

China Europe Business Meeting

7-9 November 2007, Frankfurt, Germany

a Horasis-leadership event

Report compiled in cooperation with



Co-hosts:

Deutsche Börse Group
State of Hessen

Co-chairs:

Bertrand Collomb	Chairman, Lafarge, France
Jim Goodnight	Chief Executive Officer, SAS, USA
Ernesto Heinzelmann	Chief Executive Officer, Embraco, Brazil
Lawrence Ho	Chief Executive Officer, Melco, Hong Kong SAR
David K.P. Li	Chairman, Bank of East Asia, Hong Kong SAR
Cherie Liem	Managing Director, GT Enterprises, China
Lim Chee Onn	Chairman, Keppel Corporation, Singapore
Klaus-Peter Müller	Chairman, Commerzbank, Germany
Andrey Sharonov	Chairman, Troika Dialog Investment Company, Russia
Jean-Pascal Tricoire	Chief Executive Officer, Schneider Electric, France
Sundeep Waslekar	President, Strategic Foresight Group, India
Jerry Zhang	Chief Executive Officer, Neocomm Technologies, China
Levin Zhu	Chief Executive Officer, China International Capital Corporation, China

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Andreas Preuss, CEO, Eurex, Deutsche Börse



Volker Hoff, Minister for Federal and European Affairs, State of Hessen

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Foreword

The third China Europe Business Meeting of Horasis convened in Frankfurt on 7-9 November under the theme 'Globalizing Chinese Firms'. The theme reflected the increased emphasis of Chinese firms to build global and sustainable brands. The China Europe Business Meeting once again provided a platform for business and political leaders from China, Europe and the rest of the world to discuss Chinese firms' rise to global eminence.

China's economy is growing rapidly, as is its foreign exchange reserves, and is assuming a more active management and strategic investment of these reserves. In addition we are witnessing the emergence of a new breed of Chinese multinationals many with large amounts of cash to invest cross-border. Recent examples as China Development Bank's (CDB) stake-purchase agreement with London-based Barclays PLC and Industrial and Commercial Bank of China (ICBC)'s buy into South Africa's Standard Bank, as well as many other acquisitions around the globe - by state-owned or private firms - underpin Chinese firms' global ambitions.

The China Europe Business Meeting has been held in the recognition that visions within the Sino-European economic sphere require thought leadership and mutually beneficial peer-to-peer networks. As one of the participants, **Chen Ping**, Chairman, China

Investment Partners Group, China, put it: 'The China Europe Business Meeting has been proven to be the foremost annual gathering of Chinese business leaders and their global counterparts - exactly the kind of meeting for intellectually stimulating discussions and business-driven match-making exercises we have been waiting for.'

Business leaders from over 30 countries, including CEOs from Brazil, India, Russia (the BRI(C)s, South Africa and the Middle East, came together for one and a half day retreat to debate the critical requirements for Chinese firms to successfully expand their operations towards a global level-playing field. The China Europe Business Meeting was co-hosted by the Deutsche Börse and the State of Hessen, and supported by KPMG and Sal. Oppenheim, as well as many knowledge and media partners. 'In a true multi-stakeholder setting, the China Europe Business Meeting helps to foster positive trade and cultural relations,' commented **Supachai Panitchpakdi**, Secretary-General, UNCTAD, Switzerland in his speech during the opening dinner.

