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Uruguay 1037, piso 1º / C1016ACA Buenos Aires / República Argentina
Tel. 005411 4811 0071 al 74 / Fax 005411 4815 4742
cari@cari.org.ar / cari.org.ar

Zhai Chengyu: "Todos los productos alimenticios argentinos pueden tener mercado en China"

Por Dante Rofi

La Nación - 30/4/2016

El consejero económico y comercial de la embajada de China en la Argentina espera fortalecer la cooperación entre los países. La necesidad de abrir mercados para los productos agropecuarios argentinos es una tarea que compromete por igual al Estado y a las diversas cadenas de valor que integran el entramado de la agroindustria local. Frente a ese desafío, China emerge como uno de los mercados más aptos para estrechar lazos comerciales, sobre todo si se tiene en cuenta que su población es de casi 1400 millones de habitantes. Y frente a esa necesaria comunión entre los países, LA NACION entrevistó a Zhai Chengyu, que desde abril de 2014 es el consejero económico y comercial de la embajada de China en la Argentina, entre cuyas funciones están promover el comercio bilateral y las inversiones mutuas, e incrementar la cooperación en materia financiera, monetaria, de infraestructura, en agricultura y en transporte, entre otras áreas. -¿Qué productos alimenticios argentinos le interesan a China? -Todos los productos alimenticios argentinos pueden tener mercado en China, gracias a una población de casi 1400 millones de habitantes. Hoy día China es el primer mercado para los alimentos argentinos y la Argentina es la quinta fuente de productos agropecuarios de China. En 2015 el valor de las importaciones chinas de productos agropecuarios argentinos fue de 5900 millones de dólares, con un incremento del 12,7% respecto del año anterior. -¿Cuáles son hoy los principales productos importados? -Durante el año pasado China importó 9,44 millones de toneladas de soja, lo que marcó un incremento del 57,2% respecto del año anterior. Además se adquirieron 525.000 toneladas de aceite de soja, con un aumento del 9,5%. Ese volumen de aceite representa casi dos tercios de la importación china de dicho producto, con lo cual la Argentina es nuestro principal proveedor. El mayor crecimiento interanual se registró en la importación de carne vacuna, dado que las 43.000 toneladas implicaron un aumento del 151,4%. Así, la Argentina es la quinta fuente de importación china y China, el principal mercado para la carne argentina. En el mismo sentido, las compras de carne aviar totalizaron durante 2015 unas 38.000 toneladas, con una suba del 37,9%, con lo que su país es el segundo proveedor para mi país. El año pasado también se elevó en un 19,1% la importación de vino, por un total de 5,14 millones de litros. Actualmente estamos negociando la apertura para los limones y las cerezas, pero hay muchos otros productos en etapa de negociación. -¿Qué hace falta

para lograr un mayor acceso de alimentos argentino en China? -En el mercado chino de productos agropecuarios la competencia es intensa. La Argentina tiene que competir con los Estados Unidos, Brasil, Canadá, Australia, Nueva Zelanda, Chile y con Ucrania, entre otros países. Por eso, los precios son un factor importante, pero también lo son la promoción, la calidad, y el servicio. -Además de las negociaciones en materia de alimentos, ¿existen otras áreas donde se esté incrementando la relación entre ambos países? -Tanto China como la Argentina son dos potencias agrícolas mundiales. Ambos países pueden estrechar cooperaciones en temas como pesca; acuicultura; semillas; prevención y tratamiento de enfermedades; ganadería; transformación de productos agropecuarios; maquinaria agrícola, y construcción de infraestructura agrícola (riego, control de inundaciones, transporte fluvial y ferroviario, entre otras). Sobre esto último, por ejemplo, la empresa china CMEC hoy trabaja en la Argentina con la Administración de Infraestructuras Ferroviarias del Estado y con el Belgrano Cargas para mejorar las vías férreas que facilitarán el transporte de productos agropecuarios argentinos. En los últimos años las comunicaciones entre los gobiernos han sido muy fluidas. 29 -Ante la dependencia que tiene China de las importaciones de poroto de soja, ¿prevén elevar la producción de la oleaginosa? -Nuestra cosecha de soja ronda normalmente los 12 millones de toneladas. Podremos variar levemente el área destinada a la oleaginosa, pero no como para preocupar a los exportadores. Además, en China las plantaciones son chicas, no como las que se ven en la Argentina o en otros países productores, y no cultivamos soja transgénica. Pero sobre todo, al no ser un alimento directo para el consumidor, la producción de soja no es una prioridad, como lo son el maíz y el arroz. -¿La demanda de soja la prevén en constante crecimiento o consideran que tiene un techo? -La mejora en la calidad de vida en China hace que cada año haya más gente que incorpora la carne a su dieta y eso eleva la necesidad de comprar soja para alimentar al ganado Hay que tener en cuenta que en China las carnes que más se consumen son la porcina y la aviar, en tanto que la carne vacuna es un producto caro, por lo que al crecer la clase media también tiende a incrementarse el consumo de cortes vacunos. Claro que también es una cuestión de precio. Si el valor de la soja es razonable las compras seguirán. En ese sentido, con la reducción de las retenciones y con la modificación del tipo de cambio, es posible que la Argentina pueda mejorar su competitividad y sus ventas. -¿Qué capacidad de molienda tiene China en la actualidad? -Hoy China tiene la capacidad de moler 160 millones de toneladas de soja por año, luego del aumento en más de 110 millones desde 2006, cuando la capacidad instalada china no llegaba a los 50 millones. Con compras cercanas a los 82 millones y con una cosecha propia de 12 millones, creo que la capacidad de molienda del país ya es suficiente.

