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China se retrae en relación a Argentina por el menor crecimiento y las tenciones con EE.UU

China está cada vez más cautelosa en sus inversiones en Argentina por las tensiones de este país con EE.UU. en relación a su deuda en default. Expertos chinos están preocupados por la falta de transparencia en los créditos a Argentina y piden más condicionalidades en los mismos. Otros advierten sobre los problemas de la economía argentina y sus perspectivas.

China cools on Argentina amid growth slowdown and US tensions

by Elliot Wilson

Emerging Markets - 28/03/2015

Slowing growth, inflation, and an increasingly fractious relationship with the United States are making China "increasingly wary" of investing in Argentina, analysts have told Emerging Markets.

China is becoming "increasingly wary" of investing in Argentina as it struggles with slowing growth, inflation, and a worsening relationship with the United States.

Xiang Songzuo, chief economist at the state-run Agricultural Bank of China, told Emerging Markets that Beijing had become "more and more cautious about investing in Argentina, both directly [in state-to-state transactions], and in terms of purely equity deals".

Xiang also highlighted the "potential political risk" of investing in a country that remained mired in a war of words with the United States about how to restructure its foreign debt. "We are worried about dealing with countries that have clear tensions with the United States," he added.

The INDEC statistics bureau tips the economy to shrink by 0.5% this year, with a similar contraction eyed for 2016. Argentina's currency slumped 23% against the US dollar in 2014, while inflation remains at eye-watering levels: private estimates place the true level of consumer price inflation at close to 40%.

Another concern remained the low levels of transparency and conditionality placed on cheap loans extended by Beijing to Buenos Aires. "Many Chinese experts have begun to complain about that. We need to ensure that, more and more, we place the right conditionalities on loans to the country," he said.

So far, however, China has been willing to seek ways to placate one of its key Latin American allies. In January, Argentina's central bank boosted its reserves by $400m after securing the fourth instalment of an $11bn currency swap agreed with the People's Bank of China.

Currency controls

The mainland is now Argentina's second largest trading partner after Brazil with $17.5bn in total bilateral commerce in 2013, though in recent times a few industrial tie-ups, notably an alliance between China's Sinopec and Argentina's YPF, have been signed.

Few expect Argentina's economy to improve any time soon. The country faces the pressing need to find a workable solution to the wrangle over a $1.3bn debt repayment that tipped the country into default in June 2013. Argentina remains locked in a battle with a group of US hedge funds that stretches back to its record 2002 default.

The standoff has choked off investment in an economy burdened by swingeing trade and currency controls. Then there are fears that the country's fortunes have yet to hit rock-bottom.

Kevin Daly, senior investment manager, emerging market debt at Aberdeen Asset Management, expects 2016 to be worse than 2015. A new cadre of leaders, set to replace Cristina Fernández de Kirchner as Argentine president when she leaves office following general elections in October, is likely to face a battle to tamp down inflation while shoring up a battered economy.

Jan Dehn, head of research at emerging market-focused Ashmore Investment Management, describes the country's economy as "structurally wrong", and requiring the sort of medical help that "only a regime shift can produce".

Porqué China no debería tener tantas inversiones en América Latina

El encuentro China-CELAC de enero en Beijing fue un éxito. Dos expertos chinos consideran que la relación con América Latina, que tiene fuertes lazos con EE.UU., es fundamentalmente económica y menos profunda que la que se forjó con África.

China puede tolerar costos financieros de corto plazo pero tiene que tener en cuenta los riesgos económicos de largo plazo y no puede invertir solo por consideraciones políticas. Las empresas que invierten en América Latina, aún las estatales, más resistentes, deberían poner límites a la toma de riesgos en la región.

Why China Shouldn't Get Too Invested in Latin America

China is increasing engagement with Latin America, but the relationship's potential remains limited.

By Xue Li and Xu Yanzhuo

The Diplomat - March 31/3/2015

The First Ministerial Meeting of China-CELAC Forum, held in Beijing in early January 2015, was undoubtedly a successful one. More than 40 ministerial-level officials from 33 member states of CELAC participated in the meeting, while the heads of Venezuela, Ecuador, Costa Rica, and Panama attended the opening ceremony. Panama's President, Juan Carlos Varela, suggested elevating the next meeting to heads of state and government level.

The meeting launched three outcome agreements, including the China-Latin American Countries and Caribbean States Cooperation Plan (2015-2019). China signed a $20 billion joint project loan agreement with Venezuela and a $5.3 billion loan agreement with Ecuador. Beijing also agreed to establish special economic zones in Costa Rica. Additionally, President Xi Jinping pledged in the opening ceremony that China will provide 6,000 scholarships and 6,000 training opportunities to member states of CELAC in five years, and will invite 1,000 party leaders from Latin America to China, as well as training thousands of Latin American youth leaders through the "bridge of the future" project. So far, the pledges that Chinese President Xi Jinping made during his visit to Latin America last July have been successfully fulfilled.

China's "One Belt, One Road" (OBOR) strategy strategically targets developing countries. As the China-CELAC forum was held at the beginning of the year, the Chinese government considered this forum "the first international event of its all-around diplomacy." The forum launches a new cooperative mechanism between China and developing countries, following its cooperation with Africa, the Arab League, the Gulf Cooperation Council, and ASEAN. With the establishment of the China-CELAC forum, China has covered all its bases, setting up cooperative mechanisms with groups of developing countries all over the world. The next step will be to strengthen each cooperative mechanism and to enhance the level of cooperation — for instance, expanding the business forum into a comprehensive forum.

China has experienced a diplomatic transformation. In practice, Chinese diplomacy has evolved from "keeping a low profile" to "proactive and enterprising," as Zhao Kejin and Yan Xuetong put it. Xu Jin described the change as a switch from practicing diplomacy toward great powers to practicing diplomacy as a great power. China's OBOR foreign policy is a result of these changes.

So what is Latin America's role in China's international strategy? Will it become another important destination of the 21st Century Maritime Silk Road, just like Africa?

Culturally, Latin America has been part of Western civilization. Geographically, it borders the U.S., thus the regional economies are closely tied to the United States'. Some Latin American countries rely on the U.S. for security or are deeply influenced by the U.S. Meanwhile, the U.S. considers Latin America as its "backyard" and has a great impact on, or even dominates, some Latin American countries' domestic and foreign affairs. U.S. influence is wielded through the Organization of American States (OAS), the Inter-American Development Bank, bilateral economic cooperation and assistance, multinational corporations, military aid, and even military intervention.

When it comes to Latin America and the Caribbean, U.S. tolerance for China to expand partnerships and economic interests within this region is one thing; the development of military and security ties is quite another. Conversely, China could set up security and military alliances with African states if necessary, as that continent is far less influenced by the U.S. and Europe.

