Xi Jinping: A Transformative Leader
Changing the World as We Know It?
Chris Goode

Chief Business Development Officer of the Propulsys Group

Responsible for:

- Development of the group businesses to give long term sustainability
- Diversification into new growth industries & new opportunities
- President of White (China) Drive Products Co. Ltd.
- General Manager of Peerless China Manufacturing Co. Ltd.
- General Manager K Products (Zhenjiang) Co. Ltd.
My presentation today

Today, I am going to continue what I have done at past APBO conferences, and that is to share with you the real changes that are occurring in China based on my own experiences and exposure. Not what I wish it was or was not, but my understanding of the changes.

But first, let me give you a quick overview of who we are and what we do in China.
Propulsys Group World Headquarters, Hopkinsville, KY, USA
Propulsys - A Family-owned Group of Companies

White (China) Drive Products Co. Ltd
Zhenjiang, Jiangsu, China
Manufacturer of Commodity Products
&
Global Engineering Center

White (China) Drive Products Asian Distribution Center
Shanghai, China

K Products Zhenjiang Co. Ltd
Zhenjiang, Jiangsu, China
A Trading Company

Peerless China Manufacturing Co. Ltd
Zhenjiang, Jiangsu, China.
Energy related products manufacturer (US J/V)

White Staffing Management, LLC.
4 locations, KY and TN, USA

Tenacis Inc.
Hopkinsville, Kentucky, USA
Real estate

WH Manufacturing Inc.
Hopkinsville, Kentucky USA
Manufacturer of engineered products

White Drive Products Inc.
Hopkinsville, Kentucky USA
Global Sales & Marketing,
Global Application Engineering

White Drive Products GmbH
Offenbach, Germany
European Sales & Distribution Center

Growth
Expand Product offering
New Markets
Diversification
White Drive Products – Core Products
Hydraulic Motors, Brakes and Steering Units
White (China) Drive Products Co. Ltd.
Business License issued April 28, 2005
Zhenjiang, Jiangsu
Home to 2.89 million people.
The 77th largest city in China
White (China) Drive Products Production Facilities

- **Heat Treatment**
- **Typical CNC Cell**
- **Final assembly & test**
- **Wash, Paint & Dry**
Peerless China Manufacturing Co., Ltd., the US J/V between Peerless Mfg. Co. (Dallas, Texas) and Propulsys Inc. (Hopkinsville, Kentucky)

- First operational July 8, 2009 as Peerless Manufacturing (Zhenjiang) Co. Ltd.
- Dramatic growth in demand for products to support the China’s investment in natural gas infrastructure
- Additional investment of $10 million
- Expanded to a new facility 6 times the size of the current facility
- Recent name change reflects the stature of the company and its operations
Peerless China Manufacturing Co., Ltd. (PCMC)

- PCMC’s mission is to make energy safe, efficient and clean
- The design & manufacturing processes use proprietary knowledge and advanced technology to meet complex and exact customer requirements and expectations
- Primary products include:
  - Nuclear power generation facility equipment
  - Steam dryers
  - Separation and filtration equipment
  - Vane / cyclonic / swirl tube separators
  - Cartridge and coalescing filters
  - Pressure vessels
- Develop new applications of Peerless technology to be exported in future.
Since 2007, it has been my privilege to share my knowledge and understanding of China at the APBO

2007 “The Best of Both Worlds” how to maximize the best of USA and China
2008 “Still the Best of Both Worlds” Will China lose its competitive edge?
2009 “Will the Global Recession Change Our Strategy in China” The impact of the economic recession on the economy of China and its people
2010 “The Global Recession has Changed the Global Economy” Will this change our global investment strategy?
2011 “Are You Prepared to Operate a Company in China?” Do you really understand China?
2012 “The Chinese Economic Recession and its Future Global Impact” Things they are a changin’
2013 “Lucky 88: After 8 Years in China” Is Prosperity Ahead in the Next 8 Years?
Since 2007, it has been my privilege to share my knowledge and understanding of China at the APBO

There are leaders; then there are leaders of their time, whose leadership transforms the world by resolutely moving forward, driven by their beliefs and convictions. One such great and transformative leader was Abraham Lincoln.

