Hu to address economic issues at APEC summit

Chinese President Hu Jintao will elaborate on China's views about the economic situation in the Asia-Pacific and the world at large at the upcoming APEC summit, Chinese Ambassador to the US Zhang Yesui said Monday. At the invitation of US President Barack Obama, Hu will attend the 19th Asia-Pacific Economic Cooperation Leaders' Meeting in Hawaii this weekend, Zhang said, adding that Hu will also participate in the APEC 2011 CEO summit and a dialogue between leaders and representatives of the APEC Business Advisory Council. At the summit, Hu will elaborate on China's positions on such issues as global economic governance, economic development in the Asia-Pacific region and the multilateral trading system, and hold bilateral meetings with leaders of some other APEC economies, Zhang said.

At the summit, leaders from APEC member economies will focus their discussions on issues such as regional economic growth, integration, green growth, energy security and regulatory cooperation. The success of the summit will have a significant impact on Asia-Pacific cooperation and world economic recovery, Zhang said. However, Zhang also stressed that one characteristic of the APEC members is their diversity and different stages of development. The Chinese side is committed to working with other member economies to boost cooperation and push for positive, pragmatic results at the summit, Zhang said. The APEC summit is scheduled for Saturday and Sunday in Hawaii's Honolulu under the theme of "Toward a Seamless Regional Economy."

Sources: Xinhua: Hu to address economic issues at APEC summit, 2011-11-8

China keen to avoid domestic backlash

Ask anyone standing around in the crowded corridors of Beijing’s Affiliated Children's Hospital whether they think China should contribute to a bail-out for debt-ridden European countries and they will respond with scornful disbelief. Here in the dirty, overcrowded wards, visitors can glimpse why there is little enthusiasm in this country for bailing out rich Europeans while most Chinese lack access to even basic social services.

Europe is China’s biggest trade partner and the country has $3,200bn in foreign exchange reserves that it wants to diversify away from the US dollar. Why not help out and buy a few extra bonds from the Europeans to help them through their hour of need? But Beijing is confronted by a dilemma not normally associated with one-party autocracies. It has to worry about a backlash in public opinion that could result from rescuing what they perceive to be coddled, lazy Europeans so they can continue retiring early and enjoying the world’s best health and social welfare systems.

According to China’s official central budget, public spending on healthcare, including central government spending and transfer payments to local governments, came to just under Rmb150bn last year. That is roughly the same as public healthcare spending in Greece before recent austerity measures were announced, and is equivalent to only around one-eighth of what the UK spent on healthcare last year. China’s population is 120 times the size of Greece’s and around 20 times the size of the UK’s. In addition to spending by the central government, local governments in China are supposed to finance around 70 per cent of all public health spending from their own budgets but many do not meet their commitments and instead require hospitals to make up the shortfall themselves.
By definition, China’s massive foreign exchange reserves cannot be spent at home on fixing the country’s creaky health system or shoring up its fragmented and elementary pension system. But when Chinese officials suggest they may contribute $100bn, or more than four times the amount the central government spent at home on healthcare last year, to a European bail-out, they need to explain that decision to people in China’s overcrowded emergency wards or risk undermining the Communist party’s legitimacy.

Source: Jamil Anderlini in Beijing: China keen to avoid domestic backlash, Financial Times,

**China fears lasting worldwide recession**

China’s vice-premier and head of finance has predicted that the global economy will slip into long-term recession and warned that China will need to deepen its financial reforms to cope with the fallout. “Now the global economic situation is extremely serious and in a time of uncertainty the only thing we can be certain of is that the world economic recession caused by the international crisis will last a long time,” state media reported Wang Qishan as saying over the weekend. His unusually bearish comments could set the stage for domestic monetary loosening as Beijing frets about a deflating property bubble at home and chronic economic woes in China’s two largest export markets – Europe and the US.

Mr Wang said that “some structural problems” exist in the country’s financial industry and that Beijing needed to make monetary policy more “forward-looking, targeted and flexible”. He said that regional and rural banks and credit co-operatives should avoid “blind expansion and focus more on improving their efficiency and the quality of their development”. In late October, Wen Jiabao, China’s premier, prompted speculation that loosening was imminent when he said that China intended to “fine-tune” its tight monetary policies. Because virtually all China’s banks are owned by the state and their top executives are all senior Communist party officials, Beijing can adjust monetary policy without having to adjust interest rates or make any public policy shift at all. China’s commercial banks extended Rmb587bn ($92bn) in loans in October, up from Rmb470bn in September, in what many analysts believe was the start of monetary easing.

Another reason for Beijing to be cautious about stimulating growth is the fact that inflation remains high.

Source: Jamil Anderlini in Beijing: China fears lasting worldwide recession, Financial Times, November 20, 2011

**Unbalanced recovery better than balanced recession**

Vice Premier Wang Qishan said on Monday that an unbalanced recovery would be better than a balanced recession, in light of the current condition of the global economy. He made the remark at the 22nd session of the China-US Joint Commission on Commerce and Trade (JCCT), held in China’s southwestern city of Chengdu. The two countries' stable development will make positive contributions to the world, Wang said, adding that China is ready to conduct closer and broader economic cooperation with the United States. Wang called on the United States to make substantive progress in relaxing controls on high-tech exports to China, avoiding the abuse of trade remedies, recognizing China's market economy status, and giving equal treatment to Chinese companies that invest in the United States. China and the United States should reject trade protectionism, avoid politicizing economic issues and work together to promote the robust, sustainable and balanced growth of the world economy, Wang said. He lauded the rapid
development of Sino-US trade and investment, noting that two-way trade volume from January to October hit $363.1 billion, demonstrating year-on-year growth of 17 percent. China has made positive accomplishments in protecting intellectual property, promoting the use of genuine computer software and cracking down on counterfeiting, Wang said. Wang co-chaired the meeting with US Commerce Secretary John Bryson and Trade Representative Ron Kirk.

Source: Xinhua: 'Unbalanced recovery better than balanced recession', 2011-11-21

**Chinese Dreams**

Given the formidable and elusive nature of China's economic accomplishments in recent times, the writer explores how the Chinese themselves perceive these heady new times and how they are defining and going after their Chinese dreams. He describes his conversations with the younger generation—educated, urban, 20-to-40 something real-estate tycoons, students, social scientists, investors, artists, journalists, activists, entrepreneurs, and chefs—about what China has become and is becoming. Explaining that his conversations occurred in four different settings—Shanghai; Chengdu, the capital of south central Sichuan Province; Beijing; and Ningbo, a manufacturing town in eastern Zhejiang Province—he reveals that the common thread between his interlocutors was their frustration that everything has moved too fast; that anything resembling the future has been adopted without considering the consequences; and that China has been coerced into rebuilding everything around the money chase. He maintains that, ultimately, these individuals yearned for more than just economic success; that they wanted to invent, and not simply wake up in, a new China.


**CHINA: 10 WARNING SIGNS OF PROBLEMS**

The article discusses ten indicators that would show the decrease of China's economic expansion that has been underway since the 1970s. Topics include the economic bubble that supports China's economic success, the decentralized nature of economic growth and China's inability to coordinate various sectors away from the flourishing eastern seaboard, the undervalued Chinese currency, and the environmental costs of China's economic boom.

First, no economic boom in history has continued indefinitely.

Second, China's booming economy is just a bubble -- and it may burst.

Third, the Chinese government may not be able to coordinate all the parts of the growth machine and so it just melts down through too much activity in too many places. It is probably the most rapidly urbanizing country in world history.

Fourth, there is the problem arising from the allegedly undervalued Chinese currency.

Fifth, China's booming economy is coming at a great environmental cost.

Sixth, there is the risk of political instability.

Seventh, China may grow old before it grows rich.

Eighth, the Chinese could turn their back on modern materialism.

Ninth, the Chinese military could embark on foreign adventures (starting with
rebellious Taiwan) and so bankrupt the country through excessive military expenditure.

Finally, China has done very well out of the US as a prime market for exports but there is a threat to China's continued economic growth if the US makes only a slow recovery.

Source: Suter, Keith: CHINA: 10 WARNING SIGNS OF PROBLEMS, Contemporary Review v. 293 no. 1702 (September 2011) p. 321-9

**Banks asked to halt short-term WMP**

Commercial lenders have received orders from banking regulators to halt sales of short-term individual wealth management products (WMP) with a maturity of less than a month, said a senior banking executive on Thursday. The source from the private banking sector of China Citic Bank Corp told China Daily that the order is necessary to reduce volatility in market liquidity and contain risks. In the long term, however, it will help establish more orderly competition among banks and promote healthier development of WMP, she said.

