

THE IMPACT OF THE CHINESE AIR CARGO HUB PROJECT ON
THE BUSINESS CLIMATE OF ST. LOUIS

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I would like to dedicate this research work to my parents, my father, Jingde Yang, and mother, Baoqin Zhou, who have supported me through out my study in the United States. I am very lucky to have them as my parents. They not only taught me how to be a good person, most importantly, they showed me the amazing side of life. I learned to be tough even during the hardest time in my life. They were there for me unconditionally. Their love is what drives me everyday. They sacrifice their family time with me for me to have a better education. I could not have come here to study at the first place if they didn't support me financially. They were so generous for my future.

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Chapter 1: Introduction and Background

Introduction

In Beijing in March 2008, two memorandums of understanding were signed by Lambert – St. Louis International Airport and the State of Missouri with the Civil Aviation Administration China (CAAC) and the Chinese Ministry of Commerce (MOFCOM) to open dialogue for creating an economic hub that will increase business and cultural exchanges between the two countries (Midwest China Hub Commission, 2007). These agreements represent an ongoing, multi-year effort, called “The Big Idea”; to create a Chinese air cargo hub at St. Louis’s under-utilized Lambert International Airport.

Air China currently has four cargo facilities in the United States. These facilities are located in Los Angeles, San Francisco, New York, and Chicago. These four facilities connect the United States with Beijing and Shanghai and serve as the main cargo entrance for Chinese cargo planes (Air China, 2010).

The Big Idea proposes that the St. Louis region become China’s primary gateway into the American Heartland through dedicated cargo flights connecting St. Louis with China, and through development of a strong economic hub of Chinese business and Chinese – American business partnership located in St. Louis and the Midwest. Mutual Chinese and American interest in this initial proposition had progressed to visits to China by Missouri officials and visits to St. Louis by Chinese officials. If successful, this air cargo hub is projected to have a

significant impact on the St. Louis area economy. It also has the potential to help “remake” St. Louis from a decaying, deindustrialized city into a post-industrial city with strong ties to international trade.

St. Louis is pursuing its “Big Idea” at a time when more American businesses, regions, and cities are turning their attention to the huge and growing Chinese market. In today’s globalized world, international cooperation is at a new level of importance. The interdependence of economic trade between China and the United States shows the need for cooperation from both countries. With a steady Gross Domestic Product (GDP) growth and as a giant country in the eastern hemisphere, China has influenced the world’s economy significantly in the last decade. For example, the gross domestic production (GDP) of China in the first quarter of this year was RMB6574.5 billion, a year-on-year increase of 6.1%, compared to the 10.6% growth in the same period last year (Policy, Finance and Economy, 2005).

Opening its door to foreign investors gives China a great opportunity for success in the world. While developing domestic infrastructure and increasing the Chinese population’s living standard, China has been heavily involved in many international business organizations. For example, China joined the World Trade Organization (WTO) in 2001. Exporting to the United States has dominated China’s markets (CIA, 2010). Therefore, seeking partnerships in the United States and other forms of international cooperation have increased the business and cultural exchanges.

The United States of America is the most influential country economically

and politically in the world. With the recent economic downturn, the U.S government is promoting foreign investment in the U.S. by providing many investment related visas. One of them is the EB-5 visa, which lures international investors who invest at least \$500,000 and will create at least 10 full-time jobs in areas suffering from unemployment. There are 20 States have successfully adapted the EB-5 visa system and developed at least one or more regional centers. Neighboring states, including Kansas, Illinois, and Iowa, have all created regional center(s). For example, Kansas has been very successful in that they currently have 21 countries invested in development and operation of fuel grade ethanol production facilities (U.S Citizenship and Immigration Service, 2010). The State of Missouri is among the few States that have not developed the regional centers yet. Therefore, the proposed air cargo hub is an opportunity for the St. Louis region to reach out and invite some Chinese investors who want to gain access to the U.S market. Most importantly, by paring the EB-5 visa program with the proposed air cargo hub, there will be a tremendous economic development opportunity.

The majority of American people realize that a healthy international partnership can be mutual beneficial. This world is internationally connected, and no country can survive on its own. Having a solid business foundation in the U.S has always been one of the top priorities for the Chinese government. To the Chinese, America's wealth and modern technology are the best in the world. To Americans, China's rise economically and politically proved this country's potential in being a major business partner.

Chinese businesses have historically located mostly on the West and East Coasts (International Trade Administration, 2010). Those businesses include: schools, hotels, restaurants, transportation, airlines, importing and exporting hubs, and wholesales centers. However, development of trade with the Midwest has lagged behind the West and East Coasts, and the Big Idea promotes the change of the Midwest region's "fly-over" identity by collaborating with China.

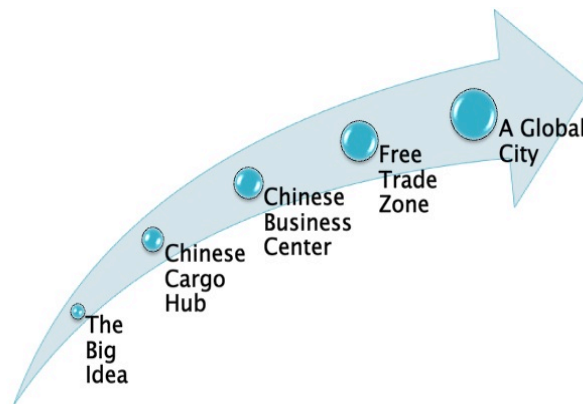
The Big Idea

In 2007, St. Louis faced the challenge of redeveloping its airport. St. Louis had built a new runway to accommodate Trans World Airlines hub, starting construction in the late 1996. However, the sale of Trans World Airlines to American Airlines, who had existing hubs in other cities, and the downturn in the air industry after the terrorist attacks of 9/11, led American Airlines to reduce flights to and from St. Louis. With only two-thirds of the runway capacity at St. Louis Lambert International airport now being used, St. Louis then had an under-utilized facility that they had heavily invested in, adding to the economic troubles of the region.

Steven Stone, the CEO of a law firm, a member of St. Louis Economic Council and the originator of the Big Idea, together with other influential business leaders in St. Louis, approached the Chinese government with an idea to promote St. Louis to Chinese business leaders. In order to gain connection with the Chinese government, Mr. Stone provided St. Louis officials with his long family connection to the Chinese government. Mr. Stone's uncle, Jack Perry, was among the first group of economic trading partners between China and

Great Britain beginning in 1952. Currently, Stephen Perry, Mr. Stone's cousin, is the CEO of The 48 Group Club in the UK, which promotes business collaboration between Europe and China. Steven Stone was in a unique position to believe and understand that US-China business collaboration could prove beneficial to both countries in the future.

Figure 1: The Vision of the Big Idea



Created by: Na Yang, June 2010

The idea to forge trade ties with China was not only to address St. Louis's airport problem, but also to increase St. Louis's trade with the outside world. The movement became known as the "Big Idea", and consisted of both the short-term goals of obtaining a Chinese air cargo hub but also the long-term goal of building a trade partnership with China. The early adopters of the "Big Idea" had a larger idea – to transform St. Louis from a traditional but struggling industrial city to a post-industrial city that is based around international trade (Figure 1). With the need to make a change, a number of business and government entities became interested in formally pursuing this idea. Initially, the pursuit of a Chinese air cargo hub was taken on by the St. Louis Regional Chamber and Growth Association (RCGA,), which due to their mission and membership were uniquely positioned to pursue the hub.

Since the conception of The Big idea, multiple meetings with China's embassy staff in Washington, D.C., China's Consulate in Chicago and various officials in Beijing have occurred. The RCGA, Missouri Partnership, and Lambert-St. Louis international Airport completed two independent studies related to China cargo back haul and China freight forwarding opportunities. In May of 2008, two memorandums of understanding were signed which committed both parties to further pursuing the project. To further examine the unique logistic and investment opportunities located in Missouri, China's Vice Premier, Wang Qishan visited St. Louis in June 2008.

After two years of work, including numerous meeting in the US and China between the various parties, both the leadership in St. Louis and Beijing felt the idea of a cargo hub was worth pursuing further. Once trust was developed and a level of commitment was established, St. Louis decided to dedicate their efforts and broaden participation by forming a commission, the Midwest China Hub Commission (MCHC) whose sole goal was to pursue the "Big Idea". At this time, the Big Idea came to reality with the formation of the Midwest China hub Commission on January 21, 2009.

The Commission was formed in the presence of the United Senator Christopher Bond and the Chinese ambassador, Zhou Wenzhong. At this time, the Commission took over the RCGA's role of promoting the Big Idea and executing collaboration with the Chinese government entities. The transition of the role and duty was smooth due to the exceptional cooperation among ST.

Louis officials. The Commission was formed by the voluntary action of the following state and local government and private entities:

- Missouri Department of Economic Development
- St. Louis County
- City of St. Louis and Lambert – St. Louis International Airport
- Missouri Chamber of Commerce and Industry
- St. Louis County Economic Council
- St. Louis Regional Chamber and Growth Association (RCGA)
- St. Charles County and Partners for Progress
- Missouri Department of Transportation
- Civic Progress
- Missouri Partnership
- World Trade Center Saint Louis

(MCHC, 2009)

After the commission was formed, three separate delegations from China visited St. Louis. One of these delegations consisted of all major CEOs of companies in different economic sectors. Others consisted of high level Chinese officials, including the Chinese ambassador and the Vice-Premiere. In all these meetings, many prominent leaders from business and government were involved, including chancellors from major universities in St. Louis and Columbia, both state senators, and the governor. During this time, the Chinese government also began exploring the possibility of seeking trading partners and locating an air cargo hub in other Midwestern cities such as Chicago, Memphis, and Dallas.

