



The U.S.-China power balance

Speakers:

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Moderator:

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**“In an era when our destiny is shared,
power is no longer a zero-sum game.”**

*President Obama
Speech to the United Nations General Assembly
September 23, 2009*

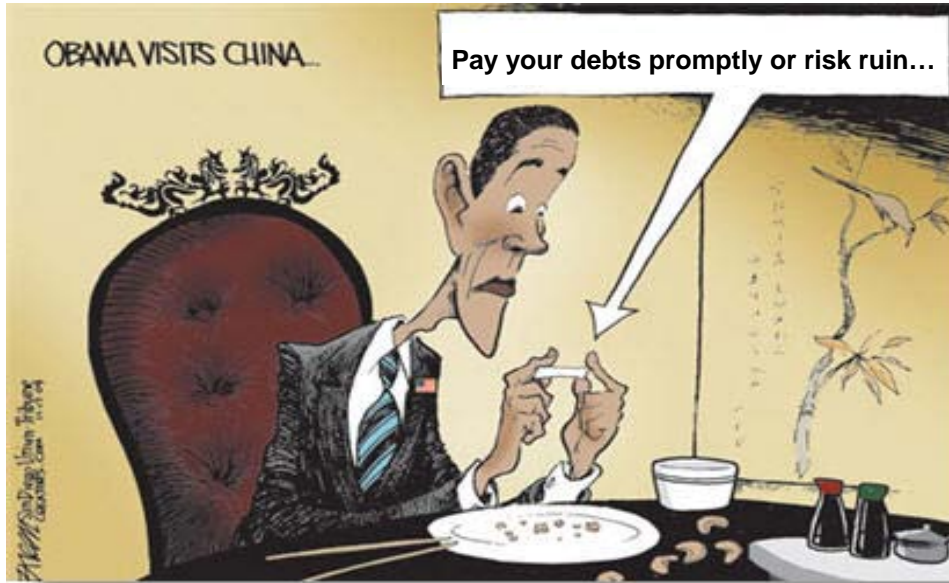


A Chinese view of the United States

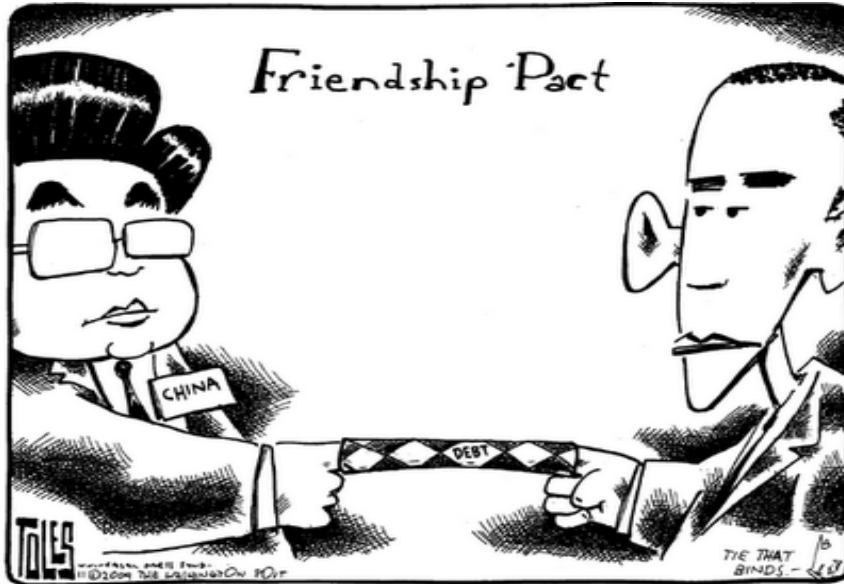




U.S. worries about China



An inside view of top leader talks...



11-17-09

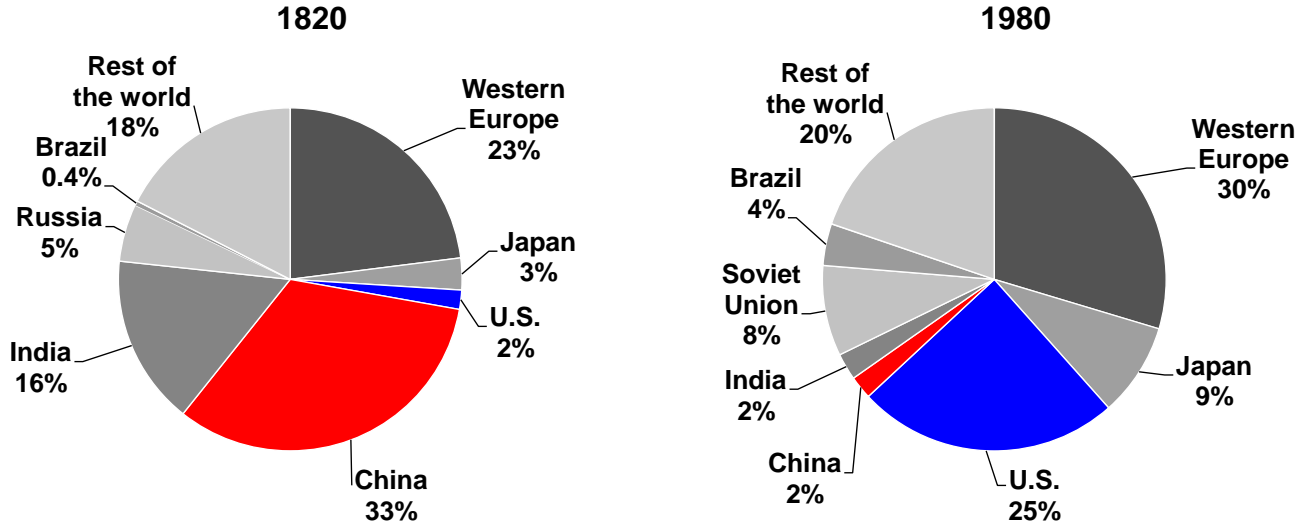
Source: Skidmore (2010).

