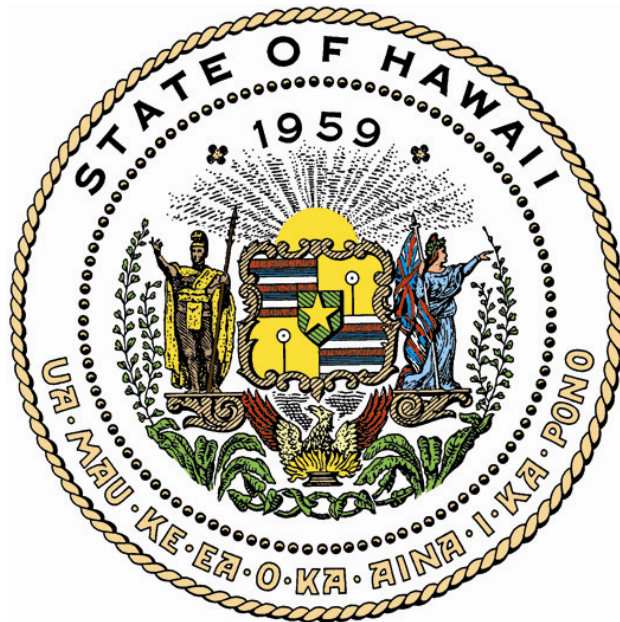


# Offices in Taiwan and the People's Republic of China

January 1, 2005 – December 31, 2005



*Strategic Marketing & Support Division*  
**Department of Business, Economic Development &  
Tourism**

**January 2006**

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# Offices in Taiwan and the People's Republic of China

January 1, 2005 – December 31, 2005

## 1. BACKGROUND

The area encompassed by the People's Republic of China (PRC), Taiwan, the Hong Kong Special Administrative Region and Macau is commonly known as "Greater China." Over the past decade, Greater China has become the world's fastest-growing economic region

According to World Bank estimates, by 2007, its share of total world exports should reach 13.7%. By then, according to the firm Goldman Sachs, Greater China should pass \$1 trillion in exports and imports, excluding trade among the three economies. That would make it nearly twice as large as Japan and two-thirds the size of the U.S. Measured in terms of purchasing power, the World Bank estimates that Greater China will overtake the European Union in five years, with a combined gross domestic product of \$12 trillion. By that yardstick, it would be nearly triple the size of Japan.

Despite its rapid growth, the region faces numerous challenges, including a relatively small base of people trained to deal effectively with necessary economic reforms and restructuring, rapid globalization, and environmental degradation. These areas offer many opportunities for Hawaii businesses.

Hawaii has strong social, cultural and historical links to China, and offers badly needed services in tourism and resort development, health and wellness, architecture and engineering, and education and training. In addition, the state has distinct advantages vis-à-vis other American states, especially in its proximity to the region and an active community of business people wishing to establish Hawaii as China's bridge to the United States. Hawaii's overseas offices—in Taipei, Taiwan and Beijing—capitalize on these advantages.

### China

China, with a population exceeding 1.3 billion people, represents a market with vast potential. The nation's explosive growth "could be the dominant event of this century," according to Stapleton Roy, former U.S. ambassador to China. "Never before has a country risen as fast as China."

Since 1970, China's economy has grown at an average annual rate of 9.5%. Within five years, its economy will be double that of Germany's, now the world's third largest. By 2020, it is expected to surpass Japan's, becoming the second largest in the world. By 2050, China should overtake the U.S.

*U.S. News & World Report*, in a special June, 2005 article on China, pointed out that "planefuls of American business experts flocking to China are discovering a country that greatly

resembles...their own. Premier American corporations like Microsoft, General Electric and IBM have arrived in China not so much for the ubiquitous 50-cents-an-hour assembly workers as for the English-speaking engineering talent and, of all things, a pro-business political climate.” U.S. businesses are worried about missing out on “the Chinese century.”

Opportunities in a wide range of areas are certainly there. In Harbin, for example, officials have won approval to build a new city center, called Songbei—a 285-square mile area that will be packed with residential high rises, office towers, luxury villas, five-star hotels, shopping and entertainment complexes, trade zones and industrial parks. Songbei is roughly the size of New York City.

Consider this:

- Economists feel that China possesses the fundamentals to keep growing in the 7% to 8% range for decades.
- Technical and managerial skills are becoming more important than cheap assembly labor.
- China is one of the few nations constructing multi-billion-dollar electronics and heavy industrial plants.
- In 2005, China’s passenger car market is expected to reach 3 million, number 3 in the world.
- China has the world’s largest base of cell phone subscribers—350 million, which is expected to near 600 million by 2009.
- In China, there are an estimated 2 million people whose net worth is at least \$40 million.
- Chinese universities issue about 160,000 advanced degrees every year—four times as many as in the United States.
- China is expected to invest \$200 billion to \$300 billion by the opening of the 2008 Olympic Games.

