

China???



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Education:



Bachelor of Economics, Thammasat University
Major in Business Economics, Minor in Marketing



Graduated School of Economic, Fudan University
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Working Experience:



Huawei Thailand Marketing Intern



JD Central Operation Manager Intern



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AGENDA

- ✓ The command economic system
- ✓ Modern China after economic reformation
- ✓ China Economic success & Leading industry
- ✓ One Belt One Road Initiative
- ✓ Unbalanced development
- ✓ Conclusion

OBJECTIVES

- ✓ Understand Chinese Economy and its impacts to world economy
- ✓ Change in perspective toward China
- ✓ Be prepared to face more competitions from Chinese firms



The Command Economic System

Great Leap Forward

Cultural revolution

Biggest failures from Chairman Mao

THE GREAT LEAP FORWARD (1958-1960)

- CENTRALIZED PRODUCTION PLANNING

HOW???

The central government: ↑ Economic growth & Promote government power

Goal: Reach the same level of industrialization as England & US in less than 15 years



Make everything GRAND, China is the best, Chairman is the best

THE GREAT LEAP FORWARD (1958-1960)



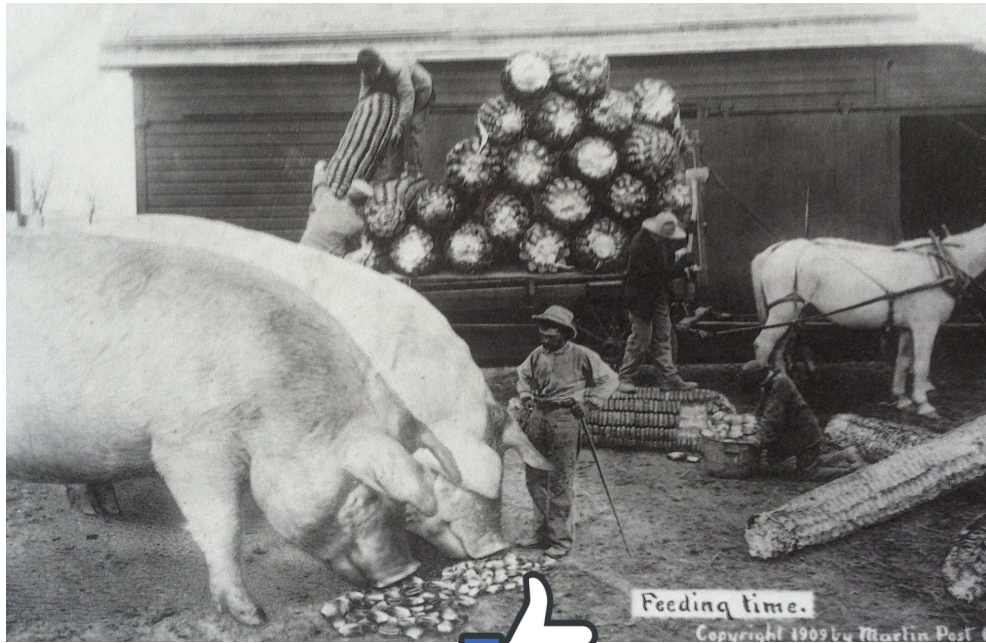
Targeting 80% increase in grain production in 1 year



From 3 million tons to 10 million tons production
(within 2 years)

THE GREAT LEAP FORWARD (1958-1960)

(Expected)
Massive propaganda



Reality



FAILURES: WASTED INVESTMENT

- Big farm
- Large factory = ↑Infrastructure Investment = Inefficient distribution of resources
- Long railway

Low quality of steel

80% wasted from total production

Lag of production technology

Lag of expertise to direct the efficient production

Every household can produce 'steel'

Unrealistic high target production rate

Lag of Economist

Wrong allocation of labor -> Put farmer to factory

Deforestation for fuel -> Leads to later natural disaster



***Production target must be achieved to appreciate the central government, or the Chairman MAO

THE GREAT LEAP FORWARD (1958-1960)

INSTITUTIONAL INEQUALITY

Due to the central planned policy, Rural farmers farmed very hard to get very little food for themselves

- All the crops supplied to the city, and elites, farmers were starving to death
- Farmers were producing steel in their house
- Not enough crop produced



THE GREAT LEAP FORWARD (1958-1960)

”The worst manmade famine in history

Estimated ~30 *million* people died”

When the disaster come,
noone can survive

How could this happen?

China: Communist -> Nomenklatula

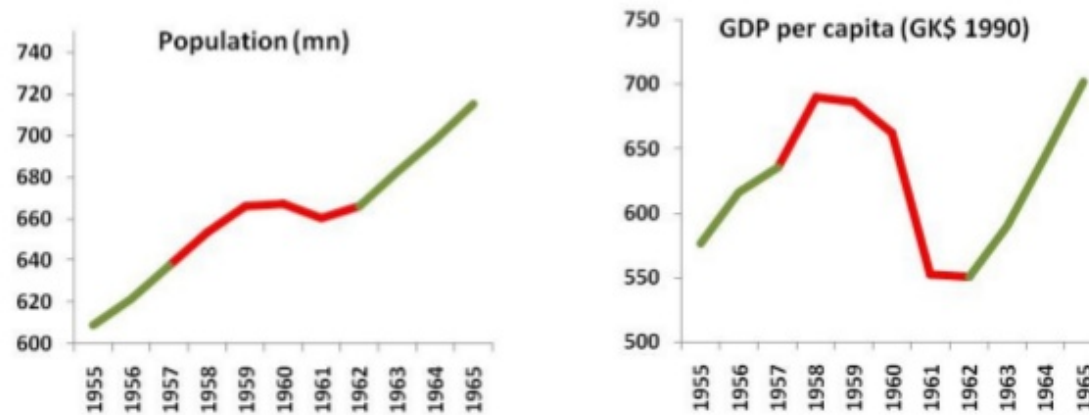
- Natural disaster
- Local politicians were very radical
- Excess procurement of grain, Inflated number reported

GDP GROWTH RATE & POPULATION

I. Socialism - political power, fused with the economic power, is unlimited and almost totally crowds out legal markets, e.g.:

Diagram 6

Great Leap Forward: China 1958-1962



Growth rates								Great Leap Forward							
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
GDP	9,6%	9,5%	2,7%	0,9%	3,5%	6,9%	3,2%	8,6%	-0,6%	-3,5%	-16,5%	-0,4%	7,2%	9,2%	8,8%
Population	2,0%	2,1%	2,2%	2,4%	2,2%	2,1%	2,6%	2,5%	2,0%	0,2%	-1,0%	0,8%	2,5%	2,3%	2,4%

Source: Maddison, Statistics on World Population, GDP and Per Capita GDP, 1-2006AD

THE CULTURAL REVOLUTION(1966-1976)



工人阶级必须领导一切

No culture
No Rich
No education

Only the Chairman



CONSEQUENCES FROM THE REVOLUTION

Huge loss of human capital

- Cost 1,613,000 lives (Rummel, 1991, P.9)
- Many of those who died were very well educated people, including famous scholars, writers, professors, doctors and scientists

Schools were shut down

- Parents experienced Cultural Revolution placed less emphasis on their kids' education (Kung et. al, 2017)

Traditional culture was challenged

- The trust among family, relatives, and friends was broken
- Loss of political elites who tried to promote the living standards of people

Why there're many Chinese in Thailand,
Singapore, Malaysia, and other SEA
countries?

Are you Chinese or Thai?

