



**DEZAN SHIRA & ASSOCIATES**

Corporate Establishment, Tax, Accounting & Payroll Throughout Asia

**China Investment Conference 2014**  
**China Outlook 2020**

Presented by Richard Cant, Regional Director, Shanghai office



# DEZAN SHIRA & ASSOCIATES

Establishing and Growing Your Asia Business



# About Dezan Shira & Associates



- We are a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinational companies investing in Asia.
- Since 1992, the firm has grown into one of Asia's most versatile full-service consultancies with operational offices across Asia.
- The firm has won several prestigious international awards for innovation and best practice and currently employs over 200 legal, tax, accounting and audit professionals servicing over 2,000 multinational retained clients from over 80 different countries.

# Important Numbers



**1992** • Dezan Shira's establishment

**200+** • Our team of legal, tax, accounting and audit professionals

**2,000+** • Multinational clients that have already chosen us

**80+** • Countries served by our professional services

**23+**

- DSA has offices in **China** (Beijing, Shanghai, Guangzhou, Shenzhen, Dalian, Qingdao, Hangzhou, Suzhou, Zhongshan, Ningbo and Hong Kong), **India** (New Delhi, Mumbai), **Vietnam** (Hanoi and Ho Chi Minh City), **Singapore**
- Liaison offices in **Italy**, the **United States** and **Germany**, and
- Asian Alliance Offices in **Indonesia**, **Malaysia**, the **Philippines**, and **Thailand**.

