



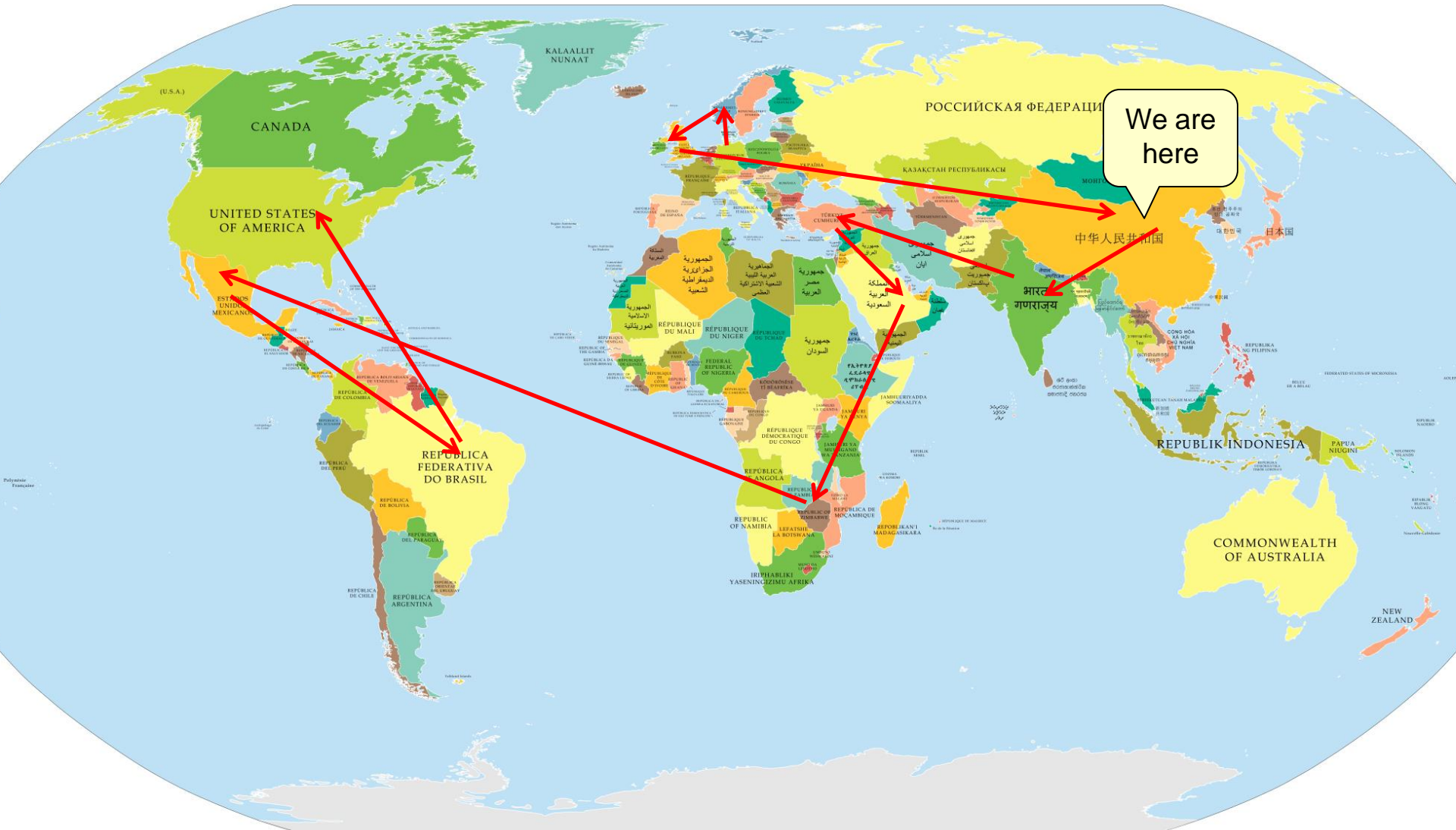
China

Part 1 – Update

Osher Course, February 2024

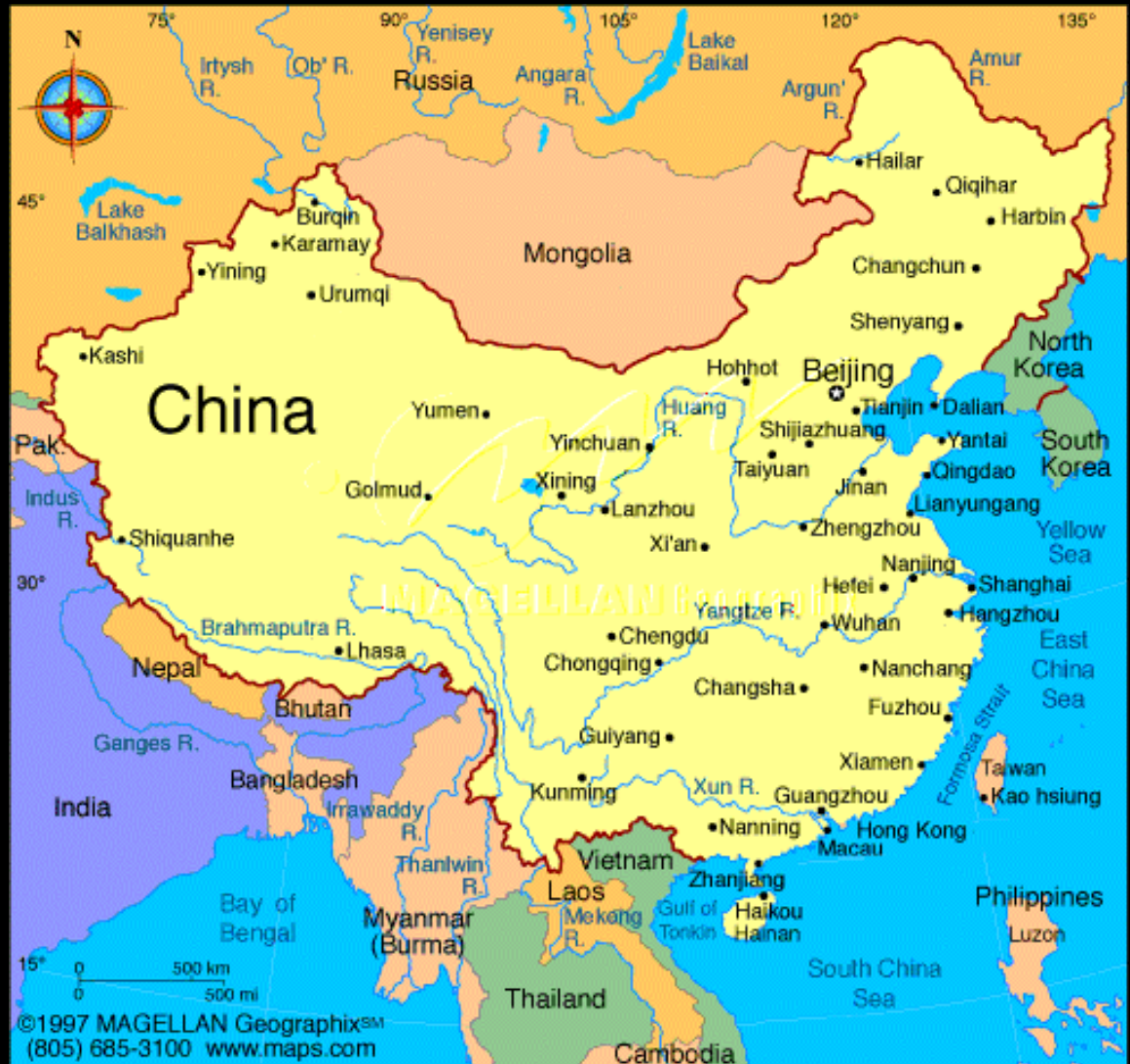
John Hooker

Travel Plan



China

- The new economic super-power.



Fast-moving situation

- Chinese **culture** changes slowly...
 - ...but **lifestyle** and the **economy** change almost daily.
 - U.S. media provide an **incomplete** and **misleading** picture of what is happening on the ground.
