



White Christmas in Asia

CHU BA TRUNG (MR.)
2008-11-18

The world's climate has certainly changed a lot lately. Maybe one day it will even "Snow on the Sahara", as the song by Franco/Indonesian singer Anggun goes. But the title of this article does not mean that I think it will snow in Asia. The cooling off I alluded to refers rather to the consequences of the current financial crisis that will probably slow down economic growth in Asian countries, including China, by the end of this year.

In China, especially among some toy and gift manufacturers in the South near Guangdong, the situation is grim. They say Christmas orders from Europe and US are down more than a third because families in the West have decided to tighten their spending this Christmas. Western customers have also cancelled many orders made a few months in advance. According to a small toy producer in the Guangdong region, 8% of his Christmas trees orders were cancelled (reported by Xinhua news agency). Wang Zhiguang, vice chairman of the Dongguan Toy Industry Association, told Guangzhou Daily: "Of the some 3,800 toy factories in Dongguan, no more than 2,000 are likely to survive the next couple of years." Some of them are moving... in Vietnam especially.

Not only Chinese toy and gift producers have been affected by the crisis in the current year-end quarter: other export-oriented sectors such as the textile, garment and shoe trades have also suffered from the global crisis. As more and more factories close down, the number of jobless has increased significantly. Because of the global situation, China's GDP's growth is falling to single digits for the first time in 5 years (9.9% or even under 7% revealed by some unofficial sources). If this hypothesis of GDP's growth under 7% comes true, many factories will close their doors and put some of 300 millions of Chinese out of work (most of them are coming from mountainous or poor regions – this is actually the history's greatest migration!). China will be in a great chaos!

But for Chinese analyst K.F.Chou, President and CEO of Hong Kong-based Novel Holdings, the slow down is not necessarily a bad thing. It may be an opportunity for the Chinese economy to move away from export sectors that are being impacted by the global financial crisis and focus instead on domestic consumption.

Finally, the Chinese Community Party wants also to play a role of a "superman" by announcing its rescue plan of US\$586 Billion to stimulate not only domestic but worldwide economy. But in my opinion, I think everybody will turn to the United States to see what Obama can do to put the U.S. economy back on track. However, if the crisis persists, Mr Chou will certainly become less optimistic.
