China News in Brief
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Compiled by Yimin Zhang, University of Shanghai for Science and Technology for the Kiebach Center in International Business Studies, Whitman School of Management
and distributed free of charge.
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BEIJING - China's exports rose 11.6 percent year on year to $206.87 billion in October, customs data showed on Saturday. The growth rate for October has decelerated compared to September's 15.3 percent, which was a fastest growth rate in 19 months. Imports in October stood at $161.46 billion, up 4.6 percent, according to the data released by the General Administration of Customs (GAC). Total exports and imports rose 8.4 percent to $368.33 billion in the month, as trade surplus expanded to $45.41 billion, up 46.3 percent. "Imports and exports in October have both extended a growth trend from the previous month," the GAC said in a press release.

In the first ten months of this year, China's total exports and imports hit $3.53 trillion, up 3.8 percent. Trade surplus during the period stood at $277.11 billion, up 38.5 percent year on year. During the Jan-Oct period, trade with the European Union, China's largest trading partner, saw the fastest growth of 9.8 percent, amounting to 3.12 trillion yuan. Trade with the United States, China's second-largest trading partner, came in at 2.78 trillion yuan, up 5.5 percent. China-ASEAN trade went up 7.4 percent to 2.4 trillion yuan. In contrast, trade between the Chinese mainland and Hong Kong fell 10.1 percent to 1.82 trillion yuan in the first ten months, while trade with Japan fell 0.1 percent to 1.59 trillion yuan.

The GAC said that foreign-invested companies were the main trade bodies, with their total trade volume during the period accounting for 46 percent of the nation's total trade during the first ten months, compared to 34.6 percent held by privately-owned companies and 17.7 percent by state-owned firms. The rest tiny portion came from micro-sized or individual businesses. Exports including machinery, garments, textiles, shoes, toys, plastics rose during the first ten months, while exports of electronic products, home furniture and vehicles fell.

Source: Xinhua: China's exports rise 11.6% in Oct, 2014-11-08

China's inflation up 1.6% in October

BEIJING -- China's consumer price index, a main gauge of inflation, grew 1.6 percent year on year in October, the National Bureau of Statistics said Monday. The growth was the same with that of September, which was the lowest since January 2010, the NBS said in a statement on its website. On a monthly basis, October's consumer price index (CPI) was flat against the previous month, compared with September's 0.5-per cent increase. The inflation index grew 2.1 percent year on year in the first 10 months, well below the 3.5-percent full-year target set by the government.

Source: Xinhua: China's inflation up 1.6% in October, 2014-11-10

Xi's 'new normal' theory justifies bolder economic reforms

BEIJING -- Chinese President Xi Jinping's latest elaboration on the "new normal" theory has served to build consensus for bolder economic reforms, a Chinese scholar observed. By giving a comprehensive interpretation of changes in China's economy, the president could help dispel worries over the slower growth in the world's second biggest economy, and set the tone for future policies, said Lu Feng, a Peking University professor in economics. Xi's remarks signaled that the government is expected to stay away from massive stimulus and push forward key reforms while maintaining steady growth next year, Lu told Xinhua in an interview.

In a speech delivered at the Asia-Pacific Economic Cooperation (APEC) CEO Summit on Sunday, Xi said a "new normal" of China's economy has emerged with several notable features. They include gear shifting from the previous high speed to a medium-to-high speed growth, improvement and upgrading of the economic structure, and innovation as a stronger economy driver than input and investment. Along with the "new normal" come with some potential risks and new conflicts and problems, the president said, and "the intensity of our endeavor to comprehensively deepen reform will determine whether we will successfully adapt ourselves to the new normal." Xi did not specify what risks and problems the economy faces, but Lu said they refer to the difficulties China is going through in cooling down an overheated property market, digesting excessive production capacity, de-leveraging the banking sector and defusing mounting local government debts.

"Through the 'new normal' theory, Xi stressed that the slower economic growth is actually rational, while
underlining the necessity of deepening reforms, which are essential not only for achieving sustainable and long-term growth but also for eliminating current economic imbalances," Lu noted. A key reform area is the pricing of factors of production such as capital and land, he pointed out. However, the reforms to make interest rates, currency exchange rates and land prices more market-oriented are particularly difficult, Lu said. China has taken incremental steps toward interest rate and exchange rate liberalization, but the rates are still not totally set by market forces. The land market is also under government control.

Xi has stressed the resolution of deepening reforms on many occasions, saying China's reform has entered the deep water zone where tough challenges must be met. To comprehensively deepen reform, China needs to stimulate market vitality, broaden the path for innovation, advance opening-up at a higher standard and improve people's well-being and promote social equity and justice, Xi said when addressing the APEC CEO Summit on Sunday.

Source: Xinhua: Xi's 'new normal' theory justifies bolder economic reforms, 2014-11-12

China Oct data shows economy cooling further

BEIJING - China's economy lost further momentum in October, with factory growth dipping and investment growth hitting a near 13-year low, reinforcing views that Beijing will need to do more to fight slackening growth. Months of tepid performance in factories and the growing drag from a weakening housing market are putting Beijing's 2014 growth target of around 7.5 percent at greater risk.

Fixed-asset investment, an important driver of growth, grew 15.9 percent in the first 10 months of the year from a year ago, the National Bureau of Statistics said on Thursday. That was the weakest pace since December 2001.

October factory output rose 7.7 percent from a year earlier, which was higher August's 6.9 percent rise but below expectations and the second weakest pace since the height of the global financial crisis. Retail sales growth eased slightly to 11.5 percent, the slowest pace since early 2006.

Economists polled by Reuters had forecast retail sales and industrial output to rise 11.6 percent and 8.0 percent, respectively, while fixed asset investment for the January-October was seen up 15.9 percent. That followed data this week which showed inflation remained near a five-year low and producer prices fell for 32nd consecutive month, highlighting sluggish domestic demand. Despite a raft of stimulus measures, China's annual economic growth slowed to 7.3 percent in the third quarter, the weakest pace since the global financial crisis. Growth in real estate investment, which affects about 40 other industries in China, cooled to 12.4 percent in the first 10 months of 2014 from a year earlier, with property sales and new construction continuing to fall. In a bid to stem the slide in the property market, China cut mortgage rates and down payment levels for some home buyers in late September for the first time since the 2008/09 global financial crisis. But economists are divided over whether the measures will have a long-term effect, pointing to massive inventories of unsold homes hanging over the market.

Policymakers have rolled out a series of measures since spring to bolster growth, including the latest move in late October and early November to approve over $100 billion worth of infrastructure projects. The central bank, which pumped 769.5 billion yuan worth of three-month loans into banks in September and October, has pledged to keep its policy stance accommodative but stressed that it will not flood markets with cash. Chinese top leaders have flagged on many occasions that they would be more tolerant of slower economic growth while forging ahead with reforms to pursue a more sustainable growth model. In the latest indication of Beijing's tolerance of slightly lower growth, Chinese President Xi Jinping said on Sunday that even if China's economy were to grow 7 percent, that
would still rank it at the forefront of the world's economies.
Source: Xinhua: China Oct data shows economy cooling further, 2014-11-13

China's decision to observe IMF data standards benefits economy

BEIJING – China's decision to observe the Special Data Dissemination Standards (SDDS) of the International Money Fund (IMF) will help its economy and improve transparency, economists said. Chinese President Xi Jinping announced Saturday at the G20 Summit that China has decided to switch to the SDDS of the IMF from the General Data Dissemination System (GDDS). The GDDS applies to all IMF members while the SDDS applies to those member countries having or seeking access to international markets. To date, there have been 71 subscriptions to the SDDS.

Hung Tran, executive managing director of the Institute of International Finance, said the switch will enhance the availability of timely and comprehensive economic and financial data, thus contributing to sound macroeconomic policy and better access to international capital markets. He also believed that China's decision to release data about oil regularly would help markets process supply and demand data efficiently, avoiding surprises which can lead to market volatility. David Dollar, a senior scholar with Brookings Institution, noted that well-functioning markets depend on good information. "China's decision to meet the IMF's Special Data Dissemination Standards and to publish data on stockpiles of oil will make currency and commodity markets operate more efficiently. It is an important step for the world's second largest economy," he told Xinhua. IMF chief Christine Lagarde welcomed China's decision, saying that the practice will greatly enhance the availability of timely and comprehensive economic and financial data. "I appreciate China's commitment to improve the dissemination of statistics and note the progress that has been made in recent years," she said. "China's intention to graduate from the GDDS to the SDDS is the next significant step in this process," Lagarde said in a statement Saturday.
Source: Xinhua: China's decision to observe IMF data standards benefits economy, 2014-11-17

The Real Source of China's Economic Growth

In this paper, the authors have made the following findings after the fitting of China's economic growth rate series using an improved STR model: since 1949, great changes have taken place in China's economic growth pattern but factor input remains to be the major source of China's economic growth, as reflected by the extensive pattern of economic growth; with the exception of capital, the marginal output of all other production factors has been on the increase, which suggests that the efficiency of China's factor allocation has been continuously improved; the marginal output of capital has been on the decline, which explains that the dependency on investment for economic growth has led to excessive investment; reform and opening up and reform of marketization have substantially increased the sustainability of China's economic growth. In addition, the authors have investigated the internal momentum of China's growth transformation and developed relevant policy recommendations.

Downturn in Q4 drags down labor market

China's economic downturn has extended to the fourth quarter, which has deteriorated the domestic labor market, adding pressure on policymakers to boost growth, a report from Standard Chartered said on Tuesday. The bank's research on sample companies has shown that the impact on employment began with slower wage growth over the past six months, mainly driven by cooling manufacturing and housing investment. "This has now extended to rising layoffs and plans to freeze wages in 2015." A continually softened labor market may drag down consumption and further decelerate the overall economic growth, it said. Li Wei, a researcher at the Standard Chartered Bank (China) Ltd, said: "Given Beijing's low tolerance for a deteriorating labor market, we believe we
are reaching the point where monetary policy – the most effective way to boost short-term growth – will have to be eased aggressively.”

According to the National Bureau of Statistics, in October, the growth of industrial output slowed to 7.7 percent year-on-year, down from 8 percent in September; the fixed-asset investment increased by 15.9 percent during the first 10 months, compared with 16.1 percent from January to September. The report predicted that policymakers may cut the one-year benchmark deposit rate by 25 basis points before the year end. And there may be another cut in the first quarter next year.

Source: Chen Jia: Downturn in Q4 drags down labor market, China Daily, 2014-11-18

Non-financial firms allowed to trade in interbank bonds

China is opening its 26.31 trillion yuan ($4.3 trillion) interbank bond market to non-financial firms after tightening trading rules following a crackdown on illegal transactions. Qualifying participants will require minimum net assets of 30 million yuan and use a separate trading platform to banks, brokerages and insurers, according to an Oct 17 statement posted on Monday on the website of the National Association of Financial Market Institutional Investors. The amount of bonds outstanding in China doubled in the past five years to 28.27 trillion yuan, of which 93 percent was accounted for by the interbank market, data from ChinaBond.com.cn show. Wider investor participation may help lower companies’ borrowing costs and curb demand for shadow-banking products that regulators are seeking to clamp down on. The yield on one-year sovereign bonds declined 87 basis points this year to 3.36 percent on Friday, ChinaBond data show. Similar-maturity, top-rated corporate notes pay 4.27 percent while the PBOC benchmark rate is 3 percent. China's bond sales totaled 4.74 trillion yuan in the first nine months of this year, up from 4.52 trillion yuan a year earlier, China Central Depository & Clearing Co data show. Standard Chartered Plc estimated total debt accounted for 251 percent of the nation's gross domestic product as of June. There were 7,105 interbank bond market members as of Friday, of which 148 are non-financial institutions, according to data posted on the National Interbank Funding Center website.

Source: Bloomberg: Non-financial firms allowed to trade in interbank bonds, China Daily, 2014-11-4

China finance official says shadow banking major issue

China's rapidly growing shadow banking sector and the overcapacity of its economy are among its major problems, vice finance minister Zhu Guangyao said on Saturday. "We do have problems that have been accumulating over time," Zhu told reporters at the G20 Leaders Summit in Australia. "The main problem of shadow banking is the offshoot business of the banks, and it's mainly about the trust funds that they run." Zhu said the shadow banking industry in China was relatively small but "the biggest risk is that it is growing very rapidly." China's shadow banking sector continued to grow at breakneck speed in 2013 and now ranks as the third largest in the world, according to a report by the Financial Stability Board.

Source: Xinhua: China finance official says shadow banking major issue, 2014-11-15

China Rate Cut Surprises, Doesn’t Overwhelm; Aggressive Stimulus Remains Unlikely

The People's Bank of China announced on Friday that it , saying credit had become hard to get and too expensive. It comes after months of the central bank seemingly going to great lengths to avoid just such a move. In China's economic-policy tug of war, hawks at the central bank have resisted a rate cut, fearing it would work at cross-purposes to the broader reform agenda to wean China off credit-fueled growth. Short-term growth concerns have won out. The slow drip of smaller measures the central bank had undertaken in recent months wasn't making enough of a difference. Moves to inject short-term liquidity into banks in particular seem to have failed. Lending last month came in below expectations, and a rise in recent days of interbank lending rates points to a hoarding of cash--the opposite of what the central bank was seeking to achieve. The PBOC also kept many previous moves secret for weeks after they were put in place, undermining its own power to guide markets.
The rate cut will be welcomed as a buy signal for the, whose weakness, if left unchecked, has the potential to upend the broader economy. Loads of smaller measures, including targeted moves to ease access to mortgages and dropping of restrictions on buyers from owning multiple homes, have only produced tepid results. Cheaper credit may prevent a collapse. But swelling inventories of unsold properties mean it won't recover quickly either.

The broader effect of the cut is an open question, due to a slow shift in China's interest-rate regime. Lending rates, which used to operate more or less on diktat, were liberalized in 2012, making the benchmark lending rate less potent than it used to be. Rates on deposits that banks can pay, which are controlled by the government, remained mostly shackled. But Friday's action included a slight loosening of those constraints. While the benchmark deposit rate has been cut, banks have been given additional room to pay more than the benchmark. That leaves the absolute ceiling the rate is at effectively unchanged. The initial reaction to the surprise move was for stocks, oil and commodity-linked currencies such as the Australian dollar to rally. The cut could help these markets on the margins. But policy makers who fear a return to credit-fueled growth are still wary.


Fitch Affirms 10 Chinese Mid-Tier Banks; Downgrades VR Of Guangfa

Fitch Ratings today affirmed the Long-Term Foreign-Currency Issuer Default Ratings (IDRs) of ten Chinese mid-tier commercial banks. The Outlooks are Stable. At the same time, the Viability Rating (VR) of China Guangfa Bank Co., Ltd was downgraded to 'b' from 'b+'. Fitch affirmed the VRs of the other banks. A full list of rating actions is at the end of this rating action commentary.

The review of the mid-tier banks' ratings took into account their latest financial results and operational trends, which featured continued asset quality weakness, as expected, with both reported NPLs and overdue loans rising even after sizeable NPLs were written off and/or disposed. The continued growth in off-balance sheet activities and increases in debt receivables, of which some are used as substitutes for loans, makes it more difficult to gauge where the ultimate risks reside. Intensifying competition in deposits and the sale of wealth management products (WMP) continued to pressure funding costs, and hence net interest margins, at the mid-tier banks. To offset this, the mid-tier banks continue to place heavy emphasis on growing micro and small enterprise (MSE) loans to boost their loan yields, but provision buffers are falling as new provisions are insufficient to keep pace with NPL increases. The need to comply with higher capital buffers at a time when profitability is weakening has put pressures on capital for most mid-tier banks.

All of the IDRs are based on state support, and are at the banks' Support Rating Floors (SRFs), reflecting continued expectations that extraordinary support from the central government would be forthcoming in the event of stress. China Merchants Bank, China CITIC Bank and China Everbright Bank have Support Ratings (SRs) of '2' and SRFs of 'BBB', indicating a high probability of state support, if needed. This is based on a combination of factors such as size and domestic significance (for China Merchants Bank and China CITIC Bank), ownership by state-owned conglomerates (all three), direct central government ownership (for China Everbright Bank), and a history of past government support (for China Everbright Bank). Fitch believes the planned initial corporate restructuring exercises at the parent group companies for China CITIC Bank and China Everbright Bank would not materially affect the state's propensity to support these two banks. The remaining seven banks have SRs of '3' and SRFs of 'BB+', indicating a moderate probability of central government support if needed. Banks in this group are mostly smaller in size and have no direct central government ownership. Three of the banks have local governments as their largest shareholders. However, in a stress scenario, Fitch believes that the ability of local governments to support banks on a timely basis would be limited, and hence support would effectively need to flow from the central government.

