China’s Economic Stimulus

Analyzing Opportunities for Foreign Companies in China

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APCO worldwide®

INTRODUCTION TO APCO

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TABLE OF CONTENTS

Introduction 1
Assessing China's Economic Stimulus 2
Political Posturing or Substantive Stimulus? 3
Opportunities for FIEs 3
Allocation of Funds and Access Process for FIEs 3
Project Financing 3
Investment Priorities: 10Key Areas 4
Long Local Wish List 4
Favoring the Center and the West 5
Sector Snapshots 5
Industry Revitalization Specific Plans 8
Implications and Recommendations for Foreign Investors 8

EXECUTIVE SUMMARY

In an effort to arrest the decline of China's economy and resuscitate key industrial sectors, the Chinese government announced a RMB 4 trillion stimulus plan. The main beneficiaries of the stimulus spending will be SOEs and privately-owned Chinese companies - but new business opportunities for foreign invested enterprises (FIEs) will be available centered around providing high-tech and value-added products and services that Chinese firms lack the capability to provide.

The funds provided in the stimulus package focus on infrastructure and reconstruction after the Sichuan earthquake, although significant funds have also been allocated to clean energy and environmental projects. Although all projects must be approved through a central-government led application and approval procedure, stimulus funding and the projects themselves will be executed at the provincial level.

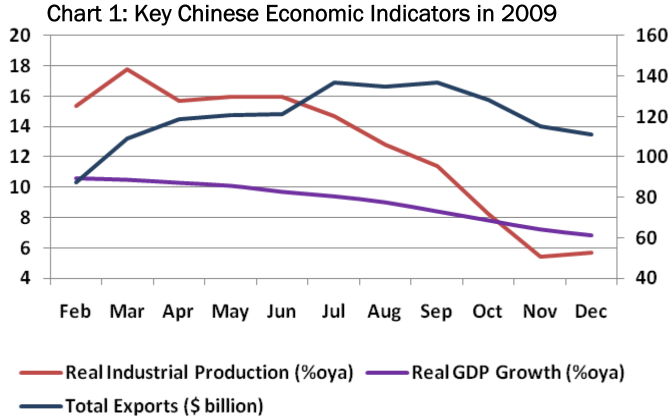
This briefing describes and analyzes how funding from the stimulus will be allocated, outlines the approval process for projects, and presents several sectoral case studies to highlight potential opportunities and challenges for FIEs. In addition it provides strategic recommendations for FIEs on how to develop a strategy to identify and capture new business opportunities resulting from the stimulus package.

INTRODUCTION

In recent weeks it has become clear that economic conditions in China have worsened above and beyond the Chinese government's previous expectations. The seriousness of the deterioration is reflected in the precipitous decline of several key indicators.

In November 2008, after reaching near-record levels in the early months of the year, China's industrial production collapsed to a 14-year low. Hot on the heels of this announcement came news of China's first fall in exports since 2001. When combined with rapidly falling house prices and declining consumer confidence, the economic picture has begun to look increasingly bleak and China's Q4 2008 GDP growth rate of 6.8 percent was the slowest rate of growth since Q4 2001. When seasonally adjusted (China's GDP is tabulated on a year-on-year rather than quarter-on-quarter basis, as in the US, EU and Japan) this figure suggests that China's economy stagnated or even marginally contracted in the last three months of 2008.

Chart 1: Key Chinese Economic Indicators in 2009



This succession of increasingly negative data has spurred the Chinese government into concerted action through a number of stimulus initiatives and other economic and policy tools, in an effort to arrest the decline and resuscitate key industrial sectors.

This study analyzes the opportunities that will arise for foreign investors from the increasing range of measures the Chinese government has employed, and will continue to employ in an effort to maintain strong GDP growth. We also suggest a number of strategic recommendations for foreign investors on how to respond to these changing conditions and develop an effective strategy to capture new business opportunities as they arise. The analysis in this briefing is based on our own research and conversations APCO has conducted with senior officials within the Chinese government.

