

The Rise of the Chinese Middle Class

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Introduction

- Middle class and private sector are like twin brothers.
- The middle class is *the* market in China.

Global Triad



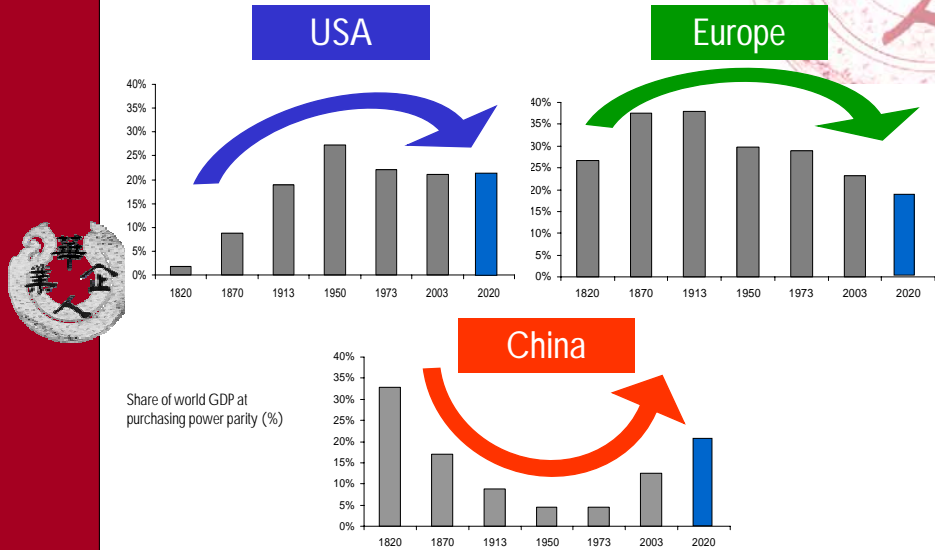
Size parity of the middle class
among the global triad

5,000/25



China: 5,000 going on 25

Re-emergence of China






By 2020, Chinese GDP will equal that of the US and Europe on a PPP basis.

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3

Global Triad—Now and Future

						
	Present	2020	Present	2020	Present	2020
GDP at PPP (billion \$)	10,871	17,549	11,101	15,544	6,436	17,016
Population (million)	288	336	455	478	1,284	1,430
Service sector GDP (billion \$)	8,697	14,039	6,772	10,725	2,189	8,048
Middle class population (million)	163	186	171	179	50	200

By 2020, the Chinese middle class will eclipse its American and European counterparts in sheer size!

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Statistics in the Present column are based on 2003 data
 Sources: US Census Bureau, World Bank, International Monetary Fund, Eurostat Yearbook, EU website, Energy Information Administration, Stanford University, CIA, BNP Paribas Peregrynus, Chinese Academy of Social Sciences, Luxembourg Income Study

4

China: 5,000 Going on 25

Tradition



Modernisation



The baffling 5,000/25!

Strategic Challenges

Global Triad

- How is your company strategizing for China's re-emergence and the imminent global triad?
- How will your company take advantage of the rise of the Chinese middle class and the private sector?
- How will you position your company as China advances its "world factory" status and transforms into a mixed manufacturing/service economy?

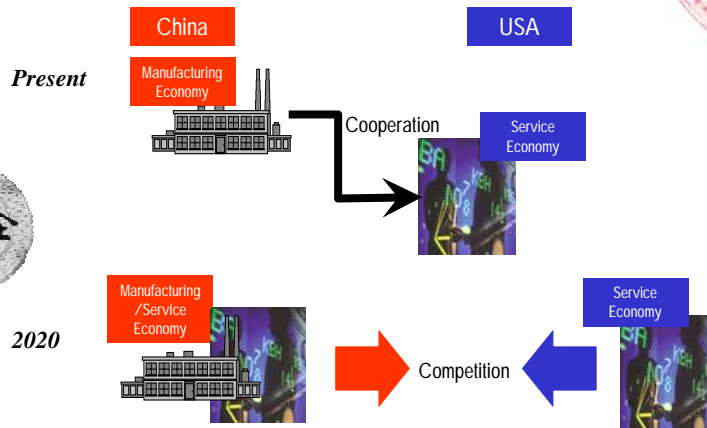
5,000/25

- Given 5000/25, how will your company approach the Chinese market?
- How can you cultivate "Chinese DNA" in your corporate headquarters to deal with the cultural and strategic challenges?

"If you look down the road 25 years, maybe we will have our corporate headquarters in Shanghai, and an office in New York."

- Hank Greenberg, chairman and CEO of AIG, 1998

Chinese vs. American Middle Class: From Cooperation to Competition



By 2020, the Chinese middle class will be competing with its American counterpart for the same supplies, resources, and jobs.

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7

Appendix

Global Chinese Business

There are many penetration points into China. The shortest route from Paris to Shanghai may be through San Francisco.

Relationship

Ren zhe ren ye (人者仁也): “The meaning of person (人) is *ren* (仁).” The character *ren* means humanity, as well as core, or seed of a fruit. The character *ren* is composed of the characters for “two” (二) and “person” (人). No person exists except in relationship to another.

Business Family

A majority of overseas Chinese businesses, public as well as private, are owned and managed by families – the business family model has become the predominant mode of private enterprise in China.

Balance

The Chinese language embeds the idea of balancing opposites; many Chinese words are made up of two characters that express opposing ideas: “threat” + “opportunities” = “crisis”; “spear” + “shield” = “conflict”; “many” + “few” = “how much”; “inside” + “outside” = “everywhere”.

Inside Chinese Business: A Guide for Managers Worldwide (Harvard Business School Press)
Geschäfte machen mit Chinesen: Insiderwissen für Manager (Campus Verlag)

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8

Thank you

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