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Is China Leading a Global Recovery?

By [Maria Bartiromo](#)

Increasingly, many companies see China as their ticket to surviving—and even thriving—in a post-recession world because of its insatiable appetite for goods as it moves toward a consumer-driven economy. That theme keeps cropping up in recent conversations with CEOs and financial executives. Among the voices extolling the strength of China are Alcoa ([AA](#)) CEO Klaus Kleinfeld, Freeport-McMoRan ([FCX](#)) CEO Richard Adkerson, CEO Donald Tang of Hong Kong-based Citic Securities International Partners, and Joe Meuse, president of financial consulting firm Belmont Partners.

As *BusinessWeek* went to press on July 29, such enthusiasm was tempered by a sell-off on the Shanghai market. Concern was widespread because, as *The Wall Street Journal* online reported: "...hopes of a world-wide economic recovery increasingly center on continued growth in the developing world, and China in particular."

Correction or no correction, China's growing global economic importance was underscored as a high-level delegation from Beijing began discussions in Washington on July 27. "We're actually in the same big boat that has been hit by a fierce wind and huge waves," Dai Bingguo, one of the Chinese dignitaries, was quoted as saying. But a wag might call the two days of meetings massage therapy for America's biggest creditor, and a lot of people are starting to believe America and China are in two very different boats.

MARIA BARTIROMO

Where are we right now in this global slowdown? Do things feel better?

KLAUS KLEINFELD/ALCOA

Oh, yes, absolutely better than, let's say, last December. Our industry was in a free fall, with a 60% price decline in five months. Now we see that China has come back and is starting to grow nicely again, pulling Asia with it. We even see signs of an uptick in the U.S.

Is China going to lead the global economy out of this slump?

I wouldn't think so. But [China is] a very strong force. Everybody in our industry thought that because China has such huge capacity, when the market came down it would flood the world with cheap metal. It didn't happen. The Chinese actually curtailed more than 30% of their capacity. So they acted responsibly. And their stimulus program is clearly working. I'm very impressed with what the Chinese are doing.

When do you think China will make the transition from an export-led to a consumer-led economy?

I think they are on the way now. The Chinese government is actively stimulating consumer activity. I mean, this year China will be the country that manufactures more cars than the U.S., more than anybody else on this planet.

MARIA BARTIROMO

You said in a phone conversation we had earlier that Beijing is transferring some \$10 billion worth of state-owned stock to the social security fund. What's the significance of that?

DONALD TANG/CITIC

I think it represents the beginning of a wealth transfer from the government to its people. China's savings rate has been very high because its safety net is not as robust as that of many other countries such as the U.S. This is designed to

boost the confidence of urban residents so they can start to spend and stimulate domestic consumption. It's a very important point as the country moves from an export-led economy to a consumer economy.

China seems to be shaking off the slump more swiftly than the U.S. Do you see that happening?

Two months ago, I walked into a breakfast meeting at the Ritz-Carlton in Beijing, and there was nobody else in the room. On July 27, I walked in without a reservation and there was no room for me. So there are anecdotal signs that the economy is picking up.

Was China smarter than the U.S. about stimulating its economy?

Policymakers have really tried to take advantage of the crisis to transform the economy from an export economy led by the coastal region to [one led by] domestic consumption by, for example, giving consumers vouchers to buy electronic goods and reducing taxes to put money in their pockets.

MARIA BARTIROMO

In terms of growth, what are your most promising markets?

RICHARD ADKERSON/FREEPORT

China has been the support for the copper market during 2009, both through its infrastructure spending and the performance of its economy. China's stimulus plan is actually going better than expected, and we are seeing demand come back.

What will be the driving force in a global recovery?

It's China.

MARIA BARTIROMO

You were in China two weeks ago. What is happening on the ground?

JOSEPH MEUSE/BELMONT PARTNERS

I'm telling you they're already past the recession. That economy is humming. I see at least 9% GDP growth.

Are the Chinese amazed that we're still stuck in recession?

That's right. They're holding all the cards and will continue to do so. There is a feeling here that China is still stuck in some kind of Third World mentality. It's not. It's a superpower.

Maria Bartiromo is the anchor of CNBC's Closing Bell.