

Summary
Georgia China Future Meeting One
October 1, 2003

Coordinating Committee Members:

Senator Sam Zamarripa, appointed by Lt. Governor Mark Taylor
Senator John Bulloch, appointed by President Pro Tempore Eric Johnson
Senator Jeff Mullis, appointed by President Pro Tempore Eric Johnson
Mr. J. Gregory Higgins-Yali, appointed by Commissioner Tommy Irvin
Mr. H. Paul Womack, appointed by Governor Sonny Purdue
Mr. Tim Evans, appointed by Commissioner Glen Cornell
Mr. John Leach, appointed by Lt. Governor Mark Taylor

Welcome: Senator Sam Zamarripa

China's entrance into the World Trade Organization has changed the world.

Georgia is well-positioned to be the benefactor of the economic and cultural benefits of China's expanding role in the international economic arena due to our universities, research centers and international companies.

The purpose of Senate Resolution 225 is to determine how to best position Georgia to engage, in a business and academic sense, in trade relations with China. Georgia must be a key benefactor of the emergence of China into the world trading arena.

Keynote Speaker: Dr. Mary Bulloch

President, Agnes Scott College

The time for engagement between Georgia and China is here.

Dr. Bulloch addressed three questions in establishing the importance of a Georgia-China trade relationship:

- 1) Why China?
- 2) Why Georgia?
- 3) Why now?

Why China?

- China is the "global economic elephant in our living room."
- The economic potential for trade with China is important, as well as the potential social and educational impact.
- In spite of SARS and AIDS, the Gross Domestic Product of China has increased by more than 10 percent per year for the last 25 years.
- Literacy is increasing, in contrast with other agrarian societies.
- China is training more engineers and scientists than the United States. The country is making new investments in science, technology and education, in spite of the recession.
- The number of Chinese traveling abroad doubled from five million in 2001 to 10 million in 2002.
- The US will benefit from Chinese insurance companies and banks.
- The US has outsourced manufacturing to China.

- With the emergence of China as an economic power, a new Chinese society is emerging with the capacity to drive the global economic engine.
- Urban per capita is \$1000 per year in China.
- Chinese consumer consumption is increasing –420 million Chinese have telephones and over 600 million use the Internet.
- Global trade with China increased 21.8 percent last year over 2001.
- Chinese imports and exports increased 20 percent.
- China is the 7th largest global economy, the 4th largest manufacturer of exports.
- Trade with the US has increased 18 percent and China represents the fastest growing import market to the US.
- The US has a \$83 billion trade deficit with China.
- Within 10 years, China's GDP will pass Japan's.
- The US competencies in Banking, Insurance, Services and Energy are new areas for China.

Why Georgia?

- Some of the earliest business pioneers to China were Georgia-based companies like Coca-Cola and Portman Architects.
- Georgia has a strong agricultural base and post World Trade Organization tariff reductions will favorably impact the Georgia agricultural economy.
- There is a strong Atlanta base for training Chinese entrepreneurs.
- The Savannah port is the 6th largest in the US and is one of the fastest growing.
- China is Georgia's 7th largest export market.
- China is the 6th largest market for US agricultural products.
- Georgia is the 2nd largest exporter of paper products.
- California, Washington DC, New York and Georgia are ranked in that order for Chinese training of engineers, CIOs, CFOs.
- China Research Group at Kennesaw State University must be highlighted and capitalized on.
- Georgia can develop good trade relationships based on trusted, close personal relationships.
- Challenge: Georgia lacks a clear identity with China. It is known for "Gone with the Wind" and the 1996 Summer Olympics.
- Opportunity: Collaboration between Georgia and China for China's Olympics in 2008.

Why now?

- 1) China entered the WTO in 2002.
- 2) Tariffs will fall in the telecommunications and insurance industries, for example, and will be open to investment. Production and trade indicate a booming economy in China. Structural change to the Chinese economy and use of the Internet in conducting business are helping to grow China.
- 3) Entrepreneurs and capitalists are becoming more accepted by the Chinese Communist Party and privatization is growing. The Party is looking for foreign investors.
- 4) US/China relations are as stable as they are likely to become, and since September 11, 2001, and the situation in Korea, these relations have exhibited a new level of maturity.

