



China Pulse



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China's Economy

China's economic indicators (January to September 2008)

Total trade:	\$1967.1 billion, up 25.2%
Exports:	\$1074.0 billion, up 22.3%
Imports:	\$893.1 billion, up 29%
Trade surplus:	\$180.9 billion, down 2.6% (More).
Forex reserves:	\$1.9056 trillion, up 32.92% (More)
FDI:	\$74.374 billion, up 39.85% (More).
GDP:	9.9%
GDP (Q3):	9%
Fixed assets investment:	11.6246 trillion yuan (\$1.66 trillion), up 27.0%
CPI:	4.6%

China accounts for 6% of world's GDP in 2007

The proportion of China's GDP in the world economy has increased from 1.8% in 1978 to 6% in 2007. The average annual growth rate of China's GDP between 1979 and 2007 was 9.8%. In the past 30 years, China's GDP ranking rose from 10th to 4th in the world, after the US, Japan and Germany. China's GDP in 2007 was US \$3.2801 trillion ([More](#)). China's share in world's exports reached 8.8% by 2007, making it the world's 2nd largest exporter, after Germany ([More](#)). The Global Competitiveness Report 2008-2009 released by World Economic Forum on Oct 8 shows that China (HKSAR, Macau SAR and Taiwan excluded) is now among the world's top 30 economy ([More](#)).

China cuts reserve requirement ratio, interest rate to stimulate economy

People's Bank of China on October 8, announced cuts in both the interest rate and reserve requirement ratio in the latest effort to boost the domestic economy amid worries over the deepening global financial crisis. The deposit and lending rates would be lowered by 0.27 percentage points from October 9, and the reserve requirement ratio by 0.5 percentage points from Oct. 15. This was the second such move in less than a month, which highlighted the government's rising concern over the slowing economy and slumping capital market ([More](#)). China again cut the interest rates further from October 30, to bolster economic growth in the face of worsening global financial crisis. One-year lending rate dropped to 6.66% from 6.93%, while the one-year deposit rate was lowered to 3.60% from 3.87% ([More](#)).

China posts nearly 24% growth in telecom business in 1st 8 months

China's telecommunications sector realized a business volume of \$215.87 billion in the first eight months of this year, a growth of 23.9% over the same period of last year ([More](#)).

China raises grain prices to boost production

National Development and Reform Commission on Monday said it would raise the minimum purchasing price for wheat by as much as 15.3% starting next year. The move aims to boost rural income and grain output ([More](#)).

Government ploughs \$19b into ABC

Agricultural Bank of China will receive \$19 billion from the government, the first step toward its planned initial public offering ([More](#)).

Government & Politics

China marks 59th Founding Day

China's top leaders observed its 59th National Day by paying respects in Beijing on October 1, to those who had sacrificed themselves to the founding of New China. Led by President Hu Jintao, the leaders presented flowers before the Monument to the People's Heroes at Tian'anmen Square ([More](#)).

China, West Africa initiate trade forum for stronger economic ties

Nearly 500 business leaders of China and West African countries on September 23 gathered in Beijing to seek ways to further their economic cooperation. This is the first ever economic and trade forum of China and the Economic Community of West African States (ECOWAS). Mohamed Ibn Chambas, President of ECOWAS Commission headed a delegation of 450 private and public sector operators from the 15 ECOWAS member states,

for the four-day inaugural forum. As a follow-up action to a successful China-Africa cooperation summit in 2006, the forum focused on investments in infrastructure, exploitation of natural resources, agriculture, banking and other services ([More](#)).

China, Russia issue joint communiqué on co-op

China and Russia issued a joint communiqué on October 28, pledging further efforts to strengthen strategic coordination and deepen cooperation in various fields. The communiqué was signed by the visiting Chinese Premier Wen Jiabao and his Russian counterpart Vladimir Putin at the 13th regular prime ministers' talks between the two countries. The two countries also signed a number of documents on cooperation in such fields as energy, banking and high technology ([More](#)).

