

# The Road to Conflict and Crisis China's Belt and Road

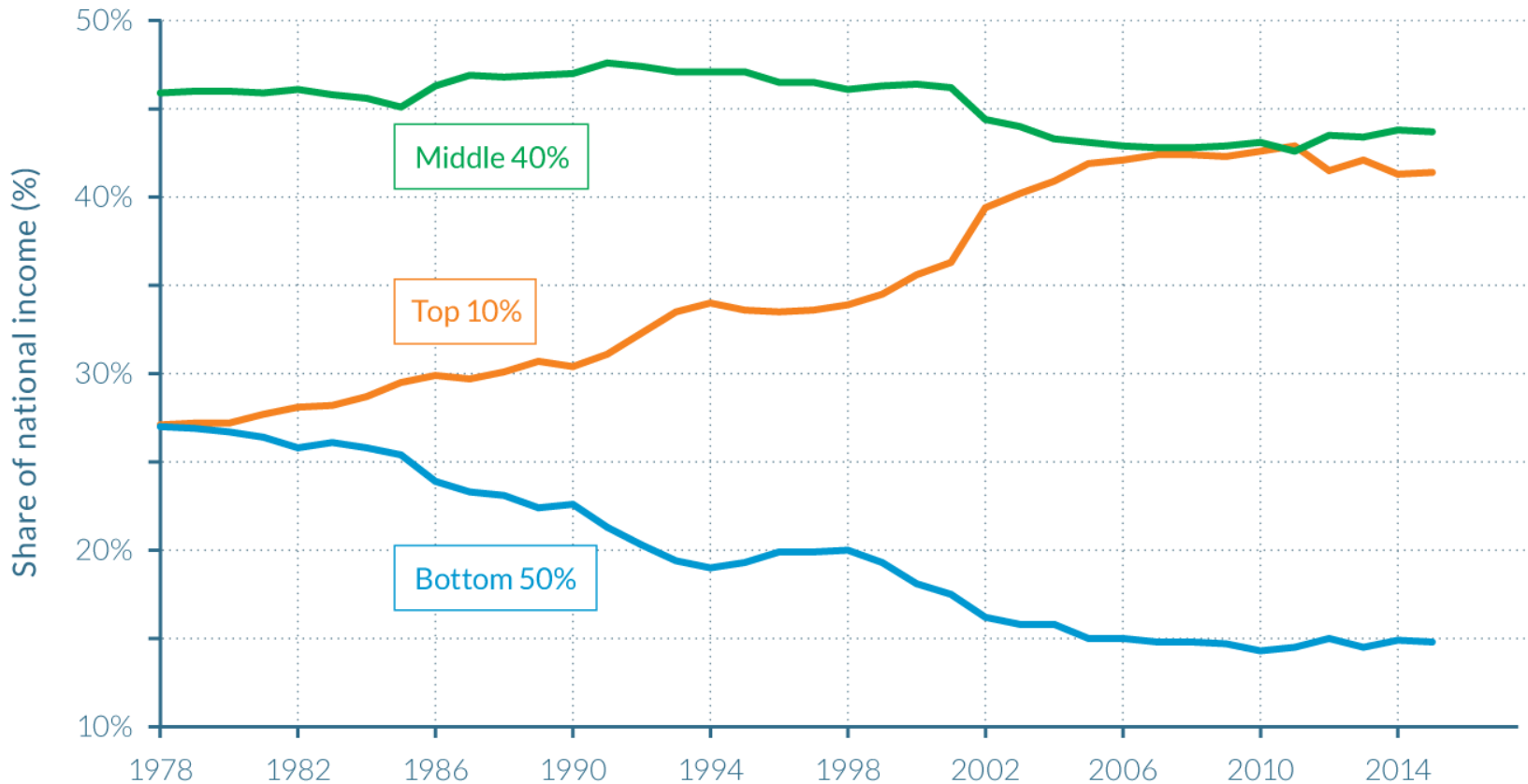
Au Loong Yu

# China since 2012

- Today's China is:
  - The world's second largest economy
  - The world's largest trader in merchandise
  - The world's largest manufacturer
  - The second largest recipient of FDI and fifth largest contributor of FDI
  - Possesses the largest foreign exchange reserves
  - The largest foreign holder of US govt bonds
  - The largest total energy consumer and more than half of its domestic consumption of oil relies on imports.
  - Has the world's largest number of millionaires and billionaires