Conclusion

If Georgia is serious about trade with China, we must organize quickly, or we will be left out.

Panelists

Mr. Sam Williams, President, The Metropolitan Atlanta Chamber of Commerce

Mr. Williams spent three years in China. He was instrumental in the establishment of the first American hotel in China (the Shangri-La), and he managed the Merchandise Mart in Atlanta, which provides a forum for many Chinese businesses.

- Mr. Williams shared his insights regarding the key factors for doing business with China. Through his experience, he has determined that patience and building personal relationships are the two key factors necessary to successfully conduct business in China. He explained that it is very difficult to do business in a culture that you do not understand.
- Mr. Williams warned that nothing will be accomplished quickly; a business must be prepared for a long-term investment.
- Mr. Tim Evans was interested in the Chamber's position on behalf of members who are adversely affected by trade with China. Mr. Williams explained that as global trade becomes dominant, especially with Atlanta being a potential headquarters of the Global Free Trade Zone, in order for the US to be competitive, we must trade *up* within the services industry. The US will have to go up the food chain in developing our own skills. We will need to help the Chinese grow their manufacturing processes and train our own workers out of the low wage, low income jobs. Opportunities for low wage jobs (i.e., manufacturing and agriculture) are doomed at the beginning.
- Senator Zamarripa was interested in advice for rural agribusiness. Mr. Williams provided that in today's global economy and trade, soybean farmers will find it difficult to survive when competing head-to-head against China and Latin America. Agricultural exports will be very affected by the WTO. We need to realize that a global economy is upon us—and if we are to survive, we need to leverage up with education in order to stay competitive.
- Senator Bulloch questioned what obstacles the State of Georgia needs to remove in order to encourage trade with China. Mr. Williams recommended that we take advantage of our university systems to address and combat China's lack of knowledge about Georgia and Georgia's lack of knowledge about China. Our students need to study and understand China and its trade. We need to take a long-term view. We must not be afraid of the Chinese market. Atlanta must be the home of the next Chinese Consulate. We must encourage the Port Authority and Department of Agriculture to work more closely with the General Assembly to explain what opportunities exist and that a long term plan must be developed. Chinese delegations must be invited and welcomed to Georgia. We must inspire the Chinese to buy a lot of our services and products in plant and science technology and veterinary services.
- Mr. Tim Evans was interested in what the Metro Atlanta Chamber of Commerce perceived in terms of business opportunities with China. Mr. Williams explained that joint-ventures are the most effective business model; do not attempt to “go it alone.” He used businesses at the Atlanta Gift Mart as examples of successful joint ventures. He recommended that we develop partnerships with Chinese entrepreneurs and that we go to China and have periodic face-to-face meetings. He suggested that we identify the appropriate delegations that might want to do business and what those opportunities might be. He stressed that it is imperative that personal relationships are established.

Mr. Thierry Murad, Trading Manager, AJC International, Inc.

Mr. Murad developed food trade in China.

- The US and China have very different definitions for certain words; he warned against making assumptions. For example, the word “distribution” means something very different to each

country. The US might regard “distribution” as airplanes, ships, railroads and trucks to get products to a destination. The Chinese might mean a bicycle cart for the more rural areas.

- Entry into the WTO was a positive step in increasing the Chinese standard of living:
 - The Shanghai port business is increasing.
 - The demand for customer service is increasing.
 - Inventory management control is increasing.
 - More efficient cost controls are increasing.
- Mr. Gregory Higgins was interested in the challenges in bringing food products into China. Mr. Murad explained that every country has its own specifications and quality guidelines regarding labeling, etc. China is evolving in the direction of tighter controls in this area. Point-of-origin, ingredients, and health certifications are all some of the newer measures being put into place. He highlighted the importance of partnering with suppliers dedicated to doing what is required.
- Senator Sam Zamarripa asked about Georgia’s added value to the poultry market in China. Mr. Murad explained that Georgia produces more poultry than US demand can meet. The Chinese prefer dark meat and the US prefers white meat, so this preference helps to create an additional outlet for dark meat. Fifteen to 20 percent of all poultry produced in the US is exported. China is working to increase their capacity in order to meet the demands of their increasing population, but even though this might seem like a short-term opportunity, the Chinese market is still larger than their domestic production capabilities.
- Mr. Murad explained that it takes approximately 30 days for a product to go from a Georgia port to Hong Kong. Until recently, US producers would ship directly to Hong Kong and have Chinese buyers take delivery from there and arrange for their own transportation from the Hong Kong port to their final destinations. This is starting to change with shipments going directly to mainland Chinese ports of call.

