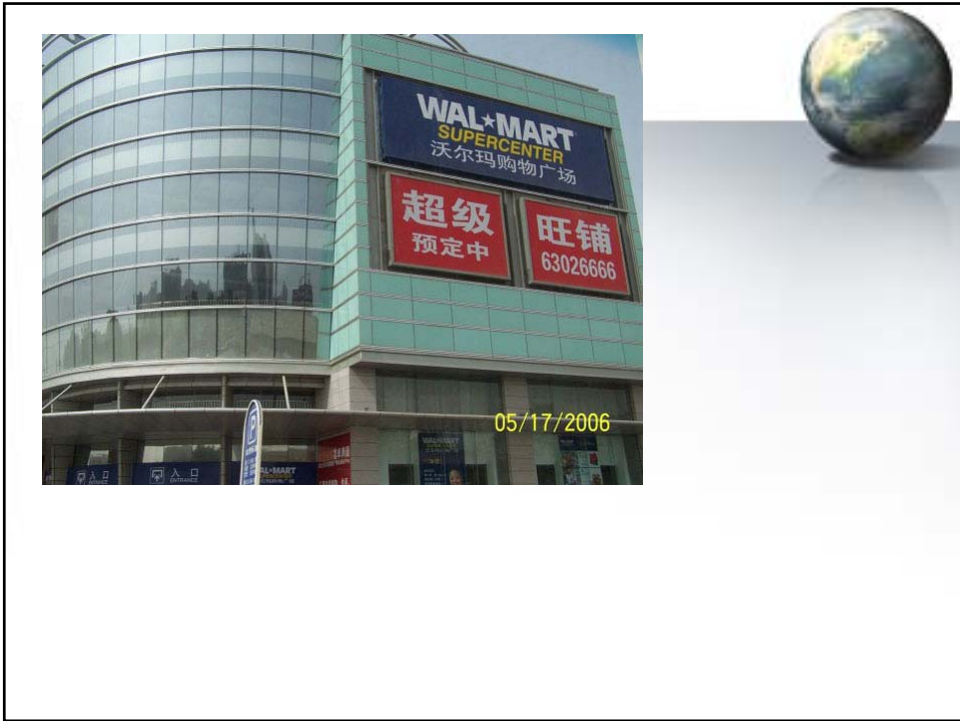




China is a sleeping giant. Long it may sleep, for when it awakes it will shake the world.
Napoleon Bonaparte - 1803

Wall Street....





Special Report

BY FAREED ZAKARIA

A MERICANS admire beauty, but they are truly dazzled by bigness. Think of the Grand Canyon, the California redwoods, Grand Central Terminal, Disney World, SUVs, the American armed forces, General Electric, the Double Quarter Pounder (With Cheese) and the Venti Latte. Europeans prefer complexity and nuance, the Japanese revere minuteness and minimalism. But Americans like size, preferably super-size.

That's why China hits the American imagination so hard. It is a country whose scale dwarfs the United States—1.3 billion people, four times America's population. For more than a hundred years it was dreams of this magnitude that fascinated small groups of American missionaries and businessmen—1 billion souls to save; 2 billion armpits to deodorize—but it never amounted to anything. China was very big, but very poor. All that is changing. But now the very size and scale that seemed so alluring is beginning to look ominous. And Americans are wondering whether the "China threat" is nightmarishly real.

Every businessman these days has a dazzling statistic about China, meant to stun the listener into silence. And they are an impressive set of numbers. China is now the world's largest producer of coal, steel and cement, the second largest consumer of energy and the third largest importer of oil, which is why gas prices are soaring. China's exports to the United States have grown by 1,600 percent over the past

COMMERCE

\$1.6

China's economic output, in trillions. It's expected to triple over the next 15 years, overtaking Japan in 2015 and the U.S. by 2039.

Last year Wal-Mart imported \$18 billion, 6,000 suppliers, 80 percent are in just

15 years, and U.S. exports to China have grown by 415 percent. The most astonishing example of growth is surely Shanghai. Fifteen years ago, Pudong, in east Shanghai, was undeveloped countryside. Today it is Shanghai's financial district, eight times the size of London's new financial district, Canary Wharf, in fact only slightly smaller than the city of Chicago. And speaking of Venti Lattes, last week Starbucks CEO Howard Shultz noted on CNBC that in three years the company would probably have more cafes in China than in the United States.

