



*U.S.
COMMERCIAL
SERVICE*

*United States of America
Department of Commerce*

®



OVERVIEW

Economic policies, trends, and business outlooks

OPPORTUNITIES

Prospects and forecasts in popular industries

CS CHINA ASSISTANCE

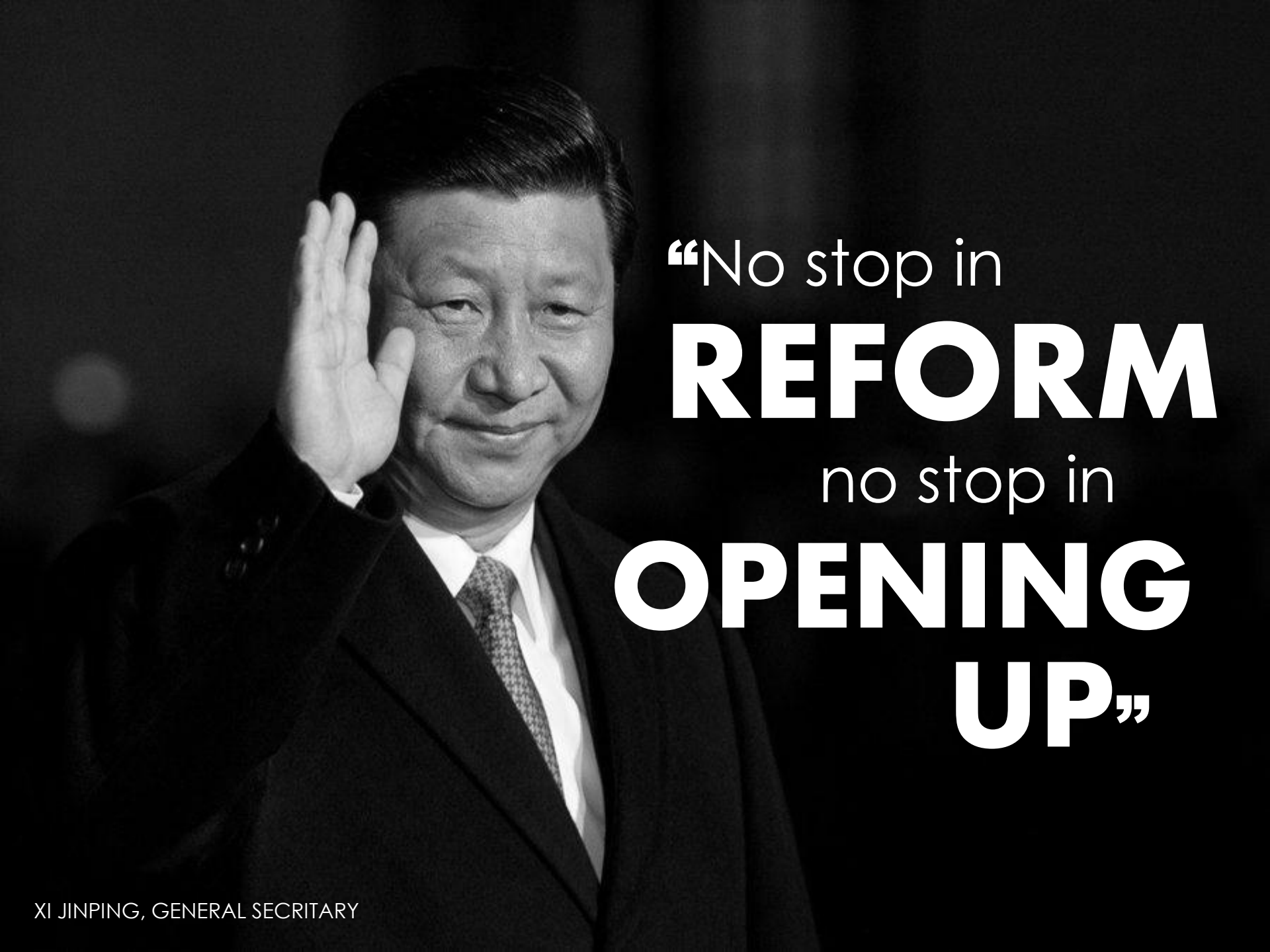
What the U.S. Commercial Service can do to help





OVERVIEW

ECONOMIC POLICIES, TRENDS, AND BUSINESS OUTLOOKS



“No stop in
REFORM
no stop in
OPENING
UP.”



XI

J I N P I N G

- **Symbolic tour**
- **Increase U.S. imports**
- **Corruption crackdown**
- **Balanced economic development**
- **G-20 commitment**



*“Administrative
territories
**ARE
NOT**
market
territories”*



LI

KEQIANG

- **China's premier**
- **"We will not seek hegemony"**
- **Fighting corruption**
- **Met U.S. delegation**
- **U.S. – China cooperation**
- **Lower market barriers**



“ I have always
TRUSTED
the cadres
AND PEOPLE
of the city”



ZHANG

D E J I A N G

- **Top legislator**
- **Crisis Management issues**
- **N. Korean educated economist**
- **SOE advocate**



“We must
PUSH
forward
economic
transformation”



YU

ZHENGSHENG

- **Coalition with non-communist parties**
- **Prominent family**
- **Private sector advocate**
- **Tibet involvement**



“TRUTH
from the
PEOPLE”

LIU YUNSHAN, FIRST SECRETARY OF THE CENTRAL SECRETARIAT OF THE CCP



LIU

Y U N S H A N

- **Censorship**
- **Party school president**
- **Conservative**
- **Opposes democratic reforms**

A black and white portrait of Wang Qishan, an older man with dark hair, wearing a dark suit, white shirt, and patterned tie. He is looking slightly to the right of the camera with a serious expression. The background is a dark, neutral color.

“The

ETHICS

of the party

will determine its

SURVIVAL

or

DEMISE.”

WANG QISHAN,
SECRETARY OF THE
CENTRAL COMMISSION
FOR DISCIPLINARY
ACTION

WANG

Q I S H A N

- Relocation to disciplinary committee
- “Fire brigade chief”
- Strongly pro-reform
- Diminished influence



A black and white photograph of Zhang Gaoli, Tianjin Committee Secretary, speaking at a conference. He is wearing a dark suit, a white shirt, and a patterned tie. He has glasses and is gesturing with his hands while speaking into a microphone. The background is blurred, showing other people in a conference setting.

