

# China



For China's President Xi Jinping, elected to power in November 2012, everything should have looked pretty rosy. Described by one observer as 'this child of privilege' he is probably the most powerful leader in China since the death of Deng Xiaoping in 1997. But it is not only China's economy that has changed beyond recognition in those fifteen years. So has the world's most powerful political structure. The events that characterised the run-up to Xi's election were the stuff of political melodrama: the old school 'purging' of Bo Xilai, once considered a front runner for the succession, the 'show trial' and strange sentencing of Bo's wife for her part in the murder of a British businessman, the meting out of more than occasional death sentences and even the apparent – if temporary – unexplained disappearance of the leader elect himself. Vested interests – low expectations

Surrounded and trained for most of his life by apparatchiks emanating from a relatively small number of families, Mr Xi could hardly be expected to spring any surprises on China's Communist party. A report by Michael Sheridan in the London *Sunday Times* concluded that 'China is ruled by about 350 families behind its

façade of an authoritarian one-party state.' Mr Sheridan went on to note that 'Ironic Chinese will say it's an improvement on the days when only about four families plundered Chiang Kai-shek's doomed republic.' The *Sunday Times* article – which was by no means aimed at a specialist audience – blew the gaff on some troubling aspects of Chinese government practices that would not have made happy reading for Mr Xi. It continued: 'The régime spends more on internal security than it does on defence.' There was more: 'thanks to the companies registry in Hong Kong and diligent journalism exposing the wealth of the leaders' families, we now understand how profoundly corrupt the system is. Far from being a team of rivals, it is a snake-pit of vested interests.'

A characteristic of twenty-first century Chinese politics is the increasing pre-eminence of a new aristocracy, commonly known as the 'princelings'. Whatever their divergences, the princelings nevertheless have an awful lot in common. As the children of senior political figures, they went to the same schools, socialised together and during the Cultural Revolution had joined Red Guard groupings.

## KEY FACTS

**Official name:** Zhonghua Renmin Gongheguo (Zhongguo) (People's Republic of China)

**Head of State:** President Xi Jinping (from 15 Nov 2012)

**Head of government:** Premier of the State Council Xi Jinping (from 15 Nov 2012)

**Ruling party:** Zhongguo Gongchangdang (Chinese Communist Party) (CCP)

**Area:** 9,596,961 square km

**Population:** 1.35 billion (2012) (1,337,400,000; 2010, census figure)

**Capital:** Beijing (Peking)

**Official language:** Putonghua (Mandarin Chinese – Beijing dialect).

**Currency:** Yuan (Renminbi) (Rmb) = 100 fen

**Exchange rate:** Rmb6.13 per US\$ (Jul 2013)

**GDP per capita:** US\$6,076 (2012)\*

**GDP real growth:** 7.80% (2012)\*

**GDP:** US\$8,227.04 billion (2012)\*

**Labour force:** 779.95 million (2009)

**Unemployment:** 4.10% (2012)\*

**Inflation:** 2.65% (2012)\*

**Oil production:** 4.16 million bpd (2012)

**Natural gas production:** 107.20 billion cum (2012)

**Balance of trade:** US\$317.60 billion (2012)\*

\* estimated figure

Despite concerns over their prominence – in business as well as in politics – the princelings, who number in their hundreds rather than in their thousands, have an increasingly important influence and voice in the direction to be taken by their country.

In November 2012 the 2,268 delegates to the 18th Party Congress knew what to expect. The identity of the ‘princeling’ who came out on top surprised no-one. Xi Jinping was from a predictable mould: his father had been a leader of the first generation of Communist leaders. The 59 year-old’s appointment as head of the party and State president had long been expected. He had been tipped to succeed Hu Jintao for some years once he gained the support of Vice President Zeng Qinghong, another princeling enjoying a privileged inside track. Mr Xi’s father, an establishment figure who had been a military commissar, governor, vice premier and a pioneer of economic changes, had arranged for him to go to university during the Cultural Revolution (no mean feat as studying was perceived to be a bourgeois activity). On leaving university, Mr Xi senior found his son a none too demanding post as secretary to one of China’s military leaders. From there Mr Xi went into local government, where he promptly ran foul of a provincial leader. Daddy came to the rescue yet again, arranging a transfer

to a province conveniently run by one of his cronies. Mr Xi is rumoured to be more ‘human’ than his political confreres, but also has the reputation of being a cautious reformer who could continue to open up China’s economy.

The stuff of princely palaces, Mr Xi’s rise was at the expense of the initial favourite for the top job, Li Keqiang. Mr Li was known to be one of Mr Hu’s protégés, but was outgunned by Mr Xi’s better political connections. Mr Li is of the ‘Tuanpai’ faction, which holds views that differ with those of the princelings. Coming from a relatively poor background, being able to count on the support of Mr Hu just wasn’t enough. He lacked the family connections of his rival, as well as belonging to a rival faction of the communist party. He was known to favour further reforms. Mr Li is also respected as a seasoned political operator, able to memorise files and with a fluent command of English. As Prime Minister, the second top spot, he will take his seat on the all important seven man Standing Committee. The five runners up after Mr Li were, in order of seniority: Vice Premier Zhang Dejiang; Shanghai party boss Yu Zhengsheng (a 67 year old reformer, whose brother defected and betrayed China’s ‘mole’ within the CIA); propaganda chief Liu Yunshan, who had spent much of his career in the Communist Youth League of China

(CCYL) and was widely considered to be a Tuanpai official; Vice Premier Wang Qishan, who was appointed to a seat on the Communist Party’s top disciplinary body, enabling him to head up China’s anti-corruption agency; and Tianjin party boss Zhang Gaoli, who is known for his pro-market economic policy orientation, which had been especially evident in his leadership tenure in Shenzhen. Three further allies of the outgoing leader Hu Jintao – Li Yuanchao, Liu Yuandong and Wang Yang – all failed to make it on to the Standing Committee. Other key appointees were: Xu Shaoshi, head of the National Development and Reform Commission (NDRC), China’s principal planning organism; Harvard graduate Liu He, who was reported by the *New York Times* to be busying himself with Communist Party reform proposals; Zhou Xiaochuan, who was appointed governor of the People’s Bank of China (central bank); Shang Fulin who became head of the China Banking Regulatory Commission; Lou Jiwei, who took on the demanding position of finance minister; and Xiao Gang, the former head of the Bank of China, who became head of the China Securities Regulatory Commission.

### Politburo meeting

The June 2013 meeting of the Politburo also produced few surprises. President Xi was at pains to ensure that the Politburo’s 25 members did not go ‘off piste’, telling them that sticking to the party line was their first priority. Mr Xi’s exhortations did not come without a degree of irony – he stressed the need to push forward the campaign against corruption that he had launched upon becoming Communist Party leader in November 2012. As with the Vatican, another body that found itself with new leadership, it was unlikely that President Xi would come up with any real departure from established patterns. On the contrary, Mr Xi seemed to seek a return to strict adherence to the party line and the values that had once prevailed. In short, the plan was to reform China’s economy where necessary, but not to tinker with China’s sensitive politics. That it was the princelings who lead the race to send their children to expensive schools in the US and Europe and who had massive investments in overseas property was not considered to be a matter of public interest or even knowledge.

### A la recherche du temps perdu

Mr Xi put out a call for what he called the ‘New China Dream’, which would see

## KEY INDICATORS

## China

	Unit	2008	2009	2010	2011	2012
Population	m	1,328.02	1,334.74	1,337.40	1,348.12	*1,354.04
Gross domestic product (GDP)	US\$bn	4,401.60	4,909.00	5,878.30	7,298.10	*8,227.04
GDP per capita	US\$	3,315	3,678	4,382	5,414	*6,076
GDP real growth	%	9.0	9.2	10.4	9.2	*7.8
Inflation	%	2.9	-0.7	3.3	5.4	*2.6
Unemployment	%	4.2	4.3	4.1	4.1	*4.1
Industrial output	% change	9.3	9.9	12.4	–	–
Agricultural output	% change	5.5	4.2	4.3	–	–
Oil output	’000 bpd	3,795.0	3,790.0	4,071.0	4,090.0	4,155.0
Natural gas output	bn cum	76.1	85.2	96.8	102.5	107.2
Coal output	mtoe	1,414.5	1,552.9	1,800.4	1,956.0	1,825.0
Exports (fob) (goods)	US\$m	1,434,601	1,203,797	1,581,417	1,812,319	1,970,945
Imports (fob) (goods)	US\$m	1,073,919	954,287	1,272,238	1,569,850	1,653,347
Balance of trade	US\$m	360,682	249,509	254,180	242,469	317,598
Current account	US\$m	426,107	297,142	305,374	201,714	*213,700
Total reserves minus gold	US\$m	1,949,260	2,416,044	2,866,079	3,219,760	3,331,120
Foreign exchange	US\$m	1,946,030	2,399,152	2,847,338	3,197,491	3,311,589
Exchange rate	per US\$	6.94	6.80	6.77	6.56	6.30
* estimated figure						

China return to its (largely imaginary) historical place in the Oriental sun. The 'Dream' would somehow see China become a more patriotic country, putting Japan back in its place and overcoming menacing 'foreign' influences such as the Dalai Lama. This mild xenophobia was triggered by the painful fact that China now found itself lacking any obvious allies. Under new and unpredictable leadership, its last ditch supporter, North Korea seemed to have chosen to ignore Chinese admonishments over its nuclear weapons programme, placing the Chinese government in the strange situation of having to strike up new, unfamiliar alliances with former enemies such as South Korea.

### At least the economy's OK... just

2013 promised to be a worrying year for the Chinese economy and for its new leadership. What was once a mere 'target' of 7.5 per cent annual growth in gross domestic product (GDP) had, as depicted by an article in the London *Economist*, become a clear objective, the achievement of which was considered essential. Figures issued by the government in mid-July 2013 suggested that the economy would grow by exactly... 7.5 per cent. In the year's second quarter, growth had been 7.75 per cent. Rather surprisingly, domestic demand on its own would have generated a higher growth figure – of the order of 9.00 per cent. The brake being applied was that of weakened external demand. In its annual assessment of the Chinese economy, the International Monetary Fund (IMF) observed that China's growth had become 'too reliant on investment and an unsustainable surge in credit.' For its part the *Economist* article seemed to suggest that China's finance minister Lou Jiwei had rather lost his grip, one minute declaring that the goal for 2013 was only 7.00 per cent and even going so far as to say that a lower rate of 6.5 per cent would be acceptable. With impressive skill and speed, Mr Lou's comments were soon 'redacted', rapidly to be replaced by the re-statement of the 7.5 per cent growth target.

### Yuan up?

What had long been a bone of contention for China's competitors – the value of its currency – had effectively ceased to be a cause of friction by 2013. Pegging the yuan at 8.28 per dollar was for over a decade a central plank of China's economic policy. But by 2013 the yuan was allowed to float by a maximum of one per cent per day against a daily reference rate set by

the People's Bank of China (central bank). By May 2013 the rate had risen to 6.12 to the US dollar, an increase of 35 per cent in a decade. In the period from November 2012 to May 2013, the yuan had also risen by some 20 per cent against the Japanese yen. According to the Bank for International Settlements (BIS), since 2010 China's trade-weighted exchange rate had risen faster than any world currency – with the exception of the Venezuelan Bolivar Fuerte. Underpinning the yuan's rise were the obvious factors of China's sustained economic growth and the proposed economic reforms.

According to the Asian Development Bank (ADB) in its 2013 *Asian Development Outlook* China's high growth and low inflation in 2012 were expected to continue in 2013. China's growth slowed but none the less continued to impress when compared to other faltering BRICS (Brazil, Russia, India, China, South Africa) economies, not to mention the US and virtually every European economy. Consumption outpaced investment to play a major role in fuelling expansion. Reflecting China's emphasis on domestic demand, the current account surplus continued to decline relative to GDP, a trend that was expected to continue in 2013 and 2014. In the view of the ADB, the challenge confronting China was to implement the reforms adopted at the 2012 Party Congress to restructure the economy toward domestic demand and more inclusive growth.

### Economic performance

None the less, China's economic reform programme was more than timely. As the ADB noted, the Chinese economy was struggling in the face of a badly weakened external environment and a less than buoyant real estate sector. Economic growth slowed from 9.3 per cent in 2011 to 7.8 per cent in 2012, the lowest rate in the previous 13 years, but still higher than the government's target of 7.5 per cent. GDP growth picked up late in 2012, boosted by the stimulus measures adopted earlier in the year that included higher public spending, especially on infrastructure and fiscal incentives. Economic activity – particularly in manufacturing and in other industries – started to rebound in September 2012 in a trend that continued uninterrupted. Higher growth at 7.9 per cent in the fourth quarter of 2012 ended the pattern of deceleration that had persisted for no less than seven consecutive quarters. Higher salary and pension increases fuelled real income growth – up

by 9.5 per cent in urban areas and by 10.7 per cent in rural areas – lifting per capita income to US\$6,080 at the market exchange rate prevailing at the end of December 2012.

The slowdown in investment was due mainly to less-brisk growth of fixed asset investment, a major component of total investment, which had in turn resulted from falling investment in real estate triggered by government restrictions on the purchase of investment property. A rebound in apartment sales since July 2012, driven by higher incomes and stable prices, suggested improved momentum in a key sector of the economy, which augured well for higher growth in 2013.

### Industry slips

Growth by economic sector varied from 8.1 per cent in industry and services to 4.5 per cent in agriculture. Growth in the industry sector – by far the largest component of GDP – declined by 2.2 percentage points year on year, contributing the most to GDP deceleration. Growth in services suffered less than industry and growth in several high-end services including information, design and creative industry outperformed traditional services, suggesting an increased upward sophistication in the sector. Improved weather and government support to agro-services contributed to making agriculture the only sector in which growth actually accelerated in 2012. Measured by the consumer price index (CPI), inflation gradually slowed in 2012 from 4.5 per cent year-on-year in January to 2.5 per cent in December. For the year as a whole, CPI inflation declined to 2.6 per cent from 5.4 per cent in 2011. Improved supplies of food, mainly pork and better weather conditions contained the rise in food prices, the largest category in the CPI basket. The stabilisation of housing prices also contributed to the moderating trend.

