

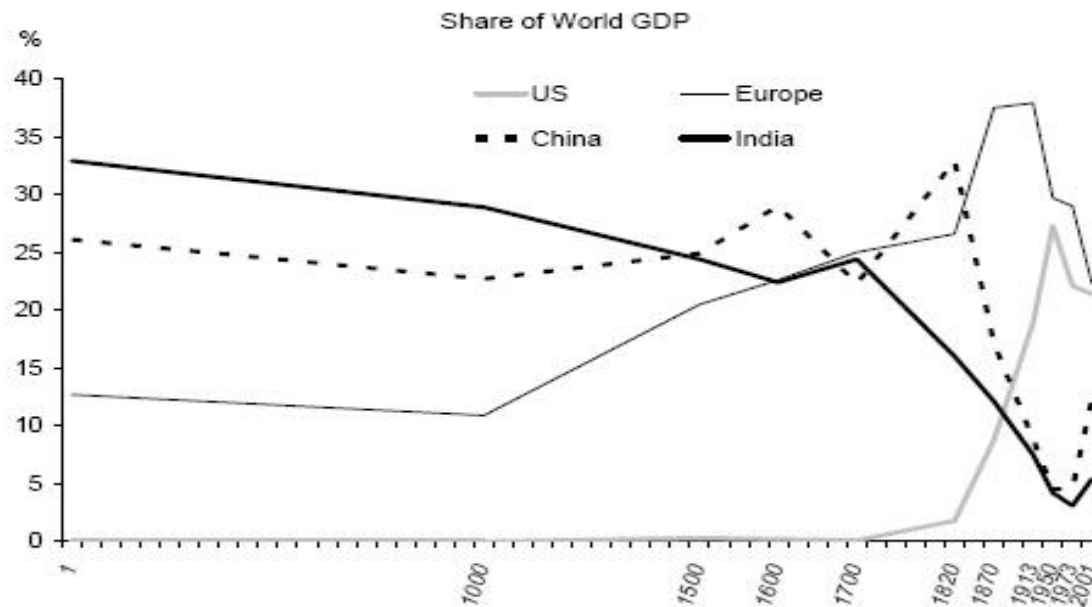
China for the new era

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India – Quo Vadis

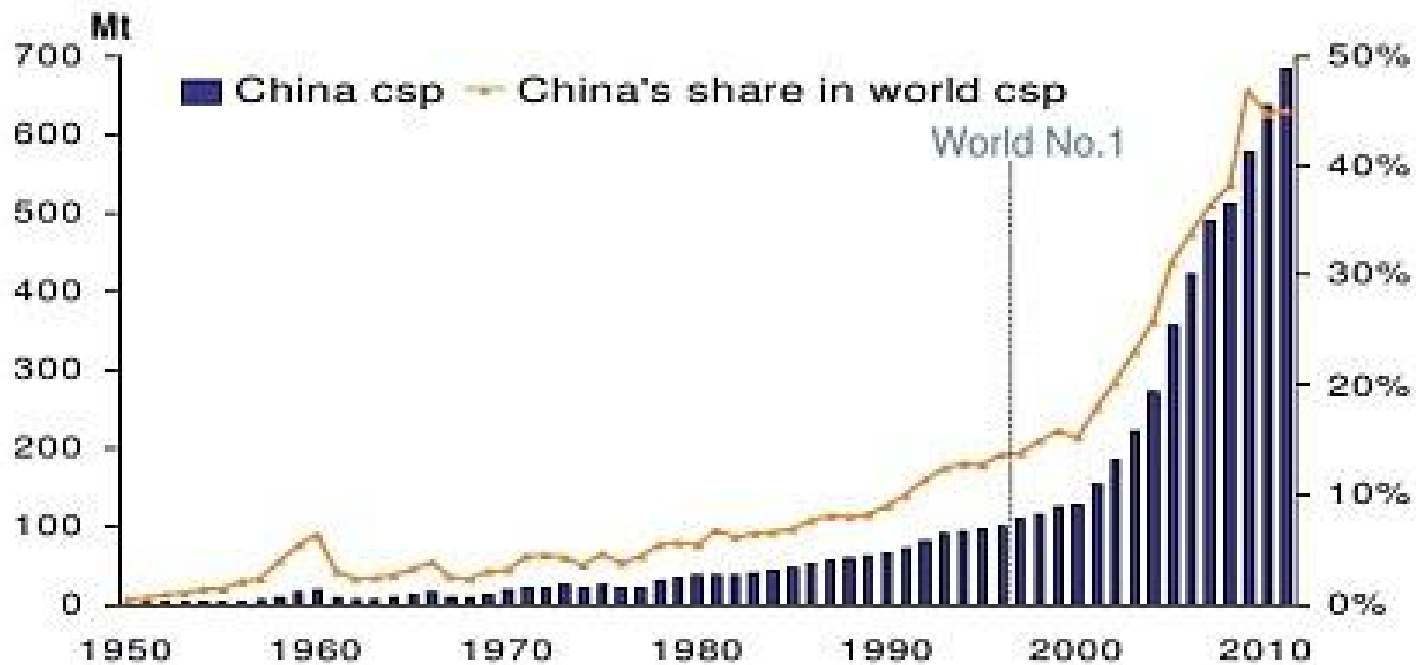
