

Doing Business in China

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Four Observations



1) Striking Transformations



2) Economic Myths



3) Differences in the Chinese Economic Model



4) Under-reported Major Developments

Striking Transformations in China

I) Breakneck pace in urbanization

1980s



Today



Striking Transformations in China

II) Effective infrastructure and logistics network



Striking Transformations in China

III) Moving up on the manufacturing value chain



Striking Transformations in China

IV) Enormous and growing consumer market

1. Online seniors



2. Single householders



4. Eco-shoppers



6. Clustered consumers



3. Digital natives



7. Domestic tourists



Implications to foreign companies?

A burgeoning middle class and consumer market means

Significant opportunities for exporting premium goods to the Chinese consumer

Effective infrastructure and logistics network means

Opportunities to outsource your production, or build your manufacturing capability in China

Economic Myths

I) Is China's debt issue getting out of control?

April 3, 2017, 4:00 AM GMT+8

Bloomberg Markets | Economics

China Has Its Worst-Ever Start to a Year For Defaults

- Beijing's leverage war ensnares lower-rated manufacturers
- Defaults to continue amid rising costs: China Merchants' Liu

July 12, 2018, 12:34 PM GMT+8

Bloomberg Markets

China Default Storm Sends Dollar Junk Bond Yields to 2015 Highs

May 8, 2019, 5:00 AM GMT+8

Bloomberg Markets

China Defaults Hit Record in 2018. 2019 Pace Is Triple That

October 20, 2021, 2:21 PM GMT+8

Bloomberg Markets | Economics

China's Debt-to-GDP Ratio Falls for Fourth Straight Quarter

Economic Myths

II) Will “Shadow Banking” lead to a financial crisis?

CNBC

Bass: China banks may lose 5 times US banks' subprime losses in credit crisis

A Chinese credit crisis would see the country's banks rack up losses 400 ...
Add to this the danger posed by China's shadow banking system - made up of...

Feb 10, 2016



The Independent

China could be heading for a 'financial crisis', IMF warns

Mr Rodlauer told The Telegraph: “The level of financial and corporate debt and the complexity of the financial system and rapid growth in shadow banking is...

Oct 10, 2016



S&P Global

China's shadow banking sector may shrink further as ...

China's shadow banking industry is likely to shrink further in 2021 as regulators continue to introduce restrictions for the sector.

Nov 4, 2020



Economic Myths


III) Is China tightening market access for foreign businesses?

 CNN Business

American businesses brace for pain from trade fight with China

And multinational corporations worry about their future ability to do business in China -- a massive market. On Friday, the Trump administration said it will...


Jun 18, 2018

 CNN Business

American businesses brace for pain from trade fight with China

And multinational corporations worry about their future ability to do business in China -- a massive market. On Friday, the Trump administration said it will...

Jun 18, 2018

 Reuters

China was largest recipient of FDI in 2020: Report

"FDI finished 2020 more than 30% below the trough after the global financial crisis in 2009", the UNCTAD said on Sunday. FDI flows fell by 37%...

Jan 24, 2021



Economic Myths

IV) Has the trade war moved supply chains away from China?

CNBC

BlackRock's Fink: CEOs tell me they're pulling their supply chains out of China

Companies are moving their supply chains out of China instead of waiting for a resolution of the trade war between Washington and Beijing,...

Jul 19, 2019



Forbes

More U.S. Companies Seen Leaving China After September

Assuming Trump makes good on his promise to tariff all China goods at 10% ... of U.S. companies are relocating at least some of their supply out of China,...

Aug 8, 2019



Bloomberg.com

Surging Global Demand Drives China's Exports to Fresh Record

China's Trade Surplus Hit a Record \$676 Billion in 2021 · Chinese companies shipped \$3.36 trillion of goods last year · December was also the best...

