China News in Brief
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China sees challenges as it opens up economy. Private enterprises take spotlight as premier lowers target for growth

Finance minister quizzes over growth patterns

Bad beginnings: The economy

China sees challenges as it opens up economy. Premier lowers target for growth. Economic growth to stay within ‘reasonable range’

China has the tools to tune up the economy

‘New normal’ good for business, says Premier

PBOC governor calls for vigilance on deflation

Key sectors focus of reforms

China vouches further deep reform for economic vitality

Reform will power change across electricity industry

China economy: Addressing the crisis in local government finances

Debt swap covers 54% of repayments

Stricter rules being considered for PCP lenders

Debt swap plan of local governments set to be expanded

China ‘bad bank’ lends itself to distressed debt on Taobao

Report calls for indirect tax cut

China fiscal revenue rises 3.2% in first two months

Premier gives encouragement to entrepreneurs

China aims to be leader in innovation

Premier pledges million new homes for low-income group

Consumer-led growth demands better rights protection

Registration-based IPCs likely to be rolled out this year

Ceiling hike for foreign investors ‘very soon’

China’s IPR policy to create balanced system

China aims for cleaner coal consumption

E-commerce purchase regulations modified

China to strictly regulate online commerce

China approves pilot cross-border e-commerce zone

Premier Li highlights key role of e-commerce

University’s deal spurs exposure Zhao as China’s tech billionaire

Aim is to be world-class megacity

Top 10 Chinese cities with expansion prospects

Regional integration will help narrow income gaps

Macao will ease reliance on casinos

New measures to meet flood needs

China plans new wave of State firm consolidation

Independent firms to audit SOEs overseas assets

China’s manufacturing PMI rebounds in February

Made in China?: Global manufacturing

China to boast ‘Made in China 2025’ strategy

Curtain rises on industry’s way forward

China expects steady, sound growth of real estate

Silk Road initiatives to produce tremendous business opportunities

AIB: a case for cooperation

China’s Finance Ministry welcomes new members of AIB

US satisfied in resisting China bank, analysts say. After allies join Beijing, Washington is left with little away at institution

Gwynn’s sons prompt on AIB

Infrastructure bank will produce brave new world of opportunities

UK move to join China-led bank a surprise even to Beijing

China does not seek dominant role in AIB

CHINA: AIB will reshape development finance landscape

‘Belt and road’ blueprint boosts practical cooperation

Belt and Road initiatives to benefit Asia, beyond

NDRC head sees pivotal role for investment

China’s ‘not seeking to overturn UN-centric world order’. But updates are needed to reflect global changes, says Foreign Minister

China-backed investment bank welcomes all countries: Xi

China continues to promote win-win cooperation

Belt and Road forum for Asia Annual Conference 2015 concludes

‘It’s time to get up the year’

Global Finance: Canada Aims to Boost Deals in China Currency

Further opening agro trade would benefit Sino-US trade talks

China faces pressure on exports

China approves three new free trade zones?

Free trade zones set to become vital testing grounds for broad reforms

Foreign investment restrictions to be cut

FDI rises 17% in Jan-Feb

China pulls back tax breaks for foreign companies

New guidelines for auto joint ventures

Prada’s GM in S. Korea resigning

Global Finance: Chinese firms go for trophy assets

Chinese firm finds life tough in Detroit

Chinese investments pour into US
China sees challenges as it opens up economy: Private enterprises take spotlight as premier lowers target for growth

Premier Li Keqiang, in his annual speech to the nation, warned Thursday that China would have to overcome economic inefficiencies, excess capacity and impediments to private enterprise if it were to maintain healthy rates of growth. "China's economic development has entered a new normal," Mr. Li said. "Systemic, institutional and structural problems have become 'tigers in the road,' holding up development. Without deepening reform and making economic structural adjustments, we will have a difficult time sustaining steady and sound development."

"We see very little progress in reform in real sectors of the economy that could boost growth," Professor Tao said. "All the real economic reforms are very difficult to carry out, but the economic slowdown has made the government nervous, and they began to stimulate again. I think we need faster economic reforms to get the economy on the right track."

By shifting to a softer growth target with an "around" qualifier, the government is also signaling its intent to focus more on the composition of economic growth than on its absolute pace. But doing away with targets would be a step too far for China at the moment, experts say. Setting a softer growth goal represents "a helpful step away from the tradition of specifying a target," Mr. [Daniel H. Rosen] said. "For now, however, too many aspects of China's fiscal system still rely on this annual touchstone to abolish it altogether."


Finance minister quizzed over growth patterns

China's slowing revenue growth and rigid spending growth became the focal point of a news conference held by the Finance Ministry on Friday. Finance Minister Lou Jiwei was confronted on the issue three times by different media outlets, highlighting widespread concern over the topic. China's general revenue rose by 8.6 percent to 14 trillion yuan ($2.25 trillion) last year, the lowest expansion for 23 years. At the same time, to withstand downward pressures this year, Lou said, the country "must adopt an appropriately expansionary fiscal policy to prevent the economy from falling off a cliff". The central government spent 15.2 trillion yuan last year, leaving a deficit of 1.13 trillion yuan, or 1.78 percent of GDP that year. This year, the budget deficit is set to widen to 1.62 trillion yuan, or about 2.3 percent of GDP, the widest since 2009. Economists asked whether this is adequate to counter the slowdown and safeguard the government's GDP growth target of "around 7 percent". Lou said the actual budget deficit will be about 2.7 percent of GDP, or 1.83 trillion yuan this year, after incorporating carry-over funds from previous years and budget stabilization funds. He said local governments are allowed to have a 500 billion yuan deficit this year - up from 400 billion yuan last year - and a 100 billion yuan "special debt". The 600 billion yuan deficit will be addressed by issuing local government bonds. Lou admitted there is pressure on revenue, which he said could grow at a single-digit rate for a long time, adding that spending growth is "rigid". "You raised a question that is difficult for me to answer," he said when responding to one journalist. "'Rigid' doesn't mean we cannot adjust. We have cut some unreasonable spending - for example, subsidies on energy-saving products."

Source: Zheng Yangpeng: Finance minister quizzed over growth patterns, China Daily, 2015-03-7

Bad beginnings; The economy

Xi Jinping, China's president, has spread the gospel of a "new normal", by which he means that the government should place less emphasis on GDP and instead pursue structural reforms, such as fixing local-government debt problems. The central bank has trimmed interest rates, but only cautiously. With consumer price inflation at a five-year low of 1.1% and producer prices deep in deflation, there is scope for the government to do more. That is likely to happen.

China has resilience to keep economy growing: Premier

China has the potential, resilience and room to keep its economy growing within a rational range, Premier Li Keqiang said at a press conference at the end of the annual session of the National People's Congress, China's top legislature, on Sunday. Premier Li answered 17 questions from Chinese and foreign media covering almost all fields, with the focus on economy and reform. It is easy to realize the 7 percent growth, a lower target than previous years, given China's huge economic size, Premier Li said. "We should pay more attention to the quality and efficiency of the economy, so as to ensure the steady and healthy economic growth in the long run." Premier Li allayed the foreign reporters' worries on the future of Chinese economy, and said the government will strengthen its well-targeted macro-control policies to keep the steady economic growth, guaranteeing enough jobs be created and price inflation be checked.

The rational-range economic growth, high saving rates and reform of government debt platform and the financial sector ensure that the government has the ability to avoid regional and systematic financial crisis, despite the slight increase of bad loans, which is still lower conventional international standard. "We allow some individual cases of financial risks to happen, and they should be settled through market-based methods," Li said. Li denied that China has entered or exported deflation. "China is actually at the receiving end of deflation, and 'deflated' by the drop in staple commodity prices in the world," Li said. "Chinese government still has plenty of tools at its disposal … to keep a delicate balance between restructuring and growth," said Li. "There is mounting downward pressure and multiple challenges and we should keep a big sight in mind and make the correct move at the same time.

Reform has been the key word in Li's three press conferences at the NPC's annual session as premier since 2012. The deepening of reform will necessarily touch the interests of some people, Li said. "Giving up power is not to trim finger nails, but cut one's own hand." "The government's self-imposed reform is still there and acute. Streamlining the government and delegating powers to the market and society can boost the vitality of the market and the economy," Premier Li said responding to a question on reform and economy raised by Bloomberg.

Chinese government cut one third of its administrative approvals in two years, and the number of market subjects increased by nearly 50 percent year-on-year last year. The government reform must be finished. It is useless to release the hand break while keeping the foot break, Li said. To put the power under effective supervision, Premier Li urged the provincial governments to issue their "negative lists" of government's responsibility and power this year, and the city and county governments will have the lists in the next year. Power abuse is a major issue in the government's reform. "The key points of fight against corruption are to implement the rule of law, reform the institutions and improve the supervision and transparency of powers," Li said answering Beijing News' question on anti-corruption. "Apart from corruption, the inaction and irresponsible officials must be addressed."

Li also faced difficult questions on government's work, such as the environmental protection. "The government has made great efforts to clean the air. But the effects are still far from the people's expectation," Premier Li said. "The new Environmental Protection Law must be implemented effectively … There should not be power superior to the law, or interference in the process, and there should be a strict accountability system to supervise the environmental watchdogs." The energy saving and cutting emission targets are written together with the other key targets of the economy and society in this year's Government Work Report. Li emphasized that it takes time and joint efforts of the whole society. "If the environment cannot be changed soon, the people can change their way of behaviors."

In his reply to a question on housing market from the Financial Times, Premier Li Keqiang welcomed foreigners to buy homes in China. He said housing is not only an economic issue, but also concerns people's livelihood, vowed to fulfill the government's responsibility to ensure the poor people have houses to live in. "The local governments should be responsible for the macro-control of local housing market … the central government hopes to see a steady and healthy growth of the housing market in the long run," Premier Li said.

The vitality of economy also comes from innovation, job creation and starting new businesses.
"The government should continue its efforts to not only remove the obstacles, but more importantly build the platform, to boost innovation and mass entrepreneurship," Li said. Government fund, tax cut and business registration reform are all effective measure to open market access and improve the environment especially for micro and small businesses. And Li openly expressed his support for e-commerce in China. He said: "I like promoting new forms of business of e-commerce and related industries, because they create jobs, and stimulate consumption."

The aging of population has already been a concern for Chinese economy. Li said the government is assessing the effects of its population policy reform, taking into account the social and economic situations. "But the policy adjustment must be made according to the laws," Li noted.

The first foreign-affair question was on Sino-Japan relations. After expressing China's principle on peace and history, Li said the root cause of the soaring bilateral ties is the different attitudes to history. A state leader should not inherit the legacy of history, but also the historical responsibility, Li said. "The Japanese people are also victim of the war … This year is the 70th anniversary of the victory of Anti-Fascist War is both a test and an opportunity for Japan." If the Japanese leaders can hold a responsible and constant view on history, there will be possibility and room for improvement of bilateral ties in political and economic realms.

Refuting the claim that China has surpassed the US as the world's largest economy through "taking a free ride of the US", Li said China's average per capita GDP is only ranked 80th in the world, and China still has 200 million people living under the World Bank's poverty line of 1.25-dollar a day. "China is still in every sense a developing country." "With such a big size as China, it is impossible to take a free ride of anybody else. China is actually pushing the car together with the other countries," Li said. "The Sino-US relations are between the largest developing country and the largest developed country." China and the US have more common interest than divergences. The two sides are negotiating bilateral investment treaty, which will break the ceiling of the bilateral ties, and send out the message that the countries will cooperate more closely with each other, Li said.

As for questions on Hong Kong and Taiwan, Li reiterated Chinese government's constant stance, principles and policies.

Source: Li Yang: China has resilience to keep economy growing: Premier, China Daily, 2015-03-015

Li: Economic growth to stay within 'reasonable range'

Premier Li Keqiang pledged on Sunday to keep China's economic growth within a "reasonable range" as it enters the "new normal" development era. "If the downturn affects employment and incomes, or comes close to the bottom line for growth, we will stabilize policy and the market's long-term expectations, while enhancing the strength of target policy control to stabilize confidence," he said at the news conference after the close of the annual session of the National People's Congress on Sunday. "We haven't introduced strong short-term stimulus measures in recent years, so there is a great deal of room to take more measures." Li confirmed that China will face greater economic slowdown pressure this year, and the key is to find a balance between stabilizing growth and adjusting the economic structure. "We can keep the Chinese economy growing at a moderately high rate and contribute a lot to the global economy as long as we focus on improving the quality and efficiency of the growth," he said. China's economic growth slowed to a 24-year low of 7.4 percent in 2014. The government annual work report has lowered this year's target to around 7 percent, down from around 7.5 percent last year.

Source: Chen Jia: Li: Economic growth to stay within 'reasonable range'. Xinhua, 2015-03-15

China has the tools to tune up the economy

BEIJING -- China's main stock index advanced for the fourth consecutive day, nearing a seven-year high on Tuesday, in anticipation of more support for stable growth. The benchmark Shanghai Composite Index rose 1.55 percent to end at 3,502.85 points. The run was prompted by Premier Li Keqiang's remarks last week that the government is likely to resort to a large set of "tools" to keep growth stable.

Source: Li Yang: China has resilience to keep economy growing: Premier, China Daily, 2015-03-015
China has a full "tool kit" at its disposal and will use them if growth nears the lower end of its range, Li told a press conference after the annual parliamentary session. "We are prepared to step up targeted macro-economic measures to boost market confidence if the slowdown hurts employment and salaries," said the premier. China is under considerable downward pressure, and things probably won't improve much in 2015. Growth in industrial output is down. Retail sales growth is down. Li admitted that it will be "by no means easy" to achieve this year's GDP target of around 7 percent, but where there's a will, there's a way. Monetary and fiscal policies are powerful all-purpose utility tools and policy makers have already hinted that action is underway to prevent the economy sliding further.

Central bank governor Zhou Xiaochuan said last week that there would be some room for prudent adjustments to monetary policy, echoing the premier who is prepared to inject liquidity, "if necessary". Benchmark interest rates were cut twice last year and the reserve requirement ratio (RRR) for banks has decreased. Some analysts expect more reductions soon. As for fiscal policy, the government plans spend more by raising its 2015 fiscal deficit to 1.62 trillion yuan ($264 billion), 2.3 percent of GDP, up from 2.1 percent in 2014. Much of the increased expenditure is expected to go on infrastructure: at least 800 billion yuan on railways, and another 800 billion yuan on major water projects. Spending on infrastructure boosts demand in many ways while creating jobs. If the economy remains anemic, bolder measures cannot be ruled out. Maintaining growth is an imperative for China with about 200 million people still living under the World Bank poverty line.

What makes more macro-economic regulation feasible is that China has much policy leeway, thanks to years of refraining from stimulus programs.

Although the consumer price index (CPI), the main gauge of inflation, rose to 1.4 percent in February from a five-year low of 0.8 percent in January, it is still well below the 2015 target of 3 percent. The producer price index (PPI), which measures wholesale inflation, plunged 4.8 percent year on year in February, the 36th straight month of decline, pointing to continuing weak market demand. A subdued price level helps create a favorable environment for expansionary monetary and fiscal measures. China's RRR of 19.5 percent is among the highest worldwide, meaning that Chinese banks have nearly one fifth of their huge deposits locked up. The benchmark interest rate for one-year lending of 5.6 percent is very high compared with almost zero or even negative rates in some fragile economies. The benchmark one-week Shanghai Interbank Offered Rate (Shibor), which measures the cost at which Chinese banks lend to one another, dipped 8.8 basis points on Tuesday to 4.62 percent - still high. An expensive interbank market is a major indicator that liquidity is probably not sufficient.

Although monetary and fiscal policy may be powerful and effective, China seems to prefer long-term and far-reaching measures: reform and innovation. "The current economic downturn is mainly an outcome of accumulated structural and systemic imbalances, and only targeted reforms can effect a permanent cure," said Zhu Baoliang with the state information center, a government think tank. Zhu believes mixed-ownership of state enterprises and less regulation in sectors like energy, finance and telecommunication, are also options. "Reform will not undermine growth as long as it is arranged in a rational order and in line with short-term macro-controls," Zhu said.

Source: Xinhua: China has the tools to tune up the economy, 2015-03-18

'New normal' good for business, says Premier

The "new normal" of the Chinese economy will create a more favorable business environment for foreign companies, Premier Li Keqiang said on Monday. Li made the remarks at a meeting in Beijing with the participants of the China Development Forum 2015, including leaders from businesses and international organizations as well as foreign experts. The premier said foreign investment has a crucial role to play, especially in the services and manufacturing sectors, in aiding China's efforts to move up the value chain amid the "new normal"—a phrase introduced by President Xi Jinping to describe slower growth, but of better quality. Structural adjustments are necessary as the economy upgrades, but the door will only open wider for foreign investment, Li said. "As China is
transforming into a service-led economy and the domestic service businesses lack experience, foreign capital has a big role to play in that regard," Li said, adding "it is the same case in the manufacturing sector as our need for high-end technologies and products is growing." Opportunities also exist in exploring new markets, Li said. "When I was in Central and Eastern Europe recently, several nations expressed interest and willingness to upgrade their outdated railway transport systems. This is a process in which both Chinese equipment and Western technologies are needed." Li said he and Kazakhstan Prime Minister Karim Massimov had agreed on a draft list of industrial cooperation worth $18 billion during his visit to the Central Asian country in December, including the export of flat glass and cement. Both of these sectors are facing an over-supply situation in China and exports of the products to the resource-rich Central Asian country would help it achieve a better balanced industrial structure.

Jean-Pascal Tricoire, president and chief executive officer of Schneider Electric who hosted the meeting, said although the "new normal" of the Chinese economy is the main discussion point at the China Development Forum 2015, it is natural that the discussions tend to be more on the "new normal" of the world economy as people have realized that the "new normal" in China has a significant impact on global trends. Daniel Kirchert, president of Dongfeng Infiniti Motor Co Ltd who is attending the CDF, said the idea of the new normal that the Chinese government proposed last year, as well as the transformation from an investment-driven to an innovation-driven economy that is behind that idea, is correct.

