

China's Economy

China's foreign trade (January-July 2008)

Trade	Value \$ billion	Increase
Exports	802.91	22.6%
Imports	679.2	31.1%
Total trade	1482	26.4%
Trade surplus	123.72	-9.6%
Proportion of general trade	720.5	36.3%, 48.6% of total trade
Trade with EU	243.14	27.9%
Trade with US	189.11	13.2%
Trade with Japan	154.93	19.2%

[\(More\)](#)

Other Indicators

- China's fiscal surplus: 1.19 trillion yuan (\$173.7 billion) in H1
- Budget revenue: 3.48 trillion yuan, up 33.27%
- Budget expenditure: 2.28 trillion yuan, up 59.52%
- Retail sales: 5.1 trillion yuan in H1, up 21.4%
- PPI: up 10% in July, highest since 1996
- CPI: up 6.3% in July 2008, compared with 7.1% in June
- FDI: \$60.7 billion in 1st 7 months

China expects oil reserve of 108 billion tons

According to the Ministry of Land and Resources, China's crude oil reserve is estimated at 108.6 billion tons. About 21.2 billion tons of crude could be developed under the current technology. The natural gas reserve is estimated to stand at 5.6 trillion cubic meters and 2.2 trillion cubic meters could be exploited under the current technology [\(More\)](#).

Coal shortage threatens China's power supply this year

China may face electricity scarcity this year due to inadequate coal supply. The coal reserve in China's big power plants was 43.81 million tons, merely enough to support 11 days of normal operations [\(More\)](#). China shut small coal-fired power generators with a total capacity of 14.38 million kw last year, 28.76% of the total capacity the country planned to close during the 11th Five-year-plan (2006-2010) [\(More\)](#).

Biggest fall in crude imports

China's crude imports unexpectedly fell 7% in July to a seven-month low, its steepest monthly drop since January 2005. China imported 13.79 million tons (3.25 million barrels per day) of crude oil in July, down 295,000 bpd from June [\(More\)](#). Total production of crude oil in reached 110 million tons in the first seven months, up 2.2% [\(More\)](#).

Government & Politics

Beijing Olympics

Under the leadership of Deng Xiaoping, China launched economic reform programme nearly 30 years ago. While reminding the Chinese people of glorious past of China, the leadership did not stop reminding its people of the humiliation suffered by China during the 19th and early 20th century at the hands of foreign powers, even if the people felt ashamed. Continuous reminder to Japan till recently, of its occupation of China and atrocities committed during the World War II against the Chinese people was perhaps also directed to its citizens. Deng Xiao Ping asked party leaders to keep low profile and to 'hide brightness and nourish obscurity', while making united efforts to regain its preeminent position in the world. The spectacular display of Chinese power and its civilization, culture and history at the inaugural and concluding ceremonies and the smooth conduct of the Beijing Olympics is a fitting tribute by a grateful nation to its great leader Deng Xiaoping.

The theme of Beijing Olympics, One World One Dream (同一个世界 同一个梦想), undoubtedly signifies the integration of China with the world. The attendance of over hundred leaders, including head of states and government, is recognition of the emergence of China not only as an economic power but also as an important player in the international affairs.

Compared to \$15 billion spent on infrastructure program in 2004 Athens Olympics and \$5 billion in 2000 Sydney Olympics, China spent about \$ 30 billion in building sports facilities and infrastructure programme. The Olympic factor has hugely contributed to China's sustained economic growth, propelling the increase of infrastructural investment in the host city and other supporting cities and spurring the development of some Olympics-related fields and industries. In 2001, China's annual GDP was less than 11 trillion yuan in total; while in the first half of 2008, the total volume of its annual GDP already exceeded 13 trillion yuan. Experts estimated that direct revenue from the Beijing Olympics totals approximately U.S. \$2 billion for the host city. If Olympic-related industries are included, the total economic influence spurred by the Olympics will reach U.S. \$71.7 billion.

Hu Jintao to visit 3 nations, attend SCO summit

Chinese President Hu Jintao will pay state visits to the Republic of Korea (ROK), Tajikistan and Turkmenistan from Aug. 25 to 30. He will also attend the 8th annual summit of the Shanghai Cooperation Organization (SCO) to be held on Aug. 28 in Dushanbe, Tajikistan's capital ([More](#)).

