



China Pulse



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China Economy

Economic indicators (July 2009)

CPI:	Dropped 1.8% in July from a year earlier
PPI:	Dropped 8.2% in July year on year
PMI:	53.3, up from 53.2 just a month before
Power output:	Up 4.8% in July from a year earlier
Industrial output:	Up 10.8% in July from a year earlier
Retail sales:	Up 15.2% in July year on year
Urban fixed-asset investment:	Up 32.9% in first seven months from a year earlier
FDI:	Dropped by 35.7% to \$5.36 billion

China's foreign trade (Jan-July 2009)

Total trade:	\$1146.71 billion, down 22.7%
Exports:	\$627.10 billion, down 22%
Imports:	\$519.62 billion, down 23.6%
Trade surplus:	\$107.48 billion, down 13.1%

China's exports edge past Germany's for first time

According to a report of the World Trade Organization released on August 25, for the first time, China became the largest exporter in the world surpassing Germany in the first half of this year. China exported goods worth \$521.7 billion. Germany, which has been the world's biggest exporter since 2003, exported goods worth \$521.6 billion ([More](#)).

"Exploding" new orders lead to labor shortage in China

Since July 2009, labor demand of enterprises in Wenzhou, Zhejiang Province has risen significantly, with 100,000 jobs still vacant. Export-oriented enterprises in Pearl River Delta have also seen signs of recovery. Dongguan, the city once hit hard by the global financial crisis, is now facing labor shortage. SMEs in labor intensive sectors including garment and textile industry, ironmongery, and mechanical and electrical products manufacturing create most of the labor demand in Wenzhou. "Exploding" new orders is the direct cause of Wenzhou's booming labor demand ([More](#)).

China's equity market capitalization world's 3rd largest

A total of 1628 companies had gone public by the end of July in China, and the volume of equity market capitalization totaled 23.57 trillion yuan, ranking third in the world, according to data released by China Securities Regulatory Commission. The volume of equity market capitalization by the end of July was equivalent to 95.4% of China's GDP in 2008 ([More](#)).

China's textile export declines in July as demand shrinks

China's textile and garment export dropped 12.35% to \$16.38 billion in July from the same period last year. The textile and garment export declined 11.15% to \$89.17 billion in the first seven months from the same period last year ([More](#)).

Crude, iron ore imports up in July

China's imports of iron ore and crude oil reached record highs in July on the back of strong domestic demand, even as overall trade showed a steeper decline compared to the same period last year. Oil imports climbed by 18% to 19.6 million tons from a month ago, and imports of iron ore also rose by 5% to 58.1 million tons. China spent a combined \$13.8 billion on the two commodities, 15% of the total imports ([More](#)).

Government & Politics

China massively offloads US debt holdings first time in 2009

According to the data published by the US Treasury Department on August 17, by the end of June, China's holdings of US Treasury Bonds (T-bonds) totaled \$776.4 billion, down \$25.1 billion, or 3.13% compared with the country's \$801.5 billion holdings in May, indicating China's first massive offload of US debt in 2009. Japan, the second biggest holder of US T-bonds has purchased \$34.6 billion of US T-bonds in June, adding its total US T-bonds holdings to \$711.8 billion. The UK, US debt's third biggest holder, held \$214 billion T-bonds by the end of June, up 50.2 billion, or 30.6% compared to its \$163.8 billion holdings in May. China had offloaded \$4.4 billion of US T-bonds in April and increased it by \$38 billion in May ([More](#)). The reduction of US treasury bonds also shows that China "is seeking to diversity its foreign exchange reserves" ([More](#)).

Shanghai to pay same social security to migrant workers at par with Shanghai residents

Shanghai Municipal Human Resources and Social Security Bureau recently issued a circular advising Shanghai based companies to pay the migrant employees the same social security as applicable to the Shanghai resident employees from July 1, 2009 ([More](#)).

Smaller companies to get help

China will continue with its stimulus initiatives, trying next to encourage more private investment for smaller firms, after massive government-led infrastructure spending stoked a strong economic rebound in the first half of the year. In one of its recent reports, the top legislature also suggested special policy banks for SMEs ([More](#)).

China, ASEAN to have full free-trade area by 2010

China-ASEAN Free Trade Area would be completely operative in 2010 as scheduled. By then, more than 90% products between China and ASEAN nations would enjoy zero tariff treatment ([More](#)). China and ASEAN have also signed a new Investment Agreement on August 15, 2009. Together with earlier agreements on trade in goods and services, it marks the completion of the negotiation process for the China-ASEAN Free Trade Area ([More](#)).

Billions from stimulus tagged to cut emissions

More than 15% of the China's 4-trillion-yuan (\$586 billion) stimulus package will be spent on cutting carbon emissions by the end of 2010, China's chief climate change negotiator said on August 5, 2009. This is the first time the government has announced using funds for green initiatives from the stimulus package, which was unveiled last year ([More](#)).

