

Complexity of China

“Anyone who speaks with great certainty about China needs their head examined.”

—Pieter Bottelier
Senior Adjunct Professor
Johns Hopkins University



2012–2017: Reflection

- ✓ 3rd Plenum of 18th Congress set a **perfect** reform plan in 2013
- ✓ Anti-corruption and political agenda, instead of reform, became the main focus
 - to strengthen the political leadership
 - to alleviate the public anger
- ✓ Consolidation of power: COE

Why reform suspends?

- ✓ Leader's priority and energy
- ✓ Lack of delegation
- ✓ Paralyzed bureaucratic system
- ✓ Political conservativeness

Economic up and down

中国国内生产总值(GDP)
年增率 (%)



Growth of electricity consumption:

2013: 7.6%

2014: 3.8%

2015: 0.5%

2016: 5%

2017: 6.7%

Evaluation of the economy

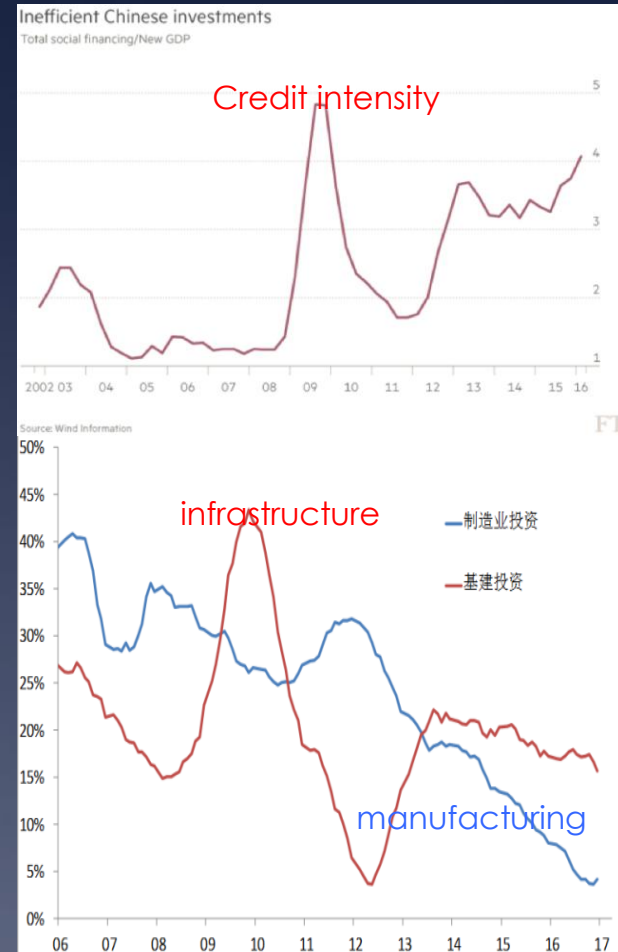
✓ Growth rate higher than expectation

✓ Old model:

- rely on real estate
- rely on bank credit
- rely on Keynesianism

✓ Downgrading by the Moody's and S&P

- limited progress with transformation
- debt over-hang
- housing bubble grows bigger



