



Dean Francis LeBaron
World Adventures

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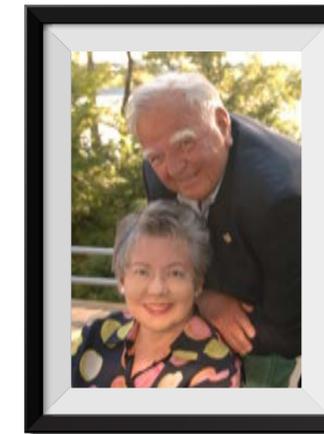
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Moments, memories, and pictures presented with love
and a lot of help from Donna Carpenter LeBaron.



Russia wasn't the only Communist country in which Dean hoped to invest. As he pursued buying stakes in Soviet enterprises, he also explored opportunities in China.

—Larry S. Speidell



**In those days, I had
three images of China.**

—Dean LeBaron



First, I saw it as a land of legendary inventiveness.

The Chinese had created paper and had been the first to cast iron and make steel. They engineered the crossbow in the 4th century BCE and were the first to notice that snowflakes had six sides. They invented the abacus, umbrella, seismograph, fishing reel, playing cards, and whiskey. Their first design for a steam engine dates to 600 CE. The Chinese were flying kites 2,000 years before the Europeans. They produced the first book in 868 CE and were printing them with presses in the 11th century. The first suspension bridge was Chinese, as was the first segmented arch bridge.

Chinese ingenuity endured until the early 20th century. When political repression stifled individual creativity in China, millions of people took their resourcefulness elsewhere, settling into different countries and substantially enhancing their economies. In 1990, the 1.5 million Chinese in the United States were among the nation's most prosperous citizens.

The old China was prey to warlords, political turmoil, and foreign invasions. In the 20th century, the country's two powerful opposing forces—Chiang Kai-shek's Nationalists and Mao Zedong's Communists—had clashed in a civil war that lasted 23 years, from 1926 to 1949.

—Dean LeBaron



My second image was of Mao's China because it was the China I knew.

In 1926, the powerful and charismatic Mao transformed his small following into a national cult. Though he lost nearly half his troops during the 6,000-mile Long March of 1934-1935, retreating from Chiang's more powerful army, the people still followed him.

By 1949, Mao's peasant army, swollen with guerrilla recruits, controlled the country and forced Chiang Kai-shek's *Kuomintang* to flee to Taiwan. Mao then proclaimed a nation of and for the peasant—the People's Republic of China.

Mao believed in the power of China's peasants. Since they had won the war against Chiang's well-armed troops without outside assistance, he saw no need for foreign capital or technical support to build a modern, industrial economy. He also believed he was the right person to lead them.

He was wrong on all counts.

—Dean LeBaron



Knowing little of the world and even less about trade and industry, Mao put his faith in the people and his army. As commander in chief, he would launch three great campaigns over the next three decades, all of which would prove disastrous.

To ensure that China's military and industrial facilities were safe from attack by foreign powers, Mao planned to move them—literally pick up the heavy machines and equipment in the developed coastal cities—farther inland. China completed this program—called the Third Front—in three or four years, but the rush to finish the project compromised its quality and planning.

The Great Leap Forward was another of Mao's grandiose schemes. In 1957, at a Communist Party conference in Moscow, the chairman boasted that within 15 years, he would organize China's peasant farmers into an industrial army in the same way he had shaped them into a military force. Agrarian China, he proclaimed, would surpass Great Britain in steel production.

—Donna Carpenter LeBaron

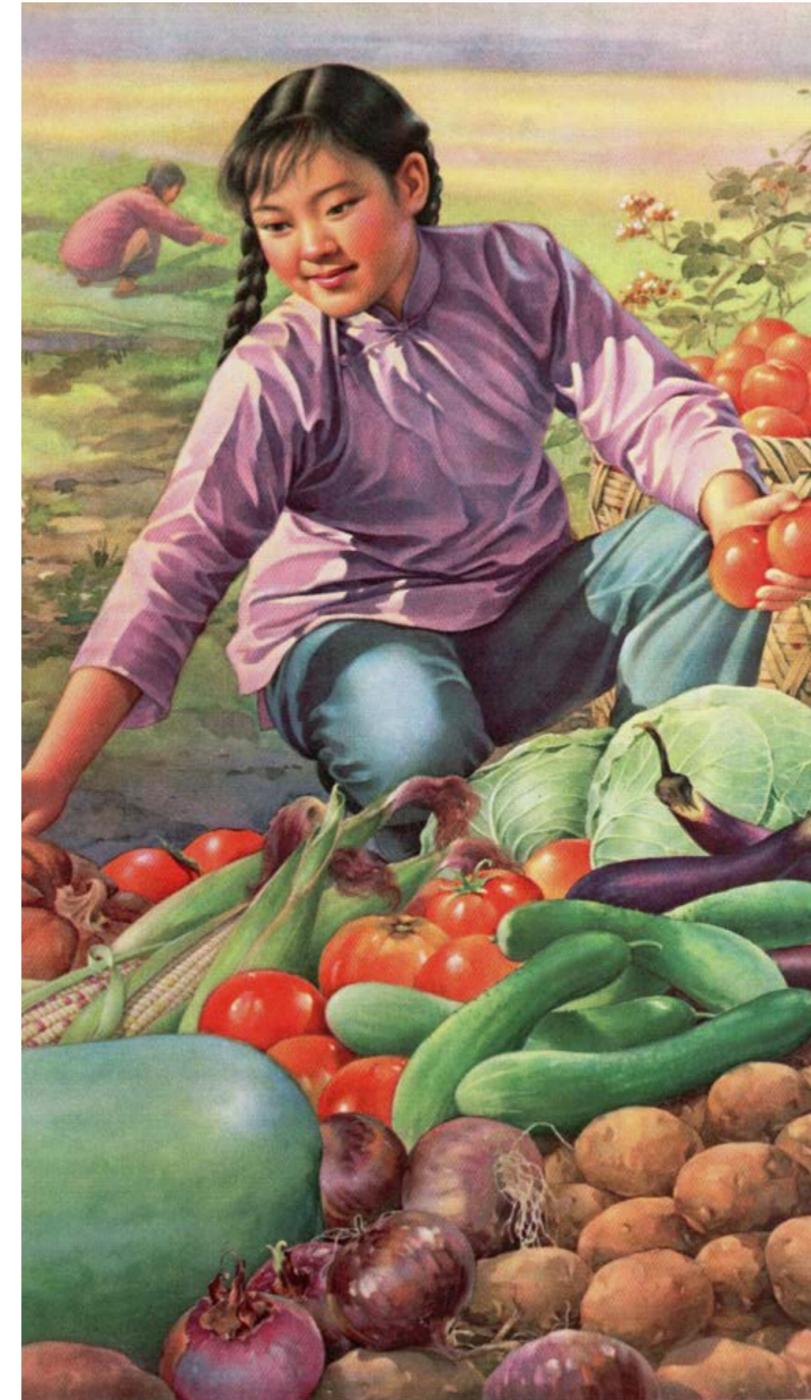


The next year, Mao began razing private homes, replacing them with communal barracks on collectivized farms where peasant families would live together, sharing everything—food, furniture, pots and pans.

Following Mao's orders, China's people dressed in uniforms without insignia or rank—blue-clad worker ants laboring for the state. Some would farm, of course, but the Great Leap Forward also included the building of peasant-operated industries in rural backyards. By the end of 1958, 90 million peasants had abandoned farm work to make steel in homemade smelters. Most of them had no skills and little instruction, and they lacked the raw materials necessary for the job. The Great Leap Forward did not live up to its name.

With the move away from farming - and while Mao's propagandists continued to promote an image of prosperity - food production dropped precipitously. Estimates are that during the Great Leap Forward, which continued well into the 1970s, approximately 30 million Chinese died of starvation.

—Donna Carpenter LeBaron



The most destructive of Mao's plans, however, was the Cultural Revolution, which began in 1966 when the dictator was 73 years old.

In the name of the Cultural Revolution, millions of Chinese citizens—guilty of nothing more than having a better education or bourgeois sympathies—were arrested, tortured, exiled, or killed. Children spied on parents and neighbor turned on neighbor in a national paroxysm of self-destruction.

—Donna Carpenter LeBaron

My Batterymarch colleague Yin Yafei, who grew up in Hefei city during the Cultural Revolution, remembers following a noisy mob one day as the local revolutionary committee moved from the street to a meeting hall to denounce someone. This was all great fun to Yafei and her young friends until she saw her parents—both university professors—stumble to the front of the room. Both were subsequently banished to the countryside for reeducation and Yafei was raised by a housekeeper until she was 13, when the government exiled her to the country to work on a duck farm.

—Dean LeBaron



At its heart, the Cultural Revolution was a war between China's young and old. Chinese youths—denied education in the few good Chinese public schools, which the party elite had reserved for their own children—joined the Red Guards in droves. Overnight, guard units plastered campuses with posters, swearing allegiance to Chairman Mao. By the winter of 1966, schools and colleges throughout China closed as millions of students set out to destroy the nation's past. Gangs of Red Guards roamed the countryside, razing every trace of ancient Chinese tradition.

Mao's rule ended as it had begun—in turmoil and violence.

With the paramount leader's death on September 9, 1976, the Communists reestablished control over government functions.

—Dean LeBaron



The China I visited in 1980 was just emerging from the madness of the Cultural Revolution. The new, evolving society reflected my third image of China—the one that might yet come to fruition. I began to think about how I, as a professional investor, might encourage my clients—both in the United States and other developed nations—to buy shares in Chinese companies.

I wondered, *What would happen if the Chinese, with a quarter of the world's population—almost 1 billion inhabitants in 1980—were to achieve the same economic status as the 18 million Taiwanese?* An energetic and inventive country, freed from the constraints of Communism, would almost certainly become Asia's fifth *economic dragon*, joining and eventually eclipsing Hong Kong, Singapore, South Korea, and Taiwan.

That was the image of China's past and future that I brought with me when I ventured there the second time.

—Dean LeBaron



In 1988—eight years after I first set foot in China—I was invited to speak at a conference in Beijing, hosted by the country's central bank, where I was asked to explain to the hundreds of Chinese government officials and business leaders in attendance what role institutional investors could play in providing capital to private businesses.

For two days, we listened as Western experts rambled on about capitalism, competition, pricing theory—all high-level, theoretical stuff the Chinese didn't care a whit about. The audience was bored—unfailingly polite, but bored.

Then, it was my turn to speak. I got up, took off my suit jacket, grabbed the microphone from its stand, and started walking around the room, making eye contact with everyone.

—Dean LeBaron

Not knowing what to expect, they all perked up.

—Larry S. Speidell

I told them that investment capital inevitably moves to the places that provide the highest rates of return. If those rates could be found in China, I promised, investors would surely follow. Just as water seeks its own level, profit would too.

—Dean LeBaron





Other speakers discussed stock exchanges even though China didn't have one at the time. They advised the Chinese to send apprentices to the New York Stock Exchange, who would then bring their knowledge home. This approach would take several years, they emphasized, but the rewards would justify the wait.

—Larry S. Speidell

**“Nonsense,”
I said—politely,
of course.**

The Chinese could get a Western company eager to gain a toehold in the largest nation on earth to sell them the hardware they needed below cost and then get a similar deal for the software. Operationally, at least, they'd be in business in about a week.

—Dean LeBaron

The Chinese, who preferred speed and pragmatism to bureaucratic delay, were delighted.

—Paul Rugo





The institutional investment community was, for the most part, ignoring opportunities in China, which roused my contrarian instincts. But did that mean the time was ripe? I tried to form an opinion based on what I saw in the streets.

Young people were wearing the same blue jeans and T-shirts as their East Asian peers,

but I also saw women sporting cheongsams—the form-fitting dress with a slit skirt and mandarin collar common on the Chinese mainland before 1949, when it had been banned.

Rock music blared from radios and loudspeakers on Chinese streets. Television antennae bristled on both urban apartment complexes and farms. In bustling markets, vendors sold meat, vegetables, and clothing to eager buyers. Enthusiastic audiences patronized Western movies and welcomed the revival of traditional Chinese music, drama, and art.

Chinese media were still state-controlled and their reports were sometimes accurate, but only when the truth served the Communist Party's interest. Without outside corroboration, no one could distinguish fact from propaganda. In 1988, the tension between the citizens and government would become evident to people the world over, as the Tiananmen Square demonstrations were less than a year away.

