NBA Dinner Event

China Outlook: 2021-2035

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CHINA OUTLOOK: 2021—203

2008: A turning point

- The end of Chimerica era
- The Thucydides Trap
- 4-trillion stimulus & high speed train
- Political changes

Big change never seen in 100 years

- Reshaping world order
- 4th industrial revolution
- China’ s economic transformation
- Covid-19 pandemic

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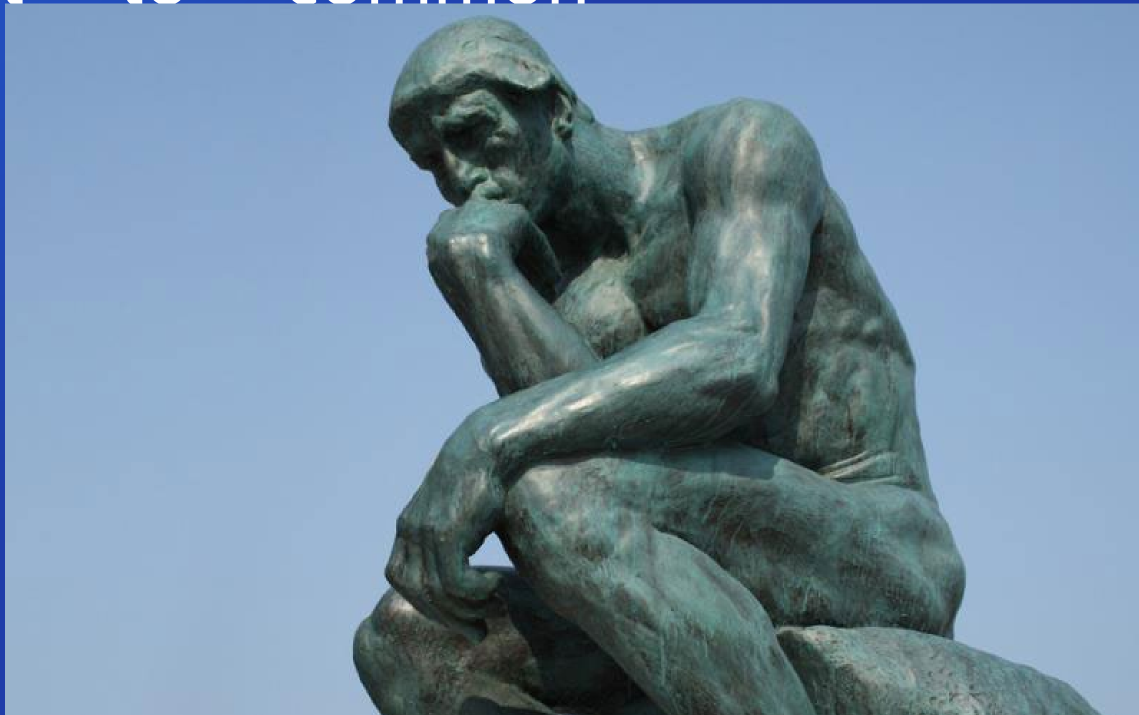
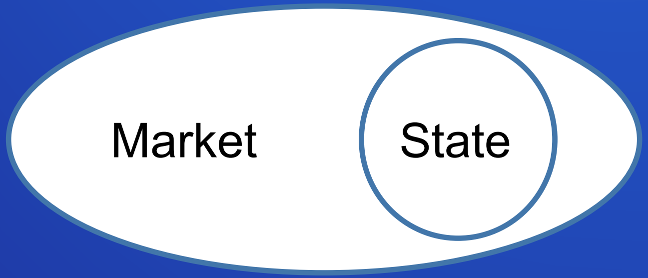
A new phase

- A totally different sino-US relationship
- Middle income trap
- From “let a few people get rich first” to “common prosperity”
- From “Stand up” to “get rick”, t
  “get strong”

