5th, U.S. President Donald Trump said previous U.S. tariffs of 10% levied against $200 billion worth of Chinese goods would be raised to 25% on May 10th. China announced it would raise tariffs on $60 billion worth of U.S. goods. On May 21st, following pressure from the U.S. government, Google suspended Huawei's access to Google services and apps, to reduce Huawei's competitiveness.

Trade war is hurting both China and the United States, and global trade as well. The uncertainty generated by trade war has reduced investment in China – or has at least made many investors delay their projects, since last year. Negative market sentiment can be seen from the major stock market drop. This also hurts technological advancement, although it's hard to hinder technology spillover amid today's fast and transparent information flow. On April 2nd, the WTO trimmed its 2019 global trade growth forecast to 2.6%, from 3.7%. Countries on the global supply chain are suffering. Singapore, for example, which relies heavily upon the global supply chain, saw its economic growth drop to decade low, of 1.2% GDP growth in Q1. A global slowdown would in turn hurt both China and the United States.

Fan Gang, President of CDI

Insights >

Shift of Shenzhen's Development from Imitation to Independent Innovation

The first two decades of Shenzhen's development are characterized by comparative advantages, i.e., cheap labor and development of labor-intensive industries.

The next two decades of Shenzhen's development are defined by its efforts to learn from and imitate advanced economies. By learning and imitation, Shenzhen was able to acquire knowledge at a rather low cost and take shortcuts to speed up its development. The collision between the knowledge stocks of different economies can lead to spillover effect and that opening-up will enable a developing country to attract knowledge flow from developed countries. Knowledge spillover does not mean stealing technologies nor violating intellectual property rights, as a huge volume of knowledge beyond patent expiration is free of charge. Thus, it is not theft but rather imitation.

Shenzhen's development is now entering a stage of imitation plus independent innovation, necessitating international exchanges and independent creation of knowledge.

Fan Gang, President of CDI

Data-driven Economic Transformation Towards a New Round of Economic Growth

It is important to accelerate the development of the digital economy, use information technology to improve governance and government services for a securer society and better life, and further stimulate innovation and entrepreneurship to create new growth drivers, so as to enhance the growth momentum and application of information technology toward building China into a global digital power.

Fast development of digital government and technology-driven institutional reform

Digital government represents a historic test of the government's ability to reform itself. The continued development of digital technologies will facilitate "Internet + government services". Over the past year, government departments have broken down information barriers, benefiting citizens with improved efficiency and reduced red tape. Digital government is now a reality in many provinces and cities, including Guangdong, Jiangsu, Zhejiang, Guizhou, Shanghai, and Anhui, creating a more enabling environment for businesses and people alike.

Digital factory leading the way towards an advanced manufacturing power

It is important to apply new technologies such as big data, Artificial Intelligence, Internet of Things, and Industrial Internet to the entire manufacturing process, and use digital tools to facilitate product development and industrial chain upgrade. By introducing new technologies and models such as industrial robots, digital management platforms, and industrial Internet of Things, we will be able to build advanced digital and intelligent factories. Starting with digital factories followed by a gradual shift to digital supply chain, digital quality management, and digital marketing, we will be able to digitalize the whole process from manufacturing to sales. Digital manufacturing will become the hallmark of an advanced manufacturing power.

5G opening up new prospects for global commercial operations

Europe, Americas, Japan, South Korea, among others, have all sought to promote the application of 5G in vertical industries, which is seen as a main area of global competition in Internet and information technology. China has accelerated 5G deployment and is working to develop 5G technology to provide network support for the successful application of artificial intelligence, ensure protection for cloud computing, and empower the digital transformation of society.

Cao Zhongxiong, Executive Director of New Economy Research Department of CDI

Based in Shenzhen, Guangdong Province, China Development Institute (CDI) is a non-governmental and market-oriented think tank which was founded in 1989 on approval from the Chinese State Council. CDI was designated as one of the 25 China Top Think Tanks in 2015.

CDI develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. CDI is committed to providing proactive, innovative and practical research and consultation for China's central and local governments and businesses at home and abroad. Its research and consultation is centered on macro strategy, regional economy, urbanization, industrial development, business strategy and decision-making.