Today we are going to examine Xi Jinping and the leadership he is providing that could transform the world as we know it.

2014 APBO presentation
“Xi Jinping: A Transformative Leader Changing the World as We Know It?”
Xi Jinping: A Transformative Leader Changing the World as We Know It?

Today my presentation is going to cover two sessions, we will take a 10 minute break at the usual break time. In both sessions we will allow time for questions and answers.

The first session will cover:
- Xi Jinping, the man and his leadership
- The Chinese debt issue
- The financial reformations
- The actions being taken by Xi Jinping and the impact on global business

The second session will cover:
- Government by the people
- The social changes that are occurring
- China of 2020 and the changed world.
It is my personal belief that the next 8~10 years will be the most interesting and rewarding times in modern day China.

There are many who do not believe the miracle of China can be sustained.

Xi Jinping is leader of “his time” and will change China and not only sustain the China miracle but China will become the leading economy of the world, just as it has been for 18 of the last 20 centuries.

But the window of opportunity for foreign small to medium foreign investors will be closing.
Complete Change of Government and Communist Party Leadership

Xi Jin Ping, to know the man, is to know the father Xi Zhongxu

Xi Zhongxu born 1913
1st Generation of communist leaders that led to the development of the PRC
1933 Chairman of the Shaanxi Guanu Border Soviet Region
1935 Imprisoned by left wing extremists and sentenced to death
  Within 4 days prior to execution, Mao Zedong arrived and released him
  Xi Zhongxu guerilla forces gave shelter to Mao’s forces and ended the Long March
  Area became known as Yan’An Soviet, HQ for the Chinese Communist Party until 1947
  Mao said “You gave me Yan’An and I gave you your life.
1945 Captured Soviet military equipment and supplied it to Mao’s forces
1953 Xi Jin Ping was born
1956 Member of the CPC Central Committee
1959 Vice Premier under Zhou Enlai
Complete Change of Government and Communist Party Leadership

Xi Jin Ping, to know the man, is to know the father, Xi Zhongxu

- Xi Zhongxu
  - 1962 Purged for being too liberal and demoted to a deputy manager of a tractor factory
  - 1968 The Red Guards of the Cultural Revolution imprison him
  - 1969 Xi Jin Ping joins the Mao “Down to the Country Movement”
  - 1975 Xi Jin Ping left the extreme leftists very disillusioned
- 1975 Xi Zhongxu released from prison
- 1978 Became leader of Guangdong Province
- 1979 In April met Deng Xiaoping proposed Special Zones to compete with Hong Kong; 4 were established and later became known as Special Economic Zones
Complete Change of Government and Communist Party Leadership

Xi Jin Ping, to know the man, is to know the father, Xi Zhongxu

Xi Zhongxu
1980 Sidelined when reformists fell from power
1981 Returned to Beijing
1982 Became a member of the Politburo
1989 Retired
1989 Condemned the use of force in Tiananmen Square
2002 Died

Remembered for his friendship to colleagues, tolerance of different cultures and religions, his idealism of open market socialist country, his integrity of his beliefs, he was one of the few leaders that voted for open reform
Complete Change of Government and Communist Party Leadership

Xi Jin Ping

1953 June 15, Xi Jin Ping was born
1962 His father was demoted to a deputy manager at a tractor factory
1968 His father was jailed by the Cultural Revolution
1969 Xi Jin Ping joined the Mao Down to the Countryside Movement and became a very active member
1975 Left the movement very disillusioned
    His father was released from jail
    Xi Jin Ping went to Tsinghua University studying Chemical Engineering
1979 Served as a Secretary of his father’s subordinate
1982 Secretary General of the Military Commission
Complete Change of Government and Communist Party Leadership

Xi Jin Ping,
1985 A member of a delegation to Muscatine, IA to study agriculture
He recently revisited the family he stayed with in Muscatine.
Became Governor of Fujian Province, then Zhejiang Province became known for his tough strait forward stance against corruption
2007 General Secretary of Shanghai following the dismissal of Chen Pingyu due to the social security scandal

Li Kuan Yew speaking of Xi Jin Ping
“I would put him in a class of Nelson Mandela. A person of enormous emotional stability who does not allow his personal misfortune or suffering to affect his judgment. In other words he was impressive.”
A New Communist Party Leader