¿Tiene China realmente una visión estratégica del mundo?

El autor cuestiona la idea de que China conoce el mundo y sabe adonde se dirige. Cita casos de errores de percepción de la dirigencia china, desde los años cincuenta a la actualidad.

Does China Really Have a Strategic Vision for the World?

Since the founding of the PRC, China's leaders have often misunderstood both allies and rivals alike.

By Kerry Brown

The Diplomat - 27/4/2016

Does China have a strategic outlook when it deals with the outside world? That has always been the assumption among some in the analyst and diplomatic community. Observers from Hugh White in Australia to Henry Kissinger in the United States write as though Chinese foreign policymakers have an encoded, shared idea of where they are all heading and what they want from the world around them. From issues like the South and East China Sea, to China in the Arctic and Antarctica, there is some overarching narrative that China is corporately driving for. The task for the outside world is to uncover this and then respond to it.

The People's Republic of China has existed for long enough now to see whether history bears out this idea of some strategic coherent vision. The problem until recently was that there has been no overview which looked at the full sweep of Chinese engagement with the rest of the world over this period to see what sort of patterns can be divined. Now, with the publication of John Garver's China's Quest, the story of China's diplomacy since 1949 is finally contained in a single, albeit lengthy, volume.

There are two aspects of this history that are worth considering today. The world (and that largely means the United States and its allies, and, in the early days, the USSR) certainly often got China wrong. But the converse of this is that China itself all too often also got the world wrong. Under Mao, this was partially excusable because of the isolation of its policymaking elites internationally. But even with policy over a so-called political ally like North Vietnam in the 1960s, the mindset of the relatively new Communist leaders in Beijing was remarkably old fashioned. Showering equipment, support, and largesse on the Hanoi regime as it struggled to annex the South in the late 1960s led not to a new client state in the 1970s as Chinese leaders evidently

hoped, but an even more resentful, difficult neighbor. China's return for its solidarity four decades ago is a unified Vietnam today, one which achieved this with huge logistical, military, and practical support from the PRC, now enjoying harmonious relations with its greatest enemy at the time, the United States – but, even more gallingly, robustly contesting China's claims in the South China Sea. So much for reaping the long term rewards of diplomatic investment, at least for this case.

The case of Hong Kong, too, has resonance today for the way it shows Chinese limitations and lack of ability in reading their opponents. After initial, very brief attempts to extend its leases on the territory, the U.K. largely focused on getting a handover deal which secured what most mattered to it – preservation of its commercial interests in the city. After the Tiananmen Square massacre in 1989, however, the Beijing elite became obsessed by fears of containment and peaceful evolution being urged on them by outsiders, and suspected that the British wanted to use Hong Kong as one means of promoting this arousal of instability. In hindsight, it is pretty clear that the Chinese fundamentally misunderstood the U.K.'s priorities.

Decades on, and even during the Occupy Central protests in Hong Kong in 2014, the temptation for Beijing to continue to see the foreign hand stirring up subversion is still strong. The misunderstanding continues. Sun Tzu 2,500 years ago said one should know one's enemies. It is clear that all too often, China's leaders simply haven't followed his wise advice. They have fought with their imagined enemies – not the real ones facing them in the actual world.

This is the second strong message we get from reviewing Chinese diplomatic history over the last 60 years. If Beijing's foreign policy was strategic, and did pursue tangible, long term aims, even though they were never written down anywhere, it has had, at best, a very patchy record of success. In 1950 China's priority under the new Communist government was to settle the issue of Taiwan. North Korea's invasion of the South, and the distraction that offered, destroyed the best chance China ever had to solve this issue. Six decades on, and its policy towards North Korea is still beset by indecision – at least, that's how it looks from the outside. Chinese policy toward Pakistan, largely to help it spoil India's regional role, resulted in another nuclearized, unstable neighbor, something hardly in China's interests.

With the USSR, it is now clear, the Chinese weakened themselves by resolutely adopting the one thing that was least to their benefit, but which they insisted on taking from their Communist partner – the failed economic blueprint from the Stalin era, which even Stalin quickly repudiated. If Moscow had wanted to pursue a strategy of deliberately weakening China, this means would have come top of the list. It saddled the country with a failed economic model for three decades. As it was, even the USSR counseled China to change. China's worst enemy in this case was itself, not the USSR.

Under Mao, and until now, Chinese foreign policy has been dressed up in neat stories and pithy generic statements. Core interests, peaceful rise, non-interference — all are part of the grammar of Chinese diplomacy in the 21st century. They imply some overarching narrative logic. And yet history shows something more prosaic: that Chinese foreign policymakers were often woefully ignorant, and deliberately dismissive, about the outside world, that their strategies failed as often as they succeeded, sometimes at terrible cost to China, and that as often as not Chinese foreign policy negotiation tactics were tough not because of intelligent design, but because no one dared to make tactical moves to compromise, deal with the world in a more nuanced way, and achieve something real rather than the rhetoric of grand sounding strategic goals.

Let's hope that trend is changing, and that the Chinese leaders of today and into the future see the world outside a bit more as the scrappy place it is, rather than the home of evil, narrow, and resolute ill intent toward China they often act like they want it to be.

¿Pueden las empresas chinas conquistar el mundo?

Las empresas chinas están siguiendo el sendero estadounidense de exportar al exterior. Tienen avances tecnológicos y de competitividad, pero tienen también una larga cuesta que ascender. El resultado de su avance y de la competencia con las de EE.UU. no está definido.

Can China's Companies Conquer the World?