Source: ZHAO YINAN: 'New normal' good for business, says Premier, China Daily, 2015-03-24

**PBOC governor calls for vigilance on deflation**

BOAO - China's central bank governor Zhou Xiaochuan warned on Sunday that the country needs to be vigilant for signs of deflation and said policymakers were closely watching slowing global economic growth and declining commodity prices. Zhou's comments are likely to add to concerns that China is in danger of slipping into deflation and underline increasing nervousness among policymakers as the economy continues to lose momentum despite a raft of stimulus measures. "Inflation in China is also declining. We need to have vigilance if this can go further to reach some sort of deflation or not," Zhou said at a high-level forum in Boao, on the southern Chinese island of Hainan. Zhou added that the speed with which inflation was slowing was a "little too quick", though this was part of China's ongoing market readjustment and reforms.

The People's Bank of China (PBOC) has cut interest rates twice since November and taken other steps to support growth, but economists believe it will be forced to take more aggressive measures in coming months if prices and the economy weaken further. Zhou also said China had a "clear direction" in terms of interest rate liberalization - a long-term goal - although he added it was difficult to put a clear timetable on the move. He pointed to comments made last year when he said the country's deposit rates were likely to liberalised in one to two years. Zhou also said on Sunday that China hoped to work on streamlining regulations around foreign exchange this year and that through the adoption of new rules China would eventually be able to achieve capital account convertibility. China is also "cautious" about the wider global slowdown, falling inflation and tumbling commodity prices, Zhou said. The price of oil, for example, is down by over 50 percent since mid 2014, aggravating a broader commodity price rout which has pushed down inflation in all the major industrial economies. China is particularly susceptible as the world's largest net importer of petroleum and iron ore.

Earlier this month, China announced an economic growth target of around 7 percent for this year, down from 7.4 percent in 2014, already the slowest in 24 years. But weak data so far in 2015 suggest the new target may already be at risk, with sluggish domestic demand, a cooling property market, industrial overcapacity and high debt levels dragging on activity.

Source: Xinhua: PBOC governor calls for vigilance on deflation, 2015-03-30

**Key sectors focus of reforms**

Premier Li Keqiang delivered the government work report to the press ahead of the annual session of the
China vows further govt reform for economic vitality

BEIJING -- China will do more to streamline administration and delegate more powers to lower-level governments and society while improving regulations this year, Premier Li Keqiang said on Thursday. "This year, we will delegate the power or cancel the requirement for government review for more items, cancel all non-administrative reviews and establish a system for exercising well-regulated management over the government review process," Li said while delivering a government work report to the Third Session of the 12th National People's Congress (NPC), the national legislature. Government at all levels needs to adopt effective ways to streamline administration, delegate powers and transform their functions, creating an enabling environment for enterprises, said the report, adding "cuts to government power will be made to boost market vitality". Streamlining administration has been one of China's reform priorities over the past two years. The reform has been pushed by a long-term and common complaint among citizens that it is difficult and time-consuming to deal with bureaucratic administrators when investors, for example, seek approvals for launching businesses.

In 2014, departments under the State Council, the country's Cabinet, canceled the requirement of, or delegated the power for, review on 246 items. Since then change has taken place. The new policies were felt by Liu Ying, an accountant of a private firm in Tiexi district, Shenyang city in Northeast China's Liaoning province. "I used to have to go to several offices in different floors of the same building for official stamps for invoices or tax declaration affairs. It took me time and I often met snooty clerks," she said. "The procedures were much simplified last year and I can have all the business done at one place and the clerks have become friendly," said Liu, adding "the change is really great". The central government has canceled or delegated power to lower-level governments for more than 500 administrative review items, about a third of the total, since it took office in March 2013. Its a big step in helping realize the premier's promise made at the beginning of his first five-year term. Streamlining power is one of the ways to improve government efficiency and boost economic vitality amid the country's economic slowdown.

Thanks to a new business registration policy which took effect in March last year, the number of newly founded companies in China surged almost 46 percent year on year to 3.65 million in 2014, with their total registered capital hitting 19.05 trillion yuan ($3.11 trillion), up 99 percent, official data showed. A negative list for market access will be drawn up and provincial-level governments will make their lists of powers and
responsibilities open to the public, according to the premier. These lists will be the focus of the administration reform this year, but they are arduous tasks, said Xu. The potential and quality of streamlining both need to be improved, said Sun Yinhuan, member of the National Committee of the Chinese People's Political Consultative Conference, the country's top political advisory body. Differences regarding the scopes and standards of power streamlining exist in some places, said Yan Jirong, a political professor at Peking University. To achieve the medium-high level, innovation-driven growth, the country must turn to reforms for economic vitality and new drivers, he said. The government should continue to implement the reforms and take new moves to strengthen assessment so as to ensure the quality and effects of reforms, said Xu. The public have much higher expectations of government reforms, said Xu, adding only more substantial reforms can make they feel themselves real beneficiaries.

Source: Xinhua: China vows further govt reform for economic vitality, 2015-03-6

Reforms will power change across electricity industry

China, the world's largest electricity consumer, is exploring the possibility of allowing private and foreign capital in some power-related businesses like sales and distribution as part of its ongoing reforms for the sector, a top planning official said on Wednesday. The State Council had issued a reform plan, Opinions Regarding the Deepening of the Power Sector's Reform, in mid-March that among other things sought to encourage competition in the sector and called for a revamp of the existing pricing system. The plan allows gradual infusion of social capital in the power sales and newly added distribution business, while the electricity transmission business will remain with power grid companies. A final decision on whether the power distribution and sales business will be opened up for foreign investment will be based on the "negative list" that is under preparation, Wang Qiang, a senior official of the department of economic system reform under the NDRC, told China Daily. Currently China uses a catalog for the guidance of foreign investment industries. Policymakers have said that the government will actively work to explore the management model for a negative list.

The NDRC reform plan envisages China to further optimize its energy mix and improve the share of renewable energy in electricity generation. China had the world's largest installed electricity generating capacity of 1.36 billion kilowatts in 2014. However, most of the electricity in China is produced from fossil fuels, particularly coal, and its burning often causes huge environmental problems like pollution. "China will take steps to ensure that the share of clean energy in electricity production keeps on increasing," said Wang. He said that China's electricity prices will gradually shift to a market-based system, except for households, agriculture, public utilities and public services. The new plan is also deemed beneficial for setting up cost-saving mechanisms for power grid enterprises and to promote the marketization of electricity, said Li Ying, chief engineer of the State Grid Energy Research Institute. At present, the profits of State Grid are based on the difference between on-grid and retail tariffs. Grid operators have often been criticized for keeping their costs opaque through a lack of disclosure. Grid companies will need to change their traditional business model and spend more efforts on cutting costs and improving efficiency. The power sector reform will also have an effect on coal-fired electricity companies and the rising costs will have an impact on coal prices as well, he said.

Source: LAN LAN: Reforms will power change across electricity industry, China Daily, 2015-03-26

China economy: Addressing the crisis in local government finances

One of the greatest challenges facing the current administration is the restructuring of China's local government financing system. On March 8th the Ministry of Finance published a statement saying that local authorities would be allowed to swap as much as Rmb1trn (US$163.2bn) in debt for bonds with a lower financing cost. This would mark the most dramatic step forward for the reform program so far. However, questions remain about the details of the proposal, and it does little to resolve the problem of boosting local government fiscal inflows.
The latest announcement falls under the third heading, of restructuring existing debt. The refinancing of Rmb1trn in local government debt will give a huge boost to the country's emerging municipal and provincial debt markets. It is believed that the figure comes on top of the quota of Rmb500bn (US$81.6bn) for local government bond issuance that had previously been set for 2015. The Ministry of Finance suggests that swapping high-interest debt for bonds may save local governments as much as Rmb50bn a year in interest expense, freeing up money for other purposes. The main losers will be the banks, who had previously been a key source of financing for local governments. Their interest income is likely to slip significantly as the reform process moves forward, although they should also be able to use the process to shift a large amount of what is effectively non-performing debt owed by entities linked to regional authorities off their balance sheets.

Source: EIU ViewsWire: China sees challenges as it opens up economy: Private enterprises take spotlight as premier lowers target for growth, China economy: Addressing the crisis in local government finances, (Mar 11, 2015)

**Debt swap covers 54% of repayments**

More than half of the high-interest local government debt that falls due this year will be covered under a debt swap plan arranged by the Ministry of Finance, which said on Friday that the swap would not raise the debt level further. The ministry on Monday disclosed that it had ordered issues of 1 trillion yuan ($160 billion) of low-yield municipal notes that will replace legacy liabilities, in a bid to ease local governments' mounting interest repayment pressure. An audit in June 2013 found local governments faced repayments of 1.858 trillion yuan in 2015. The debt swap covers 53.8 percent of that amount, and the conversion could reduce interest payments by 40 billion yuan to 50 billion yuan a year, according to the ministry. The latest statement from the ministry said the debt swap only covers funds borrowed before June 2013. Provinces and municipalities, instead of the ministry, will be primarily responsible for issuing and repaying the new debt. The debt swap represents "a change of form" and "not a rise of outstanding debt", so it will not add to this year's deficit, the ministry noted. According to the Economic Information Daily, which is affiliated with the official Xinhua News Agency, the 1 trillion yuan quota has been distributed among the provinces' finance bureaus. Jiangsu province got the largest share of more than 80 billion yuan, while Guangdong province got more than 50 billion yuan.

Tens of thousands of local government financing vehicles in the past few years amassed huge debts through bank loans, trusts or the public bond market. Some 2.8 trillion yuan in debt, which includes indirect liability, falls due this year. Of this, 558.7 billion yuan is LGFV bonds. Thus, the debt swap means that a smaller share of LGFV bonds coming due this year will be swapped. He estimated the proportion at about 20 percent. Zhu said that this year's budget has recognized the financing needs of unfinished projects. "The new budget allows refinancing of projects under construction through bank loans before the transition to a fully fledged local government bond market is complete," he said.

Source: ZHENG YANGPENG: Debt swap covers 54% of repayments, China Daily, 2015-03-14

**Stricter rules being considered for P2P lenders**

China's banking regulator is considering setting a threshold for market access, and introducing strict conditions on the leverage management of Chinese peer-to-peer lending companies, which industry experts said could help
control risks, but also limit the sector's development. P2P lending platforms differ from others, in that they lend money to unrelated individuals, or peers, without using a traditional financial intermediary such as a bank. A source with the China Banking Regulatory Commission said it had held an internal meeting last week to discuss regulating the P2P sector, but final rules had yet to be set. The general manager of one leading Chinese P2P company, who said he had seen the document, told China Daily the draft rules include the setting of a minimum of 30 million yuan ($4.8 million) in registered capital for operators, and companies not being allowed to open actual financial outlets, such as branches.

While accepting that "setting entry barriers is necessary because they can lower risks", the general manager, who declined to be named, said the most controversial rule, was that the regulator would have leverage management over companies, which means the amount of outstanding loans cannot exceed its registered capital, by a still-undetermined multiple, which he thought could be as low as 10 times. "If the level of leverage management is too strict, many big players will be seriously hit," he said. "But I believe the final rules will be looser than the draft ones." According to data from Wangdaizhijia, a portal offering Internet lending information, the registered capital of P2P company Lufax.com, for instance, was 836.7 million yuan last year and it had cumulative outstanding loans worth 11.1 billion, which meant its multiple had been around 13.3. But the multiple of another large P2P company in China, HongLing Capital, was almost 236, according to the data. Yi Huanhuan, head of the research department of Beijing-based Hongyuan Securities Co Ltd, said "P2P companies are information intermediaries" and offer a good option for the nation's direct financing industry. "If the CBRC has leverage management over them, many of them will die and the rest will be similar to banks," said Yi.

Zhou Xiaochuan, governor of the People's Bank of China, the central bank, indicated last week that the government is preparing a policy document for the Internet finance sector. Zhou said the P2P sector has been plagued by problems in recent times, including the disappearance of executives and rising defaults, and that regulations are now needed for the sector's healthy future development. The latest official figures suggest 252 billion yuan worth of lending — largely carried out online — was conducted on P2P lending platforms last year, 181.8 percent more than in 2013. But with 275 companies involved in P2P lending filing for bankruptcy or running into difficulties due to bad loans or fraud, the sector is being shown to carry as much risk as potential rewards and benefits, and officials insist more laws are urgently needed, especially when it comes to disputes. Industry sources suggest that in the first two months of 2015, as many as 132 P2P companies have hit problems.

Debt-swap plan of local governments set to be expanded

Central authorities won't bail out troubled borrowers, according to finance minister. China is likely to expand its bond-for-debt swap program to address the problem of legacy local government debt, Finance Minister Lou Jiwei said on Friday, adding that the central government does not intend to bail out local governments that cannot repay their debt. His remarks reflected the central government's two-pronged strategy to address the thorny local government debt issue. On the one hand, the central government wants to give local governments necessary leeway to cope with any liquidity problems. On the other, it is warning those same governments that if they get into trouble, they will have to "clean up their own mess", so to speak, and should not expect the central authorities to solve any crisis. On March 9, the Ministry of Finance said that it had ordered the issue of 1 trillion yuan ($160 billion) of low-yield municipal notes to replace legacy liabilities, in a bid to ease local governments' mounting interest repayment pressure. That issue represents 53.8 percent of the 1.858 trillion yuan debt falling due in 2015.

However, considering debts incurred after June 2013 (1.858 trillion yuan was the amount recorded by State auditors as of that point), more than half of the legacy debt is not covered by the swap. How those high-cost borrowings are going to be repaid has become a widespread concern. Lou sought to reassure the market by saying that beyond the 1 trillion yuan swap, there is more to come. "We are ready to further replace the debt," Lou said,
adding that the risks arising from the local government debt are still "controllable". But he said: "We won't mount any rescue. Previous documents have made it clear." Lou also revealed for the first time that the number of local government-related borrowers had reached 100,000. Previous estimates had put the number at only about 10 percent of that. Explaining the discrepancy, he said: "Not all of those entities are local government financing vehicles. They could also be government departments, such as a transportation department under a municipal government, or public institutions."

Numerous local government-related entities, including LGFVs, were set up in the past few years to borrow through bank loans, trusts or the bond market. Whatever the type of entity or its form of borrowing, the common aim was to bypass the 1994 Budget Law that banned direct local government borrowings. As to how the future municipal bond quota will be distributed among more than 30 provincial-level governments, Lou said the size of each jurisdiction's debt hangover will be an important factor. Those with more debt will effectively be penalized by getting lower quotas. Huang Qifan, mayor of the southwest municipality of Chongqing, revealed that as of Dec 31, the city's total outstanding liabilities exceeded 590 billion yuan. Of that, about 230 billion yuan was direct debt. Huang said that 77 percent of the debt was considered to be "generally controllable". The city got a 33 billion yuan quota in the latest bond swap. Chongqing is believed to have a higher debt-to-fiscal revenue ratio than many other regions.

Source: Zheng Yangpeng in Boao, Hainan: Debt-swap plan of local governments set to be expanded. China Daily, 2015-03-28

**China ‘bad bank’ Cinda sells distressed debt on Taobao**

China Cinda Asset Management, the state-owned bad-loan bank, this week auctioned off two unpaid debts on a new auction platform established by ecommerce group Alibaba on its flagship site. Founded in the 1990s to buy unpaid debts from China Construction Bank, Cinda now snaps up distressed assets from financial institutions, property developers and industrial groups. Cinda sold debts owed by two factories in Zhejiang province, a prosperous hub of private entrepreneurs that is also a disproportionate source of China’s bad loans. A debt from a steel mill sold on Taobao for Rmb20m ($3.2m), while another from a factory producing brooms, candles and other light manufactures sold for Rmb4.4m. “In the future we have a lot of this kind of debt that we plan to sell on Taobao. We were inspired when we saw courts disposing of assets this way. People are already used to this format,” said Li Xiaoguang, who managed the Cinda sale for Taobao.

The face value of the debts was not clear from the listings, which included photos of factory buildings and documents describing the collateral underlying the debts. The advertising suggested that bidders were essentially buying rights to land, buildings and equipment, with little expectation that they could recover cash from debtors. Ms Li said the winning bidders for both debts were individuals, not financial institutions, and both debtor groups are privately owned. Bankers say debt from local governments and state-owned groups is trickier to recover given the political complexities involved with seizing state assets.

Analysts reckon Cinda and its three other state-backed brethren are already playing a key role in peeling off bad loans from commercial bank balance sheets. Their role in buying bad loans also helps explain why China’s official bad-loan ratio — which only counts assets on bank balance sheets — has remained relatively low at 1.25 per cent in spite of the marked slowdown in the economy and signs of corporate distress elsewhere in the economy. Cinda became the first of the big four state-owned bad loan banks to go public when it raised $2.5bn in a Hong Kong initial public offering in late 2013. China Huarong Asset Management, another state-backed bad-loan bank, is expected to follow within the next year.

Taobao’s auction platform goes beyond selling bad debt. Launched in February, it also includes sections for real estate, land and forest assets, machinery, private equity, intellectual property and intangible assets. Lenders including China Merchants Bank, Minsheng Bank and Ping An Bank are listed as sellers.

Additional reporting by Ma Nan in Shanghai
Report calls for indirect tax cut
To stimulate growth dynamic, China should further ease the tax burden by reducing indirect taxes while increasing direct taxation, said a report by the Center for Macroeconomic Research of Xiamen University on Sunday. The report said that a tax system in which indirect tax, such as value-added tax, business tax and consumption tax, account for the majority, encouraging businesses to pass on their tax burden to consumers and curb consumer demand. It is also not conducive in terms of income redistribution. Indirect taxation accounted for 61.4 percent of China's total tax in 2014, according to the center's calculation — that means direct tax is just 59 percent of indirect tax. That is lower than in most developed economies. Direct tax in an average high-income country is 82 percent that of indirect tax, while in the United States is 13 times indirect taxation. In China this ratio has already increased from 48 percent in 2010. Wang Yanwu, an associate professor at Xiamen University and an author of the report, said although the direct taxation's share is rising, the trend is due to the slowdown in economic growth, and is therefore not stable. To make the trend stable, China should simplify indirect taxation and lower the tax rate. On the other hand, China should increase the share of direct taxation by reforming the property tax and individual income tax, while reducing administrative spending and increasing social expenditure such as on education, social security and medication. The report came amid renewed hope over tax cuts after the State Council last Wednesday expanded the scope of tax breaks for micro and small companies.