What can be expected Xi Jinping
- Tough stance and strong implementation against corruption
- Increased open markets
- Strengthening of the military (Increased spending by $106b; 10% over 2012)
- Financial reforms and structure of Chinese industry
- Social and cultural reformation
- Expansion of liberalism within the CPC
- A strong drive to make China the world leader

Where did he first visit when he became leader of the CPC?
- He went to Guangdong to pay respect to Deng Xiaoping during the visit he gave a speech on “The Chinese Dream”

A tough principled leader
- No fear no favors

Very sure of his and the destiny of China
- He has no fear of USA or Russia
Xi Jinping the New Leader of China

The 3rd Plenum of the CPC

Attendees: 204 full members of the CPC Central Committee
169 alternative members

Highlights:

- **Achieve “decisive accomplishments” in major fields**, build sound, scientific and effective institutional systems in all sectors by 2020.
- Economic reform is the key to comprehensive reforms. Streamline the relationship between government and the market. The latter will play a “decisive role” in allocating resources.
- Safeguard the authority of the constitution and law. Deepen law enforcement reform, guarantee the independent of authority by the judiciary and prosecutors in accordance with the law, improve protection of human rights within the judicial system.
- Establish open and transparent market rules; let the market play a major role in pricing. Establish a unified market for construction sites both in cities and the countryside; improve the financial system; deepen reform of science and technology centers.
- Set up a national security committee.
Xi Jinping the New Leader of China

The 3rd Plenum of the CPC

Highlights:

- Set up a **leading committee on comprehensive reforms at a central level to take charge of overall design of reforms, co-ordination, implementation and supervision.**

- Establish a **comprehensive environmental protection regime**, including better delineated property rights over natural resources use; set up a charging mechanism for their use.

- Allow farmers to enjoy the same benefits of urbanization as urban residents. **Grant farmers more property rights and push for equal resource allocation among urban and rural areas.**

- Maintain the dominance of public ownership while **encouraging the development of the non-public sector to spur the economy's vitality and creativity.** Strengthen the protection of property rights, and make state-owned enterprises adhere to modern corporate practices.
Xi Jinping the New Leader of China

The 3rd Plenum of the CPC

Highlights:

- Transform the role of government and deepen reforms of administration. **Improve the government’s credibility by making it law-based and service-oriented.**
- **Clarify responses within the government;** reform the tax system; improve the transparency of government budgets.
- Open market access, speed development of free-trade zones, and open up inland cities along the borders.
- Build a strong army by **cultivating allegiance to the party, its combat capability, and morale**
Xi Jinping the New Leader of China

The 3rd Plenum of the CPC
Xi Jinping directly addressing the meeting:
“The focus of restructuring of the economic system... is to allow the market (forces) to play a ‘decisive role’ in the allocation of resources.”
“Both the public and private sectors are the same components of a socialist market economy and the important bases of our nation’s economic and social development.”

Two major powerful organs were established:
One to spearhead reforms.
The other to formulate a coordinated national strategy.

Both under the direct control of Xi Jinping as authorized by the plenum.
Xi Jinping the New Leader of China

The 3rd Plenum of the CPC:

Xi Jinping is in total control

As a good friend of mine and an officer of the CPC said:

“In late 2020 we will be returned to the legal law and constitution of China”

Q&A
The Chinese Domestic Debt

The myths
The half truths
The reality
The Chinese Domestic Debt

Developed and BRICS Countries Public debt above 40% of GDP

- China
- Denmark
- India
- Finland
- Switzerland
- Brazil
- Norway
- Netherlands
- United States
- Spain
- Israel
- Austria
- Hungary
- Germany
- France
- United Kingdom
- Canada
- Belgium
- Ireland
- Portugal
- Singapore
- Italy
- Iceland
- Greece
- Japan

Source: CIA World fact book
The Chinese Domestic Debt

The reality:

China total debt at end of 2012 ¥111.6trillion ($18.3trillion)
% of GDP

<table>
<thead>
<tr>
<th>Debt Category</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Total Debt</td>
<td>215.7%</td>
</tr>
<tr>
<td>Corporate Debt</td>
<td>113.5%</td>
</tr>
<tr>
<td>Government Debt</td>
<td>53.5%</td>
</tr>
<tr>
<td>Household Debt</td>
<td>31.1%</td>
</tr>
<tr>
<td>Financial Sector Debt</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

