

Kissinger Institute on China and the United States
Woodrow Wilson International Center for Scholars

China's Economic and Political Outlook **Under Xi Jinping and Li Keqiang**

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Xi Jinping's Historic Mission

To Avoid the Middle Income Trap

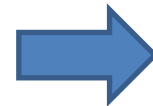
Japan, Korea, Taiwan, Singapore and China?

Policies for avoiding the Middle income trap

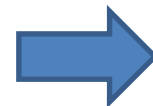
Privatization of SOE
Reduction of excessive equipment
Financial liberalization

Reducing income gap
Improving the environment
Correcting the corruption

<Solution>



Marketization



Democratization

Anti-corruption campaign

The Eight-item Regulations

- 1.Sentences : Short and easy to understand
- 2.Foreign business trip of VIP : Observance of rules
- 3.Security for VIP : Don't be too much
- 4.Broadcasting : Cut meaningless news of VIP
- 5.Publishing books : Allowed publishing only
- 6.Austerity of daily life spending
- 7.**Prohibition of excessive entertainment**
- 8.Meetings : Effectiveness

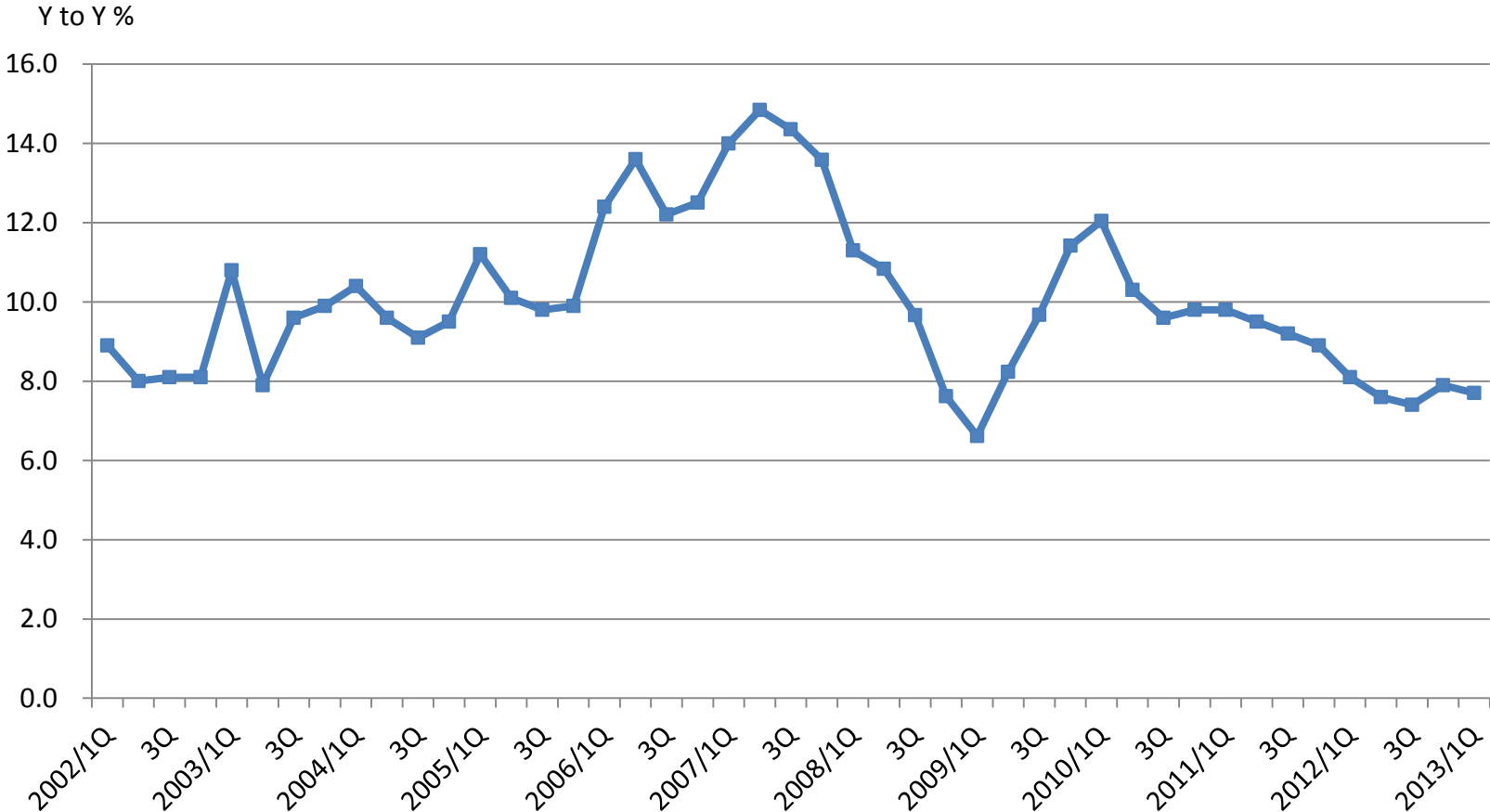
Ripple Effect of Distrust of Government

Explosion of ordinary people's anger against **corruption** of leaders of the communist party and officials of the government

Refusal of donation for the earthquake in Sichuan Province through the governmental organization and the Red Cross

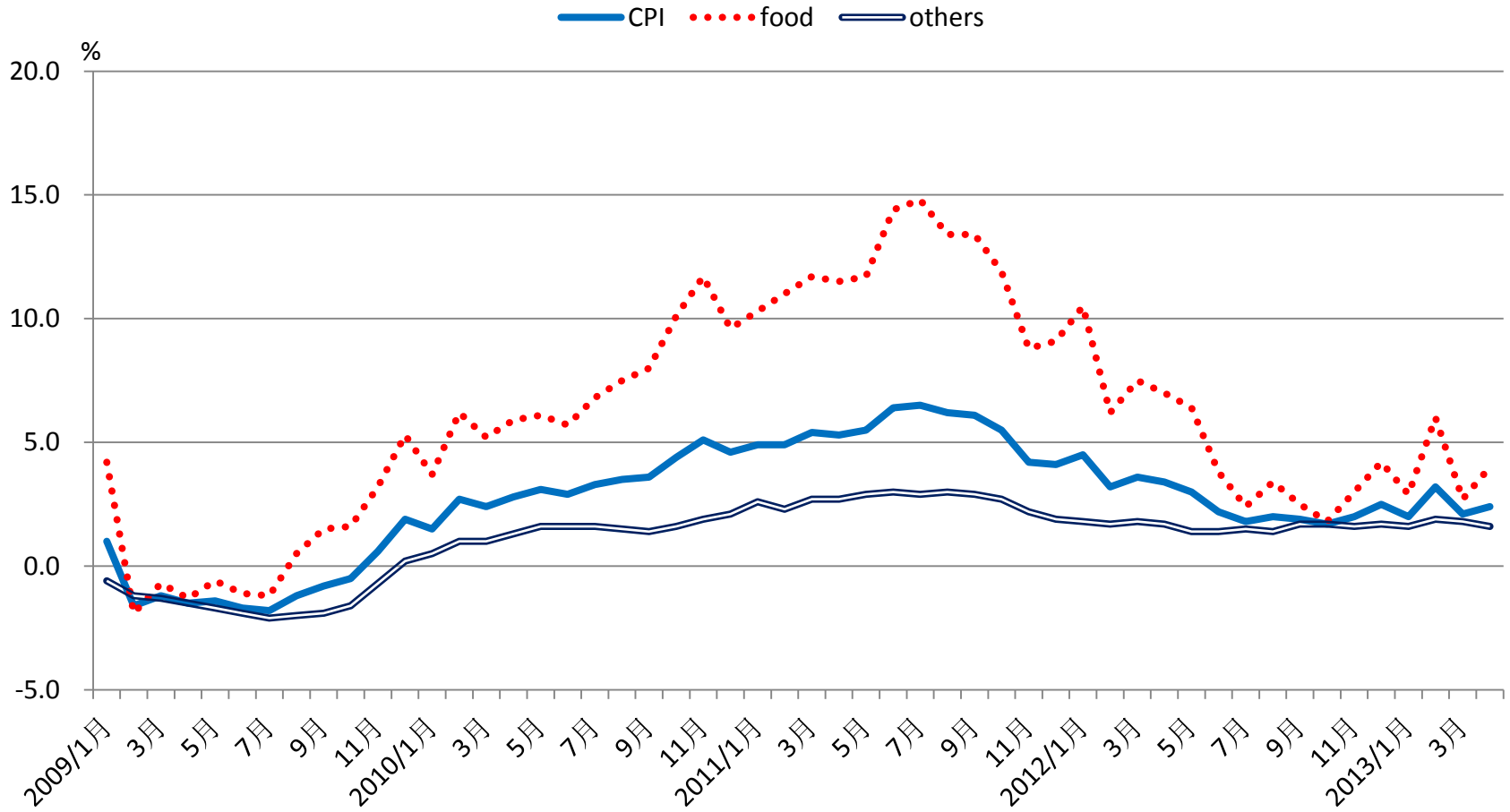
Serious criticism against **the former premier Wen Jiabao**