Both Latin America and Africa are less important than Eurasia in China's OBOR strategy. And the China-Latin America relationship is of less significance than China-Africa ties, considering the factors of geographical distance, the United States' great influence, weak economic ties, cultural differences, and a lack of ground transportation. Additionally, the relationship between China and Africa has developed for more than half a century, while economic ties between China and Latin America have only developed in the past two decades.

Furthermore, the establishment of diplomatic partnerships indicates that China will not set up military alliances with Latin American countries. Political ties with regional countries are also shallow. China and Brazil just started deepening their bilateral political ties, for example. China's political relationship with Cuba has only limited effect and is not stable. Meanwhile, Chinese culture has little influence in Latin America and this phenomenon is unlikely to change in the short run.

To sum up, the potential for China-Latin America relations lies in their economic interactions, mainly investment and trade. Since the relationship between China and Latin America focuses on economic ties, generally Beijing should make decisions according to economic logic and pay attention to risk control. China's investments in Latin America can be low-profit or even zero-profit, but should not result in big losses. Thus, China's Latin America strategy under OBOR will focus on three points:

First, identifying priority partner countries. CELAC has 33 member states. China has neither the capability not the responsibility to develop deep investment and trade relations with each member state. It can only select economic cooperation (mainly referring to investment) with key countries based on its own national interests. The governance capability, economic development level, and legal system is different in each Latin American country. Some countries have weak economic structures, such as a high dependence on exports, particularly of a single product, or have budget shortfalls. Generally, these kinds of countries with financial "black holes" are not considered as key cooperation partners. Based on purely economic logic, Uruguay and Trinidad and Tobago should be regarded as key investment destinations for China. In terms of overall national strength, China should pay attention to Argentina. If the key factors are political stability, economic potential, and resources, China may prioritize relations with Bolivia, Ecuador, and Chile.

Second, identifying priority cooperation fields. Some countries are potential energy partners, such as Ecuador, Venezuela, and Trinidad and Tobago. Others — for instance, Chile and Peru — can cooperate with China on mining projects. Costa Rica and Nicaragua can work with China on special economic zones; some other countries can be regional trade hubs, such as Mexico and Chile. Beijing can also expand political relations with Brazil, mainly through BRICS, and explore the establishment of a free trade zone with Mexico.

Third, paying attention to risk control. No single Latin American country is an indispensable economic partner for Beijing, given that China is a super economy. It is not necessary for China to invest too many funds and resources into any certain state. The majority of China's oversea investments come from large state-owned enterprises, who are more capable of resisting political risks than their Western counterparts. However, even China's SOEs cannot fully avoid political risk in Latin America. Thus, it is necessary to conduct regular risk assessments and set up a "stop-loss point" for investments and loans in Latin America. Take Venezuela as an example – China's investment and loans in that country amount to more than $70 billion. Considering the state's political and economic situation, it is inappropriate to further increase the amount of investments and loans. In short, China should guard against bad debts.

CELAC cannot play a significant role in China's global diplomatic plans; for China, it is less important than Africa. China-Latin America engagement mainly focuses on the economic aspect and the potential for bilateral trade. Latin American countries will emerge as new destinations for China's rapidly growing foreign investments. However, Chinese investments in Latin America mostly comes from national funds, which are implemented by state-owned enterprises, the State Administration of Foreign Exchange, and the sovereign wealth fund. That in turn implies that a significant proportion of these funds come from foreign exchange reserves; thus China cannot be too cautious in emphasizing economic rationality and risk control in these investments. In order to improve financial efficiency, China may also found Sino-Latin America development funds based on market-oriented operations to increasingly support private enterprises when they go to Latin America.

Beijing is not expecting to make a fortune on China-Latin America economic and trade relations, but neither can it suffer a big loss. China can tolerate short-term financial costs but cannot ignore the long-term economic balance; it can properly take political considerations into account, but cannot be purely politically-driven. In short, when it comes to Latin America, China has the money, but must be cautious when it comes to spending.

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Brasil, la única nación latinoamericana en el AIIB (Asian Infrastructure Investment Bank).

Brasil es el único latinoamericano entre los 45 países que firmaron acuerdos con el AIIB. En un primer momento EE.UU. se opuso a la iniciativa china porque va en detrimento del BID y el Banco de Desarrollo Asiático (ADB) pero cambió el rumbo cuando varios aliados se incorporaron a la misma.

Brazil sole LatAm nation in the AIIB

By Paul Weltzkin.

China Daily - 06/04/2015

More than 45 countries have signed up to be a part of the China-led Asian Infrastructure Investment Bank (AIIB) and Brazil is the only Latin American country that has committed to the bank.

Australia, France, the UK, Germany, India, Italy, and South Korea are among the nations that have said they will join the AIIB, which has received the blessing of International Monetary Fund chief Christine Lagarde. The new bank plans to invest $100 billion in infrastructure projects in Asian countries. China also has a ”One Belt, One Road” strategy which is an initiative to promote economic and cultural ties with countries involved.

Kevin Gallagher, an associate professor at the Frederick S. Pardee School of Global Studies at Boston University and co-director of the Global Economic Governance Initiative, said that Latin American nations in many ways have their own version of AIIB.

”Latin America already enjoys China as a member of the Inter-American Development Bank, China-CELAC (Community of Latin American and Caribbean States) has set up approximately

$35 billion in funds with Latin America, and of course China's policy banks provide upwards of $119 billion in finance to the region," he wrote in an e-mail.

The United States initially tried to discourage allies from joining the AIIB, seeing it as a challenge to the World Bank and Asian Development Bank over which it has considerable influence. The US reversed course after many of its allies signed up for it. Washington has questioned whether the AIIB will uphold international standards of governance, and social and environmental safeguards.

Analysts have said the creation of AIIB reflects China's growing economic and diplomatic might as well as its desire to harness this economic powerfor political purposes.

Rather than reflecting the influence of US opposition, Harold Trinkunas, who directs the Brookings Institution's Latin America Initiative, saidmost Latin American countries have not joined AIIB for reasons related to domestic economics and politics.

"Many now face the prospect of an economic slowdown, and some of the larger countries are also facing political scandals at home. Given that there is a requirement to contribute capital as a founding member, many governments may face public perception that the required capital contribution would be better spent at home. In addition, Latin America already has two major regional development banks, Inter-American Development Bank and the Corporacion Andina de Fomento, and most countries can also borrow from international capital markets, so joining another development bank does not appear to be as urgent as it may be to other founding members," Trinkunas said in an email.

Professor Enrique Dussel Peters at the Universidad Nacional Autnoma de Mexico said "One Belt, One Road" initiative doesn't specifically refer to Latin America.

The strategy is "very open to different countries and continents, and has mentioned countries from Asia, Europe and even Africa, but there is not a single word on Latin America and the Caribbean," he wrote in an e-mail.

América Latina se lleva la peor parte en la desaceleración china.

