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

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