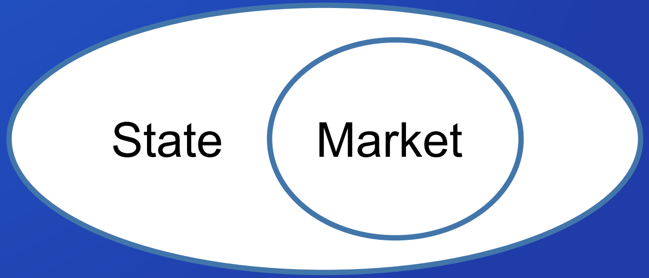


Market with Chinese characteristics

US



CHINA



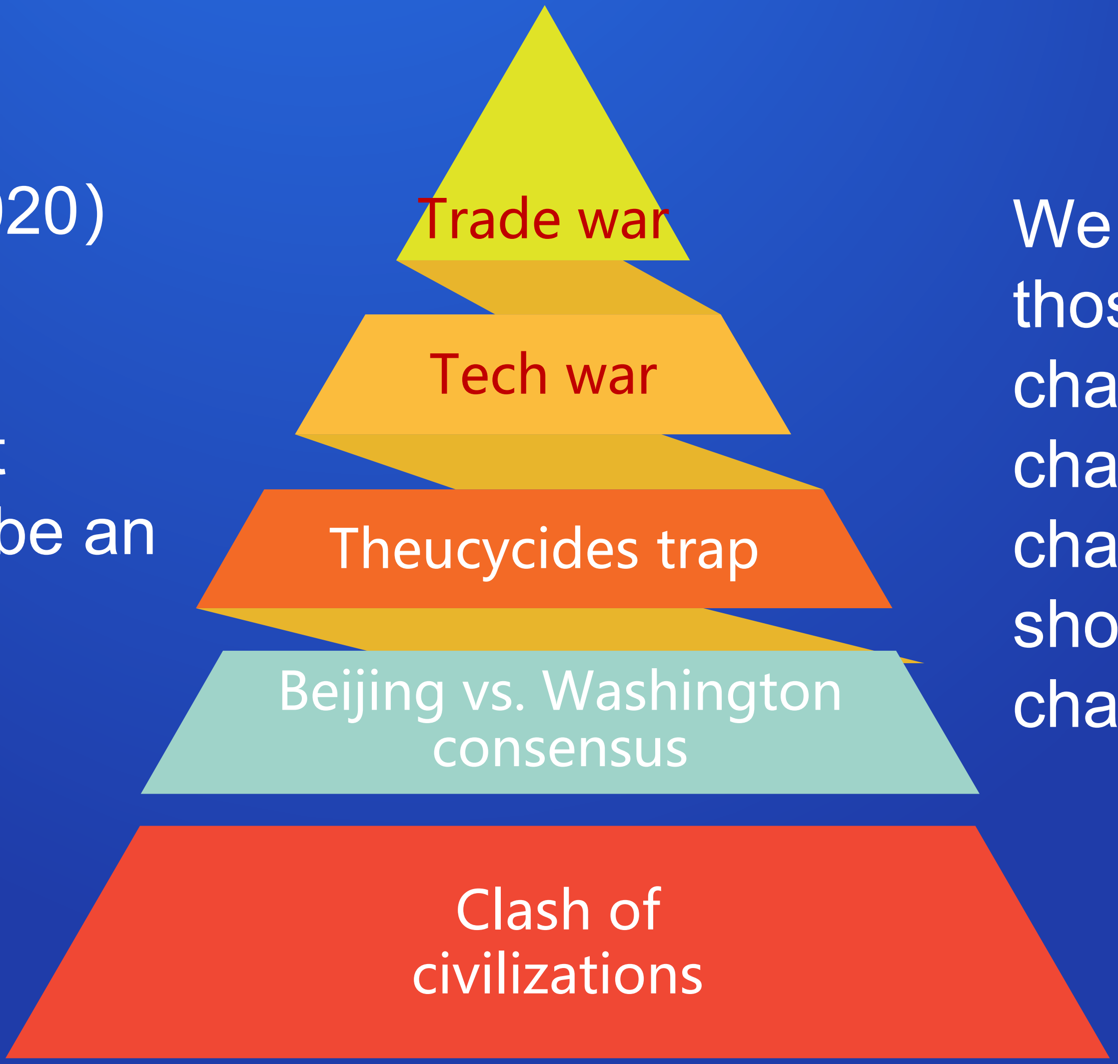
The falling down of Jack

- Meeting with Trump
- Arrogance
- Influence = power
- Too big to control

Game between great powers

Kevin McCarthy （2020）：

We must ensure 21st century continues to be an American century.



We will definitely change those things we should change and we can change, but we will never change those things we should not and can not change.

—Xi Jinping （2018）

Destined for war?

- Time is on the China side.
- 2020-2030: make or break （Kevin Michael Rudd）
- New Sarajevos： Taiwan, south China sea, Diaoyu Islands, China-India, NK