Fitch's analysis of Chinese banks' asset quality places a much heavier emphasis on loss-absorption capacity (which includes factors such as capitalisation, loan loss reserve coverage, and profitability) than loan classification
data. Most mid-tier banks have experienced deterioration in their loss absorption capacity since 2012, and Fitch estimates the mid-tier banks can only withstand a rise in impaired credit to 1.5%-6.6% (average 3.8%) currently, compared to 6%-8% for the state banks, after which varying degrees of support would be required. However, recognition of asset impairment is likely to be a protracted process. In the meantime, delinquencies will continue to manifest in eroding liquidity and cash buffers, as inflows from distressed borrowers remain weak and more resources are directed at forbearance and support. Today’s rating actions reflect the relative deterioration in intrinsic strength of China Guangfa Bank compared to peers at the same rating level. The chief drivers behind the VR downgrade for China Guangfa Bank were: capital that is the lowest among Fitch-rated Chinese peers and that is eroding, which in turn led to a low loss-absorption capacity; rapid expansion of investments in trusts and asset management products that exposes the bank to greater non-loan credit risks; and weak profitability and pressure on loan provisioning to meet with regulatory standards that further limits internal capital generation.

The full list of rating actions on China’s 10 mid-tier banks is as follows:

China Merchants Bank
- Long-Term Foreign-Currency IDR affirmed at 'BBB'; Stable Outlook
- Support Rating affirmed at '2'
- Support Rating Floor affirmed at 'BBB'
- Viability Rating affirmed at 'bb-

China CITIC Bank
- Long-Term Foreign-Currency IDR affirmed at 'BBB'; Stable Outlook
- Support Rating affirmed at '2'
- Support Rating Floor affirmed at 'BBB'
- Viability Rating affirmed at 'b+'

China Everbright Bank
- Long-Term Foreign-Currency IDR affirmed at 'BBB'; Stable Outlook
- Support Rating affirmed at '2'
- Support Rating Floor affirmed at 'BBB'
- Viability Rating affirmed at 'b+'

Shanghai Pudong Development Bank
- Long-Term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
- Support Rating affirmed at '3'
- Support Rating Floor affirmed at 'BB+'
- Viability Rating affirmed at 'b+ '

China MinSheng Banking Corporation
- Long-Term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
- Support Rating affirmed at '3'
- Support Rating Floor affirmed at 'BB+'
- Viability Rating affirmed at 'b+'

Industrial Bank
- Long-Term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
- Support Rating affirmed at '3'
- Support Rating Floor affirmed at 'BB+'
- Viability Rating affirmed at 'b'

Ping An Bank
- Long-Term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
- Support Rating affirmed at '3'
-Support Rating Floor affirmed at 'BB+'
-Viability Rating affirmed at 'b'
Hua Xia Bank
-Long-Term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
-Support Rating affirmed at '3'
-Support Rating Floor affirmed at 'BB+'
-Viability Rating affirmed at 'b'
China Guangfa Bank
-Long-term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
-Support Rating affirmed at '3'
-Support Rating Floor affirmed at 'BB+'
-Viability Rating downgraded to 'b' from 'b+'
Bank of Beijing
-Long-term Foreign-Currency IDR affirmed at 'BB+'; Stable Outlook
-Support Rating affirmed at '3'
-Support Rating Floor affirmed at 'BB+'
-Viability Rating affirmed at 'bb-
(Fitch Ratings)

Interest rate cuts tackle financing costs

BEIJING -- The People's Bank of China (PBOC), China's central bank, announced on Friday the first interest rate cuts in more than two years. "The purpose of cutting the deposit and lending rate is to bring actual interest rates back to a proper level and lower the financing costs facing many enterprises," said a PBOC statement after the rate cut was announced. China's economy is still under pressure, problematic for businesses, especially smaller ones. "Tackling high financing burdens is especially important in stabilizing growth, creating jobs, and benefiting consumers," the statement said. The adjustment should provide a neutral and reasonable monetary environment for sustainable economic development. "China has done a lot to address corporate financing difficulties this year, such as cutting the reserve requirement ratio for certain banks, but cutting interest rates is the most direct way to bring down costs," said Wang Jun of the China Center for International Economic Exchanges. UBS chief China economist Wang Tao said in a research note that the cut is an important step toward lowering of real borrowing costs.

The central bank insists that the cuts are not a shift away from "prudent monetary policy", and the adjustment was a "neutral operation"; mere fine-tuning of monetary policy in line with changes in the real economy, which is still growing at a healthy rate. With industrial upgrades underway, the PBOC reckons growth is now more reliant on innovation than investment and "there is no need for strong stimulus." The cuts, which took effect on Saturday, mean that the one-year deposit rate stands at 2.75 percent, while the one-year lending rate is at 5.6 percent.

Source: Xinhua: Interest rate cuts tackle financing costs, 2014-11-22

In surprise move to lift economy, China cuts interest rates: After avoiding measures for months, step signals fears over sagging growth

The Chinese central bank on Friday announced a surprise cut to interest rates, the country's first in more than two years, in the clearest sign yet that policy makers are growing increasingly concerned over the pace of China's economic slowdown.

"Over all, the country retains a mid to high rate of macroeconomic growth, price inflation has slowed, the
economic structure is continuously being optimized and upgraded and growth is shifting from being investment-driven to being driven by innovation,” the central bank said in a statement. "Thus, there is no need to undertake strong stimulus measures, and the prudent monetary policy direction will not change."

"Today's rate cut clearly signals that China's central bank has changed its monetary policy stance to a more 'accommodative' one,” Li-Gang Liu, the chief economist for greater China at the Australia and New Zealand Banking Corporation, wrote in a research note. "The conditions for further policy easing are ripe," he wrote. "Today's rate cut suggests that the overall policy orientation has shifted to be more supportive."


**Interest rates cut to bolster growth**

China has cut benchmark interest rates for the first time since July 2012 in an effort to prop up growth as the economy continues to slow. Effective from Saturday, the one-year benchmark lending rate will be lowered by 40 basis points to 5.6 percent and the one-year benchmark deposit rate by 25 basis points to 2.75 percent, the People's Bank of China said on Friday. The adjustment comes after figures showed that manufacturing activity in the country is nearing a contraction.

Some economists and market insiders have been looking for interest rate cuts for some time. But others were surprised by the change because the People's Bank of China, the central bank, is reluctant to use rates to boost the economy for fear of fueling a credit bubble. Andrea Tueni, a trader at Saxo Bank in Paris, said: "This shows that they are increasingly concerned about the economic outlook. It's also a strong signal, because it shows that they are determined to reverse the recent slowdown in growth."

The cut in benchmark rates follows liquidity injections and targeted reductions to reserve requirements. But it does not mean a change of direction for China's monetary policy, as the economy is still operating within a reasonable range, the central bank said in a statement on its website. Lu Zhengwei, chief economist at Industrial Bank, said, "The cut will help to lower financing costs systematically at the start of next year, especially those for small businesses, the farming sector and real estate sector." The central bank also freed up deposit rates, allowing banks to pay depositors 1.2 times the benchmark level, up from 1.1 times. Lu said the increase will lay the foundations for a full liberalization of interest rates and also avoid difficulties in attracting deposits. The central bank said it will pick the right time to issue large certificates of deposit to companies and individuals, continue to push forward the marketization of deposit rates, and improve its ability to regulate interest rates as well as the macroeconomy.

Source: JIANG XUEQING: Interest rates cut to bolster growth, China Daily, 2014-11-22

**Asymmetric rate cuts likely to put further pressure on banks**

BEIJING - China’s asymmetric interest rate cuts are set to add difficulties to its commercial banks, which are already facing less profit, increased bad loans and pressures on asset quality, analysts warned. Starting on Nov 22, Chinese commercial banks adjusted their deposit and lending rates, the People's Bank of China (PBOC) announced on Friday. The central bank lowered the one-year benchmark lending rate by 40 basis points to 5.6 percent and the one-year deposit rate by 25 basis points to 2.75 percent. Meanwhile, the deposit rate ceiling will be raised to 120 percent of benchmark from the previous 110 percent announced in June 2012, the PBOC said. The smaller cut to the deposit rate will be offset by the upward adjustment to the deposit rate ceiling, Ku said. That means actual deposit rates offered by commercial banks could remain unchanged, at 3.3 percent. "This will likely further squeeze banks' margins. We believe that the PBOC wants banks to give more support to the corporate sector of the real economy, even at the cost of lower margins," Ku said. Owing to weakening economic activity, most Chinese commercial banks earned less profit this year. In the first three quarters of 2014, total profit of China's 16 listed banks rose 9.7 percent year on year, compared to the often double-digit growth in previous years, data from the
banks' quarterly-business reports showed. In the third quarter, profit growth of these banks decelerated to 7.8 percent, from the 10.7-percent increase in the first half of this year.

However, Zhao Qingming, chief analyst of the Beijing-based CFFEX Institute for Financial Derivatives, said profits of Chinese commercial banks are still much higher than average profits in the real economy. The asymmetric cut could narrow banks' profit margins, which could be interpreted as an attempt to shift part of the banks' profits to enterprises, Zhao said. "In the perspective of China's long-term economic development, banks must portion part of their profits to the real economy and find new ways of generating profits," Zhao said.

As of the end of September this year, the 16 listed Chinese banks reported non-performing loans (NPL) totaling 604.65 billion yuan, up 31.7 percent from a year ago, data from quarterly-business reports showed. The NPL ratio of the Chinese commercial banks climbed to 1.16 percent by the end of September, up 0.09 percentage points from the end of June, data from the Chinese banking watchdog CBRC showed. UBS chief China economist Wang Tao, however, saw it differently. Although the asymmetric nature of the rate cut will hurt banks' net interest margin, to the extent that the cut will help strengthen borrowers' balance sheets and slow the pace of NPL formation, it should also benefit the banks, she argued. "The main effects of the rate cuts will be to reduce the debt servicing burden and improve corporate cash flow and balance sheets. This should help slow the pace of non-performing loan formation and reduce overall financial risk," Wang added.

Source: Xinhua: Asymmetric rate cuts likely to put further pressure on banks, 2014-11-24

ASIA: Bank does not herald Western rejection

EVENT: With its new presidential administration now in place, Indonesia followed the 21 existing signatories (including the nine other ASEAN states) on November 25, signing the foundational memorandum-of-understanding of the Chinese-led Asian Infrastructure Investment Bank (AIIB).

SIGNIFICANCE: Although the new development bank is multi-regional, including South Asia, Central Asia and parts of the Middle East among its membership, a major focus will be on South-east Asia. ASEAN governments hope that the AIIB will address serious infrastructure deficits in South-east Asia and buttress ASEAN connectivity, which successive ASEAN meetings have pledged to enhance. Despite Washington's opposition to the AIIB, South-east Asian governments are generally positive about the bank. Finalised Articles of Agreement that will make the AIIB operational are expected by the end of 2015.

CONCLUSION: The AIIB signifies an emerging Asian political-economic order, rejecting the notion that development and global influence rest on Western-centred political-economic thinking. Hence, Washington's diplomatic initiatives against the AIIB will lose some traction. However, South-east Asian governments will not shun Washington and Europe: for now they still need their military, economic, and business-investment involvement alongside Japan's. Therefore, South-east Asian governments will attempt to balance the AIIB and its benefits with those offered by Washington, Europe and Japan.

Source: ASIA: Bank does not herald Western rejection, OxResearch Daily Brief Service. (Nov 28, 2014)

China Releases Plan for Bank Deposit Insurance; Long-Awaited Move Would Insure Accounts Up to $81,000; a Step Toward Freeing Up Interest Rates

BEIJING--China took a major step toward reinvigorating its lumbering banking sector by formally proposing a deposit-insurance system, a long-awaited move that is aimed at better disciplining its lenders and their customers. The State Council, the Chinese government's top decision-making body, on Sunday released a draft of a plan to insure up to 500,000 yuan ($81,000) in deposits made by businesses and individuals per bank. Banks and the general public have until Dec. 30 to comment on the proposal. While the State Council statement doesn't specify when the program will be officially launched, Chinese officials involved in the deliberations say it could be put in place as early as January.

Unlike other major economies, China doesn't have deposit insurance. For years, banks and the investing public
in the world's second-largest economy have been operating on the assumption that the government would bail them out in times of crisis. Deposit insurance suggests that Beijing will allow banks to fail because the depositing public would be protected from such a shutdown. The move comes at a time of in China after troubled industries ranging from real estate to solar panels to steel. Deposit insurance will help reduce the perception that there is "no risk" in banking in China, said Lian Ping, chief economist at Bank of Communications Corp., the fifth-largest state-owned Chinese bank by assets. It also paves the way for "eventually realizing interest-rate liberalization," Mr. Lian said.

As China's economy has slowed, soured loans in the country's banking system surged 10% in the third quarter to 766.9 billion yuan. While banks say that amount remains a tiny part of their loan portfolios, the rise is the biggest percentage increase since 2005. In disclosing plans for a deposit-insurance system, policy makers appeared to nod to rising concerns about financial risks. Deposit insurance will help maintain "public confidence" in China's banking system, said the People's Bank of China in a statement accompanying the draft plan. The central bank, which is spearheading the effort, also said the insurance program will ensure that "risks will be discovered early and risks will arise less frequently."

China currently has more than 112 trillion yuan in bank deposits, among the world's largest totals. Under the proposal, more than 99% of depositors would be covered by the program. The plan doesn't specify how banks would be charged to fund the insurance program, though central-bank officials say all banks would be required to pay a fee to a fund run by the bank according to the size of their deposit bases and risk profiles. Without such insurance, depositors could take big hits if banks sharply raise rates to attract savers but then run into trouble making the big payouts. Deposit insurance frees up banks to compete for depositors' money without risking the savings of their customers, potentially challenging China's biggest banks for deposits and introducing more market-based principles into the system. One reason why the insurance plan has taken so long to come out is the concern among policy makers over a potential flight of deposits to big state-owned banks. For many ordinary Chinese savers, deposit insurance introduces the concept of risk into a banking system that has long been seen as implicitly backed 100% by Beijing. That could lead them to to China's big four state-run lenders, which are widely considered too big to fail and could give depositors extra peace of mind, according to bankers and analysts. If such a shift occurs, it could mean fewer loans for small and private businesses--the very group seen by Beijing as key to the country's future economic growth--because the largest banks focus their lending on big state-owned companies. To that end, the central bank is taking pains to ensure there is no panic among those who have parked their funds with small banks. In its statement, the PBOC said the insurance plan will benefit small and medium-size banks more because it can enhance their "creditworthiness and competitiveness." Still, the program could lead to higher costs of funding for banks as they more fiercely compete for depositors, potentially hurting their profits and passing the added costs onto borrowers.


Income tax exempt from stock connect profit

BEIJING -- Chinese investors will enjoy income tax exemption measures for the upcoming Shanghai-Hong Kong stock connect pilot program, according to an official statement on Friday. The Finance Ministry along with the securities watchdog said that mainland individual investors' profits from investing in Hong Kong-listed stocks will be exemption from personal income tax from Nov 17, 2014 to Nov 16, 2017. Hong Kong investors, both individuals and enterprises, will enjoy income and business taxes exemption for earnings from investment in Shanghai-listed stocks in the same period, according to the announcement. The mainland and Hong Kong securities watchdogs announced in a joint statement that the Shanghai-Hong Kong stock connect will start trading on Nov 17. The pilot program will enable investors to trade eligible shares listed on the other's market through local securities
China's capital market reform to support economic growth

China's efficiency in allocating capital and resources is critical to achieve sustainable economic growth in the next few years, a Moody's report said Friday. "The capital market development will play an important role in allocating resources within the real economy and supporting economic re-balancing," said Jenny Shi, Moody's Country Manager for China, in her latest report concerning China's capital market reform. Shi identified securitization, reform in local government debt, internationalization of the renminbi market and the formation of global connections as four key areas necessary for the development of China's capital market in her report.

