

China news

16 November, 2007

CBI Director of International and UK Operations Andy Scott visits China

Andy Scott, CBI Director of International and UK Operations, visited China on 12- 16 November. During his week-long trip Mr. Scott engaged with members and met with strategic partners as well as Chinese and UK Government officials in the booming capital Beijing, the dynamic metropolis of Chongqing and the sophisticated city of Hong Kong.

The visit provided Andy with a chance to gain a deeper understanding of CBI members' operations and issues in China. Following the 17th Party Congress in October, the country is undergoing a series of leadership shuffles and is readying itself for a series of new legislation in 2008, as well as preparing for the Beijing Olympic Games, affecting companies operating in China to a varying degree.

The economy continues to grow at full steam and local government officials are keen to explore ways of attracting more foreign investment. In particular, the outsourcing sector seems to be in the spotlight for a number of Chinese cities. Nevertheless, the central government is stepping up its environmental policies to promote environmentally-friendly industries and is attempting to adjust the trade imbalance by cutting tax rebates and restricting exports.

A number of members are also involved directly or indirectly with the Beijing 2008 Olympics and together with the capital are readying themselves for next August.

Though the Party Congress might have not directly affected businesses, the leadership changes and new policies will have consequences to all. Nevertheless, business confidence in China remains high and the CBI looks forward to seeing an increasing number of members entering the market.

Double-digit growth for 2007

The Chinese economy is on its way to witness double-digit growth fifth-year running. Fourth quarter gross domestic product (GDP) is expected to expand by 11.2%, making the GDP growth reach 11.4% for the whole year, up from 11.1% in 2006.

The growth has been mainly driven by investment and exports, both of which the government is attempting to tame in order to increase the role of consumption in GDP growth.

Fixed-asset investment went up 25.7% during the period between January and September despite a number of tightening measures. The ninth reserve ratio increase is scheduled for 26 November, when the ratio will go up to 13%. The central bank is also expected to raise interest rates for the sixth time in November.

Consumer price index (CPI) hiked back up to 6.5% in October due to higher food prices, especially pork, beef and poultry. Non-food CPI remained relatively stable at 1.1%. The 2007 CPI is expected to grow by 4.5%, up from 2% in 2006.

The government has assured it will take further measures to cool down the booming economy and stabilise spiralling food prices.

China's monthly trade balance sets another record

October marked yet another high for China's swelling trade surplus. Monthly trade imbalance grew 13.5% to US\$27.05 billion according to the General Administration of Customs.

In October, exports reached US\$107.73 billion, up 22.3% year-on-year. However, exports grew 0.5% slower than in September. Imports grew to US\$80.67, up 25.5%, marking a 9.4% increase from September. Though setting a new record, the slowdown in export growth coupled with steadily increasing imports show that the government's policies to balance the surplus are working.

China is trying to correct its trade imbalance by developing policies on export tax rebates and tariffs and by restricting exports of highly energy-consuming products. On 31 October, the National Development and Reform Commission (NDRC) issued the updated foreign investment guide, which discourages foreign investment in export-oriented industries.

A National Bureau of Statistics economist has predicted trade surplus for the whole of 2007 would hit US\$250 billion. The surplus is likely to remain high in 2008 but the growth will steadily slow down.

The European Union remained China's largest trading partner with US\$287.5 worth of trade between January and October, up 27.5% year-on-year.

EU-China Summit to promote bilateral ties

The tenth annual EU-China Summit will take place in Beijing on 27-28 November. The high-level communication platform between Chinese and EU leaders started in 1998, last one being held in Helsinki in September 2006.

The Summit is expected to be attended, from the European side, by the President of the European Council and Prime Minister of Portugal, Jose Socrates, President of the European Commission, Jose Manuel Barroso, European Union Trade Commissioner, Peter Mandelson, and from the Chinese side, by President, Hu Jintao, Prime Minister, Wen Jiabao, and Trade Minister, Bo Xilai.

The summit will discuss a number of major cooperation projects, including a EUR500 million loan, a EUR10 million management training programme, and a Sino-EU clean-energy centre proposed to be set up in China. Other likely topics are international and regional issues of common concern, such as the Middle East, Myanmar, Iran and the Korean Peninsula.

The CBI will attend the fourth EU-China Business Summit, held alongside the political meetings. The Business Summit theme is creating more sustainable EU-China business relationships and will be joined by approximately 500 Chinese and EU entrepreneurs. Discussions will cover bilateral trade, investment cooperation, intellectual property rights and product safety.

Energy Ministry in the horizon

China may get a separate ministry-level organisation for energy as early as March, according to a source involved in drafting China's first energy law. The energy sector is supervised by a number of government departments, including the energy bureau of the National Development and Reform Commission (NDRC), the State Electricity Regulatory Commission, the State Administration of Coal Mine Safety, the Ministry of Water Resources, and the Ministry of Land and Resources.

A separate Ministry of Energy would help coordinate the implementation of China's energy policies. The new ministry would cover electricity, coal, oil, gas, energy saving and planning, and international cooperation sectors. China had an Energy Ministry between 1988 and 1993.

The government published its first climate change programme in June, stating the country will, by 2010, cut energy consumption per unit of gross domestic product (GDP) by 20% and reduce pollutant emissions by 10%.

China is the world's second largest energy consumer, after the US. The International Energy Agency has said, however, that China could overtake the US by 2030, due to the speed at which China's energy consumption is increasing.

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