FEATURE STORY

China

From a Dynasty to a Modern Market Economy

Chongqing, Southwest China

From Dynastic China to a Modern Market Economy

China is a country that is rich in history with its ancient dynasties. During the Han Dynasty, considered the golden age of China history, the Silk Road was established. For 2,000 years, the Silk Road was an ancient network of trade routes of more than 6,400 kilometres linking the regions of the ancient world during the Roman Empire, connecting the West and East from China and India to the Mediterranean Sea, bringing commerce, Eastern cultures, religions, and inventions.

In the late 20th Century, China introduced a market economy. China has seen a huge increase in Chinese industrial output and a great improvement in Chinese standards of living, and it is predicted to become the world's largest economy by 2040.

China's Infrastructure Development and Investment

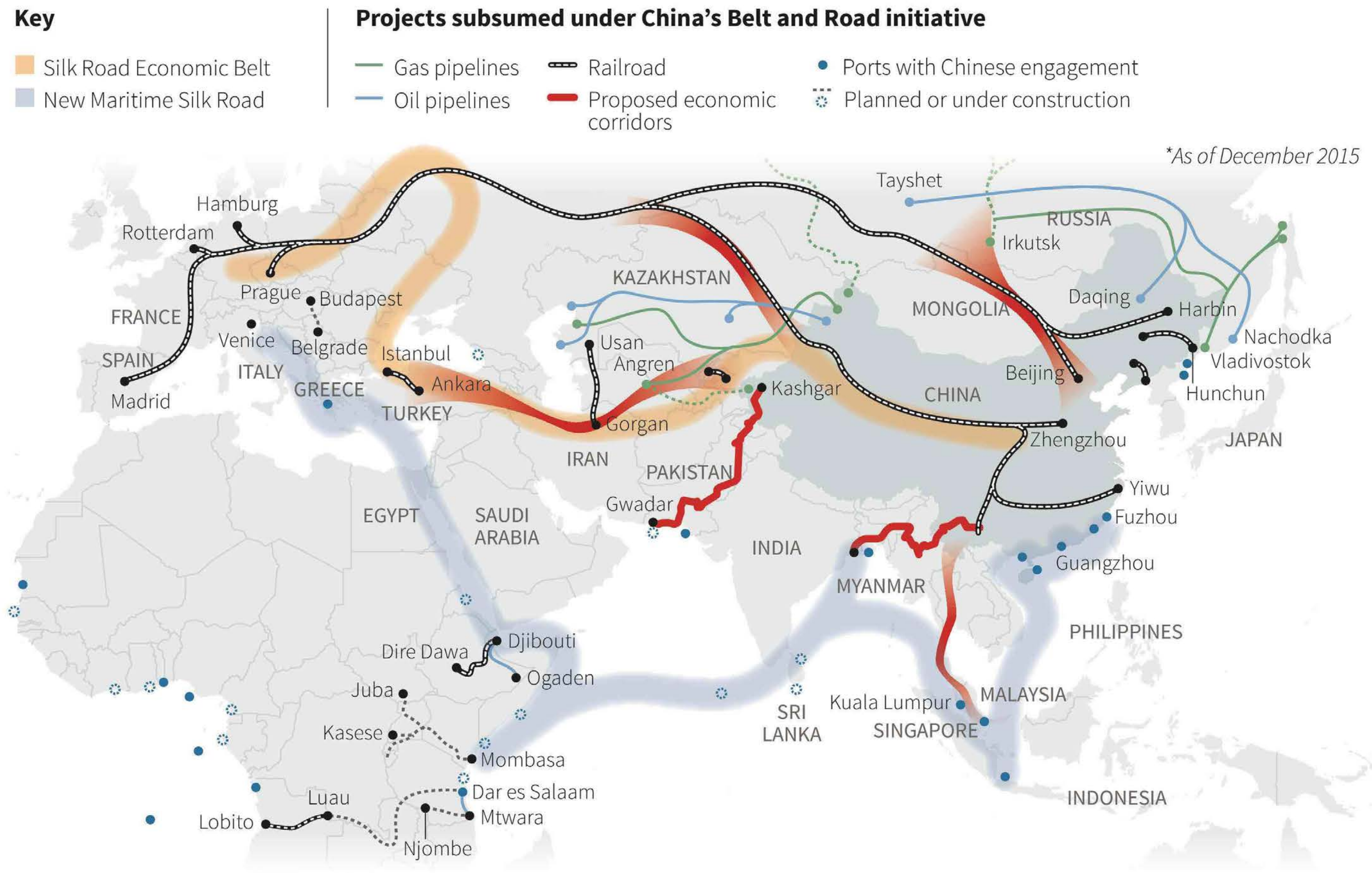
China is a global leader in infrastructure investment, which is a top priority for China's government, that is, to have a modern system of reliable roads and rail system, electricity, and telecommunications. From the late 1990s to 2005, 100 million Chinese benefited from power and telecommunications upgrades. Between 2001 and 2004, investment in rural roads grew 51 percent annually. In recent years, the government has used substantial infrastructure spending as a safeguard against declining economic growth. China's investment in infrastructure makes it an attractive destination for investment capital.

