.

Now our head office is filled with ‘海龟文化’ (hai gui wen hua). Our newly appointed manager worked as an expat in London. He told us in a meeting that the best way to have good gaunxi with him is to accomplish our work beautifully and with zero- complaint from overseas branches. We are asked to change our idea of controlling the overseas banks to one which is providing service to them

Yang Min, Chinabank manager CB11/21/10/08 Beijing

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42 directly translated as ‘Culture brought back with the return of the turtle from overseas’. It refers here to ‘foreign culture’, here especially the advanced western world.
Traditional forms of personal trust are, once again mixed up with, and used to encourage behaviour based on, global norms of, regulatory trust. Hybridity characterises both the processes of change and their outcomes.

7.3.2 Bringing it all back home … to financial regulators?
The CBRC was an outcome of institutional change in China’s financial reform. It was established in 2003 and is still inexperienced in supervising Chinese and foreign banks in China. Being the state financial supervisor of hundreds of foreign banks and thousands of domestic banks in China (see chapter 2), the CBRC used the Bank in London as a ‘lab’, through which it could observe how the FSA and other international bank supervisors perform their roles. Registered as a UK bank in 2007, Chinabank UK was established as a subsidiary and began wholesale and retail business in the UK with the aim of ‘integrating to the local market and paving the way for a developmental route into Europe’ (The Bank 2007 30). At the same time, Chinabank, LB ran alongside the subsidiary doing complementary business and serving its head office in Beijing. In December 2008, the Bank set up a subsidiary in Switzerland – Chinabank Suisse.

It is in how the UK FSA supervises such a bank branch and a subsidiary that the Chinese regulators in Beijing are interested:

From the Bank, CBRC can learn how to supervise foreign bank branches and subsidiaries in China. Soon the Bank will open up its branch in Switzerland, it will provide us with new reference in this area. Being registered as a UK bank, we trust the Bank in London is well supervised.

He Qing, state financial officer CSA02/10/10/08 Beijing

Strict FSA regulations as well as the potential for innovation and global expansion in the global financial centre of London encouraged the CBRC to put its trust in the Bank with the Bank acting as a bridge between London and Beijing. As a UK bank, the Bank had to follow ‘demanding’ regulations from the FSA and that, in turn,
improved the climate for the development of a regulatory culture in its head office and financial regulators in Beijing.

…the FSA is a very demanding regulator… What we can do with our head office is feedback on issues around risk management, issue around corporate governance, how committee structures are supposed to work, how the board of directors are supposed to work and so on. … These disciplines are specific to this jurisdiction. … We also feedback our experience of working in this market [London] and, again, it is different from the others… We feed it back into Chinabank Beijing, because all the rules and regulations that we implement in London … get copied into legal compliance of head office as well, so they have copies of all our policies and procedures. I think that’s an area where there are now quite clear restrictions about what is and what is not acceptable. But I think we talked about the issues that the Chinabank Beijing need to deal with if it wants to go global.

Robert, British EMC member CBUK20/16/09/09 London

Thus as a regulator of the Bank in London, the FSA pushed the Bank to build adequate corporate governance and to be independent from its head office in decision-making and sources of capital. Through interaction and negotiation with Beijing, the Bank brought not only global notions of regulation but of regulatory culture - the culture of respecting rules - to its head office and financial regulators. The notion of regulatory trust based on competence rather than on personal trust based on personal relationships encouraged Beijing to build a ‘zhi du wen hua’ (制度文化 regulatory culture) respecting laws, rules and competence rather than personal relationships. This ‘rule’ culture helped to build a sense of regulatory trust in Beijing, and as a result, bureaucratic behaviour was regarded as incompetent and backward.

Nevertheless, these changes of culture were far from straightforward or without conflict. Recalling the interaction with the Bank in London, a CBRC officer remarked:

Laws and regulations are their weapons. Whenever they tried to convinced us, they often repeat the term ‘法侓’ (fa lui ‘law’): ‘it is against the British regulation’ or ‘according to the local law, it is not legal to …’. It seemed that we are speaking with lawyers.

Cui Ming, state financial officer CSA01/10/10/08 Beijing
However, the developing notion of regulatory trust in institutions made the newly born CBRC an eager learner in order to become a trustworthy institution in China. And the link to London is direct:

Our head used to work in Chinabank LB. He has a high opinion of London’s regulatory culture. He asked us to respect rules rather than respect the person. The regulatory culture established in CBRC owes a lot to his effort.

_He Qing, state financial officer CSA02/20/07/08 London_

Here again, personal trust proved effective in establishing relations of regulatory trust.

What is more, these transformative relations are recursive through which globalisation looks both ways – outwards to new areas of business and inwards to reassess old ways of doing things.

As a new institution, the only way to earn trust from the public is to learn from others and act like a modern institution based on rules. We have promised to our international colleagues in financial supervision that we shall push all our banks to follow global Basel II. The Bank in London is a lead in Basel II. We have asked the Bank to give us some training on it in Beijing. We also have a training contract with one of our partners in Cambridge, every year we would send our officers and senior bank managers to be trained there and communicate with global financial supervisors.

_Cui Ming, state financial officer CSA01/10/10/08 Beijing_

And this ambition of becoming a Chinese institution based on regulatory trust also reflects the ways in which social relations of economy enable globalisation.

I met with many representatives from the CBRC and from Chinese regulatory agencies. They come over here and they very often to ask to see me and I would give them a presentation of the UK rules and regulations. … I believe that the regulatory authorities in China intend to model themselves on the UK regulatory structure…They were asking a lot of questions about how we put rules into practice. And certainly it has been conveyed to me that, because that the UK generally is regarded as being the strictest regime, they like to take lessons from the UK. We very often get asked to provide information … Sometimes … they would ask about all the rules on merger and acquisition, ‘If we do this, … could we do that, … how would we do it?’ It’s all stuff that we don’t actually know much about because we don’t deal with any of that, but we tried to find out as best as we can and we sent the information over.

_Sharon, British manager CBUK13/10/12/08 London_
The work of the bank in London in convincing the authorities in Beijing that it works through regulatory trust and may itself be trusted by Beijing has clearly been successful. This success extends to the point that CBRC is no longer concerned merely to regulate but to facilitate expansion, not least so that it can learn even more about globalisation.

The role for us is not to focus on supervision but on how to help it to integrate deeper into global market. The more active the Bank in the global economy, the more we can learn how it was supervised by London FSA and other supervisors in the world.

*Cui Ming, financial officer CSA01/10/10/08 Beijing*

This achievement is echoed by a Chinese expatriate in the Bank in London

Our business in UK created many new issues for Beijing CBRC and they are happy that we provide them with experiential cases. Later on they can use experiences here to monitor financial institutions in China. Risk management is of especial interest for the UK FSA and it also becomes the key focus of CBRC in Beijing

*CBUK26/06/04/09 London*

This intensive process of interaction and learning has evidently had clear effects, not least a reduction in the bureaucratic behaviour of both the CBRC and the Bank’s head office:

CBRC is one of the Chinese government agencies I found less bureaucratic and more efficient in Beijing. Many of my bank interviewees admitted this to me. Maybe it is because many of its staff have had a western education that they respect rules more than personal relationships. This made them quite efficient in dealing with their jobs. In some government agency, I would not name it, you know, the officers take their power as their individual right, to use it bureaucratically to build personal relationships

*Liu Ling, Chinese state media reporter CSA05/30/09/08 Beijing*

The managers of CBRC … have frequent training abroad by top institutions. Cambridge in UK is a fixed place for their training. In my interviews with them, I feel that the managers are most open and knowledgeable compared with other governmental officers. Some of them are quite westernized. … Maybe it is because their chief once worked as an expat in London and had a British education.

*Qu Liang, Chinese financial reporter CSA06/30/09/08 Beijing*
In many of these responses, the outcome of regulatory trust building is associated with occidentalism. Words such as ‘efficient’, ‘less bureaucratic’, ‘less personal’, ‘on ability’ are often used to describe the changes in the institution after the introduction of new rules and practices from the West. The trust in ‘rules’, ‘regulation’ and ‘ability’ is often associated with notions of ‘modern, western’. Similarly, one point implicit in these quotations is that the basis of trust by the CBRC in the Bank lies in the Bank’s location.

We are in London but our parent bank is still a Chinese bank. On many practical things, we have to discuss with Beijing CBRC and London FSA. The active expansion of our business creates the chance for them to communicate. These two groups of supervisors often meet and talk things out. Now some of them almost become friends. The essential thing for Beijing CBRC is to convince UK FSA of recognizing Beijing CBRC’s global qualifications in supervision. This involves a chain reaction concerning trust: if Beijing CBRC earns trust from London FSA, then FSA would trust the Bank in London more; if the Bank gains more trust from FSA, other international supervisors would trust the Bank more and Beijing CBRC more. That is globalisation.

_Yue Ming, expatriate EMC member CBUK28/21/09/09 London_

There are, therefore, clear incentives for the Bank in London to encourage CBRC to dialogue with, and learn from, the FSA.\textsuperscript{43} The role of the Bank in facilitating change from state political agency to market illustrates Zhang’s (2003 230) more general point:

The rise and expansion of China’s global business take China one step further towards globalisation, and constitute an indispensable dimension of China becoming a globalised state.

And yet, as argued below, the introduction of global rules and the changes to Chinese ways of regulation are hybrid both in process and outcome.

\textsuperscript{43} Current changes ca 2010 in the regulatory structures of finance in London took place after research for this thesis was complete
7.3.3 Bringing it all back home … to the Chinese state?

With the active commercial participation of the Bank in London, the Ministry of Foreign Affairs of China (MFAC), became its business partner as well as its political supervisor. The change of relationship, from a patriarchal ‘father-son’ relationship vis-a-vis state business to that of business partner brought a revolution to the notions of trust in this governmental agency. Through interaction and negotiation, the Bank successfully inserted the notion of corporate governance within the state agency.

MFAC is a state agency in charge of international affairs, represented by its embassies around the world. Since 1949, the role of MFAC in the Bank in London has been to act as a political agency checking the political qualifications of the top managers and the political behaviour of its employees. Before 2004, all the general managers of Chinabank London Branch were required to be Communist Party members. To ensure that the employees, especially the expatriates were politically qualified, the MFAC often organized political meetings and events for them to build their love for the party and their motherland.

However,

After the reform, economic tasks prevailed over the political. MFAC withdrew greatly from the work of the bank in London, but it still has a role in checking the political qualifications of Bank’s employees. But now its policy is loose, not every general manager of the state’s overseas bank must be Communist party member. As long as the general manager is not a spy, I think, MFAC would agree with the bank head office’s appointment.

Zhu Peng, retired expatriate CBUK29/20/08/09 London

Today, the Chinese Embassy in London hardly interferes with the business of Chinabank LB but depends more on the Chinabank UK to provide financial support for its activities and events in building relations with Chinese and non-Chinese communities in London.

As a governmental institution, we have limited finance and we have to present our embassy to the local communities from time to time. It is costly to hold receptions and events in London and Madam Fu [Fu Ying, Chinese
Ambassador to London 2007 – 9] got very good financial support from Chinabank UK. The embassy needs money and the Bank needs to boost its fame among the Chinese communities. In every event or reception, the logo of Chinabank would be at the most striking place on the board for co-sponsors.

*Hong Ming, state officer CSA03 /11/10/08 Beijing*

When the Bank was established in 2007, the relationship between MFAC in Beijing and the Bank in London became even looser, whilst the relationship between the Chinese Embassy in London and the Bank grew closer. This was associated with the arrival from Beijing of the UK educated Madam Fu to head the Embassy.

I guess the reason why the Chinese government appointed her as the ambassador in London was to strengthen China-UK relations and she was determined to complete her mission.

*Li Yong, state officer CSA04/04/09/08 Beijing*

Her ambition was well matched by the head of the newly established CEO of the Bank.

The two [head of Embassy and CEO of the Bank] have a lot in common. They were both newly appointed and both ambitious to achieve something. The Embassy has political influence and the Bank has money. They make good use of each other’s resource and they cooperate well. Personally, they seem to be in good terms with each other. Many occasions they attended the events together, one representing the state politics and the other representing the state business.

*Liu Ling, Chinese state media reporter CSA05/16/07/09 London*

The establishment in 2008 of the UK Visa Centre jointly run by the Bank and the Chinese Embassy in London offers an illustration of the transformation of relations between the Bank and the Chinese state in London and in Beijing. The agency manages the visa requirements of UK travellers to China. It used to be a purely political job but now it is run commercially for the Chinese State to earn a profit through issuing visas to foreign travellers and business people to China.

With the emergence of the Visa centre, relations of trust between the Bank and the state were transformed. From a hierarchically-controlled political agency in 1949 to a
business partner of the state in 2008, the Bank was trying to distance itself from its Chinese State. However, the business relationship between the Bank and the MFAC was not easily established. Having participated in the British market for some years, the Bank had no difficulty playing its role as a business partner. But the MFAC Beijing seemed not to be easily shifted from its powerful role of political supervisor to that of business partner. As the Chinese Embassy in London is under the authority of the MFAC in Beijing, the intended business between the Bank and the Embassy had to be negotiated with the MFAC.

