

JAN 20 2012

A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that China is one of the
2 fastest-growing economies in the world, sustaining a healthy
3 average growth rate of over six per cent per annum for several
4 decades. Currently, China is the second-largest economy in the
5 world and according to the chief economist of the World Bank,
6 may overtake the United States as the world's largest economy in
7 2030 if current trends continue.

8 China's influence in the world economy was minimal until
9 the late 1980s. However, in the twenty-two years following
10 economic reforms that began in 1979, China's economy has
11 developed at an unprecedented rate, and that momentum has been
12 steady into the twenty-first century.

13 As economic reforms took hold, China began to generate
14 significant and steady growth in investment, consumption, and
15 standards of living. China now participates extensively in the
16 world market and its state-owned and private sector companies
17 play a major role in the global economy.



1 As China's role in world trade has grown, its importance to
2 the international economy has increased. China's foreign trade
3 has grown faster than its gross domestic product for the past
4 twenty-five years. China's growth comes from investment in
5 infrastructure, heavy industry, light industry, and manufactured
6 goods for export. The highly concentrated public sector,
7 dominated by one hundred fifty-nine large state-owned-
8 enterprises, provides key inputs from utilities, heavy
9 industries, and energy resources. These have facilitated
10 private sector growth and driven private investment. However,
11 in 2008 thousands of private companies closed down due to the
12 global economic crisis and the government announced plans to
13 expand investment in the public sector to assist economic
14 recovery. In addition to industry, entrepreneurship has grown,
15 and in 2010, there were approximately ten million small
16 businesses in China.

17 Since economic reforms began in the late 1970s, China
18 sought to decentralize its foreign trade system to integrate
19 itself into the international trading system. In 1991, China
20 joined the Asia-Pacific Economic Cooperation (APEC) group, which
21 promotes free trade and cooperation in economic, trade,
22 investment, and technology advancements. China served as APEC



1 chair in 2001, and Shanghai hosted the annual APEC leaders
2 meeting in October, 2001. China's global trade has grown from
3 \$500 billion in 2001 to over \$2.4 trillion at the end of 2008.
4 The vast majority of China's imports consists of industrial
5 supplies and capital goods, notably machinery and high-
6 technology equipment, the bulk of which come from Japan and the
7 United States. About eighty per cent of China's exports consist
8 of manufactured goods, mostly textiles and electronic equipment,
9 with agricultural products and chemicals constituting the
10 remainder of exports.

11 In 2010, China was the world's largest consumer of energy,
12 and accounted for slightly more than twenty per cent of the
13 global total. China consumed forty-eight per cent of the
14 world's coal in 2010. As of 2011, China consumed fifty-four per
15 cent of the world's production of cement. The two most
16 important sectors of the economy have traditionally been
17 agriculture and industry, which together employ more than
18 seventy per cent of the labor force and produce more than sixty
19 per cent of gross domestic product. The two sectors have
20 differed in many respects. China is the world's largest
21 producer of rice and is among the principal sources of wheat,
22 corn, tobacco, soybeans, peanuts, and cotton. The country is



1 one of the world's largest producers of a number of industrial
2 and mineral products, including cotton cloth, tungsten, and
3 antimony, and is an important producer of cotton yarn, coal,
4 crude oil, and a number of other products. Its mineral
5 resources are among the richest in the world and are under
6 increasing development.

7 According to then Vice-Premier Zeng Peiyan, in remarks made
8 at the closing of the 2003 Forbes Global CEO Conference in
9 Shanghai, the Chinese government has worked out goals for
10 building up a well-off society in an all-around way in the
11 country within the coming twenty years. Vice-Premier Zeng
12 stated that China will continue to implement the "Go West
13 Campaign", revitalize the northeast provinces' traditional
14 industrial base, and vigorously promote economic growth in east
15 China. Vice-Premier Zeng stated that China would fulfill its
16 promise to the World Trade Organization to open up domestic
17 sectors, such as finance, insurance, trade, and tourism, and
18 encourage foreign companies to invest in agriculture, high-tech
19 industries, and infrastructure.

20 Hawaii needs to decrease its vulnerability as an insular
21 state and to diversify its economy with innovative, high-
22 technology, and green industries while preserving and protecting



1 the unique environment of the islands. Hawaii's unique
2 geographic location at the crossroads of Asia and the West
3 enables the State to develop economic relationships and build
4 bridges with various countries of Asia. Hawaii is uniquely
5 poised to take advantage of the explosive economic development
6 in the Asia-Pacific countries, especially China. However, the
7 State has not developed a rational, unified, comprehensive,
8 strategic plan to engage and take advantage of the economic
9 development of China.

10 The purpose of this Act is to ensure that Hawaii will
11 actively participate in and benefit from the emergence of China
12 as an economic and global leader.

13 SECTION 2. (a) There is established a China-Hawaii
14 economic strategic plan working group, chaired by the governor
15 or the governor's designee, to be attached administratively to
16 the department of business, economic development, and tourism.
17 The working group shall develop a China-Hawaii economic
18 strategic plan to be implemented by 2020. The plan shall
19 contain a detailed outline and guide to enable the State to
20 benefit economically from the emergence of the People's Republic
21 of China as an economic and global leader. The plan may contain



1 guidelines on steps to be taken by the State in the following
2 areas:

- 3 (1) Film and digital media;
- 4 (2) Culture and the arts;
- 5 (3) Education;
- 6 (4) Health and medical services and research; and
- 7 (5) Tourism.

8 (b) The China-Hawaii economic strategic plan working group
9 shall complete a strategic plan by December 30, 2012. The
10 director of business, economic development, and tourism shall
11 submit to the legislature a written report of the working
12 group's findings and recommendations not later than twenty days
13 prior to the convening of the 2013 and 2014 regular sessions.

14 (c) Members of the working group shall be appointed by the
15 governor and may include, but not be limited to representatives
16 of:

- 17 (1) The department of business, economic development, and
18 tourism;
- 19 (2) The department of education;
- 20 (3) The department of health;
- 21 (4) The Hawaii tourism authority;
- 22 (5) The University of Hawaii;



- 1 (6) The Chamber of Commerce of Hawaii;
- 2 (7) The Hawaii Business Roundtable;
- 3 (8) The Hawaii Hotel Association;
- 4 (9) The Healthcare Association of Hawaii;
- 5 (10) The Hawaii Visitors and Convention Bureau;
- 6 (11) The Pacific Basin Economic Council; and
- 7 (12) Any other interested stakeholders that the governor
- 8 deems appropriate.

9 Members of the working group shall serve without
 10 compensation but may be reimbursed for expenses, including
 11 travel expenses, necessary for the performance of their duties.

12 The governor shall appoint the members of the China-Hawaii
 13 economic strategic plan working group no later than July 15,
 14 2012, and shall convene the working group's initial meeting no
 15 later than August 15, 2012.

16 (d) The China-Hawaii economic strategic plan working group
 17 shall cease to exist on June 30, 2015.

18 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

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S.B. NO. 2400

Report Title:

China-Hawaii Economic Strategic Plan Working Group

Description:

Creates the China-Hawaii economic strategic plan working group to prepare an economic strategic plan for Hawaii to benefit economically from the emergence of China as an economic and global leader.

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