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## Thoughts after a visit to China

9 November 2023

Through the good offices of the Inclusive Society Institute of South Africa, I recently had the privilege of doing a short study tour in China. Everybody paid their own expenses, but the Inclusive Society arranged the (very efficient) programme and interesting engagements.

Obviously, China is a massive country and one study tour does not even scratch the surface. Nevertheless, I would like to share some personal observations.

### Social organisation

The first observation is that Chinese social organisation is superb. From the time that you arrive at the airport, train trips, meetings – everything runs like clockwork. I arrived at about 11 o'clock at night. All along the way to the hotel, cleaning teams were busy on the streets. Over the following days, it was hard to spot any litter. Thousands of people move around, but it's all orderly and clean. At night women walk safely in the streets.

The flip side is very strict security. You have to show your passport, or if you are a Chinese citizen, your ID card, every time you enter a train station and indeed at the platform again. There are cameras everywhere.

### Infrastructure

The physical infrastructure is impressive, from the highways to the towering residential blocks and the power lines everywhere. The same goes for the digital infrastructure. In Beijing, cash is hardly used. Instead, people pay using various apps on their phones. WeChat is more functional than WhatsApp. It is uncomfortable, though, to be cut off from Google and most of the news services we use so freely in South Africa.

The high-speed train from Beijing to Xi'an in the Shaanxi province, the home of the terracotta soldiers, covers the distance from Johannesburg to Cape Town in just over four hours, travelling at an average of 350 kilometres per hour. On our journeys, every single seat was taken. Six years ago, this line did not exist.

### Within 40 years

It is hard for an outsider to appreciate the enormous change that has occurred in China in the last four decades. Deng Xiaoping launched his reforms in 1978. In forty-five years, one working lifetime, the Chinese went from a very poor society to one that is quite solidly middle-class. Two anecdotes illustrate this process.

One is of a 48-year-old entrepreneur who owns a number of private schools. Fifteen years ago, he was a reporter for a Xi'an newspaper. Then he started his business. His current turnover is about R1,5 billion a year. He says that 40 years ago when he was in school, he didn't have shoes and nobody else at school had shoes. Now he runs 10 kindergarten schools, which charge 10 000 renminbi a month or about R26 000. The schools are full. Parents can afford to pay for this. By the way, his schools are called 'Curro'.

The other is a 45-year-old businessman whose mother used to send him on a bicycle to the next village to go and buy paraffin, used for lighting and cooking. It had to come from the next village because there none was available in his village. They had to use coupons, and there was rationing. For him, it is incredible that they now have an abundance

of consumer goods, available everywhere, and no ration cards. No shortage of electricity, gas, food, clothes or anything else.

### Pragmatism – “what works”

All of this could happen because of economic growth. The last 45 years have seen a single-minded focus on growth. The interesting thing, however, is that the Chinese did not pursue any prescriptive model. Instead, the central government in Beijing gave free rein to local governments, who started competing with one another to attract business and entrepreneurs, generating growth. The political system provides considerable incentives and rewards for city leaders who produce growth. Efficient local government and an embracing of private-sector entrepreneurs did the trick. That does not mean entrepreneurs are at the apex of power – ask Jack Ma.

The provincial government of the Shaanxi province, for example, see their role as promoting development in the province through cooperation with others. They are very proud of the fact that they, a provincial government, currently have business relationships with more than 100 countries in the world.

The local government in the city of Baoji has started a special economic zone built around titanium. They import titanium from countries like Mozambique, Australia and America, smelt it and refine it. This has become the centre of the titanium industry in China, home to a company which is the number one titanium company in China and the number two in the world, even though it is located in the middle of the country, in an inland province, with no big harbour nearby. The company is now pursuing high-technology applications of titanium in advanced manufacturing, automobiles and spare parts, particularly for electric vehicles. Baoji has 13 factories manufacturing complete vehicles and three hundred manufacturing vehicle parts. It all started with titanium smelters.

The other big player in the growth story is the private sector, what the Chinese like to call the “entrepreneurs”. Coming from their background of communist principles ruthlessly enforced under Mao Zedong with purges and re-education camps, they changed direction drastically to accept the private sector/entrepreneurs as partners in their drive for growth. Deng famously said, “What does it matter whether the cat is black or white, as long as it catches the mice?”

