Arriving in China:

I spent most of the flight from San Francisco to Shanghai asleep as per my original plans for getting on the China sleep schedule as soon as possible. I was surprised that 90% of the passengers were Chinese citizens. Even on the plane we felt like the minority. We landed around 5:30pm China time. Getting through customs and immigration was faster than getting through security for a domestic flight in the US. They looked at our passports and pushed us through. On the other side we were met by Peter Long, our tour guide essentially. Peter loaded us and some of the others from our group onto a bus and we set out for our hotel. Along the way Peter gave us some tips for staying safe in China. One thing he told us to watch out for was being approached on the street by a pretty Chinese girl who will ask if you’ll go with her to a restaurant or starbucks to help her practice her English, whereupon she will try to solicit you. After hearing this Christine turned to Michael and me and said, “Michael, don’t be seduced by pretty girls and Andrew, don’t be seduced by starbucks!”

Adjusting to the time difference was relatively easy for me but was a considerable challenge for most of the group. On the second day in China, most of the group (including my roommate) was still waking up around 4am. Many of them were not able to go back to sleep and decided to go for walks, exercise or Skype home. I slept soundly until breakfast. Even today (May 13th) they are still struggling to stay awake at 9pm. Coffee is nowhere near as commonplace here as in the US. Keeping myself sufficiently caffeinated is quite a challenge so is finding bottled water. We were told beforehand to refrain from drinking the water. It’s not so much that the water is not clean as it is just not conditioned the way our water is and can make us sick if we drink it. We keep our hotel room pretty well stocked with bottled water but have to make water runs down to the convenience store from time to time.

Shanghai:

Shanghai is the most western city in China. It is part of what are called the tier 1 cities and is considered the financial capital of China. It is China’s New York while Beijing is China’s Washington DC. After spending just two days here my brain was ready to explode from information overload. A walk down the street can be overwhelming from the sheer amount of stimuli this city provides.
Shanghai is really not all that different from a normal western city. The biggest difference truly is just the size and population. There are sooo many people here. The streets are not as densely crowded as say New York but it is still a constant and continuous flow of traffic that continues for as far as the eye can see in every direction (literally). The city has forests of high-rise apartment buildings and by forests I mean they sit in groups of 30 or more buildings, each over 45 stories high; and there are many, many such forests. The center of the city looks very much like the Manhattan skyline looking from across the Hudson. Chinese skyscrapers are far more interesting than in the US. Each building has a very unique architecture particularly at the top. During the night most of the buildings put on a mini laser light show on either the sides of the building or on the roof. The city’s infrastructure is quite robust and not the least bit shabby as I had half expected. The subway is very well designed and efficient. The interchange (interstate) is enormous with 6-8 lanes each direction. Everything is far newer than in the US but also far dirtier. This may just be a byproduct of the large population. Prior to coming to China I had always been told that pollution was a serious problem in China. However, I had always dismissed this as just an extreme liberal-activist concern.

Oh how wrong I was! I noticed the pollution during my very first walk. As soon as I stepped out from my hotel I could tell how bad it was just from breathing and smelling the air. The air was like breathing in an enclosed space that has someone dry-vacing in it. It was enough to give me a mini asthma attack by the time I returned to my hotel. The smell was not all that different than New York as long as you were on the main streets. As soon as you left the main street you were greeted by a host of new and usually unpleasant smells. As you look out across the city skyline buildings in the distant are hazy from the mixture of fog and smog. Once again though, I believe this to be more a byproduct of a large population than of a particular negligence to environmental concerns. I believe that China will take pollution and protection of the environment more seriously once their population is significantly reduced through the one-child policy.

One thing apparent to even the most oblivious observer is the chaotic nature of the city. Traffic seems to choose whether to follow traffic rules like stopping at red lights or driving in a lane (it’s common for cars to straddle two lanes at once). The locations of shops as well as what goods they carry all seem random and chaotic. Some shops will be selling flowers, wheels of steel cable, and bicycles. Indeed, even prices are random with everything being bartered for. The fashion tastes and styles also seem chaotic and random but not in a counter-cultural sort of way as we have in the US. Before getting off the plane, I had expected a very regimented and organized society with everyone in their place, doing what they’re supposed to be doing and just generally acting very repressed. Not so, the people seem quite happy and enjoying life about as much as anyone. Don’t they know they’re supposed to be unhappy and freedomless? But in all seriousness, you would never know it was a communist society except for the occasional sign pointing to a “Peoples’ this” monument or a “Peoples’ that” park. I really believe that this generation’s brand of communism is more about trying to control and constrain the chaos than about enforcing certain socialist ideals. It will be interesting to see how my perspective changes as I visit the less western tier 2 and 3 cities and ultimately Beijing.
Chinese Retail Sector:

On the first day we visited the Shanghai textile market, which is essentially an indoor flea market. The market was known for selling Chinese knock-offs of popular American apparel brands like Calvin Klein, Costa and so on. Supposedly they were made in the same factories as the actual American brands and manufactured during the night shift after the day shift produced the apparel for American stores. However, the group’s general consensus was that these were not the same products. They were cheap in quality and not very good. We also visited two chain-retail electronic stores. The first called Media Markt (misspelling intentional) was basically circuit city. It was laid out just like circuit city and even the theme was red. The other was called Sunning and it was quite different than a typical electronic store in the US. It arranged all the product types by floors, so for instance cameras, cellphones, personal media etc, would be on one floor and all the appliances, electrical equipment, AC, etc on another floor. Within each floor the products were organized by brand and each brand had its own sales persons that were paid commission by that brand. I honestly found it very strange and would have a hard time making purchases with that sort of set-up. Once you perform the currency conversion, the prices of electronics are basically the same as in the US with a decent flat screen TV costing anywhere from $200-$1,900.

