



China Pulse



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China's Economy

Economic Indicators (January- October 2008)

Total trade	\$2188.67 billion, up 24.4%
Exports	\$1203.33 billion, up 21.9%
Imports	\$986.34 billion, up 27.6%
Surplus	\$216.99 billion (surplus in October alone - \$35.24 billion)
Inflation	4% (October)
FDI	\$81.09 billion, up 35.06%
PPI	Down to 6.6 % in October

China becomes 2nd biggest contributor to world economy

According to a report of the National Bureau of Statistics of China, as of 2006, China's contribution to the world economy had risen to 14.5%, ranking second just behind the US which was 22.8%. China's contribution rate is 1.4 percentage points higher than that of the Eurozone and 6.7 higher than Japan ([More](#)).

China's GDP to slow to 7.5% in 2009: WB

China's economic growth may slow down to 7.5% in 2009, the lowest since 1990, the World Bank said on November 26. The bank cut its forecast for the next year from 9.2%, but said China has "adequate tools" to keep the economy moving at a healthy pace ([More](#)). Zhang Ping, minister of the National Development and Reform Commission, at a press conference on China's economy in Beijing on November 26, said that the downside risk to China's economy is increasing, and some economic indicators have deteriorated in November ([More](#)).

China increasingly reliant on oil imports

China's oil imports will account for almost 75% of its total oil consumption by 2030, according to the International Energy Agency (IEA). China imported 159 million tons of crude oil in 2007 and produced 187 million tons ([More](#)).

China's steel sector dives deep into red

China's once profitable steel industry plunged further into the red in October due to a combination of shrinking demand, prices and exports resulting from the global financial crisis. More than 60% of steelmakers are in the red and many small steelmakers are facing closure ([More](#)).

Chinese manufacturing activity slows sharply

China's manufacturing activity slowed sharply in October amid weaker export demand despite a flurry of official measures to boost flagging growth. Meanwhile, the government said it was lifting a cap on bank lending in its latest effort to spur growth ([More](#)). Clothing and textile industry and shoe supplier are facing a worsening operating environment as the global financial crisis has cut demand and a rising currency eroded 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 ([More](#)). Half of China's toy exporters, mainly small-sized toy producers, have been driven out of the market in the first seven months of this year ([More](#)). China's passenger car sales fell by 6.24% in August from a year earlier, the first monthly decline in more than two years.

Air China's third quarter loss hits 1.94 billion yuan

Air China, the country's leading carrier, recorded losses of 1.94 billion yuan in the third quarter.

Government & Politics

China's 4 trillion yuan (\$586 billion) stimulus to boost economy, domestic demand

China said on November 9 that it would loosen credit conditions, cut taxes and embark on a massive infrastructure spending program in a wide-ranging effort to offset adverse global economic conditions by boosting domestic demand. It comes amid indications that economic growth, exports and various industries are slowing. A stimulus package estimated at 4 trillion yuan will be spent over the next two years to finance programs in 10 major areas, such as low-income housing, rural infrastructure, water, electricity, transportation, environment, technological innovation and rebuilding after several disasters ([More](#)). China has turned to an "active" fiscal policy and "moderately easy" monetary policy ([Details](#)). Premier Wen Jiabao on November 10, urged local governments not to "waste a single minute" in implementing this stimulus plan ([More](#)). (A timeline of China's recent economic-stimulus measures since August 2008 - [Detail](#)). To further boost economy, China on November 26 cut the benchmark interest rate by 1.08 percentage points, the highest in 11 years, to stimulate the economy. It also cut the proportion of money six big commercial banks have to hold as reserve by 1 percentage point to 16%. The cut in reserve requirement, which comes into effect from Dec 5, for the smaller banks is 2 percentage points to 14% ([More](#)).