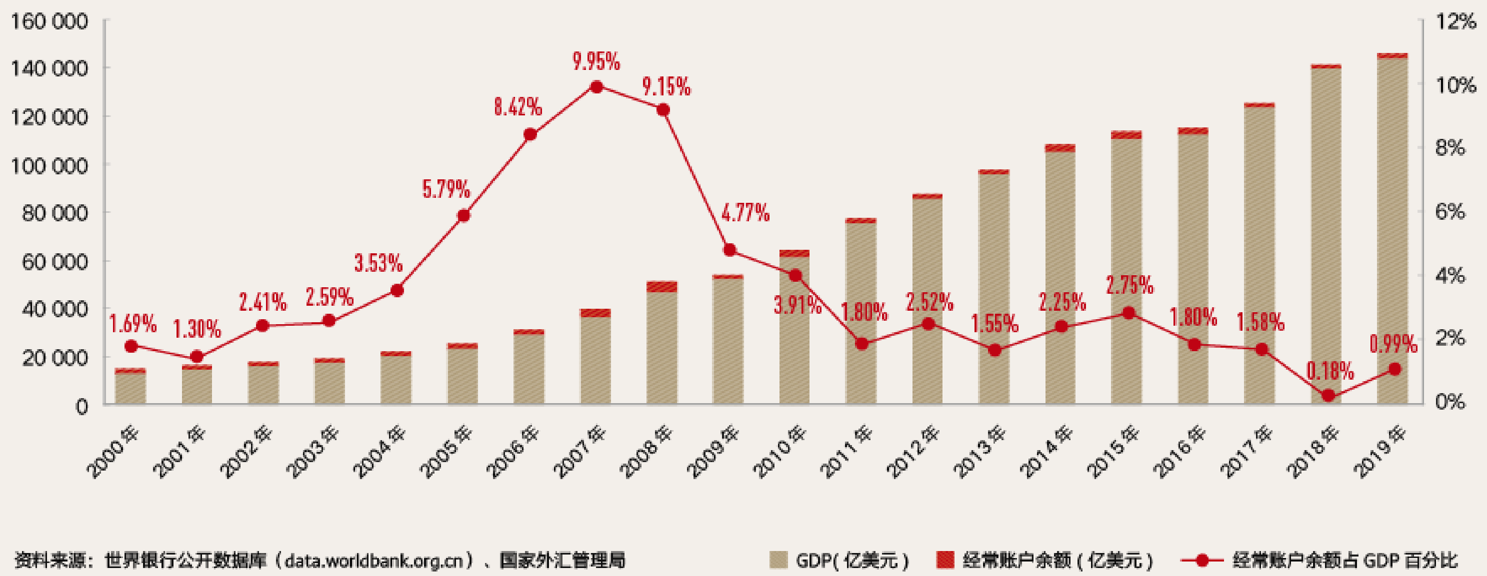
China’ s new strategy

- Domestic cycle will play a major role
- How to make it happen：

  —supply side

  —demand side

图 1 中国 GDP 与经常账户余额

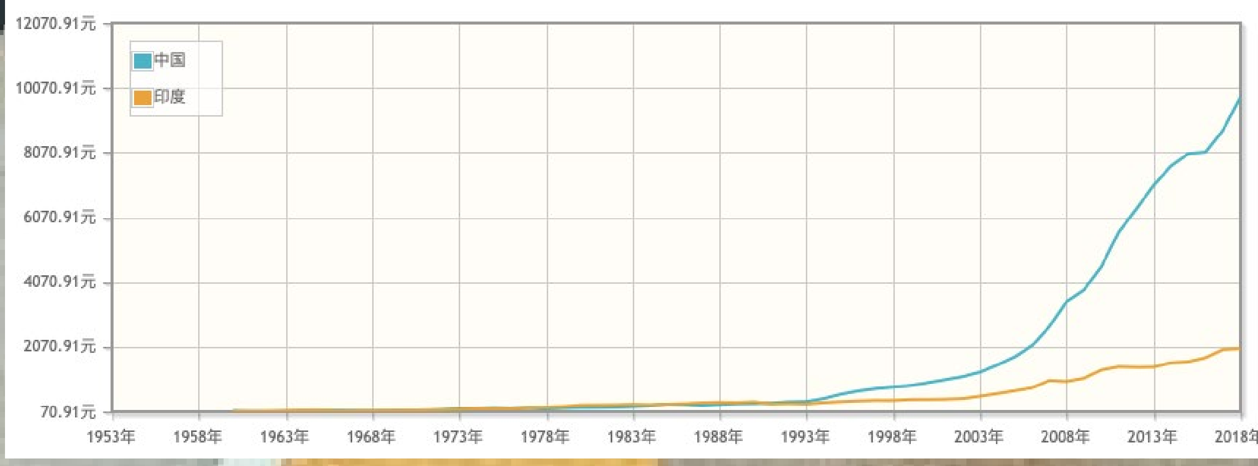


资料来源：世界银行公开数据库（data.worldbank.org.cn）、国家外汇管理局

The Chinese model

Market system + investment driven + strong governmen