U.S. rises while China falls

Share of global economy, 1820 vs. 1980



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Note: Measured by PPP-based GDP.
Sources: Angus Maddison, IMF.

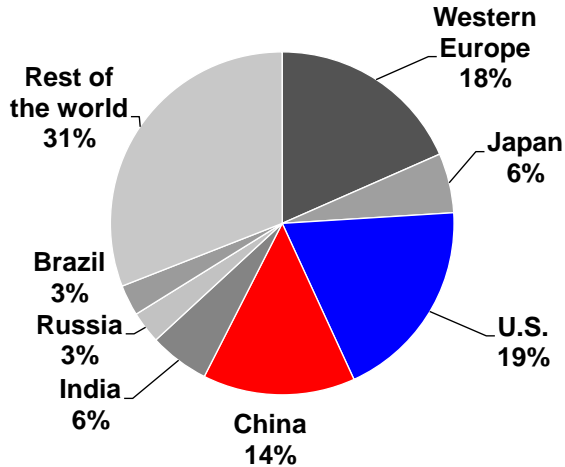
Share of global economy: Present vs. future

Today vs. five years later

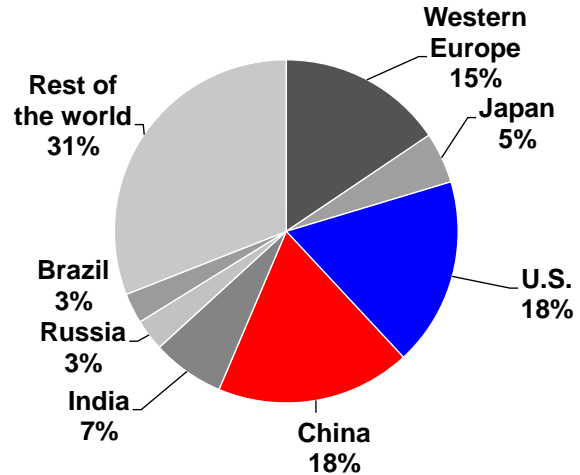


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2011

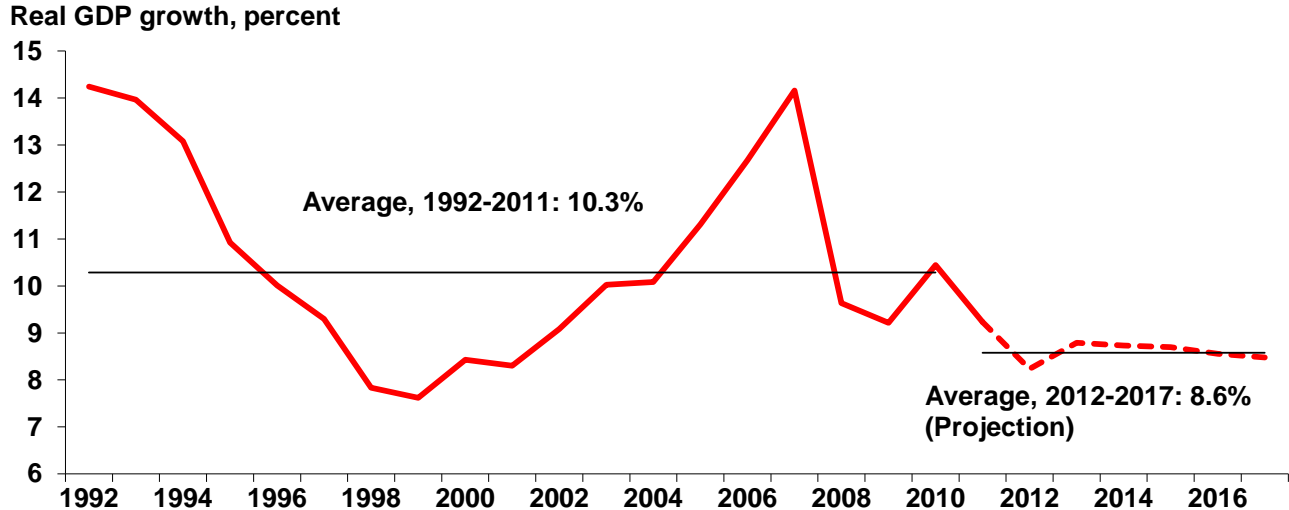


2017 (e)



Note: Measured by PPP-based GDP.
Sources: Angus Maddison, IMF.

