"Magnus elegantly weaves together his unrivalled knowledge of the global financial crisis with a deep understanding of the long-term trends in international development and demography. *Uprising* lays bare the Asian dragon's many frailties."

—**Niall Ferguson**, **bestselling author of *The Ascent of Money***

WILL EMERGING MARKETS SHAPE OR SHAKE THE WORLD ECONOMY?

UPRISING

GEORGE MAGNUS

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Will Emerging Markets Shape or Shake the World Economy?

George Magnus

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To My Mother

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Acknowledgments

The financial crisis that began in 2007 has been shocking in every sense of the word, and the consequences will be felt for many years to come. The enormity of this phenomenon dawned on me in March 2007, and I have explored and examined its dynamics at length for UBS clients and in the media ever since. The book about it I intended to write, however, barely got off the ground when I was persuaded to think about a different kind of crisis book, one that looked at the implications of the crisis for emerging markets.

For this, I have to thank Ellen Hallsworth, Commissioning Editor with John Wiley & Sons in the UK, who planted the idea and then offered me a continuous and regular menu of suggestions and corrections that were invaluable in helping me to develop the structure and the narrative.

My purpose is to re-examine the claims made and prospects for major emerging markets in the wake of the crisis. There is, inevitably, a substantial focus on China. But because the global economic system we have grown up with these last 25 years is in flux, we have to put to one side the linear, spreadsheet-type projections which still abound, and consider the strengths and weaknesses of emerging markets anew, seen through a global, as well as a local, lens. I have had the fortune to be able to look to and consult with several people whose expertise and knowledge have filled many gaps.

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They all made up different parts of an informal team, but as authors are apt to insist invariably and correctly, that team is never complete without spouses and partners. In my case, then, Lesley, my wife, had to put up with my disappearances for extended periods chained to the laptop in my office at home, my impromptu outbursts on often esoteric economic issues at moments that could have been better-timed, and with my sometimes single-minded focus on the book that caused me to hear, but not listen to what was being planned at home. But she also read my drafts, asked me poignant questions, and was, as ever, my rock, love and close companion.

Introduction

> Not everything that counts can be counted, and not everything that can be counted, counts.
>
> (attributed to Albert Einstein)

Tens of thousands of people poured spontaneously into Tiananmen Square on a July night in 2001 to celebrate the decision by the International Olympic Committee to award China the Olympic games in 2008. Former Chinese premier Li Peng watched with pride as workers and students danced the conga and sang patriotic songs. Ironically, those same songs had filled the square eleven years earlier when the same Li Peng declared martial law and sent the tanks in to crush the pro-democracy protests. This was 2001, however, and although China had already been making enormous economic progress for a decade or so, it was in the process of moving into top gear.

In 2008, then, the Olympic games provided the backdrop for the much-heralded demonstration of China's modern image and self-confidence, which took place with great fanfare and to wide acclaim. The games symbolised China's economic success, coincided with the fifth consecutive year of double-digit economic growth and were the perfect hors d'oeuvre for the 60th anniversary of the founding of the Peoples' Republic in 2009.

Unfortunately, the games were sandwiched between two earthquakes, both of which served as a reminder that awesome economic achievement and serious political shortcomings were on two sides of the same coin. A geological earthquake that killed about 70,000 people struck in May in the province of Sichuan in central China. In the aftermath, there were allegations about the lax enforcement of building codes and political corruption. The decision to build a reservoir behind a major dam, which burst just a mile from the earthquake's fault line, exemplified a system in which government takes place without challenge or openness to debate and dissent. These issues are hardly unique to China, but they form part of the mosaic of political and institutional weaknesses that I will argue compromise the country's capacity to achieve sustained, linear and rapid economic growth as widely anticipated.

In October, a financial earthquake struck, following the collapse of the US investment bank, Lehman Brothers. This brought the world economy to the brink of an economic Armageddon, unrivalled since the Great Depression of the 1930s. Although this was first and foremost a Western crisis, it had a significant impact on China and, indeed, on all emerging markets. The idea that emerging markets would 'decouple', or remain aloof from the economic contraction in richer economies, proved wide of the mark.

In China, the authorities misread the signals in the form of the rising number of bankruptcies of small and medium-size enterprises, a fall in exports for the first time in seven years, and sharp declines in the output of electricity, automobiles and steel.

