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# China News Alert Issue 312

## Capital Markets

### China to spur private investment

China will take more measures to encourage private investment in the next stage of its 4-trillion-yuan (US$585 billion) stimulus package, an official with the National Development and Reform Commission (NDRC) said recently.

The NDRC, the country's top economic planner, will allocate 3 billion yuan of government investment for small and medium-sized enterprises (SMEs) to support innovation, energy saving, emission reduction and production improvement, said the official.

The government will roll out policies to shore up private investment and improve administration, according to the official.

The official added that the stimulus investment will support more projects, and promote innovation and environment protection, though he did not elaborate on any specific investment plans.

The NDRC will also strengthen supervision over investment programs to avoid fund abuse and overcapacity, according to the official.

The 4 trillion yuan stimulus package, announced by the country's government last November amid the global economic downturn, has played a significant role in maintaining economic growth, expanding domestic demand and guiding adjustment of the economic structure, according to the NDRC.

China's economy expanded 8.9 per cent in the third quarter year-on-year, speeding up from a 7.9 per cent growth in the second quarter.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-10/28/content_8858152.htm) ([see archive](China_to_spur_private_investment.pdf))

### Australia welcomes Chinese investment

Australian Foreign Minister, Stephen Smith, said in Canberra that Australia maintains a long-standing, consistent, open and welcoming stance towards foreign investment, from wherever it comes, including China.

In a speech addressed to the Australia National University's China Institute, Smith said Australia and China share strong and growing economic ties.

"Historically, Australia has been an importer of capital, as well as people. Our future growth relies on continued openness to foreign investment, and Chinese investment, like any investment from any other country, strengthens the Australian economy and supports Australian jobs."

He said that since November 2007, the Australian government has approved over 100 investment proposals from China to acquire Australian businesses. The current government has approved Chinese investment of over AUS$38 billion dollars (US$35 billion).

"Investment proposals from China's state owned enterprises are subject to the review processes and are judged on national interest considerations," he said, adding that this is in accordance with Australia's foreign investment legislative and regulatory requirements.

In responding to Xinhua's question about whether there would be a policy particularly guiding Chinese investment into Australia in near future, Smith said Australia's "foreign investment legislative regime is not discriminatory, we don't identify capital on the basis of which country the investment comes from." He emphasised that Australia welcomes China's investment.

At the end of 2008, China was ranked 15th among Australia's largest investors, behind Britain, the United States, Japan, Singapore, Switzerland, Germany, the Netherlands, France and New Zealand. In 2009 China ranks beside Japan as the most substantial export market and the two combined account for 40 per cent of Australia's exports, according to Smith.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-10/26/content_8850488.htm) ([see archive](Aussies_say_to_welcome_Chinese_investment_for_long.pdf))

### Chinese investment overseas almost triples in third quarter

Chinese investment abroad surged 190.4 per cent year on year to US$20.47 billion in the third quarter of 2009, the Ministry of Commerce said in a statement on its website.

The first nine months of 2009 saw overseas investment rise 0.5 per cent year on year to US$32.87 billion in 1,612 companies in 112 countries and regions, the statement said.

The figures excluded investments by financial institutions.

The ministry attributed the investment growth to policies the ministry put into place this year to encourage domestic companies to invest overseas amid the global economic downturn.

The policies included measures to ease procedures for investment approval, provide support with financial services and credit, guidance on overseas investment, and the arrangement of trade and investment delegations to Europe, and North and South America

[Source: People's Daily](http://english.people.com.cn/90001/90776/90884/6795643.html) ([see archive](Chinese_investment_overseas_almost_triples_in_third_quarter.pdf))

### Start-ups given chance for new funding source

China is about to launch the first batch of 20 new venture investment funds. They will be aimed at innovation-oriented start-ups.

The move is intended to compliment the debut of the Nasdaq-style Growth Enterprise Board, also known as the ChiNext, market.

So far, the funds have raised more than 9 billion yuan (US$1.3 billion). The amount raised comprises 1 billion yuan from the central government, 1.2 billion yuan from local governments and 7 billion from the public.

