

## China, after 32 years

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Back to China, 32 years after my first and only visit, I could see in Beijing the amazing progress that has been made here. No country has ever before experienced such a speedy period of progress: its average GDP growth has been around 9% per year, and an estimated 600 million Chinese have already been lifted out of poverty. What is the secret behind this lasting “miracle”? In the political sphere, it was the force of nationalism during a neoliberal time where all economic nationalism was “doomed”; in the economic sphere, it was the opening of the trade account, whereas the capital account remained closed, it was the deregulation of the flow of goods, yet keeping the capital flow under tight control.

In China, there is no colonial inferiority complex. The Chinese intellectuals that I meet in international seminars have always impressed me. Rather than viewing the United States as we Latin Americans do, in an aggressive or either subordinate manner, they regard it with kindness, but as equal. It doesn't occur to the Chinese to “acknowledge” the intellectual superiority of the “West”, and therefore accept its recommendations of economic policy – recommendations that we accept and that are turning Brazil into a big farm. China was a great empire in the past; following the industrialization in Europe, it suffered 100 years of economic decline under the subjugation of the West. But since 1949 it has grown in an independent way: first, as it always occurs in tardy countries, based on the State; and, since 1980, based on the market.

The second secret of China is to have opened the goods account, while rejecting the financial opening. The old developmentalism defended the customs protection, which is useful in the initial stage of development. However, as China soon realized, the important thing is to compete with the rich countries in the export of industrial goods, taking advantage of its cheaper labor.

But the Chinese are not interested in financial opening. Even though it is not clear to them that there is a cyclical trend to overvaluation of the exchange rate

in developing countries, they know it is vital to keep it competitive. Because good profitable investment opportunities for the companies are crucial to increase the investment and domestic saving rates – and as an essential condition they require a balanced exchange rate. To them, the financial opening is not a fatality, something “you can't escape”, as so happens to us. Surely it is possible to control capital inflows and maintain a competitive exchange rate.

I knew how powerful the Chinese nation was, but this time it was fascinating to see the thousands of Chinese people who fill Tiananmen Square to see the embalmed body of their national revolution leader, Mao Tse-Tung. It wasn't like that 32 years ago; they couldn't afford this civic tourism that sounds weird to us. Yet there is nothing weird about China's ability to compete with the rest of the world. Will Brazil be able to react and compete, as well? Or are we going to resign ourselves to being a modern agricultural country that grows, but with instability and at much lower rates than the Chinese?