—Dean LeBaron



By 1988, nine years after China’s leader Deng Xiaoping began his economic reforms, China had made impressive progress. Despite government denials that the nation was not abandoning Communism, to outside observers, it looked like the country was embracing capitalism.

—Larry S. Speidell

The question I faced as I sat through the International Finance Corporation conference in 1988 was whether the time was now right to invest in China.

—Dean LeBaron

As we flew back to the United States, I began listing the reasons for investing in China.

I noted that the government was not just talking about moving China toward some version of a market-based economy, it already had, competently and confidently. When Deng had first rolled up his sleeves in 1979, state-owned businesses produced more than 90 percent of the country’s industrial output. By 1988, that figure had dropped to 63 percent. At the same time, per capita income had almost doubled. These numbers impressed me, and they would impress other investors.

In contrast to East Europeans and Russians, the Chinese had opened their economy to the outside world, and their trade surplus with the United States was approaching \$8 billion. Also, Hong Kong, Taiwan, and the rest of the overseas Chinese community were ready-made sources of both investment capital and commercial tutelage.

I reminded myself that the entire workforce was motivated and ambitious. Consumer demand was booming. Scores of US-based companies were selling everything from shampoo to baby food.

One Chinese economist I met said, “Everybody—army and party people and state factory managers as well as entrepreneurs—wants to make money!”

The other reason for my bullishness toward Chinese investments was that—viewed as an extension of the Pacific Rim, where Western investors had long held a significant stake—China didn’t seem so remote after all. Asia was sprinkled with one-party regimes—South Korea was a prime example—that had presided over long-term economic miracles. China could achieve prosperity as well, I decided, without overthrowing its Communist rule.

Finally, Chinese currency was readily convertible into other currencies, meaning that investors could repatriate their profits, which was not true in much of Eastern Europe or the Soviet Union.

All prospects for profit seemed favorable. Chinese businesses were doing well. My bottom line: investors could make money.

Batterymarch would have to research the field, of course, a task well-suited to Larry S. Speidell—then Batterymarch’s second-in-command. We would proceed like the Chinese, taking small, deliberate steps.

As our plane circled Hanscom Field, I decided to create an investment fund earmarked for China.

—Dean LeBaron

Later, when clients expressed their concerns about investing in this emerging market, Dean told them the story of the two shoe salesmen sent to the Amazon jungle.

Get me home! one wired his office. No one wears shoes. No chance for sales.

Great opportunity! telegraphed the second salesman.
Everybody barefoot! Send stock! We can corner the market!

—Larry S. Speidell



That was a good joke, but to get the last laugh, I would have to make some serious money.

—Dean LeBaron

At home, together with Paul Rugo and his team of lawyers at Goodwin Procter, Batterymarch began to figure out how to do business in China.

Meanwhile, the Chinese started reopening the country's stock markets so investors could participate in—and help finance—its burgeoning capitalism. The first—the Shenzhen Stock Exchange—resumed operations in December 1990, even before the Chinese government officially sanctioned it. The exchange opened with five stocks—representing companies in banking, real estate, textiles, and trucking—with another 200 waiting to debut. With so few stocks available, demand was strong, which attracted even more investors.

—Larry S. Speidell

We estimated that the Chinese had more than \$200 billion in under-the-mattress savings—money the government was eager to see back in circulation. But the fledgling stock market could not absorb that much cash at once.

—Tania Zouikin



When Shenzhen opened its exchange, Shanghai's was already thriving. Both exchanges had trading floors, but Shanghai's was automated while Shenzhen used a combination of computers and paper. Shanghai's system had no backup, whereas in Shenzhen, if the computers went down, prices were posted on a whiteboard.

Both exchanges had two patches of red carpet: buyers on the left and sellers on the right, all gesturing frantically.

—Dean LeBaron

In April 1991,

five months after the Shenzhen Stock Exchange debuted, Dean and his colleagues Larry Speidell and Yin Yafei traveled to Hong Kong and then to China.

—Marilyn Pitchford



Landing in Hong Kong was one of the scariest touchdowns this side of a moon mission.

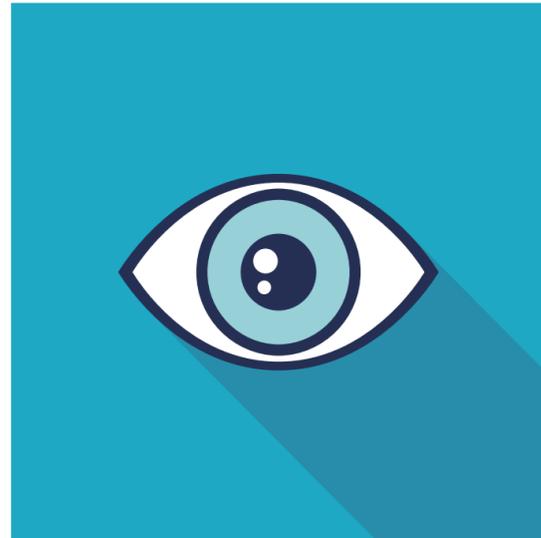
Planes did not fly directly into Kai Tak Airport. First, they crossed the city at window level of high-rise apartment buildings, heading for a large red-and-white checkerboard target plastered on a nearby hillside. Then, just as the plane was about to crash into the hill, the pilot would execute a sharp right turn to line up with the runway and then quickly drop the remaining 675 feet to the ground.

—Dean LeBaron



Until 1997, Hong Kong was a British colony. An old saying went that Hong Kong had found the perfect formula for success: British police and Chinese merchants—meaning that the police weren't corrupt and the merchants knew how to make the economy hum.

—Larry S. Speidell



During our visit in 1991, coasters in fashionable cafés were stamped ominously with the year 1997—the date of Hong Kong's reversion to Chinese rule. Though some people insisted the transition would make no difference—and for a while, it did not—it had taken on the mythical significance of George Orwell's *1984*.

In fearful anticipation of the upcoming reversion, 1,000 Hong Kongese a week were fleeing their homes. Many of the wealthiest residents had stashed their money in Swiss bank accounts and moved abroad long enough to obtain foreign citizenship and passports. Some returned to Hong Kong, but not all.

A minority of the Hong Kongese viewed the transition as a blessing because the British would be gone. Yet for all their insouciance and assurances, they were afraid that life as they had known it was coming to an end.

—Dean LeBaron



The morning after our arrival, Dean and I were driven across the Chinese border, through the low green hills of Shenzhen to visit an electronics company.

Little more than a fishing village in 1980, with Deng Xiaoping's installment as paramount leader, Shenzhen had become the country's first so-called special economic zone.

In the car, we found a glossy, four-color brochure, printed in both English and Chinese, prefaced with a letter from Shenzhen Electronics Group's chairman, Ma Fu Yuan.

—Larry S. Speidell

In the upsurge ride of China's reform and opening to the outside world, Shenzhen Electronics Group (SEG) emerged as the times required. SEG has been growing steadily in its exploration to develop an export-oriented company and to establish a socialist group corporation.

—Ma Fu Yuan

The phrase *socialist group corporation* jumped out at me. I wasn't sure what it meant, but it was clear that something new was happening.

—Dean LeBaron



Dean and I checked into our Western-style hotel before continuing to SEG for a formal welcoming ceremony. If we needed proof that change was underway in the Chinese provinces, we only had to look out the window.

The entire city was under construction.

- Larry S. Speidell



We drove past apartment buildings, office towers, restaurants, karaoke lounges, movie theaters, and a train station. Large luxury hotels, designed for visiting businesspeople, were rising all over the city—one of them topped, inevitably, by a revolving lounge.

—Dean LeBaron



Traffic jammed the streets in Shenzhen—a dangerous mix of cars, trucks, buses, pedicabs, and bicycles, all traveling at different speeds. Accidents were frequent—at least one pileup a day, sometimes more.

Here, I grew accustomed to seeing Chinese wearing Western-style clothing—dark business suits with white shirts for men, skirts and white blouses for women, T-shirts and jeans for teenagers. None were wearing the formerly ubiquitous blue or brown Mao jackets.

Moreover, there was a new accent on youth: the Chinese considered anyone older than 30 a senior citizen. The young work harder, they told me, and were not as politicized.

Shenzhen was a late-20th-century gold-rush town. And in China, unlike the Soviet Union, the rush now was not just for gold, but economic freedom.

—Dean LeBaron

In a city where entrepreneurialism was in full flower, a man like Ma could find what he needed—capital, labor, and an export market. We arrived at SEG in time to meet him and some of his associates for lunch.

—Larry S. Speidell

A friend of Donna's—a professor who taught Chinese history at Harvard—advised me to have a good supply of business cards on hand (bilingual, of course), and I passed them out at every opportunity.

—Dean LeBaron



In China, the business lunch was the meal that mattered. The Chinese had yet to discover breakfast, and unless they had reason to celebrate, they preferred a quick, light, and early dinner. We took our places at round tables, where we were seated according to rank as tradition dictated.

—Larry S. Speidell

Food was placed on a lazy Susan at the center of each table, and the host—who at my table was Mr. Ma—described each dish.

—Dean LeBaron



The criteria I used to analyze investment possibilities in China were, for the most part, the same as those I employed in any emerging market. I was looking for world-class companies, but I wanted to see them with my own eyes, not rely on numbers prepared by someone else.

I called this *face investing*.

Face investing requires a discerning eye, as appearances can be deceiving. In France after World War II, the most elegant mansions and châteaux had shabby and neglected exteriors because the tax assessor, who was not allowed inside, had to estimate property values from the lawn.

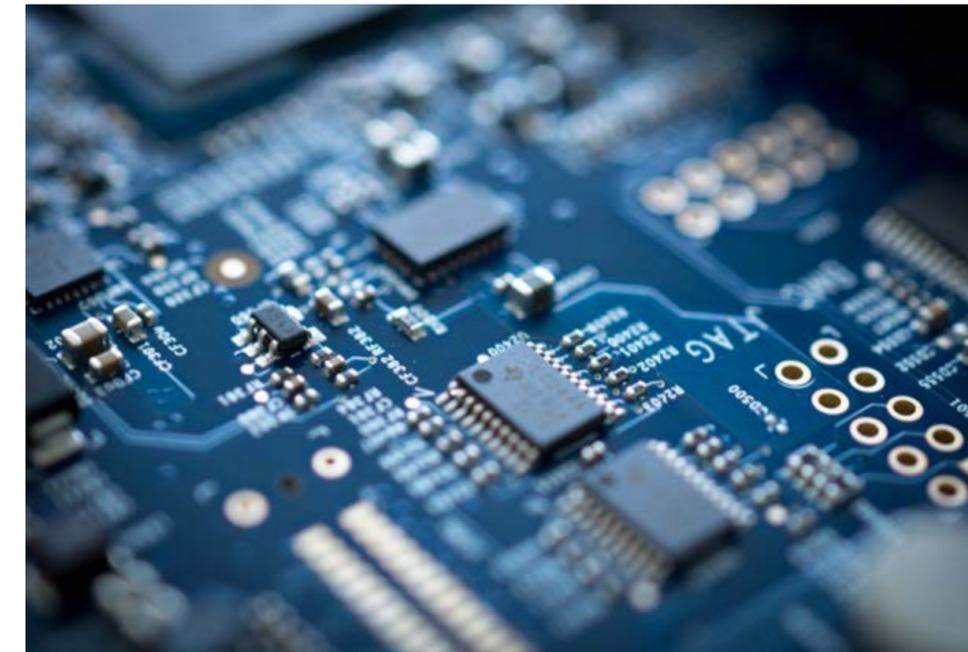
So it is with many companies in emerging markets: the company's prosperous interior might be concealed to protect the business from the tax man.

—Dean LeBaron



Competent management was another standard I used to evaluate potential investments. Lunch was my opportunity to size up Ma.

—Dean LeBaron



During lunch, Ma told me his story. After five years as deputy minister of electronics for the Chinese government, he had decided that his country's future lay in the private sector, so he resigned to head China's largest electronics company.

He moved the company's headquarters from Beijing to Shenzhen, he said, because of its proximity to Hong Kong. It also hadn't hurt that the Chinese government had designated Shenzhen as a special economic zone, where companies were encouraged to experiment with Western business practices and expected to export 90 percent of the products they produced.