LESSON LEARNED FROM CHINA

- Market oriented economy
- Globalization
- Efficient allocation of human capital and natural resources
- No nomenklatura
- Development of human capital



MODERN CHINA

Great step toward economic success

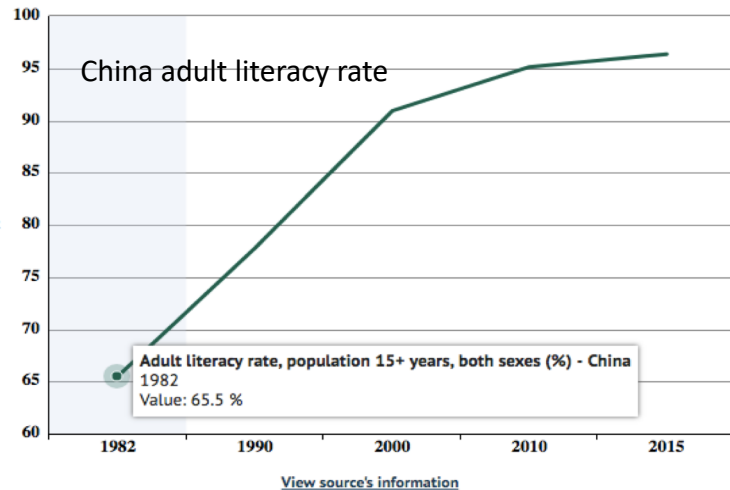
ECONOMIC SUCCESS SINCE 1978

”After 1970s Economic Reformation, China experienced the demographic change in labor market”



Restore education after cultural revolution

- Increase in enrollment to college



One-child policy

- Fertility rate drops to 1.4/woman
- Working-age population starts to decline

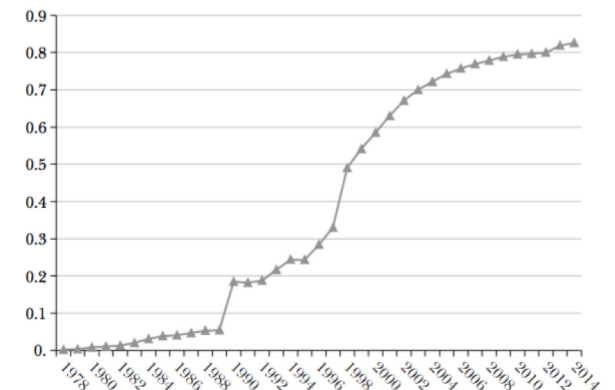
Total Fertility Rate for China, 1949 to 2001



Employment structure

- Labors move to private sector after the economic reformation
- SOEs reduction

Figure 1
The Share of Employment in the Private Sector (1978–2014)



Source: Chinese Statistical Yearbook (various years).

China's path to economic reform



By Deng Xiaoping
after the death of the
Chairman Mao

China's program of economic reform was driven by Deng Xiaoping between 1979 and 2005 and was known as 'socialism with Chinese characteristics'.

Reformation 1978 - 84

Deng Xiaoping comes to power and begins to reform the neglected agriculture sector.



Average wages rise sixfold between 1978 and 2005.

Open up for FDI

China opens up to foreign investment in special zones. These become the driving force for economic growth.



Gov. Decentralization 1984 - 93

Government controls are relaxed, while decentralisation allows provinces to increase economic growth.



Corruption and inflation see discontent climaxing with the 1989 Tiananmen Square protests.

Privatization 1993 - 05

Widespread privatisation of state enterprises sees the state-owned sector shrink by 48 per cent. Trade barriers reduced, banking reformed and China joins the World Trade Organisation.



Deng Xiaoping dies in 1997. In 2005, China surpasses Japan as the largest economy in Asia



2005 NOW

A relaxed monetary policy results in a housing bubble. Heavy investment in the state sector sees new companies able to compete with the world's largest corporations.



1. Reformation
2. Decentralization
3. Openness
4. Privatization



Why is the U.S. government hate China?

Fortune Global 500

China has now reached parity with the U.S.. China includes Taiwan and Hongkong.

2017

Rank ↕	Country ↕	Companies ↕
1	United States	133
2	China	109
3	Japan	51
4	France	29
5	Germany	29
6	United Kingdom †	21
7	South Korea	15
8	Netherlands †	15
9	Switzerland	13

2018

Rank ↕	Country ↕	Companies ↕
1	United States	126
2	China	120
3	Japan	52
4	Germany	32
5	France	28
6	United Kingdom †	21
7	South Korea	16
8	Netherlands †	15
9	Switzerland	14
10	Canada	12

2019

Rank ↕	Country ↕	Companies ↕
1	China	129
2	United States	121
3	Japan	52
4	France	31
5	Germany	29
6	United Kingdom †	17
7	South Korea	16
8	Switzerland	14
9	Canada	13
10	Netherlands †	12

Index	China	U.S.
Profitability (bn)	35	43
ROR	5.3%	7.7%
ROE	9.9%	15%
Profit/Capita (Thousand USD)	19.5	43

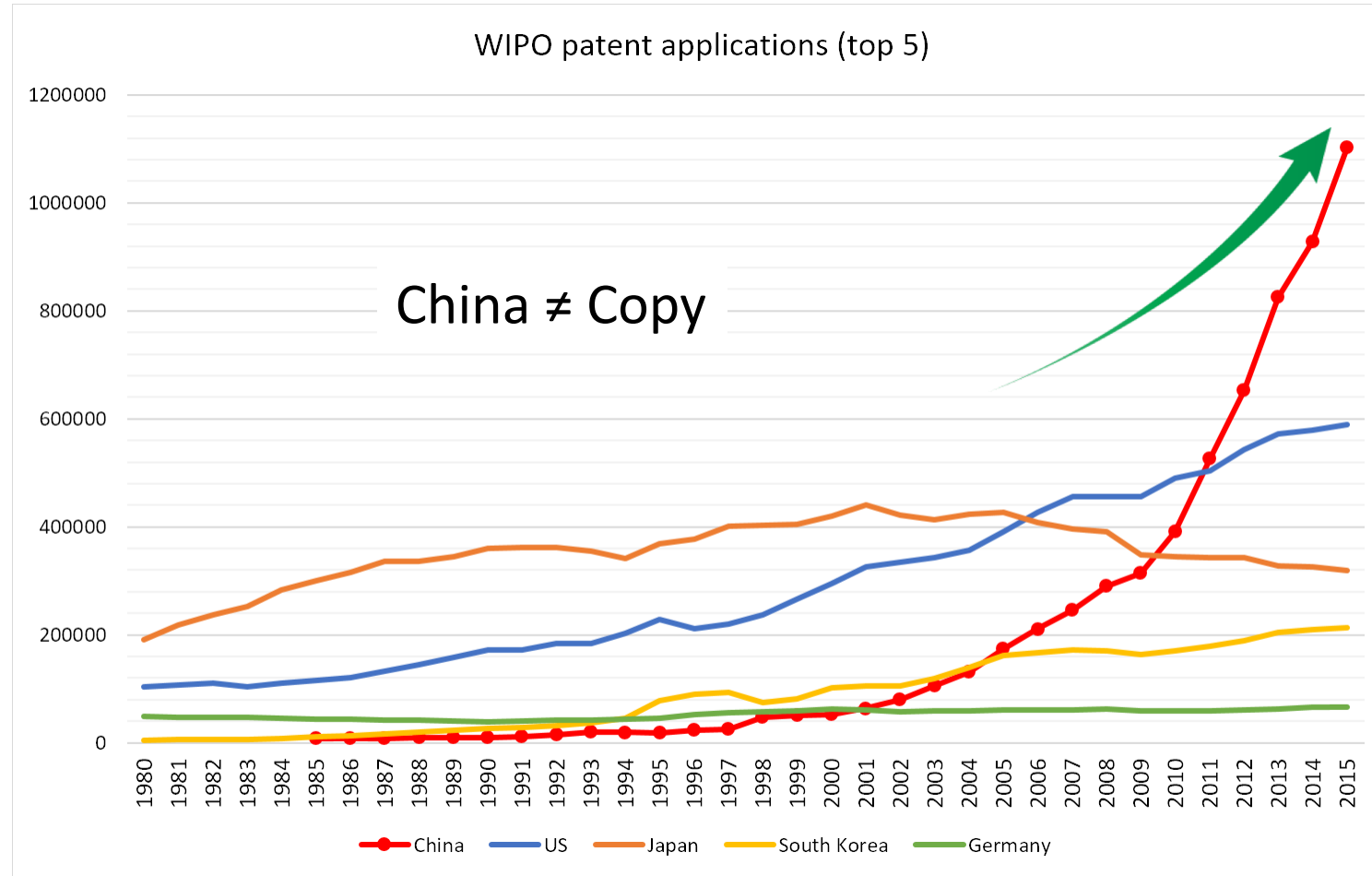
World's balance of power is shifting. However, Chinese firms still facing challenges to increase company value.

