

China Economic Headlines

Coming Events

July 25: Experience Israel- promotion of Israeli consumer brands in China

Trade Mission of Israel to China is going to promote Israeli brands in the consuming industry, focusing on three major sectors: food and beverages, wine and cosmetics. The activity will include a high-end event and one-on-one meetings with potential buyers and distributors. The event will be organized jointly with China Hospitality Association, China Wine Association, Beijing CCPIT, China Chain Store & Franchise Association, China Industry Association. We believe that this activity will be an excellent opportunity for Israeli consumer companies that are considering entering the Chinese market. If you are interested to participate in this project, please contact: +86-10-85320664, or send email to: chen.xinyu@israeltrade.gov.il

Oct 23 – 27: PT / Expo Comm China 2007 – The biggest Telecom Exhibition in China

Trade Mission to China is taking 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>. If any Israeli company is interested in participate in our booth, please contact: +86-10-85320664 , or send email to: luo.xia@israeltrade.gov.il.

General news on Chinese economy

Premier Wen urges further cool-down measures

Premier Wen Jiabao said on Jun 13 macro control measures should be further strengthened to prevent the fast-growing national economy from overheating. The monetary policies should be stable in general but "moderately tightened" to secure a stable and fast-growing economy. Wen said the country will continue to implement its current prudent fiscal and monetary policies. He called for fiscal policies to be more supportive of industrial restructuring. He said industrial production is growing at a rate that is faster than desired and the trade surplus is too big. (*Jun 14, Xinhua*)

China's monthly trade surplus soars to \$22.45 bln in May

China's trade surplus in May soared to 22.45 billion U.S. dollars, up 73 percent from the same period of last year, the General Administration of Customs said on Jun 11. The European Union remained China's top trading partner, with bilateral trade volume reaching 129.9 billion U.S. dollars in the first five months of 2007, up 29 percent from the same period of last year. The second comes the United States, with a trade volume of 115.17 billion U.S. dollars. (*Jun 11, Xinhua*)

China's CPI rises 3.4% and Inflationary pressure picks up

China's consumer price index (CPI) rose 3.4 percent in May compared with the same period of last. Food price hikes were still the leading driver of inflation.

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 Games

The food prices in May jumped 8.3 percent from a year earlier, up from a 7.1 percent increase year-on-year in April. Meanwhile, grain prices rose 5.9 percent, down from 6.1 percent from April. Food has long been a driving force behind China's CPI since it makes up a third of both consumer spending and the CPI basket, but economists worry that more and more food is being allocated to the production of bio-fuels. Though China's economy has grown at a brisk pace in the past four years, inflation has been kept in check. (*Jun 11-12, Combined sources*)

Morgan Stanley Bullish on China, Raises GDP Forecasts

Morgan Stanley upgraded its forecasts for China's 2007 GDP growth from 9.3 percent to 10.5 percent and consumer price index (CPI) inflation from 2.5 percent to 2.9 percent. The research also raised the 2008 GDP forecasts from 8.5 percent to 10 percent, stressing this is despite the upcoming round of macroeconomic tightening. (*Jun 20, Xinhua*)

Chongqing & Chengdu became two more reform cities following Shenzhen, Shanghai Pudong & Tianjin Binhai

China has selected southwestern Chongqing and Chengdu as pilot reform cities targeting coordinated rural and urban development through reforms in all sectors. A document issued by the National Development and Reform Commission (NDRC) urged the two cities to take the initiatives in pushing forward comprehensive reforms in order to achieve coordinated and balanced development between urban and rural areas. The NDRC also asked the two cities to lay out their detailed plans for the experimental areas as soon as possible. The final aim of coordinated rural and urban development is to make rural farmers and migrant workers able to enjoy the same rights, public services and living conditions as urban residents do. They are just two more pilot reform cities following southern Shenzhen, eastern Shanghai's Pudong New Area and northern Tianjin's Binhai New Area. The two pilot cities have pledged to carry out reforms in such areas as household registration systems, land management, social security and government administration. (*Jun 11, Xinhua*)

High-tech products nearly 30% of China's foreign trade

China's export and import of new- and high-tech products amounted to 232.5 billion U.S. dollars, or 29 percent of the nation's total foreign trade, in the first five months of this year, according to latest data provided by the Ministry of Commerce. The trade volume was 20.2 percent higher than the same period of last year, ministry sources said. (*Jun 17, Xinhua*)

