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HIGHLIGHTS

- Finance Minister Liu Kun: proactive fiscal policies are boosting the high-quality economic growth
- Finance Minister Liu Kun and Vice Finance Minister Zou Jiayi attended the High-level Forum on 40th Anniversary of China's Reform and Opening-up: Progress, Prospects and Impacts on the East Asian Region jointly hosted by MOF and AMRO
- MOF published a ciarcular on expanding the application scope of the policy of withholding income tax exemption for overseas investors' direct investment with distributed profits
- MOF published a circular on the in-depth study of the Excerpts of Xi Jinping's Remarks on Poverty Reduction
- China's GDP in the third quarter grew by 6.5% year on year

IEFI 国际财经中心
International Economics and Finance Institute

Brief Introduction to IEFI

Founded in 2007, the International Economics and Finance Institute (IEFI) is affiliated to the Ministry of Finance of China, specializing in international economic and financial studies. Its main functions include macroeconomic research on advanced economies such as U.S., Europe and Japan, and on emerging economies such as BRICS countries; research on global and regional economic and financial cooperation, global governance reform and international development cooperation; participation in bilateral and multilateral financial dialogues; and exchanges with think tanks and government agencies around the world.

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Website:http://iefi.mof.gov.cn

Ⅰ. Policy Update

1. MOF published a circular on expanding the application scope of the policy of withholding income tax exemption for overseas investors' direct investment with distributed profits

On September 30, the Ministry of Finance (MOF) published a circular on expanding the application scope of the policy of withholding income tax exemption for overseas investors' direct investment with distributed profits, which provided the following. First, the scope of the application of the policy of withholding income tax exemption for overseas investors' direct domestic investment with distributed profits from domestic resident enterprises in China will be expanded from projects where foreign investment is encouraged to all projects and fields where foreign investment is not prohibited. Second, for the overseas investors that have already enjoyed the policy of the withholding income tax exemption as stipulated in this circular, if the tax authorities subsequently find out their failure to meet the prescribed conditions, they would be deemed as not declaring the corporate income tax in accordance with the regulations and be held accountable for delaying tax payment. The period of late payment of tax shall be calculated from the date of the payment of relevant profits.

2. The Customs Tariff Commission of the State Council published an announcement on the adjustment of import tax on imported goods

On September 30, the Customs Tariff Commission of the State Council published an announcement on the adjustment of import tax on imported goods, which provided the following. First, medicines will be included in the annex 1, and the tax rate of 15% will be applied. Among them, imported anti-cancer medicines that are subject to a reduced import VAT rate of 3% will be taxed at the rate of goods according to national regulations. Second, adjust the tax rates of imported goods in annex 2 and 3 to 25% and 50% respectively. The adjustments will be implemented from November 1, 2018.

3. The Customs Tariff Commission of the State Council published an announcement on reducing the import tariffs on some goods

On September 30, the Customs Tariff Commission of the State Council published an announcement

on reducing the import tariffs on some goods, which provided the following. In order to adapt to industrial upgrading, reduce corporate costs and meet the multi-level consumer demands, the MFN tariff rate of some goods, involving 1585 tax items, will be reduced from November 1, 2018. Due to the adjustment of the MFN tariff rate, from November 1, 2018, the MFN provisional tax rate for 39 imported goods will be cancelled, and the MFN provisional tax rate for the remaining goods will continue to be implemented.

4. The State Council decided on the measures to improve export rebate policies and accelerate the pace of tax rebate

On October 8, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, from November 1, 2018, in accordance with the principle of structural adjustment and with reference to international practices, the current export tax rebate rate of goods will rise from 15% and 13% to 16%; from 9% to 10% and to 13% for some products; from 5% to 6% and to 10% for some products. Second, the export tax rebate rate for products with high energy consumption and high pollution, resource-intensive products and products in sectors of overcapacity will remain unchanged. Third, further simplify the tax system, and reduce the tax rebate rates from the original 7 brackets to 5. Fourth, simplify the procedures and shorten the time of tax rebate for export enterprises with high credit ratings and good tax records, fully implement the paperless tax rebate declaration, and improve the efficiency of tax rebate review.

5. The State Council published the *Implementation Plan for Improving the Mechanism and System of Consumption Promotion (2018-2020)*

On October 12, the General Office of the State Council published the *Implementation Plan for Improving the Mechanism and System of Consumption Promotion (2018-2020),* which provided the following. First, promote the optimization and upgrading of automobile consumption. Continue to implement preferential policies for new energy vehicle purchase tax, improve the new energy vehicle points management system, implement the parallel management method for the average fuel consumption of passenger vehicle enterprises and new energy vehicle points, and study and establish a carbon quota trading system. Comprehensively deploy policies such as using the issuance of special bonds for the construction of urban parking lots and adjusting and improving vehicle purchase tax distribution policies to increase funding support for parking facilities construction. Second, deepen the reform of the income distribution system. Promote the reform of the mechanism for determining the wage of state-owned enterprises. Improve the salary and subsidy system for government and public

institutions. Reasonably determine the standards of social assistance and preferential treatment.

6. MOF published a circular on the policy of property tax and urban land use tax for the enterprises undergoing overcapacity reduction and structural adjustment

On October 15, MOF published a circular on the policy of property tax and urban land use tax for the enterprises undergoing overcapacity reduction and structural adjustment, which provided the following. First, the enterprises that have suspended production and closed down according to the requirements of overcapacity reduction and structural adjustment will be exempted from property tax and urban land use tax since the following month of the suspension of production and business. The cumulative period of time for enterprises to enjoy the tax exemption policy shall not exceed 2 years. Second, the enterprises that enjoy the tax exemption stipulated in this circular should make declaration of tax reduction and exemption according to regulations, and keep the documents of real estate land ownership and original value for future reference. Third, this circular is implemented from October 1, 2018 to December 31, 2020. The enterprises that have suspended production and closed down according to the requirements of overcapacity reduction and structural adjustment but have not yet dealt with their property tax and urban land use tax before the issuance of this circular may handle their tax affairs in accordance with this circular.

7. MOF published a circular on the issuance of the *Action Plan for Promoting the Upgrading of Rural Tourism Development (2018-2020)*

On October 16, MOF published a circular on the issuance of the *Action Plan for Promoting the Upgrading of Rural Tourism Development (2018-2020),* which provided the following. First, increase the advancement of tourism infrastructure projects in poverty-stricken areas. Implement the action plan for promoting the upgrading of tourism infrastructure in the "three regions and three prefectures" and other poor areas. Second, establish a "farmer household pays" system for garbage and sewage treatment. In rural areas where centralized treatment of waste and sewage has been implemented, it is necessary to explore the establishment of a "farmer household pays" system, reasonably determine the charging standards, and promote the improvement of the rural environment. Third, innovate the way private capital participates. Encourage and guide private investment to participate in the construction and operation of profitable rural infrastructure through PPP and the model of public construction and private operation.

8. MOF published a circular on matters related to the expansion of the im plementation scope of the interim measures for the equity and dividend incentives of state-owned science and technology enterprises

On October 19, MOF published a circular on matters related to the expansion of the implementation scope of the interim measures for the equity and dividend incentives of state-owned science and technology enterprises, which provided the following. First, the unlisted science and technology subordinates invested by state-owned science and technology SMEs and state-controlled listed companies as well as the science and technology enterprises invested by institution-transformed enterprises will be included in the scope of implementation. Second, conditions of R&D expenses and personnel will not be imposed on the high-tech enterprises recognized by the state.

9. MOF published the *Regulations on the Implementation of the Individual Income Tax Law of the People's Republic of China (Revised Draft for Comment)*

On October 20, MOF published the *Regulations on the Implementation of the Individual Income Tax Law of the People's Republic of China (Revised Draft for Comment),* which provided the following. First, for the individuals who do not have domicile in China but have stayed in China for more than 183 days but less than 5 years, or have stayed in China for more than 5 years and made single trip of more than 30 days outside China, their income derived from outside China is only subject to individual income tax for the portion paid by companies and other economic organizations or resident individuals inside China after filing records with the tax authorities. Second, for the individuals who do not have domicile in China and have stayed in China for no more than 90 days in a tax year, the portion of their income derived from China paid by employers outside China and not born by the employers' agencies and premises inside China will be exempted from individual income tax.

10. MOF published the *Interim Measures for Special Additional Deduction of Individual Income Tax (Draft for Comment)*

On October 20, MOF published the *Interim Measures for Special Additional Deduction of Individual Income Tax (Draft for Comment),* which provided the following. First, the special additional deduction of individual income tax is deducted from the taxable income of the taxpayer in the current year. The amount not fully deducted in the current year is not allowed to be carried forward to the following years for deduction. Second, the relevant expenses of the taxpayer for their children's pre-school education and academic education are deducted according to the standard of 12,000 RMB per child per year. Third, the taxpayer's expenses on continuing education for academic qualifications are deducted at a rate of 4,800 RMB per year during academic education. Fourth, in a tax year, the part of the out-of-pocket medical expenses that exceeds 15,000 RMB recorded by the social medical insurance information system can be deducted according to the standard of 60,000 RMB per year. These Measures will be implemented starting from January 1, 2019.

11. MOF published a circular on the in-depth study of the Excerpts of Xi Jinping's Remarks on Poverty Reduction

On October 22, MOF published a circular on the in-depth study of the Excerpts of Xi Jinping's Remarks on Poverty Reduction, which provided the following. First, strengthen the financial support for poverty reduction. The finance authorities at all levels should continue to increase spending on poverty reduction funds, timely allocate all types of funds to counties, and improve management of funds and project implementation. Second, strictly follow the current standards for poverty reduction. The finance authorities at all levels should prioritize and identify poverty reduction projects and arrange funds according to local conditions, and strengthen the constraints and guiding role of the budget. Third, regulate the consolidation of agriculture-related funds in poverty-stricken counties. The finance authorities at all levels should further regulate the consolidation of funds, aim at weak links, and improve the effectiveness of consolidation. Fourth, comprehensively strengthen the supervision of poverty reduction funds. The finance authorities at all levels should strengthen the coordination of the dynamic monitoring platform for poverty reduction funds, strengthen the overall performance management of poverty reduction funds, and strengthen the construction of fund management systems such as project pipelines and public announcements.

12. The State Council planned to further advance the implementation of policies to improve business environment in light of identified problems and business concerns

On October 22, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, further reduce the restrictions on the market access of private capital. Complete the revision and fully implement the new version of the market access negative list before the end of the year and promote the implementation of "allowing access to all non-prohibited areas". Second, further reduce administrative licensing. Comprehensively clean up the existing licensing items, publish the new list of administrative licensing items before the end of March of 2019, and treat all out-of-list licensing as violation of regulations. Third, further simplify the investment approval of enterprises. On the basis of the pilot, the reform of the review and approval system for the whole-process and full-coverage construction projects will be carried out nationwide next year, and all kinds of investment approvals will be implemented online in parallel. Fourth, further reduce the burden of taxes and fees on companies. Promptly study and propose specific measures to continue to reduce corporate tax burdens and social security premium rates.

