

## China Economic Headlines

### Coming Events (mark your calendar)

#### 27 May – June 1<sup>st</sup> : Israel will promote consumer brands in China (Beijing)

Trade Mission of Israel to China is going to promote several Israeli Nish brands in the consuming industry this year. These consuming goods have unique Israeli characteristics such as Cosmetic products from the Dead Sea, Olive oil, Wines, Citrus and Fruit juice, Tourism. A delegation will be jointly organized by the Israeli Export Institute and the Trade Mission to visit China on 27 May – 1<sup>st</sup> June. Israeli companies in these sectors are welcomed to Join the delegation to seek potential buyers, agents or distributors to market in China. For more details, please contact Ms. Chen Xinyu at: +86-10-85320664 or by email to: [chen.xinyu@israeltrade.gov.il](mailto:chen.xinyu@israeltrade.gov.il).

#### June 20 – 24: Software Exhibition CISIS 2007 (Dalian)

The China International Software and Information Service Fair (CISIS) is the only national level software fair approved by the State Council of China. As such it serves as an excellent opportunity to meet with all of China's major software industry players and find software distributors and VAR's. The Trade Mission to China is planning to take a booth at the premiere location at the 5th CISIS exhibition held between 20-24 June 2007 in Dalian. Israeli software companies who are interested to join the booth and participate are welcomed to contact Ms. Tian Hong by Tel: +86-10-85320664 or email: [tian.hong@israeltrade.gov.il](mailto:tian.hong@israeltrade.gov.il). For more information about the event, please visit: <http://www.cisis.com.cn/>.

#### June 21 – 24: Environmental Protection Exhibition CIEPEC 2007 (Beijing)

The Trade Mission to China in association with the Israeli Export Institute, is planning to take a booth at the 10th China International Environmental Protection Exhibition & Conference (CIEPEC 2007) to demonstrate Israel's strength in the water industry. Israeli water-related companies are welcomed to join the booth. For more information about the event, please visit: <http://www.chinaenvironment.org/>. If you are interested in participate in our booth, please contact Ms. Tian Hong Tel: +86-10-85320664, or send email to: [tian.hong@israeltrade.gov.il](mailto:tian.hong@israeltrade.gov.il).

#### Oct 23 – 27: Telecom Exhibition PT / Expo Comm China 2007 (Beijing)

The Trade Mission to China is planning to take a booth at the same exhibition hall as some leading Chinese telecommunications vendors at this most important exhibition in the telecommunications industry in China. We believe it would be a very good opportunity for Israeli telecom companies to meet with local Chinese players and to find potential partners so as to explore the possibilities for future exchange and cooperation. For more information about the event, please visit: <http://www.expocomm.cn.com/>. If any Israeli company is interested in participate in our booth, please contact Ms. Luo Xia Tel: +86-10-85320664, or send email to: [luo.xia@israeltrade.gov.il](mailto:luo.xia@israeltrade.gov.il).

#### Coming Events

#### General news on Chinese economy

#### Israel – China Bilateral Relation

#### News on various sectors

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

#### 2008 Beijing Olympic

## General news on Chinese economy

### Primier Wen targets balanced growth at NPC's annual gathering session

Premier Wen Jiabao delivered a government work report to the lawmakers in the Great Hall of the People in Beijing March 5, 2007. In the report, China sets 8 percent growth target for 2007; China to invest 391.7 bln yuan in agriculture; making education a "strategic priority" with hefty investment plan; to improve setting of RMB exchange rate; to expand rural medicare system; energy saving, pollution control targets must be met; to rein in soaring housing price; to strive to reduce trade surplus. (Mar 6, *China Daily*)

### China's Trade Surplus Soars to \$23.7 Billion in February

China saw its trade surplus soar nearly tenfold year on year in February, hitting 23.7 billion U.S.dollars, the General Administration of Customs said on Mar 12. The country's trade volume in February reached 140.45 billion U.S. dollars, 32.7 percent up from a year earlier, according to latest figures from the administration. (Mar 12, *Xinhua*)

### China's Inflation Rate May Set Two-year High in Feb.

China's inflation rate probably accelerated to a two-year high in February, increasing the chances that the central bank will raise interest rates in the world's fastest-growing major economy. Consumer prices rose 2.8 percent from a year earlier after gaining 2.2 percent in January, according to the median estimate of 21 economists surveyed by Bloomberg News. (Mar 12, *Bloomberg*)

### Chinese Stocks see biggest fall in 10 years

The country's stock market suffered its steepest daily fall in the past decade on Feb 27, with the benchmark Shanghai Composite Index plunging nearly 9 percent to close at 2,771. The stock market saw a rebound of nearly 4 percent one day after on Feb 28 as the government allayed fears of a new capital gains tax. The Shanghai Composite Index, which plummeted 8.84 percent on Tuesday, closed 3.94 percent higher at 2,881.073 in heavy trade. As China's major stock index recovered about half of Tuesday's losses, the rest of Asia fell on Feb 28. Although most analysts and economists are optimistic about the long-term performance of China's stock market, some analysts are forecasting more corrections. (Feb 28 – Mar 1, *China Daily*)

