

The China Challenge

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Introductions

Arnold Kwong is a management consultant who has taught and done extensive high technology, manufacturing, and related business in the US, China, and Europe.

The China Challenge is to stimulate discussion of futures for China and it's world. The hope is to challenge your assumptions and perspectives.

The Context

The future of Chinese influence in the 21st Century will descend from the conflicts of the past to the confluence of compelling trends, paradoxical concurrence, and demographic destiny.

The results of that influence are the shapers of economics, diplomacy, geopolitical reality, and technology for the next century.

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You can't solve a problem? Well, get down and investigate the present facts and its past history! When you have investigated the problem thoroughly, you will know how to solve it. Conclusions invariably come after investigation, and not before. Only a blockhead cudgels his brains on his own, or together with a group, to "find a solution" or "evolve an idea" without making any investigation. It must be stressed that this cannot possibly lead to any effective solution or any good idea.

Mao, Oppose Book Worship (May 1930), 1st
pocket ed., p. 2

The Chinese Challenge

The title is taken as an homage to:

The American Challenge (1968)

The World Challenge (1981)

The Chosen and the Choice (1988) [co]

by Jean-Jacques Servan-Schreiber

Servan-Schreiber is a French futurist who looked at US-European relations.

China Today

- * Running water system coverage in urban area is 88.8%.
 - * Gas system coverage in urban area is 81.6%.
 - * Average green land/per person in urban area: 7.4 square meters.
 - * Avg residential space/person in urban: 24.9 sq m.(Min of Construction, 11/05)
 - * There are 5 provinces with population over 50 million (2001)
 - * Population: 1.29533 billion (about 22% of total population in the world)
 - * Most populated administrative region: Henan Province (92.56 million)
 - * Least populated administrative region: Tibet (Xizang) (2.62 million)
 - * Province fastest increase in population(10 years): Guangdong (37.5%);
 - * University graduates in every 100,000 people: 3,611 (1,422 in 1990)
 - * The yearly average net increase of population: 12.79 million
 - * The percentage of those who are over 65 years old: 6.96%
 - * Total Number of Military Service Personnel: 2.5 million
 - * The average lifespan: Male: 69 years; Female: 73 years
 - * 660 cities by the end of 2002, of which
 - 10 had populations of more than 4 million each in the urban area;
 - 23, between 2 and 4 million;
 - 138, between 1 and 2 million;
 - 279, between 500,000-1M; 171, between 200-500,000; 39, less than 200,000.
- So as of 2002, China had 171 cities with population over 1 million.

Conventional Wisdom

A Million Manhattan Projects, THOMAS L. FRIEDMAN, NY Times
5/24/06

So we're toast, right?

I mean, that's pretty much the pervasive global assumption these days: The 19th century belonged to England, the 20th century belonged to America, and the 21st century will belong to China. Tell your kids to study Mandarin.

I'm second to none in worrying about U.S. education and industry meeting the challenge of a rising China and India. But after a year traveling all over America talking to educators and innovators, I am not yet ready to cede the 21st century to China. No, not yet.

"Several decades ago, my parents told us to eat because the children in China and India are starving. Today, I tell my children to learn because the children in China and India are starving for their jobs."

The Globalization Evangelist -- Thomas Friedman. By Michael Anti. November 24, 2006. Oriental Outlook Weekly Magazine

When I was growing up, my parents used to say to me, "Tom, finish your dinner -- people in China are starving." But after sailing to the edges of the flat world for a year, I am now telling my own daughters, "Girls, finish your homework -- people in China and India are starving for your jobs."

It's a Flat World, After All, Thomas Friedman,
NY Times, 4/3/2005

The Conclusions

- The reality of Chinese consumerism, technology, and money will be distorting for societies based on commodities and demographics.
- Echoes of 20th Century conflicts will continue to cause ripples not manageable by 21st Century politics.
- Resource management for desired objectives will become the political touchstone.

The Investigation

- Historical Events
- Technological Change
- Demographics
- Economics
- Time

"What becomes of the surplus of human life?
It is either,
1st destroyed by infanticide,
as among the Chinese and Lacedemonians; or
2nd it is stifled or starved,
as among other nations whose population is
commensurate to its food; or
3rd it is consumed by wars and endemic diseases;
or
4th it overflows, by emigration, to places where
a surplus of food is attainable."

James Madison, 1791

Demographics

- Demographic pressures and growth
- “One Child Policy”
- Larger Male Population
- Growth in diverse population centers
- Improved medical availability

Result: More People, Different Choices:

If the ideal is one person, one vote, why won't more Chinese votes be more important?

Demographic Destiny

Do countries with younger populations get to choose the destinations of politics, technologies, and resources?

