"Operation export is of great significance, and signifies a country's soft power."

XIAO Shixiong, General Manager of the Operation, Headquarters of Shenzhen Metro Group Co., Ltd.

The overseas projects of Shenzhen Metro perfectly match the Belt and Road Initiative. These projects are located in Central Asia, Africa, and the Middle East. The going global of the metro sector involves the export of technical standards and management culture. In the process of going global, governmental support is required when enterprises encounter problems such as foreign exchange control, which cannot be resolved and avoided.

"Low cost, high output, and accessibility are the three secrets that can change the world."

ZHU Yanmei, Executive Vice President of BGI

As an inborn global enterprise, BGI has provided medical gene sequencing service in more than 60 countries in the world. Shenzhen can truly become a leader of innovation instead of a weeded-out "Silicon Valley"in the era of life science, if it can establish a "special medical zone", like it established a special economic zone in the past, where any medical technology which is applied in Hong Kong and the US can be used.

" Leverage China's market advantages to make use of global R&D results."

HU Xiang, Chairman of Shenzhen Beike Biotechnology

Beike Biotechnology has been "going global" ever since its birth. It has established the first stem cell bank standard in the world, and provides services for patients in 70 countries. We are in an era of life science revolution. We do not expect our scientific research to be the best in the world. We are just one of those scientific research organizations in the world. We should leverage China's advantages of huge market and platform, so as to make use of global R&D results.

Quoted >

FAN Gang: "Urban Villages" Is a Must

Urban villages and old towns clustered with new migrants in some cities are often regarded as an obstacle in China's urbanization drive. People are eager to clear these eyesores as soon as possible and replace them with charming landscapes.

One reason is poor public security. Large numbers of migrants and low income earners make it complicated to manage the urban villages. Have we ever strengthened the management at first, have we provided necessary public facilities and services, or have urban villages been treated as an administrative region of a metropolis?

The urbanization is essentially a flow of migrants and low income earners into the city. If public services are still mainly provided for the original urban residents, the problem of government absence

will definitely arise in urban villages. Usually, managing urban villages is a tough job, but it is unforgivable to leave them aside. The hard task can actually be used as the best touchstone to assess the ability of government officials.

Another annoying thing about urban villages is their unsightliness. Let's look at Europe's old towns in big cities, which were once urban villages in some sense. After decades or even a hundred years of evolution, they have attracted a great number of tourists with their distinct style. We can preserve some of the urban villages, get them renewed, decorate them with artistic ideas and modern architectural methodology, and build special pedestrian streets, etc., thus they can be involved into the development of modern cities. In the early days, the conditions of slums in many cities in developed countries might be even worse than those of our urban villages nowadays. We now have the ability to reconstruct the urban villages and maintain low-cost, orderly, clean, and safe living conditions for low income earners, with technologies which are far more advanced than those in the past.

Issues about urban villages involve laws and regulations, and urban management, which must be dealt with by reform. For example, how to bring out a reform which keeps the original ownership unchanged once the homestead of a farmer is classified as land for urban development, and at the same time ensures the land is uniformly treated as urban property under the laws and regulations.

The most valuable thing of urban villages is that they provide cheap housing for low income earners in China. Once these people have a house to live in, they can settle down and look for jobs in the city. The low rent in urban villages not only ensures that there is sufficient and low-cost labor supply in the city, but also actually reduces the living cost and inflation rate in the city, which is good for the overall urban stability.

Despite the fact that most urban villages are destined to be plucked down with China's industrialization and urbanization drive pushing forward, China is still at the initial stage of the urbanization. We cannot expect to immediately catch up with the urban standards of developed countries. People with relatively low income, who have newly moved to the city, will become a main part of Chinese urban residents, and even a dominant part in some emerging cities and towns, in a considerably long period. The first step towards people-friendly urbanization is to provide these people with basic living and development conditions. It is not difficult to provide elegant and comfortable modern urban conditions for a small number of rich people. The real challenge for the government is to provide basic living and development conditions for the large number of low income earners, so that they can gradually settle down and make a living in the city.

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 the central government which is aimed at promoting the building of new-type think tanks with Chinese characteristics.

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CDI
China Development Institute
NEWSLETTER
www.cdi.org.cn 2016 volume 6

CDI-NERI Macro Outlook > more on page 02

Brexit Stokes Yuan Uncertainty

GDP grew 6.7% y/y in Q2, the same rate as in Q1. There's downward pressure on future growth, though we also expect growth to stabilize. Industrial output was up 6.1% y/y. Though growth was 0.3 pps faster than in Q1, the recovery is weak.