This presented new issues for the Bank. Although the Bank’s head office is in Beijing, transformed relations of internal corporate governance enabled the Bank in London to make its own decisions. However, negotiating with the state was rather different:

The MFAC in Beijing is a purely political state agency and the officials expected to discuss the business with our head office managers in Beijing at first. It took us some effort to explain to them our corporate governance structure in the Bank. This grants our Bank in London a right independently to decide our business. But when they came over from Beijing to London to discuss the project, they put on an air of powerful state officials, our superiors. It seemed that it made them feel uncomfortable to see that we positioned ourselves not as a subject of them, but as an equal business partner, negotiating business with them rather than accepting terms made in Beijing.

*Pei Feng, expatriate EMC member CBUK12/18/08/09 London*

Recalling the processes of negotiation, an officer in the MFAC in Beijing expressed his shock in the first meeting with managers in the Bank,

Frankly speaking, the first meeting was not a happy one. Almost all of us left being disappointed when they rejected our terms of distributing the profit. To our surprise, as managers of the bank in China [with ‘China’ emphasized in his tone], they love money more than their motherland [‘motherland’ emphasized] China. That made us very uncomfortable

*Hong Ming, state officer CSA03/11/10/08 Beijing*
The MFAC did not treat the Bank as a business partner but as its political subject. The officials in MFAC took it for granted that the Bank managers should not bargain with them but accept their terms without hesitation. This is what a patriotic Chinese bank is supposed to do. The bank managers’ insistence on their terms made the officials very upset and this was why the first meeting left nothing but unhappy memories. The MFAC officials felt they were losing face. In this sense, these negotiations with the Bank offered a first lesson on the market economy for the MFAC officials. The new relations of trust within the corporate governance of the Bank became a weapon for the Bank to argue for a profit-orientated arrangement. They released it from being a state agency driven, supposedly, by patriotism and subject to state direction.

Despite this inauspicious beginning, the UK Visa centre was finally opened in London in June 2008.

Now everybody is happy. The Chinese Embassy in London takes it as its achievement, and back in Beijing, the MFAC regards it as its innovation. Ha ha...I could not help thinking their attitude towards us in the first meeting. Charging us with ‘lack of patriotism’?!...I do not know what ‘patriotic’ means to them, but I do know ‘patriotic’ for a bank is to ‘make more money’! We are happy, too. Finally they understood what modern corporate governance means: we are ‘A BANK in the City’ not a political subject. The Centre is a business not a political task. Our head office in Beijing is very happy about the centre and plans to expand our model to other countries.

Pei Feng, expatriate EMC member CBUK12/18/08/09 London

At first glance, this development may seem tiny, especially compared with many Western governments that had outsourced their state’s work to market. But considering the purely political role the MFAC has played even in the years after the economic reform, the case of Visa Centre should be taken as an indicator of a move from traditional state agency to an enabler of the market economy. The MFAC shows not only its recognition to the outside world but also an attitude open to market, to change, and to learning. The commercialized visa business also shows that
the social relations of post-communist China were being transformed at a political level. This enabled the Bank in London to distance itself from Beijing to operate the visa business on a market level. But, at the same time, the centre is also a hybrid phenomenon bringing the Bank closer to its Chinese State.

Of course, this example does not reveal China as a ‘globalised state’. But it does illustrate the hybridising tendencies of globalisation. An embassy with a business arm is not a Chinese thing just as it is not a western thing to have a bank to work with its state embassy. However, the case of the Visa Centre is applauded by both the head offices of the Bank and the MFAC in Beijing as an innovation to be replicated in other countries.

By bringing back the global rules of regulatory trust in Beijing, the Bank facilitated a process of a globalisation in the practices of its head office, regulators and supervisors in Beijing. However, does this amount to convergence? This question is discussed in the following section.

7.4 Ju and Zhi: hybridizing globalisation

橘生淮南则为橘，橘生淮北则为枳，叶徒相似，其实味不同，所以然者何？

*English translation:*
Orange trees grown in the southern part of the Huai River, bear delicious sweet orange [Ju]; but they bear trifoliate orange [Zhi] if transferred and planted in the northern part of the river. Although the leaves of the trees are the same, the taste of the fruit is quite different. Do you know why?

_Yan Zi Chun Qiu*_

Indeed, many restrictions on globalisation remain. At the time of writing, the conflict between the state and Google provides an illustrative example.

_A book edited in Han Dynasty (206BC – 220AD) recording the dialogues of a diplomat called Yan Zi with his visiting kings in the Warring State period._
Early in the period of the Warring states (475BC – 221BC), a smart diplomat (Yan Zi) pointed to an interesting phenomenon of hybridity. The reason why sweet oranges planted in southern part of the Huai River become trifoliate oranges and far less tasty when transferred in the northern part of the river is because of differences in physical geography and in agronomic practices. Similarly, varying geographies of path-dependency lead to geographies of difference in contemporary globalisation. While global rules were brought back by the Bank from London to Beijing, the consequence of them in practice illustrates the development of hybridity.

7.4.1 A global rule in China

Global rules such as Basel II are intended to control risk. In London, the Bank was required by the FSA to accept such regulations. In Beijing, the Bank’s head office and its financial supervisor came to regard the rule as a guarantee to develop healthy modern banking especially after the bank lost money as a result of corruption. However, as China lacks an advanced data system and historical data, Basel II based on high-quality data cannot work as expected or intended.

I was trained in London on Basel II. Now all of our risk managers are using it to check the credit status of clients. We are telling people we have adapted to global standard in risk management. But the real thing is ‘can we trust the figures we use?’. It is a well-known secret that our Chinese firm has three sets of financial documents. One is for the bank to apply for loans, one is for the tax bureau to pay less tax, the last one is for the firm itself which is only known by few people such as its chief accountant and the boss. This is China where you must be careful with the figures given to you. No matter how scientific and powerful Basel II is, do you think, it can save the banks from being cheated?

Feng Li, Chinabank manager CB05/26/05/09 London

Thus while using global rules to check detailed credit records of the customers, prudent bank managers still engage in relations of personal trust:

Basel II may be a very good method to keep the banks safe in the Western countries where the market is developed and the credit rating system is reliable. But it is not a universal medicine for all. In China, the market is not mature.
and is full of big ups and downs. Sometimes the government intervenes in the market to promote some projects. Therefore it is hard to have reasonable variables. Some firms were rated C last year and jump to A this year or A last year, drop to C this year. Such big jumps or drops seldom happen in the Western countries where the market is mature and there is less state manipulation. Another problem is that we lack a historical database, therefore even if we use best practice Basel II, we cannot control the risk. The figure itself is risk. Now it is a dilemma for our risk managers. If we want to be qualified risk managers, we must be good at analysis of figures; but if we want to be responsible for our loans we must build good personal relationships with our customers to get real figures we need

_Huo Hai, Chinabank staff CB06/28/09/08 Beijing_

Adopting global rules at the same time as practising relationships of personal trust is more demanding for Chinese bank managers compared with their colleagues in Western banks. Besides that, the introduction of competition to the state-owned banks made the work of Chinese bankers a stressful experience.

I believe Chinese bank managers are the most tortured ones. To be a quick learner, we have to learn new things - for example, Basel II - to make ourselves qualified. Another way to show we are qualified is to seek for a masters degree or doctorate degree in a university in our spare time. To make a profit from good quality loans, we have to make friends with our clients for their true situation. Once we find some good quality clients, we must try to keep them for ever as many other competitors also focus on good clients. Attending banquets after work to make friends with our clients is vital to our work and we have no personal life left for our families. The busy life is what outsiders can not imagine

_Bai Yang, Chinabank manager CB01/27/09/08 Beijing_

Hybridity, then, has to be worked on. It is most definitely not mere compromise; it is not comfortable for those involved; and it works in more than one direction:

Everybody feels very stressed. Our profitability is listed every quarter and you have to explain to your boss why if this quarter is not up than that of last. One poor quality loan would ruin your career. Studying Basel II carefully in order not to make mistakes technically, drinking heavily with customers not to let them cheat you… Life is hard! Promotion is strictly controlled to your profitability, education and age. People in their 40s now feel an age threat because every year they see young and well educated graduates pour into the bank … competition in China is much more severe than in most capitalist
countries. One of my colleagues went to work for Citibank in London. From his description working there, it seemed that we are working for a capitalist bank, heavily exploited and poorly treated while he was working for a socialist bank, well taken care of.

Feng Li, Chinabank manager CB05/26/05/09 London

Global rules cannot necessarily be transferred in singular fashion to the local context. To follow global rules at the same time as taking care of local customers - makes the life and work of Chinese bankers pressured and fearful. Furthermore the concerns of Chinese bankers about the competition brought with globalisation makes the management of the Bank more difficult in China. For example, as indicated above, when staff turnover is high, stress levels are referred to on a frequent basis. Whilst personal trust is regarded as necessary to sustain successful business relationships with Chinese clients, it is also seen as the source of corruption in banking. Western norms of regulatory trust are applied to check the credibility of banks. As a consequence, all the top bank managers are forced to take leave from time to time so that examiners from outside can check their banks’ credibility.

Now personal trust is not valued officially in this bank. It is regarded as backwards and narrow-minded. …but you have to practice it with your customers…They do not care if your operational process is standard or not, what they care is whether or not you are a friend in deed, in Chinese way, whether you can express it by drinking bottles after bottles to make him feel you are sincere.

Huo Hai, Chinabank staff CB06/28/09/08 Beijing

When a global rule met local customers, it loses its legitimacy as a universal. So-called ‘best practice’ (Gertler 2001) is not necessarily best at all.

7.4.2 Modern corporate governance and local party state

It’s difficult to define our bank clearly. It is a bank registered in UK, therefore it is a UK bank following UK rules. But its holding company is Chinabank London branch, which is headquartered in Beijing, and so it can be said to be a Chinese bank as well. Both identities have brought advantages for us. Being a
UK bank, we automatically obtained a pass to the European market. The Bank in Switzerland under our direct control is a good example. Being a Chinese bank, backed up by a large Chinese market, our international clients are interested to do business with us.

Steven, expatriate manager CBUK19/12/09/09 London

The Bank in London originated as a state-owned bank branch dependent on the Chinese market and diaspora but shifted over time in this displaced location to become a ‘UK registered Bank’ independent from Beijing as well as a global bank with its head office in Beijing. However, the close relations between state and Bank have not been removed and, indeed, in some ways they have been strengthened. The case of the UK Visa Centre illustrated that within certain financial constraints, the Bank is happy to respond to its Chinese state for securing business, whilst the state is also willing to move towards a market economy. And this relationship is mutually beneficial

I think every Chinese firm likes to have government as its business partner. There is a tradition in Chinese business culture that business with government background gains green lights in every business. As for the business with MFAC, the Bank not only gains economically but also politically. Did you notice that recently the Bank received many high officials from Beijing including Chinese premier Wen Jiabo and vice premier Wang Qishan in its newly decorated office building in London?

Liu Ling, Chinese state media reporter CSA05/16/07/09 London

State banks and firms may, in this way, go global with the helping hand of the state.

The role of the party in the bank is to secure the stability of its daily operation. I do not think the party intervenes in any way in the bank’s business. Instead we help the bank to deal with sensitive issues to improve the economic development. …For example, we have just organized a campaign called ‘love our party and love our bank’ to help young people to respect their work and devote themselves to the bank’s development.

Meng Guang, Chinabank manager CB08/22/12/09 London
However, at the same time, relations between Bank and state are also both highly problematic in economic terms and limited in terms of autonomy for the Bank.

To maintain the development and to keep the growth of GDP, the state council now encourages all the banks to give loans to boost Chinese economy. This policy will probably soon turn out to be the source of bad loans again for state-owned banks. But look at the quick and willing response from heads of the state-owned banks. Do you know to whom they are responsible? Is it the communist party or the shareholders who bought their stocks? As all the heads of the big four state-owned banks are appointed by the state council, their reaction is understandable. This is a Chinese style of corporate governance: board meeting plus communist party, or precisely communist party plus board meeting. Party is always ahead of everything.

*Pei Liang, Chinabank manager CB10/12/10/08 Beijing*

Nee and Opper (2007 106) have coined the term ‘politcized capitalism’ to refer to the kind of path-dependency exemplified by Chinese capitalism:

In transitions from state socialism, politicized capitalism is a hybrid order comprising recombinant institutional elements, preexisting and emergent organizational forms, and networks oriented to establishing a market economy... It is a mixed economy in which market liberalization and ownership reform are unfinished, preserving partial control rights by the state as both a redistributive allocator and an owner of productive assets.

Chinese forms of market economy may, then, be the sources of different types of capitalism (Dyer 2008 14).

According to Giovanni Arrighi’s (2007 332) *Adam Smith in Beijing*,

China is simply so large that it … must remain internally, not externally orientated. The reason that a Sinocentric system might be able to remain at peace is exactly because China is not capitalist as per Marx, but market-based as per Smith, and hence is less driven to militarism. Capitalists have not, nor are they likely to, capture the Chinese state.