1. Company competitiveness
2. Company profitability
3. International value chain

(China Banking industry accounted for 50% of total profit. The U.S. banking industry only accounted for 18.3%)

Made in China

MADE IN CHINA TO 'INNOVATE IN CHINA'

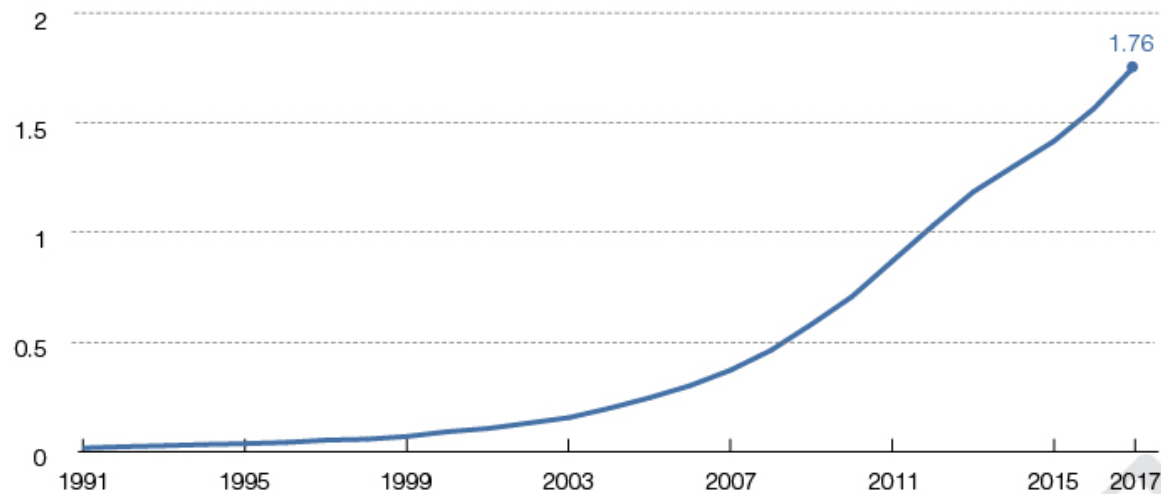


MADE IN CHINA TO 'INNOVATE IN CHINA'

China Spends More on R&D Than Ever Before

— China's R&D Expenditure

Unit: Trillion yuan



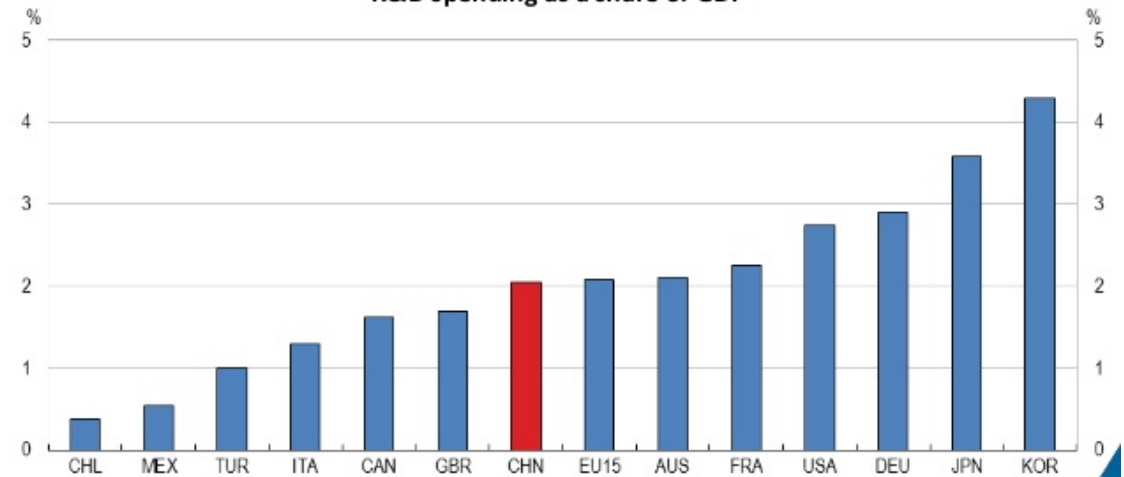
Sources: **财新数据** CEIC
Caixin Data 财新数据资讯旗下公司
Original Source: National Bureau of Statistics

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R&D spending is high

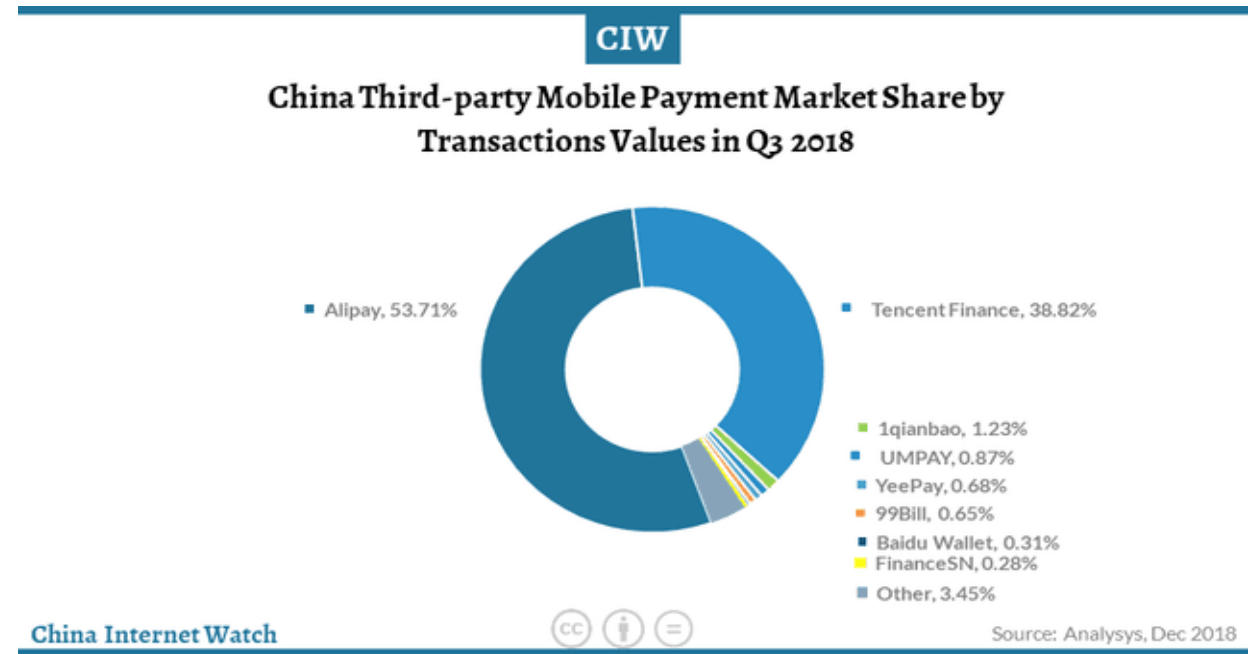
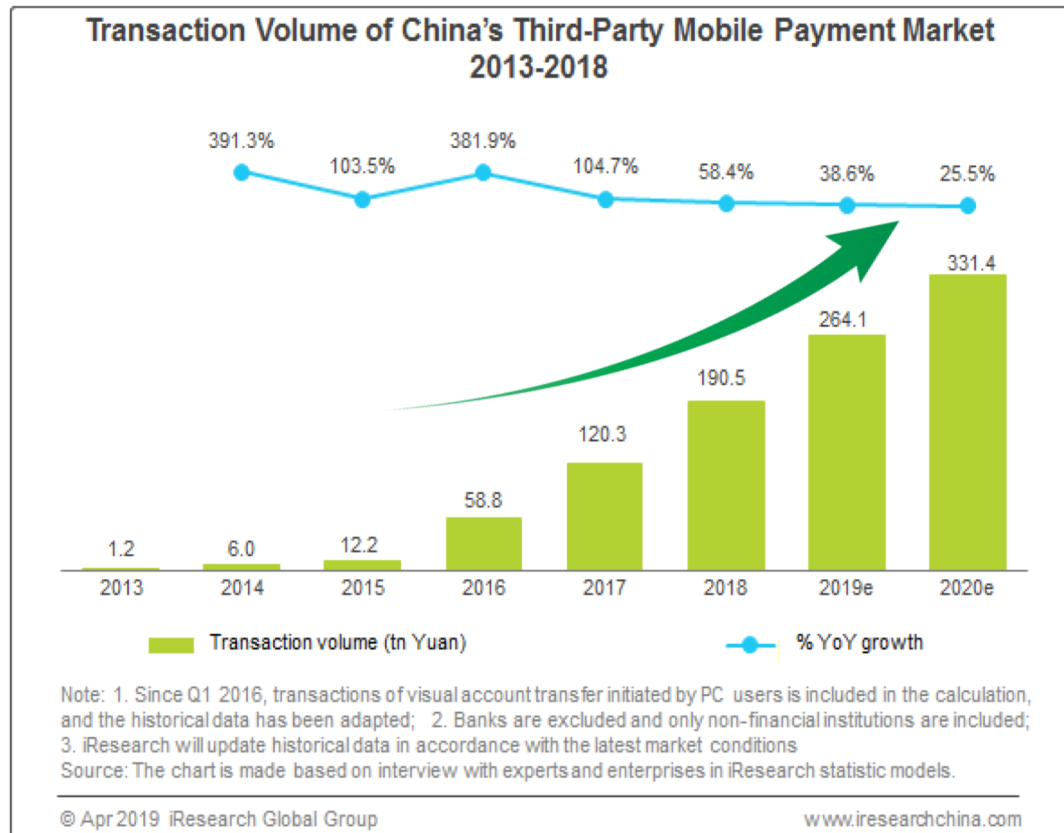
R&D spending as a share of GDP



Note: Latest year available.
Source: OECD MSTI database.

