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HIGHLIGHTS

- Finance Minister Xiao Jie met with U.S. Treasury Secretary Steven Mnuchin in Washington D.C., U.S.
- Director General Zhou Qiangwu: risks in the global economy still merit attention
- The CPC Central Committee and the State Council published the *Opinions on Implementing the Strategy of Rural Revitalization*
- MOF published a circular on further strengthening the capacity of corporate bonds in serving the real economy and strictly guarding against local debt risks
- China's GDP in 2017 was 82.7122 trillion RMB

Brief Introduction to IEFI

The International Economics and Finance Institute (known as IEFI) is the think tank of the Ministry of Finance of China. It is devoted to financial and economic studies at home and abroad, and to the promotion of global and regional economic cooperation and integration.

The think tank provides policy recommendations to the top decision-makers of MOF and other government agencies of China. It communicates with other government agencies, international organizations, prestigious domestic and foreign think tanks, and other academic groups to strengthen knowledge cooperation, idea exchanges and experience sharing. It publishes research papers and organizes high-level forums and seminars.

IEFI is committed to be a world-class economic think tank.

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I. Policy Update

1. MOF published a circular on adjusting and promulgating the 21st edition of the list of environmental labeling products for government procurement

On February 2, the Ministry of Finance (MOF) published a circular on adjusting and promulgating the 21st edition of the list of environmental labeling products for government procurement, which provided the following. First, the products on the list are priority ones for government procurement. Products that are both on the list of environmental labeling products and the list of energy-saving products for government procurement shall take precedence over those listed on only one of the lists. Second, the products not on the current edition of list are not priority environmental labeling products for government procurement. If the name or address of the manufacturer of the products on the list is changed according to laws during the implementation period of the list, the products shall still be on the current edition of list, provided that the change is approved by the relevant certification bodies and the proper procedures for the change of certification are followed. Third, the government procurement projects and the procurement of goods

related to engineering and construction shall give priority to the environmental labeling products.

2. MOF published a circular on adjusting and promulgating the 23rd edition of the list of energy saving products for government procurement

On February 5, MOF published a circular on adjusting and promulgating the 23rd edition of the list of energy saving products for government procurement, which provided the following. First, the products on the list include the mandatory and priority ones for government procurement. Second, products that are not on this edition of list shall not be the mandatory and priority products for government procurement. If the name or address of the manufacturer of the products on the list is changed according to laws during the implementation period of the list, the products shall still be on the current edition of list, provided that the change is approved by the relevant certification bodies and the proper procedures for the change of certification are followed. Third, in case that this edition of list does not have detailed specification or the products on this list could not meet the working needs, procurement of unlisted products may be allowed.

3. The CPC Central Committee and the State Council published the *Opinions*

on Implementing the Strategy of Rural Revitalization

On February 5, the CPC Central Committee and the State Council published the *Opinions on Implementing the Strategy of Rural Revitalization*, which provided the following. First, lay a solid foundation for agricultural production capacity. Improve food production technology, preserve arable land, and ensure national food security to guarantee food self-sufficiency. Second, implement the strategy of invigorating agriculture through quality enhancement. Formulate and implement the national strategy of invigorating agriculture through quality enhancement, and establish and improve the evaluation system, policy system, working system and assessment system for such strategy. Third, build a rural development system featuring the integration of primary, secondary and tertiary industries. Vigorously develop a variety of agricultural functions, extend the industrial chain, enhance the value chain and improve the chain of interests, and enable farmers to share in the benefits of the added-value of the whole industrial chain through dividend distribution, joint-stock participation and profit payout.

4. MOF published a circular on publishing the list of the 4th batch of PPP demonstration projects

On February 6, MOF published a circular on publishing

the list of the 4th batch of PPP demonstration projects, which provided the following. First, among the 1226 projects submitted by the relevant ministries and provincial finance departments, 396 projects, including the Beijing New Airport North Line Expressway (Beijing section) Project, are identified as the 4th batch of PPP demonstration projects, involving an investment of 758.8 billion RMB. Second, the finance departments at all levels should strengthen coordination and cooperation with the competent authorities, establish and improve the liaison and tracking mechanism for demonstration projects, and supervise and guide the project implementation by the project implementation agencies. Third, the finance departments at all levels should strengthen their communication and coordination with the federation of industry and commerce, and actively promote the involvement of the China Government and Business Cooperation Investment Fund and private enterprises in the demonstration projects.

5. MOF published a circular on applying for the specials funds of the central lottery public welfare fund to support local sports in 2018

On February 7, MOF published a circular on applying for the specials funds of the central lottery public welfare fund to support local sports in 2018, which provided the following. First, the special funds in 2018 will focus on supporting juvenile sports events, reserve talent training, fitness competitions

and activities, construction of fitness facilities, and the improvement of conditions for the training base of national teams. Second, the application for special funds in 2018 shall be done through the lottery public welfare fund budget management system. Third, in the process of application, specific project agencies shall be identified, and the project application materials and project performance targets be submitted and sequenced in the order of priority. Fourth, in case of venue renovation and purchase of facilities, project proposal, feasibility study, budget estimation and other preliminary procedures shall be well prepared.

