

Asia beyond miracle and meltdown

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Thank you Martin

Ladies and gentlemen, dear friends

It is with great pleasure that I will share a few thoughts with you on a topic that is dear to me. I do recognize that this topic is not exactly en vogue. However, this week an important milestone was reached that provides a welcome anchor for my thoughts: As of last Tuesday, China has become the 143rd full member of WTO. While this is remarkable in itself, the status granted to Taiwan is also noteworthy. The Republic of China on Taiwan was a member of The Bretton Woods institutions IMF and World Bank only until the People's Republic of China replaced it in 1980. Now, it will become a full member of the World Trade Organization. However, it will be a member, neither as a sovereign country like China, nor as a Special Administrative Region like Hong Kong or Macao. It will be a full member under the opaque designation of China Taipei.

But before I start, I would like to ask you two personal questions.

1) Who has invested in Asian equities over the last - let us say seven - years?

2) Who of you - hand over your heart - has made money on it?

Congratulations

And now my confession which shall serve also as a disclaimer for what I tell you later: even though we are considered to be experts in this field we have not made much profit either. True, with our focus on quality we do consistently beat the index. However, I sense to be in agreement with you, when I say that beating a dead dog is not the most glamorous decoration that one might dream of.

Asia beyond miracle and meltdown

We judge our world to be free and developed. From this perspective we look to Asia as the young kid on the block. The way it is growing up is of great interest to us. If it remains weak and mixes with the wrong folks, it means trouble for the whole block. If it develops nicely, we like it. Somebody new to play with and who knows, this kid may even support us once we are old and tired. As the new kid grows taller and stronger, we may also feel threatened. It may challenge us on our own - often cherished - weaknesses.

I will examine a few developments in Asia with the question in mind, whether they are Asia specific or not. Then I will highlight what is special about Asia and conclude from there on how the kid, in all likelihood, will grow up.

Slide 1: Asia, 10 countries

I leave aside Japan and focus on the region within the triangle China, India and Indonesia. The larger 10 economies in this area have a combined population of 2.7 billion and cover a landmass of 16 million square km. They have an aggregate GDP of 2.9 trillion in current dollar terms and one of 9.4 trillion in purchasing power parity terms. For reference I also listed Europe. Even with respect to output, Asia is clearly on the map. Albeit its is still smaller than Europe under current dollar accounting, it has surpassed Europe clearly in PPP terms.

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The first development that I would like to highlight is the region's stock markets. It is the most volatile development and probably the best followed one.

Slide 2: Stock markets over 10 years, Asia versus the US

Over the last ten years the annual return of the S&P 500 has been close to 11 percent. Over the same period Asian stock markets have returned zero in USD terms. From a peak achieved on January 5, 1993 they are down 60 percent.

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Overall, foreign investors have been important participants in these markets. After the fall of the Berlin wall in 1989 and the implosion of communism the ratings of capitalism went up unchallenged. Ideological harmony coupled with technological progress in particular in the areas of information and communication drove globalization and triggered huge capital flows to new frontiers. The markets of Southeast Asia were already relatively open and became a favorite target. Large amounts of direct and portfolio investments flowed into the tiger economies.

Funds flowed less to governments, who had learnt their lessons from problems in the seventies and had established close co-operation with the IMF. Funds flowed to corporations and among them heavily to the larger ones with some international experience and ambition. The experience of the local business elite with these foreign funds was a good one for a string of years. At the operating front they had more flexibility than their local competition with less recourse to foreign capital. Furthermore these inflows drove up the share price of their companies.

Some of these foreign funds were used to build infrastructure, some were used to strengthen the basis of manufacturing and an increasing share was wasted. The longer the good days

lasted - basically from the late eighties to the mid nineties - the less one was aware of the risks. Around 1995, years before other bubbles burst, the investors' enthusiasm for the Asian markets started to cool off. Yes, the revenues of companies were still growing at a rapid pace. However, margins began to deteriorate and resulting profits failed to impress. Once confidence of the international investment community was shaken, monetary and economic conditions unraveled. The financial crisis of 1997/1998, triggered by the devaluation of the Thai Baht on July 1, 97, marked a first low point.

Paul Krugman, the economist who commented on Asia's weaknesses earlier than others, recently reanalyzed the crisis of the late nineties. He moves away from the standard keywords such as contagion, moral hazard and banking crisis and maintains that the current accounts of regional economies and corporate balance sheets stood at the center.