Israel-China Bilateral Relations

Huawei Name Optibase Bid Winner for IPTV Encoder Systems

Huawei Technologies and digital video leader Optibase Ltd announced an alliance to provide integrated TV over IP services. Huawei selected Optibase's Media Gateway (MGW) platforms to provide advanced MPEG-4/H.264 encoding and streaming as part of their IPTV offering, thus giving their customers a competitive edge. (*Jun 19, c114*)

IDE Technologies signs \$100 million China deal

IDE Technologies Ltd., a joint venture between Israel Chemicals Ltd. and Delek Group Ltd., has won a \$100 million tender to build China's biggest desalination plant. The plant will have the capacity to desalinate 100,000 cubic meters of sea water daily for use as drinking water in the city of Tianjin and by a power station 200 kilometers northeast of Beijing. The plant, comprising four units each with a capacity of 25,000 cubic meters, will probably begin operating by the end of 2008, using multi-effect distillation technology, IDE said. The new

plant will also use a new technology that takes the brine removed from sea water and turns into table salt. (*Jun 11, Jerusalem Post*)

China's HomeBuy Selects Retalix POS, Headquarters and Loyalty Solutions

Retalix Ltd., a global provider of enterprise-wide software solutions for retailers and distributors, announced today that HomeBuy Houseware Inc., one of China's leading home furnishing and DIY retailers, has selected Retalix solutions to automate, optimize and synchronize its rapidly growing retail operations. HomeBuy operates 60 stores in Shanghai and Eastern China. The stores offer a variety of housewares, hardware, materials and garden supplies. The chain plans to open more than 400 stores in the coming five years. HomeBuy will install a synchronized retail solution from Retalix, which includes Retalix StoreLine point-of-sale (POS) and back-office applications at the stores, pre-integrated with Retalix HQ StoreLine and Retalix Loyalty and Promotions at the chain's headquarters. (*Jun 11, Retalix*)

News on various sectors

Consumer Goods

China investigating alleged GM ingredients in food products of two foreign firms

The Ministry of Agriculture (MOA) said on Jun 15 that it is investigating allegations that food products of two foreign firms contain genetically-modified (GM) ingredients. Greenpeace said on Jun 14 that GM ingredients were detected in four snacks made by Japan's Ezaki Glico Co. and one by Germany's Metro Group, according to tests on 21 products sampled in supermarkets in Beijing, Shanghai and Guangzhou. GM agricultural products must obtain a license from the MOA and have identification labels on their packages before they can be sold on the Chinese market. Yet, there are no laws to restrict GM ingredients in biscuits, cookies and other snacks at present in China. (*Jun 15, Xinhua*)

China's Agricultural Trade Deficit Hit 100 million USD from Jan.-Apr.

From January to April, China's exports and imports of agricultural products totaled 11.48 bn and 11.58 bn USD respectively, up by 23.9% and 10.4% over the same period last year, which resulted in a 100 mn USD of trade deficit in China's agricultural products. Exports of Horticultural products were increased at a high rate while that of aquatic products rose at a slower pace and exports of livestock and poultry products were under recession. (*Jun 13, MOFCOM*)

Environment & Energy

Sino-overseas JVs granted oil products wholesale licenses

China has granted oil products wholesale licenses to Sino-overseas joint ventures for the first time, according to the Ministry of Commerce (MOFCOM). The two firms are Sinopec SenMei (Fujian) Petroleum Co., Ltd. and Fujian Refining & Petrochemical Co., Ltd. Sinopec holds a 55 percent stake in Sinopec SenMei and ExxonMobil and Saudi Aramco hold 22.5 percent each. Fujian Petrochemical Co., Ltd., a subsidiary of Sinopec, holds a 50 percent stake in Fujian Refining & Petrochemical and ExxonMobil and Saudi Aramco hold 25 percent each. Analysts said the move would help foster a more competitive oil products wholesale market where around two thirds of the oil products wholesalers are run by the nation's two oil giants, namely the China National Petroleum Corporation and China Petrochemical Corporation, better known as Sinopec. (*Jun 11, Xinhua*)