China's securitization market -- which is still at a developmental stage -- is playing a key role in deepening the country's credit market, but the diversity of the investor base needs to be broadened to truly shift risks away from the domestic banks, according to the report. With reform of local government debt, the new guidelines announced by China's State Council in October, together with earlier reform measures, are another milestone in the development of a Chinese local government bond market and in China's broader policy goal of economic re-balancing, Shi said. The report said that the internationalization of the yuan bond market has progressed significantly and new issuance continues to grow despite the softening in Chinese yuan, which is a strong indicator of the offshore yuan market's successful transition from pure currency play into an international fixed-income asset class. According to the report, opening up China's capital markets to foreign investors will directly increase the capital pool available to the efforts on economic re-balancing.

The China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission announced on Monday that they had approved the launch of the pilot project to provide mutual-trading access between the Shanghai and Hong Kong bourses. The launch of the Shanghai-HK stock link is an important step toward completion of a long list of reform targets set in November 2013, when China promised to boost the opening-up of the capital market and speed up convertibility of renminbi on the capital account.

Source: Xinhua: China's capital market reform to support economic growth, 2014-11-14

China's Bull Market Lifts Brokerages; Trading Volumes Surge as Brokerage Accounts Open at Fastest Pace in Two Years

Even as economists fret about China's, the country's stock market is booming, with 2014 set to be the best in years, and brokerages are emerging as among the biggest winners. The benchmark Shanghai index is up 24% this year, trading at its highest in three years Thursday and on track for its biggest rally since the global financial crisis in 2008-09. Trading volumes are surging while brokerage accounts are opening at the fastest pace in two years, sending an index of those securities companies up 65% this year. It is a turnaround for brokerages that have been suffering from years of limp performance on the Chinese stock market after investors ditched shares following a plunge in 2007.

But as investors seem to be getting used to the Chinese economy growing at a lower gear, and hopes grow for reform in the country's shambling state-owned entities, the bulls have returned. Plus, China's once-hot property market is cooling, leaving stocks a more attractive bet. Brokerages too are changing fast, and moving away from the traditional line of business of buying and selling. Making bets with their own money, or so-called proprietary trading, accounts for 19% of the sector's revenue in 2013, compared with 4% in 2011, according to BNP Paribas research. The French bank also says margin trading, which allows investors to borrow to buy stocks, has quadrupled to 12% of revenues over the same period, and sees it growing to 24% by 2020. Both these activities bring risks, with proprietary trading sharply curtailed in the West as it increases a company's exposure to asset prices, while margin trading may bring extra volatility to the stock market. Another danger is brokerages are looking expensive. The Shanghai Composite, which is still cheap compared with its global peers, currently trades at
just under 11 times trailing 12-month earnings, a commonly used measure of a company's valuation. The brokerage index trades at more than 37 times.

Investors though are also looking long-term and betting brokerages could benefit from major reforms in the financial sector, such as a recent that could over time could boost revenues. For banks, however, the future looks less attractive, as their margins will come under pressure from interest-rate liberalization. Plus, the value of the assets that so-called nonbank financial institutions--brokerages, insurers, and asset-management companies--is low at just 42% of nominal gross domestic product, according to Credit Suisse, meaning there is room for them to manage more. By contrast, the value of U.S. nonbank financial institution assets is 281% of GDP. "Over time, the assets of the securities companies will grow, while bank assets will very likely be stable or decline," said Sam Le Cornu, senior portfolio manager at Macquarie Investment Management in Hong Kong, who manages assets worth around $2.5 billion.


**Premier targets quicker reform to aid economy**

The economy will not be given a massive government stimulus in the face of slowing growth, Premier Li Keqiang signaled at a symposium in Beijing on Monday, instead pinning his hopes on a quicker pace of reform. During the meeting with leading economists and business leaders, Li said more efforts should be made to "boost the quality and efficiency of the economy and the improvement of people's livelihoods". To deal with the challenges, Li suggested that the Chinese economy should "maintain medium- or high-speed growth" and be upgraded to achieve lasting development. More support should be given to new technologies and sectors to make them new "engines" of China's economy, while traditional industries like agriculture, manufacturing and services should strengthen their competitiveness, Li said.

China is facing huge pressure from slowing growth and insufficient demand, prompting speculation that it will roll out a stimulus program to drive growth. Officials, including Li, said they will be satisfied even if expansion is slightly lower, so long as employment remains resilient, which is crucial for the stability of a country with more than 600 million workers. "What we care about most is the livelihood that goes behind the development. Lasting improvement of people's livelihoods and the strengthening of social construction signal potentials for expanding demand and supporting development," Li said.

Since April, China has used a series of limited measures to underpin growth, including targeted cuts in reserve requirements — the amount of funds banks must put aside as a reserve — and a 500 billion yuan ($81 billion) injection into the country's five biggest banks for re-lending. The government also announced a series of measures last week to upgrade domestic consumption and stabilize the housing market. A slowdown in China's property sector is weighing on overall growth, with analysts worrying that falling housing prices could put pressure on economic expansion. New home prices in China declined for a sixth straight month in October, according to a private survey, though the pace of the fall slowed markedly. The average price of a new home in 100 major cities was down by 0.4 percent from September, the China Index Academy said Friday, smaller than the 0.92 percent fall recorded in September.

Source: Premier targets quicker reform to aid economy, China Daily, 2014-11-04

**Reform of world financial order needs strategic thinking**

BEIJING - A new global financial order is essential in the rapidly changing global economy, and strategic dialogues and cooperation are needed to reform the current system, international financial experts said at a forum in Beijing. "The world today is facing a revolution. It is imperative to construct a new global financial framework and to formulate new rules for global financial market," said Cheng Siwei, chairman of the International Financial Forum (IFF), a Beijing-based think tank, which concluded its three-day 2014 annual meeting on Sunday. "The new
global framework, new global rules, global balance and global governance require us to engage in renewed strategic dialogue and thinking," Cheng added.

"The global economy and global finance is at the turning point in a way," Jean-Claude Trichet, former president of the European Central Bank, also a co-chairman of the IFF, told the forum via a video link. "The world has gone through the global financial crisis ... new rules have been discussed not only inside the advanced economies, but with all emerging economies, including the most important emerging economies, namely, China."

Trichet said. Many experts agreed with Trichet and said that China, the world's second-largest economy, is playing a more crucial role in reshaping the world financial order, which was criticized by emerging economies and developing countries as unable to reflect the rapidly changing world economic reality. "The global financial world is changing profoundly," said Yukio Hatoyama, former prime minister of Japan and Chairman of IFF Advisory Committee. "China's role became more important." The IFF is an independent, non-profit and non-governmental international organization and a regular platform for global high-level dialogue and academic research in the financial field.

Source: Xinhua: Reform of world financial order needs strategic thinking, 2014-11-05

**China to speed up pricing reforms, ease business burdens**

China's State Council on Saturday pledged to speed up pricing reforms to allow the market to play a bigger role in the process and ease business burdens to invigorate the economy. While giving full consideration to the possible impact on the market and society, China will "gradually and orderly" reform the pricing mechanisms in the energy, transportation and environment sectors, said a statement released after an executive meeting of the State Council presided over by Premier Li Keqiang. The move is intended to promote market competition, break monopolies and activate social investment to facilitate economic restructuring and improve people's livelihoods, the statement said.

Meanwhile, the government will continue efforts to relieve burdens on small- and micro-sized businesses, as well as start-ups, to encourage innovation. Starting Jan 1, 2015, the government will cancel or halt 12 charges, including business registration fees, and scrap another 42 administrative fees. From 2015 to 2017, small- and micro-sized businesses with monthly sales of less than 30,000 yuan ($4,886) will be exempt from five government funds charges in the three years since their registration, according to the meeting. The range of policies is expected to relieve taxpayers of over 40 billion yuan per year. Saturday's meeting also decided to actively support the integrated development of cloud computing, the Internet of Things and mobile Internet.

The growth-stimulating policies came as China's GDP expanded at 7.3 percent in the third quarter of this year, down from 7.4 for the first half but still within the "reasonable range" set by policymakers. But the continuing weaker-than-expected economic indicators released recently highlighted downward pressures on the economy.

Source: Xinhua: China to speed up pricing reforms, ease business burdens, 2014-11-15

**Future growth must rely on capital exports, innovation**

China will need to rely on capital exports and investment in innovation to drive growth as foreign trade and the domestic property boom, the main engines of the economy, are losing momentum, a leading economist said on Friday. The country is entering a phase where it will use capital exports to drive the overseas growth of its infrastructure-related products and services such as railways, utilities and machinery, said Fan Jianping, chief economist at the State Information Center. The center is affiliated with the National Development and Reform Commission, the top economic planner.

China's desire to seek growth through capital exports is reflected in its new Silk Road plan, which involves $40 billion worth of funding for infrastructure projects in countries along both the land-based and maritime trading routes that connect Asia and Europe. Such an initiative will in the long run improve China's foreign trade, which has been experiencing slower growth. Foreign trade will "almost certainly" miss the government's growth target of
7.5 percent this year, Fan said.

Outbound investment is likely to reach $1.25 trillion during the next decade, and the country will likely become a net exporter of capital this year for the first time. But Fan said the economy will remain under pressure from slower growth. He estimated that GDP growth in the last quarter would be about 7.3 percent, which means that China would miss its full-year target of 7.5 percent.

Fan said a total collapse of the property market is "very unlikely" but cities that have experienced net population outflows will see a sharp correction in housing prices in the coming years. Fan suggested that policymakers need to find new engines of growth, noting that investment in innovation could prove to be an effective strategy to help unleash China's potential.

Source: Li Xiang: Future growth must rely on capital exports, innovation, China Daily, 2014-11-15

Chinese Premier stresses human-centered urbanization

BEIJING - Chinese Premier Li Keqiang said China’s urbanization should be human-centered and improve the quality of people’s lives. Visiting an exhibition of residential building technology on Thursday, Li urged building green cities that are inclusive and organic "life entities" for dwellers to live and work in peace and contentment. Li stressed that Chinese traditional elements should be protected and urban infrastructure should be enhanced during the city-building process to integrate historical and cultural heritage into modern life. He urged stepping up innovation to solve environmental problems in cities, such as those involving energy, water and smog.

China unveiled an urbanization plan for the 2014-2020 period in March, aimed at steering the country's urbanization onto a human-centered and environmentally friendly path. The exhibition was held in the National Museum of China

Source: Xinhua: Chinese Premier stresses human-centered urbanization, 2014-11-29

Govt to strengthen IPR infringement fight in new areas

China will continue to the fight against intellectual property infringements and counterfeiting, focusing now on the rural-urban fringe and e-commerce platforms, a senior official said in Beijing on Friday. "It has been a major trend in recent years that incidents of IPR infringement and counterfeiting are shifting to the rural-urban fringe areas and to e-commerce platforms. So we will maintain our focus in those areas," said Chai Haitao, deputy director of the Office of the National Leading Group for Combating IPR Infringement and Counterfeiting, said in a news conference on Friday. IPR protection in the field of cross border e-commerce will be a major focus for the authorities, he said. Authorities nationwide investigated more than 112,700 cases of IPR infringements and counterfeiting in the first nine months of this year, Chai said. The police also nabbed more than 20,000 suspects related to the cases during that period, among them 15,700 have been indicted. The authority is also set to launch another special campaign against the counterfeiting of products from December to June 2015. Chai says the focus is to crack down on the counterfeiting of products in the rural and rural-urban fringe areas.

Yu Cike, director of the copyright department under the National Copyright Administration, said at the conference that the authority will continue its efforts to prevent the use of counterfeit software at government departments and institutions. According to Yu, one of the problems with government departments switching to legitimate copies of software is that some government departments purchased legitimate copies of software, often at higher than market prices, but still ended up using other brands of software.

Source: XU WEI: Govt to strengthen IPR infringement fight in new areas, China Daily, 2014-11-21

Health Insurance Coverage and Its Impact on Medical Cost: Observations from the Floating Population in China: e111555

Background: China has the world's largest floating (migrant) population, which has characteristics largely different from the rest of the population. Our goal is to study health insurance coverage and its impact on medical
cost for this population.

Methods: A telephone survey was conducted in 2012. 644 subjects were surveyed. Univariate and multivariate analysis were conducted on insurance coverage and medical cost.

Results: 82.2% of the surveyed subjects were covered by basic insurance at hometowns with hukou or at residences. Subjects' characteristics including age, education, occupation, and presence of chronic diseases were associated with insurance coverage. After controlling for confounders, insurance coverage was not significantly associated with gross or out-of-pocket medical cost.

Conclusion: For the floating population, health insurance coverage needs to be improved. Policy interventions are needed so that health insurance can have a more effective protective effect on cost.


Shanghai steps up in financial ranking

Shanghai ranks as the fifth most competitive financial center worldwide, up from sixth last year, thanks to steady growth, outstanding potential and an improved environment, a report said on Thursday. The Xinhua-Dow Jones International Financial Centers Development Index Report was based on a survey of 6,607 financial services professionals, regulators and decision-makers around the world. Participants were asked to rate more than 45 global financial hubs. The top 10 cities in the 2014 results are New York, London, Tokyo, Singapore, Hong Kong and Shanghai (the two cities tied for fifth place), Paris, Frankfurt, Beijing and Chicago.

Shanghai ranked sixth last year. But this year, analysts and market insiders said that because of the city's steady growth and benefits from the opening-up and integration into the world's financial markets after a year of operation of the China (Shanghai) Pilot Free Trade Zone, it has more potential than ever as a financial hub and an Asian financial center. "Shanghai has been included in the top 10 in the sub-index of national environments for its financial development, which has benefitted from the FTZ's trial financial policies, including the launch of free trade accounts and cash pooling," said Zhou Wenlong, vice-president of the Index Institute of the National Financial Information Center.

Xiao Lin, director of the Shanghai Development Research Center, said that expanding renminbi business has supported the city's position as an important player for the pricing and clearing of yuan-denominated products. Cross-border settlement in renminbi within the FTZ totaled 156.3 billion yuan between January and August, up 250 percent year-on-year based on the same bonded area before the FTZ was launched. "Shanghai aspires to become an international financial center that matches China's economic power and renminbi's international position by 2020," said Xiao. Wang Lei, a researcher at the Center for BRICS Studies at Fudan University, said that the BRICS countries (Brazil, Russia, India, China and South Africa) may strengthen cooperation in the financial sector and give emerging markets more say in the world's financial development. The southern economic powerhouse of Shenzhen ranked 15th on the list. The IFCD Index was launched by CFC Holding Co Ltd, a subsidiary of the official Xinhua News Agency and CME Group Index Services LLC (S&P Dow Jones Indexes).

Source: Wu Yiyao in Shanghai: Shanghai steps up in financial ranking, China Daily, 2014-11-07

China wants its voice heard in cyberspace

China is considering setting up its own rules in cyberspace in order to have its voice better heard in the fast growing Internet sphere. Premier Li Keqiang said China wants to promote an interconnected world that is shared and governed by all and to construct a common code of rules to make competition more fair. He made the remarks in Hangzhou, Zhejiang province, on Thursday at an Internet-themed meeting with global corporate leaders who are participating in the three-day World Internet Conference in nearby Wuzhen township. "Dynamics and order are the two faces of the Internet. Without dynamics, the Internet will lose its vitality, while without order, the Internet is not
secure," Li said. "As the cyberworld is bound to be shared by everyone, it should also be governed by all of us. I refer to both laws and self-discipline," Li said.

The three-day conference, held in Wuzhen, an ancient town in Zhejiang province, provides a platform for communication for more than 1,000 Internet titans from more than 100 countries and regions, according to the Cyberspace Administration of China, the nation’s top Internet watchdog. Experts said China is using the platform to sell its own strategy and rules to the world, a mission that the world’s largest cyberpower with the most Internet users has deemed significant and urgent. China’s netizen population reached 632 million by the end of June, while mobile Internet users totaled 527 million.

