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By Yong Chen

The recent earthquake in Sichuan Province that devastated Wenchuan and the surrounding areas has generated much sympathy from people all over the world. They are also concerned about the broader impact on China, especially its economy and the upcoming Olympic games. Recently, I was recently interviewed by Correio Braziliense, the most important and influential in Brasilia. The interview questions exemplify such concerns and the global attention to China’s future development.

Q: Your nation is recovering from a big earthquake and is still under polemics about Tibet protests. What kind of economical impact will the earthquake have on the Olympic Games? Does there exist the risk of China not be able to be ready to host Olympic Games this year? Why?

A: China will be ready for the Olympics. There is no question about it. The earthquake is undoubtedly devastating, especially for the local residents and enterprises in the damaged areas. And economically, it will have some impact on the national economy. According to Chinese official figures, about 14,207 enterprises were affected, and the direct economic loss would be around 67 billion Chinese dollars. The indirect cost will be much, much higher. Experts estimate that China’s GDP growth rate will be reduced by .5%. Overall, however, the Chinese economy remains strong.

There are weakening sectors, such as the financial and real estate industries, which had shown signs of weakness even before the earthquake; but I have seen an indication that the growth trend will be reversed or even significantly slowed down. Moreover, investors have not lost confidence in China, which is evidenced by the continued growth of China’s enormous foreign currency reserves in the aftermath of the earthquake (such growth does not result from a corresponding growth of exports, as is shown by China’s trade figure in the first quarter of 2008).

As devastating and disastrous as the earthquake has been, it has also increased the sense of solidarity among the Chinese, socially and politically. As a nation, the Chinese are more determined than before to be successful in conducting the 2008 Olympic Games.

Furthermore, the earthquake gives the Chinese, including the government, more experience in dealing with unexpected events. Finally, it also eased the recent tension between China and some Western media organizations. I have do doubt that cities and villages in the earthquake will rise again from the ruins of the earthquake. As a nation, China is ready the Olympic games.

Q: How much money is China government investing in the event?

A: They spent a lot of money for sure. I do not think anyone could put a precise figure on such investments. I cannot, for sure. This is in part because of the money spent was directly related to the event; others are more indirect, including the cost of improving the roads, relocating some of the major polluting factories. The important thing is that China can afford to spend the money – as much as it requires to have a successful 2008 Olympic Games; and it also has the organizational capacities to do it at this moment.

China had tried to bid to host the 2000 Olympic games but failed. That failure may have been a failure in disguise because I think the country is in a much better position to do it now than 2000.

Q: What kind of economical impact do you believe Olympic Games will have for China? How much money and investments opportunities would it be possible to create with this event? Why?

A: In the short term, I do not think the event will generate much revenue in any significant way. Its success will have to be measured in other areas, such as global image, internal improvement in
numerous ways — including people’s behavior patterns, the environment, social organization—and China’s connectivity to the rest of the world. For the Chinese, these are far more important than economic measures. If China can succeed in those non-economic areas, investors will see the country as a desirable place to invest. They will do so.

The Olympic Games will be a watershed event in Chinese history. In the past 20 years (some people say 30 years), China’s phenomenal economic growth has transformed the country, and the world. In the past few years, some of that growth is geared toward, or perceived as connected to, the Olympic Games. So the entire world is watching the Olympic Games very closely. A successful Olympic Games event would boost the confidence of the Chinese and the rest of the world in China’s future. I do not think the Olympic Games will immediately and directly bring a lot of investments. People have been investing in China heavily in the past 20 years, and they do not need to “discover” China as a place for investment opportunities. They want to see if China can remain such a place in time to come.

Just as we should not underestimate the importance of the Olympic Games, we must not overestimate its economic impact. Many people in Latin America remember the 1968 Mexican Olympic Games and the fact economic growth of the Mexican economy in the post-World War II years. I do not think the economic difficulties that Mexico experienced after 1968 can be attributed to the Olympic Games. By the same token, we cannot simply attribute the economic success of post-war Japan to the 1964 Tokyo summer Olympic Games.

In short, the hosting of Olympic games is not the only thing going on in China; its importance should be appreciated in the context of what is happening in the country as a whole. In other words, instead of focusing solely on the event, especially its immediate economic impact, we should use it as a window through which to understand China and appreciate what is taking shape there in the economy and in people’s everyday life. The Chinese world will not come to halt after August 2008, nor will the Chinese economy.