

AmCham Shanghai
Government Affairs Conference

International Relations & Political Considerations in 2018 and beyond

December 13, 2017

BRUNSWICK
博然思维

1. The 19th Party Congress (2017-2022)

Domestic political stability



1. The 19th Party Congress (2017-2022)

Stability, growth and reform—balancing the Holy Trinity

Growth and reform – including drastically reducing overcapacity, tackling financial risk, eradicating poverty, and fighting pollution – while ensuring stability and enduring minimal pain.

This remains a challenge. But, **expect bolder reforms to be driven through over the next five-years.**

The reform agenda will influence China on the global stage.



2. Two Paths

Defining the years ahead

The Road Toward Renewal

The great renewal of the Chinese nation and the Chinese Dream.



America First

A new vision will govern our land
... it's going to be America First.

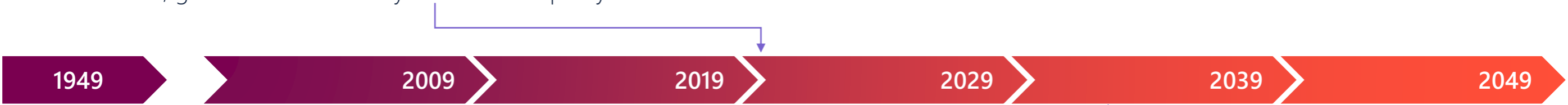


3. A Long-Term Vision

Building a vision for the future

2020: Party's Centenary

Mission: Achieve a **moderately prosperous society** with a stronger economy, more advanced science and education, thriving culture, greater social harmony and a better quality of life.



2020 to 2035: Stage 1

Mission: **Socialist modernization to be basically realized**. Includes: significantly increase economic and technological strength; become global leader in innovation; strengthened rule of law; size of middle income group expanded considerably; disparities in development addressed.

2035 to 2050: Stage 2

Mission: **Develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful**. Common prosperity for everyone will be basically achieved and the Chinese nation will become a proud and active member of the community of nations.

4. Sino-US Relations

A positive visit, but what is to come?

"My feeling toward you is an incredibly warm one ... there's great chemistry"

"...the United States really has to change its policies because they've gotten so far behind on trade with China and, frankly, with many other countries ... it's too bad that past administrations allowed it go get so far out of kilter. But **we'll make it fair.**"



4. Sino-US Relations

A positive visit, but what is to come?

Expect increased tension in the relationship through the year ahead—including unilateral trade actions against China.

- USTR Section 301 investigations
- Anti-dumping investigations (aluminum)
- Market economy status
- The Comprehensive Economic Dialogue
- US tax overhaul



5. On the Global Stage in in the New Era

China the global ambassador

Expect China to become more engaged as the global statesman.

In a world of political uncertainty and challenge:

- Brexit and Europe
- North Korea
- South China Sea
- Taiwan



6. Rising Military Power

The military in the New Era

In the new era:

- The Party strives to build “world-class forces that obey the Party's command, can fight and win”.
- This is deemed “strategically important to achieving the two centenary goals and national rejuvenation”.
- “A military is built to fight”.

