

CHINESE MACHINE TOOL MARKET - WEEKLY BULLETIN

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Desk ICE-UCIMU in CHINA

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Next step on VAT to reduce levies starting on May 1st

China will cut value-added tax rates as part of a tax reduction package amounting to 400 billion yuan (\$63.58 billion) this year to drive high-quality development, a State Council executive meeting chaired by Premier Li Keqiang decided on March 28th.

The tax rate for manufacturing will be lowered from 17 percent to 16 percent, and for transportation, construction, basic telecommunications services and farm produce from 11 percent to 10 percent.

Li said the reform is a major step in China's tax regime reform.

"VAT reform has helped to reduce the overall corporate tax burden and improve the tax regime. The reform has proved to be conducive to the transformation and upgrading of the economy, unifying the tax structure and making taxation fairer," he said.

"This round of tax cuts will apply to all manufacturing companies. All businesses registered in China, be they joint ventures or wholly foreign owned companies, will be treated equally," Li said.

VAT reform was first tested in Shanghai before it was rolled out nationwide in May 2016. It has delivered a total tax cut of 2.1 trillion yuan in the past five years.

As part of the tax cut package, eligible enterprises in advanced manufacturing, services and electric utilities shall receive a lump-sum refund for their initial input VAT payments yet to be deducted.

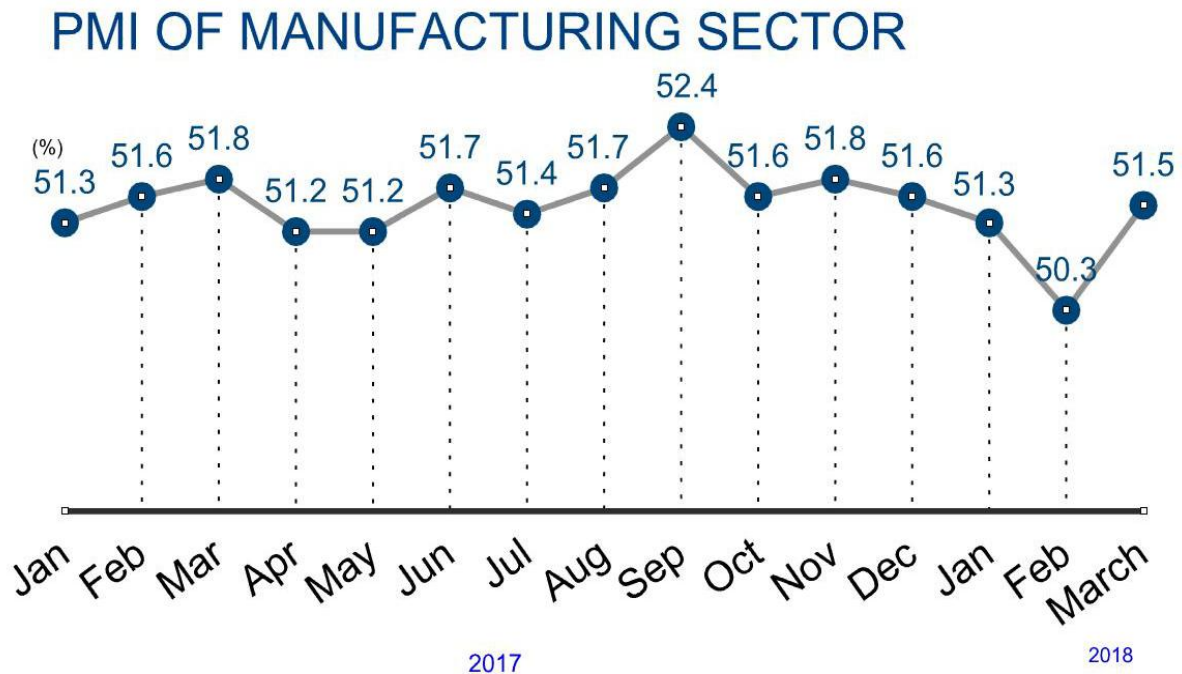
The meeting also decided to unify the standard for small-scale taxpayers, which raises the threshold of taxable annual sales volume for industrial and commercial enterprises from 500,000 yuan and 800,000 yuan, respectively, to 5 million yuan. Enterprises registered as general taxpayers will be allowed to switch their status to small-scale taxpayers within a given time.

All the tax cuts will take effect on May 1st.

The premier said reducing the three tax rate brackets to two in a single step is a hugely challenging job, as reforms are normally pursued step by step. Yet the goal is not beyond reach, he said.