13. MOF published a circular on further improving the monitoring

and analysis of the guaranteed and subsidized loans for business startup

On October 23, MOF published a circular on further improving the monitoring and analysis of the guaranteed and subsidized loans for business startup, which provided the following. First, strengthen the precision management of the guaranteed loans for business startups. Each bank should further strengthen the management of guaranteed loans for business startups, and rely on the existing credit management system to speed up the implementation of internal procedures. Second, establish and improve the credit data reporting mechanism. Each bank shall submit their data of guaranteed loans for business startups to the database of financial credit information in a timely, complete and accurate manner. Third, strengthen the post-lending management of guaranteed loans for business startups. Each bank should prevent the loan risks, prevent new overdue, and orderly dispose of non-performing loans. Fourth, strengthen division of labor and coordination. All finance authorities should improve the performance evaluation of guaranteed loans for business startups.

14. The State Council published the *Work Plan for Improving the Business Environment at Ports to Promote Cross-Border Trade Facilitation*

On October 24, the State Council published the *Work Plan for Improving the Business Environment at Ports to Promote Cross-Border Trade Facilitation,* which provided the following. First, reduce the compliance costs of import and export. Strictly implement the management system of administrative fees and charges, and impose no new charges involving import and export without the approval of the State Council. Clean up and regulate the service charges for port operations and strictly enforce the prescribed standards for the government priced items; impose no other charges in violation of regulations for market-adjusted prices. Second, innovate the customs tariff collection and management model. Comprehensively innovate diversified tax guarantee approaches, promote the reform of tariff guarantee and insurance, and explore and implement the pilot reform of enterprise group financial companies and financing guarantee companies.

15. MOF published a circular on implementing the policy of subsidizing local governments for reducing finan cing guarantee fees for small and micro enterprises

On October 25, MOF published a circular on implementing the policy of subsidizing local governments for reducing financing guarantee fees for small and micro enterprises, which provided the following. First, the central government, using the combination of rewards and subsidies, will allocate 3 billion RMB each year from 2018 to 2020 to local governments that are working to expand the scale of and reduce the costs of financing guarantee for small and micro enterprises. In 2018, rewards and subsidies were arranged for 37 provinces (including provinces,

autonomous regions, municipalities, cities with independent plan status and Xinjiang Production and Construction Corps). In 2019 and 2020, the provinces that meet certain conditions will be rewarded and subsidized. Second, in 2018, a total of 25 provinces, including the top 9 provinces in the eastern region, the top 7 provinces in the central region and the top 9 provinces in the western region in terms of the scale of new guarantees for small and micro enterprises in the previous year, will be offered rewards.

16. MOF published a circular on adjusting the export tax rebate rate for some products

On October 25, MOF published a circular on adjusting the export tax rebate rate for some products, which provided the following. First, the export tax rebate rate for photo paper rolls, plastic products, bamboo flooring, grass and rattan weaved products, tempered safety glass, lamps and other products will be increased to 16%. The export tax rebate rate for lubricants, aircraft tires, carbon fiber, and some metal products will be increased to 13%. The export tax rebate rate for some agricultural products, bricks, tiles, fiberglass and other products will be increased to 10%. Second, cancel the export tax rebate for soybean meals. Soybean meals refer to products with code of 23040010 and 23040090. Third, except for the products covered by Articles 1 and 2 of this circular, the remaining export products with the original export tax rebate rate of 15% will see the rate increase to 16%; the products with the original export tax rebate rate of 9% will see the rate increase to 10%; and the products with the original export tax rebate rate of 5% will see the rate increase to 6%.

17. MOF published a circular on clarifying the application of environmental protection tax to pollutants

On October 25, MOF published a circular on clarifying the application of environmental protection tax to pollutants, which provided the following. First, the application of taxable pollutants. The particulate matters in the exhaust gas generated by combustion will be subject to environmental protection tax as smoke dust. Except for smoke dust, asbestos dust, glass wool dust and carbon black dust, other particulate matters such as dust and industrial dust will be subject to environmental pollution tax as general dust. Second, the application of tax relief. The lawfully established domestic waste incineration power plant, domestic garbage landfill and domestic garbage composting plant are categorized as centralized disposal site for domestic garbage and will be exempted from environmental protection tax if the taxable pollutants discharged by them do not exceed the standards stipulated by the state and local governments.

18. MOF published the *Opinions on the Full Implementation of the New Apprenticeship System for Enterprises*

On October 29, MOF published the Opinions on the Full Implementation of the New Apprenticeship System for Enterprises, which provided the following. First, the apprenticeship training implements the flexible learning system and the credit point system. The training institution that undertakes the apprenticeship training task should adopt the flexible learning system and implement the credit point system in light of the actual conditions of business production and the work and life of apprentices. Second, improve the apprentice training input mechanism for enterprises. During the period of study and training, the enterprise shall pay wages in accordance with the provisions of the *Labor Contract Law,* and the wages shall not be lower than the minimum wage standard at the place where the enterprise is located. Third, improve the fiscal subsidy policy. The human resources and social security department, together with the finance department, will provide vocational training subsidies to enterprises that carry out apprenticeship training, and the subsidy funds will be disbursed from the employment subsidy funds.

19. MOF published a circular on the preferential tax policies for imported exhibits sold during the first China International Import Expo

On October 31, MOF published a circular on the preferential tax policies for imported exhibits sold during the first China International Import Expo, which provided the following. First, during the first Import Expo held from November 5, 2018 to November 10, 2018, a reasonable number of imported exhibits sold (excluding the nationally banned imports, endangered animals and plants and their products, 20 kinds of commodities and automobiles that are not subject to tax reduction and exemption by the state) will be exempted from import duties, and the import value-added tax and consumption tax are taxed at 70% of the taxable amount. Second, exhibits that exceed the sales quota for enjoying preferential tax policies and are not moved out of Chinese mainland shall be taxed according to relevant state regulations.

20. The State Council issued the *Guiding Opinions on Strengthening the Weak Links in the Infrastructure Sector*

On November 1, the General Office of the State Council issued the *Guiding Opinions on Strengthening the Weak Links in the Infrastructure Sector,* which provided the following. First, strengthen fund management and project management of local government special bond. The finance department should improve the local government special bond system, optimize the special bond issuance procedures, and reasonably set the issuance pace. Second, increase financial support for projects under construction and major projects. Encourage follow-up financing through the issuance of corporate credit bonds, PPP model and other market-based financing. Third, properly meet the normal financing needs of the financing

platform companies. Financial institutions should, on the basis of taking necessary risk mitigation measures, meet the financing needs of financing platform companies according to the market-based principles, and must not blindly withhold or stop lending, so as to prevent the risk of breaking the capital flow of hidden debts.

Ⅱ. Facts & Figures

1. China's PMI in September was 50.8%

The data published by the National Bureau of Statistics (NBS) on September 30 showed that China's PMI in September was 50.8%. In a breakdown of enterprises, PMI was 52.1% for large-sized ones, staying flat month on month; 48.7% for medium-sized ones, down by 1.7 percentage points month on month; and 50.4% for small-sized ones, up by 0.4 percentage point month on month. In specific terms, the production index was 53.0%, down by 0.3 percentage point month on month; the new order index was 52.0%, down by 0.2 percentage point month on month; the raw material inventory index was 47.8%, down by 0.9 percentage point month on month; the employee index was 48.3%, down by 1.1 percentage points month on month; and the supplier delivery time index was 49.7%, up by 0.1 percentage point month on month.

2. China invested a total of 1.76061 trillion RMB in research and development (R&D) in 2017

The data published by MOF on October 9 showed that China invested a total of 1.76061 trillion RMB in R&D in 2017, a year-on-year increase of 12.3%. By the types of activities, the spending on basic research reached 97.55 billion RMB, an increase of 18.5% year on year; the spending on applied research reached 184.92 billion RMB, an increase of 14.8% year on year; and the spending on experimental development reached 1.47814 trillion RMB, an increase of 11.6% year on year. In terms of the entities, the expenditures of various enterprises amounted to 1.36602 trillion RMB, a year-on-year increase of 12.5%; the expenditures of government-affiliated research institutions amounted to 243.57 billion RMB, a year-on-year increase of 7.8%; and the expenditures of higher education institutions were 126.6 billion RMB, a year-on-year increase of 18.1%.

3. The added value of China's cultural and related industries in 2017 registered a year-on-year increase of 12.8%

The data published by NBS on October 10 showed that the added value of China's cultural and related industries in 2017 reached 3.4722 trillion RMB, a year-on-year increase of 12.8%. By industries, the added value of cultural manufacturing industry was 1.2094 trillion RMB, up by 1.7% year on year; the

value added of cultural wholesale and retail industry was 332.8 billion RMB, up by 15.9% year on year; and the value added of cultural services industry was 1.93 trillion RMB, up by 20.4% year on year. By the nature of activities, the added value created by the core cultural field was 2.25 trillion RMB, a year-on-year increase of 14.5%; the added value created by the culture-related field was 1.2222 trillion RMB, a year-on-year increase of 9.8%.

4. China's CPI rose by 2.5% year on year in September

The data released by NBS on October 16 showed that China's CPI rose by 2.5% year on year in September, and up by 0.7% month on month, among which, CPI rose by 2.4% year on year in urban areas, and up by 0.7% month on month; rose by 2.5% year on year in rural areas, and up by 0.8% month on month. CPI went up by 3.6% year on year for food and up by 2.4% month on month; went up by 2.2% year on year for non-food and up by 0.3% month on month; increased by 2.7% year on year for consumer goods and went up by 1.0% month on month; increased by 2.1% year on year for services, and up by 0.2% month on month.

5. China's PPI rose by 3.6% year on year in September

The data released by NBS on October 16 showed that China's PPI in September rose by 3.6% year on year, and up by 0.6% month on month. The price of the means of production jumped by 4.6% year on year, and up by 0.7% month on month; specifically, the figure surged by 11.7% year on year in the extractive industry, and up by 1.6% month on month; rose by 7.3% year on year in the raw material industry, and up by 1.4% month on month; went up by 2.9% year on year in the processing industry, and up by 0.4% month on month. The price of the means of consumption rose by 0.8% year on year, and up by 0.1% month on month; specifically, the figure rose by 0.9% year on year for food, and up by 0.3% month on month; rose by 1.1% year on year for daily necessities, and up by 0.1% month on month; and rose by 0.2% for durable consumer goods, and down by 0.1% month on month.

6. China issued 748.5 billion RMB of local government bonds in September

The data published by MOF on October 17 showed that 748.5 billion RMB of local government bonds were issued in September, among which, 74.5 billion RMB were general bonds and 674 billion RMB were special bonds. In terms of the purposes, 704.4 billion RMB were new bonds and 44.1 billion RMB were swapped bonds or refinanced bonds. As of the end of September 2018, nationwide outstanding local government debts amounted to 18.2592 trillion RMB, a figure within the limit imposed by the National People's Congress, among which, general debts were 10.8779 trillion RMB, and special debts

were 7.3813 trillion RMB; government bonds were 18.0027 trillion RMB, and the stock of government debts that are not in the form of government bonds amounted to 256.5 billion RMB.