# DSA Global Presence



# Content



## 1. China's Economy Today

## 2. China 2020

- *Consumer Market - People & Places*
- *Development Zones*

## 3. ASEAN and China



# 1. China's Economy Today

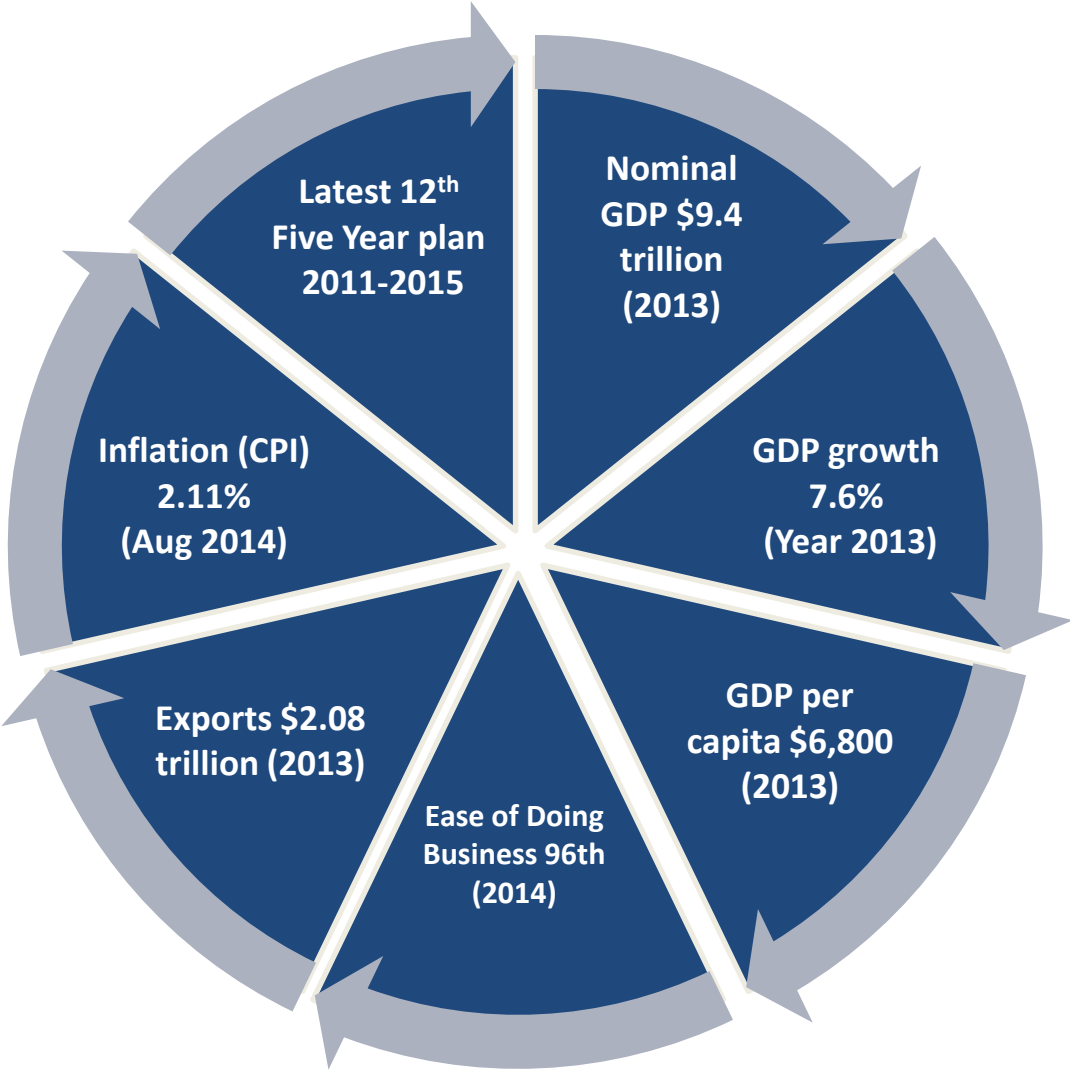
## ➤ Economic Snapshot

# China Today





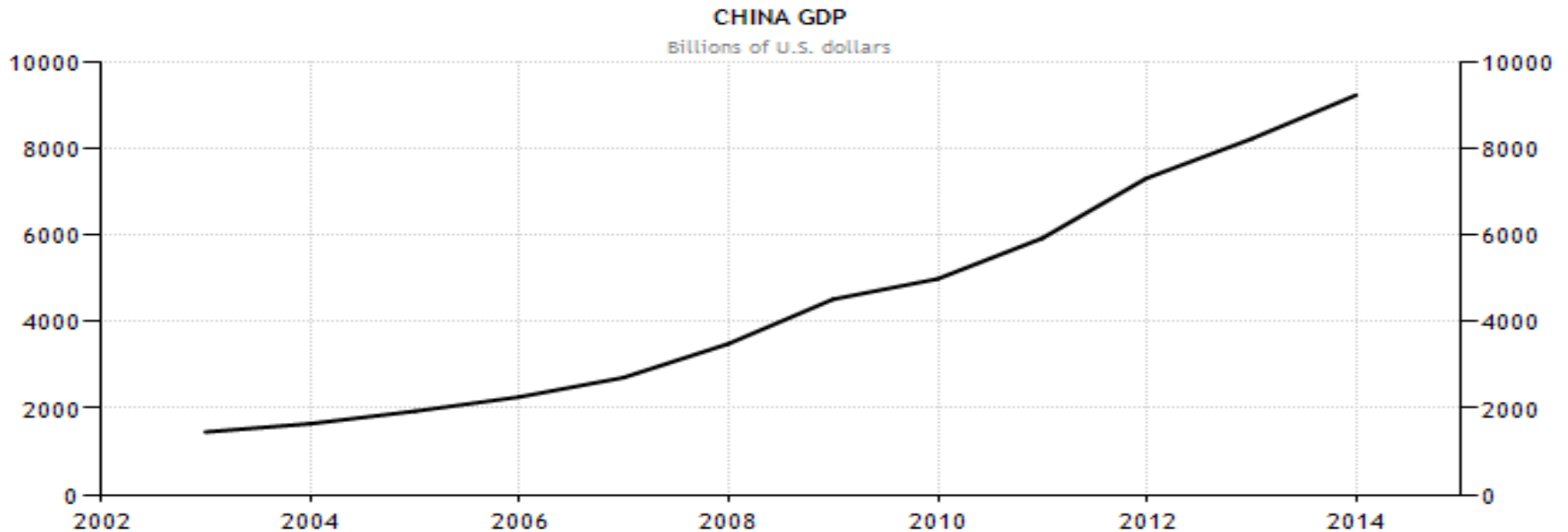
# Economic Snapshot of China



# China's Growth Continues



Indicator	2013
GDP	+7.6%
Retail Sales	+13.6%
Industrial Production	+9.8%
Exports	+4.3%
Imports	+8.3%





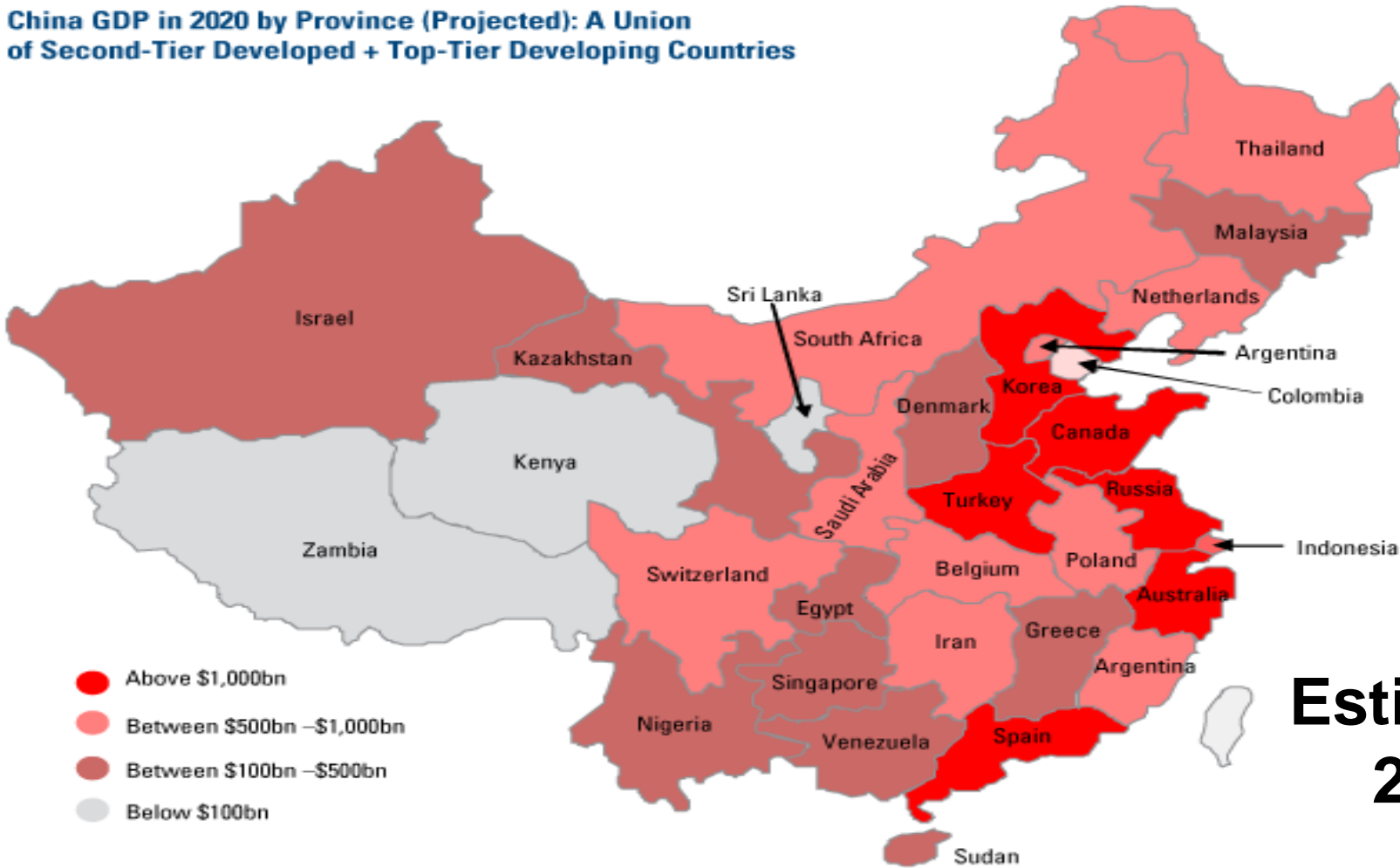
## 2. China 2020

### ➤ Consumer Market- People & Places

# Projected GDP of China's Provinces



China GDP in 2020 by Province (Projected): A Union of Second-Tier Developed + Top-Tier Developing Countries



