



Confederation of Indian Industry

CHINA *pulse*

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Chinese Economy

China foreign trade (Jan-May 2007)

Unit: US\$ billion

Trade	Volume	% Increase
Total trade	801.34	23.7
Export	443.53	27.8
Import	357.81	19.1
Surplus	85.71	83.8

Source: MOFCOM, PRC

FDI in China

A total of 15,072 joint ventures were approved by China from January to May, down 3.75% year-on-year, bringing in US\$25.28 billion in FDI, up 9.87 percent from a year earlier.

Fast industrial growth ups pressure for rates hike

An unexpected growth of 18.1% in the industrial production in May 2007, coupled with rising inflationary pressure and enlarging foreign trade surplus, has made a case for further monetary tightening by China's central bank ([More](#)).

Software industry posts 28% growth in first 4 months

China's software industry continued to expand during the first four months of this year, with business income up 2% on the previous year. This sector garnered US\$18.6 billion in revenue between January and April. Of the total, software products accounted for US\$6.6 billion, up 27.9%, and system integration, covering IC design and solution design, US\$4.5 billion, up 27.7% ([More](#)).

China becomes 2nd largest auto parts exporter to US

China overtook Germany in the first quarter to become the second largest exporter of automotive spare parts to the United States as its exports of auto parts to US reached US\$1.936 billion. Japan is the top exporter with US\$3.57 billion ([More](#)).

New, high-tech products account for nearly 30% of China's foreign trade

China's export and import of new- and high-tech products amounted to US\$232.5 billion, or 29% of the nation's total foreign trade, in the first five months of this year. The exports amounted to US\$125.8 billion, up 24.3% year-on-year, and the imports, US\$106.7 billion, up 15.8% ([More](#)).

Steel prices climb 7.8%

The price of major steel products in China rose 7.8% in May as the demand and production costs both climbed. The steel price averaged 4,255 yuan (US\$557) per ton at major markets, 3.34% up on April. Stainless steel recorded the biggest price jump, outstripping low-end construction steel, pipe steel and plated steel. Stainless steel sheets were traded at 32,927 yuan (US\$4,310) per ton on average, up 37.43% from last May ([More](#)).

Total assets of major SOEs exceed US\$2.1 trillion

The total assets of China's 424 major State-owned enterprises exceeded US\$2.1 trillion by the end of May 2007. Their combined assets grew 14%. These SOEs reported combined profits of US\$59.57 billion, up 36.2%, with 62 of them earning US\$53.11 billion in total ([More](#)).

China's dairy production ranks third in the world

China overtook Russia and Pakistan to rank third in the world after India and the United States in the production of dairy products in 2006, as its production of dairy products grew 15% to reach 32.9 million tons. The average consumption of dairy products in China in 2006 was the equivalent to 25.6 kilograms, up 76.6% on 2000 ([More](#)).

Net imports of crude oil up 11.5%

China's net imports of crude oil rose 11.5% from a year earlier to 65.83 million tons in the first five months of the year. From January to May, China imported 67.43 million tons of crude oil, up 9.6% year-on-year and exported 1.6 million tons, down 36.6% ([More](#)).

China Economy

Government & Politics

\$5 billion African fund launched

A \$5-billion China-Africa Development Fund (CADF) was launched June 26, to finance Chinese companies' investment in Africa. The CADF has drawn first-phase funding of \$1 billion from China Development Bank (CDB). The fund will rise to \$3 billion in the second phase before finally reaching \$5 billion ([More](#)).

Special bonds to tap forex reserves

The National People's Congress Standing Committee debated a draft bill authorizing the Ministry of Finance (MOF) to sell 1.55 trillion yuan (\$200 billion) of special treasury bonds to finance the proposed foreign exchange investment company. The funds raised will be used to buy \$200 billion of China's \$1.2 trillion foreign exchange reserves from the central bank, and invested overseas ([More](#)).

