Insights >

A Fresh Start for Platform Economy in China

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China's platform economy has evolved through distinct stages, transitioning from unchecked growth to a phase of well-regulated governance and innovative development. Over time, this process has cultivated a group of leading platform enterprises. The last three years have been pivotal, signifying a period of significant transformation. Initially driven by the rapid rise of the "Internet Plus" initiative, platform enterprises expanded into traditional industries, often being equated with e-commerce companies by the public. However, as digital technology increasingly integrates with the real economy, platform enterprises are now venturing into emerging fields such as technological innovation, driving their businesses to new depths.

Consider Alibaba as a prime example. In the last three years, the company has significantly increased its investment in areas such as AI-driven large language models. Its proprietary "Tongyi" model has secured a leading position in the global open-source large-model landscape. Alibaba has also facilitated the development of next-generation models by leveraging its own computational power and technical capabilities. This evolution demonstrates a shift: platform enterprises are no longer merely commercial entities but are increasingly positioning themselves as digital enterprises. As pioneers of the digital economy, platform enterprises are leveraging digital technologies to drive supply-side reform, stimulate consumption, streamline supply chains, promote dual circulation (domestic and international), and foster flexible employment, transforming themselves into comprehensive integrators of digital technology application and advancement.

Although Alibaba's journey began in e-commerce, it has progressively evolved into a frontrunner in China's technological innovation. Amid a global wave of advancements, the company has achieved breakthroughs in operating systems and cloud computing, integrating innovation into its operations to enhance technological independence and resilience. Consequently, platform enterprises are now not only key players in commerce but also essential engines of technological progress.

China's platform economy has now embarked on a new stage of development, necessitating a balance between effective regulation and the promotion of growth for its advancement.

Looking Ahead: The Expanded Role of China's Platform Economy

1. Platform Enterprises as Leaders in Technological Innovation

China's emphasis on technology has reached unprecedented heights. For platform enterprises, innovation is not only about their own advancement but also about enabling collaborative innovation across industries and ecosystems—a critical component of their "new journey." New technologies, especially in artificial intelligence, are advancing rapidly. Platform enterprises are uniquely positioned to provide the computational power and infrastructure essential to enhancing the feasibility, scalability, and economic viability of innovation. As major tech companies, they possess resource allocation capabilities, robust R&D capacities, and deep talent reserves, allowing for sustained innovation in technological innovation and effective risk management.

2. Platform Enterprises as Catalysts for Emerging Productive Forces

The platform economy, as a novel economic model, is closely aligned with the national objective of fostering new productive forces. Market regulators expect platform enterprises to leverage technological innovation to drive industrial upgrades and assume a greater role based on their transformative outcomes. These enterprises are positioned at the forefront of the market, with profound insights into market demands, industry dynamics, and technological applications. They can overcome traditional constraints of time and space by aggregating, circulating, and sharing innovation resources online, promoting technological advancements across upstream and downstream industries. By empowering ecosystem partners, platform enterprises can stimulate the development of emerging industries and consistently contribute to new productive forces—which is a core responsibility and crucial in the digital economy ecosystem.

3. Platform Enterprises as Exemplars of Fair Competition

Compliance and maintenance of fair competition are crucial for sustainable development, whether achieved through the internal ecosystem or their external role as core players in the digital economy. At this new starting point, platform enterprises must continually strengthen their awareness of fair competition and improve their compliance capabilities. This not only facilitates their own growth but also establishes an industry benchmark. By optimizing the business environment and fostering fair competition, platform enterprises demonstrate a strong sense of social responsibility and commitment.

Navigating Challenges in a Rapidly Evolving Landscape

The accelerated advancement of digital technologies and the transformation of industries and ecosystems are propelling the global economy forward, fueled by computational power. However, technologically advanced nations often create "technology barriers" and "ecosystem barriers," hindering latecomers from catching up. As technological gaps widen, the challenges of addressing them increase exponentially.

China's platform enterprises have a solid foundation characterized by internationally competitive companies and the "scenario advantage" enabled by a unified, large-scale domestic market. Leading firms such as Alibaba have become critical infrastructure and technological platforms for national innovation. Fully developing the platform economy and harnessing the innovation capacity of platform enterprises will revitalize Chinese modernization and facilitate high-quality development.

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 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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News >

President Fan Gang Visited Chicago Council on Global Affairs

CDI delegation led by President Prof. Fan Gang visited Chicago think tanks on September 10, 2024. During the roundtable discussion, Professor Fan addressed China's economic development and the prospects for U.S.-based international companies operating in China. Academics and business leaders were gathered together to exchange views on the future of Sino-U.S. foreign and trade relations, U.S. trade policies regarding renewable energy industries and supply chains, as well as their broader implications. Representatives from the private sector emphasized that, despite the ongoing uncertainties in U.S.-China relations, people-to-people exchanges remain crucial for business activities.

China Macro Outlook >

Stable Economic Performance in 2024, Policy Support Still Needed

Despite external pressures and domestic challenges, China's economy exhibited stability and steady progress in 2024. Targeted incremental policies boosted confidence and facilitated a strong recovery. Export growth decelerated in the first three quarters owing to diminished global demand, although industrial supply chains remained resilient. In Q4, an increase in "front-loading exports" stimulated manufacturing growth, whereas large-scale equipment

Continue to Page 2

upgrades and consumer goods trade-in programs maintained ongoing demand and investment in manufacturing. Existing policies, together with new stimulus measures, have spurred local infrastructure investment, though further improvements are required. The recovery in the real estate sector remains sluggish, and its economic contribution has not yet improved.

