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Leading role

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Leading role

THERE IS A NEED TO DEBUNK WESTERN MISCONCEPTIONS ABOUT CHINA'S ECONOMY AND RECOGNISE THE COUNTRY'S GLOBAL INFLUENCE

Every time I visit China, I come to realise that, although I teach and consult on the subject of Sino-trade, I often miss the point when it comes to profiling the country.

It is a vastly diverse place. Despite the plethora of books and articles I've read, and my professional experience, I find my view of Chinese communism is antiquated, shaped by my understanding of the Soviet Union and swayed by prejudice.

Its two special administrative regions further add to that complexity. Hong Kong, with its Times Square complex, International Financial Centre or Soho, seems like Manhattan on steroids. The same goes for Macau, filled with luxurious casino resorts boasting annual revenue seven times that of Las Vegas in the United States.

What I witness in Hong Kong and Macau, although both are part of the People's Republic of China, are true examples of capitalism at its core.

Growth indicators

But in contrast to the most advanced Western economies, unemployment in Hong Kong is below 4 percent and in Macau below 2 percent. Both cities have full employment.

Hong Kong hosts the most skyscrapers in the world, with New York a distant second, with only half the amount. Hong Kong is also the city that boasts the most Rolls Royce's per capita on the planet. Macau's GDP per capita is MOP611,930 (US\$76,491), in contrast to US\$49,965 in the United States.

What strikes me the most when I visit either city is the level of optimism. By contrast, in the West, I hear nothing but cynicism from people who seem to have lost their excitement about the future. In Macau, much as in Hong Kong, young and old, people yearn and strive for more than what they have.

I agree with former Goldman Sachs economist Jim O'Neill, who coined the BRICs acronym in 2001, in his assertion that China is the greatest story of our generation.

China's general macroeconomic picture is promising. It scores well for its control of inflation, although prices in Macau are rising fast and Hong Kong's cost of living is extremely high. Also promising are China's external financial position, government debt, investment levels and openness to foreign trade.

At the micro level it falls just below average on corruption, according to Transparency International. That could change rapidly, with president Xi Jinping committed to punishing corrupt officials.

The country also fares positively in other important development factors, including the use of technology.

Focus on quality

There is simply no overstating China's importance all around the world, particularly in the West. Like it or not, the entire planet is and must be invested in China's success.

Doubts? In 1995, China's economy was worth roughly US\$730 billion. In just 17 years it has grown more than tenfold in nominal terms.

By 2001, its GDP was smaller than Britain's or France. Today, China is the second biggest economy in the world, on track to



become No. 1 in the near future, despite a slowdown in growth.

It will be difficult for China to again reach 10-percent annual growth rates as it did in the period between 1990 and 2010. Growth will definitely decelerate. The question is by how much and how smoothly.

Beijing announced a target of an average 7-percent annual growth in its five-year plan for 2011-2015, down from the official 7.5-percent target stated in the previous five-year plan. In fact, between 2006 and 2010, China's economy expanded at an annual average of 11.2 percent.

Restrained growth is best for its economy and people, allowing policymakers to focus on the quality of growth, instead of sheer quantity. No country can sustain long-term growth by building the ghost cities we have seen recently.

Also on the downside, it appears that the Chinese Communist Party, with its 80 million members, is not just the world's biggest political party, but also the biggest chamber of commerce. That is worrying, as China's influence and impact on all national economies is already astounding.

The Euro zone crisis had the world worried. Surely if the situation there had deteriorated further, it would have definitely impacted the global economy. But anything that occurs to China's economy is far more important and has a much greater impact on the global economy than any crisis in Europe.