Yet China's subsequent response was impressive. In November, it announced an economic stimulus programme of 4 trillion yuan

($590 billion), equivalent to 13% of GDP. With a strong emphasis on infrastructure and property projects, it was intended to turn around the slowdown in economic growth, which slipped below 5% in the year to the final quarter of 2008. It also encouraged state banks to make loans on a scale that had barely been rivalled before. China set an example to many other emerging economies and, by the spring of 2009, most emerging countries in Asia and Latin America had started to respond in a strong, positive way. A potential economic crisis had been averted successfully, but perhaps only by a whisker.

These two stories illustrate a dichotomy to which I will return throughout the book. On the one hand, China and other nations with strong central authorities are indeed capable of vigorous economic success, and very effective in the implementation of quick and large-scale policy responses when necessary. On the other hand, strong central authorities that operate without accountability and strong political and social institutions lack transparency and a capacity to change and adapt responsively. One of the major themes in the book is that the West's financial crisis sparked a major change in the structure of the world economy, and that China's capacity to also embark on structural change voluntarily is weak, unless it is specifically geared to the long-run interests of the Communist Party's grip on power, as was the case, for example, in the 1980s. The consequences for China, and indeed for countries in the West and for international relations, could be far reaching. It is appropriate, therefore, to think about the financial and economic crisis, not as bad luck or just an accentuated business cycle, but as a take-off point for outcomes that are more judgement than prediction.

Like most financial crises, this one was preceded by the excessive accumulation of debt, and of the leveraging of banks' balance sheets. Like many crises, this one involved housing-related loans and securities, predicated on the assumption that house prices could only rise. Unlike other financial crises since the end of the Second World War, however, this one was global in scope, and had the United States at its epicentre.

Fixing the banking system and arriving at the point where the overhang of debt has been destroyed or restructured is likely to take several years. Further, since governments have assumed substantial obligations to and liabilities of the private sector, the debt problem has also embraced the public sector. This too poses large risks to the economic stability of the US, Japan, the Euro Area and the UK, and will entail years of painful budgetary adjustment.

The severity and significance of the crisis and its legacy effects for Western economies is an essential part of the background to this book, but not its principal focus. Rather, this is to examine whether the crisis has acted as a lightning rod to accelerate the rise to economic and political dominance of Brazil, Russia, India and China (known as the BRICs[1]) and other emerging nations and, implicitly, the decline of the West. The BRICs are the nucleus of a resurgent expansion in the economic position of developing countries, whose share of world GDP has risen from about 15% in 1990 to 35% today, and is expected to continue rising in the next decade.

The BRICs comprise the apex of a developing country triangle, so to speak. This is not so much because they are the wealthiest, but because they are the most populous, with strategic significance and regional power status, and, in China's case, a potential global power.

It is partly for this reason that the emerging markets focus of this book is quite heavily on China. It is also because China is really the only emerging country to have increased its weight significantly in the world economy over the last 20 years. Brazil and India are dynamic economies but they don't account for a significantly higher share of world GDP than in the past, even though India's size will certainly increase its weight in the future. And Russia is a more sophisticated economy in many respects, but is essentially an oil and resource power with global geopolitical, but not economic, significance.

Below the apex, you find countries such as Singapore, Hong Kong, Taiwan and South Korea, also known as Newly Industrialising Economies because of their relatively advanced economic status and high standards of living. Many economists and investors already pigeonhole these four regions as developed, rather than emerging or developing. In the book, I shall use the term 'emerging' to refer to those countries that show the largest economic potential and that are of interest to investors today, while 'developing' countries comprise the rest or is used as a generic term.

In the still narrow part of the emerging triangle, then, you will next see countries such as Mexico, Argentina, Poland, Turkey, Indonesia, Thailand, Malaysia and Vietnam. After that, in the broadest part of the triangle, you will see oil-producing countries, such as Saudi Arabia, Iran, Mexico and other members of the Organisation of Petroleum Exporting Countries (OPEC). Some of these countries are quite rich when you look at income per head, but they are mostly one-trick ponies – that is, they are essentially energy economies. You will also see other emerging countries, such as Chile, Colombia, South Africa, Egypt, and many of the countries in Eastern Europe and central Asia. Across the base of the triangle, you will find the remainder of the developing world, comprising poorer and or smaller nations and most of the countries in Sub-Sahara Africa.