- So, we need an **update**...

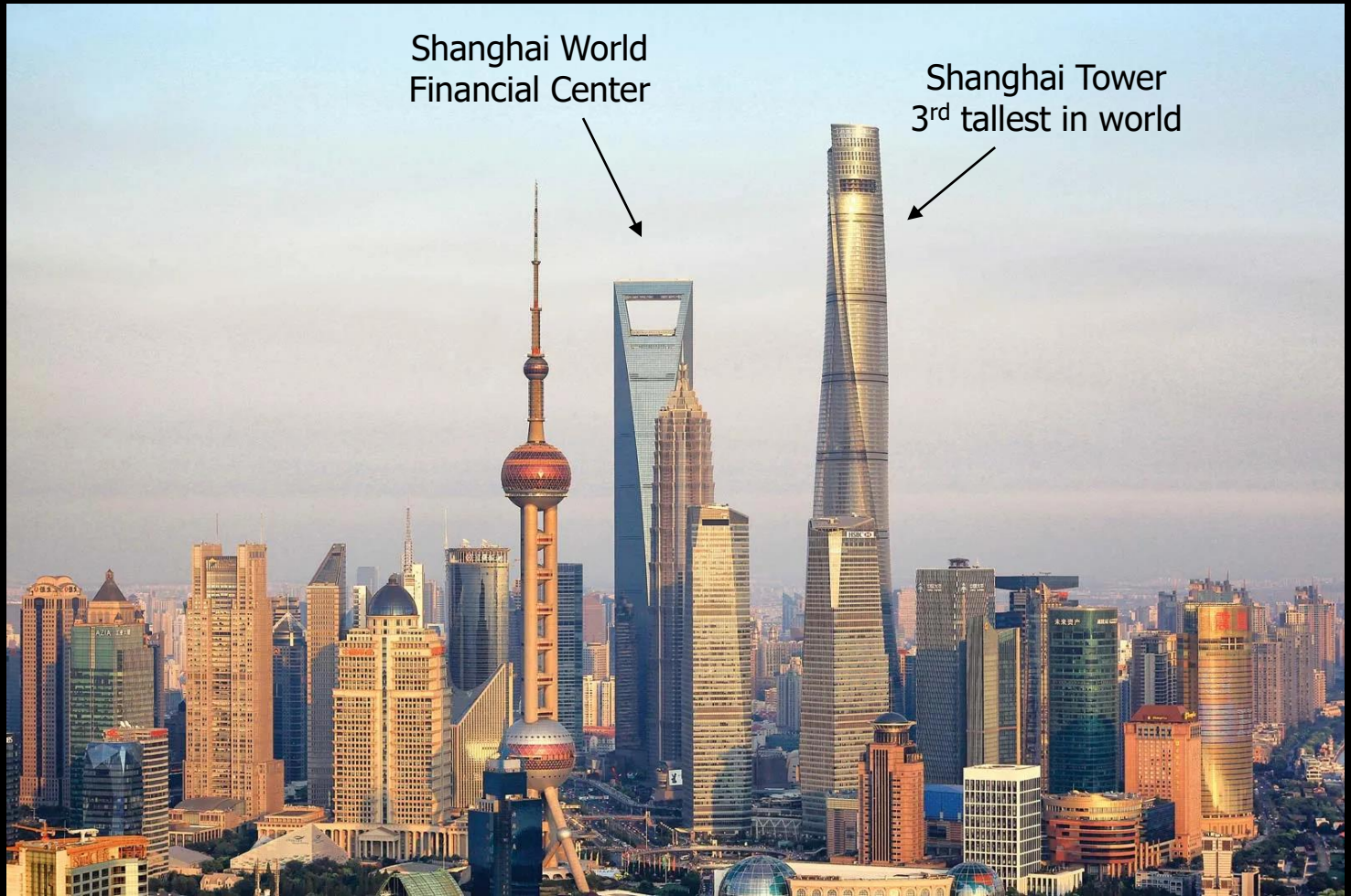


Outline

- The new urban China
- Economic superpower
- Wealth, consumerism, and the economic system
- Infrastructure and renewables
- Population trend
- Protecting children
- Government, surveillance, and Covid
- The real estate bubble
- Oppression of Uighurs



