

China Economic Headlines

Coming Events

April 26-29: Water Expo 2006 – Israeli National Booth for displaying advanced water solutions from Israel

Water Expo China is the largest and most comprehensive exposition of its kind in China. With the event's focus on new technologies, equipment and innovative ideas, Chinese companies and government officials hope to find solutions to major water issues facing their country today. Israeli Trade Mission to China, jointly with Israeli Export & International Cooperation Institute, presents an opportunity for Israeli water related companies to take part in Israeli National booth. In addition, the activity will include: high-level meetings with government officials, meetings with Chinese companies, visits to water projects in Beijing area, participation in water summit.

Interested companies should contact Israeli Trade Representative to China Ms. Iris Arbel. E-mail: econ@israeltrade.org.cn Tel: +86 10 85320664

General news on Chinese economy

China's GDP to Grow Average 7.5% per Year

China's economy will grow at an average 7.5 percent a year in 2006-2010, the State Information Centre, a top government think-tank, forecast in a research report carried by the Shanghai Securities News. In the first five years of this decade, China's GDP grew at an average 9.5 percent a year. In that period, energy consumption was excessive and pollution got worse. China's planners have set a goal of reducing energy consumed per unit of GDP by about 20 percent, and reducing emissions by 10 percent, the report said, to move away from a growth-for-growth's sake approach. (Mar 20, Reuters)

China Publishes Consumption Tax rates for Various Items

China on Wednesday released a list of consumer goods to be taxed at varied consumption tax rates from April 1. The Ministry of Finance and the General Administration of Taxation have decided to impose different tax rates on disposable wooden chopsticks, wooden floor panels, yachts, luxury watches and more oil-based products. The plan has been approved by the Chinese Government and was designed to control and regulate energy consumption, help protect the environment by reducing consumption of timber resources, and narrow the gap between the poor and the rich by collecting a consumption tax on the luxury items. (Mar 22, Xinhua)

China to Build New Economic Powerhouse in Tianjin

After vitalizing Shenzhen and Shanghai's Pudong, China will build a third economic powerhouse in its coastal areas in the north, which trailed behind the south and east in the country's rapid economic growth in the past two decades. The development of Binhai New Area (BNA), or the new coastal area, of Tianjin, a municipality about 130 km to the southeast of Beijing, has been written into China's new five-year plan. (Mar 14, XinhuaNet)

Coming Events

General news on Chinese economy

News on various sectors

Consumer Goods

Environment & Energy

IT & Telecom

Medical & Healthcare

Others

2008 Beijing Olympic Games

News on various sectors

Consumer Goods

Beauty industry a major consumption hotspot

It is revealed that beauty industry is becoming the fifth largest consumption hotspot in China behind real estate, auto, electronic communication and tourism. Latest statistics show that up through 2005, nearly 1.8 million units in China's beauty service industry have recruited 12 million direct employees. Their revenue added up to almost 200 billion yuan (US\$25 billion) last year, soaring roughly 20% over that of 2004. It is estimated that in the coming three to five years, the Chinese beauty industry's annual production value will exceed 500 billion yuan (US\$62.5 billion). The industry will gradually leave the grass-root era behind and enter a period of rapid growth. "Neo-beauty economy" on the basis of sci-tech, brand, quality and service innovations will become the largest spotlight of China's tertiary industry in the next few years. (Mar 10, ChinaNews)

More Chinese prefer buying top brand products

Sixty-six percent of the purchases Chinese customers made in 2005 were limited to the top ten brands, according to the National Bureau of Statistics (NBS). It is two percentage points more than that of 2004, said an NBS official. The top ten brands accounted for nearly 80 percent of the market share in China with the highest concentration of home appliances, which is followed by food stuff, daily-use chemical products, stationery, and most people do not care much for the brands of clothing. (Mar 19, Xinhua)