The Overlooked Importance of Corporate Power

By Pankaj Ghemawat and Thomas Hout

Foreign Affairs - March/April 2016

Despite China's recent economic struggles, many economists and analysts argue that the country remains on course to overtake the United States and become the world's leading economic power someday soon. Indeed, this has become a mainstream view—if not quite a consensus belief—on both sides of the Pacific. But proponents of this position often neglect to take into account an important truth: economic power is closely related to business power, an area in which China still lags far behind the United States.

To understand how that might affect China's future prospects, it's important to first grasp the reasons why many remain bullish on China—to review the evidence that supports the case for

future Chinese dominance. At first glance, the numbers are impressive. China's GDP is likely to surpass that of the United States—although probably not until at least 2028, which is five to ten years later than most analysts were predicting before China's current slowdown began in 2014. After all, China is already the world's largest market for hundreds of products, from cars to power stations to diapers. The Chinese government has over $3 trillion in foreign exchange reserves, which is easily the world's largest such holding. And China overshadows the United States in trade volume: of the 180 nations with which the two countries both trade, China is the larger trading partner with 124, including some important U.S. political and military allies. Finally, China has made steady progress toward its goal of becoming the investor, infrastructure builder, equipment supplier, and banker of choice in the developing world. Much of Asia, Africa, and Latin America now depends on China economically and politically.

Since Chinese share prices tumbled last summer and then again earlier this year, investors have grown wary of the country's stock market. But that market has been largely irrelevant to China's economic growth: from 1990 to 2013, as Chinese GDP grew at roughly ten percent annually, the stock market barely moved. Its recent gyrations are no more indicative of China's overall economic well-being than was its long stagnation. China will likely recover from its current economic setbacks just as the United States recuperated after wild stock market swings and a major depression in the first half of the twentieth century.

But strong macroeconomic data don't tell the whole story, and China's likely short-term recovery will mean little in the longer run. The fact is that China's success to date doesn't necessarily mean that it will surpass the United States as the world's leading economic power. Metrics such as GDP, trade volume, and financial reserves all reflect economic power. But they don't entirely encompass it, for underneath those numbers lies the real world of corporations and industries that actually create growth and wealth. And a close look at the performance and prospects of Chinese firms reveals the obstacles the country still faces.

In both China and the United States, corporations account for roughly three-quarters of GDP. More generally, multinational corporations and their supply chains control 80 percent of global exports and foreign direct investment. In other words, economic power rests heavily on business power.

China's economy exploded during the last three decades thanks to the extraordinary performance of its low-cost manufacturers—reliable, responsive companies that make the apparel and household items that fill Walmart's shelves. The Chinese state created the conditions for such firms to thrive by upgrading China's infrastructure, attracting foreign investment, and keeping the value of China's currency relatively low. But to succeed, Chinese manufacturers still had to outperform competitors elsewhere—which they did, turning China into a crucial player on the global economic stage.

If China is ever going to become the world's most powerful economy, however, its businesses will have to learn to excel in the much more competitive capital-goods and high-tech sectors, creating and marketing sophisticated products such as semiconductors, medical imaging equipment, and jet aircraft. Those who believe that China will become dominant often assume that Chinese firms will perform as well in those second-generation sectors as they have in far less complex first-generation ones, such as textiles and consumer electronics. But there are many reasons to question that assumption.

China's initial economic boom relied on labor outsourcing by U.S. and European firms and revolved around hundreds of similar companies, many of them foreign-owned, that exported low-tech products. In contrast, to succeed in capital goods (goods that are used to produce other goods) and high technology, companies must develop unique capabilities suited to a small number of clients, master a broad range of technologies, acquire deep customer knowledge, and manage a global supply chain. And unlike in the low-cost manufacturing sector, where Chinese firms have competed primarily with companies in developing countries, the capital-goods and high-tech industries are dominated by large, deep-pocketed multinational corporations based in Japan, South Korea, the United States, and Europe.

Moreover, some of the advantages that China enjoyed during the past three decades, such as a large labor force, matter less in determining whether a country succeeds in capital goods and high technology. For example, jet aircraft production and Internet search are led by two companies—Boeing and Google, respectively—that are based in a large country, the United States. But the leading companies in high-precision bearings (SKF) and semiconductor memory chips (Samsung) are based in much smaller countries: Sweden and South Korea, respectively. The roots of those companies' success lie mostly inside the firms themselves rather than in advantages conferred by their host countries.

The future of China's economic power will depend less on when the country's GDP passes that of the United States and more on the progress that Chinese corporations make in manufacturing and selling capital goods and high technology. Foreign multinationals still dominate China's home market in advanced capital goods, and China remains broadly dependent on Western technology. In the areas that will matter most in the twenty-first century, Chinese companies have a long way to go, which should give pause to anyone confidently predicting a not-too-distant era of Chinese economic dominance.

Downstream vs. Upstream

Although it is still playing catch-up, China has made some significant progress in its quest to move into capital goods and high-tech products, which now account for 25 percent of its exports. Chinese producers currently control between 50 and 75 percent of the global markets

(including China) for shipping containers, port cranes, and coal power generation equipment and between 15 and 30 percent of the global markets for telecommunications equipment, onshore wind turbines, and high-speed rail systems. Despite rising wages and energy costs, Chinese firms have used their ability to simplify manufacturing processes to maintain a ten to 30 percent cost advantage over Western competitors in capital goods—even before the recent devaluation of the yuan.