Assessing China's Economic Stimulus

The goal of the Chinese government's stimulus efforts is to maintain a strong pace of growth at, or close to, 8 percent. Whilst many analysts seem to be racing to revise their 2009 growth forecasts downwards it is as yet too early to make a judgment on the likely effectiveness of the stimulus.

What should not be underestimated, however, is the determination of the Chinese government to unleash the full range of economic and policy tools at its disposal in an effort to maintain growth. Indeed it is important to note that the government's efforts have gone above and beyond simple fiscal pump priming. For example, in the last four months the government has cut interest rates on five occasions, increased the money supply target for 2009, stabilized the RMB exchange rate with the US dollar, instituted measures to shore up the property market and adjusted VAT rebates to help China's exporters.

Thus far many analysts have raised concerns that the Chinese government's reaction to the slowdown will result in a reversion to the 'old model' of highly polluting, low-end economic growth. However these fears appear unfounded. The broad direction of economic reform remains in place moving China towards an economic system where growth is driven in an efficient and sustainable manner.

Many have also questioned whether the Chinese government has missed a golden opportunity through the stimulus plan to rebalance the Chinese economy to be more reliant on consumption rather than investment. However, the rationale of stimulus initiatives and the goal of maintaining near-term growth momentum mean infrastructure projects with their capacity for rapid job creation are usually the most effective option. Other programs such as initiatives in healthcare provision above and beyond the stimulus package show the Chinese government's intention to make progress in this area.

More problematic concerns focus on potential unresolved structural weaknesses in the Chinese economy such as the resurfacing of NPLs as Chinese banks are enforced to increase lending through a slowdown which will need to be closely monitored through the coming months and years.

Political Posturing or Substantive Stimulus?

Thus far the centerpiece of the Chinese government's response to rapidly deteriorating economic conditions has been the RMB 4 trillion (USD 585 billion) stimulus plan put forward in early-November 2008. In the weeks since the plan was announced, there has been heated debate as to whether this was simple political posturing or whether the plan heralds significant amounts of new and expedited funding that will substantively change the investment environment in China.

The answer is both. When the RMB 4 trillion figure was released, the Chinese government clearly had no detailed and budgeted plan for such a program of investment. Instead the measure was primarily designed to bolster confidence both at home and abroad and demonstrate the government's determination and ability to act, particularly on the eve of the G20 summit in Washington on November 14, attended by China's President Hu Jintao. Yet, in subsequent weeks there has been a rush to add substance to the rhetoric and the multitude of project applications and approvals crossing the desks of China's economic planners mean the resulting investment will be both far-reaching and significant.

The exact extent of new funding is yet to be determined. However, the imperative of maintaining strong economic growth often referred to as 'bao ba' or 'preserve eight' (% GDP growth) will define the response of the government. Although a somewhat arbitrary figure, eight percent GDP growth is nevertheless seen as crucial in maintaining employment generation, and therefore social and political stability, with the result that Chinese officials will do everything in their power to bridge the shortfall in private investment, consumption and external demand which have all stalled in recent months and will remain very weak throughout 2009 in an effort to achieve this growth target. Therefore the stimulus plan will not be a one off fixed tranche of investment but will evolve as conditions change, with higher or lower levels of investment realized depending on the duration and severity of the downturn in broader economic activity.

Opportunities for FIEs

The main beneficiaries of stimulus spending will be Chinese state-owned enterprises (SOEs) and private Chinese companies. They will generally take ownership of projects or act as the main subcontractor to new investment entities set up by provincial governments to manage projects. However, there will be a significant range of opportunities for FIEs to secure work as subcontractors to both the provincial investment vehicles and SOEs.

These opportunities will be centered on providing high-technology and value-added services which domestic Chinese firms do not have the expertise or capabilities to fulfill themselves.

Examples of such opportunities include provision of technical systems such as control and automation processes for machinery used in major highway and railway infrastructure projects, machinery for tunnel construction, logistics and project management services, specialist machinery and services used in environmental protection projects and sales of high-speed locomotives to name but a few.

