

# China and the USA

1. Financial crisis and hard times
2. Some good news
3. An unfinished revolution
4. One day with China Daily
5. China since 1978
6. Characteristics and dilemmas
7. China and the USA

# 1. Financial crisis – hard times

- Jotun feels the heat – or the chill – from a global economy that is contracting
- Try to figure out what is going on
- What are the driving forces in the global economy?
- My focus:
  - What is happening in China?
  - The relationship between China and the USA

## 2. Some good news

- G-20 in November last year: Protectionism, no thanks, we remember the 1930s
- G-20 in April this year: Recapitalize the IMF and make the international financial system work better
- Also, Mr. Sarkozy makes a courtesy visit to Mr. Hu Jintao. Paving the way for a top level meeting EU and China. Cancelled by the Chinese as Sarkozy did meet with Dalai Lama

# 3. An unfinished revolution

- 1840: The Opium War
  - China realizes that she is left behind
  - The demise of the Middle Kingdom
  - Goal: Reclaim her place on the global scene
- 1949: Hundred years of humiliation is over
  - Or is it? Nationalism glue holding China together
  - “Unrobust” political system because it lacks legitimacy

- 1949 – 1976: Mao – a tragedy in peace time
  - Remember Churchill? Lost the election in 1945
  - 1957 – 1961: The Great Leap Forward
  - 1966 – 1976: The Cultural Revolution
- 1976 – 1978 Deng Xiaoping emerges as the new paramount leader
  - 1989: Tiananmen Square incident
  - Deng introduces time limits and age limits for leaders, himself at the time more than 80 years old

## 4. One day with China Daily

- Welcome guest: Taiwan Kuomintang Chairman Wu Poh-hsiung – 8 days visit (Politics)
- Cambridge will publish series of books on Chinese culture to educate the West (Pride)
- Pelosi in Beijing: “Learn from each other” – prelude to meeting in Copenhagen in December. She advised Bush not to show up at opening of Olympics (Politics and Pride)
- Three Sichuan village officials jailed for graft, taking bribes from earthquake victims (Corruption)
- Starbucks, Dragon Boat-ride to Zongzi, Chinese dish (Pride)
- Beijing Development Area (BDA) to lure Chinese professionals back home (Economics)

# 5. China since 1978

- 1978 – Present: Deng starts catching up, pragmatic, “learn from facts”
- Peaceful transition of power – quite remarkable
- Economic strategy
  - Agriculture – Household responsibility system introduced in early 1980s
  - Manufacturing – SOEs are partly dismantled (1990s)
    - 40 mill lose their jobs
    - Housing in the cities is privatised
    - Asian crisis – but China sticks to her guns

- Service sector – next on line
  - Banking system not lending properly to SMEs
  - Small scale service sectors underdeveloped
- Overdid privatisation on
  - Health
  - Education
  - Pension
- The Chinese econ model must change
  - No more growth based on exports and manufacturing
  - Need to increase consumption – public and private

# 6. Characteristics and dilemmas

- No democracy please, we are Chinese
  - Meritocracy
  - Harmonious society versus growth
  - China – more of a democracy than you think?
- State capitalism
  - SOEs and state ownership of all land
- Rule of law versus democracy
  - You can have one, what would you settle for? Why?

- Legitimacy
  - Hard to have rule of law and one party system
  - Legitimacy through econ growth and stability
    - Never change a winning team
  - Also, legitimacy by making the Chinese proud
  
- Stability – threatened by
  - Migrant workers
  - Unemployed students
  - Corruption
  - Pollution

# 7. China and the USA

- China is awakening – an emerging power
  - Status quo power, utilizing the global, market-based econ system (WTO in 2001)
  - Deng: Hide your capabilities, Abide your time, Do not take leadership
  - Financial crisis and China moves to centre stage – like it or not
- Climate
  - Meeting in Copenhagen and the two shall have to agree
  - Accumulated carbon emission (1805-2005), 1.110 tons per American versus 71 tons per Chinese

- Economics
  - China has accumulated 2.000 billion worth of reserves, of which about 50 % are in T-bills and bonds
  - Responsible stakeholder: USA should not inflate away the real value of its debt
  - FDI – becoming a two-way street. China needs to diversify, real investments all over the place
- Security
  - North-Korea
  - Taiwan
  - Aircraft carrier (Pride)