

中印对话

CHINA-INDIA DIALOGUE

A New Chapter for
China-India Cooperation

China's Emergence
as a Major Importer

Vol.15 | September - October 2018



CIIE Innovations in Importing

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塞罕坝

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半个多世纪，三代人耕耘。

沙地变林海，荒原成绿洲。

寒来暑往，

塞罕坝机械林场的森林覆盖率

已达80%。

栽种树木按二米株距排开，

可绕地球赤道二圈。

Saihanba is a cold alpine area in northern Hebei Province bordering the Inner Mongolia Autonomous Region. It was once a barren land but is now home to 75,000 hectares of forest, thanks to the labor of generations of forestry workers in the past 55 years. Every year the forest purifies 137 million cubic meters of water and absorbs 747,000 tons of carbon dioxide. The forest produces 12 billion yuan (around US\$1.8 billion) of ecological value annually, according to the Chinese Academy of Forestry.

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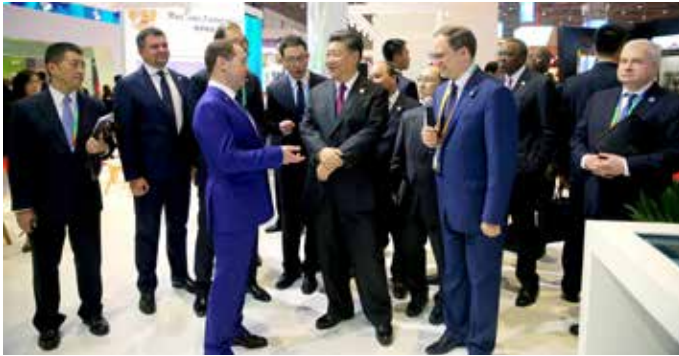
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China-India border affairs meeting in Chengdu

The 12th meeting of the Working Mechanism for Consultation and Coordination on China-India Border Affairs was held in Chengdu, Sichuan Province, on September 27 and 28. The Chinese delegation was led by Yi Xianliang, head of the Department of Boundary and Oceanic Affairs in the Chinese Ministry of Foreign Affairs, while the Indian delegation was led by Pranay Verma, joint secretary (East Asia) of the Indian Ministry of External Affairs. Talks were conducted between representatives of both foreign affairs and defense ministries.

Both sides reviewed the situation along the China-India border areas this year and exchanged opinions on border control and boosting mutual trust. The two sides agreed to implement the consensus reached by the leaders of the two countries. They vowed to continue enhancing communication and coordination between the diplomatic and defense departments, properly handle border-related issues, strengthen frontier defense exchange and cooperation to jointly maintain peace and tranquility in border areas, and create favorable conditions for the healthy and stable development of Sino-Indian relations.

At the meeting, internet practitioners from China and India led a heated discussion on the ecology of internet technology, cross-border cooperation between enterprises and inspiring creativity in the internet industry across the two countries. Statistics show that the internet industry has played a huge role in promoting India's economic development, creating more than four million jobs and a market of up to 200 billion U.S. dollars. Internet companies such as India's Infosys have been conducting business in the Chinese market for years. Meanwhile, many internet companies in China have increased investment in India. Aliyun announced on the day of the meeting that it would build a second data center in Mumbai, India.

As an important communication and cooperation platform for Chinese and Indian internet-focused technology companies, "Chindia TMT Dialogue" was organized successfully in New Delhi in 2016 and Beijing in 2017.

3rd "Chindia TMT Dialogue" in New Delhi

The third session of "Chindia TMT (Technology Media Telecom) Dialogue" was held in New Delhi on September 28, featuring 89 business leaders and experts from India and China discussing opportunities and challenges in the internet market.

Commerce Counselor at the Chinese embassy Li Baijun explained how information technology delivered through the internet is changing lives, enhancing capabilities and transforming the world. Distance no longer prevents people from communicating, and everyone is more connected than ever before. China and India are both great countries in terms of internet usage, resulting in huge potential for cooperation between the two, Li said. Amitabh Kant, CEO of the National Institute for Transforming India (NITI Aayog), expressed wishes for deeper development of India-China relations.

China and India begin joint training of Afghan diplomats in Delhi

China and India jointly sponsored a training program for ten Afghani diplomats at the Delhi-based Foreign Service Institute on October 15 in New Delhi. The two-phased training will take place in India and China.

Seeds for joint cooperation in Afghanistan were sown at the informal summit between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping in Wuhan in April 2018. The training program is the first step for China-India Plus cooperation. As agreed by the three parties, Afghan diplomats

would be trained from October 15 to 26 in India and from November 18 to December 1 in China. All participants consider the program greatly important. Foreign ministers of the three countries sent congratulatory messages, wishing full success to the program.

3rd China-India Chess Summit

The 3rd China-India Chess Summit was held in India from October 17 to 23. After eight rounds of competition, India broke China's winning streak and finished with two wins, five ties and one loss.

China and India have the strongest chess teams in Asia. The chess match between China and India also represented the highest level of bilateral competition in Asia. China won the last two competitions. This year features only a men's competition, and both sides sent a team of four grandmasters.

First China-India high-level meeting on security

China and India held their first high-level meeting on law enforcement and security in New Delhi on October 22. State Councilor and Minister of Public Security Zhao Kezhi and Indian Minister of Home Affairs Rajnath Singh co-chaired the meeting.

Zhao declared that President Xi Jinping and Prime Minister Modi's informal meeting in Wuhan in April turned the page on a new chapter of the development of Sino-Indian relations. He noted that China and India, as good neighbors and good friends, have great potential and broad prospects for cooperation in many areas.

The establishment of a high-level meeting mechanism on law enforcement and security between the two countries and the convening of the first meeting will be greatly significant in promoting the development of bilateral relations and enhancing cooperation, Zhao said.

Zhao expressed hope that the two sides would earnestly implement the consensus reached by the leaders of the two countries, further strengthen strategic communication, give full play to the role of the high-level meeting mechanism and focus on pragmatic cooperation on counterterrorism, combating separatist forces and cracking down on transnational crimes to provide a safe and stable environment for the common prosperity and development of the two countries.

Singh said India is willing to work with China to implement the consensus reached by the leaders, enhance political mutual trust, expand mutually beneficial cooperation and strengthen pragmatic cooperation in anti-terrorism, cracking down on separatist forces and combating transnational crimes.

After the meeting, the two ministers signed a cooperation agreement.

India hosts Seventh China-India Forum

The Seventh China-India Forum opened in Pune, India, on October 27th. At the forum, about 20 guests from local governments and well-known enterprises in China and India delivered speeches on made-in-China and made-in-India goods, science and technology innovation, financial capital, infrastructure and road construction, mobile interconnection and artificial intelligence, industrial parks and smart cities and Bollywood and cultural film and television industries. The forum also honored Chinese and Indian enterprises that have made outstanding contributions to Sino-Indian investment and trade development.

Highlighting the themes of the times and development opportunities for China and India, the forum has continued to focus on economic and trade development, investment cooperation, cultural exchanges and tourism promotion between the two countries since it was launched in 2012. It has established a communication platform between the two governments as well as for industry organizations and enterprises, which has become an important mechanism for promoting practical cooperation between China and India. 📺

A New Chapter for China-India Cooperation

By Luo Zhaohui



After seizing the momentum generated by the China International Import Expo, China and India need to work together to upgrade their economic and trade cooperation, which will enable the “dragon and elephant to dance together.”

