



CO-OPERATION PROGRAMME
FOR A SUSTAINABLE PARTNERSHIP BETWEEN
SMES OF THE MECHANICAL INDUSTRY
FROM E.U. AND CHINA

GUIDE FOR BUSINESS CHINA



SOCIO-CULTURAL ANALYSIS

Families

Average number of children in the 1990s: **1.8**

Average number of children in 2006: **1.73**

The family normally consists of grandparents, parents and children.

Total Number of Households (mil) **361.98**

Average number of family members in Urban Areas (person) **3.01**

Average number of family members in Rural Areas (person) **4.1**



SOCIO-CULTURAL ANALYSIS

Composition of Education Attainment (2000)

Total population: **1,295.33 mil**

University education
(referring to junior college and above): **45.71 mil**

Senior secondary education
(including secondary technical school education): **141.09 mil**

Junior secondary education: **429.89 mil**

Primary education: **451.91 mil**



SOCIO-CULTURAL ANALYSIS

Educational qualification (2003)

(Literacy rate definition: age 15 and over can read and write)

Total population: **90.9%** Literacy Rate

Male: **95.1%** Literacy Rate

Female: **86.5%** Literacy Rate

Urban Areas: **5.22 %** Illiteracy Rate

Rural Areas: **11.55 %** Illiteracy Rate

Worker Skill Level

Junior: **60%** of all workers

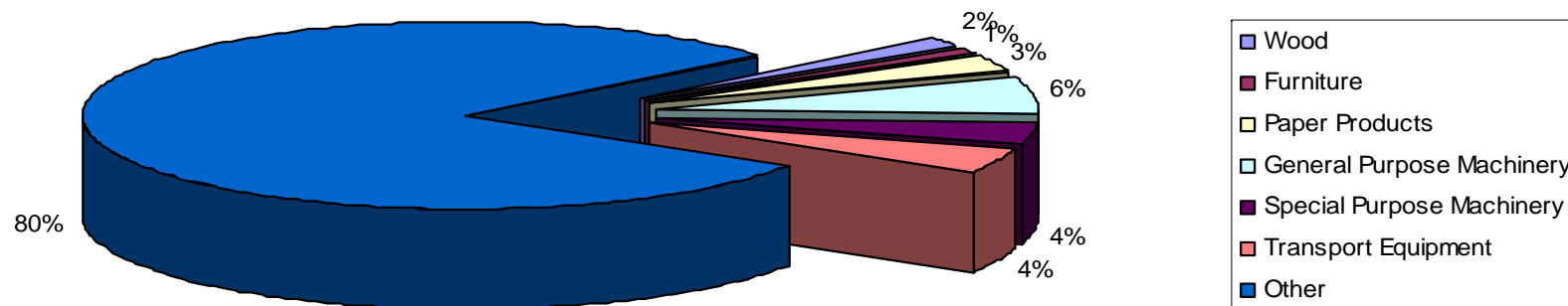
Medium: **36%** of all workers

Senior: **4%** of all workers



THE MECHANICAL SECTOR: ENTERPRISES AND EMPLOYEES

Manufacturing Sectors as % of Total Enterprises





INDUSTRIAL SECTORS OF THE DISTRICT

Employees

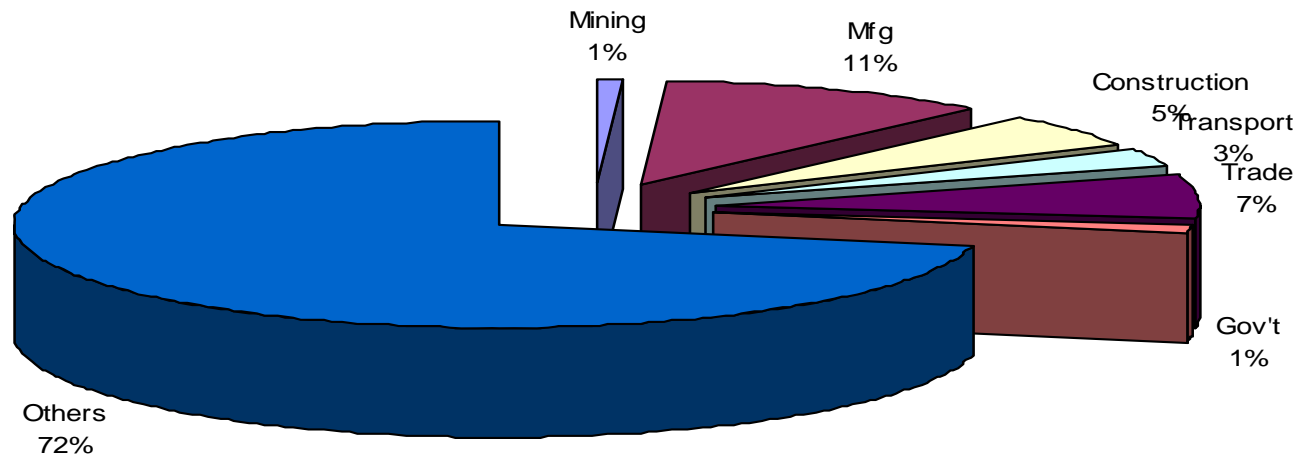
China's total population reaches 1.295 billion
Total employees are 730 million / **56%** of total population

