**The 3rd Asan Memorial Lecture**

**Guy SORMAN**

**“Should We Fear China?”**

**Speaker**

-     Guy Sorman is a French economist and writer. Among his latest books published in Korean: *The Empire of lies, The truth about China*; *Economics does not lie, A defense of  the free market; Wonderful World; Chronicles of Globalization.* His columns are published in newspapers around the globe. He has taught Economics at Paris University, presides over a publishing company he has founded in 1972, and has been elected in several public offices, most recently as Chairman of "Greater Paris West" Economic and Social Council. Guy Sorman lives in Paris and New York.

**Summary of Issues**

-     ***“China is an economic partner, but an unreliable one.”***

Professor Sorman first focuses on the economic situation in China. While the strict communist government enables domestic firms to grow, its insensitivity to the needs of the domestic and global market makes China an unreliable partner. Dr. Fan Gang, the director of the China Economic Institute, shared the supposed economic strategy for China and predicted China’s growth into a developed country in the next 30 years. While his proposal constructs a good image for China as a trustworthy economic partner for Asian countries, China is in fact an unreliable partner. Chinese companies systematically appropriate innovation, steal intellectual property, and practice reverse engineering. While intellectual property theft and reverse engineering allow the new Chinese conglomerates to compete against non-Chinese companies, the absence of respect for the rules of competition also results in the closing of China’s domestic market by law or de facto exclusion.

-     ***“We need to consider other social and economic uncertainties before determining whether China will continue to be an untrustworthy partner in the future.”***

First is the issue of domestic unrest in China. The number of unlawful incidents involving confrontations with central authority is increasing. Concurrently, the hostility towards corruption of the Communist Party is rising. This is due to the fact that there is no process for the Chinese people to channel their complaints against the government short of resorting to violence. To what extent will the Chinese government pursue the same economic strategy without taking into consideration the demands for justice, better education, and improved health care in the Center and Western regions of China? To what extent does the recent winner of the Nobel Prize Liu XiaoBo represent the Chinese population? It is significant that he belongs to the Beijing middle class, the very people that the Communist Party wanted to capture through its economic policy. It is impossible to evaluate what this new middle class really wants: will it be satisfied with its improved living conditions without asking for more representation and free speech? Answering these questions will be imperative in determining the attitude countries need to take in future dealings with China.

-     ***“Chinese economy needs innovation.”***

Much is said about the new universities and huge laboratories being created in China. It remains to be demonstrated, however, whether a country without free speech, under permanent control of the party authorities, with heavy censorship on the Internet will be able to innovate. So far, the Chinese have not been able to make breakthroughs in any scientific field, nor have they succeeded in creating a single Chinese global brand.

-     ***“What needs to change; the non-convertibility of RMB.”***

Another weakness of the Chinese economic model is its permanent dependence on the global market. In order for China’s economy to experience growth, it needs permanent stability and demands from the Asian consumers as well as American and European consumers. China also very much depends on foreign investments. This dependence on foreign investments is a consequence of the non-convertibility of the Chinese currency. As long as this currency remains inconvertible, savings will be invested abroad or in real estate. The non-convertibility brings about two weaknesses in the Chinese financial system: first, a load of bad debts in the Chinese banks, and second, an inflated real estate sector that will be permanently threatened by the financial bubble. However, it is not in the interest of the Communist Party to make the Renminbi convertible: non-convertibility is part of the control system managed by the Party to channel the savings toward public banks and finance the public sector and infrastructures by utilizing those savings.

-    ***“Social and economic factors discussed above are crucial in China-ROK relations and, thus, in DPRK-ROK relations.”***

One must also consider that China has imperialistic tendencies as evidenced by its international relations strategy, especially regarding North Korea. China uses its puppet state North Korea to keep the region permanently destabilized. There is no hope in the near future that there will be any substantive regime changes in North Korea without a change of regime in Beijing.

-     ***“South Korea needs to draw a much harder line when dealing with China and stand on firm ground in their international policies and military actions.”***

Professor Sorman makes a few suggestions for South Korea in its relationship with China given his analysis of the present and the future of China. He suggests that South Korea be less respectful and conscious of maintaining goodwill with China. He also suggests that South Korea, or at least its non-governmental organizations, support the Chinese Democrats. In addition, South Korea needs to reinforce its military coordination with the United States and Japan, not in order to provoke hostility and war, but rather to deter China and its puppet state North Korea from any kind of aggression. He also suggests that South Korean companies pursue their economic relationships with the Chinese domestic market, but while being more aware of intellectual property theft and reverse engineering. Finally, he asserts that any reinforcement of South Korean soft power through adequate public and private action (i.e., better promotion of their cultural assets) will increase sympathy for the South Korean cause.

-     ***“China remains a country to be concerned about because its unpredictability will continue as long as it maintains its economic policies and the Communist Party’s role in the government.”***