In the discussion on the OBOR with Ambrosetti in Milan on December 5, CDI delegation elaborated on China's opening-up strategy, China's investment in the EU, China's economy, the RMB exchange rate, Shenzhen-Hong Kong Stock Connect, the opening-up of China's capital market and other issues. More than 30 representatives from Italian think tanks and businesses raised questions about the Silk Road Fund and logistic connectivity along the Belt and Road. They showed interest in participating in the OBOR, but they hoped to know more about the Chinese demands, participation channels and cooperation approaches. Therefore, it is imperative for the two parties to enhance the communications on the OBOR .

CDI delegation also met with more than 20 think tank experts, business managers and government officials in the roundtable discussion with The H-ellenic Foundation for European & Foreign Policy in Athens on December 9. It is noted that many Chinese enterprises, such as Huawei, ZTE and Fosun, are now expanding their business network in Greece. For example, China COSCO Shipping Group has acquired 51% of Piraeus Port. It is agreed that Greece has the historically honored ports and and shipbuilding industry which are attractive to foreign investment. In addition, Greece is willing to leverage the OBOR investment opportunities.

During the visits to other institutes, it is also found that experts and business managers from Italy and Greece also paid close attention to the opening-up of China's capital market such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect.

The activities expanded investment opportunities in the countries along the Belt and Road. Italy has expressed interest in OBOR projects concerning finance and logistics, while Greece is looking foward to introducing Chinese capital to airport, hot spring, telecommunications, retailing, etc. Hence, Chinese enterprises can tap more investment opportunities in the European market.

Executive Vice President Dr. Guo Wanda Attends the 8th World Chinese Economic Summit

Executive Vice President Dr. Guo Wanda gave a presentation on the investment risk management for "One Belt One Road" initiative (OBOR) during the 8th World Chinese Economic Summit themed on "China and ASEAN: Realizing Opportunities and Strengthening Partnership", which was held in Malacca, Malaysia from November 16 to 17 2016. With experts from China, Pakistan, Malaysia, Singapore, Thailand, Kuwait, and Britain, the panel had a heated discussion on OBOR business and investment opportunities and challenges so as to further strengthen China-ASEAN cooperation. In his speech, Dr. Guo noted that Chinese businesses will be confronted with both opportunities and risks when investing in OBOR projects and Chinese enterprises should consider whether the recipient region can benefit from the OBOR investment and use Chinese Diaspora network to reduce the potential risks.

CDI Delegation Attends the 2016 GRI International Conference

CDI delegation attended the 2016 GRI International Conference which was held from 21 to 22 December 2016 by Gyeonggi Research Institute, South Korea. Themed on "Human and Locality: Human-friendly Urban and Regional Development", the conference convened over 60 delegates from China, India, Malaysia, Mongolia, Russia, Vietnam, Britain, and Korea. CDI Senior Research Fellow Li Jinkui gave a presentation on "City Village: the Secret of Shenzhen", emphasizing that the city village in Shenzhen offers a large low-cost living area that the government can't offer during the rapid urbanization. As a discussant, Dr. Hu Zhenyu, Director of Sustainable Development and Blue Economy Research Department, gave speeches on precariat employment, youth employment and the cross-border cooperation between Shenzhen and Hong Kong.

12th Shanghai-Tianjin-Shenzhen Forum Held by CDI

From 24 to 25 November, 2016, the 12th Shanghai-Tianjin-Shenzhen Forum was held in Shenzhen by CDI, Shanghai Academy of Social Sciences and Tianjin Binhai Research Institute. The forum, themed on innovation and "new normal", convened 70-plus experts from Shanghai, Tianjin, Chongqing and Shenzhen to discuss on innovation resources, mechanism and ecology under the "new normal".

9th Shenzhen-Hong Kong Forum Held by CDI

The 9th Shenzhen-Hong Kong Forum, co-hosted by CDI and Central Policy Unit, the Government of HKSAR, was held in Hong Kong on 29 November, 2016. 50-plus experts and business representatives from Shenzhen and Hong Kong had a discussion on the smart city cooperation between Shenzhen and Hong Kong in terms of education, healthcare, transportation, customs clearance, etc.

Project >

Research on SEZ Act and Planning for the Republic of Congo

From November 4 to 14, 2016, a Chinese delegation led by CDI Vice President Dr. Qu Jian carried out a site survey in Brazzaville and Pointe-Noire and met with the authorities of Customs and Industry from the Republic of Congo. On November 6, the delegation visited Ambassador Xia Huang and held a meeting with some Chinese enterprise representatives in Congo. CDI has undertaken research on the Special Economic Zone (SEZ) Act of the Republic of Congo with the support and guidance of the Ministry of Foreign Affairs and the China-Africa Development Fund. At the same time, CDI will also carry out holistic planning ranging from industrial and spatial planning to investment feasibility study and policy recommendations for the Pointe-Noire SEZ of the Republic of Congo.

