

Chinese President Xi Jinping and foreign leaders tour the first China International Import Expo's Country Pavilion for Trade and Investment in Shanghai on November 5 (XINHUA)

Bold steps, bright future

The first CIIE is an opportunity for foreign players to reach more Chinese consumers

By Deng Yaqing

To balance its foreign trade and pursue high-quality development, China has activated a new round of opening up, with expanding imports given top priority.

From November 5 to 10, the first China International Import Expo (CIIE) was held in the National Exhibition and Convention Center in Shanghai, attracting more than 400,000 domestic and overseas purchasers, with roughly 5,000 products making their debut at the expo. In the years to come, the CIIE will be held on an annual basis.

The list of products traveling across borders and on display was all-encompassing, ranging from the largest: a 200-ton planer type milling machine, to the smallest: a cardiac pacemaker the size of a tablet; and from the most luxurious: an Italy-made helicopter with a price tag of 200 million yuan (\$28.85 million), to the most common: Iberian ham. Besides tangible goods, various services also found their way to the expo, including logistics, tourism and smart home solutions, among others.

At the opening ceremony of the expo on November 5, Chinese President Xi Jinping announced that the country will further its opening-up initiative in five ways: stimulate the potential for increased imports, continue to broaden market access, foster a world-class business environment, explore new horizons for opening up and promote international cooperation at the multilateral and bilateral levels.

"The CIIE demonstrates China's consistent position of supporting the multilateral trading system and promoting free trade. It is a concrete action by China to advance an open world economy and support economic globalization," Xi said.

Common aspirations

The CIIE is the world's first import expo held at the national level and an innovation in the history of global trade. Xi's views on openness, free trade and globalization received extensive applause from attendees.

The World Trade Organization head welcomed Xi's speech. "What we need today is not more borders but less borders," Director General Roberto Azevêdo said. "We need countries to leverage their potential to help each other and to give more opportunities to business and growth."

In a statement, Australian Minister for Trade, Tourism and Investment Simon Birmingham praised Xi's strong commitment to China's ongoing reform and opening up and his remarks on the need to preserve and strengthen the rules-based multilateral trading system.

The UK's International Trade Secretary Liam Fox said it was "fantastic" to hear more from Xi on China further opening up its market to imports and investment, adding that the British Government is "delighted to be supporting the event."

"President Xi gave an important speech. He gave direction to China's future in terms of economic and commercial interactions with foreign countries. I think the future is bright, not only for China, but also for its partners," said Dhia Khaled,

Ambassador of Tunisia to China. Aziz Mekouar, Morocco's Ambassador to China, said free trade has lifted hundreds of millions of people out of poverty. "President Xi announced new measures to open the market and expressed support for free trade, which can bring enormous wealth to human society," he said.

"In the future, China's market will become bigger as per-capita income continues to grow. China's further opening up will lead to more cooperation," Mekouar said. In addition, many other participants strongly applauded China's achievements since reform and opening up began in the late 1970s.

In the past, the focus has been more on the country's exports, but now the first CIIE signaled that China welcomes overseas products in its own market, which marks a further step toward opening up, said Annette Tabbara, Plenipotentiary of the Free and Hanseatic City of Hamburg to the Federation and the European Union and for Foreign Affairs.

Trade creating wealth

Among the experts and entrepreneurs present at the expo, most agreed that free trade can generate wealth for people around the world and is an indispensable element to ensuring peace and prosperity.

"This is a moment for China to take a leadership role in multilateralism," said John Denton, Secretary General of the International Chamber of Commerce (ICC), referring to

Netease, who believes this is the only way can growth momentum be generated in countries and enterprises.

Long Guoqiang, a research fellow with the Development Research Center of the State Council, China's cabinet, pointed out that the ultimate purpose of international trade is to benefit as many people as possible. To this end, efforts should be made in three ways: First, an open, inclusive and stable international environment for trade and economy needs to be put in place, which makes the existence of a multilateral trading system necessary. Second, concerted efforts should be made to ensure that businesses and people from less developed countries can be integrated into trade. On this front, consideration should be given to the gap between developed and developing countries and preferential treatment should be made available for the latter. Third, the best use of technological progress needs to be made; innovation in business models and technologies should be fully leveraged in areas like Africa and the Pacific islands.

"To benefit more people, we should be cautious with the employment of protectionist measures such as tariffs," Long said.

A huge market

As the world's largest opening-up platform focused on imports, the CIIE was extremely popular among enterprises around the world.



Visitors experience driving a passenger jet at the Boeing Company booth during the first China International Import Expo in Shanghai on November 6 (XINHUA)

the Silk Road Economic Belt and 21st-Century Maritime Silk Road (Belt and Road) Initiative as one example of China's pushing forward openness.

