



China Pulse



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China's Economy

China's Economic Indicators

- Total foreign trade: \$2.37837 trillion, up 20.9% (Jan-Nov 2008)
- Exports: \$1.31716 trillion, up 19.3% (Jan-Nov 2008)
- Import: \$1.06121 trillion, up 22.8% (Jan-Nov 2008)
- Trade surplus: \$255.95 billion, up 6.9% (Jan-Nov 2008) ([More](#))
- CPI: Down to 2.4% in November, lowest level in 22 months
- PPI: Rose 2% in November, the lowest since April 2006
- GDP: 9.9% (Jan-Nov 2009) ([More](#))
- FDI: Expected to reach \$90 billion in 2008 ([More](#))
- Industrial output growth: 5.4% (Nov 2008)

China's dependence on foreign trade tops 60%

China's reliance on foreign trade has exceeded 60%, which made the country more sensitive to price changes on international markets and caused the ensuing external-driven inflation in the nation ([More](#)).

Assets of China's banking financial institutions exceeds 60 trillion yuan

By the end of November this year, the total assets of China's banking financial institutions exceeded 60 trillion yuan and reached 61.1 trillion yuan, 323 times that of 1978 ([More](#)).

RMB likely to be used as currency for forex reserves

China's currency, Renminbi (RMB), is likely to join other international currencies to be used for forex reserves by other economies, according to Wu Xiaoling, deputy head of the financial and economic committee under the National People's Congress. In an article of business magazine Caijing, he remarked that China should make preparations in its economic structure and its financial regime for internationalization of RMB ([More](#)).

Interest rates cut again to spur growth

The People's Bank of China has rolled out the fifth interest rate cut in four months, to shore up investment and boost the economy. China has lowered the benchmark one-year lending and deposit rates by 0.27 percentage point to 5.31% and 2.25%, effective from December 23. It also lowered the reserve requirement ratio for lenders by 0.5 percentage point to 13.5%. The reduction in the reserve requirement will take effect from December 25 ([More](#)).

Financial meltdown hurting Chinese farmers

The global financial crisis has begun hurting Chinese farmers' income. The annual income growth of farmers is likely to cross 7% this year, but that is about 2 percentage points lower than the government target. CPI is continuously falling down after reaching 8.7% in February this year. Despite China's recent move to raise grain purchase prices, there is a strong possibility of prices falling in the domestic market. Farm product prices are already falling in the domestic market, which will hurt farmers' income ([More](#)).

Government & Politics

China celebrates 30th anniversary of landmark reform, opening-up

China held a meeting on December 17 to celebrate the 30th anniversary of its reform and opening-up drive, which turned the once poverty-stricken country into one of the world's largest economies. Top leaders, including President Hu Jintao, attended the ceremony. Hu praised the landmark event of the Third Plenary Session of the 11th CPC Central Committee, when the central leadership took efforts to mobilize all ranking officials to conduct reformist steps. During last thirty years, China's GDP kept growing at an annual rate of 9.8%, more than three times of the world average, as it soared from more than 360 billion yuan in 1978 to 24950 billion yuan in 2007, making China the world's fourth largest economy ([More](#)). Hu reiterated the principled guidance for a secure and prosperous future ([More](#)).

Study 30 years' anti-corruption experience

Communist Party of China has called for studying the Party's experience in fighting corruption in the past 30 years and pushing forward the anti-corruption campaign with the spirits of reform and innovation ([More](#)).

China outlines tasks for next year's economic work

The Political Bureau of the Communist Party of China (CPC) Central Committee chaired by CPC General Secretary Hu Jintao convened a meeting on November 28, analyzing and studying the economic work for next year and setting out major tasks. Hu Jintao warned that the worsening global financial crisis would have more impact on China's economic development and urged the country to take more precautionary measures to meet the challenges ([More](#)). China concluded the three-day annual Central Economic Work Conference on December 10, in Beijing with pledge to maintain a stable, healthy growth next year through domestic demand expansion and economic restructuring ([More](#)).

Vice President Xi: World financial crisis "to test Chinese leadership"

Vice President Xi Jinping on December 4 said that keeping China's economy growing amid the global financial crisis would test the competence of the government leaders. At a two-day meeting that started on December 3, attended by about 10 provincial leaders, Xi urged government officials to find ways to sustain steady and rapid economic growth ([More](#)).

China property stimulus plan targets low-income housing, ownership

China on December 17, announced a new real-estate stimulus package emphasizing low-income housing and home ownership. The package will benefit 7.5 million low-income urban families and 2.4 million households in shantytowns in the next three years ([More](#)). ([Details of a real-estate stimulus package](#)) China's national property climate index declined further in November from October ([More](#)).

