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**China's textile export growth drops significantly**

DATE: 2008/07/11

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BEIJING, July 8 - The growth rate of China's textile and garment exports dropped 3.7 percentage points year-on-year from September to May, China Customs said in a report released over the weekend.

The significantly smaller growth was attributed to a combination of a faster appreciation of Chinese currency, rising labor and production costs, the export rebate rate cut and a global economic slow-down.

During the first five months, textile and garment exports were valued at 66.2 billion U.S. dollars, up 15.4 percent from a year earlier. The growth rate was down 0.2 percentage points over the same period last year, according to the customs.

Increasing pressure on domestic exporters had resulted in a transfer of production from the economically prosperous eastern region to the central and western regions where labor and production costs were comparatively lower, China National Garment Association said.

The association added the textile and garment output in the central region was up around 30 percent during the first five months. Central provinces including Henan, Hunan, and Sichuan have become more attractive for domestic textile and garment companies.

Source: Xinhua

**Officials: China should strive for bigger voice in global economy**

DATE: 2008/07/10

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BEIJING, July 9 (Xinhua) - Wan Jifei, president of China Chamber of International Commerce said on Wednesday that the country needs to participate in the formulation of global economic and trade rules apart from taking part in international division of labor and competition.

Wan, also chairman of the China Council for the Promotion of International Trade, said at a chamber meeting that with Chinese companies getting stronger capabilities and the country having increasing influence globally, to get a bigger voice is conducive to protecting the legitimate interests and rights

Source: China Textile Network Company

of domestic enterprises.

Zhang Yanling, vice president of the Bank of China, said China is engaged closely with foreign countries economically and the scale of trade and labor service export is keeping on growing.

Zhang added that Chinese companies should not only be familiar with existing international rules, but should also play an active role in setting up these rules and voice their opinions in international economic arena.

*Source: Xinhua*

## **2008 Textile, Apparel Exports Rise to Most Major Markets**

DATE: 2008/07/10

Cumulative exports from China's textile and apparel industry through the first five months of the year are on pace to climb to a record in 2008, boosted by stronger growth in textiles than apparel, and by faster growth to European markets. If realized, this would be the sixth consecutive year of record exports. Year to date, total exports are up 15.3%, driven higher by textiles climbing 25.3% from this point last year and apparel up 9.2%.

By destination, total textile and apparel exports are up the fastest both in May and year-to-date to Europe, with sales to other Asian markets slowing and to the Americas slipping from year-ago levels. Reflecting the robust Eurozone retail sales discussed here, Chinese shipments to Europe are up 35.7% in 2008, driven higher by May shipments jumping 38.5%. While Chinese textile exports to the world are outpacing apparel in 2008, apparel shipments to Europe are climbing faster than textiles, both year-to-date and in May. Shipments to the rest of Asia are up 11.7% year to date, driven by faster growth in textiles. Taiwan and the ASEAN region are driving the year-to-date Asian growth, with textile exports continuing to outpace apparel. Volume to the NAFTA region softened from this period last year, owing to a weaker U.S. retail and import market and declining total shipments to Canada and Mexico.

*Source: Globecothenews*

## **Chinese entrepreneurs less confident in Q2**

DATE: 2008/07/10

BEIJING, July 8 (Xinhua) - China's entrepreneur confidence index dipped 8.3 points to 134.8 in the second quarter from the same period last year, said the National Bureau of Statistics on Tuesday.

The index, a gauge of the understanding, views and projections of entrepreneurs, was 5.8 points lower than that in the first quarter.

"The entrepreneurs' weaker confidence mirrors the current macro-economic condition, as growth is slowing down," said Guosen Securities analyst Lin Songli. "It also shows their anticipation of future developments."

The figure followed Monday's release of China's business climate index, a key gauge of corporate performance, which dropped 8.6 points to 137.4 points in the second quarter from the same 2007 period.

Deputy Director Cai Zhizhou of China Center for National Accounting and Economic Growth, Peking University, attributed the climate index drop to rising costs of land, labor and energy resources, plus

Source: China Textile Network Company

tightened credit.