La reducción del crecimiento está reduciendo las importaciones de materias primas desde América Latina. Pero en el mediano plazo la situación sería menos grave, especialmente para el sector agroalimentario porque China tiene "muchas bocas que alimentar" y eso no va a cambiar en el futuro.

Latin America bears 'biggest brunt' of China slowdown

By Elliot Wilson

Emerging Markets - 27/03/2015

The slowdown in economic growth in China is starting to have real impacts on commodity-rich Latin America as weakening demand for construction crimps demand for raw materials

China's economic slowdown is starting to bite in Latin America as the country's once insatiable appetite for natural resources begins to ebb.

In early March, China lowered its official economic growth target for this year to 7%, down from 7.4% in 2014, itself the slowest rate of annual growth registered in Asia's largest economy in a quarter of a century.

That is causing pain everywhere, but nowhere more than in Latin America, analysts told Emerging Markets.

"We are already seeing the effects of a slowing China on Latin America," said Andrew Polk, senior economist at The Conference Board's China Centre for Economics and Business in Beijing. "The region is bearing the biggest brunt of the Chinese slowdown."

Latin America is experiencing all of its nightmares at once. China has proven a major and reliable financial and economic benefactor for the region.

Two-way trade, mostly involving the import of raw Latin American materials and the export of Chinese-made goods, boosted two-way trade to $241bn in 2013, from $10bn in 2000, according to data from the United Nations. Commodities accounted for 53.2% of regional export earnings in 2013, according to figures from the IADB.

In just a few years, however, that has all changed. China's construction sector is slowing markedly, crimping demand for everything from Colombian iron ore to Chilean copper to Brazilian and Venezuelan oil. Even softer commodities such as beef and soybeans, key export earners for Argentina and Brazil, have been hit hard.

The price of soybeans is tipped by Australian commodities bureau Abares to hit an average of $390 a metric tonne in 2015, its lowest rate in nine years, and down from a high of $623 in August 2012. Chinese iron ore futures meanwhile slipped to $69 a metric tonne on Monday, down from $128 a year earlier and the lowest rate since October 2013.

Economic experts warn that Latin American states, already struggling to balance the books and having failed to diversify economically during the boom years, need to get used to leaner times.

"This slower rate of growth in China is now the 'new normal'," warned Li-gang Liu, chief China economist at ANZ in Hong Kong. "China's demand for hard commodities is going to continue to taper down, as it looks to become more efficient, and to substitute cleaner energy – gas – for dirtier oil and coal."

The medium term picture is likely to be mixed, with sovereign exporters of softer commodities – notably agricultural goods – likely to do better than exporters of harder commodities such as energy and minerals. "China's got a lot of mouths to feed – that isn't going to change," said one Beijing-based commentator.

A precise picture of resource-based trade between Latin America and China is also likely to be muddied in the near-term as the country seeks to stockpile commodities while prices remain depressed.

Yet Latin America as a whole is facing a protracted period of turbulence. Mainland demand for raw materials is unlikely to accelerate again for several years, experts warn.

And having failed to push through reforms during the good years, Latin American states now face a race to diversify, in the hopes of boosting earnings from manufacturing or services. It is a race for which the region is poorly equipped and poorly prepared.

China: proyecciones de poder

El gasto de defensa chino aumenta a una tasa de dos dígitos desde hace 27 años y China se convirtió en el tercer comerciante mundial de armamento y está asumiendo compromisos internacionales como la misión naval para combatir la piratería en la costa este de África y otras. Está construyendo "la Gran Muralla de Arena" para extender su poder en aguas asiáticas y preocupando a sus vecinos. Pero medido en relación al PBI el gasto no aumentó y se considera normal.

China: Projections of power

By Charles Clover

Financial Times – 8/4/2015

Beijing is placing more emphasis on qualitative improvements in manpower and weaponry than ideological shows of force.

China's military made history practically every day last week. On Thursday it was the Lin Yi, a guided missile frigate, which spent 75 minutes moored in war-torn Yemen's port of Aden before setting off to Djibouti with 225 evacuees.

Billed by Beijing as the navy's first international maritime rescue evacuation, the mission helps show the rising ambitions of the People's Liberation Army.

A few days earlier, state television showed a satellite photo of three submarines anchored at a top-secret base on China's southern island of Hainan. The report identified them as the navy's most advanced Type-093G nuclear powered attack submarines, which experts say will start China's first patrol by nuclear powered subs later this year.

And to top off a busy week, Pakistan agreed "in principle" to buy eight Chinese submarines in a deal that could be worth up to $5bn – the most lucrative Chinese arms contract ever.

China also announced last month that it is building a second aircraft carrier and that its defence spending would rise this year by 10.1 per cent, marking 27 years of double-digit or near double-digit increases. Over the past five years, China's arms exports have grown by 143 per cent, making it the world's third-largest arms trader, according to a new study by the Stockholm International Peace Research Institute (Sipri).

Is China militarising? Or simply building up its military? The distinction is more than semantic. Militarising is what countries do when they intend to use their military, and is measured not just in ships and tanks, but also in behaviour. China's neighbours, such as Taiwan, Japan, Vietnam and the Philippines, are becoming skittish about Beijing beefing up its hold over disputed islands. Admiral Harry Harris, commander of the US Pacific Fleet, has likened this to the creation of "a Great Wall of sand", referring to a large-scale dredging operation to create land on isolated reefs for ports, barracks and even air strips.

Beijing's rapid spending increases and stubborn defence of its maritime claims, including an area of ocean sticking out into the South China Sea called the "nine dash line" and over islands in the East China Sea disputed with Japan, threaten to ignite an arms race across Asia. Largely due to China's build-up, Japan has begun to debate the merits of its pacifist postwar constitution.

"If you look at China from a military perspective, their defence expenditure has been increasing for 27 consecutive years at the rate of nearly double digits every year and, right now, China's defence budget is 3.6 times larger than the defence budget of Japan," Japanese Prime Minister Shinzo Abe told the Financial Times last month.

International focus

Beijing has been taking on international commitments, starting with a mission in 2008 to deploy its navy off the east coast of Africa to combat piracy, the first time the navy has deployed that far in 600 years. Last year a Chinese frigate helped to escort an international convoy carrying Syria's chemical weapons stockpile out of the country, while Chinese submarines took their first known voyages into the Indian Ocean, with one sub docking twice in Sri Lanka.

There have also been episodes of sabre-rattling. On the eve of a visit to New Delhi by Chinese President Xi Jinping last September, Chinese forces moved closer to India along a disputed border in the Himalayas, though it is still not clear whether this was the result of a Chinese provocation or more aggressive patrolling by Indian troops. In November 2013, Beijing's defence ministry announced an "air defence identification zone", which requires all aircraft travelling through it to identify themselves and covers islands in the East China Sea claimed by Japan.