IT & Telecom

3G

Shanghai to launch 3G phones based on TD-SCDMA

Shanghai will launch 3G service based on the home-grown technology in the first quarter next year, later than industry expectation of October. Construction of the TD-SCDMA network covering the Inner Ring region is scheduled to be done in October and China Mobile will test the network until the end of this year. (*Jun 14, Shanghai Daily*)

Carriers

China Mobile to raise \$6b in Shanghai stock offer

China Mobile plans to raise more than \$6 billion in a stock offer in Shanghai as early as July that would be China's largest-ever, Reuters reported. The final fund-raising figure will depend on market conditions and regulatory approvals, the sources said, but it is certain to exceed China's previous record of \$6.1 billion raised last year by the country's biggest lender - ICBC. The funds will be used for rapid expansion of its network and technological development and the construction of the 3G network. (*Jun 20, C114*)

China Telecom & China Netcom to Take over Unicom's Mobile Networks

The State-owned Assets Supervision and Administration Commission (SASAC) has approved the dividing of China Unicom between the two dominant fixed-line carriers, China Telecom Corp and China Netcom Corp, according to Shanghai Securities News. The long-expected industry restructuring before the issuance of 3G licences in the country would allot Unicom's struggling CDMA network to China Telecom, the largest fixed-line operator, and the profitable GSM network to Netcom, the report said, citing unidentified sources. It also said China Mobile, the largest mobile-telephone operator, would get a small fixed-line network by buying the assets of China Railway Communications, creating three dominant national telecommunications players with wireless and fixed networks. (*Jun 10, scmp*)

Electronics

Microsoft to buy shares in China TV giant Changhong Electric

Microsoft China is buying 15 million shares of China's Sichuan Changhong Electric, one of the mainland's largest television makers. Microsoft will pay 94.05 million yuan for the shares at a price of 6.27 yuan each and they will not be tradable for 36 months from the end of Changhong's non-public offering of 400 million shares, a statement from Changhong said. Changhong is raising 2.5 billion yuan to develop its plasma display panel (PDP) production line by selling 400 million shares for no less than 6.27 yuan each. Microsoft signed a memorandum of understanding with Changhong on Friday to cooperate in products that connect televisions with computers and the Internet, according to the statement. In 2004, Changhong and Microsoft signed an agreement to cooperate in the field of multimedia, which Changhong said would help consolidate and develop its market share in China's multimedia market. (*Jun 18, Xinhua*)

China approves sale of Midea Electric stake to Goldman Sachs

China's Ministry of Commerce agreed in principle the sale of almost 76 million yuan-denominated Midea Electric shares to GS Capital Partners Aurum Holdings, a fully-owned subsidiary of Goldman Sachs Group Inc, the Chinese home-appliance maker said on Jun 15. Last November, Shenzhen-listed Midea Electric announced plans to sell 75.6 million shares at 9.48 yuan per share to

the U.S. company to raise 717 million yuan (93 million U.S. dollars) to payback debt and increase capital reserves. The plan is still subject to approval by the state securities regulator. *(Jun 15, Xinhua)*

Gateway Schedules Entry Into Chinese Market, Finally

Gateway, the third largest PC manufacturer in the United States, will come to China in August 2007 with Digital China as its general agent in the country. In December 2000, it was rumored that Gateway would land in China with its China headquarters located in Shanghai. However, it is only seven years later that the company has taken a tangible step in marching into the fierce China computing market, where margins are slim. *(Jun 12, ChinaTechNews)*

Digital Television Alliance Set Up In Beijing

More than 100 enterprises and research institutions that own the core technologies surrounding digital television have set up a digital television alliance in Beijing. The Digital Television Alliance consists of 8 work teams and 135 members, including Tsinghua University and Haier Group. Each of these members is not only proficient in digital television standards, chips, terminal products, programs, transmission or signal reception displaying, they also own some self-owned intellectual property technology. They estimate that the sales revenue from China's digital television industry will reach RMB650 billion by 2010. *(Jun 12, ChinaTechNews)*