# Income shares in China, 1978–2015

World Inequality Report 2018

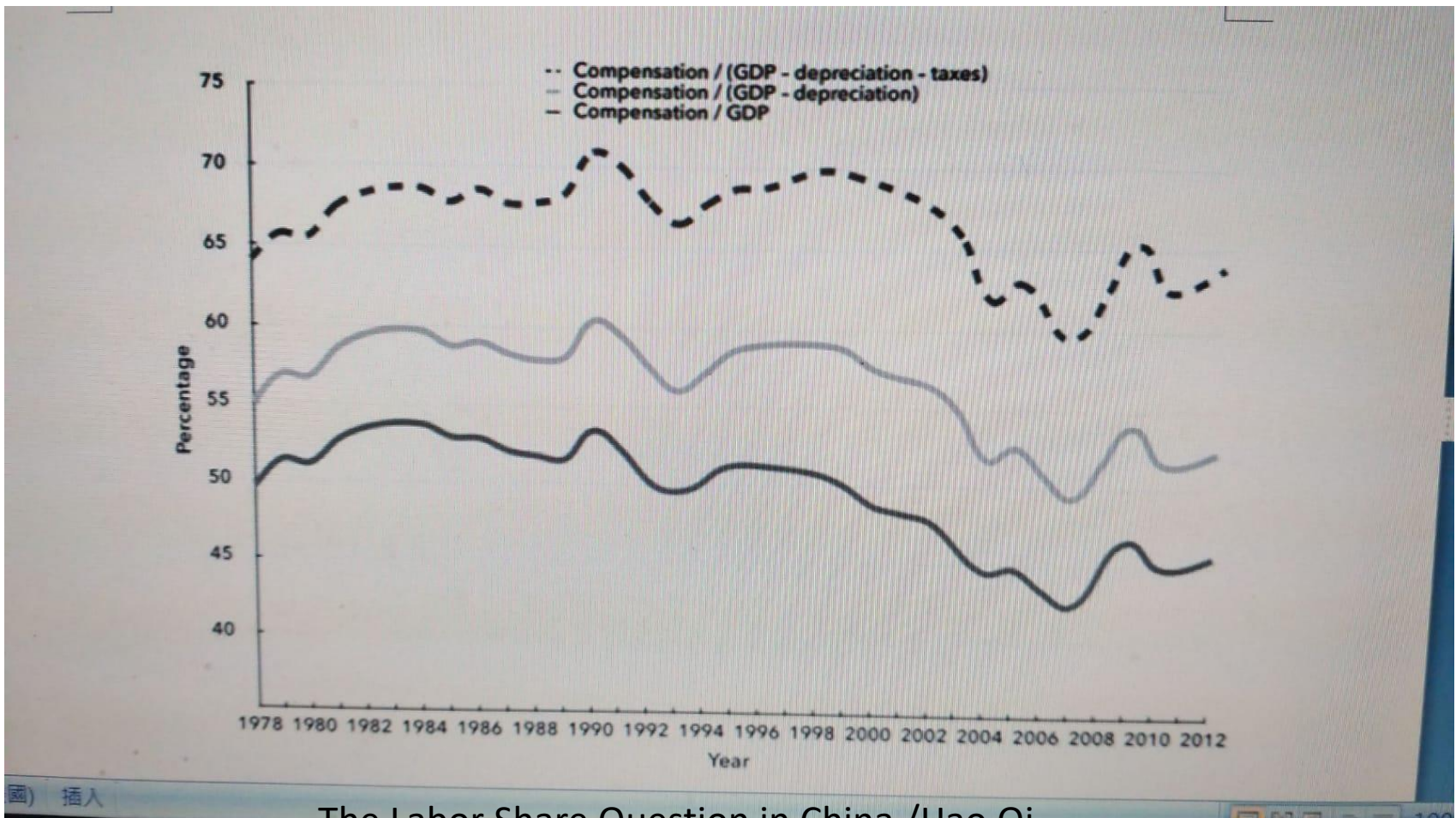


Source: Piketty, Yang and Zucman (2017). See [wir2018.wid.world/methodology.html](http://wir2018.wid.world/methodology.html) for data series and notes.

In 2015, the Top 10% national income share was 41%.