The New Urban China

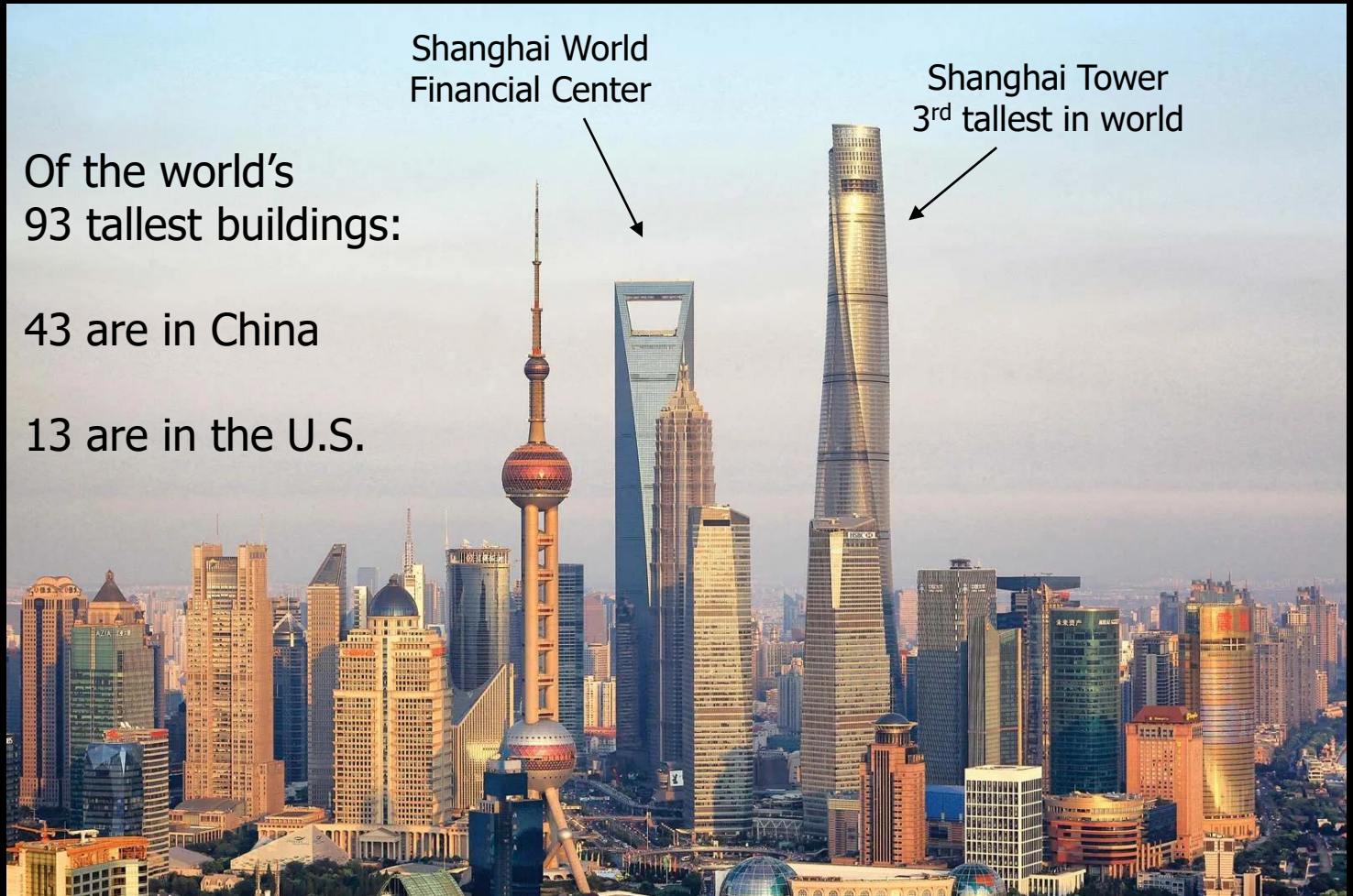


Shanghai World
Financial Center

Shanghai Tower
3rd tallest in world

It began here. Shanghai, Pudong district

The New Urban China



Shanghai World
Financial Center

Shanghai Tower
3rd tallest in world

Of the world's
93 tallest buildings:

43 are in China

13 are in the U.S.

