Implications of a Trump Presidency and shifts in the World Order

Where to put your money in 2017?

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Disclaimer

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Where is Trump coming from?

Manufacturing Jobs Vanish

The number of U.S. manufacturing jobs fell from about 19 million in 1979 to 12 million in 2015, as companies increasingly automated factories or outsourced work to countries with cheaper labor. Once a major source of middle-class income, manufacturing jobs declined most rapidly after 2000 as U.S. manufacturing productivity increased, reducing hours for factory workers, while competition from foreign countries weakened demand for U.S.-produced goods.

Anger against unfairness and “the establishment”
A world of increasing economic inequality
Returning to Belle Epoque and pre-French Revolution times

Figure 20. Shares of Net Wealth Held by Bottom 50 Percent and Top 10 Percent

Sources: Credit Suisse, Statistics Norway, Luxembourg Wealth Study database, and IMF staff estimates.
Rapid job losses due to demographics and digitization

McKinsey Global Institute, January, 2017 –
Productivity Growth p.a.

Steam engine – 0.3%
1850-1910
Early robotics – 0.4%
1993-2007
Information Technology – 0.6%
1995 -2005
Robotics and AI 0.8-1.4%
2015-2065

By 2055, half of the world’s jobs are at risk of displacement
Rise of nationalism, chauvinism, nativism, and localism

Far-Right Leads Eurosceptic Earthquake
Performance of eurosceptic parties in the 2014 European elections*

- United Kingdom (UKIP) 27.5%
- Denmark (DF) 26.6%
- France (FN) 25.4%
- Austria (FPÖ) 19.5%
- Hungary (Jobbik) 14.7%
- Netherlands (PVV) 13.4%
- Finland (Persus) 12.9%
- Greece (X.A.) 9.4%
- Germany (AfD) 7.0%
- Italy (LN) 6.2%

*As of May 26, 11:00 CET
Source: European Parliament
Rise of strongmen for “national renaissance”
How the mega rich overturned American politics in their favour
Team associated with the “military-industrial-financial complex” (1)

Steve Brannon: Chief Strategist and Senior Adviser, seat on National Security Council, CEO of Trump final campaign, former Goldman Sachs, and chairman of alt-right Breitbart News, connected to anti-Pope Francis faction in Vatican

ExxonMobil CEO Rex Tillerson, Secretary of State, with close ties to Putin over Arctic resources

General James Mattis: Secretary of Defence-Nicknamed “Mad-dog”, hater of Iran and political Islam

Steven Mnuchin: Treasury Secretary, former Goldman Sachs partner and hedge funder (X-men & Avatar). Purchased bailed-out bank for pennies, then aggressively foreclosed thousands of families.

Jeff Sessions: Attorney General, most vocal anti-immigration voice in Senate, Old South icon who said KKK was Okay.
Team associated with the “military-industrial-financial complex” (2)

Gary Cohn: National Economic Council Director, Goldman Sachs President and former Goldman commodities trader (Trump’s campaign rhetoric against Hilary-Goldman link notwithstanding)

Alexander Acosta as Secretary of Labour – Florida law school dean - George W. Bush veteran as head of Justice Department’s civil rights division and U.S. attorney in Florida. To replace Andrew Puzder: owner of fast-food chains Carl’s Jr. and Hardees (against higher minimum wage)

Scott Pruitt: Head of the Environmental Protection Agency, Climate Change denier, currently suing the EPA as Attorney General of Oklahoma

Ryan Zinke, as Secretary for the Interior, 20-year veteran in Navy Seals, Climate Change doubter from Montana

Linda McMahon: Head of Small Business Administration, 30-year close friend, co-founder and former CEO of wrestling franchise WWE, a $650m listed company, another billionaire to join the wealthiest White House in modern history
H.R. McMaster, respected military strategist, as National Security Advisor, to replace Retired General Mike Flynn, hater of Radical Islam, opponent of Iran Deal, and Russia-friendly – dismissed for having misled VP Mike Pence over talks with the Russians.

Wilbur Ross: Commerce Secretary, billionaire private-equity investor and “King of Bankruptcies”.

Betsy DeVos, Education Secretary, multi-billionaire philanthropist, champion of voucher schools.