At the Belt and Road Initiative (BRI) Conference that we attended; entrepreneurs were officially labelled the “envoys of cooperation”. Businesses are encouraged to go out and establish commercial ties with people in other countries. The businesspeople we met are hungry, very hungry for business. (By the way, ten minutes before starting time the 600 delegates to the BRI conference were seated – that social organisation again.)

(I don’t want to discuss the pros and cons of the BRI here – readers may want to find an article in the Financial Times of the 23<sup>rd</sup> of October, which is but one of many covering the first ten years of the BRI project. It is bringing dividends to China, but also to the countries in which the projects are being run. There’s a perception that it’s all a debt trap, that China is leading countries in Africa up the garden path and so on and so on. I believe there is ample evidence to the contrary, as the FT article, among others, shows.)

### Changing growth model

There is no doubt that the growth model in China is changing quite profoundly. It started out as export-led, manufacturing products as cheaply as possible and getting them out to the world markets. That model is coming to an end. China is moving up the value chain.

They are now focusing on three things: the digital economy, health services and products, and the green economy. It will still entail manufacturing – China is the world’s biggest manufacturer of solar panels, for example – but they are pushing the envelope in these three areas through science and innovation.

There used to be special economic zones that focused on exports. Now there are special economic zones focusing on innovation in these three areas. Companies are backed to innovate, and they get support from one of the levels of government, be it local, provincial or national.

The car manufacturing company, Geely Auto, started manufacturing spare parts for Geely cars in Baoji in 2016. At that point, a mere seven years ago, they had 1000 workers. They now have 350 workers. They systematically and very deliberately introduced robots, developing some themselves and some with the help of other companies.

The average price of a robot on the floor is about RMB100 000 (renminbi), or R2.6 million. The bigger ones cost more than RMB1 million, or about R26 million. The current 350 workers now produce more than 1 000 workers did before.

There were a number of women on the floor.

The South China Morning Post reports that by July 2023, China has established nearly 8 000 digital factories and smart manufacturing plants. Last year 290 000 robots were installed in the country, more than half of the global total. The trend is clearly towards automation. With a shrinking population, that may be a wise choice.

### Government respected and meritocratic

I was struck by the government buildings we visited, from local to provincial government. Staff lunch in the office of the provincial government of Shaanxi makes a five-star hotel buffet look ordinary. The buildings are imposing, smart, and luxurious. In South Africa, government offices are often stark and dilapidated. In China, the reverse is true. They are models of modernity and luxury, and the people who work there are expected to do their jobs to the same standard. If they don't, there will be a social media outcry "everyone is on a smartphone, typing and chatting all the time. An official who does not deliver will be named and shamed.

Going back to ancient times, prospective civil servants have always had to write an entrance examination before they could work in the imperial service. In the week after our return, the South China Morning Post reported that 2,85 million people have applied to write the next round of the examination for a new intake of civil servants. In a recent documentary, a villager proudly showed the filmmaker two certificates of family members who had passed that examination. It is a matter of pride. They have built a capable state over a very long time.

### Us and them

Historically, we have to some extent seen the Chinese in terms of them and us. "They" are very different from "us". It's a much more difficult world for us to navigate than Europe or the US. If you don't speak Mandarin, you cannot really communicate. China has also come from nowhere to become the second largest economy in the world, technologically probably already the West's equal, so feeling intimidated is understandable. But it is neither healthy nor feasible to hold on to the idea that anyone from the outside can block their progress.

One note of caution: the Chinese themselves may interrupt their own upward trajectory "they have done so before in history. Their civilization is almost 5 000 years old, but it has not been a continuous progression over time. There have been cycles, ups and downs. At the moment, they are going up. They may go down again. However, it will not be because outsiders have tripped them up.

### So what?

- ✎• The Chinese model of political control (centralisation) and economic pragmatism (decentralisation) is unique and can probably not be copied by anybody else. It is deeply embedded in Confucian principles and has evolved over many thousands of years.
- ✎• Building a capable state requires a meritocratic civil service "again something that developed over millennia, but a strict entrance exam may be a good start.
- ✎• The hallmark of the Chinese growth story is pragmatism, pursuing what works.
- ✎• They will determine their own destiny, outsiders will not determine it.