

# **China after the Olympics**

*A brief introduction*

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# Olympics score-board

- The Beijing Olympics and Paralympics - a dazzling, spectacular, and heart-touching *celebration of Life, Hope, Dreams, Passion and Friendship, the very spirit of Olympics*. – breath-taking, unparalleled, and unmatchable: the venues, the flair, the energy, the boldness, the national pride, the solidarity, the aspirations, the warmth to all nations
- China re-discovered her *confidence* on the world stage; *vindication of national pride* after centuries of suffering and realization of China's *hundred-year dream* of hosting the Olympics
- *The rest of the world* now likely to see and *re-define* China in a different light.

*“These people, men and women, were smart, sharp, forthright, unafraid to express their views about China and its future. Above all, there was a confidence, an optimism, a lack of the cynical, and a presence of the spirit of get up and go, that reminded me greatly of the U.S. at its best and any country on its way forward. These people weren't living in fear, but looking forward in hope. And for all the millions still in poverty in China, for all the sweep of issues -- political, social and economic -- still to be addressed, that was the spirit of China during this festival of sport, and that is the spirit that will define its future.” (Tony Blair – Wall Street Journal Online, 27 August, 2008)*
- *A few shattered pre-Opening tainted-spectacles* (health hazards to athletes' performance, food-poisoning, ugly un-sportsman-like nationalism, security threats, etc)
- *But negative images linger - Human Rights* – Protest Park (2 old women?); Tibet, Xinjiang, Dafur. *Over-tight security?* (empty seats, less than full hotels?)
- *Blinker of comparing Apples with Oranges? PEW* (July 2008) Satisfaction Index – China (82) (82/2007, 72/2005, 48/2002); US (20 v 50/2007), UK (30 v 69/2007)
- Games *GDP contribution* – BJ GDP < 4% of China; Olympics investments < 1% of total (2002-7); estimated 600 b yuan (\$75b) v China's economy \$3.25T (v US's \$13.84T) China FX reserve \$1.8 T (June 2008) + \$1.7b @day
- *Post- Olympics blues and stimulus* – x Olympics: GDP +12.6% Q2, 2007 – 10.1% & Q2 2008 = global slow-down; subtle shift of focus from inflation to growth; RMB appreciation slows from 12% in H1 to 2.5% July/August, 2008; stimulus package expected : gradual ease of bank lending quotas, capital exp VAT deduction, VAT rebates re-introduced for selected exports, public expenditure to offset net export slow-down (jobs); public debt only 20% GDP (OECD 77%)

# China Mega-trends (1)

- (a) **Explosive urbanization** (McKinsey Global Institute, March 2008), by 2025 + 350m = 1b; 221 cities@ 1m (EU 35); 15 super-cities@25m; 11 hub-&-spoke conurbations @60m; 50,000 skyscrapers = 10 NYCs; GDP x 4 by 2020; concentrated urbanization mode = savings in 2.5% GDP in public expenditure and in 35% emissions
- (b) **Largest and fastest-built national transport infrastructure** in human history – 2001-5 = West 50 yrs, 2<sup>nd</sup> only to US interstate *highway system* in 17yrs, biggest *railway expansion* since 19<sup>th</sup> C, 78,000 km (25% world traffic but 6% of total length) to 100,000 km by 2020, 6-lane 36km world's *longest sea-spanning bridge* (US\$ 1.64b) over Hangzhou Bay linking Shanghai to Ningbo conurbation + Zhejiang, Jiangsu = total population 72.4m
- (c) **Rise of the 'Middle Class'** – *Urban household income* US\$1,000 p.m.= PPP US\$3,200 p.m.= 9.4% (2005), 21.2% (2015), 59.4% (2025) (*McKinsey Quarterly 2006 Special Edition*); 12% world *luxury sales* to grow to 1/3 by 2015; *Private cars* 11@1000 v 120 (world) v 500@1000 US, 500M cars by 2050 (*Goldman Sachs*); *The Young and Restless* – ladies in UK, gentlemen in US?, *Post-80s* Little Emperors, avant-garde *Me-Generation*, *Post-Torch Relay* + *Sichuan Earthquake impact*; *young entrepreneurs*, 300,000 *USD millionaires* + 50,000 p.a.
- (d) **Green Revolution - 11<sup>th</sup> FYP**, @ CO2 emission 87% of world average but *largest polluter*, 2.6 m sq km *desertification* affecting 400m people; 1978 *Green Great Wall* 4,480 km afforestation (recent snowstorm damaged 10%); world's largest ecological project now absorbing 500m tons (8%) green-house gas emissions p.a., to increase to 20 % absorption, coverage to 18.21% *to reduce 1b tons CO2 p.a. by 2010* ; energy efficiency - small coal power plants closed (< 10m kW completed 2007, target 50m kW); \$200b to be invested in renewable energies next 15 yrs (IEA + Deutsche Bank) inc hydro, nuclear, coal-seam gas, biomass, wind, solar, terrestrial heat and wave energies; Dongtan *Eco-City*; *Electric Cars* manufactured in Tianjin (NY Mayor Bloomberg visited) –Miles XS500 capable of 120 miles at 80 mph to launch in 2009 (*Zoom: The Global Race to Fuel the Car of the Future*); praised for proactive role in post-Kyoto *Bali Roadmap*; *airtickets* only and ban on *plastic bags* 1.6.08