After these successful St. Louis-based meetings, a delegation from the MCHC went to Beijing in early 2010 and received a commitment from four major Chinese airlines to jointly study the potential of the cargo hub. In an upcoming delegation trip to China in August 2010, Missouri officials and the two U.S. Senators from Missouri will continue to pursue this business venture and secure their connection with China for future development.

Research Question, Methods, and Relevance

This research will focus on how the negotiation process of establishing a cargo hub project at the St. Louis Lambert International Airport (the Big Idea) has promoted business cooperation and altered the business climate in St. Louis. The overall question is “how does the Chinese cargo hub project impact St. Louis’s business climate and culture?” This project defines business climate as the overall performance of the St. Louis business community. People form the community. Therefore, the business climate is a collective perception on the business culture. To answer this question, the study tackles three objectives:

- 1) Document the business climate in St. Louis before the Big Idea.
- 2) Document the changes in business culture that St. Louis leaders perceive to have occurred.
- 3) Explore the reasons these changes occurred.

This research project uses a single case study approach using qualitative research methods. Fifteen leaders from the business and government sectors were interviewed. Interviewees were selected based on their involvement in the Big Idea using a snowball technique. A detailed questionnaire was used to generate useful data to show how working on the cargo hub project has impacted the business culture of the region. The questionnaire was structured in four sections: personal biography, assessment of St. Louis Business Climate, questions about cargo hub competition, and the impact of the competition for the hub. Each interviewee was asked to best explain their experiences with the

project and to offer evaluation of the project. Questions within these four areas explore further the impact of the cargo hub project on St. Louis business climate.

This research will also analyze the cultural sector of how people interact to achieve a common goal, which is to gain international partnership and investment from both countries, the U.S and China. In addition to the existing literature that is related to many aspects of regional development, this case study research will define important factors that contributed to the partnership between China and St. Louis.

A study is needed to analyze the business and cultural relationship between the Chinese and American people in order to know how the professional interaction is altered because of the “Big Idea”. Most importantly, this study will show how the cargo hub project leads to collaboration, which, in this case, changes people, social interaction, and the business climate in St. Louis and Beijing, China. This research project will give interested parties more understanding of the unique efforts between two countries to increase understanding of each other, overcome cultural gaps, and foster healthy business relationships.

This study will also contribute to the growing literature on the role of globalization in regional development. In today’s world, it is important to understand globalization’s impact on decision-making and regional development. Due to globalization, the need for foreign trade and international cooperation has affected many regional development efforts. Also, a study of the Big Idea in St. Louis will add to the growing examples of how one metropolitan region,

composed of many municipalities and government entities, can function as an individual entity. This research will contribute to the business literature that has documented China's evolving foreign investment strategies. Finally, this study will add to our understanding of guanxi systems and Actor Network Theory (ANT). This ongoing Chinese air cargo project is based on the collaboration and social networks between St. Louis and China. They played an important role in this project because people engaged in ways they had not done before. Actor Net Work theory (ANT) from western studies and the guanxi system are explored further to demonstrate the impacts of these social networks in international cooperation.

The thesis is organized as follows. The next chapter explores the wide array of literatures that inform this study. Chapter three documents the data and methods used. Chapter four explores how the St. Louis business climate has changed. Chapter five documents why the Big Idea has led to changes in St. Louis, despite some serious obstacles. Chapter six summarizes the study and offers a set of "best practices" for future international collaborations between US metropolitan regions and other countries.

Chapter 2: Literature Review

Introduction

This research asks how the Chinese Cargo Hub Project impacts the business climate and culture in St. Louis. This project not only impacted St. Louis's collaboration with China, but it also effected the local government and business leaders who have benefited from working together. To set the context for the study, this chapter will take a close look at the body of literature that addresses the various issues. Literature from three academic areas will provide background knowledge relevant to this research: Globalization and Regional Development, The Evolution of Chinese Economic Strategy, and Collaboration and Social Networks.

Globalization and Regional Development

This section will cover the theory of globalization and how it will lead to regional development. This research is a regional study of cultural and business change. Therefore a close look at existing literature in this area is necessary.

Globalization is such a widely used term that it can be defined in many ways. In an economic context, "One of the most remarkable international trends of recent decades has been globalization – the spread of free trade, free markets, investments, and ideas across borders and the political and cultural adjustment that accompany this diffusion" (Hobbs, 2009). Improved technology and communication helped the world to eliminate the barrier of space when trading, and a huge and ever-increasing amount of economic activity (input-

output chains, migration streams, foreign direct investment by multinational corporations, monetary flows, and so on) now occurs in the form of long-distance, cross-border relationships (Scott, 2001). As globalization in this sense moves forward, it creates numerous conflicts and predicaments that in turn activate a variety of political responses and institution- building efforts. Martin Wolf (2000) argues, “The failure of our world is not that there is too much globalization but that there is too little. The potential for greater economic integration is barely tapped. We need more global markets, not fewer, if we want to raise the living standards of the poor in the world”.

In the 1990s, some literature focused on the European Union and the United States as the main actors in globalization. The European Union and United States are preeminent actors in the international economic scene. Each of them has been a leader in integrating its economy with the world, which has increased their economic power (Levy, 1995). Because of the wide implementation of globalization, many developing countries have changed their policies to compete in this economic order. China is a great example of adopting globalization as one of its economic strategies to boost its economy. China has changed its policies to encourage foreign direct investments and integrate its leading scientists with the world wide scientific communities.

Much existing literature looks at globalization as the foundation of regional development. These publications have specifically focused on the inter-connection between globalization and the formation of city regions. (Levy 1995, Scott and Storper 2003, Scott 2001, Coe, Hess, Yeung, Dicken, and Henderson

2004). Scott (2000) has stated that as globalization proceeds, a mosaic of large city –regions surface. He mentioned that agglomeration economies function as the spatial foundations of the new world since the 1970s, encouraging the rise of regional economies. Scott stated that global city regions consist of capital, labor, and social life that will in turn foster international relationships.

Globalization has led to renewed interest in regional building arrangements (Levy 1995). Within regions, many political units will need to work together to deal with threats and opportunities presented by globalization. In “The End of the Nation State”, Ohmae argued that the region states are becoming more important. He asked, “where do the borders fall in a borderless world” in the introduction of his work. Unlike a generation ago or a decade ago, people expect economic development more than ever, especially, “economic demand” (Ohmae 1995). He used the four “I”s to define what he meant, including investment, industry, information technology, and individual consumers. According to Ohmae (1995), “Investment, the first “I”, is no longer geographically constrained. Now, wherever you sit in the world, if the opportunity is attractive, the money will come in. The money will go where the opportunities are” (Ohmae 1995). Ohmae argued that the concept of the nation state is no longer relevant because more cities can function like a nation or even better than a nation. The Big Idea illustrates the importance of the first two “I”s (investment and industry) because St. Louis is an opportunity for Air China and vice versa. Also, industry perfectly defines the need of partnership between China and St. Louis. A cargo hub may

help the St. Louis economy, and a cargo market would help China to reach new markets.

This research focuses on an example of this regional approach in terms of how various actors within a region pulled together all resources possible to transform St. Louis from a traditional Midwestern city into a global city by proposing an international air cargo hub and establishing a possible Chinese free trade zone (FTZ). An FTZ is a special designated area in order to attract new business and foreign investments (Labs, 2010).

The Evolution of Chinese Economic Strategy in the U.S.

This section explores how china has changed within the context of globalization. “China’s economy during the last 25 years has changed from a closed and centrally planned system to one that is more market-orientated. The reforms implemented in the 1970’s not only opened the country for foreign trade, but also phased out collectivized agriculture, loosened price controls, established diversified banking systems and stock markets” (Kumar 345).

One of challenges facing China has been how to compromise between state-owned national businesses and the need to allow for privatization of certain sectors of their economy. While China has allowed privatization at lower levels within their country, they have still maintained ownership of national-level businesses that interact with international corporations. The smaller Township Village owned Enterprises, small private Chinese companies, developed market oriented contractual relationships. Wang argues that by practicing “one country, two systems”, one system being the way the government works and another

system for the township and village owned businesses, Chinese enterprises will have more flexible management and more financial incentives and autonomy for decision making. This paper argues that by giving more freedom to the small business and small areas of production, it will lead to growth and international marketing expansion. National owned Air China has made it possible for the small business to reach out and make connections in the U.S.

China has also altered their approach to attracting foreign direct investment (FDI). A body of literatures has focused on China's policy on FDI and how FDI impacted China's economy and institutional reform. There has also been debate on whether FDI promotes development. FDI has played an important role in China's economic development and foreign trade and institutional reform (Long, 2003).

FDI in China occurs through joint ventures, cooperative enterprises, and solely foreign owned enterprises. However, solely foreign owned enterprises were not permitted unless they either adapted advanced technology and equipments or exported a majority of their products. In 2001, China removed these restrictions, which were also contrary to their WTO commitments, and encouraged foreign-owned enterprises to usher in advanced technology and increase their export volume. As a result, solely foreign owned enterprises replace joint ventures as the most popular form of FDI in China (Long, 2003).

