



# China Opens up Market for Foreign Firms but Questions Still Remain About Just How Open the Market Will Be

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Chinese authorities have in recent months been warming up to foreign firms in a market that has traditionally been strictly controlled. State media is reporting that the Central Bank of China has received an application from London based payment service provider WorldFirst. The company is looking to

begin operations in China. It's a bold move though from WorldFirst. Other major payment service providers like Visa and MasterCard have tried to break into the Chinese market for the last decade with no meaningful success.

Meanwhile, stock market regulators in the country could soon allow UBS to own a controlling stake in Chinese brokerage. It's an achievement Goldman Sachs and Morgan Stanley tried to pursue in recent years but they failed. And that is not all. Experian, a Dublin based

financial service company is expected to secure a license to collect and provide corporate credit data for Chinese companies. The license had previously been unavailable to foreign firms. Local Chinese agencies had to overcome mountains of red tape to get approval.

## **US – China Trade Tensions**

These recent developments come barely weeks after China confirmed that it will be opening up its financial markets widely for foreign investors. The announcement was delivered by

◀ Chinese President Xi Jinping. Some analysts view this flurry of activities as a possible response to a looming trade war between the Asian economic giant and the US. Others are however optimistic that this could represent important positive steps in fully opening the Chinese market to foreign investors.

The US has accused China of unfair trade practices. The trade deficit between the two countries stands at about \$500 billion. US president Donald Trump is proposing radical countermeasures including tariffs on Chinese exports. But China has remained resolute arguing that it is ready to fight any trade war. Nonetheless, Beijing has always maintained that its main priority is to avert any possible trade escalation with the US. It is possible that the recent seemingly positive steps in opening up Chinese markets for foreign companies are designed to ease trade tensions with Washington.

Be that as it may, it is clear that the Chinese government is doing

## US president Donald Trump is proposing radical countermeasures including tariffs on Chinese exports

something. Chinese authorities say that there has been an enthusiastic response to these recent moves. State regulators note that there is a real intent by financial companies in London, the US, Germany, and France to build their presence in China.

### **Cautiously Optimistic**

This is not the first time China is making promises to open up its markets. In its 15 year stint as a member of the WTO, China has made many commitments to deregulate. But to this date, a big portion of key Chinese sectors have remained closed to foreign companies. Despite this, authorities in the country have relaxed a number of restrictions on foreign ownership of Chinese

financial companies. For example, the Chinese Central Bank announced that it had scrapped foreign ownership caps on local lenders. This allows foreign companies to own controlling interests in local Chinese lenders. The decision was announced shortly after Trump's visit to Beijing.

It's not clear whether trade pressure from the US will convince China to restructure its protectionist policies. However, it seems there is some level of political will to open up the Chinese market albeit in a gradual manner.

### **Investing in China**

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