

Ties that bind Nevada-China continue to grow stronger

By Karoun Demirjian, Las Vegas Sun

In the early 1860s, in the newly named territory of Nevada, settlers had a problem. Gold and silver had just been discovered in the mountains, but there was no easy way to transport it out, or to get workers from the California-based mining industry in. The solution would come from China.

Chinese immigrants made up 90 percent of the workforce that built the Central-Pacific Railroad, which lifted early Nevada from intermountain oblivion by connecting it to the rest of the country. In the 20 years after construction commenced, the state's population grew tenfold.

Now, 150 years later, Nevada is once again turning to China again to pull its economy out of a protracted recession, which economists predict, absent some prodding, could hobble the state for the next two decades.

This time, it's going to take more than a railroad (though high-speed rail is one piece of the hoped-for fix). Nevada's economic situation will require a long-term solution encompassing mines, casinos, a fledgling export market and energy.

Nevada, we keep hearing from lawmakers and lobbyists, has a lot of potential in all those areas. But China has the one thing neither Nevada nor the US government has to develop that potential: Cash.

After years of growth in America's appetite for Chinese imports, China holds the biggest share of US government debt among foreign entities, about \$1.2 trillion. In recent months, the tide has been shifting. Although China still sends out

more than it brings in, its demand for imports is surging—as much as 30 percent in one month this summer—and some US states are seeing opportunities in China's new willingness to spend.

For Nevada, China's growing consumer culture is helping keep the state afloat in the short term by sustaining gaming and tourism. In the long term, state officials are counting on China's emerging entrepreneurship to provide investment for Nevada to modernize and diversify its economy.

But just as it was a century and a half ago, the road to a prosperous partnership is paved with potential political pitfalls.

Chinese immigrants who came to Nevada in the 1860s were lured by the promise of steady employment and a territorial charter that was relatively friendly to foreigners, allowing them to own land and mining claims. But they endured discriminatory pay and fierce racism.

Once the railroad-building boom was over, many left. Chinese made up almost nine percent of Nevada's population in 1880, but by 1950 their numbers dwindled to 241. And although the local Chinese community is enjoying another surge these days, it still less than one percent of the population.

Today, anti-China sentiment is driven more by economic realities than racism, but the attitude still stems from a perceived threat: That cooperation with the Chinese will lead to the economic undoing of the United States. Outsourcing—causing the American economy to hemorrhage more jobs—is the chief fear, and one that politicians of all stripes have stoked.

There are other barriers too. China has not been responsive to American demands to improve its record on human rights, especially in Tibet. Piracy is a huge problem in parts of China, especially for high-tech businesses that rely on patents and respect for intellectual property. China also

exploits its trade advantage through currency manipulation to keep Chinese products cheap. Democrats are now advocating tariffs, and Republicans are calling for China to be eliminated from global free trade zones.

It creates a dilemma for the Silver State and its economy: Should we back off until the political dust clears, or grasp a fleeting economic opportunity in an effort to get on the leading edge of Chinese investment. In reality, the state may not have many other options. Nevada's critical casinos-and-tourism sector has lagged the country in recovering from the Great Recession. Meanwhile, a fiscal crisis in Washington means federal funding for new economic ventures, especially in renewable energy, could dry up in a matter of weeks. That's incentive to cross the political picket line: The faster Nevada gets ahead of the curve in building an alliance with China, the better the state's prospects of attracting investment. Nevada, after all, has the advantage of a long-established relationship with China, born in betting rooms more than a decade ago.

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