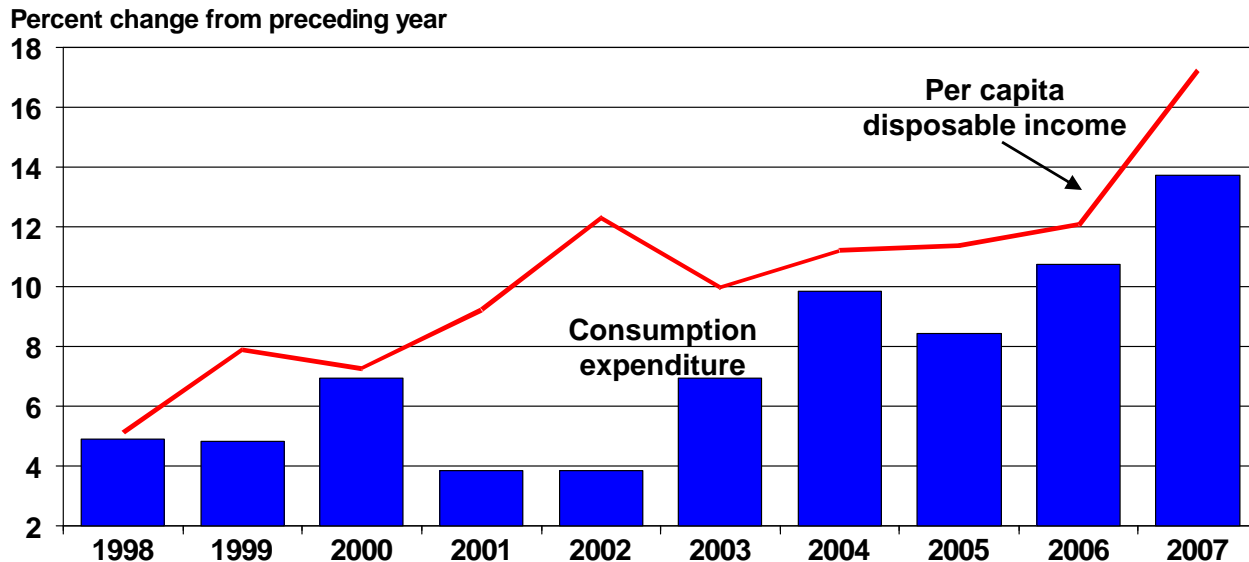


# Ease of Doing Business Index, 2010

Country	Ease of Doing Business	Dealing with							Trading		
	Rank	Starting a Business	Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Across Borders	Enforcing Contracts	Closing a Business
Singapore	1	4	2	1	16	4	2	5	1	13	2
New Zealand	2	1	5	15	3	4	1	9	26	10	17
Hong Kong, China	3	18	1	6	75	4	3	3	2	3	13
United States	4	8	25	1	12	4	5	61	18	8	15
United Kingdom	5	16	16	35	23	2	10	16	16	23	9
Denmark	6	28	10	9	47	15	27	13	6	28	7
Ireland	7	9	30	27	79	15	5	6	21	37	6
Canada	8	2	29	17	35	30	5	28	38	58	4
Australia	9	3	62	1	34	4	57	47	27	16	14
China	89	151	180	140	32	61	93	125	44	18	65

Source: Doing Business 2010, World Bank Group.

