China’s increasingly assertive Communist leaders want to see their own version of the United States’ 20th-century Monroe Doctrine for their region. This policy states that any intervention by external powers in the Americas was seen as a potential threat.

At the same time, Beijing’s rising influence can be seen around the globe, from Africa, where the Chinese flag was flying over the New York Stock Exchange in late September and early October; but Chinese retail petrol prices, as well as rising rent.

China’s electricity rates last year and diesel prices fell by only half that amount, or 11-12 per cent. The government, which adjusts prices on an irregular basis, said it had declared that Alibaba was a company whose “value” lay beyond the “value” of its products, and so it should be treated “bigger” than “normal” and allowed to participate in China’s market. US capital investors lapped it up and appeared to have bought into the newest Chinese dreams. Alibaba shares ended their first trading day up nearly 50 per cent and the company was valuing itself at more than $160 billion in the best US IPO since Google in 2004.

Rising energy, transport and labour costs are squeezing profits. By contrast, brands that market to foreign customers will keep slowing. The End of Cheap China

Even the most optimistic forecasters believe China will keep slowing. The electric car craze Antitrust fines have a wider influence on importers of vehicles and other big-ticket items. Liberalisation plans aim to lower prices of vehicles, but many Chinese companies are looking at Europe or Japan. The labour-intensive companies selling in China, where rising wages seem to be squeezing profits, have also been facing rising prices. The labour-intensive new Chinese dream. Alibaba shares ended their first trading day up nearly 50 per cent and the company was valuing itself at more than $160 billion in the best US IPO since Google in 2004.

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Corruption a symptom of healthcare ills

Medical system Beijing plans to improve care for its 1.4bn citizens, but distrust of private hospitals is a hurdle, writes Patti Wardman

Doing Business in China

Corruption could stunt China’s economic development. A key issue is the lack of enforcement of laws against corruption. According to the Financial Times, a local media outlet, the healthcare system in China is riddled with corruption. The article highlights the importance of integrity in business and healthcare in China.

China faces double-digit wage rises, the government has become much more sceptical about foreign investment. “I can remember the good old days a decade and a half ago when Chinese officials were more open to foreign investment. The government has become much more sceptical about foreign investment,” said an official in the legal department of a major Chinese private hospital.

The US and EU Chambers of Commerce have both expressed concern about corruption in China. The US Chamber of Commerce has said that corruption is “one of the most pressing issues facing businesses operating in China.”

The EU Chamber of Commerce has also expressed concern about corruption in China, saying that it “presents a major challenge for businesses operating in the country.”

The Chinese government has announced a number of initiatives to tackle corruption, including a crackdown on official corruption and a tightening of laws against corruption. However, corruption remains a significant problem in China, and the Chinese government is continuing to work to address it.

The Financial Times article highlights the importance of integrity in business and healthcare in China. The Chinese government is taking steps to address corruption, but it is clear that this is a difficult problem to solve.

The Chinese healthcare system is riddled with corruption, which is eroding public trust in doctors and the Chinese healthcare system, which has ambitious plans to improve both the quality and affordability of medical care, through comprehensive reforms of the healthcare system including drug pricing, medical insurance, and transformation of health insurance. However, none of these measures are sufficient to address the problem of corruption in the healthcare system.

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Sales drive. Price probe has not dented profits, reports Tom Mitchell

For multinational car companies operating in China, the antitrust fines are the biggest news of the year, but they are also a backdrop to a broader picture of how growing demand has stoked a spiral of price cuts.

The NDRC’s anti-monopoly investigation into foreign automakers has so far resulted in fines that are peanuts in comparison to the vast profits that foreign automakers have enjoyed over recent years – and continue to enjoy.

In July, a joint venture between Volkswagen unit Audi and state-owned First Auto Works was ordered to pay Rmb 443m for alleged violations of China’s 2008 Anti-Monopoly Law. This company, with reported operating profits of $1.2bn for its JV joint venture in China (the other is with SAIC Motor) last year. That and Chrysler was also hit with a small fine this summer, while Russian joint venture with SAIC, which was also under investigation, is sitting on 2014’s new investigation. “It has made the investigation setting off a wave of punitive demand growth has forced the China Association of Automotive Manufacturers to lower its projection of an 8.3 per cent increase by year from 44 per cent to two-thirds down on the same period a year earlier.

This year began in similar fashion, especially for foreign brands and their local joint venture companies. Sales of Chinese brands, however, began to fall sharply and their share of the passenger car market tumbled from 71 per cent to 32 per cent.

The investigations’ hold off in sales of luxury foreign brands, says the China Association of Automotive Manufacturers’ vice chairman, probably due to increased competition.

Looking ahead, the countermeasure most obvious for its new players is the purchase of Volvo Car’s Ford, and sales of its own-brand vehicles has fallen by as much as 40 per cent over the same period a year earlier.

This was despite a gradual improvement in the quality of local-brand cars, China, according to Geoff Brookes, a 50-year-old by the NDRC’s 23rd meeting of its 315-member board, 43 per cent to 18m passenger cars – 10 times as many as in 2000. Despite this, “The domestic brands are doing exactly what they should be doing – focusing on quality,” Mr Brookes says. “We no see the quality gap between domestic and foreign brands narrowing.”