At the height of the Industrial Revolution, Britain was called "the workshop of the world." That title surely belongs to China today. It manufactures two thirds of the world's toasters, microwave ovens, DVD players and shoes. (And toys, my 5-year-

28 NEWSWEEK MAY 9, 2005

The Most Important Trade Questions to Ask about the Rise of China



Using the **Global Trade Access database....**

What dollar amount does China import as well as export from and to the rest of the world?

What has been the purchasing and selling trend in the last few years in both dollar and percentage change?

Who are the main countries China purchases from and sells to?

What share of total purchases or sales do the top countries hold?

Has the trend dollar amount, percentage change, or percentage share accelerated, decelerated, or remained unchanged?

HS Code: 640319-Sports Footwear



China to the World

Import (2005): \$7,766,372
Export (2005): \$2,054,329,502
Purchasing Trend: -19.11%
Selling Trend: +28.69%
Main Countries Sold to:

51.79% United States
4.11% Germany
3.57% Netherlands
3.04% Japan
2.94% Belgium

Main Countries Purchased from:
57.90% Italy
13.01% Japan
5.21% Indonesia
4.80% Hong Kong

China and U.S.-Import/Export Dynamics



*H.S. Code: 670420--Wigs, False Beards, Eyebrows and Eyelashes, Switches and the Like, Of Human Hair; Articles of Human Hair Nesci

Export to U.S. --> \$271,718,926
Import from U.S.--> \$1,030,186
Export to China--> \$1,066,235
Import from China--> \$241,307,499

*H.S. Code: 610510-Men's Shirt (cotton, knitted or crocheted)

Export to U.S.: 25,448,213
Import from U.S.: 53,076
Import from China: 51,328,630
Export to China: 366,719

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WHY CONSUMERS
HATE THEM (P.58)

DESIGN
HOW SAMSUNG
SHOT TO THE TOP (P.88)

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The McGraw-Hill Companies
BusinessWeek
DECEMBER 6, 2009 www.businessweek.com

The three scariest words in U.S. industry: "The China Price"
Cut your price at least 30% or lose your customers. Nearly every manufacturer is vulnerable. The result: A massive shift in economic power is under way.
Special Report

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Plus: Rethinking the free-trade model
BY PETER LANGRISH, LUCY FISHER, AND AARON BERNSTEIN (P.102)



Machine Molds
PRICE GAP: UP TO 50%
XCel Mold of Ohio, bid \$2.07 million to supply a U.S. appliance maker. It lost the business when a Chinese supplier bid \$1.44 million

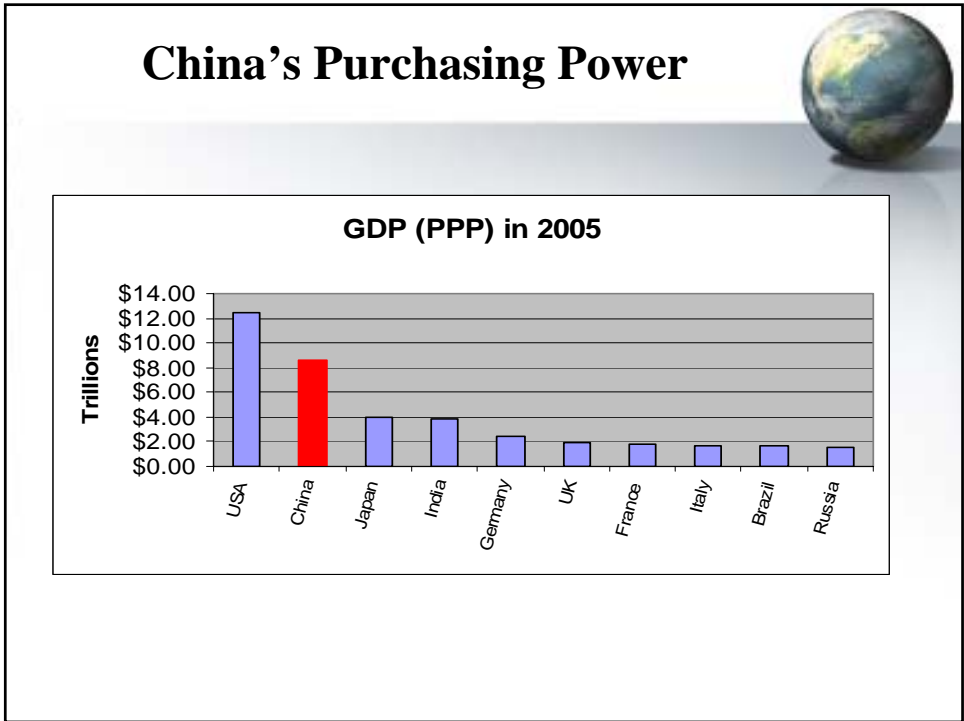
Networking Equipment
PRICE GAP: 25%
Datacom switch for corporations made in China for 3Com with a \$183,000 list price. Cisco's comparable switch lists for \$245,000. Data: 3Com

