

China | President Xi announced more opening-up policies in Boao forum

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Today, Chinese President Xi Jinping has delivered his keynote speech at the Boao Forum for Asia, an annual summit that's been dubbed the "Asian Davos," in which he highlighted his support for opening up policies and regional economic integration. The speech came amid the escalating trade tensions between China and the U.S. as the world's two largest economies take turns announcing punitive trade measures against each other while China is losing its allure for global investors.

In particular, President Xi announced more opening up policies in detail from four perspectives, including further opening the financial and manufacturing sector, improving the investment environment for international companies, enforcing the legal intellectual property protection for foreign firms, and voluntarily expanding imports in order to promote current account balance. Altogether, the market believes that the newly announced opening-up policies are in line with the market expectations which could de-escalate trade tensions with the US at the current stage.

Details of the opening-up policies were announced in the Boao forum

- Further opening the financial and manufacturing sector: Regarding the financial sector, China will first of all implement the opening-up policies announced in November of the last year (see our previous [China Flash: China opens financial sector to more foreign ownership](#)), including removing foreign ownership limits on banks while allowing overseas firms to take majority stakes in local securities ventures, fund managers and life insurance companies. Regarding the manufacturing sector, as most of the manufacturing sectors have been already opened, emphasis will be put on easing market entry in automobile, airplane and ship manufacturing etc.
- Improving the investment environment for international companies. China will complete the revision of the negative list on foreign investment in the first half of the year and implement across the management system based on pre-establishment national treatment and negative list. In addition, China established a host of new agencies such as the State Administration for Market Regulation as part of a major readjustment of government institutions. The purpose of this was to remove the systematic and institutional obstacles that prevent the market from playing a decisive role in resources allocation.
- Enforcing the legal intellectual property protection for foreign firms. China is re-instituting the State Intellectual Property Office this year to step up law enforcement, significantly raise the cost for offenders and fully unlock the deterrent effect of relevant laws.
- Voluntarily expanding imports in order to promote current account balance: China will significantly lower the import tariffs for vehicles and reduce import tariffs for some other products this year. In addition, China will import more products that are competitive and needed by the Chinese people and will stimulate domestic demand in order to narrow trade surplus.
- President Xi also mentioned to further implement "One Belt One Road" initiatives in order to promote multi-lateral cooperation. This will make the BRI the broadest platform for international cooperation in keeping with the trend of economic globalization and to the greater benefit of all the peoples.

The speech came amid escalating trade tensions between China and the U.S.

The speech came at a time when tensions between China and the United States risk developing into full-blown trade war and China is losing its allure for global investors. The new opening-up policies announced by President Xi which demonstrating China's commitment to opening up, could release the tensions to some degree and re-boost the market

confidence on China. However, this does not mean that the trade war risk will be totally de-escalated or eliminated by these policies. Actually, the probability of the trade war is still depending on the negotiation result of the two sides.

All in all, the risk of full-blown trade war with the US is not in our base scenario although trade skirmishes between two largest country economies could linger for quite a while. We expect China and the US will eventually reach an agreement to avert a trade war despite recently escalated rhetoric. Moreover, China needs to push forward deleveraging in over-capacity industries as well as other important items on its reform agenda including SOE reforms, financial regulatory framework etc. to strengthen the domestic demand in the long term.

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