Whose economy will drive the technology of the future?

THIRD PARTY PAYMENT INDUSTRY



Alipay by Ant Financial and Tenpay by Wechat dominated the market

Government's Action

- Prohibit Oligopoly/Monopoly
- Set up regulations

CASHLESS SOCIETY



CASHLESS SOCIETY

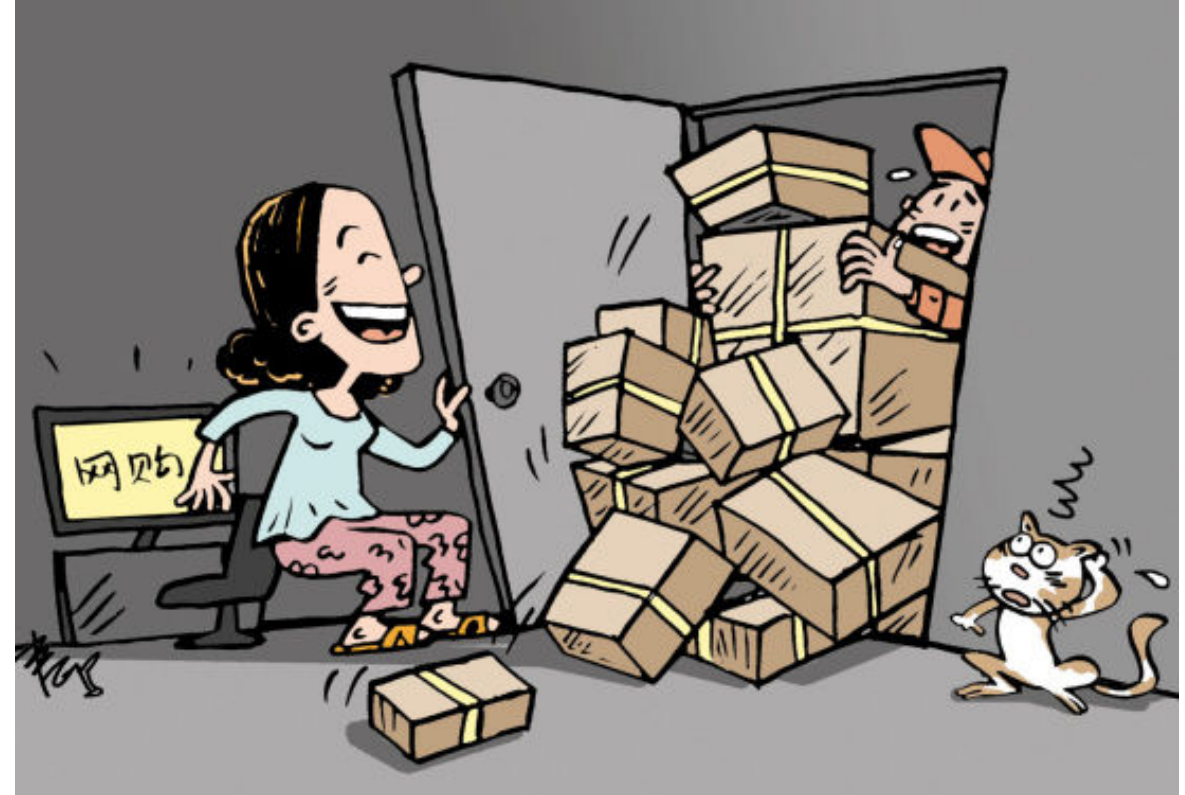


CASHLESS SOCIETY



Jack MA- Ranked the 2nd in the annual “World’s 50 Greatest Leaders” list by Fortune in 2017. Founder of Alibaba group. Net worth \$35.6 Billion in 2019. Ranked 21st in Forbes ‘World’s Most Powerful People’.

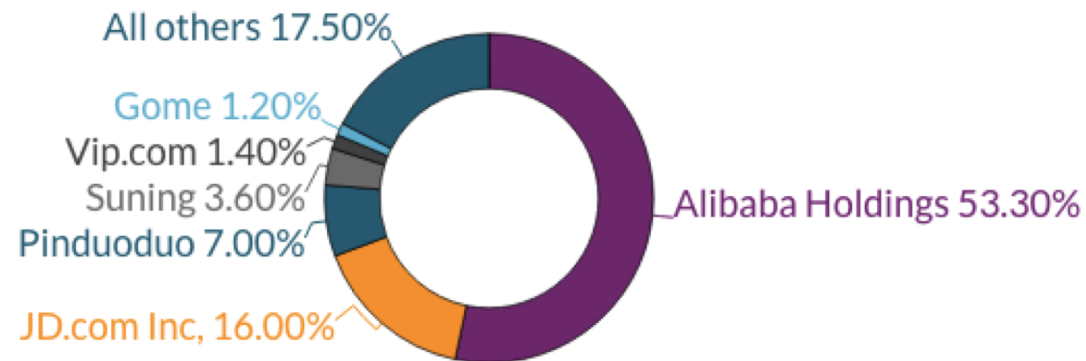
E-COMMERCE INDUSTRY



E-COMMERCE INDUSTRY

Biggest players in Chinese e-commerce

2018 market share for top 6 companies



Source: eMarketer Inc.

https://www.youtube.com/watch?v=plafcod_Bh4

China's e-commerce market in 2018



\$1.33 trillion

Total online retail sales.
Up 23.9%



\$1.03 trillion

Online retail sales of physical goods.
Up 25.4%



\$292.5 billion

Online retail sales of non-physical goods.
Up 18.7%



18.4%

Online share of total consumer retail sales

Source: National Bureau of Statistics of China

2016中国电商物流产业链图谱

国内快递



海外快递



仓储系



电商自建物流



同城货运



海淘转运



众包物流



5G – NEXT GENERATION OF NETWORKING TECHNOLOGY

U.S. government put Huawei into blacklist

China has taken the lead in 5G development.

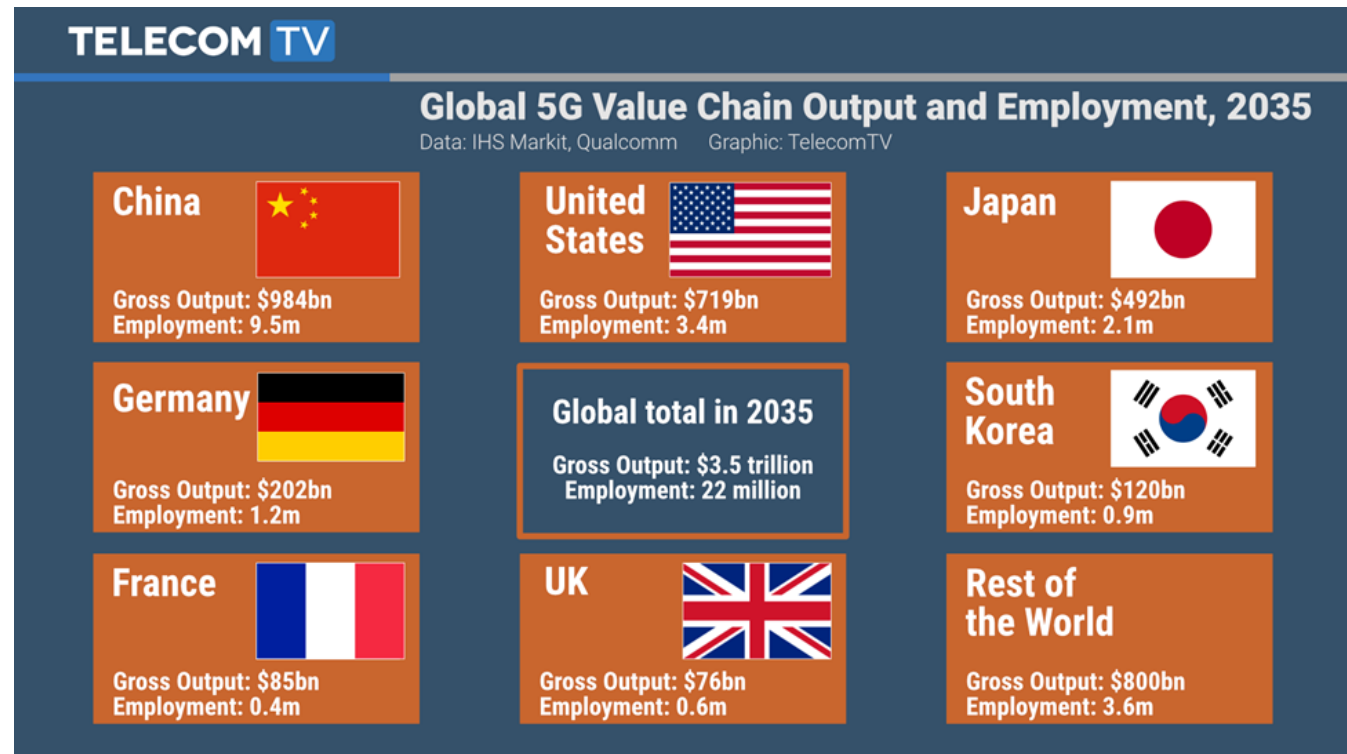
- China government support the developer