Market system + innovation driven+ small government



A not-ending economic miracle

Invest
ment

Real
estate

Export

Labor

Innova
tion

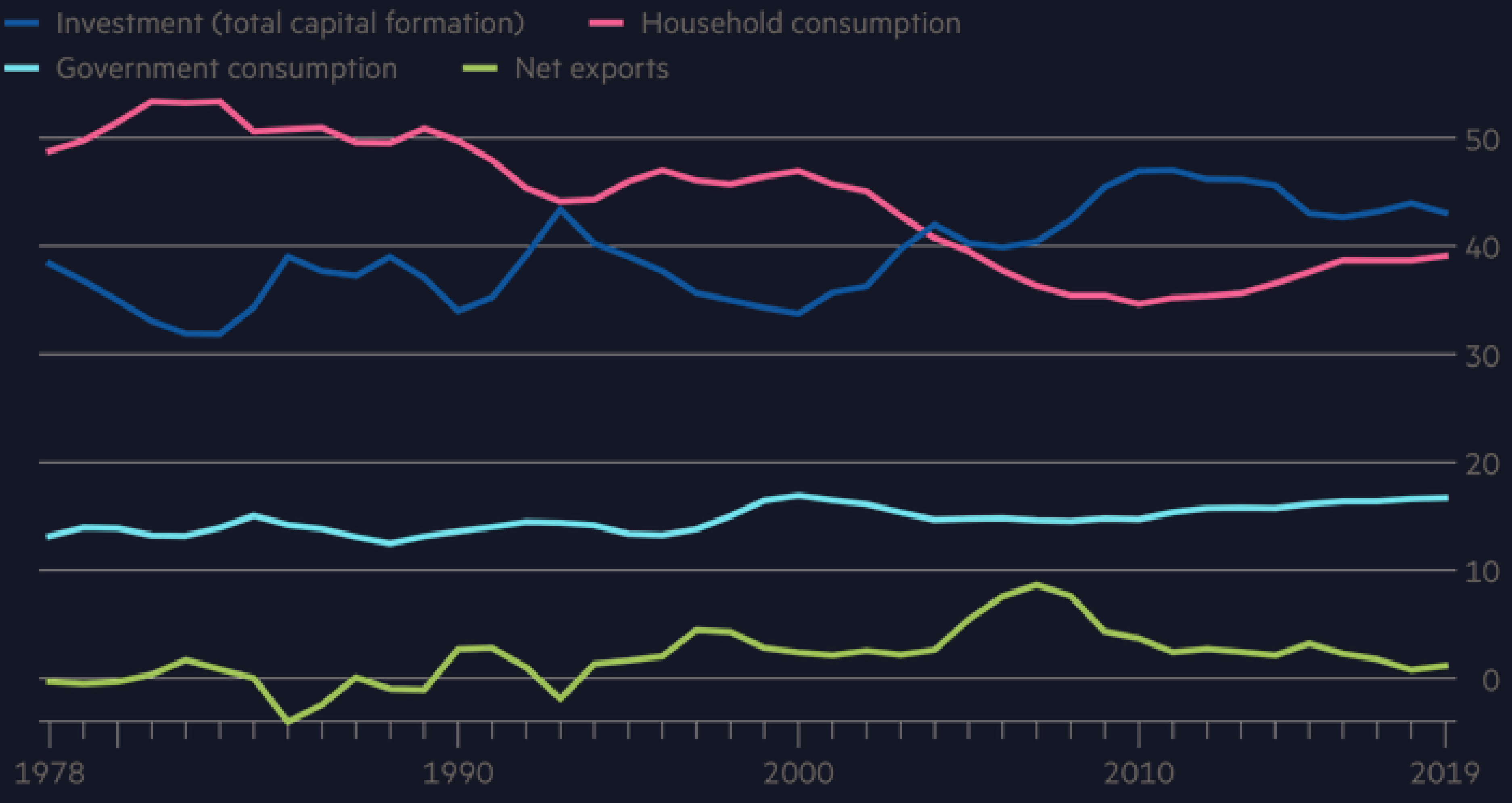
Consu
mptio
n

Urbani
zation

Slow transformation

Recent Chinese growth has been founded on investment, not consumption

Composition of Chinese GDP (%)



