

# Why Beijing's Balloon Is Going Bust

China's rise is reversing. Its share of global GDP is falling for the first time since the Mao era. Further, its shrinking share of the world's workers also means a smaller share of growth

Ruchir Sharma



In a historic turn, China's rise as an economic superpower is reversing. The biggest global story of the last half century may be over.

After stagnating under the insular dictatorship of Mao Zedong in the 1960s and 70s, China opened to the world in the 1980s – and took off in subsequent decades. Its share of the global economy rose nearly tenfold from below 2% in 1990 to 18.4% in 2021. No nation had ever risen so far, so fast.

Then the reversal began. In 2022, China's share of the world economy shrank a bit. This year it will shrink more significantly, to 17%. That two-year drop of 1.4 percentage point is by far the largest since the 1960s, and the first of any significance since the late 1980s.

These numbers are in "nominal" dollar terms – unadjusted for inflation – the measure that most accurately captures a nation's relative economic strength. Though China aims to reclaim the imperial status it held from the 16th to early 19th centuries, when its share of world economic output peaked at one-third, that goal may now be slipping out of reach.

China's rise reordered the world economy, and its reversal could too. Since the 1990s, the country's share of global GDP has grown mainly at the expense of Europe and Japan, which have seen their positions hold more or less steady over the last two years. The gap left by China's recent retreat has been filled mainly by the US and by other emerging nations.

To put this shift in perspective, the world economy is expected to grow by \$8 trillion in 2022 and 2023 to \$105 trillion. China will account for none of that gain, the US will account for 45%, and other emerging nations for 50%. Half the gain for emerging nations will come from just five of these countries: India, Indonesia, Mexico, Brazil and Poland. That is a



striking sign of possible power shifts to come.

Moreover, China's slipping share of world GDP in nominal terms is not based on independent or foreign sources, challenging the party line. The nominal figures are published as part of the official GDP data. So, by Beijing's own account, China's rise is reversing.

One reason this has gone largely unnoticed is that most analysts focus on real GDP growth, which is inflation-adjusted. And by adjusting creatively for inflation, Beijing has long managed to report that real growth is steadily hitting its official target, now around 5%. This in turn appears to confirm, every quarter, the official story that "the East is rising". But China's real long-term potential growth rate – the sum of new workers entering the labour force and output per worker – is now more like 2.5%.

The ongoing baby bust in China has already lowered its share of the world

meddlesome, and its debts are historically high for a developing country. These forces are slowing growth in productivity, measured as output per worker. This combination – fewer workers, and anaemic growth in output per worker – will make it difficult in the extreme for China's economy to start gaining share again in the global economy.

In nominal dollar terms, China's GDP is on track to decline in 2023, for the first time since a large devaluation of the renminbi in 1994. Given the constraints on real GDP growth, in the coming years Beijing can only regain global share with a significant increase in inflation or in the value of the renminbi, or both. But neither is likely. China is one of the very few economies currently suffering from deflation, and it also faces a debt-fuelled property bust, which typically leads to a devaluation of the local currency.

Investors are now pulling money out of China at a record pace, which will add to downward pressures on the renminbi. Foreigners cut direct investment in Chinese factories and other projects by \$12 billion in the third quarter this year – the first such drop since records began. Locals, who often flee a troubled market before foreigners do, are leaving too. Chinese investors are making outward investments at an unusually rapid pace, and prowling the world for real estate deals.

China's President Xi Jinping has in the past expressed supreme confidence that history is shifting in his country's favour, and nothing can stop its rise. His meetings with Joe Biden and US chief executives at last week's APEC summit in San Francisco did suggest to many observers a turn toward moderation, or at least a recognition that China still needs foreign business partners. But almost no matter what Xi does, his nation's share in the global economy is likely to decline for the foreseeable future. It's a post-China world now.

*The writer is an author and global investor*

**Investors are pulling money out of China at record pace, which will add to pressures on the renminbi. Foreigners cut direct investment in Chinese factories and projects by \$12 billion this year's third quarter – the first such drop since records began. Locals, who flee troubled markets before foreigners, are leaving too**

working age population from a peak of 24% to 19%, and it is expected to fall to just 10% over the next 35 years. Nothing is inevitable, but with a shrinking share of the world's workers, a smaller share of growth is almost certain.