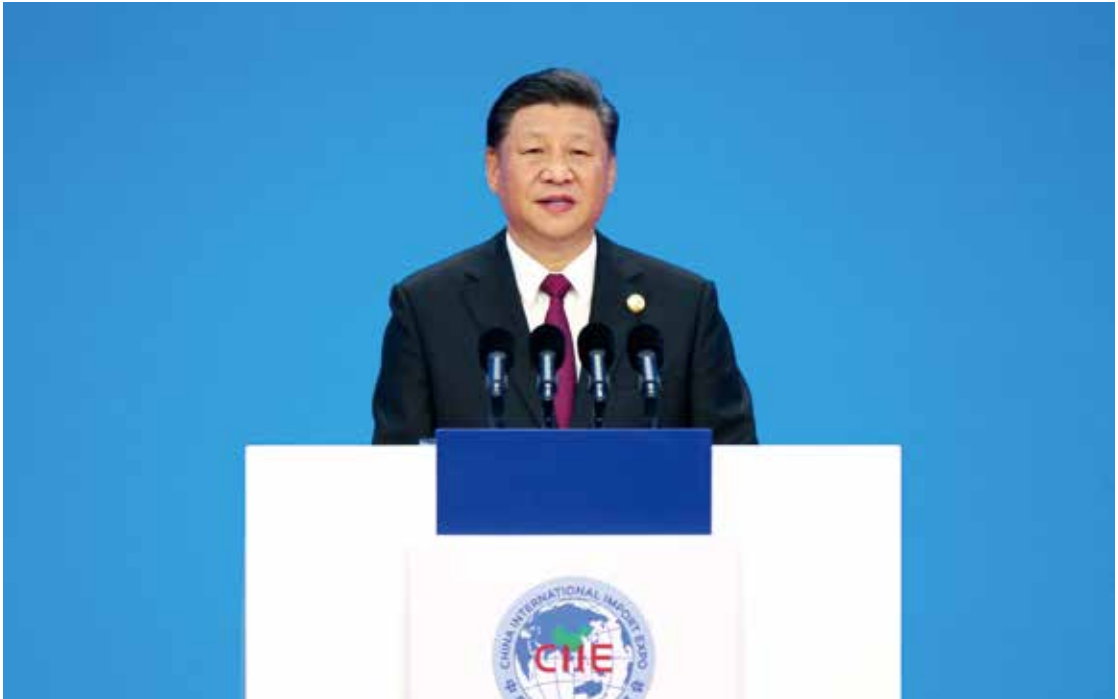
In November 2018, the first China International Import Expo (CIIE) took place in Shanghai. As host city of the event, Shanghai opens its arms to welcome guests from around the world with inclusiveness and again takes the lead in writing another glorious chapter in the history of China’s reform and opening up.

As a developing country, China will host the import expo, the first of its kind

ever in international trade history. It is an important measure taken by the Chinese government in comprehensively deepening its reform and promoting international cooperation under the framework of the Belt and Road Initiative. CIIE has not only provided new opportunities for countries around the world to expand their exports to China, but also served as a bridge for various countries to share

business opportunities and enhance international trade cooperation.

The world is now facing an anti-globalization trend with the rise of protectionism and isolationism. Adopting a doctrine of “America First,” the U.S. government discarded basic international exchange rules such as mutual respect and equal consultation in favor of unilateralism, protectionism and economic hegemony,



November 5, 2018: President Xi Jinping delivers a keynote speech at the opening ceremony of the first China International Import Expo (CIIE) in Shanghai. The speech is titled "Work Together for an Open Global Economy That Is Innovative and Inclusive." [XinHua]

resulting in severe negative impact on the multilateral trade system and the rule of free trade. In this context, the decision to host the CIIE fully showcases China's sincere willingness to open its vast market of 1.4 billion people, offers keys support to trade liberalization and demonstrates China's responsibility in promoting economic globalization.

Chinese President H.E. Xi Jinping once declared, "The door of China's opening to the outside world will not be closed, but will become wider and wider." This year marks the 40th anniversary of the beginning of China's reform and opening up. The four decades of reform and opening up have brought

tremendous changes to China and the Chinese people, but also injected endless vitality and impetus into global development. China's middle-income population is estimated to exceed 400 million by 2020, and its consumption market will hit US\$6.1 trillion by 2021. In the next five years, China will import goods and services valued at US\$10 trillion. These figures testify to the enormous business opportunities provided by the Chinese market in terms of imports from various countries.

CIIE received positive response and support from China's trading partners across the world. Globally, representatives from 172

countries, regions and international organizations, as well as more than 3,600 enterprises and over 400,000 purchasers from China and overseas, attended the event. India's Country Pavilion at the expo focused on key sectors such as pharmaceuticals, information technology (IT), food, agriculture and tourism. This is a significant follow-up action to implement consensus on addressing the trade imbalance reached at the 11th session of the India-China Joint Group on Economy and Trade, co-chaired by Chinese Minister of Commerce Zhong Shan and Indian Commerce and Industry Minister Suresh Prabhu in March 2018.



Over 1,500 guests including global political figures, representatives of international organizations, and international business leaders attended the opening ceremony of the China International Import Expo. by Chen Jian

PRIME OPPORTUNITIES FOR CHINA-INDIA COOPERATION

China-India relations are now stabilizing and maintains a positive momentum. In April, Chinese President Xi Jinping held an informal summit with Indian Prime Minister Narendra Modi in Wuhan, capital of central China's Hubei Province. The two leaders exchanged views on international affairs and charted a course for future development of the ties between the two countries. The informal meeting created fruitful outcomes of great significance and became a milestone in the history of bilateral ties. Within three months, President Xi and Prime Minister Modi met for three times. In addition to the Wuhan summit that set the tone for China-India relations, they also met in

Qingdao and Johannesburg to discuss specific measures to implement relevant consensus and guide the elevation of bilateral ties to a new level. Motivated by positive outcomes of the Wuhan summit, China-India cooperation is now faced with great opportunities.

First, strategic communication has been strengthened. China and India are working together to deepen strategic communication focused on the implementation of the consensus reached by their leaders. Not long ago, Chinese State Councilor and Defense Minister General Wei Fenghe visited India to promote military and defense exchange and cooperation. Then Chinese State Councilor and Public Security Minister Zhao Kezhi visited India to

expand law enforcement exchange and cooperation between the two countries. Next, Chinese and Indian leaders will meet at the G20 Summit in Argentina. Moreover, the two sides will launch the first meeting of China-India High-level People-to-People Exchanges Mechanism and the Special Representatives will meet and discuss on the China-India boundary questions. Such strategic communications played an important role in enhancing mutual political trust and promoting concrete cooperation in various fields.

Second, bilateral trade has constantly increased. Thanks to joint efforts of both countries, China-India economic and trade cooperation has made significant achievements. China has been India's largest

trading partner for several consecutive years. Last year, bilateral trade volume reached US\$84.4 billion, and China's imports from India increased by 40 percent, effectively relieving the trade imbalance between the two countries. Statistics show that the trade volume between China and India hit US\$54.9 billion in the first seven months this year, increasing by 15.2 percent year-on-year. In March, China's Ministry of Commerce and India's Ministry of Commerce and Industry jointly hosted a special promotion for CIIE and a signing ceremony for trade deals between China and India in New Delhi. With unprecedented enthusiasm for cooperation, enterprises of both countries signed 101 trade agreements with a total contract value of nearly US\$2.37 billion.

Third, people-to-people exchange between the two countries has seen a boom. So far, China and India have established 14 pairs of sister provinces or cities. Last year, more than a million mutual visits were made, and 47 direct flights shuttled between the two countries each week. Mutual understanding between Chinese and Indian people is growing with each passing day. Many young people in Chinese cities have become obsessed with yoga and Bollywood films, and more than 20,000 Indians are now studying in China. In many Indian places I visited, I have been impressed by the profound friendship between Chinese and Indian people.

I was particularly touched by elderly Indians shouting "Hindi Chini Bhai Bhai" (Chinese and Indian people are brothers) at an event organized by China-India friendship groups.

ENHANCING COOPERATION THROUGH CIIE

The combined population of China and India accounts for 35 percent of the global population and 20 percent of the world's total GDP. However, their bilateral trade makes up only 0.53 percent of the world's total trade volume, and the two countries enjoy a huge potential for expanding cooperation. In the second round of collective rise of developing countries, China-India cooperation benefits not only from adjacent geographical locations but also from their huge respective markets comprised of 35 percent of the global

population. As two major emerging global economies, China and India share similar national conditions, development stages and goals, complement each other in terms of economic structure and enjoy promising prospects in cooperation in the fields of trade, investment, infrastructure, IT, the internet, culture, tourism and healthcare. The two countries need to implement the consensus reached by their leaders and consider CIIE an opportunity to deepen cooperation and achieve common development.