Dr. Timothy Mescon, Dean, Michael J. Coles College of Business, Kennesaw State University

Kennesaw State University has various academic and research alliances with Chinese universities.

- Dr. Mescon believes that academia can reach people more quickly and effectively than entrepreneurs who may have trouble reaching some segments of the population, or who may be viewed with skepticism.
- We need to look at the Georgia University System as a point-of-entry into China and develop programs that support this. Since 1999, there have been over 99 visits from Chinese students to Kennesaw. Educational initiatives can generate local dollars and also create a business unit that the University can leverage.
- The University has a 15-year relationship with a city in China.
- Dr. Mescon believes that a partnership between rural and urban interests in the university/academic context in China and the US are key to leveraging trade relationships. It is important to develop programs in China studies and China research and put systems into effect for a nexus with the business sector. He stressed that partnerships in an academic context may work faster than in a corporate context.
- Dr. Mescon recommends developing collaborative partnerships between China and Kennesaw University with both faculty and students—academic alliances and partnerships can help build a foundation for future business opportunities.
- Senator Zamarripa was interested in whether there is a “trickle down” effect from closer academic ties to business opportunities for Georgia. Dr. Mescon explained that intensive China studies and

research exchange programs will increase the number of ties between China and Georgia. It can help to develop a system of networks with “one voice.”

Mr. Jeremy Faa, Director of Business Planning and Executive Assistant to the EVP Asia Group, The Coca-Cola Company

- Mr. Faa provided background about Coke’s business in China. The Coca-Cola Company was among the first to return to China in 1979 after the “Open Door” policy began. Even though Coke has only been in China for 24 years, China is already the 7th largest market for Coke worldwide, and it is growing at a double-digit rate.
 - The Chinese population is the biggest in the world, but the Chinese economy, as measured by the gross domestic product is just the sixth largest. The Chinese population is more than six times bigger than the US, but the economy is about eight times smaller.
 - As the Chinese economy continues to grow, as industrialization increases, and productivity rises, and the level of education improves, hundreds of millions of Chinese will be able to afford products they have never had before.
- Mr. Faa explained that as the China economy grows, the opportunities for Coke increase. The Chinese middle class is growing fast and they are the ones who can afford to drink Coke.
- He highlighted Coke’s marketing strategy in China; Coke is moving beyond carbonated beverages, looking for more opportunities in the China market.
- Mr. Faa described the three key initiatives at Coke—Distribution, Marketing and Innovation.
 - Distribution: It is still a challenge in China. To date, Coke has invested \$1.1 billion in China. Coke has built 30 bottling plants, and has more than 200 sales centers.
 - Marketing: Coke has three out of the four top brands in China (Coke, Sprite, and Fanta). There is a fierce local competition with Chinese low cost manufacturers who understand the Chinese consumer. Coke focuses on the “Three A’s”: availability, affordability and accessibility.
 - Innovation: New opportunities with non-carbonated drink lines, for example, Nestea and bottled water.
- Mr. Faa discussed the benefits to Georgia of developing a relationship with China: Coke is headquartered here and pays a significant amount of taxes and employs many Georgians. Seventy percent of Coke’s profits come from overseas.
- Senator Zamarripa asked what would be on Coca-Cola’s wish list. Mr. Faa said that Georgia must be marketed to China. One way to do this is to help develop a competent and educated workforce in China. He recommended promoting the Georgia University System and Emory University. China is in a similar situation as Japan was in the 1970s in terms of foreign direct investment. We also need to cultivate Chinese immigrant groups within Georgia. Mr. Faa said that we must encourage Chinese companies to come to Atlanta and Georgia, and establish and make investments here. It would also help to market Georgia as a tourist destination to China and to offer direct flights between Atlanta and China.

