China News in Brief
May, 2011

Compiled by Yimin Zhang, University of Shanghai for Science and Technology and distributed free of charge.
China Party Lifts Veil on GDP Data
China slow to silence roaring tiger of inflation
A changing Chinese economy could slow this export driven juggernaut
China economy: Slowdown could be sharper than expected
How China boomed by trial and error
China’s central bank is new key player
Prepaid card rules a swipe at corruption
Bank’s capital adequacy rule timetable
Interest rates on inter-bank market break 5%
China inflation edges lower to 5.3%
Industry uses sea as giant ‘trash can’
Battery plant boss detained for E China lead poisoning
China faces worst drought in 50 years
WHO hopes China strengthen tobacco industry control
China sets pace in brand innovation
Wen emphasizes development of science, technology
China probes 57 officials in food safety cases
Shanghai mayor vows to ensure food safety
New rules regulate recalls of unfit food
Restaurants targeted in crackdown on illegal food additives
Pension program to cover 60% of China’s rural areas
China’s pension fund increases tenfold
More efforts needed to help grays find jobs
Trade unions set wage talks target
Consumption set to rise
China to invest 6.2t yuan in transportation
In China, factories vs. farms
China to spend more on water conservancy
Industrial-Organization-Transformation-Oriented Agricultural Modernization: From the Perspective of Industrial and Agricultural Interaction
China sets outdated facilities elimination target
Outsourcing service in China promising
Wenzhou denies manufacturing base is withering
Wal-Mart China’s ranks suffer double blow
Railway investment to top 700b yuan in 2011
Tourism Geography, New Tourism Geography Study Findings Recently Were Published
A Tale of 600 Cities
PLA makes debut at US-China talks
THE 2011 U.S.-CHINA STRATEGIC AND ECONOMIC DIALOGUE U.S.
FACT SHEET - ECONOMIC TRACK
Geithner hails “progress” in China talks
China-US dialogue maps benefits
A mountain of cash with nowhere to go
S Korea mulls RMB-denominated assets investments
Ten measures to promote M&As in capital market
China’s high saving rate risks overheating
Yuan may be fully convertible in ‘3-5 yrs’
Intl board to be yuan-denominated
China to buy Europe bail-out bond
Chinese shares continue slipping on growth concerns
Third-party payment licenses granted to 27 firms
Shanghai edges closer to correction territory
AWAKENING GIANTS, FEET OF CLAY: ASSESSING THE ECONOMIC RISE OF CHINA AND INDIA
Rising wages, inflation to weaken exports
China trade surplus surges to $11.4bn
Guangdong leads processing trade innovation
Beijing to ease Japan food restrictions
China-ASEAN FTA works on win-win for all
Beijing Tightens Trade Ties With Brazil
Business Basics in China
US welcomes Chinese investment, Locke
Economic reform creates opportunities for foreign firms
Investment from US declines 28%
China to open RMB PDI
EU firms are turning in China, survey finds
Relax overseas investment rules: experts
Pause For Thought
China's publication of a new kind of economic data brings it closer in line with the way other major economies report growth, but also exposes continuing problems with the quality of its statistics, analysts said. The headline figure when China reported its economic data for the first quarter of this year on Friday was the 9.7% growth rate in gross domestic product. That figure, as with all of China's quarterly GDP numbers in the past, compared output in the report period with output in the same three months of last year. But the National Bureau of Statistics on Friday also published, for the first time, data on how GDP compared with the previous quarter. This number, adjusted to account for seasonal differences and multiplied to give an "annualized" rate, is how the U.S. and most other major economies report GDP data. By this measure, the bureau said, GDP in the quarter grew 2.1%, or 8.4% on an annualized basis.

Big economies use adjusted quarter-on-quarter data because they provide a more real-time picture. A statement on the bureau's website April 8 said: "Year-on-year data does not provide up-to-date information on changes in the economy. . . . The development of quarter-on-quarter indicators will make up for that shortcoming and provide better information to policy makers and analysts." Economists generally agree that the move represents progress. But the bureau failed to publish historical data for the measure -- important for understanding where the current number fits into past trends. Arthur Kroeber, managing director of Beijing research firm Dragonomics, said, "The failure of the NBS to produce comparable historical data, or to clearly explain their methodology, detract from progress that is made."


China slow to silence roaring tiger of inflation

Wang Qishan, Chinese vice-premier, this week became the latest senior official to identify the fight against inflation as his government’s most important task this year. “The most pressing problem we face right now is the problem of inflation,” Mr Wang said in an interview on The Charlie Rose Show in the US on Monday. “In order to do this, we have to use monetary policy, fiscal policy and at the same time economic restructuring,” he said. Wen Jiabao, China’s premier, used a more colourful turn of phrase recently when he described inflation as a tiger that, once freed from its cage, is nearly impossible to put back.

But the policy measures taken by Beijing in its fight against inflation do not reflect the kind of life and death struggle suggested by comments from the country’s leaders. For one thing, Beijing is encouraging double-digit wage increases – of up to 40 per cent a year in some places – as a way of reducing the country’s wealth gap and shifting the country away from over-reliance on cheap, labour-intensive manufacturing industries. The government has also allowed several increases in tightly regulated energy prices in recent months, which feed directly into higher prices of most other consumer items.

There are a number of reasons why Beijing’s actions are a lot less forceful than the rhetoric of senior officials would suggest. Firstly, analysts say there is no real consensus over the actual causes of inflation among the various government departments responsible for economic policymaking. For example, the central bank and banking regulator argue inflation is a direct result of the huge liquidity overhang created by the credit-fuelled, post-financial crisis stimulus package. Other government agencies, such as the powerful National Development and Reform Commission, argue inflation is a result of transport and infrastructure bottlenecks as well as profiteering and price
manipulation. Until recently, many Chinese officials argued inflation was mostly being imported.

With no clear consensus on the causes or the severity of the problem, China’s leaders are trying a wide range of policy initiatives without fully committing themselves to any of them. Since last October, the central bank has raised interest rates four times and increased the proportion of deposits banks must hold in reserve eight times. Last Friday, the NDRC fined Unilever RMB2m ($308,000) for suggesting to Chinese media that it might raise detergent and soap prices, saying the Anglo-Dutch consumer goods giant had “intensified inflationary expectations among consumers” and “seriously disturbed market order.” Analysts describe the fine as an example of “killing the chicken to scare the monkey”, and believe the government is more likely to use such public shock tactics than direct price controls, especially considering growing evidence the economy is starting to slow.

Source: Jamil Anderlini in Beijing: China slow to silence roaring tiger of inflation, The Financial Times, Published: May 11 2011 18:13

A changing Chinese economy could slow this export driven juggernaut

From the industry's standpoint, rising Chinese labor rates is an issue but not a game changer - at least not yet. While the Chinese economy must create millions of new jobs a year, it's plagued by one of the world's lowest birthrates thanks to its one child policy. Yet China also has one of the world's fastest aging populations. A demographic nightmare. Raw material prices are rising driven, in part, by the Chinese as they improve upon and build new infrastructure - highways, airports, seaports, rail and sewage facilities. And, at some point, China must undertake a massive environmental cleanup - decades of effort and billions from the treasury.

At the same time, its manufacturing sector must shift to make more products for its burgeoning middle class. They want what we have be it smart-phones, cars or carbon fiber bikes. In this age of global communication, the Chinese have seen the future and they like it. That shift alone offers ample opportunity for U.S. brands to make inroads into China's consumer market. In this mix expect change within our industry. Some production may shift to a highly efficient Taiwan. Some production may return to the U.S. And countries like Vietnam, Cambodia and India may get a closer look from suppliers. But China is changing and it's in our best interest to keep our eye on it.


China economy: Slowdown could be sharper than expected

China's struggle to rein in inflationary pressures appears to have had little success so far, even as recent data series show the broader economy slowing. Further monetary tightening is likely to be required over the remainder of the year, constraining the outlook for GDP growth. The example of policy action taken in 2008 points to a risk of over-reacting to inflation and causing a sharper-than-expected downturn. This comes amid renewed concern over the outlook for the global recovery, which poses a risk to China's external sector too.

Keeping inflation under control is now the government's main policy challenge. Booming demand and strong liquidity growth have contributed to the acceleration in price increases--the Chinese current-account surplus leads to a large monetary inflow in the absence of a free-floating currency. But rising input costs are the main threat. The large pay rises that firms are having to offer in order to keep workers are putting upward pressure on consumer prices, as well as raising manufacturing costs. Increasing labour costs will also have a particularly strong impact on prices for labour-intensive agricultural products. Rising global commodity price pressures, especially for oil and
other energy products, are another factor contributing to increasing input costs. Food prices in China are on an underlying long-term upward trend as agricultural land becomes scarcer and the cost of other farming inputs increases. Given these pressures, the small drop in the headline rate of year-on-year inflation from 5.4% in March to 5.3% in April seems unlikely to mark the start of a sustained fall in inflation--core inflation is now at its highest-ever level.

The government therefore has little choice other than to step up its monetary tightening measures. In mid-May banks' reserve requirements (the deposits that banks are required to hold as reserves) were raised to a record 21%, the eighth such move since October. Interest-rate increases, a blunter tool than a rise in reserve requirements, have been implemented four times since October. The likelihood is that further interest-rate hikes will be required in the second and third quarters.

First-quarter GDP data showed economic expansion holding up well, with growth of 9.7% year on year. More recent data series show that the campaign against inflation is affecting the real economy. Industrial production was up by 13.4% year on year in April, the lowest level since November last year, and markedly below the 14.8% increase reported for March; and the M2 measure of money supply was up by 15.3% year on year, the slowest growth since November 2008. Loan growth, at 17.5% year on year, is running only just ahead of the estimated 16% rate of increase in nominal GDP. But inflation risks have by no means subsided, and there may be other unwanted side-effects to efforts to cool the economy. An additional issue likely to have an impact on industry over the summer is looming power shortages. Against the backdrop of the economy entering a soft patch just as monetary policy is focusing on tackling inflation, there is a risk that the government may tighten policy too much.