Shang Fulin, chairman of the China Banking Regulatory Commission, has told banks to temporarily stop selling short-term WMP, in order to fend off liquidity risks caused by volatility of savings, the 21st Century Business Herald reported on Thursday, citing anonymous sources. These products issued by Chinese commercial lenders usually require a minimum investment of 50,000 yuan ($7,900), and the capital from buyers often goes into bonds, loans, and company projects. WMP sales in China rose markedly in the first half of the year after the gap between deposit interest rates and the inflation rate reached the widest level in three years. In June, the gap reached 3.15 percentage points. Data from Chengdu-based Fanhua Puyi Investment Management Co Ltd show that Chinese commercial lenders issued 8,497 WMPs in the first half, worth more than 8.5 trillion yuan, compared with 7.05 trillion yuan issued throughout 2010. To prevent lenders from taking a shortcut and skirting regulations, the China Banking Regulatory Commission released a series of rules on Oct 9 to overhaul the wealth management sector and reduce banks' dependence on WMP to collect deposits. Those rules will take effect on Jan 1.


**China issues 2.81b bank cards by end of Sept**

China issued 2.81 billion bank cards as of the end of the third quarter, up 4.9 percent from the end of June, China's central bank said Thursday. The country issued 2.54 billion debit cards as of the end of September, up 17.6 percent year-on-year. The growth rate was 4.2 percentage points higher than that posted during the same period last year, the People's Bank of China said in a statement on its website. Some 268 million credit cards were issued by the end of September, up 3.9 percent from the end of June, the statement said.

Credit card loans that were more than six months overdue totaled 10.65 billion yuan ($1.68 billion) by the end of the third quarter, up 723 million yuan from the end of June, the statement said.

Source: Xinhua: China issues 2.81b bank cards by end of Sept, 2011-11-25

**Credit controls fuel underground lending**

Informal lending, estimated at some 2-4 trillion renminbi (300-600 billion
dollars), has expanded rapidly over the last year as the People's Bank of China (PBoC) has tightened credit, reportedly growing 50% year on year. High inflation and administrative caps on bank deposit rates produce negative real interest rates that make the formal banking system unattractive to investors and savers. Factoring in the informal market, effective interest rates in the coastal areas have now reached some ten times the level of state-sanctioned official rates.


**Stance shift sees China ease monetary policy**

Beijing has kicked off a new round of monetary loosening after more than two years of progressively tighter policies by cutting the proportion of deposits that banks must hold in reserve with the central bank. The 0.5 percentage point cut in the reserve ratio for all banks announced on Wednesday.

But it also reveals growing concern about a slowdown in the world's second-largest economy and suggests that policymakers, who were not expected to start loosening until next year, are much more concerned about growth than previously thought. China's quarterly gross domestic product data have shown only a mild deceleration, from 9.5 per cent annual growth in the second quarter to 9.1 per cent in the third — a still enviable rate by any standards. Seaport cargo volumes, domestic freight volumes, electricity output, passenger trips and housing construction have all cooled off following high rates of growth earlier in the year. The falls have been most noticeable in electricity output growth, in manufacturing activity and in passenger trips — a good indicator of business travel and discretionary household spending.

Of all the concerns about Chinese growth that are starting to emerge, none is more worrying than the prospect of a collapse in the real estate market. Sales volumes have fallen significantly across the country and prices are beginning to slide in major cities. Although construction is still growing at an annual rate of above 30 per cent, developers seem to have mostly called a halt to new projects.

Source: Jamil Anderlini in Beijing: Stance shift sees China ease monetary policy, Financial Times, November 30, 2011 5:26 pm

**IMF cites significant securities sector improvements**

China's securities sector has seen considerable volatility but has undergone significant development overall, and the country's legal and regulatory systems needs to be more transparent and market-oriented, a report by the International Monetary Fund (IMF) said on Tuesday. A number of important reforms support the movement toward a more modern capital market in China at the regulatory level, the IMF said in the Financial Sector Assessment Program, a comprehensive and in-depth analysis of the country's financial sector. The key reforms include the introduction of a market-based pricing system for non-tradable shares in listed companies held by government and semi-government authorities, the launch of stock index futures trading, and the introduction of extensive third-party custodial requirements for handling client property and risk-adjusted capital requirements for securities firms. "These reforms have enhanced the transparency of the market, broadened the range of available products and improved the financial soundness of intermediaries, to the considerable benefit of investor protection in
China," the IMF said in the report.

Meanwhile, the report noted that while the China Securities Regulatory Commission (CSRC) has taken an active and strategic approach to regulate securities markets, the legal and regulatory systems need improvement. Regarding the country’s secondary market, the report suggested that the regulator should consider extra and continuing efforts to detect and deter unfair trading practices, because the number of abnormal trades detected and on which action is taken seems low given the size of the market, its rapid growth, and the enormous interest generated by new listings. Analysts said that the Chinese securities sector is still faced with a number of challenges, which include the improvement of the market’s legal framework, better protection of investor interests, and better regulation of wealth-management products.

Source: Li Xiang: IMF cites significant securities sector improvements, China Daily, 2011-11-16

**China cracks down on rogue exchanges**

The Chinese government has launched a crackdown on hundreds of unregulated electronic equity and futures exchanges that have sprung up in recent years to trade everything from fine art and commodities to insurance products. The country’s State Council, or cabinet, published a notice on Thursday announcing a campaign to “clean up and consolidate” the many exchanges that have been approved by local governments hoping to foster financial markets in their jurisdictions.

Apart from the country’s two main stock exchanges, three commodities exchanges and one financial futures exchange, no other entity is allowed to list new shares, offer centralised pricing or make markets and no more than 200 investors may hold stakes in a single traded asset, the notice said. Investors are also banned from reselling an asset from these exchanges within five days. “Serious speculation and price manipulation has occurred” at some exchanges and cases of embezzlement and fraud have also emerged, the government said.

Although there is no official estimate for the number of unregulated exchanges or the volume of trading conducted through them, Chinese analysts say there are well over 300 of them today, up from just a handful five years ago. Last week, three new exchanges were established in the city of Wuhan alone – the Wuhan Shipping Exchange, Wuhan Agricultural and Livestock Products Exchange and Wuhan Financial Assets Exchange. In the first 10 months of this year, 58 new exchanges were established, according to state media reports. In the early 1990s, Beijing launched a crackdown on hundreds of equity and commodity futures exchanges that mushroomed across the country and eventually consolidated them into the handful of large, regulated exchanges that exist today.

Source: Jamil Anderlini in Beijing: China cracks down on rogue exchanges, Financial Times, November 24, 2011

**Support for small business buffers effects of global downturn**

As the world looks at China ahead of the G20 summit in Cannes, France, the country’s private sector is going through a hard time. To deal with the woes, the central government has recently released a series of supportive policies targeting smaller businesses struggling in the swirl of a global downturn and inflation, experts said.

China’s private economy is undergoing what might be the toughest time in its 30-year development, said Zhou Dewen, chairman of the Wenzhou Small and Medium-sized Enterprises
Development Association. "The challenges come from both home and overseas," Zhou said, explaining that renminbi appreciation, fewer orders and higher tariffs are squeezing earnings from the global market, while higher labor and material costs are raising expenditures. Profit margins for export-oriented enterprises in Wenzhou, Zhejiang province, for example, have fallen sharply, going from between 8 to 12 percent in 2008 to less than 3 percent at the moment, he said.

Meanwhile, the prudent monetary policy that has been followed to tackle surging domestic inflation is restricting businesses, especially smaller companies, from getting financial aid. A survey by the State Council's Development Research Center shows only 5 percent of corporate loans went in 2010 to businesses with credit lines of less than 5 million yuan ($787,000). But in Wenzhou, a hub of China's private economy, the poor performance of the businesses has triggered chain reactions and caused debt defaults in the private lending market and prompted several entrepreneurs who were in debt to flee.

Order was restored after Premier Wen Jiabao visited the city and called for stronger financial support for small businesses. The China Banking Regulatory Commission on Oct 25 called on banks to offer further help to small businesses, and said the regulator will increase the tolerance for non-performing loans to small businesses. One week later, the Ministry of Finance announced it will raise the threshold for levying two business taxes in a bid to help lower small companies' tax burdens. The new policies are likely to direct more credits to smaller businesses, but there is still much more that needs to be done, such as legalizing the private lending market and easing monetary policies, Zhou said.

But Wu Xiaoling, vice-chairwoman of the National People's Congress' Financial and Economic Committee, said the overall credit tightening is not likely to be relaxed in the near future, and a feasible measure should be taken to divert more private capital into the real economy under supervision. The future credit market should operate on different levels. Large banks should explore the global market, leaving small financial institutions and private lenders to serve community clients, Wu said.


Banks OK'd to issue bonds to finance MSEs

The China Banking Regulatory Commission (CBRC) has given green light to three banks to auction special bonds worth 110 billion yuan to finance loans to the micro- and small-enterprises (MSEs), in its latest efforts to lend support to struggling businesses. China Minsheng Bank, Industrial Bank and Shanghai Pudong Development Bank were permitted to issue bonds of up to 50 billion ($7.73 billion), 30 billion and 30 billion yuan respectively to channel loans to enterprises borrowing below 5 million yuan. The loans under the policy will be excluded from the banks' loan-to-deposit ratio calculation. As of the end of September, outstanding loans made to small- and micro-sized companies totaled 14.75 trillion yuan, accounting for 27.9 percent of all outstanding loans.