Ms. Kelly Norman, International Marketing Manager, United Parcel Service (UPS)

- The partnership between UPS and China was established in 1998. By 2001, UPS was serving China with six weekly freight flights directly to Shanghai. Volume of freight with China has grown 50 percent versus other countries’ growth of 4 percent. UPS’ 2003 projected revenues are \$300M. Air cargo demand is increasing. To China, UPS handles packages up to 150 pounds.

- Every day, UPS delivers 6 percent of the US GDP, about 12 _ million packages daily. An economist for UPS did a study that provided that for every 40 new packages that UPS delivers, a new US job is created.
- Ms. Norman believes that it is important to continue to educate Georgians about China and its potential, and how to be successful in the “cryptic environment.” Georgia businesses need access to coaching, counseling and training on how to do business with China and how to identify opportunities.
- Ms. Norman explained that there is a significant imbalance in the volume on the UPS planes departing and arriving from the US. There are many more packages going to the US than returning to China.
- Ms. Norman explained to Mr. Evans that UPS is taking stakes in Chinese companies for package distribution with 14 offices in China.
- Mr. Higgins recommended that UPS provide an incentive to offer to Georgia businesses to send their packages through UPS to China through discounts, etc. Ms. Norman explained that UPS has hosted and will continue to provide open and frank discussions on how they can help small companies with their supply-chain management, which will help Georgia businesses become successful. Ms. Norman supports Mr. Higgins’ incentive suggestion.
- Ms. Norman explained that there is a tremendous awareness and appreciation of American brands and a high degree of an entrepreneurial spirit among the Chinese. She recommended that Georgia develop a brand and brand awareness.

Mr. Charles Gaines, Director of Sales & Marketing, Pulp Division, Georgia-Pacific

- Pulp is the largest export product produced from Georgia pine from South Georgia.
- Pulp is a \$30 million product line to China and it is growing at five to seven percent annually. It is a major export product for Georgia-Pacific and will likely continue.
- China is seen as an emerging market.
- Mr. Gaines highlighted a challenge with the Chinese banking system: Lines of Credit (LOC) are an issue. Chinese banks do not traditionally extend LOC, and thus there is no assurance of payment to the US supplier.
- Mr. Evans was interested in whether there is a competitive advantage in producing pulp fluff here versus using China’s natural resources for production. Mr. Gaines explained that Georgia pine has a unique fiber that cannot be grown anywhere else. It creates a competitive advantage for Georgia. The fluff is shipped out of Savannah.
- Mr. Gaines recommended that it would be beneficial to expand the Savannah port. He also suggested expanding Georgia-Pacific’s presence in the global market with help from Georgia.

Mr. Byron Hock, Director of Trade Development, The Georgia Ports Authority

- The Georgia Ports Authority is a quasi-government agency,—i.e., it competes with other ports around the country. It was established in 1945 and is governed by a 13-member committee. Savannah is the largest port in Georgia, the largest in the South Atlantic, and is the single-largest port in one facility in the country. The Savannah port is expanding from 8,000 feet of berth to 10,000 feet of berth and can handle the newest models of container ships. It has good access to railroads, which are located within the port itself. The Savannah port has 14 weekly sailings to Asia. The Savannah port is developing a relationship with the Shanghai port, which includes marketing and communications.

- Savannah will host the China Conference in April 2004 and it is publicized in the Asian Trades Publication.
- The China Shipping Company was formed from Chinese shippers. The Savannah port has developed a relationship with this company. When this company was looking for a US port, they went only to Savannah and did not look at other ports. This is indicative of the value of developing long-term relationships.
- In 1995, the Savannah port was ranked 11th in international ports.
- The Savannah port was able to take advantage of the 2002 work stoppage at the West Coast ports by having containers diverted to Savannah. The port experienced a 95 percent growth in December 2002 versus December 2001!
- Business with China is growing at a faster rate than general growth; Mr. Hock believes that the opportunities are incredible.
- Mr. Hock recommended, as a successful business strategy in conducting trade with China, that high volume sources are the focus.
- Senator Zamarripa wanted to know whether the Georgia Ports Authority could handle growth. Mr. Hock explained that expansion plans are already underway. The Savannah port's growth is outpacing other ports on a sustained basis. There is a trade imbalance; exports are 37 percent versus imports of total volume.

