

HOW AND WHY IS CHINA THE NUMBER ONE?

SOME ECONOMIC, ECOLOGICAL AND SOCIAL ASPECTS

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OVERVIEW

- China the new number one: How? In what sense? Quantitatively – Qualitatively
- End of poverty 2020
- Social Security and Social Insurance
- Labor rights
- Why? State and “market”: Markets, regulated and agile – Productive forces and the “system”
- Example: The 14th Five-Year-Plan
- The new superpower of ecology
- Corporations and billionaires: Distributing back and the example of Alibaba/Ant Group
- Why? What system? A test list of the beginning of a new socialism of well-being

CHINA THE NEW NUMBER ONE: HOW? IN WHAT SENSE? QUANTITATIVELY – QUALITATIVELY (I)

- “By the numbers”, **quantitatively: GDP in purchasing power parity**: No. 1 since 2016
- In a few years (Bloomberg: 2028, earlier?) No. 1 in **GDP in currency parity**
- Standard Chartered Bank (UK): 2030: China: 64 Trillion USD GDP, US: 31 Trillion USD
- So, in that sense, the 2020s: The decade of the final turn of the ages ...
- And this is the **New Global Normal**, which is (1) inevitable (all factors set to China's increasing capacities) and (2) the return of the old, historical normal: For at least 2.000 years, China contributed 30-40% of world GDP (among others: H. Kissinger 2011, A.G. Frank et al.)
- But **GDP per person**: only 11,000 USD p.p. p.a. in 2021: China just entered the **Upper Middle-Income** group of countries (VWB); 2021 (100th anniversary of CPCCh): a “humbly wealthy country”, attained!
- GDP pp: Rank 59 only (in currency parity), jumped up 56 ranks since 2000 (IMF/Bloomberg).

CHINA THE NEW NUMBER ONE: HOW? IN WHAT SENSE? QUANTITATIVELY – QUALITATIVELY (2)

- But does China WANT to become No. 1 in GDP pp? No! It rather **questions the GDP** as such, starts measuring UN-HDI and GEP (Gross Ecological Product); Xi: “We don’t want a model of excessive consumption.” The new discussions in China on new green life-style and social behaviors (incl. eating, drinking, animal ethics ...)
- 2049 (100th anniversary of the PRC): not the “richest” but a “prosperous, wealthy country”, GDP growth becomes irrelevant ...
- Party-, NPC- and Government-documents: “The **Chinese Dream**: Qualities, Ecology, Joint Future for Humankind, Social Trust, Credible China, Rule of Law, Democracy, Happiness ...”
- 14th FYP (2021-2025): **No quantitative growth targets anymore!**
- BUT beyond all that: The **qualitative leverage** of the quantities into all areas is unprecedented: the **qualitative No. 1!**
- See the following slides ...

END OF POVERTY 2020

- Dec. 2020: official abolition of poverty (UNDP), UN Millennium Development Goal No. 1 achieved ahead of schedule
- 800+ Mill. people from poverty since 1978 = 75% of global poverty reduction in that period
- The last 100 Mill. since 2012 (era Xi/Li) ~ 13 Mill. on av. p.a.
- Mostly by an economic growth “pull”, but the “last mile”, the bottom poor in remote mountain areas, difficult ecologies, mini-ethnicities, very difficult, requires sophisticated, sustainable, interdisciplinary efforts, many state agencies together with UNDP, UNEP, NGOs ...
- **Rural development** and rural catch-up, **infrastructural**: glass fiber/fast internet, small, specialized e-vehicles (scooters, minitrucks), train tracks ...
- But mainly: **develop with peasants** and villages what to grow, use the fruits of the new mixed forests (below), marketize specialized products (Taobao!), become tourist guides for new forests
- Note: China fulfills the World Bank poverty line for lower middle-income countries: \$3.20 income per day, but in the meantime has entered the upper middle-income group of countries ... so an ongoing effort to increase minimum daily incomes to \$5.50 per day ...

SOCIAL SECURITY AND SOCIAL INSURANCE

- Up to the 1990 the old production-oriented basic organizations **danwei** cared for all social provisions
- Social insurances introduced successively in the 1990s; **unified social insurance law in 2010**
- 2011-2018: 100% are **health insured**, on av. 170 Mill. people p.a. included
- **Old-age insurance**: 1,2+ Bill. members, increasing; 14th FYP: increase coverage to 95% (~1.33 Bill. people); pension ages: 60 (males), 50/55 (females), but will have to be increased because of long-term consequences of one-child-policy (but no problem under general social security)
- Unemployment, accident insurance, maternity insurance, all 100% coverage ...
- **Mixed systems**: firms' contributions, state insurance, complementary private insurance
- Firms carry **30-35% of wage sum** for social insurance! Largely **end of cheap labor** in China ...
- Xi: "China's safety is the social security of its working class."

