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China. Xi Jinping y la realidad al dictado

Por Xulio Ríos --

Rebelión - 02/03/2017

El líder chino Xi Jinping afronta ahora el ecuador de su mandato si, como es habitual y se espera, renueva jefatura hasta 2022. Así pues, este será un año de inevitable balance. En otoño, en el XIX Congreso del Partido Comunista de China (PCCh), debe consolidar lo alcanzado pero antes, en las “dos sesiones” que las cámaras parlamentarias chinas celebrarán a partir de la próxima semana, se calibrarán sus expectativas.

Los transcurridos han sido casi cinco años de innumerables directrices en los más vastos y variados campos plasmadas en el lanzamiento público de la actual oleada de reformas concebida como un proyecto global y complementario administrado por un equipo ad hoc presidido por el propio Xi. Los “60 puntos” (2013) abarcan seis sectores diferentes: economía, sistema político, medio ambiente, cultura, asuntos sociales y gobernanza. El balance inicial de su implementación es flojo. Pese a ello, el discurso oficial sigue siendo predominantemente optimista, señalando que casi todo va viento en popa. Este contraste entre el discurso y la realidad se adoba no ya con el silenciamiento de toda crítica, sea o no constructiva, externa o interna, sino multiplicándose las certezas adulatorias de todo signo.

A trancas y barrancas

A lo largo del ejercicio recién concluido (2016), el PCCh logró en cierta medida transmitir a la opinión pública la convicción de haber consumado la estabilización general de la economía después de las crisis de la Bolsa de 2015 y 2016 con los retos añadidos, en escala de dificultades, alusivos a la reducción de la evasión de capitales y la caída del yuan.

El elemento central de la agenda de Xi en este periodo fue la construcción de un nuevo modelo de desarrollo. ¿Está funcionando esa transición? Veamos algunos datos. Según cifras oficiales, en 2014, el sector servicios representaba el 48,2 por ciento del PIB frente al 51,6% de 2016. Otro dato: la aportación del consumo al crecimiento del PIB pasó del 51,2% en 2014 al 64,6% a finales de 2016. Avanza –y no es fácil- pero a menor ritmo de lo deseado.

El segundo referente a tener en cuenta es la “nueva normalidad”: ciertamente, cambiar de carril en el modelo de desarrollo exige bajar la velocidad del crecimiento para facilitar la transición. El ritmo de crecimiento en 2016 fue del 6,7%, el más bajo en 30 años. Para 2020, el objetivo establecido en el XIII Plan Quinquenal consiste en duplicar el PIB con respecto a 2010. Esto significa que el PCCh hará lo necesario –y hasta lo imposible- por alcanzar en los próximos años un objetivo mínimo de crecimiento del 6,5%.

Más allá de la expansión del mercado o la propiedad privada, de la reducción de los excesos de capacidad o la burbuja inmobiliaria, uno de los principales caballos de batalla siguen siendo las empresas estatales. Por el momento, Xi se ha centrado en la renovación de los consejos de administración y del estilo de dirección procurando una mayor eficiencia y transparencia. Por otra parte, se experimenta tímidamente con el aporte de capitales privados afectando una pequeña parte de los activos industriales a la participación en Bolsa. Esta será la clave en los próximos años y se probará en algunas provincias al igual que con la distribución a los empleados de hasta un máximo del 30 % del capital.

La probabilidad de que las reformas desemboquen en una privatización parcial sustantiva del tejido industrial público es débil a día de hoy. Es más, el proceso discurre en paralelo a una invocación persistente de la recuperación activa del control del Partido por la vía del reforzamiento de la dependencia de la Comisión de Activos del Estado que ha multiplicado sus efectivos y mecanismos de control, principalmente a través de la creación de nuevos departamentos y un más directo seguimiento. Y una medida importante que refleja el tono principal: el presidente del Consejo de Administración será siempre el jefe del partido de la empresa.

En términos generales, la percepción cívica es que la economía no marcha tan bien como en periodos anteriores, ya sea por las circunstancias internacionales y los retos del comercio exterior o por lo delicado de los desafíos estructurales internos. No obstante, el discurso oficial abunda en tres ideas: el crecimiento permanece estable, las reformas progresan y China desempeña un papel internacional cada día mayor.

¿Los datos lo corroboran? De las dudas acerca de la veracidad de las informaciones económicas se han hecho eco hasta las propias autoridades y de forma pública. La provincia norteña de Liaoning, por ejemplo, admitió en enero último que entre 2011 y 2014, los datos facilitados por la provincia eran falsos.

De la sociedad armoniosa a la sociedad acomodada

Pese a una sensación bastante extendida de que lo social no es tan importante en el mandato de Xi –que atribuye más transcendencia a otros factores de proyección de poder- como lo fue en el de su antecesor Hu Jintao (la “sociedad armoniosa”), la construcción de una sociedad acomodada se ha convertido en palabra de orden con el objetivo 2020: duplicar el PIB per cápita en relación a 2010. Esto se presentó en su día como una novedad radical en la planificación macroeconómica de China ya que, por primera vez en décadas, la cuestión de los ingresos y su relación con el crecimiento se ponían sobre el tapete.