Break the U.S. monopoly on operating system

If China successfully constructs 5G infrastructure:

5G advantages:

- *Big Data*
- *Military purpose*
- *Business development & Efficiency*
- *Network security*
- *AI , Fin-Tech*
- *Internet controls everything*





Chinese Government Power

HOUSEHOLD REGISTRATION SYSTEM



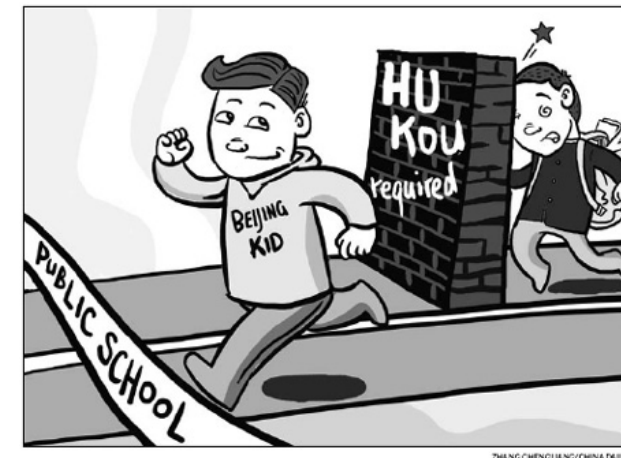
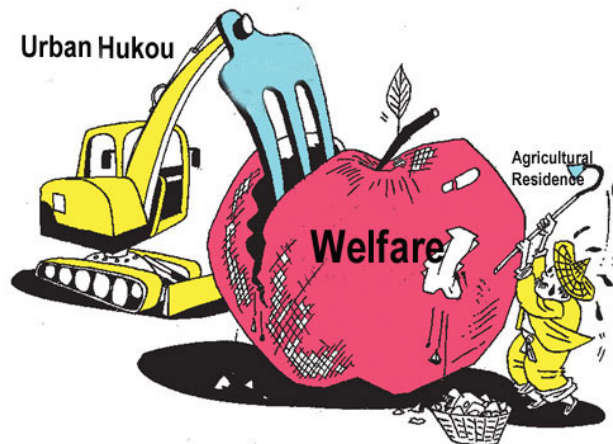
China Household Registration System : *Hukou*

- Contribute to China economic success
- Divide China labor market into *Rural* and *Urban* segment
 - The government provides different treatment to each hukou owner

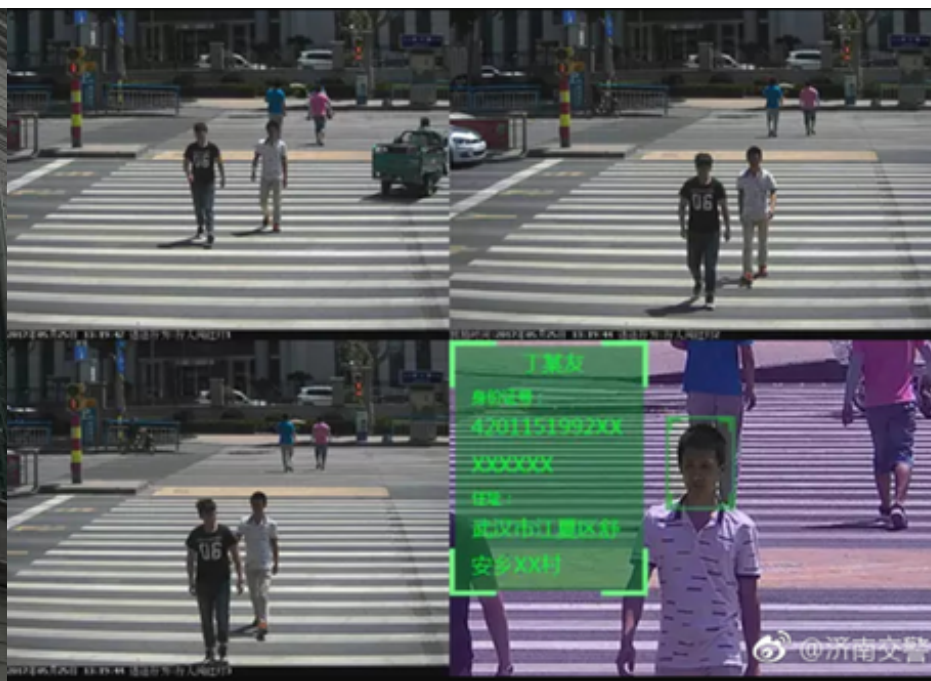
Urban hukou receives better social welfare

- Access to public school and university in cities
- Allow to buy house in the city
- Higher wage with urban hukou
- Health insurance