Sources: Haver Analytics, FT calculations

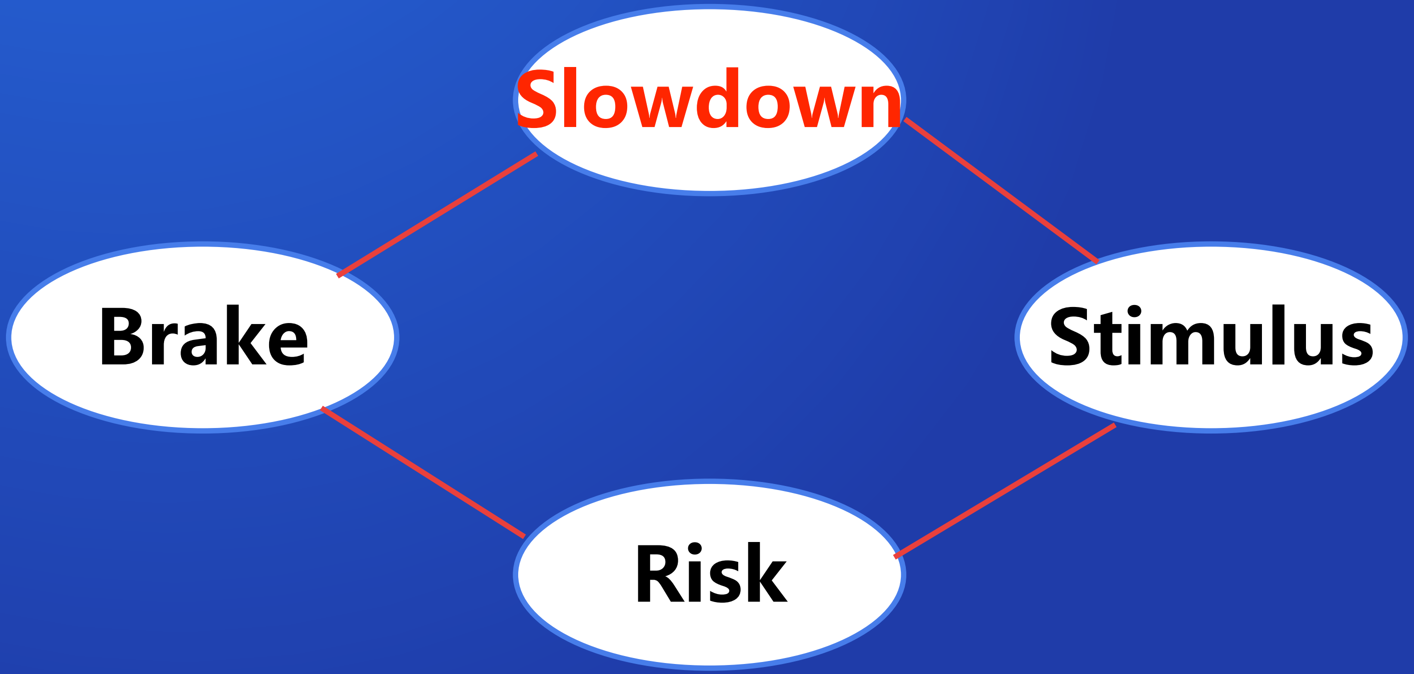
A deadlock

- Deadlock with reform
- Deadlock with market clearing

- Vested interests
- Disappearing consensus on reform

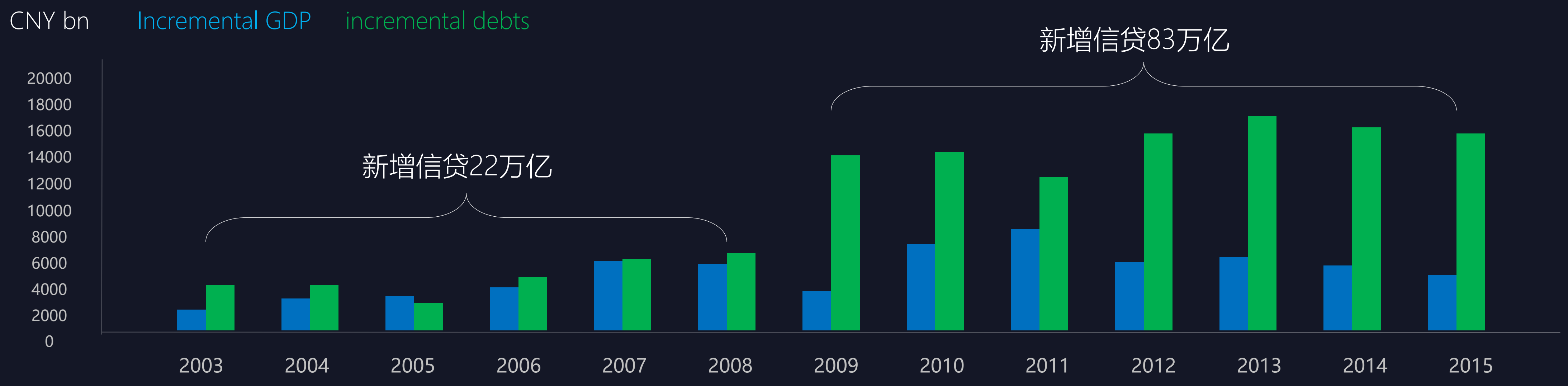
A Keynesian trap

- Real estate
- Infrastructure
