

## China's Economy

### Economy to grow 11.6% in 2007

China's economy is expected to grow close to 11% in 2008 but inflation will remain a major concern, according to Chinese Academy of Social Sciences (CASS). GDP growth will be an annualized 11.6% this year, the fifth consecutive year that the country would have achieved double-digit GDP growth ([More](#)). In November 2007, consumer inflation jumped to its highest level in 11 years to 6.9% ([More](#)). China will raise the one-year deposit interest rate by 27 basis points to 4.14% and the lending rate by 18 basis points to 7.47% as of December 21. This is the sixth time for China to raise the benchmark interest rates this year ([More](#)).

### FDI up 14%

China received \$61.67 billion foreign capital in the first 11 months this year, up 13.66% compared with the same period last year ([More](#)).

### Textile, Apparel Industry Profits to Surge 35% in 2007

Profits of China's textile and apparel industry will grow 35% year-on-year to 112.5 billion yuan (US\$14.8 billion) in 2007 ([More](#)). Textile industrial output for 2007 is forecast to reach 3.05 trillion yuan (US\$416.8), a 21.9% increase year-on-year ([More](#)).

### China's grain production to exceed 500 million tons in 2007

China is expected to produce a record high of more than 500 million tons of grain this year. China has to maintain an annual output of 500 million tons up to 2010 if it wants to ensure an adequate food supply ([More](#)).

### Fiscal revenue to grow 1.2 trillion yuan

China's fiscal revenue is expected to at least one trillion yuan (US\$ 135.2 billion) in 2007 ([More](#)).

### China's service trade to hit \$400 billion in 2010

China's service trade is expected to reach US\$400 billion in 2010, compared to US\$ 191.75 in 2006 and US\$157.1 billion in 2005 ([More](#)).

### Central SOEs see total assets exceed 13 trillion yuan

China's central state owned enterprises (SOEs) are expected to profit a combined one trillion yuan (\$135.14 billion) this year, up from the 920 billion yuan predicted earlier and bringing the central SOEs assets total to 13 trillion yuan ([More](#)).

### Crude oil output to reach 189 million tons in 2008

China Petroleum and Chemical Industry Association forecasted on December 19 that the country's crude oil output would reach 189 million tons in 2008, and 47% of the total oil consumption would rely on imports. The figure would reach 186 million tons in 2007 ([More](#)).

## Government & Politics

### China to elect new State leaders during meeting scheduled for March 2008

China will elect new State leaders, including the NPC chairman, the president and vice-president of China, the premier and vice premier, and ministers, chairman of the Central Military Commission and heads of the Supreme People's Court and the Supreme People's Procuratorate, at the First Session of the 11th National People's Congress (NPC), which begins on March 5, 2008.

### Chen Deming, new minister of commerce of China

China on December 29 approved the appointment of Chen Deming, former governor of Shaanxi Province, as the country's new minister of commerce. Chen's predecessor, Bo Xilai, has been appointed Communist Party chief of Chongqing municipality.

### 96 feared dead in North China coal mine gas blast

96 miners are feared dead following a coalmine gas blast on December 06, morning in north China's Shanxi Province. Investigators suspected the accident was caused by illegal mining activities in an unauthorized part of the mine ([More](#)).

### China to tackle 5 major problems in economy

China's just concluded economic conference identified five major problems in the national economy in a bid to better steer the country's economic growth in the coming year. The three-day Central Economic Work Conference that ended on December 05 cited overheating risks, inflation pressure, a weak agriculture sector, arduous energy conservation and emission reduction tasks and prominent issues on welfare of the general public as key concerns of Chinese authorities ([More](#)).

### NDRC takes fight for green GDP to new level

Three new national measures adopted by the State Council have elevated the country's energy conservation and emission reduction efforts to a new level. As part of a unified statistical, monitoring and evaluation scheme, provincial officials and enterprise leaders face career-risking outcomes if they fail to meet their "green" targets under the new "strict accountability system". The documents reiterate the country's will to cut energy consumption per unit of GDP by 20% and reduce major pollutant emissions by 10% ([More](#)).

### Yangtze economic circle pilots "Common Policy"

Yangtze River Delta, China's first economic circle to pilot unified development planning, has made an initial break through to cross administrative division among regional members. The economic cluster with Shanghai as the core and the two wealthy provinces of Jiangsu and Zhejiang as major developing provinces, issued joint governmental circulars giving equal market entry status to companies in the delta region. The delta area accounts for about 20% of China's GDP and nearly 50% of FDI in China. There are over two million registered companies in the delta region, accounting for 23.8% of the national total ([More](#)).

### Beijing to build world's largest metro system

Total investment in Beijing's subway system is set to reach 80 billion yuan (US\$10.8 billion) by 2010, and the city's underground network is expected to be the world's largest as of 2015 ([More](#)).

