

The Re-Emergence of China and Implications for New Zealand

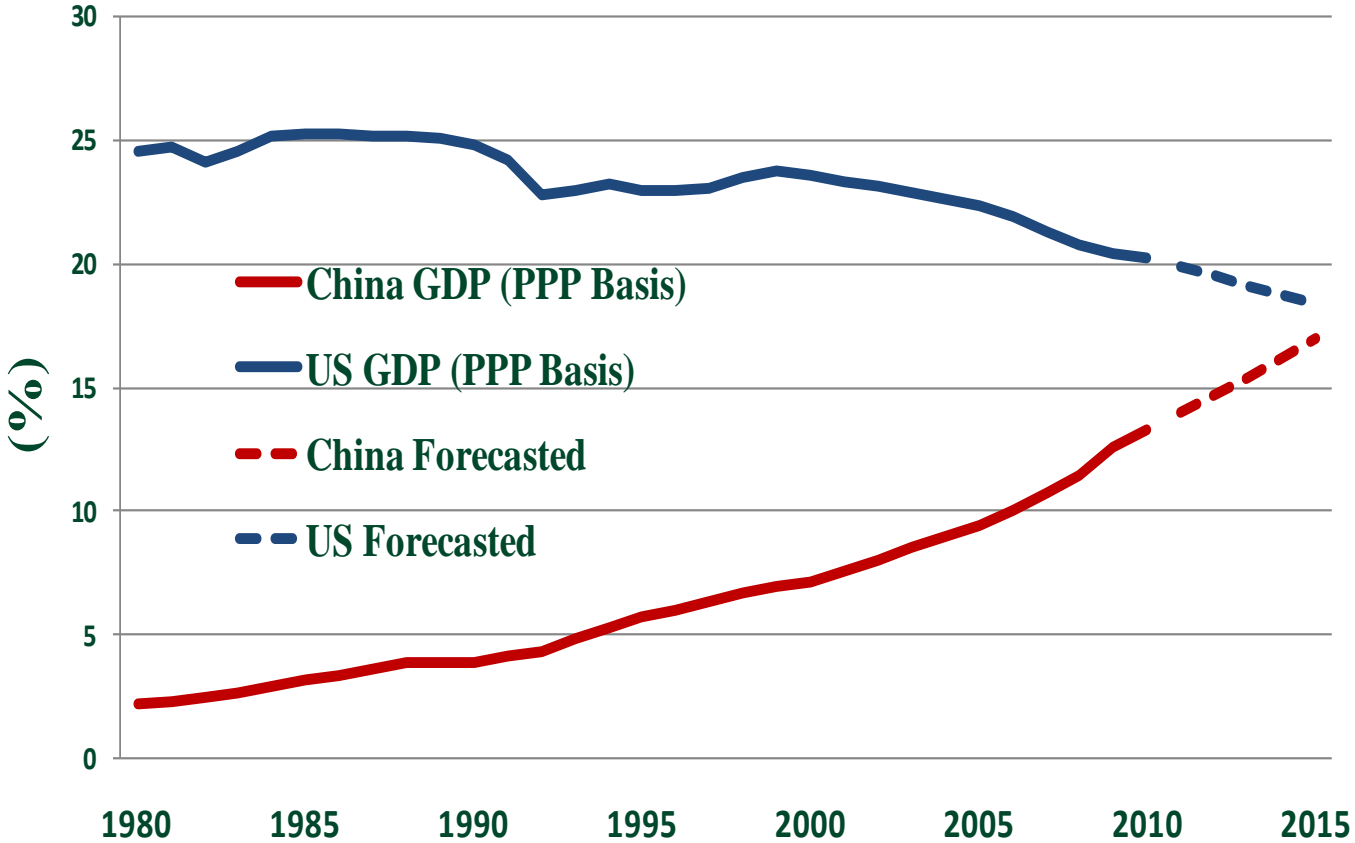


Professor Bob Buckle,
Pro Vice-Chancellor and Dean of Commerce.
Victoria University of Wellington Careers Advisers' Update,
Auckland, August 12th 2011

'To Get Rich is Glorious'

- Deng Xiaoping's rallying cry to motivate economic transformation.
- In 1980 China produced 2% of world GDP (with \$250 per capita).
- Today China produces 13% of world GDP (with \$7,500 per capita).