“Do
MORE
Speak
LESS”

ZHANG GAOLI, TIANJIN COMMITTEE SECRETARY



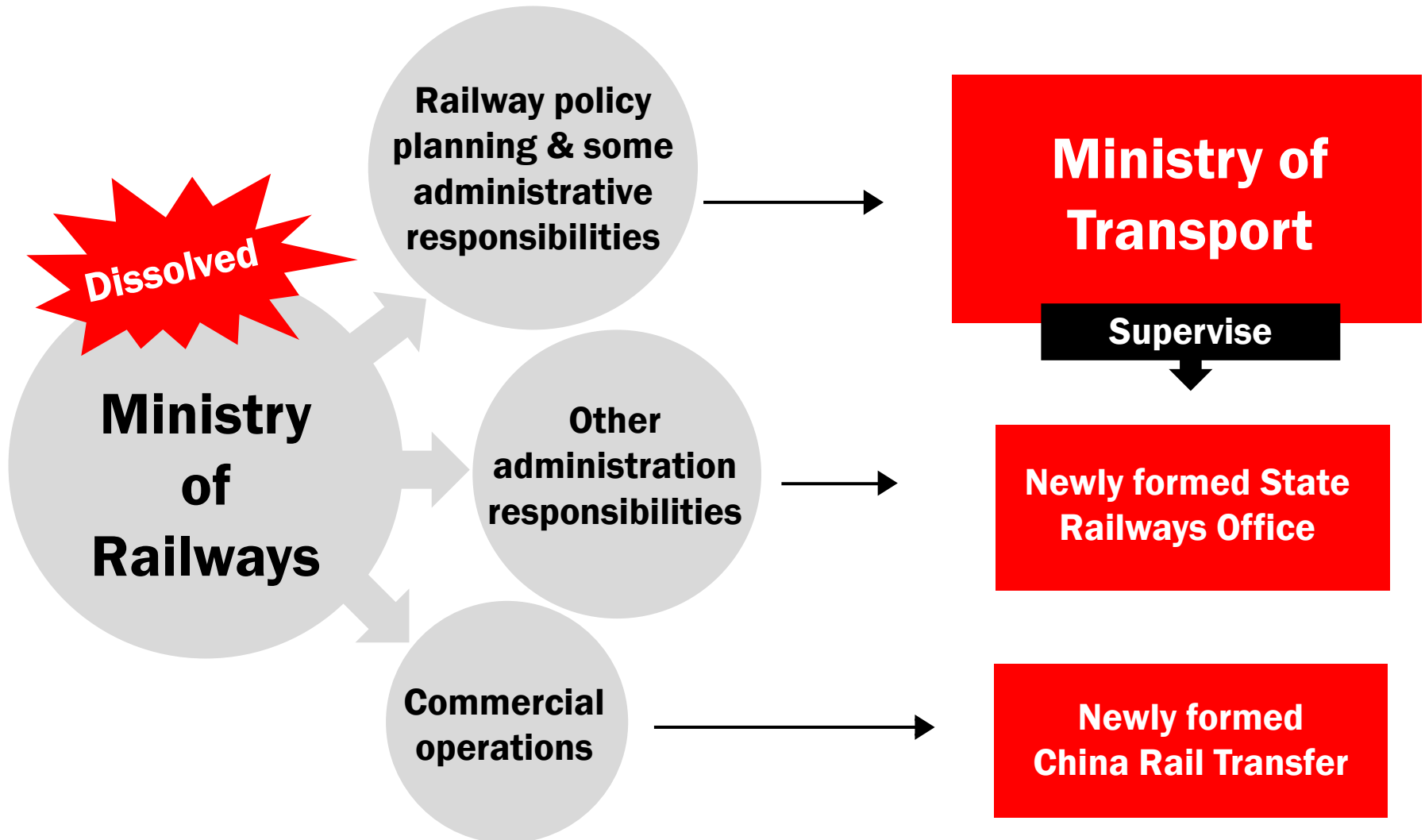
ZHANG

G A O L I

- **Aligned with Jiang Zemin**
- **Past policies do not support rebalancing the economy**
- **Tianjin**
- **Debt-funded investments**

STATE COUNCIL

Structural changes – Railway Ministry Dissolved



STATE COUNCIL

Structural changes – New Food & Drug Regulator

Food production
process supervision
under General
Admin of Quality,
Supervision,
Inspection &
Quarantine

Food sales
processes
supervision under
General Admin for
Industry and
Commerce

State
Commission
on Food
Safety

State Food
and Drug
Admin

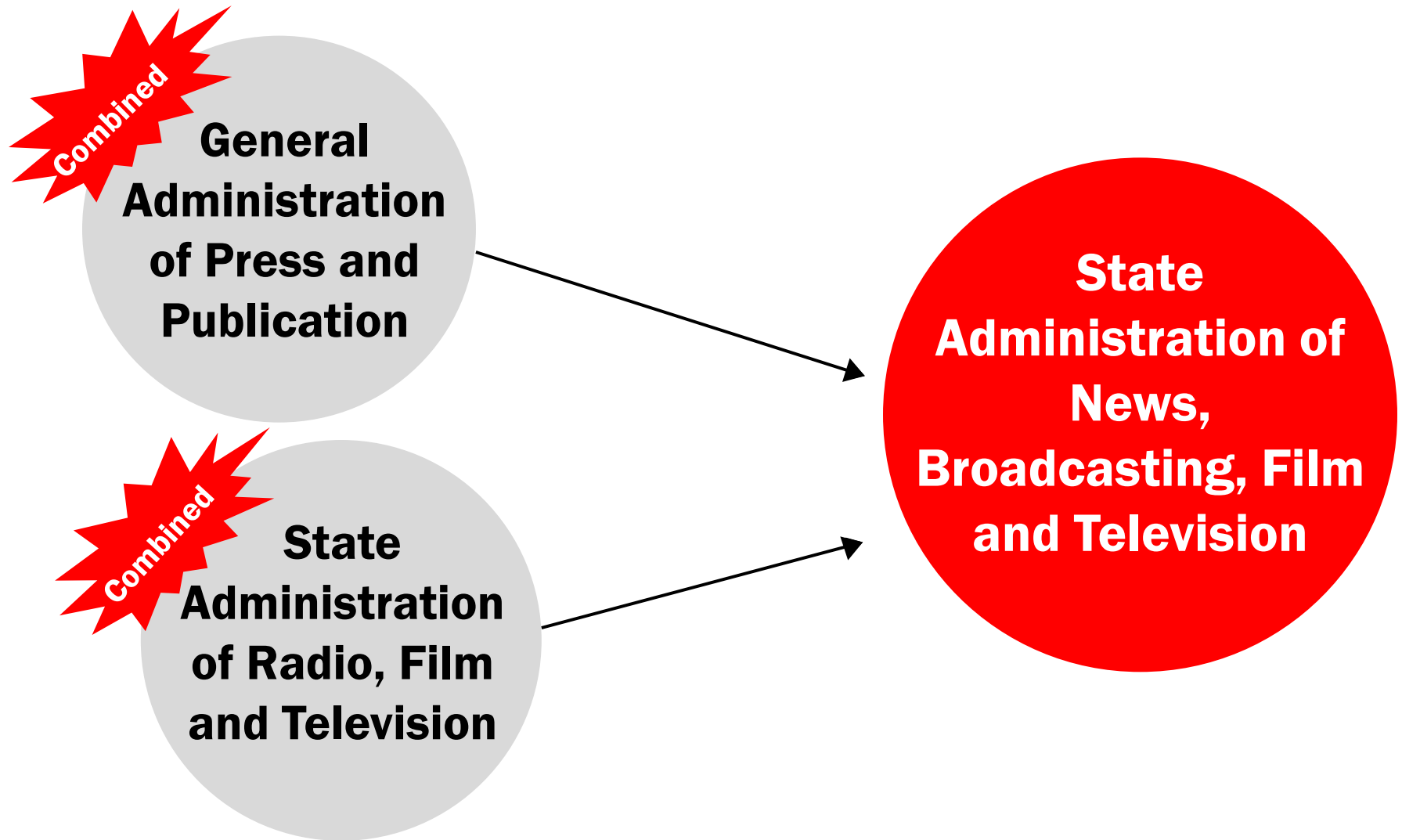
State Food and
Drug Supervision
Administration

