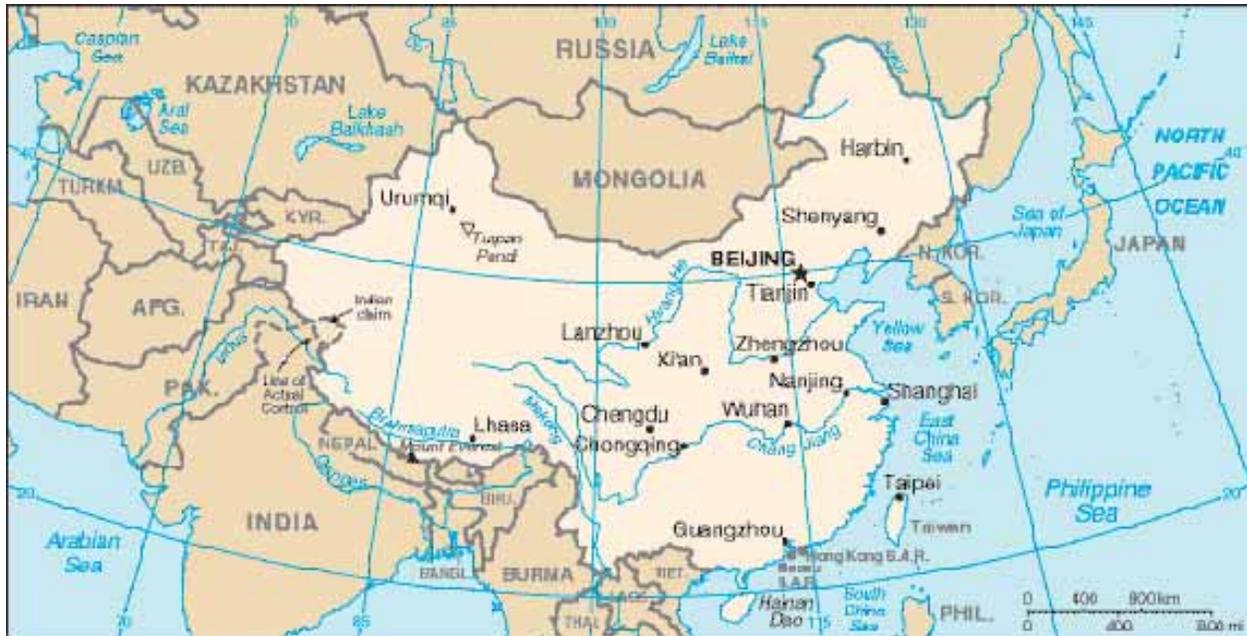


# Offices in Taiwan and the People's Republic of China

January 1, 2006 – December 31, 2006



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

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

## **January 1, 2006– December 31, 2006**

### **1. GREATER CHINA**

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, 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 needed services in tourism and resort development, environmental services, 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. The Department of Business, Economic Development and Tourism (DBEDT) established the State of Hawaii Office in Taipei in 1994 and the State of Hawaii Office in Beijing in 2001.

## **Taiwan**

### **A Vibrant Economy**

Taiwan, with a population of approximately 23 million, has one of the highest standards of living in Asia. The world's 19<sup>th</sup> largest economy, while not as robust as China's, has experienced solid growth over the past decade. Taiwan's economy grew by 4.03% in 2005.

Taiwan is the U.S.'s 8<sup>th</sup> largest trading partners. In 2005 it purchased \$21.2 billion worth of U.S. goods and services and is home to world-renowned high-tech sector. This is supported by high-quality human resources and fully-integrated supply-chain networks. Residents enjoy a high-level of medical care.

According to the website of the U.S. Commercial Service in Taiwan,

“U.S. exporters will find Taiwan executives to be vastly knowledgeable in working with international companies due to decades of experience in trading...Consumers in this vibrant democratic market demand high quality products at a competitive price. Competition is fierce and American firms will likely find competitors from around the globe.”

The U.S. is currently Taiwan's 3<sup>rd</sup> largest trading partner with \$50 billion in two-way trade in 2005. The U.S. is one of the key suppliers of electrical machinery, transport equipment, scientific instruments and chemical products.

In 2005-2006, Taiwan continued to send large numbers of students to U.S. colleges and universities. Taiwan ranked sixth overall in this category, with 27,876 students in the U.S., an 8% gain over 2004-2005.

In May 2002, a six-year national development plan, "Challenge 2008" was launched to foster Taiwan creativity and talent and to transform Taiwan into a "green silicon island." Total expenditure under the plan is \$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 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.

Of importance in recent years, Taiwan has emerged as an excellent and realistic test market for small and medium-sized companies—the size of Hawaii’s companies—that wish to test a Chinese market before entering China. Another advantage: the U.S. Commercial Service and the American Chamber of Commerce, as well as members of the American State Offices Association (ASOA), are particularly active in Taiwan. Mr. Alex Lei, the Executive Director of the State of Hawaii Office in Taipei, served as the ASOA President in 2005.

## **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.”

China's economy is arguably benefiting from globalization and its five years of WTO membership. It is expected that the country's exports by value this year will triple those five years ago. Over the past five years, China's gross domestic product (GDP) has grown at an average annual rate higher than 9.5%, with its economy jumping from world's sixth-largest to the fourth-largest by GDP in terms of the U.S. dollar at the current exchange rate. 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.

The growth rate for 2007 is expected to surpass the 9% of 2006. The World Bank expects a growth rate of 9.6%. The Chinese Academy of Social Sciences is estimating 10.1%, and the State Information Center is expecting between 9.5% and 10.5%. Compare this growth rate to the world-wide rate of 3.9% to 4.9% in 2007.

Since its accession to the WTO in December 2001, China has been the biggest recipient of foreign direct investment (FDI), with a record US\$72.4 billion pouring into the country in 2005. Strong exports, largely propelled by multinational companies reallocating their manufacturing operations to the Middle Kingdom, have enabled China to become the biggest official creditor in the world, claiming more than \$1 trillion in foreign reserves at the end of 2006.

Its economic influence, mainly manifested by the "China price" dominating the market, now reaches every corner of the world. "Made in China" has flattened the world, and "Bought by China" has driven up the prices of commodities such as oil and copper.

China and the United States have been responsible for half of the world's economic growth in recent years, with China alone responsible for 12% of global trade growth in 2005. The US is China's biggest export market, and Beijing has been recycling the dollars back to the U.S.,

helping to finance Washington's war in Iraq.

In November, Henry Paulson, the U.S. treasury secretary and President George W. Bush's China policy czar, made an official visit to Beijing where he called China "the leader of the world economy."

China's exports growth will continue to roar ahead and its trade surplus will last for quite some time," said Zhang Liqun, an economist with the State Council Development Research Center (*Xinhua*, December 17, 2006).

China recorded a trade surplus of \$157 billion during the first 11 months of the year, up \$55.1 billion on the figure for the whole of 2005. "The international payments imbalance has not gone away, and may take a long time to resolve," said Zhang.

*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 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 worry about missing out on "the Chinese century."

Consider this:

- Economists feel that China possesses the fundamentals to keep growing in the 7% to 10% range for decades.
- China alone was responsible for 12% of global trade in 2005.
- China is the world's largest creditor, with more than \$1 trillion in foreign reserves by the end of 2006.
- 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 2006 China surpassed Japan as the world's second largest vehicle market. Vehicle sales were up almost 40% through November. General Motors expects to increase its China-auto part purchases 20-fold in six years: from \$200 million in 2003 to \$4 billion in 2009.
- KenSa, an American wire harness company in Wuhu, pays its Chinese workers between 45 cents and 60 cents an hour.