Mr. James Tilghman, President, Mohawk Carpet

Mr. Tilghman's Division of Mohawk Industries is the leader for Mohawk in developing business with China.

- Mr. Tilghman explained that retailers are going to the same manufacturers in China, and can buy at the same prices, so Mohawk is experiencing a loss of profit in Georgia.
- He expressed concern about the transport time from Georgia; it takes 35 days from Georgia, compared to only 11 days plus rail time from the West Coast.
- Mr. Tilghman highlighted that there is tremendous opportunity in China, but there is also significant potential risk.
- He recommended that the legislature support ports and rail yards to decrease the transfer time in transporting products to ports.

Mr. John Davis, Director of International Sales, Shaw Industries

Shaw Industries has been a long-time major exporter of goods to China.

- Mr. Davis explained that an emerging middle class has created a demand for upscale residential housing materials. These factors present an opportunity for Shaw and other companies in the industry to sell products in China. Having said this, he clarified that it is necessary to put this in perspective because while demand has increased, there was only \$6 million in carpet exports to China in 2002, which represents only one tenth of one percent of the industry's total revenue. On the other hand, China's exports of carpet products to the US were roughly \$124 million for the same period.
- Mr. Davis noted that one of the main challenges that the carpet industry faces today is the emergence of a domestic carpet industry in China with a focus on machine made products. Thus, development of machine made carpet in China is happening quickly and the need for US imports in China will diminish.

- He highlighted that his industry depends on intellectual property protections, and that China has a significant problem with infringement, enforcement and remedial measures. He is, however, optimistic that the situation will improve.
- Mr. Davis emphasized that support is necessary in the promotion of Georgia goods, in terms of both price and quality, and that broad awareness campaigns of these Georgia-made goods would be beneficial.

Mr. Brent Danielson, Manager of Asian Promotions, USA Poultry & Egg Export Council

- Georgia is #1 in poultry production in the US.
- China is our third largest in export in poultry, with \$22 million in exports in 2002.
- Mr. Danielson explained that the exporting process to China has become easier. First, it is no longer necessary to go through ports in Hong Kong; goods may now be shipped directly to ports in China. Second, many buyers no longer need to put down 100 percent of the purchase price; a 20 percent to 50 percent down payment has become more customary. This may be attributed to improved relationships between importers and exporters.
- He explained that the poultry demand in China ideally complements the poultry demands in the US; the preferred poultry in the US is white meat (breasts), while in China, dark meat, feet and wings, are desirable.
- He explained that much poultry is bought on a wet (open) market. He highlighted marketing techniques that the Council has implemented to promote US poultry products, both in wet markets, in retail outlets such as Wal-Mart China, at trade shows and at trade offices.
- Mr. Danielson requested that Georgia be permitted to promote itself on its packaging. He also encouraged the State to allocate funds to facilitate the improvement of transportation.

Mr. John Ling, South Carolina Trade Office

Mr. Ling has been successful in attracting several key Chinese investments to South Carolina, including Haier Refrigeration, which has invested over \$45 million in Camden, South Carolina.

- Mr. Ling provided an example that South Carolina is so open to Chinese investment that a Chinese construction company was able to successfully bid for a \$25 million project to build a local school. This demonstrates that Georgia must keep in mind that trade is a two-way street.
- The support must be in place to assist companies in exporting their products. Georgia must be prepared to provide officials who can travel to China with help identifying potential vendors and suppliers on behalf of companies.
- Mr. Ling provided that it is often less expensive or more economical for a Chinese company to do business or set up operations in the US than in China.
- Mr. Ling emphasized that doing business in China is focused on the exchange of information, contacts and relationships. It is imperative to travel to China.

Mr. Bing Wang, Attorney, Troutman Sanders, Hong Kong

Mr. Wang has extensive legal experience in China.