The value of China's exports in the first five months rose 22.9 percent from the same period last year. The growth rate was 4.9 percentage points lower than that of the first five months of last year.

The growth rate of urban fixed-asset investment in January-May also fell 0.3 percentage points year on year.

Social service sectors, such as banking, insurance, water and power supply, saw the biggest slip in entrepreneur confidence in the second quarter. Lodging and eatery industries posted the second biggest slump.

Entrepreneurs in mining sectors were the most confident, with their index at 169 points, followed by the information and software businessmen.

Meanwhile, entrepreneurs in the real estate industry posted the lowest confidence index of 118.4 points.

Those in large-sized enterprises had more confidence than those in small and medium-sized ones, with the indices for them standing at 149.9, 125.3 and 118 points respectively.

The figures were based on a survey of 19,500 companies nationwide.

Source: Xinhua

## The 2008 Olympics' Impact on China

DATE: 2008/07/09



From new construction projects to attracting the spotlight, the Olympics will have a lasting effect on China

by Lee M. Sands

For the PRC leadership and most Chinese, the July 13, 2001 International Olympic Committee (IOC) announcement that Beijing would host the 2008 Olympic Games marked China's emergence as a major global player. Just as the 1964 Tokyo Olympics and the 1988 Seoul Olympics propelled Japan and South Korea onto the global stage, the 2008 Beijing Olympic Games will be China's

"coming out" party - an event that showcases China's maturation into a great economic and, to a lesser extent, political power. As PRC Premier Wen Jiabao noted on April 24 this year, the Beijing Olympics present an opportunity for China to show the world how "democratic, open, civilized, friendly, and harmonious" it is.

### Quick Glance

After winning its 2001 bid to host the Olympic Games, China launched a massive seven-year effort to prepare for the event. The huge inflows of investment to support the Olympics and recreate Beijing have had an important ripple effect on economic growth. Though China has experienced some significant hardships this spring, the games will probably be even more important to the country than initially expected.

Source: China Textile Network Company

The 2008 Olympics will be among the most expansive ever held, with 16 days of competition from August 8 to 24 in 28 sports inside 37 arenas for 302 gold medals. In addition to Beijing, six other cities will host Olympic events- Hong Kong; Qingdao, Shandong; Qinhuangdao, Hebei; Shanghai; Shenyang, Liaoning; and Tianjin- making the Olympics a national event.

China has embraced the basic ideals of the Olympics with its own slogan, "One World, One Dream," and has widely promoted a green and high-tech Olympics. To prepare for the games, China invested nearly \$40 billion in infrastructure alone from 2002 to 2006, transformed the cityscape of Beijing, made national stars out of PRC Olympic champions- such as high hurdler Liu Xiang and platform diver Guo Jingjing- and created a great sense of excitement and anticipation among the public.

Furthermore, the Olympics have had a significant influence on Beijing's economic development, environment, and the growth of the country's advertising, television, Internet, mobile phone, clean energy, and sports sectors. Building on 30 years of economic reform and opening and on the substantial economic impact of China's 2001 World Trade Organization (WTO) entry, the excitement surrounding the games is pulling many of these sectors onto the international cutting edge.

### **Building a new Beijing**

After winning the bid to host the 2008 Olympics, China began a massive seven-year effort to meet IOC's demanding conditions for the games. Having researched earlier Olympic games, in particular the Sydney and Atlanta games, the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) began the enormous task of creating an infrastructure that could support such a massive sporting event. To integrate the activities of key central government ministries, the Beijing Municipal Government, and BOCOG, the PRC government created a high-level working group directed by then-Executive Vice Premier Li Lanqing and, since March 2008, by Xi Jinping, PRC vice president and number six in the Politburo Standing Committee.

As Michael Payne, who served as IOC's top marketer for more than 20 years, wrote in Olympic Turnaround, China recognized that a critical factor in creating a successful Olympics would be careful coordination among IOC, BOCOG, and the host city. China studied the example of the Atlanta games, where coordination between the operating committee and the city government was poor, according to Payne. To ensure better coordination, BOCOG was staffed primarily with Beijing Municipal Government officials and General Administration of Sports experts, and was led by Beijing Party Secretary Liu Qi and then-Mayor (now Vice Premier) Wang Qishan.