He highlights the dramatic reversal in the current account of many regional economies. Typically, current accounts swung from a deficit of 6 to 10 percent in 1996 to a surplus of similar magnitude 1998. According to Krugman, foreign funding of local companies played a crucial part in this swing. As foreign loans to Asian companies were made in large amounts, the local currency appreciated. This in turn had a positive impact on the balance sheet of the local borrower. His foreign currency debt looked smaller and smaller in local currency. Furthermore, it also made operating results look better. The borrower received more local currency for its exports and interest expenses went down. The very act of lending had effects that enticed more lending.

Loops that feed on themselves tend to break in a noisy and unexpected way. A single exporter may find that he is no longer competitive. His returns weaken and his lender loses confidence to lend more. The music stops and the feed works in opposite direction. As the capital inflows ebb off and the local currency depreciates, the outstanding foreign loans weigh heavier and heavier on the books of the local companies. Add in increasing interest rates and deteriorating margins and not before long many otherwise healthy businesses are bankrupt and with them their owners.

There are two ways out: real depreciation that brings back competitiveness and a local recession that subdues imports. Both increase the burden on the local company that has borrowed abroad. On balance, this cycle of growing and fading confidence in the minds of international investors decapitated a generation of local entrepreneurs. As we watch, some are still in agony, others got their heads stitched back on, but remain scarred. And of course, there is now room for a new set of entrepreneurs to emerge.

So, what is typically Asian about this story? Nothing. There was the foreign capital provider. Based on his optimistic extrapolation beyond the Berlin wall he sent funds amply and at a low price. On the receiving end was the local entrepreneur, who enjoyed the ride while it lasted. When money is cheap and abundant, it is easily wasted. This pattern is not Asian, it is simply human.

Let us now turn to the development of exchange rates and exports. Ahead of the crisis the regional currencies traded by and large with the US dollar. As the yen and the European currencies softened against the US dollar, the Asian currencies appreciated against them. In the summer of 1997 most of these currencies with the exception of the Hong Kong dollar and the Chinese yuan collapsed and settled some 20 to 80 percent lower.

Slide 3: Currencies; Impact of the crisis

The Chinese yuan is a controlled currency; and in Hong Kong the peg against the USD held.

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This, together with the booming world economy that created demand in particular in the field of technology allowed the region to grow its exports substantially. It was a welcome second wind that tempted these countries to forget the weaknesses brought to light by the crisis. Necessary structural reforms were delayed. Neither real estate markets nor banking and corporate balance sheets were restructured expediently.

Slide 4: Trade and current account; Before and after the crisis

Let us first focus on the blue columns, graphing the situation before the crisis. Exports grew rapidly, however imports even faster. This resulted in a current account deficit. Now to the gray columns. Since 1996 the picture has changed radically. Growth slowed, whereby imports were affected more than exports thus producing surplus on the current account.

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Again, I ask the question: is there anything specifically Asian in this development? I guess not. Who is there in the world that makes painful changes without being forced to make them? "Can I get away with defending the status quo", is probably the question most frequently asked - okay, not in public, but wherever people look into a mirror.

As we know Asia could not get away with it. As the global economy slowed, the demand for Asian exports disappeared sending some economies in the region into recession and markets down again to crisis level.

This may suggest that Asia is a derivative of the world economy. As the world's sweatshop it produces commodities in large volumes at low prices. Yes, they have come a long way from exporting spices and producing plastic flowers, but are they not stuck at the lower end of the value added chain, where cheap hands are applied to borrowed technology?

Let me make three short points:

First, there is nothing wrong with being able to produce efficiently. This is the basis for doing bigger jobs well.

Second, markets continue to become more open also for Asian commodities. China will make use of its weight in asserting Asia's claims. It will be more forceful than weaker countries in pointing out double standards held up in the West.

Third, there is ample evidence, that Asia is moving up the curve and that it has the ambition to move even higher.

You are all familiar with the development of Hong Kong and Singapore. Each in its own way, these city-states have become world class service hubs. Even more telling is the fact that Asia has produced a string of companies that not only compete successfully on an international level, but also have become global leaders in their fields.

Among them is HSBC, the colonial Hongkong and Shanghai Banking Corporation, which spread its wings to become behind Citigroup the second most valuable banking and financial services group world wide. In the past they got it right in several ways. First, they knew how to lend to Chinese entrepreneurs. Then they got it right with Beijing. That it is easy to anger the Chinese government, if one moves headquarters out of Hong Kong, was proven by Jardine Matheson when it dislocated to Bermuda. The Hongkong Bank bought the British Midland Bank at an attractive price, moved its headquarters to London and maintained best relationships with Beijing.

