



Voices from Afar: The Peaceful Rise of Consumer Markets

by Dan Steinbock

America's July 4 and China's October 1 are no longer that different—and that says a lot about China's future.



État Terrible

by Andrew C. Kuchins

We see ourselves as an insular nation, but other countries know otherwise—and are attempting to undermine U.S. global hegemony.

“AMERICAN MIGHT, HOWEVER, IS NOT LIMITLESS. THE HISTORY OF EMPIRES AND GREAT POWERS FROM ROME ONWARDS PROVIDES AN IMPORTANT LESSON.

James A. Baker, III, *The Big Ten*”

Diplomacy and Balancing

Reporter-at-Large: Mr. Ahmadinejad Goes to New York

by Barbara Slavin

Iranian President Mahmoud Ahmadinejad has been the talk of the town during his trip to the United States. Has the experience changed him? Barbara Slavin will expand on this theme in the upcoming issue of *The National Interest*.

Diplomacy and Balancing

Voices from Afar: Russian Arm-twisting?

by Nitin Pai

How should New Delhi respond to Russia's threat to evict India from its first foreign military base in Tajikistan?

Democracy / Governance

Inside Track: Recovering from Arab Spring Fever

by Andrew E. Title

At Friday's conference on the prospects for political change in the Middle East, a panel of distinguished political observers presented mixed views on the future of democracy in the region.

Democracy / Governance

Inside Track: A Country in Crisis

by Caitlin B. Doherty

As political conditions erode, Georgian leaders have put aside their differences to discuss the present and future of Georgia.

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"The Chinese people have stood up!" said Mao Zedong to hundreds of thousands of cheering soldiers and citizens gathered in Beijing's Tiananmen Square, not far from the entrance to the Forbidden City. It was in this immense plaza, said to be the world's largest public square, that Mao proclaimed the founding of the People's Republic, on October 1, 1949.

It is often said that America celebrates its independence with barbecues and fireworks, whereas China commemorates its holiday with military might. But in fact, October 1 is no longer that different from July 4.

Make Malls, Not War

"Discounts by LG!", "Samsung's new flat-screen TVs!", "Nokia's smart phones!"

Not far from the huge Shanghai Stadium and the soaring twin towers of the French-Gothic Cathedral is one of Shanghai's major shopping areas. As shoppers swarm in Xujiahui during the mid-Autumn festival, product promotion booths and the sounds of Chinese hip-hop and ad jingles overwhelm the bystanders. Nearby Grand Gateway and Orient Department Store are packed with shoppers and moon cakes.

Once upon a time, America was the promised land of the world's largest malls. That era is gone. Today, Asia is home to eight of the world's ten largest malls, measured by the amount of space devoted to revenue-producing operations like stores, amusements and food. Two Chinese malls—the South China Mall in Dongguan and Golden Resources Mall in Beijing—top the list.

Economic growth, increasing purchasing power and consumer behavior drive strong retail growth, which is spreading to China's second- and third-tier cities and inland regions.

Peaceful Rise of Mass Markets

In some nations, the early stages of growth have been marked by a temptation to regional expansion. Take, for instance, the outward thrust and later regional expansion of Bismarck in the 1860s, or the Japanese and the Russians in the 1890s.

In China, it is not the modernization of the People's Liberation Army that drives the economy—the private sector is the engine of economic expansion. The nation's private enterprises now account for 66 percent of the country's gross domestic product (GDP) and 71 percent of its tax revenues. They also provide 75 percent of employment.

With economic development, rising levels of income per capita, cars and retail tend to herald the coming of consumer mass markets.

In America, automobiles and consumer durables began to take off in the 1920s, while pervasive national penetration followed after World War II. In Europe and Japan, these phases ensued later.

Now, it is China's turn.

Cars and Retail with Chinese Characteristics

During the past few years, retail outlets in China's prosperous coastal cities have been swarmed by the new and growing Chinese middle class. With industrialization and urbanization, the new consumers are now in their new homes, buying their first new fridges, TV sets, PCs, washing-machines, and cars—which, in turn, provide a platform for an entire generation of aspiring Chinese multinationals, such as Lenovo, Haier, Geely and Chery.

China is already the second largest automotive market after Japan and third largest automotive producing market in the world. In 2005, it roared past Japan in terms of domestic sales. By 2020 China could topple America as the world's biggest auto market with annual output of 15 million units, while total car ownership may exceed that of the US.

What about retail?

Recently, China's retailing industry has seen phenomenal growth. Already in 2005, total retail sales amounted to \$755 billion. Due to the fragmentation of the retail market (organized retail accounted only 20 percent of total retail sales), there is still a lot of room for growth.

Private consumption in China accounts for just 35 percent of GDP, about half the share in the US. Recently, domestic consumption as a share of GDP has actually decreased, making China more dependent on investment and exports. "Within the next 20 years," forecasts McKinsey Global Institute, "the mainland's urban households will make up one of the largest consumer markets in the world."

Looking Ahead

Like Americans, the Chinese are patriotic. Like their American counterparts, contemporary Chinese like to celebrate their national independence day with food and family.

The Chinese dream is about prosperity and the shopping malls of Singapore and Hong Kong. And that says a lot about Beijing's future.

Dr. Dan Steinbock serves in the India, China and America Institute. Focusing on issues of international business and international relations, he resides in the United States, China and Europe.

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