Cut in Diamonds VAT to Boost Trade

China will soon slash the value-added tax on diamonds traded on Shanghai Diamond Exchange to 4 percent from 17 percent in a move to eradicate smuggling of the gems, a Shanghai Customs official said. The measure will also help China's sole diamond exchange, operational since June 2002, to trade more contracts and become one of the world's major exchanges, industry officials said. The exchange is China's only platform handling diamond imports and exports. (Mar 17, Shanghai Daily)

China's Consumer Electronics Market to Produce USD60bn in 2006

China's consumer electronics market is expected to produce a value of nearly USD 60 billion in 2006, and then it will go up by 15% to 20% annually year after year. Besides, the figure will likely to top USD 100 billion by 2008. China has become the second-biggest electronics consumer after the US in the world, but domestic companies still face rigorous challenges like weak technical innovation capacity and shortage of independent patent and intellectual property. (Mar 14, C114)

China becomes largest spirits consumer

The latest statistics issued in Shanghai on Thursday show that China's consumption of alcohol, especially that of spirits, displays a strong up trend. In 2004 alone, China's spirits consumption amounted to 504 million boxes. Calculated on nine liters of spirits each box, China's spirits consumption accounted for 23% of the world's total, marking China the largest spirits consumer in the world. (Mar 10, ChinaNews)

Dynasty to Expand Wine Production

One of China's leading wine makers, Dynasty Fine Wine Group, will invest HK\$360 million (US\$46 million) to boost production to 70,000 tons a year by the end of 2008, up from the current 50,000 tons. Dynasty's expansion plans come amid stiff competition in the mainland's wine market, with major makers

all announcing an increase in output. The top four Chinese wine brands Changyu, Great Wall, Tonghua and Dynasty have about 60 per cent of the mainland's fragmented wine market, where 500 local makers compete. (Mar 8, *China Daily*)

China becomes world's largest platinum jewels consumer

China has overtaken Japan to become the world's largest platinum ornaments consumer. An earlier report said the platinum wedding rings, considered symbols for lasting romances, were in short supply in Beijing as an increasing number of young Chinese flocked to marriage registration organs after the nation entered the Year of the Dog, which is believed propitious for marriage. Platinum is mainly used to make auto-catalysts and jewelry, items which have experienced a boom in demand in new Chinese and Indian markets. (Mar 7, *Xinhuanet*)

Environment & Energy

Contract for Largest Windmill Powers Wind Energy

Shanghai Electric Power Generation Group has been awarded a clean energy contract by German-based Aerodyn Energiesysteme GmbH to jointly develop the largest windmill in China, in a move to boost the use of wind energy to try and resolve the country's soaring power demand. The installed electric generation capacity of the windmill could reach 2,000 kilowatts while the length of a single blade is longer than 40 meters and the diameter of the wheel is approximately 80 meters. (Mar 14, *XinhuaNet*)

Beijing to launch first-ever garbage burning plant in 2007

A large-scale garbage burning plant is expected to start operation next year in Beijing to improve the city's rubbish processing capacity. The facility, the first of its kind dealing with garbage by means of burning in the Chinese capital, has a designed daily processing capacity of 1,000 tons to 1,200 tons. In addition to the plant located in the Chaoyang District, three other burning facilities are scheduled to be set up in other parts of the city around 2010, according to Chen., also an official in charge of Beijing's urban construction. (Mar 10, *People's Daily*)

IT & Telecom

3G

Time not right for 3G, says ministry

While the necessary conditions exist for a 3G introduction in China, the technology - especially its homegrown TD-SCDMA networking system - is not mature enough for an immediate launch, a Ministry of Information Industry official says. Vice-director Zhou Baoyun of the ministry's general office said yesterday he understood mainland telecommunications operators' desire for 3G licences, but the time was not yet right. "All I can say is that the government still does not have a timetable for 3G," Mr Zhou said. (Mar 23, *scmp*)