Exhibit 1: A historical perspective



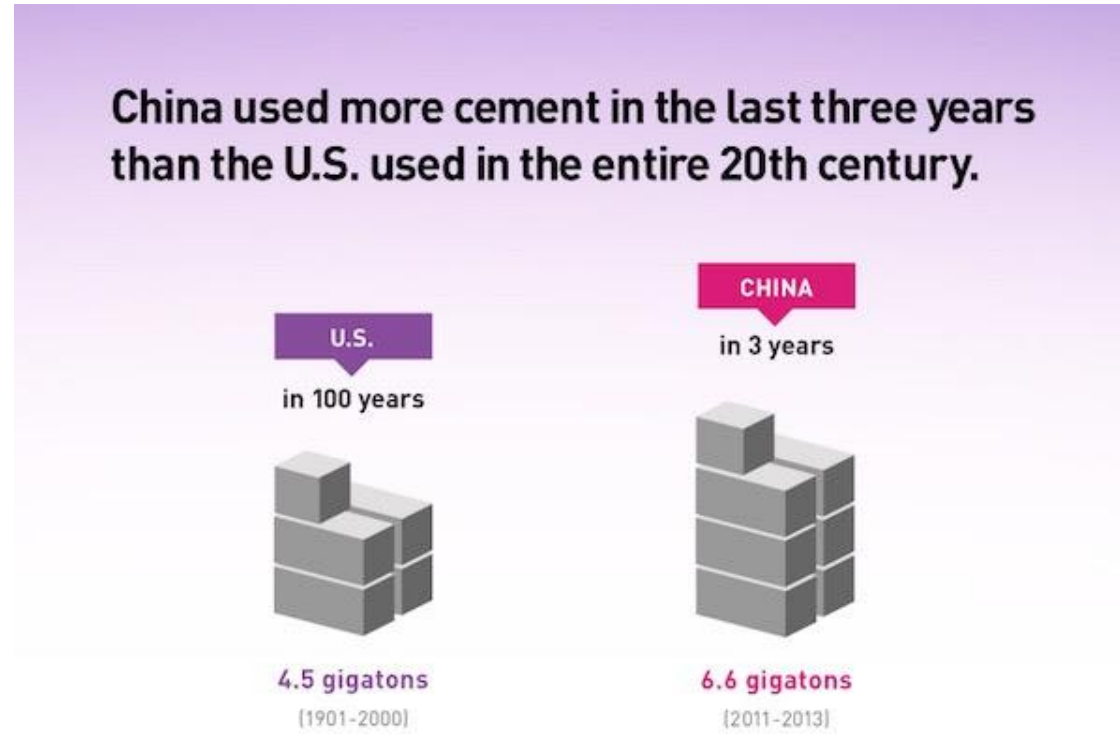
Source: Angus Maddison, *The World Economy: Historical Statistics*, OECD 2003.