Moreover, upside risks to inflation remain high. The main danger concerns the volatility of food prices, the largest component of China's consumer price basket--local agricultural prices are vulnerable to oil costs (as agriculture is fuel-intensive) and to the vagaries of the weather. Overall, a significant slowdown in China's economy is likely over remainder of the year--we expect growth of 9% in 2011 as a whole. But a sharper slowdown is quite possible, particularly if policy has to tighten by more than expected to rein in inflation, or if the global recovery proves weaker than expected.

Source: EIU ViewsWire: China economy: Slowdown could be sharper than expected, May 17, 2011

**How China boomed by trial and error**

What is the secret of China’s success? While the US, Europe and Japan have been struggling, China’s economy has doubled in size in real terms every seven to eight years for the past three decades. Part of the answer is simply that if a poor country gets its act together, it has the potential to grow much faster than a rich one. China was wretchedly poor in 1980 – poorer than Afghanistan or Chad, with half the per capita income of Niger or Ghana. It is far from wealthy today, with per capita income of about $10 a day. (No westerner would envy the income of a rural Chinese peasant.) And so the potential to catch up remains large, with China’s economic clout a matter of population rather than wealth.

And yet it is impossible to dismiss China’s economic achievement so easily. So what is the recipe for growth? If I was forced to sum it up in one phrase, I’d say “trial and error”. After Deng Xiaoping took power in the late 1970s, local experiments were tolerated, and if they worked, they were allowed to spread. The “household responsibility system”, which gave rural farmers the right to profit if they were able to generate extra crops, was used in 1 per cent of collectives in 1979 and was almost universal by 1983, largely as a result of benign neglect.
from Beijing. Another experiment was the establishment of special economic zones. These areas were designed to encourage foreign investment and industrial development, without requiring the entire economy to be thrown open to market forces.

The contrast with China’s earlier Maoist system could scarcely be greater. During the “Great Leap Forward” Mao personally redesigned China’s system of agriculture. Everyone had to implement Mao’s insane schemes at once, and any suggestion that his ideas were failing was ruthlessly suppressed. Tens of millions of people starved.

Deng Xiaoping described economic reform as “crossing the river by feeling for stones”. The waters of economic change are swift-running, and perhaps China will lose its footing. But I suspect that if China does slip, it will do so because it runs into a problem that it cannot solve step by careful step.


China’s central bank is new key player

The PBoC raised reserve requirement ratios (RRR) for banks last week for the fifth time this year, following 10 such moves in 2010. Interest rates on deposits and loans have been raised four times since October, and will probably be raised once or twice more. The growth of conventional bank retail loans has halved since the start of last year, and traditional corporate loan growth has dropped from 30 per cent last summer to 12 per cent in the first quarter this year. Elsewhere, the renminbi has risen a bit, capital ratios have been increased, and regulations introduced to damp the property market.

The switch to a “prudent” monetary policy has resulted in a sharp contraction in construction volume this year, along with a 10 per cent annual decline in property sales, a further decline in real estate price inflation, a flattening in the reported consumption of steel and other materials, and a 20 per cent fall in car sales. It beggars belief that the Chinese monetary and financial policies, especially the most recent shift in monetary policy, haven’t played a critical role in global markets.

And this is now where the plot gets even more interesting, for three reasons. First, the tightening measures are not all that they seem. The RRR changes are designed to mop up liquidity flowing in through the external accounts. In real terms, deposit interest rates are minus 3 per cent, while lending rates are barely positive. Overall, the credit intensity of gross domestic product in China – the amount of credit generated to produce one unit of GDP – has more than tripled, from 1-1.3 a few years ago to 4.3 in the first quarter of 2011. Second, the effects of tightening on the economy have been limited to real estate and construction. Third, it is probable that the current policy shift is drawing to a close, amid calls in China for tightening to end, or at least for some of the more restrictive property regulations to be reversed.

Source: George Magnus: China’s central bank is new key player, The Financial Times, May 16 2011

Prepaid card rules a swipe at corruption

People purchasing large amounts of prepaid cards will soon have to reveal their real names. The latest move is aimed at preventing money laundering, tax evasion and bribery, according to an official document published by the State Council, China’s Cabinet, on its website on Wednesday. Issuers of prepaid cards should register customers' identities if they purchase at least 10,000 yuan ($1,500) in cards, or if the prepaid cards carry the names of the people who will use them. In addition, the value of anonymous cards should be below 1,000 yuan, while cards bearing the names of their users should not surpass 5,000 yuan.
At the end of 2009, a combined 1.1 trillion yuan worth of prepaid cards were circulating in China, with a stored value totaling nearly 40 billion yuan, according to a report filed in July 2010 by China Union Loyalty Co Ltd, a Shanghai-based provider of prepaid cards. Loose regulations had given rise to corrupt practices as well as disrupted the order of financial and tax rules, said the official document.

Accepting prepaid cards or gift certificates will be regarded as equivalent to taking bribes in cash, according to a Party document published early this month by the Central Commission of Discipline Inspection, the Party's top anti-corruption watchdog. In addition, the People’s Bank of China, China's central bank, and the Ministry of Commerce will launch an inspection on all prepaid cards circulating in the country by the end of this year, said the document.

Source: Yan Jie : Prepaid card rules a swipe at corruption, China Daily, 2011-05-26

Banks given capital adequacy ratio timetable

The China Banking Regulatory Commission (CBRC) on Thursday required six major banks to submit the results of their capital-adequacy ratio (CAR) calculations before June 3. The CARs are based on new standards highlighting the risks related to government-backed loans and the property market.

In a closed-door meeting with the banks, Chen Ying, deputy director of the CBRC's international department, highlighted three major sources of lending risk in the current situation. They are government-backed loans to businesses - including loans through local government financing vehicles and loans to railway, road and other infrastructure construction projects - property loans, and medium and long-term lending. Chen said for the government-backed loans, an adjustment factor of 1.25 will be multiplied with other relevant factors. When calculating the CAR, lending risks through local government financing vehicles will be weighted from 100 to 300 percent, with the risks of loans to railway, road and other infrastructure construction projects weighted at 110 percent, and property lending risks weighted at 150 percent, said Chen. Operational risks will also be included in CAR calculations for the first time, and the calculation of credit risk will be classified in eight grades, from four previously. "The new CAR calculation method that reflects more concern over the risks of government-backed loans will put greater pressure on lenders," said Chen.

Zhan Dongsheng, a spokesman for Agricultural Bank of China (ABC), told China Daily earlier that the bank's lower-than-required CAR at the end of the first quarter was mainly due to new calculation methods applied by the CBRC to counter the risks of loans made through local government financing vehicles. ABC reported a CAR of 11.4 percent at the end of the first quarter, 0.1 percentage points lower than the official requirement for major banks.


Interest rates on inter-bank market break 5%

Interest rates on the inter-bank market, after days of increasing, rose sharply again on Wednesday, China Securities Journal reported. The rise shows the effectiveness of the recently issued tightening monetary policies. Collateral repo rates and inter-bank lending rates of all terms broke 5 percent, according to the report. According to data from Wind Info, weighted average interest rates of one day, seven days, 14 days, 21 days, one month, two months, three months and six months pledged repos were all just over 5 percent. Interest rates of one day and seven days pledged repo increased by 0.5173 and 0.5447 percentage points compared with the previous trading day, the
China inflation edges lower to 5.3%

Inflation in China moderated slightly in April but remained stubbornly high despite government efforts to restrain rapid price rises. The benchmark consumer price index rose 5.3 per cent in April from a year earlier, less than the 5.4 per cent clip in March, but still above most forecasts. It was also well above Beijing’s full-year target of 4 per cent. China’s statistics bureau said politically sensitive food prices rose 11.5 per cent from a year earlier in April, up from 11 per cent in the first quarter, despite Chinese media reports of steep falls in vegetable prices hurting Chinese farmers. There were some signs that government efforts to cool rapid growth were starting to take effect. Producer price inflation rose 6.8 per cent in April from a year earlier after increasing 7.3 per cent in March. Industrial output came in at 13.4 per cent higher than a year earlier, considerably lower than the 14.8 per cent year-on-year increase in March.

Since October, China’s central bank has raised interest rates four times and increased the proportion of deposits banks must hold in reserve eight times.

Source: Jamil Anderlini in Beijing: China inflation edges lower to 5.3%, The Financial Times, May 11, 2011

Industry uses sea as giant 'trash can'

Pollution has further damaged China's coastal waters through oxygen depletion caused by excessive growth of algae and waste discharge, according to a report released by the State Oceanic Administration (SOA) on Friday. Oil spills, pollutants carried by rivers into the sea, marine environmental disasters and ecological and environmental deterioration also threaten China's oceans, said the 2010 China Ocean Environment Report. Although 94 percent of the waters under China's jurisdiction meet the country's first standard level for seawater quality, about 48,000 square kilometers of coastal areas still fail to meet the fourth level, the worst standard, said the report, which was based on more than 2.5 million items of data collected in 2010 from 9,800 ocean-monitoring stations.

"Pollutants coming from the land, including industrial wastewater, sewage and chemicals used in agriculture, contribute the most to coastal water pollution," said Ma Jun, director of the Institute of Public and Environmental Affairs, a non-governmental organization. "We have noticed that many heavy-polluting enterprises in China have moved to coastal areas to avoid residents' complaints and government punishment," Ma said. The contaminated sea areas in China are mainly distributed in coastal waters surrounding large and medium-sized cities, the report said. The ecological functions of some regional ecosystems have been damaged. "People should stop using the ocean as the biggest trash can," Zhao said.