Chinese firm's corporate globalization was at the heart of the agenda, with a joining of forces among an engaged community of business leaders, led by the co-chairs:

Bertrand Collomb, Chairman, Lafarge, France; **Jim Goodnight**, Chief Executive Officer, SAS, USA; **Lawrence Ho**, Chief Executive Officer, Melco, Hong Kong SAR; **Ernesto Heinzelmann**, Chief Executive



Jim Goodnight, Chairman, SAS, speaking about the global impact of the subprime crisis



Ernesto Heinzelmann, CEO, Embraco, Brazil



Jean-Pascal Tricoire, CEO, Schneider Electric, gives an investors perspective



Closing Remarks from the co-chairs

Officer, Embraco, Brazil; **David K.P. Li**, Chairman, Bank of East Asia, Hong Kong SAR; **Cherie Liem**, Managing Director, GT Enterprises, China; **Lim Chee Onn**, Chairman, Keppel Corporation, Singapore; **Klaus-Peter Müller**, Chairman, Commerzbank, Germany; **Andrey Sharonov**, Chairman, Troika Dialog Investment Company, Russia; **Jean-Pascal Tricoire**, Chief Executive Officer, Schneider Electric, France; **Sundeep Waslekar**, President, Strategic Foresight Group, India; **Jerry Zhang**, Chief Executive Officer, Neocomm Technologies, China and **Levin Zhu**, Chief Executive Officer, China International Capital Corporation, China.

Among the many discussion topics one raised particular interest, the session on sustainable development – as session requested by our Chinese participants.



Cherie Liem, Managing Director, GT enterprises, explains why China is the new engine of globalization



Chen Ping, Chairman, China Investment Partners listens to a question from the audience

Chinese firms increasingly acknowledge the importance of long-term development goals in accord with society and the environment. With a rapidly growing economy, and as the world's most populous nation, China faces great stresses on its resources and environment. The Chinese government has taken sustainable development as an important objective for China's economic and social development. As **Cherie Liem**, Managing Director, GT Enterprises, China holds: 'A sustainable world needs a sustainable China. The corporate sector – Chinese or foreign owned – should spearhead the efforts to attain the nation's goal of a green GDP.'

'China is the world's new growth engine.'

Leving Zhu, Chief Executive Officer, China International Capital Corporation, China

Another key topic that emerged at the China Europe Business Meeting was the potential backlash against Chinese firms wishing to expand into Europe and North America. 'China Bashing is the talk of the day in various Western capitals', concluded **Chen Ping**, Chairman, China Investment Partners Group, China. 'The potential bias versus Chinese investors is the single most important hindrance to globalize our corporations.' Indeed, blaming the Chinese seems very fashionable these days: on intellectual property rights, poisoned toys and the trade deficit. 'The criticism of China is restricting the free flow of capital', argued **Gao Luan**, Chief Executive Officer, Tianjin Property Rights Exchange, China. 'We need a strong China. China is the world's new growth engine', continued **Levin Zhu**, Chief Executive Officer, China International Capital Corporation, China. Participants reached consensus that Europe and North America should deal with China at eye level. 'What is needed is dialogue. It is important to work with China to help it

tackle the various challenges’, stated **David Bell**, Chairman, Pearson, United Kingdom.

‘What is needed is dialogue. It is important to work with China to help it tackle the various challenges.’

David Bell, Chairman, Pearson, United Kingdom

As **Tan Chin Nam**, Permanent Secretary, Ministry of Information, Communications and the Arts, Singapore stated: ‘We need to advocate a balanced world, with globalisation providing benefits to everybody, not just a few’. Indeed, in the spirit of the China Europe Business Meeting, entrepreneurs, investors and consumers should enter a true partnership relation with China. According to **Michael Nobel**, Chairman, Nobel Charitable Trust, Sweden: ‘Capitalism also means competition – Europe should not build Chinese walls around its economies - falling back into protectionism.’ **Vladimir Spidla**, Commissioner for Employment, Social Affairs & Equal Opportunities, European Commission, Belgium echoed this comment by saying that ‘the partnership between China and the European Union (EU) is strong and growing.’



