

## Chinese Market Update – December 2010

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**CHINESE ECONOMY**

**Economy in November, 2010**

([http://www.stats.gov.cn/english/newsandcomingevents/t20101210\\_402689343.htm](http://www.stats.gov.cn/english/newsandcomingevents/t20101210_402689343.htm); China Daily; Xinhua)

**Industrial Output in November up 13.3%**

In November, the total value added of the industrial enterprises above designated size was up 13.3 percent year-on-year, or 0.2 percentage point higher than that in October 2010; in the first eleven months of this year, it was up 15.8 percent year-on-year, which was down by 0.3 percentage point over that in the first ten months of 2010. The year-on-year growth of heavy industry in November was 13.6 percent, and 12.7 percent for the light industry.

The sales ratio of industrial products in November was 97.5 percent, or 0.4 percentage point lower than that in November, 2009. The total export delivery value of industrial enterprises was 828.7 billion yuan, up by 20.8 percent year-on-year.

**Urban fixed-asset investment in November up 24.9%**

In the first eleven months of this year, the urban investment in fixed assets reached 21,069.8 billion yuan (\$3.19 trillion), up by 24.9 percent year-on-year, or 0.5 percentage point higher than that in the first ten months of this year.

Grouped by jurisdiction of project management, in the first eleven months of this year, the central investment reached 1,683.7 billion yuan; the year-on-year growth was 10.2 percent while the local investment was 19,386.1 billion yuan, up by 26.4 percent.

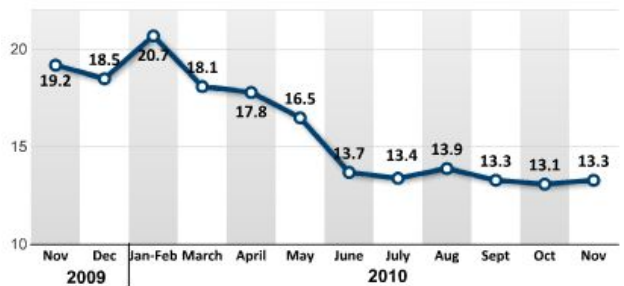
In the first eleven months of this year, the investment in primary industry, secondary industry and the tertiary industry went up by 16.6 percent, 22.7 percent and 26.9 percent respectively. Grouped by different sectors, in the first eleven months of this year, the investment in production and supply of electric power and heat power was 1,019.1 billion yuan, up 7.9 percent; extraction of petroleum and natural gas 219.4 billion yuan, up by 5.8 percent; railway transport 582.2 billion yuan, up 25.3 percent.

Analysis on projects under construction or started this year showed that in the first eleven months of this year, projects under construction numbered 439,758, an increase of 10,288 over the same period of last year; the total planned investment in projects under construction reached 49,829.7 billion yuan, up by 26.8 percent year-on-year; projects newly started this year totalled 301,937, a decrease of 15,075; the total planned investment in newly started projects was 17,234.5 billion yuan, up by 25.9 percent over the same period of last year.

**China's November retail sales up 18.7%**

Major Macro Economic Statistics (Nov 2010)	
Growth indexes	Price indexes
Industrial output: +13.3%	CPI: +5.1%
Retail sales: +18.7%	PPI: +6.1%
Fixed-asset investment in Jan-Nov: +24.9%	PMI: 55.2%
FDI: +38.17%	Housing prices: +7.7%
Financial indexes	Foreign trade indexes
New loans: 564b yuan	Import: +37.7%
M2: +19.5%	Export: +34.9%
Fiscal revenue: +16.1%	Trade balance: \$22.9b

**TREND OF INDUSTRIAL VALUE ADDED OUTPUT**  
Year-on-year Growth (%)



Chinadaily.com.cn

Source: National Bureau of Statistics of China

**TREND OF URBAN FIXED-ASSET INVESTMENTS**



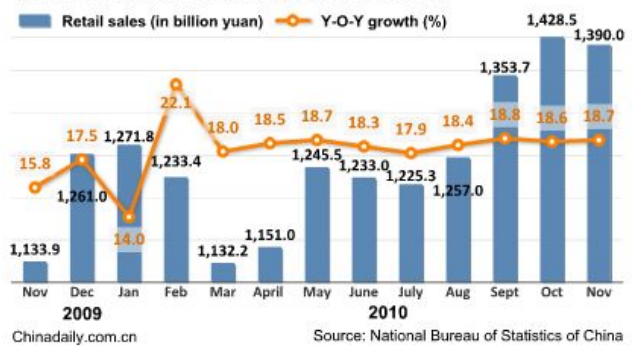
chinadaily.com.cn

Source: National Bureau of Statistics of China

In November, the total retail sales of consumer goods reached 1,391.1 billion yuan, a year-on-year rise of 18.7 percent, which was 0.1 percentage point higher than that in the previous month of this year. In the first eleven months of this year, the total retail sales of consumer goods were 13,922.4 billion yuan, a year-on-year growth of 18.4 percent, which was 0.1 percentage point higher than that in the first ten months of this year.

Analyzed by different areas, the retail sales in urban areas reached 1,204.6 billion yuan in November, up by 19.0 percent, and the retail sales in rural areas stood at 186.5 billion yuan, up by 17.0 percent.

**RETAIL SALES OF CONSUMER GOODS**



Grouped by consumption patterns, the total income of catering services was 160.1 billion yuan in November, up by 19.6 percent year-on-year.

**China's November CPI up 5.1%**

China's consumer price index (CPI), a major gauge of inflation, rose to a 28-month high of 5.1 percent in November. The price grew by 4.9 percent in cities and 5.6 percent in rural areas. The food price went up by 11.7 percent while the non-food price increased by 1.9 percent. The prices of consumer goods went up by 5.9 percent and the prices of services grew up by 2.6 percent.