Source: Cang Wei: Industry uses sea as giant 'trash can', China Daily, 2011-05-14

Battery plant boss detained for E China lead poisoning

The legal representative for a battery plant in east China's Zhejiang province was detained Monday after more than 300 people, including 99 children, were found to have elevated levels of lead in their blood. Investigations found that the metal was improperly disposed of by Zhejiang Haijiu Battery Co in Deqing county, said a spokesman with the county government. Meanwhile, eight officials from the local government, the environmental protection bureau and the health bureau are being investigated as lax supervision has also been blamed for the
poisoning, according to the spokesman.

More than 2,000 people have received blood tests since May 1, and 332 of them, including 99 children, were found to have excessive amounts of lead in their blood. So far, 53 people, including 27 children, have been hospitalized, he said. Authorities have ordered a thorough safety check for all 273 battery factories in Zhejiang. Haijiu Battery Co Ltd was founded in May, 2003. The company mainly produces lead-acid batteries for motorcycles. It has about 1,000 employees and an annual output of 9 million batteries.

Source: Xinhua: Battery plant boss detained for E China lead poisoning, 2011-05-17

China faces worst drought in 50 years

Chinese authorities will step up the release of water from the Three Gorges Dam in a bid to tackle a drought in southern China which has put pressure on drinking water, crops, shipping lanes and electricity production in what is traditionally China’s most water-abundant region. The monsoon rains that usually flood southern China’s middle Yangtze river in spring did not come this year, and officials say rainfall in Hubei, Jiangxi, Anhui, Jiangsu and Zhejiang is at its lowest level in more than 50 years.

“Such large-scale scarcity in southern China is very serious and the scale is much larger than before,” said Zhang Ximing, a water resources specialist at the World Bank who recently returned from drought-stricken Jiangxi. While droughts are not uncommon in China, water shortages have steadily worsened during the past decade, as increased agricultural irrigation and worsening water contamination have hit supplies. China’s available water per capita is just a quarter of the world average and the lowest of any large economy, according to the World Bank.

Water releases from the Three Gorges reservoir, which is upstream from the drought areas, will be increased by 10-20 per cent today, according to the State Flood Control and Drought Relief Office. Water has already been released at a rate of 10,000 cubic metres per second since last Friday, causing the level of the reservoir to fall by one metre every two days, say dam operators. In Hubei and Hunan provinces, the drought has threatened drinking supplies for more than 1m people. In neighbouring Jiangxi province, Poyang Lake, China’s largest freshwater lake, has hit a 59-year low and rice transplants around it have stopped. Bulk shipping carriers were banned on May 11 from using a 228km stretch of the Yangtze because of low water levels. The state’s efforts have even included cloud seeding to induce rain artificially, which resulted in light rainfall in some parts of Hubei province over the weekend.


WHO hopes China strengthen tobacco industry control

China can use its control over the state monopoly to end tobacco industry interference in tobacco control policy-making in a country where more than 1 million people die of smoking-related illness each year, a World Health Organization (WHO) official said. "China's tobacco industry is 100 percent state-owned. And this offers tremendous opportunity for the government to bring it under control," Dr Sarah England, a Beijing-based WHO tobacco control official, told Xinhua in an exclusive interview on the eve of the World No Tobacco Day which falls on Tuesday.

China is the world's largest cigarette producer and consumer. There are about 300 million adult smokers in the country and more than half of Chinese men smoke. China National Tobacco Corporation is the world's largest cigarette maker. Industry figures show that about 2,290 billion sticks of cigarettes were sold in China in 2009, up
40 percent from 2002.

Dr England said the biggest barrier to implementation and enforcement of national laws that are consistent with the WHO FCTC is a false belief that tobacco is good for the Chinese economy, which fails to take into account the huge humanitarian and economic cost of death and disease from tobacco. "People are beginning to question how something that needlessly kills a million Chinese people every year can possibly be good for the country," she said. The tobacco industry currently generates about 7 percent of the Chinese government's annual revenue. But health experts argue that the tobacco revenue is overshadowed by lost productivity and the overwhelming medical costs linked to the deaths and illnesses caused by tobacco consumption.

"Tobacco is a unique consumer product in that it kills up to half of the people who use it as directed. There is nothing else that is so deadly to consumers. I am confident that the senior leadership of China will make the right decision for the people and do what's necessary to essentially sunset the tobacco industry," Dr England said.

Source: Xinhua: WHO hopes China strengthen tobacco industry control, 2011-05-31

China sets pace in brand innovation

While Coca-Cola still has the biggest share of China’s $49bn soft drinks market, pride of place on a large display is given over to fast-growing local brews. These include Wahaha’s vitamin-packed smoothies, Nongfu Spring’s exotic fruit blends, Wang Lao Ji’s herbal teas and scores of others like them. None of these names would have resonance elsewhere. Just as US food and drink companies for decades ignored the rest of the world on the basis that their own market was big enough, so Chinese companies can afford to be similarly focused. “The local guys are innovating more and the foreign guys are having to play catch-up,” says Ted Hurley, associate director of fast-moving consumer goods at Nielsen, the information and analytics company. He reels off a list of other local names: Mengniu, Yili and Bright Food in the dairy industry; Cofco, a state-owned agribusiness with food interests from grains to wine; and Uni-President of Taiwan. “All have top-five-selling brands,” he says.

There are more prosaic examples. Toothpaste commands the same sweep of shelf space as in the west, with the same array of choice. There are tubes costing a few renminbi and international brands priced at up to Rmb18 ($2.77). In the middle of the shelving, with no fancy packaging or extreme promises, is Yunnan Baiyao toothpaste, priced at a punchy Rmb26. Yet despite its price, Yunnan – a traditional Chinese medicine company that segued into toothpaste a few years ago – has steadily been taking share from the likes of Colgate and Procter & Gamble, says Mr Hurley. “Yunnan has made the biggest market share gains in the past two or three years because it’s a local brand going premium – way more premium than anything else,” he says.

Source: Louise Lucas and Patti Waldmeir: China sets pace in brand innovation, The Financial Times, May 9, 2011

Wen emphasizes development of science, technology

Premier Wen Jiabao said Saturday China must develop powerful strength in science and technology and foster a large number of talented individuals in order to "gain the upper hand" in international competition. He made the remarks while addressing a plenary session of the National Congress of the China Association for Science and Technology (CAST) on Saturday. "China cannot develop without developing science and technology," Wen stressed. "Our future relies on the future of science and technology." He said China should pool its resources on major science and technology research programs, while making progress in the development of some strategically important new industries. Meanwhile, China should improve the quality, performance and competitiveness of
traditional industries through scientific and technological progress, he said.

He went on to emphasize that as a large nation, China should develop its own basic research and frontier research, adding, "There is no base for the innovation of science and technology, if there is no original innovation in the basic and frontier sectors." Wen pledged that the government will provide long-term, stable financial assistance for basic and frontier research. Wen said the nation should work hard to create an environment for scientists to become bold and innovative, which also encourages freedom and democracy in academic issues. He pledged to firmly carry out the national strategy on intellectual rights, by stepping up efforts to protection them, so as to give new vigor to the innovation of the entire nation.

Source: Xinhua: Wen emphasizes development of science, technology, 2011-05-30

China probes 57 officials in food safety cases

Chinese prosecutors have launched investigations on 57 government staff involved in food safety cases this year, the Supreme People's Procuratorate said on Monday. Among the suspects, 18 people allegedly took bribes in 17 cases and the other 39 people were investigated for dereliction of duty, said Qiu Xueqiang, deputy procurator-general of the Supreme People's Procuratorate, at a press conference. Investigations by procuratorates were mainly against government staff abusing power or neglecting duty to issue licenses for unqualified enterprises and those who accepted or demanded bribes.

Source: Xinhua: China probes 57 officials in food safety cases, 2011-05-24

Shanghai mayor vows to ensure food safety

The Shanghai municipal government will take the "toughest measures" to crack down on illegal food production and ensure food safety, said Shanghai Mayor Han Zheng on Monday. Han made the remarks while attending a food safety conference, during which the establishment of a supervising commission on food safety was announced. The Shanghai Food Safety Commission will coordinate various organizations and departments to strengthen food production supervision, according to Han. Shanghai will also work on a blacklist mechanism to expose and strictly punish enterprises that lack credibility and responsibility, Han said.

A series of food safety scandals have emerged recently despite repeated calls by Chinese authorities for the overhaul of the country's food industry. Last month, steamed buns in Shanghai were reported to have been dyed or laced with coloring additives to mislead consumers. In March, the country's largest meat processor, Shuanghui Group, apologized to the public after some of its pork products were found to contain clenbuterol, an additive that stops pigs from accumulating fat and is poisonous to humans. In 2008, melamine-tainted milk powder left at least six babies dead and sickened 300,000 others across the country.

Source: Xinhua: Shanghai mayor vows to ensure food safety, 2011-05-24

New rules regulate recalls of unfit food

Revised national regulations that set out when and how tainted food should be recalled from the shelves are another example of the way in which China is trying to ensure food is safe to eat, says the nation's top quality watchdog. The General Administration of Quality Supervision, Inspection and Quarantine posted details about the new rules on its website at the weekend to solicit public opinions. However, the new rules say that food that has been recalled because of defective labels or instructions can be put back on the shelves once the problem has been
fixed - but only after customers have been informed. Businesses responsible for the production of unsafe food may face fines of up to 30,000 yuan ($4,600) for failing to respond in a timely and appropriate way, the revision says. "The revision improves things a lot in comparison to the old regulations but I would rather see the rules we have being effectively implemented," added Sang Liwei, a food-safety lawyer and the China representative of the Global Food Safety Forum. Sang said the maximum penalty of 30,000 yuan is too little to dissuade companies from producing unsafe food. "The fine should be calculated based on the companies' revenues," he said.