7. Revenue under China's general public budget increased by 2.0% in September

The data released by MOF on October 18 showed that revenue under China's general public budget totaled 1.2963 trillion RMB in September, up by 2.0% year on year, among which, revenue at the central government level was 591.9 billion RMB, up by 0.9% year on year; revenue at the local government level was 704.4 billion RMB, up by 2.9% year on year. Expenditure under China's general public budget was 2.2616 trillion RMB, up by 11.7% year on year, among which, expenditure at the central government level was 253.3 billion RMB, up by 10.9% year on year; expenditure at the local government level was 2.0083 trillion RMB, up by 11.8% year on year.

8. China's retail sales of consumer goods went up by 9.2% in nominal terms in September

The data published by NBS on October 19 showed that retail sales of consumer goods in September totaled 3.2005 trillion RMB, up by 9.2% year on year in nominal terms. The retail sales of urban areas totaled 2.7069 trillion RMB, up by 9.0% year on year; and the retail sales of rural areas amounted to 493.6 billion RMB, up by 10.5%. In addition, catering revenues amounted to 344.7 billion RMB, up by 9.4% year on year; and retail sales of goods reached 2.8558 trillion RMB, up by 9.2% year on year.

9. The value-added of industrial enterprises above the designated size went up by 5.8% year on year in September

The data published by NBS on October 19 showed that the value-added of industrial enterprises above the designated size went up by 5.8% year on year and 0.50% month on month in September. Specifically, there was an increase of 2.2% year on year in the mining sector, an upswing of 5.7% in the manufacturing sector, and an upsurge of 11.0% in the electricity, thermal, gas and water sector. By enterprises of different ownership, there was an increase of 5.6% year on year in state-controlled enterprises, an increase of 2.0% in collectively-owned enterprises, an increase of 6.3% in joint-stock enterprises, and an upsurge of 3.2% in foreign and Hong Kong, Macau and Taiwan invested enterprises. By regions, there was an increase of 4.8% year on year in the eastern region, an increase of 7.0% year on year in the central region, an increase of 7.4% year on year in the western region, and an increase of 4.7% year on year in the northeastern region.

10. China's real estate development investment increased by 9.9% year on year from January to September

The data published by NBS on October 19 showed that China's real estate development investment reached 8.8665 trillion RMB, an increase of 9.9% year on year in nominal terms in the first 9 months of 2018. Among them, the residential property investment was 6.2806 trillion RMB, up by 14.0% year on year. By regions, the real estate development investment was 4.7603 trillion RMB in the eastern region, up by 11.0% year on year; 1.8612 trillion RMB in the central region, up by 8.4% year on year; 1.8725 trillion RMB in the western region, up by 7.5% year on year; and 372.5 billion RMB in the northeastern region, up by 16.5% year on year.

11. China's GDP in the third quarter grew by 6.5% year on year

The data published by the NBS on October 20 showed that China's absolute GDP in the third quarter was 23.1938 trillion RMB, a year-on-year increase of 6.5%. Among them, the figure of the primary industry was 2.0086 trillion RMB, up by 3.6% year on year; the figure of the second industry was 9.3655 trillion RMB, up by 5.3% year on year; the figure of the tertiary industry was 11.8198 trillion RMB, up by 7.9% year on year. China's absolute GDP in the first three quarters of 2018 was 65.0899 trillion RMB, a year-on-year increase of 6.7%. Among them, the figure of the primary industry was 4.2173 trillion RMB, up by 3.4% year on year; the figure of the secondary industry was 26.2953 trillion RMB, up by 5.8% year on year; the figure of the tertiary industry was 34.5773 trillion RMB, up by 7.7% year on year.

12. China's lottery sales totaled 41.844 billion RMB in September

The data released by MOF on October 24 showed that nationwide lottery sales in September were 41.844 billion RMB, up by 13.3% year on year. The welfare lottery sales were 17.825 billion RMB, up by 1.2% year on year. The sports lottery sales were 24.019 billion RMB, up by 24.3% year on year. By type, the lotto lottery sales were 21.428 billion RMB, up by 1.1% year on year; the toto lottery sales were 14.586 billion RMB, up by 48.8% year on year; the instant lottery sales were 1.95 billion RMB, down by 10.1% year on year; the video lottery sales were 3.869 billion RMB, up by 3.4% year on year; and the keno lottery sales were 10 million RMB, down by 30.9% year on year.

13. The operating revenues of SOEs increased by 10.2% from January to September

The data published by MOF on October 26 showed that the operating revenues of SOEs totaled 42.1125 trillion RMB from January to September,

up by 10.2% year on year. The operating costs of SOEs totaled 40.54496 trillion RMB, up by 9.8% year on year. The profits of SOEs totaled 2.57736 trillion RMB, up by 19.1% year on year. The after-tax net profits of SOEs totaled 1.90318 trillion RMB, up by 17.7% year on year. The payable taxes of SOEs totaled 3.40106 trillion RMB, up by 8.4% year on year.

14. The total profits of industrial enterprises above designated size in China increased by 14.7% year on year from January to September

The data published by NBS on October 27 showed that from January to September, the profits of industrial enterprises above designated size in China totaled 4.97134 trillion RMB, up by 14.7% year on year. By types of ownership, the figure stood at 1.52943 trillion RMB for state-controlled ones, up by 23.3% year on year; 14.59 billion RMB for collectively owned ones, up by 4.8%; 3.50888 trillion RMB for joint-stock ones, up by 19.1%; 1.23528 trillion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, up by 5.7%; and 1.25915 trillion RMB for private ones, up by 9.3%. By sectors, the figure stood at 429.56 billion RMB for the mining sector, up by 50% year on year; 4.2083 trillion RMB for the manufacturing sector, up by 12.5%; 333.48 billion RMB for the electricity, heating, gas and water production and supply sector, up by 8.8%.

15. The total income of China's social insurance fund in 2017 increased by 16.6% year on year

The data published by MOF on October 31 showed that the total income of China's social insurance fund in 2017 was 5.843757 trillion RMB, up by 16.6% year on year; the total expenditure was 4.865299 trillion RMB, up by 11.6% year on year; the balance of income and expenditure was 978.458 billion RMB, and the year-end surplus was 7.534858 trillion RMB. Among them, the basic pension insurance fund income of enterprise employees was 3.354204 trillion RMB, up by 17.6% year on year, and reached 115.5% of the budgeted amount; the income of basic pension insurance fund for urban and rural residents was 333.93 billion RMB, up by 13% year on year, and reached 107.6% of the budgeted amount; the income of basic medical insurance for employees was 1.213465 trillion RMB, a year-on-year increase of 20.4%, accounting for 116.6% of the budgeted amount; the income of basic medical insurance fund for residents was 683.833 billion RMB, an increase of 12.2% year on year, and reached 101.2% of the budgeted amount.

16. The operating income of enterprises above designated size in the cultural and related industries increased by 9.3% year on year in the first three quarters of 2018

The data published by NBS on October 31 showed that the operating income of enterprises above designated size in the cultural and related industries reached 6.3591 trillion RMB in the first three quarters of 2018, up by 9.3% year on year. By regions, the operating income of the eastern region reached 4.9325 trillion RMB, accounting for 77.6% of the national total; the operating income of the central, western and northeastern region reached 830.5 billion RMB, 527.4 billion RMB and 68.6 billion RMB respectively, accounting for 13.1%, 8.3% and 1.1% of the national total respectively. In terms of growth rate, the western region increased by 12.8% year on year, the eastern region increased by 9.2% year on year, the central region increased by 8.6% year on year, and the northeast region decreased by 0.6% year on year.

Ⅲ. MOF Events

1. On October 8, Vice Finance Minister Zou Jiayi met with Naoko Ishii, CEO and Chairperson of the Global Environment Facility (GEF).

2. From October 11 to 12, during the G20 Finance Ministers and Central Bank Governors' Meeting in Bali, Indonesia, Vice Finance Minister Zou Jiayi met with the Turkish Finance Minister Albayrak, the French Deputy Finance Minister Bassau, the Russian Deputy Finance Minister Stochak, the Canadian Deputy Finance Minister Stewart, the UK Deputy Treasury Secretary Bowman and the OECD Deputy Secretary-General Shuknecht.

3. From October 16 to 17, Vice Finance Minister Yu Weiping attended the 25th APEC Finance Ministers Meeting.

4. On October 17, Finance Minister Liu Kun met with the Austrian Finance Minister Hartwig Löger.

5. On October 17, Vice Finance Minister Zou Jiayi met with Mr. Luis Moreno, President of the Inter-American Development Bank.

6. On October 26, Vice Finance Minister Zou Jiayi met with Barbara Woodward, the UK Ambassador to China.

7. On October 26, Finance Minister Liu Kun and Vice Finance Minister Zou Jiayi attended the High-level Forum on 40th Anniversary of China's Reform and Opening-up: Progress, Prospects and Impacts on the East Asian Region jointly hosted by MOF and AMRO.

Ⅳ. Local Finance

1. The Finance Bureau of Wuhan City, Hubei Province comprehensively implemented the more proactive fiscal policies

According to the news released by the Finance Department of Hubei Province on September 30, since this year, the Finance Bureau of Wuhan City has conscientiously implemented the more proactive fiscal policies, intensified efforts to strengthen weak links, delivered benefits to the people and prevented risks, thus providing financial support for the sustained and healthy economic and social development of Wuhan.

First, fully implement the tax and fee cut policy. (1) Earnestly implement the tax cut policy, reduce and exempt 415 million RMB of corporate income tax for 44,000 small and micro enterprises, reduce and exempt 3.3 billion RMB of corporate income tax for 823 high-tech enterprises, and additionally reduce 1.003 billion RMB of tax for science and technology enterprises. (2) Fully align with the policies of central and provincial governments to further clean up government-managed funds and administrative fees, and gradually reduce the corporate social insurance contribution rate and the charge of employment security fees for disabled persons. (3) Support the reduction of enterprise costs. Since August 1, 2018, the patent registration fee has been suspended. Through the implementation of a series of tax and fee cut policies of the central, provincial and city governments, it is expected that the burden of the real economy will be reduced by more than 26 billion RMB in this year.

Second, accelerate the transition of growth drivers. (1) Give play to the role of industrial investment featuring "fund + capital", and continue to expand the scale of the Wuhan Industrial Investment Guiding Fund. (2) Comprehensively sort through the surplus funds in the city's 423 municipal departments, collect the surplus funds and transfer them to the Finance Bureau, and revitalize 2 billion RMB of dormant funds to finance the improvement of environment. (3) Further expand the scale of financing emergency funds for small and micro enterprises, implement effective measures to make financing accessible and affordable for small and medium-sized enterprises, and promote the sustainable and healthy development of small and medium-sized enterprises and the new private businesses.