China's fiscal policy supported growth through consumption subsidies and a more favourable fiscal treatment of the service sector and small and medium-sized enterprises. In 2012 the consolidated fiscal deficit was modest at 1.6 per cent of GDP and bank borrowing to cover it raised total domestic public debt, including local government debt, to 54 per cent of GDP. Fiscal expenditure grew by 15.1 per cent and revenue by 12.8 per cent. A gradual shift in the focus on social expenditure was reflected in higher levels of support for education, up by 28.3 per cent. On the revenue side, corporate income tax collection increased by 17.2 per

cent in line with improved enterprise profitability, while individual income tax revenue declined by about 4 per cent following the late 2011 increase in the income threshold at which individuals pay taxes.

### Property tax

With taxation at the forefront of the reform agenda, the government announced plans to expand property taxes that had been piloted in Shanghai and Chongqing to other cities and gradually establish a nationwide property tax system to keep real estate from overheating and provide a steady income to local governments. Similarly, the trial replacement of the business tax with a value-added tax (VAT) was extended to new provinces and municipalities. The programme covered telecommunications, rail transportation, construction and business services. The ADB considered that China's monetary stance was accommodative in 2012. Lower inflation and declining growth prompted the central bank to cut both the one-year benchmark interest rate and the reserve requirement ratio twice in 2012.

The ADB noted that in 2012 China's central bank began implementing a multi-year financial reform plan aimed at liberalising exchange and interest rates, gradually opening the capital account and moving from quantity-based to price-based tools of monetary policy. A deposit insurance scheme was planned to complement more liberal interest rates. Moreover, a special zone in Shenzhen would pioneer a direct cross-border yuan-denominated lending pilot scheme with Hong Kong. Terms and interest rates would be set independently in line with efforts toward instituting greater interest rate flexibility and full convertibility. This measure – together with the doubling of the currency trading band to one per cent in 2012, which introduced more flexibility in the country's exchange rate regime – would further boost the internationalisation of China's currency. Reflecting this added flexibility, the ADB calculated that the yuan had appreciated in 2012 by an annual average of 2.4 per cent against the US dollar and 10.6 per cent against the euro. In real effective terms the currency had appreciated by 5.9 per cent in 2012 and by 9 per cent since 2010, which may have had implications for general competitiveness.

China's trade flows grew more slowly in 2012, registering for the first time a slower increase than the government's target: 6.2 per cent vis-à-vis 10.0 per cent.

Weaker demand from major trading partners depressed export growth to 7.9 per cent based on customs data, down from the 20.3 per cent recorded in 2011. Exports nevertheless performed better than imports – which grew by only 4.4 per cent, compared with 24.9 per cent in 2011 – widening China's trade surplus to US\$233 billion, up from US\$158 billion in 2011, or below 3 per cent of GDP. The services account remained in deficit as payments for tourism, transportation and insurance exceeded receipts. These developments shrank the current account surplus to 2.6 per cent of GDP in 2012 from 2.8 per cent in 2011. Owing to the attractiveness of the Chinese market, foreign direct investment (FDI) inflows were less affected than trade by the generally unfavourable external environment, declining by only 3.7 per cent from a year earlier at US\$112 billion. China's foreign exchange reserves grew by 3.1 per cent to US\$3.3 trillion in 2012.

### Economic prospects

In making its forecasts for the Chinese economy, the ADB assumed that the US economy would continue its slow recovery and that the euro-zone would avoid a worsening of its debt crisis and increased public spending in China itself would both improve living standards and boost consumption. Against this backdrop and following the rebound in economic activity seen since September 2012, growth was expected by the ADB to continue picking up in the first half of 2013 and stabilise for the remainder of the year, as the impact of the stimulus measures implemented in mid-2012 faded. The ADB considered that fixed asset investment would continue to drive growth, boosted by efforts to accelerate the large infrastructure projects earmarked in the Twelfth Five-Year Plan which covers the period 2011–15. The ADB expected rising wages and pensions to support private consumption growth. The anticipated slow recovery of external demand suggested that the contribution of net exports to growth would remain marginally negative in 2013 but turn modestly positive in 2014 as global trade picked up.

Export growth was (rather optimistically) projected by the ADB at 10 per cent in 2013, with import growth reaching nine per cent as domestic demand strengthens, commodity prices rebounds and China's national currency continues to appreciate. The trade surplus would nevertheless be slimmer, narrowing the current account surplus to 2.5 per cent of GDP in 2013 and

2.1 per cent in 2014. GDP growth was forecast at 8.2 per cent in 2013. Greater efforts to comply with more stringent environmental targets, coupled with reforms to make growth more inclusive, would push growth down slightly to 8 per cent in 2014. Stable commodity prices would contain inflationary pressures in 2013, leaving the CPI up by 3.2 per cent on average, slightly below the government target of 3.5 per cent. However, higher labour costs and likely rises in food prices could be expected to drive the CPI up to 3.5 per cent in 2014.

### Energy

China is the world's second largest oil consumer behind the United States and the largest global energy consumer, according to the International Energy Agency (IEA). China was a net oil exporter until the early 1990s and became the world's second largest net importer of oil in 2009. China's oil consumption growth accounted for half of the world's oil consumption growth in 2011. Natural gas usage in China has also increased rapidly and China has looked to raise natural gas imports via pipeline and liquefied natural gas (LNG). China is also the world's largest top coal producer and consumer, accounting for about half of global coal consumption, an important factor in world energy-related CO<sub>2</sub> emissions.

Coal supplied the vast majority – a staggering 70 per cent – of China's total energy consumption of 90 quadrillion British thermal units (Btu) in 2009. Oil was the second-largest source, accounting for 19 per cent of the country's total energy consumption. While China has made an effort to diversify its energy supplies, hydroelectric sources (6 per cent), natural gas (4 per cent), nuclear power (1 per cent) and other renewables (0.3 per cent) accounted for relatively small shares of China's energy consumption mix. The Chinese government has set a target to raise non-fossil fuel energy consumption to 11.4 per cent of the energy mix by 2015 as part of its 12th Five Year Plan. The US government Energy Information Administration (EIA) has projected that coal's share of China's total energy mix will fall to 59 per cent by 2035, due to anticipated higher energy efficiencies and China's goal to reduce its carbon intensity (carbon emissions per unit of GDP). However, absolute coal consumption is expected to double over this period, reflecting the potentially large growth in total energy consumption.

According to the *British Petroleum Statistical Review of World Energy June*

2013 China held 17.3 billion barrels of oil reserves as of end-2012, the highest in the Asia-Pacific region. China's largest and oldest oil fields are located in the north-east region of the country. China produced an estimated 4.2 million barrels per day (bpd) of total oil liquids in 2012, of which 95 per cent was crude oil. China's oil production was forecast to rise by about 170 thousand bpd to nearly 4.5 million bpd by the end of 2013. Over the longer term, the EIA predicted a slower increase in China's production, reaching 4.7 million bpd by 2035.

China's oil consumption growth eased to 2.0 per cent in 2012, from its record high growth of 10 per cent in 2010, reflecting the impact of the most recent global financial and economic downturn. However, China still consumed an estimated 10.2 million bpd of oil in 2012, up 5 per cent over 2011. In 2009, China became the second largest net oil importer in the world behind the United States, with net total oil imports reaching 5.5 million bpd in 2011. China's oil demand growth, particularly for petroleum products, hinged on several factors such as domestic economic growth and trade, power generation, transportation sector shifts and refining capabilities. The EIA forecast that China's oil consumption would continue to grow during 2013 at a moderate pace. Even so, the anticipated oil growth of over 0.8 million bpd between 2011 and 2013 would represent 64 per cent of projected world oil demand growth during the 2-year forecast period.

The Chinese government's energy policies are dominated by the country's growing demand for oil and its reliance on oil imports. The NDRC is China's primary policymaking and regulatory authority in the energy sector, while four other ministries oversee various components of the country's oil policy. The government launched the National Energy Administration (NEA) in July 2008 in order to act as the key energy regulator. The NEA, linked with the NDRC, is charged with approving new energy projects in China, setting domestic wholesale energy prices and implementing the central government's energy policies, among other duties. The NDRC is a department of China's State Council, the highest organ of executive power in the country. In January 2010, the government formed a National Energy Commission with the purpose of consolidating energy policy among the various agencies under the State Council.

## National oil companies

According to the EIA, China's national oil companies (NOCs) wield a significant amount of influence in China's oil sector. Between 1994 and 1998, the Chinese government had reorganised most state-owned oil and gas assets into two vertically integrated firms: the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (Sinopec). These two conglomerates operate a range of local subsidiaries and together dominate China's upstream and downstream oil markets. CNPC is the leading upstream player in China and, along with its publicly-listed arm PetroChina, accounts for roughly 60 per cent and 80 per cent of China's total oil and gas output respectively. CNPC's current strategy is to integrate its sectors and capture more downstream market share. Sinopec, on the other hand, has traditionally focused on downstream activities, such as refining and distribution, with these sectors making up nearly 80 per cent of the company's revenues in recent years. The company seeks to acquire more upstream assets gradually.

## Pricing reform

The Chinese government launched a fuel tax and reform of the domestic product pricing mechanism in 2009 in an effort to tie retail oil product prices more closely to international crude oil markets. This in turn attracted downstream investment, ensured better profit margins for refiners and reduced energy intensity caused by lower domestic prices and higher demand. China's oil product pricing system allowed the NDRC to adjust retail prices when the moving average of imported crude prices fluctuated outside of a 4 per cent range within 22 consecutive working days for diesel and gasoline.

When international crude oil prices increased in 2010 and 2011, the NDRC did not increase downstream fuel prices at the same rate, causing refiners, especially NOCs, to incur profit losses on their downstream businesses and increase their fuel product exports. Despite the price alterations, NOCs experienced negative margins in 2012 and used their upstream and other business segments to offset losses on downstream sales. The volatility in international prices that occurred in late 2011 and 2012 caused China to react more quickly with price adjustments. The NDRC raised retail oil prices twice at the beginning of 2012 to the highest levels recorded and reversed course by cutting prices three times by about 14 per cent in

mid-2012 to match dropping international oil prices and economic deceleration. The NDRC planned to revise the pricing regime by shortening the adjustment period to 10 days and lower the 4 per cent price boundary. It also planned to add more benchmark crude streams as part of China's basket of international crudes to reflect better the country's shifting sources of imported oil. In November 2011, China also installed an *ad valorem* resource tax of 5 per cent on all oil and gas production, including unconventional resources output, in an attempt to increase revenues for local and regional governments and encourage more efficient hydrocarbon production. The resource tax was extended in 2012 to projects involving joint ventures (JVs) between international and Chinese firms.

After experiencing an annual growth spurt of 7 per cent in 2010 and reaching 4.3 million bpd, oil production flattened in 2011 but jumped by 2.0 per cent in 2012. New offshore production and enhanced oil recovery (EOR) of older fields were the main contributors to the growth. CNPC's Daqing field, located in the north-east, produced about 800,000bpd of crude oil in 2011, according to FACTS Global Energy's estimate and had maintained this level for the previous 9 years after declines from over one million bpd. Sinopec's Shengli oil field in the Bohai Bay produced about 547,000bpd of crude oil during 2011, making it China's second-largest oil field. However, Daqing, Shengli and other ageing fields have been heavily exploited since the 1960s and output is expected to decline significantly in the coming years. NOCs have invested a great deal in EOR techniques such as water and polymer flooding, among others, to stabilise oil production and stem declines from these older fields. Recent exploration and production (E&P) activity focussed on the offshore areas of Bohai Bay and the South China Sea (SCS), as well as on onshore oil and natural gas fields in western interior provinces such as Xinjiang, Sichuan, Gansu and Inner Mongolia.

## Onshore

Roughly 85 per cent of Chinese oil production capacity is located onshore, primarily in mature fields. Although offshore E&P activities have increased substantially in recent years, China's interior provinces, particularly in the north-west's Xinjiang Uygur Autonomous Region and central Ordos Basin, have also received significant attention. There are plans to

make Xinjiang into one of the country's largest oil and gas production and storage bases by 2015.

The onshore Junggar, Turpan-Hami and Ordos Basins have all been the site of increasing E&P work, although the Tarim Basin in north-west has been a key focus of new onshore oil prospects. Crude oil production from Sinopec and PetroChina's interests in Tarim grew 4 per cent annually to 261,000bpd in 2011, according to IHS Global Insight. PetroChina intends to boost production in the Junggar Basin, one of Xinjiang's oldest basins, from 218,000bpd in 2011 to 400,000bpd in 2015 by using more cost-effective and advanced oil extraction techniques for heavy oil field development.

### Offshore

About 15 per cent of overall Chinese oil production is from shallow offshore reserves, a large contributor of China's incremental oil production growth. Offshore E&P activities have focused on the Bohai Bay region, the SCS (particularly the Pearl River Mouth Basin) and, to a lesser extent, the East China Sea.

The Bohai Bay Basin, located in north-eastern China offshore Beijing, is the oldest oil-producing offshore zone and holds the bulk of proven offshore reserves in China. PetroChina initiated the first phase of the Jidong Nanpu field development in 2007 and hoped to bring 200,000bpd of crude oil production on-stream by 2012. However, PetroChina has advised that the production levels were overstated and further exploration and reserve additions in the field are necessary to meet its goals. CNOOC's production in the Bohai Bay (including volumes from the East China Sea) was 406,000bpd in 2011, or two-thirds of the NOC's domestic oil production. Following an oil leak at China's largest offshore crude oil field, Penglai 19-3, the government implemented a complete shutdown of the CNOOC-owned field in September 2011. Production rates at Penglai 19-3 peaked at roughly 130,000bpd prior to shut-down. ConocoPhillips, a 49 per cent stakeholder and operator of the field and CNOOC were waiting to restart the field once China approved normal operations can resume. CNOOC had discovered other sizeable oilfields in the Bohai Bay such as Penglai 9-1, which the NOC claimed to be the largest find in the Bohai Bay in recent years.

The South China Sea is gas-rich, although CNOOC has also discovered several small oil fields and is focusing on

deep water discoveries. In 2011, China National Offshore Oil Corporation's (CNOOC) total oil production in the SCS was 193,000bpd. In 2010, CNOOC made significant discoveries of the Enping Trough and the Liuhua 16-2 in the Pearl River Mouth Basin of the SCS, opening further opportunities for exploration. CNOOC tendered licences for 19 blocks in the SCS, most in the Pearl River Mouth Basin, in 2011. The NOC held another licensing round for 9 blocks in the SCS in June 2012 and companies were allowed to bid on the blocks until June 2013 according to industry sources.