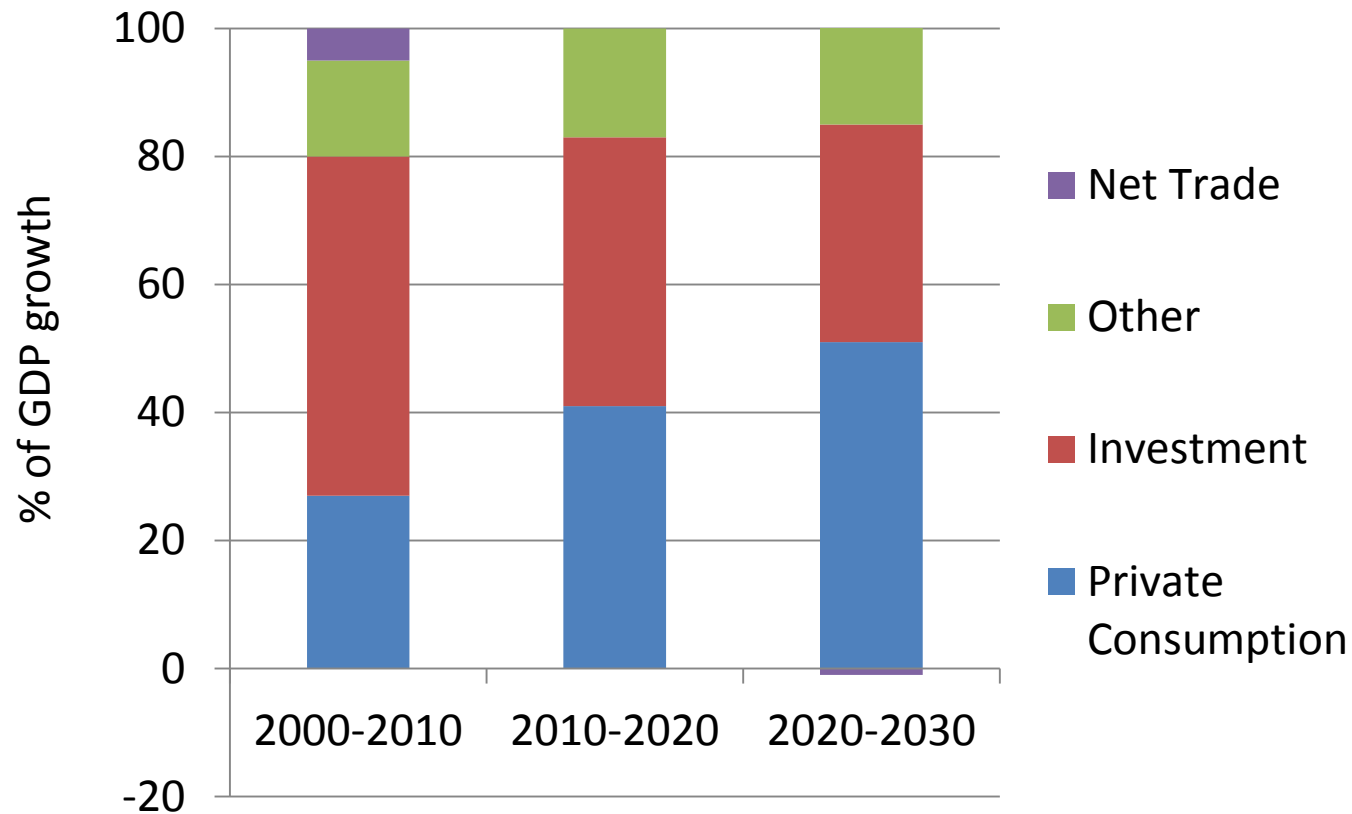
**Estimated  
2020**

Source: HSBC, CEIC, IMF, CIA

# GDP Growth Composition



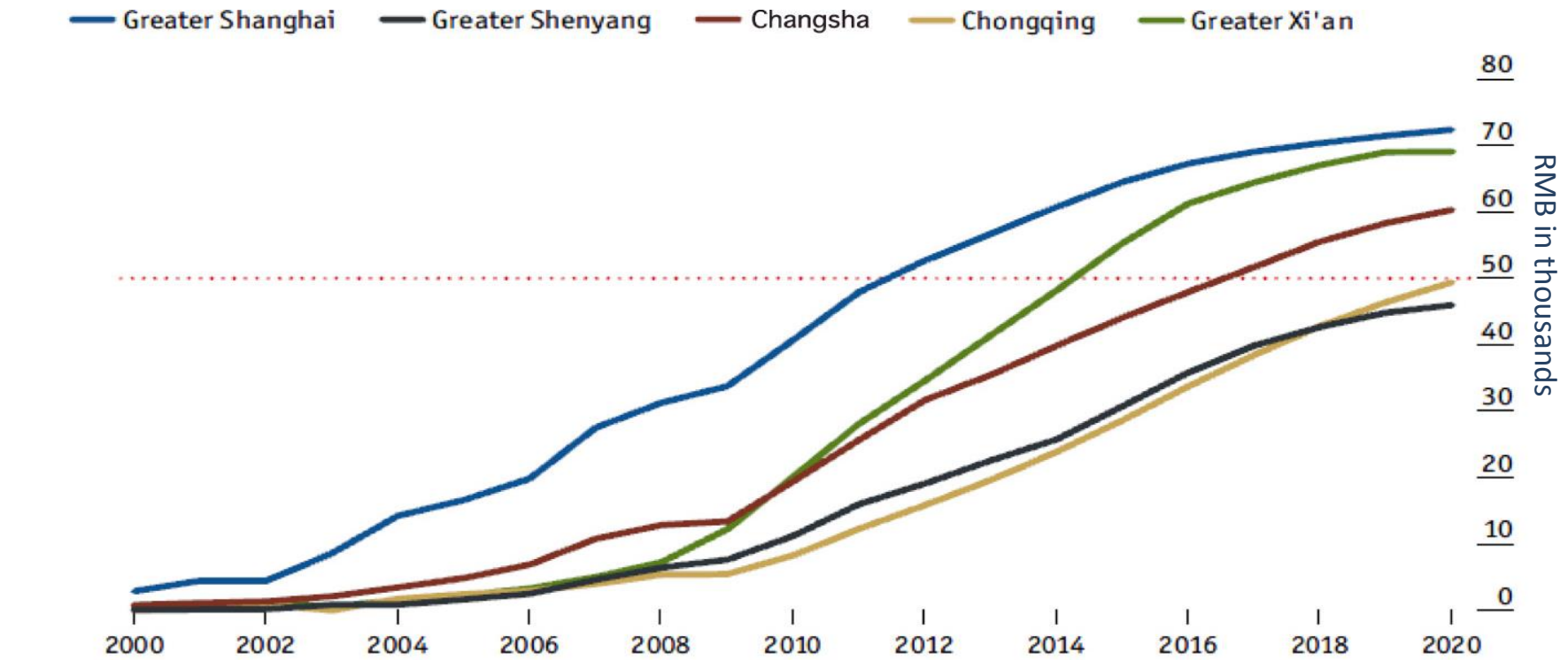
Private consumption to overtake investment as largest contributor to GDP growth



