

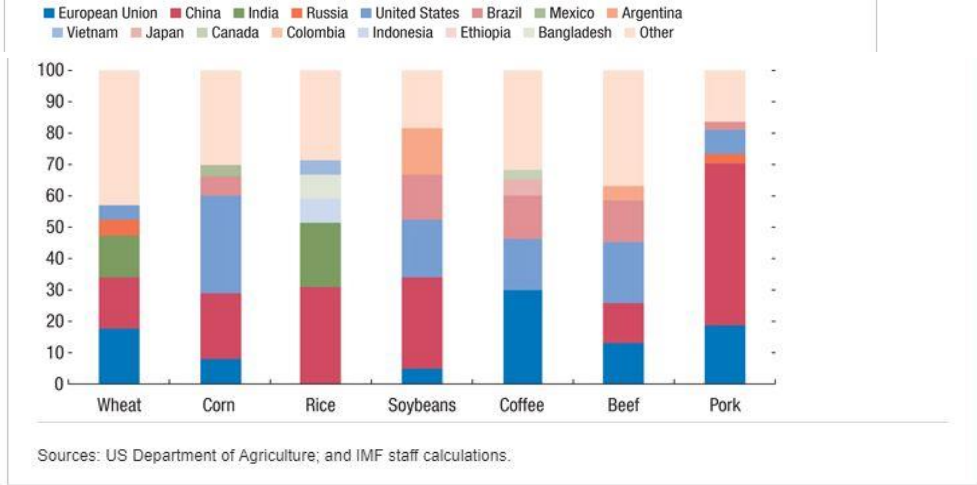
**Turbulent Changes in China's Economy and  
Canada-China Relations:  
What are the Impacts on Canadian Pork  
Exporters?**

Dr Zhan SU

Full professor of Strategic Management of International Corporations  
Chairholder, Stephen A. Jarislowsky Chair in International Business

