



## To Embrace China's Transformation

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# To transform China's economy and to replicate its success elsewhere

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New normal is about sustainable growth

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China needs external market for its transformation

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China's transformation will also benefit many countries

4



What do China want?

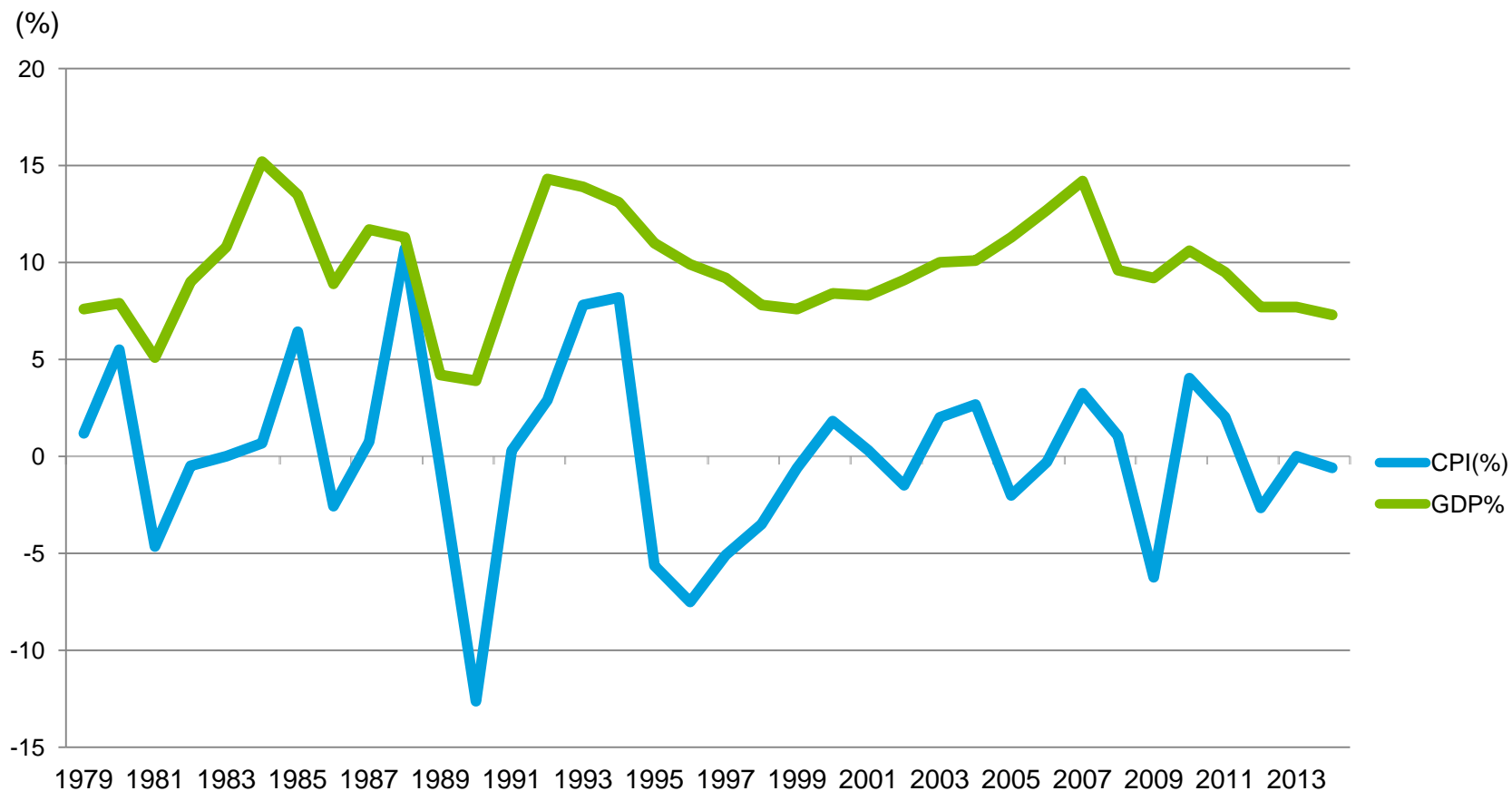
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Implications for investors

