

China Economic Headlines

Coming Events

May 21-26: Israel Telecom Delegation to visit China

Organized by the Israel Export and International Cooperation Institute in conjunction with Israel's Trade Mission to China and Israeli Consulate General in Shanghai, an Israel Telecom Delegation is to visit China (Shanghai, Hangzhou, Guangzhou, Shenzhen) during May 21-26. The aim of the delegation is for Israeli telecommunications companies to hold business meetings with Chinese service providers in the fields of fixed, wireless, ISP and satellite. Israeli companies are to also meet with Chinese telecommunications equipment manufacturers with the aim of advancing joint ventures. One-on-one meetings will be prearranged with Chinese corporate executives from leading companies, equipment manufacturers, distributors and integrators. For more information or contact details, please visit IEICI website: <http://www.export.gov.il/Eng/Activities/Item.asp?CategoryID=24&ArticleID=370>

June 22-25, 2006: CISIS 2006 - China International Software & Information Service Fair 2006

CISIS 2006 will be held in Dalian World ExpoCentre, Dalian, Liaoning Province. CISIS is the only national level software fair in China approved by the central government. The theme of CISIS 2006 is "Independent Innovation, International Cooperation". For more information on CISIS, please visit <http://www.cisis.com.cn/en/index.asp>. Companies who are interested to learn more about the Israeli booth and activities in CISIS 2006, please contact Ms. Caroline Nave at IEICI in Israel (Tel: 03-5142828, e-mail: nave@export.gov.il) or Ms. Tian at the Embassy of Israel in Beijing (Tel: 010-85320583, E-mail: econ3@beijing.mfa.gov.il).

General news on Chinese economy

China Bad Loans May Reach Total of \$900bn

China's total liabilities for non-performing loans may be as high as \$900bn, dwarfing official estimates and outstripping the country's massive foreign exchange reserves, according to a study of Beijing's bad debt problem. The study, part of Ernst & Young's annual global survey of NPLs, says China's big four state banks alone have bad loans worth \$358bn, or more than twice official estimates. (May 3, FT)

Chinese govt moves to cool economic growth

China's economic watchdog is moving to slow economic growth after recording a rise in fixed assets investment of almost 30 percent in the first quarter. The National Development and Reform Commission (NDRC) has urged local governments to tighten controls on land use and lending to prevent investment rising too rapidly. National Bureau of Statistics figures show investment in roads, factory equipment and other fixed assets grew 27.7 percent, an increase of 4.9 percentage points year on year. Investment in urban areas climbed 29.8 percent to 1.16 trillion yuan, while that in rural areas came to 230 billion yuan, up 18.1 percent. (Apr 28, Xinhua)

Coming Events

General news on Chinese economy

Israel-China Bilateral Relations

News on various sectors

Consumer Goods
Environment & Energy
IT & Telecom
Medical & Healthcare
Others

2008 Beijing Olympic Games

China's non-financial direct investment abroad soared

It was learnt the Ministry of Commerce that in the first quarter of 2006, direct investment abroad of China's non-financial sector reached 2.68 billion US dollars, a year-on-year rise of 2.8-fold. What is noteworthy is that since 2006, the industry distribution of direct investment abroad has seen apparent changes. Business service becomes the chief industry that attracts the most investment, which hits 1.61 billion US dollars and makes up 60% of the total direct investment abroad. The manufacturing industry and the mining industry rank second and third respectively, constituting 13.8% and 8.1% of the gross direct investment abroad. In 2005, the manufacturing industry attracted the most direct investment abroad with a proportion of 29%. (*Apr 26, Chinanews*)

Israel-China Bilateral Relations

New Digital Video Security System For Beijing's Subway

Israel-based NICE Systems will work with Beijing Metro to supply its next generation security solutions to help enhance the safety and security at more than 20 stations of the city's subway system. Following mounting security concerns worldwide and in preparation for the 2008 Olympics, this project is part of Beijing's massive campaign to upgrade its subway system's security network. (*April 18, ChinaTechNews*)

News on various sectors

Consumer Goods

China to Boost Cotton Imports and Consumption

China, the world's largest buyer of cotton, will increase imports of the fiber 2.5 percent to a record 4.1 million metric tons this next as domestic mill demand rises faster than production, the U.S. Foreign Agriculture Service said. It is believed that the high imports are driven by both increased exports of, and domestic demand for, textile and apparel products. (*May 2, Bloomberg*)

