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ARTICLE HIGHLIGHTS

- China tax reform from business tax to VAT reduces tax burdens for residents and companies.
- China slowing economy challenges policymakers.
- Innovation is the only way out for China. China is pegging its future prosperity on an economy underpinned by science and technology.
- Innovation boosts confidence of Chinese manufacturers in global competition.
- China's southern province signs projects worth billions of dollars with U.S enterprises.

CHINA FULLY IMPLEMENTS VAT REFORM

Xinhua, May 1, 2016
http://www.china.org.cn/business/2016-05/01/content_38365402.htm

Minutes after midnight on Saturday, Chen Sheng, a businessman from the southern city of Wenzhou, got a value-added tax (VAT) invoice after paying his bill at a hotel in Beijing.

To his surprise, the invoice was the very first issued in China after the country replaced all business tax with VAT on May 1.

"This is a historic moment," said Wang Jun, director of the State Administration of Taxation, who was in the hotel lobby for the occasion.

Chen Sheng found that two items were listed on the invoice: A fee of 547.17 yuan (84.55 U.S. dollars) for one night's accommodation and VAT of 32.83 yuan.

VAT refers to a tax levied on the difference between a commodity's price before taxes and its production cost. Business tax refers to a levy on a business's gross revenues. VAT is favored partly because it can reduce double taxation.

Following regional experiments in selected industries since the beginning of 2012, VAT reform was gradually rolled out in more regions and sectors.

"With the policy being applied to the last four industries including construction, real estate, finance and consumer services on Sunday, we have made a monumental achievement in tax reform," said Beijing Mayor Wang Anshun.

As of 12:05 a.m., 1,598 VAT invoices had been issued to 1,386 taxpayers across the country, according to the State Administration of Taxation.

In Tianjin, a resident surnamed Qian got his invoice in the very early hours of Sunday for the sale of a flat worth about 400,000 yuan. He paid 19,000 yuan in VAT, with tax reform altogether saving him around 1,800 yuan.

The reform has reduced tax burdens for residents and companies by 640 billion yuan over the past four years, benefiting 5.92 million households, Wang Jun said.

With the expansion of the tax reform to the last four industries, more than 500 billion yuan of taxes will be cut this year.

Easing burdens in the service industry will facilitate industrial restructuring, Wang Jun said, adding that a unified taxation system will help foster a fairer environment for businesses.

The reform will also help with the government's aim of stimulating entrepreneurship and supporting private enterprises and small firms, which play a central role in job creation, according to Wang.

VIEW OF ECONOMY BY POLICYMAKERS

2016-05-17 10:15 XinhuaEditor: Gu Liping
http://www.ecns.cn/business/2016/05-17/210791.shtml

Chinese economists are concerned about China's economic decline and what, if anything, policymakers can do to arrest it, after China's economy grew at a slower pace in April and key economic indicators moderated.

Value-added industrial output, an important economic indicator, expanded 6 percent year on year in April, lower than the 6.8-percent increase for March, and the market expectation of 6.5 percent, official data showed on Saturday.

The country's fixed-asset investment and retail sales of consumer goods also eased slightly last month.

PACE SLOWER BUT GROWTH SOLID

CICC, a Beijing-based investment bank, attributed weak industrial output largely to a less favorable base effect compared with March, and one fewer working day than last April.

"The underlying trend of industrial production growth remains solid, with April industrial production growth higher than the 5.8-percent year on year expansion recorded in the first quarter," according to a CICC report.

In the first four months, China's fixed asset investment (FAI) growth softened to 10.5 percent year on year, lower than the market consensus of 11 percent.

Although FAI growth softened, growth of FAI measured in capital terms strengthened to 8.1 percent year on year in the January-April period, up from the 6.4 percent registered in the first three months, indicating a solid footing, said the CICC.

The slowdown in headline retail sales growth from 10.5 percent year on year in March to 10.1 percent in April was largely due to the decline of automobile sales driven by the implementation of new emission standards starting from April.

