

CONFCOMMERCIO

PRESENTATION BY JIHONG SANDERSON

AT THE FORUM:

**"MARKET LEADERS AND SCENARIOS
FOR THE 21ST CENTURY"**

March 16th, 17th and 18th, 2007
"Villa d'Este" – Cernobbio (Como)

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Market Leaders and Scenarios for The 21 century
March 16-18, 2007
Villa D'Esta, Como, Italy

China's Scenarios and its Impact on Global

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Agenda

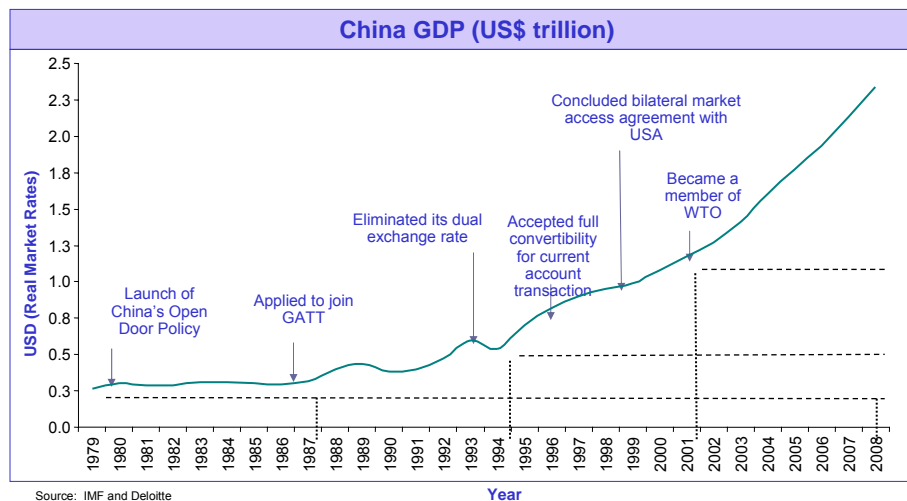
- 1. Why Consider China?**
- 2. What Forces Drive China's Future?**
- 3. Where China has Chosen to go?**
- 4. What Triggers might Disrupt the Chosen Future?**

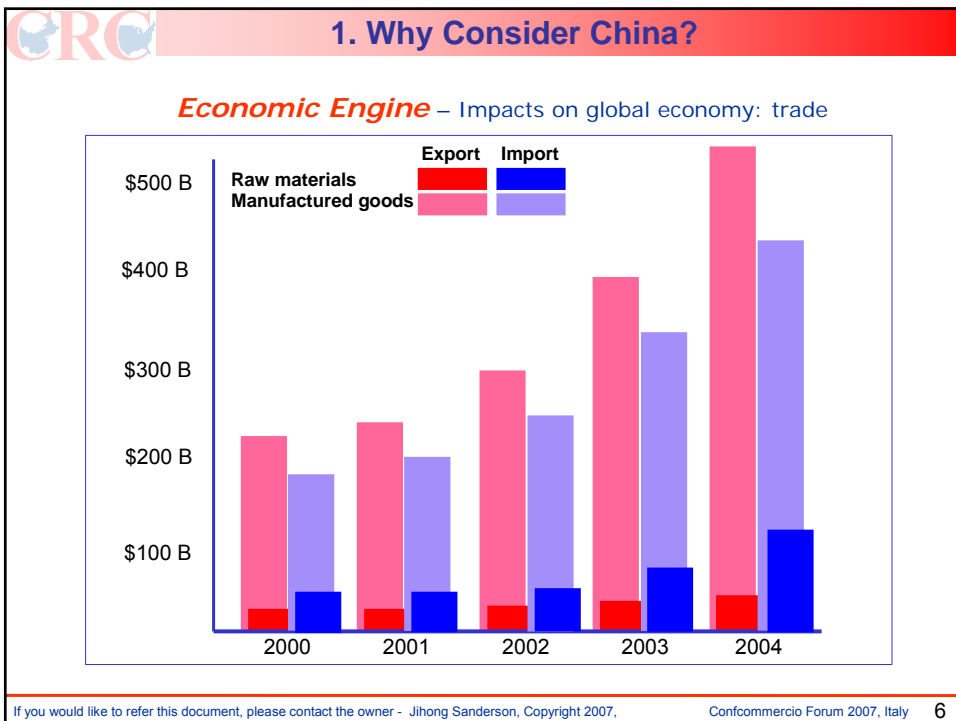
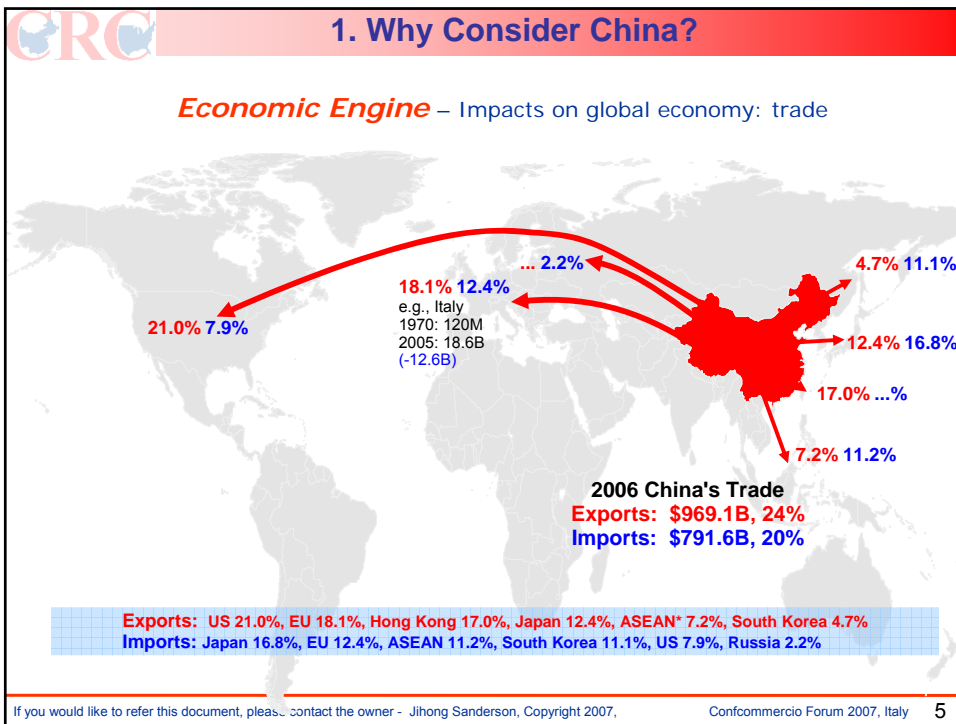
Agenda