From the circle of Chinese tycoons, Li Ka-shing emerged on the world stage with Cheung Kong and Hutchison, company heavy weights that he controls. He has proven leadership not only when he called the end of the 3-G auction mania but also in the mundane business of operating container ports globally.

An even more recent example is TSMC of Taiwan. It is the world leader in the foundry industry. Increasingly semiconductors are no longer produced by integrated device manufacturers like Intel but by specialist fabs like TSMC. They become a hub for know how as they see the designers of integrated circuits passing through their factories. Infosys, a sought after fast growing software service company based in India may also deserve mentioning.

The number of global companies based in Asia may still be small. However, what matters is that Asia has proven its ability to produce any at all. More will follow.

Again the question whether there is anything specifically Asian about this development? Not really. It's just the young chap on the block that is growing up the right way and increasingly looks like a contender.

The last development that I would like to highlight is the puzzling discrepancy between dismal financial track record and real growth.

China is growing at twice the pace of India and population in Asia is still growing albeit at a lower rate.

These numbers tell the abstract story. Let us look at some tangibles closer to the ground. We can look at the development of traffic at important airports.

Slide 6: Airport passenger traffic

I picked five airports in Asia, two in Japan and five in the West. Higher growth over some time leads to impressive absolute figures. The Far East grows faster than the West. In turn the West is outpacing Japan.

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Other tangibles are traffic jams. The quality of infrastructure has improved dramatically in many parts of the region. Travel time from Bangkok airport to the Oriental hotel is now a fraction of what it used to be. Sure, the times are slower, but elevated toll roads and MRT's are in place, ready to move higher volumes.

Now let us move underground.

Slide 7: Subways in Seoul and London

1970 there was no subway system in Seoul. Today it is a grid of 150 km that moves 4 million people per day. The London subway opened around 1860. Today, it moves 3 million people per day and managed to add the Jubilee line over the last thirty years.

A last tangible is a bit closer to the club's life.

Slide 8: Degree students at Harvard University

In 1991, 995 students from Asia studied in Harvard. By 2000, this number had grown by 12 percent to 1'117, compared to 5 percent growth in students overall.

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So, without any doubt, there is growth in Asia. Warren Buffett, the outstanding US investor, recently examined for the US the correlation of economic growth and stock market performance by looking back over the 20th century. He calls it American century and here are some of his observations.

Slide 9: Stock markets and the economy; Correlated?

In short, during the first period of 17 years, from 1965 to 1981, the stock market did not move at all, but the economy grew at a brisk pace of nominal 8 percent per year. Over the subsequent 17 years the economy grew at a slower pace, but the stock market boomed. Of course rates on

government bonds moved from 4.2 percent at the beginning of 1965 to 13.6 percent at the end of 1981 and back to 5.1 percent at the end of 1998. But that is not where his story ends.

He focuses on expectations regarding future corporate profits. And he finds investors' confidence is directly linked to what they have seen over the last twenty years, the career duration of a manager generation. If good things happened, good things are expected. If bad things happened, bad things are expected. History always proves these long bred sentiments wrong, exaggerated on the upside as well as on the downside. So it comes, that the US economy made consistent progress throughout the last century. In real per capita terms it grew in every single decade. However, the 11'000 points that the Dow gained over the 20th century it climbed during three bull markets covering about 44 years. During three periods of stagnation covering the remaining 56 years, the Dow actually lost 292 points.

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Here as well we conclude that the discrepancy between real development and stock market performance over a string of years is not an Asian specialty. History shows that in times of economic boom, illusions tend to prosper - whenever and wherever the boom may occur.

If the developments I just talked about do not reveal anything that is specifically Asian in nature, then what is? Of course, we could dive now in the extremely rich and diverse histories and living conditions of many cultures and countries that make up Asia. Avoiding any detours I would like to take aim at the heart of the matter: It's the Chinese culture as reflected in the teachings of Confucius.

Slide 10: Confucius

Confucianism is a rich system of moral, social, political and religious teachings formed by Confucius and ancient Chinese traditions. Confucius was born 551 B.C. in the state of Lu, what is today the Shantung province south east of Beijing. Early in his life he started teaching at his own school. He later served in the state government. He then pursued teaching by going from state to state in China. He finally returned to Lu encouraging others to study and practice virtue.

Reform of the state by making each person work on his own virtues was his program. Education of the heart must be based on good thinking and this in turn on continuous learning. According to him a true gentleman is conciliatory but not accommodating. Common people are accommodating but not conciliatory.

Not typically considered a religious leader, he discussed heaven only as an impersonal force of morality or ethics, not in the traditional spiritual sense. He was practical and more concerned with earthly matters, such as good manners and treating others kindly and enhancing family relations.

