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I am tempted to ask our Chinese guest for his view on where we are in terms of the recovery. China has not experienced a recession, so it is a bit different from other major powers. Also, what is the situation in terms of what the macroeconomic consequences could be of the geopolitical situation with the USA? Therefore, what do you think about the recovery and how could you be in a situation where China finances the US? The trade has never been that high, the US deficit and interdependence has never been as high, but we have major uncertainty about this relationship.

Qiao Yide

Thank you for your introduction. Relative to other economies, the Chinese economy has been doing better since the outbreak of the pandemic. Last year, GDP grew at 2.3% in China and as Mr. Véron mentioned, the government took a very strict approach, even locking down whole cities. The fundamental reason behind the economic growth is that the Chinese government is taking a zero-Covid approach. In China, we live a fairly normal life except when we enter the public field, we have to wear masks or show our green code on our mobile phone. The success of the approach in China is due to several reasons. One is probably due to a special social structure and cultural habit. For example, most people are willing to give up partial personal freedom and partial privacy for the collective interest. Also, high-tech plays a very important role in this regard because most Chinese use smartphones everywhere. It is unlikely that other countries could copy or use the Chinese approach. Also, the approach itself is not without costs. Actually, consumption in China left behind its exports which became a major driving force, although I do not think this is sustainable because when you look at data from the past two months, July, and August, it already shows growth slowing down a little. For example, there was a growth on fixed capital investments in August of only 8% or 9% compared to 15.4% in May and consumption only grew 2.5% in August. China also faces some uncertainties and challenges.

First, it will have to move from a zero-Covid approach to a more tolerant one. Second, it will have to reach a balance between reasonable economic growth and the prevention of financial risks. You have probably heard the news from China that one of the largest developers, Evergrande, has problems with debts. That is something that the Chinese government has to deal with.

Another big issue of uncertainty is the relationship with the United States. With the Trump administration, the relationship between the United States and China got worse until the Biden administration, which tried to unite its allies to contain China. The good thing is that we can see that after telephone call between Biden and Xi Jinping, it seems that tensions are easing a bit, at least in terms of rhetoric. The release of Meng Wanzhou, CFO of Huawei Technologies, is a recent example. Of course, the competition between the United States and China will last for many years in the future. The problem for the United States and Chinese governments is that they have to continue managing the competition, in order to avoid confrontation which could be very dangerous not just for them, but for the whole world. I think that in the future the political and economic outlook of the world will largely depend on the relationship between the United States and China and whether they can handle their relationship successfully.

I will stop here.

Lionel Zinsou

Thank you very much for an impressive view of the Chinese situation. You mentioned how cultural the response has been. It is not just a question of economics, it has been a very efficient cultural and political response in a sense, that to a large extent explains the very fast recovery. You also mentioned how much exports are driving the economy. On the United States-China competition, and I expect the audience will have questions, it will be there for many years.

In the previous session, we already saw Thomas Gomart underline the fact that China has become the leading trade partner by far and sometimes investment partner for infrastructure. If you take Africa, a continent I know a bit better than others, China is the leading partner of 48 out of 55 countries, which is quite an achievement. If you consider the European Union as a whole, as one country, there is real competition because it is the other major partner and then the picture is totally different. If you consider the European Union rather than isolated countries, Germany, France, etc., and it is the real competition. I was a bit surprised that it was not raised in the previous session that the European Union is the leading player in international trade and is challenged by China, with the United States nowhere. The simple addition of the exports of Germany plus France, or Germany plus Italy, or Germany plus BENELUX, is more than the total of United States exports. Just two of the big European Union economies are enough to match the exports of the United States of America.

This competition between China and the United States is very interesting and has existed for a long time and is very important in major sectors. However, when it comes to the main trade partners, it is the European Union versus China, that will probably be the case for decades, even if we see those emerging countries. Here it is more collaborative and less of a problem. Thank you very much, I think you will have a lot of questions.