

# **CHINA.ACTION.MONEY.**

## **China's Rise to the Top**



**PACIFIC TYCOON**

## China's Rise to the Top

Since the 1970s, reform of the Chinese economic, political and legal systems has facilitated the rapid growth of its economy, to the point that it is now the second largest in the world and the number one trading nation. As the government continues to implement changes to boost China's international competitiveness and secure its economic future, the country is continuing to rise to the very top.

In 2015, the rate of growth is predicted to slow to a sustainable rate of 7% per annum. Despite this deceleration, China's performance continues to surpass that of the largest economy in the world – the United States of America. The difference in growth rates will see the Dragon Economy overtake the USA and become the largest economy in the world.

This edition of China.Action.Money is going to analyse the factors that are set to secure China's future as the country with the greatest global economic power.

## An Entrepreneurial Economy

The rise of private companies in China correlates with the emergence of this economic powerhouse. In 1978 – the year that the reforms began – there were 140,000 registered private businesses, generating less than 1% of the country's GDP. In comparison, 2014 saw the registration of a staggering **3.7 million** new companies. Between 2013 and 2014, the creation of new enterprises rose by 46%, highlighting the extraordinary growth potential for the private sector.

The expansion of the private sector has seen the state's responsibility for employment fall from 70% in 1990 to 25% in 2012. With less accountability for job creation and economic output, the government is able to focus on creating the macro economic conditions that promote further growth and expansion of firms of all sizes and across the spectrum of industries.

## The China International Payments System (CIPS)

Expected to debut during 2015, the CIPS has the potential to significantly increase the global role for the Chinese Yuan or Renminbi. At the same time, it will diminish the importance of the US dollar – the current currency of choice around the world. According to the investment bank, [Standard Chartered](#), this payment system "has the potential to be a game changer". It will allow cross-border trading and clearing of the Renminbi across both onshore and offshore participants.

Currently, the Chinese currency accounts for **9% of financial trade deals** in the world but only 2% of all global payments. However, in key markets such as

energy and commodities, China is the most important international player. The CIPS offers the opportunity for the Yuan to become the long term currency of choice in such industries. This phenomenon would undermine the role of the US dollar and boost the importance of not only the Yuan but also the Chinese economy.

## The Completion of the Silk Road

The development of the Silk Road trade and transport connections, as outlined [here](#), is allowing China to build a number of strategically important economic relations. This includes a high-speed trans-Siberian railway that will connect China with Russia in addition to a China-Myanmar oil pipeline. The pipeline will provide energy security to China and ensure a ready flow of oil for industrial use.

The series of trade connections and infrastructure will connect China to Central Asia, the Middle East, and Western Europe. The development will include projects that range from upgrading the ancient Silk Road through Central Asia, to developing a number of economic corridors with key strategic partners. This will operate in addition to a new maritime Silk Road that will extend from southern China all the way to Venice.

## China's Long Term Growth

The Chinese economy is in the midst of a long term transformation into a market economy that will dominate the global landscape. Whilst the rate of economic growth has slowed in recent years, this sustainable performance is allowing for an entrepreneurial economy to create jobs and wealth across China.

The development of the China International Payment System and Silk Road trade route will allow for the long term development of China, supporting the economy's competitiveness and its rise to the position of the number one economy in the world.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: [www.pacifictycoon.com](http://www.pacifictycoon.com)



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