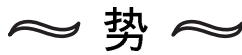


Preface



A year ago, when we first started writing this book, China seemed ascendant: Hong Kong, Shenzhen and Shanghai stock markets were pushing to new historical highs, the economy was somewhat overheated but running smoothly under cooling measures, and the run-up to the Olympics was proceeding well with the completion of the Olympic Stadium, colloquially called the Bird's Nest, and other facilities.

Now as we prepare to go to press, the world's economy is in a state of uncertainty over a possible recession in the US, climbing inflation in many countries, food shortages and rising commodity prices, and a record-low US dollar. In China, there is a rollercoaster stock market that lost nearly half its value from historical highs set just eight months before. In early 2008, the country experienced rare blizzards that closed railways, stranding millions of passengers and causing power shortages; the Sichuan region suffered the worst earthquake in China in more than 30 years; and inflation is averaging about eight percent since the start of the year. Despite all this, China's economy still grew 10.6 percent in the first quarter of 2008. China has been growing rapidly for the last 30 years, and it is still growing.

In some ways, China's confidence as a nation has reached its pinnacle with events such as hosting of the APEC meeting in 2001, the Boao Forum for Asia (China's answer to the Davos World Economic Forum) now held annually, and sports events such as the FIFA Women's World Cup hosted in China in 2007. The optimism of the Chinese people, both domestic and overseas, is so strong that it sometimes erupts into nationalistic fervor as it did for the Olympic Torch Relay after controversy in the UK, France and the US. But China as a nation is showing new resiliency in the face of setbacks.

The decade-long preparations for China to appear on the world stage will be capped by hosting the Olympic Games. China's Olympic Decade starts in 2008: August 8, 2008 at 8.08 p.m., to be exact, with the opening of the Beijing-hosted Summer Olympiad. If you are observant and aware of auspicious Chinese numerology, you will undoubtedly notice that's a lot of 8's — 8/8/2008, 8.08 p.m. Chinese consider the number 8 to be lucky because it shares a similar sound to "getting rich" and this date represents a new starting point for China; it is a springboard for billion dollar industries that are just beginning.

For China, the Olympic Decade is important on many levels. Through its athletic events, the Olympics brings a lot of attention to the host country, which usually takes this opportunity to improve the business and social environment. In some ways, it is a face-lift, to improve the country's image to the outside world. China has been longing for this opportunity, for "a thousand years" as many Chinese say, to show how far formerly poor and backwards China has come to join the ranks of modern prosperous countries through its 30 years of reforms and hard work.

Starting three years ago, China began a daily countdown in newspapers and public billboards showing how many days were left until August 8, 2008. Day after day, new regulations (for example, environmental improvement, better labor regulations, even reforming its massive state-wide healthcare program) have been quickly promulgated, increasing the people's optimism. It is this momentum that

is carrying China forward, setting the stage for new trends which will create the biggest business opportunities in the next decade for those doing business with China.

This is a book about trends and especially about how to catch them. Some academics can see the trends, perhaps even predict them, but may lack the motivation or resources to act on them. Many businesspeople may have the resources and intent to act, but are often in the unfortunate position of simply following the trends rather than surfing them like a wave. Both, in the end, miss the trends in one way or another.

势, the Chinese character on page xi — pronounced like the *shi* sound in *shirt* — is used in a number of Chinese words for trends. It is useful to understand this pictographic representation for “trend” by the two characters from which it is made:

执
力

On the top half is the symbol for *catch, grasp, or execute* (执), and the bottom half is the symbol to represent *strength* (力): The person who catches the trend is strong, or perhaps their strength will master a trend; executing with force is a must to catch a trend.

An ancient Chinese saying cleverly classifies how people react to, and the benefit they derive from, opportunities:

不知不觉	<i>bu zhi bu jue</i>
后知后觉	<i>hou zhi hou jue</i>
先知先觉	<i>xian zhi xian jue</i>

Read here from left to right, top to bottom, it may be roughly translated to mean, if you are not aware, you will have no reaction; late awareness, delayed reaction; early awareness, advance reaction: If you know first you act first.

The time to know the trends, catch them, and act with strength is now. The trends that shape China’s immediate future, its Olympic

Decade from 2008 to 2018, are so large that we can call them *supertrends*, and they will result in many *billion dollar opportunities*. China is a country to which the word “billion” is often attached, usually in its relation to population. To put that idea in terms of opportunity, we paraphrase a comment from one of China’s current leaders, Premier Wen Jiabao: Any trend multiplied by 1.3 billion people is bound to have a deep and profound impact on business and society, not only in China but also around the world.¹ To us, “billion” is the magnitude of dollars the winners stand to gain by being among the first to recognize and operate in the industries that those supertrends promote.

