

Impact on global economies of Chinese Economic Restructuring

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China's Current Impact

- China's growth has been highly beneficial to developing countries
 - High propensity to import from developing countries
 - Key link in East Asian regional production chains
 - Major provider of development cooperation assistance to many countries
 - Driver of terms of trade improvements for many countries
- Structural Change in China could enhance the impact

Shift to wage growth > GDP growth

- Impact on China
 - China's middle class expands
 - More domestic consumption
 - More product differentiation
 - Emergence of new brands
- Impact on global economies
 - More final goods imports into China
 - Less competition in labor intensive manufacturing

Shift towards Services

- Impact on China
 - Entry into high value service exports
 - Higher premium on skills
 - Fast urbanization
 - Break-up of service monopolies
- Impact on global economies
 - Major new market for services
 - Less pressure on non-food commodities

Shift to internationalization of the Renminbi

- Impact on China
 - Less control over currency value and likely appreciation
 - Rapid financial reform
 - Regional financial integration
 - Mergers and acquisitions and FDI activity
- Impact on global economies
 - Portfolio diversification
 - New Asian financial hubs/markets
 - End of global nominal anchor for manufacturing prices