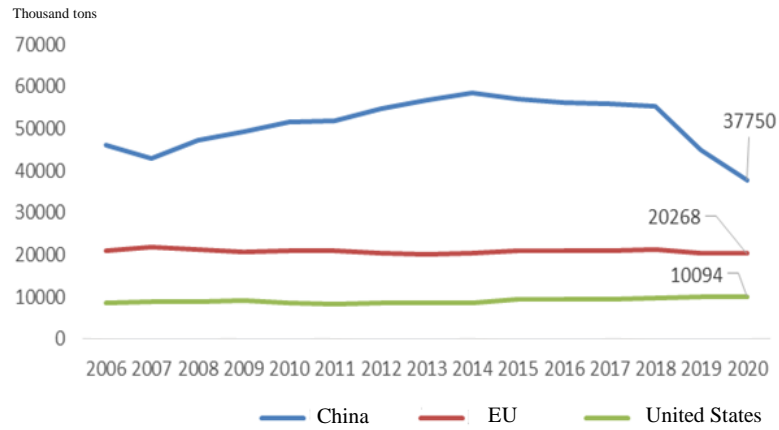
Université Laval  
November 2021

# China: A major consumer of agricultural and food products

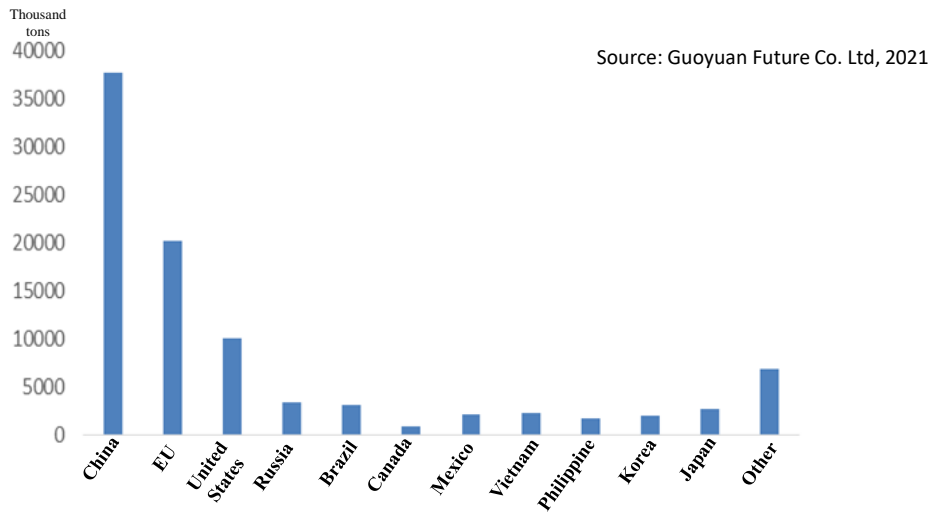


Source: Rabah A. and Akito M. (December 2017). *Commodity Markets in a Globalized World*.

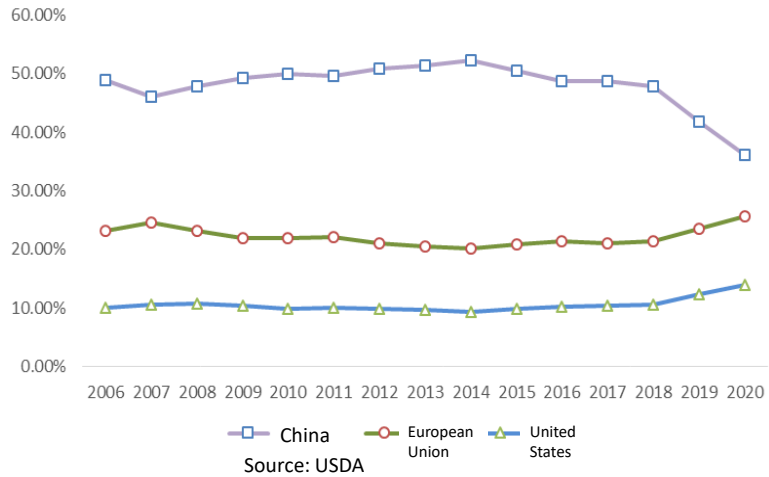
## Main pork consumers



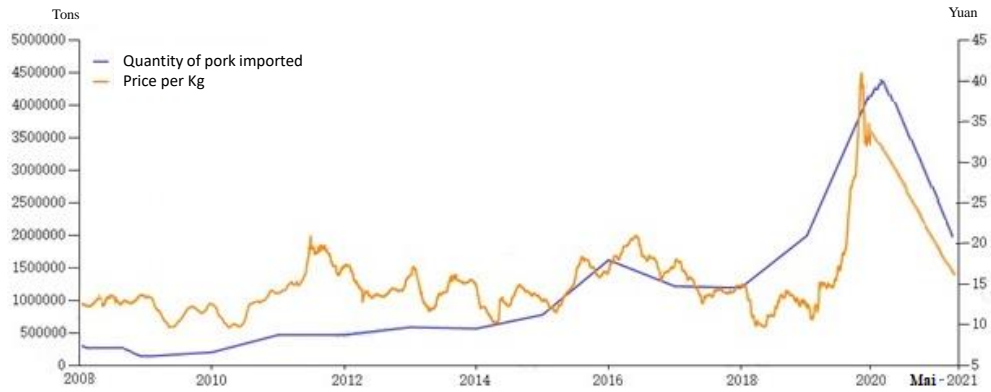
## Major pork-consuming countries in 2020



