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Corporate Vice President
Microsoft Corporation

**FEATURED
SPEAKERS**

GARY LOCKE
U.S. Ambassador to China

TAVIS SMILEY
Host, Tavis Smiley on PBS

STEPHEN LAM
Chief Secretary for
Administration
of Hong Kong

EXECUTIVE SUMMARY

Fourth Greater China Conference
Island Shangri-la, Hong Kong
December 4-5, 2011

The United States and China are strategic stakeholders at the epicenter of irreversible trends transforming the global economy. Constructive cooperation between both countries is critical to accelerate the global recovery and restore confidence amid market uncertainty and governmental retrenchment.

The theme of this year's Greater China Conference — ***Common Ground: Building Trust in a New Era*** — underscored the critical role of U.S.-China collaboration in keeping the global economy on a long-term growth trajectory. Leadership cooperation between Washington and Beijing now more than ever is essential in managing global market undulations and political uncertainty.

The four roundtables examined core global forces — Chinese consumption, internationalization of the RMB, education and innovation, and China's outbound foreign direct investment — that are reconfiguring the global playing

field. As industry leaders and strategic thinkers, each speaker offered a unique perspective on current and emerging global trends. Their key insights are captured in this executive summary.

The conference attracted broad participation from Hong Kong's business and policy elite with high-impact keynote addresses from Gary Locke, U.S. Ambassador to China, Tavis Smiley, Host of Tavis Smiley on PBS, and Stephen Lam, Chief Secretary for Administration of Hong Kong. Mr. Lam highlighted Hong Kong's position as an international center of RMB-denominated transactions and Hong Kong's plans to position itself as a service-provider leader and cultural magnet. Fifty-three local and international press representatives covered the event and produced 57 coverage items to date. Visit the C-100 website to view video clips of the conference: www.committee100.org.



Key Points from U.S. Ambassador Gary Locke Address

- ◆ **The U.S.-China economic relationship is of immense importance to the entire world.** The United States wants China to succeed, but China has the most restrictive policies. A variety of Chinese industries would benefit from a more open investment climate. China needs to promote more dynamic, open investment policies. Open and equal foreign competition in domestic markets is good for greater investment diversity and should not be viewed as a competitive threat. Opening up China's financial services sector, expanding domestic consumption, and fostering innovation will unleash huge growth potential for Chinese and foreign firms.
- ◆ **The United States wants to grant 5-year visas to visitors from China, but a reciprocal arrangement is a prerequisite.** Over 800,000 mainland Chinese visited the United States last year, contributing more than \$5 billion to the U.S. economy. The number of Chinese students has risen to nearly 158,000, about 22 percent of America's total foreign student population.



ROUNDTABLE I SPEAKERS

VICTOR K. FUNG
Moderator
Chairman
Li & Fung Group

LIEW MUN LEONG
President and CEO
CapitaLand Group

BRAD WILLIAMS
President and CEO
MVP RV

H. ROGER WANG
Chairman and CEO
Golden Eagle



ROUNDTABLE II SPEAKERS

ANTONY LEUNG
Moderator
Chairman of Greater
China, The Blackstone
Group

KC KWOK
Honorary Senior Fellow
School of Economics
and Finance
Hong Kong University

XIAO GENG
Director of Research
Fung Global Institute

XU SITAO
Chief Representative
for China
The Economist Group

CHINESE CONSUMPTION: LOCAL MARKETS, GLOBAL IMPACT

Roundtable I explored key trends driving Chinese consumption, including urbanization, tourism, intellectual property, and an emerging middle class, and discussed local challenges and opportunities.

KEY INSIGHTS

VICTOR FUNG: In the 12th Five-Year Plan, the Chinese government plans to rebalance the Chinese economy toward domestic consumption. Achieving this goal depends on the Chinese consumer. The plan places importance on encouraging imports to correct the trade imbalance and moving toward urbanization of one percent of China's countryside to urban areas.

The key to this plan will be improving the distribution system and other undeveloped aspects of the Chinese economy. The costs in human and environmental terms need to be considered in how to think about the nature of the Chinese consumer. Chinese con-

sumers will see a new range of products in the middle market – this is the biggest factor in rebalancing the Chinese economy. The Chinese consumption trajectory will grow and behavior of the Chinese consumer is key.