The Chinese government's trillion-dollar "One Belt, One Road" strategy, which aims to cover the Eurasia with Chinese-built roads, rail, and port facilities, gives Chinese producers additional advantages far from home. The government has also aided local firms by limiting the amounts of capital goods and services that major Western companies can sell in China and by requiring them to transfer technologies to Chinese companies. Still, China has yet to become a real player in the markets for more expensive and complex products, such as offshore wind turbines, nuclear reactor cores, and large jet aircraft. As the head of a large Western aviation manufacturer remarked to us recently, it is one thing to reverse engineer the components of a jet engine and figure out how to make and sell them, but quite another to develop the knowledge and skills to make sure those components actually work together.

Chinese capabilities tend to be oriented "downstream": absorbing imported technologies, simplifying manufacturing, and adapting advanced designs to more basic products at a lower cost. Such tinkering and innovation at the margins has proved hugely beneficial for businesses that rely on mature technologies, such as shipping containers and port equipment. But Western multinationals tend to focus their energies "upstream": on developing deep knowledge of customers' technical needs, designing high-performing products that incorporate new technologies, and mastering software development and the efficient management of global supply chains. Those qualities have allowed Western companies to dominate the markets for nuclear power reactors, industrial automation systems, and jet aircraft. Chinese companies have been slow to develop upstream skills, which partly explains why their success in capital-goods and high-tech markets has been uneven and why it's unclear how soon they will be able to move from the lower end to the higher end of those sectors.

Competition from Western firms has slowed the growth in exports of Chinese-made telecommunications equipment from 25 percent in 2010 to ten percent in 2014. Meanwhile, China accounts for only around 15 percent of global exports in infrastructure contractor services—a number that hasn't grown in five years. Its overall export growth slowed from an average annual increase of 17 percent between 2004 and 2011 to an average annual increase of five percent between 2011 and 2015, and the share of exports accounted for by capital goods has leveled off at 25 percent. China is not transitioning from low-end, first-generation exports to high-end, second-generation exports as quickly as Japan or South Korea did. When those countries' GDPs per capita were at China's current level, capital goods made up more than 25 percent of

their exports, and their performance on capital-goods exports continued to improve, rather than leveling off as China's has.

In addition to their relative lack of upstream skills, Chinese firms also face challenges when it comes to managing global supply chains. Chinese companies have typically tried to reduce costs by learning to manufacture critical components, such as hydraulics for construction equipment or avionics for jet aircraft, so that they can avoid importing them. Most Western companies take a different approach, turning to multiple sources for such parts: suppliers from all over Asia and Europe provide components for Apple iPhones and Boeing 787s, for example. These contrasting sourcing patterns reflect different views of how to create business power and also demonstrate China's historical preoccupation with self-sufficiency. Chinese authorities invite more advanced foreign companies into China, learn from them, and try to replace them, whereas Western multinationals prefer to find the best available components no matter where they originate. The difference will allow China to develop a larger production scale, but its foreign competitors will be able to draw from a bigger, more competitive pool of partners.

Inspect their gadgets

China is a particularly interesting place to look at the head-to-head competition between Chinese companies and foreign multinationals, both because it's the world's largest market for most products and because nearly every major company in the world operates there. Unsurprisingly, out of a representative sample of 44 industries among those that are open to foreign corporations in China, Chinese companies dominate 25, including solar panels, construction equipment, and mobile port cranes. But in all of the 19 sectors led by foreign multinationals, technology or marketing is disproportionately critical to success. Foreign multinationals operating in China lead in ten of the 13 industries in which R & D costs are greater than six percent of revenue, including jet aircraft, packaged software, and semiconductors. And foreign firms lead in four of the six industries in which advertising costs exceed six percent of revenue, including carbonated beverages, patented pharmaceuticals, and personal-care and beauty products.

Another striking thing about the Chinese market is how little the industry leaders have changed over the last decade. During this period, Chinese companies displaced foreign firms as leaders in only two of the 44 industries in question: Internet hardware (including a portion of the wireless telecommunications sector) and wind turbines. And in the latter case, China's industrial policy tilted the playing field by limiting foreign producers' access to the market and by requiring them to use many Chinese-manufactured parts.

Meanwhile, little evidence supports the widespread notion that China is the world's leading exporter of high-tech gadgets. Although China does lead the world in the export of smartphones and personal computers, it accounts for only 15 percent of those products' value at most. That's

because Chinese companies typically just assemble and package semiconductors, software, cameras, and other advanced high-tech components fabricated abroad. Consider the Tianhe-2, for example. This supercomputer, built by the Chinese firm Inspur in collaboration with the National University of Defense Technology, is the fastest in the world. But it is only Chinese in a very limited sense, since it is actually composed of thousands of U.S.-made microprocessors.

Playing catch-up

The dominance of Western multinationals in capital goods and high technology rests on two pillars: open systems of innovation that result in superior high-performance products and direct foreign investment in operations that are global in scale but responsive to local conditions and needs. If they ever hope to challenge the industry leaders, Chinese firms will have to develop their own versions of those qualities. Some have taken steps in that direction, but their lack of experience in designing advanced systems and managing international supply chains will likely limit what they can do for many years.

The superior commercial technology currently enjoyed by foreign incumbents will be one of the major obstacles China faces. In 2014, China spent $218 billion to import semiconductors, far more than it spent on crude oil. It also paid $21 billion in royalties for the use of foreign-owned technologies, a number that has doubled since 2008 and that rankles Beijing. (It hardly helps that the government's own information systems are dependent on technology made by IBM, Oracle, EMC, Qualcomm, and other non-Chinese firms, which many Chinese officials see as a security problem.)

