

STRATEGY

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Seven ways China might surprise us in 2009

The country could yet again change the way the world sees it. Here's a shortlist of realistic possibilities.

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How will China surprise us next? Shocks, tipping points, and revelations have become basic staples of the world's daily news diet. But with so many eyes now on this emerging Asian giant, what happens there continues to have an exceptional ability to draw attention and to shift perceptions drastically and suddenly.

Will the surprise be planned, like the magnificent Beijing Olympics Games, whose nearly flawless execution set a counterpoint to China's image as an economic laggard buoyed mainly by cheap labor? Will it repel, like the tainted-milk scandal? Or will it send a message, as Lenovo's takeover of IBM's personal-computer business did in serving notice that Chinese companies were ready to enter the global fray?

Here's a list of some realistic possibilities for the next year. Will all of them come to pass? I doubt it. But any one of them could, and each might make us see China and its future in a new light. What do you think?

China announces that by 2020, half of the cars in the country will be electric. It invests tens of billions of dollars in R&D toward achieving that goal.

Such a move could make China the leader in the automotive technology of the future, with other countries struggling to keep pace. Shanghai Automotive Industry Corporation (SAIC) or newcomer BYD Auto could become the Ford Motor of the 21st century, propelled by a new technology—much as Ford capitalized on the internal-combustion engine at the start of the 20th century.

The Chinese government buys a 50-year lease on an entire geographic region of Mexico, enabling Chinese companies to build factories there to supply the North American market more easily.

Chinese companies would then become the undisputed leaders in outsourced production. No longer constrained by geography, they could bring their expertise in low-cost manufacturing to Mexico (or Poland or Turkey), greatly expanding their reach and overcoming obstacles—such as maintaining supply chains across the Pacific—that still hinder their growth.

A major office block collapses in Chaoyang, Beijing's central business district.

Although officials would scramble to rewrite construction regulations, a disaster in the capital or another large city would change the relationship between the country's growing middle class and the government and might threaten its ability to keep social unrest in check. True, construction standards came under fire after the May 2008 Sichuan earthquake felled many school buildings. But the reaction to that tragedy would pale beside the response to a similar one in a rich urban area with immediate media access.

A leading Chinese company tries to buy an iconic US technology firm (or two).

A major deal could be worth 10 or 100 times Lenovo's \$1.35 billion purchase of IBM's PC division. If the US government blocked the sale, the acquisition's failure could herald an era of renewed corporate nationalism in China, just as its companies were becoming more global. You could expect an aggressive increase in domestic R&D spending as the country focused on homegrown technology, as well as a chillier climate for multinationals with research operations in China.

A successful deal, by contrast, could create a truly global company, unlike anything seen before, with a multinational culture superseding any sense of national origins.

A restructuring of China's telecommunications industry turns into a complete consolidation.

Regulatory failure and competitive imbalances have already reduced competition down to three major players, from four, and telecom companies are now being encouraged to share infrastructure. If stock prices continue their freefall and these imbalances remain, the inability of the second- and third-ranked players to chart a path to success could bring a full reconsolidation of the domestic industry.

The English Premier League football association buys its Chinese counterpart, the Chinese Super League.

What better way to signal a coming of age for China's urban middle class? The takeover would be a major bet that this growing socioeconomic group is ready to spend heavily on sports and entertainment—a bet that could open the floodgates for investment in other consumer sectors. Wallets are already opening up: witness the Olympics and the US National Basketball Association's exploration of franchise and stadium deals in China. Such a purchase would also show that the country is willing to bring outside expertise and professionalism into a challenged domestic industry.

Warming cross-strait relationships lead to a merger between the mainland's Industrial and Commercial Bank of China and Taiwan's Chinatrust Commercial Bank.

The reaction in Taiwan would probably be ambivalent—just another large business deal. But in China, a cross-strait merger of powerhouses like these, in banking or some other sector, would be applauded as an affirmation of its One China worldview.

What do you see that I don't? I look forward to your ideas. 

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