1 month ago



Differences in the Chinese Economic Model

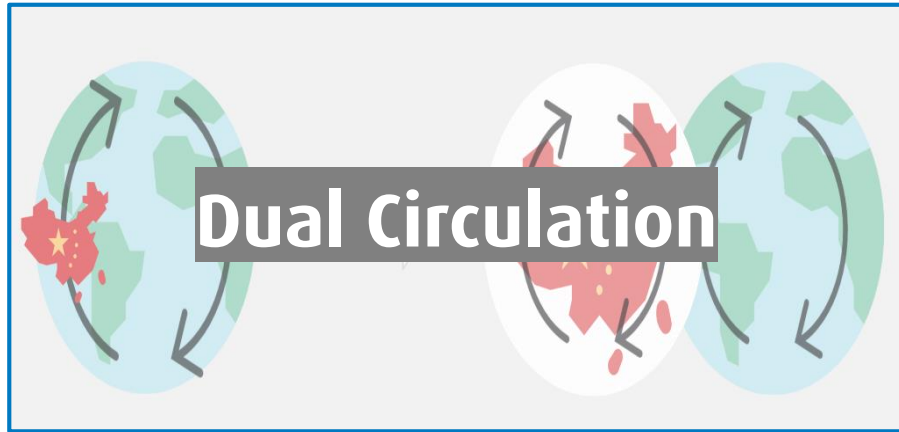
I. A mix of state planning and market economic efficiency

II. Complex rules, that change frequently

III. Your business strategy needs to be aligned with the government's vision

IV. Commercial decisions must not conflict with social objectives

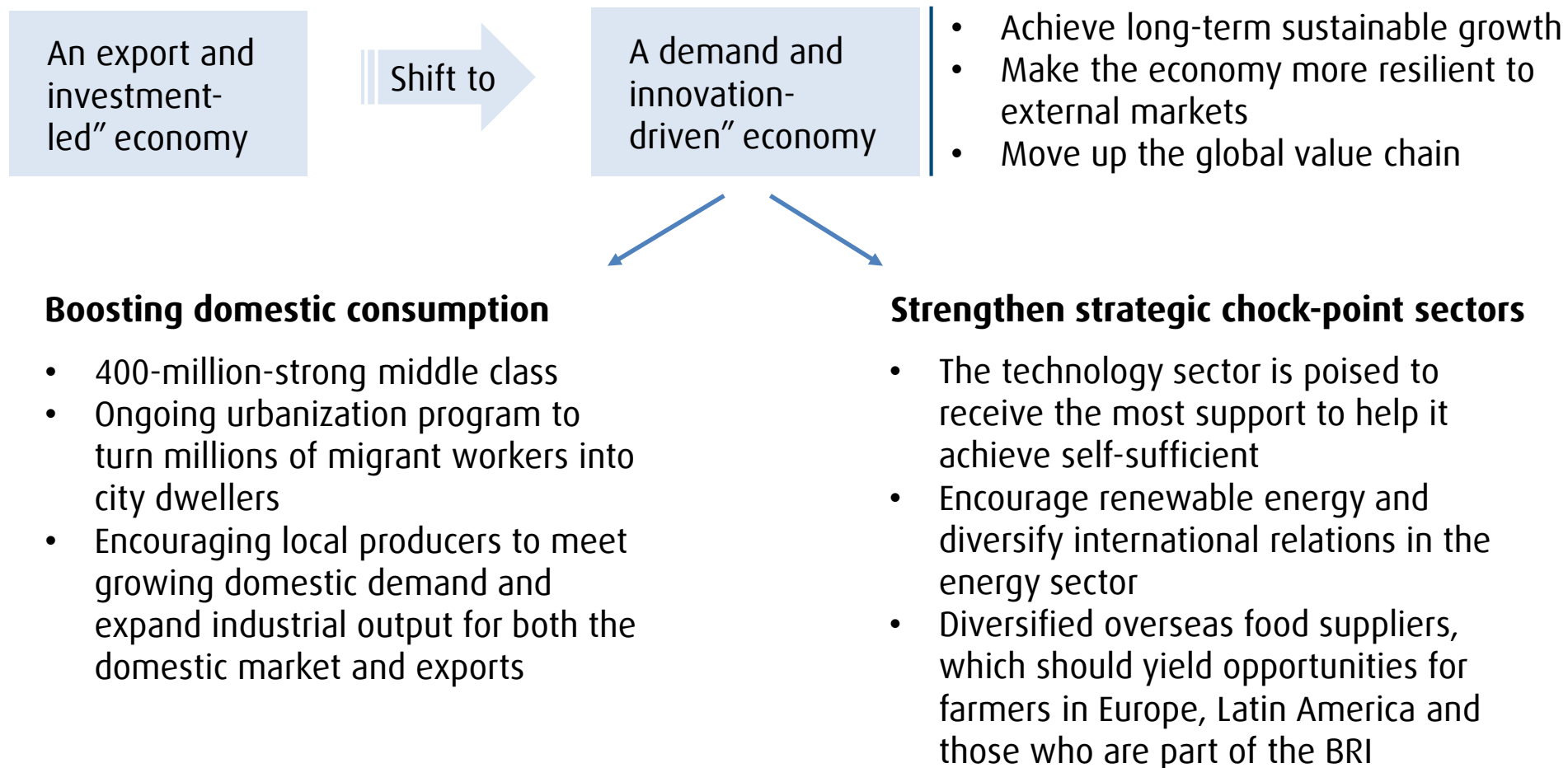
Major Developments Under-reported by Mainstream Media