Denton said almost one in three workers in the world relies on the success of ICC member businesses to ensure their prosperity, and looking through the eyes of ICC members and those who work for them, they want free trade to continue.

"Today, globalization is facing substantive difficulties, and an open mindset and continuous innovation are necessary to deal with the current difficulties," said Ding Lei, founder and CEO of the Chinese tech company

"The Chinese market accounts for 20 percent of our sales. Today, our largest market outside of the United States is Germany, and we expect China to equal what we are selling in Europe," said Joseph A. Braun, Vice President of Hurco Companies, Inc., an Indianapolis-based global industrial automation company that designs and produces interactive computer controls, software and computerized machine systems for metal cutting and metal forming industries.

"The parts that Chinese workers are making today are very sophisticated. They require advanced solutions," Braun said. Typically, a highly trained operator is needed to run a sophisticated

machine tool. But for Hurco machines, anyone can work as an operator after receiving 15 minutes of training, which makes it more likely to be widely used in the ongoing upgrading of China's manufacturing industry.

U.S. food and agricultural giant Cargill arranged chefs to cook its quality beef at its booth, attracting streams of visitors. During the first CIIE, the company signed cooperative agreements worth more than \$2.4 billion with Chinese partners, covering beef, grain, food ingredients, cotton and iron ore.

"The Chinese market is vital to Cargill," said Liu Jun, President of Cargill China, adding that in the past seven years, Cargill's investment in China has doubled.

"As far as Cargill is concerned, the first CIIE helped us strengthen ties with our stakeholders and gain a better knowledge of the Chinese market," said Liu, who confirmed that the company will continuously scale up its investment in China and join hands with its Chinese partners in providing local consumers with safe, healthy food in a sustainable way.

As supply-side structural reform keeps deepening in China, the country's home appliances industry is restructuring under the influence of digital and intelligent technologies. Against such a backdrop, Whirlpool Corp., a U.S. multinational home appliances manufacturer, opened a smart factory in Hefei, east China's Anhui Province, which went into production in November 2017.

"Chinese people's power of consumption has been growing recently. To fulfill demands arising from the ongoing upgrading, some new and advanced products should be developed to match specific demands," said Samuel Wu, President of Whirlpool Asia, noting that the company is used to customizing its products to Chinese consumer needs.

A recently unveiled refrigerator named Frozen Age is one example. A special compartment is designed to store skincare products like masks, with the temperature in different compartments can be adjusted to accommodate different types of foods stored.

Wu said Whirlpool Asia has always competed with its Chinese rivals on a fair playing field, while local governments are willing to offer help when operating businesses in China like in the building of the Hefei-based factory.

"With excellent technologies and customized products, we are confident that Whirlpool Asia will manage to grasp the eruptive growth of China's kitchen appliances market in the future," Wu said.

About the CIIE



import-themed national exhibition



A total exhibition area of **300,000** square meters



172 countries, regions and international organizations



400,000 purchasers

Roughly **5,000** products making their debut at the expo



Over **5,000** volunteers

Enterprise and Business Exhibition



270,000 square meters



Over **3,600** companies from all over the world



180-plus U.S. companies

7 exhibition sections:



Trade in Services



Automobile



High-end Intelligent Equipment



Consumer Electronics & Appliances



Apparel, Accessories & Consumer Goods



Medical Equipment & Health Care Products



Food

Country Pavilion for Trade and Investment



30,000 square meters



12 special guest countries of honor



71 booths set by **82** countries and **3** international organizations

81 countries invited from **5** continents

Asia 20

Africa 8

Europe 21

Americas 21

Oceania 11

(Sources: China International Import Expo Bureau, Xinhua News Agency; designed by Pamela Tobey)

ALSO IN THIS ISSUE

Pushing forward with globalization

China is moving to upgrade its economy by welcoming imports

PAGE 2

Private partners

The private sector gets a boost for its pivotal role in China's economy

PAGE 2

Conquering poverty

China's Forum on Reform and Opening Up and Poverty Reduction offers participants opportunities to exchange ideas on various issues

PAGE 3

Less is more

New tax benefits are in the pipeline to lessen households' financial burden

PAGE 4

Major events in November

PAGE 4

Pushing forward with globalization

China is moving to upgrade its economy by welcoming imports

By Michael Zakkour



Visitors take a group photo outside the Indonesian Pavilion at the first China International Import Expo in Shanghai on November 5 (XINHUA)



The author is vice president of China/Asia Pacific strategy and global digital practices at consulting firm Tompkins International

The first China International Import Expo (CIIE), a weeklong event, kicked off on November 5 in Shanghai after an opening keynote speech from President Xi Jinping in which he highlighted China's commitment to the principles of free trade, globalization, and reforms that will make it easier for foreign companies to sell their products in China.