China building 2nd railway to Central Asia

A railway tunnel running across northern Tianshan Mount Range was completed on December 28 after four years' efforts. This 13.6-km long tunnel, which links up Jinghe, Yining and Korgas (in Xinjiang), constitutes a vital part of a railway that is designed as a second railway to connect China and Central Asia. China's first railway to Central Asia runs from Urumqi to Alataw Pass on China-Kazakhstan border ([More](#)).

Myanmar gas export to China

Natural gas produced from the Shwe Field off Myanmar's Rakhine coast will be exported to China's southwestern region under a new export gas sales and purchase agreement signed between companies from China, Myanmar and South Korea. Under the agreement signed on Wednesday evening, the Shwe gas will be transmitted through pipeline and partly tapped along the route in Myanmar's territory. The contract agreement is effective for 30 years and it is estimated to start supplying gas in 2013 ([More](#)).

China loses WTO appeal in car parts dispute

China has lost an appeal at the WTO in a dispute over the duties it levies on car parts. The WTO upheld the original rulings in July that marked China's first defeat in a WTO dispute since joining the global trade body in 2001. In 2001, it had a maximum tariff of 25% on vehicles and 10% on auto parts. But in 2004 and 2005 it started to charge car manufacturers importing parts at the rate of 25% if they did not use a sufficient quantity of components made in China ([More](#)). China has expressed regrets over the WTO's decision ([More](#)).

China requests WTO probe into US anti-dumping measures

China on December 22, asked the WTO to establish an expert panel to investigate US anti-dumping and countervailing duties on Chinese products, which may violate WTO trade rules. The US measures at issue "appear to raise a number of WTO concerns," and China "is deeply concerned" about the compatibility of these measures with US obligations in the WTO ([More](#)).

China doesn't subsidize export of "famous brands"

China doesn't subsidize the export of "famous brands," said Hui Boyang, deputy director of the quality management department of the General Administration of Quality Supervision, Inspection and Quarantine. Hui's comment came days after the United States and Mexico filed a complaint against China at the WTO, claiming China was using subsidies to promote export of its "famous brands." ([More](#))

China's SME guarantee business expected to hit \$146 billion in 2009

The guarantee business for China's SMEs is expected to reach \$146 billion in 2009 as the country is working to ease SMEs' financing bottleneck ([More](#)).

China builds first coal mine in Bangladesh

The first coal mine in Bangladesh built by the Chinese was highly lauded by both sides as a model of successful cooperation between the two countries. Balarpukulia Coal Mine, built in 2005 in northwestern Bangladesh, is the first and the only coal mine in Bangladesh, ([More](#)).

Chinese mainland, Taiwan start direct transport services

The Chinese mainland and Taiwan started direct air, sea transport and postal services on December 15, the latest step to further improve the once strained ties ([More](#)).

Construction begins on China's tallest building

Construction began in Shanghai on Saturday on China's tallest building, a 632-meter skyscraper called the Shanghai Center. The center will be taller than the other two most famous skyscrapers in Shanghai, the 420.5-meter-tall Jin Mao Tower completed in 1999 and the 492-meter-tall Shanghai World Financial Center finished in August this year. The new building will be completed in 2014, costing about \$2.17 billion ([More](#)).

China cuts aluminum production in line with prices

The Aluminum Corporation of China Ltd. (Chalco), China's largest aluminum producer, decided to cut production in line with falling demand and prices. The total capacity reduction would be 720,000 tons a year or 18% of the company's annual production ([More](#)).

Power firms bleed from high costs

China's power companies may incur 70 billion yuan losses this year due to rising fuel costs and lackluster electricity demand. China's five biggest power generators like China Huaneng Group, China Guodian Corp, China Datang Corp, and China Power Investment Corp, have posted losses of 26.8 billion yuan from January to October ([More](#)).

Coal firms seek output cut as prices fall

Coal prices have fallen dramatically in China due to the global economic downturn and dwindling domestic demand. Analysts and traders are now warning producers to cut production so that the coal surplus does not drive prices down further. Coal prices at Qinhuangdao port, China's largest coal port, dropped by 25% over the past two weeks and coal stockpiles have risen to a record 9 million tons ([More](#)).

Business & Industry

Fast Food to become a \$66 billion industry in China by 2009

With the stock market debut of hot-pot chain Little Sheep on June 12, brokers such as Cazenove are touting a new theme to investors hungry for a slice of China's consumer boom - home-grown branded restaurants. Chinese appetite for on-the-go burgers, fried chicken, pizza, and noodles is expected to make fast food a \$66 billion industry in China by 2009, up from \$51.7 billion last year ([More](#)).