Brazil, Russia, India, China, Korea – BRICK

Canada, Australia, USA, Turkey

Ripples of the 20th Century

Resources and Raw Materials

Key resources and raw materials of empires:

- 1) Enable transportation
- 2) Enable commerce
- 3) Solve problems for people with money
- 4) Create virtuous circles
- 5) Obvious – but not convenient

Resources and Raw Materials

- Historical Events

- China has history and experience with raw materials changing economics and daily behavior.

- Technological Change

- Technological changes driven by Chinese trade were compelling and long lasting.

- Demographics

- Demographic effects were long lasting and dominant.

- Economics

- Trade was sufficient to drive large portions of great multinationals

- Time

- 350 Years have continued the trend

Resources

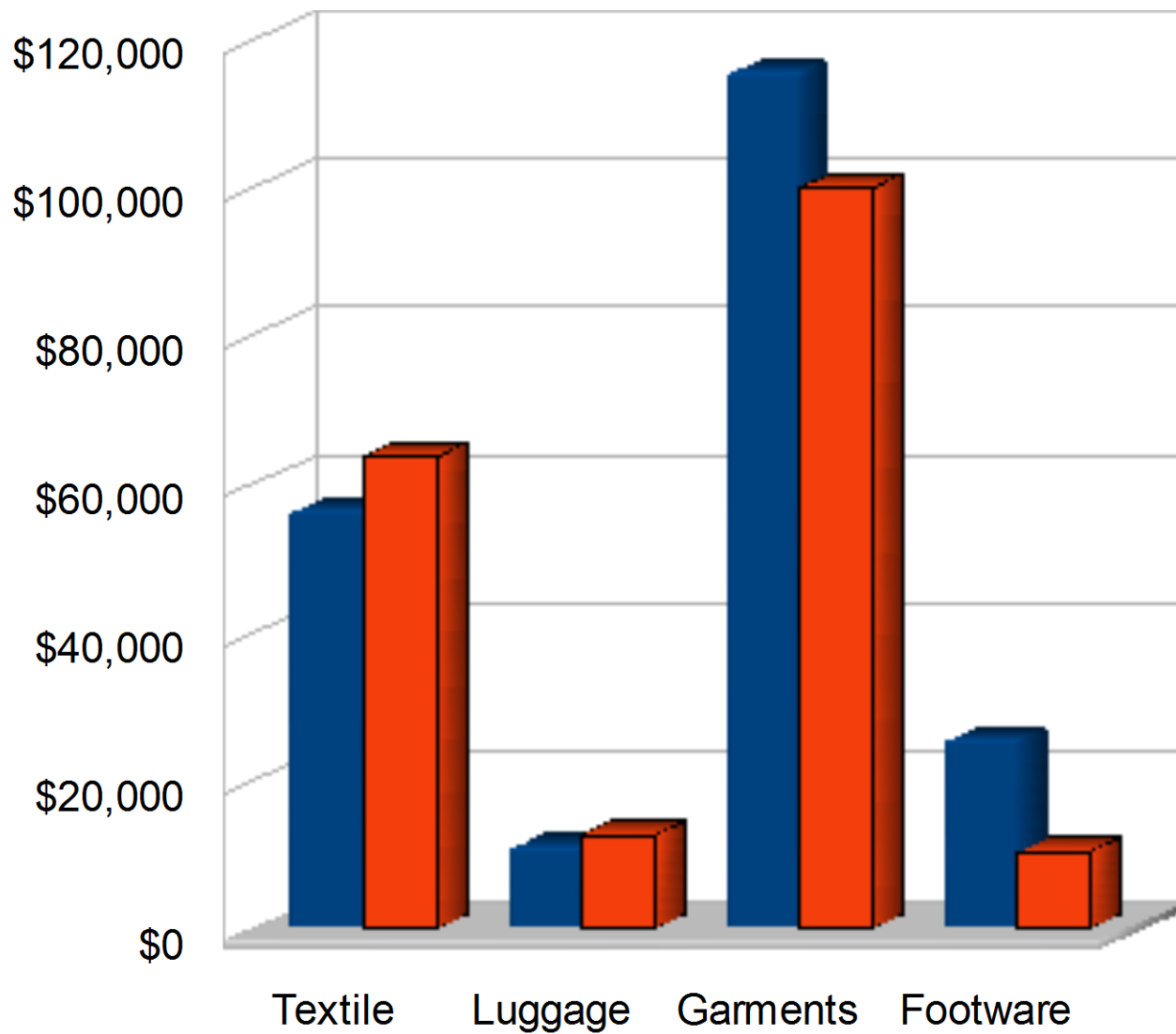
Resources are important – resource management is critical for the future.