The Chinese economy experiences a “soft landing”



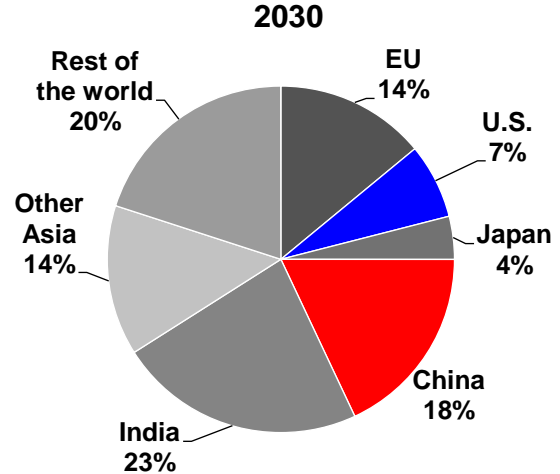
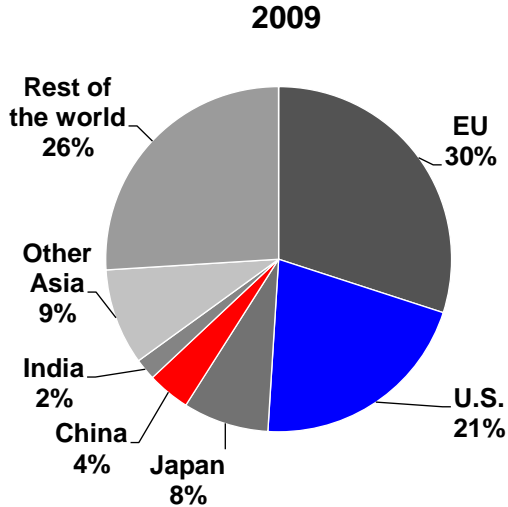
Sources: International Monetary Fund, Milken Institute.

Global middle class: Present and future

Share of middle class consumption in 2005 PPP\$



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China's five-year plans

1981-2011



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Plan	Dates	Key feature
6 th	1981-1985	Readjustment and recovery
7 th	1986-1990	Chinese style-socialism
8 th	1991-1995	Development of technology sector
9 th	1996-2000	State-owned enterprise reforms
10 th	2001-2005	Strategic restructuring
11 th	2006-2010	Rebalancing
12 th	2011-2015	Pro-consumption

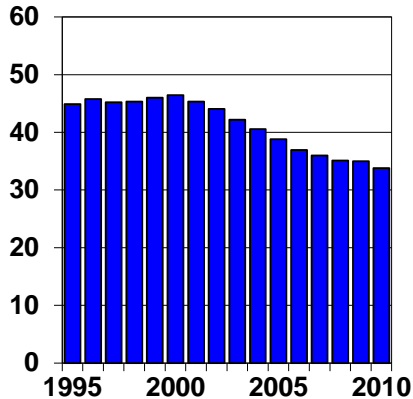
Sources: Morgan Stanley, Milken Institute.

