



KONFUCIJEV INŠTITUT
LJUBLJANA

卢布尔雅那孔子学院



Razvojni trendi kitajskega gospodarstva v okviru 5-letnega načrta (2016-2020): priložnosti in izzivi za mehanizem 16+1

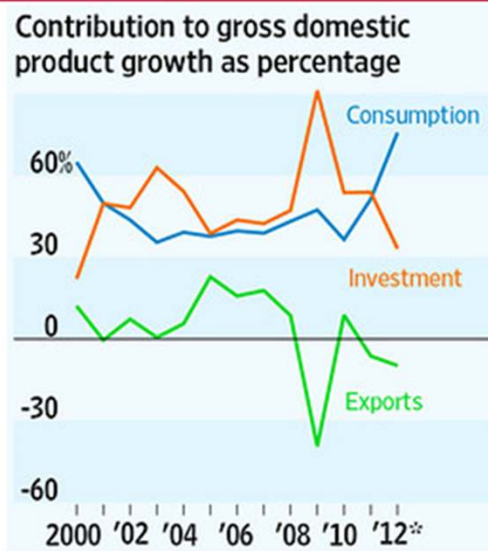
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(SUIBE)

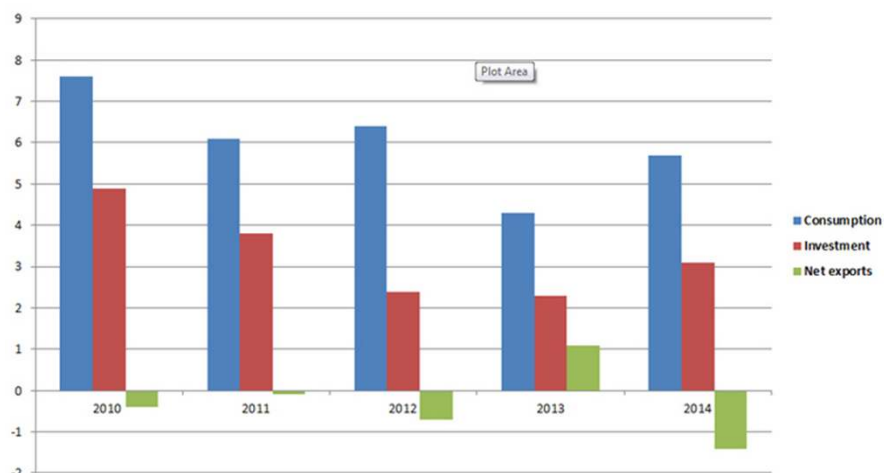
Ljubljana, 31. 3. 2016



China's economy is shifting gears



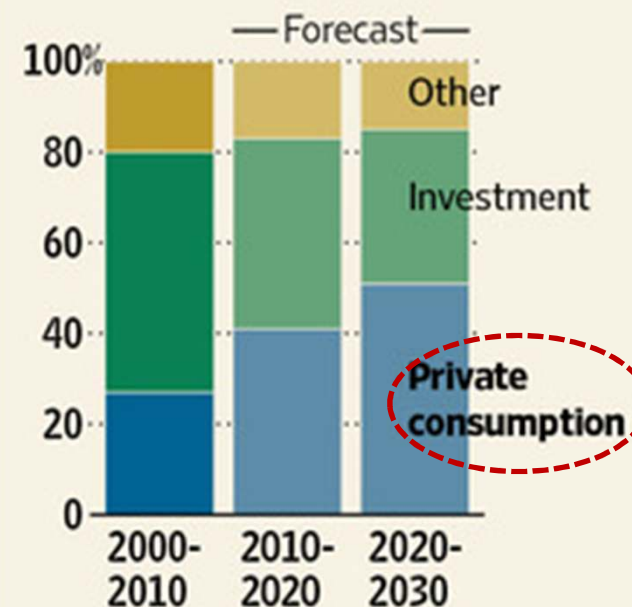
China: Contributions to GDP Growth, first quarter of:



Driving Economy

Consumption will lead China's economy

As share of real GDP growth



Note: Other includes government consumption, inventory and net trade

Source: McKinsey & Company
The Wall Street Journal

13th 5-year plan (2016-2020)

The Five Tenets of the 13th FYP (2016-2020)

1. Innovation
2. Openness (domestic & global markets)
3. Green (sustainable economic growth)
4. Coordination (inter-industry, rural-urban)
5. Inclusiveness (inequality)