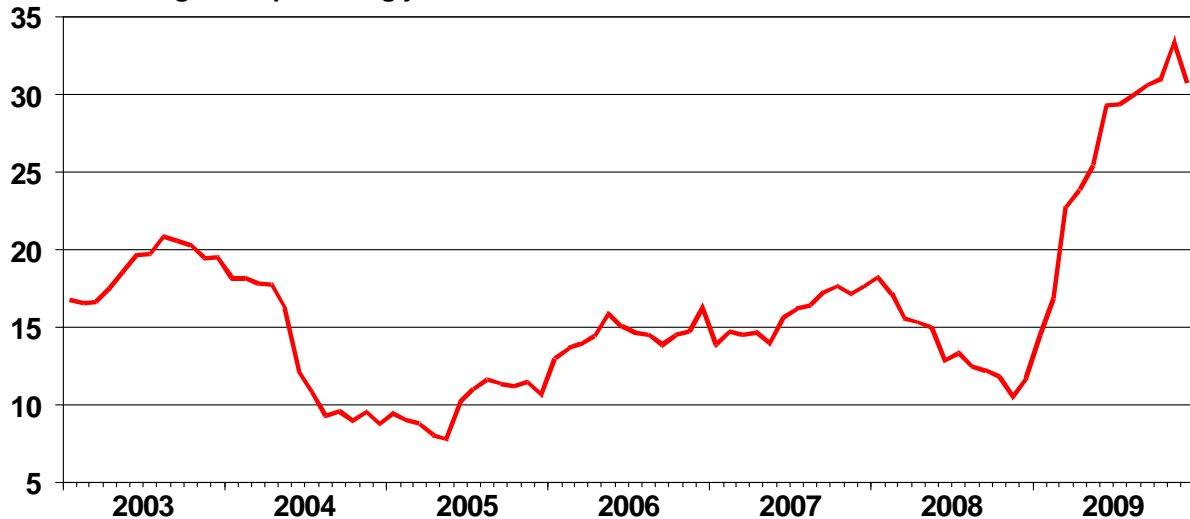
# Per capita disposable income and consumption expenditures of urban households



Source: National Bureau of Statistics of China.

# China's total domestic lending

Percent change from preceding year



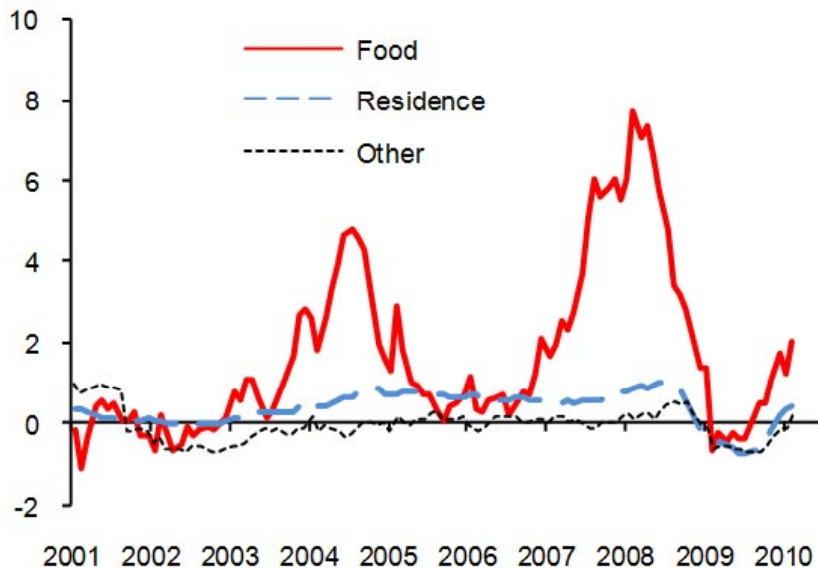
Source: IMF, International Financial Statistics.

# Inflation creeping up



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Contribution to CPI inflation (ppts, yoy)

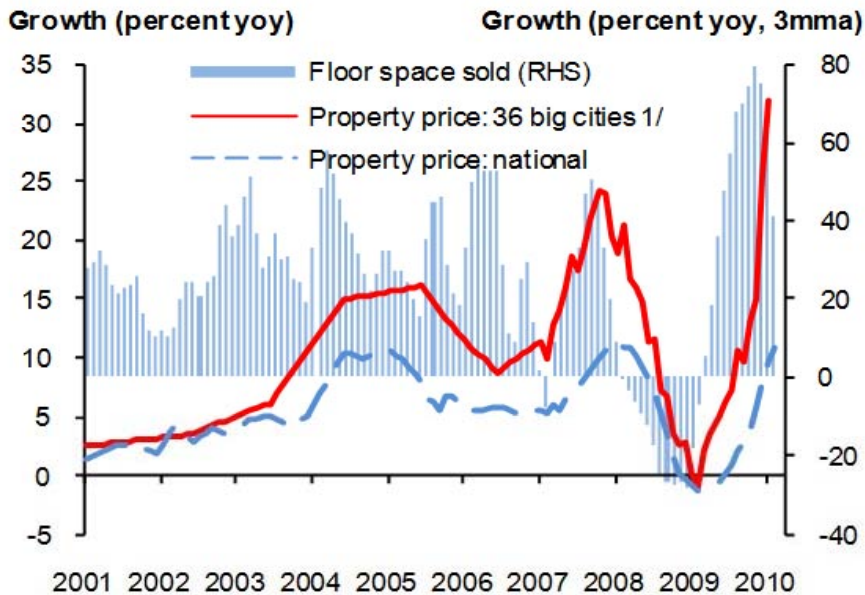


Sources: CEIC, World Bank.