The real resources for the 21st Century:

- Knowledge
- Environment/Natural Resources
- Human/Cultural/Political Capital
- Organization

Radical Change: technological product

- Historical Events
 - Known desirable product
- Technological Change
 - Difficult process technology – can't be duplicated from completed product
- Demographics
 - Multiple-use good (usable by everyone)
- Economics
 - Rarity, status value, non-perishable, transportable
- Time
 - Product is known for decades before widespread use



Chinese Exports, 2007-2008 (proj from Jan-Jun), China Customs Statistics

Unbalanced Trade

Asymmetric trade

Technology

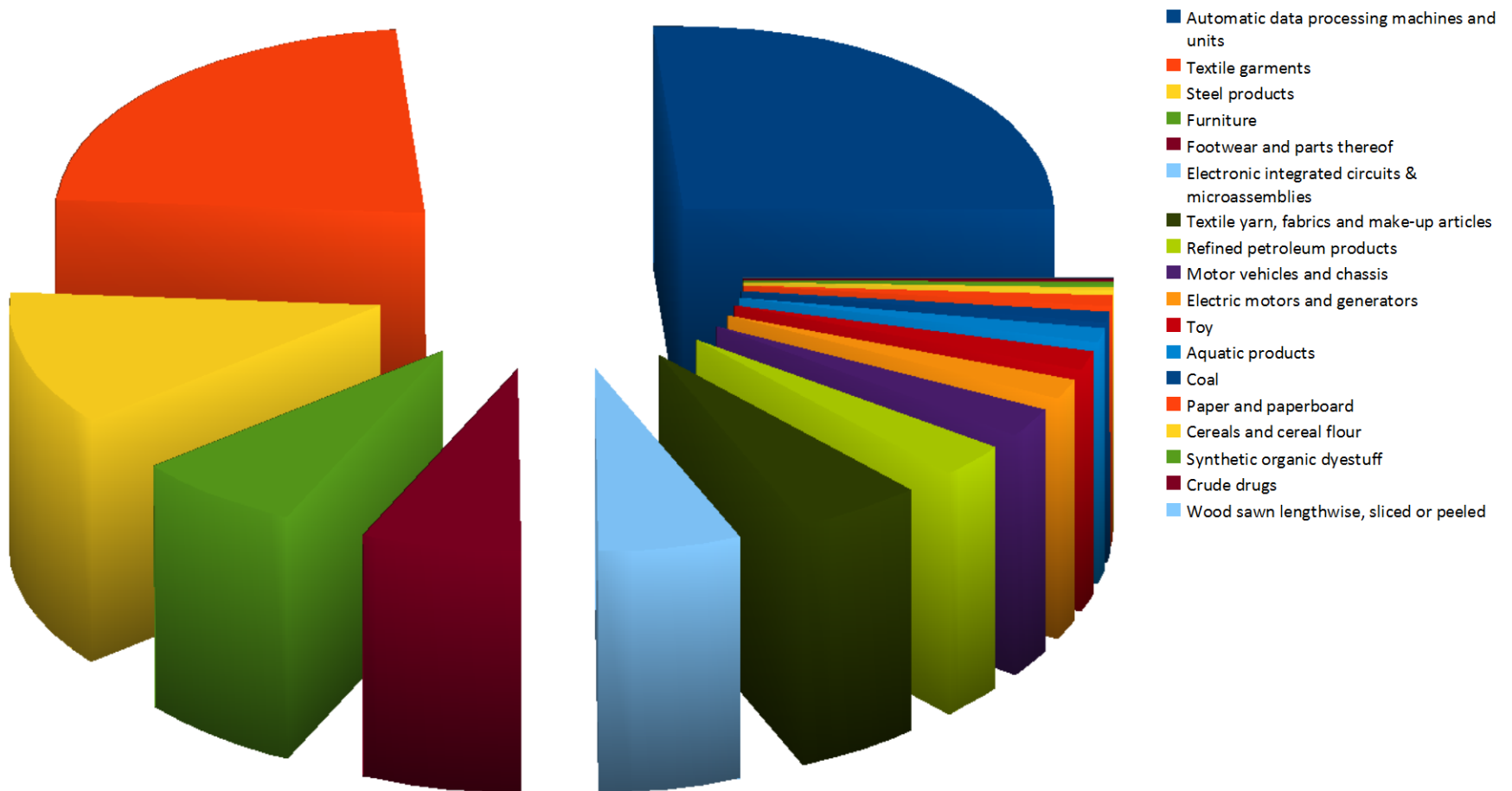
Money

Perceived Value

Transportation Costs

Time/Distance/Energy

20th Century – Economic Warfare (boycotts, sanctions, trade wars, trade isolation, cyberwars, terrorism on tourists) – will result in long term ripples to affect multiple economies in the 21st.



Proportions of Chinese Exports, Jan-Apr 2008, Customs Statistics

Pause

Key Takeaway for The Investigation:

Investigating present facts and past history must lead to looking at conventional wisdom and assumptions with a different view – a *Chinese* viewpoint.