The growth in emerging and developing countries' share of world GDP in the last 20 years has been significant for inhabitants who have either experienced a rise in their standard of living or been lifted out of relative poverty, but the importance goes further. For investors, financial entities and multinational companies, it has meant new opportunities to cash in on new trends in economic development, as those in the West start to look tired or become shrouded by rapidly ageing societies. At the top of the food chain, though, economic power is the basis for political power. This is about rising prosperity, but only when mixed with a large population, and other factors that contribute to the use of leverage in the pursuit of influence and political power. The debate about the BRICs and emerging markets nowadays celebrates these developments as exciting, which they are, but also as inevitable and unstoppable. I want to give the reader pause for thought about this latter assertion, if not the basis to disagree.

This is not to dispute history. Developing country exports already amount to about $6000 billion, or nearly two-fifths of the global total, and the rise of emerging market companies has been meteoric. In 1990, there were barely two dozen companies headquartered in emerging nations with individual sales over $1 billion per year. Based on 2008 revenues, there are now about 560, and 111 of them had sales over $10 billion. Three companies – Petrochina, China Petroleum and Gazprom – had sales in excess of $100 billion. If you could get out your ruler and draw the future in straight lines, the size and importance of emerging market companies would increase, they would figure in the largest companies beyond the energy focus of the three just mentioned, and there would be plenty of examples of what we could call reverse foreign direct investment, such as the Indian steel company Tata's purchase of UK producer Corus in 2007.

There is a strong conviction that we are all bystanders in an inevitable and world-changing shift in the structure of global power. The long-awaited decline of the West now seems to many people to be in full swing. When President Barack Obama visited his opposite number, Hu Jintao, in Beijing in November 2009, many observers were struck by the symbolism of the leader of a battered and highly indebted US going to meet the leader of America's main geopolitical rival, and its most important creditor.

Books abound proclaiming the rise to dominance of China, Asia or emerging markets in general. Some titles speak for themselves, for example, *When China Rules The World*, *China's Megatrends*, *The Next Asia*, *China Shakes The World*, and *The Emerging Markets Century*. The ideas behind these titles are not new, for historians and philosophers have wondered for a long time whether the world might one day change course, with the West in persistent decline, and China – and maybe India – reverting to the position of global dominance that they once held for a couple of millennia. The debate today is really about whether the financial and economic crisis is acting as a catalyst to speed up this process. What I call here 'Uprising', though, is more a questioning of the idea that the last two centuries of Euro- and US-centric history have simply been a historical aberration.

There is little question about a shift in economic power, which has broad significance. It is driving a realignment of political and national interests that is reshaping the world. Before the crisis, the tensions between advanced and developing nations played second fiddle to the rising tide of global prosperity. It was assumed that, one way or another, global democracies would stick together somewhere under an American umbrella, while others would stand firm behind China. The crisis seems to have changed this perception because it has been seen as a failure of the type of capitalism and globalisation championed by the US over the last 25 years. Political leaders in emerging markets have had important reservations in the past about the so-called Washington Consensus, which captured an approach to economic policy and structure, emphasising the primacy of markets, the minimisation of the role of the state in the economy, and the intrusion of US-dominated international financial institutions into the sovereignty of nation states. Now, the world seems to be splitting more between 'rich versus poor' on matters such as trade, finance and climate change, as opposed to along lines of political structure. Emerging market democracies, such as India, Brazil, Turkey and South Africa, identify increasingly as developing nations rather than as democracies. Many look to the Chinese model, not the tarnished US version, even if they retain respect for some of what the US stands for and also have reservations about China's policies and its posturing about emerging market solidarity. There is no BRIC or emerging market bloc, as such, and many emerging markets have competing national and geopolitical interests among themselves. Among the BRICs, for example, China and India are rival continental powers, and Brazil and India don't always see eye to eye with China over exchange rate and several trade issues. Emerging markets may find themselves confronting the US and the West, therefore, on a variety of topics with great ambivalence, but more chaotically than coherently.