A commitment to globalism

In a climate where global trade tensions are at their highest in decades, where companies and governments around the world are seeking greater access to the Chinese market and where technology, digital commerce, and new retail have made it possible to buy, sell and trade products cross-border, this first of its kind event could not have come at a better time.

The timing of the fair is also important because 2018 marks the 40th anniversary of reform and opening up, launched in 1978 under Deng Xiaoping when China began its shift to a more market-based economy focused on manufacturing, exports and the modernization of the country and the economy.

When I arrived in China for the first time in the early 2000s, one of my first forays out of Beijing was to the autumn China International Import and Export Fair more commonly known as the Canton Fair, held in Guangzhou, Guangdong Province. The Canton Fair was (and is) where tens of thousands of people and companies converge twice a year (October and April) to meet thousands of Chinese manufacturers and trading companies to buy, source and produce goods of every imaginable shape, size, and purpose. The total floor area for the show is the size of 71 Walmart Superstores.

Even more awe-inspiring than the size of the show and the number of vendors was the incredible diversity of the attendees. Moving through the aisles, shoulder to shoulder, women in traditional Nigerian dresses, men in traditional Arab headdresses and robes, Germans in suit and tie, Indians in saris and Nehru shirts, Americans wearing baseball caps, and Israelis in Fedoras and fur.

At any moment in any given spot, you could

hear a half dozen languages being spoken. I felt like I had traveled back in time to a Silk Road marketplace or the Grand Bazaar of Istanbul. I could almost smell the spices and feel the silks of those great gatherings of commerce. The key lesson for me was that business transcends culture, language, dress, and politics. The Canton Fair was in many real and symbolic ways the gateway to China for the world in the 1980s, 1990s, and 2000s and the symbol of China's rise to be the top manufacturing country it came to be known as.

The latest iteration of the Canton Fair finished just days before the kick-off of the new CIIE. That transition tells, in many ways, the journey China has been on for the last 20 years as it shifts its economy from low-cost manufacturing and exports to consumption, services, innovation, and globalization.

China currently enjoys a trade surplus with almost every economy it trades with, most significantly with the United States, the EU, and its Asian neighbors. I am not of the belief that the true value of globalization and trade between countries can be measured by trade surpluses or deficits. Too many other factors are at play. With that said, there is a gap and there are real and perceived issues that increased market access will help solve.

China also understands that increased consumption is important to the overall economy and that there is a belief that there has been much talk, but little-perceived action in further opening the Chinese market to foreign industrial, agricultural, technology and consumer products.

Actions trump ideals

In his opening remarks, President Xi announced that China will cut tariffs, make customs clearance more convenient, reduce institutional costs in the import sector and accelerate the development of new business models.

Xi also pledged further opening up in the telecom, healthcare, education and culture sectors.

The fair was planned well before the current global trade climate developed and before tensions with the United States escalated. It can be seen in two lights now, as a useful tool to increase exports to China, assuaging the Western economies mostly on edge about the subject, and a way to engage smaller, developing nations to increase trade with China.

It should also prove to be a useful building block in reaching future deals and agreements with the United States and the EU that will ensure that trade between the countries and globalization, in general, are allowed to flourish.

There are three key measuring sticks that will prove the CIIE to be successful in the short and long terms.

The expo should be the foundation for easing trade tensions with the major Western nations by demonstrating that trade with China is not a zero-sum game; that China is willing to meet the West halfway in order to address real and perceived issues around trade deficits; and that the benefits of free trade far outweigh the negatives.

The plans for the post-expo reforms in China are ambitious, smart, logical and much needed. China should move quickly on implementing reforms and ensuring that there are tangible, quantifiable changes in the short and long terms. Some companies and politicians are skeptical about whether the potential changes that the expo represents will be made a reality.

Foreign companies and governments should commit to working with Chinese business and governmental entities on mutually beneficial deals that ensure the post-expo framework is that of a win-win for all involved.

Singles' Day

The CIIE kicked off one week before the November 11 Singles' Day Global Shopping Festival. It is the 10th anniversary of the biggest shopping and consumption day on Earth. Alibaba turned a farcical and fun "holiday" into a commercial opportunity in 2008. The first Singles' Day Global Shopping Festival featured only 27 merchants. This year more than 180,000 merchants will take part, with a third of them being foreign brands and retailers.

Alibaba, JD.com, Kaola, Little Redbook, and other Chinese digital marketplaces have become the Istanbul Bazaars, Roman Forums and Silk Roads of the 21st century. They are where merchants and buyers from all over the world gather to buy, sell, be entertained and trade.

Last year Alibaba and JD.com sold more than \$40 billion worth of goods during the festival. About 30 percent of the products sold were foreign brands.

