

CHINA FINANCE

MONTHLY 中国财政月度资讯

April, 2018

第 4 期



HIGHLIGHTS

- On March 25, Finance Minister Liu Kun met with OECD Secretary-General Gurría during the China Development Forum
- Cheng Lihua: build on past progress and continue to deepen the tax reform
- Zhou Qiangwu: U.S. actions are causing damage to the global multilateral trading system
- MOF published a circular on the matters related to the environmental protection tax
- Revenue under China's central government general public budget totaled 8.5357 trillion RMB in 2018
- China's GDP grew by 6.8% year on year in the first quarter

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.

Contents

-  I . Policy Update
-  II . Facts & Figures
-  III . MOF Events
-  IV . Local Finance
-  V . Remarks & Opinions

I. Policy Update

1. MOF published a circular on the corporate income tax policy for integrated circuit manufacturing companies

On March 29, Ministry of Finance (MOF) published a circular on the corporate income tax policy for integrated circuit manufacturing companies, which provided the following. First, the integrated circuit manufacturing companies or projects established after January 1, 2018 will be entitled to a two-year exemption of corporate income tax followed by a three-year 50% tax reduction of 25% statutory tax rate until the expiry of such policy, provided that the integrated circuit produced by them has a width of less than 130 nanometers and they have been operating for 10 years. Second, the integrated circuit manufacturing companies or projects established after January 1, 2018 will be entitled to a five-year exemption of corporate income tax followed by a five-year 50% tax reduction of 25% statutory tax rate until the expiry of such policy, provided that the integrated circuit produced by them has a width of less than 65 nanometers, their investment exceeds 15 billion RMB, and they have been operating for 10 years.

2. MOF published a circular on regulating the financial companies' investment and financing of local governments and state-owned enterprises

On March 30, MOF published a circular on regulating the financial companies' investment and financing of local governments and state-owned enterprises, which provided the following. First, when providing financing for state-owned enterprises (including local government financing vehicles) or PPP projects that involve in local construction, state-owned financial companies shall enhance the scrutiny of the borrower's capital in line with the "look through" principle, and ensure that the capital sources of the borrower comply with laws and regulations and the project meet the required capital ratio requirements. Second, when state-owned financial companies cooperate with local governments and their agencies in setting up various types of investment funds, they should strictly follow relevant regulatory requirements, and shall not require or accept implicit guarantee from the local governments and their agencies, including repurchase of invested capital and full repayment of principal and profit payout, nor shall they turn the investment funds into debt financing platforms through structured financing arrangements.

3. Tariff Commission of the State Council published a circular on suspending tariff

concessions on certain imported goods originated from the United States

On April 1, the Tariff Commission of the State Council published a circular on suspending tariff concessions on certain imported goods originated from the United States, which provided the following. First, suspend tariff concessions and impose 15% additional tariffs on fruits and other 120 imported products originated from the United States. Second, suspend tariff concessions and impose 25% additional tariffs on pork and other 8 imported products originated from the United States. Third, the existing policy on bonded zone tax and tax exemption remains unchanged.

4. MOF published a circular on further improving the government subsidized loans for business startup

On April 2, MOF published a circular on further improving the government subsidized loans for business startup, which provided the following. First, expand the scope of loan recipients. In addition to the original recipients of the subsidized loans for business startup, the rural self-employed farmers will also be covered. The scope of recipients of small and micro enterprise loans is adjusted as follows: small and micro enterprises whose newly recruited employees that meet the criteria for claiming business startup loans account for 25% of the total employees (or 15% if the enterprise has over 100 employees) and enter into one-year-plus

employment contract with the enterprise. Second, lower the threshold for loan application. The requirements for loan records of applicants are adjusted as follows: when the application is filed, the loan applicant and his or her spouse shall have no other loans except for student loans, poverty relief loans, housing loans, car loans, and small consumer loans of less than 50,000 RMB (including credit card spending).

5. MOF published the *Measures for Administering the Pilot Issuance of Local Government Special Bonds for the Renovation of Urban Rundown Areas*

On April 2, MOF published the *Measures for Administering the Pilot Issuance of Local Government Special Bonds for the Renovation of Urban Rundown Areas*, which provided the following. First, local authorities above the county level, in light of the local plan for rundown area renovation and annual tasks and considering the factors such as project income and financing balance, shall calculate the financing demand for special bonds in the next year and report to the finance department at the same level for review. After the review of the demands for special bonds in the next year by the city and county-level finance authorities and the approval by the city and county-level government, the latter shall report the demands to the provincial finance and housing authorities before the end of September in each year. Second, the increased expenditure for borrowing caused by

the special bond arrangement should be included in the budget adjustment plan at the provincial level and below.

6. MOF published a circular on the reduction of shale gas resource tax

On April 3, MOF published a circular on the reduction of shale gas resource tax, which provided the following. To promote the development and utilization of shale gas and effectively increase the supply of natural gas, with the consent of the State Council, from April 1, 2018 to March 31, 2021, a 30% reduction in the shale gas resource tax (at 6% of the required tax rate) will be applied.

7. MOF published the 2018 fiscal policy for strengthening agriculture and benefiting farmers

On April 3, MOF published the 2018 fiscal policy for strengthening agriculture and benefiting farmers, which provided the following. First, subsidies for farmland fertility protection. The subsidy recipients are, in principle, farmers who own the right to contract arable land. Second, subsidies for agricultural machinery purchase. The central government subsidies for agricultural machinery purchase include 15 categories, 42 sub-categories and 137 items, and are open to all agricultural machinery. The subsidy recipients are individuals

and organizations engaging in agricultural production. Third, subsidies for producers. Provide subsidies for corn and soybean producers in Liaoning, Jilin, Heilongjiang and Inner Mongolia. Fourth, subsidies for cotton target price. Continue to provide subsidies for cotton target price in Xinjiang and the Xinjiang Production and Construction Corps. The cotton target price is determined every three years and is set at 18,600 RMB per ton for 2017-2019.

8. MOF published a circular on the matters related to the environmental protection tax

On April 4, MOF published a circular on the matters related to the environmental protection tax, which provided the following. First, when the taxpayer entrust the monitoring agency to monitor the emissions of air pollutants and water pollutants and where there are multiple data for the same pollutant emitted from the same outlet during the same month, the amount of taxable air pollutants shall be calculated based on the average of the data; and the amount of taxable water pollutants shall be calculated based on the weighted average of the data. Second, the number of pollution equivalents of the taxable water pollutants shall be calculated by dividing the amount of pollutant discharge by the value of pollution equivalent. Third, the amount of taxable solid waste discharge is the amount of taxable solid waste generated in the current

period minus the current storage, disposal, and comprehensive utilization of taxable solid waste.

9. MOF published a circular on the self-evaluation of the performance targets of central government's specific-purpose transfer payment to local government

On April 4, MOF published a circular on the self-evaluation of the performance targets of central government's specific-purpose transfer payment to local government, which provided the following. First, the scope of performance self-evaluation. The specific-purpose transfer payment (including carry-over funds from previous years) allocated to all provinces (autonomous regions, municipalities, and cities with independent planning status) through the central general public budget in 2017 should be subject to performance self-evaluation, with the exception of the specific-purpose transfer payments that have been included in the 2018 key performance evaluation of central government public finance. Local fiscal funds and other funds that are jointly invested in the same project along with the central specific-purpose transfer payment are also covered by the performance self-evaluation. Second, causes of the failure in meeting the performance targets and the rectification measures. The causes of the failure in meeting the performance targets and indicators will be analyzed one by one, and the rectification measures will be studied and proposed.