Last year, Beijing launched a serious drive, called "Made in China 2025," to transform the country into an innovative and environmentally responsible "world manufacturing power" within ten years. The program aims to create 40 innovation centers in ten sectors, including smart transportation, information technology, and aerospace. If the government follows through, China's total public and private spending on R & D may well surpass that of the United States sometime in the next ten years—a significant milestone even if one takes into account the high levels of fraud in Chinese research and the fact that Chinese government research funds are frequently misallocated to serve political agendas. The increase in funding has already had one easily observable effect: papers published by Chinese researchers are gaining more international respect. China's share of the papers recognized in Thomson Reuters' authoritative Science Citation Index rose from near zero in 2001 to 9.5 percent in 2011, putting the country second only to the United States.

But R & D spending is far from the only factor that matters. Succeeding in capital goods and high-tech equipment results from a long chain of institutional, social, and legal supports. At the front end of the chain lie high-quality graduate-degree programs, an open flow of information

through peer-reviewed journals, and reliable protections for intellectual property; at the back end are advanced product design, innovative engineering, and frequent collaboration with important customers. The United States excels at each part of that chain. It boasts superior graduate programs in STEM subjects (science, technology, engineering, and math) that attract the best students from all over the world, with China and India by far the largest sources. (Despite all the attention paid to the fact that many Chinese students return home after getting their U.S. degrees, STEM students from China are actually more likely to stay in the United States than STEM grads from anywhere else.) U.S. federal nondefense spending on research has been flat for the last ten years, but American corporations—which fund nearly three-quarters of total U.S. R & D—increased their research spending by an average of 3.5 percent annually during the same period. U.S. science journals produce a steady flow of peer-reviewed findings, and American scientists—unlike their Chinese counterparts—can profit from the intellectual property they produce during state-funded research. Many European and Japanese multinationals invest in research facilities in China, but the high degree of intellectual property protections in the United States lead them to base their most promising projects there.

To catch up, China is developing innovation and entrepreneurial hubs in Shenzhen and in Beijing's Zhongguancun Science Park. Shenzhen is home to a number of inventive companies, such as Huawei, Xiaomi, and DJI (China's leading drone manufacturer). But most of the firms clustered there focus on fast-turnaround, incremental innovations, not on big-ticket capital goods or high-tech products.

Barring major errors by Washington—for example, a failure to increase U.S. federal research funding—there is no reason to think the United States will lose its edge in technology. But if U.S. technology does stop advancing and Chinese competitors catch up, China's lower costs could allow it to gain market share. That's what happened in the case of equipment used in coal power generation: Chinese firms began to match their Western competitors in terms of quality and exploited their lower costs to become leaders in the global market. And even if Chinese wages continue to rise and the yuan begins to appreciate at some point, it's not likely that China will lose its cost advantage anytime soon. So if the United States wants to stay ahead, it has to keep winning in technology.

A lonely power

One of the keys to the United States' economic dominance is its huge investment in foreign markets. American corporations put $337 billion into overseas markets in 2014, a full ten percent of what they committed at home. All told, U.S. firms have directly invested $6.3 trillion overseas, which helps explain why the companies listed on the S&P 500 earn roughly 40 percent of their profits outside the United States. Despite slow growth at home, companies based in the

United States and the EU have increased their foreign direct investment at an average annual rate of seven percent over the last ten years, and Japanese firms have increased theirs at an even faster rate.

After a late start, Chinese multinationals are now following this model. By the end of 2014, they had cumulatively invested $730 billion, and that number is projected to nearly triple, to $2 trillion, in the next five years—an impressive gain, although a figure that would still equal less than one-third of current U.S. foreign direct investment. Nearly all of China's early overseas investments were in oil fields and mines, but recently, Chinese corporations have begun moving up the value ladder by acquiring established Western companies or by purchasing and turning around struggling factories, some of them in the U.S. rust belt. China has made 141 overseas deals worth over $1 billion and is now home to more multinational enterprises than any country other than the United States.

But as a late globalizer, China has pursued a riskier foreign investment strategy than Western countries. Although Australia and the United States are the top two recipients of Chinese investment, over half of all Chinese foreign direct investment goes to developing countries in Asia, Africa, Latin America, and the Middle East. The riskier the country, the more willing the Chinese seem to be to put their money there. China is easily the largest foreign investor in Afghanistan, Angola, and Ecuador, for example—all places where wars or debt defaults have scared off most Westerners. The political scientist David Shambaugh has dubbed China "a lonely power," without close allies, and these investments, along with aid-financed public works projects and the much-touted Asian Infrastructure Investment Bank, are part of Beijing's strategy for changing that picture.

This approach might work. But in the meantime, Western multinationals are the primary investors in stable developing economies with stronger credit ratings and more democratic regimes, and they are profiting as a consequence. In 2014, the EU and Japan both invested more than China in Southeast Asia, and U.S. corporations alone invested $114 billion just in Asia (excluding Japan) and Latin America. The result of this strategy is that although China's bold investments attract considerable attention, Western and Japanese capital-goods and high-tech multinationals continue, with less fanfare, to expand their larger and more powerful global positions. China is a classic "late follower," investing in riskier assets and buying up second-tier Western technology companies. That might be a good way to play catch-up, but it is not a path to dominance.

A China model?

Those who predict that China will dominate the future often point to two economic concepts to bolster their case: the product life cycle, which posits that a product originates in advanced eco-

nomies but ends up being made in lower-cost developing economies, and disruptive innovation, the process by which leading products lose their position to initially inferior, lower-priced products that get better over time. But emphasizing these two trends overlooks the fact that incumbent multinationals can prevent those outcomes in capital goods and high technology by developing a range of products and supply chains in different regions and then mixing and matching them to serve different sets of customers around the globe.