Steel Production

The China Phenomenon

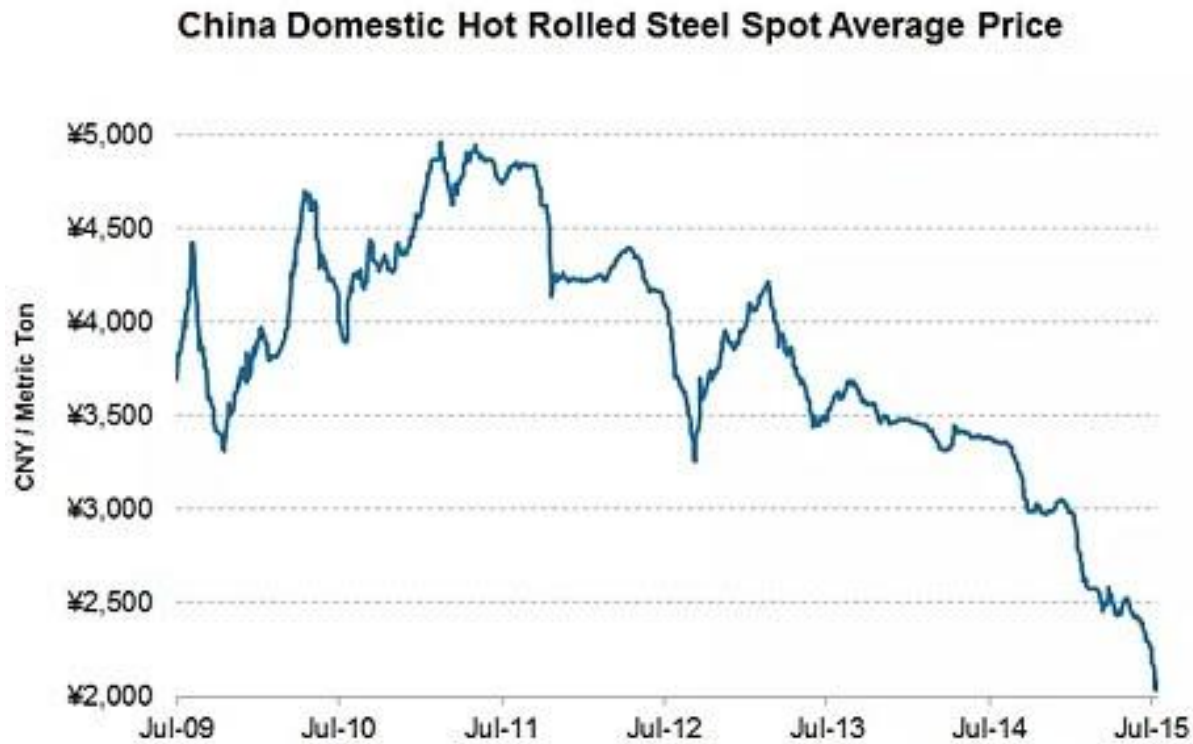


Cement Production

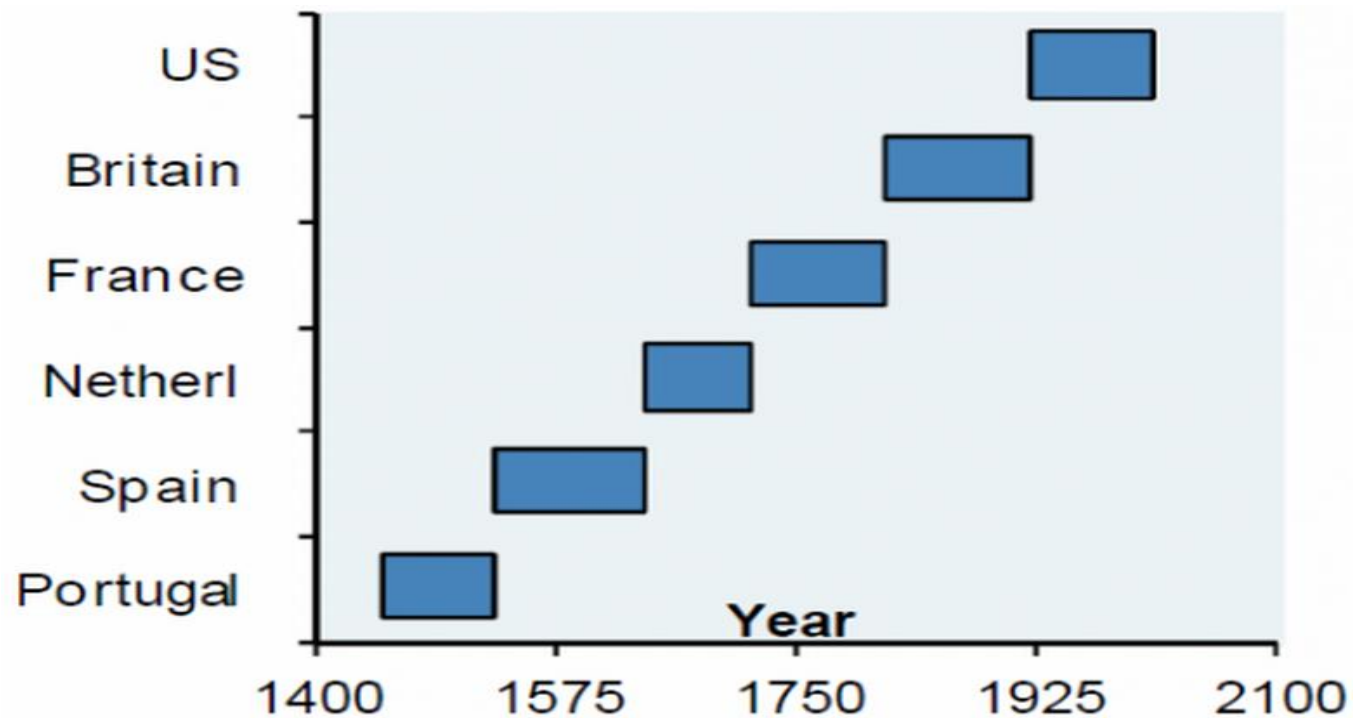


SOURCES: USGS, Cement Statistics 1900-2012; USGS, Mineral Industry of China 1990-2013

