



FINANCE

Debt-swap plan of local governments set to be expanded

Central authorities won't bail out troubled borrowers, according to finance minister

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China is likely to expand its bond-for-debt swap program to address the problem of legacy local government debt, Finance Minister Lou Jiwei said on Friday, adding that the central government does not intend to bail out local governments that cannot repay their debt.

His remarks reflected the central government's two-pronged strategy to address the thorny local government debt issue.

On the one hand, the central government wants to give local governments necessary leeway to cope with any liquidity problems. On the other, it is warning those same governments that if they get into trouble, they will have to "clean up their own mess", so to speak, and should not expect the central authorities to solve any crisis.

On March 9, the Ministry of Finance said that it had ordered the issue of 1 trillion yuan (\$160 billion) of low-yield municipal notes to replace legacy liabilities, in a bid to ease local governments' mounting interest repayment pressure. That issue represents 53.8 percent of the 1.858 trillion yuan debt falling due in 2015.

However, considering debts incurred after June



Lou Jiwei, finance minister

1.858 trillion yuan

the amount of local debt falling due this year

2013 (1.858 trillion yuan was the amount recorded by State auditors as of that point), more than half of the legacy debt is not covered by the swap. How those high-cost borrowings are going to be repaid has become a widespread concern.

Lou sought to reassure the market by saying that beyond the 1 trillion yuan swap, there is more to come. "We are ready to further replace the debt," Lou said, adding that the risks arising from the local government debt are still "controllable".

But he said: "We won't mount any rescue. Previous documents have made it clear."

Lou also revealed for the first time that the number of local government-related borrowers had reached 100,000. Previous estimates

had put the number at only about 10 percent of that.

Explaining the discrepancy, he said: "Not all of those entities are local government financing vehicles. They could also be government departments, such as a transportation department under a municipal government, or public institutions."

Numerous local government-related entities, including LGFVs, were set up in the past few years to borrow through bank loans, trusts or the bond market. Whatever the type of entity or its form of borrowing, the common aim was to bypass the 1994 Budget Law that banned direct local government borrowings.

As to how the future municipal bond quota will be distributed among more than 30 provincial-level governments, Lou said the size of each jurisdiction's debt hangover will be an important factor. Those with more debt will effectively be penalized by getting lower quotas.

Huang Qifan, mayor of the southwest municipality of Chongqing, revealed that as of Dec 31, the city's total outstanding liabilities exceeded 590 billion yuan. Of that, about 230 billion yuan was direct debt. Huang said that 77 percent of the debt was considered to be "generally controllable".

The city got a 33 billion yuan quota in the latest bond swap.

Chongqing is believed to have a higher debt-to-fiscal revenue ratio than many other regions.

TRAVEL



Mao Chaofeng, vice-governor of Hainan province, said that the tourism island will continue to ease its duty-free policy and bring in tourism professionals to develop the area into an international destination. HUANG YIMING / CHINA DAILY

Hainan to ease its duty-free policy

By **LIU XIAOLI**
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Hainan International Tourism Island in South China will continue to ease its duty-free policy and bring in tourism professionals to develop the area into an international tourist destination, according to top officials from the province.

Vice-Governor Mao Chaofeng said at a news conference on Friday in Boao that domestic and foreign tourism professionals are welcome to develop more itineraries and promote local tourism.

"We hope that more travel options, such as ecotourism, rural tourism and medical tourism, can be developed to attract more tourists," said Mao. "The province will also revise its policies in the cultural, sports and medical industries to attract more

talent, customers and entrepreneurs."

According to the province, the variety of imported items available at its two duty-free shops has been increased to 38 now from 18 previously. The range includes baby formula, nutritional supplements and electric appliances.

Exemptions on certain imported goods worth up to 8,000 yuan (\$1,290) in total are available for tourists, who can receive the exemptions twice each year.

According to the provincial government, as of Dec 31 a total of 4.09 million people had spent 11 billion yuan on the island since the two tax-free shops started operation.

The offshore duty-free program, which was launched in April 2011, now applies to the Haitang Bay Duty-free Shopping Center in Sanya and the duty-free

"We hope that more travel options ... can be developed to attract more tourists."

