



HISTORY

Travels in China: Nanning to Guiyang

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My team and I recently embarked on a tour of a number of cities in China to see the economic conditions for ourselves and speak with company executives about the business climate. Here is my report on the cities of Nanning and Guiyang in southeast China.

Nanning

My team and I arrived in Nanning via high-speed train from Shenzhen, making a few stops along the way. We were in Nanning on the biggest Internet sales day of the year: “Singles Day 1111,” named for the 11th day of the 11th month (November 11). Singles Day is comparable to “Cyber Monday” in the United States, which follows the Thanksgiving holiday there in November. On both occasions, online merchants offer heavy discounts and promos to entice shoppers. Given the tremendous online sales push, I expected physical shopping malls in Nanning would not be doing much business. However, that wasn’t the case. I went to buy a pair of pants at the mall near my hotel and had to wait for 20 minutes in a long line of people, many of whom were simultaneously shopping on their smartphones. We learned that for one of the largest online retailers in China, mobile phone users accounted for more than 60% of sales on Singles Day in 2015. Meanwhile, some of our own analysts were hitting their smartphones and computers to get those big bargains, too!



In Nanning, China

We left the mall long after dark to find crowds outside looking at groups of dancers promoting a property development. As the women danced—dressed in uniforms with the company logo on them—brochures were handed out to the crowd. It was an indication to us of the property boom taking place in the city, and of the rather aggressive sales efforts of property development companies.

Located in Guangxi Province, Nanning is a formidable city with a population of 6.6 million, but to many travelers, it's a stopping-off point on the way to scenic Guilin. The Chinese characters for Nanning mean "southern tranquility," and it has been known as a "green city" because of its abundance of tropical plants. My impression was that Nanning today is more of a concrete jungle than a green jungle. Even though there are already many skyscrapers in Nanning, I counted more than 20 buildings under construction that looked to be at least 30 stories high.

Nanning is also famous as a stopping-off point for travel to Vietnam. There are plans to build a high-speed railway to the nearby Vietnamese border to better integrate the Pearl River Delta (Hong Kong, Shenzhen and other cities in southeast China) along with members of the Association of Southeast Asian Nations (ASEAN).

The morning after our arrival, we drove to a milk factory in an industrial area, passing many high-rise office and residential buildings along the way. The company's main business is buffalo milk and yogurt in different flavors, some unusual to me, such as red bean and black bean. Buffalo's milk is much richer than cow's milk and therefore sells at a premium. The company's milk distribution is comprehensive, with products sold not only through its own shops but also via sales in supermarkets, the Internet, and its own team of workers on bicycles delivering every day directly to hundreds of thousands of homes. Like many other companies in China, the company began in a traditional industry but has been branching out into unrelated areas such as media, Internet, travel and financial services.

We left Nanning in the morning for a five-hour trip to Guiyang via train. We passed farms growing rice, corn and other crops but could see no farmers. We wondered where they were. In the city?

Guiyang

Like a number of prosperous cities in China, Guiyang is situated on a river, the Nanming River, which is a branch of the Wu River. Guiyang is the key commercial hub of the province and a number of local and international firms have retail and wholesale operations there. Hydroelectric power plants along the river supply as much as 70% of the city's electricity, in addition to coal-fired plants supplied by coal mined in the province.



In Guiyang, China

Many high-rise apartments have been built or are under construction in this mountainous area, and I saw this as confirmation of the urban migration taking place all over China from rural areas. Similar to Nanning, I counted at least 20 high-rise apartments of about 30 stories each under construction while another 20 had been completed. While the roads in the area are excellent, I wondered whether they could handle all the additional traffic once all these new residents move in. Infrastructure building was still underway with lots of tunnels being dug in the mountainsides. While the road network was extensive, in our view there was still a lot of work to be done in terms of infrastructure and providing services like electricity to all the future residents. Our team toured a new development in what appeared to be an entirely new city in the region. It was a huge complex of 52 buildings, each 30 stories high and each with 120 apartments. The grounds included gardens, fountains and a French-style swimming pool. We looked at the costs of the units and the company's potential profits. The developers told us their strategy is to raise prices once 60% of the project is sold.



High-rise apartments in Guiyang, China

While we've heard reports of falling real estate prices in some of the smaller (second- or third-tier) cities in China, we didn't see widespread evidence of that; sales still seemed generally robust in the areas we toured. We were told most buyers in this area were not speculators—they were planning to live in the developments—and 20% were from the countryside. Two light railways are expected to connect people to the development, one direct from the old city center. Like the dairy company we visited in Nanning, housing developers have branched out in a number of other activities as well—from health care to technology to cooking oil.

Our trip included a tour of Qingyan Ancient Town, a famous historical and cultural attraction just south of Guiyang where we enjoyed its ancient architecture. Now a tourist draw, it was originally built in 1378 during the Ming Dynasty as a military outpost, and thus, was surrounded by a wall. Located in a rocky area, most buildings and walls in the town are made of stone, and the main street was flanked with various shops and restaurants selling tea, local snacks, and a wide variety of traditional goods. The many beautiful buildings there include temples and a Christian church and monastery; French missionaries introduced Catholicism to the area in 1851. We also visited the elegant home of a scholar who won the national examination during the Qing Dynasty and became a government official. He collected unusual stones from all over China, displayed in the courtyard.



Qingyan Ancient Town, China

Back at our hotel, I was fascinated by a human-interest television program I came across in Chinese called "Waiting for Me," which featured people who had lost family members or had other types of missed connections with people—and hoped to be reunited with them. A young girl on the program said that while she was traveling by train one day, a boy helped her with her luggage and was very kind to her. She was too shy to ask his name or phone number or even to thank him, but she kept thinking of him. The show found the young man, who said that he was thinking of her, too, and even kept the railroad ticket from their shared journey. The audience went wild when they were reunited and expressed interest in pursuing a relationship. To me, the program illustrates the universal and fundamental humanity of the Chinese as well as their strong personal and family ties. Regardless of our differences, one thing I've learned in my travels is not only the importance of understanding culture when doing business in a country, but that people all over the world fundamentally are the same in many ways.



A bit of US culture in China?

We left Guiyang again via high-speed train from a beautiful station similar to the ones we found in other cities in China. The security was similar to what you would find in any airport around the world with checks of passports and identification cards, followed by an X-ray of luggage. I found a little bit of America there, not only with some personal necessities available at the station donning US brand names, but also via a picture displaying “Uncle Sam” in his famous World War I/World War II pose with the words (in English) “I Want You!” It was an advertisement for a smartphone payment system, offering a discount or free gift. In addition to the other business ventures I’ve seen thriving in China, it’s a sign that capitalism is alive and well there.

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