Li stressed that no industry should see its tax burden increase in the course of VAT reform, and that will be the guiding principle for all relevant reform measures.

China's manufacturing activity picks up in March



China's manufacturing sector expanded at a faster pace in March, official data showed March 31st.

The country's manufacturing purchasing managers' index came in at 51.5 this month, accelerating from 50.3 in February, according to the National Bureau of Statistics.

A reading above 50 indicates expansion, while a reading below reflects contraction.

Chinese manufacturers brace for impact of potential U.S. tariffs

Like many senior managers of Chinese high-tech manufacturers, Xiao Fuqiang has been maintaining frequent contacts with his U.S. clients over the past week.

"I contacted my American clients one by one. We have been in close communication, hoping to find the best way out," said Xiao, vice general manager of Guangzhou China-Shine Electronic Co., Ltd., a manufacturer of action cameras.

The United States plans to slap tariffs on about 50 billion U.S. dollars of Chinese imports and restrict Chinese investment. The move has stoked fears of a trade war between the world's largest economies.

China's high-tech industries, such as electronic devices manufacturing, information technology, and new energy, might be the main target of Trump's tariffs plan, according to analysts.

Xiao said his American partners have shown willingness to brace for the potential impact and mitigate the risks together.

"We are both very important to each other," Xiao said. "Action cameras are mostly made in China and are in high demand on the U.S. market. Slapping tariffs on them will only lead to lose-lose situations."

This has been the consensus among U.S. businesses. Some 45 U.S. trade associations, representing retail, technology, agriculture, and other consumer-product industries, have urged the U.S. administration not to move forward on its tariff plan on Chinese imports, as it would hurt U.S. consumers and companies.

Over the past week, many Chinese manufacturers also felt the pressure on the global industrial chain, which was brought about by fears of a trade war.

"The situation is hardly optimistic," said Tang Guobao, vice general manager of Guangzhou Risong Technology Co., Ltd., a producer of industrial robots.

China is a main manufacturer of industrial robots, but many precision instruments for these robots are produced by companies in the United States, the Republic of Korea, Japan, and European countries, Tang said.

"At least in the industrial robot business, there won't be bystanders, but only sufferers in a trade war," Tang added.

It is the same for iPhone's industrial chain. "'Made in China' is an important part of the smartphone industry. Behind it is a large network of global cooperation, division of labor, and profit-sharing, which also includes American companies," said the president of a big Chinese smartphone producer who declined to be named.

At a press conference on March 29th, Gao Feng, spokesperson for China's Ministry of Commerce, urged the United States to "come back to the right track of advocating win-win cooperation between the two countries."

"The United States must abandon unilateralism and protectionism, take measures, and resort to dialogue and consultation to settle disputes," Gao said.

"China is always open for negotiations," Gao added, emphasizing the principles of equality, constructiveness, and balance needed in joint efforts.

China plans near-term import boost



China is expected to release a guideline to boost imports for the near term in its effort to achieve import-export balance in development, Economic Daily reported on March 28th, citing an official from the Ministry of Commerce.

Gu Xueming, president of the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce, told the newspaper the US trade deficit with China is a market result of the two countries' economic structure and the world's industrial specialization, and the US statistical method directly leads to overestimates on the deficit.

He also said its restrictions on some items exported to China will expand the gap.

The first China International Import Expo, or CIIE, will be held in Shanghai from Nov 5 to 10 to further optimize the country's trade structure with the rest of the world, the Ministry of Commerce announced last year.

China is likely to import products and services valued at more than \$10 trillion over the next five years, providing an opportunity for enterprises across the world to enter the Chinese market, according to the CIIE website.

It is anticipated thousands of enterprises from more than 100 countries will attend the event, bringing up to a million commodities and services to the Chinese market.

Tianjin plans offshore wind power plant



Tianjin Economic and Technological Development Area (TEDA) has signed a contract to build an offshore wind power station to power its petrochemical industries.

The TEDA signed the contract with China Three Gorges New Energy Co Ltd on a 18-billion-yuan power base with an annual generation capacity around 2.4 billion kilowatt hours, enough to power ten medium-sized petrochemical factories.

The project requires approval from the central planners and construction is expected to begin in 2020.

The first phase of the project will cover around 20,000 square meters offshore in the the Nangang Industrial Zone in Tianjin.

"The potential of offshore wind power is huge. Such big project will attract high-end manufacturers," said Li Bin, director of Three Gorges New Energy.

Wang Junming, deputy director of TEDA management committee, said the power generated will greatly reduce reliance on coal and gas.