Real GDP Growth



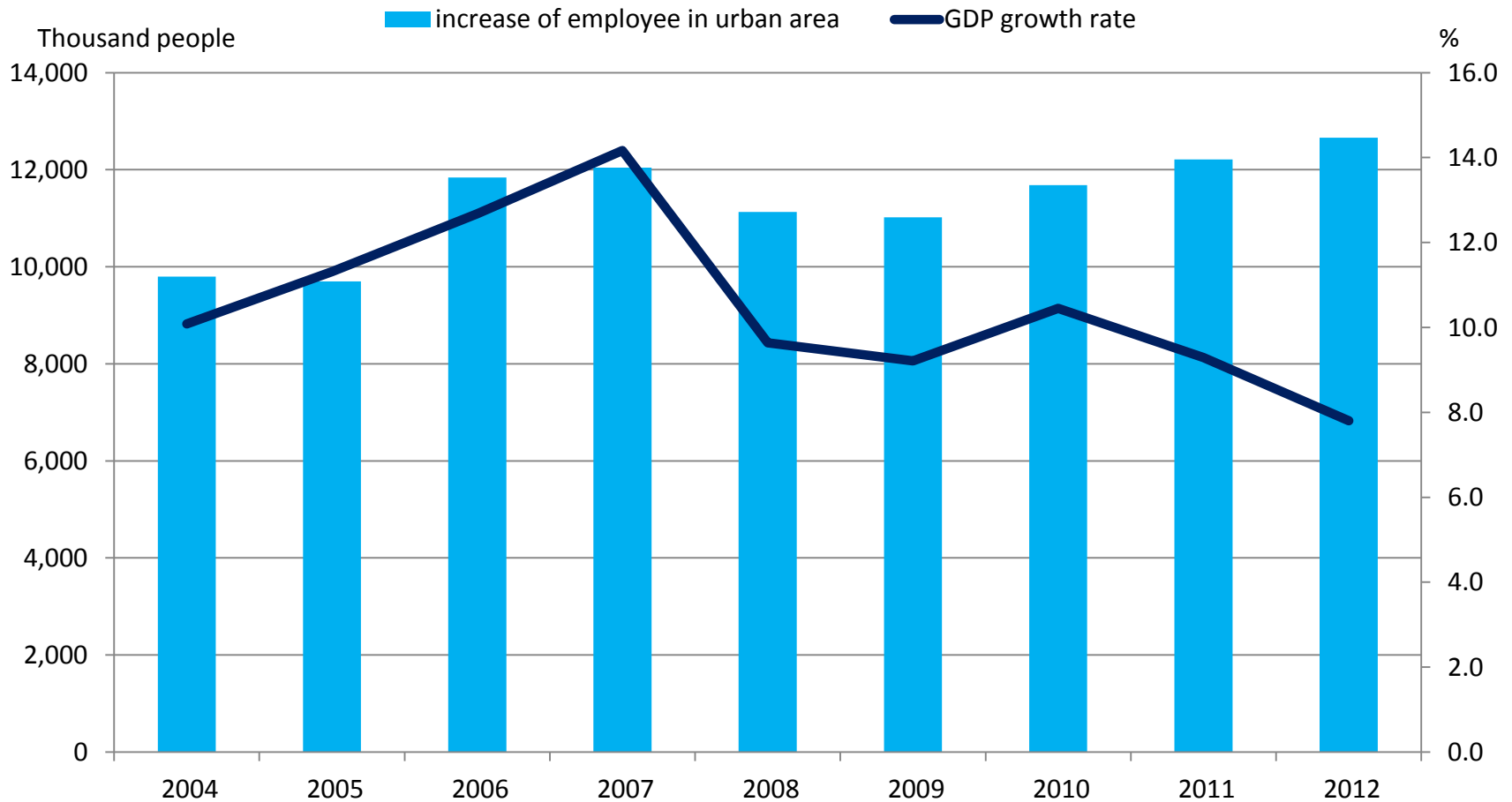
Source: CEIC

CPI



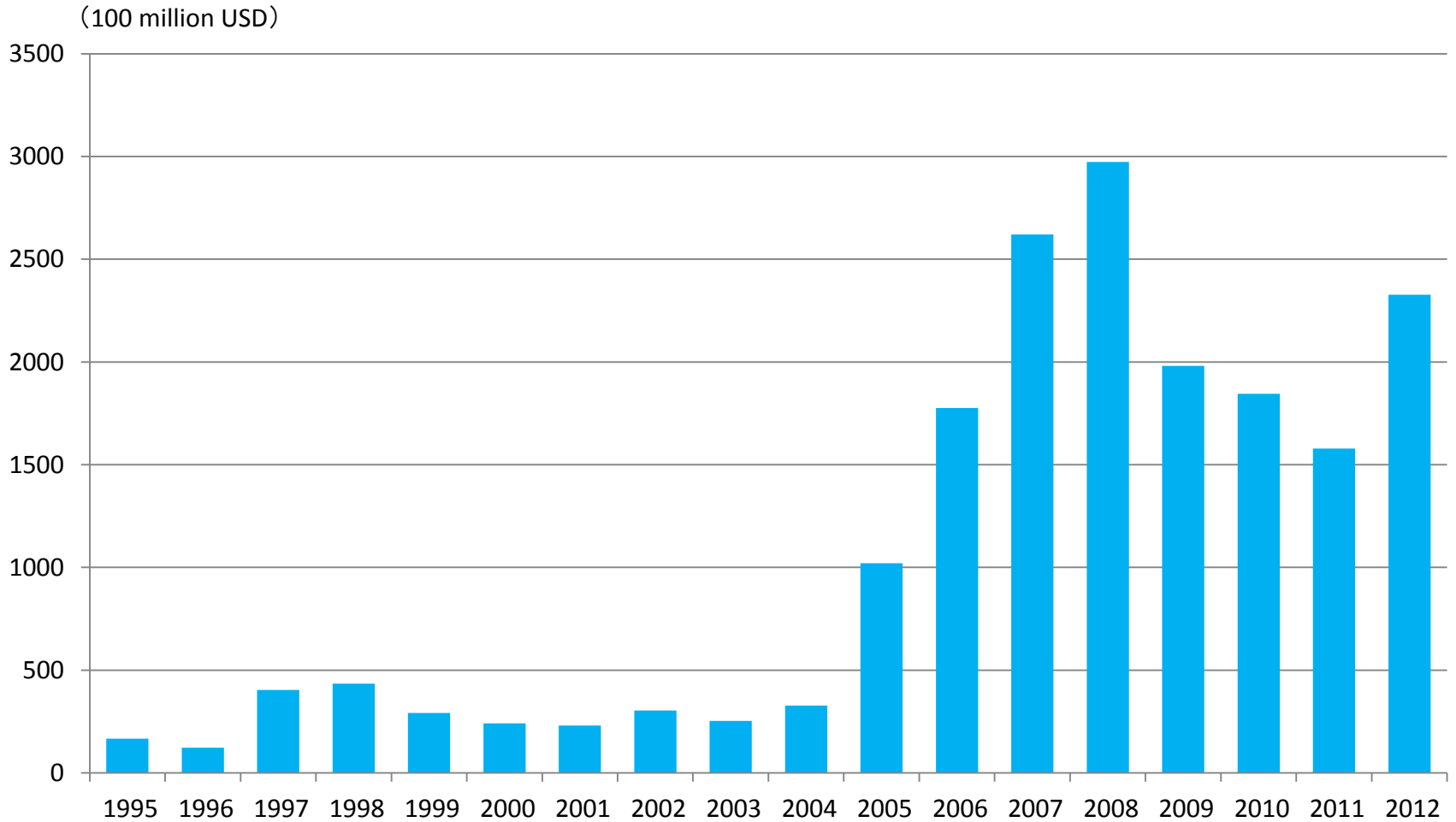
Source : CEIC

Increase of employee in urban area and real GDP growth rate



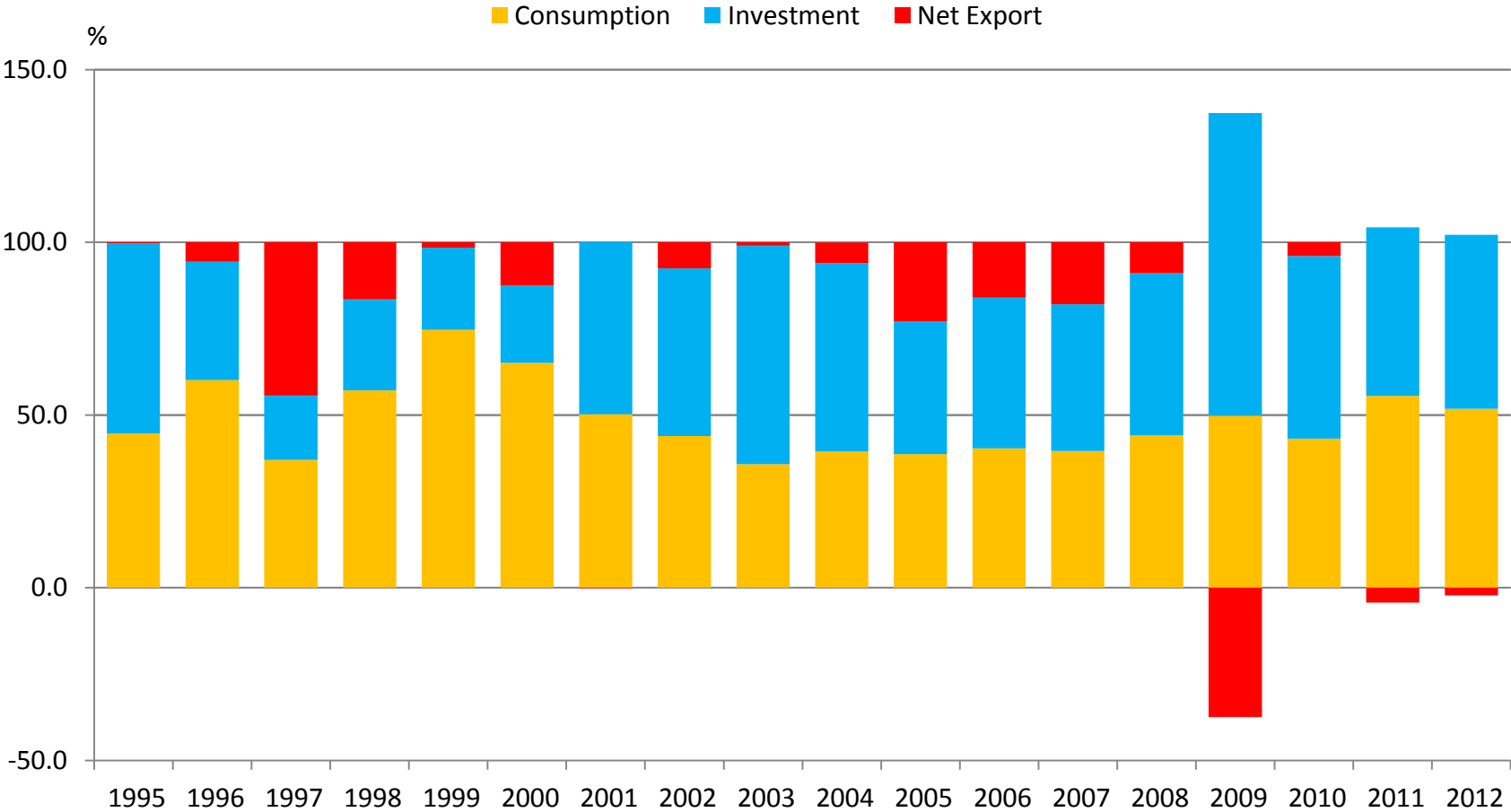
Source:CEIC

Balance of Trade



Source : CEIC

Contribution Rate to GDP by Component



Source : CEIC

Increasing Income level of the Major Cities

After GDP per capita reaches 10 thousand USD, Consumer's Behavior change.

▽ Major cities of which GDP per capita reached 10 thousand USD

The year when GDP per capita Reached 10,000 USD	Major cities and their population (10,000 person, on 2010 basis)	Sub total of each city's population
2007	Suzhou (638)、Wuxi (467)、Shenzhen (1,037)	2,142
2008	Guangzhou (806)、Shanghai (2,303)、Hangzhou (689)、Ninbo (574)、Erdos (152)、Baotou (220)	4,744
2009	Beijing (1,962)、Dalian (586)、Changzhou (361)	2,909
2010	Tianjin (1,299)、Huhhot (230)	1,529
2011	Wuhan (837)、Shenyang (720)、Changsha (652) Qingdao (764)、Nanjing (632)、Tangshan (735) etc.	6,495
2012	Jinan (607)、Yangzhou (460)	1,067
2013	Nantong (765)、Zhengzhou (963)、Fuzhou (649) etc.	4,216
2007~13 Total	Total population of the all major cities	23,102

Price level of Automobile's Volume Zone

2010 Around 50 thousand RMB

2012 Around 100 thousand RMB

(Shanghai Around 150 thousand RMB)