Germany - Land of Ideas



Levin Zhu, CEO, China International Capital Corporation, shares a comment on the Chinese banks

A session on China’s recent investments into Africa and the generic impact on world trade attracted particular interest. Hosted by **Alison Smale**, Managing Editor, International Herald Tribune, France, the panellists discussed China’s role in fuelling Africa’s economic growth and in what ways the growing ties will be similar to and different from those with its traditional partners from Europe and North America. **Liu Jianjun**, President, China Africa Business Council, China said that the relationship with Africa remains a priority for the Chinese government. China continues to help African countries improve living standards. Reflecting on Industrial and Commercial Bank of China (ICBC)’s acquisition of a stake in South Africa’s Standard Bank, which at 5.5 billion dollars is the biggest Chinese financial acquisition ever, **Firmino G Mucavele**, Chief Executive, NEPAD, South Africa reasoned that ‘Chinese companies are not coming for the raw materials only. They are less driven by political orders than by economic opportunities.’ **Enos Chiura**, Chairman, Merchant Bank Central Africa, Zimbabwe illustrated that the Chinese government and the corporate sector engage in many humanitarian projects across the continent. **Jean-Marie Masse**, Head, Global Financial



a question from the audience

Markets, IFC, USA said that all investments into Africa geared to stimulate economic growth should be welcomed by the world community.

Other sessions were on mergers and acquisitions, branding, private equity and innovation – all rather practical topics to support Chinese firms' efforts to internationalize their operations. Becoming a truly global company means much more than establishing a portfolio of units in different countries around the world. 'To gain competitive advantage from globalization, the whole must be worth more, in

terms of efficiency and/or the capacity to create value for customers, than the sum of its parts', said **Myles Lu**, Chief Executive Officer, Roxbeam, China. Many Chinese companies now need to broaden their sources of competitive advantage well beyond the low cost of manufacturing or service operations. This means they need their own brands, distribution capabilities and service centres in markets around the world. 'To better differentiate their products and services, they may also need to conduct R&D in global hotbeds of new technology and locations with a deep pool of qualified scientists and engineers, to complement innovation activities at home', said **Volker Hoff**, Minister for Federal and European Affairs, State of Hessen, Germany.



Martin Wolf and Cherie Liem

One way to stretch the scope of Chinese firms is to seek Initial Public Offerings (IPOs) outside China - using the proceeds of the IPO to expand operations in China and overseas. One of the sessions examined what is needed to attract top Chinese companies to list overseas. **Chen Guoping**, Chairman, Vtion Technologies, China, reflected on his company's plans to go



Firmino G. Mucavele, CEO, NEPAD reviewing China's investments into Africa

public in Frankfurt. 'Vtion Technologies has chosen a Frankfurt-listing due to Deutsche Börse's special service for Chinese firms as well as Germany's lead in wireless technologies.' **Kevan Watts**, Senior Vice President, Merrill Lynch & Co Inc, USA referred to the recent successful IPOs of Chinese firms around the world, having introduced the capital markets as a discipline on the management of China's banks. **David K.P. Li**, Chairman, Bank of East Asia, Hong Kong SAR added that 'the huge demand for Chinese IPOs indicates a continued fascination with investors viewing the shares of mainland firms as a proxy for Chinese growth'. And, as **Han Ping**, Deputy Director General, China Securities Regulatory Commission, China, stated, 'The authorities thrive to create the supporting framework to allow Chinese firms to list overseas.'

Jean-Claude Trichet, President of the European Central Bank, gave a review on the emergence of China in the global economy and China's role in global financial markets: 'Rapidly rising imports of low-cost consumer goods from China is nothing to



Jean-Claude Trichet, President, European Central Bank, talking about China's Role in Global Financial Markets



Meng Aiyong, Vice President, SASAC delivers her keynote speech

be necessarily afraid of, since it can bring important benefits to European consumers as well as to the economy at large. Access to lower-priced goods boosts the purchasing power of consumers and the broader economy can potentially also benefit from lower underlying inflationary pressures.' He concluded that 'there is no doubt that the global economy has benefited enormously from the emergence of China and that this new giant has brought new opportunities as well as challenges to Europe.' **Meng Aiyong**, Vice President, State-owned Assets Supervision and



Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Germany, addressing participants



The meeting co-chairs during the opening panel



Robert Zhou, CEO, Arrail Group commenting about Human Resources while Martin Posth, Chairman, Deininger (China) looks on

Administration Commission of the State Council, China added that ‘the Chinese authorities will always maintain an open and constructive dialogue with the European Central Bank and other European institutions.’

