



China Pulse



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China's Economy

Economic indicators (January-June 2008)

- Total trade : \$1,234.17 billion, up 25.7%, year-on-year
- Exports : \$666.6 billion, up 21.9% year-on-year
- Imports : \$567.57 billion, up 30.6%
- Trade surplus : \$99.03 billion, down 11.8%
- FDI : \$52.4 billion, up 45.6%
- Forex reserves : \$1.809 trillion, up 35.73%
- CPI : 7.9%
- PPI : 7.6%
- GDP : 10.4%, rose to \$1.9 trillion.
- Custom tax revenues: \$71.6 billion, up 35.6%
- Fixed assets investment: \$1.0059 trillion, up 26.3%

Textile, garment export drops 11% in H1

China's export of textiles and garments fell 11% year-on-year to \$81.68 billion in the first half of this year. Industry watchers attributed the decline to the migration of textile and garment production from China to cheaper neighboring countries and a consumption crunch sparked by the ongoing credit crisis that originated in the United States last year. Other factors, including a stronger Chinese currency and mounting labor and material costs, have left textile makers in a tough spot ([More](#)).

China's grain output to reach 540 billion kgs by 2020

State Council of China on July 2 approved a plan to ensure that China would be 95% self-sufficient in grain over the next 12 years. The State Council agreed the country faced grim challenges in grain security. China produced 501.5 million tons of grain last year, 15 million tons less than the total demand ([More](#)).

Crude oil import up 11% in H1

China, the world's second-largest energy consumer, imported 11% more crude oil in the first half of 2008 than in the year earlier period. Crude imports stood at 90.53 million tons, valued at \$64.98 billion, up 85.8%. Angola, Saudi Arabia, and Iran were the top three oil suppliers ([More](#)).

China's external debts reach \$392.59 billion in March

China's outstanding foreign debts rose by 18.97 billion in the first quarter to reach \$392.59 billion by the end of March ([More](#)).

China's software industry scale ranks 4th in world

The scale of China's software industry has reached 583.4 billion yuan, ranking fourth in the world. Revenue from the software industry grew to 583.4 billion yuan in 2007 from 59.3 billion yuan in 2001, accounting for 8.7% of the industry's global market share and up 7.5% over the previous share ([More](#)).

Fast Food a \$66 billion Industry in China by 2009

Chinese fast food industry is expected to become a \$66 billion industry in China by 2009, up from \$51.7 billion in 2007 ([More](#)).

Bad loan ratio down in commercial banks

Bad loan ratio in China's commercial banks came down to 6.1% in June, 0.62 percentage points lower compared with that at the beginning of 2008 ([More](#)).

Industrial output of TCM reaches \$26 billion

In 2007, the industrial output value of traditional Chinese medicine (TCM) reached \$25.98 billion, accounting for 26.53% of the total pharmaceutical industrial output value ([More](#)).

Politics & Government

Beijing Olympics to generate \$2 billion in direct revenue

Beijing Olympic Games is expected to generate about US\$2 billion of direct revenue for Beijing. Beijing's annual GDP growth from 2005 to 2008, which saw huge investments for the Olympics, would reach 11.8% on average, 0.8 percentage point higher than the 2001-2005 period. Nationally, the Olympics was estimated to generate an overall economic benefit worth some 600 billion yuan ([More](#)).

China hands out manuals teaching citizens to escape terrorist attacks

China's Ministry of Public Security issued a manual to help citizens survive terrorist attacks as the country was tightening security in the last-minute preparation for the Olympic Games. The book included 39 scenarios of terrorist attacks including explosion, arson, kidnapping, shooting and even attacks of chemical, biological and nuclear weapons ([More](#)).

Chinese authorities issue rules on misuse of police in handling mass incidents

The Chinese authorities have published China's first regulations on dealing with misuse of police when handling mass activities. These include inappropriate use of police equipment and forceful measures, or carrying or using weapons ([More](#)).

China, Russia sign border agreement

China and Russia on July 21, signed an agreement to delineate their border around two islands, paving the way for the return of 174 sq km of territory to China. Sino-Russian border negotiations have gone through more than 40 years. The areas to be returned - the Yinlong Island (Tarabarov Island) and half of the Heixiazi Island (Bolshoi Ussuriysky Island) - are territories the former Soviet Union occupied during a 1929 border skirmish. They are located at the confluence of the Heilongjiang and Wusulijiang rivers that serve as a natural border between the two countries ([More](#)).