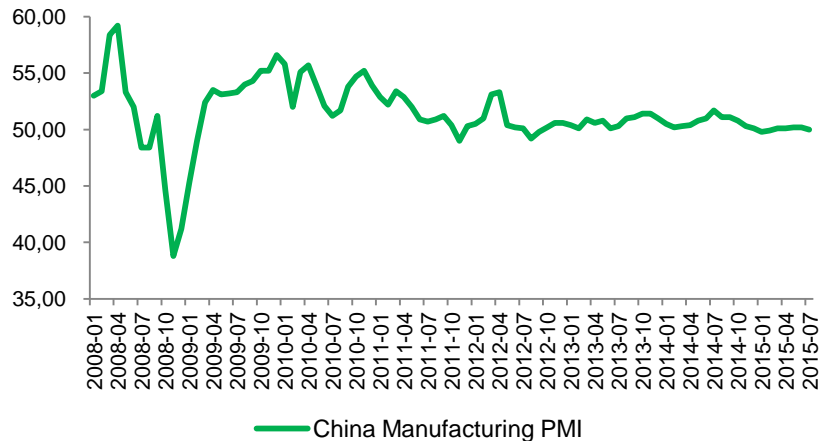
# China's New Normal

## China's growth dynamics since "opening & reform" era

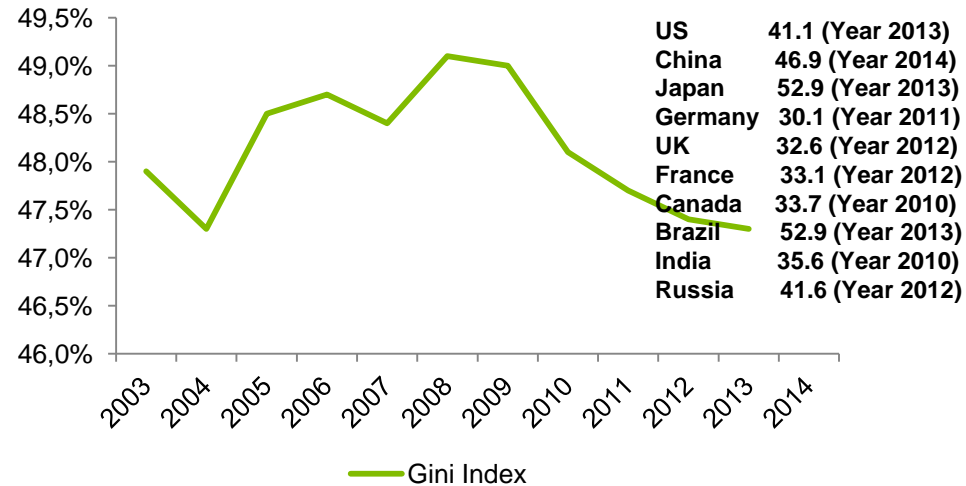


# “Rebalancing” will take place on many fronts

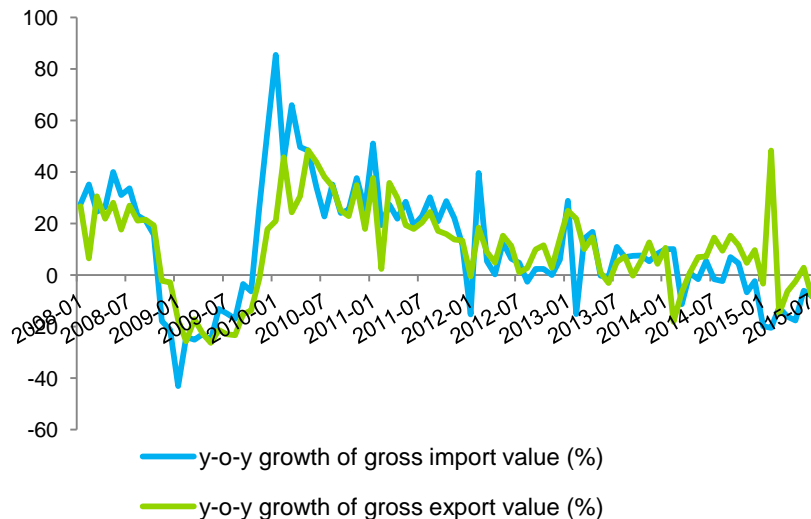
## Manufacturing PMI



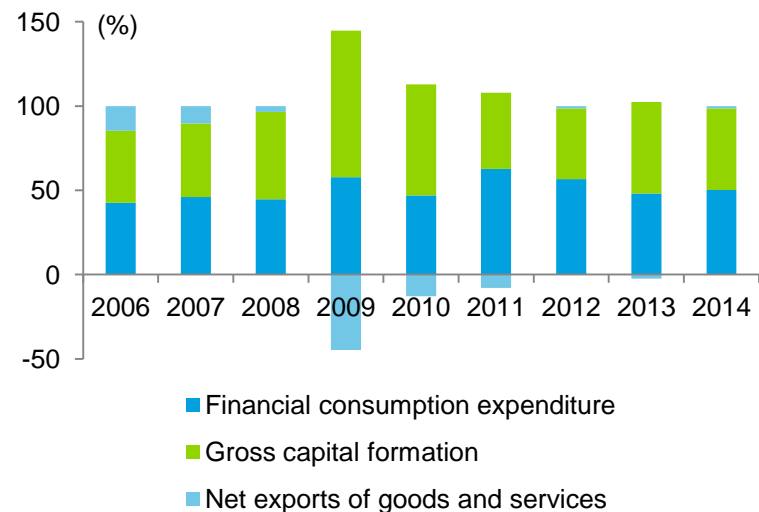