**TREND OF CONSUMER PRICE INDEX**

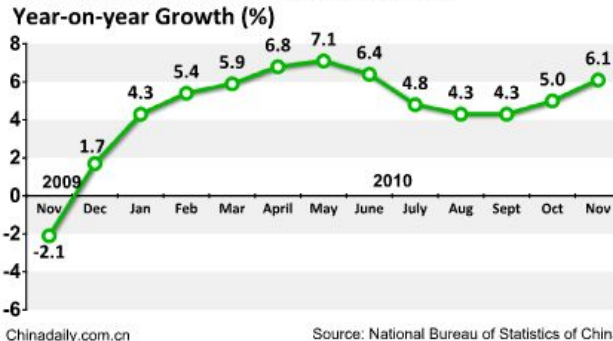


Grouped by commodity categories, in November, of the eight categories of commodities, six of them experienced prices rise and two witnessed prices decline. Of which, prices for food went up by 11.7 percent; prices for tobacco, liquor and articles rose by 1.6 percent; price for clothing went down by 0.7 percent; prices for household facilities, articles and maintenance services went up by 0.7 percent; health care and personal articles rose by 4.0 percent; transportation and communication went down by 0.7 percent; recreation, education, culture articles and services grew by 0.6 percent, and housing went up by 5.8 percent. In the first eleven months, the year-on-year change of consumer price was up by 3.2 percent, or expanded by 0.2 percentage point as compared with that in the first ten months of this year.

**China's November Producer Price (PPI) up 6.1%**

In November, the producer prices for manufactured goods went up by 6.1 percent year-on-year. The producer prices for means of production went up by 6.9 percent year-on-year in November, of which that for mining and quarrying industry grew by 14.6 percent, raw materials industry went up by 9.8 percent and processing industry increased by 4.7 percent.

**TREND OF PRODUCER PRICE INDEX**



In November, the month-on-month change of the producer prices for manufactured goods went up by 1.4 percent. In the first eleven months of this year, the year-on-year change of the producer price for manufactured goods was up by 5.5 percent, maintaining the same level as that in the first ten months of this year.

In November, the purchasing prices for raw materials, fuel and power went up by 9.7 percent year-on-year. The year-on-year change of prices for nonferrous metals and wire went up by 16.5 percent, fuel and power rose by 9.8 percent, 9.8 percent growth for raw chemical materials and 10.7 percent increase for ferrous metals. In the first

eleven months, the purchasing prices for raw materials, fuel and power grew by 9.6 percent year-on-year, maintaining the same level as that in the first ten months of this year.

### China's new yuan-denominated loans in Nov reach 564b yuan

New yuan-denominated lending in China in November dropped to 564 billion yuan (\$84.8 billion) from 587.7 billion yuan in October, the People's Bank of China (PBOC), China's central bank, said on December 10<sup>th</sup>.

The new lending was 269.2 billion yuan more than the lending in November last year. The new lending brought total lending in the first 11 months to 7.45 trillion yuan - just shy of the government's 7.5-trillion-yuan full-year target.

Outstanding yuan-loans totalled 47.43 trillion yuan at the end of November, 19.8 percent higher than a year earlier. That growth rate was 0.5 percentage points higher than that in the year to the end of October.

**CHINA'S NEW YUAN-DENOMINATED LENDING**  
Nov 2009 - Nov 2010



chinadaily.com.cn

Source: the People's Bank of China

China's broad money supply (M2), which covers cash in circulation and all deposits, had increased 19.5 percent year-on-year to 71.03 trillion yuan at the end of November while the narrow measure of money supply (M1), cash in circulation plus current corporate deposits, climbed 22.1 percent from a year earlier to 25.94 trillion yuan.

### Interest Rate - China raises interest rate second time this year to curb inflation

(Xinhua & China Daily) [http://www.chinadaily.com.cn/bizchina/2010-12/27/content\\_11758311.htm](http://www.chinadaily.com.cn/bizchina/2010-12/27/content_11758311.htm)

China's central bank announced Saturday that it will raise the one-year lending and deposit interest rate for the second time this year, as the government continues its battle against surging prices.

The People's Bank of China (PBOC) said in a statement posted on its website that it will hike the benchmark interest rate by 25 basis points beginning Sunday December 26<sup>th</sup>, which raised the one-year lending rate to 5.81 percent and one-year deposit rate to 2.75 percent. The PBOC increased the benchmark lending and deposit rates by 25 basis points on Oct 20, which was the first increase in nearly three years.

The rate hike came after the central bank vice governor, Hu Xiaolian, said Friday that China would bring its overall money supply to a normal level using various policy tools, as the government shifts monetary policy from "moderately loose" to "prudent" to rein in rising inflationary pressures and curb asset bubbles.

### Chinese Renminbi – may be more internationalized

BEIJING - The Export-Import Bank of China (China Eximbank) said on December 13<sup>th</sup> that it would push for a more internationalized renminbi over the next five years and enhance the role of the Chinese currency in cross-border trade settlement.

Li Ruogu, President and Chairman of China Eximbank, spoke at the bank's internal meeting, saying the Chinese government policy bank would rely on its advantage in the use of renminbi for cross-border trade settlement and yuan-denominated financing activities overseas to boost a more internationalized renminbi in cross-border trade and investment. China Eximbank, the only Chinese government export credit agency, would also continue to finance imports of advanced technologies, key equipment, energy and raw materials during the period.

Overseas demands for renminbi-related products have been increasing in recent years after China took measures, such as signing currency-swap agreements with foreign countries and allowing yuan-denominated bond sales overseas. To date, Chinese lenders, including China Eximbank, have sold more than 50 billion yuan (\$7.5 billion) worth of yuan-denominated bonds in the Hong Kong market. Earlier this month, China's central bank expanded its trial program for cross-border yuan trade settlement to 67,359 exporters from the previous 365 firms, beginning on Dec 3 this year.

**GDP Growth Target in 2011 - 8%**

China's top economic planner has set the 2011 GDP growth target at eight percent and raised the 2011 inflation target from this year's three percent to four percent, the Shanghai Securities News reported on December 15th.