- In the 1980's the U.S. was the world's leading apple supplier. Now China produces four times as much as the U.S.
- China has the world's largest base of cellular 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.
- In 2005 China graduated 600,000 engineers—the U.S. graduated 70,000.
- China is expected to invest \$200 billion to \$300 billion by the opening of the 2008 Olympic Games.
- When China joined the World Trade Organization in 2001, its account surplus was 1.3% of GNP. In 2006, it hit 8% or 9%, surpassing both Germany and Japan.

## 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.



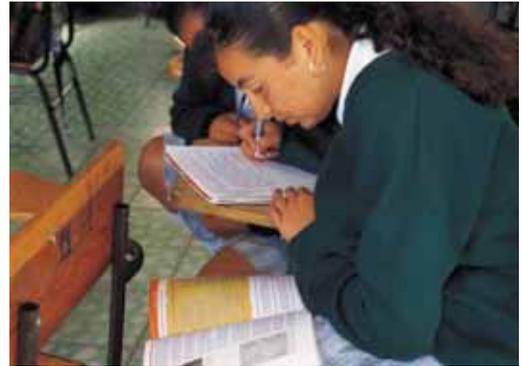
Among the improvements to the city are a new third terminal at Beijing Capital International Airport; a new light rail system; an expansion of subway lines and an increase in the number of hotel rooms to 500,000 beds. In June, Beijing Mayor Wang Qishan visited Hawaii to discuss opportunities for Hawaii businesses. Mayor Wang is the Chairman of the Beijing Organizing Committee for the Olympic Games.

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.

### ***Education and Training***

Well before China opened its economy to the world, Taiwan was sending young people and professionals to Hawaii for training. China's rapidly developing economy has greatly eclipsed Taiwan's training needs, presenting important opportunities for Hawaii's educational institutions.

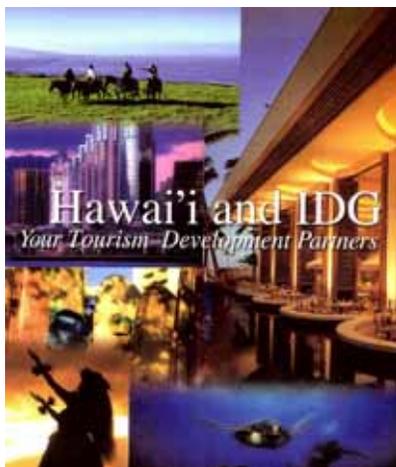


Hawaii offers a wide range of professional, vocational and executive training offerings. The state is a world-leader in sustainable tourism development; international business; teaching; health care and medical technology; government; science and technology; and agriculture and aquaculture. The state also offers expert instruction, a multicultural atmosphere and a healthy, safe place to study.

The University of Hawaii, Brigham Young University-Hawaii and Hawaii Pacific University have been at the forefront of short-term custom designed training, especially in tourism related fields. Future training could also take place at the UH Center for Chinese Studies which, during 2006, entered into discussions with its partner, the Beijing Foreign Studies Institute, to receive more students from China.

During the course of the year, DBEDT strengthened its training relationship with the Shanghai Municipal Tourism Administration, the Heilongjiang Provincial Tourism Administration, the Guizhou Provincial Tourism Administration and the China National Tourism Administration.

### ***Integrated Development Group (IDG)***



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 was to bring 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, awarded the State and IDG a \$399,500 grant to fund activities. Since that time, the department has organized and supported IDG participation in a wide range of business missions and tourism-related conferences in China and Hawaii. Of particular importance, in 2006 IDG was asked to participate

in planning and developing as many as 40 World Trade Centers throughout China over the next ten years.

Also noteworthy is the number of Chinese visitors who are expected to travel overseas. The World Tourism Organization predicts that, by 2020, 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.

In 2005 300,000 Chinese tourists visited the U.S., spending \$1.5 billion, but twice that number visited France. The reason why only a small percentage traveled to the U.S. is because the U.S. is not among Beijing's approved travel destinations. This is largely due to Washington's restrictive entry process imposed after the September 11 terrorist attacks. If restrictions were lifted, Hawaii would undoubtedly be one of the more popular Chinese destinations.

Vice Premier Wu Yi and China National Tourism Administration Director Shao Qiwei visited Honolulu in April to discuss how Hawaii can help China's tourism industry. Madame Wu, at a dinner hosted by Governor Lingle, noted the state's considerable tourism resources, and in a statement of great importance, commented that:

"I very much hope that Hawaii can take the lead among the states of America to cooperate with China on tourism and set up an exemplary model of tourism cooperation and exchange between our two countries."

In November, U.S. Commerce Secretary Carlos M. Gutierrez met with Premier Wen Jiabao, in addition to Madame Wu and Director Shao. According to a November 25 article in *The Honolulu Advertiser*, "Madame Wu spoke vigorously about the need for Washington to increase visas for Chinese travelers."

The same article also noted that the U.S. must take the first steps to facilitate travel to the U.S. from China:

"Gutierrez, in an interview in Shanghai, declined to say when he thought approval might be won, although some in the industry believe that it may be three years away. Gutierrez said that the volume of Chinese tourists to the U.S. was up 12 percent this year through the end of August."

In 2006 the Beijing office facilitated a visit by China National Tourism Administration Chairman Shao Qiwei and his senior staff. The primary purpose of this visit was to begin a dialogue with Hawaii's tourism leaders on how Hawaii could be better prepared to accommodate Chinese travelers and how to improve the visitor's experience. The first in a series of planned tourism forums was held at the Hawaii Convention Center.

### ***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 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 BusinessWeek:

- 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.

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).

But a year later, Friedman noted that the situation had not improved and called it a “crisis.”

“China is reaching its environmental limits. If it doesn't radically change to greener, more sustainable modes of design, transport, production and power generation, the Chinese miracle is going to turn into an eco-nightmare.” (*Honolulu Star-Bulletin*, November 17, 2006).

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.

To take advantage of the opportunity to clean up China's environment, in 2006 DBEDT formed the Environmental Development Group (EDG) along the lines of the Integrated Development Group (IDG). EDG, like IDG, is composed of an “all-star team” of Hawaii environmental companies, partnering to compete for projects that would be impossible to win if they work alone. In September, Taipei staff led EDG members to Shanghai and Chengdu in Sichuan Province to assess projects and meet government and the private sector representatives.

### ***Reforming the Judicial System***

China's legal system is in need of reform. According to a November 12 article in the *Toronto Globe & Mail*, China's courts still impose guilty verdicts on more than 99% of all defendants in criminal cases. This “strongly suggests that the Chinese justice system is still weighted against anyone who becomes enmeshed in it.”

The article also notes the government's heavy-handed control of the Chinese court system, with judges “who can be hired and fired by local officials, lacking any real independence. They rule in favor of the prosecuting authorities in almost every case.” China executes more prisoners (as many as 10,000 annually) than all other countries combined.

During 2006, DBEDT entered into talks with the China Legal Society which is seeking training for its members in Hawaii. The Society, whose membership includes senior Chinese court

system officials, sought training in such areas as intellectual property rights and various legal system reforms.

### ***Hawaii Products***

As Taiwan and China's middle and upper classes grew in 2006, so did the market for upscale Hawaii products.

## 2. DBEDT’S OVERSEAS OFFICES IN GREATER CHINA

DBEDT’s Offices in Taipei and Beijing 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. In recent years, activity at the overseas offices in Greater China increased rapidly as the region’s economy continued accelerating.

