Center, National Center for Agricultural Utilization Research (NCAUR), Stanford Linear Accelerator Center (SLAC), Lawrence Livermore National Laboratory (LLNL), and Lawrence Berkeley National Laboratory (LBNL). All these top-class research institutions constitute the core competitiveness for the Silicon Valley. In this sense, Hong Kong and Shenzhen need to work together to establish some state-level scientific research institutions headquartered in Hong Kong and Shenzhen.

Secondly, to promote the unified allocation of scientific and technological innovation resources in Hong Kong and Shenzhen. The substantial characteristics of an open regional scientific and technological innovation system are multi-subject participation, multiple innovation resources flow, and high integration. For example, we should overcome the insufficiency of Hong Kong in terms of industrial structure and narrow market space, and guide enterprises and R&D institutions in Shenzhen to cooperate with those in Hong Kong in an appropriate way, so as to provide a variety of industrial space and larger application market for the world-class universities in Hong Kong.

Thirdly, to serve enterprises in different periods of innovation. Hong Kong's advanced international commercial network and well established legal system facilitate enterprises with strength to promote development or go global. Shenzhen's cost advantage and strong industrial matching ability are beneficial to enterprises in their initial phase of entrepreneurship and innovation. On the one hand, Shenzhen needs to build a paradise for young people of both Hong Kong and Shenzhen to start a business, develop and implement preferential policies of tax deduction and exemption, and provide enterprise talents with favorable life supporting services. On the other hand, Hong Kong should focus on attracting Shenzhen's competent enterprises of biotechnology, IT, intelligent manufacturing, high-end equipment, new energy resources, marine resource exploitation and marine ecology protection to establish R&D centers or laboratories for high value added manufacturing, and stretch the "production-R&D-design-sales" industrial chain to Hong Kong, in response to Hong Kong's strategy of "reindustrialization". Over the past ten years, Shenzhen's Huawei, ZTE, BGI, Tencent and other enterprises have entered Hong Kong. In future, we should encourage more such enterprises to settle in Hong Kong.

ZHANG Yuge, Director of Hong Kong and Macao Economic and Social Research Center at CDI

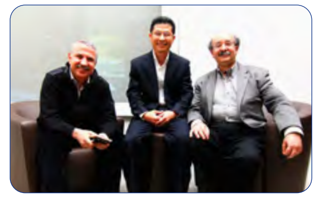
Projects >

Commissioned by Liancheng Overseas Fishery (Shenzhen) Co. Ltd., CDI conducted feasibility study on deep-sea fishery bases of the company in Micronesia to promote the construction of the fishery base in Kosrae, and cold rooms and processing plants for tunas in Pohnpei. The research team of CDI predicted the market potentials of deep-sea aquatic product shipping and processing, and put forward the development course, operation scale and business strategy.

From February 29th to March 8th, a 21-entrepreneur delegation from Kunshan City accompanied by research fellows from CDI paid a visit to Ethiopia for need-to-know investment information, which facilitated the business operation in the Industrial Park of China Civil Engineering Construction Corporation (CCECC) in Dire Dawa, Ethiopia. The field trip marked that CDI expanded its consultation service from top planning to investment invitation. During the field trip, the delegation learnt about the planning of the park, and location, transport, climate, and religious culture of Dire Dawa. Moreover, meetings were also held with Dr. Arkebe Oqubay, Special Advisor to the Prime Minister of Ethiopia and the mayor of Dire Dawa to get a full picture of favorable policies and investment services in Ethiopian industrial parks.

Events >

Prof. Fan Gang, CDI President, delivered a speech during a seminar entitled "Global Challenges and Regional Solutions: Engaging Stakeholders" organized by The Jakarta Post and the Pacific Economic Cooperation Council (PECC) in Jakarta on 25 April. Prof. Fan held that China's economy is likely to register an annual growth rate of 7 percent for the next decade despite the current slowdown of a business cycle.



On February 24, 2016, on behalf of CDI, Dr. Wang Guowen, Director of Department of Logistics and Supply Chain Management, attended the completion ceremony of The Innovation Center of Rocky Mountain Institute (RMI), located in Basalt. RMI, as a thinker and actor in the field of new energy, has proposed commercial solutions to systematically stop using fossil fuels.

