

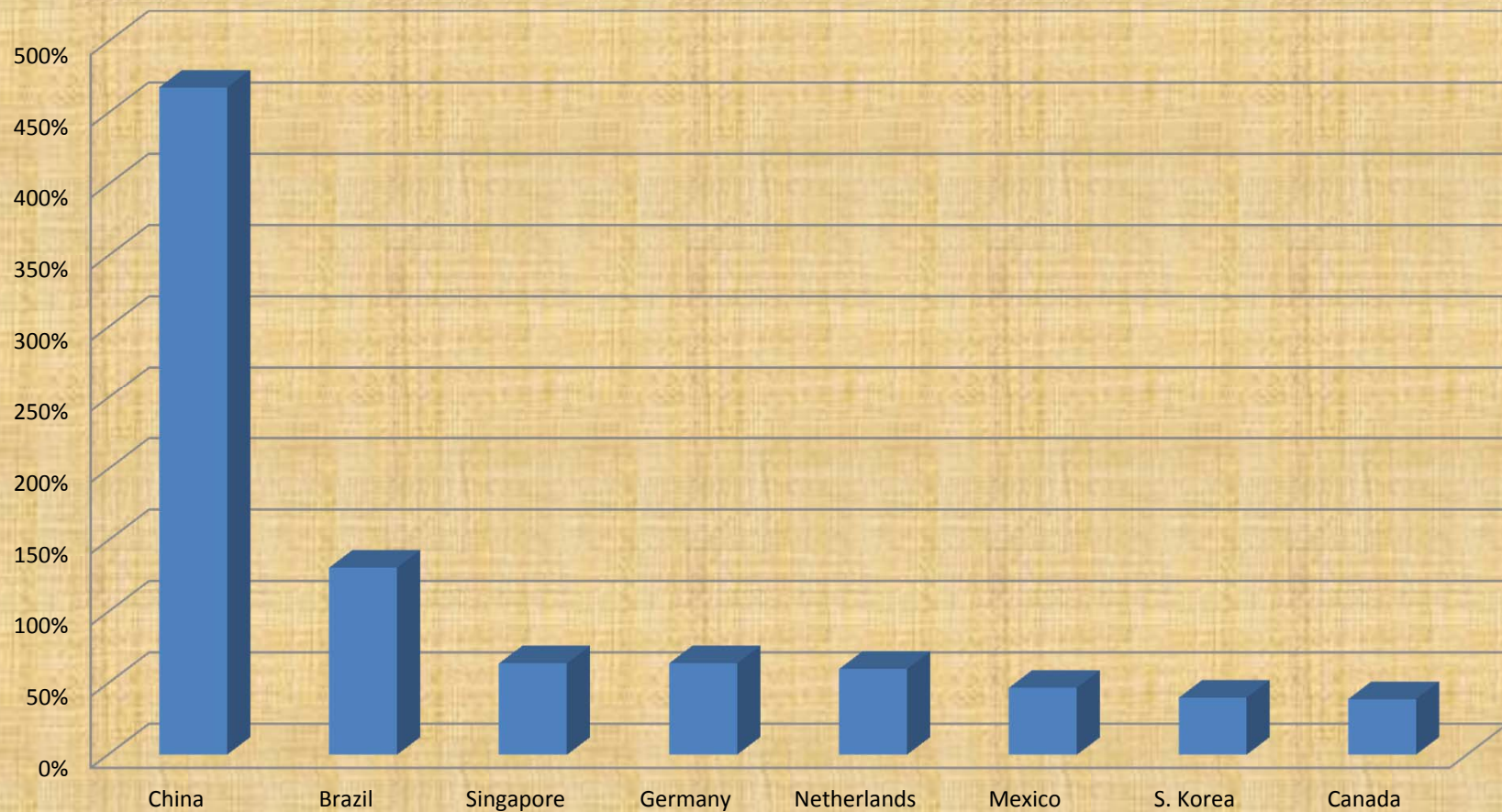
China's 12th Five-Year Plan (2011-2015) and Its Implications to Small Businesses in the US

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Growth in US Exports to Top 10 Markets, 2000-2010

(Source: The US-China Business Council)



Top US State Exporters to China, 2010

State	Exports (billion)	2000-10 Growth
1. California	\$12.5	252%
2. Washington	\$10.3	442%
3. Texas	\$10.3	606%
4. Louisiana	\$6.5	507%
5. Oregon	\$4.0	1,227%
6. New York	\$3.4	333%
7. Illinois	\$3.2	496%
8. Pennsylvania	\$2.7	869%
9. Georgia	\$2.4	632%
10. Ohio	\$2.3	686%

CHINA'S CHALLENGES

- SOE's (situation improving)
- Unemployment rate
- Property sector
- Income Inequality
- Pollution and Environment
- Inefficiencies
- Other

CHINA'S 12TH FIVE YEAR PLAN (FYP)

Concept of Inclusive Growth “Social and Economic Development Plan”

This Presentation:

- Deviation from Previous Plans
 - Main Objectives
 - Implications

Major Points of the 12th FYP

- 1. Economic Growth
- 2. Improved Individual Incomes and Living Standards
- 3. The Environment
- 4. Innovation
- 5. National Competitiveness
- 6. Economic Efficiency