**Restaurants targeted in crackdown on illegal food additives**

China's State Food and Drug Administration (SFDA) on Wednesday announced that they will conduct an inspection tour to check the implementation of an earlier measure regulating the use of additives in food by restaurants. In an earlier circular, the SFDA ordered all restaurants to pledge not to use illegal food additives or add ingredients that are harmful to human health in their food. It also ordered restaurants to declare the names of food additives used in self-made hot-pot seasoning, beverages, and other seasonings, to local food-safety authorities and post these additives in prominent places in the restaurants. The inspection will be conducted in Shanxi, Jilin, Anhui, Hainan, Guizhou, Yunnan, Qinghai, Tianjin, Ningxia, and Chongqing.

China is taking heavy-handed measures following a string of food safety scandals in recent months. Courts in China have heard 61 cases involving food safety violations and convicted 106 criminals over the past eight months, the Supreme People's Court said last week. Additionally, sentence terms for the convicts, which were handed down during the period from September last year to April this year, were all without chance of reprieve. The court also vowed harsh punishments for officials involved in food safety violations. Chinese police nationwide have solved more than 1,000 cases that "severely" jeopardized food safety so far this year.

Source: Xinhua: Restaurants targeted in crackdown on illegal food additives, 2011-05-26

**Pension program to cover 60% of China's rural areas**

China plans to expand a piloted pension program to 60 percent of its rural areas this year, an increase from the original target of 40 percent, Chinese Vice Premier Zhang Dejiang said Friday. Zhang made the remarks during a visit to the cities of Yulin and Baoji in Shaanxi province that lasted from Wednesday to Friday. The new program has made progress, as its policies and measures have been redesigned to attract rural people and basic pensions have been doled out on time, Zhang said. China launched a pilot pension program for its 800 million-strong rural population in August, 2009, as part of efforts to narrow the standard-of-living gap between rural and urban residents. Any rural resident over the age of 16 who does not take part in the government's existing urban pension scheme is eligible to join the government-subsidized program. Farmers over 60 will receive a monthly endowment of varying amounts set according to their area's standard income levels after paying a fee to join the program. In the past only China's urban dwellers were covered by the national pension system and old folk in the countryside had to depend on their children to take care of them. By the end of 2010, the pension program for rural residents has covered 24 percent of the country's counties.

Source: Xinhua: Pension program to cover 60% of China's rural areas, 2011-05-14
China's pension fund increases tenfold

China's National Council for Social Security Fund (SSF) said that by the end of 2010 the assets managed by it totaled 856.7 billion yuan ($131.76 billion), a tenfold increase since it was established in August 2000, China Securities Journal reported on Thursday. According to the report, SSF posted an average investment yield of 9.17 percent during the past decade. Dai Xianglong, chairman of SSF said earlier that the fund will add 100 billion yuan investment in 2011, focused on fixed-return products, private equities and overseas assets. He expected the SSF to become 1.5 trillion yuan by 2015. The report also said the SSF will invest more on government-subsidized housing projects for low-income families

Source: Ben Yue: China's pension fund increases tenfold, China Daily, 2011-05-19

More efforts needed to help grads find jobs

China's State Council, or Cabinet, acknowledged that getting jobs remains a tough challenge for many college graduates and efforts must be made to help them. A State Council meeting on Wednesday, presided by Premier Wen Jiabao, agreed that supportive policies must be adopted to encourage graduates to work at the grass-roots level and less-developed areas, and to become self-employed. "The task to promote employment rate of college graduates remains arduous because the total number of graduates is still very large, and some graduates' expectations for jobs do not match the demand of employers," said a statement of the meeting.

According to the Ministry of Human Resources and Social Security, China will have about 6.6 million college graduates in 2011. The statement said efforts should be made to "expand employment channels and create more opportunities for graduates." China's plan to develop more knowledge and technology-intensive enterprises should help create more job opportunities. Small and medium-sized enterprises that employ university graduates could enjoy preferential policies in obtaining loans and social security, the statement said. "More jobs should be created in the fields of social management, public education, health and cultural sectors," it said. "Graduates who start up their own businesses can obtain loans worth up to 100,000 yuan ($15,380) and get relevant training subsidies," it said.

Source: Xinhua: More efforts needed to help grads find jobs, 2011-05-26

Trade unions set wage talks target

Unions will introduce collective wage negotiations by 2013 in at least 95 percent of enterprises set up by Fortune 500 companies operating in the country, a senior union official said. Among the approximately 4,800 corporations of Fortune 500 companies in China, 93 percent have already established unions, said Guo Chen, a division chief overseeing grassroots organizations with the All-China Federation of Trade Unions (ACFTU), the top union organization. "A greater union presence in Fortune 500 companies is a priority and we will introduce collective wage negotiations in all companies that have unions in the next three years," Guo told China Daily.

China's Trade Union Law stipulates that a corporate unit with 25 employees or more should set up a union. The primary task of a union is to boost collective contract agreements and to mediate labor relations through negotiation between employees and employer.

Source: Chen Xin: Trade unions set wage talks target, China Daily, 2011-05-31

Consumption set to rise
China's domestic consumption may increase in April, in a rebound from the first quarter's slowdown, according to analysts. However, they warned that the expectation of higher inflation is likely to reduce consumer spending for the whole year. In April, total retail sales of consumer goods, a main gauge of domestic consumption, may rise by 18.3 percent from a year earlier, compared with 17.4 percent in March, according to a report from China International Capital Corporation Ltd. Other analysts have forecast year-on-year growth in total retail sales of consumer goods to be between 16.3 percent and 18 percent, indicating a steady rise in retail sales in the domestic markets. In the first three months of this year, the total figure for retail sales of consumer goods was 4.29 trillion yuan, a year-on-year rise of 16.3 percent, according to the statistics bureau. The growth rate declined from 22 percent in the last quarter of 2010.

Because of restrictions on purchases of automobiles and new homes, sales of motor vehicles and furniture slowed in the first quarter of this year. The year-on-year growth rate of motor vehicles was 14.2 percent, 25.6 percentage points lower than that in the same period last year. The increase of furniture sales was 24.5 percent, 13.1 percentage points lower than the year-earlier figure, according to the NBS.

Source: Chen Jia: Consumption set to rise, China Daily, 2011-05-10

**China to invest 6.2t yuan in transportation**

China plans to spend 6.2 trillion yuan ($954 billion) to upgrade its transportation infrastructure during its 12th Five-Year Plan period (2011-2015), an official said Thursday. The figure was compared to a previous investment of 4.7 trillion yuan in the sector during the 2006-2010 period, Sun Guoqing, director of the comprehensive planning department of the Ministry of Transport, said during a press conference. The money will pay for the construction of road and waterway transportation facilities, with road construction accounting for a large part of the budget, Sun said. According to a development plan released by the ministry at the conference, China will construct 108,000 kilometers of highway during the 12th Five-Year Plan period. By the end of 2015, the country's highway network will cover more than 90 percent of cities with populations of 200,000 people or more, according to Sun.

Source: Xinhua: China to invest 6.2t yuan in transportation, 2011-05-26

**In China, Factories vs. Farms**

Growing cities, expanding deserts from years of overgrazing, and a reforestation effort have helped shrink China's farmland by 8.3 million hectares in the past 12 years, the government says. With less land under cultivation, Chinese farmers are unable to boost production of corn and wheat fast enough to cool surging domestic prices, so the country is importing more. China, the world's biggest grain producer, was a net exporter of soybeans until 1995. In 2011, it is forecast to import 57 million tons, or almost 60% of global trade in the oilseed used in animal feed and tofu, according to data from the US Agriculture Department. In February 2011, wheat on the Chicago Commodities Exchange reached its highest level since 2008 as traders fretted that drought was damaging China's crop, raising the risk the country would drain the world market.


**China to spend more on water conservancy**

China's investment in water conservancy projects from 2011 to 2020 is expected to reach 4 trillion yuan ($615 billion), almost four times as much as that spent during the past 10 years, a senior water official said Monday.
China's Minister of Water Resources Chen Lei said the country's water conservancy spending during the past five years reached 700 billion yuan, and about 363 billion yuan for the 2001-2005 period. The investment will be used in projects including consolidating 15,900 small reservoirs by 2013, and another 2,721 large and medium-sized reservoirs by 2015, Chen said. Chen added the increased investment is expected to strengthen the nation's water conservancy capacities in fighting droughts and floods, which in recent years have increasingly affected many regions across the nation.

Source: Xinhua: China to spend more on water conservancy, 2011-05-24

**Industrial-Organization-Transformation-Oriented Agricultural Modernization with Chinese Characteristics:**

From the Perspective of Industrial and Agricultural Interaction

Agricultural modernization is an internal decision of economic development rules as well as one of our nation's strategic measures. However, in spite of its half-a-century process, China's agricultural modernization still fails to change its traditional agriculture. The basic reasons lie in that China's agricultural modernization fails to follow the basic rules of System Theory, over-emphasizes the technological transformation of agricultural system while neglecting that in industrial organization.

Agricultural modernization as an outcome of economic development cannot be achieved within the agricultural sector only. The agricultural transformation process in western countries has revealed that agricultural modernization is a process in which agricultural organizations spontaneously achieve the transformation in agricultural industrial organization and agricultural technology with the core ideology of industrialization. The existing binary system has made Chinese agriculture fail to achieve the transformation in industrial organization and technology synchronically with the industrial sector. Therefore, in the current conditions, in order to facilitate agricultural modernization, we must transform the land system at the level of relations of production, urban and rural household registration system, urban and rural social security system and other key factors, promote the transformation of agricultural industrial organization with the core concept of industrial revolution, thus promoting the spontaneous revolution in agricultural production technology.