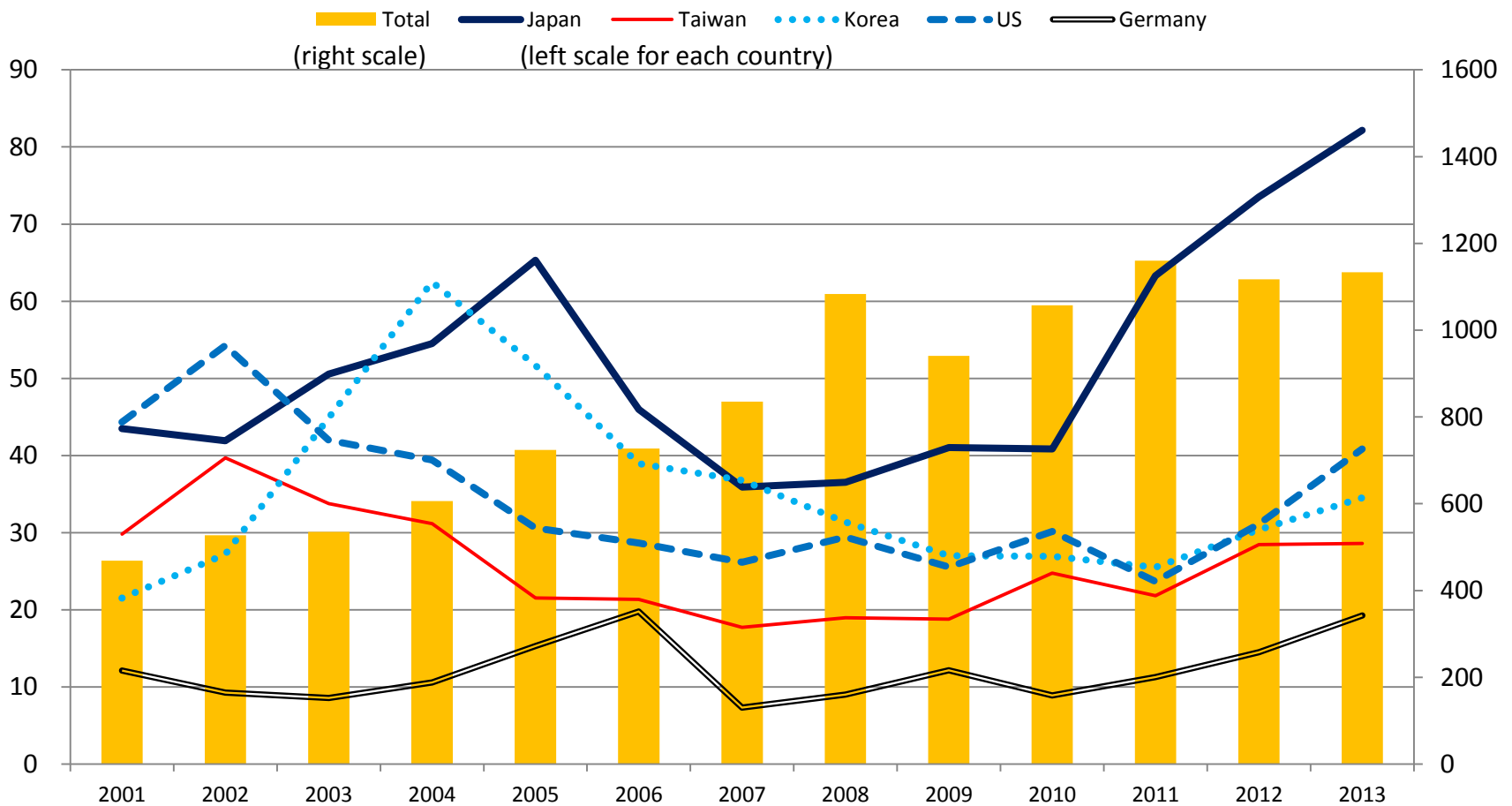
SUV around 200 thousand RMB are also popular.

Expansion of Market for Japanese Companies

	2008	2013
Nominal GDP (Japan : China)	100 : 93	100 : 160
Population of major cities of which GDP per capita reached 10 thousand USD	68.9 mil. people	231.02 mil. people (3.4 times as large as 2008)
Profit per sales ratio	lower	higher

“Japanese goods are high quality but a little too expensive.”
→ “Japanese goods are a little expensive but high quality.”

FDI to China by countries (100 million USD)



Note : Data of 2013 is calculated by Y to Y growth rate of the total amount of 4 months from January to April.