**= Institutionalized
Discrimination**



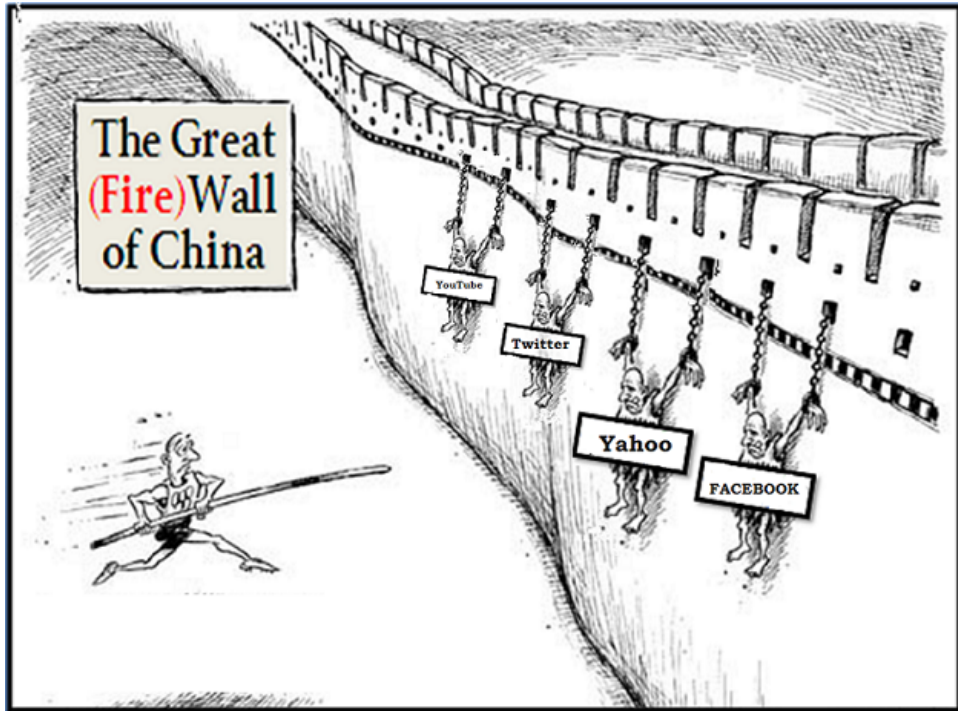
SOCIAL CREDIT SYSTEM



SOCIAL CREDIT SYSTEM



MEDIA CENSORSHIP



URBANIZATION & DEVELOPMENT



Beijing new airport



Urbanization along the railway construction

HIGH-SPEED RAILWAY

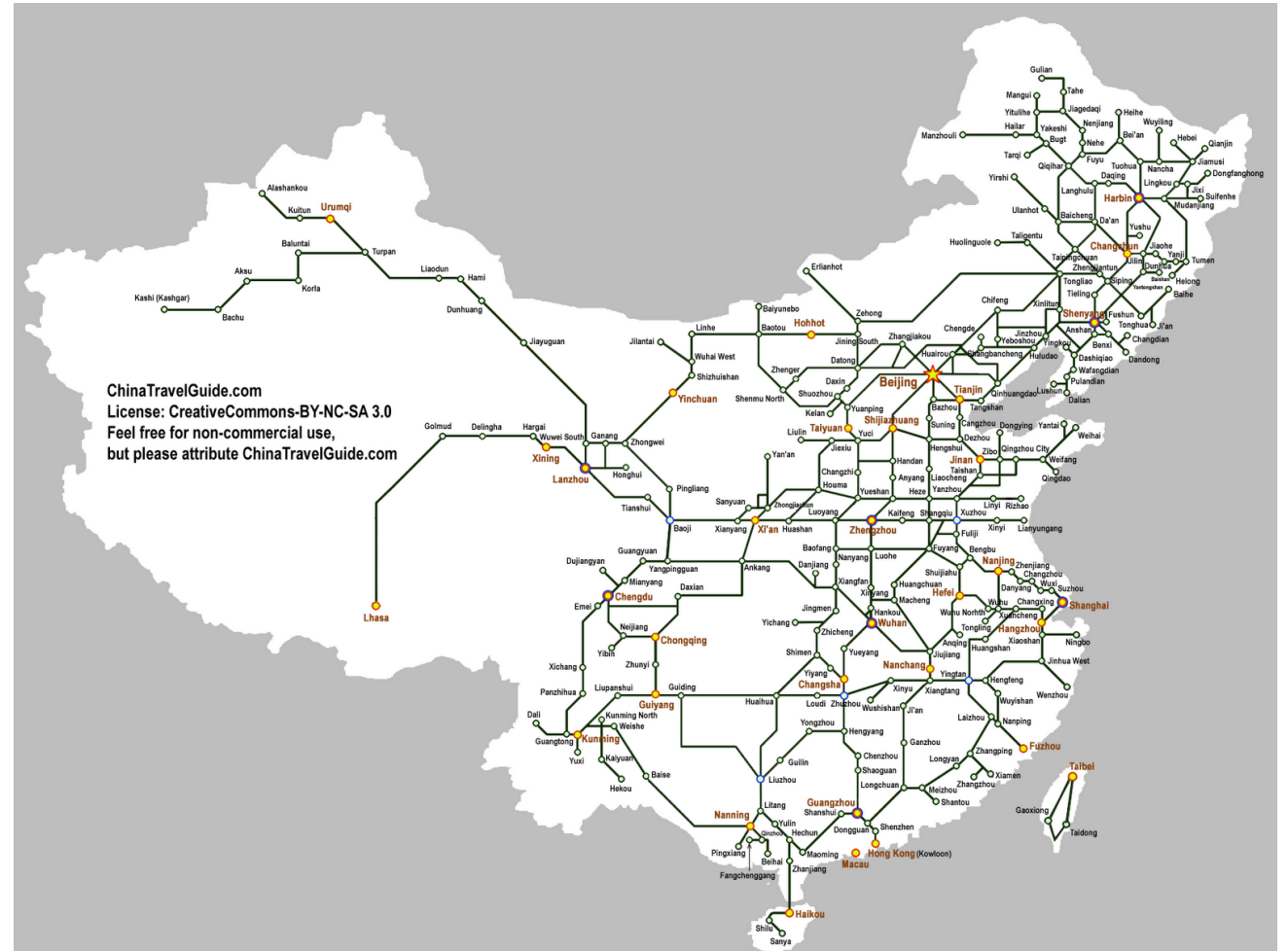
Best industrial technology

Biggest railway system & infrastructure

Longest railway

Fastest speed (316.6km/h)

~2hours from Bangkok– Chiangmai (680 km)

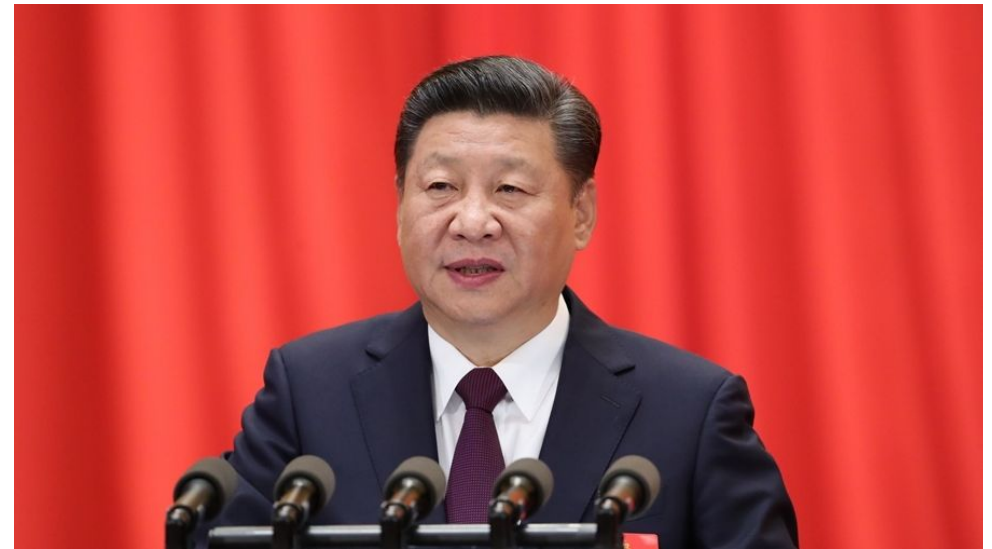


Chinese is everywhere

ONE BELT ONE ROAD INITIATIVE

New Silk Road for 21st Century

- By President *Xi Jin Ping* – 2013
- New Economic path to link China and the world
- **2 Paths:**
 - Maritime Silk Road
 - Land-based Silk Road
- ↑ Globalization



ONE BELT ONE ROAD INITIATIVE



Kunming– Laos – Bangkok – Port of Laem Chabang



Thailand => Hub of SEA

Every railway goes through Bangkok

Laem Chabang port (Chachoengsao, Rayong and Chonburi)

The Eastern Economic Corridor (EEC)

Logistics hub for the AEC



CHINA & ASEAN

China is the biggest trade partner for ASEAN region

Table 24
ASEAN Trade by Partner Countries/Regions, 2015
as of November 2016

ASEAN Statistics

ISO Code	Trade partner country	Value of trade (US\$million)			% Share to total		
		Exports from ASEAN	Imports by ASEAN	Total trade	Exports from ASEAN	Imports from ASEAN	Total trade
	ASEAN	305,692.5	238,058.7	543,751.3	25.9	21.9	24.0
CN	China (People's Republic of)	134,249.4	211,514.8	345,764.2	11.4	19.4	18.2
	Japan	113,694.0	124,350.4	238,044.4	9.6	11.4	10.5
EU	EU 28	127,583.8	100,056.4	227,640.2	10.8	9.2	10.0
US	United states	129,170.5	83,172.4	212,343.0	10.9	7.6	9.4

WHY SOUTH-EAST ASIA (CLMV)?

Great opportunity to develop infrastructure

Infrastructure Development Ranking

	Overall	Quality of Roads	Quality of Railroad Infrastructure	Quality of Port Infrastructure	Quality of Air Transport Infrastructure
Laos	108	91	NA	132	100
Cambodia	106	93	98	76	99
Vietnam	79	89	52	77	86
Indonesia	60	75	39	75	62
Thailand	49	60	77	65	42
Singapore	2	2	5	2	1

Source: Global Competitiveness Report 2016-2017, World Economic Forum

CHINA & LAOS

Laos

Natural resources: Mineral; Water; Forest; ETC.