The e-commerce giants are not only worthy models, but they have made their money and their marketplaces key elements in increasing exports to China in support of President Xi's vision. Alibaba pledged \$200 billion to support the many initiatives the expo has spurred and to facilitate increased imports to China. JD.com, Kaola, NetEase and others have pledged an additional \$17 billion. These proposed changes and reforms are welcome news to companies, brands, retailers, farmers and industrial producers around the world and the governments that support them.

Private partners

The private sector gets a boost for its pivotal role in China's economy

By Zhang Shasha



Visitors at the booth of BYD, a private company engaged in automaking and other businesses, at a commercial vehicle fair in Hanover, Germany, on September 20. BYD Chairman Wang Chuanfu is on the recently released list of 100 outstanding private entrepreneurs (XINHUA)

There is hardly any Chinese who has not tasted Laoganma, the chili sauce brand that can jazz up any food, be they lovers of spicy food or not. Especially for overseas Chinese students, it is a must-buy item on their shopping list when they scour supermarkets in an unfamiliar country since it can solve their food problems by imparting a familiar flavor from home. It is apt because laoganma means godmother in Chinese.

The sauce gets its name from Tao Huabi, a woman who once lived in a remote village in southwest China's Guizhou Province. The death of her husband forced Tao to open a bean jelly store to raise her two sons, and due to her kind ways, she was called laoganma by the people who came to her store. Tao also tried her hand at making chili sauce and to her surprise, it won more applause than her jelly. She focused on the sauce and in 1997, opened the Guiyang Nanming Laoganma Food Co. Today, it has become one of the best known privately owned brands in China.

Tao's entrepreneurship has gained national recognition. On October 24, she was named as one of the top 100 outstanding private entrepreneurs over the past 40 years of reform and opening up by the All-China Federation of Industry and Commerce.

Timely tribute

The list features entrepreneurs from all walks of life. They are from traditional industries, or exploring innovative fields, committed to the construction of the Belt and Road Initiative, or devoted to public affairs, contributing greatly to the economy and society.

"This year marking the 40th anniversary of China's reform and opening up, the list is a timely move to underline the contributions of private enterprises," Zang Yueru, Director of the Institute of Market and Price at the Academy of Macroeconomic Research, an economic think tank, told *Beijing Review*. "It also serves as a strong rejoinder to those who have been saying that private investors will be forced out of the market by state-owned enterprises. The acknowledgement of private investors will stabilize market confidence."

Over the past 40 years, private companies like Laoganma have infused vitality into China's economic development. Laoganma's annual sales reached 4.5 billion yuan (\$645.8 million) in 2016. According to Tao, from 2012 to 2014, the company's taxes amounted to 1.8 billion yuan (\$258.3 million), making it one of the major taxpayers in Guizhou.

At a symposium on private enterprises on November 1, President Xi Jinping, also General Secretary of the Communist Party of China (CPC) Central Committee, underlined the important role that the

private sector plays in pushing the development of the socialist market economy, promoting supply-side structural reform, seeking high-quality development and building a modernized economy.

"Over the past 40 years, the private sector of the economy has become an indispensable force behind China's development," Xi said.

Private enterprises account for 50 percent of China's tax revenue, 60 percent of GDP, and 70 percent of technological innovations. They also provide 80 percent of urban employment and 90 percent of new jobs.

"Our country's private sector should grow stronger instead of weaker and march toward a broader stage," Xi said. "All private companies and private entrepreneurs should feel totally reassured and devote themselves to seeking development," Xi added.

Some private companies have recently encountered difficulties in marketing, financing and restructuring. Xi attributed these problems to the combined effect of multiple factors including external and internal as well as objective and subjective ones.

"These difficulties are obstacles in the process of development, issues in the course of progress and pains as the country grows, and they will surely be solved through development," Xi said.

Xi demanded the implementation of policies and measures in a number of aspects to create a better environment for the development of private enterprises and address their difficulties. These include easing the burden of taxes and fees, expanding the fundraising channels and leveling the playing field.

A step forward

The government has renewed efforts to assist private companies. On October 22, the Central Government decided to facilitate the bond issuance by private companies, with liquidity support from the central bank to professional institutions. Funding support will be offered to smaller financial institutions to enhance their capability to serve private firms.

The central bank has also said it will increase the quotas of relending and rediscount to financial institutions by 150 billion yuan (\$21.6 billion) to ensure that targeted loans are channeled to private firms, following an expansion of the same amount in June.

As some listed private companies choose to raise money in a risky way by pledging their stock against loans due to various hurdles such as the lack of credit records and other collateral, these measures will help to alleviate the problem.

Following the principle of market orientation, financial institutions will then turn to assist the bond issuance of companies with good prospects and technological competitiveness but facing temporary difficulties, the central bank said.

