

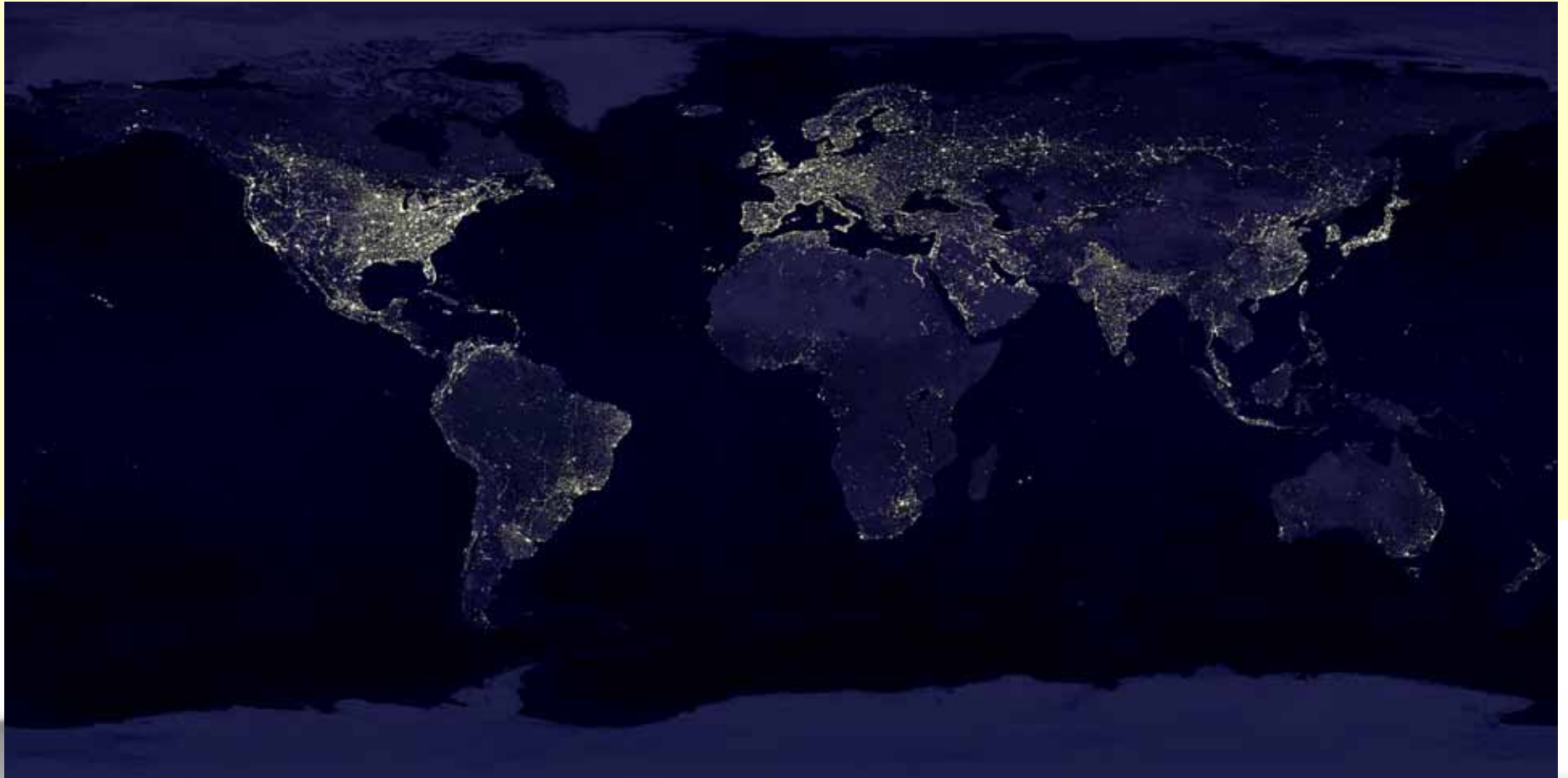


Doing Business in China

William Chu

State of North Carolina Asia Pacific Office

Earth's City Lights



North America



Europe



ASIA



Fast Facts on China

Area	World 4th largest - 9,596,960 sq km
Capital & Other major cities	<u>Beijing</u> ; Shanghai, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Harbin, Chengdu
Population / Growth rate	1.3 billion / 0.6% (2004)
Language	Mandarin & many local dialects
Literacy	86 %
Ethnic groups	Han Chinese 91.9%; others 8.1%

