

# I don't see China becoming a superpower in this century: Timothy Beardson

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"There is a lot of corruption in China, but Russia, Pakistan, India, Vietnam, Nigeria, are all rated even worse."

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*Timothy Beardson, founder of [Crosby International Holdings](#), the largest investment bank in the Far East, has recently authored "Stumbling Giants — The Threats to China's Future," where he gives [China](#) 20 years in which to get its house in order. He is full of praise for China's phenomenal rise with [Deng Xiaoping](#) at the helm but cautions against reforms that have been stalling since early 2000s.*

*Beardson believes this could lead to China stumbling which is not good news for the entire world. In conversation with consultant **Kamini Banga** in [London](#), the author talks about why he is worried about the China growth story coming to a halt in the face of demographic and other challenges. Edited excerpts:*

## ON CHALLENGES FACING CHINA:

The most significant is the demographic challenge and it has four facets: higher wages, ageing, a declining population and gender imbalance. The labour force is now beginning to reduce whereas earlier it had been growing very fast. As a result wages stayed unchanged, making China one of the most competitive economies in the world.

This challenge calls for making a move from being a low-cost manufacturer with abundant, cheaply priced, workers to becoming an innovation-driven economy which produces products branded in China, instead of being manufacturers for foreign companies. China has worked on it but without much success in the last ten years. Today, 83% of all high-tech products made in China are made for foreign companies.

China is ageing because of the progress in modern medicine and declining birth rates. Traditionally, Chinese families would look after their elderly at home, but now with only one child, two parents and possibly four grandparents alive, we are looking at a dependency ratio which is difficult to sustain. There is no easy solution; we have to see whether, over time, there could be more births in China. But fertility rates in societies tend to move in very long term waves, not being susceptible to quick fixes by political policy change.

China's population will peak at 1.5 billion in 20 years and then stop growing. By the end of this century, it will be below a billion with India overtaking it by 2027 and becoming the largest country in the world. At the moment, there are four Chinese for every American. By the end of this century, this will be anywhere between 1.9 and 1.25. No society in history has had a declining population with sustained high economic growth rates.

There isn't a quick fix for the absolute fall in population. We could adopt policies such as bonuses to couples who have more children or engineer lower property values in order to make it easier for people to have more space to accommodate more children or discourage females in the work force. But is that desirable from other social perspectives? These are all relatively minor palliatives on big inter-generational demographic trends which tend to take place way beyond the abilities of governments.

Lastly, China has a significant gender imbalance in favour of boys with a ratio of 6:5. That means 1 boy in 6 will not have a wife. Women are likely to marry husbands who are rich, better educated and good looking. So it won't be 1 in 6, but maybe 1 in 2 or 1 in 3, among the poor, the uneducated and the ugly and these people are likely to be crowding into the cities and be a force for instability, possibly for crime. This is going to be a really serious social problem for China over the next two decades.

There are possible solutions. [Korea](#) has done things about inheritance for girls versus boys, encouraging treasuring of baby girls as opposed to male babies. Also, there is a sense in urban [China](#) now that a daughter may look after her parents better than a son in their old age. So there are changes afoot, and I think we could see these ratios come down.

China has grown rapidly over the last 30 years, but this has resulted in a deteriorating environment. The lives of people have got worse at a time when their incomes have got better. It has been almost a policy of growth for its own sake and perhaps in the first 10 or 20 years it was important to do that. But after a certain point, the focus should have been on sustainable growth rather than just growth at all costs. China now has the worst environment of any modern economy and 16 of the 20 most polluted cities in the world are in China.

### **ON WHETHER CORRUPTION HOLDING CHINA BACK:**

There is a lot of corruption in China, but Russia, Pakistan, India, [Vietnam](#), Nigeria, are all rated even worse. So it is a global problem. All 12 countries that have emerged as the fastest growing nations have the poorest scores on corruption. So having severe corruption hasn't meant that you cannot improve the lives of the people in your country.

## **SOME MYTHS ABOUT CHINA:**

> Large numbers given out on the world learning Chinese language seem highly inflated. It is the Chinese who must learn English to become a significant player on the world stage.

> While official statistics are not available any more, figures from reputed institutes and universities show an alarming rise in protests and riots. Twelve years ago there were 60,000 mass riots a year - the official figure - now academics say it has tripled. Most are by the working classes and are often quite violent. Interestingly, working class protests are generally not against the system or against the party. Non-violent middle class protests may actually be more threatening to the status quo than violent working class protests.

> The Chinese people are unique in their unanimous satisfaction with the way the government is running the country. Research rankings show that the Chinese are the most satisfied people (compared to the rest of the world) with their government.

## **ON [CHINA](#) AND INDIA:**

India looked promising but not anymore and there are two big opportunities which sound counter-intuitive; infrastructure and the caste system. If we could increase substantially the FDI flows of capital into India, if somebody built lots of ports and roads and railways, there would be a country where all sorts of things could become possible.

The other thing that I think is one of India's opportunities is the caste system. You have large segments of the population that are not participating in the economy. They need to be brought into the economy - and this is beginning to happen. This is just a part of the country that is not being deployed to maximum economic opportunity.

Their benchmarks are different too; India likes to compare itself with China; China compares itself with [America](#). They are both looking in different directions. It is not a zero sum game - It's possible for both China and India to fail. It is also possible for both India and China to succeed.

## **ON CHINA BECOMING A SUPERPOWER:**

I don't see it happening in this century and I'm not really looking at the next century, because it's rather a long way away. They really have to do everything right in the next 20 years. Unfortunately, I see no signs of that happening.