

# CHINA ECONOMIC BRIEF

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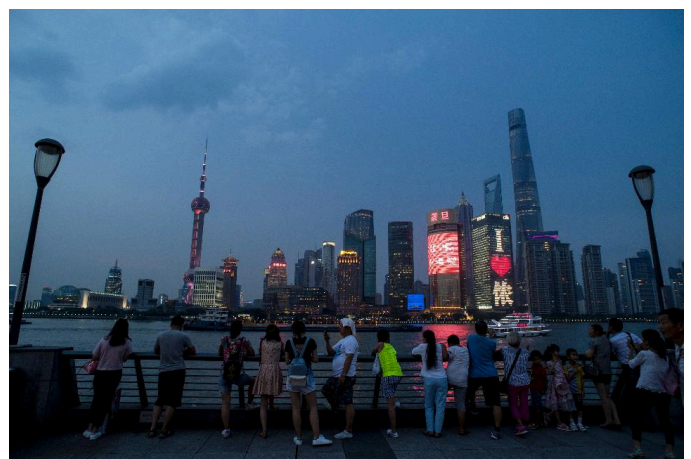
## CHINA'S FINANCIAL REFORMS FACE BIG CHALLENGES

CONTRIBUTOR Sara Hsu  
<http://www.forbes.com/sites/sarahsu/2016/07/18/progress-of-chinas-financial-reforms/#6d3e694274a6>

China's leadership has several challenges before it: to increase economic growth while implementing much-needed reforms to improve the market orientation and efficiency of the economy and maintaining stability in the financial system. All of these challenges are particularly steep: economic growth is slowing due to changes in the domestic and global economic structure, creating the need for additional stimulus and policy measures; reforms are necessary to move the economy toward a service and consumption-based system, but economic headwinds and vested interests have dramatically slowed this process; and financial stability remains a concern due to aftershocks in the stock market and potential bubbles elsewhere.

### ARTICLE HIGHLIGHTS

- China's financial reforms face big challenges.
- New platform for customs and trade facilitation.
- China becomes world's 4th country to successfully design nuclear plant safety system.
- First AGV robot parking lot to be ready in October.
- China - U.S. BIT talks – "positive" progress.



*This picture taken on July 15, 2016 shows people enjoying the view at the Bund overlooking the financial district of Pudong in Shanghai. -JOHANNES EISELE/AFP/Getty Images*

Certainly, strides have been made on the financial front. The People's Bank of China's Financial Stability Report released at the end of June 2016 states that in 2015 the financial system was relatively sound, with reforms aimed to increase credit to small enterprises, control credit risk, improve opening of the capital market, increase trading volume in money markets, expand bond issuance, and grow the futures and interest rate derivatives trading volume. Financial infrastructure strengthened, with improvements in the RMB cross-border payment, clearing, and settlement system, better financial regulations, consumer protection, and macroprudential management.

Reforms carried out follow the desired paths of financial modernization as indicated by the government. The RMB is gradually becoming more internationalized, as reforms have been piloted in 15 regions across China to carry out cross-border RMB financial transactions and offshore RMB clearing arrangements have expanded. The RMB exchange rate mechanism has been reformed to reduce reliance on the dollar. Interest rates are slowly better reflecting market forces. The deposit interest rate ceiling was removed in order to allow banks to compete more easily for deposits and provide a positive yield to customers. Deposit insurance was put into place to remove the role of government as primary risk mitigator. This is a big step toward removing the implicit government guarantee of bank funds and marketizing the banking system. Innovations and regulations in stock, equity and futures markets were put into place to modernize these sectors. The CSI stock index futures market was launched, as were the tin, nickel, and crude oil futures markets. Mechanisms to supervise private equity funds were put into place, and margin trading on securities was limited.

Reforms are happening, just seemingly not fast enough. After the stock market fiasco last year, one could hardly say the stock market is now modernized. Government intervention, the old standby, fell flat as investors lost confidence in the market. Heavy reliance on the banking sector has highlighted the potential problems that may arise from non-performing loans, and direct finance through debt and equity channels are highly underdeveloped. Perhaps worst of all, no one seemed to believe last August's devaluation was due to marketizing the exchange rate, revealing a woeful lack of policy credibility.

