

## It's Time For A Full-Court Press On China

Last week Apple Chief Executive Tim Cook tried to pin the blame for poor iPhone sales in China on Donald Trump's much-hyped trade war —despite the fact that the war isn't scheduled to start until March, if it ever starts at all. The reality is that China's economic miracle has finally come to an end, and Apple's China sales aren't the only ones that are down. Starbucks' same-store sales are also flat.

And you can't blame Trump for Jaguar Land Rover's 50 percent sales slump in China, though someone will surely try to blame Brexit. Except that Jaguar's U.S. sales are up 25 percent. Of course, the U.S. economy is actually growing. China's economy likely is not.

China's car sales are down. China's foreign direct investment is down. China's retail sales are flat. China's exports are flat. The Chinese Yuan has dropped 8 percent in eight months. China's stock markets lost a quarter of their value in 2018. China's official budget deficit is nearly 4 percent of GDP, and that doesn't include the bad debts of state-owned banks, estimated at 25 percent of GDP. Anyone who really believes that the Chinese economy is growing at the official rate of 6.5 percent per year is extraordinarily credulous, or living in denial.

At the same time, China is doubling down on military operations and acquisitions, promising to build infrastructure throughout Eurasia, and sending probes to the dark side of the moon. And all for naught. Japan will match China aircraft carrier for aircraft carrier without the United States spending a cent; even better, Japan is going to buy and fly American F-35 jets. And the U.S.-Japan sponsored Asian Development Bank vastly out-lends China's AIIB.

It's possible that China's growth could grind to a halt around the year 2020 as it converges with other manufacturing peripheries like Mexico and Eastern Europe. In 2019, China is just now catching up with Mexico —and its growth is stalling out. But imagine if Mexico were trying to

support a massive military buildup, a continent-wide infrastructure effort, and a prestige space program to boot. That would be crazy.

Well, China is essentially just Mexico multiplied by ten, each one piled on top of the other. At least Mexico has a healthy population profile, with a median age of twenty-eight and a fertility rate of 2.2 children per woman, or just above replacement level. China has a rapidly aging population with a median age of thirty-seven and a fertility rate that is a national secret, but likely in the vicinity of 1.5. China's working age population peaked in 2014 and will soon be in rapid decline.

China's demographic trap means even more pressure on government budgets for healthcare and pensions at a time when there are fewer people paying taxes and economic growth is drying up. Trade war? China can't afford a trade war. It can't even afford the iPhone X.

If China was a democracy, then it would kick out the bums. But of course, China is not a democracy, and the bums are the Communist Party. That calls to memory another Communist Party that attempted a massive military expansion in the midst of a faltering economy. It took about five years for the Soviet Union to go from fomenting revolution in Africa and Central America to complete collapse in 1991.

China is intent on avoiding the Soviet fate. That's why it is imprisoning millions of its Turkic Moslem Uyghur minority in re-education camps in the chronically restive Xinjiang Province, which borders Afghanistan and Pakistan-administered Kashmir. China has cracked down on dissent and begun to implement a nationwide social-credit system designed to keep people in line. And of course China's leader Xi Jinping continues to demand possession of Taiwan.

But even China's resources are limited, and it is pushing those limits—if it hasn't surpassed them already. In a replay of the late 1980s, the United States has a dynamic economy, a robust military, and an aggressive president, while its main geopolitical opponent is overextended and overcommitted. Just as America's 1980s military buildup exposed the fragility of the Soviet economy, a full court press today has the potential to crack the Communist Party of China.

China's forty years of so-called reform have only returned the country to where it was before the Communist Party ever took power: a repressive, corrupt military dictatorship presiding over a highly

internationalized but still largely family-run economy. The Chinese people deserve real reform, but they won't get it without external pressure. Donald Trump is just the person to apply that pressure, and now is the time for him to do it.

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