

**THE PEOPLE'S REPUBLIC OF CHINA AND ITS ECONOMY:
A STIFF UPPER LIP WILL BE REQUIRED IN 2017**

**President Donald John Trump:
How Will He Make America Great Again ?**

In the game of international politics, posturing is, just about, everything in the initial phases of the play.

Mr Donald John Trump, now, officially, the President of The United States of America, has, during the past 18 months or so, attacked the People's Republic of China (PRC) over this and that, from being an alleged manipulator of its currency, to the alleged, illegal creation of artificial islands in the South China Sea, many of them, now bristling with armaments, to 'stealing' tens of thousands of American jobs.

How much of Mr Donald John Trump's allegations was just swagger and bluster, uttered vociferously in order to cause him to win votes from the American electorate, is likely to become apparent in the first 100 days of his Presidency.

It stands to reason that Mr Xi Jin Ping (), President of the PRC, will be watching, probably in deep apprehension, for the first signs of the new Administration of The United States of America, engaging in its suggestive bellicose acts to the detriment of the PRC.

The PRC would not countenance a trade war with The United States of America because, inter alia, in such a dogfight, nobody would come out as the outright winner.

However, if push came to shove over a posturing with The United States of America, the PRC would not shy away from adopting a determined stance.

The Economy Of The PRC

On Friday, January 20, 2017, The National Bureau of Statistics of China announced that the PRC economy had grown by about 6.70 percent in the 2016 fiscal year.

This was in line with previous forecasts, The National Bureau of Statistics stated.

In the first paragraph of its formal statement, The National Bureau of Statistics said:

'In 2016, faced with complicated domestic and international environment, under the leadership of the Central Party Committee headed by General Secretary Xi Jinping as the core, the whole country has carried forward the overall plan for promoting all-round economic, political, cultural, social and ecological progress as well as the "Four Pronged Comprehensive Strategy" in a coordinated way, adhered to the general work guideline of making progress while maintaining stability, followed the new vision of development, insisted on supply-side structural reform as the mainline, appropriately expanded the aggregate demand, advanced reforms, properly responded to risks and challenges and shaped good social expectations. As a result, the national economy has achieved moderate yet steady and sound development, getting off to a good start during the 13th Five-Year Plan period.'

Disregarding propaganda, The National Bureau of Statistics went on to give evidence with regard to the country's economic expansion in the form of what appears to be very definitive statements:

'According to the preliminary estimation, the gross domestic product (GDP) – the total monetary value of all goods and services, produced over a specific time period – of China was 74,412.7 billion yuan in 2016, an increase of 6.7 percent compared with last year (that is the 2015 fiscal year). Specifically, the year-on-year growth of GDP for the first quarter was 6.7 percent, 6.7 percent for the second quarter, 6.7 percent for the third quarter, and 6.8 percent for the fourth quarter. The value added of the primary industry was 6,367.1 billion yuan, up by 3.3 percent over the previous year; that of the secondary industry was 29,623.6 billion yuan, up by 6.1 percent; and 38,422.1 billion yuan for the tertiary industry, up by 7.8 percent.'

It is noted that it was only in the fourth quarter of 2016 that the country's GDP spurted up to 6.80 percent, Year-On-Year.

That was an increase, Quarter-On-Quarter, of about 1.49 percent.

This appears to indicate that, in respect of the first three quarters of the 2016 fiscal year, the second-largest economy of the world could not make headway against the strong incoming winds of the international, economic slowdown.

Thus, it is fair to say that the PRC's economy experienced its slowest growth, going back 26 years.

Having made this statement, however, **TARGET** () hastens to add that a country's annual economic growth of 6.70 percent is not to be rejected without very careful consideration.

Many countries of the world would love to have their economies grow at this rate, without question.

In 2017, there is quite likely to come to pass a number of new challenges for the PRC Government to tackle.

Inflationary elements within the country, a country, housing the world's largest human population of at least 1.30 billion people, is but one of the many economic aspects with which to be wrestled because, as the year progresses, painful modifications will be required in order to address a number of core problems that are, now, deeply rooted.

It is well accepted that a country cannot, forever, spend more money than it is capable of earning.

Only a fool would consider, living on borrowed money for an extended period of time.

The PRC's economic policy, over the past few years, has been to fan the flames of artificiality by injecting monetary stimulus into the economy in order for the country's pen-pushers to meet the Central Government's annual expectations with regard to the country's GDP.

Record-setting bank loans to consumers, followed by record-breaking, corporate failures, resulting in numerous PRC banks, being forced to write-off/write-down loans to domestic borrowers as well as to PRC-Governmental corporate entities, are but just one of the known problems, continuing to face the country.

Bolstering PRC Governmental spending to what must have been record levels in 2016 must have resulted in assisting non-financial debt, being in excess of 270 percent of GDP.

From where is the country going to venture in order to obtain honey?

If the ratio of non-financial debt reaches the 300-percent level of GDP, it will have a definite debilitating effect on the entire economy.

This is incontestable.

More and more foreign investors will continue to pull their funds out of the country, simply out of fear.

One may surmise that there must have been an impact on foreign investors' thinking, already, with non-financial debt, having topped 270 percent of GDP.

The renminbi has, over the past year, suffered de facto depreciation, vis-à-vis the '*hard*' currencies of the world.