Comments by Xi Jinping
at the 19th Party Congress



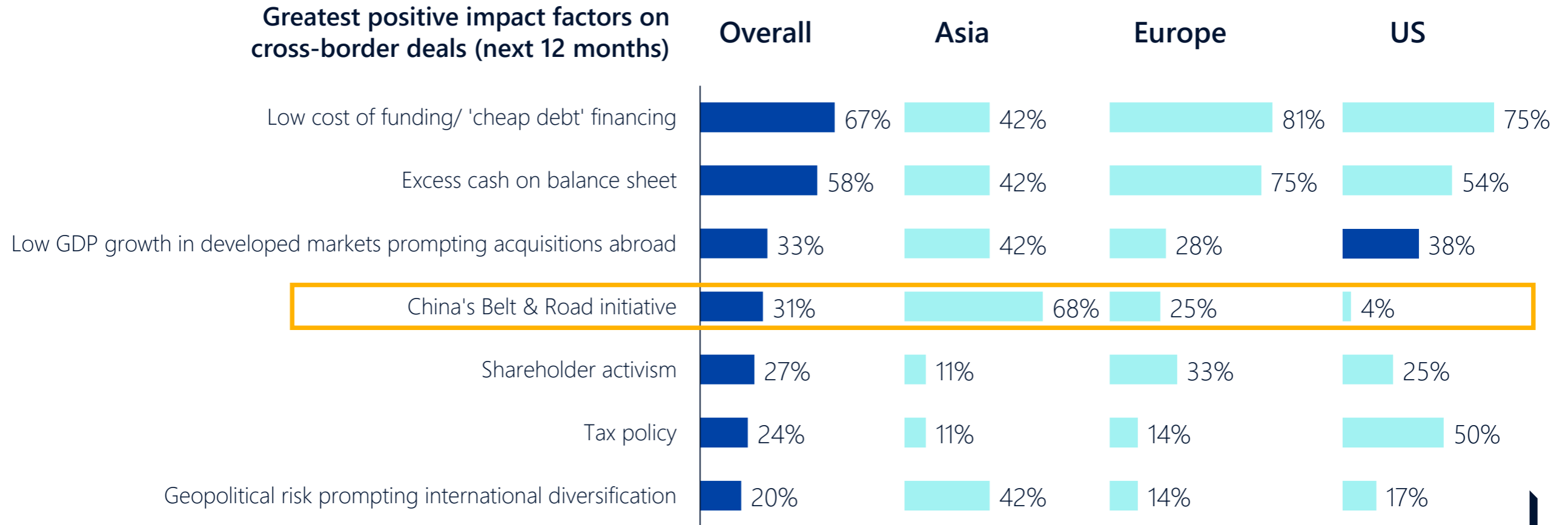
7. China Going Global

China to lead global cross border M&A in year ahead

- China ODI is here to stay. Motivation to “go global” has not changed.
- Expect increased alignment with national interests as access to capital tightens.



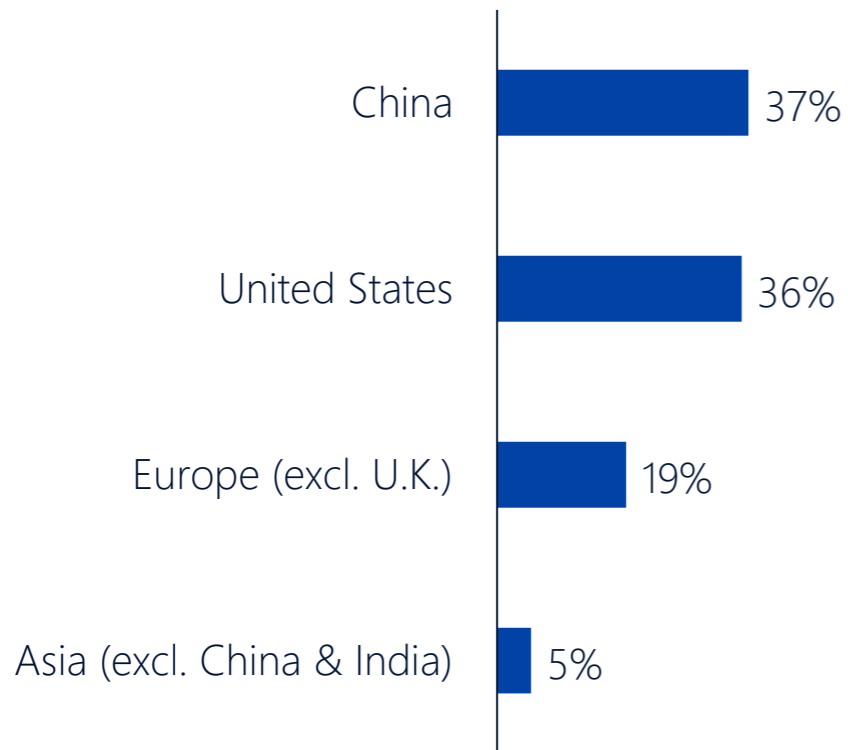
'One Belt One Road' to drive global M&A in year ahead