1. Why Consider China?
2. What Forces Drive China's Future?
3. Where China has chosen to go?
4. What Triggers might Disrupt the Chosen Future?

1. Why Consider China?

China - Economic Engine







1. Why Consider China?

Economic Engine - Emerging economic super power with high growth, savings, and low inflation protection for the world.

Chart 2

GDP Growth Rates

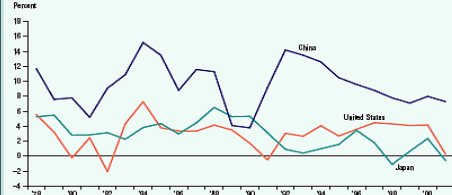


Chart 1

GDP per Capita: China and Western Europe, 1-1998 A.D.

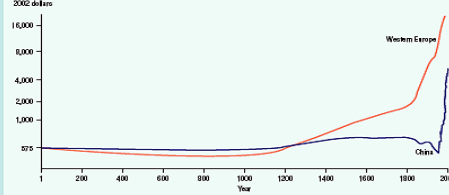


Chart 6

U.S. Import Price Index for Manufacturing Goods

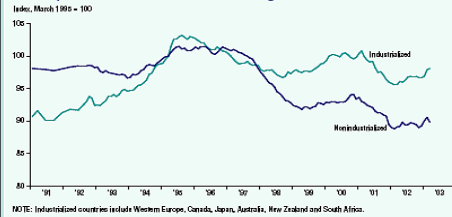
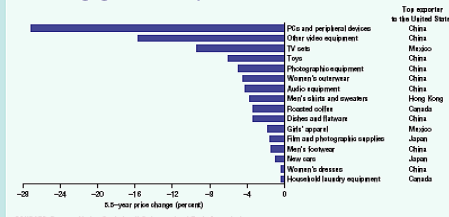


Chart 7

China: Bringing the U.S. Cheaper Products



Source: US Federal Reserve, 1/15/2007

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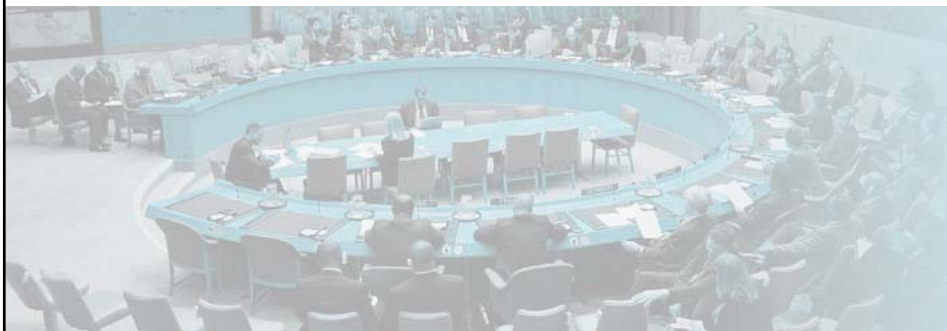


1. Why Consider China?

Balance Power - China has become international political balance power



UN Security Council



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1. Why Consider China?