# Real estate prices have risen rapidly

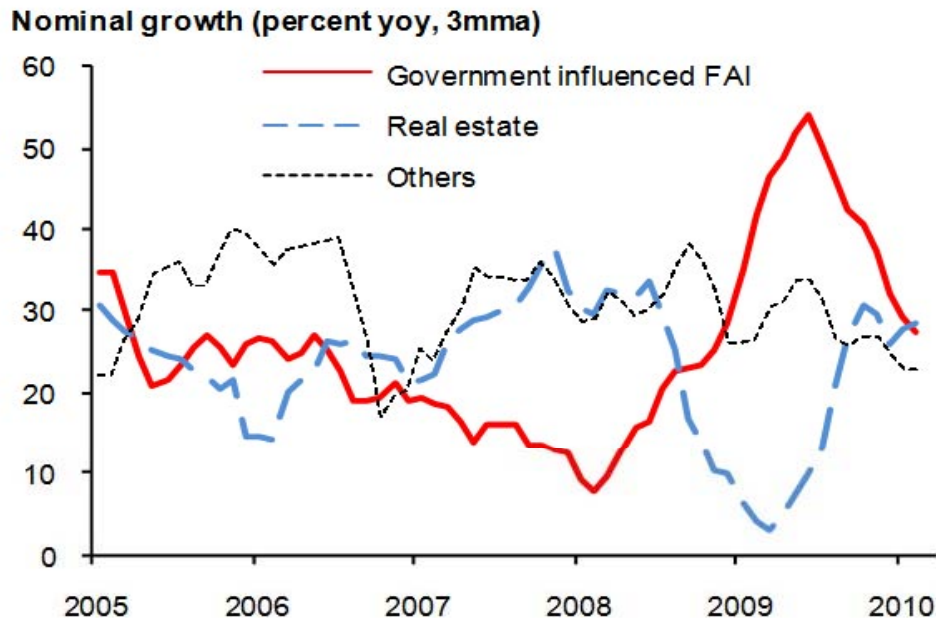


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Sources: CEIC, World Bank.

# Investment growth in China

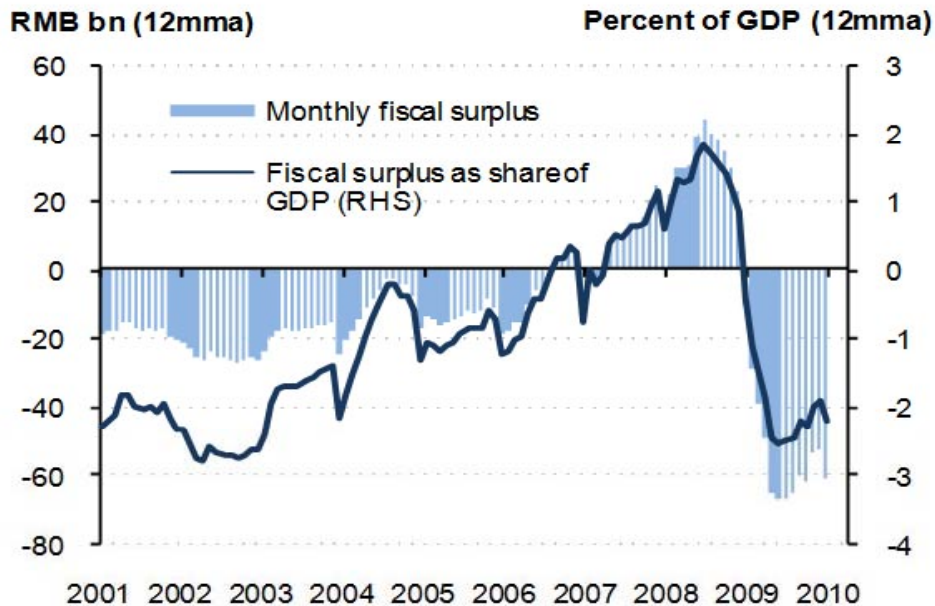


Sources: CEIC, World Bank.

