



# China Pulse



Confederation of  
Indian Industry

The Monthly China Journal of Confederation of Indian Industry

1 March 2009 • Volume 6, No 3

## China's Economy

### China's foreign trade of from August 08 to January 09

Trade	October 08 \$ bn, Change	November 08 \$ bn, Change	December 08, \$ bn, Change	January 09, \$ bn, Change
<b>Total</b>	221.41; 17.6%	189.89; -9%	183.33; -11.1%	141.8; -29.02%
Exports	128.33; 19.2%	114.99; -2.2%	111.16; -2.8%	90.45; -17.5%
Imports	93.09; 15.6%	74.9; -17.9%	72.18; -21.3%	51.43; -43.1%

Source: MOC, PRC

### Trade surplus (2004-2008)

Year	Surplus \$ billion	% Increase
2004	31.98	25.6
2005	101.88	217.74
2006	177.47	74.0
2007	262.20	47.7
2008	295.46	12.7

Source: MOC, PRC

CPI: Up 1%, January 2008

PPI: Down 3.3%, January 2008

PMI: Rose to 45.3% in January from 41.2% in December

### China's natural gas output jumps to ninth in the world

China's oil and natural gas production in 2008 maintained double-digit growth consecutively for the sixth year, with an increase of 13.7%. The growth rate of natural gas output in recent years has surpassed the average annual global growth rate of 4% and the output of natural gas output has jumped to ninth in the world ([More](#)). Crude oil output rose 2.3% to 190 million tons in 2008. The consumption of oil products rose 11.9% to 215 million tons with a growth rate of 5 percentage points over 2007 ([More](#)).

### China's software industry posts 29% revenue growth in 2008

China's software industry reported a 29% revenue growth for 2008 from a year earlier. The sales of software technology services and embedded software products rose by 40% and 17% respectively ([More](#)). The exports of software soared 39% in 2008 to \$14.2 billion, despite the international financial crisis ([More](#)).

### China's trade in electronics and information products rises 10% in 2008

Trade of electronics and information products reached \$885.4 billion in value in 2008, 10% up from 2007. Exports rose 13.6% to \$521.8 billion and imports by 5.4% to \$363.7 billion ([More](#)).

### Growth of exports of China's textile, clothing slows down in 2008

China sold abroad \$185.1 billion worth of textiles and clothing in 2008, a growth of 8.2%. The total export value for the whole year included \$119.79 billion in sales of garments and accessories, up 4.1%, and \$65.31 billion in sales of yarn, fabrics and textile products, up 16.6% ([More](#)). Recently China has increased the tax rebate rate for textile and garment exports from 14% to 15% to reduce exporters' costs and support the textile industry ([More](#)).

### Major Chinese steel makers' net profits down 43% in 2008

The aggregate net profit of 71 medium-sized and large steel producers fell 43% in 2008 to \$12.4 billion ([More](#)).



### **China's overseas investment exceeds \$50 billion in 2008**

China made \$52.15 billion of direct overseas investment, which includes \$40.65 billion non-financial direct investment and \$11.5 billion investment in other sectors. In comparison, in 2007, China made \$26.51 billion overseas direct investment ([More](#)).

### **China reports 111 billion yuan in fiscal deficit in 2008**

China reported a fiscal deficit of 111 billion yuan (\$16.21 billion) in 2008. The fiscal revenue reached 6.13 trillion yuan in 2008, up 19.5% from the previous year ([More](#)).

### **China's 2008 customs revenue up 21% to record high**

China's customs revenue hit a record high of 916.11 billion yuan (US\$134.03 billion) in 2008, up 20.8% ([More](#)).

### **Tourism revenue up 5.8% last year**

In 2008, tourism revenue reached 1.16 trillion yuan (\$170 billion), up 5.8%.

### **China's 2008 retail sales up 21.6%**

China's retail sales grew 21.6% in 2008, although growth decelerated during the second half amid the global economic downturn ([More](#)).

## **Government & Politics**

### **China "deeply concerned" over trade protectionism**

The retention of "Buy American" provision in the recently passed US bill of \$787 billion economic stimulus plan to ensure that stimulus dollars do not head overseas, has attracted deep concern of the Chinese government. On February 16, China said that such action would aggravate the economic downturn. China expressed that it was against any form of protectionism. There is apprehension in China that it may lead to trade war. On February 9, China had said that it would not resort to trade protectionism with a plan (i.e. "Buy China") similar to "Buy America" that bans foreign products in domestic stimulus projects.

### **China, Vietnam settle land border issue**

China and Vietnam on Feb. 23 marked the final demarcation of their land border at the Youyiguan border gate in Pingxiang City in south China's Guangxi Zhuang Autonomous Region ([More](#)).

### **China-Pakistan free trade agreement on services**

China and Pakistan signed the free trade agreement on service on Feb. 21 during Pakistani President Asif Ali Zardari's visit to China ([More](#)).