The National Development and Reform Commission (NDRC) revealed the targets at its working conference on December 14th. It also said this year's CPI, a major gauge of inflation, may exceed the three percent target.

Zhang Ping, director of the NDRC, said their focus in 2011 will be controlling prices and ensuring food supplies. China's November CPI hit 28-month high of 5.1 percent, and the government has been stepping up efforts to head off inflation.

**Industry News**

(Chinese Ministry of Commerce, Xinhua, Chinaview, ftchinese, AFP)

**Automotive – Beijing to limit car registration**

Cai Muyuan (chinadaily.com.cn) Dec. 28 2010

"Beijing will control the number of registered vehicles next year to 240,000. The number will be decided by each year's traffic capacity from now on," Li Xiaosong, deputy director of Beijing Municipal Commission of Transport said, The Beijing News reported on December 28. The traffic measures unveiled Dec 23 have undergone much consideration. "The city's vehicles increased to 2 million in 5 years while Japan took 22 years," Li said.

City officials introduced 28 measures to ease congestion and ensure transportation safety in China's capital. An authority with the commission told the reporter that though the number of registered vehicles will vary each year, the number of plates they allocate will be in accordance with the traffic measures, which reserve 88 percent for private cars, 10 percent for public cars and 2 percent for commercial use cars every month.

**Automotive - China to promote auto imports in next five years**

China will actively promote auto imports over the next five years to help the country restructure and upgrade its auto industry, a Chinese official from the Ministry of Commerce (MOC) said on Dec. 26.

Qian Jingfen, an official in charge of imports at the MOC's Industrial Department, told an auto imports forum in Beijing that the auto import-promotion strategy will be implemented during the 12th Five-year Plan period (2011-2015) through corresponding financial, taxation and trade policies. Qian said China will encourage the imports of advanced auto equipment, key technologies and components of energy-saving and new-energy vehicles in the period.

The MOC decided to transfer to provincial-level government departments its power of granting automatic import licensing of 16 auto components, including automotive chassis, brakes and drive axles beginning 2011.

China's auto sales in the first 11 months hit 16.4 million units and were expected to reach 18 million units this year, according to the China Association of Automobile Manufacturers (CAAM). China overtook the United States last year to become the world's largest auto market by selling 13.65 million vehicles, up 46 percent year on year, while production that year jumped 48 percent to reach 13.79 million units. If 18 million units were sold this year, this would mean an increase in both vehicle sales and production of more than 30 percent compared to last year.

Despite the auto sales surge in China, imports of completely built units account for less than 5 percent of market share as world's major automakers set up joint ventures with Chinese partners to satisfy the vast Chinese market.

**Aviation - China delivers first upgraded passenger aircraft**

XI'AN - China's first new-generation home grown short haul passenger aircraft, Xinzhou-600, was delivered on December 17th to China Civil Aviation College in Guanghan city of Southwest China's Sichuan province.

The Xinzhou-600, developed by Xi'an Aircraft International Corporation (XAIC) of the China Aviation Industry Corporation (AVIC), had its first trial flight in October 2008 in Xi'an, capital of Shaanxi Province, said the AVIC.

The turboprop aircraft was an upgraded version of the Xinzhou-60 that can carry 50 to 60 passengers. The Xinzhou-600 had been updated with a more comfortable cabin and better designed body structure, said Jiang Jianjun, general manager of XAIC. The Xinzhou-600 was designed for a maximum 2,450-kilometers flying distance, and was capable of inter-island flights.

The company so far has received more than 10 orders for the Xinzhou-600, Jiang said, disclosing that two orders had been placed by the Laos government.

### **Aviation - China completes main parts for 1st home grown large passenger jet**

XI'AN - An aviation company in Northwest China's Shaanxi province on December 28th finished producing the wings, wing flaps and other components to be used in China's first home grown large passenger jet, the C919.

Xi'an Aircraft International Corporation (XAIC), a subsidiary of China Aviation Industry Corporation (AVIC), was contracted in May 2009 to manufacture six major parts of the C919, a single-aisle jet that can seat up to 168 passengers.

The six major parts include the fuselage mid-section, wing boxes, spoilers, airfoils, flaps and slats.

The Commercial Aircraft Corporation of China, Ltd (COMAC), the aircraft's builder, was established in 2008. It is China's first passenger-jet manufacturer. COMAC announced last month it had struck deals with Air China, China Southern Airlines, China Eastern Airlines, Hainan Airlines, CDB Leasing and GE Capital Aviation Services (GECAS) to build 100 of the jets.

The jet's test flights are due in 2014. The first deliveries will be in 2016, after the model receives airworthiness certification from the General Administration of Civil Aviation. COMAC said it will first manufacture the 168-seat and 156-seat models of the jet, with more models to be developed in the future.

### **Energy - China to further boost solar energy application**

China's four central government departments said that the country will further boost solar energy use. The four departments -- the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Housing and Urban-Rural Development and the National Energy Administration -- made the pledge at a meeting in Beijing.

A total of 13 development zones, including the Beijing economic and development zone, will be built into exemplary models in solar energy applications, and China will invest more in construction projects with solar power applications, according to discussions at the meeting.

The central government will subsidize 50 percent of the bidding contract price of key solar power equipment and other costs will be covered by four yuan (0.60 U.S. dollars) or six yuan per watt, according to those attending the meeting.

### **Energy - Why China's oil producers love Latin America**

Boyd Erman, Globe and Mail Blog, 10 December, 2010

The two biggest oil and gas acquisitions in Latin American history have been announced in the past three months. Sinopec, the largest Chinese oil producer by sales, has been the buyer in both cases. Late yesterday, Sinopec announced it was spending \$2.45-billion (U.S.) to buy all of Occidental's assets in Argentina. In October, Sinopec agreed to buy 40 per cent of Repsol's Brazilian operations for \$7.1-billion. And in both deals, Canada's Scotia Waterous was the sole adviser. (Scotia Waterous is the oil and gas advisory arm of Bank of Nova Scotia (BNS-T55.970.631.14%).