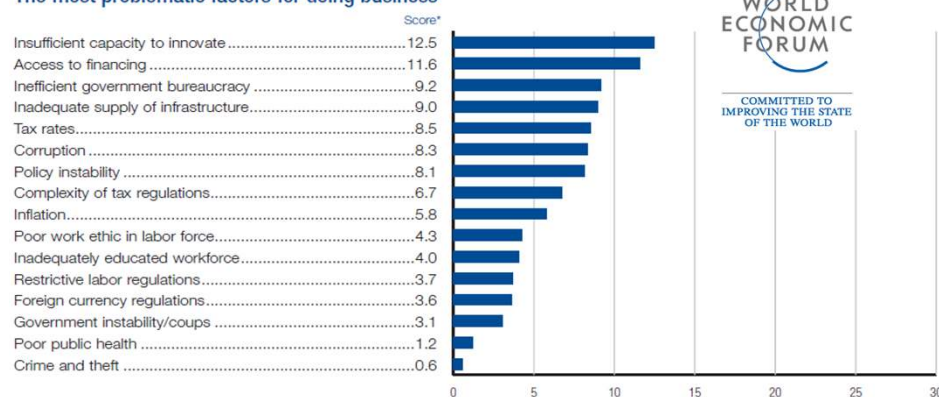
- **Economic Growth**—“medium-high” GDP target of 6.5 percent; double GDP and per capita income by 2020 from 2010 base
- **Foreign Investment**—negative list approach to market access; increased transparency in rules for foreign investors
- **Domestic Industrial Upgrading**—Made in China 2025, Internet Plus
- **Financial Targets**—yuan convertibility by 2020; yuan to join IMF’s basket of reserve currencies
- **Social Policy**—one-child limit expanded to two children per couple
- **Social Welfare**—extend coverage of urban welfare services to all residents; universal enrollment in retirement and critical illness healthcare plans; lift 70 million people out of poverty by 2020
- **Urbanization** —reach an urbanization rate of 60 percent by 2020, up from the current 55 percent
- **Green development**—reduce emissions per unit of GDP by 40 percent to 45 percent by 2020 compared to 2005 levels; increase the share of non-fossil fuel energy to 15 percent by 2020; ban commercial logging in natural forests
- **Anti-corruption**—Ling Jihua, Zhou Benshun and Yang Dongliang expelled from the Party for serious discipline violations

Structural reforms:
price formation, tax regulation, financial and investment regulation, and de-monopolization (SOEs).

Pointing in the direction of further embracing competitive market mechanisms.