By the time I met Ma, SEG had 30,000 employees producing goods ranging from kitchen appliances to integrated circuits. Ma planned to manufacture these circuits in Hong Kong despite having to pay wages three to five times higher than in China.

His reason for paying more was that integrated circuits made in Hong Kong were not subject to defense-related restrictions imposed by Japan, the United States, and most European countries.

Moreover, he said, Hong Kong already had the necessary technological and production capabilities. He was also negotiating for SEG to buy a plant in Mexico that would eventually export semiconductors to the United States.

—Dean LeBaron



Ma Fu Yuan was clearly not only a wise man but a global thinker, and I wanted to invest in his ventures, so I asked which divisions of his company would offer stock for sale and at what price.

He stopped me, gently but firmly. “Mr. LeBaron,” he said, “we have a developing friendship. Before we talk business, it is important that we understand each other.”

—Dean LeBaron



Ma was doing his research too.

“How did you come to be interested in China and the Soviet Union?” he asked.

I did my best to answer, outlining the investment opportunities I saw in both.

My remarks about the Soviet Union, he said, reminded him of a trip he had taken to Hungary, where he had seen black-and-white television sets manufactured for \$10 each.

“Well,” he said, lifting his arms expansively, “we can make them in China for two dollars, so we should export our black-and-white televisions to Hungary and dominate the market.”

When he asked me about Russia’s labor costs, I said they were as low as China’s.

“Maybe we should buy a factory in Russia,” he suggested, “and make televisions to ship to Eastern Europe.”

—Dean LeBaron





The next day, Ma invited Dean and his colleagues to the Splendid China theme park, which featured approximately one-inch scale models of famous sites throughout the country.

“This is not just for amusement,” Ma assured him, “but an opportunity to see all of China without leaving Shenzhen.”

—Donna Carpenter LeBaron



Though Ma laughed as he said it, he wasn't joking. Inside the gates of this miniaturized world lay the Great Wall, the Forbidden City, the Ming tombs, and more than 60 other attractions. Maps in hand, we became transcontinental explorers, discovering the Three Gorges, the Stone Forest of Yunnan, and other natural and artificial wonders.

It took only a minute or so to walk from one region to the next. Like modern-day Gullivers, we surveyed a Lilliputian replica of the Terracotta Army of Xian, each of the hundreds of ceramic soldiers painstakingly cast.

The more time we spent at the park, the more I understood why Ma was so intent on us seeing it. Despite the hordes of tourists and schoolchildren, this was no ordinary museum. These exhibits celebrated commerce. From the admission gates to the food booths dotting the complex, money was exchanged and profits were made. China, Ma told me, was now open for business.

—Dean LeBaron

That fact became abundantly clear in Shanghai, our next stop, a city clogged with pedestrians and cars. In China, nothing stands still.

—Larry S. Speidell

I found the Chinese ambitious, yet humble and realistic. Though confident in their abilities, they understated them.

—Dean LeBaron

When the Chinese say they can do one thing, they can do two. When Americans say they can do two things, they can do one.

—Yin Yafei



The Chinese went out of their way to impress us.

At Baoshan Iron & Steel in Shanghai—the fourth-largest steel plant in the world and one designed to produce minimal pollution—attractive lawns and flower beds surrounded the mills. This display of horticulture was solely to impress Western visitors who might buy the company’s steel or invest in its facility.

The workers were neatly dressed in overalls and hard hats—their colors based on the men’s function.

—Dean LeBaron





Unlike the Russians, the Chinese had no qualms about borrowing successful ideas and methods.

—Larry S. Speidell

In some cases, this quest to imitate the West produced chuckles, as Dean saw firsthand when he visited Shanghai Aviation Industry Group.

—Donna Carpenter LeBaron

The company had a contract with McDonnell Douglas to manufacture the MD-82—a short- to medium-range commercial jet, similar to a DC-9 or 737. As part of this joint venture, McDonnell Douglas invited dozens of Shanghai Aviation’s best technicians to Long Beach, California, for training.

Upon their return, management asked the technicians to design a replica of the American plant outside Shanghai. They did their job too well, however, putting the tool crib on the wrong side of the plant, just as it was in the American facility.

When I noticed that workers had to run across the plant to get tools, I asked why the crib wasn’t closer.

“That’s the way it is at Long Beach,” one of them said.

Then, there were the quality-control signs—identical to the ones in Long Beach: for example,

“Make every airplane as if your mother were going to fly in it.” Or “Each rivet has your initials on it.”

“Most of your workers can’t read English,” I pointed out to the plant manager.

“True,” he replied, “but the FAA inspectors can. And we need the FAA to certify our planes.”

—Dean LeBaron



The Shanghai Aviation tour reminded me of a common misconception—that low-cost, semiskilled workers couldn’t operate sophisticated technology. With a little training and the right machinery, standardization was possible, and with standardization came quality.

Shanghai Aviation impressed me in the same way Shenzhen Electronics Group had. The Chinese running these enterprises had swallowed their pride to learn from the West.

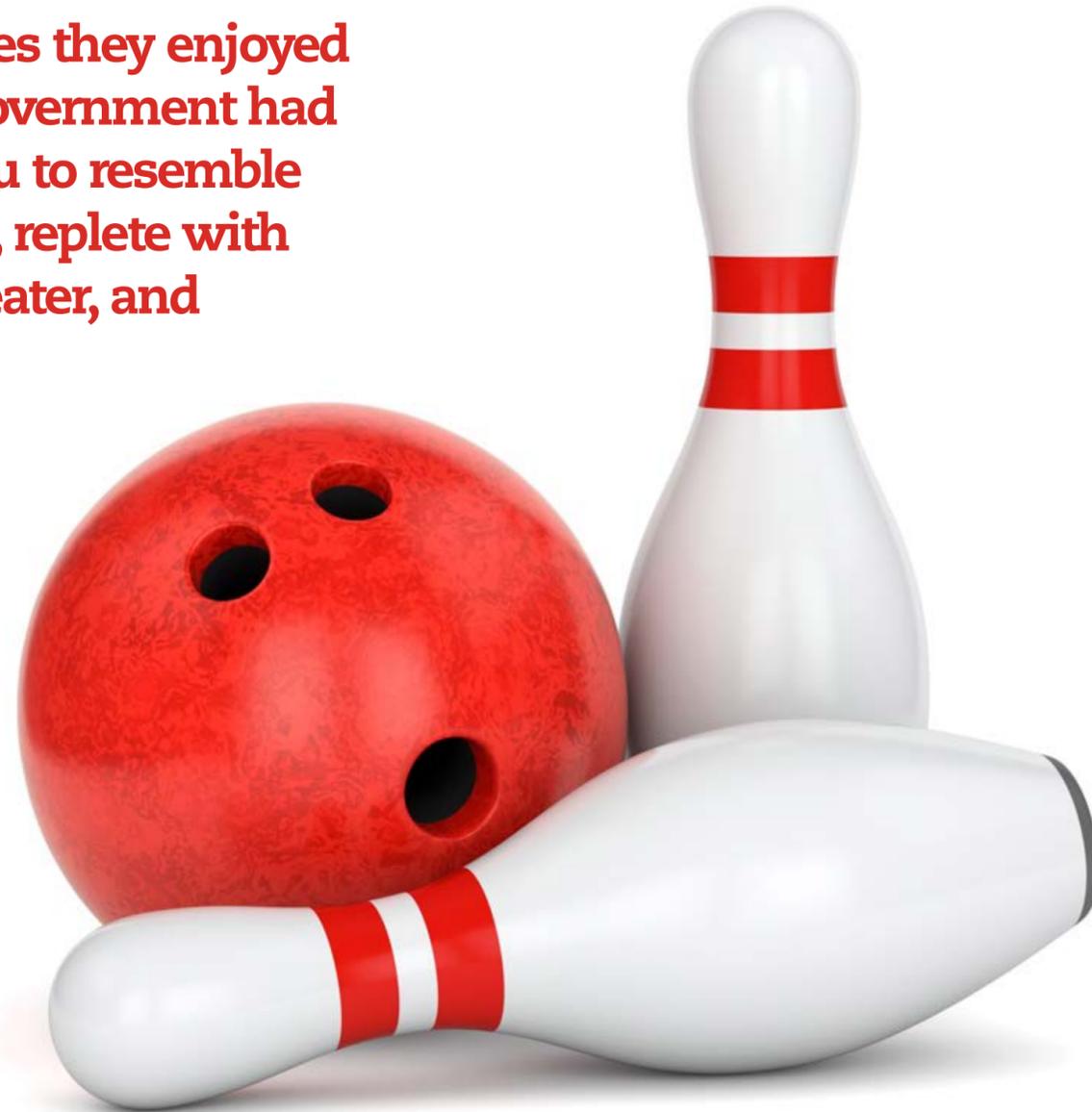
—Dean LeBaron

Our next stop was the Shekou Industrial Zone, across the harbor from Hong Kong. China Merchants Port Holdings Company—a state-owned conglomerate involved in shipping, aviation, and port development—was our host.

—Larry S. Speidell

Knowing their foreign residents would want the same amenities they enjoyed at home, the Chinese government had built a portion of Shekou to resemble a small American town, replete with telephones, a movie theater, and a bowling alley.

—Jeff Braemer



Using a photograph as their model, they had constructed an exact copy of a New England village, with white clapboard houses surrounding a village green and a larger white building with a tower.

“What do you think?” a China Merchants executive asked me.

“It’s very authentic,” I said.

“But there’s something we’ve always wondered,” he added.

“What is this building with the pointed tower?”

“A church,”

I replied, stifling a chuckle.

—Dean LeBaron

While some of us laughed, we had to admire their intention. Knowing they needed the expertise of foreigners, the Chinese had wisely created an attractive and welcoming environment that would appeal to them.

—David Gill



At China Merchants, we heard about China's plans for the city of Shekou and were shown an impressive scale model. But shortly after we arrived, two men approached Yafei and asked her to come with them. She nodded and left.

After a while, Dean asked when she would return. Our hosts looked nervous. There were some irregularities in her procedures, they explained. When Dean insisted on seeing her, Yafei appeared, but only for a few minutes.

"Everything is fine," she said, but her face belied her anxiety. "There is no problem. You should go on with your briefing and tour," she told him.

Somewhat reassured and reluctant to seem rude, Dean and I left.

Two hours later, Yafei still hadn't joined us, and again, he demanded to see her.

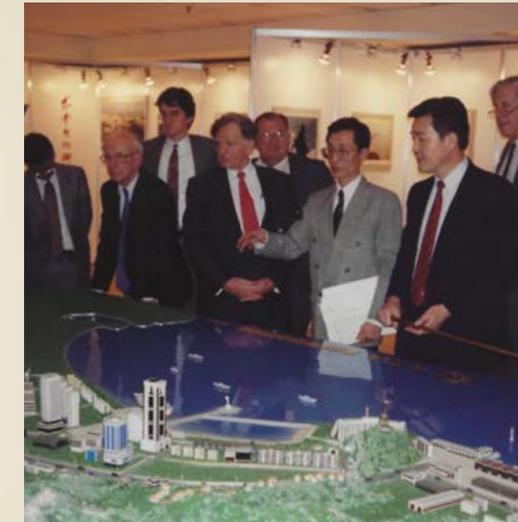
"There's a problem," she said this time, "and there are going to be more questions. You go ahead with your program."

"No," he replied. "We came here together. We'll stay together. The program stops here if you don't come with us."

"Please," Yafei said, "that will only make matters worse."

Dean agreed on the condition that she would be allowed to call us every hour.

—Larry S. Speidell



By then, it was late afternoon, and Yafei had not yet called.

“The program stops,” I told our host. “We’re going back to our hotel until we hear from our colleague.”

—Dean LeBaron

Yafei telephoned us that evening from a detention center, weeping. “You can probably see me tomorrow,” she said.

The next morning, Dean contacted her former boss, the head of an American-Chinese joint-venture chemical company, in hopes that the man—an American—could help, but no such luck.

“Once these things happen among the Chinese,” he told Dean, “a Westerner pulls back. They have to solve their own problems.”

We learned where Yafei was being held and went there. We weren’t allowed inside the building, which was surrounded by a wall topped with barbed wire, and the guards initially refused to let her come out.

