

SHOULD THE UNITED STATES BE AFRAID OF THE FAST-FLYING ECONOMIC DRAGON OF CHINA ?

For the first time in the 235-year history of The United States of America, there is reason for the world's only superpower to be somewhat afraid of the economic and military growth of another country.

That country is the People's Republic of China (PRC).

At one time, The **U**nion of **S**oviet **S**ocialists **R**epublics (**USSR**) was viewed as a major threat to the United States, but with the breakup of that Communist Regime, the threat subsided and, today, The Russian Federation, which was formed from part of the former USSR, is hardly a great concern of the United States as was the former USSR.

The PRC Government, however, is a far greater threat to the United States than the USSR ever was, even in its heyday.

This is due to the fact that the PRC is not just a potential military threat, as some members of the US Congress and a number of US generals make claim, but, also, and much more importantly, it is a potential economic threat to the international dominance of the United States, a dominance that that country has held for the past 60 years or so.

Figures can prove anything, of course, and, using open-market, currency exchange rates, with the US dollar's international translation value, vis-à-vis other '*hard*' currencies, as the world's dominant medium of exchange, being the '*yardstick*', one could make the claim that it will take another 2 decades, at least, before the PRC could catch up with the United States, causing it to be a viable economic danger to the pre-eminent position, currently held by the economy of The Land of The Free and The Home of The Brave.

The **I**nternational **M**onetary **F**und (**IMF**) has gone on record, stating that the **G**ross **D**omestic **P**roduct (**GDP**) of the United States in 2010 was about \$US14.70 trillion.

That figure compares with the GDP of the PRC in the same, 12-month period of about \$US5.80 trillion.

Looking only at these 2 figures, one might, mistakenly, come to the conclusion that the economy of the United States was, in 2010, about 2.53 times larger than that of the PRC.

Relying on the GDPs of these 2 large economies in order to weigh them, objectively and impartially, on an international scale, on noting the huge chasms between them, and, then, suggesting that this is the Gospel, according to President Barack Hussein Obama, this could well lead one to make conclusions which, when analysed, forensically, would amount to some very serious misconceptions.

The GDP of an economy, as this medium has stated on quite a number of occasions, is, simply put, the translation value of a country's income into another medium of exchange – usually the US dollar for just about all of the economies of today – minus foreign investments; the total value of all goods and services, produced within a country within a 12-month period, minus any and all net income, derived from investments in other countries.

The translation value of the PRC's goods and services into US dollars is fixed in time at the foreign-exchange market's then exchange rate. The exchange rate is not averaged out over a 12-month period, however: It is fixed at the time of the requirement of the foreign-exchange, translation value calculation.

This manner of evaluating an economy's GDP could well be misleading and one need not even spend time in explaining how faulty is this methodology since it is only too obvious.

In terms of the absolute cost of living in the PRC, the average Chinese is much better-off than his US counterpart.

It is true that the average worker in the United States earns a great deal more money, in US dollar terms, than the average PRC worker in renminbi terms.

Against this, the average worker of the United States has to pay a great deal more for his goods and services, especially those manufactured or produced by other means domestically.

Medicines and medical care in the United States are very expensive, relative to most other countries of the world whereas, in the PRC, they are relatively inexpensive to all for the most part, although it is not completely free while, at the same time, the PRC Government monitors prices of many medicines so as to make them available to all at what, in the Government's opinion, are *'fair'* prices.

Labour is more in abundance in the PRC than in the United States – the PRC's labour force is about 780 million workers; the United States's workforce is about 155 million workers – so that supply-demand factors permit a solid advantage to the managements of PRC corporate entities over the managements of the United States's counterparts.

Construction companies in the PRC are able to perform much better than similar entities in the United States in terms of project completions because of the cost of living and the fact that management has a seemingly bottomless labour pool.

Such matters as these and many others, usually, are not factored into most determinations in respect of ascribing a value in the calculations of a country's GDP.

Also, one might like to consider the value of goods and services that are not exported from the PRC and, as such, do not appear on any economic radar screens although, obviously, they do have a value.

It would be difficult, if not impossible, to compute, with any high degree of accuracy, the *'true'* market value of the economy of the PRC and measure and weigh it against that of the United States, but it must be only too obvious that, today, the economy of the United States is not just 2.53 times bigger than that of the PRC.

It is, likewise, true that the economy of the PRC has many faults and that, as the years fly by, rules and regulations will completely change the complexion of the economy of the most-populous country of the world.

Even today, the Government of the United States wants the renminbi to be revalued in order that businesses in the United States will be able to compete *'more fairly'*; the United States makes the claim that the PRC Government is purposely keeping the translation value of the renminbi, vis-à-vis the US dollar, low so that the disparity favours PRC suppliers who export their goods and services to the PRC's second-largest customer.

It has been claimed by US economists that the renminbi is at least 40 percent undervalued in terms of the US dollar.

Whether or not such a figure as 40 percent is accurate is of academic interest because the Government of the

PRC is not going to adjust the translation value of the renminbi vis-à-vis the US dollar in order to please one of its largest single customers.

It is noted that the US Government's continuous pressure on the PRC Government to revalue its currency has fallen on deaf ears.

The days when the US Government could bully the PRC are relegated to history.

From the US Government's point of view, economic and military might – '*dominance*', if one prefers a less emotive word – is the name of the game.

The US economy is quite unlikely to be able to catch up with the pace of growth of the economy of the PRC and, with the passing of each year, this will become even more evident.

The growth rate of the PRC in terms of its GDP is unlikely to wane appreciably in the coming decade and, without question, it shall wax – much, no doubt, the consternation of the Government of the United States.

At the current rate of growth of the PRC's GDP, it will take only a decade or so before the economy of the PRC is larger than that of the United States, that is in '*real*' terms, taking all of the above points into consideration.

The PRC is, already, the largest exporter in the world, replacing Germany by a wide margin, and it is, already, the second-largest economy of the world, taking over from Japan, which held that positions for a number of decades.

The PRC is, also, the largest net creditor of the United States.

So, who holds the cane?

When the Government of the United States comes to this realisation, fully, it will become very evident, even to the most-crass members of the Administration of President Barack Hussein Obama, that strong influence over the Government of the PRC has come to screeching halt.

With the dominance of the United States Government over the Government of the PRC, having been seriously impaired, the time will be ripe for the worm to turn, with the PRC Government, making more and more demands of the Government of the United States.

The PRC Government will have the ability, if it so chooses, to undermine certain aspects of the economy of the United States or, alternatively, to exercise its financial muscle, allowing it to promote those aspects – if it is in the interests of the Government of the Middle Kingdom so to do, of course.

It would behoove the Government of the United States, today, therefore, to consider a closer and more-trusting friendship with the Government of the PRC in the spirit of cementing a mutually beneficial partnership in a number of spheres because, ultimately, the Government of the United States will have no alternative but to accept the inevitable.

-- **END** --

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.