China sets guidelines for central government administrative reform

China recently set a guideline for a new round of institutional reform of the State Council to build a service-oriented, responsible, law-governing and clean government. The new round of government reform is led by Vice Premier Li Keqiang, a member of the Standing Committee of the Political Bureau of the CPC Central Committee ([More](#)).

Zhejiang may legalize underground private lending business

Microcredit firms, or legal private lenders, are a hot topic in Zhejiang. Although an official timetable has yet to be released, it has been widely reported that microcredit companies will receive a green light and the first group of such lawful private lenders could start issuing loans as early as from September. Underground financing channels, which fill the vacuum created by banks, which are less enthusiastic about lending to small and medium-sized enterprises, are flourishing in the province ([More](#)).

China's central SOEs invest about \$14.49 billion in R&D in 2007

About 150 centrally administered state-owned enterprises (SOEs) invested about \$14.49 billion in research and development in 2007. These SOEs employed 1.02 million people in the science and technology fields and 465,000 people in R&D ([More](#)).

6.4 million new jobs created in Chinese cities in H1

In the first half of this year, 6.4 million new jobs have been created in Chinese towns and cities, achieving 64% of the entire year's goal. The Chinese government set a goal to create 10 million urban jobs in 2008 ([More](#)).

Rural medicare covers 91% of population

China's rural cooperative medical insurance system, launched in 2003 to offer basic health care to rural residents, covers more than 91% of its target population. 804 million rural residents had joined the system as of the end of March ([More](#)).

China has 253 million netizens, surpassing U.S.

The number of Chinese netizens reached 253 million by the end of June, up 56.2% from 162 million in 2007, the most in the world ([More](#)).

Special unit to fight for migrant workers

The Chinese government has set up a special department to safeguard the rights of migrant workers, help them get training and ensure safe working conditions ([More](#)).

Muslim products feeding growth

Production of halal food and Muslim commodities is industrialized in Ningxia. With a large workforce, its industries generate a wide variety of products through mass production that meet international norms. Some producers have long-term export ties with foreign businesses ([More](#)).

China- Kazakhstan gas pipeline starts construction

A ceremony to commence the work on the construction of China-Kazakhstan gas pipeline was held in Alma-Ata, Kazakhstan. As a part of the China-Central Asia gas pipeline project, the China-Kazakhstan gas pipeline, extending 1,300 km, is a joint venture between China and Kazakhstan. The China-Central Asia gas pipeline project runs from Turkmenistan, passing through Uzbekistan and Kazakhstan, and finally reaches Central, East and South China, with a total length of approximately 10,000 km. After its completion, Turkmenistan will deliver 30 billion cubic metres of natural gas every year to China within 30 years ([More](#)). The China National Petroleum Corporation is seeking a \$2.5 billion loan from the China Development Bank for the construction of the Uzbekistan section of the pipeline, expected to finish in 2009 ([More](#)).

Cross-Straits weekend charter flights begin

The first cross-Straits weekend charter flight from China to Taiwan landed at Taipei Taoyuan airport early Friday Morning. The China Southern Airlines flight, from Guangzhou, is the first of 36 flights to be launched this weekend ([More](#)).

Taiwan's banks start renminbi services

Taiwan will allow 14 financial firms to offer exchange services in Renminbi, to tap an expected surge in demand after the signing of a landmark tourism deal with the Chinese mainland ([More](#)). Taiwan's airports, banks, department stores, and other institutions had a set exchange rate between Taiwan dollars and Renminbi for the first time. RMB is labeled as "CNY" ([More](#)).

Wal-Mart signs collective labor contract with employees

Employees of a Wal-Mart outlet in Shenyang, capital of Liaoning Province, signed a collective contract with the retailing giant on 14 July, the first among Wal-Mart's 100-odd stores across China. The Wal-Mart outlet agreed on a proposal by its trade union to raise employees' salary by an annual rate of 8% in 2008 and 2009. Other agreements included the standard of minimum salary, paid vacation, social security treatment and payment for overworking ([More](#)).