Zardari visits China

Pakistan President Asif Ali Zardari paid a 4-day state visit to China from 14-17 October, his first official visit abroad since assuming office. President Hu Jintao held talks with President Zardari. Mr. Wu Bangguo, chairman of the Standing Committee of the National People's Congress, Mr. Wen Jiabao, Premier of the State Council, and Mr. Jia Qinglin, Chairman of the National Committee of the Chinese People's Political Consultative Conference, also met President Zardari. China and Pakistan signed 12 agreements/MoUs during the visit of President Zardari ([Full Text of Joint Statement](#)). The leadership of the two countries set a target of bilateral trade of \$15 billion annually by 2011. The bilateral trade between the two countries reached over \$7 billion in 2007 ([More](#)).

China-Latin America summit ends on high note

After two days of meetings, the second China-Latin America Entrepreneurs Summit came to a close on Oct 21. The summit has achieved great results and more than 10 business or association agreements were signed. Participants from Argentina, Brazil and another 24 countries and regions attended the summit. Nearly 1,000 officials and entrepreneurs, on behalf of the United Nations Economic Commission for Latin America and the Caribbean, the Pan-American Development Bank and other international organizations, participated at the summit ([More](#)).

China, ASEAN set up commerce chamber to build common agricultural supplies market

China-ASEAN Chamber of Agricultural Commerce (CACAC), the first international chamber of commerce between China and Southeast Asian countries, has been set up on October 29, ahead of the 5th China-ASEAN Expo to prompt a common agricultural supplies market in the region ([More](#)).

China to continue efforts on regional forex reserve pooling scheme

China welcomed the scheme to establish a foreign exchange reserve pooling arrangement under the framework of the ASEAN, as well as China, Japan and Republic of Korea. "A foreign exchange reserve pooling mechanism can release help for hardship needs, and assist countries deal better with possible financial turmoil," Foreign Ministry spokesman Qin Gang said on October 23 ([More](#)).

China, Singapore sign FTA

China and Singapore on October 23, signed a bilateral free trade agreement (FTA) covering trade in goods, rules of origin, trade remedies, trade in services, movement of natural persons, investment, customs procedures, technical barriers to trade, sanitary and phytosanitary measures and economic cooperation. ([More](#)).

President Hu calls for policy coordination to tackle financial crisis

Chinese President Hu Jintao on October 24, called on countries all over the world to strengthen policy coordination so as to cope with the global financial crisis. "In the face of this global challenge, the international community should enhance policy coordination, strengthen cooperation and make a common response," Hu said when addressing the opening ceremony of the Seventh Asia-Europe Meeting on Friday ([More](#)).

China's central bank pledges global cooperation

Deputy Governor of the People's Bank of China, Yi Gang, on October 11, called for international cooperation to restore global financial stability. "Our current priority is to enhance international cooperation to prevent further deterioration and spillover of the crisis and restore global economic and financial stability," Yi said. The deepening and widening of the US financial crisis have triggered a major global slowdown and escalating uncertainty, Yi Gang said in a statement at the 18th meeting of the International Monetary and Financial Committee (IMFC) ([More](#)).

Asia Europe Meeting

The Seventh Asia Europe Meeting (ASEM 7) concluded on Oct 25 in Beijing. It was the first time that leaders of 45 member countries met since its second round of enlargement in 2006. ASEM member countries accounted for 50% of the world's Gross Domestic Product (GNP), 58% of global population and 60% of the world's total trade volume ([More](#)).

Five Chinese hostages killed in failed rescue

Five Chinese oil workers of CNPC kidnapped in Sudan died during a botched rescue attempt. China was also involved in the rescue effort led by Sudan. China buys nearly two-thirds of Sudan's oil ([More](#)). The abduction this time is the third such incident over the past year in the region ([More](#)).

