up, show the huge potential of the Chinese market to enterprises and investors of other countries participating in the RCEP, and encourage countries to invest in China and facilitate RCEP negotiations.

The second China International Import Expo recently held in Shanghai allowed foreign enterprises to see the great returns of tapping into the Chinese market and demonstrated China's confidence as the world's largest market. The Foreign Investment Law will come into effect in 2020, when foreign investment and business activities in China will be more secure.

Third, China needs to further play its role as a mediator. Since Japan- ROK economic and trade frictions are showing no signs of easing in the short term, China needs to respect the dominant role of ASEAN while continuing to mediate between countries as a major power and promoting countries participating in RCEP negotiations to adopt more proactive pragmatic strategies, which can turn risks into opportunities, and lay the foundation for future negotiations for the China-Japan- ROK Free Trade Zone and the China-India trade agreement.

In the era of globalization, RCEP member countries need to remain open and inclusive, participate in negotiations proactively and promote regional integration to better cope with challenges caused by anti-globalization and trade protectionism.

As the world's largest regional agreement, the RCEP will serve as a multilateral cooperation platform for member countries, provide a new approach for countries to address problems, advance cooperation in the Asia-Pacific region and give new impetus to global trade.

ZhangGuoping, Postdoctoral Researcher, CDI

Winning Proposition

Macao should take advantage of the plan to develop the Guangdong-Hong Kong-Macao Greater Bay Area to diversify its economy.

Macao has realized prosperous and stable socioeconomic development since its return to the motherland. However, moderate economic diversification is the key to better implementing the "one country, two systems" principle in the future.

Since the Macao Special Administrative Region government released policies to promote economic diversification in 2004, its economic landscape has not changed much. Macao still has a long way to go in economic diversification. Statistics published by the SAR show that the added value of gambling (including intermediary industries) accounted for 50.5 percent of Macao's GDP in 2018, 4.3 percentage points higher than 2004; in terms of tax revenue, gambling generates 113.5 billion patacas ($14.1 billion) in recurrent income and capital income, making up 80.3 percent of the SAR's total.

Moderate economic diversification is the future for Macao. But how? It will not be achieved solely on Macao's own strengths. Macao needs to ride the momentum of the plan to develop the Guangdong-Hong Kong-Macao Greater Bay Area. On the one hand, it should seek to attract resources from the Greater Bay Area to develop industries independent of gambling; on the other hand, it should develop a headquarter economy to get into the Greater Bay Area market and develop competitive industries.

In the first place, it should develop its financial industry. The traditional manufacturing industry and the service industry are not able to compete with the gambling industry with regard to profitability. The best choice for an alternative is therefore the financial industry. Monte Carlo serves as a good example for this. Macao should take into consideration its own strengths and weaknesses in positioning itself among neighboring cities such as Hong Kong, Shenzhen and Guangzhou. Macao should prioritize developing the bond, commodities and financial derivatives markets to cater to the needs of the Belt and Road Initiative and business cooperation between China and Portuguese-speaking countries. It can develop its wealth management, internet finance and green finance by following the fintech trend in finance and innovative financing. Macao is on the same starting line with other cities in the Greater Bay Area in innovative financing, but it can take advantage of its role as a free port. It

should focus on selected areas and develop finance programs with rich resources and mature conditions. It should promote the pooling of financial resources, strengthen its cooperation with Portuguese-speaking countries and enhance cooperation with Hong Kong and Shenzhen as well as with technology and financing companies.

It should also develop its competitive industries such as high-end tourism by promoting education and training. And it should seek to become the tourism education and training center for the Greater Bay Area and cultivate high-end tourism professionals; develop a high-end tourism and leisure industry to cater to the needs of the residents in the Greater Bay Area; strengthen its tourism cooperation with other cities in the Greater Bay Area and develop package tourism itineraries to attract more tourists and customers.

Second, it should accelerate the development of the exhibition industry. The goal should be to establish Macao as Asia's hub for the exhibition industry and build a modern service industry with events and exhibitions at the core. Macao's exhibition industry, with conferences as the priority, should build a multi-level and complementary exhibition market for the Greater Bay Area, boosting the competitiveness of the area as a whole.

Third, it should develop its cultural and creative industry. It should seek to strengthen its position within the coordinated development of the cultural and creative industry in the Greater Bay Area, by building a cultural and creative industry chain.

Fourth, it should bolster the competitiveness of the traditional Chinese medicine industry by developing key technologies. It should develop frontier technologies of traditional Chinese medicine with the support from State Key Laboratories of Quality Research in Chinese Medicine and Shenzhen-Macao Innovation Research Institute of Traditional Chinese Medicine; expand the market of traditional Chinese medicine of Macao using the platform of Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation Between Guangdong and Macao and promote the traditional Chinese medicine industry of Macao internationally, using the World Health Organization Collaborating Centre for Traditional Medicine as the platform for international exchanges.

