



Confederation of Indian Industry

CHINA *pulse*

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Chinese Economy

GDP grows annual average of 9.67% from 1978 to 2006

According to Ma Kai, the minister of the National Development and Reform Commission, China's GDP grew at an annual average of 9.67% from 1978 to 2006, much higher than that of the world economy, which was about 3.3% on average. The per capita disposable income of urban residents rose from 343 yuan in 1978 to 11,759 yuan in 2006, while the per capita net income of farmers grew from 134 yuan to 3,587 yuan ([More](#)).

China foreign trade (Jan-April 2007)

Unit: US\$ billion

Trade	Volume	% Increase
Total trade	635.73	23.6
Export	349.52	27.5
Import	286.20	19.1
Surplus	63.32	87.9

Source: MOFCOM, PRC

Bid to curb overheating in aluminum industry

China will take further macroeconomic control measures in the aluminum smelting sector, a move to speed up the restructuring of the aluminum industry and ease overheating in the aluminum smelting sector and encourage more consolidation ([More](#)).

China maintains high international payments surplus in 2006

China maintained a high international payments surplus under its current and capital accounts in 2006. The surplus of current accounts totaled US\$249.9 billion, and the surplus of capital accounts was US\$10 billion ([More](#)).

Iron ore imports increased 23% in first four months

Propelled by rapid economic growth, China's imports of iron ore surged 23.3% to reach 133.6 million tons in the first four months of 2007 from a year earlier ([More](#)).

FDI reaches \$20.4 billion, up 10% in first 4 months

FDI in China increased over 10.2% year-on-year to reach US\$20.4 billion in the first four months of 2007. In 2006, China drew a record \$63 billion in non-financial FDI, up from \$60.3 billion in 2005 and \$60.6 billion in 2004. The FDI figure excludes investments in the financial sector ([More](#)).

Shanghai leads China in per capita disposable income

Shanghai's household per capita disposable income for town residents took the lead with 6,795.52 yuan. China's households per capita disposable income for town residents in the first quarter hit 3,934.94 yuan, up 19.5%. Ignoring the price factor, it actually rose 16.6%, an increase scope of up to 5.8 percentage point than in the same period of last year. In the first quarter, the per capita disposable income of Zhejiang, Beijing, Guangdong, Jiangsu, Fujian and Tianjin reached 6,678.11, 5,901.17, 5,283.03, 4,847.7, 4,699.25 and 4,096.42, respectively.

Government & Politics

Chinese Vice Premier Huang Ju dies

Huang Ju, member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee and Vice-Premier of the State Council, died of illness on June 2 in Beijing at the age of 69. He held the post of vice-premier since March 2003. He started his career in Shanghai and held various positions there.

China's school fees frozen for five years at 2006 levels

The China has banned rises in school and college tuition and accommodation fees for the next five years. The central budget would allocate funds to recompense schools and colleges for rising costs incurred through inflation over the next five years ([More](#)).

China to launch separate budget on SOE earnings

China will begin a trial budget, which separately tracks the earnings of the SOEs, under the supervision of central government within this year. Premier Wen Jiabao said the special budget system was an important step in the income distribution reform of SOEs, and would help companies improve technologies and competitiveness ([More](#)).

Foreign investors urged to go west

Foreign investors are being encouraged to invest in six specific industries, namely energy and chemicals, finance, mining, production of agricultural by-products (including dairy and sugar; manufacturing), hi-tech, and tourism. Foreign investment in the region accounts for just 3% of the total FDI in China ([More](#)).

\$4.3b deal to narrow trade gap with US

The Chinese delegation, headed by Vice-Minister of Commerce Ma Xihong, signed 27 contracts in San Francisco, California, on May 09, for US high-tech and information products in a move to narrow the trade gap between the two countries and as a preparation for the upcoming Sino-US Strategic Economic Dialogue ([More](#)).

China, US seek to ease trade woes

Vice-Premier Wu Yi at the opening ceremony of the second round of the high-level US-China Strategic Economic Dialogue (SED) in Washington on May 22, said that China and the United States should join hands to work for balanced trade and address other economic irritants. In what appeared to be a clear message to US legislators threatening to slap penalty tariffs on Chinese imports unless the yuan were revalued substantially, she said: "Politicizing trade and economic issues is absolutely unacceptable". Wu and Paulson lead delegations each comprising of more than a dozen ministers in charge of trade, environmental protection, energy, innovation and finance ([More](#)).