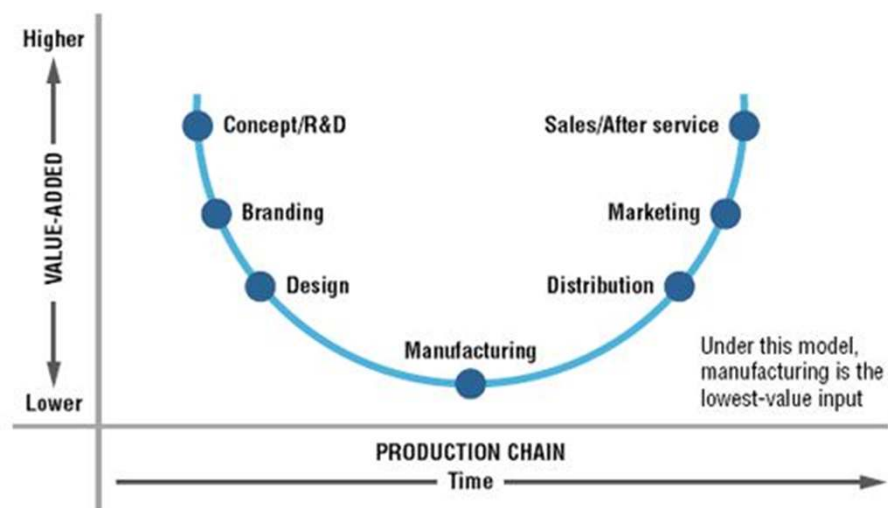
China's innovation imperative

The most problematic factors for doing business



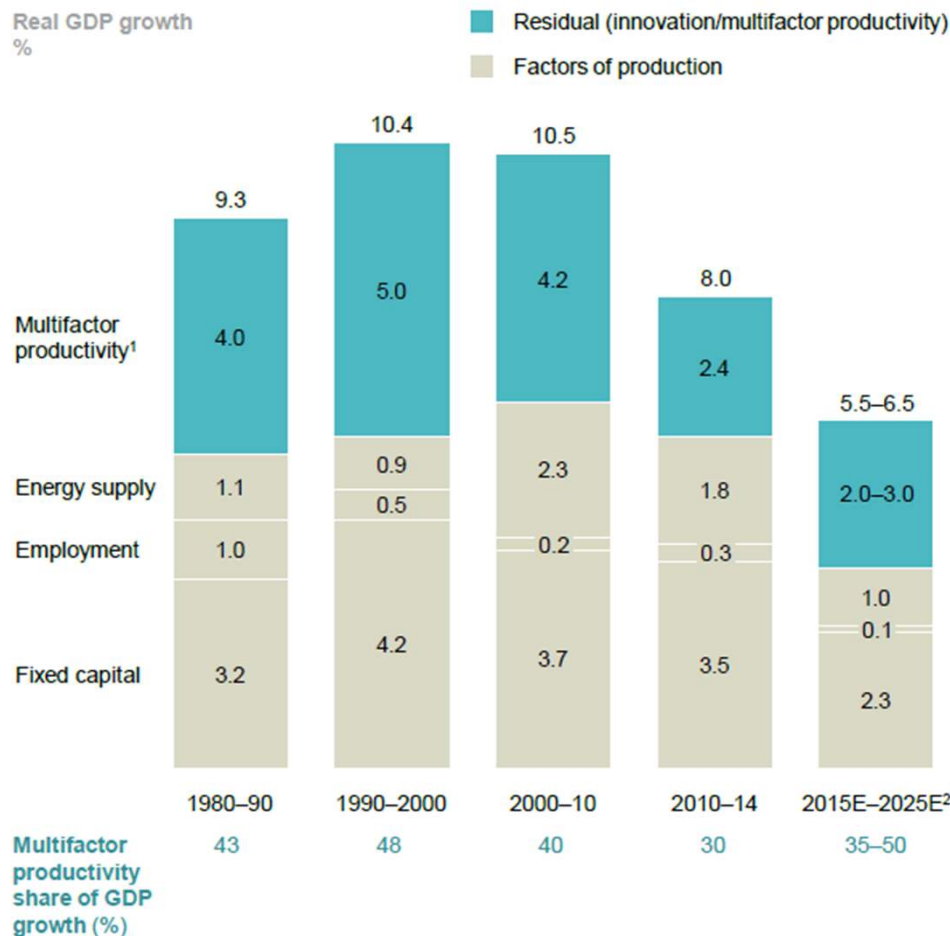
* From the list of factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

The Smiling Curve



Source: The Smiling Curve: Stan Shih.

Innovation (broadly defined) can contribute 2 to 3 percentage points of GDP growth in China by 2025, accounting for 35 to 50 percent of total GDP growth

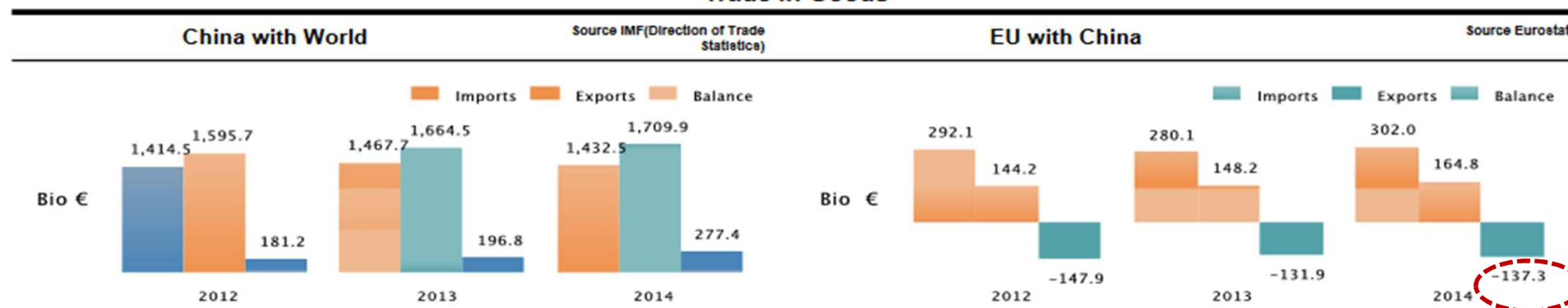


Source: McKinsey (2015). The China Effect on Global Innovation.