After all, participants encountered multiple business opportunities while voicing suggestions and making appeals at the various sessions. They reached consensus that China is assuming a greater leadership role in world affairs, even though China’s transition from a command to market economy will continue to be gradual. According to **Bernd Pfaffenbach**, State Secretary, Federal Ministry of Economics and Technology, Germany ‘China’s policies and practices on trade, energy and geopolitics will increasingly shape the global agenda in general and Europe in particular.’

Horasis’ intention is to create a global meeting bringing together CEOs from emerging markets – with China at the core – and business leaders from the developed world. We envision to attract leading Chinese and global CEOs year after year, creating a community of senior business leaders. Chinese CEOs have great confidence in this meeting as a global platform for engaged dialogue with the developed nations.

Horasis looks forward to welcoming you back to next year’s edition, to be held in Barcelona, Spain, in autumn 2008.

Dr. Frank-Jürgen Richter
President
Horasis: The Global Visions Community



Frank-Jürgen Richter, President, Horasis, welcoming participants

Editorial

China's sustained economic growth of more than ten percent has been fascinating politicians and economists around the globe for years. As Europeans such a two-figure growth rate is particularly impressive, because we don't experience similar conditions in our domestic markets. Thus the dialogue with China and its company representatives has become increasingly important. That's why KPMG proudly supports the "China Europe Business Meeting 2007".

The increasing number of interconnections between both regions has opened the doors for several new partnerships between China and Europe. An example are the investments that are now flowing in both directions. The generation of European "adventurers" who set off for China in the 80's and 90's to do business "on the ground", has found its equivalent in China. An increasing number of Chinese entrepreneurs are coming to Europe to open up new opportunities and to develop new markets for their businesses.

This trend is welcome. By taking advantage of opportunities in shared markets, we can jointly consolidate and improve our position in a dynamic global economy. Putting up protective barriers would be the wrong way to go. Our view is to the contrary; steps taken to open up markets between Europe and China, have revealed tremendous, positive growth. When China became a member of the WTO at the end of 2001, it was merely a starting point, not the final stage in the development of joint trade relations. Further opening up by both sides on equal terms, will put us in a position to increase the flow of trade in both directions.

This report is designed to give you some new perspectives and commentary from speakers and delegates at the China Europe Business Meeting and deliver additional insight about Sino-European relations as discussed at this year's conference in Frankfurt.

I hope you find the report as stimulating a read as I have and I look forward to your responses and feedback.



Prof. Rolf Nonnenmacher
Co-Chairman
KPMG Europe LLP



Prof. Rolf Nonnenmacher, Co-Chairman, KPMG Europe LLP

Chinese Challengers

Award for the Chinese Business Leaders of the Year 2007

The desire to ascend the global stage has driven this year's prize winners of the "Chinese Business Leader of the Year". The award winners' companies and business strategies are examples of how dominant Chinese companies have become on the global markets.

'The award winners enriched the business world with new stimuli and added new international representatives to the global elite.'

*Prof. Rolf Nonnenmacher,
Co-Chairman of KPMG Europe LLP*

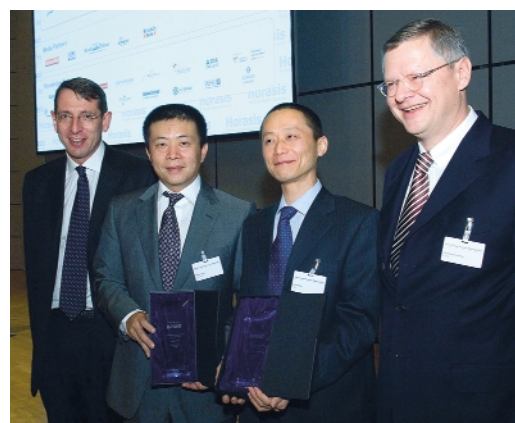
The prize-winners in the categories "Leadership", "Innovation" and "Internationalisation" have successfully overcome challenges that European companies also have to meet: striving to improve image and profile of their business and brands at an international level and developing sales markets on foreign continents to open up new growth opportunities. Furthermore they have kicked-off a new innovation drive among European countries.