Third, actively implement various policies that benefit people's livelihood. In accordance with the requirements of strengthening the weak links, further adjust and optimize the structure of fiscal expenditure, improve the implementation of the budget for expenditures on people's livelihood, strengthen the management of expenditure schedule, strictly control general expenditures, comprehensively fund the areas related to people's livelihood such as social security, medical care and education, and focus financial resources on strengthening the weak links in areas related to people's livelihood.

Fourth, resolutely prevent government debt risks. Hold a special meeting on the prevention and resolution of debt risks of key departments at the municipal level, introduce 9 measures such as the compilation of the report on debts and assets and the work plan for the repayment of principal and interest of government's swapped bonds, formulate

the plan for the prevention and mitigation of government's implicit debt risks, clarify the division of labor and the responsibilities of key tasks to ensure that the government's implicit debt stock is safely dealt with during the term of the debt, the increase of debts is completely contained, and the risks are effectively prevented.

2. The Finance Department of Guang dong Province deepened the reform of "streamlining administration, delegating powers and providing better services" for grass-root level financial management

According to the news released by the Finance Department of Guangdong Province on October 10, it has worked to optimize the process, delegate the powers and further clarify the powers and responsibilities on budget preparation for infrastructure projects, fund disbursement and project final accounts, in order to enhance the efficiency of the infrastructure projects implemented by provincial departments.

First, optimize the financial review process for infrastructure projects and improve review efficiency. Except for the projects newly added to the provincial budget, the funding arrangements of other projects will no longer be subject to the approval of provincial government, thus reducing the processes of document review and effectively improving the review efficiency. Second, optimize the fund allocation procedures for infrastructure projects and accelerate the pace of expenditures. The funds for infrastructure projects will be disbursed through authorized payment rather than through the direct disbursement by provincial finance after the review. The fund disbursement will be mainly reviewed by project authorities rather than provincial finance department, and be disbursed after the review by provincial project authorities, in order to cut the processes of provincial finance department's review of direct disbursement. Third, delegate the powers over the review and approval of the final accounts of infrastructure projects to clarify departmental responsibilities. Delegate the powers to the provincial project authorities over the review and approval of the final accounts of the infrastructure projects of agencies affiliated to provincial project authorities, so as to further clarify the powers and responsibilities among departments and clearly define the responsibilities of the project authorities. Fourth, optimize the infrastructure project management services. Develop supporting systems for the approval, filing and operational procedures of the final accounts of infrastructure projects, inform the departments in detail of relevant review procedures, provide detailed work guidelines to ensure that the effective management of the project review and approval powers after the delegation. Fifth, innovate the management methods of infrastructure projects to strengthen the interim and ex-post supervision. Establish a random inspection system for the delegated powers, and strengthen supervision to prevent gaps in management.

3. Hangzhou City of Zhejiang Province actively deployed fiscal policies to support Hangzhou's development

According to the news released by the Finance Department of Zhejiang Province on October 17, Hangzhou, in recent years, has fully deployed fiscal policies and continuously made the policies more forward-looking, flexible and effective to enable them to play a greater role in expanding domestic demand and structural adjustment, in order to lay a solid foundation for the sustainable development of public finance, economy and society.

First, comprehensively advance the national pilot work. Strengthen the interaction with the central ministries and actively secure various pilot programs. (1) The "Made in China 2025" national-level demonstration zone. Continue to promote the upgrading of quality, efficiency and growth drivers of traditional manufacturing. (2) The first batch of demonstration cites for entrepreneurship and innovation of small and micro enterprises. Complete the two-year performance self-evaluation of central special funds for entrepreneurship and innovation of small and micro enterprises. (3) The national and provincial pilot cities in the comprehensive reform of the elderly care service industry. Comprehensively promote the launch of a new round of "smart elderly care" work. (4) The pilot city of underground integrated pipeline network. Advance the construction of the underground pipeline network by focusing on the three aspects of planning, construction and management to achieve sustainable urban development.

Second, fully ensure the funding of major projects. Focus on the internationalization of the city, and accelerate the establishment of a diversified and sustainable new urban investment and financing system for construction. (1) Actively set up government investment fund and give full play to the role of Hangzhou Investment Development Ltd.. (2) Deepen the public-private partnership. Establish a Hangzhou PPP project pipeline and create a comprehensive and unified information platform for PPP project management.

Third, actively support innovation-driven development. Formulate various supportive fiscal and tax policies, deploy a mix of policies for the transformation and upgrading of growth model, and reduce the costs of taxes and fees for companies. (1) Introduce targeted policies for the transition of growth drivers and set up special fiscal fund for the revitalization of the real economy (key industries). (2) Fully implement the tax and fee cut policy. Suspend the collection of local water conservancy construction charges and temporarily reduce the urban infrastructure supporting fees. (3) Catalyze private capital to support the development of enterprises, and leverage the limited fiscal resources to crowd in more private resources to support enterprise development.

Fourth, continue to strengthen support for public services. (1) Improve environmental treatment and enhance the enthusiasm of grass-root staff through assessment and rewards. (2) Strengthen the treatment of five solid wastes. (3) Step up efforts to tackle traffic congestion. (4) Support

the development of agriculture and farmers and vigorously promote the industrial development of economically weak villages.

4. Hengyang City of Hunan Province focused on five aspects to comprehensively advance the management of fiscal treasury

According to the news released by the Finance Department of Hunan Province on October 15, the Finance Bureau of Hengyang City has focused on five aspects to comprehensively advance the management of fiscal treasury, and gradually established a basic framework of the modern fiscal treasury management system. New progress and outcomes have been achieved in every aspect of work.

First, focus on strengthening the foundation of work. Establish a standardized fund disbursement procedure and an AB replacement system to prevent the coexistence of incompatible posts; conduct quarterly cross-check of budgetary funds, special funds, funds under special account management and other funds. Second, promote the application of information technology. Advance the construction of a dynamic monitoring system for budget implementation, study and formulate early warning rules, and build a dynamic monitoring platform system; continuously improve the horizontally interconnected system of treasury funds as well as the information system for fiscal accounting and budget implementation. Third, strengthen account management. Adhere to the requirements in fiscal special account management, strengthen the communication with the bank at which the fiscal accounts are opened, and comprehensively sort through and regulate the fiscal special accounts. At the same time, further regulate the management of budget units' accounts and strengthen the approval and record management of city-level budget units' bank accounts. Fourth, step up the management of borrowing and lending. Establish a regular clean-up mechanism for borrowing and lending and regulate the borrowing procedures to solidly advance the clean-up of borrowing and lending. Fifth, strengthen the monitoring of treasury funds. Strengthen the management of the city's treasury funds, improve the forecasting of fiscal revenues and expenditures, and ensure the funding needs of key projects.

5. Chuzhou City of Anhui Province gradually moved to establish a full-process budget performance management system

According to the news released by the Finance Department of Anhui Province on October 22, Chuzhou City has focused on building a full-process budget performance management system featuring "targets for budget preparation, monitoring of budget execution, evaluation after budget completion, feedback of evaluation results, and application of feedback results", thus gradually putting in place a full-process budget performance management system.

First, carry out top-level design, make high-level advancement, and gradually establish the concept of budget performance. The city government formulated the guiding ideas and basic principles for comprehensively promoting budget performance management throughout the city; established the overall objectives; clarified the specific tasks and requirements of all aspects of budget performance management; and proposed specific measures to strengthen organizational leadership, improve the system, advance relevant reforms, improve publicity and training, and strengthen supervision and inspection.

Second, carry out pilot program first, gradually roll out later, and basically cover performance target compilation and performance self-assessment. Strengthen the management of budget performance target compilation, carry out the overall expenditure performance pilot program first and then roll it out. The Finance Bureau took a solid step toward the "three synchronizations" of performance target management and budget preparation, specifically synchronized declaration, review and approval.

Third, make active exploration and increase the application of performance evaluation results. Advance budget performance evaluation, and at the same time, entrust a third party to conduct performance evaluation, give full play to the role of fiscal supervisory authorities, and strengthen evaluation and re-evaluation in key areas. Within 15 days after the formation of evaluation results, the finance authorities will report back to the evaluated units and the competent authorities, requiring the units to make rectification.

Fourth, address concerns, take the initiative to make disclosure and steadily advance the disclosure of performance information. Extend the content of disclosure from simple and general information to detailed performance objectives.

6. Finance Bureau of Jingzhou City of Hubei Province took five measures to strengthen budget management

According to the news released by the Finance Department of Hubei Province on October 24, in the past five years, in accordance with the requirements of deepening the budget management system reform, the Finance Bureau of Jingzhou City stayed problem-oriented and took five measures to strengthen budget management.

First, implement the "4N1" budget management model. "4" refers to general public budget, governmental fund budget, social insurance fund budget and state-owned capital operation budget; "N" refers to revenue and expenditure budget of various government special funds; "1" means that all income and expenditure activities are implemented through departmental budget platform. Second, merge two steps into one step. Simultaneously start the government budget and the departmental budget preparation, and simultaneously submit the government budget draft and the departmental

budget draft to the city people's congress for review and approval. After three years of trial operation and improvement, the city people's congress, the government, the finance authorities and the budget units have gradually adapted to the new working model of budget preparation and review. Third, rectify the irregularities of public expenditure. Adjust public expenditure policies, and effectively curb the irregularities of public expenditure. Fourth, change the project management model. In 2015, Finance Bureau of Jingzhou carried out a new design and management process reengineering of the original departmental budget project pipeline, and explored the establishment of a new project pipeline management system. The system sets three sub-modules: project application, project review and project screening. In recent years, through the project pipeline management, problems such as untruthful project preparation and project funds diversion have been effectively solved. Fifth, implement the management of medium-term fiscal plan. In 2016, Jingzhou selected eight departments as pilot units and simultaneously prepared the departmental medium-term fiscal plan when preparing the 2017 departmental budget. In 2017, three more departments were added to the trial. In May 2018, the Medium-term Fiscal Plan of Jingzhou City-level Government Departments (2018-2020) was prepared and submitted to the city government for approval. The plan measures the available financial resources of Jingzhou in the next three years, and at the same time, it calculates the funding demands of major expenditure projects, objectively reflects the budget gap, and seeks to establish a cross-year budget balance mechanism to provide important reference for government decision-making.

7. The Finance Bureau of Yichun City, Jiangxi Province took multiple steps to boost rural revitalization

According to the news released by the Finance Department of Jiangxi Province on October 30, the Finance Bureau of Yichun City focused on the rural revitalization strategy, actively played its fiscal role, increased input of funds, and boosted rural revitalization.

First, increase investment in modern agriculture and promote the prosperity of rural industries. (1) Promote the adjustment of industrial structure. From 2016 to 2018, with an investment of 429 million RMB, the city catalyzed 4.451 billion RMB of private capital investment into six major industries. (2) Promote scaled-up operations. From 2016 to 2018, the city invested 1.216 billion RMB to support scaled-up agricultural projects. (3) Promote the development of protected agriculture. To build a model for the development of protected agriculture, the city brought in 5 agricultural technology companies with an investment of 730 million RMB.