Bedroom Furniture
PRICE GAP: 40%
Mission-style bed made in China for Universal retails for \$829. U.S. models cost up to \$1,800

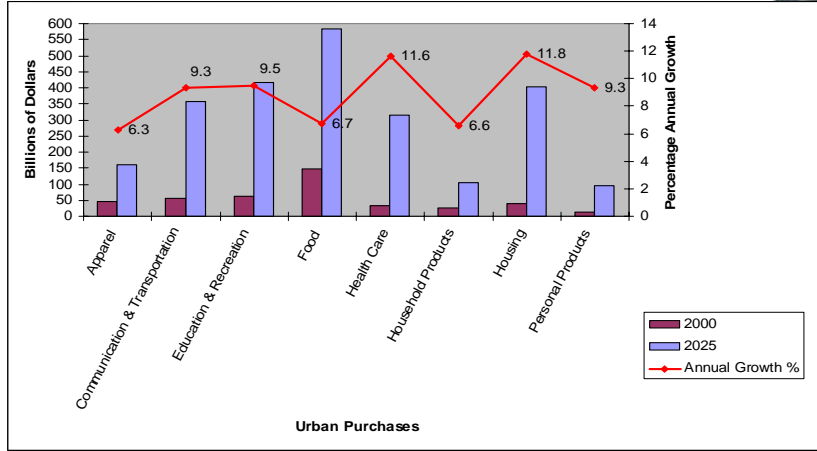
LCD TV
PRICE GAP: 30%
30-inch LCD TV by China's SVA sells in the U.S. for \$1,600. Philips' comparable set goes for \$2,000.

“My everyday outfit consisted of a variety of....

- knock-off Diesel shoes and jeans,
- Armani and Gucci leather belts,
- a Prada wallet
- a Cartier watch that even professionals couldn't distinguish between authentic and counterfeit,
- Designer Ray Ban shades to provide protection from the overbearing Chinese sun,

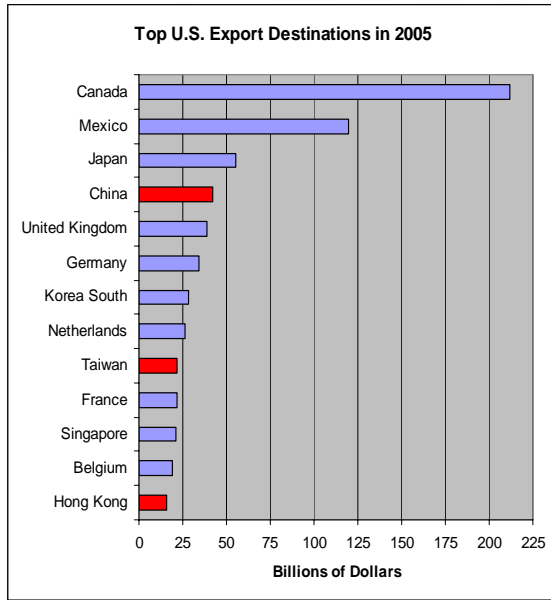


Purchases by Chinese Urban Consumers



By 2025 China will become one of the largest consumer markets in the world, spending \$2.5 trillion annually.