The funds are being jointly issued by the National Development and Reform Committee, the Ministry of Finance and local governments.

Each fund is focused on a specialised field. Fields covered include medicine, electronic information, the service industry, new materials, new energy and the biological industry.

More funds will be launched in the future in an effort to find additional ways for new innovation-oriented and hi-tech companies to raise money.

“We hope to promote the development of emerging industries and speed up industrial structural adjustment through the introduction of the first batch of venture investment funds," said an official from the National Development and Reform Committee.

He said the move also aims to propel the smooth development of the second-board stock market, to give small and medium-sized enterprises more access to financing.

Zuo Xiaolei, chief economist with Galaxy Securities, said companies catered to by the funds will have a chance to list on the new board, ChiNext, in Shenzhen.

Before the launch of the new board, many Chinese start-ups that were unable to meet the listing requirements on the domestic main board had turned to overseas markets, particularly the Nasdaq, to list.

Currently there are 116 Chinese companies listed on the Nasdaq, with 22 companies joining in 2009.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-10/30/content_8871356.htm) ([see archive](Start-ups_get_chance_at_new_funding_source.pdf))

## Corporate & Commercial

### China locked into financial policy

China has reiterated its commitment to proactive financial policies and moderately loose monetary policies amid market speculation that it might be preparing an exit strategy.

Despite the fact that the country's economic growth is likely to speed up in the fourth quarter, the government will stay the course on its fiscal stimulus spending and its support of loose monetary policy, said Vice-Premier Li Keqiang at the International Tax Dialogue Global Conference.

On the subject of the US$586-billion stimulus package's role in reviving the economy, Li said: "The stimulus package is practical, timely and effective. But the stimulus financial policies should also be flexible and sustainable."

According to the figures released by the National Bureau of Statistics last week, China had year-on-year GDP growth in the third quarter of 8.9 per cent. The growth rate was 7.7 per cent overall for the first three quarters of 2009.

Li attributed the economy's recovery to rising domestic demand, saying the expected tax cut of 550 billion yuan (US$80.55 billion) this year would not only prop up domestic demand but also help adjust the structure of the economy.

The vice-premier also emphasised that it was important to keep stable tax policies because China is facing a crunch time in the revival of its economy.

The government has not decided whether it will extend the tax break for the automobile market into next year. Car sales boomed in 2009 because of cuts in purchase tax. Automobile sales in China reached 9.66 million in the first three quarters, exceeding total sales for 2008.

Li Wenjie, general manager of property agency Centaline China (North China region), said continuing current tax preferences, including tax cuts on the purchase of a second home, would help maintain a stable and predictable environment for the property market.

However, some economists have cautioned that part of the 8.65 trillion yuan made in stimulus loans during the first nine months of the year flowed into stock and property markets instead of the real economy.

Jia Kang, director of the Research Institute for Fiscal Science at the Ministry of Finance, told China Daily: "The rising expectation of inflation doesn't mean real inflation pressure. So China will continue with its proactive financial policies and moderately loose monetary policy." The stock market is relatively stable, but the bubbles in the overheated property market should be monitored, Jia said.

Angel Gurria, Organisation for Economic Co-operation and Development secretary-general, said at the same conference that the time was not right for China to abandon its policies. "I will not recommend the removal of stimulus now. I recommend we start to look for fiscal consolidation," Gurria said.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-10/27/content_8853126.htm) ([see archive](China_locked_into_financial_policy.pdf))

### Regulator issues draft rule to prevent misuse of personal loans

China's banking regulator issued a draft plan stepping up the rules on personal loans to prevent misuse of money lent from the country's financial institutions.

The draft regulation, posted on the website of the China Banking Regulatory Commission (CBRC) to solicit public opinions, is aimed at encouraging the prudent management of personal loans and ensuring that the money enters real economy, the CBRC said.

The CBRC ordered lenders not to give loans to individuals without knowing their proposed usage. The regulations did not raise the threshold for people applying for funds, the CBRC said.

In the first six months of 2009, new personal loans hit 650.8 billion yuan, 391.7 billion yuan more than the same period of last year, the CBRC said.