Rick Perry, Energy Secretary, Former Texas Governor

Elaine Chao, Transportation Secretary, Labor Secretary for full two terms of George W. Bush, wife of Mitch McConnell, Senate majority leader.
Strengthening Military for effective deterrence

Make our Military so over-powering that we don’t ever have to use it.
Military solution against ISIS

"I WOULD BOMB THE HELL OUT OF THOSE OIL FIELDS"
Hastening global re-armament and arms race

U.S. drives the global arms race

• Hi tech weapons fuel the global arms race
  – U.S. military spending ($620B) 8 times Russia’s and 4 times that of China
  – U.S. spends $80B on weapons R&D alone - more than the total military spending by most nations
  – Historically, US is the No.1 arms exporter with Russia as the close second
  – Most sales to developing nations and autocratic allies in the Middle East

Today, nine countries have more than 23,000 nuclear weapons—many kept on alert to launch within minutes. A nuclear conflict—or accident—could cause millions to die in a flash.
Rattled stability in the South China Sea
East Asian pragmatism trumps military rhetoric
China’s state-of-the-art multi-theatre defence systems
Mutual deterrence and war-weary US public mitigate against wars

U.S. vs. Russia: The power dynamics
The U.S. military outguns its Russian rival in most key categories, though Russia's nuclear arsenal retains its Soviet-era potency.

<table>
<thead>
<tr>
<th>Category</th>
<th>U.S.</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total defense spending</td>
<td>$560B</td>
<td>$60B</td>
</tr>
<tr>
<td>Ground troops</td>
<td>1,350,000</td>
<td>845,000</td>
</tr>
<tr>
<td>Tactical aircraft</td>
<td>3,290</td>
<td>1,200</td>
</tr>
<tr>
<td>Long-range strike aircrafts</td>
<td>157</td>
<td>180</td>
</tr>
<tr>
<td>Surface warfare ships</td>
<td>272</td>
<td>217</td>
</tr>
<tr>
<td>Aircraft carriers</td>
<td>71</td>
<td>59</td>
</tr>
<tr>
<td>Submarines</td>
<td>7,100</td>
<td>7,700</td>
</tr>
<tr>
<td>Nuclear warheads</td>
<td>7,100</td>
<td>7,700</td>
</tr>
</tbody>
</table>

Most do not want the United States to take a more active role in global affairs.

Question: Do you think the United States should take a more or less active role solving the world’s problems or is its current role about right?

Majority Says U.S. Should ‘Mind Its Own Business Internationally’

MIGHT AND POWER IN THE PACIFIC: CHINA vs THE UNITED STATES

CHINA
NAVY
27 destroyers
47 frigates
21 submarines
Plans for three aircraft-carrier battle groups
AIR FORCE
1300 fighters
600 bombers
500 surface-to-air missile launchers
Anti-missile missiles (successfully tested)

US
THE 7TH FLEET IN THE PACIFIC
50 warships and 350 aircraft
7TH FLEET'S FORWARD DEPLOYMENT BASED IN JAPAN
1 aircraft carrier with 90 aircraft
1 command ship
2 guided missile cruisers
7 guided missile destroyers
3 submarines


PEW RESEARCH CENTER
Less interventionist but robust, transactional foreign policy

TYCOON’S FOREIGN POLICY PITCH

- ‘America first’ will be the major and overriding theme of his administration
- Will seek better relations with Russia and China if elected president
- Vows to make US allies bear more of the financial burden for their defence
- Criticised Obama saying the current administration was leaving a legacy of “weakness, confusion and disarray”
- “Easing of tensions with Russia from a position of strength”, he says
Better Russia relations may ease world tension

 Putin Endorses Donald Trump for President United States Of America!

