

Chinese New Leadership and New Policy Challenges

Steadfast sailing in Turbulent Seas

Andrew Sheng

President

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Section 1

The New Leadership

Tested team dedicated towards reform

Xi Jinping – Secretary General and President



- **Age: 59 years**
Princeling: but conciliator
Mentors: Jiang Zemin and Zeng Qinghong
- Born in 1953 in Fuping County, Shaanxi Province, Xi worked in agricultural commune, before being trained in Tsinghua University in chemical engineering (1975).
- Served as personal secretary to then-Minister of Defense Geng Biao, which strengthened his PLA ties. Moved from there to Hebei and later Fujian, where he served as vice governor in 1999, before being promoted to governor a year later.
- In 2002, Xi was promoted to Zhejiang, one of the richest coastal provinces. He entered Standing Committee of the Politburo in 2007 and in 2008 became the country's vice president, effectively being groomed to take over. In 2010, he was promoted to vice chairman of the CPC Central Military Commission. He is also president of the Central Party School.
- Xi's father, Xi Zhongxun, was a top leader who was imprisoned during the Cultural Revolution. After his release, Xi senior was elected to the Politburo and served as vice premier. He was known as a economic reformer and as Party Secretary in Guangdong, instrumental in creating China's Special Economic Zones in Shenzhen and Zhuhai.

Li Keqiang – Premier of the State Council



- **Age: 57 years**
Leader of Youth League
Mentor: Hu Jintao
- Vice Premier Li Keqiang will replace Premier Wen Jiabao in March 2013
- Born in Dingyuan County in 1955, he spent four years doing manual labor with the Dongling Production Brigade in his native Anhui Province. In 1978, he went to Peking University, where he graduated with degrees in law and economics.
- In the 1980s and '90s, Li served as secretary-general of the All-China Students Federation, then rose in the Communist Youth League Central Committee. In 1999, he was promoted to governor of Henan Province and later became chairman of the Standing Committee of the Henan's Provincial People's Congress.
- From there, he moved to Liaoning before being made a member of the Politburo Standing Committee in 2007. Li is considered a core member of President Hu Jintao's "Tuanpai group,". As Vice Premier, he looked after Ministry of Finance and housing reform. He is first Politburo member to have doctorate in economics.

Zhang Dejiang – Chairman of National People's Congress



- **Age: 66 years**
Princeling
Mentor: Jiang Zemin
- Zhang Dejiang was Vice Premier of China's State Council in charge of industry and energy policies, until suddenly moved to replace disgraced party chief Bo Xilai as leader of Chongqing in March 2012.
- Born in Tai'an, Liaoning province, was in his early 20s when he was sent to countryside to work at the Luozigou Commune in Wangqing County, Jilin Province.
- In the early 1970s, Zhang worked in the county propaganda department before studying Korean at Yanbian University. He served as secretary of the local Communist Youth League branch in Liaoning before crossing the border to North Korea to study economics at Kim Il Sung University in Pyongyang.
- In the '80s, Zhang returned to Yanbian, where he held senior Party positions before taking a role as Vice Minister of Civil Affairs.
- Senior party positions followed in Jilin until Zhang moved south to Zhejiang to become Party Secretary in the Province.
- In 2002, he entered the Politburo of the CPC Central Committee and became secretary of the Guangdong Provincial Committee. Promoted to Vice Premier in 2008

Yu Zhengsheng – President of the Chinese People's Political Consultative Conference



- **Age: 67 years**
Princeling
Mentor: Deng Xiaoping and Jiang Zemin
- Born in 1945, Yu majored in ballistic missile automatic control at the Harbin Military Engineering Institute before working as technician in radio factories in Hebei Province.
- In the late 1970s, Yu started working his way up the promotion scale in the Fourth Ministry of Machine-Building Industry and later joined the Ministry of Electronics Industry.
- He spent some time working as the president, vice chairman and member of the Leading Party Members' Group of the China Welfare Fund for the Handicapped before taking a political position in Shandong Province. There he became close to Deng's handicapped elder son.
- Yu rose to become mayor of Qingdao, a major city in Shandong, before being appointed Minister of Construction (1998-2001). As the current Party Secretary in Shanghai (2007-2012), Yu presides over China's largest city for finance and business.

Liu Yunshan – Vice President



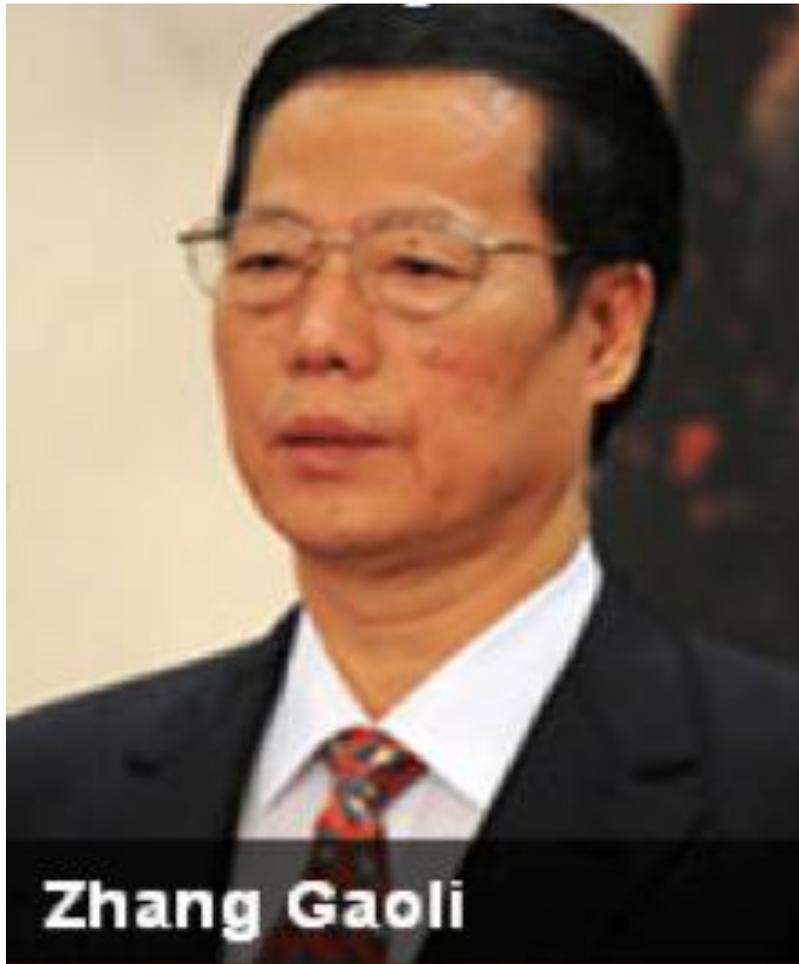
- **Age: 65 years**
Party technocrat
Mentor: Hu Jintao
- Served on the Politburo for the last ten years during which time he has served as a member of the secretariat and director of the Central Committee's Propaganda Department
- Born in 1947 in Xinzhou, Shanxi Province, Liu Yunshan worked as a teacher in Inner Mongolia, before taking a party position with the Communist Youth League Committee in the autonomous region.
- In the mid-1980s Liu took his first position in the Propaganda Department within Inner Mongolia before moving to Beijing in 1993 to serve as the Deputy Director of the Central Committee's Propaganda Department for nearly ten years before being appointed director of the department in 2002.
- He is known for prudent stance on media.

Wang Qishan – Secretary of the Central Commission for Discipline Inspection



- **Age: 64 years**
Princeling
Mentors: Jiang Zemin and Zhu Rongji
- Served on the Politburo for the last ten years. Wang most recently served as the Vice Premier in charge of the financial sector, trade and foreign economic relations
- Born in 1948 in Tianjin, he graduated from Northwest University with a degree in history. Wang was sent to work at the Fengzhuang People's Commune in Yan'an County, Shaanxi Province, before taking a job at the Shaanxi Provincial Museum.
- Wang is considered a crisis-tested leader with a strong background in finance and banking having served as Vice Governor of China Construction Bank (1989 to 1993), Vice Governor of the People's Bank of China (1993 to 1994), and governor of China Construction Bank (1994 to 1997).
- He was then transferred to Guangdong Province in 1997 to serve as Vice Governor, where he handled one of China's biggest debt restructuring projects, the failure of GITIC.
- Wang also served in a number of key positions in Beijing Municipality from 2003 to 2007 including as Mayor and Deputy Party Secretary and Executive Chairman of the Beijing Olympic organizing committee. He dealt decisively with the SARS crisis in Beijing.

Zhang Gaoli – Executive Vice Premier



- **Age: 66 years**
Technocrat with enterprise background
Mentors: Jiang Zemin
- Elected to the Politburo in 2007 at the 17th Party Congress and served as the Party Secretary of Tianjin from 2007 to 2012.
- Born in 1946, in Jinjiang City, Fujian province, He studied planning and statistics at Xiamen University.
- Zhang started his career in the oil industry, at the Guangdong Maoming Petroleum Company.
- He spent around 12 years working his way up the political ladder in Guangdong Province, including a stint as party secretary in the special economic zone of Shenzhen, which borders Hong Kong. Zhang has built his career within coastal areas that have benefited from economic reform and he is understood to be an advocate of pro-market economic policy.
- In 2001, Zhang became governor and later Party Secretary of Shandong Province before moving to Tianjin in 2007, a bustling city of around 13 million people and one of China's four municipalities.

Section 2

China: Recent economic developments

Secular slowdown with ample fiscal space

GDP and industrial production slowing towards 12th FYP target of 7.5% p.a.

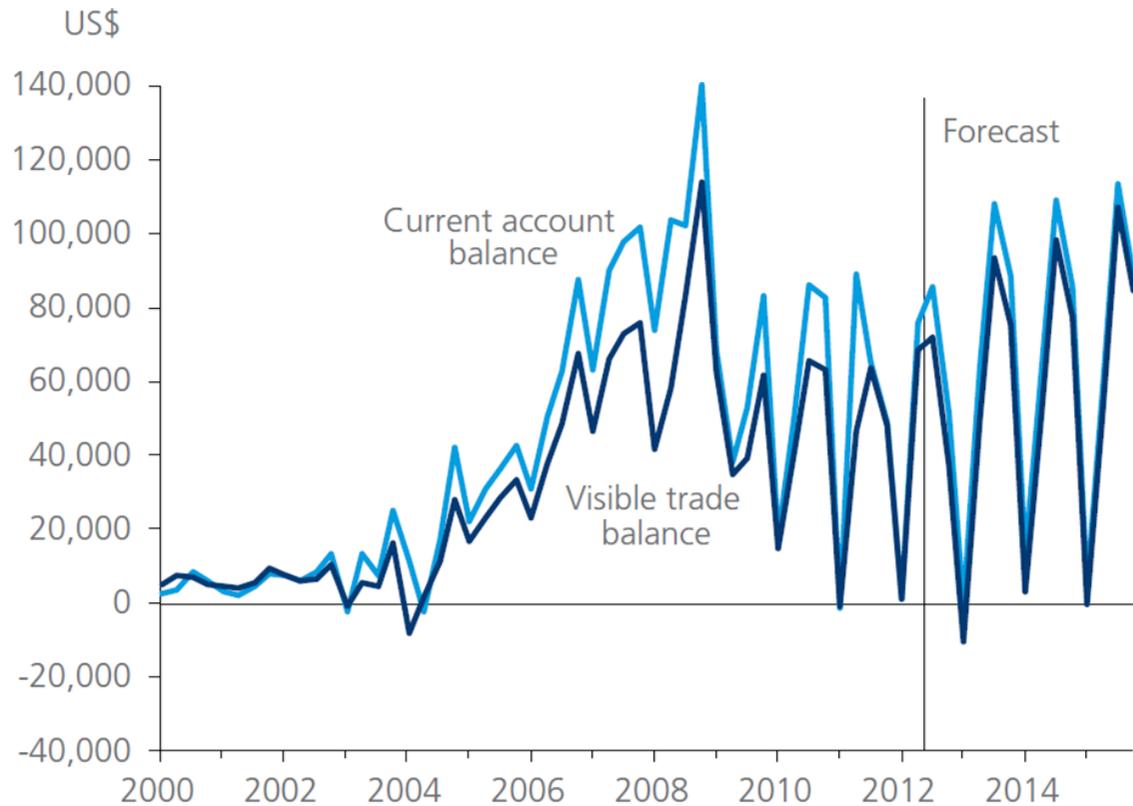
China: GDP and industrial production



Source : Oxford Economics/CEIC

Current Account surplus narrowing towards 2-3% of GDP

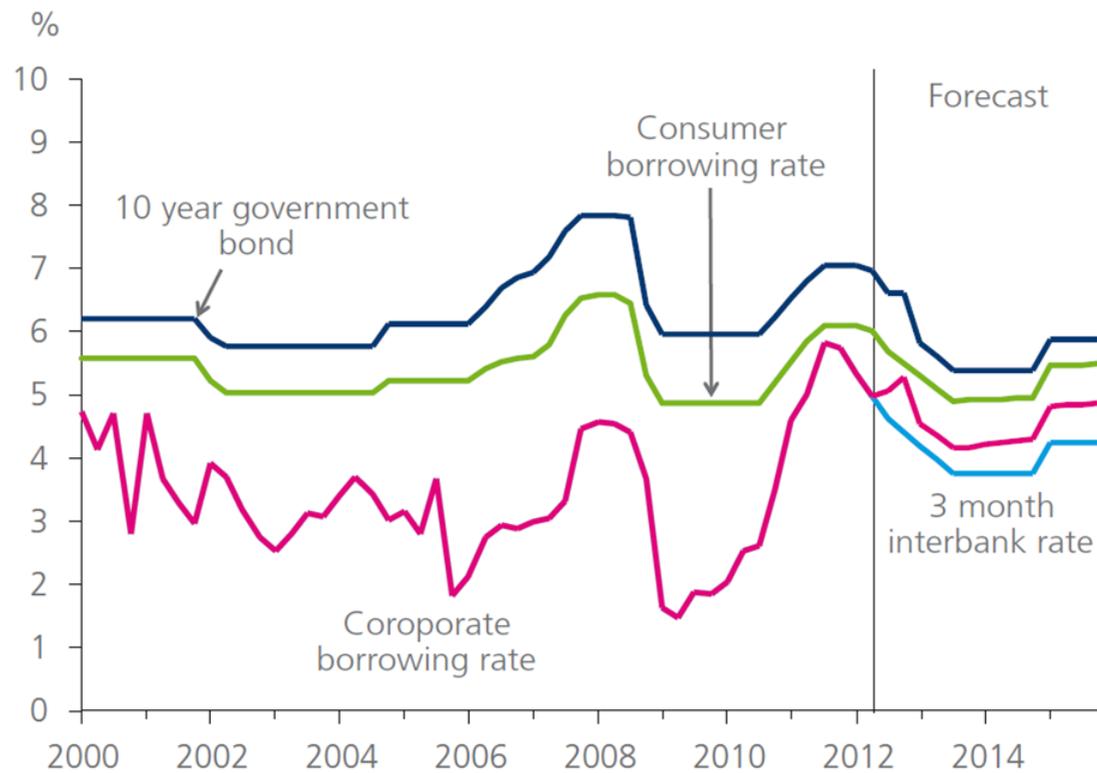
China: Balance of payments



Source : Oxford Economics/CEIC

Interest rates still negative in real terms for deposits

China: Interest rates

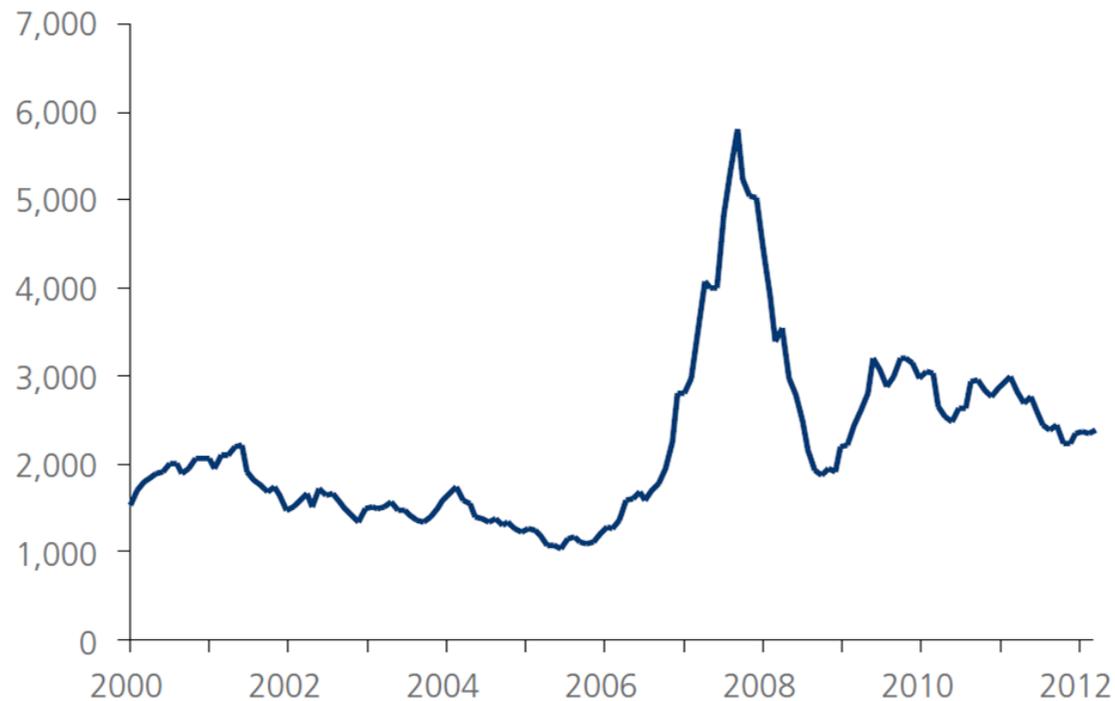


Source : Oxford Economics/CEIC

China: Post-bubble investor confidence still not revived

China: Stockmarket

Dec/19/90=100



Source : Oxford Economics/CEIC

China expected to maintain slower growth with ample fiscal space

FORECAST FOR CHINA (ANNUAL PERCENTAGE CHANGES UNLESS SPECIFIED)						
	2009	2010	2011	2012	2013	2014
Domestic Demand	13.6	11.0	8.8	7.7	8.6	9.5
Private Consumption	11.0	11.4	8.5	8.4	9.3	9.8
Fixed Investment	22.2	11.3	9.2	6.4	7.7	9.3
Stockbuilding (% of GDP)	2.3	2.5	2.4	2.5	2.4	2.4
Government Consumption	3.8	6.9	9.4	9.7	9.7	9.3
Exports of Goods and Services	-11.2	25.9	3.9	1.6	6.0	9.2
Imports of Goods and Services	5.2	18.4	2.7	2.6	8.0	9.5
GDP	9.2	10.4	9.3	7.2	8.1	9.1
Industrial Production	9.9	12.3	10.3	7.9	8.7	8.9
Consumer Prices	-0.7	3.3	5.4	2.7	2.6	3.5
Government Budget (% of GDP)	-2.3	-1.7	-1.1	-2.6	-3.0	-2.4
Trade Balance (\$bn)	198.2	184.5	157.9	179.6	208.1	230.1
Current Account (\$bn)	243.3	237.8	201.7	214.4	259.9	270.8
Current Balance (% of GDP)	4.9	4.0	2.8	2.7	2.8	2.6
Short-Term Interest Rates (%)	1.7	2.7	5.3	4.8	3.9	3.8
Exchange Rate (Per US\$)	6.83	6.77	6.46	6.32	6.23	6.00

