

Visions differ as world cities build for the future

Urbanisation
EDWIN HEATHCOTE

For a long time the world's attention has been focused on the seemingly unstoppable growth of the megacities – cities in which the population exceeds 10m. Their sheer mass seems to attract headlines by a kind of gravity, like black holes; they suck in reporters and urbanists, but they throw out beams of incredible statistics.

There are facts and figures about unbelievable densities, horrific crime rates, seemingly insurmountable problems of education, health, coping with ageing, employment and industry and, of course, about the environment: about how to make such places – almost incomprehensible in scale – sustainable.

Mumbai, Beijing, Istanbul, Tokyo, Mexico City, Cairo – even the old-school megacity pioneers London and New York – are the subject of endless meditations on the future of the city. But, despite their size, the real, phenomenal growth in world cities is happening outside these famous, historic – almost romantic – centres, in the second-tier cities of Asia that can seem to spring up overnight.

Earlier this year I ascended the 100 storeys or so of Guangzhou International Finance Centre – the tallest building ever built by a British architect, Wilkinson Eyre. It is an elegant, streamlined cigar of a building. From the top you could see perhaps four or five miles in every direction before the yellowish industrial smog swallowed up the horizon. The young architect showing me around said that when construction on the tower started a couple of years ago virtually nothing was there, it was all farmland, there was no city to see from the site.

Guangzhou has exploded – the same goes for Wuhan, Chengdu, Shenzhen and dozens of others. But these are not cities growing through informal settlements at their edges, haphazardly; they are ruthlessly planned. A McKinsey report published in March this year predicted that, in 2025, 100 of the world's 600 top cities will be new entries from China.

It is calculated that 40 per cent of global growth over the next 15 years will come from 400 midsize cities, many of which we will never have

heard of. That growth equates to more than that predicted for all the world's developed economies and the megacities of the emerging markets (including São Paulo, Mumbai, Shanghai and the others) together.

The top five fastest growing cities in the world are all in Asia – and they may come as quite a surprise: Beihai (China), Ghaziabad (India), Sana'a (Yemen), Surat (India again) and, despite everything, Kabul. Somehow business will need to reorientate itself towards these exploding cities and their vast opportunities.

The Chinese government has long realised that its extraordinary industrial boom is not only attracting former agricultural workers from the country to these new midsize cities but that it is creating a new bourgeoisie, a business class of entrepreneurs and managers.

This emerging and increasingly wealthy middle class is exactly where China has decided to invest. It has realised that they will begin to demand the infrastructure of bourgeois city life, from education, healthcare and public transport to leisure facilities, shopping and parks. And China's notably top-down planning system allows the creation of these at a stroke. Huge, almost unimaginable



Serious development: Sana'a in Yemen is among the top five fastest growing cities in the world
Dreamstime

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infrastructure projects are being put in place not only in the big centres, in Beijing, Shanghai and Hong Kong, but in these secondary cities.

The journey has not been trouble free. The bullet train crash in the eastern Zhejiang province in July, which saw 35 die, not only pointed to inadequacies in planning but to a readiness of bloggers to protest and openly express their outrage – exactly the kind of thing that seems to unnerve the government in the wake of the Arab Spring.

But what will these new cities look like? Is there still the skill to design cities from scratch? The established megacities – New York, Istanbul, London, Cairo, Beijing, Tokyo and São Paulo developed over many centuries, from historic cores

that bred poorer, less formal settlements around them, which were then themselves subsumed and upgraded into new quarters, so that cities grew in concentric rings.

These new cities, theoretically, will allow their planners to bypass the problems of historic cores and ageing infrastructure, to wire in connected city tissue from the outset. And, if you stroll along the green spine of Guangzhou's Zhujiang new town, which conceals a subway built beneath a central pedestrian park space and a seemingly endless shopping mall at sub-basement level, you get the feeling that these cities could work.

The authorities have meticulously programmed in cultural infrastructure – Guangzhou has at its centre a

dramatic library, a Zaha Hadid-designed opera house and a striking museum. It is true that the building of the opera house has preceded demand – it is there, just in case.

It is easy to criticise these new cities as soulless and corporate – which they are – but the scale of the achievement in building these places is astonishing. These are cities that will be capable of housing the millions still pouring in from the country. The rural population, currently standing at 900m, is expected to decrease by 500m over the next 30 years.

Other models look precious in comparison. South Korea's \$40bn Songdo provides the prototype for a wired city. A fully integrated high-tech hub near Seoul with services supplied by Cisco and

architecture design by US firm KPF, it heralds the advent of city-conceived-as-CBD (central business district). But, with its golf course and parkland, is it really much more sophisticated in its planning and architecture than Guangzhou or the dozens of other cities like it?

Masdar (masterplanned by Foster & Partners) in Abu Dhabi provides the model for the eco-city – a joint venture between the Emirate and MIT, an experiment in creating a sustainable city in one of the most inhospitable environments on the planet. It is feeling its way along but it still feels tiny compared with the default experiments the Chinese are undertaking.