La tarea no es pequeña. En 2010, en términos de PNB per cápita, China se hallaba en la posición 120 en el mundo. El 36% de la población vivía con menos de dos dólares diarios. China necesitará unos 35 años para alcanzar el PIB per cápita de Japón (rondando los 40.000 dólares).

Xi dirigió su atención a la erradicación de la pobreza, la reducción de las desigualdades, la situación ambiental, la reforma de las pensiones y la edad de jubilación, etc. Pero el asunto mayor es la gestión de la nueva ola urbanizadora y la reforma del registro de residencia o hukou. En 2011, el 50% de la población urbana del país era flotante, unos 230 millones de personas que residían en las ciudades sin apenas derechos, titulares de un hukou rural. Ese año, por primera vez en su historia, la población urbana superó a la rural. En 2015 la tasa de residentes urbanos permanentes registrados era del 39,9 por ciento; a finales de 2016 subió al 41,2. En 2020 debe llegar al 45 por ciento. La integración de ese segmento demográfico no será barata: 7.000 euros por persona, dice la Academia de Ciencias Sociales de China.

Como Xi, ningún otro

En el congreso de otoño, Xi Jinping debe ser plenamente instituido como “núcleo” del liderazgo, lo cual le situará como primus supra pares y no solo como primus inter pares. La sexta sesión plenaria (2016) celebró la existencia de un amplio consenso –que no unanimidad– en torno a este asunto culminando un recorrido de cuatro años en los que Xi llevó a cabo ingentes esfuerzos para acumular poder y desprenderse de los corsés que podrían limitar su acción.

Puede que ello responda a una tradición político-cultural que hunde sus raíces en la China milenaria asociada al ejercicio imperial del poder; o que explicite una simple voluntad de homologación mayor con sus pares del mundo occidental ante quienes comparecería lastrado y débil por esa singularidad del sistema político chino. Sea como fuere, la evolución manifestada en estos años abre incógnitas en relación a aspectos clave de esta otra normalidad: liderazgo colectivo, consenso, doble mandato, etc., cuestiones no menores que se derivan de lecciones del pasado reciente y cuyo trastoque quizá debiera meditararse dos veces.

Podemos esperar para los próximos meses una ardua lucha entre bambalinas para asegurar el perfil del nuevo Comité Permanente del Buró Político. En él deberían permanecer Xi y Li Keqiang y ascender Hu Chunhua y Sun Zengcai. Fuera de ello, todo son conjeturas y numerosos nombres se barajan, al igual que el número de miembros de dicho sanedrín, que podría ampliarse o reducirse en función de la capacidad del propio Xi para contener los intentos de frustrar sus ambiciones. La lucha contra la corrupción proseguirá, al igual que las reformas en lo político para preservar la estabilidad y garantizar el papel hegemónico del PCCh.

El mundo de Xi

Xi Jinping ha dado muestras claras de una diplomacia más incisiva y un creciente afán de notoriedad. Buena parte de la sociedad china exige más atención a la agenda interna y se muestra escéptica con respecto a los grandes proyectos que promueve el PCCh. Lo cierto es que China necesita más que nunca en toda su historia del mundo exterior. Sin embargo, frente a un discurso interno que alardea de una posición creciente en el orden global, esta ofrece aun numerosos

déficits y carencias si abandonamos el terreno de lo estrictamente económico. Y aún en este, en el orden de las decisiones, su posición no se corresponde con su relevancia.

Muy viajero, Xi precisa acreditar ahora sus dotes para evitar un agrio deterioro de las relaciones con EEUU, mejorar el entendimiento que evolucionó a la baja con la UE, consolidar la asociación con Rusia o reorientar el desencuentro con Japón. A los acrónimos que apadrina (desde los BRICS a la OCS e instrumentos con el BAII) les ha llegado su hora.

Los desafíos en materia de seguridad no solo se encaran con una reforma militar como la impulsada en 2015 sino, sobre todo, con una diplomacia de vecindad que haga creíble la reiterada benevolencia de sus intenciones (Mar de China meridional y oriental).

Con los pies en la tierra

El balance del primer mandato de Xi abunda en la voluntad de un aceleramiento del paso en la transformación de China, atajando los déficits y problemas identificados a fin de evitar su conversión en males estructurales que impidan la modernización. China es consciente de que tiene ante sí una gran oportunidad estratégica e intentará aprovecharla. La agenda del momento es enormemente compleja y las amplias imbricaciones entre lo interno y lo externo obligan a su gestión simultánea. Esto añade dificultad a la tarea.

En dicho contexto, en torno a Xi se ha gestado en estos años una atmosfera equívoca. La ciega exaltación de lo positivo y la marginación de la crítica sugieren una distorsión de alcance que podría llegar a jugarle una mala pasada.

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China enfrenta una dura pelea para escapar a su trampa de deuda.

El rápido aumento del endeudamiento y el tamaño del sistema financiero de China, palanca del actual crecimiento, representan un peligro para el país y la economía mundial por lo que es necesario rebalancear la economía y estabilizar el sistema financiero, quizá estatizando la deuda privada.

