

CIFA INFORMS...



IN ONE CHART, EVERYTHING YOU NEED TO KNOW ABOUT CHINA

Dan Mitchell—Member of CIFA's Advisory Board—www.cifango.org

URL Link: <https://danieljmittell.wordpress.com/2022/07/25/in-one-chart-everything-you-need-to-know-about-china/>

I'm obviously exaggerating when I write an "everything you need to know" column.

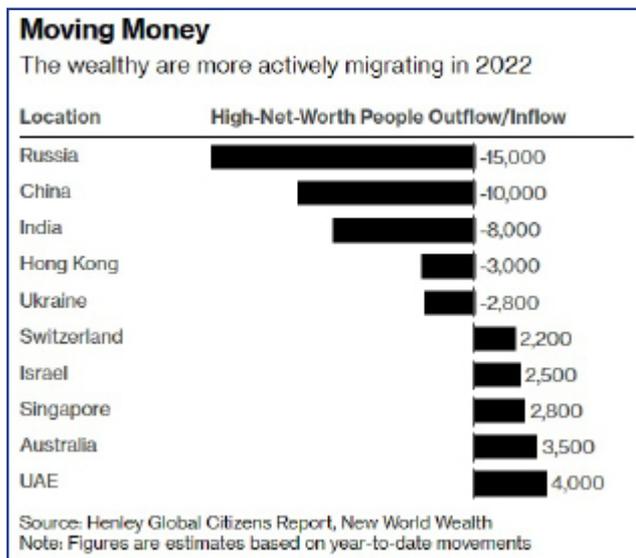
But I use that kind of title when sharing a story that highlights some sort of fundamental truth.

And one of my long-standing observations is that China's economy is not nearly as strong as some people think. Which is why I'm sharing this chart from a recent Bloomberg report about China.

The Bloomberg report, authored by Lisa Du, Amanda Wang, Zheng Li, elaborates on the exodus...

“The big question now hanging over China's rich is whether President Xi Jinping's government will let them leave. ... immigration lawyers say moving has become more difficult in recent months as passport processing times have increased and documentation requirements have become more onerous. Shifting large sums of money out of China has also become harder... That's setting the stage for a fresh bout of tension between wealthy Chinese and the ruling Communist Party, which was already strained amid President Xi Jinping's populist campaign for "common prosperity."

Rich Chinese Worth \$48 Billion Want to Leave — But Will Xi Let Them?



At the risk of understating, it's good news if rich people want to migrate to your country and it's bad news if they want to leave your country.

It's easy to understand why rich people want to leave Russia. Putin is making the country an international pariah.

But look at China, which has the world's second-largest number of high-net-worth emigrants.

As far as I'm concerned, the underlying issue is that China has been drifting back to authoritarian statism under President Xi.

The fact that people and money have been escaping is a symptom of that problem.

Here are some more details...

“The potential departures of people and capital are "a definite cost to the Chinese economy," said Nick Thomas, an associate professor at the City University of Hong Kong... In another sign of the national mood, a recent note from Shanghai-based billionaire Huang Yimeng announcing to employees that he plans to move his family out of China went viral on social media. ...Still, "there are lots of institutional barriers" to leaving China, said Jennifer Hsu, a research fellow at the Lowy Institute think tank in Sydney, Australia... Would-be emigrants also need to get savvier at moving money out of China. Citizens are only allowed to convert \$50,000-worth of yuan into foreign currency each year. In the past, wealthier people have found ways around the rule, but some of those options are dwindling.

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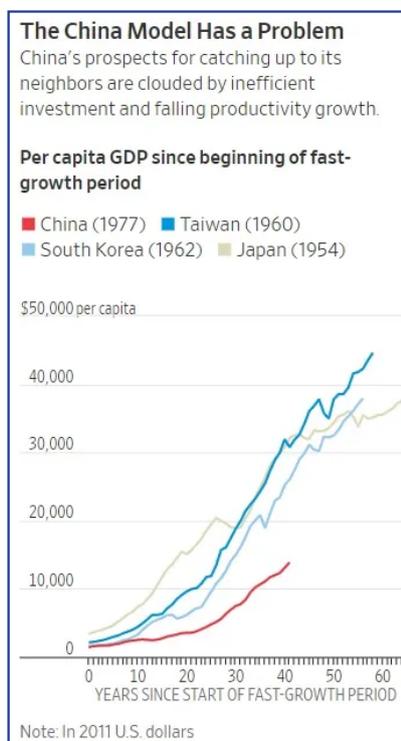
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The bottom line is that the Chinese government presumably can make it more difficult for people to escape.

But that does not solve the underlying problem.

At the risk of oversimplifying is that China was horrendously poor under Mao's doctrinaire socialism, but then enjoyed some growth after partially liberalizing



its economy beginning in the last 1970s/early 1980s.

But there has not been any meaningful pro-market reform in the past 15-20 years and now China is losing ground.

No wonder successful people want to escape.

P.S. Encouraged by bad advice by the OECD and the IMF, China has been pursuing bad policy in recent years.

P.P.S. Instead of threatening to invade Taiwan, Xi should be copying its small-government policies (or the pro-market policies of the other Asian Tigers).

P.P.P.S. Given China's increased influence, I'm also not surprised that many successful people are now escaping Hong Kong.

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