China denies hoarding overseas farmland

A senior Ministry of Agriculture official dismissed foreign media reports about hoarding overseas farmland by China, saying the country is fully capable of ensuring its own food security. The official was responding to a report in the Financial Times on May 13 that China has been encouraging its firms to purchase overseas farmland, and that the Ministry of Agriculture is in talks with Brazil to acquire and for soy production ([More](#)).

World's largest cable-stayed bridge formally opened in China

The Suzhou-Nantong Yangtze Road Bridge, the world's largest cable-stayed bridge, was formally opened on June 30 in Jiangsu province of China after five years of construction. The bridge, linking the two prosperous cities of Nantong and Suzhou, runs 32.4 kilometers, with 8,146 meters spanning the Yangtze river, China's longest waterway ([More](#)).

Merger creates new Chinese steel producing giant

China's largest steel maker came into being as the two leading companies, Tangshan Iron & Steel Group and Handan Iron & Steel Group, formally merged, in Hebei. The new group, Hebei Iron and Steel Group Co., is expected to have an annual capacity of 31.58 million tons of iron and steel, overtaking Shanghai-based Baosteel to become China's largest, and world's fifth-largest, producer. The group will produce 50 million tons of iron and steel annually by the end of 2009. In 2007, Tangshan Iron & Steel produced 22.75 million tons of iron and steel while Handan Iron & Steel had an output of 8.33 million tons ([More](#)).

Refineries sink deeper in the red

Despite the huge subsidies and rise in gasoline and diesel prices, refineries under China's two leading oil companies, under China National Petroleum Corp (CNPC) and China Petrochemical Corp, incurred 5.71 billion yuan of losses in the first half of the year, 47.9% more than a year earlier ([More](#)). CNPC planned to cut its workforce by 5% in upcoming three years as its profits had been squeezed by heavy refining losses. CNPC had 1.67 million staff last year, which meant more than 80,000 of them would be laid-off within three years ([More](#)). However, CNPC later denied this ([More](#)).

JV to spend 7 billion yuan on oil reserve

Communications Co, a subsidiary of the State Development and Investment Corporation and Netherlands-based Royal Vopak will invest 7 billion yuan on a commercial oil reserve project in Yangpu Economic Development Zone in Hainan. The project will involve the construction of a public oil terminal containing two 300,000 ton berths, two 100,000 ton berths and two 50,000 ton berths for crude and oil products and a commercial oil storage base ([More](#)).

Business & Industry

ArcelorMittal establishes auto-use steel JV in China

ArcelorMittal is investing in China to establish a new automotive oriented steel joint venture in Hunan Province. The new company is expected to produce 1.2 million tons of automobile steel sheet annually. ArcelorMittal, the Hunan-based Valin Group and Valin Steel Tube and Wire Co. Ltd. signed a cooperation contract on June 27 for investing \$725 million to set up the Valin ArcelorMittal Automotive Steel ([More](#)).

EU launches anti-dumping probe into Chinese aluminum foil

The European Commission has decided to launch an anti-dumping probe into imports of aluminum foil originating from China. The products from Armenia and Brazil have also been targeted ([More](#)).

Huawei helps Bangladesh University set up lab and training center

China's Huawei Technologies (Bangladesh) Ltd. signed an agreement on Wednesday with Bangladesh University of Engineering and Technology (BUET) for setting up a wireless communication lab and training center in the university. Huawei will donate \$3 million GSM equipment to BUET to set up a full-fledged GSM lab in the university as a part of its Corporate Social Responsibility. Huawei Technologies (Bangladesh) Ltd. is the No. 1 telecom solutions provider in Bangladesh. It entered into Bangladesh market in 1998 and currently employs more than 800 people including 700 locals ([More](#)).

Bangladesh hopes to further cooperation with China on hybrid rice project

Bangladeshi agricultural experts hope to further cooperation on hybrid rice project between Bangladesh and China to increase food production and realize food sufficiency in Bangladesh ([More](#)).

China to build 2 steel plants in Indonesia

China Steel Resources Holding Company will build two steel factories with a combined capacity of 3 million tons per annum in Indonesia ([More](#)).

\$2 billion plan for wind power farms

Arcapita Bank BSC, a closely held Bahraini investment bank, has formed a venture with a unit of India's Tanti group, owners of Suzlon Energy Ltd, to invest \$2 billion to develop wind power farms in China ([More](#)).