He described five social relationships that must always be honored: master and servant, father and son, husband and wife, elder and younger siblings, and friend and friend. As the family and not the individual was the basic unit of society, he taught that people should love and honor their families.

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From dynasty to dynasty the teachings of Confucius were more or less cultivated, at times even banned. Today, they are held in highest esteem as an important part of the Chinese culture.

The unique strength of this breed was more recently proven to the West by the overseas Chinese. They left China, mainly the coastal provinces Guangdong, Fujian and Hainan, two or three generations ago. They settled across South East Asia in countries that had already fairly open systems, structures that were laid in colonial times. In most of their host countries the Chinese diaspora grew to economic prominence if not dominance based alone on their skills as businessmen and their zeal to make it.

Slide 11: Overseas Chinese

Here are the numbers in terms of their share of the population and the economic output.

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The overseas Chinese showed and continue to show little interest in politics and remained passive minorities with the exception of Singapore, where they form the majority. Under the firm and exceptional leadership of Lee Kwan-yew they created over the last 35 years a city-state from nothing that is run like a well-managed company.

What comes next is very much the same but on a scale not seen before. In order to judge how China will develop, we have to review its history:

Slide 12: History of China; Milestones

Contrasting the history of the United States, China has been important before. For centuries China has stood as a leading civilization, outpacing the rest of the world in the arts and sciences. Much advancement was first made in China and only later introduced in the West. 200 years B.C., around 300 years after Confucius, China was a unified empire for the first time. Gunpowder and wheelbarrow were invented around 500 A.D. The Tang dynasty, lasting until 907 A.D. marked a high point of Chinese civilization. It was a golden age for arts and literature. Way ahead of Gutenberg, blockprinting was invented. The government system was perfected supported by a class of civil servants that was layered based on meritocracy. Weaker dynasties followed. Mongols pushed south and were thrown out again.

In the 15th century, during the Ming dynasty, China turned increasingly self-content and inward looking. Maritime expeditions were abandoned and the border to the north was sealed. Technological progress slowed. China fell behind Europe in terms of development. Isolation did not protect against the forays of foreign powers. Quite the contrary, increasingly China's borders crumbled and the Chinese were forced to deal with intruders on their terms. From 1840 on China suffered a century of humiliation. In the opium wars they fought against drug corruption, promoted by the colonial powers. They lost the wars and important territory in the process: Hong Kong, Kowloon and the New Territories to the British, Macao to the Portuguese, and Taiwan to the Japanese. In the Boxer Rebellion of 1900 the people fought back and lost.

Imperial China ended in 1911 when Dr. Sun Yat-sen, at the helm of Kuomintang, founded the Republic. He failed to impose himself on the warlords. His successor Chiang Kai-shek was more effective, however had to face ever-bigger enemies. On the way south the Japanese invaded Manchuria in 1931 and later took the capital Nanking. Around the same time a certain Mao Ze-dong organized his Red Army and prepared for more on his Long March. 1949 Chiang Kai-shek was forced to leave the mainland and installed himself and the KMT under protection by the US-Fleet in Taiwan as a government-in-exile with the claim to bring back the Republic to Beijing one day.

In the meantime Mao created the People's Republic. He sent his people through the purgatories of the Great Leap forward and later the Cultural Revolution. What was left of China was scorched earth. Albeit at a huge price, he managed to ensure China's sovereignty.

This was the low point and then the tide of history changed. Let us pick 1972. Four years before Mao died, President Nixon paid a visit to Beijing that heralded the opening-up of China. It was also at this occasion that the memorable pin-pong match between China and the US took place.

Slide 13: President Nixon and Chairman Mao; Beijing, in February 1972

Slide 14: Competition may begin!

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Deng Xiao-ping succeeded Mao, and - on the Party Congress in 1978 - economic development took center stage. Market-oriented reforms and decentralized economic decision making were introduced. One-year later, diplomatic relationship with the US was established and another year later China joined the IMF and the World Bank. In the meantime it got back Hong Kong in 1997, Macao in 1999 and is completely clear about its plans with Taiwan. Output quadrupled over the last 20 years and China, measured in PPP terms, is now the world's second largest economy. Political controls remain tight while economic controls continue to weaken.

After long and often bruising negotiations in particular with the US, China has now - as mentioned at the outset - become a member of WTO. I take this as the anchor for a few thoughts about what could come next.

