

## Chinese Economy

### CPI up 6.5% in August

Consumer inflation in China jumped to the highest level in nearly 11 years by 6.5% in August after a 5.6% increase in July. The central bank further raised interest rates for the fifth time this year on September 14, as part of its continuing efforts to arrest the rising inflation graph and prevent the economy from overheating ([More](#)).

### Foreign trade of China (Jan-Sept 2007)

Trade	Value US\$ billion	Increase
Total trade	1570.89	23.5%
Exports	878.24	2717%
Imports	692.59	19.1%
Surplus	185.65	69.2%

### FDI and foreign-funded enterprises in China

Since the opening up more than two decades ago till last July, China had approved the establishment of more than 610,000 foreign-funded enterprises and used US\$720 billion of foreign capital ([More](#)). FDI reached US\$41.95 billion this year till August ([More](#)).

### China's trade of electronic information products reaches US\$400 billion

During the first seven months of this year, China's import/export of electronic information products totaled US\$417 billion, up 22.9%. The export value of electronic information products reached US\$235 billion, up 25.9%, 36% of national exports and 33.2% of the growth of exports nationwide. Imports added up to US\$182 billion, up 19.3%, contributing to 35.2% of the national figure, and 34.8% of import growth ([More](#)).

### Foreign enterprise exports account for 60% of the total

The advanced technologies introduced by foreign enterprises have accounted for 50% of China's total introduced technology; while exports from foreign enterprises in China have accounted for 60% of the total. Foreign enterprises export 88% of high-tech products. The foreign enterprises have produced one third of China's industrial value, provided 20% of internal tax revenue and employed 20 million employees. ([More](#)).

### Outward FDI hits \$21.16 billion for 2006

China's outbound foreign direct investment reached \$21.16 billion in 2006. Overseas foreign direct investment to financial sectors reached \$3.53 billion last year. China expects that its outward investment would reach \$60 billion during the 11th Five-Year Plan period (2006-10) ([More](#)).

### Exports of made-in-China furniture hit US\$17.4 billion in 2006

China exported US\$17.4 billion worth of furniture in 2006 and the figure is expected to reach US\$48 billion in 2010. The mushrooming furniture industry has also driven expansion of the woodworking machinery industry ([More](#)).

## Government & Politics

### Davos Summers in Dalian, China

This September, for the first time, the World Economic Forum held in Dalian (Liaoning province) a summer version of its Davos conference, the ultimate networking event for global executives, government leaders, academics, and social entrepreneurs. What was different about Summer Davos was, first, it was held in the bustling coastal city of Dalian, China, rather than in the ski resort of Davos, Switzerland. Second, it was aimed at what the WEF calls the "global growth companies"—not the top global 1,000 companies with revenues in the billions of dollars. Much of the focus was on China itself, both as an emerging market and as a player in the international business scene. In his opening plenary speech, Premier Wen Jiabao touched on all the subjects one would expect, including product safety, the deficit with the US, the current financial crisis, and global warming. He spoke about China's determination to build its own innovation capability, the need for sustainable growth based on innovation, and the importance of science-based research and development ([More](#)).

### China to issue 200 billion yuan special T bonds to finance forex exchange firm

China is to issue 200 billion yuan (US\$26.7 billion) of special treasury bonds as the second tranche of a planned 1.55 trillion yuan basket to finance its new foreign exchange investment firm. The first 100 billion yuan bonds will be issued later this month in three batches ([More](#)). The \$200 billion sovereign wealth fund of China Investment Corporation (CIC) officially started operating on September 29, 2007, but analysts said it is set to face major challenges.

### China donates flood relief materials to Nepal

Tibet Autonomous Region handed over relief materials that included tents, carpets, pure water and food worth US\$ 39,600 to the Nepal Red Cross Society in Kathmandu on September 13 ([More](#)).

### Nepal-China Tibet economic, trade fair kicks off

Nepal-China Tibet Economic and Trade Fair 2007 was inaugurated on September 11 in Kathmandu. An 81-member delegation from Tibet Autonomous Region participated in the fair ([More](#)).

### Nepal-China optical fiber execution contract signed

Execution contract of optical fiber cable laying project from Kathmandu to Khasa of China was signed on September 23 in Kathmandu by two state-owned enterprises China International Telecommunication Construction Corporation and Nepal Telecom. This 125-km optical information super-highway project would help Nepal link to the rest of the world via China ([More](#)).

### Mattel apologizes to China, to take responsibility for defective toys

Thomas Debrowski, executive vice-president of Mattel's global operations apologized personally to a senior Chinese official for the massive recall of Made-in-China toys due to design flaws ([More](#)).