### Fluctuating Stock Prices "Not Macroeconomic Problem"

The fluctuating prices on China's fledgling stock market recently are not a macroeconomic problem and should not lead to any major change of trends. "I personally believe this is not a problem on the macroeconomic level and should not lead to any major change of trends," said Zhou Xiaochuan, governor of the People's Bank of China, at a press conference held on the sidelines of the annual full session of the Chinese parliament. Asked whether he agrees that the Shanghai stock market should be held responsible for triggering the drastic fall of the global market at the end of February, Zhou made no direct comment but acknowledged that globalization is making stock markets around the world more and more "interrelated". (Mar 12, *Xinhua*)

### Guangdong's Dongguan city own most disposable income

In 2006, the annual disposable income of people in Dongguan, Guangdong Province, reached \$3,165, ranking first in China. People's disposable income in Shenzhen ranked second (\$2,820), followed by Shanghai (\$2,583), Beijing (\$2,497), Guangzhou (\$2,481), Ningbo (19,673 yuan), Hangzhou (19,027 yuan), Zhongshan (18,897 yuan), and Foshan (18,894 yuan). (Mar 1, *Yangcheng Evening News*)

## Israel – China Bilateral Relation

### Tadiran Telecom to supply systems for Beijing Olympics

Tadiran Telecom Ltd. will supply communications systems to the Beijing Metro, high-speed railway to the city's airport, and for the Beijing Airport's command and control center. Tadiran Telecom's Chinese subsidiary Kunming Tadiran Telecommunications Ltd. (KTT) will execute the projects, which are worth several million dollars. As a result of these contracts, the IP telephony equipment provider has become one of the leading telecommunications equipment vendors for the 2008 Beijing Olympic Games. (Mar 7, Globes)

### Expand Networks announces alliance with Huawei-3COM

Huawei-3COM will start the long-term integration of the Expand Compass platform in their iMC (intelligent Management Center) product line. Expand Networks, which provides application acceleration solutions over WAN networks, and Huawei-3COM have announced a strategic alliance. Huawei-3COM will embed Expand's Compass Platform Architecture to tightly integrate multiple technologies and map them to the corresponding business mandates for customers who need this functionality in their networking environment. Huawei-3COM will start the long-term integration of the Expand Compass platform in their iMC (intelligent Management Center) product line, which is designed for data communication with a network. (Mar 5, Globes)

## News on various sectors

### Consumer Goods

#### China's Retail Sales Hit 220 Bln Yuan During Festival

The retail sales of consumer goods in China rose 15 percent year-on-year to 220 billion yuan (28.2 billion U.S. dollars) during the week-long Spring Festival holiday. Retail sales in the catering industry surged 18 percent over last year's Spring Festival holiday. Ninety-five percent of the restaurants in Beijing received reservations for family reunion dinners during the holiday. Meanwhile, high-end household electric appliances and digital products became hot sellers in major cities. (Feb 25, Xinhua)

#### China sells 12.6 billion USD worth of spirits last year

China's liquor makers saw sales grow by 31.08 percent to 97.03 billion yuan last year (about 12.6 billion U.S. dollars), while the number of liquor makers dropped to 18,000. The prices of spirits rose due to rising cost of raw materials and the levy of consumption tax. Maotai, a prestigious liquor maker in southwest China's Guizhou Province, reported 5.3 billion yuan (about 688.3 million dollars) of sales volume last year, compared with about 4.2 billion yuan (about 538.46 million dollars) in the previous year. (Feb 13, Xinhua)

### Environment & Energy

#### Guangdong to ration industrial water

Guangdong Province's water rationing plan will be trial-implemented, beginning Mar 1, which will focus on the water consumption of enterprises and administrative departments, rather than ordinary citizens. The plan is meant to help Guangdong to survive the current water crisis. (Mar 1, Chinanews)

#### Shandong Province to Invest in Sea Water Desalination

East China's Shandong Province, a coastal region that suffers from a shortage of fresh water, will invest 3.6 billion yuan over the next four years to build 21 sea water desalination plants. Once built, the plants will turn out about 140

million cubic meters of fresh water every year, according to a government plan. Qingdao, Yantai, Binzhou and a few other cities will benefit from the project, according to the plan. *(Feb 24, Xinhua)*

## **China Sets Water-Saving Target by 2010**

China planned to cut its water consumption for per unit GDP growth by 20 percent by the end of 2010, or an annual drop of four percent during the 2006-2010 period, according to the Ministry of Water Resources. According to plan, China will establish 100 pilot projects in water saving in the 2006-2010 period and successful experiences drawn from the pilot projects will be popularized across the country. *(Feb 22, Xinhua)*

## **First Inland Nuclear Power Plant to Be Built**

China has released a plan for its first inland nuclear power plant in central China's Hunan Province. The plant will join China's other two major nuclear sites at Daya Bay and Qinshan, with the distinction of being the country's first inland nuclear power plant. China currently possesses six nuclear power plants with 11 reactors, dotting its economically thriving east and southeast coasts. More plants are already waiting to be built in the provinces of Fujian and Shandong. *(Feb 16, Xinhua)*

## **Per Unit GDP Energy Consumption Down 1.23% in 2006**

Official figures show that China's per unit GDP energy consumption fell 1.23 percent in 2006, missing the projected target.