Shen Yi, an associate professor specializing in cybersecurity at Fudan University, said China is an indispensable power in global connectivity. The US has its own strategy on cyberdevelopment and cybersecurity, which China does not. But after Edward Snowden’s disclosures on US Internet spying, China has realized the importance of such a strategy and it is exactly the time to work on it, Shen said. “China has the capability now to set up international rules for cyberspace and use our strategy and our rules to influence the world.” "It will not be easy to reach consensus, and there will always be differences among countries. But as long as the floor for discussion is still open, it will not be a big issue.”

Source: ZHAOYINAN in Hangzhou and CAOYIN in Wuzhen, Zhejiang: Skies opening to civil aviation, China Daily, 2014-11-21

**Skies opening to civil aviation**

China will deepen its reform of low-altitude airspace management to boost the general aviation industry, as the reform of airspace management has entered a crucial stage. The reform should aim at promoting the development of the general aviation sector, meet the public's needs for air service, and focus on building a safe, efficient and convenient low-altitude airspace management mechanism, Vice-Premier Ma Kai told an aviation meeting in Beijing on Saturday. General aviation refers to all civil aviation operations other than scheduled air services, and ranges from helicopters to private jets. The vice-premier told government and military authorities to improve the legal framework governing low-altitude airspace and streamline approval procedures.

According to a statement published after the meeting, an aviation law - which has been called for by many industry insiders for a long time - has been included in the legislative agenda. Progress is being made in the revision of regulations on flight control and management of airspace use. "The government has realized that the general aviation industry is becoming a new engine to our economy and that the rapid development of this sector largely depends on the opening of airspace," said Luan Dalong, an aviation expert in Beijing who is close to policymakers.

Source: Zhao Lei: Skies opening to civil aviation, China Daily, 2014-11-24

**Plan sets caps on energy use**

China has announced plans to cap its annual energy use equivalent to 4.8 billion metric tons of standard coal by 2020, in an effort to cut carbon emissions.

The headline figure was revealed within the State Council’s energy development strategy plan (2014-20), which also detailed moves to cut coal's share of the country's overall energy mix to 62 percent from the current 67 percent, and raise non-fossil fuel consumption to more than 15 percent. Last week President Xi Jinping and US President Barack
Obama announced both countries will curb their greenhouse gas emissions over the next two decades. Under the agreement the US would cut its 2005 level of carbon emissions by 26 to 28 percent before 2025. China would peak its carbon emissions by 2030 and also aims to get 20 percent of its energy from zero-carbon emission sources by the same year. "The plans mean that China has to keep primary energy consumption growth at lower than 3.5 percent annually over the next seven years," said Li Yizhong, president of the China Federation of Industrial Economics. China has been working hard at improving its energy mix to be less dependent on coal, which Li said was a difficult but inevitable path to take to solve emission and pollution problems.

The country currently accounts for 21.5 percent of the world's energy demand, but Maria van der Hoeven, executive director of the Paris-based International Energy Agency, told the 2nd China Future Energy Forum last week in Beijing that as the economy continues to grow, that share is targeted to rise to 30 percent by 2020. She said over the past decade, China has relied heavily on coal to keep up with its growing energy demand, but it now expects to reduce that to half of its total energy mix by 2040. Last year China consumed 4 billion tons of coal, 3.68 billion tons of which was locally produced and 320 million tons imported. To solve the country's ongoing smog problems, China plans to cut 100 million tons of coal consumption in Beijing, Tianjin, Hebei and Shandong, the Pearl River Delta and the Yangtze River Delta by 2020. To accelerate the development of clean energy, it will also raise natural gas use within its energy mix to more than 10 percent by 2020, which would see annual conventional natural gas output of 185 billion cubic meters. By then, coalbed methane output will be 30 billion cu m, the plan said, and shale gas production slightly above that. China will also expand its bio-energy industry and establish a complete energy security system, aimed at achieving 85 percent energy self-sufficiency.

Source: Du Juan: Plan sets caps on energy use, China Daily, 2014-11-20

China retail sales up 12% in first ten months

BEIJING - China's consumer spending continued to cool as growth in retail sales retreated for a fifth straight month in October, official data showed on Thursday. The country's retail sales in the previous month grew 11.5 percent from a year ago, down 0.1 percentage point from September and continuing a slowing trend that started in June, the National Bureau of Statistics (NBS) said. In the first ten months of the year, China's retail sales totaled 21.31 trillion yuan ($3.47 trillion), up 12 percent from a year ago. The figures, although satisfactory given the current economic climate, were dwarfed by those from the last quarter of 2013, when year-on-year growth stayed above 13 percent. However, the country's online retail sales grew strongly as Chinese consumers were more eager to spend online. Internet retail sales totalled 330.7 billion yuan in the Jan-Oct period, up a stunning 55.6 percent from a year ago. Online retail sales data from the NBS were based on survey results of retail and catering enterprises with large revenues. Online sales growth will likely continue its rising trend in November, as Alibaba, China's largest e-commerce business, saw a new online sales record during the Singles' Day shopping spree on Tuesday.

Source: Xinhua: China retail sales up 12% in first ten months, 2014-11-13

China facilitates domestic commerce, logistics development

BEIJING - The State Council, China's cabinet, on Sunday released guidelines to promote the development of domestic commerce and logistics sectors in an effort to speed up job creation and consumption. Loans from commercial banks and other policy support will be given to relevant enterprises to build some of them into globally competitive retailers, wholesaler and logistics companies, noted the guidelines. Efforts will be made by the
authorities to improve business environment for these companies including reducing administrative approval procedures and tax burdens for them, it said.

From January to September, consumption contributed to 48.5 percent of China's economic growth, outdoing investment, which accounted for 41.5 percent. However, some bottlenecks need to be unblocked to boost consumption in the world's second largest economy. It is very urgent to establish a highly efficient logistics and distribution system to meet the needs of the e-commerce and information era, Chinese Vice-Minister of Commerce Fang Aiqing said at a recent industry meeting. The authorities will publish a blacklist of companies that fail to keep their promises in a bid to establish a credit evaluation mechanism, noted the document. The State Council urges local governments at various levels to implement these measures in an earnest manner.

Source: Xinhua: China facilitates domestic commerce, logistics development, 2014-11-17

Li vows big boost for small business

Premier Li Keqiang pledged to use differentiated policies, especially loan-to-deposit ratios, to help private banks alleviate the financing woes of small companies. Li said policy variations are necessary and fair, since small banks have fewer resources than big lenders, and most of their clients are small and startup businesses that are the fundamental providers of diversified products and jobs. He made the remarks during a visit to Zhejiang Tailong Commercial Bank in Hangzhou, Zhejiang province, on Friday. The bank, established in June 1993 and headquartered in Taizhou, Zhejiang province, is a commercial bank dedicated to financial services for small enterprises. Ninety percent of its loans are below 500,000 yuan ($81,650). "We must support small private banks. They are the ones closely connected with micro and small businesses and are more vulnerable than big lenders," Li said. Ji Wenke, a client of the bank, said it is difficult for his company to borrow money from big banks because of their strict credit requirements. Some private banks can lend when big banks cannot. It is the second time in a week that Li has addressed the funding difficulties of small businesses.

A meeting on Wednesday produced a list of measures, including flexibility in loan-to-deposit ratios, to ease financing. It also said performance assessments of Chinese commercial banks should be improved to curb the tendency to prefer big projects and high loan interest rates. China has a loan-to-deposit ratio of 75 percent for commercial banks. Calls for a wider interest cut are also mounting on the market to ease the current liquidity shortage. Wang Tao, head of China economic research at UBS Securities, said the development of small and medium-sized banks will play a role in easing financing difficulties for smaller businesses, including Internet companies. "However, this will take some time," she said. Wang said she expected to see several interest rate cuts by the end of next year. According to Lian Ping, chief economist with the Bank of Communication, "The Chinese banking sector is dominated by State-owned big lenders, and their needs are not perfectly in line with small and private firms, which bear the brunt of high financing costs. Changing the landscape of the banking sector is critical to reduce financing costs for the real economy."

Source: Zhao Yinan in Hangzhou and Mo Jingxi in Beijing: Li vows big boost for small business, China Daily, 2014-11-22

PLA opens 108 procurements to private firms

Chinese military office has released 108 defense procurement plans to the public and invited private enterprises to participate, reported Liberation Army Daily on Tuesday. The defense procurements open to the public include war-wound simulator, data processor, short-distance wireless positioning, and hardware such as early warning aircraft and carrier training simulator. "This round of public procurements is unprecedented in terms of its breadth and depth. It will help optimize our military expense and resource distribution, and further improve the defense quality," said an official of training security bureau of the General Staff to the daily. According to the newspaper, 117 defense industry companies, including private enterprises, have submitted their proposals, which cover 106 out of the 108 procurements. Chinese military office is setting up a procurement mechanism that will
regularly update on defense demands in order to break monopoly and introduce competition, said the daily.

"About 30 percent of military and civilian inventions could cross over into each other's markets," said Cao Zhiheng, inspector of the ministry's Military-Civilian Promotion Department. "By 2020, China will have a full regulatory system to govern integration and to promote a healthy attitude toward sharing ideas and improving interaction between military and civil companies." With Mianyang, second-largest city in the Sichuan province, as a main experimental area, China has been developing a greater number of military-to-civilian defense manufacturers and expanding their range of interests, according to Jiang Zhenghua, director of the Committee of the Military-Civilian Integration Research Center at the Academy of Military Sciences. "President Xi Jinping supports the integration. He says it's a national strategy with great influence on the country's economic development and national security," Jiang said. "We will definitely promote further integration in the future."

Source: PLA opens 108 procurements to private firms, China Daily, 2014-11-25

**PPP financing able to mobilize private capital?**

BEIJING - Confronted with mounting local government debt and a pressing need to fund urbanization, China is looking at a new style of finance to leverage private capital. On Wednesday, China's State Council released an investment and financing guideline which emphasizes the significance of public-private partnership (PPP) in mobilizing private capital. The financing mode refers to long-term cooperation between governments and private companies on infrastructures or public services. In most cases, PPP projects are funded and operated by private investors and supervised by local governments. This was the second time PPP was promoted by the central authorities within two months. In September, the Ministry of Finance issued a notice and decided to expand pilot projects based on PPP.

Sources with China's top economic planner the National Development and Reform Commission told Xinhua that a detailed guideline on PPP will be unveiled soon. The first batch of 32 national-level pilot projects will also be launched. PPP came to the spotlight at a time when China is grappling with huge local government debt during rapid urbanization. The funding method has existed since the 1980s, though public money and debt securities issued by the government have been the main channel to fund infrastructure development for decades. But the increased scale of investment required means government finance alone is not sufficient with public institutions generally lacking qualified people. "Government-invested projects usually had low return rates and the way of operating them were primitive," said Jin Yongxiang, general manager of Beijing-based consulting firm Dayue. These drawbacks can be avoided using PPP. For that reason, it is increasingly favored by policy makers, according to Jin, an experienced consultant on PPP projects. According to accounting firm KPMG, PPPs are set to drive infrastructure projects and help accelerate urbanization in China. Meanwhile, China has to deal with billions of yuan in local government debt accumulated over the past two decades. Put simply, China is counting on PPP for a new way of supporting urbanization, according to Guan.

But analysts said PPP initiatives may only be encouraged by the government, with private investors hesitant because investment in infrastructures is usually long and sometimes risky. Often the government enters into investment projects to see how much they can solicit, but investors are more interested in how much they can earn. A sound PPP is like a marriage, Jin says. Both sides are supposed to work to nurture the relationship over its lifetime, rather than quarrel over how many presents they can get from the wedding. Previous failures show local governments not fully considering all the situations they may encounter during the whole project. Some even went back on their word, said Tsinghua University professor Wang Shouqing. "A good PPP project needs a scientific and formal contract and every detail involved in the cooperation should be prescribed beforehand," he advised.

Wednesday's guideline urged local governments to safeguard the benefits of private investors while protecting the interests of the public.

Source: Xinhua: PPP financing able to mobilize private capital?, 2014-11-29
Oct manufacturing PMI retreats

China's manufacturing activity continued waning in October with the purchasing manager's index (PMI) hitting a five-month low, official data showed Saturday. The manufacturing PMI measured 50.8 in October, down 0.3 percentage points from September, according to the data released by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). The October reading was 0.9 percentage points lower than a yearly peak of 51.7 recorded in July. The NBS manufacturing PMI samples 3,000 enterprises of various sizes nationwide.

In terms of the size of the surveyed enterprises, the PMI of large manufacturers posted at 51.9 in October, down 0.1 percentage point from September. That of medium enterprises stood at 49.1, down 0.9 percentage points from the previous month, and fell to a state of contraction. The PMI of small manufacturers registered at 48.5, down 0.1 percentage point, and remained in the contraction territory, the NBS said. Among the sub-indices of the PMI, the production index posted at 53.1, down 0.5 percentage points from September. The index of new export orders dipped by 0.3 percentage points to 49.9 and new orders index lost 0.6 percentage points to stand at 51.6. In addition, the index of production and business activity expectation dropped 1.9 percentage points month on month to 54.1. The October PMI was mainly supported by the relatively good performance of large enterprises while business activity in medium and small manufacturers showed signs of contraction.

CFLP Vice President Cai Jin said surveys found that capital crunch increasingly fettered manufacturers. "Nearly half of the polled enterprises told us that they were in shortage of money," said Cai, adding that a lack of money led to a cut in manufacturing activity. Although the manufacturing sector may face hard time in the short term, Zhang said a string of pro-growth measures released in the third quarter are kicking in.


China's October PPI down 2.2%

BEIJING -- China's producer price index (PPI), which measures inflation at wholesale level, dropped 2.2 percent year on year in October, the National Bureau of Statistics said on Monday. On a monthly basis, the PPI index contracted 0.4 percent from the previous month, the same as that of September, the NBS said in a statement on its website. The PPI declined for the 32nd straight month and in a faster pace than the previous month, which indicated existing pressure from subdued manufacturing activities and economic growth momentum. The PPI had dropped 1.8 percent year-on-year in September, 1.2 percent in August and 0.9 percent in July. In the first 10 months, the country's PPI dropped 1.7 percent year-on-year, the data showed.

Source: Xinhua: China's October PPI down 2.2%, 2014-11-10

China's urbanization brings world opportunities

UN -- China's urbanization will create important opportunities for the world as it both generates internal demand and expands the market, Beijing's top envoy said here Friday. Liu Jieyi, China's permanent representative to the United Nations, made the remarks at a UN high-level event themed "People-Centered Urbanization" and dedicated to the first-ever "World Cities Day." Noting that China's urbanization rate has already reached 53.7 percent, a level close to the world average, Liu said China will develop a new type of urbanization that is
people-centered, sustainable and highly efficient. "This entails enormous trade and investment opportunities for all countries and boosts economic development of the world," he said. Liu also highlighted that China's urbanization leads to wider and deeper cooperation with other countries on sustainable development of cities. "Enhancing international cooperation is an important way to achieve sustainable development of cities, particularly in developing countries," he said. "Common development of all benefits all." The idea of World Cities Day was proposed in the Shanghai Declaration issued at the Shanghai World Expo in 2010 to advocate the idea of better city, better life. It is the first international day designated by the UN at China's initiative.

Source: Xinhua: China's urbanization brings world opportunities, 2014-11-01

**Vice-premier urges faster Asia-Pacific economic integration**

BEIJING – Chinese Vice-Premier Wang Yang on Friday called on all sides to speed up the Free Trade Area of the Asia-Pacific (FTAAP) construction to further facilitate trade and investment in the region. Wang made the remarks while attending a banquet for the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council. He said that the APEC Economic Leaders' Meeting, which will open in a key time of global economic recovery, is set to shore up the world's confidence with the messages of cooperation and joint development. Wang called on all parties to speed up the construction of the FTAAP to drastically increase the level of trade and investment liberalization in this region, so as to meet the expectation of the business circle. He also called for advancing the regional value chain cooperation to make it efficient and smooth, in a bid to remove the obstacles in the regional supply chain. Stressing the important role of the Asia-Pacific region in China's development, Wang said that it is his country's priority and focus in the process of further opening up to comprehensively deepen cooperation with the Asia-Pacific economies to realize mutual benefit. "China stands ready to play a good host to the APEC meeting to seek the maximum consensus and the positive, pragmatic and all-round outcome," he said. The vice-premier, calling the business circle an important force in promoting Asia-Pacific economic cooperation, also urged the representatives of the APEC Business Advisory Council to offer suggestions and share wisdom in an active manner during the meeting.

