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زبانهای اروپایی

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10.11.2023

Local Debt in China: The Latest Western Farce



Sources: Rebellion

We are witnessing a Western campaign that tries to spread the idea of China's economic bankruptcy.

It is clear that all the actions of blockade, prohibition and decoupling against Chinese companies and the economy by the United States and its allied countries are aimed at this economic bankruptcy, but it is no less evident that they fail and that the Chinese economy continues to grow at rates above 5% and contribute most of the growth of the world economy. To cover up this reality, which contrasts with the Western economic recession, it is argued by saying: "Growth at 5.2% is something that any country in the world would want, but for China it is little."

The background to this strategy is try to cool foreign investment in China.

One of the latest campaigns of Disinformation released in recent weeks refers to debt of China's local governments.

If we open up the Western press we can read in big headlines: "*China has a 'hidden debt' in its 57 trillion yuan local administration,*" ([El Economist](#)). "*Can China solve its debt crisis? trillion-dollar local facilities?*" ([Bloomberg](#)). "*China can no longer 'extend and fake' debt*" ([Reuters](#)). "*China's Trillion-Dollar Dilemma: The 'Debt' hidden "of local governments"*" ([Nikkei Asia](#)). "*The debt of local governments that threatens the China's economy*", ([Financial Times](#)). "*China's tottering mountain of local debt, in six charts,*" ([The Wall Street Journal](#)).

All this biased information In addition to seeking to generate alarm about the Chinese economy, they use, Also, many of them false information.

¿Is How large is the debt of China's local governments?

China, with 1.4 billion people and its thriving economy, it is the largest country in the world and all its The numbers are enormous. This has been used for Western discrediting where we can usually read headlines "China is the most polluting country in the world" or "China it is the country with the most accidents at work", true statements if they are taken at an absolute level, but radically false if they are analysed in per capita terms. You can't compare the accidents of work between Andorra and China in total terms, it has to be done per 1,000 workers. China is always the country that has the most of all the negative, but this same absolute criterion is not used for the positive.

In the case of China's local debt, In addition to this size factor, the fact that the system China's tax rate is different from that of Western countries. In China, among other chapters, all investment in infrastructure, which has been the basis of its spectacular economic development, it is financed by mainly by local governments and not by the government central. China is a much more fiscally decentralized country than Occident. It is for this reason that in proportional terms local taxation in China is much higher than in

other countries. Western. Taxation that refers to both the level of expenditure, the income level and debt.

Total government debts China's local markets are approaching 38.75 trillion yuan (5.31 billion yuan). trillions of dollars). Although the volume of debt accumulated by the Chinese local governments is considerable, remains within the approved limit set by the National People's Congress (the Parliament of China), of 42.17 trillion yuan.

China's GDP in 2022 was 17.2 trillion dollars, so this debt amounts to 30.9% of the GDP. However, China's total public debt (local debt + the debt of the central government + the debt of the rest of the bodies amounts to only 77.1% of GDP, compared with 111.6% in the first quarter. Spain, 126.4% of the US (2021), or 255.37% of Japan's GDP (2021).

China's level of public debt, measured in terms of the ratio to GDP, is lower than the of the major market economies Developed. Overall, China's risk is low and manageable. a far cry from the risk of debt that many countries are accumulating at a time of strong growth in the interest rates of interest in the West. The media's commented exaggeration communication does not respond to China's economic reality, but rather uses the greater fiscal weight of local government entities to add fuel to the fire of theory, always disavowed by the facts, of China's imminent economic bankruptcy.

If we look at the case of the United States, Together, the estimated annualized interest payments on the debt surpassed \$1 trillion at the end of October past. This amount has doubled in the last 19 months, and It equates to 15.9% of the entire federal budget for the fiscal year 2022, according to a Bloomberg analysis. Large debt and high interest rates in the West contrasts with the much lower level of debt in China and the reduction of its interest rates by its low inflation.

The China's Local Government Economic Outlook

One of the arguments used by Western media to exaggerate China's local debt is the Slowdown in the housing market.

The cooling policies of the developed in recent years to avoid The formation of a housing bubble has led to a reduction in the of real estate investment rates. This cooling has real estate companies, although none of the most important have gone bankrupt in China and continue to trade on the markets Stock.

Similarly, this slowdown of the real estate growth in cities has reduced one of the important chapters of local revenues. Reduction of income that has coincided in time with the increase in expenses as a result of actions to improve the social status during the pandemic.

These factors have led to a growth of local debt in recent years, even though the The current level indicated above remains at low risk levels.

Finally, and before analysing the actions being taken by China, comment on the concept of hidden debt of local authorities.

Already in the headlines The Western language that we have reproduced at the beginning uses this concept. Basically, this concept refers to the debt of the not issued as Public Debt or Bonds within the but to the debt from bank loans. Both Debt items are included in the total debt figures that We have indicated above.

China is acting to reduce and Restructure local government debt in three directions.

First of all, the big banks are refinancing governments' existing debt with longer-term loans at higher interest rates. cancellations, including the possibility of debt extensions or New bank loans to replace loans Existing.

Second, local governments They are replacing what have been called hidden liabilities (out of budget) by publicly issued bonds. At the end of In October, more than 20 provinces and provincial-level regions had issued more than one trillion yuan worth of such securities for redemption existing debt, according to media reports.

And thirdly, the central government has agreed to issue an additional one trillion yuan in bonds of the Treasury by December 31 of this year, and all proceeds will be transferred to local governments. This expansion of the central borrowing will allow local governments

not to have to incur debts other than those issued in Bonds at the same time as optimizes the debt structure between central and other governments. provincial. It is planned to use around 500 billion yuan in 2023, while the remaining half will be used in 2024.

The Chinese system of government, built on the participation of people, of the administrations and the companies involved in each of the issues, it brings together local governments, the central government, the central bank and publicly owned banks to monitor the structure of public financial liabilities and go adapting economic measures to the central objective of promoting the economic growth of the nation and maintaining balance adequate financial system. This participation at all levels together with a cautious financial policy has enabled the development of China's economic crisis without the risks of triggering bubbles financial and debt that countries are suffering from Western.

(Article originally published in [China Information and economy](#))

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Rebellion 19.11.2023