And, in slightly different vein Henry Yeung (2004 xvi) asserts:

46 In its 2009 annual report, the CBRC urged banks to use scientific analysis in their lending and warned of the bad loans faced by the nation’s banking system particularly those made to local governments and to the real-estate sector [http://zhuanti.cbrc.gov.cn/subject/nianbao 2009 last visited in June 15, 2010](http://zhuanti.cbrc.gov.cn/subject/nianbao 2009 last visited in June 15, 2010)
As a form of hybrid capitalism, Chinese capitalism embodies the interpenetration of culturally and institutionally specific dynamics at the local and regional scales, and the growing influence of flows of people, capital, technology and knowledge on the global scale.

This independence of the state from capital, and even hostility to it, has been marked since 2005 by a return to Confucian ideas in the Chinese socialist market economy. These ideas are based, on the one hand, on loyalty and personal trust; and on the other hand, on contract which is based on impersonal trust (Bai 2001) which form the subject matter of this thesis. How to be ‘loyal to the party state’ and at the same time to be ‘respond to the market’ is the source of a new hybridization and of the tensions illustrated above. However, the public speeches of top managers in the most influential state-owned banks published in the magazine *Chinese Finance* as a special series to celebrate Communist China’s 60-year birthday reveal a common public commitment to the state and the Party. The following quote from Jiang Jianqing (2009 45) the president of the Industrial and Commercial Bank of China is typical.

No matter what institutional changes, no matter what difficulties we have, we will never leave the Communist Party’s head shaking. It is our justified experience to develop our financial industry with the leadership of the Communist Party. We must, on one hand, exert the Party’s political power at core, and on the other, build modern corporate governance. We must let the Party control our cadres, our human resources, and at the same time, let the market improves our resources. …We should use successful overseas experiences to adopt to our local situations and find a model of corporate governance suitable for ourselves.

Here - publicly at least - state-owned banks place the leadership of the Communist Party at the centre of their bank’s management and claim that banking with Chinese characteristics explains their past success. They mirror the comment of the president of Chinabank quoted at the head of the chapter on the combined use of modern
‘corporate governance’ and the ‘leadership of the Communist Party’ in banking management. But this is all too simplistic. Hybridity is far more significant than that.

7.4.3 The continuing significance of personal trust

The shift towards a socialist market economy in China occurred when the domestic legal system was largely underdeveloped (Wu 2007). For North (1990) and Durlauf and Fafchamps (2004), ‘community’ becomes an alternative basis for economic practice if the legal system does not work. My research shows that, although the idea of regulatory trust based on ‘rules’ and ‘ability’ has been brought back and promoted in Beijing, personal trust is still often practised to get things done.

Although we have changed bureaucratic titles such as ‘处长’ (chu zhang, chief or leader in English) ‘科长’ (ke zhang section leader in English) to remove the hierarchical idea of positions, it seems that some people still mind a lot about the hierarchy. In London, you send an email and copy randomly to your boss or colleagues, it does not matter. But here in Beijing, you have to be careful whose email address is the head. The order should run from the higher position to the lower. New technology is easier to be accepted, for example, you change all the old computers with new ones, but culture is hard to change. That takes time

_Hao Yang, Chinabank manager CB07/07/10/08 Beijing_

One reason why personal trust is commonly used in Chinese business or work is that rules and regulations in Chinese firms are too vague and generalised. Lacking detailed descriptions of rules and regulations allows different interpretations of these rules and regulations so that personal relationships can intervene. This was illustrated by Yang Min, a manager in Beijing

For example, in our bank, our rule says ‘please clean the table everyday’, but in Royal Bank of Scotland it would say ‘please clean the table everyday to make sure its surface, its legs and its under area are tidy and clean’

_CB11/21/10/08 Beijing_
This flippant example is also illustrative of people’s general attitude towards rules and regulations. According to Zhang (2007 586) the major problem in China ‘is not legislation but enforcement’. A Chinese financial media reporter told me an interesting example of this.

I was caught last night drunk driving by the police. I told them not to bother to keep my car; otherwise they have to send it back to me the next day. The police thought I was boasting, asking for my licence. I called one of my buddies, he is a police chief in the local area. Within a minute, the police received a phone call, he had to let me go and politely gave me a salute, saying ‘please no drunk driving next time, sir’. That is China. We have rules, but we always have ways to get away from them. Once you have guanxi, you can have things done smoothly, if you have no guanxi, you have to deal with ‘strict’ rules.’

I asked him why he emphasized the ‘strictness’ of rules. He continued

If they follow rules ‘strictly’, they [state authorities] will behave very bureaucratically and brutally. They [in this case, the police] might charge more money than I need to pay and force me to go to their police bureau as often as they like, before giving me a stamp⁴⁷ to let me go. They force you to make guanxi with them.

It is the same with many of the government bureau. Do you know why the governmental officer examination has so many applicants these years? For example, this year only 1 out of 56 can be recruited. More and more people came to realize the benefit of being a government officer. Some of them use their power to do favours for their friends or relatives, to make guanxi and fortune for themselves…. Many scholars complain that we do not have enough rules. Personally speaking I do not agree with this idea. In China, we have a lot of rules, maybe more than the western countries. But the problem is that the laws are used as personal instruments to earn friends or money.

Qu Liang, Chinese financial reporter CSA06/30/09/08 Beijing

These comments reveal not merely a common distrust in China of abstract laws, rules and regulations but the common use of them for personal gain. According to Giddens (1990 90), lack of trust towards specific abstract systems is likely to be strongly influenced by experiences with the people and officials who represent these

⁴⁷ Stamp, in Chinese 盖章 (gai zhang). In China every official approval of something must be proved with an official stamp on the document.
systems at various access points. This is especially the case in China. Having no personal relationships with an official authority means that people have to waste excessive time and effort in getting things done. So the manipulation of the relationships of rules is not merely to gain advantage but, more practically, to accomplish basic tasks:

In China it’s difficult to complete anything single handed even you have the ability. In this typically hierarchical culture, the most efficient way to achieve something is to build personal trust with the key figure in the top who is in charge of your project. Once you fix him, everything will be automatically done. The outcome of the technical work, paper work… all depends on what relationship you have

*Pei Liang, Chinabank manager CB10/12/10/08 Beijing*

The establishment of Chinabank Suisse mentioned above is a good case in point. According to the Bank, people in charge of the application work from Beijing, the process was so smooth and a key figure was significant.

The president of CBRC, Mr. Liu who worked in Chinabank London Branch from 1984-1987, was appointed as President and chairman of Chinabank in 2000 and stayed till 2003 before he was appointed as head of CBRC. This is the reason why he cared for the Bank and became a key supporter of the Bank. It is said the reason CBRC rejected one Chinese bank’s investment in a French bank is because the Bank in London had already got his nod to invest in a Switzerland bank.

*Liu Ling, Chinese state media reporter CSA05/16/07/09 London*

In China, most of the abstract systems ‘work’ properly only if people use their own personal resources and especially *guanxi* and relations of personal trust to make them work:

No matter how brilliant your idea is, you must have the right people above you to listen to you. He must support you. Personal trust is significant here. If a same story is told by different people, then the effect may be quite different depending on the degree of trust between them and the listener. You trust them, they trust you, and then they will accept your story

*Yu Li, expatriate CBUK27/21/08/09 London*

Thus, [If] the big boss trusts you, he will not question what you say. There is a Chinese saying, you must know it: ‘If you trust him then never doubt him.’ The art of trust lies in the full confidence in those you trust and charge him
with important mission. Mr. Liu in CBRC trusts our CEO and he provides a great help to his work in the Bank.

_Yue Ming, expatriate EMC member CBUK28/21/09/09 London_

Such relationships are so profoundly significant that the state is concerned to transform them. As Wu (2007 752) remarks

In recent years, the Chinese governments have placed emphasis on the rationalization of the administrative bureaucratic system with an aim of establishing a legal rational bureaucracy…The transformation …towards rule of law is a profound social institutional change. As a result, this social institutional change towards the rule of law can be a slow and incremental process as it is constrained by the formal and informal constraints which are embedded in Chinese society.

In sum, although rules governing financial management are global, many practices of the Bank involving Chinese institutions are certainly local. In this sense, the process of globalisation, is less a uniform process than one constituted by the complex relationships between multiple local systems (Cox 1997; Hsu and Saxenian 2000; Amin and Thrift 1994; Leyshon 1995; Jones 2008). Hybridisation continues in relational space, shaped of course, by the continuing influence of embeddedness in territorial space.

### 7.5 Hybridisation ongoing

The contemporary importance of China for the global economy is emphasized by Bergsten (1999, quoted in Zhang 2003 14)

No nation is increasing its impact on the global economy as rapidly as the People’s Republic of China at the close of the twentieth century.

But, as Bergsten goes on,

At the same time, few economies are as poorly understood (quoted in Zhang 2003 14)

Furthermore, as Chinese scholars such as Yu Keping (2001 11) argue:
Globalisation is initiated and dominated by the US-led, Western developed countries. However, no country, including the USA, can completely control the process of globalisation, developing countries, including China, also impact on the process.

And this is only half of the story. Certainly globalisation cannot be understood as merely US-dominated or China dominated. It is neither one nor the other, but both. This is because globalisation is a relational process: a co-constituted process of active relational formation. During the process of globalisation, interaction and negotiation constantly occur among those agents performing and caught up in the process and hybridization emerges as a result. The story recounted in this thesis tries both to increase an understanding of China in these relational terms, but also to stress the formative significance of the soft social relations which constitute the preconditions - and especially relations of trust - for the material and cultural manifestations of globalisation. In this section, I will rehearse the argument that globalisation is a socially-induced process of hybridization, involving both convergence and divergence at the same time and within and between places.

As a result of interaction between the increasingly globalised world economy and economic reform in China since 1978, the transnational operations of Chinese firms have advanced by leaps and bounds. And, as Zhang Yongjin (2003 228) argues

[T]he importance of the rise and the growth of China’s multinational corporations in the last two decades of the twentieth century.... goes far beyond integrating China into the global economy. It is a story of China’s embracing a particular capitalist-invented institution in its pursuit of economic development, and a story of Chinese firms going out of their way to engage the global economy.

This embrace involves changes in the political economy of the policy context within which China’ nascent global businesses have been nurtured and promoted. Managers in head office realized the inefficiency of their bureaucracy and changed their behaviour. Supervisors in the Chinese financial authority became aware of the importance of regulatory and supervisory practices in finance and hence of
communication with international practioners in London and other financial centres. Even the MFAC became market-orientated in the course of using the Bank as its partner in the visa-issue business. By cooperating with the Bank, this governmental agency began to understand that, as a commercial enterprise, the Bank should take on governmental business not as a political task but as a profitable business. This offers some empirical justification for Zhang’s (2003) statement that globalising Chinese firms involves the embrace of capitalism.

But this does not mean that global convergence will result. One obvious form of resistance to globalisation comes from the state. Although neoliberal market discourse and practice and the incorporation of international standards and laws, encourage Chinese state-owned banks to ‘go global’ and open the Chinese economy to the outside world, the state and party remain. The intervention of the state in its international banks is an active response of the state to globalisation. While many scholars (e.g. Buckley, Clegg, and Tan 2005; Child and Tse 2001) criticize China’s strong interference in the economy, they underplay the fact that China is responding actively to globalisation through ‘learning by doing’ - ‘crossing the water by feeling the stones’. The alternative may be to risk drowning.

Geoff Dyer (2008 15) points to an embarrassing implication of neo-liberal globalisation:

In the US and Europe, the financial crisis has led governments to play an activist role in the economy that would have been unthinkable a few months ago. It would be ironic if it also encouraged the Chinese state to loosen up.

While many scholars complain that the Chinese government has long played two incompatible roles in its economy: an industry regulatory role and an ownership role in SOEs (Buckley et al 2005; Child and Tse 2001), there is evidence that the Chinese government began to reduce its role in running business entities (Buckley et al 2006). The Chinese state cannot, therefore, be regarded as a fixed entity or concept. According to Zhang (2003 23)
Economic reform not only makes the internationalisation of the Chinese economy possible and successful. It constitutes part of the internationalisation of the Chinese state, since it represents no less than the restructuring of China’s domestic policies and institutions so that the country can accommodate itself to the needs of being incorporated into the global economy. The Chinese experience of internalising norms and institutions embedded in the global economy is also a process of adapting China to fundamentally different ethics, principles and rules in economic development.

Institutional reforms in China towards a law-ruled society illustrate the Chinese state’s shift from ‘a historical self-sufficient’ philosophy to an open learning state (Zhang 2003 16 20). The process of globalisation of the Chinese state is a learning process. Furthermore, the financial crisis during the years at the end of the first decade of the new millennium allows the Chinese state a time to reflect again on the question of whether or not to follow the western model of neo-liberalism. The public speeches addressed to the western financial world in 2009 by Chinese leaders seemed to suggest that they have gained greater confidence to continue to make their own way to economic development.