Event Highlights > more on page 02

CDI Shenzhen Annual Meeting 2016 on Chinese Enterprises Going Global

China Think-Tank Forum & CDI Shenzhen Annual Meeting 2016 themed on "Going Global: Pathway, Risk & Innovation" was held in Shenzhen on August 6. The best quotes from the forum are shared with our readers.

Publication >

Hong Kong's Economy at the Crossroad

The book focuses on the challenge and source of predicament for Hong Kong's economy to explore the transformation and development path. Arranged in four parts, it reviews the economic history, analyzes the economic performance and operation mechanism, and points out the future considerations for Hong Kong's economy.

Events >

China-Africa Industrial Capacity Cooperation Seminar Held in Tanzania

On July 5, the International Seminar on China-Africa Industrial Capacity Cooperation was held in Dar es Salaam, Tanzania. Zhou Zhenbang, distinguished expert of CDI, attended the seminar and delivered a speech in which he shared the experience of China's special zones, and offered suggestions on China-Africa industrial capacity cooperation and the development strategy for Tanzania's special economic zones. The seminar was jointly hosted by the Chinese Embassy in Tanzania and the Tanzanian Ministry of Foreign Affairs, and organized by the Chinese Studies Center of the University of Dar es Salaam.

SUPSI Student Delegation Visited CDI

Delegation of 35 students from University of Applied Sciences and Arts of Southern Switzerland (SUPSI) paid a visit to CDI. Dr. Guo Wanda, Executive Vice President of CDI lectured students on "Chinese Economy and Shenzhen Special Economic Zone: the Transformation of China". The lecture covers four parts: "Chinese Economy in the Past", "Chinese Economy in the Future", "Shenzhen: A Special Economic Zone" and "Shenzhen's Innovation and Its Role in China's Transformation". Dr. Guo highlighted Shenzhen's role in Chinese economic transformation in the period of the 13th Five Year Plan.

Quoted > more on page 05

"Urban Villages" Is a Must

The most valuable thing of urban villages is that they provide cheap housing and living conditions for low income earners in China. The low rent in urban villages not only ensures that there is sufficient and low-cost labor supply in the city, but also actually reduces the living cost and inflation rate in the city.

Brexit Stokes Yuan Uncertainty

GDP grew 6.7% y/y in Q2, the same rate as in Q1. There's downward pressure on future growth, though we also expect growth to stabilize. Industrial output was up 6.1% y/y. Though growth was 0.3 pps faster than in Q1, the recovery is weak.

Fixed asset investment rose 8.2% y/y in real terms, down 2.5 pps from Q1, and at the end of June was up only 7.4% y/y. In particular, private investment was up just 1.4% y/y, down 4.3 pps from Q1, and even shrank -0.1% y/y in June.

Retail sales of consumer goods were up 10.6% y/y in June in nominal terms, and up 0.6 pps from May. In Q2, imports fell -6.8% y/y, up 6.7 pps from Q1. After taking out seasonal factors, imports have been recovering since March. Import recovery is not due to stronger demand, but to firms' substitution of overseas goods, considering the increase of domestic producer goods' prices due to continuing supply-side reform. Exports were down -4.6% y/y and, although up 5.1 pps from Q1, still face the risk of another dip.

CPI was up 1.8% y/y in June, decreasing for two consecutive months, down 0.4 pps from April. The declines are more related to seasonal factors, though. Producer prices are still in a recovery cycle. The ex-factory price index of industrial products in June fell -2.6% y/y, up 0.2 pps from May. PPI rose 0.2% m/m, and fell -3.4% y/y, trending up as well.

M1 and deposits from non-financial enterprises rose 24.6% y/y and 32.5% y/y in June, respectively, up 20.3 pps and 30.5 pps from June 2015. Such large increases amid a weak economy demonstrate the diminishing effect of monetary policy on the real economy. Supply-side reforms to eliminate excessive capacity leave firms reluctant to invest, easy credit notwithstanding.

The results of the June 23rd Brexit referendum triggered a series of financial and economic consequences, such as the drop of pound sterling. If the UK leaves the EU, that would certainly disturb British trade with China, though it also creates an opportunity for China's heated overseas enterprise expansion into the rest of the world. Pound depreciation will on the one hand put depreciation pressure on the yuan, considering the major roles of both in the currency basket, to which the yuan is pegging. On the other hand, the close relation between the United States and Europe will reduce the likelihood of the Fed hiking interest rates, given such high counterparty uncertainty. And that will reduce the prospects for yuan depreciation.