Since early 20th century, American investors have viewed China as potential foreign investment partners. China has attracted the world's attention with its booming economic development and opportunities. The United States has been among the earliest western investors to recognize China's potential and utilize China's ever growing market to "American capital, trade, and influence" (Pugach,1982). With China's historical turbulence with civil war, political

instability, and conflicts with the Japanese, Americans did not stop its attention towards China, instead, Americans kept on pursuing international collaboration with China.

The Sino American relationship changed significantly with Nixon's groundbreaking trip to China in 1972. With tremendous interest in Asia President Nixon reopened the door for American people to contact the eastern giant. Nixon's interest in China as well as his National Security Advisor Henry Kissinger believed approaching the PRC would be valuable. China and the United States may not have seen eye to eye in the Korean and Vietnam wars and human rights. However, leaders from these two countries knew what they needed from each other. To Chinese, American's wealth and modern technology is the best in the world. To Americans, China's rise economically and politically proved this country's potential of being a major business partner. The U.S – China trading relationship is becoming stronger. According Kumar (2007), China is fast becoming the United States' largest trade partner. Trade with China increased \$58 billion in 2006, beating out Mexico's equally impressive \$42 billion gain.

However, collaboration has been hindered because there are still risks doing business with China. Kumar used three categories: economic, geo-political, and operational. The risks in the economic category include a large trade imbalance, large U.S. currency holding, and currency fluctuation. The geo-political risks includes diplomatic relationship are relatively young, increased military spending and activities, Taiwanese tensions, and lack of transparency.

Lastly, the operational risks are increasing cost to invest, transportation infrastructure, and barriers to entry (Kumar, 2007).

The city of St. Louis and the Missouri State Government promote Chinese foreign direct investment for two reasons. First, it will bring St. Louis and the midwestern region new capital. Secondly, the midwestern region has the capacity to host an investor like China. With prominent human and natural resources in hand, the Missourians are ready to take a step forward with China's investment.

Collaboration and Social Networks

Social networks are an important element in this research because almost all of the changes examined are impacted by it. Interaction between people and networks has been a focus of both Western and Eastern social studies. For instance, Actor Network Theory has been applied in studies of western –based networks and Guanxi system has been applied in studies of Asian-based networks.

Actor Network Theory (ANT) is the most studied networking theory in western literature. Developed in the 1980s in Paris with the work of such authors as Micheal Callon, Bruno Latour, and John Law (Turner, 1994), ANT describes the enactment of materially and discursively heterogeneous relations that produce and reshuffle all kinds of actors including objects, subjects, human beings, machines, animals, 'nature', ideas, organizations, inequalities, scale and sizes, and geographical arrangements (Law, 2007). In Sociology, this networking theory has been seen as the core of studies of material and people.

ANT argues that people are not just the core of a network, but that technology, ideas, money, and other possible elements should also be taken into consideration.

Studies that have focused on networks based in Asia have often drawn upon a different type of network concept called Guanxi. Guanxi emphasizes interpersonal connections and how these connections contribute to strong bonds of loyalty and trust that facilitate business and personal relations. This section will first take a look at how ANT concepts relate to this study and then explore the related concept of guanxi.

Actor – Network Theory

ANT consists of actants, networks, and translation. Actants can be the actors and what occurs between them. Human beings are an important part of this element. Also, the interaction of human and non-human form a network. Non-human are not actant in the human sense, but they are part of the functional collective that makes up an actant (Haraway 1992). Interactions between actors are the primary building blocks of actor-networks and their many manifestations are called 'translation' (Callon 1985, Latour 1987, 1997).

ANT is the study of heterogeneous engineering: 'heterogeneous' because it is concerned with a vision of the world as a multiplicity of different connections (translations, associations, mediations); and 'engineering' it sees these connections as fabricated out of a diverse range of materials (Johnston 1994).

According to Callon (1991), ANT has three assumptions. First of all, it treats institutions, practices, and actors as materially heterogeneous, composed not only of people but also of technologies and other materials. Secondly, ANT

assumes that the elements making up practices are relational, achieving their shape and attributes only in interaction with other elements. Nothing is intrinsically fixed or has reality outside of the web of interactions. Finally, it assumes that the network of heterogeneous relations and practices is a process.

Michael Callon has identified four main types of action intermediaries that circulate, align and define scientific networks: human beings, texts, technical artifacts, and money. Most relevant to this study is the concept of money as an actor in the network. Money as an action intermediary bridges the gap between actors with a vested interest in an actor-network and has the capacity to do work (Callon,1991). According to Martin, money in the context of direct funding, sales, or venture capital becomes translated into orders, actions, and recommendations (Martin 720). In my thesis, I am going to analyze how the circulation of money is transformed into action and how money aligns the financial resources and the output or work accomplished by the actor network.

One of the important theoretical elements in describing an actor-network is the 'obligatory point of passage', a node which acts as an intermediary between networks or network components (Martin, 2000). Martin stated that there is strong and weak obligatory point of passage, and there are advantages and disadvantages that come with each. The advantages of a strong obligatory point of passage in an actor – network is that it can control the network by taking authority in it and perpetuates the network's existence and maintains an interaction with participating actors. On the other hand, the disadvantage of a strong obligatory point of passage in an actor – network is that the network

success is inextricably linked to success of the obligatory point of passage. The advantage of a weak obligatory point of passage is to have distributed responsibility, greater circulation and flexibility of interaction. The disadvantage of a weak obligatory point of passage is that an actor network is willing to give up power and distributed it evenly with other actors.

In summary, a strong of obligatory point of passage has control over the whole network with a centralized node. However, it is at a high risk if something goes wrong. On the other hand, a weak of obligatory point of passage has less control of the network and is decentralized, which gives other actors authority. The advantage of having a weak obligatory point of passage is having smaller risk.

Guanxi

China has undergone many changes through out its modern history (1950s – present). One thing that has not changed is guanxi. Originated from Confucius, guanxi has been the core value of the Chinese society for thousands of years. Guanxi simply means interpersonal connection in Chinese. Guanxi could refer to one of the three things: “ (1) the existence of a relationship between people who share a group status or who are related to a common person, (2) actual connections with a frequent contact between people, and (3) a contact person with little direct interaction” (Brian, 1994). Personal trust is a main factor in establishing guanxi, especially in business interactions. Research also suggested that business relations tend to be highly personalized, built on

personal trust, with personal control of the business enterprise (Kiong and Kee 1998).

Through out China's history, guanxi is embedded in every aspect of Chinese social and business relationship. In a business setting, guanxi has helped many foreign companies' success in doing business with Chinese organizations because trust is the foundation of guanxi and the foundation of any interpersonal relationship. Guanxi has been seen as the potential solution of entering and operating in China.

Guanxi is important because of globalization; more western businesses will interact with non-western businesses. In order for business entities to adapt to the non-western business culture, it is essential they understand how people interact and do business with each other through guanxi. The increasing demand for business ventures with China has drawn the attention of western investors. Guanxi, as a main factor of Chinese social life, is the first and most important social networking skill that westerners have to learn. Lovett argued that in the next century, which is now, most western business practices will increasingly move in the direction of guanxi-type systems (Lovett 1999). The increasing investment in China, along with the increasing number of Chinese immigrants to the U.S., has raised awareness in the U.S. of Chinese cultural and business practices.

A body of literature has focused on the significance of guanxi in eastern and western business practices and its implication in establishing a competitive advantage by using guanxi (Park and Luo 2001, Tsang 1998, Lovett, Simmons,

and Kali 1999, Xin and Pearce 1996). Hammond argues that guanxi is one form of social network theory that is more specific in one particular culture. Literature on guanxi has been evolving as the conception of guanxi is changing. Earlier studies introduced guanxi as a cultural phenomenon and discussion focused on its impact on business negotiation (Brunner and Taoka, 1977). Later, a body of literature from sociology, anthropology, and psychology focused on the human and social effects of guanxi rather than its economic value (Huwang 1987, Jacobs 2009, Yang 2002). Recent literature focused more on the benefits and business implications that link guanxi and some western concepts such as networking and competitive advantage (Kiong and Kee, 1998, Lovett, Simmons, and Kali, 1999).

However, agreement that guanxi can be used to gain a competitive advantage is not universal. For example, Ying Fan argues that guanxi cannot be a source of competitive advantage because it is a personal asset (2002). Yet, most scholars argue that guanxi can be used as a competitive advantage. For instance, Xin and Pearce stated that compared to other executives, Chinese private-company executives considered business connections more important, depended more on connections for protection, had more government connections, gave more unreciprocated gifts, and trusted their connections more.

Another debate is whether guanxi represents ethical business practices. Lovett (1999) argues that it is a mistake to assume that a system not based on fairness and equal opportunity is unethical. Lovett states that western scholars perceive guanxi as the root of corruption and unethical because of the lack of

fairness and equal opportunities. However, Lovett later debated this argument by using Hampden-Turner and Trompenaars' research on several different cultures. In their findings, most western countries are more universalistic and analytic. The United States is seen as the most typical example in this case. Comparatively, the two Asian cultures that were studied appeared more particularistic and integrative. Hampden-Turner and Trompenaars described universalism as a process of making universally applicable rules, and particularism as one of discovering exceptions; analyzing as a process of deconstruction or breaking phenomena down into parts, and integration as one of construction or putting parts together into whole patterns.