Steel Prices

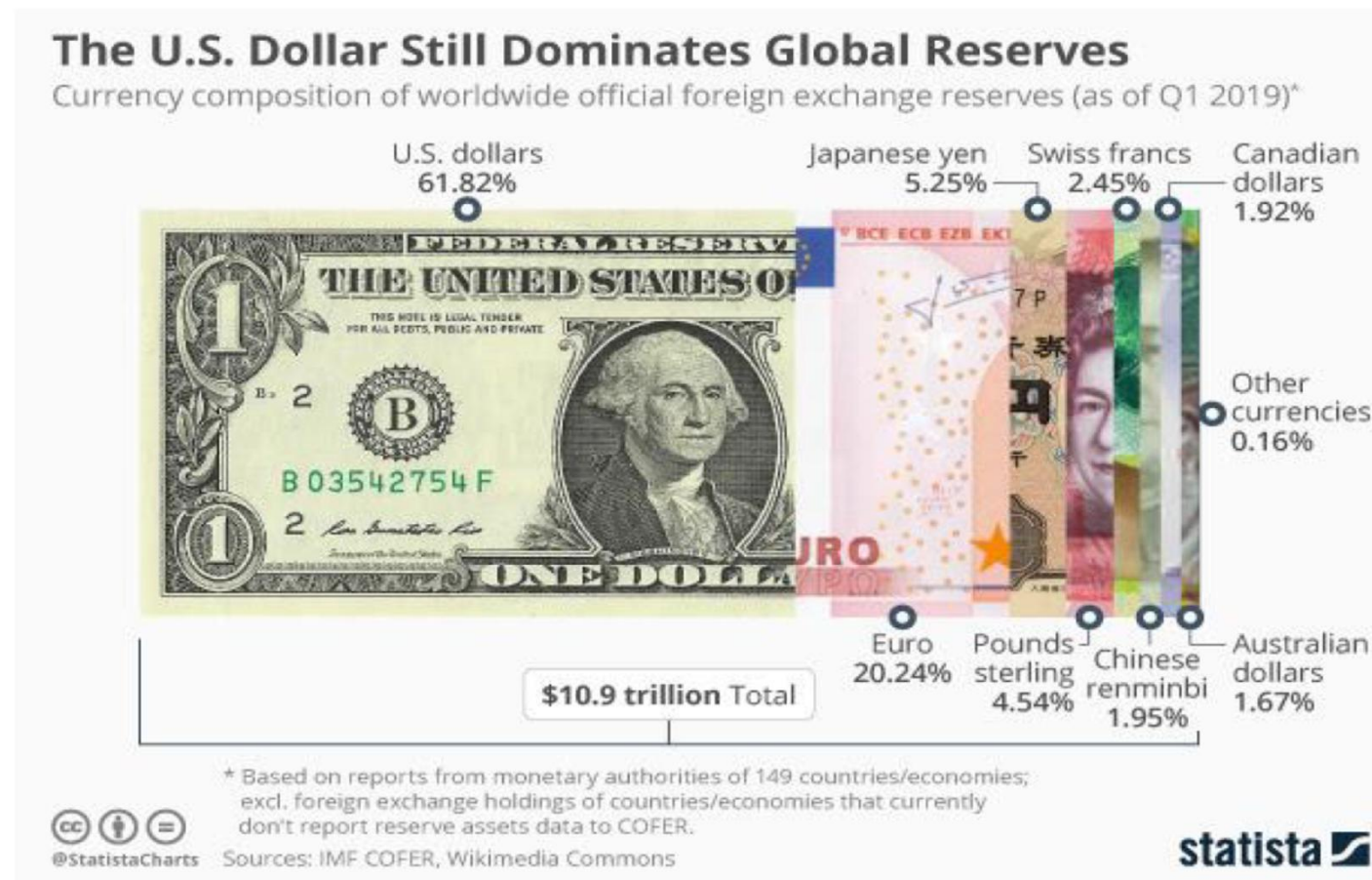


Reserve currency status is ephemeral



Source: JP Morgan, <https://www.zerohedge.com/news/2019-07-23/jpmorgan-we-believe-dollar-could-lose-its-status-worlds-reserve-currency>

The US\$ dominates, yes, but . . .



...but US\$ share of central bank reserves is falling



Source: Exante. Data as of September 30, 2018. The series is FX-adjusted

Countries and their DNA

	India	China	Russia	USA	Bangladesh	Nepal	Sri Lanka	Pakistan
Land Area (sq km)	32,87,263	95,96,961	1,70,98,246	98,33,520	1,47,570	1,47,181	65,610	8,81,913
Population (millions)	1,324	1,403.50	145	326	163	28.98	21.67	212.74
Density/sq km	399.3	145	8.4	32.8	1,106.0	180.0	327.0	244.4
Water (% of land area)	9.6	2.8	13.0	7.0	6.4	2.8	4.4	2.86
GDP \$ trn	2.69	14.092	1.576	19.39	0.285	0.027	0.093	0.304
Per capita \$	2,016	10,087	10,950	59,501	1,751	919	4,310	1,629
PPP per capita \$	10,401	18,066	29,032	59,501	4,561	2,842	13,847	5,374
Ratio:PPP per capital/nominal per capita	5.2	1.8	2.7	1.0	2.6	3.1	3.2	3.3

Note: The table covers four major countries, and four of India's neighbours

Source: Wikipedia -- as on 1 December 2018. The figures are themselves based on other global databases.

The writing was on the wall

- Ten years ago, the author predicted that China, India, and Russia would have to work together.
- Ten years ago, it was obvious that China would have to source water from Russia
- (<https://www.livemint.com/Companies/wDLWbd3OWUGppEzYYC0yYO/The-Capitalist--With-increasing-water-needs-will-China-deh.html>),
- In 2013, the University of Sichuan faculty dismissed my views on water
- They called these views absurd, unimplementable

A matter of inevitability

- By end 2015, it was clear that China would begin sourcing much of its waters from Russia
- (https://en.wikipedia.org/wiki/Eastern_Siberia%E2%80%93Pacific_Ocean_oil_pipeline).
- Planners in Lanzhou (central China) drew up proposals to pipe and canal water into the chronically dry region from Siberia's Lake Baikal
- (<https://www.reuters.com/article/us-china-silkroad-russia-pipelines-idUSKB.N18819I>).
- Implication – expect a big growth phase in middle China.