## **Opportunities for Hawaii**

### ***Tourism***

Of particular interest to Hawaii is the rapid development of China’s visitor industry and the accompanying opportunities this presents for local businesses. In addition to two notable events scheduled over the next decade--the Olympic Games in Beijing in 2008 and the World’s Fair in Shanghai in 2010—the nation possesses a vast number of historical and cultural attractions. China currently attracts approximately 43 million visitors a year and expects this to increase to 86 million over the next ten years. The Olympics alone are expected to attract some three

million visitors to Beijing. By 2020, experts predict that China will be the world's most popular tourism destination, with projections of 180 million visitors a year.

To accommodate the tremendous rise in visitors, China needs to update its tourism infrastructure, primarily in two areas: 1) the planning and development of integrated, five-star resorts and 2) the renovation, restoration and repositioning/rebranding of older, two and three-star hotels. In order to catch up to international standards, the Chinese are turning to Westerners for assistance.

Mindful of the potential opportunities in China's tourism sector, in May, 2003, the Department of Business, Economic Development & Tourism (DBEDT) organized a group of Hawaii businesses and organizations into an entity called the "Integrated Development Group," or "IDG." The strategy brought small- and medium-sized companies together to "level the playing field" for competition with larger foreign firms. The U.S. Department of Commerce (USDOC) Market Development Cooperator Program (MDCP), which provides grants to increase U.S. exports, offered the State and IDG the opportunity to apply for a \$399,500 grant to fund activities.

In October, 2003, with the assistance of DBEDT's overseas offices, DBEDT and IDG won the grant. Since that time, the department organized and supported IDG participation in a wide range of business missions and tourism-related conferences in China and Hawaii. Of particular importance, in 2005, IDG was asked to participate in planning and developing major resort developments in Hainan Province and Tibet.

Also noteworthy is the number of Chinese visitors who are expected to travel overseas to destinations including Hawaii. Currently, an estimated 40 million Chinese travel to the U.S., and that number is expected to increase dramatically. By 2020, the World Tourism Organization predicts that 100 million Chinese tourists will head overseas, more than any other country. Australia, alone, expects that 25% of their visitors will be Chinese by this decade's end.

Hawaii's plans to accommodate the influx of Chinese visitors could include the redevelopment of Chinatown, highlighting the places where Dr. Sun Yat-sen lived or met with Chinese community support groups. More attention could also be focused on presenting "Made in Hawaii"—or at least "Made in the U.S.A."—products, and preparing local restaurants to adjust their cuisine to appeal to changing visitors' tastes.

### ***Environment***

Another opportunity for Hawaii lies in China's efforts to clean up its notoriously polluted environment. Despite the nation's efforts to make Beijing "green" in preparation for the millions of visitors expected for the 2008 Olympics, *BusinessWeek* noted in its August 22/29, 2005 issue that "China is at best at a standstill in its fight against environmental degradation. For all its efforts, China's unrestrained growth makes it one of the world's worst polluters." According to the magazine:

- Six of the world's 10 most polluted cities are in China.
- Acid rain falls on one-third of the country.

- 80% of China's sewage flows untreated into its waterways.
- Contaminated water kills more than 30,000 children annually.
- Pollution costs China more than \$54 billion a year.

Harbin, one of China's largest cities, made news in November because an explosion at a factory that produced benzene totally disrupted the water supply, poisoning the Songhua River.

China recognizes its problem. According to *New York Times* columnist, Thomas Friedman, "China's leaders and business community...know that as China grows more prosperous, and more Chinese buy homes and cars, it must urgently adopt green technologies; otherwise, it will destroy its environment and its people. Green technology will decide whether China continues on its current growth path or chokes itself to death. So green innovation is starting to mushroom in China." (Honolulu Star-Bulletin, November 4, 2005).

Hawaii companies should note that China spent more than \$85 billion on environmental cleanup in the last five years and could spend \$380 billion—4% of gross domestic product—between now and 2010.

### ***Health care***

Hawaii's health care and medical technology industry could provide badly needed services to China. In 20 years, the nation will have an estimated 300 million people age 60 or older, yet just 5% have guaranteed medical benefits. China already experienced a SARS epidemic and could face other crises with avian flu, tuberculosis and AIDS. The United Nations estimates that the number of Chinese with HIV could top 10 million in five years. Two hundred thousand people die of TB each year, and health care professionals state that a serious flu epidemic could kill millions.

### **Taiwan**

The Taiwan islands, with a population of approximately 23 million, has one of the highest standards of living in Asia. The economy, while not as robust as China's, has experienced solid growth over the past decade. Taiwan's economy grew by 3.7% in 2004, its fastest pace in four years. This was due to increased foreign trade and manufacturing output, in response to a recovered global economy. Taiwan's 2005 economic growth is forecast to be 4.21%.

In May 2002, a six-year national development plan, "Challenge 2008" was launched to foster the Taiwanese creativity and talent and to transform Taiwan into a "green silicon island." Total expenditure under the plan is US\$75 billion. Major goals include boosting GDP growth rate to over 5%; creating 700, 000 jobs; increasing R&D expenditures to 3% of GDP; and reducing unemployment to less than 4%. The plan includes three major reforms - government, banking and public finance, and ten major investment areas including: cultivate talent for the E-generation; develop cultural creativity industry; develop an international base for R&D and innovation; and develop a digital Taiwan, etc.