In recent years, CDI has provided consultation services for the SEZs of Dire Dawa in Ethiopia, Vizag-Chennai Industrial Corridor in India, Kilifi of Mombasa in Kenya, etc. to provide intellectual support for "One Belt One Road" (OBOR) projects.

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 precise, 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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Stability and Progress Targeted for 2017

The economic working meeting of the Communist Party Central Committee, chaired by President Xi Jinping, has set next year's main economic goal: stability and progress. The meeting, which ended on December 16th, was the most important political-economic session of yearend. We think that progress should be focused on structural transformation and balanced economic growth.

Expert Insight > more on page 02

Appreciation of US Dollar Should Not Be Interpreted as Devaluation of RMB

The recent change in yuan's exchange rate against the US dollar is not the result of the devaluation of renminbi but the appreciation of the dollar. Why has renminbi "depreciated" recently?

If Hinckley Point C Comes, Can Bradwell Be far behind?

On September 15, 2016, the Hinkley Point C nuclear power project was finally approved by the British government. This is an important step for China's nuclear power enterprises to enter the developed countries' markets. Yet for China's nuclear power, the real significance lies with the Bradwell nuclear power project.

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CDI Holds OBOR Roundtables in Italy and Greece

The OBOR Roundtables were held jointly by CDI and he European House-Ambrosetti and The Hellenic Foundation for European & Foreign Policy in Italy and Greece respectively on December 5 and 9, 2016. In the roundtable discussions, CDI delegates, including Dr. Guo Wanda, Executive Vice President, Ms. Carol Feng, Director of International Cooperation Department, and Dr. Liu Guohong, Director of Financial Studies Department, explained "One Belt One Road" initiative (OBOR) to the representatives from think tanks, businesses and government departments of the two countries.

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CDI-NERI Macro Outlook >

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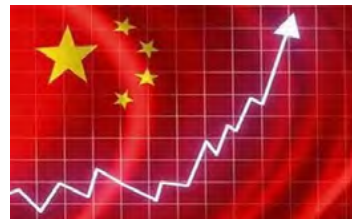
Fixed asset investment rose 8.3% y/y in real terms in November, up slightly after canceling for incomparable factors. For various industries, a key change is that industrial investment is picking up, rising 7.1% y/y in November, up 5.3 pps from Q3. Industrial output rose 6.2% y/y, up 0.1 from October, still in the stabilizing zone since April. State-controlled companies are diverging with private companies, by enjoying strong growth, up 7.5% y/y in October.



Retail sales of consumer goods in November recovered, rising 10.8% y/y in nominal terms. Both exports and imports jumped. Exports in dollar terms rose 0.1% y/y, up 6.4 pps from Q3. Imports rose 6.7% y/y, up 11.4 pps from Q3. Since trade is often volatile, this one-month jump cannot be interpreted as a rebounding trend.

Producer prices also rose significantly in November. The ex-factory price index of industrial output grew 1.5% m/m, and was up 3.3% y/y. PPI grew 1.8% m/m, and 3.5% y/y. CPI rose 2.3% y/y, continuously rising for several months. We expect rising producer prices to translate into higher inflation. The M1 money supply was up 22.7% y/y; its growth rate has been falling for four consecutive months, and is down 2.7 pps from July.

U.S. President-elect Donald Trump stated that, after taking office, he would list China as a currency manipulator. According to the three standards set by the U.S. Treasury department, China only meets one of them, so China is very unlikely to be listed as a manipulator. But, given the large trade imbalance between the two countries, China needs to do more, such as to address the ongoing structural transformation, in addition to its currency actions, to balance its trade relations with the United States.

Expert Insight >

Appreciation of US Dollar Should Not Be Interpreted as Devaluation of RMB

The recent change in yuan's exchange rate against the US dollar is not the result of the devaluation of renminbi but the appreciation of the dollar. The reasons are as follows:

Firstly, various factors in the US economy, such as the potential increase of interest rates and Trump's election victory, have all contributed to the recent appreciation of the US dollar.

Secondly, renminbi previously devalued because it was "pegged to the dollar" for a long period of time, which resulted in the over appreciation of the effective exchange rate of yuan over the past few years. By the end of 2016, there was no factor contributing to the further devaluation of renminbi. On the contrary, new economic data show that China's economic growth is stabilizing; PPI deflation has ended; excessive capacity, corporate debt and other problems are getting redressed. There are no foreseeable factors in the Chinese economy that could lead to the devaluation.

Thirdly, changes in the exchange rate of renminbi against the dollar will be affected by factors other than the two economies. Other currencies are likely to depreciate to an even greater extent against the US dollar, which could exert downward pressure on yuan's exchange rate. For example, Brexit has caused a substantial depreciation of the British pound and the euro against the US dollar. If yuan does not depreciate at all, it will inevitably cause much imbalance in bilateral trade and investment relations. Currencies in some emerging markets have also depreciated against the US dollar recently, but the depreciation will not last as Trump promised during his presidential campaign to expand infrastructure construction, which is good news for the developing countries that produce bulk commodities.