Trump: Mid East Could Be Safer With Hussein, Gaddafi, Stronger Assad
US-Russian Détente to contain China unlikely to be effective

Russia remains a cornerstone of the global energy economy

Russian revenue from fossil fuel exports

- 2010
  - $255 billion

- 2035
  - $420 billion

An increasing share of Russian exports go eastwards to Asia, providing Russia with diversity of markets and revenues
Japan

• Continues to expand US military strength in AP to contain China and boost “military-industrial complex”.
• Expects Japan to bear a larger burden
• Supports Abe to loosen Japan’s wartime constitutional constraints on Japan’s force projection
• Japan’s global power constrained by aging demographics and lack of cultural inclusiveness

Threats to the United States and Japan

Below is a list of possible threats to the vital interest of [the United States/Japan] in the next 10 years. For each one, please select whether you see this as a critical threat, an important but not critical threat, or not an important threat at all:

- Americans: Critical threat
- Americans: Important but not critical threat
- Japanese: Critical threat
- Japanese: Important but not critical threat

International terrorism
- Americans: 45% Critical
- Americans: 75% Important
- Japanese: 34% Critical
- Japanese: 22% Important

North Korea’s nuclear program
- Americans: 40% Critical
- Americans: 60% Important
- Japanese: 34% Critical
- Japanese: 35% Important

Climate change
- Americans: 39% Critical
- Americans: 51% Important
- Japanese: 37% Critical
- Japanese: 23% Important

The possibility of violent Islamic extremist groups carrying out a major terrorist attack in your country
- Americans: 39% Critical
- Americans: 72% Important
- Japanese: 32% Critical
- Japanese: 26% Important

Cyber attacks on your country’s critical infrastructure
- Americans: 34% Critical
- Americans: 69% Important
- Japanese: 32% Critical
- Japanese: 26% Important

An international financial crisis
- Americans: 30% Critical
- Americans: 49% Important
- Japanese: 37% Critical
- Japanese: 45% Important

Territorial disputes between China and its neighbors
- Americans: 22% Critical
- Americans: 57% Important
- Japanese: 29% Critical
- Japanese: 40% Important

China’s military power
- Americans: 28% Critical
- Americans: 41% Important
- Japanese: 38% Critical
- Japanese: 54% Important

The possibility of unfriendly countries becoming nuclear powers
- Americans: 38% Critical
- Americans: 61% Important
- Japanese: 41% Critical
- Japanese: 54% Important

Islamic fundamentalism
- Americans: 26% Critical
- Americans: 59% Important
- Japanese: 38% Critical
- Japanese: 34% Important

Large numbers of immigrants and refugees coming into your country
- Americans: 25% Critical
- Americans: 59% Important
- Japanese: 35% Critical
- Japanese: 32% Important

A confrontation between North Korea and South Korea
- Americans: 21% Critical
- Americans: 43% Important
- Japanese: 37% Critical
- Japanese: 42% Important

China’s economic power
- Americans: 20% Critical
- Americans: 32% Important
- Japanese: 37% Critical
- Japanese: 55% Important

Russia’s territorial ambitions
- Americans: 14% Critical
- Americans: 30% Important
- Japanese: 42% Critical
- Japanese: 57% Important

*US result from 2015 Chicago Council Survey
CHICAGO COUNCIL ON GLOBAL AFFAIRS | Genron-NPO
Taiwan – China’s red-lines

History of the Taiwan Strait

- U.S.-ROC Defense Treaty (1954)
- Taiwan Relations Act (1979)
  - Passed after establishment of diplomatic relations with PRC and Beijing
  - Breaking off of relations with ROC redefined the American position on Taiwan.
  - U.S. doesn’t recognize the PRC vs. ROC terminology
  - Act provides Taiwan to be treated under U.S. International laws
- One-China Policy (1992)
  - Policy that views China as a single state despite two separate governments.
  - Both PRC and ROC honor the policy however both disagree about which state is legitimate.

The anti-secession law in 2005

China has said the law is by no means a so-called “law on the use of force against Taiwan” or a so-called “war mobilization order.” China would only use “non-peaceful means” to stop Taiwan’s secession should all efforts for a peaceful reunification prove futile.
North Korea

The threat and the defense

The United States’ missile defense system uses a ground-based missile interceptor to destroy enemy warheads before reaching the U.S. The Pentagon is deploying an additional 14 ballistic missile interceptors, increasing the number from 30 to 44. Currently, Alaska has 30 and California has four ground-based missile interceptors.