LIEW MUN LEONG: The Chinese consumer is a “new consumer” – it takes time to understand products from the West. The Chinese consumer is changing faster than we realize. Regarding e-commerce, consumers will still want to see and touch the real thing. With 900 million urban dwellers, change won't happen too quickly.

BRAD WILLIAMS: MVP RV sees a \$5 billion opportunity for recreational vehicles in China, but faces duty and regulatory challenges.

H. ROGER WANG: Chinese have a huge appreciation for everything new and different. The key trends are segmentation and location.

THE RMB GOES GLOBAL: THE RIGHT TIMING FOR CHINA AND THE WORLD

Roundtable II focused on the process and challenges of the RMB's internationalization and examined Hong Kong's critical role as a strategic international financial center for China in building the offshore RMB market.

KEY INSIGHTS

ANTONY LEUNG: Necessary market reforms in the banking and financial sectors should be in place before the RMB undergoes full convertibility. People are converting RMB with the anticipation that it will appreciate. The RMB can be fully internationalized without full convertibility. RMB internationalization will be a topic watched around the world and will have major geopolitical implications and opportunities for Hong Kong as an international financial center.

KC KWOK: Investors are demanding the RMB, but will not hold them long-term based on structural weaknesses and

shortage of investment insurance. China needs structural reforms. China's economic strength will be the backbone of RMB convertibility. Use of RMB to settle trade is increasing in international transactions, but global pricing power is still in the hands of London and New York. Global distribution of pricing power is a future trend.

XIAO GENG: Cross-border convertibility is a major challenge. The Chinese government is closely monitoring cross-border movement of capital. Speculation attracts “hot money” and is a risk. The future of this market is risk management.

XU SITAO: RMB products need to gain a critical mass. There is a need for a faster pace of capital account normalization. Full convertibility is an eventuality in three to five years. If the euro continues to decline, capital controls might increase.

U.S. AND CHINA: PARTNERSHIPS FOR GLOBAL UNIVERSITIES

Roundtable III discussed how educational ventures have overcome cultural, financial, and other differences to create mutually beneficial partnerships and the lessons that can be applied to business or other sectors.

KEY INSIGHTS

TONY CHAN: Education is equally as important as money. It is an investment in the future and bridges cultures. The flow of international students, particularly between the U.S. and China, includes 150,000 Chinese students annually studying in the United States. U.S. students studying in China number approximately 15,000 per year but is slowly increasing with U.S.-sponsored programs such as 100,000 Strong. China's 1,000 Talent Scheme seeks to attract overseas Chinese talent back to China. Global educational partnerships strive to train leaders, but face funding challenges, regulatory barriers, restrictions on intellectual freedom, and financial and reputational risk.

NG CHING-FAI: United International College (UIC) is a partnership between Hong Kong Baptist University and Beijing Normal University. As the first joint college between Hong Kong and mainland China, UIC promotes liberal arts education using classical Chinese and Western resources.

JOHN SEXTON: New York University's strategy of becoming a global university aims to provide students with a truly global immersion in local culture, language and customs, through 10 academic centers worldwide, including Shanghai and Beijing.

TSUI LAP-CHEE: HKU's Knowledge Exchange strategy (2009-2014) focuses on building knowledge communities with public and private sector across the region, particularly in the New Territories and Shenzhen, to advance research capabilities and global education exchange.

FDI WITH CHINESE CHARACTERISTICS: HOW IS CORPORATE CHINA MOVING ABROAD?

Roundtable IV explored how Chinese investment abroad is opening up opportunities in financing and professional services, identified the challenges Chinese companies face overseas, and discussed different approaches in addressing these challenges. Speakers also discussed ways in which Chinese companies can improve corporate governance and build trust with U.S. counterparts.

KEY INSIGHTS

RONNIE CHAN: The rise of China provides the context of China's increasing outbound foreign direct investment.

CHRIS LU: The challenge of China's outbound foreign direct investment lies primarily with resource needs driven by domestic consumption, not exports. China lacks resources, and therefore seeks to secure resources to meet the demand of internal consumption.

