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End of our World

Lately several readers criticized me for praising “communist” China for its high rate of economic growth during the last 15 years. I have news for you - that even the rate of economic growth of “poor” India has been revised from 6% to 8% per year, and some experts state that India is posed to surpass the economic growth of China during the next 5 years. An excellent monsoon season after last year’s drought has provided hundreds of millions of small Indian farmers with more cash to buy everything from cellular phones to motorcycles. India is happy and on the go!

In the meantime a “state of malaise” afflicts world economy, and Poland under post-communist rule has failed to accelerate capital formation and technological progress and to diversify into more dynamic sectors. My motherland has been caught in a classical crisis common in Latin America, and since I lived for a few years in Peru I know exactly what that means. Unrealistic budget and corruption amongst dishonest politicians always lead to dangerous and painful inflation. The former Communists do not know how to run business but they certainly know how to privatize and steal.

“The world economy is going through difficult times” states U.N. Secretary General Kofi Annan. I would go even further – we in North America are facing the end of the world and slowly giving up the fight for leadership of the world’s economy. I do not predict the end of the world in a biblical sense, where the sky will get dark with dust and angels will show up, but in the sense of zero rate of growth for America, which until now has heavily relied on exports. During the financial excesses and economic imbalances of the 90s it was common for many North-American companies to grow at 30% a year. Now at zero growth those companies are faced with pressures to reduce valuable workers as their profitability is gone.

Where is America going to sell the goods? Not in China where many global companies are investing billions of dollars to keep Chinese employed. Same with India, the second largest country of the world, where billions of dollars are poured to keep locals employed. We all know there is no money in Latin America and Africa. Eastern Europe has already spent all their dollars in the first few years of change, and old Europe and Japan have zero growth rates. So where are the real export markets that will keep high standard of living in America and in competition with newcomers like China and India who are hungry for success?

Of course such end of the world does not come overnight like the explosion of a volcano, but it happens slowly like the accumulation of debt with a credit card that charges interest at 21% per year. At first it is painless, in the end it gets ugly and some people who are unable to pay even kill themselves. The end of the world in an economic sense happens to nice people who pay mortgages and go to church. It happens because global money

decided to employ workers far away where the return on investment is greater than in America.

So what is the solution to all these problems? The big multinational companies have already found the answer – if you cannot beat them, join them! That is why billions of dollars of investment money are going to China and India.

I am not suggesting that you start learning the Cantonese or Mandarin languages in the new year or ask for an immigration application to China or India. I am simply alerting you to the fact that this “state of malaise” afflicts world economy, and under this pressure the world is changing fast. If you find out about a disease early, the cure will be more successful. I am afraid that we have seen the last of good times in America and from now on we have hard work ahead of us to compete with the Indians and Chinese much like Ford and General Motors have been forced to compete with Honda and Toyota.

Pretty soon it will be common for Chinese tycoons to buy businesses in America. So there is a chance that many of us will end up working for Chinese. A good example here is the recent investment by Mr. Victor Li in Air Canada, where he purchased 30% of the national airline for \$600 million dollars. With time we will see more Asian ownership. It is not a bad thing of course, just strange to be employed in a company owned by a bunch of former Communists. The world is changing fast....

No political hot air or excess of self-confidence will replace the need for intelligent, strategic planning and hard work. After 9/11 it seems that hot air escaped from our balloon and the naked truth showed up its ugly face – we had to look in the mirror and see who we really are. We had to question if we deserve what we have. Those who did not look in the mirror called for a war and they got it. But wars do not create long term wealth. They accelerate the end of the world. Now that you have been warned you should be thankful that you have time to prepare for the worst, which is typical in situations where overconfidence and greed take an upper hand.

Next month we have Christmas and New Year celebrations. Now that I have warned you, I will try hard to find a more cheerful subject to write about, I promise!

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