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FORTRESS HILL ADVISORS

PREMIUM ECONOMIC
& INVESTMENT RESEARCH

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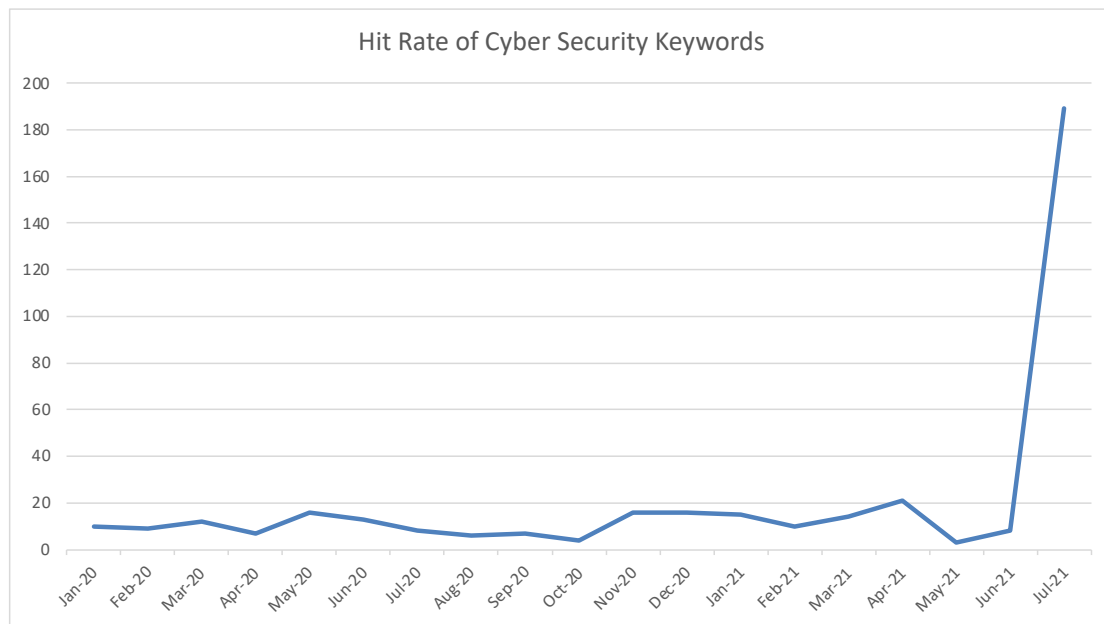
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Table of Contents

- 1 China Cyber Security Law in Focus**
- 2 Mixed Ownership Reform is Still Under Way**
- 3 Special Zoning is the Key Policy Driver**
- 4 China Debt Problem is Overhung**
- 5 For Agriculture, Security and Self-Sufficiency is the Policy Goal**

1 China Cyber Security Law in Focus



SOURCE: FORTRESS HILL ADVISORS

Over the past month in July 2021, we observe an abrupt uptick in hit rate of cyber security keywords, such as “information law”, “information security”, “electronic commerce”, and “internet supervision” to close to 200. The average hit rate pre-July-2021 is just a little bit over 10 whereas July 2021 as a single month counts for 189 hits. July 2021 accounts for a total of 6176 official articles, implying that 3% of the press releases in the related Chinese government departments such as Ministry of Information and Technology, Ministry of Commerce, and Ministry of Defence are related to cyber security.

The data show that China is giving more weight to cyber security law, both in legislating them and executing them.

2 Mixed Ownership Reform is Still Under Way

Over the period, keywords related to mixed ownership reform get mentioned 673 times in various related government departments. It shows that despite favoring state owned enterprise over private enterprise, there is still attempt from the Chinese government to reform SOEs. However, the focus maybe changing compared to past mixed ownership reform. Past reforms were focusing on privatizing state owned enterprises whereas present reforms tilt more towards nationalizing successful private enterprises or at least part of their business

Hot keywords in this topic include "mixed ownership reform", "state owned enterprises reform", and "mixed capital".

3 Special Zoning is the Key Policy Driver

Over the period, “special zoning” such as “Special Economic Zone”, “Greater Bay Area”, and “Free Trade Zone” get mentioned 637 times, 2134 times, and 1523 times respectively in various related government departments’ press release. It showcases that “zoning” is Chinese government’s favored approach towards experimenting new policies. From Shenzhen to Xiong An Chinese government invariably prefer to test new policies in confined area.

4 China Debt Problem is Overhung

Over the period, there are 188 press releases in which China debt problem gets mentioned, equivalent to one article every three days. Nonetheless, debt issues---- both government and private--- still gets bigger every day. The government warning against debt problem seem to hit withdrawal as debt reduction accompanies credit contraction and recession in various sectors that are debt-heavy. As a result, debt problem gets larger and larger even with official warning. Same as the power outage problem, in which Chinese Government has to give in to dig more coals whenever coal reduction policy hits power stability, Chinese Government has to accept ever more debt to finance the old debt and ignite new growth prospect.

5 For Agriculture, Security and Self-Sufficiency is the Policy Goal

There are 9895 mentions of agricultural policy over the period; almost every day there is at least one article that mention agricultural policy. The key in China's agricultural policy is to remain as self-sufficient as possible. However, compared to countries like US and Australia, China lacks large flat land to develop large-scale farm land; China's geography is mountainous in various key region especially in western China. Small farm scale in most cases mean that machinery is hard to deploy and irrigation system is limited.

It is no wonder that China buy more agricultural products such as corn from the US. Political pressure aside, there is actually real need to import agricultural products.

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