According to BP, China held 3.1 trillion cubic metres (tcm) of proven natural gas reserves as of end-2012, the second largest, behind Australia, in the Asia-Pacific region. China's natural gas production and demand have risen substantially in the past decade. In 2012, China produced 107.2 billion cubic metres (bcm) of natural gas, up around 4.1 per cent from 2011, while the country consumed 143.8bcm. China's gas production more than tripled over the last decade. China became a net natural gas importer for the first time in almost two decades in 2007 and imports have increased dramatically in the past few years alongside China's thirst for natural gas and rapidly developing infrastructure.

### Risk assessment

Economy	Good/fair
Politics	Fair
Regional stability	Fair

### COUNTRY PROFILE

#### Historical profile

China has one of the world's oldest civilisations. Imperial China dates from 221 BC – 1271 AD, with the beginning of the Mongol rule, during which Beijing was established as the capital of a united country. In 1368 the Ming Dynasty ousted the Mongols and created a strong centralised bureaucracy and military, underpinned by a sophisticated agricultural economy. From the nineteenth century onwards, the ruling Manchu Qing Dynasty (1644–1911) came under pressure from an increasing population and economic imbalances internally, and incursions from Western powers externally. Following defeat at the hands of the Japanese (1895) and escalating concessions to Western powers after the Boxer Uprising (1901), the centuries-old system of promotion to the civil service via examinations ended in 1905 and dynastic rule collapsed in 1911. Yuan Shikai failed to become emperor and a chaotic period of rule by

'warlords', regional power-brokers with military resources, ensued.

1920s The Zhongguo Gongchangdang (Chinese Communist Party) (CCP) was formed and declared the southern province of Jiangxi an autonomous 'soviet' in 1927. The Communists were brutally suppressed by the rival Kuomintang (Nationalist Party).

1935 Mao Zedong took control of the CCP during the 'Long March', begun in 1934, in which thousands of Communist fighters fled Jiangxi for the northern Shanxi province.

1937–45 The Japanese occupied increasingly large areas of China. The government of Chiang Kai-shek and the Kuomintang retreated to Sichuan province in the west of China.

1949 The People's Republic of China was established in October following the victory of Communist guerrilla forces led by Mao Zedong over the Kuomintang government, which fled to the island province of Formosa (now Taiwan).

1950 Tibet (Xizang), an independent region of western China, was occupied by the Chinese People's Liberation Army (PLA).

1958–60 In Mao's Great Leap Forward to collectivise agriculture and a socialist economic system, some 40 million people died from hunger.

1965 Tibet became an autonomous region of China, but has not enjoyed any real political or cultural autonomy.

1966 Chairman Mao launched the Great Proletarian Cultural Revolution. Some 800,000 died in the cities, but the wider effects of enforced rural re-education were widespread psychological trauma and the breakdown of industry and educational institutions.

1980–97 China's elder statesman, Deng Xiaoping ran the CCP, which had political control, through over 40 million members; he initiated gradualist economic reform designed to create a socialist market economy.

1986 The CCP Central Committee adopted a resolution redefining the general ideology of the CCP to provide a theoretical basis for the programme of modernisation and the open door policy of economic reform. An anti-corruption campaign was launched and there was significant liberalisation in the field of culture and the arts. However, student demonstrations in major cities were regarded by China's leaders as excessive 'bourgeois liberalisation'.

1987 In the ensuing clampdown of the 1986 demonstrations Hu Yaobang unexpectedly resigned as CCP general secretary, accused of 'mistakes on major issues of political principles'. The 'reformist' faction within the Chinese leadership

emphasised the need for further reform and the extension of an open door policy. Li Peng became premier of the state council.

1989 The death of Hu Yaobang served as a catalyst for the most serious student demonstrations ever seen in China. The protests were against alleged corruption and nepotism within the government and sought a limited degree of Soviet-style *glasnost* in public life. A state of martial law was declared in Beijing. With the government fearing for its security, the army attacked protesters in and around Tiananmen Square, causing an unknown number of deaths. All over China, similar demonstrations were put down using force. The reformist Zhao Ziyang, CCP general secretary, was confined under house arrest. Deng brought in Jiang Zemin as general secretary to replace him. Jiang was also made chairman of the Central Military Commission (CMC) (head of the PLA).

1990 Martial law was lifted.

1992 The World Bank ranked China's economy the third largest in the world after the US and Japan.

1993 Deng retired from his civilian offices, but continued to exert influence over the 'third generation' of leaders, including Jiang, who was elected state president.

1997 China regained sovereignty over Hong Kong, which had been in British control since a treaty signed in 1842.

1998 The NPC re-elected Jiang Zemin as president and approved major changes in the leadership, bringing in a new cabinet of younger technocrats.

2000 China signed bilateral trade deals with the EU and the US in preparation for its eventual accession to the World Trade Organisation (WTO) and consequent deeper integration within the global trading system.

2001 Tajikistan, China, Russia, Kazakhstan, Kyrgyzstan and Uzbekistan formed the Shanghai Co-operation Organisation (SCO). President Jiang Zemin offered China's support to the US for military action against terrorist activities following the 11 September attacks in the US. China was formally admitted to the WTO.

2003 The NPC elected Hu as state president and Zeng Qinghong as vice president; Wen Jiabao was appointed premier. China became the third country to put a man in space.

2004 Jiang Zemin resigned early as chairman of the CMC and President Hu Jintao assumed supreme authority. A landmark free-trade agreement was signed with the 10-member Association of Southeast Asian Nations (Asean).

2005 China threatened Taiwan with military force in the event of Taiwan's formal

independence. Lien Chan was the first Taiwanese leader to visit China since 1949. China led the opposition to the proposal that Japan should become a permanent member of the UN Security Council citing Japan's failure to acknowledge its aggression during the 1930-40s. China scrapped its decade-old currency peg with the US dollar and sanctioned a 2.1 per cent revaluation of the renminbi against the dollar. Yao Wenyuan, last of the 'Gang of Four', died.

2006 China's Africa Policy, setting out its objectives for its relations with Africa, which promised investment and technical aid in return for African natural resources, was published. A China-Africa summit attracted 41 African heads of state and 48 heads of government to Beijing to meet hundreds of Chinese trade negotiators and business people. China's global annual trade surplus reached a record US\$177 billion, an increase of 74 per cent.

2007 Vice Premier Huang Ju died. The Dalai Lama (Tibetan spiritual leader), announced that he was considering breaking a long tradition by naming his own successor, in an attempt to reduce the influence of CCP on his succession. China had taken into custody the chosen Panchen Lama, the second-highest spiritual leader in Tibetan Buddhism, Gedhun Choekyi Nyima, in 1995 and replaced him with its own, Gyancaïn Norbu, considered loyal to the communist party. The Panchen Lama chooses the succeeding Dalai Lama. Tibetan Buddhists fear that China will subvert their religion and culture by appointing its own Dalai Lama after the death of the reigning Dalai Lama. 2008 Hu Jintao and Wen Jiabao were re-elected president and prime minister respectively. A devastating earthquake of 7.9 magnitude struck the south-west province of Sichuan. A recorded 55,239 people died, 24,949 people were missing and 281,006 were injured by the earthquake. Over 5.46 million buildings collapsed and the authorities asked for 3.3 million tents from international aid to help house the 5.47 million people who were left homeless. China was given permission by the Convention on International Trade in Endangered Species (CITES) to import ivory. The government spent US\$586 billion in a stimulus package to counter the effects of the worst of the global economic crisis.

2009 China and Russia signed a US\$25 billion agreement, guaranteeing Russian oil to China until 2029. Ethnic violence in Xinjiang region erupted as young Islamic Uighurs demonstrated against discrimination. There were riots and attacks on the Han community; scores of people were killed and hundreds injured. Shanghai

relaxed the one-child policy to encourage a second child to counter the social and economic effects of its aging population. The CCP celebrated 60 years in power with a huge parade involving 200,000 people along Beijing's Avenue of Eternal Peace. The populace had been told to view the spectacle on television and only the ruling elite were able to watch in person.

2010 China and Nepal agreed the height of Mount Everest to be 8,848m, the snow height, rather than the rock height as proposed by China. The economy grew by 11.9 per cent in the first quarter and overtook Germany as the world's second largest economy.

2011 On 1 May a smoking ban in public places was enforced, although smoking will still be permissible in workplaces. China had its first quarterly trade deficit (US\$1.02 billion) in seven years in the first quarter although there was a trade surplus of US\$140 million in March. The government increased the cost of electricity for industrial, agricultural and commercial users in a number of provinces from 1 June. The first ever audit of China's local government showed that at the end of 2010 there was a total debt of US\$1.6 trillion. China's foreign exchange in the first quarter reached US\$197 billion and in the second quarter US\$153 billion. The world's longest road bridge (42.4km), spanning the coastal waters between the city of Qingdao and the suburb of Huangdao in Jiaozhou Bay, was opened on 7 July. In March, the Tibetan Dalai Lama announced that he was devolving power to his parliament-in-exile (in Dharamsala, India). Amendments to the Tibetan constitution (for the nation in exile), included an elected leader. The Dalai Lama retired from politics (aged 75), on 18 March. It was announced on 27 April that Lobsang Sangay would take over from the Dalai Lama as Kalon Tripa (prime minister) of the Tibetan government-in-exile. Sangay had won 55 per cent of the vote, beating two other candidates. Dr Sangay, a US university professor, was born in exile in India and has never visited Tibet. He was sworn in as the Tibetan premier on 8 August. On 24 July, 39 people were killed and almost 200 people injured when a high-speed train collided with another and derailed. There were accusations of design flaws in the signalling system and official corruption during construction. Tibet: On 7 November, the Dalai Lama answered Chinese criticism about a wave of self-immolation among monks and nuns (protesting about Chinese occupation of Tibet) saying that it was caused by Chinese 'cultural genocide' and that uncompromising officials had created a 'desperate' situation for

Tibetans. In 2011, nine monks and two nuns committed public suicide in protest at what they saw as Chinese repression. A decision, by the four-country Mekong River Commission, to implement plans to build the controversial Mekong Xayaburi dam in Laos was due in April, but following ecologically and socially adverse reports the decision was postponed twice. The Mekong River is a food source for millions of people along its length; the dam would reduce food production in favour of electricity generation.

2012 The number of urban dwellers outnumbered the rural population for the first time. The leaders of the Brics countries met in Delhi on 29 March to discuss their position regarding the control the US and Europe has on the World Bank and the IMF. Prime Minister Manmohan Singh (India) said 'The Brics countries have agreed to examine in greater detail a proposal to set up a South-South development bank, funded and managed by the Brics and other developing countries.' China closed the border of Tibet to foreign visitors at the height of the tourist season, due to the increase in protesting Tibetans killing themselves through public immolation. China's first female astronaut was sent into space on 16 June, in a mission to dock with China's own orbiting space module. On 16 April the Yuan Renminbi foreign exchange rate was allowed to fluctuate by up to 1 per cent against the US dollar (an increase of 0.5 per cent on the previous limit). On 14 November, during the last day of the seven-day CCP congress, President Hu Jintao stepped down from office. On 15 November, Xi Jinping was officially confirmed into the post of General Secretary of the CCP and president of China; six other CCP leaders were voted on to the Politburo Standing Committee and constitute the new ruling administration.

2013 Growth in the second quarter of 2013 slowed to 7.5 per cent from 7.7 per cent for the same period in 2012. On 19 July the government announced that banks would in future be allowed to set their own lending rates. Previously they were not allowed to lend at rates below a certain level set by the People's Bank of China. On 25 July Bo Xilai was charged by prosecutors in Jinan with bribery and abuse of power. Mr Bo had been Communist Party chief of Chongqing until becoming part of one of China's biggest scandals when his wife was convicted of murdering a British business partner and Bo was exposed for being involved in corruption. He was stripped of his party membership. Bo Xilai's trial began on 22 August. He denies the charges of bribery. Although foreign journalists were not allowed in the court, the Jinan Intermediate

People's Court itself posted testimony on its official blog, including details of Mr Bo's 'spirited' defence. The trial ended on 25 August with the prosecutor saying that there 'should be no leniency shown'. Although the Japanese government has said it would like talks with China on the future of the disputed East China Sea islands, deputy foreign minister Li Baodong has said that China is not in favour of a meeting at the G20 meeting in early September. On 22 September the Intermediate People's Court in Jinan, Shandong province, found Bo Xilai guilty of bribery, embezzlement and abuse of power. He was sentenced to life imprisonment but has the right to appeal. Mr Bo's appeal was rejected on 24 October.

### **Political structure** **Constitution**

The current constitution came into effect in 1982 and mandates complete CCP rule of the country. China's constitution emphasises strict ideological homogeneity and forbids acts that endanger the state security. It states that the Chinese people must adhere to Marxism-Leninism and Mao Zedong Thought.

The People's Republic of China, a unitary state consisting of 22 provinces, four special municipalities under central government control and five autonomous regions, was established in October 1949. The provinces, special municipalities and autonomous regions elect local people's congresses and are administered by people's governments.

### **Form of state**

People's republic

### **The executive**

The executive is the 15-member State Council which is elected by the National People's Congress (NPC). State Council members, including the premier of the State Council, who is appointed by the president, may not serve more than two consecutive five-year terms. The NPC also elects the 155 members of the Standing Committee which convenes annually when the NPC is not in session.

Effective political control is in the hands of the CCP which has over 40 million members. All ministers are party members. The party's central committee of 175 full members meets irregularly for plenary sessions. A National Congress is usually held every five years when a new central committee is elected.

The political bureau (politburo) of the CCP sets policy and controls all administrative, legal and executive appointments; the nine-man politburo standing committee is the focus of power.

CCP committees are the key decision-making bodies in the provinces, cities and regions into which China is divided.

The president, who plays no formal role in administration, and vice president, are elected for a maximum of two consecutive five-year terms by the NPC.

### **National legislature**

The unicameral Quanguo Renmin Daibiao Dahui (National People's Congress) (NPC) can have up to 3,500 members (currently 2,268 in 2012), elected for five-year terms. Candidates are directly elected by voters of a local people's congress (village council) and raised to successive levels through a multi-tiered electoral system from provinces, municipalities, autonomous regions (including Hong Kong, Macao and Taiwan) and the armed forces to reach, eventually, the NPC.