6. The State Council planned to further promote market-based debt-to-equity swap to cut corporate leverage, prevent and control risks and improve growth quality

On February 8, Premier Li Keqiang chaired an executive meeting of the State Council, which provided the following. First, improve corporate governance, introduce a mechanism for restraining assets and liabilities of state-owned enterprises, and support the promotion of mixed ownership reform through capital increase and introduction of strategic investors. Second, improve the corporate debt restructuring policy, establish a bankruptcy system for affiliated enterprises, and explore a speedy trial mechanism for bankruptcy cases. Study and solve the bankruptcy costs of "zombie firms", and establish

a mechanism to allow for the reasonable sharing of loss among government, enterprises and banks. Third, broaden the channels for translating private capital into equity investment. Support all kinds of equity investment institutions to participate in the market-based debt-to-equity swap. Formulate a plan for raising stable and low-cost funds for equity investment over the mid and long term and introduce measures to establish private equity investment funds for the purpose of market-based debt-to-equity swap.

7. The State Council published the *Plan for the Reform of the Division of Fiscal Mandates and Spending Responsibilities between Central and Local Governments in the Field of Basic Public Services*

On February 8, the General Office of the State Council published the *Plan for the Reform of the Division of Fiscal Mandates and Spending Responsibilities between Central and Local Governments in the Field of Basic Public Services*, which provided the following. First, compulsory education, student financial aid, basic employment services and other basic public services that involve the sharing of spending responsibilities and have bearing on the basic living and development needs of people are included in the scope of the joint fiscal mandates of central and local governments. Second, formulate the national standards for the provision of basic public services. Third, standardize the method

of sharing the spending responsibilities between the central and local governments in the field of basic public services by mainly implementing the pro-rata sharing between the central government and local governments. Fourth, establish a transfer payment item for joint fiscal mandates under the general transfer payment category to give priority to basic public services with joint fiscal mandates.

8. MOF published the *Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises*

On February 11, MOF published the *Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises*, which provided the following. First, if the state-owned financial enterprises are to adopt public bidding and invitation for bidding, they shall set up a procurement evaluation committee for the review of procurement project according to laws. Second, centralized procurement of state-owned financial enterprises may adopt open bidding, invitation for bidding, competitive negotiation, competitive consultation, single-source procurement, inquiry, and other procurement methods as determined by relevant management authorities. Third, state-owned financial enterprises should implement centralized procurement according to the procurement plan and incorporate it into annual budget management. Fourth, state-owned financial enterprises shall not in

any way evade public bidding of projects that should have been procured through public bidding.

9. MOF published a circular on further strengthening the capacity of corporate bonds in serving the real economy and strictly guarding against local debt risks

On February 13, MOF published a circular on further strengthening the capacity of corporate bonds in serving the real economy and strictly guarding against local debt risks, which provided the following. First, the reporting enterprise should establish and improve its corporate governance structure, management decision-making mechanism and financial management system, and strictly prohibit the Party and government officials from working full time or part time in the enterprise without approval. Second, the reporting enterprise should truthfully, accurately and completely disclose its financial information and project information, and support investors to effectively identify risks. It is forbidden to make any misrepresentation or misleading propaganda linked to the credit of local governments. Third, pure public welfare projects may not be regarded as equity investment projects for corporate bonds.

10. MOF published a circular on

adjusting and improving fiscal subsidy policy for the promotion and application of new energy vehicles

On February 13, MOF published a circular on adjusting and improving fiscal subsidy policy for the promotion and application of new energy vehicles, which provided the following. First, raise the technical threshold requirement. New energy vehicle products may apply for subsidies only after their inclusion into the *Catalogue of Recommended Models for the Promotion and Application of New Energy Vehicles*, the models that meet the technical criteria for subsidies in the 2017 catalogue can be directly included in the new catalogue. Second, improve the standard of subsidies for new energy vehicles. Fuel cell vehicle subsidies will remain unchanged, as the fuel cell passenger vehicles are subsidized according to the rated power of the fuel cell system, and fixed subsidies still apply to fuel cell buses and special vehicles. Third, adjust the operating mileage requirements. Operating mileage is no longer required for the application for fiscal subsidies of the private purchase of new energy passenger vehicles, special purpose vehicles, and official vehicles.

11. MOF published the *Measures for the Financial Management of Comprehensive Agricultural Development*

On February 14, MOF published the *Measures for the Financial Management of Comprehensive Agricultural Development*, which provided the following. First, the central finance authority and local finance authorities shall respectively assume the responsibility for comprehensive agricultural development expenditures. Second, the policy of investing in comprehensive agricultural development projects is determined by the National Office of Comprehensive Agricultural Development on the basis of different types of projects and recipients of support. Rural collectives and farmers in the areas where land management projects are located will be encouraged to invest in the form of fund and labor participation. Third, the fundraising plan for the comprehensive agricultural development project should be included in the annual implementation plan of the project, and should be determined according to the development tasks, investment standards and investment policies. There should be no gap left and no arbitrary adjustment is allowed. Fourth, the disbursement of fiscal funds for comprehensive agricultural development projects shall be done at the county level in accordance with the relevant rules of centralized treasury payment system.