Source: Xinhua: Vice-premier urges faster Asia-Pacific economic integration, 2014-11-08

**President Bill Clinton: APEC a Model for Moving Forward Together**

Beijing, China - President Bill Clinton, who initiated the first meeting of Leaders from APEC member economies, has voiced support for APEC's continued work to build networks of cooperation across the Asia-Pacific region. In video remarks on the eve of the 2014 APEC Economic Leaders Meeting in Beijing, which coincides with the 25th anniversary of APEC's founding, President Clinton provided historical context for the meeting and explained its role in fostering meaningful, specific action to address key regional and global issues. View President Clinton's video remarks (http://www.apec.org/Press/Videos/2014/2014_1109_BillClinton.aspx) A little more than twenty years ago, I was honored to convene the very first APEC Leaders Meeting in Blake Island in Washington, President Clinton said. We were entering a new era of globalization and the Asia-Pacific region was well on its way to becoming the most important source of global growth and dynamism. In order to seize the opportunity we had to find ways to work together to advance our shared interests and overcome some common challenges, he added. This meeting has helped to do just that. He described the progress of the Leaders Meeting in laying out a regional vision for trade liberalization and economic integration, as articulated in the Bogor Goals (http://www.apec.org/Meeting-Papers/Leaders-Declarations/1994/1994_aelm.aspx) that President Clinton and his fellow Leaders formulated just one year after their inaugural meeting in November 1993. They continue to serve as a beacon for engagement between member economies to this day. Through APEC's leadership, the first Information Technology Agreement, of 1997, helped to ensure that the Asia-Pacific region will thrive and compete in an emerging market, President Clinton noted. Expanding the agreement to boost access to a new generation of information and communications technology products is among the initiatives currently being pursued in APEC.
Stronger enforcement of intellectual property rights have helped to encourage more innovation, he added. Regional responses to infectious diseases and natural disasters have clearly improved and greater transparency and anticorruption mechanisms are now in place. A new APEC Accord on Innovative Development, Economic Reform and Growth to support efforts like these is among the measures that will be considered by Leaders in Beijing. APEC is a model of how we should move forward together in the twenty first century, President Clinton concluded. Thank all of you for making Asia-Pacific community a reality, and for continuing to build a more inclusive, more secure, more sustainable world for generations to come.

The 2014 APEC Economic Leaders Meeting will take place in Beijing on 10-11 November.
Source: M2 PRESSWIRE-October 10, 2014-President Bill Clinton: APEC a Model for Moving Forward Together, (C)2014 M2 COMMUNICATIONS http://www.m2.com, November 9, 2014

Obama touts business goals, new 10-year visas

US President Barack Obama said on Monday that the United States intends to bolster trade and business ties with China and announced that the two countries will grant visas to each other's citizens valid for up to 10 years. Speaking in Beijing at the CEO Summit of the Asia-Pacific Economic Cooperation, Obama said the United States hopes to welcome a growing share of eligible Chinese travelers, inject billions of dollars into the US economy and create enough demand to support hundreds of thousands of additional US jobs. He also said he hopes to make progress on a bilateral investment treaty that will open door to massive Chinese investment in the US, and vice versa. Under the new visa agreement, Chinese and US citizens will be able to obtain business and short-term tourist visas valid for 10 years, up from one year currently. Student and cultural exchange visas will be valid for five years rather than just one, Obama said. The US attracted just 2 percent of about 100 million Chinese overseas travelers last year, government figures showed. As a result of the new policy, the United States could gain as many as 440,000 jobs by 2021 and receive an $85 billion annual infusion into its economy, the White House said.

Besides economic ties, Obama also said he wanted to see cooperation with China in a wide range of areas, including the fight against Ebola, preventing nuclear proliferation and addressing climate change. Obama also used the moment to speak of his country's good intentions toward China, repeating his previous statement that the US welcomes the rise of a "prosperous, stable and peaceful" China, as that is not only in the best interest of China but also in the best interest of the United States. "We want China to do well," Obama said. "We compete for business, but we also seek to cooperate on a broad range of challenges and shared opportunities. ... When China and the US work together, the world will benefit." He stressed that in the 21st century, the pursuit of economic growth, job creation and trade is not a "zero-sum" game, and that "one country's prosperity doesn't have to come at the expense of the other". While he noted that he was unable to attend the APEC leaders' summit in Russia and Indonesia, he said the US remained committed to the region. "America is inherently a Pacific power. Our future, security and prosperity are inextricably intertwined in this region," Obama said.


ASEAN Summit set to grab attention with upcoming AEC On Horizon

NAY PYI TAW, MYANMAR, Nov. 12 (PNA/Bernama) -- In less than a week, this part of the world will again grab global attention, shifting from the just concluded Asia Pacific Economic Cooperation (APEC) in Beijing to the coming ASEAN Summit in Nay Pyi Taw. The ASEAN Summit this time is of significance as it is held before the implementation of ASEAN Economic Community (AEC) next year, when Malaysia will assume the chairmanship of ASEAN. The Summit takes place at a critical juncture of ASEAN's history with just one year to go before the establishment of the ASEAN Community in 2015, according to a news release from the ASEAN Secretariat.

The Summit is expected to adopt the Nay Pyi Taw Declaration for the ASEAN Community's Post-2015 Vision and it would serve as the basis for the formulation of a comprehensive post-2015 vision for ASEAN next year, the statement said. Additionally, the Summit will adopt a Declaration on Strengthening the ASEAN Secretariat and
Reviewing the ASEAN Organs, aimed at enhancing the capacity, coordination and synergy of ASEAN institutions and mechanisms amidst the growing volume of Community building work and the fast-changing regional landscape, it said. At the Summit, regional and international issues of common interest and concern would be on top of the agenda, especially those that had significant impact on peace and stability in the region such as the South China Sea issue, it said. The Leaders will also adopt the ASEAN Joint Statement on Climate Change 2014. ASEAN Leaders are expected to continue the on-going discourse on enhancing ASEAN's centrality and credibility in the evolving regional architecture and engagement with external partners, the statement said.


China welcomes US participation in AIIB, Silk Road Fund

BEIJING -- China welcomes participation of the United States in the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund, Chinese President Xi Jinping said here Wednesday. "China upholds the principle of openness and inclusiveness in the proposals and initiatives it raised, such as the new security concept for Asia and the establishment of the AIIB and the Silk Road Fund," Xi told his US counterpart Barack Obama during talks held in Beijing. China welcomes active participation from relative countries, including the United States, in those proposals and initiatives, Xi said. The remarks came days after Xi's announcement that China will contribute $40 billion to set up a Silk Road Fund. The fund will be used to provide investment and financing support to carry out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to connectivity for countries along the "Belt and Road", Xi said during the Asia-Pacific Economic Cooperation (APEC) meetings that just concluded in Beijing.

The Belt and Road refer to the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives raised by China. Last month, a total of 21 Asian countries inked a Memorandum of Understanding on the establishment of the AIIB with an expected initial subscribed capital of $50 billion. The new security concept for Asia was put forward by Xi at the fourth summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) in Shanghai in May. In his proposal, Xi called for a common, comprehensive, cooperative and sustainable security strategy for Asia. During their talks on Wednesday, Xi and Obama underscored commitment to building a new type of major-country relations between the world's two largest economies. Obama arrived in Beijing Monday to attend the 22nd APEC Economic Leaders' Meeting and pay a state visit to China at Xi's invitation.

Source: Xinhua: China welcomes US participation in AIIB, Silk Road Fund, 2014-11-12

Xi lays out connectivity plan

APEC members adopted a blueprint on Tuesday to strengthen physical, institutional and people-to-people connectivity and promote regional bonds. The blueprint asks members to make substantive moves and meet agreed-upon targets by 2025. President Xi Jinping said leaders of the APEC economies agreed to invest in Asia-Pacific connectivity in all dimensions under the blueprint. The document contains existing connectivity-related initiatives and encourages revival of those requiring further progress, and it proposes future initiatives for a more efficient flow of goods, services, capital and people to drive the organization's progress. It is broad in scope and was characterized as being adaptable to the ever-changing conditions in the Asia-Pacific region. "We envision this blueprint accelerating and encouraging balanced, secure, sustainable and inclusive growth, as well as connecting growth poles in the region and bringing the APEC community closer together," Xi said at a news conference on the achievements of the APEC Economic Leaders' Meeting on Tuesday.

Despite the organization's progress in promoting connectivity in previous years, many challenges remain. On physical connectivity, there is still a disparity in access to, and quality of, physical technology infrastructure throughout the region, as well as a significant gap in the ability of existing institutions to promote connectivity due
to various regulatory constraints. On people-to-people connectivity, much work needs to be done to ease existing barriers to interaction and mobility, and to develop joint endeavors that will support seamless flows of people. To tackle these issues, Xi said the APEC members will focus on raising more funds for infrastructure development and breaking the financing bottleneck - for example, through public-private partnerships.

The APEC economies, especially China, South Korea, Thailand and the United States, are keen to encourage people-to-people connectivity to drive advances in the educational sector and assist member nations or regions to better respond to natural disasters such as extreme weather, earthquakes and tsunamis. "There are new initiatives to facilitate cross-border business travel, tourism and educational exchanges, so that ordinary people will benefit from the development of connectivity," Xi said. To further enable people's movement and the exchange of innovative ideas within the region, China and other APEC members will extend the period of validity of the APEC Business Travel Card from three to five years and widen availability of the card to other professions. The APEC leaders also agreed to facilitate efficiency in maritime transportation, especially considering that most shipping infrastructure projects are undertaken on a unilateral basis.

Source: Zhong Nan: Xi lays out connectivity plan, China Daily, 2014-11-12

Chinese premier urges further regional economic integration

NAY PYI TAW - Chinese Premier Li Keqiang on Thursday urged all sides at the 9th East Asia Summit to push forward regional economic integration, so as to achieve integrated development and common prosperity. To achieve regional economic integration, the premier urged cooperation in six key areas, including promoting trade and investment facilitation, accelerating interconnectivity, expanding financial cooperation, stepping up poverty reduction cooperation, advancing maritime cooperation as well as intensifying people-to-people exchanges.

Source: Xinhua: Chinese premier urges further regional economic integration, 2014-11-13

Business leaders confident about growth in APEC economies

Business leaders remain confident in the economic growth in the Asia Pacific region over the next 12 months, according to a recent report by PricewaterhouseCoopers International Ltd. By surveying 635 CEOs and industry leaders across 39 nations with operations in APEC economies, the report shows that 46 percent of executives are 'very confident' in revenue growth over the next 12 months, up from 36 percent in 2012. The survey has indicated a loud and clear response from the executives polled: "Be bold and break down barriers to growth. They also added specifics: conclude the Trans-Pacific Partnership (TPP), address intellectual property issues and encourage regulatory harmonization, among other desires," said Dennis Nally, chairman of PwC. Investments are set to rise across the region. In each of APEC's 21 member economies, there are more respondents who plan to step up investments compared with those who are pulling back. In all, 67 percent say their investments in APEC economies will increase over the next 12 months.

APEC as a whole can expect to see its growth pick up over the next 10 years, from an annual average of 3.2 percent in 2003 to 2013 to 3.5 percent over 2013 to 2023. China's transition towards an ever-larger consumer of finished goods, rather than just a producer, will drive a lot of the transformations expected in the region over the next decade. "There's no doubt that China is slowing down. But that doesn't mean that it has lost, or is losing its luster, among business leaders," said David Wu, government and regulatory affairs leader in PwC China. "In fact, our survey respondents who already have a presence in China are more confident in the Chinese market for their products and services than they are about the international market."

Digital power will play a more critical role in the consumer economy as the world's biggest e-commerce market is shifting to Asia, said the report. In China alone, mobile Internet users at the end of June 2014 rose to 527 million, topping access to the Internet by a PC for the first time. "We've become very close to our smartphones. It's as if they are an extension of our bodies," Pony Ma, chairman and CEO of Tencent Holdings Limited, told PwC. E-commerce, which today accounts for 4.4 percent of China's GDP, is still in the early stages. Only 20 to 25 percent
of small businesses in China have Internet connections, compared to 75 percent in the US, according to research from Oxford Analytica. "Roughly one billion people from developing countries are now entering the market for the goods and services they see on display in the developed world, setting the stage for a new boom in global e-commerce." David Abney, CEO of the delivery service provider UPS.

Investments are set to rise in each of APEC's 21 member economies with medium-sized companies as the next wave of investors, said the report. The markets are going to be further segmented to give rise to more specialized products and services. "We've seen very clearly that international trade is gradually changing from a container-based business model to a more fragmented small-order, small-volume business model, which offers the benefits of shorter turnaround time and greater flexibility," said Diane Wang, founder and CEO of DHgate.com, an e-commerce platform that connects business to suppliers in China.

In terms of trade barriers, executives believe that reductions in tariffs help, but businesses are looking for more clarity and consistency in product labeling, data sharing, and local content rules among a host of "non-tariff trade barriers" to their business growth. Despite the proliferation of preferential trade agreements in the region, supply chain managers still think that there is room to reduce customs duty costs. A majority of executives still see momentum towards APEC's long-time goal of a Free Trade Area of the Asia Pacific (FTAAP). But most also believe that progress has slowed over the past year and urgently needs a breakthrough. The report suggests that policymakers and business leaders should realize that the faster barriers can be lowered, the faster these economies can grow. "Soft" barriers around customs rules or in sharing data across borders create additional costs that make Asia's economies less competitive.

Source: Yang Ziman: Business leaders confident about growth in APEC economies, China Daily, 2014-11-14

**China-ROK FTA represents opportunities, challenges**

QINGDAO - A landmark free trade agreement (FTA) between China and the Republic of Korea (ROK) has nearly been reached with the new deal expected to boost bilateral trade and investment but also bring challenges to local industries, experts have said. Chinese President Xi Jinping and his ROK counterpart Park Geun-hye confirmed on Monday the conclusion of substantive negotiations on the establishment of a free trade area, described by Xi as a milestone in promoting Asia-Pacific regional integration. "Considering good relations of the two neighbors and the huge potential of the Chinese market, the deal will bring significant growth in bilateral economic cooperation and trade volume," said Song Zhiyong, a senior researcher in Asian studies with the Chinese Academy of International Trade and Economic Cooperation. China is the ROK's largest trading partner and largest market for ROK exports, while the ROK is an important source of investment for China. Two-way trade totaled $274 billion in 2013.

The FTA will cover 17 areas including trade in goods and services, investment and trade rules. Over 90 percent of goods traded between the two countries will enjoy zero tariffs, accounting for more than 85 percent of the bilateral trade value, according to the Chinese Commerce Ministry. Song said the agreement will offer China opportunities to upgrade its industrial structure by utilizing its neighbor's capital, technologies and managerial experience. The ROK stands to see new opportunities to develop capital and technology-intensive industries. Choi Nam-suk, a research fellow with the Seoul-based Korea Economic Research Institute, said the agreement is expected to slash procurement costs for both Chinese and ROK companies, encouraging competition among suppliers of the two countries. It should lead to more productivity and competitiveness. "In the long term, the deal could help both sides bolster their international competitiveness," Song said. The experience of the two countries' successful negotiations on "sensitive issues", such as tariffs, can be learned for talks on other FTAs in Asia, said Lin Guijun, vice-president of the University of International Business and Economics in China.

The value added of the ROK's exports to China, such as electromechanical equipment, chemical and electronic products, is much higher than that of Chinese produce and textiles sold in the ROK, according to Fan Jianping, chief economist at the State Information Center under the National Development and Reform Commission. The
difference has led to China's huge trade deficit with the ROK, which topped $90 billion last year, Fan wrote on microblog Sina Weibo. The two countries officially started FTA talks in May 2012. The China-ROK FTA deal is the broadest of all agreements China currently has on the table. If established, it will be the largest FTA for bilateral trade volume.