Private consumption in China still low

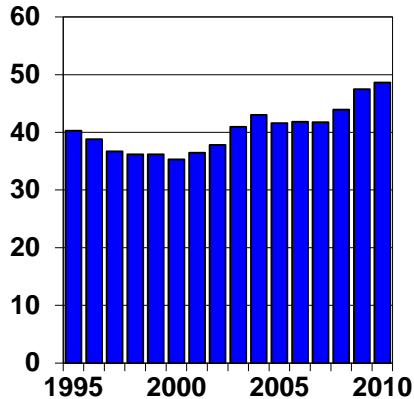
2010

Household consumption

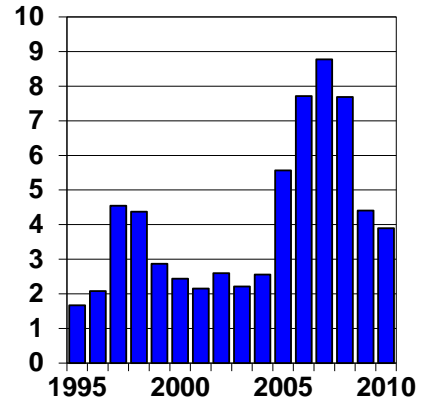
Percent of GDP



Gross investment



Net exports



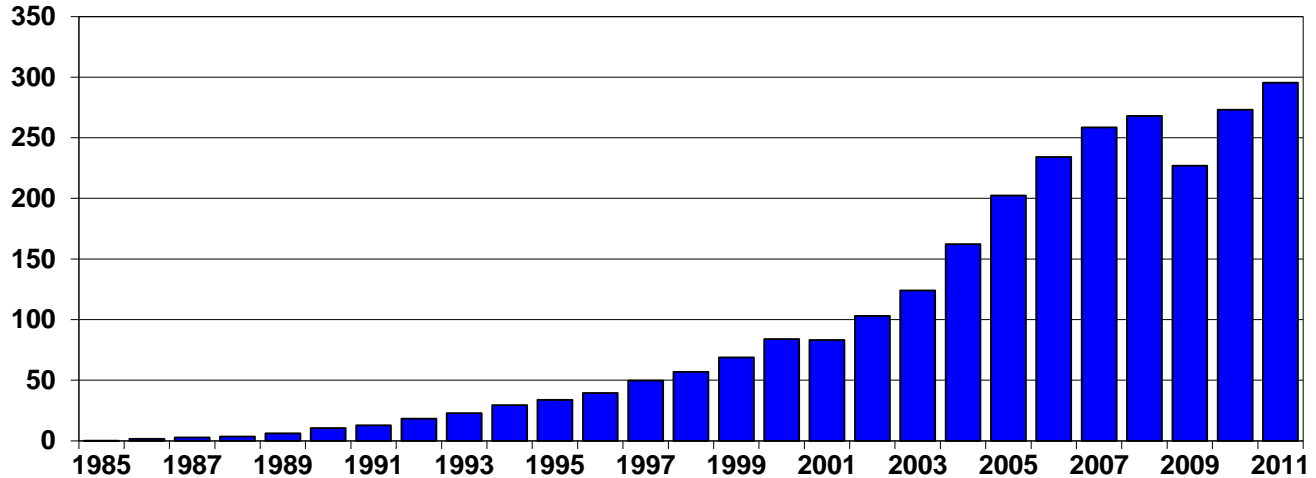
U.S. trade deficit with China at record high

Annually, 1985-2011



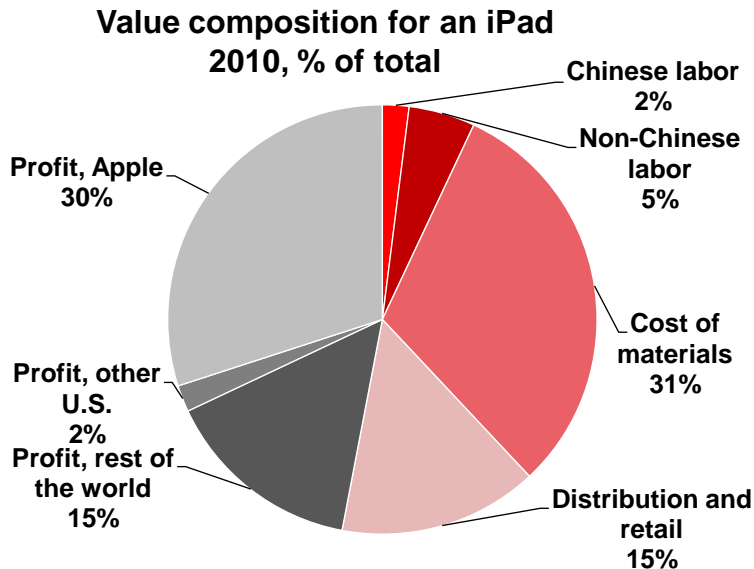
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U.S. trade deficit with China, US\$ billions



Source: U.S. Census.

“Made in China” or “Made in World” ?



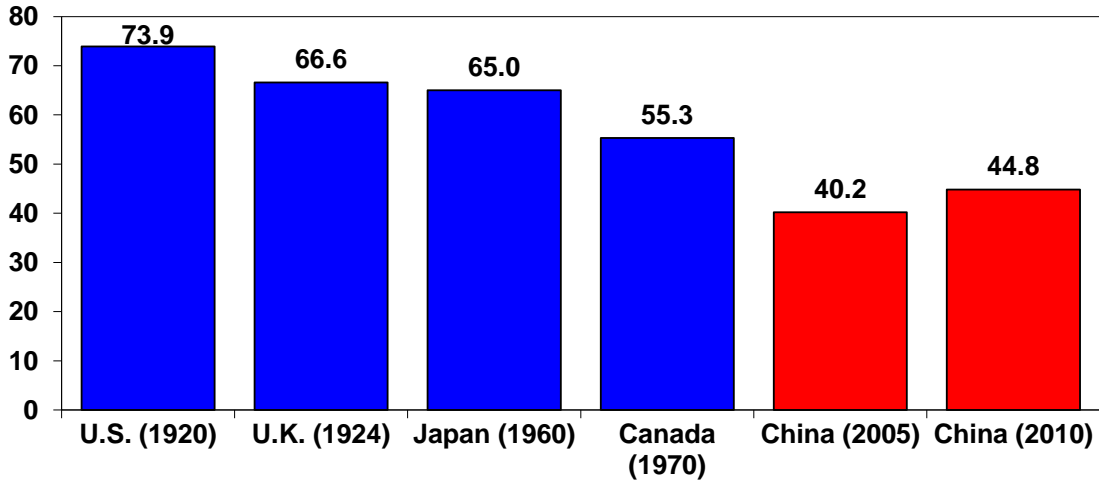
Source: The Economist.