To realize its moderate economic diversification, Macao should revise its laws and regulations to facilitate the development of new economic forms; adjust its policies for attracting and cultivating talents, which are essential for supporting its economic diversification; attract resources from the Chinese mainland to Macao, give full play to Macao's role as a free port; and enhance the relationship between Macao and Hengqin New Area in the neighboring mainland city of Zhuhai.

Zhang Yuge, Director, Hong Kong and Macao Research Department, 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.

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2020 Growth Target Likely to Be about 6%

The annual Central Economic Work Conference (CEWC) held by top leaders December 10th-12th emphasized "stabilities." We believe that "around 6%" is the likeliest 2020 growth target. Infrastructure investment was mentioned, suggesting that infrastructure spending will be used to support the economy, if growth slows notably below 6%.

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India's sudden withdrawal has hit negotiations involving 16 countries of the Regional Comprehensive Economic Partnership treaty, which is expected to conclude this year. The RCEP is a proposed free trade agreement between the countries of the Association of Southeast Asian Nations, and six states with which ASEAN has FTAs.

Winning Proposition

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Events >

Belt and Road Summit 3rd Edition Held in Trieste

After the first edition held in Venice, Italy and a second edition in Shenzhen, China, the Belt and Road Summit goes back to Europe, gathering the community of Eurasian business leaders in Trieste. The city and the port of Trieste represent a key logistics hub in the North Adriatic Sea connecting the East to the West, and a historical crossroad of culture between Southern Europe, the Germanic world, and the Balkans.

The summit is an unique platform to establish and build longstanding relations peer-to-peer with business and institutional counterparts from the most relevant Eurasian Countries active along the Belt and Road Initiative.

After the first two editions focused respectively on understanding what the Belt and Road Initiative is and what actions should be initiated to unleash its potential, the third edition increasingly focuses on concrete business to business cooperation and industrial opportunities in the countries located along the maritime and land routes.

Events >

In a world where unilateralism, protectionism and extremism prevail and economic growth remains sluggish, China will continue to uphold the principles of openness, cooperation and win-win, continue free trade, and work with other countries to promote an open, cooperative, innovative and Shared world economy.

Li Junhua, Ambassador of China to Italy

We should adhere to the principles of globalization and open economic development. The Belt and Road Initiative will promote prosperity and development of the economies and industries along the belt and road. With the construction of industrial parks and economic free trade zones and coordinated development, the main focus should be stimulation on local industrialization and expansion of manufacturing activity, rather than just the construction of transportation and infrastructure.

Fan Gang, President, China Development Institute

Friuli-Venezia Giulia Region and Trieste possess unique set of advantages in Sino-Italy cooperation. Friuli-Venezia Giulia Region is the only European Commission-acknowledged "innovation area", whereas Trieste has a large number of research institutes, with the largest number of researchers and the strongest research force in Italy.

Massimiliano Fedriga, Governor, Friuli-Venezia Giulia Region, Italy

In today's world, no country can gain benefits unilaterally, only through win-win cooperation with other countries can one survive in the international market. Located in the center of the Mediterranean Sea, Italy has historically been an important strategic and economic center of Europe, but it has now lost this status.

Giancarlo Cancelleri, Deputy Minister of Infrastructures and Transport, Italy

European companies should seize this historic opportunity and actively engage in trade and investment with the countries along the Belt and Road Initiative that are in a rapid industrialization process. The Belt and Road Initiative is not just a so-called "China-initiated infrastructure project", but a long-term partnership that can involve companies from countries along the route.

Paolo Borzatta, Senior Partner, The European House – Ambrosetti

Traditional geo-economic cooperation has certain limitations. Countries along BRI can overcome geographical limitations through infrastructure construction and upgrading, and overcome over-dependence on the ocean for trade through land and sea connectivity.

Cui Hongjian, Director of European Studies, China Institute of International Studies

"We have to define concrete steps in order to build this project and Italy also can have an active part in a long term prospective."
Bilateral or multilateral governments must reach a consensus on development first, as well as provide adequate intangible support such as laws and regulations, strengthen dialogue with financial institutions, and effectively supervise projects. Italian enterprises need to be encouraged to participate in Belt and Road Initiative related projects to enhance their competitiveness in the emerging markets.

Giovanni Tria, former Minister of Economy and Finance, Italy

BRI railway connection faces quite a few challenges. To name a few, unstable trade environment prevents partners to make manufacturing decision. With highly developed air and sea transportation, advantages of railway transportation need to be further explored. China-Europe CR Express train loads are unbalanced on a round trip due to different endowment and markets demand. Standards and requirements differ along the route, which increases risks of damage and has driven customers away. In addition, digital economy has changed the customers' expectation for logistics. Posed with these difficulties, BRI countries are urged to collaborate in terms of administration, as well as improve infrastructure, apply new technology, and enhance service quality as a whole.

Zhou Mi, Deputy Director,Institute of American and Oceania Study, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce, China

"Innovation and digitalization are changing business models in a way we have never seen before. Digitalization does not mean only new infrastructure and ways of communication but especially new manufacturing model."