It began here. Shanghai, Pudong district

The New Urban China



Wangjing SOHO
complex, Beijing

The New Urban China



Guangzhou

The New Urban China



Chongqing

The New Urban China



Hangzhou

The New Urban China



Wuhan

The New Urban China



Shenzhen

Economic Superpower

- Population 1.425 billion (est.)
 - As of Jan 2024
 - Recently overtaken by India (1.436 billion)



Economic Superpower

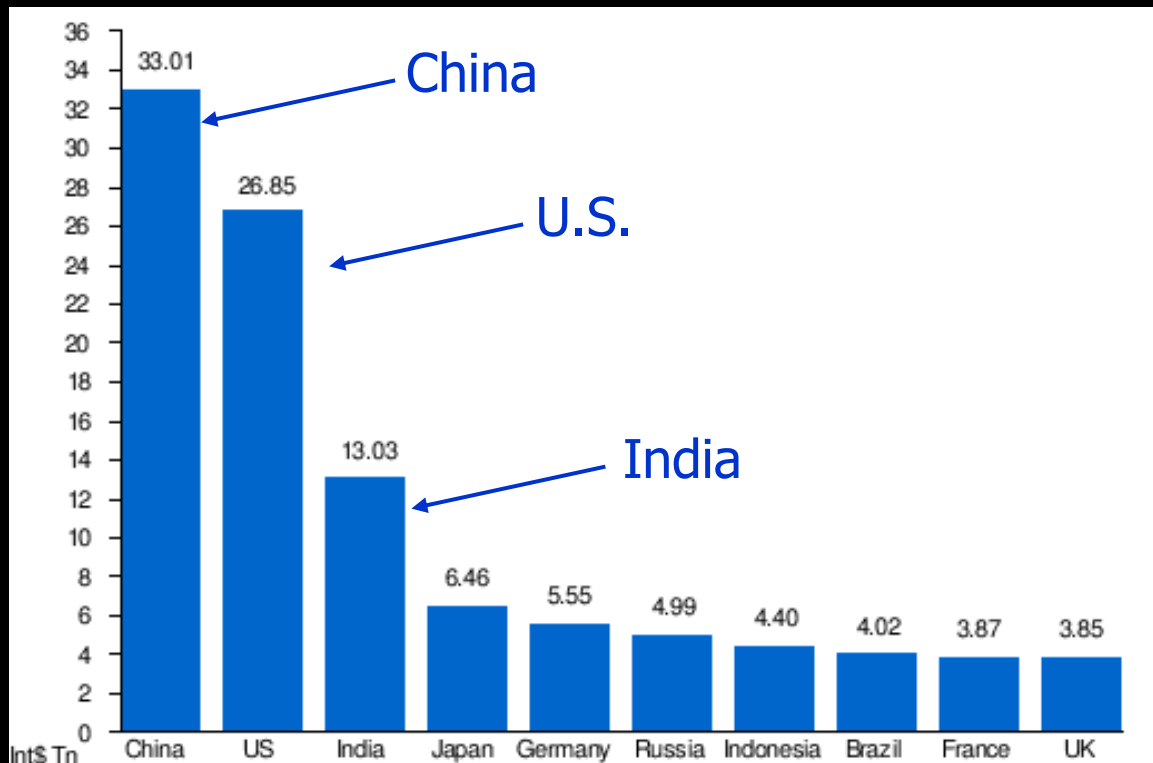
□ **World's largest economy** since 2016

- In GDP measured by purchasing power
 - World's largest economy in **8 of the last 10 centuries**.
- 2nd largest in nominal GDP (US\$).
 - Chinese currency (**yuan** or **RMB** = rénmínbì) is **undervalued** relative to US\$.