Source: Xinhua: Banks OK'd to issue bonds to finance MSEs, 2011-11-14

Business climate ‘tougher’

Chinese companies are facing even tougher business conditions now than during the 2008
global crisis, according to a survey of more than 4,000 companies. The findings resulted in experts calling for less government intervention and more support for the private sector to improve the business environment. Among the seven sub-categories of the research, conditions for companies in the fields of human resources, financial services, the legal environment, government administration, and infrastructure have worsened. However, progress has been made in intermediary services and the social environment, according to the Business Environment Index for China's Provinces 2011 Report. The findings follow a three-part survey of businesses nationwide, conducted in 2006, 2008 and 2010. More than 90 percent of the 4,230 companies interviewed in 2010 were small and medium-sized enterprises (SMEs). Non-State-owned enterprises contributed more than 90 percent of the sample, and more than 70 percent of the companies surveyed operate in the manufacturing sector.

The survey is based on both the operational data from companies and the opinions of business owners, who were asked to grade each category from one to five, with five being classified as "very good". The average score improved significantly between 2006 and 2008, but declined in 2010. Some of the problems highlighted include supplementary levies charged by local governments, regional protectionism and difficulty in obtaining support for financing, said Fan Gang, director of the National Economics Research Institute at the China Reform Foundation, which helped compile the report. "The competitiveness of Chinese companies is highly related to the policy environment thus, less government intervention in the market and a better relationship between businesses and the authorities will be the direction of our next step in economic reform," Fan said at a forum to introduce the findings earlier this week. The report ranked the country's regional business climate on a provincial basis, with Shanghai topping all three of the surveys. Provinces in the Yangtze River Delta and coastal areas also ranked high in the table. However, the opinions of small business owners in Zhejiang province, where the private sector is the most vibrant in China, reflect the poor conditions faced by SMEs, including a challenging external environment and inadequate government support. "SMEs now have to face the challenges of providing higher quality goods in the domestic market and weak demand overseas, so an upgrading of the product is the only way to go," said Wang Shibin, who manages a company that produces household goods. But it's difficult for small businesses to carry out technical innovation on their own, and Wang hopes the government will offer more support in this area while adopting stricter policies on the protection of intellectual property.


**Woman seeks damage for Carrefour error**

A 72-year-old woman, Wang Yulan, has initiated legal procedures against Carrefour after she was falsely accused of stealing in the supermarket, her lawyer said on Tuesday. Wang's lawyer, Wen Jun, from Dewell & Partners Law Firm, said in a news conference that they filed a lawsuit at the Donghu district court of Wuhan, Hubei province, on Thursday, making two demands. First, Wang wants Carrefour to issue a public apology to her. The apology letter should be put up in the Carrefour store or in the media. "We also demand 50,000 yuan ($7,800) in compensation for my wife's psychological injuries," Wang's husband, Yan Fucun, said. Yan, 76, said they did not mean to extort money from Carrefour, but asked for it as a recognition of their dignity. "Besides the money that would be spent on litigation costs, I will donate the rest to charity," Yan said.

Wang earlier said she went to the store's Guanggu branch in Wuhan to buy cereal on Oct 18.
She picked up 20 packs of a particular brand and was given another four as promotional gifts by a supermarket saleswoman. However, when she arrived at the checkout, the cashier insisted Wang pay for all 24 packs, which led to an argument. The saleswoman later denied she said the extra packs were free. A store supervisor led Wang to an office, allegedly accused her of theft and had her sign a form and pose for photos.

In response, Eric Legros, vice-president of Carrefour Group and president of Carrefour China, told China Daily on Tuesday: "We made a mistake and we apologized four times. Four times, you know." "We have done." He said Carrefour would not do anything more about it.

Wen Jun said this case was especially meaningful for Chinese consumers, as it showed that they usually were not afraid to seek legal intervention to defend their rights. "The supermarket's management strategies come with potential risks," he added. For instance, Wen said the company launched a bonus scheme that offered employees money and paid vacation time if they caught a thief in the store. "I hope this case will be a warning for the staff who want to get a bonus by resorting to such an immoral method," Wen said.

Source: Guo Rui: Woman seeks damage for Carrefour error, China Daily, 2011-11-30

China faces "great pressure" in meeting emissions target

China is facing great pressure in trying to meet its emission reduction target by 2015, as the country is still rapidly industrializing, a senior government official said Friday. The State Council, or China's Cabinet, on Wednesday approved a plan to reduce carbon dioxide emissions by 17 percent per unit of China's gross domestic product (GDP) until 2015. The plan also maps out precise emission indicators for local governments. The goal was proposed in the 12th Five-Year Program (2011-2015) approved by Chinese legislators in March, which also included a 16 percent cut in energy use per unit of GDP and a goal of lifting non-fossil-fuel energy usage to 11.4 percent of the country's total energy consumption from the current 8.6 percent.

"China is under great pressure to achieve these targets by 2015," Gao Shixian, assistant director-general of the energy research institute under the National Development and Reform Commission, said at the sidelines of an international investment promotion forum held in Nanchang, the capital of east China's Jiangxi province. He said China will need to maintain relatively rapid economic growth in the next few years, which will require massive energy consumption. Moreover, China's rapid industrialization and urbanization require the support of heavy industries and energy-consuming products like cement and steel, he said. "Maintaining rapid growth creates huge pressure for the government's efforts to save energy and cut emissions," he said. Gao said China's goal of boosting non-fossil-fuel energy usage will also create challenges for meeting the emissions target.

In spite of the bumpy road ahead, China will "take multiple measures and spare no effort to meet its targets," Gao said, adding that the government is working on a plan to put a cap on total energy consumption. Other efforts will include boosting strategic industries, promoting low-carbon construction projects and investigating the possibility of creating a carbon emissions trading market, he said.

Sources: Xinhua: China faces "great pressure" in meeting emissions target, 2011-11-11

China reaffirms stance on climate change talk

China on Tuesday reiterated that the Kyoto Protocol is an important and legally-binding
multi-lateral agreement and must be adhered to in the upcoming climate talks in South Africa’s Durban. Xie Zhenhua, head of the Chinese delegation at the Durban meeting, said China would stick to the stance of developing nations in pursuing the second commitment period of the Kyoto Protocol. The protocol reflects "common but differentiated responsibilities," and the commitment to the protocol is the foundation of political trust. Xie made the remarks upon the release of a government white paper at a press conference in Beijing. "We hope nations of the world translate their political willingness into concrete actions," he said.

Also on Tuesday, the Chinese government issued a white paper on its policies and actions for addressing climate change, highlighting a range of major policy measures to mitigate and adapt to climate change and its remarkable results during the 11th Five-Year Plan (2006-2010) period. The white paper, titled China’s Policies and Actions for Addressing Climate Change, was released by the State Council Information Office. According to the white paper, China will take addressing global climate change as an important task in its economic and social development during its 12th Five-Year Plan period. The white paper said China maintains that the Durban climate change conference should put into effect the consensus reached at the 2010 Cancun Climate Change Conference, determine the arrangements of relevant mechanisms.

Source: Xinhua: China reaffirms stance on climate change talk, 2011-11-22

Agreement with China to Develop Clean Energy

Agreement with China to Develop Clean Energy The Laboratory has signed an agreement with the Clean Energy Research Institute in China to conduct joint research and development of clean energy technologies. Huaneng Power International, Inc., the largest power company in the world, formed the Clean Energy Research Institute. Under the memorandum of understanding, the Laboratory will create a stronger relationship with Huaneng and both parties will conduct research analysis and data exchange as established under the U.S.–China Clean Energy Research Center (CERC) that was created last year. The two parties will exchange information and technology on carbon capture and sequestration (CCS), enhanced oil recovery, shale gas, and power engineering. Specifically, Livermore brings expertise in CCS, advanced materials science, engineering and design, and energy systems analysis. “We plan to work on applied scientific challenges in large-scale projects and deployments,” says Julio Friedmann, Livermore’s director of the carbon management program. “We look forward to working closely with our Chinese counterparts to find opportunities for collaboration that serve the needs of both nations,” The Laboratory has a strong relationship with the Chinese through CERC, a project that facilitates joint research and development of clean energy technologies, including CCS. CCS is a process that separates and captures carbon dioxide from industrial and power plant flue streams, then compresses the gas and stores it underground in deep geologic formations. The process prevents greenhouse gas emissions from entering the atmosphere where they can contribute to global warming and climate change.