## Gini coefficient



## Trade



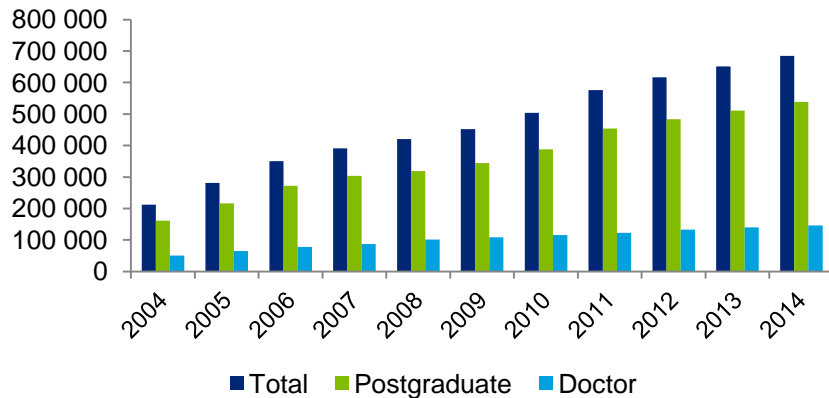
## GDP Growth Composition



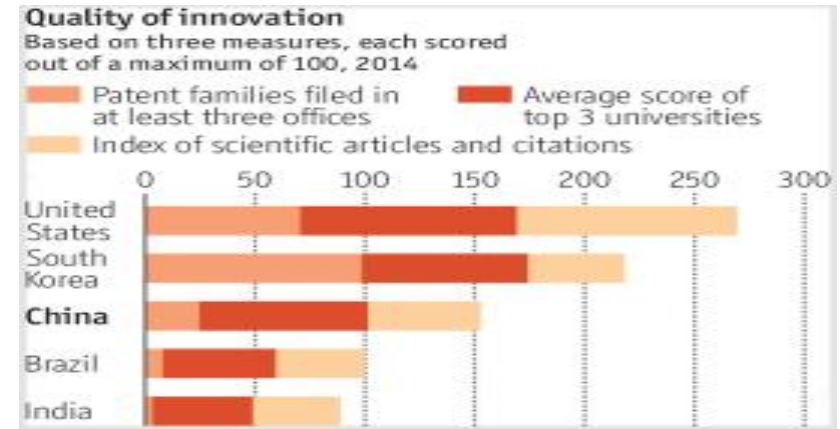
# China's goal is to move away from “Middle-income Trap”

- Strong emphasis on education
- Investment in R&D & infrastructure
- To sustain China's opening through various trade initiatives
- Institutional reform