China Sets Final Scheme for TD-SCDMA Test

China has finally devised its schedule for trials of its homegrown 3G mobile communication standard TD-SCDMA, according to a source close to the Ministry of Information Industry. The trials will be carried out in the northern city of Baoding, the eastern city of Qingdao and the southern city of Xiamen by China Telecom, China Netcom and China Mobile respectively. Three major companies – Datang, ZTE and TD-Tech in the TD-SCDMA camp will provide equipment for the test. (Mar 13, *Xinhua*)

Carriers

China Telecom cash flow allows 3G jump-start

China Telecom Corp's strong operating cash flow may give it the muscle needed to fund start-up costs for a mainland 3G network, allowing the free market, not the government, to decide the standard to use. Company chairman Wang Xiaochu is the first mainland telecommunications executive to say that operators should be free to choose their own platforms, making no mention of state policy in the long-delayed licensing process. (Mar 23, scmp)

Telecom firm in 6b yuan capex

China Satcom, the smallest of China's six basic telecommunications operators, will set aside six billion yuan (HK\$5.79 billion) for capital spending this year to build "walkie-talkie" networks in more than 30 cities and launch two new satellites as it vies for a slice of the booming telecom market. This is the largest amount of capital spending since its establishment in December 2001. (Mar 7, China Communication network)

Beijing Netcom Fixes Two IPTV Equipment Vendor

China Netcom reveals that its branch in Beijing finally selects ZTE and Alcatel Shanghai Bell (ASB), to build up a trial IPTV network for it. The trial network will have a capacity of nearly 50,000 households and will enable users to enjoy mainstream applications of IPTV, such as receiving TV programs on demand and watching movies by the broadband. (Mar 22, C114)

Policies

China develops own terrestrial digital TV standard

China will issue a terrestrial digital TV standard this year, as well as a mobile broadcasting standard, IPTV and satellite broadcasting standards, writes China People's Daily quoting vice-minister of the State Administration of Radio, Film and Television (SARFT). China has developed its own digital TV standard based upon the European standard. A draft of the home-grown digital terrestrial TV standard has been submitted to the National Radio, Film and Television Standardisation Commission. The draft also needs to be approved by the Standardisation Administration of China. (Mar 22, C114)

China resolved to use home-grown WLAN security technology

China's home-grown security technology of wireless local area networks (WLAN) was dealt a blow last week when it failed to be voted the new international standard. China's WAPI and the United States' 802.11i were proposed to the International Standard Organization (ISO) last October. The voting that ended on March 8 ruled in favour of the American standard. But the Chinese government insisted that it will firmly support the technology called WAPI and failure in the international standard application will not affect its domestic use. (Mar 15, Xinhuanet)

China blocks VOIP calls for two years

China has moved to protect its fixed telephone line business by banning free Internet telephone services for at least two years. Wang Leilei, chief executive of Chinese internet portal group Tom Online, which has a joint venture with Luxembourg-based telephony provider Skype, said China would not issue any licenses for computer-to-telephone calls until 2008. (Mar 22, C114)

Gradual deregulation of VoIP

China is studying a new VoIP policy and plans to gradually open the strictly-controlled Internet phone market to non-telecom firms from the second half,

industry insiders said. At present, China bans the "PC to Phone" VoIP service, which allows users to make calls through a Web-linked computer to a normal phone at a much lower rate. China will issue the first VoIP license to a South China-based firm, which is not a telecom operator. China will open the VoIP sector to all companies in 2007, China Business News reported yesterday, citing unidentified sources. (Mar 10, *Shanghai Daily*)

MII: Chinese Information Industry Needs To Overcome Four Problems

A recent notice from the Ministry of Information Industry (MII) shows that China's information industry developed well in 2005, but there were four problems that need to be soon solved. The four problems are heavy pressure from structural adjustments; weak innovative capabilities and too much reliance on foreign technology; slow development of local enterprises and a large gap between Chinese and foreign enterprises; and inadequate capacity in dealing with trade barriers in the international market. (Mar 6, *Chinatechnews*)