Balance Power – China has become international political balance power

Asia - Pacific Economic
Cooperation
亚太经合组织
1989



Shanghai Group
上海合作组织
6/15/2001



Beijing Summit of Forum
on China-African Cooperation
11/4/2006
中非合作论坛北京峰会



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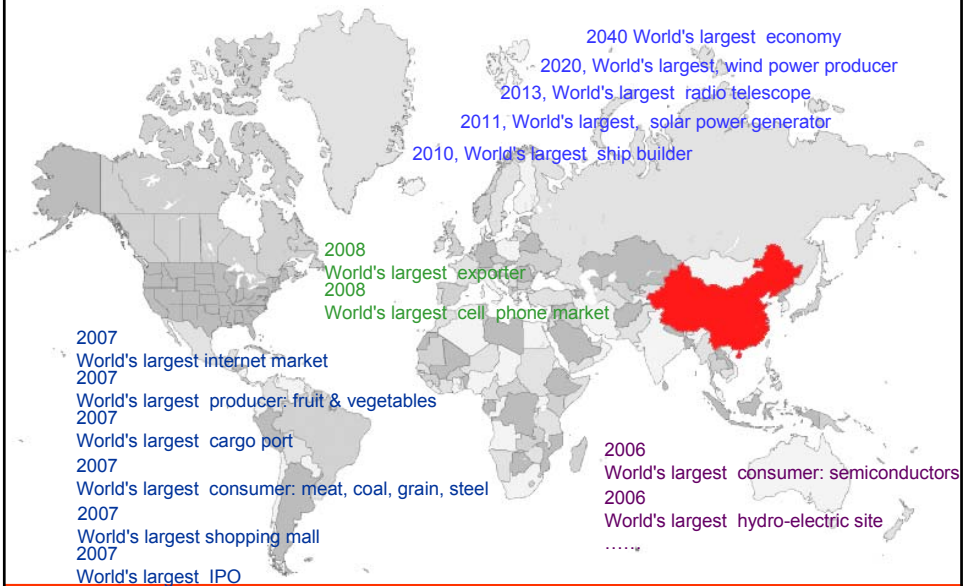
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1. Why Consider China?

Future Promise – continue becoming No#1 in many areas...



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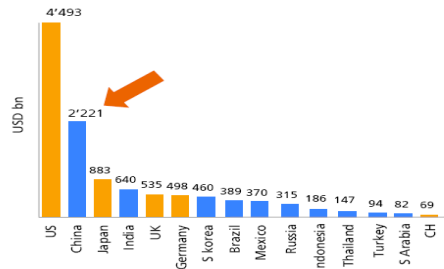
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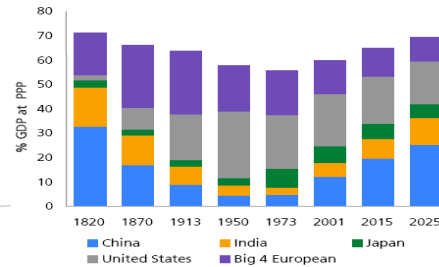
1. Why Consider China?

Future Promise – continue

Absolute real GDP growth to 2015

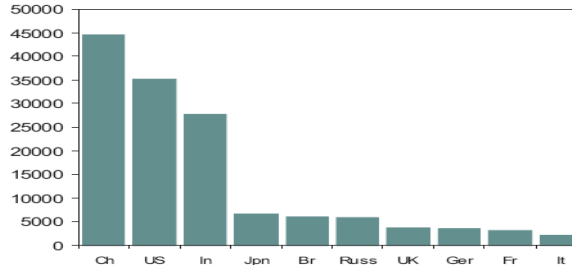


The world's dominant economies



Source: IMF, UBS Public Polic

The Largest Economies in 2050



Goldman-Sachs
global economics paper #99

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1. Why Consider China?

China is a truly global economic and political influencer

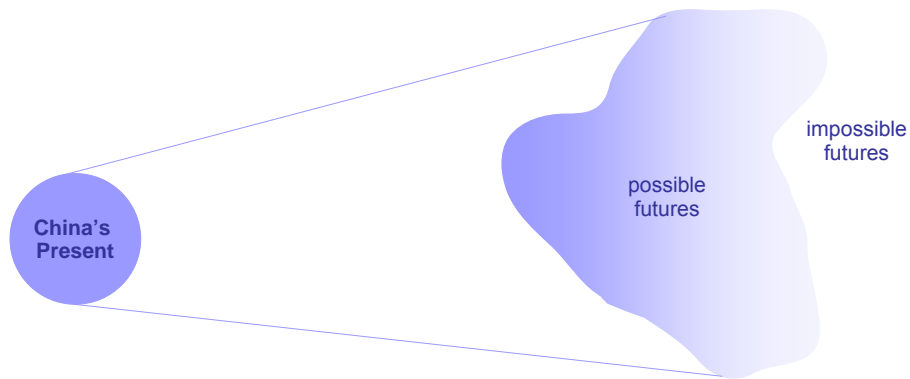
Forecast in China future growth in 10 or 20 or 30 years?



1. Why Consider China?

Future Promise??

– China scenarios



What forces drive China future?



