

No Olympic hangover for Chinese economy: experts

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BEIJING (AFP) — China's robust economy is unlikely to hit the skids after the Olympics, unlike most host nations who have endured post-Games downturns, experts say.

All but one host of the Games over the past five decades have been hit by economic hangovers once the Olympic flame has gone out.

But that will not happen to China, said Fan Gang, an advisor to the Chinese government and director of the National Economic Research Institute, a non-government think tank at the China Reform Foundation.

"Personally, I feel very optimistic that the Chinese economy after the Beijing Olympics will continue to grow rapidly and healthily," he said.

Most Olympic host cities suffer a fall off of investment and a slowdown in gross domestic product once the Games end and the reality of footing the bill for the world's biggest sporting extravaganza sinks in.

"Of the 11 cases we examined since 1956, only the US (Atlanta) in 1996 did not show a slowdown following the Olympics," investment banker Morgan Stanley said in a recent report.

A key factor in post-Olympic economic performance is the size of the country and the share of the economic pie held by the host city, the report said.

Seoul, Barcelona and Sydney were bigger in proportion to their national economy than 1996 host city Atlanta and Beijing.

"The size of the host country is important as it is essentially only the city that is hosting the Games that should experience large swings in investment and capex cycles," said Morgan Stanley.

So even if Beijing suffers a hangover, the rest of the country should be relatively unscathed since the capital accounts for only 4-5 percent of national GDP.

The rest of China is brimming with major infrastructure investment projects, ranging from the rebuilding of southwestern Sichuan province, devastated by the May 12 earthquake, to ambitious plans for nuclear power plants, dams and a new high-speed rail link between Shanghai and Beijing.

Experts also acknowledge that Beijing's build up to the Games has been fiscally prudent, avoiding spend-now-pay-later cost overruns while offering spectacular new stadiums and infrastructure.

"The Chinese government is clearly eager to put its best face forward when the country is in the international spotlight later this year," said a report by Standard & Poor's.

"However, in doing so, it hasn't thrown its characteristic fiscal prudence to the wind."

Also, China has taken care to guard against the white elephant effect that has dogged other host cities, most recently Athens in 2004, whose Olympic stadiums fell into disuse after the Games.

Beijing's venues will be converted to serve the increasingly affluent city of 17 million that lacks sports and entertainment facilities.

But the bottom line about the Beijing Olympics is that they never were about the economy in the first place, as far as China is concerned, according to Ruud Koning, an expert on sports economics at the University of Groningen in The Netherlands.

While some host nations lick their lips at the potential investment inflows triggered by staging the event, China has been more concerned about boosting its international image and diplomatic clout.

"The Games in China are not so much an economic event in the sense that the government needs the Games for economic growth. It is more 'opening China to the world," he said.

"I think the Games are important to China partly for that reason to show that China is ... open, that you can approach the people in China and for the people in China it is a big incentive to communicate with other people."

Source: AFP, Beijing



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