In addition, the Legislative Yuan passed a special act in June 2004, calling for a special budget of NT\$500 billion to be spent over five years on 10 major construction projects focusing on culture, education, transportation, technology, and water resources. The 10 projects will generate an estimated 64,000 jobs and add an approximate 1% to real GDP growth per year during their implementation period.

The Ministry of Economic Affairs introduced a mid-term economic plan for 2005-2008. Seven implementation objectives include: building Taiwan into a high value-added center for goods and services; a base for R&D; creating an attractive investment environment; increasing its international operation hubs; expanding international economic and trade relations; and ensuring high quality, sustained and stable supply of resources.

### **Hong Kong and the Pearl River Delta**

Hong Kong switched from British to Chinese rule on June 30, 1997. “The Hong Kong Special Administration Region” enjoys a high degree of autonomy, except in foreign and defense affairs, which are the responsibilities of the Central People’s Government. Notably, Hong Kong transformed itself from a major manufacturing center into a major regional service hub helping facilitate development in China, especially in the border province of Guangdong.

Hong Kong recovered from the 2003 SARS epidemic which took a heavy toll on its economy, particularly in the tourism sector. In the second quarter of 2005, its GNP increased by 7% over a year earlier. Importantly, direct investment income rose considerably—by 52.6% over the previous 2004 period, mainly due to increased earnings from overseas’ investment. Reflecting Hong Kong’s role as a financial center, each year enormous investments flow into an out of the Region, accounting for roughly two-fifths of GDP.

The Pearl River Delta (PRD), called “The Workshop of the World,” is located just two-to-three hours from Hong Kong. The PRD is a massive urban complex of more than 40 million people, including the largest manufacturing centers of Guangzhou, Shenzhen, Dongguan and Foshan.

In Hawaii, assistance to businesses interested in investing in Hong Kong is provided by DBEDT in partnership with the Hong Kong Business Association of Hawaii and the Hong Kong Hawaii Chamber of Commerce, through organizing seminars, hosting visitors and supporting trade missions.

### **DBEDT’s Overseas Offices in Greater China**

DBEDT established an office in Taipei in 1994 and in Beijing in 2001. They support and implement the department’s programs, and serve Hawaii firms and educational institutions by providing a wide range of services, including offering information; introducing Hawaii businesses to local business persons; promoting Hawaii products and services; and organizing and facilitating trade missions and the itineraries of visitors to the state.

During the year, the State of Hawaii Office in Taipei spearheaded major initiatives including promotion of Hawaii ocean technology expertise, a proposed multi-million dollar project: the

construction of a deep-ocean pipeline and the development of a facility modeled after the highly successful Natural Energy Laboratory of Hawaii Authority in Kona; the utilization of Taiwan investment developing a dormitory/classroom/exhibition hall/retail complex at the University of Hawaii at Hilo; and a wide range of product promotion activities. Each involved numerous meetings with principals, facilitating travel for both Hawaii and Taiwan investors and service providers; and organizing seminars and workshops to bring the major players together.

Notably, Mr. Alex Lei, the Office's Executive Director, was re-elected President of the American States Office Association (ASOA), an organization composed of U.S. states' representatives actively doing business in Taiwan.

The State of Hawaii Office in Beijing, headed by Mr. Bo Wu, also had a busy year. In addition to numerous "match-making" activities linking Hawaii and Chinese businesses, there were two major events requiring close coordination with DBEDT's home office: Governor Lingle's China visit in June. The primary focus was the 20<sup>th</sup> anniversary of the Guangdong/Hawaii sister relationship; and reciprocal visit of Guangdong Governor Huang Huahua to Hawaii in October continuing the Sister celebration. Both required extraordinary organizational efforts. Governor Lingle, heading a large group of business persons and investors, visited three Chinese cities: Shanghai, Beijing and Guangzhou, and met numerous high-level officials. Governor Huang, led a sizeable delegation that participated in a tourism development seminar and "The Splendor of China," a well-attended event of considerable importance to Hawaii's Chinese community. In addition, the governor met with Governor Lingle and toured Iolani and Punahou Schools to honor Dr. Sun Yat-sen who attended these institutions.

In September, the Office assisted with the visit of another important visitor: Mr. Wu Bangguo, regarded as the second most powerful man in China.

In recent years, activity at the overseas offices in Greater China rapidly increased as the economy of the region continues to accelerate at a rapid pace. Mr. Lei and Mr. Wu, and their staffs, provide invaluable support for Hawaii's economic Asia-Pacific development efforts.

## **2. THE STATE OF HAWAII OFFICE IN TAIPEI**

Major accomplishments/selected activities for January 1, 2005 through December 31, 2005

### **A deepwater ocean pipeline for Taiwan**

#### ***Background***

In March, staff surveyed Taiwan firms and government officials to determine the feasibility to develop deep-ocean water projects in Taiwan. The survey assessed the likelihood of exporting Hawaii's expertise in this area.