Male employees: **62 %**
Female employees: **38%**



THE MECHANICAL SECTOR: ENTERPRISES AND EMPLOYEES

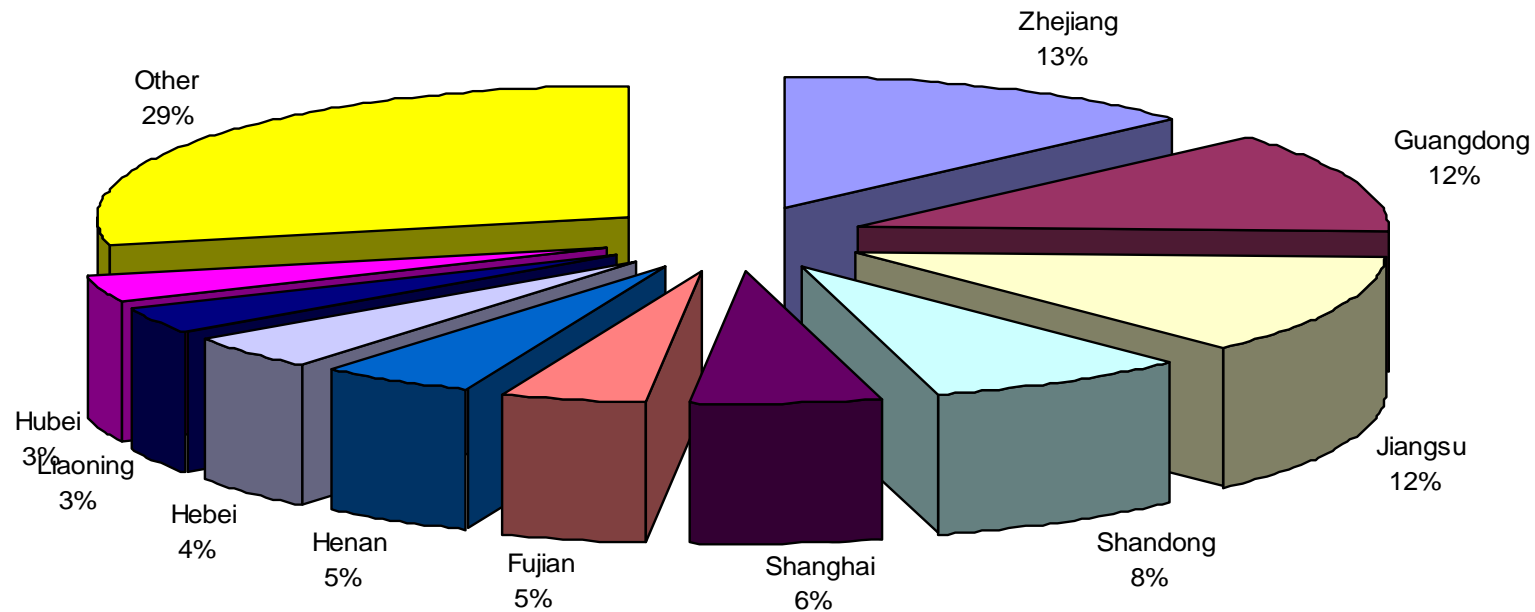
