Council of Great Lakes Governors Co-Chairs: Illinois Governor Pat Quinn and Michigan Governor Rick Snyder

Doing Business in China Webinar
Conference of Great Lakes and St. Lawrence Governors and Premiers

Conference formed in June, 2015

Chief executives of Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Ontario, Pennsylvania, Québec and Wisconsin are working as equal partners to grow the region’s $5 trillion economy and protect the world’s greatest freshwater system.

The Council of Great Lakes Governors serves as secretariat.
CGLSLGP Trade Missions have assisted over 300 Great Lakes companies to export their products and services to 21 international markets:

Abu Dhabi, Argentina, Australia, Brazil, Chile, Czech Republic, Colombia, Dubai, India, Indonesia, Mexico, New Zealand, Peru, Poland, South Africa, Qatar, Québec, Thailand, Turkey, UAE and Vietnam.
Doing Business in China:
Emerging Business Opportunities in China and Eight Steps to Tap into the China Market

Ning Shao
Chief Executive
CGLSLGP China Trade Office
Suite A401-420, Tomorrow Square | JW Marriott Building
399 West Nanjing Road, Shanghai, China
TEL: 86-21-23081188 FAX: 86-21-23081199
ningshao@mccusa.org
China’s Response to the West: Reform and Opening Up

• The economic history of China stretches over thousands of years and has undergone alternating cycles of prosperity and decline.

• The Opium War in 1840 started China’s long and painful response to the Western industrial powers. After one hundred years, numerous wars and parent uprisings and over one hundred million lost lives, China adopted a western ideology in Marxism to build a new Republic in 1949. Mao’s social engineering policies to build a strong industry and a society on equality at the same time failed miserably, which led to Deng’s economic reforms towards market economy in 1978 and were carried out in three stages.

• The first stage, in the late 1970s and early 1980s, involved the de-collectivization of agriculture, the opening up of the country to foreign investment, and permission for entrepreneurs to start up businesses. However, most industry remained state-owned.

• The second stage of reform, in the late 1980s, 1990s, involved the privatization and contracting out of much state-owned industry and the lifting of price controls, protectionist policies, and regulations, although state monopolies in sectors such as media, telecommunications, banking and petroleum remained. The private sector grew remarkably, accounting for 70% of China’s employment and more than 50 percent of China GDP.
The third stage of reform, from 2001 to 2015, are centered on globalization, urbanization and now, economic restructuring.
China at a Glance

Population: 1,367,485,388 (July 2015 est.)
Capital City: Beijing
Chief of State: President Xi Jinping
GDP $11.385 trillion (nominal, 2015 est)
$19.510 trillion (PPP, 2015 est)
• By the end of 2014, over 752.29 million Chinese lived in urban centers.

• Urbanization expected to boost domestic demand by USD$4.5 trillion over the next two decades.

• Beijing, Shanghai, and Hong Kong are listed among the “World’s Top 10 Cities of the Super Rich.”

Chongqing, a city in the West of China, is experiencing rapid expansion due to urban migration.
Shanghai, Pudong:

Twice the surface area of Manhattan has been constructed in Pudong since 1995 - 120 million square meters of floor space by the official tally, including more than 70 skyscrapers.

According to international real-estate agency Jones Lang LaSalle, less of Pudong's grade-A office space is empty than Manhattan's—9.5% versus 10.3%. The space leases for $693 per square meter annually, nearly a tenth more than Midtown Manhattan.
Growing Middle Class

• China’s GDP has been increasing exponentially for the past 25 years and so have real wages.

• Increase in wealth is fueling an increase in disposable income.

• Chinese middle class consumers are becoming more sophisticated.
In 1990, there were no billionaires in China.

HURUN REPORT - LEADING AUTHORITY ON CHINA’S WEALTHY - released on October 2015 a list of 596 Chinese billionaires, propelling China ahead of the US for the first time. This compares with 537 in the US, according to the Hurun Global Rich List.
• Automobiles – 1,000 new cars hit the road in Beijing every day.

• Electronics – China is one of the world’s largest consumers of cell phones, computers, and other personal electronic devices.

• Imported Foods – China is now the 5th largest importer of wine even though wine does not play as major a role in Chinese cuisine as it does in Western cuisine.
Current Trends — Aging Population / Shrinking Labor Force

- China is aging faster than any major country in history.
- By 2025, 1 in 5 Chinese will be over the age of 60; China’s elderly population will be roughly the size of the entire US population.

- At the same time, China’s surplus labor force is shrinking, causing higher manufacturing costs and wages.
Opportunities for US SMEs

- US export growth to China grew by nearly 13 percent annually over the past 10 years.
- More and more US companies manufacture in China to sell to China instead of exporting;
- E-commerce is expanding rapidly. E-commerce in China is estimated to exceed 5 trillion RMB in 2015.
- Agriculture, traditionally the largest portion of GDP, was eclipsed by both the manufacturing industry and the service industry;
- China is now the world’s second largest importer of luxury goods after Japan. In the next 5 years, China’s projected annual consumption of luxury goods will exceed $14.6 billion, surpassing Japan;
- China is the second largest consumer market in the world after the US.
• In 2014, Great Lakes State and Provinces exports to China totaled $26.76 billion USD