The amount and type of personal loans were rising, but the country lacked a unified regulation, which would result in legal risks and affect the steady and fast development of the country's economy, the CBRC said.

The draft regulation comes amid concerns that part of the total loan capital is being used for speculation rather than in the real economy, increasing the risk of asset bubbles and bad loans.

In the first nine months of 2009, Chinese banks lent 8.67 trillion yuan of new loans, compared with the full year target of 5 trillion yuan after the government eased restrictions to back the economic growth amid the global economic downturn.

[Source: China Daily](http://www.chinadaily.com.cn/bizchina/2009-10/29/content_8865547.htm) ([see archive](Regulator_issues_draft_rule_to_prevent_misuse_of_personal_loans.pdf))

### Trade ministers of China, Japan and South Korea oppose protectionism

The Economic and Trade Ministers of China, Japan and South Korea have vowed to oppose trade protectionism in all forms.

"We will oppose trade protectionism in all forms, and uphold a fair, free and open global trading and investment system," said a joint statement issued after the ministers' meeting.

"We are determined to seek an ambitious and balanced conclusion to the Doha Development Round in 2010, consistent with its mandate, based on the progress already made, including with regard to modalities," added the Statement.

The ministers also shared the view on the importance of a trilateral investment framework which will be instrumental for further strengthening the economic partnership among the three countries.

"In this respect, we share the view to reach a substantive agreement on the Trilateral Investment Agreement negotiations in early 2010," said the Statement

[Source: Xinhua](http://news.xinhuanet.com/english/2009-10/25/content_12321839.htm) ([see archive](Trade_Ministers_of_China_Japan_South_Korea_oppose_protectionism.pdf))

## Other

### China urges EU to revoke anti-dumping decisions

China hopes the European Union can revoke the decision and ruling that violates the World Trade Organisation (WTO) rules and hurt bilateral trade, the Ministry of Commerce (MOC) said in a statement on its website.

The statement came after the WTO established an expert panel on 23rd October to investigate whether the EU's anti-dumping measures on Chinese-made fasteners violate trade rules.

The expert panel, once set up, needs at least half a year to issue a final ruling on the dispute.

China initiated the WTO case on 31st July saying anti-dumping measures taken by the EU against imports of Chinese steel fasteners violate WTO trade rules.

At the beginning of this year, the EU decided to impose anti-dumping duties of up to 87 per cent on fasteners imported from China for the next five years.

The EU's move had seriously violated WTO rules and China's lawful rights and interests, and both the Chinese government and enterprises have expressed grave dissatisfaction over this, the MOC statement said.

[Source: CS](http://www.cs.com.cn/english/trade/200910/t20091027_2244250.html) ([see archive](China_urges_EU_to_revoke_anti-dumping_decisions.pdf))

### China's centrally-administered SOEs shrink to 132

China's centrally-administered state-owned enterprises (SOEs) have shrunk to 132 enterprises from 135, China's state property regulator, the State-owned Assets Supervision and Administration Commission (SASAC) has said.

With approvals from the State Council, Changsha Research Institute of Mining and Metallurgy and Luzhong Metallurgical Mining Group became subsidiaries of China Minmetals Corporation. China Xinxing Corporation (Group) became a subsidiary of China General Technology (Group) Holding, Limited.

Changsha Research Institute of Mining and Metallurgy specialises in developing mineral resources and new materials. It reported 2 billion yuan (US$292.83 million) of total assets by the end of 2008.

Luzhong Metallurgical Mining Group has reported 330 million tonnes of iron ore storage with an annual iron ore output capacity of 3.5 million tonnes.

China Xinxing Corporation (Group) is engaged in complex businesses like property and medicine manufacturing.

The SASAC was aiming to reduce the number of centrally-administered SOEs to between 80 and 100 by 2010 through mergers and restructuring, a spokesman with the commission said.

The SASAC had 196 centrally-administrated SOEs under its supervision when it was set up in 2003.

[Source: CS](http://www.cs.com.cn/english/ei/200910/t20091027_2244251.html) ([see archive](Chinas_centrally-administered_SOEs_shrink_to_132.pdf))

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