The stimulus efforts will, however, clearly see the continuation of the Chinese government's unofficial policy of 'economic nationalism' whereby opportunities are channeled towards indigenous Chinese groups. Yet by carefully targeting efforts and understanding how stimulus funding will be allocated, which projects will be prioritized and where there is a gap in domestic Chinese capabilities, FIEs will be able to find new business opportunities.

By understanding factors such as government criteria of population thresholds which dictate when certain provinces and municipalities are permitted to apply for particular projects, FIEs can understand where new investment is likely to be channeled. For instance, a Chinese city that has a population large enough that permits it to apply for a subway system but has not yet begun construction is likely to receive expedited funding. When construction begins there will be opportunities for FIEs to provide such products as advanced railway propulsion and signaling systems that Chinese companies often lack the capability to provide.

Allocation of Funds and Access Process for FIEs

- The National Development and Reform Commission (NDRC), China's key economic planning agency, and other relevant ministries have invited applications for funding for projects from China's provinces.
- These applications are reviewed by the NDRC and other ministries (e.g. Ministry of Railways, Ministry of Transportation, Ministry of Commerce etc). Each application will be reviewed in relation to its potential to meet the goals of the stimulus (i.e. create jobs and bolster GDP). Provinces must also demonstrate their ability to raise a significant proportion of the investment funds necessary that will then be supplemented with capital from other sources including central government funds.
- Once the NDRC and other ministries have approved the project, it can commence if the value of the project is less than RMB 200 million. If greater than RMB 200 million, State Council approval will also be necessary.
- After final approval is granted the province will invite tenders for the contract. This tendering process will adhere to standard laws relating to investment such as '*The Catalogue for the Guidance of Foreign Investment in Industry*'.
- These guidelines set out the extent that foreign participation will be permitted in a particular industrial sector or sub-sector.
- If there is no limit to foreign participation an FIE can directly apply to control and manage the project.
- For large scale projects, FIEs will in the most part be limited to either bidding in partnership with a Chinese partner or as a subcontractor either to an established SOE that has been awarded the project or to a new investment vehicle established by a provincial government.

FIEs must keep China's investment guidelines under continuous review as changes to guidance on the permissible level of foreign investment can present new business opportunities. For example, in December 2008 the Chinese government relaxed restrictions on foreign investment in China's central and western regions (likely to be the main beneficiaries of stimulus investment). *'The Catalogue of Encouraged Industries for Foreign Investment in the Central and Western Regions (2008 edition)'* loosens foreign participation in areas such as public passenger transportation and construction and management of natural gas, heating, and public sewage systems.

Project Financing

Financing will typically be provided from a range of sources, with central government investing around 25 to 30% of the total project cost with the remainder coming from provincial governments, bank loans, SOEs and private companies.

The NDRC has committed RMB 1.18 trillion of central government funds to be channeled into key stimulus projects before year-end 2010. Thus far two batches of central government funding have been released – RMB 100 billion allocated in Q4 2008 and RMB 130 billion released in early February 2009. These central government funds are designed to create a multiplier effect taking total new investment towards the RMB 4 trillion originally announced.

Direct government control of the banking system will allow China to avoid many of the problems created by scarcity of credit evident in other countries. The benefit of such control can be seen by the fact that in December, China's new bank lending grew by 1491% in comparison to December 2007, totaling RMB 772 billion in new loans.

Investment Priorities: 10 key areas

In line with priorities already established in China's 11^{th} Five Year Plan, stimulus spending has been mandated to concentrate on 10 key priority areas. The stimulus efforts are therefore designed to reinforce the overall direction of China's economic reform previously set out by China's current leadership. The vast majority of additional funding will go towards infrastructure investment.