Taipei staff initiated a proposal to utilize Makai Ocean Engineering, a Hawaii company, in design and construction of a deep sea water pipeline in Hualien County, Taiwan valued at an estimated \$8 million. Makai is competing with a Japanese firm for the contract.

The pipeline would be modeled after that of the Natural Energy Laboratory of Hawaii Authority (NELHA). NELHA, at Kona on the Big Island, is, perhaps, the most unique facility in the world for aquaculture and ocean-related research. Located on an 870-acre oceanfront site, the facility is managed by the State of Hawaii and leases space to a variety of tenants. These tenants, who are engaged in aquaculture, drinking water and other ventures, take advantage of a continuous supply of warm and cold seawater to raise various products.

Taiwan's interest in NELHA stems from the steep offshore slope to the ocean bottom. The facility pumps seawater from 2,000-foot depths, just 6,000-feet offshore from Keahole Point . The water is delivered to tenants at 43 degrees F. (6 degrees C), pathogen-free and rich in inorganic nutrients necessary for plant and animal growth.

The project developers would be the Taiwan Fertilizer Corporation (TFC) and Lucky Cement Group, two of Taiwan's largest companies. TFC is exploring a variety of uses, including aquaculture farms and clean, nutrient-rich drinking water production.

Phase One involves setting up an 8" deep-ocean pipe to produce 2000 tons of seawater daily by June, 2006. Phase Two involves establishing resort hotels or spa operations. Phase Three involves developing a deep-ocean water theme park.

Officials of I-Lan County also expressed interest in developing a site utilizing Hawaii technology to construct a deepwater pipeline.

### *Selected activities*

- Assisted officials from I-Lan County from March 20-23 to visit NELHA and meet with Makai principals at their Makapuu Point office.
- Arranged for Groundmat International Company, Ltd., a drilling company, to work with Makai and to sponsor Makai's April 14 Taiwan visit
- Assisted Makai's Reb Bellinger in his two Taiwan visits in 2005. On April 17, staff introduced Mr. Bellinger to Groundmat officials, and arranged a visit with TFC and Groundmat, where he presented information on Makai and expressed an interest in being their lead project consultant. He also visited potential sites in both Hualien and I-Lan Counties.
- Staff worked with Groundmat, the Taiwan Industrial Technology Research Institute and Makai to organize an April 20 Taipei seminar promoting Hawaii's ocean technology capabilities and Makai. The Taipei Office Executive Director introduced Hawaii's ocean resource technology industry. He also discussed ways in which IDG can assist in developing Taiwan's visitor industry. Approximately 75 persons attended.
- Also, on April 20, a second seminar was held with the Academia Sinica to discuss deep-ocean pipeline technology. The thirty attendees were mainly public sector researchers.

The seminar successfully positioned Hawaii and Makai as the leaders in ocean technology.

- In May, Makai completed and forwarded service contracts to TFC and Lucky for deep-water pipeline design and construction work.
- Assisted TFC officials in their Hawaii visit from September 26 to 28.

## **Taiwan invests in the University of Hawaii at Hilo**

### ***Background***

The rapidly-expanding UH at Hilo (UHH) identified the need for additional dormitories, classrooms, meeting rooms, faculty offices and an exhibition and conference center—in short, a mini-campus linking residential and academic life. In addition, a retail presence, including coffee shops, book stores, restaurants and a movie complex, would be welcomed by students, faculty and administrators who must drive some distance for shopping.

The idea of “The China-U.S. Center” was first proposed in 2001 by Geo International Explorer, Inc., a Taiwan company, that proposed developing the project pending the company’s ability to receive financial backing. The funding would use the Hawaii EB-5 Regional Center Program.

The first phase involves construction of apartment style residences for 600 students, with classrooms and meeting rooms. The second phase involves developing a conference and exhibition hall to be used as a venue for meetings and training seminars, primarily on China-U.S. topics. The final phase involves a pagoda-like structure creating a 100-unit University Inn. This hotel could also be used as a commercial venture with rooms marketed in Taiwan.

### ***Selected activities***

- The office completed a survey of Taiwan investment firms with overseas investment.
- Staff worked closely with 40 potential investors for the Hilo project, and then narrowed this down to twenty investors.
- In July, staff assisted Mr. Andy Chan and Mr. Jimmy Liu fulfill the requirements of the Regional Center Authority in order to utilize the EB-5 Program.

## **Encouraging business for the Integrated Development Group (IDG)**

### ***Background***

Taipei staff was active during the year promoting the Integrated Development Group (IDG). IDG is a prestigious group of Hawaii companies with world-renown and world-class experience in tourism development. These companies are particularly strong in sustainable resort development incorporating local culture in the planning, design and ultimately in staffing the project. Taiwan, with minority cultures and numerous favorable sites, is an ideal candidate for IDG business.