LABOR RIGHTS

- New **unified labor law in 2008**: ILO says, it conforms to all its norms; introduced and advertised by public wall-paper campaigns, comics flyers and special newspapers
- But China has signed only 4 out of 8 **international labor agreements of ILO** (US: signed only 2 out of 8), but announced to sign more soon
- China has relatively the **most strikes in the world**! Workers usually do not strike for higher wages, these have increased anyway, by 8-12% p.a. in the 2010s; they strike for higher employer social-insurance contributions, for higher firm investments and innovations ...
- Strikes typically **supported by the basic plant organizations of the CPC**, so foreign companies complain about “politization” (but stay in China anyway and in surveys say, “conditions have improved”!)
- **Labor-conflict settlement** first in-plant: Employee has immediate right to appeal to the plant conflict commission; the proceeding takes place within a week, **chaired by the trade union**
- If s/he feels not properly ruled, s/he is free to appeal to the local labor court.
- Thus, basically **the state “dissolves”** (its court system) **into society** from below ...

WHY? STATE AND “MARKET”: MARKETS, REGULATED AND AGILE, PRODUCTIVE FORCES AND THE “SYSTEM”

- A new relation of “productive forces” and “relations of production”, resulting in most dynamic productive development, and a socialism of wealth rather than old Eurocentric socialism of poverty
- Deng Xiaoping (mid 1970s) clearly referred to Lenin’s NEP: a new role for markets, SMEs, small entrepreneurs and startups, for profits and financial surplus
- China can no longer be financially outcompeted, like the Sovietunion was with its chronic lack of surplus finance
- At the core: regulated markets in a nationwide development perspective and social mobilization; a dialectic of regulation—letting go—joint public and private learning—new standardization and consolidation—letting go; application of “Chinese experimentalism” leading to “China speed”...
- Many millions of young entrepreneurs/startups, protected by the state banks against takeover by big business ... huge young sharing economy as well ...
- A new role for State Owned Enterprises (SOE): quantitative less, but qualitative increased: technological leaders pushing the privates in their industries; also new mobilizing role of FYPs
- High general trust, restrictive IPRs: fast flow of information, easy change, fluidity...

EXAMPLE: THE 14TH FIVE-YEAR-PLAN

- Generally: FYPs no longer detailed static top-down prescriptions, but operationalizations of grand ideas: e.g., poverty abolition, BRI, social credit systems (extra slides), “Credible China”, “rule of law”, “civil code”, planned growth reduction, zero export surplus, “dual circulation” ...
- **14th FYP**: Uncertain times: the empire and its allies are getting more aggressive, less reliable, e.g., the semiconductor shock, Huawei, ZTE, TikTok shocks, customs, technology wars, sanctionings ... thus: no longer fixed quantitative growth targets (in addition to questioning GDP growth, see above) ...
- Consequence: Dual Circulation, continuation of strengthening interior economy: by 2035, China will be able to produce any good, from basic food to semiconductors; nevertheless: increasing global cooperation, BRI and leading re-globalisation; contradiction? No! Solution: **intra-industrial trade**; another new normal!
- R&D-expenses: +7%, operationalizing “**Made in China 2025**”; labor productivity growth ”above GDP growth”: **avoiding middle-income trap**, given high wage increases and worktime reduction
- Life expectancy: 77.3→78.3; av. education yrs.: 10.8→11.3; old-age insurance coverage → 95% (1.33 Bill. people); urbanization rate: 60,6→65% =+55 Mill. migrant workers will receive urban Hukou! (migrant workers down by 100+ Mill. since mid 2010s); bullet-train network: doubling to 70.000 km by 2035; increasing doctors, kindergartens, old-age care, health system, wages etc. etc. ...

THE NEW SUPERPOWER OF ECOLOGY (I)

- **Afforestation:** 14th FYP – share of forest area of total land area 23% → 24+% (USA: 7%), +11 mill. hectares additional forests (~area of South Korea), more specialized national parks, nature preserves, and diversity promotion areas; “shared future for all life on earth”: UN diversity conference in Oct. 21, Kunming PRC, Chinese species protection list doubled!
- **Afforestation: general** – NASA 2019: “China is the greenest country, seen from space!”, afforestation since 1978, stopping desert expansion, 40+ Bill. trees planted, 2009-2019: +71 Mill. hectares, more than 25% of all new global forests planted in China since 2000, only country that stopped desert expansion by sustainable mixed forests (UNEP)
- **General:** “**Ecological Civilization**” on the way: enormous CO₂-absorption, regional climate improvement (rain in ex-desert areas); 90 Bill. trees till 2049; new kinds of cities, residential areas, houses, 170 zero-emission technology parks, zero-emission houses, reduced emission computer centers, stop of bitcoin mining farms; Greenpeace award for zero emission firms: *Tencent, Chindata*
- **Social ecological mobilization**, e.g., **Ant Forest** app, 500 Mill. users since 2016, localized interactive Blue Maps, ecological consumption and life style: 150+ Mill. Trees planted (UNEP, NGOs)
- Ban of one-way plastics in provinces, biological degradable everyday materials, 3D-Houses, train tickets for empty plastic bottles, reintroduction of traditional rice-fishe-growing, Gross-Eco-Product (GEP) rather than GDP introduced ... etc. etc.