China plans more post-Olympics reforms for state enterprises

After the Olympics, the Chinese government would intervene in the consolidation of centrally administered state owned enterprises (SOEs) instead of letting them regroup on a voluntary basis. China has set the target of reducing the total number of centrally administered SOEs to 80 to 100 by 2010 from the existing 149 ([More](#)).

China plans 6 more rail lines to Tibet

China has announced plans to establish six more rail lines to Qinghai-Tibet plateau, which are expected to be completed and put into operation before 2020. These new lines include Lhasa - Nyingchi and Lhasa - Xigaze lines, (both in Tibet), work on which is likely to begin before 2010. The other four lines connect beyond Golmud ([More](#)).

Beijing to have world's biggest subway

Like everything in China, rate of growth of subway system in Beijing in the past year has been phenomenal. Four new lines and about 50 new stations opened over the past year in the lead up to the Games. By the middle of the next decade, the Beijing subway will become the world's largest and play a key role in taking cars off the city's roads. From 2002 the city invested more than \$7.69 billion on the new subway system ([More](#)).

Energy exchanges launched

Two environment and energy exchanges were launched on August 5, in Shanghai and Beijing, as the country increases efforts in emission cutting and energy conservation ([More](#)).

Shenzhen's new residence system help migrant workers

The lives of the 12 million migrant workers in Shenzhen look set for a major change starting from 1 August, as a new residence permit system that aims to provide equality for the city's workers and help ease the hassle of traveling, looking up personal records, accessing the local public education system - even visiting Hong Kong's Disneyland theme park - is being rolled out ([More](#)).

Brazil, China sign shipbuilding agreement

Brazilian mining giant Companhia Vale do Rio Doce (Vale) signed a \$1.6 billion agreement with Chinese Rongsheng Shipbuilding and Heavy Industries to build 12 large ore carriers. The ships, each with a 400,000-deadweight tons capacity, are the largest ore carriers to be built in the world. The fleet will have an estimated capacity to carry 30.2 million metric tons of iron ore per year, which represents 31% of Vale's shipments to China in 2007 ([More](#)).

China to get key oil bases by year end

China will complete the construction of its first four strategic oil reserves at Dalian, Qingdao, Ningbo and Zhoushan, with a total capacity of 16.4 million cum, by the end of this year. China started to build its strategic oil reserves in 2004, in order to fend off the risk of oil shortages and reduce the impact of oil price fluctuations ([More](#)).

Pearl River Delta to go wireless

Nanfang Daily reported that the provincial information industry department has completed a report on the construction of a wireless city group in the region. Several cities in China have begun construction of wireless networks, and some of them like Beijing, Shanghai and Hangzhou have already begun trial operations ([More](#)).

**Three Gorges project generates 250 billion kwh of electricity since operation**

China's Three Gorges hydropower project has generated 250.4 billion kilowatt-hours of electricity as of 15 August since its first turbine began production in July 2003. This is about 8% of the country's total electricity consumption in 2006, which stood at 2.82 trillion kwh ([More](#)).

60% Chinese will live in cities in 20 years

According to the Ministry of Housing and Urban-Rural Construction, around 600 million people – 45% of the population - were urban dwellers by the end of 2007, compared to 21% in 1982. The experts put China's maximum urbanization level at 60% to 70% by 2030 ([More](#)).

Jordan, China ink nuclear co-op deal

Jordan and China on August 19 signed a nuclear agreement, paving ways for future cooperation on peaceful uses of nuclear energy, especially on electricity generation and water desalination. The two countries also will join hands in uranium mining in several regions of Jordan ([More](#)).

Taiwan mulls bridge to link island with mainland

Taiwan is considering building a bridge linking Kinmen, one of its outlying islands, to Xiamen city in Fujian Province on the mainland, in a sign of improving cross-Straits ties ([More](#)).

Business & Industry

Chinalco gets the Rio nod

Aluminum Corp of China, or Chinalco, has got Australian approval to raise to 11% its stake in Rio Tinto Group, the target of a hostile \$143 billion takeover by rival miner BHP Billiton Ltd. This is the biggest foreign investment by a Chinese company ([More](#)).

Shoemakers flee South China as golden era ends

Although almost half of the shoemakers in southern China's Pearl River Delta closed in the first five months of 2008 and the number of pairs exported fell, the value of exports jumped. The world's largest footwear production region, located in Guangdong Province, lost 2,331 shoe firms between January and May, but exports rose 9.4% to \$3.97 billion. The exporters' exodus is attributed to the pressure from the appreciation of Chinese currency and soaring wages and labor costs ([More](#)).