—Larry S. Speidell

Yafei’s sister, who was with us, brought her some clothes. It was a tense moment. She was crying, and Yafei was clearly afraid. The government had accused her of forging her passport. We found out later that someone at the Chinese Consulate in New York had made a clerical error.

—Dean LeBaron





At Yafei's insistence, Dean and I went on to Shanghai and then returned to Hong Kong. There, Dean threw a well-rehearsed fit for his host, protesting Yafei's treatment.

It was the right thing to do, Dean's interpreter told him later, as his outburst had gained him increased respect. Whether it had helped Yafei's case, no one could say.

Yafei remained in custody for four weeks. In the end, clearing her required the intercession of the American consulate.

—Larry S. Speidell

The incident brought home something I had not yet confronted. China was still a Communist dictatorship. Its people had no civil rights, and any economic freedoms they enjoyed could be taken away in an instant.

The Chinese Communists had no intention of following Mikhail Gorbachev, who had lost power after gaining world approbation. That a Western businessman was upset when they detained his employee was of no concern to them.

The Chinese people—and its military—marched to their leaders' tune.

As I had learned in college, there were no straight lines in history, and revolution never came without pain and dislocation. But I was not inured to the suffering of the Chinese people.

—Dean LeBaron

After her ordeal, Yafei told Dean, "I had been taught to think that capitalists were interested in one thing—profit. But you were the only person, besides my sister, who fought for me."

—Larry S. Speidell

In April 1992, a few months after Yafei's arrest, Dean returned to China and visited the Shanghai Stock Exchange.

—Marilyn Pitchford

I was amazed by all the hustle and bustle on the floor—some 50 traders working feverishly, the computers up and running. It was an impressive sight. But after our guide led the group away, something told me to go back to the observation area. I was surprised to see that all activity on the floor had ceased. All the flurry and frenzy had just been a show put on for us. Good theater perhaps, but not good capitalism.

—Dean LeBaron

The government had intended the Shanghai and Shenzhen markets to operate identically, but the two were quick to distinguish themselves. Initially, Shanghai specialized in bonds, Shenzhen in stocks. Subsequently, Shanghai traded China's blue chips—mainly large state enterprises—which were heavily dependent on government orders. Shenzhen handled smaller, entrepreneurial companies, which were mostly dependent on exports and the free market.

It was clear that our investment strategy in China would differ substantially from our approach in the Soviet Union. There, we had tried to find companies—or portions thereof—whose products could compete in the world market. In China, we would buy stock directly from the exchanges.

On-site inspections and face investing would, as always, remain part of the approach, but we needed other sources of information as well. Assessing a foreign country's business prospects was difficult under the best of conditions, but

understanding China—especially as it was undergoing this unprecedented transition—was like trying to learn Chinese without a teacher.

—Dean LeBaron





Returning to Shenzhen, I saw something that demonstrated how far this vast, ostensibly still-Communist nation had moved toward a market-based economy.

It was a boarded-up business.

I was riding in a van with a guide from Shenzhen Electronics Group, which was on the verge of offering a portion of its stock to foreign investors, when we passed a golf course, a hotel, and an amusement park—all, he told us, owned by the government. The golf course and hotel were operational, he said, but the amusement park was closed.

“Why?” I asked.

“The golf course and hotel both make money from Japanese tourists,” the guide explained, “but the amusement park did not.”

—Dean LeBaron

By now, the Communist Party appreciated the necessity of profit even if it didn't conform to other Western business and social norms.

—Jeff Braemer

Our tour guide—a woman in her late twenties wearing a Western-style suit—told us she became a guide after graduating from college. She had worked for seven years, she said, and she was tired. She wanted to settle down, travel less, and start a family, but she couldn't. The government would not allow her to quit, and if she was fired for poor performance, she would be banished from Shenzhen and denied future employment there.

“I feel like I’m pushing against a wall that will never move,” she said.

—Donna Carpenter LeBaron





Though much of the population believed

Deng's slogan— *To get rich is glorious—*

many saw no way to get there. A popular ditty in China said it best: "Before the Revolution, we had a clay rice bowl, but Chairman Mao gave us an iron rice bowl; then Deng poked a hole in it, and since the reforms, we've had a porcelain rice bowl."

A porcelain rice bowl might be more elegant than a clay one, but it's a lot less durable than iron.

—Dean LeBaron



農曆丙申猴年
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Nineteen ninety-two was the Year of the Monkey, and like the primate, it was predicted to be energetic, aggressive, adventurous, and ready to leap into new situations—a characterization that would prove true as the year unfolded.

—Donna Carpenter LeBaron

Deng had not been seen in public for months, sparking rumors as to whether, at 87, he was fit to rule or was even alive. Economic reform began to stall.

Then, in February, he came to Shenzhen.

—Larry S. Speidell

Deng's appearance in Shenzhen signaled that he was solidly behind China's economic reform. On February 23, the headline of the *People's Daily*—the government's English-language newspaper—spelled out the official version: "Opening Up to the World and Using Capitalism."

—Jeff Braemer

Other major media picked up the theme. "The South China Sea Surges with a Tide of Reform," proclaimed one. **"An East Wind Blows an Eyeful of Spring,"** said another.

The reform deadlock was broken. The stock market grew more robust and confident. The number of companies listed increased, as did competition for shares. That meant a smart investor had to move fast to pick them up at a good price. Which is exactly what Batterymarch did.

—Larry S. Speidell



Competitive advantage requires a combination of connections, information, and timing, and in China, Dean had all three.

—Donna Carpenter LeBaron

We had to know what stocks would be available and when, their relative value, and most important, we needed someone to save us a place at the head of the line. Our competition in China was steep and included Deutsche Bank, Templeton, as well as wealthy Hong Kong investors.

Guided by Yafei's unerring instinct about which Chinese officials were essential for us to meet, we developed a network of relationships, made the right moves, and accepted and extended the right invitations.

—Larry S. Speidell



When it came to personal chemistry, we all felt particularly close to Ma of SEG. In countries where there was no reliable legal structure, all contracts were ultimately human. When I did business in foreign countries, my credo was to pick the person, not the project.

—Dean LeBaron



On August 7, 1992, in an unprecedented event, the government announced it would accept 5 million applications for a fee of 100 yuan each—roughly half the average monthly salary in industrialized China—to take part in a national lottery. Of these 5 million applicants, 10 percent would win the right to buy up to 1,000 shares on the stock exchange. Hundreds of thousands of Chinese, determined to participate in this bonanza, converged on Shenzhen.

—Larry S. Speidell

But by August 10, trouble was brewing.

The government had not printed enough applications, and worse, the crowds had learned that potential investors with official connections were receiving special treatment. The heat was scorching, and the mood of the mob turned ugly.

Around 8 p.m., a riot broke out. Demonstrators blocked the main street of Shenzhen, overturning police vehicles and setting them on fire. Armed with batons, cattle prods, tear gas, and guns, the police moved in to reassert control.

Hours later, two people were dead and dozens injured. The following day, Shenzhen's mayor, Zheng Liangyu, pledged to adopt standard protocols for issuing shares and to set up a task force to investigate complaints of police brutality.

The stock market did not open that day, but it did the next.

—Dean LeBaron

I scheduled the launch of China's equity fund for the end of the year. The Year of the Monkey was nearing its close, and I was about to leap.

—Dean LeBaron



In October, our departure to Hong Kong was delayed. When our plane finally landed, it was late, and we were tired and grouchy. When the clerks at the Grand Hyatt hotel questioned our reservations, we complained to the manager.

“What do you mean, you just landed? No planes land at this hour,” he challenged us.

But as soon as he heard the words *private jet*, his demeanor changed. Within minutes, we were escorted to private suites.

**That episode summed up Hong Kong—
moneyed and sensitive to money.**

—Donna Carpenter LeBaron

When the British returned Hong Kong to China in 1997, it retained some of its autonomy, but it was absorbed into the country's one-party political system—an autocracy that ruled by implied threat or, as at Tiananmen Square, overt violence.

In October 1992, five years before the British handover, Hong Kong had been an oasis of safety with plenty of police who had little to do. Asian flavor, Western rules.

—Hsiu-Lan Chang



The distance between Hong Kong and mainland China was short, but ideologically, they remained worlds apart. Hong Kong was dotted with cranes erecting new skyscrapers. Guangzhou, 300 miles away, was as primitive as Hong Kong was modern.

—Fran Tracy



In Guangzhou, we saw teams of men smoothing out freshly poured asphalt by hand as others carried buckets of cement on poles stretched across their shoulders.

Three-wheeled bicycles with platforms on the back moved enormous and unwieldy loads—a refrigerator, a mattress, and in one case, three sofas. Two-wheeled bikes were so overloaded that they had to be pushed.

Roadside vendors offered roasted dogs and rats.

—Donna Carpenter LeBaron

Riding in the mayor of Guangzhou's gold Mercedes, Dean felt sheltered from the feverish and shoddy construction, the air filled with dust and exhaust, and the endless masses of people.

—Donna Carpenter LeBaron

Like so many other Chinese cities, Guangzhou had retained little of what was bright and picturesque from its past.

—Larry S. Speidell

One exception was flowers; they were everywhere. Another bright spot was the children. Like the flowers, they were well dressed and well cared for, nurtured to blossom.

—Donna Carpenter LeBaron



One major difference between First World and Third World countries is their bathrooms. After a meal in a country restaurant, the women in our group were dismayed to find that the toilets were holes in a dirt floor.

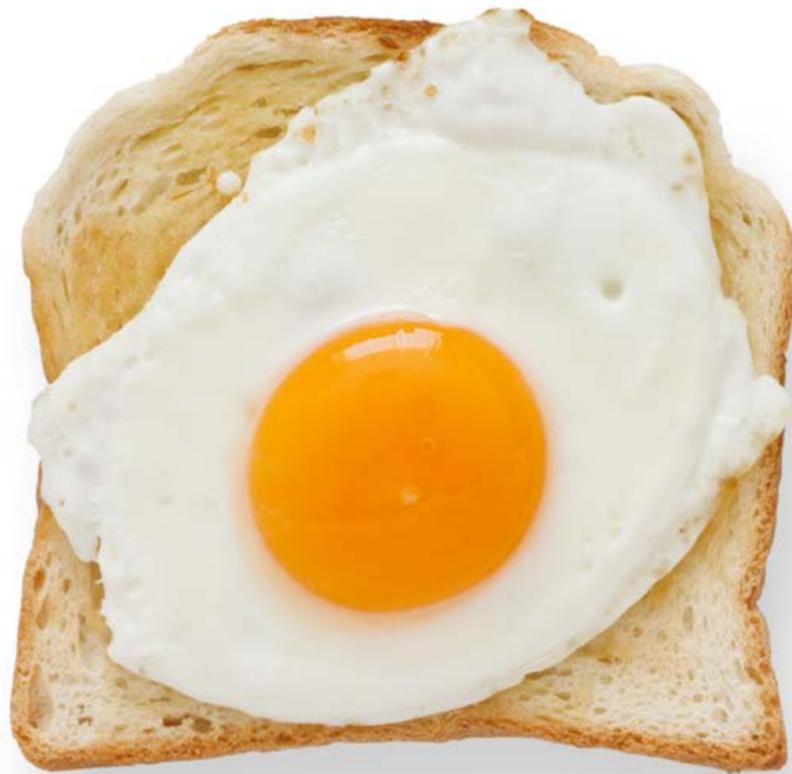
Our female interpreter, who knew something of Western ways, was embarrassed but told us that there was a new, modern hotel nearby.

Our motorcade—police escort, gold Mercedes, and bus—streaked to the hotel, where the improved facilities were porcelain-clad holes in a cement floor.

—Dean LeBaron

On that same trip, the cooks insisted on serving us their idea of an American breakfast—fried eggs and white toast—but refused to allow us to sample the far-more-tempting breakfast the Chinese were enjoying.

—Jeff Braemer



That was not the case at the banquet hosted by the mayor. We were fed whole birds, and

Dean, as guest of honor, was offered fish eyes—a great delicacy.

To his credit, he smiled and swallowed fast.

—Donna Carpenter LeBaron





We next visited the China Import and Export Fair and saw mostly low-end novelty items: teddy-bear candles that played “Happy Birthday,” cheap black-and-white TVs, and crude farm equipment that, while it couldn’t compete with John Deere, was priced to sell.

Though many of the items were cute, their quality did not hold up to American standards.