### **20 million jobless migrant workers return home**

About 20 million of China's migrant workers, about 15% of the 130 million migrant workers, have returned home after losing their jobs as the global financial crisis takes a toll on the economy ([More](#)).

### **China moves up in international patent application rating**

According to State Intellectual Property Office (SIPO), China moved up one notch in 2008 from the previous year's No 7 overtaking Britain, in terms of the number of international patent applications. In 2008, China filed 6,089 patent applications under the Patent Cooperation Treaty (PCT), up 11.9% over the previous year ([More](#)).

### **Government policies to assist farmers**

The Chinese government will carry out a series of measures to stabilize the prices of agricultural products and increase farmers' income. The subsidies to the agricultural production materials are expected to increase to 120 billion yuan this year, 17.1 billion yuan more than last year. China also plans to increase the lowest purchase price by 13% to 16% to avoid a big drop in the market price ([More](#)).

### **Premier Wen returns to Beijing from Europe**

Chinese Premier Wen Jiabao returned to Beijing Tuesday afternoon after his week-long visits to four European countries and the European Union headquarters. During the tour, Wen paid official visits to Switzerland, Germany, the European Union headquarters in Brussels, Spain and Britain, and attended the annual meeting of the World Economic Forum in Davos, Switzerland ([More](#)).

### **Zardari's visit China: Pakistan, China should go closer**

Pakistani President Asif Ali Zardari in an interview with Chinese journalists on February 16 said that Pakistan and China "should go closer" and learn more from each other. Answering a question about his scheduled second visit to China on Feb. 20 as the president, Zardari said the relationship and friendship between Pakistan and China was started by former Pakistani leader and his father-in-law Zulfikar Ali Bhutto around 50 years ago ([More](#)). He said that his visit was aimed at exploring mutually beneficial cooperation with the industrial hubs in China. Zardari met with China's President Hu Jintao and Premier Wen Jiabao last year. Prime Minister Yousuf Raza Gilani also participated in the Asia-Europe Summit in Beijing last October. Many high-ranking Chinese officials have also visited Pakistan recently ([More](#)).

### **China opposes US sanctions on Chinese companies**

On February 3, China expressed opposition to the US decision to impose sanctions on two Chinese companies, Dalian Sunny Industries and Bellamax for allegedly violating US anti-proliferation laws ([More](#)).

### **China faces severe drought**

Lack of rainfall has led to severe drought in northern China, leaving more than 9.3 million hectares wheat affected ([More](#)). The drought is casting a shadow over China's wheat production, as almost 43% of the winter crop has been affected ([More](#)). China raised the drought emergency class from level two to level one, the highest alert ([More](#)). The Ministry of Finance has also allocated about \$12.69 billion from its reserve to drought-hit areas in relief funds ([More](#)).

### **China cashes in another \$19 billion for stimulus plan**

China has launched a new stimulus plan totaling 130 billion yuan (\$19 billion) to boost its economy. The fund is the second batch of investment from the central budget following a 100 billion yuan allocated in the fourth quarter of 2008. Both packages were included in the country's 4 trillion yuan economic stimulus package announced in November ([More](#)).

## **Business & Industry**

### **Mechanical and electrical products still have the biggest potential for export growth**

China's exports of mechanical and electrical products will slow down and face increased pressure in 2009, especially in the first half of the year when the export growth rate may fall back sharply and some sectors may even suffer from negative growth. However, in the long run China will continue to maintain a comparative advantage in such products. Mechanical and electrical products have been China's largest export commodities for 14 years and accounted for 57.8% of China's total exports in the first 11 months of 2008 ([More](#)).

### **Chinese mining giant to inject \$19.5 billion into Rio Tinto**

China's mining giant Aluminium Corporation of China (Chinalco) announced on February 12 that it would inject \$19.5 billion in cash into Rio Tinto. The cash injection is regarded as "firepower" for Rio Tinto, against the global economic downturn, Tom Albanese, chief executive of Rio Tinto, said ([More](#)).

### **China Mobile to invest another \$500 million in Pakistan**

China Mobile Communications Corporation will invest another \$500 million in Pakistan during the year 2009 to build new network capacity and other infrastructure. China Mobile has so far invested \$1.66 billion in Pakistan and offered more than 41,700 jobs in Pakistan. CM Pak Ltd., China Mobile's wholly owned subsidiary in Pakistan, is China Mobile's first overseas venture, which came into being in 2007 ([More](#)).

### **Power output falls 13% in Jan on weak demand**

China's power generation in January fell 13% year-on-year due to weak demand in January. China produced only 250.3 million megawatt hours of power in the month. This is the fourth consecutive month that the country has seen a negative growth in power generation. The National Energy Administration earlier said that China would invest 580 billion yuan in power industry this year and also accelerate the development of nuclear power plants and wind farms ([More](#)). China may face an oversupply of electricity this year because of slower economic growth. The country may add 80 GW of new generating capacity this year and investment in the power industry may reach about \$88 billion ([More](#)).

