

The Superpower China - miracle or nightmare (?)

The Olympics in China – The Price of The Medal

Århus, June 3, 2008

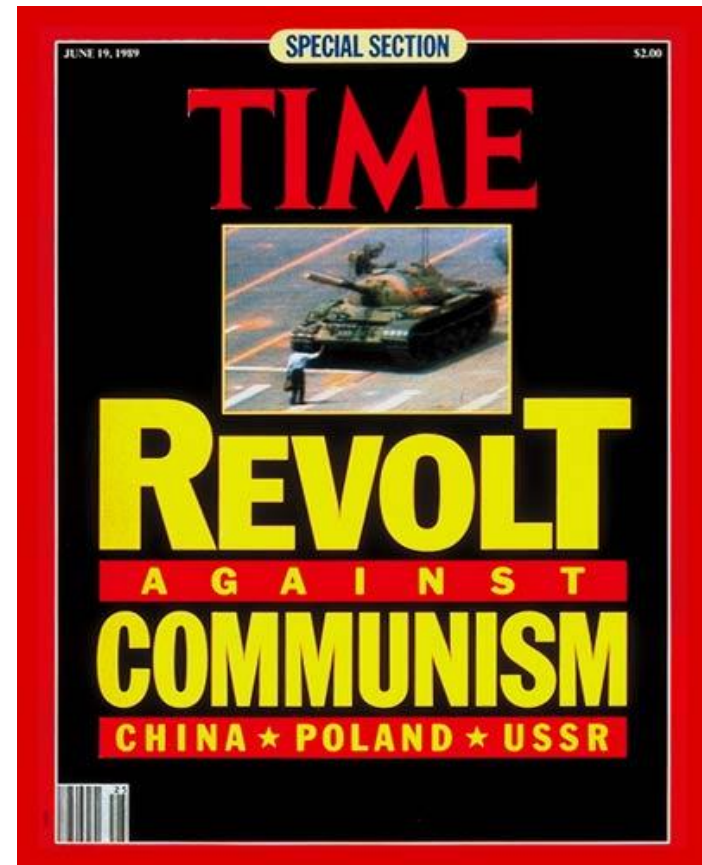
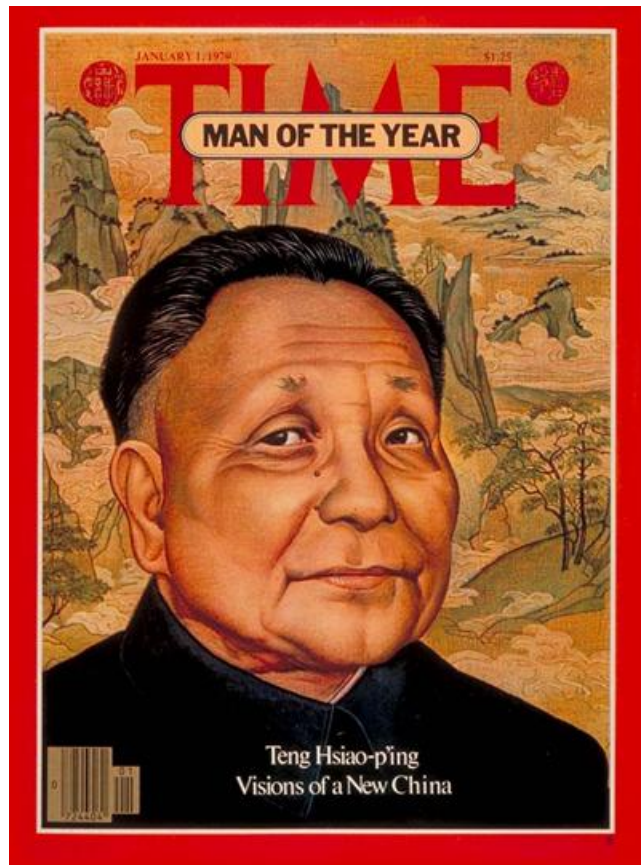
Flemming Ytzen