China

That move took even the foreign ministry by surprise, according to one former Chinese official. "Usually something like that is done with rounds of consultations," said a western diplomat. "They [the defence ministry] just sort of sprung it."

Few would deny that China's role in the world is increasing, but how much defence does a country need? The way countries spend money tells a lot about their intentions. Little-noticed in 2013, Russia upped defence expenditures by 25 per cent to become the third-largest defence spender in the world, a year before Russian troops quietly seized roads and chokepoints across Crimea, precipitating war in eastern Ukraine.

If Beijing's strategy is judged just on the numbers, China's 10-fold increase in annual defence spending from 1989 seems exceptional. "I can't think of similar cases that weren't [in] wartime or leading up to war," says Sam Perlo-Freeman, an expert on defence spending at Sipri. In recent decades, only Georgia, which increased expenditures 26-fold between 2000 and 2007, exceeded China's breakneck speed — and this ended in the 2008 war with Russia.

But measured another way, as a part of the overall economy, China's military spending starts to look more normal. For all the talk of trophy armaments and aggressive rhetoric from Beijing, military expenditures are small by international standards if measured as a percentage of GDP. In fact, if militarisation means increasing the role of the armed forces relative to wider society, China's military spending is actually less than many of its neighbours as a percentage of GDP.

The measurements matter: China military spending is slightly outpacing economic growth if expenditure is adjusted for inflation using consumer price indicator yields, but it is undershooting overall growth if the GDP deflator, a measure of price rises or falls, is factored in.

Rhetoric and reality

"We focus so much on what the PLA wants and what the PLA will do, it's easy to lose focus on what the PLA is actually doing," says Jack Midgley, director of the strategy consulting practice at Deloitte in Tokyo. "When people say China is engaging in an aggressive military build-up, the numbers tell a different story."

Defence should be seen as a component of China's overall economic development, he says. "There is more of everything in China now, there are more cellphones, there's more air pollution, there are more babies [and] there are also more tanks and one more aircraft carrier."

Mr Perlo-Freeman says that while official figures may understate total defence spending, even taking into account items usually left out of the tally only brings the total to about 2-2.1 per cent of GDP – nowhere near militarised nations such as Israel or the Arab Gulf states, which spend about 6-10 per cent of GDP on military budgets. That percentage has not changed significantly, since military spending has been growing in line with the Chinese economy. And as a share of general government expenditure it has fallen since 2012, from about 11-12 per cent to 7 per cent in 2013, before ticking up slightly in 2014.

"One can say that, while the Chinese government has certainly been putting a lot of money into the military, it has actually been giving higher relative priority to other areas," says Mr Perlo-Freeman.

China's arms exports can also be counted in different ways. The foreign ministry took issue with the Sipri study of arms exports, claiming the study measured volumes of arms rather than price, which is not usually made publicly available. Measuring by volume, it says, understates the exports of the US, which are more expensive.

Moreover, other analysts say that despite the impressive rollout of high-tech equipment, China's army still has very little operational capability for the most advanced systems.

"The military appears to run on slogans," says one western diplomat in Beijing with extensive knowledge of China's PLA. "But operationally they have a long way to go." The lack of transport aircraft, for example, makes it is increasingly common to see hordes of PLA soldiers boarding Chinese commercial airlines flights bound for duty.

While much of the spending is on prestige projects such as the Liaoning, a Soviet aircraft carrier that China commissioned in 2012 after refitting it, experts say that without huge improvements in combat readiness, training and doctrine – not to mention smaller support vessels – such trophy platforms will be sitting ducks in a conflict.

"There are individual US pilots that have had more carrier landings than the whole of the Chinese military," says Mr Midgley. Gary Li, an independent defence analyst on Beijing, adds that having an aircraft carrier "does not equate to knowing how to use it. They are years away from being able to conduct carrier operations."

The PLA is actually the smallest it has been in terms of manpower and weaponry since 1949, but it is much more efficient and boasts far better equipment. Tai Ming Cheung, director of the Institute on Global Conflict & Co-operation at the University of California in San Diego, says China's military is much stronger in terms of its capacity for lethal operations because of technological advances and improved training.

Going for quality over quantity is at the heart of a reform announced in 2013, aimed at reducing or eliminating bloated elements in the PLA's ranks. The army will eventually have to get rid of troupes of dancers, opera singers and drivers who are more representative of a former era when ideological concerns were more pressing.

Shifts in command

The reform will also reorganise the command structure, which is dominated by the land forces, and give the air force and navy separate command authority commensurate with their new prominence. The moves reflect a shift away from former strategic priorities, such as fighting a land war against the Soviet Union, towards projecting power into the western Pacific region.

Chinese people and diplomats wait to board a Chinese navy frigate to depart for their country during an evacuation from Yemen at a sea port in the western port city of Hodeidah, Yemen, 06 April 2015. According to reports China said on 06 April it has temporarily closed its embassy in the Yemeni capital Sana'a and its consulate general in the southern city of Aden, and evacuated all diplomatic staff from Yemen due to the worsening security conditions. The Saudi-led military operation launched airstrikes against the Houthi rebels in Yemen on 26 March.

China continues its evacuation operations at a port in southern Yemen on April 6

Simultaneously, Mr Xi is strengthening the Communist party's hold over the military with a thorough crackdown on corruption: dozens if not hundreds of senior officers have been investigated.

Mr Cheung says that analysing budgets and the number of troops tells only half the story of China's military strategy. More important is the intrusion into the public sphere of military and security issues, which were previously not a priority in the post-Mao era when economic development was key.

"I would argue that China may be adjusting from being a developmental state, to becoming more of a national security state in which security priorities are becoming the most important considerations for the Chinese leadership," he says.

Entrevista: Li Keqiang sobre los desafíos de China

En la primera entrevista concedida a un medio occidental y sin revisión previa de preguntas, el premier chino expresa el interés de su país en cooperar con otros en la promoción de la economía global, el beneficio de trabajar con los organismos financieros internacionales y sus reparos por la política monetaria de la Fed. Advierte que China tiene una inflación menor que la planeada y descarta la idea de promover el crecimiento mediante devaluaciones.

Interview: Li Keqiang on China's challenges

By Lionel Barber, David Pilling and Jamil Anderlini

Financial Times – 15/4/2015

The premier says Beijing is willing to 'work with others' to boost the global economy

Chinese Premier Li Keqiang waves as he arrives for a press conference after the closing ceremony of the annual session of China's legislature, the National People's Congress, in Beijing's Great Hall of the People on March 15, 2015.

China's turbocharged economy is growing at its slowest pace in a quarter of a century and is expected to slow further, the ruling Communist party is engaged in a sweeping anti-corruption purge and the country's leaders are trying to clean up decades of rampant industrial pollution.