Source: Xinhua: China-ROK FTA represents opportunities, challenges, 2014-11-14

Premier outlines economic corridor initiative

Premier Li Keqiang firmed up plans for a landmark regional economic project that has the potential to transform the lives of 440 million people in its catchment area during a meeting with Myanmar's President U Thein Sein in Nay Pyi Taw on Friday. The Bangladesh-China-India-Myanmar Economic Corridor would also see a major infrastructure drive for the project, which has the potential to revitalize the economies involved. "China is willing to work with Myanmar in building the corridor to promote connectivity and regional prosperity," Li said. The leaders also discussed climate change, agriculture, electric power and the recently established Asian Infrastructure Investment Bank. Linking India's northeast, Bangladesh, Myanmar and the Chinese province of Yunnan, the corridor will lead to major socioeconomic development and will provide a massive boost to trade in South Asia.

Covering 9 percent of the global landmass, the corridor was first discussed in 1999 by specialists and academics meeting in Kunming, Yunnan province. The corridor initiative gained momentum during Li's visit to India on May 19. "India made it clear that it is interested in the BCIM Economic Corridor and willing to take part in it," said Wen Fude, head of the Institute of South Asia Studies at Sichuan University. Wen also suggested that transport infrastructure should be a priority. And Pravakar Sahoo, a researcher from Delhi University, said the current focus of corridor talks is examining an inter-regional road network. "The network is planned to run from China's Kunming to Kolkata in India, and link Mandalay in Myanmar and Dhaka and Chittagong in Bangladesh," Sahoo said. "The combined population of India's northeast, Yunnan province, Bangladesh and Myanmar is 440 million. The corridor will allow all four countries to exploit existing trade complementarities." Sahoo suggested that energy collaboration could result in a rapidly changing economic landscape. There is strong potential for northeast India to export energy to Bangladesh and China is the largest consumer of energy, while India's engagement with Myanmar will contribute to its energy security, Sahoo said.


China Reverses Opposition to G-20 Anticorruption Plan; China Backs Measures Designed to Reveal Owners of Shell Companies and Trusts

China reversed its opposition to an anticorruption initiative at a meeting of the Group of 20, agreeing to support transparency measures that will help reveal the beneficial owners of companies and trusts around the world. The set of principles, which were included in a final G-20 communiqué released Sunday, had been championed by anticorruption groups, but were previously resisted by China, which claimed the reform agenda was moving on too tight a deadline. The measures call for countries to share information between law-enforcement agencies about the true owners of shell companies and trusts that can be used by wealthy individuals to evade taxes, launder money, and hide corruption. "It was a difficult internal point for them, but they managed to clear that and so we have a strong paragraph on this," one European Union official said of the negotiations with China. "It was very welcome, people are very happy." The unexpected agreement formed part of a broad crackdown on corruption and tax avoidance at the G-20 summit, which also saw leaders endorse Organization for Economic Cooperation and Development recommendations to close legal loopholes that have helped multinational corporations shift profits across country borders to avoid taxes.

Chinese foreign and public-security ministries didn't immediately respond to requests for comment. China's switch in favor of the proposals follows a recent clampdown on corruption by the world's second-largest economy, with Beijing announcing in July it plans to "hunt" hundreds of individuals, including party officials, which it claims
have moved billions in stolen funds to places such as the U.S. and Australia. The anticorruption drive, dubbed Operation Fox Hunt by officials, ramps up ongoing efforts to tackle graft that Chinese state media and court records claim saw more than 700 citizens returned to China on charges of corruption in 2013, with more than 10 billion yuan ($1.63 billion) in illegally obtained funds confiscated. China's support for transparency on beneficial ownership may be motivated by a desire to clamp down even further on corruption, with the measures likely to help Beijing investigate individuals trying to hide their investments through complex shell companies and cross ownership structures, a G-20 official said. China's embassy didn't immediately respond to a request for comment.

**Source:** Stacey, Daniel; Taylor, Rob: China Reverses Opposition to G-20 Anticorruption Plan; China Backs Measures Designed to Reveal Owners of Shell Companies and Trusts, Wall Street Journal (Online) [New York, N.Y] 16 Nov 2014: n/a.

**China, Australia concludes FTA negotiations**

CANTERRA - Chinese President Xi Jinping and Australian Prime Minister Tony Abbott announced here Monday that their countries have virtually concluded negotiations on a free trade agreement.

*Source:* Xinhua: China, Australia concludes FTA negotiations, 2014-11-17

**APEC's New Vision - The Beijing Agenda draws a blueprint for an integrated, innovative and interconnected Asia-Pacific**

On November 11, after their annual meeting ended, APEC economic leaders released two important documents-the 22nd APEC Economic Leaders' Declaration: Beijing Agenda for an Integrated, Innovative and Interconnected Asia-Pacific and the Statement on the 25th Anniversary of APEC: Shaping the Future Through Asia-Pacific Partnership. "The two documents further define the directions, goals and actions of the region's development and mark the beginning of a new era of Asia-Pacific cooperation," Chinese President Xi Jinping told the media at a press conference after the 22nd APEC Economic Leaders' Meeting closed. The latter is a commemorative statement-the first of its kind in the history of APEC-which "we believe will give strategic guidance to the APEC, consolidate its position and give full play to its role of leading and coordinating economic cooperation in the Asia-Pacific region," said Xi.

The 21 APEC member economies have a combined population of 2.8 billion, or 40 percent of the world's total, generate 57 percent of the world's GDP and contribute 48 percent to global trade. Facing the uneven recovery of the world economy, the Asia-Pacific has entered a new stage of development with both new opportunities and new challenges. Xi said that APEC economic leaders have reached consensus that economic integration is the driving force behind the region's sustained strong growth in the long term.

The APEC economic leaders endorsed a roadmap for promoting the Free Trade Area of the Asia-Pacific (FTAAP) process. This is "a historic step we took toward realizing the FTAAP," marking the official launch of the process and demonstrating the confidence and determination of APEC members in advancing regional economic integration, said Xi. According to the APEC economic leaders' declaration, APEC member economies will begin studying issues surrounding the FTAAP and will submit recommendations by the end of 2016.

APEC economic leaders also set the targets to enhance regional physical, institutional and people-to-people connectivity by 2025. Despite the achievements in promoting connectivity within the region, challenges persist. There is still a disparity in the quality of and access to infrastructure throughout the region, and a large gap in the ability of institutions to promote connectivity due to various regulatory constraints or lack of capacity. On people-to-people exchanges, much work still needs to be done to ease barriers to interaction and mobility. To tackle these issues, Xi said that the APEC members agreed to expand cooperation in infrastructure investment and financing, promote public-private partnerships, and thereby break the financing bottleneck. As the Chinese saying goes, "to end poverty, build a road." Infrastructure construction and connectivity are a prerequisite for regional economic integration. A PwC report shows that Asia's infrastructure market is going to grow by 7-8 percent.
annually over the next decade, to reach $5.3 trillion by 2025, or 60 percent of the world's total. Right before the APEC Economic Leaders' Meeting, Chinese President Xi announced on November 9 that China will contribute $40 billion to set up a Silk Road Fund at a dialogue meeting on strengthening connectivity with China's neighboring countries. The goal of the new fund is to "break the bottleneck in Asian connectivity by building a financing platform." The fund will be used to provide investment and financing support for carrying out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to connectivity for those countries.

In terms of institutional connectivity, APEC economic leaders will strive to make progress in addressing issues of trade facilitation, structural and regulatory reforms, as well as facilitating transport and logistics. In his opening remarks at the leaders' meeting, Xi announced that China will donate $10 million for institutional development and capacity building for APEC and provide 1,500 training locations for developing APEC member economies to build their capacity in trade and investment. APEC economic leaders also pledged to facilitate the movement of people across borders and the exchange of innovative ideas. They set the goals for people-to-people connectivity at achieving 1 million intra-APEC student exchanges per year by 2020 and increasing the number of student exchanges to developing economies, as well as 800 million APEC tourist arrivals by 2025.

At the APEC CEO Summit, U.S. President Obama announced that China and the United States have agreed to implement a new arrangement for visas: Student visas will be extended to five years and business and tourist visas will be extended to 10 years. Currently, visas between the two countries last for only one year.

In 2014, the Asia-Pacific region's GDP is estimated to grow 3.9 percent, 0.1 percentage point lower than that in 2013. To achieve strong, sustainable, balanced and inclusive growth over the longer term, new sources of growth should be created. APEC economic leaders reached an accord that the Asia-Pacific region should continue to deepen structural reform, strengthen innovative growth and promote closer cooperation in five pillars-economic reform, new economy, innovative growth, inclusive support and urbanization. They agreed to convene a ministerial meeting on structural reform in 2015 to discuss issues including overcoming the middle-income trap. Furthermore, they will to tap into the growth potential of emerging sectors such as the Internet economy.


A golden age looms for Asia

Asia will experience a new golden era of peace and prosperity over the next 10 years. The export-led growth model of the past will no longer work for the major Asian economies. Hence, we are unlikely to see a return to double-digit growth. If the major Asian economies, especially China, India and Indonesia, are able to maintain growth rates of around 7 per cent a year, this will be a major achievement. Fortunately, this is within their reach. Three factors will drive this.

The first factor is an almost unbelievable accident of history. It is truly remarkable that the three most populous Asian countries, namely China, India and Indonesia, have simultaneously put in place dynamic and reform-minded leaders who can be expected to transform their countries over the next decade.

The second factor is the consolidation of the "Deng Xiaoping-Lee Kuan Yew consensus" on national development. We have just seen three remarkable back-to-back leaders' meetings in East Asia: Apec in Beijing, East Asia Summit in Nyapyidaw and the Group of 20 in Brisbane. An amazing number of new agreements were signed. There was also a historic (albeit unsmiling) handshake between President Xi Jinping of China and Japan's Prime Minister Shinzo Abe, laying to rest fears of a China-Japan war. What was the key underlying factor that explains the success of these meetings? The simple answer is that, North Korea excepted, there is a remarkably wide and deep consensus among regional leaders that they should focus on modernisation and pragmatic development. This explains why East Asia is functional while the Middle East remains dysfunctional. Our region has been infected by a silent, healthy virus of modernisation. Because it is silent, the Western media has not noticed
and continues to predict doom.

The third factor is the explosion of the Asian middle-class population from 500 million in 2010 to 1.75 billion in 2020. Multinational corporations have spotted this trend. Many of these MNCs are ahead of their governments and have stepped up their presence in the region. Singapore has the potential to be the biggest beneficiary of this big shift to Asia. Pessimistic Western consumers will not drive global demand. Instead, optimistic Asian consumers will gradually pick up global demand.

It would be foolish to pretend that all will be rosy in the region. Several geopolitical clouds will continue to affect the region. Five deserve mention.

The most important geopolitical relationship is always between the world's No. 1 power (now the US) and the emerging No. 1, now China. In theory, US-China relations should hit a new peak of rivalry in the next decade, because, this year, China will surpass the US and become the world's biggest economy in PPP (purchasing power parity) terms. Curiously, the US-China relationship is remarkably stable. Indeed, there is even some sun showing through what should be the darkest geopolitical cloud, as demonstrated by the extraordinary climate-change agreement reached between Mr Xi and US President Barack Obama. The most dangerous relationship this year was that between China and Japan. Many feared that they would go to war. Instead, they shook hands. If Mr Abe can restrain his nationalistic tendencies and focus on firing economic arrows to jump-start Japan's economic growth, this troubled relationship can remain under control. Several Chinese leaders may have also realised that China went overboard in browbeating Japan in recent years.

The most important future geopolitical relationship is between the world's next No. 1 and No. 2 economies, namely China and India. When Mr Narendra Modi became prime minister of India, there was hope of a major breakthrough. However, the border issue continues to bedevil this relationship. The world will look upon Mr Modi and Mr Xi to wisely overcome this nagging issue.

Logically, Russia should have been drifting closer to Europe and the West to balance a rising China. Instead, the opposite has happened. The accident in Ukraine disrupted geopolitical logic. If Western leaders were as pragmatic as Asian leaders, they would have found a compromise. Instead, the West went back to its usual self-righteous tendencies and imposed sanctions on Russia. This geopolitical loss by the West has been a gain for Asia, as seen by the US$400 billion (S$520 billion) Russia-China energy deal.

Finally, the Islamic State in Iraq and Syria (ISIS) emerged as a complete surprise. It would have been ignored if innocent Westerners had not been killed. The decapitations forced the West, especially the US, to react. However, ISIS does not pose a great global threat. It is an isolated tumour.

To understand how these five geopolitical clouds will affect Asia, please do not rely on the dominant Anglo-Saxon media. Some of their editors are trapped in a narrow and often ideological Anglo-Saxon mental universe. For example, the Anglo-Saxon media has been predicting the collapse of the Chinese Communist Party (CCP) for almost 25 years. I predict that they will continue to do so in the next 10 years. I also predict that the CCP will last the next 10 years.

There is a great global demand for an authoritative voice on Asia's resurgence. When the British Empire reigned supreme, the Times of London served as the newspaper of record. When the American century began, the New York Times emerged as the newspaper of record. As the Asian century unfolds, The Straits Times is well poised to be the newspaper of record for the Asian century. Fortunately, The Straits Times already has a group of excellent Asian correspondents in place. It has the product. All that the ST has to do is to create a new package of news on Asia for the rest of the world.

Asean will have to play a critical role in the coming decade. Few in the world have given Asean enough credit for the culture of musyawarah and mufakat (“consultation and consensus” in Bahasa Indonesia) developed in South-east Asia. More importantly, Asean has also infected the rest of East Asia and South Asia with a similar culture. This is why all the major regional powers, including the US and Russia, "trust" Asean to provide a credible neutral platform to enable them to engage each other.
However, to play this leadership role credibly, Asean must retain its cohesion (and avoid incidents like the breakdown in the Asean consensus in Phnom Penh in July 2012) and ensure that the Asean Economic Community (AEC) is a success after it is launched next year. Asean countries, especially Indonesia, must overcome their schizophrenic attitude towards Asean economic cooperation. The only way to overcome this attitude is to use the force of reason. Any rational economic analysis will show that no Asean market, not even Indonesia's, is big enough to compete with China and India if they take off. Asean companies need a bigger playing field if they are to become competitive. Hence, next year, led by Malaysia, Asean leaders must bite the bullet and push economic cooperation to the next level.

In short, all the trends are pointing towards a new golden era for the region. To understand their own futures, the Asians must believe in themselves and develop new positive global narratives to supplement the dominant negative Western narratives.


China vows to deepen ties with South Asian nations

Kathmandu, 26 November: A senior Chinese official said here Wednesday [26 November] that China will continue to deepen ties with South Asian countries and outlined extensive policies to engage on trade liberalization and development. Greater engagement will take place in the coming years, said China's Deputy Foreign Minister Liu Zhenmin, head of a delegation here attending the 18th summit of the South Asian Association for Regional Cooperation (SAARC), to which China is an observers. "China has put forward a series of initiatives,(including) increasing trade between South Asia and China to 150 billion U.S. dollars and investment to 30 billion U.S. dollars in the next five years," he said at the gathering in Nepal's capital city Kathmandu. "We are offering South Asian countries with 30 billion U.S. dollars in construction of roads, offering 10,000 scholarships, 5,000 training opportunities and exchange programs for 5,000 youths and sending off 5,000 Chinese language teachers in South Asian countries in the next 5 years," he said. China will implement the China-South Asia partnership initiatives in science and technology, he said, adding "We look forward to SAARC countries' active participation in these cooperation programs and we believe they will enrich China-SAARC cooperation."

Since last year China has put forward a host of policies including the Silk Road Economic Belt, the 21st Century Maritime Silk Road, the Asian Infrastructure Investment Bank and the establishment of a 40 billion U.S. dollar fund to facilitate infrastructure projects for the Silk Road initiative.

Source: China vows to deepen ties with South Asian nations, BBC Monitoring Asia Pacific [London], 27 Nov 2014.