Developing countries did dig their heels in over negotiations with the West before 2009, over trade liberalisation in the context of the Doha Round of talks. These negotiations started in 2001, and were still nowhere near an amicable conclusion in 2010. As the financial crisis rumbled through the global economy, the BRICs, especially China, were already engaged in the scramble for access to energy and other natural resources in the Middle East, Africa and Latin America. In response to the crisis, they coordinated policy responses, placing the blame firmly on the US. They have become more vocal in the debate about how to reform and restructure global financial institutions and regulation, and the role of the US dollar in global finance. They formed a united front at the Copenhagen climate summit in December 2009, and refused to accept the proposal that greenhouse gas emissions of poorer nations be capped at lower levels than those of the US and Europe. There is little question that the developing nations are now in a position to supplement their public reservations about US and global capitalism with action or, at least, a refusal to go along with a Western agenda.

Yet the debate about the decline of the West and the rise of China and other emerging markets has assumed feverish proportions. Such fever tends to blur sensibility and leads to muddled, and possibly dangerous, thinking. The West has had a *fin de siècle* moment, in which the economic growth drivers of the last 30 years have broken down, or at least been compromised. Its reputation has suffered too, for its claim to economic and financial leadership now looks tenuous at best. We should not underestimate the structural change or time that will be needed to reboot our crisis-affected economies, if indeed that is possible.

At the same time, however, it would be dangerous to imagine that China and other emerging economies can carry on as before the crisis, in the mistaken belief that nothing has changed, and that the crisis had nothing to do with them. There is little doubt that their economic outlook for decades is potentially robust, and many companies relish the prospect of tapping the world's next billion consumers. Emerging markets might well be the economic powerhouse of the next decades of the 21st century, but this is by no means inevitable.

Far too often, the trajectory of emerging markets is portrayed by protagonists in a naïve, linear fashion that doesn't accord to historical outcomes. Instead, the future is really about political economy, not economic forecasting or the models that drive confident assertions that the future has already arrived. History, politics and institutions all matter deeply to the future of emerging markets even though, in Einstein's parlance, they cannot be counted.

Politics are pivotal in this debate. Domestic political issues and debates arising from the consequences of the financial crisis and the need for reform are liable to increase in importance as China grows and modernises rapidly. These go to the heart of the nature of the Confucian state.

Confucianism was adopted as the state philosophy over 2000 years ago, giving a moral authority to a legal and administrative structure based on a regimented citizenry, standardisation of rules and regulations, and a strong central authority. Central to Confucianism is that government should be in the hands of moral people, that the purpose of government is the welfare of the people, and that since morality can be taught, only people educated in morality should rule over others. These ideas permeate the Communist Party and its factions, although not always uniformly. Nevertheless, when China talks about 'harmonious development' in the economy and society, the harmony refers to shared beliefs imposed from above, and represents a kind of religious orthodoxy that may have shed most of its Marxism but that typifies China's history. One of the negative effects, though, is the suppression of independent legal and judicial institutions, and creative ideas that challenge the government. This is a motif to which we shall return, but there are economic consequences. Consider, for example, that the state can build the world's fastest and most efficient railway network, and as many airports as there are towns and cities, but if it doesn't tolerate dissent over environmental, cost and building issues, the long-term economic practicality of such projects could be limited.

Rapid economic development is also being accompanied by a sharper focus on social and political unrest. China's human rights record, which has been a constant sore in relations vis-à-vis the West, was underscored by the imprisonment in December 2008 of Liu Xiaobo, a human rights activist, who received an 11-year sentence for 'subversion'. This was only one example of an escalating official campaign against activists and human rights groups, whose protests against the government have become increasingly troublesome – over, for example, corruption, land evictions in the name of commercial and infrastructure development, the environment, and unemployment. In 2010, strikes and suicides brought industrial unrest and massive pay hikes to numerous factories in southern China, where the country's manufacturing hub is located.

These were not isolated incidents. The government has acted for years to suppress protests over taxes, land rights and wages, and to stifle activists pursuing reform of human rights, land rights, and struggling for environmental protection and against corruption. Although there are no official data, there may have been about 90,000 incidents of social unrest (many involving deaths) in each year between 2006–2009, ranging from individual protest to spontaneous and unorganised outbursts of public rage[2]. The latter, now known as 'social venting incidents' differ from others in that participants don't have material issues to present to the government, but are venting resentment and anger at government powers and the better off in society. Freedom of expression and the right to dissent are not part of the Communist Party's version of modern China. This could now start to have much larger implications than simply the suppression of domestic protest.