Adam Waterous, head of Scotia Waterous, says that there are three main characteristics of the region that are attractive to Chinese acquirors. The assets tend to be heavy on oil, relative to gas, and Chinese buyers are seeking oil. Second, the oil plays in the region tend to have been "underexploited" relative to other areas of the developed world, leaving plenty of potential upside. Finally, Chinese companies get a warm welcome from governments in the region because "one of the great things about Chinese companies is the investment above and

beyond the original acquisition," said Mr. Waterous.

"Generally, these acquisitions are the first pitch in a long ball game where they [the Chinese buyers] are going to spend a lot of money and benefit the local economy."

### **Energy - China exempts consumption taxes on biodiesel**

(Xinhua & China Daily) [http://www.chinadaily.com.cn/bizchina/2010-12/25/content\\_11754864.htm](http://www.chinadaily.com.cn/bizchina/2010-12/25/content_11754864.htm)

BEIJING - China exempted consumption taxes on pure biodiesel made from waste animal fats or vegetable oils, according to the Ministry of Finance (MOF) and the State Administration of Taxation.

The new policy is effective from Jan 1, 2009 and taxes already paid will be refunded, the MOF said in an announcement on its website on Friday December 24.

The move is aimed at boosting the renewable resources sector, easing demand for petroleum and protecting the ecological environment, the announcement said. The move is expected to save biodiesel producers about 900 yuan (\$135.1) a ton. It is expected to make the biodiesel producers more competitive in the fuel sector and guard against waste edible oils being reused for human consumption so to ensure food safety, the announcement said.

### **Environment - Growth threatens water supply**

Wang Qiang, China Daily December 09

BEIJING - The expected rapid urbanization during the coming 12th Five-Year Plan (2011-2015) will threaten the security of China's water resources, authorities said.

Pollution control and prevention guidelines on eight major rivers and lakes across the country for the next five years were jointly released on Tuesday December 7<sup>th</sup> by the ministries of Environmental Protection, Water Resources, Agriculture, Housing and Urban-Rural Development, Industry and Information Technology, and the National Development and Reform Commission.

All the plans mentioned that rapid urbanization and fast economic development are posing great challenges to water protection in the eight rivers and lakes. The volume of pollutants in these waterways during the next five years will increase by 35 to 40 percent due to the industrialization and urbanization in the Haihe River area, according to the plan for that water system.

Water pollution has long been a problem for authorities. A four-year study released by the China Geological Survey in November showed that only 24 percent of the underground water in the North China Plain is safe for direct drinking as excessive heavy metal and chemical fertilizers were found in most water resources. Ammonia and nitrogen tested in the eight rivers were highlighted on a black list of water pollutants, the plans said.

### **Environment - China hits 5-yr plan target for emissions reduction**

[http://www.chinadaily.com.cn/business/2010-12/01/content\\_11638087.htm](http://www.chinadaily.com.cn/business/2010-12/01/content_11638087.htm)

At the UN climate change talks in Cancun, a Chinese official said that since 2006 the country has emitted 10 percent less pollution than the previous five years. Xie Zhenhua, deputy director of the National Development and Reform Commission, made the remarks before leading the 70-strong Chinese government delegation to Mexico for the talks.

China's 11th Five-Year Plan (2006-2010) on national economic and social development set a target to reduce the total pollutant emissions by 10 percent and energy consumption per 10,000 yuan (\$1,500) of gross domestic product (GDP) by 20 percent.

China reduced energy consumption by the equivalent of 490 million tons of standard coal and cut carbon dioxide emissions by 1.1 billion tons in the four years from 2006 to 2009, but Mr. Xie gave no total figure for how much energy was consumed or for emissions. To achieve the goals, China has conducted a nationwide campaign to eliminate energy-consuming and polluting facilities in industries such as electricity generating, steel making and coal-related production.

From 2006 to 2009, China had an average annual GDP growth rate of 11.4 percent, while the average annual energy consumption growth rate was 6.8 percent, said Xie. The government was working on energy-saving goals for the country's 12th Five-Year Plan (2011-2015) and would make them an important binding target, he said.

### **Health- Rural-urban healthcare gap to be stitched up**

Shan Juan, China Daily, Dec. 09 2010

ZHENGZHOU - The central government is set to bridge a long-existing rural-urban gap in health service delivery by establishing a unified network allowing all Chinese equal access to high-quality preventive care. Under the project, every Chinese on the mainland is expected to enjoy a package of free clinical preventive services, including health education, vaccinations, child and maternity healthcare, and chronic disease management funded by central and local governments.

It is reportedly the first time the central government has systematically and heavily invested in the healthcare sector, which experts said marked a shift from focusing on disease treatment to prevention. "That's more in line with a global trend to highlight prevention in health service delivery and is particularly significant for the huge rural population in the country, who had little access to such services before," said Wu Ming, a professor at Peking University's school of public health.

Under the project, launched last year, grassroots health institutions, including privately owned village clinics, are responsible for delivering services to local residents while the government will foot the bill at an annual average of 15 yuan (\$2.25) a person. "It's a huge investment by the government, for prevention work is a long-term task that needs at least a decade to bear fruit," Wu said.

### **Health - China pushes public hospital reform forward**

(Xinhua, ChinaDaily) [http://www.chinadaily.com.cn/business/2010-12/13/content\\_11693475.htm](http://www.chinadaily.com.cn/business/2010-12/13/content_11693475.htm)

BEIJING - As an integral part of China's ongoing health care reform, the country has assigned 47 cities so far to spearhead the reform of government-run hospitals to offer more equitable and efficient medical services.