Douglas Foo, President, Singapore Manufacturing Federation

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The good news that "phase 1" of a China-U.S. trade agreement, which includes a reduction of U.S. tariffs on Chinese goods, and an increase of foreign investor access to China, may be signed in early 2020, has cheered the markets. There are more optimistic expectations for the global economy next year, although we may see a ceasefire rather than a peace treaty.
Growth was recovering in November, mostly due to a private investment boost. Industrial output was up 6.2% y/y, representing a strong recovery, and up 1.5 pps from October, and 1.2 pps from Q3. Investment was up 5.2% y/y, up 1.8 pps from October and up 0.5 pps from Q3. Private investment was up 6.9% y/y, and up 4.3 pps from Q3. The adjusted growth rate for retail sales of social consumption goods was 4.9% y/y, down 0.8 pps from Q3.
Imports were up 2.5% y/y in November, up 5.4 pps from Q3, temporarily escaping the negative growth zone. Exports were up 1.3% y/y, instead of down 2.6 pps, as happened in Q3. CPI was up 4.5% y/y in November, up 0.7 pps from October, and up 1.5 pps from September. CEWC conference speakers did not mention inflation. This indicates that the current high inflation, driven mostly by meat prices, is considered a micro issue, and won't significantly influence future monetary policy changes. The ex-factory price index of industrial goods fell -1.4% y/y, up 0.2 pps from October. PPI fell -2.2% y/y, down 0.1 pps from October. M2 rose 8.4% y/y, down 0.2 pps from October. M1 rose 3.5% y/y, up 0.2 pps from October.
Housing prices have stabilized, after the 2015 and 2016 boom. The CEWC conference stated that the direction of housing policy in 2020 would be stable. People's Bank of China Governor Yi Gang had also mentioned earlier a plan to apply countercyclical action to the real estate industry. Since real estate plays an important role in the Chinese economy, we expect the stabilization policy to ease concerns of potential risks that real estate poses to the macroeconomy. Our confidence is based upon China's strong fundamentals, the fact that few alternative investment channels are available, and strict real estate purchase restrictions.

Insights >

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India's sudden withdrawal has hit negotiations involving 16 countries of the Regional Comprehensive Economic Partnership treaty, which is expected to conclude this year. The RCEP is a proposed free trade agreement between the countries of the Association of Southeast Asian Nations, and six states with which ASEAN has FTAs.
China needs to remain open towel coming India to join the RCEP whenever it is ready, deepen reform and opening-up to benefit countries entering the Chinese market, and mediate among different countries to ease trade frictions to contribute to the conclusion of RCEP negotiations, which can inject fresh impetus to global trade.
With a population of about 3.5 billion, this trading bloc has a total gross domestic product of more than $21 trillion, accounting for more than 30 percent of global trade. If the RCEP is finalized, it will be the world's largest regional FTA.
The RCEP is more accessible to developing nations. Its framework complements the World Trade Organization by covering traditional issues such as goods trade, dispute settlement and service trade as well as new ones, including investment intellectual property, digital trade, and finance and telecommunication.
It plans to cut restrictions and discriminatory measures especially in the field of service trade. The RCEP can lay the foundation for developing countries participating in the treaty to get involved in higher FTA levels in the future, which is significant for promoting free trade between member countries in the era of globalization.
Since WTO reforms have not yet been launched, the RCEP will offer great opportunities for global trade, especially for China. Due to factors such as the unilateralism of some major countries, the number of permanent WTO judges has come down from seven to three, with the tenure of one of them concluding by the end of this year.
Participation in the RCEP will be an important approach for China to cope with Sino-US trade frictions and stabilize its foreign trade growth in the short term. In the long term, it is expected to promote China's high-level opening-up and further its participation in regional integration.
China will further expand its economic and trade partners among the RCEP member countries and make greater contributions for maintaining the prosperity of the Asia-Pacific region.
It will also share its experiences and help RCEP member countries enhance confidence in free trade and combine the RCEP framework with the Belt and Road Initiative to produce joint results.
At present, all parties have reached consensus on more than 90 percent of the agreement text. However, the China-United States and Japan-Republic of Korea trade frictions, and India's withdrawal, continue to pose challenges.
India has concerns about the potential negative impact of imports and lacks confidence in the competitiveness of the domestic industry. It has filed many anti-dumping cases against China, and has established a complicated non-tariff system to protect the domestic market.
In this regard, China first needs to promote to the member countries to adopt more proactive and pragmatic strategies toward the conclusion of negotiations while respecting ASEAN's dominant role.
China needs to uphold the principle that the 15 RCEP countries can go ahead with the agreement that is open to India, which reflects China's openness toward foreign cooperation as well as its determination to adhere to multilateralism and trade liberalization.
Second, some Southeast Asian countries are concerned that domestic markets may bear the brunt of China's exports once the RCEP treaty is concluded. China needs to further reform and open