Take, for example, Cummins, an Indiana-based U.S. diesel engine manufacturer that develops and manufactures product families with varying prices and different features in China, India, Europe, and North America. Cummins shares the lead in China's high-performance diesel engine sector, but its globally distributed production and R & D networks allow it to ship more engines into China than it ships out. Such global operations require cross-border coordination, technical depth in many locations, and middle managers with international experience.

Few Chinese firms enjoy those advantages. Most Chinese companies prefer to keep their production at home, use simple lines of organization, and maintain autonomy for the heads of individual businesses. That more stripped-down multinational model worked extremely well during China's first-generation boom. But in more recent years, many Chinese firms have struggled to adapt to globalization. There are exceptions, however: Lenovo, for example, passed Hewlett-Packard and Dell to become the world's largest personal computer manufacturer in 2013 by relying on an unusual international distribution of responsibilities, which involves forgoing a traditional global headquarters while centralizing the company's marketing operations in Bangalore, India.

Corporate China's uneven efforts to adapt to the global market will probably continue into the foreseeable future. In time, China will produce its share of great companies, just as other major economies have, but a unique "China model" seems unlikely to emerge, and it does not appear that the country's success rate will improve dramatically anytime soon.

A long climb for China

Advocates of the view that China will inevitably dominate the global economy tend to see the United States as strong but slow moving, owing to its messy free markets and political gridlock, and tend to see China as a rising power on the march, thanks to its clear planning and clever strategy. But this simplistic view fails to account for how corporations and markets change in response to external factors. U.S. business power flows from the restless competitiveness of American culture, the political influence of U.S. corporations, the research productivity of U.S. universities and government laboratories, a U.S. financial system that directs investment to new technologies and ventures, immigration that brings in talent, laws and tax codes that reward

entrepreneurial activity, the United States' status as the sole superpower, and the dollar's role as the world's reserve currency.

There are internal factors that can threaten U.S. business power, of course—for example, right-wing opposition to federal science spending and activist shareholders' focus on the short-term profits of blue-chip firms instead of long-term investment in innovation. But 30 years ago, when some observers believed that Japan was poised to overtake the United States in terms of economic power, few predicted the role that tech entrepreneurs and innovative state and municipal governments would play in creating an era of unrivaled American dominance.

Chinese business power has different but also strong foundations, such as farsighted policies favoring investment over consumption, government encouragement of foreign investment to jump-start local industries, intrepid entrepreneurs who succeed despite a state-enterprise system designed to thwart them, a shift in the world's center of economic gravity toward Asia, and a massive domestic market. Many factors hold China back, too, including a low-performing state-owned sector that stifles market forces, mounting internal debt burdens, and a crackdown on the free flow of information.

It's difficult to predict how external factors might influence the growth of Chinese economic power. Not many inside or outside China foresaw the limitations of state-owned enterprises or the rise of impressive independent firms such as Huawei, Lenovo, and Alibaba. Looking ahead, it's hard to know what effect China's slowing growth will have on the global competitiveness of its companies: it could prove deeply damaging, but it could also precipitate bankruptcies and industry shakeouts that would concentrate power in the hands of fewer, more capable companies, which could make them a stronger force in world markets.

More broadly, it's difficult to know how the rest of the world will respond to China as it grows. When China became a huge buyer of natural resources, many analysts fearfully predicted permanent increases in commodity prices. What happened instead was that prospectors found new ways to increase supply and governments and companies found new ways to conserve and improve efficiency. The global system adapted, and commodity prices overall are lower today in real terms than they were 20 years ago. In a similar vein, as Chinese multinationals fight their way into global markets, Western incumbents will innovate, consolidate, and develop new sources of demand.

Moreover, the futures of the U.S. and Chinese political systems are not fixed. Both have experienced remarkable adaptability as well as self-inflicted wounds, and there is no reason to think that will change.

Confidence in the inevitability of Chinese economic dominance is unfounded. China is gaining strength but faces a long climb. The outcome of the U.S.-Chinese contest is far from clear and depends at least as much on how well Western multinationals and governments exploit their

existing advantages as on China's ability to up its game when it comes to the kinds of products and services that will define the twenty-first-century economy.

Sobreendeudamiento chino

Los déficit constituyen claros síntomas de vulnerabilidad a la luz de la evidencia histórica.

Por Daniel Manzano y Nereida González*

El País - 28/4/2016

La preocupación por el proceso de aterrizaje de la economía china no ha dejado de aumentar a lo largo de los últimos trimestres. Su extraordinario crecimiento durante la última década ha sido paralelo a la emergencia de alertas en algunos de los indicadores expresivos de desequilibrios básicos. Uno de ellos, sobradamente conocido en nuestro país, es la expansión de las ratios del endeudamiento gubernamental y del sector privado no financiero. Niveles elevados y/o crecimientos rápidos de la deuda constituyen claros síntomas de vulnerabilidad a la luz de la ya amplia evidencia histórica; sin duda "enriquecida" por la reciente y profunda crisis vivida fundamentalmente por los países desarrollados.

Aunque la calidad de las estadísticas chinas está lejos de los estándares habituales manejados en los países avanzados, las diferentes fuentes internacionales proporcionan un rango indicativo entre el 237% (Financial Times) y el 283% (McKinsey) en relación al PIB. En una zona intermedia se encuentra la estimación oficial del 249% (a septiembre de 2015) del Banco Internacional de Pagos. Cualquiera de ellas define un nivel relativo de endeudamiento muy por encima del de los países emergentes, aunque similar en orden de magnitud al del conjunto de los países desarrollados.