Our first company visit was to Coach Asia Headquarters (except for Japan as they continuously corrected us). The office was located within a very modern looking skyscraper and featured security on par with what I experienced at Goldman. There we met with John Seleger and Fernando Galager, President of Asia Retail and Head of Asia Market Research respectively. They gave us an overview of Coach operations in Asia but more importantly presented us with a unique view of the Chinese consumer. The up and coming Chinese luxury consumer (greater than $20k in annual salary) is younger compared to the luxury consumer in the US. They are typically 25-30 years old, affluent, professional, tech savvy and generationally different than their peers. That is to say, these higher income individuals have quite different values than their parents while their peers who earn less are generationally more similar to their parents. Luxury goods are primarily a sign of status and wealth for them; however, Fernando emphasized emphatically that the upcoming luxury good consumer they are more interested in is the next generation that are predicted to be more focused on having an independent fashion style rather than just status and will be willing to pay a premium to be unique. To me this is a sure sign of western individualism breaking through the more collectivist Confucianism of older generations in China. I anticipate that this change may be quite dramatic though.
Zhujiajiao Water Town:

One of the more touristy activities that we did was visiting Zhujiajiao Water Town. This was located about an hour from Shanghai which gave us an opportunity to see some of the country side which was about as stereotypical Asian as it gets. All rice patties and canals. The town itself is very popular with tourists from different regions within China. Essentially it is village set on the river that has been maintained in its historic condition. We boarded a few puntish-like boats and went for a quick tour of the village. The water was some of the most disguising water I have ever seen. I am quite sure that falling in would have meant a trip to the hospital for any of us. The highlight of the village was the 400 year old bridge. The bridge is a single high-arch made of stone that has been trampled smooth over the years. From the top of it you had a spectacular view of the countryside. The rest of time there was spent visiting the shops in the village and seeing the traditional goods peddled. This proved to an important exercise as we got to compare the bartering skill of the Chinese nationals with us. Chen Chen and Fang have proved to be the best.
Yu Gardens:

On the morning of May 14th a group of us decided to visit the Yu Gardens. These gardens are maintained by the government and are considered to be part of China’s cultural sites. Back 400 years ago they were the personal gardens of the governor of the province which Shanghai was located in (Shanghai is no longer part of any one province). It proved to be once again a popular tourist site for the Chinese themselves. The streets surrounding the gardens were very traditional and feature a combination of traditional-style shops and restaurants as well as a few western chain-stores like Starbucks, Dairy Queen and Burger King. Located a block away from the gardens was a famous little deli-style restaurant called Nanxiang. Several of the Chinese nationals in our group waited for over an hour in line to order food. For the life of me, I could not tell a difference between the pork dumplings we ate there and the ones we’ve had everywhere else but the Chinese nationals were adamant that they were worth the wait. One of the dumplings they got was actually a dumpling filled with a pork broth/soup. The proper way to eat it is apparently to bite off the top, drink the soup and then eat the rest of it.

The gardens were completely walled-in and divided into sections by inner walls within the gardens. Inside there were several Asian tea houses that ranged from single-story, single room to multi-level structures with several rooms. The gardens surrounding these buildings were primarily comprised of a couple of small trees and a bunch of rock structures that had been erected 400 years ago and made smooth by the passing of time as well as large ponds filled with Kio fish and turtles. Overall, I was not terribly impressed with the place since it seemed to be rather devoid of plants and any kind of vegetation, which is what I had inferred from the title to be there. However, there were lots and lots of rocks. While I and some of the Americans in group may have found the place rather boring, the Chinese nationals did not. They seemed fascinated by it and quite taken in with the placing of the rocks. Overall the Chinese have not struck me as a very religious people although I may be making a gross generalization. They are however, very superstitious and somewhat obsessed with the concept of luck. For instance the hotel does not have a 4th or 13th floor in the elevator. Instead these are replaced with M1 and M2 respectively. From what I’ve learned the number 4 represents death and is very unlucky so the Chinese do not like to use it in anything (floors, prices, table settings, etc) and the number 13 is of course unlucky in western culture so therefore they believe it is unlucky too. The Yu Gardens are apparently quite lucky as are Kio fish and turtles. The
Chinese parents like to have their children feed the fish and turtles because they believe it brings good luck to them.

**French Concession:**

After visiting the gardens a number of us left for a place called the French Concession while others returned to the hotel and Michael went off to ride the MagLev train (I may ask him to submit a summary of the experience for your reading pleasure). The French Concession was the part of the city controlled by the French until they returned it to the Chinese Government at the end of the Opium Wars. Nowadays it is a street that has been completely westernized into very high-brow western designer stores and high-end restaurants. It was basically what you would expect if you went to any high-end shopping center in the US. While there we ate lunch at a German pub because it happened to be the cheapest place to eat there and we all felt that we needed a break from Chinese food. While there we were told about the German Center in Shanghai. The German Center is basically an organization of German companies, German individuals and the German Chamber of Commerce all united to promote German business in China. We picked up a copy of the German Center Journal and skimmed through the articles which covered everything from how and why to register software you develop with the Chinese Government to the future of Chinese real-estate to surveys on EU sentiment towards China. The Germans comprise the largest percentage of westerners in China and have been doing business in China for almost as long as the British. We see them all over the place in Shanghai and it is quite entertaining to hear them speak Chinese. They mostly export manufacturing equipment and services to China as well as R&D devices and equipment, products that are in demand as the Chinese economy continues to develop.