From an Investment and Export Driven Dynamo into a Global Economic Powerhouse

Key Economic Targets

- Annual growth : 7%
- Increase urbanization from 47.5% to 51.5%
- Increase service sector from 43% to 47% of GDP
- Increase spending on R&D to 2.2% of GDP

Key Non-Economic Targets

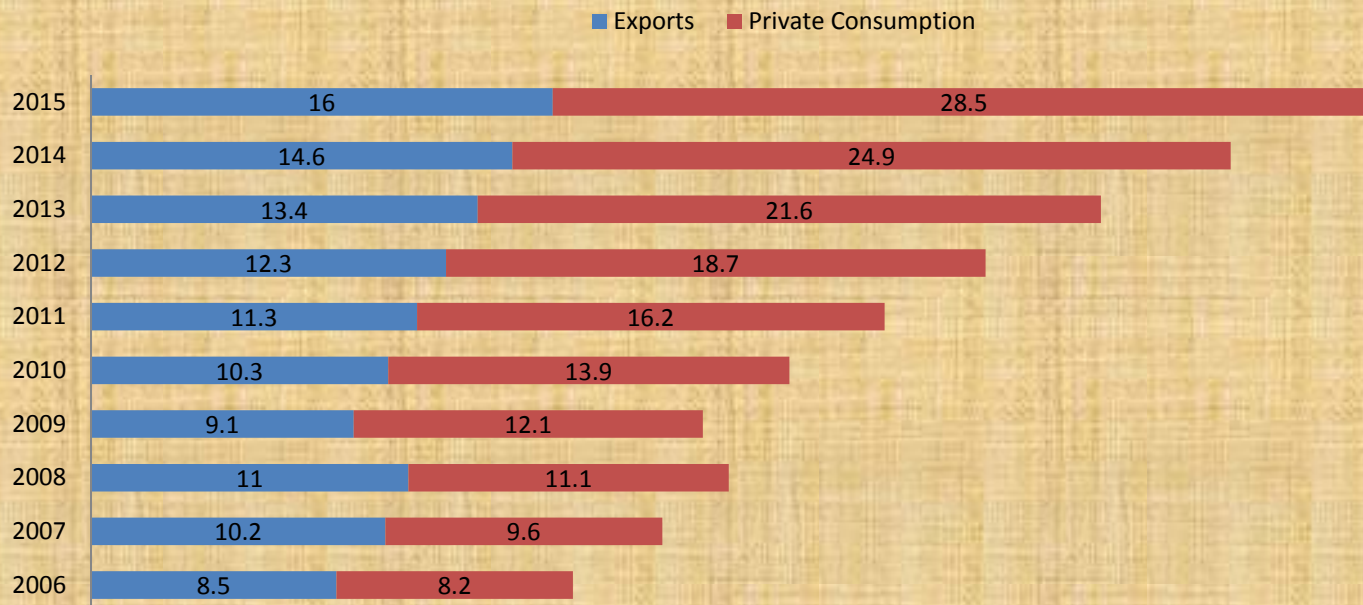
- Increase non-fossil fuel use to 11.4%
- Reduce CO2 to emissions per unit of GDP: 17%
- Increase forest coverage by 21.66%
- Decrease pollutants COD and sulfur dioxide by 8% each

Source: KPMG

A Focus on Domestic Consumption

- Increase consumption from the current 35.1% of China's GDP to 50-55% of GDP by 2015
 - Compared to: US 71%, Brazil 63%, and India 54%

Chinese Private Consumption vs. Exports in CNY Trillion (source: EIU)



Seven Priority (Strategic) Industries

- New Energy: nuclear, wind, and solar power
- Energy conservation and environmental protection
- Biotechnology
- New materials
- New IT
- High-end equipment manufacturing
- Clean energy vehicles

Implications for IT industry

12th FYP states that IT industry will account for 8% of China's GDP in 2015 and 15% by 2020

Opportunities:

- Increase R&D funding
- Enhance intellectual property rights
- Smart grid solutions (Beijing)
- Wi-Fi technology and internet security (Beijing, Shanghai)
- Wireless research centers (Nanjing)

Biotechnology and Health Sciences

- Health care and health IT
 - 12th FYP will develop a standardized health information database
- Biofuel solutions
 - funding for small biotech enterprises in Shangdong province
 - develop non-grain biomass energy in Heilongjiang province
- Health supplements
 - increase investment in food and drug safety (Shanxi province)

Medical Devices and Equipment

- China is the 2nd largest MDE market in the world
- The 12th FYP will increase funding to produce high-end MDE
- China's health care reform, starting in 2009, set the objective to have 5000 county level hospitals
- Increasing foreign joint ventures in production and manufacturing in China

Progress and Current Developments

- Growth rate: 7.5 percent
- IMF: China to overtake US by 2016
- Burst of Property Bubble?
- Income grows: DIPC: 2011: 21810 Yuan (8.4% increase, adjusted for inflation). Rural income 6977 Yuan, 11.4% higher
- Banks report profits
- Improved competitiveness
- Emergence of Social Enterprise

Prospects

- Slower Growth and US exports
- Import Tariffs to be cut
- US-China FTA?
- New Leaders
- Currency Internationalization
- Demographic Pressures
- Coal and Shale Gas Reserves