The People's Political Consultative Conference (PPCC), with members drawn from a broader background coupled with the NPC make up the Lianghui (Two Meetings) to agree national political decisions.

### **Legal system**

The Chinese legal system is an opaque mix of custom and statute. The judiciary and the government are closely connected. Much of the legal system remains at a partial stage of development.

The hierarchy of people's courts, ranging from Local People's Courts through Intermediate and then Higher People's Courts to the Supreme People's Court, is headed by the Ministry of Justice. The ministry was re-established in 1979 (it had been abolished in 1959 during Mao's 'Great Leap Forward'). Before 1979, arrests and sentences had to be approved by Communist Party committees. Although this practice was abolished in 1979, criminal law is still largely applied by the government as a form of public education, with periodic campaigns of mass arrests and executions used to frighten law-breakers.

People's courts, at all levels, deal with criminal, civic and economic matters in separate tribunals. Local people's mediation committees supplement the work of the courts by dealing with minor criminal offences and civil disputes, as well as helping implement government policy (such as the one-child per couple policy) at street level.

There is a similar hierarchy of people's procurates, re-established in 1978 after their abolition in the cultural revolution, extending from the localities to the Supreme People's Procurate. These monitor the work of state officials in the courts and the public security organs to ensure that they are observing the constitution and the law.

Supreme People's Court judges are appointed by the National People's Congress (NPC).

**Last elections**

October 2007 until February 2008 (NCP and PPCC); 15 March 2008 (presidential, indirect)

**Results:** Parliamentary: the CCP and the eight 'democratic' parties – all members of the China People's Political Consultative Conference – are allowed to stand in elections. The CCP forms the government.

**Next elections**

2018 (NCP and People's Political Consultative Conference (PPCC)); 2013 (presidential, indirect)

**Political parties****Ruling party**

Zhongguo Gongchangdang (Chinese Communist Party) (CCP)

**Main opposition party**

Opposition parties are strictly controlled and do not offer alternative policies.

**Population**

1.35 billion (2012) (1,337,400,000; 2010, census figure)

The one-child family planning programme was introduced in 1980. Under the programme urban families are restricted to one child, and rural families to two children. In 2012 the government was reported to be considering revising the one-child rule. The national statistics office reported, in 2010, that gender imbalance was becoming a serious demographic problem as couples choose in favour of a male offspring; by 2020, 24 million Chinese men will be unable to find a partner.

Millions of rural dwellers are moving to the major cities in search of a steady income and a better way of life.

The 2010 census revealed that the population grew to 1.34 billion (in 1953 the population was 594 million, less than half the current number) with 49.7 per cent of the population living in cities. People over aged 60 accounted for 13.26 per cent of the population, a growth of 2.93 per cent since 2000, while the number of people aged up to 14 years has fallen by 6.29 per cent since 2000, to 16.6 per cent

**Last census:** November 2000:

1,242,612,226

**Population density:** 140 inhabitants per square km (2010). Urban population 47 per cent (2010 Unicef).

**Annual growth rate:** 0.8 per cent, 1990–2010 (Unicef).

**Ethnic make-up**

The largest ethnic group is the Han, constituting 93.3 per cent of the population, which is largely concentrated around the basins of the main rivers (the Yellow River, the Yangtze and the Pearl River) and along the coast. Of the 55 other ethnic groups, 15 number over a million people each, including the Zhuang (Guangxi province), Hui (Muslims), Uyghurs (in

Xinjiang), Manchus, Tibetans, Mongolians and Koreans. The rest vary in size from several hundred thousand down to a few hundred.

**Religions**

China is officially atheist, but religion is tolerated to the extent that it does not challenge the state. Buddhism, Taoism, Islam, Catholicism and Protestantism all have followings. The formerly dominant belief system, Confucianism, continues to influence habits throughout society. Old temples, mosques and churches are being reopened and new ones built, but numbers are still far short of pre-revolutionary days. The Falun Gong religious movement is one of the religions considered to be subversive and its members have been arrested and imprisoned.

**Education**

The Ministry of Education in China estimates that 99 per cent of school-age children enter primary education, the length of which is six years. The retention rate in primary education for the whole country is 93 per cent.

Secondary education extends over six years, divided into general secondary education and vocational/technical secondary education. Both include two stages, junior secondary and senior secondary, of three years each. There are specialised schools and skilled workers' schools which cater for vocational training. The Ministry of Education estimated that 94 per cent of pupils finishing primary education enter secondary schools. It also says that half of pupils finishing junior secondary schools enter senior high education.

The Ministry of Education has encouraged the establishment of community colleges in major cities across China. Public expenditure on education was equivalent to less than 3 per cent of annual GDP in 2001 and included subsidies to private education at the primary, secondary and tertiary levels.

**Literacy rate:** 91 per cent adult rate; 99 per cent youth rate (15–24) (Unesco 2005).

**Compulsory years:** 7 to 16.

**Pupils per teacher:** 24 in primary schools.

**Health**

Employers pay for the medical care of most Chinese city-dwellers, while the rural population is in theory covered by local insurance schemes, village collectives or rural factories. The state and collective entities, such as factories or villages, run all large hospitals. There are a large number of private practitioners and privately run clinics.

It is estimated that more than one in five Chinese will be 60 years or older by 2030, which is likely to increase state

expenses towards old age health care. World Bank estimates show that 68 per cent and 24 per cent respectively in urban and rural areas have access to improved sanitation. Safe water facilities are available to 94 per cent of the urban population and 66 per cent of the rural population. Around 90 per cent of women use contraceptives, mainly due to the government's drive to keep down the birth rate.

Chinese consumption of tobacco products is popular and estimates say two-thirds of men smoke by the age of 25, with the vast majority maintaining the habit for many years. It is estimated that one third of Chinese men will die from smoking-related diseases, with the annual death toll reaching three million by 2050.

Hospitals rely on drug sales for 70 per cent of their budgets; in 2004 the Chinese government ordered price cuts for antibiotics, which account for 35 per cent of the Rmb49.6 billion (US\$6 billion) pharmaceutical market. This measure is expected to have repercussions as it decreases hospital sales. Analysts say antibiotics are prescribed unnecessarily and the government is concerned about incentives, legal and illegal, that have resulted in hospital doctors prescribing them to about 80 per cent of in-patients.

In 2008, it was announced that a basic healthcare programme would be introduced for every citizen of China. Healthy China 2020 will provide universal health services to replace the patchy service that disadvantaged poorer patients, particularly the rural poor. The service will also monitor disease control and evaluate public health hazards.

The government announced that it was planning to invest an initial US\$120 billion in healthcare reforms over the period 2009–11. Improving health insurance to include more people with basic cover and raising standards in public hospitals are priorities. The old state system was dismantled in the 1990s, during economic reforms, and since then there has been a growing disaffection among China's population, as around 50 per cent of all costs are met by the patient. Rural healthcare collapsed with secondary healthcare services provided only in towns and cities. With changes to the diet and a more Western lifestyle, which have led to Western afflictions such as heart disease and strokes, plus an ageing population, the health system is facing long-term challenges and a demand for more medical services, including screening and preventative measures.

Research in 2009 revealed that under the one-child policy selective abortion has left a marked imbalance between the sexes in China, with 32 million more males than

females. Any measures, which may be introduced to re-dress the gender balance, will take many years to accomplish.

### **HIV/Aids**

In 2009 there were an estimated 740,000 adults living with HIV (Unicef 2012).

The virus is present in at least 31 regions and has exploited distinct risk groups. The prevalence of HIV infection among injecting drug users ranges from 35–80 per cent in Xinjiang, and 20 per cent of the population in Guangdong. Some rural communities in Anhui, Henan and Shandong have been hit by infection levels of 10–20 per cent, and as much as 60 per cent in the worst hit areas, where locals sold their blood plasma to supplement their poor incomes. Death rates in these areas are high, although not yet significant enough to affect national statistics.

In 2009 government officials said that HIV/Aids was the leading cause of infectious death, at almost 7,000 by September 2008; tuberculosis and rabies fell to second and third causes of infectious deaths. Official statistics have become more reliable recently and there is a willingness by health officials to recognise HIV as a public health crisis; there had been reports of concerns of under-reporting by provincial and local officials. The disease has moved from high-risk groups into the mainstream population and officials are concerned that with growing industrialisation and with millions of migrant workers moving away from home the possibility of containing the disease has already been lost. Education programmes have been initiated.

**HIV prevalence:** 0.1 per cent aged 15–49 in 2009 (Unicef 2012)

**Life expectancy:** 73 years, 2009 (Unicef 2012)

**Fertility rate/Maternal mortality rate:** 1.6 births per woman, 2010 (Unicef); maternal mortality 55 per 100,000 live births (World Bank).

**Birth rate/Death rate:** 7 deaths and 16 births per 1,000 people

**Child (under 5 years) mortality rate (per 1,000):** 14 per 1,000 live births (WHO 2012)

**Head of population per physician:** 1.6 physicians per 1,000 people, 2001 (WHO 2006)

### **Welfare**

China's economic development is uneven, with a wide gap between cities and the countryside and between regions. China's social security expenses are typically equivalent to around 10 per cent of GDP.

The social insurance system includes provision for old age pensions, unemployment, medical care and industrial injury.

Social insurance is implemented in accordance with state laws. The current focus of reform is on old age pension and unemployment insurance systems for urban enterprises. Social security entitlements have been allocated on a geographical footing with the working population being divided into urban and rural residents with the latter receiving far less in terms of benefits.

Moreover, the urban population has been further split up into various layers depending on the size and importance of the employing enterprise or work unit. Therefore, a key state-owned enterprise (SOE) would offer better pension rights, wages and medical benefits than a smaller SOE or a township collective enterprise (COE). The government increased the availability of the social security fund to more beneficiaries in 2003. The pension system is available to 150 million people, up from 130 million; the unemployment insurance system benefits approximately 110 million up from 100 million; and the medicare insurance system treats 100 million, an increase of 10 million people.

Another safety net beneath these systems is the minimum livelihood guarantee (MLG), which is administered by the Ministry of Civil Affairs (MCA). There are unemployment insurance schemes and some regions have started reforms of the basic medical insurance system.

### **Pensions**

There is a partially funded pension scheme, which was launched in 1997, with two mandatory elements, a pay-as-you-go state pension administered by provinces, and individual pension accounts. There are also voluntary company pensions and for those most disadvantaged a social security fund. The pay-as-you-go system is based on contributions from employers and employees with the funds being pooled into a general account. In case of any shortfall, it is the responsibility of the local government to ensure funds are available to pay basic pension allowances. Government statistics indicate that SOEs contribute the majority of cash to pension funds.

In general, the contribution of the employer does not exceed 20 per cent of the overall wage bill of an enterprise. Employee contributions are between 4 and 8 per cent with employees in more developed areas paying the higher rate. The lower tier pension, known as the basic pension, is calculated at 20 per cent of the average wage of employees in the town or city.

As yet, China does not have a national policy for pension provision. Nevertheless the government is aware that with an ageing population and falling fertility rate China's dependency ratio – the numbers in work supporting the numbers in

retirement – is projected to drop from 9:1 to 2.6:1 by 2045.

In August 2005 the government awarded operating licenses to 15 investment managers to operate China's new corporate pension scheme. Of the 15, four are foreign financial services ING, Fortis, Deutsche Bank and Bank of Montreal which are required to be in joint Chinese partnership. The new scheme will hold pension contributions in a legally distinct fund governed by trust law.

### **Main cities**

Beijing (capital, estimated population 10.2 million (m) in 2012), Shanghai (21.2m), Xian (4.9m), Tianjin (4.6m), Chongqing (4.6), Wuhan (4.0m), Chengdu (3.8m), Shenyang (3.7m), Harbin (3.7m), Nanjing (3.7m), Changchun (2.9m), Guangzhou (Canton, 2.9m), Taiyuan (2.8m).

### **Languages spoken**

There are seven main Chinese dialects, but the written language is the same for all dialects. Other languages include Tibetan, Uygur (a Turkic language) and Mongolian.

English is not widely spoken, especially outside the main cities, although there will usually be someone who can speak a little in hotels, restaurants and taxi stations.

### **Official language/s**

Putonghua (Mandarin Chinese – Beijing dialect).

### **Media**

All forms of media are tightly controlled by the authorities and recent liberalisation has only been extended to distributions and advertising and not to editorial content.

The growth of the internet has resulted in 'the most extensive and effective legal and technological systems for internet censorship and surveillance in the world' according to an academic report of 2005. China regularly blocks websites for groups it considers dissenting. Internet service providers and news organisations have agreed to Chinese censorship as part of their business contracts with China, which then allows access to its vast market.

### **Press**

**Dailies:** The primary government-owned, Communist party, national newspaper, published in seven languages is *Renmin Ri Bao* (*People's Daily*) ([www.people.com.cn](http://www.people.com.cn)), which has ten other separate newspapers. All cities have their own newspaper, typically published by the Communist party and therefore lacking much criticism of it. Corruption and inefficiency is reported but only after approval by Communist party officials. News outlets that have flouted this convention are subject to censure or swift closure.

In Chinese, *Zhongguo Qingnian Bao* (*China Youth Daily*) ([www.cyol.net](http://www.cyol.net)) aimed at Communist Young League, *Jie Fang Ri Bao* (*JF Daily*) ([www.jfdaily.com](http://www.jfdaily.com)) from Shanghai, *Dongnan Kuai Bao* (*Southeast Express*) ([www.dnkb.com.cn](http://www.dnkb.com.cn)), from Fujian, and *Guangzhou Metro Daily* (<http://ycdtb.dayoo.com>).

From Shanghai, in English, *Shanghai Daily* ([www.shanghaidaily.com](http://www.shanghaidaily.com)), *East Day* (<http://english.eastday.com>), includes business news, *The Shanghai News* ([www.theshanghai.com](http://www.theshanghai.com)), *Shanghaiist* (<http://shanghaiist.com>).

From Lassa, in Tibetan, *Bod Kyi Dus Bob* (*Tibet Times*) ([www.tibettimes.net](http://www.tibettimes.net)), in Chinese *Lasa Wan Bao* and online *China Tibet News* ([www.chinatibetnews.com](http://www.chinatibetnews.com)).