Cheap factor of production

Supportive investment policy

- Allow capital outflow

- Tax allowance for many industries

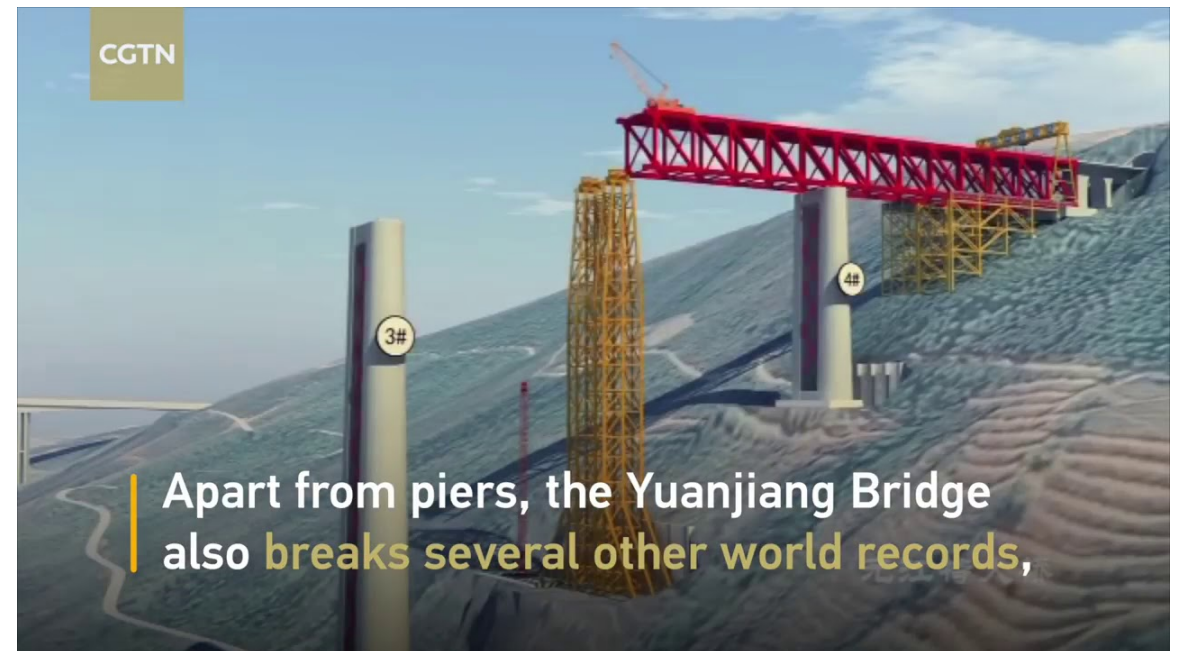
- Increase investment zone

China FDI in 2017:



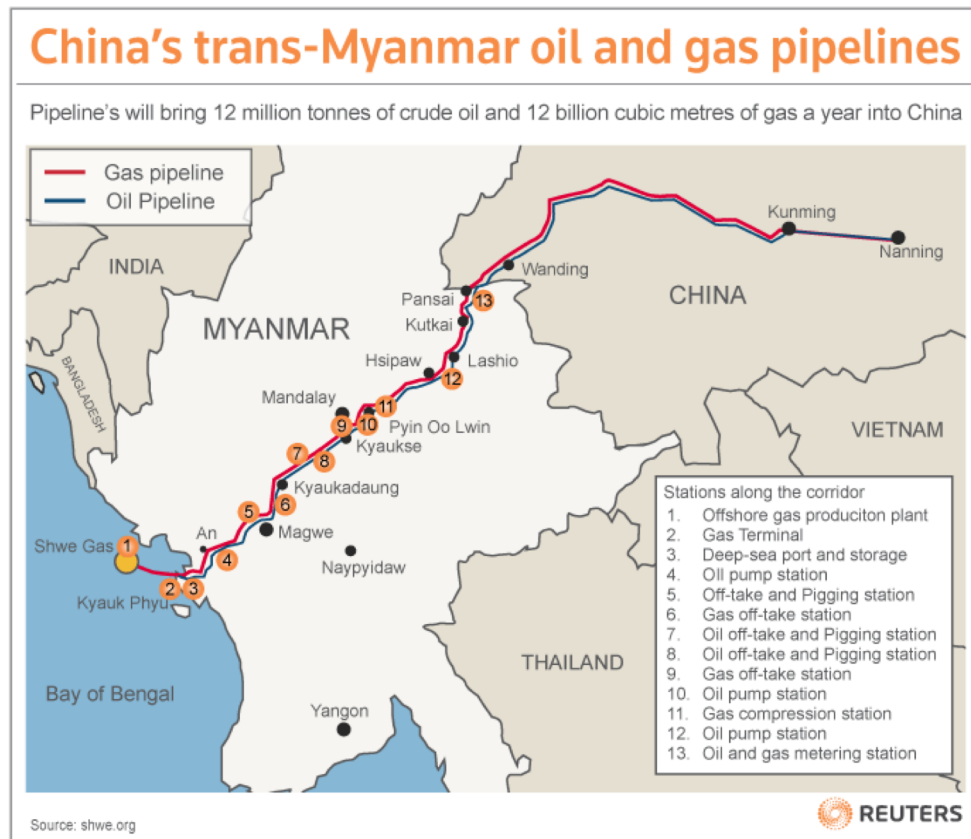
Infrastructure

Electricity



CHINA & MYANMAR

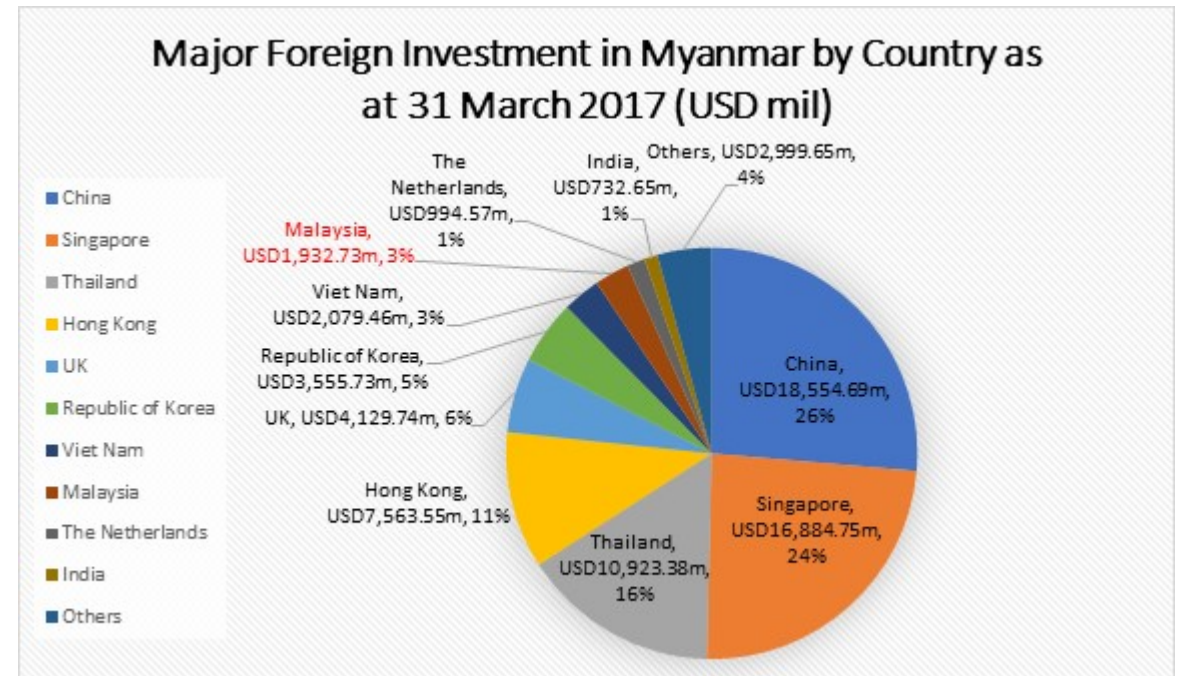
Operated since May, 2013



Reuters graphic/Catherine Trevethan

01/02/10

Natural resources: Petroleum & Gas
Cheap factor of production



CHINA & VIETNAM

Inflows of Foreign Direct Investment by Source

Source	Cumulative investment as at end-2015 (US\$ million)	% share
Total, of which:	281,883	100.0%
Korea	45,191	16.0%
Japan	38,974	13.8%
Singapore	35,149	12.5%
Taiwan	30,997	11.0%
British Virgin Islands	19,275	6.8%
Hong Kong	15,547	5.5%
Malaysia	13,420	4.8%
United States	11,302	4.0%
Chinese mainland	10,174	3.6%
Netherlands	8,265	2.9%

