Le modèle de croissance chinois post covid, une approche en termes de régulation

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## Methodology

## Empirical Analysis

## Conclusion
1. China’s government-managed market economy

**Government / State**

Discretionary power to manage all aspects (money, SOE, private firms, market regulation, trade, capital, etc.)

Core mission or task (as “developmental State”)

**Identify, design, cultivate, construct, craft, and support** an assemble of mechanisms of economic growth which infuse dynamics to the society and economy: “growth engine”, “development dynamic source”, “growth pole”, “growth mode”, “pillar industries”, “dominant sector”, “development main force”

= entrepreneur, corporation CEO

= mobilizing and organizing resources

= new project, most profitable strategic business unit (SBU)

= gaining profit as result from operation
Economy is a series of specific techno-economic processes of history, composed by particular events in a society.

Modes of regulation: L'ensemble des mécanismes qui permettent aux formes institutionnelles a priori indépendantes de former un système.

**Accumulation regime:** les mécanismes qui permettent la poursuite de la croissance économique.

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**2. Approach of Regulation Theory**

- **Politiques Economiques**
  - Codification
  - Forme Institutionnelle
    - La monnaie
    - Le rapport salarial
    - La concurrence
    - L'adhésion au régime international
    - Les formes de l'Etat
  - MODE DE REGULATION
  - REGIME D'ACCUMULATION

- **Rapports Sociaux**
  - Mode de Production
    - Capitaliste
  - Organisation Economique

- **Systèmes de Technologies et Production**

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China?
3. “Economic growth pole”: What is a “regime of accumulation” in China?

1. A series of interrelated economic activities, often an industry, a sector, a cluster, a region, a techno-economic complex, or a value chain, etc.

2. Corresponding to the activities, specific resources combination mode, including capital, labor, equipment, land, raw materials, and organization, etc.

3. Related capital and money circulation flow and the corresponding institutional arrangement which provides enough incentive to repeat capital accumulation and circular investment processes so that the system can be reproduced.

4. As a regime of accumulation: government can get economic and fiscal benefits, the whole society can get (spilled over) economic and social benefits, and in turn can provide governance legitimacy. (stability, GDP, income, etc.)
4. Regime of export-manufacturing (since 1980s)

Local governments: decentralized economic management system, industrial policy focus.

Export-manufacturing sectors (coastal areas/ labor intensive industries)

Technology: based on learnt standardized manufacturing technologies and their diffusion among industrial system.

Mode of production: industrial mass production, export-orientation, labor cost and population bonus, resource exploitation, etc.

Export Markets of Advanced Economies

- Tax revenues
- Employment
- Local industrial development
- Technologies

HK, Macau, and overseas Chinese investors

Chinese TVE, etc.

Chinese private firms

Western MNCs

Land
Labor
Fiscal incentives
Infrastructure development
Etc.
<table>
<thead>
<tr>
<th>Period</th>
<th>Policy</th>
<th>Accumulation Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978 – 2008</td>
<td>● Localized industrial policies</td>
<td>● Standardized and large-scale production technologies</td>
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<tr>
<td>(factor-driven</td>
<td>● Contractionary macroeconomic policy</td>
<td>● Industrialization through export-oriented manufacturing;</td>
</tr>
<tr>
<td>stage)</td>
<td>● Export-promotion policy</td>
<td>● Industrial firms took use of China’s surplus labor from rural areas and constructed low-cost advantage;</td>
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<td></td>
<td>● Technology-importation and transformation policy</td>
<td>● The export to international markets and foreign direct investment in China brought in large amount of foreign exchange;</td>
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<td></td>
<td>● FDI attraction policy</td>
<td>● The Chinese foreign exchange regime increased simultaneously national foreign reserves and domestic currency supply;</td>
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<tr>
<td></td>
<td>● Decentralized fiscal system</td>
<td>● Governments invested heavily in infrastructure and land development to support manufacturing;</td>
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<tr>
<td></td>
<td>● Loose regulation on labor (Labor Law revised in 2007)</td>
<td>● Formulation a techno-economic paradigm with manufacturing system as its core part and relevant social system depressed.</td>
</tr>
</tbody>
</table>
5. Regime of infrastructure investment (since 2008)