### **Auto sales 'surpassed US in January**

For the first time in history China has surpassed the United States to become the world's largest auto market based on monthly sales in January. General Motors estimates that China sold about 790,000 vehicles in January ([More](#)).

### **China toy export slowdown in 2008**

Export of China's toys reached \$8.63 billion in 2008, up 1.8% year on year, but the growth rate slowed substantially. 49% of the country's export-oriented toy companies have been shut, leaving 4,388 companies ([More](#)).

**Ship orders likely to be halved**

China is likely to see a tough year for its shipbuilding industry with orders down around 50%, as the global financial crisis has bitten into the industry. The ship building industry is asking government to promulgate a stimulus package to boost the industry ([More](#)).

**China's hi-tech foreign trade slumps in 2008**

China's hi-tech imports and exports grew 8.6% from a year earlier to \$754.8 billion in 2008, 12.6 percentage points lower than 2007's growth, due to the global financial crisis. Imports increased only by 3.5% from a year earlier to \$339.2 billion in 2008, 13.9 percentage points below the growth in 2007, while exports climbed 13.1% from a year earlier to \$415.6 billion in 2008, down 11.7 percentage points from 2007's growth ([More](#)).

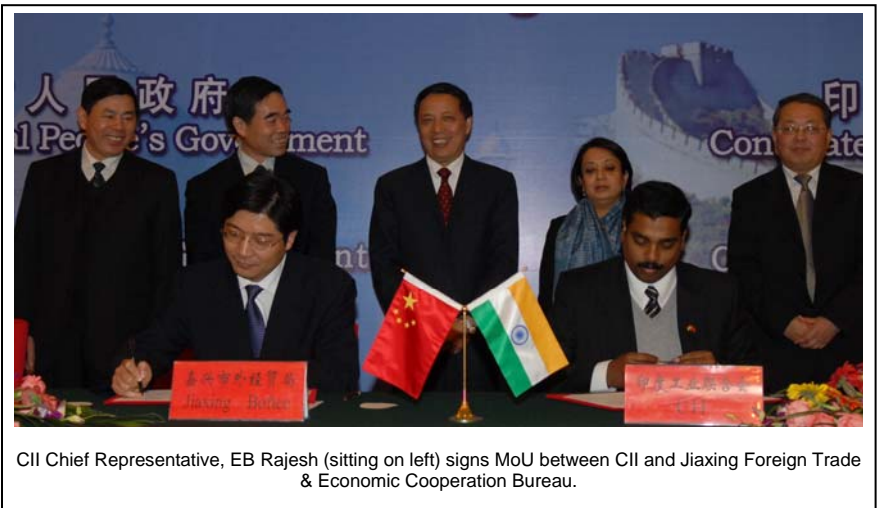
**Nuke power capacity set to increase**

China is poised to revise its energy development plans by nearly doubling its nuclear power capacity in the next decade. There are currently 11 nuclear reactors in operation in the country with a combined capacity of about 9 GW, supplying over 1% of the country's energy needs. China would raise the share of nuclear power in the national energy mix for 2020 from 4%, as set in 2006, to 5%. The latest energy revision aims for nuclear power to generate 70 GW for the country by 2020 ([More](#)).

**CII & China**

**India China - Jiaxing Business Seminar**

The Consulate General of India in association with the Confederation of Indian Industry (CII) and Foreign Trade and Economic Cooperation Bureau of Jiaxing (Zhejiang Province) on 20 February 2009 organized an 'India China-Jiaxing Business Seminar'. Consul General Riva Ganguly Das led one of the biggest multi-sector Indian business delegations. Leading Indian companies including Sundaram Fasteners, Thermax and Elgi (India) Equipments have set up manufacturing units in Jiaxing. A MoU of cooperation for exchange of delegations and promotion of closer business linkages was also concluded between CII & Jiaxing Foreign Trade & Economic Cooperation Bureau.



CII Chief Representative, EB Rajesh (sitting on left) signs MoU between CII and Jiaxing Foreign Trade & Economic Cooperation Bureau.

Contact:

U. D. Bhatkoti, Advisor

**Confederation of Indian Industry**

The Mantosh Sondhi Centre, 23 Institutional Area, Lodi Road, New Delhi-110003, India  
 Tel: 91-11-24616023; Fax: 91-11-24601298; Email: [u.d.bhatkoti@cii.in](mailto:u.d.bhatkoti@cii.in); Website: [www.cii.in](http://www.cii.in)

*CII China Office*

E B Rajesh, Chief Representative

**Confederation of Indian Industry**

Room No 11A47/49, Shanghai Mart, 2299 Yan'an Road (West), Shanghai 200336, China  
 Tel: +86 (21) 62360969; Fax: +86 (21) 32283510;  
 Email: [e.b.rajesh@cii.in](mailto:e.b.rajesh@cii.in) Website: [www.cii.in](http://www.cii.in)