Source: Oxford Economics

China's 12th Five-Year Plan for restructuring and re-balancing economy, with more inclusive and environmentally more sustainable development (2011-2015)

- The Plan will focus on “inclusive growth”, which means ensuring the benefits of economic growth are spread to a greater proportion of Chinese citizens.
- To achieve steady economic development with 7% annual GDP growth target
- To restructure economy and speed up urbanization, 4% expansion of urbanization annually; 4% expansion of the service sector annually, targeting 47% of GDP by 2015
- To stress education and scientific development as primary objectives, nine-year compulsory education enrollment, 93% by 2015 from 89.7% in 11th FYP, and increase R&D as percentage of GDP from 1.75 in the 11th FYP to 2.2 in the 12th.
- To improve general well-being and livelihood, increasing annual urban disposable income to > 26,810 RMB (USD 4,143) and annual rural disposable income to >8,310 RMB (USD 1,284) by 2015. For the first time, this increase would be greater than projected GDP growth.
- To emphasize Green growth, maintaining farmland reserves at 1.818 billion mu (R), cutting water consumption per unit of value-added industrial output by 30%, use of non-fossil fuel resources to 11.4% of primary energy consumption in the 12th FYP, also energy consumption per unit of GDP decreasing 16% and CO2 emissions per unit of GDP decreasing 17%.

Section 3

China 2030

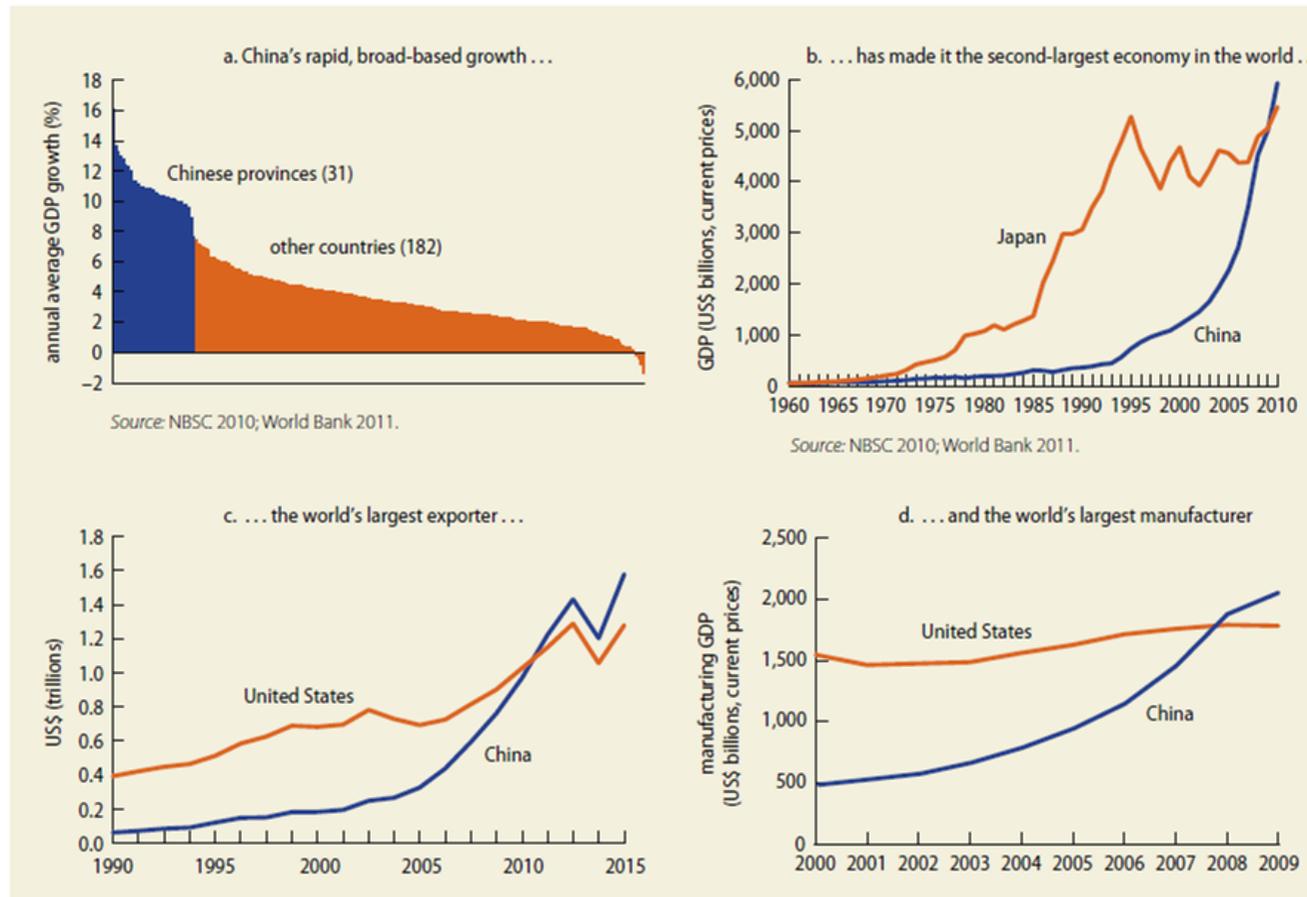
The World Bank and DRC study

“China’s economic model is Unsustainable, Uncoordinated, Unbalanced, and Unstable”.

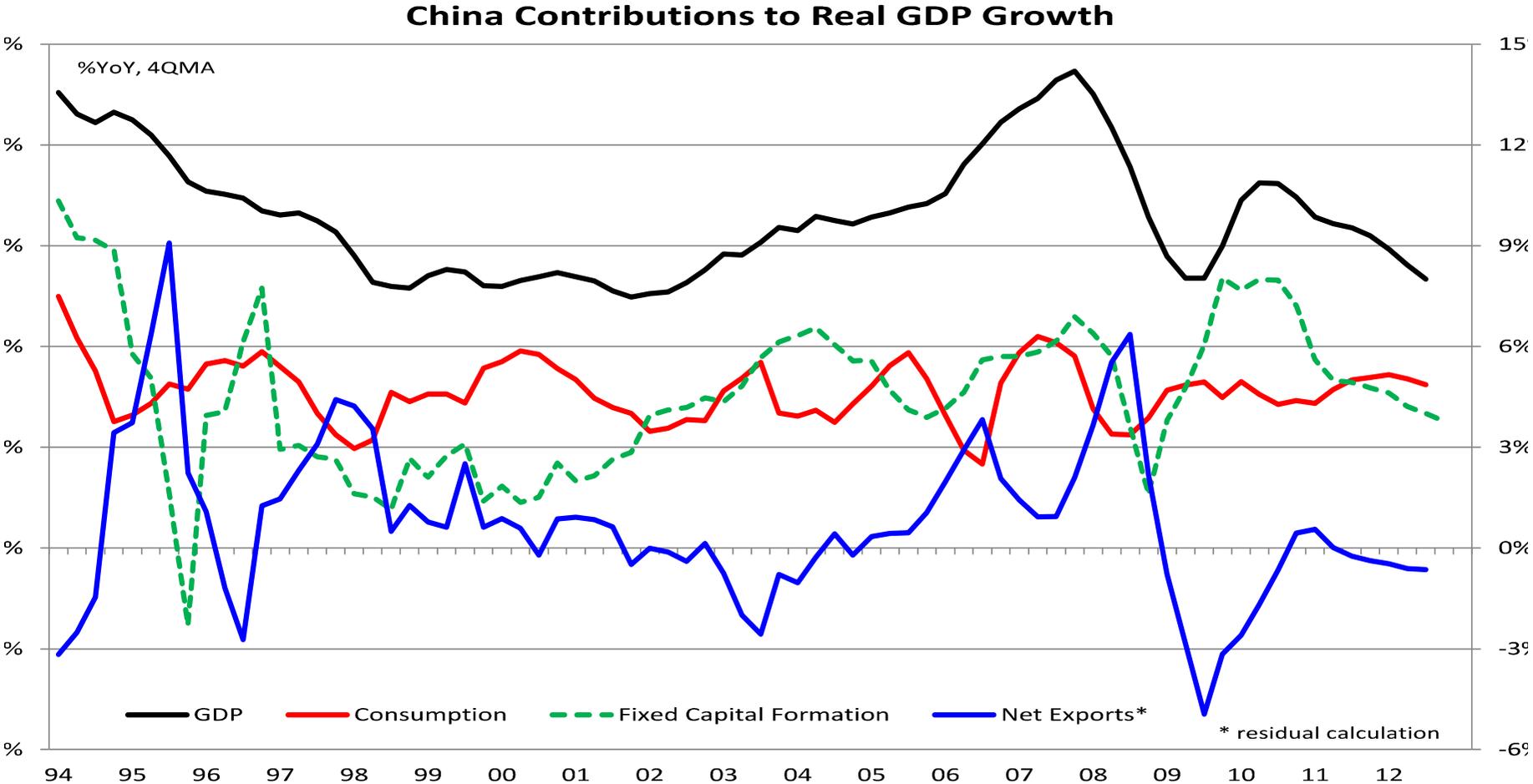
**Wen Jiabao,
China’s Premier
2007**

Impressive economic performance since 1979

FIGURE 1 China's impressive economic performance



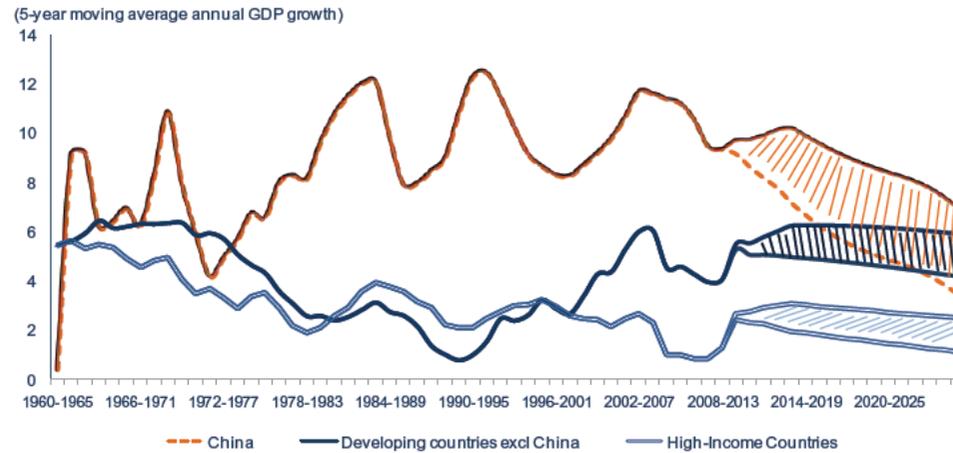
China contribution to Real GDP Growth



Source: DSGAsia, October 2012

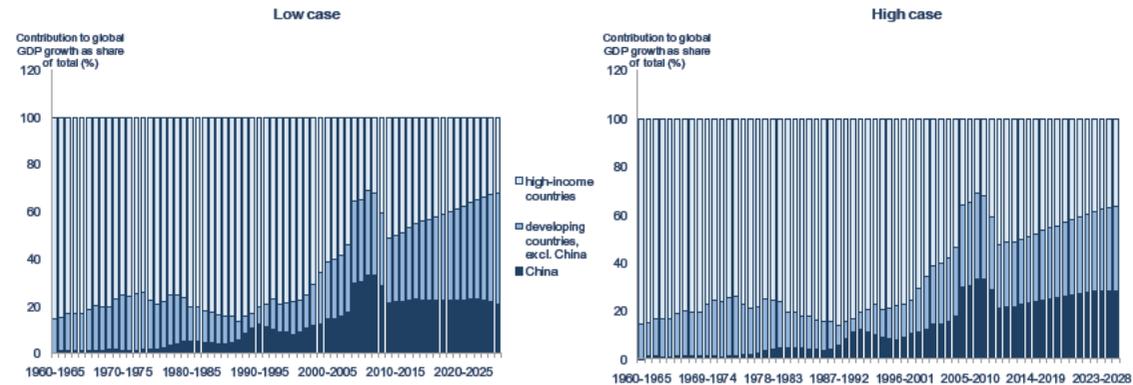
Emerging Markets will lead growth in run up to 2030

FIGURE 1 Growth trends



Source: World Bank calculations.

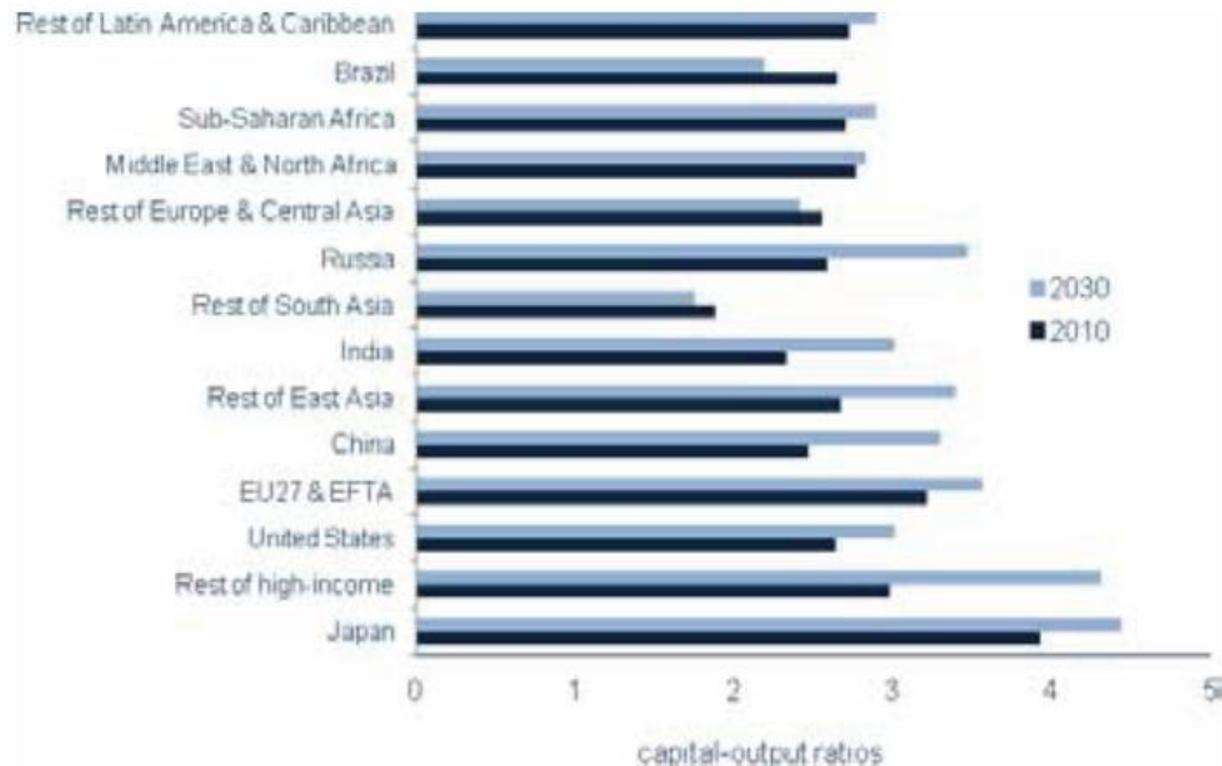
FIGURE 2 Growing share of developing countries in global growth (5-year moving average)



Source: World Bank calculations.