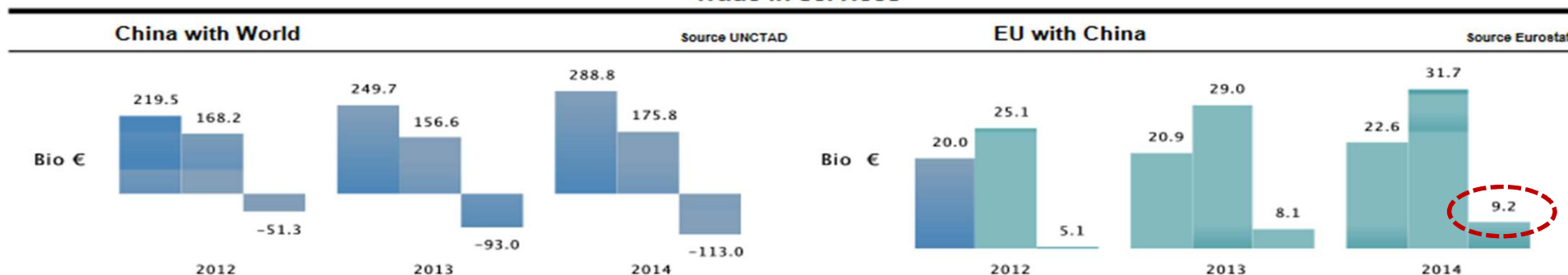
16+1 cooperation platform and how China sees the CEE region?

Understanding China-EU relations

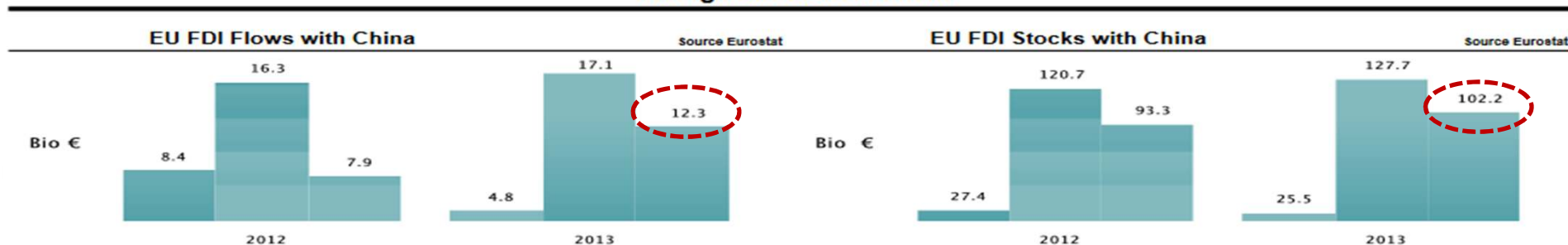
Trade in Goods



Trade in services



Foreign Direct Investment



Until 2012: EU27 BPM5; From 2013: EU28 BPM6.

Understanding China-EU relations

Total Goods: Top trading partners 2014

Source Eurostat Comext - Statistical regime 4

Imports			Exports			Total trade		
Partner	Value Mio €	% Extra-EU	Partner	Value Mio €	% Extra-EU	Partner	Value Mio €	% Extra-EU
World	1,685,003	100.0	World	1,703,076	100.0	World	3,388,079	100.0
1 China	302,049	17.9	1 USA	311,035	18.3	1 USA	517,162	15.3
2 USA	206,127	12.2	2 China	164,777	9.7	2 China	466,826	13.8
3 Russia	181,269	10.8	3 Switzerland	140,365	8.2	3 Russia	284,583	8.4
4 Switzerland	96,633	5.7	4 Russia	103,315	6.1	4 Switzerland	236,998	7.0
5 Norway	86,792	5.2	5 Turkey	74,639	4.4	5 Norway	136,993	4.0
6 Japan	55,211	3.3	6 Japan	53,272	3.1	6 Turkey	129,013	3.8
7 Turkey	54,374	3.2	7 Norway	50,201	2.9	7 Japan	108,483	3.2
8 South Korea	38,796	2.3	8 South Korea	43,196	2.5	8 South Korea	81,992	2.4
9 India	37,120	2.2	9 United Arab Emi...	42,756	2.5	9 India	72,587	2.1
1 China	302,049	17.9	2 China	164,777	9.7	2 China	466,826	13.8

