

LEGAL SYSTEM

- Jan 2011 “comprehensive socialist legal system” with Chinese characteristics
- Feb 2011 capital punishment crimes reduced
- Harsher penalties for crime bosses, wage defaulters, food safety crimes, forced removal of human organs
- Last 10 years property , state insurance, tort liability & food safety laws enacted
- 2011 7 laws reviewed, 3 new laws
- Corruption is biggest threat – Premier Wen

HEALTH

- 2006 Govt funded 17% health system costs
- Now 27% - individuals pay dropped from 52% to 38% by 2009
- Goal for Govt to fund more so individuals pay 30% by 2015
- Private medical organisations encouraged
- Program to clean up heavy metal pollution

WATER

- Most of China’s water naturally has excessive heavy metals, worsened with pollution
- 320 million rural residents drank unhealthy water in 2005
- Unhealthy water 70% from natural causes, 30% from human activity causes
- One third plus lakes & rivers polluted & ecosystems of over half ravaged
- Goal reduce pollution 15% from 2007 levels

WEALTH

- 2009 670,000 US Dollar millionaires (up 60%)
- In real estate, manufacturing, commodities, pharmaceutical, hi-tech
- Spreading to second & third tier cities inland
- Third in world after USA & Japan
- Causes - strong economic growth, rise of private sector enterprises & capital market development

MOVIES

- Movie box receipts 2010 US \$1.5 billion
- Receipts up 50%, 6000 + screens in China
- Domestic films over 530 in 2010
- WTO complaint over foreign movie restrictions
- Top foreign movies 2010:
 1. Avatar (14 million Yuan)
 2. Inception (4.5 million Yuan)
 3. The Expendables (2.1 million Yuan)
 4. Alice in Wonderland (2.1 million Yuan)
 5. Iron Man 2 (1.7 million Yuan)

INTERNET

- Chinese students discovered Yale open courses
- Excellent material, video clips from MIT, Harvard etc better than local courses
- Social networking sites share resources & discuss specific courses daily
- Chinese sub titles – 70 hours for 45 -70 mins
- Popular – Prof Shelly Kagan, Yale, “Death”
- Harvard Prof Michael Sandel , “ Justice, What’s the right thing to do?”

POWER OF INTERNET

- Micro-blogging: inaugural year in China
- 13 million by October 2010
- World's largest LED screen Beijing mall
- Dec2010 urgent need for RH negative type AB rare blood platelets for pregnant woman
- Only one in several thousands have this blood
- Urgent message by radio station on its micro blogg to tens of thousands of bloggers
- Within 3 hours 8 people at hospital –life saved

ECOMONY

- 2010 – world's second largest economy
- Holds US \$ 900 billion in American debt
- 2011 pass USA in patent applications
- Second - science & engineering papers
- 10 years increased researchers 111%, US 8%
- Will pass US scientific output in 2013
- China produces 97% world's rare earths, restricted exports, cleaned polluted & closed illegal mines

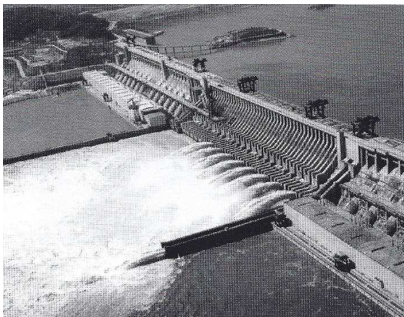
NUCLEAR POWER



ENERGY

- Natural gas pipelines to triple 5 years to 100,000 km by 2015
- From west, east offshore, Central Asia, Myanmar, plus talks with Russia on future supply
- Hydropower capacity 2010 - 200 gigwatt
- Targets 380 gigwatt by 2020 to meet clean energy & emission targets
- Nuclear power – French, Canadian, Russian technologies / latest June 2011

THREE GORGES DAM



3 GORGES DAM

- 1.2 million people relocated for building
- 2010 flood season saved est 2 mill people
- 2010 major drought - water release, saved 100,000s
- 26 hydro power generators 85 billion kwh to 8 provinces & municipalities
- Five tier large ship lock system
- Assessment report – no silt problem