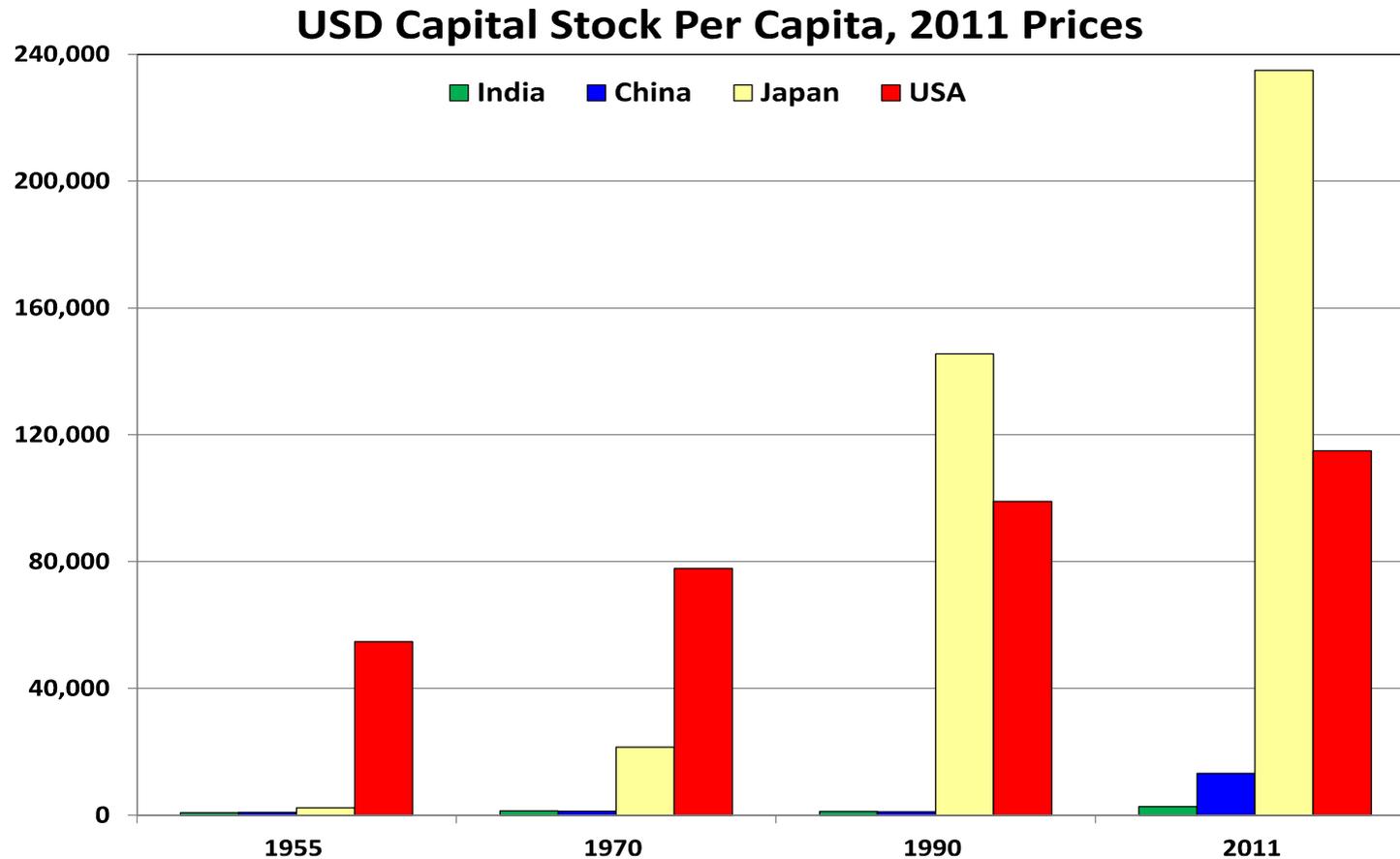
China's Capital-output ratios less efficient, but will catch up like other emerging economies

FIGURE 5 Capital-output ratios will further rise, especially in emerging economies



Source: World Bank calculations, derived from low-growth scenario.

Although investing heavily, China capital stock still below Japan and US



China still on high growth path but slowing towards 2020-2030 due to higher income levels and aging population

TABLE 1 Past and future growth trends

Average annual GDP growth (in percentages)

	Low and Middle Income Countries	China	High Income Countries	U.S.
1990–2000	3.3	10.4	2.7	3.4
2000–2010	5.9	10.5	1.6	1.7
2010–2020*	5.6–7.4	7.4–10.1	2.0–3.1	2.3–3.5
2020–2030*	4.2–6.6	4.2–7.8	1.3–2.7	1.5–3.0

Average annual per-capita GDP growth (in percentages)

	Low and Middle Income Countries	China	High Income Countries	U.S.
1990–2000	1.6	9.3	2.0	2.3
2000–2010	4.6	9.8	1.0	0.7
2010–2020*	4.4–6.1	6.8–9.5	1.6–2.6	1.5–2.7
2020–2030*	3.4–5.8	3.9–7.6	1.1–2.4	0.9–2.4

*The lower and upper bounds reflect average growth rates in the low-growth and high-growth scenario.

China's growth slowing down both cyclically and secularly

- China's growth is likely to slow, due to Lewis Turning Point and global environment will become less favourable as advanced economies adjust. Euro-crisis will impact on export performance.

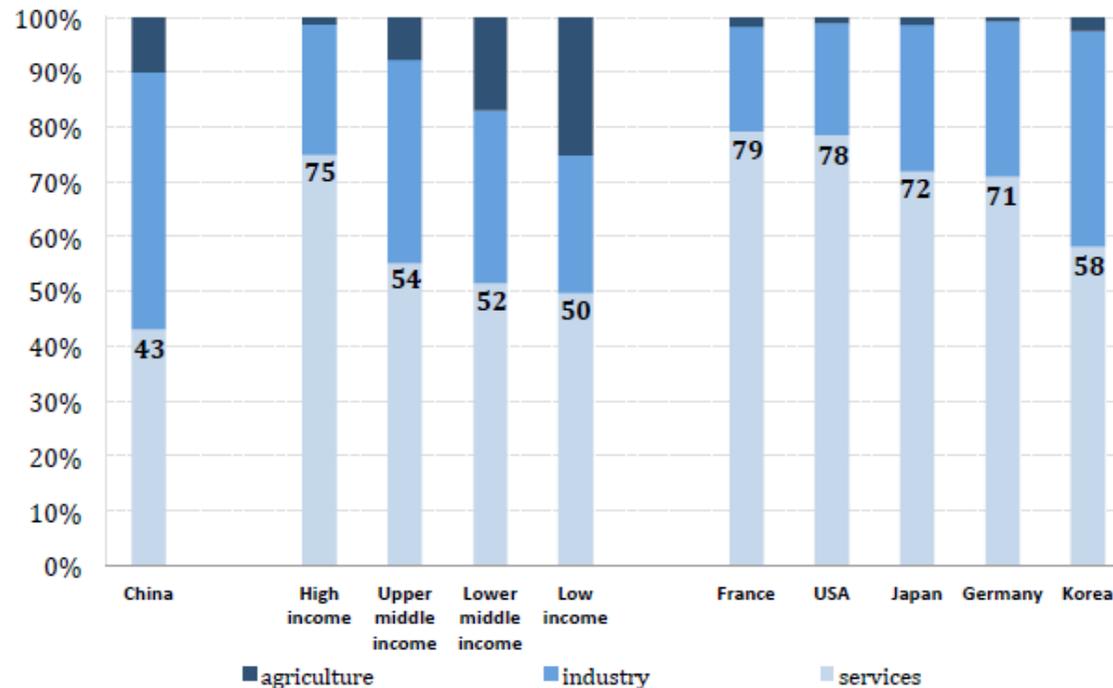
TABLE 1 China: Projected growth pattern assuming steady reforms and no major shock

Indicator	1995–2010	2011–2015	2016–20	2021–25	2026–30
GDP growth (percent per year)	9.9	8.6	7.0	5.9	5.0
Labor growth	0.9	0.3	-0.2	-0.2	-0.4
Labor productivity growth	8.9	8.3	7.1	6.2	5.5
Structure of economy (end of period, %)					
Investment/GDP ratio	46.4	42	38	36	34
Consumption/GDP ratio	48.6	56	60	63	66
Industry/GDP ratio	46.9	43.8	41.0	38.0	34.6
Services/GDP ratio	43.0	47.6	51.6	56.1	61.1
Share of employment in agriculture	38.1	30.0	23.7	18.2	12.5
Share of employment in services	34.1	42.0	47.6	52.9	59.0

Source: DRC.

Manufacturing Sector still dominant over Services

FIGURE 2.8 Services, value added, as a share of GDP (2010)

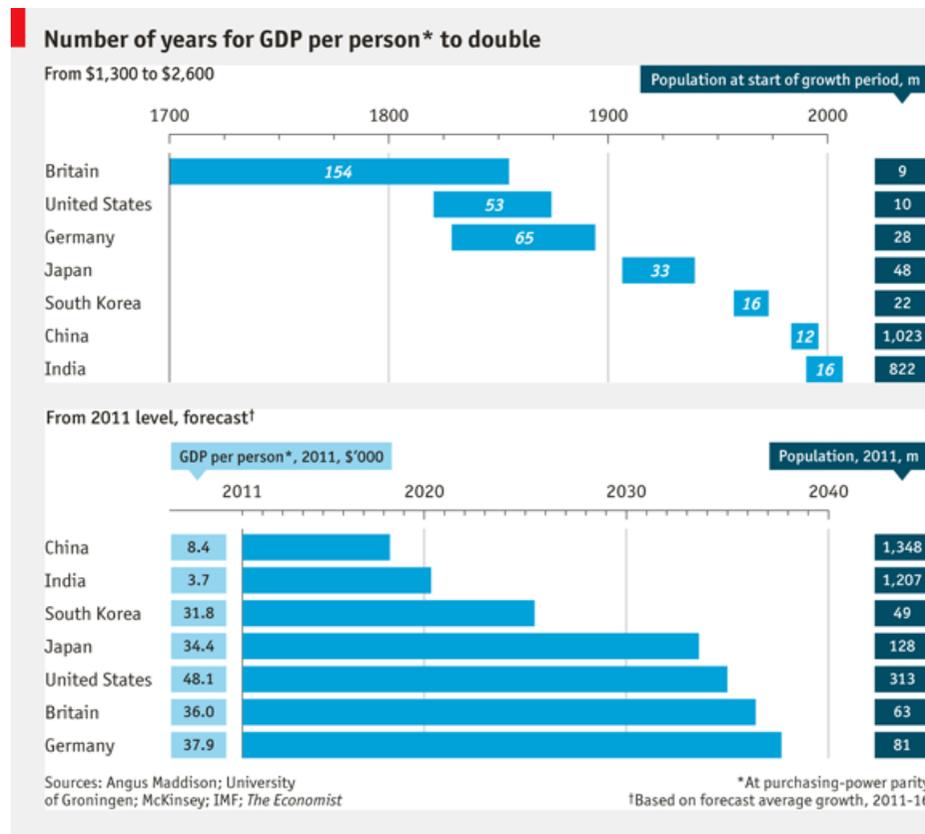


Notes: **Agriculture** corresponds with ISIC Rev. 3.1 divisions 1–5, covering forestry, fishing, livestock production, and the cultivation of crops; **industry** includes divisions 10–45, covering mining, manufacturing, construction, and utilities; **services** are defined as divisions 50–99, which cover wholesale, retail trade, transport, government, financing, professional services, education, healthcare, and real estate. Data for France and Japan are from 2009.

Source: World Bank, World Development Indicators (2011).

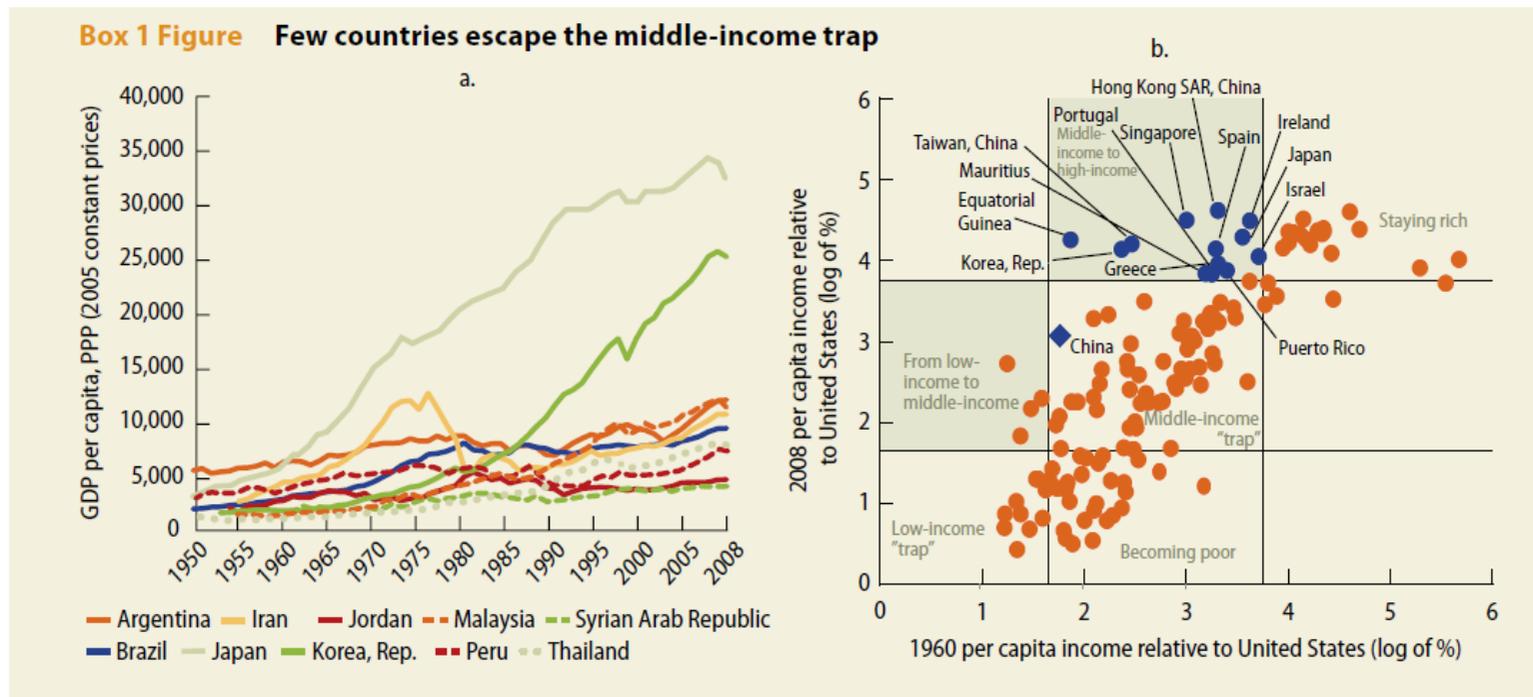
Dealing with Income Inequalities – Doubling per capita income

- At the 18th Party Congress, President Hu sets the benchmark to **doubling China's GDP and per capita income by 2020 compared with 2010**. In past three decades, personal income growth has **fallen behind economic growth**



Finding New Growth drivers out of Middle Income Trap

- **Middle-income trap** – need reform policies to address the root structural cause of the slowdown, with new growth drivers



Source: Heston, Summers, and Aten 2011.

Source: Maddison database.

