



## QIAO YIDE

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### Jeffry FRIEDEN

Thank you very much. In Thierry's opening remarks we heard that one of the characteristics of the current international economic and political scene is what some have called a developing cold war between the United States and China. I suppose, it makes sense for us to ask you, Yide, how that looks from Beijing, or Shanghai in your case.

### QIAO Yide

I guess everyone agrees now is the critical time to define the future direction for the world economy in the next five years. In this regard, China can continue to make a contribution by following three aspects. First of all, China should keep steady economic growth. In the past several years, China has made a contribution of 30% of global GDP growth. I clearly recall in 2015, at a meeting of the IMF and World Bank, at a roundtable discussion a senior official from Indonesia said, you guys are talking about tapering QE. What I am concerned about it is the slowing down of the Chinese economy, because 70% of raw materials exported from Indonesia go to China. Therefore, it is critically important that China keeps steady economic growth. So far, it is okay and in the past several years the growth rate in China has been between 6.5% to 7%, but last quarter it was 6.5%, which is the lowest in almost eight years. That is a big challenge for China.

The second aspect of China's contribution is to keep financial stability internally and externally. In the past ten years the leverage ratio in China went up, particularly that of non-financial institutions. That ratio is almost 160% of GDP, which is one of the highest. The good thing is that the ratio has stabilised now and China should do more in this regard. Externally China should let the marketplace play a decisive role in deciding the level of the exchange rate. The most important, as you mentioned, is how China deals with trade escalation with the US. Everybody knows that the trade war was not initiated by China, but in this regard, I guess China can do more. In 2001, when China entered the WTO, the GDP of China represented 5% of world GDP and now it is 15%. In this sense, China can do more in terms of reducing tariffs and opening up more to foreign investment. They can also actively deal with complaints from the other side, not just the US, but other countries such as Europe and Japan. For example, they can carry the principle of competitive neutrality, that means when dealing with all companies, whether foreign or domestic, whether state or privately owned, they should treat them equally and the Chinese government is committed to doing that.

Of course, industry subsidies also have to be limited, transparent and non-discriminatory. That is if they give subsidies to one company, they should give to all of them in the same kind of industry. Of course, no dispute can be resolved by only one side, it has to depend on both sides. We will see what happens in the future.