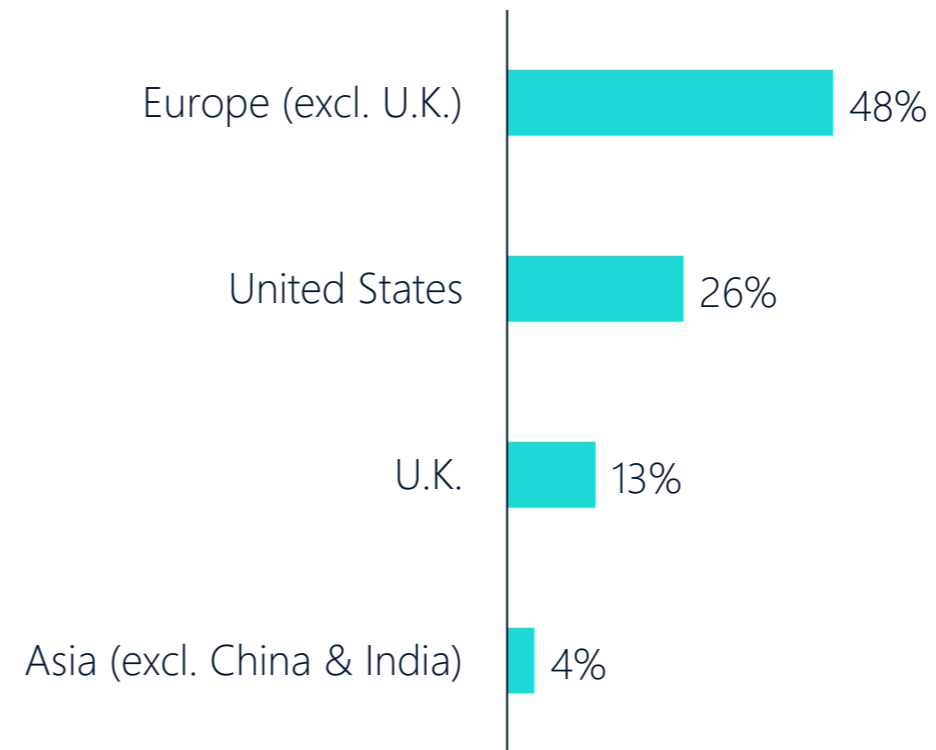
Source: Brunswick survey of global M&A advisors

China to lead global M&A in year ahead, level with US

Most active country or region in buying overseas assets (next 12 months)



Most active country or region in selling assets (next 12 months)



