

The Future of the Chinese Economy

“The Future of the Chinese Economy” was the second event hosted by Dr. Dominique Jolly, Chair of the Walker School of Business for Webster University Geneva, on the topic of China and took place in the Living and Learning Center (LLC) on Wednesday, October 11th on the Webster University Bellevue campus. The opening speech began at 2:00pm and was given by Dr. Clementina Acedo, Director of Webster University Geneva.

The first key-note speaker, Christophe Weber, President of the Swiss-Chinese Chamber of Commerce set the bar at a high level through his presentation of “China Transformation Map”. Mr. Weber gave his expert, first-hand knowledge of China and its changing economy from his previous experience in China as *Executive Director, Head of Greater China and Chief Representative* of the World Economic Forum. He spoke of China’s economic growth and change in recent years which has helped approximately 100 million people recently come out of poverty and he ended with a Chinese proverb highlighting their spirit of innovation, “When the wind comes, some will build walls and some windmills”.

The second keynote address was given by the Chinese Managing Director for Voestalpine Precision Strip Trading in Suzhou, Mr. Hu Jianping. “Perspectives for the Next Decade – A view from Business” was his topic and he gave examples of futuristic health care systems, online shopping and mobile telephones which all use Big Data and described a payment system that may one day make credit cards obsolete. He also gave staggering statistics; 420 Billion Euros of online shopping, 500 million mobile phones using the payment system which in 2016 amounted to 28 trillion euros in mobile phone payments and more than 400 million people currently using 5G. The growth of hi-tech has paralleled the movement of people to the cities with approximately 900 million people now residing in cities across China. He predicted that all of these numbers will rise in the future and used a Chinese proverb to show the importance given to innovation: “Cross the river by feeling the stones” which means try things to see if they work.

1st Panel Technology Creation in China

Professor Bruce McKern, former Co-Director of the CEIBS Centre on China Innovation in Shanghai and Adviser of the Maritime Silk Road Society in Hong Kong, moderated the first of three sessions entitled “Technology Creation in China” with two speakers; Dr. Beatrice Ferrari, Deputy Head International Relations and Head of Chinese Affairs, State Secretariat for Education, Research and Innovation and Dr. Zhang Luoming, Innovation and Digital Transform manager, Pontech International. According to Professor McKern, “If you are not in China, you are not in Business”. One reason is that it is such a rapidly moving market.

Dr. Ferrari talked about Switzerland – changes in China and how it is affecting us. Switzerland is ranked as among the most innovative countries in the world. Why? Highly decentralized, good conditions for innovation, Switzerland will not build a wall or windmill themselves, but give the conditions for this. They have a legal framework for innovation, a high level of investment in R & D and many citizens from various countries with different ideas. Together, China and Switzerland have a collaboration that works on 3 levels; education, research and economy. The collaboration between countries can be seen in the FTA agreement, the President of Switzerland’s visit to China, a Science & Technology agreement, the high level of research by Chinese students doing their PhDs in Switzerland, the information exchange for start-ups, and, in addition to all of this, a partnership between the countries in the med-tech field.

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Dr. Zhang Luoming from Pontech spoke about technology and the use of Big Data, CarbonX, and healthcare system which adapts to the environment which went from 100 million users to now 1 billion. He mentioned Flytec, their speech recognition system in Chinese which is continually developing. He also outlined briefly the National Development Strategy for 2030 in China which, in his opinion, is an ambitious plan and one that will be difficult to reach their goal. Quality research and published peer review articles in China is far below that in Europe and the U.S. and China is planning to invest 100 billion within the next 5 years in this area. Quantum computing security and more research will be the focus of China's investments and their international connections have helped to develop this growth.

2nd panel The New Silk Road Initiative – One Belt, One Road (OBOR)

Georges Haour, Professor at IMD in Lausanne was the moderator for the next two speakers; Mr. Wallace S. Cheng, Managing Director, China, G20, Global economic Governance, International Centre for Trade and Sustainable Development and Ms. Linda Chang, Senior Vice President of Hedgestone Capital. Mr. Wallace emphasized the importance of the West's changing perspective of China with illustrations on the cover of *Economics* magazine over the years. From a dragon to OBOR, a tortoise and finally a comet, a new friendlier, innovative image of China has emerged. He compared China to Switzerland, both having pragmatic people. His favorite was the image of the comet for "like a comet – everyone must join the orbit or you are out." He spoke of the Silk Road initiative; one belt, one road with more than 20 ports; think tanks that have been developed to study risks and finished with a quote from Einstein "Nothing happens until something moves" and ended with a comment to the Swiss-China relationship saying, "OBOR is the vision, in business we can be friends."