Overseas-funded banks in China own \$193 billion in assets

The total assets of overseas funded banks in the Chinese mainland stood at about \$193 billion by the end of March, up 55% year on year. The assets of overseas-funded banks accounted for 2.44% of the total assets of the banks in China. By the end of March, Chinese branches operated by 57 overseas-funded banks, as well as 25 overseas-funded corporate banks, were approved to provide Renminbi services ([More](#)).

Lead and zinc smelters agree to cut production by 10%

China's 27 lead and zinc smelters agreed to cut production by 10% between July and September, in a move to prop up market prices and relieve electricity shortages ([More](#)).

Laws, Rules & Regulations

Govt might scrap crude oil import subsidies

The Chinese government may scrap the subsidies to state refiners on crude imports, following the decision to raise the price of refined oil products on June 20 ([More](#)).

Anti-monopoly law commission in force

The long-awaited antitrust legislation proposed 15 years ago and passed only in 2007, takes effect from Aug 1 ([More](#)).

Policy changes in the pipeline

A slowdown in exports as indicated by the first-half Customs data has drawn concerns from both companies and policy makers alike to make policy changes in sectors, like textile and garments, which have been badly hit. Trade surplus for the first six months shrank to \$99 billion, down by 11.8% ([More](#)).

Subsidy may be on the table to warm up industry

The Chinese government is said to be considering providing subsidies to users and manufacturers of energy-efficient air conditioners as part of efforts to save energy and protect the environment ([More](#)).

China to enhance foreign investments management

China will further strengthen management of foreign investment projects and check foreign exchange inflow in a bid to better control it ([More](#)).

[New rules set to stop influx of 'hot money'](#)

[Beijing bans high-emission vehicles to ensure green Olympics](#)

China & India

Dai Bingguo: China ready to enrich partnership with India

"The China-India relationship is now at the best period in history and facing hard-earned opportunity of development," Chinese State Councilor Dai Bingguo told Indian prime ministerial special envoy Prithviraj Chavan, Minister of State in the Prime Minister's Office, on July 29. He said China was ready to make joint efforts with India to deepen reciprocal cooperation, strengthen coordination on international and regional issues and enrich the strategic partnership of cooperation, to promote the lasting, steady and healthy development of bilateral ties. The two leaders also exchanged views on the nuclear energy cooperation between India and the United States ([More](#)).

Indian delegation of young members of parliament visits China

Sachin Pilot, member of the Lok Sabha led a delegation of young Indian members of parliament at the invitation of the International Department of the CPC to China. Pilot said India was ready to work with China to take advantage of parliamentary, political party and non-government exchanges to expand and promote the cooperation in fields like energy, poverty alleviation, agriculture and infrastructure construction ([More](#)).

India-China trade

Bilateral trade between India and China recorded the fastest growth among China's top 10 trade partners, up 69% to reach US\$29 billion in the first half this year. India's imports from China reached \$15.63 billion, up 52.9% and exports \$13.37 billion, up 92.6%. During the period from January to May this year, India was the 8th largest trading partner, 7th top export destination and 9th top import source of China ([More](#)).

Indian e-commerce provider allies with Baidu

Northgate Technologies, an Indian technology, e-commerce and online advertisement solutions provider, has formed partnerships with Chinese advertising giants Baidu. Globe7 HK Limited, a wholly owned subsidiary of Northgate Technologies, has formed partnerships with Chinese advertising giants Baidu, Alimama and Allyes, which will build Chinese advertising exposure to its products Globe7.com, Egglad.com, Ziddu.com and Longhaier.com ([More](#)).

Chinese firm wins first power project in India

China Light Power Ltd (CLP), a Hong Kong-based power utility company, has become the first Chinese company to win a competitive bid for a power project in India, indicating increased competition from China in the future. CLP won the 1,320-MW Hhajjar thermal power project in Haryana ([More](#)).

CII & China

CCPIT officials visit CII headquarters

A 3-member delegation led by Ms. Wang Li, Deputy Director General of Economic Information Department of CCPIT visited CII headquarters on July 28, 2008. The delegation members interacted with the CII officials and discussed matters relating to cooperation in exchange of information on trade, commerce and investment. Mr. T S Vishwanath, Senior Director, Head International Division and International Trade Policy, briefed the delegation on CII operations and emphasized the need to strengthen cooperation between CII and CCPIT, particularly in view of growing bilateral trade, which has reached about \$29 billion in the first of this year.

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