First, China and India need to resolutely uphold free trade and globalization. A Chinese proverb goes, "a fire at the city gate means disaster for the fish in the moat," which illustrates that innocent people are affected by others' misfortune. The unilateralist mentality is causing

November 9, 2018: Visitors at a sand table model of Colombo Port City, Sri Lanka. The Colombo Port City project is a key cooperation project between China and Sri Lanka under the Belt and Road Initiative. The project was commenced in 2014 and will be operated over a 25-year period. by Guo Shasha





— The High-End Intelligent Equipment Exhibition is among the highlights of the CIIE, the world's largest consumer market for production equipment, provides an excellent global platform for the top technology and equipment enterprises to showcase themselves to China and other countries. by Xu Xun

rampant protectionism and undermining the foundation of the multilateral trade system, exerting negative impact on the economic development of China and India. President Xi and Prime Minister Modi have both called for supporting multilateralism and free trade on many international occasions such as the World Economic Forum in Davos, Switzerland. China and India should work together to promote mutually beneficial and win-win trade system, strengthen cooperation under the framework of the World Trade Organization, and promote negotiations on the Regional Comprehensive Economic Partnership. China is willing to actively negotiate and sign a free trade agreement with India.

Second, China and India need to closely synergize their development strategies. At a crucial stage in which old drivers of economic development are being replaced by new ones, China will continue

focusing on supply-side structural reform to ensure its economy maintains growth at a medium-to-high speed and its industry is upgraded to medium-to-high end. Prime Minister Modi has launched a series of development plans such as “Make in India,” “Startup India” and “Smart Cities Mission” with an eye on upgrading India’s industrial structure and vitalizing the domestic market. China and India should synergize their development strategies, promote regional connectivity projects such as the Bangladesh-China-India-Myanmar Economic Corridor, and learn from each others’ experiences in reform and development.

Third, China and India need to forge a more balanced trade structure. China has never sought a trade surplus with India, and the current trade imbalance between the two countries, to a large extent, is a result of an imbalanced trade structure. CIIE will provide a rare opportunity for India to cut its trade deficit and improve its trade structure with China. The Chinese side welcomes more Indian enterprises to explore the Chinese market and is willing to expand bilateral trade, facilitate India’s exports such as agricultural products and pharmaceuticals to China, and enhance bilateral trade quality and level to form a more balanced trade structure.

Fourth, China and India need to create a fairer business environment. In recent years, a number of prestigious Chinese

companies including Alibaba, Fosun Pharmaceutical and SAIC Motor have invested in India. They have created new jobs for locals and helped increase tax revenues, winning recognition from local governments and people. Meanwhile, many Indian pharmaceutical and IT enterprises have expanded cooperation with Chinese partners. The two countries have gradually formed a bilateral investment system featuring “environmental friendliness, complementary industry and win-win cooperation.” Next, the two sides could consider revising their intergovernmental agreements such as the bilateral investment protection protocols and the double taxation avoidance agreement to continue improving the business policy environment.

President Xi Jinping once declared, “China and India have become the two largest developing countries and emerging-market economies in the world. If we speak with one voice, the whole world will listen.” Prime Minister Modi hopes to promote bilateral ties by “making One Plus One Eleven.” To seize the momentum generated by the CIIE, let us work together to upgrade economic and trade cooperation, which will enable the “dragon and elephant to dance together” and write a new chapter on China-India relations. 

—
The author is the Chinese Ambassador to India.

India and China: Newer and Wider Interdependent Dynamics

By Mahendra P Lama



Imagination and innovation have the ability to inject huge and diverse cooperative matrices.

The China International Import Expo has afforded a variety of opportunity and facilitated heavy exposure for India-China trade and economic cooperation. Unlike in years past, India and China are now actively and substantively engaging across three levels: local, national and regional.

LOCAL INTEGRATION

Both countries have been consciously working to make economic dents at very local levels. Memoranda on resumption of border trade are the policy instruments of this local penetration. The Lipulekh Pass trade route that connects Dharchula-Pithoragrah in Uttaranchal with Taklakot

in Purang County of Tibet Autonomous Region (TAR) and Shipkila Pass that connects Namgya-Kinnaur, Himachal Pradesh with Jiuba in Zada County in TAR opened in 1992. The Nathu La Trade Route connecting Sikkim in India and TAR in China was reopened after 44 years in 2006.

The 2005 Nathu La Trade



May 22, 2015: “Dexiang priority” container ship first arrived at berth 1 of Dapukou Container terminal in Jintang Port District, Ningbo-Zhoushan Port. This is the first Indian shipping line opened by Dapukou containers. [VCG]

Study Team Report projected that with the availability of a certain level of trade facilitating measures, India-China border trade from Nathu La route would reach US\$2.84 billion by 2015. However trade volume has been almost negligible because of factors such as restrictions on tradable items, poor road conditions and inadequate infrastructural facilities. Nevertheless, tourists now visit to witness how trade actually takes place at Sherathang in India and Renqinggang in China. Over the last couple of years, Nathu La Pass

itself has become a major tourist spot with hundreds of people visiting the border and enjoying the pleasure of shaking hands with Chinese soldiers. Interestingly, China has already extended its railway line from Lhasa to Xigatse and is likely to connect to Nathu La by 2020. India is also working to pave a two-lane highway up to Nathu La and a railway line to Rangpo. Greenfield Airport at Pakyong in Sikkim is now functional. All these facilities are well connected to the Golden Quadrilateral highways of India.

Kalidasa once wrote that the

waters of Lake Mansarovar are ‘like pearls’ and that to drink them erases ‘the sins of a hundred lifetimes.’ Prime Minister Modi and President Xi Jinping jointly introduced a new dimension to the Nathu La trade route when they decided to reopen the far-reaching pilgrimage project to Kailash Mansarovar through Nathu La in 2014. Since it was launched in 2015, large numbers of pilgrims have already done Mansarovar *parikrama* (circumambulation) at an altitude of 15,157 feet through the Sherathang-Kangma-Lazi-Zhongba-Darchen-Qugu route. This

roughly 1,650-km route reduces the distance, trip time and physical hardship involved in alternate routes like through the Nepal-China border town of Khasa (Tatopani) or a difficult trek from Taklakot in Uttarakhand.

This trade route is one of the most magnificent eco-tourism routes and offers deep inroads into bio-diversity hotspots and a glimpse of glaciers and water towers and the cultural ecology of borderland communities. This initiative finally reconnects the cultural heritage of two civilizations and rebuilds Asian confluence. As confidence and trust between India and China further consolidates and tourism expands, this trade and pilgrimage route could eventually be used by neighbouring countries like Nepal, Bhutan, Bangladesh, Sri Lanka and Myanmar for both trade and tourism. Tibet is no longer just a market for religious and cultural items. It is one of China's most attractive

tourism destinations. Tibet and the surrounding regions including Sichuan, Yunnan, Qinghai and Chongqing are a growing market snapping up goods ranging from cement to the latest cars and from caterpillar fungus to tulips.

Development and investment officials and private sector players from Yunnan Province have made several trade visits to the Eastern states of India including West Bengal and some of the eight North Eastern States. The sole agenda item of the "Kunming Initiative" is to establish trade and investment linkages with the vast untapped market and naturally contrasting and well endowed regions of eastern India. Even if trade and investment happen primarily in traditional medicinal systems, the entire sub-region will flourish in the name of organic and natural products. This fits very well in India's Act East Policy. This primary notion of 'local engagements' and the usage of trans-local

actors, which are inherent to the geo-economics of the Kunming Initiative, are new things for the Indian Government to address.