Q & A

Dual Circulation

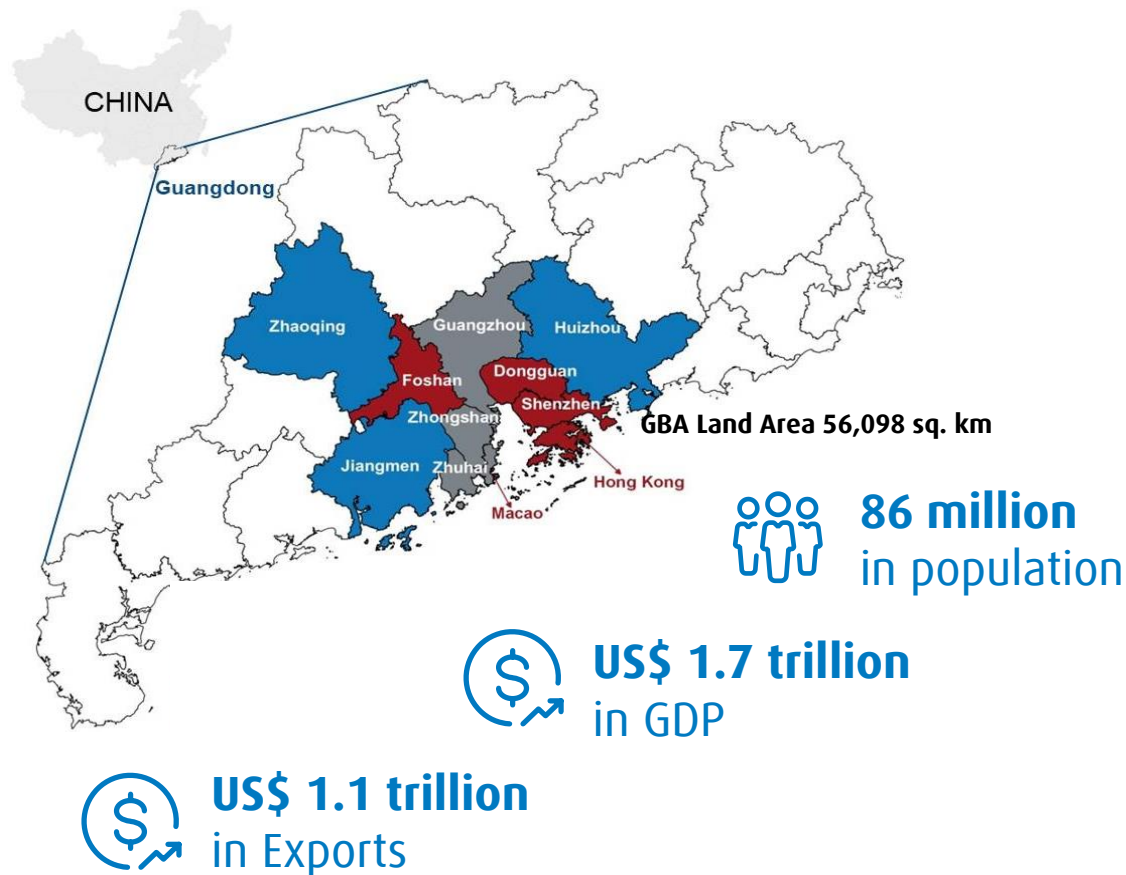
What is China's Dual Circulation Strategy?