Further, over the past decade, China's government has grown more

100 1 Policy Change In Casa



# After 2 mths, India resumes e-visas for Canadians

TIMES NEWS NETWORK

**New Delhi:** India resumed on Wednesday e-visa services for Canadians that it had stopped in September after the diplomatic spat over Ottawa's claims of Indian involvement in the killing of

REUTERS



The diplomatic spat was over Ottawa's claims of Indian involvement in the killing of Khalistan separatist Hardeep Singh Nijjar

Khalistan separatist Hardeep Singh Nijjar. E-visas are meant for tourism, business, conference and medical purposes. The government had last month also resumed in-person services for some visa categories, following assurances from Canadian authorities of enhanced security for Indian diplomats.

The standoff, which was triggered by Canadian PM Justin Trudeau's allegation in Parliament that India may have had a role in Nijjar's killing, saw India expelling 41 Canadian diplomats after

## Probing attack on SF consulate, NIA conducts raids in Punjab, Haryana

The National Investigation Agency (NIA) on Wednesday carried out raids at 14 locations in Punjab and Haryana in the case relating to the attacks on the Indian consulate in San Francisco, US, by suspected pro-Khalistan elements.

An NIA statement said the raids were aimed at unravelling the full conspiracy behind the vandalism, criminal trespass, damage to public property, attempt to harm consulate officials, and attempts to set the consulate building on fire through acts of arson, on March 19 and July 2 this year.

The locations raided by NIA on Wednesday are spread across the districts of Moga, Jalandhar, Ludhiana, Gurdaspur, Mohali and Patiala in Punjab, and Kurukshetra and Yamunanagar in Haryana. The crackdown led to the seizure of digital data containing information related to the accused persons, along with other incriminating documents.

An NIA team had in August this year visited San Francisco as part of its investigation into the attacks. NIA has also tried to crowd-source information so as to identify and collect information about the US-based entities and individuals that were involved in the violent incidents at the San Francisco consulate. TNN

it accused them of being involved in anti-India activities. India's move to ensure parity in diplomatic presence was seen as a violation of the Vienna Convention on Diplomatic Relations by Canada and its Five Eyes allies, including the US.

Canada had responded by shutting its in-person consular services in Chandigarh, Mumbai and Bengaluru, leading to concerns among Indian citizens about possible delays in processing of Canadian visas. The move by India is seen as a step towards de-escalation as both sides

work to find a way out of the crisis. Foreign minister S Jaishankar, however, reminded Canada again on Tuesday this week that the main issue between the two countries was the space provided by Canada to Khalistan radicalism and extremism.

The decision to resume e-visa was taken on a day Trudeau came face to face for the first time with his counterpart Narendra Modi after the diplomatic standoff began at the virtual G20 summit. Trudeau was spotted listening to Modi's opening remarks in the summit.



# Pak applies to join Brics in 2024, counts on China, Russia

**New Delhi:** Pakistan has formally applied to join the Brics group of nations in 2024 and is counting on Russia's assistance during the membership process, Russia's TASS agency reported on Wednesday.

With China already in favour of Pakistan joining the group, Islamabad is hoping Russia's support will allow its entry into Brics, which is looking to expand and admitted six new countries this year.

Pakistan's newly appointed ambassador to Russia Muhammad Khalid Jamali confirmed Pakistan has filed its Brics membership bid, and that it plans to join the group under Russia's presidency, in 2024.

In the past, Pakistan has accused India of being the only country to block its participation in Brics meetings. There was no reaction yet from India to Pakistan's application. India has worked with Pakistan in another multilateral forum, SCO, that is dominated by China and Russia.

Russian deputy foreign minister Sergey Ryabkov said in early October that Brics plans to agree on a list of candidates for partner-state status ahead of the upcoming summit in Kazan in 2024. During the Russian Brics chairmanship, special attention will be paid to expanding the "circle of Brics friends." TNN



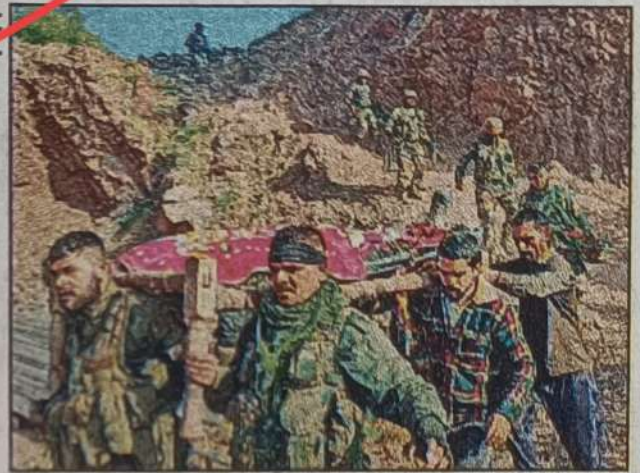
# 2 Captains among 4 soldiers killed in Rajouri shootout