Absorbed

Absorbed

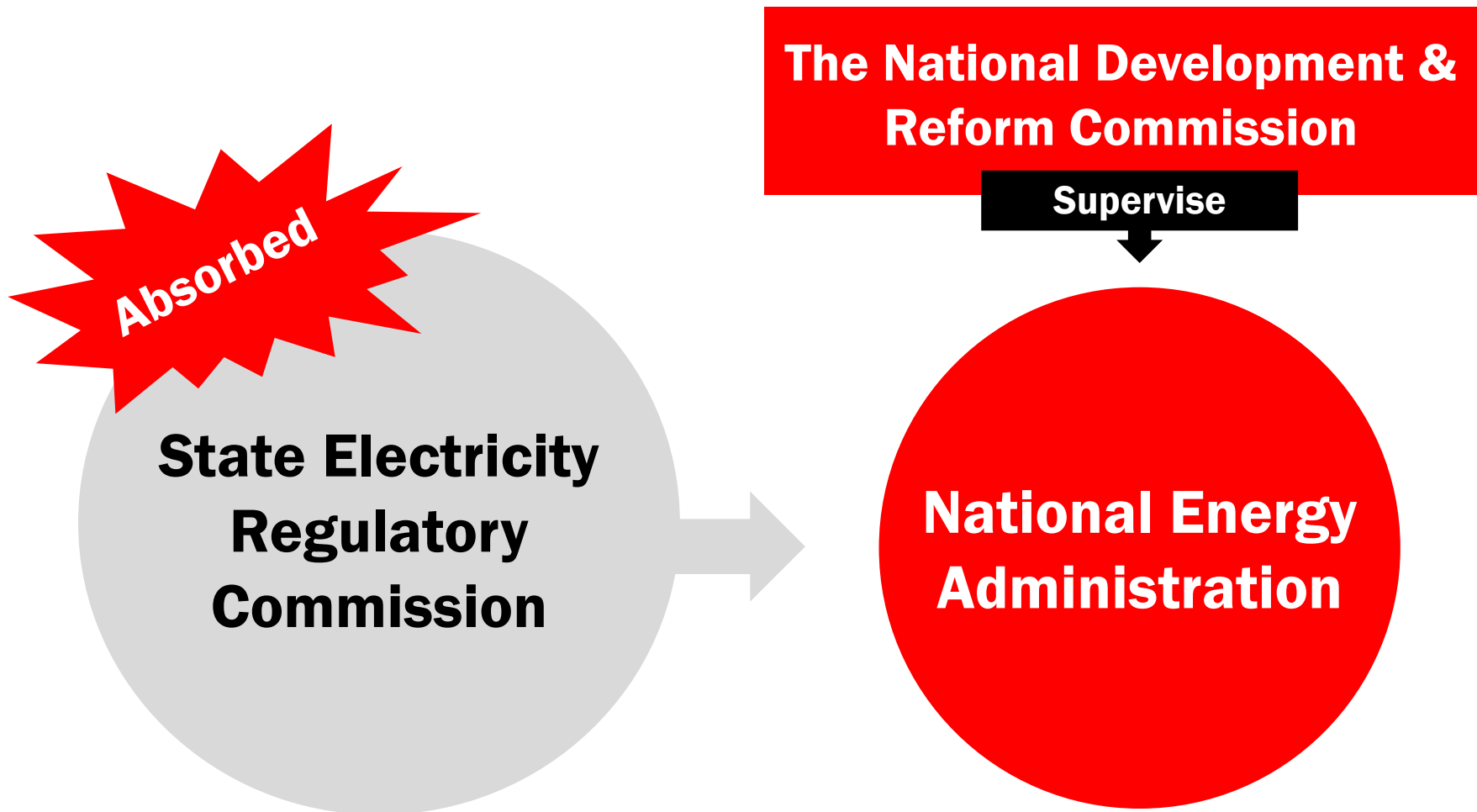
STATE COUNCIL

Structural changes – Media regulators unified



STATE COUNCIL

Structural changes – National Energy Administration



MIDDLE INCOME

T R A P

- **Need innovation and efficiency-led productivity**
- **1960 – 101 middle income countries**
- **2011 – only 13 became high income**
- **Low labor cost and easy tech adoption**
- **Rural labor surplus wanes**
- **Wages increase, competitiveness drops**



WORLD BANK & DRC URGE

Liberalization

Liberal market-oriented reforms

Liberalize financial system

- **Deregulate interest rates**
- **Credit for SMEs**
- **Commercialize banks**
- **Deepen capital markets**



WORLD BANK & DRC URGE

Socioeconomic change

Strengthen income

Strengthen social safety net

Green economic development

Develop independent legal system



WORLD BANK & DRC URGE

Socioeconomic change

Develop market economy

Shift power away from CPC

Promote better governance



MAINTAIN GROWTH

Dismantle barriers that restrict growth

State as owner and producer of goods & services

117 centrally-controlled SOEs

- *Unirule Institute of Economics*

Open up state-run industries

Strategic industries:

- *Defense*
- *Telecommunications*
- *Civil aerospace*

Pillar industries

- *Equipment manufacturing*
- *Auto, electronic, ICT, chemicals*



U.S. BUSINESS OUTLOOK

A man in a light blue dress shirt and a dark blue patterned tie is looking through black binoculars. He is standing in a vast field of golden wheat that stretches to the horizon. The sky is bright blue with scattered white clouds. The overall scene conveys a sense of looking forward and assessing the future.