Agenda

1. Why Consider China?

2. What Forces Drive China's Future?

3. Where China has Chosen to Go?

4. What Triggers might Disrupt the Chosen Future?



2. What Forces Drive China's Future?

China's Future is determined by many driving forces

- .foreign reserves
- .currency exchange regime
- .overall and bi-lateral trade surpluses
- .excess liquidity & inflation
- .stock market bubble
- .real estate bubble
- .non-performing loans
- .policy based lending and investment
- .loss making SOEs
- .unemployment
- .low domestic demand
- .high royalty payments
- .distorted capital investment
- .inter-provincial protectionism
- .interest rate subsidies
- .budgetary subsidies for SOEs
- .international protectionism
- .raw materials sourcing
- .excess capacity and hyper-competition
- .transportation infrastructure capacity
- .desertification of agricultural land
- .immature domestic enterprises + open markets
- .low (although increasing) productivity
- .corruption
- .innovation & ICM
- .IP protection
- .developing Western China
- .energy supplies
- .migrant labor conditions
- .educational opportunities
- .illegal land evictions
- .pollution: water, air, land
- .middle & low income housing
- .human transportation gridlock
- .corporate governance & accounting
- .health care system
- .water resources
- .domestic militarist & nationalists
- .China's "brand" in the world
- .aging population & single child families
- .gender imbalance
- .gap between rural and urban incomes
- .territorial disputes
- .threatening foreign militarism & unilateralism
- .suspension of ideological and historical cultural values
- .emerging social institutions

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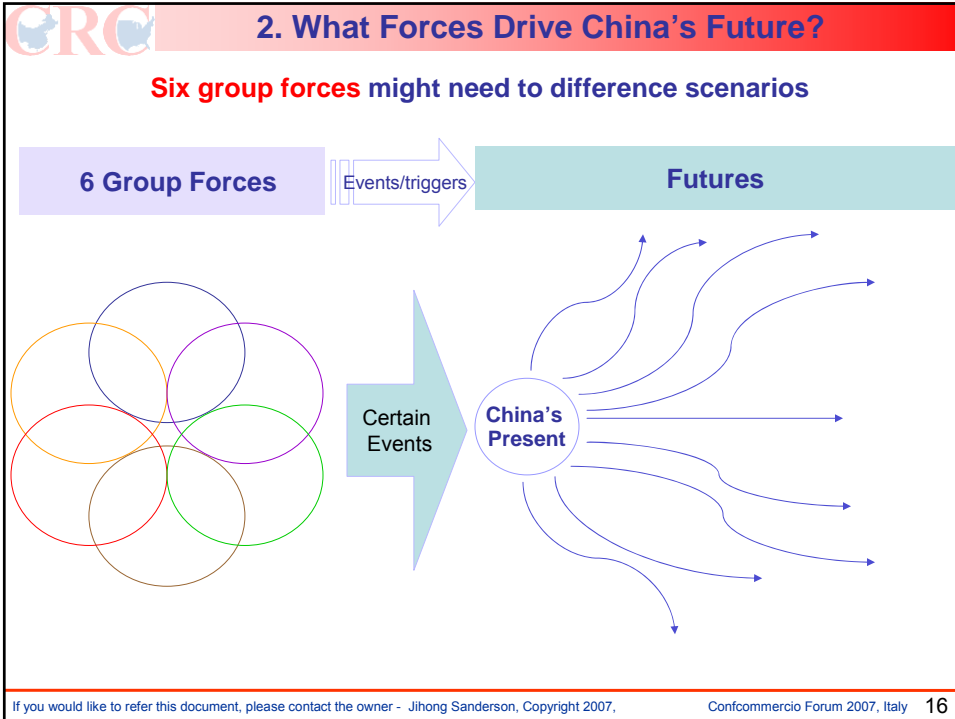
2. What Forces Drive China's Future?

Covariant or logical groups emerge:

- foreign reserves
- currency exchange regime
- overall and bi-lateral trade surpluses
- excess liquidity & inflation
- stock market bubble
- real estate bubble
- non-performing loans
- policy based lending and investment
- loss making SOEs
- unemployment
- low domestic demand
- high royalty payments
- distorted capital investment
- inter-provincial protectionism
- interest rate subsidies
- budgetary subsidies for SOEs
- international protectionism
- raw materials sourcing
- excess capacity and hyper-competition
- transportation infrastructure capacity
- desertification of agricultural land
- immature domestic enterprises + open markets
- low (although increasing) productivity
- corruption
- innovation & ICM
- IP protection
- developing Western China
- energy supplies
- migrant labor conditions
- educational opportunities
- illegal land evictions
- pollution: water, air, land
- middle & low income housing
- human transportation gridlock
- corporate governance & accounting
- health care system
- water resources
- domestic militarist & nationalists
- China's "brand" in the world
- aging population & single child families
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- threatening foreign militarism & unilateralism
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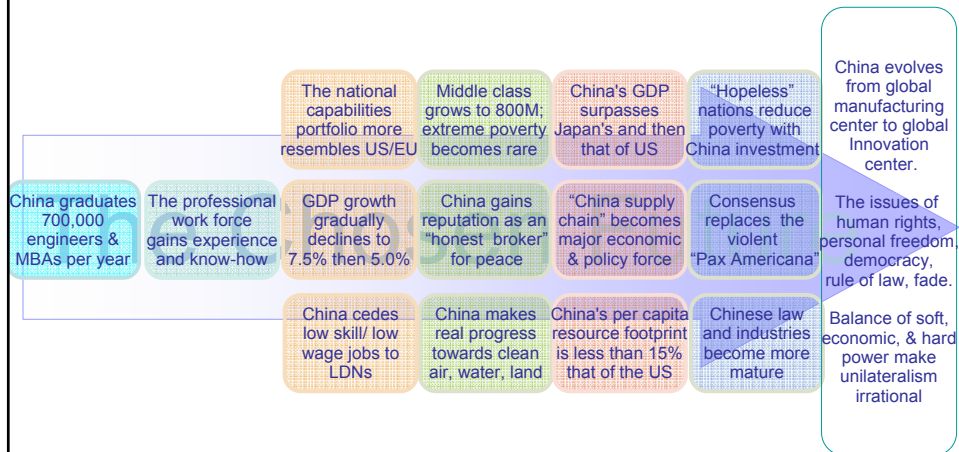
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3. Where China has Chosen to Go?