12. MOF published the *Interim Measures for Persons with Other Professional Qualifications Serving as Partners of Special General Partnership Accounting Firms*

On February 24, MOF published the *Interim Measures for Persons with Other Professional Qualifications Serving as Partners of Special General Partnership Accounting Firms*, which provided the following. First, the partners with other professional qualifications shall be no more than 20% of the total number of partners in special general partnership accounting firms and in the partner management committee. The share of partnership property held by partners with other professional qualifications shall be no more than 20% of the accounting firm's partnership property. Second, partners with other professional qualifications may work as the partners that perform internal specific management duties or engage in consulting business in special general partnership accounting firms, but shall not work as the chief partner of accounting firm, the partner that performs partnership or the head of a branch, nor shall they exercise control in any form over the accounting firm.

13. MOF published a circular on improving the registering work of government procurement agencies

On February 24, MOF published a circular on improving the register of government procurement agencies, which provided the following. First, ensure the smooth transition of registering work. Starting from March 1, 2018, MOF will no longer handle the registering work of government procurement agencies, and the provincial finance

departments will in turn register the names of new agencies in accordance with the requirements of the *Interim Measures for the Administration of Government Procurement Agencies*. Second, timely add information to the register. MOF will complete the upgrading and improvement of the register system before March 1, and notify, via text messages and system prompts, the agencies that have completed the online registration to add information regarding their full-time employees and their own premises and facilities.

14. MOF published the *Guidelines on Establishing and Improving the Long-term Mechanism for Ecological Compensation and Protection in the Yangtze River Economic Belt*

On February 24, MOF published the *Guidelines on Establishing and Improving the Long-term Mechanism for Ecological Compensation and Protection in the Yangtze River Economic Belt*, which provided the following. First, increase the ecological weight in the allocation of equalization transfer payments. The central finance authorities will increase the weight of relevant factors related to ecological and environmental protection, and step up the financial compensation for the loss of fiscal revenue and increased expenditure on the part of provincial (municipal) governments along the Yangtze River Economic Belt as they carry out ecological protection, pollution control and emission

reduction. Second, mobilize resources from the key ecological function zone transfer payment to increase direct compensation to the Yangtze River Economic Belt. Increase the budgetary arrangement for key ecological function zone transfer payment, adjust the allocation composition of key ecological function zone transfer payment, improve the assessment system of county ecological quality, and increase the direct ecological compensation to the Yangtze River Economic Belt.

15. MOF published a circular on the policy of carrying forward the pre-tax deduction of corporate income tax for public welfare donations

On February 26, MOF published a circular on the policy of carrying forward the pre-tax deduction of corporate income tax for public welfare donations, which provided the following. First, for the enterprises making donations for charitable and public welfare purposes through the public welfare social organizations or the government departments and affiliated agencies at and above the county level, the portion of donations that is within 12% of the enterprise's annual profit is allowed to be deducted when the amount of taxable income is calculated; while the portion of donations that is beyond 12% of the enterprise's annual profit is allowed to be carried forward in the following three years and be deducted when the amount of taxable income is calculated. Second, for the public welfare

donations incurred by the enterprise in the current year and those carried forward from the previous years, the portion that is allowed to be deducted on a pre-tax basis in the current year shall not exceed 12% of the total annual profits of the enterprise in the current year.

16. MOF published a circular on issues related to the determination of tax-exempt status of non-profit organizations

On February 26, MOF published a circular on issues related to the determination of tax-exempt status of non-profit organizations, which provided the following. First, the tax-exempt status of non-profit organizations is valid for five years. Non-profit organizations should submit an application for review within six months after the expiry of the tax-exempt status. If the non-profit organizations do not submit the application for review or fail the review, their eligibility for tax-exempt status will expire automatically. Second, non-profit organizations must make tax registration and file tax returns on time in accordance with the relevant rules. Third, non-profit organizations that have obtained tax-exempt status should go through tax exemption procedures with the competent tax authorities in accordance with the relevant provisions. Any changes in tax-exemption conditions shall be reported to the competent tax authorities within 15 days from the date of the change.

II. Facts & Figures

1. The operating income of China's cultural and related enterprises above designated size in 2017 reached 9.195 trillion RMB

The data released by the National Bureau of Statistics (NBS) on January 31 showed that the operating income of China's cultural and related enterprises above designated size in 2017 reached 9.195 trillion RMB, representing a nominal increase of 10.8% year on year. By regions, the operating income of cultural and related enterprises above designated size reached 6.871 trillion RMB in the eastern region, up by 10.7% year on year; 1.4853 trillion RMB in the central region, up by 11.1% year on year; 740 billion RMB in the western region, up by 12.3% year on year; and 98.8 billion RMB in the northeastern region, down by 0.9% year on year.

2. The population of rural poors in China fell by 12.89 million year on year at the end of 2017

The data released by NBS on February 1 showed

that the population of rural poors in China was 30.46 million at the end of 2017, down by 12.89 million year on year; the poverty headcount ratio was 3.1%, down by 1.4 percentage points year on year. In breakdown of regions, the number of rural poor population was 3 million in the eastern region, a decrease of 1.9 million year on year; 11.12 million in the central region, down by 4.82 million year on year; and 16.34 million in the western region, down by 6.17 million year on year.