### *Selected activities*

- Staff met with the CEO of the Pen Bay project, an integrated resort, including a golf course and activity center, to be constructed in Southern Taiwan. The Executive Director discussed the possibility of utilizing IDG's services and invited the CEO to meet with IDG members in Hawaii in March.
- In March, met with Mr. Byrou Hsu, Vice President of Investment & Development Division, of the Taiwan Fertilizer Group regarding developing a deep-ocean park in Hualien County. The project includes a hotel and recreation area. Discussed using IDG services for the feasibility and master planning contract.
- Also in March, staff approached the Taiwan Tourism Bureau regarding utilizing IDG's services to reform Taiwan's hotel rating system. In addition, met with Ms. Christina Harbaugh, Commercial Section Chief of the American Institute in Taiwan, to discuss using IDG services in Southern Taiwan. This meeting led to a regional visit on April 15.
- Contacted the E-Dah group to promote IDG involvement in Kaohsiung County's Szchung River Resort project. The E-Dah group owns I-Shou University and a hospital in Southern Taiwan.
- In April, staff met with the Orient Group, which owns and operates eleven golf courses in China and one in Taiwan. The group was interested in exploring working with IDG for further golf course development.
- On April 20, staff joined the Industrial Technology Research Institute to organize the inaugural Hawaii deep-ocean water seminar in Taipei. The Executive Director discussed IDG services to assist Taiwan's developing visitor industry.
- Staff met with Kaohsiung County officials to discuss IDG seminars or workshops to help hotel operators plan and upgrade services.
- In May, staff worked closely with the Kenting Resort Development Corporation on the possibility of awarding a design and consulting contract to IDG to construct 150 resort rooms and 20 villas in Kenting. The contract has a value of one million dollars.
- Also in May, the Executive Director met with Mr. Louis Yau, Director of Asia Almighty Projects Company regarding the possibility of awarding IDG a design and services contract for two resort development projects in Tai-tung and Tai-nan Counties.
- Staff laid the groundwork for a second IDG seminar in Taiwan. The first IDG workshop—in 2004—attracted 72 participants and resulted in two consulting contracts awarded to IDG member Terri-Biz.

### **Promoting Hawaii products in Taiwan**

#### *Background*

Hawaii product promotion in Taiwan is a major Office in Taipei objective. In 2003, the office participated in a major radio promotional event. Since then, it introduced numerous Hawaii business representatives to Taiwan company officials for possible marketing opportunities.

### *Selected activities*

- The principal product promotional activity will be a major marketing event, patterned after DBEDT's highly successful "Xintiendi" promotion in Shanghai in 2005. The event will be featured at the Taipei World Trade Center exhibition hall, in Hsin-Yi.
- The event, "The Hawaii Gourmet Experience in Taipei," will take place from April 28 to April 30, 2006, and include promotions at both the World Trade Center and the Grand Hyatt Taipei Hotel.
- The World Trade Center promotion will team up with the annual Gourmet Taipei Food & Wine Festival, Taiwan's largest, customer-focused food and beverage event. The event attracts more than 36,000 visitors to its 150 booths. The 2006 event will feature a Hawaii theme, with chef cooking demonstrations and seminars on Hawaii Regional Cuisine, Hawaii entertainers on the main stage, and a Hawaii Pavilion featuring Hawaii food and beverages. Music and cultural events are expected to broaden Taiwan's exposure to Hawaii arts and culture assets.
- The Grand Hyatt Taipei Hotel promotion will feature business meetings and presentations including the "Immigrant Investment Opportunities in Hawaii" and "Educational Opportunities in Hawaii." Event partners include Taiwan organizations, the U.S. Agricultural Trade Office, American Chamber of Commerce, and the Taipei Import-Export Association.
- In June, met with Mr. Jason Lee, Evershine Worldwide Company President, present information on Hawaii's bottled water products. Mr. Lee is planning to host a major promotional event at the Regent Hotel-Taipei in December, 2005, to include press conferences and a major advertising campaign. In addition, he signed a contract with Menehune Water Company to import \$1 million of bottled water during the first year. The first shipment arrived in Taiwan in June, 2005.
- Staff successfully continued promoting Hawaii's coffee products: more than \$180,000 in Maui coffee beans were imported into Taiwan in 2005.
- Staff surveyed Taiwan companies engaged in importing from the U.S. in order to identify those firms that would be the most likely to import products from Hawaii.

### **Promoting opportunities for education and training**

#### *Background*

Over the years, thousands of Taiwanese students have advanced their education in Hawaii. They enrolled in Hawaii institutions participating in either degree-granting programs or short-term training classes. Encouraging Taiwan students and professionals to study in the Islands represents an important and rapidly expanding economic development opportunity.

#### *Selected activities*

- Met with Mr. Steven Chen, International Chinese Tourism Education Institute Vice Chairman, to discuss Summer school excursion programs. Mr. Chen later traveled to Hawaii to meet with UH-Manoa Outreach College officials. He plans to send 50 students to the state.

