India & China

Infosys to make China biggest development centre outside India
In a far-reaching move, Infosys Technologies has decided to make China its biggest development centre outside India. The US will be the largest market in terms of revenues. Currently, Infosys has two development centres in China (Shanghai and Hangzhou), with a total of 1,258 people working there. The centre delivers BPO and IT services to clients in the US, Europe and Asia. For the quarter ended September 30, 2009, 9.7% of Infosys’ revenue was generated from the rest of the world, which includes all regions except North America, Europe and India. North America contributed to 65.9%, Europe 23.2%, and India 1.2% (More).

Jaguar bagged a three-year order to supply 13,000 units to Chinese company
Tata Motors’ luxury automotive brand, Jaguar, bagged a three-year order to supply 13,000 units of its range to a Chinese company earlier this year. In little over a year, China has become the third largest market for Jaguar and Land Rover (JLR), up from the fifth position in 2008. Mahindra & Mahindra is planning to double the production of tractors from its two manufacturing sites in China over the next few years as the Chinese domestic market for tractors has grown at over 30% compounded annually over recent years, to reach the 200,000-level, making it the second largest market in the world after India. Bajaj Auto is also looking to cash in on the cost advantage offered by China, by making China as the base for manufacturing its Boxer motorcycle (More).

GM teams up with SAIC for $100m joint venture
General Motors Co on December 04, 2009 said that it had set up a $100 million joint venture in Hong Kong along with Shanghai Automotive Industry Corp Group (SAIC) to focus on the Asian markets. As part of this, the new venture would bring under its umbrella all the Indian operations of GM including the two vehicle manufacturing facilities, a power train unit and the nationwide distribution network (More).

CII & China

Seminar on Collaboration Opportunities between Indian & Chinese Business
‘CII India Business Forum (IBF) China’ jointly with China Europe International Business School (CEIBS) organized a seminar on ‘Opportunities for Collaboration Between Indian and Chinese Business’ on 11 December 2009 at Shanghai, which was attended by over 70 representatives of Chinese and Indian companies. The event provided a platform for the Chinese companies to understand and deliberate the emerging opportunities for potential cooperation with Indian companies in areas like healthcare, information technology and engineering and infrastructure development. Mrs Riva Ganguly Das, Consul General of India in Shanghai while delivering a keynote address said, “It is widely believed that India and China will reshape the world in the coming decades as the focus of the global economy shifts towards Asia”. H. E. Ambassador Hua Junduo, Commissioner General of the Shanghai 2010 World Expo and former Ambassador of China in India and Mr J. J. Shrikhande, Chairman CII IBF China also addressed the inaugural session of event. Prof Rama Velamuri, Associate Professor, CEIBS made a presentation on the contribution of India and China in the world economy.

India China Business Seminar in Chengdu
A ten-member CII delegation led by Mr A P Mull, Director, TCE Consulting Engineering Ltd participated in the Seminar on ‘India China Business’ held on 15 December 2009 in Chengdu, capital of Sichuan province of China. The members also participated in the interactions with scholars and students of Sichuan University apart from visiting the manufacturing facilities of Dongfang Electric Corporation Ltd and Sichuan Chuanlong Tractors Ltd in Chengdu. The members joined Ambassador Dr S Jaishankar to meet with senior Government leaders of Sichuan Province. Dr S Jaisankar, while addressing the participants at the seminar, stressed on the need for Indian companies to localize in China and become more creative in their operations the country if they wish to correct flaws in India's trade basket. He said that Indian companies must appreciate that they can address the demand of being readily available and overcome pre-established vendor loyalties. Sichuan is committed to developing close economic relationship with India, said Mr. Liu Qibao, Sichuan Party Secretary, who had recently visited India.
Tarun Das meets Yu Ping
Mr Tarun Das, former Chief Mentor CII met Mr Yu Ping, Vice Chairman, CCPIT in Beijing on 8th December to discuss areas of mutual cooperation with CII. Mr Yu Ping expressed CCPIT’s desire to work with CII for intra-regional cooperation apart from activities for enhancing bilateral trade and investment between India and China. They discussed specific initiatives to commemorate the 60th anniversary of establishment of diplomatic relations between the two countries, in 2010. Dr S Jaishankar, Indian Ambassador to China, stressed on the need for greater people-to-people contacts to promote business engagement between the two countries.