**China sets outdated facilities elimination target**

China's Ministry of Industry and Information Technology (MIIT) said Tuesday that it had set targets for local governments to eliminate outdated industrial facilities in 2011. The MIIT ordered 18 industrial production sectors to cut production levels in 2011. The production cuts will save 26.53 million tons of iron, 26.27 million tons of steel and 133.55 million tons of cement. Different provinces and regions will share different responsibilities in accomplishing those goals, the MIIT said. China has been phasing out disused and outdated production facilities since last May, according to the MIIT. The government has also suspended its approval of energy-intensive, highly-polluting construction projects in 12 sectors, including iron, steel, cement and aluminum, the MIIT said.

Source: Xinhua: China sets outdated facilities elimination target, 2011-05-11

**Outsourcing service in China promising**
China's outsourcing service is promising as it has witnessed fast expansion with optimized structural adjustments over the past few years, officials attending the 4th Global Outsourcing Summit said Monday. "China's outsourcing service has become a green engine for economic development and will have a strong influence on the urban economic transformation," said Huo Jianguo, director of the Chinese Academy of International Trade and Economic Cooperation. According to Huo, the number of China's outsourcing companies had exceeded 10,000 by the end of 2010 and these companies had created some 2.3 million jobs. Figures from the Ministry of Commerce show that China's offshore outsourcing contracts totaled $14.5 billion in 2010, up 43 percent year-on-year. "Outsourcing has become a key factor in China's urban economic transformation," said vice-minister of commerce Wang Chao.


Wenzhou denies manufacturing base is withering

Municipal government officials in Wenzhou, Zhejiang province have denied speculation that the city faces the loss of its manufacturing base, as factories close and funds are diverted into capital investment. "The factory closures are not as severe as is being reported by the media, and the city will never be deserted just because fewer factories are making goods for both the domestic and overseas markets," said Huang Shoujun, director of the Small and Medium-sized Enterprise Department at Wenzhou Economic & Trade Commission.

"Private businesses in Zhejiang, Wenzhou in particular, now allocate their money this way: One-third for manufacturing; one-third for real estate; and one-third for financial investment," said Zhou Dewen, chairman of the Wenzhou Council for the Promotion of Small and Medium-Sized Enterprises. Last year, more than 2,000 enterprises in the city closed down, more than half of them were involved in manufacturing. Zhou said it's not surprising that private businesses are shifting from manufacturing to investment, given that capital chases profits, and profits are running at 30 percent or more at present. "As labor is not as cheap as it was and inflation is squeezing profit margins, it's not surprising that a few small enterprises have failed to handle their financial problems. However, that shouldn't be recognized as a common phenomenon in the city," said Huang. According to a survey carried out by Wenzhou's Economic & Trade Commission in March out of 855 local enterprises, more than 90 percent have outstanding orders to be fulfilled, and 23.9 percent of them have orders which must be completed within three months.

Source: Yu Ran: Wenzhou denies manufacturing base is withering, China Daily, 2011-05-25

Walmart China’s ranks suffer double blow

Walmart is looking to China and other emerging markets to offset the flat performance of its US business, where it has limited growth potential, but in several foreign countries it has found the going tough. Its annual sales of $7.5bn in China are still a small proportion of its global revenue of roughly $420bn, but it says year-on-year sales in China are growing at a double-digit rate and most analysts give it decent marks for its performance.

However, its business has progressed slowly. In a sign of the difficulty many foreign retailers face in converting China’s potential into profits, Walmart made its maiden profit in China only in 2008, 12 years after first entering the country.

The company did not name replacements for the two men who resigned, who were both senior vice-presidents (Roland Lawrence, its chief financial officer in China, and Rob Cissell, its China chief operating officer), and
would not comment on the circumstances of their simultaneous departures or the implications for its China business. The US company was an early foreign entrant into the Chinese grocery market in the 1990s along with Carrefour of France, but the market remains fragmented and neither company has built a market share of more than 6 per cent, according to analysts. Walmart now has about 330 stores in more than 120 cities in China. Yuval Atsmon, a consultant at McKinsey, said the China businesses of many foreign retailers were feeling a lot of pressure from head offices, but that it had proved hard to replicate their success in home markets partly because the cost of opening new stores was relatively high.


**Railway investment to top 700b yuan in 2011**

China's Ministry of Railways announced on Friday that its total investment this year will reach 745.5 billion yuan ($115 billion), with 600 billion yuan going toward infrastructure construction, according to ministry spokesperson Wang Yongping. Wang said the arrangement was a proper one because it reflects the continuity of railway construction, and meets the capital demands of projects under construction. He said that during the country's 12th Five-Year Plan Period (2011-2015), the ministry will proceed with railway construction in accordance with the country's economic and social development and the public's satisfaction, adding that investments during the period will hit 2.8 trillion yuan. Wang said China's high-speed rail tracks will expand to 45,000 km by 2015. Railways in the country's western regions will be extended to 50,000 km.

Source: Xinhua: Railway investment to top 700b yuan in 2011, 2011-05-07

**Tourism Geography; New Tourism Geography Study Findings Recently Were Published** by Y. Zhang and Co-Researchers

According to a study from Guilin, People's Republic of China, "This study investigates the spatial dependence and mechanisms of international and domestic tourist distributions in 299 cities in mainland China through a set of Geographical Information Systems (GIS)-based spatial statistical tools. The results show that during the period of investigation (1999-2007), there was a significant degree of neighbouring effect (i.e. positive spatial correlation) in both international and domestic tourist distributions.” "We have also highlighted that tourism development in a given city is dependent on the developments in neighbouring cities. Specifically, the tourist distribution shows a polarized (core - periphery) spatial pattern, which is strongly connected to the economic development level and tourism resources of the cities. Furthermore, the findings reveal tourist distribution clusters that underscore the importance of geographical focus,” wrote Y. Zhang and colleagues. The researchers concluded: "Overall, the results imply that policy makers are encouraged to pay attention to patterns of tourist distribution.” Zhang and colleagues: published their study in Tourism Geographies (The Spatial Relationship of Tourist Distribution in Chinese Cities. Tourism Geographies, 2011;13(1):75-90).


**A Tale of 600 Cities**

Gregory discusses the emerging Chinese cities. According to a new report from the McKinsey Global Institute,
"Urban World: Mapping the Economic Power of Cities." The upshot is that urbanization as much as globalization is shaping the earth's economy. By 2025, with a fifth of the world's population, 600 urban centers account for some 60% of worldwide GDP. Nine of the 10 urban areas that will experience the highest GDP growth from 2007 to 2025 are in China. Out of the top 25 growth cities, an astonishing 21 are in the developing world. From the old guard, only New York, London, Los Angeles and Tokyo will outgrow places like Xi'an and Dongguan.


**PLA makes debut at US-China talks**

The presence of the Chinese military for the first time at top-level US-China talks “can reduce the dangerous risks of misunderstanding and miscalculation”, according to Hillary Clinton, secretary of state. Both the Obama and Bush administrations have tried to institutionalise greater dialogue with the People’s Liberation Army, but contacts have repeatedly been cut off by Chinese protests over such issues as US arms sales to Taiwan. With the growth of the Chinese navy and a gradual extension of its power beyond Taiwan into the Pacific and Indian oceans, US officials say the potential for both co-operation and clashes with the US is rising. “To work together we need to be able to understand each other’s intentions and interests, and we must demystify long-term plans and aspirations,” said Mrs Clinton.


**THE 2011 U.S.-CHINA STRATEGIC AND ECONOMIC DIALOGUE U.S. FACT SHEET - ECONOMIC TRACK**

The United States and China are the two largest economies in the world. The growth of our economies is important to both countries and the global economy. During the third meeting of the Economic Track of the U.S.-China Strategic and Economic Dialogue (S&ED), the United States and China made progress on priority issues that will result in meaningful economic gains for U.S. households, workers, and businesses. China pledged to take actions that will provide greater market access and contribute to a more level playing field for U.S. firms and workers, ensure greater protection and enforcement of intellectual property rights, deepen financial sector reforms, and promote greater Chinese domestic consumption and imports through policy shifts, including greater exchange rate flexibility.

The S&ED brings together senior leaders of the U.S. and Chinese governments to discuss the most critical issues faced by our two countries, now and in the years to come. Secretary Geithner, joined by leaders from 15 U.S. government agencies, led a discussion of these issues with the Chinese delegation led by Vice Premier Wang and comprised of all key Chinese economic ministry and agency heads. Through the S&ED, the Joint Commission on Commerce and Trade (JCCT), and other fora, the Obama Administration is working diligently to ensure U.S. companies and workers are treated fairly and can benefit from lasting changes to economic and financial policies in China. Increasing Opportunities for U.S. Workers and Firms: Last year, U.S. exports grew 50 percent faster to China than to the rest of the world and reached more than $110 billion, supporting hundreds of thousands of jobs across the United States in a wide range of industries. To promote greater U.S. exports to the large and rapidly growing Chinese market and to level the playing field for U.S. companies and workers, the United States secured the following commitments at the 2011 S&ED. These measures will lead to more American jobs and boost U.S. exports to China and the world by contributing to a more level playing field and expanding trade and investment.
opportunities for U.S. workers and firms.

Improving Protection and Enforcement of Intellectual Property Rights
Implementing Commitments to Level the Playing Field
Competitive Neutrality for Private Firms and State-owned Enterprises
Ensuring Transparency for U.S. Companies

Expanding Opportunities for U.S. and Foreign Firms through a More Developed, Open, and Market-based Financial Sector: China has committed to continue and extend financial sector reforms as part of its new Five-Year Plan for the economy, actions that will be of great benefit to both China and the United States. U.S. financial services firms are innovative and competitive. Given the many obstacles that U.S. financial services firms face competing in China, China's commitment to further develop its financial services market based on the principles of national treatment and non-discrimination will provide new and significant opportunities to U.S. firms. More market-based and efficient allocation of credit and capital in China will also help level the playing field with China's SOEs, put more money in the pockets of China's consumers, and create opportunities for private enterprises - including American firms - across a broad range of service sectors.