Deputy health minister Ma Xiaowei said 16 of the cities - including six in central China, six in the East China and four in West China - were selected by the central government in February this year. With a population of more than 80 million, or 6.09 percent of the country's total, the 16 cities have nearly 4,000 public hospitals and clinics, ministry figures show. The other 31 cities were later selected by provincial governments to pilot the reform, Ma said in an interview with Xinhua.

"The reform of public hospitals is the most complicated and difficult part of the entire health care reform," he said. "It cannot be achieved overnight. We have to push forward the reforms step by step."

The Chinese government unveiled a 850-billion-yuan (\$127.7 billion) three-year plan for health care reform last year. The plan aims to provide universal and affordable medical service to the country's 1.3 billion population. The public hospital reform projects include favorable policies for public hospitals in city planning, social insurance, medical staff training and funding.

### **ICT - China's number of Internet users rises to 450 million - more than one-third of its population**

The Associated Press, December 30

BEIJING, China - China's number of Internet users — already the world's largest — has risen to 450 million this year, more than a third of the country's population. A senior Chinese official says that official statistics show that the new figure, as of the end of November, is an increase of 20.3 per cent compared to last year.

China's boom in Internet usage has come with the growth of an equally extensive policing system, from technical filters that block sites based on certain words to human monitors who scan bulletin boards and micro-blogging posts for political dissent. Wang Chen, head of China's State Council Information Office, says a yearlong government crackdown on pornography, violence and other harmful material has resulted in the shutdown of 60,000 websites.

**Land - Local gov'ts increasingly dependent on land-use charges**

[http://www.chinadaily.com.cn/bizchina/2010-12/27/content\\_11760832.htm](http://www.chinadaily.com.cn/bizchina/2010-12/27/content_11760832.htm)

BEIJING - Local governments in China being increasingly dependent on land-use fees for revenue has caused social problems, including rapid increases in housing prices, the official newspaper of the Communist Party of China (CPC) reported on Monday Dec 27.

In 2009, local governments collected 1.5 trillion yuan (\$226.2 billion) in land-leasing fees, some 46 percent of all local government revenue, according to the report. In some counties and cities, land-leasing fees provided up to 80 percent of revenue. With more publicly-owned land available for development, local governments will likely collect around 2 trillion yuan in land-leasing fees in 2010.

After leasing land for development, local government may also levy taxes on the building industry and real estate developers. The governments collect even more if they mortgage their land for bank loans, Ye Jianping, professor of the Department of Land and Real Estate Management at Renmin University of China, told the newspaper. Emphasis on land-use revenue has promoted speculation in the real estate market, Ye said, adding that land mortgage loans have increased risk for the financial sector.

Over-dependence on "land revenue" is harmful, the report said, because it leads to illegal land acquisition and soaring house prices. Local governments are the largest stakeholder in the land-use market, and so, to secure their income, they are likely to use policy to stop house prices from falling, said Zou Xiaoyun, deputy chief engineer of the China Land Surveying and Planning Institute.

**IP Protection - China promises better protection of IPR**

(Xinhua & Chinadaily) [http://www.chinadaily.com.cn/business/2010-12/10/content\\_11681626.htm](http://www.chinadaily.com.cn/business/2010-12/10/content_11681626.htm)

BEIJING - A government official said on December 9th that China's crackdown on infringements of intellectual property rights (IPR) had scored successes and China will work harder to protect the rights and interests of Chinese and foreign trademarks.

Since the Chinese authorities launched a campaign in October to improve the protection of IPR, a total of 3,010 cases of infringement and counterfeiting had been reported, said Fu Shuangjian, vice-minister of the State Administration for Industry and Commerce (SAIC). The crackdown had also resulted in the revocation of 103 business licenses in the country, said Fu at a news conference.

Li Jianchang, head of the department of trademarks with the SAIC, said at the briefing that a total of 38,000 applications for trademark registration have been rejected for infringing existing trademarks, including foreign ones, during the two months. "We will work hard, as always, to safeguard the interests and rights of the trademarks of both Chinese and foreign-invested enterprises," Li said.

In the five years from 2006 to 2010, Chinese authorities had dealt with 242,000 cases of infringement and counterfeiting of trademarks, and foreign trademarks were involved in 49,000 cases, Fu said.

**Nature resources - China reduces rare earth export quotas for 2011**

BEIJING - China has set its first round of 2011 rare earth export quotas at 14,446 tons, the Ministry of Commerce said in a statement posted on its website on December 28th.

The quota was down 11.4 percent year-on-year compared with the 16,304 tons in the first round of last year, according to previous ministry statements.

**Transportation - China operates world's longest high-speed railway network**

[http://www.chinadaily.com.cn/business/2010-12/07/content\\_11664660.htm](http://www.chinadaily.com.cn/business/2010-12/07/content_11664660.htm)

BEIJING - China is operating a high-speed railway network with a combined length totaling 7,531 kilometers, the world's longest, said Chinese Railways Minister Liu Zhijun on December 7<sup>th</sup>. He made the remarks in Beijing at the 7th World Congress on High Speed Rail, the first time the congress has been held outside Europe. Liu said China's high-speed railways have been operating well, with reliable equipment and a good safety record.

As a modern transportation method, high-speed trains can travel at speeds as high as 350 kilometres per hour. Launched in 1992 by the International Unions of Railways, the congress exhibits the world's high-speed railway development.

**Transportation - China's freeways extend 74,000 km**

BEIJING - China has built 33,000 kilometers of new freeways over the past five years, taking the country's total to 74,000 kilometers, the country's top transportation official said on December 28th.

The total was still short of the 100,000 kilometers of expressways in the United States, the longest in the world, Li Shenglin, China's Minister of Transport said at a national conference on transportation. Meanwhile, 639,000 kilometers of new roads were built over the past five years, with 527,000 kilometres of them built in rural areas, bringing the country's road length to well over 3.98 million kilometres. According to the government's freeway development plan over the next five years, China would complete construction of seven new freeways radiating out from the capital city of Beijing, nine expressways running north to south, as well as an extra 18 thruways running east to west.

