

2009 US-China Year-In-Review

It is an understatement to say that 2009 was an eventful year for both the U.S. and China. Without a doubt, the financial fallout from the global economic crisis has reshaped the fundamental relationship between the US and China, and between China and the world.

US-China Relations

2009 marked an important step for US-China relations. After taking office, President Obama pushed for stronger bilateral ties by hosting the first “China-US Strategic and Economic Dialogue” in April. Both countries agreed to take steps to reduce protectionist policies and encourage trade.

However, recent tariffs the US imposed on certain Chinese goods have exacerbated the mounting tensions over China’s trade surplus, leading China to file formal complaints with the WTO. With over \$330 billion worth of bilateral trade in 2008, the US and China are each other’s second-largest trading partner. As such, both sides have a vested interest in cooperating to ease tensions and avoid disruptions in trade. This will undoubtedly be one of the main issues discussed during President Obama’s first visit to China in November.

China’s Economic Stimulus Package

In response to the global economic crisis, China announced a US\$ 586 billion stimulus package at the end of 2008 for infrastructure and social welfare projects to boost the economy.

Of the US\$ 586 billion, two-thirds is earmarked for the **construction of public infrastructure** such as railways, roads, irrigation, and airports, as well as low-cost housing and social safety nets for disaster reconstruction. Although the majority of these construction projects are awarded to local government- and state-owned enterprises, US companies still stand to benefit indirectly through the sales of heavy machinery and advanced construction equipment.



Another portion of the stimulus package, over US\$ 80 billion, will go towards **industry innovation and environmental projects**, with an emphasis on “green technology” in particular as a national priority. China currently produces more power from renewable energy than any other country in the world.

Despite the enormous growth, however, **renewable energy** satisfies only a fraction of China’s total energy consumption. Significant increases in foreign investment and technology are still needed to drive the revolution from non-renewable energy sources to ecologically and environmentally sustainable energy.



Lastly, China’s stimulus package also makes provisions for expanding the rural **healthcare** system, offering significant opportunities for US companies dealing in medical equipment.

Private Investment

So far, China's stimulus plan seems to have had its desired effect on the Chinese economy, boosting both investment and consumption. However, any sustainable rise in investment will require the support of both foreign and Chinese SMEs that can bring private investment. This is one goal of the 2010 World Expo in Shanghai. With billions of dollars in investment pouring in from over 180 participating countries, the Expo is widely expected to jumpstart foreign investment.

2010 Outlook



Although China's economy was affected by the global economic crisis, various economic indicators suggest that it is making a quick recovery. Unemployment, for example, rose past 4.6% at the end of 2008, the worst since 1980, but has since remained steady and has even dropped slightly. While the World Bank previously cut China's 2009 GDP forecast to 6.5%, it has since revised it to 8.4%. Though still lower than the double-digit growth of previous years, the overall outlook for 2010 seems promising.

This should come as welcome news to US companies that are currently operating in, or are interested in entering, the Chinese market.

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