

AICM

Industry Affairs Quarterly Report 2018 1st Edition



*We AICM team wish you
cheerfulness and success in the*



*happiness,
Year of Dog*

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A. Macro Policy Trend Excerpts

Recently 19th CPC national congress (Please refer to B) , the second plenary session of the 19th CPC central committee, Central Economic Work Conference (please refer to C) held respectively and Political Bureau of the Central Committee of the Communist Party of China organized three times of group learning.

In the speech made by Xi Jinping in the group learning, he regarded the construction of a modern economic system as a strategic goal of national development and pointed out that “a strong economic system would lead to a strong country”. A modern economic system is both a part of the goal as a strong country and an important means to build a strong country. It’s a “significant practical task”.

As usual, the government work report of the Prime Minister will be completed before the Spring Festival. As the content to realize the spirit of the 19th National Congress, the report would emphasize on “one reform, two major strategies and three tough fights”.

- So-called “one reform” is to “deepen the organizational reform on the supply side”.
- “two major strategies”, the old strategy was the “innovation-driven development strategy” promoted in the previous 5 years; the new strategy is the “rural revitalization strategy” suggested for the first time.
- “three tough fights” are the tough fight to prevent and solve major risks, especially financial risks, the tough fight to take targeted measures for poverty alleviation and the tough fight to prevent and remedy pollution.

The improvement of business environment shall be emphasized in this year. In fact, “streamline administration” and tax and fees reduction emphasized by Li

Keqiang repeatedly in the previous 5 years relate to the improvement of business environment. While continuous “streamline administration” and tax and fees reduction will be emphasized since this year, the improvement of business environment shall have new measures, especially the respect and incentive of enterprises, particularly the atmosphere for private enterprises to start business. New actions shall be done to optimize business environment for market entity and to reduce system transaction cost.

B. The 19th Party Congress Highlights

The 19th Party Congress Highlights - Xi’s “New Era”

Opportunities:

During the next five years, China will introduce a Negative List to manage investment nationwide. To address unbalanced and inadequate industrial and regional development, government will permit more fiscal resources to flow into the real economy, more specifically into rural areas, and middle and western regions.

China’s opening-up evolving structure will emphasize the development of the One Belt One Road Initiative (OBOR) and shift its stance from attracting foreign investment to promoting the “go global” strategy with a focus on OBOR. Therefore, MNCs should try to capitalize on this new investment trend and seek potential opportunities for investment or collaboration in OBOR projects.

Free-trade ports will further China’s opening-up strategy and facilitate the implementation of preferential policies to allow the free flow of goods, capital, information and human talent.

Challenges:

The authorities will likely strengthen the supervision over the market. At the

same time, there will be further development to streamline the relationship between the market and the government intervention. For all the positive commitments made by Xi, MNCs still will meet investment challenges. In the near term MNCs will see barriers at the local and operational level which contradict the commitments voice at the top. MNCs will need to continue to engage proactively at the policy level to address contradictions.

While committing to equal treatment and easing of market access, MNCs will also be subject to equal supervision and penalties. Robust compliance will remain critical. In addition, it must be noted that equal treatment also means that MNCs shall be preparing that existing foreign investment incentives may be reduced or changed (whereas in the past MNCs could sometimes enjoy preferential treatment to attract investment).

C. Facts of the 2017 Central Economic Work Conference:

The meeting stresses several key tasks for year of 2018.

1. Ushering in a more comprehensive landscape of opening up and boosting imports for balanced trade
2. Adopt a prudent and neutral monetary policy and a proactive fiscal policy

The exchange rate of RMB will be kept basically stable at a reasonable equilibrium level. And concrete measures will be taken to strengthen the regulation of local government debt.

3. Forestall financial risks
4. Focus on targeted poverty reduction measures

5. Pollution prevention

Authorities will aim for a significant reduction in major pollutant emissions and improvement in the overall environment.

6. Housing system encouraging both purchase and renting

D. Authorities' Actions:

I. State Council Approves Shanghai's City Plan

The State Council recently approved the overall city plan (2017-2035) for Shanghai.

The plan states that, as an important historic and cultural city, Shanghai is also a center of the international economy, finance, trade, shipping, and technological innovation. Therefore, the construction of Shanghai should undertake a bigger role to serve the Belt and Road Initiative and the Yangtze River economic belt, striding ahead in deepening reform and opening-up. Urban construction should be aimed at building Shanghai into a distinguished global city

More emphasis on innovative development: to further highlight the essential requirements of a people-centered and endogenous development and link reform to technology and culture

More emphasis on open development: further highlight Shanghai's status as a hub facing the world and serving the entire country

More emphasis on green development: further highlight the model of bottom line control and low-carbon resilience; integrate production, living conditions and ecological development.