By the end of the 12th Five-Year-Plan period (2011-2015), Li believed China could overtake the United States in terms of freeway developments.

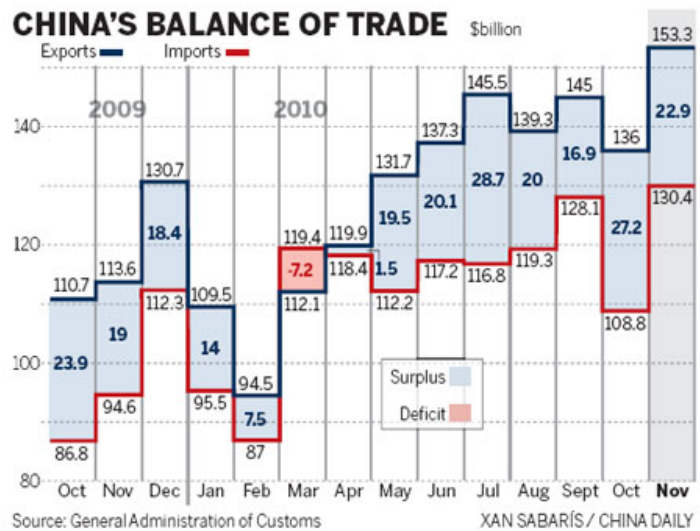
**China Foreign Trade**

(Chinese Ministry of Commerce, Xinhua, Chinaview, fchinese)

China's export growth accelerated in November. Exports jumped 34.9 percent from a year earlier to \$153.3 billion, boosted by a surge in sales to other developing economies. That was up sharply from October's 22.9 percent growth and surprised private sector analysts, who had forecast growth of about 25 percent.

China's imports also grew strongly, rising 37.7 percent to \$130.4 billion, up from October's 25.3 percent growth. That was driven by Chinese demand for iron ore and other raw materials from developing economies but imports from developed nations also rose.

China's trade surplus widened to \$22.9 billion in November, up 15 percent from \$19.9 billion in October 2009. The surplus with the United States was \$16.8 billion while that with Europe was \$13.6 billion.



The United States and Europe remained by far China's biggest trading partners in November but their demand growth lagged behind that of Russia, South Africa and some other emerging markets. China's exports to Russia rose 72.7 percent over a year earlier, while exports to South Africa grew 48 percent. By contrast, exports to the United States rose 29.5 percent and those to Europe grew by 33.3 percent.

**Tariff - China to add more items to tariff reduction catalog**

BEIJING - China will add more items to its preferential technologies and products import catalog to boost mechanical and electrical products imports, a Ministry of Commerce (MOC) official said on Dec 22<sup>nd</sup> Wednesday.

Emerging industries and traditional equipment manufacturing will be included in the tariff reduction catalog, Zhang Ji, the MOC's Industry Department chief, said during a national business work conference. Zhang said an active import policy will help satisfy Chinese demand for production factors as the country transforms its economic development mode and updates its industrial structure. He said three principles - including market mechanisms and policy guidance - will be followed to promote imports of mechanical and electrical products.

The ministry will work to increase imports of advanced technologies, equipment and components while promoting imports for production enterprises during the 12th Five-year program period (2011-2015), Zhang said.

**Investment - China 2006-2010 outbound overseas direct investment totals 216.6 billion USD**

China's outbound overseas direct investment (ODI) to non-financial sectors totaled 216.6 billion U.S. dollars in the 2006-2010 period, exceeding the government's target 3.6 times, the Minister of Commerce (MOC) Chen said.

The annual growth rate was 38.8 percent during the period, taking China to fifth place in global ranking from 18th place at the end of China's 10th Five-year Program (2001-2005) period. Enterprises in the eastern provinces of Guangdong, Jiangsu, Zhejiang and Shandong were more aware of gaining technology, branding and marketing networks through merger and acquisition in the 2006-2010 period, Chen said.

MOC figures show that ODI into non-financial sectors rose 10 percent year on year to 47.56 billion U.S. dollars in the first 11 months of the year. Of the total, ODI for acquisitions accounted for 17.5 billion U.S. dollars, or 36.8 percent.

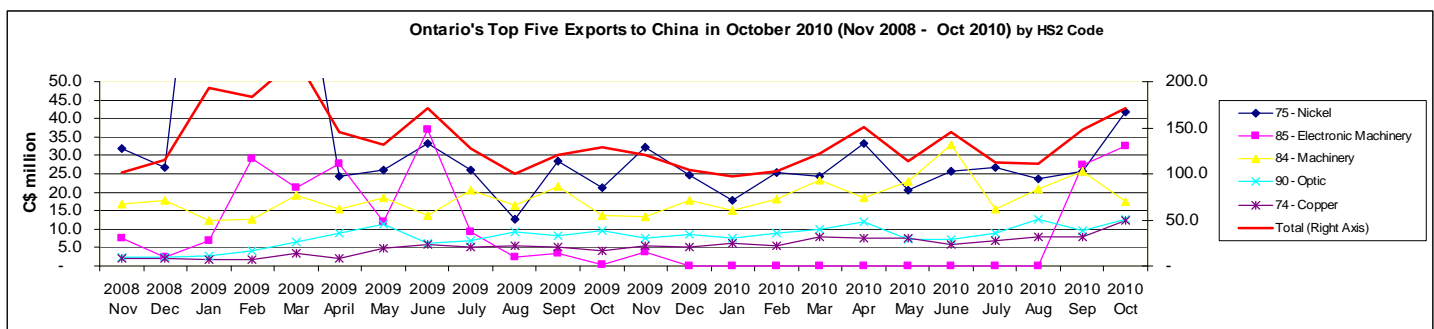
**Ontario's Trade with China**

China is Ontario's second largest trading partner, with two-way trade totaling \$22.93 billion in 2009 (down 6% from 2008's \$24.40billion).

