China to cut overcapacity, help companies out

English.news.cn | 2016-01-08 01:09:46 | Editor: huaxia

BEIJING, Jan. 7, 2016 (Xinhua) -- Chinese Premier Li Keqiang (C, rear) presides over a symposium on China's coal industry to address its excessive capacity in Taiyuan, capital of north China's Shanxi Province, Jan. 4, 2016.(Xinhua/Xie Huanchi)

TAIYUAN, Jan. 7 (Xinhua) -- China will provide full support for the coal and steel sectors, which suffer serious overcapacity, to help them out of their current difficulties, according to an official statement issued Thursday.

Since last year, overcapacity in those sectors became a prominent problem due to weak demand at home and abroad and dropping commodity prices on the global market, the statement cited Premier Li Keqiang as saying at a meeting on the topic.

As companies in deteriorating hardship weighed on both economic growth and steady employment, the country must defuse overcapacity in an orderly manner and help companies find a new development path.

In the past three years, China eliminated more than 90 million tonnes of steel production capacity and over 200 million tonnes of coal mining capacity.

Li said the country will carefully study market conditions to set a reasonable target for the next three years.

Since 2013, the country has stopped approving new steel capacity. The country will suspend the approval procedure for new coal mines, technology upgrade projects and for raising capacity of existing coal mines, Li said.

China will also gradually close steel mills that fail to meet environmental, energy conservation and safety standards. Coal mines using forbidden mining methods or falling short of safety standard will also be shut down.

Remaining capacity should be optimized partly by raising market access standards on environment protection and the uses of energy, materials and water. Companies should upgrade their products toward a more sophisticated, smart and green direction, the premier said.

The country encourage mergers and acquisitions and "will guide the voluntary exit" of weak companies that cannot cease making losses, he said.

The government should take "a combination of measures" to resolve problems from overcapacity, including fiscal and financial support, ensuring the lives of laid-off workers and enhance supervision on local governments' work around overcapacity, Li said.

China will support steel and coal companies to engage in mass entrepreneurship and innovation to create new job opportunities.

The central government is going to set up a special fund to subsidize the efforts of local governments and companies to defuse overcapacity. The fund will be mainly used in taking care of laid-off workers, according to the premier.

The country will safeguard the legitimate interests of laid-off workers by offering new jobs, supporting them to start businesses and providing posts in non-profit endeavors.

Li added that local governments must abandon all preferential policies and protective measures for fields with overcapacity, and efforts of eliminating excessive capacity will be one of the major aspects in evaluating the work of local governments.

Industrial restructuring and optimization should not just focus on old industries, but also on new sectors that will provide new impetus for growth to provide more jobs lost in the traditional sectors, he said.

The meeting was held in Taiyuan, north China's Shanxi Province Monday. It was attended by officials from some major steel- and coal-producing provinces and 24 leading companies in the fields.

Key Words : overcapacity

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