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CHINA

Stephen Green: The Changing Face of China

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My starting point has become familiar to us all: the extraordinary rise of China and the way it is changing the world. The transformation has been under way for roughly a generation now.

We now recognise that a historic convergence is under way. In 1820 the size of an economy relative to the world total output was roughly equal to that country's share of world population. Then as now, China had the largest population, and its economy was the largest in the world. We all know what happened thereafter. The industrial revolution meant that for the first time in human history, some economies were able to produce consistently above subsistence level, thus creating a gap between the two ratios (Malthus was wrong – at least once industrialisation and urbanisation had begun to destroy older social structures). First the Europeans, then the Americans, and later the Japanese, thus achieved enormous increases in world market share. At the peak of their relative outperformance, these developed countries represented less than a fifth of the world's population, but created around three quarters of world GDP. China was left behind.

The gap is now closing again, as China – and also country after country in Asia (and elsewhere in the emerging world) – starts to catch up with the standards of living which Europeans have come to take for granted. By 2020, on present trends, China will probably be the world's largest economy again. China is already the largest exporter, the largest builder, largest consumer of steel, the largest emitter of carbon. This much we are familiar with.

But this is just a milestone. There will be bumps along this road: it is widely recognised that China faces enormous challenges in the next few years – challenges which form the backdrop to its 13th economic plan starting in 2016. It has an unbalanced economy (which is on so many ways the mirror of the U.S. or indeed of the UK) – over-dependent on exports and on investment to drive growth. It also faces a unique demographic challenge as the population starts to age and the dependency ratio rises. As has often been said, China is the first country in history to grow old before it has become rich. (As an aside, though, unfavourable comparisons with the demographics of India – the other great Asian behemoth – miss the point: India's challenge of creating jobs for a young and growing pool of poorly educated labour is even greater).

Despite these undoubted challenges, though, the best central forecast is that China will continue to grow rapidly for another generation, in stark contrast with the sluggishness in the old economies of Europe. So as its income per head gradually approaches European levels, China will not just be the largest but by far the largest economy in the world – perhaps well over double the next largest (since India will take much longer to achieve significant convergence with the developed economies).

By historical standards globally this has been an astonishingly rapid transformation, but not fundamentally different from the earlier experience of the Europeans. As they modernise, all countries urbanise: there is no exception to this rule. Britain's 19th century industrialisation moved the country from being 80 percent rural to 80 percent urban over a century. China is achieving the same effect more quickly – but it is presently no more than about half way through the change, at about 55 percent urbanisation currently. Which means that over the next two or three decades China's cities will end up absorbing another three or four hundred million people. In other words, we are beginning to realise that we have barely seen the half of it yet. This great convergence, with all that it implies, is the most important fact about the first half of the 21st century. And there is much more to come.

But some of the implications are becoming clearer. Economically, for one: the new China which began by mobilising huge pools of low cost labour has become a competitive challenge further and further up the value chain as it moves from toys to electronics to high speed trains and to aerospace.

More and more, we Europeans begin to fear that their technical brilliance may overwhelm us in the very areas of strength we have prided themselves on. In fact, for several decades now, we have been fighting a rear-guard action in our own minds: ever since the Japanese (and then the Koreans, the Taiwanese, Hong Kong and Singapore, now mainland China) began to take on the West at their own game – exporting goods that were initially derided as being cheap, poorly designed would-be competitors of the real Western thing – we have convinced ourselves that there is always a remaining comparative advantage to which we can retreat. Whether it was primary research as opposed to 'mere application', or artistic creativity as opposed to 'mere excellence in performance', or elegance and originality of design as opposed to imitation and kitsch, or education which stressed lateral thinking as opposed to 'mere rote learning' – we Europeans have wanted to hang on to something distinctive that would not be swamped by the rising tide. (Recently, in fact, when the OECD published a global school ranking – the most comprehensive ever – which placed Asian countries in the top five places, Britain at 20th and the U.S. at 28th – one British educationalist was duly quoted as dismissing such league tables because they skew schools and national education systems away from 'real learning to repetitive rote-learning'.)

But no: with every passing year it becomes ever clearer that there are no European heights that the Chinese will not eventually scale. The Americans face the same challenge, of course: but Europeans ruefully recognise how the much greater inventiveness, drive and flexibility of the American society and economy has enabled them to continue renew themselves in the most unpredictable ways. No European country has been able to match the spectacular successes of Silicon Valley, which few had even heard of a generation ago when China began to open up. This is the new face of China – and it has profound implications for the international order, both geo-politically and economically.