China aims to double income of rural residents in 12 years

Communist Party of China said on October 12, that it would strive to double the per-capita disposable income of rural residents by 2020 from the 2008 level. The per capita disposable income was recorded at \$605.6 in rural areas in 2007, a year-on-year rise of 9.5% in real terms. A rise of at least 6% was expected for 2008. The rural population mired in absolute poverty was reduced to 15 million last year, down from 250 million in 1978 ([More](#)).

Business & Industry

World's largest oil tanker produced in Shanghai

The environment friendly oil tanker, 318,000 dead-weight-ton VLCC (Very Large Crude Carrier), Hua San, built by Shanghai Waigaoqiao Shipbuilding for Ocean Tankers, was delivered five months ahead of the schedule on of October 27. It is world's first super oil tanker with largest dead weight tonnage and the newest design, completely in line with the latest Common Structural Rules formulated by the International Association of Classification Societies ([More](#)).

Sinopec confirms \$2b takeover of Tanganyika Oil

Sinopec International Petroleum Exploration and Production Corp (SIPC) on September 28 confirmed that it had signed a deal to buy Canada's Tanganyika Oil Co Ltd for \$2 billion ([More](#)).

Nationwide campaign to stop coalmine mishaps

China is launching a three-month inspection from Oct 11 to prevent coalmine accidents nationwide, following a slew of fatal mining mishaps in the past months ([More](#)).

Brazil's Vale risks losing China market over unexpected price hike

Chinese industry analysts warn Brazil's mining company, Companhia Vale do Rio Doce, would probably lose the Chinese market. Major Chinese steel makers and iron ore suppliers decided to suspend imports from Vale because of price hike on iron ore. China Iron and Steel Association has said that Brazil's mining company breached an earlier agreement by raising prices for the second time this year ([More](#)).

China's iron ore, steel prices may fall further

The prices of iron ore and steel products have further room for slide following recent retreat. Prices of domestic iron ore were at \$176 per ton at the end of September, 12.4% lower than a month ago on slumping shipping rate. Prices of steel on average last month slid 5.9% month-on-month to \$830 per ton due to falling production costs and weakened demand in economic slowdown ([More](#)).

Property deals hit record low

Property transactions in China's major cities hit a record low over the past National Day holiday as more potential homebuyers adopted a wait-and-see attitude. The average number of daily deals over the holiday week fell 72% year-on-year in the capital to 69 units, making it the worst period so far this year for the property sector ([More](#)).

Companies moving inland from coastal region

A changing industrial landscape is unfolding in China's most prosperous coastal region. After 30 years of rapid development, the Yangtze River Delta is facing increasing pressure from the shortage of energy supplies and natural resources, as well as the environmental deterioration. The Yangtze River Delta accounts for 20% of the nation's gross domestic product and is responsible for one-third of its imports and exports ([More](#)).

Exporters turning away from overseas

Chinese exporters, faced with dwindling foreign orders amid global economic slowdown, are diverting their attention to domestic markets. At the Canton Fair, China's leading trade fair, businesses that canvass foreign buyers are also focusing on the local market as their customers in Western nations are dragged into recession by the global credit crisis ([More](#)).

Clothing industry faces a hard fit in global crisis

China's clothing and textile industry and shoe supplier, faces a worsening operating environment as the global financial crisis cuts demand and a rising currency erodes profits. China's exports of clothing and apparel only grew 1.8% in the first nine months, a decline of 21 percentage points compared with the growth rate at the same time in 2007, the Customs agency announced yesterday ([More](#)).

Half of China's toy exporters out of business

The rising yuan and escalating production costs have driven half of China's toy exporters out of the market in the first seven months of this year. A total of 3,631 toy exporters or 52.7% of the industry's businesses shut down in 2008. They were mainly small-sized toy producers with an export value of less than \$100,000. 3,507 toy exporters are still in business ([More](#)).