Broad taxation in China last year was 37.18 percent of GDP, a rate that is comparable with high-income countries, which have much better social welfare. A survey by the center among 100 economists showed 86 percent of economists think easing the tax burden for enterprises and encouraging the role of private firms should be the answer to the slowdown in economic growth.

China fiscal revenue rises 3.2% in first two months
BEIJING -- Growth in China's fiscal revenue slowed sharply in the first two months of 2015 while expenditure increased, suggesting that proactive fiscal policy measures are gaining momentum. Fiscal revenue rose 3.2 percent year on year to reach 2.57 trillion yuan ($417.5 billion) in the first two months of 2015, the Ministry of Finance announced on Monday. This was a sharp slowdown from the 8.6 percent gain seen in 2014, as downward pressure on the economy continued. Due to pressure from a housing slowdown, softening domestic demand and unsteady exports, the economy grew 7.4 percent in 2014, its weakest annual expansion in 24 years. A string of economic indicators for 2015, including manufacturing and trade data, all suggested continued weakness. During the January-February period, the central government collected 1.16 trillion yuan in fiscal revenue, down 1.7 percent year on year, while local governments saw fiscal revenue expand 7.5 percent to 1.41 trillion yuan. In particular, revenue related to the property sector slowed sharply. Real estate business tax fell 1.6 percent year on year to 96.5 billion yuan, and deed tax decreased 12.5 percent to 54.3 billion yuan. In contrast to the slowing revenue, fiscal expenditure maintained double-digit growth. In the first two months national fiscal spending expanded 10.5 percent from a year ago to 1.89 trillion yuan, with spending on transportation surging 52.5 percent. Premier Li Keqiang, speaking at the opening of the annual parliamentary session, stressed that proactive fiscal policy and prudent monetary policy would continue in 2015 to sustain growth. China plans to raise its budget deficit to 2.3 percent of its gross domestic product (GDP) for 2015, up from last year's target of 2.1 percent.
Source: Xinhua: China fiscal revenue rises 3.2% in first two months, 2015-03-16

Premier gives encouragement to entrepreneurs
The government will continue to offer more convenience to encourage people to start their own businesses in 2015, aiming to continue boost market vitality, Premier Li Keqiang said at a news conference on Sunday. "People
shouldn't have to go to so much trouble to get their business registered," Li said, adding that market access will be further relaxed in 2015 and business license registration will become easier. Li said he met a retired woman last year who wanted to start a wedding service company because she was well versed with the practices of traditional wedding ceremonies. He added that during his visits to venture cafes and maker spaces, he had met many gifted young people. "When their ideas are put into practice and they produce actual products, they actually boost market demand. I believe there are a lot of people with real talents, and we must lift all the restrictions so that they can make the best use of their talents," Li said. Li added that the government will adjust the income distribution structure and promote social equity. "We want to ensure that young people, especially those children from poor families, will have equal access to opportunities for upward mobility," Li added.

Source: Luo Wangshu and Zhang Yunbi: Premier gives encouragement to entrepreneurs, China Daily, 2015-03-01

China aims to be leader in innovation

Chinese policymakers are laying the foundation for a transformation of the country by 2020 from its primary role as a manufacturer to that of a leading innovator. Over the past three decades, China has emerged as a major manufacturing base for the world, but the country's competitiveness in advanced manufacturing remains relatively weak, partly because of domestic companies' low investment in research and development. Only 14 percent of Chinese enterprises with primary operating revenue of more than 20 million yuan ($3.2 million) annually have any R&D activity. Spending on R&D accounts for only about 0.8 percent of their total revenue, while their counterparts in developed countries, such as the United States, spend around 3 percent of sales revenue on R&D.

To promote innovation by Chinese companies, the country's top economic planning body jointly drafted a document with more than 20 government bodies. The document was released on Friday. China will level the playing field, continue to enhance its opening-up and actively make use of global resources and markets, officials said. Qi Chengyuan, director-general of the high-tech industry department of the NDRC, said: "China welcomes the building of R&D centers in China by prestigious international scientific institutions and encourages foreign institutions to participate in China's technical programs, including both basic and applied research," Qi said. In addition, the country will establish a market-oriented mechanism for innovation, increase the supportive role of policies and increase the voice of businesses in State innovation decisions.

Source: Lan Lan: China aims to be leader in innovation, China Daily, 2015-03-28

Premier pledges million new homes for low-income group

The Chinese government will build one million new homes in both rural and urban areas to meet the basic housing needs of low-income people, Premier Li Keqiang said on Sunday. "The government will take more steps this year to rebuild rundown urban areas and dilapidated homes in urban and rural areas," Li said at a news conference in Beijing, noting that housing is not just an economic issue but also one that concerns people's livelihoods. Li said that the government will encourage Chinese people to buy homes for their personal use or as their second home, noting that housing demand in China will be sustained as urbanization continues, and the government will ensure the steady and sound long-term growth of the property market. The premier also called on local governments to enhance their regulation of the real estate market, as differentiated policies need to be adopted in the light of local conditions given the significant variations in different areas of the country.

China's property market has been on the decline, prompting Chinese citizens to buy homes in overseas markets including New York, London and Sydney. Li said that China is advancing the full convertibility of the renminbi under the capital account and is taking further steps to open up its financial market. While additional evaluation is needed of the ongoing overseas home purchasing spree by Chinese citizens, Li said that the government will encourage Chinese companies and citizens to make investments and do business abroad.

Source: Li Xiang: Premier pledges million new homes for low-income group, China Daily, 2015-03-01
Consumer-led growth demands better rights protection

BEIJING -- As China pins its hopes on domestic consumption to bolster its economy at a time of subdued exporting and investment, the need for better product quality and protection of consumer rights is firmly in the spotlight. People will only be willing to spend more when they are reassured about product quality and that their rights will be protected, experts have observed. Decades of rapid economic growth have made the Chinese more affluent but headline-making food scares and fraud in recent years have also left them hesitant to spend. The most high-profile case in point is the tainted baby formula scandal that came to light in 2008, which has unnerved Chinese parents and forced them to seek foreign alternatives. The Chinese milk industry has yet to recover from the damage despite efforts by the major players and the government to clean up its practices.

The annual "3/15 Consumer Rights Gala", timed for World Consumer Rights Day and aired on China Central Television (CCTV) on Sunday night, brought more fraud and inferior products to the attention of the public. For example, despite knowing about faulty gearboxes in its Evoque model, automaker Land Rover failed to remind drivers of the problem, putting their safety at risk, the program alleged. In contrast to Land Rover's hushing-up its imperfections, the after-service centers of car companies including Shanghai Volkswagen, Mercedes-Benz and Dongfeng-Nissan are in the habit of maximizing profits by carrying out unnecessary repairs and replacements, reported CCTV. The program also pointed to companies selling ineffective or even harmful dietary supplements and health devices. Though many of the companies at the center of the reports swiftly issues statements promising corrections, damage has already been done to consumer confidence.

In 2014, consumption contributed 51.2 percent of GDP growth, highlighting the growing importance of consumer spending among China's three economic drivers (the other two being investment and exports). To encourage growth in consumption, Chinese authorities have improved laws and regulations to better protect consumers. China overhauled its Consumer Rights Protection Law in 2013 and the new version was made effective on March 15 last year. The new law offers consumers more rights. For example, without specifying reasons, they can return purchases and ask for a refund within a week of receiving goods bought online. At a press conference after the conclusion of the annual legislative session on Sunday, Premier Li Keqiang urged owners of both online and bricks-and-mortar stores to show business integrity and put the quality of their products above everything else. To guide the development of booming e-commerce, Chinese legislators also plan to have finalized an e-commerce law by the end of this year. There was a notable increase in consumer complaints last year. A total of 1.16 million complaints were filed with quality watchdogs, up 14.3 percent to a five-year high. Some 77,800 complaints were related to online shopping, up 356 percent.

Despite improved laws and growing consumer awareness of their rights, there is still a long way to go to consistently right the wrongs of dishonest market players. "On one hand, ordinary consumers face a time-consuming, expensive and arduous litigation process when they choose to sue sellers," said Li Yuanguang, vice chairman of the China Consumers’ Association, stressing that lawmakers must come up with more practical rules to make the new consumer rights law more consumer-friendly. "On the other hand, there are people cynically cashing in on the new law by demanding exorbitant compensation from sellers." Li said supportive policies related to the new law should also be put in place as soon as possible, citing protection of personal information and accountability of online platforms. "The rising number of litigation cases actually reveals a business environment that does not value integrity," said Hao Qingfeng, a senior consumer rights law researcher. Hao suggested that there should be "a more rigid corporate integrity supervision mechanism in place to enhance enterprises' sense of discipline". "This is not just a matter between enterprises and consumers. We must see joint efforts from all supervisors such as industrial and commercial regulators, quality watchdogs and the media," he added.

Source: Xinhua: Consumer-led growth demands better rights protection, 2015-03-17

Registration-based IPOs likely to be rolled out this year

The registration-based system for initial public offerings, a key driver of the nation's capital market reform, is
likely to be implemented this year and the Shanghai Stock Exchange is getting ready to handle the responsibility, the bourse's Chairman Gui Minjie said on Friday in Beijing. Gui, also a member of the National Committee of the Chinese People's Political Consultative Conference, said the reform will be achieved after the National People's Congress amends the Securities Law. Expectations are that the process would be completed this year, he said. Wu Xiaoling, deputy director of the Financial and Economic Affairs Committee of the Standing Committee of China's top legislative body—the National People's Congress—said on Thursday that the NPC will undertake the first review of the Securities Law in April. The second and third reviews are expected to be completed by October. Gui said the bourse has been making preparations to take over the responsibility of vetting and registering IPO applications after the NPC completes the amendments. Unlike the current approval-based IPO system, the registration-based plan emphasizes more on information disclosure rather than financial performance requirements. Under the current rules, which have been used for 13 years, mainland A-share listing applicants should go through multiple rounds of reviews lasting as long as several years to get approval from the securities regulator. Requirements include an annual net profit of more than 30 million yuan ($4.8 million) for three successive years before listing. In addition, the proposed IPO price has to be in line with other stocks in the same industry sector, irrespective of the applicant's performance.

Premier Li Keqiang has been urging the regulators including the China Securities Regulatory Commission to accelerate the reform, and effectively lower the threshold for small and medium-sized companies to raise money from the stock market, and scrap the requirement of continued profitability for IPOs. Analysts said the move emphasizes the role of the market in China's capital market, rather than government's administrative interference, and will have positive influence over the economy in the long run.

On Friday, the CSRC said it is studying the possibility of issuing securities and futures business licenses to commercial banks with built-in risk isolation system. But no timetable has been drawn up yet, CSRC spokesman Zhang Xiaojun said at a news conference. Earlier reports said that several commercial lenders may get the nod for investment banking business.

Source: Xie Yu and Li Xiang: Registration-based IPOs likely to be rolled out this year, China Daily, 2015-03-7

**Ceiling hike for foreign investors 'very soon'**

China will raise the ceiling of cumulative investment in the domestic securities market for a single qualified foreign institutional investor, an official of the country's foreign exchange regulator said on Thursday. Guo Song, head of the capital account management department at the State Administration of Foreign Exchange, said that the regulator had been planning reforms for the Qualified Foreign Institutional Investor and the Renminbi Qualified Foreign Institutional Investor programs. "I expect that we'll see an increase in the existing $1 billion ceiling for a single QFII in a day or two. We are also thinking about how to make it more convenient for capital to flow into and out of China," Guo said. The SAFE loosened its control on the QFII quota in December 2012, saying that sovereign wealth funds, central banks and monetary authorities could exceed the $1 billion quota limit. Central bank Governor Zhou Xiaochuan said at the China Development Forum on Sunday that the country will make great efforts to achieve the yuan’s capital account convertibility this year. Zhou said China will launch more reform policies and pilot programs, making it more convenient for domestic investors to purchase securities and other financial products overseas, and increase the flexibility for foreign investors to invest in China's financial markets. Policymakers will promote further opening of the capital markets. On the one hand, domestic investors will find it more convenient to invest in overseas capital market. On the other hand, bond issuers will have more freedom to choose where to issue bonds and in which currency, he said. China will also have a new round of revision for its regulations on the foreign exchange system to meet the demands for achieving capital account convertibility and the full convertibility of the renminbi. Currently, around 85 percent of the 40 subcategories under the capital account have become partially or fully convertible, according to the SAFE.

Source: JIANG XUEQING: Ceiling hike for foreign investors 'very soon', China Daily, 2015-03-27
China's IPR policy to create balanced system

The nation's intellectual property policy is intended to ensure market fairness, and it is not biased against foreign companies, a senior IP official said. He Zhimin, deputy commissioner of the State Intellectual Property Office, said that China opposes the abuse of IP rights and will clamp down on companies that use their IP advantages to gain "monopolistic and unjustified profit". He, who is also a deputy of the National People's Congress, made the comments in an interview with China Daily ahead of the opening of the top legislature's annual meeting. The remarks came after the National Development and Reform Commission imposed a record fine of $975 million on the United States-based chipmaker Qualcomm Inc for abusing its market dominance to charge "unfairly high" patent royalties from Chinese companies. The penalty on Qualcomm, the highest fine levied by Chinese authorities on a foreign company, has rippled through foreign technology companies, signaling possible tougher regulation in the Chinese market. He said that the nation's IP right-related standards are in line with international practice and all companies, both domestic and foreign, are treated the same without any bias. The purpose is to build a balanced and inclusive IP system that takes into account the interests of different parties and the disparities between China and developed countries, he said.

He said that the SIPO will assist Chinese companies to defend their interests in foreign markets where they are facing a growing number of lawsuits over IP disputes. "Some foreign markets tend to use the IP rules to contain Chinese enterprises," He said, noting that some disputes are also due to companies' lack of knowledge about the IP law and practice in foreign markets. China has seen the largest number of US investigations involving alleged patent and trademark infringement over the past 10 years. The country will carry out a comprehensive overhaul of the Patent Law to better regulate and protect IP rights as Beijing has become increasingly serious about IP issues in recent years. Analysts said that better regulation and protection of IP rights is essential for China to transform its growth model toward an innovation-driven one. The amendment of the law, one of the key subjects to be discussed at the NPC meeting, will involve better administrative and judicial protection of IP rights, higher compensation and tougher punishment for infringement, according to He.

Source: Li Xiang: China's IPR policy to create balanced system, China Daily, 2015-03-05

China aims for cleaner coal consumption

The nation will launch a five-year action plan to make the industrial use of coal cleaner and more efficient amid a renewed debate on air pollution that has been sparked by a documentary on smog. The industrial sector, excluding power generators, aims to cut coal use by more than 160 million metric tons by 2020, an official at the Ministry of Industry and Information Technology said. Major industries, including those in the coking, coal chemical, industrial boiler and industrial furnace sectors, burned 1.6 billion tons of coal in 2012, accounting for 46 percent of China's total consumption. The electricity industry consumed 1.87 billion tons of coal that year. Over the weekend, fossil fuels, particularly coal, emerged again as a major culprit in the nation's smog plague. A former Chinese celebrity TV presenter, Chai Jing, released a self-funded documentary titled Under the Dome on Saturday, which set off intense discussion on China's social media. As of Monday, it had been viewed more than 28.8 million times on video site Youku. Coal consumption fell last year for the first time in 14 years, sliding 2.9 percent year-on-year to 3.51 billion tons, according to the National Bureau of Statistics. "Coal utilization in China's industrial sector remains very inefficient, and it is a key area for air pollution prevention efforts," said a draft version of the action plan. The plan targets a reduction in emissions from such sources as smoke dust, sulfur dioxide and nitrogen oxides by 1 million tons, 1.2 million tons and 800,000 tons, respectively, by 2020. The action plan directs local industrial and fiscal authorities of coal-guzzling cities to draw up implementation plans and submit those plans to the MIIT by the end of September. Provinces are required to report on the progress of the implementation plans from 2016 and the results will be sent to the MIIT and the Ministry of Finance.