China issues first national plan to address climate change

China issued a national plan on June 04, to address climate change and show its determination to reduce greenhouse gas emissions in an all round way. Under the National Climate Change Program, China has pledged to restructure its economy, promoting clean technologies and improving energy efficiency. The plan does not include any quantified targets for carbon dioxide emission ([More](#)).

China builds highway to Everest base camp

China has begun building a highway to Mount Everest base camp, partly to smooth the way for the carrying of the Olympic torch up to the highest peak in the world, Xinhua reported on June 19. The new road will begin at the base of the mountain in Tibet and replace a rough 108-kilometre (67-mile) track that leads to the northern base camp ([More](#)).

China to maintain restraints on steel exports

According to a report of the National Development and Reform Commission, the Chinese government will continue to curb excessive growth of steel exports to reduce energy consumption and cut pollution. On May 21, the government imposed export tariffs of 5-10% on more than 80 steel products, including steel wire, sheet and plate, and raised export tariffs from 10 to 15% on primary commodities such as steel billets, ingots and pig iron from June 1. The government had earlier also scrapped or lowered a range of export rebates in April to curtail mounting exports and curb excessive production ([More](#)).

548 slave workers rescued

Police rescued 548 slave laborers at brick kilns and other illegal workplaces. This includes 331 people in Shanxi and 217 in Henan Province ([More](#)).

China, Pakistan to cut bilateral trade tariffs from July, 2007

China and Pakistan will start to cut or scrap tariffs on all products from July 1 to boost bilateral trade, Wang Xinpei, spokesman of the Ministry of Commerce, has said. With the signing of FTA, the two countries aim to triple the trade volume to US\$ 15 billion in five years. Under the agreement, both sides will, during Phase I, slash tariffs on 85% of the products by different ranges in five years after the agreement is put into force, and eliminate tariffs on 36% of the products in three years. In phase II, which starts from the sixth year after the agreement comes into force, both sides will further reduce tariffs on the products based on the agreement implementation ([More](#)).

Number of central SOEs to be halved

A new round of integration of big SOEs will be started at the end of 2007. According to the plan, there will be only 80 to 100 such enterprises left when the integration is completed before the end of 2008. 76 central enterprises of 38 groups have already been integrated since 2003. Currently there are only 157 central enterprises, while the figure in 2003 was 196. From 2004 to 2006, 36 central enterprises were integrated ([More](#)).

Billion dollar deals signed between China and Russia

Chinese and Russian companies finalized 19 contracts worth US\$ 2 billion on the sidelines of the 11th St. Petersburg International Economic Forum, with deals from agriculture to car manufacturing ([More](#)).

Overseas equity nod to insurers

Chinese insurance companies will soon be allowed to invest in equities in overseas markets, Sun Jianyong, director of the insurance fund management regulatory department of the China Insurance Regulatory Commission said on May 31, 2007. The move is part of the government's efforts to "deregulate the sector step by step", he said. The regulator will initially allow

insurers to invest in mature stock markets such as London and New York this year. "The long-awaited new rules on insurers' overseas investments will be issued in one to two months," Sun said ([More](#)).

Favorable policies to strengthen SMEs

China will pursue every possible means, including both international collaboration and regulatory supports, to strengthen its small- and medium-sized enterprises (SMEs), a government official said June 7 ([More](#)).

China has 80 million middle class population

The number of Chinese officially described as "middle class" has risen by almost 15 million people in the last two years to 80 million in total, according to official sources. Estimate was based on the criterion of the National Bureau of Statistics, which defined middle-income households as having an annual income between US\$7,792 and US\$65,790 ([More](#)).

70% of China's rural areas do not have any more young laborers to transfer out

The Chinese Academy of Social Sciences (CASS) released a green paper on population and laborers in 2007. The green paper pointed out that three-fourth of all villages in China did not have young and strong laborers to transfer out. The rate of increase in laborers has been dropping year by year. It is expected that the supply exceeding the demand of laborers will be reversed during the period of the 11th "Five-Year Plan" ([More](#)).