**Exports** - China was Ontario's third largest export market in 2009 (after the US and the UK). The total exports to China in 2009 reached \$1.64 billion, a 2% decrease when compared with 2008, while the province's exports to the world declined by more than 23%. Exports in the machinery sector (for working rubber, semiconductor devices etc.) grew by \$235 million in 2009. Exports in other sectors all declined during 2009. Exports of natural resources including basic metals (such as Nickel Mattes and Copper waste), synthetic rubber and raw fur skins, although slowed in 2009, are still among the top ten exports to China.

**Imports** - China replaced Mexico as Ontario's 2nd largest import source in 2004. Ontario's Imports from China in 2009 declined from \$22.51 billion in 2008 to \$21.29 billion, a decrease of 5.6%. Automotive parts is among the imports that grew in 2009 (by 6%) and it alone was as large as 23% of Ontario's exports to China. Computers and telephone equipment are other imports grew in 2009 and were the largest and second largest imports from China.

The top 5 exports and imports (based on HS2 code) in October 2010 between Ontario and China with their historical data (24 months) could be found in the following two charts.

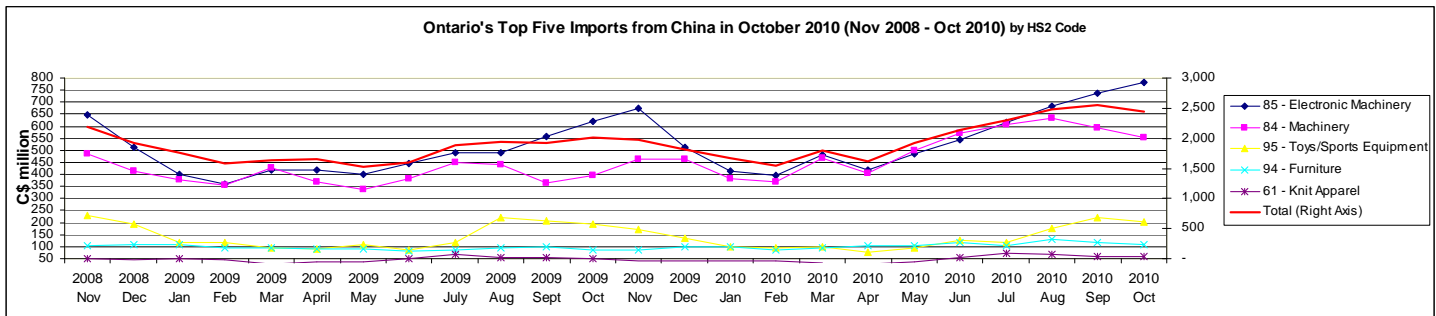


With the same direction with Canada's export to China (grew by 17.9%) in October 2010, Ontario's sales to China in October increased by 15.8% when compared with September, demonstrating the second strong growth in two months (the province's exports growth was 33.5% in September). The figure is also 34% larger than the exports in the same month of the previous year 2009. In October, Ontario's exports to China reached \$171.9 million (from September's \$148.4 million), accounting 14.2 per cent of the country's exports to China (14.4% in September), and outperforming Ontario's exports to the rest of the world, which grew in September by 5.2%. Among Ontario's top seven markets in October, only Mexico saw declines in Ontario's export volume (17%, although still the fourth largest in the month). Other large markets for Ontario's export: USA +1%; UK +29%; Norway +33%; Japan +67%

and Netherland +65%).

The large growth (\$28.49 million) in Ontario's exports to china mainly attributes to that of machinery goods shipped to China. The category's exports to China jumped from \$25.7 million in September to \$41.9 million, presenting the best performance since 2009 March. Natural resources exports to China soared in the month, indicating china's strong demand for particularly base metals (Nickel +18.9%; Cooper +29.8%; Aluminum +21.7%). Some categories such as Electrical machinery, however, saw declines in their export volume.

Top ten exports to China in September stay on the list except Furskins, which was replaced by Automotive parts. The top five exports to China in October 2010 are Machinery (\$41.9 million, grew by 62.8%), Nickel and articles (\$32.4 million, grew by 18.9%), Electronic Machinery (\$17.5 million, declined by 32.3%), Copper (C\$12.7 million, grew by 29.8%), and Plastic (\$12.4 million, grew by 58.8%). Based on HS6 code, the largest five exports are Nickel (\$24.6million), Copper waste and scrap (\$12.4 million), Polyamide (\$8.3 million), Moulds (\$8.02 million) and Aluminum Waste (\$7.1 million).



Ontario's imports from China showed a different pattern to the nation's figure in October 2010. Canadian imports from China increased by 1.04% and reached \$4.45 billion; and Ontario's imports from China declined by 4.3% to \$2.43 billion. Ontario is the largest buyer in the country of Chinese products and the province's imports from China accounted almost 55% of the nation's figure. In the same month, Ontario's imports from most other countries were in line with those in September, except South Korea, which grew by 12%(United States 0.2%; Mexico 2.2%; Japan -2.6%; and Peru -2.5%). Imports from China accounted for 11.6% of the province's total imports and was 13 times larger than our exports to China. In October 2010, the province's imports slightly declined (by 0.51%) and amounted in \$20.96 billion.

Most top-ten imports from China in September 2010 stayed on the list of October except Footwear and Optical, Science and Technology Instrumentation, which declined to 11<sup>th</sup> and 12<sup>th</sup> and replaced by Automotive parts and Leather and Travel Goods. The top five imports from China in July 2010 are Electronic Machinery (\$779.9 million, increased by 5.6%), Machinery (\$553.5 million, decreased by 6.4%), Toys (\$202.2 million, declined by 7.6%), Furniture (\$106.3 million, decreased by 10.9%), and Clothing (\$58.3 million, decreased by 3.8% by 3.8%). Based on HS6 code, the top five imports from China in October 2010 are Portable computer (\$240 million), Cell phones (\$150.9 million), Video Games (\$83.5 million), Toys (\$52.7 million), and Machines for Voice, Image or Data (\$50.5 million).