CDI Online
For more information, please visit our website:
http://en.cdi.org.cn/
Editor-in-chief: Carol Feng, Sophie Li
Email: carolf@cdi.org.cn, Sophieli@cdi.org.cn Tel/Fax: +86-755-8241 1011

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Insights >

Shift of Shenzhen's Development from Imitation to Independent Innovation

Since reform and opening-up, Shenzhen's development has experienced two stages. Now it is entering a new stage of imitation plus independent innovation.

Data-driven Economic Transformation Towards a New Round of Economic Growth

Among the latest trends of innovation-driven development in today's world, digitalization has become one powerful driver of global development and has profoundly affected the way of production and the way of life. In the digital age, China's economy and society are also moving towards high-quality development, embracing crucial strategic opportunities for its digitalization drive.

Events >

Belt, Road & Bridge Creating New China and Europe Connections

In recent years, China-EU relations have been characterized by pragmatic stability, and both sides are considered each other's most important trading partners. In 2019, in the face of the complicated international situation such as the sprawl of trade protectionism and the Brexit, bilateral economic and trade exchanges will still remain the strategic foundation of China-EU relations.

How to promote China-Europe further cooperation under the BRI framework

In his speech, Minister of State for Asia and the Pacific at the Foreign and Commonwealth Office (FCO) Mark Field said that the UK and China are both the world's major powers with a global vision. The UK welcomes development opportunities brought by the BRI as an initiative driving global economic growth. The City of London has unique strengths in financial and professional services, and the UK can play a vital role in many areas in "Belt and Road" construction. At the same time, we hope to encourage dialogues under the BRI framework to facilitate pragmatic cooperation between businesses of China, the UK, and Europe at large.

Fan Gang, President of the CDI responded by saying that the Belt and Road Initiative has brought new development opportunities for both sides. First, China and Europe shall strengthen cooperation on industrial parks along the Belt and Road, and jointly explore effective models of foreign assistance to help developing countries along the "Belt and Road" industrialize. Secondly, China and Europe should jointly support necessary reforms of the WTO, to enable developing countries to share in the benefits of globalization on an equal basis and to effectively integrate themselves into the global value chain. In addition, China and Europe have their own strengths. Both sides should engage in innovative cooperation to boost high-quality development of the financial sector in future. To this end, the Global Fintech Hub Index has been published to analyze trends of the global fintech sector.

Kerry Brown, Professor of Chinese Studies at King's College, London, shared his insights on the potential impact of "Brexit" on UK-China relations. On the one hand, the UK welcomes more investment from China as well as trade, financial cooperation and technology exchanges with China, and expects even closer partnerships in infrastructure and professional services between the two countries. On the one hand, in face of the uncertainties brought by "Brexit", the UK shall have a clearer stance and policy to turn the potential for cooperation with China into concrete reality.

How to expand new opportunities for China-Europe fintech cooperation

Alexander Van de Putte, Chief Strategy Officer of Astana International Financial Centre (AIFC), believes that the fourth industrial revolution will spur the development of digital trade, among which, robots, AI, nanotechnology, IOT and block chain all will provide strong momentum for the economic growth of emerging markets along the "Belt and Road", including GDP growth and the increase of jobs in financial services. However, at the same time, the development of digital trade will face a myriad of risks, including inadequate digital trade rules, big divide between countries in digital trade, and difficulty to get funding for SMEs.

Xu Jianguo, senior research fellow with the Institute of Digital Finance at Peking University (IDF), analyzed effective ways to facilitate cooperation on fintech between China and Europe. He noted that China has heavily invested in fintech start-ups, and has great strength in third-party payment. Proven Fintech practices in China can be applied to these emerging markets. The governments of China and Europe shall reasonably support international cooperation on fintech along the "Belt and Road", which will help fintech businesses innovate and expand their business presence, as well as further promote fintech connectivity between China and Europe.

Gregory Jones QC, Alderman of the Court of Common Council of the City of London, believes that high-quality cooperation in science and technology between Europe and China plays a pivotal role in the BRI. Our ability to bring together core technology resources of Europe and China to promote cooperation on technology innovation industries will tremendously affect the common future development of technology businesses in Europe and China. Innovations in fintech made by these businesses and the increasing demand of financial institutions for fintech have provided a broad market prospect for fintech businesses in China, the UK and Europe at large.