3. China's social financing reached 177.6 trillion RMB at the end of January 2018

The data released by the people's Bank of China (PBoC) on February 12 showed that, as of the end of January 2018, China's social financing stood at 177.6 trillion RMB, up by 11.3% year on year. Specifically, the outstanding RMB loans to the real economy were 121.7 trillion RMB, up by 13.2% year on year; the outstanding foreign currency-denominated loans to the real economy were equivalent to 2.46 trillion RMB, down by 6% year on year; the outstanding entrusted loans were 13.89 trillion RMB, up by 2.9% year on year; the outstanding trust loans totaled 8.59 trillion RMB, up by 30.2% year on year; the undiscounted bankers' acceptance notes amounted to 4.58 trillion RMB, up by 1.5% year on year; the outstanding corporate bonds stood at 18.51 trillion RMB, up by 3.5% year on year; the domestic outstanding stock of non-financial enterprises was 6.7

trillion RMB, up by 13.6% year on year.

4. China's social financing increased by 3.06 trillion RMB in January 2018

The data released by PBoC on February 12 showed that China's social financing increased by 3.06 trillion RMB in January 2018, down by 636.7 billion RMB year on year. Specifically, the RMB loans to the real economy increased by 2.69 trillion RMB in January, up by 371.7 billion RMB year on year; the foreign currency-denominated loans to the real economy increased by 26.6 billion RMB, up by 14 billion RMB year on year; the entrusted loans fell by 71.4 billion RMB, a further decrease of 385 billion RMB year on year; the trust loans increased by 45.5 billion RMB, a fall of 272 billion RMB year on year; the undiscounted bankers' acceptance notes rose by 143.7 billion RMB, a fall of 469.3 billion RMB year on year; the corporate bonds net financing stood at 119.4 billion RMB, up by 170.4 billion RMB year on year; and the domestic stock financing of non-financial enterprises was 50 billion RMB, down by 72.5 billion RMB year on year.

5. China's M2 balance was 172.08 trillion RMB at the end of January

The data released by PBoC on February 12 showed that at the end of January 2018, M2 balance was 172.08 trillion RMB, up by 8.6% year on year; M1

balance was 54.32 trillion RMB, up by 15% year on year; M0 balance was 7.46 trillion RMB, down by 13.8% year on year. 399.1 billion RMB of cash was injected into circulation in January. In late January, the balance of RMB and foreign currency loans totaled 128.63 trillion RMB, up by 12.6% year on year, among them, the balance of RMB loans was 123.03 trillion RMB, up by 13.2% year on year; and the balance of foreign currency loans was 885.2 billion USD, up by 9.2% year on year.

6. China made 1.23 billion USD of investment in 46 countries along the Belt and Road in January 2018

The data released by the Ministry of Commerce on February 13 showed that by January 2018, Chinese domestic investors have made a cumulative of 69.51 billion RMB of non-financial direct investment in 955 overseas enterprises in 99 countries and regions around the world, an increase of 30.5% over the same period of last year. Among them, 1.23 billion USD was invested in 46 countries along the Belt and Road, up by 50% year on year. The 10 provinces and municipalities in the eastern region made a total outbound investment of 4.98 billion USD, an increase of 65.4% year on year. The provinces along the Yangtze River Economic Belt made 2.82 billion USD of outbound investment, nearly double that of the previous year. 3.75 billion USD of outbound investment flowed into the mining industry, up by

792.6% over the same period of last year. The flow of investment into leasing and business service industry, wholesale and retail industry, consumer services and other services industry increased by 14.4%, 24.2% and 163.6% respectively over the same period of last year.

7. Total R&D spending in 2017 increased by 11.6% over last year

The data released by the NBS on February 13 showed that the total R&D spending in 2017 was 1.75 trillion RMB, an increase of 11.6% over last year. R&D spending intensity was 2.12%, an increase of 0.01% year on year. In terms of the types of R&D activities, the basic research spending of China in 2017 was 92 billion RMB, up by 11.8% year on year. Basic research accounted for 5.3% of R&D spending, an increase of 0.1% year on year. In terms of the entities engaging in R&D activities, the R&D expenditure of enterprises in 2017 was 1.3733 trillion RMB, an increase of 13.1% year on year; the R&D expenditure of government-affiliated research institutes and institutions of higher learning was 241.84 billion RMB and 112.77 billion RMB respectively, up by 7% and 5.2% respectively year on year.

8. China's manufacturing PMI was 50.3% in February

The data published by NBS on February 28 showed

that China's manufacturing PMI in February was 50.3%, down by 1.0% month on month. In breakdown of enterprises, PMI was 52.2% for large-sized ones, down by 0.4% month on month; 49.0% for medium-sized ones, down by 1.1% month on month; and 44.8% for small-sized ones, down by 3.7% month on month. In specific terms, the production index was 50.7%, down by 2.8% month on month; the new order index was 51.0%, down by 1.6% month on month; the raw material inventory index was 49.3%, up by 0.5% month on month; the employee index was 48.1%, down by 0.2% month on month; and the supplier delivery time index was 48.4%, down by 0.8% month on month.

9. China's GDP in 2017 was 82.7122 trillion RMB

The data published by NBS on February 28 showed that China's GDP in 2017 was 82.7122 trillion RMB, an increase of 6.9% year on year. Among them, the value-added of the primary industry was 6.5468 trillion RMB, an increase of 3.9% year on year; the value-added of the secondary industry was 33.4623 trillion RMB, an increase of 6.1% year on year; and the value-added of the tertiary industry was 42.7032 trillion RMB, an increase of 8.0% year on year. Annual final consumption expenditure contributed 58.8% to GDP growth, total capital formation contributed 32.1%, and net exports of goods and services contributed 9.1%. Per capita GDP in 2017 was 59,660 RMB, an increase of 6.3% over the previous year.