Total Goods: Top product sections 2014

Source Eurostat Comext - Statistical regime 4

Rank	Imports			Exports		
	Product	Value Mio €	% Extra-EU	Product	Value Mio €	% Extra-EU
HS Sections						
1	V Mineral products	472,386	28.0	XVI Machinery and appliances	444,452	26.1
2	XVI Machinery and appliances	357,420	21.2	XVII Transport equipment	264,453	15.5
3	VI Products of the chemical or allied in...	146,839	8.7	VI Products of the chemical or allied in...	245,191	14.4
4	XI Textiles and textile articles	99,742	5.9	V Mineral products	115,994	6.8
5	XVII Transport equipment	95,425	5.7	XV Base metals and articles thereof	106,170	6.2
SITC Sections						
1	7 Machinery and transport equipment	452,136	26.8	7 Machinery and transport equipment	709,223	41.6
2	3 Mineral fuels, lubricants and related...	445,198	26.4	5 Chemicals and related prod, n.e.s.	278,814	16.4
3	8 Miscellaneous manufactured articles	235,425	14.0	6 Manufactured goods classified chiefly...	198,974	11.7
4	6 Manufactured goods classified chiefly...	172,682	10.2	8 Miscellaneous manufactured articles	187,930	11.0
5	5 Chemicals and related prod, n.e.s.	165,253	9.8	3 Mineral fuels, lubricants and related...	109,476	6.4

% Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

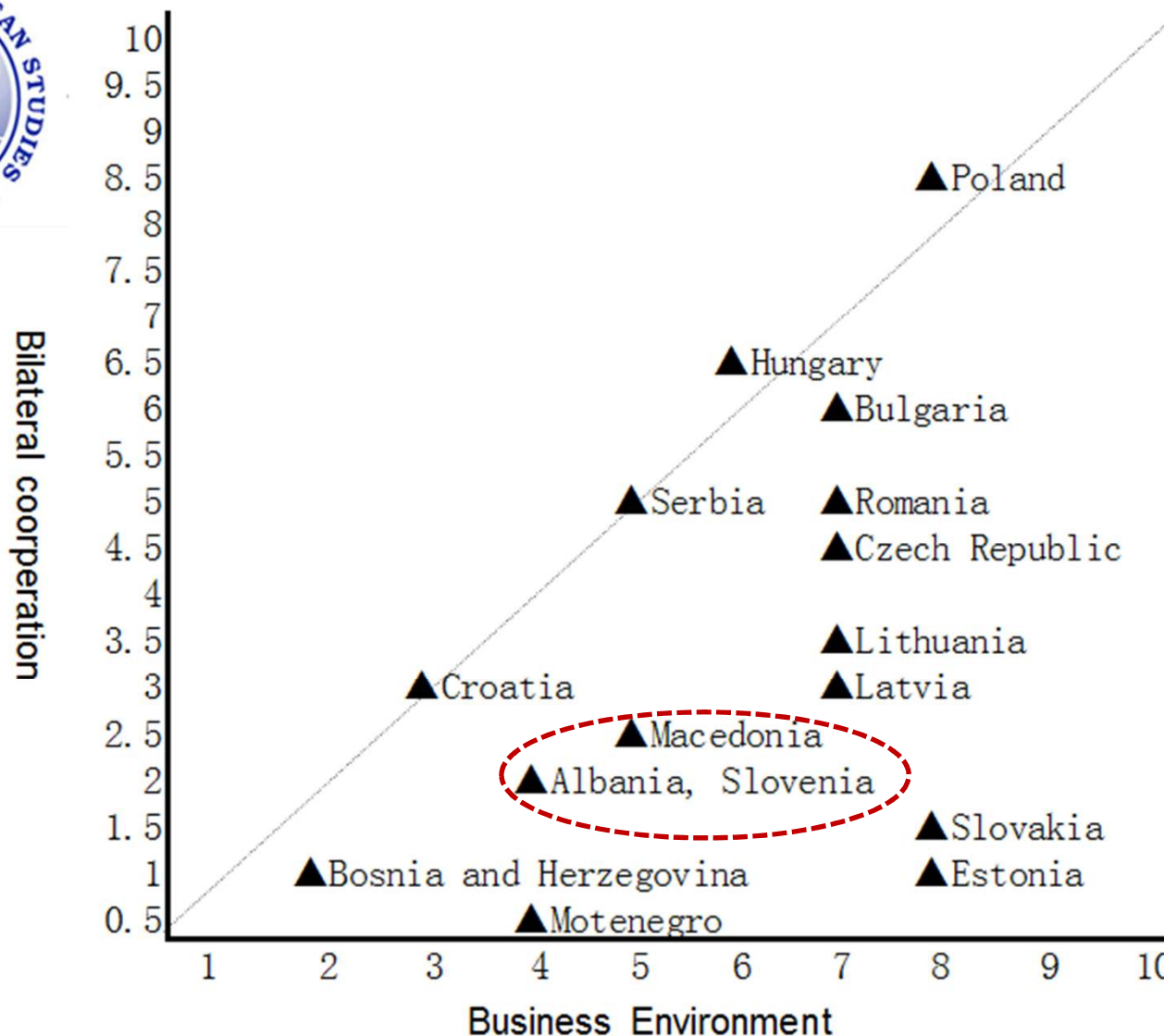
% Growth: relative variation between current and previous period