Source: Brunswick survey of global M&A advisors

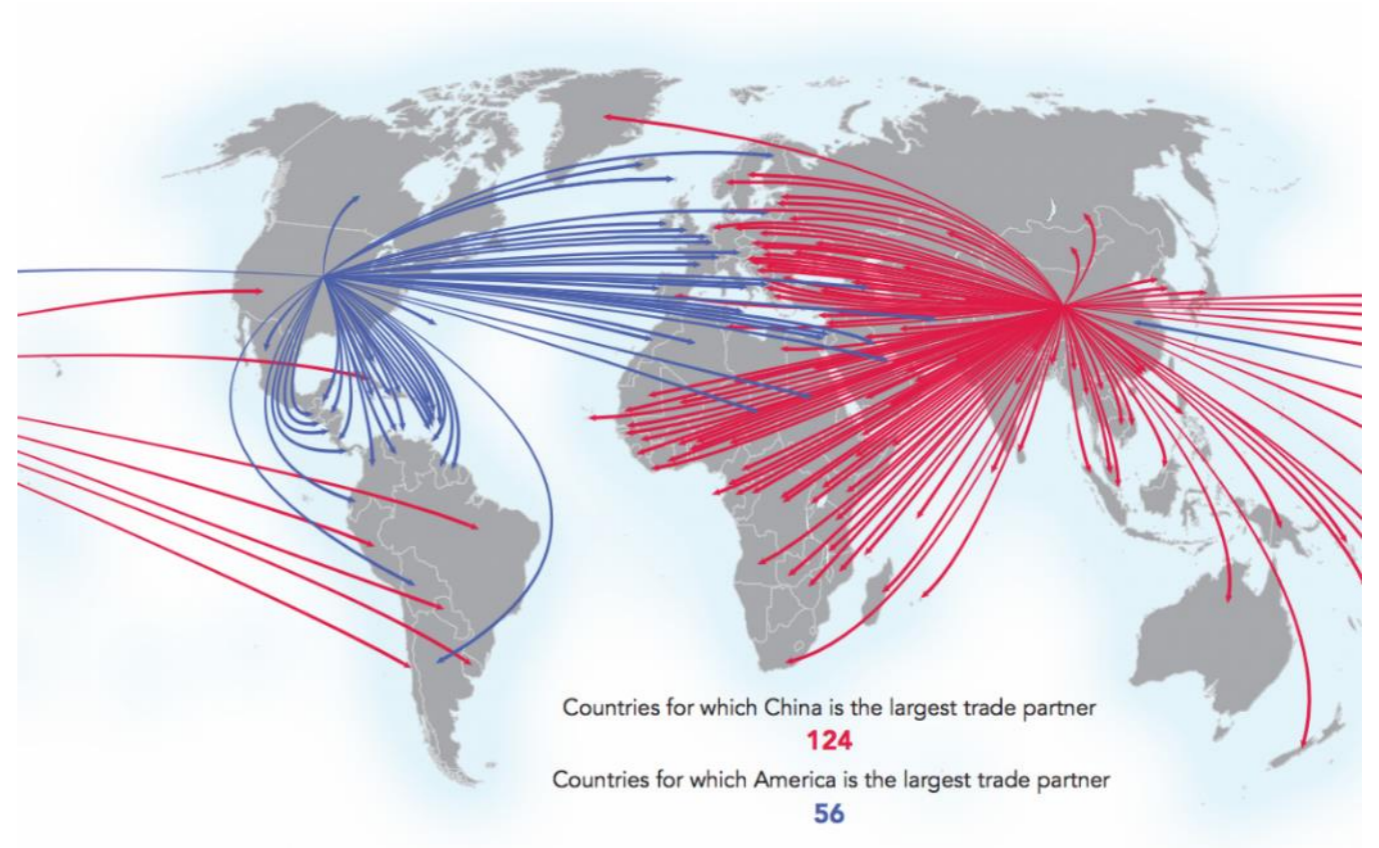
8. Rapidly Changing Global Landscape

China is **gaining ground** on the US in being seen as the world's **leading economic power**.

This will drive significant tension in the year(s) ahead in the bilateral relationship.



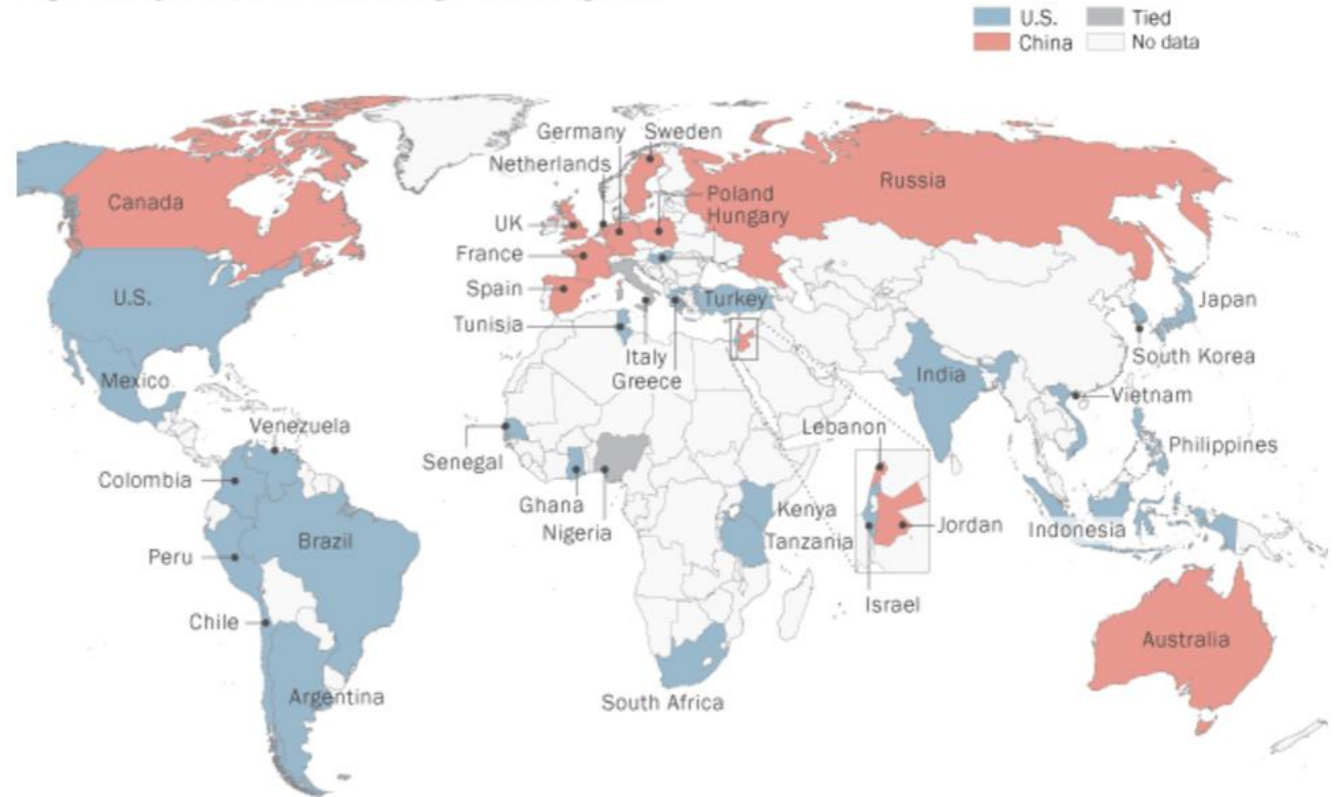
China's trade dominance continues to grow.