In 2006 the State of Hawaii Office in Taipei Executive Director Mr. Alex Lei, and Office Manager Ms. Joy Hsu, spearheaded major initiatives including promotion of Hawaii’s deep ocean water technology expertise, participating in a major “food and lifestyle” show to promote Hawaii products and joining various trade shows to advance Hawaii’s tourism industry and educational opportunities. These activities involved a great deal of planning events, organizing seminars and workshops, setting up one-on-one meetings, arranging shipping and delivery, etc.

Notably, during the year, the level of activities in China became so intense that, in September Mr. Lei was called upon to escort a trade delegation of Hawaii environmental companies to Shanghai and Chengdu, and in November assisted in organizing an investment seminar in Guangzhou.

The State of Hawaii Office in Beijing, Executive Director Bo Wu, assisted by Ms. Niki Shishido and Ms. Jennifer Zia, had a busy year. Highlights included coordinating (with the Taipei Office) major investment seminars in Guangzhou and Beijing in November; assisting the Integrated Development Group throughout the year, important new initiative: World Trade Centers; making arrangements for Vice Premier Wu Yi and China National Tourism Administration Chair Shao Qiwei for their April visit to Hawaii; and hosting Chairman Shao again in September. Other Chinese leaders visited the State—Governors and Vice Governors, the Mayor of Beijing, and a distinguished Professor of Economics, and many asked for courtesy calls to Governor Linda Lingle or Lieutenant Governor James “Duke” Aiona. The Office continually assisted with training in Hawaii; worked closely with the media; and participated in trade shows.



With the Beijing Olympics scheduled to open on August 8, 2008 and the World’s Fair in Shanghai set for two years later, there will be a sizeable increase in Beijing Office activity in the years to come.

DBEDT can take satisfaction that activities, like the World Trade Center initiative, have the potential to bring millions of dollars to IDG members, and the steadily-growing demand for training in Hawaii could bring in millions more. And some IDG members are already reaping the benefits.

IDG member Wimberly Allison Tong & Goo (WATG) grossed more than \$11 million in China projects in 2006.

Mr. Robert Zheng, WATG's Director of Development for the Asia-Pacific region, believes that more opportunities are opening up for outside investors, developers and architects. "The time and place are right because China is desperately looking for foreign expertise to help them develop the country," he said. (*Honolulu Star-Bulletin*, June 5, 2005).

### 3. STATE OF HAWAII OFFICE IN TAIPEI

#### Increasing Hawaii Exports

##### Promoting Hawaii Products

Taiwan, with its substantial number of middle and upper-level income residents, offers a market for higher-priced, gourmet Hawaii products. Over the years, the Office has participated in various marketing initiatives, including radio promotion and food shows. In 2006, a major food show presented a significant opportunity to “spread the word” and increase sales for Hawaii companies. Staff reported the sale over \$714,762 in new Hawaii exports during 2006.



##### Activities

- Taipei staff recognized a major opportunity to promote Hawaii products by participating in the fourth annual IKEA Gourmet Taipei International Food & Wine Festival, a large gourmet food and lifestyle show in Taipei, from April 27 to May 1. The show attracted 36,000 visitors in 2005. The objective was to showcase a variety of up-scale products, and tie this into an investment seminar and a seminar on Deep Ocean Water. Honolulu staff publicized the event and encouraged companies to participate. The result of the effort was an increase in the export of macadamia nuts, cookies, bottled water, cooking oils and coffee.
- Taipei staff organized a “Hawaii Pavilion” at the main Gourmet Taipei show, which offered the opportunity to distribute food samples and literature, and included Polynesian entertainment by Malu Productions.



*Above left: Polynesian entertainment by Malu Productions in front of the “Hawaii Pavilion.” Above right: Taiwan media coverage of the “Hawaii Pavilion.”*

- Mr. D.K. Kodama and Mr. Hiroshi Fukui—well-known for their culinary talents and Hawaii restaurants—worked closely with Master Sommelier Mr. Chuck Furuya and Mr. Conrad Nonaka, the Director of the Culinary Institute of the Pacific at Kapiolani Community College, to provide a cooking demonstration of Hawaiian Regional Cuisine with air freighted fresh Hawaii ingredient at the Grand Hyatt Taipei Hotel. In addition, the chefs were featured at a Charity Gala Dinner, a benefit for Taiwan culinary students who will train at Grand Hyatt sister hotels in Europe and the U.S.



*From third from left – Alex Lei, Executive Director of the Office in Taipei; Chef Hiroshi; Master Sommelier Chuck Furuya; Chef DK Kodama; Conrad Nonaka, Director of the Culinary Institute of the Pacific at Kapiolani Community College.*

- In addition, staff coordinated the transportation of Hawaii food products to Jason’s Market Place which high-lighted the products at their Taiwan stores. Jason’s is owned by Hong Kong-based Dairy Farm International, which owns 168 stores in Taiwan. Jason’s, which has three locations, features imported products with a health and wellness focus, appealing to young, affluent, well-traveled and better-educated population. The company purchased products from: Hamakua Macadamia Nuts (macadamia nuts and cookies); Made in Hawaii Foods (jams); Oils of Aloha (cooking oils and skin care products); Arturo’s Hot Flavors of Hawaii (hot sauces); Kauai Kookie Company (cookies) and Kona Bluewater Farms (Kona Kampachi/amberjack), Kona Brewery (beer) and Lion Coffee. As a result of the show, Lion Coffee received orders from Jason’s, while Kauai Kookie and Hamakua Macadamia Nuts received orders from two other high-end department stores—Sogo and Mitsukoshi.



*Above: Hawaii products on ad at Jason’s Market Place  
Left: Joy Hsu, Taipei Office Manager, points towards the Kona Kampachi on ice at Jason’s Market Place*



- On May 30, Taipei staff assisted in organizing the 2006 Deep Seawater Research & Development & Commercial Exhibition at the Grand Formosa Hotel. The approximately 70 attendees included representatives from cosmetic, food, beverage, agriculture, biotechnology and academic organizations. Staff felt that the conference would present opportunities for Hawaii companies with deep seawater expertise.
- Throughout the year, staff worked closely with Ever Shine, Inc., a trading company established in Taiwan to focus on importing Hawaii products. CEO Mr. Jason Lee is an alumnus of Hawaii Pacific University and lived in the state for ten years before moving to Taiwan in 2006. After having initial success, Mr. Lee decided to expand his purchases, and staff introduced him to a number of Hawaii companies. In the eight months following the Gourmet Taipei event, he imported \$417,262 worth of Hawaii products. A highlight was staff's assistance to Mr. Lee at a major Hawaii product and tourism promotion at the Hawaiian Cultural Center Festival at the Lakeshore Hotel near Taipei, from August 19 to 27. Ever Shine featured macadamia nut oil, cookies and bottled deep ocean seawater and provided entertainment—dancers from the Polynesian Cultural Center. Attendance was estimated to be 1,500 persons. In December, Mr. Lee made plans for the January 2007 opening of the first-ever Hawaii theme shop near one of Taipei's largest stores: the Taipei SOGO Department Store.
- In July, staff assisted Mr. Daniel Machanil, the Sales & Marketing Director of BABI, who was looking to manufacture Hawaii Kine, a Hawaii ready-to-drink coffee.
- In August, staff facilitated the sale of Hawaii products from Ever Shine to Sifortune Company, which owns Maui Coffee Company through its Maui Coffee Café franchise which markets Hawaii coffee, water, macadamia nuts and oil, and cookies.
- Staff also assisted Volcano Pub, a Taiwan company, in purchasing \$15,000 worth of beer from Kona Brewery, based in Kona on the Big Island. Kona entered the Taiwan market at "Gourmet Taipei" in April.