Table 1: Sector spending priorities
Transportation - Expansion of railways; airport construction; increased subway lines, and roads
Rural infrastructure - Improvement of roads and power grids in the countryside; improving drinking water, water conservation, and poverty relief
Environment - Construction of sewage and water treatment facilities
Industry - Enhancing innovation and develop high-tech service industry
Finance - Remove loan quotas; increasing bank credit
Earthquake reconstruction - Reconstruction of areas affected by May 12^{th} earthquake
Taxes - VAT reforms cutting tax burden
Housing - Building affordable low-rent social housing
Incomes - Raise average income in rural areas; increasing subsidies for low-income urban residents; increasing pension funds and allowances
Health and education - Increased spending on rural health care services and education; construction of facilities in rural areas

On the basis of these priorities the NDRC has divided funds to be earmarked in the following broad manner.

Table 2: RMB 4 Trillion Allocation (NDRC Estimate)

Project	Allocation (%)	Allocation (RMB)
Infrastructure: Railway, highway, airport, and grid construction	45	1.8 trillion
Sichuan earthquake reconstruction	25	1 trillion
Rural livelihood and infrastructure	9	370 billion
Ecological/environmental protection	9	350 billion
Housing projects	7	280 billion
Reform of "indigenous innovation" structure	4	160 billion
Health, culture, and education	1	40 billion

Long local wish lists

The central government's stimulus plans have radically changed the investment environment for local policy makers. In the first half of 2008, concern centered on an overheating economy and local-level spending was severely restricted as part of ongoing tightening efforts by the central government. Since the announcement of the RMB 4 trillion package, all such concerns have dissipated and provincial policy makers have flooded Beijing with proposals for investment.

Anecdotal evidence of hotels surrounding key spending ministries in Beijing being fully booked for weeks in late 2008 and early 2009 by delegations of regional officials seeking approval for their favored projects shows that both enthusiasm and competition for securing funding is running at high levels. These local officials come armed with blueprints of infrastructure and social projects that have been planned for years but suspended by the NDRC in recent years to avoid further overheating.

As one senior provincial official recently commented to APCO, the stimulus "allows us to turn back the clock" to 2008 and earlier and spend freely on infrastructure and other projects without worrying about the potential inflationary impact.

Latest estimates, compiled from comprehensive scans of local media reports, suggest that provincial officials have put forward plans that total over RMB 18 trillion. This figure, however, must be treated with considerable caution and does not represent the scale of eventual funding that will flow into prioritized projects but rather is a wish-list of provincial officials. Nevertheless the stimulus efforts do represent an unrivalled opportunity for provinces to secure extra or expedited funding for existing projects or submit applications for new projects.

Table 3: Proposed Investment Amount in Selected Provinces*	
Province	Amount (RMB billion)
Yunnan	3000
Sichuan	3000
Guangdong	2370
Chongqing	1500
Liaoning	1300
Beijing	1270
Jiangsu	950
Shandong	800
Hebei	589
Shanghai	500
Jilin	400
Zhejiang	350
Fujian	340
*These are selected figures compiled from local media reports and reflect a wish list of projects rather than funds allocated.	

Favoring the Center and the West

The current economic slowdown is affecting different provinces in markedly different ways and therefore the response of the government will also vary on a province by province basis directly affecting which projects will be approved or have funding expedited. Thus far China's southern and eastern provinces, those with the highest dependence on global demand for exports, have been the hardest hit and the provinces in China's center and west, where direct connection to the global economy is relatively less, have been more resilient with lower drops in key indicators such as industrial production.

Yet it is likely that this will only be a temporary phenomenon and China's southern and eastern provinces will lead the way in terms of economic recovery because, despite significant challenges, these regions are relatively more diversified and will more easily be able to open new channels of economic growth within the service industry, tourism and by attracting private investment.

Provinces in China's center and west will suffer more from the severe reduction in their export industries, comprised largely of sub-contracted work from eastern and southern provinces, as this will close one of their main channels of growth that they do not yet have the capability to replace. Thus their economies will remain heavily reliant on fixed investment funded by central government revenue. As a result, government funds allocated as part of the stimulus will be directed towards these poorer central and western regions with the hope that developing infrastructure will allow for the medium/long-term transformation of their economic model through the development of new channels of growth.