# China's budget deficit

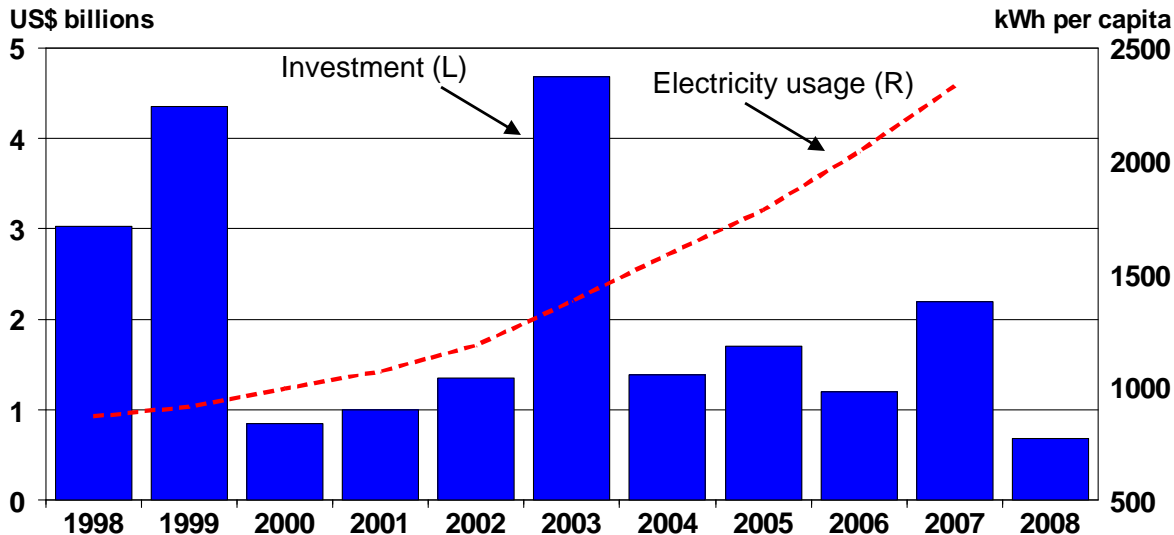


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Sources: CEIC, World Bank.

# China's investment in energy projects with private participation and electricity usage



Sources: World Bank Private Participation in Infrastructure Project Database, International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries..