## Evolution of pork production in the world (%)



## Evolution of pork imports and price distribution in China

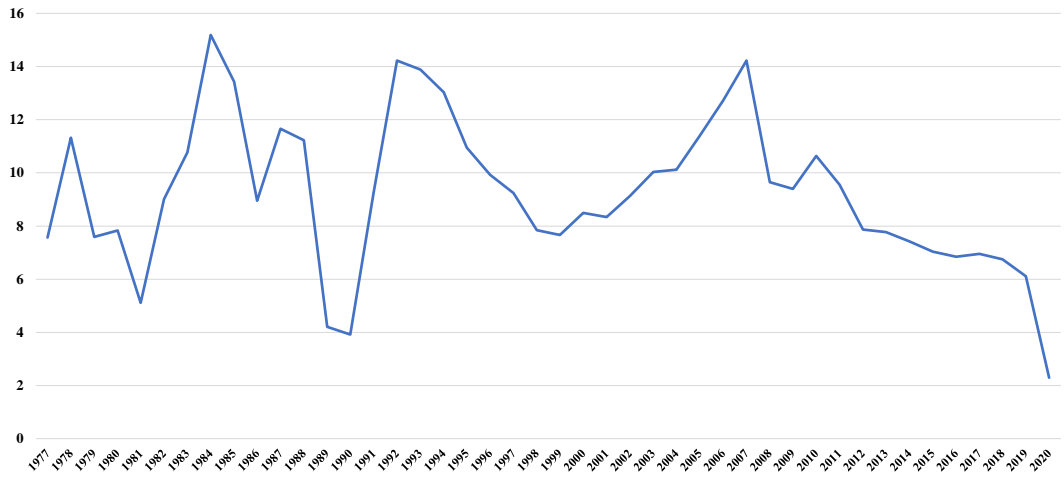


Source: Brick Agricultural Database

## **Is the Chinese economy in disarray?**

- Slowdown in growth
- Indebtedness (Public debt: 260% of GDP)
- Housing bubble (Evergrande...)
- Vulnerability of private companies (Alibaba, Didi...)
- Foreign capital flight (Nike, Puma, Samsung, Sharp, Stanley Black & Decker, Dell...)
- Demographic crisis
- Sanctions by Western countries
- ...

## Chinese economic growth



Source: National Bureau of Statistics of China



## **Moving toward a (sustainable) Thucydides conflict**

*Combat!! Compete? Cooperate??*

- Technological decoupling
- Ideological attack
- Military pressure
- Political-economic sanction
- International anti-China coalition
- Economic competition...



## When will the Chinese economy outperform the US economy?

New forecast by:	Year
British Centre for Economics and Business Research (CEBR)	2028
Japan Economic Research Center	2028
Brookings Institution and National Development Institute of Peking University	2030
Development Research Center of the State Council of China	2032

## China today is not short on problems, BUT...



Source:  
[https://www.google.ca/search?xsrf=ACYBGNSAcBijyKNbc9g2RyIWYEuzrKayWQ:1575581036444&q=une+bouteil+%C3%A0+molt%C3%A9+remple,+photo&tbm=isch&source=univ&sa=X&ved=2ahUKEwjVwffful\\_mAhXpct8KHwGTARQsAR6BAGGEAE&biw=1280&bih=607#imgrc=EEFS-gt58rq6eM:&spf=1575581043496](https://www.google.ca/search?xsrf=ACYBGNSAcBijyKNbc9g2RyIWYEuzrKayWQ:1575581036444&q=une+bouteil+%C3%A0+molt%C3%A9+remple,+photo&tbm=isch&source=univ&sa=X&ved=2ahUKEwjVwffful_mAhXpct8KHwGTARQsAR6BAGGEAE&biw=1280&bih=607#imgrc=EEFS-gt58rq6eM:&spf=1575581043496)

**China's economic catch-up:**  
Comparative GDP ratios in nominal dollars  
(Source: World Bank data)

Ratios	1990	2000	2005	2010	2016	2020
China/US	6%	12%	17%	40%	60.3%	71.2%
China/Japan	12%	25%	49%	108%	227%	294%
China/India	109%	252%	271%	347%	495%	493%
China/World	2%	4%	5%	9%	15% (18% in PPP)	

## **Xi Jinping's Agenda**

### **“Chinese dream”:**

*Achieve modernization before 2035; become a “beautiful, modern, prosperous, powerful, democratic, harmonious and highly civilized country by 2050”*