Source: Tomás Díaz de la Rubia: Agreement with China to Develop Clean Energy, Science & Technology Review, no. 7 (October 2011) p. 2

Key gas agreement signed
Energy-rich Turkmenistan will increase its natural gas deliveries to China by two-thirds under an agreement signed on Wednesday, with leaders of the two countries vowing to establish a long-term and stable strategic energy partnership. President Hu Jintao and Turkmenistan's President Gurbanguly Berdymukhamedov attend a news conference after their meeting on Wednesday in Beijing. Turkmenistan has agreed to substantially increase natural gas supplies to China. The agreement will increase annual gas deliveries by 25 billion cubic meters a year, bringing the annual total to 65 billion cubic meters "in the near future", Berdymukhamedov told reporters after the signing ceremony. The figure - 65 billion cubic meters - is equivalent to more than half of China's entire natural gas consumption last year.

China has been diversifying and expanding access to energy needed to power its fast-growing economy and reduce its reliance on heavily polluting coal. Turkmenistan has adopted a diversified energy export strategy to shake off its dependence on sales to Russia. Besides expanding gas exports to nearby Iran and launching a pipeline to China, it has also won strong support from the European Union and the United States for plans to supply gas to a trans-Caspian pipeline that will run to Europe via Azerbaijan.

The gas agreement was one of 14 signed following the leaders' talks on Wednesday. Others cover loans for the purchase of oil and gas drilling equipment, public security cooperation, recognition of degrees, combating money laundering and tackling terrorism. Both sides agreed to enhance security and law enforcement cooperation, promising joint efforts to fight terrorism, separatism and extremism, and cross-border crimes. China became Turkmenistan's largest trade partner in 2011, with bilateral trade rising to $3.56 billion in the first three quarters.

Source: Wu Jiao and Cui Haipei: Key gas agreement signed, China Daily, 2011-11-24

**World News: Many Rich Chinese Consider Leaving**

More than half of China's millionaires are either considering emigrating or have already taken steps to do so, according to a survey, highlighting worries among the business elite about their quality of life and financial prospects, despite the country's fast-paced growth. The U.S. is the most popular emigration destination, according to the survey of 980 Chinese people with assets of more than 10 million yuan ($1.6 million) published on Saturday by Bank of China and wealth researcher Hurun Report.

Many Chinese who have profited most from the country's growth also express increasing concerns in private about social issues such as China's one-child policy, food safety, pollution, corruption, poor schooling, and a weak legal system. Rupert Hoogewerf, the publisher of Hurun Report, said the most common reason cited by respondents who were emigrating was their children's education, followed by a desire for better medical treatment, and the fear of pollution in China. In another indication of the jittery mood among China's rich, several Western embassies have also noted a marked increase this year in the number of applications for investment visas, a category that allows people to immigrate if they invest a certain amount of money, according to diplomats. There is evidence, too, of an uptick in the number of Chinese people buying high-end properties in major Western cities, especially London, Sydney and New York, according to property analysts.

Another survey published in April by China Merchants Bank and Bain & Co.
showed that almost 60% of high-net-worth individuals in China had either arranged for, or were considering emigration. Of those, more than 20% had already completed their immigration applications, or made the decision to apply, according to that survey, which covered 2,600 high-net-worth individuals. China Merchants Bank and Bain estimated that in 2010 there were 500,000 people in China with "individual investable" assets valued at 10 million yuan and 20,000 people with 100 million yuan or more.


Chinese rich are keen to emigrate

The three most favored destinations by the Chinese rich are the United States, Canada and Singapore. The US is the first choice of some 40 percent of the people interviewed, according to a white paper jointly released by Hurun Report and the Bank of China (BOC) on Saturday. Last year, the US Citizenship and Immigration Services (USCIS) issued 772 EB-5 visas, meant for investor immigrants, to Chinese people. They account for 41 percent of the total EB-5 visas issued by the agency. Among the 980 people interviewed by Hurun Report and the BOC, one-third said they have assets overseas, which on an average account for 19 percent of their total assets. While 32 percent of the interviewees said they have invested overseas with a view to immigrate, half of them said they did so mainly for the sake of their children’s education. Zhang Yuehui, a Beijing-based immigration expert, said children's education is also the top concern among those who want to immigrate. Chinese immigrants are also getting younger, with the largest group aged between 25 and 30, compared to the 40-45 age group in the past, Zhang said.
Gates: Chinese innovation can help the poorest

Despite being a developing country, China can use its expertise in health and agriculture to help the poorest countries in the world, especially those in Africa, said Bill Gates, the technology magnate and co-chair of the Bill & Melinda Gates Foundation. In an exclusive interview with China Daily on Tuesday, Gates, who is also the chairman of Microsoft, said he expects to see some "very big things" from the foundation's new partnership with China's Ministry of Science and Technology. "Obviously, China has done a fantastic job in reducing poverty," Gates said. "It is not completely done, but just for the last 30 years, if you take where China was and where it is today on almost every front, particularly in the areas that we (the Bill & Melinda Gates Foundation) focus on - health and agriculture - China has done very good work."

Famous for founding Microsoft, Gates is now a billionaire philanthropist who works full-time for his foundation, which tries to foster innovation in health and development. Gates said China can draw on universities, scientists, companies in the health industry and its other excellent resources to arrive at the innovations that will help reduce world hunger and poverty. "Amazingly, all of this (expertise in health and agriculture) has not been used outside of China," he said. During a trip to China this past year, Gates visited a series of vaccine manufacturers and found himself impressed by how quickly the industry was making progress. He said China's experience in making such vaccines will help the country design new ones that can also be sold at a low cost. "We would expect over the next decade dozens of Chinese vaccines would be available to poorer countries," he said.

Gates said he thinks the foundation's new partnership with China will have a "substantial impact" on the health and agriculture industries in the next five years. "In agriculture, the story in China is quite phenomenal," he said. "Just taking the rice issue alone, I think we can have a lot of agricultural expertise from China made available in Africa. We can have a lot of African farmers adopting new varieties."

At the G20 Summit in Cannes, France, Gates delivered a report about how innovation and partnerships in health and agriculture can make the world more stable and offer help to the poorest countries and people. He said he hopes the ideas he conveyed will inspire President Hu Jintao, US President Barack Obama and other world leaders to look at a variety of issues concerning development. Gates traveled to China for the first time in 1990, then doing business for Microsoft, and now visits the country about twice a year. He said he would like to keep making the trips at regular intervals, explaining that he is involved in many projects in China apart from his work with both the foundation and Microsoft. "I think everyone is so excited that China has been so successful," he said. "And China has an interest now in participating in helping poorer countries - the same way the rich countries have in the past."

China's relationships with countries in Africa, though, have raised doubts in the Western world. Gates said that is because there is a "lack of transparency". He said China can learn from mistakes that rich countries have made - the practice of giving money, for instance, in return for support. The country, Gates said, can also become more transparent by providing certain types of aid, such as vaccines, and giving help to small farmers and other "individual people" who are in need, not just "the rich business people in the capital".

Source: Zhang Yuwei: Gates: Chinese innovation can help the poorest, China Daily, 2011-11-04
Urban, rural income gap narrows in Q1-Q3

The income gap between rural and urban residents has continued to narrow, as income growth for rural residents outpaced that of urban dwellers during the first three quarters, an official said Friday. The income growth rate of rural residents was 5.8 percentage points higher than that of urban dwellers during the first nine months, said Song Hongyuan, director of the Research Center for Rural Economics under the Ministry of Agriculture.

The growth of rural residents' per capita cash income hit 20.7 percent to reach 5,875 yuan ($926.66). The actual growth after factoring in price adjustments was 13.6 percent, according to a report issued by the research center on Friday. During the past three quarters, urban and rural residents' per capita disposable income reached 16,301 yuan, up 13.7 percent year-on-year. After deducting inflation, actual growth was 7.8 percent, the report said. However, a combination of factors will restrict farmers from making more money, including high inflation, rising agricultural production costs and fewer job opportunities, Song said.


China raises poverty line to benefit at least 100m

China decided Tuesday to almost double its standard for defining the poverty line of the nation's farmers to benefit at least 100 million people as it aims to build itself into an overall well-off society in the coming decade. The nation's top leaders decided to raise the threshold to 2,300 yuan ($362) in terms of the annual net income of farmers, up 92 percent from that of 2009. A government white paper on poverty reduction released earlier this month showed the country had reduced its poverty-stricken population in rural regions to 26.88 million at the end of 2010 from 94.22 million a decade ago. The new poverty line will make at least 100 million people eligible for government anti-poverty subsidies, according to experts.

Speaking at a national poverty-alleviation meeting held Tuesday at the Great Hall of the People, President Hu Jintao said that poverty-reduction is a significant task. After more than 30 years reform and opening-up, Hu said that China's poverty alleviation task no longer concerns just solving food and clothing issues for the poor. Rather, it is about speeding up poverty reduction, improving the ecological environment, strengthening developmental capabilities, and narrowing wealth gaps. "Eradicating poverty, improving people's livelihoods, and prosperity for all is the fundamental requirement of socialism," Hu said. "By 2020, our general target is to ensure the nation's impoverished will no longer need to worry about food and clothing. Their access to compulsory education, basic medical care, and housing will also be ensured," Hu said. "The annual net income growth of farmers in poverty-stricken regions will be higher than the national average by 2020. Public services for them will also near the national level. The current trend of widening rich-poor gap will be reversed," Hu said.