- Banking
- SOE

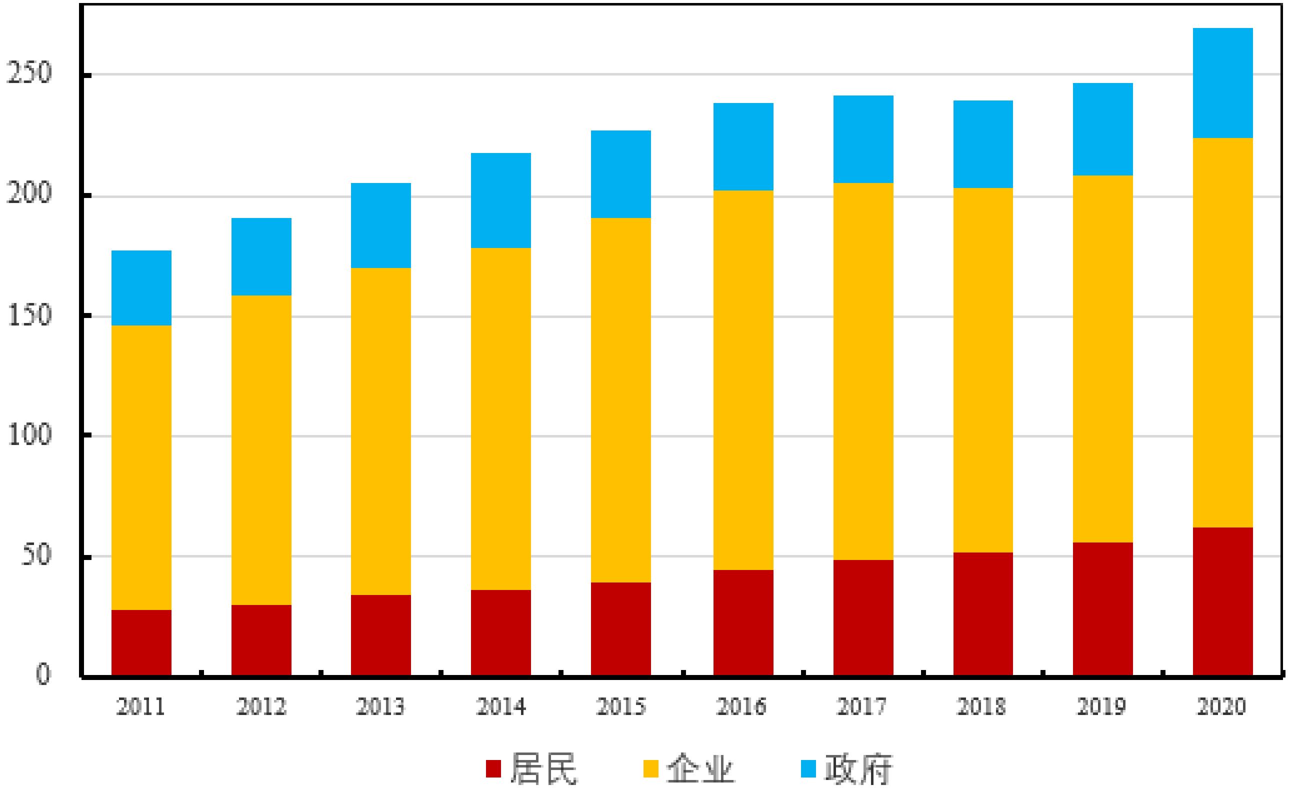


投资回报率：1978 — 2016

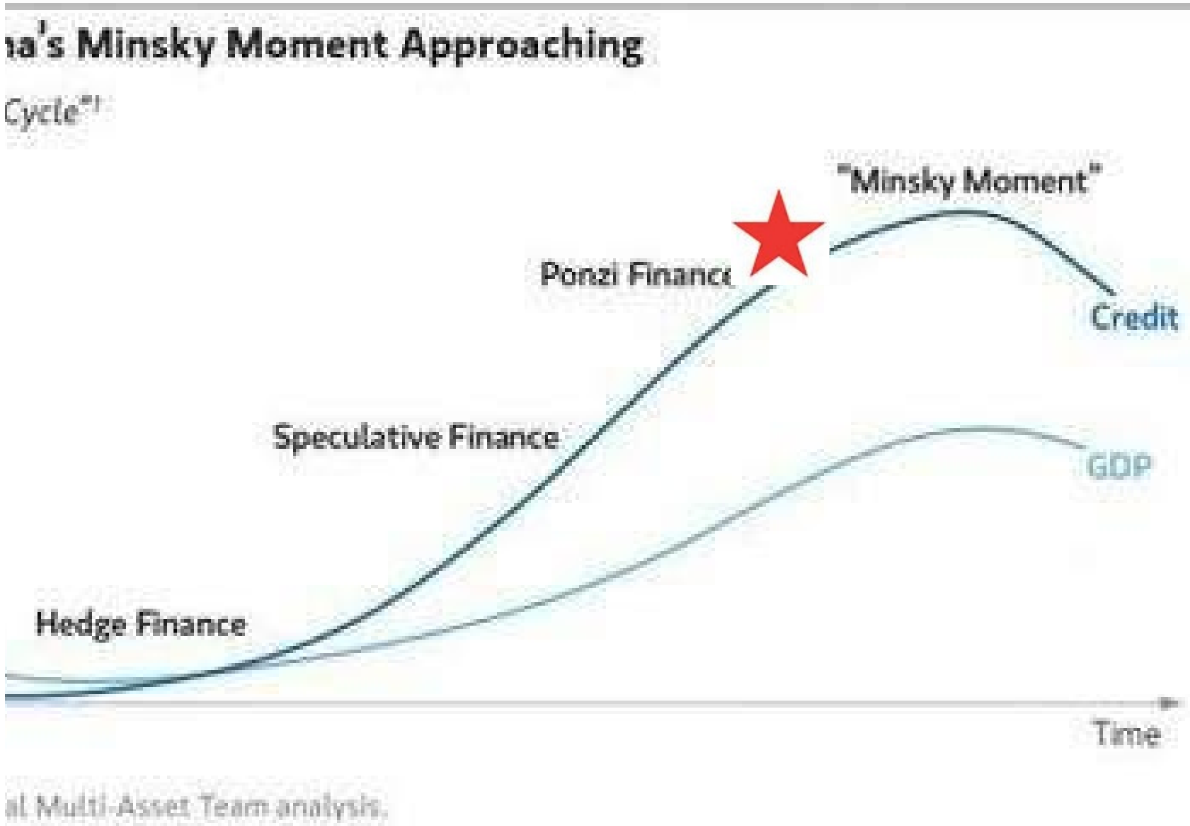
A dangerous growth mode



Rising risk



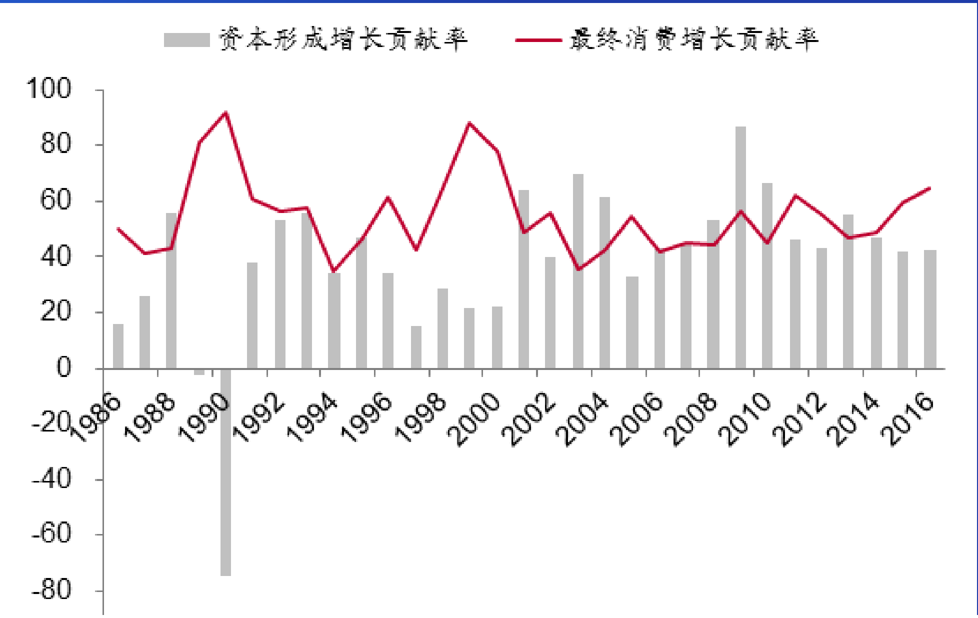
250
200
150
100
50
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
居民
企业
政府