China's forex to invest in Blackstone

The US Blackstone Group would receive US\$3 billion, which is to be invested by China's state foreign exchange investment company "shortly after its public offering". The state forex firm agreed to buy Blackstone shares at a 4.5% discount on the IPO price -- set at 31 dollars a piece, a source with the soon-to-be-established Chinese firm said on June 22 ([More](#)).

Business & Industry

Anshan to buy stake in Perth firm

Anshan Iron & Steel Group, one of China's top steel mills, will buy a 12.94% stake in Australian iron ore producer Gindalbie Metals Ltd for A\$39 million. Gindalbie would issue 65 million shares at 60 cents each to Anshan's investment arm in Hong Kong, Angang Group Hong Kong Co Ltd. The deal is the latest move taken by a Chinese steel maker pursuing iron ore abroad to feed the strong domestic demand fueled by China's steel sector ([More](#)).

18 steel pipe makers unite against US charges

China's 18 steel pipe producers have teamed up in Beijing to respond to dumping and subsidy charges from their US counterparts, according to a Chinese trade body. This group has appointed John Larose from US law firm Vinson & Elkins LLP's Beijing office as attorney ([More](#)).

US curbs on high-tech exports to hurt trade

China criticized a revised US regulation, which tightens controls over high-technology exports to the country. By imposing restrictions on more categories, the US has ignored China's efforts at enlarging imports from the United States, which will negatively affect the process of balancing two-way trade, Yao Shenhong, a spokesman for the Ministry of Commerce, said. According to the latest US regulation, the licensing requirements are expanded to a list of items covering 20 product categories and associated technologies and software, which the US government defined as those that "could contribute to China's military modernization" ([More](#)).

Tax rebates removed, cut to curb exports

China will eliminate or cut tax rebates for more than 2,800 export items from July 1 - in the boldest move yet to rein in exports since it joined the WTO in 2001. The affected items account for 37% of all export products. Export tax rebates for 553 "highly energy-consuming and resource-intensive" products, such as cement, fertilizer and non-ferrous metals, will be eliminated. Rebates for another 2,268 products, described as "easy to trigger trade frictions", will be slashed from 8-17% to 5-11%. They include garments, toys, steel products and motorcycles ([More](#)).

Chinese tyres targeted in US

Tyres made in China are likely to become the next victim of a combination of US countervailing and dumping charges after coated paper and steel pipes. Stewart and Stewart, on behalf of the US industry, on June 18 filed a petition with the US department of commerce and the international trade commission requesting the government to conduct a probe to see if a combination of countervailing and anti-dumping duties can be imposed on Chinese "off-the-road" tyres. The US company said certain Chinese tyres have hurt US players. It's expected to take India as the surrogate country in calculating Chinese firms' "dumping rate" ([More](#)).

Laws, Rules & Regulations

Fuel oil import duties cut to 3%

China has set temporary import duties for numbers 5 to 7 fuel oils at 3%, down from the current rate of 6%. China will also lower coal import tariffs, including non-smoking coal, to zero from the current 1%. The rules are in effect from June 1 to December 31, 2007.

Coal reserve proposed in law change

China will set up a strategic coal reserve to ensure energy security, according to a legislative amendment being drafted. Building a strategic coal reserve is on the top of a list of 10 articles proposed to be added to the current coal law ([More](#)).

M&As face security scrutiny

Mandatory national security checks on foreign mergers and acquisitions (M&As) of domestic companies or foreign capital invested in domestic companies in other forms have been included in the draft anti-monopoly law. The cases would be examined if the cases are related to national security ([More](#)).

Loose media rules move closer to law

The Standing Committee of the National People's Congress (NPC) on June 24, advanced legislation that would allow the media to report on public emergencies without the government's authorization in a bid to improve transparency. Compared to the first draft, which included fines of as much as 100,000 yuan (\$13,100) for media outlets that report on emergencies without authorization or spread fabricated information, the second draft only bans the making up or spreading of false information ([More](#)).

China to amend law to help lawyers obtain evidence, open law firm ([More](#)).