- In March, staff met with Mr. Wu Chao-yen, the Hotel, Travel and Training Division Director of the Taiwan Tourism Bureau, concerning training opportunities in Hawaii.
- Assisted Hawaii Pacific University (HPU) in their first Taiwan recruitment drive. 45 students signed up to attend the fall semester. In addition, HPU requested the office's assistance in promoting "English Camp" (a short-term, 6-week program, in the summer). In 2005, 400 students from Taiwan studied at HPU. Further, worked with HPU on establishing a "Taiwan Future Leader Program" for 2006 to promote education, culture and business in Hawaii.
- In June, staff assisted Ms. Yuan-chin Chen, representing TransPacific Hawaii College in Taiwan. Ms. Chen requested Taipei staff's assistance in its campaign to attract more Taiwan students for study at its East Oahu campus.

## **Promoting the Immigration Investor Program**

### ***Background***

In 1990, the Immigration and Nationality Act allowed 10,000 immigrant visas (EB-5 visas) per year for qualified investors' seeking permanent U.S. resident status in return for investing in a new commercial enterprise. Of those, 3,000 were set aside for those who apply under a pilot "Regional Center" program. Hawaii is one of two states designated a "Regional Center." Investors in Taiwan are extremely interested in this "Immigrant Investor Program," and the Taipei Office endeavored to stimulate further interest during the year.

### ***Selected activities***

- Met with Mr. Alex Huang, General Manager of First People International, Inc. Mr. Huang attended a December 2004 investment seminar in Taipei and subsequently visited Hawaii. He is interested in the EB-5 program.
- Organized a Taiwan investor delegation to visit Hawaii from April 24-28. The delegation focused on real estate and aquaculture projects qualifying under the EB-5 program.
- As noted above, the U.S.-China Center developer in Hilo is currently working with DBEDT on the second phase of the project.
- Met with Golden Eagle investment and immigration services representatives and Preston Gates & Ellis, a law firm, to discuss promoting the EB-5 program in Taiwan. Golden Eagle is a leader in utilizing the program for Taiwan investors.
- In June, staff discussed utilizing the EB-5 program to construct a dormitory at Hawaii Pacific University's Hawaii Loa campus.
- Met with Taiwan Immigration Consultants and the Kiwicon Company officials to promote the EB-5 program.

### **Other activities:**

- The Executive Director was elected as 2005 President of American States Office Association.

- During the year, staff worked with Hawaii Pacific University representatives to develop a marketing plan targeting HPU students' parents in Taiwan for investment workshops for Hawaii projects.
- Assisted Mr. Casey Huang who is considering investing in sea horse aquaculture in Hawaii. Sea horses are a high-value product for both medicinal and ornamental uses.
- Additional Hawaii products promoted during 2005 included: spring water; coffee; puffer fish; popcorn; cosmetics; spa-related products; noni fruit; and macadamia nuts.

### **3. THE STATE OF HAWAII OFFICE IN BEIJING**

#### **Major accomplishments/selected activities for January 1, 2005 through December 31, 2005**

##### **Governor Lingle's first visit to China**

###### *Background*

Governor Lingle's 10-day mission to China and the Republic of Korea, (from June 8 to 19) represented the largest overseas trade venture in our department's history. The Beijing Office played a key role coordinating and facilitating the visit. The governor visited Shanghai, Beijing, Guangzhou and Seoul. The major impetus was celebrating the 20<sup>th</sup> anniversary of Hawaii's Sister relationship with Guangdong Province.

The mission's objective was to broaden and deepen Hawaii's relations with China and Korea in business, education, tourism, architectural development, technology and culture and the arts. Participants included representatives from all six focus areas and consisted of 224 people, representing 43 businesses, five State legislators and University of Hawaii and Brigham Young University-Hawaii officials.

###### *Selected activities*

Tourism development highlights:

- The official opening of DBEDT's Office of Business & Tourism in Beijing. Previously, Nevada -- considered a key Hawaii competitor for the Chinese travel dollar -- was the only U.S. state licensed to open a tourism office in China.
- Tourism destination development and management workshops in Shanghai, Beijing and Guangzhou for policy makers, planners and tourism leaders.

The architectural highlight:

- The UH School of Architecture co-organized the 6<sup>th</sup> International Symposium on Asia-Pacific Architecture which took place from June 9 – 11, 2005.

#### Technology highlights:

- The High Technology Development Corporation (HTDC) opened the State's first technology development office outside of Hawaii.
- HTDC and the Zhongguancun High Technology Park agreed to a partnership supporting business opportunity development for Hawaii tech companies in China and Chinese tech companies in Hawaii.

#### Business highlights:

- The U.S. Foreign Commercial Services and the American Chambers of Commerce briefed the Hawaii delegates on doing business in China.
- Thirteen business briefings and 199 business meetings were arranged during the mission.

#### Education highlights:

- The University of Hawaii System signed agreements with Sun Yat-sen University; Beida University and Beijing Union University facilitating joint MBA programs; faculty exchanges; and culinary, chef and student exchanges.
- Established closer relations with UH alumni in China fostering partnerships and creating business opportunities.
- The UH School of Travel Industry Management and Kapiolani Community College had excellent meetings with China's tourism officials to determine the 2008 Olympic Games and the 2010 World Expo training needs.