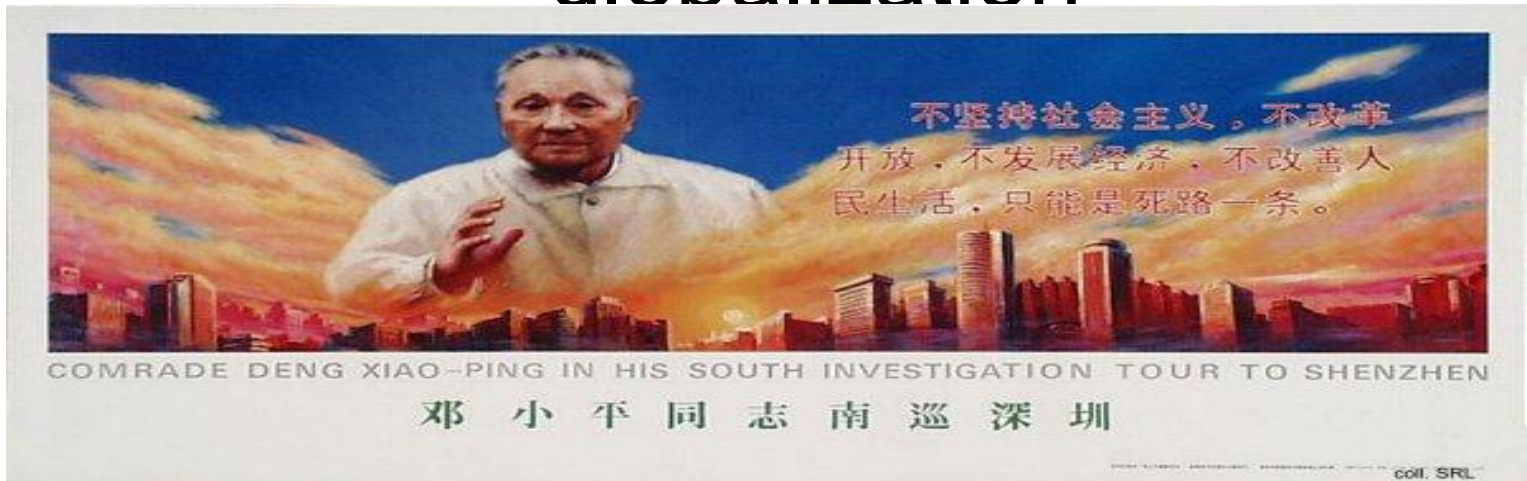
The Middle Kingdom: One fifth of humanity gradually integrating into the Global Community



Looking into the past: 1979 and 1989



1992: Doors wide open to globalization



- ***1989: Turbulence. Instability. Uncertainty about reforms.***
- Deng Xiaoping embarks on 'Southern Tour' and adapts:
- New slogans: 'Development has the highest importance. Some will be rich before others. To get rich is glorious. Develop coastal regions first – The hinterland later'.

The key advisor came from Chicago!



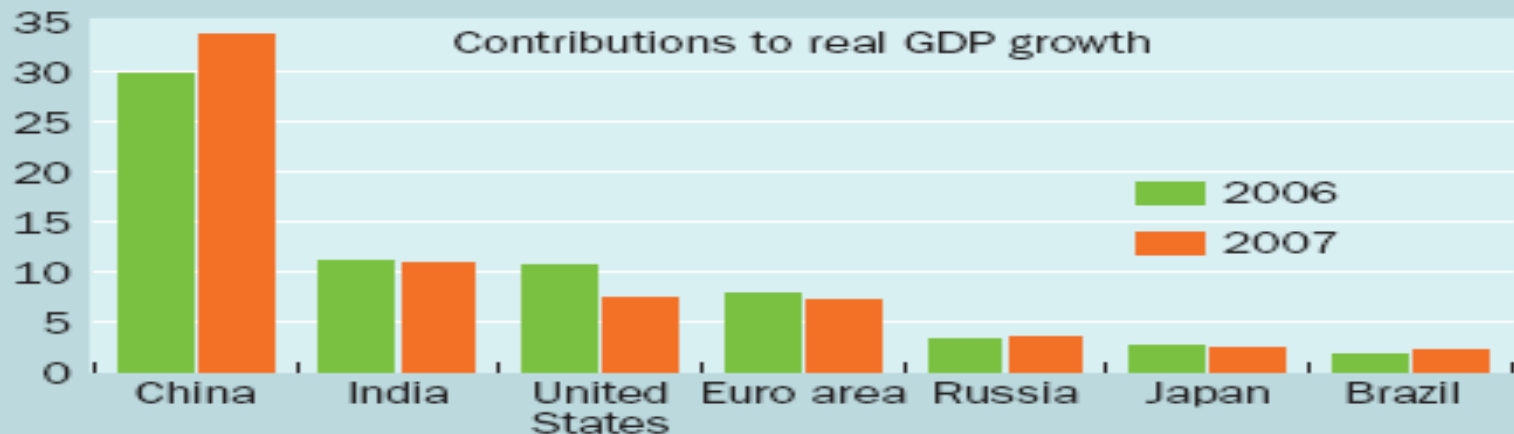
- Father of Neo-Liberal Economics, known as *Monetarism*:
- **Milton Friedman** (1912-2006) was invited to lecture at The Central Party School in Beijing, beginning in 1980. Friedman was also the favourite economic advisor for Ronald Reagan and Margaret Thatcher.
- The '**Chicago School**' of economic development: Withdrawing state power, privatization of public sectors, cutting budgets, limiting inflation, liberalizing movement of capital.

Entering a new era in the global economy 2007: China and India *overtakes* USA!

New driving force

The major emerging markets have become the main engines of world growth. For the first time, China and India are making the largest country-level contributions to global growth.