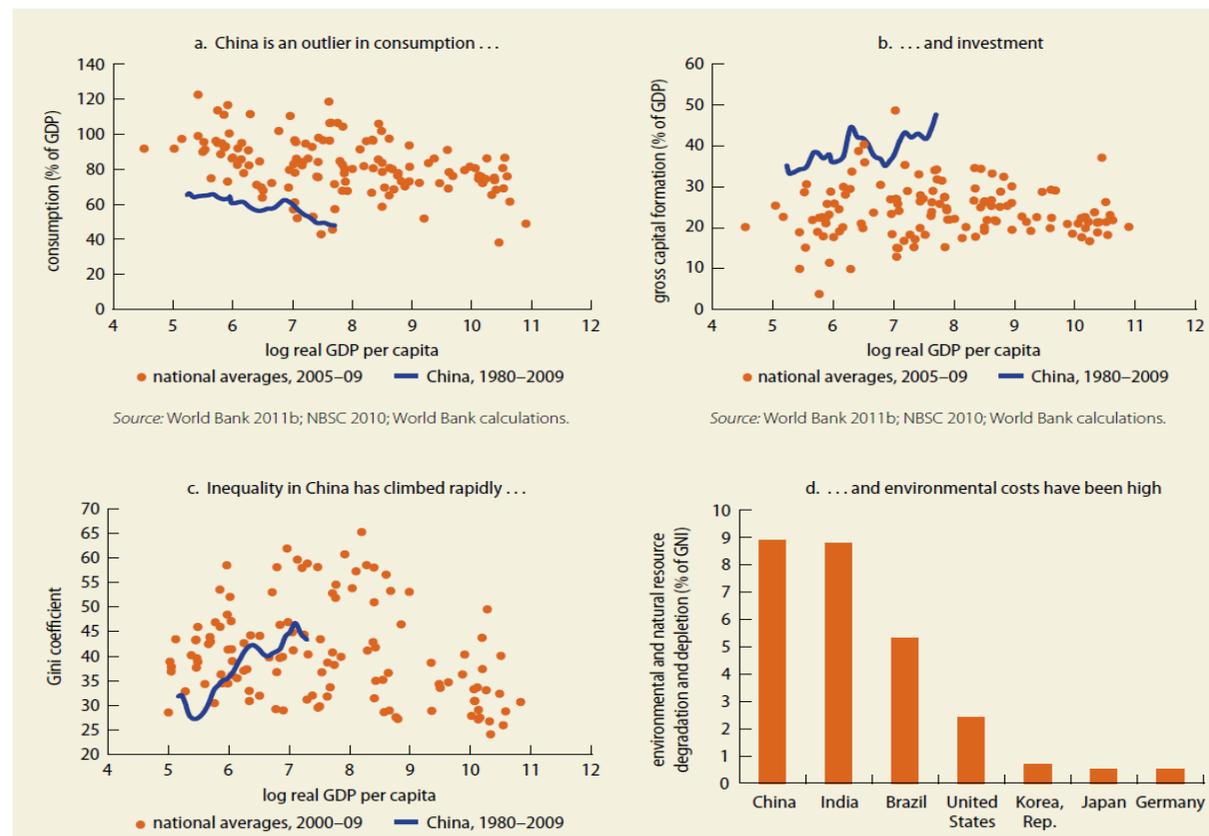
a. The term "middle-income trap" was first defined in Gill, Kharas, and others (2007). "Middle income economies" are defined in accordance with classifications by income group as given in: <http://data.worldbank.org/about/country-classifications>.

b. In today's increasingly globalized world, escaping the middle-income trap may be even more difficult (Eeckhout and Jovanovic 2007).

Addressing Social Inequity and High Pollution

- The risk of sharply lower growth rates include **China's relatively high income and asset inequality, low consumption, and high environmental costs**

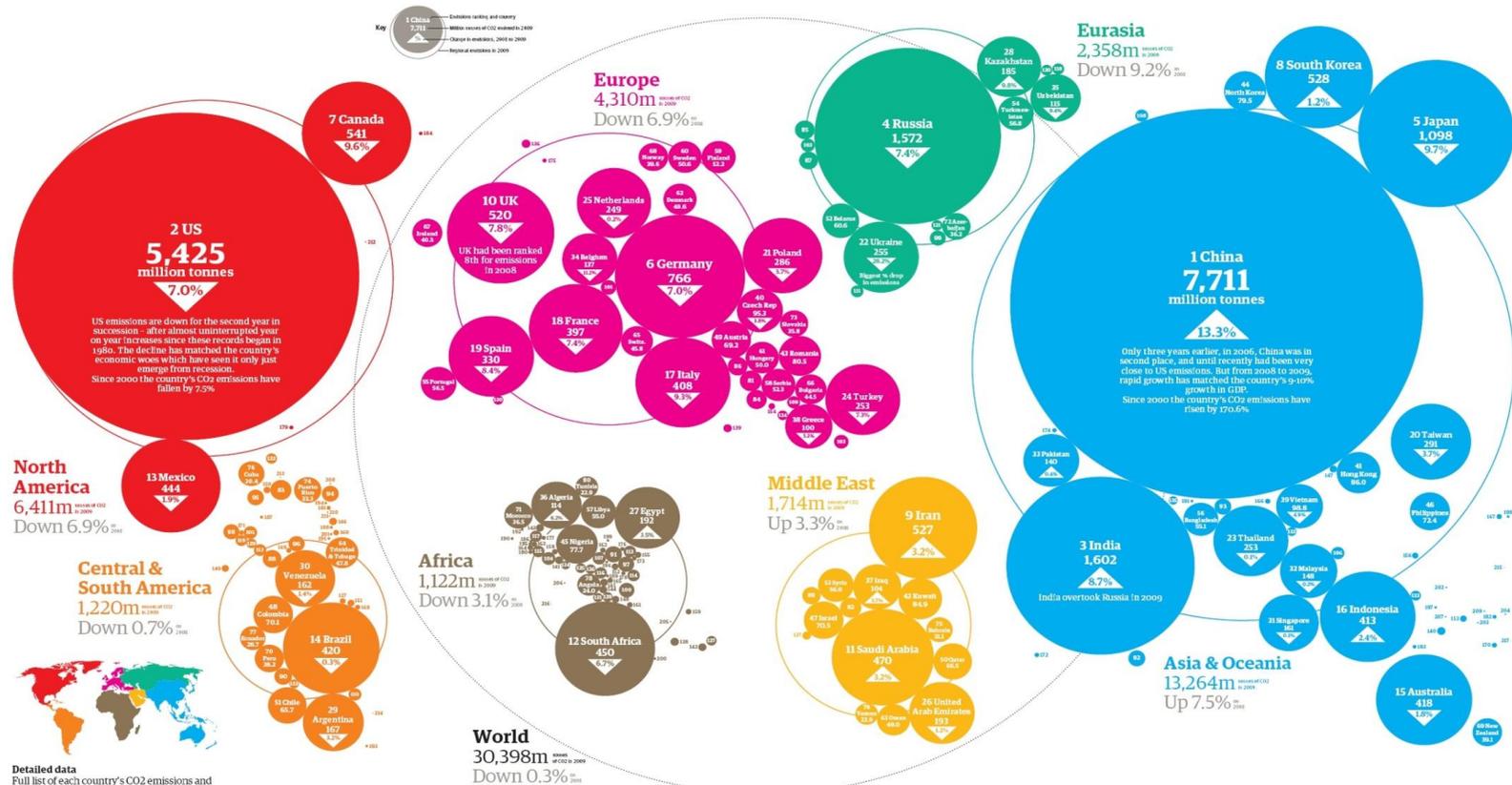
FIGURE 3 China's economic challenges



China's Rise Comes With Challenges to Global Sustainability



An atlas of pollution: the world in carbon dioxide emissions

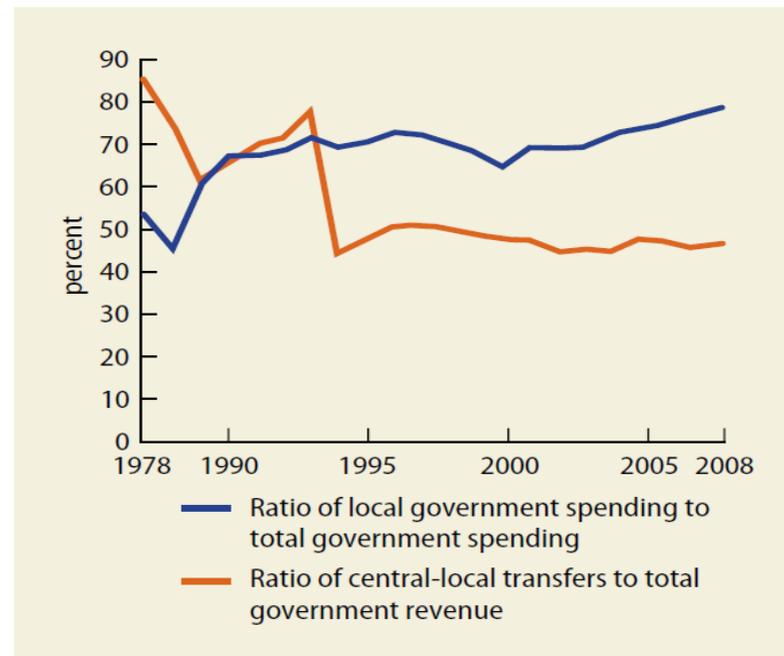


Asian Perspectives Global Issues

Fiscal Federalism reforms necessary to tackle incentives to boost real estate at local levels

- Government revenues are highly centralised, but local governments responsible for 80% of government expenditure and receive roughly 40% of tax revenues from transfers, hence they rely on land sales and help drive higher prices

FIGURE 8 Local governments: large expenditure responsibilities, inadequate revenues



Source: NBSC, various years.

Share of sub-provincial government spending in total government spending

TABLE 4 Share of sub-provincial governments in total government

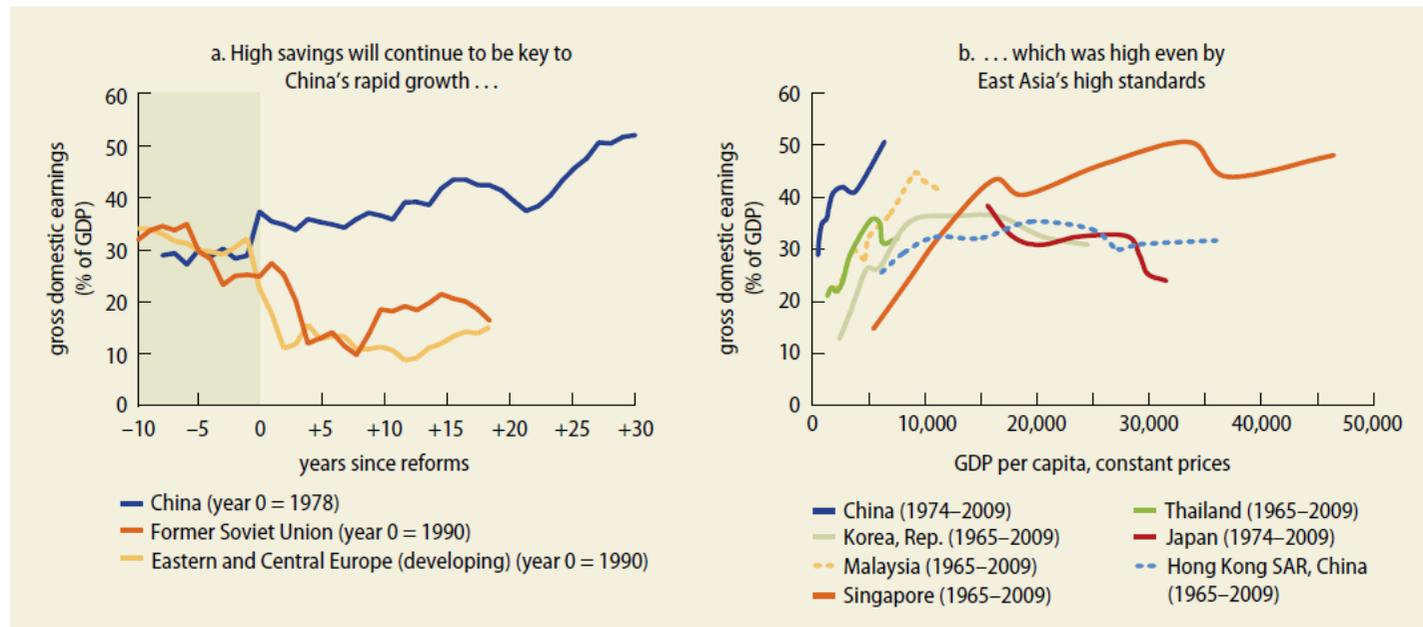
	Developing Countries	OECD Countries	Transition Countries	China
Sub-provincial share of Government Tax Revenues	9.27	19.13	16.59	34.2
Sub-provincial share of Government Expenditure	13.78	32.41	26.12	59.3

Source: Dollar and Hofman (2006), staff calculations

Addressing External Imbalance

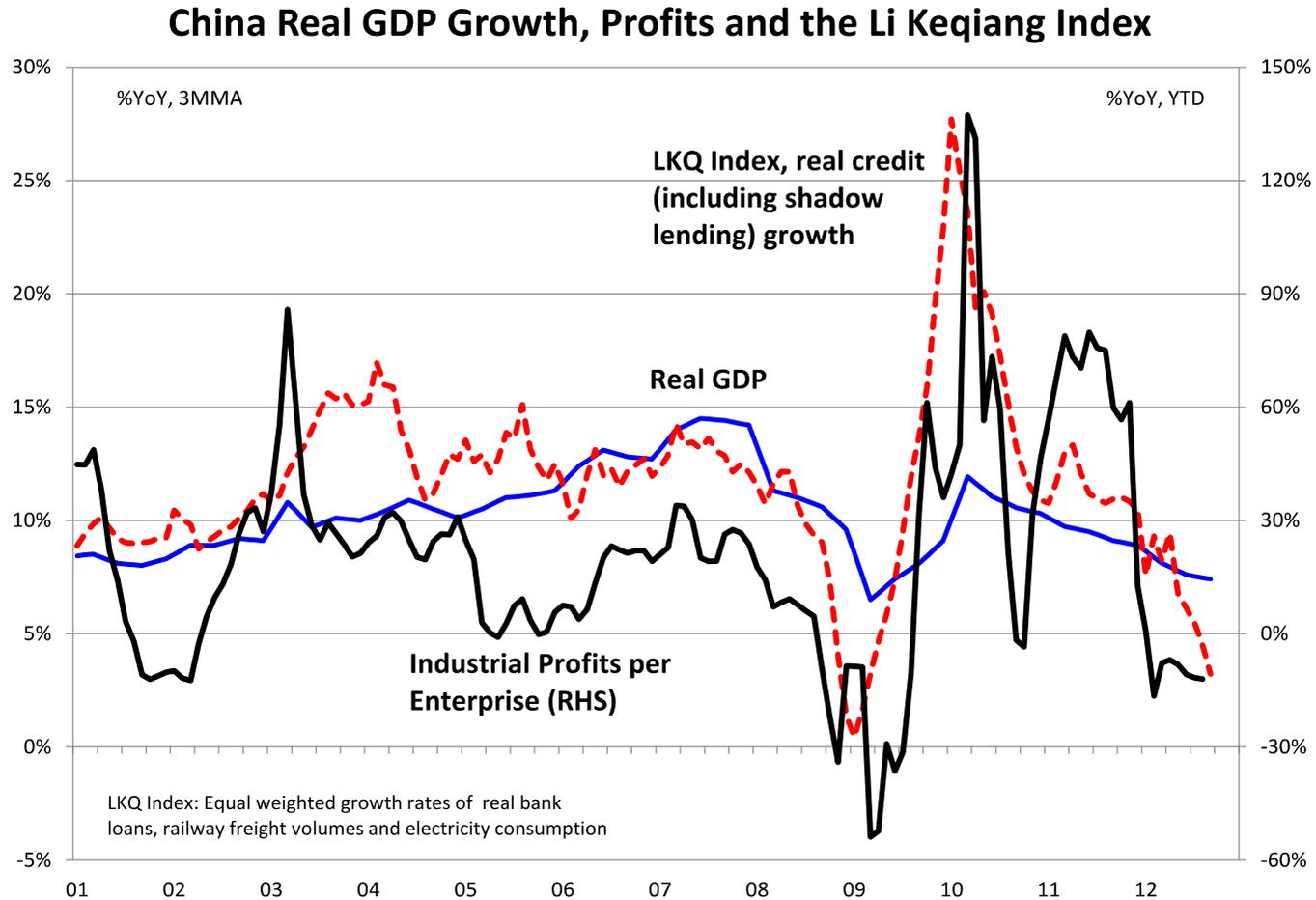
- China's **high savings and investment levels** account for its current and capital account surplus in the BOPs. Record foreign exchange reserves incur risk of large capital losses in the face of currency appreciation and distortion in monetary management