—Marilyn Pitchford

Our final morning in Guangzhou, I invited some of the mayor’s staff to our plane for coffee and pastries to show my gratitude for their hospitality.

Some were stunned, others were delighted, and a few were just downright uncomfortable boarding a jet from the West. Soon, however, the novelty wore off, and we spent the time getting to know each other.

—Dean LeBaron

We flew to Beijing, where Dean spoke at the 12th Business Leaders Symposium, sponsored by the World Economic Forum (WEF). Ironically, the National Congress of the Communist Party of China was in session across town.

—Larry S. Speidell

One of the first things we noticed in Beijing was that almost everyone wore the familiar blue cotton pants and shirts we had seen in the countryside—in marked contrast to Shanghai, where dress was more Western.

—Donna Carpenter LeBaron



In Beijing, our hosts drove us to a government guesthouse more lavish than any we had stayed in before. Called Angler's Rest House—or so it was translated to me—it stood behind a guarded gate in a compound of half a dozen brick buildings.

My accommodations—the most luxurious suite in the most luxurious guesthouse—had previously been occupied by Henry Kissinger and later by President Richard Nixon.

Even the bathroom had been designed to exude power. Everything was massive, including the tub, which was more than six feet long.

With its bulletproof windows, heavy maroon drapes, and overstuffed furniture, its style was unmistakably Stalinist Russian.

—Dean LeBaron

Here, we saw the obligatory sights, including the famous Tiananmen Square—Communist China's 98-acre parade ground, where Mao had first raised the red flag of his new nation. He later enlarged it by 75 acres and had his mausoleum built here.

—Larry S. Speidell



If the architectural efforts of dictators—think of Adolf Hitler, Benito Mussolini, and Joseph Stalin—reflect a desire to supersize everything, the Chinese intended to supersize the supersized. Tiananmen Square dwarfs Moscow's Red Square. Lenin's tomb is imposing, but Mao's mausoleum trumps it.

Adjacent to Tiananmen Square is the Forbidden City of the emperors—9,999 rooms and pavilions built on 175 acres of magnificent gardens. The Kremlin covers 90.

The streets surrounding Tiananmen Square, built on the same grand scale, were designed to serve as landing strips in time of war—just like some Moscow streets, I would later discover—though party architects might have envisioned them as an easy way to get tanks and troops into the city. If so, that plan was implemented in June 1989, when the army crushed the student demonstrations in the square.

—Dean LeBaron

But in 1991, we saw not tanks and troop carriers, but bicycles. The Chinese own 300 million of them, up from 100 million 10 years ago.

—Donna Carpenter LeBaron

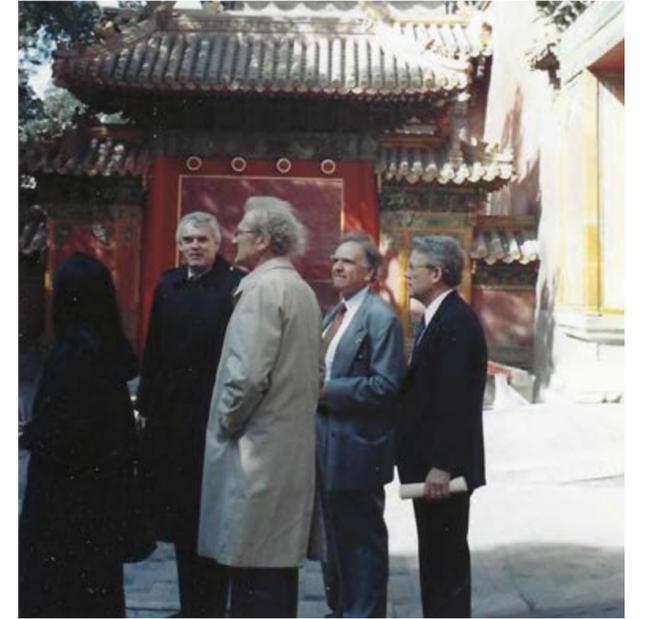
From the square, we drove past the city's largest department store, where television sets were prominently on display. Later, in the Friendship Store—at the time, the only place tourists were allowed to shop—I was struck by how oddly the items were valued. For example, little plastic trinkets were unreasonably expensive, whereas finely crafted objects were modestly priced.

Antiques, on the other hand, were virtually nonexistent—first, because so few had survived the Cultural Revolution, and second, because the Chinese were understandably reluctant to allow what remained to leave the country.

In Beijing, foreigners could shop in stores that were off-limits to the Chinese. Not only were the amenities in these shops better, they dealt strictly in hard currency.

—Donna Carpenter LeBaron





I did not return to Beijing until March 1992, when I took a group of American investors there.

I asked Yafei to accompany us, as I wanted her to see Mao's tomb. When we arrived at Tianamen Square, dozens of Chinese were waiting in line to enter along with a handful of Western tourists.

Inside the mausoleum was a huge statue of Mao sitting in a chair, like a Chinese version of the Lincoln Memorial. Around the base of the statue were dozens of potted flowers. A red carpet led into the next room, where the chairman's body was laid out.

Visitors stared quietly and respectfully for the brief minute allowed. To me, Mao's skin resembled waxed leather, leading me to doubt that those were actually his remains. Apparently, Beijing morticians had not been up to embalming their late leader, so they had flown in Vietnamese specialists who had recently preserved Ho Chi Minh's body.

When we were outside, I asked Yafei for her reactions to the experience.

"It made me feel like saluting," she replied. "It made me very proud." When I looked quizzical, she added, "He was the father of our country."

Her remark reinforced something I'd felt during my first trip to China. Gazing at Mao's monumental tomb, I had wondered, Was this still Mao's China? I concluded that it was.

—Dean LeBaron

The next day, at the WEF meeting, I said that to maintain its growth, China would have to attract both domestic and foreign capital. Stock markets were an ideal way to create a socialist market economy—a phrase we heard frequently—but the exchanges would need reliable pricing, enforceable rules and regulations, and absolute transparency.

—Dean LeBaron

Shortly after the forum, the Chinese authorities announced the establishment of the China Securities Regulatory Commission to oversee its markets.

—Marilyn Pitchford

To illustrate my belief that money had no passport, I printed plastic maps with the countries of the world sized according to their market capitalizations.

Japan was large compared to its actual size. Luxembourg, scarcely visible on a conventional map, was also prominent, as was Switzerland. China, for all its land mass, was as tiny as Russia.

—Dean LeBaron





Deng looked ghastly when he appeared at the 14th National Congress of the Communist Party of China. His sunken cheeks hinted at emphysema—he smoked nonstop—and one of his hands was clenched and trembling.

—Larry S. Speidell

Deng was devoid of charisma. No cult of personality had grown up around him because he had none. His brusque demeanor was a byproduct of the obstructionism and secrecy of the past. Mao's image—arrogant, ruthless, serene—was iconic. Deng was faceless in a sort of bland, nonideological way.

—Donna Carpenter LeBaron

Nevertheless, it's remarkable how much the man accomplished in his 14 years as China's leader. Eighty-eight, deaf, suffering from prostate cancer, he had presided over a historic generational shift.

—Larry S. Speidell

Despite Deng's lack of personality, his wisdom was sound and his ideas have prevailed. The party secretary's keynote address was based, almost verbatim, on Deng's earlier pronouncement:

“If a decision is good for economic growth, don't even bother to ask yourself whether it is socialist or capitalist.”

It was a clear signal to investors that the party was on their side. Still, old mumbo jumbo dies hard. None of the top leaders were willing to use the term *market economy* alone, always adding the face-saving modifier *socialist*.

—Dean LeBaron

Politically, the party seemed to be saying that prosperity and stability were enough for now. As long as there was no overt repression and social and cultural freedoms continued to expand, who needed democracy?

—Dean LeBaron



It was difficult to know how much of the euphoric economic projections were spin versus reality. I wondered if the Chinese were moving slower than they were admitting.

—Dean LeBaron

Handing me his annual report, the head of Shanghai Automotive told me his company would go public in two years.

“Why so long?” I asked.

“We don’t know enough. We have to go slowly. We can’t make mistakes.”

—Dean LeBaron



One weekend in April 1992, at my home on Lake Sunapee in New Hampshire,

I entertained Yafei, my Batterymarch colleague whose arrest in China had shocked me the summer before, and my friend Alexander Kuznetsov, the deputy director of Leningrad Optical Mechanical Association (LOMO) in St. Petersburg.

As we sat on the porch, Alexander commented that the slogan Live Free or Die on New Hampshire's license plates was "a very important statement." Personal political freedom, which he defined as the freedom of people to make their own decisions and to be responsible for themselves, was the most important change taking place in the former Soviet Union.

Yafei listened to Alexander for some time before interrupting. "You have no food to eat," she said. "Yet you want freedom first? I do not understand."

In that instant, I gained a crucial insight into an essential difference between the Chinese and Russian perspectives, and I understood why our Soviet Companies Fund had withered while our Equity Fund of China had taken root.

—Dean LeBaron



By December 1992, several of Batterymarch's clients, including emerging-market pioneers AT&T and General Motors, agreed to join us in China.

And so, 12 years after my first visit, after raising \$31.4 million, on December 21, 1992, we launched the Equity Fund of China. One week later, we bought our first stocks.

—Dean LeBaron



Snow was in short supply in Davos, Switzerland, in January 1990 for the WEF annual meeting,

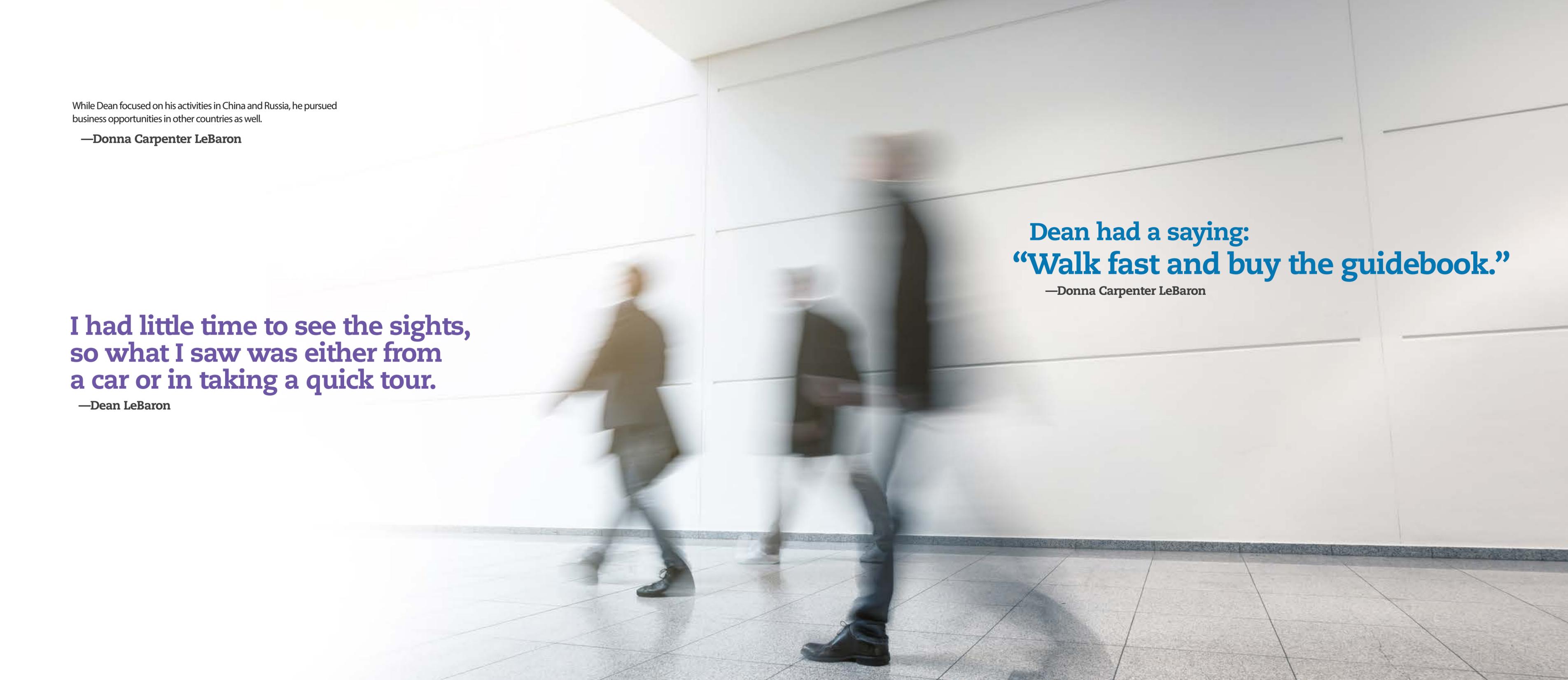
but the leaders of a changing Europe fell on the Swiss ski resort in drifts. Klaus Schwab—WEF’s executive chairman—generally managed to stage some modest diplomatic drama, but this year he outdid himself. The first weekend, more than 70 prime ministers and heads of state descended on the conference center.

