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## **EASY COME, EASY GO? CHINA BILLIONAIRES LOSE *BILLIONS***

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In 2007, China had 66 billionaires; in 2008 there are only 24—this according to the *Forbes* special report on "[The 400 Richest Chinese](#)," released October 29. There would have been even fewer except for the appreciation of the Chinese *renminbi* against the dollar (we are talking US dollar-billionaires). Moreover, the net worth of China's 40 wealthiest people decreased by USD 68 billion, or 57%!

WHAT GIVES? Isn't China now an economic superpower, growing at 10% per year, gobbling up US manufacturing jobs, and purchasing every natural resource in sight?

The answer to these questions is yes... and no. China is a global economic superpower but along with the global economy, the Chinese economy is also slowing, albeit to an estimated 9%. Chinese manufacturing jobs are being lost to rising labor costs. And China has been refused some raw materials purchases (US and Australia incidents come to mind), though is increasingly active with the outbound investment in resource rich areas of Africa and Latin America.

So that's part of it—China is a top player in the world economy. Feeling the impact of the US slowdown, China's economy is slowing, China's manufacturing-based export growth is slowing, and it is undergoing an industrial revolution with a dearth of its own natural resources. But is that *REAAALLLY* what happened to the billionaires?

Here is the short answer: the stock market. In 2008 the Shanghai index has plunged nearly 60%. By contrast, the US S&P index has fallen *only* 36% since January. In both places paper wealth has gone away. In China, like the US, the billionaires have lost billions.

But let's look a little deeper—for an answer that has to do with the *Who's Who* of China's billionaires. In the US we have Warren Buffett, Bill Gates, Larry Ellison, and the heirs of Sam Walton perennially on top. They may have lower net worth for now, but the list is generally the same. By contrast, in China, only three of the top ten 2008 billionaires were in the [top ten in 2007](#).

This year's number 1, Liu Yongxing, was 20th last year. His company, the [East Hope Group](#), is a producer of agricultural feed. This year's number 2, Huang Guangyu, was listed 10th last year. He founded [Gome Electrical Appliances](#). This year's number 5, Zhou Chengjian, was listed way down at 356th last year before a successful IPO of [Metersbonwe](#), a Chinese retailer of branded clothing.

In 2007, the four top-ranking billionaires, and in fact nine of the top 15 billionaires had wealth based primarily in real estate. This year there are only two. This speaks directly to China's deflating property bubble and indirectly to the billionaire question... and to business SUSTAINABILITY.



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For a relatively *stable position* in the *Forbes China 400* list, long-term growth and profitability must come from sustainable business advantage that does not depend predominantly on a) finding temporary loopholes in regulations; b) knowing the people who control property development rights; c) being related to people in power; d) IPOing in a rising market.

While these four factors are well-known for producing modern China's current wealthy class, building sustainable business based on competitive advantage and serving the customer will prove to be the most effective way for companies to find long-term success in China, whether they are Chinese or "foreign."

As China's domestic business environment stabilizes we will see less dramatic change amongst the ranks of China's 400 Richest and less "easy come, easy go." This is a good thing.

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