[China faces a tough fight to escape its debt trap](#)

The country needs to rebalance its economy before opening up capital flows

By Martin Wolf

Financial Times – 11/04/2017

If something cannot go on forever, it will stop.” This is “Stein’s law”, after its inventor Herbert Stein, chairman of the Council of Economic Advisers under Richard Nixon. Rüdiger Dornbusch, a US-based German economist, added: “The crisis takes a much longer time coming than you think, and then it happens much faster than you would have thought.”

These quotations help us think about the macroeconomics of China’s economy. Growth at rates targeted by the government requires a rapid rise in the ratio of debt to gross domestic product. This cannot continue forever. So it will stop. Yet, since the Chinese government controls the financial system, it can continue for a long time. But the longer the ending is postponed, the greater the likelihood of a crisis, a big slowdown in growth, or both.

I have argued that it is in the interests of China and the rest of the world to keep their financial systems separate. The rapid growth of indebtedness and the size of its financial system represent a threat to global stability. China needs to rebalance its economy and stabilise its financial system before opening up capital flows. Western financiers will have a different view. We should ignore this sectional interest.

Yet this raises a big question: will China achieve the needed rebalancing? As was true in the west before the financial crises of 2007-08 and the eurozone crisis that followed, the maintenance of stable growth in China has coincided with an explosive growth in indebtedness. As a paper from the International Monetary Fund stresses: “Credit growth has been averaging around 20 per cent per year between 2009 and 2015, much higher than nominal GDP growth and the previous trend.” The picture is disturbingly similar to that of pre-crisis Japan, Thailand and Spain.

The turning point in these credit trends was 2008. That was no accident. Between 2000 and 2007, gross savings soared from 37 per cent to nearly 50 per cent of GDP. About half of this extraordinary rise financed additional domestic investment and half financed a rise in the trade surplus. Then came the western crisis. China decided (rightly) that its huge trade surplus was no longer sustainable. It raised investment, instead. That had already risen from 34 per cent of GDP in 2000 to 41 per cent in 2007. It then jumped to 48 per cent in 2010.

To achieve this outcome, the Chinese authorities promoted explosive credit growth. Before 2008, China had largely exported the credit surge attendant upon its massive rise in savings. After the crisis, it re-imported it. A recent analysis by Credit Suisse concludes that credit needs to grow about twice as fast as nominal GDP if the government is to hit its target of real growth of 6.5 per cent. The IMF adds that the credit growth coincides with declining returns on corporate as-

sets, deteriorating corporate creditworthiness, falling efficiency of investment and rising financial complexity. We have seen this elsewhere. So will China be any different?

The answer is yes and no. Yes because, like Japan, China is a high-saving, creditor country. The government controls the financial system and operates exchange controls. It may well avoid a crisis. Yet the answer is also no, because the authorities will need ever more credit expansion to achieve ever less growth. Chinese growth might then expire with a whimper, not a bang.

What are the possible escapes from the trap? One option would be for the authorities just to halt credit growth. If China's growth depended on consumption alone, one might expect it to fall to 3-4 per cent a year. But China's investment rate is still close to 45 per cent of GDP. Such a high rate of investment could not be justified if growth were so slow. Investment would then fall, creating a recession. The only escape would be for the government to take over the investment process, rendering market-oriented economic reform a nullity.

A second option would be to halt credit growth and let savings flow abroad, via a huge expansion in the current account surplus. Yet the trade discussions between Donald Trump and Xi Jinping in Florida show this would not be acceptable. Countries willing and able to run offsetting external deficits do not exist.

A third option would be to halt credit growth and raise consumption sharply, to offset a decline in investment. The problem here is that household disposable income is only a little above 60 per cent of GDP, while private consumption is about 40 per cent of GDP. Such savings rates are not so high by Asian standards. More than half of national savings consist of profits and government savings. If one wanted consumption to grow faster than now, the share of household incomes in GDP or of household wealth in total wealth needs to soar. The former would squeeze profits and investment. The latter would mean transferring public assets to households. Neither looks technically and politically workable. So consumption will not keep the economy from stalling.

A final (and perhaps best) option would be for the government to put much of the debt on its own balance sheet. It could restructure existing debt and be the principal borrower in future. China would become a premature Japan. While government debt would rise, the borrower would be the country's most solvent entity. Meanwhile, the private economy would be allowed to adjust to market signals.

Today, China can achieve growth of over 6 per cent only with rapid rises in indebtedness. All escapes from this trap are hard. The economy is now slowly rebalancing into consumption. But this will take well over a decade. Will the growth of debt be sustained until then? I doubt it.

Científicos chinos trabajan en la primera computadora cuántica.

La nueva técnica multiplica enormemente la velocidad de cálculo. China lanzó el primer satélite cuántico en 2016.

[Chinese scientists working on world's first quantum computer](#)

By Guo Kai

Chinadaily.com.cn - 11/04/2017

Chinese scientists are developing the world's first quantum computer, which will be much faster than current supercomputers and is expected to come into fruition in a few years, according to a top scientist.

Chinese scientists are able to control the change between single particles and the quantum state, a big step in quantum communication and computing, said Bai Chunli, president of the Chinese Academy of Sciences. Bai released the latest achievement in a report on the country's science and technology development and applications at a forum in Langfang, Hebei province on Monday.