Rising unemployment in the coastal and southern regions reinforces the urgency to stimulate growth in the central and western provinces, where most migrant workers originate. Although officials statistics suggest that unemployment is currently tracking at 4% independent estimates suggest a figure of between 8 and 9% is more accurate and this number could rise to over 10% in 2009.

The government hopes that stimulus efforts concentrated on infrastructure projects in China's relatively underdeveloped center and west will provide new jobs for migrants laid off in the south and east to return home to fill. Projects with a short lead time to get to the point of taking on new workers are therefore likely to receive highest prioritization so that job creation benefits kick-in as quickly as possible.

Sector Snapshots

While the stimulus spending's first priority is to boost infrastructure construction, other sectors particularly those seen as crucial to transforming China's economic model of growth to one that emphasizes efficiency and sustainability, such as the clean technology sector, will also greatly benefit.

Several other sectors, while not receiving a great deal of funding under the stimulus plan, are nevertheless the focus of top-level government and popular attention. Reform of the healthcare sector in particular, which was the subject of a separate, RMB 850 billion investment announcement in late January 2009, will likely open up new opportunities for FIEs, with many of the same approaches and characteristics of the stimulus spending plan such as geographic prioritization, combined central-local funding packages, and favoring domestic suppliers, with openings for FIEs in areas where domestic technologies are lacking

We will now look at these three sectors in greater detail.

Infrastructure Construction – Roads, Rail and Airports

Stimulus Objectives

Expedite investment in transportation network: in particular, fast-track investment in rail networks for passenger transportation, coal transportation, and the western rail system generally; upgrade the national highway system; and building more airports in central and western China and in secondary cities throughout the country.

Funding and Key Projects

- In the last two months of 2008, the Chinese government provided additional funding of RMB 10 billion for the construction of national expressways, RMB 15 billion for investment in the western railway system and RMB 3 billion for expansion of airports in major cities in China's western region such as Kunming, Chongqing.

- In 2009 70 new rail projects are planned with a total investment value of RMB 1 trillion, of which RMB 600 billion will come from the central government. The funding will result in the construction of 10,000Km of new lines. A further RMB 1 trillion will be invested in 2010 for a further 10,000Km of track. In the period 2009 – 2011 RMB 500 billion will be invested in rolling stock procurement.

- A further RMB 200 billion has been allocated for airport construction in 2009 and another RMB 250 billion in 2010. This funding will be used to build 50 new regional airports (five in tier one cities), relocate 12 airports and renovate 78 airports across China.

Challenges

The need to expedite and increase investment to such a high degree has also raised the risk of projects becoming inefficient with high levels of waste – a situation the Chinese government has worked hard in recent years to avoid. However, the pressing need to ensure investment starts flowing to arrest declines in key economic indicators will overcome such concerns in the near term. It will also be more difficult to identify new investment projects in China's relatively developed eastern provinces which again risks projects being approved that are more "image-based" rather than those with significant potential for long-term return on investment.

Assessment for FIEs

SOEs and privately owned Chinese companies will be the main beneficiaries of this new and expedited funding but the investment will also present a number of direct and indirect benefits for foreign investors in China. Direct opportunities for FIEs will focus much more on providing higher-end, value-added services to China's major construction enterprises. Such services will include logistics solutions, provision of technical systems and equipment sales. The development of roads, railways and airports will have many more indirect benefits for FIEs however.

For instance, a key goal of infrastructure development will be to connect China's central and western regions to the more commercialized east coast and the wider global economy, thereby opening up massive new markets of millions of Chinese workers and consumers. For instance, at present it takes 36 hours by train to travel from Chongqing in China's central region to Shanghai. Such large scale construction will also have positive knock-on effects across China's economy including for example steel production, heavy equipment manufacture and commodity demand in general.