10. Tariff Commission of the State Council published an announcement on imposing tariffs on some imported goods originated from the United States

On April 4, the Tariff Commission of the State Council published an announcement on imposing tariffs on some imported goods originated from the United States, which provided the following. First, the goods subject to tariffs cover 106 items under 14 categories, such as soybeans, automobiles and chemicals. Second, impose 25% additional tariffs on the relevant imported products originated from the United States on the basis of the current taxation method and applicable tariff rates. The current policy on bonded zone tax and tax exemptions shall remain unchanged (the tariffs imposed this time shall not be reduced or exempted).

11. MOF published a circular on the adjustment of VAT rate

On April 4, MOF published a circular on the adjustment of VAT rate: First, taxpayer's taxable activities or imported goods, to which 17% and 11% VAT rate were originally applied, are adjusted to 16% and 10% respectively. Second, when taxpayer purchases agricultural products, the previously applicable deduction rate of 11% is adjusted to 10%. Third, the taxpayer who purchases agricultural products used for production and sales or entrusted

processing of goods with an applicable tax rate of 16% may calculate the input tax amount according to the deduction rate of 12%. Fourth, the exported goods to which 17% VAT rate and 17% tax rebate rate is applicable will have the export tax rebate rate adjusted to 16%. The exported goods and cross-border taxable activities to which 11% VAT rate and 11% tax rebate rate is applicable will have the export tax rebate rate adjusted to 10%.

12. MOF published a circular on the unified standard for determining small-scale VAT payers

On April 4, MOF published a circular on the unified standard for determining small-scale VAT payers, which provided the following. First, the standard for small-scale VAT payers is 5 million RMB of annual VAT sales or less. Second, units and individuals registered as general VAT payers in accordance with the provisions of *Article 28 of the Implementation Rules of the Interim Regulations of the People's Republic of China on Value-added Tax* before December 31, 2018 may be registered as small-scale taxpayers, and the amount of input tax that has not been deducted can be transferred out. Third, this circular will be implemented from May 1, 2018.

13. The State Council decided to further cut charges levied on businesses to reduce the costs of real economy

On April 4, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, the policy of lowering the employer's contribution rate of basic pension insurance for employees and reducing the premium rate of unemployment insurance and work injury insurance will be extended to April 30, 2019. Qualified regions may further reduce the work injury insurance premium rate by 20% or 50% from May 1 this year. The policy of reducing the housing provident fund contribution rate for enterprises will be extended to April 30, 2020. Second, improve the salary guarantee fund system for rural migrant workers in the area of engineering and construction, and promote the use of the letter of guarantee in housing construction and municipal facility projects. Third, reduce the charge of major water conservancy construction fund by a further 25% from July 1, on top of the 25% cut in the previous year. Fourth, the upper limit of the enterprise's contribution to the handicapped persons' employment protection fund will be lowered from no more than 3 times the local average wage to no more than 2 times.

14. MOF published a circular on the issuance of supplementary provisions for the interim measures on the administration of duty-free shops at ports of arrival

On April 8, MOF published a circular on the issuance of supplementary provisions for the interim measures on the administration of duty-free shops at ports of arrival, which provided the following. First, properly regulate the rent rate and commission rate for duty-free shops at ports of arrival rather than simply allowing the "highest bidder to win". The proportion of financial indicators in bid evaluation shall not exceed 50%. In principle, the rent shall not be 1.5 times higher than the average rent of duty-free shops on departure or the average rent of tax-inclusive retail shops in domestic terminal at the same port; the commission rate shall not be 1.2 times higher than the average commission rate of duty-free shops on departure or the average rate of tax-inclusive retail shops in domestic terminal at the same port. Second, comprehensively assess the business's operating capacity and select the business entity with sustainable development capacity. The proportion of technical indicators in bid evaluation shall be no less than 50%. In the scores of technical indicators, the shop layout and design planning shall account for 20%; brand promotion 30%; operational plan 20%; and marketing and customer services 30%. In brand promotion, the proportion of tobacco and alcohol shall not exceed 50%.

15. MOF published a circular on improving the pilot work on the consolidation of agriculture-related funds in poor counties in 2018

On April 8, MOF published a circular on improving the pilot work on the consolidation of agriculture-related funds in poor counties in 2018, which provided the following. First, advance the pilot work in strict compliance with the prescribed scope and standards. The scope of the pilot work covers 832 contiguous poverty-stricken counties and national key counties for poverty alleviation and development. The central fiscal funds that are to be consolidated in the pilot poor counties must not exceed the scope of the 20 types of funds as stipulated in the documents of the General Office of the State Council. Second, further strengthen the consolidation of funds and project management. From 2018 onwards, there will be no unified requirements for pilot poor counties on the ratio of the planned size of consolidation to the scope of consolidation. Third, further enhance the province's overall responsibility. From 2018 onwards, data on the progress of the pilot work on fund consolidation will be submitted jointly by the provincial finance and poverty alleviation authorities to MOF and the State Council Leading Group Office of Poverty Alleviation and Development on a quarterly basis, i.e., before April 15, July 15, October 15, and January 15 of the following year.

16. MOF published a circular on improving the pilot work of subsidizing the insurance for the first unit (set) of major technological equipment

On April 11, MOF published a circular on improving the pilot work of subsidizing the insurance for the first unit (set) of major technological equipment, which provided the following. First, from 2018 onwards, provincial-level industry and information technology authorities shall be responsible for handling the application of local manufacturing enterprises (including central state-owned enterprises) for insurance premium subsidies. Second, the projects that were insured from March 16, 2017 to December 31, 2017 shall submit the application materials for premium subsidies before April 20, 2018. From 2018 onwards, the projects that are insured from January 1 to December 31 of each year shall submit the application materials for premium subsidies before March 10 of the following year. Third, provincial-level industry and information technology authorities shall conduct preliminary examinations on the accuracy, completeness, and policy compliance of the application materials for premium subsidies.

17. MOF published a circular on the launch of the pilot program of tax-deferred commercial pension insurance

On April 12, MOF published a circular on the launch of the pilot program of tax-deferred commercial pension insurance, which provided

the following. First, the pilot area and time. Since May 1, 2018, the pilot program of tax-deferred commercial pension insurance will be implemented in Shanghai Municipality, Fujian Province (including Xiamen City) and Suzhou Industrial Park. The pilot period is tentatively set for one year. Second, the pilot policy content. Individuals in pilot areas who purchase eligible commercial pension insurance products out of their individual commercial pension account will be entitled to a pre-tax deduction of such expenses within a certain standard; the return on investment that accrues to the individual commercial pension account will be temporarily exempted from personal income tax; and the personal income tax will be levied when individuals draw their commercial pension. Third, tax collection during the pilot period. When individuals draw their commercial pension, the insurance company shall withhold and pay the payable personal income tax on their behalf.

18. The State Council decided on the measures to develop "internet + health care"

On April 12, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, starting from May 1, 2018, import tariffs on all generic drugs including anti-cancer drugs, alkaloids with anti-cancer effects, and imported Chinese patent medicines

will be reduced to zero so that all the anti-cancer drugs actually imported by China will be tariff free. Second, step up research on specific measures, among them, conducting centralized government procurement and timely putting imported innovative drugs, especially urgently needed anti-cancer drugs, on the list of medical insurance reimbursement, and study the use of cross-border e-commerce channels, in order to eliminate unreasonable price markup in drug circulation. Third, speed up the clearance of innovative drugs. The application for clinical trials will shift from the approval system to the default system, and the import of chemical drugs will be cleared with the testing results of enterprises and batch-by-batch mandatory inspection will no longer be required.