One extraordinary statistic to appear recently is that, according to an Ipsos/Mori poll, Mumbai, a city with 55 per cent of its population living in slums and 65 per cent of its population working in the informal economy, is the “happiest” city in the world, its residents the most satisfied with their quality of life. London, just as astonishingly, comes in at number two.

It is difficult to imagine a more striking contrast between the rickety, dirty and dysfunctional Mumbai existence so vividly described by the Indian writer Aravind Adiga in his new novel *Last Man in Tower* and the sterile, endless expanses of extruded modern blocks that radiate in every direction in China's new cities. Yet here they are – the models for Asia's future.

Is it a choice between vibrancy and inefficiency versus the grimly repetitive but inarguably efficient? One is making do and getting by, the other is getting on with it. It is impossible not to admire the Chinese for their extraordinary determination, even if their vision of the future is not necessarily one we all might want to live in.

At least they have a vision.

Dalian Green slopes slowly disappear under waves of high-tech industry

When participants of “Summer Davos” pour into the Dalian World Expo Center today and take in sea views in the airy lobby, they will see the image their host city likes to project of itself: a clean, modern, cosmopolitan place.

Indeed Dalian is one of the few Chinese cities that make it into international livability rankings. A local government drive in the 1990s under Bo Xilai – the high-profile politician who now heads Chongqing – for more parks, more skyscrapers and a better infrastructure transformed Dalian from a grubby port city to one of the cleanest and fastest-growing in the country.

Its picturesque location on a hilly peninsula in Bohai Bay has helped – the city has several beaches, and a constant sea breeze helps prevent the relentless smog that plagues most other Chinese urban areas.

The city's economy, in common with most of China's north-east, used to be dominated by heavy industry. But Dalian's proximity to Japan and South Korea made it one of the prime locations for foreign direct investment from these two countries. Many Japanese technology companies, such as Toshiba and

Panasonic, have built a presence in Dalian, in turn attracting other companies that make niche products or are their suppliers.

Alpine Electronics, a Japanese car audio and navigation company, is a typical example. “We set up a research centre in Dalian in 2003 to serve our product development for the Chinese market,” says Shinichi Kaminaga, the centre's deputy general manager.

Last year, Intel opened its first semiconductor fabrication plant in China in Dalian.

The city exported electrical and electronic industry products worth \$14bn last year, more than half of its total exports, according to municipal government statistics. High-technology goods, though still a tiny portion of overall exports at just \$400m, were the fastest-growing export product category last year, with an increase of 53 per cent.

But the biggest new contributor to the local economy is software. Dalian has become one of China's major hubs for the outsourcing services sector, with the value of contracts hitting \$1.18bn last year, up 33 per cent from a year earlier. The city is home not just to Neusoft, China's largest software company, which runs its

own university there, but also to 940 other outsourcing firms, which employ more than 100,000 people, according to the government.

“We are looking to double our headcount this year,” says Xia Xue, head of human resources at Yidatec, the software subsidiary of a local real estate conglomerate.

Multinationals that dominate the sector globally, such as IBM, Microsoft, Hewlett-Packard and Softbank, have all invested heavily in Dalian as well.

This industry's growth, and its need for increasing numbers of young employees, has spawned a local real estate boom. In the green hills surrounding central Dalian, one valley after another is being developed into yet another software company park with adjoining residential buildings and recreational facilities. As land supplies are running low, Dalian's government has become one of the most aggressive in the country at reclaiming land from the sea.

But this has left local residents somewhat dissatisfied. Many complain that a focus on investment has replaced a priority for environmental protection. Accumulated frustration exploded last

month when 12,000 took to the streets in protest at a toxic petrochemical plant built on reclaimed land, forcing the government to promise that it would be closed down.

The city's relentless development drive has also pushed property prices out of reach for many.

In the Shahekou district, neighbouring the massive World Expo Center, the coast has been built up with a huge compound of luxury villas and flats. “These are the most expensive in all of Dalian, and they're all sold out, all bought up by out-of-towners,” says Tina Ren, an agent at Century 21 in Dalian.

On the other side of the World Expo Center, rows of faux European buildings house upmarket restaurants and bars. Many of the cars out front are limousines with red characters on their licence plates, indicating use by government officials.

“We call this the corruption centre,” explains Wang Liang, a taxi driver who serves this area.

“There is no public transport here, so most ordinary people don't get out here and the leaders feel safe coming here for seafood and champagne.”

Kathrin Hille

Food groups aim expansion recipes at local consumers

Africa
Multinationals are shedding their fears and adapting well, writes Louise Lucas

Africa is the new China. Where once multinationals made it a badge of honour to discuss their Chinese operations – often widened to embrace the fellow Brics nations of Brazil, Russia and India – it is Africa that is earning an increasing number of name-checks.