The meeting was a celebration of the changing political climate in Europe, as one Communist country after another turned toward the capitalist West.

One speaker described the dire state of the Soviet Union, saying it was “heading toward . . . a labor-camp economy.”

The meeting culminated in an address by West Germany’s chancellor Helmut Kohl, who had no doubts that East Germans would vote to create “one Germany.” I marveled at how the world had changed since Alfred Farha and I had crossed Checkpoint Charlie into East Berlin.

—Dean LeBaron



While Dean focused on his activities in China and Russia, he pursued business opportunities in other countries as well.

—Donna Carpenter LeBaron

**I had little time to see the sights,
so what I saw was either from
a car or in taking a quick tour.**

—Dean LeBaron

**Dean had a saying:
“Walk fast and buy the guidebook.”**

—Donna Carpenter LeBaron

In March 1990, Dean and five Batterymarch clients—few of whom had traveled outside the United States—**embarked on the first Global Financial Workshop, a whirlwind, seven-day, around-the-world trip aboard the Gulfstream II.** The purpose of this workshop and the ones that followed was to introduce them to investment opportunities beyond America's borders, especially in emerging-market countries.

Dean kept everyone moving. Sometimes they slept on the plane and checked into hotels only to shower.

Dean targeted countries that were difficult to get to, except by private plane. In those days, commercial airlines flew into emerging-market countries perhaps once a week. The schedule was brutal, but by way of this immersive experience, those in attendance received an education like no other.

—David Gill



At 6:45 p.m. on March 2, 1990, we took off from Hanscom Field, outside Boston. Eight hours and thirty-six minutes later, after refueling in Gander, **we landed in Zurich, Switzerland.**

A van took us to the Paradeplatz, where we checked into the Savoy Baur en Ville—the city's oldest and grandest hotel—owned by Credit Suisse. That evening, we dined with officials from the bank and the Zurich stock exchange in a picturesque old guild house turned restaurant called the Zunfthaus zur Meisen. The setting was elegant, the service impeccable, and the traditional *Zürcher Geschnetzeltes*—Zurich-style veal—superb. William Wirth was our host.

—Dean LeBaron



The next morning, a Credit Suisse analyst briefed us on Eastern European markets. By this time, the Soviet Union had collapsed and the map of Europe had changed dramatically.

Hungary, like other Eastern Bloc countries, was taking steps toward a free-market economy and had begun to privatize its many government-owned enterprises.

Although the Hungarian stock market had not formally reopened, it would within months—42 years after the Communists had shut it down. The country planned to turn 80 percent of its businesses into publicly held corporations—a potential boon for Hungarian and Western investors alike.

—Dean LeBaron



The transition to a market economy was a little easier for Hungary than other Eastern Bloc countries, as the Soviet Union had allowed it to adopt what one writer called Goulash Communism, permitting small-scale experimentation in privatization in exchange for continued allegiance to the Warsaw Pact and adherence to Moscow's foreign policy.

—David Gill

We flew to Budapest—

population 2 million, 20 percent of Hungary's populace—where we checked into the four-star Forum Hotel and spent the afternoon sightseeing.

Once two separate cities, Budapest is split by the Danube River—or Duna, as it is known to Hungarians—laced together by six bridges. The city's landmarks are the relics of successive occupations: Roman, Hun, Magyar, Mongol, Turkic, Habsburg, Nazi, and Russian.

Though Budapest was said to be 1,000 years old, its two halves did not unite until 1872.

—David Gill



I found Budapest beautiful— more beautiful than Paris.

—Donna Carpenter LeBaron



It was a city of contrasts.

To move among the pastel monuments of the Austro-Hungarian Empire of the half-century leading up to World War II and then to glimpse the drab Communist-era housing disfiguring the section north of Óbuda was to experience a city shaped by wildly divergent forces. And to be confronted by both the bullet scars of the anti-Russian uprising of 1956 and the city's new internationalism was to know the reality of the Iron Curtain and its dissolution.

—Donna Carpenter LeBaron



We toured Buda Castle, much of which had been given over to the Hungarian National Gallery, its exhibits tracing Hungarian art and history from medieval times. We also visited the Assumption Cathedral, where two Hungarian kings had been crowned and Franz Liszt's *Hungarian Coronation Mass* had made its debut.

—David Gill



Tea cakes, strudel, and confectioneries—

Austrian influences—were everywhere, as were coffeehouses. Introduced by the Turks, coffeehouses had been a staple in Budapest long before they appeared in Paris or Vienna. By the turn of the century, our guide told us, there were more than 400 of them in the city.

“This was by far the most popular, the most beautiful, and most lively,” he said as we entered the elegant and luxurious New York Café.

In its heyday, it had been a meeting place for writers, many of whom came for the free paper and ink and the cut-rate plate of cold meat, cheese, bread, and coffee.

“There was a saying,” he told us, “that when the café opened, the writers took the key and threw it in the Danube, so the coffeehouse would never close.”

—Dean LeBaron



That evening and the next morning, we learned more about Hungary's transition from Communism, spearheaded by the country's prime minister, Miklós Németh.

An economist and technocrat, Németh had been plucked from relative obscurity and appointed Hungary's prime minister at age 40, making him the youngest prime minister in Europe. The radical changes he introduced in Hungary, often through a process of subterfuge, laid the foundation for real reform.

As prime minister, he gradually separated himself from the Hungarian Communist *apparat*, remaining a nominal member while bringing outside talent into his administration and forming a cabinet of skilled professionals. His actions generated so much paranoia, however, that according to the press, Communist die-hards in Budapest bugged his office.

Undaunted, Németh pursued his reforms, revitalizing the Hungarian National Assembly and erecting the framework of an authentic parliamentary system.

The Németh revamp was so extensive that by the middle of 1989, the Hungarian Socialist Workers' Party had morphed into the Hungarian Socialist Party; on the surface, a minor name change but in fact a radical shift considering the two vastly different systems still operating in Europe.

The change meant that Hungary was now a social democracy even though it remained—at least technically—a full member of the Soviet-dominated Warsaw Pact and Comecon, the Eastern Bloc's economic group.

Németh was exiting in front of the revolving door.

—Dean LeBaron



That same morning, the group flew from Budapest to Bangalore, before departing that evening for Hong Kong.

—Donna Carpenter LeBaron



The chairman of the Canara Bank hosted lunch. “India,” he told me, “occupies two centuries at the same time—the 16th and the 20th. Sixteenth-century culture, 20th-century technology.”

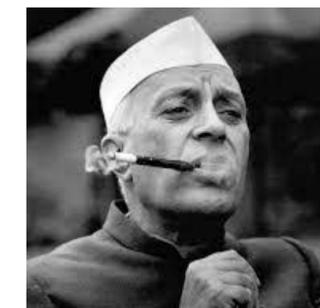
—Dean LeBaron



Jawaharlal Nehru, India’s first prime minister, had a radically different vision for Bangalore than Great Britain’s Queen Victoria.

Calling it India’s *City of the Future*, he sought to transform it into the country’s intellectual capital, a place where scientists could assemble and generate ideas and programs that would bring the nation’s ambitious plans for self-reliance to fruition.

—David Gill



After lunch, we visited several Indian companies. In the 1980s, leading exports were not products, but people—high-skilled, low-paid software engineers and programmers who took jobs in the United States, a process Indians called *body shopping*. Now, its emphasis was shifting to computer software services provided by the Bangalorean people.

—Dean LeBaron

When the company tours concluded, we boarded a van for a two-hour tour of the city, accompanied by a guide. Our first stop was the Tudor-style Bangalore Palace, once home to the maharaja of Mysore.

Near the entrance stood a life-sized sculpture of a turbaned old man with a white mustache and a ceremonial military uniform adorned with medals. The maharaja had commissioned the statue to acknowledge the faithful service of Venkataswamy Raju, who had served as an inspector for 40 years and fought in the Second Anglo-Afghan War.

Great Britain's enduring contributions to India are its language and law—two assets that have been key to recent high-tech advancements.

The British built on India's rich traditions of scientific achievements and developed a system of higher education that has become a cornerstone of today's computer industry.

—David Gill



They favored Bangalore not simply for scientific reasons, but also because it sat on a cool, lush plateau 3,000 feet above sea level, providing relief from the torrid coastal cities. The city subsequently became a favorite retirement spot for senior colonial officers. If India was the jewel in the crown, Bangalore was one of its brightest facets.

—David Gill



Evidence of British influence was everywhere. In wealthier areas stood spacious, whitewashed bungalows; broad boulevards lined with flowering trees; manicured playing fields for cricket, golf, and polo; and gorgeous beds of European roses.

With the help of corporate sponsors and the successful local breeding of pedigreed racehorses, the Bangalore Turf Club—founded in 1920—continued to thrive. For those at the pinnacle of local society, membership in the 128-year-old institution, set on 13 acres of prime real estate in the heart of the city, was the epitome of success. The waiting list for this 4,000-member organization, which had not elected its first Indian president until 1962, was 25 years.

When Winston Churchill returned to Great Britain from military service in the 1890s, he left the club with an unpaid bill of 13 rupees. Prince Charles tried to settle the debt when he visited Bangalore in early 1992, but the club declined the offer.

—Dean LeBaron

We left Bangalore at 11:30 p.m. and arrived in Hong Kong at 7 a.m., checking into the Mandarin Oriental not to sleep, but to shower.

The next few hours were all business—a tour and briefing at Hong Kong's Stock Exchange, then lunch hosted by its chairman, Francis Yuen.

A bus took us from Hong Kong to Shenzhen, where we met with executives of the the People's Bank of China, then to dinner at our hotel, the Silver Lake Resort.

At nine the next morning, we boarded the bus for the drive to the Hong Kong International Airport for our flight to Tokyo, where we checked into the Imperial Hotel. Clean, modern buildings loomed in all directions. In the distance, we could see Mount Fuji.

—David Gill





Our first appointment on March 9, 1990, was a meeting at a camera manufacturing plant.

Next came the Tokyo Stock Exchange and a briefing by our host, Sanyo Securities, who took us to Sony's Media World, where we saw engineers working on what would become some of the first video games. That evening, Sanyo entertained us on the company's 80-foot yacht.

—David Gill



The boat was new and spacious, a modern-day launch designed for touring rather than overnight cruising, and we were waited on by a group of elegantly dressed young women who spoke English and kneeled to serve us cups of tea.

"What is your job at the company?" I asked one.

"I am in the social-relations department," she replied.

Later, one executive pulled me aside. "Dean, do you like our social-relations ladies?"

"Yes, very much," I said.

"Dean, which of our social-relations ladies do you like?"

I dodged the question. "They are all equally lovely."

—Dean LeBaron



On March 10, we traveled by van to the Sapporo Brewery for a demonstration of new, high-tech production methods.

Afterward, we had a few hours to see the city. We drove past the Imperial Palace, where a three-tiered watchtower stood above the trees on the grounds of the Imperial Palace Plaza. The palace itself, destroyed in air raids during World War II, was not fully rebuilt until 1968.

—Dean LeBaron



We also visited the Asakusa district, famous for its Sensō-ji—one of the most venerated Buddhist temples in Japan.

“Asakusa still retains the poetic atmosphere of old Tokyo,” our guide told us. Guarded by a Thunder Gate, the temple opened into the alfresco square of Nakamise—a colorful shopping arcade boasting cultural souvenirs. Amid the displays of plastic foods, the air was rife with the aroma of sweet steamed buns.

I walked up to a store selling mooncakes and began snapping photos. Unfortunately, the store owner wasn’t one for trigger-happy tourists.

“No picture!” he yelled, and I quickly departed.

At the train station, we saw the bronze statue of Hachikō—the legendary dog so loyal to his master that he would see him off every morning and return to greet him without fail at the end of each day. After his master’s death, the faithful animal continued to arrive at the station at the same time, morning and evening, for nine years until he himself died.