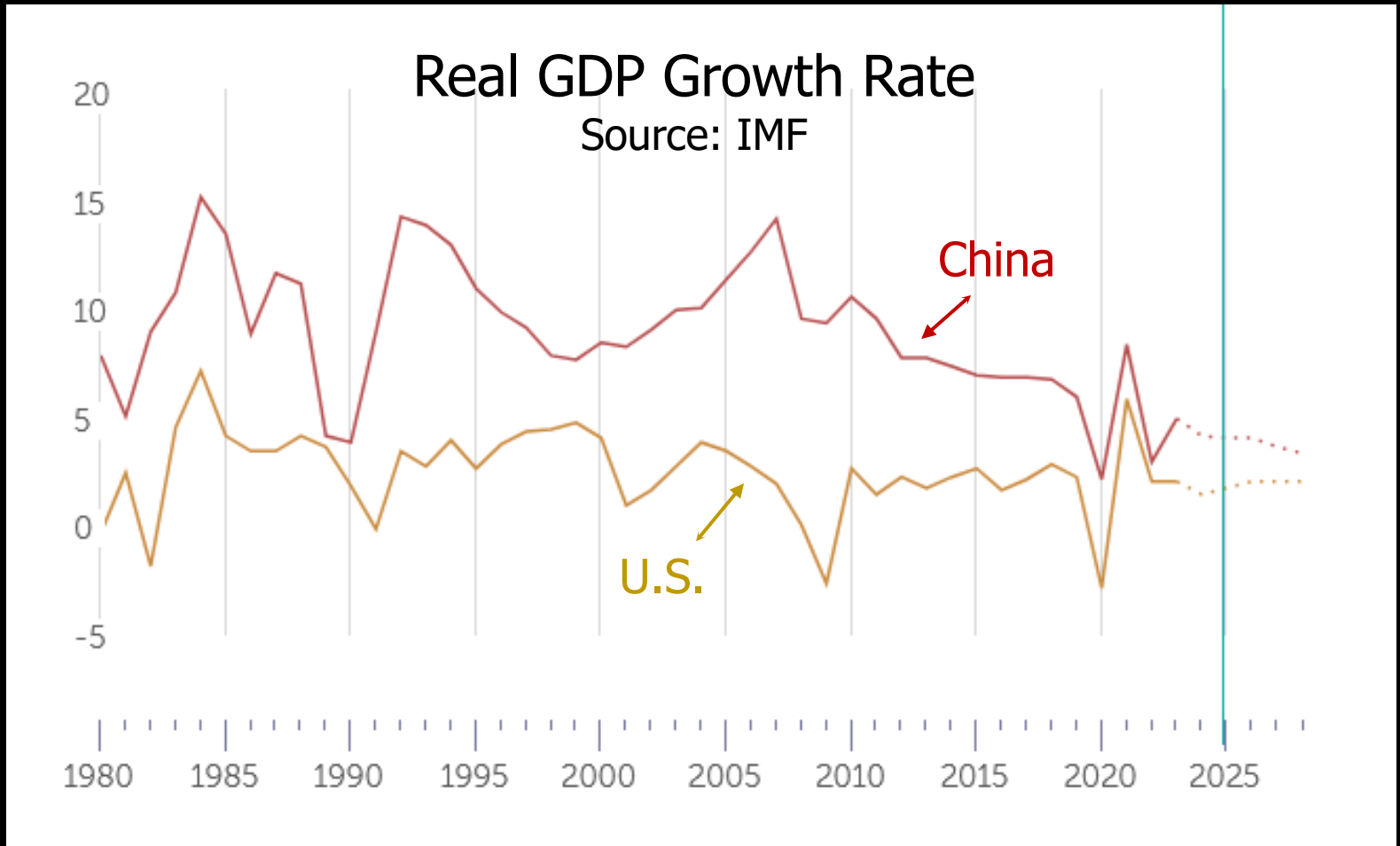
Economic Superpower

Estimated GDP in PPP by Country, 2023



Source: IMF

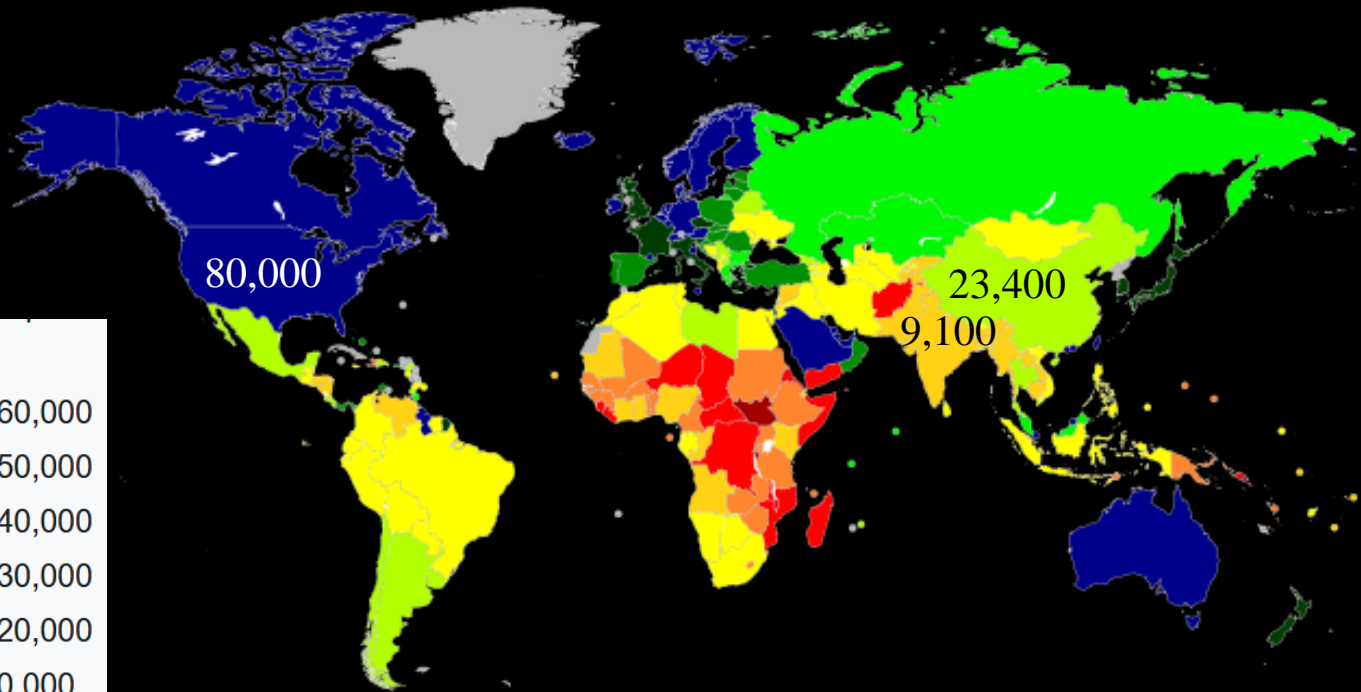
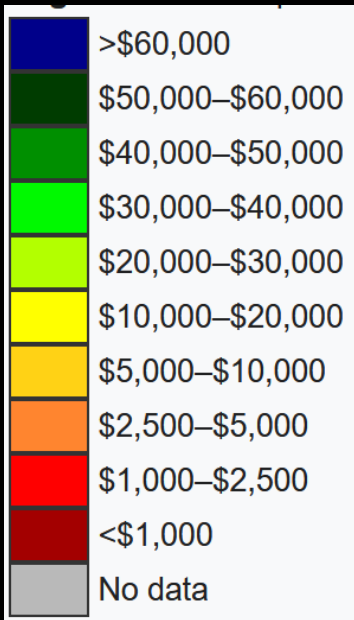
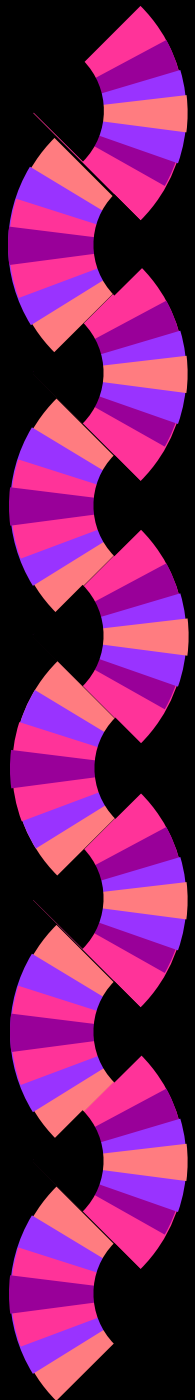
Economic Superpower



Too soon to conclude Chinese economy is tanking!