U.S. Exports 2005: \$906 Billion

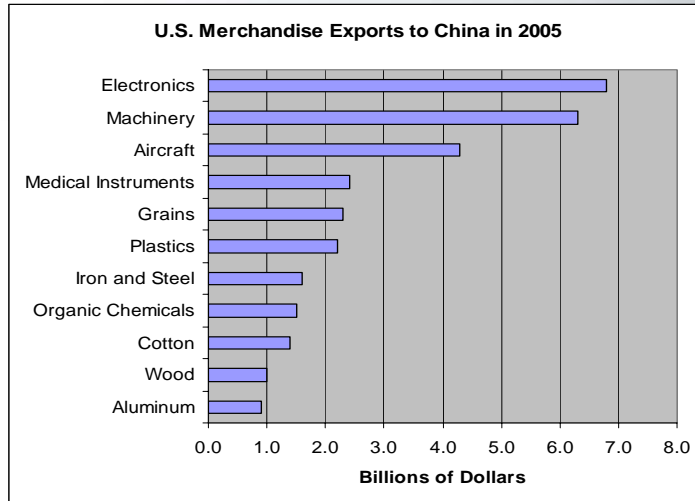


China is the fourth largest export destination for U.S. Products.

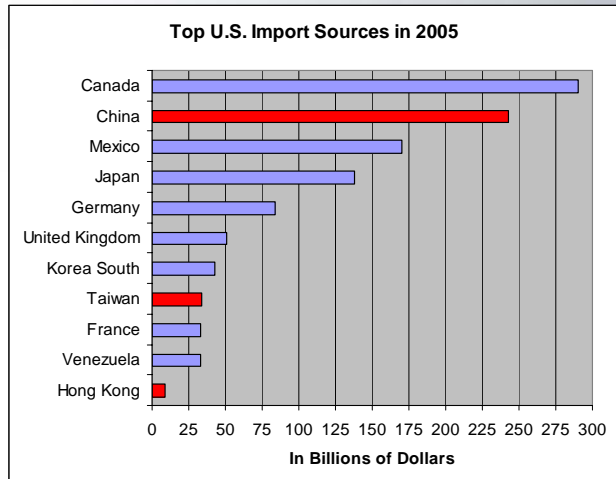
Second if we include Hong Kong and Taiwan.

U.S. Exports to China 2005: \$41.9 Billion

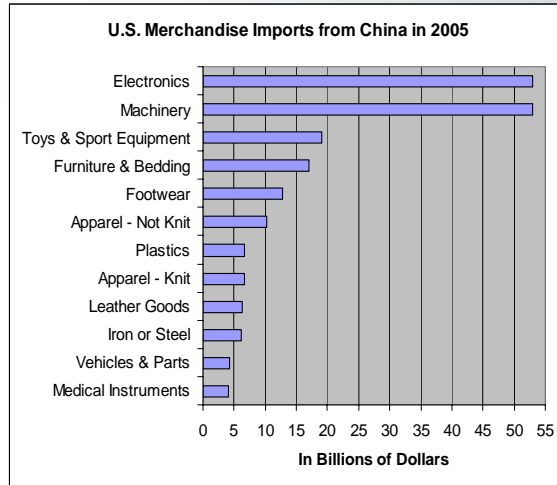
21 percent growth over 2004!



U.S. Imports in 2005: \$ 1.67 Trillion



U.S. Imports from China in 2005: \$243 Billion



- ✓ Over 45 percent of Chinese exports to the U.S. are actually high-end manufactured goods, not apparel textiles.
- ✓ Imports from China grew by 24 percent in 2005.

Leading Sectors for U.S. Export & Investment



Sector	China Imports*	U.S. Import Share*	% U.S. Import Share
Medical Equipment	3,300	904	27.39
Telecommunications	20,982	848	4.04
Water & Waste Water Treatment	7,356	735	9.99
Automotive Components	6,800	620	9.12
AgroChemicals	3,238	487	15.04
Software	1,130	264	23.36
Semiconductors	9,022	236	2.62
Power Generation	4,633	234	5.05
Coal Mining Equipment	525	146	27.88
Construction Equipment Market	1,000	39	3.89
Air Traffic Management Equipment	353	33	9.35
Marine Industries	400	15	3.75

* In Millions of Dollars

Education and training market is estimated to be worth \$80 billion. In large cities, five percent of families will spend in excess of \$14,000 annually on education.

Banking technology and credit card market is expected to grow substantially. In excess of 664 million debit cards, 98 million credit cards, 0.5 million POS machine, and just 70,000 ATM's.