## China needs solutions as debt issues remain

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内容：In a report published on Saturday, China-s National Audit Office said China should dispel the -illusion- that the central government will pick up the bill for local government debt. BEIJING - China needs to let local governments take responsibility for their finances, including allowing bankruptcies, as part of an effort to defuse their debt risks, a central bank official wrote yesterday. Central government control of the scale of local government bonds should be eliminated, while responsibility to issue and repay bonds should be held by the city or county that will actually use the funds, Xu Zhong, head of the People-s Bank of China-s research bureau, wrote in a an editorial on the financial news website Yicai. -Eliminate central government control on the scale of local government bond issues, expand the scale of local government debt issues,- Xu wrote. -Whether (bonds) can be issued, and at what price, must be examined and screened by the financial markets. There does not need to be worry about local governments chaotically issuing debt.- China-s top leadership decided at a meeting this week to take concrete measures to strengthen the regulation of local government debt next year as policymakers look to rein in a massive debt pile and reduce financial risks facing the economy. The government needs to clarify responsibility as it explores a bankruptcy system for local governments, Xu wrote, as there is still an expectation that the central government will bail out those that run into fiscal problems. -China must have an example like the bankruptcy in Detroit. Only if we allow local stateowned firms and governments to go bankrupt will investors believe the central government will break the implicit guarantee,- Xu wrote, adding that social services should be maintained. The US city of Detroit filed the largestever municipal bankruptcy in July 2013, with US$18 billion of debt. Xu also said that China should dismantle the hukou system of internal migration control, as free movement of people promoted equal access to public services and helped resolve imbalances in finances. In a report published on Saturday, China-s National Audit Office said China should dispel the -illusion- that the central government will pick up the bill for local government debt. But China should also increase the limit for local government debt as general government debt is primarily used for poverty relief spending, while also controlling spending on new projects. -Financial institutions must not provide financing to projects without a source of stable operating cash flow or that do not have compliant collateral,- the office said. - REUTERS