While it might seem as an encouraging idea for the PRC economy not to be too dependent on exports for its bread and butter, as had been the case in days of yore, by the same token, the country's economy had been geared, in the past, to be the world's largest '*tailor*' shop, the prime producer of all manner of consumer goods, specifically for the export market to its largest customers, of which The United States of America was among the largest.

Domestic consumption can only go so far to bolster the PRC's economy.

Exports of manufactured goods have proved, in the past, to be the lifeblood of the economy.

A rebalancing of the PRC's economy must be implemented in order to obtain the best of both '*worlds*':

1. Increase domestic consumption, on the one hand, without causing a deleterious effect on the country's ability to continue its prominence, internationally, as one of the most-desired countries for foreign investors to establish a presence; and,
2. Encourage international entrepreneurs to look upon the country as a stable base in Asia to produce goods of the highest-possible standard to be exported to the largest economies of the world.

The many and varied problems, facing the PRC's economy in the coming year in the face of threats, some veiled and some, having been made very explicitly by President Donald John Trump, during his whirlwind, criss-crossing of The United States of America in order to obtain the confidence of the electorate, are all prospective thorns in the sides of economists of the country.

Talk Is A Cheap Commodity

Talk is cheap, as anybody would not be hesitant to state, while execution of a policy, political or otherwise, is another matter, entirely.

Should President Donald John Trump try to fulfil his many promises, uttered stentoriously during his Presidential campaign, promises, such as bringing back the lost jobs to the country's shores and, inter alia, imposing sanctions on consumer goods, produced offshore, the funding of which is proved to have come from entrepreneurs, domiciled in The United States of America, and, then, the finished products, imported into The United States of America, it would be seen as being tantamount to a protectionist stance for his Administration.

That which President Donald John Trump is courting is highly inflationary since, at this time, industrialists, based in The United States of America, are woefully unable to compete with their Asian producers of most goods and services, due to a number of factors, the lower cost of Asian labour and desirable property, being just two important factors in the mindset of any industrialist, worth his salt.

Thus, for industrialists of The United States of America to try to produce goods, similar to those, now being produced in Vietnam, Cambodia, the PRC, The Philippines, Taiwan, etc, their production costs would be considerably higher, compared to Asian competitors' production costs, and these American, higher

production costs would have to be passed onto American consumers.

One need not extrapolate from thereon since it is very obvious.

In today's world, national protectionism – the theory or practice of shielding a country's domestic industries from foreign competition by taxing imports – has no place.

It is, in fact, a method of covert financial subsidisation of industrialists by its government.

It is akin to trying to shut down the Internet, thinking that by so doing, the human population of a territory will not know that which is taking place in other parts of the world.

Such an act as national protectionism invariably harms the economy of a territory, employing a policy of indirectly subsidising national interests to the detriment of trading partners, to a greater extent, long run, than the trading partners.

It is a fact that to hate harms the hater, greater than the hated, because, inter alia, the hated does not appreciate that he/she is hated.

Lowering The Tax Rate For Americans

Turning to the proposition of lower taxes for Americans, another of President Donald John Trump's promises while on the Presidential Campaign trail, this was suggestion, originally sponsored by the late Mr Milton Friedman.

Mr Milton Friedman was an American economist who received the 1976 Nobel Memorial Prize in economic sciences for his research on consumption analysis, monetary history and theory, and the complexity of stabilisation policy.

He died on 2006, but, during his lifetime, he was a strong advocate for an across-the-board, tax rate of 15 percent for taxpayers of The United States of America.

Money follows money.

This is an undeniable, proven fact.

If a country has a relatively low tax rate, it will encourage new investments into that country.

Thus, on this count, President Donald John Trump is on the money, in the vernacular of Americans.

If it is widely determined that The United States of America has evolved, among other things, into an environment that is highly conducive to foreign investors, they will flock to the country, bringing with them, buckets of cash.

Say that which one may about The Land of The Free and The Home of The Brave and of its politics, but one cannot deny that it has, in place, a set of laws, tried-and-true, objective and impartial.

Lower tax rates are quite likely to encourage a great deal more foreign investment into the country, but the increase in foreign investment is unlikely to result in lower, domestic industrial costs in the production of consumer goods, most of which will be passed onto the consumer, one way or another.

On the other hand, with the average American, having more money in her/his pocket, due to the lower taxes, consumer purchases, initially, will rise and, then, as a direct consequence, supply-demand factors will come to the fore.

Ergo: Increased inflation.

And, then, there will have to be a rebalancing of the economy by the Administration of President Donald John Trump.

Against this, however, President Donald John Trump is hardly a slouch and, if anything, history will be a judge of him and his policies, due to, inter alia, the input of people whom he has chosen to be closest to him, people who are not afraid to speak their minds in an effort to assist him in making the best-possible determinations.

President Donald John Trump is not an island, entire of himself (a famous line from ‘*Devotions upon Emergent Occasions*’, a 1624 work by the English poet John Donne), and so the checks and balances, in place in the Government of The United States of America, will, without question, rein him in from time to time.

Like it or lump it, he will have to become accustomed to restraints, placed upon him.

President Donald John Trump will have to learn to leave love at the doorstep of The White House, replacing it with international respect of his policies.

Love is fleeting, but respect is carried to the grave – and is long remembered.

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