China Three Gorges New Energy Co Ltd is a subsidiary of China Three Gorges Corporation.

Northeast regions to get more support

Provinces in Northeast China are expected to get more policy support to revive their economies, after the nation's top economic regulator decided to link up the region with the more developed southern region.

Southern provinces will be encouraged to provide financial support, share experiences and increase economic cooperation to help rejuvenate the Northeastern region in the country, according to guidelines issued by the National Development and Reform Commission on March 30th.

The NDRC has linked Heilongjiang province with Guangdong province, Jilin province with Zhejiang province and Liaoning province with Jiangsu province.

Guangdong will be encouraged to build a State-owned financing platform along with Heilongjiang, to provide financial support to help restructure the latter's economy.

Enterprises in robotics, clean energy equipment, bio-pharmaceuticals, graphite and other emerging industries in Heilongjiang will be given more policy support to participate in the development in Guangdong as well as in the Guangdong-Hong Kong-Macao Greater Bay Area, according to the guidelines.

Enterprises will be encouraged to issue bonds and asset securitization products at the Shenzhen Stock Exchange, the guidelines said.

The guidelines came after the NDRC established platforms earlier this year to help expand the financing channels to boost the economy of the Northeast, as part of efforts to dispel fears of a worsening business environment in the region.

More than 40 financial institutions, including State-owned banks and private securities companies, will hold meetings in the region on a regular basis. The financial institutions will also help enterprises in the Northeast with more financing channels and identify financial risks.

Wu Xiaohua, deputy head of the Academy of Macroeconomic Research under the NDRC, said the Northeast needs to find new bright spots and quicken the pace to upgrade economic structure.

Block trains enters Sino-German industrial park



Enterprises in ***Sino-German (Shenyang) High-end Equipment Manufacturing Industrial Park*** will enjoy much more convenient logistics and customs services for import and export businesses. The industrial park has been chosen to replace the Shenyang East Railway Station as the terminal of the Sino-Europe block trains linking Shenyang to cities in Europe.

This signifies that imported and exported goods don't have to be unloaded at Shenyang East Railway Station to accept customs inspection and then be transferred to Sino-German (Shenyang) High-end Equipment Manufacturing Industrial Park through roads, cutting logistics time and cost, as well as improving the efficiency of customs clearance.

The Tiexi plant of the Brilliance BMW is the first enterprise in Sino-German industrial park to enjoy this newly-launched service. A total of five containers loading Brilliance BMW's auto parts arrived at the industrial park on March 20, after a 20-day railway journey departed from Germany.

The service is expected to help the Sino-German industrial park attract more investment and cooperation opportunities, said the director of the administration management committee of the Park.

Sino-German (Shenyang) High-end Equipment Manufacturing Industrial Park is a strategic cooperation platform for the Chinese and German high-end equipment manufacturing industry, and in line with the Made in China 2025 strategy and German Industry 4.0 strategy.

Midea, Kuka launch new smart park

Midea Group and its German robotics and automation partner Kuka AG commenced construction of a joint smart manufacturing industrial park on March 29th in Foshan, Guangdong province.

Located in the Sino-German Intelligent Manufacturing International Cooperation Demonstration Zone in Shunde district, the park will feature four major areas - smart manufacturing, logistics, healthcare and homes.

According to Midea, a total investment of 10 billion yuan (\$1.58 billion) will be put into the construction, and the park will cover an area of approximately 800,000 square meters.

The firm also plans to set up centers of manufacturing, research and development, and application demonstration in the park.

Fang Hongbo, chairman and CEO of Midea, said the launch of the smart manufacturing industrial park will be a key step to realizing the company's "smart" strategy, which focuses on human-machine connection and collaboration.

"The launch of the industrial park will help to expand Midea and Kuka's business of robotics and automation in the Chinese market," Fang said.

"China is the world's largest market for industrial robots - and this market continues to grow steadily," said Till Reuter, CEO of Kuka. "The smart manufacturing industrial park is another huge effort made by Midea and Kuka to tap the Chinese market."

According to the International Federation of Robotics, the number of robotic units in the global market will be about 210,000 units by 2020.

"China is the robotic market of the future - it offers huge potential for growth and we will be expanding our local capacities enormously in the near future," Reuter added.

According to data from the IFR, in 2016, the annual sales volume of robots in China reached the highest level ever recorded for a single country, surging 27 percent to 87,000 units year-on-year.

The federation estimates that sales of industrial robots in the Chinese market will increase by 15 to 20 percent from 2018 to 2020.