HIGH SPEED TRAINS



HIGH SPEED TRAINS

- High speed trains 400 operating at 250 km plus
- 10,000 scientists & technicians, 14 research institutes - technology Europe, Japan, USA
- By 2012 13,000km & nationwide grid of 4 longitudinal & 4 latitude lines.
- 2015 – 2 thousand high speed trains
- AC driven diesel locos build with GE
- Fifty countries including USA want to buy for special US high speed project announced by Pres Obama

RAILWAY IN TIBET



Building a bridge over the permafrost. This has the least impact on the area, but is also the most expensive. The 11.7km Qiyehuibe Bridge.

AIRLINES

- Civil aircraft exceed 2,600, routes 1,880 +
- 10 million aircraft movements, + 81% 5 years
- 2010 267 million passengers, 175 licensed airports
- Beijing - world's second biggest airport
- 2006 – 2010 33 new airports built, 78 rebuilt
- Major accidents 0.1% - world average is 0.5%
- Punctuality on world average = 80%

SHIPPING LINE



COSCO

- World's second biggest shipping line
- 800 ships to 1,600 ports in 160 countries
- Largest fleet of bulk dry container ships
- Fifth in world for container fleet

GROWTH INDICATORS

- China largest holder - US Treasury securities
- Govt fiscal revenue 2010 + 15% to US\$118 billion
- Car sales Oct 2010 + 25% + 1.5 million vehicles
- US car sales +13%, Germany - 26%, Japan - 20%
- China outward direct investment (ODI) 2010 US\$56 billion up from US\$3 billion in 2003
- 2009 mergers & acquisitions 34% of ODI

SHARE FLOATS

- In 2010 two Chinese internet companies launched on New York Stock Exchange – prices soared
- Youku (online video website) raised US\$203 million with \$12.80 shares surging to \$33.44
- Dangdang (e-commerce) raised US\$ 272 million with \$16 shares surging to \$29.91 on same day

YUAN – US DOLLAR

- 1994 to 2010 Yuan rose 55% of US dollar
- Reform of Yuan in 2005, rose 23.5% to 2010
- US exports \$20 billion services e.g. investment banks - initial public offering for Chinese Coys
- 50,000 US banks, insurance, auditing, law firms - Chinese operations - \$220 billion p.a. revenue
- Jan 2011 Bank of China opened New York savings accounts - depositors gain on currency moves

YUAN

- Aims moderate, controllable appreciation of Yuan to US\$ in line - own economic targets
- Jan 2011 World Bank first Yuan bonds Hong Kong market US \$76 million 1.9% p.a. for 2 yrs
- Pilot Yuan settlements 2008 Yangtze, Hong Kong plus Macao. 2009 +5 more cities
- 2010 +20 provinces, municipalities, regions
- Currency swaps by central bank - Korean Won

OVERSEAS INVESTMENT

- Geely Autos - Volvo from Ford in August
- PetroChina & Royal Dutch Shell - Australian coal gas seam company Arrow Energy 50/50
- Guangdong Midea - 33% Miraco, Egypt's largest air conditioner marketer
- Suntech Power, Oct launched Arizona solar panel manufacturing plant – 1000 employees
- Beijing Autos - Saab model rights US\$200 mill
- China Petro Corp - refining 5 mill tons in Sudan

AMERICAN BUSINESS 1

- General Electric \$500 million medical research
- Cardinal Health bought Chinese distributor Zuellig Pharma China \$470 million –\$1 bill sales
- Honeywell & Haier Group collaboration on low emission, high energy efficient products
- Alcoa of NY & China Power \$7.5 billion investment in aluminium & energy projects
- GE & China Shenhua Energy Co Ltd gasification & cleaner power generation technology JV
- China imports from US +32% 2010 US \$102 bill