## A Major, Another Jawan Injured; 1 Terrorist Shot

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**Jammu:** Two Captains and at least two soldiers were killed while a Major and a jawan were wounded in an ongoing anti-terrorism operation by combined forces of the Army, paramilitary and J&K police in Rajouri district of Jammu division on Wednesday, official sources said. They revealed that a terrorist was shot dead and his associates have been surrounded, with security forces maintaining a strict cordon to plug all escape routes.

The troops were fired upon by terrorists during a search in the thickly forested Kalakote area, resulting in casualties. The Army's



Armed men and locals carry the body of an Army officer in Rajouri

White Knight Corps spokesperson acknowledged the deaths, saying they were killed while “trying to prevent collateral damage to women and children”. At the time of filing this report, official sources confirmed the death of two Captains — one from 63 Rashtriya Rifles and another from 9 Para (Special Forces) — as well as a Havildar from 9 Para (SF). The sources reported another soldier's death, but couldn't provide details.

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# PM welcomes Israel-Hamas deal, G20 7-point agreement

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**New Delhi:** With Israel and Hamas reaching a deal for the release of some hostages and prisoners as well as a four-day pause in fighting, PM Modi on Wednesday expressed hope that all hostages would be released soon and reiterated his condemnation of terrorism and civilian deaths.

Addressing the virtual G20 summit, Modi underscored the significance of "timely and uninterrupted" humanitarian aid in Gaza, while calling for efforts to ensure that the fighting didn't turn into a wider regional conflict.

Modi said there was agreement within G20 on many issues. These included zero tolerance for terrorism and death of civilians. There was agreement on five other issues — early, effective and safe distribution of humanitari-

“We hope all hostages will be released soon... Necessary to ensure Israel-Hamas war doesn't escalate into a regional conflict

We want AI to reach people, (but) it must be safe for society. We've to work on global regulations for AI —PM Modi



► **Pak applies for Brics seat, banks on China, Russia, P 9**

an aid; welcoming humanitarian pause and release of hostages; resolving the Israel-Hamas conflict through a two-state solution; need for regional peace and stability and reducing political tensions through dialogue and diplomacy. "G20 is ready to help in this effort in whatever way possible," Modi said.

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## 4-day Gaza truce from today after 7-week war

**Gaza/Jerusalem:** Israel and Hamas agreed Wednesday to a ceasefire in Gaza for at least four days beginning Thursday, to let aid into the war-ravaged strip and enable the outfit to free at least 50 hostages in the Palestinian enclave

► **How secret talks led to Gaza deal, PAGE OPP**

in exchange for at least 150 jailed Palestinians. Israel's justice ministry published a list of 300 names of Palestinian prisoners who could be released.

The "humanitarian pause" in the seven-week war, reached after mediation by Qatar, was hailed globally as a first step towards peace in the most violent phase — 15,200 people have been killed since Oct 7 — of the 75-year conflict. REUTERS

### TERMS OF PAUSE

► Over 4 days, Hamas will free 50 women & children out of 240 hostages. Truce to be extended by 1 day for every additional 10 hostages freed, says Israel. Another 50 detainees may be freed later this month

► Israel publishes a list of 300 out of 7.2k Palestinian prisoners, mainly women & kids, to be freed in exchange

► Starting today, no fighting, no expansion, Israel to halt air sorties, trucks with medicines & fuel supplies can enter Gaza

“We'll continue war till we... destroy Hamas — Benjamin Netanyahu, Israel PM

Our fingers remain on trigger to defeat occupation — Hamas

# CAG of India elected as Vice-Chair of UN Panel of External Auditors

NEW YORK, Nov 22 (ANI)

COMPTROLLER and Auditor General of India, Girish Chandra Murmu, was elected as the Vice-Chair of the UN Panel of Auditors for the forthcoming year.

This recognition underscores India's commitment to the highest standards of external audit and its active participation in shaping the global audit landscape.