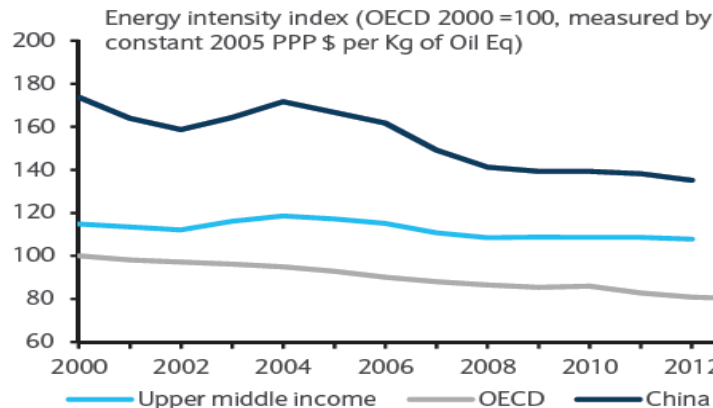
## Upgrade Human Capital



## Innovation

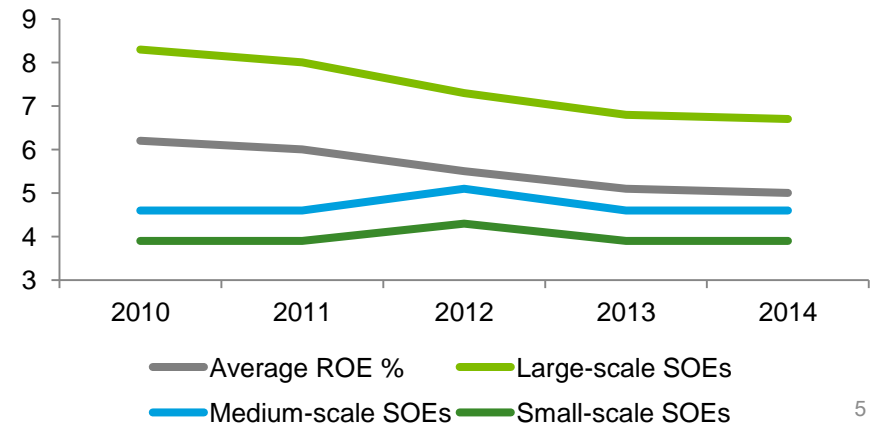


## Green Economy



Source: World Bank, Barclays Research

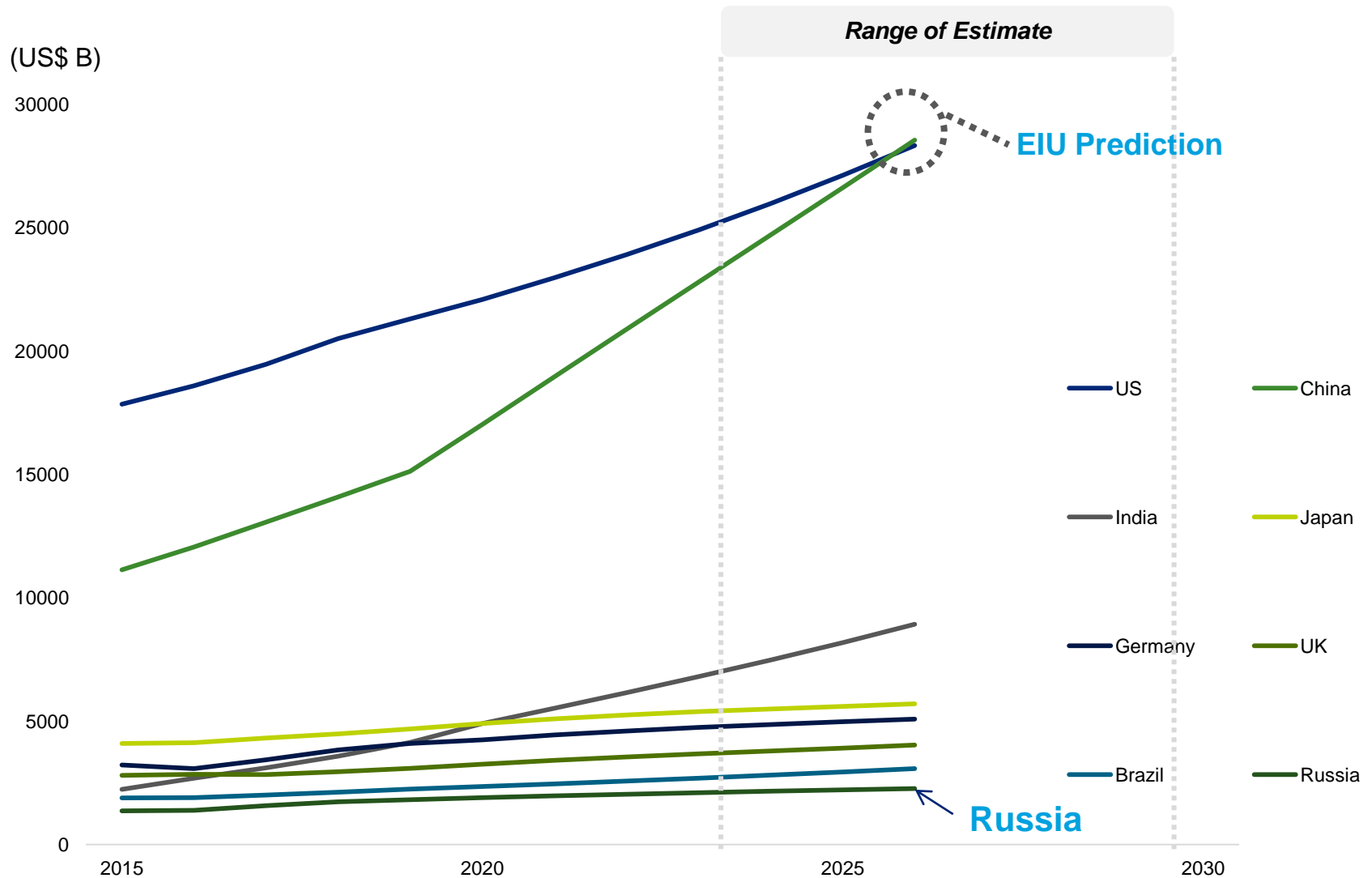
## SOE Reform



Source: Wind, Deloitte Research

# China will become the largest economy

## Nominal GDP



Source: EIU prediction

# Reform and Opening occurred when the economy "was about to collapse"

- China's economic miracle is for real
- Government's role since 1978
  - Deng, Jiang, Hu and Xi
  - Merit of pragmatism and gradualism (“No matter whether the cat is white or black so long as it can catch mouse”)
  - Market institutions and legal system with Chinese characteristics (why Singapore is being viewed as a successful model?)
- China cost (labour, land, environment & unlimited external demand)
- What policies could sustain China's economic miracle in future?