"It is an important measure to enhance poverty alleviation by substantially raising the poverty line so that more low-income people can be included in the country's poverty reduction programs," Wen said. "Local governments in more economically developed regions can set even higher poverty lines," he added. He said China had increased its spending on poverty reduction from 12.75 billion yuan in 2001 to 34.93 billion yuan in 2010, representing an average annual growth rate of 11.9 percent. Spending during the 2001-2010 period totaled 204.38 billion yuan. Wen said that the nation's social security funding will prioritize rural regions, especially
poverty-stricken areas, in future. He said the government will aim to cover the entire rural regions with a new type of social endowment insurance for rural residents next year. In a new initiative to reduce poverty and boost balanced development, a trans-provincial pilot scheme for poverty relief was also launched in central and western regions of China this month. Wen urged the progressing of the pilot before it expands to 10 other impoverished trans-provincial regions mainly in mountain areas in central and western parts of the country.

Source: Xinhua: China raises poverty line to benefit at least 100m, 2011-11-30 11:17

**Foreign study fails to boost salaries**

Young Chinese people returning from studying overseas and lacking in work experience are likely to earn a starting salary similar to those of graduates from domestic universities, because of white-hot competition in the job market, a recent survey showed. That's according to a report released on Tuesday by the Education International Cooperation Group (EICG), a consultative agency for study overseas. The report shows that graduates returning from foreign study earn an average starting salary of 3,000 yuan ($472) a month. And more than 70 percent of them return to China following graduation.

As many as 7,000 returnees responded to the survey. Only 18 percent of them are earning more than 10,000 yuan a month, a 50 percent decline compared with 2010, according to the report. It said that the increasing number of returnees in recent years has resulted in competition for jobs becoming stiffer. Statistics from the Ministry of Human Resources and Social Security show that 632,200 returnees were working in China by the end of 2010. That number is set to increase by more than 500,000 during the next five years.

Returnees who lack work experience suffer the most. About half of them do not have work experience overseas or in China, and most of them are unable to earn more than 5,000 yuan a month, the report said. Domestic graduates in large cities, such as Beijing and Shanghai, also have a starting salary of around 3,000 yuan a month, according to Zhaopin.com, one of China’s largest providers of human resource services. Some returnees said that studying abroad is no guarantee of a higher salary.

The EICG report shows that 66 percent of respondents said their overseas education is likely to be positive to their career. The advantage of studying overseas will gradually become more apparent as the returnees gain more work experience, said Zhang Chao, pointing out that they have an international perspective and the ability to communicate across different cultures.

Private enterprise is the main sector employing returnees this year. The EICG report shows that 46 percent of respondents work in private enterprises, while 32 percent work for foreign-owned enterprises or joint ventures. The report also shows that large cities such as Beijing and Shanghai are the most attractive destinations for those returning from abroad.


**First-tier cities fail to satisfy residents**

China’s first-tier cities have failed to satisfy their residents in building service-oriented government, even as they play crucial roles in national politics and economy, according to a report released on Wednesday. The report, jointly compiled by Singapore’s Nanyang Technological University (NTU) and China’s Shanghai Jiao Tong University, aims to track how satisfied Chinese citizens and businesses are with government service. A survey of 25,222 citizens
and 3,203 enterprises was conducted from April to June in 32 major cities. The research team defines a service-oriented government as one that embodies key indicators such as being corruption-free, efficient, transparent and democratic. Besides these, indicators include the level of trust the public posits in the government, the participation of citizens and businesses in policy-making and implementation, and the quality of information service provided by the government.

Shanghai, Beijing, Guangzhou and Shenzhen, the four cities regarded as China’s first-tier cities in terms of political and economic influence, were not found to have satisfied their residents to a great extent, and did not make it to the top 10 list. Xiamen, Fujian province, emerged on top of the list, followed by Qingdao, Suzhou, Jinan, Changsha, Chongqing, Ningbo, Shijiazhuang, Guiyang and Changchun.

"Economic development can bring more material guarantee for providing public services, but, in most cases, such economic advantages cannot convert to public satisfaction with government service," said Wu Wei, director of the Nanyang Center for Public Administration of NTU. "Our research found that certain Chinese city governments were less efficient and lacked adequate public participation." Putting undue stress on economic development while neglecting the balanced development of governing ability and social service will have a negative effect on building efficient government, he said. Wu also indicated the importance of the Internet for building service-oriented government. So far, more than 10,000 government departments and over 8,600 government officials have opened micro-blog accounts at Weibo.com, a major micro-blogging platform in China. However, "there are various problems, for example, many government departments are very slow in updating information, they use bureaucratic language and there is a lack of interaction with the public," said public opinion research expert Xie Yungeng.


CHINA’S INDIGENOUS INNOVATION POLICY IN THE CONTEXT OF ITS WTO OBLIGATIONS AND COMMITMENTS

China’s Indigenous Innovation Product Policy (“Indigenous Innovation Policy”) is designed to promote the innovation and commercialization of Chinese-origin technology, products and intellectual property assets by providing preferential treatment for Chinese manufactured products over foreign products in government procurement practices. Such preferential treatment has generated significant criticism from foreign industries and governments. This article conducts an analysis as to whether the implementing measures of this policy are inconsistent with China’s WTO obligations. Although China currently has no technical obligation under World Trade Organization (“WTO”) rules to provide open access to its government procurement market, China’s indigenous innovation measures are still subject to its other obligations as a Member. In order to enjoy the benefits provided by WTO Membership, Members are not only obligated to bring their measures into compliance with explicit WTO rules, but also, to ensure that their measures, even if not inconsistent with specific WTO provisions, are also consistent with the WTO’s fundamental principles of
free trade and non-discrimination, which are embodied in the WTO rules. The impact of the Indigenous Innovation Policy implicates rules such as the Protocol on the Accession of the People’s Republic of China (“Accession Protocol”), the General Agreement on Tariffs and Trade 1994 (“GATT”), the WTO Agreement on Subsidies and Countervailing Measures, and the Agreement on Trade-related Aspects of Intellectual Property Rights. China’s WTO accession commitments as well as its status as both a WTO Member and a significant market in the global economy dictate that the indigenous innovation measures may indeed be inconsistent with China’s obligations under the WTO. In examining China’s Indigenous Innovation Policy under this light, it is important to understand how the implementing measures are developed. This article examines China’s unique policy development process, which involves an experimental interaction between the central and local governments, under which local governments implement policies independently from each other. In implementing China’s Indigenous Innovation Policy, this local development process has resulted in problems, such as the lack of predictability and consistency of rules, as well as local, protectionism, which may run afoul of China’s WTO obligations. As discussed in this article, foreign industries and governments have raised some valid challenges to China’s indigenous innovation measures as being inconsistent with WTO tides. This article examines the viability of those claims in the context of China’s WTO obligations, such as the lack of transparency in China’s publication of these measures, possible discriminatory treatment of foreign-held intellectual property rights, a non-violation claim under Article XXIII of the GATT, and other possible claims. Finally, based on conclusions drawn from this analysis, this article provides a possible option for moving forward in addressing the concerns of both foreign and Chinese interests.


When Shenzhen meets Peking University

On the one hand, it is Peking University, which is China’s top university and the dream university of numerous Chinese students. On the other hand, it is Shenzhen, which is the biggest winner from China’s opening up and reform policy and later named a paradise for immigrants and entrepreneurs. Ten years ago Peking University set up a satellite campus in Shenzhen. What has been going on between these two pioneers? From Peking University Shenzhen Graduate School, which is located in Nanshan district of Shenzhen, you can get a glimpse of China's education reform. On Nov 20, Chinadaily.com.cn interviewed Hai Wen, vice-president of Peking University and chancellor of Shenzhen Graduate School.

China Daily: Why did Peking University and Shenzhen Municipal Government decide to set
up a satellite campus in Shenzhen 10 years ago? Hai Wen: When a city's economy has developed to a certain degree, its need for good-quality education will be apparent. That is probably where Shenzhen was 10 years ago but there was only one university. Peking University wanted further development but it was hard to implement some of its reforms in Beijing.

China Daily: What can Peking University do for Shenzhen? Hai Wen: Peking University can promote Shenzhen's service industry and help to restructure its economy. The HSBC Business School aims to provide society with talents in the financial service sector. In the year 2010, half of graduates from this school chose to work in Shenzhen. The School of Transnational Law will also provide talents who have mastered Chinese law and American law. Peking University Shenzhen Graduate School also provides further education for in-service local government officials and local entrepreneurs. In addition, Peking University also serves as a platform to connect overseas talents with Shenzhen, helping it become an international city. It would've been very difficult for Jeffrey S. Lehman, former president of Cornell University, to come teach in Shenzhen if not for Peking University. Jeffrey S. Lehman is the founding dean of the School of Transnational Law.