Quoting Agarwala, Arrighi (2007 335) suggests that

China is perhaps the best example of a country that has listened to foreign advice but has made decisions in the light of its own social, political, and economic circumstances… Whatever else may be the basis for China’s success, it was definitely not a blind adoption of the policies of the Washington [Consensus]. Reform with “Chinese characteristics” was the defining feature of China’s reform process.

Arrighi argues that, given the long history of Chinese thought involving both Confucian "harmony" and revolutionary principles, the Chinese Communist Party is unlikely to adopt capitalism in unmodified form. What will China head for under the impact of globalisation? No one knows and it is beyond the ability of my thesis to predict. What I can conclude from the findings presented here is that globalisation will not bring convergence as super-globalists expect. Globalisation is a hybridizing processes, involving neither complete convergence nor complete divergence.
7.6 Conclusions

As the Chinese state encourages its state-owned banks in ‘going global’, there is a
general loosening of control over Chinese bank branches overseas. The Bank made
good use of this chance to build its own style of personal and regulatory trust – and
hence a degree of autonomy - through active negotiation and interaction with Beijing.
This illustrates Webber’s (2002 1163) statement

\[ G \]lobalisation is neither an external force nor one that is entirely irresistible.
\[ G \]lobalisation therefore leaves space for action.

By actively participating in the local market in London and building personal trust
with Beijing, the Bank in London gained understanding and support from the
managers of the head quarters in Beijing and officials of the Chinese government and
especially from Chinese financial authorities not least for the need for greater
autonomy and the adoption of forms of regulatory trust. The interaction between
Beijing and London allows the exchange of information and ideas between people in
these two geographies. New ideas and new notions of trust were brought back home
to Beijing driving the changes not only in the head office of the Bank but also in the
governmental departments in Beijing. Although the new notions of trust may be not
applied in Beijing to the same degree as in London, their impact on the behaviour of
the authorities and processes of decision-making process in Beijing is clear.

Nevertheless, as Jones (2002 346) points out,

Global corporate strategy is a negotiated and fluid phenomenon that
emerges… from a continual process of discussion …

And what has emerged from such a ‘process of discussion’ is neither a traditional
Chinese Confucian notion of trust - focusing on loyalty or reciprocity in personal
trust, nor a western notion of trust - focusing on rules or regulations. It is a mixed and
hybrid notion resulting from a formative relational space of interaction and
communication under globalisation. And the changes brought about by this hybrid
notion of trust in related economic actors are profound and ongoing.
The tactical use of regulatory trust and personal trust offers evidence to show that neo-liberal hegemonic globalisation is challenged, resisted and hybridized by local concrete social relations. Using personal trust to get things done is a tactic people engage in China to make up for the lack of enforcement of law and regulations. In the case of the Bank, it is the regulatory trust possessed and adopted in London that convinced the Beijing authorities to grant autonomy to the Bank. Furthermore, as a result of communication and negotiation, notions and practices of trust are themselves transformed. Emphases on personal trust in China and regulatory trust in the UK are modified through interaction. In this way, trust is hybridised and practiced in a mixed and fluid way.

This complementary and mutually formative role of personal trust and regulatory trust in the global expansion of the Bank exemplifies Jessop’s (1999:13) statement:

…globalisation is not a single causal mechanism but a complex and even contradictory trend resulting from many causal processes. …There are objective limits to economic globalisation due to capital’s need not only to disembed economic relations from their old social integument but also to re-embed them into new supportive social relations. Indeed, as Veltz has recently argued, hard economic calculation increasingly rests on mobilizing soft social resources, which are irreducible to the economic and resistant to such calculation.

The complementary use of regulatory trust and personal trust is one solution to the contradiction raised by Jessop about the ‘disembedding’ and ‘re-embedding’ of social relations and the significance of these relations of trust in the Bank’s ‘going global’ illustrates his claim of ‘soft’ social resources.

However, the mobilization of ‘soft social resources’ is itself complex. I found in my research that not many people liked to admit that they depended on personal trust to get things done. It was common for my Chinese respondents to argue that using guanxi and personal trust in work is backward or uncivilized. This is due in part to the neo-liberal discourse promoted by the Chinese state to push the market economy. But the fact that ‘everybody does it but nobody likes to say it’ shows the
convergence of a global discourse of market economy on the one hand and divergence of local practice on the other. It also illustrates the emergent hybridity of notions of trust practiced in globalisation.

As advocated by many economic geographers (Dicken et al 2001; Murphy 2003; Gertler 2001, 2004; Faulconbridge 2006, 2007, 2008; Uzzi and Lancaster 2003; Jones 2005, 2007), this research has focused on actors and the social practices involved in producing relational networks through and within territorial spaces and also on the ordering capacity of relational networks in terms of their effect on the spread of such practices. This chapter has discussed the hybrid practices involved in the Bank’s entry to the mortgage market in London, what the experience brought back home to Beijing and the hybrid outcome. It showed how the Bank’s head office and its supervisor and state agency responded to the imperative of economic internationalisation and globalisation and how they have been transformed by accepting – at least in part - global rules and new concepts of trust. It illustrated the argument that globalisation is a relational hybrid process, involving neither complete convergence nor complete divergence. Personal trust remains in practice and was a major factor in the transformation of behaviour in Beijing.

In the final chapter, I draw together my overall analysis around the key research questions that I posed at the outset and focus on how the outside world might understand China and Chinese globalised firms under the impact of globalisation.
Chapter 8 Conclusion

And huge areas of the canvas of financial globalisation remain uncovered. Theory has lurched through real-world events in the realm of global finance in a manner analogous to the way that artist Clifford Styll covers empty space – a lot stays empty.

Gary Dymski 2006 309

Market-orientated economists concerned with globalisation have argued that financial globalisation involves the end of geography (Cohen 1996; O’Brien 1992). The argument is that the more globalised and advanced a given space, the more uniform and frictionless it is. But recognizing that markets are embedded and economic activity an intrinsic and inseparable part of social life, geographers have challenged such an ageographic economic analysis. This study has contributed to this debate by documenting some of the underlying social and cultural relations involved in the material processes of globalisation of a state-owned Chinese bank ‘going global’- and has highlighted the issues associated with transferring culturally-differentiated practices between countries, institutional settings and cultures (see, for example, Schoenberger 1999; Swyngedouw 2004; Gertler 2004; Jones 2005, 2007; Faulconbridge 2007, 2008) and the adaptation strategies employed by global firms when operating in culturally diverse overseas markets (Wrigley et al., 2005; Christopherson 2007). Clearly, this is not a new venture in geography; cases of convergence in the processes involved in the globalisation of firms are offered by many scholars. Wever (1995), for example, examines the experiences of American firms operating branches in Germany as well as German firms with branches in the United States. The finding is that both American and German firms adopted the ‘host’ style of industrial relations and practices. According to Gertler (2004), adaptation to the host involves ‘weak convergence’, and only if the host’s norms are brought back home is ‘strong convergence’ involved. However, contrary cases representing divergence also exist. For example, after having examined the transfer of German practices and technology in Canada and American markets, Gertler (1997,
1999, 2004) finds that the transfer is difficult due to the difference in institutional environments in Germany and North American countries. Moreover, Schoenberger’s (1999) study of the US multinational Xerox Corporation’s experience with Japanese branches also reveals that although ‘host’ rules prevail in the economic outcome, it is difficult for an American parent company to learn from the successful practices of its Japanese subsidiary as a result of cultural differences. As Jones (2005 180) has argued, the concept of a ‘corporate globality’ ‘is a highly contested, political, and contradictory process leading to uncertain and diverse outcomes’.

However, although focusing on the same question of global convergence and divergence, my case of the Chinese bank is somewhat different in that it

i) discuses a story of globalisation from the periphery to the western core rather than focusing purely on Western experience;

ii) deals with deeply contrasting ‘host’ and ‘home’ environments. These contrasts go well beyond different organizational and institutional frameworks between developing and developed economies to include profound differences in political economy, politics and culture;

iii) is a reflexive account of the transformation of social relations both within the firm and in the state agencies which shape its operations;

iv) focuses on the Bank’s tactical use of formal and informal institutions - and, in particular, on relations of regulatory trust and personal trust - in its global expansion.

v) concerns the processes involved in a Chinese bank making effective financial spaces in the global financial centre of London as well as the consequences of interaction and negotiation with Beijing. It is concerned with what the Bank brings back to Beijing as well as how it responds to its host environment.

I illustrated that globalisation is a process of convergence and divergence predicated on the transformation of a range of ‘soft’ social and cultural relations such
as ‘interpersonal friendship networks, cultural norms and societal values’ (Jones 2008a 75) which, whilst not gainsaying the critical importance of relations of political economy, underpin the materialities of globalisation. My research adopts a relational micro-and-practice-focused approach (e.g. Ettlinger 2003) to problematise and unpack the notion of trust as a socio-spatial relation in terms of attendant everyday social processes and practices. I examine how geographies of trust help to enable the Chinese bank’s geographical expansion into new locations. I focus specifically on the recursive processes involved in the reformulation both of the geographies from which and into which expansion takes place and of the means (here trust) through which this expansion was enabled. Further, I explicitly explore some of the processes of relational change which resulted in both Beijing and London.

However, the findings of this research on the Bank are by no means representative of Chinese state-owned banks as a whole. They simply shed light on some important features of the entanglement of the Bank in informal and formal institutions, which contribute to an understanding of Chinese experiences of globalisation. Nevertheless, these findings have some implications for economic geography. They support the institutional view that economic activities, such as global expansion of banks, are socially, politically and culturally embedded in time-space context. For a transitional economy, such as China, informal institutions and social relations such as personal trust and formal institutions and relations such as regulatory trust can help banks make financial space in an increasing global economy.

This is, therefore, a descriptive rather than an analytical thesis. It does not represent a response to formal hypotheses or an attempt to verify or disprove such hypotheses. Rather, it sets out to explore the existence and nature of the soft socio-spatial relations which enable or constrain the globalisation of material – here organisational and financial – relations. It does not claim to be generalisable but rather, through a series of small-scale events - not all of which are of any great significance in themselves - to show how such socio-spatial relations are played out in practice.
Thus the thesis is concerned with questions of the spatialisation of relations of trust and with how, rather than with why or to what extent, such relations work and influence the practical construction of material geographies of globalisation. As indicated in chapter 1, the five research questions listed in Figure 8.1 guided this thesis.

Figure 8.1 Research questions

1. In what sense is trust a socio-spatial relation and how does it contribute to the shaping of material geographies of globalisation?
2. In what ways do notions of trust differ from culture to culture and how do actors in different cultures cope with such differences?
3. How are relations of trust constructed and transformed as the geographies over which they are practised are extended over space and across cultural difference? How do such transformations both promote and constrain a process of ‘going global’ and the building of a new corporate culture in the practice of creating global financial relations?
4. How does the incorporation of new notions of trust challenge corporate culture and the working practices of employees and how are different notions of trust confronted and negotiated in the practice of establishing a presence and of engaging in financial production in a global context?
5. What do the negotiation and transformation of notions of trust bring back home to head office, to financial regulators and to the home state?

In responding to these questions, following chapter 2, which sets out a brief history of the political-economic geography of Chinese finance, chapter 3 argued that trust is an inherently geographical relation founded and forged in the mutually-formative relations of territorial and relational spaces. In chapter 5 – the first of the empirical chapters following the extended discussion of Methodology in chapter 4 – I argued that the Bank attempted to exploit the iconic significance of the Mansion House to stake its claim to be a legitimate presence after almost 80 years in the City of
London. This was an attempt not only to make the invisible visible but, as in the other empirical chapters, to exploit the relationships between personal and regulatory relations of trust to present an image of a modern commercial bank based on western rules and norms. On the one hand, this place in the City represented the abstract relations of money and finance but, on the other hand, it became a site of communication and interaction.

This movement between the abstract and the concrete is explored in different ways in the three empirical chapters of the thesis. Chapter 5 engages with the debate around the continuing significance of ‘global cities’ (see Sassen 1991; Massey 2007; Jones 2002). Thrift (1994) asserts that international financial centres like the City will not melt away into an electronic space of flows, but he lacks detailed empirical evidence to demonstrate that social and cultural relations are in any sense determinants of the success or failure of international financial centres. This thesis offers some empirical evidence of how Chinese bankers build financial relations via the lived social relations involved in both personal and regulatory trust.

Although arguments around financial centres as the command points of the global economy (e.g. Sassen 1991) may be overdrawn (e.g. Jones 2005), Chinese bankers in the City purposely promote this idea of hegemonic power to their Beijing authorities. In gaining access to, and engaging in, the symbolic Mansion House in the City, Sassen’s concept of ‘global city’ was emphasized in bargaining with their head office in Beijing to secure increased autonomy. The power of a ‘global city’ such as London for the Bank lies not only in its power as a ‘command point’ but in displaying the significance of regulatory trust in the hegemonic power of world finance to its Beijing headquarters and financial regulators. It also lies in the personal trust built by the Bank with its succession of ‘visitors’ from Beijing.