Heavily polluted northern province Shanxi on Monday unveiled its five-year energy development strategic
plan, which said the province will limit its energy use to 260 million tons of standard coal equivalent. On the national level, the government will broaden financing channels for the more efficient use of energy and facilitate growth of specialized energy-conservation companies by offering technical and financial support to them, said the draft plan. The nation will encourage financial institutions to offer "green credit" to projects that fall under the auspices of the action plan and channel private capital into equity funds, industry funds and other such instruments to support those projects.
Du Juan contributed to this story.
Source: Lan Lan: China aims for cleaner coal consumption, China Daily, 2015-03-3

E-commerce purchase regulations modified

The State Administration for Industry and Commerce released an enhanced consumer protection regulation on Tuesday governing e-commerce purchases. Under the new regulation, customers can return the opened goods they bought online within seven days and get full refunds, without providing any reason for the return. The rule is slated to come into effect on March 15. Online retailers who refuse or delay to process the returns could be imposed fines as high as 500,000 yuan ($79,650), according to the administration. The current law, which was put into effect on March 15 last year, requires that goods bought online be returned within seven days without excuses, but does not give details on whether the opened items can be returned. Despite the regulation, most online retailers have set up their own return schemes for consumers unhappy with their products, stating that returned items should have their packaging intact and remain in the original condition. Since last year, the China Consumers' Association, a consumer protection authority, has received an increasing number of online purchase complaints from buyers, mostly related to the difficulties in returning goods, the association said. "The new regulation will be benefit consumers. Some consumers have become wary of e-commerce retailers after they discovered counterfeit products online. The government should regulate online business behavior and protect consumer rights," said Wang Xiaoxing, an analyst with Internet consultancy Analysys International. "Returning the items is a reasonable demand. Online retailers have to obey the related regulations. The return policies on e-commerce websites would be invalid if the disclaimers don't conform to the law," he said. Wang said consumers might return the items after opening them if the real conditions are not identical to the online descriptions. Merchants can't promote products falsely, and the new law helps improve the standards of displaying and describing items online. Many e-commerce websites have varied standards of return policies. Most online merchants, such as online organic shop tootoo.cn, require that the returned items should have undamaged packaging and be in the same condition as when they were sold. Amazon.com Inc said that goods can be returned within seven days or 30 days in most cases, depending on the category of items, and the goods should stay in the original condition.
China's largest online shopping portal JD.com Inc said the new regulation will further guarantee consumers' rights, and JD will strictly comply with the law. Currently, home appliances qualify for a 30-day return policy and a 180-day return policy for items with quality issues, JD said. Some online retailers on Alibaba Group Holding Ltd's Taobao platform said they are worried that the online business will become more difficult after the new regulation. "Unused items with intact packaging can be returned within seven days, and consumers should take care of the returning shipping fees," said an online merchant who sells brand name cosmetics on Taobao. "If consumers are able to return opened items just because they don't like them, merchants won't be able to afford the costs," the seller said.
Meng Jing contributed to this story.
Source: ZHU WENQIAN: E-commerce purchase regulations modified, China Daily, 2015-03-4

China to strictly regulate online commerce

BEIJING -- China's market regulator said Monday the government will strictly regulate online commerce, amid a heated public debate on China's largest online shopping platform Taobao.com which was found to
match-make transactions of a great number of shoddy commodities. "The Internet is definitely not a lawless heaven," Zhang Mao, minister of the State Administration for Industry and Commerce (SAIC), said at a press conference on the sidelines of China's annual parliamentary session. "E-commerce platforms have to take key responsibilities," Zhang said, noting that they should work on promoting "credibility and integrity." Zhang also underlined that government regulators should take more measures on protecting the legitimate rights of online shoppers, including proposing new legislative bills and building up online database for stricter supervision over e-commerce. Results of a SAIC sample test released in late January showed that only 37.25 percent of surveyed commodities sold on Taobao.com were authentic; lower than a 58.7-percent average of major online shopping platforms.

Source: Xinhua: China to strictly regulate online commerce, 2015-03-9

China approves pilot cross-border e-commerce zone

BEIJING - The State Council has approved the setup of the China (Hangzhou) cross-border e-commerce pilot zone in Hangzhou, capital of East China's Zhejiang province. The application was put forward by the Zhejiang provincial government and the Ministry of Commerce, according to a statement on the Chinese government's website on Thursday. The zone will take the lead in setting standards on cross-border e-commerce transactions, payment, logistics, customs clearance, tax refund and exchange settlement, said the statement. It will work to settle deep problems in cross-border e-commerce, build complete industrial chains and provide experience that can be used by the sector across the country, according to the statement. China's cross-border e-commerce has been developing rapidly to become a key channel for innovation. Boosting cross-border e-commerce will help create jobs, expand the market and bring new energy to the Chinese economy, according to the statement. Hangzhou is home to China's leading e-commerce company Alibaba.

Source: Xinhua: China approves pilot cross-border e-commerce zone, 2015-03-12

Premier Li highlights key role of e-commerce

BEIJING- Premier Li Keqiang showed his support on Sunday for online shopping, express delivery services and e-commerce, as these forms of business have strongly boosted employment and consumption in the country. Li said interaction between online and offline business can effectively boost the vitality of the market. E-commerce and online businesses are also helpful in terms of developing entrepreneurship in China. "I believe the favorable conditions generating from our Internet-plus strategy will be able to drive the Chinese economy up to a higher level," said Li. Li urged both online and offline retailers to pay more attention to the quality of their products in order to protect consumers' rights and interests.

Source: Zhong Nan: Premier Li highlights key role of e-commerce, China Daily, 2015-03-015

University's deal spree exposes Zhao as chip billionaire

Zhao Weiguo tapped connections at his alma mater Tsinghua University, whose alumni include China's two most recent presidents, to make acquisitions and amass a $2 billion fortune, according to the Bloomberg Billionaires Index. Tsinghua Unigroup Ltd, a unit of the university's holding company of which Zhao is chairman, signed a $1.45 billion deal with Intel Corp last year and was shortlisted to buy more than $2.5 billion of Hewlett-Packard Co assets, people familiar with the matter have said. If Unigroup is successful, the deal would be its third major acquisition in the past two years. The Beijing-based company bought US-listed Spreadtrum Communications Inc for $1.5 billion in 2013 and RDA Microelectronics Inc last year for $893 million, data compiled by Bloomberg show. In September, Intel agreed to spend as much as 9 billion yuan ($1.45 billion) on a stake in a Unigroup subsidiary holding stakes in the two chip designers. The transaction values the unit, which is wholly-owned by Unigroup, at about $7.3 billion. Three calls and an email sent to Unigroup's investors relations department went unanswered.
Tsinghua University founded what later became Unigroup in 1988, according to the company's website. In a 2010 privatization, Beijing Jiankun Group, controlled by Zhao, became Unigroup's second-biggest shareholder after the university. Zhao controls 70 percent of Beijing Jiankun, which will own about 39 percent of the Unigroup subsidiary holding the two chip designers after Intel's investment, according to company filings obtained by Bloomberg News. That gives Zhao a 27 percent interest in the Unigroup unit valued at about $2 billion. Li Yi and Li Luyuan, the other two shareholders of Beijing Jiankun with a 15 percent stake each, are both worth about $424 million. Zhao has bachelor's and master's degrees in electronic engineering from Tsinghua University, according to a biography posted on the website of Tsinghua Entrepreneur & Executive Club, an alumni organization. Beijing Jiankun, which he founded in the early 2000s, invests in technology, natural resources and real estate.

Source: Xinhua: University's deal spree exposes Zhao as chip billionaire, 2015-03-25

**Aim is to be world-class megaregion**

China needs to transition to a new coordinated and consolidated model of regional development, such as that championed by the Beijing-Tianjin-Hebei integration initiative, in order to offset the future challenges of urbanization, experts said at the China Development Forum on Saturday. Angel Gurria, secretary-general of the Organisation for Economic Cooperation and Development, said China's transition to growth based on domestic consumption, efficient use of resources and higher productivity needs to be matched with a new normal of urbanization, where policy coordination at the metropolitan level will be increasingly important. "As Chinese cities grow together to form vast urban regions, reforms need to be linked to a clearer allocation of competences with a better matching of financial resources and a better matching and coordination of responsibilities," said Gurria.

A recent National Urban Policy Review of China carried out by the OECD found that the incentives for competition among local governments are strong while the mechanisms for coordination are weak. The OECD recommends that more be done to manage the coordination of land use and transportation across local governments to help consolidate large metropolitan areas, as is seen in the integration plan for Beijing-Tianjin-Hebei, said Gurria. The coordinated development of the Beijing-Tianjin-Hebei region is one of the top priorities for China's new urbanization plan up to 2030, along with the Silk Road and the Yangtze River economic belts. The region is home to over 100 million people, about 8 percent of the nation's population, and it contributed over 10 percent of the nation's GDP in 2013.

Xu Kuangdi, former deputy chairman of the Chinese People's Political Consultative Conference and president of the Chinese Academy of Engineering, said breakneck economic growth and urbanization over the last 30 years has created "urban diseases" that can be neutralized by the development of metropolitan belts or clusters. "The plan is to make Beijing, Tianjin and Hebei a world-class megaregion, with the capital at the center, that will lead the way in reforms related to integrated development, innovation as an engine for the national economy and environmental improvement," said Xu.

In addition, the OECD policy review also suggested the proportion of land used for industry in Chinese urban cities be reduced and an end to residential registration, or hukou, which it said is bad for economic growth and equity. The government targets an urban population ratio of 60 percent by 2020, up from the 52.6 percent at the end of 2012. This will result in a further 100 million people moving to urban areas in the next five years.

Source: Mu Chen: Aim is to be world-class megaregion, China Daily, 2015-03-23

**Top 10 Chinese cities with expansion prospects**

Shenzhen leads the way in terms of future development opportunities in China, according to a report by global consultancy PricewaterhouseCoopers (PWC). Jointly released by PWC China and the China Development Research Foundation, the report studied the development of 20 Chinese cities on the basis of 10 indicators, including technology readiness, sustainable development and economic influence. Beijing and Shanghai were excluded as they are recognized as world-level cities, according to the report.
Let's take a look at the top 10 Chinese cities with the best chances of growth in the future.

No 10 Qingdao, East China's Shandong province
No 9 Xiamen, East China's Fujian province
No 8 Tianjin municipality, North China
No 7 Xi'an, capital of Northwest China's Shaanxi province
No 6 Chengdu, capital of Southwest China's Sichuan province
No 5 Hangzhou, capital of East China's Zhejiang province
No 4 Wuhan, capital of Central China's Hubei province
No 3 Nanjing, East China's Jiangsu province
No 2 Guangzhou, capital of South China's Guangdong province
No 1 Shenzhen, South China's Guangdong province


Regional integration will help narrow income gaps

Beijing Mayor Wang Anshun announced on Saturday that the capital will work with Tianjin and Hebei province to boost innovation, industrial upgrading and restructuring, so the three become a leading force for the national economy. The Beijing-Tianjin-Hebei region is the third growth pole of China after the Pearl River Delta and the Yangtze River Delta. Its total gross domestic product accounted for about 10 percent of the country's GDP last year. The Beijing municipal government will focus more on technological innovation and cooperate with the authorities in Hebei province and Tianjin to set up platforms for innovation, Wang said. Wang made the remarks during the China Development Forum 2015, which is being held in the Diaoyutai State Guesthouse from Saturday to Monday. The forum, attended by senior Chinese officials, has attracted more than 400 foreigners from 19 countries and regions. President Xi Jinping put forward the initiative for the integration and coordination of Beijing, Tianjin and Hebei province in February 2014 in a bid to balance development, the environment, population and resources, while building an economic zone surrounding Beijing.

More than 100 million people live in the region, which has a combined area of 216,000 square kilometers. Yet there is a big development gap between Beijing and Hebei. Heavily polluted Hebei still has several million people living in poverty, and it faces the challenge of cutting its excessive iron, steel, cement and glass capacity. "Compared with Beijing residents, the average income of Hebei residents is only 55 percent in urban areas and 50 percent in rural areas," Wang said at the forum. The Beijing municipal government will work hard with its counterparts in Tianjin and Hebei to narrow the income gaps in the region, he said. The mayor pointed out that infrastructure, including the construction of subways and railways, will play a key role in integrating the three areas. The capital will "lay out the annual task list for transportation infrastructure integration, ecological and environmental protection and industrial transfer, so as to make new progress as soon as possible", Wang said. Beijing's subway system already carries approximately 10 million passengers a day on workdays. By 2020, the total subway length is expected to increase to 1,000 kilometers, according to the Beijing government work report. Construction on four new subway lines is due to start this year. Beijing will also accelerate the transfer of non-essential functions, such as general manufacturing, downtown wholesale markets, as well as some educational and medical services this year, Wang said.

The mayor has also vowed to cooperate with his counterparts in Hebei and Tianjin to fight pollution and protect the environment. To reduce pollution, Beijing closed 392 companies, including furniture and machinery factories, foundries and other polluters. The city also removed 470,000 old vehicles from the roads and strengthened its environmental law enforcement.

Source: An Baijie: Regional integration will help narrow income gaps, China Daily, 2015-03-23

Macao will ease reliance on casinos
The Macao Special Administrative Region slashed its monthly gambling revenue forecast 27 percent, as the city's chief executive pledged a five-year plan to make the world's largest gaming hub less dependent on casinos. The city expects average gross monthly gaming revenue of 20 billion patacas ($2.5 billion) this year, down from an earlier estimate of 27.5 billion patacas, Chief Executive Fernando Chui said on Monday. Macao has entered an "adjustment" period of slower growth and needed to develop a broader range of attractions to draw tourists from around the world, he said. Gaming revenue is expected to fall for a second year, battering the local economy and the share prices of casino operators such as Sands China Ltd and Galaxy Entertainment Group Ltd. Chui's tourism panel would draft a five-year plan for stable casino growth while expanding the city's tourist offerings, the chief executive said. The government will evaluate the development of the gaming industry since ending local casino mogul Stanley Ho's monopoly in 2002 and opening casinos to foreign operators, with the goal of strengthening oversight.

"Even though the economy has faced major difficulties and challenges, the overall fundamentals of the economy are good," Chui told legislators on Monday, his first policy address since starting a second term in December. "The pace of economic growth has slowed, prompting us to accelerate economic diversification." The government also plans to improve airport facilities and expand airline services, Chui said. Macao's economy shrank 17 percent in the final quarter of last year as casino revenues slipped 2.6 percent, the first such annual decline. According to the median estimate of nine analysts surveyed by Bloomberg News in January, gaming revenues would probably drop another 8 percent this year. The most pessimistic expected a 21 percent decline. The new projection provided by Chui in a post-speech briefing would represent a 32 percent decline from last year's average of 29.3 billion patacas, according to data from Bloomberg Intelligence.

Diversifying Macao's economy would take 20 to 30 years and the city should accelerate efforts, Li Gang, director of the central government's local liaison office, said this month. The government has been requiring casino operators to add non-gaming elements to their projects to draw vacationing visitors and Chui said on Monday the government would continue to push for better balance between high rollers and mass-market gamblers at resorts.

Source: Xinhua: Macao will ease reliance on casinos, 2015-03-25

New measures to meet food needs

China's annual grain output is expected to rise 8.2 percent to 657 million metric tons by 2020, as the nation develops large swaths of high-quality farmland to meet the soaring demand for food, said a top official. Qian Keming, chief economist at the Ministry of Agriculture, said the demand for food is growing by 5 million tons every year, and China is planning to develop more than 53 million hectares of high-quality farmland nationwide. The country will also rejuvenate exhausted arable land to ensure a sufficient supply against the backdrop of the nation's rapid rates of industrialization and urbanization. "The rapid degradation of natural resources in China means that the demand for food from a growing, more urbanized and more affluent population is increasingly in competition with other sectors," Qian said. "A further complicating factor is the uneven geographical distribution of resources nationwide," said the chief economist at the ministry.

A study by released by the Chinese Academy of Agricultural Sciences in December showed that China's per capita arable land is just more than half the global average, approximately 0.08 hectare compared with 0.2 in other countries. Given that most of the farmland with the optimum climate for cultivation is concentrated in the densely populated eastern regions, the accelerated industrial and urban use of productive agricultural land may threaten national food security, especially through pollution and increased competition for the available water and soil. As a result, the nation's agricultural and investment policies will focus on the promotion of food production systems capable of meeting the challenges to food security resulting from emerging climatic, resource and nutritional factors. Although grain output rose 0.9 percent to 607 million tons in 2014, the 11th successive annual increase, Fan Shenggen, director-general of the International Food Policy Research Institute in Washington, suggested that China should make more effective use of increasingly integrated international markets to ensure that its food supply and
production are geared toward optimum exploitation of the country's natural domestic resources. "China should support the production of high-value agricultural goods such as fruits, vegetables and aquatic products through improved labor and land productivity, while importing more land-and water-intensive agricultural products, such as cereals and vegetable oils," Fan said.

Han Jun, deputy director of the Office of the Central Rural Work Leading Group, the country's decision-making body for rural affairs, said the government will help farmers, especially smallholders and young farmers, to meet the high quality and safety standards in use in the international markets by improving access to market information, training and financial services. "The temptation to enact distorting and destabilizing trade policies, such as raising the prices of food over a certain period, will be punished. Such activities can cause further rises in the prices of food, and, therefore, insecurity," Han said. The Ministry of Agriculture will also provide more policy and fiscal assistance to the country's 13 main grain production regions to further ensure security of grain supplies for the next decade. Also, pilot programs will be launched this year to restore black-soil farmland in the country's northeastern regions, improve cultivation methods in the arid northwestern provinces and autonomous regions, and design a national standard for minimum use of water in a wide range of farming activities to conserve the nation's already limited resources.

Source: Zhong Nan: New measures to meet food needs, China Daily, 2015-03-23

**China plans new wave of State firm consolidation**

China is poised to embark on a fresh round of industrial consolidation, as part of a sweeping plan to reinvigorate the country's inefficient State-owned enterprises and raise the global competitiveness of domestic industry. The initiative, dubbed "Made in China 2025", focuses on promoting key sectors, led by railways and nuclear power plant construction, in offshore markets, in Beijing's latest move to create leading international giants. "Without size and strength internationalization is fairly difficult," said Li Dongsheng, chief executive of Chinese mobile telephone and television set giant TCL Corp, explaining the rationale behind consolidation. A restructuring plan, expected to be released before the end of March, will address issues ranging from the establishment of asset management companies to oversee State shareholding, to the introduction of non-State investment and performance-based compensation programs at government-controlled firms, experts say. Improving the efficiency at State-owned enterprises (SOEs), which dominate crucial sectors of China's economy, is critical as the country struggles to maintain a growth it has delivered for two decades. Premier Li Keqiang outlined the "2025" strategy, which also includes promoting machinery and communications equipment, automobiles, aircraft and electronics, in his address to the annual gathering of China's parliament, which concludes later this week.

China has been experimenting with the creation of large, globally-competitive groups since the 15th Party Congress in 1997. While mergers in the nuclear and railway industry anchor the current round of consolidation, Beijing may further shake-up other top manufacturers, as it seeks to create more national champions and boost exports of high-end equipment. On the same day last week that Li introduced the 2025 plan, the country's state assets regulator approved the tie-up of leading train makers China CNR Corp Ltd and China CSR Corp Ltd, after the two companies announced a merger plan in December. In February, China Power Investment Corp and State Nuclear Power Technology Corp (SNPTC) announced they were exploring a merger, to create a group which analysts estimate would have total assets of more than $96 billion. "Consolidation for China must be seen from a global perspective," said Zhu Jianfang, chief economist at CITIC Securities in Beijing. "I believe there would be some more consolidation in various industries." Beijing is also likely to use mergers to create more champions in the shipbuilding, electronics and construction sectors, industry experts say.

