

## China Is Not Vulnerable, Part 2

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By GORDON STYLES, Engineer & Managing Director, Star Prototype



[one can be found here.](#) [1]

*This is part two of a two-part piece. [Part](#)*

### Reason #3: The Middle Class

The key assertion here is that, as wages and standards of living rise in China, the country will see its product become more expensive and, as a result, will lose international market share. There is also an assumption that the only reason people buy Chinese product is because it is cheap.

China has seen incomes rise significantly over the last few years — the government has actually driven this. This year alone, minimum wage in Zhongshan jumped around 20 percent to USD \$2,000 per annum. The average annual income in Zhongshan, a modern midsize city, is now USD \$6,500 — making it about 1/6 of the U.S. average.

Even if the Chinese Yuan was 40 percent undervalued, as many claim, that USD \$6,500 would become USD \$10,800 if instantly revalued — making it about 1/4 of the U.S. average. Chinese people are a long way from losing their cost advantage.

Also, the reason that Chinese people earn so little is because they do not expect much in their lives. Most workers do not have cars or houses, because they cannot get loans. Most live very simple lives and are generally happy with life.

Another assumption is that China needs to export in order to have an economy. This

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is grossly inaccurate. Export and imports are both less than 20 percent of the economy. In the first quarter of 2011, China just about broke even on international trade as imports of high-tech equipment soared. It is China's strategy to further develop the fast-growing domestic consumption and to transform China into a high-tech manufacturing nation. I can testify to the fact that Chinese manufacturing is becoming more high-value added — much of this is down to the foreigners that work in China.

A recent 10-year China census was published and, for the first time, it provided the statistic for the number of foreigners residing in China: 600,000. A good half of those are technicians of some kind. That number includes a lot of Americans and Brits that can no longer find a job at home and have come to China to pass on their skills.

My American colleague, Joseph Rice, is a pressure die casting (PDC) expert of 30 years experience. He ended up paving driveways in the U.S. Now, he is QC for our PDC product based in Zhongshan. In the last 12 months, he has taught at least seven guys the latest PDC techniques, and helped three PDC factories dramatically improve quality.

Another surprising fact — that most foreigners are not aware of — is the degree to which China emulates Germany. From its governance; its laws; the adoption of the [German DIN system](#) [2]; technical training schools; road rules; even the way railways and motorways are constructed — not to mention the beer. Germans are everywhere in China, and the Chinese government loves it. China wants to be big Germany with a Chinese face.

### Reason #4: The Information Age

**totalitarian** [təˈtaliːt(ə)rɪən] adjective, of or relating to a system of government that is centralized and dictatorial, and requires complete subservience to the state: *a totalitarian regime*.

My sales colleague Peter Vigil and I have unofficially twinned Zhongshan with San Diego. Both are very laid-back cities with polite and friendly people; great weather; approachable government; great food and entertainment; and plenty of industry to go around. China is one of the most liberal and freedom-loving countries in the world. You will struggle to find more than a handful of the 600,000 foreigners who reside here and use the terminology “totalitarian regime” to describe China.

They would use terminology such as strict, professional, awesome planners, corruption fighters, great leadership, peaceful, private and respectful. Even the Premier Wen Jiabao is widely called Grandpa Wen, yet on a visit to the Oxford Debating Union in 2007, he was heckled and referred to as a dictator.

I have no idea what it must feel like to live in a totalitarian regime, it sounds frightening. I agree that the Jasmine revolutions in the Middle East were a reaction to some extremely nasty dictators, but to call anyone of the standing committee a dictator shows a dramatic ignorance of how Chinese politics operates.

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The Communist Party may have absolute control, but within the party, there are many factions, each with significantly differing views on how the country should be run. But as in Germany, which has a permanent state of coalition, the party must find consensus, and it does. To call that process undemocratic would be to call Germany undemocratic. Democracy does not have to be two large parties screaming at each other, especially when it boils down and the two large parties are essentially the same. The Communist Party is made up of well-educated Chinese people from all walks of life. They must go through the Communist Party School to learn how government, administration and economics work. The majority is degree-qualified, and a disproportionate number are engineers. This leads to a professional approach to government.

Control exists where control is important, but just like the recent ban on smoking — it's not that important when compared to the fractional reserve ratio, so the police are not out in force. Totalitarianism is such an alien word to the 600,000 foreigners that live in China.

*To read part one of this two-part series, [please click here](#). [1] What's your take? Please feel free to leave a comment below or contact Styles at [gordon.styles@star-prototype-china.com](mailto:gordon.styles@star-prototype-china.com) [3]. For more information, please visit [www.star-prototype-china.com](http://www.star-prototype-china.com) [4].*

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[1] <http://chem.info/Community/Blogs/CHEM-Blog/International-News-China-Is-Not-Vulnerable-Part-1/>

[2] <http://www.merriam-webster.com/dictionary/din%20system>

[3] <mailto:gordon.styles@star-prototype-china.com>

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