The award ceremony showed that Europe has not inherited the mantle of market leadership and innovation for life: The prize-winner in the "Innovation" category showed that China has already achieved market maturity in an area in which Germany claims the title of "world champion" – renewable energy sources. Dr. **Zhang Zhengyu**, Chairman Hi-Tech Wealth, was awarded Chinese Business Leader of the Year in the category

"Innovation" for developing the world's first solar-powered mobile phone. The prize-winner in the "Leadership" category, **Charles Chao**, CEO SINA Corporation, showed that a global brand from China can now compete on an equal level with the Googles and Microsofts in the online and multimedia industry. And finally the prize-winner in the category "Internationalisation", **Feng Jun**, Chairman Aigo, has its "Made in China" brand name on a high-tech product made in Europe – cockpits of Formula 1 racing cars.

Leadership – **Charles Chao, CEO, SINA Corporation**

Charles Chao was appointed Chief Executive Officer of SINA Corporation in May 2006. Prior to that, Mr. Chao was the Company's President and Chief Financial Officer. Holding degrees in Journalism as well as a Master of Professional Accounting, he is largely responsible for the success of the company's past mergers and acquisitions. He has played a vital role in building SINA into an Internet media and online advertising giant in China. The company provides services for online and mobile content, games, search services and online shopping. With more than 230 million registered users worldwide and over 700 million daily page views, SINA is the most recognized Internet brand name in China and among Chinese communities globally.



Chinese Business Leaders of the Year, with Frank-Jürgen Richter and Rolf Nonnenmacher



During the coffee break

[www.sina.com]

**Internationalization –
Feng Jun, Chairman, Aigo**

Feng Jun is the CEO of Aigo Corporation, the world's second largest provider and manufacturer of portable storage and digital products such as autorun USB flash disks. After graduating from the School of Architecture and attending an Executive MBA of Beijing University, he began his own business in 1993 with two employees and 200 RMB in China. Mr. Feng led the company to become the leading brand in its domestic market as well as a truly international brand with a current global turnover of 800 million US dollar. Today Aigo exports its products to 17 countries on four continents, with over 3,000 outlets of which over 100 aigo branded retail stores.

The worldwide sponsorship of McLaren Mercedes' Formula 1 Racing Team is just one example of Aigo's aspiring globalization strategy.

[www.aigo.com]

**Innovation –
Dr. Zhang Zhengyu, Chairman,
Hi-Tech Wealth**

Dr. Zhang Zhengyu is founder, Chairman and Senior Engineer of Hi-Tech Wealth Corporation, a provider of advanced electronic and mobile communication products in China. With his work Dr. Zhang has become instrumental in developing the company's research and market strategies. One of its outstanding advances for the telecommunications industry was the launch of the world's first solar-powered mobile in June 2007. Prior to the incorporation of Hi-Tech Wealth in 1997, Dr. Zhang already gained several years of management experience with high tech companies in China. Dr. Zhang holds 20 patents in China and obtained a Bachelor of Science from the Beijing Institute of Technology and a Ph.D. in artificial intelligence from Beijing University of Aeronautics & Astronautics.

[www.htwchina.com]



Connecting with participants

Between Valuation and Value Creation

Chinese companies are steadily increasing their presence and business activities in Europe. Firmly in focus here is the search for value-creating technologies and internationally-proven management experience.