The achievement shows that quantum research has stepped into a "control era" from an "observation era," Bai said.

A quantum computer will be terascale. An equation set might take the Tianhe-2 supercomputer 100 years to solve, but the quantum computer will solve it in just 0.01 seconds. Tianhe-2 was the fastest computer since 2013 but was replaced by another Chinese supercomputer, Sunway TaihuLight, last year.

China launched the world's first quantum satellite in 2016, leading the world in quantum communication.

La Iniciativa Belt and Road promueve más acuerdos de inversiones.

Las principales inversoras dentro de esta iniciativa son las empresas estatales pero los acuerdos de inversión con las privadas aumentan la capacidad de capitalización e incorporación de tecnología.

[Belt and Road Initiative set to see more joint investments](#)

Chinadaily.com.cn - 11/04/2017

Joint investments between State-owned enterprises (SOEs) and private firms can yield a better result in the Belt and Road Initiative, an industry report showed on Monday after tracking deals over the past two years.

Such teaming-up would help ease barriers for technology-related acquisitions and ensure sufficient capital, according to the outbound investment report released by China Bond Rating Co and Institute of World Economics and Politics of Chinese Academy of Social Sciences.

SOEs currently still take a leading role in Belt and Road investments, as projects focusing on energy, transportation and mining sectors currently still take a leading role in Belt and Road investments, as projects focusing on energy, transportation and mining sectors take up over 70 percent and are capital intensive and of long return cycle, said the report.

Seven of the top 10 outbound Belt and Road investments were made by SOEs that were also Fortune 500 companies, it added.

ASEAN, Middle East and South Asia were most popular investment destinations along the routes, while Central and Eastern Europe saw exponential surges from a lower base, according to the report.

Direct investments made by Chinese firms in the economies along the routes stood at \$115.68 billion by the end of 2015, accounting for 10.5 percent of the total outstanding amount.

The report expects Chinese investments along the routes of the initiative will continue to surge in 2017, flowing to sectors that match greatest local demand.

Los consumidores chinos cambiarán la economía global.

Se estima que China será el principal contribuyente al crecimiento del consumo mundial hasta 2030. Los consumidores buscan cada vez más productos de calidad y marca. Aumentará la demanda de cuidados sanitarios, servicios médicos, educación y turismo.

[Chinese Consumers Will Change the Global Economy](#)

As China's massive population begins to spend more, the world will take notice.

By Matthias Lomas

The Diplomat. - 06/04/2017

"Because [China] is an immature market, even though GDP is slowing, consumer spending is still growing. It is outpacing GDP growth and is much stronger than consumer expenditure growth in developed economies," Sarah Boumphrey of Euromonitor explained.

According to Jeffrey Towson, co-author of *The One Hour China Consumer Book: Five Short Stories That Explain the Brutal Fight for One Billion Consumers*, the rapid rise in middle classes in China is "a new force" that should be considered independently from China's general economic ascendance.

Euromonitor estimates that China will contribute more than any other country to global consumer expenditure growth from now until 2030. China is already the biggest export market for 43 countries; for comparison, the United States is the biggest for only 32 countries. Until recently, companies dreamed of "making it big" in America; now they are just as likely to gaze longingly at China's massive market.

However, China's consumer landscape is rapidly changing as consumers get richer. Chinese shoppers have turned away from pure "value purchases," where price is the most important purchasing decision factor, and now strongly consider factors like brand, quality, and the status attached to the products they are buying. According to Towson, companies must appeal to "increasingly emotional [Chinese] consumers," who can be "really fickle – more so than many other cultures." While the Chinese consumer story has the potential to richly reward international businesses, they will have to contend with significant volatility which can lead to rapid changes of fortunes.

A bizarre example of this is the Bobbie Bear, which Towson and his co-author Jonathan Woetzel reference in their book. The Bobbie Bear is a bright purple teddy bear stuffed with surplus lavender from a farm in Tasmania, Australia, the retirement project of a man called Robert Ravens. Ravens' business suddenly became inundated with orders – from 10 a month to 4,000 a month – after the Chinese model/actress Zhang Zingyu posted a photo of her bear online. Annual visitors to Ravens' farm at one point exceeded 60,000. But then as quickly as sales rose, they fell as counterfeits of the bear sprung up in China.

The Bobbie Bear incident highlights the prevalence of counterfeits in China, which has eroded trust in domestically produced products. With the glut of fake products, health and safety is a massive concern after countless scandals. This affects the full gamut of products, from toys like Bobbie Bear, to food, over-the-counter drugs, and apparel. Towson says there is a lack of trust in “many domestic products for children. People are really concerned about health and safety. The food quality problem is not getting better.”

The Bobbie Bear also illustrates the power of Chinese celebrities to rapidly shape consumer demand. Another example of this is the effect Chinese basketball player Yao Ming had on the NBA's fortunes after he joined the Houston Rockets in 2002. His appearance catapulted the success of the NBA in China – it signed contracts with 12 local Chinese TV stations in Yao's first season – and increased the viewership of Houston Rockets games from 1 million to 30 million.