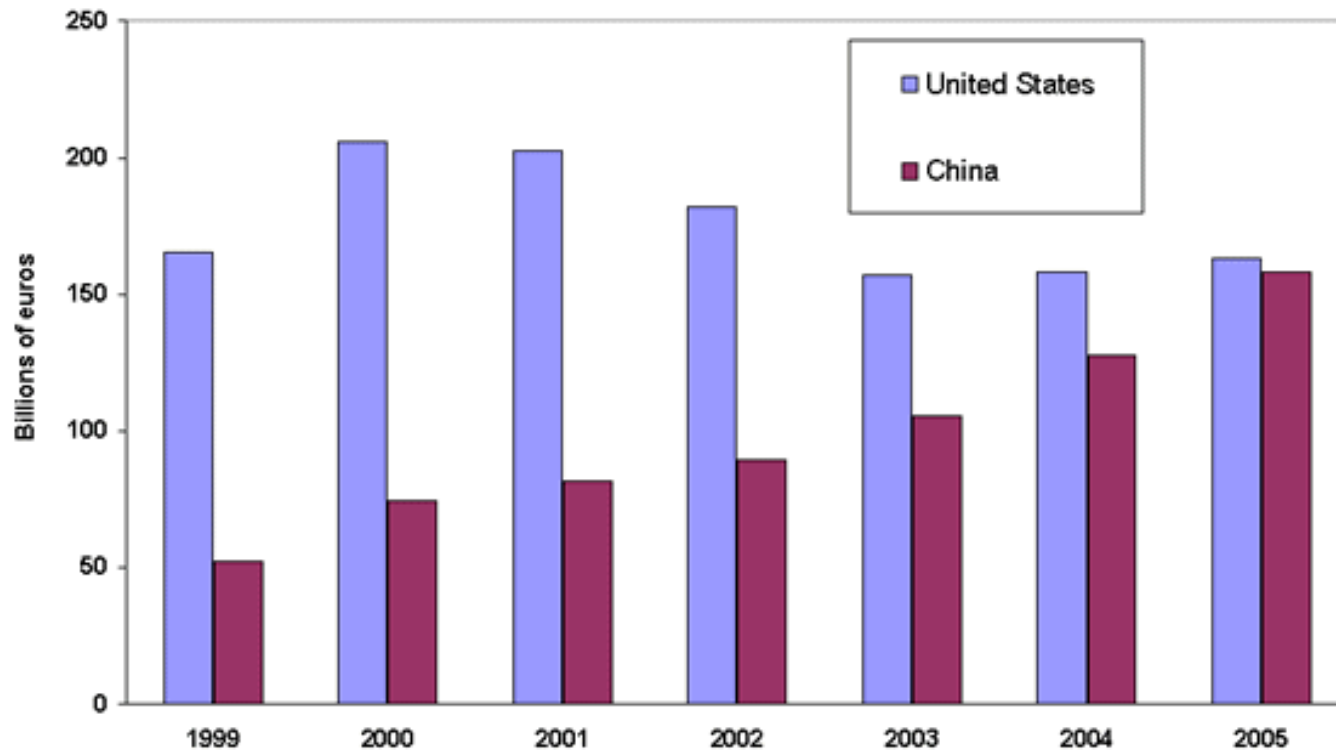
(based on PPP weights, percent of world growth)



Source: IMF staff calculations.

