

Wow, But at What Cost?

China's importance to the world, what it has accomplished and might yet accomplish, is such that to try and comprehensively discuss it in an opinion piece like this risks trivializing the subject.

The data points are nothing short of astounding. China alone accounts for over 50 per cent of the world's growth in oil consumption in the past five years and is now the second largest such consumer (68 per cent of all current nickel consumption, 44 per cent of aluminum, 31 per cent of all iron ore, the list goes on). Its economy is the second largest in the world and, thank heavens, continues to produce growth rates which are the envy of every other country. How has this been managed, where did it come from, and what are the risks going forward?

When Chairman Mao took power in the late 1940s he restored a stable political order and unified the country (albeit after forcing Chiang Kai-Shek to flee to Taiwan). However, Mao pursued ruthless policies of isolation from the West, and an internal Marxist agenda which precluded any sort of accumulation of personal wealth, leading to economic stagnation and a deteriorating standard of living. His Cultural Revolution tolerated no political dissent, witnessed widespread famines and an economic system which eschewed technology or anything associated with the West. As a result, when Nixon first visited China in 1972, the road system around Beijing was dominated by bicycles, horses and wagons pulled by oxen. Now, less than 40 years later, China has overtaken the U.S. as the largest car market in the world.

Deng Xiaoping's leadership (from 1978 to 1992) was responsible for serious economic reform. It was his vision which understood and contemplated the use of foreign capital and modern technology, together with a new sense of engagement with the West. However, these same policies were accompanied by a continued muzzling of any opposition. Even in the face of world opinion, tanks were brought in to crush the demonstrations in Tiananmen Square. The 'one child' law was introduced to control population growth and to alleviate the strain of a burgeoning but poor populace.

Such policies could not have been introduced or

tolerated in a western democracy. As an example, the Three Gorges dam on the Yangtze would never have made its way through any sort of developed world regulatory process. Even though it was designed to control flooding downstream and produce a huge amount of energy for a country with an almost insatiable appetite for more electricity, it displaced hundreds of thousands of people in its flood basin. Environmental degradation has been an accepted consequence of China's rapid industrialization.

For all there is to criticize, however, there is much to admire. Rather than debate that balance it is probably more appropriate to identify the policy options China has and might pursue going forward.

At the moment it is resisting calls to allow its currency (the renminbi) to appreciate, fearing that doing so will make China's export (and its job) machine less competitive. China is thereby risking retaliation from U.S. legislators intent on demonstrating to their electorate that the jobless numbers in the U.S. are the focus of their attention (however wrongheaded such retaliation might be). It is also depriving Chinese consumers of the opportunity to buy international goods at cheaper prices. It is tightening credit to try and rein in a speculative bubble in real estate and the prospect of an inflationary spiral.

China needs to get this right. A stronger renminbi would begin the process of addressing the huge imbalance in global trade which can't go on.

It would remove the risk of inflation and show the world it was serious in assuming its role as a global economic power with responsibilities attendant to such a position. Its foreign policies need to follow suit. A more aggressive line toward North Korea, Iran and Afghanistan and toward the corrupt and dictatorial practices of certain African rulers would all help inestimably in improving prospects for world peace and Chinese prestige.

Human rights and wealth creation are linked. Google needs to be unshackled, not for Google's sake, but so the Chinese people are given intellectual freedom. The world needs China and Chinese growth, but the right sort of China. Let's keep our fingers crossed. | ABM



John Risley

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In addition to his international business interests as president of holding company, Clearwater Fine Foods Inc., John Risley regularly engages in policy debate as a member of the World Presidents' Organization, the Chief Executives Organization and as a director on the Board of the Canadian Council of Chief Executives. Mr. Risley is also a graduate of the Harvard University Presidents' Program in Leadership and Chair of the Canadian Youth Business Foundation. If you have suggestions for topics you would like the Devil's Advocate to address in future columns, send your ideas to: dchafe@atlanticbusinessmagazine.com. The views expressed in this column are those of the author and not necessarily those of *Atlantic Business Magazine*.