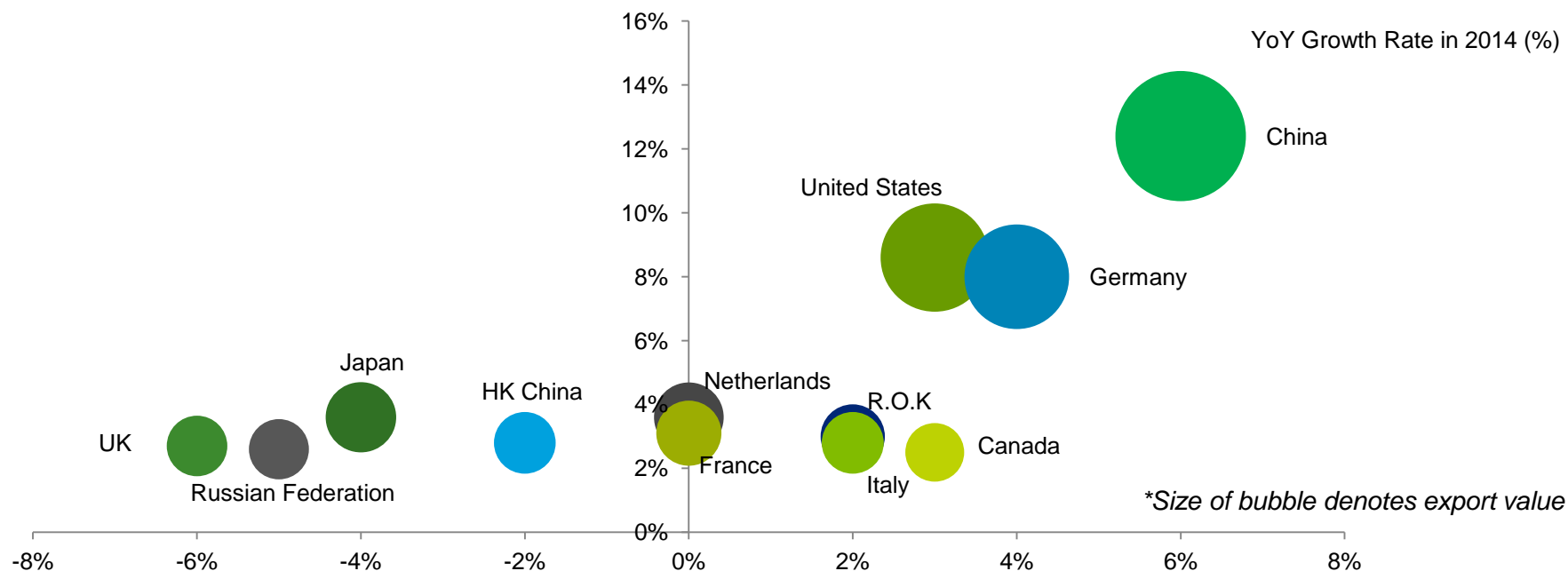


**Query - Have China's unique advantages been eroded? Is the system flexible enough?**

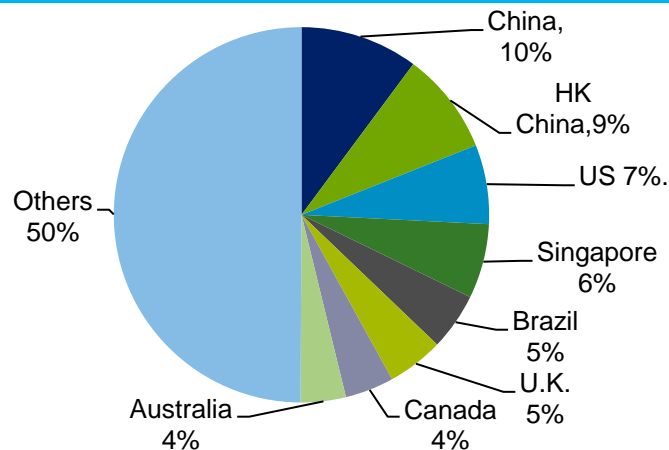


# China - one of the most open economies

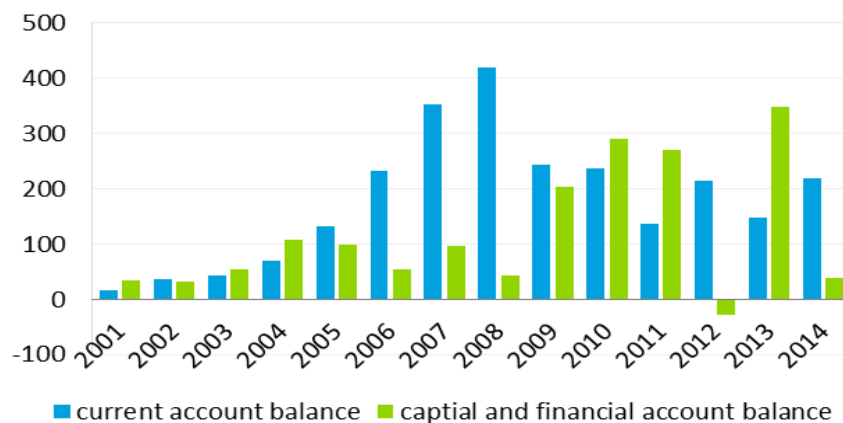
## China's Exports: Global Share and Growth Rate



## China remains the largest FDI recipient in 2014



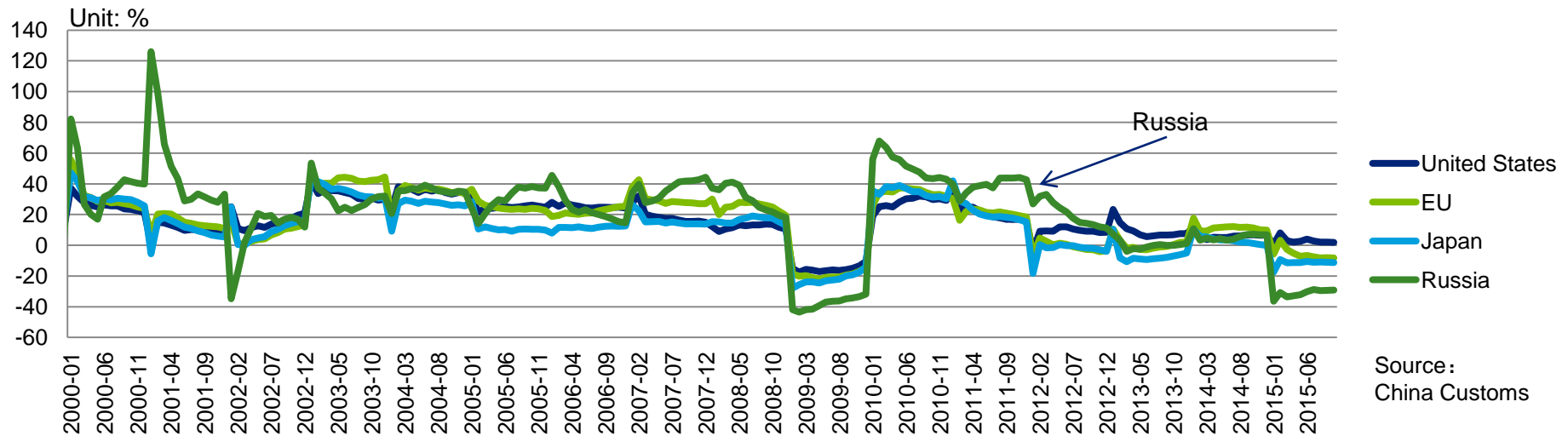
## China is the largest provider of global liquidity (current account & capital account balance)