China’s Economy

China is now the world’s second largest economy
China became the world’s second largest economy in 2009, passing Japan, which has held this distinction for decades. China raised its growth forecast for 2008 to 9.6% from 9%, which took the total to over $4.6 trillion. The Chinese government says it will have economic growth of 8% in 2009. The financial ministry has suggested that the 2009 number will almost certainly be revised up early next year. Japan’s GDP did not grow at all this year and could actually drop by 6% or more depending on the direction of its economic revisions. The CIA Factbook reported that China’s 2008 GDP was $4.6 trillion and Japan’s was $4.9 trillion. The 2009 numbers are likely to be $4.75 trillion for China and $4.6 trillion for Japan (More). China has surpassed Germany to be the biggest exporting country of the year 2009.

China’s foreign trade - 2009

<table>
<thead>
<tr>
<th>Total trade</th>
<th>Exports from China</th>
<th>Imports from China</th>
<th>Trade Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Change</td>
<td>Value</td>
<td>Change</td>
</tr>
<tr>
<td>$2.21 trillion</td>
<td>-13.9 %</td>
<td>$1.2 trillion</td>
<td>-16%</td>
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</table>

Source: General Administration of Customs, PRC

China’s ODI set to top $42 billion in 2009
China’s annual overseas direct investment (ODI) from non-financial sectors is expected to top $42 billion in 2009. Non-financial ODI in the first nine months stood at US$32.87 billion, up 0.5% year on year. China reported $64.77 billion of business in the overseas-contracted projects in January to November, up 37.5% from the corresponding period last year (More).

Economic indicators

Retail sale (Jan-Nov): Up 15.3% to 11.27 trillion yuan
Urban fixed-asset investment (Jan-Nov): Up 32.1% to 16.86 trillion yuan
CPI (Nov): Up 0.6% (first monthly growth since January)
Industrial output growth (Nov): Up 19.2%
Electricity power production (Nov): Up 26.9% in November
Fiscal revenue (Jan-Nov): Up 9.2% to 6.34 trillion yuan
PMI (manufacturing sector) (Nov): 55.2%
PPI (Nov): Down 2.1%
Industrial output (Nov): Up 19.2%
FDI (Jan-Nov): Down 9.9% to $77.9 billion (More).

China’s economy grew 9.6% in 2008
China’s economy grew by 9.6%, 0.6 percentage points more than earlier estimates, in 2008, according to the National Bureau of Statistics of China. The revised GDP of 2008 for China is 31.405 trillion yuan ($4.6 trillion), 1.34 trillion yuan more than the earlier estimate (More).

Software industry revenue grows 20.2% in first ten months
Revenue for China’s software industry in the first ten months reached $112.6 billion, up 20.2% from a year earlier. From January to October, China’s software exports valued at $14.33 billion, 42.1% up over the same period last year (More).

Foreign trade of electronic information products reports 19.5% decline
The import and export of electronic information products by China went down 19.5% in the first ten months from the same period last year. The combined import and export value was $607.63 billion from January to October, about 34.6% of the country’s overall foreign trade. Export fell 18.35% year-on-year to $359.38 billion import was down 21.11% to $248.25 billion. Communication equipment export dropped 10.07% to $65.03 billion. Broadcast and TV equipment sank 29.08% to $5.41 billion. Computer products dived 17.35% to $132.06 billion (More).

Auto stimulus retained for 2010
China will extend stimulus measures in the automobile industry for one more year, with small adjustments, to further support its auto market. The stimulus package includes a 50% cut in the 10% purchase tax for cars with an engine capacity of, or less than, 1.6 liters and subsides for trade-in cars. It will now be extended to Dec 31, 2010 (More). China’s auto production and sales almost doubled the previous year figures to reach 1.39 million and 1.34 million units in November. Overall auto production topped 12.27 million units in the first 11 months, up 41.59% from the same period last year; auto sales stood at 12.23 million in the January-November period, up 42.39% (More).

China’s comprehensive agricultural mechanization level to exceed 48.8% in 2009
China's comprehensive ploughing, sowing and harvesting mechanization level is expected to exceed 48.8%, indicating an increase of over three percentage points in four consecutive years while the annual increase in the comprehensive mechanization level before the implementation of subsidies for agricultural machinery purchases stood at only 0.5 percentage points (More).

China's urbanization rate expected to reach 48% in 2010
China's urbanization rate will reach 4% in 2010, according to the Blue Book on Chinese Society released by Chinese Academy of Social Sciences (CASS). The country's urbanization rate is expected to exceed the critical 50% mark in 2012 or 2013 (More).