### **Two traps to avoid:**

- *Middle income trap*
- *Thucydides's trap*

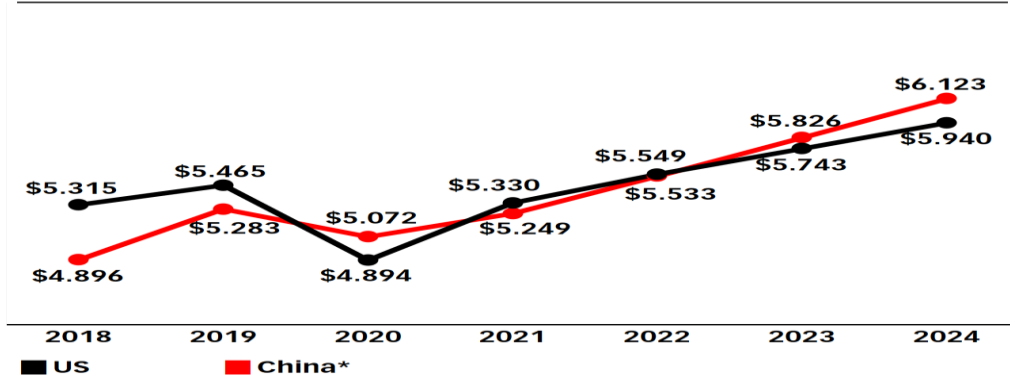
**Chinese strategies:**

- *Defend the "Chinese track"*
- *Develop national expertise*
- *Strengthen national security*
- *Reduce international hostility*

- Develop national expertise (Made in China 2025, Chinese standard 2035...)
- Stimulate internal markets (dual circulation strategy)
- Modernize armed forces
- Accelerate "supply-side structural reforms" and prevent the "black swan" and "grey rhino" risks
- Strengthen "social cohesion" (elimination of extreme poverty, shared prosperity...)
- ... ..
- Promote the Chinese vision of multilateralism
- Increase openness
- Strengthen the protection of foreign firms' interests in China
- ... ..

## Economic attractiveness of China

### Total Retail Sales in China\* and the US, 2018-2024 trillions

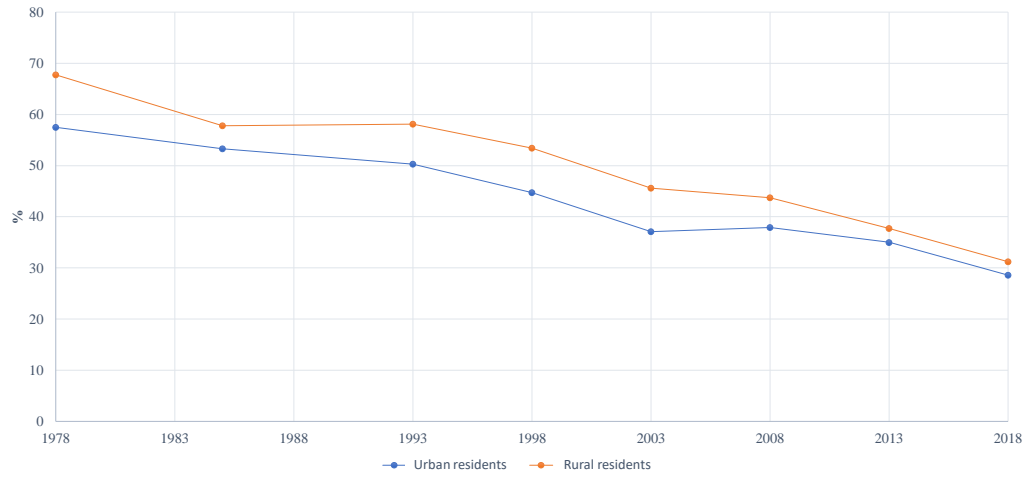


*Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales; \*excludes Hong Kong*  
*Source: eMarketer, May 2020*

T11053

www.eMarketer.com

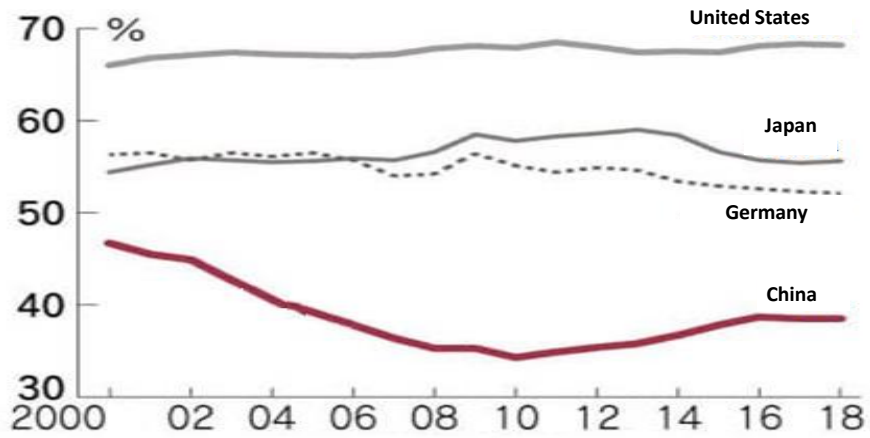
## China's Engel's coefficient



Source: National Bureau of Statistics of China. Compiled using data from <https://www.iyiou.com/intelligence/insight114559.html>