Imports from USA and China to the EU

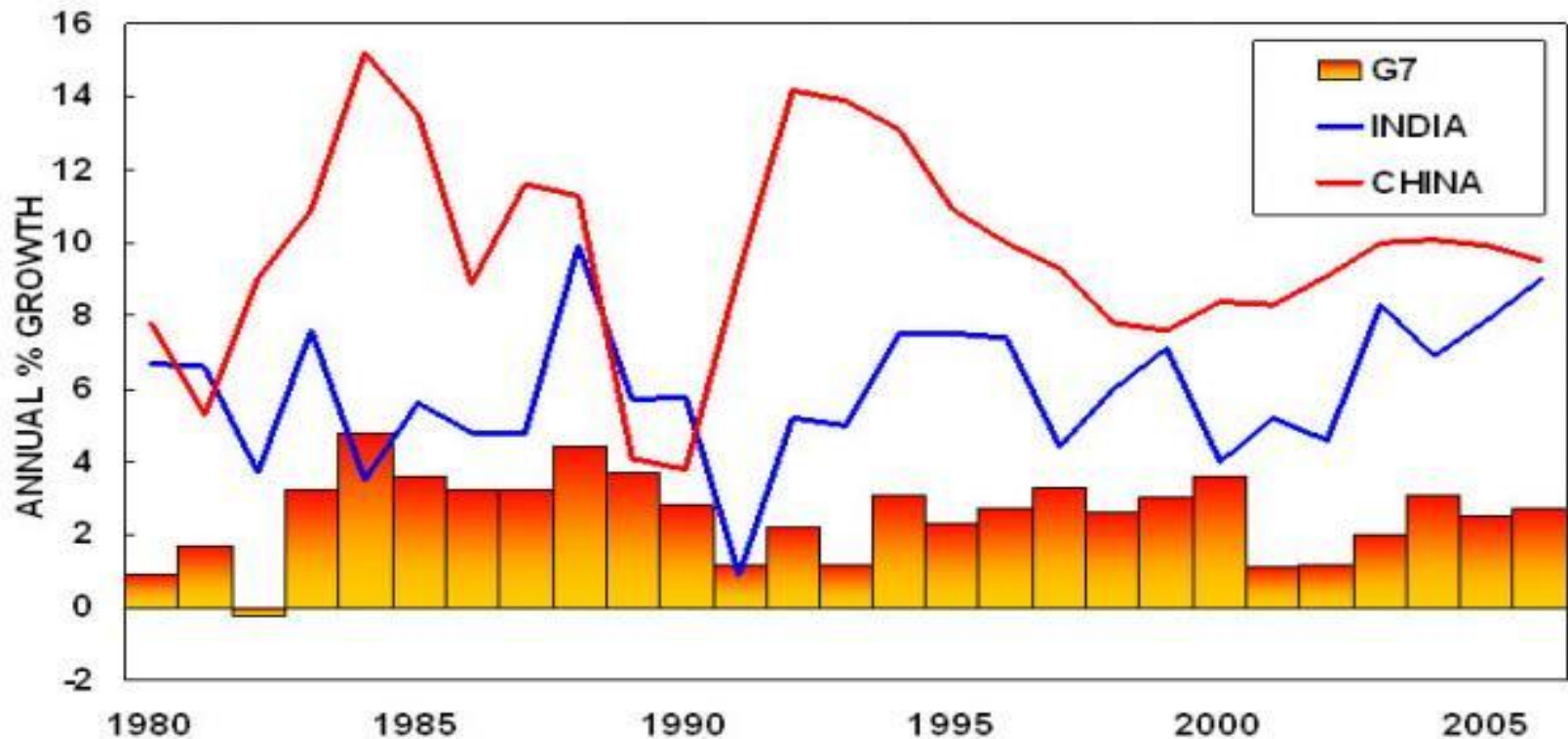
Figure A. Exports to the EU-25, 1999-2005



Source: European Commission.

The West must have seen this coming...
...or did it just happen while we were asleep (?)

Reaching critical mass

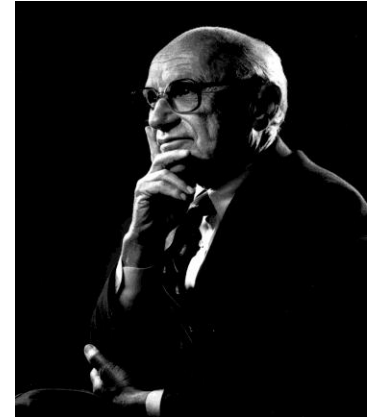




Boycotting China? Forget it...

- Since 2000 Danish imports from China has more than doubled. Chinese imports now exceeds **6, 5 billion USD** or: **1.200 USD per Danish citizen**
- Denmark's import from China *now exceeds the total import from The 12 New EU member countries combined.*
- *China is our fourth-largest provider of imported goods – larger than United Kingdom and France*
- If imports from China should be replaced by imports from substitute goods from other OECD-countries, **it would cost Danish consumers 30 billion kroner**

Welcome to the Asia-Pacific Century



East Asian will provide: enhanced economic integration, high savings, globalized corporations, mobile workforces

- **2012-15: Free Trade Areas between China, India and Southeast Asia. Korea will join. Japan has no choice.**
- Creating a gigantic market where multinational corporations can make relatively *free choices of localisation* in a trade and production region with **three billion people**.
- Number of producers and consumers in 'Asia Rising' is **FOUR TIMES LARGER** than the EU and US *combined*.

Sweatshops will not create success in the long run. Who wins the **revolution of knowledge**?



China's positions of strength



- 769 specialized R&D-institutions
- 750 multinational R&D-centre
- 19 percents annual growth in R&D-budgets
- 820.000 ph.d. students (2006)
- 2,25 mio. researchers and engineers
- 23 pct.'s growth in applications for new patents (2005-2006)
- **The world's oldest civilisation is redefing itself by looking to its roots: Confucius**

Corporate development investments, where are the heading?