### China hikes QFII quotas to \$30 billion

China plans to triple the quota for foreign investors from existing US\$ 10 billion to US\$ 30 billion to invest in the country's stock and bond markets under its qualified foreign institutional investors (QFII) ([More](#)).

### China's Sinopec, Iran ink oilfield deal

China Petrochemical Corporation (Sinopec) and the Iranian oil ministry on December 09 signed a contract on the development of the Yadavaran oilfield in southwestern Iran. The initial estimation of the project's cost is about \$2 billion ([More](#)).

### US policies may deter investors from China

Zhang Xiaoqiang, vice-minister of NDRC expressed concern that the US investment policies are erecting barriers to Chinese investors securing stakes in American businesses. He said the US Foreign Investment Bill has tightened national security reviews of proposed foreign investment, especially in the energy and infrastructure sectors, and requires a second-stage investigation of most proposed acquisitions by state owned companies ([More](#)).

### China agrees to open up financial service industry

China and the United States have agreed upon specific steps for foreign companies to enter China's financial service industry following two-day high-level economic dialogues ([More](#)).

### Sudan urged to protect Chinese nationals, firms

China has urged Sudan to take effective steps to protect Chinese nationals and firms in that country following the recent attack on an oilfield that Beijing is involved in ([More](#)).

### China sets up oil reserve center

China officially launched national oil reserve center on December 17. The center, the administrative body of the country's national oil reserve system, takes the responsibility of building and making use of the country's strategic oil reserves ([More](#)).

### China scraps exports rebates for 84 agri-products to ease inflation

China announced on December 17, that it would scrap export rebates for 84 agricultural products that include wheat, oat, maize, paddy, rice, broomcorn, soybean, and their powder bi-products, as of December 19, to discourage exports of farm produce ([More](#)).

### **Nation switches on to nuclear energy**

The nuclear power sector is set to expand in the next few years as the nation tries to reach its target of 40,000 MW of capacity by 2020. After the first nuclear power plant, Qinshan, went into commercial operation in 1991, China has 11 nuclear reactors in operation. It has become the third-most important energy source in the country ([More](#)).

### **China's major cities to get connected by 35,000-km trunk road network**

Chinese cities, each with a population of more than 500,000, will be connected by a trunk road network extending 35,000 kilometers by year end ([More](#)).

### **China approves 20 new hi-tech trade bases**

China announced approval for 20 national hi-tech trade bases on December 17, to boost exports of hi-tech products and improve competitiveness in international markets. With 18 bases approved last year, the move brings the number of national hi-tech trade bases to 38. China's exports of hi-tech products jumped 31.8 percent year-on-year to \$314.4 billion in the first 11 months ([More](#)).

### **China's grain subsidies up 66% in 2007, production still short of demand**

Chinese grain producers got 51.4 billion yuan (US\$ 6.9 billion) in direct subsidies in 2007, up 66% from a year earlier ([More](#)).

### **China-Pakistan joint venture launched in Pakistan**

The Pak-China Investment Company (PCICL), the first joint venture between Pakistan and China in financial sector, was launched December 27 in Lahore. It will perform investment banking business on commercial basis in the financial, infrastructure, services, mining, industrial manufacturing and non-manufacturing sectors in Pakistan with registered capital of 200 million U.S. dollars ([More](#)).

## **Business & Industry**

### **Baosteel 'quite likely' to bid for Rio Tinto**

China's largest steel manufacturer is "quite likely" to bid for mining giant Rio Tinto, Baosteel Group chairman Xu Lejiang said recently ([More](#)).

### **ArcelorMittal offers to take over China Oriental**

ArcelorMittal declared on December 13 that it will make a general offer to shareholders of China Oriental Group Co with no more than 6 billion yuan (\$815.22 million) to strengthen its position in the fast growing China market, Bloomberg reported on Thursday ([More](#)).

### **Global giants on pollution blacklist**

Forty multinationals are among some 4,000 firms on an air pollution black list released on December 13. Top companies such as Michelin China, Sina-Mars Group APP in China, the joint ventures of Toyota and Ford, and subsidiaries of Sinopec figure on the list of the China Air Pollution Map (<http://air.ipe.org.cn>), compiled by the Beijing-based non-governmental Institute of Public and Environment Affairs (IPEA) ([More](#)).

### **China fund to invest \$5 billion in Morgan Stanley**

China Investment Corp (CIC), the nation's state-owned forex investment firm has agreed to invest \$5 billion in the No 2 US investment bank Morgan Stanley ([More](#)).

### **Iron ore imports likely up by 15%**

China, which produces one-third of the world's steel, will see 15% growth in iron ore imports this year. In 2007, China's import of iron ore is expected to reach 375 million tons, an increase of 49 million tons from 2006 ([More](#)).

### **Qinghai-Tibet railway to handle 1.6 million passengers this year**

About 1.6 million passengers are expected to travel on the Qinghai-Tibet railway this year, its first full year of operation. It is 4.2 times greater than the second half figures of 2006 ([More](#)).