“[E]stimates based on true domestic content cuts the [U.S.-China trade] deficit by half, if not more.”

Pascal Lamy
Director-General, WTO
 October 15, 2010

China's labor share: A comparison with countries at similar stage of development

Labor compensation share of industrial output, percent

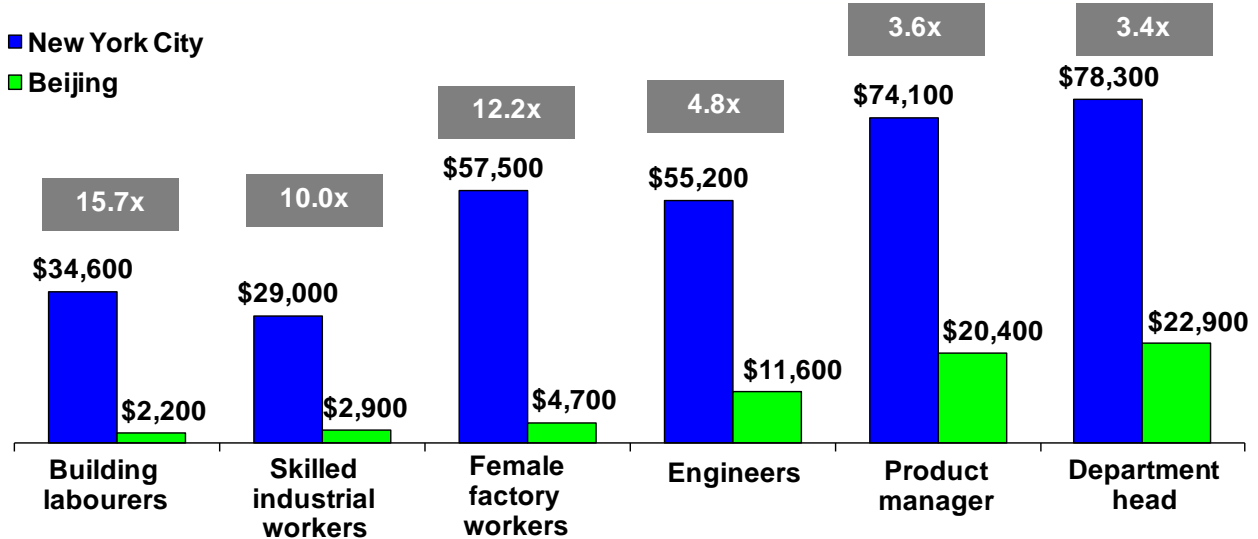


U.S.-China income gap differs by nature of jobs

Average annual compensation, 2010



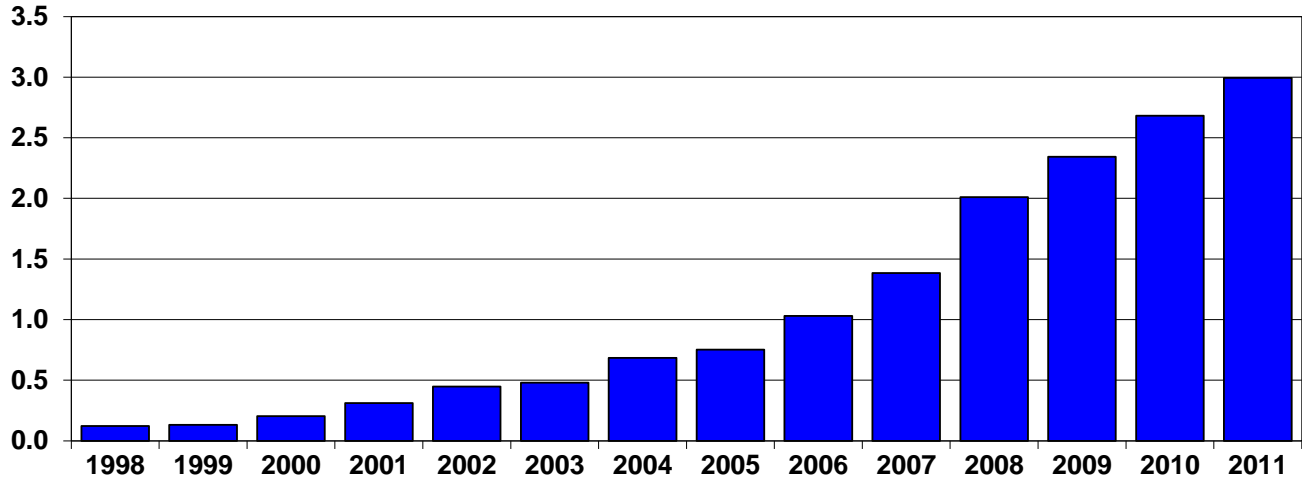
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Sources: UBS, Milken Institute.

