

*The total debt figure is, in & by itself, meaningless. China's 200% is child's play, compared to Ireland's 600+%, Japan's 500+%, the UK's nearly 500%, and the 300+% of the US & France. Secondly, the total debt figure has four components, government-, financial intermediaries'-, non-financial (i.e. corporate)-, & private debt, and the breakdown between these four is an important consideration (thus the high UK number is due in part to the City of London's role in the global banking world). Thirdly, what matters a great deal is how much of the total debt is owned by locals, & how much owed to foreigners<sup>1</sup>. Finally, what is more important than the ratio itself is its rate of growth (where China's has not been much, if any at all, worse than that of some other major countries). Next, the IMF number used is misleading; for it only takes into account China's national debt, while the real financial snakes in the grass in China's public sector lie in local governments that have been the handmaidens of the developers in their real estate speculation. Be that as it may, Roach will likely be proven right in the short run (although it remains to be seen whether this may not lay the groundwork for even bigger problems down the road). On the other hand, panics are funny things & have a nasty habit, like land slides & avalanches (and earthquakes & tsunamis?) to strike unexpectedly & suddenly, and with accelerating momentum & great ferocity. And the conditions for a panic are clearly present in China; thus late last month there was a three day run on two small banks in Jiangsu Province, North of Shanghai, after one of them turned down a request by one of its customers to withdraw 200,000 Yuan (US\$32,000)<sup>2</sup>, with in this digital age China's Twitter clone, Weibo, fueling the flames of panic by spreading rumours that "the bank is going bankrupt." And the real risk of an unfortunate financial event being able to gain cataclysmic momentum in China is increased by the fact that it may be ignored in its early stages by a government preoccupied with environment-, or unemployment-, driven by social unrest, infighting in the top echelons over President Xi's war on corruption and/or pursuit of its territorial claims in the East-, & South-, China Seas (in researching the total debt data, it was interesting to note that, the Total Debt-to-GDP ratios of the BRIC countries were apparently modest compared to those of the developed countries : Russia - 75%, India - 120%, Brazil - 150% & China - 190%).*

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<sup>1</sup> In this respect, for instance, Japan & Italy are "outliers", with most of their debt owned locally (which is much less dangerous because in the final analysis, dealing with a debt

<sup>2</sup> Remember the recent (minor) kerfuffle in the UK when HSBC gave one of its customers a hard time about wanting to withdraw a measly £5,000?