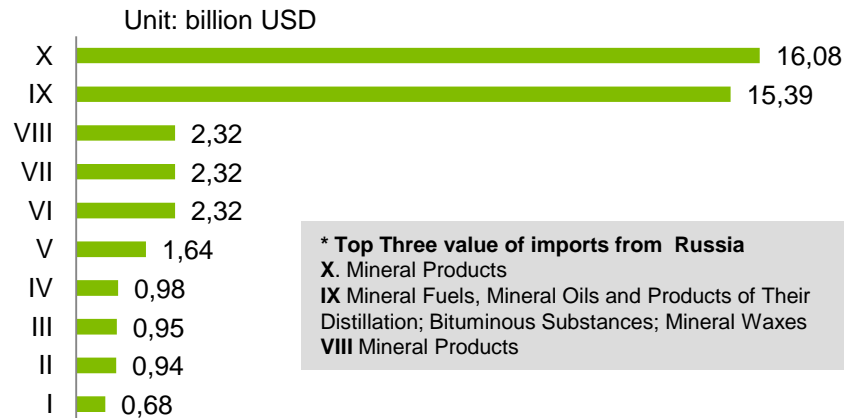


# Sino-Russia bilateral trade

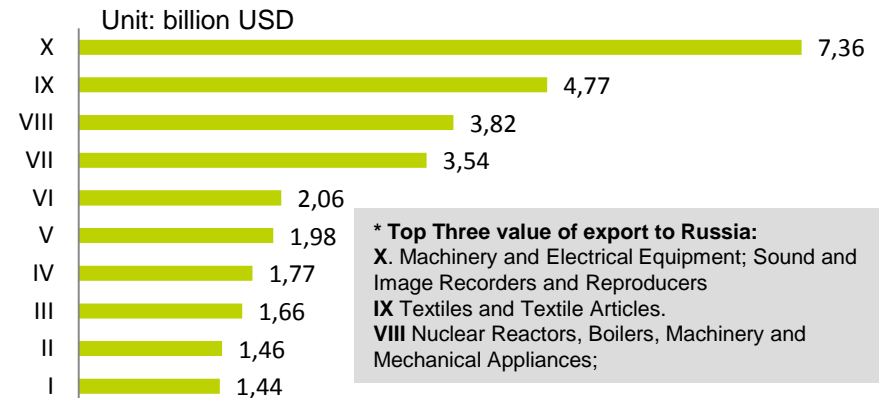
## China's bilateral trade growth rate with major countries (YTD, yoy)



## China's major imports from Russia (By category, Jan.-Sept. 2015)



## China's major exports to Russia (By category, Jan.-Sept. 2015)



**The rest seven :** **I.** Footwear, Gaiters and the Like; **II.** Miscellaneous Manufactured Articles; **III.** Footwear, Headgear, Umbrellas; Prepared Feathers and Articles Made Therewith; Artificial Flowers; Articles of Human Hair; **IV** Raw Hides and Skins, Leather, Fur Skins Saddlery and Harness; Travel Goods, Handbags and Similar Containers; **V.** Articles of Apparel and Clothing Accessories, not Knitted or Crocheted; **VI** Base Metals and Articles of Base Metal; **VII.** Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders;

**The rest seven :** **I.** Pulp of Wood; Waste of Paper; Paper and Paperboard and Articles Thereof **II.** Fish and Crustaceans Molluscs and Other Aquatic Invertebrate **III.** Animal products ; **IV** Products of the Chemical or Industries Allied; **V.** Nickel and Articles Thereof , **VI** Wood and Articles of Wood; Wood Charcoal; Wickerwork I; **VII.** Wood and Articles of Wood; Wood Charcoal

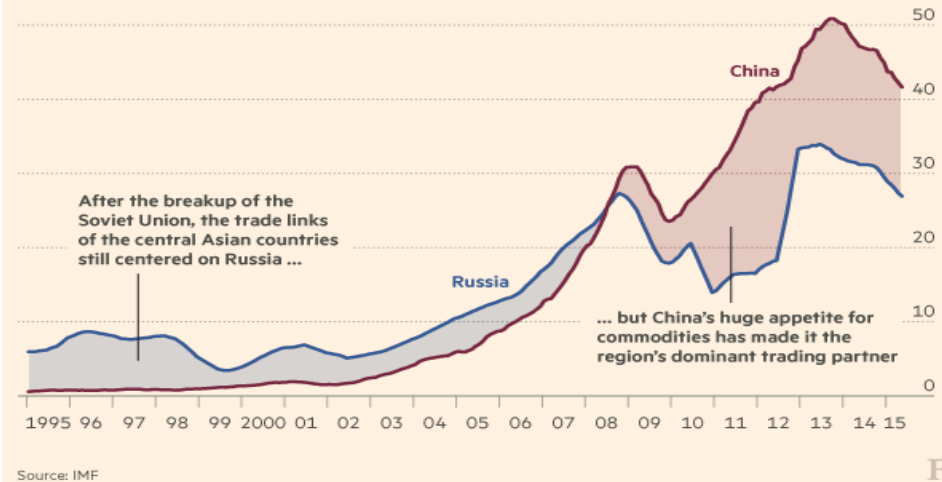
# “Belt and Road Initiative” – replicating China’s growth model