Source: Song Jingli: When Shenzhen meets Peking University, China Daily, 2011-11-28

Safety effort drives sales for school bus makers

Growing government and public attention to school bus safety is giving makers of these vehicles the confidence to expand. Zhengzhou Yutong Bus Co Ltd, the largest professional bus maker in China by sales volume, believes there is great promise in the market. The company plans to increase production of school buses in response to rising orders. "We witnessed a certain increase in orders for school buses after the (accident) in Gansu province on Nov 16, which killed 21 people, including 19 preschoolers," said Zhang Qiang, general manager of the school bus department of Yutong. "I think in the next three years, the school bus market in China will see significant growth with the government's moves to regulate the industry," Zhang said. The company sold 200 school buses in 2009. It expects sales to double this year from last year's total of 600 to 700. Chang'an entered the school bus field in 2007 and has since sold almost 3,000 vehicles domestically, with exports exceeding 1,500. Its export destinations include the Middle East and South America.

Zhengzhou-based Yutong began research and development into school buses in 2005 and has produced more than 10 models. Four of those models are US-style long-nose school coaches, a type of bus thought to offer better protection to the driver and front-row passengers in a crash. Yutong's buses have 19 to 64 seats, with prices starting at more than 100,000 yuan ($15,748) and running up to 500,000 yuan.

According to a survey by the Ministry of Education, there are 285,000 vehicles carrying 180 million primary- and middle-school students nationwide, but only 29,000 vehicles, or 10.3 percent, meet the safety requirements.

Source: Huang Ying: Safety effort drives sales for school bus makers, China Daily, 2011-11-30

Working with China 'key' to FDA's future work

The US Food and Drug Administration (FDA) aims to have more in-depth cooperation with Chinese food and drug manufacturers, as it prepares for the global launch of its new IT risk-based screening system. "In order to ensure food and drug safety in the US, we have to collaborate with more countries like China," said Dara Corrigan, associate commissioner for Regulatory Affairs of
the FDA, on her first visit to Shanghai on Tuesday. Corrigan and her team in the US are currently testing the new system, which will gather information about the source of drugs coming into the US and make the online system available for the whole industry to see whether the drugs pose any safety risks. "It could help us to identify the risks better and also convince people about the value of good information, which is the tremendous potential the system will have," said Corrigan. The new system will expedite the clearance of lower-risk cargo, but only if accurate and complete data is provided by importers and entry filers. "We have to make a large step to integrate such information in terms of communicating with regulators and manufacturers in the industry from different countries, especially China, to make it really work," said Corrigan.

The FDA has conducted inspections of Chinese facilities for several decades, but its cooperation with China entered a new stage in 2009 when it posted inspectors in the country on a full-time basis. During her stay in Shanghai, Corrigan visited a plant producing drug products for export to the US and discussed the importance of safe drug products with Chinese regulators and drug manufacturers.

Source: Yu Ran: Working with China 'key' to FDA's future work, China Daily, 2011-11-02

**Shanghai regulates treatment of waste oil**

The next week will see specific plans and measures drawn up to put into effect a regulation to prevent the illegal use and collection of restaurants' waste oil, says the Shanghai food safety office. The regulation requires restaurants to install machines that separate oil and grease before those substances enter the city's sewer system, thus making it impossible to re-collect them from that source. The regulation requires restaurants to install the machines by the end of 2012. The new requirement was officially released this past month following 15 days of opinion polling in the city. It marks the city's latest attempt at curbing the use of "gutter oil," or reprocessed kitchen oil that is illegally recycled and then used in restaurant's cooking. The food-and-drug supervision administration, the public security bureau and other departments will work together to enforce the new rules. About 40,000 restaurants operate in Shanghai. According to Chinese media reports, about 100 tons of waste-cooking oil are produced in the city each day, and less than a third of that is sent to be properly processed. "Kitchen-waste oil contains a large number of toxic and carcinogenic substances, such as aflatoxin," said Feng Xiao, deputy general manager of Shanghai Fucheng Environment Protection Engineering Company. "Gutter oil is difficult to test, which poses great difficulties to the supervision and related departments.


**Key factory indicator falls in Oct**

A key domestic manufacturing index dropped to a 32-month low in October, igniting market speculation that tight monetary policy may be eased. The Purchasing Managers' Index (PMI) slipped to 50.4 last month from 51.2 in September, according to data released by the China Federation of Logistics and Purchasing (CFLP) on its website on Tuesday. The October figure was much lower than market expectations of 51.8. The index was 50.9 in August. The latest figure suggests that China's economic expansion could cool further in the fourth quarter, a statement from the CFLP said. The PMI is based on a survey of purchasing managers from 820 companies in 20 industries. Growth in the world's second-largest economy is likely to remain modest in the coming months but GDP for the entire year is predicted to increase by 9.2 percent, according to
the CFLP.

A PMI sub-index of new export orders dropped to 48.6 last month from 50.9 in September. On top of this, a sub-index for new orders declined to 50.5 year-on-year in October from 51.3 in September, the lowest for almost three years. The sub-index of factory output also suffered a downturn last month, falling to 52.3 from September’s 52.7. The Consumer Price Index, a main gauge of inflation, slipped to 6.1 percent in September from 6.2 in August and the more-than-three-year high of 6.5 percent in July. HSBC on Tuesday released its China PMI for October. This figure is at 51 for October, up from 49.9 for September.

Source: Chen Jia: Key factory indicator falls in Oct, China Daily, 2011-11-02

China issues certificate for uninhabited island

The Chinese government on Tuesday issued the first certificate for the use of an uninhabited island to a private company, a move to promote control and development of unpopulated islands under China's jurisdiction of territorial water. The uninhabited Danmenshan Island is located off the coast of Ningbo of east Zhejiang province. Ningbo Longgang Industrial Co Ltd acquired the certificate at a price of 3.44 million yuan ($529,000), which authorized the company to run a tourism business for fifty years, according to the Ningbo Evening Post.

"The certificate for the use of Danmenshan Island is a new beginning for China to protect its islands in accordance with law and also an example for exploration and the use of other uninhabited islands," said Lv Caixia, director of the islands management office with the State Oceanic Administration (SOA). According to China's newly revised law on islands, individuals and companies can apply for use of uninhabited islands within the country's territorial waters. On April 12, the SOA published a list of 176 uninhabited islands throughout Liaoning, Shandong, Jiangsu, Zhejiang and other coastal provinces and autonomous regions.

Sources: Xinhua: China issues certificate for uninhabited island, 2011-11-9

The unbalanced growth hypothesis and the role of the state: The case of China's state-owned enterprises

Albert Hirschman's unbalanced growth hypothesis suggests that a developing economy can promote economic growth by initially investing in industries with high backward and forward linkages. In the case of Chinese economic policy today, one application would be the continued presence of the state in high-linkage sectors and the strategic withdrawal of the state from low-linkage sectors. The evidence shows that while the degree of linkage plays an important role in generating economic growth in China, province-specific withdrawal strategies for the state sector have no effect on economic growth.


Ten Years of WTO Membership: Gains for China and the US, but More Must Be Done

China has clearly benefited from its WTO entry. China’s foreign trade has grown rapidly, and foreign investment has poured into the country. This trade and investment
has created jobs, helped to raise incomes, and contributed to China’s extraordinary economic growth. China’s WTO entry also has clearly benefited American companies. As a result of the significant market openings mandated by the entry agreement, American companies enjoy far greater market access than they did 10 years ago. China has

■ Cut import tariffs by nearly 40 percent;
■ Virtually eliminated import licenses and quotas;
■ Relaxed many—but not all—ownership restrictions on foreign businesses in China; and
■ Allowed foreign companies to participate in many sectors in which they were previously prohibited.

These changes have greatly impacted the US-China trade relationship. US imports from China have been rising quickly as China has replaced traditional Asian suppliers. But US exports to China have also increased rapidly since China’s WTO entry, jumping from more than $19 billion in 2001 to nearly $92 billion in 2010. China is now the third-largest market for US exports, after only Canada and Mexico—both neighbors with which the United States has free-trade agreements. As China continues its economic development and increases domestic demand, American manufacturing and services companies should be able to increase their sales and operations in China, bringing real economic benefit to the United States.

At the same time, there are areas in which further work must be done for China to be a more fully integrated member of the WTO. In general, the main areas of concern are

■ Inadequate protection of intellectual property rights;
■ The need for greater transparency in formulating laws and regulations, in government decisionmaking, and in the setting of product and technology standards;
■ Incomplete market openings and foreign ownership restrictions, particularly in certain service sectors; and
■ Innovation, government procurement, and technology transfer policies that have captured the attention of foreign companies in the United States, Europe, and Asia over the past year or so.