What about CEECs?

- CEECs: **11 EU members + 5 Western Balkan countries** (BiH, SRB, MNE, MAK, KOS & Albania)
- History of 16+1 cooperation platform:
 - 2011: Trade and Investment Forum in Budapest
 - 2012: 1st High-Level 16+1 Meeting Warsaw
 - 2013: 2nd High-Level 16+1 Meeting in Bucharest
 - 2014: 3rd High-Level 16+1 Meeting in Belgrade
 - 2015: 4th High-Level 16+1 Meeting in Suzhou (China)
 - 2016: 5th High-Level 16+1 Meeting in Baltics
- Reasons:
 - 2008 global economic and financial **crisis hits EU hardest**
 - 16+1 **pragmatic cooperation platform** initiated by China, not a strategic window!
 - 4 key motives:
 - CEECs as part of China's "going out" strategy promoting expansion abroad (OBOR, New Europe)
 - Shaping EU-China relations & polarization of global politics
 - Friendly region & building positive image of China (peaceful growth)
 - Coordinative policies towards to aid bilateral relations

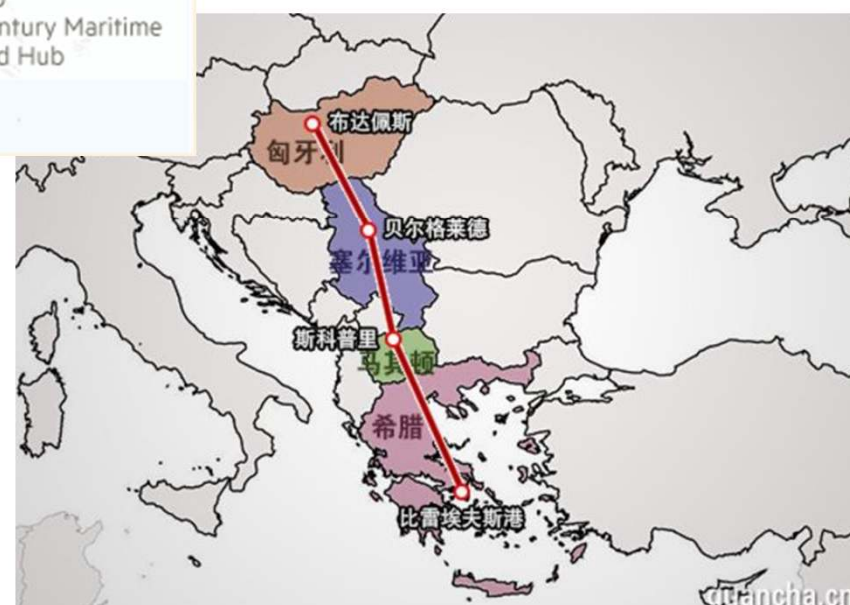
- CEEC only **10%** of EU-China trade!!!
- CEEC-China 2000-2010 trade growth increased **13-fold** (CAGR: **32%**). Ex's to China increased 39% (CAGR 2000-2010)
- 2004-2010 China FDI investment stock multiplier in CEE **18** (6.8 in Asia, 8.6 in North America, 5.3 in Latin America) – **HUN > rest of CEECs** (PL, RO, CZ following)
- How China sees CEEC:
 - "**window of opportunity**" not a strategic opportunity
 - combination of "European" and "regional" perspective ("Eurasian countries")
 - Logistic entry point/**pipeline** into western markets
 - Common socialist history & non-threatening (geo-politics)
 - 16 CEECs a heterogeneous group even for China:
 - Two **old friends**: Hungary & Serbia (history, support of "One China")
 - **Piggy backers**: Poland, Czech Rep., Slovakia & Baltics
 - **Western Balkans** (without Serbia): small, EU-dependent, **low competitiveness**, limited resources, limited independent **development capabilities**, but: **sea access**!