China and USA Shares of World GDP

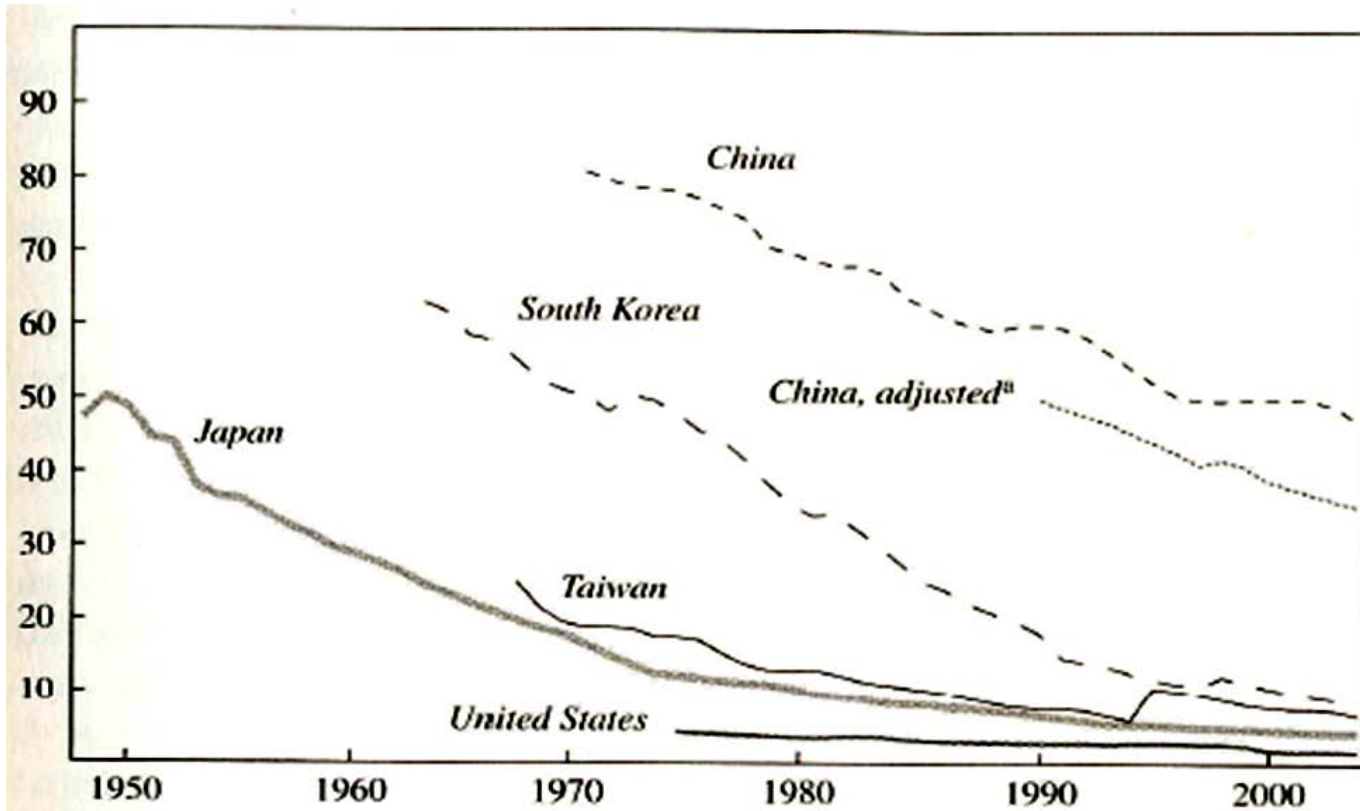


China's 'Great Leap Forward'

- 'The greatest poverty reduction of all time' (Jacques, 2009).
- Massive rural-urban population drift, especially to coastal regions.
- Extraordinary rise in labour productivity growth.

Shares of Agricultural Employment

%



Sources: Countries' national statistical offices.

a. Series is adjusted for possible overcounting of agricultural workers in China, as described in the notes to table 3.

China and its regions



Transformation of coastal cities: Shenzhen 1970 and 2010



How Was This Achieved?

- Deng Xiaoping influenced by success of ‘Asian Tigers’.
- Deregulation, Export Processing Zones, FDI.
- Most Favoured Nation status with USA (1979).
- Reform of SOEs.
- ‘Socialist market economy with Chinese characteristics’.

