

## China

### Beijing pitches Financial St

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Construction of a central business district to rival that of Shanghai is under way in Beijing and a delegation is in London this week to attract European business.

The developers, Financial Street Holding, are targeting European financial, insurance and securities companies to fill office space in the US\$5 billion (HK\$39 billion) project, known as Beijing Financial Street.

They will be addressing a conference sponsored by the Asia Pacific-US Chamber of Commerce today. Delegates from the People's Bank, the China Insurance Regulatory Commission and Beijing Municipality will also address the conference.

Shanghai became the prime destination for international business when China started opening its markets in 1978, under the leadership of Deng Xiaoping. By the end of last year, 62 foreign banks and 37 insurers had established mainland operations.

Central bank official Tang Xu will tell the meeting that international financial service institutions can help develop a global market for mainland businesses. As part of the country's commitments to the World Trade Organisation, "foreign banks will enjoy the same rights as their Chinese counterparts do to develop their business in various regions and geographic and customer restrictions will be lifted after five years".

While foreign investors widely recognise Shanghai as the country's business capital, developers are billing Beijing as the "national centre of financial control and regulation". "The important decision making and capital allocation is done out of Beijing, and government regulatory organisations are in Beijing," Financial Street director Zhao Xiaoliang said.

The municipality is offering a range of inducements for foreign business to establish offices in the 103-hectare district. Companies that buy offices will be given a discount of US\$120 per square metre, and leasees will receive a 50 per cent subsidy in the first year of their tenancy, dropping to 30 per cent in the second year and 10 per cent in the third.

The municipality is also considering preferential tax policies for businesses, Zhao said.

"China is still a developing country and no doubt there are lots of problems that need to be solved, such as the underdevelopment of its financial market, instability of its economies, gap in regulation compared with the international standard," Xu, who will take note of the regulatory and legislative concerns of investors at the meeting, said.

The development is expected to be completed by 2007, in time for the Olympic Games in 2008. Financial Street has already invested US\$4 billion in the project since its inception in 1992, raised from bank loans and its own capital market financing. The state-owned company is the fourth-largest real estate developer in China.