76% - China Revenues, 2012 > 2011

91% - Optimistic 5 year outlook

79% - Unclear regulatory environment

89% - HR constraints critical business challenge

CHALLENGES

Human resources

Protectionism

Labor costs

Certifications/approvals

Unclear regulatory environment

IPR



PTO

U.S. Patent and Trademark Office Resources

The US Embassy IPR Toolkit

<http://beijing.usembassychina.org.cn/ipr.html>

China IPR Advisory Program – 1 hr free consultation

http://www.abanet.org/intlaw/china_prog2.html

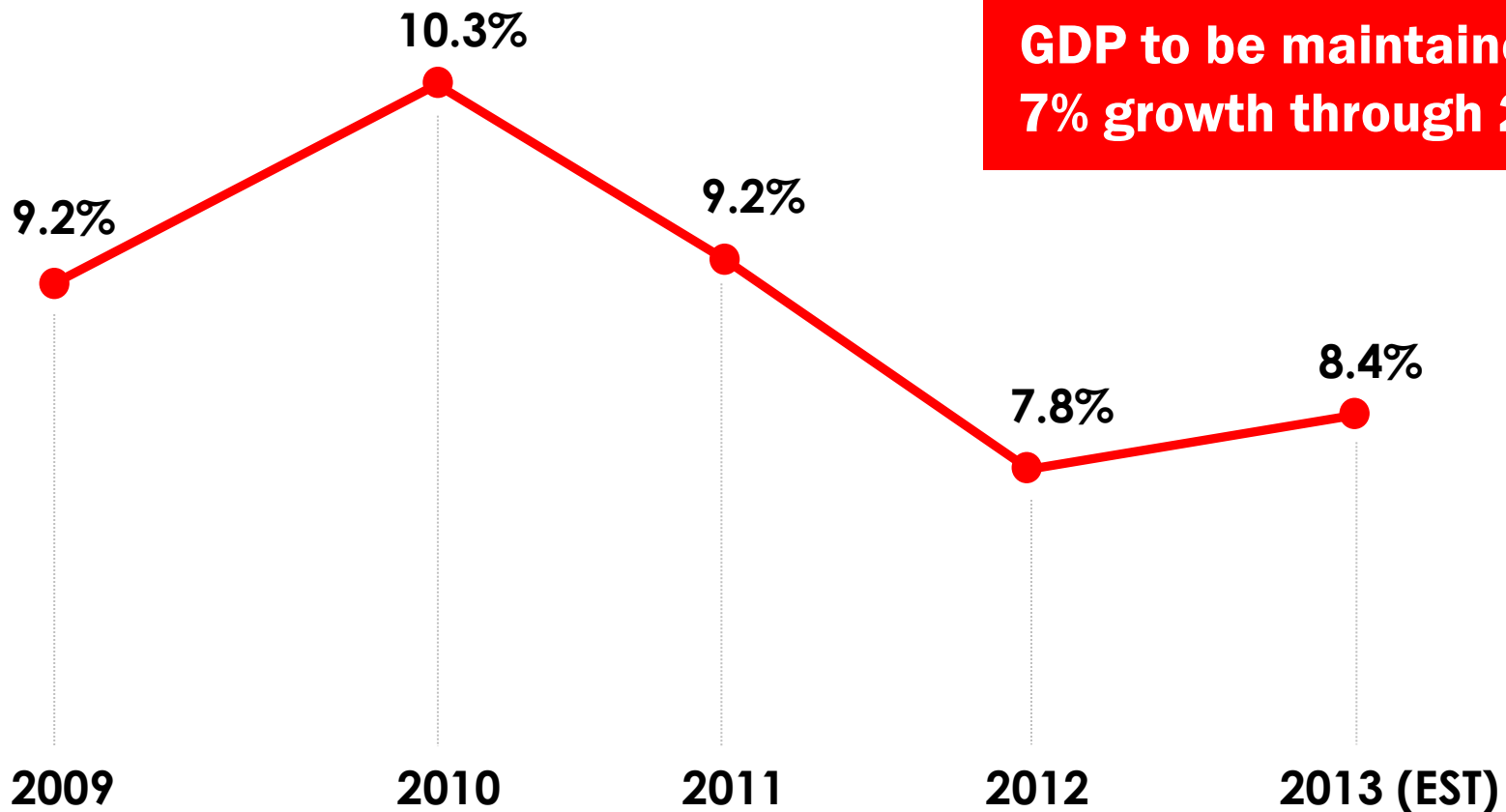
USPTO: Free China Conferences

http://www.stopfakes.gov/events/china_webinar_series.asp

IP Webinar Series

www.stopfakes.gov

CHINA'S GDP



TRENDS

Trade surplus with U.S: \$314 billion, 2012

