

COLUMN-Goodbye America, Hello China? Think again

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By Bernd Debusmann

WASHINGTON, March 12 (Reuters) - For the growing number of Americans who see China heading for inevitable global dominance, nudging aside the United States, a brief walk down memory lane helps put long-term predictions into perspective. Not so long ago, Japan was seen as the next (economic) number 1. American executives studied the 14 management principles of The Toyota Way, developed by the automobile manufacturer that grew into the world's biggest car maker and is now recalling millions of defective vehicles.

Between the mid-1980s and early 1990s, books with titles such as Trading Places - How We Are Giving Our Future to Japan and How to Reclaim It (by Clyde Prestowitz) were required reading in Washington. Learned panelists expounded on the wondrous efficiency of "Japan Inc."

A glut of "Amazing Japan" books, Chicago Tribune writer Ronald Yates noted in 1987, hammered home the same theme: Japanese technology is superior, Japanese management is better, Japanese products are unrivaled, Japanese people work harder, Japanese are smarter, Japan is No. 1.

Skip over the two decades of economic stagnation of Japan Inc. that soon followed the hype and fast forward to the present. The book which best reflects today's American worries is entitled When China Rules the World: the End of the Western World and the Birth of the New Global Order, by British author Martin Jacques. His forecast is part of a growing library of essays, analyses and books on the 21st century belonging to China.

If history is any guide, there's a better than even chance that the "goodbye America, hello China" school of thought will prove as embarrassingly wrong as the 1980s assessment of the relative strengths of Japan and the United States. Long-term predictions tend to be more often wrong than right and the decline of the U.S. is a topic of seasonal regularity.

In February, a poll by the Washington Post and ABC, asked whether the 21st century would be more American or more Chinese. In terms of overall influence on world affairs, 43 percent opted for Chinese and 38 percent for American. In a Pew poll a few months earlier, 44 percent saw China as the world's leading economic power and just 27 percent named the United States.

That was a remarkable reversal of opinion from early 2008, when 41 percent told Pew pollsters they thought the U.S. was the world's top economic power and 30 percent named China. That shift probably says more about the sour mood of Americans very slowly emerging from a painful recession than about facts.

LONG WAY TO CATCH UP

China the world's leading economic power? Its economy is less than a third of that of the U.S. Its GDP per head is one fourteenth of the U.S., roughly half that of Kazakhstan, according to the World Bank. About a quarter of the world's economic output is produced by the United States, whose population is less than a fourth of China's 1.3 billion.

So there's a very long way to catch up for a country beset by a variety of Third World problems, from lack of paved roads in many rural areas to water pollution so severe that 700 million people have to drink contaminated water every day, according to the World Bank.

China enthusiasts made much of statistics early in the year that the country had overtaken Germany as the world's largest exporter in 2009. Along with many of the figures cited to show China's relentless long march to superpowerdom, it gives an incomplete picture.

A large proportion of those exports, three quarters by some accounts, are products assembled for international companies from imported components, not the fruit of brilliant Chinese innovation. Similar to the maquiladora assembly plants on the Mexican side of the U.S.-Mexico border, such factories provide jobs but don't do much for the economic well-being of the average citizen.

And the fast economic growth of the past (eight percent plus, year after year) that has so impressed many American analysts is bound to run into a giant obstacle for which there is no solution in sight. Nicholas Eberstadt, a Harvard demographer, has long warned that China is facing a surge of citizens aged over 60 for which the Communist-run system is not prepared. By 2050, according to estimates by the Washington-based Center for Strategic and International Studies (CSIS), China will have more than 438 million people over 60 and 100 million over 80.

It is an unusual phenomenon, a country growing old before it grows rich, and it has consequences that go beyond retirement policy. China's rapid ageing, a consequence of the government's one-child policy, "threatens to impose a rising burden on the young, slow economic and living standard growth and become a socially destabilizing force," said a CSIS report last year.

Without a solution to that problem, "it is difficult to envision a prosperous, long-term future for China."

So, here's a word of advice for Americans fretting about their country's standing in relation to China: Relax!