



Creating a Path towards Innovative Economy: China's Economic Transition

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The Transition of China's Economy

Total and Per Capita GDP:

- Total GDP: G2

- Per capita GDP: \$4,500

- Peer with Albania, EL Salvador

- Comparable to that of Argentina and US in 1913

The Transition:

- Sustainability:

- Example: Foxconn

- Consolidating and upgrading current industries to:

- Move up the international value chain

- High value-added industries

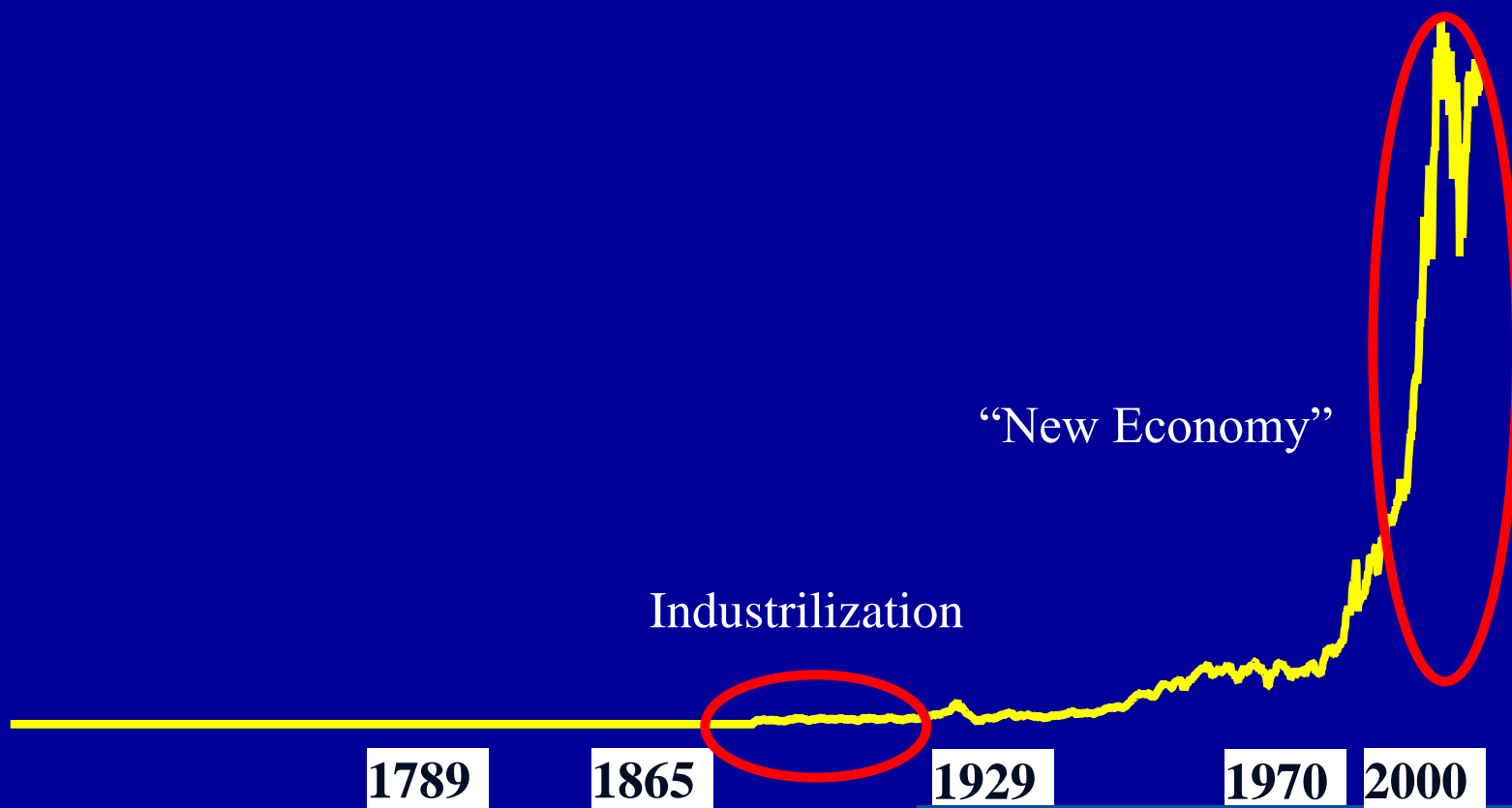


Industry Classification

Industry	Classification	Year	China	Other Countries
Steel	Production	2008	CR10=43%	Japan CR2=56%
				Korea CR1=64%
				UK CR1=89%
				US CR3=60%
Real estate	Sales	2008	CR4=5%	US CR4=25%
Coke	Production	2007	CR10=25%	US CR4=50%
				Australia CR7=90%
Medical/Health	Sales	2006	CR3=18%	US CR3=95%
				Japan CR3=75%
				EU CR3=65%



Role of Capital Market in Economic Transition



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Major M&A in US's Industrialization Age

Industry	The Acquirer	Year(s) of M&A	No. of Co. Acquired or Merged	Percentage of Industry Output Acquired or Merged
Steel	US Steel	1901	8	60%
Electrical	GE	1900-1903	8	90%