Water

World's Water Usage

Total Water : 1,400 million km³
Fresh Water : 2.53% (35 million km³)

Usage in (%)	World	Europe	Africa	India
Agriculture	69	33	88	83
Industry	23	54	5	12
Domestic use	8	13	7	5

Source: Netafim; Dept of Horticulture, govt of Andhra Pradesh. 2008 figures

Agriculture too

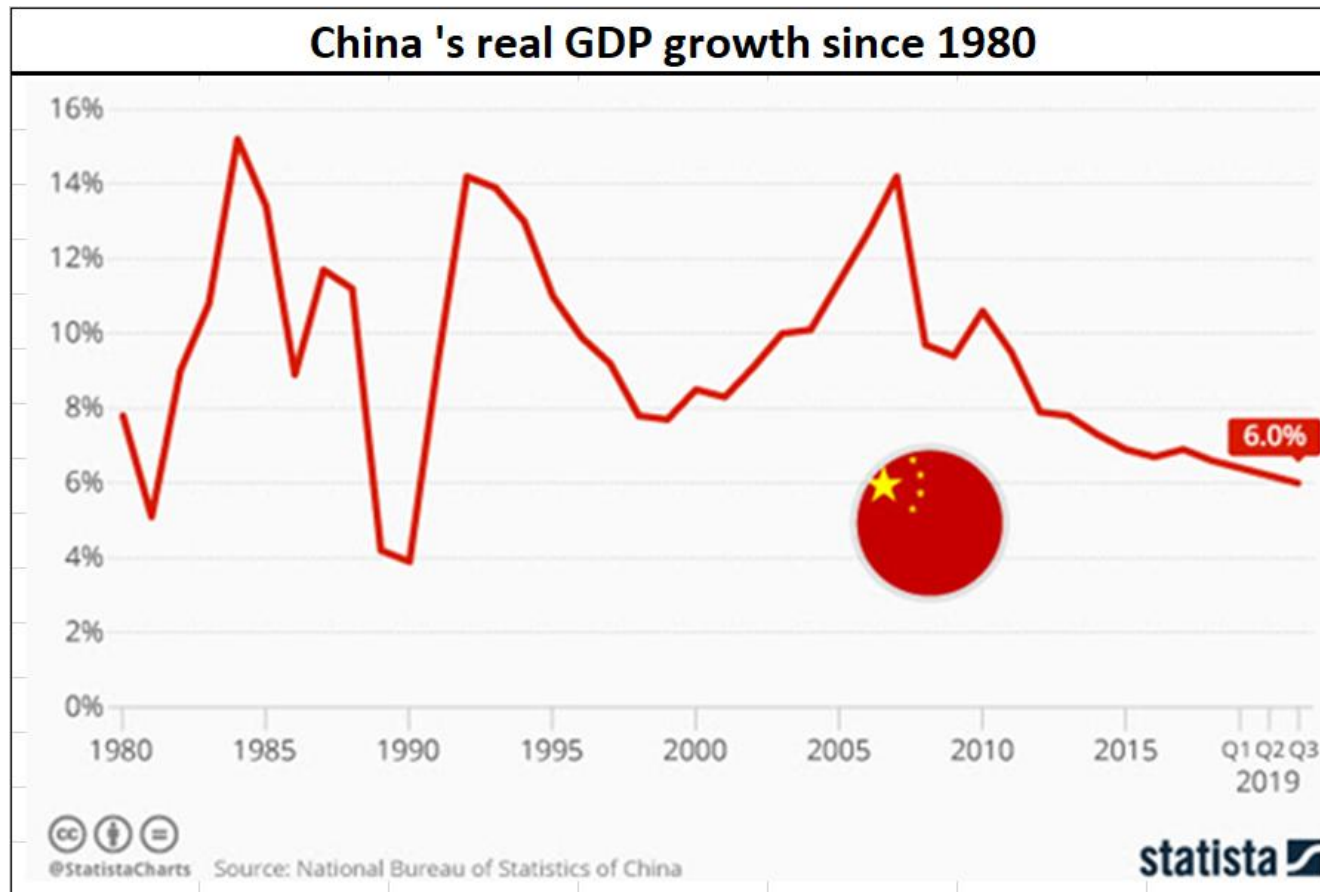
Table 6

Agriculture - India and China		
Figures for 2016	China	India
Total land area - hectares	959,700,000	328,700,000
Arable land - hectares	134,920,900	172,896,200
Irrigated land - hectares	67,141,000	96,457,000
Farm size for every person in rural area in (ha)	0.156	0.216
Avg. size of household	3.1	5
Avg farm holding per family*	0.4836	1.08
Farm machines:		
large & midsize tractors (> 50 HP)	6,454,000	34,597
small size tractor (upto 50 HP)	16,716,000	474,104
Value of farm output in trillion (Yuan for China and Rs. For India)	5.9	8.36
Rice yield (kg/ha)	6,862	138
Wheat yield (kg/ha)	5,327	133
Per capita disposable income of rural residents (Yuan for China, Rs.for India).	12,363	111,890