Earlier, sources from Midea said that the Guangdong-based company had worked with Kuka to set up three joint ventures with the vision of ultimately boosting fast and comprehensive growth in the automation business.

Midea, which owns a majority stake of Kuka, will own a 50 percent stake in the JVs.

"Here in the Chinese market, Kuka and Midea have the same vision to further shape 'smart manufacturing, smart home' in the near future. We are working on advanced robotics and automation - not only in industrial production, but also in other areas such as healthcare and, one day, in our daily lives at home," Reuter said.

According to Reuter, Kuka will produce and sell around 75,000 robots and AGVs (automated guided vehicles) by 2024, with a total capacity of 100,000 robotic units including existing capacity.

22 industry leaders sign up for China Intl Import Expo

Twenty-two industry leaders signed agreements with the China International Import Expo Bureau on April 1st, showing their anticipation for the expo scheduled to be unveiled later in this year.

For the smart and high-end equipment exhibition area, the expo will embrace French engine and power generation application provider Societe des Moteurs Baudouin, US smart warehousing and logistics solution provider Dematic, American conglomerate DuPont, US industrial Internet of Things leader Emerson, Italian luxury yacht maker Ferretti, German forklift manufacturer Linde, Finnish technology leader Nokia and US new materials maker Dow Chemical.

In the consumer electronics area, Tennessee-based A. O. Smith will showcase its water heaters and air purifiers, which are much favored by Chinese consumers. Noritz Corp from Japan will display its latest high-end air-conditioning products and kitchenware. UL from the United States will promote its widely adopted security system. US multinational Whirlpool will bring its latest high-tech white home appliances.

The China International Import Expo also has set an area for food and agricultural products, attracting Danish dairy products maker Arla, Australian organic baby food provider Bellamy, and domestic baby formula maker Yashily, among others.

To be held from Nov 5 to 10 in Shanghai, the China International Import Expo had drawn more than 1,600 companies from over 120 countries and regions by the end of March. The exhibition area will cover more than 120,000 square meters.

Advanced equipment rejuvenates old industrial base

Advanced equipment driving the innovative development of the old industrial base in NE China was on display at the China Changchun Advanced Equipment Manufacturing Expo, held from March 23 to 25.

The exhibition area covered 12,000 sq m and more than 300 exhibitors were in attendance.

An intelligent inspection robot which can offer accurate locations, take photos and conduct intelligent sorting was demonstrated at the exhibition.

According to its developer, it can be applied in automobile manufacturing, aviation, rail transportation and other industries.

The "HEP-2150" intelligent processing machine is another advanced device that can support other industries' development. It could be used in the production of large-scale molds and accessories, which are parts of the aviation and rail transportation industries.

In addition, various detection and measurement devices including a three-way measuring machine and a gear measuring system attracted attention.

As one of the pilot cities involved in the Made in China 2025 strategy, the Changchun government is now focusing on promoting industries such as mechanical engineering, aviation, shipbuilding, automobile manufacturing and food processing and plans to support industrial development through expos.

This Expo was hosted by the Changchun Committee of the China Council for the Promotion of International Trade and Haocha Expo Service -- a Changchun -based company focused on organizing all kinds of exhibitions and conferences.

Activities during CCMT 2018

1. International CEO Forum of Machine Tool Manufacturing Industry 2018

CMTBA will hold the "International CEO Forum of Machine Tool Manufacturing Industry 2018" on Sunday, April 8, 2018, namely, the day before the opening of CCMT2018, in Jumeirah Himalaya Hotel, Pudong, Shanghai. The theme of the forum is "Focus on-Digitalization • Interconnection • Intelligent Manufacturing". The theme responds to the latest changes in the consumer market of machine tools at home and abroad, and reveals the thinking of the domestic and overseas machine tool industry on the future development direction. On the forum, the organizers will invite leaders of global industry organizations, CEOs and CTOs (chief technology officer) of well-known enterprises to give speeches, and we will also invite more than 100 guests, including senior executives and technology executives in the global machine tool industry, user representatives, experts and scholars, and media representatives, to the forum.

2. Symposium on the Application of Domestic CNC Machine Tools and the Annual Meeting of Long Term Cooperation Mechanism

On 9-10 April, the Symposium on the Application of Domestic CNC Machine Tools and the Annual Meeting of Long Term Cooperation Mechanism will be held in Shanghai in 2018. The conference was commissioned by National Development and Reform Commission, Ministry of Industry and Information Technology of the People's Republic of China, and State Administration of Science, Technology and Industry for National Defense, PRC to CMTBA and China Association for Peaceful Use of Military Industrial Technology.