11th Five-Year Program

Economy: Raise urban and rural income to encourage consumption.

New Countryside: Abolish agricultural tax starting this year.

Education & Science: Free 9-year compulsory education and more funding to invest in science and technology.

People's Livelihood: Boost employment and more funding for medical & social security systems. Crack-down high property prices in some cities for more affordable housing for the urban dwellers.

Focus Industries in Next 5 Years

Auto Manufacturing

Railway Construction

Civil Aviation

Insurance Sector

Oil Reserves

Tourism Growth

Cotton Industry

Telecommunications

Steel Production

Space Industry

Gold Mining



Growth Regions in Next 5 Years

- ◆ Establish a similar coordinated economic region like PRD and YRD in Beijing-Tianjin-Hebei area in the next 5-Year Program.
- ◆ Re-develop old heavy industrial bases in the northern provinces to re-emerge as an important economic growth area.
- ◆ Develop China's western region starting from Chongqing to become an economic center of the upper reaches of Yangtze River.

Changes of GDP Per Capita (US\$)

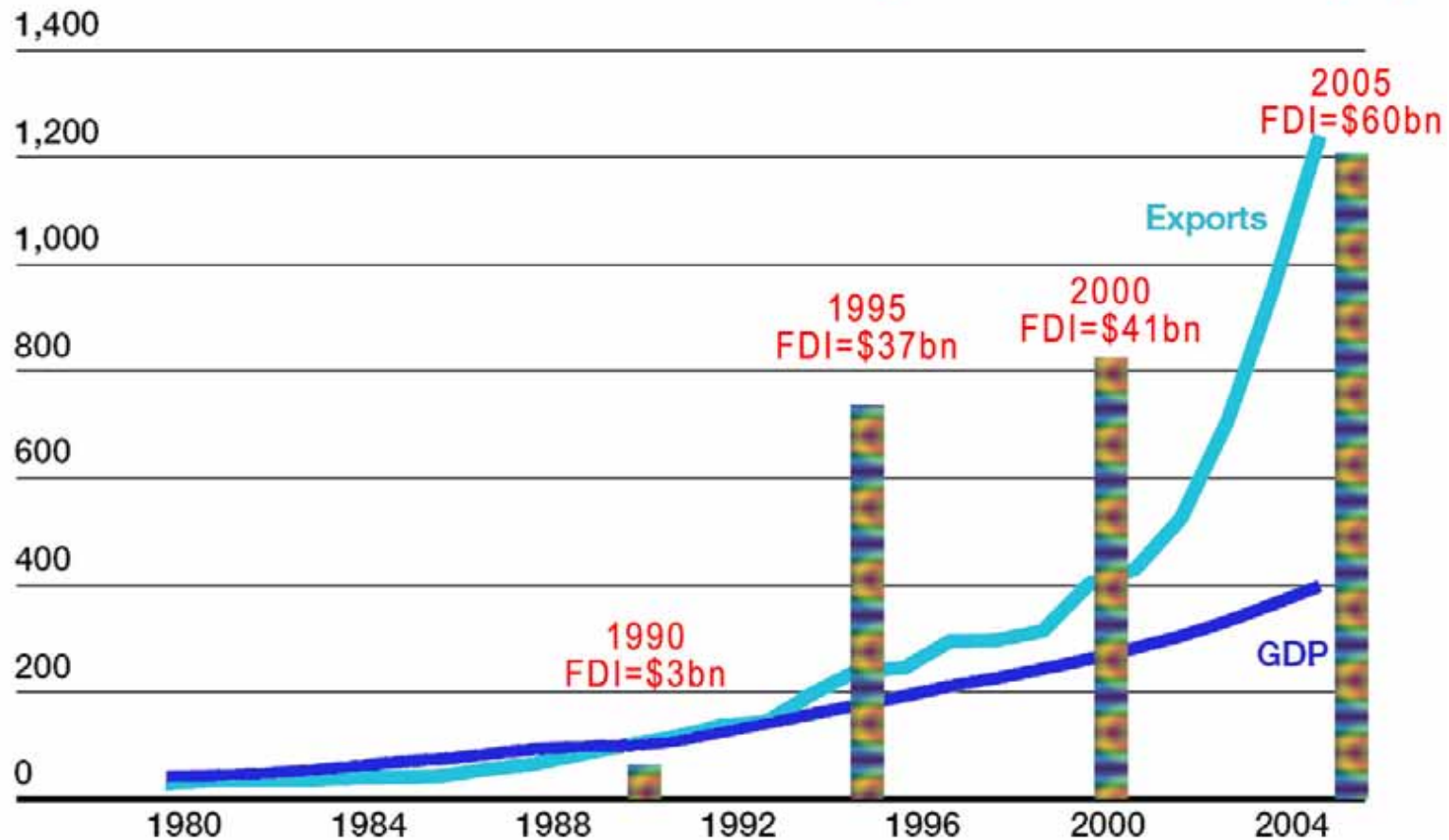
	1988	2005	Annual Changes
China	383	1,465	8.5%
India	354	637	5.5%
Japan	24,133	35,811	2.3%
South Korea	4,209	15,251	7.9%
Taiwan	6,337	15,251	5.3%
United States	20,825	42,347	4.3%