As China's power is increasingly recognized, the West compromises on its principles with little ado. For a long time, the US was a staunch supporter of Taiwan against the Communist on the mainland. As Taiwan is evolving from the Kuomintang dictatorship into a successful democracy, this support would be ever more justified. However, the support is turning lukewarm as the mainland is gaining in power. China does not mind, Taiwan to become a member as well, however not as a sovereign state and not in its name. That is why Taiwan will accede WTO under the designation China Taipei, only a step away from Hong Kong's status as Special Administrative Region. Contrary to the widespread perception, China is genuinely interested in the continued prosperity of Hong Kong and Taiwan. It was the Hong Kong government that removed all signs of British rule from its buildings immediately after the hand-over. I guess, it was eager to please Beijing. Beijing itself is more relaxed. The People's Liberation Army moved into the former headquarters of the British navy on Hong Kong Central. To today this landmark carries the letters: Prince of Wales Building. China's tolerance has one simple limit: do not question the "one China" policy. So much for Taiwan.

For its trade, China does not need the WTO membership. Foreign markets have already been open for its products. Even the US has granted to Beijing the status of most favored nation. The membership is important for China in two other ways.

First, it signals that it is ready to open-up more. As a member it will listen. It will consult to the left and the right and will learn a lot. However, it will make clear to the world that it is willing to decide on its own. Lee Kwan-yew the creator of Singapore has a track record of offering free advice to China. Beijing is listening, but rightly points out, that it is one thing to put 3 million Chinese plus some minorities at the tip of Malaya into shape. And that it is another thing to get it right for the 1.3 billion citizens of China. Beijing is also listening to the points made by the international community on democracy and freedom of the individual. However, it rightly points out, that its challenge is of unprecedented nature and scale. Nobody can claim to have the answers for them. Controlled release is the buzzword in Beijing. Freedoms, not unlike money, have to be earned. The Philippines serves as an unfortunate example where a democratic overhang and unlimited free speech failed to produce strength. In due time these goodies will accrue to the Chinese as well. How to pace this release wisely is alone for the Chinese to find out. We should commend the Chinese leadership for shouldering this burden on our behalf.

There is a second reason, why membership in WTO is important for China. Within WTO, it China will be the linchpin between the developed and the developing world. Due to its size as a trading nation China will immediately become a leading member. As the developing world's gorilla it will be able to speak on behalf of many poor countries.

We all sense, that an increasing part of the world's population feels short-changed by globalization. Furthermore, credibility of leadership on many levels of our free market economy is not beyond doubt. Success tends to breed a lack of sensitivity vis a vis finer points. Overlooking them generates risks that can turn into great damage. That is what September 11 is all about. Let me illustrate this point. No, I will not use Swissair as an example. Let us move to neutral European ground. Poland, a soon to be member of the European Union, would be productive in agriculture on its own, were there not the huge subsidies for the French and other incumbent farmers. Instead of opening the continental markets for Polish agricultural products,

European governments opt for sending subsidies to Poland. Misallocation of resources and economic imbalances are programmed. And what's worse: why should the Polish become inspired by capitalism. Given the way they are led by the West, they are likely to see globalization as a threat rather than as a challenge that provides new opportunities. Now comes in China. This nation will not have to wait until we Western leaders deign to actually do what we preach to those we lead. Selectively, China will put its finger on gross inconsistencies. And then it will force us to address them. High on the agenda of developing countries are still the basics: open markets for their agricultural and textile produce.

We can safely count on China to exploit this unique position between the haves and the have-nots increasingly for its own good.

It is time to conclude. We did find that Asia is in many aspects less special than may be thought off. However, there is the pragmatic way of the Chinese, rooted in Confucian principles. And then there is China as a nation, that has been up there before, lost its way for centuries, got humiliated and only recently set its sight on a come back. It is unlikely that this monstrous effort fizzles out any time soon. Its mind is opening gradually; fast enough to carry China further. May be this kid will lead the block one day.

Last question: What's in for us? Economists use the theory of comparative advantage, which I find hard to grasp. Let me try golf. Your absolute level of playing is not important. You win this game, if you play well against your handicap. What matters therefore, is the will to improve oneself. To preach one thing and to do the opposite is leading down the wrong track. To work on the courage and strength to do it one's own way tends to help. Nothing is lost for America and Europe. I just feel that Asia with its open competing systems under the growing leadership of China works harder on its swing than the rest of us.

Thank you for your kind attention and Merry Christmas to you.