Scenario #1 of the "Chosen Future" Path



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3. Where China has Chosen to Go?

Scenario #1 of the "Chosen Future"

China	vs.	EU/USA
Policy Driven Economy		Consumer Driven Economy
Rule by law		Rule of law
Idealist Society		Pragmatist Society

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3. Where China has Chosen to Go?

Scenario #1 of the “Chosen Future”

*Evident of Chinese Leadership decision:
The 11th Five-Year Plan
Pursuit of “Harmonious Development”*

The 10th Five-Year Plan

- Rapid speed for economic growth, doubling GDP in 2010 (vs.2000)
- More modern State-owned firms
- Employment opportunities, urban and rural
- Continuing to strengthen protection of the environment;
- Science, technology and education

Emphasis scientific development

- Urban and rural
- Coastal and interior
- Economic growth and social development
- Economic growth and the environment
- International forces and domestic interests

“Some deeply seated conflicts that have accumulated over a long time have yet to be fundamentally resolved, and new problems have arisen that cannot be ignored.”

- Premier Wen Jiabao (3/5/2006)

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3. Where China has Chosen to Go?

Scenario #1 of the “Chosen Future” Path

China's Plan & Action

Reduce economic disparities

- Shift investment to social spending
- Renew emphasis on developing rural and inland areas

Upgrade industry:

- Encourage firms to climb the global value chain and develop innovative capacities
- Emphasize energy efficiency and environmental management

Building a stronger services sector:

- Generate jobs and diversify the economy
- Foster a financial sector that operates on market principles

Promote internal consumption :

- Encourage people to spend more and save less
- Reduce dependence on exports

Business Implications

Will generate:

- Opportunities in healthcare, education and financial services
- A need for services and products
- Demand for infrastructure and logistics

Will result in:

- Stiffer global competition in both markets
- High demand for unique IP

Will bring about:

- New opportunities for service providers
- demand for skills and know-how and trainings

Will hasten:

- The emergence of increased spending power in the world's fastest growing consumer market

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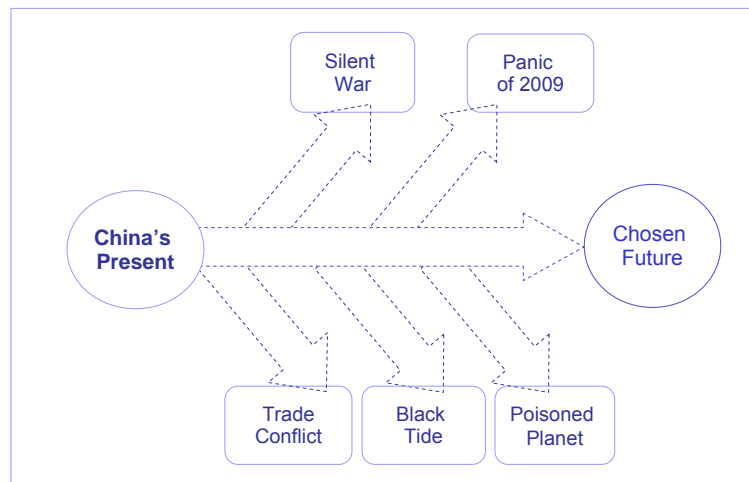
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- 4. What Triggers might Disrupt the Chosen Future?**

4. What Triggers might Disrupt the Chosen Future?

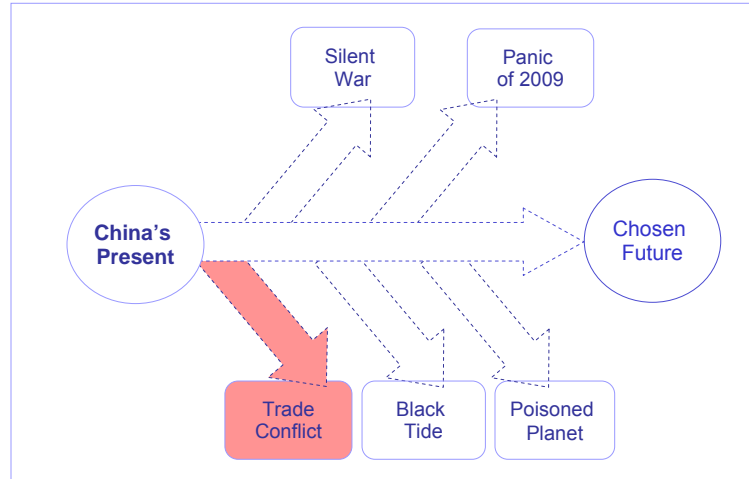
Possible diversions off the "Chosen Future" path