In the long run, the exchange rate between the two currencies depends on the comparison between the growth rate and the inflation rate of the two countries. It can be expected that for a long period of time China's economic growth rate will be nearly twice higher than that of the US while its inflation rate will not be higher. In addition, the US Treasury bonds as well as the inflation would rise should huge amounts of money be spent by Trump's government. All of these indicate that the long-term trend of yuan's exchange rate against the US dollar is a steady but gradual appreciation.

Prof. FAN Gang, President of CDI

If Hinckley Point C Comes, Can Bradwell be far behind?

On September 15, 2016, the Hinkley Point C nuclear power project was finally approved by the British government after striking one snag after another. The project which was planned with a joint investment of 18 billion pounds from EDF and China General Nuclear (CGN) will meet 7% of UK's electricity demand in the next 60 years. This is an important step for China's nuclear power enterprises to enter the developed countries' markets.

Yet for China's nuclear power, the real significance lies with the Bradwell nuclear power project, one of the three major nuclear power projects achieved during President Xi's visit to Britain in 2015. The project is not only planned by the Chinese enterprise-led investment, but also will use China's own nuclear power technology "Hualong No.1". Whether Bradwell project is able to proceed on schedule is of great significance for the "Hualong No.1" to successfully get a foothold in the international nuclear power market.

British electric power industry has faced great challenges in recent years due to outdated facilities, inadequate supply, unreasonable price and high carbon emission, etc. As of 2016, nuclear power plants have produced 21% of electricity in Britain. Nearly half of the 15 power units in the currently running 8 nuclear power plants will be phased out by 2025. The UK was still an energy net exporter in 1999, while in 2013, 43% of its energy was imported. What makes it worse is that the imported energy is not up to the standard of low carbon energy.

There has been a debate in Britain about Hinckley Point C. Supporters hold that it is a must for Britain as the nuclear power plant can not only ease the tension on electricity, but more importantly, will also create large numbers of jobs, attract huge foreign investment, bring billions of pounds of the contracts given the current economic downturn and the uncertainties after Brexit. It will show that the Britain is still open and cooperative. Yet the opponents' concern is centered on finance and costs. The investment for the Hinckley Point C power station is up to 180 billion pounds, while its construction length has been extended again and again and its operation date has been extended to the year of 2025.

The involvement of Chinese capital was not the main reason that the Hinckley Point C nuclear power plant was suspended for nearly two months. In fact, after the British Prime Minister Theresa May took office, the construction of three large-scale infrastructure projects, Hinckley Point C Nuclear Power Station, High Speed 2 and Expansion of Heathrow Airport, were suspended for review at the same time and then they have been approved to be continued on September 15, October 12 and October 25 respectively. It can be expected that in the post-Brexit era, the British government will take a more pragmatic attitude to Sino-British economic and trade relations.

CGN has formally submitted to The Office for Nuclear Regulation (ONR) its plan for the Bradwell project which is going through a process called Generic Design Assessment (GDA). ONR once said in a public document that Bradwell is very important for UK's energy industry and that CGN is in a very favorable position in the GDA process. It also noted that as an independent regulatory body, ONR is able to ensure the safety and effectiveness of any nuclear power project in UK. Once CGN's plan is approved by ONR, it means that China's nuclear power technology is officially recognized by the British government.

China's nuclear power has great opportunities in the international market as it strives to gain greater overseas presence. According to the latest estimates, there will be 488 nuclear power units built by 2030 across the world and power units in the countries along the Belt and Road will reach nearly 100 units. Hualong No.1 is expected to account for a market share of 20% to 30%. One Hualong No.1 alone is able to drive exports worth of 30 billion yuan. The international market size for Hualong No.1 may be as much as 3 trillion yuan.

China's nuclear power technology is faced with a real test. Bradwell is of huge significance for the Chinese nuclear power going global. Should the Bradwell project move forward smoothly, China's nuclear power would not only play a bigger role in the UK energy sector, but also lay a solid foundation for the Chinese nuclear power to gain a foothold in the vast international market.

Zheng Yujie, Director of Information and Communications Department

Xie Laifeng, Research Associate at Information and Communications Department

Event >

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OBOR Roundtables were held jointly by CDI and The European House-Ambrosetti and The Hellenic Foundation for European & Foreign Policy in Italy and Greece respectively. During the visits in three cities including Milan and Rome in Italy and Athens in Greece from December 4 to 11, 2016, CDI also had roundtable discussions with the Italy-China Foundation, Borsa Italiana, The Italian Banking Association, Athens Exchange Group and Eurobank Ergasias.