US imposes penalties on China paper

The Bush administration is imposing further trade sanctions against China, South Korea and Indonesia in a dispute involving glossy paper as they were being sold in the US at less than fair value ([More](#)).

Ethiopia, China sign 158 million U.S. dollar telecom expansion agreement

The state-owned Ethiopian Telecommunication Corporation (ETC) and ZTE, a Chinese telecom company, on April 28 signed a US\$158 million agreement on three telecom service expansion projects in Ethiopia ([More](#)).

Substantive help urged for Africa

Premier Wen Jiabao on May 16, 2007 urged the international community, developed countries in particular, to take more substantial action to fulfill their commitment to assist the African continent. He said the world should boost economic growth in Africa by making concrete efforts in various areas including reduction or cancellation of debt and transfer of technology. He made the remarks at the opening ceremony of the annual meeting of the African Development Bank Group (AfDB), which is being held in Asia for the first time and the second time outside Africa ([More](#)).

China-Africa Development Fund Approved

China has approved the establishment of China-Africa Development Fund. According to the draft plan, the fund will start from US\$1 billion, and then add up to US\$3 billion in the second phase, and finally to US\$ 5 billion. The business scope of the fund mainly includes equity and quasi-equity investment, fund investments, fund management, investment management and consulting services ([More](#)).

Four sectors favored in outbound investment

The Chinese government will look kindly on outbound investment in four sectors -- overseas resources, infrastructure, research and development and service industries, said Zhang Xiaoli, vice minister for National Development and Reform Commission (NDRC). The government would offer preferential diplomatic, forex, tax, customs, credit and insurance policies for companies investing in these sectors ([More](#)).

China approves five-year space development plan

China, in principle, approved the 11th five-year plan on space development. Addressing the conference, Chinese Vice Premier Zeng Peiyan stressed that the 11th five-year period (2006-2010) is key to China's space development. China would give priority to a manned space flight, lunar exploration, new launch vehicle, and high-resolution earth observation ([More](#)).

Import US beef, quicken yuan revaluation: Bush

US President George W. Bush, meeting a top-level Chinese trade delegation led by Vice Premier Wu Yi at the White House, said on May 24 that China should import American beef, while repeating his administration's years old demand that Beijing needs to raise the value of its currency ([More](#)).

Securities industry to open up

Vice-Premier Wu Yi and US Treasury Secretary Henry Paulson agreed to a series of opening up measures during the China-US Strategic Economic Dialogue, held in Washington. China has agreed to resume allowing overseas market players to set up joint venture securities firms ([More](#)). China will also allow foreign banks to issue their own renminbi-denominated credit and debit cards immediately, according to the agreement ([More](#)).

Nuclear power industry opens to private investors

Domestic and foreign companies will be allowed to invest in China's nuclear power generating projects but cannot hold a controlling stake, a senior official with the Commission of Science, Technology and Industry for National Defense said on May 30, 2007. China is also considering opening the nuclear fuel sector to foreign investors ([More](#)). Negotiations for the introduction of third-generation nuclear power technology into China with the US-based Westinghouse Electric are entering their final stages, the State Nuclear Power Technology Co said.

Russia and China hold talks to build gas pipeline

Russia and China are holding talks to build a gas pipeline from gas fields in eastern and western Siberia to China, which should be partially completed in the next five to six years ([More](#)).

Shanghai Maglev Project suspended amid radiation concerns

China has suspended the construction of a high-speed magnetic levitation train linking Shanghai and Hangzhou after residents raised concerns that their health may be affected by radiation from the passing trains. A major reason for suspending the project was the magnetic radiation concerns raised by residents living along the proposed route. Approved by the central government in March 2006, the 4.5 billion U.S. dollars maglev train track was to be 175 km long and trains were expected to reach speeds of 450 km per hour. However, the Shanghai municipal government was still weighing the pros and cons of the value of the project.