# China's Rising Middle Class



The proportion of urban population earning over RMB30,000 (~USD 5,000) per annum

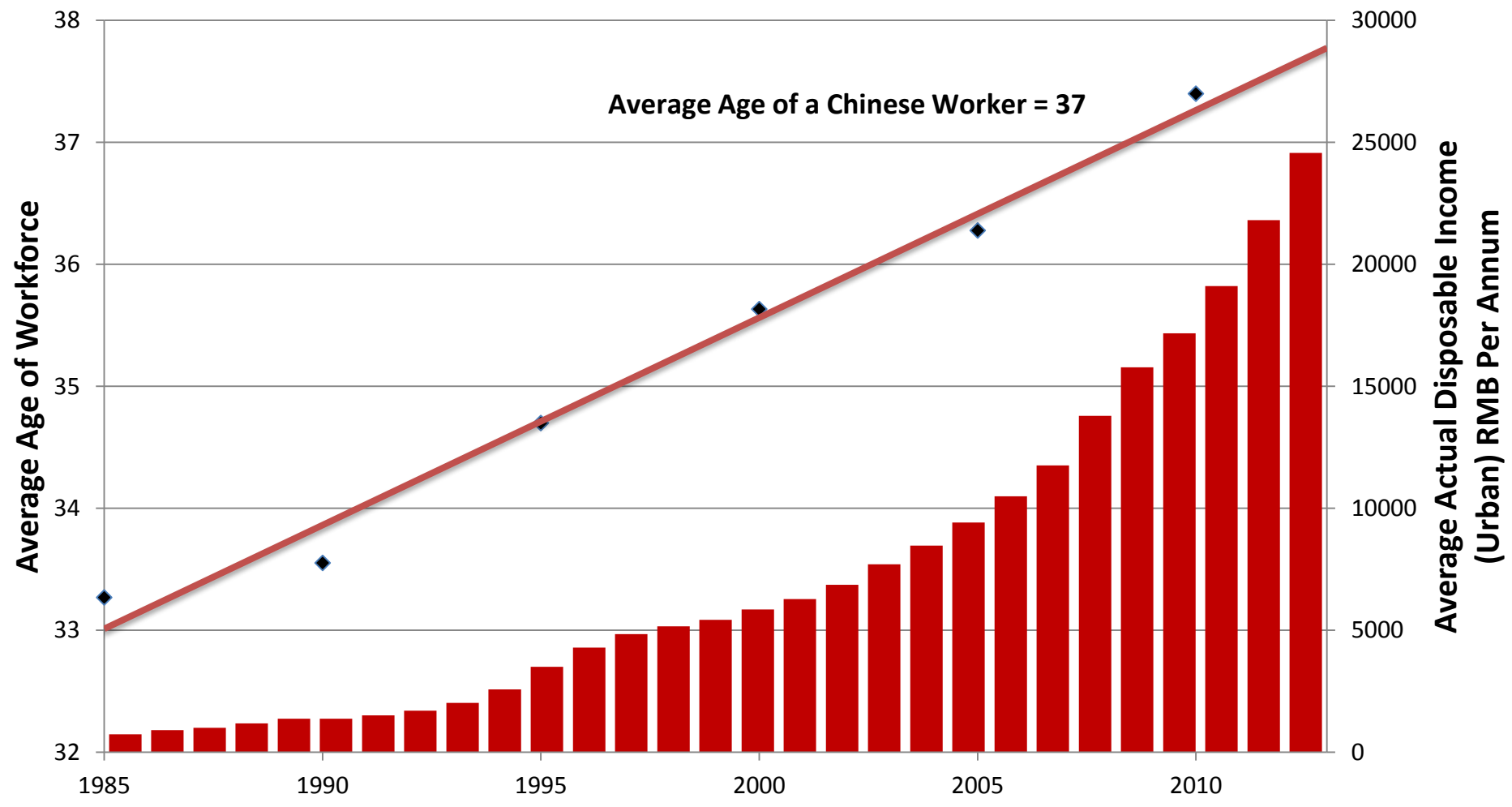


Source: Economist Intelligence Unit.