FIGURE 2 Savings in China compared to other countries



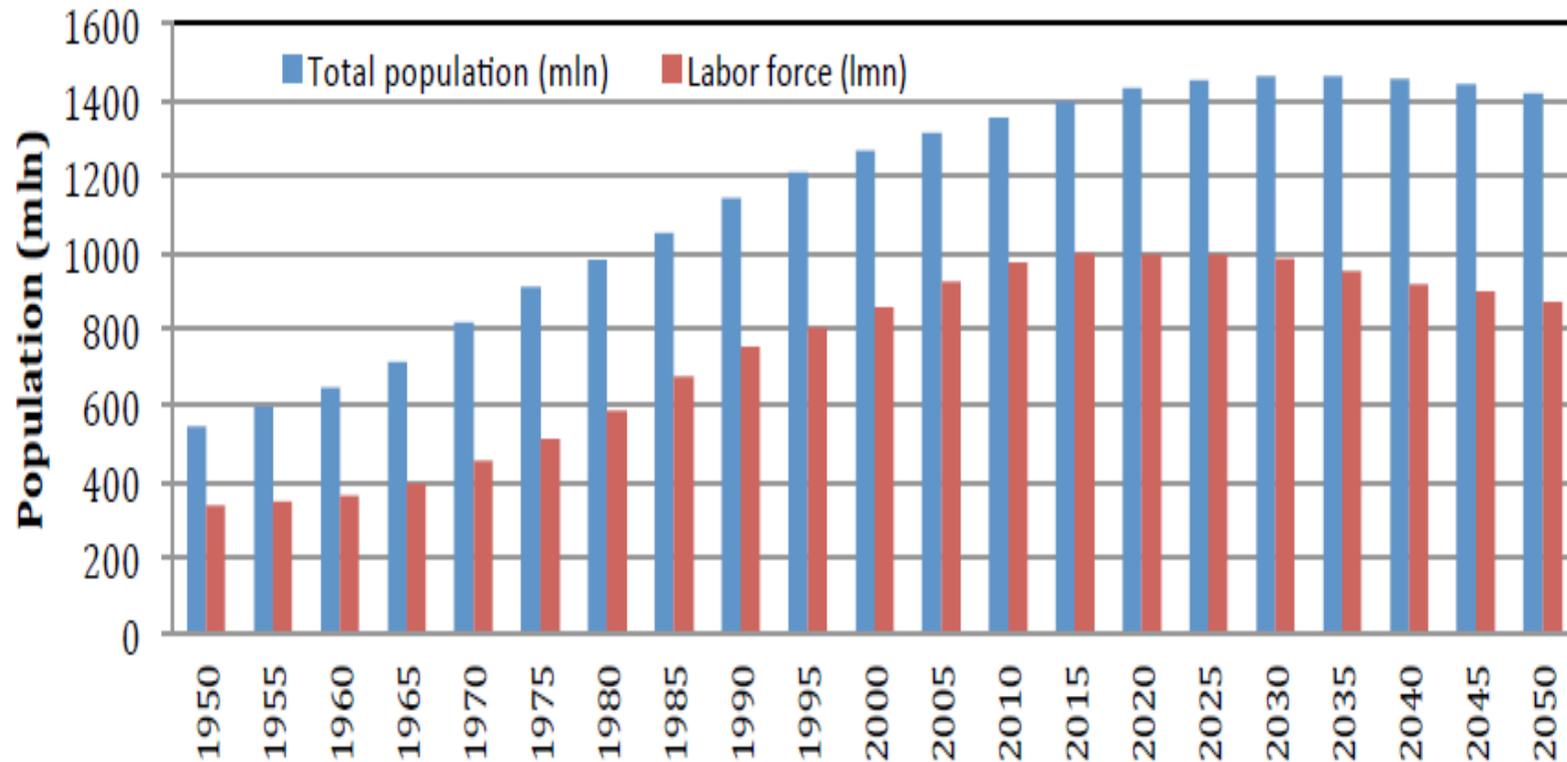
Source: World Bank 2011b.

Real GDP Growth, Profits and Real Growth Indicators



Population and labor force peaking around 2025-2030

FIGURE 1.5 Total population and labor force, 1980-2050

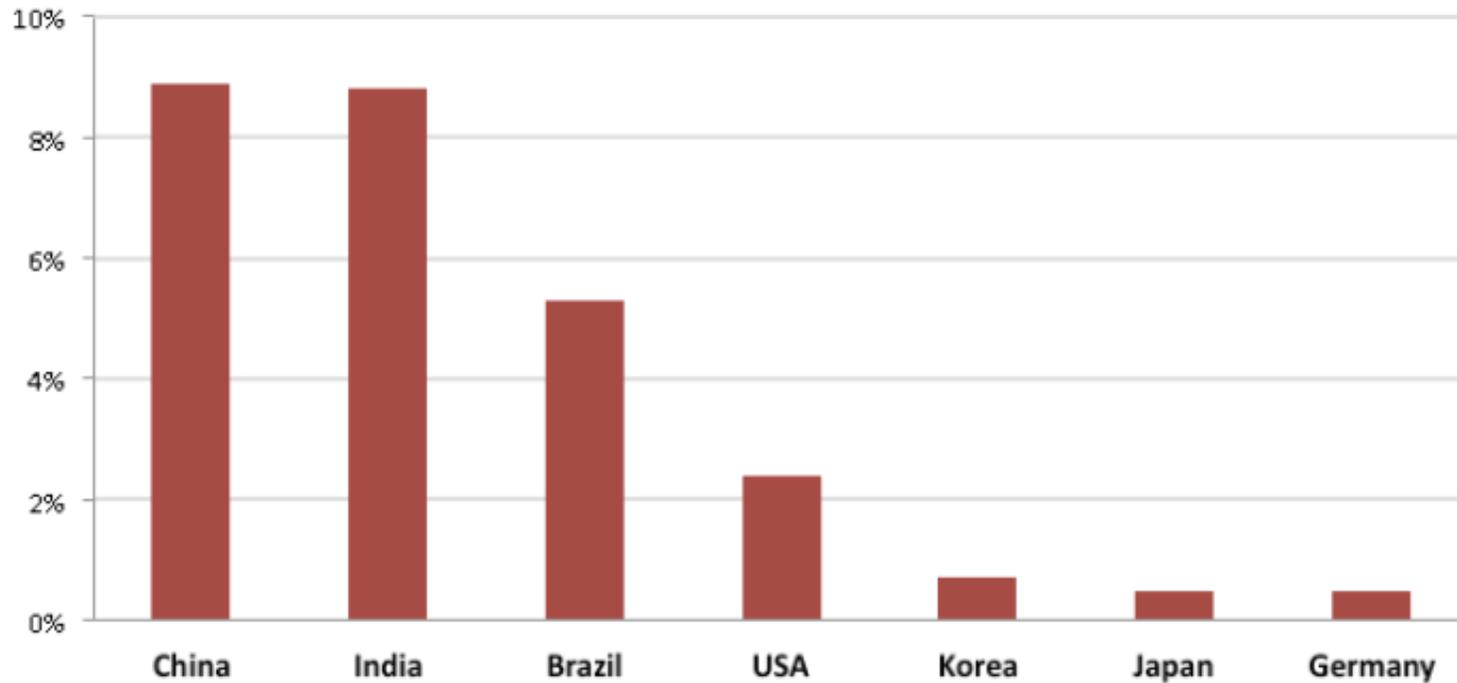


Source: United Nations Secretariat, World Population Prospects: 2010 Revision.

Natural resource depletion and serious environmental pollution

- Bad environment could be a serious constraint on future growth

FIGURE 3.1 Environmental and natural resource degradation and depletion, 2008
(% of Gross National Income)



Highest environmental and natural resource degradation, 2008 (% of GNI) around 9+%, compared with less than 2% for Korea and Japan

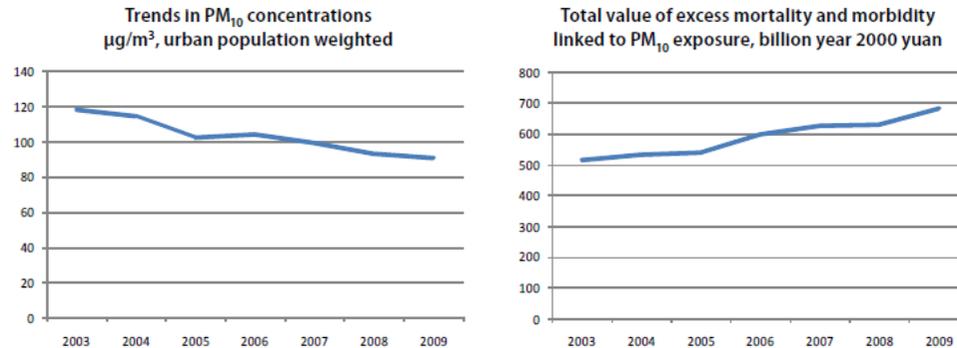
TABLE 3.1 A Greener China

Environmental depletion and degradation, all number are % of GNI	2009 value	“Greener” value, reachable by 2030	Net improvement
Energy depletion	2.9	1.9	1.0
Mineral depletion	0.2	0.2	0.0
PM ₁₀ health damage	2.8	0.1	2.7
Air pollution material damage	0.5	0.1	0.4
Water pollution health damage	0.5	0.1	0.4
Soil nutrient depletion	1.0	0.1	0.9
Carbon dioxide damage	1.1	0.2	0.9
Total depletion & degradation	9.0	2.7	6.3

Source: <http://data.worldbank.org>; World Bank (2007); Shi M.J. & Ma G.X. (2009); World Bank analysis.

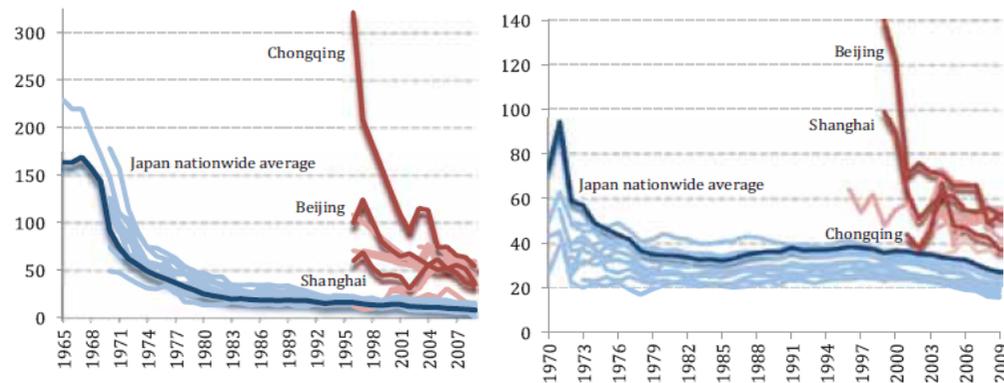
Poor urban air quality has high costs in terms of healthcare and happiness

FIGURE 3.2 Urban Air Pollution Trends in China, 2003–2009



Source: World Bank analysis based on China Environmental Statistical Yearbook.

FIGURE 3.3 Average annual SO₂ (left) and NO₂ (right) concentrations observed for the 10 largest cities in Japan and China, 1970–2009 ($\mu\text{g}/\text{m}^3$)



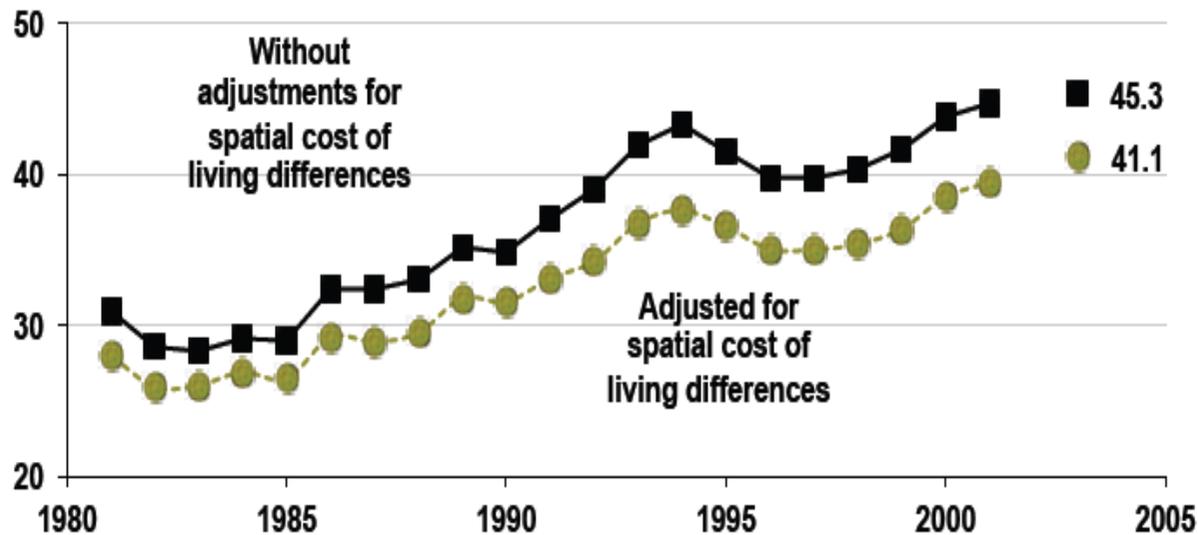
Notes: Includes ten largest cities in Japan by population in 1970; 10 largest cities in mainland China by downtown population in 2009 (excluding Dongguan city, Guangdong).

Sources: NIES database, Japan Ministry of Environment (1989), Kawasaki Air Pollution Monitoring Center; NBS, China Environmental Statistical Yearbook, various years; city statistical yearbooks for Beijing, Tianjin, Shenzhen, Chongqing, and Nanjing, various years.

Income Inequality could lead to social unrest

- Income inequality, measured by the Gini, rose to 0.45 by the mid-2000s, reflecting great disparities between urban and rural areas, and within rural and urban areas

FIGURE 1.2 The evolution of income inequality in China since the start of reforms (Gini index of income inequality from 1981 to 2005)

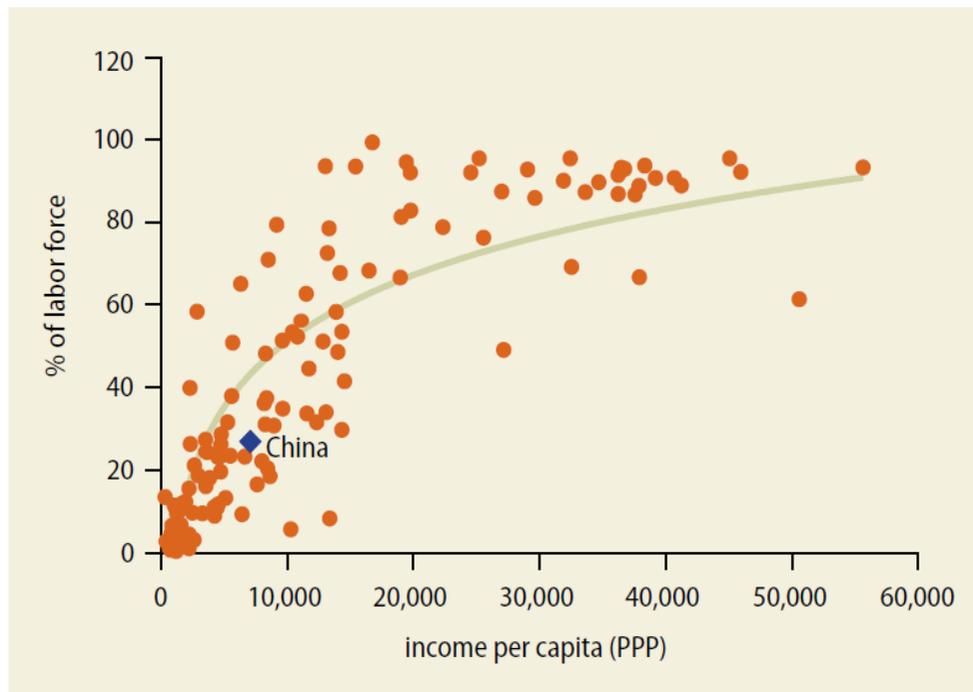


Source: World Bank (2009).

Equal Opportunity and Basic Security for All

- China has pension coverage well below that expected of a country with its per capital income

FIGURE 7 Pension coverage rate of the active labor force, various countries, mid-2000s

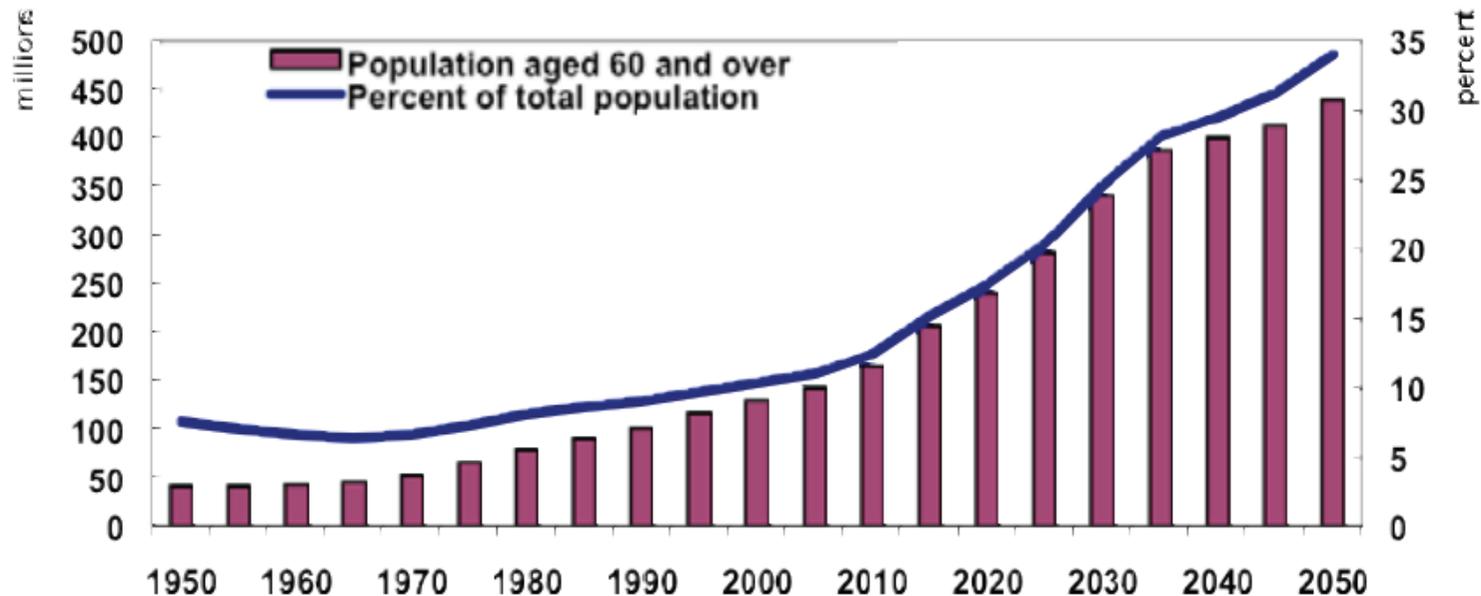


Source: Holzmann, Robalino, and Takayama 2009.