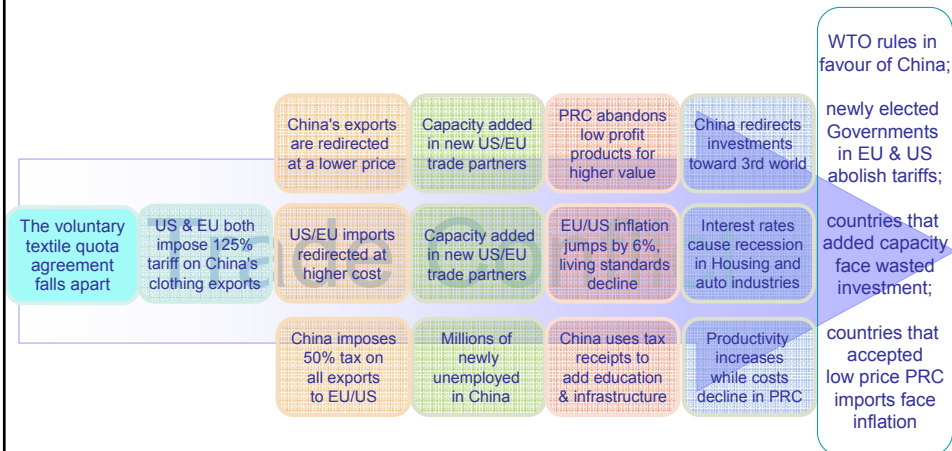
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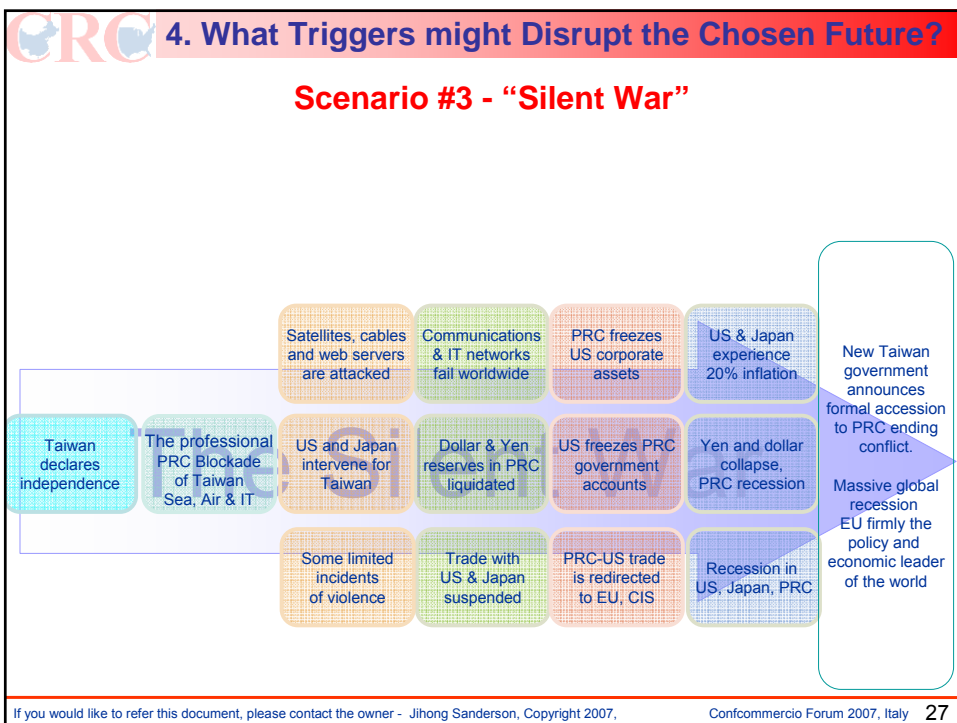
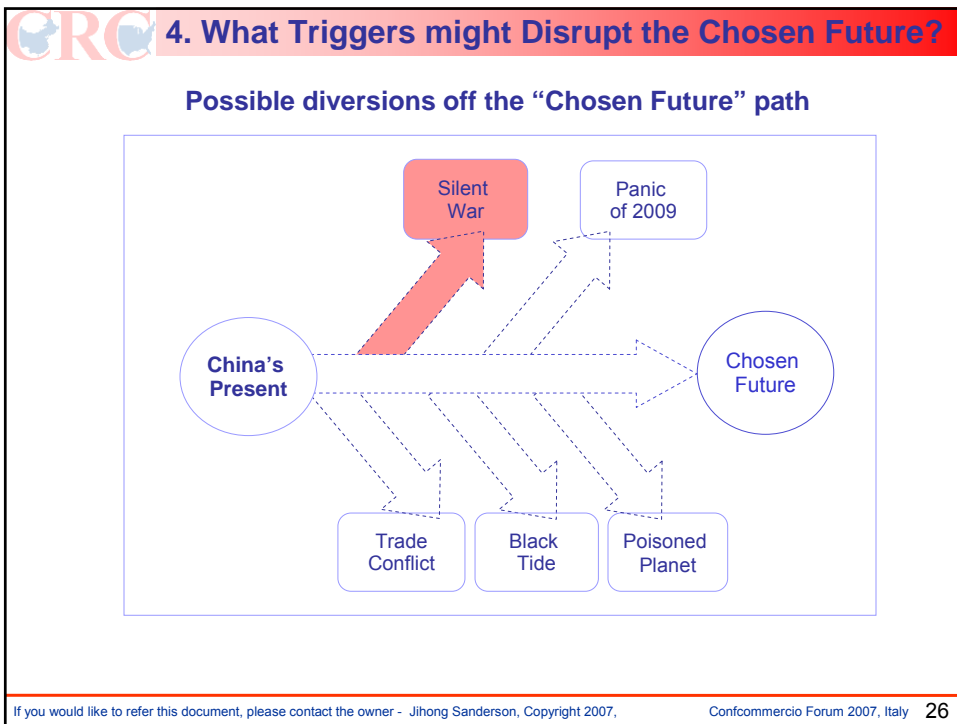
Possible diversions off the “Chosen Future” path



