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China's economy was top topic at Davos

BY [LAWRENCE CARREL](#) on [JANUARY 25, 2016](#) in [ASIA TIMES NEWS & FEATURES](#), [CHINA](#)

China proved to be one of the major topics of discussion at the World Economic Forum held in Davos, Switzerland which ended this weekend.

This annual confab of top politicians, chief executives, bankers and economists, has been going on for 46 years, and the proposed theme before everyone

arrived had been "Mastering the Fourth Industrial Revolution," with lots of talk expected about robots and other advanced tech.



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David Goldman, managing director of Hong Kong-based Reorient Financial Markets, explains why he sees a soft landing for China's economy,

But with the financial markets tumbling dramatically for the three weeks before the four-day conference, and some falling the 20% that delineates a bear market, most of the rich, white men who populate this yearly schmoozefest were much more concerned about how much money they had lost this month, rather than how they planned to make money in the years ahead.

Many chose to blame China, and its economic slowdown, as a prime reason for the miserable month their investments were having.

The New York Times reported: “Fears about the country’s downshift, as its official growth slowed to a quarter-century low, have dominated high-level discussions, both during public debates and in smaller, private meetings.”

Last week, China reported that gross domestic product grew 6.9% in 2015, just shy of government forecast of 7%, but a significant drop from the 7.3% growth in 2014. The national bureau of statistics’ said fourth-quarter growth slowed down to 6.8%, from 6.9% the previous quarter – the slowest quarterly rate since 2009, when growth slowed to 6.2%.

With China facing a slew of economic challenges, from weak exports to high debt levels and slowing investment, these numbers provided ample evidence for those willing to think the worst about the health of the world’s second-biggest economy.

Business magnate George Soros, the world’s richest hedge fund billionaire, according to Forbes, said on the first night of the conference that China is the root of the current financial crisis.

“It’s serious,” said Soros. “And the Chinese left it too long to address the changeover in the growth model that they have to adopt from — investment and export-led to domestic-led. So a hard landing is practically unavoidable.”

Soros also said China is one of the “three major root causes” of global deflation, along with commodity prices and competitive currency devaluation.

However, some of China’s top business executives were also in attendance, such as Zhang Xin, the chief executive of the real estate developer SOHO China; Ya-qin Zhang, the president of the search engine giant Baidu; Jiang Jianqing, the chairman of the

on Bloomberg.



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Industrial and Commercial Bank; and Jack Ma, the founder of Alibaba.

These business leaders who live and work in China tried to convince outsiders to take a more nuanced view of what's happening inside the country.

"In Davos, there is a gap between perception and reality. If you're on the ground in China, you're not worried," said Melissa Ma, according to the New York Times. Ma is the founder of the \$6.8 billion private equity firm Asia Alternatives, which is based in Beijing, and invests across Asia, primarily in China.

"The basic theme at Davos is that there is a lot of uncertainty and a lot of concern. Few see what China actually is, and not what people hope it is and want it to be," Usha Haley, professor of Management and International Business at West Virginia University told Asia Times. Haley is the author of "Subsidies to Chinese Industry: State Capitalism, Business Strategy and Trade Policy." "They are talking about how data is unreliable and that the government's reports don't report what is actually going on. But then you have people in the trenches who say the real estate market is not such a bubble. All of this is true, you just need perspective to analyze the conflicting information."

One thing most of the participants could agree on, even the Chinese, was that the Chinese government was doing a miserable job of communicating with the rest of the world.

"The communication is really what's important here; communicating what the Chinese market is going to be and sticking with that theory no matter how painful it is in the transition," said Gary D. Cohn, president of Goldman Sachs. Many of the interventionist actions in the market the government took over the past year, with respect to the stock market and currency, were "the exact replicas that many other countries, including the United States, have done in certain parts of their modern history."

The New York Times reported Fang Xinghai, the vice chairman of the China Securities Regulatory Commission, responded to Cohn at the same event by saying, "We are learning. We are doing it."

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“We should do a better job,” said Fang, whose regulatory commission was responsible for much of the stock market intervention last year.

“You have Chinese representatives there trying to instill some confidence and say they won't devalue, but that seems unrealistic,” said Gary Kleiman, senior partner at Kleiman International Consultants in an interview with the Asia Times. “I don't think it swayed any investors. They want to see what happens in terms of policy changes and capital outflows.

“I think there is a presumed skepticism now over what has happened since last Davos and with the way the year has started,” added Kleiman.

“There's not a clear messaging in terms of communicating changes and the exchange rate. Everyone seems to take for granted that the economic manager is adequate. But that certainty has been questioned and doubts have been reinforced or expounded since the beginning of year. ... And that's led to a lot of skepticism over what has happened over the last six months.”

Lawrence Carrel is an award-winning journalist and author of *ETFs for the Long Run: What They Are, How They Work and Simple Strategies for Successful Long-Term Investing and Dividend Stocks for Dummies*. His work has appeared in *The Wall Street Journal*, *SmartMoney*, TheStreet.com, *Kiplinger's Personal Finance Magazine*, *Reuters*, *The Associated Press*, *Investor's Business Daily*, *Business Without Borders.com*, *The Economist Intelligence Unit*, *Financial Planning*, *Barron's Online* and others.

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