

***Wu Forum Explores Implications of China's Economic Awakening***  
**Sir Gordon Wu Distinguished Speaker Forum**

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*The Sir Gordon Wu Distinguished Speaker Forum brings recognized business leaders and policy makers to New York to share their perspectives on China and its prospects in the 21st century. More than 300 students, faculty members and alumni attended the forum's inaugural lecture at the University Club on September 28. In introductory remarks, Dean Glenn Hubbard highlighted Columbia Business School's recognition of China as a vital region on the world stage. Sir Gordon Wu, founder of Hopewell Holdings, a construction and infrastructure development company with projects throughout China and Southeast Asia, then presented his views on investment opportunities in China and what China's rise means for the world.*

Turn to the business section of any newspaper or Internet news site and you will come across a story referencing the impact of China's recent growth on the world economy. Sir Gordon Wu has spent more than two decades growing his business in Hong Kong and China, where his ideas have resulted in local and regional public works initiatives ranging from highways and railroads to hotels and power generation stations. Having witnessed firsthand the transformation of a nation that long ago cloistered itself only to open again in the late 20<sup>th</sup> century, Wu offered insights into China's history, how it arrived at its current juncture and where it is headed.

### **China's Rise**

The pre-1979 era in China was characterized by isolation. Mao Zedong promoted a self-reliant nation that would not have to depend on any other country for its survival. After 1979, Deng Xiaoping guided China through a period of reform and thawing relations with the rest of the world, particularly the United States and Japan. A complete transformation of the Chinese economic system ensued, including modernization in agriculture, industry, technology and defense. Consequently, China's GDP has been growing at an astonishing rate of 10 percent per year since 1979, compared to an average of 2.5 percent for developed countries.

China's growth is largely attributable to shifts in global manufacturing since World War II, as manufacturing has gradually been transferred from high-cost to low-cost producers. In the 1980s and 1990s, the global manufacturing center shifted from the United States and Japan to the four "Asian Dragons": Korea, Taiwan, Hong Kong and Singapore. Now China's Pearl River Delta and Yangtze River Delta have become the world's largest manufacturing regions. The resulting trade surplus has allowed China to become the world's largest buyer of Boeing planes, the second largest consumer of oil and the fourth largest producer of automobiles.

## **The Global and Regional Landscape**

As the global economy continues to evolve, the major economic players will gravitate toward one of three regional blocs, forming a tripod with the United States on top and Europe and Asia at the next level. A push-pull and cooperative-competitive dynamic will exist among the three blocs, as well as within each bloc. The American faction, consisting of the United States, Canada, Mexico and Central and South America, will use the dollar as its operating currency. The European party, which will include the European Union, Eastern Europe, the Middle East and possibly Russia, will use the euro. The Asian group, comprised of the 10 ASEAN countries, China, South Korea, Japan, possibly Russia, Australia, New Zealand, India and Pakistan, will use the yuan.

Within Asia, the central location of China's Pearl River Delta will allow it to become a critical production and distribution hub. The region is only 3-4 hours by plane from most Southeast Asian countries and has easy access to sea routes. In China, economy development will be concentrated around the four major cities and regions of Guangdong, Sichuan, Shanghai and Beijing.

## **Opportunities for Success**

In order to become a regional and global economic nexus, China requires a robust portfolio of investments in both "software" and "hardware." Software includes a stable government, appropriate legal institutions, skilled workers and technological innovation. Hardware includes transportation, energy, power and telecommunications infrastructures, in addition to basic capital requirements. The transportation infrastructure could be the key to success for the Pearl River Delta, as it was for New York City. The Erie Canal played a crucial role in the United States' economic development because it provided easy access to and from the American heartland, Canada and the Atlantic Ocean, thus facilitating and stimulating trade with Europe and Asia. At the mouth of this aquatic thoroughfare, New York City flourished and eventually became the economic nucleus of the world.

In the late 1970s, Wu was convinced that China's attempts at reform hinged largely upon the country's communications, power supply and transportation capabilities. In 1978, he initiated the building of a 300-kilometer highway network in the Pearl River Delta, despite opposition to his plans. At the time, many people could not even afford to purchase bicycles, much less cars. Today, China has the second-largest superhighway network in the world, with a total of 20,000 miles, compared to 46,000 miles for the United States. Guangdong province, which includes most of the Pearl River Delta, has become the economic and manufacturing engine driving China's growth.

Recently, China's government gave the go-ahead for another of Wu's initiatives: the construction of Asia's largest bridge, which will link Hong Kong, Macau and Zhuhai. This project, for which Wu has advocated for almost two decades, could be as important to Hong Kong as the Lincoln Tunnel is to New York, becoming a fast-moving conduit for exports from the mainland to Hong Kong's bustling ports and paving the way for new investment into the underdeveloped region west of the Pearl River.

Based on more than two decades of experience doing business in the People's Republic of China, what advice does Wu offer those interested in investing in China? Before taking questions from the audience, he concluded his lecture by asking: "So how does one do business in China?" His answer: "Identify what P.R.C. needs and then provide it!"