



# Untangling U.S.-China Relations

Identifying opportunities through a long-term view

Beyond the rhetoric, China offers long-term strength

Despite trade war concerns, the U.S. and Chinese economies are inexorably intertwined.

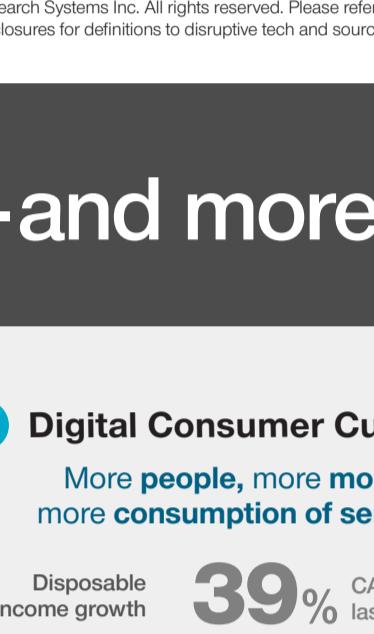
**It's in their best interests to work together.**

"Focusing on world class companies that should **compound earnings over many years can help ease volatility** caused by short-term concerns."

**Eric Moffett**  
Portfolio Manager  
T. Rowe Price Asia Equity Opportunities Strategy

**China is no longer just a production economy.**

China's industrialization as a % GDP has peaked.



Sources: FactSet and Credit Suisse research.

**China is rivaling U.S. technology supremacy.**

Exposure to 'Disruptive Tech'



% of Respective MSCI Index  
As of June 30, 2020

Source: FactSet; T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved. Please refer to Additional Disclosures for definitions to disruptive tech and source information.

## Growth from innovation—and more

Today, Chinese companies do more than produce, **they innovate.**



### Digital Consumer Culture

More people, more money, more consumption of services

Disposable income growth **39%** CAGR over last 10 years

Source: Haver, China National Bureau of Statistics, OECD.

eCommerce Penetration % Total Sales in 2019 (USD) **27% China** **15% U.S.**

Share of Incremental eCommerce Growth in 2019 (USD) **67% China** **13% U.S.**

As of 30 September 2019

Source: BoAML

### Health care for Aging China

Revenue from best selling immunotherapy drug in 2018 (USD)

Biotech in numbers:

**13.7bn** **0.6bn**

US: Humira

China: Herceptin

100+ bio-similar programs under development in China

Rapid innovation in health care, pharmaceuticals, and biotech

Source: CITIC Securities, Morgan Stanley.

### Opportunities from Consolidation

Certain domestic companies in China are now the main low-cost producers in their industries.

**"Consolidation can be a powerful tailwind for strong companies gaining share, even if the industry isn't experiencing much growth."**

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**Growing Opportunity Set:**  
Foreign accessible investment universe has expanded; 58% growth of market cap in China markets accessible by foreign investments since 2010.

Source: Goldman Sachs, as of 9/30/2019.

Additional Information

The chart above for "Disruptive Tech" is defined as the Information Technology sector, the Internet & Direct Marketing, Retail industry within the Consumer Discretionary Sector, and the Media & Entertainment industry group within the Communication Services sector. The regions are represented by the MSCI China Index, MSCI All Country World Index, and MSCI Europe Index.

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