4. What Triggers might Disrupt the Chosen Future?

Scenario #2 of the “Trade Conflict”

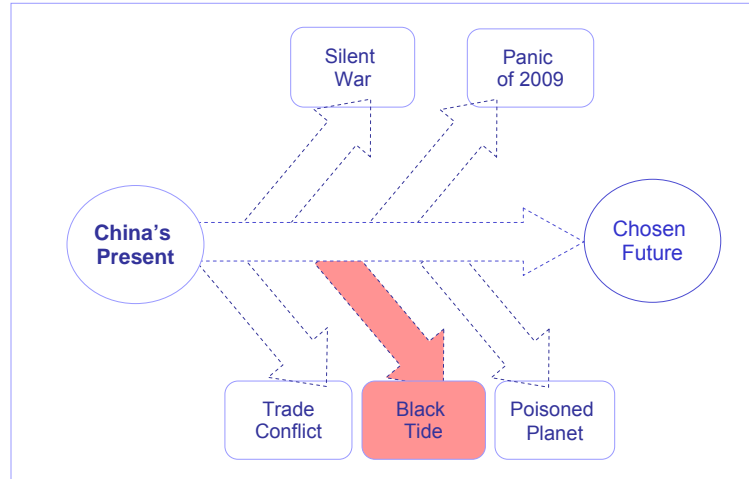






4. What Triggers might Disrupt the Chosen Future?

Possible diversions off the “Chosen Future” path



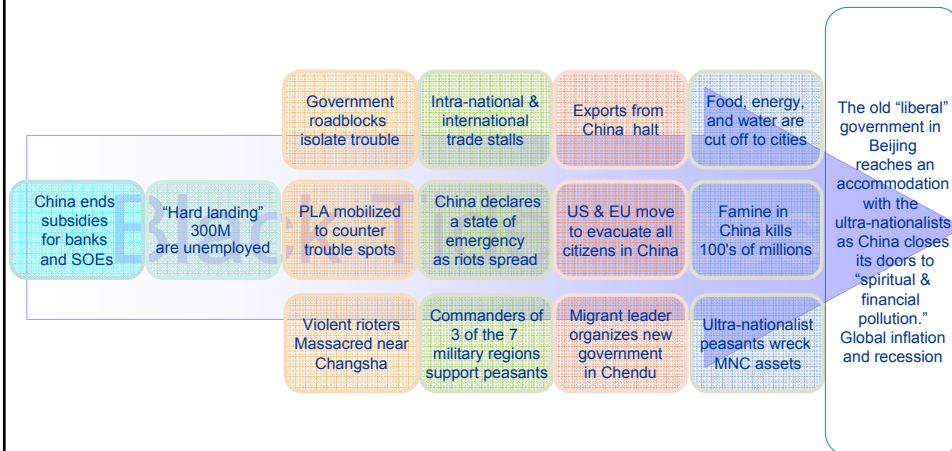
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4. What Triggers might Disrupt the Chosen Future?

Scenario #4 - “Black Tide”



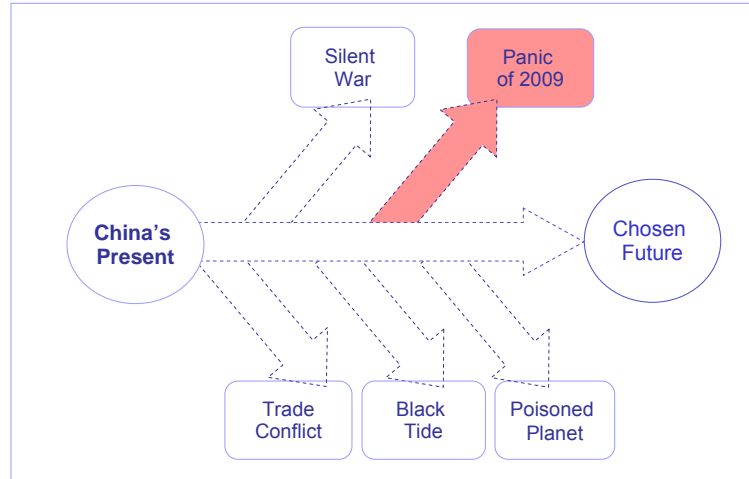
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4. What Triggers might Disrupt the Chosen Future?

