

Little Time To Waste As China Rises

By Paul Sheehan
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I'D NEVER heard of Bernadette Robinson until she walked into a ballroom at the St. Regis Hotel in Beijing last Tuesday week and turned a dinner into a diplomatic incident.

Qantas was hosting a ballroom full of Chinese guests at a banquet to celebrate the start of its new service between Beijing and Sydney. The speeches by the local officials were less than lively. Australia's Minister for Transport, Warren Truss, was, well, Warren Truss.

Then Robinson walked into the room and began to sing. *Wow. This woman was liquid silver.*

It is difficult to describe her. Torch singer - cabaret artist - muse - Edith Piaf - Whatever it is, Qantas knew what to do. It shipped her up from Melbourne for the occasion. When she launched into Mandarin, with, I was told, perfect intonation, you could see the Chinese officials change. They glowed. What had started as exercise in protocol turned into an Event. Another win for the Flying Kangaroo. Another win for what is now a big player for Australia, the 10th largest airline in the world, measured by market value and passenger-kilometres.

Earlier that day, the newspapers reported that China's economy had grown even faster than previously recorded (10.1 per cent in 2004, not 9.5 per cent), with figures revised upwards for all but one of the previous 10 years. It meant that China's economy is probably now the fourth-largest in the world, after the US, Japan and Germany. It is widely expected China will overtake the US as the world's largest economy in about 20 years.

It says a great deal about the speed of change that Qantas now has more flights to China than any country except its major traditional markets in the US, Japan, New Zealand and its hub in Singapore. Australia-China travel grew more than 20 per cent last year and Qantas intends to double its flights to Shanghai and Beijing in the next two years, flying daily to both cities before the Beijing Olympics in August 2008. (For those interested in the power of numerology in China, the Olympics will begin at 8am on the 8.8.08. Eight is the most propitious number in Chinese culture, signifying prosperity.)

All of which means the Chinese will be coming to Australia, in large numbers. Even though China is much poorer than Australia, with about 400 million

people still living in poverty, 25 million middle-class Chinese can now afford a holiday in Australia.

We live in a world where the era of American pre-eminence as the only superpower is suddenly gone. This era began on November 9, 1989, with the fall of the Berlin wall, and ended on May 2, 2003, when President George Bush landed on board the US aircraft carrier, USS Abraham Lincoln beneath a huge banner saying, "MISSION ACCOMPLISHED". The mission was the invasion of Iraq. That era lasted just over 13 years.

The world has quickly reverted to a multipolar power structure, one far more dangerous than the 45-year Cold War. Greater China now exerts the influence of a superpower through trade and commerce in a globalised economy where borders are not respected as much as money. This week, China announced that its foreign exchange reserves had risen to a mammoth \$US819 billion (\$1097 billion), remarkable for a country whose economic reform era began in 1978, when its foreign exchange reserves were barely more than \$US1 billion.

A glance at the world's largest foreign reserves - Japan, \$US847 billion, China \$US819 billion, Taiwan \$US254 billion, South Korea \$US215 billion, Hong Kong \$US122 billion and Singapore \$US116 billion; no one else comes close - shows that in order to drive their export economies, the component parts of "greater China" have accumulated \$US1.3 trillion (\$1771 billion) in foreign reserves, the equivalent of two Australian economies. The bulk of it is in US dollars. This is real power.

In contrast, an immense amount has been said about America's rising debt burdens, its current account deficit crossing the red-line at 6.4 per cent of gross domestic product, its household savings rate of minus 1.5 per cent, and the cost of assuming a defence burden that is a cumulative, long-term, invisible drain on economic vitality.

In this shift in the global tectonic plates, Australia has been one of the winners. According to the World Federation of Exchanges, the Australian stock market ranks 10th in the world in size and has been one of the world's fastest-growing major markets over the past 10 years, measured by market capitalisation expressed in US dollars. These are the high-flyers:

1. India (unranked in 1996)
2. China (unranked in 1996)
3. South Korea (up 370 per cent)

4. Italy (up 211 per cent)

5. Canada (up 204 per cent)

6. Australia (up 158 per cent)

Australia makes this list thanks to more than a decade of unbroken economic growth, a resources boom led by exports to China, a flush of privatisations, a superannuation savings boom, and macro-economic reform. In 10 years, the Australian stock market has grown from \$US312 billion to \$US804 billion.

Now, not just Chinese trade is coming, but the Chinese themselves. More than a million visitors a year are expected within eight years. "By the end of 2005 China was forecast to be our fifth-largest tourist market by inbound economic value," Scott Morrison, the managing director of Tourism Australia, told me.

"By 2008, China will become our second largest market. By 2013, it is forecast to become our largest market. It will have the most dominant impact on Australian tourism over the next decade. It is also likely to have a significant positive impact on the cultural relationship between the two countries."

The economic potential is significant. Since 1999, when Beijing gave Australia a break on its competitors by making this market an approved destination status, Australia has increased its share of China's travel market and consistently ranked at or near the top of the desired destinations among Chinese.

So there should be plenty of lucky number 8 to go around unless we blow it, and in some ways we already have. Mineral exports are hitting supply bottlenecks. There's been price gouging. Canberra has been too intimate with the American imperium. And too many Chinese visitors have been disappointed.

A recent report on the China tourism market commissioned by the Department of Industry, Tourism and Resources warns: "Australia has the most positive perception among potential visitors. Unfortunately this is not reflected [after] visiting the country. In terms of overall satisfaction, Australia scored second-lowest in its competitive set [the US, Canada, France, the UK, Italy, Japan, South Korea, Singapore, Malaysia and Thailand]."

Only Korea fared worse in the satisfaction survey.

The report highlighted three problems: "unethical and undesirable practices" among some tour operators; poor processing of arrivals - "already

there are major bottlenecks during peak arrival periods"; inadequate language skills - "there is little attention to foreign language skills in the industry".

Complacency, therefore, could be a billion-dollar mistake. Tourism has a large role in our future. "Tourism accounts for approximately 555,000 jobs in Australia," said Scott Morrison. "Inbound tourism contributed just over \$17 billion to the Australian economy last year, when we had about 5.5 million visitors."

China's fortunes have become entwined with Australia's, and those of the US, in other ways. Despite its dubious support for Iran and Pakistan in the past and its poor but improving human rights record, China has become an ally against Islamic fundamentalism, which has emerged as a third great force in global affairs. Militant Islam has successfully imposed its agenda on the global consciousness through the potent weapons of murder, and oil - the weak underbelly of the global economy.

It is now just 27 years since President Deng Xiaoping unlocked the vast entrepreneurial energy of the Chinese by gradually opening up of the economy. Since then, China has reached, in a single generation, the international gravitas it was never able to achieve through xenophobic Marxism.

It all seems so long ago that a great deal of stress was engendered by the approach of July 1, 1997, the date when Hong Kong passed back to Chinese sovereignty.

Today, anyone flying to Hong Kong arrives at Britain's farewell gift to its colony, one of the great airports in the world, with its fast trains moving seamlessly from the terminal to Central, which sits beneath a luxury mall, a spectacular new Four Seasons Hotel, and one of the tallest buildings in the world, the IFC tower. There is nothing like this arrival process in Australia.

But China has made a devil's pact in order to quickly transform the living standards of the people. The developed world has not only shifted much of its manufacturing to China, but much of its pollution. The skyline of Hong Kong has thickened with the towers of commerce, but friends in Hong Kong told me last week they had never seen the grey haze over the city so thick, drifting in from the factories on the mainland.

Power always comes at a price.