19. MOF published a circular on the suspension, exemption and adjustment of some administrative service fees

On April 16, MOF published a circular on the suspension, exemption and adjustment of some administrative service fees, which provided the following. First, starting from April 1, 2018, the fee for the first-time application for a resident' identity card will be suspended. Second, from January 1, 2018 to December 31, 2020, the supervisory fees of financial institutions in securities and futures industries will be temporarily exempted. Third, starting from August

1, 2018, the patent registration fee, notice printing fee, and bibliographic data change fee (change of patent agency and entrusted relations) in patent charges (domestic part) will be suspended, so will the transmittal fee in the PCT (*Patent Cooperation Treaty*) patent application charges (international part). For eligible applicants, the period for deduction of patent annual fees shall be extended from within 6 years from the date of grant of the patent right to 10 years.

20. MOF published a circular on lowering the charging standard of some government-managed funds

On April 17, MOF published a circular on lowering the charging standard of some government-managed funds, which provided the following. First, starting from April 1, 2018, the upper limit of the charging standard of the handicapped persons' employment security fund will be lowered from three times the average wage of the local community to two times. Second, starting from July 1, 2018, the charging standard of national major water conservancy construction fund will be further cut by 25% in addition to the 25% cut already stipulated in the *Circular of MOF on the Reduction of the Charging Standard of National Major Water Conservancy Construction Fund and Large and Medium-sized Reservoir Resettlement Support Fund*. Third, after the lowering of charging standard, the central government's expenditure gap in the South-to-North

Water Diversion and the follow-up planning of the Three Gorges will be appropriately made up by the central government finances. The local expenditure gap will be addressed by the local government finances.

21. The State Council decided on the policy measures to promote lifelong vocational skills training

On April 19, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, give full play to the primary role of the enterprises, and in line with the needs for industrial upgrading, support the large-scale vocational skills training of enterprises through such forms as government subsidized training, independent business training and market-based training. Second, for the science and technology personnel of non-profit scientific research institutions, universities, and other units that have been approved to establish in accordance with the law, if their patented technology developed through R&D and computer software copyrights and innovative biopharmaceutical are commercialized via transfer and licensing, the cash rewards distributed within three years after the relevant units have obtained the commercialization income will be given a 50% deduction when the science and technology personnel's personal income tax of monthly wage is calculated.

22. The Tariff Commission of the State Council published an announcement on the reduction of import tariffs on medicines

On April 23, the Tariff Commission of the State Council published an announcement on the reduction of import tariffs on medicines, which provided the following. To reduce the burden of medical expenses on patients, especially cancer patients, and to offer patients greater choice of medicines, starting from May 1, 2018, the import tariffs on anti-cancer medicines and other generic medicines, alkaloid medicines with anti-cancer effects and imported Chinese patent medicines will be temporarily reduced to zero.

23. MOF published the *Guidelines on Promoting the PPP Model in Tourism Sector*

On April 25, MOF published the *Guidelines on Promoting the PPP Model in Tourism Sector*, which provided the following. First, reasonably share risks. Ensure the government's right to know and enable the government to make equity investment in the project company; protect the project company's operational independence and ring fence the risks, and the government must not interfere in the company's daily business operations and provide illegal guarantee for the risks of project construction and operation.

Second, offer reasonable returns. The finance authorities, consistent with the project contract, shall incorporate the responsibility for fiscal expenditure into local governments' annual budget and medium-term fiscal plan, and make payment to the private sector according to the results of the project performance assessment, so as to ensure that private capital would gain reasonable returns. Third, enforce strict debt management. Forbid government or government-designated institutions from repurchasing the capital invested by the private sector; and the government must not promise a fixed or minimum return on investment for the private capital.

on the extra deduction of expenses incurred from overseas R&D entrusted by enterprises will be removed. Fourth, the loss carryover period of high-tech enterprises and SMEs in the technology sector will be extended from 5 years to 10 years. Fifth, the pre-tax deduction limit for education expenses for employees of general enterprises will be unified with that of high-tech companies and be raised from 2.5% to 8%. Sixth, starting from May 1, the stamp tax levied on taxpayers' accounting book based on the total amount of paid-in capital and capital reserves will be halved.

II. Facts & Figures

24. The State Council decided to further introduce tax cut policies to boost business startup and innovation and the development of small and micro enterprises

On April 26, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, the upper limit of the unit value of the newly purchased R&D apparatus and equipment of enterprises eligible for the one-time pre-tax deduction will be raised from 1 million RMB to 5 million RMB. Second, the upper limit of the annual taxable income of small and micro enterprises eligible for the 50% reduction of corporate income tax will be raised from 500,000 RMB to 1 million RMB. Third, the restrictions

1. China's manufacturing PMI was 51.5% in March

The data published by National Bureau of Statistics (NBS) on March 31 showed that China's manufacturing PMI in March was 51.5%, up by 1.2% month on month. In breakdown of enterprises, PMI was 52.4% for large-sized ones, up by 0.2% month on month; 50.4% for medium-sized ones, up by 1.4% month on month; and 50.1% for small-sized ones, up by 5.3% month on month. In specific terms, the production index was 53.1%, up by 2.4% month on month; the new order index was 53.3%, up by 2.3% month on month; the raw material inventory index was 49.6%, up by 0.3% month on month; the employee index was 49.1%, up by 1.0%

month on month; and the supplier delivery time index was 50.1%, up by 1.7% month on month.

2. Revenue under China's central government general public budget totaled 8.5357 trillion RMB in 2018

The data released by MOF on April 4 showed that revenue under China's central government general public budget totaled 8.5357 trillion RMB in 2018, among which, tax revenue was 8.0205 trillion RMB; non-tax revenue was 515.2 billion RMB. Expenditure under China's central government general public budget was 10.331 trillion RMB, among which, expenditure at the central government level was 3.2466 trillion RMB; central to local tax rebate and transfer payment totaled 7.0344 trillion RMB.

3. Revenue under China's general public budget increased by 13.6% year on year from January to March

The data released by MOF on April 9 showed that revenue under China's general public budget increased by 13.6% year on year from January to March, among which, revenue at the central government level was up by 18.9% year on year; revenue at the local government level was up by 9.1% year on year. By regions, the fiscal revenue of eastern, central and western regions went up

by 8.6%, 10.2% and 9.1% respectively, and the tax revenue rose by 11.6%, 20.2% and 18.9% respectively, up by 1.2 percentage points, 4.1 percentage points and 2.8 percentage points over the same period of last year.

4. China's CPI rose by 2.1% year on year in March

The data released by NBS on April 11 showed that China's CPI rose by 2.1% year on year in March, and down by 1.1% month on month, among which, CPI rose by 2.1% year on year in urban areas, and down by 1.1% month on month, and rose by 1.9% year on year in rural areas, and down by 1.2% month on month. CPI increased by 2.1% year on year for food and down by 4.2% month on month; went up by 2.1% year on year for non-food, and down by 0.4% month on month; increased by 1.6% year on year for consumer goods, and down by 1.4% month on month; increased by 2.8% year on year for services, and down by 0.7% month on month.