### **Deep Ocean Water (DOW) Initiative—Technology Export Initiatives**

Hawaii's Natural Energy Laboratory of Hawaii Authority (NELHA) has been the model for deep ocean water ventures around the world. Created on 322 acres of public land at Keahole Point on the Big Island, the facility was established to provide research on ocean thermal energy conversion (OTEC). Its unique physical feature—proximity to an extremely steep drop-off, enabled it to extend pipes to 2000-foot-plus ocean depths, without venturing far from shore, in a relatively protected area of the island. When a pipeline was installed in 1980, aquaculture emerged as the best use for the cold water, and numerous private commercial ventures were initiated through the 1980's and 1990's. At the turn of the century, NELHA headed in a different direction: the production of deep ocean water, which is now the state's leading export product.

Over the past 25 years, numerous countries have attempted to emulate NELHA's success with aquaculture and—especially in recent years—with highly-profitable bottled water. Taiwan was

no exception. In March, 2005, Taipei Office staff surveyed private firms and government officials to determine the feasibility of developing an NELHA-type facility in Taiwan. The government entity most interested in DOW and the lead agency was the Industrial Technology Research Institute (ITRI). Two sizeable Taiwan firms, Taiwan Fertilizer and Lucky Cement, encouraged by the bottled water possibility, but also by aquaculture and other uses, committed themselves to a DOW project. Representatives of these organizations visited NELHA to observe commercial operations and inspect the pipeline infrastructure and other engineering aspects. Taipei staff estimated that, over the years, NELHA officials hosted 20 groups and staff assisted in organizing five DOW seminars in Taiwan.

Unfortunately, Taiwan's East Coast does not resemble Keahole Point. The drop-off is not as steep, necessitating a longer pipe. Moreover, the ocean waves, which can reach 60-foot heights, and frequent typhoons, require a facility to employ large, well-anchored pipes possibly involving costly trenching. The challenges to a DOW project were demonstrated when Lucky Cement decided to sink a pipe that was too small in Hualien County and the pipe was severely damaged by a storm. Taiwan Fertilizer has a facility a few miles away with a pipe that is ready to be employed after structural improvements are made.

The "payoff" for Hawaii would be the utilization of Makai Ocean Engineering, a recognized world-leader in deep-ocean technology, to provide the expertise. Makai has demonstrated its expertise with projects in Korea, Sweden, Mauritius, Tahiti and Curacao. Groundmat, a Taiwan drilling company that would install a pipe or pipes, would hire Makai as its lead consultant.

Mr. Reb Bellinger, Makai's Vice President, hosted Taiwan delegations in Hawaii and visited Taiwan twice in 2005 to inspect possible sites and participate in two DOW seminars. During one visit, he warned against using too small a pipe and recommended stronger anchoring, but this advice was not heeded. There was much discussion about utilizing Mr. Bellinger's company for a planning study, which would include an economic feasibility analysis (costing approximately \$1 million), but at the end of 2006, the Taiwan entities had not offered Makai a contract.

### *Activities*

- In August staff assisted Dr. Su Da-Chang by securing equipment from Hawaii for a mini OTEC experiment. Three private firms also experimented with OTEC and planned to visit NELHA later this year.
- In the same month, staff worked closely with Taiwan's Industrial Technology Research Institute (ITRI) to plan a DOW seminar for September 28, 2006. The Deep Ocean Water International Conference will focus on drinking water products, OTEC, cooling systems and algae cultivation. ITRI invited two speakers from Hawaii: Mr. Bellinger and NELHA Operations Manager Mr. Jan War.
- On September 28 Mr. Bellinger and Mr. War delivered keynote addresses at the DOW conference, attended by more than 200 persons. Staff arranged a press interview. Staff felt that the highly successful meeting could generate business for Hawaii companies, such as Makai, with expertise and experience in DOW planning and engineering.
- Staff met with Ms. Chen Yun-jung, President of Lucky Cement, in October to discuss establishing a water resource research center at their DOW site. Also during the month,

staff arranged visits to Lucky Cement and Taiwan Fertilizer's sites for Mr. Bellinger and Mr. War and set up meetings with officials from Taiwan Cement, Taitung County, I-Lan County and the ITRI.

- On October 12 Taipei Office Manager Joy Hsu visited NELHA to tour the facility and meet with Director Ron Baird and Mr. War.
- Also in October staff met with Dr. Hsien Chang Kuo, the President of Takming College, to discuss her plans for establishing an ocean resource research center in Hualien.

## **Attracting New Investment**



*Above from left: Hawaii immigration attorney Alan Ma provides a seminar on legal issues relating to the Immigrant Investor (EB-5 visa) program; Ron Baird, Executive Director of the Natural Energy Laboratory of Hawaii Authority (NELHA), concludes his presentation on Hawaii Deep Ocean Water related technologies; one-on-one business meetings between Hawaii and Taiwanese businesses.*

### ***Activities***

- Staff presented a seminar on April 27, entitled “Hawaii’s Economy and Its Future Prospects,” which focused on the Immigrant Investor (EB-5 visa) program. Hawaii immigration attorney Mr. Alan Ma spoke of legal issues and two other presenters 1723 Kalakaua and Ameri-Can Investment Corporation, discussed their real estate projects.

## **Developing and Expanding Linkage with Government & Education**

### **Assisting Hawaii Businesses and Organizations**

During the year, staff assisted various visitors to its office. The visitors were most often interested in selling products or services.

### ***Activities***

- In July in Taitung County, staff assisted Hawaii’s Bishop Museum and Taiwan’s National Museum of Prehistory (NMP) with the signing of a historic cultural exchange agreement which resulted in a major exhibit. The exhibit, which ran through September 1, focused on the historical and cultural development of the Hawaiian Islands from the

arrival of the Polynesian, who anthropologists now believe share a common ancestry with the indigenous people's of Taiwan. The exhibit was developed after staff invited the NMP's General Director to visit Hawaii in 2005 to meet with Bishop Museum officials.

- In May staff met with Mr. Li-cheng Kuang, the Magistrate of Taitung County, to explore the possibility of utilizing Hawaii's Polynesian Cultural Center to assist in developing a Cultural Park of Indigenous People in Taitung.
- In August, staff met with Mr. Robert Zheng of IDG member Wimberly Allison Tong & Goo to consider utilizing IDG to assist the Kaohsiung City Government with creating a Waterfront Park for cultural and recreational activities. The redevelopment of the area is expected to stimulate the area's economy and strengthen the city's image an international center.

### **Participating in Trade Shows in Taiwan**

Taiwan, like China, and many places in the world, has a wide variety of trade shows each year. Taipei staff concentrates on those relating to tourism and education. Tourists from Taiwan are not faced with the same restrictions as tourists from China, while thousands of students from Taiwan have studied at Hawaii educational institutions. Encouraging students to study in the Islands represents an important and rapidly-expanding economic development opportunity.

- Staff participated in the American International Education Foundation Fall Fair, held in Taipei, Taichung and Kaohsiung at the end of September. Educational fairs, such as this, have offered important opportunities to "get the word out" on Hawaii's universities and secondary schools.
- Staff participated in the Taipei International Travel Fair 2006, from November 3 - 6, to promote the Integrated Development Group, short-term training and school excursion programs. The show featured exhibitors from 60 countries and regions, with a total of 1,150 booths. The Fair regularly attracts more than 100,000 persons.