As he greets the Financial Times in the Great Hall of the People in Beijing's Tiananmen Square, China's second most powerful man seems to be taking all this in his stride.

Li Keqiang is directly responsible for managing what is now the world's largest economy – at least in purchasing power terms – and leading Beijing's efforts to move from the credit-fuelled, investment-led growth model of the past to a more sustainable future.

In his first interview with a western media organisation, Mr Li was relaxed, gregarious and clearly in command of his brief during an hour of questioning in the Hong Kong room of the Great Hall, a highly symbolic venue to receive a British newspaper editor.

His main message to the world was China's continued commitment to the current global financial order, particularly in the wake of Beijing's move to set up the Asia Infrastructure Investment Bank.

As late as January, no western country seemed ready to join an institution that poses such a clear challenge to the established, US-dominated global order. But since then, most of America's allies have signed up in a striking example of how the centre of geopolitical power is shifting east.

The UK's move last month to join the AIIB, despite protestations from Washington, prompted a scramble from other European and western allies that has left the US looking leaden-footed and isolated. Even senior US officials have described the episode as a stunning diplomatic victory for Beijing.

But throughout the interview, Mr Li refrained from even a hint of gloating and repeatedly insisted that China has no desire to create a new world order.

"China wants to work with others to uphold the existing international financial system," Mr Li says. "[The AIIB] is intended to be a supplement to the current international financial system."

He explicitly welcomed Britain's application to join the bank and emphasised that the AIIB and the Japan- and US-dominated Asian Development Bank could "work in parallel in promoting Asian development".

Antibiotic resistance

China has sometimes complained that the postwar liberal international order created by the Bretton Woods institutions – the International Monetary Fund and the World Bank – was set up in order to contain it and other Communist states. Some Chinese academics and officials have argued that it is now obsolete and needs replacing.

To the specific question of whether China wanted to replace the Bretton Woods institutions, Mr Li was categorical: "There is no such thing as breaking the existing order," he insists.

"We gained advanced experience from working with the World Bank and other institutions and our [World Trade Organisation] membership has also helped Chinese companies gain deeper knowledge about how they can compete with others under international rules. So China has been a beneficiary of the current international system in terms of both peace and development."

Mr Li even expressed cautious enthusiasm for the Trans-Pacific Partnership, a US-led trade initiative in Asia that has been seen by many as an "anyone-but- China club" since it pointedly excludes the world's biggest goods trader.

Chinese leaders like to use metaphors in their speeches and Mr Li was most lyrical in explaining his concerns about quantitative easing and the US Federal Reserve's plan to end unconventional monetary policy.

"It is quite easy for one to introduce QE policy, as it is little more than printing money," he says. "When QE is in place, there may be all sorts of players managing to stay afloat in this big ocean. Yet it is difficult to predict now what may come out of it when QE is withdrawn."

He warns that most countries have not yet undertaken the necessary structural reforms to address the root causes of the global financial crisis and compares the world economy to a patient on an "IV drip and antibiotics" who has not been allowed to strengthen their immune system to recover on their own.

Unlike many interviews with senior Chinese leaders, this encounter was unscripted and the FT's questions were not submitted to the premier or his staff beforehand.

Although the substance of the meeting was initially intended to be off the record, Mr Li later agreed to the FT publishing the entire discussion without any changes to his remarks – also unusual in the Chinese context.

Mr Li's relaxed and casual demeanour contrasted with the ornate and imposing venue and the immaculately coiffed attendants serving hot towels, soft drinks and copious amounts of tea.

The son of a low-level party official from the rural province of Anhui, the 59-year-old Mr Li spent four years toiling on the land at the end of the 1966-1976 cultural revolution before he was accepted to study at the newly reopened Peking University law school in 1978.

His time at the country's most prestigious university coincided with China's version of glasnost, an extraordinary period of openness to long-banned western political ideas. Along with other students he helped translate The Due Process of Law by the late senior British judge Lord Denning and classmates from that time say he was influenced by liberal professors, some of whom believed strongly in constitutional democracy.

In 1998 he became China's youngest governor, when he was appointed to run the impoverished province of Henan. His time there was marred by a scandal in which tens of thousands of peasant farmers contracted HIV from an official government blood donor scheme.

Seen as a protégé of former president Hu Jintao, Mr Li was considered by many to be his most likely successor until 2007, when it became clear that Xi Jinping would take that role. Since taking over as premier in early 2013, Mr Li's priorities have been slashing the size and power of the country's unwieldy bureaucracy while also pushing more sustainable urbanisation, financial reforms and declaring "war on pollution".

Growth fears

Some political insiders in China have suggested the office of the premier has been overshadowed by President Xi's consolidation of power since he and Mr Li ascended to their current roles.

But on the economy in particular, an area where the premier has traditionally taken the lead, Mr Li expressed confidence and gave the impression he was in charge of government policy at a time of growing concern over the slowdown.

China grew 7.4 per cent last year, the slowest pace in 24 years. But government data released on Wednesday revealed that growth fell to 7 per cent in the first quarter from the same period a year earlier, the lowest quarterly reading since the depths of the global financial crisis and down from 7.3 per cent in the fourth quarter of last year.

Most other economic figures were surprisingly weak in March, indicating that the slowdown is likely to continue.

Speaking two weeks before Wednesday's figures were released, Mr Li acknowledged the difficulty his government faces maintaining employment and meeting the government's growth target this year of "around 7 per cent".

"It's true that our economy is still under downward pressure," he says. "It won't be easy to achieve another 7 per cent growth this year."

But he insists Beijing has the wherewithal to hit its target while also maintaining "fairly sufficient employment, [an] increase in household income and improvement of the environment".

"We have the ability to keep economic operation within the proper range," he says. "Since the fourth quarter of last year we have made fine-tuning adjustments to our fiscal and monetary policies but these adjustments are not a QE policy. Instead they are targeted regulatory steps and they have paid off."

China cut interest rates for the second time in three months at the end of February and has also announced plans to overhaul local government finances and boost infrastructure investment in parts of the country where growth has slowed the most.

Some Chinese economists and academics who advise the government have told the FT they believe the leadership is more concerned about sliding growth rates than it has publicly acknowledged. Many believe the biggest risk to growth is the country's slumping real estate sector, where prices and sales volumes have been falling for the past year but where things could still get a lot worse.

An enormous property boom, particularly of residential housing, had been the main driver of growth in China for a decade until it ran into trouble last year.

Mr Li acknowledges the real estate downturn — where housing sales dropped 7.6 per cent last year even as overall investment in the sector continued to increase by 10.5 per cent — is a particular area of concern.

"We want to have steady and sound growth of the real estate market. The government will continue to encourage the homebuying for self use or improved living conditions and guard against property bubbles. There may be certain conflicts of interest among these goals and we need to strike a proper balance among multiple goals and exercise proper regulation. This is not going to be easy but we . . . believe we can do it."