Geo-politically, we are moving from an era dominated by a single global superpower to something more like a concert of powers – or, to put the point differently, we are reverting to a historical norm. Arguably, only twice in human history has there been one single superpower with global reach – once for a brief half century which started two hundred years ago with the Battle of Waterloo and ended with the first unification of Germany. The other started in 1989 with the collapse of the Soviet Empire, and is ending about now. The new concert of powers quite clearly includes China. We in Europe will find all this in some ways easier to cope with than the Americans – since we have a collective memory of the nineteenth century concert of powers; since we no longer have any serious pretensions to global military reach; and since we have no direct interests or commitments in China’s neighbourhood.

But the impact of China is not just – in fact not even primarily – a matter of hard power. Much more fundamental is its growing impact on the international financial and commercial order: and this does matter to the Europeans. The Chinese are by now fed up with waiting for a U.S. Congress which – like the foolish courtiers of King Canute – refuses to believe that the tide of World Bank governance reform will come in. (And – one might ask – how long can the Europeans hold on to the managing directorship of the IMF?) Not entirely surprisingly, the Chinese have begun to organise their own coalitions of the willing who have established the significantly named New Order Bank (better known to the headlines as the Brics Bank – and located in Shanghai) and now the Asian Infrastructure Bank.

They are clearly also ready to see the RMB emerge as a significant world trading and – who knows – reserve currency. The end of dollar superpower status will take longer than the end of US global superpower status to arrive, for sure. But it is hard to believe that it won't come. Fortunately, British policy has bent with this particular wind: both government and City have seen the importance of building up London's role as the key Western Hemisphere RMB centre. And the British government took the first plunge as a Western investor in the AIB. These were exactly the right things to do: it is not in the interests of Europe in general, or of Britain in particular, to see the emergence of overly distinct financial spheres of influence – a dollar bloc and a RMB bloc, say – which might come to look too much like geo-political spheres of influence, for both of which Europe would become increasingly marginal.

Similarly, we need to watch the evolving patterns of the new commercial order. It is obvious that China will feel discomforted by any successful conclusion of the Trans Pacific Partnership. If that were to be followed by a successful and meaningful Transatlantic Trade and Investment Partnership (TTIP) and then by a Japan-EU deal, just consider the feeling of encirclement all that would produce. (In fact, we probably shouldn't hold our breath for all this – but that won't settle Chinese nerves.) It is manifestly in our interests to continue to press for further evolution and strengthening of the multilateral trade framework, however difficult this will be to progress – and to support and encourage China to be an active participant in WTO negotiations to achieve this. So China is changing the balance of hard power, and changing the international financial and commercial architecture.

It will also impact the world's culture. Arguably, not for five hundred years has the West had to respond to the cultural impact of a major new power on the international stage in the way and to the degree it will have to do in the case of China. Curiosity is intrinsic to a vibrant culture: and for about five hundred years, notoriously, the Chinese showed little or no curiosity about the wider world. After Admiral Zheng He they closed down their navy and their international diplomatic expeditions, and by 1793 Lord McCartney was unwisely spurned by the Qianlong Emperor when seeking to open commercial relations.

That has all gone: the Chinese now have what the Europeans in their expansionist centuries had – boundless and insatiable curiosity. The Chinese have developed a huge appetite for Western education (almost 700,000 students were studying overseas in 2012, and the number is still rising). They are becoming inveterate tourists too: China is now by far the largest spender on outward bound tourism, even though only 5% of the Chinese have passports – so clearly there is far more to come. (In Paris recently I noticed that announcements on the metro were given in French, English, German – and Chinese). Chinese art has become a global phenomenon – with Chinese names and Chinese antiques commanding huge prices in the galleries and auction houses of London and New York. And what of Mandarin Chinese? Already the world's most widely spoken mother tongue, it is now the second most widely used internet language, and amongst the top five foreign languages studied in universities and schools globally. We may be nearer than we think to the time when Chinese joins English and Spanish as the third great lingua franca of the world.

All this is the changing face of China that we notice most internationally. But China's internal face is changing too. The sheer pace of urbanisation is bringing China face to face with the consequences of modernity. To the visitor, one of the most obvious consequences of the huge physical changes wrought by urbanisation is the pollution, which is sometimes now visible from satellites. In itself, this is serious, even if it is not so surprising to anyone who remembers how pollution used to disfigure Tokyo or Seoul – or London. And furthermore, policy is beginning to respond. One important development in the Chinese economy has not received the attention it warrants: coal consumption declined – absolutely, not just as a percentage of output – in 2014, and has continued to decline this year (2015). Some have suggested that China may in fact reach the point at which its carbon emissions peak some years earlier than 2030 – the year projected by President Xi.