**TRADE SHOW / MISSIONS**

**MEDT led Trade Missions**

The International Trade Branch at the Ministry of Economic Development and trade (MEDT), with the support of partners within the province and those in China, organizes four trade missions to China in fiscal year 2010-11 focusing on Aero/Aviation, Construction, Environmental, and Life Sciences sectors.

Mission activities include business briefings, presentations at technical seminars, showcasing opportunities with local business/industry people, one-on-one meetings, networking events and site visits in most cities missions visit.

Mission participants will gain valuable market information, explore potential partnerships and meet with key clients

throughout the mission.

There will be five planned missions visit China during the period March 2011 to March 2012. Sectors covered include Aviation, Construction, Environment, Renewable Energy and Mining Equipment and Services.

#### **Chinese Aviation Webinar, late February 2011**

Working closely with Ontario Aerospace Council (OAC), Canadian Embassy in Beijing, MEDT will organize a webinar to update Ontario companies about the industry in China, and opportunities and risks associated.

For the event detail, please contact [Wenbo Pan](#)

#### **Aviation Mission to China, March 6-15, 2011**

The mission will exhibit in the Ontario pavilion at the Asian Aerospace Expo (March 8-10, Hong Kong), followed by visiting several key aero cities in China such as Tianjin and Shanghai. Asian Aerospace Expo is a platform formatted for decision makers, buyers, engineers and specifiers from airlines and airport operators to meet with suppliers of airframe, engines, avionics, aircraft interiors and solutions providers for MRO, training and air logistics. The air show is usually held in conjunction with events such as Aircraft Interior Expo (AIX), Asia Pacific Aviation Training (APATS), Air Freight Asia (AFA) and Asian Business Aviation (ABA). Business programs will include technical seminars, networking lunch/dinner, one-on-one meetings and site visits in each city and provide a good platform for mission members to meet potential partners to promote their business. Ontario will share with Quebec for the 63 m<sup>2</sup> pavilion.

For the mission detail, please see attached [Ontario Aviation Mission to China 2011 – Information Package](#), or contact [Wenbo Pan](#). Please note that the deadline for application is **January 15, 2010**.

#### **Other Missions**

##### **Mission to Hong Kong International Film & TV Market (FILMART), March 21-24, 2011**

The Hong Kong Trade Development Council & The Hong Kong Economic & Trade Office in Canada would like to invite Canadian companies to join the Canadian Delegation to the Hong Kong International Film & TV Market (FILMART), hosted in the Hong Kong Convention and Exhibition Centre.

FILMART is the leading event in Asia and an important film market in the global film calendar attracting renowned producers, distributors, investors, and professionals from around the world to launch full scale promotions, network with key industry players, and negotiate deals.

In March 2010, FILMART hosted around 548 exhibitors and over 4900 trade visitors from all around the world. In the upcoming 2011 FILMART, in addition to the major film/TV market trade halls, there will be theme zones featuring TV World, Animation & Digital World, and Equipment and Post-production Services Pavilion, as well as, National Pavilions from various countries and regions including Mainland China, Japan, Italy, France, Australia, Korea, Singapore, Vietnam, the US, and the UK. For more details on FILMART 2011, please visit <http://www.hkfilmart.com/filmart/>.

There is no registration fee to join the delegation. However, for exhibitor-delegates, they have to pay for the rental of the space/booths and other related expenses. All delegates are self-responsible for their respective air travels, hotel accommodation and other incidental expenses.

To register, please contact:

Adrian Cheng, Business Development Officer  
Hong Kong Trade Development Council, Toronto Office  
Tel: (416) 366-3594 Fax: (416) 366-1569 Email: [adrian.ch.cheng@hktcdc.org](mailto:adrian.ch.cheng@hktcdc.org)

**Canadian Mission to Hong Kong ICT Expo, April 13-16**

The Consulate General of Canada in Hong Kong, in partnership with The Hong Kong Trade Development Council (HKTDC) and The Hong Kong Economic and Trade Office (HKETO) in Canada, invites Canadian companies to participate in the International ICT Expo (<http://ictexpo.com>) scheduled for April 13-16, 2011 at the Hong Kong Convention and Exhibition Centre. Value-added programs for the Canadian delegation include briefing session, Canadian ICT Partnering Seminar, and business matching services to be organized by the Consulate General of Canada.

There is no registration fee required to join this delegation. However, confirmed delegates are responsible for their respective airfares, hotel accommodation (other than the pre-approved sponsored nights), and incidental expenses. Application deadline is **January 31, 2011**.

To register, please contact:

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**TRADE OPPORTUNITIES****Multisector – Diesel Motor, Vehicle Communication Equipment, Vehicle Air Conditioning etc.**

Chongqing Jinguan Auto (Jinguan) is located in Chongqing, China. The company is engaged in research, manufacture and sales of special purpose vehicles, personal protection products, digitalized monitoring systems. Its sales and production capacity ranks top in the field in China and used in sectors of finance, public security, traffic, medical care IT, home defense and more. Please visit [www.jinguan-spv.com](http://www.jinguan-spv.com) for more details.

Jinguan imports lots of products from Germany, and is now considering products from Ontario if those products meet the company's requirements. The company's interests are on:

- Super silent diesel motor (type 2.5KW-18KW) (Jinguan is currently importing from Fischer Panda, [www.fischerpanda.com](http://www.fischerpanda.com))
- Vehicle mobile communication equipment
- Vehicle maintenance free battery
- Vehicle air conditioner (type 1.5KW)
- 1.3-3.5 mm bulletproof steel plate for vehicle

For additional information, please contact Mr. William Zhao and CC [me](#):

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**UPCOMING EVENTS / INCOMING DELEGATIONS**

Currently there is no information regarding incoming delegations from China that could be shared.

For detailed information, please contact Wenbo Pan ([wenbo.pan@ontario.ca](mailto:wenbo.pan@ontario.ca))