The National Bureau of Statistics said energy consumption per 10,000 yuan (US\$1,292) of gross domestic product amounted to 1.21 tons of coal equivalent in the year. The Chinese government set a goal of reducing energy consumption per unit GDP by 20 percent in the five-year period from 2006 to 2010. The goal for 2006 was four percent.

*(Xinhua News Agency March 1, 2007)*

## **Guangdong: 'water consume quota (trial version)' brings into effect since March 1**

Guangdong 'water consume quota (trial version)' releases and brings into effect since March 1 for 2 years. According to the 'trial version', the urban civil water consume quota was divided into 6 ranks by the city's population. Bigger city has bigger quota relatively. *(Chinawater.net 2007-2-28)*

## **Yangtze Drought Affects 1.5 Million People**

Severe drought has been debilitating for the Yangtze River, China's longest waterway, over the last two weeks, leaving 1.5 million people in Chongqing with water shortages, local water authorities said on 26 February. The drought has also affected 104,000 hectares of farmland and left nearly 1 million heads of livestock short of water in the municipality of 28 million residents.

The Chongqing municipal flood control and drought relief office predicted the drought would last until after the rainy season begins in May, but will return in the middle of summer and will last for at least 30 days.

*(Xinhua News Agency February 27, 2007)*

## **Experts concerned about pollution targets**

Experts are concerned that the country's plan to reduce major pollutants by two percent this year might have set the bar too high. The target is part of a five-year effort to reduce pollution by 10 percent and clean up the country's environment. Experts have said that China would not meet its pollution-reduction goals if the country did not find a more sustainable way to spur GDP growth. Experts also called for closer supervision of sulphur-removal facilities and wastewater treatment plants, saying that some facilities had been closed in a bid to save money. *(Chinawater.net 2007-02-18)*

## **Thirsty China sets ambitious water-saving goal**

Beijing has set an ambitious plan to cut the amount of water it uses to generate each dollar of national income by 20 percent by the end of the decade, the country's top economic planner said. The target, which matches one for energy saving over the same period, was also signed off by the water resources and construction ministries. Under the plan, China aims to boost efficiency in agricultural irrigation systems, increase recycling of urban water and cut back on leaks from urban pipe networks. Altogether it should save 69 billion cubic metres of water. (*Chinawater.net 2007-2-14*)

## **Beijing to build five new wastewater treatment plants**

According to the Beijing Water Working Conference 2007 that Beijing will build five new wastewater treatment plants: Beiyuan, Wulituo, Dingfuzhuang, Dongba & Fatou. After the 5 plants constructed, the Beijing urban area wastewater treatment rate could exceed 95%. And a watchdog system will be installed in urban water system. The water quality report will be released to public each season. The 14 planned wastewater treatment plants, including the five new plants, will be all completed by the end of 2007. Daily treatment capacity will reach 2,680,000 cubic meters. It can fulfill the urban area wastewater treatment requirement. (*Beijing Daily 2007-2-14*)

## **IT & Telecom**

### **3G**

#### **China includes 5 More Cities to its Homegrown 3G Trial**

China is working hard on its plans to expand its homegrown 3G technology. To popularize its 'own' 3G technology, China has included 5 more cities to the trial phase. The testing for TDSCMA would take place in Tianjin and Qinhuangdao in the east, Shenzhen and Guangzhou in the south and Shenyang in northeast. Shanghai, Beijing, northern city of Baoding, southern city of Xiamen and eastern coastal city of Qingdao are already under the trial phase of TDSCDMA. (*Mar 12, Cellular News*)

#### **13 vendors involved in TDS bidding**

TD equipment bidding disclosed. 8 system developers and 5 core network equipment providers involved. System developers include Datang, Potevio, ZET. The other 5 are said to be Shanghai Bell Alcatel, Ericsson, Fiberhome and Guangzhou based Xinyoutong. However, Huawei Technologies was not in the list. Some analysts believed Huawei's bad cash flow is the bottleneck for its further development. (*Mar 9, TD-SCDMA*)

#### **TD investment budgets for China Mobile, China Telecom and China Netcom**

China Business reported: Bidding for TD network construction and equipment procurement started. Technical specifications of bid documents has been released. It generally takes two steps and 2 to 4 weeks to finalize the bidding. 1) assess technology and products of different vendors; 2) to negotiate terms, conditions and prices of products and services. The total investment of this project has been finalized yesterday at 26.5 billion yuan, among which, 4.9 billion will be handsets procurement and 21.6 billion equipments and network construction. The investment of the different operators are as follow: 1) China Mobile: 23.8 billion ( 19.8 on equipment and 4 billion on handsets); 2)China Telecom: 800 million (600 million on equipment and 200 million on handsets); 3) China Unicom: 1.9 billion (1.3 billion on equipment and 600 million on handsets). (*Mar 7, TD-SCDMA*)