# China's green inflexion point?

- **Law on Circular Economy** (signed into law on 29.08.08 by President Hu right on heels of Olympics, effective 1.1.09) *Sustainable development* and an *environmentally-friendly society* through *energy and water conservation* and *emission reduction* with *tax breaks* and *finances*
- Governments at all levels mandated
  - to reinforce *recycling, energy-saving and waste-reutilization standards*
  - to draw up plans on the *development of the recycling economy*
  - to establish systems *to control energy use and pollutant emissions*
  - make policies *to divert capital into* environment friendly industries.
- Enterprises required
  - to strengthen *management*
  - *new buildings and projects* to introduce *water-saving* technologies & equipment & adopt *renewable products* such as solar and geothermal energies.
  - *to recycle* and make comprehensive use of coal mine waste, coal ash, and other *waste materials*.
- *Refinery, power generation, steel and iron production plants* to embrace cleaner natural gas and alternative fuels
- *Farmers and rural departments* to recycle maize straw, livestock waste, and farming by-products to produce marsh gas

# China Mega-trends (2)

- (e)(1) Drive for **Science and Technology**: 4 m *graduates* pa, 40% of overseas post-doctorates in US, 32M *scientists/technologists*, 5th largest no. of published *scientific papers* (*Science Watch 1996-2006*), *leading strengths* in biotech, genomics, stem cell, gene therapy research, world's largest *agricultural science program*, *Shenzhou VI* (2005), *Chang'e* (2007), *Shenzhou VII* (space-walk 2008), *11th FYP* 60% GDP, 2.5% on R&D by 2010, *Aircraft industry* – regional jets roll-out
- (e)(2) Building a **Nation of Innovation**: biggest market for *IC*, 3 x India's 24 *PCs @1,000*, 750 *international R&D centres* (India 100), world proportion in China (35%) = France v UK (47%) US (59%), home-grown *IGRS (Intelligent Grouping and Resource Sharing) Standards* approved June, 2005 & *3rd G 3G network TD-SCDMA* for *3C* (Computers, Communications, Consumer Electronics) and *IPTV* (Internet Protocol TV); satellite launch on 14.04.07 for China *GPS* (v US's GPS, Russia's Glonass and EU's planned Galileo); *Technologies* in energy and water resources, environmental conservation, proprietary technologies, life sciences, aeronautics, ocean sciences; 11th FYP - *20 Fortune 500* by 2010 (Lenovo, Haier, Huawei etc)
- (f) **China going Global** – (a) *Resources* (b) Overseas *markets* – home overcapacity + higher margins (c) *technology* (e.g. in Japan, Shanghai Electric Group bought Akiyama (high tech printers), Midea bought Sanyo Electric's microwave oven division, Huawei JV with NEC + Matsushita for 3G mobile phone technology (d) China joins the *Capitalist Club*
- (g) **Outsourcing and In-sourcing** – from science and technology parks to *BPO* parks + universities (India), Chinese MNCs to outsource overseas compliance to host countries?
- (h) **Central and Western expansion**: *Balanced* development, New Socialist *Countryside*, Rising *mass consumers* in Tier 2-3 cities (*Marketing to Hinterland*, McKinsey Quarterly, 2006 Special Edition)
- (i) Inbound and Outbound **Tourism** (Top Tourism Destination before 2020)
- (j) **Emerging civil society** (public consultation and *public hearings mandated by law*, *local elections* of all village and county chiefs and urban neighbourhood committees, *online community forums*, *media* role in monitoring consumer rights and environment, *36m blogs* (60m bloggers), officials read public *internet feedback*, 250,000 *NGOs*, 80-100M *Christians* (*Jesus in Beijing*, David Aikman, 2003); *Post 5.12*

# Points to ponder

- ***Energy, Resources, Food, and Environmental Security*** (+ geopolitics and geo-economics)
- ***Balanced Development*** (Rural v Urban, Human v Environmental, Economic v Social, National v Local, and Inward v Outward Investment)
- ***Corruption & Governance*** (including ***corporate governance***)
- ***Civil society & political development*** (攻坚, 十七大后中国政治体制改革研究报告, 中央党校 周天勇, 王长江, 王安岭主编 2007年十月)
- ***Inequality***
- ***Inflation***
- ***Global economic and trade imbalance*** (US reliant on debt-financed consumerism v China's over-dependence on low-margin exports + over-investment in US treasuries)
- ***RMB*** appreciation v exports + consumption + impact on regional currencies
- China's ***SWFs*** + outward investments v credit-worthiness of overseas assets
- ***Aging population profile***
- ***Stirring separatism :Tibet, Xinjiang, Taiwan***
- ***But Olympics impact remains*** – Huge symbolism – Defining Milestone (1978, 1992, 2001, 2008)

**Thank you**

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