

## Spotlight on cross-border trade

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CHINA will enhance cross-border capital flow management to prevent short-term "speculative capital" investments crunching China's economy, the nation's top foreign exchange regulator said.

The forex regulator will shore up efforts to ensure forex transactions are based on real trade activities, said the State Administration of Foreign Exchange on its Website yesterday, citing Hu Xiaolian, the regulator head.

The US subprime crisis, the trend of major forex rates, together with international energy and food prices are affecting the flow and scale of international capital.

China faces bigger challenges under such conditions to duck the punch of international short term capital and keep its financial stability, Hu said.

She said there needed to be an improvement on trade credit management.

"The management on short term foreign debt will also be strengthened," Hu said.

She said China will stick to its tight monetary policy to prevent overheating and to fight inflation.

China's foreign exchange reserves were reported to soar to US\$1.76 trillion as of April 30 as April growth rose the most this year.

China's trade surplus topped US\$16.68 billion in April while monthly foreign direct investment sat at US\$7.6 billion.

The concerns on speculative capital, together with a strong decision to fight inflation, have already pushed the People's Bank of China to raise banks' reserve requirement ratio to a 23-year high, said Lu Zhengwei, an Industrial Bank chief economist.

The reserve ratio rose to 17.5 percent yesterday.(Shanghai Daily)

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