Paradoxical Concurrency

My Dictionary:

Concurrency (noun)

1. Agreement about meaning
2. Operating at the same time or events
3. Simultaneous happening

Paradox

- Richer become richer while the poor are not improving as quickly.
- Technology changes incredibly fast while the processes of manufacturing change ever more slowly.
- Knowledge grows at fabulous rates while expertise becomes scarce.
- Wealth accumulates while others build debt.

Chinese Consumerism

Chinese consumerism differs from western consumerism by color, flavor, and texture – in other words by nuances of culture and perspective.

- Chinese love to shop
- Groceries are a day old in the late afternoon
- Buying is great – debt is not
- Functional is good (with status better), but fashion is not an essential.

Knowledge begins with practice, and theoretical knowledge which is acquired through practice must then return to practice. The active function of knowledge manifests itself not only in the active leap from perceptual to rational knowledge, but - and this is more important - it must manifest itself in the leap from rational knowledge to revolutionary practice.

Mao, "On Practice" (July 1937), Selected Works,
Vol. I, p. 304.

Future of Concurrency

- Riches accumulate and become more distributed
- Technology changes faster while manufacturing evolves
- Expertise grows with time and experience
- Capital finds new roots

Un-forecast affects for trading partners, allies, enemies, and neighbors.

Wealth Manages

Wealth is a counterbalance to capital insufficiency, immature capital markets, low economic dynamism, and stagnating government influences.

Wealth, like faith, manages.

Chinese Foreign Currency Reserves

China eyes gradual sale of special bonds
(Reuters) Updated: 2007-07-02 11:30

SHANGHAI - China's sale of 1.55 trillion yuan (\$203.6 billion) in special domestic bonds to finance its fledgling overseas investment agency will be carried out in stages, a senior central bank official said in remarks reported on Monday.

The country's stock market has been hit by the planned bond issue, approved by China's parliament on Friday, as investors fear it will pull funds from the market.

"The plan will be carried out gradually according to its monetary policy," Yi Gang, assistant governor of the People's Bank of China, told the Shanghai Securities News. Yi reiterated the Finance Ministry's view that the bond issue would have only a neutral impact on the domestic economy, the newspaper said.

The Finance Ministry indicated on its Web site on Friday that it would issue the bonds directly to the central bank in exchange for part of the \$1.2 trillion in foreign currency reserves under the central bank's control.

Chinese Banking

- Equity Holdings in Companies Permitted
- State subsidies for State-Enterprises
- Large holdings to enable economic imperialism

Global Fortune 500 List Includes 35 Chinese Firms

July 11- This year's Global Fortune 500 list included 35 Chinese firms: 26 from the mainland, three from Hong Kong and six from Taiwan.

It is the best showing of Chinese companies in the list thus far.

The country's largest refiner Sinopec, led the Chinese group at 16th place, followed by State Grid, ranking at 24th place, China National Petroleum at 25th and Hon Hai Precision Industry at 132nd place and ICBC at 133rd.

The list also included 19 State-owned Chinese companies under the central government that dealt in the energy, financial and telecommunications industries.

China's top banks were in the list including the Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agricultural Bank of China.

China Briefing News

The Global Fortune 500 list was topped by U.S. retailer Wal-Mart with sales of US\$378.8 billion followed by Exxon Mobil with sales of US\$372.8 billion, Royal Dutch Shell with US\$355.7 billion, BP with US\$291.4 billion and Toyota Motor with US\$230.2 billion.

Wal-Mart was the only retailer featured in the top 10.

U.S. companies occupied 153 places among the top 500, nine companies less compared to last year's 162. The U.S. firms taken off the list were investment firm Bear Stearns, Nike and Gap.

On the other hand, the list featured 64 Japanese firms, 39 French firms, 37 German firms and 34 British firms.

India had seven companies placing in the list led by Indian Oil and Reliance Industries while Russia had five, including its biggest oil company, Gazprom.

Global Fortune 500 companies reported a total revenue of US\$23.6 trillion, an increase of 13 percent from a year ago while total profits reached US\$1.6 trillion, up 3.9 percent. The list ranks all companies in the world based on their revenues only.

All data is for the fiscal year ended on or before March 31, 2008. Revenue and profit figures for non-U.S. companies have been converted to U.S. dollars at the average exchange rate during each company's fiscal year.

Pause

Key takeaway about Concurrency:

The Chinese don't view the paradoxes as a problem to be solved.

The Manufacturing Route to Power

Ownership of plant and process technology provided foundation routes to power for western countries – in the form of manufacturing based mercantilism.

Wealth generation also created a new power – gentry without land, title, or court influence. How is the resource of wealth managed?