Law to ensure farm produce safety

China's legislature voted for a law on farm produce quality safety, nailing down a series of measures to ensure farm produce safety. The law will go into effect on November 1. The law forbids to discharge sewage, waste gas and solid waste or other poisonous substances to the agricultural product production areas. The law also prohibits to produce and collect farm products at the places where poisonous and harmful substances exceed statutory standards. The law regulates the use of fertilizer, pesticides, veterinary medicine, feed and feed additives, and requires to establish production records for agricultural products. (*Apr 30, China Daily*)

Jewelry sales to shine brighter

China's jewelry sector is expected to sparkle by more than 40 percent in five years on the back of the country's sizzling economy. Sales of diamond, gold, platinum and other jewelry are set to top 200 billion yuan (US\$25 billion) in China by 2010, Yang Sisan, secretary general of Gems and Jewelry Trade Association of China, said in Shanghai. The country's jewelers raked in sales of 140 billion yuan in 2005, a year-on-year rise of 15 percent, according to the Beijing-based association, whose more than 1,000 members hold close to 80 percent of the market. (*Apr 29, Shanghai Daily*)

Environment & Energy

Water Diversion Project Bill Sees 80% Rise

Officials in charge of China's massive south-north water diversion scheme have had to revise the project's first phase budget up by around 80 percent. The cost for the first phase eastern and middle routes of the scheme to bring water from the south to the country's arid north will rise by 101 billion yuan to a total 225 billion yuan (27.74 billion U.S. dollars). The increased investment was needed to compensate residents who were forced to relocate and to pay for environmental repairs and improvements. Managers were also facing rising costs associated with rising interest rates on loans and expansion of the project. *(May 4, Xinhua)*

Six Cities Chosen to Test Recycling

The Guangdong provincial government has selected six cities as testing grounds for the development of a recycling economy. The six cities will pick 300 enterprises and 15 industrial parks for the programme. The move by the southern province aims to build a resource conservation and environmentally friendly society to ensure sustained social and economic development. The six cities, Guangzhou, Shenzhen, Foshan, Duguan, Jiangmen and Shantou, have been selected for the pilot programme because they are the main consumers of energy and resources. The enterprises selected for the programme will be required to meet the national standards for clean production and create recycling technology. *(May 3, China Daily)*

IT & Telecom

Carriers

Telecom Carriers' CAPEX to Reach RMB 205.3 Billion in 2006

Analysys International says in its recently released report "China Telecommunication Carriers Capital Expenditure Report 2006," that total capital expenditure (CAPEX) of China telecommunication carriers will reach RMB 205.3 billion (excluding 3G CAPEX) in 2006, representing a decrease of 1% year over year. According to the report, Chinese telecommunication operators will increase capital expenditure on GSM networks, new business/technology development, and IT information systems/support systems in 2006, while decreasing expenditure on CDMA and PHS. China Telecom's capital expenditure will reach RMB 55 billion, decreasing 6.8% compared with 2005. China Netcom's CAPEX in 2006 will reach RMB 28.6 billion, increasing 2% YoY. China Unicom's CAPEX in 2006 will reach RMB 35.1 billion, decreasing 12.5% over the year 2005. China Mobile's CAPEX in 2006 will reach RMB 79.4 billion, increasing 16% YoY. The CAPEX forecast of China Mobile is smaller than China Mobile's own announcement of RMB 83.3 billion CAPEX. Analysys International says China Mobile's own CAPEX forecast includes implicit 3G expenditure. *(Apr 28, Xinhua)*

China Telecom and China Netcom to build New Cable Network

China Telecom and China Netcom have signed an agreement with three overseas operators to build a Trans-Pacific Express Cable Network, which connects the United States, South Korea, China's mainland and Taiwan, said the Ministry of Information Industry today. The new network is expected to be complete in 2008. *(Apr 26, Shanghai Daily)*

Shin Satellite in deal with China Satcom

Shin Satellite PCL, Asia's leading commercial satellite operator, has reached an agreement with China Satellite Communications Corporation (China Satcom) to cooperate in order to launch iPSTAR broadband services in China.