# Challenge or Opportunities ? An Aging population

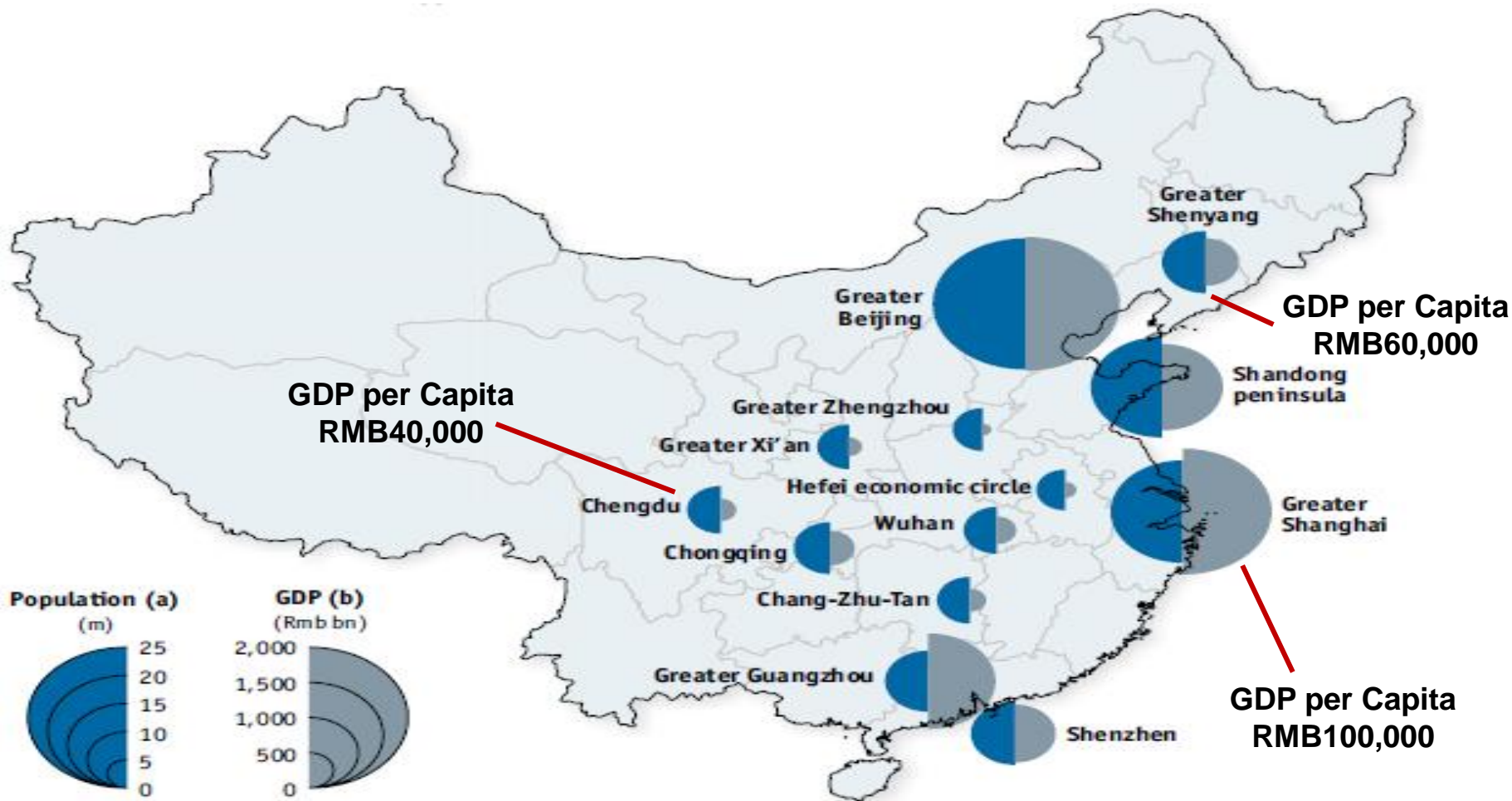


■ Average Disposable Income Per Annum (Urban)