China to further increase export tax rebates for light industry

Tax rebates for China's light industry would be increased to alleviate cost burdens on exporters, the Cabinet said in Beijing on November 26. China also plans to remove unreasonable administrative fees and charges on industry players, and offer more, said a statement released by the State Council. The tax rebate rate has been raised three times this year in China. The most recent increase came Monday. It covered a list of 3,770 items, which account for 27.9% of the country's total exports ([More](#)). On November 19, China announced administrative fee cut on 100 items to help Chinese enterprises save about \$2.78 billion that includes cut in administrative fees in areas such as business license applications, industrial construction, foreign trade, agricultural production, employment and education, among others. The fiscal policy takes effect on Jan. 1, 2009 ([More](#)).

China's government reacts to return of rural migrants

With an influx of 300,000 rural migrants back from China's cities in the past two months, the central Hubei Province has ordered some companies to seek approval for job cuts to stabilize the job market. With production cut backs and closures of export-oriented companies on the east coast amid weakening demand, Hubei, which had a yearly rural labor outflow of 7 million, was the first of the central and western provinces to respond. Migrant rural labor accounts for 58% of the manufacturing workforce, 52% of service industry employment, 68% of processing workers and 80% in construction sector ([More](#)).

China to monitor possible mass layoffs, large-scale labor disputes

As mass layoffs and labor disputes become more frequent when global economic slowdown wipes out more companies from business, Chinese government has urged local authorities to make best efforts to properly respond. The top priority should be given to ensuring stable employment, said China's Ministry of Human Resources and Social Security (MOHRSS) ([More](#)).

Major Infrastructure schemes announced recently

Beijing's traffic infrastructure budget in the next five years till 2012	\$34 billion (More).
Railway construction projects	\$300 billion (More).
Grid construction	\$169.9 billion (More).
10 infrastructure projects of Guangdong in next five years	\$347 billion (More).
Low-income housing in next three years	\$132 billion (More).
60 Airport projects	\$65.88 billion (More).

Massive power plant set for Tangshan

China Huadian Corp will invest more than 50 billion yuan in an integrated energy complex in the Caofeidian industrial area in Tangshan, Hebei province. The energy complex will include a coal terminal at Caofeidian, a large-scale coal-fired power plant, equipment manufacturing facilities and a coal chemical project. The complex is expected to have an annual output value of 20 - 30 billion yuan, with profits and tax of 3 - 4 billion yuan ([More](#)).

China aims at higher nuclear power capacity

China may raise its total installed nuclear power generating capacity to 70 million kilowatts by 2020, 75% higher than the government target set in 2006. The installed capacity of thermal power stations already accounted for 76% of China's total installed generating capacity. Contributing about 84% of the overall power supply, coal-based power has become a major source of carbon dioxide emissions. The current installed capacity of nuclear power is only about 9 million kw, or 1.3% of the total installed electricity generating capacity ([More](#)).

**President Hu visits 4-Latin American countries**

President Hu Jintao attended the 16th informal summit of the Asia-Pacific Economic Conference in Lima on Nov. 22-23 and paid state visits to Costa Rica, Cuba, Peru and Greece from 16-26 November. Chinese customs figures show bilateral trade between China and Latin America exceeded \$102.57 billion in 2007, compared with the \$100 billion goal set by Hu during his first trip. The bilateral trade between China and the Latin American region grew substantially during the first three quarters this year, up 52% to reach \$111.5 billion ([More](#)). Wu Bangguo, chairman of the Standing Committee of China's National People's Congress also paid a two-week official visit to four African countries of Algeria, Gabon, Ethiopia, Madagascar and Seychelles in November.

China-Myanmar oil and gas pipelines

Construction of oil and gas pipelines linking Myanmar and Yunnan province is expected to start next year. This oil pipeline is expected to provide an alternative route for China's crude imports from the Middle East and Africa and ease the country's worries of its over-dependence on energy transportation through the Strait of Malacca. Investment in the project is about \$2.5 billion, which includes \$1.5 billion for the oil pipeline and \$1.04 billion for gas pipeline ([More](#)).