The first iPSTAR gateway in Beijing will be available for service in May 2006. Additional iPSTAR gateways will later be available in Shanghai and Guangzhou. There are currently about 64 million broadband users in the china market and this is expected to reach 100 million. Shin Satellite expects iPSTAR to attract about one million users in total. (Apr 25, *CE.cn*)

Policies

SARFT Bans Mobile TV Service Promotion

China's State Administration of Radio, Film and Television (SARFT) has issued a circular banning local departments to promote mobile television services before a unified technical standard comes out. SARFT says that the management of mobile digital multimedia technology should be strengthened and without SARFT's approval, no party shall start any tests or carry out the service. SARFT is currently making the relevant standard based on the test results in Beijing, Shanghai and Guangdong. The standard is expected to come out soon. (Apr 28, *ChinaTechNews*)

Other

China Posts Quarterly Growth in Postal, Telecoms Sector

China's post and telecommunications sector posted 169.2 billion yuan (21.1 billion U.S. dollars) in revenue growth in the first quarter, up 11.8 percent year on year. A Ministry of Information Industry statement said postal revenues totaled 15.83 billion yuan (1.98 billion U.S. dollars) for the quarter, up 13.7 percent, while telecommunications revenues stood at 153.43 billion yuan (19.18 billion U.S. dollars), up 11.6 percent. The country's total fixed telephone subscribers reached 358.77 million. The figure indicated there were 27 fixed telephone subscribers per 100 people and mobile phone penetration is 30.3 percent. The total number of mobile phone subscribers was 409.69 million, up 16.26 million from the previous quarter. Mobile phone users sent 98.82 billion text messages during the first quarter, up 47 percent year on year, the statement said. (Apr 25, *Xinhua*)

China will have 61mln online gamers by 2010

The ranks of online gamers in China will grow from 25.5 million in 2005 to 61 million in 2010, reports In-Stat. Government policy is generally in favor of the online gaming industry and several drivers will provide numerous business opportunities, the high-tech market research firm says. For now, however, profits are elusive for many firms. Less than 15% of Chinese online gaming companies were profitable in 2005. (Apr 30, *BusinessWire*)

CCTV will start the IPTV service

With the establishment of CCTV net transmission center, CCTV int'l networks Ltd. Co., China's central television station has already been permitted to deploy the new audio-visual media businesses, such as the IPTV, the cellphone television and the network television...etc. The new organization is to be responsible for the CCTV network report side, and also needs to undertake the Internet value-added service, includes: The network TV service using the computer as the terminal; The IPTV service using the TV set as the terminal; And the mobile TV service using the cellphone as the terminal. (Apr 29, *C114*)

China's Mobile Cartoons Market Will Reach Rmb 624 Million By 2010

Analysys International says in its recently released report "China Mobile Cartoons Market 2006", that China's mobile phone cartoons market size exceeded RMB 720,000 in 2005 and will reach RMB 624 million by 2010. Analysys International forecasts mobile cartoons market size will reach RMB

31.66 million in 2006, increasing 4300% year over year, and the market will reach RMB 624 million by 2010. (*Apr 28, sys-con media*)

Tencent Edges into Top Three Chinese Portals

Tencent Inc., China's leading instant messenger provider, announced on April 25 that its portal www.qq.com had taken the third place in terms of traffic among Chinese portals, next only to Baidu.com and Sina. (*Apr 27, Sinocast*)

MII: China's Daily SMS Income Exceeds RMB100 Million

Latest statistics from the Ministry of Information Industry (MII) shows that the short message service in China hit a historical record in the first quarter of the year with the daily average quantity of SMS reaching 1.098 billion and daily average income exceeding RMB100 million. MII's statistics show that SMS portfolio in the first quarter of the year reached 98.82 billion, an increase of 47% compared the same period of last year. At present, SMS has become one of the major income sources for domestic telecom operators. For example, SMS already accounts for 10% of the China Mobile's total business income in 2005. (*Apr 26, ChinaTechNews*)