The United States tends to focus on the smallest details when conducting business (Lovett, 1999). In contrast, the Chinese utilize guanxi to focus on a larger perspective. People who use guanxi as their strategy of doing business or meeting new people tend to look further down the road instead of the first few steps. This is a major difference between the two cultures and central to the objectives of this research. The change in how St. Louis government and business leaders conduct business or utilize guanxi with China will bring the two cultures closer. Most importantly, St. Louis as a region could benefit from this connection or guanxi. These benefits may not be apparent now. However, the next generation will benefit from these connections.

In this research, it is important to understand what role that guanxi has played in establishing trust between the Midwest China Hub Commission and the Chinese government and investors. Some literatures have focused on Sino-

American interactions based on guanxi. When two different cultures engage in business exchange, it is hard for American business leaders to incorporate other cultures personal preferences (Wilkinson 2009). It is necessary to analyze the role of guanxi in helping to conduct business.

In conclusion, this study will draw on these literatures to analyze the relevant areas that contribute to international collaboration. Also, this study will contribute to the existing literature in international cooperation from a social perspective. It will demonstrate how networks are built and evolve as people's perception of each other changes. In this study, it will show the importance of interpersonal interaction on economic decision-making at high levels of government and business leadership and its impact on a regional development. In the next section, the impact of the Chinese Cargo Hub negotiation on the business culture of St. Louis and people's perception of collaboration with China will be explored.

Chapter 3: Research Methods

Overview

This research used a qualitative method, which consisted of identifying key participants in the formation of the cooperative effort to bring a Chinese cargo hub to Lambert-St. Louis International Airport. I received permission to interview 15 individuals who either shaped or will be impacted by the process. To identify research subjects I relied on the snowball method, network building, and contacts made during my internships at the Missouri capital under the State Treasurer's Office and with the Senator from Missouri, Christopher Bond's office in Washington D.C. Each subject was interviewed in person and their responses were taped and transcribed. The interview results were coded to identify major and minor themes. Finally, an analysis was completed and findings were explored.

Data sources

My initial awareness of the Chinese cargo hub project began when I was interning for the Missouri State Treasurer, Sarah Steelman, in Jefferson City, MO in the spring of 2008. I read an internal report from the former Governor Blunt's office describing his official trip to Beijing, China, where he met with the Civil Aviation Administration China (CAAC) and the Chinese Ministry of Commerce (CMC). As a result, two memoranda of understanding were signed by the Lambert- St. Louis International Airport and the State of Missouri with the CAAC

and CMC inviting them to a joint study of the possibility of bringing a Chinese air cargo hub to St. Louis.

Snowball Method

The snowball sampling method is useful to my interviewee selection. Due to the high political level of involvement, it was difficult for me to contact all the valuable potential interviewees. Therefore, with the snowball method, one interviewee introduces another one. This method increased the efficiency of this research and provided interview candidates that were relevant to the study.

I began the research by asking elected officials at the Missouri Capital about the project. Interested Missourians formed the Midwest China Hub Commission one year later in January 2009. When I shared my interest in the Chinese air cargo project with MU officials, I was directed to the Executive Director, Jason Van Eaton, of the Midwest China Hub Commission. Mr. Van Eaton later on introduced me to other Commission members. The Commission consisted of members from the following groups:

- Missouri Department of Economic Development
- St. Louis County
- City of St. Louis and Lambert – St. Louis International Airport
- Missouri Chamber of Commerce and Industry
- St. Louis County Economic Council
- St. Louis Regional Chamber and Growth Association (RCGA)
- St. Charles County and Partners for Progress
- Missouri Department of Transportation
- Civic Progress
- Missouri Partnership
- World Trade Center Saint Louis

The members of the Chinese delegation to St. Louis included representatives from:

- Chinese Investment Partnership Association (CIPA)
- China Chamber of Commerce

Each contact opened a door for me to meet other people involved in the process. I was invited to attend all of the Chinese delegation visits to St. Louis and gained access to officials from the Midwest China Hub Commission and the Chinese delegation. In July of 2009, I went to Washington D.C. to intern in Senator Kit Bond's office, where I met many more business and government leaders from St. Louis. During this period, I determined who I wished to interview based on their position and involvement in the process. They included local and state government officials and private entrepreneurs from Missouri and China.

Interview format

Interviews were most important source of data. I conducted interviews with thirteen Americans and two Chinese government and business officials. Each semi-structured interview lasted from sixty to ninety minutes. Interviews were conducted primarily in English, but one Chinese official was interviewed in Mandarin. Interviews typically were conducted at offices of interviewees. All interviews were tape-recorded with digital audio after obtaining written consent. Then, typewritten transcripts were prepared for future data analysis.

Questionnaire design

I developed a questionnaire, which would gather information about how the Chinese air cargo project would affect the business climate in St. Louis and make it more attractive to the Chinese investors. Different sets of questions were used for interviewing the Chinese officials and the American officials. I used

semi-structured interview methods to interview both party's officials to understand how this partnership affected the business climate of St. Louis. The questionnaire included sections addressing individual background, their assessment and understanding of the St. Louis business climate, their individual experiences during the negotiation process, and the perceived impact of the cargo hub project on regional development. Also, additional insight was given by the interviewees based on their unique position or relationship to the project. Questionnaire can be found in Exhibit A.

Data analysis

The fifteen interviews were conducted and the responses were coded using Nvivo. An inductive method was used to code the interviews. After reading transcripts of three interviews, I developed a preliminary coding framework consisting of six themes, which capture the impression of how the Chinese cargo project impacts St. Louis' business climate (Exhibit A). Then, I proceeded to code each interview, modifying the coding framework as new themes emerged. After coding all interviews, I reviewed each theme, and condensed, reorganized, or modified the coding framework. Finally, I structured the themes into major and minor themes based on frequency and relevance to the research question, which is to identify how the cargo hub project contributed to change in the St. Louis business community and the communities of other people involved. Each common theme is illustrated with examples of relevant quotes.

Data limitations

This research was designed to find out how the Chinese cargo hub project impacts St. Louis' business climate and culture. With all the interview data in hand, the most important limitation of this qualitative research is that the findings cannot be directly generalized to the larger population that will be effected by the cargo hub project in St. Louis. The reasons for this limitation are:

1. Interviewees were not selected randomly. Individuals who participated in the interviews were selected through a snowball method, which is where one participant introduces a new contact. Most of them are members of the Midwest China-Hub Commission.
2. The number of interviewees in this qualitative research study is fifteen. It might be too small to be representative of the population in St. Louis. However, it is important to keep in mind that the interviewees have excessive knowledge on St. Louis' regional development. Also, this study focuses on the leaders of business and government.
3. Without any numeric data, this qualitative research cannot be subjected to statistical analysis to estimate to what extent opinions expressed by interviewees reflect the opinions of the general population. The most important implication of this limitation is that it should be understood that the actual primacies of specific concerns, attitudes, or beliefs don't represent the general population of St. Louis.
4. Some interviewees tend to express views that are consistent with their experiences and background and try not to present themselves negatively. Even so, some interviewees asked not to publicize part of their opinion.

Therefore, some data is not usable without the interviewees' permission.

5. Documenting the change involved asking interviewees to recall what the St. Louis business climate was in the past. Because these are memories, they could be biased and incomplete.

Chapter 4: Results

Reporting themes

This research focused on how the Chinese cargo hub project impacts the business climate and culture in St. Louis. From analyzing all fifteen-interview transcripts, “change” emerged as a dominant theme when interviewees described the impact that the cargo hub project has on St. Louis’s business climate and culture, with 56 individual passages coded as “change”. Within the “change” theme, three kinds of change provide details that show different aspects of the impact, change in individual perception, change in community perception, and cultural change.

Table 1. Frequency of passages coded as Change

Result/Change	Frequency	Percentage
-Individual	28	50%
-Community	16	29%
-Cultural	12	21%
Total	56	100%

Created by: Na Yang, August 2010

The ongoing air cargo hub project has impacted individual perceptions more than any other categories. 28 interview passages (50% of all passages coded as “change”) were coded as evidence of a change in individual perception, providing strong evidence of how the Big Idea has had an impact at the individual level. The second biggest change is change in community. As individual’s perception

changes, the community as a whole will change. Lastly, the change in culture shows that there is a correlation between individual and perception.

In the next section, quotes are used to illustrate the impact of the cargo hub project on individual, community, and the culture.

Change in individual perception

Interviewees have shown tremendous interest in the ongoing project in St. Louis. Many of them have expressed that the project has impacted their personal perception of China. The cargo hub delegation meetings gave St. Louis officials a new opportunity to understand and learn Chinese business culture. Also, the project has broadened the perception of China among the American officials.

One interviewee from St. Louis business service sector discussed how participating in the Big Idea has changed him personally:

This project has made my tie with China stronger. I had worked and lived in China, and I had many many Chinese friends from many different parts of China. I'd say I met as many people there working on this project as I did in the entire three years that I worked and lived in China. It has been very effective from that perspective. I have grown and learned tremendous amount.