10. China's lottery sales totaled 38.329 billion RMB in January

The data released by NBS on March 1 showed that nationwide lottery sales in January were 38.329 billion RMB, up by 31.4% year on year, among which, welfare lottery sales were 19.335 billion RMB, up by 19.3% year on year; and sports lottery sales were 18.994 billion RMB, up by 46.7% year on year. By type, the lotto lottery sales were 24.226 billion RMB, up by 28.4% year on year; the toto lottery sales were 8.175 billion RMB, up by 66.6% year on year; the instant lottery sales were 1.901 billion RMB, up by 1.0% year on year; the video lottery sales were 4.015 billion RMB, up by 15.1% year on year; and the keno lottery sales were 12 million RMB, down by 15.4% year on year. By regions, the lottery sales in Guangdong, Jiangsu, Hunan, Shandong and Shaanxi went up by 1.095 billion RMB, 852 million RMB, 763 million RMB, 722 million RMB and 654 million RMB respectively.

III . MOF Events

1. On January 31, Finance Minister Xiao Jie met with World Bank President Jim Yong Kim in Washington D.C., U.S..

2. On February 1, Finance Minister Xiao Jie met

with IMF Managing Director Christine Lagarde in Washington D.C., U.S..

3. On February 1, Finance Minister Xiao Jie met with U.S. Treasury Secretary Steven Mnuchin in Washington D.C., U.S..

4. On February 9, Vice Finance Minister Shi Yaobin met with Groff, Vice President of Asian Development Bank.

IV . Local Finance

1. Finance authorities in Guangxi Zhuang Autonomous Region developed the first pastoral complex in Guangxi by adhering to the five development visions

According to the news released by the Finance Department of the Guangxi Zhuang Autonomous Region on February 5, the pilot project for the development of the "Beautiful South" pastoral complex in Xixiangtang District of Nanning City, Guangxi has passed MOF's appraisal with outstanding results and enabled Guangxi to become one of the 10 pilot provinces in the first batch of national pastoral complexes for national comprehensive agricultural development. First, adhere to the development vision

and create a pastoral complex brand. (1) Highlight the need for agricultural development. (2) Highlight the integration of three industries. (3) Highlight the importance of balance between development and ecological protection. Second, improve the six supporting systems. Push forward the development of the pastoral complex by enhancing the comprehensive agricultural development, and improve the six supporting systems involving production, industrial development, management, ecological protection, service provision and operation in line with the development targets, function positioning and model features. Third, accurately understand the development direction and promote the development of pastoral complex. (1) Build a pastoral complex with the features of comprehensive agricultural development. (2) Ensure the pastoral complex serve the needs of agricultural development.

2. The Finance Department of Yunnan Province focused and made efforts on four aspects to support the development of cultural industry

According to the news released by the Finance Department of Yunnan Province on February 6, it has adjusted and optimized the composition of expenditure, made efforts to consolidate the fiscal funds for cultural industry development, and concentrated resources on supporting the development of cultural industry. First, use

financial resources on priority matters and strengthen the consolidation of fiscal funds. Adjust and optimize the composition of expenditure, intensify the consolidation of fiscal funds, foster synergies to support the development of cultural industry, integrate funds from different budget systems, consolidate upper and lower level fiscal subsidies, and integrate special funds from different departments. Second, enhance the internal vitality of enterprises and make efforts to increase and replenish the corporate capital. Enhance the vitality and endogenous growth momentum of enterprises by consolidating fiscal funds and innovating fiscal support methods, and explore a new road for fund raising, credit enhancement and quality and efficiency improvement for provincial state-owned cultural enterprises. Third, foster a diverse campus culture and support the development of campus cinema. Carry out the socialist core values education and thematic Party spirit education by organizing campus movie watching activities, explore new teaching methods, and enrich and perfect the campus culture service system, in order to make campus a demonstration base for training professionals and promoting innovation and entrepreneurship.

3. Finance authorities of Fujian Province actively supported employment and entrepreneurship

According to the news released by the Finance

Department of Fujian Province on February 12, it has been firm in promoting stability and job creation, and has increased its support to that end. First, support the implementation of the job-first strategy. (1) Give play to the role of small and micro enterprises as major job creators. Implement such supportive policies as tax cut on small and micro enterprises, clean up and regulate relevant policies on the fees of enterprises, and further reduce the burden on enterprises. (2) Support the new business development. Allow enterprises in emerging industries to access the preferential policies that encourage innovation and entrepreneurship so that the eligible enterprises would enjoy relevant fiscal benefits. (3) Improve employment and social security policies that are adapted to the characteristics of new employment patterns. Second, support entrepreneurship to promote employment. (1) Accelerate the development of the bases for business startup, transform the existing incubators, expand the incubation functions, and support the cultivation of new incubators that involve listed companies and venture capital. (2) Step up policy support and continue to implement tax policies that support the promotion of employment of key groups of people. (3) Broaden the financing channels. Implement the guarantee and lending policy for business startup, and guide the banking financial institutions to further optimize the guarantee and loan approval procedures for business startup. Third, support the employment and business startup of key groups of

people. (1) Encourage multi-channel employment of university graduates. Support the implementation of the grass-root growth plan for college graduates, and establish long-term mechanism to ensure college graduates can stay and develop well at the grass-root level communities. (2) Properly resettle the workers laid off during the process of cutting excess capacity. Encourage enterprises to resettle workers through multiple channels and support enterprises to make best efforts to tap the potential of internal resettlement.