5. China's PPI rose by 3.1% year on year in March

The data released by NBS on April 11 showed that China's PPI in March rose by 3.1% year on year, and down by 0.2% month on month. The price of the means of production jumped by 4.1% year on year, and down by 0.2% month on month; specifically, the

figure surged by 5.0% year on year in the extractive industry, and down by 0.8% month on month; rose by 5.1% year on year in the raw material industry, and down by 0.5% month on month; went up by 3.7% year on year in the processing industry, and stayed flat month on month. The price of the means of consumption rose by 0.2% year on year, and down by 0.2% month on month; specifically, the figure stayed flat year on year for food, and down by 0.2% month on month; increased by 0.3% year on year for apparel, and down by 0.2% month on month; rose by 0.9% year on year for daily necessities, and down by 0.1% month on month; and fell down by 0.3% for durable consumer goods, and down by 0.1% month on month.

6. The value-added of industrial enterprises above designated size went up by 6.0% year on year in March

The data published by NBS on April 17 showed that the value-added of industrial enterprises above designated size went up by 6.0% year on year in March, and up by 0.33% month on month. Specifically, there was a decrease of 1.1% year on year in the mining sector, an upswing of 6.6% in the manufacturing sector, and an upsurge of 5.8% in the electricity, heating, gas and water sector. By enterprises of different ownership, there was an increase of 5.7% year on year in state-controlled enterprises, an increase of 3.9%

in collectively owned enterprises, an increase of 6.5% in joint-stock enterprises, and an upsurge of 4.9% in foreign-invested and Hong Kong, Macau and Taiwan enterprises. By regions, there was an increase of 5.1% in the eastern region, 6.9% in the central region, 6.0% in the western region and 5.4% in the northeastern region.

7. China's fixed asset investment (excluding rural households) increased by 7.5% from January to March

The data published by NBS on April 17 showed that China's fixed asset investment (excluding rural households) jumped by 7.5% year on year and rose by 0.57% month on month from January to March. By industries, the primary industry investment was 290 billion RMB, up by 24.2% year on year; the secondary industry investment was 3.5813 trillion RMB, up by 2% year on year; and the tertiary industry investment was 6.205 trillion RMB, up by 10% year on year. By regions, the eastern region's investment rose by 6% year on year; the central region's investment rose by 10.2% year on year; the western region's investment rose by 9.4% year on year; and the northeastern region's investment increased by 1.4% year on year. By types of registered enterprises, the investment of domestic firms was up by 8.4% year on year; the investment of Hong Kong, Macau and Taiwan firms went down by 8% year on year; and the investment of foreign firms was down by 6.1% year on year.

8. China's real estate development investment increased by 10.4% year on year in nominal terms from January to March

The data published by NBS on April 17 showed that China's real estate development investment reached 2.1291 trillion RMB, an increase of 10.4% year on year in nominal terms, in the first three months of 2018. By regions, the real estate development investment was 1.2277 trillion RMB in the eastern region, up by 11.8% year on year; 444.3 billion RMB in the central region, up by 15.0% year on year; 412.2 billion RMB in the western region, up by 2.9% year on year; and 44.9 billion RMB in the northeastern region, up by 1.3% year on year. The housing construction by property developers reached 6.46556 billion square meters, up by 1.5% year on year; the newly constructed houses reached 346.15 million square meters, up by 9.7% year on year; and the completed houses reached 207.09 million RMB, down by 10.1% year on year.

9. China's retail sales of consumer goods went up by 10.1% year on year in nominal terms in March

The data published by NBS on April 17 showed that retail sales of consumer goods in March totaled 2.9194 trillion RMB, up by 10.1% year on year in nominal terms. The retail sales of urban areas

totaled 2.505 trillion RMB, up by 9.9% year on year; and the retail sales of rural areas amounted to 414.3 billion RMB, up by 10.9% year on year. In addition, catering revenues amounted to 309.9 billion RMB, up by 10.6% year on year; and retail sales of goods reached 2.6095 trillion RMB, up by 10.0% year on year.

10. The per capita disposal income of Chinese residents went up by 8.8% year on year in nominal terms in the first quarter

The data published by NBS on April 17 showed that the per capita disposal income of Chinese residents reached 7,815 RMB in the first quarter, up by 8.8% year on year in nominal terms, among which, the figure for urban residents was 10,781 RMB, up by 8.0% year on year; and the figure for rural residents was 4,226 RMB, up by 8.9% year on year. In the first quarter, the per capita spending of consumer was 5,162 RMB, up by 7.6% year on year, among which, the figure for urban residents was 6,749 RMB, up by 5.7% year on year; and the figure for rural residents was 3,241 RMB, up by 11.0% year on year.

11. China's GDP grew by 6.8% year on year in the first quarter

The data released by the NBS on April 18 showed

that China's GDP in the first quarter was 19.8783 trillion RMB, an increase of 6.8% year on year. Among them, the GDP of the primary industry was 890.4 billion RMB, an increase of 3.2% year on year; the GDP of the secondary industry was 7.7451 trillion RMB, an increase of 6.3% year on year; and the GDP of the tertiary industry was 11.2428 trillion RMB, an increase of 7.5% year on year. Moreover, in the first quarter, the final consumption expenditure contributed to 77.8% of economic growth, down by 1.6 percentage points year on year; gross capital formation contributed to 31.3% of economic growth, up by 12.1 percentage points year on year; and net exports of goods and services contributed to -9.1% of economic growth, down by 10.5 percentage points year on year.

12. China's industrial capacity utilization rate was up by 0.7 percentage point year on year in the first quarter

The data released by NBS on April 18 showed that China's industrial capacity utilization rate in the first quarter was 76.5%, up by 0.7 percentage point year on year. Specifically, the capacity utilization rate was 73.1% in the mining sector, up by 3.4 percentage points year on year; 77% in the manufacturing sector, up by 0.7 percentage point year on year; and 72.7% in the electricity, heating, gas and water sector, up by 1.1 percentage points year on year.

13. China's lottery sales totaled 40.187 billion RMB in March

The data released by MOF on April 23 showed that nationwide lottery sales in March were 40.187 billion RMB, up by 5.9% year on year, among which, welfare lottery sales were 19.795 billion RMB, down by 0.2% year on year; and sports lottery sales were 20.392 billion RMB, up by 12.6% year on year. By type, the lotto lottery sales were 24.559 billion RMB, up by 0.5% year on year; the toto lottery sales were 8.979 billion RMB, up by 32.7% year on year; the instant lottery sales were 2.245 billion RMB, down by 6.8% year on year; the video lottery sales were 4.392 billion RMB, up by 2.4% year on year; and the keno lottery sales were 12 million RMB, down by 31.6% year on year.

14. The operating incomes of SOEs increased by 8.9% year on year from January to March

The data published by MOF on April 26 showed that the operating incomes of SOEs totaled 12.95297 trillion RMB from January to March, up by 8.9% year on year, among which, the figure for central SOEs was 7.70186 trillion RMB, up by 8.9% year on year, and the figure for local SOEs was 5.25111 trillion RMB, up by 8.8% year on year. The operating costs of SOEs totaled 12.46879 trillion RMB, up by 8.3% year on year, among which, the

figure for central SOEs was 7.30814 trillion RMB, up by 8.2% year on year, and the figure for local SOEs was 5.16065 trillion RMB, up by 8.4% year on year. The profits of SOEs totaled 711.04 billion RMB, up by 16.7% year on year, among which, the figure for central SOEs was 492.91 billion RMB, up by 15.6% year on year, and the figure for local SOEs was 218.13 trillion RMB, up by 19.4% year on year. The payable taxes of SOEs totaled 1.15294 trillion RMB, up by 9.4% year on year, among which, the figure for central SOEs was 850.74 billion RMB, up by 7.3% year on year, and the figure for local SOEs was 302.2 billion RMB, up by 16.0% year on year.