Possible diversions off the “Chosen Future” path



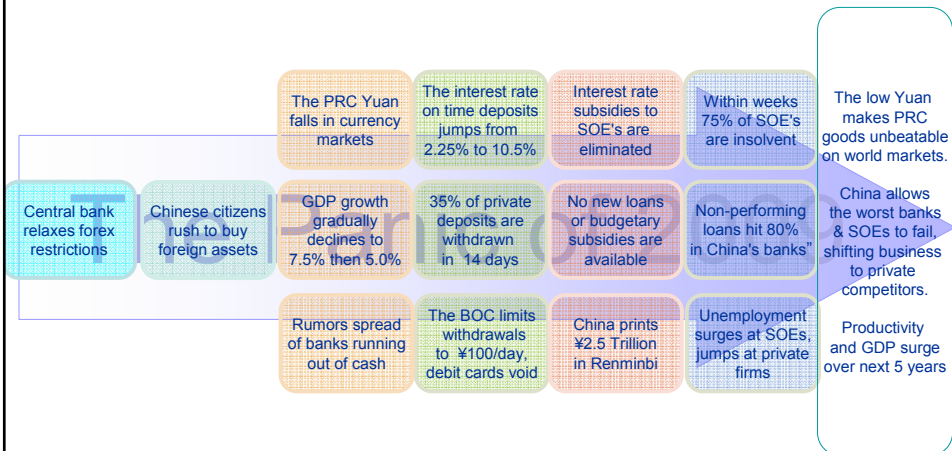
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4. What Triggers might Disrupt the Chosen Future?

Scenario #5 - “Panic of 2009”



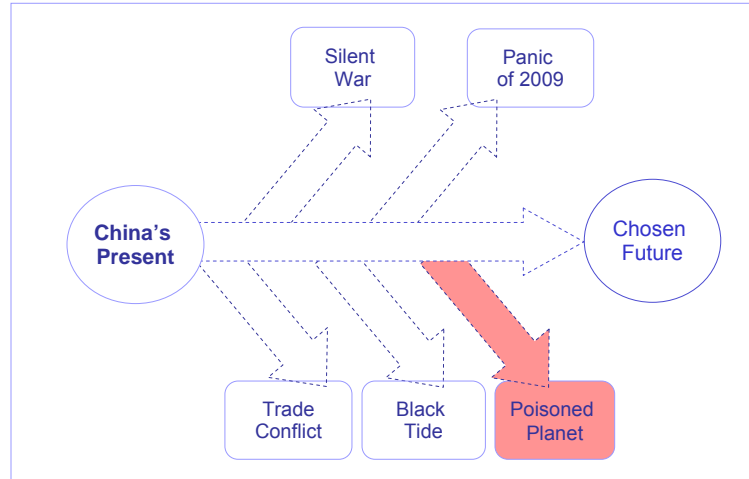
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4. What Triggers might Disrupt the Chosen Future?

Possible diversions off the “Chosen Future” path



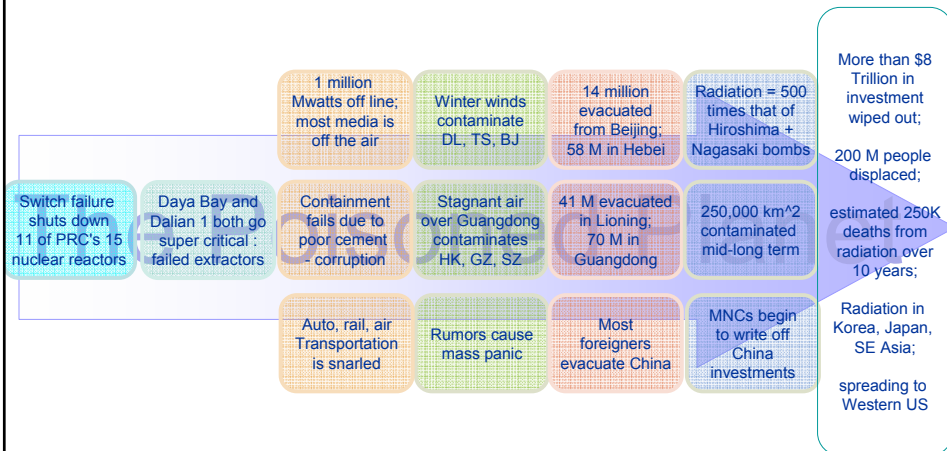
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4. What Triggers might Disrupt the Chosen Future?

Scenario #6 - “Poisoned Planet”



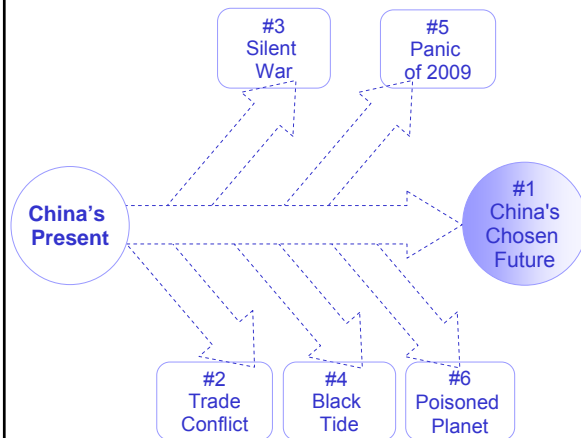
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China's Scenarios & its Impact on Global

Summary



Take Away points?

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Thank you! Q&A?

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