



SINO—PECKING AWAY AT THE LEAD

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In late June, retail prices in China for gasoline and diesel rose by 10%, bringing the price paid by consumers to roughly USD 3.00 per gallon. (FYI, this compared with the average US pump price of USD 2.66 per gallon). Authorities at China's economic planning organization, the [National Development and Reform Commission](#) (NDRC) announced that this, and two other recent price hikes have taken place to curb rising demand—also sounding very “green” as an added bonus.

The price hikes were good news to [Sinopec](#), China's oil largest refiner. In China, refiners lose out with high oil prices: they buy crude at fluctuating market rates but sell gasoline at government fixed rates. China has traditionally held down gas prices to control inflation—this contributes to domestic stability, the ultimate goal.

Controlling the gas price also has the affect of subsidizing industries that use gas in any phase of production; while perhaps not directly conflicting with WTO terms, yet circumventing the spirit of the agreement. More on that later...

With news of the energy price increase, Sinopec's share price in Shanghai rose over 4% on the news; shares listed in Hong Kong rose nearly 6%: timely capital inflow as Sinopec prepares to purchase [Addex Petroleum](#), a Swiss-Canadian company with operations in Iraq and West Africa, with an offering equivalent to USD 7.22 billion (though probably not denominated in Chinese *yuan*).

While Sinopec may not be a household name in the US, it should be. In *Fortune* magazine's [2009 list of the top 500 Global Companies by revenue](#), Sinopec is number nine. This places it ahead of Toyota, General Electric, and Volkswagen. In fact, of this year's Global 500, a record 43 are Chinese, putting China third behind the US and Japan.

Just half a year ago this blog highlighted practices used to grow companies in China which were unsustainable. In the time since, the US has shown that it has its own share of unsustainable business models and practices. Top US companies from 2008 have fallen considerably. Healing them requires a lot of attention.

At the same time, while we are turned inward trying to “fix” the domestic economy we must be equally concerned with assertively advancing our global economic and energy security interests. More now than ever, this requires constant and detailed attention to what is going on in China—like knowing what gas prices in China are and who Sinopec is. Through knowledge and awareness come opportunity and the ability to compete—at an individual, corporate, national and global level.