Source: Connectography: Mapping the Future of Global Civilization" by Parag Khanna

Overall, more countries still name the US than China as the world's leading economic power.

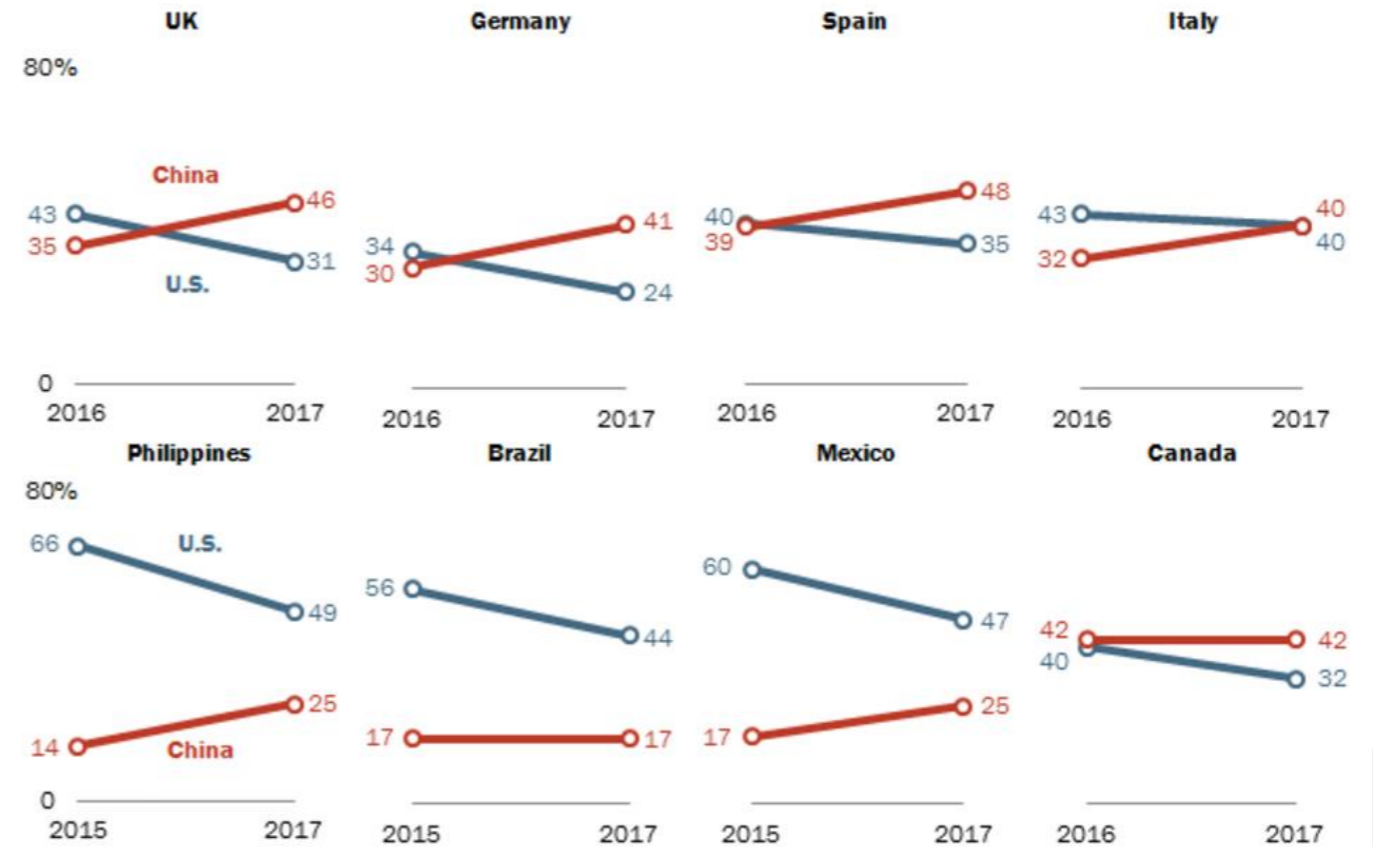
Top choice for the world's leading economic power