Many of the interviewees have stated how their perception of China has changed by participating in the project and after visiting China. Many officials had their first encounter with the Chinese culture with the first delegation meeting in Beijing in March 2008. Their delegation visits to China made many appreciate the sheer size of China, and it opened up their minds to a totally new culture. As a prominent business leader stated:

And you understand the enormity of it, and that was an eye opener. And also in talking to not the official delegation but to just people you'd encounter that might know English, random people like a

bartender in a hotel, trying to talk about the life experiences. I found it fascinating. Watching just how people live their lives, it was an eye opener.

China's economic development surprised most of the St. Louis officials. Even with the St. Louis officials who had been to China prior to the first delegation meeting, the fast growing economy and growth in city infrastructure have impressed them. It was an eye opener to many St. Louis officials as their first hand experiences emerge.

The things I told people when I got back was that the scale and the scope of everything is something that you can't comprehend even though I read a lot, I watched tv on news and see and investigate on these things, try to learn more about China, but you can't really understand and comprehend it until you see it.

The delegation meetings have brought many business leaders and investors to the same table. By meeting with the business leaders in China and seeing their company's capabilities in the Chinese economy, the individual perception of business opportunities in China has changed. For example, one Commission member stated:

China needs more sophisticated high tech service, health care, and education, particularly China's fastest growing middle class consumer population in the world. Everything from wanting to have consumer goods to good health care. I am assuming the Chinese government is going to satisfy that market.

Likewise, the delegation meetings and exchange encouraged St. Louis business leaders to think about opportunities to grow their business in China. Several leaders discussed the untapped potential of Chinese businesses. For example, one Commission member reflected:

People don't realize how many successful companies there are in China. Most of the companies that we are talking about that would

be in the Forbes's Top 400 Companies List. And most of them do not have presence yet in the United States, so the logic of all of this is coming together.

Also, through working with the Chinese officials, interviewees have observed the perception change among the Chinese officials. The Chinese government appears to be interested in the "Big Idea" by sending the Chinese Ambassador to St. Louis. The effort from both sides clearly shows the ongoing cooperation and negotiation. Both parties are working to achieve a common goal. One Commission member observed:

We have also seen a significant perception change among the Chinese officials. They have continued to partner with us. We have the Chinese Ambassador here four times since the Big Idea came out. You can see that the partners and friends we made are continuity working with us.

In summary, St. Louis business and government leaders expressed that their individual perceptions of China, and the business opportunities associated with China, changed due to their involvement in the activities of the MCHC.

Change in community perception

The main idea of this research is to see if there are any changes in the community among leaders of St. Louis area businesses and government. The sub-theme, "change in community perception," reveals that the "Big Idea" impacted not only individuals but also the collective perception of how St. Louis views itself. The evidence came from the comments of both government and business officials on how the government and business leaders and the community responded to the cargo hub project.

First, St. Louis perception of itself has changed. St. Louis has a history of building bridges, and those historical connections give many leaders hope that the Big Idea will serve as the next bridge of St. Louis. One St. Louis County government leader captured this idea when he stated:

St. Louis was once the gateway to the west. When America was expanding it went from east to west. And St. Louis put that bridge across the river. That's like what we are trying to do with China with an air bridge. It's the next elevation of St. Louis and we're saying gateway not just to China. But what about Brazil, Canada, and making China just one spoke in that wheel.

St. Louis is starting to see itself as a global city. Many St. Louis officials have indicated the increasing awareness and openness of the St. Louis community. Before the Big Idea came out, the St. Louis community was content to do business the traditional way. However, the Big Idea gave the St. Louis business community a new perspective of themselves, who learned their potentials for future development. One government leader observed:

I haven't seen any incremental growth, but I have seen awareness and deepened connection with China. I see St. Louis looking at itself differently. They began to have international trade ambitions. We have the capacity and structure to do this project.

The Big Idea has also changed St. Louis by elevating China in the minds of the St. Louis business community. One government official summarized this change by stating:

This community has really opened its eyes because of the attention not only political here, but also, the attention the Chinese business and political leaders have given to St. Louis. Media, business, educational. Everybody now is talking about China. Compare to three years ago, China was just a country in the world, now St. Louis sees China as a primary country to St. Louis.

By working on the Big Idea and interacting with Chinese business and government leaders, St. Louis has attempted to change the way it is viewed on the national and international stage. One commission member reflected on these changes by stating:

I think it's a great opportunity. What will happen to St. Louis is its stature as a business center, cultural center will increase. It's to have a more international presence will be good because as we move along, the world is more and more connected, it's a truly global economy. And you've got to realize there are other places aside from just Missouri and St. Louis and we need to project to those places in addition to welcoming them here.

Several interviewees expressed the opinion that with the growth of China, most businesses will eventually have to deal with China. The Big Idea will help nudge St. Louis businesses towards this reality. As put by one high-ranking Missouri business leader:

The future collaboration between St. Louis and China will continue to increase. Jason [another leader on the commission] suggests to business leaders in Missouri. If they don't have business plan and strategies for China, they better start now. If they want to grow their business into an international present, they have to deal with China. It can be difficult because of the language, cultural, and geography barrier for a Midwest company to do that.

In summary, St. Louis's self-perception of its role in the global economy, and the role of others, such as the Chinese, are linked. As St. Louis markets itself as a region with opportunities, international investors will start to see this potential also. As one high-ranking Commission member stated:

I believe that all the work that we have been already accomplished is opening up the minds of Chinese to St. Louis and the Midwest. And making the connections that are already happening because of this effort between business in China and St. Louis. There are partnerships that have already been formed because of the

changes that we have been established. The president in China and the United States really focus on this idea of connecting business. The Chinese government is opening up to that. I really believe that we will ultimately be successful probably a year a way from that.

Change in culture

Many interviewees have realized the need for cultural change, especially business culture. The region needs to recognize that the world is changing fast. Therefore, adapting to new cultures is necessary. In this case, adapting to the Chinese business culture will give St. Louis an edge over its competitors. One business leader in St. Louis summed up this idea, stating:

I think there is a growing awareness across the whole region of the importance with China and doing business with that country. I have talked to numerous organizations and people, for whom China was this foreign place that has no effect on their daily life, and that is changing everyday. They start to realize the importance of China and it is where they should pay attention to. I know two college students who are taking Chinese right now just because what the Midwest China hub is doing in the region. They start learning Chinese because they see the cultural importance of that country. They see the need for cultural change here in St. Louis. They see that we can't be as conservative as before. That has to change.

Many interviewees showed interests in connecting the two cultures together. With this project, many people will benefit from learning the culture of the other, which in turn will help foster business opportunities. As one Commission member stated:

The larger questions is how do we connect the culture beyond the opportunity in both places to where you take Chinese culture and St. Louis culture, and you put them together. And together that would be more than them separately. So that the Chinese investors would see the underline opportunities here for their business development.

Cultural understanding is a key to a successful international business collaboration. Many St. Louis officials have learned the unique Chinese way of doing business. One commission member observed:

Americans are transactional. Chinese are more relationship orientated. That is one adjustment Americans have to understand culturally how the rest of the world works. If those connections that you built would ultimately create the context for any other commercial or business activities, you can't just walk in and say I have got a deal for you because it is not going to work like this.

Also, many interviewees have realized the generational differences among the Chinese people. Understanding how to do business with different Chinese generation can be important in this project. One business owner and a member of the Commission has commented:

I'm always learning about Chinese business culture. It is very different from the U.S. The differences between these two cultures can be crucial. If you are working with the Chinese people that relatively formal or older, there is a different way dealing with them than younger people. Younger people are becoming much more westernized. They are risk takers, less formal, they are a lot more like us. You deal with them differently. They still understand the traditional china. The younger generation would recognize and operate better than traditional Chinese ways.

The Big Idea has led some St. Louis business leaders to envision new Chinese settlements in St. Louis as part of the larger business and cultural exchange. They see this as an extension of St. Louis's successful history of incorporating diverse groups of immigrants. One Commission member stated:

We have a lot of people came forward and want to be involved with the project. Imagine the Chinese population here grows as substantially as the history of the French population and the Italian population. More recently there are fifty thousands people in St. Louis from Bosnia, and the reason there are fifty thousands people from Bosnia in the city of St. Louis is that a number of Bosnia

families in the 1990s found a very friendly place, affordable, and they then sent the word back to their families who then moved here.

In conclusion, the ongoing cargo hub project has impacted St. Louis greatly. By participating in the Big Idea, many St. Louis government and business officials have seen the change in the business community and people's perception of the region and China, which they think will help to redefine St. Louis' position in the world. By being part of the project, either directly involved or indirectly involved, people have gained a tremendous knowledge of China and Chinese business culture. It is important to explore why these changes have occurred and what St. Louis leaders did right to get here. In the next chapter, I will incorporate all the dimensions of knowledge and contribution from various interviewees to demonstrate the reasons that St. Louis has changed because of the cargo hub project.

Chapter 5: Discussion

The results section illustrated three major impacts that participating in the cargo hub project had on the St. Louis business community. It is important to understand why these changes occurred. It is notable the change in individual perception, change in community perception, and change in culture occurred despite serious obstacles. In other words, what has St. Louis done right to foster a growing partnership with China and maintain a positive atmosphere in this economic crisis? This chapter explores the challenges facing the Big Idea and how St. Louis was able to overcome them and change.