On February 29, 2016, Dr. Tim Summers, a senior consulting fellow on Asian programme from Chatham House, visited CDI and conducted research on the integration of Hong Kong and the Pearl River Delta in an interview with Dr. Guo Wanda, Executive Vice President of CDI.

Based in Shenzhen and founded in 1989, China Development Institute (CDI) is a non-governmental think tank that develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. Based on rigorous research and objective analysis, CDI is committed to providing prospective, innovative and pragmatic reports for governments at different levels in China and corporations at home and abroad. In December 2015, CDI was designated as one of top 25 national leading think tanks in a pilot project of central government which is aimed at promoting the building of new-type think tanks with Chinese characteristics.

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The Housing Boom Is back

The housing prices in first-tier cities have surged, which is not surprising in the light of the population migration. We are still confident about China's housing market, as long as the Chinese economy is growing at a moderate rate.

Quoted >

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CDI Opinions on the Two Sessions: Fiscal Reform

NPC & CPPCC 2016 Annual Sessions were held from March 2 to 16 in Beijing. CDI experts give policy recommendations on fiscal reform to increase personal income of Chinese people.

Expert Insight >

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How to Build an Open Regional Scientific and Technological Innovation System

Integrating resources is a very important reason for the success of DJI. An open regional scientific and technological innovation system should be established to promote Shenzhen-Hong Kong cooperation. In what ways can Hong Kong and Shenzhen cooperate?

Projects >

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Feasibility Study on Deep-Sea Fishery Bases of Liancheng in Micronesia

An Investment Field Trip to Ethiopia

Events >

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Debut of *Reform is Creation* and Counties Development Seminar Held in Beijing

On January 23, *Reform is Creation: A Sample of County Reform and Development* was first released in Beijing. Experts also held heated discussions under the theme of economic reform and development in a county region. Co-authored by CDI and China International Urbanization Development Strategy Research Committee (CIUDSRC), the book comprises of 15 typical cases of economic restructuring and transformation in Changsha County over the past decade.

Prof. Fan Gang Addresses a seminar by The Jakarta Post on ASEAN challenges

Dr. Wang Guowen Attends the Completion Ceremony of RMI Innovation Center

Dr. Tim Summers from Chatham House Visits CDI

The Housing Boom Is back

Prime Minister Li Keqiang announced in an address to Congress on March 5th that the economic growth target would be 6.5%-7% for 2016 - the first time a GDP growth target was set for a particular time frame. Industrial output rose 5.4% y/y, a new low in the current cycle of decline. Fixed asset investment shows positive signs, and was up 10.2% y/y, up 0.9 pps from Q4 2015. State investment has increased, in order to lift growth. For example, planned total investment for new projects increased 41.1% y/y in January-February, giving us confidence in future growth.

Retail sales of consumer goods rose 10.2% y/y in nominal terms, down 0.9 pps from Q4. In February, CPI rose 2.3% y/y, up 0.7 pps from December. The ex-factory price index of industrial products fell -4.9% y/y, and PPI fell -6.5% y/y, finally narrowing the gap to zero, partly due to supply-side reform.

Trade fell further. Exports decreased -17.8% y/y in January-February, and are probably down around -10% y/y, after adjusting for last year's large base number. Imports fell -16.7% y/y.

M1 was up 17.4% y/y at the end of February, up 1 pps from January, after factoring in the Chinese New Year effect. This shows that monetary policy is still loosening. Total loan size and societal financing scale have returned to normal levels.

Shenzhen, Beijing and Shanghai were in the headlines, as housing prices in first-tier cities have surged. Of particular note, housing prices in Shenzhen have risen more than 50% over the past year. Moreover, the real estate market recovered nationally. All this is contrary to the oft-heard pessimistic forecast in recent years, and is consistent with our previous forecasts.

Buyers' strong expectations are based on their 10% per year increasing income. China still has probably the world's strictest housing purchase entry regulations. The housing price surge is not surprising any more, viewed in light of the biggest rural-to-urban migration in human history, and the migration between cities (big cities are seen as more attractive, because of better public resources and job prospects).We do not rule out the risks of empty towns, but these mainly exist around a very limited number of small cities, and their systemic risk is quite low. We are still confident about China's housing market, as long as the Chinese economy is growing at a moderate rate.