What Sectors Will Be Affected the Most?

China will have 345 million people over the age of 60 by 2030, an increase of over 80 percent since 2013. With an aging population, demand for healthcare services will soar. Consumer expenditures on health goods and medical services will see more growth than any other consumer sector from 2015 to 2030, according to Euromonitor. At the same time, China's healthcare system is woefully unprepared. The Chinese government wants to increase healthcare spending to 7-7.5 percent of GDP by 2020, up from 5.6 percent in 2013. But Towson thinks Chinese “hospitals are way behind other developing economies like India” and “consumers aren't waiting anymore... when people get cancer, they're getting on planes to Singapore and London.”

Foreign companies will look to fill this gap and reap the financial rewards. Singapore's Perennial Real Estate Holding had hardly touched healthcare in China until last year but now plans to build 20 to 40 healthcare hubs across China. Global pharmaceutical companies will also obtain much more of their profits from China and trust again plays a big part in driving this growth. “The pharmaceutical scandals will probably dwarf the food scandals,” says Towson, pointing out that recently “hundreds of thousands of kids got vaccines that turned out to be fake or sub-standard.” China will be the second-largest pharmaceutical market by 2020 and eventually the biggest.

It's not just the older generation that are spending more on health. Chinese are increasingly turning to organic foods, which tend to be more expensive, due to the perception that they are healthier. “Many Chinese consumers have an innate distrust of processed foods and that, combined with the recent food scandals, has driven many consumers to seek out what they consider to be safer and healthier foods,” Euromonitor says in a research note. Yilei Wu, who runs a boutique fashion business in Shanghai and is an influential blogger on fashion trends in China, remarks, “Well-being and fitness is already a new trend. We've seen a lot of juice brands, new

concepts. A lot more people [have] started to use bicycles. It wasn't like this before – it was just associated with a cheaper form of transport. Yoga was introduced 10-15 years ago. Now everyone around me is doing yoga.”

Tourism and education will also be greatly affected. China's outbound travel market will be twice as large as that of the United States in 2025. This trend is already having dramatic consequences. In May 2014, a group of 7,000 Chinese tourists boarded 86 planes in China, stayed in 26 hotels in Los Angeles, traveled around in 160 buses, and descended to numerous tourist sites en masse. Wu says of her friends in Shanghai, “Most people take at least one holiday a year to shop abroad. They go to Southeast Asia, Japan, Korea, Thailand, Vietnam, India... second most popular is then European and American countries, starting with London then Paris.”

Western universities are already gaining handsomely from rising Chinese incomes. Chinese students make up a third of international students in the United States. There are as many Chinese students taking masters courses in the U.K. as there are British students. Chinese students injected \$9.8 billion into the U.S. economy in 2014-2015 according to the Institute of International Education.

Implications for International Trade

As China's economy becomes indispensable to more countries and companies around the world, Chinese as a foreign language is soaring in popularity, and in unlikely places. The number of Israeli students studying Chinese has quintupled in the last four years. Around the world, 100 million non-Chinese now speak the language and in many countries kindergartens have begun to offer dual-language immersion.

Companies will pour resources into trying to understand the Chinese market and Chinese consumer preferences. As Towson puts it, “If you're a hotel in London, I guarantee you there are blogs in Chinese reviewing you... China's becoming the world's largest entertainment market. Suddenly you have to try and figure out what they want to watch on TV.”

China's huge consumer market means that the country will be able to set the terms of trade deals to its advantage. In 2013, Switzerland and China signed a far-reaching bilateral trade agreement that was hailed by politicians from both countries. Yet Swiss exports to China have hardly increased and the deal has since been criticized for failing to lower tariffs on Swiss watches, one of Switzerland's main exports, while lowering tariffs on imports of Chinese manufactured goods.

China was able to drive a hard bargain, in no small part due to the bargaining power afforded by its massive consumer base. Gideon Rachman writes in his book *Easternization: War and*

Peace in the Asian Century about political and economic power shifting eastwards: “It is economic might that allows nations to generate the military, diplomatic, and technological resources that translate into international political power.”

Get Ready for the Chinese Consumer

What if China’s economic slowdown becomes an economic crisis, for example as a result of its massive debt build up? China’s debt levels are worryingly high, at 247 percent of GDP in 2015, with comparisons made by investors such as George Soros between conditions there and in the United States before the financial crisis of 2008. A highly experienced China watcher who has reported on its economy for the last 40 years puts it this way: “A crisis is probably the number two likely scenario. Solving the problem is impossible... if they [the government] decide not to change the system they will continue to misappropriate capital. The middle class gets stunted. Their assets hit a ceiling.”

It’s undeniable that a serious economic crisis would dampen the Chinese consumer market. Some analysts predict a crisis but the truth is no one really knows whether this will happen – virtually no one saw the 2008 crisis coming, after all. Most analysts predict a slowdown rather than a crisis. Overall, it is clear that the growth of Chinese consumer expenditure is happening now and, bar a major crisis, it will continue to increase, even if China’s economy continues to slow. Beijing will also put enormous efforts into rebalancing China’s economy to be more consumption-led.