**Weeklies:** In Chinese, *Sanlian Shenghuo Zhoukan* (*Life Week*) ([www.lifeweek.com.cn](http://www.lifeweek.com.cn)) a weekly of general interest, *Feng Hua Yuan* (*Chinese News & Culture Magazine*) ([www.fhy.net](http://www.fhy.net)), *Hau Xia Wen Zhai* ([www.cnd.org](http://www.cnd.org)) are bi-weeklies news magazines. *Trends* ([www.trendsmag.com.cn](http://www.trendsmag.com.cn)) for women. In English, *Beijing Review* ([www.bjreview.com.cn](http://www.bjreview.com.cn)), is a national weekly news magazine and *Beijing Scene* ([www.beijingscene.com](http://www.beijingscene.com)), is a popular life-style magazine.

**Business:** There are several daily business newspapers, printed in Chinese, and some with English online editions, including *Jingji Ri Bao* (*Economic Daily*) (<http://paper.ce.cn>), *Jingji GuanCha Bao* (*The Economic Observer*) ([www.eeo.com.cn](http://www.eeo.com.cn)), *Guo Ji Shang Bao* (<http://ibdaily.mofcom.gov.cn>), *Qihuo Ri Bao* ([www.qhrb.com.cn](http://www.qhrb.com.cn)), *Zhongguo Gongshang Bao* (*China Industry & Commerce News*) ([www.cicn.com.cn](http://www.cicn.com.cn)), *Zhongguo Jingji Shibao* (*China Economic Times*) ([www.jjxww.com](http://www.jjxww.com)) and *Zhongguo Jingji Bao* (*China Business*), which specifically focusses on steel ([www.chinaccm.com/0n](http://www.chinaccm.com/0n)). Other, major, regional cities have their own editions of the *Economic Daily*.

Magazines include a bi-weekly *Caijing* (*Business and Financial Review*) ([www.caijing.com.cn](http://www.caijing.com.cn)).

**Periodicals:** In English, *Beijing This Month* is a semi-tourist magazine.

#### Broadcasting

All broadcasting is overseen by the Ministry of Radio, Film and Television. Broadcast media, for most people, is limited to government-run organs, as foreign short wave radio signals are regularly jammed and the use of satellite receivers restricted. There are more than one billion television views and TV is a popular source of news and information.

Pay-to-view TV is a growing market and is expected to have around 130 million customers by 2010.

Yahoo closed its email service in August 2013, and its news and community services in September. Users were redirected to a site run by Alibaba.

**Radio:** The government-run China National Radio has four national networks, plus China Radio International (CRI) ([www.cri.cn](http://www.cri.cn)) with services in 45 languages and a service devoted to Taiwan. Domestic radio services broadcast in the country's major languages and dialects. There are over 500 government-owned local radio stations, including the Beijing People's Broadcasting Station (BPBS), which has several services including a Special Educational Service, and Economic, Traffic and Literary stations.

The first foreign language radio station, in Beijing, Radio 774 (<http://am774.bjradio.com.cn>), was set up in 2004 by the Chinese government, specifically for foreign residents.

**Television:** The national state-run, China Central Television (CCTV) (<http://english.cctv.com>), has over 2,000 channels available for its viewers through a network of regional and municipal stations. Non-domestic programmes are limited, with a few foreign TV companies providing services via either cable or satellite dishes.

**National news agency:** Xinhua (New China News Agency)

#### Economy

China has natural resources that provide most of the basics for an advanced economy, including almost all else a huge labour force (an estimated 813 million in 2010). However, around 40 per cent of this workforce is a peasant class engaged in agriculture. The industry may use technology to maintain intensive cultivation techniques, but in many remote areas farming is still dependent on manual labour. China's arable land is only 75 per cent that of the US total, but it produces around 30 per cent more than the US. China is the world's largest producer of rice and a significant producer of wheat, tea, pork and fish. Agriculture provides China with a high level of self-sufficiency in food; nevertheless agriculture's share of GDP fell from 27 per cent in 1990 to 10 per cent in 2010 as the industrial-manufacturing sector expanded. China's primary industries include coal mining, with reserves of 114.5 trillion tonnes and production of 1,956 million tonnes of oil equivalent (mtoe) in 2011. What it doesn't grow or produce it imports to power its manufacturing base, which has turned China into the world's factory. China is the 'C' in Brics but unlike the other Brics countries, it has a putative Communist, authoritarian government that has been able to plan and follow a

strategy for a centralised economy based on set objectives. This means, for example, imports of natural materials are purchased on a national basis to be distributed and supplied at wholesale prices among its industrial bases. Single item factory towns were built, providing cheap labour for factories geared up for mass production, wholly for export sales. Before the global economic crisis took hold, the industry and manufacturing sector constituted 48 per cent of GDP and exports in 2007 produced a trade balance of US\$261.9 billion, followed by US\$297 billion in 2008. As global trade weakened, exports fell, resulting in a trade balance of US\$198.2 billion for 2009. Nevertheless, China built up the largest surplus current account of any country in the world (annual growth rate of 7.4 per cent (2006–10)), which in 2011 was estimated at US\$200 trillion.

GDP growth in 2007 was at a record 14.2 per cent, falling markedly to 9.6 per cent in 2008 as global oil prices rose, due in large part to demand by China reaching around 10 per cent of total world use (only the US at around 20 per cent was higher). As the global economic crisis weakened the economies of trading partners, so exports fell. GDP growth in 2009 was 9.2 per cent and as global trade picked up in 2010, growth rose to 10.4 per cent. However, the European economic crisis caused a drop in growth to an estimated 9.2 per cent in 2011. In May 2012 the World Bank forecast growth for the year at 8.2 per cent, but lowered it in October to 7.7 per cent. The reasons it gave for drop were weakening demand for China's exports, and lower investment growth.

The State Council issued a new industrial plan in 2009 to reduce overcapacity in seven heavy industries including cement, steel and aluminium smelting, following a boom in investment in infrastructure, paid for by public spending and lending by state-owned banks. This plan coincided with the publication of manufacturing statistics that recorded a straight seven-month expansion rate. Since becoming a member of the WTO in 2001, trade has grown so much that by 2010 China had overtaken Germany and Japan to become the world's second largest trading nation after the US.

Although China didn't slip into recession in 2008–09 it did worry that rising unemployment could trigger social unrest and as a result social security was improved. Around 10 million (rural) migrant workers had lost their jobs by 2009. In 2010 migrant workers not only went on strike to demand better wages and working conditions, but also formed an independent and effective trade union. In 2011, the UN

Human Development Index (HDI) ranked China 101 (out of 187) for national development in health, education and income. Since 2000, China's progress has grown to match the average world improvement rate. In 2010, 44.9 per cent of the population experienced at least one indicator of poverty, while 15.9 per cent lived on less than the equivalent of US\$1.25 per day; the headcount poverty rate was 12.5 per cent of the population (2000–10).

Remittances from migrant workers amounted to US\$58 billion (0.8 per cent of GDP) in 2010 and were estimated to have reached US\$62.5 billion in 2011. Inflation rose to a 28-month high of 5.1 per cent in November 2010, although annual inflation was only 3.3 per cent, rising to an estimated 5.4 per cent in 2011. Inflation in July 2011 was 6.5 per cent and the government instigated measures to promote an economic slowdown and reduce inflation. Industrial production in August 2011 rose by 13.5 per cent on strong domestic demand, which reached a record high of US\$155.6 billion, up 30.2 per cent on August 2010. In September 2011, the average minimum wage had risen by over 21.7 per cent, which increased production costs and was threatening China's pre-eminence as one of the world's cheapest manufacturing centres.

Despite being a regime that espouses Communist principals China has picked up some of the worst malpractice excesses of the West, from petty provincial officials misappropriating land and government funds to capitalists manipulating China's only stock exchange through insider trading. However, when Chinese authorities move to punish such felons, it is swift and harsh, including capital punishment.

The central bank de-linked the renminbi from the US dollar in 2005, and kept it within a 3 per cent margin of the US dollar. However it was re-linked in 2008 as the economic crisis cut Chinese exports leaving the renminbi undervalued and drawing criticism from the US and India. In June 2010 the central bank announced an incremental revaluation of the currency, of 0.43 per cent, which raised the value of the yuan while not threatening export sales. The IMF noted that the yuan was still 'undervalued', although this was an improvement on the 'substantially undervalued' earlier comment.

Officials also became concerned about the growth in property prices and a possible 'bubble' based on price speculation, so that from February 2011 permanent residents were restricted to the purchase of two apartments, while others were restricted to one only.

On 11 March 2012, the central bank announced that it would in future manage its US\$3.2 trillion currency reserves with more creativity to ensure 'effective' results, and work harder to free-up China's tightly controlled financial markets. On 14 March, the government announced that it would allow the yuan to float more freely and that exchange rate reforms would be stepped up, especially in increasing two-way fluctuations.

Imports in August 2011 showed strong domestic demand when they reached a record high of US\$155.6 billion, up 30.2 per cent on August 2010. Exports rose by 24.5 per cent, resulting in a trade surplus of US\$17.8 billion, down from US\$31.5 billion in July. External trade slowed as China's two largest markets, the US and EU, suffered domestic spending cuts. In December 2011, China and Japan signed an agreement to exchange up to US\$339 billion in each of their currencies in a measure intended to safeguard them during another global economic crisis and strengthen trade ties. In March and June 2012 China signed similar agreements with Australia (US\$31 billion) and Brazil (US\$30 billion). These measures are seen as China's intention to position its currency as a reserve currency alongside the US dollar. On 25 June 2012, Qatar applied for a licence to invest in China's capital market. The investment of US\$5 billion is five times greater than the quota allowed under China's Qualified Foreign Institutional Investor (QFII) programme. Within days, China announced that it was searching for ways to ease the entry rules for foreign investors. Some of the intended investment comes from China's purchase of Qatar's liquefied natural gas (LNG).

Growth in the second quarter of 2013 slowed to 7.5 per cent from 7.7 per cent for the same period in 2012.

### External trade

Since becoming a member of the WTO trade has grown so much that by 2010 China had overtaken Germany to become the world's second highest trading nation after the US.

Its agricultural, manufacturing and industrial sectors export a huge range of items from seeds to hi-tech electronic equipment, from mass-produced garments to custom-built oil tankers; its service sector is not as well developed.

In 2009 China pledged US\$10 billion in concessionary loans (2010–13) to Africa, this was in addition to 50 previous co-operation agreements and US\$5 billion to encourage Chinese firms to invest in Africa.

China and Taiwan signed a direct trade agreement in 2008, enhancing trade links

by increasing the number of flights between the countries, allowing many more passengers to visit. Tax free, direct cargo shipments are allowed between designated ports. Direct postal services have been improved and expanded.

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In March 2012, the US, Japan and EU filed a case with the WTO against China, for restricting the export of rare earth (minerals), and so breaking WTO rules. China contains 95 per cent of the world's deposits of rare earths, which are critical to making high-tech products, and its restriction on exports has pushed up the price of manufactured goods elsewhere.

### Imports

Main categories are petroleum, energy, light industrial and metal products, machinery and equipment, plastics, optical and medical equipment, organic chemicals, timber, iron and steel.

**Main sources:** Japan (9.8 per cent of total in 2012), South Korea (9.2 per cent), Taiwan (7.3 per cent).

### Exports

Principal exports include machinery and equipment, plastics, clothing, optical and medical equipment, finished goods, vehicles and parts, iron and steel.

**Main destinations:** US (17.2 per cent of total in 2012), Hong Kong (15.8 per cent), Japan (7.4 per cent).

### Agriculture

China's economy was traditionally based on agriculture, but since collectivisation and the Mao-era requirement for self-sufficiency in food was replaced with co-operatives in 1976, farming have experienced the progressively hard realities of the market place with large unprofitable state farms closing down and workers made redundant. Around 40 per cent of this workforce is employed in agriculture, using technology to maintain intensive cultivation techniques, so that by 2010 China became the world's largest consumer of fertilisers. China's arable land is only 75 per cent that of the US total, it produces around 30 per cent more than the US. China is the world's largest producer of rice and a significant producer of wheat, tea, pork and fish. Agriculture provides China with a high level of self-sufficiency in food; nevertheless agriculture's share of GDP fell from 28 per cent in 1978 to 11 per cent in 2008 as the industrial-manufacturing sector expanded.

With a burgeoning industrial base, China is experiencing rapid urbanisation and rural workers, looking for better wages and a share of China's increasing standard of living, have joined the factory line. A land reform law enabled farm collectives and members to sell their land; the government's ultimate aim is land privatisation. About 5 per cent of farmland, or 6.7 million hectares (ha), have been lost to mainly industrial development since 1997 and pressure on resources, such as water, is, in some areas, becoming critical. Land use and erosion have resulted in pollution and flooding, which prompted the government to modify the new reforms, including delisting 70 per cent of development zones, thus saving over 24,000 square kilometres of farmland. Although all land is officially owned by the state, land ownership comes in the form of 'land use rights', which give the title-owner rights for between 30–70 years. Forty million farmers have lost the rights to their land since 1984 and rural communities are protesting at the manner of the purchase and sale of farmland. Re-designated land use has also been initiated by the government with 5.4 million ha of arable land given over to forestry, while cotton growing has dropped by over 7 per cent. Both of these measures, and the reinforced embankment of the middle and lower reaches of the Yangtze and Yellow rivers, are measures designed to stem the disastrous flooding seen increasingly since the early 1990s. Government policy, incorporating the changes that entry to the WTO has imposed, is mostly concerned with food security. The government's traditional agricultural policy has been to encourage farmers to increase production to meet the needs of the cities, while keeping prices low. This has involved guaranteeing farmers a price for a proportion of their crop and offering it at a subsidised price in the towns. The government is attempting to increase farm incomes – which are markedly below those in the cities – in the hope that the sector can provide the impetus for growth of consumer products. The government is considering changing agricultural policy to focus more on grain quality rather than quantity in order to cope with external competition. There is likely to be increased rural poverty and unemployment in the medium-term as cheaper imports bite. The conundrum remains of how to increase rural incomes and provide food for a huge population without significant state intervention and, by extension, state distortion of the market. From 2005, a policy that limits foreign producers of genetically modified (GM) seed crops from accessing the Chinese

market runs concurrently with the country's own research and development to produce its GM crops in cotton and rice (US\$121 million in 2004). The government's problematic position is hampered by its appreciation of the sales potential for unmodified crops in overseas markets that are reluctant to take GM crops, against the need for higher domestic yields and the possibility for sales of Chinese patented GM seed crops abroad. According to the Centre for Chinese Agricultural Policy, China will need to produce more than 1.5 times the 1999 level of grain output to feed a population of 1.6 billion by 2030. The demand for livestock and aquatic products is forecast to double in the same period. An agricultural reform and development plan was approved by the central committee in 2008. The plan aims to double the income of farmers in two decades. With its extensive river network and long coastline, China produces a substantial quantity of fish and exports much of it to its regional neighbours. The total marine fishing ground area is about 818,000 square nautical miles and China has a total of 150 commercially exploitable marine species in its waters. The main species are silver carp, bighead carp, grass carp and tilapia. China's marine fishing production is made up of small-scale fisheries and the state-owned enterprises (SOEs). The small scale fisheries produce an estimated 90 per cent of the total seafood supply. The reform of SOEs has improved productivity in large-scale fishing operations. In common with other fishing grounds, stocks in the South and East China Seas are becoming depleted. Inland fishing is showing an increase, following a period of decline caused by the depletion of inland freshwater habitats due to dam-building, industrial pollution and land reclamation for agriculture. China has around 14 per cent forest cover, almost evenly divided between coniferous and broadleaved forests. Southern forests are mainly lowland rain forests and monsoon forests. In the north, the majority of forests are mixed coniferous. The government has embarked on a policy of reforestation. Deforestation was partially blamed for the disastrous extent of the 1998–99 floods which killed thousands and swamped cities, agricultural land and industrial enterprises. Huge coniferous forests have been planted and it is hoped that slower-growing deciduous trees will augment them in the reforested areas. The State Forestry Administration, has set ambitious targets for China to raise afforestation by 26 per cent by 2050.

