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1. National

Public Announcement on Reforming the RMB Exchange Rate Regime

关于完善人民币汇率形成机制改革的公告

【Issued By】 People's Bank of China

【Subject】 Exchange Rate

【Promulgated on】 July 21, 2005

【Effective from】 July 21, 2005

【Source】 <http://www.pbc.gov.cn/>

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- TAX

The People's Bank of China released this Announcement on July 21, 2005 with a view to establishing and improving the socialist market economic system in China, enabling the market to fully play its role in resource allocation as well as to putting in place and further strengthening the managed floating exchange rate regime based on market supply and demand.

According to the Announcement, starting from July 21, 2005, China will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility. And the People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

The Announcement also states that the exchange rate of the US dollar against the RMB will be adjusted to 8.11 yuan per US dollar at the time of 19:00 hours of July 21, 2005. The foreign exchange designated banks may since adjust quotations of foreign currencies to their customers.

Besides, the Announcement elaborates that the daily trading price of the US dollar against the RMB in the inter-bank foreign exchange market will continue to be allowed to float within a band of 0.3 percent around the central parity published by the People's Bank of China, while the trading prices of the non-US dollar currencies against the RMB will be allowed to move within a certain band announced by the People's Bank of China.

The central bank itself regarded the move marks the start of building a more resiliently managed floating RMB exchange rate mechanism which is based on market supply and demand and is adjusted in relation to a basket of major foreign currencies.

Circular on Promoting Development of Export Name Brands with Help of Export Credit

Insurance

关于利用出口信用保险扶持出口名牌发展的通知

【 Issued by 】 Ministry of Commerce, China Export and Credit Insurance Corporation

【 Subject 】 Export

【 Promulgated on 】 June 24, 2005

【 Source 】 <http://www.mofcom.gov.cn/>

The Ministry of Commerce and China Export and Credit Insurance on June 24, 2005 jointly issued this Circular for the purpose of following the Party Central Committee and the State Council's spirit on promoting the development of independent world name brands, implementing Guiding Suggestions of Supporting Development of Export Name brands (No.124, 2005) released by eight ministries and commissions including the Ministry of Commerce, transforming trade growth methods and realizing the sustainable development of foreign.

The Circular requires all local administrative commercial departments and business offices of China Export and Credit Insurance Corporation (hereinafter referred to as "China Credit Insurance") to establish effective coordination systems and get familiar with enterprises' demands so as to stipulate specific measures to promote development of export name brands with help of export credit insurance.

It also stipulates that for name brands export enterprises that have already procure export credit insurance, China Credit Insurance will grant them with qualifications of "key cultivated client" and "key client" in accordance with the insurance periods, and accordingly they may get relevant policy support. In addition, China Credit Insurance is demanded to help to establish research centers, production basis and marketing nets in foreign countries with new products such as overseas investment insurance and labor insurance aboard.

The Circular further specifies that China Credit Insurance will give priority to name brands export enterprises with value-added services such as nations risk reports, industry analysis reports, risk management suggestion books, properly raises quantity of free services or provides favored capital and credit investigation reports. These enterprises will also have the priority to use Internet business operation and service systems of "credit insurance entrance".

Development Policies for the Steel Industry

钢铁产业发展政策

【Issued by】 National Development and Reform Commission

【Subject】 Steel Industry

【Promulgated on】 July 20, 2005

【Source】 <http://www.sdpc.gov.cn/>

The National Development and Reform Commission released the long-awaited new industrial policy on July 20, 2005, which is regarded as the country's first steel industry development blueprint.

According to the Policies, foreign investors will be banned from controlling the major steel companies in China although cash from abroad will still be welcome in the sector. However, foreign cash must go in line with our long-term guideline to optimize the steel industry and be conducive to environmental protection, industrial consolidation and technological upgrading.

Furthermore, the Policies state that if overseas steelmakers want to gain a footing in the domestic steel sector, they must produce at least 10 million tons each year and boast strong financial strength as well as high credibility. In addition, it specifies that foreign investment into China's steel industry is supposed to come along with the upgrading or relocation of existing steel producers in the country, but the government will not consider new sites for foreign business expansion.

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