## **China Mobile 3G Plan Draws Big Telecom Firms**

China Mobile has added another four major telecommunications makers, including two foreign ones, to its list of possible equipment contractors and suppliers for its third generation network worth 20 billion yuan (2.56 billion U.S. dollars). The four telecom firms are Ericsson, Alcatel Shanghai Bell, FiberHome Technologies and Guangzhou New Postcom Equipment Co, according to media reports. They joined Datang Mobile, Potevio, ZTE and TD Tech. The eight hope to be heavily involved in China Mobile's TD-SCDMA network construction. China Mobile plans to set up TD-SCDMA networks in several major cities nationwide soon to ensure 3G services are available in time for the Beijing Olympic Games in 2008. (Mar 9, *Shanghai Daily*)

## **Public Bidding Starts For China Mobile's TD-SCDMA Project**

The new round of public bidding for China Mobile's (CHL) TD-SCDMA project has started. China Mobile reportedly called in TD-SCDMA suppliers for a meeting on the afternoon of February 28 and distributed a questionnaire about the project to those suppliers to ask about the prices that suppliers are offering. The bidding will be divided into two parts, involving core network and equipment, and each part has 5 suppliers to join the bidding. For the core network, suppliers include Huawei, ZTE, Nokia and Ericsson. For the equipment part, an expert from the Telecom Institute of the Ministry of Information Industry said that because it is a large-scale network project, the requirements are much stricter than previous telecom roll-outs. Therefore, China Mobile will soon issue a new guideline for the types of standards it is seeking in the equipment used on the network. Five suppliers have also already entered the testing phase, including Datang, Potevio, ZTE, TD Tech and an unnamed Guangdong corporation. Among them, Potevio and ZTE already passed the first test on February 21. (Mar 2, *ChinaTechNews*)

## **Invest Bank disclose TD-SCDMA Program: Covering a majority of big cities in 2008**

A report from China International Capital Corporation disclosed, China's home-grown 3G standard TD-SCDMA network will be invested RMB26.7billions by 3 operators, 3 billions will be the allowance for mobile handset (Centralized purchasing), and then network investment will be 23.7 billions. In that report, they plan that TD Net will cover a majority of big cities, and completed covering in 20 cities at least. And some potential beneficial owners will be involved in the forthcoming TD equipment bidding. These enterprises are: ZTE, Datang, Huawei, ASB, Putian, TD tech, Comba, GrenTech, ZCTT, etc. (CICC)

## **Carriers**

### **China Mobile set timetable in procuring TD-SCDMA equipment**

China Mobile will set the timetable for procurement of TD-SCDMA system equipment and terminals this March. China Mobile will make an aggregate investment of roughly CNY 15 billion for the new round of network construction and testing, based on the forecast that a base station is priced at CNY 500,000 and an indoor distributed system, CNY 200,000. The procurement is most likely to become the start of a new round of market reshuffle, industry experts forecast. Different equipment manufacturers take varying attitudes toward China's homegrown 3G standard TD, and thus their investments in the TD field are also diverse. Commencement of China's TD network construction and investment will probably trigger changes in market strength and shares among equipment manufacturers. Datang Group and ZTE Corporation, major developers and supporters of the homegrown standard, will definitely become the biggest winners, while those manufacturers failing to grasp TD opportunity will confront severe challenge in China's 3G era. (Feb 25, 3GNewsroom)

## **China Mobile to launch 3G mobile services end-2007**

China Mobile plans to roll out 3G mobile services before the end of October. The company is going to invest more than 15 billion yuan (1.9 billion dollars) to build TD-SCDMA networks in 2007, the Beijing-based Economic Observer reported, citing a plan by China Mobile. The company will finish the construction of 8,602 TD-SCDMA base stations in eight cities including Beijing, Shanghai and the southern city of Shenzhen before October this year. It will also complete the procurement of core equipment based on this standard before end-May. *(Feb 13, Yahoo!)*

## **China Unicom's separation of GSM & CDMA going on**

Technical personnel from Jiangxi Telecom revealed China Telecom is planning to operate China Unicom's CDMA network, and has already began recruiting people for this new service. Moreover, one SP in Guangzhou revealed they had some technical problems with China Unicom due to China Unicom's internal GSM and CDMA network separation. CU is separating its GSM and CDMA network operation and setting up separate departments of technical support and business operation for the two. *(Mar 13, IT Times Weekly)*

## **China Unicom Prepares GPRS For Key Cities**

A representative from China Unicom has disclosed to local media that China Unicom will formally launch GPRS service in no less than 50 cities across China at 'an appropriate time' this year. Tong Xiaoyu, general manager of China Unicom's value-added service department, had disclosed at the end of 2006 that starting in 2007, China Unicom would take the lead promoting GPRS service in 65 to 100 cities in China and gradually launch value-added services like WAP, Java and MMS. *(Mar 12, ChinaTechNews)*