Source: Pew Research Center; July 13, 2017

...but the balance shifts in eyes of many key US trading partners and allies.

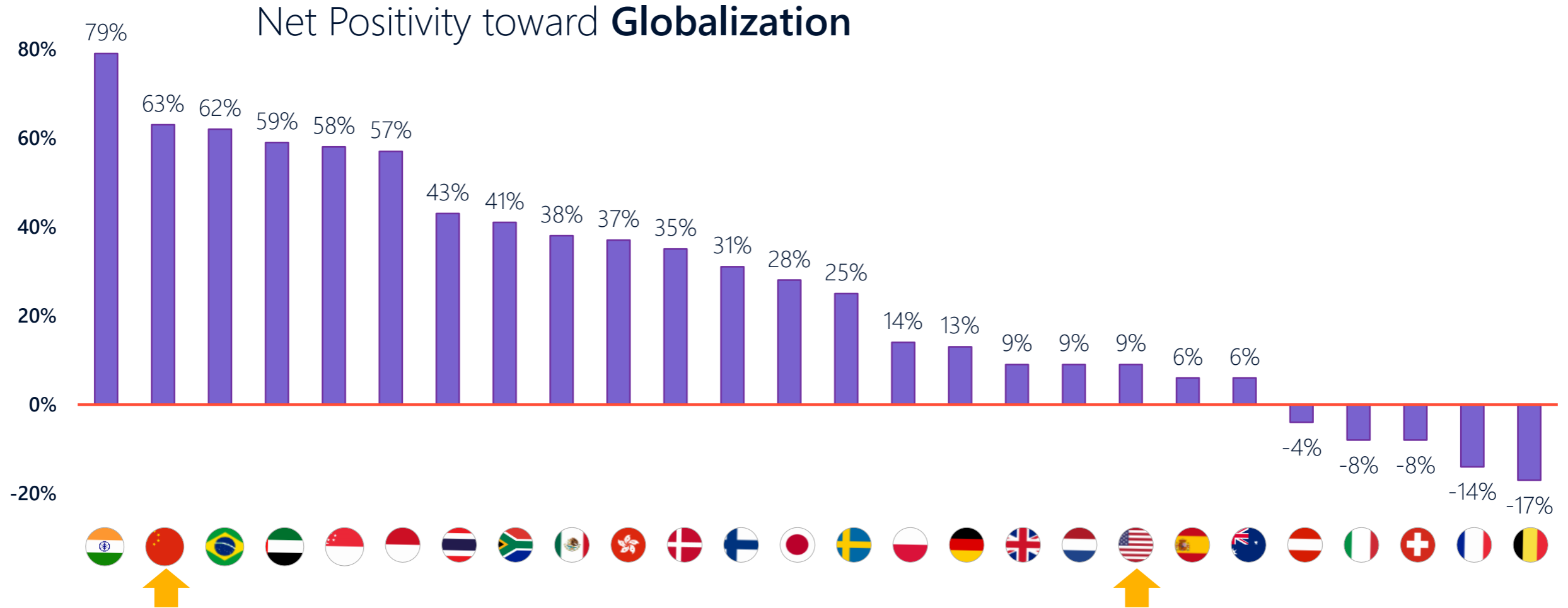
___ is the world's leading economic power



Source: Pew Research Center; July 13, 2017


8. Rapidly Changing Global Landscape

Differing views of globalization driving future tension



Source: Perspectives Research, Brunswick Insight survey of 42,893 adults across 26 markets

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Globally.



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