**Cleaning Supplies, Lawyers and Fashion (or Cleaning Lawyers Fashionably):**

By our last day in Shanghai our schedule started really accelerating with three more company visits. The first visit was to a Chinese start-up cleaning supplies distributor that was located in the middle of a software development park. The park itself was pretty typical for a software park in America. Even the developers looked the same with several of them wearing classic geek shirts like pacman and comic Jedi t-shirts (me like 😊). The company was called Cosiway and their business model was essentially importing commercial cleaning supplies from the US and Europe. The most interesting thing about them was not so much their business but the very etiquette of the meeting. Introductions were very formalized as they would present their business cards to us with two hands and give a very slight bow. Those of us who had brought business cards would first look at their card and make a comment about it (a way of showing we cared about who they were) and then gave them our card with two hands and a slight bow. Then they went to each of us and offered us tea. In Chinese business culture it is extremely rude to bring your own drink such as a bottle of water and the host is expected to provide for these needs. The rest of the meeting was conducted in Chinese as the speakers did not speak English very well. Our Chinese nationals translated for us but found it very difficult to translate some of the more sophisticated business terms. After the meeting we exchanged gifts with them. Gift giving is an extremely important part of Chinese business and creating relationships. In fact, on one of the first days, one of the female students gave Rufus, one of the Chinese nationals, her drink to which he was incredibly surprised and quite confused. She then told him she didn’t want the drink anymore and he could have it. All of the Chinese nationals
immediately started laughing and pointing at Rufus making fun of him. They then explained that giving a gift like that to him was like saying she liked him and then saying it was because she didn’t want it was like insulting him. However, Rufus is quite western and found the whole incident very funny without taking the least offense.

We did not even get a break at lunch as we had a lunch meeting with Pamela Giss, an ex-patriot (expat) that heads the China office for the law firm Armstrong Teasdale. Her talk was extremely interesting as she described the legal system in China as being very well developed with quite sophisticated laws. China basically took the best of Western, Latin and Asian laws to create their own laws. The problem is enforcement. China lacks the ability to enforce many of these laws and some they choose not to enforce. Intellectual property in particular they are very relaxed on enforcing. As she put it, from their standpoint these knock-off factories and copiers are employing people and enabling them to buy food and survive. Sustaining their people and giving them employment is the primary goal of the Chinese government. As long as they are surviving and their quality of life is slowly improving they will be happy and content.

Our last visit that day was to a Chinese apparel designer and retail firm called Mark Fairwhale. The firm is one of the most successful Chinese firms and one of the only to make it in fashion. The executive that presented to us was named Chai Kim Fatt and literally looked just like a Chinese Ralph Lauren. Their apparel line centers on being professional, sophisticated and unostentatious. All of their models are western as the Chinese prefer fashion that appears to be western. I personally quite liked their designs and would totally buy them if they were at the right price point. I thought they might do well in the US and found out that they do plan to one day enter the US markets but not for quite some time. Later some of the fashion retail students on the trip told me they did not think Mark Fairwhale would do well in the US because it was not distinct enough from Calvin Klein or Ralph Lauren, nor did it have low enough prices to beat them as a less expensive option.

Last Night in Shanghai:

Our last night in Shanghai proved to be very eventful. We were all sad to leave Shanghai which had been our first experience with China. A couple of us took a walk down Ninjiang Road which eventually blocks off traffic and turns into a pedestrian roadway rather like Times Square in New York. Indeed it even looked like Times Square. While there we saw random groups of people that would get together to perform and listen to music or even dance. What was interesting was that it was mostly older people who were dancing and carrying on. The teens just stood around and watched. Later as we continued walking it began to lightly rain, which prompted Christine and Natalie to perform “singing in the rain” with their umbrellas. Meanwhile I attempted to photograph our most elusive specimen, Michael Schra. I finally managed to take one of him unawares but when I looked at the display I realized someone else was in the picture with him. A man selling handbags had come up to Michael while I was taking the picture and is now a permanent part of the only picture I have of Michael from this trip (Christine and I are trying to take more of him Ms. Schra).

Later that night as I returned to the hotel (I went home early because I still hadn’t packed) I witnessed two frat-attired Americans whom I recognized to be part of a group of MBA students from Thunderbird University, negotiating with a young Chinese girl we had previously
identified as a prostitute hanging around the hotels. The girl looked to be about 20 years old although I find it quite difficult to estimate the age of Chinese people. The whole image really had quite an effect on me and as I rode the elevator up to my room, I couldn’t help but wonder how the Chinese must perceive Americans and all westerners for that matter? I’m really not trying to get on any moralistic soapbox but I just can’t help but wonder if the Chinese people think that we are just in China to get whatever we can without regard to the cost or consequences to the Chinese people. It is something I have been asking our Chinese nationals about but I only get something like “not all Americans are bad”.

Shenzhen:

The next day we left for Shenzhen by traveling on a domestic airline. That itself was an interesting experience. The airport was very western and operated similarly to most American airports. Security was similar to pre-9/11 security in the US and only took about 15 minutes. Our flight was delayed by almost an hour but the Chinese assured us this was normal. Apparently Chinese air traffic control is not as sophisticated as in the US and on top of that the Chinese air force is doing an enormous amount of training in and around the major cities which causes the commercial flights to be delayed as the air force takes precedence. Onboard the flight the biggest difference was the service. In the US stewards typically go through the cabin serving you your drink and return to their seats but in China they spend the whole flight going up and down with the cart serving people drinks. They also have a manager wearing a suite that is constantly checking-up on the stewards making sure they’re taking care of people. Delta could learn a lot from the Chinese.