Anticipated state sector reform has triggered speculative demand for shares of listed units of major SOEs that analysts say may face consolidation, as well as for shares of local SOEs likely to benefit from potential restructuring. Shares in China CNR Corp and CSR Corp both rose by 10 percent - the maximum allowed per trading day - on March 5, hours before the companies announced that their merger had been approved by the
State-owned Assets Supervision and Administration Commission (SASAC). Shares of the listed units of China Power Investment have also soared. Some industry leaders and analysts, nonetheless, are skeptical that mergers will create stronger, more globally-competitive State enterprises. They noted that the expansion of major SOEs in the past decade was fueled by cheap loans and subsidies, and the growth came at the expense of efficiencies. Wu Da, a portfolio manager at Beijing-based Changsheng Fund Management Co, said his company has been actively searching for stocks likely to benefit from the current State sector reform. "That has become one of our top priorities," he said, adding that many local SOEs, like those in Anhui province and Shanghai, may receive asset injections from their parents or be listed.

Source: Xinhua: China plans new wave of State firm consolidation, 2015-03-12

Independent firms to audit SOE overseas assets

BEIJING -- China's top state-assets manager plans to hire independent accounting firms to examine the overseas assets of State-owned enterprises (SOEs) administered by the central government. In a move to address growing concerns about lack of transparency regarding SOEs' overseas assets, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) will purchase third-party services from accounting firms through a bidding process starting on April 7, it said on Tuesday. The firms that bid must be established in accordance with Chinese laws and be qualified to provide services to the government, according to a statement posted on the SASAC website. The bidders must have no record of major law violations or administrative punishment by financial departments in the past three years, and their activities must not have been restricted by authorities in the same time frame. Bidders who have engaged in auditing work for the SOEs in question or their overseas subsidiaries between January 2012 and December 2014 will also not be considered, the statement said.

Dong Dasheng, former chief of the National Audit Office, said earlier this month that the massive volume of state assets overseas was basically unaudited, leaving many gray areas. Analysts estimate the overseas assets of China's more than 110 centrally-administered SOEs exceeded 4.3 trillion yuan ($698 billion) as of the end of 2013. According to Tuesday's statement, the SASAC will put on seven packages for bidding, three of which will specifically target examination of SOEs' overseas assets while four will target examinations of SOEs' key projects. The SASAC will entrust the China CNTC International Tendering Corporation with the bidding work.

Source: Xinhua: Zhong Nan: Independent firms to audit SOE overseas assets, 2015-03-17

China's manufacturing PMI rebounds in February

BEIJING - The manufacturing purchasing managers' index (PMI), a key measure of factory activity in China, posted 49.9 in February, up from 49.8 the previous month, according to the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). The index last month ended a losing streak that had lasted for four consecutive months since October and showed China's manufacturing contraction has narrowed. The PMI dropped below the 50-point mark in January, the first time since October 2012, marking looming downward pressure on the economy. The marginal improvement was attributable to rising market demand and confidence boosted by recent pro-growth policies, such as a reserve ratio cut and tax breaks, and steady global commodity prices, said Zhao Qinghe, a senior NBS statistician.

The subindex of new order rose to 50.4 in February from 50.2 in a month earlier, while the subindex for raw material inventories climbed from 47.3 to 48.2. But sub-indices for production, employment and delivery time dropped month on month to 51.4, 47.8 and 49.9 respectively. China's non-manufacturing PMI, which tracks the business activities of service and construction sectors, recovered to 53.9 in February from 53.7 in January. China's manufacturing PMI usually retreats when a new year begins due to the Spring Festival holiday, but the latest figures showed an anti-seasonal rebound boosted by surging consumption. This reflects the same trend showed earlier by the HSBC flash PMI, which improved slightly to a four month high of 50.1. The holiday affected recovery was too slight to prove an overall economic pick up with more evidence from other indicators needed and
the latest rate cut by the central bank also showed concerns from policy makers on the continued slowdown, Zhang said. The People's Bank of China slashed benchmark deposit and loan interest rates by 25 basis points on Saturday, the second such cut in three months amid high market expectation.

Source: Xinhua: China's manufacturing PMI rebounds in February, 2015-03-01

**Made in China?; Global manufacturing**

By making things and selling them to foreigners, China has transformed itself - and the world economy with it. In 1990 it produced less than 3% of global manufacturing output by value; its share now is nearly a quarter. China has been following in the footsteps of Asian tigers such as South Korea and Taiwan. Low-cost work that does leave China goes mainly to South-East Asia, only reinforcing Factory Asia's dominance. That raises questions for emerging markets outside China's orbit. From India to Africa and South America, the tricky task of getting rich has become harder. China's economy is not as robust as it was. And it is clinging on to low-cost manufacturing, even as it goes upmarket to exploit higher-value activities. China is increasingly a linchpin of demand. As the spending and sophistication of Chinese consumers grows, Factory Asia is grabbing a bigger share of higher-margin marketing and customer service. Other parts of the emerging world lack a large economy that can act as the nucleus of a regional grouping. Exports still remain the surest path to success for emerging markets. Competing in global markets is the best way to boost productivity. But governments outside the gates of Factory Asia will have to rely on several engines of development - not just manufacturing, but agriculture and services, too.

Such a model of development demands more of policymakers than competing on manufacturing labor costs ever did. A more liberal global regime for trade in services should be a priority for South America and Africa. Infrastructure spending has to focus on fiber-optic cables as well as ports and roads. Education is essential, because countries trying to break into global markets will need skilled workforces. These are tall orders for developing countries. But just waiting for higher Chinese wages to push jobs their way is a recipe for failure. Such a model of development demands more of policymakers than competing on manufacturing labor costs ever did. A more liberal global regime for trade in services should be a priority for South America and Africa. Infrastructure spending has to focus on fibre-optic cables as well as ports and roads. Education is essential, because countries trying to break into global markets will need skilled workforces.


**China to boost 'Made in China 2025' strategy**

BEIJING -- China's State Council pledged Wednesday to boost the implementation of the "Made in China 2025" strategy, which will upgrade the manufacturing sector. Accelerated industrialization is supported by the manufacturing sector, according to a statement released after an executive meeting of the State Council, presided over by Premier Li Keqiang. The "Made in China 2025" strategy proposed in this year's government work report can empower the manufacturing sector, while boosting "innovated in China," it said, adding that this will help the country achieve a medium-high-level economic growth. On March 5, Premier Li said China will implement the "Made in China 2025" strategy alongside an "Internet Plus" plan, based on innovation, smart technology, the mobile Internet, cloud computing, big data and the Internet of Things. Following this, informatization and industrialization will be unified and priority will be given to the development of ten particular fields, including information technology, new materials and agricultural machinery, the statement said. More efforts will be made to boost the integrated growth of productive services and the manufacturing sector, and improve the levels and core competition of the manufacturing sector, the statement said. Favorable policies will be mapped to help forge an upgraded version of the manufacturing sector, it said.

The meeting also discussed the merging processes of the two high speed rail manufacturers -- China North Railway and China South Railway. The merger should follow market rules and the enterprises' will ensure stable company operation and improve performances, the statement said. The meeting also vowed to boost State-owned
enterprise reform and tackle problems like repetitive construction and over competition.
Source: Xinhua: China to boost ‘Made in China 2025’ strategy, 2015-03-26

Curtain rises on industry's way forward

China's ambitious plans to upgrade its manufacturing power in the next 10 years were unveiled at a meeting of the State Council on Wednesday. Chaired by Premier Li Keqiang, an executive meeting of the council announced that government support, including special funding and tax incentives, will focus on 10 industrial sectors capable of transforming the nation into a more competitive player globally. The program, "Made in China 2025", was first mentioned by Li in his Government Work Report to lawmakers at the annual session of the National People's Congress at the start of this month. The program is viewed by Chinese economists and industrial leaders as the nation's answer to "Industry 4.0", a concept about the future for industry that was first featured in a German government high-tech strategy in 2013.

In a statement released after Wednesday's meeting, the government demanded "concrete results in key fields". It called for greener, more intelligent manufacturing, with an emphasis on quality and adapting well to the trend of being increasingly integrated with the Internet. The government said it will draw up a list to include industrial sectors that will be given development priority, stating how they can be upgraded further. The list will be subject to adjustment if required. The meeting described China's industrialization as "uncompleted", with manufacturing industry remaining the foundation of the economy. The initiative to upgrade the nation from a big manufacturer to a manufacturing industry superpower is key to helping China maintain economic growth at a medium-to-high level and to move up the global value chain. China has become the world's second-largest economy by producing enormous amounts of consumer products and selling them overseas. But the days of double-digit growth in manufacturing output have gone, stemming from inefficient traditional methods and a lack of high-end manufacturing. Domestic manufacturing fell to its lowest point in nearly a year this month, according to the HSBC flash manufacturing Purchasing Managers Index.
Source: ZHAO YINAN: Curtain rises on industry's way forward, China Daily, 2015-03-26

China expects steady, sound growth of real estate

BEIJING - Premier Li Keqiang said on Sunday that he hopes to see "there will be steady and sound growth of China's real estate market in the long run." He said the government encourages people to buy homes for their personal use or buy second homes. Li made the remarks at a press conference after the conclusion of the annual legislative session.
Source: Xinhua: China expects steady, sound growth of real estate, 2015-03-015

Silk Road initiatives to produce tremendous business opportunities

LONDON -- China's initiatives on building the Silk Road by land and sea will not only benefit the peoples in the region, but also provide tremendous business opportunities for Western businesses, British experts have said. "The initiatives are probably the greatest opportunities for business in the world over the next 30 to 50 years," said Stephen Perry, chairman of the UK-based 48 Group Club, at a forum on Silk Road by Land and Sea at Cambridge University on Friday. Noting that the business opportunities are "greater than anything that can occur," Perry said Western companies are ready to participate in the Land-Sea Silk Road initiatives -- namely the initiatives on building the Silk Road Economic Zone and the 21st Maritime Silk Road brought up by China in 2013 for improved cooperation with countries in a vast part of Asia, Europe and Africa. The Land-Sea Silk Road initiatives, also known "one Zone and One Road" are expected to undergo "an incredibly complicated process," and bring about unprecedented dynamics for business around the world including British companies, Perry said. Just think of what cities airlines including British Airways, Cathy Pacific and Air China will be flying to in 20 years of time, he said. The opportunities presented by the "One Zone and One Road" initiatives would be "phenomenal," Perry added.

Source: Xinhua: China to boost ‘Made in China 2025’ strategy, 2015-03-26

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Peter Nolan, director of Cambridge's Center of Development Studies, noted infrastructure development in the region is an essential part of the "One Zone and One Road" initiatives. People in the region will benefit enormously from the initiatives, Nolan said, noting the existing railway and road systems in parts of central Asia are extremely antiquated. Tracing the history of the ancient Silk Road, Nolan said China has had "a deep interaction" with the region for over 2,000 years, while the West's relationship with the area has been relatively brief. "This contrast should be borne in mind particularly in the West in trying to think about how to engage peacefully with China," he continued. Nolan also predicted a fierce competition for high value-added and high-profit business in the region. As Chinese firms have been quite successful in infrastructure construction sector, it is suggested they seek more presence and engagement in the high value-added part of the initiatives, said the globalization and world economy expert. The Forum on Silk Road by Land and Sea, hosted by the Chinese Students and Scholars Association in Cambridge, was part of a series of cultural programs at the university aimed at promoting links between China and Britain.

Source: Xinhua: Silk Road initiatives to produce tremendous business opportunities, 2015-03-14

AIIB, a case for cooperation

BEIJING -- The UK's decision of becoming a founding member of the Asia Infrastructure Investment Bank (AIIB) is a good sign to further consolidate the international cooperation in infrastructure investment. George Osborne, Chancellor of the Exchequer of Britain, said that the AIIB fills an important gap in providing finance for infrastructure in Asia, and joining the AIIB at the founding stage will create an unrivalled opportunity for the UK and Asia to invest and grow together. The remarks reflected a tendency for a more constructive attitude towards China's effort in playing a bigger role in the world's economic restructuring. China has confirmed Britain's decision and is seeking the opinions of other founding countries, the country's Finance Ministry said.

Despite a multinational presence within the AIIB, the United States somehow believes its efforts in pooling capital - in other words, contribution to job creation and economic growth - are worrying. Viewing the initiative from its own perspective, Washington once again puts its own concern beyond the interests of others - including some of its allies. In response to US concern that the new institution should incorporate the high standards of the World Bank, expressed after Britain's announcement to join the AIIB, Foreign Ministry spokesman Hong Lei said the bank will strive to meet international criteria. "The AIIB will complement existing multilateral development banks and support the infrastructure and economic development in Asia. Britain's move will further promote the common development of Asian countries," Hong said at a daily news briefing on Friday. He said AIIB's operation and governance will be open, transparent, inclusive and responsible. The World Bank also welcomes Britain's application to be a founding member of the China-proposed AIIB and it has prepared to help such multilateral development banks. "Simply for the need for more infrastructure spending, there is no doubt that we welcome the entry of the AIIB," said the World Bank Group President Jim Yong Kim in Tokyo on Friday. As a major infrastructure equipment exporter, China has been pooling effort to provide badly-needed funds to infrastructure construction, a hindrance to many countries' development. BRICS countries alone have about $1 trillion each year in infrastructure needs, according to World Bank's statistics. Such funding gaps also exist elsewhere. Britain should be in at the start of the new bank, ensuring that it operates in a transparent way, Osborne said. This kind of engagement with China, hopefully, will become more prevalent in the years to come, as the country is eyeing on more international cooperation including the AIIB and the Silk Road Economic Belt.

Source: Xinhua: AIIB, a case for cooperation, 2015-03-14

China's Finance Ministry welcomes new members of AIIB

BEIJING -- China's Ministry of Finance on Tuesday welcomed the decisions made by France, Italy and Germany to apply joining the Asian Infrastructure Investment Bank (AIIB). The ministry website said that the three countries will become founding members in two weeks if other members approve. The decisions were confirmed
on Tuesday, following Britain's application last week. The AIIB, an international financial institution aiming to provide support to infrastructure projects in Asia, is expected to be established by the end of this year. China's Minister of Finance Lou Jiwei said on March 6 that 27 countries had applied to found the bank. The application deadline is March 31.

Source: Xinhua: China's Finance Ministry welcomes new members of AIIB, 2015-03-18

**U.S. misfired in resisting China bank, analysts say: After allies join Beijing, Washington is left with little sway at institution**

As Beijing systematically recruited longtime American allies to help fund and oversee the new bank, it became clear that the push was more than a public relations gesture to China's Asian neighbors. It was also a direct threat to the post-World War II financial institutions led primarily by the United States, and to President [Obama]’s pledges to make a "pivot" to Asia in American foreign policy. "The administration made a major mistake in its opposition. It was a very shortsighted," said Paul Haenle, director of the Carnegie-Tsinghua Center in Beijing. "The bank was going to go ahead whether we supported it or not."

The British Chancellor of the Exchequer, George Osborne, had made clear his desire to change Britain's attitude toward China. The Chinese knew that he wanted to make London a platform for overseas business transacted in the Chinese currency, a first step to the convertibility of the renminbi. Just two weeks after Mr. Xi's speech on the bank, which the Chinese leader delivered in Indonesia, Mr. Osborne visited Beijing, where the courting began. One problem is that Washington did not offer much of an alternative to China's call to inject far more funding into building roads, railroads and pipelines around Asia, much of which remains underdeveloped. There is little dispute, Mr. Haenle said, that the World Bank and the Asian Development Bank have been unable to fulfill the infrastructure needs in the region. "But there is a strain in Washington that if the U.S. is not in the lead, then the U.S. should not be part of it," he said. Early on, the United States should have realized that China was determined to create the bank, and that Washington should have tried to influence its creation rather than block it, analysts in Washington and Asia said.


**Grey Lady's sour grapes on AIIB**

BEIJING - A recent editorial by the New York Times serves as a perfect example of the sour grapes mentality on the US side about the China-initiated Asian Infrastructure Investment Bank (AIIB). The article, titled "US Allies, Lured by China's Bank" and tinged with condescension, described the decision by Britain, Germany and several other European nations to join the AIIB as "the newest gold rush." The intended sarcasm aside, it is right to conclude that it is the potential of rewards from investing in infrastructure projects in Asia that has motivated these US allies to embark on the ship of the AIIB. As observed by pundits in many parts of the world, China, with its rich experience in funding or undertaking such projects in the vast regions of the less developed world, is uniquely placed to propel infrastructure investment in Asia. Despite Washington's repeated pleas for partners to stay away from the bank, which it claimed is of "dubious standards" on governance, and environmental and social safeguards, an increasing number of its allies are now joining the China-led initiative.

Their choice is a vote of confidence for China, which has achieved three decades of economic success and readied itself to make greater contributions to global development. However, what makes the AIIB so popular does not stop there. Unlike existing global lending bodies such as the World Bank, in which the United States has a dominant role and also the power to veto, the AIIB will give the Asian nation no such privilege. Instead, all members will participate in the decision-making process so as to achieve win-win results. That said, however, the AIIB does not seek to weaken established institutions, but to reinforce them and more vigorously push forward the global economy. Uncle Sam may be embarrassed by the fact that not one but many of its allies braved its warnings.
and embraced the AIIB, but as the Grey Lady suggested in the editorial, “this is a problem of America’s own making.” For example, it has been sluggish to advance reform in existing global financial institutions, in which the distribution of power no longer reflects the reality of the global economic landscape. For decision-makers in the United States, they really have to be reminded that if they do not jump on the bandwagon of change in time, they will soon be overrun by the bandwagon itself.
Source: Xinhua: Grey Lady’s sour grapes on AIIB, 2015-03-23

**Infrastructure bank will produce brave new world of opportunities**

The decision by several European nations to join the Asian Infrastructure Investment Bank will create more opportunities and a win-win formula for the two continents. Britain, Germany, France, Italy, Luxembourg and Switzerland have agreed to join the China-led international development bank, regardless of pressure from the United States. The decisions are in these countries’ national interests as they want to catch the development opportunities in the world's fastest-growing markets rather than remain outside. With an expected initial subscribed capital of $50 billion, the AIIB will be an international financial institution to fund infrastructure projects in Asia and is expected to be formally established by the end of this year. The infrastructure markets in China, India and other Asian countries are huge and may offer opportunities for a few decades. The AIIB aims to use a variety of support measures - loans, equity investment and guarantees - to boost investment in many sectors including transportation, energy, telecommunications, agriculture and urban development.