OMRON Opens New Shanghai R&D Facility

Japan's OMRON Corporation has unveiled the OMRON R&D Collaborative Innovation Center, its first major R&D facility outside Japan. The OMRON R&D Collaborative Innovation Center will initially house the Omron Institute of Sensing & Technology (Shanghai) Co., Ltd., whose researchers are focusing on vision sensing, including facial recognition, and control technologies that equip machines with near-human levels of judgment. The Center will also welcome outside researchers and students working in related fields from Shanghai Jiaotong, Tsinghua, Xi'an Jiaotong, Zhejiang and other Chinese universities as part of Omron's commitment to collaborative innovation. Initially, around 100 researchers will be engaged in research on approximately 30 different themes. The numbers of both personnel and research themes will double by FY09, and grow further as internal business divisions set up individual research units in the Center. *(Jun 12, ChinaTechNews)*

Equipment Manufacturers

Sales of China's Top 100 Electronics Firms Exceed 1 Trillion

Sales of China's top 100 electronics companies soared 16.9 percent year-on-year to 146.9 billion U.S. dollars in 2006 as market demand was boosted by greater disposable incomes, according to the Ministry of Information Industry (MII). Legend Holdings Ltd., the parent company of China's largest personal computer maker Lenovo Group, topped the sales list. Its sales hit 138.9 billion yuan, followed by 108 billion yuan in sales posted by Haier Group. Haier Group led others in research and development spending last year. The electronic appliance maker spent 6.7 billion yuan on R&D, followed by 5.9 billion yuan of Huawei Technologies, the nation's leading telecommunications equipment provider. *(Jun 7, Xinhua)*

China's Datang Secures Funds to Build 3G Networks

China's Datang Telecom, a developer of the country's indigenous technology for 3G mobile communication, will receive a bank loan of 30 billion yuan (3.9 billion U.S. dollar) to build TD-SCDMA networks. The loan from the China Development Bank will provide long-term financial support for the construction of large-scale TD-SCDMA networks, including in Olympic venues such as Beijing and Qingdao. Industry insiders believe the loan will help ease the

financial bottleneck that has long bedeviled Datang, which co-developed TD-SCDMA together with the China Academy of Telecommunications Technology and Siemens. (Jun 21, Xinhua)

Sony Ericsson makes China its global manufacturing base

Sony Ericsson started construction of a new factory on Jun 18 in Beijing in a move to make China its global manufacturing base. The new factory, covering an area of 18,500 square meters, will manufacture mobile handsets and assemble surface mounted circuit boards to meet growing market demand. Gunilla Nordstrom, president of Sony Ericsson China, said the establishment of the new factory would contribute to the consolidation of China's status as the company's strategic development base. China is Sony Ericsson's sole strategic development base whose business covers design, manufacturing, sourcing, research and development, as well as global sales and marketing. (Jun 18, Xinhua)

ZTE, China Mobile Sign 3G Equipment Order

ZTE Corp said it signed a 2.37 billion yuan (US\$310 million) contract to build a high-speed wireless network for China Mobile Communications Corp, according to Bloomberg on Jun 11. ZTE will supply mobile-phone network equipment based on TD-SCDMA technology, worth about 2.13 billion yuan, to China Mobile Communications. The rest of the order covers services. In the same day, ZTE Corp said it is increasing orders for semiconductors from Qualcomm Inc to US\$500 million from US\$300 million. The orders cover purchases for a two-year period ending in 2007. The decision to increase the orders followed a visit by ZTE to the US. (Jun 11, Shanghai Daily)

Ericsson's Signing US\$1 Billion Contract with China Mobile

Ericsson signed a US\$1 billion GSM expansion framework deal signed with China Mobile on Jun 11 in Sweden under the witness of Chinese President Hu Jintao, Swedish Prime Minister Fredrik Reinfeldt, and Wang Jianzhou, chief executive of China Mobile Communications Corporation, and Carl-Henric Svanberg, president and CEO of Ericsson. Ericsson's commitment to operations in China is reflected by its continuous increase in local sourcing, up to US\$2.5 billion in 2006, and growing export opportunities, with US\$1.6 billion in exports last year. Under the new framework agreement, Ericsson will supply core and radio network equipment, along with related technical support and services, to expand China Mobile's GSM coverage in 19 regions of China. (Jun 11, ChinaTechNews)