Clean Technology and Clean Energy

Stimulus Objectives

Increase spending on ecology protection, especially fast-track investment in improving tainted water sources, expanding garbage recycling, water anti-pollution projects, energy-saving projects and clean energy technologies.

Funding and Key Projects

- Ecological and environmental protection projects are due to receive around 9% of the planned stimulus investment in the period 2009/2010 amounting to approximately RMB 350 billion.

- RMB 250 – 200 billion will be channeled to waste-water management and water supply projects with a particular focus on helping to alleviate the worsening water shortage in China's Northern provinces. China's 300 cities that presently lack waste-water treatment facilities will be targeted.

- The State Grid and the National Energy Administration have also announced plans to double investment to RMB 1.2 trillion on grid construction in the next two years with a key goal of the construction to address many of the grid bottlenecks that are limiting renewable energy development and grid connectivity.

Challenges
There is already emerging anecdotal evidence that provincial officials have started to relax enforcement of environmental guidelines when moving ahead with projects under the stimulus plans. So whilst there will be considerable investment in environmental protection technology there could be a short term regression on environmental indicators whilst policy makers prioritize expediting funding to bolster GDP.

Assessment for FIEs
The clean technology sector is one of the most promising sectors for FIEs in China. Not only is the policy and funding environment very favorable but there remains a significant technology gap between Chinese companies and international players in some of the high-end environmental protection technologies. Thus FIEs are less threatened by any government policy of favoring local companies, since they often simply can't offer the same level of technology. Pricing will remain a challenge, as many potential customers take a cost-focused rather than ROI-focused approach to investments in clean technology, with the result that they may view certain purchases "too expensive" without taking into account their savings over the lifetime of the project as well as the social savings (healthcare, employment) deriving from a cleaner local environment. Significant educational efforts at all levels of government will be needed to overcome this challenge.

Healthcare Provision

Stimulus Objectives
Increase spending on rural healthcare services

Funding and Key Projects
- So far the stimulus plans have only allocated 1% of funds, RMB 40 billion, for healthcare (alongside education and culture).

- However, despite this small proportion the coming months are likely to see significant amounts of separate and new investment channeled into China's healthcare system.

- A comprehensive plan for reform of the sector was unveiled in January 2009 by the State Council. Under the plan, RMB 850 billion will be invested into the sector in the next three years.

- Investment will be focused on expanding basic coverage to at least 90% of the population by 2012. However the plan also heralds a significant change in the structure of healthcare provision with subsidies in many cases shifting from a focus on the demand side (patients, insurance) to the supply side (doctors, hospitals). Investment will also focus on building rural medical systems, the construction of new facilities and training for doctors and nurses.

Challenges
Developing a national healthcare network that provides even the basic level of care provided in mature economies will be a multi-decade challenge for China and will not be completed in the near to medium-term. However, the emerging determination of the Chinese government to build a social security infrastructure to address widening inequality, and provide a safety net that will underpin the wider economic transition to one more balanced towards domestic consumption, means investment in healthcare provision will remain an enduring priority.

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Assessment for FIEs

Healthcare provision provides a range of positive opportunities for FIEs although competition from domestic Chinese companies is set to become increasingly intense in the coming years. Over the next one to two years the provision of medium to low-end medical equipment necessary for the rapid expansion of China's rural healthcare institutions presents a significant market opportunity for FIEs. Pharmaceuticals also present a growing opportunity with China set to become the world's third largest market by 2020. China's aging population and growing disposable incomes mean services such as cancer diagnosis and treatment and other similar services will also grow rapidly. This is an area where domestic Chinese companies largely presently lack the necessary technology/capabilities. Challenges in the form of government-mandated pricing caps and procurement requirements on health and medical products and services have and will continue to have a significant impact on opportunities for FIEs.

Industry Revitalization Specific Plans

Building on the broad prioritized areas of investment outlined by the NDRC, in recent weeks the Chinese government has also begun to reveal details of 10 (up from six originally announced in November) industries which will be specifically targeted as part of its stimulus efforts. Each industry will have a specific revitalization plan attached to it which will provide more detailed information concerning spending priorities and targets, setting out which projects will receive support.

