

## China's Economy

### Economic indicators

PMI (manufacturing sector)	53.1% in May
CPI	Falls 1.4% in May below the year-earlier level
PPI	Falls 7.2% in May
Retail sales	Up 15.2% in May to 1 trillion yuan (\$147 billion).
Urban fixed-asset investment	Up 32.9% (Jan-May) to 5.352 trillion yuan (\$787 billion)
Fiscal revenue	Rose 4.8% in May to 656.95 billion yuan (\$96.05 billion)
Fiscal revenue	Fell 6.7% (Jan-May) to 2.711 trillion yuan
Fiscal expenditures	Climbed 14.5% to in May to 460.8 billion yuan
Fiscal expenditure	2.25 trillion yuan (Jan-May), up 27.8%
FDI	\$34.05 billion (Jan-May), down 20.4%

### China's foreign trade H1

Trade	H1 2009, \$ bn, Change	June 09, \$bn, Change
<b>Total</b>	\$946.12 billion, - 23.5%	182.57; -17.7%
<b>Exports</b>	\$521.53 billion, - 21.8%	95.41; -21.4%
<b>Imports</b>	\$424.59 billion, -25.4%	87.16; -13.2%

(Source: Ministry of Commerce China)

China's foreign trade has suffered negative growth consecutively for eight months since November 2008. In first half this year, trade with EU, US and Japan reached \$159.97 billion (decline of 20.9%), \$132.09 billion (decline of 16.6%) and \$99.73 billion (decline of 23.1%) respectively ([More](#)).

### China's industry growth rate tends to be stable

In the first four months this year, China's industry growth rate was relatively lower and more stable. During this period, the industrial output, or value-added output of China's major industrial firms or those enterprises with annual core revenue of more than 5 million yuan, rose 5.5%. The national industrial output value increased by 7.3% in April from a year earlier, compared to 8.3% in March. The industrial economy showed signs of better-than-expected positive changes in the first four months of the year ([More](#)). However, industrial profits continued shrinking in the first four months of the year with significant decrease in the steel and iron sectors and improvements in non-ferrous metal, oil refinery and other sectors. Industrial profits totaled 487.3 billion yuan, down by 27.9% ([More](#)). Business revenue of China's SOEs dropped 7.4% to 7.76 trillion yuan (\$114.1 billion) in the first five months over the same period last year ([More](#)).

### China auto sales increase in first five months

Sales of China's domestically made automobiles topped 4.96 million units in the January-May period, up 14.29% from a year earlier. Both output and sales of domestically made automobiles in May exceeded 1.10 million units ([More](#)).

### China's software industry maintains rapid growth

China's software industry has maintained a growth rate of over 20% since the second half of 2008, making it one of the fastest growing industries. In 2008, China's software service industry generated 757.3 billion yuan in revenue and had a workforce of over 1.8 million people ([More](#)). The revenue of top 100 software producers rose 84.4% in 2008 to 203.95 billion yuan (\$29.86 billion). Of the top three (Huawei, ZTE and Digital China), Huawei was first for the eighth year in a row, with revenue of 55.56 billion yuan ([More](#)).

### FDI important for China economy

In 2008, the total number of foreign enterprises accounted for around 3% of businesses in China, they contributed 45 million employment, 29.7% of industrial output value, 21% of taxes paid, 55.3% of export value and 54.7% of import value. It is



estimated that in 2009, FDI would reach \$80 billion compared to \$92.4 billion in 2008 ([More](#)). FDI fell 20.4% year-on-year to \$34.05 billion in the first five months in China ([More](#)).

### **WB raises China's 2009 growth forecast to 7.2%**

World Bank on June 18 raised forecast of China's economic growth rate to 7.2% in 2009 from its earlier forecast of 6.5%. World Bank has also said in its report that China's GDP for 2010 would reach 7.7% ([More](#)).

## **Government & Politics**

### **China starts construction on second railway to Tibet**

The work on the construction of China's second Tibet Railway (Lijiang - Shangri-La railway) connecting Yunnan and Tibet commenced on 10<sup>th</sup> June. It is an important part of "the western railway network" and Yunnan - Tibet Railway in China's medium and long-term railway network plan ([More](#)).