Employees by Sector





ECONOMIC ANALYSIS

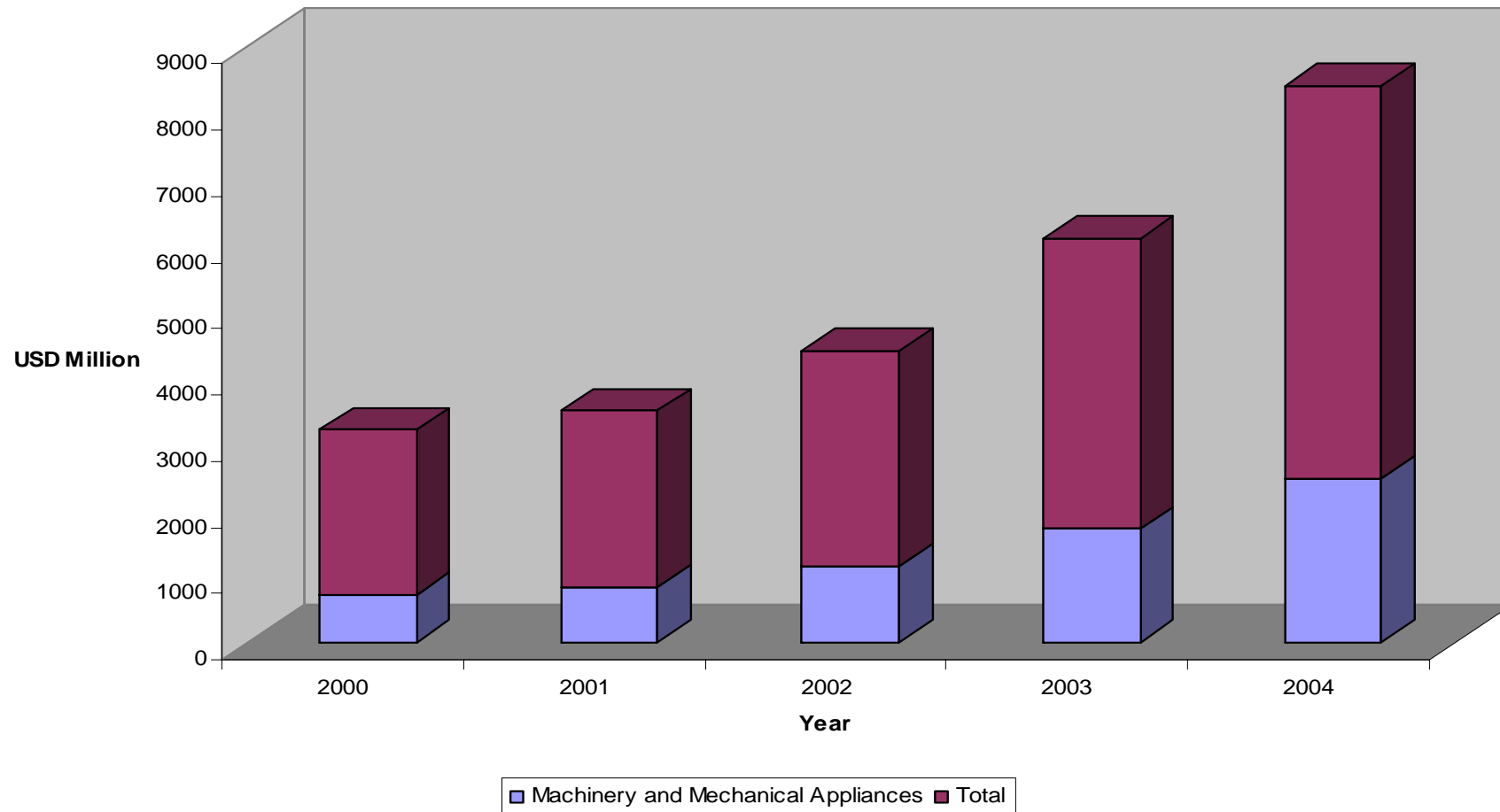
Enterprises (above 5 mil sales) by Region