Mr Li appeared more confident when quizzed on the question of falling prices in China, where factory gate prices have contracted for 37 straight months, the longest period on record.

"The tumble of international commodity prices did put our [producer price index] under much pressure," Mr Li says. "So, in a certain sense, we are on the receiving end of deflation but this does not mean there is deflation in China."

Consumer prices increased 1.4 per cent in March from a year earlier, well below the government's stated target for this year of "around 3 per cent" but still in positive territory.

With Japan and Europe both engaged in unconventional monetary policies partly aimed at devaluing their currencies, many global investors are asking whether China may be tempted to devalue its own tightly controlled currency, especially if growth slows more than expected.

Historically, Beijing has resisted the temptation to enter into competitive devaluation, most notably during the 1997-98 Asian financial crisis. Mr Li holds a similar view to his predecessors although he does not categorically rule out the possibility that China could act to push down the renminbi.

"We don't want to see further devaluation of the Chinese currency because we can't rely on devaluing our currency to boost exports," he says. "We don't want to see a scenario in which major economies trip over each other to devalue their currencies. That would lead to a currency war. And if China feels compelled to devalue the renminbi in this process we don't think this will be something good for the international financial system."

Bargaining chip

Mr Li delved into topics ranging from relations with Japan to China's anti-corruption drive, which has mostly been led by President Xi and which Mr Li says is "intensifying".

"We want to ensure that government power will be exercised with restraint," says Mr Li, "and the government will live up to its due responsibilities to boost market vitality, eliminate the space for rent-seeking behaviour and uproot corruption."

According to public figures hundreds of thousands of officials have been investigated on suspicion of corruption or breaching Communist party discipline in the past two years.

On relations with Japan, Mr Li stuck closely to the party's official script on the need for Tokyo to face up to atrocities committed during Japan's occupation of China before and during the second world war.

"The current China-Japan relationship is still in a quite difficult spot. There is [a] wish from both sides for improved relations but such improvement needs a foundation," Mr Li says. "The crux of the issue is how to view the history of the second world war and whether one can draw lessons from that part of history to ensure that the war will never repeat itself."

While the premier is adamant China is not trying to challenge the existing global order Mr Li is also clear that changes are necessary to accommodate its rise and that of other developing countries.

La revolución silenciosa. La economía desacelerada domina los titulares, pero la verdadera historia es la reforma.

La economía china crece a un menor ritmo pero tiene fortalezas: la mayor parte de la deuda es interna y el gobierno tiene la capacidad para manejar la situación. El motor del crecimiento está virando hacia el consumo interno y las reformas en curso promueven una asignación más eficiente de los recursos.

The quiet revolution. A slowing economy commands headlines, but the real story is reform

The Economist – 18/4/2015

With China, the received wisdom belongs to the pessimists. Figures this week revealed that growth has slowed sharply and deflation set in, as the economy is weighed down by a property slump and factory production is at its weakest since the dark days of the global financial crisis. In the first three months of 2015, GDP grew at "only" 7% year-on-year. Growth for 2015 will probably be the weakest in 25 years.

Fears are rising that, after three soaring decades, China is about to crash. That would be a disaster. China is the world's second-largest economy and Asia's pre-eminent rising power. Fortunately, the pessimists are missing something. China is not only more economically robust than they allow, it is also putting itself through a quiet—and welcome—financial revolution.

The robustness rests on several pillars. Most of China's debts are domestic, and the government still has enough sway to stop debtors and creditors getting into a panic. The country is shifting the balance away from investment and towards consumption, which will put the economy on more stable ground (see article). Thanks to a boom in services, China generated over 13m new urban jobs last year, a record that makes slower growth tolerable. Given China's far bigger economy, expected growth of 7% this year would boost the global economy by more than 14% growth did in 2007.

However, the real reason to doubt the pessimists is China's reforms. After a decade of dithering, the government is acting in three vital areas. First, in finance, it has started to loosen control over interest rates and the flow of capital across China's borders. The cost of credit has long been artificially low, squashing the returns available to savers while, at the same time, succouring inefficient state-owned firms and pushing up investment. Caps on deposit rates are becoming less relevant, thanks to an explosion of bank-account substitutes that now attract nearly a third of household savings. Zhou Xiaochuan, the governor of China's central bank, has said there is a "high probability" of full rate-liberalisation by the end of this year.

China is also becoming more tolerant of cross-border cash flows. The yuan is, little by little, becoming more flexible; multinational firms are able to move revenues abroad more easily than before. The government's determination to get the IMF to recognise the yuan as a convertible currency before the end of 2015 should pave the way for bolder moves.

The second area is fiscal. Reforms in the early 1990s gave local governments greater responsibility for spending, but few sources of revenue. China's problem of too much investment stems in big part from that blunder. Stuck with a flimsy tax base, cities have relied on sales of land to fund their operations and have engaged in reckless off-books borrowing.

The finance ministry now says it will sort out this mess by 2020. The central government will transfer funds to provinces, especially for social priorities, while local governments will receive more tax revenues. A pilot programme has been launched to clear up local-government debt. It lays the ground for a municipal-bond market—despite the risks, that is better than today's opaque funding for provinces and cities.

The third area of reform is administrative. In early 2013, at the start of his term as prime minister, Li Keqiang pledged that he would cut red tape and make life easier for private companies. It is easy to be cynical, yet there has been a boom in the registration of private firms: 3.6m were created last year, almost double 2012's total.

The high road of lower growth

In time, these reforms will lead to capital being allocated more efficiently. Lenders will price risks more accurately, with the most deserving firms finding funds and savers earning decent returns. If so, Chinese growth will slow—how could it not?—but gradually and without breaking the system.

China's growth is slowing. A detailed look at what is behind the slowdown

Yet dangers remain. Liberalisation risks breeding instability. When countries from Thailand to South Korea dismantled capital controls in the 1990s, their asset prices and external debts surged, ultimately leading to banking crises. China has stronger defences but nonetheless its foreign borrowing is rising and its stockmarket is up by three-quarters in six months.

And then comes politics. Economic reforms have high-level backing. Yet the anti-corruption campaign of President Xi Jinping means that officials live in fear of a knock on the door by investigators. Many officials dare not engage in bold local experiments for fear of offending someone powerful.

That matters because reform ultimately requires an end to the dire system of hukou, or household registration, which relegates some 300m people who have migrated to cities from the countryside to second-class status and hampers their ability to become empowered consumers. Likewise, farmers and ex-farmers need the right to sell their houses and land, or they will not be able to share in China's transformation.

Ever fond of vivid similes, Mr Li says economic reforms will involve the pain a soldier feels when cutting off his own poisoned arm in order to carry on fighting. "Real sacrifice", he says, is needed. China's quiet revolution goes some of the way. But Mr Li is right: much pain lies ahead.