Historical Events

- Accumulation of wealth

Technological Change

- Accumulation of basic technical know-how

Demographics

- Suitable workforce

Economics

- Capital and workforce were available

Time

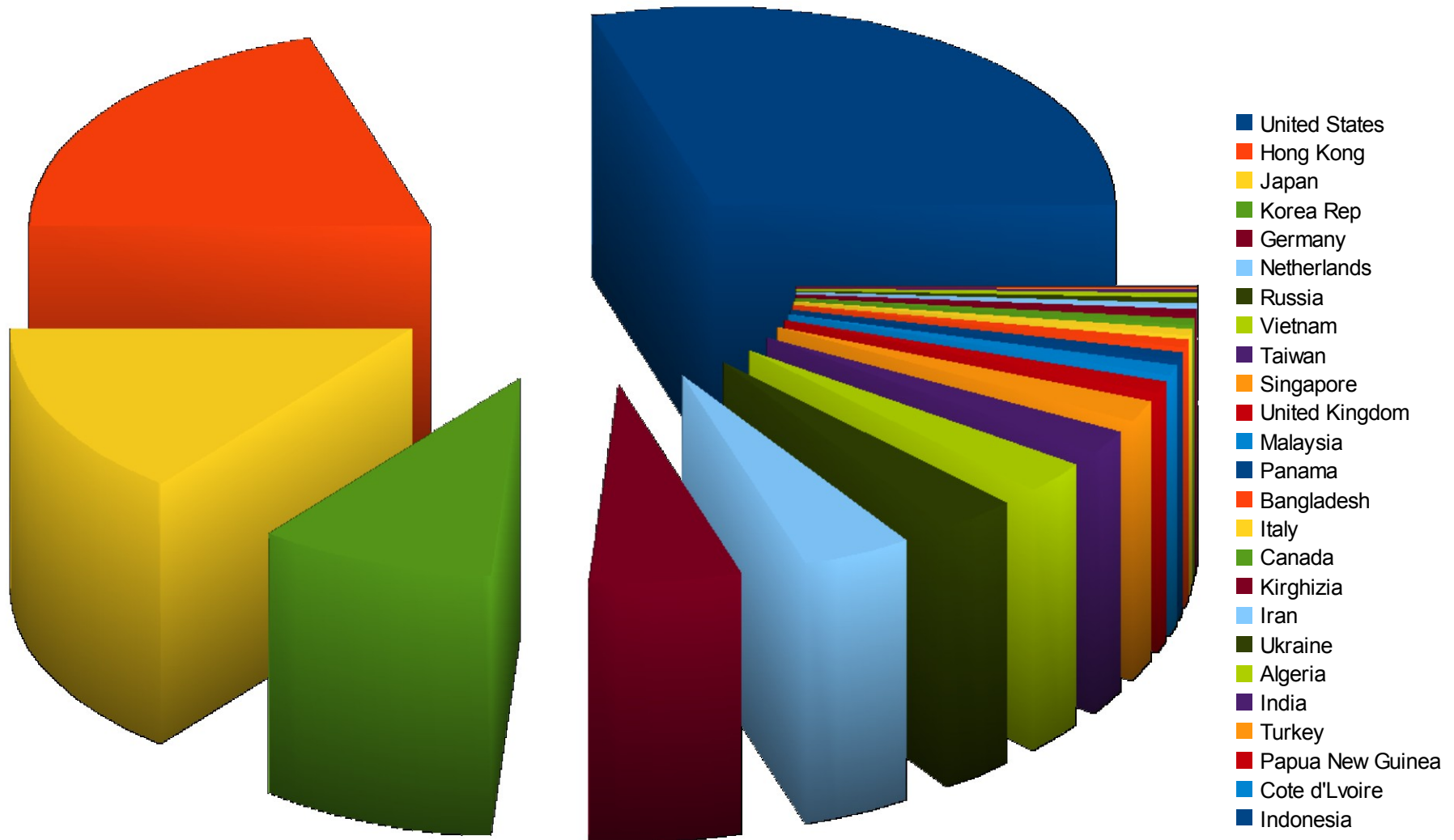
- Sufficient time to get to market and be sustained in the market

Examples

Britain and colonies 18th and 19th Century
American in the 20th Century

- Historical Events: Accumulation of wealth
- Technological Change: Basic know-how
- Demographics: Suitable workforce
- Economics: Capital and workforce available
- Time: Sufficient time to get to market

Proportions of Export Destinations for Chinese Trade (Jan-Apr 2008) Customs Stats



Future as the Past

- Growth in prosperity from having the plant without profits – but making it up on services – 19th Century Britain and 20th Century USA.
- Domestic demand with exports – 19/20th USA
- Unbalanced agricultural and manufacturing growth - but a power in manufacturing – 19/20th Century Germany

Demographic demand and manufacturing base with migration from the land – 21st Century China.

Oversupply on China's mobile phone market, China Intelliconsulting, Xia Na, 25 June 2007

China's mobile phone production capacity has currently exceeded 500 million, making up half of the global market, but the demand on the Chinese market has gone past its peak period with an annual demand remaining at around 60-100 million, much smaller than the production capacity.