THE NEW SUPERPOWER OF ECOLOGY (2)

- **Changing Energy Mix:** Leading in renewable energies: Water, Solar, Wind, 14th FYP: 42%→50% in 2025; Nuclear: 5%, 2035: 4%, nuclear power plants two generations after Fukushima (passive cooling, three independent cooling circuits)
- **Coal:** dozens of millions of tons of old coal mines and power plants closed; remaining coal power plants use more efficient coal types and are very low-emission (90% are “ultra-supracritical” (US: 1%): “Everything you think you know about coal in China is wrong”: www.americanprogress.org/
- **CO₂/Climate:** Paris Agreement commitments fulfilled 3 yrs. ahead of schedule (2017/2020); max. CO₂ before 2035, climate neutrality before 2060 ...
- **CO₂ p.p.:** China rank 36, half emissions p.p. of USA; when assigning CO₂-emissions to consumption: China -14%, US: +8%
- CO₂ does not decompose, thus historical-cumulative analysis: Europe and USA have contributed 80% of all CO₂ in atmosphere since 1850 (begin industrialization) (Goldsmith U of London)
- 14th FYP: energy consumption/GDP-unit: -13,5%, CO₂-emissions/GDP-unit: -18%, => CO₂-Emission/Energy-input-unit further decreases by 33%!
- “Stronger formulations of ecology than in former FYPs.” and “Measures often stronger than texts.”
- **Mobility:** E-mobility no longer subsidized in China (batteries problem), hydrogen, solar highways and traveling by induction current, newest bullet trains (magnetic levitn.) (600km/h) replace inland flights

CORPORATIONS AND BILLIONAIRES: DISTRIBUTING BACK AND THE EXAMPLE OF ALIBABA/ANT GROUP

- **Opening and Reform 1.0** (1978-ca. 2008): “Wild East”, near to “cultural collapse”: Black P2P financial market: Financial destabilization, corruption, and criminality, decay of general trust, negative developm't. of family-clan and guanxi-structures, “powerization”/**oligopolization** through **corporate growth**
- Very uneven income and wealth distribution, Gini→0.5
- Hu Jintao, 2007: ~“If we won’t get control over corruption, we will break down” ...
- Serious abatement of corruption since 2012 (Xi/Li)
- 2016: **comprehensive reform of financial sector control**: unified over P2P, Banks, insurance, stock markets, legalization, regulation and consolidation of P2P, through PBoC, assigned to state president
- Social credit points systems on **financial reliability**, for the billionaires on top checks of Hurun-List
- Pushing Gini down to 0.43, target: 0.32
- **Anti-Monopoly-Policy/Competition policy towards Alibaba/Ant Group**: long-time warnings not to exploit monopoly power: mutual exclusion of competing platforms, binding and exclusive contracts for costumers (SME, households), coupling of corporate platforms: Taobao with Alipay etc., plus exploiting microcredit contracts in 2020 with little own equity, tricky, at the expense of banks
- Penalty plus **unbundling** and **disentanglement**; but will lead to long-run corporate effectivization, **higher social trust**; warning to 37 leading IT-corporations to change their contracts with customers

WHY? WHAT SYSTEM? A TEST LIST OF THE BEGINNING OF A NEW SOCIALISM OF WELL-BEING (I)

- **No private property in land and resources**, just different use rights, often only informal (but effective)
- Many **collective forms of property**: rural TVEs, cooperatives (rural and urban, traditional and modern), extended modern sharing economy
- Qualitatively leading and critically pushing public sector (SOEs), incl. public banks
- **Long-run profitability** in industrial and financial state sector (SOEs, banks) **below global average!** (Mc Kinsey), banks to safe SME, small entrepreneurs and households against risks (incl. Corona!)
- **Redistribution back down**: poverty abolishment, wage increases, tax reform in favor of lower and middle incomes, holding profits and capital income liable for social security contributions, infrastructure and innovation investments acc. to national priorities
- **Beating corruption**
- **Social organization and mobilization** through the public tasks of the Shequ, trade union labor jurisdiction, e.g., Shequ in corona epidemic, high participation, also in discussions through social media
- **New kind of interaction** of state with regulated markets, policy dominance

WHY? WHAT SYSTEM? A TEST LIST OF THE BEGINNING OF A NEW SOCIALISM OF WELL-BEING (2)

- **Anti-monopolistic competition policies** (IT, Automobile ...)
- Capitalists cannot constitute as a class or form a class party or take over political power
- **High social trust** (U Stanford/UCal SD, Boston U/MIT) and highest happiness levels 2020 (Ipsos)
- What could that be? Any kind of capitalism? **China HAS capitalism but as a system IS NOT capitalism**
- Rather in early stages of **some socialism**, different from Europe-centered approaches and different from all that we have known so far ...

THANK YOU FOR YOUR PATIENCE!