Esfuerzos globales por la seguridad alimentaria.

China trabaja por la seguridad alimentaria porque es un problema global debido a la expansión de las cadenas de valor y los alimentos que llegan a la mesa de los chinos pueden provenir de cualquier lugar del mundo, incluso de países con problemas de seguridad en alimentos.

Global efforts sought on food safety issues

By He Na

China Daily - 23/4/2015

China is working with other countries to tackle food safety risks as the issue is a global problem and no nation is immune, a senior official from the China Food and Drug Administration said on Wednesday.

”Food safety has no boundaries,” said Wang Mingzhu, the administration’s deputy director-general. ”The expansion of food chains has meant that food safety has become a complex global issue. A problem in a city or a country can quickly escalate into an international incident.”

She was speaking on the opening day of the 2015 International Forum on Food Safety in Beijing. More than 40 world experts and government officials from home and abroad and 400 representatives from local governments and food companies are taking part.

”Working out measures to tackle food safety risks and reduce the number of food safety incidents is a major task for every country,” Wang said.

”China has signed food safety agreements with many countries in an effort to prevent international incidents. We will further enhance cooperation over food safety risks.”

Chen Junshi, a member of the Chinese Academy of Engineering, urged major international food and beverage companies to help small enterprises to increase their knowledge of the subject and improve the quality of their products.

Patrick Wall, co-chairman of the International Expert Panel on Food Safety at the International Union of Food Science and Technology, said food fraud and safety problems are global issues.

”Many places in the world have food safety problems. It happens in every country, not just in China,” said Wall, a professor of public health at Ireland’s University College Dublin.

He gave as examples an outbreak of mad cow disease in the United Kingdom and the contamination of food with dioxin in Belgium.

”The global food supply chain has changed; it means that our food on the table can possibly come from any corner in the world,” Wall said. ”Food safety has become a global public health problem.”

It is important to restore consumers’ confidence after food safety scandals, he said.

”Chinese consumers believe imported infant milk formula is safer. Rebuilding faith in the regulatory authorities and restoring brand loyalty requires powerful, highly visible risk-management strategies and effective communication,” Wall said.

However, he added, actions speak louder than words.

”No amount of communication, no matter how innovative, will achieve results if it is not associated with strategies to reduce the risks or eradicate them completely.”

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El demonio, o Mr. Wang.

El segundo líder más poderoso es admirado y temido.

El titular de la Comisión Central para la Inspección de la Disciplina, el órgano encargado de la lucha anticorrupción es Wang Qishan, ex banquero y troubleshooter.

Es considerado el segundo hombre más poderoso y es temido por la “aristocracia roja”, de la cual forma parte, que está en el foco de la lucha anticorrupción.

The devil, or Mr Wang

The Economist—Beijing — 28/3/2015

China’s second most powerful leader is admired and feared

Fear is Wang Qishan’s favoured weapon. As leader of the Communist Party’s most sustained and wide-ranging anti-corruption campaign in its history, he often urges his investigators to be “frightening”. One story goes that at a meeting of the party’s Central Commission for Discipline Inspection (CCDI), convened after Mr Wang took charge of it in November 2012, senior members—themselves among the most feared officials in the party—were presented with dossiers of their own sins. Mr Wang’s aim, it appeared, was to terrorise the enforcers themselves. Failure to uncover high-level graft, he has warned them, would be “dereliction of duty”.

At the time, a few were said to have grumbled—relentlessly pursuing the powerful over ill-gotten gains had not been a common feature of the unruffled life of a CCDI official. Before taking up the job, corruption had not even been Mr Wang’s preoccupation. A one-time banker and mayor of Beijing, he had gained a reputation as a troubleshooter during crises such as a deadly outbreak of Severe Acute Respiratory Syndrome in 2003 and the global financial crisis of 2008-09. To foreign dignitaries he even came across as affable: the professorial face of a secretive leadership. Now few dare to complain. At the age of 66, Mr Wang is the sixth-ranking member of the Politburo but is clearly second only to President Xi Jinping in the power he wields. He is perhaps the most feared.

On Mr Xi’s behalf, Mr Wang (pictured, left, with Mr Xi) has waged an assault on the vast machinery of the party that is unprecedented in its scale, complexity and ambition. Its targets have included high-ranking opponents of Mr Xi, but it is more than just a vendetta. Fear has spread throughout the bureaucracy and the management of state-owned enterprises. Mr Wang’s army of hundreds of thousands of party investigators, who have licence to detain and interrogate suspects without legal restraints, have taken down senior officials in redoubts such as the domestic security apparatus and the People's Liberation Army, powerful state-owned enterprises and state regulators.

More than one-third of provinces have lost at least one member of their senior party leadership to corruption inquiries. The coal-mining province of Shanxi has lost the majority of its 13-member party leadership. Last year Mr Wang authorised the punishment of nearly 200 of his own investigators there. The largest oil company, China National Petroleum Corporation, has lost so many senior executives that designated replacements are reportedly at the ready should more disappear into Mr Wang's clutches. That is likely: those detained are pressed—and sometimes tortured—into confessing and giving up more names in a secretive, extralegal system known as shuanggui. Dozens of generals and numerous former aides to party elders, all the sorts of people usually spared such treatment in the past, have been caught in the dragnet. Long dreaded by party officials, the shuanggui system is said by some to have become even more brutal. Officials have said they "would rather see the devil" than Mr Wang.

Normal bureaucratic life has been widely disrupted. The party has acknowledged that many officials are so afraid that they try to avoid making important decisions for fear of standing out—who knows what secrets their rivals might divulge to investigators? Provinces and ministries gutted by the CCDI squads are in desperate need of personnel. On March 6th the party chief of Shanxi said his province still needed to fill nearly 300 vacancies left by graft investigations there, including the most senior party posts in three cities. Many officials will not be keen to apply, so tainted by corruption is Shanxi's reputation.

Mr Wang and Mr Xi may deem such disruption to be an acceptable risk. From almost his first day in power Mr Xi has declared the party to be riddled with corruption; life-threateningly so, indeed. Predecessors have used similarly strong language, but Mr Xi appears to be taking the problem far more seriously. This partly relates to the scale of it: recent years of double-digit growth in a flimsy legal environment have enabled officials to make fabulous sums of money through graft. It also relates to a broader political concern, that corrupt networks have become an obstacle to the economic reforms needed to sustain growth in the years ahead. The party describes anti-graft investigators as breaking "factions" that have subverted central authority by blocking its reforms. Hence state-owned enterprises that control vital areas of the economy, including the energy sector, are among the main targets.