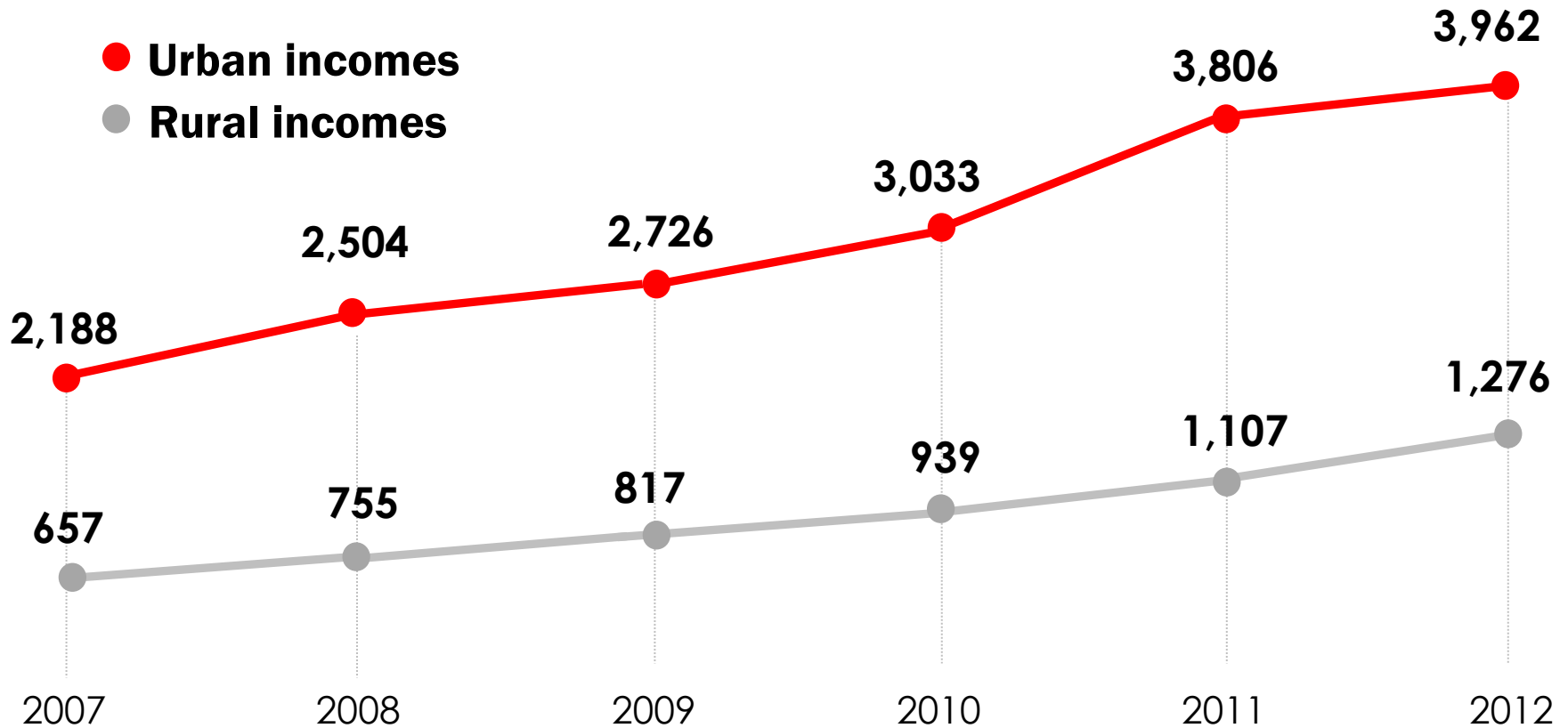


China has an overall deficit, but a big trade plus with the U.S.

Source: International Trade Administration

TRENDS

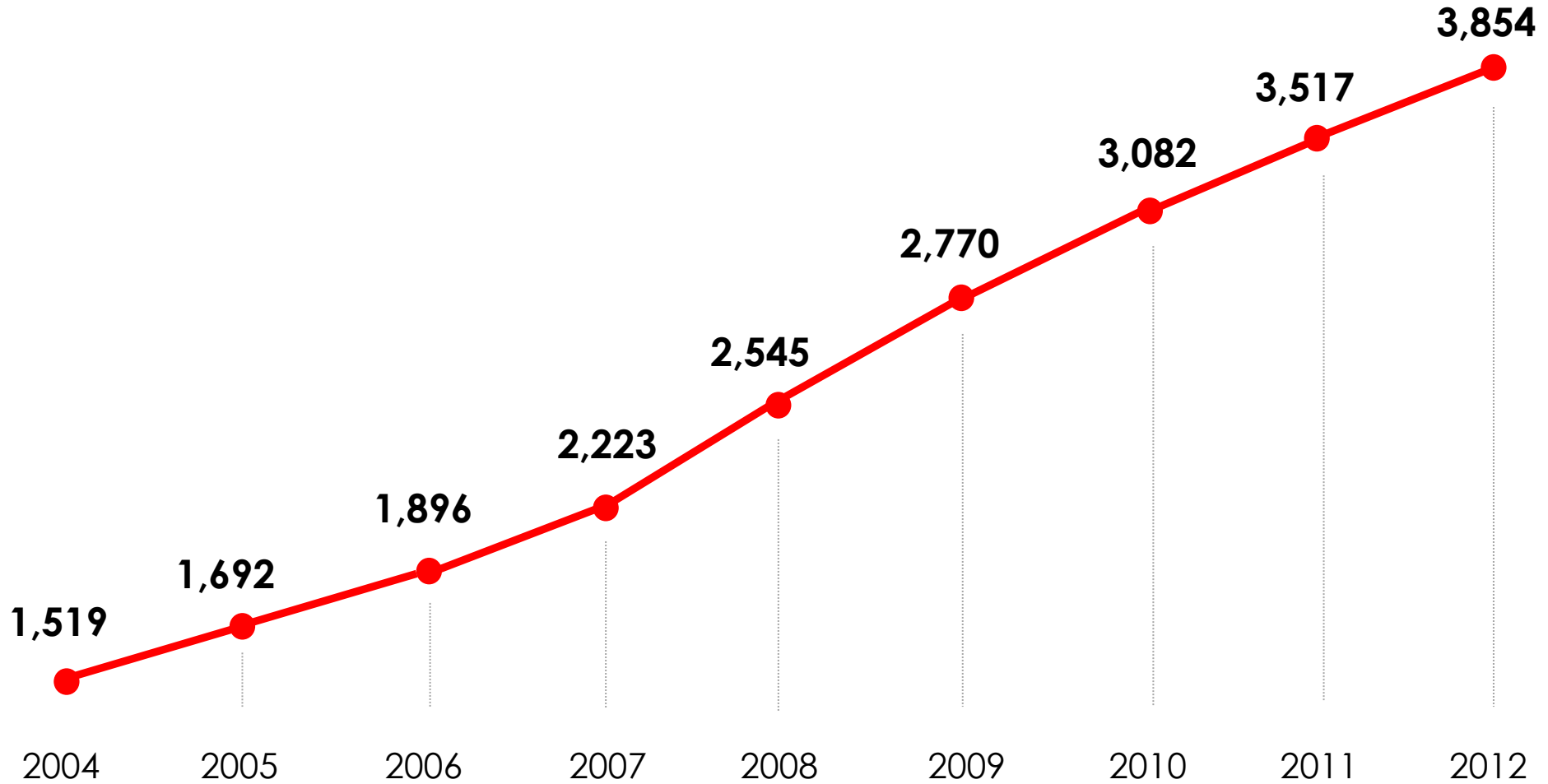
Income **disparity** (USD)



Source: National Bureau of Statistics of China

TRENDS

Growth of **disposable income** per capita (USD)



Source: Trading Economics

TRENDS



Rise of the **Middle Class**

Consumption 240% of affluent, 2025

600 million by 2020

New opportunities

Drive domestic consumption

Force for social/political change

TRENDS

Ageing Demographic

- Low birth rate
- Aging population
- By 2030, will import workers

	China	USA
Total Fertility Rate	1.56	2.08
Median Age 2050	48.7	40
Under 15	-5.5	-1.3
15-64	-11.4	-6.9
Over 65	+17.4	+8.1