There are also important international policy issues that are likely to remain significant. Foremost among these is China's exchange rate regime, over which the US and China have locked horns for several years, but increasingly so since 2009. Other emerging countries, such as Brazil and India, may be less vocal, but they too complain that China's exchange rate policies are stealing their capacity to benefit from global demand. The exchange rate regime, though, is only the tip of the iceberg, beneath which lurk even more complex issues including how and how quickly China should reform in response to the crisis, and whether it should have any responsibility to do so.

The threat in January 2010 by Google, the Internet titan, to quit China because of alleged attacks by (government) hackers on its e-mail service and growing controls over the Internet in the country, reflect demands for a more prominent cybersecurity policy, in which 'netizens' might be prevented from colluding in any possible 'colour' revolution, such as the Orange Revolution in the Ukraine, and the Green Movement in Iran. But they may also have wider implications for companies doing business in China, for the kind of business they are willing to do, and for the technology that companies are willing to bring to China. The drive towards 'indigenous innovation', in which government procurement contracts and other regulations are being tweaked to favour potential national champions and local companies, could compromise China's access to foreign know-how and its contribution to national productivity growth.

The Google story, though, sitting alongside other developments involving human rights, freedom of expression, and control over information has a still larger significance in this, the information age. For as long as China was essentially a customer for global goods and services, its incorporation into the global economy was seen as a win-win for everyone involved. Western governments and think tanks were critical of China's authoritarian structure, but were willing to believe that economic integration and rising prosperity would bring forward further liberal political and economic reforms eventually.

China's status, however, has changed. Rather than being a customer, it is now a competitor, and a major creditor. China trades economic and financial favours with strategically important countries in the developing world for political leverage, but it does much bilaterally, not as part of a multilateral system. It is taking advantage of the Western financial and economic crisis to assert its greater weight in the world. The failed Copenhagen climate summit, for example, spawned bad feeling, with the West viewing China as an obstacle to global climate cooperation, not a partner. The human rights and similar issues to which the West previously objected but essentially tolerated, are now portrayed as instances of an authoritarian society that only wants to play in the global economy by its own rules.

We can see here the emergence of a familiar great power problem. This revolves around two processes that are essential for global stability and order. The new kid on the block has to be willing to integrate into the global economy without causing serious strains and to balance its domestic and external policy obligations. The established powers have to accommodate the new kid in the global power structure, by accepting the new order, and also compromising where necessary.

Arms control, nuclear non-proliferation, climate change, global ageing and health, adequate food and water supplies, and greater diffusion of technology rank among the world's greatest challenges over the next two to three decades. These tasks call for high and complex levels of international cooperation, and a willingness by all parties to surrender some sovereignty in their common interests. None of this will happen, however, if advanced and emerging nations, championed by the US and China, cannot figure out how to cooperate economically in the aftermath of the crisis. Economic nationalism and the erection of trade barriers and other obstacles to economic integration threaten not only further major economic turbulence, but also a much more fractious and hostile environment for international relations generally.

To avert such an outcome, it is important that the US and China, in particular, acknowledge why the financial crisis happened and what role they played in bringing it about, even if inadvertently. In the US, the Congress and other institutions are at least holding hearings on banking and regulatory matters, debating openly what went wrong and how to avoid such a crisis in the future. Some people have been embarrassed publicly and been forced to resign, some have gone to gaol. In China, by contrast, we hear nothing, and not even the slightest thought that Chinese economic and financial policies may have had some role to play in creating the crisis.

The crisis as a catalyst

The 2008–2009 crisis involved a near collapse of the world's financial system, precipitated a global recession, and led to the sharpest decline in world trade for almost 80 years. Global banks may have incurred around $2500 billion in losses, and Western governments were forced to intervene in unprecedented and spectacular ways to stabilise the banking system and keep their economies from collapse. According to the IMF, support of all types for the financial sector has amounted to about half the GDP of all advanced countries, and as much as 80% of GDP in the US and the UK[3]. These programmes include loans and guarantees that will eventually be repaid or run off, but the eventual cost of saving the financial system may be as high as 15–20% of gross domestic product (GDP) in the US and the UK, and between 5 and 15% of GDP in several other large advanced countries.