How the system is supposed to work

1. **Oscating Defense Support Program (ODSP) satellites and Space Based Infrared System (SBIRS) satellites detect a missile launch using visible and infrared sensors.**

2. **Multiple radars, ground-based (Early Warning Radar) and sea-based (Looking X-band radar platforms), track the missile.**

3. **Fire control, battle management and threat analysis is shared between Fort Greely, Alaska, and 100th Missile Defense Brigade at Colorado Springs, Colo. If the threat is confirmed, authority to launch is given.**

4. **Ground-based missile interceptor, consisting of a multistage booster with an exoatmospheric kill vehicle (EKV), launched.**

5. **Kill vehicle uses infrared and visible sensors to track the incoming warhead; destroys warhead by colliding with it at 19,000 mph (24,700 kph).**

Exoatmospheric kill vehicle (EKV)
- Weight: 140 lb. (64 kg)
- Length: 55 in. (140 cm)
- Diameter: 24 in. (61 cm)

North Korea’s new special zones

- Economic development zone
- Agricultural development zone
- Industrial development zone
- Export processing zone
- Tourism development zone

Trade Protectionism

- **TPP** to be scrapped
- **NAFTA** to be renegotiated
- 45% and 35% tax on *China and Mexico imports*, others 5%?
- Possible *Destination-based taxation with border adjustment (DBTBA)* - to tax income earned domestically and allow deduction only for domestically sourced costs. Net exporters (like aircraft manufacturers) would benefit. Companies with a high net import share (like apparel or computers) would suffer. Importers with smaller margins would be hit hard.
- Likely to target China's imports of *steel, aluminium, glass, and solar*, with excess capacity.
- Likely window-dressing, *non-country-specific anti-currency-manipulation legislation* with fast-track presidential powers.
Trumps’ China-bashers-in-chiefs
Trade War against China

• Only 19% of China's exports to US v Mexico's 82%.
• Exports = 20% of China's GDP, services, investment and consumption.
• Trade wars may damage US more than China: tariffs of 45% on China would reduce America's GDP by 0.77% by 2019, compared to China's reduction of 0.3% (Goldman Sachs).
• Immediate losers - American consumers, who will face increasing inflationary pressures.
• China may retaliate robustly targeting airplanes, cars, agricultural products and key US enterprises in China. China may also sell more US Treasury bonds, putting pressure on US interest rates.
• Targeting imports misses reality of inter-connected global supply and value chain. Tariffs unlikely to boost competitiveness.
• Dr. Richard Haass, president of the Council on Foreign Relations, "trade has an important geopolitical dividend. .... supporting allies and promoting human development ......integrating adversaries in ways that makes them think twice before they disrupt the status quo."

Countries on U.S. Treasury's currency watch list

<table>
<thead>
<tr>
<th>Country</th>
<th>Annual trade surplus with U.S. ($ billion)</th>
<th>Current account surplus as a proportion of gross domestic product (%)</th>
<th>Net purchases of foreign currency as a proportion of gross domestic product (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>356</td>
<td>2.4</td>
<td>-5.1</td>
</tr>
<tr>
<td>Germany</td>
<td>71.1</td>
<td>9.1</td>
<td>N/A</td>
</tr>
<tr>
<td>Japan</td>
<td>67.6</td>
<td>3.8</td>
<td>0</td>
</tr>
<tr>
<td>Korea</td>
<td>30.2</td>
<td>7.9</td>
<td>-1.8</td>
</tr>
<tr>
<td>Taiwan</td>
<td>13.6</td>
<td>14.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>12.9</td>
<td>10</td>
<td>9.1</td>
</tr>
</tbody>
</table>

* The figures are for the 12 months ending June 2016
* There are three criteria to be included on the watch list: a bilateral trade surplus with the United States of over $20 billion, current account surpluses in excess of 3 percent of GDP and net purchases of foreign currency in excess of 2 percent of an economy's GDP. Meeting two criteria puts a country on the list while a country fulfilling all three criteria can be designated a currency manipulator.