Our plane left for home at 5:30 p.m., and 15 and a half hours later—with a fuel stop in Anchorage, Alaska—we touched down at Hanscom Field, our first Global Workshop complete.

—David Gill

In February 1992, as I did every year, I attended the WEF annual meeting in Davos, Switzerland.

As it had the previous year, the Soviet Union's transition to a market economy dominated the conversation.

"All conservatives understand that going back is impossible because the command system has been destroyed," Abel Aganbegyan, president of the Soviet Academy of National Economy and a key architect of Mikhail Gorbachev's policies, told the group. "The old system was a bad system. Everyone knows that."

"The transition process isn't frozen because reform is taking place in each region, each city, each sector," St. Petersburg's mayor, Anatoly Sobchak, said.

On the next-to-last day of the conference—at Schwab's request—I recounted my experiences in the Soviet Union with as much optimism as I could muster.

—Dean LeBaron



In March 1992, Dean flew to Chennai, India, on the Bay of Bengal.

—Donna Carpenter LeBaron



From the airport, a car provided by our banker hosts took us into the city.

I'm going to make my wife cry with joy! screamed one of the many billboards we passed, this one advertising Dulux Paints.

With Love Cosmetics—for lovely lips and lively skin, promised another.

Both products seemed far removed from the immense crowds swarming in the streets.

It was well past dusk, but even in the darkness, India's poverty was visible everywhere, as evidenced by the fires of people camping along the roadside.

Our Indian chauffeur—counting one, two, and then three trucks overturned on the side of the road—explained, “Drivers drink too much. They get too tired and try to drive too many hours, and they lose control.”

—Dean LeBaron



The specter of the British looms large in Chennai, which grew up around the fortress of St. George, founded in 1644 by East India Company traders keen to trade the cotton grown in local fields.

—David Gill

In Chennai, we saw some of the most remarkable British military buildings from the 17th, 18th, and 19th centuries.

—Donna Carpenter LeBaron



At the center of the city—facing the sea like some grand old English country mansion—was the former Fort House, now the Legislative Assembly.

The museum next door evoked memories not only of the British, but Danish, Dutch, French, and Portuguese presences in the Bay of Bengal. On the ground floor was a wooden cage in which a band of Chinese had incarcerated British Army Captain Philip Anstruther before trying to scalp him.

The Duke of Wellington—then plain Arthur Wellesley—had lived in a house behind the museum before his victorious campaign against Tipu Sultan, my host informed me.

Behind the Assembly was the magnificent parade ground, still partly occupied by regiments that traced their traditions back to the days of the British Raj.

Parts of the fort were in a sorry state. One house with giant pillars had collapsed across the road.

Given the significance of these buildings to Great Britain, I thought, *Is it too much to ask that the British take an interest in their fate?*

—Dean LeBaron



In anticipation of Holi, the Hindu festival of spring, the streets were awash in primary colors—red balloons, blue flags, green saris.

I asked my companion about his plans for the festival.

“Bhang,” he replied, referring to the traditional milk-and-cannabis mixture commonly imbibed on this occasion.

“That shit makes you giggle for hours.”

—Dean LeBaron





The next morning, on my way to our meetings, I stopped at a bookshop. The shelves groaned under money-management guides, business histories, and self-help books with titles like *Free Yourself, Suffocate Not*.

Back on the street, I noticed how many posters—like those ubiquitous billboards on the way from the airport—were devoted to self-improvement.

After our meetings, a guide escorted me to the Hindu Kapaleeshwarar Temple,

where we struck up a conversation about the strict Indian caste system, which had historically dictated everything from practitioners' spouses and professions to their clothing and accent.

"The constitution now bans discrimination according to caste," she noted, "but it endures."

I began to understand the plethora of self-improvement literature: in a society where birth continues to limit opportunity, a philosophy that appeals to an individual's innate talents and motivation is understandably compelling.

—Dean LeBaron

Next, Dean flew to Agra, India. Some 128 miles south of Delhi, it had been the principal capital of the Mughal Empire for more than 400 years.

—Donna Carpenter LeBaron



Our guide—an open-faced woman clad in a green sari wrapped with a plum-colored sash—was armed with a cache of information. The people of India, she told us, worship 1,600 gods—some of them birds, some trees—in a variety of Hindu and Muslim festivals.

Our first stop was the famed Taj Mahal. We clambered out of our bus and walked toward one of its four arched gateways as the arch towers—a mixture of red sandstone and white marble—shimmered in the heat.

Four elderly beggars, lugging bundles fashioned from sacking, stopped in front of us and then moved on.

Men, women, and children besieged us. “Necklace? You want necklace? Real ivory, 10 rupees. Box, real box. Marble, precious stones, 30 rupees. Bracelet? Look, elephant on chain, 50 percent silver.” The prattle lasted all the way to the arched gateway.

And suddenly, there it was.

—Dean LeBaron





The archway framed the dome in black as I walked forward. Bright blue sky met the black frame and led my eyes down to the gleaming whiteness of the central dome, set above four smaller domes. In the center below, a single perfect archway framed two more arches, one on top of the deeper one inside.

Passages from the Quran were outlined in black marble around the central arch. On either side, the symmetry continued—two smaller arches, together as tall as the central one, one above the other. The marble front broke gently into diagonal sides.

The sunlight glistened on the marble, casting symmetrical shadows inside each archway, maintaining precise harmony as the sun moved slowly across the sky. Symmetry. Harmony. Balance. Proportion.

Four marble minarets stood like lighthouses at each corner, leaning outward to ensure that if they fell, they would not fall on the main building.

The symmetry continued through the reflecting pools—long and rectangular, leading toward the Taj—and in the two domed buildings flanking the mausoleum.

Our guide gathered us in a quiet spot and told us the story of the emperor Shah Jahan and his third and favorite wife, Mumtaz Mahal. The empress had died at the age of 39 giving birth to her 14th child. The shah's grief was so deep, she explained, that his hair turned white overnight.

To honor the memory of his beloved, the heartbroken shah decreed that he would build her the finest mausoleum in the world—a palace on the banks of the Jamuna River, not far from the enormous Red Fort, from where he ruled the surrounding plains.

For some 20 years, 20,000 Persian, Turkish, French, Italian—and of course, Indian—workers had hauled marble and sandstone from distant quarries, built a wooden foundation in the sandy soil, and laid out the immense gardens.

But for us, the most spectacular feature was the marble dome that capped the tomb. Rising 234 feet above the ground, the dome itself was 115 feet high, lifted another 23 feet by the cylindrical drum it rested on.

Inside, the chamber was cool and dark. A replica of the empress's tomb faced us; the real one was far below, as the shah had not wanted visitors trampling his wife's grave.

The corridors surrounding the central chamber, our guide said, were once inlaid with gold, ivory, and precious stones. "But these were seized in 1739 by the Persian shah," she said, "the same shah who had taken the Peacock Throne from the Red Fort in Delhi, way back before the British came."

—Dean LeBaron

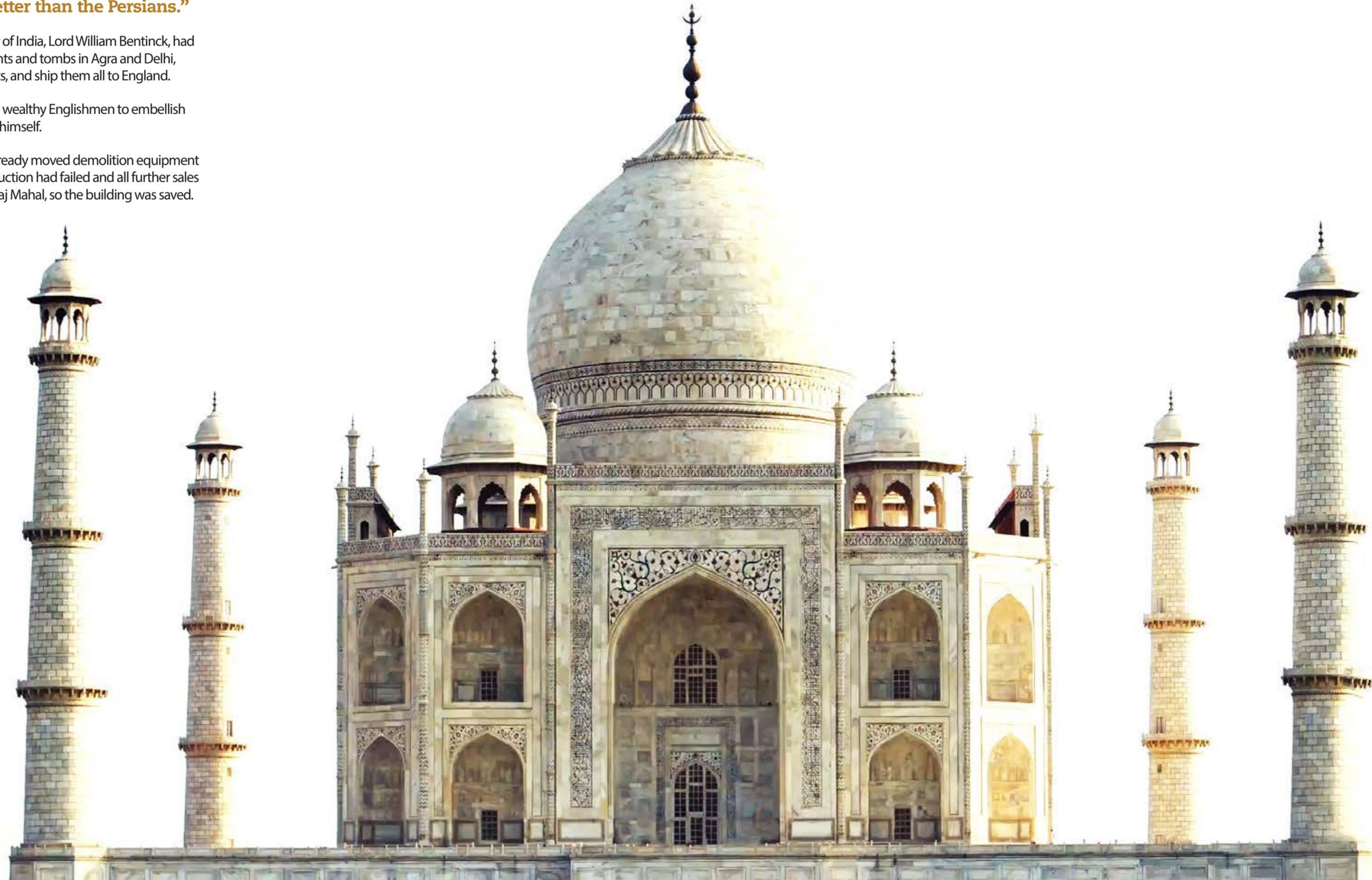
“The British,” the guide told us, “were no better than the Persians.”

In the early 19th century, she explained, the first British governor of India, Lord William Bentinck, had come up with a scheme to demolish the best Mughal monuments and tombs in Agra and Delhi, remove their marble facades, salvage their architectural elements, and ship them all to England.

There, the materials would be dismantled and sold piecemeal to wealthy Englishmen to embellish their estates and gardens. King George IV bought several pieces himself.

Bentinck then made plans to tear down the Taj Mahal. He had already moved demolition equipment onto the grounds when word came from London that the first auction had failed and all further sales were canceled. It was not financially profitable to demolish the Taj Mahal, so the building was saved.

—Dean LeBaron





The next day, we toured Agra Fort. Abu'l-Fath Jalal-ud-din Muhammad Akbar—

popularly known as Akbar the Great and perhaps the greatest of the Mughal emperors—had erected the first sections of the old fort with the rest completed by his son, Shah Jahangir. Neither spared any expense. Its red sandstone walls once sheltered a magnificent palace with jeweled marble walls, gardens, and royal baths. Time and invaders had taken their toll, but the delicately inlaid stones remained. Shah Jahan's son overthrew him in 1658 and held him prisoner in the Red Fort, where the defeated ruler spent his last days looking out the window at his wife's tomb.

—Dean LeBaron

From Agra, Dean flew to Indonesia.

—Donna Carpenter LeBaron

I came to Indonesia to give a speech.