Top Ten largest mature economies 348.9%
(Australia, Canada, France, Germany, Italy, Japan, Spain, South Korea, UK and US)

Japan & UK Total Debts as % of GDP <500%
USA Total Debt as % of GDP 360%
Germany Total Debt as % of GDP 279%

China’s net assets exceed ¥300trillion ($49.3trillion)
The Chinese Domestic Debt

The issues:

The rate of increase of government debt:

- 2010 ~ 2013: 67%
- 2013 over 2012: 12.7%

Xi Jinping is already exercising tight control of government spending.

The SOE (State-Owned Enterprises) Debt:

- Power and Construction Industries have twice as much debt as equity.
- Xi Jinping has delivered and implemented actions which can be boiled down into 3 points:
  - No increase in borrowings
  - Live within the profits and cash flow generated
  - Seek overseas investors to cover the short fall
The Chinese Domestic Debt

The issues:

The housing bubble:
Since 1992 400 million people moved from the rural areas to the urban areas.
Another 400 million people from rural area will be moved by 2022 to current or new cities:

The myths about the ghost cities:
400 million people moving over 10 years
2.4 people per household to move
174 million apartments
17.4 million apartments per year
Existing stock sales being driven by new regulations for new building permits that now restrict the building of low rise apartments (Below 23 floors)
The Financial Reforms

- Achieve “decisive accomplishments” in major fields
- Establish open and transparent market rules; let the market play a major role in pricing. Establish a unified market for construction sites both in cities and the countryside; improve the financial system; deepen reform of science and technology centers.
- Economic reform is the key to comprehensive reforms.

Breaking News – Tuesday March 11, 2014

- Government limits on the interest rates banks pay on deposits will be removed over the next two years.
- Private businesses would be allowed to open five banks in two major cities and two provinces.
Xi Jinping, The Debt of China and Finance Reforms

What does all of this mean to a western entrepreneur?

1. China businesses including SOE’s will become more like you.
   I. The Good News - short term this adds a new opportunity as the playing field levels and all eyes are on you.
   II. The Bad News – as they become more like you, if you are not already there, why would they want you?

2. The country’s debt is and will be bought under control and the growth will still be 7~8% per year
   I. Significant consumer goods demands from current home owners and the 174 million new home owners
   II. The labor pool will no longer be dominated by SOE’s whose role has now changed and they must live within their means and limits.

3. There is a leader with vision and character who is driven to a seeable destiny with the authority to get there
   1. 1992 ~ 2012 was driven by FDI
   2. 2013 onwards will be driven by the engine of China, with Xi Jinping at the helm
Q&A

The next session will deal with:

Government by the People
The Social Changes that are Occurring
China of 2020 and the Changed World

The impacts on the foreign entrepreneur
CHINA

A land of constant changes

A land driven by its cultural destiny

A land of people driven by historical events

A land of capitalism in a communistic society

A land where the values of people are different to ours

A land where the mood of its people has shifted significantly

A LAND WITH A NEW LEADER
Times They Are A Changin’

The results of changed expectations of the Chinese:
- Owning my own home
- Owning a car
- Owning an investment property
- Giving my child a good education – good university education
- Travelling overseas
- Looking after mom & dad
- Eating protein every day
- Going out restaurants – often
- Getting a less arduous job
- Being a manager
- Earning more money
- Buying more
The Times They Are A Changin’

The expectations of the Chinese people
The cultural revolution is just a history lesson for the current generation
Chinese communism has been good to its people
Life is good and will continue to get better
Life is not all about work
Life is about enjoyment and harmony at work and at home
Cradle to grave dependency is evaporating
Freedom to do what I want
To travel wherever I want

“I am Chinese”
The leaders and the CCP are changing.

Imperial Academy
Beijing
January 1, 2014,
traditional clothing from 2,500 years ago.
The Leaders and the CCP are Changing.