Chapter 6 showed that, in order to develop the Bank’s competence in building regulatory trust, the Bank recruited local British managers to build the Bank’s
networks with the City and to import and extend local knowledge. It also explored the efforts made by the Bank’s EMC to build personal trust with Chinese expatriates in order to allow local British managers to take over their positions, and how the Bank created informal spaces of interaction to allow local British managers and Chinese expatriates to communicate and interact. The argument here is that while an employee in a capitalist market may be reduced to abstract labour driven by profit, at the same time, s/he is also a concrete individual influenced by emotions and social relations. As different notions of trust were communicated, bridged and negotiated, new relationally-constructed and hybridized spaces of trust emerged representing both Chinese and British cultures but not the same as either. This hybridity of globalisation is an on-going process as capitalism depends on a space economy which aims to make the impossible possible: to hegemonise global space. Tension and resistance will, therefore be perpetually associated with globalisation. Chapter 6 engaged with the literature of work space, diverse culture and knowledge transfer. Based on the existing literature which focuses primarily on an Anglo-Saxon (European and North American) context, my thesis examines the experience of an emerging market. I argue that learning is a two-way process involving social-political and cultural factors. For the Bank with a Communist background, it had first to have political permission to learn; secondly, the willingness of its employees to learn; and thirdly, the willingness of knowledge-holders to teach. Therefore, in my case, learning is not a take-for-granted process.

Chapter 7 illustrated how a Bank with cash was received and welcomed by its London community in the middle of the financial crisis and how the response from the City reinforced the notion that ‘product is hard truth’. This served to demonstrate the Bank’s effectiveness in western markets and thereby increased its stock with Beijing – a crucial precondition for bringing back global norms and practices to China. Thus chapter 7 is concerned primarily with what the Bank brought back to Beijing. My argument is that whilst contemporary globalisation continues radically to transform the nature and significance of trust as a social-spatial practice, it does
not create a flat world. Even within the confines of the formal economy, it fills it instead with multiple economic geographies – which, in another context, have been termed ‘diverse economies’ (Gibson-Graham 1996; Cameron and Gibson-Graham 2003; see also Leyshon et al 2003) - and with the distinctive economic practices of an emerging market such as China.

Against the super-global discourse of hegemonic globalisation, there exists a range of possible economic worlds, each of which would appear to be governed by distinctive sets of social relations and economic rationalities (e.g. Salais and Storper 1992; Leyshon 1995, 1997; Lee 2000a, b, 2006). And these worlds, manifest in both territorial and relational spaces, are mutually formative. In this sense, then, globalisation is an ongoing and recursive process through which sameness and change are themselves constantly redefined in ways which open up difference as well as resolving it. The possibilities for variety even within a materialized globality are, therefore, potentially infinite.

Chapter 7, together with the other two empirical chapters, engages with the convergence or divergence debate. If globalisation is treated as an end-state, any debate of ‘convergence’ or ‘divergence’ is meaningless. Globalisation is not a process that produces an end –state (Jones 2005; Dicken 2007). My case of the Bank illustrates this. Even if the Bank wished to go fully global, its supervisors in Beijing would not like it when realizing that they might lose control of it. Therefore, the question of ‘to what extent convergence’ occurs is pointless without considering the social-political context. A recent management replacement in Chinabank Suisse was a good example. A local manager was laid off and a Chinese expatriate manager took over his position of CEO. Although this decision was made directly by the Party Committee of Chinabank in Beijing before informing the Board of the Bank in London, it was not revealed until the 2010 annual conference of branch managers in Beijing. This echoes the ancient Chinese legend printed in the opening pages of the
thesis: ‘Lord Ye’s love of dragons’. ‘Going global’ is conceptually beautiful but what it brings back home is, sometimes, frightening.

And the underlying reason for this is, as the thesis has tried to argue, that globalisation involves both hard and soft processes with the latter providing the preconditions for globalisation to take place. As with postsocialist transformations (Agarwala 2002; Smith et al 2010), the globalisation of Chinese firms is also lived and negotiated. Chinese state-owned firms and the Chinese state negotiate between each other over the degree of the autonomy and power in global strategy making. As more and more firms go global and bring back more new ideas and new notions of trust, the outcome of Chinese globalisation may still have ‘Chinese characteristics’ due to the ‘path-dependent’ nature of its development.

As globalisation proceeds, people may recognize something familiar, but often feel something new or alien in it. The world economy continues to emerge with ‘othernesses’ (Saïd 1985 [1978]) and ‘diversities’ (Bennett 2001). Globalisation depends on commonalities (such as rules, regulations, norms) to allow people across different spaces to communicate via some kind of common language. But people speak with their own accent - for example, nowadays people speak British English, mid-Atlantic English, Chinglish, Globish … and so on. Globalisation is hybridization. It is neither complete convergence nor complete divergence. And it is never settled.

Limitations of this research
This research is in no way different from all research in that it neglects more than it is able to include and, even within its own terms of reference it is beset with numerous limitations. This is due in part to a lack of pre-existing data.

There are few studies of this kind on investigating the processes of Chinese banks going global. This means I had no chance of consuming such work, nor had I the chance to be critical of such knowledge. This also presents a difficulty for me as a
researcher and my respondents as source in managing our relationship in my research practice and presentation. Not only was I learning as I went along but my respondents, had no experience of being asked the kinds of questions in which I was interested. If they did not trust me, they might think I was a kind of spy sent by some institutions. Beyond this general point, several conceptual and methodological issues are especially significant.

i) As indicated above, the thesis is both descriptive and hardly generalisable. All that it can claim to do is to present an exploration of how the often elusive and frequently ignored social relations which enable the material relations of globalisation work themselves out. This is its main contribution to the literature: an insight into how at the micro-, even inter-personal level, these social relations shape and permit or prevent the construction of new globalizing geographies.

ii) There is insufficient discussion around questions of power although I recognise that power is influential in the building of regulatory and personal trust and in the transformation of trust relations. This omission is not explicable solely in terms of lack of space. In part, it reflects the sensitivities around Chinese political economy and the consequent reservations of my respondents to reveal much that is meaningful in terms of how the relations of power are practiced. This is especially apparent in the comparatively few respondents I managed to recruit from branches of the Chinese state and regulatory authorities. However, relations of trust are not formed in a power-free vacuum and notions of persuasion and seduction (Allen 2003) are implicit throughout the thesis. Allen (2003 5) describes power as ‘a relational effect’, and ‘the outcome of social interaction’. According to Allen (2008 1614):

\[
\text{power is something that makes things happen: it is what enables us to make a difference in the world. It is to acknowledge that the ability of an agent to act, to intervene in events so as to make a difference...}
\]

So, without revealing the process of how power works in shaping relations of trust an understanding of the role of trust is limited. The establishment of Chinabank Suisse
through the purchase of a recently established hedge fund by the Bank in London is a
case in point. Beijing gave permission but at the same time, refused a request from
the Paris branch to acquire a long-established private bank. The official explanation
was that the financial crisis reminded the state authorities to pay more attention to
risk but this ignores the fact that the head of the state authority in Beijing once
worked in London and had good personal relationships with the EMC in London.
Clearly, revealing how power-relations work raises very sensitive issues and risks
revealing the identity of my respondents who were worried about the possible
consequences of the release of their critical remarks for their future career or
promotion. I had, therefore, to sacrifice deeper insights for ethical considerations.

iii) The response of the City to the operations and practices of the Bank in London
are inadequately covered. This is due in part to my position as a native Chinese. It
was hard for me to gain access to the local bankers, and especially difficult to gain
their trust. So when I ask their opinion on Chinese banks, they may not like to tell me
frankly as they think I am the ‘other’. As a result, views on Chinese firms held in the
City are based on a small number of respondents and City communities: many of my
respondents were Chinese-British whilst reliance on the financial media was an
inescapable but insufficient substitute. This difficulty provided me with another
insight as to why the Bank in London had difficulties entering into the mainstream of
the City and why it felt entranced when finally accepted.

iv) The thesis relies heavily on qualitative data – which, in a sense, exacerbates the
problems noted above. Wherever possible quantitative data are used for triangulation
but, as indicated above, data are hardly reliable and, indeed, as mentioned at various
points throughout the thesis, they present financial actors themselves with significant
problems. Even if my respondents had reliable figures, they were afraid that my use
of these data might again harm their careers. Interviews from different sources are,
therefore, an attempt to triangulate and to compensate for this lack.
v) My own positionality presented both advantages and disadvantages (and see point iii) above. On the one hand, I was able to gain access to a range of intimate moments in the activities of the Bank, thereby gaining significant insights into the micro-social relations through which relations of trust are practiced and contested. However, on the other hand, this privilege may also have inhibited or shaped the responses of some, if not all respondents. And this problems is, of course, exacerbated by the Chinese relationships of ‘friend’ship which may have led not only to the granting of access but also to a tendency to want to please and so present a view favourable to my own contacts.

Postlude

In contemporary globalisation, ‘anything which relates to China will cause a discussion and anything China buys will roar its price’ (China Central Television 2010). Three of the four Chinese state-owned commercial banks have become the biggest in the world by their market. Will, then, Chinese global banks have hegemonic power in the future?

Mona Domosh (2010 431) argues that

If today’s financial crisis has taught us anything, it is that even the best economic advisers of the largest global companies never really know what is lying just head of them, beyond the next curve.

As a western scholar, Domosh sees in the financial crisis of the noughties and the teens, the uncertainty of globalisation and its dynamic. But the Chinese government has its own opinion on the financial crisis. The crisis was blamed on the greediness of the capitalist bankers in seeking maximum profit at the expense of the welfare of the people (Wen Jiabao 2009). The question of a bank for the people or a bank for the money is an ethical issue which very much remains in the financial world. Is a one party-state a good way to keep banks from being greedy?

There is evidence to show that the one party-state still plays a key role in the business of Chinese banks. Even when engaging in ‘transnationalizing
entrepreneurship’ (Yeung 2009), Chinese state-owned bank managers, have many considerations to take into account when making their strategic decisions. This is because they are not capitalist managers in a western sense. They are asked to act as ‘real entrepreneurs’ (Liu Ling CSA05/30/09/08 Beijing) to make their banks more competitive in the world economy, but at the same time, they are appointed officials of the Chinese state. They are not independent of the state’s will, even if they want to act as capitalist managers. That is why they have to make tactical use of personal trust and regulatory trust in order to make things happen. Being government officials, they have first to earn political trust from the state, then win personal trust from the state bureau, then establish regulatory trust for their banks from the market. It is a hard job for Chinese state-owned bank managers:

In fact, Chinese banks might feel they are by far the unhappier bunch, because they must continue to endure the blunt instruments wielded by bureaucrats in Beijing. An important feature of many Chinese banks --and companies - is that they remain state-owned entities which must obey government orders whatever the consequences for their businesses. When the government repeatedly jacked up banks’ reserve requirements in 2007, they had to forgo profitable loans and park their money in low-interest accounts at the central bank.

The Economist, January 31 2008

The crucial political task of keeping the ‘political stability’ of the Chinese state sits alongside a globalizing capitalist economic rationality. For this Wu (2008 1093) explains:

When the reform started, Deng Xiaoping’s idea was very much a market-first approach. The state set its priority as promoting economic growth instead of class struggle. Interestingly, by doing so, the state actually legitimizes its continuation in the economic sphere and in turn strengthens its political capacity. State intervention was justified by the need to enhance competitiveness as a late comer to industrialization. So, in a strange way, marketization and strong state intervention are very well coupled.

For Harvey (2005 144), this coupling of ‘marketization’ and a ‘strong state’, is ‘a neoliberal economy with Chinese characteristics’. One of my respondents elaborated on this notion.
As long as the Communist Party is in control, it will not lose its state-owned banks. That’s why they appointed double positions to the bank’s top managers. For example, the president of the Bank was also appointed as a Party secretary and the chairman of the bank as deputy Party secretary. Any big decision-making, such as appointing managers to branches in the bank should be through the Party Committee’s general meeting. This is a typical Chinese characteristic of modern corporate governance in the bank operation.

Qu Liang, Chinese state financial reporter CSA06/30/09/08 Beijing

Thus, in the process of globalisation, economic actors are not passive, but actively respond to the forces of globalisation. This response may act as a resistance to globalisation, changing the way globalisation behaves, at the same time as it is changed by the experience of globalisation. Therefore globalisation is an ongoing and open-ended process. According to Faulconbridge (2008 207), the effects of transnational firms’ action,
sometimes, but not always, result in change, but change that is unlikely to lead to aligned worldwide systems (convergence). At the same time, though, systems are equally unlikely to remain completely untouched by the influences of globalisation (persistence). Instead, what may be termed “converging divergences” seem most likely, …where some practices change but others do not.

This notion of hybridity is confirmed by the findings of this thesis.