While the global economy is gradually recovering, European countries are still struggling to boost economic growth, create jobs and move forward smoothly. Europe's economic stability is being scrutinized by international investors as well as financial and economic analysts. Joining the AIIB at the founding stage will give these European countries a greater voice and bigger share of fast-growing markets, deepen cooperation with Asian partners, especially China, and lower barriers to their participation in the Asian markets. Better ties with Asian countries will also reduce the political risks in their investments. A spokeswoman for the European Commission has endorsed member states’ participation in the AIIB as a way of tackling global investment needs and as an opportunity for European Union companies.

For the AIIB, the participation of European countries as major economic powers will strengthen its fundraising ability and make it more internationalized, representative and inclusive. These European countries, which have rich financial experience, will work to ensure the new bank follows high standards and practices in terms of governance, safeguards, and debt and procurement policies. The AIIB can draw experience from these countries and other multilateral development banks and avoid their mistakes so as to be a transparent and efficient institution. China is glad to see more countries join the AIIB as founding members, and the bank's diversified membership will boost the regional economy and promote professionalism and efficiency in investment.

However, since Britain became the first major Western country to sign up as a prospective founding member of the AIIB, the US has been pressuring its allies, including Australia, South Korea and Japan, not to join the AIIB. The US sees the AIIB as a rival to the World Bank and Asian Development Bank, where the US wields decisive influence. But actually the AIIB will not challenge these lenders' roles, as it will focus on infrastructure upgrading in Asian countries, rather than poverty reduction. In the current multipolar world, most countries will not slip back into Cold War thinking, which is not good for world peace and economic development. As an open multilateral financial institution, the AIIB's goal is to improve infrastructure in many nations while working closely with other countries and institutions to promote stable global economic development, which is beneficial to all involved.
Source: Zhang Chunyan: Infrastructure bank will produce brave new world of opportunities, China Daily, 2015-03-24

**UK move to join China-led bank a surprise even to Beijing**

The announcement by George Osborne, UK chancellor, on March 12 that Britain would join China’s answer to...
the World Bank — a move in defiance of US pressure and advice from its own diplomats — was not just a surprise to allies in Europe and Washington. It also caught Beijing unawares. The UK Treasury had told Chinese officials it would not announce its application to join until March 17. But once other European countries got wind of Britain’s plan to join the nascent Asian Infrastructure Investment Bank (AIIB), the ensuing scramble to follow suit convinced London to move the announcement forward five days. The decision by several US allies to sign up to an institution Washington had effectively said was off-limits is one of the most powerful symbols to date of the eastward shift of global power. The rush by European countries to join the AIIB also showed how much more sophisticated China’s diplomacy has become as it seeks to match its economic muscle with greater influence abroad.

As late as January, when New Zealand became the first “western” country to join the bank, the members of the G7 in effect agreed to not join the AIIB unless they could reach a consensus. However, that was impossible — Japan had not been seriously invited and the US was against any of its allies signing up to what it sees as a challenge to the existing multilateral world order. As such, the UK’s decision to break ranks was heavily criticized by the US. It also rankled in Berlin and Paris, where it was taken as an example of the UK’s willingness to forego long-term strategic thinking and solidarity with close allies in the pursuit of short-term commercial advantage.

“The UK, Germany and other European countries are falling over themselves to prostrate before China in order to win Rmb business and the Chinese are delighted,” said Eswar Prasad, former head of the International Monetary Fund’s China division. “Apart from gaining favour with China it is not immediately obvious what the UK interest is in joining this bank.” One reason for the rush to join was a deadline imposed by the Chinese of mid-March if countries wanted to be included in a high-level meeting of prospective AIIB members that will be held in Almaty, Kazakhstan, this weekend.

In a campaign that has surprised even the Chinese with its success, Jin Liqun, the man in charge of shepherding the bank into existence, has spent the past few months shuttling between different countries trying to convince them to join the bank. An urbane and sophisticated former vice-minister of finance and one-time official at the Asian Development Bank, Mr Jin speaks perfect English and passable French and is the consummate “barbarian handler”, in the words of several people who have dealt with him. According to these people, Mr Jin is an Anglophile who likes to quote Shakespeare to the English, tell the French how enamored he is of their culture and charm the Germans by telling them they are his favorites because of their honesty. Several people involved in negotiations over the AIIB say Britain joined the bank despite opposition from the Foreign Office in a decision taken by Prime Minister David Cameron on the advice of the Chancellor George Osborne. The Chinese told us that this game between Luxembourg and the UK amused them no end As Mr Osborne prepared to unveil the decision, Chinese officials informed the UK Treasury that an unidentified “small European country” would be joining before them, a move that apparently prompted Mr. Osborne to bring his announcement forward. “The Chinese told us that this game between Luxembourg and the UK amused them no end,” said one person involved in negotiations to join the AIIB. “Other countries like France and Germany were not amused at all.” Germany, France and Italy, which all announced they would join the bank on Monday March 16, appear to have found out about Britain’s intentions from their Chinese counterparts, rather than from the UK government. An official from the French Treasury did not arrive in Beijing to discuss the details of France joining the bank until the same Monday morning that the joint announcement was made by the three countries, according to a person familiar with the matter. The jostling to join AIIB has happened despite the fact that even Mr Jin and his colleagues are not clear on the details of the bank, which is expected to be established by June and ratified by most countries by the end of the year.

What is clear is Beijing’s intention to play the various European countries off against each other for the foreseeable future. For one thing, of the 15-20 board seats China envisages for the bank, only three will be set aside for “non-regional” (ie non-Asian) member states, leaving the seven European countries to squabble over who gets to sit on the board. The next big fight will be over which country gets to host the AIIB’s regional European office, of which there is likely to be only one. Whether it ends up in Frankfurt, London, Luxembourg or elsewhere will no doubt also be the result of fierce maneuvering among the contenders. When asked about the rationale behind
Britain’s decision to break ranks, several British diplomats and officials have responded identically: “What did we have to lose by joining?” The response from one person involved in negotiations around AIIB accession: “What did they have to lose? Only credibility with their allies, respect from the Chinese and bargaining power when it comes to negotiations on anything in the future.”

Source: Jamil Anderlini in Beijing: UK move to join China-led bank a surprise even to Beijing, March 26, 2015

China does not seek dominant role in AIIB

BEIJING – Unlike the United States with its preponderant presence in existing global lending bodies, China, despite its status as the initiator of the Asian Investment Bank (AIIB), does not seek a dominant role in the institution’s decision-making. Following a report by the Wall Street Journal that said China has proposed to forgo veto power at the AIIB to attract more countries to join the new bank, a senior Chinese finance official and a foreign ministry spokesperson both said it is a false proposition to say China seeks or relinquishes veto power. As an inclusive multilateral development bank, the AIIB has been keeping its gate open for all members of the international community, and a growing membership means that the stakes held by each member will be diluted. The recent wave of enthusiasm among Western countries to join the Beijing-headquartered bank is by no means the result of certain “lure” offered by China but out of the realization that the new bank has a bright future: given factors such as China’s rich experience in infrastructure development, the enormous gap in fund needed to break the infrastructure bottleneck in Asia as well as Asia’s growing gravity in the global economy. The upbeat mood surrounding the China-initiated bank is also partially due to the frustration over long-waited reforms in existing global lenders such as the World Bank and the International Monetary Fund (IMF).

The distribution of voting power in these organizations, which used to be the fundamental pillars of the Bretton Woods System, has long been considered outdated as it no longer reflects the reality of the global economic landscape. Since the onset of the 2008 financial crisis, the World Bank and the IMF have embarked on reforms to give emerging economies a larger say, but apparently such efforts is not to the liking of the United States, which wields de facto veto power in both organizations. A proposal by the IMF in 2010 to increase quotas for under-presented members could not be implemented as of today, thanks to failure of the US Congress to ratify the draft. While the AIIB will be a complement rather than a competition for existing development banks, the emergence of the institution will be a great incentive for reforms at the World Bank and the IMF. Instead of carping on the fledging AIIB, it is better for Uncle Sam to focus on promoting reforms in the World Bank and the IMF, otherwise it would not take long before he finds himself in a big playhouse but with few playmates.

Source: Xinhua: China does not seek dominant role in AIIB, 2015-03-27

CHINA: AIIB will reshape development finance landscape

Since July 2014, China has overseen the establishment of three development finance institutions: the New Development Bank ('BRICS bank'), the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB). As well as its geopolitical implications, this reshaping of the international financial architecture also represents a shift in the predominant model of development finance. The AIIB will grant Beijing greater influence over international finance, but it also compels China to develop a more financially sustainable, long-term foreign investment strategy through multilateral, transparent and rules-based mechanisms.

The AIIB will be well-positioned to contribute significantly to financing the 8 trillion dollars in investment that the Asian Development Bank (ADB) identified in 2009 as necessary for Asian infrastructure from 2010-20. The AIIB departs from China's historical record of providing development finance primarily for foreign policy objectives. China has a strong interest in maximizing the commercial-driven nature of the AIIB for two reasons: It will create opportunities to diversify China's financial investment strategy for both private and public domestic savings. It will reduce the likelihood of corruption-related losses in regional infrastructure investments

China's status as a major exporter of capital gives Beijing a strong incentive to shape and support regimes of
international transparency and accountability for commercial reasons. The design of reporting and monitoring systems are among the most important and contentious in designing and implementing development finance policies and institutions. The AIIB is emerging as the vehicle for China to demonstrate its capacity and willingness to operate within such frameworks. China's share of paid-in capital and voting rights will be diluted as articles of agreement are negotiated, and the AIIB will begin to assume a dominant position in regional infrastructure financing. The bank will legitimate state-backed development finance, combining a shift away from private capital as the desired source of infrastructure investment with a greater acceptance of international norms of transparency and accountability.


'Belt and road' blueprint boosts practical cooperation

BOAO -- The blueprint of the China-proposed belt and road initiative unveiled on Saturday will boost practical cooperation in key fields such as infrastructure, said analysts. The action plan for the Silk Road Economic Belt and 21st Century Maritime Silk Road outlined the principles, framework, and cooperation priorities and mechanisms of the initiative. The routes will run through Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end with the developed European economic circle.

The plan was issued by the National Development and Reform Commission, China's top economic planner, and the ministries of foreign affairs and commerce. The initiatives have been established on four principles -- openness and cooperation; harmony and inclusiveness; market operation; and mutual benefits. Policy coordination, connectivity, unimpeded trade, financial integration and people-to-people bonds are the five cooperation priorities. "The market waited for this action plan for a long time," said Ha Jiming, chief investment strategist for the investment management division of China at Goldman Sachs. The strategy shows the initiatives are more than a simple concept, he added. Prince Saud, chairman of Saudi Basic Industries Corp., said cooperation and construction projects would bring benefits to countries along the routes, and push forward bilateral trade and economic activities.

Addressing the opening ceremony of the BFA on Saturday, President Xi Jinping said China would follow the principle of wide consultation, joint contribution and shared benefits when promoting the initiatives. Xi promised that the programs of development will be open and inclusive, saying that they will be a real chorus comprising all countries along the routes. Zheng Yongnian, director of the East Asian Institute at the National University of Singapore, regards the initiatives as an important factor in China's new round of the open-up. "China is considering the real needs of the countries along the routes, rather than imposing its will on others. It is about negotiation," he said. "It has the potential to connect continental Asia, big countries and small countries, creating prosperity for all," said Ravi Bhoothalingam, chairman of Indian Manas Advisory. "It is a cooperative venture where everybody will participate together, so it is very different from the concept of Marshall Plan," he added.

Former Chinese deputy foreign trade minister Long Yongtu believes more Chinese companies will be encouraged to seek business opportunities abroad, bringing a new round of investment. Bishnu Raj Adhikari, managing director of Kathmandu College of Management in Nepal, believes the action plan has the potential to further promote Asian integration and common development.

Source: Xinhua: 'Belt and road' blueprint boosts practical cooperation, 2015-03-30

Belt and Road' initiatives to benefit Asia, beyond

BEIJING -- The China-proposed "Belt and Road" initiatives reflect the common aspiration of countries along the routes and the implementation of the blueprint will bring huge benefits for Asia and the rest of the world. This modern version of the world-renowned ancient trade routes spans Asia, Africa and Europe, and each country along the routes has its own economic strength it wishes to share and also shortcomings that could only be addressed with
the help from outside. With an eye to economic diversity in the region, the "Belt and Road" initiatives seek to promote win-win cooperation among participating nations by breaking the infrastructure bottlenecks, by boosting efficient allocation of resources and by further integration of markets. Aside from explaining how the development plan will bring about benefits for countries involved, a recently-released blueprint for the "Belt and Road" initiatives also outlines the principles, cooperation priorities and the mechanisms to facilitate progress.

The rich content of the roadmap-style document testifies to China's sincerity in promoting common development in neighboring countries and also for partners on a different continent. The "Belt and Road" initiatives are like an invitation by China for countries to ride its express train of economic development. As the initiator of the plan, China will continue to provide the core driving force for the "Belt and Road" programs: in the coming five years, China will import goods worth more than $10 trillion, Chinese investment abroad will exceed $500 billion, and more than 500 million outbound visits will be made by Chinese tourists. Estimates made by some media reports indicated that the China-led initiatives are expected to bring about "unprecedented prosperity" for over 60 percent of the world population. The seemingly jaw-dropping prediction may prove to be no exaggeration given that Asia alone accounts for some 60 percent of the world population and in some of China's neighboring countries as well as in some Africa countries, people's living standards have been greatly improved thanks to projects set up and run by China.

The programs of development, as Chinese President Xi Jinping put it, will be a real chorus comprising all countries along the routes, not a solo for China itself. Presently, more than 60 countries in relevant regions have shown their interests in joining the "Belt and Road" initiatives. And we have every reason to believe that the development plan will create a better future for Asia and the whole world at large.

Source: Xinhua: 'Belt and Road' initiatives to benefit Asia, beyond, 2015-03-31

NDRC head sees pivotal role for investment

Investment will continue to play a crucial role in driving China's slowing economy this year to offset domestic and global downturn pressures, but policymakers won't enact bold stimulus measures, the head of China's top economic planning agency said on Thursday. Xu Shaoshi, minister of the National Development and Reform Commission, said that attracting social and private capital is crucial to China's economy this year. The country will initiate major new projects in the year ahead, focused particularly on railway and highway projects in the middle and western regions of China; waterway transport projects; major telecommunication networks; oil and gas pipelines; clean energy; and environmental protection, Xu said at a news conference held on the sidelines of the two sessions. Xu said exports and consumption are likely to be flat this year due to weak global and domestic demand, so investment will continue to play a key role in driving the economy. As a big economy under the process of industrialization and urbanization, China has great potential in strengthening necessary investment, Xu said. "Bold stimulus" won't be a concern, so the challenge lies in improving the efficiency of investment, he added. According to the NDRC's annual report, fixed asset investment this year is expected to increase by 15 percent year-on-year, almost the same as last year's level, 15.8 percent. The NDRC is taking charge of 477.6 billion yuan ($76.2 billion) of central budgetary allocation this year, accounting for less than 1 percent of China's overall fixed asset investment, which hit 51 trillion yuan last year. "The government will expand market access and innovate financing mechanisms to leverage social and private sector investment, which is very important," said Xu. Experts said investors were hesitating to invest, particularly because of industrial overcapacity and a sputtering housing market.

Source: LAN LAN/CHEN JIA: NDRC head sees pivotal role for investment, China Daily, 2015-03-6

China 'not seeking to overturn UN-centered world order': But updates are needed to reflect global changes, says Foreign Minister

CHINA is not seeking to overturn the world order but believes updates are needed to reflect global changes in
the past 70 years, said Foreign Minister Wang Yi. He also pointed out that changes are needed to "safeguard the legitimate rights and interests of developing countries, which are in the majority, so that we can make the world a more equal, harmonious and safe place".

Speaking at a press conference on the sidelines of the National People's Congress annual session, Mr Wang was asked about talk that China is trying to overturn the world order and install a new system with it taking a dominant role. China has often said it does not seek to overthrow the current international order that has helped it prosper in the past 30 years since its opening up and reform. But such talk has spiked amid increased Chinese participation at the UN in recent years, and also with a slew of multilateral initiatives launched or backed by China, such as the Brics grouping of developing nations that includes India, and China's deepening cooperation with Russia. During the press conference yesterday, Mr. Wang fielded wide-ranging questions on China's bilateral ties with countries such as the United States, Japan and India.

He appeared to drop hints that the Chinese government might be open to inviting Japanese Prime Minister Shinzo Abe to the commemorative activities being planned in China to mark the end of World War II. A military parade has been planned in Beijing, likely around Sept 3, the date in 1945 when Japan signed its formal surrender to Allied forces. On ties with the US ahead of President Xi's visit to the country this September, Mr Wang said the new type of "major-country relationship" - aimed at avoiding conflict seen previously between an existing and a rising superpower - that both are trying to build could help maintain regional stability, though disagreements are expected. "But we shouldn't magnify problems through a microscope; we should instead use a telescope to look ahead to the future and make sure we move forward in the right direction," he said.

On China's "One Belt, One Road" initiatives, referring to the Silk Road Economic Belt and 21st Century Maritime Silk Road trading routes envisaged by President Xi Jinping. "It is not just China's solo move, but a symphony performed by all relevant countries." "The Chinese dragon and Indian elephant should join each other in a duet to work for the early revitalization of two oriental civilizations." - On Sino-India ties ahead of Indian Prime Minister Narendra Modi's visit to China in the coming months

Source: Kor Kian Beng China Bureau Chief In Beijing: China 'not seeking to overturn UN-centered world order': But updates are needed to reflect global changes, says Foreign Minister. The Straits Times [Singapore] 09 Mar 2015.