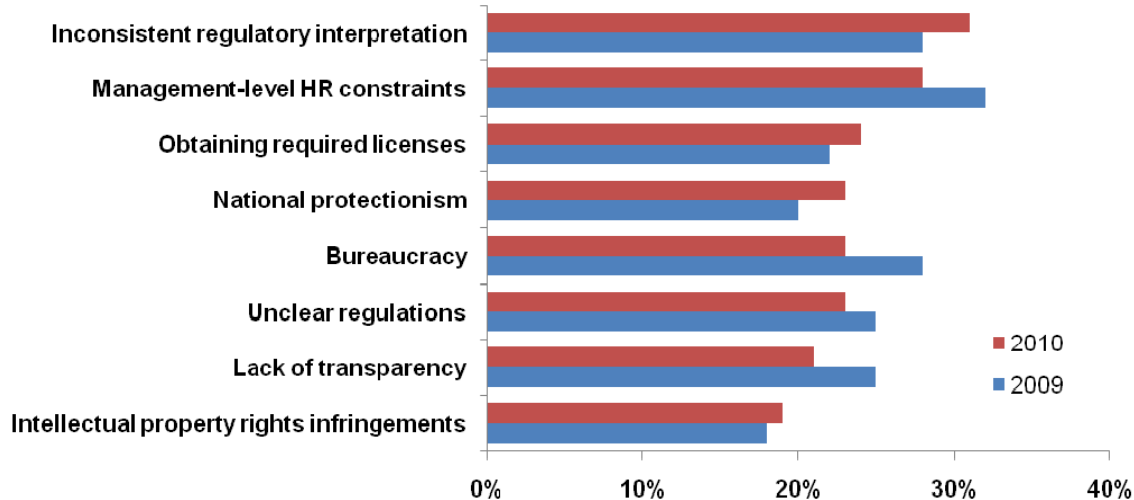


# Top business challenges in China

*318 respondents, 2010 vs. 2009*



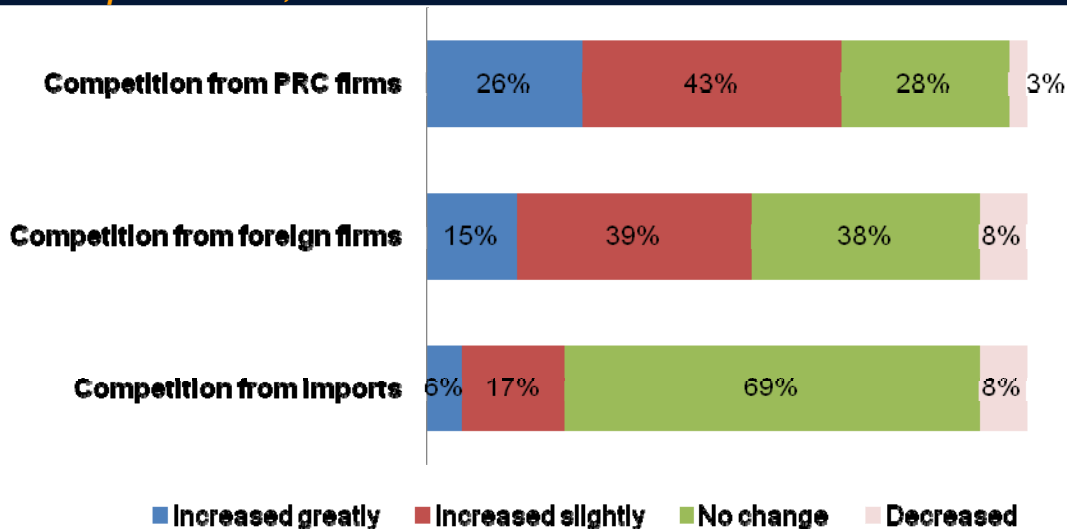
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Source: 2010 China Business Climate Survey, The American Chamber of Commerce in the People's Republic of China.

# How would you rate competition for your company's products and services in China?

*278 respondents, 2009 vs. 2008*



Source: 2010 China Business Climate Survey, The American Chamber of Commerce in the People's Republic of China.

# How would you describe your company's outlook in China compared to last year?

*272 respondents, 2008 to 2010*



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Source: 2010 China Business Climate Survey, The American Chamber of Commerce in the People's Republic of China.



# Chinese international business partnerships

## Successful Partnerships

- Volkswagen Germany & Shanghai Automotive Industry Corporation (SAIC)
- LG & China Central Television (CCTV)
- Boeing & China Aviation Industry Corporation (AVIC)
- TradeBeam & China International Electronic Commerce Company (CIECC)

## Unsuccessful Partnerships

- Danone & Wahaha
- Ebay & EachNet
- Thompson SA (Technicolor) & TCL Corporation
- BNP Paribas & Changjiang Securities

# Goods produced in China under international brands



April 27, 2010

## Doing Business With China Panel

### Milken Institute Global Conference

Stephen H. Dover, CFA  
Managing Director, International CIO  
Local Asset Management





# The Challenge of Doing Business with China

- China is not interested in becoming Western
- Chinese authorities want to develop Chinese dominated businesses
- Negotiate with a walk away mentality
- Understand and respect “Face”
- Connections (Guan xi) and hierarchy matter
- China has a management talent shortage
- Manage clear spoken and written communication
- The legal and tax rules are different for locals and foreigners
- No substitute for local knowledge
- Make the effort to understand China from a Chinese perspective

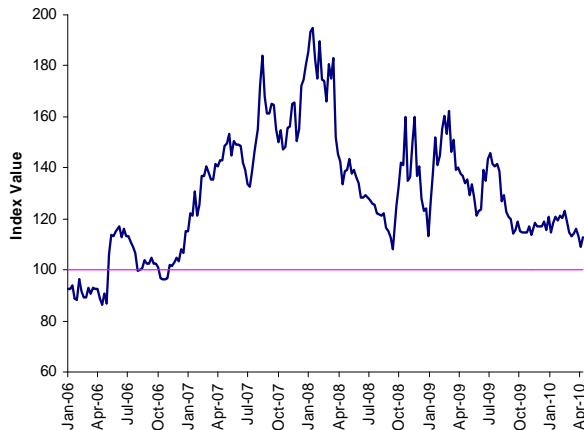


# Local Investment Perspective

- ▶ **Few investment options for locals**
- ▶ **Investments limited to domestic 'A' share market**
  - ▶ 'A' share market generally at a premium to Hong Kong listed 'H' share market
- ▶ **Real estate a traditional investment class**
- ▶ **China has had the greatest transfer of wealth to the middle class in the history of the world**
  - ▶ China's Communist Party handed over previously state-owned housing to the workforce, privatizing the nation's housing market - from 15% to 70% urban homeownership
- ▶ **Low interest rates – investors seek higher returns**
- ▶ **Savings surplus looking for an outlet - QDII**

