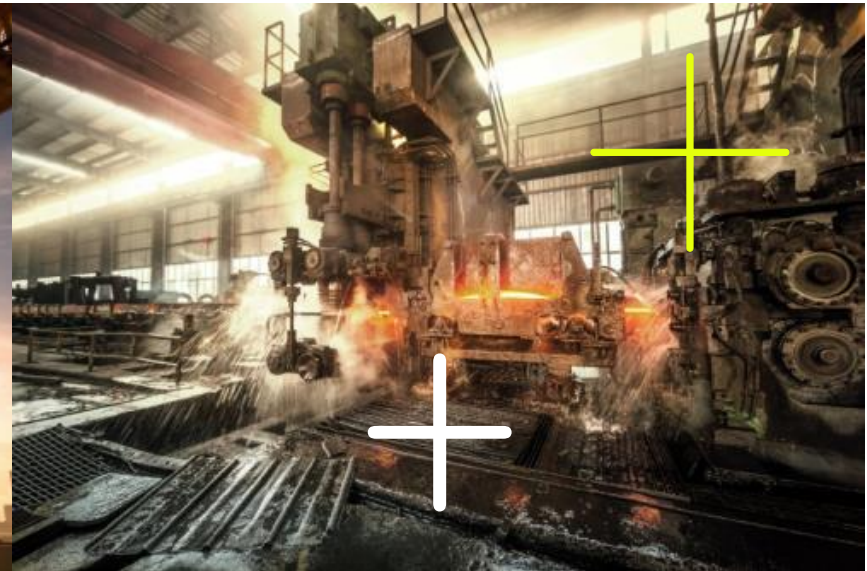




# Business in China

## Alluring Panda or Pandora's Box



GTA West Lunch March 28/2018

Chris Twigge-Molecey

**HATCH**

# The 19<sup>th</sup> CCPC Congress



# Socialism with Chinese Characteristics for the New Era



# Changed focus

- Quality of life over development
- Two 'antis'
  - Corruption
  - Poverty

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- Quality of life over development
- Two 'antis'
  - Corruption
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## Two phases

- 2020-35
  - A socialist modernization, to build a moderate prosperous society
- 2035-50
  - Building a great modern Socialist society and China taking “**Centre Stage**”.

# Key Elements

- Reform and strengthen the Party
- Strengthen the State Owned Enterprises
- Eliminate Extreme Poverty by 2020

# Key Elements

- Reform and strengthen the Party
- Strengthen the State Owned Enterprises
- Eliminate Extreme Poverty by 2020
- “Opening up” to continue
- Rule of Law to be established
- Beautiful China
- Armed Forces modernization

# Other Themes

- Supply side reform
- Innovation
- Rural revitalization
- Financial Stability
- Climate Change leadership
- Belt and Road Initiative.



# Strengthen the Party



- Adherence to policies
- Increased training
- Insert Control into Business
- Continue anti-corruption Campaign

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New National Supervisory Commission

# Strengthen the Party



- 1.3 million investigations
- 650,000 on party members
- 250,000 charges laid so far
  
- Causing decision-making paralysis

# Strengthen the Party

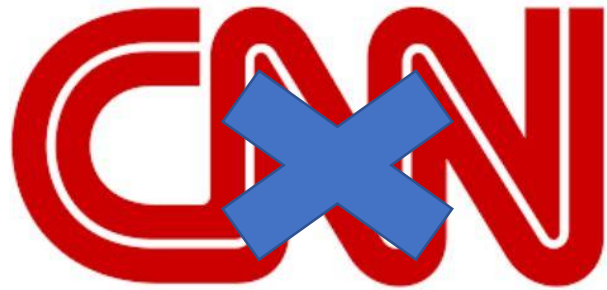


“An Independent Judiciary.. a False  
Western Ideal”