How China sees the CEECs





One Belt One Road initiative



China-CEECs trade 2004-2014

Figure 4 | Trade volume between CEE11 and China in 2004

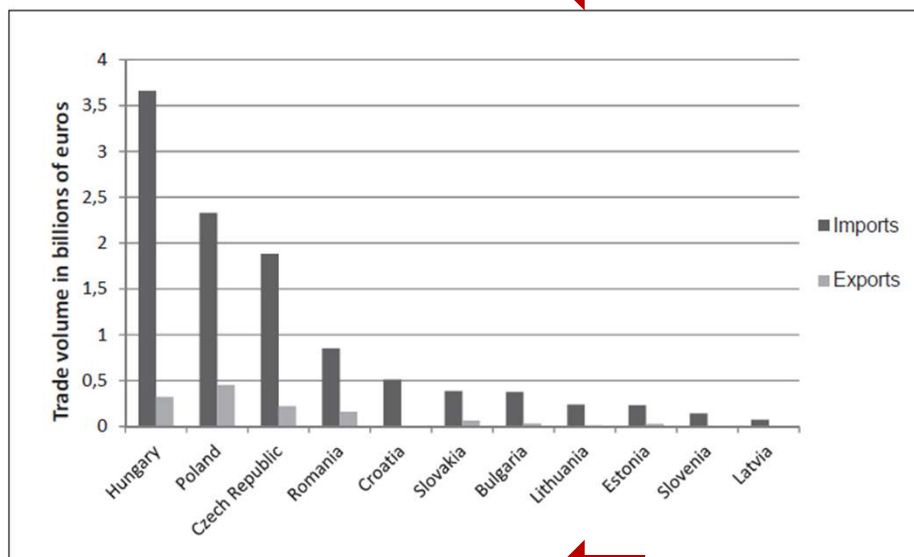


Figure 5 | Trade volume between CEE11 and China in 2014

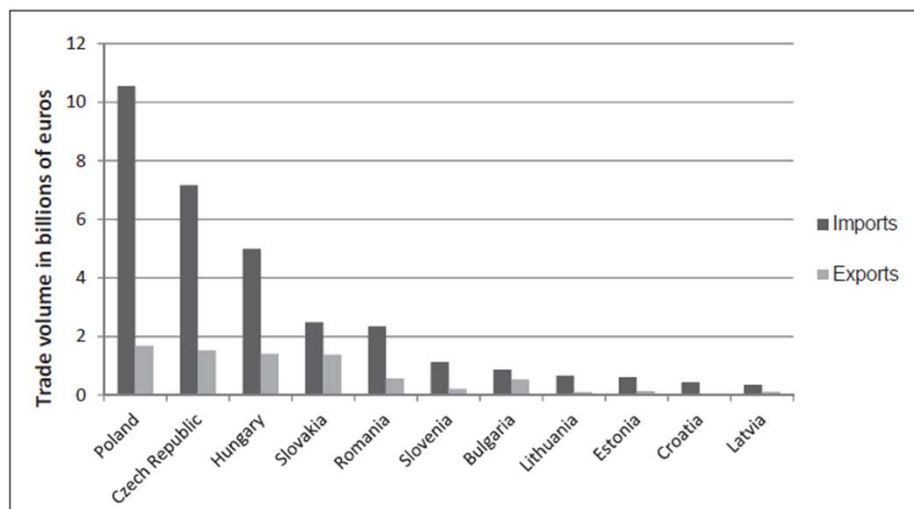
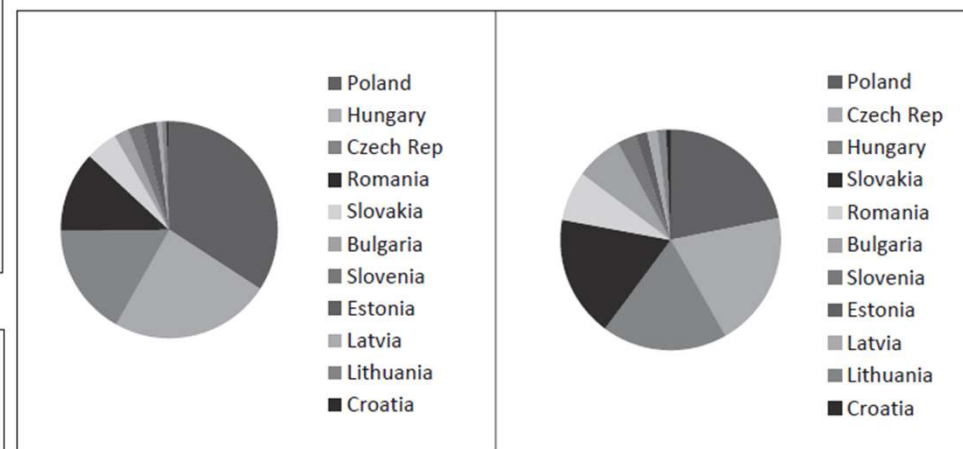