### **Participating in the American State Offices Association**

The American State Offices Association (ASOA) offers states with offices in Taiwan the opportunity to get together to share information, and work together on various projects. Mr. Alex Lei served as President in 2005.

### ***Activities***

- In June, staff attended a meeting of the ASOA with the Taiwan Provincial Consultative Council, with 12 members of the Council present. Mr. Peir-fun Jeng, Secretary General of the Taiwan Provincial Government and Mr. Bruce Lin, Chief of the Foreign Affairs Section, discussed foreign affairs and sister-state relations.

- In November, staff attended an ASOA meeting to participate in planning investment seminars in Taipei and Shanghai in March 2007.

### **Developing a Chinese website**

In order to increase communication and serve as a point of contact for the activities of the Taipei Office and business opportunities in Taiwan, during the year staff worked on developing a Chinese website.

#### *Activity*

- During the year, staff collected bids and made other plans to develop a Chinese language website. The site will serve various purposes, including functioning as an information center (link) for the State of Hawaii; publicizing trade missions, events, seminars and other in-country activities; providing a focus for the Immigrant Investor Program and /or Hawaii product promotions; and offering a data base to support various in-country efforts.

### **Assisting DBEDT's Office in Beijing**

During the year, because of the great number of activities at DBEDT's Beijing Office, or because the Executive Director of the Beijing Office was in Hawaii, Taipei Office staff was asked to assist with various projects.

#### *Activities*

- From September 16 - 23, staff led a group of representatives from six Hawaii companies, comprising the Environmental Development Group (EDG), on a visit to Shanghai and Chengdu, Sichuan Province, China. The visit included one-on-one meetings with Chinese government and U.S. Embassy officials and with representatives from more than 80 companies.
- In November, staff was asked to assume responsibility for an investment seminar at the Dongfang Hotel, a part of the Guangdong International Tourism & Cultural Festival from November 24 - 30 in Guangzhou, Guangdong Province. Staff recruited participants from investment companies in Guangzhou and Shenzhen and also took the lead in organizing the meeting, which focused on the Immigrant Investor (EB-5) Program. Staff also served as Master of Ceremonies at this seminar, which attracted more than 80 persons, and another in Beijing which drew over 100 participants. Executive Director Lei offered a presentation on Hawaii's economy and investment environment.

*Taipei Office: Metrics 2006*

ACTIVITY	DATE	HAWAII REVENUES GENERATED	NUMBER OF PERSONS OR AUDIENCE
<b>INCREASING HAWAII EXPORTS</b>			
<b>Product Exported</b>			
Bottled water and foods	July	\$417,262	
Various products for promotion		\$10,000	
Bottled beer		\$15,000	
<b>Seminars/Promotions/Trade Shows</b>			
Deep Seawater Seminar in Taipei	April 27		120
Deep Seawater Technology Forum in Taipei	April 28		12
Hawaii food promotion at "Gourmet Taipei"	April 21 - 30	\$61,538	1,000
"Gourmet Taipei Food & Lifestyle Show"	April 28 to 30		60,000
One-on-one meetings at seminar	April 27		30
Hawaii firms supported on mission/visits to Taiwan			24
Consultation for Hawaii firms			93
<b>Promoting Hawaii Products And Services Through The Media</b>			
Press conference			121
Press releases issued			106
Newspaper articles		\$47,380	6,140,000
Magazine articles		\$15,462	
Radio reports		\$36,674	
Polynesian Cultural Center press conference			45
TV news reports		\$139,677	
Taitung County visit/newspaper exposure			400,000
Austronesian Culture Festival press conference			60
<b>ATTRACTING INVESTMENT</b>			
EB-5 seminar in Guangzhou as part of the Hawaii Mission to China 2006	November 25		80
EB-5 investment seminar, as part of "Gourmet Taipei"	April 27		22
<b>DEVELOPING &amp; EXPANDING LINKAGES WITH GOVERNMENT &amp; EDUCATION</b>			
Taiwan government group visit to NELHA	August	\$2,000	6
Meetings with government officials			32

## 4. STATE OF HAWAII OFFICE IN BEIJING

### Increasing Hawaii Exports

#### Assisting the Integrated Development Group: World Trade Centers and Other Activities

China's rapidly-growing tourism industry opened up significant opportunities for the Integrated Development Group (IDG). Opportunities are especially promising in areas outside of China's major cities. In 2005 IDG began negotiations for a resort project in Tibet. In 2006 IDG formed an alliance with the World Trade Center Association (WTCA) to provide feasibility analysis, design and planning services to support the planned expansion of World Trade Centers (WTC) throughout China. Importantly, over the next ten years, the WTCA plans to establish 40 Center facilities, primarily in secondary and tertiary cities. This is expected to result in revenues of between \$2.5 million to \$5 million, based on clients that IDG is already in discussions with, and significantly more, as the number of facilities increases and the need for other services grows.

#### *Activities*

- Staff assisted IDG participation in the July WTCA annual conference in Beijing.
- Staff met with Mr. Zhao Xuehai, Secretary General of the Xian World Trade Center to discuss how IDG could help the China Council for the Promotion of International Trade (CCPIT) plan and design the Xian World Trade Center. In November, the Executive Director flew to Xian to inspect the site for the Ronghua International Building, a WTC project.
- Staff met with Mr. Wu Tu Ping, Chairman of the Hefei Bestbest Property Development Company in Hefei, Anhui Province, to discuss a possible WTC project, incorporating a five-star hotel, shopping malls and entertainment venues.
- Staff began discussions with officials from the Beijing Railway Recreational Center for a WTC project in the capitol city and assisted IDG with possible projects in Harbin, Hohot and Kunming.
- Staff met with Ms. Li Lu, the Secretary General of the China Business Forum Enterprise Research Center, to discuss IDG projects and training.
- Staff met with firms interested in partnering with IDG golf management, maintenance and operations training.
- In May, staff drafted the final Memorandum of Understanding between IDG and the Lhasa (Tibet) government to obtain development rights and begin master planning the first, integrated, foreign-invested resort in Tibet.
- In August, IDG was invited to submit a proposal for a master plan for the redevelopment of the Tianjin Central Business District. The district is undergoing a massive transformation, and officials were seeking new ideas for its development to truly reflect the City's status as "Beijing's Shanghai." The estimated value of the plan is \$2 million.

- IDG was asked to help master plan a nature and eco-tourism preserve in one of the largest, untouched wetlands in the Beijing/Tianjin area. The wetland is unique in China because of its proximity to two of China's largest cities—Beijing and Tianjin—and because of the great biodiversity found there. Estimated value of the master planning and related work: \$1 million.
- In December, Executive Director Bo Wu gave a presentation on IDG at the China Coastal Destination Development Forum in Shenzhen.

### **Promoting Hawaii's Visitor Industry**

Both Hawaii and China want to increase the number of Chinese visitors to the state, but to date, China has denied Approved Destination Status (ADS) to the United States, something that it has granted many other nations. Travel industry experts say that China will grant the status, only when the U.S. loosens its own restrictions on visa issuance imposed after the September 11, 2001 attacks. DBEDT views the resolution of the issue as an exceptional opportunity that will add a third pillar to the Japanese and mainland U.S. markets.

