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The Chinese economy continues to give rise to diverse interpretations



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The news about a serious crisis in the Chinese economic scenario has starred in the media news of important media in the West. The moment of wishes and speculations follow one another these days, just as they have in the past.

Many analysts have trouble explaining China's success, and therefore tend to pretend that it does not exist or that it will be for a short time. For most people, the Chinese economy is a huge puzzle, an incomprehensible giant like no other. For some, its development seems to mimic that of other economies, for others, it seems to defy logic and follow no familiar pattern. China's economy is a layer of many colors. It is the largest economy in the world in some aspects, in some aspects, but it still has other aspects to develop.

In the last 40 years, China has gone from being one of the world's poorest nations to becoming an upper-middle-income country and the world's second-largest economy,

lifting hundreds of millions of people out of poverty. As the world's largest exporter and second-largest importer, its fate affects almost every economy and every industry, and is of enormous importance to international companies and global financial markets.

This development has been marked by a whole series of Factors that have shaped economic photography: demographics, The initial stage of development in 1978, the transition from full ownership state and central planning, dual urban-rural society and a Decentralized governance structure. More recently, topics such as the Real estate market, debt accumulation and environmental challenges They have also been added to analyse recent progress and obstacles to the same. Probably, if we are able to analyze these together. Contradictions We will approach a more real and more complete picture of the Chinese economy.

One of the keys to this spectacular growth and development has been based on China's ability to chart its own course, maintaining its system of "socialism with Chinese characteristics", and extracting lessons of its evolution in these four decades. The challenges of the end of the Last century (70s and after 1989) seemed insurmountable, causing a Intense internal debate in the country's leadership. Economic difficulties surpassed at the end of the nineties were of greater depth than the current ones. In At all times, China has managed to maintain its own model, applying new reforms, developing the economy and seeking macroeconomic stability and social. Contributing, in addition, a traditionally pragmatic, adaptive and long-term.

The current challenges have been on the agenda of the Chinese leaders for some time, and for years they have put on the table various plans to alleviate the changes and challenges they must face. Along these lines, they are betting on the increase in domestic demand, together with a boom in the income of the population; an improvement of human capital (education, more spending on R+D) and an industrial policy to advance technologically; as well as a distribution of income via policies of "common prosperity" (improvements in public services and social protection).

More recently, and in line with new interpretations On the Chinese economic situation, analyses have focused on the crisis real estate, demographic, or debt. Chinese leaders acknowledged The difficulties and implemented new policies to reverse them, which that together with the result of your long-term strategy allows you to doubt when less of the most pessimistic omens.

The ageing of the population should not be a major constraint on the amount of labour supply in the next decade. China has changed its population policy to encourage more births, although the effectiveness of this policy is unclear and any impact of such a policy on labor supply will take at least 15 years to materialize.

China is looking to improve its human capital by increasing the average length of education of its workforce and expanding vocational training.

China's large talent pool (4.4 million people in R+D, according to UNESCO), increased technology spending and a vast market that facilitates the monetization of innovation will also help China respond to challenges.

The real estate crisis flies over this "discouraging" panorama, which has led Chinese leaders to move chips through new corrective measures. Thus, if already in November of last year 16 support policies for the real estate sector were launched, now, at the end of July, a relaxation of fiscal policy has been promoted, to facilitate greater credit support for investment in infrastructure, as well as a reduction in down payment ratios and mortgage interest rates for home buyers. waiting for a stimulation of the purchase before the traditional high season (September-October).

In technological terms, the Chinese giant would be in the "fourth industrial revolution, driven by artificial intelligence, robotics, the internet and other massive applications of *big data* for supply chain management, transportation, health care and other fields."

The weight of Chinese debt is another factor that the most pessimistic analyses use to anticipate China's decline. However, other voices refute these assessments with solid arguments. As one report notes, "Despite the high and rising level of debt, we believe that the risk of a debt crisis or 'typical' financial crisis in which large defaults lead to bank failures, a severe credit crisis and/or sharp exchange rate depreciation is relatively small in China."

On the one hand, the government has substantial assets for Dealing with debt. Control of capital by national banks means that more than 95% of the debt is internal, and not subject to pressures and Changes in foreign interests. "State ownership of banks and government guarantees on deposits and their history" also play In favor of the Chinese government and economy. Anyway, this does not want To say that this level of debt does not generate problems.

Future scenarios also vary depending on the sources. "Under a reasonable baseline scenario, China's growth trend is likely to slow to an average of 4% to 4.5% annually between 2021 and 2030. Growth is likely to average around 5% initially before slowing to less than 4% annually in the latter part of the decade. In a more pessimistic scenario, China's growth trend could average only about 3% this decade.

In a more optimistic, but highly unlikely scenario, China's growth trend this decade could reach 5% per year or more. If China were to grow between 4% and 4.5% annually in real terms during this decade, it could still account for at least 30% of global growth. If China can withstand the reflationary pressure of those who lose out due to the deflation of housing and financial bubbles, a healthier and more sustainable growth cycle is coming, which will make China a high-income country."

Already this year, after the recovery of the first quarter and the subsequent fall in the second, a baseline forecast that each Once more analysts are handling, it is that quarter-on-quarter growth recovers to 4-4.5% in the third and fourth quarters, resulting in growth annual GDP will reach around 5% this year (the government's target by 2023), compared to just 3% in 2022.

If China remains able to address major domestic challenges, its long-term outlook should remain strong. China's current economic crisis is real, but it is not facing a "2008 moment." While serious risks in China's real estate sector should not be downplayed, their effect on global markets is prone to misinterpretations and exaggerations. Stability is the top priority in the state-controlled financial system, and they have another, more aggressive stimulus if needed.

Hegemonic and media approaches in the West they will continue to fail if the capabilities and capabilities continue to be underestimated. China's ambitions. While showing us A more negative image in the international arena, with issues such as State interference in the economy and high debt occupying a place Authorities in Beijing are increasingly concerned about the social inequality and the sustainability of growth.

Some political and economic oracles continue to point to the "imminent collapse of China" (Gordon G. Chang, 2001 and 2011), however, the China's economy remains a gigantic, complex puzzle and full of contradictions. In addition, their economic policies are usually difficult to read and your data is not always reliable or easy to read decipher. As one

Chinese scholar points out, "for all those who insist that China will collapse: it is possible, but it is not likely."

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