The next 10 years: As we look forward to China’s next 10 years in the WTO and work to build a durable, mutually beneficial trade relationship, we should keep two points in mind. The first is the rise in protectionist voices that we are hearing today in both the United States and China. We must ensure that the opponents of trade and investment do not use “economic security” for protectionist purposes. Neither side will benefit from protectionist measures. Second, as we recognize and applaud the great achievements China has made in its first 10 years of WTO membership, it is important to think about the next 10 years. To take its economic development to the next level, to move to an economy that depends less on exports and fixed-asset investment and more on domestic consumption, to create innovative, world-class companies, China will have to make even more changes. Services sector reforms and market openings, innovation and technology transfer policies that are based on global
best practices, and a level playing field for Chinese and foreign companies are all areas that will be crucial to China’s continued economic growth, job creation, and the development of a more balanced economy incorporating greater domestic consumption.

Source: John Frisbie (President of the US-China Business Council): Ten Years of WTO Membership: Gains for China and the US, but More Must Be Done, China Business Review v. 38 no. 4 (October 2011) p. 21-2

Chinese tourists boost Hawaii

While the US economy has been slow in recovering, the island state of Hawaii is improving its lot by attracting Chinese tourists. And their contributions have been great enough to gain notice in high places. Among those who recognize the benefits of Chinese tourism is Thomas Donohue, president and CEO of the US Chamber of Commerce. On Tuesday at the Asia-Pacific Economic Cooperation summit, which is taking place in Hawaii, he called for the United States to relax the visa requirements imposed on foreign tourists and investors, including the Chinese. The US tourism industry generates about $700 billion a year and employs about 7.4 million people.

"For 2011, we anticipate 91,000 Chinese visitors to arrive in Hawaii, up 37 percent over 2010. "Increases in visitor arrivals and spending are good for our economy, as tourism is the largest source of private capital into the state. In 2010, tourism provided more than 150,000 jobs, and we anticipate that number to reach 159,000 by the end of 2011." In 2010 alone, the total amount of revenue and expenditures coming to Hawaii from China reached $128.8 million. This year Hawaii is expecting to receive $201 million in revenue from the same source, said Jadie Goo, tourism-brand manager for the Hawaii Tourism Authority. The largest amount of revenue came from hotels, tourism attractions, restaurants and shopping malls. Goo said Chinese travelers spent more than any other visitors to the island, paying out $360 a person in the first nine months of 2011. In August, China Eastern Airlines began offering its first direct, nonstop flight between Shanghai and Honolulu. So far, about 70 percent of those flights' seats have been occupied on average.

Source: Liu Yuhan and Zhang Yuwei: Chinese tourists boost Hawaii, China Daily, 2011-11-12

Obama-Wen talks overshadowed by disputes

Wen Jiabao, the Chinese premier, held talks with Barack Obama, US president, on Saturday on the sidelines of a regional summit which raised disputes in the South China Sea and contentious plans for a US military base in Australia. Officials said Washington's announcement that it would station 2,500 marines in Australia, along with tensions in the South China Sea, were the major themes discussed behind closed doors by 18 heads of state at the East Asia Summit which included China Russia and the US for the first time. China had warned in advance that it did not want the Summit – which followed a meeting of the 10-country Association of South East Asian Nations – to stray into contentious areas, saying it was an inappropriate venue for such discussions. In a veiled warning to Washington, it said it would not appreciate US involvement in its disputes with Asean countries over the resource-rich South China Sea.
Beijing’s wishes were openly dismissed by Asean leaders, Canberra and Mr Obama. Participants in the summit wanted to discuss “issues that have implications on geo-economics, issues of strategic security, stability,” Surin Pitsuwan, Asean secretary general, told the Financial Times in an interview. “Leaders would like to exchange views.” He conceded however that the East Asia Summit was not the place to “resolve the issues because they can only talk about generalities and principles - and that’s what some have done today.” Julia Gillard, Australian prime minister, raised the matter of US troops with Mr Wen during private meetings on Saturday. She conveyed Canberra’s firm position that a US presence in Asia is an important force for stability in the region.

In comments released in an official statement on Friday, Mr Wen said long-running disputes over the South China Sea should be settled through “friendly consultation and negotiation between the sovereign states directly concerned...Outside forces should not get involved under any excuse”. The remarks were prompted by a foreign policy speech earlier this week in which Mr Obama promised a robust US presence in Asia. Some Asean leaders, albeit uncomfortable with China’s growing power, privately expressed concerns about having US troops stationed so close to their borders. They fear being caught between Washington and Beijing as the superpowers jostle for political and economic influence. Asean, with annual gross domestic product of nearly $2,000bn and 600m people, is an important market for both China and the US.


Weak links protect banks in China and Japan

The banks of China and Japan, the world’s second- and third-largest economies, have limited exposure to eurozone sovereign debt, reflecting the weak historic links between the two Asian markets and the crisis-hit continent.

Mitsubishi UFJ Financial Group, Japan’s largest bank by assets, holds $3.2bn in Italian government bonds and $900m worth of Spanish government bonds, while Sumitomo Mitsui Financial Group has a mere $3m in Spanish government bonds and Mizuho has no eurozone government debt. By comparison, MUFG held ¥47,263bn ($614bn) in Japanese government bonds at the end of September, while Mizuho held ¥30,500bn.

Thanks in part to the country’s strict capital controls, for most Chinese banks the business they conduct overseas makes up less than 5 per cent of their total activity when measured by assets or profits. Even Bank of China, the country’s fourth-largest lender by assets and by far the most international of the banks, has very little exposure to the world beyond the separately administered Chinese territory of Hong Kong. At the end of September, BOC said its total exposure to debt issued by European governments, institutions and corporate entities totalled Rmb97bn ($15bn), of which 96 per cent was “related to” the UK, Germany, the Netherlands, France and Switzerland. The bank said the total carrying value of debt issued by Italy was just Rmb454m and it held no debt issued by Portugal, Ireland, Greece or Spain.


It’s time to look beyond the Brics

It’s time to bid farewell to the Brics. Rolling China, India, Brazil and Russia into
a clever acronym once offered an easy description of the redistribution of global power. Corralled by a set of economic indicators, the group excludes other important players. What about Indonesia and Mexico, or for that matter, Argentina or Vietnam? True, the Brics sometimes hold meetings, but the absence from the original formulation of the entire African continent has obliged them to give South Africa a seat at the table. Russia’s inclusion in the grouping was always an anomaly. Oil and gas produce good headline growth rates. On every other economic, social and demographic measure, Russia is a power in secular decline.

India sees China as an ever-present danger. Hundreds of thousands of Indian and Chinese troops face each other every day across a disputed border stretching thousands of miles. An unexpected provocation or miscalculation, I heard one Indian policymaker say, could quite easily trigger war. Brazil is fortunate not to have serious enemies. Brazil uncomfortable with any perception that it cuddles up to China and Russia. But Brazil is happier in the company of India and South Africa. These three rising democracies have coined their own acronym – Ibsa. There are upheavals aplenty to come before the world has a settled geopolitical landscape. But I can’t see room for the Brics.


**China to launch interbank trading of AUD, CAD against yuan**

China will launch the trading of the Australian dollar (AUD) and the Canadian dollar (CAD) against the yuan on the interbank foreign exchange market starting from Nov 28, the China Foreign Exchange Trade System (CFETS) announced Thursday. The move followed the introduction of the Malaysian ringgit and the Russian ruble into the interbank forex market last year and marks the government's latest effort to make the yuan an international currency. The CFETS said in a statement on its website that it will provide quotations for spot, forward and swap transactions between the AUD and the yuan as well as between the CAD and the yuan. On the spot market, the two foreign currencies can trade within 3 percent around their daily central parity rates set by the central bank, said the statement. China now allows interbank trading between the yuan and the US dollar, HK dollar, Japanese yen, euro, British pound, Malaysian ringgit, and Russian ruble.

Source: Xinhua: China to launch interbank trading of AUD, CAD against yuan, 2011-11-25

**Li: Yuan set for depreciation**

Although the yuan is currently facing appreciation pressure, it's possible that the currency will face depreciation pressure within two years, when China's trade surplus falls to zero, Li Daokui, a member of the central bank's monetary policy committee, said on Friday. "The trade surplus will come down to something around 1.5 percent, or certainly below 1.6 percent this year, and that figure will fall to zero within less than two years," Li said at a conference for economists held in Beijing. Meanwhile the current account balance is coming down as well, "and we're on pace to be less
than 4 percent”, Li said.

At a recent summit of the leaders of the Asia-Pacific economies, President Hu Jintao said China is following a responsible exchange-rate policy and shouldn't be blamed for US economic woes. Hu's comments came after US President Barack Obama expressed concern about the low level of yuan appreciation. The mid-point of the yuan's exchange rate against the US dollar stood at 6.3548 on Friday, a drop of 0.6 percent in the past two weeks. But that decline followed an appreciation of 5 percent since the beginning of this year. The Chinese currency has risen 3 percent against the dollar since September, but the currencies of the other BRICS countries (Russia, Brazil, India and South Africa) have fallen at least 4 percent during the same period. One of the reasons for the declines was the appreciation pressure on the dollar as the global economic downturn and uncertainties about the macro policies of emerging economies are highlighting the dollar's role as a "safe haven" currency.