Bumper harvest in China
China's grain output is likely to reach a record 530 million tons in 2009. It would be the third consecutive year in which the country's grain production exceeded 500 million tons and the sixth straight year it recorded an increase year-on-year. China's grain reserves account for about 45% of annual consumption, much higher than the international safety level of 17-18% (More).

Government & Politics
Hu attends inauguration of China-Central Asia gas pipeline
Chinese President Hu Jintao and his counterparts from Turkmenistan, Kazakhstan and Uzbekistan on Dec. 14, 2009 jointly put into operation a natural gas pipeline linking the four nations at the inauguration ceremony of the China-Central Asia natural gas pipeline in the gas plant on the right bank of the Amu Darya River, Turkmenistan. The 1,833-kilometer gas pipeline starts at the gas plant near this border town in Turkmenistan and runs through central Uzbekistan and southern Kazakhstan before entering China at the border pass of Horgos in the northwest region of Xinjiang. One of the two parallel pipelines has already come on stream and the other line is expected to be operational next year (More).

Private sector plays greater role
The weight of private enterprises in the overall economy of China is on the rise and that of State-owned enterprises (SOEs) on the decline. The number of private firms rose by 81.4% from 2004 to 2008 to reach 3.6 million and SOEs dropped by 20% to 143,000 (More).

World's fastest rail journey starts operation
The Wuhan-Guangzhou high-speed railway, with the world's fastest train journey with a 350 km per hour average speed, started operation on December 26, 2009. The service between Wuhan and Guangzhou City was put into trial operation on Dec. 9, reaching a maximum speed of 394.2 km per hour (More).

Sovereign fund to get fresh cash injection
China Investment Corp (CIC), China's sovereign wealth fund, is expected to get a new capital injection of about $200 billion from the government in the coming months. CIC was set up in 2007 with a capital of $200 billion to help China find more lucrative ways to invest its foreign exchange reserves, which stood at $2.27 trillion at the end of September and are parked mainly in low-yielding instruments such as US Treasury bonds. The company is shifting its focus to raw materials and renewable energy after investments in Western financial institutions including Morgan Stanley booked huge unrealized losses during the financial crisis. The company's total assets stood at $297.5 billion at the end of 2008, according to corporate data. (More).

Western corporations move key offices to China
A rising number of multinational corporations are moving their R&D centers as well as key representative offices to China, reported the Investor’s Business Daily on December 15, 2009. The main reason to shift some operations to China is because the nation's middle class of 300 million already matches the entire U.S. population in size. If an annual income of at least $9,000 is considered middle class in China, then it could double to more than 600 million by 2015 (More).

China builds HK-Zhuhai-Macao bridge
China on December 15 began construction of the world's longest cross-sea bridge linking its southern economic hub of Guangdong Province to Hong Kong and Macao, a move widely expected to bring economic ties closer. The Y-shaped Hong Kong-Zhuhai-Macao bridge will have a total length of almost 50 km, of which about 35 km will be built over the sea, making it the longest cross-sea bridge in the world (More).

Four nuclear plants to start by 2014
China Guangdong Nuclear Power Group (CGNPG), one of the country's two major nuclear power plant operators, plans to start operation of four plants between 2013 and 2014. The four nuclear power projects are Taishan and Yangjiang nuclear power plants in Guangdong province, Fangchenggang plant in the Guangxi Zhuang autonomous region, and Ningde project in Fujian province. The first phase will include eight reactors being put into service (More).

Venezuela, China ink $16 billion oil deal
China and Venezuela have signed a $16 billion investment deal to raise oil output in Venezuela. The investment by China, spread over three years, would go toward developing heavy oil resources in the Orinoco River belt. The move comes shortly after Venezuela signed a similar agreement with Russia estimated at $20 billion. The two deals will boost oil production in Venezuela by about 900,000 barrels per day (More).

CNPC gets $30 billion to fund acquisitions
China National Petroleum Corp (CNPC), the country's largest oil and gas producer, received a $30 billion loan to finance its overseas expansion as the company accelerated oil assets acquisitions under an agreement with China Development Bank (CDB). The loan will be provided over five years at a discounted interest rate (More).