Economic Superpower

Per capita GDP in PPP by country, 2023



Source: IMF

Economic Superpower

- China is returning to prosperity of Song Dynasty
 - After **recovering** from **2+ centuries of decline**: Qing Dynasty, European colonialism, Sino-Japanese Wars, Maoist disasters
 - While **U.S. growth slows**, inequality grows during neoliberal period



Deng Xiaoping (1904-97)
Architect of the modern
Chinese economy, 1978-97



Hu Jintao (1942-)
Oversaw rapid growth,
effective governance, 2002-12



Xi Jinping (1953-)
Fights corruption, emphasizes
nationalism, 2013-

Wealth and Consumerism

- Two contrasting views...



"The superior man seeks what is right; the inferior one, what is profitable."

– Confucius, *Analects* 4:11



"To get rich is glorious."

– Attributed to Deng Xiaoping

Wealth and Consumerism

- Two contrasting views...



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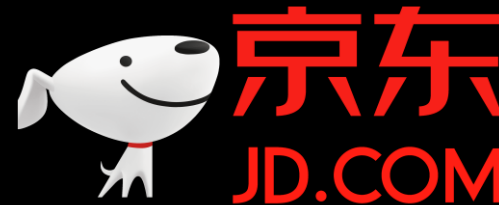
Dominant view today!



Wealth and Consumerism

□ Singles day (Nov 11)

- Similar to Cyber Monday, but much bigger!
 - Started in 1990s by single 20-somethings
 - Nov 11 (11/11) chosen due to many 1's (singles)
- On Nov 11, 2021: **\$140 billion online sales**
 - More than **total** U.S. retail sales on Black Friday + Thanksgiving + Cyber Monday
 - U.S. **online** sales: Black Friday **\$9 billion**, Cyber Monday **\$11 billion**



Wealth and Consumerism

- Advanced pay-by-phone technology





Economic System

- Does not fit into Western categories
 - **Not** socialist, **not** capitalist, **not** Communist
- Centralized incentives
 - Beijing rewards local officials who follow its policies.
 - Increase local GDP, build infrastructure, reduce poverty
- Decentralized execution (“mayor economy”)
 - Local officials encourage desirable enterprises
 - Technically, government owns all land
 - Local governments lease land, mainly to private firms (80% of work force)
 - Lease income replaces taxes (which go to Beijing)
 - **Intense competition** within each industry
- Central control of key assets
 - Big banks, natural resources

Infrastructure

- World's largest high-speed rail system
 - 26,000 miles as of late 2022. U.S.: 0 miles



High-speed line, Beijing to Shanghai
217 mph



Maglev train in Qingdao
370 mph – world's fastest

Infrastructure

- New airports everywhere
 - 29 new passenger airports, 6 freight terminals completed in 2022.



Beijing Daxing Airport

World's largest
single-building terminal

Infrastructure

- World's largest expressway network
 - 110,000 miles
 - U.S. Interstate Highway system: 46,876 miles



Anshun-Ziyun highway

Renewables

- World's largest solar capacity (453 GW)
 - World's largest producer of solar cells.
- World's largest wind capacity (71.6 GW)



Golmud Solar Park
2.8 GW, world's largest



Gansu Wind Farm
10 GW, world's largest

Renewables

- World's largest EV fleet (5.4 million)
 - **24%** of auto sales in China
 - **1.8 million** public charging stations
 - U.S.: 1.7 million EVs, **7%** of auto sales, **0.13 million** charging stations