From the Silk Road to the Belt and Road

The core of China's global infrastructure investment is the China Belt and Road Initiative (BRI), which has replaced China's ancient Silk Road. The BRI is a global infrastructure investment valued at around US $1.3 trillion, consisting of the overland Silk Road Economic Belt (SREB), and the sea-based Maritime Silk Road (MSR), forming the "belt" and "road". The BRI will create an infrastructure

Reviving the Silk Road

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China's Belt and Road initiative, aims to invest in infrastructure projects including railways and power grids in central, west and southern Asia, as well as Africa and Europe.



Source: Mercator Institute for China Studies.

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of roads, railways, telecommunications, energy pipelines and ports and will improve economic interconnectivity and facilitate development across Eurasia, East Africa and more than 60 partner countries. From South-east Asia to Eastern Europe and Africa, the BRI accounts for half of the world's population and a quarter of global GDP.

The Chinese government has recently forged economic and trade relations with the United Arab Emirates, which supports the Belt and Road Initiative and is keen on participating in related projects. Both countries have emphasised their desire to boost cooperation within the initiative and to establish sustainable trade and investment partnerships.

China Economic Indicators

	2013	2014	2015	2016	2017
Population (million)	1,361	1,368	1,375	1,383	1,390
GDP per capita (USD)	7,124	7,662	7,948	8,103	8,806
GDP (USD bn)	9,694	10,480	10,925	11,204	12,241
Economic Growth (GDP, annual variation in %)	7.8	7.3	6.9	6.7	6.9
Consumption (annual variation in %)	6.8	7.9	7.2	7.8	-
Investment (annual variation in %)	9.8	7.3	6.9	6.6	-
Industrial Production (annual variation in %)	9.7	8.3	6.1	6.0	6.6
Inflation Rate (CPI, annual variation in %, eop)	2.5	1.5	1.6	2.1	1.8
Inflation Rate (CPI, annual variation in %)	2.6	2.0	1.4	2.0	1.6
Exchange Rate (vs USD)	6.05	6.21	6.49	6.95	6.51
Trade Balance (USD billion)	259	383	594	510	419
Exports (USD billion)	2,209	2,342	2,273	2,098	2,263
Imports (USD billion)	1,950	1,959	1,680	1,588	1,844
External Debt (% of GDP)	8.9	17.0	12.7	12.7	14.0

Why Invest in China

China is a strong emerging market, slated to become the world's largest economy by 2040. China remains attractive as a destination for FDI, due to its world-class infrastructure and efficient and skilled manpower. China's low-cost, skilled employees have the necessary aptitudes, experience and proficiencies to create, manufacture, and provide goods and services that can compete in global markets. China's regulatory environment, stability, business climate and openness to regional and international trade all contribute to the country being an attractive destination for FDI. Foreign investment in China will stimulate development and enable it to compete in the global marketplace. The government is also gearing China to become a more consumer-focused economy with heavy investment in China's consumer tech sector, which is set to see a good deal of growth in the next five to ten years.


Shanghai

Real Estate Investment Climate

Nonetheless, investment in the Chinese real estate market is subject to multiple layers of government laws, regulations, and government control at the local, provincial and national levels. These change on almost a daily basis, with implementation thereof left at the discretion of government officials. Investment in real estate in China, like in most unknown markets, requires specialised knowledge and expertise, and successful foreign investors have advisors on the ground in China. Sectors of interest to investors are urban redevelopment and rental housing. Over the next few years, the residential and logistic sectors are expected to yield the best returns.

Most of the growth in China's real estate market has come in Tier 1 markets, which are the greatest drivers of innovation and growth globally and are attracting investors from both China and overseas. According to a 2017 report by research institute China Index Academy, Shanghai, Beijing and Shenzhen are the most attractive destinations for investment in property development, with Chongqing ranking in the Top 10 as well. Prices in the commercial sector remain high, with Shenzhen prime office yielding under 4 percent. The 2017 Hurun Report ranks the Chinese cities of Wuxi, Hefei, Guangzhou, Xiamen, Zhengzhou, Nanjing and Huizhou in the world's top 10 cities with the fastest growing housing prices. In Shanghai, Beijing, Shenzhen, Guangzhou, and Chengdu, investment volumes rose 25 percent annually over the past three years, reaching a total of US$35.4 billion in 2017. Shanghai is China's biggest market, accounting for 48 percent of investment volume.


Hong Kong

Hong Kong, the real estate hub of Asia, has a booming real estate market. Chinese enterprises and individuals invested HK$36.1 billion (about US$4.6 billion) into Hong Kong's real estate market in 2017, a record high representing a 213% increase from the previous year. Factors that draw mainland Chinese investors to Hong Kong are geographical proximity, a stable legal and political environment, and the potential for property price growth. Gross rental yields in Hong Kong are at just above 2% due to the continuous rise in residential property prices.

China Cities Getting Bigger, Better And Faster

Want to invest in real estate but don't have a million dollars for a one bedroom in Hell's Kitchen or Marylebone? Then go to China. When it comes to the best up-and-coming cities, China is climbing the rankings faster than any other country.

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Property Prices Continue To Surge In China Despite Government Cooling Measures — Here's Why

There have been many metaphors thrown up over the years on the state of China's real estate market. From warnings of a bubble about to burst to predictions of ghost cities haunting its future, the alarm bells have been ringing loudly.

Many observers have drawn parallels with the ...

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