#### *Activities*

- In July, staff met with Ms. Jiang (Jenny) Nan of GZL International Travel Service, one of the largest outbound tour operators in Guangdong. This state-owned travel company established a series of specialized tours to Guangdong's sister states. Under the auspices of the Hawaii-Guangdong Sister-Province relationship, the Guangdong government wants to send a group of up to 100 persons to visit Hawaii. If this first "pilot" program is successful, Ms. Nan feels that she could bring several groups of this size to the islands each year.
- Also in July, staff met with representatives of Golfaguru in Guangzhou to explore the possibility of organizing week-long, high-end golf tours to Hawaii, but they stated that they would need the support of the U.S. Consulate to ensure that their clients had minimal problems.

### **Assisting the Media/Distributing Publications**

"Getting the word out" on investment possibilities in Hawaii, or short-term education training opportunities, or tourism attractions is a key responsibility of the Beijing Office. Each year, the Office assists members of the media who are working in China or planning to visit the Islands with scheduling, contacts, travel arrangements and stories. Staff is often called upon to provide Chinese translations for English materials, and distribute those materials through trade shows or mailings.

#### *Activities*

- In March, staff assisted Ms. Chai Hao Ran, the Editor of *Up-Close*, a popular news/documentary show, in locating sites on Oahu, and in interviewing persons, especially those whose families had ties to Dr. Sun Yat-sen.

- In April, staff finished a draft survey of the most desirable short-term education training offerings at Hawaii educational institutions for Chinese executives and officials.
- In August, the Beijing Office assisted staff of *World Tourism Magazine* in writing a three-page article that explored Maui's culinary and cultural offerings.
- Also in August, staff prepared short-term education training packages and mailed these to 48 Tourism Bureaus throughout China.
- Also in August, staff translated materials related to attracting more honeymooners to Hawaii and provided these to Ms. Tina Yao of Marketing Garden.
- In September, staff translated, printed and finalized a brochure that was utilized during the Environmental Development Group's mission to China.
- In November, staff assisted *Travel & Leisure Magazine* by preparing an article on Hawaii. Also in November, staff helped Mr. Craig Gima, the Assistant City Editor of the *Honolulu Star-Bulletin* in an article on Executive Director Wu and his office's responsibilities.
- In December, staff prepared a news release to five Beijing magazines regarding the EB-5 program: *Golfweek*, *Ming*, *Rayli*, *Harper's Bazaar* and *BQ*.

### **Participating in Trade Shows in China**

The expansion in China's economy has been accompanied by an expansion in the number of trade shows the nation presents each year. Trade shows in China, like trade shows throughout the world, offer an excellent means to feature special products and services. For successful trade show participation, Beijing staff must negotiate a booth or booths; design the booth; provide staffing, including out-of-town visitors; produce materials for distribution which frequently involves translation into Chinese; and follow-up on business leads.

One of the largest Chinese trade shows is the China International Travel Mart (CITM), which held its 8<sup>th</sup> annual meeting in Pudong, Shanghai from November 14 - 17. The 2006 conference attracted 91 nations. DBEDT participated with Marketing Garden, Hawaii's tourism marketing arm in China, and representatives of Hawaii hotels and airlines' serving the state.

### ***Activities***

#### **CITM Activities:**

- Distributing 1,300 brochures on business and training opportunities in Hawaii.
- Attending two seminars: on Hawaii's tourism attractions and on the U.S. visa application process.
- Offering presentations on short-term education training opportunities in Hawaii for representatives of Tourism Bureaus throughout China.

- Meeting with the media, including *World Market Magazine* of Shanghai, which invited staff to participate in the “Invest in the U.S” seminar on March 23, 2007 in Shanghai; and *Air Travel Magazine*, which would like to cooperate with the Office to jointly promote Hawaii.

Other Activities:

- Staff also participated in the International Forum on Rural Tourism, held in Guiyang, Guizhou Province, from September 5 - 6. The Executive Director represented Hawaii at this event which was jointly organized by the United Nations World Tourism Organization, the China National Tourism Association and the Guizhou Provincial Government in partnership with the World Bank.

## **Developing and Expanding Linkage With Government & Education**

### **Coordinating Seminars and Assisting Distinguished Chinese Visitors to Hawaii**

One of the most important responsibilities of the Beijing Office is coordinating Chinese visits to Hawaii. Delegations are often distinguished national leaders who request a meeting with Governor Lingle and other high-level state officials. The logistics, are critical and demanding. The rewards, however, in terms of business for Hawaii companies, can be substantial. In 2005, Guangdong Governor Huang Huahua led a 70-person delegation to the state. In 2006, the major event was an April 3 visit by Madame Wu Yi, China’s Vice Premier, generally acknowledged to be the most powerful woman in China and named (by *Forbes Magazine*) as the second most powerful woman in the world (after Condoleeza Rice). Madame Wu, the former mayor of Beijing, produced five trade agreements with Russia in 1999, and oversaw delicate negotiations for China’s accession to the World Trade Organization. Madame Wu was accompanied by Mr. Shao Qiwei, Chairman of the China National Tourism Administration (CNTA)—the nation’s top tourism official.

*Activities*



- The Beijing Office Director was deeply involved in planning the Madame Wu’s trip and accompanied her delegation to Hawaii, where he assisted its members and served as an interpreter. The delegation consisted of 130 business and government persons, including

9 minister-level and 6 vice-minister-level officials, including Madame Ma Xiuhong, the Vice Minister of the Ministry of Commerce. DBEDT scheduled an investment seminar

on April 3 at the Hilton Hawaiian Village Hotel, entitled, “Economic Opportunities for Chinese Investors,” attended by 260 individuals, at which Chairman Shao and Madame Ma spoke. A welcoming reception at Washington Place, hosted by Governor Lingle, featured the signing of a Memorandum of Cooperation on Tourism Development. On April 5 an editorial in *The Honolulu Advertiser* noted that the agreement “formalizes what is today a small but growing relationship between booming China and tiny Hawaii, which has an international reputation for tourism expertise.” More than 150 leaders of Hawaii’s business and Chinese communities attended the reception.

- In September Chairman Shao returned to Hawaii to host a Tourism Forum at the Hawaii Convention Center for officials from CNTA and Hawaii tourism leaders, and participate as the honored guest at a welcoming luncheon hosted by Governor Lingle at Washington Place. The Tourism Forum focused on challenges and opportunities for tourism development in China and Hawaii, and built upon the April 2006 Memorandum. In addition, the Forum discussed the expectations of Chinese outbound visitors, and what Hawaii needs to do to target the upper end of that market. The Beijing Office Director once again coordinated the visit and served as an interpreter.



In addition to these events, Beijing staff coordinated the following visits:

- A delegation of 17 officials from Harbin, sponsored by the China Council for the Promotion of International Trade (CCPIT) met with staff on February 23 to discuss tax incentives and other foreign trade assistance for Chinese businesses. The group included representatives of CCPIT, the China Great Wall Asset Management Corporation and the China Import & Export Bank.
- On March 21 staff met with a three-person delegation headed by Mr. Ji Shang Rong, Board Chairman of Qingdao Real Estate Company, who was visiting Hawaii to explore various real estate investment opportunities. The group was also looking at opportunities to cooperate with, and learn from, the state’s expertise in tourism destination development.
- On May 16 staff arranged a visit for a Guangdong agricultural delegation to the University of Hawaii and the Oceanic Institute. The group was headed by Mr. Xie Yuexin, the Director General of the province’s Department of Agriculture, and included other government agriculture officials and private agriculture and aquaculture products company representatives. Mr. Xie wished to explore cooperative opportunities in research and initiate two-way agriculture product trade.

