

# China is doing very nicely for the moment, thank you

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The tailored gents marching in perfect step toward the podium have reason enough to smile. Led by Premier Wen Jiabo and Supremo Hu Jintao, China's gang of nine are entitled to feel pretty satisfied with their nation's recent economic performance.

Wen's remarks to the annual National People's Congress were chosen with care to balance the good news with a warning against national complacency. His talk of destabilizing problems on the horizon, though, could not disguise the self-congratulatory stuff. China is doing very nicely, thank you.

China's extraordinary statistics tell a decidedly different story from the doom and gloom in Japan and the West. While the G-8 nations fear a double dip recession and voice concerns over happens next once all the massive state funding is removed, China sails regally on.

China's critics may well be correct to caution over the massaging of some of the numbers, but the general picture is surely hard to refute. An 8.7% GDP growth and a juicy \$364 billion current account surplus isn't too bad when compared with the United States' meager 0.1% GDP record and its \$465 billion deficit. Japan, incidentally, comes in somewhere between the U.S. and the PRC with a respectable current account balance but remains in negative territory over the latest GDP results.

Wen may talk of a property explosion and banking hiccups but he does not have to fear the problems facing the southern portions of Euroland or worry about how the central bank is going to raise funding to service existing debt.

Clearly, China is transforming itself at high speed into an economy with a formidable industrial presence coupled with a much improved infrastructure and an advancing rural sector. Wen and the Communist Party expect to continue with their balancing act of encouraging market reforms, while utilizing "the socialist system's advantages" over decision-making and the directing of resources.

The contrast between the boom in China and the disappointingly slow recuperation of much of the developed world is apparent for all but the most jaundiced to see. The wider question obviously is whether China's "progress" can be maintained

over the next generation and how the rest of the players in the international system will respond to the rise of China to a far greater prominence on the global scene.

One possible and highly confident answer to the China puzzle is contained in the recent best-seller, "When China Rules the World," by British author Martin Jacques. He states emphatically that Japan and its neighbors throughout the vast Asia-Pacific region have simply little choice but to accept that the future is to be China's. Drawing on its centuries of importance and self-belief in the virtues of Chinese civilization, Jacques reckons that it's game over for the West and Japan.

Jacques in his controversial analysis insists that we are fated to live in a "Chinese-centric order" where Beijing will run the roost in its own national interest. Deploying the title of "When China Rules the World," Jacques and his publishers make a series of assertions that are contingent above all else on the continuation of high economic growth. Should Beijing be able to conjure up another generation of statistics on par with those announced on March 5 by Wen at the tame National People's Congress, it is going to be harder and harder to dismiss Jacques' estimates as just another rush for the gravy train.

Prompted by China's modernization, the entire Asia-Pacific—from the Russian Maritimes to the borders of India and the shores of Australia—now has to calculate how best to respond to the Chinese juggernaut. The higher the PRC's growth rates, the greater the likelihood that the economic embrace will deepen. China's current dynamism must inevitably lead to new thinking and at least the possibility of a changing of the guard. Another decade of near double-digit Chinese growth would surely have major consequences. Under such circumstances the United States' leadership of the region could no longer be assumed to be automatic.