Abandoned at the end of the Qing dynasty
Fiercely denounced by Mao Zedong
Cultural Revolution stamped out vestiges of feudal China

Sun Yet-Sen University required 2013 freshmen to submit a summer essay on the subject.
Hu Xiaolin CEO of a Beijing company advocates its value in managing his large company

Recommended reading by Xi Jinping
Everyone in the CCP has studied it

It is a short simple brand of Confucianism… a way of thinking that includes a heavy does of respect for family and social hierarchy
Could It be that Leaders and the CCP are Purposely Changing?

Dizigui – 17th century Confucian 1,080 character text authored by Li Yuxiu

Supporters believe that memorization of classics will help transform China’s generation of infamously spoiled single children, often called “little emperors” into more dutiful ones and in time morally upright adults.

It is full of adages like, “If criticism makes me angry and compliments make me happy, bad company will come my way and good friends will shy away”

Who can object to these moral lessons?
Could It be that Leaders and the CCP are Changing?

The moral lessons are very clear, but within them is a code of conduct which emphasizes acceptance of strict hierarchy, respect for social order and deference to authority.

This strategy is played out on TV advertising that is aimed are reinforcing these very codes of conduct:

- Telling lies
- Cheating
- Respecting the family
- Respecting authority

Killing innovation….or creating a society that rewards and recognizes contributions made....
What subjects do the Chinese People passionately share?

The Government
   ❖ Government is just for the Government not the people

Corruption
   ❖ The government and SOE’s managers only look after themselves

Taxation
   ❖ Do what ever you can not to pay taxes, because the money will be wasted by the government and won’t make the peoples’ lives better

Social Insurance
   ❖ Avoid if possible because the people will never get the benefits

Pollution
   ❖ Clean air and water to protect the people of China
Government is just for the Government not the People

The Cultural Revolution contained a cleansing process know as “Down to the countryside.”
The current revolution contains a cleansing process of “Government down to the people”.

The abuse of power is specifically addressed in the 3rd plenum
Deepen law enforcement reform, guarantee the independent of authority by the judiciary and prosecutors in accordance with the law, improve protection of human rights within the judicial system.

“Spend on me, spend on us, let’s have a good time” could well have been the lyrics of the official government song
Government cars going….going…..gone
Government car drivers…going…..going…..gone
No more multi course extravagant dinners
  4 courses and a soup should be the “norm”
No excessive drinking
No exuberant restaurants
  Use government restaurants and canteens
Government is just for the Government not the People
Mao Zhedong had a little Red Book; this revolution also has a thematic and detailed training book.
By the end of 2014 every member of the government will have undergone training to fulfill the 3rd plenum objective:
“Transform the role of government and deepen reforms of administration. Improve the government’s credibility by making it law-based and service-oriented."
Individual Performance Reviews of all public employees embracing not just job-related performance but also lifestyle choices.
A 3rd plenum objective:
“Allow farmers to enjoy the same benefits of urbanization as urban residents. Grant farmers more property rights and push for equal resource allocation among urban and rural areas.”
Good government for all the people.
Government is just for the Government not the People

The power to change government interface and direction has changed and the power is and will continue to shift to the people.

This is demonstrated every day in China
   Work abouts; “illegal” occupation of sites and buildings;
   Reporting of perceived corruption of officials; campaigns against lazy government officials, doctors, nurses etc.

Xi Jinping believes in a safe harmonious life for all the people.
   All exercising the same code of conduct
   All respecting the rights of others in this homogenous society
Corruption

Xi Jinping is totally committed to removing corruption from all government and publicly owned operations.

Every official of any rank is subject to investigation and scrutiny. This program will be completed by the end of September, 2014.

Enormous resources have been applied to this program (Example: 54,000 auditors were used to determine the true government debt in the last 6 months of 2013).

This program also applies to all SOE’s.

This program is well thought out, planned, and equipped with resources to take almost instantaneous steps to remove any public employee or even whole departments charged with corruption.

This is a Xi Jinping bedrock program and the fear is palpable.
Taxes – take home pay

The calculation is based on a high earner on a salary of $400,000 in 2013, with a mortgage of $1.2m, and how much is left after all income tax rates and social security contributions. It is assumed this person is married with two children, one of them aged under six.