<table>
<thead>
<tr>
<th>NAICS Total Merchandise Exports to China</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>$4,727,715,043</td>
</tr>
<tr>
<td>Indiana</td>
<td>$1,435,471,216</td>
</tr>
<tr>
<td>Michigan</td>
<td>$3,459,092,341</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$1,803,380,643</td>
</tr>
<tr>
<td>New York</td>
<td>$4,291,144,184</td>
</tr>
<tr>
<td>Ohio</td>
<td>$3,909,022,408</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$2,383,796,181</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$1,564,213,640</td>
</tr>
<tr>
<td>Total Great Lakes NAICS Merchandise Exports to China</td>
<td>$23,573,835,656</td>
</tr>
<tr>
<td>U.S. Total NAICS Merchandise Exports to China</td>
<td>$124,023,950,081</td>
</tr>
</tbody>
</table>

Ontario exports to China in 2014 $2,061,652,000 CAD
Québec exports to China in 2014 $2,600,000,000 CAD

Key Great Lakes Exports to China
- Machinery
- Transportation Equipment
- Computer and Electronic Products
- Chemicals
- Agricultural products
- Waste and Scrap
Eight Steps to Tap into the China Market
Eight Lessons for the China Market

• Build a team: both at home and in China
• Build a brand: you don’t have one in China
• Build trust: remember your customer in China is very nervous about working with you
• Be prepared: work on your market research
• Be flexible: China simply changes too fast
• Be ethical: gain moral authority over corruption
• Be patient: expect the unexpected
• Be persistent: walk the last mile
Strategically located in Shanghai, the CGLSLGP China Trade Office serves the Great Lake States in business and export trade development with China. The office provides a range of export support services to facilitate their entrance into the China market. Services are custom-designed to fit the needs and strategic goals of each company as they seek to gain access or expand their presence in China.

CGLSLGP’s China Trade Office’s award-winning ChinaRep/Envoy program, a public-private partnership developed to provide a high performance, low-cost and low-risk marketing and sales presence for US companies in the China market, has been awarded twice by US Department of Commerce for excellence in export promotion.
China Trade Mission 2016

- Multi-sector trade mission to China
  May 7-14, 2016

- Shanghai, Guangzhou and Beijing

- Customized one-on-one business appointments with interested distributors, agents and other prospective business partners set up by the CGLSLGP China Trade Office (average 2 – 4 appointments per day)
China Trade Mission 2016

- In-country market business briefings and networking event
- In-country staff support of CGLSLGP China Trade Office
- Group airport-hotel-airport ground transportation in three cities
- Assistance with hotel bookings, internal flights, drivers and interpreters
## China Trade Mission 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Itinerary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday May 6 or</td>
<td>Depart U.S. for Shanghai China</td>
</tr>
<tr>
<td>Saturday, May 7</td>
<td></td>
</tr>
<tr>
<td>Saturday, May 7 or</td>
<td>Arrive Shanghai, China</td>
</tr>
<tr>
<td>Sunday, May 8</td>
<td></td>
</tr>
<tr>
<td>Monday, May 9</td>
<td>AM: Country Business Briefing Individual Business Appointments in Shanghai</td>
</tr>
<tr>
<td>Tuesday, May 10</td>
<td>Individual Business Appointments in Shanghai</td>
</tr>
<tr>
<td></td>
<td>PM: Travel to Guangzhou</td>
</tr>
<tr>
<td>Wednesday, May 11</td>
<td>Individual Business Appointments in Guangzhou</td>
</tr>
<tr>
<td>Thursday, May 12</td>
<td>Individual Business Appointments in Guangzhou</td>
</tr>
<tr>
<td></td>
<td>PM: Travel to Beijing</td>
</tr>
</tbody>
</table>
### China Trade Mission 2016

#### Itinerary Continued

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday, May 13</td>
<td>Individual Business Appointments in Beijing</td>
</tr>
<tr>
<td>Saturday, May 14</td>
<td>AM: Beijing Tour</td>
</tr>
<tr>
<td></td>
<td>Depart for U.S.</td>
</tr>
</tbody>
</table>
CGLSLGP Trade Mission Website


China Trade Mission 2016

Overview
Mission Itinerary
Mission Costs
Travel Arrangements
Important Dates
Previous Trade Missions
Trade Mission Testimonials
Contacts

China Trade Mission 2016

The Conference is leading a multi-sector trade mission to China from May 7-14, 2016. The goal of this mission is to assist small-to-medium-sized companies from the Great Lakes-St. Lawrence region export products and services to these important markets. A printable flyer for the mission can be found here.

To register for the mission please fill out a company profile form.

Conference to Host China Webinar

The Conference will host a FREE “Doing Business in China Webinar” for Great Lakes Region companies on Thursday, January 7 at 9:00 a.m. Central time. To register please click HERE.
China Trade Mission 2016

May 7-14, 2016

Mission registration deadline: March 1, 2015

- Mission Participation Fee US$ 995 per person
- Brief Market Research and Appointment Setting
  MI companies $0
  All other States and Provinces $2,500*
- Grant funding available in many States

Website: http://www.cglslgp.org/projects/international-trade/trade-missions/china-trade-mission-2016/
CGLSLGP FY16-17 TRADE MISSIONS


Poland and Romania: November 7-11, 2016

Indonesia and Vietnam: February 27-March 3, 2017

Mexico: April 3-7, 2017

Website: http://www.cglslgp.org/projects/international-trade/trade-missions/
Questions?

Zoë Munro
Program Manager
20 N. Wacker Dr., Suite 2700
Chicago, Illinois 60606
Email: zmunro@cglg.org
Phone: +1 312 407-0177
Website: www.cglslgp.org