## China's trade with central Asian countries



## Trade with central Asian countries

Merchandise exports and imports, sum over previous 12 months (\$bn)

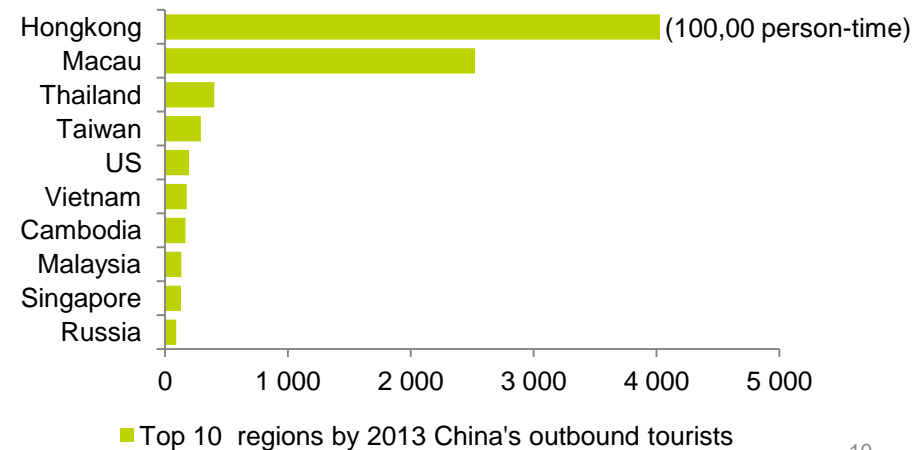


## China's tourists to Russia



Source: Wind

## Top 10 China's outbound tourists (by county and region)



# “One Belt, One Road” will be underpinned by Asia Infrastructure Investment Bank (AIIB)

## Vision for the AIIB

- ❑ Focus on infrastructure, HQ in Beijing, Registered capital **US\$ 100 billion with 50% from China**
- ❑ Currently **60 members**, including over 20 Europeans and broad representation from ASEAN, other emerging markets and the Middle East

❖ Contract foreign projects revenue

2014Y:  
US\$ 137bn

2015Y:  
US\$ 142.4bn



- ❖ Revival of Silk Road — Gross project investment, **US\$ 43 billion**

## China

- To broaden the concept of “Made in China”
- China reserves +China invests
- Digest excess capacity in a win-win manner
- Geopolitical strategy

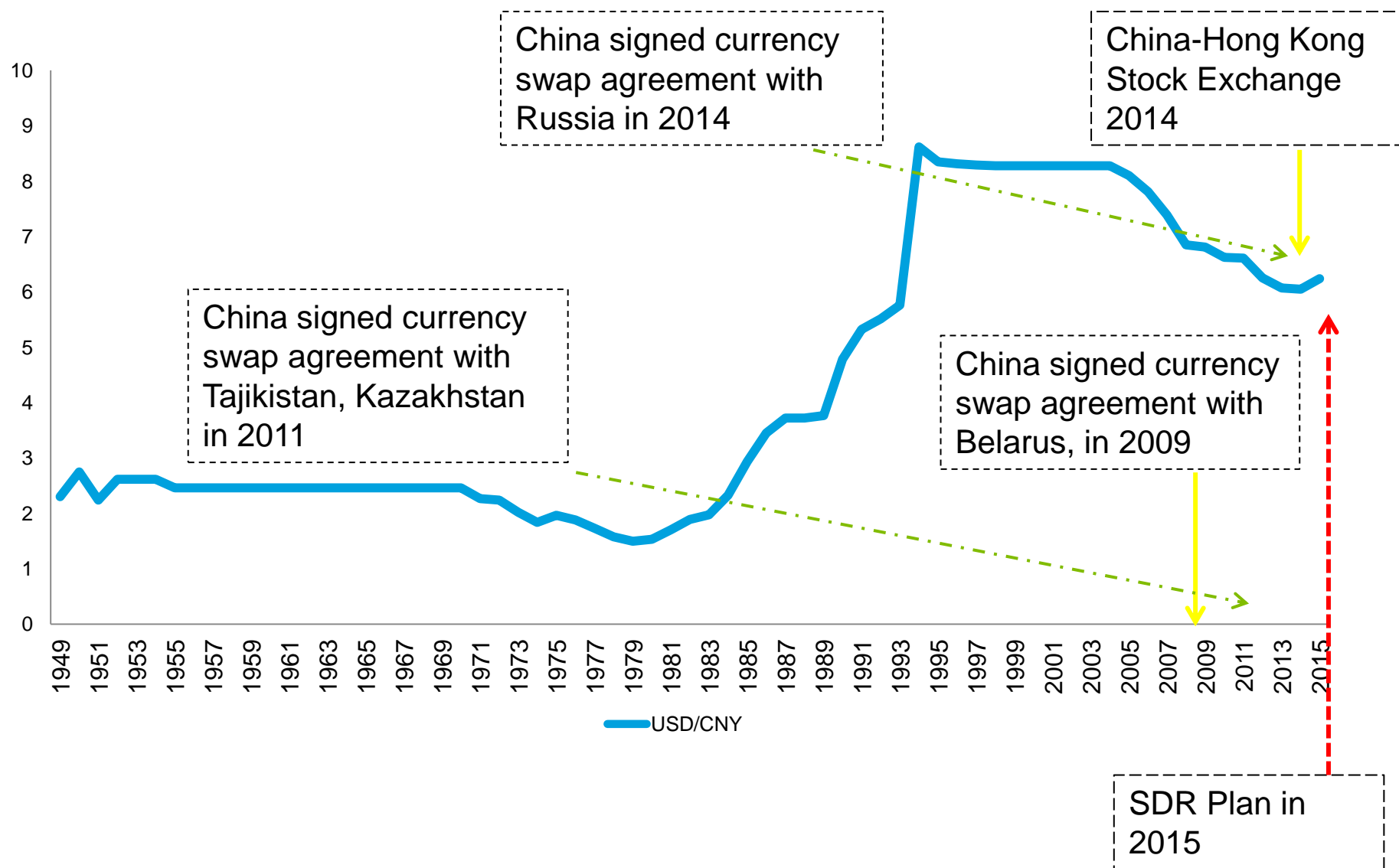
## “the Belt and Road”