We arrived in Shenzhen late that night and took a bus to our hotel. Shenzhen is considered to be on the border between tier 1 cities and tier 2. It is still very western with about 11 million people living in it. However, as we were warned, it is not as safe as Shanghai and westerners do not hang around when they come to Shenzhen. They conduct their business and get out as quickly as possible. It has a reputation for limited gang violence as well as a sophisticated ring of pick-pocketers. I personally found this to be a huge exaggeration for the part of the city we stayed in. The hotel was located in a beautiful area and the markets and restaurants around us were all quite safe although we did not see any other westerners in the area. We all agreed that the city somewhat reminded us of LA. I kind of thought it had a bit of a sci-fi quality to it as the scene looking out from my window was a large pedestrian street/square that was incredibly clean and very futuristic looking. Maybe I’m just too much of a nerd though 😊.

Wal-Mart and Sam’s Club:

Our primary reason for visiting Shenzhen was to visit Wal-Mart’s China Headquarters. You absolutely cannot study retail anywhere without visiting Wal-Mart. In the US Wal-Mart alone represents almost 20% of total retail sales. The presenter from Wal-Mart was a young expat named Henry Skelsey who struck me as a very adventurous entrepreneur. After graduating from college he just boarded a plane for China and showed up. After beating the pavement for a few weeks he found employment with Wal-Mart and has been there ever since. I’m not sure I could that but I guess it worked for him.
There are three ways Wal-Mart can benefit from going international: by developing manufacturing which enable them to keep low prices, by developing exports for their stores and finally entrancing into the domestic market. They admitted that Wal-Mart has met with limited success in the first two areas so instead they have focused on the third, entering the domestic market. He said that normally in the US Wal-Mart is successful because of low prices. However, the Chinese market is just too competitive and the Chinese consumer, which he called the Chinese grandma, is too brutal. By this he meant that they will spend hours shopping around for even the slightest thing to guarantee that they find the absolutely cheapest price and the best quality. He said they will make several trips to inspect an item before they will actually buy it and they have absolutely no loyalty whatsoever. Because of this Wal-Mart cannot win solely based on price because they will never be able to beat a local mom and pop shop that can buy their stuff straight from a farmer down the road. They have almost no overhead to deal with. Instead Wal-Mart has focused on safety as their primary selling point. Food safety is the primary reason for the Chinese obsession with freshness and not buying frozen goods. The Chinese are so picky about freshness that they will literally pick out the fish while it is still alive. They will then watch as the fish is killed and butchered. This can sometimes be quite offensive to westerners as the fish are normally skinned alive and their hearts and lungs are normally still beating even after they’ve been cut in half and put on ice. I’m told that in high-end restaurants that serve lobsters that they will only boil the tail and then you eat the tail off while the lobster is still alive sitting on your plate. I will think I will pass on that experience. There are some things on this trip that I’m ok with not experiencing. All that is to say, Wal-Mart has focused on building a reputation for food that is safe. They thoroughly inspect all food they buy from vendors before selling it. This approach is apparently working quite well for them. He also told us of a new initiative that may be coming to US stores. Wal-Mart is considering charging $0.35 for each plastic bag that a customer uses. This is for environmental reasons as well as the cost to Wal-Mart to provide these bags. If this is implemented, Wal-Mart expects that most Americans will purchase the reusable bags which Wal-Mart will start selling at cost. Henry then took us next door to visit the largest Sam’s Club in the world. It was three stories and sold everything you can imagine. We did notice that the prices for most non-food items were at least as high as in the US and usually higher. Henry just said that is the way this market works. The one thing that was interesting about this Sam’s Club was the alcohol section that featured free sampling which many in the group especially liked. We also found several bottles that were priced at $300,000 (yes that is in US Dollars). Who in China is buying a bottle of liquor for over a quarter of a million? We were told by Henry that these are popular with companies as gifts but that they are rarely drunk and are typically just re-gifted. My question was what company wants to report a $300k gift on their books? Don’t quite get it.

Food in China:

By this time I feel that I have had a sufficient amount of time to taste enough Chinese food to formulate an opinion to share. We’ve had what the Chinese call authentic Chinese food more times than I can count. We’ve eaten at upscale restaurants as well as Chinese fast-food and everything in between. After consulting with others in the group we all can agree that Chinese food is not all that different than the Chinese we get in America. If anything it tastes blander. It’s just as greasy if not more so. In fact, Chinese food is actually quite bad for you in terms of fat and the quality of the food and cooking practices. For instance, there is a complete lack of real protein in their diet. When they do serve meat it is usually pork and it is normally not what we would consider a good cut. Several dishes are actually just grizzle and fat. Another favorite with the group was chicken feet which I was informed is also served in the US although I’ve never had it. Let me ask you, how much protein do you think there is in a chicken foot? I’m guessing not much. They don’t like to waste any meat if they can help it so you end up with a lot of pieces that are 90% bone with just a little meat on it. I think I’m a little too spoiled by American food especially growing up in the Midwest with our beef and potatoes.

In terms of flavor, everything is very salty. They also have some spicier dishes and some sweet dishes. All of these flavors are really not all that different than Panda China food just again less strong. There is not much cabbage in their food either which I had expected. I’m told that cabbage is actually more of a Vietnamese thing. With every meal they
serve green tea which I have grown quite fond of. Of course the meal has to be eaten with chopsticks which was quite an obstacle for me at first but I am doing better now. Survival instincts kicked in. One thing we all had to do was to just get past trying to remain dignified at dinner. Even the Chinese nationals are quite messy eaters and its sort of just the way it is with this food and with chopsticks. The one nice thing they have in their restaurants is this glass circle that rotates in the center of the table to facilitate passing, makes for a much more pleasant meal than constantly having to pass stuff around.

