



Confederation of Indian Industry

CHINA *pulse*

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Chinese Economy

Foreign trade of China (Jan-July 2007)

Trade	Value US\$ billion	Increase
Total trade	1172.00	24.4%
Exports	654.41	28.6%
Imports	517.59	19.5%
Surplus	136.82	80.9%

EU remained China's largest partner with a trade volume of US\$190.1 billion, followed by the US with US\$167 billion, Japan with US\$130 billion, ASEAN with US\$110 billion and Hong Kong with nearly US\$106 billion. China saw a robust growth of 28.4% in machinery and electrical products exports, reaching US\$369 billion. Export value of new- and high-tech products amounted to US\$180.8 billion, up 24.7% ([More](#)).

Non-ferrous metal output rises 24% in 1st half

Non-ferrous metal output in China, the world's top metal producer since 2002, grew by 24% in the first half of this year and the combined production of 10 main metals, such as aluminum, copper, lead and zinc hit 10.97 million tons, up 24.1% ([More](#)).

Auto exports more than double in 1st half

China exported 241,000 motor vehicles in the first half, a growth of 71.2%. The combined export value reached US\$2.7 billion, up 110.7% ([More](#)).

Foreign ventures account for 84% of processing trades

Foreign ventures were responsible for 84% of China's entire domestic processing trade in the first half of 2007. 84% or US\$371.31 billion of the processing product exports and imports were attributed to foreign companies ([More](#)).

Consumer price inflation hits 10-year high

Consumer price inflation in China climbed to the highest level in more than 10 years as food prices continue to rise. The CPI grew 5.6% in July, after a 4.4% rise in the previous month and a 3.2% increase for the first six months ([More](#)).

China raises interest rates 4th time in 2007 to curb inflation

China raised the benchmark interest rates on August 21, for the fourth time this year in an effort to prevent the economy from overheating and curb accelerating inflation. The one-year deposit rate will increase 27 basis points to 3.60%, while one-year lending rate will rise by 18 basis points to 7.02%, effective from August 22 ([More](#)).

Hot money: Over \$100 billion in 1st half

According to government statistics, \$120.9 billion added to China's foreign reserves came from unknown sources in the first half of this year ([More](#)).

Curbs on forex holdings scrapped

China, on August 13, scrapped rules requiring companies to convert part of their current-account foreign exchange holdings into the yuan ([More](#)).

China expected to overtake US to become world's second largest exporter

China may overtake the US to become the world's second largest exporter in 2007 if it maintains current export growth speed. Currently China ranks third after Germany and the US in export volume. In 2006, China trailed behind the United States in total exports volume only by less than \$70 billion, while its export growth rate is seven percentages higher than that of the US ([More](#)).

China Economy

Foreign funds swell in services industry in Shanghai

The foreign investment in Shanghai's services industry in 2006 increased 33.5% from the year before, accounting for 66.9% of the total contractual value ([More](#)).

China's direct investment in Africa hits \$480 million in first half

Direct investment by Chinese firms in Africa surged to \$480 million in the first half of this year, compared to \$ 370 million during the entire year of 2006. China has signed labor service contracts worth \$11.27 billion with African countries during the first six months this year ([More](#)).

FDI up 13% in 7 months, cumulative FDI exceeds \$750 billion

China received \$36.93 billion in FDI in the first seven months this year, up 12.92% from a year earlier ([More](#)). Actual use of FDI had cumulatively exceeded US\$750 billion by the end of June this year since the beginning of opening-up policy in 1978 ([More](#)).

China issues 600 billion yuan of special treasury bonds

China began to issue 600 billion yuan of bonds on August 29, in the first tranche of 1.55 trillion yuan basket of special treasury bonds ([More](#)).

Government & Politics

China launches largest coal bed methane liquifying project

China has launched a coal bed methane liquefaction project that boasts the country's largest daily production capacity. The project, based in Qinshui Basin in Shanxi province, is expected to produce one million cubic meters of liquefied coal bed methane daily when put into operation next January ([More](#)).

Investigation aims to ensure toy safety

China has said that it would investigate and take tough measures against makers involved in the recent recalls of potentially unsafe toys in the US. On August 14, Mattel Inc issued a global recall of 19 million made-in-China toys either with lead-tainted paint or containing small magnets that could be swallowed by children ([More](#)). In another development China prepared a blacklist of companies that have violated rules on the quality of exports, amid growing global concern about the safety of China made goods ([More](#)). China's quality watchdog on August 31, introduced China's landmark recall systems for unsafe food products and toys amid efforts to improve products safety. The two regulations, following the introduction of recall system for defective automobiles in 2005, would be effective from August 31 ([More](#)).