China's phone users top 960 million

The number of phone users in China had exceeded 960 million as of July, including over 600 million mobile phone users. The first seven months saw a net increase of mobile phone users of more than 61 million, averaging a monthly 8.7 million increase, while fixed-line subscribers dropped 10.6 million from January to July ([More](#)).

Laws, Rules & Regulation

[Rules on energy conservation in civilian buildings issued](#)

[New forex rules seek to balance capital flow](#)

[Latest serving of food law ready for review](#)

[China raises coke export tariff rate to 40%](#)

[Tax rebate on textiles rises to 13% from 11%](#)

[China sets up anti-monopoly commission](#)

[Specific guidelines set for new Anti-Monopoly Law](#)

India & China

India-China bilateral trade (Jan-July 200)

Trade	Value \$ billion	% Change
Total trade	33.52	63.8
Exports to India	18.53	49.0
Imports from India	14.99	86.7
India's deficit	3.54	

Source: MOFCOM, PRC

India was 8th largest trading partner, 7th top export destination and 10th largest source of imports of China during the period from January to July 2008.

Sonia visits Beijing

Congress president Sonia Gandhi visited Beijing along with son Rahul and daughter Priyanka to participate in the inaugural ceremony of Beijing Olympics on August 8, 2008. She held a meeting with Xi Jinping, Vice President of China. Sonia Gandhi attended an official banquet hosted by President Hu Jintao on the eve of the inaugural function of Olympics. Rahul Gandhi and Wang Jiarui, Minister at the International Department of the Communist Party of China signed an MoU. Minister of State for External Affairs, Mr Anand Sharma and India's Ambassador to China Nirupama Rao were also present during the meeting with Xi Jinping. .

Canara Bank opens branch in Shanghai

Canara Bank of India on August 6, 2008, up graded its representative office, which was opened in 2005. Mr Vishnu Prakash, Consul General of India in Shanghai, inaugurated the Shanghai Branch of Canara Bank. Dr M S Gill, Hon'ble Minister of State, Youth Affairs and Sports, Government of India and Mr A C Mahajan, CMD, Canara Bank, also attended the function.

India to pay to China for data on Brahmaputra

India will now have to make payments for receiving the data that helps it prepare in advance for floods as the two countries recently signed a fresh five-year MoU. Under the MoU, China will provide India the hydrological information, including water level, discharge and rainfall from its three stations located at Nugesha, Yangcun and Nuxia from June 1 to October 15 every year ([More](#)).

M&M buys stakes in Yancheng Tractor

Mahindra & Mahindra Ltd (M&M), India's largest utility vehicles maker has bought a majority stake (51%) in Chinese state owned enterprise, Jinagsu Yueda Yancheng Tractor Manufacturing Co Ltd (Yancheng Tractor). In a regulatory filing, M&M said Yancheng Tractor will transfer its tractor related assets and current liabilities, worth 335 million yuan (\$48.76 million), to the joint venture company. M&M already has a tractor making joint venture in China with Jiangling Tractor Company ([More](#)).



Meeting with Mr Gu Qiulin, Chairman of the People's Political Consultative Conference of Shaoxing and accompanying delegation on 22 August 2008, New Delhi

CII & China

Shaoxing delegation visits CII

A six-member delegation led by Mr Gu Qiulin, Chairman of the People's Political Consultative Conference of Shaoxing City (Zhejiang Province of China) visited CII headquarters on 22 August 2008 and interacted with CII officials. The two sides exchanged views on bilateral cooperation, inflationary trend in the two countries, economy and impact of the US sub-prime crisis on the currencies of the two countries.

Contact:

U. D. Bhatkoti, Advisor

Confederation of Indian Industry

The Mantosh Sondhi Centre, 23 Institutional Area, Lodi Road, New Delhi-110003
Tel: 91-11-24616023; Fax- 91-11-24601298; Email: u.d.bhatkoti@ciionline.org Website: www.cii.in

CII China Office

E B Rajesh, Chief Representative

Confederation of Indian Industry

Room No 11A47/49, Shanghai Mart, 2299 Yan'an Road (West), Shanghai 200336, China
Tel: +86 (21) 62360969; Fax: +86 (21) 32283510; Website: www.cii.in