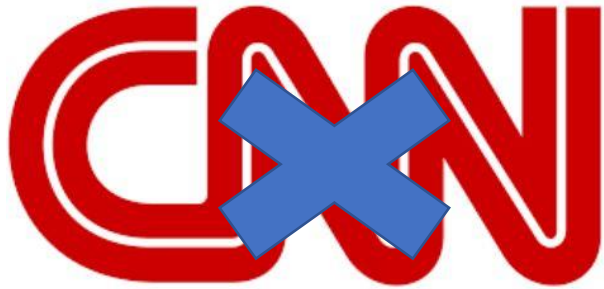
Strengthen the Party --- Censorship



Strengthen the Party --- Censorship



Strengthen the Party --- Censorship



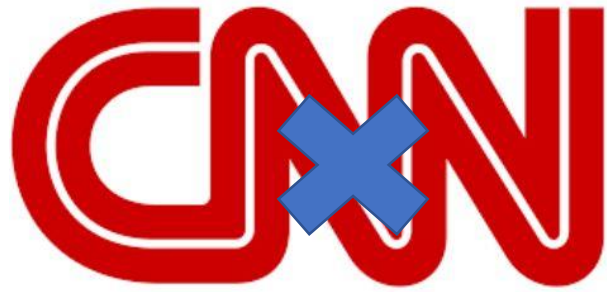
**Bloomberg**  
**Business**

Strengthen the Party --- Censorship





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# Strengthen the SOEs

- 150,000 under Central Government
- 98 Huge Groups under SASAC
- Mostly “prohibited” sectors

# Strengthen the SOEs

- 150,000 under Central Government
- 98 Huge Groups under SASAC
- Mostly “prohibited” sectors
- Total RoE in 2016 of 2.9%

Consolidating Winners with Zombies.

- **Profitability vs. Employment**

# Strengthen the SOEs

---

## Measures to help halt SOEs' overseas errors

By **ZHONG NAN**

*zhongnan@chinadaily.com.cn*

# Strengthen the SOEs



# Strengthen the SOEs



# Strengthen the SOEs





# Eliminating Extreme Poverty



# Eliminating Extreme Poverty ...Growth



# The Demographic Conundrum



# The Demographic Conundrum



Now:

**240 million** >60 years old

By 2035

**400 million** >65

plus

National Fertility rate 1.2

Replacement rate 2.1

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National Fertility rate 1.2

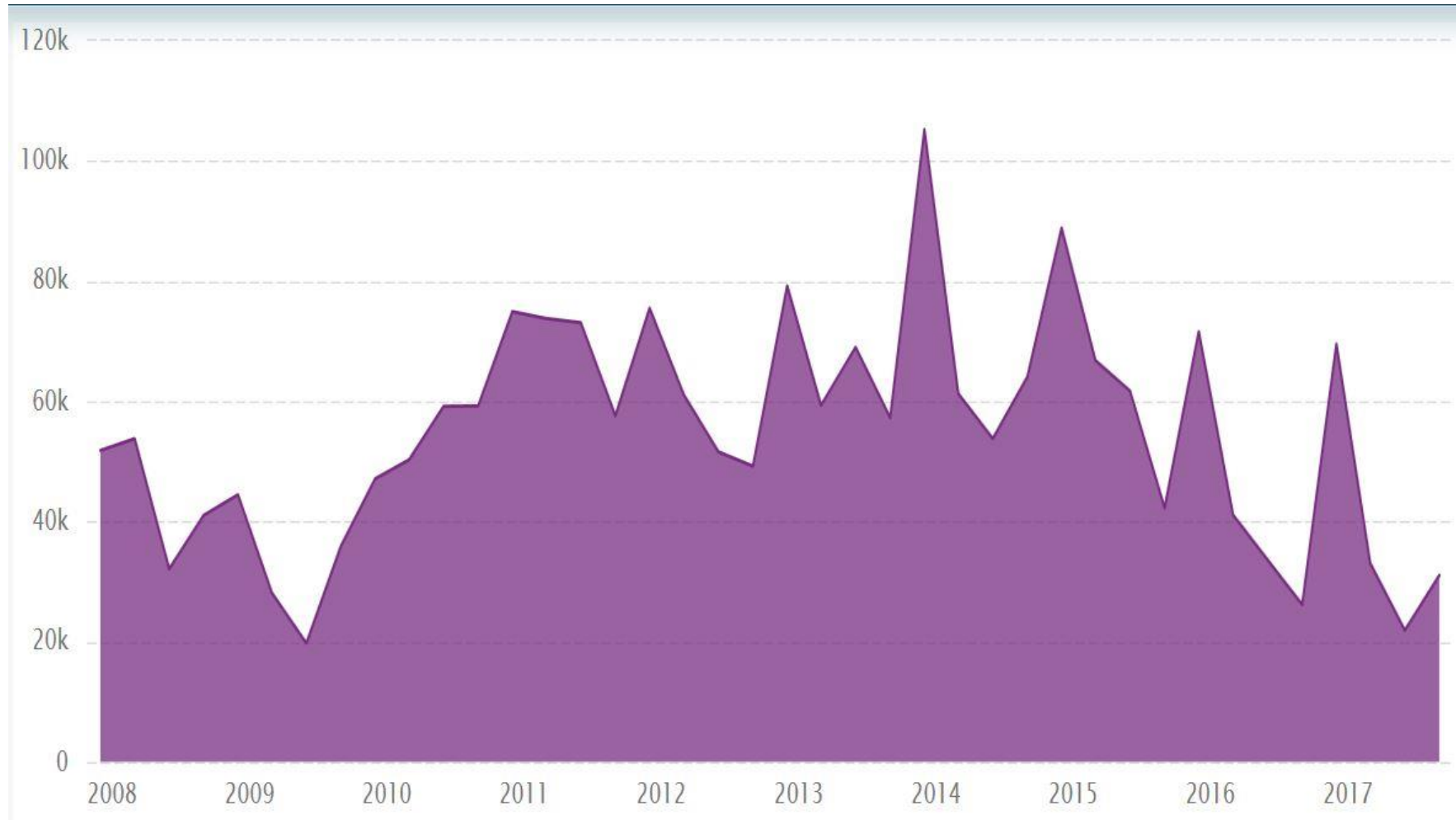
Replacement rate 2.1

**By 2020 30-40 million unmarried men**

# Opening up



# Opening up --- FDI (\$ billions)



# Opening up --- Hurdles

Rule of Law Issues

Intellectual Property issues

Bureaucratic Difficulties

Growing Local Competition



# Opening up --- A tilted Playing Field



35 Prohibited Sectors

28 restricted sectors

# Opening up --- Arbitrary Rules



# Opening up --- “Made in China 2025”

- \$800 billion investment
- 1000+ programs

PLUS

- Local content rules
- Standards
- Other subsidies
- ..... Contravention of WTO rules???