QDII – Qualified Domestic Institutional Investment

**China Hang Seng AH Premium Index**



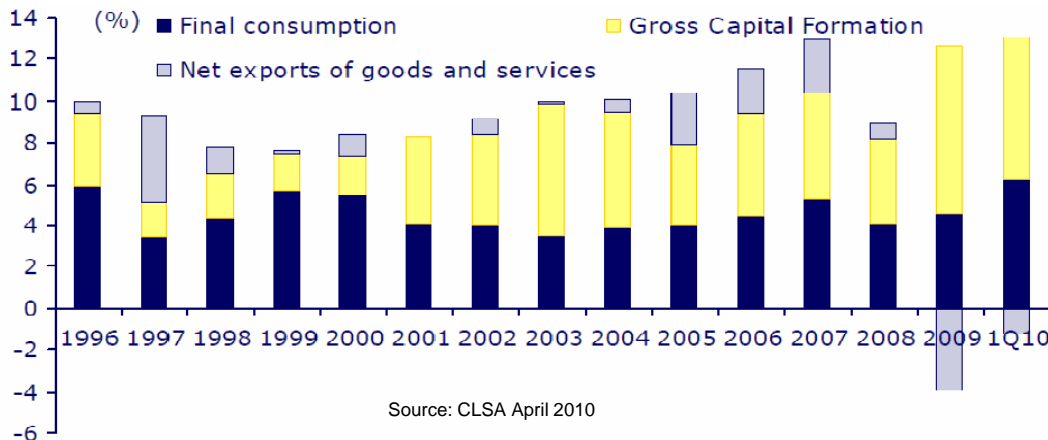
Source: Bloomberg



# China Not As Dependent on Exports As Some Assume

- ▶ **The Chinese economy is driven primarily by investment and consumption**
  - ▶ Investment accounted for 58% of GDP growth, final consumption accounted for 52% of Q1 GDP growth while net exports provided a -9.9% contribution
- ▶ **As exports improve, China can pare back the stimulus program**

Composition of GDP Growth

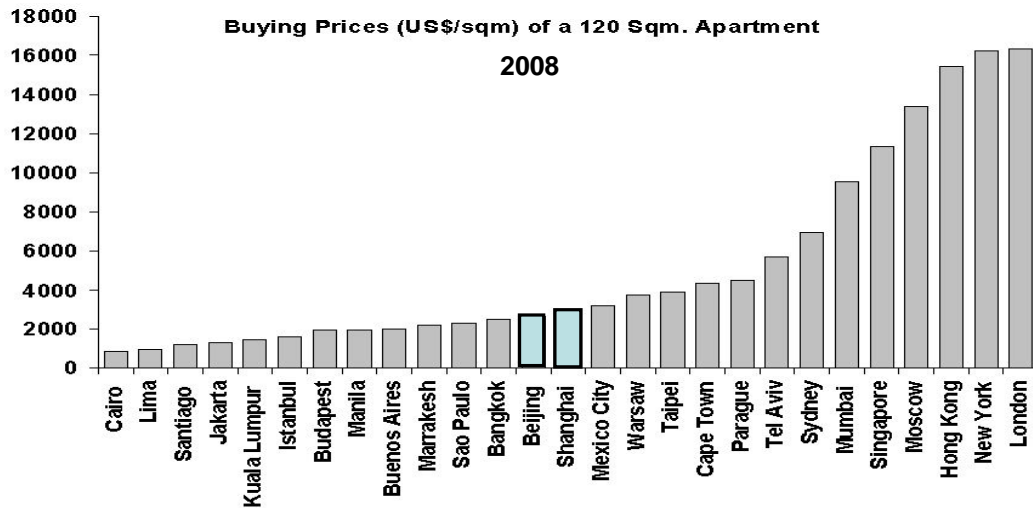


# China Property



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- ▶ China property prices comparable to other major cities
- ▶ Closed economy – surplus funds have to be parked locally