China is one of the world's five largest wood-producing countries, although the majority of production is burned as fuel. It is a net exporter of wood products and also produces a large amount of non-wood forest products such as resins, tung oil, essential oils, bamboo poles and bamboo shoots, nuts, mushrooms, honey and medicinal plants.

### Industry and manufacturing

China's industrial base is highly diversified and ranges from the production of metals and oil refining to light industry such as textiles and computer hardware. The manufacturing sector accounts for around 37 per cent of GDP. The major industries are mechanics, electronics, metallurgy, chemicals, building materials, furniture, woodwork, textiles, clothing, food, petroleum and coal processing. The government has been focussing on restructuring the industrial sector and introducing advanced technology. The government hopes to phase out small scale production and encourage foreign participation, particularly in the chemicals industry. The development of effective, low-cost chemicals for agricultural use is a top priority. China has become a production centre for a multitude of labour-intensive assembly industries. China produces around 75 per cent of the global supply of textiles. There is considerable foreign investment coming from Hong Kong (which accounts for most of new funding in the Shenzhen Special Economic Zone), Japan and the US. China has the ability to exploit vertical economic linkages from its impressive natural resources to heavy industry and the manufacturing of white goods, which has shown impressive growth since the early 1990s. China is a net exporter of aluminium and stands to become one of the world's largest aluminium producers. It is also a major exporter of magnesium, although competitors have complained that China has driven down global magnesium prices through price dumping on commodity markets. China is the world's largest steel producer. Vehicle production is an important growth sector. On the basis of growth levels sustained since the late 1990s, China stands to become one of the world's largest car exporters by 2010. China's attraction as a foreign investment destination has increased since it became a WTO member, since low production costs and cheap labour have encouraged many foreign businesses to transfer their operations to the mainland. The main concern is that increased competition will have a devastating effect on state-owned industries. More joint-venture companies are likely to evolve over time, leading to

mixed-ownership control in the industrial sector.

Chinese industry is faced with an increasing domestic oversupply problem. At the same time, domestic demand has fallen as state-owned enterprises lay off workers as part of the government's restructuring programme. This has increased competition within Chinese industry, causing deflation and putting pressure on factory gate prices. The problems facing the industrial sector have led to concerns that Chinese companies, stimulated by the government's fiscal pump-priming of the economy, have been investing too much in increasing capacity.

Problems facing China's industrial sector are the lack of workable bankruptcy laws and the corruption of local officials, who are keeping failing industries afloat.

State-owned banks are forced to carry the burden of the industrial sector's debt, a burden that is unsustainable. An eventual clamp-down on non-performing loans within the banking sector will affect the industrial sector. The government is encouraging investment in privately-owned industrial firms, with the possibility of opening up the sector to further foreign investment.

In June 2011 workers rioted for several days in the industrial city of Zengcheng after a market stall-holder was allegedly assaulted by security personnel. Although the stall-holder's refusal to move triggered the protests, there is long-held resentment among migrant workers (many from Sichuan province) of official corruption and abuse of power in Zengcheng. In August 2011, industrial output rose by 13.5 per cent on the same period in 2010. However, as inflation in July 2011 was a three-year high of 6.5 per cent, by September the average minimum wage had risen by over 21.7 per cent, which increased production costs as a time when China had instigated measures to promote an economic slowdown and reduce inflation. The rising production costs could weaken China's pre-eminence as one of the world's cheapest manufacturing centres.

### Tourism

China has a wealth of history, varied culture and an internationally acclaimed cuisine to offer visitors. Popular tourist destinations include from the Great Wall of China, the Dragon King's Tomb, performances of Chinese opera and circuses, old and new cities and a variety of landscapes. However, with the great distances between centres of interest tourists are faced with remaining fairly static or undertaking some internal travelling. As a by-product of China's immense industrialisation it has been in the process of

expanding its infrastructure, which has benefitted tourists. A train can now carry passengers into Nepal, up into the Himalayas, and a new high-speed train between Beijing and Shanghai, opened on 30 June 2011, has reduced the 1,318km journey to five hours.

Travel and tourism is a relatively novel pastime for many Chinese but the increase in disposable income plus a relaxation in travel permits in recent years means that many more are visiting the outside world. Tourism contributes 9–10 per cent of GDP (2007–11), with around 8 per cent of the workforce is engaged in the industry (over 6 million jobs).

Domestic spending on travel and tourism topped US\$319 billion in 2010, as the tourist industry expanded for the domestic market; there were 57 billion international departures in 2010. Foreign exports were US\$49.6 billion in 2010 as China became the third most popular destination with 56 million international arrivals, an increase of 10 per cent on the 2009 figure. In 2011, domestic spending grew by 7.6 per cent (US\$376 billion), however foreign exports fell by –6.3 per cent, but still achieved US\$51 billion.

China is one of the world's greatest civilisations and has 41 sites included on Unesco's World Heritage List, located throughout the country and represents archaeological, historic and cultural sites as well as sites of natural wonder.

### Environment

China is a land of contrast. While a project of land reclamation has been in operation since 2001 in the north-western Ningxia Hui autonomous region, where willows and grass are helping to beat back the desert, for many regions around China the prospects are not so good. The Yellow River typically runs dry before it reaches the sea due to the overuse of water for irrigation. Desertification is accelerating and threatens one-third of the country and 400 million people. The national policy of self-sufficiency in food in the past resulted in the cultivation of unsuitable grain crops in desert areas and, coupled with logging and over-exploitation exacerbated by a natural lack of water and rainfall, has led to rapid soil erosion. The beginnings of a forest have been planted in Yanchi in an effort to avert the spring sandstorms that sweep through Beijing each spring.

In contrast, the central and southern regions are hit every summer by severe floods. The worst affected areas are the middle and upper reaches of the Yangtze River, where the Three Gorges Dam is expected to bring some relief when it is completed. As it neared its completion, the risk to the environmental and ecology,

which included landslides and loss of drinking water, prompted officials to plan to relocate over four million people to the city of Chongqing from the immediate vicinity of the Three Gorges Dam between 2007–22.

In 2005 an explosion in a state-run chemical plant caused an 80km toxic benzene slick that flowed down the Songhua River endangering over nine million inhabitants who depend on the river for their supply. Many residents of the city of Harbin joined an exodus to avoid the danger when authorities halted river-water supplies and handed out thousands of bottles of water while the slick passed.

In 2008, China was reported to be the biggest carbon polluter in the world. The figures in the report came from provincial-level data from China's own Environmental Protection Agency. Nevertheless, the US per capita emission is still 5–6 times higher than China and any pressure to cap emissions in either country will require overcoming their no-harm-to-economic-growth stance.

The government declared a drought emergency in February 2009 in eight northern and central provinces. Around four million people lacked drinking water and half of the country's winter crops of wheat and rapeseed were threatened. Irrigation in the effected areas traditionally relies on rainwater; the drought is the worst since 1951.

### Mining

China's mining industry ranks as one of the largest in the world, although production statistics are sketchy. Most of China's mineral production is consumed locally by state-owned enterprises (SOEs). There are around 80,000 SOEs and 200,000 collectively-owned mines. China is an important producer of copper, tungsten, antimony, lithium and molybdenum, and also produces significant quantities of zinc, lead, manganese, tin, mercury and rare earths. China ranks among the top five countries for its reserves of antimony, barite, graphite, magnesite, fluorite, molybdenum, tin and tungsten. China imports alumina, chromite, cobalt, copper, iron ore, manganese and other platinum-group metals. China is an extremely important market for the global minerals industry and is one of the largest mineral exporters, importers and producers in the world.

China is becoming increasingly important in the molybdenum market and has substantially more deposits of rare earth elements than the rest of the world, 97 per cent of them in the Bayan Obo iron ore mined in Inner Mongolia.

A Chinese-owned mining company won a tender to develop one of the world's

largest copper mines sited in Logar Province in Afghanistan. It is estimated that the site has 13 million tonnes of copper. Australia, Canada, China and Russia all contested the tender, ultimately won by Metallurgical Group with an investment of US\$3 billion.

### Hydrocarbons

Proven oil reserves were 14.7 billion barrels at the end of 2011, with production at 4.0 billion barrels per day (bpd), an increase of 0.3 per cent on the 2010 figure. However with consumption at 9.8 million bpd in 2010 China relies on imported oil to meet its domestic needs and since the early 1990s has rapidly moved from being a net exporter of oil to the world's third largest net importer (after the US and Japan). It also has the second largest refining capacity in the world after the US, at 10.8 million bpd in 2011. Around 85 per cent of Chinese oil production is located onshore, in the aging Daqing and Shengli fields in north-eastern and east China respectively. Exploration is concentrated in new offshore sites in the north-eastern Bohai Sea and the southern Pearl River Delta. Oil production is currently controlled by two state-owned oil firms, the China National Petroleum Corporations (CNPC) and the China Petroleum and Chemical Corporations (Sinopec), which combined dominate the upstream and downstream oil markets. CNPC, with a publicly listed subsidiary, PetroChina, concentrates on exploration and output, while Sinopec focuses on refining and distribution. In 2010, PetroChina was ranked as the second largest energy company (after the US-based ExxonMobil), based on capital value, in the world.

A US\$25 billion deal was signed in 2009, whereby China is supplied with Siberian oil in exchange for Chinese loans to Russian companies. The Chinese Development Bank loaned Rosneft and Transneft, the Russian state oil company and pipeline company, US\$15 billion and US\$10 billion respectively. Some 300,000 barrels a day of oil annually began flowing through the pipeline in January 2011. China considers the agreement to be strategically vital as it diversifies its hydrocarbon supplies away from the Middle East. The inauguration of a new oil refinery in Guangxi Province took place in 2010. PetroChina, the owner/operator invested US\$2.2 billion for the 200,000 barrels of oil capacity plant, located near the border with Vietnam, in the city port of Qinzhou. In February 2012, Sinopec announced that it had plans to invest US\$8.41 billion and dramatically expand its oil refining plant in the Xinjiang region and double

its refined oil output to 200,000bpd by 2015.

China, along with Vietnam, Taiwan, Brunei, Malaysia and The Philippines, claims the potentially oil-rich Spratly Islands.

Proven natural gas reserves were of 3.1 trillion cubic metres (cum) in 2011, the majority of which are located in the south-western Sichuan Province, and the north-western region Xinjiang Uyghur Autonomous region. The latest discovery, the Puguang field in Sichuan Province, has proven reserves of 356 billion cum that could reach a total of 500–550 billion cum. Production in 2011 was 102.5 billion cum, which was an increase of 8.1 per cent on its 2010 levels. In 2007 China imported 3.3 billion cum of liquefied natural gas, which by 2011 had risen to 16.6 billion cum and total imports of natural gas were 14.3 billion cum. Indonesia and Australia are the source of the greatest proportion of LNG imports. In May 2011, PetroChina received its first LNG train of 145,000cum from Qatar at its new terminal at Rudong in Jiangsu Province.

China plans to replace coal with natural gas as the main source of power generation in homes in its major cities and the 4,000km west-east pipeline extending across the country to the urban coastal areas could eventually be extended to tap the large gas reserves of Central Asia. The Sichuan-Shanghai natural gas pipeline became operational in 2010. The US\$9.2 billion pipeline is designed to transport 12 billion cubic metres of natural gas per year. China's consumption of natural gas was 3.4 per cent of total world gas consumption in 2010. The PetroChina Company, the state-owned natural gas distributor, projected that 86 per cent of all natural gas imports (24.1 billion cum) in 2012 would be via the Central Asia–China Pipeline from Turkmenistan.

Coal is China's primary source of energy; there were proven reserves of 114.5 billion tonnes at the end of 2011, of which around 62 billion is thermal anthracite and 52 billion the lesser coking (brown) coal used in power stations. Production was 1,956 million tonnes of oil equivalent (mtoe), an increase of 8.8 per cent on the 2010 levels of 1,798 mtoe. The main export destinations for Chinese coal are South Korea and Japan. China is becoming more open to foreign investment in its coal industry, in a bid to modernise the industry.

### Energy

China's total installed generating capacity exceeded 700 million kW by 2007, of which around 70 per cent is produced by

low quality and polluting coking coal, so there are plans to increase the number of natural gas electricity power stations. The giant Three Gorges dam was completed in 2006, with 26 generators capable of producing 847 million kilowatt hours (kWh) through hydropower. In July 2012, the Three Gorges Dam reached its operating peak of 22.5 gigawatts.