## Personal consumption/GDP

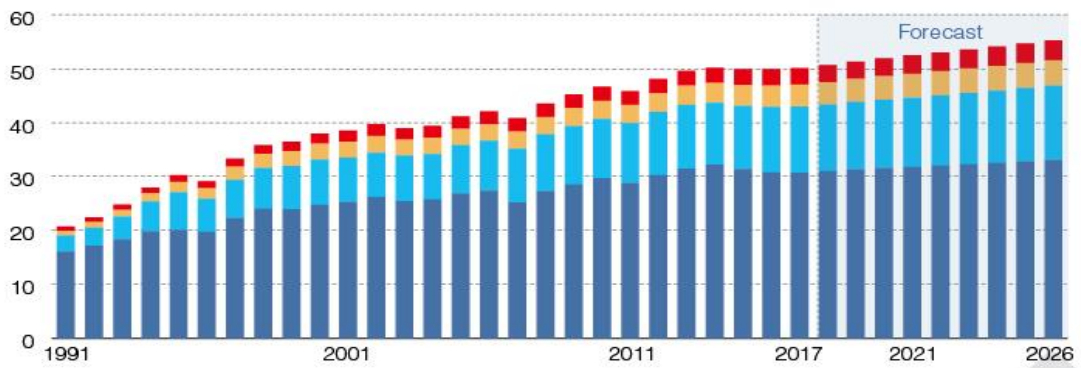


Source: World Bank

## A Meatier Middle Kingdom

■ Pork ■ Poultry ■ Beef and veal ■ Sheep

Unit: Kilograms per capita



Source:

财新数据  
Caixin Data

Original Sources: Organization for Economic Co-operation and Development, Food and Agriculture Organization of the United Nations