Chinese FDI, GDP & Exports

China: GDP and exports

1990=100

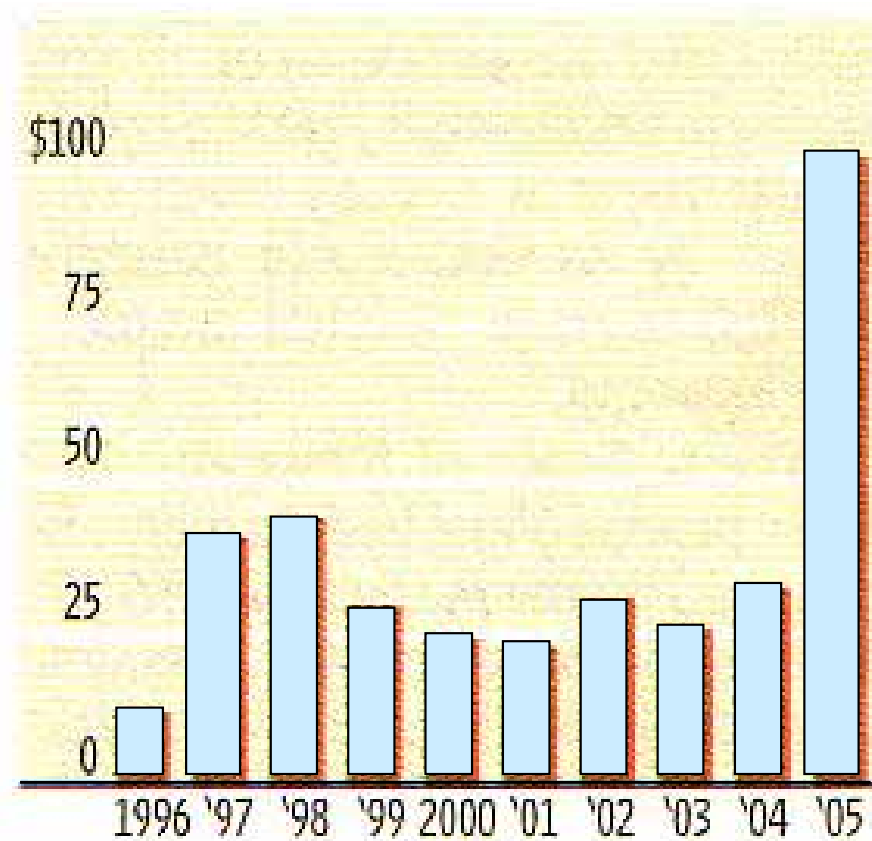
Chinese Foreign Direct Investment (FDI)