Source: U.S. Department of the Treasury
Bilateralism reduces competitiveness by fragmenting globalized value chains

Globalized supply and value chains

Dense linkages of transportation, energy, communications infrastructure

Digitization knows no borders
"China needs US as much if not more than vice versa" - “If China doesn’t give us better terms, we will re-consider One China Policy” – Going for the jugular or Responsible hardball? Frenemies?
Illegal immigration

- **11 m illegals** in US.
- Law against “birthright citizenship” – re-interpretation of 14th Amendment
- **Triple number of border control officers**
- Cut off federal grants to sanctuary cities
- Build 1,000 km “wall” including impassable terrain and no-man’s land - Israel: $2m@km wall
- **Mexico to pay** e.g. higher border fees, impounding illegal’s remittances, strongarming the Mexican gov’t
- **Muslin travel pan** on 7 selected countries
Rebuilding infrastructure
Education - Let local communities and parents decide

Donald Trump
Chairman and president
The Trump Organization

Age: 69
Home Team: New York
Education: B.S. University of Pennsylvania

“We’re twenty-sixth in the world. Twenty-five countries are better than us at education. And some of them are like Third World countries.”

Stats

Common Core: Says it is a disaster.

School Choice: Parents should be able to choose what’s best. Likes charter schools, vouchers and opportunity scholarships.

Educator Accountability: Stance unknown. Looking forward to hearing more.

No Child Left Behind: Stance unknown. Looking forward to hearing more.

Early Ed: Stance unknown. Looking forward to hearing more.

Higher Ed: Founded a for-profit college, which was criticized — and sued — for being an “illegal education institution.”
Healthcare and Childcare

How Will President Trump Affect Your Healthcare?

Trump will seek the repeal of the Affordable Care Act. He wants to replace the ACA with new reforms, including:

- Allow health insurance to be sold across state lines
- Allow individuals to fully deduct health insurance premium
- Allow individuals to use Health Savings Accounts (currently use is restricted to those with high deductible health insurance plans)

How Will President Trump Affect Your Childcare?

- Trump has proposed an above-the-line deduction of up to $5,000 for childcare of children under age 13.
- For families making $62,400 ($31,200 for single filers), Trump would offer a childcare rebate through the Earned Income Tax Credit.
- Families could establish a Dependent Care Savings Accounts with an annual contribution limit of $2,000. For low-income families, the government will provide a 50% match up to $1,000 a year.
Re-invigorating the economy

DONALD TRUMP’S ECONOMIC PLAN

- 15% CORPORATE TAX
- 3 TAX BRACKETS: 12%, 25%, 33%
- RENEGOTIATE NAFTA
- WITHDRAW FROM TPP
- END DEATH TAX
- FULLY DEDUCT CHILDCARE EXPENSES
- EXPAND ENERGY PRODUCTION

TRUMP CAMPAIGN
Short-term $ repatriation strengthens US economy and greenback

- $2.5 trillion funds to be repatriated - greenback, Japanese yen, interest rates, US stock market etc.
- Massive tax reductions – 15% corporate tax
- Drastically revamp Tax Code of 74,608 pages – to single page for small guys
- One-time repatriation of US funds to enjoy 10% special tax rate
- Tax penalties on outsourcing of jobs
- Massive infrastructural opportunities
- Renegotiate North America Free Trade Area (NAFTA) deal with Mexico
- Threatens to leave WTO unless with better terms
Exploiting oil resources

Trump Platform: American Energy

- My America First energy plan will create real jobs & wage growth: 400,000+ new jobs/yr adding $700B in annual economic output
- Lift strangling restrictions on USA energy
- Assure clean air/water, pursue renewables
- Become, and stay, totally independent of OPEC or any nations hostile to US interests
- Use energy revenues to rebuild our roads, schools, bridges and public infrastructure.

Here is my 100-day action plan:

- We’re going to rescind all the job-destroying Obama executive actions including the Climate Action Plan and the Waters of the U.S. rule.
- We’re going to save the coal industry and other industries threatened by Hillary Clinton’s extremist agenda.
- I’m going to ask Trans Canada to renew its permit application for the Keystone Pipeline.
- We’re going to lift moratoriums on energy production in federal areas
- We’re going to revoke policies that impose unwarranted restrictions on new drilling technologies. These technologies create millions of jobs with a smaller footprint than ever before.
- We’re going to cancel the Paris Climate Agreement and stop all payments of U.S. tax dollars to U.N. global warming programs.
- Any regulation that is outdated, unnecessary, bad for workers, or contrary to the national interest will be scrapped. We will also eliminate duplication, provide regulatory certainty, and trust local officials and local residents.
- Any future regulation will go through a simple test: is this regulation good for the American worker? If it doesn’t pass this test, the rule will not be approved.
**Oil prices following production cut and Trump**