II. China to Expand Pilot Reform in Ecological Damage Compensation. (a document issued by the general offices of the Communist Party of China Central Committee and the State Council)

By 2020, China aims to establish an efficient comprehensive damage compensation system to protect and improve the country's ecosystem. Under the system, individuals and companies that cause environmental damage shall have to help restore the environment. If the damages are beyond restoration, individuals and companies must pay for losses, a process that will be managed by local governments as non-tax revenue.

The reform has already been piloted in Jilin, Jiangsu, Shandong, Hunan, Chongqing, Guizhou and Yunnan provinces, with notable progress made, according to the document.

III. The Notice of the implementation of air pollutants special emission limit in the air pollutants transmission channel cities of Beijing-Tianjin-Hebei

In order to implement the requirements of 19th party congress's requirement of "win the protection war of the blue sky" "raise the standard of pollutants emission", strengthen the air pollution control in Beijing-Tianjin-Hebei and surrounding areas, according to China environmental protection law and China air pollution control law, it decides to implement the air pollutants special emission limit in the air pollutants transmission channel cities of Beijing-Tianjin-Hebei. Enterprises in "2+26" cities

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For more information about 《关于京津冀大气污染传输通道城市执行大气污染物特别排放限值的公告》

IV. List of Top 20 Chemical Industry Parks in China in 2017 (Shared by CPCIF, for your reference only, those are not AICM IAST suggested chemical parks. We will monitor some of the parks) .

The following contents are extracted:

Top 20 Chemical Industry Parks in China in 2017 (in no particular order)

Shanghai Chemical Industry Park - The National Economical and Technological
Development Zone

Huizhou Daya Bay Economic and Technological Development Zone

Ningbo Petrochemical Economic and Technological Development Zone

Nanjing Chemical Industry Park

Ningbo Daxie Development Zone

Jiangsu Yangtze River International Chemical Industry Park

Jiangsu Taixing Economic Development Zone

Yangzhou Chemical Industry Park

Zibo Qilu Chemical Industry Park

Dongying Port Economic Develop Area

China Chemical New Materials (Jiaying) Park

Cangzhou Lingang Economic and Technological Development Zone

Quangang Petrochemical Industry Park

Changshou Economic and Technological Development Area

Maoming High-tech Industrial Development Zone

Wuhan Chemical Industrial Park

Jiangsu High-tech Fluorine Chemistry Industrial Park

China Petrochemical (Qinzhou) Industry Park

Jilin Chemical Industry Circular Economy Pilot Park

Jining New Material Industrial Park

Top 10 Potential Chemical Industry Parks in China in 2017 (in no particular order)

Tianjin Nangang Industrial Zone

Fujian Zhangzhou Gulei Port Economic Development Zone

Dalian Changxing Island (Xizhong Island) Petrochemical Industrial Base

China Chemical New Materials (Liaocheng) Park

Zhenjiang New Area New Materials Industrial Parke

Qingdao Xinhe Eco-chemical Scientific and Technological industrial Base

Lianyungang Petrochemical Base (Xuwei New Area)

Anhui (Huaibei) New Coal Chemical Industry Synthetic Material Base

Yingkou Xianren Island Energy & Chemical Industry Zone

Jiangsu Yangkou Port Economic Development Zone (Yangkou Chemical Industry Park)

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For more information about 《中国化工园区 20 强手册-电子版》.

V. Scoring Standards for Chemical Industry Parks in Shandong Province

The chemical industry transition and promotion office cooperate with experts to research and score some of the chemical parks using this standard, could be a reference standard for other parks.

The following contents are extracted:

Scoring Standards for Chemical Industry Parks in Shandong Province
Items
I. Planning layout (20 points)
II. Public infrastructure (20 points)
III. Safety production (25 points)
IV. Environmental protection (25 points)
V. Economic development (10 points)
Note: 100 points in total

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For more information about 《山东省化工园区评分标准》

VI. Ministry of Finance, State Administration of Taxation, NDRC and Ministry of Commerce jointly issued *Notice on the Issues concerning the Policy of Temporary Exemption of Withholding Income Tax from Foreign Investors'*

Direct Investment with Distributed Profits (C.S.[2017]No. 88) to absorb foreign capital and expand their investment in China.

Please get access to <http://www.aicm.cn/download/newsletter>

For more information about 《关于境外投资者以分配利润直接投资暂不征收预提所得税政策问题的通知》

Fiscal and taxation policies mentioned in *Notice of the State Council on Several Measures to Promote Foreign Capital Increase* will probably be implemented successively within a predictable period, in which:

1.Promoting the combination of foreign investment utilization and investments abroad

Related tax supportive policies shall be researched and released for overseas income distributed back home (which meets conditions) of resident enterprises in our country (including regional headquarters of transnational corporations).Foreign tax credit rules may change significantly, pending the subsequent issuance of relevant documents.

2.Encouraging transnational corporations to invest and set regional headquarters in China

Related documents will be released by provinces later.

3.Promoting foreign capital to transfer to West China and northeastern rust belt

Related documents will be released later.

4. Supporting the construction of key capital attraction platform infrastructure and major projects

Related documents will be released later.

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