CHEN GUOCAI: In doing business in the U.S., we have learned to be patient with U.S. companies. The majority of our staff are local hires. Our long-term strategy is to increase our U.S. operations by acquiring one or two mid-size U.S. construction companies to serve as a financing platform.

CHENG LIXIN: ZTE pursues the ACW strategy: "A" is for America – leveraging American innovation and integrate it into Chinese engineering; "C" stands for China – using Chinese engineering and capabilities; "W" is for worldwide – ZTE designs and delivers product for the global market. The biggest challenge is communications with stakeholders – customers, community, local and national governments. It is easier to deal with local governments. We are learning to communicate in the local environment, because global success comes from local



ROUNDTABLE III SPEAKERS

TONY F. CHAN

Moderator
President
Hong Kong University of
Science and Technology

NG CHING FAI

President
United International College

JOHN SEXTON

President
New York University

TSUI LAP-CHEE

Vice-Chancellor and
President
University of Hong Kong



ROUNDTABLE IV SPEAKERS

RONNIE C. CHAN

Moderator
Chairman
Hang Lung Properties Ltd.

CHEN GUOCAI

Vice President
China State Construction
Engineering Corp. Ltd

CHENG LIXIN

President and CEO
ZTE, USA

CHRIS LU

CEO
Deloitte China



Tavis Smiley
Host
Tavis Smiley
on PBS

View speech video:
www.committee100.org

LUNCHEON DISCUSSION

TAVIS SMILEY
Moderator
Host
Tavis Smiley on PBS

Ronnie C. Chan
Chairman
Hang Lung
Properties Ltd.

Dominic Ng
Chairman
EastWest Bank
Committee of 100

Eugene Robinson
Columnist
Associate Editor
Washington Post



TAVIS SMILEY GALA KEYNOTE HIGHLIGHTS

- ◆ So if we are looking for some common ground, truth be told, the thing that unites most Americans with most Chinese is poverty, but it's the one thing that nobody wants to talk about. When you talk about the troubled relationship between our two nations, nobody wants to talk about the one thing that people do understand, the one thing that does affect most Chinese and Americans.
- ◆ No society can survive indefinitely, if the gap between the rich and the poor continues to widen, no society can survive long term. It won't happen in China; it won't happen in the US. Either we get serious about eradicating poverty for the masses, or poverty just might eradicate both of our nations. That's how serious this problem is. The overwhelming majority of people cannot forever remain in that situation.
- ◆ At some point we got to find some courage, some conviction and some commitment to tell the rest of the story. I believe it is the telling of truth that allows the suffering to speak. Is China a rich nation or a poor nation? Is America a rich nation or a poor nation? What I do know is that the majority of your people are poor, the majority of our people are poor, and these numbers won't hold up forever. So for those of us who want to stay where we are, those who want to climb higher, those who want to increase profit margins to grow, we cannot continue to ignore the masses of our people on the other side of these waters.

LUNCHEON DISCUSSION HIGHLIGHTS

Tavis Smiley, Ronnie Chan, Dominic Ng, and Eugene Robinson engaged in a spirited exchange on salient issues affecting U.S.-China relations in the context of the 2012 U.S. presidential elections.

TAVIS SMILEY: Americans need more access to Chinese thought leaders and opinion makers to better understand China. Greater access will produce greater understanding.

RONNIE CHAN: What worries me about U.S. politics is what has been done in the last 16 years. U.S. encirclement of China is already underway. If you make China an enemy, it will be. A deficit of knowledge concerning China exists in the United States. I'm not sanguine about the Chinese economy; social issues are building up pressure, and difficulties lie ahead. The biggest danger in the world is for the United States to lose self confidence unnecessarily. The U.S. has aging structural, systemic problems, but this is true of all the West. China

will not replace the United States, because China is still way behind.

DOMINIC NG: The future of U.S.-China relations really depends on the future of leadership in both countries. The United States must be willing to make adjustments on basics, such as education, social security, and healthcare. Too much partisanship hinders the ability to fix these problems. American political rhetoric toward China is not positive and is escalating among the U.S. presidential candidates. Both countries need to cooperate on meeting the increasing challenges—economic, environmental, etc.

EUGENE ROBINSON: The United States and China are co-dependent. China is rising, and the U.S. is declining in a relative sense. China's new confidence reflects its economic ascent.

KEY SPONSORS

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