How to achieve sustainable development of green finance and economic growth

Wang Yao, Director General of the International Institute of Green Finance (IIGF) of Central University of Finance and Economics (CUFE), analyzed the role and prospect of China's green finance in the BRI. She pointed out that promoting green BRI construction is a long-term project, and that green growth will be considerably promoted if Chinese and international funds can be directed to support the development of green technologies in Belt and Road countries. She also made suggestions to further boost green finance in China, such as incorporating "green elements" into laws and regulations, strengthening preferential policies for green finance, advancing the standardization and evaluation of green finance, and enhancing international cooperation on green finance.

Michael Mainelli, Executive Chairman of Z/Yen Group, believes that using green finance to promote green BRI represents a unique opportunity to promote the development of green technology. The BRI will benefit the world by helping to achieve the sustainable development goals. The BRI will also play its role in narrowing significant funding gaps to achieve the SDGs. In particular, the UK has rich experience and rather mature systems in the international financial sector, and has maintained close cooperation with many other countries along the Belt and Road, especially in the areas of financing and green finance. The UK is therefore a ready partner in BRI construction.

Prem Goyal OBE JP, Alderman of the Court of Common Council of the City of London, noted that Europe and China are the biggest markets for green finance in the world, and should work together for standard harmonization in international green and sustainable finance, so as to reduce the cost of identifying green finance and facilitate cross-national investment in this sector. Differences in the stage of economic development, policy orientations and resource endowments make it difficult to reach complete consensus on green standards in the short term. But in the long run, Europe and China shall take steps to harmonize standards towards finally achieving highly aligned common standards.

How to facilitate China-Europe trade and investment connection

Dong Yan, Director of International Trade Research Department, Institute of World Economy and Politics, Chinese Academy of Social Sciences, believes that with the continued development of economic globalization, there has been a gradual shift from commodity exchanges to the integration of production processes between countries. This has promoted the development of a global value chain, which is in need of a more open and interconnected market environment. In this regard, through institutional opening-up, China can foster a system of economic and trade rules aligned with internationally well-established bilateral and regional free trade agreements, foster an enabling business environment for the market in a new pattern of all-round opening-up. Meanwhile, in the process of economic globalization, cooperation mechanisms for global regulation also need to be constantly developed and upgraded.

Mark Boleat, former Chairman of City of London's Policy and Resources Committee, noted that China is an important partner for Europe, and vice versa. For the UK, this partnership is crucial, as a lot of trade between Europe and China is facilitated by London's financial services. A strong finance sector provides pivotal support for both trade and infrastructure construction. Thus we are now seeing a lot of thriving banking services set up by the UK in China, and vice versa. Mr. Boleat looks forward to more in-depth cooperation in emerging fields along the Belt and Road, especially innovative cooperation in the financial sector.

John Adams, Senior Consultant with Chartered Institute for Securities & Investment (CISI), highlighted the need to pay attention to a level playing field in face of the many opportunities brought by the BRI. This means all businesses along the Belt and Road shall have equitable access to these opportunities, and that participating countries shall comply with standards of the European internal market. Moreover, if new cooperation projects have been identified, consideration should be given to feasible financing plans, as well as economic, fiscal and environmental sustainability.

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Almost all major economic indicators are falling. Industrial output was up 5.4% y/y, back to its low January-February level, after its March rise. Fixed asset investment was up 5.7% y/y in April, down 0.6 pps from Q1.

Retail sales of social consumption goods were up 7.2% y/y in nominal terms, reaching their lowest growth rates in recent years, down 1.1 pps from Q1. Real sales growth was up 5.1% y/y, down 1.8 pps from Q1.

CPI was up 2.5% y/y in April, a rise of 0.2 pps from March. Monetary loosening has seemed to stop. In April, the societal financing scale turned to negative growth, after its quick uptick in Q1; this led principal financial indicators to fall. At the end of April, the M2 money supply was up 8.5% y/y, down 0.1 pps from March.

National budget revenue was up 2.8% y/y, down 3.4 pps from Q1, with spending up 15.9% y/y, up 0.9 pps from Q1. Such a large budget deficit is historically very rare, happening only in 1990 and 1995, when it constrained future fiscal expansion.

Exports in April were up 3.1% y/y, down 3.6 pps from Q1, and down 6.4 pps from Q4 2018. Imports were up 10.3% y/y, and up 9.9 pps from Q1. In April, trade with the United States worsened further. Exports to the United States fell -7.9% y/y, down 4.2 pps from Q1, while imports fell -21.4% y/y, down 1.9 pps.

The U.S.-China trade war is escalating. On May