

China : the next super power?

How will the world be affected?

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Discussion Issues for this Session

- What drives China's development?
- China, is the glass half full or half empty?
- Will China be the next super power? How big can it get?
- What challenges will it face along the way? Can China sustain its development responsibly?
- How might China interact with the rest of the world?
- What does it mean for the real estate industry?
- What could the U.S. and its citizens do?



China at a Glance

- Area : 3.7 million square miles
- Population : \approx 1.3 billion (2006 estimate)
- Age Structure
 - 0 - 14 years 23%
 - 15 - 64 years 69%
 - 65+ years 8%
- Workforce

	<u>2005</u>	<u>1998</u>
Total (millions)	711	700
Agriculture	50%	60%
Industry and Commerce	25%	25%
Others	27%	15%
- Arable Land 10%

China at a Glance (cont'd)

- Real GDP Growth \approx 10% per annum last 5 years
- Per Capita GDP = \$1,720 in 2005
- Per Capita GDP (PPP) = \$6,270 in 2005
- Trade (2005)
 - Export \approx \$760 billion
 - Import \approx \$660 billion
- Urbanization 40%

What drives China's development?

- Political stability and need for political control paramount
- Competent technocrat-led government
- Willingness to experiment and reform, albeit cautiously
- Aspirations of the people
- The Chinese Diaspora
- Role of Hong Kong
- Export-led economy
- Regional not national

Is China half full or half empty?

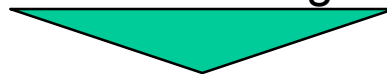
A China Score Card

Signs of Progress

- Rising middle-class and consumerism
- Rapid growth causing resource shortage in raw materials and energy
- High savings rate
- Reforms a priority
- Strong economic growth

But

- Growing urban-rural income disparity
- Over-capacity in downstream industries
- Immature capital market dominated by banks and huge bad loans
- Continuing corruption, piracy, weak legal system, etc.
- Serious air pollution and environmental degradation



Can China sustain such development?

Can China accomplish its stated goals?

China's New Slogans

- Five Balances and creating a harmonious society
 - Domestic vs International
 - Inland vs Coast
 - Rural vs Urban
 - Society vs Economy
 - Nature vs Man
- Foreign Policy
 - “Peaceful rise to great power status”

Will China be the next super power?

	2005	2020	2030
<u>China</u>			
• GDP (\$billions)			
– Case 1 *	\$2,240	\$9,360	\$24,250
– Case 2 **	\$2,240	7,100	15,300
• GDP/Capita (\$)			
– Case 1	1,720	6,410	15,850
– Case 2	1,720	4,860	10,000
• Population (millions)	1,300	1,460	1,530
<u>USA</u> **			
• GDP (\$billions)	\$12,400	\$20,800	\$29,300
• GDP/Capita (\$)	\$42,000	\$59,400	\$76,100
• Population (millions)	298	350	385

* Assume constant 10% growth

** Assume constant 8% growth

*** Assume constant 3.5% growth

Challenges facing China's future development; A race against time?

- Political freedom vs economic freedom; Can China become democratic? And in what form?
- Aging population; will China get old before it gets rich?
- Energy and resource sufficiency and efficiency
- Environmental degradation/pollution
- Rich vs Poor
- Civil society and its value systems
- Financial systems reform

What kind of China will the world face?

Elements

- Increased nationalism
 - Desired for greater East Asian influence
 - Greater pressure on Taiwan resolution
 - Greater world stage assertiveness
 - Greater militarism and its use
- Greater global economic competition and opportunities
 - Huge domestic market
 - China “brands”
 - Exports of higher value products/services
 - Spending abroad: Tourism and investments
- Intensive global resource acquisitions
 - Key component of foreign policy
 - Rogue regimes conflict
- Increased cross cultural influences
 - Strong influence by Western and American culture/values
 - Chinese culture becoming in vogue internationally

Real Estate Industry : Two-way opportunities

China

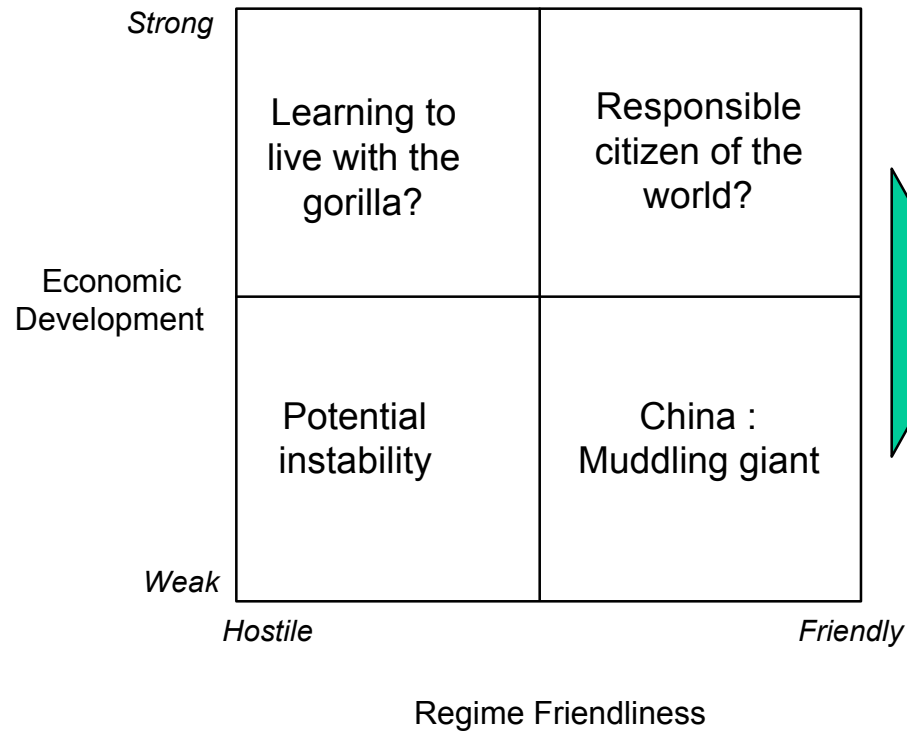
- Foreseeable growth in demand dominates market mentality
- Immature market structure
- Prone to over supply
- Changing regulation on ownership, taxes, etc.
- Introduction of more advanced development/financing concepts
- Increasing participation of international capital markets

International market

- China investors will be a force
 - Companies setting up offices/facilities
 - Individuals moving money offshore

What can America and its citizens do?

China Scenarios in 2030



Implications for the U.S.

- The U.S. cannot afford a failed China
- America has the greatest influence on China
 - Foreign policy
 - Cross-cultural exchange
 - Investment/Trade
 - Immigration
- Engage, engage, and engage at grass root levels