NATIONAL PERSPECTIVE

At the national level, the economic interests of India and China further align. India-China trade has steadily increased from a mere US\$270 million in 1990 to a staggering US\$84 billion in 2017. However, India has amassed a colossal trade deficit with China of US\$51.1 billion in 2016-17. More seriously, despite India's growing status as a manufacturing hub, its exports to China remain overwhelmingly primary commodities: raw or semi-raw materials such as cotton, copper, iron ore, organic chemicals and other minerals. And its imports are largely finished products like telecom equipment, electrical machinery, computer mobile hardware and fertilizer. This imbalance is the target of Prime Minister Modi's "Make in India" Initiative. The country would rather have its raw materials be used by domestic production bases and see greater value-added benefits in its exchange with global markets.

Can the "Make in India" campaign go global? Can



February 7, 2018: Electric cars have basked in the limelight at the Indian Auto Expo 2018 in Greater Noida, where an ambitious plan to phase out polluting clunkers has made manufacturers racing to lure millions of new drivers to their green vehicles. [VCG]

China transfer some industrial production to India? Given the vociferous protectionist policies and inward-looking trends in the U.S., can India and China together lead from the front? The Chinese would benefit tremendously from market access to India and in specific areas like imports of pharmaceuticals, software, primary commodities like cotton, rubber, iron ore, bauxite, mica and even semi-finished engineering and chemical goods. New frontiers of innovative cooperation are likely to emerge. The two way investment links between India and China are deepening. If top mobile phone brands like Oppo, Huawei and Xiaomi are manufactured in states like

Gujarat, Karnataka, West Bengal and Assam and marketed as part of the “Make in India” pools of popular products, their access to entire SAARC and ASEAN region under various free trade agreements could also be harnessed. Could the competitively priced variety of Indian dairy products cater to milk and yogurt hungry Chinese provinces? These are all people and community centric projects that foster mutual warmth and collaborative sustenance.

REGIONAL APPROACH

For a long time, China remained focused on Southeast, East and Central Asia. However, China along with the U.S., E.U., Japan and

South Korea have been given the observer status in SAARC. China’s trade with South Asia has witnessed unprecedented trajectory growing from a mere US\$1.18 billion in 1990 to US\$12.07 billion in 2003 and US\$111 billion in 2015. China has become the largest trading partner of India, Pakistan, Bangladesh and Sri Lanka. Thanks to the gigantic US\$56 billion China-Pakistan Economic Corridor, six of SAARC’s eight members who are signatories to China-led Asian Infrastructure Investment Bank (AIIB) and Belt and Road Initiative project could welcome a massive inflow of infrastructure funds in South Asia. This is a sector in which China and India need

June 15, 2018: China Pal, an Indian women folk sculptor, is making a religion sculpture. Chinese and foreign arts & crafts masters gathered at the Lancang-Mekong Arts Festival in Kunming, Yunnan Province. [IC]





September 30, 2018: Feisaer (Chinese name) from India sells Indian handmade wooden furniture at the first International Commodities Fair in Tonghua, Jilin Province. [IC]


to abandon their outdated one-upmanship. If the two countries decide to move together, South Asia will be the biggest gainer and become a region to reckon with. Then the question of China's membership of SAARC will only oscillate between de-jure presence or de-facto entry. Whether China wants to enter this regional 'block' from outside or inside would largely become academic. Then a grand interdependent venture like a Regional Comprehensive Economic Partnership could become a formidable pivot for both China and India.

Imagination and innovation could inject huge and diverse cooperative matrices. For instance, unlike the traditional national security based treatment of Indian and Chinese projects in Nepal, the relationship has shown ample opportunity for trilateral ventures. Both India and China have developed a huge network of power grids and

transmissions lines that not only provide access to various demand centers in their domestic markets but could possibly provide connections to neighbouring countries. The Super Grid concept and Smart Grid provisions have made grid interconnection and market access both economical and easy. China's plans to build bulk power hybrid grids by 2020 to make "trans-regional, large capacity, long-distance and low loss transmission" a reality. India's first national grid to national grid interconnection with Bangladesh through Behrampur-Bheramara grid opens a whole new theatre of cooperation. With Nepal, the 400KV D/C Muzzafarpur – Dhalkebar connection has been launched.

Both these countries are now moving towards renewable energy because of global and domestic pressures to reduce usage of fossil fuels and cut emissions. Nepal is particularly rich in renewable

resources. There have been protracted negotiations between India and Nepal to harness Pancheswar, Rapti and Karnali in addition to the signing of the Mahakali Treaty. China has shown keen interest to invest as well. Could a series of trilateral ventures cater to South Asian and South East Asian Markets? India and China have effectively participated in a wide range of power development projects in Nepal in the past. These include Indian projects like Gandak (15 MW), Trishuli (21MW), and Devighat (14.1 MW) and Chinese Sunkoshi (10.05 MW).

India and China are gradually becoming rooted in each other's diverse provinces and making deeper inroads into their own political culture and social dynamics. Negative stakeholders are gradually marginalized. Active economic diplomacy must be perpetual like military arsenals are preserved during peace time. Economic inter-dependence will be the most lasting and beneficial strategy. 

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CIIE: Innovation in International Trade

By Wei Jinshen

China is taking concrete action to promote economic globalization and trade liberalization.

As the economic globalization process undergoes profound changes and the global economic governance system undertakes significant transformations, supply of international public goods is lagging far behind demand. As a responsible major country, China has presented the Belt and Road Initiative to the international community and taken concrete action to put it into practice. The country hosted the first China International Import Expo (CIIE), testifying to the Chinese conceptual and practical innovation in the supply of international public goods.

INNOVATION IN SUPPLY OF INTERNATIONAL PUBLIC GOODS

From the perspective of conceptual innovation in the supply of international public

goods, hosting the CIIE demonstrated China's new ideas on cooperation, opening up and development, as well as its sincere willingness to open up the domestic market, which represents concrete action in support of economic globalization and trade liberalization.

Firstly, the CIIE echoes the cooperative principle of the Belt and Road Initiative, namely, "extensive consultation, joint contribution and shared benefits." As the first import-themed international expo in the world, the inception of the CIIE marks an innovation milestone in the history of international trade. During the event, participants will exchange views on investment and trade cooperation, carry out project alignment and share the fruits of cooperation. The Chinese government has vowed to import commodities

worth US\$8 trillion over the next five years. As the host of the CIIE, China will provide two free standard exhibition booths for each participating underdeveloped country in which they can display quality indigenous specialty products such as clothes, consumer goods, food, agricultural products, and health products as well as tourism resources and highlights of their respective cultures.

Secondly, the CIIE showcases China's upgraded concept of all-round opening up. This year marks the 40th anniversary of the country's reform and opening up, as well as the fifth anniversary of the introduction of its Belt and Road Initiative. In this context, hosting the CIIE represents a major step in China's upgraded idea of all-round opening up. The Belt and Road Initiative is open to all countries along the routes as well as other economies



The 2017 South and Southeast Asia Commodity Expo and Investment Fair, held at the Dianchi International Convention and Exhibition Center in Kunming City, Yunnan Province, attracted more than 4,000 enterprises from 86 countries and regions, of which 33 were along the Belt and Road routes. [VCG]

rather than remaining an “exclusive club.” Promoting all-round opening up means China seeks opening up both at home and abroad, continues opening its door to both developed and developing countries and places equal emphasis on “bringing in” and “going global” to break new ground in opening China further through links both eastward and westward, across land and over sea, with constant expansion of the width and depth of its opening.

Finally, the CIIE showcases China’s idea of promoting balanced, coordinated development. The Belt and Road Initiative emphasizes not

only balanced development of different regions in the country but also coordinated development around the world. It has expanded the channels of China’s opening up, provided historic opportunities for the development and opening up of central and western parts of China, and injected new impetus into economic growth and social progress in those regions. The Belt and Road Initiative advocates coordinated development of the global economy to meet the needs of economic development in today’s world. Through hosting the CIIE to expand imports, China is encouraging other countries to catch the “fast train” of its

rapid economic development to increase momentum in balanced, coordinated development.

NEW CHANNELS FOR INTERNATIONAL PUBLIC GOODS

Hosting the CIIE is an important innovative Chinese practice to actively explore new models to supply international public goods.

Firstly, through hosting the world’s first international import expo, China is working to expand supply channels of international public goods. The CIIE combines national exhibitions, enterprise exhibitions and the Hongqiao International Economic and Trade Forum.

