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Is China's slowdown just western wishful thinking?

The biggest event of our time is the re-emergence of China, which within five years is set to become the world's largest economy in purchasing power parity terms.

Given the enormity of this event, it is strange that two parallel narratives – a western and an eastern one – are emerging to describe it. The western narrative concedes that China's economy has grown. However, it couples this concession with constant observations that the story is too good to be true. In one way or another, the Chinese economy is bound to sputter and possibly even collapse in the years to come.

Many different causes could trigger this collapse. A slowdown in the global economy could kill the Chinese export-driven growth model. Alternatively, major social unrest, with 40,000 demonstrations each year, could bring this great growth story to an end. The current focus, however, is on the purported fragility of the Chinese political system.

Most western analysts are clear that the sudden removal and expulsion of the Chongqing party secretary Bo Xilai is only the first surface crack in a political system that is starting to break up as a result of factional struggles within the Chinese Communist Party. Indeed one retired senior western diplomat, who had specialised in China for nearly 30 years, told the FT this month that the Bo Xilai case had prompted an "epiphany": he had finally come to realise that the top party officials were as corrupt as junior party officials. Since corruption had now taken over the top levels of the CCP, it was only a matter of time before this political edifice cracked up and came crashing down.

This may well happen. We live in an era of big surprises, where not a single analyst foresaw the Arab uprisings, and it is conceivable that this western narrative of a fragile China could prove to be true. Alternatively, it could all prove to be western wishful thinking.

The eastern narrative focuses on the strengths and not the weaknesses of China's economic resurgence. Yes, there is no doubt that Bo Xilai did try to mount some kind of political challenge to the established institutional processes of the CCP. However, instead of cracking under the strain, the institutionalised processes worked. They recognised the challenge and worked out a way of sidelining, marginalising and ultimately expelling him. In short, the CCP passed a major stress test with Bo Xilai.

In theory, the CCP is a dictatorship. It is true that it enjoys absolute rule, as the Soviet Communist Party did. Yet it is rare, indeed inconceivable, for dictators to step down voluntarily. Dictators cling to power. Yet we can all confidently predict that both Hu Jintao and Wen Jiabao will step down after the CCP Congress on 8 November.

What system is working to give us the confidence to predict this will happen? What system of rules has been put in place? And what institutional processes are generating these rules? Far from being an arbitrary dictatorial system, the CCP may have succeeded in creating a rule-bound system that is strong and durable, not fragile and vulnerable.

Even more impressive, this rule-bound system has thrown up possibly the best set of leaders that China could produce. Most dictators do not pick strong deputies. Nor do they like to produce successors that might outshine them. Yet it is quite conceivable that the new team of Xi Jinping and Li Keqiang could do better in the next 10 years. Some reports suggest that the close relationship between Xi Jinping, Li Yuanchao and Wang Qishan could lead to the emergence of a group of leaders as strong and visionary as Zhu Rongji.

In short, instead of a sputtering Chinese economy over the next decade, we might see a talented group of reformers injecting new drive and dynamism. This team would start with huge advantages: the world's largest foreign reserves, the world's largest industrial base, the world's best new infrastructure, the world's largest emerging middle class, the world's largest output of science and technology graduates, to name just a few.

A reasonably competent set of leaders would do a lot with these accumulated advantages. A set of leaders who are more than competent could achieve a lot more: they could even set in train a further major growth spurt in China.

Of course, all this could represent eastern wishful thinking. Let's wait and see. I would place my bet on the eastern narrative.