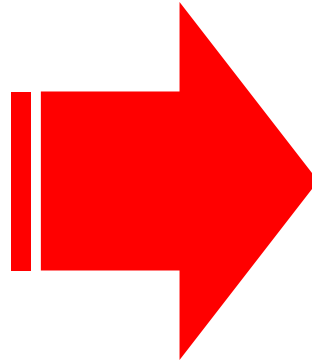
TRENDS

Rebalancing the economy

Fixed asset investment

**3rd largest consumption
as of 2012**

**Consumption 35% of
GDP as of 2010**



Domestic consumption

**2nd largest consumption
in the world by 2020**

**Consumption 50% of
GDP by 2015**



TRENDS

China's luxury market

25% worldwide consumption

Surpassed Japan, \$27B/\$24B

80% buyers < age 45

Fragmented market

Upper middle class





THE URBAN BILLION



8 MEGACITIES (10M+) BY 2025



- **1B urban – 2030**
- **Urbanization = new markets**
- **60% urban households disposable income/yr: \$12,000 – \$25,000 by 2025**

TRENDS

Growth of **US exports** to 2nd and 3rd tier cities

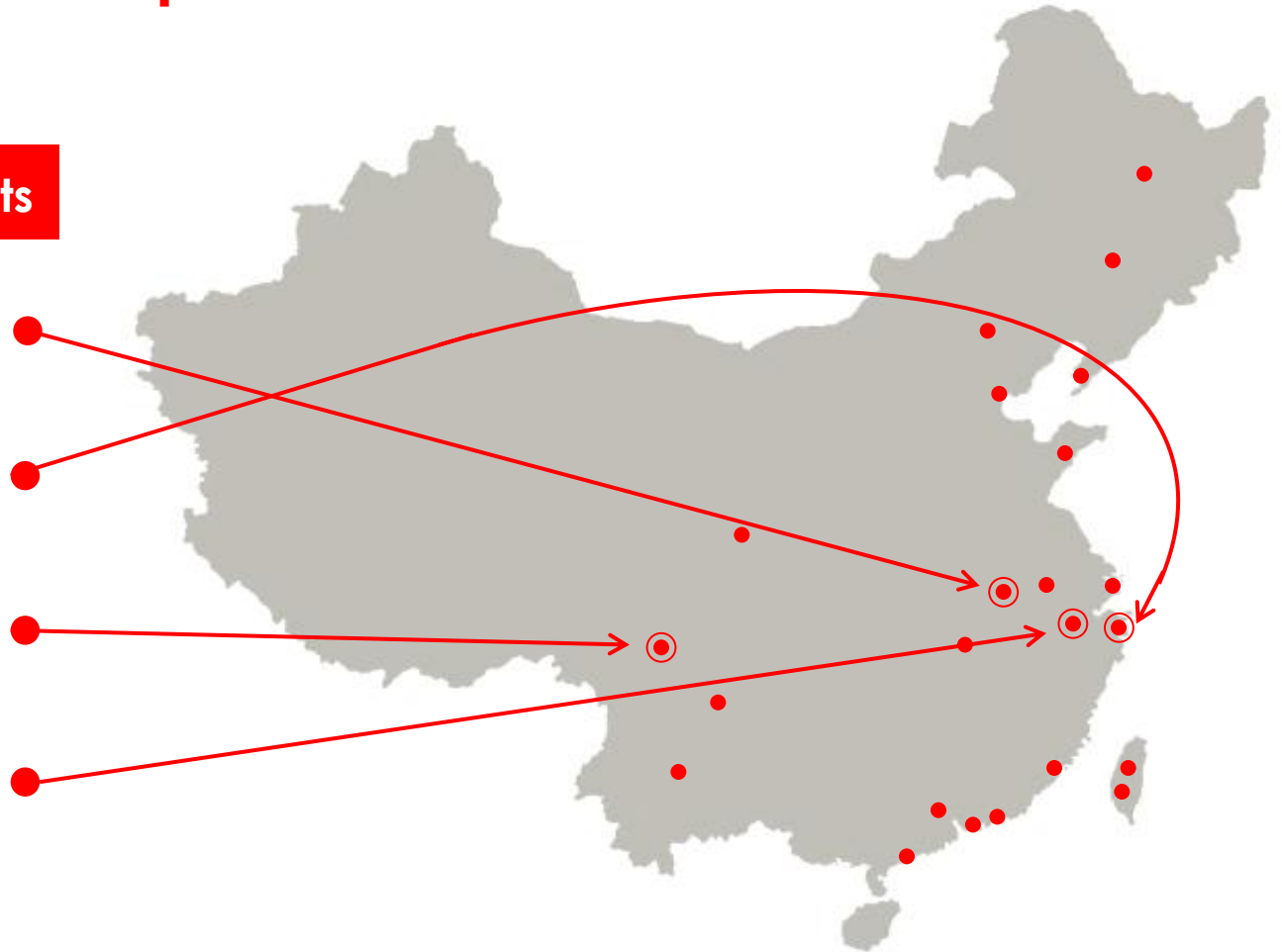
Top 15 60% of U.S. exports

Hefei **+164%**

Ningbo **+90%**

Chengdu **+75%**

Hangzhou **+63%**

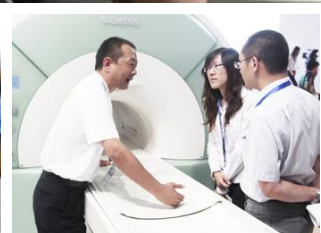




OPPORTUNITIES

PROSPECTS AND FORECASTS IN POPULAR INDUSTRIES

HEALTHCARE



Market \$500B - 2016

Number 2 market 2020

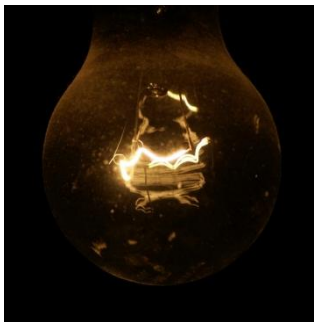
**Foreign 60% of total market
(\$125B)**