Can China move from imported innovations to domestic innovations?

China's share of U.S. patents of foreign origins, percent

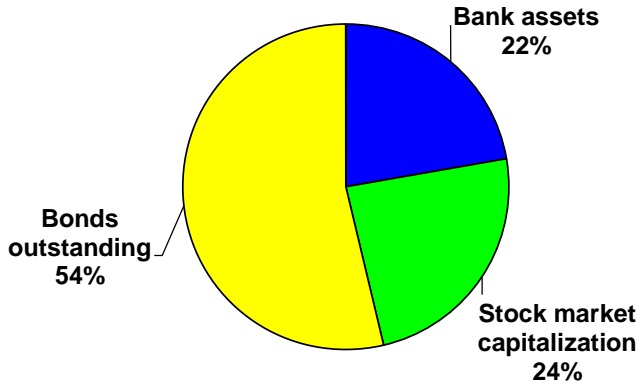


Source: U.S. Patent and Trademark Office.

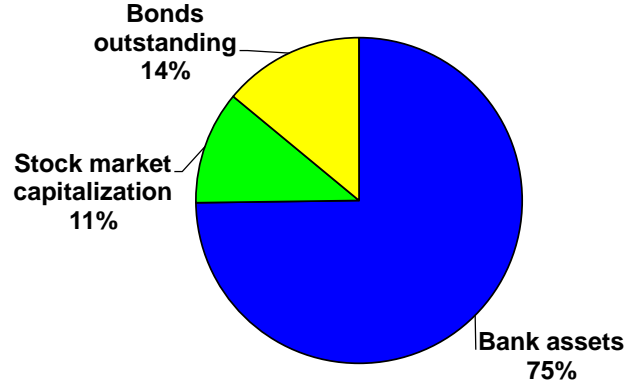
Dramatic difference in structure of financial systems in China and U.S. 2011



United States
Total = \$62 trillion



China
Total = \$24 trillion



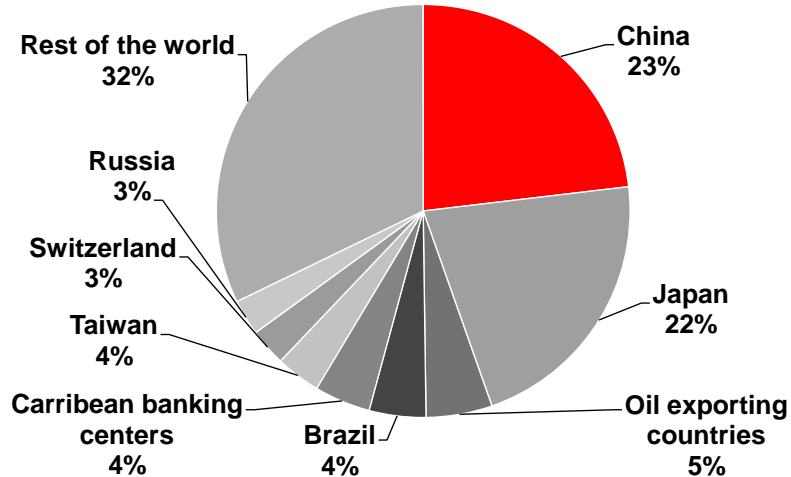
Note: Domestic bonds data is as of September 2011.
Sources: BIS, CBRC, FDIC, IMF, Bloomberg, Milken Institute.

China is the largest foreign holder of U.S. government securities *February 2012*



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Foreign holders of U.S. government securities



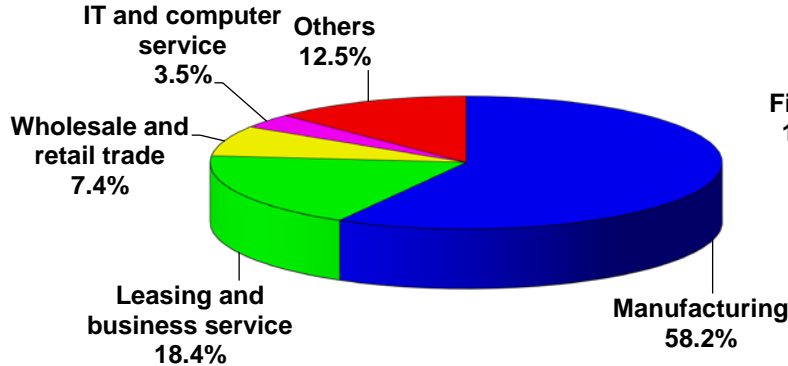
Sources: U.S. Treasury.

