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Gabriel FELBERMAYR

Perhaps Naoki Tanaka has a little salt to offer here.

You wrote a book about the *Great Stagnation of China*, and now you were talking about the bipolar, maybe tripolar world, but what about the Chinese long-term perspectives, what gave the title for your book, the *Great Stagnation of China*?

Naoki TANAKA

Mr Oqubay's opinion on Chinese economy is very interesting, but I disagree with him.

Firstly, I want to pick up the potential growth rate of China: Three factors exist when we measure the potential growth rate: labour input, capital input, and innovation. China's labour population is decreasing, and as to capital input I am not so optimistic; FDI, Foreign Direct Investment, to China has increased very much, but almost 60% of FDI to China came from global Chinese diasporas, however, as you know, in Hong Kong and Taiwan there are a lot of people who are against communist regime. In the case of Hong Kong, the province of Canton will play a very important role, as a lot of money comes to China through Hong Kong, which will be stopped; such kind of possibility exists. The same mentality is now penetrating Taiwan; in southern parts of China, there will be some de structuring problems, and employment situation may be worse which makes us not so optimistic as to capital input. As to the innovation side, the decoupling of the economy is now being observed by the Trump administration as a challenge for China. According to our forecast, the potential growth rate in China is around 2%, so in the very near future, China would not pass that of the United States. This will influence the course of development of African countries in two aspects, one of which is the export of natural resources. China has a lot of capability in heavy chemical industries, in iron, steel, cement, aluminium, the petrochemical industry, etc. Almost half of the world's capability belongs to China, but the demand side in China is now a problem, and a lot of these industries are state-owned enterprises in China, SOEs are very difficult to deconstruct because the communist regime intervened state owned enterprises, so the restructuring process is very difficult as to the excess capacity of the industries in China, which means a deflationary expectation on the global context. African countries want to introduce the methods for industrialisation but, as to the price of their product, it will not increase in the meantime, which is a problem.

A second problem exists as to debt ridden type of countries may occur with the involvement of China. Two years ago, in the annual meeting of the Belt and Road Initiative, President Xi Jinping mentioned public/private partnerships. Belt and Road Initiatives, or involvement from China, is not the same as the Marshall Plan. The Marshall Plan was done by the United States to rehabilitate the capabilities of Europe using US money, however, in the case of Chinese involvement, Public Private Partnership, PPP, means involvement from neighbouring, recipient countries. For example, the China Pakistan Economic Corridor involves building tramways from the Indian Ocean to China through the Pamir Heights; what kind of techniques, what kind of building infrastructure will be done in Pamir Heights? These kind of discussions were held ever in mainland China. A notable economist said, 'The China Pakistan Economic Corridor is very difficult to build, and the debt problem may be left for the Pakistan side', so such discussions were had, even in Zhongnanhai, within the capital. It is, in my understanding, very difficult to describe the future course of Chinese economy and its influence upon the world order.

Gabriel FELBERMAYR

Thank you very much for this most more sceptical view, which raises two questions about what this means for global aggregate demand if China is slowing down in that sense, and it also, maybe, raises a question for Japan that, if China is not moving that quickly, there is more space for Japan as a regional power in the Pacific economies?