In each country, the wage earner takes home the following proportion of their pay:

- **Italy** - 50.59% (takes home $202,360 out of $400,000 salary)
- **India** - 54.90%
- **United Kingdom** - 57.28%
- **France** - 58.10%
- **Canada** - 58.13%
- **Japan** - 58.68%
- **Australia** - 59.30%
- **United States** - 60.45% (based on New York state tax)
- **Germany** - 60.61%
- **China** - **62.05%**
- **Argentina** - 64.02%
- **Turkey** - 64.64%
- **South Korea** - 65.75%
- **Indonesia** - 69.78%
- **Mexico** - 70.60%
- **Brazil** - 73.32%
- **Russia** - 87%
- **Saudi Arabia** - 96.86% (takes home $387,400)
### Chinese Personal Earned Income Tax

<table>
<thead>
<tr>
<th>Monthly Taxable Income ¥</th>
<th>Monthly Taxable Income $ @ ￥6.1 = $1</th>
<th>Tax Rate</th>
<th>Quick Deduction ¥</th>
<th>Quick Deduction $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than ￥3,500</td>
<td>Less than $573.77</td>
<td>0%</td>
<td>￥0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>￥3,501 ~ ￥5,000</td>
<td>$573.93 ~ $819.67</td>
<td>3%</td>
<td>￥0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>￥5,001 ~ ￥8,000</td>
<td>$819.82 ~ $1311.48</td>
<td>10%</td>
<td>￥105.00</td>
<td>$17.21</td>
</tr>
<tr>
<td>￥8,001 ~ ￥12,500</td>
<td>$1311.64 ~ $2049.18</td>
<td>20%</td>
<td>￥555.00</td>
<td>$90.98</td>
</tr>
<tr>
<td>￥12,501 ~ ￥38,500</td>
<td>$2049.34 ~ $6311.48</td>
<td>25%</td>
<td>￥1,005.00</td>
<td>$164.75</td>
</tr>
<tr>
<td>￥38,501 ~ ￥58,500</td>
<td>$6311.64 ~ $9590.16</td>
<td>30%</td>
<td>￥2,755.00</td>
<td>$451.64</td>
</tr>
<tr>
<td>￥58,501 ~ ￥83,500</td>
<td>$9590.33 ~ $13688.52</td>
<td>35%</td>
<td>￥5,505.00</td>
<td>$902.46</td>
</tr>
<tr>
<td>Over ￥83,501</td>
<td>$13,688.69</td>
<td>45%</td>
<td>￥13,505.00</td>
<td>$2,213.93</td>
</tr>
</tbody>
</table>

One time annual bonus is typically taxed at 20% rate.
Social Insurance

- China faces the same dilemma as most industrialized nationals:
  - People are living longer
  - The population of retired people is rapidly growing
  - SOE’s will shed more early retirees in their restructuring process
  - The Chinese in the 25 ~ 40 year age group do not believe there will be any government provided pension when they retire.
- The medical insurance provides only very basic coverage and any hospital visit or treatments require additional payment...before the event.
- Typically the Chinese distrust the government with their money and want to be independent of the government.
- All Chinese workers really want is the housing fund, they want their own homes and then they want to become landlords.
Pollution

The world governments have complained bitterly about the global pollution attributable to China……

With very little effect

Air and water quality has become a major concern of all Chinese people.

There are both official and unofficial web sites that measure the quality of air in almost every community in China. New measures are being implemented on a daily basis to reduce air and water pollution.

Chinese citizens stage protests against companies that are significant polluters

Chinese citizens stop polluting factories being built (not in my backyard)

This is the power of the people at work and the government is listening to them.
Pollution

Western environmentalists complain that the 3rd Plenum did little to move China from being a polluter to a protector of the environment:

The 3rd plenum stated:

“Establish a comprehensive environmental protection regime, including better delineated property rights over natural resources use; set up a charging mechanism for their use.”

Plenum (meeting): A meeting of a deliberative assembly in which all members are present, contrast with a quorum.

