BUSINESS

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RIGHT TRACK

Confident Hainan FTP seeks to coast on negative list

The container terminal at Haikou Port, Hainan province. YUAN CHEN / FOR CHINA DAILY

By ZHONG NAN
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The Hainan Free Trade Port (FTP) will benefit a great deal from the exclusive negative list for its trade in services as it will create more growth opportunities in several areas, including professional services, transportation, finance and education, officials and experts said on Tuesday.

The negative list is China's first such FTP-specific document related to trade in services, and will encourage the Hainan FTP to build itself into a strong international services hub, they said.

Their remarks took stock of the Chinese government's policy document released last week specifying an institutional market-opening arrangement for the Hainan FTP.

It marks efforts to promote the country's liberalization of trade in services, and is scheduled to take effect on Aug 26.

The Hainan FTP-specific negative list specifies 70 special management measures in 11 categories, including shipping, retail, logistics, finance and education, for overseas service providers.

Typically, a negative list specifies the prohibited economic activities, thereby implying that activities not listed are deemed to be allowed.

For areas not included in the list, global and domestic service providers will have a level playing field and enjoy equal market access at the port, the Ministry of Commerce said.

"As a driver of Hainan's economy, the services sector accounts for more than 60 percent of the province's GDP. It also contributed more than 95 percent to Hainan's economic growth in 2020," said Yuan Yuan, deputy director-general of the ministry's department of pilot free trade zone and free trade port.

In addition to widening market access for trade in services and paving the way for higher-level opening-up in professional, transportation and financial services, among others, the negative list will result in more open policies for ocean shipping and air transportation, as it looks to build the free trade port into a new international air and sea transit base, she said.

"Such a comprehensive policy measure is not required by any bilateral or multilateral free trade agreements; yet, China proactively took the initiative because it's the right direction to take."

The negative list, she elaborated, removes restrictions in the areas of commercial services like legal services and market research, and will boost Hainan's appeal as an investment destination. It also lifts limits on more than 10 vocational exams for foreigners to push for greater financial opening and free flow of talent.

Cui Weijie, vice-president of the Beijing-based Chinese Academy of International Trade and Economic Cooperation, said the negative list will boost the growth content and quality of the Hainan FTP by conducting stress tests for wider opening-up in the country as well as building an open economy at a higher level.

The first list of categories that are off-limits for foreign investment was released in 2013 for the China (Shanghai) Pilot Free Trade Zone, and was later extended for use across the country.

In the context of cross-border trade in services, China's accession to the World Trade Organization and the free trade deals the country had signed all adopted a positive list.

Despite COVID-related uncertainties disrupting the world's economy and trade since 2020, China's vast and lucrative domestic market and higher-level opening-up have been boosting global businesses' confidence in its economy and complete industry chain.

Foreign direct investment in the Chinese mainland surged 28.7 percent year-on-year to a record high of 607.84 billion yuan ($94.03 billion) in the first half of this year, data from the Ministry of Commerce showed.

The government has rolled out a string of policies this year to keep foreign investment stable. It introduced financing support and tax incentives for foreign firms while expanding pilot opening-up programs, said Chen Chunjiang, director-general of the department of trade in services and commercial services at the Ministry of Commerce.

The country will also host a number of trade and investment exhibitions, including the China International Fair for Trade in Services, the China Import and Export Fair, and the China-ASEAN Expo in the third and fourth quarters of this year, to facilitate business exchanges and events that can address the concerns of foreign companies, he said.

Investors 'will back' Chinese stocks abroad

Market mavens downplay regulatory uncertainties, swear by good firms

By ZHOU LANXU
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Foreign investors remain upbeat about the long-term performance of overseas-listed Chinese companies with strong fundamentals, though regulatory uncertainties may continue to cloud the sector in the near future, market masterminds said on Tuesday.

What prompted their observation was offshore-listed Chinese companies' continuing unease over uncertainties surrounding relevant regulations and stricter supervision over sectors like the internet and education.

"The uncertain evolution of regulation has affected the level of valuations," said Christophe Donay, head of asset allocation and macro research at Pictet Wealth Management, a Swiss firm.

"On a long-term perspective, however, we believe that innovation remains a fundamental driver of economic growth. Truly innovative, disruptive (Chinese) companies remain attractive for long-term investors who will back them, especially in the current low-yield environment, which is expected to endure," Donay said.

Channel Yeung, a market analyst at FXTM, a UK-based global trading platform, said policy moves regarding overseas listing, data security and potential or perceived monopolies may continue to prove disconcerting to overseas-listed Chinese companies.