On the sidelines of the panel meeting, the CAG of India also held a bilateral meeting with Pierre Moscovici, First President of Cour des Comptes (Supreme Audit Institution of



Girish Chandra Murmu

France), to discuss the strengthening of bilateral relations between the two SAIs.

Girish Chandra Murmu, Comptroller and Auditor General of India, participated in the sixty-third session of the Panel of External Auditors, held

at the United Nations Headquarters in New York from November 20-21, 2023.

The Panel of External Auditors, comprised of heads of 12 Supreme Audit Institutions (SAIs) globally, oversees the external audits of the UN Secretariat, Funds and Programmes, and Specialised Agencies.

This independent body, including representatives from Canada, Chile, China, France, Germany, India, Indonesia, Italy, the Philippines, Russia, Switzerland, and the United Kingdom, conducts financial, performance and compliance audits of UN entities.



# Spy satellite placed in orbit, affirms N Korea

SEOUL, Nov 22 (AP)

NORTH Korea said it placed a spy satellite into orbit with its third launch attempt this year, demonstrating the nation's determination to build a space-based surveillance system during protracted tensions with the United States.

The North's claim on Wednesday could not immediately independently be confirmed. Observers doubt whether the satellite is advanced enough to perform military reconnaissance. But the launch still invited strong condemnation from the United States and its partners because the UN bans North Korea from conducting satellite launches, calling them covers for tests of



The North Korean Government shows what the country said is the launch of the Malligyong-1, a military spy satellite, into orbit on Tuesday. (AP/PTI)

missile technology.

**JAPAN LODGES PROTEST:** Meanwhile, Japan issued a missile warning for residents in Okinawa and lifted it after sometime. The office of Japanese Prime Minister Fumio Kishida said a ballistic missile had passed over the Japanese prefecture of Okinawa into the Pacific Ocean. Japan, which had urged Pyongyang not to conduct a launch using ballistic missile technology, said it had not confirmed whether the payload had entered space. The Japanese Government said the projectile split into multiple parts, one of which flew over the southern prefecture of Okinawa. Japan lodged a protest via its embassy in Beijing over the launch.

## Pact partially suspended

SEOUL, Nov 22 (AP)

SOUTH Korea will partially suspend an inter-Korean agreement on Wednesday to restart frontline aerial surveillance of North Korea, after the North said it launched a military spy satellite in violation of United Nations bans.

The South Korean announcement - which will likely infuriate North Korea - came hours after the North claimed to have placed a military reconnaissance satellite into orbit.

# DAS

## Tougher unsecured loan norms a pre-emptive move

MUMBAI, Nov 22 (PTI)

RESERVE Bank of India Governor Shaktikanta Das on Wednesday said, the central bank's tougher stance on unsecured loans earlier this month is a "pre-emptive" move in the interest of sustainability.

Underlining that the banking system continues to be resilient and there is no immediate cause of worry for the system, Das advised lenders to be more cautious and spot any trend of risk building early.

"We have recently announced a few macro prudential measures in the overall interest of sustainability. These measures are pre-emptive in nature, they are calibrated and targeted," Das said, addressing the annual FIBAC event here. The Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks' Association (IBA) are jointly organising the FIBAC event.

It can be noted that after asking lenders to be cautious, the Reserve Bank had increased



Reserve Bank of India  
Governor Shaktikanta Das

riskweights on unsecured lending for both banks and non-banks earlier this month.

More capital will have to be devoted for every such riskier loan being done by a lender which will result in higher buffers in case of any stress, and the move will also make personal loans and credit card borrowings dearer for an individual. Das said the RBI has left out loans taken for vehicle and home buying, and also lending to small businesses because of the benefit to growth that such segments portend, and also added that the central bank does not see a possibility of stress building up in such seg-

ments. He asked lenders to strengthen their risk management practices and build additional buffers to face any situation if the business cycle turns adverse, and added that RBI has significantly strengthened its regulation and supervision.

"While banks and NBFCs are showing good performance now, sustaining it requires concerted efforts. In good times like these, banks and NBFCs need to reflect and introspect as to where potential risks could possibly originate," he said.

Das said lending entities will continue doing stress tests and in a departure from the past, also advised entities in the "real sector" to undertake similar efforts.

On the RBI's part, the central bank is undertaking efforts like on-site and off-site inspections, stress testing, vulnerability assessments, thematic studies and data-dump analysis, Das said, adding that these efforts are being undertaken as part of its efforts to be proactive and forward looking in supervisory approach.