Obstacles

All of the fifteen interviewees have mentioned the challenges that St. Louis is facing in this ongoing negotiating process. The challenges include language values, cultural differences, conservative mindset, and protectionism. To build a strong connection with China and get China to locate its air cargo hub in St. Louis requires more than just collaboration and initiative. It is important to know the obstacles and overcome them, and then the process will be smoother. Understanding the challenges is important because they can impede the progress of the Big Idea. By understanding the challenges, future efforts can proceed smoothly and successfully.

-Language

Communication is very important in this project. Therefore, the language barrier becomes the first issue for seven of the interviewees. Many interviewees

realized that among all the delegation meetings, many of the officials from both sides have trouble understanding each other's language, which leads to heavy dependence on translators. Sometimes the meaning of an expression in Chinese cannot be directly translated in the way it should be in American culture, and vice versa. As one Commission member stated:

The main difficulty that could hinder this project is the language. I think both countries are fully aware of the potential of this project. Political leaders from Missouri and China are cooperating and promoting this project. It may not be here in ten years, but if people keep trying, I believe, something good will happen. I personally experienced the barrier of language in this project. For example, when CIPA was here, we had to hire an interpreter from outside of the business. Therefore, inevitably, there must be some translation error. However, I could sense the motion in the air when something is not going well.

One Chinese official also admitted that the language barrier posed challenges.

The first challenge is the language. I feel like there is always a gap when expressing myself to the Americans. You know, communication is very important in business world.

The Commission has attempted to minimize the language barrier by employing extensive use of translators. To have a better understanding of the Chinese culture, it is important to have some Chinese skills. Still, the language gap highlighted the need for more American business leaders to become familiar with the Chinese language if there is to be more collaboration in the future. One Commission leader put:

Language is very important. From my precious trip to Beijing, I learned some Chinese, far from enough to communicate with the Chinese people. If the cargo hub is here, the language will be a big challenge for us.

-Values

The second challenge is values. A couple of interviewees thought that people should prioritize what is more important to the region, as political disagreement can put this project in jeopardy. It is important for officials from both parties to look beyond the issues that will harm the relationship between China and the St. Louis region. Many have expressed their concerns about the ongoing tension between the American and Chinese government. Despite their different political views on human rights, Taiwan and Tibet issues, they felt people should focus on a bigger picture. As one St. Louis leader stated:

China and the United States are two different countries in many ways. First of all, the political system is contradicting. It is important for both parties to put aside their political views. Such as, Taiwan and Tibet issues.

However, many felt that it was possible to overcome the political conflicts because of the increasing interdependency between the US and China. According to the interview, both China and St. Louis know that this project is equally important to all of them. As one Chinese official stated:

The challenge for St. Louis is how to maintain the connection with China. This connection can be strong and fragile depends on what angle we are looking at. The officials from both parties have to realize that economic development is what drives a region. Since the world is smaller, we have to work together to achieve a goal. Unlike before, there is non-stop daily flight from Chicago to Beijing. These two countries are becoming inseparable economically. We have to depend on each other so much, that if one fails, the other will not be comfortable either. It is just my opinion. What is happening in St. Louis is a great start for the region.

-Cultural differences

A third challenge is the cultural differences between the US and China. The great historical backgrounds and geographical distance gave these two countries

two distinct identities. To many of the interviewees, the Chinese business culture is still mysterious to them. From a historical point of view, China has a guanxi-based society, which based on long-term connections while as America holds a less guanxi-based society oriented around short-term goals. Trust is a must-have in conducting business with Chinese partners. Despite the openness of the young generation in China, having a better understanding of how to prepare for a long-term partnership is important to the St. Louis official (Interview with MCHC member). One St. Louis official who had been to China prior to the interview commented:

There are cultural differences. In Chinese culture, you become friends before doing any business, but that is not how things work in the United States. Here you doing business first, and you continue to do business, maybe friendship grows. There are people who are doing business for 20 years, and don't even know who their business partners are. In China, you grow a very close friendship. You know a lot about that person before investing and doing business with each other.

The Chinese officials are positive about overcoming the cultural differences between these two countries. Infusing the two cultures in the business interaction will help to minimize the cultural gap. One Chinese official stated:

The cultural difference is there. I really want my 10-year old daughter to come here for high school and college. Education is a big business that St. Louis might want to aim for. I know St. Louis officials has mentioned few times that they will develop some Chinese schools when there are more Chinese companies in the region. I truly believe they should use education as a tool to attract more Chinese investors.

-Conservative mindset

The fourth challenge to this sort of international collaboration is a conservative mindset in business and government that is not open to

international opportunities. This mindset has blocked people from knowing what is out there in the world. It also hinders the Big Idea because this project requires a great deal of cooperation. And, people cannot afford to be left behind. Therefore, opening minds to China and choosing to realize the great economic potential that China holds become essential to this project. Many interviewees have indicated that people's mindset drives the economic development in St. Louis. From the first Big Idea proposal that was presented to the Chinese leaders to the continuing support from the local and state officials, supporters of the Big Idea see a great improvement in this area. However, there are still people who choose not to realize the importance of international business cooperation, so it is the Commission's job to promote St. Louis and educate the people about the potential of this project and how it will impact the region in the future. As stated by one St. Louis business leader:

There is still a lack of awareness. Even after we have worked on this project, there are still people asking what is going on. There are people that don't pay attention to the international issues, but the city. As a result we are constantly informing and educating the community about what is going on.

-Protectionism

Lastly, protectionism is a great challenge for both countries to overcome. Protectionism happens when domestic issues trump international policy, which some interviewees felt prioritizes shorter-term economic gains. Especially with China's fast economic growth, the government prioritizes its domestic economic growth by providing them more lenient policies (Interview). If the two governments are protecting their domestic companies, there can be a conflict

when deciding if the international investment is necessary. Government leaders from both countries have mentioned this issue at many delegation meetings. As one commission member commented:

Ambassador Zhou and other Chinese official have stated that protectionism is the number one roadblock in international cooperation. Each country has its own operation system. Many of the policy is based on domestic economic development, so there has to be some conflicts when deciding what is more important than another. I think this issue is the most mentioned issue during the delegation meetings.

Despite these obstacles, this research has documented the changes in perceptions that have occurred, which in turn has changed the business climate. In this way the Big Idea has been a success despite the serious, ongoing issues that stand in its way.

Table 2. Frequency of passages coded as Reasons for Change

	Frequency	Percentage
Clarity of vision	35	44%
Guanxi	15	12%
Structure of collaboration	30	38%
Total	80	100%

Created by: Na Yang, August 2010

Three main categories explain the reasons for changes in St. Louis. The clarity of vision theme appeared 35 times throughout the entire interview process, accounting for 44% of the passages that offered reasons for change (table 2). All of the interviewees showed their understanding of the Big Idea and its goal for St. Louis to work for. Second, many interviewees stated that having a well-

organized structure of collaboration puts the region in an advantageous position in the project negotiation process. This theme accounted for 38% of the overall interview passages that addressed the reasons for change. Lastly, guanxi, as an important Chinese cultural factor, has contributed to the process by providing an trusting environment and platform for both countries to achieve their mutual interest.

Next, quotes are used to show each category's impact on the project officials.

Clarity of vision

The first and most important element in this successful collaboration has been the clarity of vision among St. Louis officials. Throughout the interviews, the goals of the "Big Idea" were the most mentioned topic among all others. Despite their background, each interviewee seemed very clear with their role when it came to what they want to achieve from this business venture. The first step was to come up with a business proposal that can show the Chinese people what St. Louis can offer in today's economy. Many people came on board with their resources and knowledge.

The China Cargo Hub project is seen as the foundation of the Big Idea. Many interviewees have realized the importance of globalization to the St. Louis region. Therefore, the Big Idea of transforming St. Louis from a traditional industrial city to a shipping center and opening up the potential for technology-based growth become the core of the vision.

Interviewees expressed the lack of Chinese investment and Chinese companies in St. Louis. Thus the Big Idea represents St. Louis's opportunity to invite the Chinese investor to St. Louis with a potential cargo hub connection, which gives China the opportunity to explore the U.S market. As one government official stated:

There hasn't been a lot of Chinese investment in St. Louis. A lot of them are very small scale in terms of their economic impact in St. Louis. What we are trying to do with the China hub project is to change the situation, to get more Chinese investment. I think if we keep trying hard to communicate with the Chinese government and promote the mutual benefit of the cargo hub and the big idea, we will get some interested Chinese investors here. It will take time.

Interviewees from St. Louis repeatedly stated the short-term vision of the project – to create an import/export transportation hub with China.

There is logic to the concept. Whether you are China looking at the concept or you are St. Louis looking at the concept, the notion that we have an unfulfilled potential in the center of the United States to more effectively distribute goods in and out from China to the twelve or fifteen states in the middle of the country. I would like to say that it is far more effective to do this from inside out, from St. Louis out, rather than from outside in, from the two coast and trucking everything across the country.

This clarity was important in that it allowed everyone to work towards a common, unified goal. However, almost everyone involved with the project also recognized that there were longer-term and broader goals associated with the Big Idea. For example, one Commission leader stated:

The commission invites the Chinese delegations in and creates business connections for Missouri business. Our goal is two fold; number one is to create this air hub, which is to recruit a Chinese airline to have hub operation at the St. Louis Lambert international airport. Number two, which is equally important, is to deepen the tie between Missouri and Chinese businesses. If we can't create those ties, the airline won't be successful; they aren't going to create any

job in Missouri and China. Our goal is create new business in Missouri for Missouri employees.