I found the country—spread across 17,000 islands and divided into 26 provinces—difficult to fathom, but it became much clearer after my host took me to Taman Mini Indonesia Indah, Indonesia's version of Splendid China.

As we drove toward Jakarta—the gateway to the Indonesian archipelago on the northwest coast of Java—the city unfolded before me. The symmetrically built highways and green boulevards impressed me, but the traffic was terrible.

—Dean LeBaron



The signs touted Taman Mini Indonesia Indah as the tourist's way to see Indonesia in a single day. With only an hour to spare, I had to rush through the park, which covered more than 100 acres and showcased the country's 33 provinces and their unique architecture and features.

Afterward, my host took me to the National Monument, a white marble tower in front of the Presidential Palace symbolizing Indonesia's fight for independence.

Next came Masjid Istiqlal, Southeast Asia's largest mosque, boasting four levels of balconies that could accommodate as many as 40,000 worshippers.

Designed by a Christian architect, constructed between 1961 and 1967, the building had opened 12 years later, in 1979.

—Dean LeBaron



A combination of old and new, east and west swirled in an intoxicating mixture in Bangkok.

Exhaust fumes and pollution from the capital's congested traffic, thriving businesses, and street markets testified to the country's heady rate of growth.

The Thai don't call their capital Bangkok. The official name unrolls in a litany that means, in part, City of Angels, the Great City, Residence of the Emerald Buddha, the Grand Capital of the World Endowed With Nine Precious Gems, the Happy City, etc. The name Bangkok refers to a small fishing village that once stood on the bank of the Chao Phraya River.

In appearance, Bangkok resembled a city of angels, with gilded roofs and spires and more than 300 Buddhist temples. But this was what the tourists saw. Like all sprawling metropolises, the city suffered from excessive pollution, overcrowding, disease, hunger, and rising crime. Traffic was so horrendous that the streets were often in a state of near paralysis.

With 5 million people—10 percent of the country's population—Bangkok was - and still is - the largest city in Thailand, producing 40 percent of its economic output.

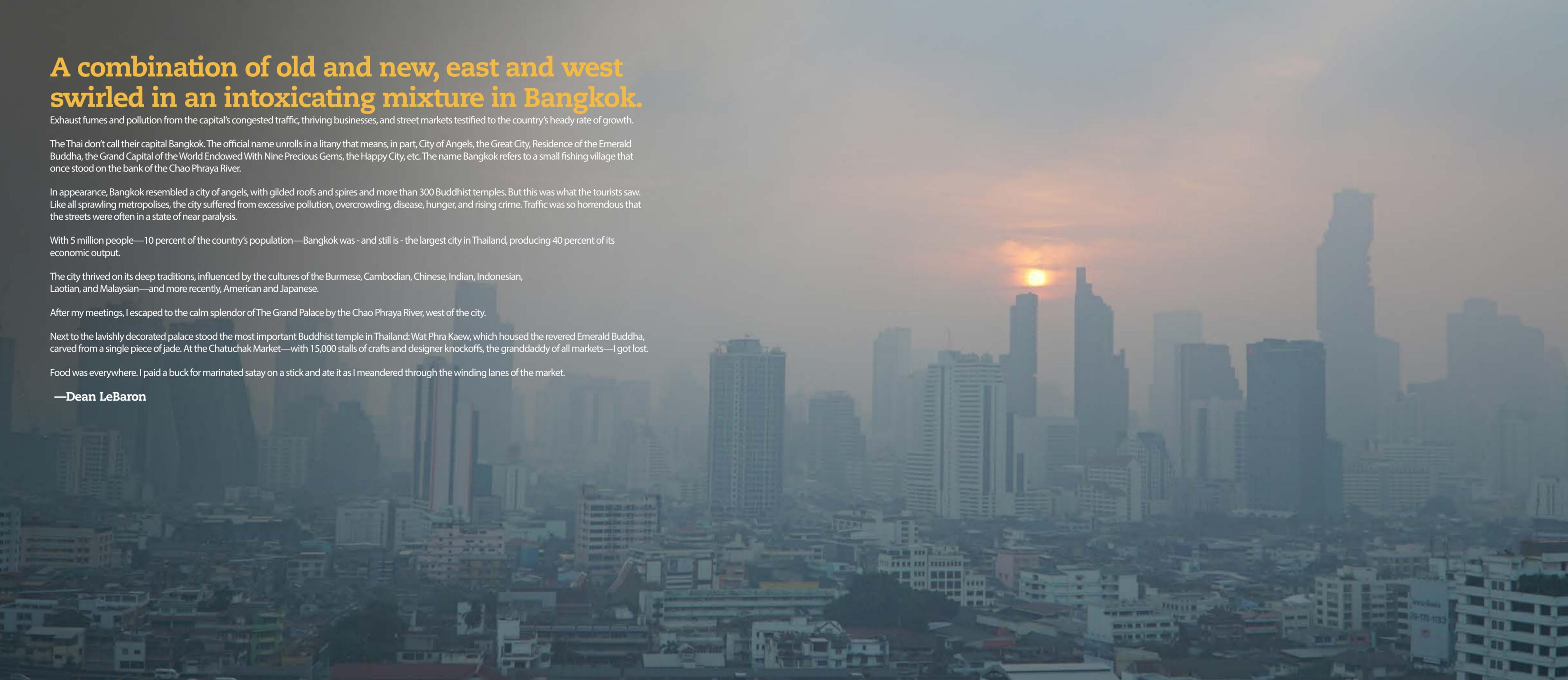
The city thrived on its deep traditions, influenced by the cultures of the Burmese, Cambodian, Chinese, Indian, Indonesian, Laotian, and Malaysian—and more recently, American and Japanese.

After my meetings, I escaped to the calm splendor of The Grand Palace by the Chao Phraya River, west of the city.

Next to the lavishly decorated palace stood the most important Buddhist temple in Thailand: Wat Phra Kaew, which housed the revered Emerald Buddha, carved from a single piece of jade. At the Chatuchak Market—with 15,000 stalls of crafts and designer knockoffs, the granddaddy of all markets—I got lost.

Food was everywhere. I paid a buck for marinated satay on a stick and ate it as I meandered through the winding lanes of the market.

—Dean LeBaron





Next, I traveled to Colombo in Sri Lanka to investigate investing in some of the country's largest businesses. I found Sri Lanka to be a place of modern comforts, its 18 million people—brought together through conquest, trade, and colonization—still struggling for ethnic unity.

For centuries, Sri Lanka—known as Ceylon until 1972—had been exploited by Europeans seeking deep ports, spices, and gems. The Portuguese had come in the early 16th century, followed by the Dutch in the 17th and the British in the late 18th.

Now mired in a civil war, the Sinhalese-dominated Sri Lankan government was battling guerillas demanding a separate state for the rival Tamils.

I met the Sri Lankan prime minister's chief economic adviser at the Orient Club, which dated back to the days of the British occupation. "Your country has many economic virtues," I told him, "its location, its skilled workforce, its high literacy. But your political instability makes American investors nervous."

He looked at me, smiled slightly, and wagged his head.

Later, I learned that his gesture—common to Sri Lankans—meant,

I acknowledge you but don't agree with you.

—Dean LeBaron

From Sri Lanka, I flew home.

—Dean LeBaron

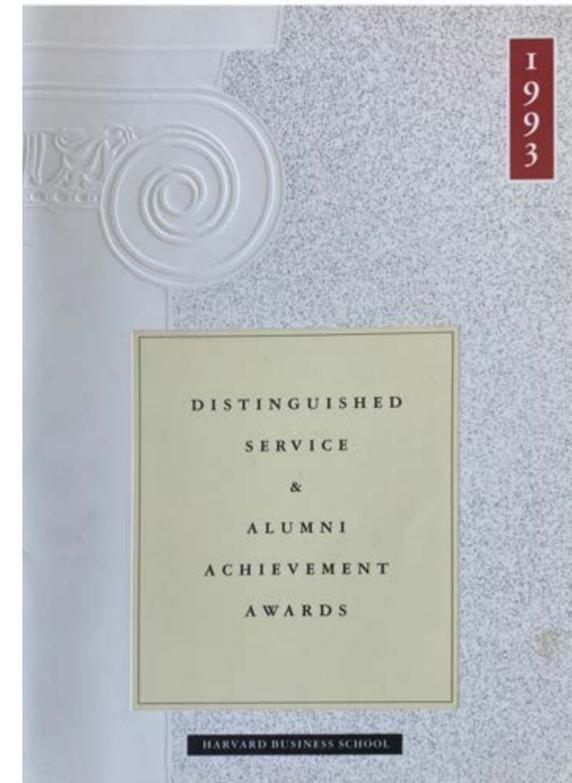


My heavy travel schedule continued: Kentucky in February 1993, California in April, New Mexico in early May.

On May 22, 1993, at Maudslay State Park in Newburyport, Massachusetts, my daughter Stacy married Bruce W. Perry.

—Dean LeBaron





On June 5, 1993, the Harvard Business School awarded Dean its prestigious Alumni Achievement Award.

Dean John H. McArthur presented the award, saying,

“Stellar student of securities, institutional investor extraordinaire, your storied successes as a contrarian are legion and legendary. High flyer in technology, prime mover in finance, you were the first to use computers to cull the companies that filled your portfolios. With an eye for detail, you are wont to find values that surpass the competition. From Mexico to Malaysia, you provide capital that sows the seeds of stability in developing economies abroad. Your entrance into emerging markets signals a new era of opportunity.”

—Donna Carpenter LeBaron

Later that month, I flew to California and Canada, then spent July on Lake Sunapee in New Hampshire.

In August, I flew to Sion, Switzerland, for a speech and then took the train to Weesen. Stepping into the dark-olive car, I noted—as always—that the cotton headrests were crisp and the windows spotless. Villages became a blur of window boxes bursting with geraniums and leathery-looking pensioners enjoying an afternoon stroll.

I flew home to Boston in September, then traveled to California and North Carolina later that month and the United Kingdom in October.

In Madison, Wisconsin, in November for a meeting, I saw my son Blake, who was teaching economics at the University of Wisconsin.

—Dean LeBaron



In early 1994, I returned to Budapest, then flew to Warsaw, Poland.

—Dean LeBaron



Communism, it used to be said, was a fine creed in theory but too pure for human beings. Poland's politicians seemed determined to prove this true of capitalism.

In 1990, the Poles were the boldest reformers in Eastern Europe. Their finance minister, Leszek Balcerowicz, embraced the market with zeal. Unfortunately, Poland did not embrace Balcerowicz with the same enthusiasm.

After an election that returned 29 parties to parliament, none with more than 13 percent of the vote, Balcerowicz's government fell. The new government that emerged from this muddle was led by an intelligent and well-meaning man but one with little power to effect necessary change.

The result: no progress.

In Warsaw—Poland's largest city—I walked through the picture-perfect, cobblestoned Castle Square in Old Town, framed by the grand Royal Castle and the slender spire of Sigismund's Column. It's difficult to imagine that in 1945, 85 percent of the city, including Old Town, was flattened by German bombs.

That the Poles—by dint of sheer courage, nerve, and unbending nationalism—managed to rebuild Warsaw is an act of civic pride meriting world approbation. The reconstruction has been so thoroughly and skillfully done that it is obvious why, throughout modern Europe, the Poles are so prized for their craftsmanship, engineering, and construction abilities.

The Soviet occupation of Poland post-1945 left its imprint, of course, not least in the surviving rows of homogenized apartment and office blocks straight out of a Communist Party architectural handbook: the grandiose boulevards of central Warsaw and the mammoth Palace of Culture and Science—a gift from Stalin to the city in 1955. From the skyscraper's observation deck, Warsaw unfolds in a patchwork of concrete blocks, charming tiled roofscapes, and leafy expanses.

I ended the day with a traditional Polish dinner of sausages and sour cucumber soup.

—Dean LeBaron



I spent much of the summer of 1994
enjoying all that Switzerland had to offer.

—Dean LeBaron



In late 1994, Legg Mason, a Baltimore investment firm, offered to buy BatteryMarch for \$125 million.

—Donna Carpenter LeBaron

This time, I was ready to sell. After all the years of travel and the disappointment of my venture in Russia, I wanted a different life. I wanted go to Lake Sunapee with Donna and settle down for good. So I put my Brookline house and the planes on the market and signed on the dotted line.

—Dean LeBaron

I have never regretted my decision.

—Dean LeBaron