### China revising major science law to boost innovation

Chinese lawmakers convened on 26 August, to discuss the draft amendment to a key science progress law, which further clarifies the country's strategy of boosting science development through innovation. Science workers will be given more incentives and high-tech enterprises more favorable policies, as a way to encourage innovation ([More](#)).

### Officials' assets to be made public

China plans to set up a national system, which will require civil servants to declare personal assets as a deterrent to corruption ([More](#)).

### China voices support for Myanmar's democracy process

China whole-heartedly hopes that Myanmar will push forward a democracy process that is appropriate for the country, Chinese State Councilor Tang Jiaxuan said on September 13, during his meeting with U Nyan Win, Myanmar Minister of Foreign Affairs, special envoy of Myanmar's head of state, in Beijing ([More](#)).

### Urban and rural income gap widens

The gap in the income of the urban and rural residents in China widened in 2006. The average annual income of urban residents in 2006 was 3.28 times that of their rural counterparts, up from 3.22 in 2005 and 3.21 in 2004. The disposable income per capita of urban residents reached 11,759 yuan in 2006 and that of rural people grew to 3,587 yuan ([More](#)).

### China and US sign energy accord

Karen Harbert, assistant secretary for policy and international affairs of the US Department of Energy (DOE), and Chen Deming, vice-minister of the NDRC signed an agreement at a meeting in San Francisco to cooperate in increasing energy efficiency in China's industrial sector, which accounts for 70% of the country's energy demand ([More](#)).

### China sets up new committee to oversee M&A of listed companies

China's securities regulator set up a new committee to oversee mergers and acquisitions (M&A) of listed companies, in an effort to eliminate insider trading and guarantee transparency in government approval for M&A of listed companies ([More](#)).

### Russia gets ready to supply power to China

The first stage of a cooperative program under which Russia will supply electricity to China as part of the "Year of China" in Russia, has begun. Russia has agreed to supply 60 trillion kilowatt-hours of electricity to China annually ([More](#)).

### Entry, exit procedures made easier

Foreign or Chinese passengers who transit at a mainland airport for less than 24 hours on their way to another country will not need to fill in entry and exit forms from next month. In addition, Chinese passengers need no longer fill in exit forms when they leave the country. It is aimed to simplify immigration procedures in line with international practice and improve efficiency ([More](#)).

### \$3.6 billion State funds misused

Dozens of central government ministries and agencies misused \$3.6 billion of State funds in 2006, according to a National Audit Office (NAO) report released on September 19 ([More](#)).

### China starts building world's largest IT hub

Seeking to pose a stiff challenge to India's booming software industry, China has started constructing the world's largest software and IT service hub in Dalian (Liaoning Province). "Stretching over 40 kilometres, we'll build Lushun South Road into not only China's Silicon Valley, but the world's leading IT city with a first-class environment," Mayor of Dalian, Xia Deren said at the launch ceremony.

Source: Agencies, September 18, 2007

### Chinese vice-premier calls for acceleration of service industry

China will accelerate the development of service industry and turn it into the pillar industry of national economy, Chinese Vice-Premier Zeng Peiyan told a national conference in Hefei ([More](#)).

### CAS maps out China's strategic energy plan

The Chinese Academy of Sciences (CAS) has set out a strategic plan for the development of China's energy industry until 2050. The plan proposes three steps. The first is to develop energy-saving technology and master techniques in the collection, storage and utilization of carbon dioxide by 2020. From 2021 to 2030, the focus will be on promoting nuclear energy and other renewable energies so they become main resources and maximizing the efficiency of solar energy. Over the following 20 years, the academy advocates the reduction of fossil energies to less than 60 percent of total energy consumption ([More](#)).

### Dairy industry to get state support

On September 24, China announced measures to support the dairy industry as 30% milk cow raisers suffered losses in 2006. The cost of raising milk cow has increased sharply since 2006 due to increase in the cost of cattle feed, human labor, quarantine, transport and water and power ([More](#)).

### China builds new freeway connecting to Central Asia

Construction has begun on a freeway that will form a key part of a Central Asia highway network between Korla and Kuqa, in Xinjiang Uygur Autonomous Region. The four-lane freeway would cover 296.5 km at a budgeted cost of US\$503 million ([More](#)).

### China set to beef up ties with Africa

Foreign ministers of Africa and China launched their first annual talks on September 26, as Beijing continues to build up sound economic and political relations with the relatively underdeveloped continent. "China and Africa are good friends, close partners and brothers," Chinese Foreign Minister Yang Jiechi said as he shook hands and welcomed a long line of his African counterparts to the meeting at the sidelines of the UN General Assembly in New York. China-Africa trade hit US\$39.3 billion during the January-June period in 2007, up 30% ([More](#)).