**Factory Tours:**

The last thing we did before leaving Shenzhen was to tour two factories belonging to Umbra and Brown Shoe respectively. Umbra is a Canadian household goods retailer and Brown Shoe owns a ridiculous amount of very well known shoe brands and retailers such as Famous Footwear, Naya, Naturalizer, Franco Sarto, Dr. Scholls, Avia, Vera Wang and many others. The Umbra factory was located out in the suburbs of Shenzhen. When we got there we were met by the factory manager who spoke English very well. He explained that Umbra’s factory was not a very sophisticated operation and almost everything was made entirely by hand because labor was so much cheaper than paying for a machine as well as it gave added flexibility to their production line. However, he emphasized that this was not a sweatshop either and that the workers were treated very well here. We all silently looked at each other as if to say “we’ll see about that”. The workers at the factory come from inland China and the factory is expected to house and feed them while they work there. In addition they are paid close to $500 per month but it is worth noting that this factory paid slightly better than most. The conditions were not really all that bad inside the factory. Everything was of course made by hand but it seemed like the factory had taken adequate preconditions for safety and comfort. There were cut-proof gloves for those that were working with glass and fans in the area to try and keep the place cool. The line also seemed fairly efficient. There were of course many opportunities for making it better such as line balancing and some standard six sigma things but I imagine the cost of doing that level of process improvement to be prohibitive especially since they will likely be reworking the process every few weeks to make a new product. The four of us ISEs who had all worked in American factories pretty much agreed this was not a bad factory but the Chinese nationals were horrified by the conditions of the factory. It is worth noting here though that the Chinese nationals who are with us are from extremely wealthy families in China hence why they were studying in America. I doubted that they had ever seen a factory before and it made me wonder how disconnected the upper classes in China must be from the rest of Chinese society.

The second factory we visited was Brown Shoe. This factory was not representative of most factories in China as it had a close partnership with the Chinese government and had even been visited by the President of China Hu Jintao. The factory had about 8,000 workers and was really more of a small city. It had its own recreational facilities, bank, internet café and even a library in addition to housing and day care facilities for the families. The workers were very well treated. One thing interesting was that the engineers supporting the factory were all Indian. Our tour guide was Harlan Chang, an ethnic Taiwanese (not that uncommon apparently) who headed up HR for Brown Shoe in China. He tried very hard to recruit the Industrial Engineers in the group and in the end he and I had a long conversation about trying to get a joint internship and study abroad program set-up for UF ISEs. I am working on the details of the idea with Michael and Christine and I think we will pitch it to Dr. Hartman when we return to the US.
China Journal

*Bonus Section: South Korea!*

**Guangzhou:**

The third city on our trip was Guangzhou. Historically it was the place of first contact between China and the West. It’s a city of around 12 million located on the banks of the Pearl River which divides the city. The city seems far older than any of the others we’ve seen and not nearly as nice. To me, it was clear this city has known the West for a long time and has learned to take the west with a grain of salt.

While we were in Guangzhou I contacted a small consulting company I knew back in Coral Springs, Florida. I had heard they had a very small office in Guangzhou and I was curious if I one of the local consultants would be interested in having a quick meeting with us. To my surprise they were quite happy to meet with us even at short notice. Tim Lindeman, the head of the Guangzhou office arranged to have dinner with us and sit and talk about business in China. Tim turned out to be a very interesting guy. He studied political science in college and like so many ex-pats we’ve met, just decided to come to China and look for a job here. He has worked in software and consulting for the last 10 years in China and just recently was promoted to vice president and was on his way back to the US.

Tim offered a very different perspective of the Chinese economy and of US firms in China. He believed that the Chinese government enticed US firms over to China holding as the carrot the emerging Chinese market and special access to newly constructed Chinese research and industrial parks and infrastructure. He said what they don’t tell you is that the Chinese firms get more consideration when it comes to winning contracts locally and in competing in the local markets. They push and push US companies to invest heavily in building factories, forming joint ventures with local Chinese companies (Pam Giss, the lawyer from the last journal, says US firms trying to get out of joint ventures provides 90% of her business) and sinking money into developing the Chinese economy. For most firms it takes two or more years to become profitable. He strongly believes that most firms that are not in luxury retail, food service or exporting apparel will ultimately take huge losses if they try to pull-out of China within the next five years and have unintentionally had to invest themselves much more heavily than they are ever wanted to.

I think it was very good for the group to hear a dissenting opinion about the Chinese market but I took some of what Tim was saying with a grain of salt. His company (Dimensional Insight) has had a particularly difficult time in China and the service sector in China has been a sore point for most US companies. Recently, the big four accounting firms were forced by the Chinese government...
to develop accession plans that would make Chinese Nationals currently in middle management into partners in the firm within the next five years.

**US Commercial Service:**

One of the primary reasons for visiting Guangzhou was to meet with the US Commercial Service office there. To give some background, the US Commercial Service assists small to medium sized American companies with exporting their products overseas and supporting them on any type of business venture in foreign countries. Commercial Service officers are some of the most talented American businessmen you will ever find. In fact they do not hire straight-out of college graduates and require work experience. Most people who work for them do so after working for several years in consulting. Something to keep in mind for the future.

Our meeting was with Terri Tyminski a former IBM consultant who had also worked for 12 years in China supervising McDonald’s entry into China. She provided us with an overview about the emerging Chinese markets and was very up-beat about the opportunities available for US firms in China. According to her, the 1st tier cities (your Shanghai and Beijing’s) are saturated in terms of retail and consumer markets. The new markets foreign companies are racing to are the 2nd and 3rd tier cities. She predicts that as economic development moves farther inland there will continue to be opportunities for US firms. One of the biggest obstacles for US firms had been the Chinese infrastructure that I was telling you was so amazing and developed. Apparently, that infrastructure was designed rather one-way. It is extremely good at pushing goods to the coasts and to ports and airports for exporting but is terrible for setting-up a distribution network to move goods from the coasts inland. Most large US companies have had to develop their own separate logistics companies (that they will one day sell) to handle their shipping and distribution whereas in the US, most hire distribution companies to handle that for them. UPS and FedEx have actually filed lawsuits because Chinese local governments routinely refuse them licenses to operate preventing them from expanding their network to anywhere beyond the 1st tier cities.