Source: OEF

Trade Surplus

In billions of dollars



Sources: National Bureau of Statistics; General Admin of Customs

Global Foreign Direct Investments

<i>Source: UNCTAD</i>	2003	2004	2005
Developed Economies	441.7	414.7	573.2
France	42.5	24.3	48.5
Germany	27.3	-38.6	4.9
Italy	16.4	16.8	13.0
United Kingdom	27.4	77.6	219.1
United States	56.8	95.9	106.0
Japan	6.3	7.8	9.4
Latin America & the Caribbean	48.0	68.9	72.0
Argentina	1.7	4.1	4.2
Brazil	10.1	18.2	15.5
Chile	4.4	7.6	7.0
Colombia	1.8	3.1	4.5
Mexico	12.8	17.9	17.2
South, East & SE Asia	94.7	137.8	146.2
China	53.5	60.6	60.3
Hong Kong, China	13.6	34.0	39.7
India	4.3	5.3	6.0
Indonesia	-0.6	1.0	3.5
Korea, Republic of	3.8	7.7	4.5
Malaysia	2.5	4.6	4.2
Singapore	9.3	16.1	15.9
Thailand	1.9	1.4	3.7

China's Share of US Imports

Share of:	China's share of total US Imports in each product group (%)	
	1995	2003
Agricultural products	1.7	3.7
Mining products	1.1	0.6
Chemicals	2.2	3.2
Machinery	3.5	11.9
Textiles	11.6	19.8
Toys and games	52.3	76.9
Furniture	11.2	38.2

Source: WTO

Total Exports to China from NC

Mainland China	US\$774,498,751
Hong Kong	US\$334,740,651
TOTAL	US\$1,109,239,402



Top 10 NC Exports to China

Description	2005 (US\$)
Machinery	163,930,730
Electrical Machinery	102,516,235
Pharmaceutical Products	65,113,126
Wood	64,067,688
Plastic	47,498,628
Iron & Steel	40,502,039
Copper & Articles Thereof	36,192,918
Woodpulp, etc.	34,124,540
Optical & Medical Instruments	23,343,857
Manmade Staple Fibers	16,100,920
Others	181,108,070
TOTAL	774,498,751