Deng Xiaoping was the leader responsible for China’s opening the door to market economy reforms in 1978 after decades under the Communist doctrines of Mao. He once said, “...To get rich is glorious.” This book aims to make you aware of on-the-ground knowledge from China’s burgeoning economy that will help you to become rich and glorious. Whether you are in China already and looking for a new path, or outside of China considering your first foray, by following some of the ideas we believe are among the best, or by being inspired by them to find your own, you will open your own door to future success and wealth.

The Chinese character on the book’s title page (元) is written and pronounced *yuan*. It is the symbol of money, and the Chinese currency, the *renminbi* (RMB), is colloquially called the *yuan*. To us, it represents the wealth and success that you can hope to achieve by understanding the supertrends and taking action on them to improve your life and business.

This book is not about fearing China’s growth in the tone of Japan Inc. in the 1980s, it is not unfairly critical of the Chinese economic development path (as is the current *du jour* approach in many China-related books), nor is it about the question of the various developed Western countries versus China as competitors. Certainly, all such perspectives have a place in the debate, but it is not the purpose of this book to add fuel to the fire. Rather, this book is

about China's top business trends and how people from all levels of business and every nationality can profit from them. From multinational corporations to sellers on e-Bay, China's supertrends affect all businesses big and small. They affect you.

The controversy over China's growth may be focused on several key issues: the detrimental local and global environmental impact of China's carbon-emitting, pollution-discharging factories; the exploitation of workers, many of whom are working in the same polluting factories and suffering poor safety conditions and low wages; China's social problems including wealth distribution, aging and slow pace of democratic reform; and in the business sector, intellectual property rights protection. These issues are often presented as either an unfair competitive advantage for China or a reason its rise should be suspect. Many of the worst-case Malthusian scenarios such as a fight over oil supplies are often painted as inevitable outcomes which only concerted international and Chinese political effort will prevent, if at all.

These outcomes discount the power of the market forces that have been unleashed in China: If the saying is true, that no two countries with a McDonald's have ever gone to war, then war with China over oil or some other issue is highly improbable, because China has more than 750 McDonald's and is adding dozens every year.²

Like the Malthusian arguments of the past which predicted massive shortages and suffering due to lack of key supplies such as food, many of these anti-China arguments often fail to acknowledge business and markets as potential solutions. Malthus was wrong: We did not run out of food; instead, productivity

increases supported a much larger population than he ever envisioned. Therefore, as businesspeople, we prefer to take a more balanced approach to the environmental, social, and political problems of China. To continue a thought from earlier in this Preface, any large problem *divided by* 1.3 billion people may become a very small issue.

We would like this book to refocus the debate and look at China in a more balanced way in order to appreciate the intricacies of its development and the importance of these key future industries as *solutions* to the problems our esteemed academicians, journalists and politicians have identified. Business and markets, productivity improvements and consumer preference, have solved social problems before and we believe they will do so again in China, especially when accompanied by the determination of its government and of a population of poor people striving to improve their quality of life.

The willingness of the Chinese government and the people to improve their living standard through capitalism is powerful, their approach practical and thus far successful.

In terms of the format, this book is written by businesspeople for businesspeople, with practical down-to-earth analysis and advice. We have lived in China for years, and what we see on the ground we put in this book. The supertrends in fact are well-known in China: High-tech manufacturing, environment and energy-saving, urbanization and social development are even a part of the Chinese government's own 11th Five-Year Plan (from 2006 to 2010). We provide a brief introduction to these initiatives in our first section, but it is the impact of the drivers and the trends that we most want to share with you.

This book is definitely not a series of academic-style case studies, a collection of reminiscences and war stories, nor is it an unconnected collection of papers in different styles and presenting different views from an assembly of academics or corporate officers who are usually comfortable in dealing with PowerPoint presentations and paper strategies. Instead, this is an experienced and insightful guide to understanding how to profit from China's rising economy.

The book is divided into several sections. First, there are the *drivers* and the *supertrends*. These are what move the Chinese economy forward, and within them can be found the opportunities that will lead you to success. The big three primary drivers are China's export-driven manufacturing, development of the domestic Chinese market, and foreign direct investment (FDI) which brought capital and technology to China. More importantly, we identify the *drivers of the drivers*, the real forces that push the *primary drivers*. The *drivers of the drivers* are the engines that will continue to power the big three drivers in the Olympic Decade from 2008 to 2018.

The *drivers of the drivers* — government policy, globalization, and people's determination — will propel the Chinese economy of tomorrow and furthermore induce the *supertrends*, which will greatly change the business environment and people's lives. These supertrends — Value-adding and Innovating, Urbanizing and Servicing, Consuming and Aspiring, Inter-networking and E-Commercializing, Affluencing and Greening — will create billion dollar opportunities in products, services, and ideas. These supertrends will lead China's Olympic Decade.

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