**China-backed investment bank welcomes all countries: Xi**

The China-proposed Asian Infrastructure Investment Bank (AIIB) is an open initiative and China welcomes all countries to join the effort, said Chinese President Xi Jinping on Saturday. "We will … advance complementary and coordinated development between the Asian Infrastructure Investment Bank and such multilateral financial institutions as the Asian Development Bank and the World Bank," Xi told the annual conference of the Boao Forum for Asia (BFA). Beijing is committed to vigorously promoting a system of regional financial cooperation and exploring a platform for exchanges and cooperation among Asian financial institutions, he added. "The 'Belt and Road' and the AIIB are both open initiatives. We welcome all countries along the routes and in Asia, as well as our friends and partners around the world, to take an active part in these endeavors," he said, referring to the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives.

The AIIB is a China-initiated international financial institution aimed at supporting infrastructure projects in Asia. It is expected to be formally established by the end of this year. Twenty-one countries, including China, India and Singapore, signed a memorandum of understanding in Beijing in October 2014 to build the AIIB. Six other nations, including Indonesia and Saudi Arabia, joined the body until Feb. 9, 2015. As agreed, Beijing will be the host city for the headquarters. The authorized capital of the AIIB is $100 billion and the initial subscribed capital is expected to be around 50 billion dollars. The paid-in ratio will be 20 percent. Founding members have agreed that GDP will be the basic parameter in determining share allocation among member countries. In March, nine other countries, namely Britain, France, Germany, Italy, Luxembourg, Switzerland, Turkey, Austria and South Korea,
have so far applied to join the AIIB as founding members. The application deadline is March 31.

The Chinese economy is highly resilient and has much potential, which gives enough room to leverage a host of policy tools, said Xi. He said that while delivering a keynote speech at the opening plenary of the annual conference of the 2015 Boao Forum for Asia in Boao, south China's Hainan Province. The theme of the forum this year is "Asia's New Future: Towards a Community of Common Destiny". China to import goods worth $10 trillion in 5 years. China will import more than $10 trillion of goods in the coming five years, marking continued opportunities brought to the world, Chinese President Xi Jinping said on Saturday. "Chinese economy will continue to bring more opportunities of trade, growth, investment and cooperation for other countries in Asia and beyond," Xi said while delivering a keynote speech at the opening plenary of the annual conference of the 2015 Boao Forum for Asia (BFA) in Boao, south China's Hainan province.

Xi said that 2015 is an important year to be commemorated and a historic juncture to reflect on the past and look to the future. "This year marks the 70th anniversary of the end of the World Anti-Fascist War, the victory of the Chinese People's War of Resistance Against Japanese Aggression and the founding of the United Nations. This year is also the 60th anniversary of the Bandung Conference and will witness the completion of the ASEAN Community," he said. "As such, it is an important year to be commemorated as well as a historic juncture to reflect on the past and look to the future," the president said when addressing opening ceremony of the 2015 annual conference of the Boao Forum for Asia (BFA) in the coastal town of China's southernmost island province of Hainan.

Under the theme of "Asia's New Future: Toward a Community of Common Destiny", the four-day event will witness more than 70 formal discussions on topics of macro economy, industrial transformation, regional development, technological innovation, politics and regional security. Leaders from 15 other countries as well as nearly 2,800 officials, businessmen and media staffers attend the forum. Chinese President Xi Jinping on Saturday said that the Cold War mentality should be discarded and new security concepts be nurtured as Asia explores a path to ensure security. "To build a community of common destiny, we need to pursue common, comprehensive, cooperative and sustainable security," the president said at the opening ceremony of the 2015 annual conference of the Boao Forum for Asia in the coastal town of China's southernmost island province of Hainan. China will work to promote a new type of international relations of win-win cooperation and will always remain a staunch force for world peace and common development, Chinese President Xi Jinping said on Saturday. Xi made the remarks while delivering a keynote speech at the opening plenary of the annual conference of the 2015 Boao Forum for Asia in Boao, south China's Hainan Province. The theme of the forum this year is "Asia's New Future: Towards a Community of Common Destiny". China stands ready to sign friendship treaty with all neighbors. The country stands ready to sign treaties of good-neighborliness, friendship and cooperation with all its neighbors to provide strong support for the development of bilateral relations as well as prosperity and stability in the region, Xi said. China has signed such treaties with eight of its neighbors and is holding discussion to sign the same treaty with ASEAN, said Xi while delivering a keynote speech at the opening ceremony of the Boao Forum for Asia annual conference held in the country's southern island of Hainan.

Chinese President Xi Jinping said on Saturday the vision and action paper of China-proposed "Belt and Road" initiative has been developed thanks to the concerted efforts of relevant parties. Substantive progress has been made in the establishment of the Asian Infrastructure Investment Bank (AIIB), said Xi while delivering a keynote speech at the opening ceremony of the Boao Forum for Asia conference held in the country's southern island of Hainan. Xi proposes dialogue conference among Asian civilizations. Chinese President Xi Jinping on Saturday proposed a conference of dialogue among Asian civilizations to be held with an aim to boost regional cooperation and development. The president made the proposal when addressing the opening ceremony of the 2015 annual conference of the Boao Forum for Asia (BFA) in the coastal town of China's southernmost island province of Hainan. The president said that the conference will provide a platform to enhance interactions among the youth, people's groups, local communities and the media and to form a network of think-tank cooperation, so as to add to
Asian people's rich cultural life and contribute to more vibrant regional cooperation and development. The following are some of the highlights from Xi's speech:

-- Xi pays tribute to Mr Lee Kuan Yew, says Lee is a strategist and statesman respected worldwide Chinese President Xi Jinping expresses condolences for victims of Germanwings crash.

-- China-proposed Asian Infrastructure Investment Bank welcomes all countries.

-- The Chinese economy is highly resilient and has much potential, which gives enough room to leverage a host of policy tools.

-- China will work to promote a new type of international relations of win-win cooperation and will always remain a staunch force for world peace and common development.

-- The Cold War mentality should be discarded and new security concepts be nurtured as Asia explores a path to ensure security.

-- 2015 is an important year to be commemorated and a historic juncture to reflect on the past and look to the future.

-- China will vigorously promote a system of regional financial cooperation, and explore a platform for exchanges and cooperation among Asian financial institutions.

-- The vision and action paper of China-proposed "Belt and Road" initiative has been developed thanks to the concerted efforts of relevant parties.

-- China stands ready to sign treaties of good-neighborliness, friendship and cooperation with all its neighbors to provide strong support for the development of bilateral relations as well as prosperity and stability in the region.

Source: Xinhua: China-provided investment bank welcomes all countries: Xi, 2015-03-28

**China continues to promote win-win cooperation**

BOAO, Hainan -- China will work to promote a new type of international relations of win-win cooperation and will always remain a staunch force for world peace and common development, Chinese President Xi Jinping said on Saturday. Xi said that while delivering a keynote speech at the opening plenary of the annual conference of the 2015 Boao Forum for Asia in Boao, south China's Hainan Province, "China will be steadfast in pursuing the independent foreign policy of peace, the path of peaceful development, the win-win strategy of opening up, and the approach of upholding justice while pursuing shared interests," Xi said. Xi noted that what China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment, adding that turbulence or war runs against the fundamental interests of the Chinese people. China has suffered from turbulence and war for more than a century since modern times, and the Chinese people would never want to inflict the same tragedy on other countries or peoples, Xi said. Under the theme of "Asia's New Future: Towards a Community of Common Destiny", the forum held from Thursday to Sunday will span issues such as the China-proposed "Belt and Road" initiatives to Asia's economic integration.

Source: Xinhua: China continues to promote win-win cooperation, 2015-03-28

**Boao Forum for Asia Annual Conference 2015 concludes**

BOAO, Hainan province -- The annual conference of the Boao Forum for Asia (BFA) closed on Sunday in South China's Hainan province. Chinese President Xi Jinping spoke at the opening ceremony and called for a community of common destiny of Asia. The conference, which this year adopted the theme "Asia's New Future: Towards a Community of Common Destiny", was attended by 2,786 political, business and academic leaders as well as journalists from 49 countries and regions. The four-day forum, which started Thursday, focused on several key areas, such as the Belt and Road initiatives, the Asian Infrastructure Investment Bank (AIIB), and ASEAN Economic Community. This was the 14th BFA annual conference. A non-governmental and non-profit international organization founded in 2001, the BFA is committed to promoting regional economic integration and bringing Asian countries closer to their development goals.
'It's time to free up the yuan'

The governor of the People's Bank of China released a time schedule on Sunday to make the country's currency more user-friendly as a step toward making international investments easier. The reform aims to meet the International Monetary Fund's requirements before its evaluation on whether the yuan could be a part of Special Drawing Rights. This means the yuan would join the US dollar, euro, pounds sterling and Japanese yen as part of the supplementary foreign exchange reserve maintained by the IMF. "By the end of 2015, the last year of the 12th Five-Year Plan (2011-15), China plans to make the renminbi capital account convertible," said PBOC Governor Zhou Xiaochuan when he met chief executive officers from the world's top business groups at the China Development Forum in Beijing on Sunday. Zhou said: "It is time to change the current policy that restrains Chinese individual residents from buying equity and financial products in overseas markets. Also the Qualified Foreign Institutional Investors plan is not flexible enough to satisfy foreign residents' investment needs on the mainland. "A set of pilot policies and regulations will be released this year, to basically achieve the requirements for a currency that can be used more easily." Asked whether the speculation that he may retire soon was true, Zhou answered: "I have no further information and view on this question, and we need to wait and see."

The IMF will make a regular review of the renminbi in the SDR basket later this year. The selection of currencies for that is based on two main criteria: the size of a country's exports and whether its currency is freely usable. For personal use, residents in the mainland can at most convert renminbi for $50,000 or other currencies equal to that every year. More regulations come into play when they intend to invest into overseas equity markets. Zhou said: "The government is working on a draft to modify current foreign exchange regulations." IMF Managing Director Christine Lagarde told the meeting: "The IMF welcomes progress and achievement in the Chinese economy and financial market reforms." She agreed that the measures outlined by Zhou could lead to the internationalization of the renminbi and liberalization of the capital account. "The IMF will work constructively with China, and consider accepting the renminbi into the SDR basket if it can fulfill the conditions," she added. But she also warned: "Emerging economies should prepare for unexpected cross-border capital flows when the main economies change their monetary policy. "The central banks need to react quickly when the global policy environment changes suddenly, by increasing market liquidity and strengthening intervention on the foreign exchange rate to curb capital flights." Yu Yongding, an academic at the Chinese Academy of Social Sciences, said that more discussion is needed to decide whether joining the SDR is a good or bad thing for the renminbi. "I would prefer to open the capital account at a slower pace as we need to do more to improve the financial system first," Yu said.

Source: CHEN JIA: 'It's time to free up the yuan', China Daily, 2015-03-26

Global Finance: Canada Aims to Boost Deals in China Currency

Canada's launch of a trading hub Monday will make it easier for companies in the Western Hemisphere to do business in Chinese currency, part of a larger effort to boost trade with the world's second-largest economy and give its money an expanded role on the world stage. China's central bank is backing the new Renminbi Trading Hub for the Americas, which will allow firms in numerous countries to conduct their renminbi transactions through Canadian banks. The system is expected to save companies time and fees while creating new revenue for the Canadian financial institutions that act as hub gatekeepers. Industrial and Commercial Bank of China's Canadian subsidiary will clear the transactions. The launch of this hub, like others in Singapore and London, is part of China's push to promote greater use of its currency in global trade and investment.

Since the hub is pan-Canadian, its benefits will be felt across the country, said Janet Ecker, president and CEO of the Toronto Financial Services Alliance. For instance, renminbi-based trade finance deals could take place in Vancouver, energy deals in Calgary and derivatives in Montreal, she said. U.S. banks seeking to take advantage of
the Canadian hub on behalf of their commercial clients will need to do so through a Canada-based lender and likely for a fee.


Further opening agro trade would benefit Sino-US trade talks

China should loosen restrictions on imports of agricultural products and the move would help to speed up the conclusion of bilateral investment treaty negotiations with the United States, a former deputy trade minister said on Tuesday. "During the recent National People's Congress a deputy proposed further opening imports of agricultural products, except for rice and wheat. I totally agreed with him," Long said at an event hosted by the Center for China & Globalization, a think tank. In the 1990s, Long was the chief negotiator of China's accession to the World Trade Organization, and is now the chairman of the advisory commission of the Center for China & Globalization. "A global perspective is needed to address the nation's environmental problems. China's farmland has been heavily polluted by fertilizers and pesticide. The land needs to take a breath," he said. He also questioned China's "red line" of safeguarding 120 million hectares of arable land, an amount considered by mainstream opinion as a minimum to ensure China's food security. "China's is a bit conservative in agricultural issues," he said. Long suggested that relaxing restrictions on agricultural product imports could gain China more leverage in international negotiations. "Agricultural product protection is already the toughest issue in China-US negotiations…if you concede a little on this issue to the Americans, they could make concessions on other issues," he said, referring to the bilateral investment treaty China is negotiating with the US.

Source: Zheng Yangpeng: Further opening agro trade would benefit Sino-US trade talks, China Daily, 2015-03-18

China faces pressure on exports

BEIJING -- The pressure is on Chinese exports as the euro sinks against the yuan, Ministry of Commerce spokesman Shen Danyang said on Tuesday. The yuan was up 10.8 percent against the euro until March 13, when the euro devalued 13.2 percent against the US dollar. The price advantages of Chinese exports to the European market has been softened by the euro devaluation, said the spokesman. The weak euro will also incite eurozone exports to other markets, adding competitive pressure to China's high value-added exports. Imports from the eurozone have not been affected much by the fluctuation, as China mainly imports mechanical, electrical and chemical products from Europe, but investment and merger opportunities for Chinese companies have increased as asset prices tumbled, said Shen. In the first two months this year, Chinese non-financial direct investment in the European Union rose almost ten fold.

China's exports fell 3.2 percent year on year in January but rose 48.9 percent in February, according to the General Administration of Customs. Growth of exports to the US and the EU hit 48.5 percent and 44.2 percent, respectively, in February thanks to a mini economic recovery there at the turn of the year. Shen attributed part of export growth in February to a low comparative base in the same period last year. It is common for the Chinese economy to fluctuate in January and February due to the Lunar New Year holiday, which fell in February this year and January in 2014. Exports of both textiles and clothes nearly doubled in January compared with the same period last year, driven by higher export rebates since the start of this year.

Source: Xinhua: China faces pressure on exports, 2015-03-18

China approves three new free trade zones

BEIJING -- Three more free trade zones (FTZs) in Guangdong, Tianjin and Fujian, and improvements to the Shanghai FTZ were approved at a Tuesday meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee. FTZs are important for exploring new paths and acquiring new experiences, said a statement released after the meeting. The statement said the Shanghai FTZ has made "positive progress" over more than a
year, generating a model that can be replicated elsewhere. The Shanghai FTZ, launched in September 2013, is a testing bed for reforms that range from administration, investment, finance through services. The new zones, as well as the Shanghai FTZ, will continue working for institutional innovation, according to the statement. The FTZs are part of a new, more open economic system, exploring new models for regional economic cooperation, and establishing a law-based climate for business and commerce, the statement said.

Source: Xinhua: China approves three new free trade zones, 2015-03-25

Free trade zones set to become vital testing grounds for broad reforms

The expansion of China's free trade zones will create more places where reforms in foreign investment management, government supervision and service opening-up can be tested, according to experts. The nation is going through a momentous transition to a "new normal" as it recalibrates its growth pace and builds on experience in a range of pilot programs. Many of those programs have undergone trials in the China (Shanghai) Pilot Free Trade Zone, which was established in 2013. The results of those experiments will feature in three new FTZs in Tianjin municipality and Guangdong and Fujian provinces. More inland cities are expected to get approval for FTZs in the coming years.

Mei Xinyu, a researcher at the International Trade and Economic Cooperation Institute at the Ministry of Commerce, said that the three new FTZs will have "more local characteristics" than the pioneering Shanghai FTZ. The Tianjin FTZ will focus on trade with Northeast Asia, shipping and financial leasing. The Guangdong FTZ will be a crucial part of the second phase of Guangdong-Hong Kong-Macao cooperation, and will build on Hong Kong’s advantages as a global financial center while the Fujian FTZ will emphasize cross-Straits trade and financial cooperation with Taiwan. "These new FTZs have different reform focuses in terms of services, finance, industry, investment and trade. Adding FTZs can help realize China's goal of steady growth and boost international investors' confidence by offering more flexible market access," said Mei. Take the Tianjin FTZ, where shipping and associated activities will power its development. The city plans to pursue opportunities in shipping finance, ship registration and maintenance, and maritime law and arbitration. It will cooperate with Shanghai, an international shipping hub, to reach more ports around the world.

Lin Guijun, vice-president at the Beijing-based University of International Business and Economics, said that FTZs are appropriate bases for taking part in global economic competition and can be sources of innovation and create the momentum for sustainable development. "Even though these new FTZs may unavoidably develop a uniformity of financial services in the initial stages, fierce competition will eventually force them to optimize their policies, improve their infrastructure, nurture talent and lure foreign capital," said Lin. For foreign businesses, Lin said many undeveloped social service industries such as education, social security, health and elderly care can become new market growth points, because demand for these services has surged in China over the past decade.

China cut the number of industries in which it restricts foreign investment earlier this month, as the new Catalog for the Guidance of Industries for Foreign Investment gained approval from the State Council (cabinet) and will take effect on April 10. The number of restricted sectors was cut almost in half, from 79 to 38. Favored sectors within the new guidelines are modern agriculture, high technology, advanced manufacturing, energy efficiency and environmental protection, alternative energy and modern services. In the Shanghai FTZ, the number of sectors where foreign investment is restricted was cut to 139 in 2014 from 190 a year earlier. This year's list is expected to be shorter again. These modified policies from the cabinet and the Shanghai FTZ can be adopted within the three new FTZs. Li Jian, a researcher in the international trade and economic cooperation institute of the Ministry of Commerce, said the three FTZs will inevitably be compared with the Shanghai FTZ, but they will also be places to test the feasibility of ideas and provide new experience for further reform and opening-up throughout the country.