Another large hydroelectric project will involve a series of dams on the Yellow River, with 25 generating stations with a combined installed capacity of 158 million kW. The government is also expanding nuclear power generating capacity, with the construction of eight new nuclear power plants in joint ventures with Russian, French and Canadian firms.

The government hopes eventually to unify electricity distribution into one national power grid with power generators selling their electricity at rates determined by a free market. In the meantime there is a power shortage and the government increased the cost of electricity for industrial, agricultural and commercial users in a number of provinces from 1 June.

### Financial markets

In 1986, the stock market in Shanghai, the largest in East Asia before 1949, reopened to trade shares and bonds. China has since opened securities exchanges in 44 cities, including the capital Beijing, but trading so far has been thin. Shanghai and the Shenzhen Stock Exchange (formally opened in 1991) remain the two major markets for both domestic and foreign investors. Both markets list 'A' shares (for domestic investors) and 'B' shares (for foreign investors) as well as bonds and warrants. As a result of further planned privatisation, Shanghai's total market capitalisation is expected to increase from US\$600 billion in 2002 to US\$2 trillion by 2010, although there are uncertainties surrounding the government's commitment to the privatisation programme. The market, driven by millions of retail investors, is thought to be overvalued and subject to illegal manipulations.

An equity market for small- and medium-sized companies (similar to the Alternative Investment Market in London) was established on the Shenzhen stock market in 2009. Called the Growth Enterprise Board it was expected to start operations in October.

### Stock exchange

Shanghai Stock Exchange (SSE)

### Commodity exchange

Dalian Commodity Exchange (DCE)

### Banking and insurance

China's accession to the WTO in late 2001 led to reforms in the country's banking sector to permit domestic banks to compete with foreign-owned banks in

the future. This meant eliminating corruption at the highest levels of management. Under the WTO agreement, foreign banks were allowed to offer renminbi banking services to Chinese corporations from 2004, and to offer services to Chinese individuals from 2007.

In 2003, the country was dominated by four large banks, the Bank of China, the Agricultural Bank of China, China Construction Bank and Industrial and Commercial Bank of China, which between them controlled 80 per cent of banking services. WTO membership gave foreign banks the right to compete with domestic ones and all restrictions on the setting up, operation and licensing of foreign banks were eliminated by 2005. In addition, state-owned banks could provide foreign currency services. In December 2001, HSBC became the first foreign bank to obtain equity in mainland China when it acquired 8 per cent in the Bank of Shanghai.

On 19 July 2013 the government announced that banks would in future be allowed to set their own lending rates. Previously they were not allowed to lend at rates below a certain level set by the People's Bank of China.

### **Central bank**

People's Bank of China. The central bank became an autonomous financial institution in 1995.

### **Time**

GMT plus eight hours

Despite its size, China works to one time zone only.

### **Geography**

China is the third-largest country in the world after Russia and Canada. Its 28,000km land boundary touches North Korea, Russia, Mongolia, Afghanistan, Pakistan, India, Nepal, Bhutan, Myanmar, Laos and Vietnam.

China is bounded by the Yellow and East China Seas to the east and by the South China Sea to the south.

Deserts and semi-arid grasslands make up much of the western and northern parts of the country. Central and eastern China are the most heavily populated parts of the country. The plains of north and north-east China are flat and fertile, but frequently suffer from prolonged drought.

Mountain ranges occupy 33 per cent of China's area. Most of China's main rivers run west to east. The longest is the Yangtze River, followed by the Yellow River.

The Yangtze River is known as Chiangiang (long river) in China. Much of China was once covered by forest, but due to dense settlement and intensive agriculture, most forests have disappeared.

There are 23 provinces including Henan, Guangdong, Shandong, Sichuan, Jiangsu, Hebei, Hunan, Anhui, Hubei and Zhejiang; four municipalities – Beijing (Northern Capital), Chongqing (Double Celebration), Shanghai (Above the Sea) and Tianjin (Heaven's Crossing); five autonomous regions – Guangxi (Western Expanse), Neimengu (Inner Mongolia), Ningxia (Peaceful China), Xinjiang Uygur (New Frontier) and Xizang (Tibet) (Western Buddhists) and two special administrative regions – Hong Kong and Macau.

### **Hemisphere**

Northern

### **Climate**

China, with its extensive land mass, has a diverse climate with five temperature zones: cold-temperate, mid-temperate and warm-temperate, subtropical and tropical zone, as well as a plateau climate zone in Tibet.

Weather patterns for most of China are influenced by the monsoon periods that strike in different parts from April to October. Not only is there a series of monsoons drawn from the Pacific Ocean that dominate in turn, the south-east, eastern then northern regions but also one that is drawn from the Indian Ocean that strikes southern mainland China.

The average temperature in summer in Beijing is 28 degrees Celsius (C); Shanghai 16 degrees C and Guangzhou 32 degrees C.

### **Dress codes**

Foreign businessmen generally wear suits and ties to negotiating sessions with Chinese counterparts, who have abandoned the Mao suit for Western dress. Less formal attire is acceptable outside the main cities.

Fashion-consciousness is growing among younger urban Chinese.

### **Entry requirements**

#### **Passports**

All visitors need to hold a passport with validity of a minimum of six months. Passports should have at least a few blank pages for visas and entry and exit stamps.

#### **Visa**

Required by all, except transit passengers. Business visits can only be made with an invitation from a Chinese organisation such as a ministry or commercial institution. Foreign firms may request such invitations from a trading corporation. An invitation in the form of a fax is usually sufficient for the visa application which should also include a business letter and itinerary. For up-to-date information concerning visas contact the nearest consulate.

It is possible for individuals to organise their own itinerary and when this has been

confirmed by the authorities, the visitor must finance the cost of accommodation and the tour by depositing the amount, through a home bank, with China International Travel Service.

If arriving from Mongolia, airlines in Ulaanbaatar require holders of foreign passports to have a Chinese visa in order to board the aircraft for flights to Beijing. This requirement applies regardless of the length of time in transit at Beijing.

### **Currency advice/regulations**

Export and import of local currency is limited to Rmb20,000; all exports of renminbi must be accompanied by a foreign currency conversion receipt, issued by domestic banks. Renminbi may be converted overseas within six months from any Bank of China operation but only with a foreign currency conversion receipt.

Import and export of foreign currency is unlimited but any amount over the equivalent of US\$5,000 being exported must be declared.

Travellers cheques, preferably in US dollars, are accepted in major cities, in banks and four and five star hotels.

### **Customs**

Certain items produced in China before 1949, such as embroidery, silks, porcelain, scrolls and *objets d'art*, may be subject to export restrictions. When arriving, listing electronic equipment and camera gear etc is compulsory on customs forms; if these items are not with the traveller on departure, the traveller is liable to pay duty on them. Receipts for any major purchases, especially paintings and antiques, should be kept.

### **Prohibited imports**

Printed material, films, tapes that are viewed to be adverse to China's politics, economy, culture and ethics.

### **Health (for visitors)**

#### **Mandatory precautions**

Vaccination certificates are required for yellow fever if travelling from an infected area.

#### **Advisable precautions**

Take precautions against HIV/Aids and malaria (generally confined to the southern part of China near the border with Myanmar and Vietnam, although in the summer months the Yangtze River basin is also affected). Rabies is endemic and bilharzia is present in southern and eastern parts of the country. Vaccinations should be taken against hepatitis A and B, diphtheria, tuberculosis, Japanese A encephalitis, polio, tetanus and typhoid. Drink only bottled water, avoid unpeeled fruit and salads and try to ensure all food has been thoroughly cooked. It is advisable to have emergency medical insurance; in Beijing two companies – Asia Emergency

Assistance (AEA) and International SOS Assistance – offer evacuation services.

### Hotels

There is no shortage of accommodation in peak seasons. The main hotels in major cities are of a reasonable standard, but many hotels are frugal, often with fixed-time, fixed-menu meals and even cold water only during certain hours in the evening and morning. There are new hotels built, with foreign assistance, in Nanjing, Guangzhou, Beijing and Zhijiang and international-standard joint-venture hotels in Tianjin, Hainan, Xiamen, Fujian, Hangzhou and Shenzhen. Charges for government guest houses, which are used to accommodate hotel overflows, are high.

Reservations for business visitors are made by their host organisations. Joint venture hotels are able to accept bookings from outside China. Hotel reservations for over 70 Chinese cities are being computerised.

Tipping is officially forbidden in China, although small tips are occasionally 'expected' by porters in larger hotels. The custom is uneven, and tips will often be refused.

### Credit cards

Credit cards are accepted at tourist hotels and tourist shops in major cities. Use of cash or traveller's cheques is more usual. Cash withdrawals from banks are possible with major cards, but are not encouraged and frequently entail long delays.

### Public holidays (national)

#### Fixed dates

1–2 Jan (New Year's Holiday), 1–3 May (May Day), 1–3 Oct (National Day).

#### Variable dates

Chinese New Year (Jan/Feb)

### Working hours

#### Banking

Mon–Fri: 0900–1200, 1400–1700.

#### Business

Mon–Fri: 0800–1130, 1300–1700.

#### Government

Mon–Fri: 0800–1200, 1300–1700.

#### Shops

Mon–Sun: 0900–1900.

### Telecommunications

#### Telephone/fax

Telephone directories may not be readily available, visitors should keep a note of important telephone numbers.

#### Mobile/cell phones

GSM 900 service available in eastern provinces.

### Electricity supply

220/240V AC, 50Hz. Two-pin sockets and some three-pin sockets used. Mostly flat plug fittings, with two-pin round as

well in some hotels, and generally, screw-type light bulb fittings.

### Weights and measures

Metric system (with Chinese units in use).

### Social customs/useful tips

A ban on smoking in public places came into force on 1 May 2011. The new rules prohibit smoking in restaurants, hotels, railway stations and theatres, but not at the office. It is estimated that up to a third of all smokers in the world are Chinese, and that there are some million smoking-related diseases diagnosed every year. The new rules have been criticised because they do not include punishments for those who choose to ignore them.

Doing business needs patience; punctuality is vital, being especially valued on the part of the visitor. It is customary to present a business card. The full title of the People's Republic of China should be used for formal communications.

If working towards a major contract, it is a good idea to read the government's five-year plan (currently the 12th, 2011–15) so that you can relate your company or project to the overall picture of China's development. It is always advisable to have a local partner or representative, although personal meetings are important.

Bureaucratic procedures are many and the frustrations of grappling with the Chinese bureaucracy are considerable. The visitor should assume that virtually all negotiations are going to take far longer than expected.

It is advisable to have a destination written in Chinese characters.

Eating can be a tricky business but there are a few important things to remember to save embarrassment on the part of the foreigner. When dining with the Chinese, and certainly with professionals, you should wait until your seat is 'allocated' by a nod or a subtle indication by the host. The Chinese have great respect for authority and title and this determines where a person will be seated at a table. One should not begin eating until indicated to do so. Take care not to 'upset' the presentation of the food as this is considered very offensive. When eating with chopsticks do not position them upright in your ricebowl. The gesture is symbolic of death and should be avoided.

The Chinese are highly 'face' conscious and try to avoid self-embarrassment at all costs. It is important that foreigners endeavour not to mock, satirise or embarrass their Chinese counterparts in any way as this will definitely ruin any developing relationship.

Unofficial contact between foreigners and local Chinese was effectively banned until reforms gathered momentum in the

1980s and 1990s. The borderline of what is permissible remains unclear, and contact by Chinese with some categories of foreigners such as journalists may still attract adverse attention.

Taiwan (Formosa) is considered a province of China, and should not be referred to as a country. It is quite acceptable nowadays to discuss Taiwan.

### Security

China's cities probably rate among the world's safest after dark, although some, such as Shenzhen and Wuhan have a worse reputation. Thefts are relatively rare, perhaps because the authorities investigate and punish crimes against foreigners with special vigour. The usual precautions should be taken with valuables.

Organised gangs, some of them Hong Kong-based, are reported to operate in the southern city of Guangzhou (formerly Canton). Their methods include drugging and robbing businessmen.

Chinese criminal law is much harsher than in most Western countries, and Chinese society is still very puritanical in sexual matters.

### Getting there

#### Air

An agreement was signed with Taiwan on 13 June 2008 to allow 36 direct flights (18 each) a week to start on 4 July. A further agreement will allow 3,000 tourists per day into each country from 18 July.

**National airline:** Air China.

**International airport/s:** Capital, Beijing (PEK), 26km north of the city, with duty-free shop.

Hongqiao (SHA), 12km from Shanghai, with restaurant, shops; Pudong International, 30km from Shanghai, 60 minutes by car. There are special buses; services to and from the city run from 0600–1900. Facilities include internet cafés and short-stay hotel rooms for passengers. Baiyun International (CAN) 12km north of Guangzhou.

All airports have duty-free shops, banks, restaurants, post offices and business facilities.

**Other airport/s:** Include: Chengdu; Guilin; Haikou; Kunming and Tianjin.

**Airport tax:** Departure tax: domestic Rmb50; international Rmb90, to be paid in local currency only, excluding 24-hour transit passengers.

#### Surface

**Road:** Motorways have been built between Guangzhou and Shenzhen and Guangzhou and Zhuhai. These roads link the cities of Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou and Shunde to Hong Kong and Macau. Motorway links to major cities from neighbouring countries are few, partly reflecting the fact

that most of China's neighbours, including Laos and North Korea, are poorer than China itself.

The Regional Road Corridor Improvement Project, estimated at US\$18 billion, to improve Central Asian roads, airports, railway lines and seaports and provide a vital transit route between Europe and Asia was agreed, on 3 November 2007. Six new transit corridors, between Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan, of mainly roads and rail links, will be constructed, or existing resources upgraded, by 2013. Half the costs will be provided by the Asian Development Bank and other multilateral organisations and the other half by participating countries.

**Rail:** The Kowloon-Canton Railway Corporation (KCRC) has express trains serving Kowloon-Guangzhou and an indirect Kowloon-Lowu service.

The Trans-Siberian Express operates two weekly services between Beijing and Moscow, one via Ulaanbaatar in Mongolia and a second via Harbin in northern China.

Nanning, in Guangxi province, is linked by rail to Hanoi, Vietnam. A second cross-border track runs from Kunming, the capital of China's south-western province of Yunnan, via Lao Cai, to Hanoi.