- **OPEC + Non-OPEC** including Russia agreed Nov 2016 to cut output by ~ 1.8 m bpd first half 2017.
- Compliance ~ 90%, Reuters - OPEC may extend from July if global inventories fail to drop enough.
- **US oil and shale production** set to shoot up under Trump
- **Iraq and Iran** may pump more for money
- **China economy** set to reduce demand – slowing growth + going green
- **Greenback** likely to continue to strengthen, depressing price hikes
- **Price 20/02/17 at ~$54 /b**
- **Forecast range** $40 - $65 during 2017 and probably to 2020
Net energy exporter sooner, lurking pollution risks

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...AND WHAT THEY DON’T!

FRACKING IS NOT AN EXACT SCIENCE! IT CAUSES GROUND WATER POLLUTION & AIR POLLUTION & DEGRADATION OF NATURAL LAND & HABITAT DESTRUCTION & TOXIC CONTAMINATION OF SOIL
Tearing up agreements imperils global order

The Paris climate agreement: key points
The historic pact, approved by 195 countries, will take effect from 2020

- Temperatures: 2100
- Finance: 2030-2050
- Differentiation: 2050
- Emissions objectives: 2030

- Keep warming “well below 2 degrees Celsius”. Continue all efforts to limit the rise in temperatures to 1.5 degrees Celsius.
- Rich countries must provide $100 billion dollars from 2020, as a “floor”
- Amount to be updated by 2025
- Developed countries must continue to “take the lead” in the reduction of greenhouse gases
- Developing nations are encouraged to “enhance their efforts” and move over time to cuts
- Aim for greenhouse gases emissions to peak “as soon as possible”
- From 2025: rapid reductions to achieve a balance between emissions from human activity and the amount that can be captured by “sinks”

- Burden-sharing
- Review mechanism: 2023
- Climate damage

- Developed countries must provide financial resources to help developing countries
- Other countries are invited to provide support on a voluntary basis
- A review every five years: First world review 2023
- Each review will assess countries’ in “updating and enhancing” their pledges
- Vulnerable countries have won recognition at the need for “averting, mitigating and addressing” losses suffered due to climate change

But we’re going to start renegotiating on NAFTA, on immigration and on security at the border.
Retreat from global obligations

Donald Trump vows to cancel Paris agreement and stop all payments to UN climate change fund
The concept of global warming was created by and for the Chinese in order to make U.S. manufacturing non-competitive.
Scraping TPP favours China-led alternatives - RCEP and FTAAP
Strategic unpredictability undermines reliability and standing

Early outspoken support for Libya intervention
Voted for Bush in 2004 despite Iraq “disaster”
Wants more military spending
Nuclear “unpredictability”
Wants larger ISIS wars
End of Pax Americana - tarnished city on a hill – and West-dominated liberal world order
A fracturing and uncertain Europe

BREXIT

SOFT
- UK STRIKES A DEAL
  - UK negotiates a deal similar to Norway’s
- ACCESS TO SINGLE MARKET
  - UK retains free trade access with EU member states
- FREE MOVEMENT OF LABOUR
  - EU nationals can work & live in UK – no work permit needed
- EU BUDGET
  - UK contributes to EU budget

HARD
- UK ESTABLISHES A RELATIONSHIP
  - UK and EU establish a relationship on WTO agreement terms
- NO ACCESS TO SINGLE MARKET
  - UK loses single market access
- CONTROLLED IMMIGRATION
  - UK sets its own policy for EU migrants
- EU BUDGET FREE
  - UK doesn’t contribute to EU budget

Passporting Rights

Gone with Hard Brexit

Expanding Their Base
Nationalist parties, which are using fear of terrorism and unease about Islam to increase their reach, have been gaining influence across Europe.