Quoted >

CDI Opinions on the Two Sessions: Fiscal Reform

Editor's note: the year 2016 is the first year for the implementation of the "13th Five-Year Plan" as well as the first year for the decisive stage of building a moderately prosperous society in all respects. According to the general plan, the main work and tasks of deepening the reform of the fiscal and taxation system will be fundamentally completed in 2016. How will the fiscal and tax reform benefit enterprises and people?

Prof. FAN Gang: In the long run, reducing enterprise cost is not yet a matter of tax abatement

One of the five major tasks for supply-side structural reform is cost reduction. The most important goal of cost reduction is to lower tax, lessen the burdens of enterprises, and greatly stimulate enterprises to increase investment and make innovations. Reducing enterprise cost is not yet a matter of tax abatement. It comes down to a series of transaction cost, including land and social security, and government's review and approval procedures.

Reducing cost has to do with how to reduce labor cost in enterprises, which involves a series of institutional arrangement. If some systems fail to reduce the comprehensive labor cost of an enterprise, it will bear a high cost.

Reducing cost has to do with social security, as well. Nowadays, social security cost is also a high cost for an enterprise. If the social security is more efficient and more money can be used for it, perhaps there is no need for enterprises to pay so much social security cost.

Prof. FAN Gang, President of CDI

Dr. GUO Wanda: To achieve income growth in pace with economic growth through reform

The key point for a rational distribution of the national income is to tackle the problem of unfair distribution. For income distribution, we have primary distribution and secondary distribution. We need to determine the distributive proportion of all compensable factors, involving tax, and regulate secondary distribution, social security, for example. To make income distribution more rational means that the income increase can be substantially felt by people.

The individual income taxation should be reformed. Some experts have proposed to lift the threshold for taxable income and levy individual income tax based on comprehensive household income. Tax payment of high consumption or luxury consumer goods is included in the 13th Five-year Plan, which is a tax regulation measure.

Equalization of public services should be achieved. The income, medical treatment, education and basic life of the low-income groups can be guaranteed and achieved through the equalization of public services. What's even more important is how to educate the impoverished people.

Anti-monopoly and anti-corruption should be done. Reducing the unreasonable high income of some industries, state-owned enterprises means that much more benefits should be given to the public finance and illegal income should be banned and a social regulating mechanism should be formed to make income distribution more impartial.

Dr. GUO Wanda, Executive Vice President of CDI

Dr. QU Jian: The reform of individual income taxation should not be limited to lifting the threshold for taxable income

The levy of individual income tax is a difficult problem throughout the world. It is inclined to increasingly levying tax on blue-and-white collar workers, because it is difficult to define personal income and corporate income. We cannot find a system for the levy of individual income tax once and for all, it is suggested that an assessment system for the individual income tax payment indicator should be established. A warning system should be established to record variation of tax payment of some people and enterprises, which will be gradually introduced to the national system for individual income taxation. China's taxation will be improved.

Actually, the reform of China's individual income taxation has two development directions. The first is a simple reform people can understand, which refers to increase the deducted amount by all means. But it fails to conform to the world practice. The second is household-based comprehensive deduction, which is universally adopted by some advanced economies including the US, Europe, and some Asian emerging economies. It varies with whether all family members are employed and whether there are children in the family. So, I think household-based comprehensive deduction of individual income tax is an alternative for the reform of individual income taxation.

Dr. QU Jian, Vice President of CDI

Expert Insight >

How to Build an Open Regional Scientific and Technological Innovation System

Two years ago, DJI was in the spotlight. Hong Kong has absolute advantages in terms of R&D and new technological innovation. Adequately integrating factor resources is a very important reason for the success of DJI. Innovation is no longer a closed internal circulation system. An open regional scientific and technological innovation system has become the mainstream.

Resource integration of innovation factors both in Hong Kong and Shenzhen is the top priority. Hong Kong and Shenzhen need to further integrate their universities, scientific research institutions, industries and other resources, and jointly create sustainable motive force to support innovation, by taking scientific and technological innovation cooperation as the breakthrough point to build an open regional scientific and technological innovation system among Guangdong, Hong Kong and Macao.

Currently, cooperation can be done in the following major fields:

First, to establish some state-level scientific research institutions in Hong Kong and Shenzhen. The number and level of scientific research institutions determine the competitiveness of the regional scientific and technological innovation system. San Francisco Bay Area is home to five major national level research institutions: NASA's Ames Research