Govt to intensify efforts to curb overcapacity
The National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT) said December 3, that they would step up attempts to curtail overcapacity, especially in the steel industry. A series of policies unveiled this year to push structural reforms in 10 main industries have largely improved enterprise performance, yet overcapacity and redundant construction are still problems, said Xiong Bilin, an official with NDRC. Seventy steel mills have wiped out deficits to go into the black.
since May. Their profits reached 37.59 billion yuan ($5.51 billion) in the first 10 months. And annual capacity of crude steel this year will still overpass that of last year, topping 700 million tons. The steel capacity utilization rate was only 75.8%, 2.4 percentage points lower than the world average (More).

Newly found iron ore deposit
According to Zhang Shaolian, head of Hebei Provincial Bureau of Land and Resources, a one billion ton iron ore deposit has been found in Hebei province of China. The 6-km long deposit is 41.43 to 108.95 meters thick on average and lies 100 to 600 meters deep underground (More). Chinese geologists have also discovered an iron ore deposit with an estimated reserve of between 5 to 8 billion tons in Jining city, east China’s Shandong province, which is the largest iron deposit in Asia (More).

CNOOC announces new deepwater gas finding in South China Sea
China National Oil Company Limited (CNOOC) announced that its partner, Husky Oil China Limited, a subsidiary of Canada-based Husky Energy Inc., has made a new deepwater gas discovery in the South China Sea. The Lihuha34-2 finding becomes the second deepwater gas discovery following the Liwan3-1 discovery, made by CNOOC Ltd. and its partner in the Pearl River Mouth Basin in the eastern South China Sea (More).

Business & Industry
TBT costs China $50.5 billion
According to the Bureau of Industry Injury Investigation of China, 36% of China's export enterprises were affected by foreign countries' technical barriers to trade (TBT), and trade losses amounted to $50.5 billion in 2008. As of early November this year, there were 19 countries and regions initiating 101 trade remedy investigations against products from China, involving a total of more than $11.6 billion (More).

Baosteel may focus more on resources
Baosteel Group Corp's overseas expansion plans will focus on raw materials until a "clear" picture emerges about global steel demand, the chairman of China's largest steelmaker said. Other Chinese steelmakers are also likely to hold back from "large-scale" capacity expansion overseas in the next three to five years as they focus on completing domestic mergers, Baosteel's Xu Lejiang said on December 3, at a conference in Beijing. When Chinese steelmakers seek to expand overseas, they will probably focus on Brazil, Russia, India, the Middle East, Southeast Asia and Africa, Xu said (More).

Chinese company acquires Canadian copper mine in Ecuador for 4.4 billion
Tongling Nonferrous announced December 29 that its majority shareholder Tongling Nonferrous Metals Group Holdings Co., Ltd. have joined China Railway Construction Corporation (CRCC) and acquired 66.67% of the shares of Canada's Corriente Resources with 4.41 billion yuan (More).

Sinopec, ExxonMobil ink LNG deal
China's largest refiner Sinopec Corp yesterday signed a 20-year agreement to buy liquefied natural gas (LNG) from the ExxonMobil-led Papua New Guinea LNG project, to meet rising domestic demand for energy. Under the agreement, Sinopec will purchase 2 million tons of LNG per annum for 20 years from the project (More).

CNPC wins oil field
A group of oil majors led by China's CNPC won a deal to develop Iraq's giant Halfaya oilfield on November 11 in the country's second bidding round since the 2003 US invasion. CNPC has a 50% stake in the consortium, while Total of France and Malaysia's Petronas hold 25% stakes each. The group's plateau production target is 535,000 barrels per day (bpd) from a current 3,000 bpd, and it offered a remuneration fee of $1.40 per barrel. The Halfaya oilfield has estimated reserves of 4.1 billion barrels of oil (More).

China's crude steel output, consumption to hit record high in 2009
According to China Iron and Steel Association (CISA), both crude steel output and consumption in China were expected to exceed 565 million tons, a record high in 2009 as result of government's economic stimulus package. China produced 500 million tons of crude steel last year, accounting for 38% of the world total production volume (More).

Laws, Rules & Regulations
China issues regulation to encourage joint ventures
China announced on December 2, a regulation to standardize and encourage the establishment of joint venture enterprises by overseas investors. According to the regulation, which will take effect from March next year, the government is to encourage overseas investors with advanced technology and management experience to set up JVs to promote the development of industries such as the modern service (More).

How to establish a foreign-funded enterprise in China

<table>
<thead>
<tr>
<th>Contact:</th>
<th>CII China Office</th>
</tr>
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<tbody>
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<td><strong>E B Rajesh, Chief Representative</strong></td>
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