<table>
<thead>
<tr>
<th>Country</th>
<th>Party (rank)</th>
<th>Percentage of support in recent polls</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>National Front (No. 1)</td>
<td>28%</td>
</tr>
<tr>
<td>Austria</td>
<td>Freedom Party (No. 1)</td>
<td>27%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Party for Freedom (No. 1)</td>
<td>21%</td>
</tr>
<tr>
<td>Denmark</td>
<td>People's Party (No. 3)</td>
<td>20%</td>
</tr>
<tr>
<td>U.K.</td>
<td>Independence Party (No. 3)</td>
<td>15%</td>
</tr>
<tr>
<td>Italy</td>
<td>Northern League (No. 4)</td>
<td>13%</td>
</tr>
<tr>
<td>Sweden</td>
<td>Swedish Democrats (No. 3)</td>
<td>13%</td>
</tr>
<tr>
<td>Germany</td>
<td>Alternative for Germany (No. 5)</td>
<td>6%</td>
</tr>
</tbody>
</table>

Sources: polls conducted in December or early January by Odoxa (France), Gallup (Austria), Peil (Netherlands), Berlingske (Denmark), YouGov (U.K.), Demos & P/Italy, Sifo (Sweden) Infratext and Dimap (Germany)

The Wall Street Journal
China at cross-roads of deepening reform

Belt Tightening | New spending rules for Communist Party members

1. China is cracking down on officials’ use of public funds across a variety of sectors. Some of the areas authorities are cracking down on include:  
   - Excessive, alcoholic gifts  
   - Travel, luxury travel  
   - Membership cards  
   - Excessive entertaining  
   - Excessive travel

2. About 32,000 Communist Party members were punished for suspected corruption last year. Here are some of the infantalizing figures and their former positions:
   - Former general, retired  
   - Former provincial party chief  
   - Former minister  
   - Former vice minister

3. The Communist Party’s internal watchdog has already punished around 8,000 members last year.

4. The Chinese government has recently enacted new rules to strengthen financial regulations and management, in an effort to curb corruption and establish a more transparent and accountable government.

CDDI INSPECTIONS, 2012-2017

Since the 18th Party Congress in 2012, the CCDI has found different ways to increase its number of inspections. But it is unclear how it will reach the ambitious goal of 100+ inspections before the 19th Party Congress in 2017.

2013  
10 inspections  
1 round  
10 teams

2014  
39 inspections  
1 round  
13 teams

2015  
82 inspections  
1 round  
30 teams

2016  
100+ inspections  
2 rounds  
26 teams

*Each team assigned two targets per round
**Two teams added

Figure 2: Debt-to-GDP Ratios

Legend:  
- Gray: Corporate
- Blue: Household
- Black: Government

Sources: Bank for International Settlements (BIS), International Monetary Fund, Goldman Sachs

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Fresh hopes of the China Dream

World GDP
Contribution by growth from:
Percentage points

United States  China  other rich economies  other emerging economies

GROWTH OF THE CHINESE E-COMMERCE CONSUMER BASE

CHINA  2010
140 MILLION ONLINE SHOPS
28% OF TOTAL USER BASE

USA  2010
140 MILLION ONLINE SHOPS
20% OF TOTAL USER BASE

CHINA INCHES UP GLOBAL INNOVATION INDEX 2016

25
China's overall ranking among 138 countries and economies

1
Ranking among upper-income economies

China's OBOR global initiative

Made in China 2025
The 4 advantages

Market  Enterprises  Strategy  Talents

The 10 key sectors

New information technology  Numerical control tools  Aerospace equipment  high-tech ships  Railway equipment

Energy saving  New materials  Medical devices  Agricultural machinery  Power equipment

China’s foreign direct investment
Towards “Community of Common Destiny” with Diversity?
Hong Kong – Too narrow-minded to embrace the world?
Should we count our blessings?

Ranking the World by Economic Freedom

Top 10 Countries

1. Hong Kong 88.6
2. Singapore 87.8
3. New Zealand 81.6
4. Switzerland 81.0
5. Australia 80.3
6. Canada 78.0
7. Chile 77.7
8. Ireland 77.3
9. Estonia 77.2
10. United Kingdom 76.4

Economic Freedom Scoring Key
80-100 Free
70-79.9 Mostly Free
60-69.9 Moderately Free
50-59.9 Mostly Unfree
0-49.9 Repressed

SOURCE: Heritage Foundation
...and contemplate the possibilities such as ...