- labor's share has experienced a major decline from 51.4 percent in 1995 to 42.4 percent in 2007. It rose to 45.6 percent in 2012.
- [The Labor Share Question in China](#) by [Hao Qi](#)
- <http://monthlyreview.org/2014/01/01/labor-share-question-china>

# China Labor Share as percentage of GDP, 1978-2012



The Labor Share Question in China /Hao Qi  
<http://monthlyreview.org/2014/01/01/labor-share-question-china>

# A labor Repressive regime -- The Jasic case



# How China's Labor Repressive Regime Promote a Logic of Global Race to the Bottom

- 1. China labor laws provide comprehensive social and economic rights for workers. Yet it deny workers of their freedom of association and political liberties which cripple workers ability to claim for their economic rights.
- 
- 2 China economic miracle chiefly benefit from super high investment rate. This only made possible by super exploitation of workers and farmers. Low labour remuneration implies inadequate effective domestic demands for all the goods produced, hence continuous over production. This made export of goods and capitals all the more necessary,

- 3. Export oriented growth comes up with its limit because of limited and slowing global demand and also because of geopolitics. Hence the US China trade war.
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- 4. China spectacular growth enable it to evolve into a global power which brings it into conflict with US. China still much weaker than US but it is already big enough to challenge the unipolar world since 1989.



- 5. How this conflict will evolve is still an unknown . To some extent it may give smaller countries more leverages in its relation with US and EU, but it may also works the otherwise. When two elephants fight it is the grass below which suffers first. We have to provide concrete analysis on each cases.