Growing Old before Growing Rich

- **Rapid demographic transition** is economic and social vulnerability – with rising life expectancy, sharp fall in total fertility, **aging population demands better healthcare and pension rights**
- Share of people aged 60+ will accelerate from 12% in 2010 to almost one quarter by 2030

FIGURE 1.4 Number and share of population 60 and over, 1950–2050



Source: For 1953, 1964, 1982, 1985, 1990, 1993, 2000, 2002 and 2010, National Bureau of Statistics, and for 2020 to 2050 UN 2010 Revision.

Rebalancing between SOE and private enterprise to drive innovation and employment creation

- A vibrant and increasingly efficient enterprise sector is key for sustaining growth and maintaining global competitiveness

FIGURE 4 SOEs have declined in relative importance

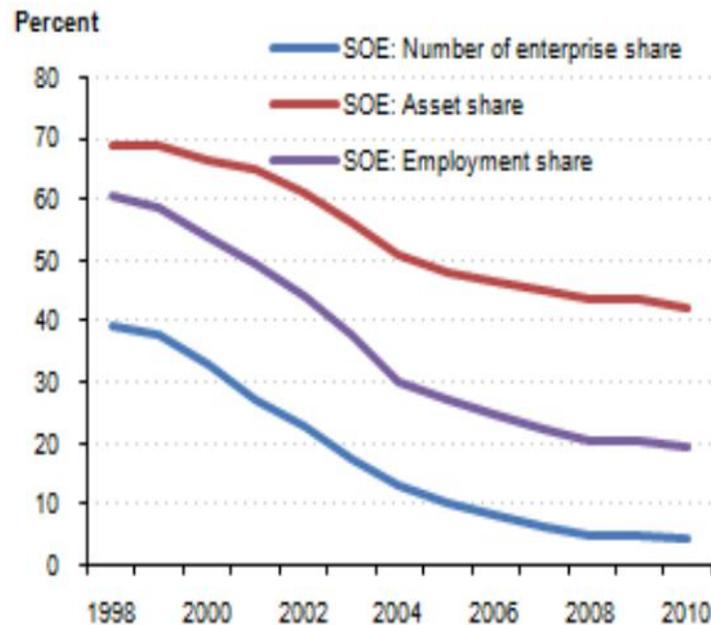
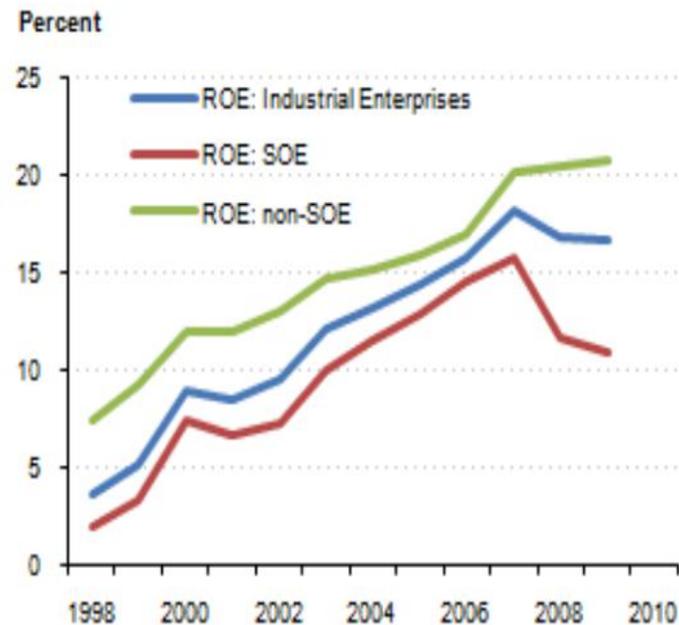
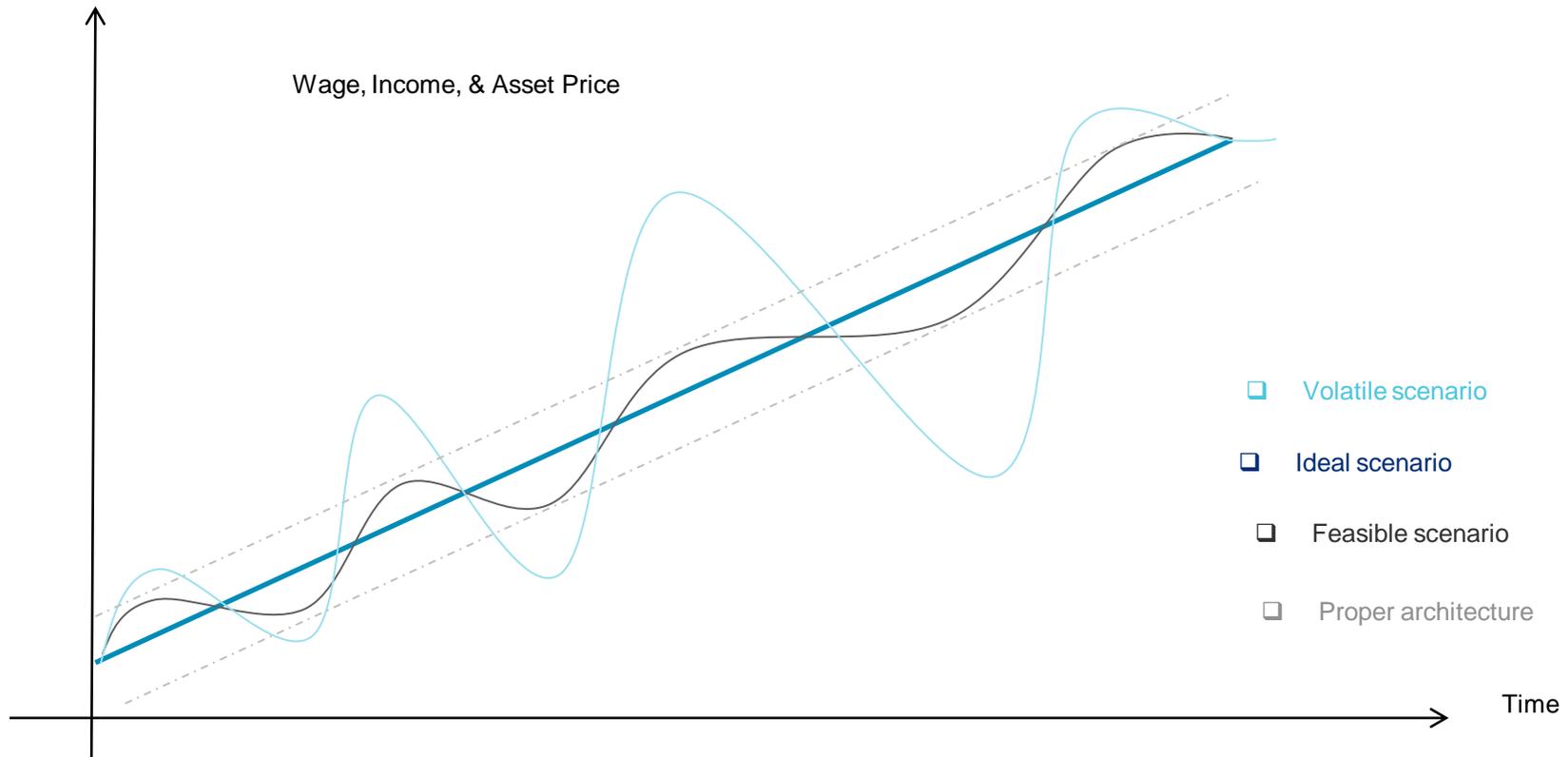


FIGURE 5 The rate of return for non-state firms exceeds that of SOEs

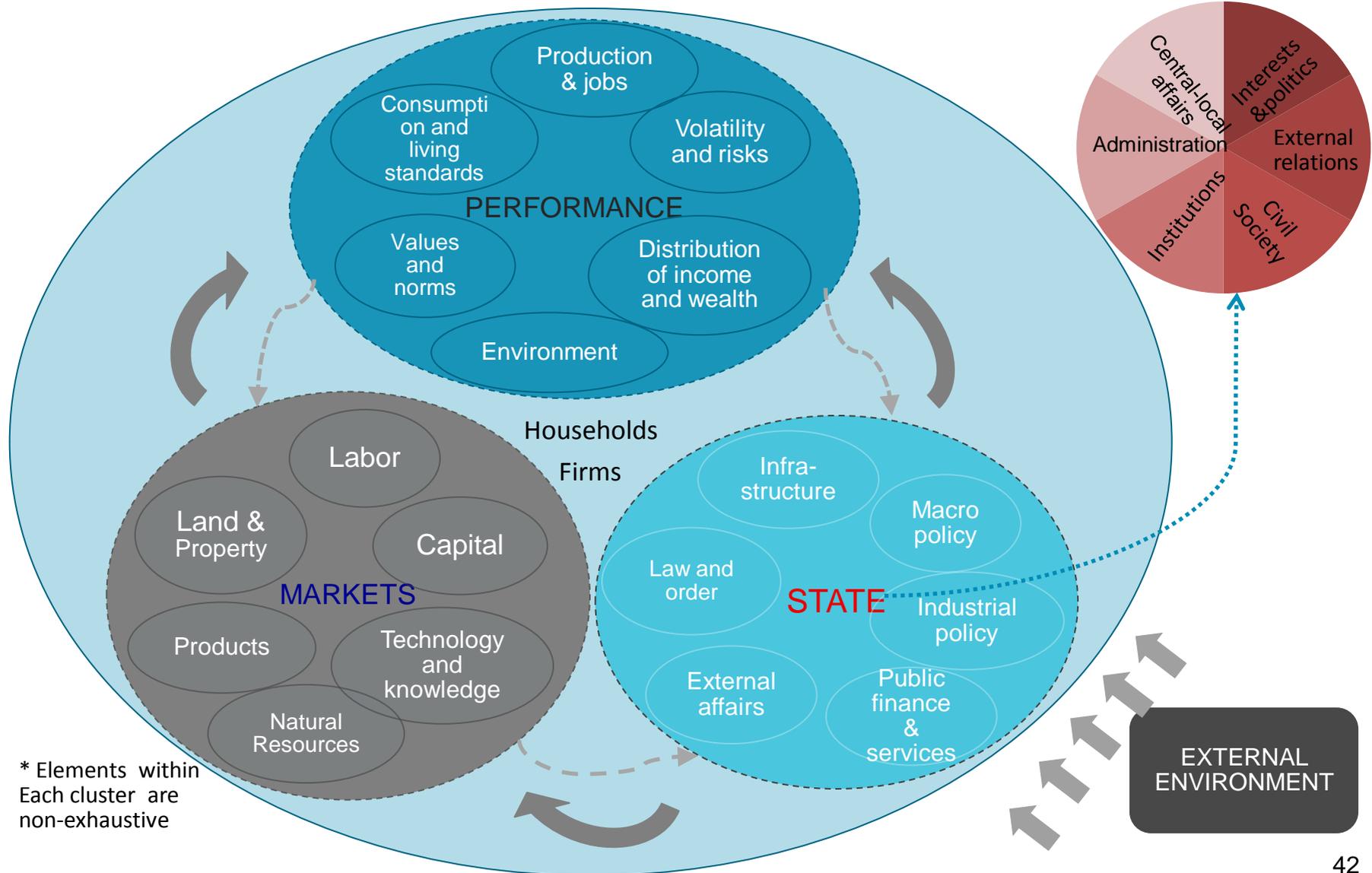


Sustainable Growth means managing long-term volatility



- As wage, income and asset price are converging with those of advanced economies, China needs a proper financial architecture that can help minimise disruptive boom and bust

Dynamic Interaction between State, Market and External Forces



* Elements within Each cluster are non-exhaustive

Research Areas and Projects

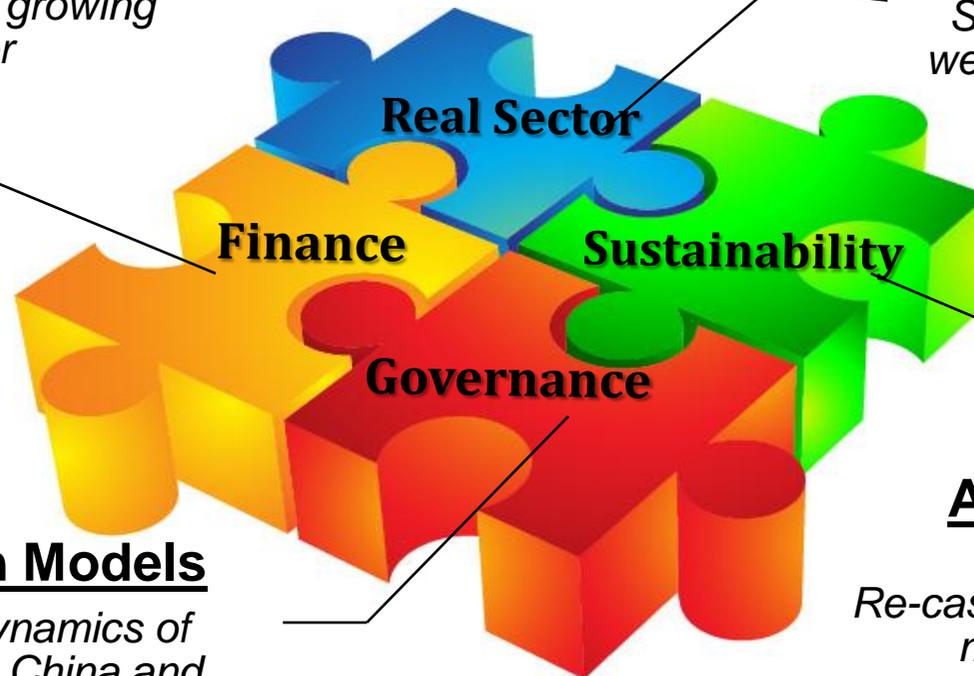


Asia Finance 2020

Risk mitigation, resilience, and support for a growing real sector

Global Supply Chains

Shifting jobs, growth and wealth in a changing global environment



Evolving Growth Models

Understanding the dynamics of states and markets in China and India

Asia's Sustainable Development

Re-casting growth models to better meet human needs and environmental priorities

Asian Perspectives Global Issues

Government

Four track Supply Chains

Government services supply chain

Production

Consumption

China-based “world factory” built by MNCs + SMEs

China infrastructure network, driven by SOEs

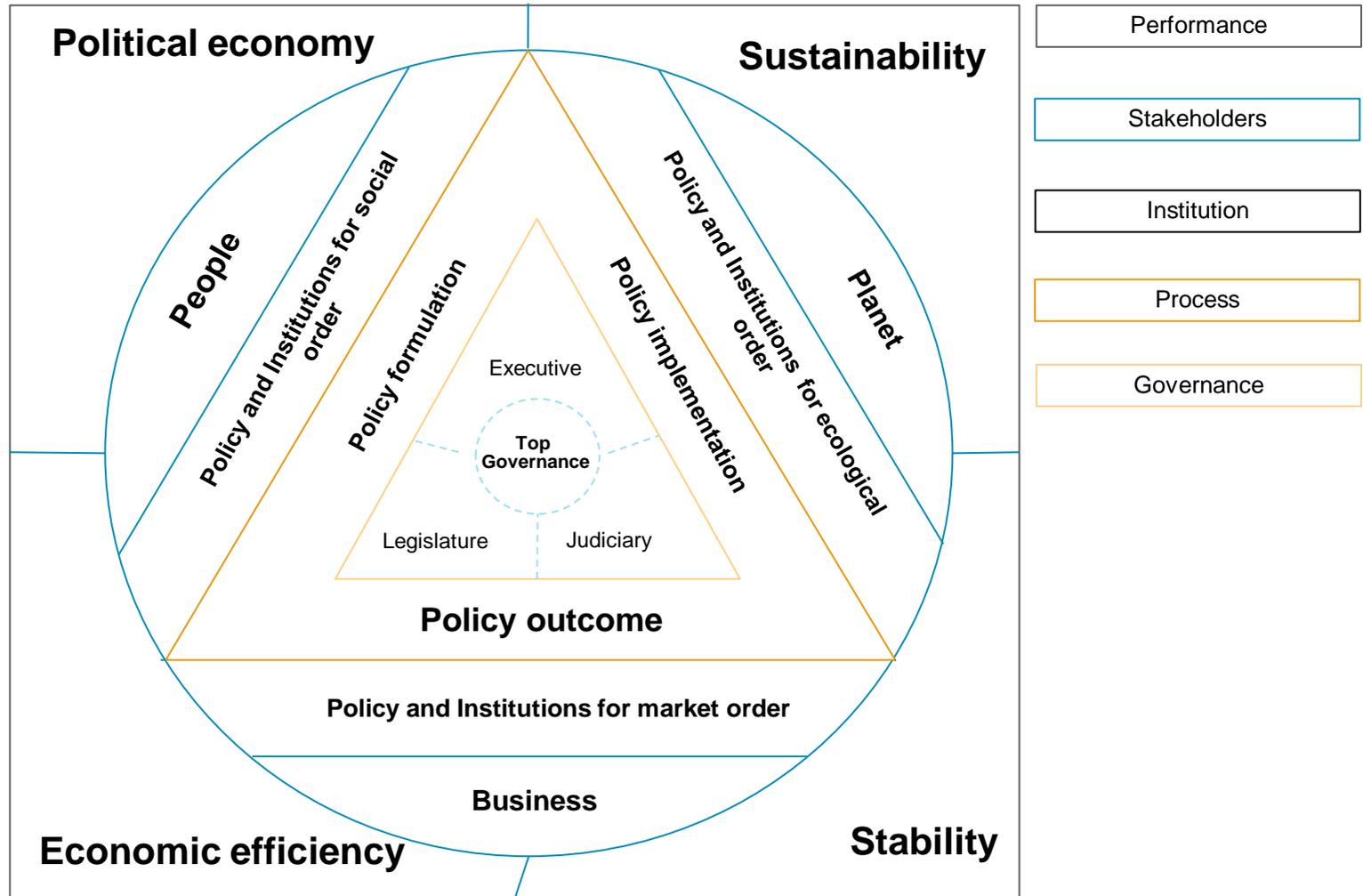
Logistics (Infrastructure and transport networks)