Second, increase investment in ecological protection and take three measures to create an ecologically livable village. (1) Increase investment in the construction of demonstration zone of ecological civilization. In 2018, the city budget allocated 54

million RMB for the construction of demonstration zone of ecological civilization. (2) Provide financial support for clean water and pure land operations. Support the city to be included in the national ecological protection and restoration pilot program and provide required budgetary support for the preliminary work. (3) Launch the pilot project for the integrated urban and rural sanitation management. Establish garbage sorting measures and explore working models that can be promoted and replicated.

Third, increase investment in rural infrastructure and take three steps to promote the development of new countryside. (1) Ensure the investment in the development of new countryside. In 2017, the city invested 927 million RMB of fiscal resources and built 3,424 new villages. (2) Ensure the investment in rural infrastructure. In 2017, the city invested 334 million RMB in rural road construction, 165 million RMB in rural water and electricity enhancement projects, and 155 million RMB in rural clean engineering and environmental improvement. (3) Ensure the investment in renovation of rural dilapidated houses. In 2017, the city invested a total of 121 million RMB to renovate rural dilapidated houses.

8. The Finance Department of Yunnan Province took five measures to support education

According to the news released by the Finance Department of Yunnan Province on October 31, it has actively implemented the strategy of prioritizing educational development, continuously increased fiscal investment in education, improved the level of education funding, consolidated the foundation of educational development, and promoted the rapid development of various types of education.

First, ensure sufficient funding and consolidate the hardware basis. Since 2013, it has raised funds of 7.14 billion RMB through various channels to support the expansion of pre-school education and the development of private nursery schools. Since 2014, it has raised 30.3 billion RMB for the maintenance, renovation, construction and expansion of primary and secondary school buildings and the purchase of teaching facilities and equipment. Since 2016, a total of 1.306 billion RMB has been arranged to support the renovation and expansion of ordinary high school buildings and facilities and to improve school conditions. Second, ensure the per-student funding and improve the level of operation. After years of continuous investment, the Yunnan Finance Department has established a per-student funding system covering all stages of student education. The annual investment of nearly 11.2 billion RMB will ensure the normal operation and sustainable development of schools at all stages. Third, ensure sufficient funding and promote fairness and equity. The Yunnan Finance Department actively provided funding for students with financial difficulties in all levels of education to ensure that no child would drop out of school due to family financial difficulties. Through targeted financial

support, educational fairness and equity is ensured. Fourth, provide sufficient training funds and improve teaching standards. The Yunnan Finance Department raised fiscal funds no less than 10% of the annual budget of schools for the training of teachers at primary and secondary schools and kindergartens. Fifth, strengthen fund management and enhance capital efficiency. Strengthen performance management, conduct comprehensive performance evaluation of fiscal fund projects, and urge the education authorities to rectify and correct the problems one by one.

V. Remarks & Opinions

1. Liu Kun: proactive fiscal policies are boosting the high-quality economic growth

Finance Minister Liu Kun, recently said in an exclusive interview with the People's Daily that since the beginning of this year, the Chinese government has continued to pursue proactive fiscal policies, intensified the efforts to cut taxes and fees, unleashed the vitality of the market entities, accelerated the pace of fiscal expenditures, and supported the steady growth of the economy. The effects of these policies are increasingly notable.

First, the annual reduction of taxes and fees is expected to exceed 1.3 trillion RMB. (1) Vigorously reduce taxes and fees. At the beginning of this year, China has set the policy goal of reducing taxes and fees by 1.1 trillion RMB throughout the year. This is the largest tax and fee cut in recent years. On this basis, a series of measures have been introduced to promote the development of the real economy and support scientific and technological innovation. The scale of tax and fee cut in this year is expected to exceed 1.3 trillion RMB. Meanwhile, MOF is also studying larger-scale tax cut and more effective measures to reduce costs. (2) Speed up bond issuance. As of September 26, the local governments' new general bond issuance has completed 91.8% of the annual plan, and the new special bond issuance has completed 85% of the annual plan. In this process, MOF urged local governments to speed up the use of funds and deliver benefits as soon as possible. (3) Speed up the implementation of budget. The data showed that in the first 8 months of this year, the nationwide general public budget expenditure amounted to 14.0673 trillion RMB, registering a year-on-year increase of 6.9% and completing 67% of the budget set at the beginning of the year. The pace of budget implementation in September continued to accelerate, which promoted the steady development of the economy.

Second, the structure of fiscal expenditure has been continuously optimized. Since the beginning of this year, the central government has actively adjusted and optimized the expenditure structure, strictly controlled general expenditures, strengthened the management of the "three public expenses", and increased investment in key areas and key links.

(1) Promote balanced regional development. In this year, the central government's general transfer payment to local governments amounted to 3.9 trillion RMB, an increase of 10.9%, the highest increase in recent years. In the allocation of funds, the focus is on the financially difficult areas such as the central and western regions, in order to enhance the financial capacity of these places and promote the equalization of basic public services. (2) Support the three critical battles. For example, the central government's special poverty alleviation funds were greatly increased in this year, reaching 106.1 billion RMB and registering a year-on-year increase of 23.2%. The increased funds mainly went to the extremely poor areas such as the "three regions and three prefectures"; the 40.5 billion RMB of funds for the prevention and control of air, water and soil pollution were arranged, representing the biggest investment in recent years. (3) Strengthen funding for areas related to people's livelihood. 46.9 billion RMB of employment subsidy funds, 669.7 billion RMB of basic pension transfer payments, as well as 139.6 billion RMB of assistance funds for poor people were appropriated to secure and improve people's livelihood. (4) Increase spending on key areas. Up to now, the central government has disbursed a total of 409.4 billion RMB of funds for local infrastructure expenditure, accounting for 94.2% of the budgeted amount set at the beginning of the year, with a focus on supporting infrastructure construction in areas such as innovation and ecological and environmental protection and promoting sustained and healthy economic development.

Third, fiscal policy will play a greater role in expanding domestic demand and structural adjustment. The central government has made it clear that the proactive fiscal policies should be more active, which definitely does not mean that the government would resort to strong and extensive stimulus, but make the policies more forward-looking, flexible and effective, and play a more important role in expanding domestic demand and structural adjustment so as to promote high-quality economic development. The fiscal policies will be pre-adjusted and fine-tuned according to the changes of situation, with a view to more effectively serving the real economy and ensuring the realization of the goals and tasks of economic and social development. (1) Intensify efforts to reduce the burden. Fully implement the policies of tax and fee cut that have already been introduced, and at the same time, consider larger-scale tax cut and more effective measures to reduce costs, so that enterprises can have lighter burden and grow better. (2) Strengthen the weak links. Vigorously support the construction of major projects identified by the central government and strengthen the weak links in economic and social development. (3) Promote consumption. Improve the income distribution system that is conducive to enhancing the consumption power of residents, make in-depth study of policies such as the special deduction scheme for personal income tax, boost the income of residents, and stimulate the consumption potential of residents. (4) Economize for the benefit of people. The government must tighten the belt

and spend the saved money on people to improve people's livelihood.

2. Zhou Qiangwu: development of China-ASEAN community with a shared future in the context of de-globalization

Zhou Qiangwu, Director General of the International Economics and Finance Institute of MOF, recently said at the Southwest Forum in Yunnan that China and ASEAN are friendly neighbours connected by land and sea and are natural partners. Since the Chinese President Xi Jinping proposed the initiative of the China-ASEAN community with a shared future in 2013, China and the 10 ASEAN countries have followed the principles of amity, sincerity, mutual benefit and inclusiveness, joined hands together and worked in a step-by-step manner to promote the exchanges and cooperation in the three pillar areas of political security, economy and trade as well as people-to-people exchanges. On the security front, the two sides reached an agreement last month on the single draft South China Sea Code of Conduct, which will facilitate the creation of a sea of peace, friendship and cooperation. In the economic and trade field, efforts have been made to actively deliver the outcomes of the upgrade of the China-ASEAN Free Trade Area and accelerate the RCEP-related negotiations. China-ASEAN trade volume has increased from over 100 billion USD in 2004 to 540 billion USD last year, bringing tangible benefits to China and the 10 ASEAN countries; in the area of people-to-people exchanges, the 11th China-ASEAN Education Cooperation Week was held in July this year, and the number of exchange students between China and ASEAN has exceeded 200,000.

However, while China and ASEAN are pushing for closer political, security, and economic and trade cooperation, the United States is still clinging to the Cold War mentality, practicing unilateralism and trade protectionism, and irresponsibly provoking a trade war not only against China but also against its traditional allies and other trading partners. This trade friction or trade dispute has brought significant risks and uncertainties to China, as well as to the global economy including ASEAN. Under the current situation, it is of special significance for China and ASEAN to work side by side, firmly safeguard the multilateral system, protect common interests, and build a closer China-ASEAN community with a shared future. The China-ASEAN community with a shared future is not empty talk, but substantive and concrete.

First, continue to deepen China-ASEAN economic and trade cooperation. Pragmatic cooperation must first start with economic and trade cooperation. China is the largest trading partner of ASEAN, and ASEAN is China's third largest trading partner. The bilateral trade volume between China and ASEAN has exceeded 500 billion USD and has increased more than 6 times in 15 years. The total investment in both directions has exceeded 200 billion USD. China-ASEAN economic and trade cooperation still has broader and deeper

space and potential for further development. The mutually beneficial regional industrial chain may be further improved, and the size of two-way trade and investment can be further increased. As staunch supporters and practitioners of economic globalization and trade liberalization, China and ASEAN, by deepening trade and investment cooperation, can add new impetus to the process of regional integration and bring tangible benefits to both peoples.

Second, work together to build a regional financial safety net. The financial cooperation between the two sides, especially the one under the ASEAN+3 framework, started early and yielded fruitful outcomes. The size of the CMIM has reached 240 billion USD, and thanks to the efforts of China, Japan and Korea, as well as the strong support from the 10 ASEAN countries, the readiness and effectiveness of CMIM have been gradually improved. The ASEAN+3 Macroeconomic Research Office (AMRO) has been upgraded to an international organization, or the future "Asian Monetary Fund" of our region, and will play a greater role in risk prevention and crisis response. In the future, we will jointly build a regional financial safety net to create a sound external environment for the economic development of ASEAN and the entire region, especially the financial environment.

Third, work together to build the Belt and Road. ASEAN is the priority direction and important partner of the Belt and Road international cooperation. At present, China and several ASEAN countries have signed different forms of cooperation documents, and have actively carried out mutually beneficial projects in infrastructure connectivity and in economic and trade cooperation zones. In particular, China and ASEAN have actively strengthened the linkage between the Belt and Road initiative and the Master Plan on ASEAN Connectivity 2025. Positive results have been achieved in the past five years and valuable experience has been accumulated. There have been some voices in the world, criticizing China for saddling ASEAN countries with debt burdens. However, just as "only the feet know whether the shoes fit", ASEAN friends have the most say on this issue. The most powerful rebuttal is that the two sides are continuing to work together to advance the Belt and Road and enable the people of ASEAN to gain more benefits. The Belt and Road is an open road of shared benefits through cooperation and consultation, and we welcome ASEAN partners to make constructive suggestions.

