



**hio**  
Global Summit



**Concurrent Breakout Session 4**

**Room #2**

**Emerging Markets –  
China**



# Ohio

**The State of Perfect Balance**

**Global Markets Division  
Ohio Department of  
Development**



Department of  
Development

# ***China Opportunity 2010*** ***ODOD China Office***

September 22, 2010



# Unique Market Size Potential Dynamics

Total China Population:  
1,320 Million

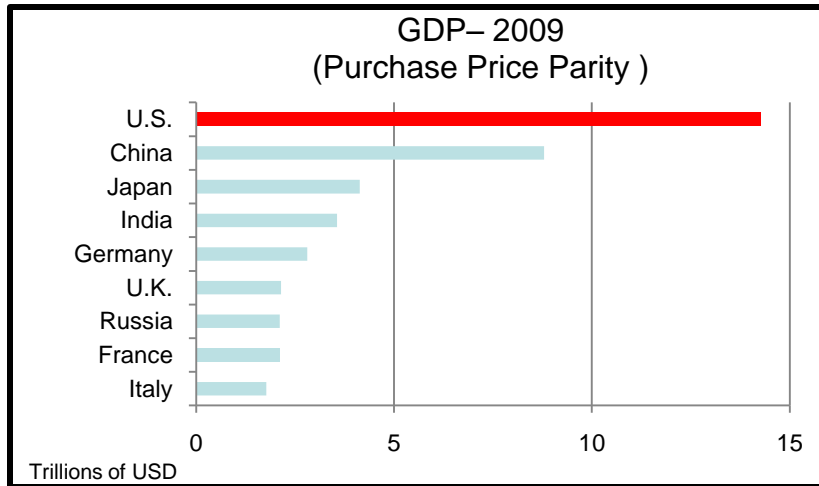
Total G8 Population:  
867 Million

Canada – 33M  
Italy – 59M  
U.K. – 61M  
France – 62M  
Germany – 82M  
Japan – 128M  
Russia – 141M  
U.S. – 301M

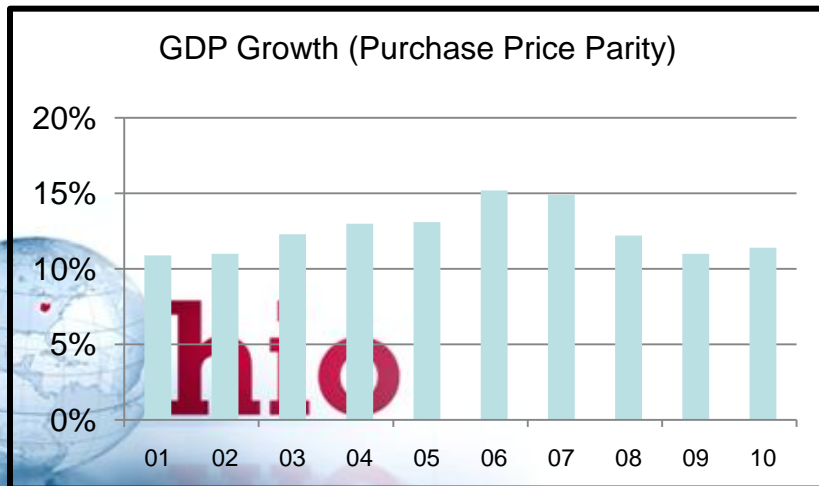


- China's population is 52% greater than the combined G8 countries
  - 15.5X Vietnam's and 27.2X Korea's population
- By 2012, 400M Chinese will live in families with purchasing power parity annual income of \$50K USD
  - ~1billion people will still be lagging the China economic miracle

# China is the World's Fastest Growing Large Market



Source: World Bank



Source: International Monetary Fund

- In 2Q10, China passed Japan as the 2<sup>nd</sup> largest national economy
- On a purchasing power parity basis, China is by far the world's second largest economy
  - 2X Japan, 2.5X India
- World Bank projects that China GDP growth is 9.5% (Beijing's target is 8%)
- China GDP-Purchase Price Parity will grow 11.3% which is 13.6% faster than India in 2010 and 17.9% faster in 2011

# 1Q10 Actual Reported Economic Performance

- According to China's National Bureau of Statistics, 2Q10 economic statistics compared to 2009:
  - GDP-Purchase Price Parity grew 11.2%
  - Retail Sales grew 18.2%
  - Investment in fixed assets grew 25.5%
  - Key Industry Growth Rates over 2009:

» Food	15.6%
» Electrical Power:	14.3%
» Chemical:	18.5%
» Pharmaceuticals:	14.9%
» Electrical Machinery & Equip:	18.4%
» Of 39 industries reporting, only 3 reported growth of <10%	
- China is transitioning to a domestic demand driven economy organically and by national policy
- Consumer Prices rose only 2.6% 2010 over 2009

# 1Q10 Actual Reported Economic Performance



- Outbound FDI (Overseas Investment)
  - by the Ministry of Commerce, outbound FDI by Chinese enterprises amounted to \$43.3 billion in 2009, a Year-On-Year (YOY) increase of 6.5%.
    - a decline in global FDI by up to 40% compared to 2008
- Industrial production
  - Industrial production in August increased by 13.9% from a year ago, rebounded much stronger than expected
- China's foreign exchange reserve reaching a record of USD 2,490 billion at the end of April
- Import and Export, from January 2010 to July 2010,
  - Total value is USD 1,617.05 billion, YOY increase 40.9%.
  - Export value USD 850.49 billion, YOY increase 35.6%;
  - Import value USD 766.56 billion, YOY increase 47.2%.



# China Remains a “Now” Market

---

- In contrast to slow growth expectations in the West, China’s growth performance “dwarfs” all Western markets
- Many product spaces remain “early entrant” growth opportunities for aggressive entrepreneurial U.S. companies
  - Rapid market growth coupled with lagging local product, management, service and technical strengths provide opportunity
- Industries of particular opportunities:
  - Alternative Energy and Related Products/Services
  - Environmental Products and Services
  - Medical Devices and Consumables
  - Food Processing Equipment
  - Advanced Industrial Component Manufacturing
  - Energy-Efficient Building Products
  - Others ...



# Keys to Selling into China ...

---

- Projecting U.S. sales/marketing practices is impractical
- Developing sustainable sales and marketing momentum in China requires adjustments:
  - China is NOT one market
    - China is NOT monolithic ... more like Europe than the U.S.
  - Regulatory and standards considerations are often different
  - Product features are often different than in the West due to different drivers of buyer preference
  - Market channels are often very different
    - Immature, developing independent distribution networks
    - Almost no markets can be adequately served by single market partners
- None of the differences are insurmountable ... careful planning and execution are required



# Current Legal Issues of Doing Business with China

## Navigating through a legal maze

ulmer|berne|llp  
ATTORNEYS

Pingshan Li

# U.S. Law Issues

- Onshore operation vs. offshore operation
- Onshore – U.S. law areas
  - Export/Import control
  - FCPA
  - Specific treaties of interest
- Trade issues (WTO) between U.S. and China



# Chinese Law Issues

- Intellectual Property
- Employment and Labor
- Tax
- Property rights
- Foreign exchange control
- Local government relations (and incentives)
- Dispute resolutions

# Culture Aspects

- Connection and trust
- Local talents
- Written agreements
- China strategies



# Ulmer & Berne's China Group and Contact Information

- Members
- Areas of expertise
- Clientele
- Contact information:
  - Pingshan Li



**Pingshan Li Ulmer & Berne LLP**

李屏山

**CLE direct 216.583.7444**

**CIN direct 513.698.5907**

directfax 216.583.7445

firm 216.583.7000

[pli@ulmer.com](mailto:pli@ulmer.com)

[www.ulmer.com](http://www.ulmer.com)

Cleveland office  
1660 West 2nd Street, Suite 1100  
Cleveland, Ohio 44113-1448

Cincinnati office  
600 Vine Street, Suite 2800  
Cincinnati, Ohio 45202

**visit the Real Estate Advisor Law blog [www.realestateadvisorlawblog.com](http://www.realestateadvisorlawblog.com)**

*Cleveland*

*Columbus*

*Cincinnati*

*Chicago*



⌘ SSOE. MAKING CLIENTS SUCCESSFUL.