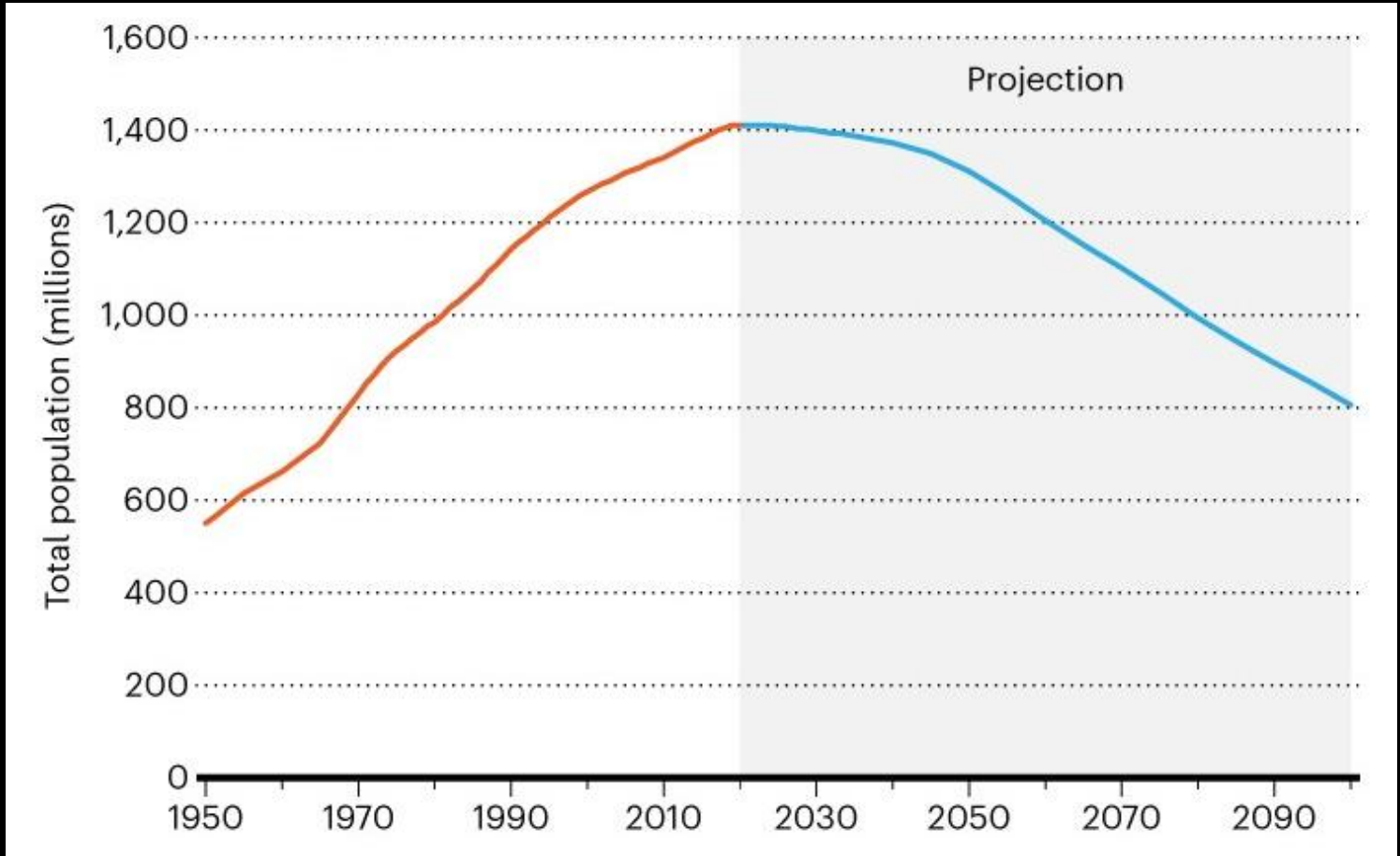


Hongguang Mini EV
Top selling EV in China
Approx \$5000



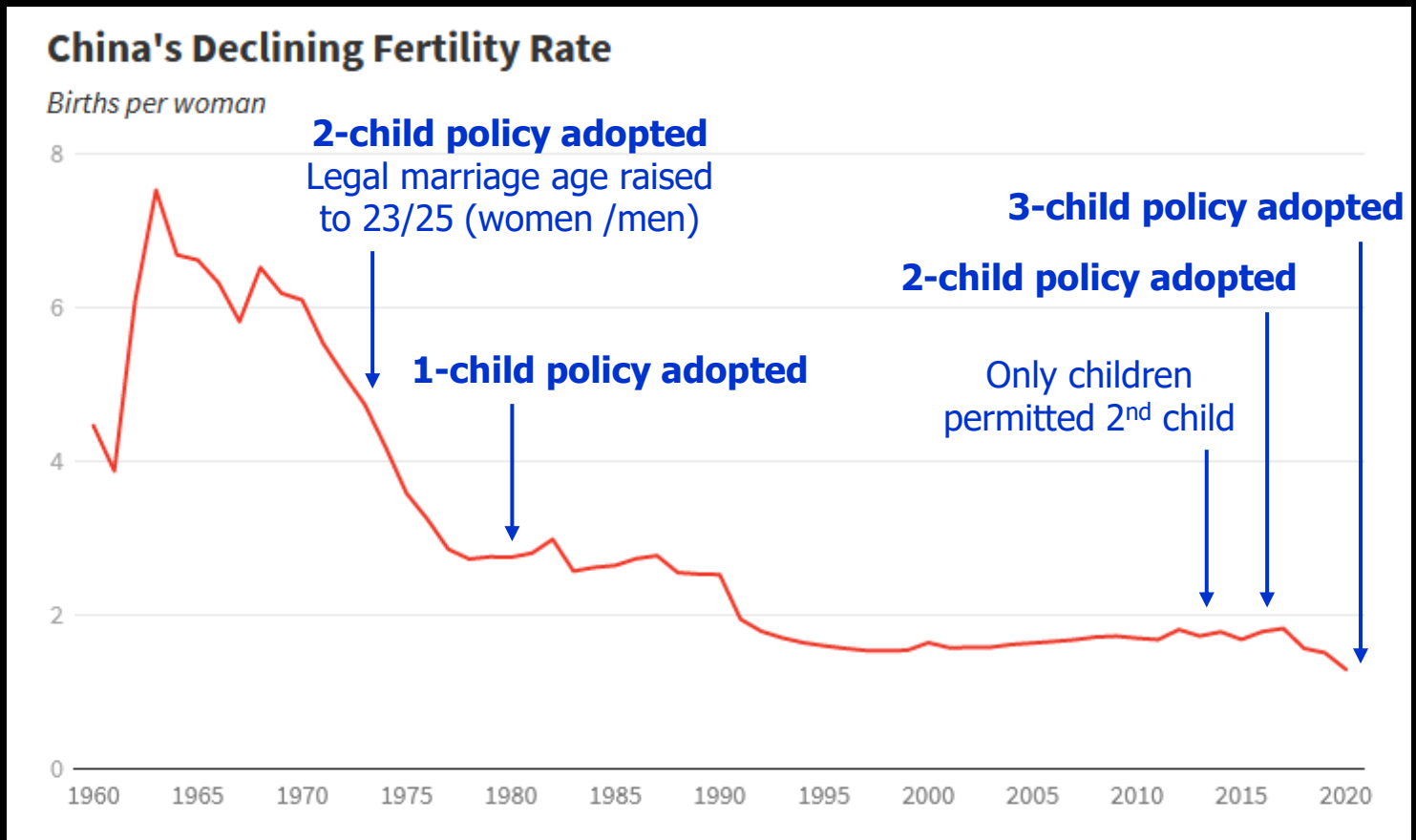
BYD Han EV
Popular mid-size in China
Approx \$33,000

Population trend



Source: U.N.

Population trend



Source: World Bank

Government

- Chinese take a practical view of government
 - They are **not ideological** (outside of Hong Kong & Beijing).
 - They just **want results**.