III . MOF Events

1. On March 25, Finance Minister Liu Kun met with OECD Secretary-General Gurría during the China Development Forum.

2. On March 27, Vice Finance Minister Shi Yaobin attended a high-level seminar on "Improving the Business Environment: Global Good Practices and Opportunities for China " jointly organized by MOF and the World Bank in Shanghai.

3. On April 3, Vice Finance Minister Yu Weiping visited the Committee of the National Natural Science Foundation.

4. On April 3-4, Vice Finance Minister Liu Wei led a delegation to attend the ASEAN+3 Finance and Central Bank Deputies Meeting in Singapore.

5. On April 9, Finance Minister Liu Kun visited the Fiscal Inspector's Office of MOF in Hainan Province.

6. From April 10-11, Vice Finance Minister Cheng Lihua attended the Boao Forum for Asia Annual Conference 2018 and made a keynote speech at the session of Tax Reform.

7. On April 16, during the fourth China-Japan High-level Economic Dialogue, Finance Minister Liu Kun met with Taro Aso, the Japanese Deputy Prime Minister and Minister of Finance.

8. On April 18 and 19, Vice Finance Minister Hu Jinglin attended the meeting on strengthening the management of poverty alleviation funds.

9. On April 19, Hanzheng, Member of the Standing Committee of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council, visited MOF and held talk with MOF officials.

10. On April 21, Vice Finance Minister Zhu Guangyao met with President of the World Bank Jim Yong Kim.

11. On April 24, Finance Minister Liu Kun met with UK Ambassador to China Barbara Woodward.

IV. Local Finance

1. Finance Department of Fujian Province strengthened research work in order to translate the research outcomes into policy measures

According to the news released by the Finance Department of Fujian Province on April 2, it has started thematic research programs since this March with a focus on industrial transformation and upgrading, rural revitalization, poverty alleviation, and prevent of debt risks, in order to translate the research outcomes into practical and feasible pro-growth policy measures. First, on industrial transformation and upgrading. Its research, centered on supporting the transformation and upgrading of industrial parks and enterprises, aims to promote industrial clustering through enhanced policy mix and innovative supportive measures. Second, on supporting rural revitalization. The Guangze County's model of turning resources into assets, converting assets into funds, and making farmers shareholders is a helpful reference for remote counties to utilize their resources, develop innovative operating models, attracting businesses, increase farmers' income, and enhance agricultural efficiency. Third, on

poverty reduction. The research will focus on strengthening the consolidation and supervision of poverty alleviation funds, and on the basis of fully listening to and absorbing the opinions of cadres and masses in grass-root communities, relevant policy recommendations will be made for the purpose of raising the effectiveness of fund usage. Fourth, on the prevention of debt risks. Building on the efforts to comprehensively strengthen the prevention and control of debt risks and to reduce debts, the practices of cities and counties that have achieved outstanding results of reducing debts will be thoroughly analyzed and the typical cases will be used as reference for other cities and counties in Fujian.

2. Ili Prefecture of Xinjiang Uygur Autonomous Region enhanced the management of fiscal funds in townships

According to the news released by the Finance Department of Xinjiang Uygur Autonomous Region on April 4, in order to effectively address the outstanding problems in the management of fiscal funds in counties and townships, Ili Prefecture has taken "five steps" to strengthen the management of fiscal funds in townships. First, prioritize the management of fiscal funds. The party committee and government of Ili Prefecture attached great importance to the management of fiscal funds in counties

and townships, and made it a priority work. Second, conduct regular inspections and make rectifications. The party committee of the Finance Bureau of Ili Prefecture took the fund management seriously and adopted the problem-oriented approach. In order to effectively address the outstanding problems of fiscal fund management in counties and townships, on the basis of extensive and in-depth investigations and studies, it took two and a half months to carry out comprehensive self-examination and self-correction in the Prefecture, and organized 6 special inspection teams for special inspection of all counties and cities. Third, establish rules and regulations for regulated management. It established rules and regulations for the fiscal management in counties and townships; and enhanced the monitoring and tracking of fiscal funds allocated to counties, townships and government agencies. Fourth, it developed innovative measures and maintained close ties with the people. The party committee of the Ili Finance Bureau developed innovative working models by improving the top-level design and considering the circumstances of Ili. Fifth, carry out systemic training and foster qualified finance officials. The finance authorities at the township, county and prefecture level actively invited the officials of the Finance Department of the Autonomous Region to provide training for local finance officials; systemic training is also carried out by the local finance authorities for their officials.

3. Finance authorities of Zhejiang Province took multiple measures to support the balanced development of compulsory education

According to the news released by the Finance Department of Zhejiang Province on April 10, the financial authorities at all levels in Zhejiang Province have worked actively to ensure compulsory education funding and made efforts to improve public funding for student nutrition improvement, financial aid for poor students, teachers' salaries, and education of the children of migrant workers. First, fully implement the policy of "two exemptions and one subsidy" for compulsory education. Strictly implement the "two exemptions" policy of Zhejiang, disburse the provincial fiscal subsidies for free tuition in cities and counties and the per-student public funding subsidies, and provide local curriculum textbooks and auxiliary resources while providing free national curriculum textbooks. Second, implement the per-student public funding for compulsory education schools. Disburse public funding according to the standard of 650 RMB per student per year for elementary schools and 850 RMB per student per year for ordinary junior high schools. The special education school shall be allocated more than 10 times of the funding of the local ordinary schools at the same level. Third, further improve the schooling conditions. Establish a long-term mechanism for repairing and renovating school buildings, and arrange maintenance funds for school buildings

based on factors such as the number of students in public schools, the floor space, the age, and the unit construction cost of school buildings. Fourth, raise the pay of rural primary and secondary school teachers. Promote the rational allocation of teacher resources with a view to better balancing compulsory education. Carry out the reforms to allow the primary and secondary school teachers to be recruited by schools but administered by counties, and actively and steadily expand the scope of the pilot reform. Fifth, continue to improve the access of the children of migrant workers to education. Fully incorporate the schooling of the children of migrant workers into the local economic and social development plan, and meet the basic needs of the children of migrant workers for education.

4. Bozhou City of Anhui Province has focused on "four priorities" to deepen reforms of the government procurement of services

According to the news released by the Finance Department of Anhui Province on April 11, Bozhou City of Anhui Province has focused on "four priorities" to deepen reforms of the government procurement of services. First, focus on policy research. Study the background, significance, and objectives of the national government's policy of procurement of services from private sector, and understand the concept and basic content of the

government procurement of services. Study the relevant policies on the establishment of modern public cultural services system and the basic public sports services system. Second, focus on the building of management framework. Introduce the measures for the government procurement of services from the private sector, and clarify the definition, the scope and the entities of the government procurement of services. With the measures for government procurement of services from the private sector as the main guide supplemented by supporting measures on purchase catalogue, budget management, government procurement, and process specifications, the management framework for government procurement of services featuring "1+4" has been put into place. Third, focus on scaling up the reform effects. Roll out the pilot program of government procurement of services, and cover basic public services, social management services, industry management and coordination services, technical services, and government performance assistance services. Fourth, focus on improving project quality. Require budget agencies to draw up plans for projects of government procurement of services at an early date, start tendering process in advance, and raise the level of public services. Formulate relevant measures to quantify the indicators for preparation, implementation and performance assessment.