Safeguarding the Financial System from Illicit Finance Threats. China pledged to strengthen its financial system against money laundering, counterfeiting, terrorism financing, and WMD proliferation. China also will continue to develop and strengthen its regulatory framework for freezing terrorist assets.

Promoting Strong, Sustainable, and Balanced Growth: For many years, China's economic strategy was dependent on rapid export growth. Today, China is committed to transforming its economy into one where growth is generated by home-grown demand and Chinese household consumption. China has also committed in the G-20 to reducing trade and current account imbalances. A consumption-driven Chinese economy will create more opportunities for U.S. firms to export to China, and is a critical part of ensuring strong, sustainable, and balanced global growth. Increasing the Buying Power of Chinese Households and Promoting Consumption

Increasing Opportunities for U.S. Firms in China's Services Sector. U.S. firms are world leaders in a variety of service sectors. Expanding and opening China's services sector will create opportunities for them. Shifting toward services will also reduce the energy-intensity of China's growth - an objective that the United States and the rest of the world share with China.

Continued Exchange Rate Adjustment. Despite recent movement of the exchange rate, the renminbi remains substantially undervalued. China needs to let its exchange rate adjust at a faster pace to correct that undervaluation. More rapid exchange rate adjustment will help bring down inflation in China.


Geithner hails ‘progress’ in China talks

The US and China have claimed success after two days of negotiations ended in a series of deals on US access to the Chinese market and Chinese access to sensitive US technology. China pledged on Tuesday to change regulations so that government contracts are not linked to improvements in its domestic technology base. China also promised improvements in the enforcement of intellectual property such as software. The US promised “full consideration” of China’s request for “fair treatment” over exports of sensitive US technology and said it welcomes Chinese investment.
The US also made some progress on opening up China’s financial system. The US argues that financial reform will make it easier for Chinese consumers to save and borrow, thus boosting domestic consumption in China. The US also wants to reduce the flow of cheap finance to Chinese state-owned enterprises as a result of caps on interest rates paid to Chinese depositors and create opportunities for US financial companies in the Chinese market.

China said that it will “actively study” allowing foreign-owned insurers to provide car insurance, an important demand given that China will become the world’s largest car market. In the other direction, the US gave reassurances to China about the stability of its huge investment in US financial assets through its foreign exchange reserves.


**China-US dialogue reaps benefits**

China and the United States announced a range of agreements on Tuesday aimed at expanding strategic and economic cooperation after two days of high-level meetings. Following China's repeated requests, the US "commits to accord China fair treatment in reform of its export control regime, and relax control of high-tech exports to China", said Vice-Premier Wang Qishan, who led China's team together with State Councilor Dai Bingguo, at the news briefing. US Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner, who headed the US team, also attended the briefing. Washington also "agreed to ... speed up the process for the US to recognize China's market economy status", Wang said.

Meanwhile, China has promised to modify government rules to make it easier for US companies to compete for government contracts. China will also provide better protection for US companies against the piracy of computer software and other copyrighted materials. China's commitment to "making long-term improvements in its high-level protection of intellectual property rights and enforcement regime ... will help protect US innovators as well as Chinese innovators in all industries, not just in software," Geithner said.

"We are seeing very promising shifts in the direction of Chinese economic policy," Geithner said in his address to the media, highlighting the fact that the yuan has risen by more than 5 percent against the dollar since June. He said the Chinese currency had appreciated at an annual rate of about 10 percent "when you take into account the fact that Chinese inflation is significantly faster than that in the US". Both countries pledged to take additional measures to promote free trade and investment, to help spur economic growth, create jobs and promote innovation and prosperity. Wang especially noted the consensus on expanding cooperation in infrastructure programs as well as in clean energy, the green economy, and innovation. He said The Comprehensive Framework for Promoting Strong, Sustainable, and Balanced Growth and Economic Cooperation will lead a joint effort to ensure strong, sustainable and balanced growth in both countries.

Source: Li Xing: China-US dialogue reaps benefits, China Daily, 2011-05-12

**A mountain of cash with nowhere to go**

You know the feeling, you have $3 trillion in foreign currency burning a hole in your pocket and you are itching to spend. But on what? A mountain of gold, a sea of oil or a pile of paper? So far China has chosen paper, especially in the form of US treasury bills. But comments this week by China's central bank chief that the country's foreign exchange reserves exceeded reasonable requirements, and local media reports that Beijing was considering
setting up investment funds in energy and precious metals, again raise the question about what the country can do with its money.

At first glance, investing in gold, which is at record highs, or oil, which has rallied for each of the past eight months, makes sense.

"Diversification of foreign reserves is certainly a worthy idea," said Lu Feng, professor of economics at the China Center for Economic Research at Beijing University. "However, the experience in the past few years shows that the endeavor could be very difficult - the scale of the foreign reserve is so massive that the price of anything that the state showed an interest in purchasing with the reserve would go up." He said those price rises, even if the purchase was successful, meant the state might end up losing even more money than by holding on to the currency.

Source: Nick Trevethan and Rujun Shen: A mountain of cash with nowhere to go, China Daily, 2011-05-03

S Korea mulls RMB-denominated assets investments

South Korea's central bank is mulling investments in the yuan-denominated assets in a bid to brace for the internationalization of the Chinese currency in the long term. "The central bank applied to China for qualified foreign institutional investor (QFII) status to be able to invest its foreign exchange reserves in yuan-denominated assets," an official at the Bank of Korea (BOK) told Xinhua. The official noted the move aims to prepare for the Chinese currency's internationalization over the long haul amid China's growing influence in the global markets. He, however, said it would take more than one year to get an approval from the Chinese authorities, hinting there would be no immediate change in the reserves' portfolio. His comment came as South Korea's foreign reserves topped the $300 billion mark for the first time in April. The country's foreign reserves reached $307.2 billion as of the end of April, up $8.58 billion from the previous month.

Source: Xinhua: S Korea mulls RMB-denominated assets investments, 2011-05-04

Ten measures to promote M&As in capital market

The China Securities Regulatory Commission (CSRC) confirmed plans which include 10 measures to promote mergers and acquisitions (M&As) in the capital market, China Securities Journal reported Wednesday. The measures include promoting the overall listing, preventing insider trading, improving the system of suspension and resumption of trading, and finalizing an information disclosure system, according to the report. The CSRC will set up specific programs for each aspect and set up regulations accordingly. Those specific measures will be released one-by-one when related programs and regulations are mature, the journal reported.

Source: Qiang Xiaoji: Ten measures to promote M&As in capital market, China Daily, 2011-05-19

China's high saving rate risks overheating

China's high savings rate may lead to increased investment, which could in turn trigger economic overheating or asset bubbles, said Zhou Xiaochuan, governor of the People's Bank of China, the country's central bank, at a forum on Friday. Zhou called for caution against "cyclical issues" brought by the high savings rate while delivering a speech at the Lujiazui Forum in Shanghai, an annual gathering of top Chinese financial officials and economists.

There are still uncertainties in the global economy, but unlike developed countries, China now requires more prudent macroeconomic policies, as the country has taken the lead in recovering from the global financial crisis, said Zhou. To implement a prudential macroeconomic regulatory framework, China should work to enhance
financial stability, which may require financial institutions to have stronger capital bases, he said. The Chinese government is also "cautiously" and "gradually" promoting the use of yuan in cross-border financial transactions, in addition to using the currency in cross-border trade and investment activities, Zhou added. "The growing use of yuan in cross-border activities will require the currency to become fully convertible in a gradual and orderly way," he said.

Source: Xinhua: China's high saving rate risks overheating, 2011-05-20

Yuan may be fully convertible in '3-5 yrs'

A senior economist has said China could achieve full convertibility of the yuan in three to five years - much sooner than previous forecasts. Xiang Songzuo, deputy director of the International Monetary Institute with Renmin University of China, told China Daily on Friday that full convertibility of the yuan could be achieved within that time span, citing sources from the central bank. It is the earliest estimate for the full convertibility of the yuan, as most other experts have said such a move was about a decade away. The People's Bank of China, the country's central bank, declined to comment on Friday.

Wu Xiaoqiu, senior finance professor of Renmin University of China, said it is possible for China to achieve full convertibility of the yuan by 2015. "The yuan could become familiar to global investors very soon and become a global reserve currency," he said. The World Bank said in a report on Tuesday that by 2025 the yuan could become a major global currency together with the US dollar and the euro - echoing China's rising say in the world economy.

Zhou Xiaochuan, the central bank chief, said at the Lujiazui Forum in Shanghai on Friday that when cross-border use of the yuan hits a certain level, there will be a natural demand for full convertibility. China has been trying to improve the yuan's global clout by encouraging its use in foreign trade and investment.

Source: Hu Yuanyuan and Gao Changxin: Yuan may be fully convertible in '3-5 yrs', China Daily, 2011-05-21

Int'l board to be yuan-denominated

The proposed international stock board will be denominated in yuan, reiterated an official with China's securities supervisor on May 21 during a forum in Shanghai. Tong Daochi, head of the Department of International Affairs of the China Securities Regulatory Commission (CSRC), made the remarks at the Lujiazui Forum when responding to a question about whether the international board will conflict with the B shares in China. The launch of China's international stock board will occur soon, said Shang Fulin, chairman of the CSRC, at the Lujiazui forum on May 20.

B shares are overseas-invested stocks issued domestically by domestic companies with face values denominated in yuan, but are subscribed and traded in foreign currencies.

Source: Xinhua: Int'l board to be yuan-denominated, 2011-05-23

China to buy Europe bail-out bond

Asian investors including the Chinese government are expected to represent a “strong proportion” of the buyers of Portuguese bail-out bonds when the eurozone’s €440bn rescue fund begins auctioning them next month, according to senior fund officials. Klaus Regling, chief executive of the European Financial Stability Facility, told reporters on Wednesday that Beijing was “clearly interested” in the Portuguese auctions and that he expected China to participate. He argued the intense interest from Asia and other international investors showed renewed
confidence in the future of the euro as a currency. But Mr Regling acknowledged that the primary motivation of Asian investors was to find new, safe investments into which to put their growing cash piles, rather than any endorsement of how Europe has handled the debt crisis in some eurozone countries.