Overall Economic Stability with Continued Growth.

In 2024, China's GDP increased by 5.0% at constant prices, with quarterly growth rates of 5.3% in Q1, 4.7% in Q2, 4.6% in Q3, and 5.4% in Q4, indicating a stable upward trend. From Q4 onwards, sustained policy impacts significantly enhanced market expectations and confidence, resulting in positive shifts in both the capital and real estate markets. The service sector grew by 5.8% year-on-year in Q4, an increase of 1.0 percentage point from Q3. The stock market surged, with trading volumes in the Shanghai and Shenzhen markets rising by 126.4% and 124.4% year-on-year respectively, significantly outperforming the first three quarters.

Exports See Consistent Growth.

In 2024, China's goods exports increased by 7.1%, indicating a rise of 6.5 percentage points from the previous year, significantly contributing to economic growth. In Q4, "front-loading exports" surged, and strong consumption demand in Europe and the U.S. stimulated a resurgence in export growth. In December, exports rose 10.9% year-on-year, representing an increase of 4.0 percentage points from the previous month. The U.S. remained the primary driver of growth, whereas exports to ASEAN increased by 18.9%. Products sensitive to U.S. tariffs, such as automobiles, machinery, auto parts, and textile yarns, saw notable growth. Furthermore, Chinese industrial goods gained global competitiveness, further accelerating export growth.

Manufacturing Fuels Industry Resilience.

In 2024, China's large-scale industrial enterprises exhibited stable growth, with value-added industrial output rising by 5.8% year-on-year, reflecting a 1.2 percentage point acceleration from the previous year. Manufacturing played a central role, rising by 6.1%, whereas mining and utilities grew by 3.1% and 5.3%, respectively. Policy support continued to advance the manufacturing sector toward higher-end development, with equipment manufacturing increasing by 7.7% and high-tech manufacturing by 8.9%, both exceeding overall industrial growth.

Investment Growth Accelerates with Policy Support.

Fixed asset investment increased by 3.2% in 2024, up 0.2 percentage points over the previous year. Backed by ultra-long-term special government bonds and local government special bonds, major infrastructure projects advanced rapidly, boosting infrastructure investment by 4.4%. Manufacturing investment increased by 9.2%, indicating the sector's shift toward high-end and advanced industries. Investment in high-tech manufacturing and services grew by 7.0% and 10.2%, respectively. In Q4, targeted policy measures contributed to the stabilization of the real estate market, easing the decline in new home sales and driving the growth in the real estate production index for three consecutive months.

Consumption Growth Requires Further Stimulus.

In 2024, retail sales of consumer goods increased by 3.5%, accelerating in Q3 and Q4, but still below the previous year's pace. Retail sales of goods rose by 3.2%, whereas dining revenue increased by 5.3%, both below the previous year's growth rates. Sales at large brick-and-mortar retailers rose by 1.9%, with new retail formats performing well. Policies promoting trade-ins for consumer goods resulted in stronger sales in key categories, including home appliances and audiovisual equipment, which maintained double-digit growth for four consecutive months. Auto and furniture sales returned to positive growth, whereas demand for construction and home improvement materials showed signs of recovery.

Stabilizing Prices and Easing Declines.

In 2024, the Producer Price Index (PPI) decreased by 2.2% year-on-year, narrowing its decline by 0.8 percentage points compared to the previous year. From January to July, the PPI decreased from -2.5% in January to -0.8% in July, driven by rising international crude oil and non-ferrous metal prices, a recovering domestic production sector, and a low base effect. However, in August, a dip in global commodity prices led to a 0.7% month-on-month loss, widening its year-on-year decline. Since September, the impact of policy measures and recovering industrial demand has slowed the PPI's monthly decline, with the index turning positive in November and the year-on-year decrease steadily shrinking.

President Fan Gang Spoke at the 2024 Global Chinese Economic and Technology Summit

The 2024 Global Chinese Economic and Technology Summit was held on November 26, 2024, in Phnom Penh, Cambodia. The event was organized by the KSI Strategic Institute for Asia Pacific and supported by CDI.

The world is facing growing economic and geopolitical uncertainties and challenges, impacting governments and business communities worldwide.

Developing economies, including China and ASEAN nations, are especially vulnerable in these circumstances. In his opening speech, President of CDI Prof Fan Gang emphasized that, in order to overcome these difficulties and turn them into opportunities, closer international and regional cooperation, knowledge exchange, and collective action are essential.

The summit was attended by His Excellency Hun Manet, Prime Minister of Cambodia; His Excellency Dr. Aun Pornmoniroth, Deputy Prime Minister and Minister of Economy and Finance of Cambodia; and His Excellency Wang Wenbin, Ambassador of China to Cambodia. Government, business, and thought leaders were gathered together to discuss how China and ASEAN countries could collaborate to foster responsible policies, promote trade and investment, and advance scientific and technological innovation.

CDI and Mexican Council on Foreign Relations Cohosted Seminar

During a discussion hosted by the Mexican Council on Foreign Relations and CDI on September 12, 2024, Chinese and Mexican officials, scholars, and entrepreneurs shared insights on the trajectory of Sino-Mexican relations against the backdrop of U.S.-Mexican relations, as well as the opportunities and challenges for Chinese businesses investing in Mexico. The discussion enabled both sides to better understand and prepare for the future landscape of Sino-Mexican trade.