#### Arts & Cultural Events highlights:

- Hawaii's arts and culture community greatly expanded Hawaii music and dance awareness through eight performances, including concerts at the Great Hall of the People in Beijing, Xintiandi in Shanghai and the Sun Yat-sen Memorial Hall.
- Governor Lingle joined the Hawaii International Film Festival's celebration of its sister relationship with the Shanghai International Film Festival at its June 11<sup>th</sup> opening.

The governor met with numerous Chinese leaders, including Beijing Mayor Wang Qishan, Shanghai Mayor Han Cheng, Guangdong Governor Huang Huahua, in addition to U.S. Ambassador to China Clark Randt.

### **Guangdong Governor Huang Huahua visits Hawaii**

#### ***Background***

The Beijing Office provided important assistance to the Governor Huang Huahua and his 70-person delegation in preparation for their October 7 – 14, 2005 visit to Hawaii. The governor responded to Governor Lingle's invitation to celebrate the 20<sup>th</sup> anniversary of the Hawaii-Guangdong sister State-Province relationship.

Guangdong has emerged as the nation's economic powerhouse and enjoys per capita income and the highest standard of living in China. In 2004, Guangdong led the nation in Gross Domestic Product, industrial output, imports and exports (32% of the national total) and boasted the largest consumer market. In terms of population, it is China's fourth largest province, with a total population exceeding 110 million, with 90 million residents.

Hawaii has long-established ties to Guangdong. A majority of Chinese residents trace their ancestry to the province and Dr. Sun Yat-sen, regarded as the "Father of Modern China," spent his formative years in the islands. He attended Iolani and Punahou Schools in the late 1900's, and received financial support from Hawaii's business community for his revolutionary activities.

### ***Selected activities***

The Executive Director organized a number of activities in conjunction with the anniversary celebration.

- A tourism seminar held on October 12 at the Hawaii Convention Center for travel companies interested in doing business with Hong Kong and Guangdong. Forty individuals representing travel and tourism destinations and businesses met with Hawaii firms and institutions interested in partnership opportunities.
- A photo exhibition from Guangdong Province, entitled: "Dynamic Guangdong: Yesterday, Today and Tomorrow," was highlighted at the "Splendor of China" event at the Blaisdell Center on October 8 and 9, and at Kahala Mall from October 10 to 16.
- A performance by the 110-person Guangzhou Symphony Orchestra at the Blaisdell Concert Hall on October 11, featured both Chinese and Western orchestral compositions.

### **Assistance to the Integrated Development Group (IDG)**

#### ***Background***

The rapid expansion in domestic tourists and international visitors necessitates an increase in the number of hotel rooms. Hawaii's resort development expertise has found a strong market in China. Demand is especially strong in southern and western China where sustainable development that assures ethnic minority value preservation is especially important. The Integrated Development Group, with its long history in this area, signed an agreement to plan and develop a major resort in Hainan in 2004. In 2005, IDG turned westward for another significant opportunity—in Tibet.

#### ***Selected activities***

- In April, the Executive Director traveled to Lhasa, the capital of Tibet, with Ms. Annie Wu, head of the World Trade Association in Hong Kong, for a series of meetings with Tibetan officials. The visit included site inspections for a resort project utilizing IDG's planning, design and development services. A site was selected. During Governor Lingle's visit to China in June, representatives from IDG signed an agreement to partner



with the World Trade Association in developing the resort. A portion of the revenue generated by the resort will support a cultural center showcasing traditional Tibetan arts and handicrafts. The Office prepared a report for Ms. Wu and the Tibetan Government.

- In August, the Office facilitated an IDG member and Honolulu staff's visit to Tibet. The Executive Director arranged meetings with the Lhasa Municipal Government to discuss the project site. In September, staff worked on obtaining the land development rights. Approval was expected within 6 to 8 weeks.
- The Beijing Office needed a booklet describing Hawaii's advantages for business and training, and investment opportunities. Entitled "China's Guide for Business and Education in Hawaii," the booklet was translated into traditional Chinese for distribution to businesses and key government organizations.

## **Sending Chinese groups to Hawaii for training**

### ***Background***

DBEDT and the University of Hawaii established a breakthrough program for 50 Guangdong Province public and private-sector leaders which ran from 1999 to 2004. UH and other educational institutions hope to build on the program's success. China's training needs continue to be vast, particularly in the areas of business administration and tourism.

