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A.China's economic growth will show a tendency of slight steady decline from the second half of 2018 to the first half of 2019.

According to the leading economic indexes provided by Institute of Quantitative & Technical Economics of Chinese Academy of Social Sciences (this index consists of 21 sub-indexes), China's economic growth will show a tendency of slight steady decline from the second half of 2018 to the first half of 2019. The specific indexes are predicted as follows.

In 2019, total social fixed assets investment will reach 81.4 trillion Yuan, with nominal growth of 5.6% and actual growth of 0.4%. The nominal growth speed and actual growth speed will slightly decrease by 0.9 percentage point and 0.5 percentage point respectively compared with those in 2018. Among them, the nominal growth speeds of real estate fixed assets investment, infrastructure fixed assets investment, manufacturing fixed assets investment and folk fixed assets investment will be respectively 6.3%, 7.8%, 5.3% and 5.7%. On the whole, the fixed assets investment growth speed will be still in a small decline.

In 2019, the total retail sales of consumer goods will reach 43.3 trillion Yuan, with nominal growth of 8.4% and actual growth of 6.0%. The nominal growth speed and actual growth speed will slightly decrease by 0.7 percentage point and 1.1 percentage points respectively compared with those in the previous year. The decline range will gradually narrow down.

The consumer price index (CPI) in 2019 will be 2.5%, an increase of 0.3 percentage point over that of 2018. It will still be in a moderate rise phase. PPI will stand at 3.6%, decreased by 0.4 percentage point compared with that in 2018. This means that the upward pressure of prices of industrial products will be further reduced in 2019.

It is estimated that the real growth rate of per capita net income of rural residents and the real growth rate of per capita disposable income of urban residents will be 6.3% and 5.4% respectively in 2019. The real growth rate of per capita net income of rural residents will have been higher than the real growth rate of per capita disposable income of urban residents for nine consecutive years. In 2019, China's fiscal revenue will reach 19.8 trillion Yuan, with an increase of 6.6% while China's fiscal expenditure will reach 23.3 trillion Yuan, with an increase of 6.9%.

In short, in 2018-2019, the Chinese economy will operate within a reasonable range under the

new normal economy, employment and prices will remain basically stable, and the Chinese economy will not head for a landing.

B. Main Characteristics and Problems of Economic Operation in Petrochemical Industry

(a) Main Characteristics

1. A trend of rapid profit growth was maintained

In 2018, the profit of the petrochemical industry continued to grow rapidly. Wherein, the petroleum and gas mining industry recovered profit growth momentum, and the chemical industry continued to maintain an improvement trend.

Profit was growing rapidly. In 2018, the profit of the whole industry grew by more than 30%, sharply ahead of the national average growth rate of industrial profit (10.3%). Wherein, the profit of the petroleum and gas mining industry increased by 5.8 times, whose contribution rate was more than 65%.

Income growth was generally stable. In the year, the income growth of the whole industry was 13.6%. In terms of the trend, the growth was 11.4% in the first quarter, 13.2% in the first half, and 14.8% in the first three quarters. The fluctuation in the whole year was not server. And steady progress was made. Wherein, the chemical industry rose by 8.6% in the whole year, 9.8% in the first quarter, 10.3% in the first half and 10.7% in the first three quarters.

The industry's loss continued to improve. Data show that the loss of enterprises in the whole industry was 116.23billion yuan in 2018, showing a year-on-year decline of 36.9%. Wherein, the petroleum and gas mining industry fell by 63.0%, and the chemical industry fell by 14.4%. 16.7% of the enterprises in the whole industry suffered from loss, 2.0 percentage points lower than the first half of the year.

2. The economic structure continued to be optimized and upgraded

Growth structure continued to be optimized, growth efficiency was improved and steady progress was made in the supply-side structural reform.

3. Exports were better than expected

According to statistics, the exports delivered by the enterprises of the petroleum and chemical industry in 2018 increased by 22.0% year-on-year, 5.9 percentage points higher than the previous year.

Energy consumption was increased

Data show that China's total apparent consumption of crude oil and natural gas in 2018 was 903 million tons (oil equivalent), showing a year-on-year growth of 9.7%, 2.2 percentage points higher than the previous year, which has been the largest increase since 2011.

(b) New situation and new problems in the economic operation

First, profound changes have taken place in the external environment

Second, the market seesaws.

Third, the demand growth in the petrochemical market is weak. In terms of the chemical market, the growth rate of the total output of major chemicals was only 2.3%, which is one of the lowest growth rates in history, indicating the overall weak demand growth in the chemical market.

Fourth, investment momentum is insufficient. Although the investment of chemical raw material and chemical product manufacturing industries resumed growth after the fourth quarter, the full-year growth rate was only 6.0%, still lower than 6.5%, the national average growth of industrial investment, indicating that the recovery momentum of the industry investment was still obviously insufficient.