WEST KOWLOON CULTURAL DISTRICT MASTERPLAN

1. Waterfront Park
   Includes Music Box, Franspace Theatre, outdoor stage and pavilion. Park shortlisted for 2013.
   Construction: 2015.
   Cost: $1.3 billion
   Six shortlisted practices were chosen this week for the 20th and 21st century visual culture museum.

2. Xiqu Centre
   Phase one building by Lines, Tung Architects and Ronald Lu Architects will house a venue for

3. Contemporary Performance
   Design competition planned for 2013.

4. Lyric Theatre

5. Medium Theatre
   A 600-seat theatre that will offer mainstream Hong Kong theatre and dance. Design

6. Museums
   This cluster is composed of a 1,800-seat concert hall for unamplified performances, plus a
   300-seat recital hall.

7. Musical Theatre
   This 2,000-seat venue will host touring musicals and popular commercial productions.

8. Mega Performance Venue
   With an 18,000-seat capacity, this will be the biggest indoor event venue in Hong Kong.

9. Great Theatre
   This 1,800-seat facility, which will be built in phase two, features a theatre with a
   cruciform stage for large-scale productions.

10. Medium Theatre II
    Phase two venue will either be a medium theatre or chamber hall to seat 600 people.
coming high speed rail to heart of China
Unprecedented middle-class explosion 88% in Asia

At a global level, we are witnessing the most rapid expansion of the middle class the world has ever seen. At the end of 2016, there were about 3.2 billion people in the global middle class. On average 160 million will join the middle class annually for the next 5 years.

In only three years, the fast-expanding global middle class will reach a historic milestone. Around 2020, the middle class will become a majority of the global population for the first time ever. We are on pace to add another billion in seven years and another billion by 2030.

88 percent of the next billion entrants into the middle class will be in Asia. By 2030, Asia could represent 2/3 of the global middle class population.

The middle class will spend $29 trillion more per year by 2030. Globally, the middle class is already spending $35 trillion, and could spend $29 trillion more by 2030, accounting for roughly 1/3 of the global economy. The market for middle class consumption could grow faster than global GDP growth.

The global middle class market is growing slowly in advanced countries and rapidly among emerging market economies. The middle class market in the U.S., the Eurozone, and Japan is projected to grow at only 0.5% per year compared with annual growth of 6% or more in China and India.

A world with more middle class people must wrestle with the implications for carbon emissions. To ease middle class pressure on the global commons, we need smart cities and girls’ education.

1. Given rapid urbanization, plan cities with energy-efficient buildings and mass transport.
2. Provide girls with secondary education, which results in at least 4 fewer children, fewer people, lower carbon emissions.
A better tomorrow is possible?
Where to put your money in 2017 – some possible ideas

Subject to Full Disclaimer
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Thank you

International and independent China Specialist with over 40 years professional experience covering Hong Kong and Mainland China. Chairman of Andrew Leung International Consultants, founded in London now relocated to Hong Kong. Provides strategic advice on China-related finance, investment, politics and economics globally, including both business and governments. China Futures Fellow selected worldwide by Berkshire Publishing Group, Massachusetts. On the Brain Trust of Evian Group, a Lausanne-based think-tank. Founding Chairman of China Group of Institute of Directors City Branch, London. Advisory Board Member of China Policy Institute, Nottingham University, 2005-10. Governing Council, King’s College London, 2004-10. Visiting Professor with Metropolitan University Business School. Helped set up Standard Chartered Bank’s first merchant-banking subsidiary in Hong Kong (1983); oversaw the trans-migration of industries into China as Deputy Director-General of Industry; US-government sponsored month-long visit to brief Fortune 50 CEOs on China beyond Tiananmen Square (1990); Editor-at-Large of a London-based international consultancy on China’s energies (2007). Sponsored Speaker on China at international conferences, including Forum Istanbul, Turkey, Annual African Banking and Financial Institutions Conference in Accra, Ghana, and Low Carbon Earth Summit in Dalian, China. Regular interviewee on live television with CNBC, Aljazeera English, Times Now of India, BBC and other international channels. Awarded Hong Kong’s Silver Bauhinia Star (SBS) and included in UK’s Who's Who since 2002.