



XINHUA/REX SHUTTERSTOCK

VAFEIADAKIS/REX SHUTTERSTOCK

IS THE CHINA CRISIS ALL THAT IT SEEMS?

By Neil Robinson, director of global communications, ABP

Global investors who have been tracking the Chinese economic miracle will have observed the astounding rate of growth that nation has enjoyed over the past 30 years. Many have looked on in amazement, and some in admiration, at how China has gone from a semi-rural economy to a world powerhouse poised to overtake the US. They witnessed rusty bicycles in Beijing supplanted by shiny new cars – and some 20,000 more vehicles squeeze on to that city’s roads each week.

Now, many are questioning whether the current problems with stock market falls and debt issues are an indicator that the party is over and it is best to look elsewhere to invest. But western investors have always had a problem with China. They have never fully understood it or even allowed themselves to believe that the growth was real and that the economic development would continue.

It is all about confidence, of course. Everyone follows everyone else in the assumption that the other guy must know better and there is safety in numbers and so, when one gets jittery, all start to jump. They pretend it is about hard-headed assessments that guide decision-making when it is really just about feelings and gut instinct.

In hindsight, no one truly believed that when Black Wednesday saw sterling in conflict with the euro that it was heralding infinite disaster, and indeed markets recovered quickly. More recently, even though it has taken a long haul to pull out from the global financial crisis of 2008-2009, most commentators seem assured that economic recovery, although fragile, is well under way. Confidence, though shaken, is back. Indeed, if recent reports in the UK national media are to be believed, London has more millionaires than ever and the UK economy is the strongest in Europe.

So take a step back and consider what may actually be happening with China. Perhaps its current troubles should be considered in a different context. We view the rise and fall, and at times failure, of western stock markets in the last 100 years or so as part and parcel of the way things always seem to be. The fact that China is also experiencing such issues could be read as an indicator that, after 30 years, this economy is now maturing and is having a bumpy ride of the sort the West has come to accept.

But it is more than that. China is undergoing an economic transformation, with the government encouraging businesses to go global, with private enterprise forming potent partnerships with state-owned companies and policy-makers vowing to root out corruption.

Instead of recession, consider for a moment that what we are seeing is economic regeneration, akin to a snake shedding its skin and emerging bigger and stronger, but with the same characteristics that brought success still in place – low-cost production, the harnessing of natural resources, and an international outlook to do business. Indeed, the same characteristics that powered Victorian Britain and the US in the 20th century.

The disruption the current changes are bringing to China could well present new opportunities for the astute investor who can see new markets opening up in second- and third-tier cities and a fresher approach to business. This may be just the right time to invest, but of course that may just be a personal feeling.

don’t think people fully understand just how much of the growth we have seen globally over the past five to seven years has been down to the tech sector rather than financial services and business.”

Protection plans

As for other opportunity areas in fluctuating markets, it is all about catching the growth. And Colliers’ Divall singles out Europe as the best market to be looking into at the moment. While the US could be nearing a peak in the current cycle (see p24), Asia looks set for more instability and Australia is preparing for a drop in growth, Divall says Europe is just at the right stage – as long as investors pick their markets carefully. It is definitely the most attractive option in