

China – Truly a Contradiction

Spending ten days in Beijing certainly does not make one an expert in Chinese culture, economics or business climate but it does allow me to share some observations that you may find surprising and hopefully interesting. To give you some background, my wife, Gini, started a business (Yes Virginia) seven years ago designing, manufacturing and importing fur and leather products from Argentina. A year ago, seeking to broaden her product offering, she travelled to Beijing to source new products that would supplement her existing line. Last month, I accompanied her on a return trip to Beijing to visit those new suppliers.

From the moment I stepped off the Air Canada plane into the majesty of the Beijing Capital International Airport (BCIA) I realized that the next 10 days were going to blast some of my preconceived notions. BCIA is an enormous new facility that literally sparkles in its cleanliness, beauty and efficiency. The forty minute cab ride to the hotel (for a fare of \$12 CDN) was an amazing display of architectural diversity, elegance and size as we passed one enormous new building after another, each one with a seemingly unique feature that jumped out at you.

During my time, regardless of where we journeyed, the size and breadth of the new developments (both residential and commercial) continued to amaze me. Not only are the structures tall, these buildings are equally large in depth and width. The photo below captures a residential/commercial complex about 2 kilometres east of Tiananmem Square in the heart of Beijing. In addition to being impressive looking structures, many new buildings are also being built with the highest in environmental standards by including green roofs and roof top solar panels.



High environmental standards are certainly not synonymous with China and particularly Beijing. Pollution is high, as is often pointed out with gloomy pictures of the Beijing sky. What is not pointed out in those gloomy photos is the sand from the hills surrounding Beijing that is constantly in the air. We did experience a brief sandstorm in downtown Beijing but nothing like those that occur near The Great Wall.

The Great Wall is about 75 kilometres north of Beijing and the trip there also brought a startling discovery. After passing kilometres of the aforementioned huge buildings, suddenly we were in rural China with villages of old tiny dilapidated dwellings. These tiny structures and their adjacent plot of farmland were not the surprise. The surprise was the water tank and solar panel affixed to each roof top. As alluded to earlier in discussing the new buildings, China is clearly making great strides to maximize their energy efficiency. As Tom Friedman quoted Cambridge Energy Research Associates in *The World is Flat*, “When it comes to renewable technology and sustainable energy, China could be the laboratory of the world – not just the workshop of the world.” These state sponsored initiatives are no doubt being capitalized upon by the businessmen and women of China who are thriving today.

As impressive as the buildings and environmental initiatives were, the capitalism in Beijing was perhaps the biggest and most welcome surprise. It may be “state capitalism” but in its grass roots form, it is people working incredibly hard and long to better themselves in order to enjoy more of what life has to offer. Nothing portrays these phenomena better than the story of Angelina.

Gini found Angelina last year and has received a number of shipments of pearl jewelry from her since then. Angelina (pictured below) came to Beijing from the provinces twelve years ago. She took a job stringing pearls. Six years ago, after learning the business and saving money, Angelina started her own pearl business. An opportunity arose four years ago for Angelina to obtain a stall in the new Silk Street Market. The cost of that stall was not insignificant, a total of 150,000 RMB (approximately \$22,000 CDN) that Angelina funded out of the money she had saved.



Her business flourished in the new location as did the value of her stall which Angelina estimates is now worth 400,000 RMB. One of the main reasons that this business flourished was the incredibly hard work that Angelina has invested. She is at the stall 12 hours a day, 7 days a week, 52 weeks a year while taking only 2 days vacation each year to celebrate the Chinese New Year.

In addition to the customers that come to her stall, Angelina is constantly sending shipments to customers, like Yes Virginia, that are located around the world. Angelina designs the products and although she continues to make some herself, the majority are made by the 10 women that Angelina houses who are also working 12 hours a day stringing pearls. These women, like Angelina, have also come from the provinces seeking to improve their lot in life.

At some point, Angelina may have a child (remember she is limited to one without paying a huge tax) but in the interim she is working extraordinarily hard to accumulate wealth far beyond anything she could have dreamed of as a child. Angelina is representative of the work ethic and culture there, particularly among the young people, who have totally embraced capitalism and will make the country a formidable economic force for many years to come. One final aside about Angelina that was equally surprising is that she does not have any health care coverage, either public or private.

The increased incomes and wealth of the Chinese citizens presents opportunities for not only Chinese companies but business globally. The sheer number of people with growing disposable incomes will soon dwarf the consumer power of North America. This consumer power is exemplified by Apple's initial but still modest success (surely, you didn't expect a piece from Goodreid without mentioning Apple). Aside from the Apple Store in Beijing, which I did visit, I did not see any indication of Apple's presence in Beijing. In fact, one of our hosts who owns an international fur business, was convinced that the only iPhones available in China were illegal. On August 28, 2010, Apple and China Unicom announced a multi-year agreement to begin selling the iPhone in China in the fourth quarter of last year. Since that time, Apple has generated revenues of \$1.1 Billion in China in the first six months of its current fiscal year. These revenues were generated without any obvious presence, attesting to the enormous market potential of products that still only the minority of the Chinese can afford.

China is truly a contradiction in itself. It is a communist country yet espouses capitalism for the majority of its citizens and is besieged by environmental problems yet in many ways is more advanced environmentally than most of North America. Finally, it is filled with ancient historic structures that are and will continue to be well preserved but are surrounded by massive new structures that are functional, environmentally friendly and esthetically pleasing. There is much more to tell and much more to see than I have seen, but if you should get the opportunity to visit (and this notion is coming from someone with a previously skeptical view of seeing China), I urge you to take it. A trip to China will better your understanding of a major part of the reason why Goodreid continues to be positive on the long term prospects for the global economy and North American markets.