5. The Finance Bureau of Zhongshan City, Guangdong Province actively

promoted the publication of information related to pro-business policies that reduce burdens on enterprises

According to the news released by the Finance Department of Guangdong Province on April 13, the Finance Bureau of Zhongshan City has stepped up the disclosure of the government work related to the fee-cut policies in order to effectively implement the policy of reducing the burdens on enterprises and promote the transparent collection of fees. First, intensify the publicity of cost-cut policies and make policy services more accessible. Fully enable enterprises to enjoy the benefits of pro-business policies and help them cut costs and increase efficiency, and develop concrete pro-business policies and help enterprises fully understand the latest cost-cut policies. Second, publish the list of government-managed funds to clarify the fees that need to be paid by enterprises. Regularly publicize the fees to be paid under the government-managed fund, and publish the *List of Government-managed Funds*, including the names and rationale of specific fees. Third, timely publish the documents related to fee-cut policies so that enterprises can make full use of various preferential measures. Help enterprises understand various pro-business policies that reduce the burdens on enterprises, and ensure that all such policies are fully implemented to the benefits of enterprises. Urge the relevant authorities to strictly implement the measures that reduce the burdens on enterprises

in accordance with the relevant policies. Fourth, urge the enforcement agencies to improve the disclosure of information related to the collection of government-managed funds and accept the public scrutiny. Implement the requirements of the central government, Guangdong Province, and Zhongshan City on the disclosure of information related to the collection of government-managed funds, so that payment of funds by enterprises can be done in a transparent way and the collection of funds can stand up to public scrutiny..

6. Finance authorities of Qinghai Province supported the development of the Sanjiangyuan National Park

According to the news released by the Finance Department of Qinghai Province on April 18, finance authorities of Qinghai have accelerated the establishment of a long-term funding mechanism, improved the ecological management and protection mechanism, promoted the construction of a smart national park, and actively supported the development of the Sanjiangyuan National Park, so that people of all ethnic groups will benefit from the development of the Sanjiangyuan National Park. First, increase investment to establish a long-term funding mechanism. Since the establishment of the Sanjiangyuan National Park, in order to ensure the well-functioning of the park, a long-term funding mechanism has been set up and a total of 810 million RMB has been earmarked. Specifically, 50 million

RMB of initial funds have been allocated for various preliminary tasks; 185 million RMB of provincial-level special funds have been allocated for advancing the pilot work; and 575 million RMB of funds have been disbursed for supporting the key infrastructure construction projects in the Sanjiangyuan National Park. Second, promote ecological management and protection in sync with poverty alleviation. Accurately grasp the relationship between the herdsmen's overall development and the national park's ecological protection, build a platform for herdsmen to fully participate in ecological protection, create the post of ecological management and protection, and combine ecological protection with targeted poverty alleviation. Third, support the construction of a smart national park in keeping up with the times. Support the development of various technological systems for eco-environmental protection and sustainable development, support the development of the ecologically responsive management model, and promote such projects as the information sharing infrastructure project for cities and towns, cloud computing and big data center, basic data resource project, visual management and smart application project, and collaborative office capacity improvement project, so as to advance the construction of a smart national park.

7. Finance authorities of Hubei Province took multiple measures to implement the rural revitalization strategy

According to the news released by the Finance Department of Hubei Province on April 20, the finance authorities of Hubei, guided by the rural revitalization strategy, have focused on improving the funding mechanism to deepen the supply-side structural reform in the agricultural sector. First, fully support the fight against poverty. Implement the targeted poverty alleviation policy, strengthen the coordination of various poverty eradication policies, and guide more financial resources towards poor areas and poor population. Promote the employment of poor people and improve the quality of poverty reduction. Second, actively promote the supply-side structural reform in the agricultural sector. Support the adjustment of agricultural structure, improve the supportive fiscal policies for quality agriculture, promote the green, quality and specialty agriculture, shift agricultural production from quantity-oriented towards quality-oriented, and build a modern agricultural production and operation system. Third, effectively guide private capital to support "agriculture, rural areas and farmers". Coordinate government role with market role, effectively implement the pro-agriculture policy and leverage the government funds, guide private capital to support "agriculture, rural areas and farmers", and effectively meet the needs for multi-level and diversified financial services. Fourth, continue to promote the overall use of agriculture-related funds. Summarize the experience of using fiscal funds, explore the model of managing agriculture-related funds featuring "special project funds + task list", optimize the financial supply structure, and increase

the autonomy of the city and county governments. Fifth, ensure the safe and efficient use of agricultural-related funds. Supervise and guide cities and counties to fully implement the responsibility for fund management and establish an accountability system for agriculture-related funds. Strengthen performance appraisal and comprehensively improve the use of agriculture-related funds.

8. Finance authorities of Songyuan City of Jilin Province focused on three areas of capacity building to better boost development

According to the news released by the Finance Department of Jilin Province on April 24, the Finance Bureau of Songyuan City has focused on enhancing funding capacity, individual working ability and risk resilience to raise the overall financial management capabilities and address funding gaps. First, take multiple measures to enhance funding capacity. (1) Plan early, speed up progress, and maintain balanced treasury operation. (2) Take stock of tax base, collect taxes from key companies, and strengthen the collection of non-tax revenues. (3) Develop new approaches to the allocation of government resources. Actively secure policy support for funds and carefully sort through the current funding policies. Second, enhance working ability. (1) Strengthen financial management capability and harden budget management. (2) Enhance individual working ability and continuously

raise officials' awareness of learning. (3) Strengthen innovation capabilities and upgrade the integrated financial services platform. Third, enhance risk resilience. (1) Further strengthen the risk prevention awareness and the notion of sustainable development. (2) Focus on preventing debt risks and regulating the debt financing behavior. (3) Prevent risks in other areas and resolutely prevent and resolve systemic and regional risks.

V. Remarks and Opinions

1. Cheng Lihua: build on past progress and continue to deepen the tax reform

In her recently published speech, Vice Finance Minister Cheng Lihua said that over the course of the 40 years of reform and opening up, along with the establishment and improvement of the socialist market economy with Chinese characteristics, China's tax system has undergone many major reforms, which have stimulated the social vitality and creativity, ensured the steady growth of fiscal revenue, promoted economic development, and improved people's livelihood.

First, a review of tax reform in China. In the initial days of reform and opening up, through the "profit transfer to tax payment" reform and the industrial and commercial taxation reforms, a dual-track

tax system with a system for foreign entities and a system for domestic entities operating in parallel was initially established. The tax reform in 1994 basically put into place a tax framework that meets the requirements of modern market economic systems. In the new century, through the introduction of a number of reforms on corporate income tax, the tax systems for domestic and foreign-funded enterprises and individuals were unified. Since 2008, China has pushed forward tax reform and structural tax cut in a coordinated manner, and implemented a series of reforms such as the "business tax to VAT reform". Since the 18th National Congress of CPC, China has kicked off the reform of the modern tax system, the main features of which are scientific taxation, optimized structure, sound laws, equitable standards, and efficient administration. Tax reform, tax legislation, and tax cut are now moving forward in synergy, and many long-standing problems have been tackled.