China's mobile phone production capacity reached 400 million in 2005, while the annual increase in new mobile phone users was only 60 million. From February 2005, the National Development and Reform Commission (NDRC) has cancelled the examination and approval system on mobile phone production licenses, and implemented a verification system instead. Following this, NDRC gave warnings about overcapacity every time a mobile phone production license was issued. China has verified 79 mobile phone producers so far, and 10 more enterprises or so are predicted to enter the mobile phone production field this year, bringing about additional production capacity of 100 million sets. The trend of oversupply on the mobile phone market that has continued for years will become more obvious in the future.

Although the contradiction of oversupply is outstanding, the share of foreign brands has continued to grow, approaching 65% in 2006, nearly five percentage points higher than in the previous year. In addition, foreign brands all expanded investment in low-end products. Taking Nokia as an example, it realized sales of 200 million on the low-end market worldwide with the help of the Nokia 1100 mobile phone, and Motorola also successfully upgraded the share on the global market by about seven percentage points with the help of the V3 mobile phone. The China market is an indispensable part of them. Samsung, Sony-Ericsson, LG and other mobile phone brands also enriched the variety of low-end products while focusing on developing subdivision functions like appearance and entertainment.

However, the low-end mobile phone can help mobile phone products expand the market share rapidly, but the rate of its contribution to enterprises' profits is very limited. Market observation shows that when the sales of foreign brands grew quickly, their sales revenue declined to different extents.

Future Manufacturing

Shipbuilding	Plant Building
Aircraft Manufacturing	Space Technology
Coal Mining/Coking	Local Energy Sources
Car Industry	Communications Infrastructure
Farming/Food	Recycling
Housing	Rebuilding

China is the recipient of a manufacturing transplant – now we see if it ‘takes’.

Black cat or white cat: If it can
catch mice, it's a good cat. -

Deng

Innovation

A dictionary defines it as 'creating' of things or a process. For China:

Innovation is the application of creativity to accomplish a goal, solve a problem, or have fun in spite of tradition, bureaucracy, lack of resources, or competition. Ingenuity begets innovation.

Innovation and ingenuity are in great supply. The right 20th Century stereotype isn't 'Chinese Copy', rather 'Chinese Puzzle'.

The China Challenge

When is transplantation and innovation

“Good Enough”?

Is the manufacturing route to power still valid,
or is the route to power different in the 21st
Century?

Dominance in Services

Services for sale are possible as:

- An arbitrage of the cost of labor
- Instantiation of expertise
- Advantages of specialization
- Result of a monopoly
- Availability when needed

Now look at China with these criteria in the near future!

Chinese Online Purchases

30 June 2008

Chinese netizens online purchases up dramatically

The proportion of Chinese netizens who shop online rose rapidly in 2007, reaching 41.7% in national metropolises like Beijing, Guangzhou and Shenzhen and 29.3% in regional metropolises such as Wuhan, Chengdu, Shenyang and Xi'an, according to a research report put out recently by China IntelliConsulting, an Internet consultancy firm.

According to China IntelliConsulting's surveys, the number of online shoppers in Beijing, Shanghai, Shenzhen and Guangzhou exceeded 10 million, with their purchases surpassing RMB25 billion. In Wuhan, Chengdu, Shenyang and Xi'an, the number of online shoppers totaled 2.53 million, who spent RMB5 billion shopping online. Shanghai is the leader among Chinese cities in online shopping, with a penetration ratio of 50% and 4 million people spending RMB11.8 billion buying things through the Internet, which means an average Shanghai resident spends RMB634 online shopping each year.

At the end of 2007, the online shopping penetration ratio jumped 13.3 percentage points from a year earlier to reach 44.2% in Beijing, Shanghai and Guangzhou; up 6.1 percentage points to reach 30.8% in Wuhan and Chengdu. The number of people shopping online in Beijing, Shanghai and Guangzhou exceeded 9 million, up 122.6% from a year before. Online shoppers in Wuhan and Chengdu surpassed 1.8 million, an increase of 46.1% from the rate posted at the end of 2006.

Ye Feng

Dominance of Market

Table 1. Regional Market Share

	% of National Total Revenue	Market Share		
		Baidu	Google	Others
Beijing	26.1%	69.9%	20.2%	9.9%
Shanghai	17.1%	54.4%	27.3%	18.3%
Guangdong	14.9%	57.1%	26.5%	16.5%
National Total	100.0%	62.0%	22.7%	15.3%

Table 3. QoQ Growth in Customer Base

	2Q→3Q, Actual			3Q→4Q, Projected		
	Baidu	Google	Yahoo	Baidu	Google	Yahoo
Retention Rate	92.5%	85.7%	89.0%	90.0%	89.8%	86.4%
Churn Rate	7.5%	14.3%	11.0%	10.0%	10.2%	13.6%
Acquisition Rate	19.6%	23.6%	19.6%	16.9%	24.0%	16.8%
Net Growth Rate	12.2%	9.3%	8.6%	6.9%	13.8%	3.2%

China Intelliconsulting, 3Q2007 Search Engine Report

Domination in Services

Manual Construction	Software Factory
Textile Sweatshop	Call Center
Field Hands	Tending Bioreactors
Personal Servants	Viable Geriatrics
Cannon Fodder	Great Firewall of China

Does the digital coolie have the last laugh?