Chinese financial supply chain
State banks

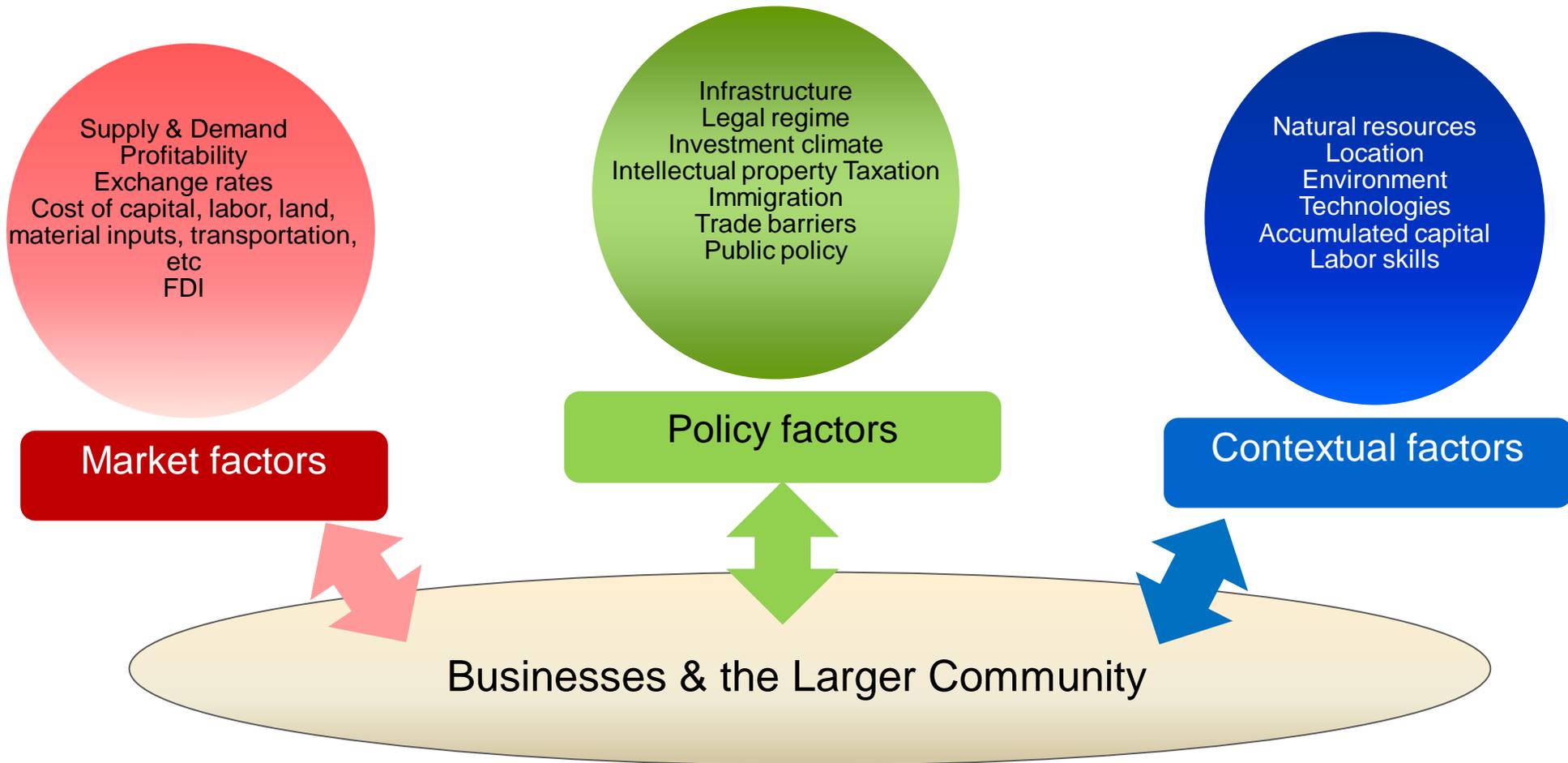
Finance

Top-Down Governance Architecture 顶层设计

– how to achieve trade-offs between competing policy imperatives

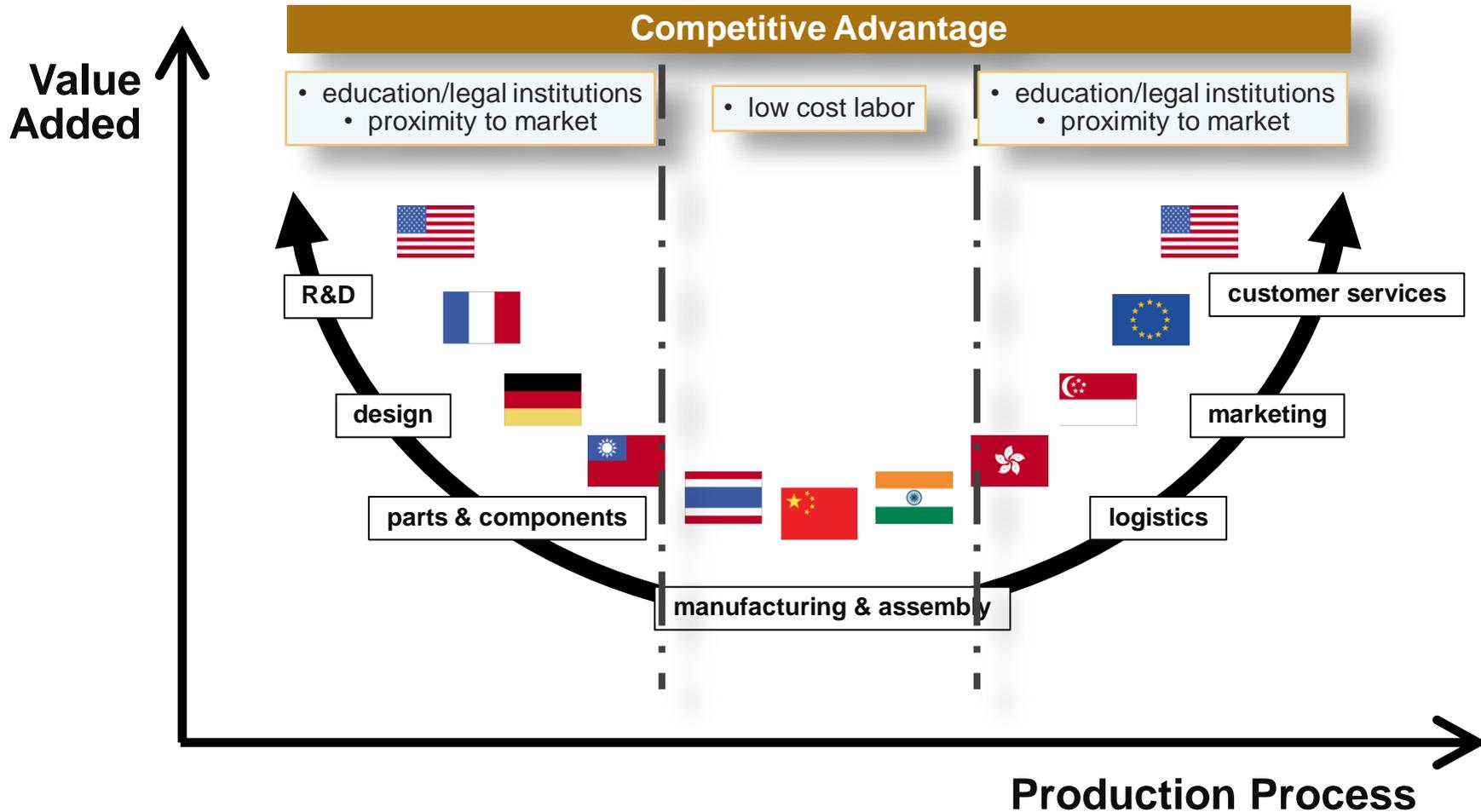


Overview of FGI Global Supply Chains Project

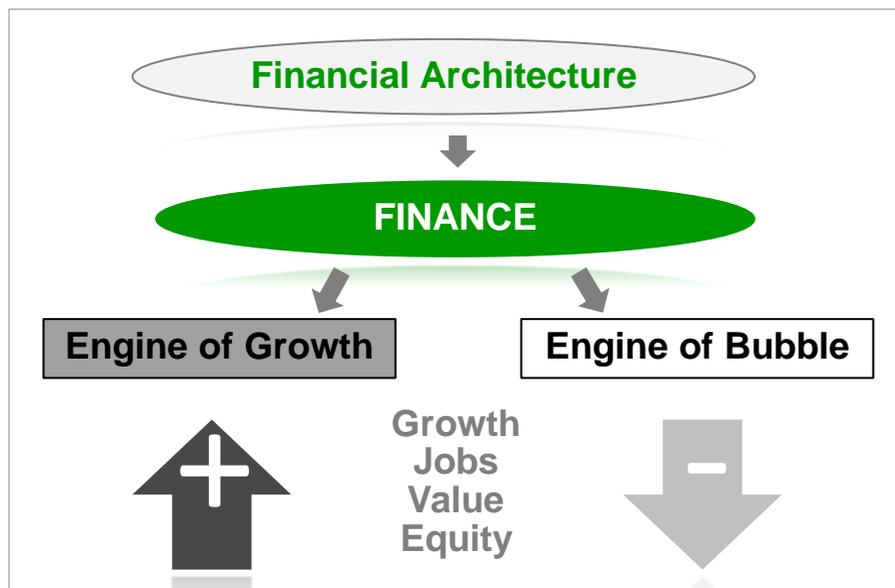


Asian Perspectives Global Issues

Countries must compete in capturing the value chain



Finance: Engine of Growth or Bubble Creation?



- Asia's financial architecture will determine whether finance serves as an engine of growth, or an engine of bubble creation
- The objectives of Asia Finance 2020 are to design a new financial architecture that will:
 - **Foster sustainable economic growth in an inclusive manner**
 - **Meet the needs of the real economy**
 - **Minimise and withstand systemic risks**

Asian Finance 2020:

*Efficient, stable, inclusive
financial architecture that
supports the real sector
in terms of resource
allocation, price
discovery, risk
management and
corporate governance*

China's 12th Five-Year Plan – Financial Sector Reform and Development

Key Objectives to be achieved during the 12th five-year plan period (2011-2015)

- **Higher growth in financial services:** valued-added in financial services of 5% of GDP, with moderate growth in public financing
- **Substantial progress in financial restructuring:** the share of direct funding of non-financial enterprises as a proportion of public financing has surpassed 15%
- **Improve allocation in financial resources:** reform in interest rate policy; use of RMB for cross-border trades; RMB convertibility
- **Enhance global competitiveness:** improve quality of large financial institutions; enhance risk management capability; improve regulation of securities and futures industry
- **Intensified inclusive finance:** ensure financial institutions perform basic services to serve the real sector
- **Improve financial safety net:** higher quality of capital and low level of non-performing loans; improve risk management in the securities industry; enhance capital solvency in the insurance industry; establish deposit insurance system

Financial System still bank-dominated

TABLE A1 Size of sectors/markets

	Assets of banking Institutions	Assets of Insurance companies	Assets of securities companies	Government bonds outstanding	Financial bonds outstanding	Corporate bonds outstanding	Stock market capitalization
1999	137.0	2.9	-	11.8	7.2	0.9	29.5
2000	138.5	3.4	-	13.1	7.4	0.9	48.5
2001	145.4	4.2	-	14.2	7.8	0.9	39.7
2002	169.8	5.3	-	14.8	8.2	0.5	31.9
2003	179.7	6.7	3.6	18.0	8.7	0.7	31.3
2004	175.0	7.5	2.1	22.4	9.1	0.8	23.2
2005	175.2	8.3	-	27.3	10.8	1.7	17.5
2006	204.0	9.1	-	28.9	12.1	2.6	41.3
2007	179.6	10.9	6.5	32.4	12.7	3.0	123.1
2008	204.3	10.6	3.8	31.3	13.4	4.1	38.6
2009	237.8	11.9	6.0	29.3	15.1	7.1	71.6
2010	241.6	12.7	4.9	28.1	15.0	8.6	66.7

Source: CBRC, CIRC, CSRC, Securities Association of China, BIS

Note: All figures are expressed as a percentage of GDP. Government bonds outstanding include both MOF securities and central bank bills/notes.

Banking less concentrated, but foreign participation still small

TABLE A2 Share of banking sector assets by type of bank (2003–2009)

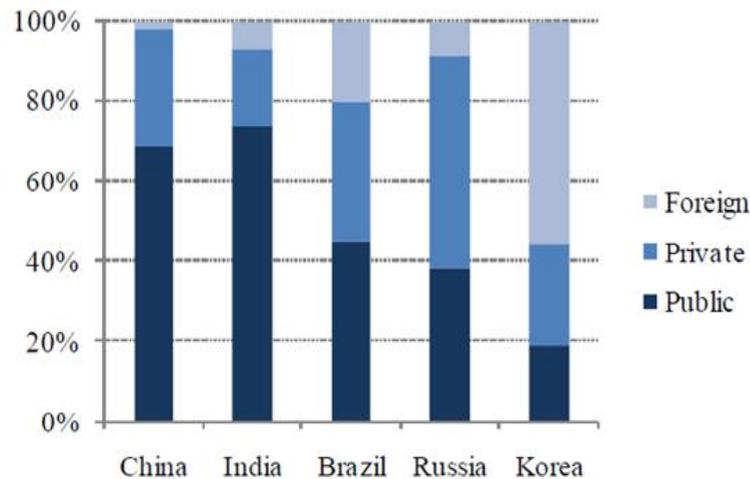
Group of Institutions	2003	2004	2005	2006	2007	2008	2009	2010
Large State-owned	58.03	56.91	56.06	55.12	53.25	51.03	50.89	49.2
Policy banks	7.68	7.63	7.82	7.90	8.13	9.05	8.82	8.0
Joint-stock bank	10.70	11.54	11.92	12.38	13.78	14.12	14.96	15.6
City bank	5.29	5.40	5.44	5.90	6.35	6.62	7.21	8.2
Rural banks	0.14	0.18	0.81	1.15	1.16	1.49	2.37	2.9
Rural coop.			0.73	1.06	1.23	1.61	1.62	1.6
Urban credit coop.	0.53	0.57	0.54	0.42	0.25	0.13	0.03	0.0
Rural credit coop.	9.58	9.74	8.39	7.85	8.26	8.35	6.97	6.7
Non-bank fin. Inst.	3.29	2.76	2.71	2.41	1.85	1.89	1.97	2.2
Postal savings bank	3.25	3.43	3.68	3.67	3.36	3.55	3.43	3.7
Foreign banks	1.50	1.84	1.91	2.11	2.38	2.16	1.71	1.8