Key measures will include relieving the tax burden on enterprises, supporting financial credit development, launching enterprise technology reform projects, encouraging industrial consolidation through M&A, fully developing rural markets, expanding exports and enhancing energy efficiency. The NDRC is jointly taking responsibility for drafting these plans with Ministry of Industry and Information Technology (MIIT). Once the plans have been drafted they must be submitted to China's State Council for approval.

Thus far plans for China's auto, steel industries, textiles and shipbuilding industries have been released but plans for petrochemicals, non-ferrous metals, equipment manufacturing, information technology, light industry and real estate/building materials are also expected.

Implications and Recommendations for Foreign Investors

As a result of the government's stimulus plans there will be a number of both direct and indirect benefits for FIEs in China, but also a number of challenges regarding how to access potential new business opportunities.

It is clear that the Chinese government's unofficial policy of economic nationalism will endure and where possible opportunities will be channeled to domestic Chinese enterprises. Most of this "channeling" activity will be directed at the provincial levels "off the radar" of companies only monitoring NDRC and other central-level bodies. We see many examples of this at the provincial level, especially where a province is home to a strong domestic player in, say, the construction space. Procurement regulations and procedures specifying percentages of local content and/or sourcing from majority-owned Chinese enterprises are becoming more common.

Therefore FIEs must be highly focused in how they target resources. FIEs with the strongest understanding of how funds will be allocated on the basis of differing provincial agendas, and who are able to fill technology and capability gaps, will be best placed. Specific approaches to ensure success include:

National Regulatory/Policy Analysis - Understanding the workings of China's government, the motives of its constituent parts, and the opinions of its officials has never been more critical for business success. Funding priorities for the stimulus will continuously evolve as economic conditions change or "inflection" events, such as natural disasters or mass incidents occur. With speed-to-launch being a priority for stimulus-plan projects, FIEs need to keep a close eye on specific procurement requests but also on government utterances about priority shifts to avoid being shut out by other foreign or especially well-connected domestic competitors with good information channels. The government affairs staff and function of FIEs should be tasked with frequent reporting on overall investment priorities so the company can make rapid responses to changes. Streamlining internal approval processes for large projects can also assure more "wins."

Provincial Strategies - Increasingly we are seeing substantial variations in policy implementation, funding allocation, and procurement management at the provincial level. This is especially true where a province hosts a domestic company with capacity in a given sector. We have identified examples in the energy sector, to name one, where provincial entities are writing procurement guidelines that favor local over foreign-invested companies, either explicitly through limits on contributions by majority-foreign investment companies, or implicitly by writing specifications that only the provincial company can meet. Understanding these, often “under the radar”, variations will be crucial in accessing the stimulus funding as it is at this level that investment will be realized and project opportunities will arise.

Researching and analyzing provincial practices is difficult but doable, and an essential investment for companies who seek to bid for projects at the provincial or municipal levels. In the context of increasing global protectionism and particularly the recent publicity over “Buy American” provisions in the United States’ own stimulus plan, Chinese provincial leaders seem to be taking a steadily more pro-active and aggressive approach to favoring local providers, without concern about being reined in by the center or challenged by international bodies for these actions.

Government Engagement - On the basis of our research and analysis capabilities, APCO has extensive experience in developing valuable and results-oriented government engagement strategies for a variety of clients in China, at both the national and provincial level. Although direct lobbying can be difficult in China, having effective communications channels to government stakeholders is crucial in understanding how policy is made and implemented.

In conclusion FIEs will have to become versed in the intricacies of China’s government process both at the national and provincial level where spending will be implemented. FIEs that are able to master these key demands will be well placed to capture significant business opportunities that will arise from the massive program of investment that is currently underway.

For further information on how APCO can help your organization access new business opportunities that may arise out of China’s stimulus plans, please contact:

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