Mao Chaofeng, vice-governor of Hainan

shop in the Haikou Meilan International Airport.

There are visa exemptions for tourists from 26 countries. The provincial government said on Friday that people from those countries had accounted for almost 90 percent of all foreign tourists who visited the island since August 2010.

According to Mao, the special policies given to the

island, including those involving lotteries and opening up, have stimulated tourist spending.

As of Dec 31, sales of instant lottery tickets in the province reached 1 billion yuan, which raised nearly 200 million yuan for charities. And a new kind of online lottery has been approved by the General Administration of Sport.

Preferential policies have also been given to the province to develop an international medical tourism pilot zone, which was approved by the State Council, China's cabinet, in February 2013.

The policies have allowed lower tariffs on certain medical devices and medicines, as well as state-of-the-art medical technologies and the operation of foreign-invested medical organizations.

Cang Wei contributed to this story.

ENVIRONMENT



A discussion on smog and health was held in Boao on Friday. HUANG YIMING / CHINA DAILY

Steps needed to eliminate smog

By **GAO YUAN**
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China's efforts to combat pollution and smog will last for more than a decade as coal and other fossil energy sources will continue to power the world's second-largest economy, experts said on Friday.

Adopting more clean energy sources to at least partially replace the fossil-dominated energy structure of the country over the next decades will be the key to eliminate the smog choking large parts of the country, said Qin Dahe, an academic with the Chinese Academy of Sciences and former director of the Chinese National Meteorological Administration.

"China burned 4.1 billion metric tons of coal last year,

more than other leading economies such as the United States. The extremely large amount of chemicals emitted from coal burning and other meteorological factors have triggered the haze," Qin said.

"Improving air quality is not only the responsibility of the government. All the stakeholders must work together to curb excess emissions and stop the smog," Qin said, calling for closer cooperation among the government, enterprises and the public.

China stepped up its efforts to bring down carbon emissions four years ago after haze enveloped many cities such as Beijing, Tianjin and Shanghai. Last year, the government said the country's carbon dioxide emissions will reach its peak by

2030 and then will decline as more clean energies such as solar, wind and nuclear power will replace coal and oil.

The government is also trying to increase electric car sales in a bid to cut vehicle emissions.

Wan Bentai, chief engineer at the Ministry of Environmental Protection, said fighting air pollution is a "long-term struggle" for China because the immense amount of energy consumption makes it difficult for the country to adopt new energy sources.

Direct emissions, as well as physical and chemical reactions of the emissions in the air together, have triggered the smog. Emissions from the manufacturing sector and coal-burning processes contributed half of the direct emissions, Wan said.

What they say



"The increasingly sophisticated global supply chain has made food safety

inspection a challenging job. The economic slowdown has also led some big-name corporations to cut back investment in food security inspections."

Zhi Shuping, minister of the General Administration of Quality Supervision, Inspection and Quarantine



"I don't think that Chinese Internet companies entering the electric vehicle sector

will hurt the existing manufacturers. On the contrary, the move will promote innovation and boost demand. It will be good for everyone."

Daniel Kirchert, president of Dongfeng Infiniti Motor Co Ltd



"The 'One Belt, One Road' strategy needs support from Hong Kong, a glob-

al center of trade. We hope the new national strategy can take advantage of Hong Kong's geographic advantage to boost trade with related regions."

Leung Chun-ying, chief executive of Hong Kong SAR



"The golden age for China's property market has gone. China also faced severe over-

capacity issue in many industries...but these questions also create a 'time window' for China to restructure the economy for the better."

Zeng Peiyan, former vice-premier and vice-chairman of the board of directors of Boao Forum for Asia



"Although growth in Asia has slowed, due to change in global economy, the

region remains the growth engine of the global economy, which contributed 50 percent of global growth. The largest potential threat for Asia is the gradual decline in productivity. How to lift the productivity is the major challenge."

Zhu Min, deputy managing director of the International Monetary Fund.



"The strongest impulse for innovation comes when a company faces a life-and

death situation. The mobile Internet era offers plenty of opportunities for startup companies."

Zhang Yaqin, president of Baidu Inc