Telecom Equipment Manufacturers

Putian, Nokia Finish TD-SCDMA Interoperability Testing

China Putian and Nokia made a joint announcement that they got through the interoperability testing between TD-SCDMA wireless access network and 3GPP release 4-version core network. The successful testing indicated that TD-SCDMA RAN products and the overall end-to-end solutions developed by China Putian have basically grown up, which will be able to meet the requirement of mass network building. Furthermore, the pair of partners are believed to be capable of offering favorable 3G solutions to customers, said Tao Xiongqiang, China Putian senior vice president. (Mar 21, *C114*)

Beijing Tianyu Wins GSM and CDMA Production Licenses

Beijing Tianyu Communication Equipment Co., Ltd., a private mobile phone maker in China, announces that it wins two licenses from the government to produce GSM and CDMA cellphones. Distributors disclose that the company's self-branded Tianyu mobile phones have been available in the market via OEM actually. Tianyu had ever been a distributor and agent of the international famous brands of mobile phones like Samsung, Siemens, and Nokia and now is a large company holding a complete industrial chain from R&D to after-sale services. From 2003, the company started making products by self R&D. A new workshop will kick off at the middle of this year, which will enhance the company's capacity to 2.6 million annually. (Mar 17, *Sinocast*)

Changhong IPTV Wins Monetary Support From MII

Changhong's IPTV terminal equipment development and manufacturing programs have won RMB1 million in support from the Ministry of Information Industry (MII). MII says IPTV is a key area in which China needs to develop, and therefore it is offering preferential policies and funding to businesses within this sector. This is the largest sum of funds ever offered by MII to a Chinese enterprise. In cooperation with China Telecom, Changhong is aiming at transforming 400 million television users in China into potential broadband users through the use of IPTV. (Mar 15, *Chinatechnews*)

UTStarcom Turns to TD-SCDMA

UTStarcom recently announced that it was going to give up WCDMA technology completely. China's Ministry of Information Industry (MII for short) declared on January 20 that TD-SCDMA, one of the three international 3G standards developed by China itself, was taken as the standard for the Chinese communications industry. Sensing that it had backed the wrong horse, UTStarcom immediately retreated from WCDMA and turned to TD-SCDMA.

Previously, it had invested over one billion US dollars in WCDMA, another international 3G standard. (Mar 10, C114)

Other

China to Improve Rural TV Services

China will launch a new round of efforts to provide and improve TV broadcasting services for people in rural areas, in an effort to help villagers gain better TV signal quality and wider channels. China's central government has issued the 11th Five-year Plan for 2006-2010 and narrowing the gap between urban and rural regions has become a top priority. Providing public services such as broadcasting and telecommunication is one of the major tasks. (Mar 21, Xinhua)

Software industry pockets US\$48.75b in 2005

China's software industry earned 390 billion yuan (48.75 billion US dollars) in 2005, a year on year surge of 40.3 percent, according to latest the statistics with MII. The software industry is still one of the fastest growing sectors in the country's electronic information field, with a growth rate that is 16.7 percent higher than that of the industry as a whole. The sales of software services and system integration have also become a new growth point for the software industry. (Mar 18, Xinhuanet)

China to Produce Low-cost Computers of Its Own

A Chinese company has developed the first computer costing around 1,000 yuan (125 U.S. dollars) using a Chinese-made Godson II CPU, and plans to put the computers into industrial production in June. (Mar 15, People's Daily)

China's telecom industry reports serious waste

As vicious competition in China's telecom industry become severer, the waste of state-owned assets caused by overlapped investment and idle assets is astonishing. Taking ISDN resources for example, fixed network operators have invested in 20 million lines in previous years. However, utilization of broadband such as ADSL has decreased the use ratio of these lines to merely 20%. This is only a small part of the vicious competition, overlapped investment and serious waste of state-owned assets. During rapid development in recent years, China's telecom industry has formed a new competition structure. In order to seize more clients and develop new businesses, the six major telecom operators including China Mobile and China Unicom made overlapped investments and constructions, which keep the use ratio of telecom assets at an extremely low level. (Mar 14, Chinanews)