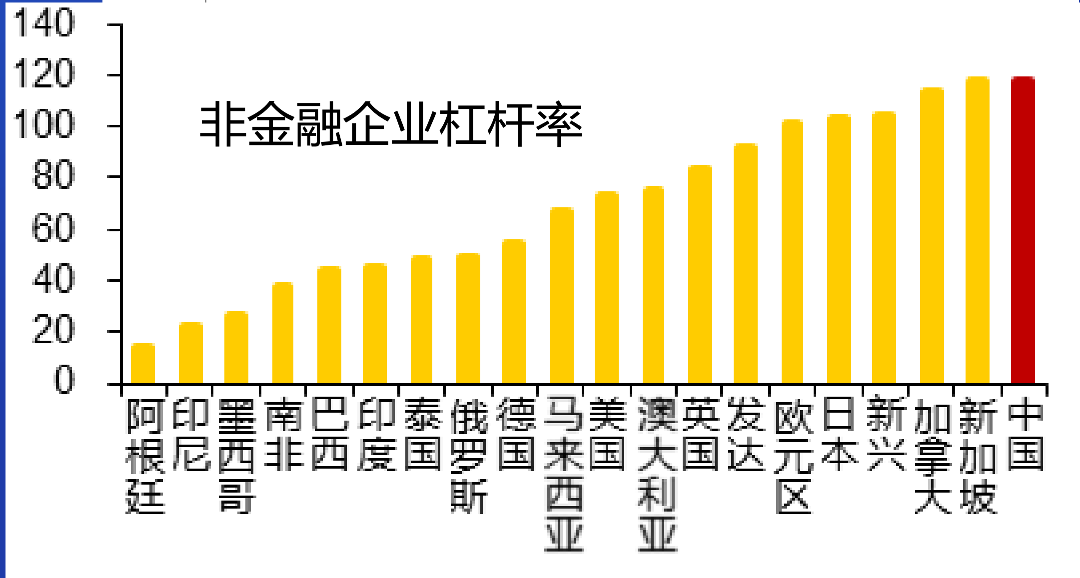


a's Minsky Moment Approaching
Cycle"
"Minsky Moment"
Ponzi Financ
Credit
Speculative Finance
GDP
Hedge Finance
Time
al Multi-Asset Team analysis.

Current situation

- Comparative advantage
- Unstable consumption
- Unsustainable rebound of export
- K-shape growth
- Rising risk
- Big headache: tech war





The fittest survives

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new guiding principles

- A new relationship between government and market
- A new leadership role of the party
- A new view on SOEs
- a new system concentrating nationwide effort and resources on key national undertakings
- Common prosperity
- I don't want to fight, I'm not afraid to fight, I have to fight if necessary.

Key tasks before 2035

- Social protection mechanism
- Sustainable growth
- Technology security
- Expand domestic cycle

Road to common prosperity

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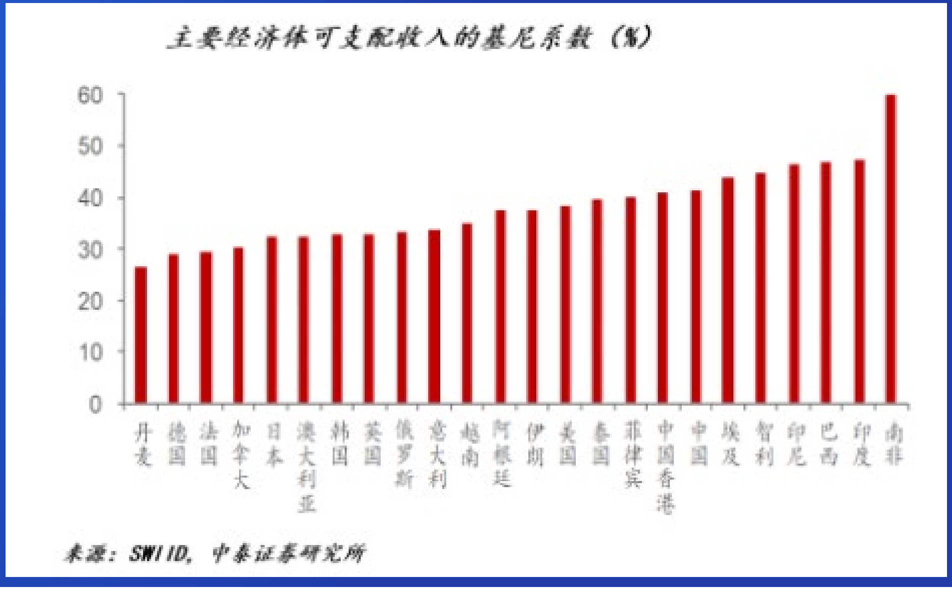
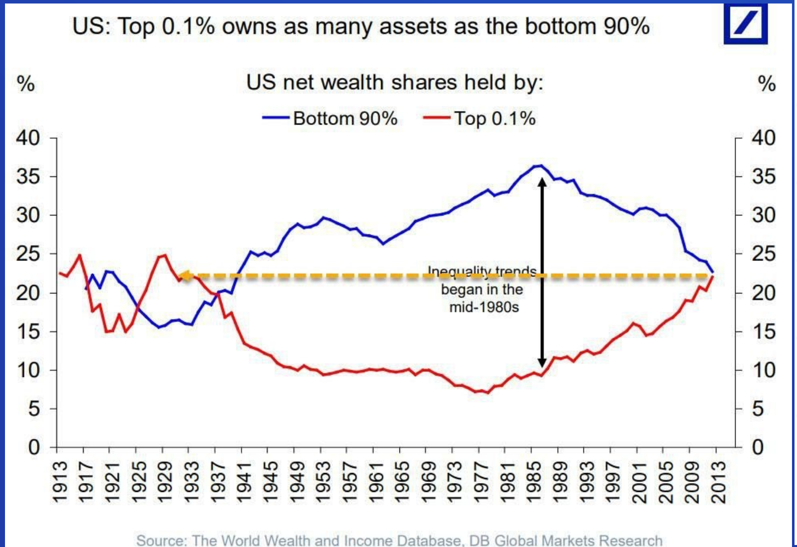
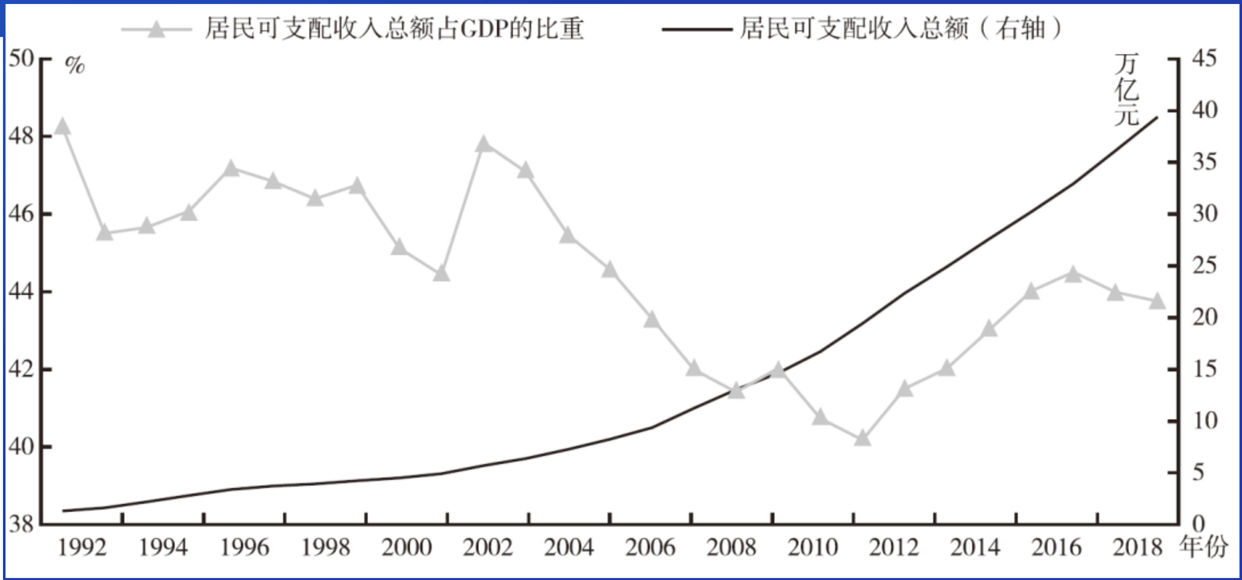
- Inheritance tax, anti-monopoly, a neutral monetary policy, hukou, competitive neutrality, small government, anti-corruption