Fourth, promote the healthy development of Lancang-Mekong cooperation. The Lancang-Mekong cooperation is a new sub-regional cooperation platform launched by China and the five countries of the Lancang-Mekong River Basin, which further enriches the China-ASEAN cooperation. With the remarkable speed and efficiency, we have gradually put in place the current "3+5+X" cooperation framework under the "3+5" cooperation framework, and the progress of cooperation in each area has exceeded expectations. At present, the Lancang-Mekong cooperation is in the transition from the

incubation stage to the growth period, and requires the joint efforts of the ASEAN friends and the Chinese side to actively sum up experience, plan the future direction of cooperation, and promote the healthy development of cooperation.

On September 24, the Information Office of the State Council of China issued a white paper entitled the *Facts and China's Positions on China-US Trade Frictions*. The State Council Information Office also held a special press conference to systemically clarify, for the first time, the facts of China-US economic and trade relations, and clearly explain China's political stance on China-US economic and trade friction. We cannot predict the next surprising move of the U.S. in the future, but China will continue to promote reform and opening up at its own pace and do its own things well.

3. Liu Kun: state-owned assets of financial enterprises are an important guarantee for promoting national modernization and safeguarding national financial security

When Finance Minister Liu Kun recently reported to the Standing Committee of the National People's Congress on the 2017 State-owned Assets of Financial Enterprises, he said that the state-owned assets of financial enterprises are an important guarantee for promoting national modernization and safeguarding national financial security as well as the important material basis and political foundation for the undertakings of the Party and state. State-owned financial enterprises are an important pillar for serving the real economy, preventing and controlling financial risks, and deepening financial reform. The Party Central Committee and the State Council attach great importance to the management of state-owned assets of financial enterprises. General Secretary Xi Jinping clearly pointed out in the report of the 19th National Congress that it is necessary to improve various state-owned asset management systems, reform the authorized operation system for state-owned capital, promote the preservation and increase of the value of state-owned assets and effectively prevent the loss of state-owned assets. At the Fifth National Financial Work Conference, it was emphasized that we must optimize the financial institution system, improve the modern financial enterprise system, and improve the management of state-owned financial capital. Premier Li Keqiang pointed out that to deepen financial reform, it is necessary to optimize the layout of financial institutions, improve corporate governance of financial institutions, urgently revise and improve the basic financial laws and promote legislation on state-owned financial capital management. The *Guiding Opinions on Improving the Management of State-Owned Financial Capital* issued by the Party Central Committee and the State Council on June 30, 2018 is an important milestone and serves as a guiding document for us to do a good job in the management of state-owned financial capital. In accordance with the decisions of the Party Central Committee and the State Council, work

of managing the state-owned assets of financial enterprises has been comprehensively advanced.

Since the 18th National Congress of the Communist Party of China, under the strong leadership of the Party Central Committee with Comrade Xi Jinping as the core, with the steady and healthy growth of China's economy and the increasing opening up to the outside world, the financial strength of China's state-owned financial enterprises have grown stronger. Their assets are mainly in the banking sector and concentrated at the central level, and the scale of overseas financial assets has grown steadily.

First, the total amount of state-owned assets of financial enterprises. The state-owned assets of Chinese financial enterprises (the due rights and interests of state-owned capital) are mainly distributed in the central state-owned financial enterprises managed by MOF, the financial infrastructure institutions managed by the financial regulatory authorities, financial subsidiaries under the management of central enterprise groups (non-financial), as well as local financial companies. As of the end of 2017, the above-mentioned financial institutions had total assets of 241 trillion RMB, total liabilities of 217.3 trillion RMB, and total state-owned assets of 16.2 trillion RMB.

Second, the distribution of state-owned assets of central and local financial enterprises. The state-owned assets of financial enterprises are concentrated at the central level. Among the financial enterprise groups in China, the central state-owned financial enterprises have total assets of 149.2 trillion RMB and state-owned assets of 10.2 trillion RMB. The total amount of state-owned assets of local financial enterprises is relatively small and the regional distribution is uneven. The total assets of local financial enterprises are 65.5 trillion RMB and the state-owned assets are 3.2 trillion RMB.

Third, the composition of the state-owned assets of financial enterprises. In terms of industry distribution, banking financial institutions account for the largest proportion. As of the end of 2017, at the central level, the total assets and state-owned assets of banking financial institutions accounted for 84.8% and 65.3% respectively; the securities industry accounted for 0.6% and 1.8% respectively; the insurance industry accounted for 3.7% and 3.2% respectively. At the local level, the total assets and state-owned assets of banking financial institutions accounted for 89.1% and 54.2% respectively; the securities industry accounted for 4.4% and 12.6% respectively; the insurance industry accounted for 2.8% and 3.1% respectively.

Fourth, the total amount and distribution of overseas assets of financial enterprises. As of the end of 2017, the assets of overseas institutions invested by Chinese financial institutions (including overseas branches established by domestic enterprises) amounted to 18.1 trillion RMB, and the total equity enjoyed by the group level was 0.9 trillion RMB. Compared with 2013, the total investment increased by 50% and the equity doubled. The number of central level

institutions, total assets, operating incomes and profits account for more than 90%. In terms of industry distribution, overseas business is predominantly in the banking industry.

According to the principle of "national ownership and tiered management", the state-owned assets of financial enterprises are managed separately by the central and local governments. State-owned financial asset management has achieved phased outcomes in comprehensively strengthening party building, actively fulfilling the responsibilities of investors, improving the design of top-level systems, improving the basic management framework, establishing a modern financial enterprise system, and optimizing incentive and restraint mechanisms.

First, improve the state-owned financial capital management system. The Guiding Opinions issued by the Party Central Committee and the State Council in June 2018 focused on the problems and obstacles in the management of state-owned financial capital, adhered to the five basic principles of serving the overall purpose, conducting unified management, clearly defining powers and responsibilities, staying problem-oriented and strengthening Party leadership, rationalized the state-owned financial capital management system, enhanced the vitality and control of state-owned financial institutions, promoted the preservation and increase of the value of state-owned financial capital, better advanced the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reforms, required the financial state-owned assets management to make comprehensive deployment and conduct centralized, unified, full-process and full-coverage management, and put an end to the long-standing problem of unclear rights and responsibilities of state-owned financial capital management. This is an important manifestation of Xi Jinping's thoughts on socialism with Chinese characteristics for a new era in the field of state-owned financial capital management, and is the deepening and development of state-owned capital management reform in the financial field in the new era, providing a fundamental basis for strengthening and improving state-owned financial capital management in the new era.

Second, improve the basic management framework system for state-owned financial capital. In recent years, MOF has focused on the management of capital and continuously strengthened the development of state-owned financial asset management systems. (1) Give play to the role of property rights registration, asset evaluation, and property rights transfer to prevent the loss of state-owned assets by developing a basic management system centered on property rights registration, evaluation and supervision, property rights transfer and state-owned equity management. (2) Adapt to changes in the main entities of financial markets and financial regulatory requirements and strengthen financial management of financial enterprises by establishing and improving the financial system of financial enterprises. (3) Establish a comprehensive performance evaluation

system of financial enterprises and formulate the remuneration management method linked to the results of performance evaluation to realize the shift of the focus of capital management from scale to quality and efficiency. (4) Study and establish a state-owned capital operation budget system for financial enterprises, clarify the distribution relationship between the state and enterprises, and achieve effective connection between capital management and budget management. (5) Strengthen the management of board directors by improving the decision-making mechanism of directors and effectively give play to the positive role of state-owned equity directors in financial enterprise governance.

Third, establish a modern financial enterprise system. MOF, together with the People's Bank of China, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission, firmly deepened financial reforms, and in accordance with the inherent requirements of building a socialist market economy, constantly improved the corporate governance of state-owned financial enterprises, optimized the shareholding structure, improved the modern financial enterprise system, enhanced the ability of financial enterprises to serve the real economy, and promoted the preservation and increase of the value of state-owned financial assets. (1) The reform of state-controlled financial institutions has been further advanced. The reform of the joint-stock system of large state-owned commercial banks was successfully completed, and the supporting reforms such as improving corporate governance and internal authorized management system continued to deepen, thus further unleashing the vitality of the institutional mechanism. A number of state-owned financial institutions have been listed in Hong Kong. (2) The reform of development and policy banks has made progress. The State Council approved the reform plans of three banks, clarified the respective functional positioning and business scope of development and policy banks, further replenished their capital, and established a modern corporate governance structure. (3) The commercial transformation of asset management companies has made positive progress. Cinda and Huarong completed the listing, and Great Wall and Orient completed the restructuring and introduction of strategic investors.

Fourth, optimize the income distribution pattern of state-owned financial enterprises. In 2014, the fourth meeting of the Central Leading Group on Comprehensively Deepening Reform proposed that we should proceed from the basic national conditions of China's primary stage of socialism, adapt to the state-owned asset management system and the state-owned enterprise reform process, and gradually regulate the income distribution order of state-owned enterprises. In the past few years, MOF has actively promoted the optimization of the income distribution pattern of state-owned financial enterprises. (1) Implement the reform of the remuneration system for the executives of the central enterprises and promote the income distribution pattern featuring appropriate

salary level, reasonable structure, standardized management and effective supervision. In 2016, the executives of the central financial enterprises had an average annual salary of 584,000 RMB. (2) Further improve the incentive and restraint mechanism of state-owned financial enterprises and fully mobilize the enthusiasm, initiative and creativity of employees. (3) Combine short-term incentives with long-term incentives, strengthen the accountability of the executives of financial enterprises, and establish a system of incentive income for the term.

Fifth, comprehensively strengthen Party building. In order to implement the requirements of strictly administering the Party and strictly conduct the Party building of enterprises, state-owned financial enterprises continued to consolidate the foundation of Party building, resolutely upheld the core position of General Secretary Xi Jinping, and resolutely safeguarded the authority and centralized leadership of Party Central Committee. (1) Implement the political responsibility of party governance at all levels. Adhere to the requirements of "looking into the mirror, grooming oneself, taking a bath and seeking remedies", carry out the Party's mass line education activities and the "three strictness and three earnestness" special education, and promote the regular and institutionalized learning and education of "two studies and one action". (2) Explore effective ways to adhere to the Party's leadership and improve the corporate governance structure. Adhere to the appointment system, implement the "four simultaneous" requirements of Party building and ensure that the role of Party organizations is effectively played. (3) Earnestly build a clean and honest Party organization and promote anti-corruption work. Thoroughly implement the spirit of the eight-point regulations, strictly implement the "two responsibilities", and resolutely oppose the "four forms of undesirable work style".