Source: United Nations Data

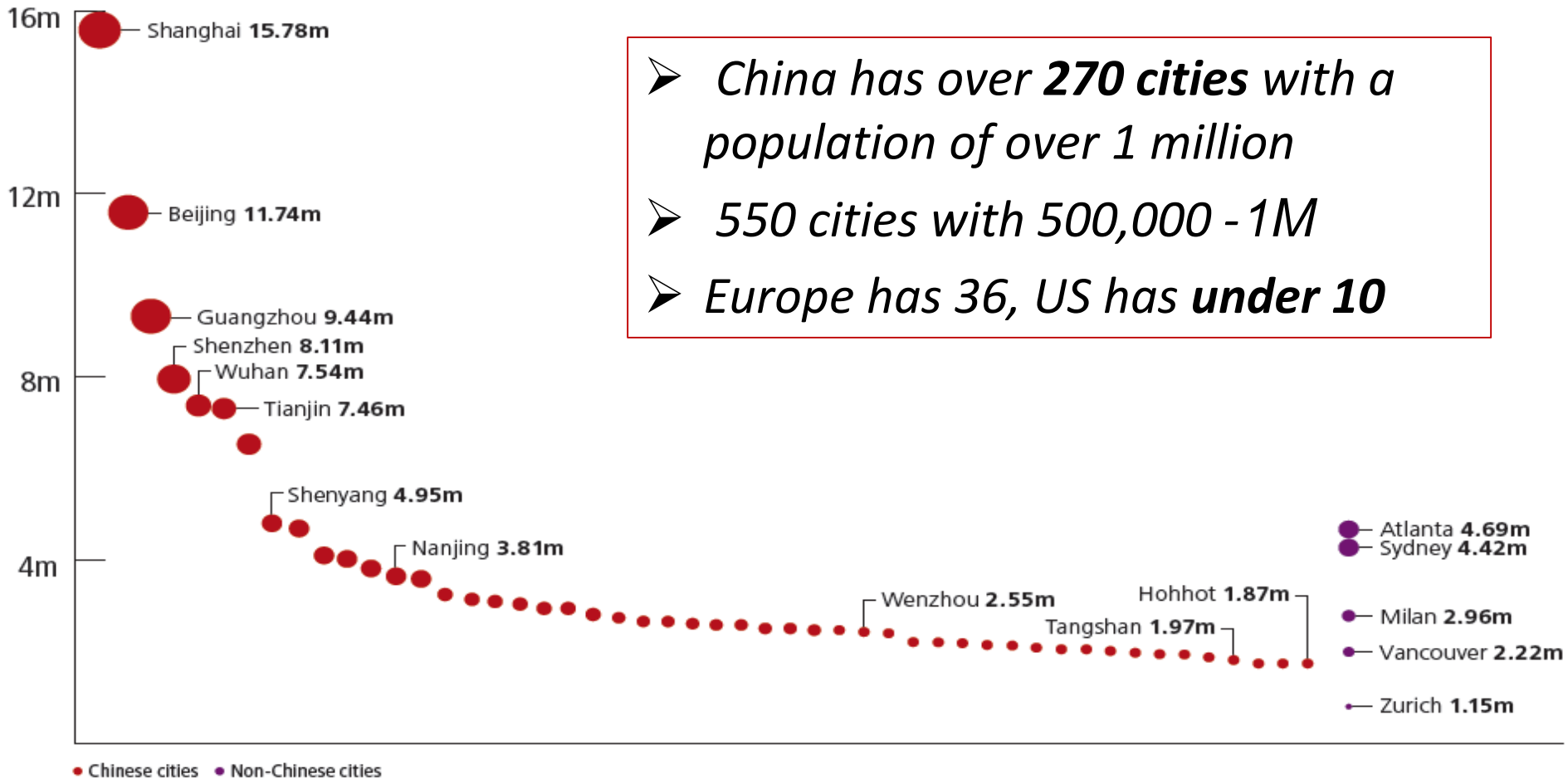
# Where are they?



(a) 2010 estimates, metropolitan area.  
(b) 2009 figures, metropolitan area.  
Source: Economist Intelligence Unit, National Bureau of Statistics.



# 50 Largest Cities in China



- *China has over **270 cities** with a population of over 1 million*
- *550 cities with 500,000 - 1M*
- *Europe has 36, US has **under 10***

SOURCE: Urban Agglomerations, United Nations, Population Division of the Department of Economic and Social Affairs, World Urbanization Prospects: The 2009 Revision Population Database

# Other China Challenges



- **Rising labor costs**
- **Talent crunch**
- **Rising production costs**
- **Aging workforce**
- **Protectionism**
- **Increased competition**
- **Urbanization – at what cost?**
- **Environment**



## 2. China 2020

### ➤ Development Zones

# Development Zone



- Majorly in coastal areas
- South & East areas
- At least one zone per province

## Number of zones (2014)

- 115 High-tech zones
- 13 Free Trade Zones
- 63 Export processing zones
- 15 Cross-Border zones
- 57 Other types
- 1170 Provincial zones

• Development Zones

2013.03.21



## Timeline

### Phase One (1980-1991)

- Establish and explore
- Set up along coastal area
- High growth rate

### Phase Two (1992-1999)

- Steady Growth Period
- Exploring provincial capitals in coastal areas
- Rapid growth in output and export

### Phase Three (2000-2007)

- Expansion to Central and Western regions
- Highest Growth for output and exports

### Phase Four (2008-Present)

- Rescinding preferential policies
- Tax reform
- Focused on SMEs, Science and Technology
- Shifting towards innovation

# Development Zone



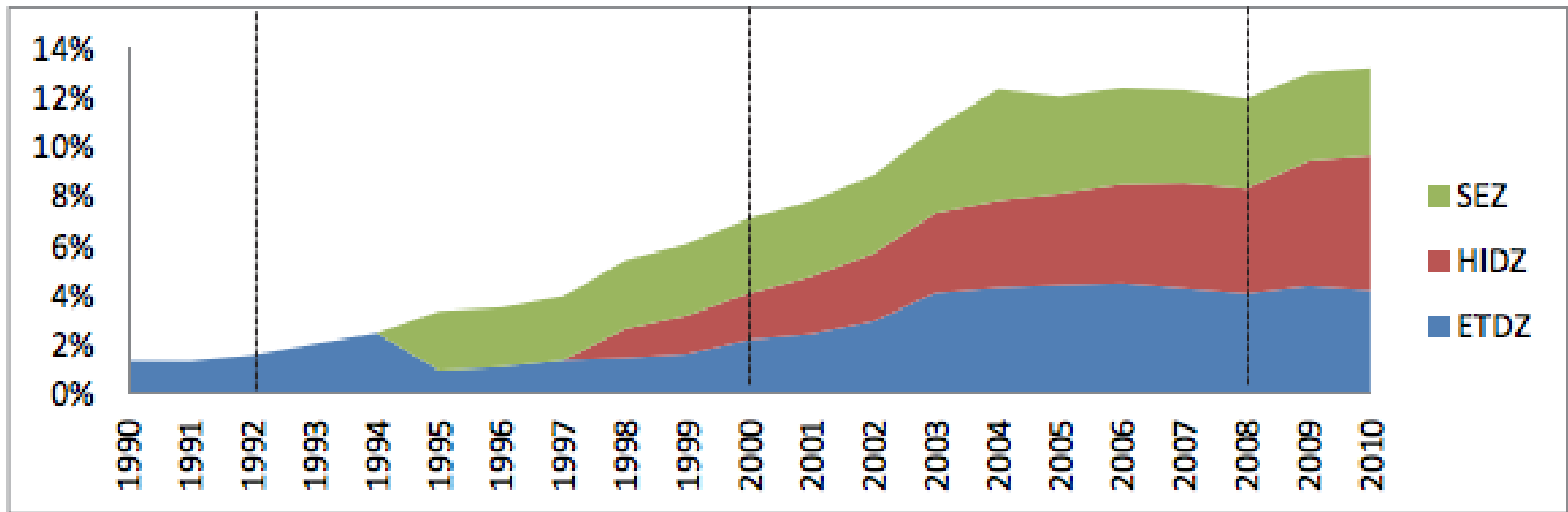
Development Zone Type	Description	Example
Special Economic Zones (SEZ)	Large designated managed areas which benefit from special economic regulations . They also offer duty-free benefits	Shenzhen SEZ <ul style="list-style-type: none"><li>• China’s very first SEZ</li><li>• Fifth highest GDP amongst all of China’s administrative regions</li></ul>
Economic and Technological Development Zones (ETDZ)	ETDZs are similar to SEZs but are generally smaller in region and focused in specific industries or sectors.	Zhejiang Tongxiang Economic Development Zone <ul style="list-style-type: none"><li>• Location: Tongxiang</li><li>• The first batch of provincial level industrial zones</li></ul> Pinghu Economic and Technology Development Zone <ul style="list-style-type: none"><li>• Location: Pinghu</li><li>• Top ten economic development zone in Zhejiang province</li></ul> TEDA <ul style="list-style-type: none"><li>• Location: Tianjin</li><li>• One of the first groups of country level ETDZs</li></ul>

