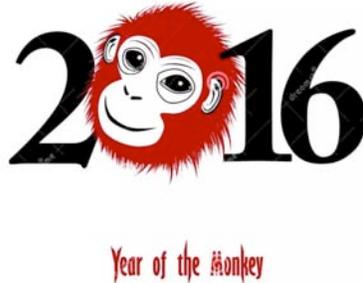


2015 is behind us but what about 2016?
Gilbert Van Kerckhove, Beijing January 2016



How does China look in 2016?

"China will continue to experience an economic slowdown and major challenges still have to be met." China Daily 20 January 2016

It is difficult to be an optimist, in Europe and in many other countries. China is not an exception. Get used to the "new mediocre" (Christine Lagarde). Or, as François Hollande says "We are in a state of economic emergency". In August 2014 I wrote a paper on the many challenges China was facing and the difficult task for the government to deal with it. Find it here:

<http://blog.strategy4china.com/wp-content/uploads/2014/08/140815-China2014.pdf>

Things have not changed for the better, on the contrary.

Chinese experts agree that the economy is facing serious problems. I only name a few:

- Further **slowing down of the economy** where government intervention might not help anymore or even make matters worse;
- Weak world markets and the end of the massive investment party in China have **decreased manufacturing activity**, also impacting the countries selling to China the many commodities, now they also have less money to buy from China.
- How to revive **tourism** in China?
- How to tackle the **housing inventory** in real estate and carry out "destocking"?
- "**Supply-side reform** with Chinese characteristics": what will really become of it?
- The need to close down the many **zombie SOE** and tackle **overcapacity**, with a dark cloud of unemployment and social instability.
- Total **debt** to increase; further weakening of the RMB; **capital flight** (China capital outflows rise to estimated US\$1 trillion in 2015 - Bloomberg Business); serious increase of **non-performing loans**.
- Increasing **costs and taxes** and cumbersome bureaucracy are making the industry less competitive while quality levels tend to rather worsen than improve.
- "Open-door policy" has become an oxymoron in China; the paranoia for instability and threat to the Party is further **closing the doors to the outside world** as well as for foreigners and foreign business, all despite the nice words of the government; in many areas "success" for foreign investment is doubtful. Not surprisingly, Amcham survey says most companies feel "less welcome" and 25% intend to leave China. At the same time China Daily claims foreign companies are happy in China.

- Expect more **foreigners to leave** as work permits and visas are getting worse (not to even mention pollution); foreigners are just a "nuisance" when there are so many critical issues to deal with internally; maybe when the dust has settled and there are no more stability risks we might be really welcome again; many foreigners are naïve and do not see the trend; Shanghai and some second-tier cities might still be "more welcoming".
- Total of Chinese **Green Cards** said to total "over 7300 for the 600,000 foreigners living in China". The card is the most difficult to get in the world, is often a problem to use and fails miserably in "granting the same rights as to Chinese citizens". As for the amount of foreigners in China: the country probably beats most countries as having the least foreigners per inhabitants. And some Chinese still think we are too many.
- **Self-censorship** is recommended, even if well intended advice seems to be in line with a socialist society.
 - The risk remains that **nationalism** and some level of arrogance will grow as a diversion tactic and for other reasons, increasing the risk for international friction and conflicts. The territorial disputes in the South China Sea are probably the biggest worry.
 - The **draft NGO** law is still out there without any clear view what will happen next. If the draft becomes law as it is now, the effects will be ominous, while many underestimate its reach: "We will be OK". You will NOT.
 - Chinese will continue their "conquest" of **foreign markets and companies**, but they will need to adapt and learn to avoid a backlash.
 - Education, health care, income inequality, food security, social security, the need for creativity and innovation will all remain on the table as hard-to-solve-issues.
 - The battle against pollution, corruption and injustice is still being fought but how will it end?

Conclusion

We should remain modest and admit the challenges China is facing are not easy and nobody can claim to have "the" solution. China has been going through many difficult periods in its history and somehow it always managed to come out better.

Our challenge is first to seek a solution for the myriad of problems we have in our Western countries (including Belgium) where politicians seem pretty clueless to find long-term solutions. Let's not even mention the USA and the circus around presidential elections.

A hard-landing in the Chinese economy is "unavoidable"
 Billionaire investor George Soros, January 2016 in Davos

Are we heading to a meltdown, a hard landing, a deep recession – whatever you want to call it? Personally I don't think so. But we all need to think careful what to do, how to proceed, and proceed wisely and carefully.

So, fasten seat belts, watch your back and be happy. Beijing is not that a bad place to be, despite all our complaints! Where would we go anyway?

Looking back

2015 has been a difficult year but also with some happy and exciting moments, like seeing our daughter move to Brussels for her new job and me participating in the 3D HD movie "The New Three Gorges". And my first ever real holiday in fifteen years.

My main website was hacked. Then I was the victim of a dishonest and unprofessional "local" IT company (foreigners!) who ran away with my money and viciously trashed my website. Fortunately I found a great savior and I started working on my new and renovated websites. See down below. We had some unpleasant problems with a Chinese government department that shook my confidence in the system. We solved it but it left a bitter taste.

Then, when I was close to finalizing my websites and other work, my main Apple laptop had a devastating (software) crash in December. Worse, it turned out my "Time Machine backup" did not work due to a software bug from Apple. I bought a big iMac and managed to recover myself all data and some critical settings.

2016 is here, the websites look great and the new iMac and iPhone are slowly obeying my orders. The whole experience showed how dependent we have become on technology and how much time it consumes. So one of my goals for the year is to see how to simplify IT stuff and increase efficiency. And relax more!

My plans for 2016 are to further step away from "business" except for the essentials that include my China seminars and occasional stints with government entities for fun stuff like tourism, aging issues, qipao fashion, and who knows what more. We continue to assist Chinese companies abroad, now mainly in Africa.

Rotary will keep me busy too.

A major goal is to restart writing book(s), and not only do blogging – ideas have been spinning in my head since long.

Note

I talk extensively in private and in my seminars about the challenges mentioned.
Additional written comments are available on request.

About my websites

<http://blog.strategy4china.com> had become too vast. We have now more focused websites. Some are in the final stages of implementation, other will gradually grow. Some of the old posts are migrating to the new sites. See here:

Beijing Global Strategy Consulting Co., Ltd. - the company's website:
www.strategy4china.com (needs more work)

Business & Economy: <http://blog.strategy4china.com>

Beijing life: www.beijing1980.com (includes Rotary, events, views on China, and more)

My books - Toxic Capitalism: www.damulu.com (updates on future books + publishing)

Environment & Society: www.unirizon.com

Pictures of China: www.prc.pics (under development)