"On the other hand, retail sales of most other discretionary spending items edged up, including catering, home decoration, furnishing, jewelry, etc. Therefore, the underlying trend remains solid for consumption growth despite weaker auto sales," according to the report.

POLICY SPACE TO REMAIN ACCOMMODATIVE

Under the backdrop of weaker-than-expected economic data, UBS China economist Wang Tao said in an analytical report that it had become less likely that authorities would abruptly stop policy easing measures.

"Despite weaker headline credit numbers, overall credit growth and the credit impulse remained very strong," said Wang. M2, a broad measure of money supply that covers cash in circulation and all deposits, rose 12.8 percent year on year to 145 trillion yuan (22 billion U.S. dollars) at the end of April, lower than the 13.4 percent year-on-year growth in March, according to the People's Bank of China.

"Given the official GDP and credit growth targets for this year, the government's policy stance should stay largely stable in the next few months," according to Wang.

He said he expects credit policy to remain largely accommodative.

At the same time, Wang warned the government to control financial risk as he believes policy easing momentum has already peaked.

SLOW BUILDUP IN PROPERTY

Digging into the April data, there were fresh signs of a return to life in the property market, with both investment and sales accelerating.

In the first four months of 2016, investment in China's property sector rose 7.2 percent year on year from the 6.2-percent gain in Q1. Meanwhile, in floor terms, property sales jumped 36.5 percent, higher than the 33.1-percent gain in the first quarter.

Infrastructure spending also remained strong, up 19 percent year on year in the first four months of the year.

In Wang's opinion, strong property sales and starts should underpin property construction and investment, while the impact of earlier policy and credit support on investment has yet to be fully reflected.

He said the current economic growth is sustainable, in the context of strong real estate sales growth in the short term and supply-side reform in the long run.

"Although the momentum of the recovery weakened in April from March, we still expect growth in the next two quarters to be stronger than in the first quarter," said the UBS economist.

In the face of continued economic headwinds, China has made supply-side reform an economic priority, and tax cuts to lower the cost of doing business are a likely policy option.

Supply-side structural reform -- essentially cutting overcapacity and shifting to higher value-added manufacturing -- is generally regarded as a harder path to set out upon, but a more sustainable one.

INNOVATION THE ONLY WAY OUT FOR CHINA

2016-05-12 16:54Xinhua*Editor: Gu Liping*
http://www.ecns.cn/business/2016/05-12/210250.shtml

For China, there is no way out but to innovate.

Its economic growth has slowed from double-digit rates to single digits. Drivers of growth – the exports, property sales and manufacturing that have served so well for decades, have waned. Exports, in particular, will never again play the role they did before the global financial crisis.

The crisis and its aftermath have prompted developed nations to rethink their mode of growth, generating strategies such as Industry 4.0 in Germany and Re-industrialization in the United States, all based on new technology.

The new trends in these countries with advanced manufacturing capacities, and mushrooming lower-cost manufacturers in emerging nations have exerted double pressure on China, eroding its global competitiveness.

Meanwhile, China is increasingly aware of the environmental prices it will have to pay if it lingers in the labor- and resource-intensive section of the global manufacturing chain.

Overcoming these challenges while achieving its development goals can only be accomplished through industrial modernization. China is pegging its future prosperity on an economy underpinned by science and technology.

That strategy is to encourage research and development (R&D), the generation of new ideas, and scientific progress. It will support entrepreneurs who take a chance to make new technology and ideas to scale and generate better and cheaper products and services.

Denying the Western stereotype of a hard-working and uncreative "world's factory" that churns out mounds of low-quality goods, China is now closing the gap on innovation. The country's R&D spending, second only to the United States, grew by more than 11 percent annually during the past three years. The investment is paying off. China is now home to some of the world's most innovative companies, particularly in the fields of mobile technology, biotechnology and medical services.

Shenzhen-based telecom equipment producer Huawei employs nearly 80,000 R&D employees and spends 10 percent of its annual budget on R&D. The company held its place as the top international patent filer in 2015 and has been charging Apple patent fees.