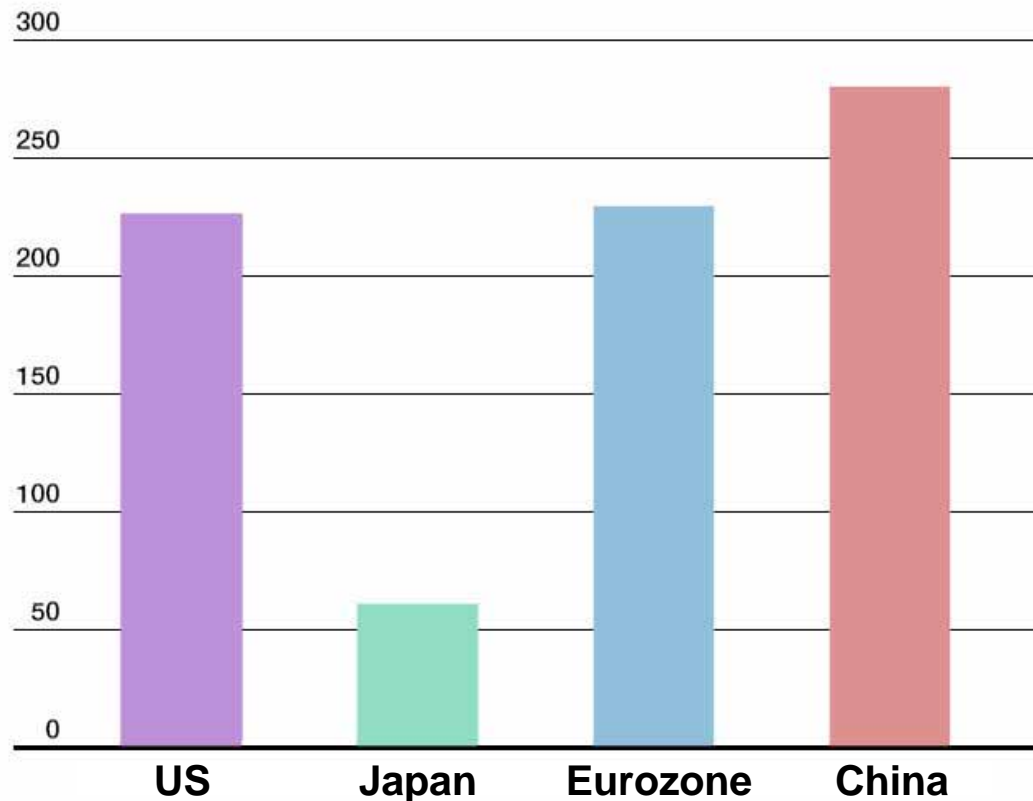
Top 10 NC Exports to Hong Kong

Description	2005 (US\$)
Electrical Machinery	111,320,261
Optical & Medical Instruments	37,401,935
Machinery	34,652,938
Plastic	27,827,694
Wood	13,263,094
Copper & Articles Thereof	12,580,369
Special Woven Fabric, etc.	10,589,750
Wadding/Felt/Twine/Rope	9,838,315
Manmade Filament/Fabric	7,739,294
Tobacco	6,298,354
Others	63,228,647
TOTAL	334,740,651