New guidelines for banks to report suspicious transactions ([More](#)).

Space Law to outline China's ambitions ([More](#))

India & China

China India agree to work more closely

President Hu Jintao and the Indian Prime Minister Manmohan Singh in Berlin on June 7, on the sidelines of the G8 summit's outreach session in Heiligendamm agreed to seek a resolution on the pending boundary issue and vowed to strengthen their partnership to combat climate change ([More](#)).

Indian silk suit worries exporters

Chinese silk exporters are up against a new challenge as India's Central Silk Board has asked a tribunal in New Delhi to review the ruling on an anti-dumping case over imports from China. The new lawsuit, which is expected to be heard in July, poses a fresh challenge for the Chinese exporters, after they were asked to follow a reference price in the earlier ruling in November. India launched an anti-dumping investigation in 2005. In November, India's Ministry of Commerce and Industry announced a final ruling that Chinese imports should follow a reference price range of \$1.662 to \$4.526 per square meter, depending on quality ([More](#)).

Indian youth delegation in China

An Indian youth delegation comprising 100 members, began a 10-day visit to China on June 7. Led by Minister of Panchayati Raj, Youth Affairs and Sports Mani Shankar Aiyar, the delegation will also visit Shanghai, Nanjing, and Kunming, and some universities, sports institutes and economic zones. This is the second such delegation to visit China in a year ([More](#)).

China-India trade rises to \$14.2 billion

Bilateral trade between India and China rose 53.7% to US\$14.2 billion during the first five months this year, witnessing the fastest growth rate among the China's top ten trading partners.

Source: PTI, June 14, 2007

CII & China

China-India CEOs Programme



The 'China-India CEOs Program' successfully brought together 25 top CEOs from China and India for two days of learning in Beijing from June 4 to June 5, 2005. They represented various sector like engineering, consulting, pharmaceutical, IT, media, energy, technology, training, chemicals, dairy, construction, financial services and airlines. The 4 Modules covered sessions on - "The Coming Decade – A New Renaissance for Corporations in the Emerging Markets"; "The Civilization Dialogue – Spiritual Foundation & Corporate Decision Making"; "The Pacific Century and Himalayan Millennium"; and "The China – India CEO Dialogue". The Indian Ambassador to China, Ms Nirupama Rao, was the guest of honour at the opening dinner on 3rd June. Jointly organized by the Cheung Kong Graduate School of Business (CKGSB), the Confederation of Indian Industry (CII) and INSEAD, the 'China-India CEOs Program' will continue with a module focused on action to be held in next year in Delhi.



Mr Wang Jindi, Vice General Secretary, leader of the delegation of Liaoning Provincial Government (center) at a meeting in New Delhi with CII on June 14, 2007

Visit of the Liaoning provincial government delegation

A five-member delegation from Liaoning province of China visited CII headquarters on 14 June 2007 and held an interactive meeting with CII officials. The delegation leader expressed willingness to enhance cooperation between India, CII, Indian state governments and cities and Indian enterprises and Liaoning province.

Jiaxing delegation visits CII

A 20-member government delegation from Jiaxing municipality (Zhejiang province of China) visited India from 26 June to July 2, 2007. CII organized a session with the delegation at Pune on June 28 and an interactive meeting at New Delhi on July 2, 2007. The delegation visited Ashok Leyland and Sundram Fasteners Ltd at Chennai and met Gea Energy Systems (I) Ltd.



(L-R) Mr Wenping Shen, Vice Director of Jiaxing Bureau of Foreign Trade and Economic Cooperation, Mr Lai Yongsheng, Deputy Secretary-General of Jiaxing Municipal People's Government, Mr K R Natu, Managing Director Demech Ltd at a CII organised session on 'Opportunities in Jiaxing for the Indian Companies' in Pune on June 2007



Mr Lai Yongsheng, Deputy Secretary-General of Jiaxing Municipal People's Government (L) and Mr Jayant Bhuyan (R) DDG CII and CEO IBEF at a meeting in New Delhi on July 2, 2007

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