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The Chinese Economy at 70: Slowing Down Amid a Protracted Trade War

Beijing.

There is no future in predictions, as common as they are at this time of year. Add China into the mix and fate will be tempted to a dangerous degree. But there is one thing we can say for definite ... the party will celebrate its 70th anniversary of coming to power in October, 2019. That could mean that much needed reform to the economy is delayed rather than risk social unrest in the run up to a key anniversary. Everywhere you go in Beijing there are signs of a slowing economy. Shops closing, factories letting people go, family holidays canceled. And a marked drop in property prices. I live in north Beijing in an area beyond the 5th ring road with no shops selling designer brands. You are considered successful in Beijing if you live inside the 4th ring road. The nearest subway is a 20 minute walk, as are the nearest shops. This in no way could fall into the des-res category.

There are six residential blocs in my compound each with 100 flats. These flats were originally built to house elderly inhabitants from inner city areas. But many of their children, now adults with their own families, thought it might be a good idea to bring their parents in with them and rent out the new flat.

Judging by the lights on at night, 70 percent are empty and have been for more than a year. Plans for two nearby shopping centers have been put on hold because there are so few potential customers. Even in northern Beijing, the most affordable part of the Chinese capital, signs of a downturn are obvious.

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You can talk to economists and financial specialists and be told the fundamentals show signs of an improvement around the corner. Or you can just ask the local real estate agent. In my area, they have left 11 of their 23 members of staff go in the last year. Just as telling, my landlord has not increased the rent, the first time this has happened in my 8 years in the Chinese capital.

Officially China's economy is growing at 6.5 percent. But car sales, a key indicator of growth, have stalled. This is the world's largest car market but sales have gone into reverse for the first time since 1990, the year Saddam invaded Kuwait. The stock market has seen \$2 trillion wiped off share-price values in a year.

The unwritten social contract is under strain. The lack of political freedoms can be accepted if you are the first in your family to own a flat, a car and washing machine and send your child to university. But when your child can't get a job upon graduation and nor can their friends, then the Party has a problem. But if China has a problem, so does the global economy. It's like that old joke...you owe the bank a million, you're in trouble, you owe the bank a 100 million, they are in trouble, you owe the bank a 100 billion, we are all in trouble. If China sneezes, the rest of the global economy feels the symptoms of flu. Chinese journalists have been told to refrain from what the party called "bad reporting" on the economy and measures have been introduced to shore it up. Consumers have been given tax cuts to encourage spending, jobless young people receive subsidies, and companies that do not lay off people get insurance refunds.

No predictions, but in 2019 China will have to tackle not just a slowing economy but also a protracted trade war with the US. Demands among the population for the benefits of progress, better environmental, labor, and health protections are growing louder.

The choice for China's leaders in the run-up to the anniversary is clear. Infrastructure spending funded by debt to maintain the headline grabbing 6.5 percent bottom line of growth or reforms that will increase unemployment.

"We'll see," my landlord said to me as I signed the contract, "if your rent will go up next year."

He didn't want to predict, and I didn't want to tempt fate.