"Financing is a big issue for private enterprises," Zang said. Tax reductions and an optimizing business environment also play a crucial role in promoting the private sector. Zang highlighted the importance of local governments transforming their way of serving private enterprises. She also emphasized the need to deepen reform by easing market access to key fields with stable long-term returns such as energy and transportation industries.

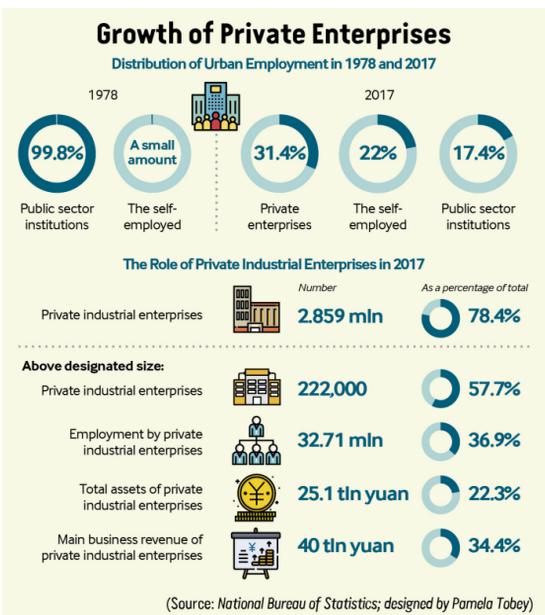
Although government support has a big part in boosting the private sector, the enterprises themselves have a key role to play in their development.

"In the past, some private enterprises continued to expand in unfamiliar fields such as real estate and financial services," Zang said. "However, investing blindly and irrationally in unfamiliar areas may bring potential risks to their capital chain."

Once again Tao and Laoganma serve as an example. Tao, though she can't read or write, has still been able to build a thriving business for 20 years because all along, she has been focusing on one product, the spicy sauce, something she knows well. Her confidence stems from her superior products and these have fetched her sufficient liquidity for her business operations. As a result, she doesn't need to float initial public offerings to raise funds for new operations.

"Of course, private enterprises also require transformation of business modes and innovation," Zang said. "But they should take into account their available pool of professional talent and technology."

With the passage of time, Laoganma is no longer just a jar of hot sauce; it is also part of the Chinese palate. And there are numerous Chinese private enterprises like Laoganma, which have become an integral part of China's economy.



Conquering poverty

China's Forum on Reform and Opening Up and Poverty Reduction offers participants opportunities to exchange ideas on various issues



Attendees share views and experience on poverty relief at the International Forum on Reform and Opening Up and Poverty Reduction in Beijing on November 2 (LU YAN)

The International Forum on Reform and Opening Up and Poverty Reduction in China was held in Beijing on November 1-2. The event's theme was International Cooperation on Poverty Reduction: Building a Community With a Shared Future for Humanity. Attended by more than 400 representatives of governments, business, and academia from 51 countries and 11 international organizations, the forum served as a platform for participants to exchange ideas on various issues. Topics discussed included the role of China's reform and opening up in poverty alleviation, innovative practices in poverty relief in the new era, and world poverty reduction and development. Following is an edited version of attendees' comments:



Liu Yongfu, Director of the State Council Leading Group Office of Poverty Alleviation and Development

Over the past 40 years, more than 800 million people in China have worked their way out of poverty and made a major contribution to global poverty alleviation. The number of people living in poverty in China is expected to be reduced by a further 80 percent by the end of the year. China aims to eliminate rural poverty by 2020, 10 years ahead of the reduction goals set by the United Nations 2030 Agenda for Sustainable Development.

China's efforts can be attributed to strong leadership, a clear poverty alleviation target, precise basic strategies, and strict policy implementation.

Despite China's success, there are still challenges ahead. Over 30 million people still live precarious lives. We are fully aware that our development is unbalanced and inadequate. Also, winning the war against absolute poverty doesn't erase the fact that relative poverty will still exist for a long time.

To continuously make progress, China is willing to learn from its sister countries and conduct international exchanges and cooperation with them, in order to jointly push forward the poverty reduction package.

Achim Steiner, Administrator of the United Nations Development Program

One of the defining features of China's success in eradicating extreme poverty is its multi-dimensional approach. China tackles the issue not just from a per-capita income perspective but also from the risk of falling back into poverty, human capital, public services, and social infrastructure which creates a safety net to prevent regression.

This is one of the distinguishing hallmarks in China's journey. It's not just based on a developmental design in a technical sense, but based on a deeper commitment to a balanced approach to progress.