**Water:** Ferry services operate between Weihai and Incheon in South Korea, and between Shanghai and Osaka in Japan.

### Getting about

#### National transport

**Air:** Air travel is the quickest way of getting around the country. There are several airlines including China Eastern, China Northern, China Southern and Yunnan Airlines. These provide regular services between the major cities, with first-class service on some routes. Flights are frequently overbooked and seats should be confirmed as a matter of course. Independent regional airlines also operate. Tickets not booked through an official guide/travel service should be booked and collected well in advance. Allow plenty of time for inevitable and often prolonged delays in services. Airport announcements are not multilingual.

**Road:** There are over 1.18 million km of internal roads, around 250,000km are paved, but most are narrow and poorly surfaced making long-distance travel time-consuming. A superhighway links Beijing and Tianjin, and a 138km four-lane toll highway links Hangzhou and the port of Ningbo in Zhejiang Province. These are linked into a network of 12 major highways across the country.

**Buses:** Extensive, long distance services are available, it is advisable to book seats in advance.

**Rail:** The rail network in 2011 was around 91,000km of track. Although many lines are electrified, many locomotives are steam-powered. Beijing is the hub of the rail network with lines radiating throughout the country. There are two major railway stations, the Beijing Railway Station and Beijing West Railway Station, which between them run various services to Guangdong, Shanghai, Heilongjiang, Shanxi, Hebei and Kowloon.

In April 2011 Sheng Guangzu, railway minister, confirmed that the government would be spending US\$428.8 billion on railway construction over the period to 2015. This was less than previously announced, but will still mean an expansion to 120,000km by 2015.

Operating speeds on bullet train lines was reduced from 350km per hour to 300km in April 2011. The Beijing-Shanghai line, scheduled to open in 2011, will also be reduced to 300km, from the planned 380km.

On 1 July 2006 the 1,930km passenger service between Quighai and Tibet, at elevations of 4,000–4,800 metres, began operating.

Rail services operate between main cities. Deluxe rail services, with opulent German-made sleeping cars and private dining coaches, are available. Generally, rail travel is comfortable and safe, but time-consuming because of the long distances involved.

The 2007/08 budget has set aside US\$175bn for railway investment. The China Railway Construction floated on the Shanghai Stock Exchange in February 2008, raising Rmb22.25bn (US\$3.1bn). The China Railway Group had previously raised US\$5.5bn in December 2007.

**Water:** Hydrofoil and ferry services operate between Hong Kong and Guangzhou, and also serve Shekou, Shenzhen and Zhuhai. Inland waterways and coastal shipping services are an important form of transport.

#### City transport

**Taxis:** Taxi service is available in all major cities, from railway stations, hotels and shopping districts. Not all taxis are metered, but a standard rate per kilometre is regulation check before starting a journey. Taxis may be hailed in the street. Destinations may need to be written down in Chinese characters, as not many drivers speak a foreign language. It may be best to retain a taxi until returning to the hotel and paying the driver a small waiting fee during appointments or meals. Tipping is not practised.

**Buses, trams & metro:** Beijing has a serious transport problem with heavy congestion during the day and the risk of grid-lock during rush-hours. It has a metro system, with over 60 stations, with

an upgrade and new lines, including the Olympic branch line, under construction, most of which are expected to be completed for the 2008 Olympic Games. However for the size of the city and population it is a small operation. The *yikatong* transport card is the only ticket that allows travel on most lines; individual lines have their own, non-transferable tickets. There are also buses, trams and trolleybuses but these are unsuitable for visitors without a working knowledge of Chinese.

There are metro systems in Chongqing, Guangzhou, Nanjing, Shanghai, Shenzhen, Tianjin and Wuhan. There are extensive local bus services in all main cities, generally inexpensive but crowded and without timetables.

**Trains:** There are six main, metropolitan railway stations that handle traffic from surrounding suburbs and districts.

#### Car hire

Most rental companies require the driver's passport as deposit, making car rental impractical. Cars with a driver can be hired for a day or week.

Bicycle hire is available in some towns, but it is advisable to carry proof of identity when riding.

### BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

#### Telephone area codes

The International direct dialling (IDD) code for China is +86, followed by the area code:

Beijing	10	Qingdao	532
Chengdu	28	Shanghai	21
Dalian	411	Shenyang	24
Fuzhou	591	Shenzen	755
Guangzhou	20	Tianjin	22
Harbin	451	Wenzhou	577
Jinan	531	Wuhan	27
Lhasa	891	Xi'an	29
Nanjing	25		

#### Useful telephone numbers

##### Beijing

Police: 110

International calls, English-language: 337-431, 553-536

Local, long-distance enquiries: 116

Cable and telex information: 664-900

Taxis: 557-671

Airport-flight enquiries: 552-515, 555-531, ext 382

##### Shanghai

Ambulance: 120

Police: 110

Fire: 119

Taxis for disabled: 6215-5555

**Chambers of Commerce**

American Chamber of Commerce PRC, 1903 China Resources Building, 8 Jianguomenbai Dajie, Beijing 100005 (tel: 8519-1920; fax: 8519-1910; e-mail: amcham@amcham-china.org.cn).

British Chamber of Commerce in China, China Life Tower, 16 Chaoyangmenwai Avenue, Beijing 100020 (tel: 8525-1111; fax: 8525-1100; email: director@pek.britcham.org).

**Banking**

China Banking Regulatory Commission, Jia No 15 Financial Street, Xicheng District, Beijing 100140 (tel: 6627-9113; web: www.cbrc.gov.cn)

Agricultural Bank of China, Jia 23 Fu Xing Road, Beijing 100036 (tel: 6847-5321; fax: 6829-7160).

Bank of China, 410 Fuchengmen Nei Dajie, Beijing 100818 (tel: 6601-6688; fax: 6601-6869).

Beijing City Commercial Bank Corp Ltd, 2nd Floor, Tower B Beijing International Financial Building, 156 Fuxingmennei Street, Beijing 100031 (tel: 6642-6928; fax: 6642-6691/9).

Bank of Communications, 18 Xianxia Lu, Shanghai 200335 (tel: 6275-1234; fax: 6275-6784).

China Construction Bank, No 25 Finance Street, Beijing 100032 (tel: 6759-8050; fax: 6759-7353).

China Minsheng Banking Corporation Ltd, 4 Zheng Yi Lu, Dong Cheng District, Beijing 100006 (tel: 6526-9578).

Hua Xia Bank, Xidan International Mansion, No. 111 Xidan North Avenue, Xicheng District, Beijing 100032 (tel: 6615-1199, 6612-9139; fax: 6618-8484).

**Central bank**

People's Bank of China, 32 Chengfang Street, Xi Cheng District, Beijing 100800 (tel: 6619-4114; fax: 6601-5346; e-mail: webbox@pbc.gov.cn; internet: www.pbc.gov.cn/english).

**Stock exchange**

Shanghai Stock Exchange (SSE), www.sse.com.cn

Shenzhen Stock Exchange, www.szse.cn

**Commodity exchange**

Dalian Commodity Exchange (DCE), www.dce.com.cn

Zhengzhou Commodity Exchange (ZCE), http://english.czce.com.cn

**Travel information**

Air China, Beijing Capital Airport, Beijing 100621 (tel: 6456-3201; fax: 6456-3831; e-mail: webmaster@airchina.com.cn).

Beijing Capital Airport, Beijing 100621 (tel: 6456-4247; fax: 6457-0487).

China Eastern Airlines, 2550 Hingqiaolu, Shanghai 200335 (tel: 6268-6268; fax: 6268-6116; e-mail: webmaster@ce-air.com).

China International Travel Service (CITS), 103 Fuxingmennei Dajie, Beijing 100800 (tel: 6601-1122; fax: 6601-2021; e-mail: webmaster@cits.net).

China Southern Airlines, Baiyun International Airport, Guangzhou 510405 (tel: 8612-4738; fax: 8665-9040; e-mail: webmaster@cs-air.com).

Shanghai Hongqiao Airport, Shanghai 200335 (tel: 6269-0029; fax: 6269-0027).

**National tourist organisation offices**

National Tourism Administration of the People's Republic of China (CNTA), 9A Jianguomennei Avenue, Beijing 100740 (tel: 6520-1114; fax: 6512-2096; internet site: http://www.cnta.gov.cn/lyen/index.asp).

**Ministries**

Ministry of Agriculture, 11 Nonzhanguan Nanli, Beijing 100026 (tel: 6419-1114; fax: 64192468).

Ministry of Civil Affairs, 147 Beiheyuan Dajie, Beijing 100721 (tel: 6523-5511; fax: 6513-5332).

Ministry of Communications, 11 Jianguomennei Dajie, Beijing 100736 (tel: 6529-2114; fax: 6529-2345).

Ministry of Construction, Baiwanzhuang, Haidian District, Beijing 100835 (tel: 6839-3970; fax: 6839-3333).

Ministry of Culture, A83 Dong'anmen Beijie, Beijing 100722 (tel: 6401-2255; fax: 6403-1266).

Ministry of Defence, 20 Jinshanquanjianjie, Beijing 100009 (tel: 6673-0000).

Ministry of Education, 37 Damucang Hutong, Xidian, Beijing 100820 (tel: 6609-6114; fax: 6601-1049).

Ministry of Foreign Affairs, 2 Chaonei Dajie, Dongcheng District, Beijing 100701 (tel: 8596-1114).

Ministry of Health, 44 Beiheyuan, Xicheng District, Beijing 100725 (tel: 6403-4433; fax: 6401-2369).

Ministry of Information Industry, 13 Xichang'anjie, Beijing 10084 (tel: 6601-4249; fax: 6201-6362).

Ministry of Justice, 10 Chaoyangmen Nandajie, Beijing 100020 (tel: 6520-5254).

Ministry of Labour and Social Security, 12 Hepingli Zhongjie, Dongcheng District, Beijing 100716 (tel: 6421-3240).

Ministry of Land and Natural Resources, 64 Funeidajie, Xicheng District, Beijing 100812 (tel: 6616-5566; e-mail: master@mail.mlr.gov.cn).

Ministry of Personnel, 12 Hepingli Zongjie, Beijing 100716 (tel: 6421-3240).

Ministry of Public Security, 14 Dongchang'anjie, Beijing 100741 (tel: 6512-1967).

Ministry of Railways, 10 Fuxinglu, Haidian District, Beijing 100844 (tel: 6324-0114; fax: 6324-2150).

Ministry of Science and Technology, 15 Fuxinglu, Haidian District, Beijing 100038 (tel: 6851-5544; fax: 6851-5004).

Ministry of State Security, 14 Dongchang'anjie, Beijing 100741 (tel: 6524-4702).

Ministry of Supervision, 4 Zaojunmiao, Haidian District, Beijing 100081 (tel: 6225-4129).

Ministry of Water Resources, 2 Ertiao, Baiguanglu, Xuanwu District, Beijing 100053 (tel: 6320-2114; fax: 6320-2650).

**Other useful addresses**

China International Trust and Investment Corporation (Citic), Capital Mansion, 6 Xinnan Nanlu, Beijing (tel: 6466-0088; fax: 6466-1186; e-mail: g-office@citic.com.cn).

China National Chemicals Import & Export Corporation (Sinochem), A2 Fuxingmenwai Dajie, Beijing 100046 (tel: 6856-8888; fax: 6856-8890).

China National Instruments Import & Export Corporation, Erligou, Xijiao, Beijing 100044 (tel: 6831-7393; fax: 6831-59251).

China National Light Industrial Products Import & Export Corporation (Chinalight), 910 Jinsongjiu Qu, Beijing 100747 (tel: 6776-6688; fax: 6774-7245).

China National Machinery Import & Export Corporation, PO Box 49, Erligou, Xijiao, Beijing (tel: 6849-4851; fax: 6831-4143).

China National Metals & Minerals Import & Export Corporation, Building 15, Block 4, Anhui Li, Chaoyang District, Beijing 100101 (tel: 6491-6666; fax: 6491-7031).

China National Offshore Oil Corporation, PO Box 4705, 6 Dongzhimenwai Xiaojie, Beijing 100027 (tel: 8452-1010; fax: 8452-1044; e-mail: webmaster@cnooc.com.cn).

China National Petroleum Corporation, 6 Liupukang Jie, Xicheng District, Beijing 100724 (tel: 6422-2946; fax: 6422-2946).

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6426-6302; e-mail:  
webmaster@hq.cnpc.com.cn).

China National Technical Import and Export Corporation (CNTIC), Jiuling Building, 21 Xisanhuan Bei Lu, Beijing 100081 (tel: 6840-4106; fax: 6841-4877).

China Ocean Shipping Agency (PENAVICO), Tower Crest Plaza, 3 Maizidian Road West, Chaoyang District, Beijing (tel: 6461-1188; fax: 6467-3118; e-mail: general@penavico.com.cn).

Chinese Embassy (US), 2300 Connecticut Avenue, NW, Washington DC 20008 (tel: (+1-202) 238-5000; fax: (+1-202) 588-0032; e-mail:

chinaembassy\_us@fmprc.gov.cn).

Chinese Export Commodities Fair, 117 Lihua Road, Guangzhou (tel: 8666-1664; fax: 8333-5880; e-mail: info@cecf-info.com).

General Administration of Customs, 6 Jiannei Dajie, Beijing 100730 (tel: 6519-4114; fax: 6519-4004).

Shanghai Advertising Corporation, 117 Xianggang Road, Shanghai 200002 (tel: 6321-7599; 6329-0068).

State Administration for Industry and Commerce, 8 Sanlihe Donglu, Xicheng District, Beijing 100820 (tel: 6803-2233; fax: 6857-0848).

State Administration of Entry-Exit Inspection and Quarantine, A10 Chaowai Dajie, Chaoyang District, Beijing 100020 (tel: 6599-4600; fax: 6599-4306).

**National news agency:** Xinhua (New China News Agency)

Head Office, 20F Dacheng Plaza, 127 Xhuanwumen St (W), Beijing 100031 (email: xxp69@xinhuanet.com; internet: www.xinhuanet.com).

### Internet sites

Archive of Chinese news digest, also contains links to other Chinese sites: www.cnd.org.

China Business Pages: www.chinapages.com.

China Web (investment data, Shanghai city information, stock prices, travel arrangements and a searchable directory of key figures in commerce, industry and government): www.comnex.com

China Window information on country, government and business activities: <http://china-window.com>

Shanghai business: www.sh.com