THE MECHANICAL SECTOR: EXPORT

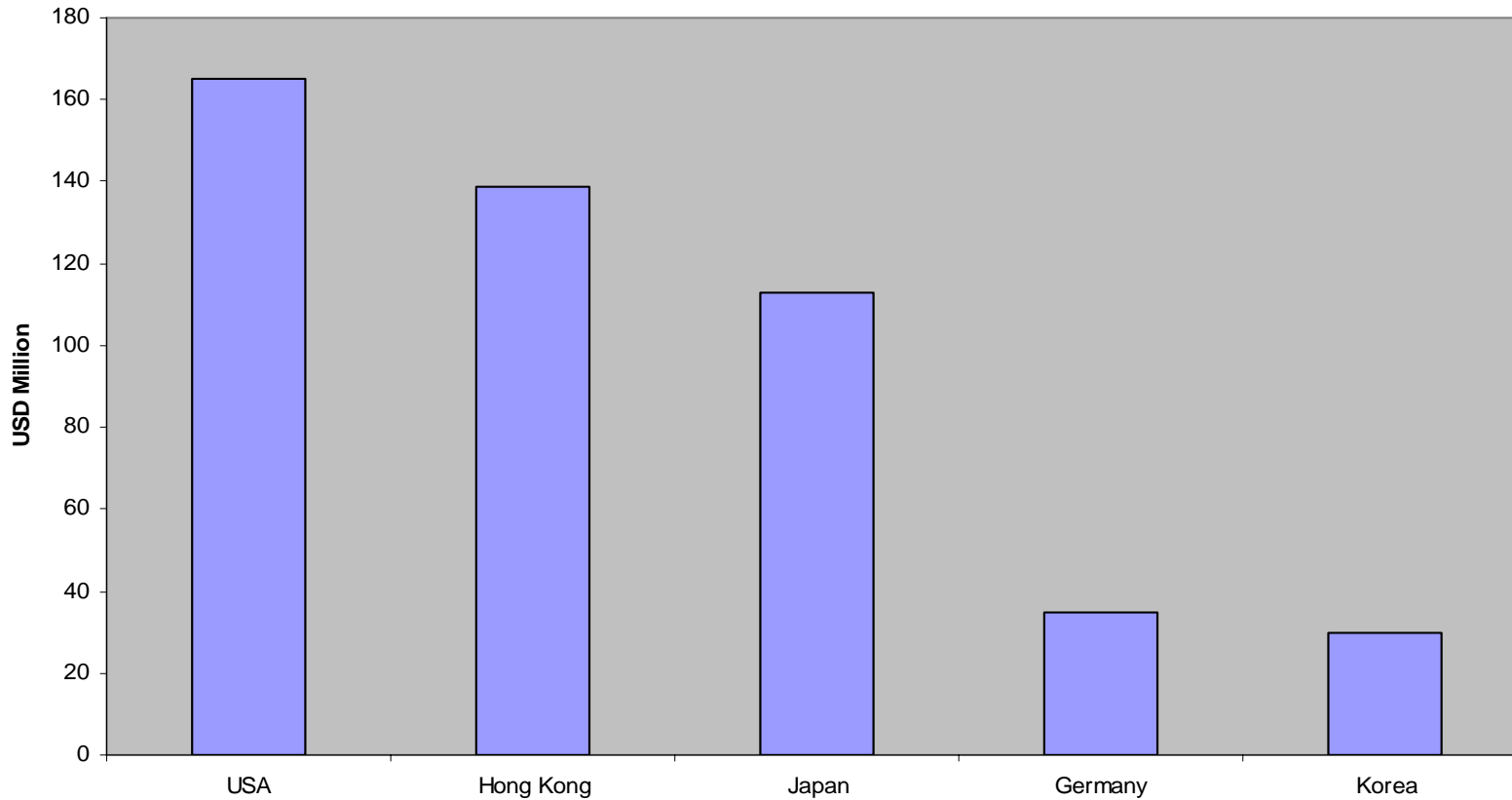
China Exports - Total vs Machinery and Mech Appliances