## **China Unicom plans 3,000 new Internet cafes**

China Unicom plans to open 3,000 Internet cafes by the end of the year, exerting stronger state control over a sector once dominated by private enterprise, state-run radio reported. China Unicom already operates 400 Internet cafes in China and plans to start up as many as 200 more by year's end, China Radio International reported. It said the telecom operator, whose shares are traded in New York, Hong Kong and Shanghai, will operate up to 2,800 more Web cafes through franchises. *(Mar 7, C114)*

## **Agreement between China Telecom and China Netcom on Market Separation**

China Telecom and China Netcom plan to sign an agreement, under which CT will cut down its investment and stop further business attempts in north 10 provinces in China, while CN will cut down its investment and stop further business attempts in south 20 provinces in China. *(Feb 28, Chinabyte)*

## **China Netcom Builds Lab For Next Generation Broadband Service**

Teng Yong, chief engineer of China Netcom, has disclosed that China Netcom is constructing a new base centered on a next generation broadband service application project lab. In recent years, China Netcom has made dramatic headway in a series of new projects, which have been widely acclaimed by the Chinese government and with these achievement. There is no word from Teng or the company when the base will be completed and how much investment the company plans to pour into the venture. *(Feb 14, ChinaTechNews)*

## **Electronics**

### **China Becomes World's Leading IC Producer**

China has surpassed Japan and the United States to become the world's largest IC producer by 2006. The country's semiconductor market reported

sales of 75 billion U.S. dollars in 2006 with the IC market contributing 63 billion U.S. dollars, said Yu Zhongyu, head of China Semiconductor Industry Association. Driven by booming global IC market development, the country's IC industry maintained strong momentum in 2006, producing 35.56 billion IC chips, representing a year-on-year growth of 36 percent. (Mar 12, Xinhua)

## **International handset chip solution suppliers to face challenges in the China market**

According to international chip solution providers, China's TD-SCDMA (time division-synchronous CDMA) terminal solutions will be ready in 2007 aimed for the approaching of Beijing Olympics in 2008. This will significantly affect the international handset chip solution suppliers' marketing strategies in China. China's government set TD-SCDMA as the national standard for the telecom industry at the end of January 2006. However, most international handset chip suppliers doubt the China government's TD-SCDMA standard. Therefore, currently only a few suppliers, such as NXP Semiconductors and ADI, are providing TD-SCDMA chip solutions in the China market. NXP in partnership with Samsung Electronics has already achieved volume production of China's first TD-SCDMA 3G handset. (Mar 3, DigiTimes)

## **TSMC Shanghai Plans To Triple Output**

Taiwan Semiconductor Manufacturing Company (TSM) might expand the production capability of its factory in Shanghai's Songjiang District. The factory is currently focused on 8-inch CMOS chips, and after getting an import license for its 0.18 micron technology, which was developed in Taiwan, the production capability of their factory in Shanghai's Songjiang District will be expanded from 30,000 to 90,000 in 2007. (Feb 28, ChinaTechNews)

## **Foxconn Will Spend US\$1 Billion In Liaoning**

Spokesperson from Taiwan Hon Hai Precision, the parent company of Foxconn, says Foxconn will invest more than US\$1 billion to build two industrial parks in China's northeastern Liaoning Province. This is the first time that Foxconn made such a large investment in this part of China. The two parks will be located in Shenyang and Yingkou, respectively. The park in Shenyang will be mainly engaged in making precision and digital control machine tools and car parts, while the one at Yingkou will be involved in manufacturing electronics including printing circuit panels. (Feb 14, ChinaTechNews)

## **China's Chip sector makes 1st profit**

Shanghai's semiconductor industry reported its first profitable year in its history in 2006 amid rapid growth of the local chip design sector, the Integrated Circuit Industry Association said on Feb 12. The city's semiconductor industry earned one billion yuan (US\$128 million) in 2006 as giant chip firms, including Huahong Group and Grace Semiconductor Manufacturing Corp, performed strongly, said Xue Zi, vice secretary general of SICA. Huahong made a net profit of 700 million yuan last year, a whopping 312 percent year on year jump, according to its Website. (Feb 13, Shanghai Daily)

## **Internet**

### **TOM online starts its privatization process**

TOM group suspended its trading on HK stock market on Mar 5, since the group is planning to privatize one of its subsidiaries – TOM online. Later the Group has confirmed that TOM online would be withdrawn from both Hong Kong Stock Exchange and NASDAQ. Some industry insiders attributed this privatization to the devaluation of Tom online and weakness of its share price. The major business of TOM Group include internet, outdoor media, circulation, sports and TV, while TOM online is the operator for internet services, which include portal and wireless services. (Mar 5, Sohu)

## Manufacturers

### **ZTE Awarded Chinese TD-SCDMA Network Entry Certificate**

ZTE Corporation, a leading global provider of telecommunications equipment and network solutions, has been named as one of the first vendors to be awarded China's TD-SCDMA network entry certificate, as issued by the country's Ministry of Information Industry (MII). The TD-SCDMA equipment covered by the certificate falls into four categories: core network equipment, radio network controller equipment, base station equipment and application platform equipment. ZTE has the industry's most complete TD-SCDMA product portfolio ranging from wireless, core and carrier network equipment to application platforms and terminals, meaning that ZTE can provide end-to-end network solutions to customers. (Mar 13, C114)

