



Beijing Financial District Seeks European Investors

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LONDON (Dow Jones)--Construction of a financial district to rival that of Shanghai is underway in Beijing and a Chinese delegation is in town this week to attract European business.

The developers, Financial Street Holding Co., are targeting European financial, insurance and securities companies to help fill office space in the \$5 billion project, known as Beijing Finance Street.

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

Shanghai became the prime destination for international business when the Chinese market opened in 1978, under the leadership of Deng Xiaoping. Efforts to expand China's financial districts have increased since the country joined the World Trade Organization in 2001 and by end 2003 62 foreign banks and 37 insurance companies had established Chinese operations.

Central bank official S Tang Xu will tell Wednesday's meeting that international financial service institutions can help develop a global market for Chinese businesses. As part of the country's commitments to the WTO, "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 recognize Shanghai as the country's business capital, developers are billing Beijing as the "national center of financial control and regulation."

"The important decision making and capital allocation is done out of Beijing, and government regulatory organizations are in Beijing," said Xiao Liang Zhao, director of Finance Street Holding Co.

The People's Bank of China and regulatory bodies for the banking, securities and insurance industries are already headquartered in the district.

The Beijing 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 \$120 per square meter, and leasees will receive a 50% subsidy in the first year of their tenancy, dropping to 30% in the second year and 10% in the third.

The municipality is also considering preferential policies for businesses in the field of taxation, Xiao Liang Zhao said.

At Wednesday's conference, the central bank's S Tang Xu will note the regulatory and legislative concerns of foreign investors.

"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."

The development is expected to be completed by 2007, in time for the city's hosting of the Olympic Games the following year. Financial Street Holding Co has already invested \$4 billion in the project since its inception in 1992, raised from bank loans and its own capital market financing. State-owned FSHC is the fourth-largest real estate developer in China.

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