Internet

Google to Put Itself In Sina's Box

Chinese Internet portal Sina.com and Google have inked a strategic agreement. Google's web page search service will be embedded in Sina's search box, allowing users to switch between online content and web page search. In the near future, the companies say they will expand their cooperation into news and other content areas to provide Chinese users with a deeper search experience. (Jun 11, ChinaTechNews)

Policies

MII Publishes 130 Detailed Rules For 3G Development

The Ministry of Information Industry of China has just published a total of 130 detailed rules on the three main 3G technology area of CDMA2000, WCDMA and TD-SCDMA. These rules are regarded as the recommended standards for China's 3G industry, and are not legal statutes. The 130 rules, which were fully approved on May 25, 2007, have been issued to each affiliate of MII at various levels, communications management bureaus and China's six major basic

telecom operators. They have been formally put in force, since the date of issuance and are said to be a roadmap for China's 3G development. On May 16, MII confirmed that it would accept WCDMA and CDMA2000 as China's 3G industry standards. Coupled with TD-SCDMA, which was made an industry standard in January 2006, China now has three 3G standards. (*Jun 14, ChinaTechNews*)

Telecom

China Leads in Telecom Penetration, Revenue

China and India remain Asia-Pacific's major telecommunications growth engines, with China leading in terms of telecom penetration and revenue, according to a report by Ernst & Young released lately. But the Asian giants still have common nut to crack: realizing the full growth potential of rural consumers. In 2006, China's telecom penetration was three times that of India, while China's telecom revenues reached \$83 billion, four times that of India. By 2010, the Asian mobile industry will be home to more than half of global mobile subscribers, up from 1 billion subscribers in 2006. China, India, Thailand, Indonesia and Vietnam - countries where penetration is still low -present enormous growth potential. India and China will be the top two markets worldwide in terms of annual mobile net additions in 2007, with between 64 million and 70 million new subscribers, followed by Russia, the US and Brazil. (*Jun 20, China Daily*)

Rumor: WCDMA Network Will Be Transformed To TD

Local media is swirling with rumors that part of the WCDMA trial network built in southern China will be transformed into a TD-SCDMA network in order to offset any loss from dismantling the network and to save resources. In 2006, the Ministry of Information Industry received complaints from companies that some operators were secretly building a WCDMA trial network in Guangdong, Hunan and Jiangxi in southern China without approval. Later, MII halted the construction of the WCDMA network in these areas and asked for part of the network to be dismantled. However, there has been no detailed information on the progress of the dismantling until a recent conference where experts disclosed that the WCDMA network in some of the cities has been reconstructed into the TD-SCDMA network. (*Jun 14, C114*)

Wireless Coverage System Supplier Xingchen Communications Plans Hong Kong IPO

Xingchen Communications, one of the three main wireless coverage system suppliers in China, will soon initiate its initial public offering in Hong Kong to raise about US\$100 million for developing 3G services. The company's exclusive sponsor for the IPO will be JPMorgan. The other two Chinese domestic wireless coverage system suppliers, Comba Telecom System Holdings and China GrenTech, have already listed in Hong Kong and NASDAQ, respectively. Xingchen Communications mainly provides wireless coverage for regions that have weak signal or no signal, like the mountainous areas, tunnels and expressways. Its main clients include China Mobile and China Unicom. In 2006, Xingchen Communications achieved RMB134 million in net profit, which was an increase of 131% over the same period of the previous year. (*Jun 12, ChinaTechNews*)

New mobile policy may sting WAP providers

Interest of China's wireless services providers has been heavily hit by a policy change from China Mobile. Under the new policy, whenever a mobile subscriber attempts to load a WAP content page from a third-party such as KongZhong Corp., Linktone Ltd. or Hurray! Holding Co. using China Mobile's GPRS network, a warning message flashes, requiring the user to confirm that they intend to navigate outside of China Mobile's Monternet network, and

notifying the user that there may be additional charges involved. This new policy stings the NASDAQ-listed, value-added services providers who are strong in WAP content, particularly KongZhong and Sina. Those smaller companies that provide free WAP services to consumers are reportedly losing as much as 60 percent of the traffic they would typically receive from China Mobile subscribers. (*Jun 12, Shenzhen Daily*)