**Yingkou:**

After spending two days in Guangzhou we boarded another plane for a trip to Yingkou, a tier 4 city. Yingkou is located in Northern China up between Mongolia and North Korea. The airport we flew into was still a four-hour bus ride away from Yingkou. During the ride, I got to observe the northern China countryside. It was mountainous with tundras and dusty plateaus. Farming there was archaic with donkey carts, hand plows, and a lot of manual labor. The villages we passed looked like something from a National Geographic special. They all were tin or mud structures with minimal construction. Several of the towns we passed featured a few high rise apartment buildings that looked like they had been there since before the 50s even though they were built less than 10 years ago. Police Stations looked more like barracks with barbed wire and walls enclosing a compound.

We arrived in Yingkou around 9pm after spending all day traveling. Our hotel was not too bad even though it did have a brothel on the 2nd floor. It was rather old but nothing to complain about. Yingkou itself was actually far more developed than I had imagined or as Wei Song, one of the Chinese Nationals in our group, would say, “it is not like my imagination”. The city is still very large with over two million people (twice the size of Tampa for the record). Surprisingly, Yingkou is the sister city of Jacksonville, Florida. The city was rather flat with lots of pavement in every direction, it kind of reminded me of some of the towns I’ve passed through in Arizona or Colorado before you get up to the mountains. The people were quite taken with us and every time we’d go out
shopping or walking, inevitably, somebody would be trying to take pictures with us or pushing babies at us to hold. The girls quite enjoyed holding the babies though so no one really minded. During our entire time in Yingkou we were escorted around by several older women who, as it turned out, were local government officials. They spoke to themselves in Chinese a lot and when it was clear to me that they were speaking about us, I asked one of the Chinese Nationals in our group to tell me what they said. She wouldn’t and simply told me that “I really didn’t want to know.” I left it at that. While walking one night, several of us located another fake Apple store. I’m sure Apple knows about these but probably chooses to ignore the ones in the tier 4 cities.

**Yingkou University Zone:**

Because of the relationship Yingkou is trying to build with Florida, Jacksonville in particular, the Chinese officials arranged a special meeting between our group and the three universities within the Yingkou university zone. When we got there we were greeted with celebratory music playing all across campus and a whole army of students applauding us as we got off the bus. It was quite unexpected for us as we had just been told we were taking a drive by the universities! We rolled with it though (like it was hard) and the Chinese students started surrounding each of us. My group consisted of seven girls and two guys. It was terrible 😁.

We walked in where there were refreshments and a grand ceremony planned. We sat and listened as the professors in our group and the Chinese professors and government officials all exchanged speeches. The ceremony overall was very formal and serious. What was funny was that each speaker had their own translator. The translators would sometimes not understand a word so they would discuss it with all the other translators in the room like an open discussion until they figured it out then the speaker would continue again.

After the ceremony the Chinese students all lined up outside the door to applaud everyone as they left. After all the speakers and professors from both groups had left, it was just the UF students left to leave. We were all a little nervous to be the first one to lead the group out the door into the applauding Chinese so I decided to go ahead and take the first step. And what a first step it was! Interestingly, Chinese doors are not flush at the bottom with the floor. Instead they are typically raised about 6 inches to a foot like in a battleship or something. This is partly because it prevents water from getting in but also because the Chinese believe it keeps ghosts out. Ghosts in China cannot jump or step over obstacles so they cannot get passed a raised threshold and apparently neither can Andrew. On my first step I tripped on the bottom of the door way and almost face planted right in the middle of the floor. Fortunately, I caught myself but we all enjoyed the laugh and breaking the seriousness of the previous ceremony. We then all went to a banquet were we had a great time talking with the Chinese (who spoke some English) and getting to know each other. Too bad we couldn’t friend request each other on Facebook.

**Yingkou City Planning:**

Besides strengthening the Florida relationship with Yingkou, the main purpose for our visit to Yingkou was to learn about its development. As a tier 4 city, it is preparing for massive development in the next 30 years. Our big visit was to the Yingkou economic and industrial zone planning office. The planning office is designing the infrastructure of the city to connect the five largest cities in northern China (not including Beijing) as well as North and South Korea and one of the northern cities in Japan (can’t remember the name). This would make the city the main hub for inter-Asia trade as well as the primary port for northern China.
The entire city has already been designed down to the last detail. While visiting the planning office we were shown an entire model of the planned city in 30 years. I’m not sure what the scale was but the streets were about a foot wide. They showed us the industrial zones that they are constructing now. Factories, distribution centers, warehouses, R&D parks, high-tech semiconductor plants, ports, airports, all of it! To me it is absolutely ludicrous to think that you can just build an entire city in 30 years like you were playing Sim City or something. While we did not get to visit the port, we were shown photographs of their already built port. It’s several times larger than the port of Miami but mostly empty. I would guess that probably only 10% of the port is utilized. The city has forests of apartment buildings like in Shanghai only they’re almost all empty. Driving through Yingkou we saw skyscrapers going up that will have only a handful of tenants after they’re completed. What was with this city? They anticipated that all of this would be booming and growing in 30 years. I spent most of the time thinking to myself “you can’t build a city this way.” Shanghai, Gaungzhou and Beijing were certainly not built this way. Even though they had a high degree of central planning, Guangzhou and Shanghai especially grew because of domestic consumption, foreign companies investing and entering into the markets and just capitalism in general. Yingkou has decided to build the city completely and then wait for the companies, investments and population to come. They are planning for a population of 20 million people. They are 10% of that now. I just can’t get my head around it. Perhaps it’s because the concept of building and growing a city this way is just so foreign to what I’m used to. They’re spending billions and billions of dollars that came from somewhere to do this. We will see what happens in 30 years.