“It's a jewel,” says Paul Walsh, chief executive of Diageo. The world's biggest distiller and the brewer of Guinness, garners 13 per cent of net revenues from the continent, where it built its first overseas brewery – in Nigeria's Lagos – in 1963. It is, of course, a jewel with risks, or what Angus Hodgson of management consultancy AT Kearney refers to as “the big fear factor” among companies with a less established heritage in the continent.

“We argue it might be a big play, but it's a big play you have to make now,” he says. The attraction: large, young populations with rising incomes.

While some are in the throes of making their big Africa play, others are older

hands. SABMiller, the world's number two brewer by sales, began life in South Africa in 1895. Heineken first brewed beer in what is now the Democratic Republic of Congo in 1923. Unilever, which originally went in search of plantations, dates its ties back to the early 20th century.

Tom de Man, Heineken's recently retired president for Africa, recalls his own early stint in the continent in the 1970s: contact with head office was spasmodic and the international school was the wife of the Unilever representative, working from a spare room.

All that has changed. Heineken's own ambitions are forging ahead – it recently bought two breweries in Ethiopia. This month, Diageo will open a brewery in Tanzania, its first new brewery in 20 years. Unilever generates sales of more than €5bn a year in Africa and is racking up mid-teen percentage growth every year.

Such success stories have drawn more multinationals to a continent once better known for the strife that accompanied the birth of independence – political mayhem, hyperinflation, corruption and ravaged economies.

Frank Braeken, who heads Unilever's African operations, offers a graphic

illustration of the sheer physical size: three times as big as China, or with room to accommodate the US, Europe, China and India with room left over.

“It's all about purchasing power,” says Frits van Dijk, who is in charge of emerging markets at Nestlé, the Swiss food group. He calculates there are 300m-400m people in Africa who can afford the Swiss food group's products; within a few years he expects that to rise to 600m.

Monetising the opportunity is less easy and challenges remain. Africa, points out Mr Braeken, is “of course, not one continent, not one story”. Angolans, for example, mostly live in towns; in other countries, the rate of urbanisation is less than one-third. The presence of supermarkets is another marker, with modern trade accounting for 40 per cent of Kenyan shopping but just 5 per cent in Nigeria. This demands different distribution methods.

Operational difficulties, says AT Kearney's Mr Hodgson, are “absolutely real”. In Nigeria, a favoured market, he cites transport as the biggest difficulty, in particular finding the right partners with the right skills and capabilities to distribute from factories.

There are big distances to

cover. “Transport costs as a proportion of landed costs are much higher because [transport] is much less efficient,” he says.

Nestlé is overcoming this in part by bringing in smaller “finishing” factories closer to consumers. Bulk consignments of, say, paste for stock cubes or bulk milk powder are delivered to the finishing factories where they are bound and packaged.

This also allows Nestlé to scale up these factories when demand requires, rather than ploughing in big money at an early stage. Finishing factories cost roughly one-sixth as much to build as fully fledged ones and, as Mr van Dijk notes, Africa is a continent that still has risks attached.

Another issue is sourcing. Importing raw materials across borders or from further afield is expensive, and can be tricky for certain fresh products.

Food and beverage companies' answer to this is to go local, building up deals with local farmers whereby the company provides training and a guaranteed price for the finished product. In some cases, the company will provide more – seed, fertilisers and even micro-finance.

Nestlé now deals with 60,000 farmers in Africa; SABMiller 20,000. On the



Glad to be'er: drinkers in South Africa enjoying SABMiller's Castle Lager
One Red Eye

Companies provide training for farmers and a guaranteed price for the finished product

Ivory Coast alone, Nestlé works with 1,000 farming families and has built a research and development centre focusing on agricultural issues.

These companies are also refashioning recipes to replace traditional ingredients with local ones. Thus SABMiller aims to have its pioneering cassava beer on the shelves later this year.

The beer is now expected to go on sale in Mozambique in six to nine months' time, nearly a year after the initial launch plans for late 2010. Assuming this is successful, the beer will then be rolled out to other parts of the continent.

The brewer, which in March lifted its medium-term financial targets for Africa, already uses sorghum in Nigeria. Nestlé is using Mali's unique blue onions in its Maggi cubes. Even so, there are compa-

nies that still struggle to keep up with demand. Zambian beef Products, which started life as a single butcher's shop in Zambia in 1994 and now runs a vertically integrated operation complete with herds of cattle and around 100 of its own shops, soon had Zambians flocking to its stores.

“If you refurbish, retille [a store], put in new display cabinets, sales double if not treble in a couple of weeks, because people are no longer willing to accept shoddy services or shops,” says Francis Grogan, co-chief executive officer.

“Our challenge is just to keep up supply. In the last six months there has been unprecedented demand for beef, pork and dairy...we had to import beef for the first time ever last Christmas and are having to do that again.”

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