


**Quarterly newsletter**

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**In this Issue**

**Will 'Chindia' rule the world in 2050, or America after all?**

**Hot Links & Articles**

**Should investors buy the China story?**

China's economic miracle has propelled it past Japan – its output is now second only to America. But 20 years ago Japan seemed unstoppable, too – just before seemingly incurable stagnation set in. So is China different, and should private investors keep pumping their money into the country?

<http://www.telegraph.co.uk/finance/personalfinance/investing/isas/8336322/Should-investors-buy-the-China-story.html>

**Middle aged and middle income struggling most to save**

Double the number of middle income and middle aged people are unable to save compared with two years ago.

Forty per cent of people aged between 45 and 54 are unable to save anything due to the financial burdens of both elderly parents and young adult children.

<http://www.telegraph.co.uk/finance/personalfinance/savings/8357854/Middle-aged-and-middle-income-struggling-most-to-save.html>

**The West is deluding itself over the extent of China's growth**

The Middle East could be heading for a game-changing implosion. US bond yields are surging and Western central banks, despite growing tension within their ranks, remain in ostrich mode.

There seems no end to the steady stream of highly significant economic and political developments these days. We live in incredible times.

Yet of all the events I followed last week, of all the data sifted and news wires perused, one story really grabbed me. Although I read it alone, it still elicited an audible "wow!"

<http://www.telegraph.co.uk/finance/comment/liamholligan/8335699/The-West-is-deluding-itself-over-the-extent-of-Chinas-growth.html>

**China noses ahead as top goods producer**

China has become the world's top manufacturing country by output, returning the country to the position it occupied in the early 19th century and ending the US's 110-year run as the largest goods producer.

<http://www.ft.com/cms/s/0/002f8f0-4d96-11e0-85e4-00144feab49a.html#axzz1Gf2IGt5x>

**Top Performer Funds**

**3 MONTHS | +14.17%**

**P47 - Investec GS Global Energy**

This fund mainly invests in companies throughout the world involved in the exploration, production or distribution of oil, gas and other energy sources.

**6 MONTHS | +32.33%**

**P47 - Investec GS Global Energy**

**12 MONTHS | +46.41%**

**J47 - JF THAILAND**

This fund consists primarily of securities of companies based in, or operating principally in, Thailand. The aim of the fund is to provide long-term capital growth.

**3 YEARS | +47.52%**

**P40 - Value Partners High Dividend Stocks**

This fund strategy is to invest primarily in a portfolio of relatively higher yielding debt and equity securities in the Asian region.

**5 YEARS | +120.47%**

**J47 - JF THAILAND**

*Thiago Gonçalves*  
Fund Support

**Contact Us**

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<http://www.globalindexinternational.com>

**Word from GII • Will 'Chindia' rule the world in 2050, or America after all?**

With just a small difference in assumptions and the inexorable force of compound arithmetic, Citigroup and HSBC have come up with radically different pictures of what the world will look like in 2050.

Which of the two is closer to the mark will determine whether the West hangs on, or disappears as a relevant voice in global affairs.

For the many doom mongers - who believe the West is finished - Citigroup's Willem Buiter offers some astonishing projections. The Muslim powerhouse of Indonesia will alone match the combined GDP of Germany, France, Italy, and Britain by mid-century.

The economies of China and India will together be four times as large as the United States.

Africa will at last emerge from its long string of disappointments to take the baton as the fastest growing region, clocking 7.5pc a year over the next two decades.

It does not require miracles of performance for this to occur. Catch-up countries merely need to keep reforms on track and open markets.

Argentina is a salutary lesson. Why did it diverge from its sister economy Australia, so similar in trading patterns in the late 19th Century? Why did it fall from the world's fifth richest in per capita terms in 1900 to a third of Australia's level a century later?

It is hard to pin-point where the rot began, though Peron clinched decline by bleeding farm wealth to fund his populist patronage, and by forcing the central bank to print the shortfall. Bad policies hurt.

Oddly, Britain will scrape through in Citigroup's global reshuffle, just holding on as the world's 10th biggest economy in 2050, the only EU state left in the top ten. It will even overtake the US in per capita terms.

Can this be so? Britain has slipped to 25th in reading, 28th in maths, and 16th in science in the Pisa rankings. Shanghai's school district takes top prize across all three, ahead of Korea and Finland. While the UK faces a less disastrous ageing crisis than much of Europe, this is thanks to the UK's unrivalled leadership in unwed teenage pregnancies.

HSBC's report also sketches an era of unparalleled prosperity, yet the West does not sink into oblivion. China overtakes the US, but only just, and then loses momentum.

Chimerica, not Chindia, form the G2, towering over all others in global condominium. Americans prosper with a fertility rate of 2.1, high enough to shield them from the sort of demographic collapse closing in on Asia and Europe. Beijing and Shanghai are 1.0, Korea is 1.1, Singapore 1.2, Germany 1.3, Poland 1.3, Italy 1.4 and Russia 1.4.

Americans remain three times richer than the Chinese in 2050. The US economy still outstrips India by two-and-a-half times. This is an entirely different geo-strategic outcome.

Both studies rely on the theories of Harvard economist Robert Barro, but differ on how easy it is to handle population collapse. The great unknown is what rapid ageing does to creative zest, and how many decades it takes to turn the demographic super tanker.

China's workforce peaks in absolute terms in four years. While the population keeps growing until the tipping point in the mid 2020s, it is ageing very fast. Hence warnings by Chinese demographers that there may soon be an epidemic of suicides, as the elderly step out on the ice to relieve the burden.