Contributions to Global Import Growth

Contributions to global (non-fuel) import growth, 2000-04

\$ billion, 2000 prices



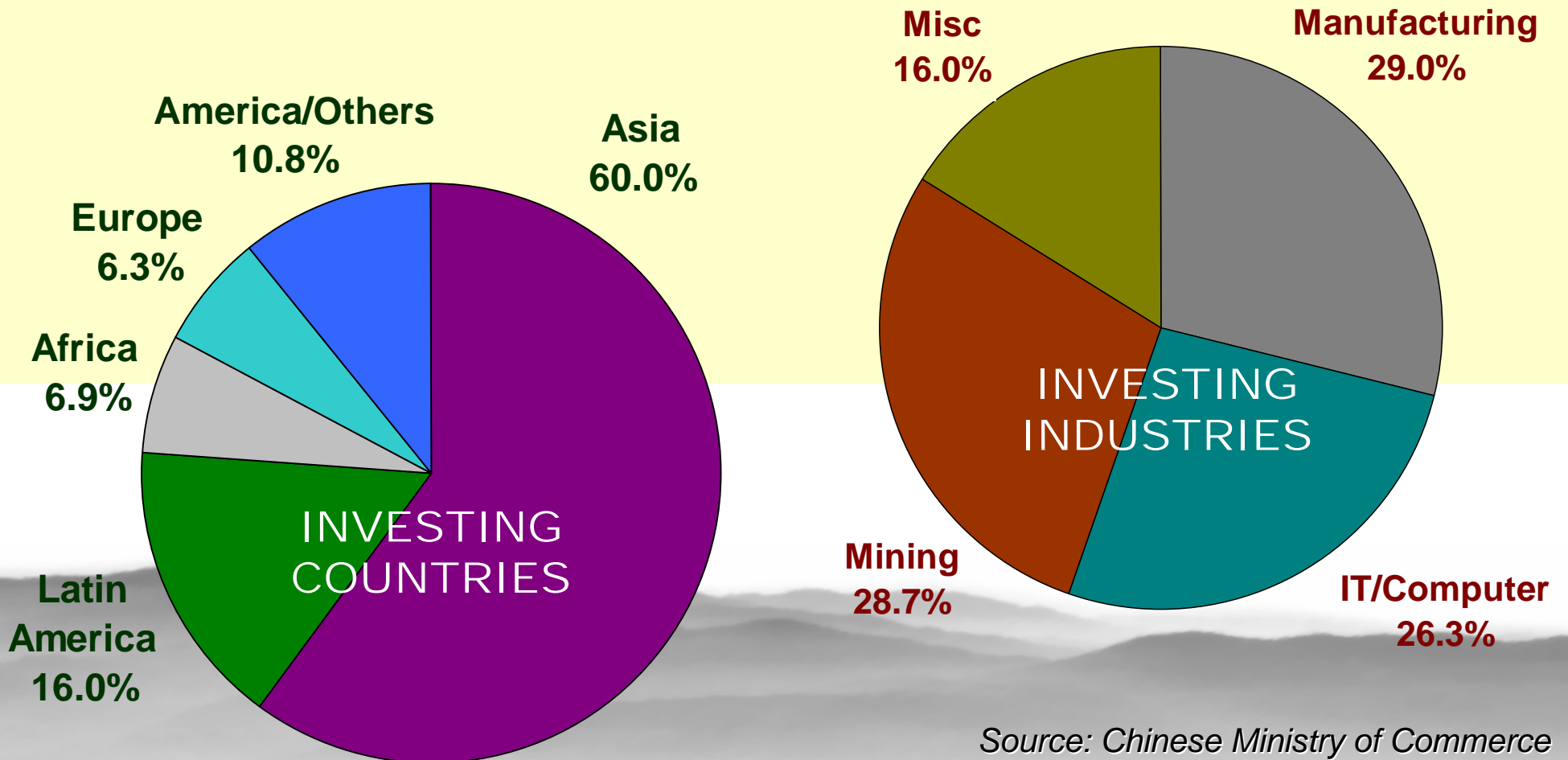
Source: OEF

US Imports from Selected Economies

	% of Total US Imports		
	2000	2005*	“swing”
China	8.2	14.8	+6.5
Taiwan	3.3	2.1	-1.2
S Korea	3.3	2.6	-0.7
Singapore	1.6	0.9	-0.7
Hong Kong	0.9	0.5	-0.4
Japan	12.0	8.3	-3.8
Total	29.4	29.2	-0.2
<i>Note: Figures may not add up because of rounding.</i>			<i>* forecast</i>
<i>Source: OEF</i>			

Chinese Outward Investments

2002	2003	2004	2005
0.98 bn	2.90 bn	5.53 bn	6.92 bn



Source: Chinese Ministry of Commerce

Reasons for “Going Out”

- ◆ Acquiring overseas competitors
- ◆ Fast track to capture overseas market
- ◆ Acquiring important technical know-how
- ◆ Inline with government policy
- ◆ Create branding appeal



Pitfalls

- ◆ Do not have a clear globalization strategy
- ◆ Lack of integration capabilities
- ◆ Management expertise in overseas markets
- ◆ Often destroy the value of acquisition



What Are the Differences?

- ◆ Do not veer much diff. than the rest in the region
- ◆ Have some unique characteristics
- ◆ Past legacy have a substantial sway on the minds of management system
- ◆ Company's opinions must to be perceived and to be aligned with govt. policy
- ◆ Company wants to be under the care of government

The End!