41 Regions Begin Shifting To Digital Television Programs

Hu Zhanfan from the State Administration of Radio, Film and Television (SARFT) has disclosed to local media that all analog signal television programs will be stopped and replaced with digital signals by the year of 2015. Currently, 41 cities and regions in the country are shifting from analog signal to digital signal. The overall digitalization of cable television will be done in three steps. The first step started in 2003 when the digitalization work began. In the second step which starts in 2006, digitalized satellite live broadcasting technology will be adopted. The third step begins in 2008 when fuller digitalization will be realized. (*Apr 20, ChinaTechNews*)

Medical & Healthcare

Sierra Instruments opens office in Shanghai

Sierra Instruments, a major US manufacturer of mass flow meters and controllers used in the semiconductor, pharmaceutical, biotech, water/wastewater, facilities management, oil and gas, power generation and various general process control applications worldwide announces the opening of a strategic office based in Shanghai, PR China. (*Processing Talk 2006-04-25*)

Drugmaker AstraZeneca expands Wuxi plant

AstraZeneca, a pharmaceuticals company, is to build up its production facilities in China by investing US\$35 million at its Wuxi plant. The aim is to meet the increasing demand for healthcare products from the local market over the next five years. The Wuxi plant, which began operations in 2001, is the largest manufacturing investment undertaken by AstraZeneca in Asia. (*China Daily 2006-04-24*)

Drug packing line

UK-BASED AstraZeneca Pharmaceutical Co, one of the world's leading drugmakers, unveiled a new US\$3.8 million packing line at its Wuxi plant in east China's Jiangsu Province On 23April. The line which will increase the annual capacity by 40 million packages a year is part of the firm's plan to invest US\$35 million in the site over the next five years. AstraZeneca plans to double production volume at the Wuxi site, its biggest factory in Asia. (*Shanghai Daily 2006-04-24*)

Leading Chinese Pharmaceutical Research Service Company Selects Watson LIMS

Thermo Electron Corporation, the leading provider of analytical instruments and informatics solutions, announced on 20 April that Shanghai-based WuXi PharmaTech Co., Ltd., the leader in the pharmaceutical R&D services industry in China, has selected Watson LIMS (Laboratory Information Management System) to meet the specific data management requirements of its bioanalytical facilities. WuXi PharmaTech serves 19 of the top 20 pharmaceutical companies and 8 of the top 10 biopharmaceutical companies in the world, helping them to shorten the cycle and lower the cost of drug research and development. WuXi provides discovery and development services, from lead identification to pre-clinical, at its state-of-the-art facilities. (*IT Backbones 2006-04-24*)

China's pharmaceutical exports set to continue fast growth in 2006

China's export of pharmaceuticals is expected to continue its fast growth this year, despite the impact of trade conflicts and a revaluation of China's currency. "Global demand for China's pharmaceuticals is strong," said Cui Bin, deputy secretary-general with the China Chamber of Commerce for Importers and Exporters of Medicines and Health Products. It is predicted that the global pharmaceutical market will grow at an annual growth rate of about 5 per cent over the next few years. (*TMCnet 2006-04-13*)

GNI and Beijing Continent Pharmaceutical Agree to Form Strategic Alliance; Completes GNI's Value Chain

GNI, the international biopharmaceutical company and leader in the field of integrated systems pharmacology, announces that it has agreed to form a strategic alliance with Beijing Continent Pharmaceutical Co., Ltd. by taking a minority stake in the Chinese pharmaceutical sales and manufacturing company. The alliance completes GNI's value chain by allowing it access to Beijing Continent Pharmaceutical's manufacturing facilities, a strong dedicated sales force and a large sales distribution network. This global network supports GNI's ongoing drug discovery and commercialization efforts and will be further strengthened through the alliance with Beijing Continent Pharmaceutical. (*BUSINESS WIRE 2006-04-12*)

Burrill inks deal with Beijing Pharmaceutical Group

Burrill & Co., a life sciences merchant bank, said it signed a deal with Beijing Pharmaceutical Group Co., a drug and medical device conglomerate. San Francisco-based Burrill, which has \$625 million in venture capital under management, signed the deal on April 8 in Chicago at a life sciences conference focused on China. The goal of the agreement is to increase cross-Pacific life sciences investment and licensing deals. China's growing market will flourish with access to more Western venture partners and ideas, while American venture capitalists will find more places to invest their money, according to Burrill. (*San Francisco Business Times 2006-04-11*)