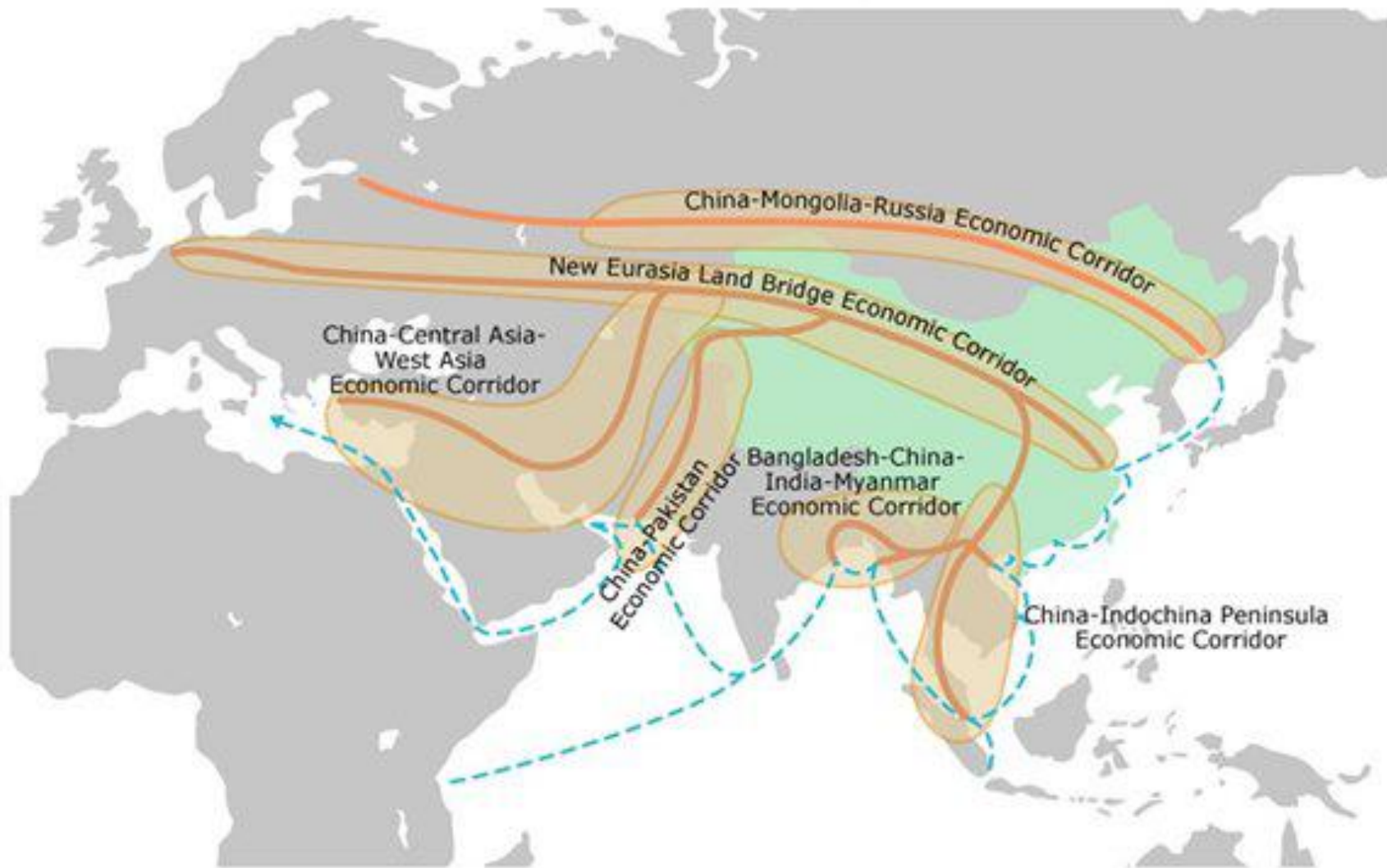


# BELT AND ROAD INITIATIVE 「一帶一路」倡議



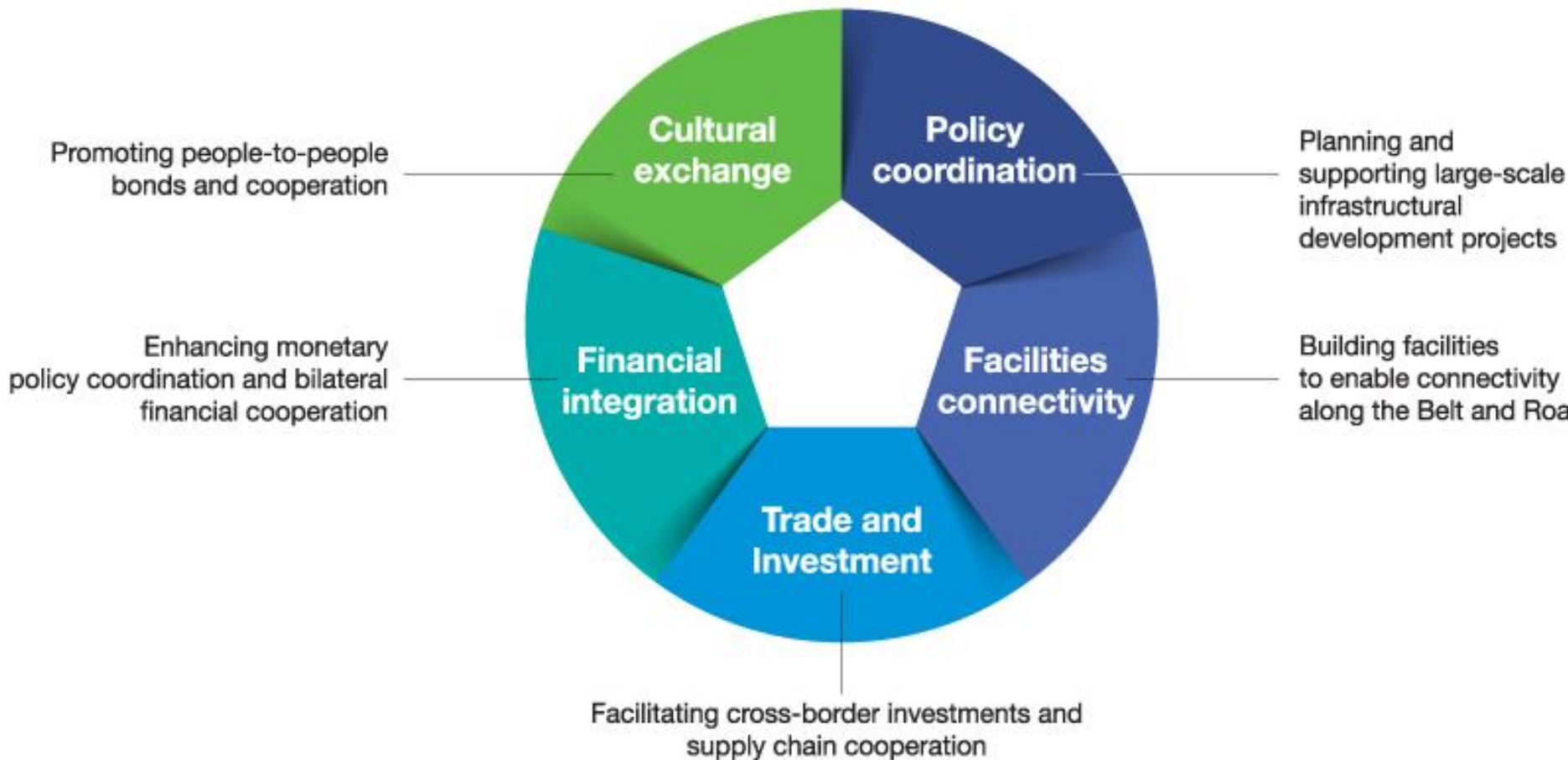
(Hong Kong Trade Development Council)

## The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



(Hong Kong Trade Development Council)

# Five Links for the Belt and Road



(Hong Kong Trade Development Council)

# policy coordination

- Objective : countries along the belt and road will, via consultation on an equal footing, jointly formulate development plans.