Linda Chang spoke more in depth of the new Silk Road initiative. 'Road' in Chinese from Confucius's time means 'We are delighted that we have friends coming from afar' and signifies *connectivity*. The Silk Road has been in Chinese trade since 120 B.C. connecting the East to the West. The plan for expansion includes 65 countries invited to join with a 4.4 billion population which means 21 trillion euros in the trade. There are already 31 central banks that have already signed a bilateral agreement to accept the RMB as the currency for trade on the Silk Road. The AIIB Bank, established to counter banks of Japan & the USA, will honor the currency as China fights for power in world banks.

3rd panel China Outward Foreign Direct Investment

Jean-Pierre Lehmann, from IMD Lausanne, moderated the final panel which had three speakers; Guo Jingjin, a lawyer for Baker & McKenzi in Geneva, Michael Kleiner, Economic Development Officer for canton of Geneva, and Philippe Monnier, Board Member/Chairman, Investor, Economic Promoter, Business Journalist and former Head of 'Greater Geneva Bern area'. He began with the question, "How can we attract and retain Chinese investors?"

Guo Jingjin expressed his opinion that anyone doing business with China must pay attention to the currency exchange and close attention to how it converts to other currencies. In what he called the "Golden Age", money flowed out of China more easily with a step by step procedure for anything below 1 billion dollars. However, the period ended in 2016 when the exchange currencies dropped and "Irrational investments" were, then, closely examined by the People's Bank in China for any amount over 5 million USD. This, in turn, reduced foreign investment. Chinese authorities are becoming more flexible to open foreign investments and more changes are to come by the end of

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2017. Opening a trading company, which can justify their need of taking large sums out of China, may be the easiest way of attracting Chinese investors, according to him.

Michael Kleiner began his presentation by saying that nothing has been mentioned about the Free Trade agreement, a door opener to China, which needs to be worked on. He gave two examples of Chinese investments in Switzerland; Sinopec with approximately 8 Billion dollars invested and which is now ending badly with the judicial system involved and Copco International which was created after WWII to feed China. According to Mr. Kleiner, China's market has matured making it easier to manage more long term investment and more environmentally friendly which is more aligned with the West.

Philippe Monnier, a Businessman responsible for over 6,000 employees in China in the past and currently 25 in Switzerland, highlighted three differences between the two countries. Acquisitions are Chinese priorities and they cannot understand why some companies such as Rolex and the Migros, both set-up as Swiss *fondations* and *cooperatives* respectively, are not for sale. The Swiss mentality of having an obligation to take care of both the company and its employees was not one shared by the Chinese, who, according to him, must be convinced that the main goal is not money. He cited mistrust as a third issue, referring to their Ambassador's as having been treated with disrespect by the Swiss national television during his visit and banks requiring Chinese to ensure funds of three times that of other investors who come to Switzerland. He stated several times that losing key people once a company has been purchased, is a problem that makes it difficult to succeed. According to him, two large investors are already leaving Switzerland. His point of view was, "The image (of Switzerland) is of chocolate and cheese. It is important to change this image."

In conclusion, Mr. Jean-Pierre Lehman scoffed at George Bush's 'New World Order' comparing it rather to chaos. According to him, "Anyone who says I understand what is going on is a liar." He highlighted the growing Chinese tourism seen at the Red Square in Moscow and at San Marco square in Venice and the growing Chinese relationship with Russia. He advised that China's impact on the Western world should not be underestimated nor ignored and with only 4 attendees of a Geo-Economics of Eurasia conference recently, he insinuated that the West has been doing just that. Some final advice was given from Guo Jingjin that, in order to attract Chinese investment; the first thing that should be done is to learn how to speak Chinese.

Will the future world economy show the yuan eventually replacing the dollar? Jingjin was convinced that it will happen one day soon and most other presenters shared his point of view. It seems to be quite clear listening to these presentations that, like colored ink that seeps slowly running where it chooses through silk, the future of the Chinese economy will slowly do the same as it spreads its influence throughout the rest of the world.