### **ZTE tops 2006 international CDMA market**

ZTE Corporation topped the world CDMA equipment market in 2006 by number of shipments. ZTE shipped over 12,000 units of CDMA BTS equipment from January to December 2006, 41 percent of the global market by number of contracts according to China's Ministry of Information Industry (MII) telecom academy. Industry analyst Ovum anticipates that ZTE will achieve 20 percent market share in China's coming 3G CDMA 2000 market and will gain a rapid market share increase as a result. (Mar 9, C114)

### **Huawei, Vodafone to Supply WCDMA Cellphones for 21 Countries**

Global mobile telecoms tycoon Vodafone, along with Chinese telecoms equipment manufacturer and distributor Huawei Technologies, are going to provide WCDMA mobile phones for 21 countries, according to a well-informed media. The products to be supplied will come under Vodafone's own brands, in the light of their signed agreements. Huawei has become the exclusive strategic partner of Britain-based Vodafone in 3G mobile phone business. (Feb 27, Sinocast)

### **Huawei Wins Singapore 3G Contract**

Singapore's StarHub has selected Huawei to provide UMTS/HSPA solutions as well as support the future upgrades of its 3G mobile network in Singapore. Under the agreement, Huawei will provide its distributed Node Bs to help StarHub deliver the full capabilities of HSDPA across the island this year. (Feb 12, Cellular-news)

### **CEC to Take over Philips' Mobile Phone Business**

China Electronics Corporation (CEC), one of the state-owned conglomerates, has signed an agreement with Royal Philips Electronic (Philips) to take over Philips's mobile phone business. CEC will receive an exclusive license to market and sell mobile phones under the Philips brand in the coming five years. Certain mobile phone-related patents will be transferred and licensed to CEC. The "Xenium" brand, which is concerned with long-battery life, will be transferred to CEC according to the agreement. In addition, Philips will transfer to CEC its existing international marketing network for the mobile phone business, as well as its 25 percent equity stake in Shenzhen Sangfei Consumer Communications Co.Ltd, which is an affiliated company of CEC. The deal is expected to be closed by the end of the first quarter. (Feb 14, Xinhua)

### **HASEE in Shenzhen Supplies Laptop Computers To UN**

Shenzhen-based computer manufacturer HASEE Group has delivered 15000 laptop computers to the United Nations. HASEE sells more than 20000 laptops each month in the international market, accounting for 40% of the company's total sales. The company expects its sales in overseas countries to reach

80000 in the first quarter of this year. Founded in 1995, the company also owns the HASEE Industrial Park in Longgang District, Shenzhen. (Feb 16, *ChinaTechNews*)

## Policy

### **MII Continues To Focus On 3G Development**

China's Ministry of information Industry has just worked out their layout for the Eleventh 5-year Period, placing a heavy emphasis on 3G development. The main part of the layout is the industrialization of 3G technologies, such as TD-SCDMA, and the development of related businesses, such as chips, radio devices, efficient batteries and core software. MII says that telecom system reform and 3G development will help optimize the competitive structure of China's telecom market and provide a fair environment for lasting development within the telecom industry. At present, the telecom market in China is unbalanced, with China Mobile occupying 70%-80% of the market. The layout forecasts that the income of the information industry in China will reach RMB10 trillion by 2010, with the industry occupying 10% of the nation's GDP. (Mar 5, *chinatechnews*)

## Telecom

### **China VoIP Takes Off, in Legal and Illegal Forms**

Long distance is expensive in China, which is making voice over IP (VoIP) a big hit there, according to In-Stat. Broadband VoIP subscribers who get their service from telecom carriers are estimated to number 9.53 million by the end of 2011, up from 720,000 in 2006. Both standard VoIP service and IP-based calling cards are selling briskly. Only traditional service providers are allowed to legally provide broadband VoIP in China, but demand is so great that an illegal option already has as estimate one million subscribers. (Mar 7, *C114*)

### **Merrill Lynch forecast calling party pay scheme may lead to industry restructure**

According to one of Merrill Lynch's report, the calling party pay scheme will accelerate telecom industry restructure. According to ML, China Unicom and China Netcom will merger because China Netcom had showed interest in CU's GSM network before. In addition, CU will sell its CDMA network to China Telecom. (Feb 27, *Reuters*)

### **China handset sales surpass 100 million units in 2006**

Sales of handsets, not including illegally labeled models, PHS and second-hand phones, in China grew 28% on year to reach 109 million units in 2006, accounting for a near 10% share of the global handset market, according to Chinese-language Commercial Times report, which cited data made available from China-based Norson Telecom Consulting. Nokia and Motorola combined took over a 50% share of the China handset market and continued to expand their shares in the second half of 2006. In addition, GSM models accounted for 93% share of handsets sold. (Feb 28, *Commercial Times*)