NDRC to limit petrochemical equipment import

NDRC has drafted limits on the import of petrochemical equipment by China. It said that the percentage of homemade petrochemical equipment should reach 75% in the 11th Five-Year Plan period (2006-2010) ([More](#)).

China appoints new ministers

National People's Congress of China on August 31 approved the nomination of five new ministers. These are Xie Xuren (finance minister), Geng Huichang (minister for national security), Ma Wen (minister of supervision), Yin Weimin (minister of personnel) and Zhang Qingwei (minister for COSTIND) ([More](#)).

Paulson: China committed to yuan reform

US Treasury Secretary Henry Paulson said on August 01 that he was assured that China was committed to currency flexibility and more financial reforms, but the Chinese government offered no specific changes that could help assuage US congressional ire over China's huge trade surplus ([More](#)).

Agricultural Bank of China to get \$40 billion for reform

Central Huijin Investment Corp, the central bank's investment arm, plans to invest \$40 billion in the Agricultural Bank of China. This cash injection will be a big step in the long-awaited shareholding reform of the bank ([More](#)).

China to sign nuclear power pact with Areva

China is expected to sign a deal with Areva, a French provider of technological solutions for nuclear power generation and transmission. It is the second big deal on nuclear power for the country following the agreement with US company Westinghouse. China plans to build 30 nuclear power plants mainly using technology from Westinghouse and Areva by 2020, when the country's combined installed capacity will reach 40 million kW, five times the current level ([More](#)).

China builds another gas pipeline to fuel energy-thirsty east

China launched a gas pipeline that runs from Sichuan province to Shanghai, another "energy artery" to fuel the booming but energy-insufficient east following the grand West-East gas project. The 1,700-km pipeline is expected to channel 12 billion cubic meters of natural gas annually from the Puguang field in Sichuan to the central and eastern regions that cover Hubei, Anhui, Jiangxi, Jiangsu, Zhejiang provinces and Shanghai.

Shanghai Audit Report: 8 billion Yuan Unclear

According to Song Yijia, Director of the Shanghai Audit Bureau, over 8 billion yuan (US\$1 billion) still goes unaccounted for at various levels of local government. The figure was released in the 2006 Annual Audit Report of Shanghai.

Business & Industry**People's Bank of China buys stake in BG**

People's Bank of China has bought a 0.46% stake in BG, Britain's third largest gas producer. Analysts say it might raise its shareholding further ([More](#)).

158 countries, organizations confirmed to attend Shanghai World Expo

A total of 158 countries, regions and international organizations have confirmed their participation in the 2010 World Expo, which would be held in Shanghai from May 1 to 31 October ([More](#)).

Lenovo tops list again

Lenovo Holdings topped China's private firms for the ninth year in a row, according to the latest annual research report by the All China Federation of Industry and Commerce. Lenovo had a turnover of 118.9 billion yuan (\$18.4 billion) in 2006. The top 500 firms employed an average of 7,040 people and each paid about 187 million yuan in wages ([More](#)). The total revenue of China's large private firms in 2006 was 4.2 trillion yuan (US\$554.5 billion). They also reported 3.21 trillion yuan in assets and post-tax net profits of 187.3 billion yuan. A total 3,191 companies, each with an annual turnover of over 200 million yuan took part in the study ([More](#)).

First industrial park in aviation sector inaugurated in Chengdu

China's aviation industries have begun construction of a high-tech industrial park featuring space and aviation technology in Chengdu, capital of Sichuan province ([More](#)).

Baosteel signs mine deal

Baosteel Trading Co Ltd, a subsidiary of Baosteel Group on August 28, signed an agreement with Australia Fortescue Metals Group Ltd to jointly explore a mine in western Australia that is expected to have 1 billion ton of magnetite deposits ([More](#)).

Baosteel to build steel plant in cooperation with CVRD

Brazilian company, Companhia Vale do Rio Doce (CVRD) has signed an MOU with China's Baosteel Group, to build a steel plant with an initial production capacity of five million tons per year, in the industrial district of Anchieta, located in the southern state of Espirito Santo. CVRD said that at the start of the plant's construction it would hold a participation of 20%, while Baosteel will have up to 80% ([More](#)).

Laws, Rules & Regulations

- Anti-monopoly law ([More](#))
- Opening of military industry to private businesses ([More](#))
- Boosting of financial services in rural areas ([More](#))
- [Trade Union Law of the People's Republic of China](#)
- [Labour Law of the People's Republic of China](#)
- [Law on Control of the Entry and Exit of Aliens](#)
- [Law on the Entry and Exit Animal and Plant Quarantine](#)

China allows individual investment in overseas securities market

Chinese citizens have been allowed to invest directly in overseas securities market on a trial basis. The Binhai New Area of Tianjin will be the first pilot area for the trial program ([More](#)).