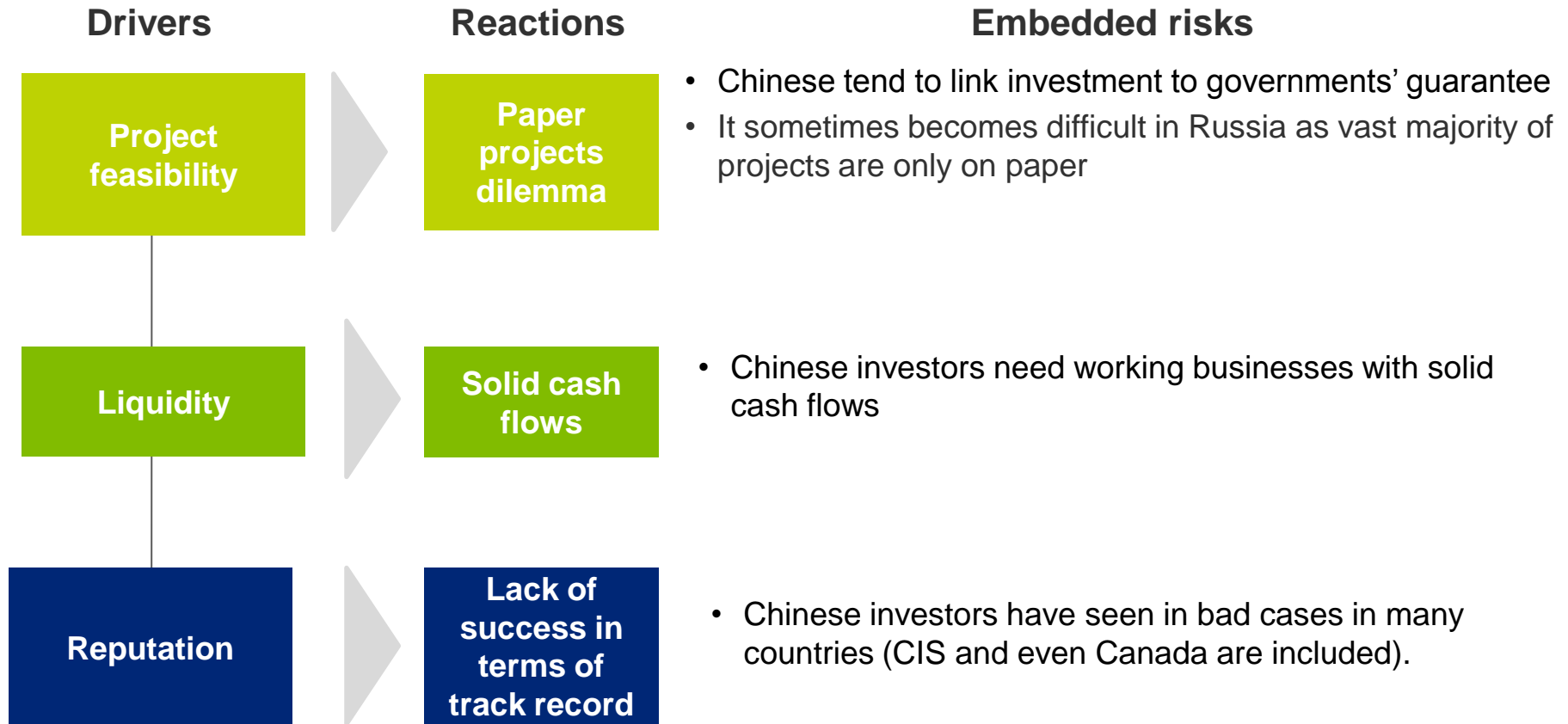
## Partners

- Improve Infrastructure
- To promote a more inclusive growth model
- To go beyond infrastructure
- To speed up RMB's internationalization

# China's Long March of internationalizing the RMB



# Investment in Russia or Eastern Europe for Chinese companies (lessons)



# Implications

**China needs a more inclusive growth model in order to achieve the goals**



**China-Russia could benefit from strategic initiatives such as “the belt and Road”**



**Russia could take advantage of China's consumption boom & outbound investment**