# Opening up --- Tough Competition

Foreign technology

+

Domestic Abilities

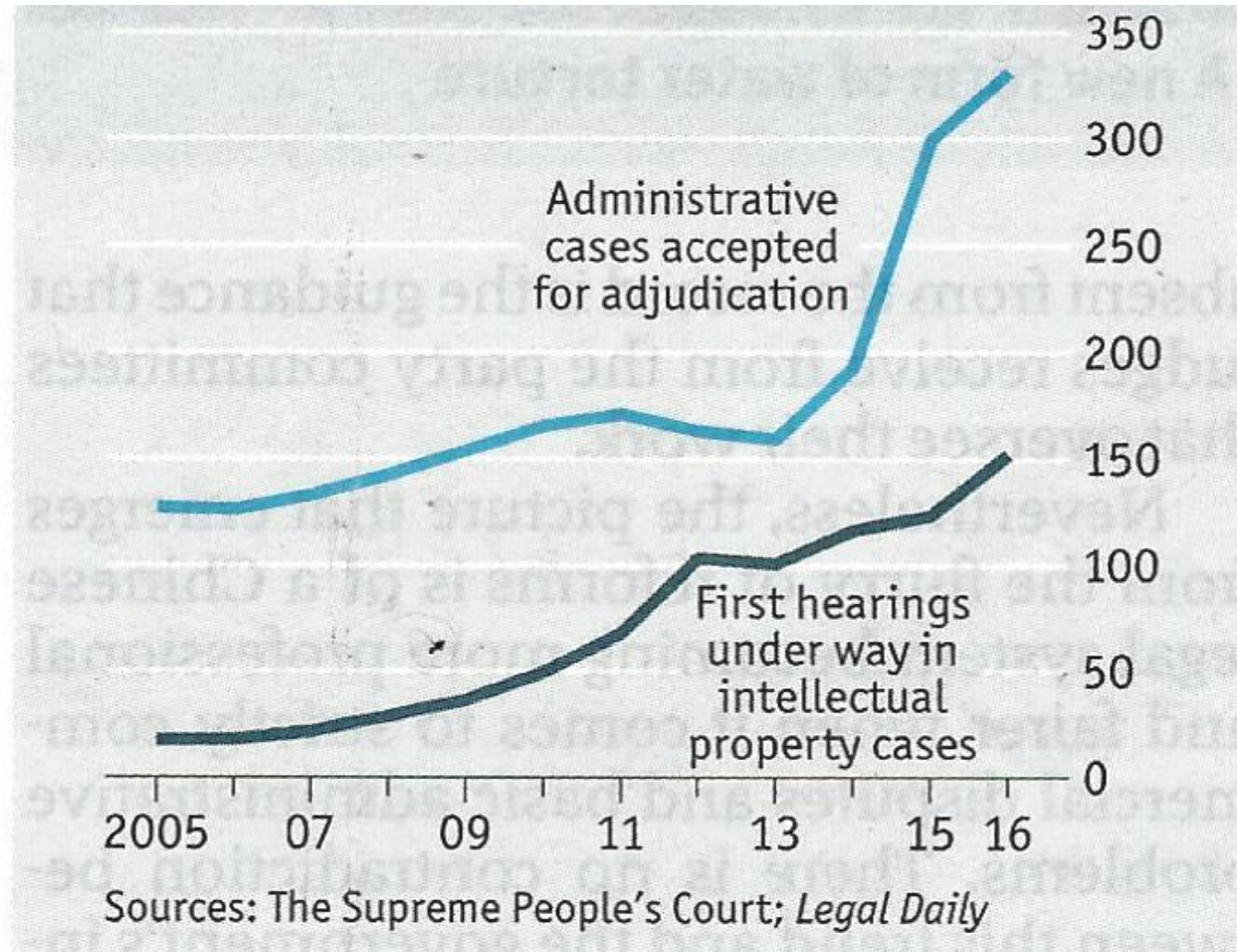
+

Market demand

+

Government Money

# Opening up --- IP Courts



Opening up --- whose technology?