### **'Buy Local' move fair, experts say**

A recent move by China's policymakers to encourage the purchase of domestic products for government procurement was fair and "reasonable", local industry insiders and experts have said. NDRC along with other ministries issued a notice in early June stating that the government invested projects should make use of domestic products and services, unless they were unavailable in the country ([More](#)). However, Foreign Ministry spokesman Qin Gang on June 18 rejected accusations of practicing protectionism by China in its \$585 billion stimulus package ([More](#)).

### **Outbound funds rule tweaked**

China's foreign exchange regulator on June 09 announced revised rules relaxing controls on companies' overseas investments in a bid to support more enterprises to venture out of the country. Domestic companies can use their existing foreign exchange reserves or purchase fresh foreign exchange to fund the operations of their overseas subsidiaries from Aug 1. China's outbound investment nearly doubled to \$52.2 billion in 2008 from \$26.5 billion in 2007 ([More](#)).

### **China rolls out more policy to boost exports**

China announced on May 27 further support policies, including expanded export credit insurance, tax breaks and more financial access, to help exporters. The government will provide \$84 billion worth of short-term export credit insurance to trading companies to help increase exports. China raised the tax rebate rate for textiles five times since August, most recently last month when the rate was reduced from 15% to 16% ([More](#)).

[China raised export tax rebate rate of more than 600 products](#)

[China raises export tax rebates on 3,486 types of products](#)

[MOC: Tough situation makes full tax rebates for exports urgent](#)

[China raises garment, textile export tax rebate rate to 15%](#)

[Intensive tax rebates facilitate exports, restructuring](#)

[Raising export tax rebates does not affect national financial strength](#)

[China cuts, ends export tariffs on grain and other products](#)

### **China cotton growing area shrink sharply**

According to China Cotton Association, major planting bases, such as the Yangtze River region and Yellow River region, saw more than 10% decrease in cotton farming area. In 2008, 677 thousand hectare of cotton farm disappeared as farmers worry cotton price to go down with decreasing overseas demand ([More](#)).

### **China's holding of US bonds drops first time in 11 months**

For the first time in 11 months China's holdings of US Treasury bonds fell to \$763.5 billion in April 2009, compared to \$767.9 billion in March 2009 ([More](#)). Although the drop is small, it reflected concern over the safety of US dollar-linked assets ([More](#)).

### **WTO case against China gathers steam**

The United States and the European Union jointly called on June 23 for WTO intervention regarding China's export restrictions on raw materials, a move Chinese experts called "ridiculous and unacceptable." The move follows the failure of the US and EU to persuade China to reduce its export tariffs and raise quotas on materials such as rare earths, zinc, tin, tungsten and yellow phosphorous ([More](#)).

### **China, Arab nations agree to establish energy cooperative mechanism**

China and 22 Arab nations agreed to establish a cooperative mechanism on energy resources, including renewable energy resources such as solar and wind ([More](#)).

### Shanghai residency rules 'discriminate'

The Shanghai Municipal government unveiled new rules on June 17, elaborating on a policy that, for the first time, offers the option of permanent residency to talents from outside Shanghai. To qualify for permanent residency, applicants must have held a Shanghai residency certificate and have been in the city's social security system for at least seven years. However, these rules drew criticism for discriminating against six million migrant workers in Shanghai ([More](#)).

### Shandong becomes China's No 2 most prosperous province

In 2008, Shandong became the second province of China after Guangdong to achieve a GDP of more than 3 trillion yuan. With a growth of 12.1%, it posted GDP of 3.11 trillion yuan. The per capita GDP of Shandong passed the 30,000-yuan mark for the first time ([More](#)).

### Cigarette tax increased to cut smoking

The Chinese government has raised consumption tax from May 1 on cigarettes by 6% - 11% to curb smoking and add revenue to State coffers. China has more than 350 million smokers, about a third of the population.

### Vice Premier urges industry to 'put quality first' to support economy

Chinese Vice Premier Zhang Dejiang has urged industrial enterprises to "put product quality first" to promote sound and fast economic development. Zhang said quality control was strategically significant for maintaining economic growth, spurring domestic spending and promoting industrial restructuring ([More](#)).

### China to make world's largest amphibious plane

AVIC General Aircraft Company disclosed on June 24 that the project to produce the world's largest amphibious airplane "Jiaolong-600" has already been approved, and its research and development has officially started. "Jiaolong-600," a single-hull comprehensive rescue airplane with a four-turbine propeller, is similar in size to the Airbus A320. It will become the world's largest amphibious airplane ([More](#)).