"But, new regulations to be rolled out may provide more policy predictability, so stocks of overseas-listed Chinese companies, especially prominent tech names with sound fundamentals and considerable market share, will bounce back and refresh their appeal for global investors," Yeung said.

The S&P US Listed China 50, which tracks the 50 largest Chinese companies listed on US exchanges by market capitalization, has dropped by 18.68 percent to Monday's close at 3906.17 points since the beginning of the third quarter. Market people attributed the plunge to intensified uncertainties.

The market is closely watching how the world's two largest economies — the United States and China — will cooperate to solidify the regulatory foundation for listings by Chinese firms in the US, which has become a key issue as China stepped up efforts to ensure data security while the US requires stricter disclosure by listing applicants.

In a meeting on Friday, the Political Bureau of the Communist Party of China Central Committee stressed the need to improve the regulatory system on firms' overseas listings.

Experts see the move as a declaration of the leadership's determination to continue to support Chinese firms getting listed overseas while strengthening supervision over cross-border data transmission entailed by such floats.

Earlier in July, the Cyberspace Administration of China unveiled draft rules that require online platforms that carry personal information of more than 1 million users each to get reviewed by the administration before listing overseas.

On Friday, the US Securities and Exchange Commission announced Chinese companies seeking US floats will need to disclose additional information, including whether they have received permission from the Chinese authorities concerned to list on US exchanges.

In response, the China Securities Regulatory Commission has called for closer communication with the US side to properly address the issues pertaining to US-listed firms operating in China.

Though believing that overseas-listed Chinese companies with solid development prospects will sail through the current regulatory uncertainties, experts still called for addressing the uncertainties as soon as possible.

Meng Ning, Neuberger Berman's managing director and chief investment officer of China equities, said it is certain that overseas investors will stay bullish on the investment universe provided by China in the long term, given its strong global economic standing.

However, it should be "taken seriously" that global investors may shift their interest to other emerging markets if policy uncertainties persist in China, Meng said.

Yeung of FXTM said investors who are interested in growth opportunities provided by Chinese companies may turn to those listed on bourses in China in the coming months, in face of policy uncertainties surrounding overseas listings, or consider private equity and venture capital investments in China.

Experts urge more SDR reforms

By CHEN JIA
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An expert in China called for more reforms in the way the International Monetary Fund allocates its Special Drawing Rights or SDRs, and urged a larger share of SDRs for emerging markets and developing countries.

Ding Zhijie, director of the Foreign Exchange Research Center, which is part of the State Administration of Foreign Exchange, said he expects further reform measures in SDR allocations in the future. Such allocations, he said, should be based on different countries' demand for international liquidity.

Such an approach will help emerging markets and developing countries to hedge against risks like inadequate liquidity during the COVID-19 pandemic, he said.

The IMF on Monday approved an allocation of SDRs equivalent to $650 billion to inject liquidity into the global economy and support most vulnerable countries to cope with the COVID-19 impacts. It is by far the largest amount to be allocated in the history of the IMF. About $275 billion, or 42 percent of the new allocation, will go to emerging markets and developing countries, including low-income countries.

Emerging markets and developing countries should receive more shares than the current allocation plan, Ding said.

Such a reform may help make SDRs a multilateral credit arrangement that can address the lack of liquidity in emerging markets and developing countries, he said.

According to the IMF plan on Monday, the SDRs, as a form of foreign exchange reserves, will be allocated to 190 member countries in proportion to their share of the global economy. This method is called a "general allocation".

Kristalina Georgieva, managing director of the IMF, said on Monday the fund will continually explore options to help poorer and more vulnerable countries in their recovery efforts.

One key option is for members that have sufficient global liquidity to voluntarily channel part of their SDRs to scale up lending to low-income countries through the IMF's Poverty Reduction and Growth Trust, which is currently interest-free for the concessional support.

The SDRs, she said, can be exchanged among governments for freely usable currencies in times of need.

The new allocation will become effective on Aug 23.

Finance ministers and central bank governors of G20 economies have urged swift implementation of the general allocation of the SDRs by the end of this month.

During the G20 meeting in early July, participants called on the IMF to work out a plan for member countries to voluntarily channel a share of their allocated SDRs to vulnerable and low-income countries.

China's central bank supports the G20 members committed to advancing the 16th General Review of Quotas of the IMF, according to a PBOC statement issued after the G20 meeting in July. Other experts China Daily spoke to on Tuesday said they hope more SDR reform measures will take effect after the review.

