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China raises individual income tax threshold

DATE: 2007/12/29

China's top legislature on Saturday adopted a law amendment to raise the country's individual income tax threshold from 1,600 yuan a month to 2,000 yuan.

The individual income tax threshold increase was believed to relieve the economic burden of medium- and low-income earners amid the recent price increase of some goods.

The amendment will go into effect as of March 1, 2008.

Raising the threshold of individual income tax collection from 1,600 yuan to 2,000 yuan means a reduction of 30 billion yuan in state revenue a year, according to official statistics.

However, the rise in personal income tax collection threshold will free 70 percent of income earners from paying income tax. The current threshold of 1,600 yuan makes 50 percent of income earners free from paying the tax.

China's consumer price index climbed 6.9 percent in November, marking the fourth consecutive month the index had been above six percent. Price increases for various goods have already placed a burden on common families.

Source: Xinhua

Report: China's textile industrial output surges 21.9% in 2007

DATE: 2007/12/29

China's textile industrial output for 2007 is forecast to reach 3.05 trillion yuan (416.8 U.S. billion), a 21.9 percent increase year-on-year, according to a report released on Thursday by the Textile Industry Association.

Large scale textile enterprises (those with annual sales exceeding two million yuan) were expected to realize profits of 115.2 billion yuan this year, a 32 percent jump over the previous year. The export value would reach 177.2 billion U.S. dollars, a 20.1 percent increase year-on-year. This was com-

Source: China Textile Network Company

pared with the import value of 18.9 billion U.S. dollars, which experienced growth of 4.4 percent.

However, with the ongoing appreciation of the yuan and the textile export tax rebate reduction, the low-cost edge of Chinese textile products was gradually weakening.

The yuan broke through the 7.32 mark on Thursday afternoon to stand at 7.3186 yuan against one U.S. dollar, up more than 6.6 percent accumulatively.

The yuan's appreciation was hitting the country's textile industry hard. According to an estimation by webtextile.com, every rise of one percent in the yuan would cause a two to six percent drop in textile commodity profit.

Price hikes of international crude oil and wool also put chemical fiber enterprises and the wool industry under huge pressure.

As the world largest textile exporter, China made tremendous efforts to extricate itself from these predicaments. These included further exploring domestic and overseas markets and counteracting the adverse impact of rising costs by technological innovation and industrial upgrading. In addition, developing countries in Asia and Africa had become a major engine for export growth, the report said.

Despite constantly rising oil prices and the ongoing appreciation of the yuan, the export value of China's textile industry was expected to increase by 15 percent in 2008.

"Although the RMB appreciation is painful for the textile industry for the time being, it is hoped that the RMB exchange reform would help adjust export orders of the industry so that only the competitive could survive," said an industry expert.

Source: MINISTRY OF COMMERCE

China opens online textile export license system as pact with EU nears expiry

DATE: 2007/12/29

A new online textile export license system began operation in China on Tuesday, just days before a quota system for shipments to the European Union (EU) is to expire, sources in the Ministry of Commerce (MOC) told Xinhua.

The online application system "is one of a series of measures taken by China to better regulate the textile export market and avoid a surge of Chinese clothing exports to the EU like the one in 2005," Zhao Qiuyan, a senior analyst with the China Trade Remedy Information web site, under the MOC, told Xinhua.

After international textile quotas expired in January 2005, Europe was swamped by low-priced imports from China. That surge led Chinese and EU authorities to sign the Memorandum of Understanding on China-EU Textile Trade, which renewed quotas on China's textile exports to the EU in June 2005. But that pact expires at the end of 2007.

The two sides agreed this September to set up a bilateral system to monitor Chinese exports of T-shirts, pullovers, men's trousers, blouses, dresses, bras, bed linens and flax yarn after the quotas end. Monitoring is to continue until the end of 2008, without quantity restrictions.

Under the system, these eight categories will be tracked on the Chinese side through export licenses and will be monitored when they enter the EU, which is watching for signs of another surge

Source: China Textile Network Company

in textile goods from China.