This will affect the world economy in many ways. In the past, “what was talked about at Chinese dinner tables or online didn’t matter,” says Towson, but now the effects of China’s consumer spending “is rippling over the world.”

The media is full of talk of China’s economic slowdown, as its GDP growth, in double figures for decades, now hovers at around 6-7 percent according to official figures. But while China’s economic slowdown is real, the growth of the Chinese consumer as a powerful force on the world stage shows little sign of abating and in fact will become more pronounced in the future. By 2020 there will be almost 400 million of what management consultants McKinsey call “mainstream consumers” – consumers with household incomes of \$16,000 to \$34,000 and therefore part of the “middle class.” It is these consumers that will shake the world.

China’s government is committed to transitioning the country’s economy from an investment-led to consumption-led. Beijing knows that the sources from which it has achieved such impressive growth in the last few decades – investment, cheap exports, and rural-to-urban migration – can no longer drive GDP growth as much as they once could and that it must find new sources of economic activity.

The good news for China's policymakers is that consumer expenditures are growing strongly.

Académico de Oxford reseña libros sobre situación y futuro de China

Reseña de un académico de Oxford de siete libros sobre la evolución de China y su posición en el mundo.

[What Next for Trump and Xi?](#)

By Rana Mitter

Project Syndicate - 7/4/2017

Donald Trump's "America first" approach to US foreign policy would seem to create an opening for China to assert itself more forcefully on the world stage. But that assumes what remains to be seen: whether China's leaders can reinvigorate their country's decaying socioeconomic model.

With the world's attention focused on Sino-US relations, Oxford historian of China Rana Mitter reviews seven recent books that provide a glimpse of what the future may hold in store.

OXFORD – Donald Trump and Xi Jinping's summit at Mar-a-Lago, the US president's gilded Florida home, is the latest chapter in a long, often turbulent, but increasingly vital history of Sino-American engagement. In the World War II era, veterans of the Chinese Nationalist government, such as the financier T.V. Soong and the wife of the Nationalist leader, Madame Chiang Kai-shek, variously paraded and padded around Washington's corridors of power. When President Richard Nixon and Chairman Mao Zedong met in Beijing in 1972, there was a palpable sense that they were reorienting the world. When Deng Xiaoping became the first senior Chinese Communist leader to visit the United States, in 1979, he famously donned a cowboy hat during a trip to Houston.

In the four decades since, the US and China have developed the world's most important bilateral relationship, owing largely to the thickening cords of trade and investment that now bind the two countries in a web of interdependence. But there is a sense that the Florida summit represents another turning point. Trump's protectionist inclinations are a source of growing tension,

as is his implied ultimatum regarding North Korea: unless China helps to “solve” the problem of North Korea’s burgeoning nuclear weapons program, the US may act on its own. All of this gives new urgency to a spate of recent books that seek to explain China to the outside world and parse its relations with the US

China’s Long March to Decay?

A new tone characterizes many of these books. For much of the 2000s, there was a tendency to view China as a rising hegemon whose economic and military strength would inevitably give it pole position in Asia, and possibly a major role in global leadership. The stark contrast between China’s double-digit economic growth and the West’s malaise after the 2008 financial crisis seemed to give weight to this interpretation.

But, over the past year or so, several studies have argued that China’s current socioeconomic model is running out of road. The political scientists David Shambaugh of George Washington University and Minxin Pei of Claremont McKenna College have written two such books. Pei has for some years been among the best informed and most pessimistic of analysts (a decade ago, he published a book called *China’s Trapped Transition*). Shambaugh, who has analyzed China for some three decades, was once more confident that China’s system could adapt, rather than atrophy (to borrow from the title of one of his own previous books). But, in *China’s Future*, he, too, has become more convinced that the Chinese model simply cannot be sustained.

Shambaugh’s book has a question mark printed on its cover, and he is at pains to stress that he does not regard the downfall of China’s system as inevitable. Under Xi, he argues, China has chosen to pursue what he calls “hard authoritarianism”: a system that is increasingly repressive and economically exploitative. And Shambaugh rules out a fully democratic system anytime soon: a “semi-democracy” is the best that can be hoped for in the next few years, and even that is a relatively unlikely outcome.

Instead, “soft authoritarianism” – something akin to the small but real advances made in China in the 1990s and 2000s under presidents Jiang Zemin and Hu Jintao – will probably be the key to avoiding an ever more inward-looking future. For now, however, he sees little prospect that Xi will embrace a lighter touch.

China’s Future, based on a long career spent observing Chinese politics, provides a sobering, if not pessimistic, assessment of the country’s current direction. And recent events support Shambaugh’s qualms. In the months since his book was published, reports of government crackdowns on lawyers, academics, and the media have continued to multiply. And signs reading *Ting dang de hua* (“Obey the Party”) have become a frequent sight around Beijing and other major Chinese cities.

The Triumph of Corruption

Whereas Shambaugh focuses on high politics, Pei devotes more attention to China's political economy. But his message is no more optimistic. China, like many other countries experiencing rapid economic development, has suffered endemic corruption, even as the country has prospered. But Pei's argument is that corruption did not emerge as an unwelcome side effect of economic growth. Rather, the very form of economic change implemented since the 1980s has made corruption a central feature of the system. *China's Crony Capitalism* provides a detailed, meticulously documented account of a system being eaten away from within.