The national exhibitions cover space of some 30,000 square meters and focus on comprehensively displaying the trade and investment of participating nations. The enterprise exhibitions cover about 270,000 square meters divided into two sections: goods trade and services trade. The “goods trade” section features six exhibition zones for consumer electronics and household appliances, clothing and other daily consumer products, automobiles, intelligent and high-tech equipment, food and agricultural products, and medical instruments and healthcare products. The Hongqiao International Economic and Trade Forum comprises an opening ceremony and three parallel sessions with focus on topics such as “Trade and Opening Up,” “Trade and Innovation” and “Trade and Investment.”

Secondly, the CIIE aims to mobilize all countries to share common interests in the supply of international public goods to balance national interests and global interests. A total of 130 countries and regions took part in the CIIE. Through increasing imports, China is further opening its market to developing countries, providing development opportunities and jobs for them and exempting least-developed countries from the exhibition fee to help them participate in and benefit from the process of globalization. By focusing on the realization of common interests, the CIIE has attracted enthusiastic



Located in Xishuangbanna Dai Autonomous Prefecture, Yunnan Province, Mohan is a border town connecting China and Laos. As an important passage for economic, trade and social exchange between China, Laos, Thailand and even the entire ASEAN region, it completes a circuit enabling ASEAN countries' participation in the China-proposed Belt and Road Initiative. [VCG]

participation from domestic and international exhibitors alike. This is key to its success.

Finally, the CIIE aims to promote supply-side reform and meet people's demands for a better life. China is hosting the expo with the intent to enhance the quality of the supply structure, fulfill people's longing for better lives, optimize the consumption structure and advance a consumption upgrade.

In recent years, Chinese tourists have stunned the world with their tremendous overseas spending. This testifies to the great consumption ability of Chinese people and demonstrates China's huge potential in the demand for quality goods and services. The “goods trade” section of enterprise

exhibitions offers special exhibition zones for food and agricultural products as well as for medical instruments and healthcare products. Appropriate products will also be displayed in exhibition zones for clothing and other daily consumer products, automobiles and other sectors closely related to improving people's living standards.

As an important measure to implement the Belt and Road Initiative, the CIIE evidences China's conceptual and practical innovation in the provision of international public goods, marking a firm step toward building a community with a shared future for humanity. 

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Seizing the Opportunity of CIIE

By Chaitanya Mallapur

CIIE will be a great networking and marketing opportunity for small and medium-sized companies in India to become global exporters and players in the world market.

The China International Import Expo was organized in Shanghai in November 2018. The idea behind it is to help China evolve from a manufacturing powerhouse to a consumption-driven economy. India should seize the opportunity because it will help Indian exporters understand local markets in China and the demand and supply of goods and services there.

As a platform for global buyers and sellers, the expo will help boost cooperation between Indian and Chinese companies in the years to come and encourage foreign investment that meets the terms of various trade policies and agreements. It will provide Indian manufacturers and exporters

a forum to display their products and services for the Chinese market.

Indian traders must closely

follow this expo because it will help address the rising trade deficit by affording greater access to Chinese markets.



In recent years, Chinese enterprises have provided the solution of “Made in China” for the economic construction of countries alongside the Belt and Road. The picture shows the large equipment production workshop of Northern Heavy Industries Group Co., Ltd. in Shenyang, Liaoning Province. [Xinhua]



November 5, 2018: The first China International Import Expo opened in Shanghai. Chinese President Xi Jinping took a group photo with foreign leaders before the opening ceremony. by Xu Xun

SEIZE CIIE'S OPPORTUNITY

China's economy has grown multi-fold since its reform and opening-up began in 1978. After overtaking Japan in 2011, China became the second-largest economy in the world. Today, it is a manufacturing powerhouse and largest exporter of goods in the world. India, an emerging economy and a strong competitor of China, is following suit.

However, a growing concern for India is its rising trade deficit with China, which has increased by 74

percent from US\$36 billion in 2013-2014 to US\$63 billion in 2017-2018. The imbalance is caused by increasing imports from China compared to exports, which has been attributed to shortages or non-availability of items in the domestic market and cost competitiveness of foreign manufacturers. China is India's largest trading partner, with bilateral trade valued about US\$90 billion in 2017-2018, up 36 percent from US\$66 billion in 2013-2014.

India chose to not attend the Belt and Road Initiative (BRI)

forum hosted by China in 2017, which was attended by leaders of 29 countries and a delegation of over 100 nations. The project aims to connect Asia, Europe and Africa through rail, road and sea links to facilitate trade across regions, with China planning to invest US\$800 billion over the next five years. Joining the BRI would be the perfect opportunity for India to start recovering its trade deficit with China. With little progress made on that front so far, India must make sure it does not waste the potential that CIIE now presents.



India's major imports from China are electrical machinery, mechanical appliances, telecom instruments, computer hardware and peripherals, organic chemicals, fertilizers, consumer electronics, plastic and articles and iron and steel. Major exports include organic chemicals, mineral fuels, copper and articles, cotton and oils, salt, plastering materials and animal and vegetable oils and fats. India needs to dive deep into Chinese markets to cater to their local needs.



September 8, 2018: An exhibitor from India (left) introduces Indian scarves to a visitor at the 20th China International Fair for Investment and Trade (CIFIT) held in Xiamen, China. by Wei Peiquan/Xinhua

To boost its exports, India is now seeking trade deals with China, offering tariff waivers on products such as castor oil, menthol, granite and diamonds under the Asia Pacific Trade Agreement.

THE WAY FORWARD

India needs to attract more Chinese investment into Indian markets. The share of China's FDI equity inflows to India's overall FDI inflows accounted for just 0.53 percent from April 2000 to June 2018. The cumulative FDI equity inflows from China to India stood at US\$2 billion over the same period.

Sectors receiving the most investment from China include the automobile industry, metallurgical industries, services, electrical equipment and industrial machinery. The manufacturing sector in China is expecting big change in the coming years due to rising labour costs. This has made manufacturing companies in China look to countries like Bangladesh, Laos and African nations.

China, a country with a

population of over 1.4 billion will provide a diverse market for Indian products like pharmaceuticals, information technology services and agricultural products such as fruits, vegetables and meat. The expo will also help exporters understand China's domestic needs and household consumer demands better through its future editions.

Stalls at the expo will help Indian manufacturers understand the diverse range of consumers as they create brand awareness. This will be a great networking and marketing opportunity for small and medium-sized companies in India to become exporters and global market players.

India needs to seize this opportunity, which will help transform it into a global manufacturing hub and integrate more deeply into global supply chains. The expo will address India's growing consumer demands, generate jobs, ensure competitiveness and most importantly, bridge the trade deficit gap by reducing imports and boosting exports.

India needs to effectively transform its vision promoted by 'Make in India' into a 'Made in India' brand. To this end, policies will need to focus on quality-led manufacturing, competitiveness, innovation and technology-driven equipment. 

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China's Emergence as a Major Importer

By Zhong Feiteng

As the globalization trend once led by the United States undergoes tremendous changes, China is striding towards becoming a major importer, widening channels for global economic growth.

In November 2018, the first China International Import Expo (CIIE) was held in Shanghai. The event is considered a milestone in

the history of the economic interaction between China and the outside world and a major turning point in China's relations with the world.

In the era of mercantilism,

policymakers believed that exports made greater contributions to a nation's economy than imports. Then, classical economics theory advocating trade balance dominated. In this new historical period, alongside the further increase in China's overall national strength and per capita income, imports are playing an increasingly important role in the country. As the globalization trend once led by the United States undergoes tremendous changes, new drivers are needed to revitalize the world economy. China's strides towards becoming a major importer will fire up global economic growth.