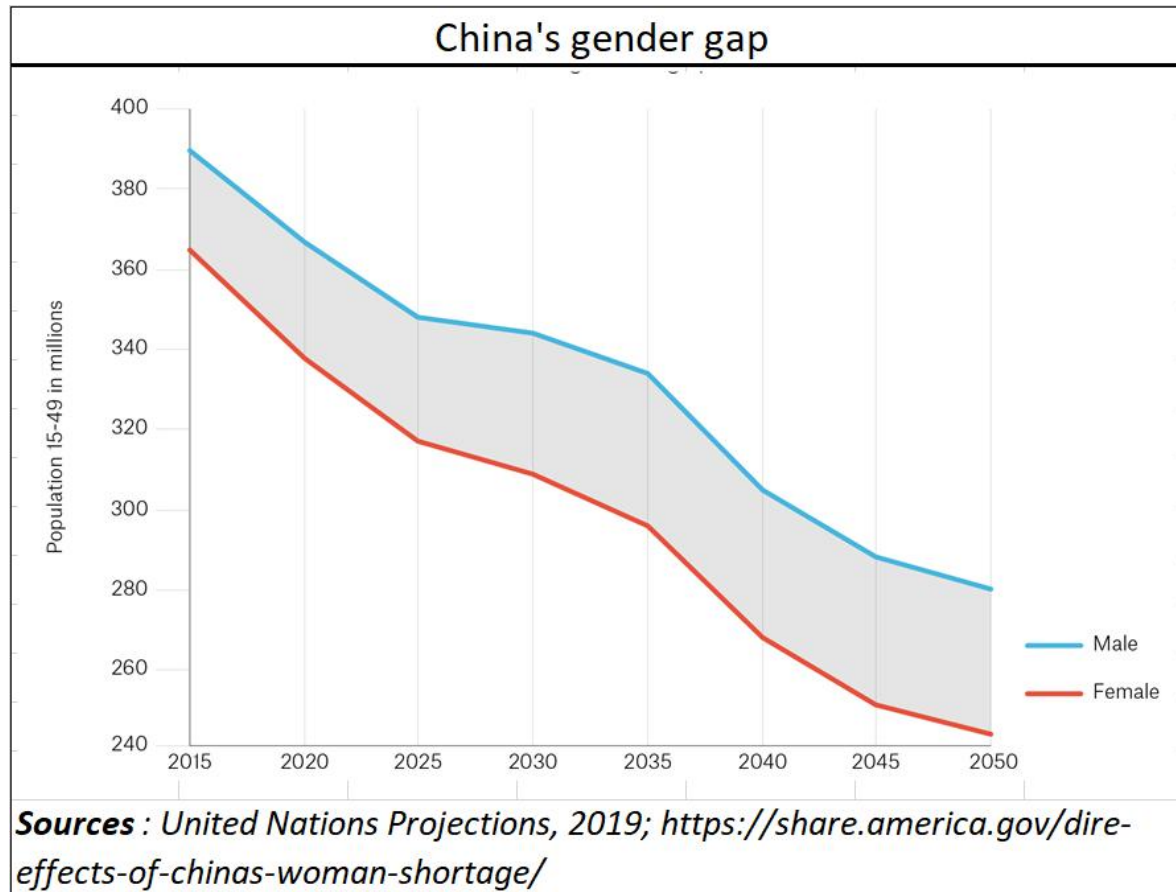
Notes: 1 yuan is approximately Rs.10.5; ha=hectares. When it comes to value of farm output for China, 5.9 trillion is just the value of farm output. Gross output which includes the value of farming, forestry, animal husbandry and fishery was 11.2 trillion Yuan in 2016.(*). The NSSO puts average size of land holding per household at 0.59 ha. in 2017, the World Bank estimates rural population to comprise 66.46% of total population, or 863 million. It also estimates the average size of rural household to be 5 members.

Sources: Ministry of Agriculture and Rural Affairs and National Bureau of Statistics, Shanghai Institute of International Studies, MOSPI World Bank and RBI's Handbook of Statistics on Indian States - 2017-18; India's tractor industry