**Conceptual and theoretical implications**

But, of course, this conclusion begs the questions of what hybridity might be – and hence of how tendencies towards global convergence and/or divergence might play out. In the context of this thesis, answers to these questions involve further considerations of globalisation and of trust as a set of socio-spatial relations. This concluding section merely raises a range of questions around such issues as a way of thinking through some, at least, of the implications that flow from the work presented herein.
To begin with globalisation. The thesis worked with a notion of globalisation (see chapter 1) thought of as involving geographically expansive circuits and networks of influence, - social relations, metrologies and semiotics which intersect with circumstances in particular places and sites. However, these are themselves in part the relational consequence of globalisation - and the resultant social and material contestation/negotiation/acceptance within, and transformations of, the places/sites and expansive circuits/networks (see, for example, Lee 2011). The empirical chapters of this thesis showed just how complex these interactions may be. Global links come to be constructed out of negotiations between those attempting to establish and sustain such links and those working in conditions characteristic of local circumstances in both ‘core’ and ‘periphery’. And, of course, these circumstances may themselves be created in part under the influence of global relations already pertaining in those places. To this extent, therefore, the processes and relations of globalisation discussed in the thesis might be seen as ‘local’ in the sense that these processes and relations had to take place in and through local circumstances however these circumstances may have come into being. Indeed, such ‘local circumstances’ provide the context for and objectives of negotiation. They are, thereby, the means through which the process of globalisation happens. And, of course, although this thesis was concerned with the soft relations of globalisation, ‘negotiations’ may range from the organic local absorption of global relations through to their violent imposition.

The thesis showed that political-economic and cultural differences between the sites studied (the Bank in London, the City of London and the regulatory authorities in Beijing) were a critical element in the process of globalisation taking place within and through the Bank but also - and by implication - between the Chinese state and global finance. In a sense, the different conditions in theses sites were the point of the exercise in that, in bringing them together, the Bank could take advantage of them. Differences between the sites were not simply overcome or eliminated but, rather,
were reconciled, accommodated and incorporated into a workable set of global relations.

Thus the relations of globalisation explored in the thesis could not be understood merely as some kind of singular top-down process which “overrides locality” (Robertson 1995 26). On the contrary, change occurred in all sites and enabled the reconciliation and accommodation of difference and so facilitated the ongoing relations of globalisation between the sites. Such an emergent hybridity is open-ended and relational in the sense that its own path dependence is a highly influential shaper of its future. So, whilst the sites were accommodative of each other they did not become as each other. Rather, through processes of learning, the differences between them were used and taken advantage of in enhancing the effectiveness of the resultant relations of globalisation.

And, again, such a process of learning did not simply stop once certain changes have been enabled. As Andrew Sheng, chief adviser to the China Banking Regulatory Commission, stated recently in response to the financial crisis originating in the advanced economies of the west: “When our teachers are no better than us, we really have to think for ourselves” (quoted in Mahbubani 2011 13). But of course, this does not mean that practices return to what they were before the relations of globalisation began their transformative work. On the contrary, as the thesis shows, the very parameters of “thinking for ourselves” had changed as a result of the establishment of relations of trust and learning. Thus the process of “thinking for ourselves” is based on a very different state of prior knowledge and comprehension from the state of affairs which pre-existed the process of “thinking for ourselves”. It is, therefore, likely to move in directions which are not predictable. As a relational process, globalisation continues to create new and unpredictable hybrids – not least because it is rarely, if ever, a singular process but takes many forms at the same time. This was illustrated in the thesis by, for example, the transformations in the day-to-day
working practices of the Bank (chapter 6) and in the inter-institutional (chapter 5) and macro-economic geographical (chapter 7) contexts.

And this latter point raises the issue of globalisation as both multiple and partial (see, for example, Piertse 1995). As Miles Ogborn (20085) has argued

[C]ontemporary globalisation is understood not as singular and undifferentiated but as partial, multiple and diverse. There are different relationships and varied geographies to be traced depending on where we look and what we look at. Economic analyses of trade and money look different from religion or language. Different places and different people are involved in particular ways in globalizing processes. The imperative is to trace the specific and distinct relationships and the forms of connections that are made over time and space.

The perspective and findings of this thesis are certainly conformable with such an interpretation of globalisation and the analytical ‘imperative’ that flows from it. For example, the thesis recognizes both the significance of very different contexts – interpersonal (chapter 6), inter-institutional (chapter 5) and institutional-state (chapter 7) - in which relations of trust were established in order to enable globalisation, and that globalisation – even economic globalisation - is political and cultural as well as merely economic. Indeed, the thesis recognizes not just differences between economy, religion and language – to take Ogborn’s examples - but the diversity of economic relations themselves. The economy is far from merely economic. To use two portmanteau terms, it is necessarily and simultaneously ‘material’ as well as ‘cultural’. As the thesis shows, economy involves language, belief, tradition, semiotics, cultural norms and practices as well as trade and money. All are vital for economic effectiveness and for the social imperative of material efficiency in the economy. And all contribute in diverse and varying ways to the emergence of hybridity.

So, as conceived in the thesis, hybridity is itself multiple and open-ended. It is not, as implied in the Oxford English Dictionary (OED) definition, merely the product of the union of two entities - the
offspring of a tame sow and a wild boar, one born of a Roman father and a foreign mother or of a freeman and a slave
or, more formally, the
offspring of two animals or plants of different species; a half-breed, cross-breed, mongrel; anything derived from heterogeneous sources; composed of incongruous elements
but, in the context of globalisation at least, it is a temporary and dynamic relation subject to constant transformation. Nevertheless, these dictionary definitions do raise a range of issues in and of themselves: the necessary co-presence of similarity and difference (sow/boar; animals of same species or variety); implications of pronounced differences in the status of hybrid partners (Roman/foreign; Freeman/slave) and the outcomes (mongrel, half-breed) which carry the implication of inferiority or, at least, of something less than pure.

So hybridity is not only about difference. There has also, it seems, to be a certain condition of similarity for hybridity to be able to emerge. And yet hybridity is, implausibly, seen by the *OED* as a condition - a state - rather than a process. But what of time and change? Do successive hybridizations necessarily lead to convergence or are tendencies towards new divergences still apparent? Similarly in a relational world in which spaces, ideas, things and people are not pre-formed but emerge out of relational interaction, is there any implication of convergence or is it rather a matter of successive divergences as hybrids are themselves combined in relational interaction? On the basis of the complex responses of the agents involved in the globalisation of the Bank, the evidence points to towards divergence in that differences were reconciled, accommodated and learned from rather than merely eliminated. And, as indicated above, such processes are not momentary but continuous. They led in directions which reflected the new circumstances emerging in the sites and localities involved.

And this conclusion is supported by a consideration of the dynamics of uneven development which are continuously involved in processes of globalisation. Uneven
relations of power are implied in the choice of the *OED* examples (Roman/foreign; freeman/slave) and these are related to notions of purity, disintegration, inferiority and marginalization all of which contribute to hybridity in different ways. Thus in the thesis, the role of persuasion and seduction based on developing relations of trust were apparent not merely in coping with the path dependence of ‘local’ historical norms and practices (chapters 5 and 7) or in reconciling the range of differences involved between the Chinese regulatory authorities and the City of London (chapter 7), between the bank and other financial actors in the City (chapter 5) and between the indigenous and ex-patriate employees of the Bank (chapter 6) but in coping with the differential relations of power and perceptions of inferiority and marginalization involved in all of these relationships. To make matters even more complex, relations of power are, as indicated above, not static and nor are they one way. As the example of the mortgage issue demonstrated (chapter 7), western finance capital learned from Chinese practice. And relations of power may also be reversed as current debates around the ‘great convergence’ between ‘east and ‘west’ in the global economy reveal. Again divergence and hybridity are consequences of such dynamic conditions of uneven development.

And so finally to the idea that underpins the thesis as a whole: the question of trust as geography. Expectations of gain (however defined) exceeding any opportunity costs are what drive globalisation. However, globalisation is a double-edged sword involving not merely gain but risk, uncertainty and the negotiation of relations of difference. Thus the thesis argues that the establishment of relations of trust is essential to enable globalisation to proceed. And, as chapter 3 argues, such relations are inherently geographical. First, trust is a product of geography - without difference and any associated uncertainty, trust would be redundant. Secondly, trust is embedded in geography – not only are quantitative indices of trust variable across global geographies but the qualitative nature of relations of trust are also highly differentiated and so make the establishment of such relations a complex process of social construction in overcoming difference. And thirdly, trust is a producer of
Without the establishment of workable relations of trust, globalisation - which necessarily involves geographical transformations including the construction of new geographies - would be impossible, or at least severely constrained. The reconciliation, accommodation and incorporation of difference referred to above involves a complex process of negotiation and persuasion based on the establishment of trust - the soft social relations explored in the thesis - in which the complex geographies – personal, institutional, place-based - of local context played a powerful role.

Thus not only is trust, like markets, an essential ingredient in economic interactions (global or otherwise) but, like markets, relations of trust have to be constructed as workable and effective geographies. The thesis provides some illustration not only of how trust works to enable globalisation but of the complex processes involved in building such workable geographies of trust and the transformations of both the nature and practice of trust which result. Furthermore, it does so in contexts - state-firm (chapter 7), intra-firm (chapter 6) - less frequently considered by geographies and geographers of trust as well as those contexts – inter firm relations (chapter 5) - more frequently discussed. But in the thesis the focus is primarily on the detail of the complex processes and micro-social relations through which these relations come into being rather than with their consequences which form the more usual focus in discussions of trust.

If these three themes - globalisation, hybridity/convergence and divergence, and geographies of trust form its analytical spine, where, lastly, does the thesis point in terms of further research? The thesis argues that globalisation is underpinned by soft social relations like trust. But it suggests that the notion of trust itself may helpfully be broken down into the relations of trust and the practice/existence of trust. The practice/existence of trust is always emergent and is so through the construction of relations of trust. Given the nature of trust as geography outlined above and in the thesis, there is work to be done further to specify both the nature of embedded
differences in notions of trust (thereby producing the need for the practical reconciliation /accommodation of difference and so the need for trust) and the processes through which relations of trust may be constructed (thereby enabling the production of geographies across such difference). Such work is, as the thesis has tried to show, necessarily multi-scalar in focus and involves a wide variety of actors engaged in micro-social processes within and between - but also well beyond - firms as economic agents.

A recognition of globalisation as simultaneously both local and global, partial and reversible, multiple and differentiated, is recognized in the thesis in which the contingent nature of globalisation is stressed through the treatment of the complexities and difficulties involved (as, for example in chapters 2 and 5) in its achievement. Such an understanding of globalisation which chimes with notions of economy as multi-dimensional – cultural and material - is enabled by the kind of detailed ethnographic and qualitative work conducted in the thesis. Hopefully, therefore, it shows that micro-scale economic geographical research of the sort presented in chapters 5 – 7 is not incompatible with big questions of political economy and the vexed question of the inherent sociability of economic practice. Although the differences between the sites and the objectives sought were ‘big’ (involving nothing less than the mutual engagement of Chinese state socialism and a representative firm – the Bank - with finance capital in the City of London), the thesis showed that micro-social negotiation and the establishment of relations of trust at a number of different levels were central to coping with difference and achieving new global links. If this is so, then claims around the tendency for qualitative work to focus merely on small issues should be contested.

Lastly, the thesis tries to argue that the constant emergence of hybridity through globalisation is a result of the complex soft social relations of globalisation which are themselves subject to change as they are negotiated to enable globalisation to take place. Given this, the binary distinction between convergence and divergence in the
global economy makes little analytical sense. What is more realistically involved is a continuous process of differentiation which is both path dependent and relational and hence open-ended and dynamic. It was the formulation of trust as geography and, above all, the detailed empirical work conducted for this thesis which provided the means through which such a conclusion could be reached and which might, therefore, bear replication in other contexts and places.

Although this thesis presents merely one very focused case study of such processes, its findings suggest that further work in all of these areas will not only elucidate the operation of complex globalizing economic geographies but further strengthen arguments about the centrality of geography to globalisation itself.
Appendices

Appendix 1 Information Sheet and Consent Form

NB A Mandarin version was provided to Mandarin speakers

REC Protocol Number QMREC 2006/51

YOU WILL BE GIVEN A COPY OF THIS INFORMATION SHEET

Bring it all back home? A Chinese bank going global

I would like to invite you to agree to take part in this PhD research project. You should participate only if you want to; choosing not to take part will not disadvantage you in any way. Before you decide whether you want to take part, it is important for you to understand why the research is being done and what your participation will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask me if there is anything that is not clear or if you would like more information.

My research concerns the global expansion of Chinabank. In particular it examines the processes involved in establishing the Bank as an effective participant in the global financial centre of the City of London. It asks how the establishment of relationships of trust between the Bank and other financial institutions in the City and elsewhere is significant in enabling the Bank to develop a successful presence in London. I propose to investigate the role of trust in this context primarily through a series of interviews with key participants in the Bank and the City. This is the reason for my request to interview you. The information that the interview will provide will help me to understand both the nature and the role of trust in building financial relations at a global scale.

If you do decide to take part you will be given this information sheet to keep and I will ask you to sign a consent form. The interview should last about 90 minutes and you can choose the time and place as you like. I will ask you questions and, with your knowledge and permission, I will record our conversation. Again, with your permission, I may come back again to ask you to do a second interview with some follow-up questions. I will keep any information you provide confidential and will not use your name or details in my thesis. If you decide to take part you are still free to withdraw at any time and without giving a reason.