# infrastructure development

- prioritising areas of construction as part of the Belt and Road strategy. Efforts will be made to give priority to removing barriers in the missing sections and bottleneck areas of core international transportation passages, advancing the construction of port infrastructure facilities, and clearing land-water intermodal transport passages.

# investment and trade facilitation

- In order to facilitate unimpeded trade, steps will be taken to resolve investment and trade facilitation issues, reduce investment and trade barriers, lower trade and investment costs, as well as to promote regional economic integration

# financial integration

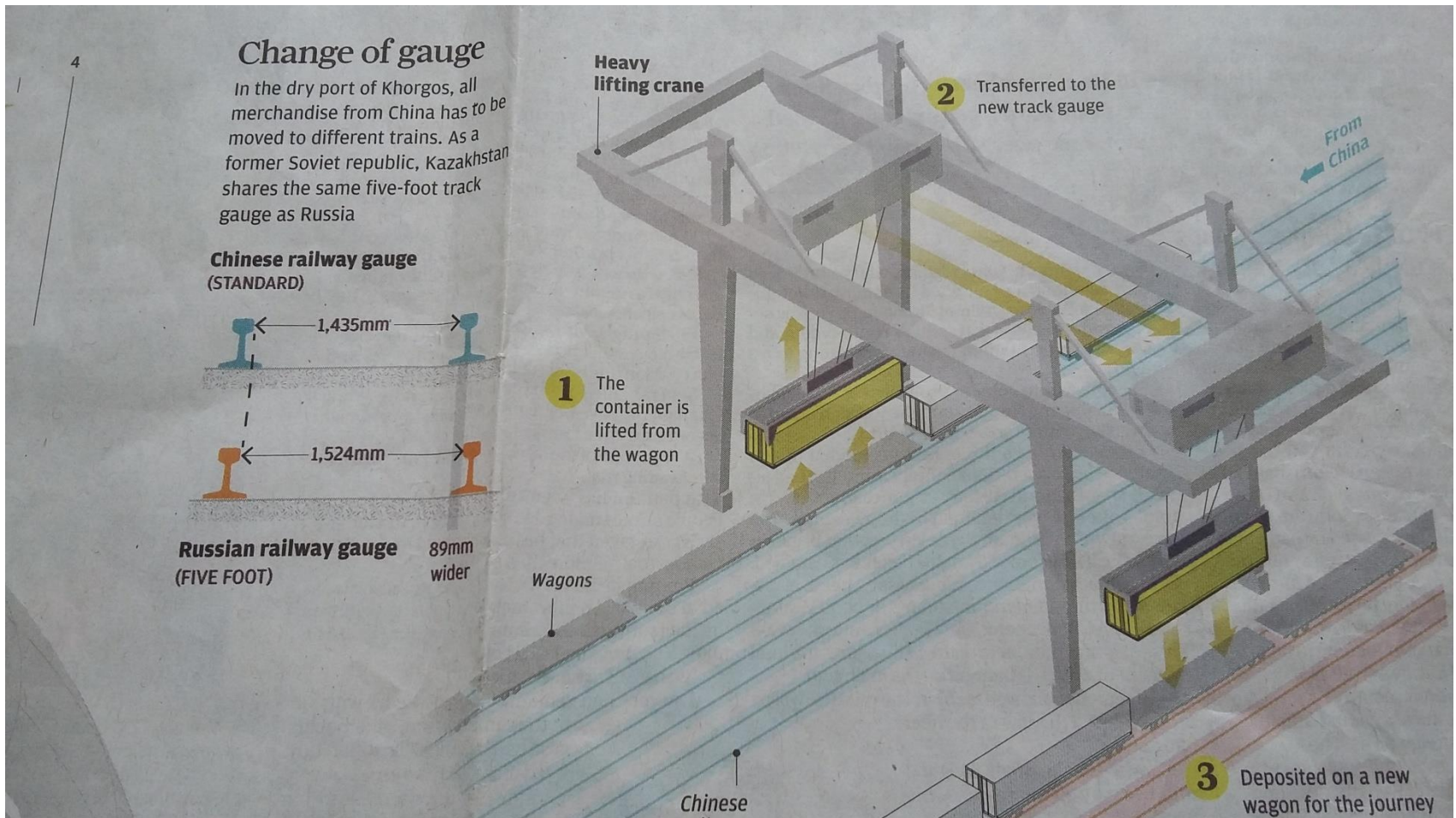
- co-ordination in monetary policy, expand the scope of local currency settlement and currency exchange in trade and investment between countries along the route, deepen multilateral and bilateral financial co-operation, set up regional development financial institutions,



# cultural and social exchange

- efforts will be made to promote exchanges and dialogues between different cultures, strengthen friendly interactions between the people of various countries, and heighten mutual understanding and traditional friendships.