Business & Industry

TCL declares European unit insolvent

TCL Multimedia Technology Holdings Ltd declared its France-based European unit TTE Europe SAS insolvent on May 24, bringing the maker of consumer electronics one step closer to shedding its loss-making European operations. TCL formed a joint venture with the French electronics firm Thomson in 2004 and took over the latter's TV businesses, including its Thomson and RCA brands ([More](#)).

Chinese investor buys German airport

A Chinese investor has paid US\$130 million to buy Parchim Airport in Germany. This unprecedented deal has opened a new investment chapter in Chinese aviation history, reported the Orient Today on May 24. Parchim Airport has an annual capacity of 180,000 flights and can handle all kinds of civil aircrafts, including the Airbus A380. It is close to Hamburg and Berlin ([More](#)).

China becomes the third biggest consumer of gold

China became the third biggest consumer of gold in the world in 2007 as the sales of gold and jewelry reached over 140 billion yuan in China and its exports were valued at US\$5.49 billion. China's gold production has grown from 181 tons in 2001 to 240 tons in 2006, an average annual growth of 5.6 ([More](#)).

China completes construction of massive offshore crude oil storage unit

China National Offshore Oil Co. Ltd. announced on April 30, in Shanghai the completion of country's largest offshore oil production and storage unit, which is capable of holding two million barrels of crude oil. Named "Offshore Oil 117", the floating production, storage and offloading (FPSO) unit is about 323 meters long and 63 meters in width ([More](#)).

Realty developers invest US\$248.4 billion in 2006

Chinese real estate developers invested about US\$248.4 billion in projects in 2006, up 21.8% year on year ([More](#)).

Major discovery increases oil reserve

China's newly found oilfield in Bohai Bay has a reserve of one billion tons, or about 7.35 billion barrels, the largest discovery in China over four decades. The oilfield lies in the Nanpu block of the CNPC's Jidong Oilfield in Caofeidian in Tangshan City (Hebei Province). The Nanpu block, partly offshore, covers an area of 1,300-1,500 square. By 2004, the CNPC had discovered five onshore oil fields in

the Jidong area with a total reserve of 735 million barrels and an annual output of 7.35 million barrels ([More](#)). Bohai Bay may have reserves of 20 billion tons of oil, with half of them still undiscovered ([More](#)).

Foreign firms earn US\$31b from China acquisitions

Overseas companies earned US\$31 billion in 2006 in China from acquisitions, three times the total volume from 2001 to 2005 ([More](#)).

Laws, Rules & Regulations

China's anti-terrorism law on cards

China is looking to introduce an anti-terrorism law to combat threats from both home and abroad, said Zhao Bingzhi, president of the criminal law research committee of the China Law Society, who has been involved in discussing the draft law ([More](#)).

Export licenses slapped on steel industry

To rein in exports, China's Ministry of Commerce will apply a new export license mechanism on 83 steel products including cold-rolled sheets, hot-rolled steel rolls and plates. It would into effect on May 20, 2007 ([More](#)).

China allows overseas stock exchanges to establish offices

China securities regulator unveiled management rules that give green lights to the establishment of representative offices of overseas stock exchanges in China. The rules will come into effect on July 1, 2007 ([More](#)).

Futures investors to have security fund

China will set up a fund worth up to 800 million yuan to compensate futures investors in case their brokers fail to pay back their margin. The fund will start operation on August 1, 2007 ([More](#)).

Travel market set to fully open

China would fully open its market to foreign travel agencies from July 1, 2007 about four months ahead of the November 11 deadline set by the World Trade Organization ([More](#)).

China adjusts export, import duties to narrow trade imbalance

China's Ministry of Finance said on May 21 that it would impose extra export tariffs, while cutting import duties as of June 1 to narrow its widening trade surplus. 142 low-end and resource products will be hit with additional export tariffs ([More](#)).

India & China

India-China trade (January-April 2007)

Unit: US\$ billion

Indian Imports	6.51	71.5% increase
Indian Exports	4.89	40.6% increase
Total Trade	11.40	56.8% increase
Deficit	1.89	

Source: *Mofcom, PRC*

During this period India was the 10th top trading partner, 8th largest export destination and 10th largest import source of China.

