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Is China Heading for Crisis?

The protests in Hong Kong accelerate the contradictions of Beijing's goals.

By Bret Stephens

In 2001, Gordon Chang, an American lawyer who had spent many years in Hong Kong and Shanghai, published a book forebodingly titled “The Coming Collapse of China.” At the time, the thesis seemed improbable, if not preposterous.

It looks a great deal less improbable now.

China — or, rather, the Chinese regime — is in trouble. Tuesday’s gigantic parade in Beijing to celebrate the 70th anniversary of the People’s Republic looked like something out of the late Brezhnev era: endless military pomp and gray old men. Hong Kong is in its fourth straight month of protests, marked and stained by this week’s shooting of an unarmed teenage demonstrator. The Chinese economy is growing at its slowest rate in 27 years, even when going by the overstated official figures.

Meantime, capital is fleeing China — an estimated \$1.2 trillion in the past decade — while foreign investors sour on Chinese markets. Beijing’s loudly touted Belt-and-Road initiative looks increasingly like a swamp of corruption, malinvestment and bad debt. Its retaliatory options in the face of Donald Trump’s trade war are bad and few. And General Secretary Xi Jinping has created a cult-of-personality dictatorship in a style unseen since Mao Zedong, China’s last disastrous emperor.

Remember the “Chinese Dream” — Xi’s vision of China as a modern, powerful, and “moderately well-off” state? Forget it. The current task for Chinese leadership is to avoid a full-blown nightmare of international isolation, economic decline, and domestic revolt.

Agree to disagree, or disagree better? We'll help you understand the sharpest arguments on the most pressing issues of the week, from new and familiar voices.

China’s presumptive trajectory once seemed clear. In domestic affairs: rapid economic reform; slow political opening. Lather, rinse, repeat. In international affairs: peaceful rise; burgeoning clout. It was to be a model of managed development, a Middle Kingdom fit for the 21st century.

That’s not what happened, for reasons that Chang and others saw coming long ago. Rapid growth is easy when labor and capital are plentiful and cheap. But most developing countries inevitably fall into what’s called the middle-income trap, when they no longer have the cost advantages of poor countries but haven’t yet acquired the legal, educational, or technological advantages of rich ones.

It turns out to be a trap few countries escape: Of 101 countries defined as “middle income” in 1960, only 13 rose to high-income by 2008, according to a World Bank report. And some of these countries, like Greece, are prone to slip backward.

Beijing’s dilemmas go deeper. Economic reforms generate sudden riches that are ripe targets for extravagant graft, particularly by powerful state actors. Graft creates incentives for further self-dealing, which distorts economic decision-making and breeds public cynicism. Aggressive anti-

corruption drives of the sort carried out by Xi since coming to power often amount to power plays between political factions competing for booty.

The result: more corruption, more cynicism, more repression. How long that can keep going is an open question.

But scholars such as Larry Diamond and Minxin Pei have noted that dictatorships tend to have a roughly 70-year lifespan. At some point, the revolutionary fervor that sustains the first generation of leaders and the will to power that sustains the second gives way to the policy failures, mounting discontents, outside shocks and inner doubts that prove the undoing of the third.

Especially when the regime experiences some kind of blunt trauma, either in the form of a foreign-policy fiasco, an economic shock, or a moral outrage. In its attempts to respond to Hong Kong's protests, Beijing risks all three.

A policy of hoping the protesters discredit themselves or simply run out of steam shows no sign of working. A Tiananmen-style crackdown would underscore the regime's brutishness and incompetence, destroy Hong Kong as a global financial capital, and spur China's neighbors to arm to the teeth and draw closer to Washington. Accommodating the protesters' demands, above all the granting of genuine universal suffrage, is the right thing to do, but introduces a democratic principle fatal to the regime's self-preservation.

Hence the looming crisis. It could be defused, if Beijing guarantees amnesty for all nonviolent protesters and removes the troops it has brought in from the mainland in exchange for a meaningful process of negotiation. Or it could be "solved" through some form of hyper-aggressive policing that stops short of an outright massacre. But that only puts a lid on discontents that will continue to boil.

Skeptics will note that China's profound cultural aversion to the prospect of political disunity and chaos may incline the mainland Chinese to approve a hard government line with Hong Kong. And nothing in Xi's actions or manner suggests he suffers from Gorbachev-like misgivings about the nature of the regime he rules or of his right to exercise power by whatever means necessary.

But if the regime's travails prove anything, it's that China's current despot is no more enlightened than despots elsewhere, and China's people are no less eager to have what people have elsewhere: justice, fairness, rights, freedom from fear, freedom itself. In China's looming crisis, the human condition shines through.