Nearly 3 Billion RFID Tags Shipped In China By 2009

A report by In-Stat shows that more than 2.9 billion RFID tags are forecast to be shipped by 2009 in China. Beginning in 2008, RFID tags used for items will exceed those used for resident ID cards, making the retail industry the biggest consumer of tags. (Mar 10, Chinatechnews)

First RFID Inspection Center Opens In Beijing

The State Golden Card Project RFID and E-tags Product Inspection Center, the first third-party checking institution for RFID in China, has been opened in Beijing. This new center is expected to play an active role in promoting China's RFID development and application and improve the RFID industry chain in China. (Mar 2, Chinatechnews)

Medical & Healthcare

Chinese warned of rising rate in hepatitis diseases

Wealthy Chinese are being warned by doctors to note a growing number of hepatitis diseases, as nearly one in every 10 Chinese is a hepatitis B virus carrier. The high incidence of hepatitis is attributed by doctors to an increase in intake of alcohol and animal fat in diet, which has made hepatitis a so-called "Rich man's disease". (Mar 19, Xinhua)

China Seen as 5th Biggest Drugs Market by 2010

China will leapfrog Britain and Italy to become the world's fifth most valuable pharmaceuticals market by 2010, industry experts said. Melanie Lee of Boston Consulting Group predicted Chinese drug sales would virtually double to \$25 billion a year from \$13 billion in 2005, driven by greater adoption of Western-style medicines. Such products currently account for less than a quarter of a market dominated by locally produced generics and traditional Chinese medicine. (Mar 21, Reuters)

China to become world's second largest medical equipment market

China is expected to replace Japan as the world's second largest market for medical equipment in the next five to seven years. Sources from a scientific forum on medical equipment that convened in Beijing said China has been the world's third largest medical equipment market after the United States and Japan with a 1.2 billion U.S. market value. According to statistics released at the forum, by the end this year the value of China's medical equipment market is expected to reach 1.7 billion dollars. (Mar 14, Xinhuanet)

Philips to Invest in Medical Equipment

Philips Medical Systems, the healthcare equipment unit under Royal Philips Electronics NV, said it expects to achieve a double-digit share in China's less developed middle-range and upper low-end market this year as it focuses on products catering to Chinese affordability. About 75 percent of the country's medical equipment market is for middle- and lower-ranger products. Demand for digital imaging equipment are expected to reach US\$1.7 billion this year, up from US\$1.2 billion 2005. (Mar 13, XinhuaNet)

China to build 1st bonded warehouse for imported drugs

The Changsha Customs in Central China's Hunan Province has sanctioned to set up a bonded warehouse for imported medical and health products, the first in China, as part of an effort to cut drug prices. Upon completion, the warehouse will be able to accommodate 600,000 TEUs. Its daily handling capacity is designed at 60,000 TEUs. The bonded warehouse is expected to become the largest distribution center for imported medical products in Central China, which will help reduce the inland province's dependence on imported drugs discharged from the coastal ports. High medical costs, especially for imported drugs are complained most by common Chinese citizens, which are partly due to logistic and tariff expenses. (Mar 8, Xinhuanet)

Breast cancer ravaging more

Victims of breast and cervical cancers in China have been increasing at an alarming rate during the past two decades, and the situation will only worsen if no precautions are taken. Statistics from the Shanghai public health bureau show that the ratio of breast cancer victims per 100,000 women almost tripled from 1992 to 2002. (Mar 8, Chinaview)

First Foreign Invested Pharmacy Opened in Chongqing

On March 5, the world's largest drug retailing franchiser Medicine Shoppe opened its first outlet in Chongqing. It is also the very first foreign invested

pharmacy opened in the municipality. Under the impact of strong foreign brands, local drug retailers in Chongqing, which are already in fierce competition, will face an ever bigger wave of competition. Related sources the professional medical information provided by Medicine Shoppe is usually unavailable from other drug stores. That is also the biggest distinction between a foreign and a domestic pharmacy. (Mar 8, FDI)