Second, the two hallmarks of the successful practice of tax reform in China. (1) The tax reform has always been adapted to the dynamics of the socialist market economy with Chinese characteristics and has been focused on the modernization of the tax system. The transition from "profit transfer to tax payment" reform to the "dual-track system" reform met the needs for international economic cooperation and expansion of business autonomy in the initial period of reform and opening up; the transition from "dual-track system" reform to the unified tax system for domestic and foreign entities met the needs for the creation of a unified, open,

competitive and orderly market environment at that time; and the transition from the unified tax system to the modern tax system met the needs for high-quality growth and development of a modern economic system in the new era. (2) The tax system reform has always been adapted to the external environment of economic globalization, and the tax system has been continuously internationalized. We have actively explored the simplification of the tax system, broadening of the tax base, optimization of the tax structure, and promotion of inclusive growth, and have basically established the tax policies and institutional framework that suit economic globalization.

Third, the difficulties and challenges facing the deepening of tax reform will increase rather than decrease. From an international perspective, the world today is undergoing a new round of major development, major changes, and major adjustments. There are still many uncertain and unstable factors. With the economic globalization and digitization, great changes have taken place in the product production modes, organization forms of enterprises and international trading patterns, bringing unprecedented challenges to the international tax order. In this context, countries are paying more attention to international tax coordination and cooperation. From the domestic perspective, China's economic development has entered a new era and has shifted from a phase of high-speed growth to a stage of high-quality development. To accelerate the development of a modern economic system and address the problem of imbalanced and inadequate

development, more intensified efforts of tax reform are required.

Fourth, the future work of tax reform. According to the requirements of the 19th National Congress of CPC on accelerating the establishment of a modern fiscal system, coordinated reforms in the central-local fiscal relations, budget system, tax system, and local tax system will be carried out, and the performance-based management will be fully implemented and strengthened. In respect of the tax system, the overall design and supporting implementation will be strengthened, and a modern tax system that is in line with China's national conditions, meets the requirements of the modernization of state governance, and with greater international competitiveness will be established. There are four main considerations: (1) further optimize the tax structure. Take a long-term perspective on the basis of current situation, strike a balance between tax management and revenue mobilization, and gradually optimize the structure of the tax system. (2) Further implement the principle of law-based taxation. All the new taxes will be regulated by the laws; the taxes regulated by the existing administrative regulations will be governed by the laws instead, and the relevant tax regulations will be abolished. (3) Actively and steadily promote the reform of the local tax system. Reasonably determine the types of local taxes and appropriately delegate taxation powers in consideration of the features of different types of taxes and the mobility of tax bases. (4) Promote the establishment of a new international tax order. Continue to expand

and deepen cooperation on global tax governance, advocate and advance the coordinated development of the international tax system, and promote the establishment of a fair, equitable, inclusive, and orderly international tax system.

2. Zhou Qiangwu: U.S. actions are causing damage to the global multilateral trading system

In his published speech, Director General of the International Economics and Finance Institute of MOF, said that the trade protectionism actions recently taken by the U.S. are intended to reverse the U.S.-China trade deficit in the short term and at the same time contain the technological upgrading in China's high-tech sector. The U.S. should face up to the fundamental underlying causes of the trade deficit and resolve the problem in a positive and reasonable way through negotiation and consultation.

First, the willful action of the U.S. in violating WTO rules and imposing unilateral trade sanctions on China serves two purposes. (1) High tariffs on more than a thousand items of goods are intended to reverse the U.S.-China trade deficit in the short term. According to the data of the U.S. Department of Commerce, the deficit in the trade of goods between the U.S. and China in 2017 is as high as 375.2 billion USD, which is a record high and has become an important basis for the U.S.'s recent "big stick" of trade sanctions against China. (2) The U.S. government's sanctions targeting China's science

and technology products and innovation fields are intended to win the industrial competition in high-tech sectors and maintain its global superior position. The U.S. list of sanctions is targeting information and communications technology, aerospace, robots, medicine, machinery and other advanced technology products. As Chinese manufacturing technology catches up, especially after the launch of "Made in China 2025", both the U.S. political and business communities are concerned about competition from Chinese products. The 301 Investigation Report pointed out that in the high-end technology manufacturing industry, the U.S. has a global market share of 29%, followed by China's 27%. Therefore, this move by the U.S. is intended to contain the development of China's high-tech industry in order to keep an invincible position in the global economic landscape.

Second, the U.S. 232 measures, 301 investigation and other practices will have adverse effects on the world trade order and pattern. (1) The U.S. actions seriously violate the basic principles and spirit of WTO, including the most fundamental and core rules such as MFN treatment, binding tariff, and dispute settlement, and are typical of unilateralism and trade protectionism. (2) The U.S. actions have caused damage to the global multilateral trading system. The disregard of and damage to the multilateral trading system essentially reflect the attempt of U.S. to enjoy the benefits of the multilateral trading system while refusing its due responsibilities and obligations. History has shown that the multilateral trading system is an important

guarantee for economic prosperity and development, and is in the common interest of all countries. If certain members do not abide by the rules of the multilateral trading system, world trade is likely to enter a disorderly era of power competition again, resulting in the shrinkage of trade and investment. (3) The U.S. actions will have serious negative impact on global economic growth. Although the world economy has notably improved in the past two years, it still faces great uncertainties. According to the latest WTO estimate, the global trade grew by 3.6% in 2017, which is the highest in five years and has made huge contribution to stimulating global economic growth. Yet the U.S. trade protectionism actions will be a major drag on global trade and even the world economy.

Third, the assessment of the future trend of the current China-U.S. trade tensions. (1) There is room and time for negotiation between China and U.S.. At present, potential measures of both sides are in the public consultation period. In the next dozens of days, the U.S. government needs to listen to the views of all walks of life and stakeholders in the U.S.. This leaves time and space for negotiation between China and U.S., and the possibility of compromise through negotiations still exists. (2) The communication channel between China and U.S. is open on the whole. Since 2006, the high-level economic dialogue between China and U.S. has always been smooth. From the Bush-era China-U.S. Strategic Economic Dialogue to the Obama-era Strategic and Economic Dialogue, and then to the Comprehensive Economic Dialogue agreed by the

leaders of both countries last year, China and U.S. have always maintained close communication and contact through high-level dialogue mechanisms and have produced a number of concrete and practical outcomes of cooperation. In addition, U.S. should face up to the fundamental underlying causes of the trade deficit. To solve the trade imbalance between China and U.S., joint efforts of both parties are needed, instead of just blaming one party, or calling for the unilateral adjustment by the Chinese side while the U.S. side doing nothing. On one hand, U.S. should objectively view the division of labor in the global value chain and realize that the trade deficit is determined by the economic structure and comparative advantage of China and U.S.. On the other hand, U.S. should improve its industrial competitiveness, increase the attractiveness of American products to Chinese consumers, and consider relaxing restrictions on high-tech exports to China.

3. Liu Shangxi: China has made an important step forward in the fiscal and tax reform

In his recently published article, Liu Shangxi, Director General of the Chinese Academy of Fiscal Sciences, said that the 19th Party Congress emphasized the establishment of a comprehensive, transparent and procedure-based budget system that uses well-conceived standards and imposes effective constraints. Constraints are mainly imposed through

institutional arrangement, but to have a transparent, procedure-based, science-based budget system, we need not only institutional but also technical support. The procedure-based and law-based fiscal relations between the central and local government are an important part of the modern fiscal system, but laws are generally a summary of practices, and the law-based intergovernmental fiscal relations would be impossible without reform.