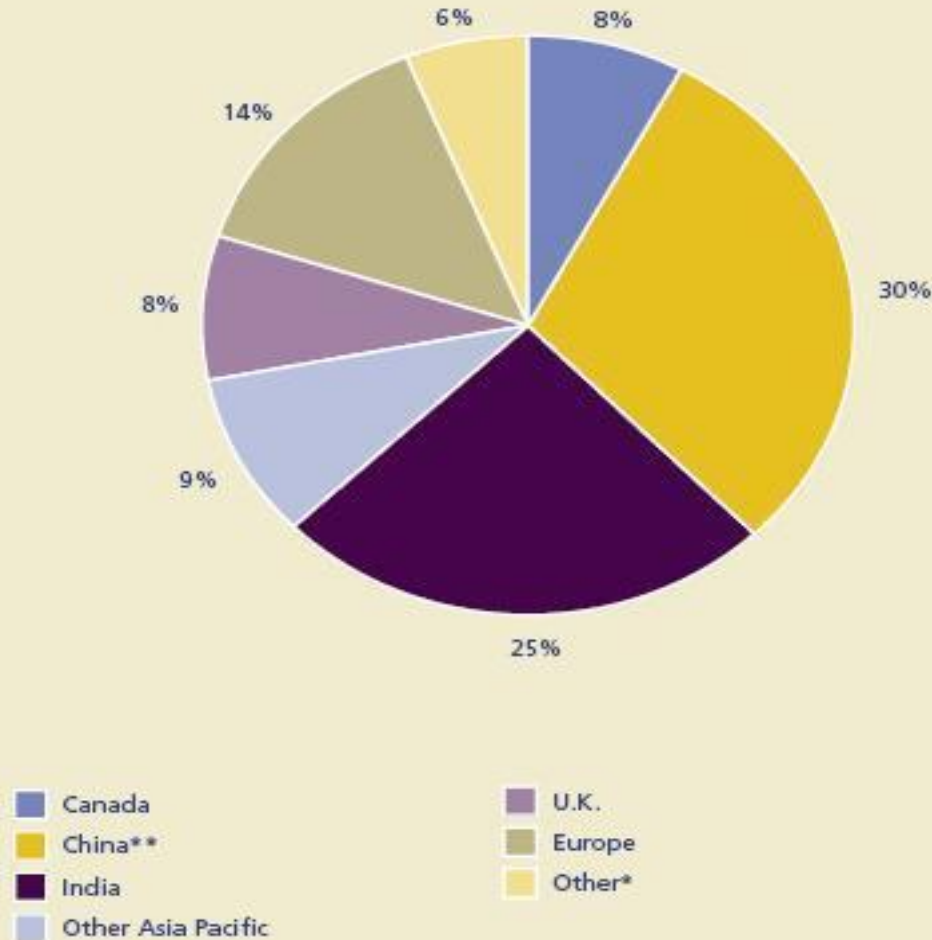
- **UNCTAD** questions 170 multinationals on the key target countries for future investment and development

- | | |
|--------------|-----------|
| • 1. China | 61,8 pct. |
| • 2. USA | 41,2 pct. |
| • 3. India | 29,4 pct. |
| • 4. Japan | 14,7 pct. |
| • 5. UK | 13,2 pct. |
| • 6. Russia | 10,3 pct. |
| • 7. France | 8,8 pct. |
| • 8. Germany | 5,9 |
| pct. | |



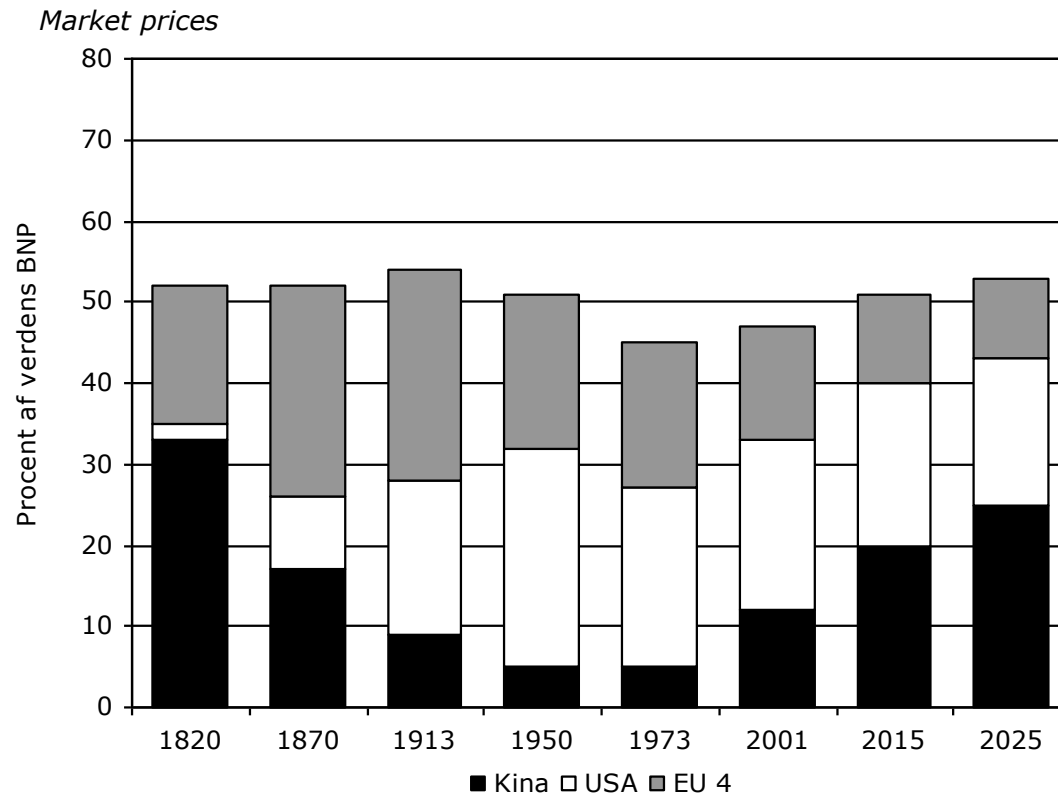
American companies: Where will they place their investments?