Pause

Key takeaway for Manufacturing Route:

China is not concerned that the path to development follow 'classic' western patterns.

Compelling Trends

- Manufacturing becomes a specialty of nation states who have the recipe.
- Manufacturing becomes devalued for some economies.
- Manufacturing becomes a service.
- The commodity 'money' is the raw material of a service economy.
- The commodity 'know-how' is the manufactured good of a service economy.

Competitiveness

- a. Labor
- b. Capital
- c. Technology
- d. Government/Management/Culture
- e. Infrastructure

Economics

China is now second after the United States in Purchasing Power Parity for 2007

"NationMaster; Economy Statistics" NationMaster (Retrieved on 2007-03-26)

In 2004 Japanese Exports to the US are 50% larger than to China, but Japanese Imports from China are 65% larger than from the US.

Blustein, Paul. "China Passes U.S. In Trade With Japan: 2004 Figures Show Asian Giant's Muscle". The Washington Post (2005-01-27).

Labor	Europe, Japan, USA, or BRI?
Capital	Trillions Enough?
Technology	How high is tech? Bio? Computer? Space?
Government Management Culture	About 4000 years of taxes so far... (Xia Dynasty dates from 2100 bce, before Babylon) “Communist/Socialism” at 1%
Infrastructure	The Grand Canal (ca 500 bce), The Great Wall (ca 600 bce), The Great Firewall

China's Foreign Exchange Reserves: 2001-2006 and Estimates for 2007 and 2010

Year Billions of U.S. Dollars As a % of Chinese GDP

2001	215.6	18.1
2002	291.1	22.1
2003	403.3	28.1
2004	609.9	31.5
2005	818.9	35.5
2006	1,068.5	38.6
9/2007	1,433.6	N/A
Proj 2007	1,539.9	47.3
Proj 2010	1,865.0	32.1

Source for actual data: International Monetary Fund (IMF) and People's Bank of China. Source for 2007 and 2010 projections: Global Insight, *Country Intelligence, China*, October 2007. Note: Year-end or month-end values.

Source: Congressional Research Service 1/9/2008

Fannie and Freddie Debt to China

China may hold as much as \$400 billion to \$600 billion in Fannie and Freddie debt, most of which is held by the State Administration of Foreign Exchange.

Bank of China has an estimated \$20 billion in Fannie and Freddie debt, according to investment bank CLSA. Li Lihui, the bank's president, said the bank "will be able to fully manage the risks related to this matter."

Financial Times, 7/24/08, Anderlini, et al

Chinese View

Innovation and competitiveness are driven by the government and accomplished by a dynamic private sector.

Large projects in a government/state enterprise organization. Military/Industrial complex acts in concert with a centralized party structure for industrial policy-projects.

Respect the gods and the devils
but keep them at a distance. -
Confucius

Pouring oil on the East China Sea

China vs. Japan, IHT, Mark J. Valencia, 2/24/2005

HONOLULU: Japan has begun planning for the worst. A conflict with China over rich gas deposits in the East China Sea has escalated since late January when two Chinese destroyers entered the area, which has been in dispute for decades. Japan warned China that it would defend its resources there.

But conflict is not inevitable. China's June 2004 proposal to jointly develop a large gas field that straddles a boundary claimed by Japan is an opportunity to cap rising tension, and at long last harvest the resources in the disputed area.

China 'Clarifies' Agreement with Japan

By Stephanie Ho, Beijing, 19 June 2008

China says Japanese companies participating in a joint gas exploration deal in the East China Sea will be subject to Chinese law. China also says it has not given up its legal claims to disputed territory in the East China Sea. Less than 24 hours after a China-Japan deal was announced, China made great efforts to stress the accord is not considered a formal joint-development agreement. Vice Foreign Minister Wu Dawei told reporters in Beijing the difference in this case is that the two governments are not taking the lead in cooperation to develop the Chunxiao oil and gas field. He says enterprises will play a major role and governments will only give some guidance. Wu says Chinese-Japanese cooperation in the Chunxiao oil and gas field will follow Chinese law and that both sides recognize China's sovereignty over the field. China and Japan have conflicting claims over a nearby island chain in the East China Sea. The Chinese call them the Diaoyu Islands, while the Japanese know them as the Senkaku. Wu says, for the deal to have been reached, both sides have pretty much shelved, for now, differences of sovereignty and sovereign rights. The agreement announced Wednesday allows Japanese companies to invest in and claim proportional profits from several projects from the Chunxiao gas field, which Japan calls Shirakaba. Japanese officials say they expect long and difficult negotiations before joint exploration can start. The agreement did not set a specific timeline. The Chinese Foreign Ministry's tough talk Thursday reflects some of the Chinese public's continuing antipathy toward Japan. A small group of protesters called for Tokyo to "clear out" of the East China Sea, in a brief demonstration Wednesday in front of the Japanese embassy in Beijing.

