

STAND BY! HERE COMES THE FAST TRAIN FROM CHINA!

The United States of America is facing a major challenge because the pace of globalisation is occurring at such a fast rate that the Administration of President George W. Bush has found itself unable to cope with the loss of industrial jobs at home.

Because the pace of advances in the US service industry has been slow, relative to the loss of jobs in the industrial sector of the US economy, there is a tendency for US labour to become morose and, in some cases, outright militant.

India and the People's Republic of China (PRC) have, over the past 2 decades or so, become the world's leading provider of Information Technology (IT) and telecommunications services and light industrial production centres, respectively.

Put another way, India is now the premier service provider to the world and the PRC is the world's largest tailor shop and electrical appliance and consumer electronics producer.

For industrialists of the US, these 2 countries are like magnets to them because, by riding on the backs of these 2 emerging powerhouses, US industry is able to increase profit margins, speed up production, make rapid changes/modifications to products in accordance with market demands, and release huge amounts of locked-up capital by outsourcing rather than paying for labour in the US, where rates are 10 times or more higher than in the East.

In the next 2 decades, it is a guarantee that India and the PRC will grow in importance to the industrialised West: The buses have left their depots and there is no return road for them.

The US, formerly a champion of free trade, has found itself, having bitten its own tail ... and the blood is oozing out of the industrial sector of the country.

It would be fair to state that the champion of free trade has started to lose faith in the benefits of trade and has turned its attentions elsewhere, specifically, innovative services, such as miniaturised computerisation, computer software production, medical technology, aviation technology, etc, and any other pursuits that involve the introduction of new concepts rather than the requirement for high labour content in the production of goods and services.

Outsourcing to the PRC and India has changed the industrial face of the US and the world; and, it will continue to cause changes in the next few decades, too.

It is estimated that, between 1985 and today, the PRC, India and Eastern Europe have added about 2 billion workers to the international workforce.

The US cannot compete with the tens of millions of workers from Asia and Eastern Europe, taking their places on the assembly lines of the world.

And so, American industrialists have had little choice in the matter: Either jump on the bus; or, be run over by it as it rushes down the industrial road.

The PRC, Gobbling Up Chunks Of The US

The future for the PRC will, over the next 20 years, be rooted in its ability to produce goods, such as garments, textiles, light industrial products, etc, at very competitive prices, pushing traditional competition in the US and Western Europe out of their once, cosy little cocoons, probably forever.

Foreign investment capital will continue to fuel this drive in the manufacturing sector of the PRC, with the blessings of Beijing.

This will be a 2-pronged exercise, actually, because, on the one hand, foreign investment will lead to reducing costs to consumers of the West by Sino-Foreign entities of the PRC, exporting their finished goods from the Middle Kingdom to home bases and, on the other hand, the PRC will have to accommodate the requirements of its new foreign partners, modifying national laws where necessary and improving infrastructural requirements on a continuous basis.

The profits, derived from the Sino-Foreign entities, will easily pay for the pace of infrastructural changes in the PRC, which Beijing will welcome because the country will be forced to mature without suffering growing pains as the country goes from strength to strength.

More engineering graduates will be required in the PRC to feed and service new industries that will sprout up like shoots in the spring around the country.

Investment in education will come to be more and more important in order that there be less and less dependence on foreign institutions of higher learning, teaching the youth of the country.

According to official sources in the PRC, the country, today, is producing about 300,000 new engineering graduates per year.

That figure compares with, for instance, Germany, where only some 40,000 new graduates are produced, annually.

(Germany is the largest exporter of the world, today)

Whereas, the US and Europe may, in the past, have championed telecommunications technology, today, the PRC is the world's largest manufacturer of television sets, refrigerators, washing machines, and air-conditioning equipment, just to name 4 household appliances.

And the list continues to grow.

It is well on the cards that PRC companies will become more and more aggressive, taking over entire companies, formerly thought to be only reserved for Americans and Europeans.

If Rolls-Royce and Bentley can be taken over by German corporate entities, there is nothing to stop PRC-based companies, taking over under-producing, corporate entities, such as Ford Motor Company, Dell Computer, etc.

The principal goal of PRC companies, today, is cost leadership.

That is today; tomorrow, it may well be quality leadership.

In the past few years, the growth in the motor-vehicle industry of the PRC has shocked many a Western industrialist to his very boots.

The PRC, today, is ranked in fourth place as a producer of motor vehicles, with the US in the Number One Slot, followed by Japan and Germany, in the Number Two and Number Three Slots, respectively.

Rising incomes in the PRC has meant that homegrown, motor-vehicle industries are hard-pressed to keep up with domestic demand.

In January 2004, there were 5 motor cars per 1,000 inhabitants of the PRC.

Things will, definitely, change in the PRC over the next decade and there is every possibility that the country will be the Number One, motor-vehicle manufacturer in the world, knocking Detroit for a loop.

However, it is likely to take some time before Chinese-manufactured, motor-vehicles will receive the same acceptance, internationally, as Mercedes Benz, Porsche, BMW, Bentley, Toyota, Honda, Nissan, etc – if ever.

Discriminating consumers of motor vehicles do not look at price, first, because there are many other determinate factors before cash is placed on the countertop in order to take delivery of a new motor car: Perceived excellence of engineering; safety features; reliability; styling; inbuilt accessories, rejection factors, repair facilities, etc, just to name a few of consumers' considerations.

Even with, say, General Motor Corporation, partnering a PRC, motor-vehicle producer, it will be an uphill battle to loosen the purse strings of international purchasers as soon as the '*Made in China*' badge is displayed as the marque of a new vehicle at a motor show in Earls Court Exhibition Centre in London.

One notable weakness that has been made evident in the PRC, however, has been that the fast pace of industrialisation in the country has been at the expense of the neglect in agriculture.

The construction of new factories has displaced the traditional farmland to an extent, especially in the south of the country.

It was only in the 1970s, that is just 30 years ago, that the south of the PRC was hungry, with insufficient food, being made available to feed the 200 million-plus human inhabitants.

About 40 percent of the estimated 1.30 billion people of the PRC are still engaged in agricultural pursuits – that is about 520 million people – but the small-scale production of staples is inefficient and quite insufficient to meet demands in certain regions.

Also, because industry takes the lion's share of scarce resources, water shortages are occurring in certain areas of the country.

Malnutrition prevails in parts of PRC although Beijing is loath to admit to this situation that has affected about 100 million people in rural areas.

It is never a good idea to permit about 8 percent of the population of a country to go hungry: It leads to unrest and discontent – which is never good for business.

As a result of the furious pace of industrialisation, the PRC has become a net importer of foodstuffs and agricultural products.

Faced with this situation, Beijing, no doubt, will increase efforts to increase food production, nationwide.

Again, Sino-Foreign entities will come in, in a similar fashion to Wal-Mart Stores Incorporated, which, recently entered the PRC market in the Capital City of Beijing, opening up one of its mega stores.

International grocery groups are likely to seize the opportunity to enter the PRC marketplace and to introduce their expertise in order to increase their own efficiencies and, at the same time, add to the PRC's requirements for more and a better quality of food.

There will be many other changes to take place in the PRC in the next 2 decades, without question, and the Western World is noting that this giant of Asia is swallowing up more and more of what was once considered the Holy Grail, the preserve for the West.

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