Pei focuses on privatization – in particular, its implementation in the absence of a strengthened property-rights regime (in some ways, rather like Russia in the 1990s). He pulls no punches: “the defining feature of crony capitalism,” he argues, “is the looting of nominally state-owned assets by colluding elites.” Instead of separating political power from property ownership, rising stars in the Chinese bureaucracy became entangled in corrupt practices early on in their careers, and ever more deeply over the years. Land sales, in particular, enabled local governments to accumulate vast sums of money, at least some of which ended up in the pockets of officials overseeing the transactions.

Against this background, Xi's uncompromising anti-corruption campaigns have been rather popular with the Chinese public. Most Chinese understand that Xi's broad crackdown has served as a pretext for removing his opponents from positions of power; but they still want to see officials with Rolexes and Rolls-Royces get their comeuppance. Pei, however, knows better: precisely because Xi's campaigns are politically motivated, they will not root out corruption's structural causes.

Resilient China?

But Shambaugh and Pei are not the only voices in the debate. After all, the Chinese Communist Party has a long record of renewal, reflecting its ability to adapt to ensure its survival. Frank Pieke's *Knowing China* takes this capacity as its starting point, which leads to a much more upbeat appraisal of the CCP's ability to take China forward.

Whereas Shambaugh and Pei are political scientists, Pieke is an anthropologist, and his understanding of the CCP is shaped by that discipline's categories of analysis. He views the CCP not as a distorted version of an ideal type of political party from the liberal world, but as an entity that has grown up over decades as part of an organic set of developments defining the relationship between the Chinese people and their political rulers.

Thus, for Pieke, the period since 1978 has not been one of “reform” (with the implication of neoliberalism), but of “neosocialism.” To meet future challenges, he argues, “the continued rule of the Communist Party is not the main obstacle, but instead the main condition,” because “CCP

tem's imminent collapse may be misplaced.

Pieke's argument draws on an understanding of China's premodern culture, with the "mandate of heaven" – a kind of legitimacy gained by virtue of rulers' ability to create prosperity – now in the hands of the CCP. He paints a fascinating, counterintuitive picture of the CCP as a quasi-theological institution, and certainly one that has no intention of using the tactics familiar to liberal societies to reform. But he has more faith than Shambaugh or Pei in the system's capacity to use mechanisms such as consultative democracy, petitioning, and the rapidly developing, albeit much constricted, legal system to encourage profound change.

For those more interested in the geopolitical bottom line, Jonathan Fenby's brief, insightful book *Will China Dominate the 21st Century?* puts the matter bluntly and argues – rightly – that the answer is no. Fenby, a former editor of the *South China Morning Post*, points out that China will always be a "dependent" power, importing vast amounts of minerals, fossil fuels, and even food in years of bad harvests. Equally important, despite genuine resentment at being forced to operate in an international system not of China's making, there is no such thing as a "Chinese model" that could be put into operation in a consistent way elsewhere.

It is one thing to argue that China has a unique polity that makes liberal democracy impossible; it is quite another to argue that others must exchange political rights for economic benefits. Fenby does not go as far as Pei and Shambaugh. But "if reform is not undertaken in a far-reaching manner," he warns, China "will lurch from problem to problem, limiting its future development."

We will know more about the likely path China takes this autumn, after the 19th National Congress of the CCP. Once Xi has secured his second five-year presidential term, and packed the Politburo Standing Committee, China's highest political authority, with his allies, he is likely to turn to China's gravest short-term problems: the need to reform the last of the major state-owned industries and tame ballooning debt.

Solving both problems is crucial to long-term reform. But tackling them may well be a messy process of constricted growth and more political repression, as Xi uses all the weapons at his disposal to neutralize his opponents and rebalance the economy. If he manages that, cautious political liberalization in the early 2020s will be possible, particularly as China becomes more dependent on higher-value economic sectors that rely on a more open economy and society. That, of course, assumes that the volatile Trump and the secretive CCP don't get caught up in a fundamental crisis in the next few years.

The Sino-American Dialectic

Whether such an outcome can be avoided will depend on how Xi and Trump address the US-China relationship's current problems and future prospects. Two impressive new historical studies that examine the bilateral relationship from a longer-term perspective help readers understand the dynamics underlying policies on both sides.

Perhaps surprisingly, John Pomfret's *The Beautiful Country and the Middle Kingdom is one of a rather small number of books to survey US-China relations over the past three centuries. A classic of an earlier era, John King Fairbank's The United States and China*, helped shape much of the Cold War conversation about China in the American academy. Pomfret, an experienced American journalist who has reported from China for over three decades, has produced a worthy successor: a clearly written, vivid account of the most important encounters between China and the US.