Boardroom Dialogue Session



Michael Frenkel, Dean, WHU, hosting the panel on Foreign Direct Investment in China

The growing interest of Chinese companies in a presence in Europe's markets was the topic of several panels at this year's China Europe Business Meeting in Frankfurt, which was supported by KPMG as thought Leadership Partner.

The growth of large-scale companies in the People's Republic is now breaking national boundaries: they are aspiring to reach new

heights on the international stage – in the new emerging markets of Africa or Latin America, and increasingly in the developed economic areas of the European Union.

Denis Molumby, Executive Director of the Irish Development Agency (IDA), emphasizes the fact that the perception and interest of the Chinese in Europe have increased significantly in recent years. Chinese companies focus on two things in particular: access to the massive EU consumer market with almost 500 million potential customers, and highly developed technologies and innovative production methods, which will improve production in Chinese companies.

This is also reflected in the strategy that many companies from the Far East follow when setting up a base in Europe. According to **Thorsten Amann**, Head of KPMG's New and Emerging Markets Practice, after the first step of opening a sales office, it might well be expected that "value-creating corporate functions will be the next development move for Chinese companies in Europe". Because of the cost structures, this is not so much about building up production capacities as about setting up design centers and research and development departments.

Philip Bowring, columnist at the International Herald Tribune in Hong Kong, says that this development will, however, only be implemented step-by-step. Many companies that have expanded internationally are still directly or indirectly in state ownership. The government in Beijing actually explicitly supports the globalization of important companies in order to establish national Chinese champions on the international stage. However, the political influence and the currently very high prices with M&A activities in Europe would have an arresting effect on this process.

Desmond Shum, CEO of Airport City Development Holdings in China, points out that with their investments in Europe, Chinese companies are more interested in, “creating benefit for businesses at home in China”. For some companies, he believes, Europe is still a means to an end – for controlling competitiveness with exports or for domestic growth benefits, for example.



Exchanging Business Cards

‘Europe is still a means to an end – for controlling competitiveness with exports or for domestic growth benefits, for example.’

Desmond Shum, CEO of Airport City Development Holdings, China

The panel members identified three particular issues as the most significant challenges for Chinese companies in Europe: Firstly the image of the “Chinese threat” (an image that is also widely spread by the media), continues to be a major hurdle for Chinese investments in Europe. They also warned against the danger of these already existing barriers being increased by protectionist measures from European institutions and governments, which could make global cooperation and the possibility of international M&A transactions between the two regions more difficult.

The high costs in the human resources area – from the Chinese point of view – are also an important factor. Chinese companies depend to find local employees in European countries for the medium term. These would then be able to develop the business with in-depth market knowledge and internationally-proven management experience. Chinese representatives at the conference also emphasized that there are still cultural differences in the corporate governance area. They believe that Chinese companies will take some time to get used to the European management and work ethic. As company reps see it, the models of hierarchically structured but group-oriented work environments transposed from back home, are very slow in merging with international customs.



Jerry Zhang, CEO, Neocomm Technologies, during the debate with the other co-chairs

Global Bailout

David K. P. Li, Chairman, Bank of East Asia spoke with NEWSWEEK's George Wehrfritz at the Horasis China Europe Business Meeting in Frankfurt. Excerpts:

The subprime mortgage mess is rattling nerves this week, even in the place once deemed a safe haven in the global economy: Asia. **David K. P. Li**, Chairman of the Hong Kong-based Bank of East Asia, says the



Can other emerging markets follow China's growth recipe?

turmoil in financial markets won't abate until the true scope of the mortgage-linked debt crisis is revealed early next year, and he is convinced that leading central banks must act now to avert a global downturn. Li also says a significant slowdown in China's growth rate has begun, and he fears that a stock market bust there could cost millions of small investors their savings.

NEWSWEEK: Financial markets are in turmoil this week. What do you think is happening?