### China among top scientific powerhouses

China's expertise in science and technology has grown significantly in recent years, a report from the Ministry of Science and Technology has said. With 35 million people employed in various scientific and technological fields, China ranks first in the world in terms of personnel. In 2006, China had 1.4 million people specifically engaged in scientific research and development, putting it second only to the United States. According to Xu Heping, deputy director of the ministry's strategy survey and research office, "The gap between China and the world's most advanced scientific powers has been steadily narrowing". In China, spending on R&D topped \$58 billion, 1.42% of the GDP, in 2006, the fifth highest in the world ([More](#)).

### China welcomes foreign investment in hi-tech industry

"China welcomes more international hi-tech companies to set up regional headquarters, R&D centers, procurement centers and training centers in China, and encourages domestic enterprises to explore overseas hi-tech markets," Zhang Xiaoqiang, vice minister of the NDRC, told a press conference ([More](#)).

### China warns of environmental "catastrophe" from Three Gorges Dam

Chinese officials and experts have admitted the Three Gorges Dam project has caused an array of ecological ills, including more frequent landslides and pollution, and if preventive measures are not taken, there could be an environmental "catastrophe". While the dam has served as a barrier against seasonal floods threatening the lower reaches of the Yangtze River and the electricity generated by hydropower has led to a decrease of 100 million tons of carbon emissions, the benefits have come at an ecological and environmental cost, officials said ([More](#)).

## Business & Industry

### Iron ore imports likely to slow down

China's iron ore imports are expected to increase at a slower pace because of rising domestic supply and decline in the growth of steel output capacity. China's import of iron ore rose to 187.9 million tons in the first six months this year, up 16.46%. Australia continues to be the biggest exporter to China, accounting for 37.95% of the country's total imports, followed by India, Brazil and South Africa. The output of large and medium-sized mines in China rose 29.28% to 321.28 million tons in the first half while the output of small mines was around 50 million tons ([More](#)).

### Agreement signed on passenger jet engine

"Made in China" will appear in the field of international passenger jet power as the AVIC I Shenyang Liming Aero-Engine Group Corporation on September 7, signed an agreement with the GE to assemble and test GE's CF34-10A engine. The engine will be applied to China's regional passenger jet ARJ21-700 ([More](#)).

### Chinese-made passenger planes make debut in Indonesia

Two Xinzhou-60 passenger planes will enter service in Indonesia's state-run air carrier Merpati Nusantara Airlines next week to become the first Chinese-made planes in commercial flights for a local company ([More](#)).

### China, Russia sign light aircraft production agreement

Jilin-based Dingxin Technology Co Ltd and a Moscow Aviation Institute have agreed to launch a private airplane production project in Jilin province with an investment of US\$106 million. This project is expected to produce 500 two-seat and four-seat light aircraft and seaplanes for private use annually with estimated revenue of 800 million yuan ([More](#)).

### Baosteel keen on joint venture in Pakistan

Baosteel is interested to set up a 0.30-million-tonne cold-rolled steel plant in Pakistan as a joint venture with the local Sapphire group. A six-member Chinese delegation visited Pakistan ([More](#)).

### China expected to produce 8.5 million autos in 2007

China's auto production saw an annual growth rate of 45.8% since 2002 and China is expected to produce 8.5 million units of automobiles in 2007 ([More](#)).

### Assets of overseas banks in China hit \$133 billion by June

The total assets of overseas banks in China have reached US\$133 billion with 364 domestic outlets opened in 25 cities by the end of June ([More](#)).

## Laws, Rules & Regulation

- More gas firms allowed to sign foreign contracts
- Rigid air travel insurance pricing ends
- Government caps price hikes to curb rising inflation

- Imports of blood drug approved
- New rules on major asset restructuring released
- Online traders required to get licenses

## India & China

### TCS to open 3rd centre, up headcount in China

Tata Consultancy Services (TCS) plans to open its third IT centre in China in the current fiscal and increase its headcount five-fold to 5,000 by 2010. TCS currently has a workforce of 1,000 in China.

Source: Agencies, September 07, 2007

### India-China trade (Jan-August 2007)

Unit US\$ billion

Trade	Value	Increase
Indian imports	14.70	65.8%
Indian exports	9.10	32%
Total trade	23.80	51%
Trade deficit	5.60	

Source: Ministry of Commerce, PRC

India was the 10<sup>th</sup> largest trading partner and 9<sup>th</sup> largest export destination of China during January-August 2007.

### China, India advance feasibility research on RTA

Chinese and Indian officials have made progress in joint research on the feasibility of initiating a regional trade arrangement, China's Ministry of Commerce announced on September 27. The two sides met in Beijing for a two-day consultation, which ended on September 26, and reached a basic agreement on cargo and service trade, investment as well as trade and investment facilitating measures, said ministry spokesman Wang Xinpei. The consultation was the fifth of its kind since March 2006 ([More](#)).

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