Lonza To Invest \$200M In China Over Next 3 To 5 Yrs

Swiss chemical company Lonza Group said it plans \$200 million additional investments in the production capacity of its existing operations in Guangzhou, China, spread over the next three to five years. The expansion activities will enhance Lonza's existing production operations in Guangzhou. The investment plan will occur in phases, taking place over a three to five year period. Lonza's plan design includes building a multi-purpose active pharmaceutical ingredients and ISO regulated intermediate plant complex which delivers large scale and pilot scale production capabilities. (*NPIcenter 2006-04-11*)

Others

Guangdong Leads China's Retail Sales

Retail sales of consumer goods in South China's Guangdong Province reached 788.3 billion yuan (98.5 billion U.S. dollars) in 2005, up 15 percent year-on-year, and ranking first in the country for 23 years in a row. (May 4, Xinhua)

Merger & Acquisition Sizzling in China

A report entitled "The great buy-out: M&A in China" published by the Economist Intelligence Unit in Hong Kong, said after a survey of 231 executives worldwide that 65 percent of the respondents believed merger-and -acquisition investments in China from foreign companies is set to rise over the next five years. While half of the interviewee expected the same period will see more Chinese companies merge with each other or invest in companies overseas. Chinese-based respondents are even more positive about the M&A activities in China with six out of ten believe the numbers of M&A will climb even higher. However, the report pointed out that the failure rate of the M&A activities is also high because of the misunderstanding of business environment in China and the cultural conflict between different firms. (Apr 26, Xinhua)

China Cement Sector Urged for M&A

A NDRC official warned here that the nation's cement producers would face tough competition from foreign counterparts if they do not step up mergers and acquisitions (M&A). Too many cement enterprises with small-scale production capacity and low industrial centralization are major issues facing the industry. The average production capacity of China's cement producers was 200,000 tons annually in 2005. The market share of China's 10 biggest cement producers was only 15 percent of the country's total. (Apr 25, Xinhua)



2008 Beijing Olympic Games

Sandstorms Not to Dull Beijing's 'Green Olympics'

China will intensify afforestation efforts in and around Beijing to create a better environment for the Olympic Games, said Liu Tuo, head of the desertification prevention and treatment department under the State Forestry Administration (SFA). Ten sandstorms have stricken northern China since February this year and Beijing, which neighbors the Inner Mongolia Autonomous Region, a major sand source in China, has suffered the most serious spring air pollution since 2002. The Beijing municipal government has invested heavily to improve its environment since it won the right to host the 2008 Olympics. It spent 60 billion yuan (US\$7.5 billion) on pollution control projects from 2000 to 2005. China would strengthen international cooperation in this field and take measures against overgrazing, over-logging and over collection of fire wood in the desertified area to honor the promise that all the country's desertified land can be repaired by 2050. (Xinhua News Agency April 21, 2006)

Beijing Gives Green Light to Small Cars

Drivers of small-engine cars can zip around Beijing's swankiest road and the two busiest expressways after a eight-year ban was lifted. The Beijing Traffic Management Bureau issued a decree on Saturday scrapping the rule that forbade cars with an engine displacement of less than one liter from traveling on Chang'an Boulevard as well as the inside lanes of the Second and Third Ring Roads. Many Chinese cities have restrictions on small-engine cars using their main avenues with the explanation that they have heavy emissions or that slow-moving cars hinder other traffic. But there have also been complaints that such bans are for image-conscious local officials to show off big, gleaming

IEBW – China Economic Headlines

vehicles on the main thoroughfares. The policy shift follows the central government's requirement for people to use smaller cars as they consume less oil and meet environment-protection standards. (*China Daily April 3, 2006*)

Building of Olympic Venues Goes Smoothly

Construction on the Olympic venues is progressing smoothly with work already under way on 20 of the 31 Beijing-based sites for the 2008 Games, officials said. Renovation programs will be launched this year on eight existing sports venues and 18 training centers, while 59 roads and three bridges will be either built or renovated to ensure access to sites. All the competition venues for the 2008 Games will be in place by the end of 2007, according to organizers. A total of 37 competition venues will be used in the country for the 2008 Games, including 14 brand new ones, 14 existing facilities that need renovation and upgrading, and nine temporary venues. (*China Daily March 29, 2006*)