THE MECHANICAL SECTOR: EXPORT

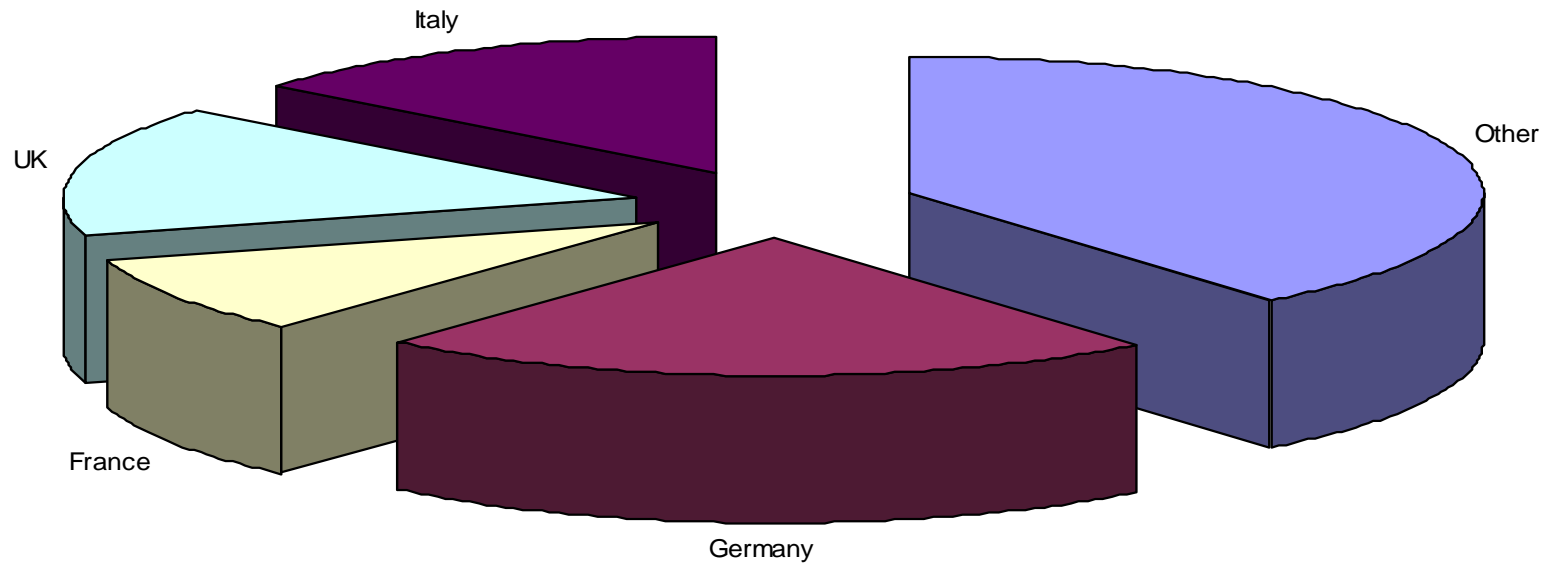
Top 5 Export Countries 2004 Mechanical Sector





THE MECHANICAL SECTOR: EXPORT

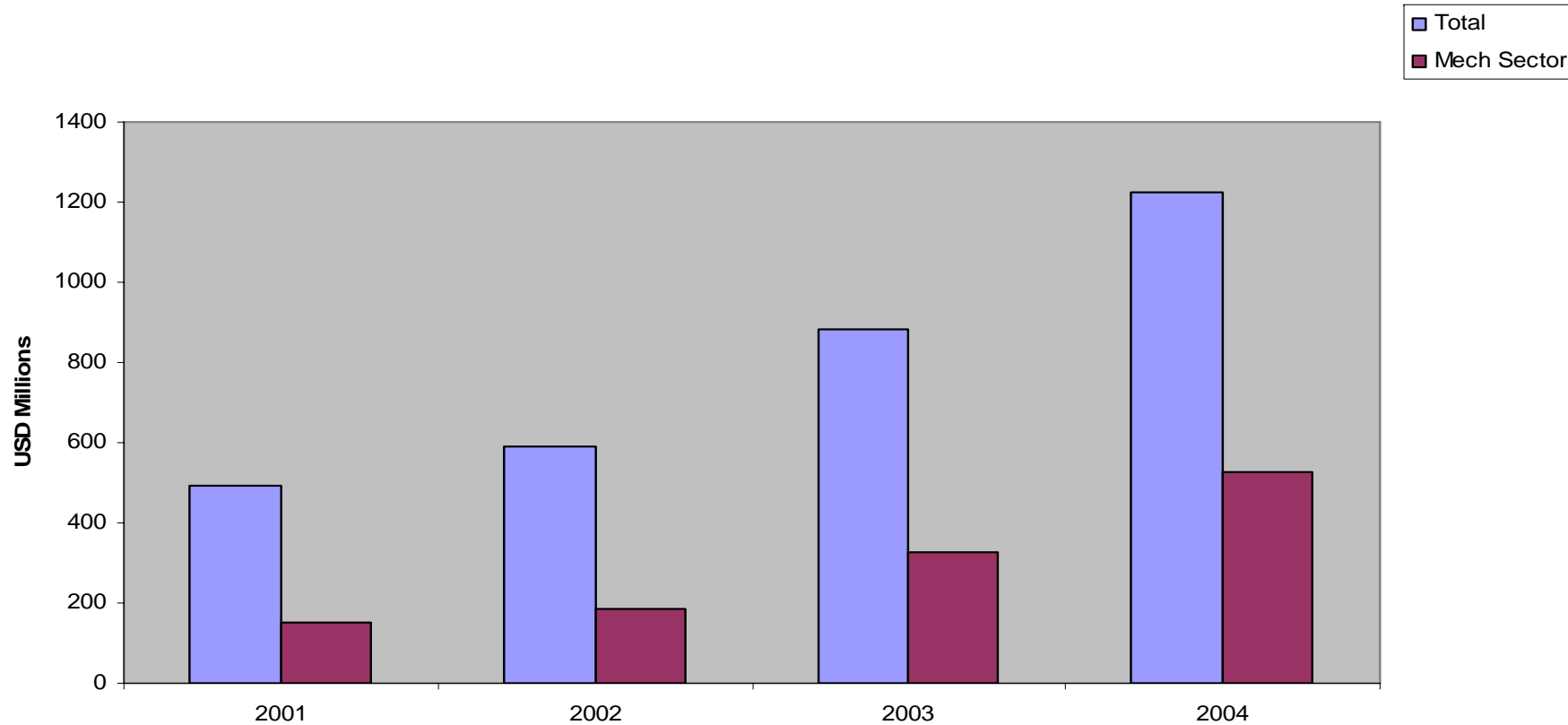
**2004 Export Value Mechanical Sector to EU
(total to EU = 157.22 USD Million)**