CDI Shenzhen Annual Meeting 2016 on Chinese Enterprises Going Global

Editor's Note: China Think-Tank Forum & CDI Shenzhen Annual Meeting 2016, co-hosted by China Development Institute and Shenzhen Soft Science Development Foundation, was held in Shenzhen on August 6. The forum themed on "Going Global: Pathway, Risk & Innovation" gathered a lot of experts and entrepreneurs to have an intense discussion on Chinese enterprises going global in the context of the Belt and Road Initiative.

"Shenzhen enterprises should assume historical responsibilities in China's Belt and Road Initiative."

WEI Jianguo, Vice Chairman of China Center for International Economic Exchanges

There is a continuous significant increase in economic and trade connect between China and countries along the Belt and Road. Under the strategic background of the initiative, Chinese enterprises should choose right investment destinations, build industrial zones and economic cooperation zones overseas, accelerate the completion of iconic early harvest projects, and go global in group.

"Growth of overseas direct investment is an important way to improve savings utilization efficiency."

FAN Gang, President of CDI

It is normal that investment is "cold internally and hot externally" at present, because the Chinese economy is in the process of adjustment and at a periodical low ebb, and thus enterprises are looking for opportunities externally. But the reduction in domestic private investment is somewhat attributed to the factors of system and investor confidence, which calls for attention.

"All issues about China's economic structural reform boils down to whether zombie companies can exit smoothly."

HUANG Yiping, Vice Dean of National School of Development, Peking University

The key to supply-side structural reform is to promote replacement of old industries by new ones. However, the existence of a large number of zombie companies not only reduces the resource utilization efficiency, but more importantly, increases the financing costs for non-zombie companies, and has an edging-out effect on emerging industries.

"Small and medium-sized enterprises have become the main force of innovation."

WANG Jiazhou, Professor of the City University of New York

"Going global" requires a full understanding of the market, including market demand, investment environment, legal system, human resources, and financial market, so as to minimize information asymmetry. Meanwhile, it is also necessary to resolve financing problems, cultivate international talents, resolve the issue of cultural integration in merger and acquisition, and go global in group, so as to avoid overseas cutthroat competition among Chinese enterprises.

"Invest in merger and acquisition, and realize transformation and development."

TONG Xuesong, Vice President of TCL Venture Capital

TCL Group operates globally, and now more consideration is given to emerging industries. Therefore, TCL Venture Capital mainly invests in some risk funds and industry funds in the US and Israel, so as to look for good projects to promote the growth of new industries.

"China is at a critical point in the process of manufacturing industry going global in bulk."

QU Jian, Vice President of CDI

With regard to the industry-specific path of going global in developed countries such as Japan and US, etc., at the early stage it most focused on such fields as energy and raw materials, and expanded to the manufacturing industry later. Similarly, the overseas investment by the Chinese manufacturing industry still accounts for a relatively low proportion, which will grow in the future.

"Enterprises should go global in group rather than individually in the future."

SUN Tianlu, Secretary-General of Shenzhen Outbound Alliance

Shenzhen's actual overseas investment in the first half year increased by 200% compared with the same period of the previous year. Currently, Shenzhen's main investment destination is still Hong Kong. A platform should be built to integrate overseas investment information and industry updates. A system of financial servives and risk prevention should be established to make good use of funds from government, financial institutions and private sector. Meanwhile, talent support should also be given.

"Local popularity comes from effective operation and cultural integration."

CHEN Qingbai, General Manager of Liancheng Overseas Fishery (Shenzhen) Co., Ltd.

Liancheng Overseas Fishery was established in 2002, and its main business is developing the tuna industry in South Pacific island countries. Currently, it has developed operations of fishing fleets, overseas bases, transportation and marketing. Resource-utilizing industries need to be rooted locally and be integrated into the local culture by promoting local economic development and job opportunities.

"Adhere to the principle of leveraging China's advantages and making use of local wisdom."

QIN Gang, Assistant to the President, China International Marine Containers (Group) Ltd. (CIMC)

By the end of 2015, the overseas business revenue of CIMC had exceeded RMB 40 billion, accounting for 57.5% of the group's total revenue. CIMC's production and sales bases and R&D centers are located across the world. CIMC fully respects the local interests, and strives to improve corporate efficiency through management skills and market integration. With market-oriented and globalized commercial language, it has touched the hearts of overseas partners of different races and different cultures.

"Think tanks should do something to prevent the risks for Chinese companies going global."

GUO Wanda, Executive Vice President of CDI

As Belt and Road Initiative moves ahead, going global has become a prevailing trend. However, risks exist, and analysis and research should be strengthened to prevent such risks.