# Strengthen the Rule of Law

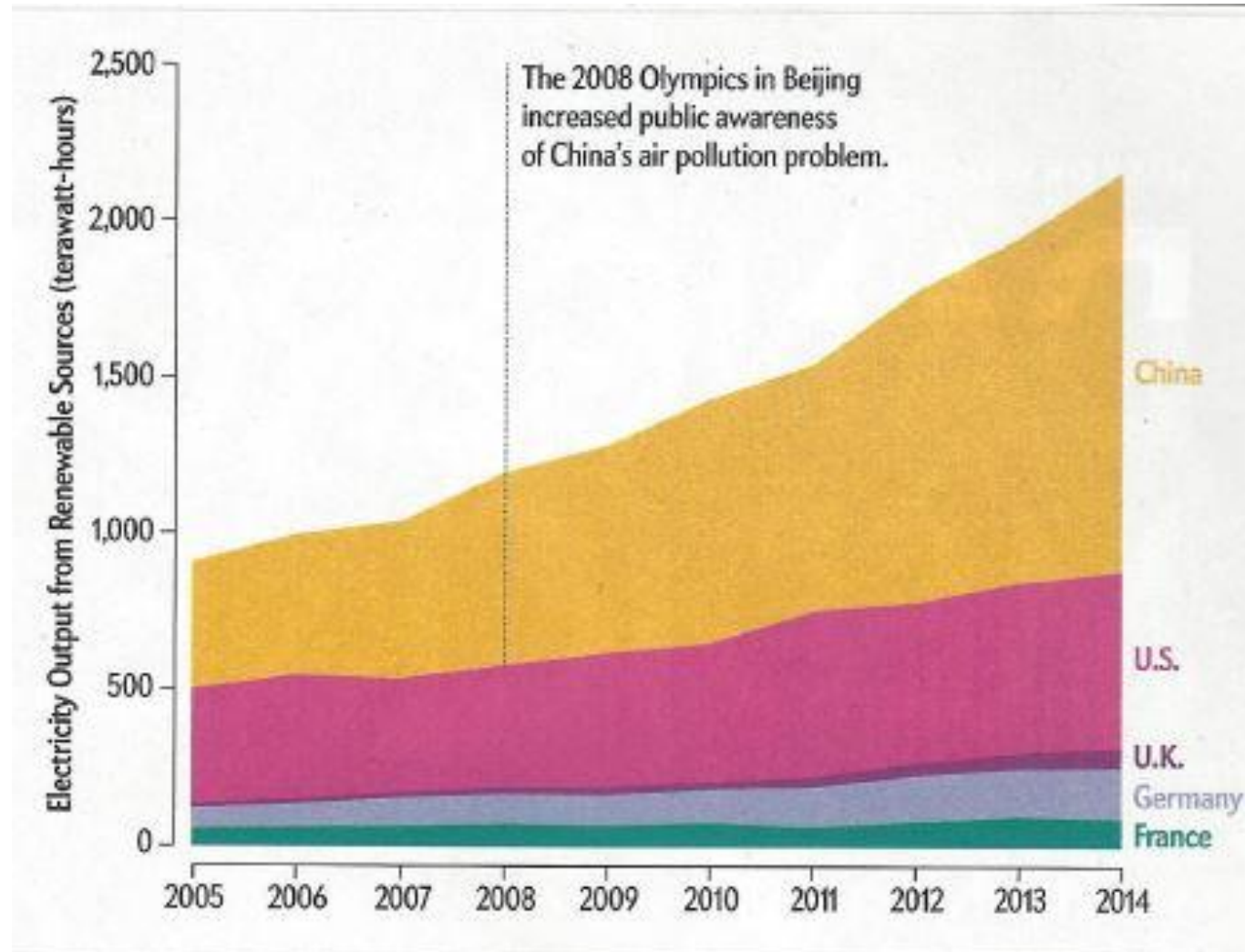


# Beautiful China --- Environmental Clean-up

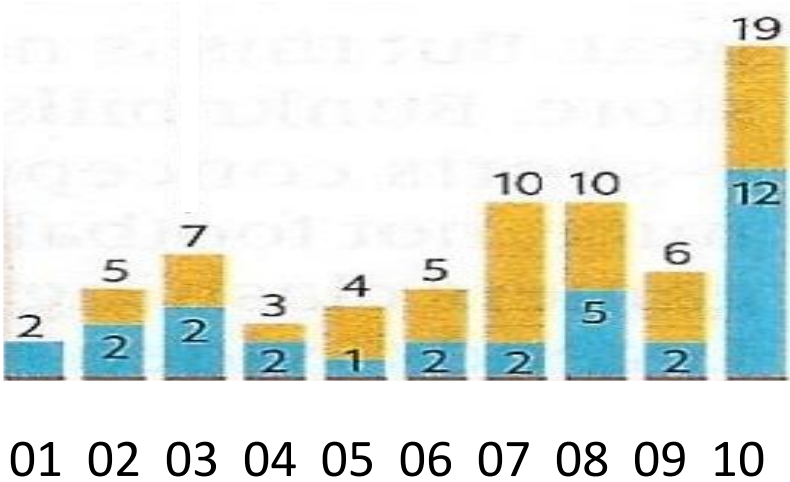
- Upgraded Ministry of the Environment
- Enforcement
- Industrial restructuring
- Polluter pay system
- Cap and trade system
- Renewable energy
- Banning waste imports