Source: China Banking Regulatory Commission annual report 2009

Addressing Financial Repression and Financial Inclusivity

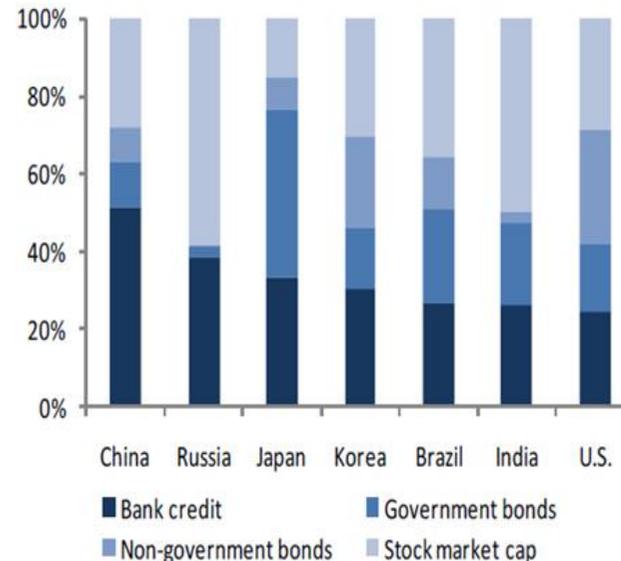
- Chinese financial system remains repressed, unbalanced, costly to maintain and potentially unstable. Level of state ownership and government intervention in the financial system are much higher than in other countries at similar stage of economic development

FIGURE 6 Ownership structure of the banking sector, 2005



Source: World Bank Financial Regulation and Supervision database.
 Note: The figure shows the share of banking sector assets held by majority-foreign, -private domestic, and-state owned banks

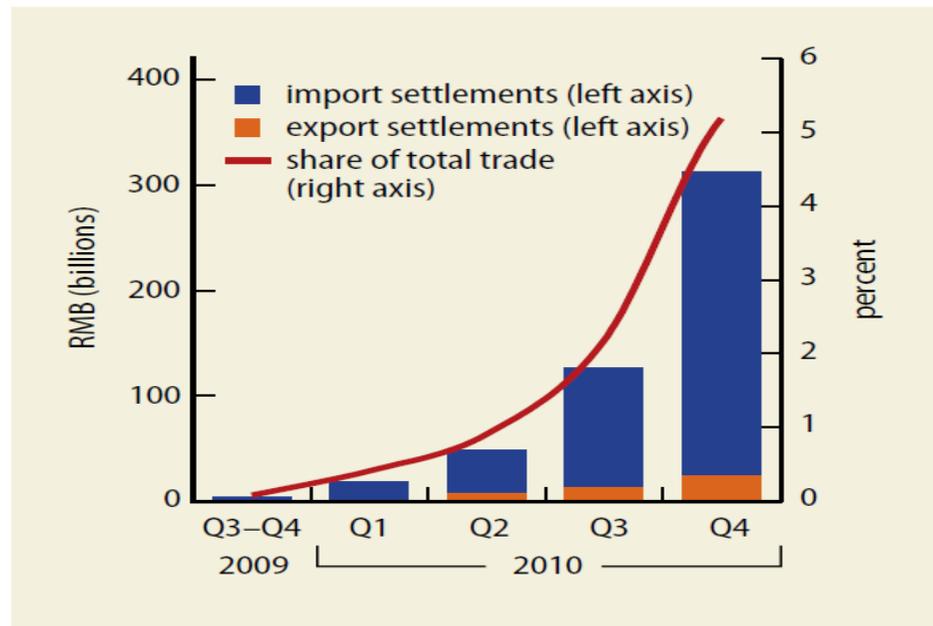
FIGURE 7 Financial system structure in comparison, 2009



Source: BIS, CSRC, IMF International Financial Statistics, WDI

RMB internationalization as FDI and trade becomes regional in emphasis

FIGURE 9 The renminbi is increasingly being used as the currency for cross-border trade settlement

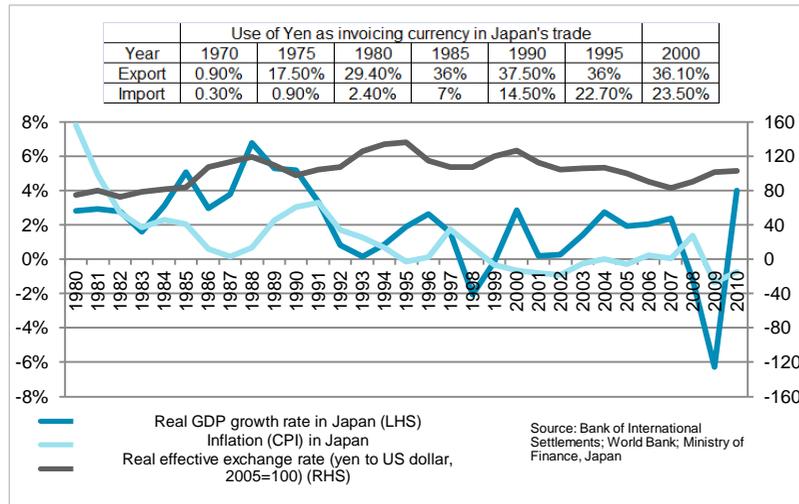


Source: People's Bank of China.

Note: China's total exports 2010: \$1.75 trillion; China's total imports 2010: \$1.52 trillion.

Key Questions for Asian Finance 2020 Project

Indicators of Japan's economic performance



Question: What are the benefits and risks of internationalisation of renminbi and rupee?

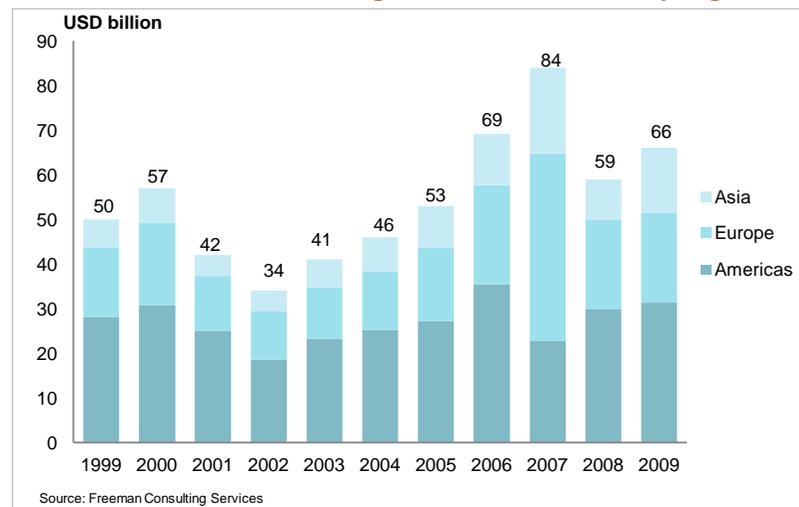
Size of banking sector, equity and bond markets (% of GDP)

Country	Year	Bank Assets	Bond Outstanding	Equity Market Capitalisation	Total
China	2001	134	20	44	198
	2009	145	54	75	274
India	2001	47	27	55	129
	2009	71	49	189	309
Japan	2001	199	117	49	365
	2009	249	228	65	542
Korea	2001	78	82	36	196
	2009	128	134	105	367
Indonesia	2001	21	11	5	37
	2009	18	7	18	43
Malaysia	2001	156	72	127	355
	2009	140	91	140	371
Thailand	2001	129	29	30	188
	2009	123	67	66	256
Hong Kong	2001	165	27	299	491
	2009	199	48	1104	1351
Singapore	2001	132	53	126	311
	2009	155	69	295	519

Source: Asian Development Bank

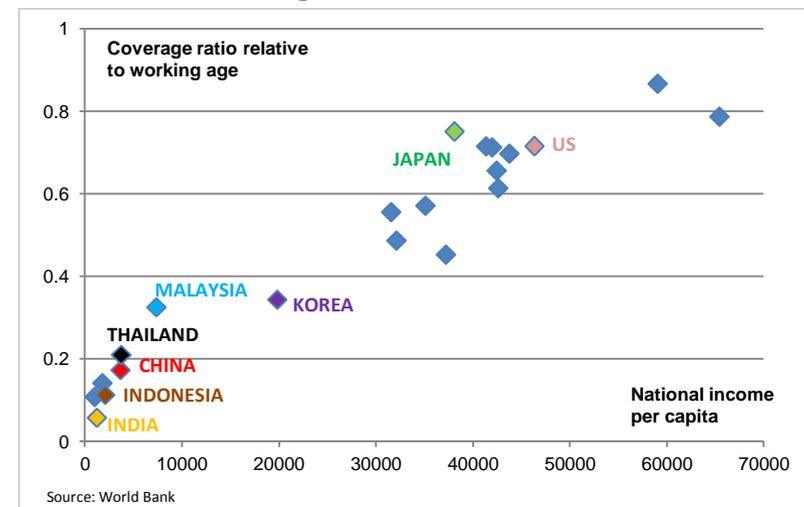
Question: How can capital markets become better at allocating resources?

Global investment banking sources of revenue by region



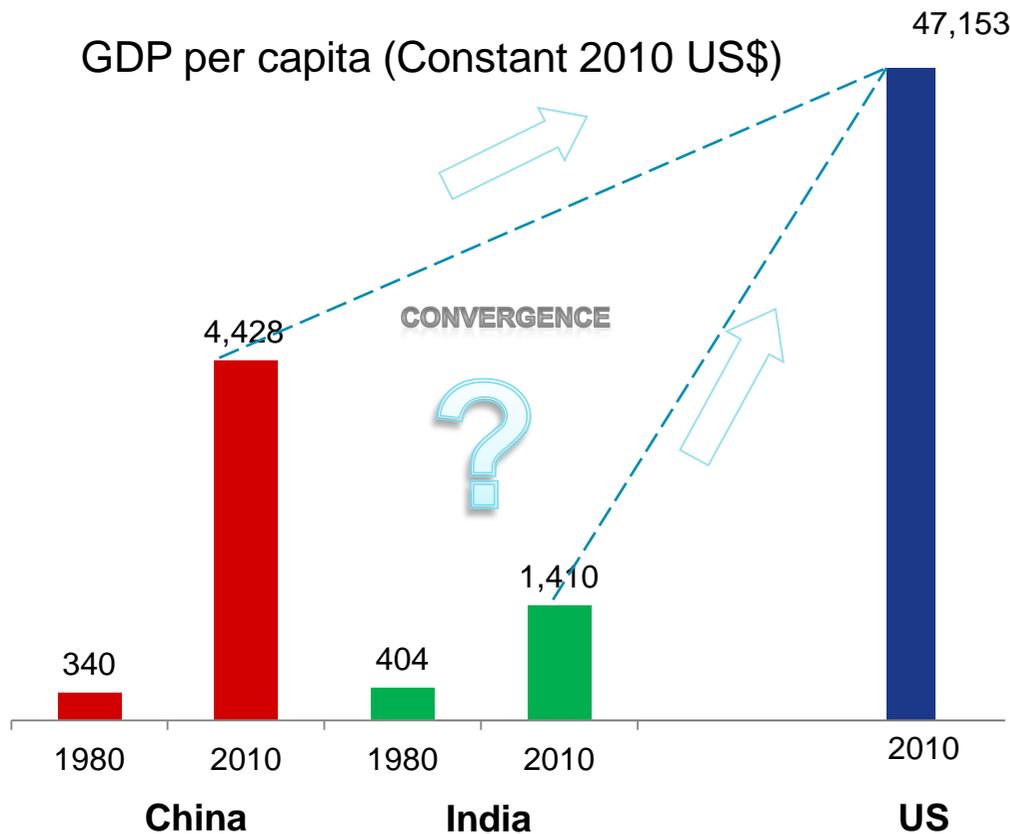
Question: What will be the investment banking needs of rising Asian and global corporates?

Pension coverage in selected Asian countries 2011



Question: How can finance help ensure provision for old-age and adequate protection against adversity?

Emerging Growth Model Project: How can China and India reform towards high income economies?

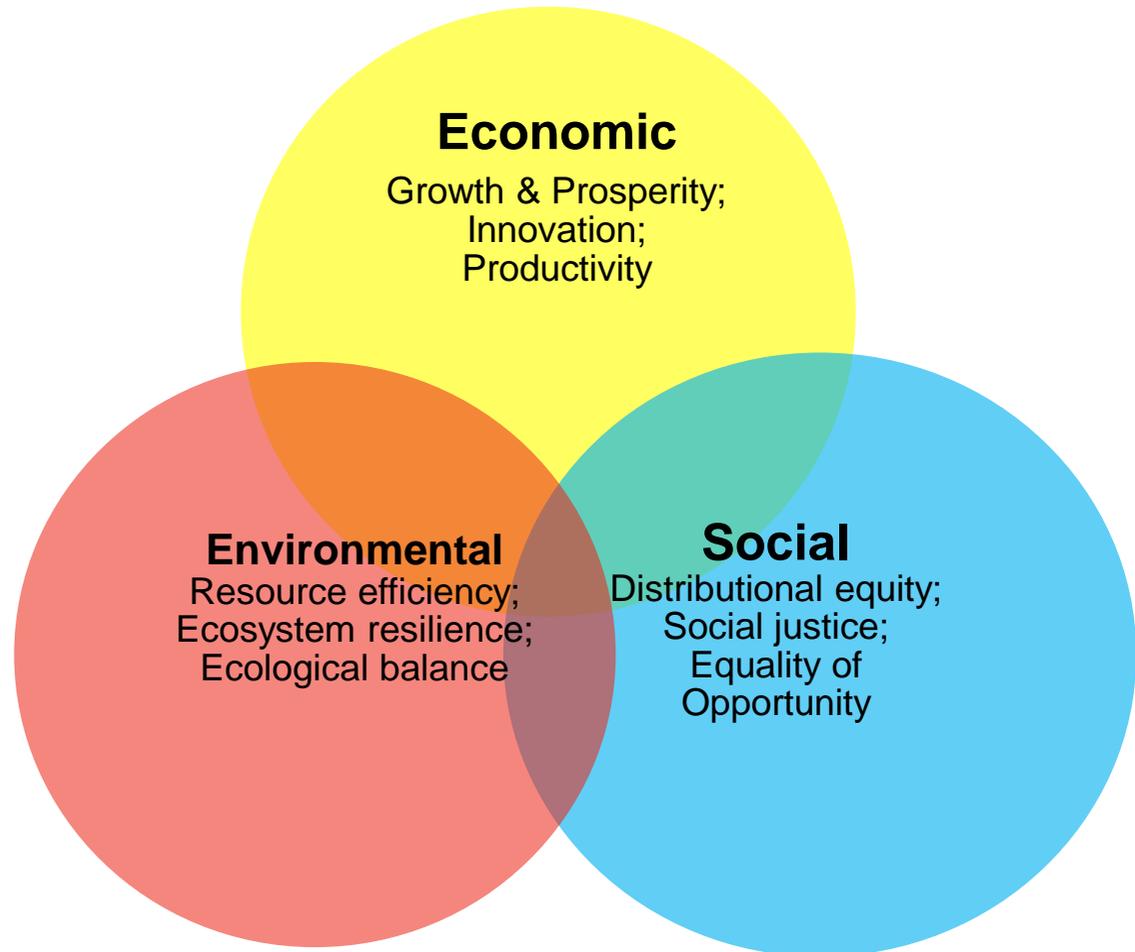


Source: World Bank World Development Indicators

- **What institutional and policy stumbling blocks stand in their way for sustainable growth?**
- **How to reform their governance structure for better policy formulation and implementation?**
- **How will the role of the state and the market evolve?**

How can Asia drive global growth without compromising the environment and social cohesion?

A Vision
for
Sustainable
Development
in Asia



Why talk about Sustainability for Asia?



ECONOMIC CHANGE

Global growth is shifting, and Asia's growth is rebalancing towards domestic demand. How can Asia successfully manage the transition?



ENVIRONMENTAL PRESSURES

Global climate change and ecosystem pressures present the need for more sustainable growth and development. The next few years are critical. What will the solutions look like?



SOCIAL CHANGE

Asia now has a rising middle class and a growing consumer class. How can we ensure that opportunity and prosperity are shared across society (and not just at the top)?



BUSINESS RESPONSE

Asia's companies recognize society's changing expectations. How can business catalyze the transition towards sustainable development?



TECHNOLOGY:

Technologies to smooth the transition to sustainable growth are available and Asia is a clear site for testing. How can we expedite their introduction where most needed?



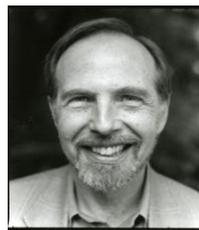
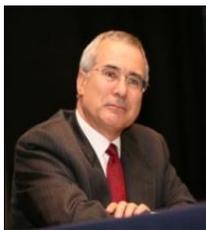
- **Convening Power** to bring best minds on global economic issues with 3-5 year time frame
- A **Global 21st Century** Think Tank, with innovative website for interactive engagement
- Bridge between **Asia and the World** – interface with top Asian and Western think tanks
- **Business-relevant** Research - “learning by doing and leading by action”
- **Common Analytical Framework**
 - Developing a common and systematic analytical framework to better understand and act on critical global issues



FGI Core leadership



Our Founding Experts



Asian Perspectives Global Issues



Fung Global Institute

Cyberport 1, Level 12

10 Cyberport Road

Hong Kong

Tel: (852) 2300 2728

Fax: (852) 2300 2729

www.funnglobalinstitute.org