- Mr. Wang attributes increased economic activity between the US and China to China's joining the WTO. There are several factors that highlight China's increased economic activity with the US:
 - The reduction of the average tariff rate;

- Opening of more industries to foreign investment (banking, insurance, telecommunications, greater scope of retail companies, products and services in areas in which US investors are strong);
- Foreign investment manufacturing companies can now export products manufactured by other companies and by Chinese companies to the international market. Further, by the end of 2004, China has made the commitment to end all trade restrictions;
- The legal regime and the legislative process in China has become more transparent, more timely and it solicits feedback from its citizens; and,
- The Chinese government has altered the way that it administers its laws. The Chinese government no longer exercises very broad power and discretion in the application and implementation of laws and regulations. The government is now much more responsive to those whom it regulates. For example, new licensing regulations have decreased the amount of discretion available to the government at the enforcement level.
- Mr. Wang highlighted that Georgia has an identity problem in China and made the following recommendations:
 - Atlanta needs to be marketed as the headquarters of international companies;
 - Georgia should undertake a public relations campaign in China, including participation on a Chinese television program that showcases American cities;
 - Atlanta or Georgia should pair up with a “sister” city or state in China; and,
 - The Hawks should draft a Chinese basketball player.
- Mr. Wang addressed concerns expressed about lack of enforcement of intellectual property law. He explained that in China, local governments do not understand intellectual property rights. He recommended that, because it will take time for Chinese officials to address and resolve this problem, US companies must protect themselves by registering their intellectual property before going to China. He emphasized that even though the system in China is slow, if intellectual property is registered, the court system is a deterrent to intellectual property violations. In addition, there are private agencies that will conduct investigations for large companies who have intellectual property enforcement concerns.

Mr. George Lancaster, Managing Director, International Business Development, The Americas Mart

Mr. Lancaster has extensive experience in wholesale trade and trade relations.

- Mr. Lancaster provided background on the gifts industry. China, in the gifts industry alone, exported an estimated \$10 billion worth of products to the US. A healthy percentage of it came through the GiftsMart. However, few of these products can actually be purchased in China. Rather, American designers contract Chinese manufacturers for goods specifically for sale in the US. Initially, this was an arms-length business arrangement due to the availability of inexpensive Chinese production. This, however, is changing. More and more Chinese firms are establishing operations in the US to handle the process themselves – from opening up showrooms to investing in their own warehousing/distribution infrastructure. Although production remains in China, Mr. Lancaster believes that external pressures will force this situation to change and production to begin to shift to the US.
- He attributes the pressure to two forms: political and commercial. The political pressure is from groups such as the National Association of Manufacturers regarding currency manipulation and anti-dumping. Commercial pressure is always present in the form of competition from increasingly

tougher demands for faster product development cycles, consistently higher quality and quicker deliveries.

- Mr. Lancaster compares the current situation with China with the effort to secure Japanese manufacturing investment in Georgia in the 1980s.
- He emphasizes that it is necessary to proactively facilitate commerce with China; the Chinese will be more entrepreneurial than the Japanese, thus the economic activity will not be limited to large corporations. The investment will involve a wider size range of companies, with varied levels of sophistication, but with a greater emphasis on short-term profits.
- Mr. Lancaster noted that although it may take time before we see a flood of Chinese production plants in Georgia, Chinese companies have already begun to invest in the distribution infrastructure.
- He believes that Georgia, with its container ports, airport, rail/trucking hubs, warehousing/distribution centers and trade support services in place, provides an unparalleled advantage for companies from China at the initial stage of investment. We must create economic relationships now in order to ensure our position as a leading location choice for future manufacturing investment.
- Mr. Lancaster recommends that the State undertake the following short term actions:
 - Package and market Georgia's strength as a distribution hub. Distribution is critical to any and all businesses, thus our appeal is not limited to any particular industry, product, business size, etc.
 - Target specific industries that do not displace strong industrial sectors already present in Georgia. For example, it would only be disruptive to bring in Chinese carpet manufacturers. Good candidates are home electronics, technology components, and computer/peripheral equipment.
 - Make all state citizens aware of Georgia's China initiative. Underscore the economic and cultural benefits to offset potential negative backlash borne of fear and ignorance.