The Beijing Olympics Action Plan, announced by BOCOG President Liu Qi in March 2002, mandated not only sweeping plans to build stadiums and facilities for the Olympics, but a makeover of Beijing itself. In implementing the plan, Beijing made every effort to abide by international tendering standards and to avoid favoritism. It also imposed the template of IOC's global Olympic programs onto the Beijing Olympic program. Some of the projects in which China has invested to prepare for the games include the following:

### **Sports facilities**

China planned (in some cases, with foreign architects) and built the Olympic Park and the 37 stadiums and venues that will host Olympic events. These include 32 buildings in Beijing- 19 new and 13 refurbished- and venues in five other Chinese cities- a sailing center in Qingdao and soccer stadiums in Tianjin, Qinhuangdao, Shenyang, and Shanghai. China also constructed 59 training centers and infrastructure projects for the Paralympic Games, to be held in Beijing in September 2008 following the Olympics. Beijing's stadiums, in particular the National Stadium (or "Bird's Nest"), are state of the art and well designed, and they will be available for use long after the games are over.

### **Transportation and infrastructure**

According to Liu Zhi, deputy director of the Beijing Municipal Development and Reform Commis-

sion, from 2002 through the beginning of the games, Beijing will spend \$1.1 billion on transportation improvements, such as building and extending Beijing's subway system, completing the city's light rail system, and constructing and refurbishing more than 318 km of city streets- including 23 roads in and around the Olympics sites, two new ring roads around the city, and high-tech traffic control systems. The city has also built an enormous new airport terminal at the Beijing Capital International Airport and extended the toll road to the airport.

### **Urban renewal**

According to Beijing's 11th Five-Year Plan (2006-10), Beijing will spend more than \$200 million to demolish dilapidated housing and urban buildings; refurbish 25 historic areas, including many of the city's landmarks, old streets, and beautiful, four-corner residences that date from the imperial period; and restore Beijing's many historic places, including the Forbidden City.

### **High technology**

China's capital has budgeted \$3.6 billion to transform Beijing into a "digital" city by 2008, with widespread use of digital and broadband telecommunications, wireless transmission and networking technologies, and "intelligent technologies," including smart cards.

### **An Olympic lift**

Beijing's hosting of the Olympic games has already had a knock-on effect, spurring faster growth or change in several areas.

### **Tourism**

The number of tourists in Beijing has risen rapidly, a result of the increased visibility that the Olympics bring to the host country. Though estimates of the number of people who will visit China during the Olympics- or even the number of people who will visit China this year- vary significantly, it is clear that the games are a magnet for tourists. Chen Jian, president of the Beijing Olympic Economic Research Association, estimated in the spring that Beijing will receive roughly 600,000 foreign visitors and 2.5 million domestic Chinese tourists during the Olympic games and that the number of foreign tourists in Beijing will grow 8 to 9 percent annually in the decade following the games because of the games themselves. (According to the China National Tourism Administration, Beijing had 3.8 million foreign visitor arrivals in 2007, up 11.8 percent over 2006, and China had 42.4 million foreign visitor arrivals last year, up 20.8 percent over 2006.)

The number of hotels in Beijing has also jumped in recent years. Since China entered the WTO and won its Olympic bid, the country has reduced hotel ownership restrictions. Starting in 2002, foreign investors could own a majority stake in hotels, and in 2006, wholly foreign-owned hotels were permitted. These moves cleared the way for an extensive expansion of foreign-owned hotels and other tourism facilities.

### **Environmental improvements**

Every Beijing resident is keenly aware of the city's environmental challenges. Air quality, particularly in the summer, can be less than optimal, with particulate matter at alarmingly high levels. Though Beijing has taken steps to improve air quality, such as ordering coal-burning power plants to reduce emissions, construction projects to halt during the period around the Olympic games, and 200 heavily polluting factories to move out of the city, air quality will remain a worry for the athletes who participate in the games.