China Mobile forges tie-ups in 5G push

By MA SI
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China Mobile, the largest telecom operator in China, is partnering with dozens of companies, including Huawei Technologies Co and Qualcomm Inc, to unveil an action plan for 5G evolution technologies over the next five years.

The tie-ups coincide with the global telecom industry's active exploration of ways to evolve 5G technologies for technical improvements and wider commercial use, following the progress made globally in rolling out superfast 5G networks.

China Mobile said the 5G Advanced Innovation and Industry Chain Integration Action Plan is designed to clarify the goals and key measures of promoting 5G advanced technologies, lower industry thresholds and provide continuous momentum for the healthy development of the entire industry.

The company proposed three major targets for the action plan: building advanced capable network; advanced intelligent system; and advanced energy-efficient industry.

Such goals take cognizance of China's 916,000 5G base stations as at mid-July, which account for 70 percent of the world's total. The number of 5G connections has exceeded 365 million, accounting for 80 percent of the world's total.

Duan Xiaodong, deputy head of the research institute at China Mobile, said the company has built about 36 percent of the world's 5G base stations so far.

"China Mobile took the lead in building a 5G network with the largest scale and the most advanced networking model in the world. The company also has the world's largest 5G user base so far," Duan said, adding the company has nearly 250 million 5G subscribers as of May.

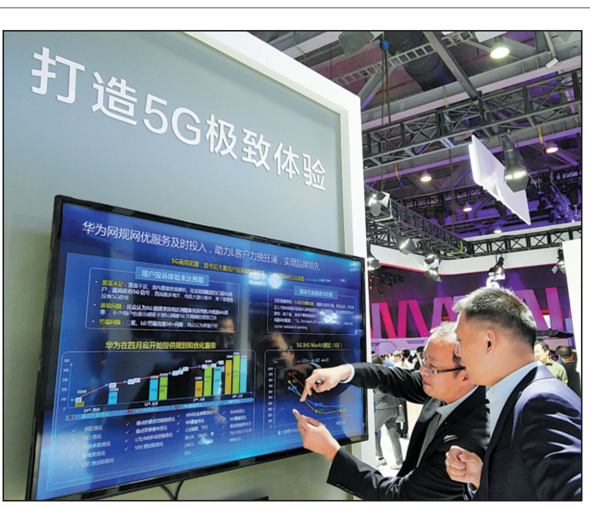
China Mobile's 5G efforts are consistent with China's attempts to popularize 5G services nationwide. The nation aims to nurture 560 million 5G mobile subscribers by the end of 2023, and grow the penetration rate of the superfast wireless technology among big industrial enterprises to 35 percent by then, according to a three-year plan jointly unveiled by 10 government bodies in July.

In addition to China Mobile, China Unicom, another major telecom operator in the nation, is working to promote advanced 5G technologies.

Ma Hongbing, general manager of the technology innovation department at China Unicom, said 5G faces a historic opportunity to promote the transformation of China into a smart society. China's 5G development leads the world.

To meet the business needs of the next five years, a five-year plan for the evolution of advanced 5G technologies is necessary, he said.

China Unicom and Huawei have identified three new industry tracks for the future, and proposed three major advanced 5G technologies, including intelligent new vision for XR virtual interaction, and smart super-sensing for new industries such as high-precision positioning, the internet of vehicles, drones, and smart driving, Ma said.



Huawei's 5G booth during an industry expo hosted by China Mobile in Guangzhou, Guangdong province. LI ZHIHAO / FOR CHINA DAILY

XR technology is an umbrella category that covers various forms of computer-altered reality, including augmented reality, virtual reality and mixed reality.

Ding Yun, president of Huawei's carrier business group, said 5G will move toward a high-quality development stage. In the future, 5G's application scenarios will become more diversified, and the wireless technology itself needs to evolve constantly, so as to achieve intelligent connection of all things.

Briefly

H1 cargo, container throughput up

In the first half of the year, cargo at China's ports reached 7.64 billion tons, up 13.2 percent year-on-year (and up nearly 14 percent from the same period in 2019) as the country strives to increase shipping space and container supply, according to the Ministry of Transport. Container throughput at ports rose 15 percent year-on-year to 140 million twenty-foot equivalent units (TEUs) (and up 8.8 percent from the same period in 2019).

Logistics first-half show better than 2019

China's logistics sector has maintained its recovery momentum and shown better performance in the first half of this year, compared with the pre-pandemic level of 2019, an industry report showed. The value of the country's social logistics reached 150.9 trillion yuan ($23.24 trillion), up 15.7 percent year-on-year, according to a report from the China Federation of Logistics and Purchasing.

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