Great Hall of the People, Beijing

Government

□ Mandate of Heaven

- The purpose of government is to keep people **prosperous and happy**.
 - If government **succeeds**, no need for civic involvement.
 - If government **fails**, it loses **Mandate of Heaven** and can be **overturned**.
 - Government officials are perpetually **nervous** and crack down on potential insurrection.



Temple of Heaven, Beijing
Emperor prayed here annually
for good harvest

Government

- Residence permits (*hùkǒu* system)
 - The average person's main contact with government.
 - Ancient practice of registration with a person's city or town.
 - Everyone wants to **live in a city** and enjoy its prosperity.
 - Permits **control migration**
 - ...and avoid **massive slums** without jobs or infrastructure



Part of a *favela* in Rio de Janeiro

Government

□ Protest and rebellion

- Chinese do not hesitate to protest.
 - One count: about **185,000** protests in 2010.
 - At least **2000-3000** labor **strikes** in a year (source: *China Labor Bulletin*).
 - Long history of **peasant rebellions** some very bloody (e.g., Taiping).



Mothers who lost school children in a June 2008 earthquake **protest corruption** that led to substandard construction of school buildings in Dujiangyan, Sichuan Province.

Surveillance

- Perhaps the world's best surveillance technology
 - A **major supplier** to other countries (at least 63)
- Constant monitoring
 - Drones spot illegal activity
 - Social media posts monitored
 - ...although complaints are allowed.
 - Social credit system (under development, optional so far)



Covid

□ Pervasive surveillance

- Intrusive police & drones kept people off the streets.
- People **initially pleased** with strict government response.
 - Government was doing what it is supposed to do: **take charge and fix the problem.**
 - People have no problem with surveillance if it **benefits them.**



Wuhan, December 31, 2020
Back to normal

Covid

- Approval turned to discontent
 - **Mass protests** against severe and unnecessary government crackdown during Omicron outbreak.
 - Xi Jinping **quickly backed down**. Restrictions removed Dec 2022.
- Overall results?
 - Death rate: **8.7** per 100,000
 - U.S. death rate: **331** per 100,000
 - Source: WHO



Anti-lockdown protest, Beijing, Nov 2022

Protecting Children

- Restrictions on online video games (since 2021)
 - Play only on Fridays and weekends
 - Max 1 hour/day.
- Proposed restrictions on screen time
 - 40 min/day smart phone time for kids under 8
 - 1 hour/day for kids 8-15
 - 2 hours/day for teens 16-17
 - Strict content rules for kids



Protecting Children

- July 2021: **Cram schools** and homework restricted
 - Rules intended to curtail highly profitable cram school industry.
- Why do it?
 - **Expense** of cram schools encourages small families.
 - Promotes **rote memorization** for *gāokǎo* (college entrance exam).



Real Estate Bubble

- Result of search for investment opportunities
 - Real estate sector heavily leveraged
 - Annual increase **4.25%**, 2015-2021.
 - U.S. annual increase > **6%**, 2009-2022.



Source: St Louis Fed

Real Estate Bubble

- Real estate prices now appear to be stabilizing
 - Although demand remains “weak.”



Real Estate Bubble

- “Ghost cities” in China
 - Led to predictions of doom a decade ago
 - But in China’s managed development, occupancy follows construction.



Ordos Kangbashi, famous “ghost city” in 2014
“Only 2% occupied, then abandoned”
By 2015, 80% occupancy (100,000)

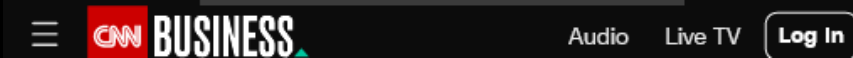


Shanghai’s thriving Pudong District
once criticized as a “ghost city”

Real Estate Bubble

□ How about Evergrande?

- 2nd largest property developer in China
- Debt restructuring after **2021** default
 - Filed for bankruptcy in U.S. 17 Aug 2023.
- Liquidated in **Hong Kong** 29 Jan 2024
 - **90%** of assets are in the **mainland**
 - They may be marginally affected due to separate legal systems.



Evergrande, symbol of China's property crisis, heads to liquidation

Read the fine print, not the headlines



Guangzhou offices
China Evergrande Group
中国恒大集团



Real Estate Bubble

□ Is China buying up U.S. farmland?

- U.S. Congress moves to restrict purchases.

The New York Times

Senate Targets China, Voting to Restrict Farmland Purchases and U.S. Investment

Senators voted overwhelmingly to block Chinese businesses from buying farmland and mandate that American investment in the country's national security industries be tracked.



By Karoun Demirjian

Reporting from the Capitol

July 25, 2023

Real Estate Bubble

Is China buying up U.S. farmland?

- U.S. Congress moves to restrict purchases.
- The truth...
 - Chinese purchased **1400 acres** out of **1.3 billion acres** of agricultural land since Jan 2022.
 - Total ownership is **< 0.03%** of farmland.

The New York Times

Senate Targets China, Voting to Restrict Farmland Purchases and U.S. Investment

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 **NEWS**

INVESTIGATIONS

Is China really buying up U.S. farmland? Here's what we found

NBC News reviewed thousands of USDA documents to find out how much agricultural land Chinese entities have reported purchasing since Jan. 1, 2022.

Oppression of Uighurs

- An ethnic group in Xinjiang Autonomous Region
 - Speak a language related to Turkish
 - Mostly Muslims
- Subjected to severe oppression since 2014
 - Concentration camps now reported to be mostly shut down.



Abandoned Uighur detention camp

Oppression of Uighurs

□ Why?

- Some theories:
 - Overreaction to breakup of Soviet Union.
 - Uighurs seen as a threat to stability.
 - Xi Jinping's preoccupation with national security.

