

Middle East Peace Update Report

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<http://www.khouse.org/enews/2014-02-11/>

CHINA ON THE RISE –

We have been living well for the past several decades. Well, actually, we have been living well past our means.

It has been no secret that the US economic condition has been failing for quite some time. Our deficits, through both trade and borrowing, have been historic. With each one, seemingly larger, added on to the one before. Over such a long time the incremental differences become a much larger magnitude.

On our relationship with China, we have been happy to buy low-cost “stuff” to give us the immediate impression that our standard of living has increased, and most certainly not decreased.

Standing back a bit, what has been happening is China started out selling us inexpensive small-scale merchandise. Over time, they have continued to improve both their technology and capacity. Now they are not only selling the small “stuff” but all the expensive merchandise, plus everything in the way of industrial parts and supplies as well. What started as a ripple on the ocean ends up becoming a tsunami. Now we are cash poor and they have more than they know what to do with. This is what they are doing with it.

They have looked around the world to see where they should expand their economic empire. While they actually are expanding it everywhere, they have picked two areas to concentrate their efforts.

The first is Africa. With all of its amazing potential still in the ground as raw resources, it is a plum that has been waiting to be picked. There is more to this story but that is for another day.

The second is (yes, you probably guessed) the United States. If you haven't noticed, we have been in a severe recession for the last few years. Prices are down. Especially in the industrial sector. They were not only hit by the downward pressure of Chinese competition, but they were doubly decimated with the recession and the US Administration's insistence on penalizing large-scale employers for political purposes.

The United States is still (thanks, so far, to China) the largest consumer group on the planet. Even in these hard economic times, we still have the will to borrow enough money for shinny/clever “stuff.” Retail sales has been up through the Christmas season of 2013.

Quietly, Chinese companies, at least in some part under Chinese governmental control, have been buying up businesses within the US. With a veritably unlimited reserve of cash and struggling large-scale US businesses in every sector, this has amounted to a “perfect storm” such as has not been seen since the Great Depression.

An example of this is Smithfield Foods. You probably haven’t heard of them before unless you live local to one of their many factories. They have 26 facilities in the US and employ tens of thousands. They directly own 460 farms and contract out with 2100 others. It is the largest pork processor in the world. Just recently a Chinese company completed a buyout of the company for \$4.6 billion. Now there is a Chinese company on American soil that is the largest pork processor in the world.

This is not an isolated incident. Last year a Chinese company paid \$2.6 billion for AMC Entertainment. Now China controls one of the largest blocks of movie screens in the US and sells more movie tickets than any other in the world.

They are not only buying out existing companies, but they are taking their vast economic resources to areas that desperately need jobs to establish and build out-right Chinese companies with hundreds of million dollars invested.

China, in other parts of the world, has been building complete cities. Right now they are building a city the size of Manhattan just outside Minsk, the capital of Belarus, a neighbor of Poland. There is a growing concern that with their interested focus on the US, they might want to duplicate that here. If they did, there would be little economically to stop them. After all, the borrower is slave to the lender.

It is in everyone’s self-interest right now to be mesmerized by China’s economic tactics. From those who need the jobs, to the investors of surrounding and supporting companies, China is capable of a large infusion of cash into local areas. When the dust has settled, though, we might find that we have new “masters” and that all of the shiny gadgets came at too high a price.

Further Reading

- [China Builds EU Beachhead With \\$5 Billion City in Belarus](#)
— Bloomberg News
 - [Belarus looks to China for investment in infrastructure](#)
— Financial Times
- [Why China is buying up the US](#)
— MSN Money