In China, leaving no one behind—one of the powerful commitments of the sustainable development goals—has been one of the driving principles over the past 40 years. The rural economy, geography, generational divides and investment in education were all significant contributors to lifting hundreds of millions out of poverty while maintaining accelerated economic growth. China also transformed from a nation from what was originally a country in the lowest category of the UN human development index to rising to the highest.

It's also remarkable to see China's increasing engagement in the context of global development by being a prominent actor in helping countries dealing with their development challenges. They are sharing lessons of their own journey and supporting countries in seeking their own pathway, principally through the Belt and Road Initiative.



K. V. Kamath, President of the New Development Bank

Today around 700 million people still live in extreme poverty and the UN's Sustainable Development Goals (SDGs) target to eliminate poverty in all its forms by 2030 is a challenge which lies ahead. In order to make further progress in achieving poverty reduction, as well as delivering a better life for the world's poorest citizens, several areas need to be addressed. One of the most critical is a provision of quality infrastructure across all sectors. There is also an urgent need to maintain and renovate existing infrastructure in many countries.

Infrastructure drives economic growth during the investment phase and has a multiplier effect thereafter. It creates long-term productivity gains and facilitates poverty alleviation and job creation. If we want to pursue a poverty reduction agenda where gains are shared by all, it needs to begin with access to quality infrastructure for all.

However, the future landscape for infrastructure is changing rapidly. We stand today at the dawn of a new industrial revolution where technology-led innovation is transforming the way we perceive products, services, and our physical space. These developments will have a material impact on how we perceive and think about poverty alleviation.

The infrastructure that we need to build today, for use over the next several decades, is fundamentally different from what we have built in the past. It is also becoming increasingly apparent that the impact of technology will completely revolutionize approaches to economic development and service delivery and therefore has the potential to achieve exponential gains in poverty reduction.

Here again, there are several examples from China. The Ping An Good Doctor, China's largest online healthcare platform provides artificial intelligence-based medical services to nearly 200 million users, is revolutionizing healthcare provision. The contribution of the Alipay and WeChat Pay platforms to financial transactions and the financial inclusion has also been colossal.

These, and more innovations like these, will continue to transform the world at an ever-accelerating pace and make huge contributions to poverty reduction going forward. What we will need to do is ensure that a comprehensive ecosystem, including infrastructure, is in place to enable these innovations to happen, just as China has done.

Jin Liqun, President of the Asian Infrastructure Investment Bank

Our late leader Deng Xiaoping paved the way for China's continued upward movement on the global production chain through the reform and opening up of China. Once the national agenda was set, the entire nation never compromised on its single-minded commitment to economic development and unwavering adherence to broad-based economic and social development.

At the very outset, China attached great importance to the experience of many other countries—developed or developing—by applying these experiences to the Chinese context in a creative and innovative style.

These initiatives bore fruit because of a Chinese traditional virtue: self-reliance. This quality has always been close to the Chinese. And with the new era of reform and opening up, this virtue took on a new relevance.

While depending on its own labors, China continued to actively engage development partners for financial and technical support. China's success story is a tale of balance between national efforts and international cooperation. Reform and opening up are implicit to national ownership and the elusive answer to what seems to be the myth of China's success.

A country should never allow itself to be left with only one model, with no options or new approaches to explore. Rather, the country should move with the times. It should reform and open up. It should restructure its economy to adapt to the global situation. It should adjust its position against global financial trends as the permanent backdrop.



Gilbert F. Houngbo, President of International Fund for Agricultural Development (IFAD)

China's progress in poverty eradication has been truly extraordinary. Looking at China today—as the world's second-largest economy—and its dramatic progress in all areas of human development, it is hard to imagine that as recently as 1981, 88 percent of the population lived below the international poverty line. It was China's outstanding progress in poverty reduction between 1990 and 2005 that allowed the world to reach the second-millennium development goal of halving extreme poverty.

Much of this progress came from improvements in agriculture following the reforms of the 1980s. This is a significant achievement and one that confirms the importance of governments having the wisdom and vision to implement policies and direct investments.

Even as China works toward overcoming poverty in rural areas, it has been helping other countries around the world. I note that China's foreign aid rose from \$631 million to almost \$3 billion between 2003 and 2015. With respect to agricultural development, China has provided substantial aid and investment, especially in Africa, including technical cooperation.

IFAD's partnership with China dates to 1981 when China became an IFAD Member State. We know that, in partnership with China and IFAD can be extremely effective in reducing rural poverty. Earlier this year, for example, China and IFAD set up a South-South and Triangular Cooperation (SSTC) Facility at IFAD. The Facility aims to be a resource for expertise, knowledge, and resources that can promote business-to-business links and investments across developing countries.

I invite China to support traditional and new international financial institutions alike. In this way, we can strengthen partnership among multilateral development organizations for improving food security and nutrition as well as fighting poverty. This, in turn, will move us closer to achieving a key element of the SDGs.