FACT SHEET: Supporting American Job Growth And Strengthening Ties By Extending U.S./China Visa Validity for Tourists, Business Travelers, and Students

Today, President Obama announced that the United States and the People's Republic of China are concluding a reciprocal visa validity arrangement during his visit that will strengthen our ever-broadening economic and people-to-people ties. Both countries have agreed to increase the validity of short-term tourist and business visas issued to each other's citizens from one to ten years - the longest validity possible under U.S. law - and increase the validity of student and exchange visas from one to five years. The United States will begin issuing visas in accordance with the new reciprocal agreement on November 12, 2014. This arrangement will improve trade, investment, and business ties by facilitating travel and offering easier access to both economies. Extended validity visas for students and exchange visitors will boost the bonds between our two peoples and facilitate travel for outstanding students from around the world who attend U.S. institutions of higher education. As a result of this arrangement, the United States hopes to welcome a growing share of eligible Chinese travelers, inject billions in the U.S. economy and create enough demand to support hundreds of thousands of additional U.S. jobs. Travelers will continue to be subject to all the same legal and security reviews that currently apply to visa applicants.
China is the fastest-growing outbound tourism market in the world, and in 2013, 1.8 million Chinese travelers visited the United States, contributing $21.1 billion to the U.S. economy and supporting more than 109,000 American jobs. Chinese travelers consistently rank the United States as their most-desired travel destination, yet less than 2 percent of total Chinese travelers come to the United States. Chinese travelers cite ease of visa policies as the second most important factor in deciding where to travel, behind only cost. A competitive visa policy will help us meet projections that suggest as many as 7.3 million Chinese travelers will come to the United States by 2021, contributing nearly $85 billion a year to the economy and supporting up to 440,000 U.S. jobs.

28 percent of all foreign students and exchange visitors in the United States originate from China. Chinese students in the United States spent $8 billion in 2013, an increase of nearly 24 percent over the previous year. Today's arrangement will allow American and Chinese students to more easily travel back and forth, making foreign study a more attractive option, increasing opportunities for people-to-people ties, and boosting mutual understanding.

Today, the President is taking action to welcome more Chinese visitors to the United States, in order to support America's most important and largest services export - tourism. Chinese travelers persistently rank the United States as their top desired travel destination, but only slightly more than 1.8 percent of total outbound travelers go to the United States. Chinese travelers cite ease of visa policies as the second most important factor in deciding where to travel, behind only cost. A competitive visa policy is needed to secure our place as the chosen destination for millions of Chinese travelers. Travel and tourism is a major driver of the U.S. economy and we have made significant progress in improving our visa processing. The United States must continue to maintain a competitive advantage in the global business arena. Extending visa validity will bring the United States into line or surpass other destinations that have already eased visa restrictions for Chinese travelers such as the United Kingdom, Canada, and Japan. The European Commission, France, Germany, and Italy are also taking steps to extend visa validity to Chinese travelers. Today's announcement will allow more Chinese to make the United States their destination of choice. Increasing business travel will support the President's goal of increasing exports. Increasing visa validity for U.S. citizens traveling to China makes it easier to respond to market and commercial opportunities in China, helping to boost U.S. exports, foster increased trade ties, and improve commercial linkages between U.S. and Chinese firms. In the near term, extending visa validity for Chinese business travelers will also help meet the President's Select USA goal of boosting inward investment into the United States as the U.S. travel and tourism industry commits to making upfront investments in new hotels and other infrastructure in anticipation of a rise in Chinese inbound travel.

(The White House, United States of America)

ECONOMIC OUTCOMES FROM OBAMA-XI MEETING LIMITED TO ITA, VISA DEAL

President Obama's two-day state visit to China ended on Nov. 12 with joint pledges to continue talks on a bilateral investment treaty (BIT), a new international deal curbing export credits, and their persisting differences over the use of agricultural biotechnology. But the outcomes touted by the administration as being economic in nature appeared limited to a breakthrough on the Information Technology Agreement (ITA) and a bilateral visa agreement.

Ahead of his visit, Obama and his advisers had said he planned to press Xi on economic issues including Beijing's enforcement of its anti-monopoly law (AML) that U.S. businesses have claimed is discriminating against foreign firms; intellectual property (IP) protections, including cyber theft of IP; and its slow approval process for biotechnology traits. Only that third issue, biotechnology, was addressed in a fact sheet on U.S.-China economic relations released by the White House at the conclusion of the visit. But the reference was made in oblique terms and offered no indication that the U.S. and China had made progress in resolving their differences.
"The United States and China reached consensus to intensify science-based agricultural innovation for food security," the fact sheet said. "The United States and China commit to strengthen dialogue to enable the increased use of innovative technologies in agriculture." U.S. grain traders, agricultural producers and biotechnology companies have long complained that China's delay in approving these traits has led to disruptions in trade in biotechnology commodities already approved in the U.S. market. These groups in September explicitly urged Obama to raise this issue during his trip to China.

Obama did address IP briefly in a joint press conference with Xi at the end of the meeting. "I stressed the importance of protecting intellectual property as well as trade secrets, especially against cyber-threats," the president said, without mentioning any specific outcome from that discussion. White House Deputy National Security Adviser Ben Rhodes signaled at a Nov. 11 press briefing that Obama could urge Xi to restart the U.S.-China Cyber Working Group, which was established by the two leaders at their first summit in June 2013. The group's activities were suspended by Beijing in May 2014 following the U.S. indictments of five Chinese military officers for allegedly committing economic espionage with respect to trade remedy cases and stealing U.S. trade secrets. One informed source said it was unlikely that the two sides agreed to restart the working group, as the White House would likely have announced if that was the case.

At the Nov. 11 briefing, Rhodes indicated that the economic outcomes of President Obama's visit to China had already been achieved in the form of the "breakthrough" in the talks to expand the product scope of the ITA and a bilateral agreement to extend the length of tourist, business and exchange visas issued by both countries. The "reciprocal visa validity arrangement" announced by the U.S. and China on Nov. 10 will be reflected in all new visas issued by the U.S. beginning on Nov. 12, according to a White House fact sheet. Under the deal, both countries will increase the validity of tourist and business visas each country issues from one to ten years, the fact sheet said. In addition, both countries will increase the validity of student and exchange visas from one year to five years. The other major announcement that came out of Obama's visit to China was in the area of climate change. On that issue, the two sides reached an agreement on the targets for the cuts they will make to carbon emissions post-2020.

There were also no signs that the summit led to any concrete progress in U.S.-China negotiations for a BIT. The U.S. and China had already committed at the July meeting of the Strategic and Economic Dialogue to begin market access negotiations in early 2015 based on their "negative list" offers. A negative list in this context means that all sectors are presumed open for investment unless they are specifically excluded. On China's currency policies, the fact sheet merely reiterated that Beijing will continue to implement the exchange rate reforms that it set out at the Communist Party's Third Plenum in November 2013. "China continues to implement its market-oriented exchange rate reform, reduce foreign exchange intervention as conditions permit, increase exchange flexibility, and enhance the transparency of its economic and financial data," it said. With regard to negotiations on a new international export credit deal -- launched in 2012 -- the fact sheet said the two sides committed to "take all steps necessary to advance the ... initiative, including by starting negotiation of the horizontal guidelines as soon as possible."

Source: ECONOMIC OUTCOMES FROM OBAMA-XI MEETING LIMITED TO ITA, VISA DEAL, Inside US Trade32.46 (Nov 14, 2014).

China's Imperial President: Xi Jinping Tightens His Grip

Chinese President Xi Jinping has articulated a simple but powerful vision: the rejuvenation of the Chinese nation. Underlying Xi's vision is a growing sense of urgency. Xi assumed power at a moment when China, despite its economic success, was politically adrift. The Chinese Communist Party, plagued by corruption and lacking a compelling ideology, had lost credibility among the public, and social unrest was on the rise. The Chinese economy, still growing at an impressive clip, had begun to show signs of strain and uncertainty. At home, his proposed economic reforms will bolster the role of the market but nonetheless allow the state to retain significant control. If
successful, Xi’s reforms could yield a corruption-free, politically cohesive, and economically powerful one-party state with global reach: a Singapore on steroids. His tentative economic steps have raised questions about the country's prospects for continued growth. And his winner-take-all mentality has undermined his efforts to become a global leader.

Source: Elizabeth C.: China's Imperial President: Xi Jinping Tightens His Grip Economy, Foreign Affairs93.6 (Nov/Dec 2014): 80-V.

Hong Kong/China economy: Quick View - Cap on Hong Kong residents converting

On November 12th the Hong Kong Monetary Authority (HKMA, which performs many of the functions of a central bank) announced that caps on currency exchange by Hong Kong residents to and from the Chinese renminbi would be lifted from November 17th. The move to lift the Rmb20,000 (US$3,250) daily cap on conversion into and out of the renminbi by Hong Kong residents (non-residents have been able to make unlimited conversions since 2012) appears designed to ensure that the launch of the Shanghai-Hong Kong Stock Connect scheme, which is also due on November 17th, is a success. The equity trading scheme had previously been delayed, probably by technical and regulatory issues, and the reform should help to address at least one issue that could have caused problems. However, the lifting of the currency-exchange cap is of much broader importance to Hong Kong’s financial system than facilitating Stock Connect alone, as it will eliminate restrictions that have so far hampered the development of renminbi-denominated financial services there. The impact of the move should be significant in supporting the renminbi bond market and encouraging local banks to innovate with new renminbi-denominated products, as it will reduce regulatory hurdles and improve liquidity in these markets. Nonetheless, a daily limit per individual for remittance of renminbi to mainland accounts will remain in place, at Rmb 80,000. Such caps illustrate the fact that China's capital account opening still has some way to progress. The offshore renminbi market in Hong Kong effectively remains a separate currency pool, and the offshore renminbi's exchange rate differs, albeit marginally, from the mainland's one. It is, however, an increasingly large pool: the stock of renminbi deposits in Hong Kong reached Rmb944.5bn (US$153.5bn) at end-September.

The latest reform and the launch of the Stock Connect scheme are complementary moves that form part of the gradual opening of China's capital account. The Chinese government claims that the full liberalisation of the capital account will be substantially complete by 2020. These latest developments mark important milestones along the way towards that goal.

Source: EIU ViewsWire: Hong Kong/China economy: Quick View - Cap on Hong Kong residents converting, (Nov 13, 2014).

Maritime Silk Road expo inaugurated, brings businesses

DONGGUAN -- The first international expo for the 21st Century Maritime Silk Road closed Sunday with 174.7 billion yuan ($28.6 billion) in business deals signed. The three-day China-Guangdong 21st Century Maritime Silk Road International Expo in the southern city of Dongguan had nearly equal the amount of contracts as those signed at the 21-day Canton Fair this spring. The Canton Fair saw a total of $31.05 billion worth of contracts signed. According to the organizing committee of the expo, 80,000 businessmen, scholars and visitors from 42 countries and regions attended the three-day expo, including those from 25 countries along the 21st Century Maritime Silk Road. Rosewood from Laos, shrimp chips from Indonesia, fruits from Thailand and decorations from India were among the commodities exhibited.

Last October, Chinese President Xi Jinping proposed the 21st Century Maritime Silk Road during his visit to Indonesia. The concept was written into the country’s government work report this March. "I know Chinese President Xi Jinping has said that China wants to rebuild this route. So I think this exhibition is part of that. We really like this idea," said Chamara Udugama, a tea dealer from Sri Lanka. He said he decided to attend the expo after Chinese dealers e-mailed him orders after he distributed thousands of free tea samples at the China-South Asia
Expo in Kunming, capital of southwest China's Yunnan Province, last June. "If you give very high quality products, very high quality Ceylon tea, then the Chinese people are very knowledgeable. They will buy your tea," he said. Former Malaysian Minister of Tourism Ng Yen Yen said the concept of a 21st Maritime Silk Road could help their country increase the number of tourists from 25 million to 60 million. She advised involved countries to work together to help build a top-level cruise tourism industry in Asia, which would bring billions of US dollars in income and provide thousands of new jobs in Asia. Cruise industry revenues in the Asian market reached $2 billion last year. The number could increase tenfold using the idea of a 21st Century Maritime Silk Road, she said.

Former chief economist of the World Bank Lin Yifu said countries along the 21st Century Maritime Silk Road were mostly regions with abundant natural resources, huge market potential, low labor cost and numerous tourism destinations. Lin said that since 2008, when traditional industrialized countries in North America and the Europe encountered economic slowdown, new markets have been emerging in developing regions.

Source: Xinhua: Maritime Silk Road expo inaugurated, brings businesses, 2014-11-03

Canton Fair records decline in trade deals

Transactions and the number of buyers at the 116th China Import and Export Fair, the country's largest event, fell due to weak demand from traditional and emerging markets, according to the organizers. The export transaction was down by 6.1 percent from the previous session to $179.2 billion yuan ($29.16 billion), according to Liu Jianjun, the fair's spokesman. The twice-a-year fair, or Canton Fair, which is seen as a barometer of China's trade development, concluded on Tuesday in Guangzhou, the capital of Guangdong province. Meanwhile, the fair reported 186,104 international buyers from 211 countries and regions, down by 1.07 percent from the previous session, according to Liu. "The traditional market is still on a harsh road of recovery for Chinese goods and demand in the emerging market is weak," Liu said. Due to the Ebola virus, the number of buyers from Africa dropped by almost 20 percent from the previous session, according to Liu.

Source: Qiu Quanlin in Guangzhou: Canton Fair records decline in trade deals, China Daily, 2014-11-04

Key part' of global knowledge economy

Innovation in China has increasingly been a key influence for the global knowledge economy, according to World Intellectual Property Organization Director-General Francis Gurry. Gurry said that he has "absolutely no doubt" that China will be recognized as an innovative economy in the near future, and it will produce a growing amount of innovative industrial and creative content to share with the world. "When you see the amount of attention paid by leaders to the economic strategy of innovation, and the amount of investment into research and development, China must be able to produce an innovative economy," Gurry said. Gurry spoke at the third Innova BRICS Summit in London, where executives gathered to discuss innovation in emerging markets. It was held at Deloitte LLP's London office, attended by about 100 people.

China accounted for 29 percent in the growth of total Patent Cooperation Treaty applications filed through the WIPO in 2013, the organization's statistics show. This makes China the third-largest user of the PCT system after the United States and Japan. The PCT is an international treaty with more than 145 contracting states. The treaty makes it possible to seek patent protection for an invention simultaneously in many countries by filing a single "international" patent application. In July, WIPO opened its Beijing office, its fifth overseas office after Brazil, Japan, Singapore and Russia. Established in 1967, the Geneva-based WIPO is a specialized agency of the United Nations. Gurry said that the high number of patents filed in China is encouraging, because it reflects the nation's research and development output and the amount of research-based products that China has invested in. Gurry also praised the Chinese government's efforts to strengthen intellectual property protection and regulations. "It's been extraordinary what China has done, as it's only been 30 years since the first patent law was introduced in 1984. And in these 30 years, China has built a world-class intellectual property and innovation infrastructure. That is a massive effort in a very short, concentrated time," Gurry said. One big challenge, particularly in developing markets, is the
commercialization of innovation. China is leading the emerging markets in commercialization, although it still is not as strong as some developed markets such as the US, Gurry said. He said that China's commercialization of innovation has been good in the telecommunications and information technology sectors, citing Huawei Technologies Co Ltd, ZTE Corp, Lenovo Group Ltd, Tencent Holdings Ltd and Baidu Inc as examples of innovators. Innovations in China's biomedical sciences, advanced manufacturing and design sectors are just beginning and more can be done to realize these sectors' potential, Gurry said. "Commercialization is the most difficult area of all," Gurry said. He said that China has the right talent and institutions in place to facilitate commercialization, but it needs time to develop the market sophistication that is important for commercialization.

An interesting trend of innovation in emerging economies is the growth of user-driven innovation, compared with the more traditional producer-driven innovation in developed markets, Gurry said. One example of user-driven innovation is the hand-held electrocardiogram popular in developing economies including China, whose innovation is both producer-driven and user-driven, he said.

Source: Cecily Liu: 'Key part' of global knowledge economy, China Daily, 2014-11-04

China to speed up construction of Silk Road
BEIJING -- China will accelerate the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and strengthen cooperation with the countries involved, Chinese President Xi Jinping announced. "We should prepare timetables and road maps for the coming years for the 'One Road and One Belt' project," Xi said when presiding over the eighth meeting of the Central Leading Group on Financial and Economic Affairs on Tuesday. "We will focus on some significant projects and let the construction of 'One Road and One Belt' commence as soon as possible," said the president, adding that the cooperation between China and countries involved will be mutually beneficial. Xi, who is also the head of the central leading group, said China would help countries along the road and belt with the construction of infrastructure including transportation, electricity and telecommunications. China will launch projects that are conducive to the improvement of people's livelihood in the countries involved and boost cultural and people-to-people exchange, the president said. "'One Road and One Belt' is a huge and inclusive platform, which helps to combine the rapidly expanding Chinese economy with the benefits of all parties involved," Xi said.

