

# Boardroom Questions

## China's Development Roadmap 2016-2020



### How to think about the impact of China's economic development in the market?



680m

Chinese people have been brought out of poverty between 1981-2010  
Source: OECD

+44%

China's GDP is expected to grow by 44% between 2015-2020  
Source: IMF forecast

~30%

China contributes approx. 30% of global GDP growth per year  
Source: IMF, World Bank, KPMG analysis

### A changing business model



Investment intensive, export-led growth model

transitioning towards



Innovation and consumption-focused model

leading to



A more productive economy and a larger middle income group creating more demand for high quality premium goods and services

### What is the 13<sup>th</sup> Five-Year Plan's roadmap to support China's growth?\*



1

#### Implementing 'supply-side structural reform'



- Promote China's industrial restructuring to increase the quality of supply and meet consumers' evolving demands
- Strengthen market-oriented and institutional reforms, and build a level-playing field in the market
- Reduce excess industrial capacity, excess housing inventory, financial leverage and costs, and also correct structural shortcomings

2

#### Improving the quality and efficiency of growth



- Encourage innovation-dependent growth; raise investment efficiency; and elevate the quality of consumption in order to:
  - Maintain level of growth of no less than 6.5% per year
  - Achieve a more co-ordinated, innovation-driven mode of development
  - Raise the standard of living across the broader population
  - Strengthen social, cultural and educational fundamentals
  - Improve environmental conditions
  - Develop secure, robust institutions

3

#### Development should be consistent with five key tenets



- **Innovation:** Develop a system that is conducive to innovation in all aspects
- **Trans-regional and urban rural development:** Better allocate resources among regions and between urban and rural areas
- **Green development:** Ensure the preservation of ecological assets, tackle pollution and address energy efficiency issues
- **Open development:** Develop a close and mutually beneficial relationship between China and the world through more sophisticated approaches to 'opening up' and 'going out'
- **Inclusive development:** Benefits of development to be enjoyed by all citizens

Note: \* KPMG Global China Practice, The 13<sup>th</sup> Five-Year Plan – China's Transformation and Integration with the World Economy, <http://kpmg.com/cn/13fyp-report2-en>

## 'Belt and Road' is a major opportunity for global organizations – what is it?



Countries included in the 'Belt and Road' Initiative

Silk Road  
Economic BELT

21<sup>st</sup> Century  
Maritime Silk ROAD



70+ Countries involved    ~65% Global population    >30% Global GDP

**Objective:** Improve infrastructure connectivity to facilitate trade and investment

- ① It will **drive infrastructure development and with it demand for goods and services** necessary for the undertaking of projects – e.g. construction materials, commodities, machinery, financial services
- ② Enhanced policy, infrastructure, trade and people connectivity will lead to the **generation of new markets** along the 'Belt and Road', including in China's western and central regions



**All countries can be international cooperation partners of the Belt and Road Initiative"**

*President Xi Jinping, Belt and Road Forum for International Cooperation, 2017/05/14*

## Three key underlying factors that will help drive China's growth



- ① **Reforms.** Chinese leadership has shown a strong commitment to continue implementing the important reforms that China needs to achieve more stable, healthier and higher quality growth
- ② **The Chinese consumer.** Rapid urbanization and expansion of middle classes will lead to an increase in discretionary spending, especially in high-quality products and services
- ③ **Industrial transformation and upgrading.** Economic restructuring is prompting firms in traditional and high value-added sectors to leverage technological advances to increase productivity and competitiveness

## Boardroom Questions



- ① What is the **outlook for our current business** in China?
- ② How will the **ongoing economic transition** impact our existing businesses in China: positively and negatively?
- ③ Which **sectors and regions** will provide the greatest opportunities and where are we best placed to take advantage of them? How do we hear of new opportunities?
- ④ What **strategy review** has our business undertaken to assess the opportunities under China's 13<sup>th</sup> Five-Year Plan?
- ⑤ How does the **value proposition** for our business in China **align** with the economic and social development goals in the 13<sup>th</sup> Five-Year Plan?
- ⑥ What **disruptions – technological, regulatory, competitors** – could take place in my industry in China and how would they impact our business? How will my business in China be transformed over the next three years – new technologies, new business/operating models, new processes, new products and services, disruption from existing competitors?
- ⑦ How will **globalization of Chinese companies** – who might be our suppliers, competitors and/or customers – affect our business in China and in our top markets outside China? What can we do about it?
- ⑧ What are the **opportunities for co-operation** between Chinese companies and us in China, our home markets and/or third countries? What are the comparative advantages (e.g. **market knowledge**, technology/experience, track record) that we could bring to such a cooperation?
- ⑨ What does **'Belt and Road'** mean for our group? Are there opportunities for us to supply goods and/or services to 'Belt and Road' **infrastructure projects**? How do we access these opportunities?
- ⑩ Which 'Belt and Road' markets would be attractive for our group to sell goods and/or services? How and when would we **"enter" these new markets**, and what would the role be for our Chinese business to **manage sales and production operations** in 'Belt and Road' regions?
- ⑪ How would various **potential geopolitical outcomes** – e.g., US administration policy towards China, EU policy towards China, North Korea – affect our business in China? What steps have we taken or should we take to **mitigate potential business impact** of these risks?

For further insights: [China CEO Outlook 2017 report](#)

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