Less is more

New tax benefits are in the pipeline to lessen households' financial burden

By Wang Jun



A tax officer demonstrates a mobile tax app in Fuzhou, southeast China's Fujian Province, on April 10 (XINHUA)

After their personal income tax threshold was raised from 3,500 yuan (\$500) to 5,000 yuan (\$720) as of October 1, Chinese taxpayers' burdens will be further reduced with details of new deductible items clarified.

According to the Individual Income Tax Law amended on August 31, taxable incomes will have special deductions for children's education, continuing education, treatment for serious diseases, caring for the elderly, as well as housing loan interests and rents. On October 20, authorities unveiled draft temporary measures on these deductions for public feedback for two weeks.

The final rules for special deductions will go into effect as of January 1, 2019.

Education expenses

The deduction for children's education will cover both pre-school education, starting with 3-year-olds, and academic education starting from primary school to doctoral programs. The amount will be 12,000 yuan (\$1,730) annually for each child from the parents' taxable income.

Gan Li, head of the Research Institute of Economics and Management of the Southwestern University of Finance and Economics, told Xinhua News Agency that the 12,000-yuan deduction can largely cover average children's expenditures for different educational stages throughout the country. It is equivalent to two months' average wage of an urban employee.

"Deductions based on a universal and fixed sum for different regions and different educational stages will help simplify the tax structure, reduce taxation costs and prevent fraud," Gan said.

For continuing education, 4,800 yuan (\$690) for academic studies or 3,600 yuan (\$518) for professional qualification or certificate training will be deducted annually for each taxpayer.

Xu Jianguo, a professor at the School of Public Finance and Taxation at the Zhongnan University of Economics and Law, told Xinhua that the different deductions take into consideration that fees for continuing academic education, especially on-the-job postgraduate education, are generally higher than those for non-academic education.

Recreational training courses such as painting or sports are not included in the deductible items because they are not deemed closely related to professional skills.

Medical costs

In terms of medical costs for serious diseases within any tax year, money paid by each patient above 15,000 yuan (\$2,160) in the medical insurance system will be deducted up to the annual cap of 60,000 yuan (\$8,640).

Since a unified medical insurance program covering both urban and rural areas has been

established in China, only a small percentage of the medical bills are paid by patients themselves. Therefore the annual cap of 60,000 yuan is estimated to be able to cover most of the expenditures incurred for serious illnesses.

Sun Gang, a research fellow with the Chinese Academy of Fiscal Science, said that according to the World Health Organization, when a family's medical expenditure is above 40 percent of its total expenses, it is defined as disastrous medical expenditure. Calculated by this standard, the disastrous medical expenditure for average Chinese families is about 16,000 yuan (\$2,296). Considering the incomes and the risk-tolerant capacity of different taxpayers, it is reasonable to set the deduction threshold for medical costs at 15,000 yuan.

"Setting the deduction threshold for medical costs at 15,000 yuan shows solicitude for families with seriously ill patients," Sun said.

Housing expenditure

As for mortgage interests for a taxpayer or his or her spouse's first home, 12,000 yuan is tax deductible each year for the couple during the period of installment.

Gan said limiting deduction to loan interests for a first home is in line with the real estate regulation policy to restrict housing speculation and ensure basic housing needs. The 1,000-yuan (\$144) monthly deduction standard also takes into account the average monthly interest of 1,025-1,189 yuan (\$148-171) on housing loans offered by commercial banks.

According to Gan, in countries such as the Republic of Korea, Mexico and Italy, the deductible amount for housing loan interests normally accounts for 10 to 15 percent of per-capita monthly wages, while in China, the proposed proportion is 15 percent, which is at a comparatively higher level.

For home rents, the deduction will be 14,400 yuan (\$2,075) each year in mega and large cities such as Beijing, Shanghai, provincial capitals and other cities designated by the State Council, 12,000 yuan each year in medium-sized cities with a population above 1 million, and 9,600 yuan (\$1,380) each year in small cities.

Sun said that such deduction standards for home rents are consistent with the average rent level throughout the country and take into consideration the different rent levels in different regions.

Spending on aging parents

For taxpayers who are supporting parents above 60 years, the deduction will be 24,000 yuan (\$3,460) each year for an only child, or be divided among all siblings if there is more than one child.

Liu Yi, a professor at the School of Economics at Peking University, told Xinhua that the deduction offered for supporting seniors is in line with stipulations in the law

Major events in November

November 1: [China to exempt import tariffs for certain goods at import expo](#)

Keywords: China; import tariffs; CIIE

China announced on November 1 to make import tariffs exempt for certain amounts of foreign goods at the first China International Import Expo (CIIE).