THE MECHANICAL SECTOR: EXPORT

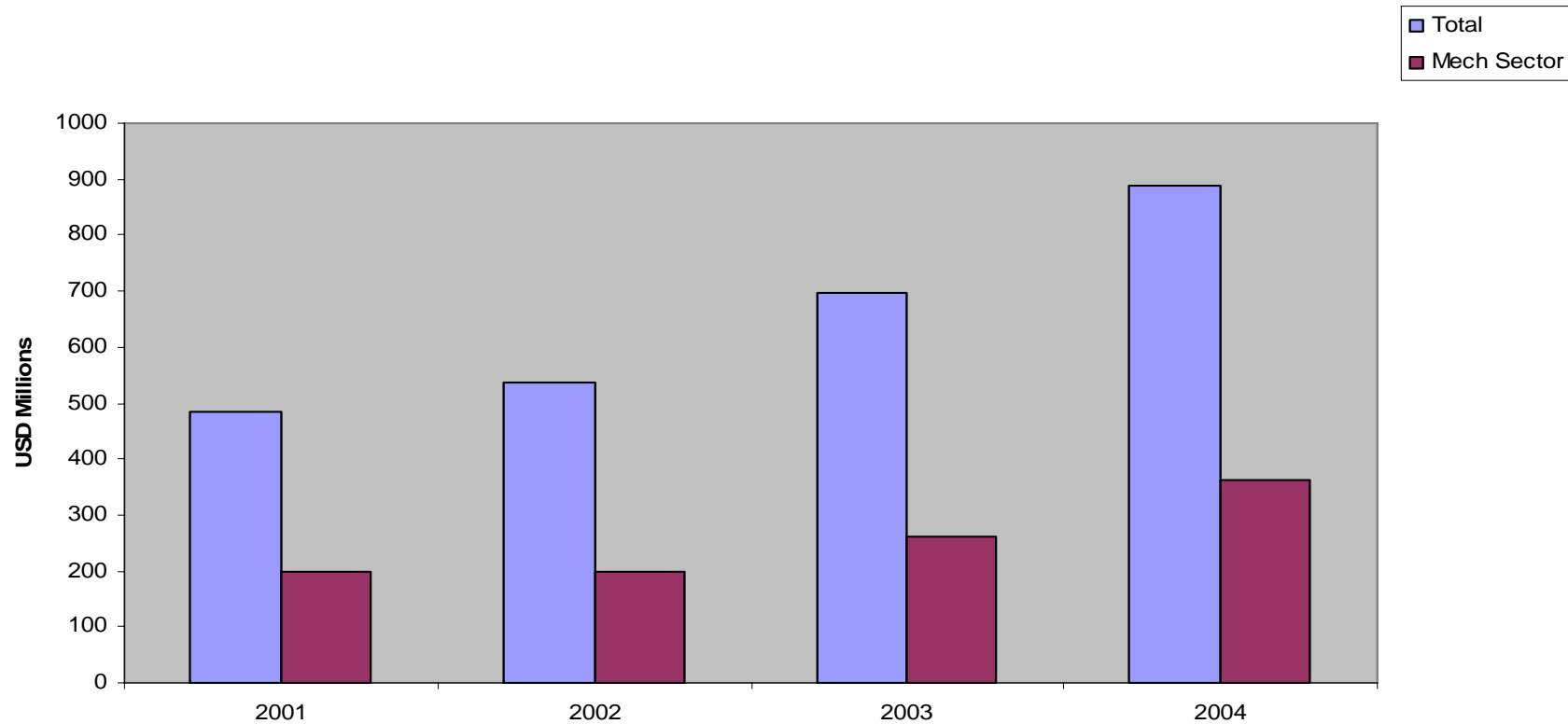
Export Value to EU (Total vs. Mechanical Sector)