# policy coordination --and its problems



China Mongolia Russia Economic Corridor

# infrastructure development and its problems

- Land grab
- Forced evacuation
- Pollution
- Exploitation of labor
- Import of labor from china
- Lack of transparency and accountability
- Corruption

# Problems for China

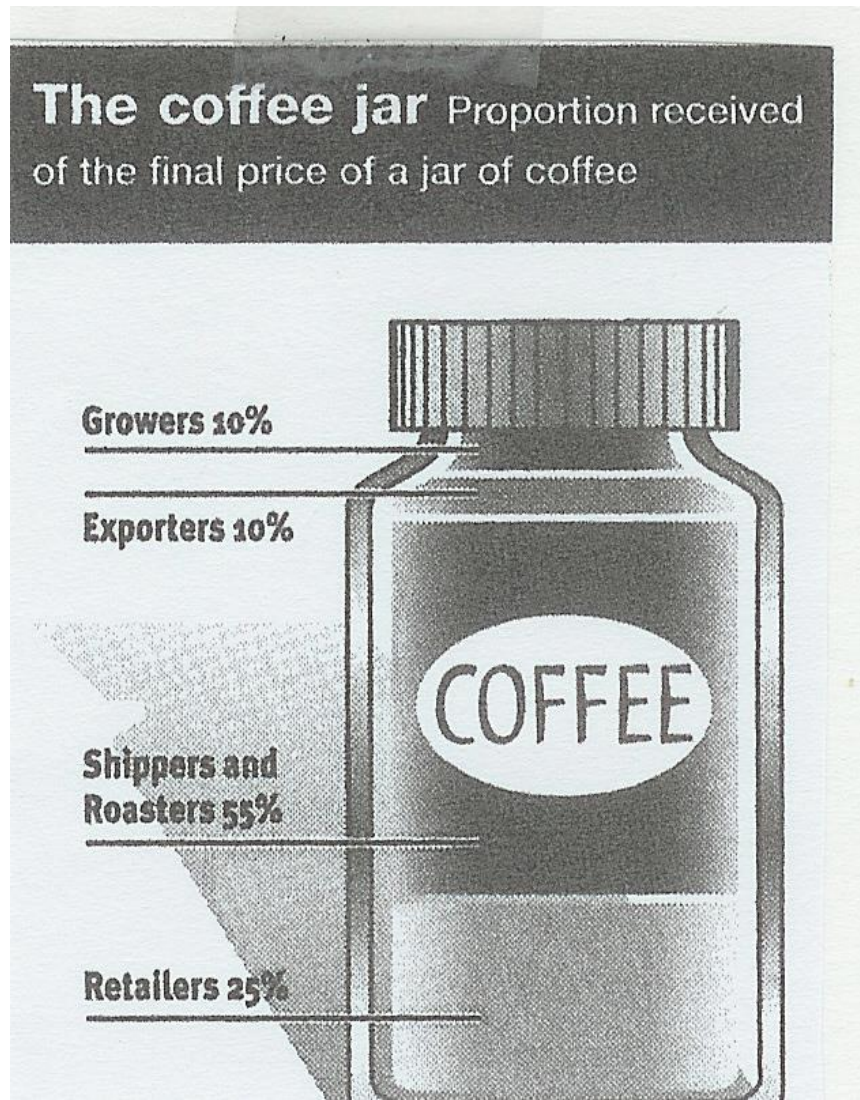
## --Xinjiang

- 1 Railroads and Pipelines from Gwadar to Kashi
- 2 Xinjiang as energy supply base

Energy	Resource reserves	Proportions in China	Rank in China
Coal	2,190 billion t	38.00%	1st
Oil	23.4 billion t	21.50%	1st
Gas	13,000 billion m3	23.30%	1st

Source: *Resources and Economy Atlas of Xinjiang Uyghur Autonomous Region, 2012*, SinoMaps <http://www.powermag.com/energy-industry-xinjiang-china-potential-problems-solutions-web/?pagenum=2>

# investment and trade facilitation and its problems



# financial integration and its problems

- Debts in recipient countries
  - Hambantota port in Sri Lanka
  - Venezuela
- for whose interests?
  - The Kunming-Laos-Thailand-Malaysia-Singapore high speed train