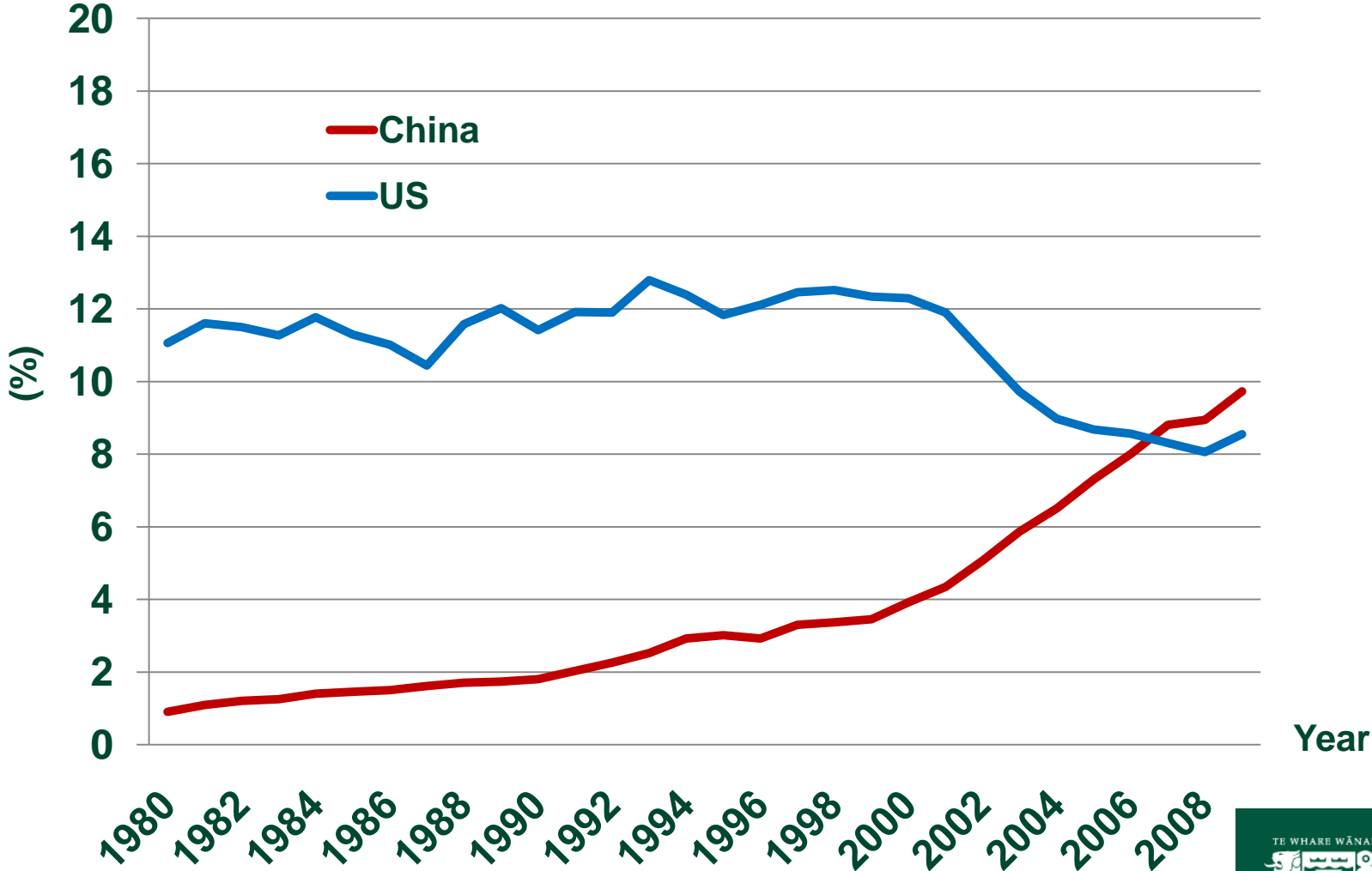
MFN Agreement 1979 with USA



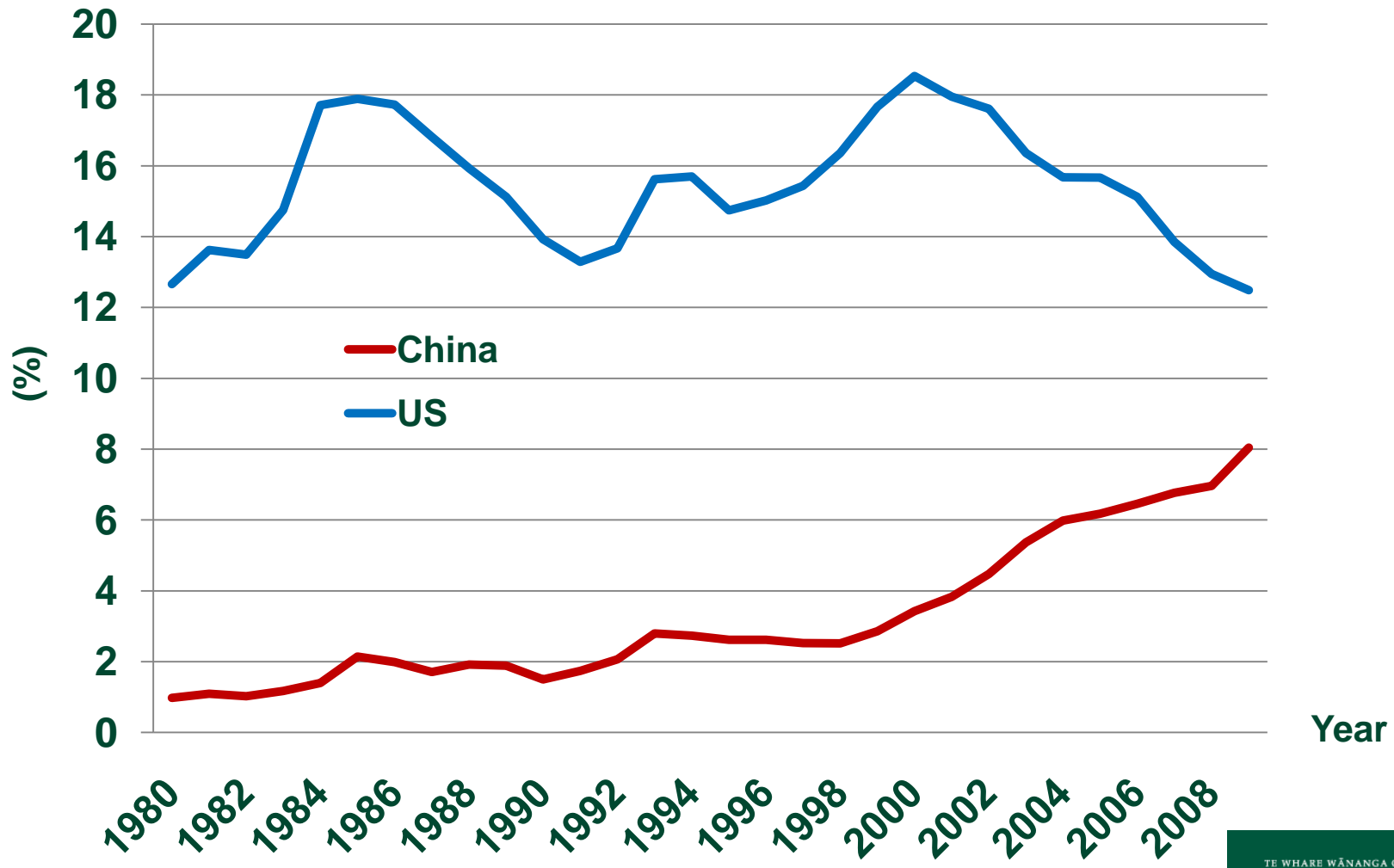
Welcoming the Forces of Globalisation

- Comparative price advantage in labour.
- Tax and tariff concessions in EPZs led to surge in FDI.
- Member of WTO in 2001.
- China's share of world trade has grown rapidly from around 1% in 1980 to about 10% today.