Asia

10 countries

	Population 2000; million	Land Area 000 sq. km.	GDP Current 2000; USD bn	GDP PPP 1999; USD bn
China	1'286	9'598	1'080	4'445
India	1'002	3'287	424	2'225
Korea	47	99	409	725
Indonesia	210	1'905	133	555
Taiwan	22	36	293	355
Thailand	62	513	113	355
Philippines	76	300	66	295
Malaysia	23	330	89	175
Hong Kong	7	1	163	155
Singapore	4	1	92	85
Total	2'739	16'070	2'862	9'445
Rest of Developing Asia	531	9'463	226	2'005
Total Developing Asia	3'270	25'533	3'088	9'605
Europe	353	2'745	7'300	7'805

Source: IMF, International Financial Statistics Yearbook; ADB; World Bank

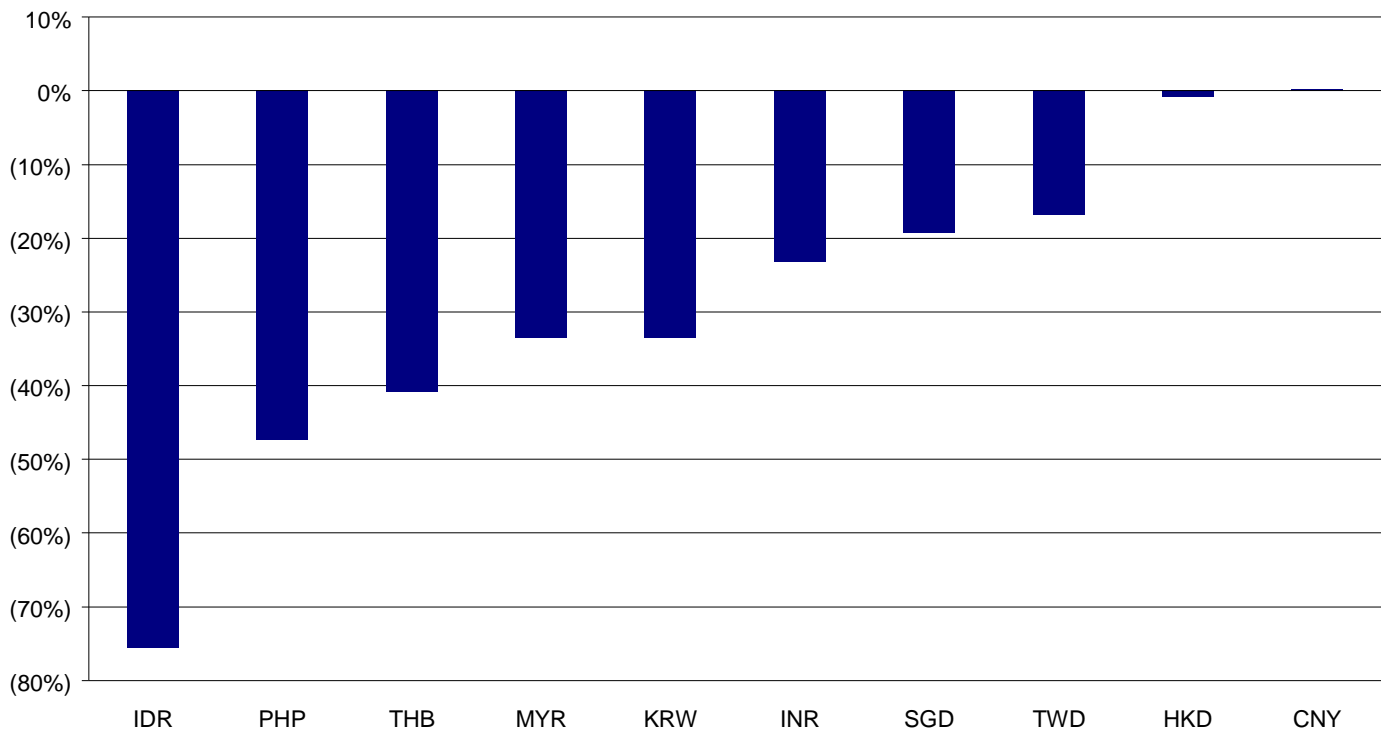
Stock markets over 10 years Asia versus the US