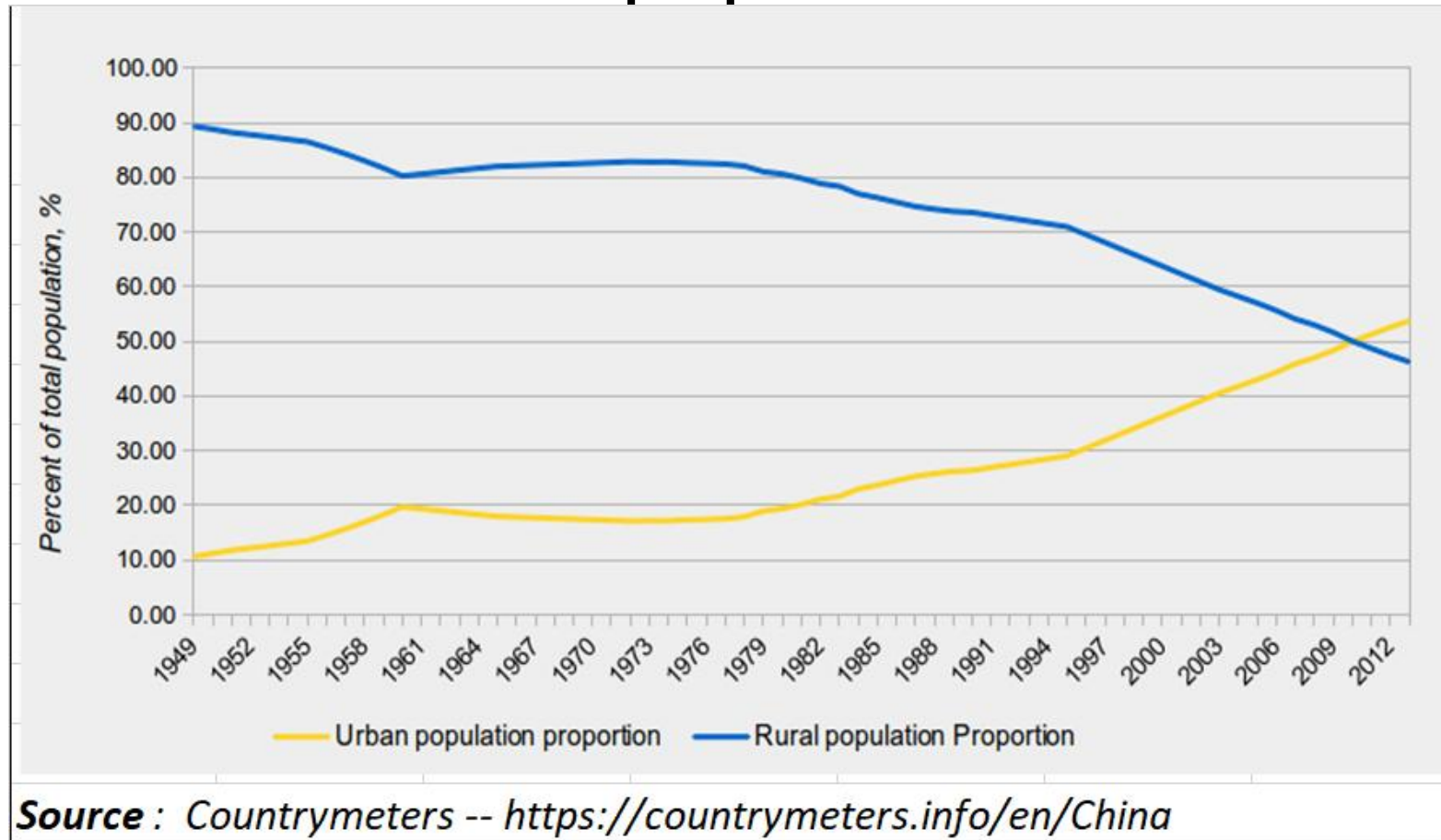
China faces a slowdown



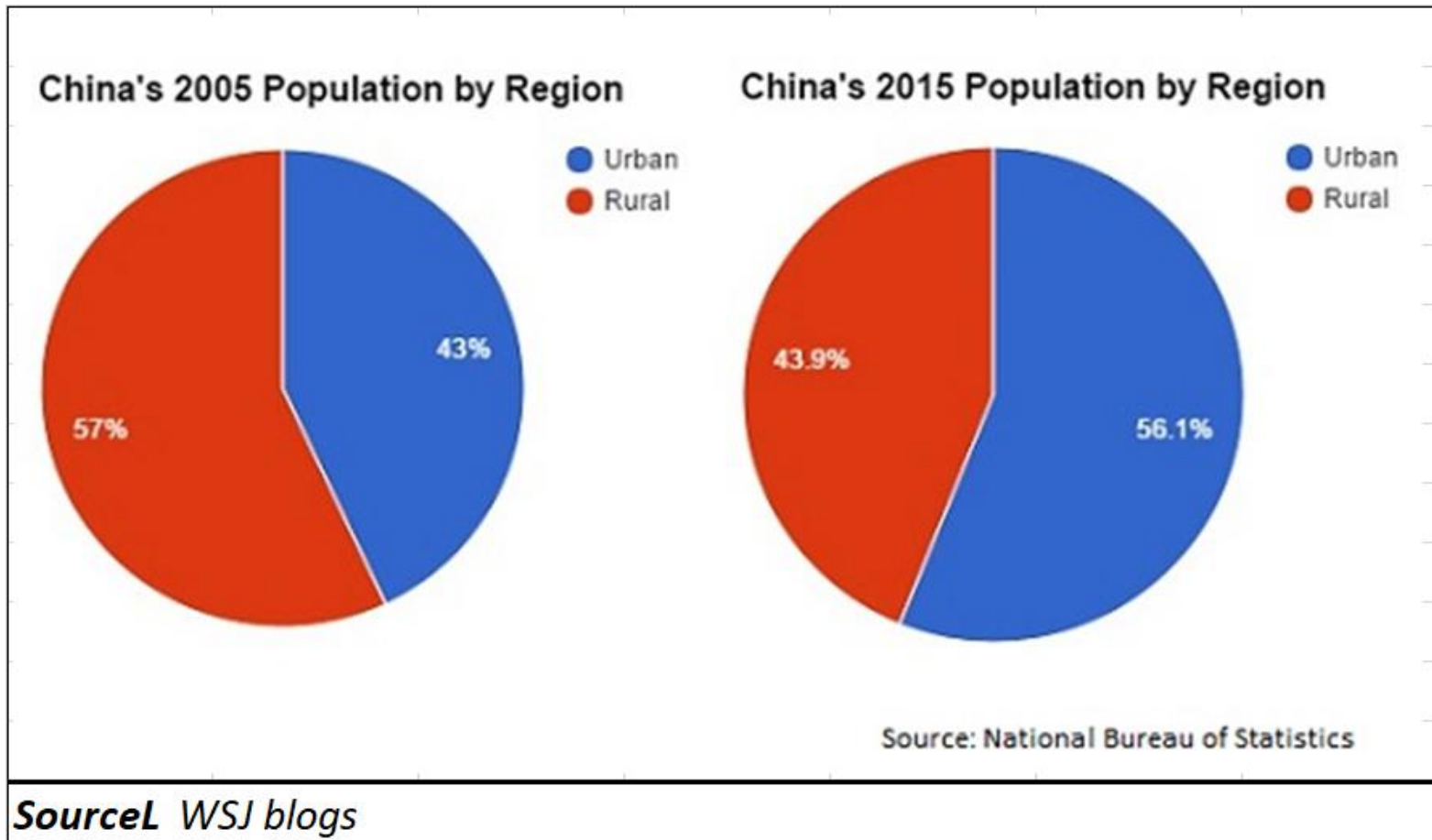
Where are the girls?