Development Zone Type	Description	Example
High-Tech Industrial Development Zone (HIDZ)	Specific areas aimed at commercializing research and development and encouraging specific industries	Shanghai Caohejing Hi-Tech Park Development Corp. <ul style="list-style-type: none"> <li>• Location: Shanghai</li> <li>• A state level high-tech industrial development zone</li> </ul>
Free Trade Zone (FTZ)	Designated areas for export processing, international trade and bonded operations	Tianjin Free Trade Zone <ul style="list-style-type: none"> <li>• Location: Tianjin</li> <li>• The largest and the only free trade zone in Northern China</li> </ul>
Export Processing Zone (EPZ)	Smaller-scale and simplified free trade zone, generally located within an existing development zone for the purpose for export processing	Beihai Export Processing Zone Location: Beihai, Guangxi Nearest export processing zone to ASEAN countries
Bonded Logistics Zone (BLZ)	Areas where specific logistic activities can be carried out, subject to unique customs taxes	Zhangjiagang Bonded Logistics Zone <ul style="list-style-type: none"> <li>• Location: Zhangjiagang, Jiangsu</li> <li>• One of largest logistics zones in China</li> </ul>
Cross-Border Economic Zones (CBEZ)	CBEZs are designed to develop trade and export processing industries at China’s border areas	Honghe (China) – Laocai (Vietnam) Cross-border economic zones

# Roles of Development Zones



- Increasing contribution to GDP
  - Economic development zones contributed to China's GDP growth for the past decade



**EDZs contribution to China's GDP**

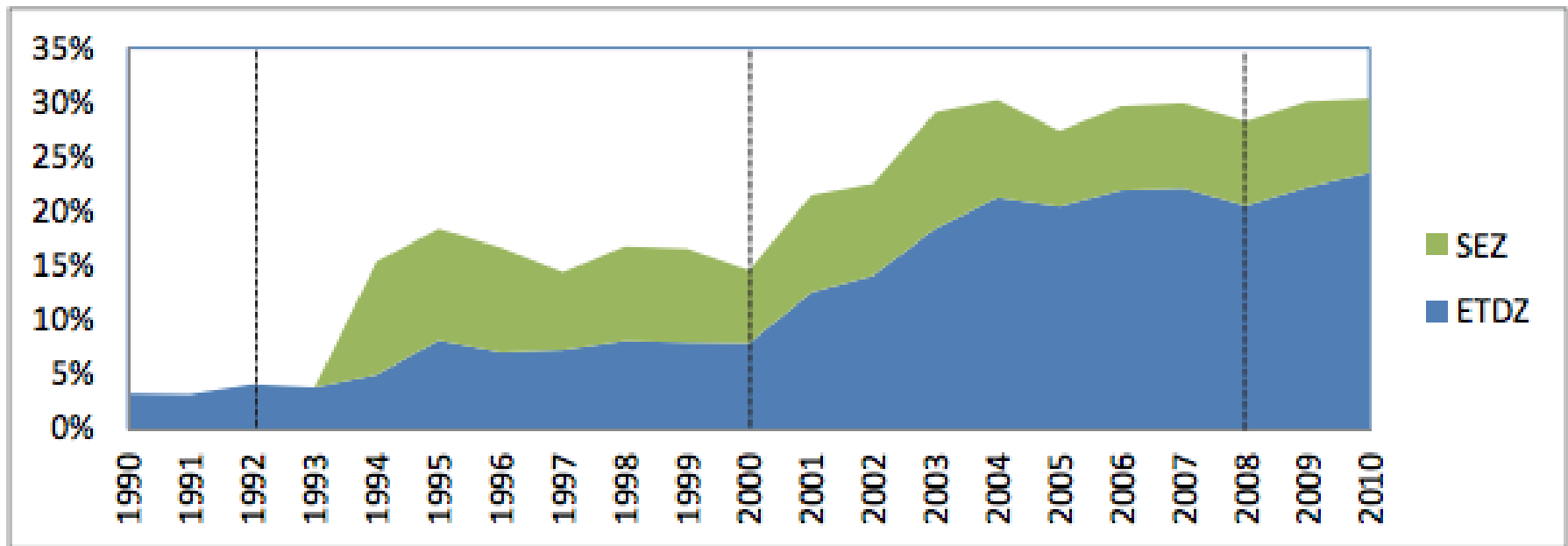


# Roles of Development Zones



## ➤ Attraction for Foreign Direct Investment

- In 2010, at least 30% of the total inflow of FDI in China went to EDZs
- The shares going to ETDZs increased dramatically after China joined the WTO