Toyota recalls more than 120,000 vehicles in China for steering defects

Toyota will recall 12,1930 vehicles in China as of December 26 to fix a problem that could cause drivers to lose steering control ([More](#)).

China confirms new gas reserve find

China National Mineral Resource Committee disclosed on Sunday that it found a major gas field with a proven reserve of 100 billion cubic meters in northern Xinjiang. It is the first reserve of this size ever discovered around the Junggar basin, which is reported to have 2.5 trillion cubic meters of gas reserve ([More](#)).

Indonesia, China sign \$3.13 billion deals in energy, mining

Indonesia and China signed deals on December 23 covering cooperation in eight energy and mining projects worth about \$3.13 billion. The eight projects include one oil and gas project, one bio-diesel development project, two coal mining projects and four power plant projects ([More](#)).

China toy export growth slows as global demand shrinks

China's toy exports have been hurt by the global financial crisis, with growth slowing substantially. Between January and October, China exported \$7.34 billion worth of toys, up 3.7%. The growth rate was 16.6 percentage points lower than the year-earlier level. Of the total, 71.3%, or \$5.23 billion, was accounted for by export powerhouse Guangdong Province, up 5.6%. Another \$710 million worth and \$510 million worth were accounted for by Jiangsu and Zhejiang Provinces, respectively, up 3% and 10.6%. Shanghai exported \$360 million worth of toys, down 14.1% ([More](#)).

Inbound tourists to China decline for 3 consecutive months

In October, China received 11.22 million inbound visits, dropping 3.22% compared with the same period last year. This is the third month in a row, a decline in inbound tourism has been recorded, indicating that the impact of the financial crisis on the Chinese tourism industry is emerging at an accelerating pace ([More](#)).

China urges domestic airlines to cancel, delay plane purchases for next year

China's civil aviation authority has urged state-owned airlines to cancel or delay orders for new aircraft next year in an effort to keep carriers out of financial trouble during the current global economic crisis ([More](#)).

Iron ore price cut of 82% 'unlikely'

The negotiation between China and the three iron ore giants, namely BHP Billiton, Rio Tinto and Vale, is set to bring down the iron ore price from its 2008 peak, but China's goal of an 82% price cut would be a mission impossible, analysts said. China is asking for a price cut of up to 82%, as the steel prices have fallen to the 1994 level ([More](#)). China's steel industry has entered a hard time after seven years of rapid expansion, and a turn around is unlikely until the second quarter of 2009. Slackening demand in both domestic and overseas markets have influenced the country's 71 major steel makers. Their profit totaled 126.8 billion yuan (\$18.5 billion) during the January-October period, down 0.93 percent from a year earlier ([More](#)).

Laws, Rules & regulations

- China to keep general tariff level at 9.8% in 2009 ([More](#))
- China revises patent law to encourage innovation ([More](#))
- China drafts first law on social insurance ([More](#))
- Plan to establish social security number system ([More](#))

- Hackers face jail term under new law ([More](#))
- China to increase export tax rebates on steel ([More](#))
- China to remove export quota on cocoons, silk threads ([More](#))
- China to raise export tax rebates for machinery products ([More](#))

India & China

India-China bilateral trade (Jan-October 2008)

Trade	Value \$ billion	Increase
Total trade	45.52	49.5%
Imports from China	26.93	39.8%
Exports to China	18.59	66.4%
Trade deficit	7.34	

Source: Mofcom, PRC

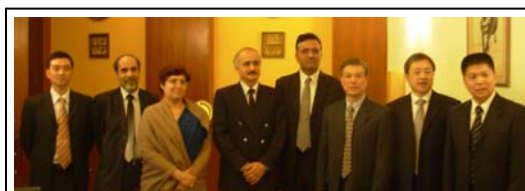
Chinese, Indian experts urge closer cooperation

Some 300 experts, government officials and business people from West Bengal and Yunnan Province on November 10 endorsed a plan calling for closer cooperation. The call was issued in Dali, in Yunnan province. Before reaching a consensus on the Dali Initiative. The participants discussed the issues such as tourism, education, culture, trade and transportation at the fourth K2K (Kunming to Kolkata) International Conference. The first K2K international conference was held in Kolkata in 2003. The 2009 conference will be known as the K2K Forum and held in Kolkata in the fourth quarter ([More](#)).

CII & China

SPAFFC delegation visits CII

A 5-member delegation of Shanghai People's Association for Friendship with Foreign Countries (SPAFFC) led by Dai Wenhua, vice chairman of the Committee for Friendship with Foreign Countries of Chinese People's Political Consultative Conference Shanghai, Committee, visited CII headquarters on December 5, 2008 and held an interaction meeting with CII officials.



SPAFFC delegation with CII officials during a meeting at New Delhi on December 5, 2008

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