

## QIAO YIDE

Vice Chairman & Secretary General, Shanghai Development Research Foundation

**Richard COOPER**

Now, last, Mr Qiao Yide.

**Qiao YIDE**

I am the last presenter of this panel. I guess this is some disadvantages, because so many issues have been covered by previous panellists. Now, I am going to try and turn these disadvantages into advantages, so I decided to do the following: based on what panellists have said, based on my understanding, I am trying to summarise four issues that are currently causing much concern among the international community. There are some questions around the important issues we are facing.

Firstly, regarding the recovery of the world economy, it is obvious, and everybody recognises it now, that the economy is in recovery. The question people raise is: can this recovery be sustainable or not? In addition, does so-called secular stagnation, claimed by Larry Summers, still exist or not? Furthermore, we see the signs that the monetary policy in advanced countries has already started to change. People summarise it may be at different speeds in the same direction. That means the QE will gradually exit. What is the impact of this QE exit on global economy, particularly on developing countries? That is the kind of question people raise on the first issue.

The second issue is how to deal with the possible negative impact of globalisation. Even those people who support globalisation recognise some possible negative outcomes from globalisation. Particularly, although globally, the income inequality has been reduced among different countries, but in each country, no matter whether advanced or developing, how do we solve the wide gap of income inequality? Some people propose to introduce UBI – universal basic income. That means every citizen can get a minimum income from the government. Of course, people argue whether it can be affordable to do that, so some people propose to maybe take another measure which is tax credit. Encourage people to work hard, but gives at least a minimum income. That is the second issue.

The third issue – what is the impact of new technology, and artificial intelligence in particular? These technologies – as the second panelist described them – may not necessarily have some positive impact in terms of labour productivity, or total productivity. Furthermore, people even argue, maybe AI itself will threaten the existence of human beings. Whether or not it is an exaggeration, some people are very concerned about these positive or negative impacts of new technology.

The last issue is how to prevent the future against a financial crisis. People mentioned that almost 10 years have passed since the outbreak of the global financial crisis. People argue: when will the next Minsky moment come? Some signs that people worry about, an example that people mention is that we still have a very high leverage level, and also a fluctuation of cross-border capital. Yes, you can see immediately before and after the global financial crisis, the fluctuation of cross-border capital has been very dramatic. Later on, after the outbreak of global financial crisis, the fluctuation came down a little bit, but among developing countries, the fluctuation is still very high, so people still worry about that.

The next part of my presentation, I want to – because I am Chinese – talk about the Chinese economy, although some panelists have already touched upon it. I guess for one or two years, many people in the international community have worried about the possibility of a harder landing for the Chinese economy, but now, nobody talks about that, because so far, Chinese economy has performed relatively well. Last year, the GDP growth was 6.9%. In the first three quarter of this year, the GDP also reached the same growth of 6.9%. The IMF raised their forecast four times this year. Now, they forecast that maybe at the end of this year, the GDP growth of China can reach 6.8%, but do not forget, the target the Chinese government set at the beginning of this was only 6.5%, so I do not see any problem for the growth rate.

That means that generally, the Chinese economy has already stabilised. Even next year I guess will be the same situation.

Obviously, another issue people raised many times about debt ratio in China, with even a S&P downgrade of Chinese sovereign rating. Generally speaking, the debt ratio in China is okay, particularly government and household debt relative to other countries is low. At the same time, people worry about the debt ratio of non-financial corporate sector. Probably now, they will reach 160% of GDP, which is very high. Yes, we should be taking care of that issue. At the same time, I do not think we should exaggerate the issue, because in China, there are some differences compared to other countries. First of all, one reason is SOE – state-owned enterprises – have a very high debt ratio, but in some cases actually it is local government using these SOE as a platform to raise money. We have to understand that local governments in China have a lot of resources; they have assets, so they can cover these debts. That is the first reason.

The second reason is that some people calculate size of financing for these corporations and find it is almost the same as the United States and the EU, because in China, we use more indirect financing, rather than direct financing, so it is harder for Chinese corporations to get the funding from the stock market rather than just borrowing the money from the bank. There is a very interesting example. A week ago, the Chinese government after many years issued a US dollar sovereign bond in Hong Kong for \$2bn. Actually, its yield is very low. Only a little bit higher than US treasury by 0.125. That means the market still treats the sovereign debt of China as high, so that is China's current situation. Of course, tomorrow we have another workshop, and I am going to talk about the long-term issues, what is the outcome of the 19<sup>th</sup> National Congress of the Communist Party from an economic interpretation. I stop here.