Data source <https://mp.weixin.qq.com/s/9KnKE1mEdWNhCRX1yuDpGQ>

C. To optimize the doing business environment, the official expressions implied two layers of meaning

At the Central Economic Working Conference at the end of last year, it was clearly stated that fair, open and transparent market rules and a legalized doing business environment shall be established. This expression has not shown in the written announcement, indicating two layers of meaning.

Establish fair, open and transparent market rules

The first layer of meaning is to combine the open and transparent market rules with the legalized doing business environment, which will be the key task of China's next market economy construction. The examination and approval reform of initiated investment projects, the elimination of market access barriers, the reform of the deepening commercial system and continuous advance of tax reduction and fee reduction and so on are related to that.

In this regard, the central government encourages qualified areas to go ahead of the rest. At present, Shanghai and Beijing with the best doing business environment in China have started first. This year, there is a new three-year plan of action in Beijing for optimizing the doing business environment, with a total of 298 tasks listed. It is proposed to build the city's unified

credit information platform, unified and connected online and offline government service hall, unified enterprise service and major project platform, unified enterprise legal person service card, unified investment project code and unified standards for government services, and so on.

The second layer of meaning is to focus on the legalized doing business environment, which is directly related to opening to the outside world, needless to say, the disputes in the current Sino-US trade war and China's commitment to the outside world. In other words, the opening-up doing business environment and market construction requires not only policy advance, but also clear legal commitment to the rule of law.

Clear legal commitment to protect the rights and interests of foreign investors

What is related to this is the *Foreign Investment Law (Draft)* submitted to the Seventh Session of the 13th NPC Standing Committee at the end of last year. The Draft proposes to strengthen the protection of the lawful rights and interests of foreign investors from four respects. Wherein, the emphasis is placed on protecting the intellectual property rights of investors, encouraging voluntary technology transfer, and prohibiting the use of compulsory means for technology transfer.

D. Competent authorities have announced big tax reduction in advance to leave space for opening wider to the outside world.

China's fiscal policy will be more aggressive this year, with officials predicting there will be more tax reduction and fee reduction bigger than last year. Among the many fields of possible tax reduction, fiscal and tax experts predict that nearly 400 billion yuan of tax reduction will be set aside in response to the Sino-US trade talks and the new opening up.

Last week, Finance Minister Liu Kun said that the pro-active fiscal policy of this year shall be more effective, realizing "two increases" and "one improvement", that is, increasing tax reduction and fee reduction, also cleaning up and standardizing local charge items, and increasing the investigation and punishment of arbitrary charges and the crackdown on them, and in addition, increasing fiscal expenditure, and appropriately expand the scale of fiscal expenditure according to the economic situation and various aspects of expenditure needs. "One improvement" is to improve the efficiency of allocating financial funds and the effectiveness of their use, which means that the government shall be austere.

The consensus on big tax reduction among economic circles is that the fiscal and taxation authorities will deepen the reform on value-added tax so as to free up room for tax reduction. Moreover, the enterprise income tax will be further lowered and the individual income tax will be adjusted substantially for a bigger tax reduction.

Tax reduction shall be planned in response to the result of the trade talks

Vice Premier Liu He's visit to the United States at the end of this month is considered to be the final showdown of the Sino-US trade talks, and the result of the talks is still uncertain. Regardless of the result, some experts said, China will work out relevant tax reduction arrangements. If the talks fail and the United States continues to impose tariffs on China's imports, China may have to reserve tax reduction room for export rebates and import tariffs in the current package of tax and fee reductions. Conversely, if the talks are successful, new arrangements for tax reduction on imported goods will also be required.

Tax reduction on imports and exports may increase

According to this, experts estimate that last year's tax reduction on imports and exports accounted for 31.7% of the total tax reduction. If the growth rate of China's imports remains unchanged in the past two years, the tax reduction and exemption on imports and exports may continue to increase. The reduction of the existing import tax is about 400 billion yuan this year.

E.Information Sharing

(a)Wang Qiyang, the Secretary of the Party Leadership Group and Director of Department of Economy and Information Technology of Hubei Province, published his undersigned article in the magazine *Policy -- Make Every Effort to Fight the Key Battles of Closure, Transformation, Relocation and Production Transfer of the Chemical Enterprises along the Yangtze River*