But what is at least as striking as the pollution itself is the way it has become an issue in the public domain. Earlier this year, a well-known Chinese TV personality, Chai Jing, made a 90 minute documentary entitled 'Under the Dome' about the smog and the health risk it poses for children. Done in a style reminiscent of Al Gore's influential 'Inconvenient Truth' it is remorseless in its message, and caused a sensation when it was first released, with perhaps 150 million views on Chinese video platforms. The State Environmental Protection Minister said that the film had an important role to play in promoting public awareness of environmental health issues.

'Under the Dome' was taken down after a few days. But it is a reminder of the extent to which the blogosphere is now large and sophisticated – the clearest indication of the vibrant, modern and quintessentially urban mind-set which has become so pervasive in China. Over 600 million people use the Internet: there are over 300 million Weibo microbloggers – roughly the equivalent of Twitter. And the stars of this new world of chat have enormous followings. To take one example, Chen Kun is less than forty years old, was born in Chongqing and is one of China's most successful film actors and entertainers. He has over 70 million followers on Sina Weibo – China's largest microblog platform. That's more than Kate Perry (the American singer who has the largest Twitter following in the world) or Barack Obama or Bill Gates. Yao Chen is another example. She too is a film star, even younger, from Fujian province. Her following is also larger than that of any non-Chinese person. She is also a UNHCR ambassador for refugees and drew a big part of her following as a result of a visit she made to a camp in Thailand for Burmese refugees in 2011. And they are not all film stars: Sina Weibo's top twenty includes entrepreneurs, property moguls, academics and writers.

The opinions of China's bloggers are as varied as you would expect of a modern, urbanised society. Some are critical of what they argue are public policy failings; some are very personal in their responses to public events; others conduct acrimonious arguments with each other in the blogosphere. What is perhaps particularly striking to a European eye – though this would be much more familiar to Americans – is the sometimes strident note of patriotism (which can sometimes sound like xenophobia). Chai Jing was, for example, roundly criticised by some because she used a clip from an American specialist on the effects of pollution on small children in her video. One film star and director made the mistake of appearing in a dress with the Japanese military flag in a fashion magazine – not a good idea in China. It produced a storm of criticism and profuse apologies by her. The general point is that all this is a sign of a vibrant public square, with all the noise and colour that you would expect in any pluralist society. From the important to the trivial, you will find opinions 'out there' in the Chinese digital world. If you want to know what Chinese tourists think of Europe and how they intend to spend their money, you can get it off the blogs – and have it analysed for you by market researchers. One way or another, this is a society with a voice – or rather, with voices – which clearly demonstrate a growing sense of self-confidence, civic pride and engagement.

This is not, of course, to say that all is perfect. Anyone who knows China knows that there are plenty of issues and challenges. And anyone who knows what urbanisation does to societies will not be surprised by some of those challenges. The authorities themselves are well aware of them. One of the most obvious is the sense of deracination which affects anyone who moves out of traditional social structures into a new urban world. Urbanisation is both a liberating and an alienating trend for humans everywhere. Suicide rates – which have declined in China from previously high levels (particularly amongst women in rural communities) with the freedom that urbanisation brings – are showing some signs of rising, particularly amongst students and the elderly: a classic urban pattern and one which poses threats in an ageing society. And interest in religion is rising too, in the context of an urban milieu in which all things are possible – in Buddhism especially but also in Christianity, now indigenised and suitably distant from its Western missionary past. No one knows exactly how many Christians there are today in China – but it is entirely possible that there were more people in church there this last Easter than in the whole of Europe. Of the top ten Sino Weibo bloggers, one professes an active Buddhist commitment and one an active Christian faith.

So China is changing as it modernises – making its presence felt on the international stage, interacting culturally with the outside world on a scale not seen since the Ming dynasty closed the country to foreign influence, and changing internally as it urbanises and modernises. It is on an incredible journey, and its sheer size means that its progress on the journey will not only change it but change us all. We therefore need to engage with it, learn about it, learn from it. We need to do more of this. Why is it that there are almost 100,000 Chinese students studying in Britain but only around 3,000 British students in China? The American author Horace Greeley famously told the young of his generation: 'Go west, young man.' I think that we should now be saying to the young of this century: 'Go east, young person'. And learn the language. And learn about the culture. Why is it that almost no one in Europe has even heard of the great works of Chinese literature – the extraordinary poets on the Sung and Tang dynasties, for example, or the poignant domestic tragedy of 'The Dream of Red Mansions'? These are works of art as moving, as human, as powerful as anything that European creativity has produced. The journey of exploration is, in other words, not merely important – given the changing face of China – but also one we will find infinitely enriching.

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