The theme that runs through Pomfret's account is that the Sino-American relationship has been defined by an ever-stronger sense of mutual dependence, mutual admiration, and mutual distrust. The Qing dynasty regarded the US with ambivalence: the American barbarians were in many ways as rapacious as those of Britain and France, but at least they were less enthusiastic about seizing Chinese territory. Chiang Kai-shek, China's Nationalist leader during much of the mid-twentieth century, including World War II, filled his diaries with entries that swung between intense hatred of the US, which he feared was trying to undermine his rule, and the conviction that the US must shape postwar Asia. Mao, Chiang's great rival, once referred to America as "the most respected enemy."

A hundred years ago, it was fair to say that Britain was the most important foreign country for China; 80 years ago, it was Japan; and 60 years ago, it was the Soviet Union. But for the past half-century, and in particular after Nixon and Henry Kissinger's visit to China in 1972, fascinatingly described by Pomfret, there is no doubt that it has been the US. The two countries' elites reflect that change: Xi sent his daughter to Harvard, while the Trump family has significant business interests in China.

Cutthroat Communism

In *Unlikely Partners*, Julian Gewirtz details one of the most intriguing moments in the development of the Sino-American relationship. It has now become conventional wisdom that China's ruling Communists oversee one of the most ruthlessly capitalist systems anywhere in the world. But the process by which that happened has often been rather obscure.

After 1978, China drew on a variety of experiences, both internal and external, to repair the destruction wrought by the Cultural Revolution, reboot its economy, and eventually become a global powerhouse with the world's second-largest GDP. Gewirtz's book focuses on a remarkable, and little-known, sequence of change in the 1970s and 1980s, when a succession of Western economists visited China to advise Deng's Politburo on how to reform the Chinese economy.

The story is not without its farcical elements. In September 1980, the Nobel laureate Milton Friedman, perhaps the most prominent free-market proponent in the 1970s, was invited to China, together with his wife, the economist Rose D. Friedman, to give lectures on the importance of "free private markets." What the Friedmans said was uncompromising enough to ruffle official feathers – so much so that a delegation was sent to the Friedmans' hotel room to educate them about the "triumphs of the Chinese Communist Party."

Yet engagement with other economists – including those from the reformist part of the Communist world, such as the Hungarian Janos Kornai, and the British economist Alec Cairncross – shaped the "neosocialism" described by Pieke and gave rise to an economic miracle. Gewirtz also traces the intellectual genealogy of figures who have since gone on to prominence in reform-era China, including Zhou Xiaochuan (today the governor of the People's Bank of China), and Wu Jinglian (a senior economist whose nickname, appropriately enough, is "Markets Wu"). The result is a remarkable book, written with poise and confidence, that shows how closely Chinese reform was tied to ideas from the capitalist and socialist blocs during the Cold War, and illuminates the beginnings of an economic idea that would transform China and change the world.

Historical Parallels

History is a source of analogy for the present, and those who seek such analogies will find the mother lode in Jeffrey Wasserstrom's sharp squib of a book, *Eight Juxtapositions*. Wasserstrom is a distinguished historian of China, and in this thoughtful, provocative work, he uses his learning deftly to point out the similarities (imperfect but real) between China today and various historical precedents.

Wasserstrom teases China by speaking of the possibility of a Chinese "co-prosperity sphere," with its echo of the prewar Japanese empire's ambitions in East Asia. He also draws a parallel between Xi and Pope Francis – both, after all, are heads of secretive organizations that have global influence but urgently need reform. And, alive to US-China comparisons, Wasserstrom answers critics who ask why Chinese banknotes feature Mao, who was responsible for the death of millions: Andrew Jackson, he points out, oversaw the ethnic cleansing of Native Americans from the southeastern US, and yet his glowering visage remains on the 20-dollar bill to this day.

Wasserstrom's analogies may seem provocative, but they are important. Xi and Trump are interacting in a world where the contrast between China and the US (and the liberal world more

generally) has become fuzzier. Make no mistake: the US is still a vibrant liberal democracy (there are no “Saturday Night Live”-type skits parodying Xi on CCTV) with the world’s largest economy and most powerful military.

But the two leaders’ language has grown much closer in some respects. Xi bullies the Chinese media to behave as though its “surname” were “The Party,” while Trump lashes out at the “lies” and “fake news” of media outlets that do not reflect his point of view. In Japan, India, and the Philippines, democratically elected leaders behave ambivalently – or worse – when it comes to press freedom, civil rights, and diversity. As liberal values are eroded in the geopolitical West, it is becoming harder to stand on principle against the Chinese system.

Likewise, the key global powers have moved toward Realpolitik and away from the idea that universal values should underpin international affairs. Trump has made it clear that the only ideal guiding his policies will be “America first,” a concept based on gaining zero-sum economic advantages, not on the supposed superiority of the values claimed by the US as its own. (As he put it when prompted to criticize Russia, “You think we’re so innocent?”). With the European Union likely to be preoccupied with crises for years, and the EU-departing United Kingdom busy chasing (possibly chimerical) trade deals with China, it is hardly likely that either will make criticism of China’s domestic politics a high priority anytime soon.

Whether China starts to buckle under systemic failure, or re-equilibrates and becomes even more confident, managing relations with it will remain a crucial task for the rest of the world – and especially for the US. These books, with their widely varying perspectives and approaches, provide an excellent survey of what is – and what could be – at stake.

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