4. Finance authorities of Henan Province vigorously supported Henan's endeavor to become a forerunner among inland provinces in opening up

According to the news released by the Finance Department of Henan Province on February 14, it has given full play to the fiscal functions and focused on supporting the China Henan Free Trade Pilot Zone and China Zhengzhou Cross-border E-commerce Pilot Zone. First, support the development of Henan Free Trade Pilot Zone and Zhengzhou Cross-border E-commerce Pilot Zone. For the first time, the provincial special fund was set up to support the development of public service platforms for these two zones, and various kinds of administration measures were introduced. Rewards and subsidized loans were used to support the development of free trade zones, encourage the

clustering of enterprises, and gradually foster the siphon effect of free trade zone. Second, continue to promote the development of the Silk Road in the Air. Support the implementation of the national strategy of Zhengzhou-Luxembourg Silk Road in the Air, expedite the introduction of relevant policies and measures, and arrange for provincial subsidies to support the construction of various types of ports and to improve the infrastructure of the Zhengzhou Airport Experimental Zone. Third, vigorously support the development of an open economy and make overall use of subsidies and interest subsidies to support enterprises in their innovation of foreign trade model. Give full play to the guiding role of fiscal funds, encourage policy-based export credit insurance to provide risk insurance, support enterprises to make outbound investment and engage in economic cooperation, encourage enterprises to participate in the Belt and Road Initiative, and fully support Henan's endeavor to become a forerunner among inland provinces in opening up and develop a powerful engine for modern economy.

5. Changde City of Hunan Province took five measures to promote the development of PPP projects

According to the news released by the Finance Department of Changde City, Hunan Province on February 27, the Finance Bureau of Changde has been working to define the boundaries of

PPP projects, develop program implementation templates, develop standard-form contract, conduct modular evaluation of performance, and institutionalize operational procedures in order to promote regulated implementation of PPP projects. First, define the boundaries of projects. Organize consultation meetings involving PPP advisory agencies, PPP experts, financial institutions, municipal departments and representatives of government-funded institutions to solicit their recommendations and comments on how to define the boundaries of municipal level PPP projects. Second, develop program implementation templates. Work in conjunction with the municipal housing authority to develop relevant plans for government payment and viable gap funding of PPP projects. Third, develop standard-form contract. Require PPP advisory agencies to closely adhere to the project implementation plan and share the universally applicable recommendations and practice when drafting the text of project contract. Fourth, conduct modular evaluation of performance. With the efforts of the housing authority, the finance authority and various PPP advisory agencies, the assessment indicators and the scoring standards will be formulated to form the module for performance evaluation of the operation and maintenance of PPP projects. Fifth, institutionalize operational procedures. Put into place a five-layer firewall consisting of advisory agencies, implementing agencies or representatives of government-funded institutions, legal advisers, legal services offices, and the government.

6. Baotou City of Inner Mongolia Autonomous Region made use of fiscal funds to advance the development of science and technology

According to the news released by the Finance Department of Inner Mongolia Autonomous Region on February 28, the Finance Bureau of Baotou City has vigorously implemented the innovation-driven development strategy, deepened the reform of science and technology system, increased spending on science and technology innovation, supported the implementation of key science and technology projects, and promoted the collaborative innovation of businesses, universities and research institutes and the R&D of applied technology. First, increase spending and support the innovation and development of science and technology. (1) Fully deploy policies to help innovative enterprises, public institutions and science research institutes to apply for science and technology funds. (2) Increase spending at the municipal level, and focus on major and leading science and technology projects and innovative small and medium-sized technology enterprises. Second, develop innovative ways of investment and build a solid foundation for science and technology innovation and development. In accordance with the principle of market-based operation under the guidance of government, develop innovative ways of investment and support the development of science and technology enterprises with such market-oriented approaches as guidance on venture capital investment, science

and technology loans and the promotion of public listing. Third, support the construction of science and technology venues, complete the exhibition of science and technology museums, and take measures to raise funds and support the construction of science and technology museums. Raise funds every year to ensure the orderly operation of science and technology museums. Fourth, set up special funds to support the development of independent intellectual property rights. Encourage science and technology innovation, strengthen patent development and protection, arrange funds for patent support every year, enhance the creation and utilization of intellectual property, and strengthen the protection of innovation achievements. Fifth, strengthen financial management and achieve new breakthroughs in the reform of the science and technology system. Adopt measures to improve the project study in the early stages and fund supervision and management, and make best use of project funds to promote smooth implementation of the reform of science and technology system.