Data from the World Bank shows that if calculated in RMB, China's GDP was 367.9 billion yuan in 1978, and the

The Country Pavilion for Trade and Investment, held at the National Exhibition and Convention Center (Shanghai), is an important part of the CIIE. It featured 71 booths promoting 82 countries and three international organizations. courtesy of CIIE





November 5, 2018: As Chinese President Xi Jinping and foreign leaders attending the first China International Import Expo tour the Country Pavilion for Trade and Investment, Xi is introduced to the Russian booth and pavilion by Russian Prime Minister Dmitry Medvedev. courtesy of *China Daily*

figure reached 82.7 trillion yuan in 2017, increasing 225 times over. If calculated in U.S. dollars, China's GDP multiplied 80-fold and its per capita GDP about 30-fold during this period, while global GDP increased nearly tenfold and the world's per capita GDP quintupled. Such remarkable economic growth is unprecedented not only throughout Chinese history, but also globally across the

20th century.

Considering the first 30 years since the founding of the People's Republic of China in 1949, the country's economic miracle after 1978 has been attributed to opening up. For example, China's simplified average tax rate for all products dropped from 39.7 percent in 1992 to 7.9 percent in 2016, while the weighted average tax rate for industrial products decreased from 36.4

percent to 4.3 percent. The sharply lowered tax rates encourage domestic and foreign economic factors to flow in a wider manner, not only accelerating the exchange of economic factors but also enhancing the efficiency of factor allocation, expanding producers' profitability space and providing more options for consumers. More importantly, lower tax rates foster further economic openness, which



A statue of Jinbao, mascot of the first CIIE, at a reception center for the CIIE. On October 23, 2018, CIIE reception centers began operating at two airports and three railway stations in Shanghai. [VCG]

has enabled China to integrate further into the global economy and carry out mutual beneficially interaction with the outside world.

For a major economic power, an increase in people's incomes makes the importance of trade gradually decline, and domestic reform starts playing an increasingly significant role in driving economic growth. In the early days of China's reform and opening up that started in the late 1970s, the country's economic aggregate accounted for less than two percent of the global total, and its foreign trade lacked competitiveness and exerted very limited influence on the global landscape of international trade. Back then, China's foreign trade had barely lifted off and focused on the export of resource products. With the continuous introduction of foreign capital, China developed an export-oriented strategy. Consequently, its foreign trade, characterized by labor-intensive products trade and export-oriented processing trade, boomed.

By the 2008 worldwide financial crisis, however, the core driving forces of China's economic growth began to shift from exports to domestic consumption. This is evidenced by the following figures: In 1978, China's degree of dependence on foreign trade was 14.1 percent, which maxed out at 64 percent in 2006 before dropping significantly to 33.5 percent by 2017. The ratio of goods trade to GDP is 20 percent in the United States and 28.2 percent in Japan, to name a couple of top-ranking economic powers.

Major economic powers have walked different roads along with the evolution of foreign trade. Take the United States as an example: Since 1972, its import volume has exceeded export volume, resulting in an increasing trade deficit. This eventually

resulted in the collapse of the Bretton Woods system and sharp adjustments of the foreign exchange rate systems of various countries. Although the United States canceled the direct international convertibility of the U.S. dollar to gold, the dollar still retains its position as an international currency, which, to some extent, has been even further solidified. The expansion of the international market has increased financialization of the United States, and its domestic economy has become increasingly reliant on the financial services industry.

Japan took a different path. From the mid-1970s, with the enhancement of their foreign exchange rate independence, some East Asian economies gradually turned to export-oriented development policies, which enabled them to quickly merge into the

The Enterprise and Business Exhibition of the first CIIE consisted of two sections: Trade in Goods and Trade in Services, covering 270,000 square meters and 30,000 square meters, respectively. by Chen Jian





The India Country Pavilion at the CIIE. by Guo Shasha

international market. Since the 1980s, Japan's trade-to-GDP ratio has undergone U-shaped development. It is noteworthy that the different paths taken by the United States and Japan closely correlate to their respective development stages and cross-border economic collaboration situations. Indeed, the drop of Japan's trade-to-GDP ratio is partly due to expanded domestic demand. However, the primary reason is that Japanese transnational companies formed an Asian production network, shifting parts of Japan's production capacity to Southeast Asian countries and forging a U.S.-Japan-East Asia triangle trade relationship.

A noteworthy historical fact is that the ratio of Japan's GDP to that of the United States witnessed reversed

U-shaped development, rocketing from 10 percent in the early 1960s to 71 percent in 1995 and then turning back to today's 25 percent. For a long time, China's economic aggregate accounted for less than one-tenth of that of the United States. Since the 1990s, China has witnessed rapid economic growth. The ratio of its GDP to that of the United States doubled from 1990 to 2001 and then redoubled twice from 2001 to 2007 and from 2008 to 2017, respectively. Currently, the ratio is stable at 63 percent. Nevertheless, the current ratio of China's per capita GDP to that of the United States only compares to Japan's level in the 1960s. This means that theoretically, there is still a huge space for China to catch up with the United States.

The China-U.S. relationship is entering a

crucial stage, and China's opening up has entered "uncharted waters." China has ranked as the world's second-largest economy for eight consecutive years. If measured by purchasing power parity according to the International Monetary Fund, China has been the world's largest economy for five straight years. China has played a vital role in the development of the world economy. Over the past few years, it has contributed more than 30 percent of global economic growth. Moreover, the main component of China's economic structure has shifted from agriculture in the 1980s to industry and services. Since 2014, the ratio of employees in the service industry to the country's total working population has exceeded 50 percent. Research shows that China will soon become a high-income country as defined by the World Bank. In this crucial period, China particularly needs to actively expand opening up to promote reform and prompt common development of other countries. Hosting the CIIE provided an important opportunity for China to press ahead with a brand-new globalization and fulfill its responsibilities to the world. 

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China-India Trading Closer

By PK Vasudeva

The two Asian giants are seizing the opportunity to build closer trade ties.



In the keynote speech delivered at the opening ceremony of the first CIIE on November 5, President Xi Jinping stressed that China will continue to advance the Belt and Road Initiative through international cooperation in the spirit of consultation and collaboration for shared benefits, and that it hoped to set up for the whole world a platform for open cooperation. The picture shows the Panzhihua Iron and Steel Co., Ltd., the largest steel production base in western China. [VCG]

Since the U.S. declared war on trade deficits, international trade has become shrouded by a fog of uncertainty, forcing countries to re-evaluate their strategic options and hedge their bets. The U.S. is considering Made in China

2025, data localization, intellectual property rights (IPR), technology transfers – all the things China wants to do – worrying U.S. and E.U. businesses.

As the U.S.-China trade war escalates, the strategic maneuvering and frantic

renegotiations are providing nations like India chances to enter difficult foreign markets. However, China-India cooperation in the multilateral trading system needs to be strengthened to stabilize global trade and ensure progress for both.

TARIFF HIKES AND RETALIATION

Round two of the trade war featured Trump imposing a levy of 25 percent on steel and 10 percent on aluminum coming to the U.S., with Canada and Mexico exempted. The U.S. purchases about 14 percent of China's aluminum exports but just 2.9 percent of its steel exports.

Only 30 percent of the steel used in the U.S. comes from overseas, compared to 90 percent of its aluminum. China is the fourth-largest exporter of aluminum to the United States, far behind Canada, the E.U. and Russia.

In a retaliatory move in April, China hiked the tariffs of 128 items, of which 90 items were farm and livestock products. The affected producers are largely farmers in the Midwest and the agricultural belt of the U.S., a large segment of Trump supporters. Products included fruits from apple to guava, walnuts, dried figs and shelled cashews. They also included pork and pork products, which attracted a stiff levy of 25 percent.

Then in September 2018, President Trump imposed a US\$200 billion tariff on Chinese imports. China retaliated by imposing tariffs on about US\$60 billion of U.S. imports. Washington threatened to impose additional tariffs of over US\$260 billion on Chinese imports if China retaliated again.

As a direct consequence of these eye-for-an-eye tariff duels with the U.S., the two Asian economies of China



— Growing strawberries is a major source of income for farmers in northern India, which grows several varieties of export fruit. [VCG]

and India are seizing a prime opportunity to build closer trade ties.