Beijing:

After two nights in Yingkou we were off to the last city in our tour, Beijing. Beijing is the capital of China and is part of the 1st tier city group. Being that it is the political capital of China, it does not feature the bold architecture of Shanghai. The architecture is more subtle and traditional and there are also far fewer skyscrapers than in either Shanghai or Shenzhen. The city has several interstates that make a circle around the city along what used to be the city walls and moat. For most of the way you can still see the moat. The city closely controls those who can buy cars and houses in Beijing because of the number of people (especially foreigners) moving to the city who wants to buy them. Chinese nationals have to wait eight years or more before they can buy a house. In the area around our hotel massive underground shopping malls were everywhere. Our first night in Beijing we went walking to find a place to eat. We walked for blocks and didn’t see anything. Then once we decided to explore the subway we discovered floors and floors of underground shops and food places. It was like stumbling on a hidden city!

One evening when we exploring one of the nighttime shopping streets we came across street venders selling fried scorpions, snakes, lizards, silk worms, cockroaches, sea horses and star fish. The way it worked was that you picked one of the aforementioned live animals to eat. Once it was skewered but still wiggling they would put the skewer in a vat of grease and deep fat fry it up. Once fried you had scorpion (or snake, lizard, silk worm, cockroach, sea horse or star fish) on skewer to eat. Yum yum. I and one other brave soul actually did buy and eat a scorpion each. I can’t say it was tasty but it was definitely crunchy 😊
**Lenovo:**

Our final company visit was to Lenovo. Lenovo is a Chinese PC and smart-phone manufacturer similar to Apple. Historically they came from IBM and when IBM sold its PC business a few years ago Lenovo acquired them. In the US they’re best known for their Thinkpad laptops but in China they have the LePhone which is just like the iPhone in terms of quality but about half the price, TVs, tablets PCs and now specialty desktops. We were hugely impressed with the quality of their products and the price points which were always significantly lower than Apple. They have not entered the US market with their LePhones yet because of some strange patent law that I didn’t fully understand. After providing an overview of Lenovo marketing strategies they discussed in detail the current standings of the PC market and of the eminent collapse of HP. Lenovo is in prime position to take on their biggest competitor, Apple. It’s about time Apple had some real competition.

**US Embassy:**

Perhaps my very favorite part of the trip was our visit to the US Embassy in Beijing. Our visit began with the embassy taking our passports, electronics and large bags. I’m surprised I was allowed to go through with my shoes on. Our first meeting was with another representative from the US Commercial Service, Joshua Harper. Joshua gave us an overview of economic prospects in China as well as the emerging 2nd tier cities. It was very similar to what the US Commercial Service in Guangzhou. However, this time I ‘heard’ what they weren’t saying. After the formal presentation, I managed to talk with Joshua away from the main group and heard some of the less than positive aspects of US companies entering China, chiefly, the problem of repatriating the profits. Intellectual property rights are also a huge problem that most companies treat as just a necessary cost of doing business. Further he told me that the US Commercial Service agents have their performance measured by the number of companies they help export versus the quality of exports. I’m not quite sure he meant to cast it in such a bad light when he was answering my questions but in either case that’s what I got out of him.

In our next meeting we had the pleasure of meeting US Ambassador to China, Gary Lock. Mr. Lock is the first Chinese-American to be ambassador to China. Further, he is a superstar amongst college students and young people in China! The Chinese nationals with us were star struck with him and told us that he is more popular with young people in China than many American pop-stars. To them, I guess he symbolizes Chinese and Americans as equals in a partnership. I don’t know, maybe I’m having too much fun with that one. Ambassador Lock took pictures with us and then his Chief of Staff stayed around to answer questions for us.

Our final meeting in the US Embassy was with a young Foreign Service Officer named Tom Niblock. He was originally from Iowa (Yay Iowa!) and went to school at the University of Iowa before going to Princeton for a masters. China was his first posting but he was due to leave for Pakistan the week after we left. An interesting guy who knew seemed to be quite knowledgeable on China but careful in his choice of words. He was very careful not to answer anything that was above his pay-grade particularly about the US position on any of the recent China-US crisis.

**Forbidden City and the Great Wall:**

Our final day of activities in China was strictly tourism in nature. First we visited Tiananmen Square and the Forbidden City. To get into the square you have to pass through security similar to what you would pass through going to the airport. The square itself is huge, far larger than I had imagined. The square is surrounded by the Great Wall of the People (their general assembly I guess), Mao
I had always imagined that the Forbidden City was like a large palace but not so. It earns the word ‘city’ in its title. The place was very large and over a mile to walk from one side to the other in a straight line. We probably only saw about a third of the actual city while we were there. Inside the Forbidden City there are almost no trees. The place is comprised of a series of walls and stone courtyards with large Asiatic buildings on all sides. They feature the typical curved roof but with intricate carvings and paintings on the undersides of the roof.

Our last activity in China was to visit the Great Wall. The nearest piece was about an hour and half drive away. We drove up into the mountains to a village that sits at the base of what has become one of the primary tourist sites for visiting the Great Wall. The Great Wall sits astride the peaks and ridgelines of several mountains. Climbing the Great Wall essentially means climbing a mountain too. We copped out though and took a cable car to the top. Once there the guys in the group decided it would be fun to race to the top of the next tower of which I was the clear and decided winner (I’m telling you, do less weights and more cardio guys!). Walking up and down the Great Wall is quite hazardous as many of the steps are over 18 inches high but only a 4-6 inches deep, making for a very poor surface to step on. Further, while the wall was originally designed to drain away water at the bottom, the steps are still slipper after a rain (like they had just before we came). The view was quite breath taking and I cannot find the words to describe it only that it was better than the view from Mount Silver Heels in Colorado.