Other

China's WVAS market to reach \$15b in 2008

China's wireless value-added services (WVAS) market is expected to generate a value of \$15 billion in 2008, and eventually reach \$21 billion in 2010, a report by research firm Juniper Research said. Juniper said currently, 2G and 2.5G-based services such as mobile phone short messaging and ringtone downloads are major revenues source of China's WVAS market. And with the availability of 3G telecoms services, more mobile subscribers will use functions for downloading music, games and videos in the future, the research firm said. (*Jun 14, C114*)

Medical & Healthcare

Private Fund buys pharmaceutical firm

H Fund, a private equity fund led by Legend Holdings and Goldman Sachs, has acquired the sixth-largest Chinese pharmaceutical company, an indication of intensifying industry consolidation in the world's most populous country. The government of Shijiazhuang city in Hebei Province said on its website that it had sold its wholly owned Shijiazhuang Pharmaceutical Group (SPG) to a group of investors led by Legend Holdings, parent of Lenovo Group, the largest Chinese computer maker. It was the second pharmaceutical investment by Legend Holdings and the third-largest pharmaceutical takeover in China in the past year. (*Jun 19, China Daily*)

Specific HIV-infected people increased

Wang Pangde, vice health minister and a director of China Integrated Programs for research on AIDS, said that the situation of AIDS epidemics has become more and more serious in recent years, and that young people have become China's main HIV infected group. According to latest statistics, China has 203 thousand HIV-infected people, and some 16 thousand have died of AIDS. More ordinary people are likely to be infected by AIDS. (*Jun 19, Chinanews*)

China Aoxing Pharmaceutical Company Receives Approval for Clinical Study of Codeine Phosphate for Cold & flu treatment

China Aoxing Pharmaceutical Company, Inc., a China-based pharmaceutical company specializing in analgesics and pain management products, including Oxycodone, Pholcodine, Naloxone, and Tilidine, announced that it received formal approval from the China SFDA for the clinical study of Codeine Phosphate Compound Medicine for cold and flu treatment. While Codeine Phosphate is widely used and considered effective in cold and flu treatment in Western countries, it just became available in China in 2006. China Aoxing is one of only two drug makers developing this medicine in China. The company will commence a clinical study of the Codeine Phosphate Compound Medicine in the early fall of 2007 to test efficacy and safety in China. The clinical study is a multi-center randomized, double-blind, controlled trial, involving 300 patients, and is expected to be completed in early 2008. (*PRNewswire Jun 12, 2007*)

China Halts Production, Sales of Novartis Drug for Irritable Bowel Syndrome

China's drug watchdog SFDA on 8 June ordered domestic companies to stop producing and selling Novartis AG's Zelnorm for irritable bowel syndrome and warned patients to stop taking it.

The agency said China's National Center for Adverse Drug Reaction Monitoring has received 98 reports of adverse reactions from Zelnorm since it was introduced to the Chinese market in 2003. Most involved diarrhea and nausea, with one reported case of abnormally fast heartbeat and another of low blood pressure. *(AP June 10, 2007)*

Imaging Diagnostic Systems (IMDS) Laser Breast Imaging Technology Presented at China's Leading Breast Disease conference

Imaging Diagnostic Systems, Inc., a pioneer in laser optical breast imaging systems, participated in the 2nd National Imaging Diagnostic Conference on Breast Disease in Qingdao, China, May 25-27. The Conference is considered the most important venue on breast disease in China.

IMDS has received approval for the CTLM system from the China SFDA. As announced previously, according to the Beijing Municipal Commission of Development & Reform and the Beijing Municipal Health Bureau, CTLM procedures may be priced up to RMB300 (\$38 at the current exchange rate) per breast as listed on the "Interim Procedures for Beijing Medical Service Price" schedule. *(PRNewswire Jun 10, 2007)*

Charles River Labs Enters CRO Joint Venture With Shanghai BioExplorer

Charles River Laboratories (CRL) will begin operating in China, establishing a joint venture with Shanghai BioExplorer Co., Ltd, a Shanghai company that provides pre-clinical CRO (Contract Research Organization) services. As one of the top two U.S. CROs, the menu of Charles River offerings are somewhat larger than BioExplorer's, although these will be expanded to meet the stated goal of supporting its customers' needs, from drug discovery through proof of concept on a global basis. The Chinese enterprise will be known as Charles River Laboratories Preclinical Services – China. Charles River, which will be the majority owner, will build a 50,000 square feet preclinical services facility in Shanghai. The new plant is scheduled to open in mid-2008.