Some of the interviewees even suggested that St. Louis should break from its comfort zone with being a traditional city to explore more possible business opportunities. For example, having passenger flights between China and St. Louis could further the relationship between the two.

My vision for this project extends well beyond the important cargo connection. As important as the cargo connection is , the vision I have is if we are able to make this project happen is that not only will we have a cargo hub here in St. Louis, but we will also in the non-traditional future have Chinese carriers in passenger planes landing here. When people look at aviation, they don't realize that the majority of the cargo does not fly in cargo planes, it flies in passenger planes. Therefore, it is not farfetched at all if we are successful in demonstrating the logic of the Big Idea initially with cargo service that would eventually extend to Chinese carriers bringing large Chinese passenger planes that have cargo in the belly of the plane and passengers in the top of the plane, and you can begin to see the logic of the passenger being connected in St. Louis with different American airlines. I think of having flights to seventy some cities out of Lambert. With that setting the stage, I kept telling the people here to keep an eye on the Big Idea.

Also, many St. Louis leaders felt that part of the larger vision of the Big Idea was providing a model for how St. Louis could once again become an international city.

When you are physically lost, you don't have a reference where you are. If you don't have reference, you need a map. You may be a long way from where you ought to be. You need to know here is where I am, here is who I am , and this is the path that can get me there. And I think that has been this idea, this Big Idea has done for St. Louis. And it started to take root in Missouri. And the Ambassador visited Jefferson City exceeded any expectations that I had for it.

According to many of the interviewees, the first step in internationalizing St. Louis is to increase its visibility on an international stage. Many interviewees

stated one of the most important implications of this project is to bring St. Louis to the Chinese people and make it well known in the Eastern world. For example, one St. Louis government leader stated:

That is one of the missions of the Big Idea, which is to raise the visibility of St. Louis and to raise the profile in the minds of the global community, so not just people in the United States know about us, but people from the world know about St. Louis.

Another St. Louis official voiced a similar vision for changing St. Louis:

We are a regional city. We are a secondary. We are competing on the level of Chicago or LA. We are a city with a few multinational corporations. We need an international identity in Europe and Asia, and this is that kind of project that could raise the global awareness. Where I want to see St. Louis in 10 years is to be a recognized global city.

Most if the interviewees are well aware of the complexity of this project. It will take time in this kind of international project. With all due respect to the positively ongoing partnership between St. Louis and China, many of the interviewees think that the next generation may be the first to benefit from the partnership economically. Many Commission members see themselves as both messengers and gardeners who are paving the road for the future generation by changing the identity of St. Louis. This statement from a commission member captured this sentiment:

St. Louis is a traditional city. It needs to look to the future and position itself to the future. And, that's what this project would do. It would position it in a place where we used to be 100 years ago as a gateway it would just be a modern gateway for international trade throughout the world. So that way it would transform St. Louis. St. Louis does not have an international air cargo operation right now.

In summary, the clarity of vision puts St. Louis on a positive position in this project. When a team knows what they are trying to achieve, it is easier for all

the members to know who they are, what they can do to contribute, and their strengths in each position. The Big Idea is such a big project that requires a clear goal that can guide all members of the region to move forward and avoid distraction for the development of the region. Overall the clarity of vision pulls the community together to achieve a common goal. One Commission leader summarizes this nicely by stating:

This project is not really about the hub per se. It is really about changing the relationship between China and Missouri, China and St. Louis, and China and the Midwest. The Chinese air cargo hub is the vehicle for delivering the connection. The real object is to create a bilateral partnership between the Midwest of the United States and China. It is really to make that connection. This is such a complex process, so the Missouri officials had to narrow down to a project, which is the air cargo hub. Creating and redefining Chinese-American relationship use Midwest as a vehicle.

Guanxi - interpersonal connections with China

Building a strong economic connection with China has been essential to this project. Many government officials realized the importance of economic cooperation in this economy, especially with China. They came forward with a business plan and used The 48 Group Club's long established guanxi with the Chinese government to promote St. Louis to the Chinese business community.

As one commission member stated:

I have been working with some U.S companies in the past five years. So far this has been the biggest project that I can remember of. There are a lot of things that the Midwest China Commission has done right. They know who we are. Chinese culture is very difficult to understand. Especially when working with government officials. Trust is a must-have to start with. St. Louis used the 48 Group as their referrer, who has had a close business relationship with China since 1952. It is a big step already. In China, you have to know the right people and then build guanxi with those people.

St. Louis officials quickly adapted the Chinese business culture by connecting with the Chinese officials to foster a positive guanxi system with the Chinese government. This is one of the factors that made St. Louis more appealing to the Chinese officials. According to one commission member, it was an important business strategy as well.

I think the most important thing that we did as opposed to what other has done as reaching out to China is we started with a very strong government connection. Many other companies and cities are trying to reach out to business. We did the other way around. In my opinion, the correct way is to talk to the Chinese officials first because they have the power to open the doors and to make the introductions to the companies that we need to be talking to. I think this a very good strategy to show the business from both China and the U.S. that there is the very high value of high-level political leaders. This is better than doing business first, and then going to the political leaders to ask them to approve such a relationship.

The connection with China has making progress in term of promoting St. Louis and getting support from China. As put by one St. Louis government official:

This project is to define and promote a bilateral relationship, growing Sino-Midwestern business to business, people to people relationships. It took a period of time. This Commission first was talked about in Beijing. Now we have everybody at the table to continue the project. Since its formation of the Commission, we have developed a strong relationship with the Chinese government; they agreed to jointly study the project.

Most of the interviewees have expressed their gratitude to Steve Perry. With his personal connection with the Chinese government, the process was easier than other wise. Also, his willingness to providing his help also made a big difference in this project.

Steve Perry has aligned himself with this project. He is basically providing the credibility of fifty years of relationships with the

leaderships with China going back to his father in the 50s. You can't replace that in terms of your own heritage that so much in China is built on trust and built on relationships. You can have the best infrastructure and ideas in the world, if it is not in the context of a trusting relationship, it really isn't going anywhere. So he has connected St. Louis and China in the way St. Louis could never had done it for itself. And his willing to bring his credibility and the respect the Chinese leaders have for him to St. Louis and became a part of the community.

In summary, St. Louis started with an initial advantage through its connection to China via The 48 Group Club. The 48 Group Club, originated from the early 1950s, is an independent business network committed to promoting positive relations with China. St. Louis leaders have used this initial connection to not only gained connection with the Chinese government, but also establish awareness and personal connections through the delegation meetings. Despite the long geographical distance between these two countries, a strong tie has been built based on mutual trust and benefit. Some members of the Commission had special interests in Asian Studies prior to the project; others became more involved as the project progressed. As many of the members have implied, no matter whether the cargo hub will come to reality or not, the connection with China has been established. This is a victory for St. Louis already. What matter the most is the continuity of the partnership and collaboration. Now the Chinese know the leaders of St. Louis and what to the region has to offer, business will come to the region when time is right.

Unprecedented collaboration

A key to why the Big Idea has been successful in forging business ties is the strong collaborative spirit put forth by all parties. To change St. Louis identity, St.

Louis officials are willing to put aside their many differences, working together as team despite their differing political beliefs. One commission member summed up these feelings when he stated:

It seems to me that there is great ground of goodwill and willingness to cooperate from both public and private sectors in St. Louis. They are willing to put aside the difference, disagreement, anything that kept us separated in the past. Pretty much we came together and cooperate as one unit to make this project move forward.

Many interviewees felt this unity and sense of collaborative spirit came through to the Chinese officials. As few interviewees mentioned that this is the first time that all parties in Missouri have worked together towards one common goal. It encourages people to participate because people already see the positive feedback from the Chinese officials. And, most importantly, it worked better than the old model, in which everyone was on their own. The political support secured the Chinese's impression of St. Louis as one political unit. As one interviewee stated:

The most impressive part of the Midwest China hub effort is the collaboration of governments on different levels along with the private sector. The reality is that the state, the county, the city, and the federal approach of Senator Bond and McCaskill have been all one hundred percent supportive behind this effort about repositioning St. Louis to become an international economic environment.

Organization Structure

One of the reasons that the Chinese have responded so positively to St. Louis is that St. Louis officials have structured the commission in a way that the Chinese would respect and understand. Working with a country like China, St. Louis officials changed their way of doing business. For example, the formation

of the Commission has clearly demonstrated the change in their way of doing business. Their commitment to the Big Idea meant that they are willing to change despite the unfamiliarity of doing business this way. The Chinese government is a top-down, structured entity. Although many people may work on a business venture, it is not run like a democracy, and there is a group of leaders that makes the final decision based on their team's feedback and comments. The Midwest China Hub Commission was formed to provide the Chinese business and government officials with a familiar structure by creating a clear organizational structure with a single voice. The formation of the Midwest China Hub Commission was a result of a series of efforts and initiatives from the Missouri officials. Having a Commission makes communication easier for both parties. The Commission facilitates the government and business interactions between China and St. Louis. The Commission is a very important entity in this project because it not only brings St. Louis officials together, but it is also a bridge between the Chinese government and its investors and the St. Louis region.