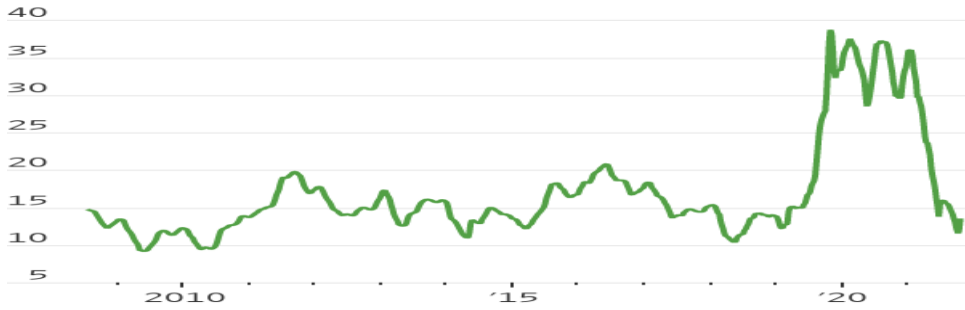
Scan to download  
Caixin app



## Violent fluctuation in pork prices in China since 2019

### 中国猪肉价格

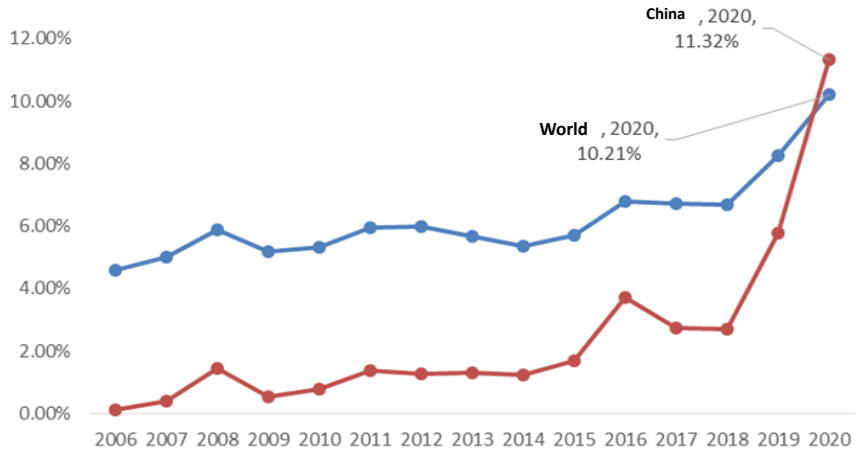
45元每千克



数据来源：万得

Source: How to Tame China's Wild Pork Price Cycle, Wall Street Journal, Oct. 29, 2021

## China's dependence on pork imports (Importation/Domestic production)



Source: USDA

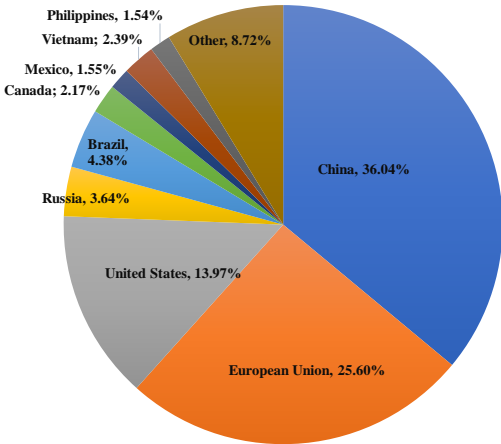
## **“Opinion on promoting healthy and sustainable development in the live hog industry”**

Government of China, August 5, 2021

Within 5 to 10 years, develop a high quality hog industry, strong returns, product quality, resource conservation and environmental friendliness:

- Competitiveness will greatly improve,
- Disease prevention and control capabilities will be considerably strengthened
- Regulatory and support systems will be perfected
- Cyclical market fluctuations will be effectively mitigated
- The security of the pork supply will be ensured with the self-sufficiency rate around 95%

# Main pork producing countries in 2020



Source: USDA

**Canada's 4-Cs approach to China:  
*Compete, cooperate, challenge and coexist***

Canada is in **competition** with China on the economic front. We need to strengthen the competitiveness of Canadian businesses in accordance with international law.

We need to **cooperate** with China on climate change and the fight against the pandemic.

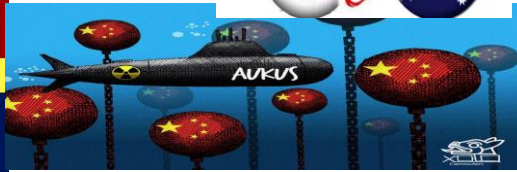
However, we must **challenge** its policies on the Uighurs, Tibet and human rights in Hong Kong.

It is important to understand that the political systems of the two countries are different, and that we don't always share the same views, but we must move towards **coexistence**.

- Marc Garneau, Foreign Affairs Minister of Canada

September 2021

# Toward an anti-China coalition...





## **The “Chinese track”, an alternative model to the Western model?**

*“Choose your own path, based on your needs and characteristics”*

- Economic growth and political stability prevail over the rights of individuals, the first basic component of human rights is the right to survive.
- State capitalism: The State as a programmer, promoter, protector and producer in development.
- Principle of non-interference and sacredness of the concept of sovereignty.

*The Chinese model seems to put an end to Hegel’s western philosophy in force since the end of the Cold War. In other words, western modernity – democracy and market economy – which would represent a historical goal toward which all economic development must lead, according to a quasi natural law of history.*

14

## **Chinese vision of international order**

- Toward an international order established via the United Nations system
- Toward an open and inclusive world
- Toward win-win relations

\* *The right to economic development*

\* *The right to be different*

\* *The right to speak*

\* *State sovereignty*

## **Challenges for Canadian businesses in Chinese markets**

Political tensions between Canada and China are likely to cause permanent disruptions to the operations of Canadian businesses.

Canadian businesses should improve their competitiveness, strengthen their strategic intelligence and avoid over-reliance on a single market.