David K. P. Li: It all started two or three years ago, when investment banks in Europe and America began to pass on more risk to customers. They packaged [home mortgage

loans] up nicely so they could earn income while escaping liability. Purchasers loved them for the simple reason that they earned a high interest rate, but they didn't realize the risks involved. The banks said [these products] were very safe, and the credit rating agencies were not doing their homework, [so] they rated these vehicles as [investment-grade] debt. They did so based on the reputations of the participants, not on what was inside each package of loans.

Leading banks have already declared losses in the billions. How long do you expect the crisis to persist?

Bigger problems could come out over the next few months. But [the situation] will settle down once the auditors agree on a way of valuing the market risk. By the first quarter of next year we should have a clear picture of the liability each bank has and what has actually happened.

What should the U.S. Federal Reserve Board and the European Central Bank be doing today?

The central banks have to come to the rescue. Basically, they should create something similar to the Resolution Trust Corp., which was established to deal with the savings and loan crisis in America [in the



David Li, Chairman, Bank of East Asia, summarizes the discussions

1980s]. Today's problem is bigger. If they structure it nicely, then the recession in America isn't going to be that bad.

So the U.S. economy is headed for a recession.

At the moment it is highly likely, but how deep the recession will be one never knows. Next year is an election year, so the recession won't likely be felt until after the election because so much money will be spent to prop up the economy. I reckon there will be hard times after the election.

How would an American slowdown affect Asian growth?

The American economy still affects Asia a great deal. The two economies can't be decoupled from each other. It would help if the consumer market in China takes off, but today China is still so dependent on the U.S. and European markets that a recession in America would have an impact in Europe and across Asia.

What do you forecast the Chinese growth rate to be in a year?

The third quarter figure was 11.6 percent. But in the fourth quarter they'll be lucky if they hit 10 percent. Hopefully, it will be around 8 percent next year. China needs 7 to 8 percent to sustain its employment rate, so I hope they can sustain at least that much. It all depends on how quickly the American economy slows down.

How concerned are you about asset valuations in China? Is it fair to say that a stock bubble exists?

The bubble is indeed there, but whether it bursts or not is another matter. The Chinese government is trying its best to let the air out gradually if they can, but it takes time for their policies to work.



Dr. Tan Chin Nam, Permanent Secretary, Ministry of Information, Communications and the Arts, Singapore, meeting Dr. Supachai and Commissioner Spidla

What are your best- and worst-case scenarios for China over the next year to 18 months?

My best-case scenario is that the so-called financial through-train [which would allow mainland Chinese to invest more in Hong Kong] will arrive, thereby harmonizing the two stock markets. Then Hong Kong will become the financial center of China . My worst-case scenario is that the bubble bursts and a lot of people in China lose most of their savings. It will be a hard lesson, but I don't think there will be riots in the streets.



Hu Shuli, Editor-in-Chief, Caijing Magazine making a point



Lawrence Ho, CEO, Melco, commenting on oil prices and the dollar

Reverse Globalization and the China-Equation

By Bruno Lanvin, Professor, INSEAD, France and Frank-Jürgen Richter, President, Horasis

The world's power elite gathered at the China Europe Business Meeting in Frankfurt to debate the 'The Globalization of Chinese Firms'. The theme reflected the current state of the world which one could call 'reverse globalization'. As China and other emerging economies grow in prominence and rewrite the rules of globalization, some, among the initial protagonists of globalization – the industrialized countries of the West – are overtly advocating more protectionism, nationalism and anti-globalization. The China Europe Business Meeting hence offers a unique opportunity to wake up consciences and ambitions of the 'Old West', and to remind the international community of the dangers and sufferings that such attitudes have generated in the past.