BGI, also headquartered in Shenzhen, is now one of the world's largest genomics companies. It has sequenced more DNA than any other institutions worldwide and helped cut the cost of sequencing a complete genome.

There are plenty more -- the business model that led Alibaba to retail domination, the development of the world's longest high-speed rail network, the world's highest-elevation railway and the world's fastest supercomputer.

It's true China still lags behind in some ways. The country needs further reforms and better protection of intellectual property rights.

Yet for a country that invented paper, gunpowder and the compass, its ambitions could be realized.

INNOVATION BOOSTS CONFIDENCE OF CHINESE MANUFACTURERS IN GLOBAL COMPETITION

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http://en.ce.cn/main/latest/201604/27/t20160427_10973346.shtml

Chinese exhibitors at the ongoing Hanover Fair, the world's biggest industrial trade show, on Tuesday said innovation is helping them deal with global competition.

Some 5,200 exhibitors from 75 countries and regions are participating in the Hanover Fair this year, covering sectors such as digital factory, industrial automation and energy.

Chinese exhibitors can be seen in almost every exhibiting hall of the grounds. Leon He, president of Huawei's western Europe enterprises business unit, said over 10 percent of the company's total revenue is invested in research and development (R&D). In 2015, Huawei's innovation investment amounted to some $9 billion.

Jaten Robot, a Guangdong-based industrial robot producer, showed two automatic guided vehicles which could be used for material delivery on shop floors.

"Despite a subdued world economy, sales in our company continued its growth trend last year," said Huang Qiwen, a marketing specialist of the company.

She attributed the growth to her company's ability to meet factories' high demand for automation products. "We only have 400 employees in our company, but 90 of them are R&D staff," she said.

For Autoboty, another Chinese medium-sized enterprise specialized in automatic system, innovation has proved vital.

"Competition in the automation industry is getting more and more fierce in recent years, as the manufacturing sector is getting smarter and smarter," said Huo Jin Tian, general manager of the company.

According to him, one third of Autoboty's human resources are put into R&D efforts. The company is also cooperating with local universities and institutes in developing new technologies and products.

"In order to win the competition, you have to have sufficient technology support," Huo said.

CHINA'S SOUTHERN PROVINCE SIGNS PROJECTS WORTH BILLIONS OF DOLLARS WITH U.S. ENTERPRISES

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http://en.ce.cn/main/latest/201605/14/t20160514_11583429.shtml

A delegation of China's southern Guangdong Province signed 28 cooperation projects worth 4.14 billion U.S. dollars with U.S. enterprises here on Friday.

More than 200 U.S. enterprises and 85 companies from Guangdong Province participated in the China(Guangdong)-U.S.(New York) Economic and

Trade Cooperation Conference, where the projects were signed. Hu Chunhua, a member of the Political Bureau of the Communist Party of China Provincial CPC Committee, and Patrick Santillo, deputy assistant secretary of commerce for China at the U.S. Department of Commerce, were among the participants.

Hu said Guangdong Province will further strengthen exchanges and cooperation with U.S. states to achieve mutual benefit and win-win results.

He put forward ways to strengthen bilateral economic and trade cooperation, including expanding two-way investment and bilateral trade, deepening cooperation in technological innovation, tourism and cultural exchanges and establishing long-term mechanisms for such cooperation.

Data from the provincial government show that the United States is Guangdong Province's second largest trading partner.

Foreign trade between China's Guangdong Province and the United States totaled 128.3 billion dollars in 2015, accounting for 12.55 percent of the province's total foreign trade.

By the end of 2015, the province had set up 555 companies in the United States with contractual investment of 3.7 billion dollars and actual investment of more than 2.1 billion dollars.

Cui Tiankai, Chinese Ambassador to the United States, who was also present at the conference, said local cooperation is an important part and a cornerstone of the China-U.S. relations, as well as the most direct way to benefit the people.

The Chinese delegation also held similar economic and trade cooperation conferences in Detroit and Boston this week.

(CPC) Central Committee and secretary of the Guangdong.