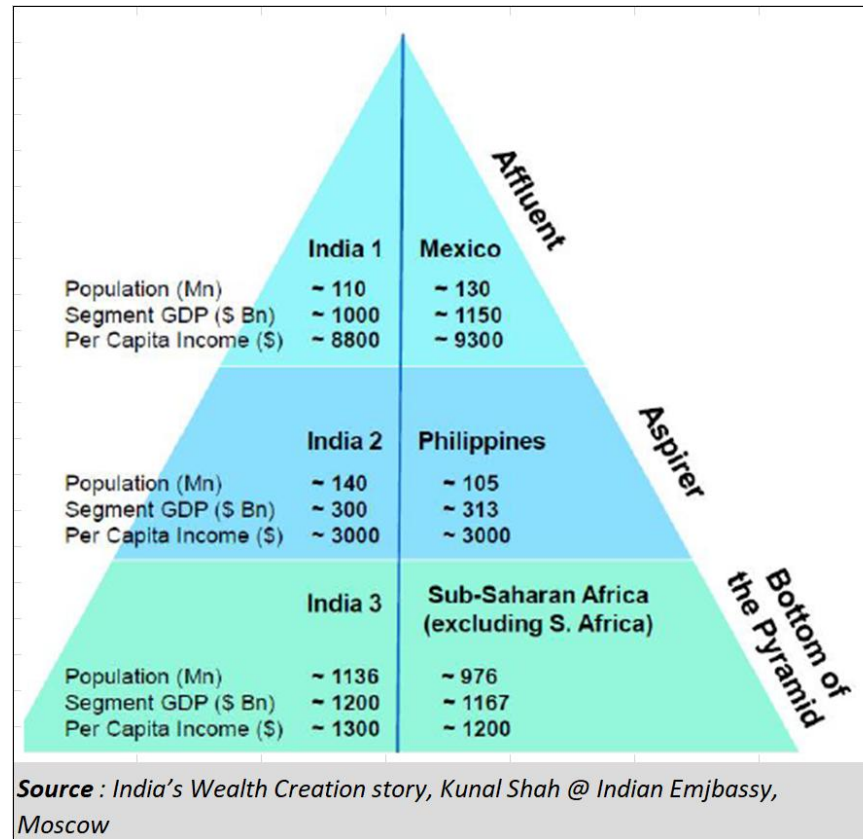
China's urban rural population trends



China's ageing population



Why India's middle class matters for China



Why China's education opportunities matter too

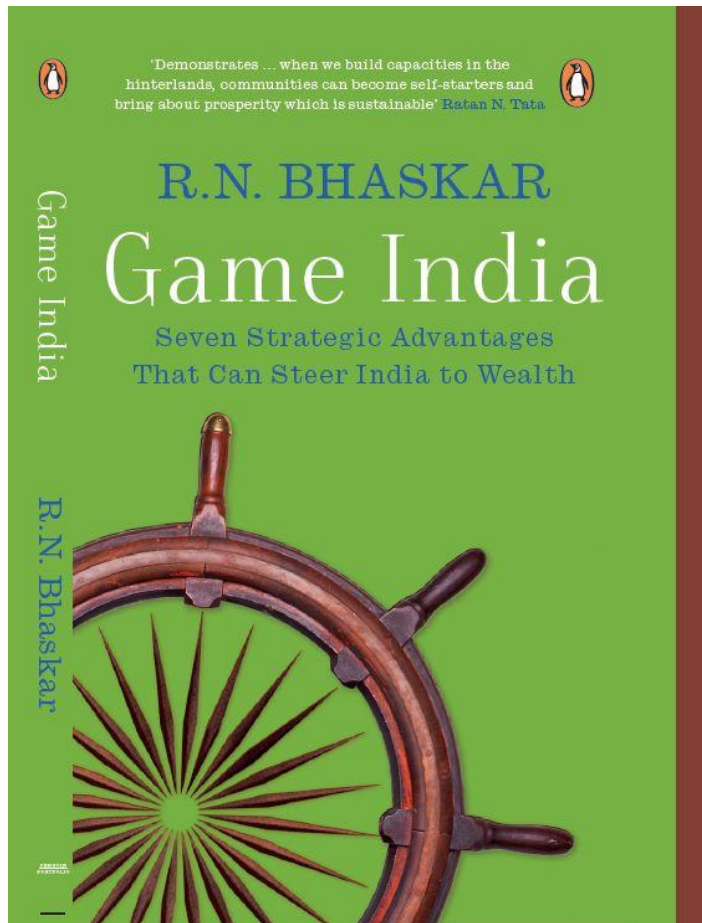
- 23,000 Indian students in China
 - Of which 21,000 are for medicine
- India needs more doctors
 - China needs more Indians to like India
 - Doctors are extremely important
- The first moves are being made by both countries to make this relationship grow.

Hobbling India: Education reforms also needed

China trounces India				
Literacy rates: UNESCO's data for 2015				
Territory	Literacy rate (all)	Male literacy	Female literacy	Gender difference
World average	86.30%	90.00%	82.70%	7.30%
India	72.10%	80.90%	62.80%	18.10%
China	96.40%	98.20%	94.50%	3.70%

Source: UNESCO, 2015

Innovation



What the wise man does at the beginning, the fool does in the end

Buffett has reduced the essence of market cycles to just 9 words:

"First the innovator, then the imitator, then the idiot"