U.S.-China bilateral direct investment grouped by industry *Direct investment flows, 2010*

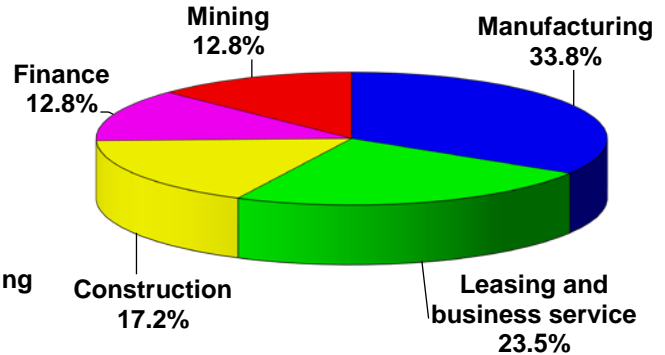


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U.S. direct investment in China
2010 flow = \$3.0 billion



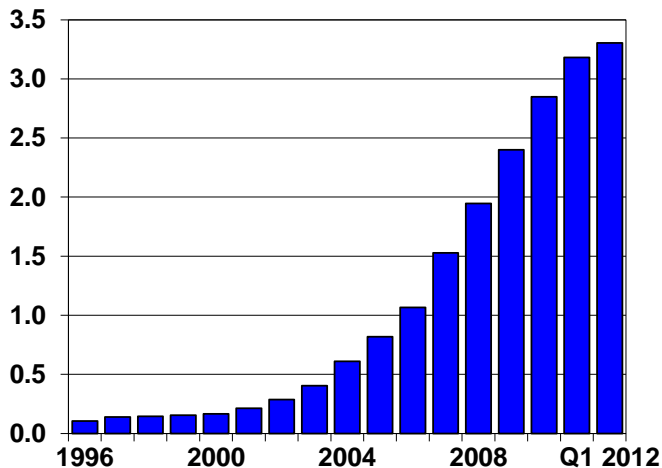
China direct investment in U.S.
2010 flow = \$1.3 billion



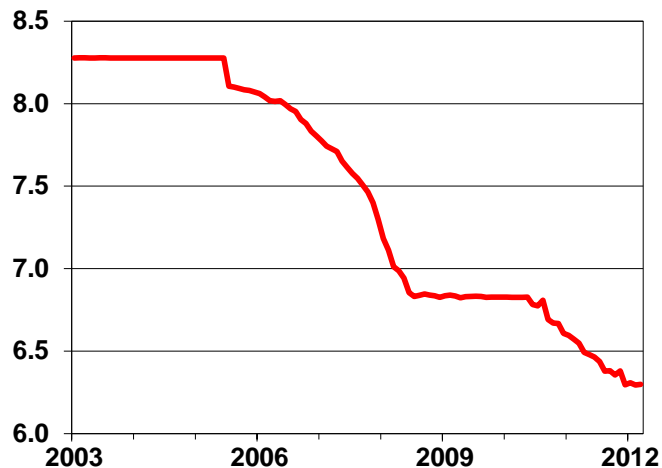
Source: Chinese Ministry of Commerce.