### **China's first homegrown regional jet rolls off production line**

China's first homegrown regional jet, the ARJ21-700, rolled off the production line at the Shanghai Aircraft Manufacturing Factory on December 21. This jet, named as "Xiang Feng," meaning "flying phoenix, is powered by a turbofan engine and can carry 90 passengers with a maximum flight range of 2,000 nautical miles ([More](#)).

### **China reduces 44 million tons of iron, steel smelting capacity**

China has eliminated 29.4 million tons of outdated iron smelting capacity and 15.21 million tons of outdated steel smelting capacity by the end of November ([More](#)).

### **China's industrial profits climb 37% in first 11 months**

Chinese industrial firms saw net profits soar 36.7% year-on-year in the first 11 months of 2007. Combined profits at the industrial companies with annual sales of at least five million yuan reached 2.295 trillion yuan (US\$ 314 billion) in the January-November period ([More](#)).

### **Largest acquisition case in China's auto industry completed**

As the domestic auto industry's largest acquisition case, comprehensive cooperation between Shanghai Automotive Industry Group (SAIG) and Southern Automobile was finally settled. SAIG and Yuejin Motor Group (the share holders of Southern Automobile) signed agreement on December 27. The Yuejin group's automotive business will be fully integrated into SAIG ([More](#)).

## **Laws, Rules & Regulations**

### **China raises individual income tax threshold**

China on December 29, adopted a law amendment to raise the country's individual income tax threshold from 1,600 yuan a month to 2,000 yuan, to be effective from March 1, 2008. It is believed to relieve the economic burden of medium and low income earners amid the recent price increase of some goods.

### **China revises law to encourage scientists for innovation**

China on December 29, adopted an amendment to the Law on Science and Technology Progress, which aims to create a better environment for making innovations. The law, for the first time, allows scientists to report failures during the process of innovation without harming their records in future funding applications ([More](#)).

### **China adopts law to streamline labor arbitration, cut costs**

China adopted a law on labor dispute mediation and arbitration on December 29, aimed at "fair and timely" settlement of disputes and lower costs for workers seeking to safeguard their rights. The new law takes effect on May 1, 2008 ([More](#)).

- [Manufacturers subject to latest drug recall rules](#)
- [Regulations for corporate income tax announced](#)
- [China to allow foreign companies to issue securities](#)
- [Manufacturers subject to latest drug recall rules](#)
- [Regulations for corporate income tax announced](#)
- [China considers regulations on informal lending](#)
- [New policy bid to boost rural finance](#)
- [Bank reserve ratio raised by 1%](#)

## **India & China**

### **China, India vow to expand financial cooperation**

China and India signed in Beijing on December 04, a joint statement at the second China-India Financial Dialogue that pledges to expand financial cooperation between the world's two largest developing countries. Both sides agreed to develop bond markets and expand channels for direct financing, gradually open domestic capital markets and boost financial supervision to guard against risks brought about by short-term cross-border capital flows ([More](#)).

## CII & China

### First India-China-Russia Trilateral Conference calls for synergising strengths in mfg, S&T and services

The first India-China-Russia Trilateral Conference organized by FICCI and CII in partnership with the Ministry of External Affairs, Government of India on strengthening economic cooperation was held in New Delhi on December 15. Business leaders from the three countries and senior government officials engaged in a unique effort to synergise their strengths in manufacturing, science and technology and services various sectors. Addressing the delegates, Mr. Nalin Surie, Secretary (West), Ministry of External Affairs, pointed out that the Trilateral Conference was aimed at adding economic cooperation content to the ongoing process of strengthening the political relations amongst the three important countries of the region. It was agreed that the conference should be a bi-annual event and the next meeting would be held in China in 2009. In 2008, the representatives of the three chambers would meet in Moscow.



Mr. Nalin Surie, Ms. Bu Jian Guo, Charge d' Affaires, of the People's Republic of China, Mr. G. G. Petrov, Vice President RFCCI, Mr. Deep Kapuria, Chairman (Northern Region), CII & Chairman, Hi-Tech Gears Ltd. at India-China-Russia Trilateral Conference at New Delhi on 15 December, 2007



Infrastructure Investment Opportunities in India' on 12 December, 2007 at Shanghai

### CII seminar on Infrastructure Opportunities in India

CII organized a seminar on 'Infrastructure Investment Opportunities in India' on December 12, 2007 at Shanghai. It was addressed by Mr Rabade, President and Chief Representative, Adani Power, Mr Prakash Gupta, Consul (Commercial), Indian Consulate, Mr Jagdish Acharya, President, Berger Paints, Mr James Abraham, Boston Consulting Group, Mr J J Shrikhande, Country Head, L&T Limited and Mr Nitin Sen of Rumphrey and Sagar.

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