November 1: [Xi, Trump have telephone conversation, to meet during G20 summit](#)

Keywords: Xi Jinping; Donald Trump; G20

Chinese President Xi Jinping and U.S. President Donald Trump on November 1 held a telephone conversation, speaking of bilateral trade and the Korean Peninsula issue while agreeing to meet bilaterally during the upcoming G20 summit in Argentina.

November 5: [Xi announces opening of China International Import Expo](#)

Keywords: Xi Jinping; CIIE

Chinese President Xi Jinping announced the opening of the China International Import Expo, which is scheduled for November 5-10.

November 6: [Xi vows teamwork to promote aviation, aerospace worldwide](#)

Keywords: Xi Jinping; aviation; aerospace

Chinese President Xi Jinping said on November 6 that China remains committed to promoting development in aviation and aerospace technologies with other countries, allowing people around the world to share the benefits of such progress.

November 11: [China solicits public opinions on draft vaccine management law](#)

Keywords: State Administration for Market Regulation; vaccine management

China's State Administration for Market Regulation on November 11 published a draft law on vaccine management at its website to solicit public opinions for half a month.

November 19: [China launches twin BeiDou navigation satellites](#)

Keywords: Beidou; Xichang; Long March-3B

China sent two new satellites of the BeiDou Navigation Satellite System (BDS) into space on a Long March-3B carrier rocket from the Xichang Satellite Launch Center in Sichuan Province at 2:07 a.m. on November 19.

November 21: [Policies refined to boost cross-border e-commerce](#)

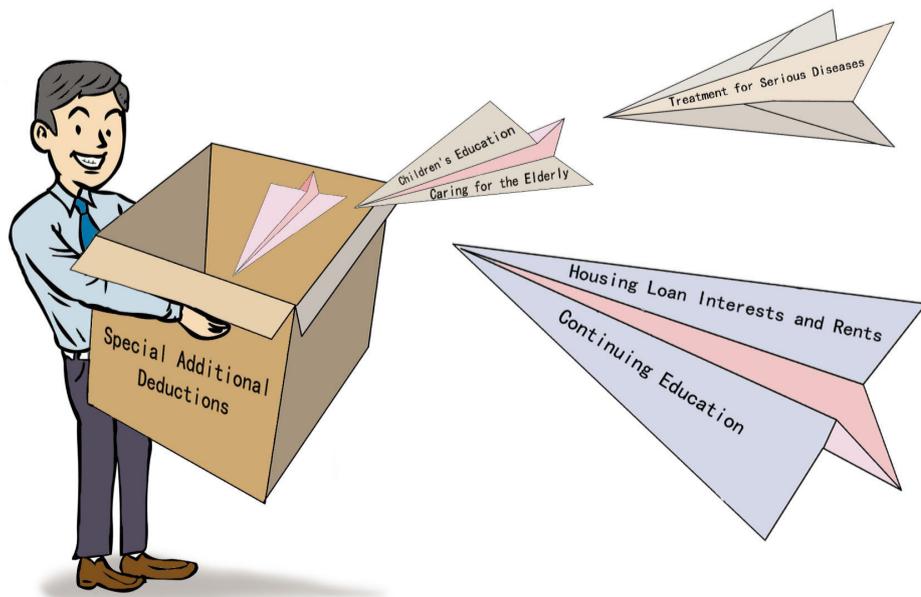
Keywords: Li Keqiang; policy; e-commerce

China will expand and improve the existing policies on retail imports via cross-border e-commerce to widen opening-up and unlock the potential of consumption, the State Council's executive meeting chaired by Premier Li Keqiang decided on November 21.

November 26: [Xi stresses strict criteria, fairness in appointing officials](#)

Keywords: Xi Jinping; strict criteria; appointment of officials

Xi Jinping, General Secretary of the Communist Party of China (CPC) Central Committee, has stressed the importance of applying strict criteria and fairness in the appointment of officials, expanding the way of thinking in the process and doing more to motivate them.



on the protection of the rights and interests of the elderly and retired, which is acceptable to society.

"Among the deductible items, only the standards for home rents vary in different regions, with all the other items having universal standards. This will make deductions much easier," Liu said.

"For a person whose monthly salary is 20,000 yuan (\$2,882), before the tax reform, he had to pay 3,120 yuan (\$449) in personal income tax each month. But after the latest reform, it may decrease by 2,290 yuan (\$330) at most, with the tax burden lowered by 73.4 percent. Such a range of tax cuts will obviously be felt by average people," Gan said at an interview with *People's Daily*.

The tax relief range will vary with each individual, depending on his or her income and how many deductible items he or she can claim. "In general, the heavier family burden a person assumes, the more deductions he or she will enjoy," Gan said.