Since the 18th CPC National Congress, MOF and other relevant departments have conscientiously implemented the overall plan of the Party Central Committee and the State Council, followed the five principles of "serving the overall purpose, conducting unified management, clearly defining powers and responsibilities, staying problem-oriented and strengthening Party leadership", focused on the three main lines of "building system, enhancing management and preventing risks", and made great efforts to promote the management of state-owned assets of financial enterprises. As a result, we have initially achieved the goal of "preserving and increasing asset value, optimizing layout, and improving quality and efficiency", state-owned financial enterprises have been further strengthened and become an important force for promoting the smooth and healthy operation of the national economy, supporting the implementation of China's major development strategies, and safeguarding national financial security.

First, the value of state-owned assets has been preserved and increased and the state wealth has been further strengthened and expanded. The

preservation and increase of the value of state-owned assets is the basis for the sustainable operation and development of state-owned financial enterprises, the prerequisite for strengthening the control, influence and risk resilience of state-owned enterprises, as well as the basic requirement for the management of state-owned financial assets. In 2017, after deducting objective factors, the average value preservation and increase rate of central state-owned financial enterprises was 110.8%, which represents the realization of the target of preserving and increasing value. From 2013 to 2017, the operating incomes of the central state-owned financial enterprises increased from 4.3 trillion RMB to 5.8 trillion RMB, and the net profits attributable to the parent company increased from 1.2 trillion RMB to 1.4 trillion RMB. The average dividend payout ratio in 2017 was 28.9%, an increase of 2.8 percentage points from 2013.

Second, the layout of state-owned capital has been gradually optimized, and the benign situation of "having both advancement and retreat" has gradually taken shape. We have made overall planning of the strategic layout of state-owned capital to adapt to the needs of economic development, improve the efficiency of capital allocation and achieve the strategic, security and economic goals. Since 2013, a series of adjustments have been made in the overall layout of state-owned capital of financial enterprises around "advancement" and "retreat" and "action" and "inaction". (1) The state-owned financial capital is advancing where necessary and has concentrated in key areas with growing control and influence. By replenishing the capital of large state-owned commercial banks, policy banks and development financial institutions, state-owned capital has been increasingly concentrated in important industries, key areas and key financial institutions that are related to the national economic lifeline and national financial security. As a result, the ability of state-owned financial institutions in serving the real economy and preventing and mitigating risks has been strengthened. (2) Retreat where necessary and reduce the occupation of state-owned financial capital by withdrawing from the inefficient and ineffective assets. In recent years, central state-owned financial enterprises have actively focused on their main businesses, reorganized internal resources, disposed of non-core business assets, and actively returned to their original missions. (3) Merge when necessary, intensify the efforts to integrate resources and accelerate the pace of restructuring. We have promoted the reorganization of 10 state-owned financial enterprises such as China Everbright Group, in order to reduce homogeneous competition and increase synergies. The overall strength of the integrated financial enterprise has continued to increase, and their international competitiveness and influence have been increasing.

Third, continue to deepen financial reform and gradually establish the modern financial enterprise system. Deepening of reform is the fundamental driving force for financial development. Since 2013, the reform of China's state-owned financial

institutions has progressed in an orderly manner, the modern financial enterprise system has been gradually established, the institutional functions have been further clarified, and the vitality of enterprises has been significantly improved. (1) Vigorously promote the reform of the corporate joint-stock system. As of the end of 2017, the proportion of corporate reform at the national financial enterprise group level exceeded 90%; among them, the central state-owned financial enterprises have basically completed the reform of the corporate system, and the proportion of all levels of subordinate enterprises with corporate system accounted for more than 92%. (2) Establish and improve the corporate governance structure. At present, more than 90% of the state-owned financial enterprises with corporate system have established the board of directors at the group level, initially forming a governance structure with clear division of responsibilities, effective checks and balances and coordinated operations. (3) The vitality and risk resilience of financial enterprises have increased. Through reform and restructuring, the capital strength of state-owned financial institutions has been continuously enhanced, the capital constraint mechanism has been gradually improved, and the risk management and control capabilities have been significantly improved. Through public listing and introduction of strategic investors, state-owned capital, strategic investors and private shareholder have put in place a long-term benefit sharing and risk sharing mechanism, enhanced external constraints, promoted the transformation of management model and growth model, and improved the business operation efficiency.

Fourth, the ability for serving the real economy has been enhanced, and the role as the "main force" in implementing the national strategy has been reinforced. State-owned financial institutions are an important pillar for serving the real economy. Since 2013, state-owned financial institutions have taken supply-side structural reform as the main task, and deployed financial resources and financial instruments to actively serve the real economy and strengthen support for major national development strategies and major reform initiatives. (1) The ability of actively serving the real economy has been enhanced. Enhance the ability of financial sector in serving the real economy to respond to the shift from "high-speed" growth to "high-quality" development. (2) Actively innovate financial products and service methods and take the initiative, in order to promote the efforts of "cutting overcapacity, deleveraging, reducing excess inventory, cutting costs and strengthening weak links", win the battle against poverty and advance the Belt and Road Initiative. In terms of "cutting overcapacity, deleveraging, reducing excess inventory, cutting costs and strengthening weak links", we will reduce the leverage ratio and corporate debt burden by orderly carrying out market-oriented debt-to-equity swaps. The agencies that implement debt-to-equity swaps at the five major state-owned commercial banks were officially opened. In terms of poverty alleviation, special agencies were established according to

business conditions, such as the establishment of the Poverty Alleviation and Finance Department by the Agricultural Development Bank, and the establishment of Agriculture, Rural Area and Farmer Finance Department by the Agricultural Bank of China, so as to increase financial support for poverty alleviation.

Fifth, the financial "risk prevention" continued to advance, and the stabilizing role of the state-owned financial institution was brought into full play. According to the decisions and plans of the Party Central Committee and the State Council on preventing and resolving major risks, state-owned financial institutions have strengthened the prevention and control of risks and firmly forestalled systemic risks. (1) The rate of non-performing loans has stabilized and declined. As of the end of 2017, the non-performing loan ratio of the five major state-owned commercial banks was 1.56%, down by 0.15 percentage point from the end of 2016. (2) The disposal of non-performing assets has progressed steadily. In 2017, five major state-owned commercial banks disposed of about 0.7 trillion RMB of non-performing assets. The four major asset management companies actively played the role as the main force in the acquisition and disposal of non-performing assets. (3) The risk resilience of financial institutions has increased. As of the end of 2017, the total loan loss provision for banking financial institutions was 3.1 trillion RMB, and the provision coverage ratio was 181.4%, showing that the risk resilience capacity has steadily improved. The main risk control indicators such as net capital of financial institutions in securities industry continued to exceed the regulatory requirements. The comprehensive solvency adequacy ratio of major state-owned insurance institutions is in the range of 197% to 299%, which is much higher than the 100% regulatory standard.

Sixth, the Party building work in the financial sector has been carried out in depth, and the role of the Party in the financial field has been strengthened. To do a good job in financial work, we must uphold the Party leadership and thoroughly implement the Party's line, principles and policies in the financial field. Through the full implementation of the strict requirements of the Party, the Party building work was further promoted, the combination of Party building and business operation achieved positive progress, and the Party's leadership over state-owned financial enterprises was comprehensively strengthened. Party organizations at all levels of state-owned financial enterprises have fully implemented the responsibility of Party governance, strengthened the "four consciousnesses" and "four self-confidences", resolutely safeguarded the core position of General Secretary Xi Jinping, resolutely upheld the authority of the Party Central Committee and centralized leadership, and strengthened the political, ideological and action consciousness of Party organizations at all levels of state-owned financial enterprises. The combination of Party building and business operation made positive progress. Through the

combination of Party building and business operation, state-owned financial enterprises have implemented the "four consciousnesses" and "five development concepts" in their business operation and strengthened the Party's leadership core in the financial field.

While recognizing the positive results of the state-owned asset management of financial enterprises, we must also clearly understand that the state-owned financial asset governance system and governance capacity are still gradually improving, and some institutional and structural problems still exist. (1) The legal system for state-owned asset management of financial enterprises is still not in place. Some management systems lag behind the development of practice and are not well adapted to the needs of state-owned asset management of financial enterprises and the needs of "streamlining administration, delegating powers and providing better services" in the new era. (2) The comprehensive implementation of the Guiding Opinions still requires the active cooperation of all parties. To clarify the boundaries of state-owned financial capital management responsibilities, rationalize capital management linkages and achieve centralized and unified management, all localities and departments need to work together. (3) The layout of state-owned financial capital needs to be optimized. State-owned financial enterprises urgently need to shift from scale expansion to high-quality development. (4) The governance mechanism of state-owned financial enterprises needs to be optimized. The incentive and restraint mechanism to stimulate the creativity and competitiveness of state-owned financial enterprises needs to be improved. (5) The task of preventing and resolving major risks remains arduous.

At present, China has entered the stage of securing a decisive victory in building a moderately prosperous society in all respects. The Chinese nation is in a critical period of great rejuvenation, perfecting the state-owned financial asset management system and deepening the reform of state-owned financial enterprises remain a heavy responsibility and arduous task. Guided by Xi Jinping's thoughts on socialism with Chinese characteristics for a new era, we will fully implement the spirit of the 19th CPC National Congress and 2nd and 3rd Plenum of 19th Central Committee of the Party, adhere to the decisions of the Party Central Committee and the State Council, firmly establish the "four consciousnesses", uphold and strengthen the Party's comprehensive leadership, follow the general principles of making progress while maintaining stability, practice the new development concept, manage well and make the state-owned financial capital better, bigger and stronger in accordance with laws and regulations, and constantly enhance the vitality, control, influence and risk resilience of the state-owned economy.

First, strengthen the state-owned financial asset management system focusing on capital management. (1) Strengthen the legal system.

Accelerate the formulation of state-owned financial capital management regulations, clarify the authorized operation system, and consolidate the legal basis for improving the state-owned financial capital management system. Study and establish a unified state-owned financial capital investor system to clarify the rights, obligations and responsibilities of investors. (2) Promote centralized and unified management. In accordance with the principle of separation of responsibilities between market supervisors and investors, the management system of state-owned financial institutions should be rationalized. Include the financial institutions backed by state power and credit support into the unified management of state-owned financial capital and establish a financial management system for key financial infrastructure. Guide local financial departments to implement centralized and unified management and enjoy the rights as investors in major decision-making, selecting managers and gaining income in relevant financial institutions. (3) Strictly carry out whole-process and thorough management. Carry out thorough capital management of equity-invested state-owned financial enterprises on the basis of corporate governance and by using the means of property rights supervision to prevent insider control. Strengthen supervision over capital investment, asset trading, property rights transfer and overseas investment, strictly screen shareholder qualifications and funding sources, improve supervision and accountability mechanisms, and effectively prevent the loss of state-owned assets. (4) Improve the basic management system. Optimize system design, organize and implement basic management, operating budget, performance appraisal, and executive compensation management.