China's foreign exchange reserve builds up

US\$ trillions

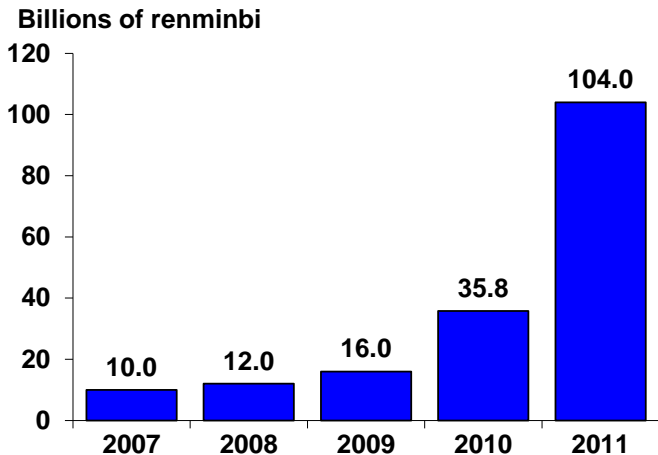


Renminbi/US\$

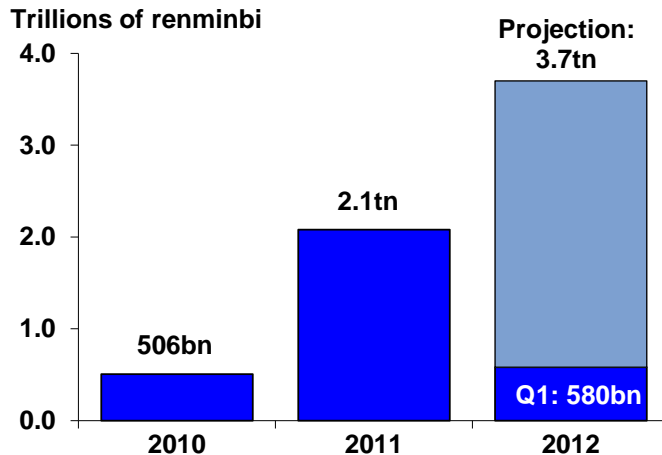


Rapid internationalization of renminbi

Dim Sum bond issuance

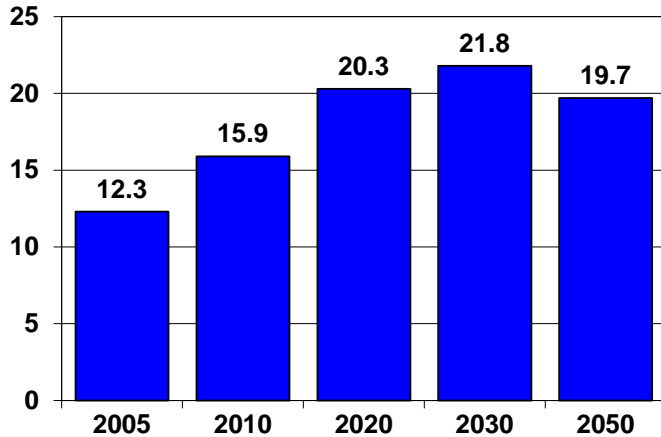


Cross-border trade settlement in renminbi

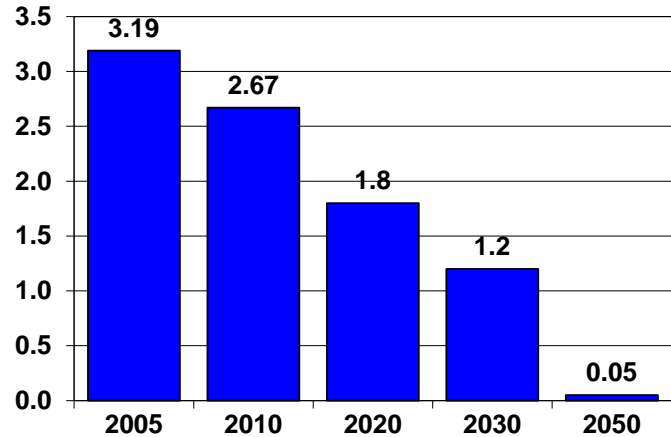


China's share of global energy consumption increases, but energy efficiency improves

China's energy consumption, % of world total



Energy efficiency, energy consumption / GDP



Source: Goldman Sachs.

Note: Energy consumption is in quadrillions of BTUs; GDP is in billions of U.S. dollars.

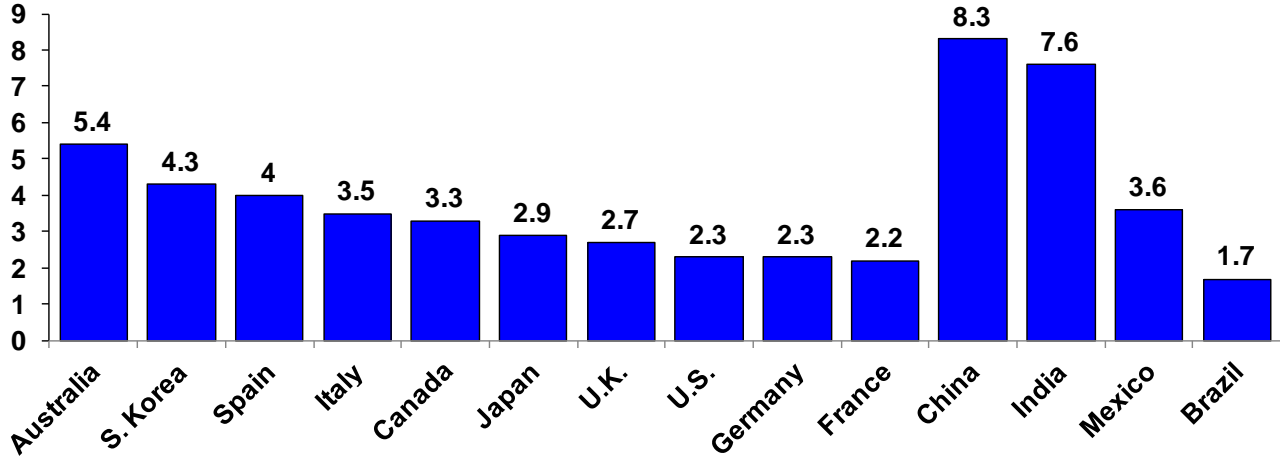
China invest heavily in infrastructure

Investment in infrastructure, 2008 share of GDP



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Percent of GDP



Source: McKinsey Global Institute; McKinsey Global Economic Growth Database.