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DRIVING THE BUSINESS OF TRADE AND INVESTMENT

Country Targeting Strategy 2011/12

Country Intelligence

China



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Country background and economic overview

For centuries China stood as a leading civilization, outpacing the rest of the world in the arts and sciences, but in the 19th and early 20th centuries, the country was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the Communists under MAO Zedong established an autocratic socialist system that, while ensuring China's sovereignty, imposed strict controls over everyday life and cost the lives of tens of millions of people. After 1978, MAO's successor DENG Xiaoping and other leaders focused on market-oriented economic development and by 2000 output had quadrupled. For much of the population, living standards have improved dramatically and the room for personal choice has expanded, yet political controls remain tight. China since the early 1990s has increased its global outreach and participation in international organizations.

China's economy during the past 30 years has changed from a centrally planned system that was largely closed to international trade to a more market-oriented economy that has a rapidly growing private sector and is a major player in the global economy. Reforms started in the late 1970s with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, the foundation of a diversified banking system, the development of stock markets, the rapid growth of the non-state sector, and the opening to foreign trade and investment. Annual inflows of foreign direct investment rose to nearly \$108 billion in 2008. China has generally implemented reforms in a gradualist or piecemeal fashion. In recent years, China has re-invigorated its support for leading state-owned enterprises in sectors it considers important to "economic security," explicitly looking to foster globally competitive national champions. After keeping its currency tightly linked to the US dollar for years, China in July 2005 revalued its currency by 2.1% against the US dollar and moved to an exchange rate system that references a basket of currencies. The restructuring of the economy and resulting efficiency gains have contributed to a more than tenfold increase in GDP since 1978. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2009 stood as the second-largest economy in the world after the US, although in per capita terms the country is still lower middle-income. The Chinese government faces numerous economic development challenges, including: (a) reducing its high domestic savings rate and correspondingly low domestic demand through increased corporate transfers and a strengthened social safety net; (b) sustaining adequate job growth for tens of millions of migrants and new entrants to the work force; (c) reducing corruption and other economic crimes; and (d) containing environmental damage and social strife related to the economy's rapid transformation. Economic development has been more rapid in coastal provinces than in the interior, and approximately 200 million rural laborers and their dependents have relocated to urban areas to find work. One demographic consequence of the "one child" policy is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the north - is another long-term problem. In 2009, China announced that by 2020 it would reduce carbon intensity 40% from 2005 levels. The Chinese government seeks to add energy production capacity from sources other than coal and oil, and is focusing on nuclear and other alternative energy development.

Country statistics

Indicator	Measure	Rank
Geography		
Area	9,596,961 sq km	4
	land: 9,569,901 sq km	
	water: 27,060 sq km	
Area comparative	slightly smaller than the US	
Land boundaries	total: 22,117 km	
	border countries: Afghanistan 76 km, Bhutan 470 km, Burma 2,185 km, India 3,380 km, Kazakhstan 1,533 km, North Korea 1,416 km, Kyrgyzstan 858 km, Laos 423 km, Mongolia 4,677 km, Nepal 1,236 km, Pakistan 523 km, Russia (NE) 3,605 km, Russia (North West) 40 km, Tajikistan 414 km, Vietnam 1,281 km	
Coastline	14,500 km	
Natural resources	coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, uranium, hydropower potential (world's largest)	
Land use	arable land: 14.86%	
	permanent crops: 1.27%	
	other: 83.87% (2005)	
Irrigated land	545,960 sq km (2003)	
Demographics and population development		
Population size	1,330,141,295 (July 2010 est.)	1
Population structure	0-14 years: 17.9%	
	15-64 years: 73.4%	
	65 years and over: 8.6% (2010 est.)	
Popn growth rate	0.494% (2010 est.)	153
Net migration rate	-0.34 migrant(s)/1,000 population (2010 est.)	102
Urbanization	43% of total population (2008)	
	growth: 2.7% (2005-10 est.)	
Sex ratio	1.06 male(s)/female (2010 est.)	
Life expectancy at birth	74.51 years (2010 est.)	92
Total fertility rate	1.54 children born/woman (2010 est.)	182

