Chinese Economy, Coal and Sino-US Relations

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Washington D.C.
May 3rd, 2012
Chinese Economy by the End of the Cultural Revolution

• MAO Zedong Ruined the Chinese economy by launching the prolonged class struggle movement.
• About 50 million Chinese died during his ruling, the equivalent of 30 provincial capitals with each suffering five times of “Nanjing Massacre”.
• 300 million Chinese did not have enough food, and suffered persistent hungry.
• Per capita income was about half the level of that during the inception of the People’s Republic of China in 1949.
Chinese Economy during the Economic Reform Era

- Average income of Chinese has increased by 12 times, and 300 million people have been lifted out of absolute poverty.
- Fatality rate (per thousand) was lowered from 11 (average of 1949-1977) to 6.6 (average of 1978-2010).
- Transition of State power has become an increasingly institutionalized process, though a setback did occur recently.
Examples of Progress in China

- China can manufacture sophisticated equipment at relatively low costs.
- Safety record on aviation shows the achievement of Chinese industry.
- Since 2000, fatality rate per Mt of coal mined in China has been lowered by 90%.
- From 2002 to 2011, road traffic casualties were reduced from 106k to 62k, while number of cars have almost quadrupled.
Chinese Economy in International Context

- China supplies global supermarkets with low-price goods, and has raised the living standard of average citizens around the world.
- China also imports increasingly higher amount of goods and services from the rest of the world.
- Well-developed infrastructure including express highways, airports, power plants, ports, subway & telecommunication systems.
- But China has run a very large trade surplus, leading to a $3.3 trillion foreign exchange reserves.
What is Happening now?

• Political reform has lagged far behind.
• Vested interest groups are becoming increasingly powerful.
• Frequent abuse of government power.
• Human rights are not well protected, privileged social classes are prevailing.
• On international affairs China may not always stand on the right side.
• Current economic boom cannot be sustained without serious reform.
China’s Energy Challenge

• 68% of primary energy comes from coal.
• In 2009, coal-fired carbon emissions in China > national CO$_2$ emissions in US.
• Cleaner coal technology is the only solution.
• China was an oil exporter before 1993, but now 57.5% of the total oil consumption comes from import.
• China is developing at the expense of its environment. Almost all rivers and lakes in China have been polluted.
The True Cost of Coal in China

• The social cost includes land subsidence, contamination of underground water reservoirs, coal washing-related water pollution, air pollutant emissions discharge, mining accidents, etc.

• The true cost of coal in China is at least 23% greater than its market price.

• If externalities were internalized, the GDP would only be reduced by less than 0.1%, while total social welfare will increase by one trillion yuan (in 2007), due to the corrected coal price signal and more efficient resource allocation.
Misunderstanding between US and China

• Before 1949, these two countries were close allies. US helped China defeat Japan.
• Since the Korean War, bilateral relations became hostile in nature.
• China stood on the wrong side, but hadn’t realized this mistake for a very long time.
• More than 60 years have passed, it is time for China to change its position.
Communism Has Lost Traction

- The failure of the former Soviet bloc has taught the whole world especially China a good lesson.
- China has moved to a capitalist economic system, which has proven to be very successful.
- But old ideologies die hard. Communism is still China’s official ideology, it is a theory with great attractiveness in a rapidly changing society.
- China perceives US as a potential enemy.
- Every action taken by the US government is suspected with evil intention.
Problems on the US Side

• Don’t fully understand that Chinese government is actually performing quite well, better than the average among developing countries.
• There are no capital punishment for political prisoners in the past 30 years.
• China is very open. Chinese have ample opportunities to access outside information.
• China is no longer what it was 30 years ago, and is advancing towards liberty, though slowly.
• Danger of being outspoken is declining.
Thank You!