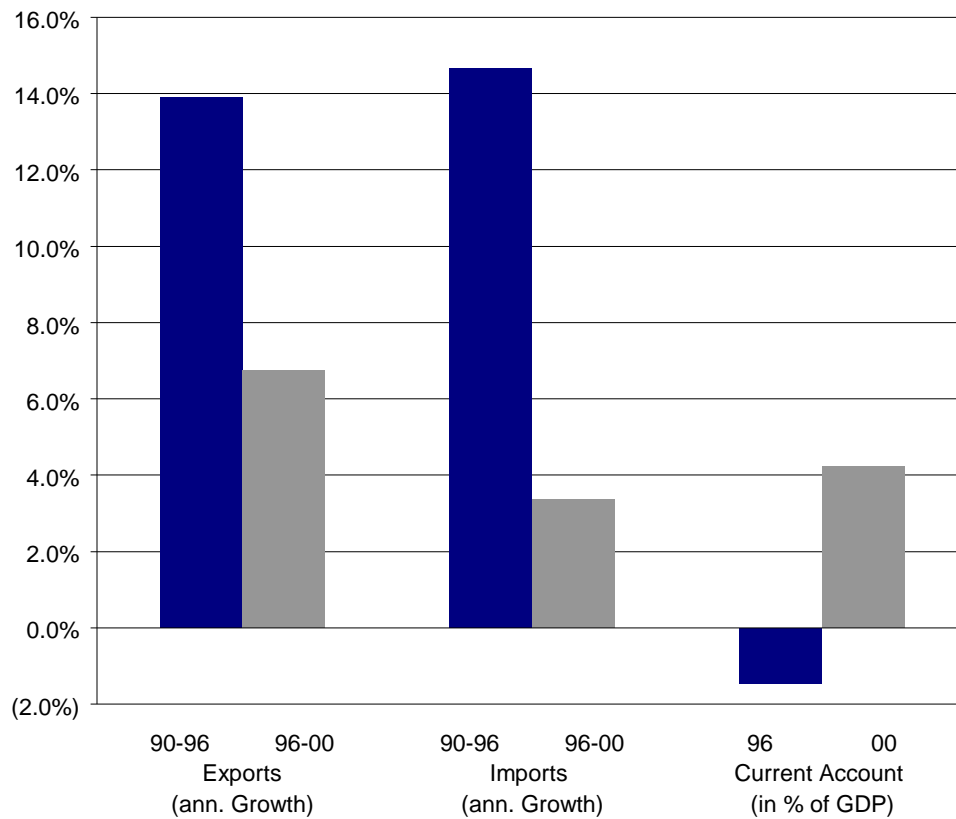
Currencies

Impact of the crisis

Currency change versus USD from beginning of 1997 to end of 2000



Trade and current account Before and after the crisis



10 year growth in Asia

Annual growth from 1991 to 2000; GDP real in local currency

	GDP	Population
China	10.1%	1.1%
Singapore	7.7%	2.9%
Malaysia	7.0%	2.5%
Taiwan	6.4%	1.0%
Korea	6.1%	1.0%
India	5.6%	1.8%
Hong Kong	4.4%	1.6%
Thailand	4.4%	1.1%
Indonesia	3.9%	1.6%
Philippines	2.5%	2.2%

Source: IMF; ADB; World Bank

Airport passenger traffic

Data in passenger million or percent

	1991	2000	Growth	
			Cum.	Annual
Far East	78	149	91%	7.4%
Japan	63	84	34%	3.3%
West	132	196	49%	4.5%

Far East: Seoul, Hong Kong, Bangkok, Singapore, Beijing

Japan: Tokyo Haneda and Narita

West: London Heathrow; New York JFK and La Guardia; Paris CDG and Orly

Source: Airports Council International

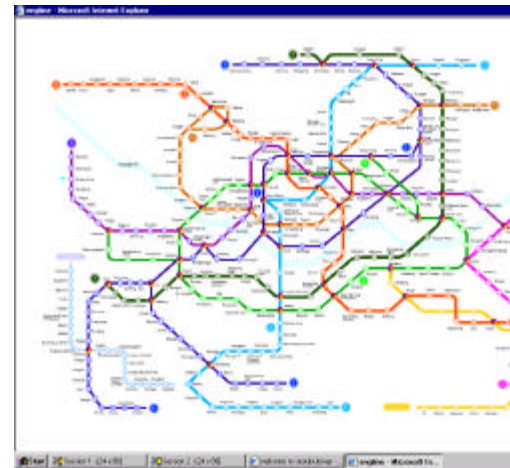
Subways in Seoul and London

Seoul

Begin of construction: 1971

Grid of 150 km, 120 stations

4 million people moved per day



London

In operations since: 1863

Grid of 400 km, 275 stations

3 million people moved per day



Degree students at Harvard University

<hr/>	<hr/> 1991	<hr/> 2000	<hr/> Growth
From Asia	995	1'117	12%
Total	18'014	18'847	5%

Source: Harvard University, Fact Book

Stock markets and economy Correlated?