Second, optimize the strategic layout of state-owned financial capital and improve the efficiency of allocation. (1) Plan the strategic layout of state-owned financial capital. In light of the needs of economic development, rationally adjust the proportion of state-owned financial capital in the banking, insurance, securities and other industries, and promote the concentration of state-owned financial capital in important industries and key areas, important infrastructure and key financial institutions. Optimize the shareholding structure of competitive state-owned financial institutions, appropriately reduce the proportion of state-owned shares through the reduction of shareholding, introduction of new investors and opening up to the outside world, and expand private shareholding, so as to reduce the excessive holding of state-owned financial capital and ensure that state-owned financial capital maintains necessary control in the financial sector. (2) Improve the operational efficiency of financial infrastructures. In accordance with the plan of the Party Central Committee and the State Council on the transformation of some government-sponsored institutions into enterprises and the strengthening of financial infrastructure construction, we will advance the corporate reform of financial institutions backed by state power and credit support, enhance overall planning, development and supervision, promote reforms

and connectivity, and maintain the safe, stable and efficient operation of financial infrastructure. (3) Implement the state-owned financial capital budget system. Regulate the income distribution relationship between financial enterprises and the state and accurately reflect the revenue and expenditure budget.

Third, promote the sustained and healthy operation of state-owned financial institutions and improve the corporate governance structure. (1) Urge state-owned financial institutions to fulfill their main responsibilities for preventing and controlling financial risks. Adhere to prudent and compliant operation and abide by national macro-regulation and industrial policies. Strengthen risk management, improve the capital constraint mechanism and ensure adequate risk absorption capabilities. Dynamically investigate various risk hazards such as credit risks and improve risk prevention and emergency response mechanisms. Improve the recovery and resolution mechanism of state-owned key financial institutions and resolutely prevent and resolve financial risks. (2) Encourage the state-owned financial institutions to fulfill the main responsibility of serving the real economy. Firmly enhance the awareness of shared destiny with the real economy, and strengthen and improve services in key areas and weak links. Give play to the guiding role of performance targets and guide state-owned financial institutions to grasp the development direction, strategic positioning and operational priorities, highlight the main business, improve professionalism, and enhance the capacity for sound development, service capacity and core competitiveness. (3) Support state-owned financial institutions to deepen the corporate joint-stock reform. Promote the overall restructuring and public listing of qualified state-owned financial institutions, and establish an operational mechanism with diverse equity structure, shareholder code of conduct, effective internal constraints and efficient and flexible operation. Strengthen the important accountabilities of the board of directors in major decision-making, selection and appointment and incentive mechanisms. Guide the state-controlled financial institutions to rationally design the corporate hierarchy, compress the management levels, optimize the management process and reduce the complexity of the organizational structure. (4) Strengthen the management of the board directors and supervisors at state-owned financial institutions. Improve the management system of directors and supervisors, strengthen supervision and accountability and ensure that due responsibilities are fulfilled.

Fourth, improve the incentive and restraint mechanism of state-owned financial institutions. (1) Refine the performance evaluation system. In light of the functional positioning and industry characteristics of different types of financial institutions, build a performance evaluation system that is more targeted and comparable and promotes high-quality development. (2) Improve the remuneration management mechanism. Implement the reform of the wage determining

mechanism of state-owned financial institutions, and further improve the wage determining and increase mechanism that is generally adapted to the labor market and closely linked to the economic performance and labor productivity of financial institutions. Explore the implementation of employee stock ownership plans at financial institutions, establish an incentive compatibility mechanism, and promote the common growth of employees and enterprises. (3) Strengthen fiscal and financial supervision. In response to the needs of preventing financial risks and addressing financial irregularities, revise the financial rules of financial enterprises and make clear requirements for capital, investment, fund-raising and other activities of financial enterprise. Establish and improve financial management systems for financial holding companies and key financial infrastructures.

Fifth, implement the requirements of strictly governing the Party and strengthen the Party's leadership over state-owned financial institutions. (1) Give full play to the leadership role of the Party committee (Party group). We must uphold strict Party governance the party and ensure Party leadership over state-owned financial institutions. We will unite the Party leadership with the improvement of corporate governance, standardize the content and procedural rules of Party committee's (Party group) participation in major decision-making, and make the deliberation by Party committee (Party group) meeting as a pre-procedure for major decision-making of the board of directors. (2) Strengthen the building of the leadership team and the talent team. Adhere to the principle of Party management over cadres and build a high-quality leadership team. In accordance with the requirements of being loyal to Party, making bold innovation, managing enterprises in a sound way, and promoting integrity and cleanness, select the high-caliber leaders of state-owned financial institutions. Scientifically cultivate outstanding management personnel with both ability and integrity, and develop talents with a combination of both economic and financial theoretical background and practical experience. (3) Effectively implement the "two responsibilities" of strict Party governance. Enhance main accountability of the Party committee (Party group) of the state-owned financial institutions and the supervisory responsibility of the discipline inspection and supervision institutions. Restrict the employment of the staff of financial authorities in financial institutions, and regulate the employment of the former staff of state-owned financial institutions in the relevant entities related to their original business to prevent moral hazard and transfer of interest. Improve the selection, evaluation and accountability mechanisms for leaders of state-owned financial institutions, and strengthen intra-Party supervision. Make efforts to build an effective mechanism to ensure leaders of state-owned financial institutions would not dare to, not able to, and not willing to engage in corruption.

Sixth, strengthen overall coordination and lay a

solid foundation for the reporting of state-owned assets of financial enterprises. (1) Raise awareness. Recognize the importance of the comprehensive report on the management of state-owned assets of financial enterprises for effectively taking stock of state assets, enhancing the supervisory role of the people's congress, stepping up the credibility of management, and promoting the modernization of state-owned financial assets. (2) Strengthen coordination and cooperation. Strengthen the "horizontal collaboration" between the finance department, the financial regulatory department, and the state-owned assets administration department, as well as the "longitudinal linkage" between the central and local governments, and build synergy across the country. (3) Strengthen technical support. Accelerate the construction of a state-owned asset management information platform for financial enterprises, realize the interconnectivity among relevant regions and departments, and comprehensively reflect the total amount, investment direction, layout, disposal and income performance of state-owned financial capital. (4) Improve the reporting mechanism. Establish and improve a unified state-owned financial capital statistical monitoring system in accordance with the requirements of full measurement, full coverage, high standard and high quality. Clarify and standardize the scope, classification and standards of the report and comprehensively consolidate the management basis of the report. Promote reform and development with reporting.

4. Liu Kun: China will never close its door to the world and will only become more and more open

In his speech at the High-level Forum on the 40th Anniversary of China's Reform and Opening-up: Progress, Prospects and Impacts on East Asian Region, Finance Minister Liu Kun said that the Third Plenary Session of the 11th CPC Central Committee in 1978 marked the beginning of China's reform and opening-up. Over the past 40 years, China has greatly unleashed and enhanced its productivity. The economy has maintained rapid, sustained and stable development. With an average annual growth rate of 9.5%, China has become the world's second largest economy. The Chinese people have moved from a life of shortage and hunger to abundance and moderate prosperity. More than 700 million people under the current UN poverty line have been successfully lifted out of poverty, accounting for more than 70% of the global total poverty reduction. China has contributed more than 30% to world economic growth for many years and has become the main stabilizer and engine for world economic growth. Facts have proved that the reform and opening-up, which is China's second revolution, has not only profoundly changed China, but also profoundly changed the world.

In the course of 40 years, we have gained some important experiences, among them:

First, open up mind and constantly search for new ideas. Actions are guided by ideas. The modernization of a country with a population of more than 1.3 billion has no precedent in human history. Only

by opening up mind, making bold exploration, studying new situations, solving new problems and summarizing new experiences can we add steady impetus to China's development.

Second, adheres to the direction of market-oriented reform. Both theory and practice have proven that market-based allocation of resources is the most efficient approach, and the market economy is essentially the economy in which the market determines resource allocation. We have enabled the market to play a decisive role in resource allocation, given better play to the role of the government, deepened economic reform, accelerated the improvement of the modern market system, and promoted more efficient, fairer and more sustainable economic development.

Third, build an open economy. Openness brings progress and closure leaves one behind. We have always adhered to the basic national policy of opening to the outside world, pursued development with openness, continuously promoted the liberalization and facilitation of trade and investment, combined "bringing in" with "going global", and advanced reform and development through openness.

Fourth, properly handle the relationship between reform, development and stability. Reform is the driving force for development, development is the purpose of reform, and stability is the prerequisite for reform and development. The three complement each other. We have coordinated the intensity of reform, the speed of development, and the degree of social affordability, first started with the easier part of reform before moving to the harder part, carried out reform on trial basis first before rolling out, and advanced reform in a synergistic way, so as to push forward reform and development amidst social stability.

We are living in a world with overwhelming trend towards peace and cooperation, openness and connectivity, and reform and innovation. The world has become a global village where our interests are intertwined and our economic and social development is interconnected. Zero-sum game, unilateralism and trade protectionism have no way out. Only by engaging in cooperation can we promote common prosperity and development.

To follow the trend of history and the boost human well-being, President Xi proposed an initiative to build a community with shared future for mankind and had in-depth exchange of views with relevant parties including East Asian countries. We are pleased to see that this initiative has been welcomed and endorsed by a growing number of countries and people. We hope that all peoples will work together to build a community with shared future for mankind and create more peaceful, tranquil, prosperous, open and beautiful Asia and the world.

Looking ahead, we must work together for win-win cooperation, build an open world economy, strengthen cooperation within the multilateral frameworks, promote trade and investment liberalization and facilitation, uphold the multilateral

trading system, jointly foster new technologies, new industries, new forms and new models of business, and advance economic globalization toward a more open, inclusive, balanced and win-win direction.

China's development cannot be separated from the world, and world development also needs China. China will adhere to the basic national policy of opening to the outside world, greatly broaden market access, create a more attractive investment environment, strengthen intellectual property protection, and actively expand imports to provide greater cooperation space for countries around the world. This year, we have implemented a series of new measures, including lowering tariffs on some goods and broadening market access in manufacturing and services sectors. The overall tariff level has been further reduced to 7.5%. At the same time, the financial services industry will be further liberalized. On the top of the removal of restrictions on shareholding in the banking sector, restrictions will also be removed for the insurance, securities and other industries in three years. At that time, eligible foreign-funded enterprises will be able to get full license for operation. These policy initiatives will benefit companies and people in all countries. China will never close its door to the outside world, and it will only become more and more open.

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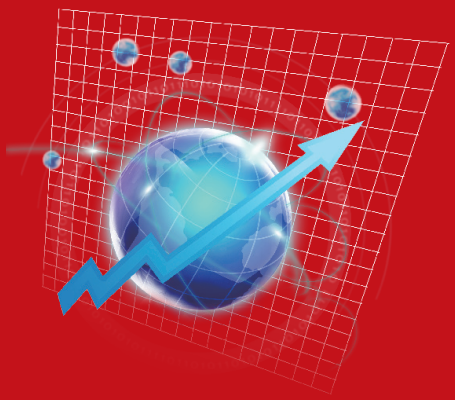

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