**Hospitals: public down;
private up**

**Largest elderly population
13.4%**

HCP

POWER GENERATION



**Generation up >100%
2010 – 2020 (1935 GW)**

**Connect 160 GW renewable
to grid - 2015**

**\$473B clean energy
projects - 2015**

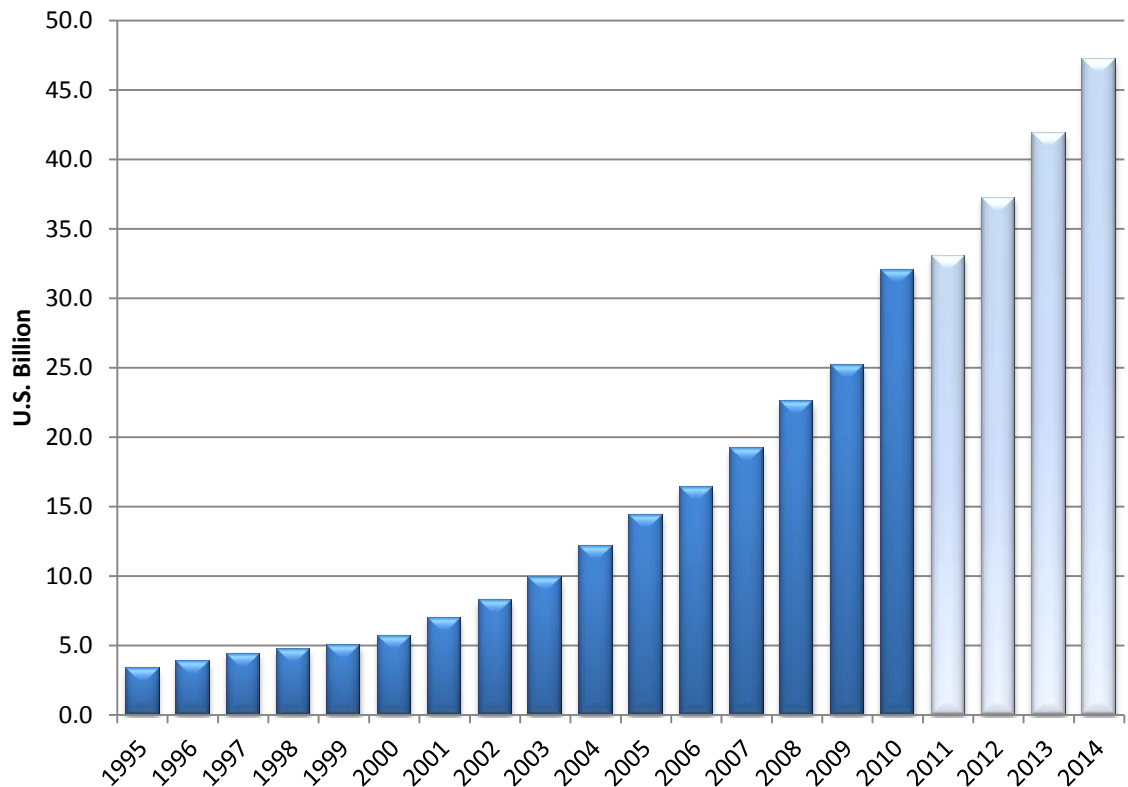
**Wind up 16% /yr – 2020
(200GW)**

**Nuclear 12.5 GW → 80 GW -
2020**

ECP

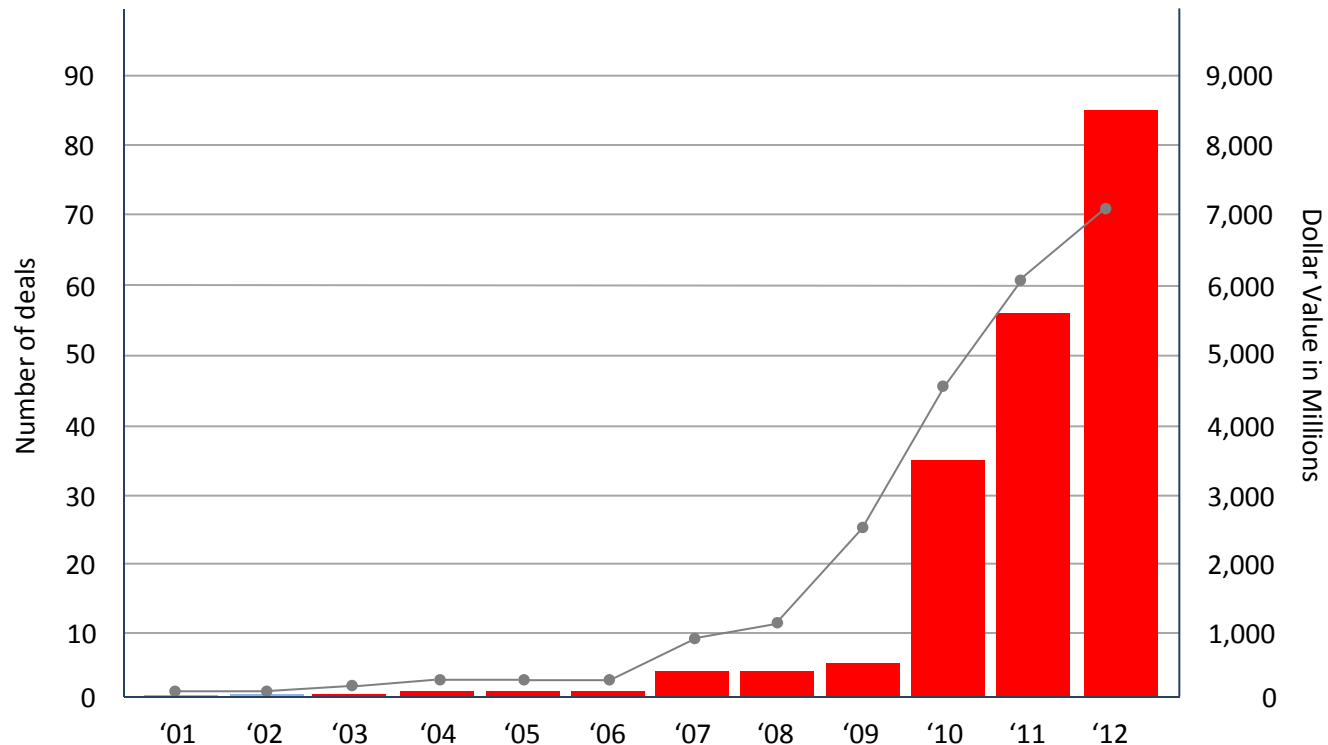
China's market \$500B to \$1T

China's technology imports



Chinese Investment in the U.S. Energy Sector

- Raises awareness of legal, regulatory environment
- Helps protect U.S. IP in China