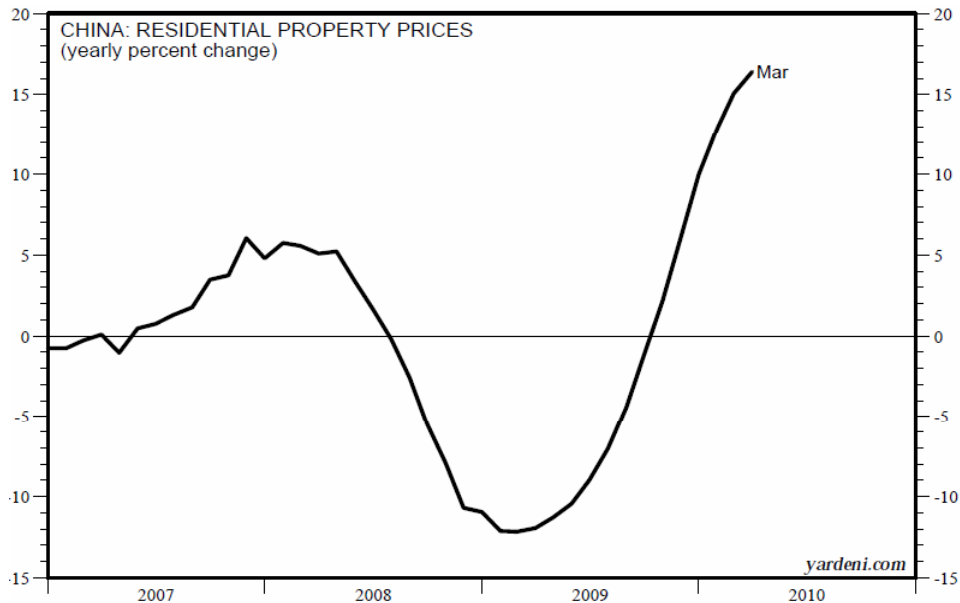


Sources: CEIC, Morgan Stanley research March 2010, Bloomberg

# Residential Property Price Percent Change

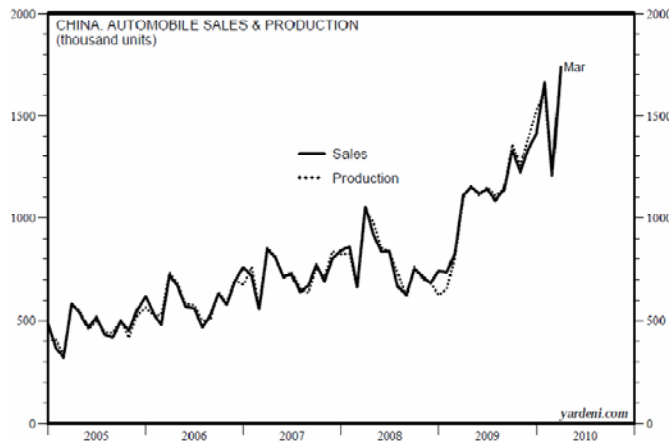


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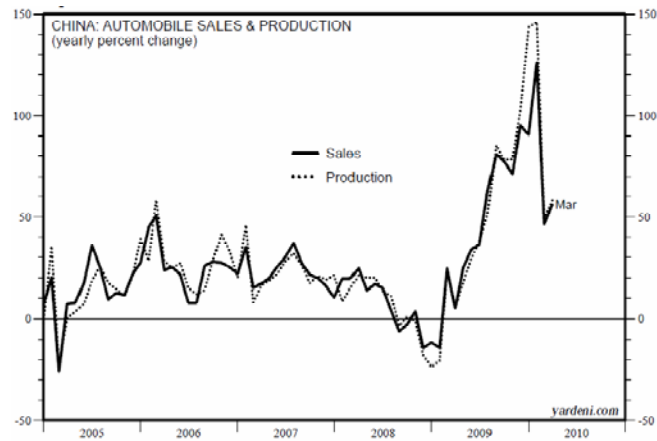


Source: China National Bureau of Statistics.

# Automobile Sales and Production: key to local economy



Source: China Association of Automobile Manufacturers.