V. Remarks & Opinions

1. Liu Shangxi: the direction of property tax legislation

In his recently published article, Liu Shangxi, Director General of the Chinese Academy of Fiscal

Sciences, said that designing individual property tax according to regulatory functions can redistribute social wealth and curb the widening of income gap to a certain extent. In the long run, property tax reform is conducive to the improvement of tax regime and local tax system, and will help open up new sources of revenue for local governments. Through the property tax reform, property owners will pay more taxes, thus helping curb the extravagant consumption of housing and save the housing resources and land resources for the society. This is actually the regulation of housing consumption behavior, with multiple effects: redistribute social wealth and curb the further widening of the income gap to a certain extent; affect the expectations of housing speculation and make the housing less of a financial investment; promote resource conservation, control the vacancy rate of housing, and optimize the allocation of housing resources; and expand the supply of housing stock and promote the development of the housing system.

Second, the positioning of property tax reform. In consideration of the purpose of property tax collection, China's property tax should be positioned as "regulatory tax" rather than "national tax". The individual property tax designed in accordance with the regulatory function may mainly reflect three aspects of adjustment: the allocation of housing resources, the gap between rich and poor, and the expectation of housing speculation. There are three reasons why the tax levied on the property should be positioned as housing regulatory tax. First, China's

reality determines that the property tax reform cannot simply copy the practice of foreign countries. It is unrealistic to make the property tax a primarily local tax and an important source of income for the localities. Second, under the national circumstances, the conditions for levying property tax on all domestic residents are not available. China's current tax collection and administration capacity is limited, and there is huge operational risk for the general introduction of property tax. Therefore, positioning the property tax as an individual housing adjustment tax can greatly reduce the operational risk of property tax collection and administration as well as the resulting social public risk.

Third, approaches to property tax reform. The furthering of the property tax reform involves four issues: firstly, in terms of the path to reform, whether the eligible areas in China will continue to be selected as pilots of reform or the reform will be rolled out nationwide. Each path has its pros and cons. Secondly, in terms of the approach to reform, whether different property tax models, as currently applied in Chongqing and Shanghai, will be retained or a nationally unified property tax will be adopted. In light of the positioning of China's property tax, localities should be delegated more power and be given more choices when it comes to the approaches to reform. Thirdly, supporting reform of property tax. On the basis of the pilot reform experience in both places, it is necessary to further improve and strengthen the technical and other institutional issues concerning the collection of property tax,

specifically, the certification of property rights, the construction of individual housing information system, and the tax collection methods and procedures. Fourthly, property tax reform needs to be considered in an integrated manner. As property tax involves the real estate tax system, the real estate tax and charge system, the local tax system and the entire tax system, the reform of property tax cannot be done in isolation, instead, the reform and design should be considered under the context of the entire tax system, so as to facilitate the harmonization of the different aspects of real estate tax, the consolidation of the real estate tax system and the integration of the real estate tax and charge system.

2. Zhou Qiangwu: risks in the global economy still merit attention

In his recently published speech, Zhou Qiangwu, Director General of the International Economics and Finance Institute of MOF, said that although the major indicators of the global economy are performing well in 2017 and the overall macroeconomic situation is favorable, the potential risks cannot be overlooked.

First, the issue of choosing and balancing the macroeconomic policies, especially the fiscal and monetary policies, of the world's major economies. In terms of fiscal policy, major economies have adopted largely proactive or expansionary policies in 2017, which may engender relevant risks. (1) The

problem of financial sustainability. Although the financial situation in major countries has improved, the room to maneuver will be smaller in the future. (2) The fiscal stimulus may have caused the overheating of economy, especially in major economies represented by the U.S.. (3) Competitive tax reduction on a global level is likely, and the subsequent consequences need to be continuously observed.

In terms of monetary policy, the major economies, except Japan, have successively started the normalization of monetary policy. Relevant potential risks include: (1) The impact of the divergence of monetary policy. The global liquidity is still loose and the financial risks obviously exist. (2) The time when the global liquidity inflection point appears. Long-term QE or QQE has injected huge liquidity into the market and pushed up the global asset prices. It is important to reflect on the subsequent impact, when the liquidity inflection point appears, and whether the asset price bubble would pop, thus damping the confidence of consumers and investors and dragging down the global economic growth. (3) The tightening of monetary policy in developed economies will heighten demand for risk hedging and trigger capital outflows in emerging economies, including China, which may send shock waves across economies with high leverage and balance sheet mismatches.

Second, the issue of structural reforms around the world. In the medium and long term, there may be risks to global labor productivity and potential output. Despite favorable global economic situation at present, great attention must be paid to the low

level or slow growth rate of global labor productivity and the potential output. Structural reform is sine qua non for promoting the sustainable growth of the global economy. However, the fact that the reform process is too slow merits great attention. The present time still remains the window for pushing forward structural reforms. After the crisis, huge amounts of fiscal stimulus and different forms of quantitative easing were launched in various countries. As a result, policy space is very limited at present. Only by implementing structural reforms to enhance the internal economic vitality, increase the efficiency of resource allocation and unleash the potential for economic growth can we achieve the sustainable economic development.

Third, the issue of de-globalization and protectionism. (1) Since the global financial crisis, advanced and developing economies have successively adopted trade restrictive measures that include tariff hike, quantity restrictions and increased customs clearance procedures. The existing trade restrictions are of grave concern. (2) Some economies represented by the U.S. have undergone major changes in their position towards globalization and free trade. The “America First” is actually a mercantilist and anti-globalization stance. In the area of international governance, the U.S. support for multilateral mechanisms and institutions has also noticeably dropped. (3) The rise of populism. The British referendum is, to some extent, the collective outbreak of populism; and new populist forces have emerged, adding to the uncertainty of the world economy.