The conference will cover the current situation and related supporting policy, the development and the demand of the industry, the release of recommended list of domestic high-end CNC machine tools, special achievements of CNC machine tools, and the guide for the demand of CNC machine tool. The conference will further sort out and detail the evaluation criteria on the application of CNC machine tool, and promote in depth communication between supply side and demand side, based on the data and information gathered through visiting machine tool exhibitions and CNC machine tool exhibitions, and studying the latest development of CNC machine tool industry at home and abroad. There will be more than 80 defense industry enterprises and more than 50 machine tool manufacturers to participate in the meeting.

3. Forum on International Business

On April 11th, CMTBA will organize Forum on International Business. We will explore the way to breakthrough geographical restrictions and deepen international cooperation in the global economic downturn, and discuss how the government and intermediary organizations provide support for the convenience of international operation of enterprises. For this reason, we will invite leaders of the Ministry of Commerce responsible for the overseas investment and foreign trade management to introduce the macro environment and related policies. We will also invite overseas institutions to introduce investment projects.

4. CNC Machine Tool Special Achievements Exhibition and News Release on the Evaluation Result of Performance of Functional Component

During CCMT2018, CMTBA will continue to undertake CNC Machine Tool Special Achievements Exhibition commissioned by Ministry of Industry and Information Technology. The exhibition is at W5-A311 in Shanghai New International Expo Center. The exhibition area is about 160 square meters. This special exhibition will not only introduce the achievements in the technological progress and new product development since the implementation of the Special Achievements Exhibition but also show the five axis machine tools and numerical control system, etc. in the special exhibition area.

In addition, News Release on the Evaluation Result of Performance of Functional Component will be held in the afternoon of the opening day (April9,2018).The press conference was organized by the Ministry of industry and information technology and co-organized by CMTBA. In the conference, it will report the evaluation result of performance and reliability of products conducted by the Key Laboratory of testing functional component of CNC machine tool and reliability technology. It will also release the result of performance testing of rolling functional components.

5. Release of the Evaluation Result of Top 10 Advanced Enterprises of CMTBA

The Evaluation Result of Top 10 Advanced Enterprises has strong credibility. It has a positive role in promoting the technological innovation, improving the quality and reliability of products in the machine tool industry, and building the brand products of China's machine tool. In 2017, the evaluation of "Top 10 of Independent Innovation" and "Top10 of Product Quality " in the machine tool industry was officially launched in early September. After several assessment procedures of enterprise reporting, basic condition review, on-site user survey and verification, expert evaluation, and media publicity, the results will be announced in the awarding ceremony in Entrance Hall 1 in the afternoon of April 9,2018.

6. Appraisal of the “Spring Swallow” Award

As a traditional award founded in 1988, “Spring Swallow” Award played a positive role in promoting development and innovation of products and enhancing the core competitiveness of enterprises. For rewarding the development and innovation of the products, the association will continue to carry out Appraisal of the “Spring Swallow” Award during CCMT2018.

“Spring Swallow” Award adheres to the principle of fairness and justice. All members of CMTBA may participate in the award. The products presented must be domestic brand ones, and should be recently developed independent innovation products, with remarkable innovation achievements. They should be as advanced as international similar products or leading domestic similar products, mostly homemade, stable, reliable, practical, with good market prospects, and beautiful appearance, and be capable of meeting the needs of national economy and national defense construction, as well as with large potential in substitution for imported products and good economic and social benefits.

During the exhibition, CMTBA will organize experts to review the exhibits, and the ceremony will be held in entrance hall 1 in the afternoon of April 9, 2018. The list of enterprises and products will be published, and the medal and certificate of honor will be awarded.

7. Setting up Educational Institution Showcase --promoting the communication and cooperation in IAR (Industry-Academia-Research)

In order to put scientific and technological achievements into practice and enhance communication and cooperation between educational institutions, research institutes and enterprises, CMTBA will continue to set up the area after it was launched in CIMT2015, CCMT2016 and CIMT2017. The area is 100 square meters, located at N5-B402 in Shanghai New International Expo Center.

The six educational institutions already signed up are Tsinghua University, Dalian University of Technology, Dalian Polytechnic University, HeFei University of Technology, Nanjing Tech University.

At the Educational Institution Showcase, the 2018 modern processing video contest will be held to promote the enthusiasm of college students in mechanic processing majors to put the theory into practice, and to show the enterprising spirit of contemporary young students.