IMPLICATIONS FOR INDIA

India struck back against the additional U.S. tariffs of US\$31 million on aluminum and US\$134 million on steel. On June 21, India announced retaliatory tariffs worth about US\$235 million on 29 U.S. products such as apples, almonds, walnuts and some stainless steel products.

Fortunately, India can move swiftly and utilize the opportunities created by the U.S.-China trade war. China has an increasingly widening trade gap with India. For India, exporting agricultural products to China is easier than it is for manufacturing products. India's trade deficit with China surpassed US\$50 billion last year with total trade of US\$71.5 billion. This worsening trend needs to be averted urgently, and sectors where Chinese demand is already strong are clear starting

points. India, like China, is a non-genetically modified (non-GMO) producer of fruits and vegetables.

Also, China would be looking for long-term software partners to replace the U.S. dominance of tech. India's software industry is capable of reaching a higher level. It can take leadership roles in joint projects with China but rarely gets that chance with European or American companies. Just like the BrahMos and S-400 missiles gave it a chance to develop cruise missiles through a Russian partnership, India should start exploring high-tech development in the telecom industry with Chinese partners.

Such steps have significant implications for global trade. The U.S. is the world's largest importer of goods at US\$2.2 trillion and the second-largest exporter with US\$1.4 trillion, while China ranks top in exports with US\$2.1 trillion and second in imports at US\$1.4 trillion as of 2016.

For India, the U.S. is its largest export market and

second-largest source of imports with total trade in goods at US\$66 billion (April-March 2017-18).

China remains India's largest import partner by far with close to US\$70 billion of goods purchased from the country in the first 11 months of the fiscal year. However, Indian exports to China were less than US\$12 billion. If the tariff barriers imposed by the US and China play out as announced, global trade would contract, impacting India's recent upturn in exports. India reportedly offered to sell soybeans and sugar to China at the Strategic Economic Dialogue in Beijing in April.

The U.S. has also announced a review of the general system of preferences (GSP), which permits imports of certain goods from India at zero tariffs. The system affects US\$5.6 billion of India's exports to the U.S. of key labor-intensive products such as textiles, gems and jewelry.

— The Federation of Indian Export Organizations led a delegation to attend the first CIE. The picture shows Ajay Sahai, chairman and chief executive of the agency, by Li Zhuoxi



INVESTMENT AND TECHNOLOGY

There is some potential for positive diversion to India on the investment side. China's foreign direct investment (FDI) in the U.S. dropped considerably in 2017 from the previous year. With Chinese firms taking positions in India's technology sector, there is a possibility for higher inflow from that direction.

U.S. investments in India fell between 2015-16, 2016-17 and 2017-18 at a cumulative total of US\$22 billion from April 2000 to December 2017. Its outward FDI was US\$299 billion in 2016 alone. Strong efforts would be required to attract U.S. and Chinese FDI to India.

With technology development and IPR as issues of contention, India will need to be watchful regarding its own position in evolving industry technologies. India maintains advantages over China in terms of English-language proficiency and cultural connection, resulting in less anxiety about data security and IPR loss. As long as India adheres to a strong IPR regime and continues to encourage non-resident patent applications, it would stand out as a reliable technology partner.

ROAD AHEAD

Addressing the 11th meeting of the China-India Joint Group on Economic Relations, Trade, Science and Technology, Chinese Commerce Minister Zhong Shan noted that the trade

volume between China and India reached a record high of US\$84.4 billion in 2017, up 20.3 percent from the previous year.

China has remained India's largest trading partner, he stressed. Bilateral investment has also seen a steady increase. He estimated accumulated investment in India by Chinese enterprises to over US\$8 billion while India's investment in China rose an average of 18.5 percent annually over the past three years.

"Both countries have closely cooperated and supported each other in the multilateral trading system and regional economic cooperation and contributed greatly to the joint building of a new international economic order which safeguards the interests of developing countries," Zhong said. The Chinese minister proposed further development of China-India trade and economic cooperation in a number of areas.

First, China is eager to join hands with India to dovetail the Belt and Road Initiative with India's 15-year Vision Plan, "Make in India" and Digital India programmes.

Second, China proposes establishing a trade facilitation joint working group and upgrading the joint working group on industrial parks to investment cooperation.

China is also willing to expand cooperation in the development of human resources. It stands ready to jointly and steadfastly stand shoulder to shoulder with India in safeguarding and



May 14, 2018: Businessmen from Tanzania are visiting Demark (Changxing) Injection System Co., Ltd. in Changxing Economic Development Zone, Zhejiang Province. [VCG]

supporting the multilateral trading system. China hopes that the Regional Comprehensive Economic Partnership (RCEP) will not only be high-quality and mutually beneficial, but will be signed as soon as possible.

Indian Commerce and Industry Minister Suresh Prabhu expressed eagerness to jointly implement the consensus reached by the leaders of both countries and connect the development strategies of both sides as they share development experiences. Prabhu said that India supports the multilateral trading system and hopes to strengthen communication and coordination with China to maintain and boost the development of regional and global trade.

The U.S. will likely end up the biggest loser of the tariff war it has launched, as all

the other affected countries start trading with each other to make up losses from the U.S. market, according to many experts, especially considering the enormous size of markets in countries such as China and India. According to a report by global financial services provider DBS, the 10 biggest Asian economies, including China and India, will see GDP of more than US\$28 trillion and surpass the U.S. as early as 2030.

STRENGTHENING TIES

The world's two most populous countries also seem to be working toward a common goal. China has removed tariffs on some Indian agricultural products and vowed to make the imports of Indian drugs easier. To combat U.S. protectionist policy, India joined China, Canada, Mexico

and the E.U. to impose tariffs on U.S. imports.

India and China need to deepen cooperation to fight trade protectionism in the wake of the unilateral approach being adopted by the U.S. on trade-related disputes, announced by the Chinese Embassy in Delhi in October. It maintained that practicing unilateral trade protectionism in the name of “national security” and “fair trade” will not only affect China’s economic development, but also undermine the external environment of India and hinder India’s booming economy.

On his visit to Wuhan, Indian Prime Minister Narendra Modi spoke to Chinese President Xi Jinping about economic engagement. President Xi suggested to Prime Minister Modi that the two countries set a new bilateral trade target of US\$100 billion by 2020. Beijing is looking to import non-Basmati rice and Indian sugar to address the Indian trade deficit.

Under the American threat of high tariffs on Chinese and Indian goods, the two countries have to enhance bilateral trade by establishing a trade facilitation joint working group and upgrading the joint working group on industrial parks to investment cooperation. With the U.S. turning protectionist, India and China are reaching out to each other. 🇮🇳

The author is a retired senior professor of international trade.

New Chinese Consumption for a New Era

By Lin Jiang

The current consumption upgrade in China, which is boosting domestic demand by upgrading consumption structure, promotes smooth and high-quality growth of China's economy.

Generally speaking, a consumption upgrade reflects a country's consumption level and spending evolution. Since the beginning of China's reform and opening up in the late 1970s, the country's consumption structure has been upgraded three times, driving industrial structure upgrade and fueling high-speed economic growth.

The first consumption upgrade happened soon after the beginning of China's reform and opening up. At that time, expenditures on grain dropped while consumption of light industrial products rose. This change facilitated the rapid development of related industries and brought about China's first round of economic growth since the country's reform and opening up.

The second consumption

upgrade took place from the late 1980s to the late 1990s. In those days, bicycles, wrist watches and radios, known as the "three treasured household possessions" of the 1960s and 1970s, were replaced by refrigerators, color TV sets and washing machines. This consumption trend drove the second round of economic growth.

Today, China is undergoing the third consumption upgrade. The fastest-growing fields include education, entertainment, culture, transportation, telecommunications, healthcare, real estate, and tourism, especially spending related to IT, automobiles and real estate.

MORE DIVERSE CONSUMPTION

Since the beginning of China's reform and opening up, the ratio of Chinese spending on livelihood to the

total consumption has been decreasing. China's Engel's coefficient, a major indicator of living standards, dropped to 29.3 percent in 2017 from 63.9 percent in 1978. Spending on development and leisure is rising quickly, and consumption of services has witnessed fast development. In recent years, fields such as tourism, transportation, telecommunications, education, entertainment, culture, and healthcare have become new consumption hot spots which are driving the upgrade of residential consumption patterns.