The MOC and the General Customs Administration issued a circular on European-oriented textile exporters' management earlier this month, in which they stipulated that only qualified textile makers could apply to local MOC branches for export licenses, either electronically or on paper.

The China Chamber of Commerce for Import and Export of Textiles, China National Textile and Apparel Council and China Association of Enterprises With Foreign Investment established the standards in November for domestic exporters and formed a joint assessment group.

The standards require exporters to have a minimum registered capital of 500,000 yuan (68,250 U.S. dollars), at least two years of export operation experience and no violations of intellectual property or environmental protection laws.

"The bilateral monitoring system could eliminate the practice of quota trading between some export companies," Zhao said.

The MOC didn't reveal how many qualified exporters had applied under the online system. But experts believe that exporters' quality assessment and license application and approval systems are expected to help reduce the often vicious competition among domestic enterprises.

"China has surplus production capabilities the in textile industry and competition is fierce, so we cannot guarantee that Chinese textile exports to the EU wouldn't surge again," Zhao Yumin, a research fellow with the Trade and Economic Cooperation Institute of the MOC, told Xinhua.

Commenting on the possibility of "Made in China" products flooding the EU, Zhao Qiuyan said that besides government efforts, domestic exporters should exercise restraint, since the EU might adopt tightening measures if there was a new surge of Chinese goods.

Under paragraph 242 in the "Report of the Working Party on China's Accession to the World Trade Organization (WTO)", if there is market disruption caused by a surge of textile exports from China, other WTO members are permitted to resume curbs.

This past October, MOC vice minister Gao Hucheng urged Chinese textile makers to develop more in-house brands, streamline their product structure and narrow disparities with international competitors through exchanges and cooperation.

Industry watchers said if the bilateral monitoring system functioned smoothly, it would serve as a good example for dealing with the Sino-U.S. textile quota system, which is set to expire by the end of 2008.

Source: MINISTRY OF COMMERCE

Staffing a headache for firms going global

DATE: 2007/12/28

Most Chinese companies put off going global because they believe the overseas market lacks professionals with cross-cultural and managerial know-how.

That's according to "China Going Global: What it Takes to Succeed in the Global Market", a report by management consulting firm McKinsey & Co in partnership with the China Council for the Promotion of International Trade and Peking University.

Source: China Textile Network Company

The study interviewed 30 leading Chinese companies about their global activities.

"(In China) the need for globalization comes very rapidly," said Gordon Orr, director of McKinsey's Shanghai office and co-author of the study.

The faster rate of outbound acquisitions from China speaks volumes. From 2005 to September 2007, 160 Chinese companies have made headlines acquiring 300 foreign firms worth a total \$71 billion.

According to the McKinsey study, four factors are encouraging local companies to go global: access to natural resources, high revenue growth, access to intellectual property, and getting a competitive edge in key areas including sourcing and research and development.

But going global means more than just exporting goods to overseas markets - it's measured by the number of employees, proportion of sales and value of corporate assets in foreign markets.

"Only 50 percent of the Chinese companies interviewed aspire to become true multinationals," the study found. That contrasts with the 79 percent and 63 percent of Indian and Latin American companies tracked in parallel surveys.

There's a number of reasons for the reluctance, but "talent is often quoted as the No 1 bottleneck", the report said.

About 75 percent of the executives surveyed said their globalization efforts are hindered by the lack of suitable people with cross-cultural understanding and managerial know-how. Meanwhile, 50 percent of respondents said they had not been successful in recruiting local professionals in their target international markets.

The other major barriers to global expansion are also related to the perceived lack of skilled professionals in overseas markets. About 56 percent of the Chinese executives surveyed said they had yet to develop the necessary expertise to integrate newly acquired companies.

"Without the right people to negotiate Chinese-Western partnerships, complications arise from cultural conflicts," said Orr.

"Post-merger integration is difficult, and companies often underestimate the risks in operation, environment, and turnover prior to the deal."

Chinese companies need to focus on establishing a clear strategy and obtaining the right international-caliber talent, the report said.

There are few Chinese companies that have done a good job going global, but personal computer maker Lenovo is one of them, said Orr.