Tobacco	BAT	1890-1904	150	90%
Rubber	US Rubber	1892	12	50%
Refinery	Exxon Mobile	1880	400	84%
Sugar	US Sugar	1893	55	70%-90%



When Wall Street and Main Street Got Along Well

PC

- 1980 Apple
- 1986 Microsoft

Telecom

- 1990 CISCO
- 1996 Lucent

Internet

- 1997 Amazon
- 2004 Google

Bio-pharmaceutical

- 1986 BIOMET
- 1991 BIOGEN



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Occasionally, They Did Not



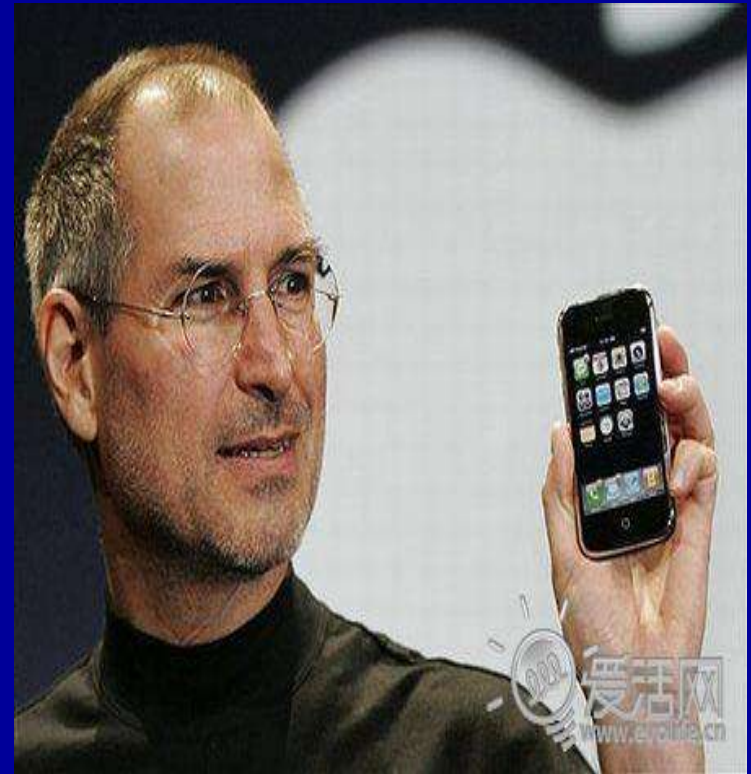
Will There Be Steve Jobs in China?

China's version of Steve Jobs:

- Apple (1980): 46600 employees
- 23 listings for Zhongguancun Science Park (Z-park) in 2009
- 56 national science parks in China

Capital Markets

- VC & PE flourishing
- Multi-layer Capital Markets



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Washington Post: “What should we really fear about China?”



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Prospect of China's Economy

“Our goal is to reach \$800 per capital GDP in 2000...More importantly, we will have to keep growing for another 30-50 years to come close to developed countries...”

——Deng Xiaoping, 1984



Thank You!
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