Figure 9 | Exports to China as share of CEE11 total in 2004

Figure 10 | Exports to China as share of CEE11 total in 2014



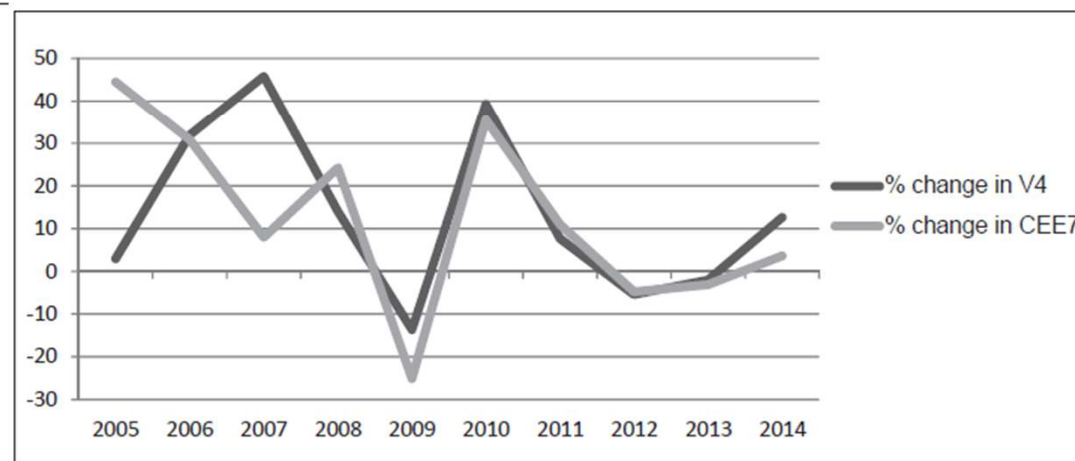
Source: Garlick, J. (2015). CHINA'S TRADE WITH CENTRAL AND EASTERN EUROPEAN EU MEMBERS: AN ANALYSIS OF EUROSTAT DATA, 2004–2014. *Acta Oeconomica Pragensia*, 23(4).

V4 vs. CEE7?

Figure 16 | Exports to China, percentage change year on year, 2005 to 2014



Figure 15 | Imports from China, percentage change year on year, 2005–2014



Implications for CEECs & SLO

- From pragmatic initiative to a set of clear "**coordination mechanisms**" based on the concept of "**one country vs. multiple sides**" → geo-economic, not geo-political framework!
- Window of **opportunity**, not **strategic window** → UK becoming key EU centre, Poland key CEE strategic partner, CZ investment hub, Hungary logistic hub, Bulgaria agricultural center → segmentation & profiling!
- Intra-regional integration is key → for SLO stronger integration with Switzerland, Italy & Austria might be more prudent than with Western Balkans & other CEECs.
- **Stability & consistency** needed + support of "One China"
- Opportunities for SLO:
 - **Logistics** (Port of Koper & 2nd railway track)
 - **Tourism** (intra-regional integration: entry or exit point)
 - **R&D potential**, pharmacy, electronic equipment, machinery, **forestry**, metal products



THANK YOU!

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*"A sparrow might be small,
but it has all the parts for flying"*
(Chinese proverb)