The wall has been damaged and broken into sections over the years. Once we reached the end of our section, Samantha and I decided to go on and explore the damaged and overgrown parts. We had flown all the way from the US, we were not going to let some pesky sign saying, “The End” to stop us. After walking through brush and bracken that had grown over the wall we reached the next closest guard tower (about half a mile away from where the wall ended). The tower was almost completely destroyed but the vantage point allowed us to look out onto the next intact section. Getting down from the Great Wall was even easier than the cable car, tobogganing! Basically, what somebody had designed (although probably not an engineer) was a sort of bob-sledding-like course from the top to the bottom, complete with turns and everything. Only instead of bob-sled it was a an oversized skateboard with a break that you sat on top of. So much fun! I rode down going quite fast and after hitting one of the turns managed to roll the rinky-dink skateboard. However, since the surface had a very low coefficient of friction, I just slid down with the skateboard for about 10 feet until I managed to pull myself back on.

**Bye Bye China, Hello Seoul!**

From the very beginning, three of us had decided we were going to visit Seoul, South Korea at the end of the trip. After saying our farewells to the main group the ISEs left for Seoul. We arrived in Incheon International Airport which is a little ways outside of Seoul. Once there we took a high-speed train into Seoul and then took the subway to our hotel.
One thing that impressed me immediately about South Korea was how efficient everything was. Form the train to the subway everything was well laid out, fast and just generally a pleasant experience. For instance, the turn style is set-up so that it stays open and only closes if you try to go through without swiping your card. Think how much fast that is during rush hour! The subway lines all operate and different levels underground which means for some of the lines you have to go pretty far underground but it also means it’s easy for them to connect the lines together. Incheon International Airport has actually been rated the world’s best airport for seven years in a row. They boast that the average time to get passengers through ticketing and security is 16 minutes. That sure beats our 40 minute average in the US.

Seoul has remarkably beautiful architecture. It is not near as flashy as say Shanghai but it still has subtle themes to it that give the city a quit, warm and beautiful appearance. Koreans themselves are incredibly nice much like Americans. They will go out of their way to hold doors open or help you if you are lost. Most of them speak some English which is incredibly helpful in getting around, ordering food and most importantly ordering coffee with cream and sugar (something quite foreign in Asia for some reason). I’m convinced the way to describe South Korea is that it is the France of Asia. Seoul itself is an incredibly romantic place. It is filled with couples and young families that you see everywhere. It has parks and sights that are almost tailored to couples including an entire fence around Seoul tower that is filled with love-note engraved padlocks. Korean as a language seems far more delicate and subtle than Chinese to pronounce.

The food was a welcome improvement to Chinese. South Korea seemed to understand what constituted a protein. The food was typically steamed and was like China, heavily rice based but also was far more spicy. I quite liked it. Our biggest problem with Seoul was that they seemed to have a city-wide ban on trash cans. We always seemed to be looking for a trash can of some sort and never able to find one.

I think visiting South Korea was absolutely essential to really understanding what it was that we saw in China. To be honest, I left China thinking that the strong central government was responsible for many of the efficiencies in China. However, after visiting Seoul and seeing those same efficiencies but better leads me to believe that there is little reason for why the US cannot be as efficient as Asia. Indeed, I think this trip has been eye opening for me in that it teaches me just how much of isolationists we are in America and that we really need to increase our awareness. Not in the manner of “don’t you know all these people are just trying to survive on a single dollar every day” and “don’t you realize how good you have it in the US? type of thing but rather a “these people are just as modern as we are and they are doing better than us in many sectors already” sort of way. I’m not so worried about the Chinese economy outpacing the US but more I’m worried about the Asian economies outpacing western economies and ushering in new dominate civilization.

**The DMZ and North Korea:**

The big event for us in Seoul was to go out the De-Militarized Zone (DMZ). For a small fee we were able to take a bus out from Seoul to the DMZ and the area surrounding it. Our visit began with a drive along the river that leads to Seoul. Since North Korea shares the upper banks of the river, the entire river front is covered with electrified barbed-wire fencing along with scores of guard towers. On this drive I got my first glimpse of North Korea. The mountains in North Korea were relatively bare as compared to the South Korean mountains which were mostly covered in trees. The guide told us that this was because during the winters the North Koreans regularly have to cut down the trees for fuel to keep
warm. Our first stop was at Freedom Bridge which is where prisoners used to be exchanged between North and South Korea before the border was moved to the 38th Parallel. After that we visited what is called the 3rd Infiltration Tunnel. The tunnel was dug by North Korea for the purpose of invading South Korea. It was quite small, only about two meters wide and two meters high but apparently would have still been able to move 30,000 soldiers through it in about an hour. It was situated over 350 meters deep and was by the South Koreans from a defector. Our tour allowed us to go all the way to the bottom and right up to the underground North Korean border. Our final stop was to what is called the Dora Observatory. Once used as an observation post for the military it is now used strictly for tourism. From it we could see well into North Korea and had a perfect view of both sides frontlines. We could see the North and South trenches, barbed-wire, guard posts and guards. Further we could see into one of the North Korea cities (name escapes me) as well as the factory that was built and run jointly by the two countries a few years ago. It has been operating infrequently as it is normally the first thing to get shut-down when tensions rise.

Overall, it was plain to see that these tours, which are frequented by South Korean citizens as well as foreigners, are set-up as a means of propaganda. Throughout ever sight and tour it was the “treacherous North Koreans” or the “unprovoked aggression by North Korea” or even once the “evil North Koreans”. Clearly South Korea feels they need to keep their people in a constant mental readiness for all out war against and “evil” enemy. That’s not to say they don’t have reason just an interesting observation.