The presence of the commission left an impression on the Chinese officials, as St. Louis came across as committed and organized. One of the members of the Chinese delegation stated:

The St. Louis officials are very active in working with the Chinese investors. I felt welcomed when visiting St. Louis this last March. There were so many details they did well. For example, they organized the seminars very well. Not only I got to talk to a potential partner face to face, I also gained more knowledge of how American do businesses. In China, we would say that St. Louis has very good consumer service. This is exactly what I was looking for. I was quite impressed by the American business community. I talked to at least six different companies in three hours. It is very time efficient, especially, for people like us.

The feedback of the Commission was positive. The Commission acted as a bridge that minimized cultural difference between the officials from these two countries. A key was that some of the key leaders on the commission have had interests in China for some time. Some of the Chinese officials felt the cultural gap is becoming smaller, especially among this project.

I didn't see that much of cultural differences between us and the St. Louis officials. They adapt Chinese culture very well. From talking to some of the Commission officials, I learned that some of them had Asian Study background, which is very helpful in the big idea project. In China, we have a saying states that you should know your partner even better than yourself, then you have control of the situation. I think they are doing very well. Mr. Jones and Mr. Eaton [two commission members] are very good example in demonstrating their Chinese background. Most importantly, their passion for the Sino-American relationship has attracted our attention and helped the Chinese to make the decision faster.

In summary, the Commission are facing some challenges as the cargo hub progress. For instance, language, values, cultural differences, conservative mindset, and protectionism. St. Louis officials were put to test with their ability to overcome these challenges by working together as a team. With clarity of vision, St. Louis officials have set a common goal to accomplish. They know who they are, what the region needs now, and where the region is going in the future. Moreover, by working with the Chinese government, guanxi acted an important actant that connects both countries together. Lastly, this unprecedented collaboration among the St. Louis officials and their pursuing of St. Louis to become a regional center for economic trade have already made a big change for the region.

Chapter 6: Conclusion

This research is based on the ongoing negotiation of establishing a Chinese cargo hub project in St. Louis. Many government and business leaders have come forward to promote St. Louis with the Big Idea. The Big Idea proposes that St. Louis has the potential to become China's next cargo hub site in the midwestern United States. The cargo hub proposal opened the door for a series of delegation meetings in Beijing and St. Louis. With a sufficient amount of land and labor resources in St. Louis, especially around the Lambert St. Louis International Airport, government and business leaders from Missouri proposed to the Chinese government to consider putting an air cargo hub in St. Louis. This study explored the impact that the cargo hub project has had on the St. Louis' business community. Most importantly, the findings provide a practical guideline to the future international cooperation with China, which is located in the study implications.

The impact that this ongoing project has on St. Louis is substantial. First, the project gives the community a sense of urgency towards international cooperation. Many interviewees have showed how much this project has changed their perception of China and doing business with China. Also, people also see changes in perception within the region. From this project, the community, business, and government leaders learned who they are, where they are, and what they need to compete in the world. Most important has been China's increasing awareness of the economic potential and cultural openness of

St. Louis. The commission had successfully promoted St. Louis as the gateway to the east by inviting Chinese officials to St. Louis and the Big Idea project. Although negotiations for locating the air cargo hub are still ongoing, what St. Louis has gained the most is the change of business culture. Now everybody is working together to achieve a common goal. In front of the Chinese government, St. Louis has demonstrated an international business mindset. From the formation of the Midwest China Hub Commission to the ongoing delegation meetings between governments and businesses, people from both sides have gained a tremendous amount of knowledge of each other's culture and needs for economic development.

The Big Idea is a map for the St. Louis community. The region and the people need to redefine who they are what they have to offer in order to compete in the world. Doing business with China is just a start for the region. St. Louis area businesses need to build strong connections with each other and seek business partners with the world community.

Theoretical contribution

This research has contributed to the theory of network building. The guanxi system in China and the Actor Network Theory from western studies were used to explore the role that networking played in this project. It is important for St. Louis officials to understand and adapt to the guanxi system and incorporate it into its cooperation with China. Having a solid guanxi with China sets up a long-term relationship rather than short-lived or transactional relationship. Without The 48 Group Club's guanxi with China, it would be hard for St. Louis to reach

out to China. Also, the *guanxi* that St. Louis has developed with China will benefit the region beyond the cargo hub project, as it will provide St. Louis many opportunities for future cooperation with China. This study has also contributed to Actor Network Theory by presenting the importance of networks to international collaborations. The Midwest China Hub Commission acted as an important actant in this project. It has a strong obligatory point of passage, which controls the network between St. Louis and China and perpetuates the network's existence and maintains interaction for these two entities. Also, this project has demonstrated how *guanxi* can function as an important actant in a network that connects St. Louis business and people to China.

Study implications (lessons learned)

This study has highlighted how participating in the Big Idea has changed St. Louis Business culture. Although the air cargo hub has yet to be awarded to St. Louis, the results demonstrate that the collaborative work and networking that occurred while pursuing the Big Idea has positively impacted the St. Louis business community. These changes, and the unified efforts to internationalize the St. Louis economy, are signs of a successful effort. Despite this being a study of one situation in one city, there are lessons here that can be applied to other regions or cities with interest in exploring international cooperation with China. These ideas emerged as primary reasons for the positive changes in St. Louis, and they are tested and proven via the success in St. Louis. I present these lessons in the form of “best practices” – a set of guiding principles that cities and regions should consider when entering any international joint venture.

- Organizational structure. When doing business with a Chinese company, model your organizational structure based on Chinese principles. The Chinese business people can be very casual and professional at the same time. Make sure to have an entity that can communicate with China and bridging the two parties together.
- Clarity of vision. Know your capacity and ability and have a clear vision of what you want to achieve in the business transactions. Set up short-term goals that can lead to the success of a long-term goal.
- Personal connections. When doing business with China, it is very important to build guanxi with them. Personal connection is preferred in most of the business transactions because trust is what the Chinese believe and make decision based on.
- Long term instead of short term planning. Many short-term relationships won't get you anywhere. As many things are changing due to outside factors, short-term relationships are transactional. Build a long-term partnership and friendship will give you some competitive advantages over others.
- Teamwork. From the Chinese cargo hub project, teamwork is a must-have strategy to develop a region.
- Willingness to change. Be ready to adapt to a new business culture and people. Having an open mind helps to generate more useful ideas, sometimes, crucial ideas.

- People. Get the right people on board. This means politicians from both parties, business leaders from a wide variety of sectors, and government officials from all levels of government. People may not agree on everything, but they need to realize the common goal and work towards it.

This project is transportation based economic development. St. Louis officials hope the air cargo hub will lead to other economic investment. This kind of economic development has both potential and shortcomings. First, the potential that the cargo hub project has on the St. Louis region is the possibility of connecting St. Louis with more global cities. Also, the air cargo hub is not just a cargo hub, but it also functions as a bridge between St. Louis and the outside world. The shortcomings for transportation based economic development plan are: first, it requires a lot of investment in infrastructure development. Secondly, this kind of development puts tremendous pressure on city planning and resource allocation management. Third, the success of the cargo hub project mainly depends on the transporting goods. Therefore, the backhaul, the products or services that travel back to China as two-way trade develops, becomes essential in this kind of project. Only then will the Big Idea have the wide economic impact that is promised by its promoters.

Direction for future study

This research was based on ongoing international cooperation between China and the U.S. It is important to understand the project is based on the networks and connections that the St. Louis is developing with China. The

importance of guanxi is proven by the impact of the Chinese cargo hub project. Next, future researchers may need to further explore, with the Big Idea or any similar international collaboration, how guanxi is related to international collaboration. Guanxi system is very important in Chinese society. Many countries that want to do business with China have adopted this form of network approach to be effective and efficient when developing business connections. The 48 Group Club is a great example of integrating its business culture with the Chinese guanxi to serve as a bridge for many international companies from the UK.

Many future studies can be done as the project involves more complexity of networks. As St. Louis develops its connection with China, future studies may need to look into the level of importance of guanxi. How do people maintain the guanxi system? And, how will the guanxi system affect decision-making in international business ventures? Future study can document the change that the guanxi system brings to St. Louis economically and culturally.

Finally, a possible future study is to research the impact of the Chinese cargo project on the neighboring states. How many people will be/are affected by the cargo hub project? Also, will St. Louis provide its connection and experience with China to help other U.S. cities that want to do business with China?

EXHIBIT A

Questionnaire for interviews:

Personal/Biography

What industry are you in?

What is your role in the company?

What is your expertise in this industry?

How long have you conducted business in St. Louis?

What other St. Louis business associations are you active in?

What is your personal and business experience with China?

How much are you involved in international investment? With what countries?

Assessment of St. Louis Business Climate

How supportive is the city government to international business ventures?

How supportive is the state government to international business ventures?

Is there any other ongoing international project with China in Missouri?

How has the St. Louis business climate changed the last 10 years?

Who are the key leaders in St. Louis and Missouri that are involved in the international business development?

Questions About Hub Competition

Why were you asked to be in the Midwest China - Hub Commission?

How involved are you with the commission?

What is your role in the commission?

What have you learned from the delegation meeting since the Big Idea came out?

What have you learned about Chinese business culture that you did not know before?

How many Chinese business leaders did you get to meet?

Have you had any contact with the Chinese delegation?

Have you seen any changes in the business environment since the commission was formed?

What is your opinion on future international collaboration between St. Louis and China?

Will your company/organization consider China as future market? Why?

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