### **Chinese send 15b messages during Spring Festival**

From February 17, Chinese Lunar New Year's Eve, to February 23, an average of 33 short messages were sent from each mobile phone, according to figures from China Mobile and China Unicom, the country's top two mobile operators. The messaging craze brought mobile companies an estimated revenue of 1.5 billion yuan (187.5 million U.S. dollars), as each message costs 0.1 yuan. Multimedia messages sent during the festival exceeded 170 million, said China Mobile, whose users sent nearly three quarters of all the messages. With China's mobile users rocketing by over 5.6 million on average in each month,

text messaging has become an increasingly popular way of saying "happy new year" during each Spring Festival. *(Feb 28, Xinhua)*

## **Mobile Phone Short Messages Soar 41% in China Last Year**

Chinese SMS (short message service) of mobile phones in 2006 witnessed an amazing exchanging volume of as many as 430 billion pieces, being of great benefit to indigenous mobile telecoms operators. Data from the Ministry of Information Industry showed last year's SMS volume was 41% more than 2005; in 2005, mobile phone users sent 304.6 billion short messages, representing a year-on-year soar of 39.9% over the previous year. Calculated at the lowest charge for each SMS of CNY 0.1, Chinese mobile telecoms giants China Mobile and China Unicom would generate income of more than CNY 40 billion in 2006. *(Feb 27, Sinocast)*

## **Medical & Healthcare**

### **China's Bioindustry Aiming for Revenues of 500B Yuan**

China's bioindustry is galloping towards 500 billion yuan (64.9 billion U.S. dollars) of sales in 2010, said an official with the National Development and Reform Commission (NDRC) on Mar 5. The bio-industry, covering biopharmacy and bio-agriculture in particular, has the potential to be a leading high-tech industry in China. The NDRC, cooperating with the Ministry of Finance and the Ministry of Science and Technology, has worked out the eleventh five-year plan for the country's booming bioindustry. *(Mar 6, Xinhua)*

### **Fujian Confirms Human Bird Flu Case**

The health department of southeast China's Fujian Province confirmed on Feb 28 a human case of bird flu in Jian'ou city. Local health authorities said they are carefully monitoring those who have recently had close contact with the patient. So far, no one else has showed symptoms of the disease. Senior officials of the province held a special meeting to adopt measures preventing an outbreak of the epidemic, said the official, who declined to give his name. *(Mar 1, Xinhua)*

### **China to quicken development of high-tech and bioindustry**

China will speed up the development of bioindustry, making it the leading industry of the national economy, according to a conference by the State Council. The meeting emphasized the strategic importance of developing bioindustry in areas like health, agriculture, energy and materials. It also required that China should create better financing environment for high-tech industries, unify the technological standards and improve the protection of intellectual property rights. In the meantime, the country should also strengthen the protection of biological resources with more effective supervision on related exploitation. *(Xinhua Feb. 28 2007)*

### **Beijing Hospitals Told to Coordinate Obstetric Units**

Health authorities in Beijing took steps to close the gap between overloaded top hospitals and largely empty second-tier hospitals to accommodate the surging number of women hoping to give birth in the auspicious Year of Pig. About 140,000 "pig" babies are expected to be born this year, a sharp rise compared with the 12,600 babies born last year. Experts have warned that irrational family planning would result in a shortage of resources. *(China Daily March 2, 2007)*

### **Young Shanghai People Suffer from Pressure**

Shanghai's younger workers are under pressure at work and appear to be suffering from it, according to the results of a recent survey. The survey, conducted by the Shanghai Women's Federation, found that most of the families in the city said they felt constant pressure from one source or another, but social competition and stress related to work were the main sources. 19%

said they had never talked with a therapist, but might go in the future, and 79% said they would never seek professional help to solve their problems. (*China Daily March 2, 2007*)

### **Mental Health Needs a Boost**

If more attention is not paid to the mentally ill in China, it could drive them to the brink of suicide, doctors and researchers said. A senior doctor at the Peking University Health Sciences Center said that since the nation's economy is developing so fast and societal divisions are becoming more pronounced, rapid social changes are causing various kinds of mental illness. (*China Daily March 1, 2007*)

### **China Asked to Join Global Fight Against Disease**

French Foreign Minister Philippe Douste-Blazy asked China to join a new global initiative aimed at providing people in the developing world easier access to drugs for the treatment of AIDS, tuberculosis, and malaria. Initiated by France and Brazil, the innovative funding mechanism, now referred to as the International Drug Purchase Facility, seeks to suitably distribute more medicines to people in developing countries at cheaper rates. (*China Daily March 1, 2007*)

### **Watchdog to Strengthen Inspection over GMP System**

China will strengthen inspection over drug companies covered by the certification system called Good Manufacturing Practice (GMP), which was brought into disrepute by a series of health scares and corruption scandals, said a senior drug watchdog official. Under the system, companies must possess a GMP certificate before they can register new medicines. (*Xinhua News Agency February 28, 2007*)

### **International exhibition & symposium on digital hospital to be held in Beijing July**

The 2nd China International Symposium and Exhibition on Digital Hospital and Electronic Medical Record Application will be held in Beijing July 25-27, at China International Exhibition Center. Organizer calls for participation of relevant Israeli medical institutions, hospitals, experts and scholars as well as software developers, system integrators and equipment providers of software for digital hospital, such as HIS, LIS, PACS, CIS, RIS, GMIS, etc. ([www.dzbl.com.cn](http://www.dzbl.com.cn)).