More job losses in S China amid global financial crisis

Another 1,500 workers in south China have fallen victim to the current global financial crisis as they will have to find new jobs when their factory closes next week. Hong Kong-listed BEP International Holdings Limited announced it would shut its factory in Shenzhen after its exports had dropped drastically this year registering huge deficits. BEP, founded in 1986, is an export-oriented company. Most of its annual output of 5 million units of home appliances was sold to Europe, North America, Asia and the Middle East, Australia and New Zealand. Earlier this week, 7,000 workers were sacked in Dongguan, also in Guangdong, after the Hong Kong-listed Smart Union Group (Holdings) Limited closed two factories ([More](#)).

CNPC, Uzbekistan oil company to co-develop oilfield

China National Petroleum Corporation (CNPC) has signed a cooperation deal with Uzbekistan State Holding Oil and Gas Company Uzbekndftegaz on the joint exploration of Mingulak oilfield in Namangan region, Uzbekistan ([More](#)).

Banks' overseas M&A challenges outlined

According to a latest report, titled *Venturing Abroad: Chinese Banks and Cross-border M&A*, compiled by The Boston Consulting Group (BCG), Chinese banks have been seeking larger and more ambitious M&A deals, many of which have involved taking stakes in foreign institutions. However, in addition to strategic opportunities, they still face many risks. At the management level, risks include lack of full support from senior management, managers lacking experience in overseas markets and M&A, conflict with targeted companies etc ([More](#)).

Laws, Rules & Regulations

- Chinese medical reform draft open to public debate ([More](#))
- List of Technologies Prohibited or Restricted from Export (Revised) ([More](#))
- Reparation law revision to go to NPC ([More](#)).
- China's new regulations on foreign investment in advertising firms takes effect
- Circular of the Ministry of Finance and the State Administration of Taxation concerning Lowering the Export Rebate Rates for Some Commodities
- China's Policies and Actions for Addressing Climate Change (Full text)

China to raise export tax rebates for textile, garment products

China is to raise the tax rebate for certain textile and garment exports by 1% to 14% from Nov. to help producers cope with the paper thin profit margins squeezed by slacking market demand, yuan's appreciation and rising production cost ([More](#)). China's clothing and textile industry and shoe suppliers are facing a worsening operating environment as the global financial crisis cuts demand. Chinese government is also taking multiple steps to combat the falling price of cotton ([More](#)).

China liberalizes rural land use to boost development

The Communist Party of China (CPC) issued a landmark policy document on October 19, to allow farmers to "lease their contracted farmland or transfer their land use right" to boost the scale of operation for farm production and provide funds for them to start new businesses. The new measures adopted are seen by economists as a major breakthrough in land reforms initiated by late leader Deng Xiaoping 30 years ago ([More](#)).

India & China

India-China trade

India was the 10th largest trading partner of China as the bilateral trade reached \$42.05 billion, up 54.9%, during the period from January to September.

CPC delegation visits India

A delegation of the Communist Party of China (CPC), led by Yu Zhengsheng, a member of the Political Bureau of the CPC Central Committee and secretary of the CPC Shanghai Municipal Committee, visited India at the invitation of Sonia Gandhi, President of the Indian National Congress during the third week of October 2008. The Chinese delegation exchanged views with Sonia Gandhi on a wide range of issues including global financial crisis. Yu also met External Affairs Minister Pranab Mukherjee, Commerce Minister Kamal Nath and BJP president Rajnath Singh.



Mr Yu Zhengsheng, with the members of the Indian industry at an interaction meeting in Mumbai on 21 October 2008

CII & China

Interaction meeting with Yu Zhengsheng

CII organized an interaction meeting with Mr Yu Zhengsheng on 21st October in Mumbai. Mr Yu invited Indian industry to explore the potential of exporting some of the high value products from India where China has been losing its cost competitiveness. He also suggested Indian industry to set up pavilions at Shanghai World Expo 2010 to brand and showcase their products.

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