Source	Investment in 2016 (US\$ million)	% share
Total, of which:	24,373	100.0%
Korea	7,036	28.9%
Japan	2,590	10.6%
Singapore	2,419	9.9%
Chinese mainland	1,875	7.7%
Taiwan	1,860	7.6%
Hong Kong	1,640	6.7%
Malaysia	914	3.8%
British Virgin Islands	858	3.5%
Thailand	707	2.9%
Cayman Islands	645	2.6%

CHINA & VIETNAM

Vietnam

Higher cost for factor of production

Anti-China

Politic conflict

Compete for manufacturing

China tries to increase investment value

Expansion into higher value added sectors

Electricity

Infrastructure

Real estate



CHINA & CAMBODIA



Cambodia

Very low cost for factor of production

No capital and financial control

Free mobility

Very high openness toward FDI

Mainly develop its basic infrastructure by Chinese

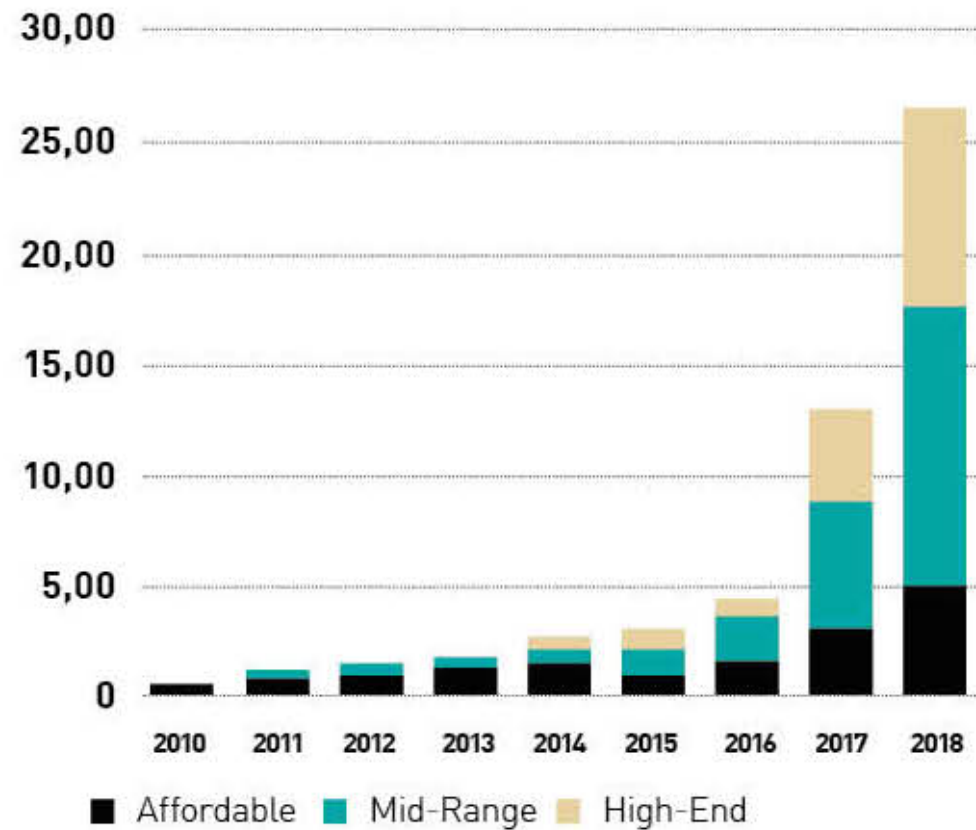


Real estate in Phnom Penh

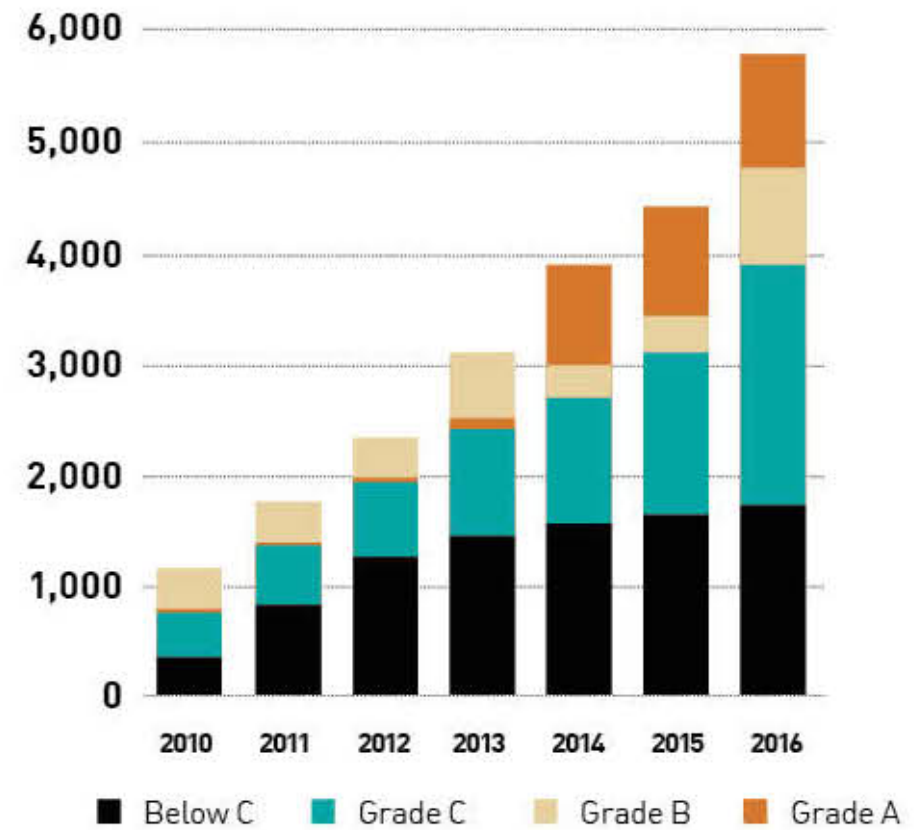
Highly attractive for Chinese investor

CHINA & CAMBODIA

Phnom Penh condominium supply by grade (2010-2018F)



Serviced apartment supply by grade (2010-2016)





WHAT ARE CHINA'S CONCERNS??

Education, Human Capital & Technology

(Annual Monitoring Survey on Rural workers 2014)



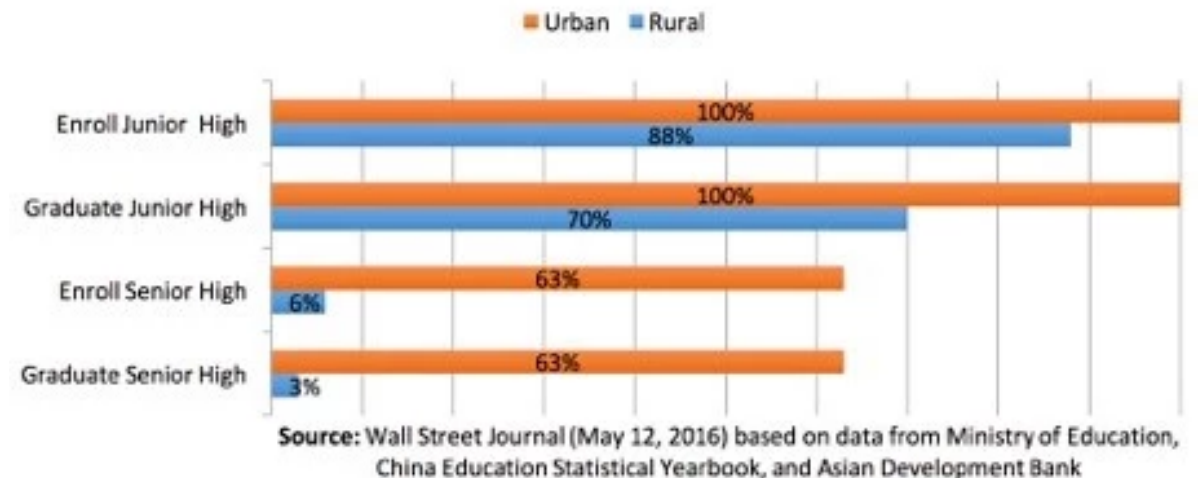
Rural labor force: Majority of population

- 1/3 migrates to the city
 - 57% works in industry
 - 43% workd in service sector
- Remaining rural population are at age of 40+

Challenges:

- Low support from the local government
- Migrants were not covered by city's social security, healthcare, unemployment insurance
- Low education accessment

China: Urban and Rural School Enrollment and Graduation Rates



Q & A