- Central government
  - Banking system (banks)
    - Credit
      - City governments
        - Large SOEs of construction
          - National and urban infrastructure construction
        - "City operators"
          - Urbanization construction, urban planning, urban public services (transport, utilities, etc.) and business
      - Land
        - Property developers (Mainly private)
          - Capital market
            - Investment
              - Loan
                - Domestic real estate market demand
      - Land concession revenue
  - Urban real estate Sector
    - Domestic real estate market demand

- Banking system (banks)
  - Credit
    - City governments
  - Capital market
    - Investment
### China’s Accumulation Regimes (2)

<table>
<thead>
<tr>
<th>Period</th>
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<th>Accumulation Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>after 2008</strong></td>
<td>● Centralized macroeconomic management system</td>
<td>● The 2008 crisis and decrease of export market slowed down the catch-up of</td>
</tr>
<tr>
<td>(investment-driven stage)</td>
<td>● Manipulating macroeconomic variables such as trade, investment, and consumption</td>
<td>manufacturing sectors in global value chain;</td>
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<tr>
<td></td>
<td>● Expansionary monetary and fiscal policies</td>
<td>● Government reacted by expansionary fiscal and monetary policy, and injected</td>
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<tr>
<td></td>
<td></td>
<td>excessive liquidity in the economy;</td>
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<td></td>
<td></td>
<td>● Industrial system became unattractive for investment, due to rising labor costs,</td>
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<td></td>
<td></td>
<td>insufficient domestic consumption demand, overcapacity, and diminishing profitability;</td>
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6. The deviated regime of properties-financial assets investment

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<tbody>
<tr>
<td>after 2008 (investment-driven stage)</td>
<td>• Economic re-launching package (2008)</td>
<td>• Excessive money supply flooded and accumulated in property markets, then stock markets, and recently foreign exchange markets, creating several rounds of inflation of assets prices, financial instability, and permanent bad loans;</td>
</tr>
<tr>
<td></td>
<td>• Macroeconomic rebalancing (2008-2014)</td>
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<td></td>
<td>• Supply-side Structural Reform (2014-present)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Belt and Road Initiative (2013-2015)</td>
<td>• Central government had to spend more energies and resources on fiscal and monetary policies to handle the newly-added problems of financial system, somehow leaving aside its industrial system which had been decoupled from the financial realm but faced of the persisting problem of sustaining and upgrading.</td>
</tr>
<tr>
<td></td>
<td>• …</td>
<td>• Finance-driven growth has been exhausted in 2015</td>
</tr>
</tbody>
</table>
China’s world-historic dependence on real estate

Share in gross domestic product of construction and real estate activity (%)
2015: the Chinese version of financial crisis of 1929 or 2008?

Crisis of “property-financial accumulation regime”:

1) decoupling of real and monetary economies, and financialization of innovation system = speculation of financial capital in name of innovation;

2) exhausting “accumulation regimes” within the current “techno-economic paradigm” = no place to earn money!
Pressures grow on Evergrande

Share price (Hong Kong dollars)

Xi Jinping issues 'three red lines' for property developers

Evergrande is banned from raising additional debt

Source: Refinitiv
© FT
7. The rising problem of digital platform regime

Digital platform economy
• E-commerce, mobile payment, shared mobility, etc.
• Expansion in traditional sectors
• Fintech and penetration in financial system
• Big data
• Digital firms listed in US stock market
• Emerging from bottom and private sector

“Regulation” problems for government
• “too big to control”
• Breaking up the monopoly of State banks
• Threat to national security, data security, and information control
• Foreign capital and international relation risk
• Risk of “out of control”
• Irrelevant to “real economy”
• Revenue and benefits to government are not significant
Central Economic Tasks 2021
(CCP economic work meeting 2020)

1. **Strengthen national strategic scientific and technological strength**
2. **Enhance the independent controllability of the industrial supply chain**
3. Adhere to the strategic basis of expanding domestic demand
4. Comprehensively promote reform and opening up
5. Solve the problem of agricultural seeds and cultivated land
6. **Strengthen anti-monopoly and prevent disorderly expansion of capital**
7. **Solve the outstanding problems of housing in big cities**
8. Do a good job in carbon peaking and carbon neutrality
The Main Economic Policies in China since 2008

**Macroeconomic level:**
Solving and sustaining the old regime of accumulation

- (demand side) Rebalancing
- Supply-side Structural Reform
- Innovation-driven Development Strategy
- Belt and Road Initiative
- ‘dual circulation’ strategy