NEW ERA after the 19th Congress

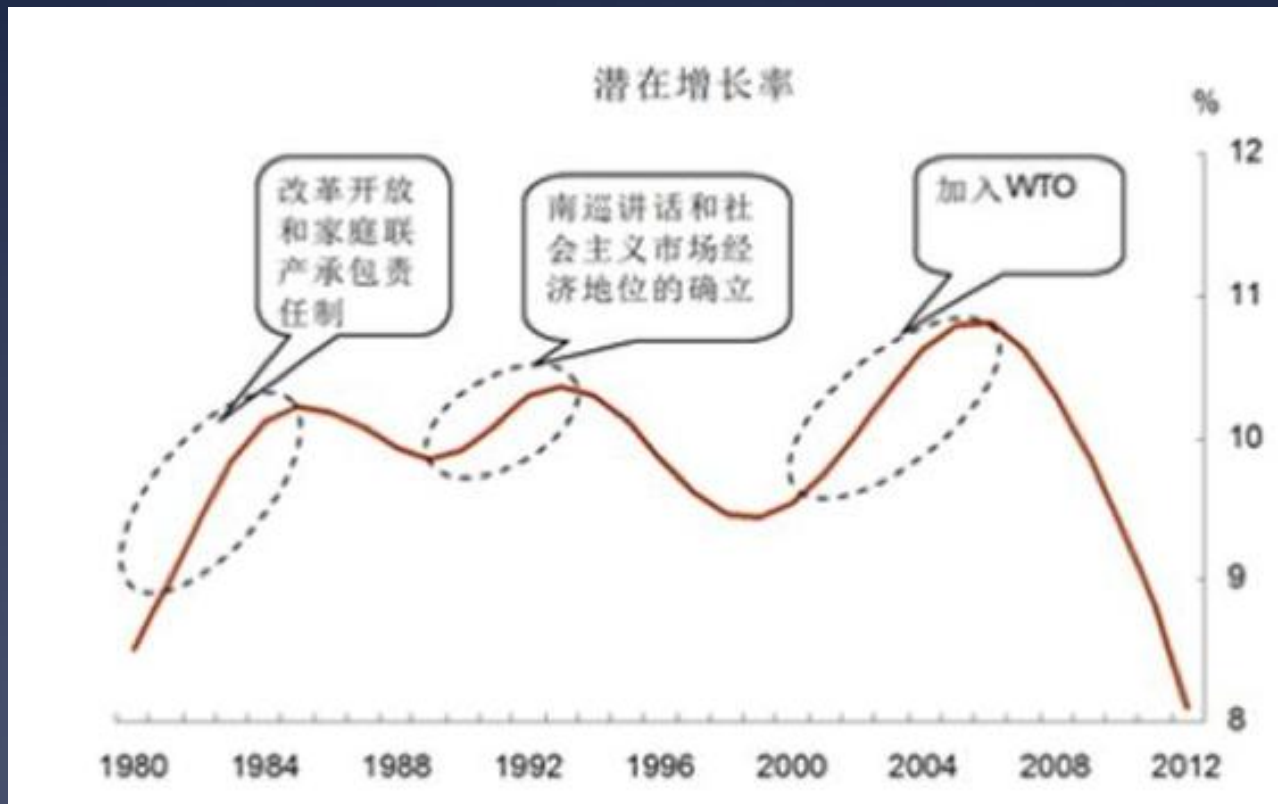
- ✓ Strong leadership
- ✓ Abandon the growth rate target
- ✓ From SOE to State Capital

Huge Debate

- ✓ Are we saying goodbye to 3rd Plenum Reform?
- ✓ Will Cultural Revolution come back?
- ✓ What is the **REAL** plan?



It is the economy, Stupid!

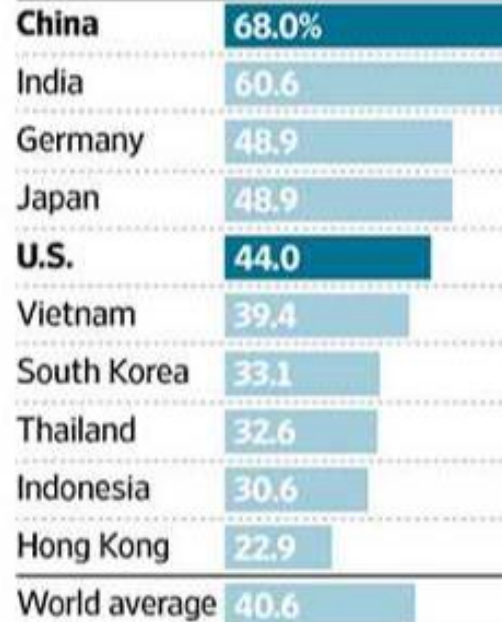


Trump tax-cut

U.S. companies face a heavy burden when it comes to **corporate income tax**...



...but companies in China pay more when **all forms of business tax** are factored in*.



*Before deductions

Note: As a proportion of company profits, based on data for 2016 or the most recent available

Source:
World Bank

What to observe?

- ✓ Will anti-corruption be slowdown?
- ✓ Will thought-liberalization appear?
- ✓ Will the 3rd Plenum reform be reactivated?
- ✓ Outside pressure: market economy status

God bless China!

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