THE MECHANICAL SECTOR: IMPORT

Import Value from EU (Total vs. Mechanical Sector)





RELATIONSHIPS WITH THE EUROPEAN UNION

The European Union (hereinafter referred to as the EU) continued to be the largest trading partner of China in 2005, and was China's fourth largest investor; while China was the second largest trading partner of the EU (second to the United States). According to the China Customs, the bilateral trade volume between China and the EU in 2005 reached US\$217.31 billion, up by 22.6 percent year on year, among which China's export to the EU was US\$143.71 billion, up by 34.1 percent year on year, while China's import from the EU was US\$73.60 billion, up by 5.0 percent year on year.



RELATIONSHIPS WITH THE EUROPEAN UNION

China mainly exported electrical appliances and electronic products, machinery, wool and textile products, knitwear, toys, furniture, footwear, optical and photographic equipment, leather products, bags and cases, iron and steel products, plastics, organic chemicals, etc. Main imports from the EU included machinery, electrical appliances and electronic products, airplanes, autos and auto parts, optical, photographic and medical equipment, plastics, organic chemicals, iron and steel products, copper and copper products, etc.



RELATIONSHIPS WITH THE EUROPEAN UNION

Germany, the Netherlands, the United Kingdom, France and Italy were the major trading partners of China among the EU Member States. The trade with these five countries reached US\$155.82 billion, accounting for 71.7 percent of the total bilateral trade between China and the EU.



HOW WE SEE THE EUROPEAN UNION

According to China's perspective of the world as multi-polar, the EU plays a significant role as a pole, on China's side and opposing US hegemonic pretensions. Furthermore, the EU is not as demanding to China as the US, namely on human rights' issue, Yuan devaluation, political democratization and religious freedom. As a response to Chinese independent foreign policy, EU plays an important alternative to US.



HOW WE SEE THE EUROPEAN UNION

More importantly, China is developing very fast on annual 9% growth rates and desperately needs raw materials, alternative markets for their products and financial and technical support. EU can provide both financial and technical support and markets for their products, of low and high quality but certainly cheaper than European products. In fact, EU is now China number one trade partner, the 4th largest source of foreign direct investment and the largest source of cumulative technology transfer. That's what China seeks in the EU.



HOW WE SEE THE EUROPEAN UNION

China also defines its priorities towards EU:

- to promote a sound and steady development of China-EU political relations;
- to deepen China-EU economic cooperation;
- to expand China-EU cultural exchanges.



MAJOR ASSETS AND WEAKNESSES

Strengths - China and the EU enjoy years of working together to develop mutual trade benefits. Most parties involved understand this and are working to develop and improve the relationship.

Opportunities - The marriage of advantages in the China manufacturing / mechanical sector such as rapid development to the Western high-technology provides unlimited opportunity for the right investor / entrepreneur.



MAJOR ASSETS AND WEAKNESSES

Weaknesses - Cultural differences, closed market and not transparent management techniques, perception of poor quality, and limited available knowledge of current trade possibilities need to be addressed.

Threats - Violation of intellectual property rights, other rapidly- rising countries such as India could overtake Chinese manufacturers, to reduce the potential benefits of trade to the mechanical / manufacturing sectors.