



U.S.- CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Commission Announces Hearing on China's Strategy and Objectives in Global Capital Markets

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FOR IMMEDIATE RELEASE

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The U.S.-China Economic and Security Review Commission will hold a hearing on **August 11, 2005** to examine Chinese firms' debt and equity listings in the U.S. and other international capital markets, the upcoming listing of Chinese banks, and the implications for U.S. investors and policy makers.

The Commission is directed by Congress to examine the activities of Chinese firms in the U.S. capital markets as part of its broader assessment of the U.S.-China economic relationship. At this hearing, the Commission will look at the importance of the U.S. and other international capital markets to China's economy, recent developments regarding equity offerings by Chinese firms and financial institutions, and the methods and marketing strategies employed to attract investors.

The global capital markets have become an important source of funding for Chinese firms, and this has important implications for U.S. investors and U.S. policy. In 2004-2005, Chinese listings on the New York Stock Exchange fell sharply. During the same period, Chinese firms have made the Hong Kong Stock Exchange (HKSE) the preferred location for initial public offerings (IPOs). In 2004, the HKSE accounted for 73 percent of the new funds raised in greater China compared with 55 percent in 2003 and 48 percent in 2002. Yet, with billions of dollars in IPOs planned for 2005 – including state-owned banks China Construction Bank and Bank of China that will seek a combined \$15 billion in capital – China shows no signs of slowing the pace of international listings. The Commission seeks to better understand the strategy and objectives employed by Chinese firms as they seek to raise capital in global capital markets.

The Commission will explore the corporate governance and transparency standards of Chinese firms listing on the U.S. and other international capital markets, and whether investors are adequately informed about the financial situation and domestic and international activities of these firms. Beyond its examination of governance issues, the Commission will continue its assessment of whether any listed or traded Chinese firms accessing U.S. capital pose any security-related concerns (that also may represent a material risk to investors) as a result of associations with China's defense-industrial complex, weapons proliferation, or other problematic activities.

The Commission has invited economists, financial analysts, and former U.S. government officials to discuss the issues outlined above. The full agenda is attached.

What: Public Hearing on "China's Strategy and Objectives in Global Capital Markets"

When: Thursday, August, 11 2005 – 10:00 am to 3:30 pm

Where: Room 124, Dirksen Senate Office Building, 1st & Constitution Ave., NE, Washington, DC

Prepared statements available at www.uscc.gov The hearing is open to the public, advanced registration is not required.