Source: Zhong Nan: Free trade zones set to become vital testing grounds for broad reforms, China Daily, 2015-03-27
Foreign investment restrictions to be cut

China is cutting the number of industries in which it restricts foreign investment, in a move to further open up the market. The new Catalog for the Guidance of Industries for Foreign Investment has gained approval from the State Council, China's cabinet, and will come into force from April 10, the National Development and Reform Commission said on Friday. The guidelines, which guide an increase or decrease of the flow of foreign investment into certain industries, will make the service and manufacturing sectors more accessible. Within manufacturing, the list includes the ethylene, papermaking, and electric transformation equipment industries, while for services includes the e-commerce, logistics, transportation, finance and culture sectors. The number of restricted sectors has been cut from 79 to 38.

The negative-list management system has gained great traction after being promoted in the China (Shanghai) Pilot Free Trade Zone since its establishment in 2013, the country's first such zone. The number of sectors in which foreign investment is restricted in the Shanghai zone was reduced to 139 last year from 190 in 2013. The length of this year's list is expected to be shorter again. China attracted more foreign direct investment than any other country last year, worth $119.6 billion, up 1.7 percent year-on-year. In a recent survey by the American Chamber of Commerce in Shanghai, however, three-quarters of the respondents believed that the city's FTZ offered no tangible benefits for their business.

The NDRC solicited public opinion on revisions to the catalog in November. Wang Dong, deputy director-general of the department of foreign capital and overseas investment under the NDRC, also said the new version shows the government's strong commitment to opening up and improving the investment environment for foreign investors. Of the other favored sectors within the new guidelines, modern agriculture, high technology, advanced manufacturing, energy efficiency and environmental protection, new energy and the modern service industries.

Source: LAN LAN: Foreign investment restrictions to be cut, China Daily, 2015-03-14

FDI rises 17% in Jan-Feb

China's foreign direct investment rose 17 percent year-on-year to $22.48 billion in the first two month of this year, with three countries — Saudi Arabia, France and Germany — registering the fastest growth rates, the Ministry of Commerce said on Tuesday. FDI inflow from Saudi Arabia surged 873.8 percent year-on-year to $240 million, and that from France rose 366.7 percent to $280 million. Investment from Germany jumped 59 percent to $410 million. Shen Danyang, spokesman for the ministry, said the biggest investments were in big-ticket industrial projects in the automobile, power and chemical industries. Germany's Daimler AG, Arkema Asie SAS of France and Saudi Basic Industries Co all made significant commitments in China on new projects and expansions of existing manufacturing facilities. "As China readjusts the industrial structure of its low-end manufacturing and heavy industries and develops new growth points from services industries such as e-commerce, transportation and logistics, the service sector has become the new growth engine driving the inflow of foreign investment," said Shen.

FDI into the nation's service sector hit $13.73 billion in the first two months, a 30 percent increase from the same period a year earlier and accounting for 61 percent of total FDI during the period. Along with the rise in the amount of FDI, the number of newly registered foreign-funded companies also jumped significantly, by 38.6 percent, in the first two months, a total of 3,831 companies, according to the official data. The Hong Kong Special Administrative Region, Taiwan, South Korea, Singapore and Japan were the next top five sources of investment. Wang Zhile, a senior researcher at the Chinese Academy of International Trade and Economic Cooperation, said that even though some foreign companies had been affected by rising operating costs and the general slowdown in the Chinese economy over the past two years, on the whole their revenue growth had remained stable, and has been faster than in other regional markets since the global financial crisis in 2008. "China is a big market with 1.36 billion consumers and is still capable of completing a lot of big-ticket infrastructure and public service projects,
which still need a lot of goods and services and technical solutions from foreign manufacturers as well as service providers," said Wang.

The continued depreciation of the euro will attract more outbound direct investment from China, leaving the world's second-largest economy firmly on track to gain more advanced European technologies, assets and human capital. Boosted by China National Petroleum Corp's $2.89 billion investment in the Netherlands in the first two months of the year, China's ODI into the European Union soared 950 percent year-on-year to $3.36 billion by non-financial companies during this period, according to the Ministry of Commerce on Tuesday. Shen Danyang, spokesman for the ministry, said though the global demand for investment is still huge, Chinese investors are more inclined to choose Europe and the United States as these markets have well-developed industrial and infrastructure foundations, as well as a mature consumer group and legal environment. "The depreciation of the euro has lowered Chinese companies' costs as they acquire European companies or set up overseas branches to further expand their international presence and market share," said Shen. ODI by non-financial firms surged 51 percent to $17.42 billion in the first two months of the year, with the EU, the Hong Kong Special Administrative Region and the Association of Southeast Asian Nations being the top three investment destinations. However, Shen said the depreciation of the euro has put more pressure on Chinese exports to the European markets, in particular high value-added products.

Beijing is closely watching developments surrounding the possible suspension of plans for a Chinese-funded port city in Colombo, Sri Lanka, and has urged the government there for fairness when it comes to Chinese construction companies investing in the country. The Ministry of Commerce is working with other government branches to draw up guidelines for the development of e-commerce in the rural areas. Building information sharing platforms for agricultural production and the sale of agricultural products will be the priorities. China's level of foreign trade is actually doing better than official data suggested in the first two months of this year, which were strongly influenced by the timing of Spring Festival in February. The rate should be shown to have improved significantly, when the first-quarter trade data are released in April.

Source: Zhong Nan: FDI rises 17% in Jan-Feb, China Daily, 2015-03-18

China pulls back tax breaks for foreign companies

China is ordering local governments to roll back tax breaks promised to foreign businesses. Chinese cities have been offering incentives such as lower land prices and tax breaks in recent years to attract foreign investment. It worked: $120 billion poured into China in 2014, and giant multinational firms such as Starbucks and Intel have set up shop over the years. Now Beijing is ordering municipalities to kill these incentives in a bid to rein in local government spending and control the country's burgeoning debt. The central government "is aware that local debt has been accumulating, so they are worried about that ... [and] they want to make sure that national assets are being used in the best way," said Kenneth Jarrett, president of the American Chamber of Commerce in Shanghai. The move is most likely to hit manufacturing. Less developed cities that need to work harder than big urban hubs to attract foreign investment could lose out the most, Jarrett said. Foreign companies say China is becoming a trickier place to do business. An annual survey of about 500 companies found that 47% say they feel they're less welcome in China than they were a year ago, up from 44%, according to the American Chamber of Commerce in China. All this serves as a "reminder that China has always been a challenging environment, and it's not for the timid," Jarrett said. "It's also a very substantial economy, so that makes it very attractive."


New guideline for auto joint ventures

The Ministry of Commerce has announced that, from April 10, the shareholdings of Chinese parties in joint ventures should be above 50 percent for automobile companies. The ministry and the State Development and Reform Commission jointly issued a new guideline for joint ventures in China and encouraged foreign investment. The guideline indicates that each foreign automaker may set up at most two joint ventures for passenger and
commercial vehicles or motorcycle. That limit does not cover the situation where a foreign firm joins with domestic counterparts in mergers. The guideline has reduced much red tape for foreign companies and is expected to inspire international forays into the environmental protection and energy efficiency sectors.

Source: New guideline for auto joint ventures, China Daily, 2015-03-29

**Nation's ODI in S. Korea surging**

Investment flows from China to South Korea surged 374 percent last year to $631 million as Chinese companies moved to expand their presence and options in the global market. The figure was announced on Monday by the Mergermarket Group, a Financial Times-owned consultancy. Wang Zhile, a senior researcher on foreign investment at the Chinese Academy of International Trade and Economic Cooperation, a think tank of the Ministry of Commerce, said that the rising investment was driven by anticipation of the China-South Korea Free Trade Agreement and the implementation of direct yuan-won currency trading. Minister of Commerce Gao Hucheng said earlier this month that China and South Korea will officially sign a bilateral free trade agreement in the first half of this year. Chinese companies’ enthusiasm for South Korea has continued this year. Anbang Insurance Group invested $1 billion in February to acquire 63 percent of Tongyang Life Insurance Co, a South Korean insurer, in the biggest single transaction so far between the two nations.

As the yuan has been increasingly used in global trade and investment by countries such as the United Kingdom, Germany and France, the People's Bank of China and the Bank of Korea signed a memorandum of understanding last year to facilitate bilateral investment and trade by reducing transaction costs and exchange-rate risks. Wang said that the focus of Chinese outbound direct investment in South Korea is still the real estate sector. Chinese investors have become the biggest foreign buyers’ group in South Korea's Cheju Island thanks to the country's changing investment immigration policies. Sang Baichuan, director of the institute of international business at the University of International Business and Economics in Beijing, said that Chinese companies are eager to acquire technology and expand their market share. As a result, their investment in South Korea is moving into such sectors as information technology, machinery, food, biotechnology and vehicles. More than 2,050 Chinese companies had been established in South Korea as of Dec 31, and the number is expected to rise to 2,300 this year, the China International Chamber of Commerce estimated last month.

Tourism is booming as well, inspired in part by the popularity of South Korean films and TV programs. The number of Chinese tourists to South Korea rose 58 percent last year to 6.1 million. "China's ODI and the purchasing power of tourists have to some extent helped South Korea avoid a strong currency and supported the country's exports and service industry," said Sang.

Source: Zhong Nan: Nation's ODI in S. Korea surging, China Daily, 2015-03-17

**Global Finance: Chinese Firms Go for Trophy Assets**

SYDNEY -- The last time commodity prices tumbled, in 2008, Chinese buyers snapped up iron-ore pits and other natural resources at knockdown prices. This time, Chinese investors swooped here for a different sort of bargain: the Sheraton on the Park, a five-star hotel overlooking a public garden in Sydney. Beijing-based Sunshine Insurance Group Corp.’s purchase of the Sheraton for about $400 million in November is emblematic of a shift taking place in China's foreign-investment strategy. A thirst for natural resources is being replaced by a hunger among Chinese businesses and wealthy individuals to acquire trophy assets and find homes for their cash overseas. The state enterprises that led the charge overseas in search of commodities to satisfy demand at home have been overtaken by private-equity firms, real-estate developers and some large insurance firms.

The retreat from mining investments comes as Australia’s once-booming resources industry grapples with sliding prices. Companies trying to sell assets to raise cash are getting lowball bids, if any at all. It is a shift that is playing out globally. China's overseas investments in metals and energy tumbled to $35.20 billion last year from more than $50 billion in each of the three years prior, according to an investment database compiled by the
American Enterprise Institute and the Heritage Foundation. Total outbound investment in 2014 was nevertheless 0.7% higher than in 2013, totaling $84.37 billion, as investors spent in other sectors. Among the trophy properties chosen by Chinese buyers is the Waldorf-Astoria hotel in New York, which Anbang Insurance Group Co. bought earlier this year for $1.95 billion. Other active investors include China Oceanwide Holdings Ltd., which is planning a tower that will be one of San Francisco’s tallest. Chinese property and entertainment giant Dalian Wanda Group Co. is acquiring an office building on Sydney’s Circular Quay -- moments from the Opera House -- and plans to spend $1 billion transforming it into a hotel and apartment tower. Wanda last year acquired a beachfront hotel project in the town of Surfers Paradise, on eastern Australia’s Gold Coast.

Chinese companies still are likely to buy some commodity assets, though not in areas of oversupply such as iron ore. UBS AG predicts that in iron ore, the global surplus of annual output relative to demand will widen to more than 200 million tons -- triple South Korea’s yearly imports -- by 2018. People who work with Chinese investors say their interest now is more likely to be piqued by metals such as copper, nickel and gold, forecast to be in high demand as China’s economy turns toward more consumer-led growth. Both Barrick Gold Corp. and Newcrest Mining Ltd. are looking for potential buyers for gold mines here, while BHP Billiton Ltd. says its Nickel West operations aren’t part of its strategic future. Wang Yingsheng, deputy secretary-general of the state-backed China Iron and Steel Association, said slower economic conditions at home had constrained funds for large investments. On the other hand, bankers see scope for Chinese investment in other sectors to accelerate. In October, China’s Ministry of Commerce relaxed bureaucratic procedures for companies making overseas investments. “The Chinese have a different motivation for investing in other sectors, like real estate,” said Les Koltau, Australian head of real estate at DLA Piper.


Chinese Firm Finds Life Tough In Detroit

DETROIT -- China has poured more than $40 billion into real estate around the world over the past seven years. But in a number of places, Chinese investors are running into snags peculiar to local markets. In London, a Chinese developer’s GBP 500 million ($748 million) proposal to rebuild the historical Crystal Palace in Crystal Palace Park crumbled after it missed a deadline for filing plans. In Australia, the government ordered a Chinese conglomerate to sell a $31 million house it recently bought, citing restrictions against foreign buyers. Detroit is home to one of the knottiest cases.

A Shanghai developer paid $9.4 million two years ago for the landmark David Stott Building as part of a bet on a Motor City renaissance. Today, the building is empty, and the developer has gone to court with former tenants, including a bar and a yoga studio. In February, a frozen pipe burst and filled the bottom two floors with 450,000 gallons of water, prompting the last tenant to leave. The developer, Shanghai-based DongDu International Group, said it had decided not to renew any leases so it can more quickly overhaul the building.

China is snapping up properties abroad as developers look to diversify away from the sluggish Chinese property market and wealthy Chinese look to move their money out of the country. In some places, such as the U.S., property

Spanning the Globe

Top 10 destinations for Chinese real-estate investors, 2008-2014

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Source: Cushman & Wakefield, Real Capital Analytics
THE WALL STREET JOURNAL. Copyright © Apr 2015
investment also is a quick route to residency status. Most of these investments appear to have gone smoothly. Research firm Real Capital Analytics says only four of 173 Chinese foreign-property acquisitions it follows have become distressed, largely because the buyers are well-capitalized. Rhodium Group, a research firm that tracks Chinese investment abroad, says the wave of Chinese property buying abroad accelerated only about two years ago and lacks a track record. Still, many developers, investors and others in real estate question whether the influx of Chinese developers has been too swift, said Urban Land Institute, a nonprofit research group based in Washington. The group in a recent report cited potential complications for deals, including legal and cultural differences, the potential for overpaying for land and a preference for selling apartments to Chinese buyers before they are completed.


Chinese investments pour into US

WASHINGTON -- Chinese investors have been in the limelight during the just concluded 2015 SelectUSA Investment Summit in Washington, DC. "Fuyao has three investments in the US state of Michigan, Alabama and South Carolina, with good profits. Since 2013, we have made new investments in the state of Ohio and Illinois," said Fuyao Glass Industry Group Chairman Cao Dewang during the two-day Summit. Fuyao Glass Industry Group is the largest automotive glass supplier in China with about 70 percent of the market share. In 2014 Fuyao set up a new American subsidiary in Moraine, Ohio and bought a factory in the state of Illinois, expanding its glass production with $200 million. Similarly, many Chinese enterprises have begun or expanded their investment in the US in the last few years, at an average annual growth rate of 41 percent from 2009 to 2013, according to data from the Commerce Department.

China tops the list of delegations for the 2015 SelectUSA Investment Summit which concluded Tuesday, with about 150 investors coming from the Chinese mainland and Hong Kong. The US federal, state and local governments have been doing their best to attract these investors’ attentions through all kinds of incentives and receptions. Sindy Yeh, senior manager of Arlington Economic Development, told Xinhua that 65 Chinese companies were invited for an Odyssey dinner cruise on Sunday to explore the potential investment opportunities in Arlington, Virginia, an urban county close to Washington DC. In 2013, the state government of South Carolina provided incentives from $4 million cashback to tax credits to secure the $218 million investment from textile company Keer, John Ling, managing director of the Asia office of South Carolina’s commerce department, told Xinhua.

Huge market, advanced technology, robust legal system, lower financing costs as well as high returns are the major reasons for investing in the United States, said Chinese real estate tycoon Wang Jianlin, chairman of Wanda Group, in a video broadcast at the Summit. Wang said Wanda’s first investment in the United States acquiring AMC Entertainment in 2012 has made a profit of nearly 400 percent, as AMC was listed on the NASDAQ after the acquisition and its share price has doubled now. Wanda will make further investment in the United Stated and encourage other Chinese entrepreneurs to explore the potential of the US market and make investments, Wang said.

Nonetheless, investing in the US is not all roses. There are risks as two countries have different political, business and cultural environment. Chinese enterprises have lost 36.8 billion dollars from 2005 to 2013, according to China Global Investment tracker jointly launched by American Enterprises Institute and the Heritage Foundation. "I'm not sure there's much understanding of our political system, and they (Chinese entrepreneurs) need to build relationships with policymakers when they invest here," Nancy McLernon, president of the Organization for International Investment (OFII), an association representing the interests of US subsidiaries of global companies, told Xinhua. Sany Heavy Industry Corporation, a leading construction company in China, has built a manufacturing base in the state of Georgia in 2007 with an investment of $60 million. Yuan said when Chinese entrepreneurs come to invest in the US, they have to change their mind about how to do business. In China, government plays a quite
important role for the development of enterprises, while in the US the role of the government is quite limited. "To solve a problem here you need to look for help from the market instead of a mayor," Yuan said. To manage a company in the US is also quite different from in China. "The US companies advocate the importance of individual, while Chinese companies put more emphasis on the collective and authority," said Yuan. High labor cost and limited financial resources for small and medium enterprises from China which do not have enough money also put great pressure on Chinese investors to succeed in the US. Labor cost here is still too high for manufacturers compared with in China. "To avoid this disadvantage, some important parts of the construction equipment that Sany produces in the US are still imported from China," said Yuan. Cao Dewang, chairman of Fuyao Glass, also drew attention to the credit system here in the US. "At present our company's credit stand is 2A+, which makes our finance cost quite low, at 3.5 percent. However, if your company can't get an A score, you may have to face loan interests of 10 to 15 percent, which is too high to bear," he added.

Source: Xinhua: Chinese investments pour into US, 2015-03-26