Demand for drugs may reach US\$46.29b, study claims

Demand for pharmaceuticals in China is projected to increase 13.6 percent annually to 375 billion yuan (US\$46.29 billion) in 2010, according to a new study from The Freedonia Group, a U.S.-based industry research firm. Western proprietary prescription drugs will generate the strongest growth based on new products, especially for cardiovascular, neurological, cancer and antiviral indications that are not treated effectively by currently available therapies. (Mar 3, Shenzhen Daily)

Others

China to Build a High-Speed Railway

NCRC, China's top industrial planning agency, announced on Mar 13 it will start to build two of the world's most ambitious railway-building projects — a high-speed railway linking Beijing and Shanghai and the country's second magnetic levitation train linking Shanghai and Hangzhou. The 1,300-kilometer Beijing-Shanghai railway will use wheeled trains, travelling at up to 350 kilometers per hour. European and Asian makers of railway equipment are looking to China for potential sales as the government pushes ahead with plans to add thousands of kilometres of high-speed lines to its network. But China did not say what role foreign suppliers might play. (Mar 14, CRI)

Nation to boost spending on airport infrastructure

The government will spend 140 billion yuan (US\$17.4 billion) over the next five years to expand its airport infrastructure to meet a forecast 14 percent annual growth in domestic air traffic. The government will continue to expand the country's three largest airports, Beijing, Shanghai and Guangzhou, to help them maintain their role as China's main international air transport hubs for passengers and cargo. Other airports slated for expansion include those in Shenzhen, Chengdu, Haikou, Hangzhou and Xian, he said. China's aggressive aviation development plans come as air traffic continues to grow at double-digit rates. In 2005, domestic airlines carried 138 million passengers, up 15.5 percent from the previous year, and 3.4 million tons of cargo, up 13.8 percent. CAAC said it expects passenger and cargo traffic to grow at an average of 14 percent a year until 2010, with growth then slowing to 11 percent annually in the period 2011 to 2020. (Mar 2, Eastday)

China's top 30 retailers' sales up 30% in '05

Sales of China's top 30 chain store enterprises topped 491.04 billion yuan (US\$61 billion) in 2005, an increase of 30.9 per cent over the previous year, and their total number of shops reached 16,665, up 20.7 per cent, according to a survey conducted by the Ministry of Commerce. Shanghai Brilliance (Group) Co Ltd led the top 30 retailers with sales hitting 72.07 billion yuan and outlets reaching 6,345, rising 7.2 per cent and 15.4 per cent year on year, respectively. Department stores, which have been in weak operation for many years, have started making recovery in 2005. Growth of foreign-funded retailing enterprises slowed down last year. (Mar 1, CRI)



2008 Beijing Olympic Games

Latest update on Olympic Venue Construction

According to Beijing 2008 Project Construction Headquarter Office, up to date, 20 of the 31 competition venues in Beijing are under construction. Currently, most of these venues are focusing on the steel structure construction which is due to be finished by the end of this year. Next year, the major work shall be with the interior installation and facilities, and all competition venues for the 2008 Games will be in place by the end of 2007. The two major difficulties the construction process has encountered are: to integrate new designs, new materials and ensure safety of the process; to provide more comfortable hardware facilities for athletes and visitors during the Games, while to make the best use of these facilities after the Games. The Headquarter Office also revealed that there shall be over 100 projects related to energy saving, environmental protection, greenland plantation, water management and etc. carried out in the following stage. *(Mar 28, Embassy)*

Capital Takes Steps to Curb Pollution

Beijing will introduce vehicle-exhaust monitoring devices in a bid to tackle the pollution that continues to plague the city. The move is designed to strengthen controls on harmful emissions from the capital's 2.6 million vehicles. They are believed to contribute around half of the city's ozone pollution according to the Beijing Municipal Bureau of Environmental Protection. *(Mar 17, China Daily)*