# How sustainable is the project?

- Domestic debts
- How profitable are China overseas investment ?
  - “China being the third largest FDI outflow country in the world, however half of them are not profitable.....” , *Understanding the Belt and Road Initiative*, Huang Yiping, p. 353.
- China’s past experiences: The Go West project – “Twenty years has passed yet the west region remains under-developed... Just don’t let the OBOR project turns into the international version of the Go West project” , *ibid*, p. 354
- China Pension fund investing in BRI

# cultural and social exchange ---and their problems

- Mutual recognition of academic qualifications
- Develop Tourism
- Cultural Festival
- Confucius Institute

- 《“五通” 正成為 “一帶一路” 建設的強大助推器》



- “Chinese firms in Russia and Mongolia exhibits chaotic competition among themselves and working against the laws, which seriously affect their images, and bringing negative effects to bilateral cooperation.”

-- 《一帶一路建設發展報告2016》，和平圖書，71頁

# Whither China? Imperialism?

- Since 2012 China is:
  - The world's second largest economy
  - The world's largest trader in merchandise
  - The world's largest manufacturer
  - The second largest recipient of FDI and second largest contributor of FDI since 2015
  - Possesses the largest foreign exchange reserves
  - The largest foreign holder of US govt bonds
  - The largest total energy consumer and more than half of its domestic consumption of oil relies on imports.
  - Has the world's largest number of millionaires and billionaires

# China GDP in 1820 and 1900

(Billions of International Unit)

Li Guoping, p. 251

	1820	1900
China	2286	2181
Britain	362	1848
USA	126	3125
Japan	207	520

# Two facets of China's development

- Dependent Accumulation
  - china as world's sweatshop
  - FDI, manufacturing and export
  - china's position in global value chain
- Autonomous Accumulation
  - state support of R & D / manufacturing
  - state led growth: very high investment rate
  - reverse engineering / piracy of western tech

# The Archille's heel

- Contribution to the growth rate of 9.7%:
  - capital input: 4.7%
  - human capital input: 2.7%
  - rise in labour productivity: 2.3% --- Li Guoping,
- Domestic Application for patent in 2006: 26%, mostly comes from Chinese medicine, beverage, food, soft ware of Chinese entry; - Li Guoping, p. 78

# The IC industry

- In 2014, China produced 84% of mobile phone, 82% of tablet computers, 66% of color TV, 81% of PCs of the world.
- China imported 70% of the world's chips and used 25%.
- China produced 6% of the world's chips.

*China IC Industry: 'Don't Let World Bully Us*

[http://www.eetimes.com/author.asp?section\\_id=36&doc\\_id=1330240](http://www.eetimes.com/author.asp?section_id=36&doc_id=1330240)

- Energy efficiency in 2008 (US\$/per kilo of oil):

world average	Brazil	India	Japan	China
5.46	7.39	5.10	8.06	3.58

--- *Li Guoping, p. 206*

- 100 most valued world brands in 2010:

US	Germany	Japan	Korea	France	China
50	10	6	2	8	0

---*Business Weekly / Li Guoping, p. 66*

# Profit rate of Chinese companies

	2005	2006	2007	2008	2009
• All SOEs	3.95	4.4	5.03	3.2	2.92
• Private	6.67	7.88	9.48	10.94	10.61
• --- <i>Li Guoping, p. 146</i>					



- despite its enormous size in total investment and trade volume, China is still far away from occupying a consolidated advantage in extracting surplus value from all over world.
- The colonial past still weighs heavily on the CCP. Its mission of national unification is still not completed as Taiwan is still a protectorate state of the US. In HK, the middle class are westernized and its political representatives have close links with the US/UK ruling classes.
- The colonial legacy continues to check China's ambition

# characterisation of imperialism

- Concentration of production and capital
- The merging of bank capital with industrial capital
- The export of capital
- International monopolist capitalist association
- Unequal exchange through monopoly over technology and global value chain
- As former colonial power they possess huge advantageous
- Advanced military power

# There *is* an endogenous expansionist logic within China

- State led growth promote high growth rate / autonomous development / expansionist
- 11 government monopolized industries: oil extraction, oil processing, tobacco, coal, gas, electricity, heat production, railway, postal, airlines, telecommunication, banking, insurance.