For now, Mr Xi and Mr Wang seem to have the support of those around them. The other five members of the party's highest ruling body, the Politburo Standing Committee, endorsed the detention of Zhou Yongkang, a former chief of domestic security who himself served on the committee until he retired in 2012 (he is the first man of his rank to be charged with corruption in the party's history). The same was true for Xu Caihou, a retired vice-chairman of the military high command, who was formally detained last year (he died of cancer on March 15th), and would be true for his fellow retired vice-chairman, Guo Boxiong, whose detention appears likely. By targeting such figures (Mr Xu and Mr Guo were the armed forces' two most senior officers) Mr Xi has strengthened his grip on the security establishment. Investigators appear to be preparing political charges against Mr Zhou, possibly that he colluded with a former Politburo member, Bo Xilai (now serving a life sentence), as well as with generals; many suspect they tried to challenge Mr Xi's rise to power.

Mr Xi, Mr Wang and others on the Politburo Standing Committee have paid visits to members of the so-called "red nobility", as relatives of former leaders are often described, to secure their co-operation. (Mr Xi and Mr Wang are princelings themselves.) Families belonging to the party aristocracy have so far escaped the worst of the anti-corruption campaign, but they have been told to turn over illegal assets to the state and rein in extravagant spending. Those so instructed have included Mr Xi's own relatives, who were reported by Bloomberg in 2012 to have amassed hundreds of millions of dollars (though the news service found no indication of wrongdoing by them or Mr Xi). It also includes associates of Jiang Zemin, a former president and party chief.

It is certain that some in the elite are resentful, though the threat they may pose to Mr Xi is hard to calculate. The inner debates of China's leadership are cloaked in intense secrecy. Last autumn sources close to the party leadership said they expected the anti-corruption campaign to wind down soon because of bad morale in the bureaucracy. That may have been wishful thinking: if anything, the campaign is intensifying. In the seven months to March 20th, 24 more ministerial-level officials have been detained for corruption, bringing the total to 69 in 28 months—more than double the number than in the previous five years under Mr Xi's predecessor, Hu Jintao. More than twice as many senior officials were investigated by prosecutors for corruption last year than in 2013

Mr Wang is due to retire in 2017, but he is trying to beef up the CCDI to enable it keep on catching "tigers", as senior targets are known. He has hired detectives from other agencies and forensic accountants from state-owned firms. He has also created a new, more powerful, internal-affairs unit to monitor anti-corruption officials.

Independent activists who dare to speak out about party corruption, however, are being suppressed as ruthlessly as the corrupt themselves. Mr Xi has presided over the toughest crackdown on dissent in many years, with the jailing of outspoken lawyers and a tightening of controls over the media and the internet.

Mr Wang has spoken of dealing with corruption in three stages. The first involves instilling fear, but the second would require strengthening rule of law to make it harder to be corrupt in the first place. The final stage would be to change China's political culture so that officials would not even think of taking backhanders. For now, however, there is nothing but fear itself.

Pobreza en China

Solo un poco más ricos.

El régimen chino sacó 620 millones de personas de la pobreza desde los años setenta (500, según el Banco Mundial), pero existen dificultades para clasificar las situaciones de pobreza a nivel individual o local y hay dudas sobre el destino de los subsidios destinados a los pobres.

[Poverty in China]

The Economist – Tianzhen County, Shanx I - 4/4/2015

Just a little bit richer

How much has a flagship official scheme played in China's impressive record of reducing poverty?

The villagers of Dingjiayan subsist on corn, potatoes, sunflowers and the few vegetables they grow. They sell the surplus and buy meat and a few other necessities in the nearby county town of Tianzhen. Its mud-and-brick buildings, and its setting among dusty hills in the north-eastern corner of Shanxi province, offer little to the occasional visitor to distinguish it from countless other parts of China where hard work brings but a meagre living. Yet Tianzhen county, of which Dingjiayan is a part, is one of just 592 areas that the central government designates as "impoverished".

China's official threshold for rural poverty is an annual income of 2,300 yuan ($370) per person. But the criteria for classifying a village or county are complex and often revised. They include comparisons of poverty rates and average incomes with those of the province, adjustments for inflation, quotas on the number of villages that may count as poor and a ban on including villages that own collective enterprises, whatever their income level. Though dozens of places have been listed and delisted every few years since the 1990s, the total has remained curiously fixed—at 592.

An "impoverished" designation brings substantial subsidies. But Ding Tianyu, who has lived in Dingjiayan for all his 73 years, says he hardly notices. Most households earn about 10,000 yuan a year, he says, and get a subsidy of 80 yuan for each mu (614 square metres) of land they farm. "I have five mu," Mr Ding says. "When there is enough rain I am fine, and when I get the subsidy I feel just a little bit richer."

With bustling shops and a fair number of pricey cars on its roads, Tianzhen's county town does not, by Chinese standards, feel impoverished. There is little disclosure about how subsidies are used, says a restaurant owner. “We are told a lot of it goes into the local credit union and that we can apply for loans there, but they only lend to people with good connections.”

Beautiful on the mountains

In 2012, when the list was last updated, Xinshao county in Hunan in south-central China was added. Local officials used the county’s official website to trumpet this “exceptional good tidings” after two years of “arduous efforts” and “untold hardships”. A large roadside board added its “ardent congratulations”. After nationwide criticism, the officials accepted that their words had been badly chosen. But their cheer was understandable: the official designation was worth an extra 560m yuan for the county each year from the central government.

The episode caused many to question the value of the system and the perverse incentives it creates for local governments. A commentary last year in the Legal Daily claimed that many places were misusing the funds and had fudged their figures to qualify as impoverished. Officials from the State Council Leading Group Office of Poverty Alleviation and Development, which manages the list, have acknowledged widespread abuses. In February it banned lavish new buildings and “image projects” in officially designated poor areas.

State television reported on two counties, one in Ningxia and one in Hubei, where local governments spent 100m yuan each on new headquarters. In March, during China’s annual full legislative session, the council’s poverty head, Liu Yongfu, raised a different question about the programme. He told the Southern Metropolis, a newspaper, that hundreds of counties would be taken off the list by 2020. “If a poor area as big as a county still exists, then can Chinese society still be called moderately prosperous?” he asked.

Attainment of a “moderately prosperous society” is a goal that previous Chinese leaders set and that Xi Jinping, the current president, has adopted as well. Much progress has been made since reforms began in earnest in the late 1970s. China claims to have lifted 620m people out of poverty since then. Others may quibble over that number—the World Bank puts it at 500m—but few question the premise that China deserves immense credit for alleviating so much poverty.

Much still remains, however. A little uphill from Dingjiayan sits a smaller village, Dingyuanyao. Its higher elevation means it gets less water, and a resident says most of its 90 residents will clear just 1,000 yuan a year after paying for seeds and fertiliser. Some own motorbikes and televisions, and they are grateful for the basic health insurance they receive. They laugh in unison when asked if they receive subsidies. The arrival of electricity 30 years ago was a vast improvement, they agree. But little has changed in their lives since then.

Editores: Julio Sevares y María Belén Balardini