Figure 3. All locations where investors would like to expand investment focus (U.S. respondents)



* Includes Japan, South America/Mexico, and Taiwan**

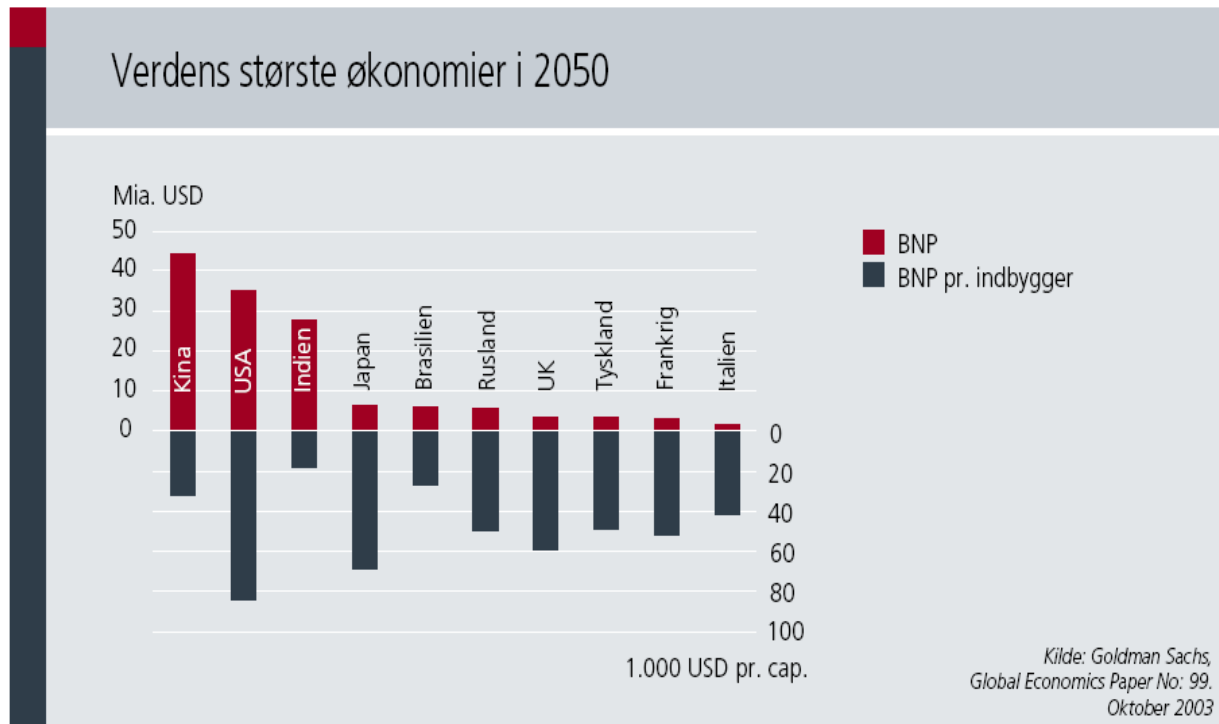
GLOBAL GNP – from 1820 to 2025



Source: Angus Maddison, OECD

Becoming the leading global producer and exporting nation

- Between 1999 and 2005 China's foreign trade overtook Canada, Italy, France og the UK. Japan was 'beaten' in 2007. With 20 pct. annual growth China overtakes Germany in 2008 and the USA in 2010



China redefined: A rich country with a lot of poverty.



- The world's largest foreign currency reservers. Now exceeds 1.400 billion USD
- Foreign owned corporations represents more than half of China's exports

A new global balance of power: The interdependency of China and America



- America borrows 2,5 billion USD on a daily basis (not just from China)
- China controls American Treasury Bonds in the area of 500 billion USD

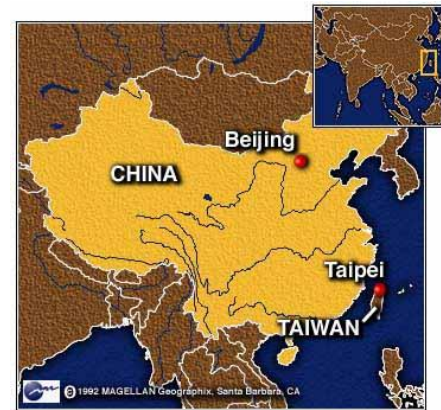
Money makes the world go around...