Joseph Deiss, former President of Switzerland, moderating the finance panel

One of the main criticisms made to globalization by its detractors has been that it was 'western-driven and western-centric' – in other words that the West calls the shots and that most benefits go to the western players. Joseph Stiglitz proclaimed that the so-called 'Washington consensus' vandalized the world. Yet, as globalization was gathering momentum, it assumed new and striking features, which run contrary to that western-focused characterization:

First, non-western national players started to emerge as vital sources of energy and initiative in globalization. China is clearly the new engine of globalization, with her companies expanding globally at an unprecedented pace. And the country is increasingly turning to Africa, often filling the void left by Western countries. In more than one respect, the world is benefiting from China's economic growth. Other large countries like India, Brazil, Russia are among the new globalizers, while smaller players (e.g. Singapore, Finland, Estonia) contribute to maintaining globalization's vitality through niche positioning and technological innovation.



Chen Hong, CEO, Hina Group gives his view on the financing growth in the years ahead



Dan Jiang, Vice President, Boer Energy Group, commenting on China's oil industry

Second, globalization has moved from being chiefly characterized by a rapid increase in trade and international investment to combining a set of more complex mechanisms and modes of cross-border exchanges. The world is flat, as Tom Friedman holds, and Western multinationals and Asia's new outsourcing champions combine their talents and comparative advantages to co-produce their services.

Third, some immaterial dimensions of globalization have started to emerge, in which culture, history and spiritual values are playing an increasingly important role. Earlier this year, Abu Dhabi signed a deal with the Louvre to open a satellite of the famed Paris museum in the United Arab Emirates – a project that led many French to believe that Europe is selling its soul. This initiative yet remains one of the most exciting examples of what 'true globalization' could be.

Fourth, globalization has ceased to be the exclusive business of nation states and big business. A new group of players, which one could call 'global local players' is assuming increasingly important roles in shaping globalization: cities are competing with cities, regions with regions, to attract investment and create value at the global level.

Those four trends are not contradicting the first wave of globalization. Nor are they cancelling it. Reverse globalization is not a reversal of globalization. Actually, those four trends are reinforcing globalization by giving it the respectability - and hence the sustainability – that it once lacked. Half of mankind still live on less than two dollars a day: if globalization does not benefit those people, it is not only doomed to fail: it will also be remembered as a tragedy. The fact that a country like China, with its two-digit growth but also with its 200 million poor people, is emerging today as both a major beneficiary of globalization and a major driver in its future should be regarded as an opportunity. Yet, it remains a challenge, because the involvement of major players from the 'emerging economies' in globalization also requires a rapid discussion about their participation in the overall governance of global affairs.

In the spirit of the China Europe Business Meeting, entrepreneurs, investors and consumers should enter a true partnership relation with China, making reverse globalization a win-win proposition for our global economy.



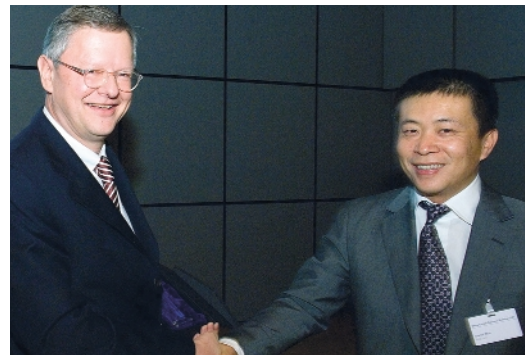
Levin Zhu, CEO, China International Capital Corporation and Jean-Pascal Tricoire, Schneider Electric



Andrey Sharonov, Chairman, Troika Dialog Investment, talking about Russia's approach on economic development



Supachai Panitchpakdi, Secretary-General, UNCTAD



Charles Chao, CEO, SINA - the Chinese Business Leader of the Year, with Prof. Rolf Nonnenmacher, Co-Chairman KPMG Europe LLP



Klaus-Peter Müller, Chairman, Commerzbank and Frank-Jürgen Richter, President, Horasis, sharing a light moment



Matthias Graf von Krockow, Spokesman, Personally Liable Partner, Sal. Oppenheim, Luxembourg

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