Indian companies to set up manufacturing units in China

Around ten Indian companies including Videocon and Spice Communications signed memoranda of understanding with their counterparts in China for establishing manufacturing units and service outfits in China, involving an investment of \$5 billion. Fino Steel of China would also be setting up two steel plants in the next 4-5 years in Orissa and South Karnataka. China intended to import 150 million tons of iron ore from India as against its current import level of 85 million tons.

Source: *The Hindu, may 16, 2007*

Union Bank of India (UBI) opens representative office in Shanghai

As part of its ambitious overseas expansion plan, the Union Bank of India (UBI) opened its first representative office (RO) in Shanghai on 18 May 2007. UBI is the 6th Indian bank to establish its presence in Shanghai. While State Bank of India commenced commercial operations in April 2006, Canara Bank, Punjab National Bank, ICICI and UTI banks already have their ROs based in Shanghai.

United Spirits Ltd (USL) joins Chinese market

India's United Spirits Ltd (USL), the world's third-largest alcohol beverage company formally announced its march into China at SIAL China 2007, an international food and beverage fair held in Shanghai ([More](#)).

Tata Tea and Chinese Tea firms join hands

Tata Tea recently entered into an agreement with Zhejiang Tea Import and Export Company of China to set up a joint venture company at Economic Development Zone of Anji County (Zhejiang) for manufacturing and marketing of green tea polyphenols, other green tea extracts, instant tea, liquid tea concentrates and other value-added tea beverages. The project is estimated to cost US\$16 million ([More](#)).

Guangdong eyes hot Indian economy

Guangdong province has its sights set on the Indian market in an attempt to boost trade with India in coming months. "Guangdong has planned to buy even more raw materials, minerals, agricultural products and other hard-to-find commodities from India this year to support its fast growing economy," the Guangzhou-based Yangcheng Evening News quoted an official of Guangdong provincial bureau of foreign trade and economic cooperation as saying. Guangdong's foreign trade volume with India reached US\$1.31 billion in the first quarter of this year, up 77.1%, and it's expected to grow further. The province's exports to India rose to US\$790 million in the first quarter, while imports from India reached US\$520 million, with increases of 77.5% and 76.6% respectively ([More](#)).

CII & China

CII Manufacturing Technology mission to China

In keeping with the CII's initiative to further boost the Indian Manufacturing sector, the Manufacturing Competitiveness Sub Committee of CII (Northern Region) organised a 5-day visit of a mission led by Mr Jayant Davar, Managing Director, Sandhar Technologies to China from 23rd to 27th April, 2007. The objective of the mission was to give Indian Industries greater exposure to relevant technologies and innovations and to accelerate transfer of technology to Indian industries and vice versa. The mission visited key manufacturing hubs and companies in Shanghai, Dalian, Chongqing and Beijing.

Dr Jayanta Roy visits China

Dr Jayanta Roy, Principal adviser, Trade and Globalization Research, CII paid a 6-day visit to China from 15 to 21 April 2007 to study India-China business and trade engagement. During his visit he met CEOs of 25 Indian companies in Beijing and Shanghai representing a broad spectrum of sectors. He also met the Chief Economist of the World Bank Resident Mission in Beijing, the Deputy Chairman of the CCPIT and the Indian Consul General in Shanghai. He attended the meeting, the Minister of Commerce and Industry had with the representatives of a select group of Indian companies in Beijing arranged by the Indian Embassy.

CII organizes seminar on India-China Economic Cooperation

CII organized a seminar on 'India-China Economic Cooperation: special focus on Zhenjiang' on May 21, 2007 in New Delhi. Chinese Ambassador, Mr. Sun Yuxi and the delegation from Zhenjiang city (Jiangsu) led by Municipal Party Secretary, Mr. Shi Heping participated in the seminar. Mr. Deep Kapuria, chairman, CII (northern region) and CMD, Hi-Tech Gears Ltd addressing the seminar stressed on the diversification of the trade basket. CII also organized visits to various corporate offices of its member companies in Delhi and other cities for the Zhenjiang delegation.



Seminar on " India - China Economic Cooperation : Special Focus on Zhenjiang (Jiangsu Province)

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