In the event of you suffering any adverse effects as a consequence of your participation in this study, you will be compensated through Queen Mary University of London’s ‘No Fault Compensation Scheme’.
CONSENT FORM

Please complete this form after you have read the Information Sheet and/or listened to an explanation about the research.

Title of Study: **Bringing it all back home? -- A Chinese bank going global**
Queen Mary Research Ethics Committee Ref: **QMREC 2006/51**

. • Thank you for considering taking part in this research. The person organizing the research must explain the project to you before you agree to take part.
. • If you have any questions arising from the Information Sheet or explanation already given to you, please ask the researcher before you decide whether to join in. You will be given a copy of this Consent Form to keep and refer to at any time.
. • I **understand that if I decide at any other time during the research that I no longer wish to participate in this project, I can notify the researchers involved and be withdrawn from it immediately.**
. • I consent to the processing of my personal information for the purposes of this research study. I understand that such information will be treated as strictly confidential and handled in accordance with the provisions of the Data Protection Act 1998.

Participant’s Statement:
I ___________________________________________ agree that the research project named above has been explained to me to my satisfaction and I agree to take part in the study. I have read both the notes written above and the Information Sheet about the project, and understand what the research study involves.

Signed: Date:

Investigator’s Statement:
I __Yajing Li___ confirm that I have carefully explained the nature, demands and any foreseeable risks (where applicable) of the proposed research to the volunteer.

Signed: Date:
Appendix 2 Interview respondents list (Dec 2006 –Sept 2009) and explanations

Individuals are identified with the firm or organisation that they worked for at the time of the initial interview. These organisations are coded as follows: within the Bank in London CBUK (Chinabank UK); its head office, Chinabank Beijing CB (Chinabank); state actors in Beijing CSA (Chinese state actors); and other London-based actors UKA (UK actors). As example of the coding scheme is outlined below:

The code CB01/01/12/06 London means that in this group of people categorized by me as CB (Chinabank), this respondent was the first one who agreed to have an interview with me after I contacted her. The actual time of the interview is 01/12/06, ie, December 1st, 2006. During the course of my fieldwork, some of my respondents moved to new organisations and new countries, some retired, and some changed departments or got promoted. Regretfully, one of my respondents passed away months after my interview.

Respondents list is as follows:
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<td>senior at management level</td>
<td>F40s</td>
<td>CBUK13/10/12/08London Sharon, British manager</td>
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<td>CBUK 14</td>
<td>21/12/08</td>
<td>London</td>
<td>staff in corporate</td>
<td>M30s</td>
<td>CBUK14/21/12/08London Si Ma, expatriate</td>
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<td>CBUK 15</td>
<td>21/01/08</td>
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<td>CBUK 16</td>
<td>10/08/07</td>
<td>London</td>
<td>manager in international settlement</td>
<td>M60s</td>
<td>CBUK16/10/08/07London Stanley, British manager</td>
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<td>CBUK 17</td>
<td>08/07/08</td>
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<td>CBUK 18</td>
<td>07/08/07</td>
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<td>F30s</td>
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<td>senior at management level</td>
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<td>28/08/07</td>
<td>London</td>
<td>EMC member</td>
<td>M50s</td>
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<td>F60s</td>
<td>CBUK21/12/12/07 London CBUK21/03/12/08 London Ross, retired British staff</td>
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<td>CBUK 22</td>
<td>15/06/08, 21/09/08</td>
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<td>M 60s</td>
<td>CBUK22/15/06/08London Ru Guo, retired expatriate</td>
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<td>06/03/08, 16/07/09</td>
<td>London</td>
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<td>CBUK24/21/04/08London CBUK24/03/11/09London Wei Wei, partner of an expatriate</td>
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<td>expatriate staff</td>
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<td>EMC member expatriate</td>
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<td>20/08/09</td>
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<td>M60s</td>
<td>CBUK29/20/08/09Lonodn ZHU PENG, retired expatriate manager</td>
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<td>CSA 01</td>
<td>10/10/08</td>
<td>Beijing</td>
<td>senior manager CBRC</td>
<td>M 50s</td>
<td>CSA01/10/10/08 Beijing CUI MING, state financial officer</td>
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<td>CSA02/20/07/08 London CSA02/10/10/08 Beijing HE QING, state financial officer</td>
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<td>11/10/08</td>
<td>Beijing</td>
<td>senior manager MFAC</td>
<td>M40s</td>
<td>CSA03/11/10/08 Beijing HONG MING, state officer</td>
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<td>CSA 04</td>
<td>04/09/08</td>
<td>Beijing</td>
<td>state officer MFAC</td>
<td>M30s</td>
<td>CSA04/04/09/08Beijing LI YONG, state officer</td>
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<td>13/07/08, 30/09/08, 16/07/09</td>
<td>London, Beijing</td>
<td>state media reporter</td>
<td>F30s</td>
<td>CSA05/30/09/08Beijing CSA05/16/07/09 London LIU LING, Chinese state media reporter</td>
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<td>13/07/08, 30/09/08, 04/06/09</td>
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<td>state financial reporter</td>
<td>M40s</td>
<td>CSA06/30/09/08Beijing CSA06/04/06/09London QU LIANG, Chinese state financial reporter</td>
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<td>18/11/07, 19/10/08</td>
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<td>manager at China oil</td>
<td>M50s</td>
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<td>UKA 01</td>
<td>22/01/08</td>
<td>London</td>
<td>junior manager at RBS</td>
<td>F30s</td>
<td>UKA01/22/01/08London ALISON, manager in global banking service</td>
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<td>Role at work</td>
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<td>M40s</td>
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<td>05/09/08</td>
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<td>project manager Citibank</td>
<td>M30s</td>
<td>UKA04/25/01/08 London Frank, former expatriate manager</td>
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<td>project designer at P and B Designing firm</td>
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<td>UKA06/21/09/09 London Gordon, local loan borrower</td>
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<td>28/07/09</td>
<td>London</td>
<td>lecturer at Cass</td>
<td>F30s</td>
<td>UKA07/28/07/09 London Jane, a lecturer in Cass</td>
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<td>UKA08</td>
<td>08/12/08</td>
<td>London</td>
<td>marketing manager at Lloyds TSB</td>
<td>M40s</td>
<td>UKA08/08/12/08 London Harry, former local British manager</td>
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<td>UKA10</td>
<td>08/09/09</td>
<td>London</td>
<td>broker at Savills</td>
<td>M40s</td>
<td>UKA10/08/09/09 London Paul, a local financial broker</td>
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<td>UKA11</td>
<td>16/09/09</td>
<td>London</td>
<td>junior manager at global sector HSBC</td>
<td>M30s</td>
<td>UKA11/16/09/09 London Philip, Junior manager HSBC</td>
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<td>UKA12</td>
<td>22/09/09</td>
<td>London</td>
<td>lawyer at a legal firm</td>
<td>M40s</td>
<td>UKA12/22/09/09 London Ronald, a City-based lawyer</td>
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**Explanation of selecting respondents**

In selecting respondents, I chose both managers and less senior staff. Highly placed managers were involved in all key aspects of the business and consequently had first hand knowledge of the firm’s strategy and administrative activities. Less senior staff offered different voices and added both credibility and critique to the data generation. Senior managers knew the decision-making process and the less senior staff knew about the execution of each project. I also sought to interview a mix of both males and females in the Bank. ‘Corporate historians’ (Glasmier 1988) were also a target. I was fortunate to get access to several people who had been involved in the Bank for nearly 30 years. Their experience of the Bank and its expatriates in the cold war...
period when China was still largely closed to the outside world provided with me with a history of, and a sense of change within, the Bank. Their stories were part of the story of the Bank.

To gather data on the global strategy of the Bank’s Beijing Head office and the role of London in its global expansion, a sample of 11 highly-skilled executives and less senior staff within the bank in the Beijing headquarters was an important source. As key informants, they were the main decision-makers or key witnesses to some big events of the bank in applying the global strategy. I identified the chair of the board of directors and the president of the bank as respondents. But they were the busiest people and had limited manoeuvre to speak to the media or researchers without permission of the office dealing with public relations. Thus I could not get access to them as planned. Instead I got access to two managers who administered their office work and worked for them for years in the executive office. I also conducted interviews with a mix of people who had senior or less positions in the Bank, including an independent board member and people in a number of relevant departments (strategy, risk-management, human resource management, global markets, global expansion, legal compliance, international finance research department, Communist party-committee propaganda office).

Although the Beijing respondents provided me with rich data about the decision-making and management in Beijing, they could not provide more detailed information about the operations of the Bank in London. To acquire data on the construction, reconceptualisation and transformation of social relations of trust as the Bank extended its geography, I identified 29 people according to their function in the Bank in London. Eleven of them were local British (9 were recruited in the past few years by the Bank and two had been working for the Bank for more than 30 years), two were EMC members of the Bank with Chinese background. I interviewed 14 of the Chinese expatriates in the Bank and two expatriates’ partners. And I also interviewed two people who once worked as expatriates in the Bank during the cold
war period. Regretfully, one of my respondents passed away several months after I did the interview. To pay tribute to him, I copied one CD with his interview with me and gave it to his son. The daily operation of the bank and the experience of these people in the City of London in working and co-operating with bankers in the City were investigated through my interviews. As well as discussing questions relating to trust, these respondents also told me how the dynamic interaction between the Bank and the City of London influenced relationships with Beijing, and to what extent it influenced actors in the City of London in dealing with bankers like them from emerging markets.

Before the economic reform which began in 1978 state-owned banks were mere agents of the state. Even after the reform, these state-owned banks remained as semi-government agencies and semi-commercial banks. Only when China prepared to enter into WTO did the Chinese government take financial reform seriously. To raise their competitiveness, the government encouraged the banks to become commercial modern banks. This included encouragement for banks to find foreign strategic partners and to make a global debut through an overseas IPO thereby to improve the knowability and credibility of the Chinese state-owned banks. If there was a transformation of relations of trust between the Bank and the Chinese State, it would to some extent be shown by the way the state undertook the financial supervision and how the Bank responded to such supervision. Besides listening to the top and middle-level managers in the Bank, a sample of eight government officers who were in charge of the banking system were also my respondents.

Two state institutions had close relationships with the Bank. Both are under the State Council led by the Chinese Communist Party. One is the CBRC (China Banking Regulatory Commission), the function of which is to supervise the business of the Bank especially in global expansion. Another is MFAC (Ministry of Foreign Affairs of China), concerned to check the qualifications of the general manager of the Bank especially at a political level. In China, if a state-owned bank appoints its overseas
branch managers, it is not only a matter of the bank, but also a state affair as well considering state security. So, any appointed manager must pass a political examination by MFAC and obtain its approval. For example, whether or not s/he was patriotic and politically loyal to the Party. Even until 2003, the Bank’s general manager was required to be Communist Party member. I recruited two respondents (one in charge of the national financial affairs and another in charge of the overseas activities) from each of the two institutions to explore their role in the Bank’s going global and in what ways of trust may have been challenged by the incorporation of global financial rules. These people were higher officials and played a key role in financial decision-making within the Chinese state. The Bank’s clients of state-owned firms were also targeted for information about the transformation of relations of trust. State media people on finance were also useful informants. I targeted two of them whose articles related to the development of the Bank.

Since trust is relational and subject to learning from experience, interactions among various actors in the trust relationship not only allow the Chinese bankers to reconstruct notions of trust but also provide the people around them with better understanding of the Chinese way of trust building. To investigate the research questions concerning how the Bank’s trust was interpreted in the minds of outsiders and the ways of building trust in City of London were transformed in coping with the emerging markets, information offered by people who had knowledge of the Bank were significant for my research. At first I targeted a group of outsiders involved in the business of the Bank as business partners, clients, expert teams or financial supervisors. As a result, I interviewed 12 respondents with experience of the Bank’s operation in the City including managers in RBS (former strategic partners of the Chinabank Group); marketing or public relation managers in HSBC, Citibank and Lloyds TSB; legal consultants and mortgage brokers in London; and also lecturers in universities in London who provided training for the Bank in London; and the Bank’s state-owned clients representing their home firm in London and local British clients. Among my respondents in the City, many of them are Chinese-British or
with Chinese background. This again provides evidence that the City was trying to recruit people with Chinese background to do business with Chinese firms.

Among the 20 people outside Chinabank, interviews were shared more or less equally between i) the Chinabank’s strategic partners; ii) its home supervisors and media respondents who have been interested in the Bank; and iii) its key clients as defined in terms of length of relationship, size and nature of business and recent expansion of business. Interview questions were designed to reveal in what ways financial relations require negotiation between different concepts of trust in bridging global spaces and differences across cultures and political economies.

All respondents worked for the Bank or other related institutions at the time of the initial interview. Given mobility within the industry, some of my respondents moved firms during the course of my fieldwork. Many others have also since moved firms/employers.

All interviews were conducted all in person, all at least once, many several times; the majority for over an hour, some much longer; others involved cumulative repeated conversations and drop-in sessions over the two- year fieldwork period which ran from December 2006 to October 2009.