China and U.S. Shares of World Exports



China and U.S. Shares of World Imports

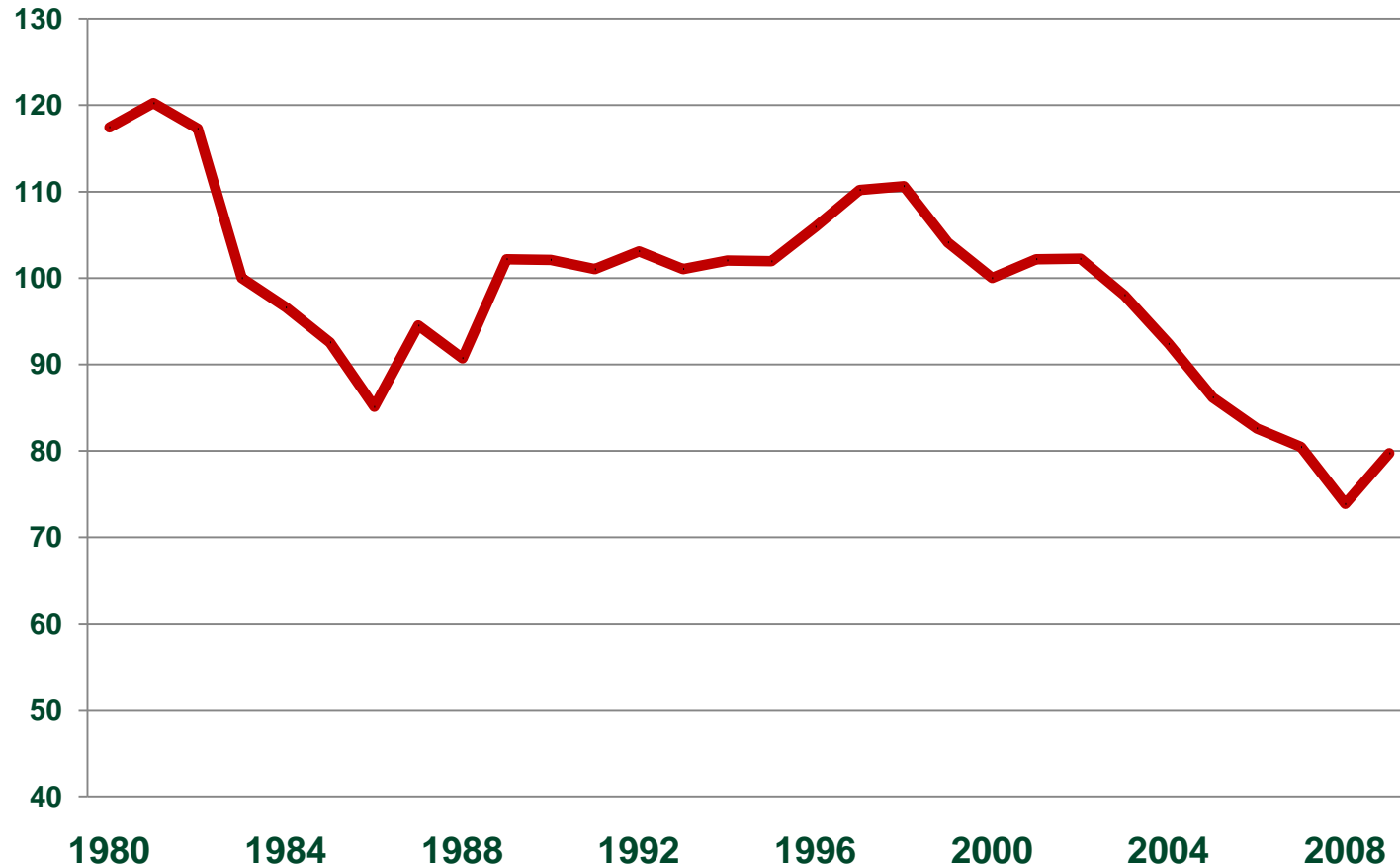


Implications for the Global Economy

- China part of an integrated Asian supply network.
- Developed economies are a source of demand.
- Resource based and primary commodity countries are sources of raw materials, energy, food.
- Wealth transfer to rest of world, supplying lower priced consumer goods and pushing up commodity prices.