Chinese Capital's Imperialism

How will Americans react to Chinese Capital's Imperialism? The Japanese bought Rockefeller Center (and sold it back).

New York Yankees playing in Lenovo Stadium?
Chinese development of Cuban oil fields?
Cosco Field for the Minnesota Twins?

One Days Business News (HK)

Aug 2008

Market Profile on Chinese Mainland

- Acer's net profits up 47.5% in Q2
- Baskin-Robbins moves into Shanghai
- China approves revision of forex management rules
- China's futures trading volume up 76% in July
- China's Haier may acquire General Electric's appliance arm
- Shanghai index dips 2.14% Mon
- China's fund insurance firm wins approval from the State Council
- Hong Kong shares fall 1.5% on Mon
- China to raise nuclear power development target

Unintended Results

- Environmental Costs
- Human and Social Capital Investment
- Rush to the Cities
- Prosperity of Scarcity from Success
- Uneven planting of flowers

Pause

Key takeaway for Compelling Trends:

The trends don't start or stop with China. China is a key beneficiary of larger Compelling Trends.

Discussion Topics

- Multiple nuclear-armed powers – are they irrelevant?
- Shifts from manufacturing to domestic consumption in multiple markets
- Social and Human Capital Roles for Development
- Biotech/Nanotech/Human Tech
- Capital formation, flows, and trade balances

"The Bush administration continues to coddle China, despite its continuing crackdown on democratic reform, its brutal subjugation of Tibet, its irresponsible export of nuclear and missile technology... Such forbearance on our part might have made sense during the Cold War when China was the counterweight to Soviet power. It makes no sense to play the China card now when our opponents have thrown in their hand."

Bill Clinton, Georgetown University, 12/12/1991

Diplomacy

Chinese diplomacy (dealing with barbarians) goes back 4000 years. Changes in diplomatic practice may include:

- Non-cooperation (Doha round)
- Indifference (Spratley negotiations)
- Local agendas (North Korean nuclear talks)
- Different historical contexts (Japan)
- Different perspectives (Kyoto, NNPT)

Consequences:

- Multilateral powers with China in a growth mode (19th Century Germany as a model?)
- 21st Century politics must adapt different models

Things develop ceaselessly. It is only forty-five years since the Revolution of 1911, but the face of China has completely changed. In another forty-five years, that is, in the year 2001, or the beginning of the 21st century, China will have undergone an even greater change. She will have become a powerful socialist industrial country. And that is as it should be. China is a land with an area of 9,600,000 square kilometers and a population of 600 million people, and she ought to have made a greater contribution to humanity. Her contribution over a long period has been far too small. For this we are regretful. But we must be modest - not only now, but forty-five years hence as well. We should always be modest. In our international relations, we Chinese people should get rid of great-power chauvinism resolutely, thoroughly, wholly and completely.

Mao, "In Commemoration of Dr. Sun Yat-sen" (November 1956).

Economics

Culturally:

- Intensely dislike inflation
- Bias towards hard assets
- Are not overly risk averse
(investment, gambling)

Consequences:

- Willingness to deal in multi-reserve currency world with multilateral institutions.
- Willingness to use economic warfare as a means to achieving diplomatic or political advantage.

Geopolitics

Sample geopolitical issues that are different:

- North Korean illegal immigrants
- Borders with India and Russia
- Access to Siberian Natural Resources
- Multinational Criminal Organizations
- Semi-autonomous minorities

Consequences:

- Non-north/south nor east/west geopolitics
- Resource driven geopolitics
- Local solutions without superpower permissions

Technology

- Continuum of science from cyber to bio
- Validity of a variety of approaches (medicine)
- Many flowers mindset
- Different linguistic context (50% share with Japanese)
- Huge local market willing to adopt

Consequences:

- Fewer 'silos' to stifle business or creativity
- Investment available to combine proven and unproven tech (foreign or domestic)
- Constriction of entrepreneurial innovation for large-scale problems (state sector) although elephants can be eaten
- Language seen as an advantage – barrier to entry for foreigners

The Conclusions

- The reality of Chinese consumerism, technology, and money will be distorting for societies based on commodities and demographics.
- Echoes of 20th Century conflicts will continue to cause ripples not manageable by 21st Century politics.
- Resource management for desired objectives will become the political touchstone.