Warren Buffett compares two periods of 17 years each

	<u>1965-81</u>	<u>1982-98</u>
Dow Jones		
Beginning of period	874.12	875.00
End of period	875.00	9'181.43
Annual growth	0.0%	14.8%
Economy		
Cumulative growth of GNP	373%	177%
Annual growth of GNP	8.1%	3.4%

Source: Fortune magazine, December 10, 2001

Confucius

From 551 to 478 B.C.

lived and died in the Chinese state of Lu, today's Shantung provin

Goal: Life of perfect goodness

Integrity (sincerity)

Righteousness (benevolence)

Altruism (what you do not want done to yourself, do not do to othe

Loyalty (filial piety)

Propriety (good manners)

Overseas Chinese

	<u>Share of Population</u>	<u>Share of Economy</u>
Philippines	1%	40%
Indonesia	4%	50%
Thailand	10%	50%
Malaysia	32%	60%
Singapore	76%	76%
Hong Kong	98%	80%
Taiwan	99%	95%

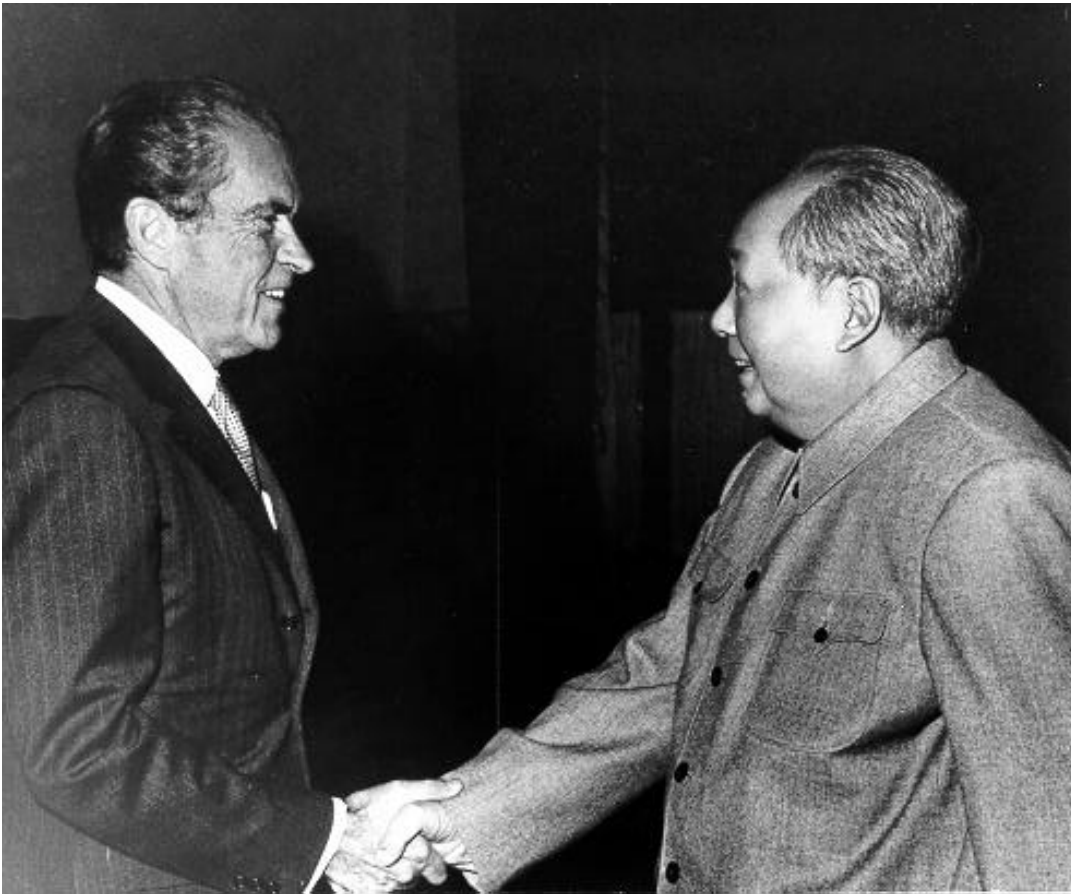
Source: EIU, Hellmut Schutte, INSEAD

History of China

Milestones

200 B.C.	Unified empire
500 A.D.	Invention of gunpowder and blockprinting
900 A.D.	Tang dynasty, high point of civilization
15th century	Ming dynasty, inward looking
1840	First opium war, century of humiliation begins
1911	Republic founded by Dr. Sun Yat-sen, Kuomintang
1949	Kuomintang under Chiang Kai-shek retreats to Taiwan People's Republic created by Mao Ze-dong
1972	Nixon visits Mao in Beijing
1978	Deng Xiao-ping proclaims market-oriented reform
2001	China enters WTO

President Nixon and Chairman Mao Beijing, in February 1972



The competition may begin!

