



US/Multinational Businesses in China

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Agenda

- Introduction
- Manufacturing/CPG
- Manufacturing/High-Tech
- Financial Services & Retailers
- Challenges Faced by Companies Doing Business in China



Introduction

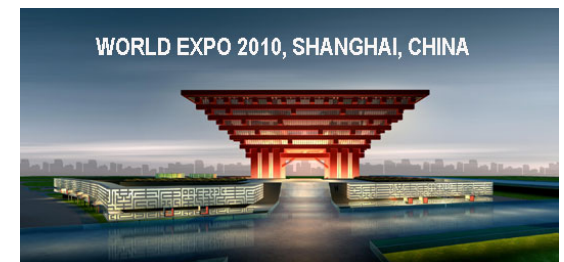
- GDP estimated to be \$5.745 Trillion in 2010 (PPP at \$9+ Trillion)
(US GDP is \$14.62 Trillion - source: CIA World Fact Book)
- World's largest exporter at \$1.506 Trillion (US buys 20%)
- The US-China Business Council is comprised of 222 of the worlds largest organizations...

USCBC's mission is to expand the US-China commercial relationship to the benefit of its membership and, more broadly, the US economy. It favors constructive engagement with China to eliminate trade and investment barriers and develop a rules-based commercial environment that is predictable and transparent to all parties.



Shanghai Multinational Corporations

- In the 1930's Shanghai grew to multinational hub for finance and business
- 3 largest service industries are:
financial services, retail and real estate
 - Manufacturing accounted for 40% of total output
- Port Access (World's Largest Container Port)
 - Optimized and upgraded industrial structure
 - Advanced manufacturing sector
- Over 300 multinational corporations with headquarters in Shanghai currently - including:
 - Walt Disney
 - Kraft
- Shanghai Expo (spent \$58B)
 - General Motors
 - Coca-Cola



Beijing Multinational Corporations

- New Rules in 2009 to increase regional headquarters of multinational corporations
- Key Benefits of these rules include:
 - Start-up support
 - Favorable rental policies
 - Lower capital requirements
- Over 224 multinational headquarters in 2009
- Beijing is home to 26 Fortune Global 500 companies, the third most in the world behind Tokyo and Paris



Manufacturing/CPG – Pros and Cons

- Benefits of Manufacturing in China:
 - Lower Labor Cost
 - Economies of Scale
 - Cheaper Capital Investment
- Complexities Manufacturing in China:
 - Centralized Control over Operations
 - Longer Lead Times
 - Uncertainty and Collusion
(i.e. plants working together to raise costs)
 - Planning for Chinese New Year



Tech Companies

Success



Microsoft[®]

- 2009: \$750M in total revenues



- 7000 local employees
- \$1.3B in capital investments



- 2010 (Q4) - \$2.6B in revenues
- 2008 – less than \$1B in revenues



3M

- US Sales growth: 11%
- China sales growth: 47%



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Google China

2005: Google China is founded




May 2009: China blocks access to Google's YouTube

Jan 2010: Google announces it was hacked and they will no longer
censure search results

Mar 23, 2010: Google redirects all search inquiries to Google Hong Kong

Mar 30, 2010: China bans all Google search sites

Market Share	Revenues	Competitors
338,000,000 — Number of internet users in China 29% market share	\$600,000,000 — Estimated revenues for 2010	



Tech Companies

Look familiar?



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Financial Services

- Historically and for the most part today, the majority of China's financial institutions are state-owned and governed
- Rise in China's status as a trading partner has boosted foreign investment, specifically presence of US banks
- Key Growth Drivers:
 - Rise in trade volume with Western countries
 - Increasingly democratic economy
 - Growing stock market
 - Booming industrial growth
 - Rise in oil & gas, personal finance and other industries



Retailing

- US retailers have historically been forced to partner with Chinese companies
- Mid 2000: WTO agreements liberalized policies, creating a surge in US retailing presence
- Growth in capitalistic economy and democratic (western) attitudes has changed consumer tastes
- Wal-Mart has targeted China as primary international focus
- Openings in 2010:
 - Apple (2)
 - Best Buy (15)
 - Coach (20)
 - Fatburger



Challenges of Doing Business in China

- Strength of the dollar vs. yuan
 - Desirability of imports has only recently begun to increase
- Cautious consumers
 - Chinese tend to save more than US consumers
- Intense local & global competition
 - Large Chinese market is very attractive



Challenges of Doing Business in China

- Industry regulation
 - Lack of transparency into the legislative process
 - Regulations favor domestic companies
 - Product and trademark piracy
 - Requirements for using locally made technology
 - Awards for government contracts