China mulls curbs on coke export

The Chinese government plans to further up tariffs on coke exports in the second half of this year, as part of its efforts to reduce pollution at home. China is the world's biggest coke producer and exporter. On June 1, China lifted the tariff on coke exports to 15% from 5% in a bid to rein in overseas shipment ([More](#)).

India & China

India-China trade (Jan-July 2007)

Unit US\$ million

Trade	Value	Increase
Indian imports	12437	67%
Indian exports	8032	33.4%
Total trade	20469	52%
Trade deficit	4405	

India was the 10th largest trading partner and 9th largest export market of China during this period.

Source: Mofcom, PRC

China National Tourist Office opens in India

In line with the action plan "China-India year of friendship through tourism-2007", China National Tourism Administration (CNTA) and Indian Tourism and Culture Ministry jointly hosted the inauguration of the China National Tourist Office, affiliated to CNTA, in New Delhi on August 20. Mr. Shao Qiwei, Chairman of the CNTA leading a high level Tourism Delegation from China and Indian Tourism and Culture Minister Ambika Soni were present on the occasion ([More](#)).

CII & China

India China-Nanjing IT Seminar held in Nanjing

The Consulate General of India (CGI) in association with CII and CCCPIT (Nanjing Sub Council) organized an 'India China – Nanjing IT Seminar' at Nanjing (Jiangsu Province) on 1 September 2007. Consul General Vishnu Prakash led the Indian delegation, comprising of executives of leading Indian IT companies including Infosys, TCS, Satyam Computers, NIIT, Covansys Technologies, Integer Education, E-valueserve, L&T and CII. Nanjing, which has been recently awarded the "National Innovation Base of Software", has a strong foundation in the IT industry and is seen as one of India's preferred partners in the Jiangsu Province. Participants called for greater cooperation in IT and manufacturing sectors. An agreement for cooperation in IT training and building training models for BPO was also signed between Integer (Shanghai) Co. Ltd. and the Nanjing High Tech Park during the Seminar.

Jiaxiang delegation visits CII

A six-member delegation of Jiaxing Economic Development Zone (JXEDZ) visited CII headquarter on 23 August 2007 and interacted with the CII officials. A presentation on the present status of Indian economy was made at the meeting. Before this, CII organized the visits for the delegation to Kolkata and Hyderabad. CII Andhra office organized a seminar on 'Investment Opportunities in Jiaxing Economic Development Zone'.

CII CEOs Mission to China

A CII delegation led by Mr. Sanjay Budhia, Chairman of CII National Committee on Trade Policy and Managing Director of Patton International Ltd, visited China from 31 July to 3 August 2007. The objective of the mission was to primarily interact with Chinese companies to explore business opportunities, to identify new emerging technologies and possible areas of cooperation and to interact with government officials. The delegation, comprising of companies related to steel production and consumption visited Beijing, Nanjing and Shanghai. During the visit the delegation met with the President of SinoSteel Corporation, Mr Huang Tianwen, Indian Ambassador to China, Ms Nirupama Rao, and other officials. It had an interaction session with the China Iron & Steel Association where 20 top Steel organizations of the China were present. In Nanjing, the delegation visited the Nanjing Iron & Steel Company and interacted with over 10 iron & steel companies and met the Vice Mayor. In Shanghai, the delegation visited BaoSteel and met Mr Vishnu Prakash, Consul General of India, Shanghai.



Mr Sanjay Budhia, Chairman of CII National Committee on Trade Policy and Mr Sandipan Chakravorty, Deputy Chairman, CII Eastern Region with the Indian Ambassador to China, Ms Nirupama Rao

IP protection, enforcement & possible collaboration between India and China

CII organized an international conference on anti-counterfeiting and piracy at the Hotel Taj Mahal, Mumbai on 23rd and 24th August 2007. A delegation from International Trade Association (INTA) as well as Quality Brand Protection Committee (QBPC) also participated in the conference. On the evening of 23rd August, a roundtable on 'IP Protection, Enforcement and Possible Collaboration Between India and China' was organized by CII. It was aimed at creating an effective partnership among IP owners in India & China for promotion, protection and enforcement of IP-enabling tangible business goals. The participants discussed various issues and focused on collaborative efforts between CII and QBPC.



CII-QBPC Roundtable on Possible Collaborations" on 23 August 2007 in Mumbai

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