Under the Beijing Sustainable Development Plan, China launched 20 projects to improve the quality of Beijing's environment, with an overall investment of \$12.2 billion. The city has established new wastewater treatment plants, solid-waste processing facilities, and green belts and built a fleet of clean buses for the games. Beijing has phased out ozone-depleting substances ahead of schedule, made use of water- or air-source heat pump systems to save energy in Olympic stadiums, replaced 47,000 old taxis and 7,000 diesel buses, and began requiring vehicles to meet EU emissions stan-

dards. In addition, natural gas (use of which is up tenfold), geothermal, and wind power are gradually replacing coal. Much of Beijing is now covered by trees, bushes, and lawns- a radical departure from the past- and Beijing has set up 20 natural reserves to protect forests, wild plants, animals, wetlands, and geological formations, according to the United Nations Environmental Program's (UNEP) October 2007 report on Beijing's environmental record. The 2008 Olympics will be one of the most environmentally friendly ever, according to the UNEP report, despite concerns about Beijing's air pollution.

### **Economic development**

The huge inflows of investment to support the Olympics and recreate Beijing have had an important ripple effect on economic growth, not simply in Beijing but in areas surrounding the capital. The Beijing Statistical Bureau estimates that spending on the Olympics has added 2.5 percent annually to Beijing's overall economic growth since 2002.

Furthermore, the recruitment of Beijing Olympic partners, sponsors, suppliers, and many other companies that want to take advantage of the Olympic "buzz" in Beijing has helped to boost advertising spending sharply. Advertising spending in China, 42.5 percent of which is focused on television, will likely rise from \$14.7 billion in 2007 to roughly \$18.4 billion this year, and spending on Internet advertising may rise by as much as 30 percent, according to an October 2007 ZenithOptimedia World Advertising Expenditure Forecast.

Similarly, China's sports industry, immature in 2001, is growing rapidly. The Hong Kong Trade Development Council (HKTDC) estimates that China's sports industry, though tiny now, has a market potential of \$250 billion. Per capita sports consumption in Europe and the United States, according to HKTDC, is \$300-\$500 annually, but in China it is only about \$12. Driven by major international sporting events held in China, such as the Beijing 2008 Olympic Games, the Fédération Internationale de Football Association (FIFA) Women's World Cup 2007, and the Guangzhou Asian Games in 2010, China's sports industry will soon grow by 20 percent a year, particularly in Beijing, Guangdong, Liaoning, and Zhejiang.

### **Not all is rosy**

Though preparations for the Beijing Olympics have gone well, 2008 has been a difficult year for China so far, tarnishing the games in some instances and making the environment in which they will be held much more challenging. The snow crisis in late winter, which revealed weaknesses in China's infrastructure, especially in its electricity grids; the torch relay protests that occurred outside of China; and the massive earthquake in Sichuan and surrounding provinces have turned the focus of the Chinese, and the world, away from the games. What was to be a global celebration of China's achievements has now been tinged with anger and tragedy. Heavily critical foreign media coverage of the game preparations, including coverage of air pollution and tainted food, has also removed some of the shine from the image of the games.

### **Foreign protests**

Though the modern Olympic movement - symbolized by the Olympic rings, torch relay, and cardinal Olympic principles of hope, dreams and inspiration, joy in effort, friendship, and fair play - promotes the idealistic and internationalist nature of the games, this spring's torch relay became highly political. The relay, meant to symbolize China's embrace of Olympic ideals, was marred by protests in Greece, Great Britain, France, the United States, and elsewhere against China's policies in Tibet and the Sudanese region of Darfur and China's human rights and environmental policies in general.

Early this spring, harsh media coverage of China, a characterization of PRC leaders as "goons and thugs" on a US news program, and threats by major Western leaders to boycott the August 8 opening ceremonies sparked dismay and anger in China - particularly among young people, who generally admire the West most. Though Western nongovern- chinabusinessreview.com July-August 2008 43 mental organizations and protestors may have targeted PRC government policies, the

Chinese public perceived these protests as aimed at the country and its citizens. Few Chinese supported the positions of the demonstrators, and most Chinese were deeply offended by images of protestors disrupting the torch relay and the celebration of the Beijing Olympics. Furthermore, the prospect of demonstrations during the games has prompted the PRC government to tighten the enforcement of visa application requirements and shorten the duration of some visas, which could hurt foreign businesses in the short term.