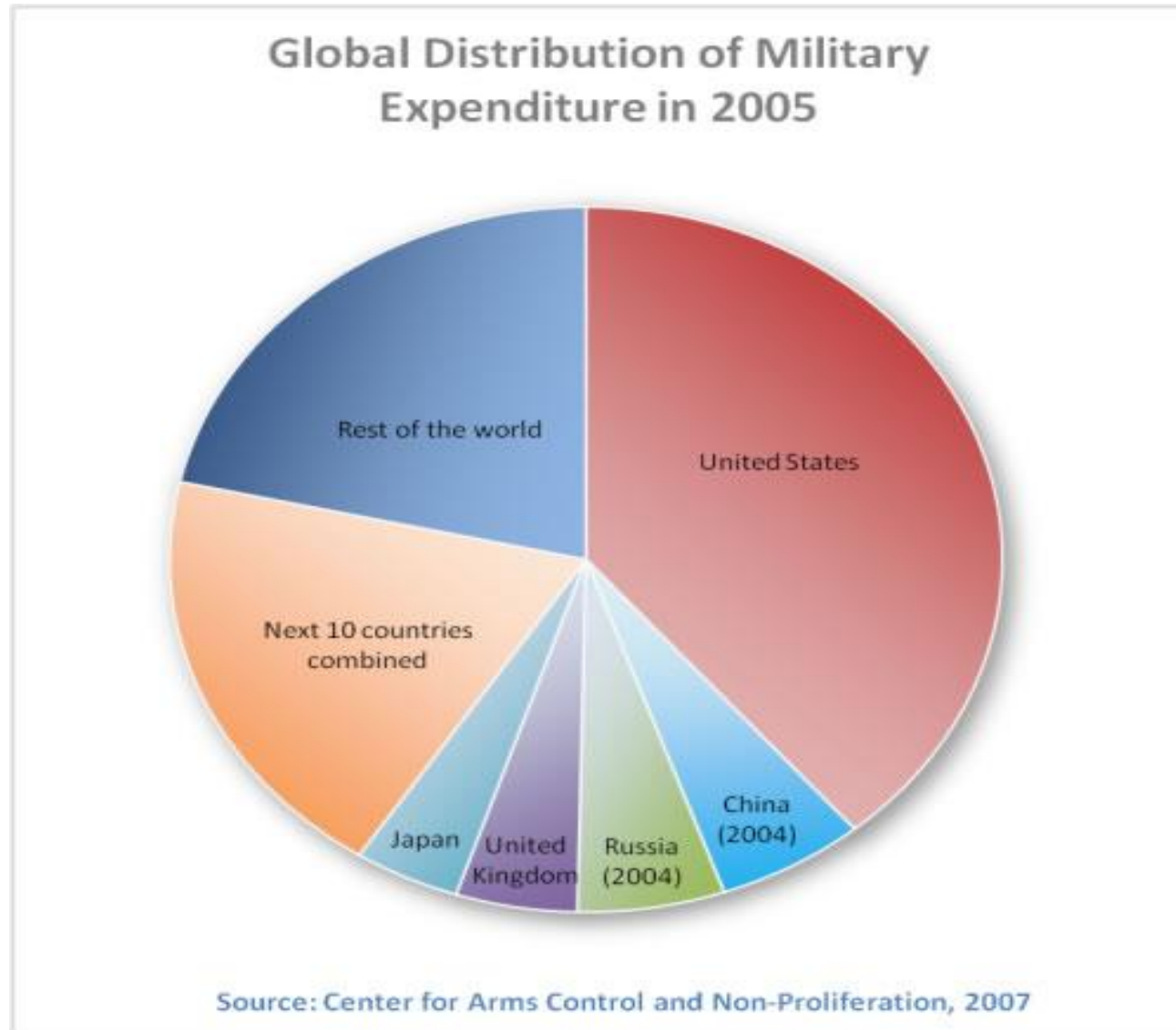
- China's current account surplus in 2007:
300 billion USD = ten percent of GNP. Two thirds of this represents the bilateral surplus with the US
- USA's current account deficit is 800 billion USD - six pct. of GNP
- China's *bilateral* surplus with the USA (200 bill. USD) is one quarter of America's *global* deficit. Will China save the falling dollar?

- which is why China and America will not fight a war against each other...

- Taiwan has invested massively in China – more than 150 billion dollar
- China-Taiwan is technically still at war, but has developed into one of the world's largest free trade areas.
- USA has defence obligations towards Taiwan, but accepts peaceful reunification



China the economic superpower is not yet a military superpower





A new world order is born

- USA and Japan is going into recession. For how long?
- Will the recesssion be global? Depends on Asia excl. Japan.
- The big challenge:
Can the Asian supply chain (financial reserves, capital flows and industrial production) save the West from the global epidemic of **NINJA**? (Sub-prime crisis in the US is just an early warning...)

(NINJA: No Income, No Jobs or Assets. The legacy of

'We are already heavily dependent on the Chinese'

Danish CEO from a major financial institution, 2006



- China contributes to low-level global inflation. Low-cost import from China help to keep inflation in the OECD. A source of global prosperity and wealth creation
- 'The absence of democracy in China keeps our economy going in the West – in return the Chinese will get the world's largest job creation.
- **Are the Chinese laughing all the way to the bank?**

When a Chinese corporation became the global market leader...