Since December 2005, when he was appointed chief executive officer of Lenovo, Bill Amelio has expanded the firm's global management team by bringing in additional executives with global experience like chief operating officer Gerry Smith and chief strategy officer Cuong Do.

"The companies surveyed all agreed talent is the big challenge they face when they start to go global, but they don't realize it is not only about the manager or senior executive of an international business, it is about having capable senior colleagues," said Orr.

"They must realize that they cannot globalize unless they globalize the majority of the top management team."

Source: *China Daily*

China's cotton imports down substantially in 1st 10 months

DATE: 2007/12/28

China bought from abroad 2.04 million tons of cotton for 2.83 billion U.S. dollars in the first 10 months of this year, down 37.3 percent and 34.8 percent respectively from the same period of last year.

Customs sources said the United States and India were two leading suppliers, who combined to account for 70.8 percent of China's total arrivals.

Between January and October, China imported 1.02 million tons of cotton from the United States, down 37.7 percent, and 424,000 tons from India, down 11.1 percent.

The 10-month period saw China's state-owned enterprises buy 622,000 tons of cotton from abroad, down 56 percent, and private and foreign-funded companies import 482,000 tons and 431,000 tons, down 19.6 percent and 17.5 percent respectively.

The sources ascribed the import decline to efforts to protect sale of domestically produced cotton.

This year China postponed distribution of import quota till the time when more than half of domestically-yielded cotton were sold out.

In mid July, the government released 300,000 tons of cotton in stock to ease short supply nationwide, a move conducive to mitigating the nation's reliance on imports.

Meanwhile, the government earmarked 500 million yuan (67.6 million U.S. dollars) as subsidies for cotton growers to buy improved seeds, in a bid to ensure cotton production at home, the sources added.

Source: *Xinhua*

Chinese products gain popularity in Israeli market

DATE: 2007/12/28

TEL AVIV, Israel, Dec. 18 (Xinhua) -- The quality of made-in-China products has been significantly improved in the past few years, Chairman of Israel-China and Hong Kong Chamber of Commerce Amos Yudan told Xinhua in an interview on Monday.

The good quality and the reasonable price of Chinese goods will help boost imports to Israel in the future, he said.

LONG LIST OF CHINESE PRODUCTS

In the chain stores of Homecenter, the largest Israeli retail network, shoppers will notice that commodities that bear the "Made-in-China" label can be found in almost all the categories there.

Source: China Textile Network Company

"Made-in-China have been sweeping elsewhere in Israelis; daily life," said Yudan, who was among the first Israelis to do business with China since the 1980s.

Israel's imports from China have been growing rapidly in the past several years due to the improved quality of Chinese products, and the categories of goods have shifted from cheap merchandise to more high-end products, he said.

"The long list of imports from China not only includes textiles and toys, but also durable goods such as mobile phones, television sets, laptop parts and medical equipment," he added.

Two-way trade had begun long before the two countries established diplomatic ties in 1992. Bilateral trade reached 3.3 billion U.S. dollars in 2006, with imports from China amounting to 2.43 billion dollars.

"It results from the constant growth in trade throughout the years," Yudan explained.

Of the total imports from China in 2006, 28.2 percent were high-tech equipment, machinery and electrical equipment, surpassing those of textiles, which stood at 24.2 percent, according to the Israeli Central Bureau of Statistics.

COMPETITIVE PRICES

The overwhelming imports of Made-in-China goods shows that their prices are more competitive compared with products from other countries.

"The Israeli market is very sensitive to pricing. Local companies are encouraged to look into China's market because of the attractive prices in every field of goods," Yudan said.

In 2004, Israel's minister of industry and trade visited China at the head of an official business delegation which included representatives from about 100 Israeli companies. The purpose of the trip was to promote trade and cooperation in the run-up to the 2008 Beijing Olympic Games.

Currently, around 800 Israeli companies are doing business with China as the two economies are complementary in many areas.

Yudan was optimistic about the quantity of imports of Chinese goods in the future.

"The potential market for Made-in-China is still big in Israel. Since the quality is improving and the price is competitive, I have no doubt that in the next few years there will be another round of growth in the total import volume from China to Israel."

Source: www.chinaview.cn