¿Cuáles son otros elementos singulares del endeudamiento chino? En primer lugar que su expansión se ha producido a una velocidad extraordinaria: la ratio sobre el PIB ha aumentado en torno a cien puntos en los últimos diez años, a pesar del extraordinario crecimiento del PIB nominal del 10% (media anual acumulativa en el periodo, debida fundamentalmente a su expansión en términos reales). Dicha tasa ha sido desbordada por un más espectacular aumento del endeudamiento que ha alcanzado el 20%.

En segundo lugar, tal aumento se ha concentrado en las empresas, que ahora, con casi un 170% sobre el PIB, acaparan en torno a dos tercios del total de la deuda china. Valga como contraste que en el conjunto de las economías avanzadas la deuda empresarial representa en media sólo un tercio del total. Lo preocupante, si damos por buena la tesis convencional de que no es fácil que en una economía concurran simultáneamente en un corto periodo tantos proyectos de inversión capaces de generar retornos adecuados, es que una parte significativa de tales préstamos están potencialmente en riesgo.

Además, ese extraordinario endeudamiento está soportado básicamente en financiación bancaria. Esto constituye a todas luces un riesgo añadido para la estabilidad. Tanto más si, finalmente, se tiene en cuenta que partiendo del apalancamiento actual, y de los ritmos aún vigentes este año de crecimiento de la deuda (13-15%) y del PIB nominal (7-8%), la ratio de deuda sobre PIB escalaría por encima del 300% en tan sólo un par de años. Se situaría así entre las economías más endeudadas del mundo medidas por dicha ratio.

Sin duda, la escasa dependencia financiera exterior y el potencial de crecimiento del que sigue gozando la economía china son factores que tamizan los evidentes riesgos implícitos de su actual dinámica de endeudamiento. Pero no es menos cierto que la experiencia histórica nos dice que un desequilibrio de tal magnitud nunca ha sido de fácil gestión y digestión.

**Daniel Manzano y Nereida González son profesores de Afi, Escuela de Finanzas.*

Ante el ascenso de Trump, China le pide a los votantes de EE.UU. que sean “razonables y objetivos”

Trump hace frecuentes alusiones al peligro de China para la economía de su país. El vocero del Ministerio de Asuntos Externos de China sostuvo que su país espera que el pueblo de EE.UU. mire las relaciones bilaterales desde una perspectiva razonable.

China Asks U.S. Voters To Be ‘Reasonable and Objective’ As Trump Ascends

By David Francis

Foreign Policy - 5/05/2016

China is officially worried about the possibility of a Donald Trump presidency.

It's rare for foreign allies to delve into U.S. domestic politics. It's even more rare for foreign rivals to do so. But as it became increasingly clear that Trump will sit atop the GOP ticket, Chinese Foreign Ministry spokesperson Hong Lei did just that.

"It is worth pointing out that mutual benefit and win-win results are defining features of economic cooperation and trade between China and the U.S., and meet the common interests of both," he said Wednesday. "We hope the U.S. people from all walks of life would view bilateral relations from a reasonable and objective perspective."

China is Trump's economic bogeyman. On the campaign trail, he constantly rails against Beijing for stealing American jobs, taking advantage of the U.S.-China trade relationship, and for manipulating its currency to make Chinese goods cheaper. (Sidenote: The International Monetary Fund has determined this is not the case; according to the bank, the renminbi is fairly valued.) He's also accused China of militarizing the South China Sea, and has pledged to build up U.S. military presence in the region.

"We have been too afraid to protect and advance American interests and to challenge China to live up to its obligations," said a statement on Trump's campaign website, on his plans to deal with Beijing. "We need smart negotiators who will serve the interests of American workers – not Wall Street insiders that want to move U.S. manufacturing and investment offshore."

Perhaps China was responding to Trump's recent comments on trade between Beijing and Washington. "We can't continue to allow China to rape our country," said Trump at a campaign rally on Sunday, adding, "and that's what they're doing."

At the very least, the comments from leaders of the world's second-largest economy reveal concerns about their relationship with the world's largest. It's just another sign the rest of the world is growing very, very concerned about the possibility of a Trump presidency.

For a more entertaining look at how important China is to Trump's campaign, check out the video below: link.

La próxima frontera de crecimiento de Asia

A pesar del menor crecimiento de China, Asia es el punto más dinámico de la economía mundial El RCEP de la ASEAN es una oportunidad histórica para potenciar ese dinamismo.

Asia's next growth frontier

By Peter Drysdale*

East Asia Forum—1/5/2016

The steady state in the Asian region is growth and dynamism that requires continuous structural change and adjustment. The trajectory of China's potential rate of growth is certainly 2 or 3 percentage points lower than it was a decade ago, but even at around 6 per cent over the coming decade the massive Chinese economy can still grow at two to three times the rate of the world economy as a whole. India is on the way back towards its growth potential, upwards of 8 per cent over the next decade in which the young will be pouring into its labour markets.

The potential for achieving faster than global average growth in Asia's two giants, and Indonesia, is real. But realising Asia's growth potential depends on mobilising the will in Asian polities to undertake the next round of reforms that are essential to lifting productivity and accelerating the structural change that will deliver it.

The ambitions for reform in China, with enunciation of the leadership's supply-side and financial market reform agenda, and in India, under Modi's 'make-in-India-in-open-competition-in-the-world' strategy are bold and well-targeted. Delivery, however, seems less certain.

There is hesitation with pushing reform because of the global economic outlook, with continuing bearishness about growth prospects in the developed world. That elevates the difficulty of executing financial reforms in international markets that are skittish. And trade reform is a harder call with trade volumes down.

The dynamics and continuing momentum of trade and industrial transformation in Asia offer a more conducive environment for mutually reinforcing trade and economic reform. But can Asian leaders seize the momentous opportunities that beckon?