Source: Xinhua: China to speed up construction of Silk Road, 2014-11-06

Deal set to boost food cooperation
Chinese consumers may be licking their lips at the prospect of more high-quality food being available on supermarket shelves following an unprecedented agreement signed by agriculture tycoons from China and Australia on Monday. The agreement has been joined by about 50 enterprises from each country. It will boost investment in Australian agriculture, including livestock, to meet soaring Chinese demand for high-quality and safe lamb, mutton, beef and dairy products, Liu Yonghao, chairman of New Hope Group, a leading global agribusiness, said in Canberra. Liu and Andrew Forrest, chairman of FMG/Minderoo Group, signed the Executive Agreement on Agricultural and Food Safety 100 Year Partnership of Chinese and Australian Enterprises, also known as ASA 100, in the presence of President Xi Jinping and Australian Prime Minister Tony Abbott. The food sold to China will be of the highest quality and "marked under one brand and under one logo", said Forrest, who co-chaired the ASA 100 framework with Liu. "We'll defend the logo and brand in China. If someone wants to take that brand and put it on cheaper, low-quality food, we will defend ourselves from that," he said. Liu said ensuring food safety is a priority for China, and Chinese enterprises hope to bring the experience of one of the world's leading food producers to China. Besides New Hope Group, other industry heavyweights, including a leading producer of beverages, Wahaha, also joined the initiative, Liu said.

ASA 100 members will also include federal, state and territorial ministers and major food producers and distributors from each country. They will meet annually, Xinhua News Agency cited The Australian newspaper as
saying. Liu said such initiatives result from the highly complementary economies of China and Australia. According to Forrest, while China's demand for high-quality meat and dairy products exceeds supplies, Australia produces "too much food for too limited a market". "I want to multiply, absolutely multiply, the amount of food Australia produces for the people of China. The only way to do that is to get the industries in both countries talking to each other, cooperating and becoming good friends. That's what I said the ASA 100 is achieving," Forrest said.

China has seen a surge of imported food in recent years because of recurring food scandals and demand from the growing middle class. But Forrest said earlier that he was struck by the lack of Australian food in China's large supermarkets, especially when compared against New Zealand's dairy products, which are readily available in China. The market for baby formula in China is booming, with revenue likely to hit 191 billion yuan ($31 billion) by 2017, more than double last year's. Meat consumption per person is projected to double in China by 2020. Chinese agricultural trade will gradually be replaced by cooperation on investment, technology and livestock breeding, said Zhang, adding that Australia could revive its husbandry industry, which is sluggish due to low prices in the global market, by tapping China's vast market.

Source: Wu Jiao in Canberra and Zhao Shengnan in Beijing: Deal set to boost food cooperation, China Daily, 2014-11-18

FTA with South Korea starts next year

The bilateral free trade agreement between China and South Korea will be effective in the second half of 2015, even as steps are underway to fast-track the proposed China-South Korea-Japan FTA, a top government official said on Monday. According to Wang Shouwen, the assistant minister of commerce, most of the negotiations on the China-South Korea FTA have been completed and efforts are being made to iron out the technical glitches. "We expect the process to be completed by the end of this year," he said. "China and South Korea have effectively reached a free trade agreement that would remove or sharply reduce trade and investment barriers between two nations," said Wang. About 17 areas were involved in the negotiations between the two sides and have been detailed in 22 chapters, including trade remedies, customs clearance, investment transparency, communications and intellectual property rights. China and South Korea launched the FTA negotiations on May 2, 2012. The 14th round of talks was held earlier this month in Beijing. Wang attributed the speedy progress to the direct talks between President Xi Jinping and South Korean President Park Geun-hye in July. The two leaders had agreed to make efforts to conclude the negotiations within this year. China is South Korea's biggest trading partner, largest export destination and import source, and the largest destination of overseas investment. South Korea is China's third-largest trading partner. Trade between the two countries reached $274 billion in 2013, a 7 percent year-on-year increase and equaling South Korea's trade volume with the United States and Japan combined.

Sun Yuanjiang, deputy director-general of the department of international trade and economic affairs at the Ministry of Commerce, said the China-South Korea FTA will provide the modality as well as the driving force for progress toward a China-Japan-South Korea FTA and a Regional Comprehensive Economic Partnership. The three countries are holding negotiations on a trilateral FTA. They are also negotiators for the Regional Comprehensive Economic Partnership that covers 16 economies in Asia. "Economic integration in East Asia has been facing strains in recent years and a bilateral FTA will help advance trade and investment ties under the Regional Comprehensive Economic Partnership framework," said Sun.

Though many manufacturers and trading firms from Taiwan have expressed concerns about the proposed FTA and its likely impact on their trade with the Chinese mainland, the assistant minister said the Chinese mainland will continue negotiations on agendas of the Economic Cooperation Framework Agreement with Taiwan to further deepen cross-Strait economic ties.

Source: Zhong Nan: FTA with South Korea starts next year, China Daily, 2014-11-18

China, S.Korea, Japan to hold new talks on trilateral FTA
SEOUL - China, South Korea and Japan will hold the sixth round of talks for a trilateral free trade agreement (FTA) next week, after Beijing and Seoul concluded the substantive negotiations for a bilateral FTA, the trade ministry said on Sunday. The sixth round will be held on Nov 24-28 in Tokyo, according to the Ministry of Trade, Industry and Energy. Negotiations for the trilateral FTA were launched in November 2012. In the past two years, the three sides discussed various areas, including goods, services, investment, competition, intellectual property rights, e-commerce and environment, under the principle of achieving a comprehensive and high-level FTA, the ministry said.

During the upcoming round, delegates from the three countries will focus mainly on discussing basic guideline, goods liberalization and how to liberalize services and investment. Differences have lasted over the issues among the three nations, the ministry said. The next round of talks comes after Chinese President Xi Jinping and his South Korean counterpart Park Geun-hye confirmed in Beijing the conclusion of substantive negotiations on the China-South Korea FTA on Nov 10. The South Korean trade ministry said it will seek to maintain consistency in talks for the trilateral trade deal with the China-South Korea FTA, which was effectively agreed. It noted that it will also actively participate in the Regional Comprehensive Economic Partnership (RCEP). South Korea has sought to join the negotiations for the RCEP, a multilateral FTA that will include China, South Korea, Japan and 10 members of the Association of Southeast Asian Nations (ASEAN) as well as India, Australia and New Zealand.

Source: Xinhua: China, S.Korea, Japan to hold new talks on trilateral FTA, 2014-11-24

Net FDI into Chinese financial organs hit $1.9b

China's financial institutions received 11.68 billion yuan ($1.9 billion) of net direct investment from overseas investors in the third quarter, the country's foreign exchange regulator said on Monday. This was lower than the 12.2 billion yuan in the second quarter, according to the State Administration of Foreign Exchange (SAFE). Meanwhile, the country's financial institutions, including banks, insurers and securities firms, made a net investment worth 305 million yuan overseas. The SAFE has been releasing data on a quarterly basis since 2012, as part of the regulator's efforts to increase the transparency of foreign exchange statistics.

Source: Xinhua: Net FDI into Chinese financial organs hit $1.9b, 2014-11-18

Negative list' heads for wider adoption

China will further reform its foreign investment management system by adopting a "negative list" approach to streamline the process, officials from the top economic planner said on Friday. The sixth version of the nation's foreign investment catalog is expected to come into effect by the end of the year, following a public comment period on the document. China will develop a plan to give pre-entry national treatment to foreign investors and explore a 'negative list' management approach", said Wang Dong, deputy director-general of the department of foreign capital and overseas investment at the National Development and Reform Commission. Wang said that these steps will be among the "significant moves" to facilitate foreign investment since it joined the World Trade Organization in 2001. The NDRC did not give any timetable for the adoption of the "negative list" management model. China will start substantive negotiations on the negative list with the United States in early 2015 as part of ongoing bilateral investment treaty talks between the world's two largest economies.

A "negative list" is usually appended to a bilateral investment treaty. It specifies areas where foreign capital is banned or limited. Areas not listed are assumed to have no restrictions. The approach was adopted in the China (Shanghai) Pilot Free Trade Zone. The "negative list" management system will be a fundamental change in the nation's investment management compared with the existing investment approval system, said Zhang Jianping, a senior researcher at the Institute for International Economic Research. The NDRC has cut the number of sectors with restrictions on foreign investment to 35 from 79 and sectors that require firms to have a Chinese majority shareholder to 32 from 44. "The revised draft of the foreign investment catalog saw the greatest changes compared with the previous five versions," said Wang. Also on Friday, the NDRC invited the American Chamber of
Commerce in China, the European Union Chamber of Commerce in China, the US-China Business Council and the Japan-China Investment Promotion Organization, plus a number of foreign firms, to exchange opinions. Foreign investors welcomed the latest efforts to remove barriers to foreign investment in China, but they urged the government to further open investment in areas such as the service sector. John Lenhart, director and chief representative of the US-China Business Council, said foreign investment has become a significant part of China's development. "Some may be concerned that opening up would hurt the interests of some Chinese enterprises, but the experience of the manufacturing and electronics industries have showed that opening up and competition can also make Chinese enterprises stronger and more efficient," said Lenhart.

Source: Lan Lan: 'Negative list' heads for wider adoption, China Daily, 2014-11-22

**Asia is the Key Growth Region for FDI, Finds Frost & Sullivan:** Along with healthcare and ICT sector preference, R&D and manufacturing activities represent key investment focus areas

LONDON, Nov. 26, 2014 /PRNewswire/ -- In spite of the recent drop in foreign direct investment (FDI) inflows, most developing economies have remained buoyant. According to a new Frost & Sullivan's global research paper, titled Foreign Direct Investment, Asia is still seen as the key growth region for targeting FDI. At the same time, a further decline for developed economies is confirmed. The Frost & Sullivan's analysis covers global FDI trends, provides perspectives of Investment Promotion Agencies (IPAs) based on insights that have been obtained from a survey of 35 senior-level officials working in IPAs across the globe and best practices in investment promotion. For complimentary access to more information on this research, please visit: http://corpcom.frost.com/forms/EU_PR_CCarella_FDI_24Nov14

Source: Asia is the Key Growth Region for FDI, Finds Frost & Sullivan: Along with healthcare and ICT sector preference, R&D and manufacturing activities represent key investment focus areas, PR Newswire [New York] 26 Nov 2014.

**China's outbound investment largely goes to APEC members**

Six of the top ten destinations of China's outbound investment from 2005 to June 2014 have been the Asia-Pacific Economic Cooperation (APEC) members, said President Xi Jinping on Sunday. The country's investment overseas has totaled more than $200 billion in the nine and half years, said Xi in his speech at the CEO Summit of the ongoing APEC meetings.

Source: Xinhua: China's outbound investment largely goes to APEC members, 2014-11-09

**China's overseas investment to hit $1.25t in next decade**

China's investment abroad in the next 10 years is expected to reach $1.25 trillion, President Xi Jinping said on Sunday. He made the remarks while addressing the CEO Summit of the ongoing Asia-Pacific Economic Cooperation (APEC) meetings. In the next five years, China's import of goods is projected to exceed $10 trillion while the number of outbound Chinese tourists will surpass 500 million, Xi added.

Source: Xinhua: China's overseas investment to hit $1.25t in next decade, 2014-11-9

**Rules set to be eased on outbound investment**

Residents of Shanghai will be permitted to open individual free trade accounts for direct outbound investment within the China (Shanghai) Pilot Free Trade Zone, the Financial Times newspaper said on Monday, quoting Shanghai Party chief Han Zheng. The paper said the move is part of the efforts to provide greater freedom in overseas investments and said the pilot program may start next year. Qualified individuals will be allowed to set up free trade accounts within the FTZ, which will enable Chinese investors to put their money in overseas stocks, bonds and real estate, according to Han. Qualified individuals within the free trade zone will be allowed to open capital accounts in a gradual and orderly manner, on condition of good risk control, said Han.
Currently the major outbound investment channel for domestic investors is the Qualified Domestic Institutional Investor program. The program, which started in 2006, enables domestic investors to buy overseas stocks and bonds through mutual funds. Earlier this year, officials of the FTZ said some lenders within the FTZ had already helped their individual clients open free trade accounts. However, many functions of the accounts could not be realized due to lack of supporting facilities and detailed policies.

Zheng Yang, director of the Shanghai Financial Services Office, said at a news conference on Saturday that the FTZ will further strengthen the free trade accounting unit business. He said more efforts need to be done to get more participants from non-banking sectors - brokerages and insurance firms - to start free trade accounts. Qualified individuals within the FTZ will be allowed to make two-way investments in domestic and overseas stock and futures markets in future. Overseas institutions will also be able to invest in Shanghai's stock and futures market through free trade accounts within the FTZ, said Zheng.

Source: Wu Yiyao in Shanghai: Rules set to be eased on outbound investment, China Daily, 2014-11-18

**Chinese firms ride new wave of 'going global'**

"The year 2014 marks another milestone for the 'going global' push after China's entry into the World Trade Organization (WTO) in 2001, as outbound direct investment (ODI) is expected to outpace foreign direct investment (FDI) for the first time ever this year," Huang Mengfu, honorary president of the All-China Federation of Industry and Commerce, said at the inaugural meeting of the China Outbound Forum held in South China's tropical city of Sanya last weekend. Nearly 5,000 Chinese firms invested in 154 countries and regions in the first ten months of 2014, with ODI by non-financial firms rising by 17.8 percent year on year to $81.9 billion, while FDI in the Chinese mainland dropped 1.2 percent year on year to $95.9 billion, the Commerce Ministry said last week.

The State Council, China's cabinet, last Tuesday released a much shorter list of ODI projects needing government approval to encourage enterprises to enter the international market. "A more comprehensive national support strategy and mechanism for going global will soon be in place, as evidenced by efforts by the government to further relax regulations relating to outbound investment and the pushing ahead of regional cooperation initiatives," Huang said.

China's investment abroad in the next decade is expected to reach $1.25 trillion, Chinese President Xi Jinping told the CEO Summit at the APEC Beijing meetings. In Long's opinion, the going-global trend is natural and inevitable, as rising economic prowess has given Chinese firms confidence, while considerable foreign exchange deposits offer abundant financial support and regional cooperation initiatives such as the Silk Road economic belt will provide new opportunities. Most importantly are the demands of the global market. China needs to seek new technological and management expertise to facilitate economic restructuring and find markets to digest its growing capacity, while other countries look to Chinese investment to buoy economy and boost employment, Long said.

In 2013, Chinese investors conducted direct investment in 5,090 overseas enterprises in 156 countries and regions, with the Association of Southeast Asian Nations (ASEAN), the European Union, Australia, the United States, Russia and Japan being the top investment destinations, according to a report released last month by the Center for China and Globalization. Investment patterns are gradually changing from traditional resource and energy intensive projects to the hi-tech sector, as China undergoes industrial modernization to ascend the global industrial value chain, the center head Wang Huiyao said. Private firms are catching up fast in the going global push. About 45 percent of the 15,300 Chinese firms venturing overseas last year were private players, establishing an impressive presence in the United States. Their investment volume in the United States amounts for over 70 percent of China's total investment in the country, covering about 90 percent of all investment projects, the report said. Africa is also a rising market, there are over 2,500 Chinese firms operating in Africa, as labor-intensive projects went to Africa to ease China's overcapacity and help boost local employment.

However, the roads to foreign lands are not paved with gold. Transactional and operational failures haunt many Chinese firms due to a lack of trust with local stakeholders, fierce competition and ignorance of the local
regulatory and cultural environment, said US law firm Covington & Burling LLP. Meanwhile, in-fighting among domestic competitors rushing to undercut each other is to blame for much of the overseas anti-dumping accusations, Long said. “You have to play by the rules of the local market and honor transparency and fair competition,” said Cao Dewang, chairman of Fuyao Group, a global leading automobile glass maker with investment in about ten countries. As a renowned Chinese philanthropist, Cao cultivated his experience in corporate social responsibility which has been of benefit to his overseas business interactions. "On the day in 2011 when our group established a charity fund, the then vice-president of Toyota told me excitedly that they were proud to have business partners like Fuyao," Cao said.


Rules set to be eased on outbound investment

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