There are several factors that can inject a boost into China's economy and help to speed financial reforms. First, a decline in global economic uncertainty (particularly in the Eurozone and Japan), as well as stabilization of commodity prices, can reduce pressures on China's regulators to lock in financial stability, freeing them up for deeper implementation of reforms. Second, clearer timing of the US benchmark interest rate hike or, better although unlikely, an end to US rate hikes, can soothe China's market jitters and reduce capital outflows. The last US rate hike of December 2015 roiled China's stock markets through February 2016; after a year of volatile stock movements, equity losses are the last thing Chinese financial regulators want to see. Capital outflows dampen economic growth and reduce the stockpile of foreign reserves, creating greater challenges to financial reforms. Third, surges in growth from other sources, such as a rise in consumer demand or breakthroughs in non-financial service sector reform can provide policy makers with some breathing room to focus on reform rather than growth.

## NEW PLATFORM LAUNCHED FOR CUSTOMS AND TRADE FACILITATION

China.org.cn, June 20, 2016

[http://www.china.org.cn/business/2016-06/20/content\\_38703036.htm](http://www.china.org.cn/business/2016-06/20/content_38703036.htm)

The Customs and Trade Facilitation Commission of the International Chamber of Commerce China Committee was officially inaugurated on June 13, 2016, providing a new platform for the participation of China's commercial and industrial sectors in global economic and trade governance.

Li Jianhong, chairman of the Board of China Merchants Group (CMG) has been elected as the new chairman; Zhang Jianwei, vice president of Sinotrans & CSC Holdings Co., Ltd has been elected as executive chairman of the new Customs and Trade Facilitation Commission; Qin Yang, managing director of CC International Consulting Limited and three other entrepreneurs from Chinese giant companies of Huawei, TCL and Alibaba have been elected as vice chairmen of the new commission.

The inauguration of Customs and Trade Facilitation Commission of ICC China amounts to a launch of a new vigorous platform for the involvement of China's industrial and commercial circles in the formation and application of international conventions, norms and rules. The commission will aim to promote the related rules, best practices and policy recommendations of ICC for China's industrial and commercial circles, increase the competitiveness of Chinese enterprises in global operations, create a law-governing, international and convenient trade environment and strengthen the pattern of opening-up for both "go global" and "bring in" strategies.

As a key advocator, communicator and facilitator of China's international trade facilitation undertakings, Qin Yang, managing director of CC International Consulting Limited and the newly-elected vice chairman of Customs and Trade Facilitation Commission, ICC China highlighted during an interview with China.org.cn that the inauguration of the Customs and Trade Facilitation Commission will become the bridge and link between government ministries, departments and enterprises to enhance interconnections, interactions and communications among public and private sectors.

Qin explained the new commission will conduct surveys and researches to provide policy recommendations to the related central government ministries and departments on one side and provide problem-solving services to enterprises on the other side.

Simultaneously the new commission will organize related forums, seminars and trainings to advocate philosophy of international trade and investment facilitation and promote existing international norms, rules and best practices in China to help Chinese enterprises to master and utilize those international norms, rules and best practices. It will also help Chinese enterprises to actively get involved in the formation and revision of international rules and regulations for a bigger voice and guarantee the interests of Chinese enterprises. For years Qin Yang and CC International Consulting Limited he leads have

contributed to the development of international trade facilitation in China.

The Customs and Trade Facilitation Commission of ICC based in Paris was established in April 2013 and has more than 250 members from 50 plus countries, including representatives of commercial institutions and experts in the fields of customs policy, supply chain and global value chain.

In 2015 China became the 16th member state to adopt the Trade Facilitation Agreement of WTO, which was the first multinational agreement for trade in goods reached by China after its WTO accession. It is estimated that the implementation of WTO trade facilitation agreement will decrease trade-related costs by 10 percent for developed countries and 13 to 15.5 percent for developing countries. It will also help increase exports by 9.9 percent, or US\$569 billion, for developing countries and 4.5 percent, or US\$475 billion, for developed countries. The global GDP will be increased by US\$960 billion and 21 million new jobs will be created.

Qin Yang mentioned the common consensus is that the overall benefits of trade facilitation will surpass the benefits of duty reductions for industrial products. He believes international trade and investment facilitation will become the new engine for global economic and trade development amid the slowdown in the global economy.