Chinese officials have expressed interest in investing in European assets as a way to diversify holdings in their sovereign wealth and other investment funds, which have historically concentrated on dollar-based assets. While Beijing has acknowledged it remains a significant holder in Portuguese and Greek sovereign bonds, Chinese officials have been reluctant to disclose where in Europe it will make investments. China’s involvement in the triple A rated bonds issued by the bail-out fund could be an indication Beijing is focusing on ultra-safe assets rather than more risky sovereign bonds for countries such as Ireland, Portugal and Greece.


**Chinese shares continue slipping on growth concerns**

Chinese shares dropped for its seventh straight day of losses on Friday as growth concerns still haunted market sentiment. The benchmark Shanghai Composite Index fell 0.97 percent, or 26.58 points, to 2,709.95 points, its lowest level since Jan 26 of this year. The Shenzhen Component Index inched down 0.33 percent, or 37.99 points, to close at 11,492.71 points.

Source: Xinhua: Chinese shares continue slipping on growth concerns, 2011-05-27

**Third-party payment licenses granted to 27 firms**

The People's Bank of China offered third-party payment licenses to 27 companies including Alipay, Unionpay and a unit of Tencent Holdings Ltd, the central bank said in a statement posted on its website on Thursday. Alipay, China's largest e-payment platform, said the license would allow the company to handle foreign exchange transactions, Internet and mobile payments, and debit card services.

Source: Anonymous: Third-party payment licenses granted to 27 firms, China Daily, 2011-05-27

**Shanghai edges closer to correction territory**

If China’s Shanghai Composite Index loses another half a per cent on Wednesday it will have entered correction territory, having fallen more than 10 per cent in less than six weeks. Surely the SCI is a crucial daily gauge for macro-strategy traders in the US and Europe to use when they get to their desks. Not necessarily; it depends on one’s time horizon.

The problem for any short-term equity investors is that the stock markets of the world’s first and second biggest economies display a fairly weak linkage from day to day. While mostly positive, the 50-day correlation between the SCI and the S&P 500 is weak, often negative – a trait seldom seen between Wall Street and Europe, for example. Why is this? Is it because global investors are sniffy about China’s closed market and thus until recently were not prepared to accept its message: tighter policy equals slow growth equals lower stocks.

Perhaps, but of late it may also reflect another example of the market’s blind love for QE2, an infatuation that is undoubtedly now fading. The SCI peaked this year in April, the S&P 500 hit a cyclical high two weeks later. Message now received.

Source: Jamie Chisholm: Shanghai edges closer to correction territory, The Financial Times, May 24 2011
AWAKENING GIANTS, FEET OF CLAY: ASSESSING THE ECONOMIC RISE OF CHINA AND INDIA

The story of China and India usually goes as follows: After decades of socialism, China's and India's market reforms and increased international trade have led these two "sleeping giants" out of poverty and to the forefront of the world stage. For Berkeley-based economist Pranab Bardhan, this narrative is based on oversimplifications of a more nuanced story. Growing up in Kolkata having witnessed destitution and poverty firsthand, Bardhan's focus is to better understand the economics of poverty. In his new book, Awakening Giants, Feet of Clay, he urges us to look beyond the hype in many media accounts of the two economies by presenting metered analysis of the data on economics and globalization in India and China.

For example, World Bank figures indicate that China's drastic decline in poverty occurred in the early 1980s, long before the country's global integration. Bardhan hypothesizes the reduction of poverty was more likely a result of domestic policies, such as equal land redistribution schemes, than a result of globalization. Meanwhile, Indian government figures show no difference in the rate of poverty decline before and during the 1993 to 2005 expansion of India's economy. With certain populations in India and China benefiting from market reforms, these trends indicate that inequality has actually increased, particularly between urban populations and in urban versus rural areas. His analysis, however, does not indicate that globalization is responsible for the widening chasm between rich and poor, but rather that the connection between globalization and poverty is more complex than a linear, cause-effect relationship. Quoting American writer Henry James, Bardhan urges us to see "what goes on beneath the vast smug surface" of media hype by investigating the economic situation in each of these countries more fully.


Rising wages, inflation to weaken exports

China's rising wages and inflation will soon make its exports too expensive to compete with low-cost manufacturers, according to a group representing US companies with operations in the world's second-largest economy. "China's competitiveness in terms of wage rates will evaporate," Christian Murck, president of the American Chamber of Commerce in Beijing, said on Monday. Factories are "being squeezed very, very severely by rising wages", he said. Murck said the yuan is likely to continue its steady appreciation against the dollar because Chinese policymakers want to curb inflation and limit their accumulation of US Treasury bonds. A rising currency also makes exports more expensive.

Chinese efforts to develop "national champions" in high-technology industries reflects an awareness that its supply of low-cost labor from provinces is drying up as its population ages, said James McGregor, senior counselor at APCO Worldwide. "They are using the power of their market," he said.

The profit margin for small-scale industrial companies fell to 3.9 percent last year, a drop of 0.2 percentage points from a year earlier, the nation's statistics bureau said on its website. Labor shortages in manufacturing hubs on China's east coast are persisting and spreading to central and western regions as economic growth spurs demand for workers and population growth in rural areas slows, Yin Weimin, minister of human resources and social security, said in Beijing on March 8.

Source: Mark Drajem: Rising wages, inflation to weaken exports, China Daily, 2011-05-04

China trade surplus surges to $11.4bn
China recorded a large trade surplus in April as imports of commodities and raw materials slumped and exports surged, renewing pressure on Beijing to allow faster appreciation of its tightly controlled currency. China’s trade surplus reached $11.4bn in April, ahead of analysts expectations. The figure marked a dramatic turnaround from the three months to March, when China recorded its first quarterly trade deficit in more than seven years. China’s fastest-growing exports are labour-intensive, low-margin products whose competitiveness would suffer from a dramatic appreciation of the renminbi.

Some economists believe that a decline in raw material imports including copper, iron ore, aluminium and raw plastics showed that government measures to slow the pace of economic growth had started to take effect in April. But most observers warned against reading too much into one month’s data, arguing that Chinese companies typically build up large inventories of raw materials at the beginning of the year. The devastating earthquake and tsunami that struck Japan in March also led to supply disruptions that appear to have affected Chinese imports of Japanese machinery and components. Chinese imports from Japan grew just 4.6 per cent in April from the same period last year, according to UBS, compared with 35 per cent growth in 2010 and the first two months of 2011.


Guangdong leads processing trade innovation

The General Administration of Customs and Guangdong province signed a cooperation memorandum here on Monday to build a demonstration region in Guangdong for upgrading the processing trade industry. Upgrading the processing trade is essential to deepening China's opening-up and maintaining China's international competitive edge, and it is also the earnest need of Guangdong, said Wang Yang, chief of the Guangdong Provincial Committee of the Communist Party of China. Yu Guangzhou, minister of the General Administration of Customs, said innovations in customs management will be conducted in Guangdong to facilitate the operations of businesses. The memorandum said innovative customs regulations will be applied in the demonstration region to encourage high-end equipment manufacturing in the region.

Source: Xinhua: Guangdong leads processing trade innovation, 2011-05-17

Beijing to ease Japan food restrictions

Wen Jiabao, China’s premier, has agreed to soften curbs on some Japanese agricultural products introduced amid safety fears over the crisis at the Fukushima Daiichi nuclear plant. The decision was a gesture of goodwill at a trilateral weekend summit in Tokyo between Naoto Kan, Japan’s prime minister, Lee Myung-bak, South Korean president, and Mr Wen.

The three leaders also agreed to expedite a joint feasibility study for a free-trade agreement. However, even if the governments embark on trade negotiations in 2012, they are likely to face obstacles relating to agricultural and manufactured products. The three leaders agreed to co-operate on nuclear safety and disaster management through methods including sharing information and sending “self-supporting” emergency relief teams and supplies as quickly as possible.

Source: Lindsay Whipp in Tokyo: Beijing to ease Japan food restrictions, The Financial Times, May 21 2011

China-ASEAN FTA works on win-win for all
Indonesia stands to benefit from the implementation of the China-ASEAN free trade agreement (FTA) with easier access to more deals in new markets for its manufactured products and raw materials, contrary to views that the FTA is hurting the local economy, said a senior official from China's Ministry of Commerce. "The problems (of unemployment and dropping sales) should be attributed to the weak competitiveness of their own industries, rather than the impact of the China-ASEAN FTA," Jiang Jiqing, director of Department of International Trade and Economic Affairs said.

Indonesia's exports to China increased to $20.75 billion in 2010 from $9.61 billion in 2006, with an annual growth rate of 21 percent, 6 percentage points higher than the growth of the ASEAN nations' exports to China during the same period. Indonesia has rich natural resources including coke, cocoa powder and palm oil. These are included as non-crude oil and non-natural gas goods. In 2010, exports of these products reached $14.1 billion, and China overtook the United States to become Indonesia's second-largest export destination for non-crude oil and non-natural gas goods, after Japan.

Chinese investment in Indonesia has also been on the rise. By the end of 2010, more than 1,000 Chinese companies had cumulatively invested $6 billion, creating 30,000 jobs, in the country. The investments were mainly in the infrastructure and energy sectors. China ranked the 13th in terms of foreign direct investment in Indonesia, according to official data. Indonesia's Vice-President Boediono has urged more inflows of Chinese investment to the nation, especially in the manufacturing sector, to help strengthen the competitive edge of Indonesian industries.