### **Earthquake response**

The tragedy of China's May 12 earthquake and its aftershocks may have altered both the way the Chinese view the Beijing Olympics and the way foreigners perceive China. Compared to the Myanmar government's response to the typhoon in Myanmar, or the US government's response to some natural disasters in the United States, the PRC government's response was swift, transparent, and to an unprecedented extent, driven by public concern for the victims of the quake. The Internet and text messages spread word of the quake within minutes, well before the government was able to respond to it. In addition to government aid workers, nearly 1 million young Chinese volunteered within days to rush to Sichuan and help with the rescue effort, and as many as 200,000 may have actually gone. Domestic media prominently broadcast news of foreign earthquake relief efforts, perhaps an attempt to soften the earlier harsh domestic reactions against France and other countries where there were demonstrations and protests against the torch relay. Western media coverage has been more sympathetic to China since the earthquake hit.

Though the games may still evolve into China's coming-out party, they will be tinged with sadness because of the devastation wrought by the earthquake. At the same time, the earthquake has created a strong feeling of community, particularly among average Chinese who sympathize with the quake victims. The sense of unity and emotion will likely infuse the Beijing Olympics and create a strong sense of national pride and determination to succeed.

### **Lingering effects**

Though the expected economic downturn following the Beijing Olympics in August and the Paralympics in September will likely occur - particularly in the advertising sector- it will be minor and short-lived. China's economy is only beginning to feel the positive impact of many projects associated with the Olympics. For example, investment in the environment has been key to the games. It will continue through 2015, as set in the Beijing Sustainable Development Plan and perhaps beyond, given recent central government attention to the environment. In addition, China's strong economic growth overall will continue to support growth in Beijing itself, and the city's devotion to infrastructure investment- especially in information technology, banking, and the services sector- is unlikely to wane. China's sports sector can only grow more rapidly, and demand for exciting sporting events will surge. Following the Beijing Olympics, the Shanghai 2010 Expo may drive economic and social change to some extent.

The residual benefits of the games are even greater. A successful Olympics will accelerate China's opening to foreign investment, foreign ideas, and internationalization. Though it is difficult to measure human rights and human freedom, China is unquestionably more open and accessible than ever before in its history. By February 2008, 221 million Chinese had regular Internet access and a direct connection to the rest of the world. Information travels at astonishing rates, and the transparent manner in which the earthquake and the games were handled will probably only accelerate this trend.

As long as the strong Western criticism of China this spring does not recur, a successful Olympics will also boost the self-confidence of Chinese citizens, particularly in rapidly developing areas along China's coast. Like South Korean and Japanese companies after their home countries hosted the Olympics, China's great companies- including its Beijing 2008 partners and sponsors- will likely penetrate foreign markets and establish a multinational presence in the next few years. Lenovo Group Ltd., China's premier computer manufacturer, is the first China-based multinational corpora-

tion to have joined the ranks of IOC's global top sponsors. Fourteen other Chinese companies contributed up to \$60 million to become Beijing 2008 partners and sponsors. Greater national self-confidence, and the sense of community generated by the earthquake, will also make it more likely that China will tolerate, and perhaps welcome, a broader range of ideas.

On the other hand, if Chinese believe that the Olympics "failed" or were badly tarnished because of foreign actions- whether demonstrations or media coverage- China's reaction will be sharply negative. Chinese, particularly those born in 1980 or later, are intensely proud of China's accomplishments but also intensely desirous of global recognition. If that recognition is denied, or if the dominant perception is that the West is happy to exploit China's resources but unwilling to treat China as an equal, then sharp, negative reactions will likely ensue. Reinforced by protectionist or aggressive actions on the part of the United States or the European Union, China's reaction may turn hostile- to the great detriment of the West and to the Chinese people themselves. The earthquake, and the reaction to it, make it much less likely that the Beijing Olympics will be anything other than a positive, uplifting event- though perhaps in a different way than expected.

*Source: US-China Business Council*