Russia's China-bound pipeline may start paving next year

The paving of a China-bound branch line of the Eastern Siberia-Pacific oil pipeline may start at the end of the first quarter next year. The pipeline will run from the midpoint of Skovorodino to the Chinese border under the latest deal between China and Russia. The agreement to this effect was signed during a meeting between Russian Prime Minister Vladimir Putin and Chinese premier Wen Jiabao ([More](#)).

China becomes largest holder of US government debt

By the end of September, China held US \$585 billion of US government debt replacing Japan to become the largest holder of US government debt ([More](#)).

ARATS, SEF chiefs hold talks in Taipei

The Chinese mainland's Association for Relations Across the Taiwan Straits (ARATS) chief Chen Yunlin paid a five-day visit to Taiwan starting from November 3. Chen's visit marked the first meeting in Taiwan between leaders of the ARATS and the Taiwan-based Straits Exchange Foundation (SEF) ([More](#)). The two sides signed four agreements on direct shipping, air transport, postal services and food safety. On November 6, Taiwan leader Ma Ying-jeou also briefly met with Chen and his delegation. ([More](#)).

Agricultural Bank of China receives \$19 billion capital injection

The Agricultural Bank of China (ABC) on November 6 signed an agreement with Central Huijin Co., an investment arm of the government, for a \$19 billion capital injection in preparation for an eventual stock listing ([More](#)).

Business & Industry**Half of cotton harvest remains unsold in China's major cotton producing region**

Half of the autumn harvest from China's largest cotton plantation area of Xinjiang Uygur Autonomous Region remains unsold. The China Bank of Agricultural Development confirmed that the bank had used \$3.3 billion of the fund earmarked for 2008 by the central government to provide loans to firms to buy cotton by the end of October, and more financial assistance was planned ([More](#)).

CNPC inks \$2.9 billion Iraqi oilfield deal

China National Petroleum Corporation (CNPC) signed an agreement worth \$2.9 billion to jointly develop an oilfield in Iraq with the Iraq's oil ministry. It is among Iraq's first batch of joint-venture oil projects since the US-led invasion in 2003 ([More](#)).

China air show concludes with deals of 102 aircraft inked

The 7th China International Aviation and Aerospace Exhibition, Airshow China, concluded in Zhuhai on November 9, with deals of 102 aircraft inked. Among the deals, the Commercial Aircraft Corp. of China (COMAC) will sell 25 ARJ21-700 regional jets to GE Commercial Aviation Services of the United States. The deal is valued at \$733 million ([More](#)). China has received orders from home and abroad for 208 new ARJ21 regional jets as well as orders for 136 MA60 regional jets ([More](#)).

China & India**India-China Trade (Jan-October 2008)**

Trade	Value \$ Billion	% Increase
Total trade	42.05	54.9
China's exports to India	24.39	43.1
India's exports to China	17.66	74.9
India's deficit	6.73	

India was the 10th largest trading partner and 7th export destination of China during January-October 2008.

CII & China

Yunnan delegation visits India

A large business and cultural delegation from Yunnan province of China led by the governor, Mr Qin Guangrong visited India in the second week of November. The Yunnan delegation visited Mumbai and Kolkata and interacted with the government officials and business leaders. In New Delhi, the delegation interacted with Indian government officials. CII in cooperation with CCPIT Yunnan Sub-council and Yunnan government organised a seminar in Delhi on 12 November 2008 on "India-China Economic and Trade Promotion: Special Focus on Yunnan". Among others, Mr Jairam Ramesh, Minister of State of Commerce and Mr Zhang Yan Ambassador of the PRC to India also spoke at the seminar. The cultural troupe accompanying the Yunnan delegation also presented a cultural show after the seminar in New Delhi.



(L-R) Mr Chandrajit Banerjee, Director General, CII, Mr Zhang Yan, Chinese Ambassador to India, Mr Jairam Ramesh, Minister of State of Commerce, Government of India and Mr Qin Guangrong, Governor of Yunnan Province at the seminar on "India-China: Economic & Trade Promotion: Special Focus on Yunnan", 12th November 2008, New Delhi.

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