Indicator	Measure	Rank
HIV prevalence rate	0.1% (2007 est.)	115
Literacy rate	91.6%	
School life expectancy	11 years (2006)	
<i>The economy</i>		
Currency	Renminbi yuan: 6.8249/US\$ (2009 est.), 6.9385 (2008 est.)	
GDP (PPP)	total: \$8.789 trillion (2009 est.)	3
	growth: 8.7% (2009 est.); 9% (2008 est.)	4
	per capita: \$6,600 (2009 est.)	128
GDP composition	agriculture: 10.6%	
	industry: 46.8%	
	services: 42.6% (2009 est.)	
Labour force	813.5 million (2009 est.)	1
	unemp rate: 4.3% (Sep 2009 est.), 4.2% (2008 est.)	39
Labour force by occupation	agriculture: 39.5%	
	industry: 27.2%	
	services: 33.2% (2008 est.)	
Poverty rate	2.8% (2007)	
Gross investment (% of GDP)	45.2% of GDP (2009 est.)	3
Public debt	16.9% of GDP (2009 est.)	109
Inflation rate	-0.7% (2009 est.); 6% (2008 est.)	14
Commercial bank prime rate	5.31% (31 Dec 2008)	142
Agricultural products	rice, wheat, potatoes, corn, peanuts, tea, millet, barley, apples, cotton, oilseed; pork; fish	
Industries	mining and ore processing, iron, steel, aluminum, and other metals, coal; machine building; armaments; textiles and apparel; petroleum; cement; chemicals; fertilizers; consumer products, including footwear, toys, and electronics; food processing; transportation equipment, including automobiles, rail cars and locomotives, ships, and aircraft; telecommunications equipment,	

Indicator	Measure	Rank
	commercial space launch vehicles, satellites	
Electricity	production: 3.451 trillion kWh (2008 est.)	2
	consumption: 3.438 trillion kWh (2008 est.)	2
Oil	production: 3.991 million bbl/day (2009)	4
	consumption : 8.2 million bbl/day (2009)	3
	reserves: 16 billion bbl (1 Jan 2009 est.)	14
Natural gas	82.94 billion cu m (2008)	8
	87.08 billion cu m (2008)	9
Current account balance	\$297.1 billion (2009 est.)	1
Trade	exports : \$1.204 trillion (2009 est.)	2
	imports: \$954.3 billion (2009 est.)	4
Export commodities	electrical and other machinery, including data processing equipment, apparel, textiles, iron and steel, optical and medical equipment	
Import commodities	electrical and other machinery, oil and mineral fuels, optical and medical equipment, metal ores, plastics, organic chemicals	
Export partners	US 20.03%, Hong Kong 12.03%, Japan 8.32%, South Korea 4.55%, Germany 4.27% (2009)	
Import partners	Japan 12.27%, Hong Kong 10.06%, South Korea 9.04%, US 7.66%, Taiwan 6.84%, Germany 5.54% (2009)	
Reserves of forex & AU	\$2.422 trillion (31 Dec 2009 est.)	1
FDI stock	\$456.3 billion (31 Dec 2009 est.)	10
	\$191.8 billion (31 Dec 2009 est.)	18
Infrastructure		
Airports	482 (2009)	15
	with paved runways: 425	
	with unpaved runways: 57	
Pipelines	gas 32,545 km; oil 20,097 km; refined products 10,915 km (2009)	
Railways	77,834 km (2007)	3
Roadways	3,583,715 km (2007)	2
Ports and terminals	Dalian, Guangzhou, Ningbo, Qingdao,	

Indicator	Measure	Rank
	Qinhuangdao, Shanghai, Shenzhen, Tianjin	

Data sources

Central Intelligence Agency [CIA]; *the World Factbook*. www.cia.org. Accessed: November 30, 2011

Note: more information on leading companies in each of the strategic sectors for investment promotion can be accessed from MARKETLINE: www.marketlineinfo.com. The website can be accessed through TIKZN's 'Online Subscriptions' link available on the portal.

Investment & Trade Promotion