Doing Business in China – Global Summit  
Craig Bowie, Sr. Vice President International  
Operations  
September 22, 2010

# SSOE GROUP

- International Engineering, Procurement, and Construction Management (EPCM) Firm
- Founded in 1948
- One of the fastest growing private companies in the U.S. (*Inc. Magazine*, 2010)
- Serves manufacturing, energy, life sciences, and government markets
- 900+ employees - 21 locations – 2 in China
- Projects in 30 countries
- SSOE experience =  
Value Promise + Great Client Service

# OVERVIEW

- Entered China market as a result of winning an international architectural design competition
- Established a Chinese entity in 2005 in Shanghai
- Hired ex-pat Business Leader experienced in the China market
- Built practice “brick-by-brick” (not through local acquisition)

# SSOE GROUP – CHINA CLIENTS



# “PRODUCT” DIFFERENCES

- Differences in construction project-delivery methods, including local expectations about cost, quality, schedule, and safety
- Challenges in integrating international “best-practice” standards and China codes/practice with Chinese Design Institutes, GC’s and local building officials

# EMPLOYMENT / LABOR DIFFERENCES

- Hiring / reduction in staff
- Welfare & benefits
- Culture
- Work-share opportunity

# MILESTONES

- **Opened Shanghai office in 2005**
  - Shanghai is Asia-Pacific HQ for many Western-based clients
  - Shanghai becomes SSOE's first international office
- **Opened Beijing office in 2009**
  - Launch of SSOE's North-China operations in Beijing's Central Business District (CBD)
  - CBD is home to over 100 Fortune 500 companies in a variety of industries

# MILESTONES

- **Obtained Design License in 2009**
  - Allows SSOE to directly perform architectural and engineering detailed design services
  - The design license requires meeting a number of stringent Chinese statutory requirements
  - Before the license was issued, SSOE was required to outsource all of its architectural and engineering design efforts through one of the Chinese design institutes
  - SSOE currently continues to use design institutes in addition to self-performing design services

# DIFFERENCES IN CHINESE REGIONS

- Refer to SSOE's newsletter "China's Smaller Cities Make Big Promises" at [www.ssoe.com/newsletter](http://www.ssoe.com/newsletter) for more details
- "Tier-1" cities; Shanghai (19M), Beijing (22M), Guangzhou (10M)
  - By 2050 experts expect Beijing and Shanghai to be 50M+ people  
(in 2010, the State of Ohio is 12M / California is 38M)
  - Fully developed infrastructure
  - Higher costs for labor, operations, and living

# DIFFERENCES IN CHINESE REGIONS

- Emerging “Tier-2/3” cities include; Chongqing, Chengdu, Tianjin, Wuhan, Dalian, and many others (now 5M+ each)
  - Potential advantages
    - Lower development cost, operating costs, and cost of living
    - More aggressive (and targeted) government incentives
  - Potential challenges
    - Availability and cost of utilities
    - Building, planning, and code requirements
    - Approval processes
    - Availability of experienced workforce

# WHY SSOE HAS BEEN SUCCESSFUL IN CHINA

- Revenue from China increased 800% in last 5 years and has doubled in terms of percentage of SSOE's overall revenue
  - SSOE HQ and China-local management perseverance
  - USA / China collaborative commitment at every SSOE (staff) level
  - Success in leveraging USA client relationships as they expand to Asia (aka “Client Migration”)
  - Engineering “work-share” between USA and China offices
  - Chinese design license differentiates SSOE from our China competitors
  - SSOE China operations, with 130 employees, gives clients additional confidence in our execution and success
  - SSOE's service model (EPCM) is preferred by foreign clients in China
  - Our expansion is a catalyst for growth: China east-coast expansion (city of Tianjin – North, city of Guangzhou – South)
  - Leverage global and local relationships as well as associations including:
    - Amcham - [www.amcham-shanghai.org](http://www.amcham-shanghai.org)
    - US-China Business Council - [www.uscbc.org](http://www.uscbc.org)

# GM CHINA R&D CAMPUS PROGRAM

- Location: Jinqiao, Pudong, Shanghai
- Full 7-year Program - Office and R&D center
- Project Size: 60,000 M<sup>2</sup> (650,000 SF)
- Gold LEED Certified
- EPCM Delivery Method



# GM CHINA R&D CAMPUS PROGRAM



# GOODYEAR TIRE MFG COMPLEX

- Location: Pulandian (Dalian)
- Several buildings for manufacturing and warehousing - 236,000 m<sup>2</sup> (2.5 M SF)
- Total site size 778,640m<sup>2</sup> (192 acres)
- EPCM- 24 months



# GOODYEAR TIRE MFG COMPLEX



⌘ **SSOE.** MAKING CLIENTS SUCCESSFUL.

Thank you!

Questions?



**hio**  
Global Summit



# Questions & Answers