FDI into China's EDZs



# 3. ASEAN and China

# ASEAN – Association of Southeast Asian Nations



- Comprises of 10 Asian Countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
- Seventh largest economy in the world
- GDP: USD 2.4 Trillion (2013 est.)
- Free Trade Zone of 700 million people, with zero tariffs on all products and services by the end of 2015
- Third largest labor force in the world

# ASEAN – Association of Southeast Asian Nations



GDP 2013, current prices \$ trillion		Real GDP growth, 2000–13 %	
United States	16.8	China	10.0
China	9.3	India	7.0
Japan	4.9	<b>ASEAN</b>	<b>5.1</b>
Germany	3.6	Russia	4.4
France	2.7	Brazil	3.2
United Kingdom	2.5	Canada	1.9
<b>ASEAN<sup>2</sup></b>	<b>2.4</b>	United States	1.8
Brazil	2.2	United Kingdom	1.5
Russia	2.1	Germany	1.1
Italy	2.1	France	1.0
India	1.9	Japan	0.8
Canada	1.8	Italy	0.0

- Currently the seventh largest economy in the world
- Rapid and stable growth since 2000
- Projected to rank as the fourth-largest economy by 2050

Source: International Monetary Fund, World Economic Outlook; McKinsey Global Institute Analysis

# ASEAN's Impact Upon China



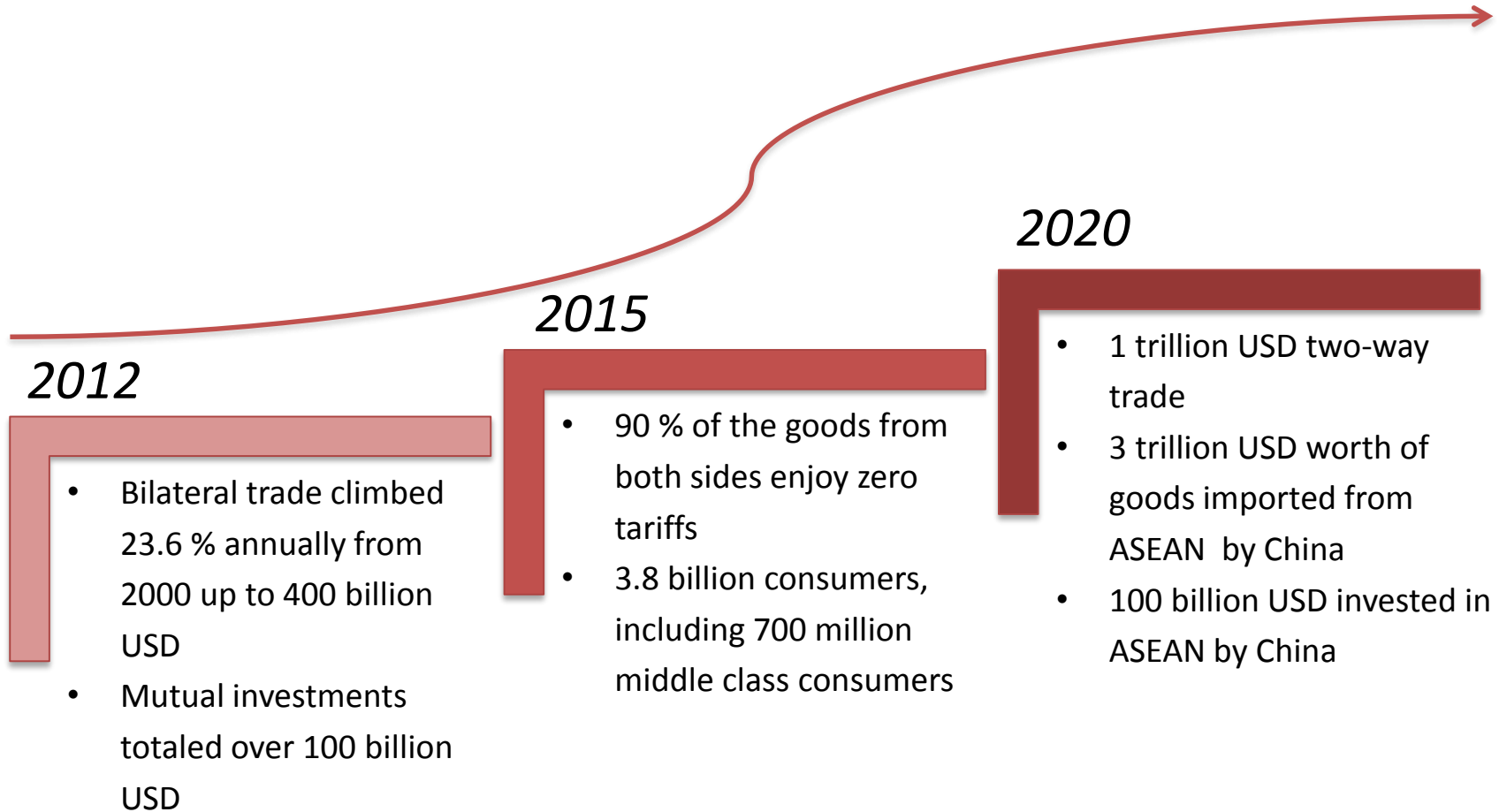
- China has a FTA with ASEAN on 7,000 products
  - ASEAN has signed FTAs with Australia, New Zealand, Japan and S. Korea.
  - Target to scale up two-way trade to one trillion USD in 2020
- ASEAN FTA by 2015, creates a market in total of 3.8 billion consumers, including 700 million middle class consumers**



# ASEAN's Impact Upon China



## CHINA – ASEAN TIMELINE UP TO 2020





# Q&A



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