# Beautiful China --- Renewable Power



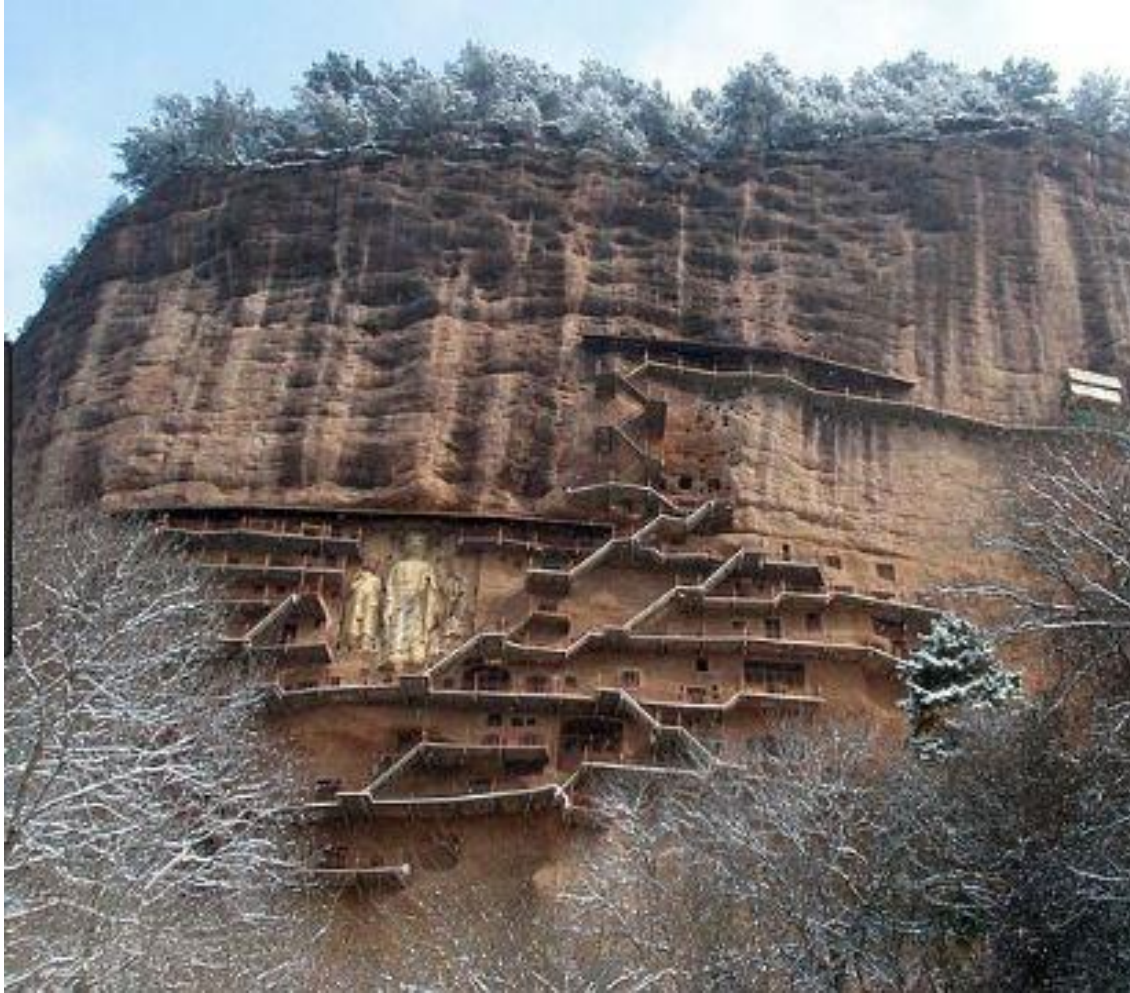
# Beautiful China --- Nuclear Power



# Beautiful China --- Luizhou Forest City



# “Beautiful China”



# Modernizing the Armed Forces



# Modernizing the Armed Forces



# Global Leadership --- the Paris Accord



# Global Leadership ---The Friendship Bridge

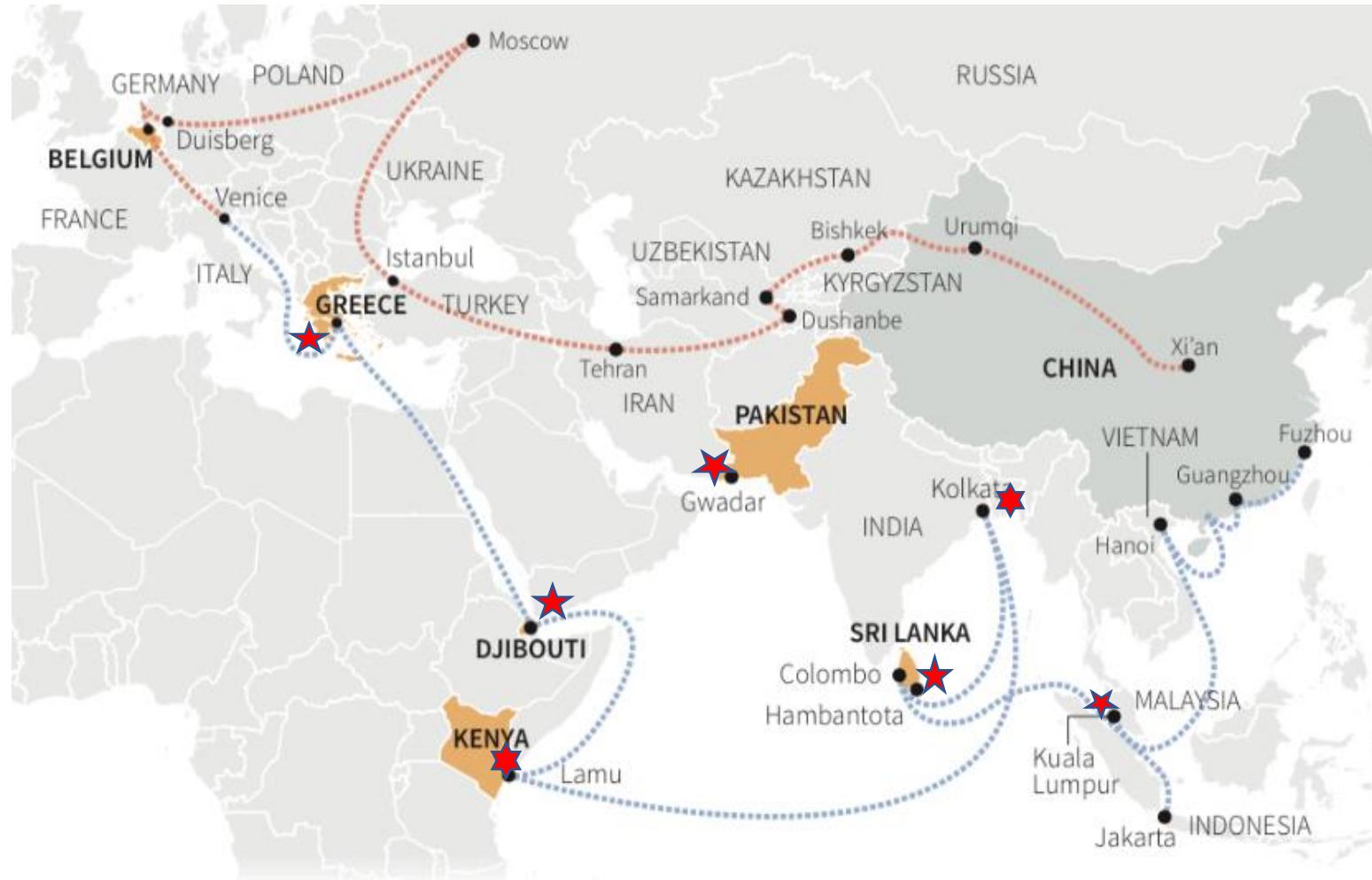


To North Korea

Open  
or  
Closed?



# Global Leadership ---The Belt and Road Initiative



# Global Leadership --- The B&R Initiative

**link in modern Silk Road**



# Global Leadership --- The B&R Initiative

\$900 Billion spent over 5 years... maybe??