China's Terms of Trade

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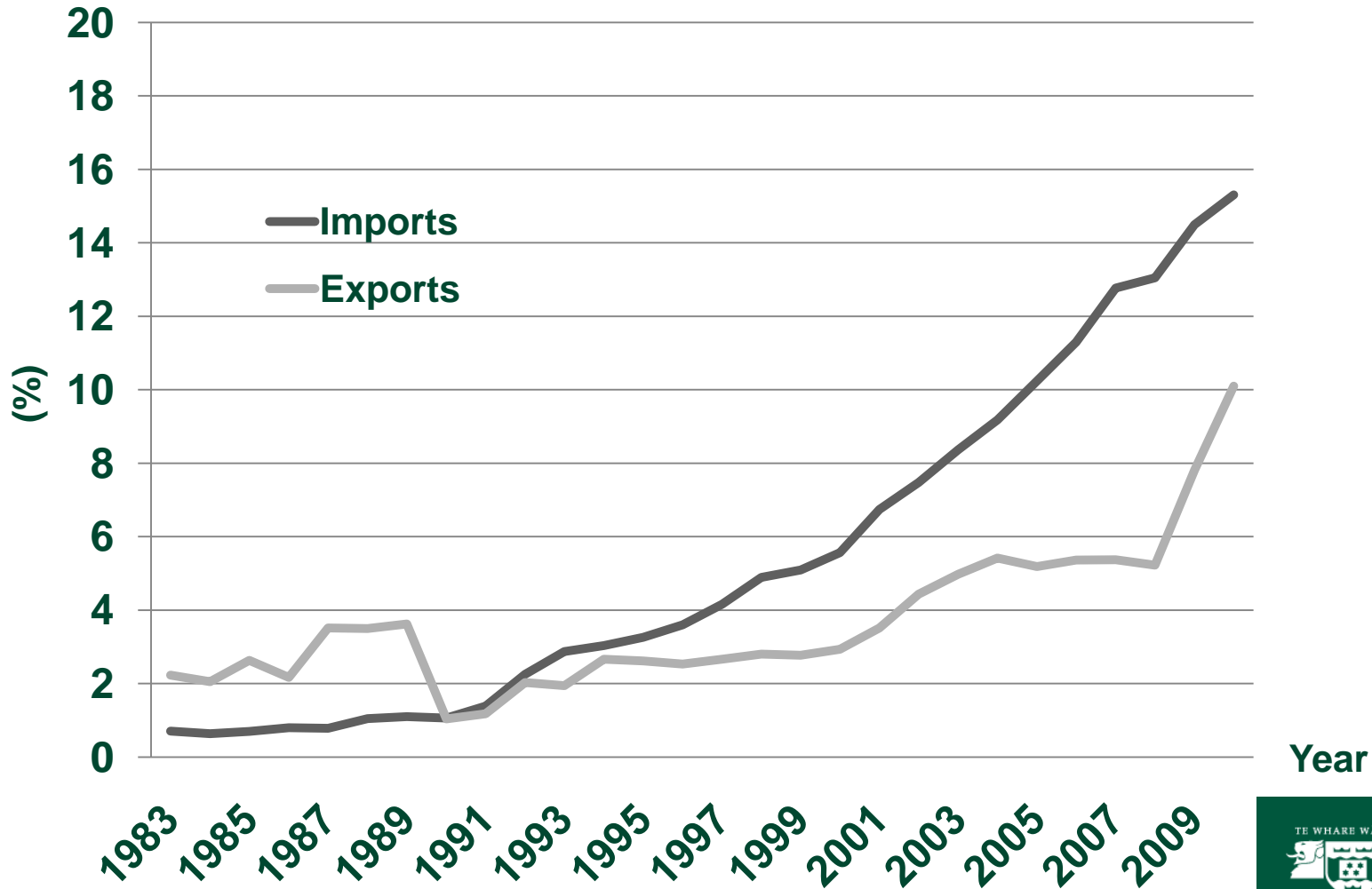
China and the Global Financial Crisis

- China not a significant factor in the 1930s Depression.
- But in lead-up to GFC, high savings in China contributed to credit growth and lower global interest rates.
- China's continued growth helped, so far, to avoid another global Depression.

Implications for New Zealand

- China's share of NZ trade risen dramatically.
- Now NZ's second largest trading partner after Australia.
- China's investment in NZ industries is still relatively insignificant.
- Raised NZ's terms of trade and net national income.
- Is China becoming the new 19th century Great Britain for NZ (and Australia)?

China's Share of NZ's Exports and Imports



Future Implications for New Zealand

- China: NZ free trade agreement, 2008.
- NZ economy will be more sensitive to China and other emerging Asian economies.
- We need to understand the changes taking place.

2009: Implementation of 'Healthy China 2020' reforms



Future Implications for New Zealand

- Emergence of China (and India, Vietnam, Indonesia) bring global economic centre of gravity closer to NZ.
- Example of impact is tourism.
- But NZ businesses struggle to succeed in China.
- Costs of doing business in China is high.

How is Victoria University preparing our students for this future?

- Global perspective.
- VILP: Victoria International Leadership programme.
- Marketing and International Business programmes have an Asia focus.
- New Chair in Business in Asia.
- School of Languages and Cultures (and associated institutes).
- Confucius Institute.
- NZ Contemporary China Research Centre.