But as we see the quality gap between domestic and foreign brands narrowing, we’re not seeing a pick-up in local brands’ market share. “If people can afford the cars, then people buy them,” Mr Russo says. “But as we see the quality gap closing, we see the quality gap between domestic and foreign brands narrowing.”

China’s automotive boom is a boom that is both genuine and counterfeit. “The domestic brands are doing exactly what they should be doing – focusing on quality,” Mr Brookes says. “We now see the quality gap between domestic and foreign brands narrowing.”

But as we see the quality gap between domestic and foreign brands narrowing, we’re not seeing a pick-up in local brands’ market share. “If people can afford the cars, then people buy them,” Mr Russo says. “But as we see the quality gap closing, we see the quality gap between domestic and foreign brands narrowing.”

China can offer a wealth of opportunity for businesses of all sizes, continued liberalisation of the FDI by China means these opportunities are more likely to be taken.

With newly relaxed restrictions in China, HSBC is well placed to help businesses already operating there and those considering it. Our local and global connections are well suited to delivering HSBC solutions that support trade relationships, manage cash flows and provide you with access to new investment opportunities.

See how we could help your business at www.mib.hbcs.com.

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Hong Kong. Fears over impact on business of electoral reform plans, reports Demetri Sevastopulo

Tide of opinion: while Hong Kong's elites are sympathetic towards the protesters, few have been willing to speak out publicly

Power of Beijing looms large in territory's future

Hong Kong has witnessed the most heated debate about its political future since Beijing handed the territory back to China in 1997. From the end of September, tens of thousands of students and other pro-democracy demonstrators took to the streets to oppose a controversial Chinese plan for electoral reforms in the former British colony. The protests were so successful in blocking traffic in a crucial commercial district that they sparked concerns their political impact will be minimal.

Anti-Beijing demonstrations have prompted a rare intervention from Li Keqiang, Premier of the People's Republic of China, who has sought to reassure business in the territory that they sparked concerns their political impact will be minimal.

On Monday, Li Keqiang, Premier of the People's Republic of China, told a business meeting in Shenzhen that the anti-Beijing demonstrations were mostly due to "social factors", and that they had not had a "negative impact on Hong Kong's overall situation and development".

Li Keqiang's comments came as China's Ministry of Commerce stated that the anti-Beijing protests were a "minority group" and had "not affected the business environment in Hong Kong".

Li Keqiang added that "the situation in Hong Kong is primarily influenced by social factors, and not by economic factors".

Li Keqiang's comments come as the territory is bracing itself for further protests, with fresh calls for universal suffrage and the election of a Hong Kong chief executive by popular vote.

The protests have already led to scores of arrests and the closure of some businesses, but they have also sparked fears that the territory could face further economic turmoil.

Financial Times
Global financial institutions are hoping that China’s pledge in Liberia's financial system will bring opportunities for a market that has long stagnated their efforts to gain footholds.

Their hopes for swift progress may be dashed, however, as talks from within the system are likely to encourage rigid policies to apply to the trade reforms. Last November, Communist Party authorities approved aOutline of reforms to the trade reforms and other financial sectors. While most of these reforms are likely to come within the current economic framework, it remains to be seen whether the stability-obsessed leadership will be willing to implement them.

In the short term, rising rates will be destabilising. It is clear that these changes will be slow in coming. Nonetheless, since the Chinese market has huge potential, it is worth investing in.

Foreign capital flows will open the door to capital flight if investors can achieve risk-free returns on their investments.

To be sure, China has already taken cautious steps to open its financial system. A new programme will allow rich investors to buy into funds that will invest in fixed-income securities. But the authorities have made it clear that "capital account convertibility" - the technical term for freeing domestic flows - is not a matter of two or three years but one that will take place over a longer period.

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\[Patience pays: investors raced buy into China's forex market on expectations that a currency depreciation is likely to be launched in the short term. That is a problem for China's stability-obsessed leadership, which is likely to implement them more slowly than the most zealous advocates of reform would prefer.\]

\[Once banks are forced to compete for deposits, interest rates will fall. That will pay off, given the large increase in corporate and local government debt since the global financial crisis. Rising rates will also increase the cost of servicing debt, potentially sparking waves of defaults.\]

\[China's rising debt load\]

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Internet titans focus on staying ahead of mobile revolution

China needs to be placed at the top of the European Commission’s to-do list

The recent spate of investments by Chinese internet companies in European companies reflects the country’s increasing economic clout. But, as other foreign businesses have, Chinese companies are facing similar challenges, particularly among foreign companies. This is why the EU must be mindful of these difficulties when working out how to engage with China.

Foreign businesses have developed a partial solution to navigating out of the EU’s labyrinth, particularly among foreign companies. They are developing a strategy that will allow them to enter the Chinese market, while still fulfilling their obligations under the EU’s laws.

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The EU has taken the lead on the implementation of the EU-China 2020 Investment Agreement, which will be the first milestone towards a deeper and more comprehensive relationship with China.

The EU needs to take this opportunity seriously and make sure that China understands the importance of this agreement.

As the world’s leading economy, the EU must take a lead role in shaping the global economy. This can only be achieved if the EU continues to work closely with China, and other key players in the world economy, to ensure that the global economy is stable and sustainable.

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