To protect my respondents and to keep their confidentiality, I have used false names in the coding system and, especially when sensitive issues were being discussed, I also tried to blur their positions within the Bank and other organisations further to protect their true identity. Several respondents told me that they did not want to be identified even if I did not quote any negative remarks. This is a Chinese way of being ‘far away from any potential trouble’ (CBUK 12/18/12/07 London; CB08/22/12/09 London). For example, the CEO of the Bank was anxious not to appear to be quoted too frequently. As a result, I have from time to time anonymised his position in the Bank.
Appendix 3 In-depth interview guide/aide memoire

To all respondents

1) personal information - through preliminary chat, ‘tell me a bit about’
   i) job role at work
   ii) overseas experiences
   iii) educational history
   iv) work pressures

2) the things that require time and effort
   i) drinking and eating in banquets,
   ii) taking care of others, clients, colleagues, friends…
   iii) significance of trust at work and in daily life

3) the Bank’s role
   i) in Chinabank’s global strategy
   ii) expectations from Beijing
   iii) profit-orientated or not?

4) London’s role as a financial centre
   i) what did the Bank get from London?
   ii) role of local managers
   iii) processes of learning in London

5) role of the state
   i) corporate governance
   ii) control of Beijing?
   iii) future of the Bank without Communist Party

6) attending the opening ceremony or not?

7) any other possible respondents?

To respondents in the Bank in London

1 What’s your position in the Bank?
   How would you describe your daily work?
What proportion of your time is spent on various roles, such as meetings, coordinating, socializing with colleagues (clients and supervisors) of the Bank (company/organization)?

2 What roles/jobs do you find difficult or time consuming?
   Are there any circumstances in which you have to adjust your ways of working/managing when facing people from different cultural backgrounds?

3 How often do you make trips between Beijing and London?
   What are the purposes of the trips?
   What would you consider to be most important to make your plan or proposal be approved (by your supervisor/Beijing HQ/Beijing State)?

4 Why is Chinabank UK necessary since there is a Chinabank London Branch established in 1929?
   What means of communication did you use to convince Beijing to establish Chinabank UK?
   Do you think that there there any differences between the operation and strategies of Chinabank UK and Chinabank LB?
   With the establishment of Chinabank UK, what will be the relationships between the Bank and the City/ FSA London and Beijing?

5 What is the global strategy of the Bank?
   What do you think the head office in Beijing expects of the Bank?
   How would you describe the role of Chinabank Headquarters in Beijing in the Bank’s future?
   How would you describe the role of state agencies in Beijing in the Bank’s future?
   What changes have you noticed in the the role of headquarters/state in Chinabank UK?

6 What do you think the role of London as a financial centre for the Bank’s going global strategy?
   What ideas/objectives lie behind employing local staff in the Bank?
   What is the process of recruiting local British managers?
   What do you think did the local managers bring into the Bank?
Have you noticed any cultural differences in the Bank?
Are there any conflicts due to cultural difference?
How do you manage these?

7 As an expatriate, what would local managers need to do to earn your trust at work?
What do you think you have learned from the local managers?

8 As a local employee, what would expatriate managers need to do to earn your trust at work? What do you think you have learned from the expatriate managers?

9 Relationships characterize Chinese business life. As a saying goes “Relationship matters”, what do you think of this statement?
Do you experience any differences in the nature of friendship between expatriates and local staff?
To what extent do you think your personal friends can help a lot with your work?

10 What do you feel are the major the contributions of the Bank to its head office?
What do you feel are the major the contributions of the Bank to state agencies in Beijing?

11 According to FT Mr. Zhu says: “The Party has been reform-orientated for 28 years so the market believes that their involvement is OK. The Party wants the economy to develop. It wants people to get richer.” What do you think is the role of the Party in your work and in the activities of the Bank?

12 Is the Bank a capitalist or a Chinese socialist bank, do you think? Why?

13 How do you describe the current situation of the Bank in London?
What is the important thing for the Bank to do at present?
Who /what do you think the Bank will depend to become a real competitive bank?

14 Have you applied any specific measures in integrating the Bank with the City?
What is the reason behind these measures? (for example, change of title of department and position)

15 What is the future for Chinese banks?
Will they become capitalist banks as any other banks in the City or will they still carry their Chinese characteristics?
16 Did you attend the opening ceremony of Chinabank UK Ltd in the Mansion House? What did you think of it? What impressed you most?

To respondents in the City
1 How does the City community perceive the Chinese banks? Do you think being called ‘communist bank’ or ‘state-owned bank’ has an impact on doing business with the Bank in the City?
2 What issues do you consider before doing business with Chinese bankers?
3 What’s your experience of Chinese bankers/business people? What you appreciate and what you do not? What impress you most when you deal with Chinese bankers? What Chinese characteristics in doing business or in management have you come across or experienced at work?
4 How do you think Chinese banks benefit from being in the City?
   Would the City make any allowances in accommodating banks such as Chinabank from emerging markets?
5 What is the future for Chinese banks?
   Will they become capitalist banks as any other banks in the City or will they still carry their Chinese characteristics?
6 Did you attend the opening ceremony of Chinabank UK Ltd in the Mansion House? What did you think of it? What impressed you most?

To the Beijing state actors
1 What’s your position in the Bank?
   How would you describe your daily work?
   What proportion of your time is spent on various roles, such as meetings, coordinating, socializing with colleagues (clients and supervisors) of the Bank (company/organization)?
2 What roles/jobs do you find difficult or time consuming?
   Are there any circumstances in which you have to adjust your ways of working/managing when facing new practices from the Bank in London?
3 What does CBRC/MFAC expect from the Bank in London in its strategy of going global?

For media people What are your interests in the Bank in London?

4 How have you supported the Bank in London over the past years?

5 From a regulatory perspective, what have you learned from the practices of Bank in London?

   What has the Bank brought back to Beijing?

5 Has London as a financial centre been significant for the Bank’s going global strategy?

6 As my thesis is looking at how trust may be significant, could you tell me something about relations of trust between Beijing and London?

   How do you communicate with the Bank and how do you control the Bank?

7 Relationships characterize Chinese business life. As a saying goes “Relationship matters”, what do you think of this statement?

Do you experience any differences in the nature of friendship between expatriates and local staff?

To what extent do you think your personal friends can help a lot with your work?

8 What impacts do you think the Bank’s integration into the local UK market has had on the head office and other authorities in Beijing? (for example, CBRC,MFAC)

9 What do you think is important in knowledge transfer?

   What do you think you have learned from the western business people/colleagues?

10 According to FT Mr. Zhu says: “The Party has been reform-orientated for 28 years so the market believes that their involvement is OK. The Party wants the economy to develop. It wants people to get richer.” What do you think is the role of the Party in your work and in the activities of the Bank?

11 How would you describe the role of the state in Beijing in the Bank’s future?

   What changes have you noticed in the role of state control in the Bank?

13 In terms of regulation, what do you think the Bank in London contributes to Chinese law-making in the financial system?
14 Did you attend the opening ceremony of Chinabank UK Ltd in the Mansion House? What did you think of it? What impressed you most?
Appendix 4 Postionality of ‘I’ in the research

When I look back on the research process now, I can identify several stages of personal and academic development.

Stage I: in a lost land

Before I came to London, I had an illusion that there would be no problem in being a Chinese University teacher lecturing cross-culture management living and studying in an English-environment. But it soon turned out I was wrong. While living in London, the English I learned from textbooks could not help me to order a proper dish in a local restaurant single-handed; it could not help me to figure out why people were laughing at the story which seems to me not funny at all when emerging myself in a bar with other local British PhD students. While studying in a UK university, my Chinese way of learning presented another obstacle for me. In China, the way of learning is absorbing and swallowing knowledge, the student would have a key textbook to guide how s/he should think but, here in UK, lots of reference books led me to the lost land. The way of critical reading and thinking trained by my UK supervisors had to fight against my deep-rooted idea that knowledge is authority. I asked myself the question: what is critical reading and what is critical thinking and how? If there is something wrong with the knowledge, why it is called knowledge and taught at universities? My inability to challenge the authority was challenged for the first time in UK. I got lost.

Stage II: be confused

It took efforts and pains for me to learn how to be critical and I must admit, at a time, I became too obsessed with picking up faults with my own culture and value in China. As a result, I became depressed finding so many ugly things in the culture I came from and ashamed to be one member of ‘East’ society, but I found it harder to become one member in the ‘West’ society with few friends and acquaintances. I was confused at where I belonged. There is a space called China and space called UK but there is no hybrid space territorially existed for people like me.
**Stage III: be reflexive and accept the otherness of self**

It took even greater pains and efforts for me to get over the confused stage and gain confidence in myself as a ‘mixed product’ of being ‘West’ and ‘East’. I learned how to take advantages of both sides and gain the nutrition by critically looking at them. As the thesis came to an end, I began to understand why Chinese ancient philosophers advocated the ideology of *yin* and *yang* and the *Golden Mean*. The beauty of their idea lies in ‘balance’ or ‘harmony’ (和). And the way to reach it is through hybridity. The process of hybridity is a reflexive process, constantly adjusting oneself according to the context, to different others. The position of ‘I’ in this research is actually changing as the thesis goes along. This reflexive process, as a matter of fact, helped me significantly as I had conversations with my respondents and tried to interpret what they think meaningful to them and why they think so.

Sometimes I feel I am like a spider, trying to locate my centre and then make my web linking west and east, up and down. The web I made is through the spaces linking me with other directions of the world around me. The web itself is the world I created through my interpretation of my respondents’ understating of the world. That being the case, my understanding and presentation may be culturally ‘biased’. As Stuart Hall points out (1993 392): ‘We all write and speak from a particular place and time, from a history and a culture which is specific, what we say is always in context’. The web I made can also be regarded as kind of ‘knowledge’ to be scaled by the external examiners and my readers, which I dare not to claim to be the ‘whole truth, not even claim to approach it’ (Clifford and Marcus 1986 9). It is only a part of it. But it is still a story told by living people with whom I interacted and understood. This is the story of how ‘I’, as a real person living in my own world and a researcher having a UK academic background, came to know about the experience of Chinese bankers in the City of London. It was not only the thesis that grew and developed; its author grew and developed too.
Appendix 5 Questionnaire

Questionnaire survey on nature of trust and friend 對信任和朋友定義的調查

1 Does personal trust help your work?
   A Yes
   B No
   C It depends

2 At work, do you think that you can trust only 工作上你能信任
   A a friend and colleague？朋友加同事.
   B any competent colleagues？任何有能力的人

3 Do you have different degrees of trust in different people? 你對不同人有不同程度的信任嗎?
   A Yes 是
   B No 不是

4 Who would you trust most? 你對什麼最信任
   A friend 朋友
   B family member 家人
   C colleagues 同事
   D it depends on the context 看情況

5 How would you describe your notion of a friend 你對朋友的定義是
   A a friend in need is a friend indeed; friends are defined by mutual obligations; he/she should promote you and protect you? 患難見真情，朋友就是要麻煩你的，也是你用來麻煩的，他要提拔你還要保護你
   B true friends should help each other but without obligation? 朋友應該幫助對方，但不能讓朋友有負擔讓朋友為難

6 Over what scale can you develop your friendships 你建立友情的範疇
   A wide, (including boss, colleagues, clients, classmates, sometimes maybe someone who you have met once in a banquet, for example?) 寬，(包括老闆，同事，客戶，同學，有時一起喝一次酒也能交成朋友)
   B narrow, (including school fellow, club fellow, colleagues (maybe), but definitely not one with whom you have had only a drink or casual contact?) 窄，(包括同學，同俱樂部會員，可能同事，但絕對不會喝一次酒就成朋友)

7 How do you make friends?
   Please score the role of the following ways (5 is most significant and 1 is least ) 你喜歡怎樣方式結交朋友？
   A through drinking together 喝酒
   B through gift-giving 送禮物
   C other
8 In which do you trust most? 你對信任的定義
A persons? 信任人
B institutions? 信任機構

9 Would you recognisise and disstinguishes between personal trust and regulatory trust? 何為個人信任和機制信任?
How would you describe these and any other forms of trust? 排出以下在工作中建立信任的重要程度（從最重要在最不重要）

A Honesty 诚实
B Friendliness 友善
C Care for others 关心别人
E Good will 好意
F Competence 能力
G Other means 其他

10 How important are the following in making trust at work? (rank from very important to least important)

A Honesty 诚实
B Friendliness 友善
C Care for others 关心别人
E Good will 好意
F Competence 能力
G Other means 其他

11 Are you
A staff? 職員
B manager? 經理
C senior manager? 高級經理?

12 Are you -M-F 你是-男-女
A Chinese? 中國人
B British/Western? 英國人（西方人）
C British Chinese 華僑

13 How long is your multinational experience 多文化經歷的時間?
A none? 無
B less than 1 year? 一年不到
C more than 2 years? 兩年多
D more than 3 years? 三年多

14 How would you describe your style of work in the Bank? 你認為你們的公司治理機制是
A Chinese style? 中國式的
B Western style? 西方的
# Appendix 6 Chinabank beyond China (offices, branches and subsidiaries outside China)

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Note: Most of the Chinabank’s overseas institutions are in Hong Kong and Macau. The table above excludes both these areas, although Chinabank includes them in its overseas institutions.
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