- Mostly in China

2016

- \$15 billion **loaned** to 49 countries

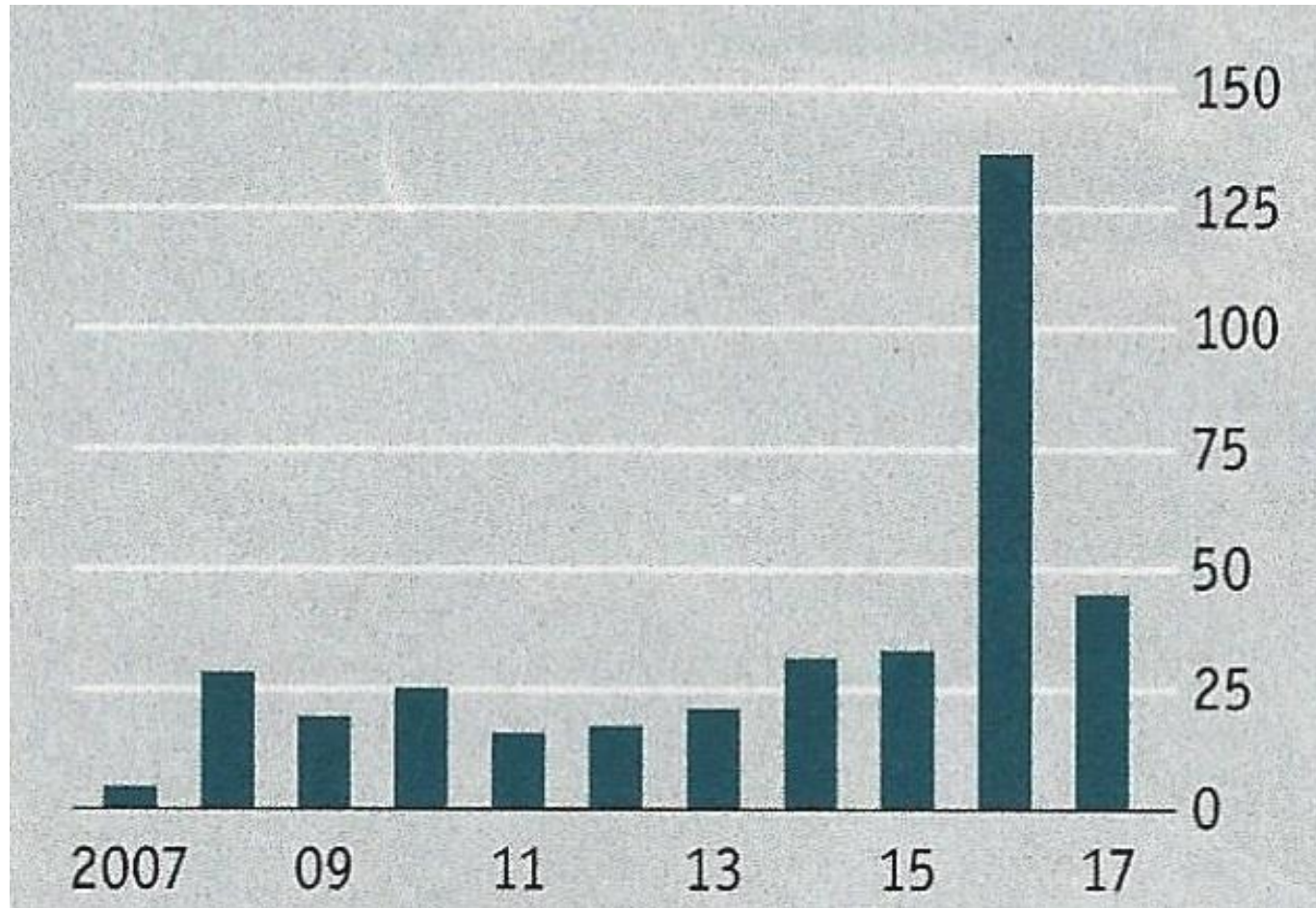
2017

- \$20 billion on 9 ports including Pireaus
- 20 major logistics groups

# Global Leadership --- B&R. Hambanbota Port, Sri Lanka



# Financial Stability --- ODI (\$ billions)



# Commerce vs. Sovereignty



# And the Arctic Silk Road

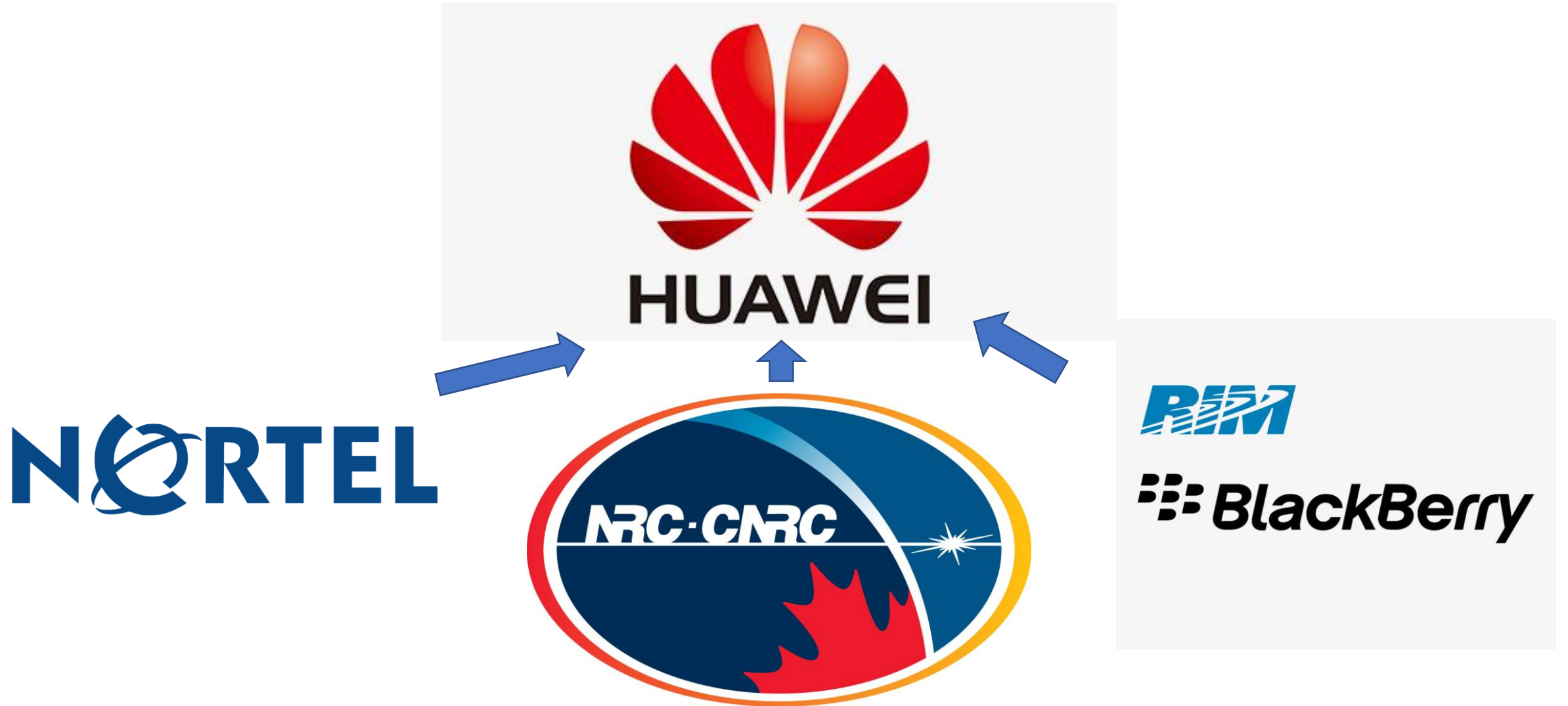


# Your Taxes at Work ... for who?





More of your tax dollars



# Alluring Panda or Pandora's box?



# Alluring Panda or Pandora's box?



How about both?



Alluring Panda or Pandora's box?



How about both?

Or



Will we be a Tributary State?  
Part of the Chinese Dream

Thank You

谢谢

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