- Guangdong Province Vice Governor Li Ronggen visited Hawaii from May 16 - 18 and met with Lieutenant Governor Aiona.
- On May 30, leaders of Hawaii's Chinese business community met with Minister Chen Yujie, the head of the Overseas Chinese Affairs Office of the State Council of China, at the office of Governor Lingle. Minister Chen has been extremely helpful to Hawaii's Chinese residents, helping them to locate ancestral homes in Guangdong, and hosting government and business delegations in Beijing. In her meeting with the Governor, Madame Chen discussed ways to strengthen Hawaii's relationship with China.
- Beijing Mayor Wang Qishan visited Hawaii from June 3 - 6. Mayor Wang serves as the Chairman of the Organizing Committee for the 2008 Olympics (BOCOG).
- Ms. Song Xiuyan, the Governor of Qinghai Province, visited Governor Lingle on September 25. Qinghai, with a population of 5.2 million, is situated in the northeastern section of the Tibetan Plateau in Northwest China. Qinghai has numerous visitor attractions, recently made more accessible by the opening of the Beijing/Lhasa (Tibet) railroad, which passes through the province. Governor Song is China's only female governor and only the third provincial governor in modern Chinese history.
- Mr. He Guangwei, the former Chairman of the China National Tourism Administration (CNTA) met with Governor Lingle on October 24. Mr. He is now the Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC). He personally approved DBEDT's Beijing Office while serving as CNTA chair. In his present position, he continues to influence development policies, including tourism.
- In November staff facilitated the visit of Professor Li Yining, Dean Emeritus of the School of Management of Peking University (Beida) and current Dean of the Market Economy Academy. He is considered the most influential reform economist in China, and the architect of China's stock market development. On November 28 Professor Li gave a lecture, entitled "Trends in the Chinese Economy", at UH's Center for Chinese Studies. He also met with Dr. David McClain, the President of the University of Hawaii, faculty and graduate students at UH, Brigham University-Hawaii, and Hawaii Pacific University. Professor Li has expressed a strong interest in collaboration on research and arranging student and faculty exchanges with his university—considered the leading university in China.
- In December, staff assisted a group of investors planning to visit Hawaii during Chinese New Year (February, 2007) to explore Hawaii real estate investment opportunities. The 24-member group will be headed by Mr. Lang Ying, Director of the Board of the Beijing Zhongian Xinda Investment Management Company. Members represent firms with interests in real estate development, air conditioning, airlines, international trading and investment.

## **Assisting Visiting Hawaii Businesses, Officials and Educators in China**

Aside from helping with trade missions from Hawaii that sometimes involve hundreds of people, the Beijing Office assists numerous small groups and individuals from the state.

### ***Activities***

- Throughout the year, staff assisted the Hawaii Technology Development Corporation (HTDC) and its Executive Director Yuka Nagashima in establishing the High Technology Incubation Corporation (HTIC)--an office and technology incubator at Zhongguancun Technology Park in Beijing. In addition, staff worked closely with Ms. Nagashima and Park officials to develop an agreement to assist Hawaii technology firms who wish to enter the China market. The agreement would provide them with a package of services that would include use of facilities and business services. The Park is in strategic proximity to China's top three technology research facilities: Peking University, Tsinghua University and the Chinese Academy of Social Sciences. Staff negotiated in rental price, floor plan, furniture, an insurance policy, and reviewed the final rental agreement.
- Staff also assisted Mr. John Chen, a principal of Hawaii venture capital firm Dragon Bridge Capital, in locating office space.
- In April, assisted Honolulu Mayor Mufi Hannemann in arranging various meetings.
- Also in April, met with Ms. Jill Valley of Centex Destination Properties to discuss possible marketing efforts in China. Centex is one of the largest housing developers in the U.S. and has five projects in Hawaii.
- Met with Mr. Paul Brown, the owner of Paul Brown Salon & Day Spa, to discuss health and beauty and spa operation training, as well as opportunities to expand his new spa concept to China.
- In August, staff assisted Mr. Richard Matsui, owner of Petland stores at Ala Moana Shopping Center and across from Kahala Mall, in exploring opportunities to open a similar pet store in China. Mr. Matsui's father, Jiro, was a pioneer in the business in Hawaii.
- Staff facilitated the visit of members of Hawaii's Environmental Development Group (EDG) in their Shanghai and Chengdu Province mission in September. Besides Taipei Office Executive Director Alex Lei, the group included four Hawaii environmental companies and two members of DBEDT's Honolulu staff.
- In October, staff assisted East-West Center President Charles Morrison and Director Carol Fox by arranging a meeting with representatives of the China Legal Society and the China Council for the Promotion of International Trade.
- Also in October, staff met with Dr. David Yang of UH's Shidler School of Business. Discussions included using the Office to promote advanced degree UH-China-related

programs. In addition, Dr. Yang discussed the possibility of a Shidler/UH office in Beijing.

- In November, staff assisted a number of Hawaii businesspersons' seeking assistance in China. These included Mr. Warren Wyatt of World Music, who is promoting Hawaii music in China; Mr. Nick Cutter and Mr. Herman Jones, who are exploring entering the China auto market; Mr. Yujiro Kuwabara from Japan Travel Bureau, who wants to bring Chinese tourists to Hawaii; and Mr. George Berean of IDG member Wimberly Allison Tong & Goo, who is engaged in discussions with Mr. Wang Jing, the Board Director of China Railway Media, regarding on the company's building near the Beijing Railway Station into a World Trade Center.
- In December, staff met with Mr. Jeff Lau, Director of UH's J. Shidler Alumni Association and a trustee of the UH Foundation, regarding to UH networking in China and other matters relating to the Shidler College of Business.

### **Sending Chinese Groups to Hawaii for Training**

There is no shortage of manpower in China, but the country's need for training, especially in its booming visitor industry, is substantial. DBEDT recognized a considerable opportunity here, and asked the Beijing Office to attract and organize groups for training in Hawaii.

#### ***Activities***

- In January, the China Legal Society requested training for their members in various legal areas. The Society is comprised of senior officials from the Chinese court system, the executive and legislative government branches of and from academia. Together, they form high-level committees charged with a) recommending new or revised legislation to the State Council and the Chinese People's Congress; b) providing policy recommendations to the executive branch and State Council, and c) helping implement training and other programs designed to create better laws and enforcement in China as the nation transitions to a rules-based society. The training would include five programs that would last for five days for up to 30 people. Topics include intellectual property rights and various reforms to China's legal system. The East-West Center, the UH School of Law and the State Judiciary were approached to determine their interest and all parties are eager to participate in the venture.
- Also, in January the Shanghai Municipal Tourism Commission wished to continue a training program for hotel executives that was suspended because of the SARS outbreak. Twenty-five hotel general managers will receive training at the UH School of Travel Industry Management (TIM School) in January 2007.
- On July 13 staff met with Mr. Wang Pi Jun and Mr. Xu Guangjun of the State Council's Information Office in regard to providing training for two or more officials from Tibet who are interested in tourism and cultural promotion.
- Also in July staff met with representatives from Golfaguru, a leading publisher of golf magazines in the Chinese-speaking areas of Asia, relating to providing training in all aspects of golf management, maintenance and operations.

- In August staff received a request from the China Life Insurance Company for short-term training for 200-300 employees during 2007.
- Staff worked closely with tourism officials from Heilongjiang Province in September. The Province plans to send seven groups to Hawaii starting in late January 2007 for training in various areas, including supervision and management, information technology, government, financial planning, agricultural development and investment attraction. The training would be for 16-day periods at the TIM School.
- In October, staff contacted Tourism Bureaus throughout China to determine their short-term training needs. They focused on Harbin, Guizhou, Hunan and Inner Mongolia, which had previously expressed an interest in training opportunities.
- In November staff met with Dr. Rosita Chang, the Director of the UH Center for Chinese Studies, to discuss the possibility of receiving Chinese students for training programs, in addition to the core curriculum of Hawaii-Chinese studies.