(ChinaBio Today Jun 10, 2007)

Eli Lilly to Invest \$100M on Research

Eli Lilly & Co, one of the world's leading pharmaceutical firms, plans to pour \$100 million into China over the next five years to expand its drug research capacity in a bid to tap into the country's talent pool, its CEO said. The US drug maker will primarily beef up its research and development in biology, chemistry and clinical research areas. Eli Lilly is among the growing number of global pharmaceutical giants expanding their R&D capacity in China, drawn by the huge market and talent pool. Swiss drug maker Novartis AG last year announced it will open a \$100 million research center in Shanghai this year. Roche Holding AG, another Swiss drug maker, already has a research facility in the country. AstraZeneca Plc, Britain's second-largest drug maker, last year said it will spend \$100 million in the next three years in China on research. The country's drug market, one of the world's fastest-growing, is projected to expand 16 percent to about \$16 billion this year, while worldwide drug sales will rise 6 percent to \$685 billion, says research firm IMS Health Inc. China is expected to become the world's seventh-largest pharma market by 2010 and the second-largest by 2020, according to IMS. *(Jun 7, China Daily)*

China's pharmaceutical industry to be reshuffled

With the implementation of such policies like cutting down drug price and prescription management, China's pharmaceutical industry will score a trend of aggravated decline of profitability, but some new profit growth points of the industry will keep emerging. It foretells that a great reshuffling of the

pharmaceutical industry is coming, said market analysts here. The report on Development of China's Pharmaceutical Industry in 2006 publicized by the National Development and Reform Commission recently shows that China's pharmaceutical industry witnessed increases to different extent in sales revenue, profits and exports in 2006, but the profitability of some sub-sectors presented a trend of continuing decline. The industry's sub-sectors include crude chemical drug industry, chemical drug preparation industry, biomedicine industry, medical apparatus industry, Chinese patent medicine industry and veterinary medicine industry. Sales revenue and gross profits of these sub-sectors had different growths in 2006. Among them, the sub-sector of medicine article and medical apparatus had the biggest growth in profits, which were 51.39 percent and 26.37 percent respectively. (Jun 1, ChinaonTV)

Others

China's energy-efficiency drive to create lucrative building market

China's construction material industries have a potential market of 197.3 billion U.S. dollars in the next ten years as the government implements its policy to build an energy-efficient society. "Energy-saving and environment-friendly green buildings will develop into a big industry as the government has pledged that half of China's urban buildings will be energy-efficient by 2010," said Vice Minister of Construction Qiu Baoxing. Currently, energy-efficient buildings account for less than one percent of the total in China. Experts say the industry will drive rapid development of sectors such as heat insulation, gardening, and solar heating materials, and energy-saving doors, windows, lamps, home appliances and the transformation of existing buildings. The Ministry of Construction will soon formulate a series of preferential policies in taxation and bank loans with the finance and taxation ministries to promote the construction of green buildings. Meanwhile, the ministry would encourage private and foreign investment in the installation of energy-saving technologies and materials in existing buildings. (Jun 21, Xinhua)

Overseas enterprises must pay land use tax

A newly-revised land regulation means that foreign-backed enterprises using land in Beijing must pay a land-use tax. According to the revised standard, the land use tax now has been tripled, and ranges from 1.5 yuan to 30 yuan per square meter for large cities; from 1.2 yuan to 24 yuan for medium-sized cities; from 0.9 yuan to 18 yuan for small cities; and from 0.6 yuan to 12 yuan for small towns and mining regions. The new regulation is part of an effort to control the excessive expansion of construction, together with serious land resource abuses in some regions and industries. (Jun 18, China Daily)

HK-Shenzhen industry venture to be operational October

A joint venture by the Hong Kong Productivity Council, the special administrative region's major industry support service provider, and the Productivity Promotion Center of Shenzhen government is expected to be operational this October. The aim of the joint venture is "to further support the development of manufacturing and science and technology enterprises in the Pearl River Delta area". The joint venture will soon house six service and supporting centers. They include: an environmental protection technology center, electronics and automotive technology center, software and digital entertainment industry center, technology transfer center, management consultation center and intellectual property and brand-building center. The services provided will include technology commercialization and business matching, product development and technology consultancy, standards and quality testing, training, business consultancy as well as the promotion of Hong Kong's professional services. (Jun 15, China Daily)