Source: Ding Qingfen: China-ASEAN FTA works on win-win for all, China Daily, 2011-05-24

Beijing Tightens Trade Ties With Brazil

China and Brazil agreed to strengthen cooperation in trade and development in April in a joint statement released in Beijing by Chinese president Hu Jintao and recently elected Brazilian president Duma Rousseff. After the statement was released, Rousseff told media that Taiwanese electronics company Foxconn Technology Group, whose China-based factories produce a variety of products including the iPhone, was considering a $12 billion investment in Brazil. Following her trip to Beijing, Rousseff joined Hu and die leaders of Russia, India and South Africa at the BRICS Leaders Meeting in southern China. In a joint statement, the five countries called for greater representation of developing nations in international organizations such as the World Bank and International Monetary Fund (IMF).


Business Basics in China

In an interview, Timothy J. Hilligoss, CPA, MST, partner in charge of Asia for Southfield, MI-based firm Clayton & McKervey PC, talked about some basics on what US companies face when investing in Chinese ventures. Hilligoss said there are three common methods for a US investor to do business in China. Those being a representative office, a wholly owned foreign enterprise (WOFE or WFOE) or an equity joint venture (EJV) in which the direct foreign investment is less than 100%. Both the WOFE and EJV are limited liability companies. Chinese tax authorities require entities with foreign ownership to submit an audited financial statement with their annual corporate income tax returns. The audit is required under Chinese or "PRC" GAAP. International trade is typically different, as many buying and selling relationships involve letters of credit. However, absent a letter of credit, terms across borders or within China are similar.
US welcomes Chinese investment: Locke

The United States welcomes Foreign Direct Investment (FDI) from China, which benefits the US economy, said Secretary of Commerce Gary Locke here on Wednesday. Chinese FDI is "good for the American workers and good for American businesses," Locke said at the Woodrow Wilson Center days before the two countries hold their third round of Strategic and Economic Dialogue in Washington.

According to a report conducted by the US Asia Society and the Kissinger Institute on China and the United States at the Woodrow Wilson Center for scholars, Chinese FDI in the United States totaled $5 billion in 2010 and has been increasing rapidly in recent years. Locke said that the US government believes more Chinese FDI in America is "a good thing." Meanwhile, he said that China's openness has also provided opportunities for foreign investors to enjoy substantial profits from their China operations. "It has been a mutually beneficial relationship," he observed.


Economic reform creates opportunities for foreign firms

The next five years will be a critical period for China to deepen the economic reform and to accelerate the transformation of its economic development pattern, according to the country's 12th Five-Year Plan. "Transformation" and "opportunity" were the two words reporters heard most when interviewing the senior executives of certain foreign enterprises. In their eyes, the accelerated transformation of the economic development mode in China will not only promote the country's economic and social development but also create golden opportunities for various businesses. Many foreign companies have adjusted their global strategy and are paying more attention to the Chinese market.

Bob McDonald, chairman of the US-based Procter & Gamble, said in an interview that China's economic growth will help improve the employment situation in the United States. There are some 1.3 billion consumers in China. Their income is growing steadily, and their demand for quality products and services is increasing rapidly. He said that the company will invest $1 billion in China in the next four to five years. Ouyang Kun, chief of the World Luxury Association's China office, said that as the income of the Chinese people grows and their purchasing power increases, the sales of luxury goods will be further boosted, and the Chinese people will gradually develop more mature attitudes toward consumption.

David Hathaway, managing director of the world-renowned consulting firm ICF International, is upbeat about China's environment protection market for the next 10 years. He said, "I greatly admire the executive abilities and the far-reaching vision of the Chinese government. China has assumed its obligations to mankind and the world as a major power. The Chinese government has always strived to formulate sound energy and environmental policies, and its people have increasingly higher demand for the environment. Chinese enterprises have also drawn more and more attention to the "green marks" on their products or services. The development of China's future green economy will surely be better and better and the environmental protection sector will promote China's economy to a higher level in the future."

Ronald Frank Christie, head of the China Regional Office of the Novo Nordisk Pharmaceuticals Science and
Technology Company, a leading global biopharmaceutical company, said during an interview that the Chinese government is moving in the right direction of cultivating creative talent. "As a pharmaceutical company, we are impressed by the improvement of China's medical security system. I appreciate the cooperation between public hospitals and community clinics in the healthcare reform, which can maximize the introduction of advanced medical resources in rural areas and benefit the people at the county level with high-tech drugs," Christie said. Christie also said that Novo Nordisk's first overseas research and development center is located in China. "The policy environment, human resources environment and market environment in China are very attractive to foreign companies. More than 90 percent of employees in our company come from the Chinese mainland, and the proportion in the research and development team is even higher. We also plan to double the number of employees in the research and development team in the next two years. Facts have proven that in China, we have the best talent, the most efficient production lines and the best market potential," Christie said.


**Investment from US declines 28%**

US investment in China dropped sharply by 28 percent, while foreign direct investment (FDI) maintained double-digit growth from January to April, the Ministry of Commerce said on Tuesday. US investment from January to April decreased to $1.03 billion and the number of US firms setting up in China also fell by 3.85 percent to 475. In contrast, European Union investment rose by 23.42 percent to $2.64 billion. Investment from the Asia-Pacific region, including Japan, South Korea and Singapore, registered growth of 31.23 percent to $32.88 billion.

"US investment could drop further over the short-term," Song Hong, head of the Department of International Trade at the Chinese Academy of Social Sciences, said. Song attributed this to a decline in US manufacturing, a key component of US investment, following the global financial crisis. He also said that with the recovery in the US economy, businesses that had invested in China were returning to the US market. But others cited rising labor costs as a reason. In a survey of its member companies released last month the US Chamber of Commerce in China cited "bureaucracy, lack of management, ambiguous laws and infringement of intellectual property rights" as major challenges facing US firms here. But the survey also pointed out that 80 percent of the companies recorded profits in 2010 and many have expansion plans. Robert Poole, vice-president of China Operations at the US-China Business Council, told China Daily that a number of companies plan to boost investment in China. General Motors said it will invest $5 billion to $7 billion over the next five years, aiming to double its sales to 5 million units by 2015. Starbucks said recently it was planning to expand its network in China to 70 cities from the current 35.

China to open RMB FDI

China is mulling policies to allow foreign institutions to invest directly in renminbi in China, China Business News reported on Friday. Li Bo, director of the Monetary Policy Bureau at the People's Bank of China, was quoted at a financial forum in Shanghai Thursday. Li didn't give a specific timetable for the new policy. One industry insider said there was a huge demand for renminbi from foreign institutions' direct investments. However, the supervision must be very strict to guard against speculative capital inflows, the source told the paper.

Source: Ben Yue: China to open RMB FDI, China Daily, 2011-05-20

The companies' optimism comes partly from their confidence that China's 12th Five-Year Plan (2011-2015) will stimulate the business environment, opening opportunities for high-tech and green products and technologies and in the service industries, Cucino said. The Chinese market has great potential, said Dominique Pouliquen, president of Alstom China. About 40 percent of the global new power plant investment is planned in China each year and about 50 percent of the world's new metro lines each year are built in China, indicating the dynamism of its market and its sustainability over the next decade, he said. But the companies surveyed also mentioned growing competition from domestic companies, which have made improvements in areas ranging from brand recognition to technology development.

Source: Ben Yue: China to open RMB FDI, China Daily, 2011-05-20

EU firms are thriving in China, survey finds

A survey released on Wednesday showed that European companies in China saw significant increases in revenue and net profit in 2010, and European companies have reaffirmed their commitment to continue developing in the Chinese market. The survey by the European Union Chamber of Commerce in China found that about 78 percent of responding European companies reported a marked revenue increase last year, compared with 50 percent in 2009, and 71 percent reported a rise in net profit in 2010, compared with 43 percent in the previous year. "China is increasingly regarded as a strategic market for European companies, not only because of the Chinese market itself, but also for the companies' global strategies," said Davide Cucino, president of the chamber. About 70 percent of the companies reported that profit margins in China were higher than or equal to their worldwide profit margins, and about 59 percent said they are planning major new investments in the country in the next two years, up 11 percent from last year.

Source: Lan Lan and Li Aoxue: EU firms are thriving in China, survey finds, China Daily, 2011-05-26

Relax overseas investment rules: experts

Experts have suggested that the government should remove restrictions on private-sector businesses and individuals making direct overseas investments, pointing out that it could benefit the domestic economy. The pundits and investment consultants talked about the idea during the 2011 China Private Capital Summit (Wenzhou), which concluded on Saturday. "The highest level of investment management is to make global resources, including technology and capital, available for our own use," said Feng Pengcheng, the director of the International Investment Research Laboratory, University of International Business and Economics.

According to Forbes Weekly, Chinese businessmen invested $56.5 billion overseas in 2010. The amount totals $215.9 billion during the past five years. During the first four months of 2011, the volume of overseas investments
rose by another 17.5 percent. One goal of the 12th Five-Year Plan (2011-2015) calls for more private investors to buy into overseas markets. However, at the moment, most of the overseas investment is being made by State-owned enterprises. Private companies have been restricted from using their money in the global market and those that get involved find various routes to do so. Early in January, Wenzhou publicized a trial policy that would allow individual investors to make direct overseas speculations. However, the pilot was later suspended and is still under review by the State Administration of Foreign Exchange.


Pause For Thought -- China in Africa

Recent popular uprisings in North Africa and beyond may be causing China to slow its headlong rush into the continent. Over the past decade, China has become a key source of investment, aid and trade for Africa, a continent that was once dominated by relations with Europe. Bilateral trade between Africa and China has been growing by an annual average of more than 30% of late, hitting a record $127 billion in 2010 as China seeks access to Africa's raw materials and Africa delves into China's deep pockets, particularly to fill the continent's infrastructure void. But recent uprisings throughout North Africa could be giving Beijing pause. While some analysts say China is more interested in Africa's natural resources than its domestic politics, often dealing with African dictators and turning a blind eye to corruption, others say the political unrest could lead to changes in how China does business on the continent.