### **Others**

#### **China to form state forex investment company**

China plans to build the state foreign exchange investment company in 2007, Shanghai Securities News reported. The company will be established on the basis of operating Central Huijin Investment, which is owned by the People's Bank of China, the central bank. The major aim of the planned company is to improve management of China's huge foreign exchange reserves and generate as more as possible returns on the reserves under the preconditions of security. (*Mar 12, Xinhua*)

#### **Singapore to Help Build Dalian Industrial Park**

Dalian will start building an industrial park on Changxing Island in cooperation with Singapore later this month, Mayor Xia Deren has said. The venture in the port city of Northeast China's Liaoning Province will be the second for Singapore in China. The first was the Suzhou Industrial Park in East China's Jiangsu Province. Jurong International, a Singapore company that specializes in industrial and urban planning, will help Dalian design the park. (*Mar 12, China Daily*)

## Foreigners in for steep tax rises as China's parliament meets

When the National People's Congress kicks off its annual series of meetings on Monday, one law expected to be passed will unify corporate income tax rates at 25 percent, ending special privileges for foreigners. The new 25 percent tax rate means foreign enterprises which so far have been subject to a 15 percent income tax will have to pay a combined 5.1 billion dollars extra every year, according to official calculations. Chinese companies, meanwhile, will pay 16.8 billion dollars less, since up until now they have been taxed at 33 percent. *(Mar 1, AFP)*

## China to Speed up Development of Bioindustry

China will speed up the development of bioindustry, making it the leading industry of the national economy, according to a conference held by the State Council on Feb 28. The meeting, attended by Vice Premier Zeng Peiyan and State Councilor Chen Zhili, emphasized the strategic importance of developing bioindustry in areas like health, agriculture, energy and materials. *(Mar 1, Xinhua)*

## Online ads to boom in China

Online ads are booming rapidly in China nowadays. A survey shows that in 2006 alone, online ads netted a profit of 5 billion yuan, a 40%-plus growth compared with 2005. Online ads also give the control back to the customers, as most of them are established in an interactive way. Cellphones and cinemas are becoming the new battlefields for advertising agencies. It can be estimated that a both-win situation for advertising and cultural industries will be generated through their cooperation. *(Mar 1, Chinanews)*

## Chinese spend too little on cultural products

Chinese people are spending too little on cultural products, says a report on China's cultural industry development released on Feb 27. According to the report co-released by the Chinese Academy of Social Sciences and a research institute at Shanghai Jiao Tong University, the country's total trade volume of cultural products reached 468.5 billion yuan (about 60 billion U.S. dollars) in 2006. *(Mar 1, Xinhua)*

## Service Trade Deficit on Rise

China's service trade deficit rose year after year because supply failed to meet demand in the country's underdeveloped service sector, according to a latest report from the China Academy of Social Sciences. The report says China's service trade deficit grew to 9.39 billion U.S. dollars in 2005 from 5.6 billion U.S. dollars in 1997, a 67.7 percent increase within eight years. China's rapid economic growth created strong demand for various services but the gap between supply and demand was widening in the service sector. China's service trade volume totaled 157.08 billion U.S. dollars in 2005, according to previous reports. *(Feb 20, Xinhua)*

## Health, beauty drive and spend

Advertising spending rose 22 percent in China last year, powered by toiletries, health tonics and drugs. Total spending on mainstream media - TV, magazines and newspapers - reached 386 billion yuan (US\$48 billion) in 2006 according to Nielsen Media Research. The figure was based on published rate cards and didn't account for discounts that often range up to 50 percent. The figure also didn't include outdoor media and the Internet, two growth markets. Ad spending on all industries, except computers and accessory products, rose in the past year. The market was led by the pharmaceutical, toiletry, retailing and service sectors. Those industries accounted for more than half of total spending. *(Feb 14, Shanghai Daily)*



## 2008 Beijing Olympic Games

### Beijing Olympic Tickets to Go on Sale in April

Tickets for the 2008 Olympics will go on sale next month, but the buyers of tickets for some hot events will have to be decided by random draw, organizers said. Chinese nationals and foreigners residing in China can now register to book tickets online after the Beijing Organizing Committee (BOCOG) launched the official ticketing website ([www.tickets.beijing2008.cn/](http://www.tickets.beijing2008.cn/)). BOCOG released full details on ticket prices on the site and said ticket sales would be in three phases starting from April 2007. (Mar 9, Xinhua)

**Olympic Merchandise Sales to Net China Over 70m USD** Merchandise sales for the Beijing Olympics are likely to net China at least USD70 million, said Yuan Bin, director of marketing for the Beijing Organizing Committee for the Olympic Games. Yuan added that she is 'very optimistic' about reaching, or exceeding the 70 mln usd target. There are 130 enterprises licensed to produce goods for the 2008 Games. Over 4,000 licensed products are already on sale in 70 Chinese cities, and the total number of franchise stores is expected to rise to 2,000 by 2008 from 500 now, the newspaper added. (Mar 8, AFX)