**Industrial and technological level:**
Creating a new regime of accumulation

- Indigenous Innovation (Mid- and Long-Term Plan)
- Mass entrepreneurship and crowd innovation
- Industrial transformation and upgrading
- Internet + Action Plan
- Strategic emerging industry development plan
- Made in China 2025

**Timeline:**
- 2006-2008
- 2014
- 2017-2020
8. The mid-term desire for intelligent manufacturing regime

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</table>
| After 2015 (“Desired” innovation-driven stage) | Innovation policy or Chinese innovation-driven development strategy, including:  
- Mid- and Long-Term Science & Technology Plan Outline  
- Industrial Transformation & Upgrading Plan  
- Massive Entrepreneurship and Crowd Innovation Strategy  
- “Made in China 2025”  
- Innovation-driven Development Strategy Outline | The expected new mode of production will include:  
- Industrial competitiveness based on strong science & technology development;  
- World class exports;  
- High skilled jobs;  
- High-tech industries (10);  
- High added-value activities;  
- Dynamics of entrepreneurship;  
- … |

The new regime of accumulation will be based on:  
- emerging and world-leading digital platform capitalism  
- implementation of intelligent manufacturing system across all industries
Techno-Economic Paradigm in China: The uncertain future for government

<table>
<thead>
<tr>
<th>Platform bubble and asset trap</th>
<th>Made by the World, Bought by China</th>
<th>Made in China, Buy by the World</th>
<th>Made and buy by China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance- and assets-led regime</td>
<td>Digital platform-led regime</td>
<td>Intelligent manufacturing-led regime</td>
<td>Integration of manufacturing and platform-led regimes</td>
</tr>
<tr>
<td>• Profit making is mainly through rent-generating capital operation and accumulation such as investment in stock market, foreign exchanges, and bubbled real estate.</td>
<td>• Fast expansion of China's service economy, especially e-commerce along with low-end strategies of manufacturing rationalization or no restructuring at all.</td>
<td>China successfully transforms its industrial sectors and upgrades to advanced manufacturing in becoming flexibly specialized in innovative technologies both for new process, products, components, and systems.</td>
<td>• In integrating customer interfaces, production and supply chains under the intelligent manufacturing paradigm, China's whole manufacturing industry, and even the foreign manufacturing sectors are becoming a supporting part of the Chinese e-commerce service system.</td>
</tr>
<tr>
<td>• Macroeconomy can be in stag-inflation and it is what the Chinese government is fighting to avoid.</td>
<td>• Chinese government tries to not only depend on this American path.</td>
<td></td>
<td>• Manufacturing will no longer be the sole focus of accumulation regime which will turn to service, especially internet-based service sectors</td>
</tr>
</tbody>
</table>
9. The short-term challenge of export-manufacturing regime during Covid

<table>
<thead>
<tr>
<th>Supply chain destabilizers</th>
<th>Supply chain stabilizers</th>
<th>Critical enablers to supply chain in long run</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Labor, land, and all other fact costs rise rapidly</td>
<td>• Supply chains are complete, and clusters are well developed</td>
<td>• Development of intelligent manufacturing and digital transformation of industries</td>
</tr>
<tr>
<td>• Operation risk, such as power crunch</td>
<td>• US import from China is still robust</td>
<td>• Innovation system and core technology development</td>
</tr>
<tr>
<td>• Policy and international relation risks are increasing</td>
<td>• Compared to other countries, China’s low cases of Covid-19</td>
<td></td>
</tr>
</tbody>
</table>
10. Post Covid: China’s growth model at crossroad

Export production regime

Investment infrastructure regime

Properties financial regime

Global expansion (BRI) regime

Digital platform (E-commerce) regime

Intelligent manufacturing regime?

A more controllable digital platform accumulation regime?

Policy (Since 1980s)
Policy (2008)
Policy (2013)
Policy (Since 2016)
Policy (2020-)
Policy (MiC 2025)

Current techno-economic processes

Expected new techno-economic processes

Government

Policy (innovation-driven)

Covid

New tech: Big data, cloud computing, IIoT, AI, Supersonic electronic imaging, internet; Biochip, brain imaging; Biotechnology, nanotechnology; Neuroceuticals, bioeducation?

Standardized technologies in Water power, coal, iron, steam power; Electricity, oil; cotton spinning; Railroads, tooling machine, steel; Automobile, refining oil, electrification; Microchips; Iron tools, transportation, construction; Aircraft, services, logistics, etc.