China puts \$10.5 billion health care reform

China has poured 71.6 billion yuan (\$10.53 billion) into health care since a reform plan started in April. The funding is part of an 850 billion yuan reform package and it financed the construction of 986 county-level hospitals, 3,549 township hospitals, and 1,154 community health centers in the first half of the year ([More](#)).

China forbids new expansion projects in steel industry for three years

China will not approve any additional expansion-related projects in the iron and steel industry over the next three years, as the government pledges to eliminate outdated capacity in steel industry ([More](#)).

China's largest coal producer to set up coal reserves

China's National Development and Reform Commission has commissioned China Shenhua Energy Co., China's largest coal producer, to build 10 storage facilities for coal across the country. These coal storage facilities will be built next to China's major power producing regions. Coal reserve is divided into spot and resource reserves. As the world's biggest producer and consumer of coal, 70% of China's power supply comes from coal-fired power plants ([More](#)).

Total length of China's operational railways ranks second in world

By the end of 2009, China will have constructed 5,600 kilometers of new railway lines, including 2,500 kilometers of passenger lines. This will bring the total length of China's operational railways to 86,000 kilometers, ranking second in the world after the US ([More](#)).

China moves to address overcapacity in emerging sectors like wind power

China warned on August 26 of overcapacity in emerging sectors such as wind power, and said the country would move to "guide" the development of sectors troubled by overcapacity and redundant projects. Overcapacity has persisted in sectors of steel and cement, while redundant projects have also surfaced in emerging sectors of wind power and poly silicon ([More](#)).

China's rapid growth in Overseas Direct Investment

In 2008 global foreign direct investment (FDI) fell by around 20%, while outward FDI (Overseas Direct Investment (ODI) from China nearly doubled. This disparity is likely to continue in 2009 and 2010 as China invests even more overseas as a result of "Go Global" policy aimed at establishing the country's investors as international players.

- Average ODI (1982-1989): \$453 million a year
- Average ODI (1990-1999): \$2.3 billion
- ODI 2004: \$5.5 billion
- ODI 2005: \$12.3 billion
- ODI 2006: \$17.6 billion
- ODI 2007: \$24.8 billion
- ODI 2008: \$40.7 billion (Preliminary figures) ([More](#)).

In 2009, China's ODI is expected to exceed FDI into China for the first time, reaching \$150 billion ([More](#)).

Sinopec, CPC ink Oz exploration deal

China's second largest oil company, Sinopec Group, on August 12 said that it had agreed with Taiwanese oil producer CPC Corp to jointly explore an offshore block off northern Australia, the second cooperation deal between the two companies. Under the agreement, CPC will buy a 40% stake in Sinopec's NT/P76 offshore block ([More](#)).

Australia signs record trade deal with China

The Australian government on August 19 announced biggest trade deal ever of A\$50-billion (\$41.3 billion) gas deal with China. PetroChina has agreed to buy liquified natural gas from Exxon Mobil's yet-to-be developed Gorgon project in Western Australia, making it Australia's biggest-ever export contract. Earlier Exxon inked A\$10-billion Gorgon sales deal with India's Petronet, marking Australia's first ever LNG contract with India ([More](#)).

Sinopec announces acquisition of Geneva-based Addax

China Petrochemical Corporation (Sinopec Group) announced on August 18, that it has successfully acquired Geneva-based Addax Petroleum Corp through its wholly owned Sinopec International Petroleum Exploration and Production Corporation (SIPC). SIPC's bid for Addax is valued over C\$8.32 billion in total, the largest overseas takeover transaction ever made by a Chinese oil company ([More](#)).

Venezuela's joint fund with China rises to \$16 billion

Venezuela has signed an agreement with China to raise their joint investment fund to \$16 billion. The fund, which locks in energy supplies to China for years in return for cash up front, helped cushion South America's top crude exporter against falling oil prices and the deepest effects of the global recession ([More](#)).

CIC may invest in US mortgages

China's \$200-billion sovereign wealth fund, China Investment Corp (CIC), is set to invest up to \$2 billion in US mortgages as it eyes a property market recovery. CIC plans to invest in US taxpayer subsidized investment funds of toxic mortgage-backed securities, which it sees as a safer bet than buying into the \$700-billion Troubled Asset Relief Program (TARP) ([More](#)).

First China-made jet engine to debut in 2016

China's first homemade jet engine will make a debut in 2016. The engine company, set up in Shanghai in January, would focus on the research and development of jet engines. According to Chinese analysts, developing aircraft engines will break the monopoly of foreign suppliers such as GE, Rolls Royce and the Pratt & Whitney Group. An engine industry will also stimulate the growth of other domestic sectors such as electronics, digitally controlled machines and composite materials in China ([More](#)). Commercial Aircraft Corporation of China Ltd (COMAC), which is in charge of the domestic jumbo jet project (C 919), is set to unveil a model for the commercial jet in two weeks ([More](#)).