The breakthroughs achieved in a number of areas by this round of reform will help improve technical support for fiscal management and promote the procedure-based and law-based fiscal relations between the central and local government.

First, the current level of basic public services in China varies greatly from region to region, and to a certain extent, there are problems such as inaccurate compilation of budget for basic public services and the lag in budget execution, largely because the standards for managing basic public services are not clearly defined. Well-conceived standards are the preconditions for science-based budget management and the equalization of access to basic public services.

According to the reform, the central government should formulate and adjust basic national standards for basic public services to ensure people's basic living standard and development needs, and gradually raise the standard in line with the economic and social development. The required funds should be financed according to the method of sharing expenditure responsibilities as determined by the central government. As local governments

follow and implement the national standards, they may also develop regional standards higher than the national standards according to local conditions, and implement the local standards after filing records with the superior authorities. The required funds should be financed by local government on their own. This reform is a key step for China to build a standard system for fiscal expenditure. With clear standards, basic public services can be provided in accordance with standards, so as to avoid certain regions from providing low-standard services or high-standard services that exceed the economic and social development level, the demand can be calculated, and the budget can be managed, compiled and implemented according to standards.

Second, modern science-based decision-making and management require increasingly sophisticated data support. The reform proposes to establish a standardized data collection system, unify data standards, and speed up the construction of big data platforms for basic public services, in order to provide technical support for the calculating and allocating transfer payment funds, making basic public services accessible, and performing the responsibilities of all parties. IT-based management is the technical guarantee of the modern fiscal system. The adequacy of information on the population movements and the scope of related basic public services would determine the quality and efficiency of transfer payments and even the entire fiscal management. Given the information sharing with other system platforms, the big data platform for basic public services will offer the basic technical

support for improving the fiscal governance capacity and advancing the modernization of state system and capacity for governance.

Third, clearly define the expenditure responsibilities and sharing methods, and promote the procedure-based and law-based fiscal relations between the central and local governments. The 19th National Congress of CPC takes "comprehensive rule of law" as one of the 14 guidelines for upholding and developing socialism with Chinese characteristics. The 4th Plenary Session of the 18th CPC Central Committee proposed to "promote the procedure-based and law-based definition of powers of different levels of government, and improve the legal system for governing the powers of different levels of government, especially central and local governments" The law-based fiscal powers of central and local government are an important part of building a socialist country under the rule of law. However, the law-based fiscal powers cannot be done overnight, and can only be carried out through reform. The legal system is, to a great extent, the result of institutional innovation and reform, and is the outcome of reform and exploration.

This reform is an important step for improving the division of fiscal powers and expenditure responsibilities between central and local governments. By making the provision of basic public services the common fiscal powers of the central and local government and by defining the expenditure responsibilities and sharing methods by categories, we have realized the procedure-based central-local fiscal relations in some areas of basic

public services. Along this line of reform, we will continue to push forward the reform of division of fiscal powers and expenditure responsibilities in other areas, and accumulate experience in the reform process. Elevating proven practices to laws is a feasible path for advancing the law-based fiscal relations between central and local governments.

4. Jia Kang: housing market regulation and control must address both symptoms and root causes

Recently, Jia Kang, chief economist of China Academy of New Supply-side Economics, said that administrative measures used in the past were often deployed when there were no other alternatives, and they only addressed the symptoms rather than root causes. The current priority is to take lessons from the past, adopt the "dual track" approach for housing market regulation so as to achieve the goal of addressing both the symptoms and root causes.

First, the status quo and problems of the housing industry. In recent years, the housing industry, especially the housing issues closely related to people's lives, has received much attention. In general, the housing industry experienced several rounds of regulation and control in the past few years, and the housing price, the greatest concern of society, has also undergone several adjustments. In the process of regulation and control, the anxiety of all walks of life and the pressure of the regulatory authorities are visible and obvious. Before 2014,

prices were consistently rising despite many rounds of control. After 2014, there was a clear divergence in the market, as the first-tier cities and the third and fourth-tier cities went to two extremes, and the second-tier cities were in the middle. Initially, second-tier cities appeared to largely follow the trend of third and fourth-tier cities, but after the second half of 2016, they apparently shifted to follow the first-tier cities, and there was marked divergence in the market. This change in housing prices requires in-depth rather than superficial analysis. The healthy development of the housing industry calls for the establishment of a long-term solution mechanism. At the same time, the basic institutional development must also be advanced.

Second, the "dual track" management framework is getting clear. In the development of the market in recent years, it is notable that the "dual track" management framework has been increasingly clear. The "dual track" specifically refers to the effective coordination of the government-led "security track" and the market-based track, giving rise to diverse preferences and specific designs. On one hand, the "security track" can be traced back to the reform of the housing system in 1998 when the concept of affordable housing emerged, making it different from ordinary commercial housing. As an effective form of supporting basic needs, after years of development, more than a dozen forms of government-subsidized housing in the past were simplified to two clear categories: one is public rental housing, including "low-rent and public-rent housing"; the other is the common ownership

housing, which allows for the joint property rights of both the government and the house occupants. On the other hand, the "market-based track" specifically refers to the commercial housing on the real estate market that excludes the "security track". The "dual-track" of government-subsidized housing and commercial housing is a very important institutional framework and plays an important role in supporting the long-term mechanism for the healthy development of the housing market.

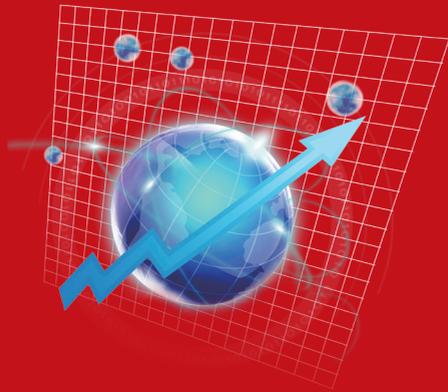
Third, the policy regulation and control in the "market-based track" addresses the symptoms rather than the root causes, and it is critical to change the thinking and strive to address both the symptoms and root causes. In the past, when it comes to the regulation and control of the commercial housing, the government attached great importance and repeatedly made moves, such as the "9.30" New Policy introduced in 2016, and 20 to 30 key cities, including the first-tier cities and some second-tier cities spared no efforts to restrict purchases, mortgages and prices in order to dampen the heat

of the housing market. The above-mentioned administrative measures adopted as a last resort address only the symptoms rather than root causes. The key is to take lessons and shift towards an approach that addresses both the symptoms and root causes so as to avoid the swings that often occurred in the process of housing market regulation and control, when forceful measures to curb prices were adopted when prices were rising and market was overheated and restrictions on purchase and mortgages were removed and control was relaxed when prices dropped and the market started to cool. In 2018, the regulation and control of the housing market will remain tight, and the long-term mechanism for the housing market is expected to achieve a breakthrough. On the premise that "houses are for living in, not for speculation", the housing system featuring multiple-source supply, multi-channel government support, and parallel existence of house rental and purchase should be accelerated in order to address both the symptoms and root causes.

Journal Title: China Finance Monthly
Editor: International Economics and Finance Institute
Publisher: Editorial Office, China Finance Monthly
Mailing Address: IEFI, Ministry of Finance, China, 100820
Telephone: 86-10-68586882
Fax: 86-10-68527620
E-mail: iefi@iefi.org.cn

内部交流 仅供参考 未经许可 不得转载
For Internal Use Only. Copyright Reserved.

Publishing Date: April 2018



CHINA FINANCE MONTHLY