Source : CEIC

Feature of the 4th boom of Japan's FDI to China

① Aiming at Domestic Market
(Focusing Inland Area)

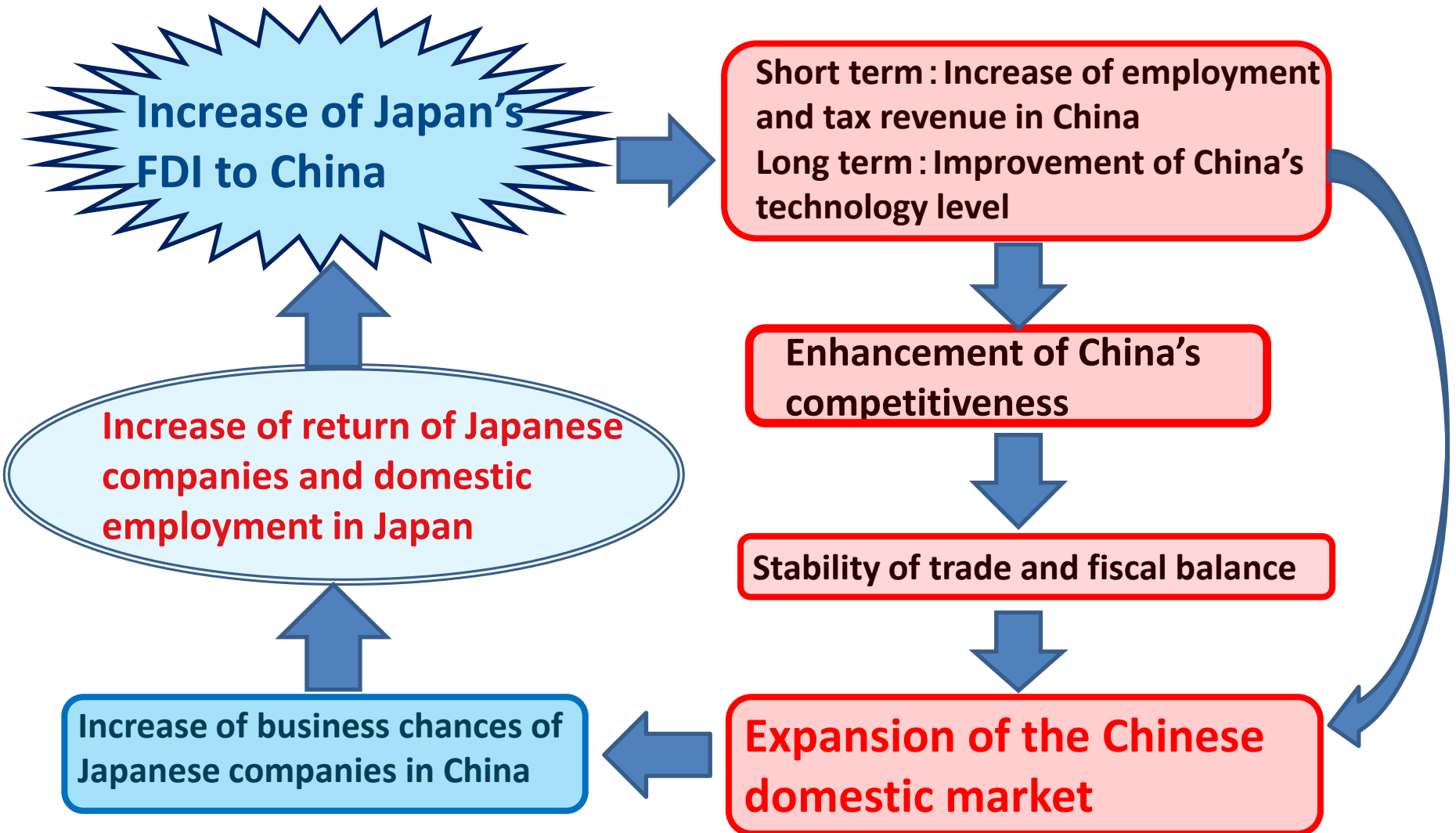
② Increase of Service Sector

③ Increase of Reinvestment of Return in China

Perspective on the win-win development between Japan and China

- ◇ China is lacking in advanced technology and sophisticated service. Japan is lacking in vigor of the domestic market.
- ◇ If Japan and China cooperate each other complementally, both countries can enjoy sustainable and harmonious development.

Win-Win Relation between Japan and China



THANK YOU