- In November 2007 2,2 pct. of shares in PetroChina were sold via the Shanghai Stock Exchange.
- This sale made PetroChina the company with the largest market value on the Globe.
- ...and it is buying up half of Africa's natural resources

...the American Dream has turned into a Chinese dream...



The body of Chairman Mao lies here
...disguised in a Beijing smog...

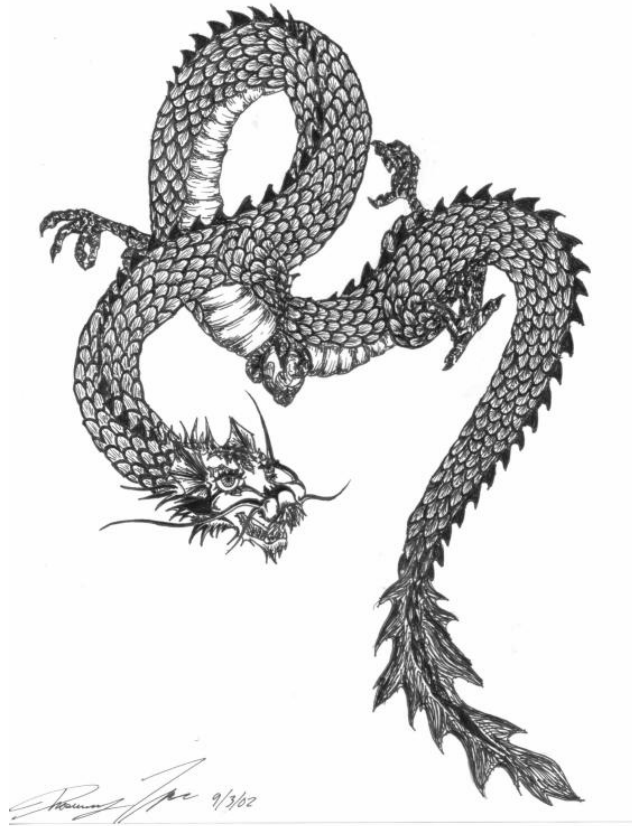


...fortunately Mao's successors represents everything he fought against: **technocrats**.
China is now ruled by **neo-liberal engineers**



- Communism has been turned upside down. Marxist totalitarianism has turned into a neo-liberal entity: **China Incorporated**
- Only the educated elites will reach the top of the party-state. It happens through indirect appointments and closed elections. A global leader is born. We can only grin and bear it. But why spoil a good party?

Who controls the head of the Dragon?

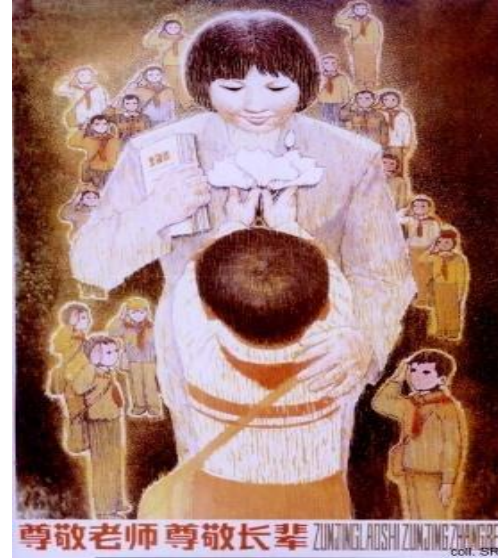


- **98 out of 100 in official posts has an academic background.**

The closer to the top the more technicians and economists, chosen through the **nomenklatura**

For peasants and workers, The Party is over...Marx is defeated, Friedman rejoices.

Confucianism reborn: 'Let us honour the the elderly and the wise'



- *Social and political control through career development*
- *New nationalism in stead of marxism-leninism*
- *Value politics: classic confuzian virtues:*
- *Declared ideological goal: 'A society of harmony'*

A winner in the global game of development and prosperity

300 million citizens lifted out of poverty. A new middle class of another 300 million created

Absence of religious fundamentalism: Pragmatism and tolerance rules – and allows for more pluralism - gradually

***Rule of law or Rule By Law?
Some uncertainties here -
progress too slow***

***The inclusion of civil society groups
is rising: the world witnessed this
during the Sichuan Earth Quake.***



The global and Olympic winner is.....guess who?

.... So does China have to copy western democracy to become a respected player in the competition for future wealth and prosperity?



Here is a cartoon of the past...



Dalai Lama is now praying for the victims who died and suffered during the Sichuan Earth Quake. Dissidents will remain quiet. And who wants to spoil a good show?

A message for Brian Mikkelsen: China controls the future of the World



Reklamefilmen kommer til sidst



- **Supermagten Kina - mirakel eller mareridt**
- Udkommet april 2008
- Forord af fhv. udenrigsminister Niels Helveg Petersen
- Bidrag af Formand Mao og Poul Hartling (1974)