It is still unclear how the United States, Japan, the United Kingdom and other European countries will emerge from the crisis, or what their economies might look like in five to ten years, for there can be no going back to the economic and financial conditions of the boom that lasted from the early 1980s to 2007. The United States and other Western nations have been holed below the waterline by the crisis. It will take years to repair the financial system and trust in financial institutions and products, and to build a new model for growth based on high employment, innovation, and low carbon intensity. In the process, they will have to confront the legacy effects of the crisis in the form of soaring public borrowing and indebtedness, and the enormous budgetary and other economic and social consequences of ageing societies.

Moreover, the crisis demonstrated the weaknesses and dangers in the Western, laissez-faire model of financial globalisation that had been developed in the prior two decades, and which many emerging markets had criticised as being relatively hostile to their interests. Good governance, according to Thomas Friedman, harnesses creativity, but in a variety of spheres, including finance, trade, energy, the environment and education, the US and the West have been found wanting[4]. Further, the crisis generated a change in thinking in the West about the relative merits of markets versus government in finance and economic development. It is hardly surprising that China's state-directed economic model has acquired many sympathisers, especially in developing nations.

Emerging markets also went into recession or experienced a surprisingly sharp economic slowdown. At first, there was concern that the anticipated 'decoupling' of emerging markets – that is, their capacity to remain aloof from what was occurring in the rich world – had failed. However, they bounced back relatively quickly and, in some cases, all the stronger, reaffirming the proposition that they had become sufficiently mature and independent, economically, to detach themselves from dependency on the West. In fact, most emerging markets bore few, if any, of the hallmarks of financial excess that had spread throughout the Western financial system, and entered the crisis in a far stronger financial position and with healthy government budgets. To a significant extent, this was because most Asian emerging markets, though not China or

India, had been through a period of intense financial crisis between 1997 and 2001, and had already had several years within which to repay or restructure debt and reorganise their economies and public finances.

As the financial crisis erupted, governments in emerging countries were able to rally to the global recovery cause, implementing large economic and financial stimulus programmes. The largest by far was in China. The second biggest was in Singapore (3 percent of GDP), but the significance of emerging market action was emphasised by the coordinated response. Indonesia, South Korea and India, and Argentina, Brazil, Mexico, Chile and Peru were among many nations that also contributed to the task of stabilising the global economy. This was no act of altruism, but a response to the global meltdown and a strong expression of national self-interest.

Moreover, while the fate of the global financial system was still hanging in the balance, the first heads of state meeting of the so-called Group of 20 countries (G20) was called in Washington DC on 15 November 2008[5]. It met again in London in April 2009, and confirmed or announced a series of coordinated economic and financial measures to combat the crisis, and to work towards economic stability. In May, Russia hosted the first official BRIC summit meeting.

At the Pittsburgh G20 leaders' meeting in September 2009, it was announced that the G20 would henceforth replace the narrower G8 group of countries (Canada, France, Germany, Italy, Japan, Russia, the UK and the US) as the main body for coordinating economic policy. The G20 countries have also agreed an increase in the quota shares for emerging countries in the International Monetary Fund and the World Bank (at least 5%, and at least 3%, respectively) from 2011. These quotas determine subscriptions into the institutions, access to finance from them and, importantly, voting rights. These rather esoteric details of global financial governance are important, since they reflect the increasing voice and influence of emerging countries in the world economy.

BRICs in the wall of the future

The idea of China, and perhaps India, dominating the world economy in the decades to come is nothing new. The economist Angus Maddison, for example, demonstrated often and at great length, how robustly China and India compared with European and other economies for over 2000 years before the start of the 19th century. As I shall explain in the next chapter, several economic historians argue that the world is now reverting to a structure that obtained long, long ago. While the Byzantine, Roman and Ottoman empires, for example, can all be said to have shaped the world, China and India dominated the world economy. Many are familiar with – and nowadays many travel – the Silk Road. This term, coined by the German scholar, Baron Ferdinand von Richthofen in 1859, centuries after it had faded into obscurity, described a complex network of trade and commercial trails that ran from China through central Asia, then forked north through Russia to the Black Sea, and south via India to the Arabian Sea, ending up in Turkey, North Africa and Europe.

Today, the old Silk Road is enjoying a renaissance. Caravan trails have been replaced by modern merchant fleets and jumbo jets. Trade in silk, spices, gold, pottery and grains has been replaced by trade in hydrocarbons, petrodollars and financial assets, Chinese