In response to Li's comments, Gary Locke, the US Ambassador to China who attended the same conference, said that China should let the yuan "float freely" and allow the market to determine the exchange rate. Locke also indicated that he is in talks to increase the duration of US visas for Chinese citizens from one year to five. However, the ambassador stated that reform would only take place if the Chinese reciprocated with a similar extension for US citizens.


Offshore yuan market 'vibrant' despite slowing deposits

Although growth of Hong Kong's yuan deposits has slowed, the offshore yuan market remains vibrant and overseas demand for the currency will keep rising, Norman Chan, chief executive of the Hong Kong Monetary Authority (HKMA), said on Wednesday. "Compared with last year, in 2011 some changes have taken place in regard to yuan flows in the offshore market, which will affect yuan deposits directly," Chan told reporters in Beijing. The ratio of yuan inflows to Hong Kong against outflows to the mainland had decreased to 0.8-to-1 as of the end of September, from 1.5-to-1 in the first half and 3-to-1 in 2010, he said, adding that the situation in October was almost the same.

"A decline of yuan deposits doesn't mean the offshore market will lose its strong expansion momentum as long as financial activities related to the currency remain vibrant," said Chan. Yuan deposits in Hong Kong rose from 320 billion yuan ($50.4 billion) at the end of 2010 to 620 billion yuan as of Sept 30, with about 70 percent coming from corporate clients. Chan predicted rising demand for the yuan in Hong Kong would continue amid tightened liquidity on the mainland, lower financing costs in Hong Kong and increased flow-back channels for the yuan. Starting in October, the authorities allowed foreign enterprises to use the Chinese currency to invest in the mainland. A financing firm for affordable housing construction, owned by the government of Hunan province, plans to borrow 10 billion yuan in Hong Kong, media reports have said.

Vice-Premier Li Keqiang pledged in August to support Hong Kong as a key
offshore yuan hub and encourage overseas companies to make direct investments in the mainland with the currency. He promised a 20 billion yuan QFII quota for Hong Kong companies to invest in mainland securities. Settlements through Hong Kong exceeded 1.3 trillion yuan in the first nine months of 2011, compared with 370 billion yuan for all of 2010, according to the HKMA. Offshore yuan-denominated debt issues reached 92.6 billion yuan as of Oct 31, compared with 35.8 billion yuan last year.


Yuan is close to equilibrium rate: Economist

China's RMB, or the yuan, is getting close to the equilibrium value, a government think tank economist said, refuting the US accusation that the currency is undervalued. The yuan's previous downward moves and the slowing growth of China's foreign exchange reserve signalled the currency "may" already have entered a new stage, Li Yang, vice president of the Chinese Academy of Social Sciences at a finance forum.

According to latest statistics, the country's forex reserve increment in the third quarter was $50.9 billion less than that of the second quarter, dragged down mainly by the narrowing trade surplus. Li's viewpoint on the currency's equilibrium was echoed by Shen Jianguang, chief economist with Hong Kong-based Mizuho Securities Asia, who also refuted the US claims that the RMB has space to further appreciate about 20 percent. China's trade surplus has been shrinking significantly this year, accounting for 2 percent of its gross domestic output, well below the IMF's forecast of 6 percent, Shen said. A report issued by the PBOC's financial research center last month said the RMB has risen against the dollar by 30.2 percent since July 2005, when China started to reform its currency mechanism.

Source: Xinhua: Yuan is close to equilibrium rate: Economist , 2011-11-30

China export growth dips as EU slows

Chinese exports slowed in October, pressured by the mounting woes in Europe, but strong imports served up a reminder of the domestic economy's strength. Exports rose 15.9 per cent year-on-year, down from 17.1 per cent a month earlier. Imports increased 28.7 per cent, accelerating from a 20.7 per cent pace. China's trade surplus still widened to $17bn from $14.5bn a month earlier, though that was well below market expectations for a figure closer to $25bn.

Chinese exports to the European Union were up 7.5 per cent year-on-year in October, down from 9.8 per cent in September. Exports to the US fared better, rising 13.9 per cent in October, up from 11.6 per cent in September. But the numbers also confirmed that China itself remains the biggest source of growth in the global economy. China’s trade surplus is on track to fall about 10 per cent this year, welcome news from a diplomatic perspective for Beijing, which has been trying to persuade foreign critics that its growth model is better balanced and less reliant on exports than in the past. But the slowdown in exports is also inflicting stress in China’s coastal provinces and prompting calls for the government to do more to support them. In response, premier Wen Jiabao promised last month to stabilise the renminbi’s
exchange rate as a buffer against external uncertainties.

Los Angeles mayor to visit China to promote trade, tourism

Los Angeles mayor Antonio Villaraigosa said Tuesday that he will visit China next week to promote friendship, trade, tourism and investment. The mayor said Los Angeles is the most diversified city in the United States with 46 percent of its population foreign born and it has the largest Chinese American population. It is also China's number one trading partner compared to other US cities. "We are uniquely ready for continuing to grow trade, tourism and investment with China," said the mayor at a press conference held at the official residence of Chinese Consul General Qiu Shaofang. Since 2006, the number of Chinese tourists visiting Los Angeles rose by 78 percent increase. The number grew by 40 percent over the past year, said Villaraigosa. He also mentioned that three daily non-stop flights have been added this year between Chinese cities and Los Angeles.

Villaraigosa said he will sign an agreement with the Association of Chinese Mayors and will invite them to come to Los Angeles for a visit next May, adding that through exchanges between cities the relationship between the two countries can be strengthened. Villaraigosa will visit Beijing, Shanghai and Chongqing during his one-week China trip. Villaraigosa is trying to turn Los Angeles into a global commercial hub in the Pacific Rim.
Source: Xinhua: Los Angeles mayor to visit China to promote trade, tourism, 2011-11-30

CIC urges West to spend more on infrastructure

Europe and the United States should increase infrastructure investment to drive a global economic recovery, the head of China's $410 billion sovereign wealth fund said just days after expressing interest in buying into Western transportation deals. China Investment Corp (CIC) Chairman and Chief Executive Lou Jiwei said in the official People's Daily newspaper on Tuesday that China should not be regarded as the sole engine of global economic growth because domestic consumption is relatively weak. He said emerging economies including China were struggling with elevated inflation that crimped the scope of any large-scale stimulus plan or investment. In contrast, developed economies had room to raise investment in infrastructure given their benign inflation outlooks, he said. "European countries and the United States should take effective measures to boost infrastructure investment to provide a new driving force for the world economy and revive market confidence," Lou said.

Holder of the world's largest foreign exchange reserves at $3.2 trillion, China has been asked to help Europe overcome its debt crisis by buying eurozone sovereign debt, a proposition that has drawn cool responses from Beijing. Instead, some government officials said China wanted to help through investment and trade - as opposed to outright debt purchases - with several academics urging Beijing to buy into some of Europe's best brand names, companies and intellectual property. The fund said in July
that North America accounted for nearly 42 percent of its portfolio in 2010.

Favorable FDI policy is essential, says report

The Chinese government should continue its efforts to create a favorable investment environment for foreign businesses, as they could facilitate the advancement and reformation of the nation's economy, according to a report published on Tuesday. The China Foreign Investment Development Report 2011, released by the University of International Business and Economics (UIBE) in Beijing, said foreign direct investment (FDI) has played a positive role in boosting the economy, creating jobs and promoting trade in the three decades since the nation launched its reform and opening-up policy. However, the ongoing debt crises in Europe and the US, and rising operational costs in China mean that there is a possibility that the foreign companies will relocate factories or withdraw investment in China, the report warned. "China needs to continuously create a fair and good environment for foreign enterprises, in a bid to bring their potential in helping China transform its economic growth model into full play," it said. "Services, high-end manufacturing including high-technology, new-energy, energy reduction and environmental protection will be the new growth engines for China's FDI."

So far, China has absorbed FDI worth a total of $1.2 trillion, and more than 730,000 foreign businesses have established a presence in China. By 2010, foreign companies had created more than half of China's foreign trade, one-seventh of its jobs, one-fifth of the tax and one-fourth of the industrial output, according to the Ministry of Commerce. However, during the past few months, foreign investment from developed economies, including the United States, has declined. Between January and October, investment from the US decreased by 18.13 percent year-on-year to $2.57 billion. Meanwhile, with no swift resolution in sight for the European debt crisis, and as the nation's economic growth slows, the 2012 outlook for FDI in China is not positive, said Sang Baichuan, a professor at the UIBE.

On Monday, Vice-Premier Wang Qishan said that foreign businesses and investors have enjoyed preferential policies in China, and the country will continue to welcome overseas businesses and will address their concerns, including the protection of intellectual property rights (IPR) and government procurement policies. China recently pledged to set up an office, led by Wang, to protect IPR in China over the long term.
Source: Ding Qingfen: Favorable FDI policy is essential, says report , China Daily, 2011-11-30