China to produce 65 million A/H1N1 vaccines by year-end

China will be able to produce enough A/H1N1 influenza vaccines for 65 million people by the end of this year, health minister Chen Zhu said on August 22. Currently 10 Chinese producers of seasonal flu vaccines are in a global race for the research and development of A/H1N1 flu vaccines. Sinovac, a Beijing-based company, announced on August 18 that it had completed medical trials on a new vaccine, with promising results ([More](#)).

Business & Industry

Iron ore imports growth records new high in July

Iron ore imports across China saw this year's biggest increase in July with an estimated 56.5 million tons of imported iron ore being received and unloaded at China's ports, up 35% year-on-year and 10 percentage points month-on-month. High stock levels have not stimulated a price fall in the iron ore market however. In contrast, the price of iron ore continued to rise on August 4. Indian powder iron ore (of 65.3% tenor) at Tianjin port was priced at 820 yuan per ton, up 20 yuan over the previous day. The price of this type of iron ore has risen every day since last week and the majority of domestic steel mills have again increased purchase prices of domestically produced iron ore ([More](#)). Earlier in May, Liang Zhipeng, director of Renewable Energy Department, National Energy Administration said that as part of the country's 4 trillion (\$586 billion) stimulus package, the National Development and Reform Commission will put \$30 billion into green projects. China also said that it would spend 2 trillion yuan on its alternative energy industry from 2006 through 2020 ([More](#)).

Baosteel ranks No 3 among world's steel makers

Baosteel, China's largest steel mill, announced on August 5 that it had become the "World's Top Steel Makers". Two other major steel mills from China - Angang Steel and Wuhan Iron & Steel Group - ranked No 19 and No 29 respectively ([More](#)).

Laws, Rules & Regulations

Anti-monopoly Law of the People's Republic of China

Law of the People's Republic of China on Foreign-Capital Enterprises

White paper published on China's rule of law

Rules for the Implementation of the Patent Law of the People's Republic of China

Operation of the National Real Estate Market from January to July

NPC reviews draft law on government powers

National People's Congress (NPC) of China considered for the third time a draft law regulating government mandatory power on August 24, the first of its kind to prevent abuses of administrative power ([More](#)).

India & China

China's trade with India (Jan-July 2009)

Unit: \$ billion

Total trade		Chinese Exports		Chinese Imports		China's Trade surplus	
Value	% Change	Value	% Change	Value	% Change	Surplus (Jan-July, 09)	Surplus (Jan-July, 08)
23.390	-30.2%	15.803	-14.8%	7.586	-49.3%	8.217	3.542

Source: MOC, PRC

India and China hold border talks

The 13th round of China-India Boundary Talks was held on 7-8 August in New Delhi. Chinese Special Representative, State Councilor Dai Bingguo and Indian Special Representative, National Security Advisor to the Prime Minister, M.K. Narayanan exchanged in-depth views about relevant issues ([More](#)).

China admits to supplying fake drugs

China has admitted that its pharmaceutical companies were involved in shipping fake drugs labeled 'Made in India' to Nigeria. This was upon Indian trade mission's intervention. "The Chinese authorities have accepted this position (that its firms were involved in the case)," an Indian Health Ministry official said. "The Indian Government took up the matter with the Nigerian authorities and on further probe, it was found that the drugs had actually originated in China and not in India," he added ([More](#)).

India and China have "complete convergence" on climate issues

India and China have a "complete convergence" of views heading into the climate change summit in Copenhagen in December, and the Chinese have assured India that they will not strike any deal with the United States that could undermine India's negotiating position at the climate talks, said Union Minister of State for Environment and Forests, Mr. Jairam Ramesh on August 24, who was on a visit to China ([More](#)).

Interactive session with IIM Bangalore group

Embassy of India in Beijing organized an interactive session with the students of Executive Post Graduate Program of IIM Bangalore on "Doing Business in China" on 21st August 2009. The 70-member group was visiting China as a part of the industrial mission from 16-28 August. Most of them were professionals, with average 6 years working experience. Dr S Jaishankar, Ambassador of India in China called on the students to understand the growth of China and get a real feel of doing business in the country. Mr. Vivek Arora, Senior Resident Representative, IMF Beijing, Mr. Paulo Soares, CEO, Suzlon China and Mr. E.B. Rajesh, Chief Representative CII spoke on sharing experience of doing business in China.



Interactive session with students of Executive Post Graduate Program of IIM Bangalore on "Doing Business in China", 21 August 2009, Beijing

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