*Jiang Zengwei (2nd L), president of China Council for the Promotion of International Trade, delivers a speech at the inaugural meeting of ICC China Commission on Customs and Trade Facilitation on June 13, 2016.*

## CHINA BECOMES WORLD'S 4TH TO SUCCESSFULLY DESIGN NUCLEAR PLANT SAFETY SYSTEM

2016-07-15 09:08

Global Times

Editor: Xu Shanshan

<http://www.ecns.cn/business/2016/07-15/218386.shtml>

### Nation develops nuclear plant safety system

China has successfully designed digital control safety system (DCS) for nuclear power plants after over 10 years, becoming the fourth country to

independently grasp the technology after the U.S., France and Japan.

The State Assets Administration Committee and China Guangdong Nuclear Power Group (CGN) announced at a press conference Wednesday that Chinese-made and designed DCS have received an independent engineering review in the I&C System (IERICS) report of the International Atomic Energy Agency (IAEA), thepaper.cn reported.

The DCS, or Hemu System, controls more than 260 systems in a nuclear power plant, the running of

nearly 10,000 pieces of equipment and all sorts of processes, and is seen as the nuclear plant's "nerve center." It also monitors the plant and shuts it down in emergencies.

In the past, China relied on importing DCS, which is expensive and has information safety issues.

So far, only CGN and Japanese Mitsubishi Corporation in the world have the ability to develop, produce, identify, operate and maintain the DCS.

China Technology, which is under CGN, was established in 2005 and the company began DCS research and development in 2007.

China Technology general manager Jiang Guojin told thepaper.cn that IERICS reviews the safety, structure design, software and hardware design, and developing process of a system. The review result is seen by all 151 IAEA member states.

It means that the system has acquired a "ticket" to the global market and has great significance for Chinese nuclear equipment manufacturers to promote its global influence, said Jiang.

In April, the IAEA expert group finished eight days of on-site inspections. The review lasted 10 months, and the company had to explain more than 200 technologies and had more than 100 files reviewed.

According to Jiang, the Hemu System is being used in the construction of multiple new machines, with its safety and advanced technologies in use.

It can save every nuclear machine group 300 million yuan and be used to revise China's current nuclear plants and new plants in development, Jiang added.

## CHINA'S FIRST AGV ROBOT PARKING LOT TO BE READY IN OCTOBER

2016-07-18 08:33

Xinhua

*Editor: Gu Liping*

<http://www.ecns.cn/2016/07-18/218601.shtml>

China's first parking lot to feature an automated guided vehicle (AVG) robot will open in east China's Nanjing by the end of October, said the robot maker on Sunday.

Shenzhen-based Yeefung Automation Technology Co. Ltd. said that the laser-guided AGV robot can transfer a car into a carport in about two minutes.

Drivers guide their cars on to the robot which is in shape of a movable platform, and it places the vehicle in an available port.

Wu Hao, Yeefung general manager, said the company developed the robot in response to limited parking in big cities across the world.

He said the robot will help new and experienced drives alike. AGV robots can maximize parking space in lots by around 20-40 percent.

Although adding such a robot would give an extra cost of 70,000 yuan (10,468 U.S. dollars) to each carport, it would help operators earn profits through improving efficiency, said said Wu.

China has about 172 million vehicles on its road. Based on an annual increase of 19 million units, there will be 250 million vehicles on China's road in 2020.

Pan Guofan, deputy director of the Guangzhou Parking Association, said smart parking technology

will help improve efficiency rather than providing a solution to the lack of parking space in cities.

He said parking space should be a major consideration of urban planning, and local authorities should build more multi-story parking lots in urban areas.

## CHINA-U.S. BIT TALKS MAKE "POSITIVE" PROGRESS

Last Updated: 2016-07-17 21:19 | Xinhua  
[http://en.ce.cn/main/latest/201607/18/t20160718\\_13880716.shtml](http://en.ce.cn/main/latest/201607/18/t20160718_13880716.shtml)

Negotiations on a bilateral investment treaty (BIT) between China and the United States made "positive" progress in solving "remaining issues," the Ministry of Commerce (MOC) said Sunday.

The achievement was made during the 26th round of China-U.S. BIT talks in Beijing from Monday to Sunday, according to a brief MOC statement.

Both sides also discussed improvements to sectors off-limits to foreign investment last month.

The two countries will continue to speed up BIT talks to reach a mutually beneficial and high-level agreement, said the statement.

China and the United States started BIT negotiations in 2008 to increase mutual investment.