- 中國真的能夠撐起全世界？ Li Guoping, p. 137

# Bureaucracy and Bourgeoisie in China

- Bureaucracy as bourgeoisie
- Bureaucratic capital and its control over the commanding height of the country
- Government departments running business
- Merging of state coercion and power of capital
- “Corporatization of local government”
  - Zhu Jiaming
- Relationship between bureaucratic capital and private capital

# Bureaucracy devouring the biggest portion of social surplus

- Government expenditure as a share of GDP increased from 16.48% in 1952 to 26.76% in 2004 and for decades has been higher than the world average and that of the entire former 'socialist bloc'.
  - *The Chinese model for and against*, Ding Xueliang
- Stock A in China: 130 SOEs accounts for nearly 60% of total market value, whereas private companies only accounts for a bit more than 30%.

<http://finance.ifeng.com/stock/zqyw/20121227/7488611.shtml>

- Proportion of credit SOEs received:

2000      67%

2001      64%

2002      60%

2003      53 % ----- p. 144, Li Guoping

# The nature of Chinese capitalism

- Dependent accumulation
- Autonomous Development
- Monopoly capitalism
- Bureaucratic capitalism, combined with neo-liberalism and state capitalism
- A regional hegemonic power able to evolve into imperialism if it overcome its tremendous internal & external obstacles.

# Is China on a par with US?

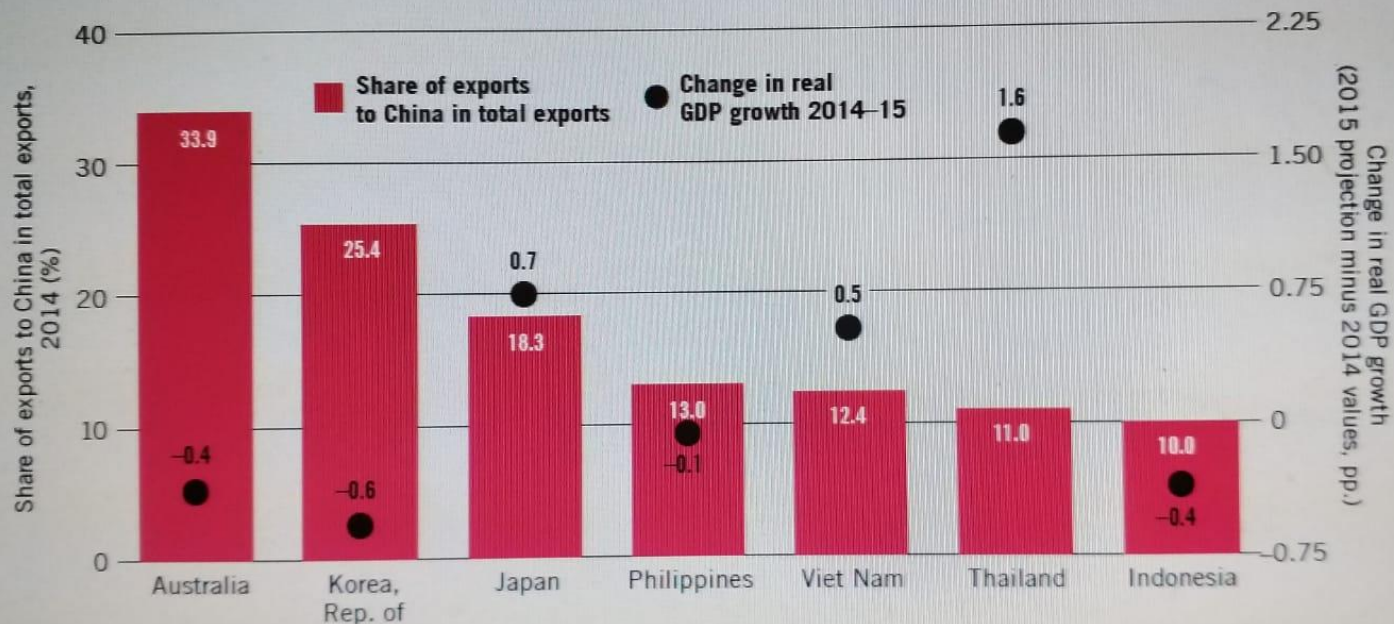
- The colonial legacy of China
- The disadvantages of having no colonialist history
- Military inadequacy



# China's Rise is changing Asian countries trade flow

Figure 13

Trade linkages to China and changes in GDP growth, selected countries (percentages)



Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

# Will the looming economic crisis bring us down?

- Stock market and estate market bubble
- Bureaucrats enrich fast at the expense of people; too much idle money
- Over investment and over capacities
- Bad debt and non performing loans
- Rising wages squeeze on profits
- Export oriented growth in crisis
- Huge capital flight

# Ghost Town in Erdos, Inner Mongolia

