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CHINA HELPS IRAN AND SAUDI ARABIA RESUME TIES

After a seven-year estrangement between the two, China has helped mediate a deal reestablishing diplomatic relations between Iran and Saudi Arabia. The agreement was hammered out by officials of the two countries in Beijing. Ali Shamkhani, the secretary of Iran's Supreme National Security Council, met with Saudi national security adviser Musaad bin Mohammed al-Aiban and senior Chinese diplomat Wang Yi as part of the talks. Xi Jinping had raised the idea of the dialogue during a state visit to Riyadh back in December. According to the deal, within two months Iran and Saudi Arabia will reopen their embassies and missions on each other's soil and their foreign ministers will plan a summit. Iran also pledged to end attacks against Saudi Arabia, including by the Houthi rebels it backs in the Yemeni civil war. (Associated Press, March 10, 2023)

CHINA FLOATS PAKISTAN A \$2 BILLION LOAN

The Industrial and Commercial Bank of China has approved another \$1.3 billion loan to help shore up the foreign exchange reserves of cash-strapped Pakistan. Islamabad had already received a \$700 million loan from Beijing, and this second tranche brings the total to \$2 billion. The new loan will be disbursed in three installments and the first \$500 million has already been delivered. Pakistan, which is facing a looming foreign exchange crisis, will need \$5 billion in external financing to close this year's fiscal gap. But more external financing will only arrive after Islamabad signs a deal with the International Monetary Fund to obtain a \$1 billion tranche of the \$6.5 billion bailout it agreed to in 2019. (*Nikkei Asia*, March 4, 2023)

XI JINPING TAKES AIM AT THE U.S.

Xi Jinping has blamed U.S. suppression for the headwinds China is facing. "Western countries-led by the U.S.-have implemented all-round containment, encirclement and suppression against us, bringing unprecedentedly severe challenges to our country's development," Xi said. The comments, which were part of Xi's speech to an annual legislative session in Beijing, associate him directly with the type of anti-U.S. nationalist rhetoric that is regularly used by lower-ranking officials and state media. By accusing the U.S. of containment, a Cold War term, Xi distracts from China's sputtering economy, which has been damaged by interventionist policies, an overemphasis on national security, and three years of zero-COVID. (*Wall Street Journal*, March 7, 2023)

CHINA'S CITIES ARE TRILLIONS IN DEBT

Last year, two-thirds of local governments held debts close to exceeding 120% of their income. China's 31 provincial governments owe around \$5.1 trillion, including bonds held by local and foreign investors. About a third of China's major cities are struggling to pay the interest on their debt, and about 84% of the \$84.2 billion in offshore debt local governments owe will mature before 2025. The interest payments of Lanzhou, Gansu, for instance, were 74% of fiscal revenue in 2021. Those figures do not include various off-balance-sheet debts from unofficial local government financing vehicles, which proliferated to fund infrastructure. The debts from those vehicles are expected to reach \$10 trillion this year. Plus, Xi Jinping's zero-Covid policy saddled cities with billions in unplanned expenditures for mass testing and lockdowns. "The real cost of the debt won't be a financial crisis but it'll lead to many years of struggling to allocate the cost of that debt," says Michael Pettis of Peking University. Cities are already cutting spending, delaying investments or taking other growth reducing measures. In Shenzhen, teachers are facing pay cuts, and in Hegang, Heilongjiang the gas company said it will cut off supply if the local government does not offer a subsidy. (*Wall Street Journal*, March 6, 2023)

CHINA CREATES NEW DATA REGULATOR

At the National People's Congress this week, China will officially create a new government bureau to centralize the management of its vast stores of data. The new national data bureau will become the top Chinese regulator on data-related issues and will set and enforce data-collection and sharing rules for businesses; a shift from the current structure in which multiple ministries share oversight. The agency will, for instance, control what multinational companies can do with the data generated by their operations in China. It will also investigate issues in the digital domain, such as the use of algorithms for data manipulation, the targeting of minors online, and identifying data-security vulnerabilities. (*Wall Street Journal*, March 6, 2023)

[EDITOR'S NOTE: Data regulation in China is currently handled by several agencies, including the Cyberspace Administration of China, the Ministry of Industry and Information Technology and the National Development and Reform Commission. At times, the involvement of multiple agencies has left businesses confused about which one to approach on compliance issues.]