Foreign investment in real estate regulations issued

China's Ministry of Commerce listed a number of measures to ensure control over direct investment of foreign fund in the real estate sector, as the country strives to avoid international speculative money to create bubbles in the sector. Local commerce departments should strictly limit foreign investment in luxury real estate. It reiterated foreign investors need to establish a real estate company before they can invest in real estate projects, and they should also get approvals from relevant department to expand their business scope in order to invest in new real estate projects. The ministry said foreign investors are not allowed to bypass the above regulations by investing in domestic real estate companies via acquisition or changing the real controller of the domestic companies. *(Jun 14, Xinhua)*

China's largest bonded harbor area begins to take form

The Dongjiang Bonded Harbor Area, set in Tianjin Harbor, has been officially authorized to become a bonded harbour area, the Shanghai Yangshan Bonded Harbor Area. This is the largest one to date. With the State Council's permission, Tianjin's Dongjiang Bonded Harbor Area will enjoy the same preferential policies as Shanghai's Yangshan Bonded Harbor Area. Goods that enter the port will be bonded, and goods that leave the port to enter the mainland for sale will follow the same regulations that are for imports. Goods will also be taxed according to their existing state. Domestic products that enter the bonded area will be treated as exports and have the right to claim a tax rebate and companies in the area, when doing business with each other, do not have to pay increment duties and sales taxes. Dongjiang Bonded Harbor Area will have more privileges than Yangshan Bonded Harbor Area. For example, it will undergo port managerial experimental reform, explore special customs regulation reform, new finance reforms and innovations, as well as develop offshore businesses. *(Jun 12, People's Daily)*

More foreign companies invest in Shenzhen

A total of 1,229 foreign-funded companies were registered in south China's Shenzhen city in the first five months of the year, up 12 percent as against the same period of last year. The new companies, with registered assets of more than one billion U.S. dollars, are expected to invest 1.36 billion U.S. dollars mainly in the manufacturing industry, retail and wholesale businesses, and science and technology, according to the Bureau of Industry and Commerce of Shenzhen, China's first pilot reform city. *(Jun 12, Xinhua)*

China buys French flight simulator

The General Administration of Civil Aviation of China (CAAC) and China Aviation Supplies Import and Export Group Corporation (CASC) signed a contract to buy a set of full-operational Airbus A320 flight simulator from Thales Group, an international electronic and systematic solution provider. "Today's event is a reflection of our high-speed growth in the China market," said Jean-Paul Perrier, executive vice president of Thales. "We've delivered and received orders for more than 20 sets of the simulators. Our buyers here include Sichuan Airlines and Shenzhen Airlines. China has become one of our largest client destinations." Vice chairman of CAAC Li Jian said his bureau chose Thales for its expertise and professionalism as a leading simulator supplier of the world and he hoped there could be further cooperation between the two sides. *(Jun 11, China Daily)*



2008 Beijing Olympic Games

A new official website of the BEIJING 2008 Olympic Games goes online

A brand new official website of the BEIJING 2008 Olympic Games was launched on 12 June. The new site is based on a solid foundation of quick Games-time turnaround making use of mature, mainstream technology, an elegant color scheme and tasteful design, and clear and simply organization for ease of use. (www.beijing2008.cn 2007-06-12)

Un-manned trains to operate at new airport terminal building

The Mass Rapid Transit System, or MRT has begun a trail operation at Beijing Capital International Airport's new terminal building 3 on 12 June. The airport has purchased 11 un-manned small trains to transport passengers within the new terminal building. The light railway project been built between Dongzhimen and the Capital Airport will adopt the same style of train.

(CRI 2007-06-13)

Beijing to Be Surrounded with Parks by 2008

Thirty more parks will be built on the outskirts of Beijing by 2008, as part of a green belt construction plan that will kick off this month, according to the city's development and reform commission. The 30 new parks, with a combined space of 1,340 hectares, will be built every three kilometers along the northeast section of the 5th Ring Road and the southwest section of the 4th Ring Road, a spokesman of the commission said. (*Xinhua News Agency June 6, 2007*)