Fourth, guard against the possible emergence of a partial or even larger-scale trade friction between China and U.S. The China-U.S. relations are the most important bilateral relations in the world today. In the past year, despite the volatility and fluctuations, the overall relations between the two countries remain relatively steady. Given the fact that the economies of the two countries are highly interdependent and complementary, both sides can promote the development of bilateral relations by strengthening dialogues and exchanges, especially the economic ties. However, we cannot ignore the fact that trade frictions between China and U.S. are likely to increase in 2018. All in all, the economic size, the volume of trade, and the strong economic complementarity between China and U.S. do not allow for the trade war between the two countries, and even a localized trade war will cause damage to the global economy.

3. Liu Shangxi: proactive fiscal policy and prudent monetary policy help ensure the steady growth of the economy

In his recently published article, Liu Shangxi, Director General of the Chinese Academy of Fiscal Sciences, said that the coordination of fiscal policy and monetary policy would help ensure the steady growth of the economy. After 40 years of reform and opening up, China’s economy has been deeply

integrated into the world economic system. Faced with various uncertainties, risks and challenges, China has made rational use of macro-management measures such as fiscal policy and monetary policy to ensure a steady and healthy economy, creating a favorable macro-environment for the transition of China's economy to a phase of high-quality development. Since the 18th CPC National Congress, China has pursued a proactive fiscal policy, and its endeavor to alleviate the burden on enterprises, strengthen the vitality of the market, boost the reform drive and improve people's livelihood has paid off. China has maintained prudent monetary policy and fine-tuned its policies in order to balance the efforts of promoting steady growth, making structural adjustment, deleveraging, curbing bubbles and preventing risks, which has played a critical role in addressing financial risks, asset price bubbles and other major problems caused by economic downturn, financial market volatility and high leverage.

High-quality development has set new objectives for fiscal policy and monetary policy. In China's economic development, the scientific and dynamic adjustment of fiscal policy and monetary policy can significantly promote the effective functioning of the role of government. In the new era, China's economy is transitioning to a stage of high-quality development, the key to resolving the major contradictions facing economic growth is shifting from the demand side to the supply side, and the trend of development requires the fiscal policy and monetary policy to be adjusted accordingly

to serve the purpose of supply-side structural reforms. In terms of policy objectives, as China's fiscal policy and monetary policy are aimed at stabilizing economic growth and are focused on the optimization and adjustment of the economic structure, normalcy would gradually be restored to fiscal policy and monetary policy. In terms of policy content, the proactive fiscal policy places more emphasis on tax cut and reduction of fees, and the deficit is largely caused by the drop of revenue; prudent monetary policy is also different from the past one, and is meant to be neutral, i.e. neither expansionary nor contractionary, in order to steadily bring down the macro leverage level and to lay the foundation for the fight against major financial risks.

Fiscal policy and monetary policy are adhering to the principle and methodology of seeking progress while maintaining stability. The principle of seeking progress while maintaining stability sums up the experience of China's reform and opening up over the past 40 years. Since the 18th CPC National Congress, the CPC Central Committee has explicitly proposed that fiscal and monetary policies are expected to help ensure the steady progress of the reform and development, and required us to consistently adhere to this principle when formulating, implementing and assessing policies. At the same time, when it comes to methodology, the CPC Central Committee has innovatively proposed the term of "appropriate macroeconomic management", the essence of which is that the fiscal policy and monetary policy must

be applied with appropriate efforts to seek progress while maintaining stability. Overall, it is precisely because of the implementation of the principle of seeking progress while maintaining stability and the appropriate efforts to this end that risks are kept from multiplying and government is able to better play its role.

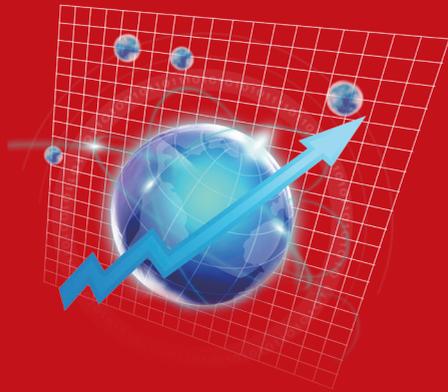
Coordination of fiscal policy and monetary policy helps ensure the steady growth of the economy. Fiscal policy and monetary policy have their own functions, monetary policy is more conducive to "stability", and fiscal policy is more conducive to "progress". The role of the two can only be brought to full play through coordination and cooperation. Since the 18th CPC National Congress, China has stabilized its currency with a steady monetary policy from the demand side. On the basis of the reasonable and stable growth of the scale of

monetary credit and social financing, China has firmly maintained the basic stability of the RMB exchange rate at a reasonable and balanced level, prevented systemic financial risks, and laid the foundation for steady progress. On this basis, fiscal policy has been fully deployed in order to support supply-side structural reforms, strengthen the new drivers for the development of the real economy, lend support to key areas and projects, and address the outstanding problems concerning people's livelihood. In the future, we will continue to strengthen the coordination of fiscal policy and monetary policy, with a view to creating a favorable macro-environment for maintaining rapid economic growth, deepening supply-side structural reforms, implementing innovation-driven development strategies and making new ground in all-round opening up.

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