95% inefficient – \$1T market

**New floor area up 135% -
2012 (61M m²)**

**12/5 – up 65% energy
efficiency**

**Three Star (LEED)
accreditation up 30%**

**Subsidies up to \$12 per m²
for Three Star buildings**



\$3.4T total investment

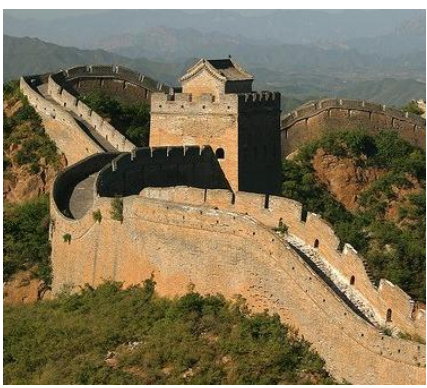
298M no safe drinking water

\$42B on waste treatment

**Air/water monitor equip.
sales \$30B - 2015**

DeNOx equip. \$48B - 12/5

TRAVEL & TOURISM



**>1.34M visitor visa processed
- 2012**

**Avg. Chinese visitor spends
\$6000**

**Spending growth 2004-11
594%**

**4M Chinese tourists to U.S. -
2017**

RAILWAY & METRO



\$500B total investment

Alstom, GE, Kawasaki

Freight

Restructured rail ministry

ARWG

RETAIL & FRANCHISE



Total retail sales: \$3.2T - 2012

Disposable income \$8K/yr - 2020

44% world's luxury goods - 2020

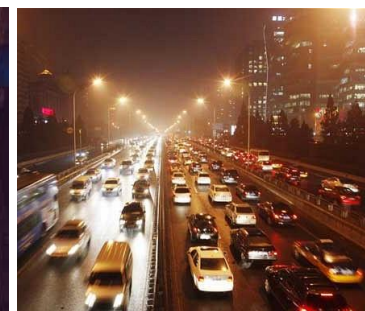
242M online shoppers

\$40,000/sec online

4,500+ franchise systems

400,000 franchise stores

AUTOMOTIVE



19.3M units - 2012

Key auto parts, special vehicles, EV

U.S. import \$7.1B - 2012

China's per capita car ownership → 8.5%

4,500 RVs/Route 66

5,260 new aircraft by 2031

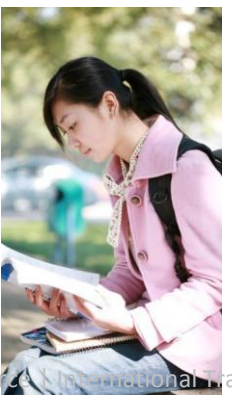
**Supply, manufacturing,
design/construction**

244 airports by 2020

ACP

**82 airports under construction
(2/3rd of worldwide)**

EDUCATION



**161M compulsory education
(9-year) - 2015**

**500,000/yr abroad - 2013
1/3rd in U.S.**

**Public kindergarten students
< private**

Online education

AGRICULTURE



160,000 jobs

**U.S. five-year accord with
China**

**Arable land/population
imbalance**

U.S. exports \$20.8B - 2012

CHINESE OUTBOUND FDI



\$6.5 billion in 2012 to the U.S.

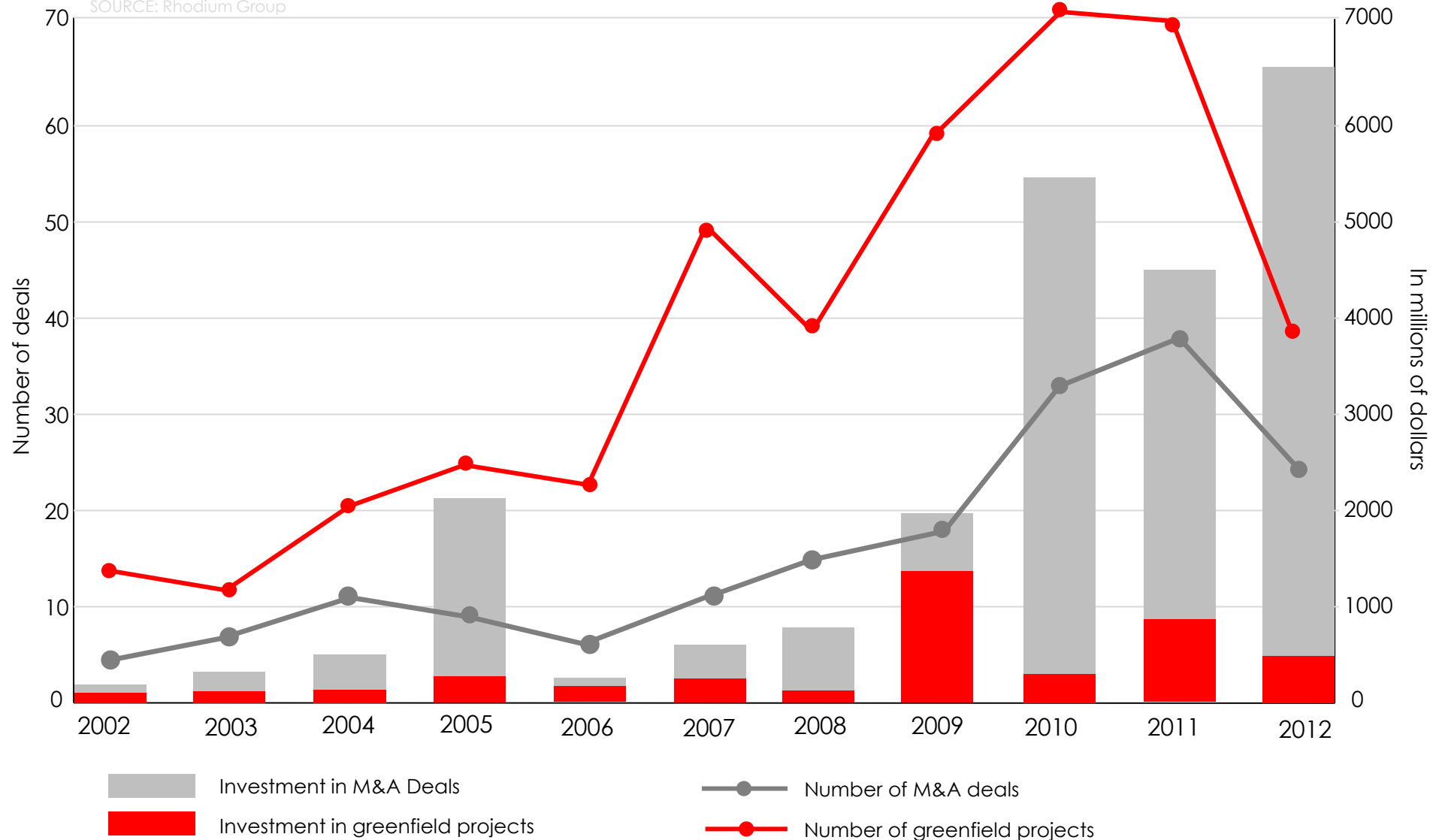
“Going Out” Policy

Energy

Select USA

CHINESE FDI IN THE U.S.

SOURCE: Rhodium Group





CS CHINA ASSISTANCE

WHAT WE CAN DO TO HELP

CS ASSISTANCE

Your global business **development team**



谢谢

Thank You



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The background features a stylized American flag with red and white stripes and white stars on a blue field. To the left, a white map of the United States is set against a light blue background.

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