Highlight: In terms of fiscal and taxation policies, provincial financial departments arrange special funds of 100 million yuan annually and transfer 100 million yuan from the special funds for the transformation and upgrading of traditional industries at the provincial level, which are used to reward and compensate local relevant chemical enterprises, substituting subsidies with rewards. According to the factor method, the funds shall be cut into pieces, 600 million yuan of the funds will be approved in one time from 2018 to 2020, and allocated to cities and prefectures in a balanced manner in years, which will be used by the city and prefecture governments as a whole for the purpose of closure, transformation, relocation and production transfer of enterprises included in the task list of *Work Program for the Closure, Transformation, Relocation and Production Transfer of Chemical Enterprises along the Yangtze River in Hubei Province*. The newly-increased local fiscal revenues within three years after the chemical enterprises have completed the closure, transformation, relocation and production transfer shall be refunded to the enterprises in full amount. Provincial financial departments arrange local government bonds to support the reform of chemical

enterprises.

http://www.hubei.gov.cn/xxbs/bmbs/sjxw/201811/t20181116_1369921.shtml

(b) Jiangsu promulgated the construction plan for centralized disposal facilities of hazardous waste

Highlight: The General Office of Jiangsu Provincial Government issued the *Construction Plan for Centralized Disposal Facilities of Hazardous Waste in Jiangsu Province* (abbreviated as the Plan), which establishes that by 2020, the centralized disposal capacity of industrial hazardous waste will increase by 850,000 tons as compared with that of 2017, and that the annual total disposal capacity will reach 1.8 million tons or above.

<http://www.chemm.cn/News/news-72550.html>

(c) On September 16, 2018, the Ministry of Transport issued the *Regulations Concerning Road Transportation of Dangerous Goods* (JT/T 617), which will be formally implemented on December 1, 2018.

Highlight: JT/T 617 referred the international standards, the *UN Recommendations on the Transport of Dangerous Goods - Model Regulations* (Eighteenth revised edition), the *UN Manual of Tests and Criteria* (Sixth revised edition), and *European Agreement Concerning the International Carriage of Dangerous Goods by Road* (ADR 2015 edition). In addition, in view of the current outstanding problems of tank and medium matching, transportation vehicles, consignment procedures and transportation operation of dangerous goods, the content of relevant standards are refined and perfected.

Compared with the previous JT 617-2004, the new JT/T 617, as a technical guide, provides a detailed description of the relevant requirements, and also incorporates elements previously unavailable such as requirements of international multimodal transport, training of practitioners related to dangerous goods, high-risk dangerous goods, limited and exceptional quantities, etc. Thus, it can better guide the safe transport of dangerous goods by the relevant personnel.

(d) Notice on issuing the *Plan of Action for the Yangtze River Protection and Restoration*

http://www.mee.gov.cn/xxgk2018/xxgk/xxgk03/201901/t20190125_690887.html

Impact and significance:

The main tasks of the *Plan of Action* in relation to the chemical industry are as follows:

● Optimize the layout of industrial structure: speed up the relocation, transformation, closure or exit of heavily polluting enterprises, and strictly forbid polluting industries and enterprises

from transferring to the middle and upper reaches of the Yangtze River. No new chemical parks shall be allowed to settle within one kilometer of the main stream and main tributaries of the Yangtze River, and the illegal industrial parks shall be eliminated according to laws.

● Regulate the environmental management of industrial parks: In principle, newly-built industrial enterprises shall be built in the industrial parks and comply with the relevant planning and park positioning, and the existing heavily polluting industrial enterprises shall move into the corresponding industrial park within a time limit. Industrial parks shall establish centralized sewage treatment facilities according to the regulations and operate them stably according to the standards, and shall not secretly discharge or leak the sewage. Intensify efforts to renovate existing industrial parks, perfect pollution control facilities, and carry out rainwater and sewage diversion and transformation.

● Strengthen the discharge of industrial enterprises according to the standards: formulate special treatment plans for ten key industries including papermaking, coking, nitrogen fertilizer, non-ferrous metals, printing and dyeing, agricultural and non-staple food processing, API manufacturing, tanning, pesticides and electroplating, so as to promote the standard discharge of industrial enterprises in an all-round way. Further promote the pollution discharge permit system and complete the issuance of pollution discharge permit covering all fixed pollution sources by the end of 2020.

● Promote the comprehensive improvement of “three phosphor uses”

● Strengthen pollution prevention and risk management and control of ships: it’s required to formulate compulsory cabin washing regulations for chemical transport ships as soon as possible so as to promote the standard treatment of chemical cabin washing water. By the end of 2020, single-hull chemical tankers and single-hull oil tankers of 600 dwt or above will be strictly prohibited from entering the trunk line of Yangtze River, the Beijing-Hangzhou Canal, the Yangtze River Delta and other high-level navigation channels, as well as Wu River, Xiang River, Yuan River, Gan River, Xin River, Heyu Channel and Jiangnan Canal.

● Key areas: Within 11 provinces and municipalities covered by the Yangtze River Economic Belt, including Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan and Guizhou (hereinafter referred to as 11 provinces and municipalities along the Yangtze River), carry out protection and restoration with the main streams, main branches and key lakes and reservoirs of the Yangtze River.

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