Greater Bay Area (GBA) Development

Facts about the Greater Bay Area

(As of 2020)

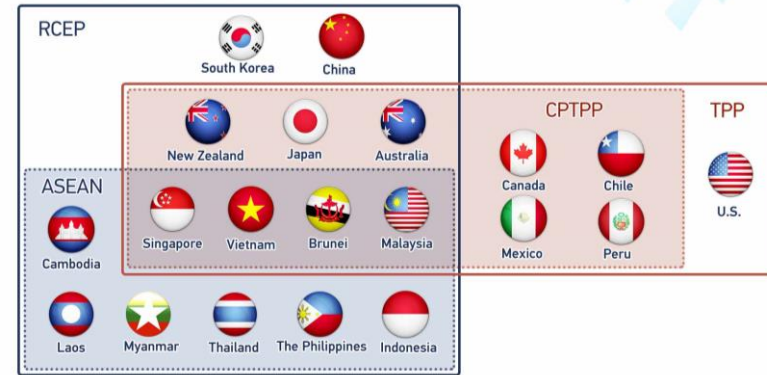


- The Greater Bay Area (GBA) is a national initiative to create a leading hub for innovation and economic growth, with influence that is comparable to the San Francisco Bay Area, Greater New York, or the Greater Tokyo Area
- The GBA comprises of 11 cities in the Pearl River Delta region located in southern China. At the end of 2020, the total population was over 86 million. With GDP of USD1.7TN, GBA's economy is similar in size to Canada and South Korea

Regional Comprehensive Economic Partnership (RCEP)



■ RCEP Countries



CGTN

US\$ 26 trillion
GDP

2.2 billion
population

US\$ 5.2 trillion
total exports

- RCEP, the world's largest regional trade pact, was officially effect on January 1, 2022. Boosting goods and services trade with 15 member countries, which is projected to add USD186BN to the world economy
- RCEP will reduce tariffs and boost the regional supply chain, thereby strengthening the position of member countries in the global trade:
 - i. ~90% of tariff on goods will eliminated
 - ii. ~65% of the service sectors will be fully open

Common Prosperity

China's "Common Prosperity"

Affluence to be shared by everyone

- Raise household incomes
- Improve social welfare system
- Narrow wealth inequality

Three "distributions" under the Common Prosperity strategy

- Increasing wages, improving labor conditions, workforce protection
- Promoting social equality through taxes, social securities, government transfers, etc.
- Encouraging charitable contributions and social welfare from firms and wealthy citizens



Major targets of China's 14th Five-Year Plan (2021-25)

1

Keep major economic indicators within an appropriate range



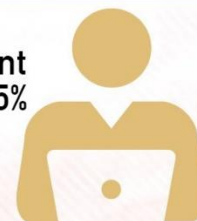
2

Above 7% annual growth in research & development spending



3

Keep urban unemployment rate within 5.5%



4

Raise urban residents to 65% of the population



5

Increase life expectancy of Chinese citizens by 1 year



6

Promote green development



7

Promote the high-quality development of the Belt and Road



8

Usher in new stage in building a Peaceful China