Dr. Richard Sutton, Senior Advisor for Academic Affairs and Director of International Programs, Board of Regents of the University System of Georgia, Office of International Education

- Dr. Sutton explained that the University System of Georgia is composed of 34 institutions that enroll over 245,000 students. The Georgia Board of Regent's commitment to international programs is perhaps the most ambitious international education platform in the country. There are approximately 16,000 international students enrolled in Georgia colleges and universities, who contribute an estimated \$300 million each year to the state's economy. Georgia now sends nearly 4,000 students for overseas study every year, and the Board of Regents is committed to raising that number so that by 2009, one out of every four students graduating from a Georgia university will study overseas. Last fall there were 1,850 Chinese students enrolled in the University System of Georgia, which accounted for approximately 2 percent of total Chinese enrollment in the U.S.
- More than half of the 583,000 foreign students in the US come from Asia, and over 63,000 students from China are enrolled in US institutions of higher education; another 29,000 students come from Taiwan. Combined, they account for about 16 percent of total foreign enrollment in the US. The total number of Chinese students in the US has increased 63 percent in the last ten years. California, New York, and Texas are the leading destinations for Chinese students. Only 6 percent of Chinese citizens aged 18-24 are enrolled in any form of post-secondary education, and only a fraction of those are coming to the US. Think what Georgia could do in delivering higher education just to that 6 percent – not to mention the other 94 percent who would seek a better future through education. Clearly there is a large and growing market for US education in China.

- Out of nearly 4,000 students who studied abroad last year, only 60 students went to China. 415 Georgia students study the Chinese language, but these courses have been offered at only five of the 34 colleges and universities. To address this, with help from a grant from the Department of Defense, on-line courses in Chinese have been developed so that students anywhere (rural and urban) in Georgia can learn introductory and intermediate Chinese. These courses can also be tailored to meet the on-demand needs of business, industry and government. No University System of Georgia institution offers a degree major in Chinese language.
- Dr. Sutton made three recommendations:
 - Education is important as a service export business in its own right, but also creates an extremely valuable network of US-trained alumni with affinities and connections to the places where they studied. Six percent of students in China receive higher education. The State of Georgia could provide a service network and a resource, and the state should actively expand our share of the education market to strengthen our ties with China's future leaders.
 - A Georgia workforce must be developed that is knowledgeable about China, conversant in its languages, aware of its diverse cultures, and able to give Georgia a competitive edge in pursuing trade and development.
 - The State must examine existing programs relating to Chinese studies, and must enhance one or more of them to provide greater focus on the Chinese economy, politics and society. The Center for European Union Studies is very successful in enhancing Georgia's competitive position and should be used as a model in creating a Center for Chinese Studies.

Dr. Penny Prime, Director of the China Research Center, Professor, Department of Economics and Finance, Michael J. Coles College of Business, Kennesaw State University

- Dr. Prime highlighted three key, new developments that characterize the rapid growth and transition that the Chinese economy is currently experiencing and that Georgia companies can capitalize on:
 - The growth of Chinese multinational companies. This is a new phenomenon for China, and is a result of both government policy in China and a natural outgrowth of maturing companies. Georgia can position itself as an ideal location for some of this expected outward investment. But there is a perception in China that the US does not necessarily welcome Chinese investment. Georgia would need to make its welcome clear and offer appropriate incentives, as well as make sure Georgia is adequately marketed in China.
 - China holds large foreign currency reserves totaling over \$360 billion. This foreign exchange is helping to fund the overseas investment of the new multinationals. These resources are also allowing more Chinese custom education programs and study delegations to study abroad, and are supporting the purchase by Chinese companies of machinery and other inputs for their operations. Georgia is in an excellent position with its public-private university concentration and custom training programs for Chinese managers and government officials already in place to continue to attract this business. It is also an ideal time for Georgia companies to promote their exports.
 - China has entered a new stage of privatization, which involves large-scale sales of assets, including whole factories and companies, to both domestic and foreign buyers. Georgia companies can benefit by the additional financial, legal, and consulting business these

deals entail. In addition, some companies may use this as an entry strategy to establish a presence in China.

- In response to concerns expressed about potential re-valuation of the Chinese currency, Dr. Prime explained that there is currently in excess of \$360 billion in reserve, and the Chinese will continue to have a significant amount of currency for quite a while, so it will not flow freely.