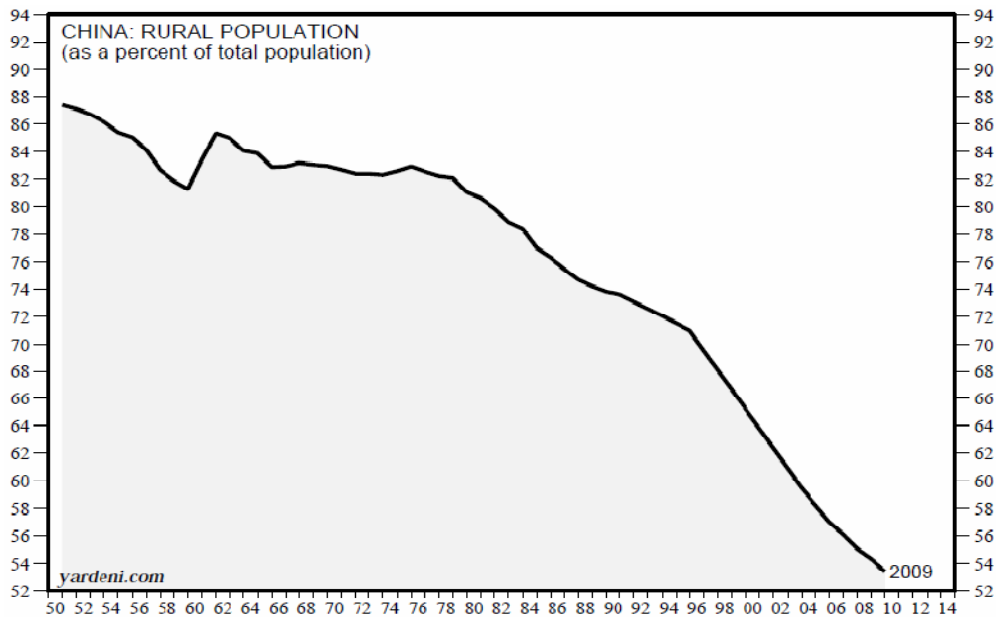


Source: China Association of Automobile Manufacturers.

# Population: Move From Rural to Urban



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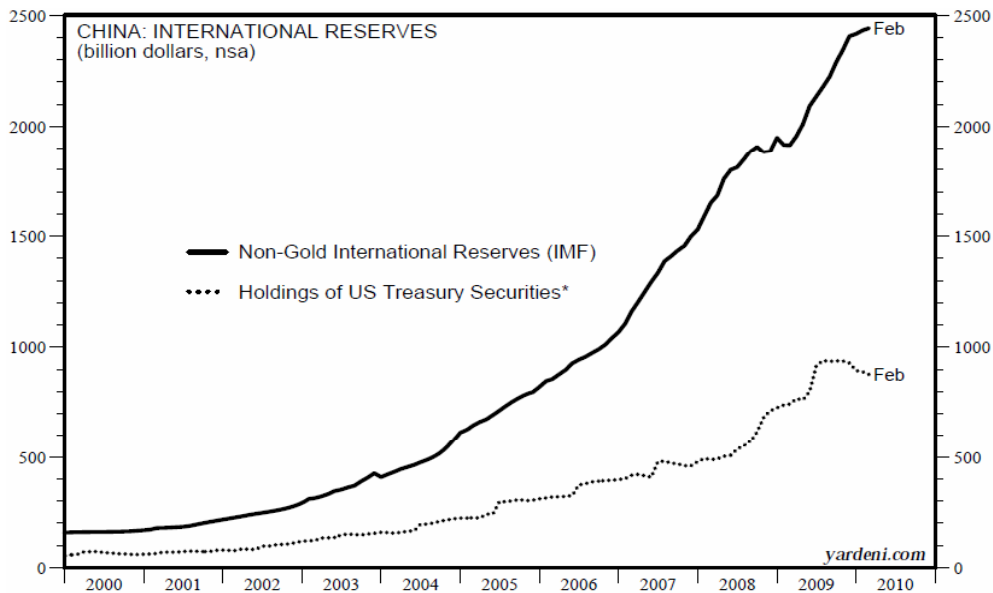


Source: State Statistical Bureau, People's Republic of China.

# China International Reserves



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\* Includes private and official accounts.

Source: US Department of the Treasury, Office of International Affairs and International Monetary Fund.