## Industry & Business

### PetroChina completes purchase of 45.5% of Singapore Petroleum shares

PetroChina Company Limited announced on June 21, 2009 that it had completed purchase of 45.51% shares of refiner Singapore Petroleum and would make a buyout offer for the rest of its shares ([More](#)).

### Sinopec to buy Addax for \$7.3b

Sinopec Group on June 24 agreed to buy the Geneva-based oil and gas producer Addax Petroleum Corp for \$7.3 billion, in a bid to tap oil reserves in West Africa and the Middle East ([More](#)).

### Airbus to deliver first China-assembled A320 jet

Airbus will deliver the first China-assembled A320 jet on June 23 in Tianjin where the manufacturer's only plant outside Europe is located. The plane, which had a successful test flight on May 18, will be delivered to Dragon Aviation Leasing and will be operated by Sichuan Airlines ([More](#)).

## India & China

### India – China trade

The bilateral trade between India and China reached \$16.44 billion, down 31.9%, during the first five months this year ([More](#)).

## CII & China

### Farewell Get Together for HE Ms Nirupama Rao

A farewell get together was organized for HE Ms Nirupama Rao, Ambassador of India to China with the Indian business community on 9<sup>th</sup> July at Beijing. Mr J J Shrikhande, Chairman CII IBF China, in his address congratulated Ms Rao on behalf of the members of IBF, on her appointment as the Foreign Secretary of India. He thanked her for the support and guidance to the Indian business community in China and in the formation and launch of CII IBF in China. Through this platform, CII IBF aims for greater interaction with the government officials, businessmen and think tanks in China and improve "India Brand" in the country. Ms Rao said that in China, she tried to have regular interactions with various business communities and also took up some of the issues with the relevant authorities. Among the various initiatives, the launch of the IBF along with CII was an important one, she said.

Mr. S Jaishankar, currently High Commissioner of India to Singapore has been designated as the next Ambassador of India to China to succeed Ms Nirupama Rao.



(L - R) Mr J J Shrikhande, Chairman, CII IBF China presenting a memento to Mrs Nirupama Rao, Mr E B Rajesh, CII Chief Representative, July 9, 2009, Beijing

**Visit to Taizhou and Nanjing**

A seven-member delegation led by Mr. Prakash Gupta, Consul (Commercial) Consulate General of India, Shanghai visited Taizhou and Nanjing in Jiangsu Province on 22<sup>nd</sup> and 23<sup>rd</sup> June 2009. In Taizhou, the delegation interacted with the senior officials of Taizhou Medical Hi-tech Development Zone and the two sides emphasized on cooperation. The officials welcomed Indian companies to set up their facilities in the park. In Nanjing, the delegation attended the Nanjing-International Pharmaceutical Research & Cooperation Seminar 2009. CII was one of the co-organizers of this event.



Interaction with officials of Taizhou Medical Hi-tech Development Zone and officials of Foreign Affairs Office



Nanjing-International Pharmaceutical Research & Cooperation Seminar 2009

**CII participates in China South Asia Business Forum**

CII chief representative, Mr. E B Rajesh participated in the China South Asia Business (CSAB) Forum organized by CCPIT in Kunming from 5-7 June 2009. 200 people including the Government and business representatives from eight SAARC countries participated in the forum to discuss and deliberate on the trade and investment opportunities with China. Permanent secretariat of CSAB Forum under the aegis of CCPIT in Kunming was launched on this occasion. Ministers and Ambassadors of various SAARC countries also spoke at the forum. The 17th China Import and Export Fair (Kunming Fair) was also organized coinciding with the CSAB Forum in Kunming. Around 50 Indian exhibitors representing textiles, handicrafts, food, tourism, chemicals, banks etc. showcased their products. CII and Consulate General of India Guangzhou facilitated the participation of around Indian companies based in China.



(L to R) Mr Amit Kumar, Counsellor, Embassy of India Beijing, Mr Gu Zhaoxi, Vice Governor Yunnan, Mr Shoeb Samad, Director, India Tourism Beijing & Mr E B Rajesh at Kunming Fair

**Shanghai Civil Affairs Bureau delegation visits CII**

A six-member delegation of Shanghai Civil Affairs Bureau (SCAB), led by Ms. Ma Yili, Director General SCAB visited CII on June 5, 2009. CII organized visits of the delegation to "Gharaunda", an old age home run by Paras Foundation in Maherauli and Genpact, Gurgaon based company. CII officials gave a presentation on the activities of CII in the field of corporate social responsibility.

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