### ***Selected activities***

- In July, staff facilitated a Memorandum of Understanding (MOU) signing between DBEDT and the All China Youth Federation, a group of 28 young Chinese entrepreneurs. The group traveled to Hawaii for training at the UH College of Business Administration in October. The Office also worked with a group of 43 persons, organized by the China Museum of Nationalities, to perform in Hawaii in October. The group introduced traditional clothing of various Chinese minority groups.
- In August, staff arranged for Madame Zhao Linqi, Sung Ming Trading & Consulting Company Chairman in Beijing to meet with DBEDT staff and UH School of Travel Industry Management officials to discuss hotel training in Beijing prior to the 2008 Olympic Games. Among the areas discussed: constructing a curriculum focusing on Olympic guests' and athletes' needs and improving customized food and beverage services.
- Staff met with Mr. Geng Xuechao, Beijing Municipal Education Commission Director General to introduce Hawaii's training strengths. The meeting resulted in an oral agreement for possible training programs exchanges with Hawaii. Staff is working on a Memorandum of Understanding to facilitate the programs.
- Also in August, staff met with Representative Ed Case, briefed him on the Beijing Office and discussed Hawaii's export activities including the state's tourism, expertise and efforts to promote education and training opportunities. The Executive Director also discussed China's Approved Destination Status.
- Staff facilitated the September visit of six Chinese to Hawaii for training. The group was led by Madame Pan Peilei, Chinese Industry Association Vice Chairman .

- Staff assisted a Liaoning Province delegation during their visit to Hawaii on October 27. The delegation met with DBEDT staff to discuss reciprocal investment possibilities.

## **Matchmaking and arranging meetings for visiting officials**

### ***Background***

One of the most important responsibilities of the Beijing Office is placing Hawaii business persons and government officials in touch with their business counterparts, other government officials and members of various organizations. Much “matchmaking” follows on the groundwork laid through trade missions. Initial discussions evolve into more serious considerations: developing marketing strategies, signing contracts, locating a site and a source of labor, etc.

### ***Selected activities***

- In March, assisted Director Liu with high-level Chinese official meetings in Guangzhou, Beijing and Shanghai. The Director discussed preparation requirements for Governor Lingle’s June visit.
- Assisted IDG member Mr. Greg Yamanaka, President of TeraBiz, with his due diligence into his potential Beijing business partners.
- In August, the office arranged for meetings for Ms. Carol Hoshiko, Dean of the Business, Hospitality and Community Programs for Kapiolani Community College with the China Tourism Association, China Hotel Association, Beijing Municipal Tourism Administration and Beijing Institute of Tourism.
- Staff will facilitate Chinese participation during the first “Hawaii Aging Forum” scheduled for February, 2006, in Honolulu.
- Staff assisted during the September 9-11 visit to Hawaii of National People’s Congress Chairman Wu Bangguo. Chairman Wu is considered China’s second most powerful leader, after President Hu Jintao. In Hawaii, a State dinner was held in his honor.

## **Promoting Hawaii’s visitor industry**

### ***Background***

Both Hawaii and Beijing want more Chinese tourists visiting the state, but to date, China has denied Approved Destination Status (ADS) to the United States, something it granted other nations facilitating large-scale group leisure travel. Travel industry experts say that China is willing to grant the status, but not until the U.S. loosens its own restrictions on visa issuance imposed after the September 11, 2001 attacks. DBEDT views increasing numbers of tourists from China as an exceptional opportunity adding a third pillar to the Japanese and mainland U.S. markets.

In addition, staff worked throughout the year on a wide range of activities assisting Hawaii's tourism industry.

### ***Selected activities***

- The opening of DBEDT's office in Beijing is an important step in facilitating the ADS dialogue.
- The office proposed a pilot program for Chinese tourists traveling to Hawaii before signing a national agreement between the U.S. and China on ADS later this year. This resulted from a June meeting between Governor Lingle and Chairman Shao of the China National Tourism Administration (CNTA), and a meeting of Mr. Douglas Baker, Assistant Under Secretary, U. S. Department of Commerce, and Liu Kezhi, CNTA's Director General of Foreign Affairs. Staff is currently working on a feasibility proposal.
- As part of the ADS discussion, the U.S. Foreign Commercial Service of the U.S. Embassy in Beijing proposed setting up a U.S. Pavilion jointly promoting the U.S. as a travel destination. The office, together with the State of Nevada's Beijing office, gave its strong support and is arranging Hawaii participation.
- In September, staff facilitated Hawaii's participation at the China International Travel Mart in Kunming, Yunnan Province, from November 23 to 27, 2005. Regarded as the largest travel show in Asia, last year's event in Shanghai attracted 7,000 travel professionals from 42 nations, with 1,208 booths sold. DBEDT will promote Hawaii's tourism development expertise exports and will also promote Hawaii as an ideal location for short-term professional and executive training. The office will help staff the six-booth Hawaii display. IDG services will be prominently featured.

### **Promoting business for Hawaii companies**

#### ***Background***

Promoting business opportunities for Hawaii companies is a major goal of the Beijing office.

#### ***Selected activity***

- In August, the Director met with the Director of the Exchange Center of the Chinese Ministry of Commerce to include a possible Chinese-Hawaii trade mission to the Center's annual 2006 plan. This agency organizes trade missions, as well as various overseas exhibitions for Chinese enterprises.

# FINANCIAL SUMMARY

## Expenditures

### State of Hawaii Office in Taipei

Salaries:	\$39,000.00
Rent:	\$11,076.80
Operating:	\$91,035.53
Total:	\$141,112.33

### State of Hawaii Office in Beijing

## Expenditures

Salaries:	\$46,992.00
Rent:	\$23,646.93
Operating:	\$44,700.23
Total:	\$115,339.16