## **Attracting New Investment**

### **Assisting the Immigrant Investor (EB-5 visa) Program**

The Immigrant Investor Program is a federal program of the United States Citizenship & Immigration Services (USCIS) of the Department of Homeland Security. A foreigner invests a certain sum of money to establish a business which produces a certain number of jobs and, in return, receives a Green Card (permanent residency). DBEDT has promoted the program actively in Taiwan, and is now focusing on China. The November China Mission to Guangzhou and Beijing featured two EB-5 visa seminars (above).

### ***Activities***

- In July, staff met with Mr. Bobby Wang, a project developer and promoter of the EB-5 program, in Beijing to discuss the possibility of developing a project with the Hawaii State Government as a partner. Mr. Wang is been working with Honolulu immigration attorney Alan Ma to build commercial material buildings in Kapolei on Oahu.
- Also in July in Beijing, staff worked with Mr. Paul Yu and Mr. Alan Ma, on a project involving constructing a high rise condominium near Ala Moana Shopping Center.

### **China Mission 2006**

Hawaii and Guangdong Province have enjoyed a close relationship, stretching back to the 19<sup>th</sup> Century when immigrants arrived in the islands to work in the sugar cane plantations. The relationship was further tightened by Hawaii's association with future Chinese leader Sun Yat-sen; visits to Guangdong by Hawaii residents of Chinese descent; and the establishment of Sister State/Province ties in 1985.

Most fortunately for Hawaii, Guangdong Province has emerged as the economic powerhouse of modern (post 1979) China and many experts would agree that Guangdong has had more to do with the nation's "economic miracle" than any other province. Consider this: the average yearly GDP growth rate from 1979 to 2005 was an astonishing 13.7%—4.1% higher than the national average and over four times that of the international average. In 2006, the GDP of the "factory of the world" is expected to reach 14.1%. According to Governor Huang Huahua, who visited Hawaii in 2005, "It will take about three years for Guangdong to catch up with or surpass Taiwan in terms of GDP."

Over the years, the relationship between Hawaii and Guangdong has produced important trade agreements, as well as educational and cultural exchanges. In 2005, there were two notable events involving Guangdong: Governor Lingle's first visit to the province to celebrate the 20<sup>th</sup> anniversary of the sister tie and Guangdong Governor Huang Huahua's reciprocal visit to Hawaii.

### *Activities*

- In 2006, Guangdong and Hawaii continued their warm friendship. Governor Huang invited DBEDT to participate in the Sister-State/Cities Festival of the Guangdong International Tourism & Cultural Festival, from November 24 to 28, in Guangzhou. DBEDT decided to take advantage of the interest in the event by planning investment seminars in both Guangzhou (November 24) and Beijing (November 28). The seminars featured the Immigrant Investor (EB-5 visa) Program, including presentations by Hawaii real estate development companies, followed by one-on-one meetings. Taipei Office staff was called in to assist in Guangzhou.

Beijing Office staff played a key role in both coordinating a booth at the Cultural Festival and attracting Chinese immigrant investor consultants to the two seminars. Moreover, staff sent out invitations, set up hotel and meeting accommodations, printed EB-5 brochures, facilitated entertainment, contacted the media and arranged meetings with high-level officials.



*Above left: DBEDT Deputy Director Mark Anderson with Yu Min, Deputy Director General of Guangdong Foreign Affairs Office, and Joy Hsu, Office Manager of the State of Hawaii Office in Taipei - at the 2006 Guangdong Sister-State Festival. Above right: Crowds at the opening ceremony of the 2006 Sister States/Cities Festival of the Guangdong International*



*Above left: DBEDT Deputy Director Mark Anderson presiding over opening remarks for the seminar on Hawaii investment opportunities in Beijing. Above right: "Standing room only" audience of over 100 for the seminar.*



***Above left: DBEDT Deputy Director Mark Anderson presiding over opening remarks for the seminar on Hawaii investment opportunities in Guangzhou. Above right: Over 80***

The Guangzhou meeting attracted more than 80 participants, while the Beijing event drew a “standing room only” audience of 120 persons. Staff estimated that 60% of the audience was interested in the immigration program and 40% were focused on other Hawaii investment opportunities.

The Beijing Office issued a report following the seminar, which indicated the success of the seminars, namely:

- 18 investors expressed interest in learning more about Hawaii opportunities;
- These investors represented a wide variety of businesses, including an airline, a sports hospital, real estate development firms and an air conditioning equipment company;
- At least two investor groups planned to visit Hawaii in early 2007 for site inspections and other follow-up; and
- Staff recommended expanding the seminars to smaller cities in Shanxi, Heilongjiang, Jiangsu and Zhejiang Provinces.

*Beijing Office: Metrics 2006*

ACTIVITY	DATE	HAWAII REVENUES GENERATED	NUMBER OF PERSONS OR AUDIENCE
<b>INCREASING HAWAII EXPORTS</b>			
Integrated Development Group: World Trade Center initiative	July	\$10,000,000 Projected	
Hawaii Firms supported on missions/visits to China			156
Consultations for Hawaii firms			107
<b>Promoting Hawaii Products And Services Through The Media</b>			
Radio Beijing on Hawaii as a business destination	March	\$5,000	
<i>Choices Magazine's</i> article about doing business in Hawaii	July	\$2,000	
<i>China's Travel &amp; Leisure Magazine:</i> Article on Hawaii	October	\$6,410.25	
<i>Guangzhou Daily</i> and <i>China Southern:</i> Interviews as part of the Sister States Exhibition/Festival	Nov		
<b>ATTRACTING INVESTMENT</b>			
EB-5 investment seminar in Beijing as part of the Hawaii Mission to China 2006	Nov 27	\$20,000,000 Projected	120
Hawaii Foundation 9	April	\$2,000,000 Projected	
<b>DEVELOPING &amp; EXPANDING LINKAGES WITH GOVERNMENT &amp; EDUCATION</b>			
Hawaii Home-stay program	March	\$27,200	34
Vice Premier Wu Yi's delegation	April	\$172,800	128
Guangdong tourism group	April	\$19,800	33
Guangdong Lieutenant Governor's visit	May	\$8,000	6
Beijing mayor's visit	June	\$18,000	10
China Friendship Association group	July	\$12,800	16
Beijing agriculture group	August	\$12,600	7
Guilin tourism group	Sept	\$5,400	4
CNTA Chairman Shao's delegation	Sept	\$12,150	9
Heilongjiang tourism training group	October	\$12,800	16
Shanghai CCPIT official group	October	\$8,100	6
Asia-Pacific basketball tournament	Nov	\$20,400	17
Hawaii Mission to China 2006	Nov		34
Meetings with government officials			58

## 5. Financial Summary

### Overseas Office Expenditures: 2006

<b>Taipei</b>	
Salaries:	\$56,543.24
Rent:	\$12,435.21
Operating:	<u>\$25,726.47</u>
<b>Total:</b>	<b>\$94,704.92</b>
<b>Beijing</b>	
Salaries:	\$60,000.00
Rent:	\$24,417.88
Operating:	<u>\$41,075.37</u>
<b>Total:</b>	<b>\$119,105.07</b>

## 6. Contact Information: Overseas Offices

<b><u>Taipei</u></b>	<b><u>Beijing</u></b>
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