

## China Business Advisory

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*Sino-Bridge wishes you*

*a "Bullish" Year of the OX!*

Ox symbolizes prosperity through fortitude and hard work. 2009 will not be an easy year. Let's work hard - forget about get-rich-quick schemes and do your job with diligence, reliability, sincerity, strength, persistency and sound judgment (*but don't be stubborn...*); and work smart - look for collaboration to create synergy and let Sino-Bridge steer you towards the right path through the China maze!

### China – Is the Glass Half Full or Half Empty?

As China enters its New Year holiday period, it is a good time to reflect on China business and the economic outlook for the upcoming Year of the Ox.

The Year of the Rat is over, and it certainly had its ups and downs:

China definitely had its problems:

- Crippling snowstorms last February and the devastating earthquake in Sichuan Province last May,
- September's tainted milk scandal,
- The meltdown in the stock market as investors lost 2/3rds of their investments,
- Lower house sales, resulting in moderately declining real estate prices, and
- Massive layoffs, principally in Guangdong and the surrounding provinces of Shanghai, as companies servicing export markets closed or drastically downsized as the worldwide deep recession started to take its toll on China businesses.

Despite all these, China just keeps rolling along. Anyone who thinks of China as a developing country needs only look at Beijing's 2008 Olympics to see how much things have changed. As someone who has done extensive traveling throughout China, this expat author is in awe of how China's new prosperity has had such an impact throughout the entire country.

- While the US national debt has risen to over \$10 trillion dollars, China's surplus is the world's largest - \$372 billion at the end of 2007, according to the CIA Factbook, and continues to rapidly grow.
- Despite all the negatives, China's Gross Domestic Product (GDP) grew 9% for the year, and 6.8% in the fourth quarter – even after the impact of lower exports and the deepest worldwide recession since the Great Depression, making it the third largest economy in the world, and closing in on Japan for second place.
- China's \$586 billion fiscal stimulus package focused on increasing the growth of China's infrastructure should also help, once it starts kicking in the second quarter to put its large migrant workforce back to work.
- 2009 growth has been projected at 8 %, modest by Chinese standards, but definitely envied by the rest of the world.

But is China's glass half full or half empty?

Reading the latest news one could very well feel that China's economy is reeling like the rest of the world. As an illustration, I offer an article published by Frederik Balfour, Asia correspondent for Business Week, released on Jan 22 09.

The article's headline would definitely make you think it's almost on empty:

***“The Global Recession Slams China - The Chinese economy's growth rate tumbled in the fourth quarter, and things will get a lot worse before they get better”***

Here's the link:

[http://www.businessweek.com/globalbiz/content/jan2009/gb20090122\\_354571.htm?chan=top+news\\_top+news+index+-+temp\\_global+business](http://www.businessweek.com/globalbiz/content/jan2009/gb20090122_354571.htm?chan=top+news_top+news+index+-+temp_global+business)

Mr. Balfour goes on to quote David Cui, China economist at Merrill Lynch, who states, "The situation is quite dire. I don't expect us to come out of this any time soon because the global demand situation is so bad."

While the content of the article is not as alarming as its headlines and is pretty factual overall, it is definitely a "sky is falling" message, so prevalent in today's news reporting. The press seems to think that people expect bad news, so they do their best to turn every article into one of doom and gloom.

Here's one more quote from his article, which reflects how any news can be used to fit the black mood of the press:

“The \$586 billion fiscal stimulus package unveiled by Beijing last November should help restore growth in the second half as big-ticket infrastructure projects get under way. But that recovery won't provide a lot of comfort for China's neighbors and the rest of the world, as the rebound will have limited benefit beyond China's borders. ‘China can save itself, but it cannot save the rest of the region,’ says Dong Tao, chief economist for Asia at Credit Suisse (CS)”.

I, for one, firmly believe that it is not China's role to save the world, but to help itself during these dark days, and that this in itself will help reduce the impact of the global meltdown on the world's economy.

To me, China's glass is definitely neither half empty nor half full; it is almost full to the brim – and a beacon of good news and hope.

Sam W Stearman  
Principal Consultant, Sino-Bridge Consulting Group

## China VAT Taxes

China extended its input VAT credit to include fixed asset purchases effective January 1. Under the new guidelines, VAT paid on fixed assets can be used to offset VAT payments due on sales.

Refund rates on some specific industry sectors announced in November and December are as follows:

- Textile and garments 14% instead of 11%
- Toys and video games 14% instead of 11%
- Plastic items 9% instead of 5%
- Furniture 11%/13% instead of 9%/11%
- Ceramic items 11% instead of 9%
- Machines, transformers, instruments 17% instead of 13%/14%
- Pumps, sewing machines, tooling 14% instead of 11%/13%

## China/Hong Kong Currency Swap

Hong Kong and Mainland China have agreed to currency-swap deal as part of the central government's efforts to help the economic development of the territory. The deal is expected to strengthen Hong Kong's role as an international finance center and will provide liquidity support worth HKD227 billion or about US\$29.3 billion.

The Monetary Authority of Hong Kong (HKMA) said that People's Bank of China could provide short-term liquidity to Hong Kong banks operating in the mainland as well as Hong Kong operations of mainland banks. The agreement is valid for three years with an option to extend upon agreement. (per China Daily)

## SB Highlight of the Month

### Business Matching Opportunity for OEM, ODM, Distributorship or Sourcing

We are looking for co-op opportunities in OEM, ODM, distributorship or sourcing for a leading manufacturer in China for the following:

- 1) Water meters and valves of all kinds, from mechanical meters to intelligent ones with state-of-the-art technology, including the latest innovative Power-Free direct-reading remote transmission meters
- 2) Break through alloy materials of extra strength characterized by light weight, high corrosion resistance, low melting point, "longevity", endless application possibilities...and most important of all, having the most critical element that we all need now: cost advantage!

Send your inquiry to [joyceluo@amdfk-sinobridge.com](mailto:joyceluo@amdfk-sinobridge.com), or see you at Booth No. 41-42 China Pavillion, 2009 Water Energy Technology Environment Exhibition (WETEX), March 10-12, Dubai.

### Still Hiring!

Yes, China's glass is neither half empty nor half full. While unemployment rate is rising, some companies are still hiring.... A well established company in the food service industry is hiring front line and management staff in sales, service and accounting/finance functions in Shanghai and is turning to Sino-Bridge for help because of our search expertise and excellent understanding on the China talent market and Chinese culture.

Visit [http://sinobridge-consulting.com/executive\\_search.htm](http://sinobridge-consulting.com/executive_search.htm) to find out how we can help you, or email to [joyceluo@amdfk-sinobridge.com](mailto:joyceluo@amdfk-sinobridge.com)

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