AMERICAN BUSINESS 2

- General Motors sold Nexteer Auto, steering systems to Pacific Century Motor Sys \$420 mill
- Proctor & Gamble to invest +US\$1 billion - China
- Starbucks increase coffee shops by 1,500
- Motorola - 2,700 research staff in China
- American Chamber Commerce survey – 71% US coys profitable, 46% profits higher than average
- US Secretary of Commerce – US exports to China 2001 - 2008 created 2.57 mill new US jobs

AMERICAN BUSINESS 3

- **The Economist**, says profits from iPod sales are not spread evenly:

For an iPod that sells for \$299 in developed countries

- *China's assembly factories earn \$4*
- *US companies earn \$160 for design, transportation, warehousing, marketing*

US – CHINA RELATIONS



US CHINA RELATIONS

- **Defence** – 13% increase in spending in 2011, one sixth of US spend
 - May 2011 – no intention of matching USA
 - President Hu Jintao, Washington Jan 2011
- “The purpose of my visit is to enhance mutual trust, promote friendship, deepen co-operation & move forward a positive, co-operative & comprehensive Sino-US relationship for the 21st century”*

FIVE YEAR PLAN 2011-15

- Average **GDP growth** 7% pa
- Raise **minimum wage** by 13% p.a. plus
- 45 million **jobs created**
- Average growth of **residents income** – over 7% pa
- Increase **life span** 1 year
- Construct, renovate 36 million **apartments**
- Urban **low income housing** coverage 20%
- Increase **service sector GNP** by 4% to 47%
- Register 3.3 **patents** p.a. every 10,000 people
- **Medical Insurance fund** – meet expenses +70%

CHINA'S NEEDS

- Cope with urbanisation next 10/15 years
- Demand for hard commodities, agriculture
- New roads, rail, airports, floor space
- Energy demands, water shortages
- Rebalancing the economy, fighting inflation
- Reduce property crash risk
- Protect against overseas trade backlash
- Investment off shore, buying of resources
- Seek overseas construction opportunities

POLLUTION IN 5 YEAR PLAN

- **Non fossil fuels** – change to 11% energy use
- **Energy consumption** per unit of GDP down 16%
- **Reduce pollution** – causes 100,000s of deaths p.a.
- **Carbon dioxide emissions** down 17%
- Release of **major pollutants** down by 8 to 10%
- 15% reduction in **heavy metals pollution** - lead, mercury, chromium, cadmium, arsenic
- **Forest coverage** increase by 21%
- Expand wind farms, nuclear power, environmental protection **strategic industries**

NZ – CHINA LIKELY FUTURE

- **NZ connected to Asia**, will rely on China's prosperity, demand for high quality food products
- **China's wants** our foodstuffs, advanced technology, farming technology, food safety
- **Opportunities for NZ** specialised manufacturing, health, environmental products & services
- Further increases in **education & tourism**
- Develop new technologies with China, capitalising on **free trade agreement**

CHINESE TOURISTS TO NZ

- 123,000 per annum, **fourth largest source**
- Only 0.3% - Chinese **outbound travel**
- **Higher spend** than Japanese + \$300 night
- **Tourism NZ research** - 17 million Chinese actively consider visit NZ
- Could be 2nd or 3rd largest **tourist source**
- Boston Consulting - **middle class affluent Chinese consumers** increase by 250 million to 400 million in 10 years of which two thirds in small cities

AIR SERVICES

- China Southern Airlines spent \$10 million promoting new service direct to Auckland
- Service commenced in March 2011



CHINA'S GROWTH MILESTONES

- **Opened up** in 1980's
- **Fast growth** in 1990's
- Emergence as new **world power** in 2000's
- 2007 **new leadership pledged** a harmonious & scientifically sound development within China & peaceful foreign policy relations
- **Major currency & created in China** in 2010's
- **World power acceptance** in 2020's

CHINA'S FUTURE

- **Chinese people mindful** - 30 years misguided policy
- **Youth** not keenly aware of recent history, - internet generation hungry for greater, faster change
- **"One of Chinese people's greatest virtues, peerless pragmatism coupled with ingrained idealism, will guide the nation through future crises, & precipitate a long-overdue rebirth of Chinese culture"**
- **21st Century looks like China's century**