Zhuoyan Mao from Beijing's Institute for Family Planning said China's fertility rate had been below replacement level for almost twenty years. "Population momentum" turned negative over a decade ago in Beijing, Tianjin, Shanghai and Liaoning, but the countryside is catching up. "The decline speed in rural areas is faster," he says.

It is bizarre that China should still cling to the one-child policy, though Shanghai's local authorities have been encouraging couples to have a second child since 2009.

China's fertility rate is collapsing anyway for the same reasons as it has collapsed in Japan and Korea – affluence, women's education, later pregnancies that stretch generations, in-law duties, and costly housing. You cannot reverse this with a wave of the wand. The lag times can be half a century.

George Magnus, UBS's global guru, writes in his book "Uprising" that China faces a "triple whammy of ageing". The number of children under 14 will fall by 53m by 2050; the work force will contract by 100m; and the over-60s will rise by 234m, from 12pc to 31pc of the total.

Mr Magnus is scathing about the "muddled thinking" of those who fall for BRICs hysteria, or who succumb to the facile conclusion that the global credit crisis finished the West and served as catalyst for a permanent hand-over to Asia.

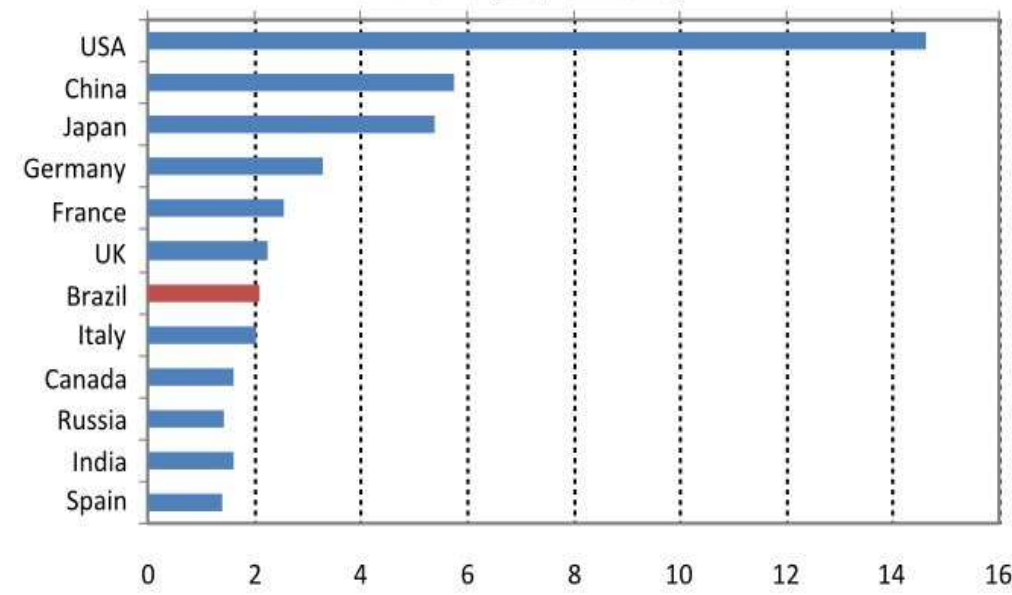
There is also concern that China is depleting the non-renewable aquifers of its northern plains at an alarming place, and faces a separate water crisis from receding Himalayan glaciers.

Cheng Siwei, the head of China's green energy drive, recently said "We have an intangible environmental debt that we are leaving to our children.". That debt is already due.

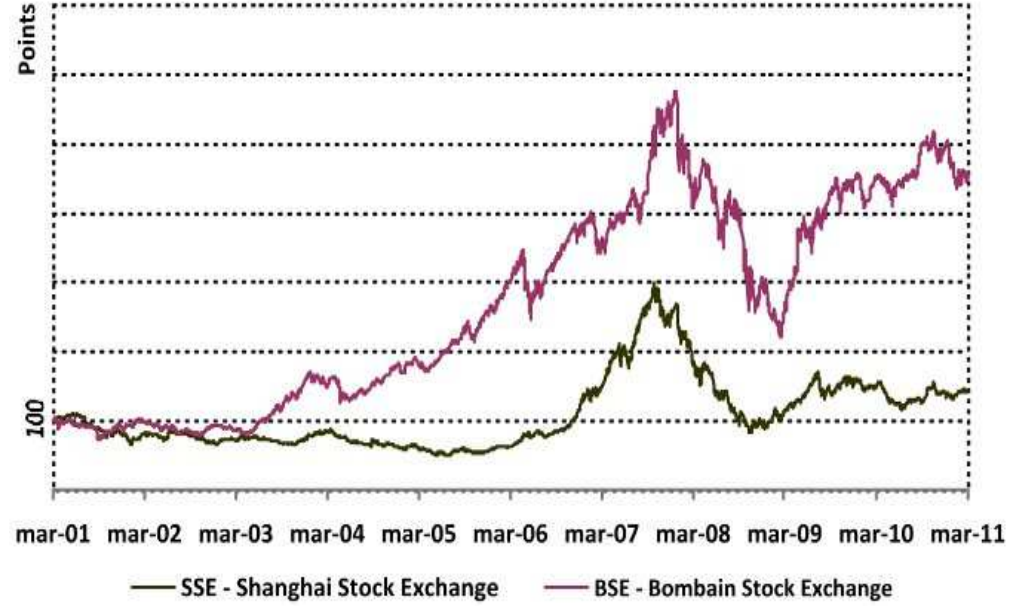
Perhaps the 21st Century will be America's after all, just like the last.

*John W. Fleming*  
Director

**GDP 2010 (US\$ trillions)**



**China (SSE) vs India(BSE) Since March 2001**



**Cartoons**