Don’t be too pesmistics

1、pressures will lead to reform.

2、decoupling is unlikely to happen.

3、huge potential：1 billion never take plaines, 500 million have no closestool

4、the Chinese people are lovely.

Don’t be too optimistic

1、exit of the stimulus

2、market clearing will be painful

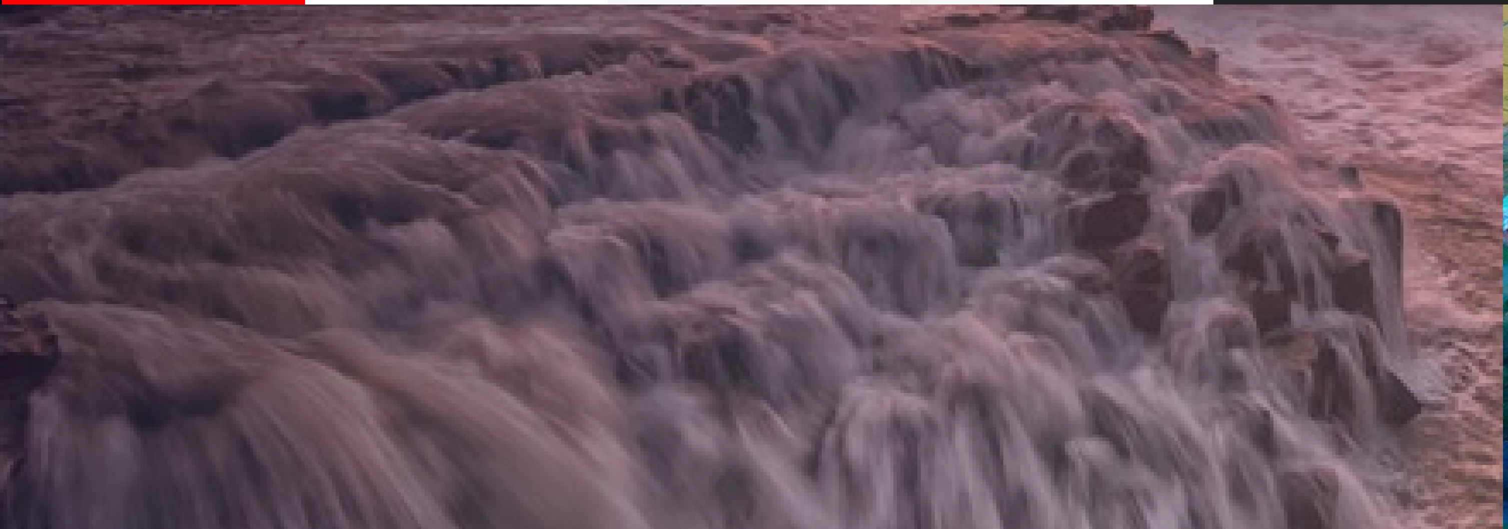
3、deadlock of reform

4、fighting between china and us

5、housing bubble in quandary

consumption and brandin

01 苹果	02 亚马孙	03 微软	04 谷歌	05 三星
+38% $ 322,999m	+60% $ 20,667m	+ 53% $ 166,001m	-1% $ 165,444m	+ 2% 62,289百万美元
06 可口可乐	**07 丰田汽车**	**08 梅赛德斯·奔驰**	**09 麦当劳**	**10 迪士尼**
-10% $ 568.94亿	-8% $ 51,595m	-3% $ 492.68亿	-6% $ 428.16亿	-8% 407.73亿美元



Digitalizaition

- Industrial 4.0
- BigTech
- Digitalisation will be a precondition for survival.

Take-aways

- The world is at a crossroad.
- The world is rebalancing.
- China has come to a new phase with new priorities.
- China has new guiding principles.
- 2020-2030: a dangerous decade
- China opportunities: consumption, innovation, urbanization
- Face up to grey rhinos and black swans

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法国总统马克龙：是时候想一想那些不可想象的事情了！

It is time to think unthinkable!

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