In Perth this week, a round of negotiations is taking place on the Regional Comprehensive Economic Partnership (RCEP). RCEP, initiated by ASEAN in response to the US-led Trans-Pacific Partnership (TPP) enterprise is in part designed to leverage more value out of the existing five ASEAN free trade agreements (FTAs) with other RCEP countries and the plethora of bilateral FTAs negotiated over the past 15 years among the RCEP countries. Yet trans-regional FTAs, like the proposed TPP, are only a small step, along the way to realising the potential of Asian economic integration. RCEP has the potential to be much more than simply another mega-regional free trade agreement.

The Asian economies are already highly integrated. Their interdependence grew under the global trading regime, not through bilateral or regional trading arrangements. ASEAN, Japan, China, South Korea, India, Australia and New Zealand which comprise the RCEP group, already collectively had a share in global GDP bigger than that of the TPP in 2007 in purchasing power parity terms. It has the potential to be twice the size of the TPP economies 15 years hence. The RCEP grouping is where the global economic dynamism is.

In this next stage of lifting the frontier of Asian growth through closer regional integration, RCEP governments will need to go beyond negotiating a single-undertaking trade deal along TPP lines. A comprehensive RCEP can aspire to be a model for a global set of principles-based rules for managing trade and other forms of international commerce in the 21st century.

RCEP provides an historic opportunity for East Asia to secure its future as the dynamic centre of higher than average global growth through deepening its integration and cooperative commitment to the reforms. Policy leaders in East Asia can move boldly – and expeditiously – to form an agreement that substantially deepens the openness of their economies which has historically underpinned economic growth in the region.

China, India, Indonesia and other developing countries in Asia will have trouble joining the TPP in the foreseeable future. An ambitious and high quality RCEP can offset trade and investment diversion from TPP and work to integrate the entire Asia Pacific region.

An agreement among RCEP members can be signed when, and only when, there is commitment to comprehensive freeing of trade in goods, services and investments and an agreed path for its implementation together with a framework for economic cooperation. Concluding an agreement this year that entrenches such ambitious commitments will give RCEP momentum and credibility.

Market access commitments at the end-point of the implementation of this agreement will need to include elimination of at least 95 per cent of tariffs, negative list approaches for foreign investment and services liberalisation commitments – or at least provide a pathway to such approaches – through removing unnecessary barriers to doing business and committing to national treatment and non-discriminatory treatment for investment. This will need to be complemented by disciplines to constrain non-tariff measures which restrict trade. Market access commitments need to be supported by trade facilitation measures, including simple and easy co-equal rules of origin.

One feature that distinguishes RCEP and makes it different from other agreements such as TPP is that it covers a broader range of countries (including Cambodia, Laos and Myanmar).

RCEP can have the region's developing countries commit to high standards in reasonable timeframes, not exclude them for not having developed country standards to start with.

Its economic cooperation agenda sets up RCEP as an important vehicle for building economic and political confidence in effecting the next big structural transformation in Asia, between China, India and Southeast Asia. Creating the right environment in the region for these countries to be able to take bold reforms at home is critical.

An agreement framed around these principles will establish RCEP and its ASEAN plus 6 members as the core of growth through open trade and investment integration in East Asia and its centrality in achieving the region's common goals.

**Peter Drysdale is Emeritus Professor and Co-Editor of East Asian Forum and Head of the East Asian Bureau of Economic Research in the Crawford School of Public Policy at The Australian National University.*

Think Tanks de los BRICS acuerdan crear una diplomacia digital

El objetivo de la iniciativa es buscar un espacio común en la regulación del Cyber espacio para superar barreras idiomáticas y culturales, compartir conocimientos y promover el e-comercio entre los miembros.

BRICS think tanks agree to create digital diplomacy: S. African expert

Xinhuanet - 3/5/2016

Think tanks from the five BRICS countries -- Brazil, India, China, Russia and South Africa, have agreed to come up with a road map to create digital diplomacy.

This merged from the just ended BRICS digital conference which was held in New Delhi, India on April 28-29, Sandiso Ngcobo, who joined a South African think tank delegation to the conference, said on Monday.

BRICS think tanks had gathered to find a common ground in addressing the regulation of cyber space and shared skills, Ngcobo told Xinhua upon return from India.

Despite different cultural, political and economic backgrounds, the BRICS think tanks have found common ground in main issues, said Ngcobo, who is also a lecturer at South Africa's Mangosuthu University of Technology.

”I am happy with what happened in India. We managed to exchange knowledge and skills. We discussed how the internet could be used to address socioeconomic challenges and we agreed in those aspects,” he said.

The BRICS think tanks also addressed the issue of language barriers, taking into account that information in BRICS countries is mostly communicated in English, thereby leaving many outside, Ngcobo said.

They also agreed to address gender imbalance and empower women by elevating them to powerful positions, he said.

”We reached a common ground to regulate cyberspace. We know that we have different cultures, and different political and government structures. We want to use technology to address social economic challenges and make it inclusive,” Ngcobo said.

This would help harmonize cyber space to promote international trade and e-commerce, he added.

”We know China have Alibaba who have been in the game for some time. We want to find ways to trade online like South African purchasing goods in China through the internet. We want to find ways to e-commerce and purchase goods easily and promote trade,” he said.

The think tanks also agreed to cooperate to achieve economic inclusion after noting that some of their citizens are not have access to the economy, according to Ngcobo.

The BRICS think tanks will meet in India again in October this year prior to a political leadership meeting.

Editor responsable del Boletín: Julio Sevares.