This is the 3rd plenum of the 18th central committee of the CCP.
A Quick Recap

China, a land of constant change, a changing communist government and a new leader
The Chinese Dream
The peoples expectations
A new but old code of conduct
But what about innovation?
Recognition and reward?
Contributions made?
Confucian Conformity versus Innovations

Re-engineering is OUT
Chinese now believe in themselves and want to be creative
  The dichotomy of being the same but different will pass
Society now recognizes the exceptions
  No “free rides” anymore
Personal pride and stature tied to innovations
The government are fully committed to being leaders in innovation
  Incubator areas and centers – government supported
  entrepreneurial investors
¥ billions available
  High Technology Tax Rebates
  Research and Development funding and tax rebates

Chinese creativity is a major challenge to the rest of the world, innovation is more than encourage, it is highly rewarded.
A Quick Recap

China, a land of constant change, a changing communist government and a new leader
The Chinese Dream
The peoples expectations
An new but old code of conduct
A harmonious society
Hot buttons - government, corruption, taxation, social insurance, pollution
Such a change from just 10 years ago, when the previous leadership came to power.
What Does This Mean to the Entrepreneur?

China is still going to be a land of constant change
   Getting more like us?
      Yes, a little, but not really.

1. The Chinese Dream is very real, can you take advantage of that?
2. The government will be more about satisfying the people, can you take advantage of that?
3. The playing fields are levelling and corruption will be of the past, are you prepared for that?
4. Are you prepared to generate loyalty based on the housing fund?
5. Is your company eco-friendly?
6. Are you willing to contribute to an harmonious society?

Did you answer “Yes” six times?
Q&A

Followed by:
China of 2020 and the changed world.
China of 2020 and the Changed World

The population is close to “maxing” out at 1.4 billion people
One child-one family policy has gone.
Another 300+ million people will live in the cities
Land reform and ownership is well underway and China is quickly moving to be fully “new diet” food sufficiency, due to increasing “economy of scale” farming
Air and water pollution has declined and further improvements are expected to yield a clean environment before the end of the decade.
China will be energy independent.
SOE’s will contribute less than 40% of the GDP
Consumer spending will account for 52% of the GDP compared to 37% in 2012
Foreign investment in strategic industries will have occurred.
Government debt will be reduced.
Total debt will have been reduced.
China of 2020 and the Changed World

The playing fields will be level
  Corruption will be a past idiosyncrasy.
The Chinese economy will be the largest in the world.
China will be a super power and control the Pacific.

The Chinese people will support and trust their government.
  Taxation will still be present...just like it is for us
But life is good and improvements continue to be made in the peoples daily life.

At this point Xi Jinping will start to fulfill his destiny.....
Xi Jinping Will Start to Fulfill His Destiny

Xi Jinping’s success in achieving all the objectives of the 3rd plenum will determine his ability to fulfil his destiny.

His destiny is to implement and control a shift from one of authoritative power, to a government by the people for the people while sustaining the “communist” form of government.

Creating a government of participation and dialog, a “democratic government” that is dependent on dialog, involvement, and communications with the people and not votes.

As democracy is failing many people in the “free world”, the achievement of his destiny could place Xi Jinping alongside Abraham Lincoln in modern history.
Propulsys’ Strategies for Future Investment

Propulsys remains firmly committed to expansion of its investment in China and in particular to RunZhou, Zhenjiang.

- We see and understand the tremendous growth opportunity in China
- We see and participate in the global business shift that is occurring
- We know and experience the attitude change of the people of China
- We understand guanxi and the importance of relationships

We live the changes

Propulsys believes that for the foreseeable future, China will offer the best opportunity for above average returns on investment
Propulsys’ Strategies for Future Investment

Based on its knowledge, experience, and capabilities of China Propulsys will:

- Continue its own investment and expansion in China
- Work with companies to establish new highly profitable growth ventures
- Offer to third party companies:
  - J/V opportunities that will establish new wholly owned WOFIE’s
  - Strategic Partnership Relationships to design, develop and manufacture and sell:
    - Finished Products
    - Components
The Last Word for Any Foreign Investors

Recognize the economy of China – the fastest growing consumer driven market in the world.

Respect and participate in the Chinese culture

Understand its history, it is much longer than ours

Change your attitude
China is not going to be the same as you…..you need to change!

Know that China is not really well understood in the west and that most forecasts for the future of China in the last 22 years have been wrong.

China has not, nor will not conform to any western socio economic model, it is and will continue to be different
Xi Jinping: A Transformative Leader Changing the World as We Know It

Q&A

Thank you for your time