Alongside the rapid growth in spending, Chinese residents have become more mature and diverse in terms of consumption psychology and behavior. Recently, the Chinese government issued *Suggestions on Improving Systems and Mechanisms for Stimulating Con-*



September 27, 2018: Customers at a big-box store in Shanghai. The Chinese citizens' expenditures on livelihood have grown slowly while spending on development and leisure has risen quickly. [VCG]

sumption to Promote Spending Potentials of Residents. The document clarified key fields and direction of the country's consumption upgrade and outlined plans to promote spending on goods and services, nurture new consumption modes and boost consumption upgrading in rural areas.

NEW TRENDS FOR CONSUMPTION

With the arrival of the internet era, the demands of Chinese residents have changed. Previously, most Chinese consumers followed broader trends and mimicked their peers. Now, their consumption patterns have become more diversified and personalized, focusing on quality goods and services. New consumption demands and patterns are emerging

every day. Greater attention on brands and consumption quality will be the highlight of the consumption upgrade in China in the near future.

Considering the demographic shift since China's introduction of the nationwide two-child policy in 2015, related consumption soared. Youngsters born in the 1990s, which account for 16 percent of China's total population, are becoming new engines for the country's consumption upgrade. It is estimated that from now until 2030, they will contribute more than 20 percent of the country's consumption growth.

The current new outbreak of technological revolution in China including the mobile internet, big data, cloud computing and artificial intelligence will prompt a

new batch of consumption growth points. Further development of the "internet+" economy and digital economy will deeply influence traditional consumption realms,

July 29, 2018: Customers shop at a Hema Xiansheng fresh food supermarket, Alibaba's new online-to-offline platform. Trends in the fresh food e-commerce industry reflect rising living standards in China, as consumers are focusing more on quality of life and are willing to pay for it. [IC]



driving and promoting the upgrade of traditional consumption fields.

Improved consumption concepts will make online spending more international, personalized and financialized. From “saving for spending” to “borrowing for spending,” the changing consumption ideas of Chinese residents have boosted the rise of e-commerce and shifted consumption demands. The entertainment and leisure sectors such as movies, gaming and tourism will continue to have robust consumption growth into the future.

Finally, China’s rural vitalization strategy and the acceleration of its new type of urbanization will vigorously promote consumption upgrade in rural areas. The country’s fight against pollution will funnel consumption towards low-carbon, green, and environmentally friendly modes.

MARKET WITH HUGE POTENTIAL

The Chinese economy is now entering a phase of high-quality development. Alongside the constant increase in their income, Chinese people’s spending power is growing. China’s domestic market, with a population of nearly 1.4 billion, is developing at a high speed. In 1978, per capita disposable income in China stood at only 171 yuan. This figure soared to nearly 26,000 yuan in 2017 and is now marching towards 30,000 yuan. In the next 20 years, China’s middle-income population will jump to 630 million from the current 230 million, which is bound to serve as the primary force for the country’s consumption upgrade.

Compared to developed countries, China still has plenty of room for consumption upgrade. In general, the

service industry in developed countries accounts for more than 70 percent of GDP, and the final consumption rate stands at more than 65 percent, with the United States even exceeding 70 percent. In 2017, China’s service industry accounted for 51.6 percent of its total GDP and its final consumption rate measured 53.6 percent, leaving huge room for spending on services.

The trend towards an aging society is transforming China into the world’s most promising market for senior care industries. According to the *2014 Report on the Development of China’s Silver Industry*, by 2050, China’s elderly population will reach 480 million, accounting for nearly 25 percent of the world’s total. By then, the country will be home to the largest elderly population on the planet. From 2014 to 2050, the total spending of China’s elderly people is expected to grow to 106 trillion yuan from four trillion yuan, accounting for 33 percent of the country’s GDP from the previous eight percent. In the “silver economy,” consumer demand for senior-related industries such as finance, healthcare, tourism and real estate will be huge. 📺

October 2, 2017: Tourists at Minyuan Stadium, a Tianjin culture center which used to host football matches and art performances. Spending during China’s one-week National Day holiday has had a steady and rapid growth in recent years. [VCG]



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A Golden Age for China's Consumption

By Chen Qiqing

A fast-growing and increasingly open Chinese consumer market is making great contributions to the world economy.

With socialism with Chinese characteristics entering a new era, the Chinese economy has ushered in a new developmental phase. One essential feature of the new phase is the country's economic shift from high-speed growth to high-quality development. To realize high-quality development, improving demand patterns and steering the ever-growing impact of consumption on the economy are greatly important. It is not a stretch to say that China's economy has arrived at a consumption-driven era. This era features at least three major traits: First, consumption has become an important impetus for China's economic development. Second, China's consumption is being upgraded. Medium-high-end consumption is rapidly rising and new consumption patterns are

mushrooming. Third, China's consumption has become a new driver for global economic growth.

BIGGEST ECONOMIC DRIVER

From the perspective of demand, the three drivers of economic growth are investment, consumption, and exports. In a mature economy, consumption is the major driving force for economic development and contributes about 70 percent of total economic growth. Insufficient consumption had been a persistent problem for China. After the 18th National Congress of the Communist Party of China (CPC) in 2012, China's consumption started to take off and gradually surpassed investment to become the biggest economic driver. Consumption contributed 47 percent of China's economic growth in 2013, lower than that of investment. However, since then, the contribution of consumption to the econ-

omy has been consistently increasing. In the first half of 2018, consumption contributed as much as 78.5 percent of China's economic growth.

Currently, China's consumption rate is also steadily rising. The consumption rate is the ratio of final consumption expenditures to a country's total GDP and serves as an important indicator to assess consumption's role in a country's economic development. In the early days of China's reform and opening up that started in the late 1970s, the country's consumption rate witnessed a decline, largely due to a drop in household consumption rate. In 1983, the country's final consumption rate was around 67 percent. The figure dropped sharply in the years to come. It slightly rebounded between 1994 and 2000, but went down again between 2000 and 2010.



September 12, 2018: Consumers look at a new product by Dyson, a renowned British home appliance technology company, in Beijing. At present, the quality of Chinese people's spending is improving, shifting from low-medium to medium-high-end consumption. [IC]

After 2010, the figure picked up again and reached 53.6 percent in 2017.

Looking to the future, certain elements will continue to raise the consumption rate and make consumption the primary driver for China's economic growth.

First, ever-increasing income will promote growth of consumption. In recent years, the growth rate of Chinese residents' income has risen steadily, continuously surpassing that of the economy. The country's national income per capita is predicted to exceed US\$10,000 soon. At the same time, China has entered a period of narrowing the income gap. More balanced income is conducive to consumption growth. Since the 18th CPC National Congress, China has been investing more in poverty allevia-

tion projects. The millions who are lifted out of poverty will become new engines for consumption growth.

Second, China's ongoing urbanization process will substantially promote consumption. At present, room for China's urbanization is still huge. In the next 10 years, a total of 130 million rural residents will be relocated to cities, which is expected to increase consumption by two trillion yuan (US\$288.5 billion). A large migrant population can be found in China's urban areas, who also promote consumption as a group.

Third, China's ever-improving social security system will free up more household savings to be funneled to consumption. Previously, the country featured a high saving rate

and a low consumption rate. Most Chinese residents save money with the primary purpose of covering possible future medical expenditures or using the money as pension. Since the country has been vigorously improving its social security system in recent years, consumption is expected to go up with the expansion of the social security network and the improvement in social security services.

Fourth, preferential policies have created a sound environment for consumption upgrades. Since the 18th CPC National Congress, China has been attaching greater importance to consumption. The report delivered at the 19th CPC National Congress in 2017 emphasized that China would improve systems and

mechanisms for stimulating consumer spending and leverage the fundamental role of consumption in promoting economic growth. In 2018, the Chinese government issued *Suggestions on Improving Systems and Mechanisms for Stimulating Consumption to Promote Spending Potentials of Residents and Implementation Plan for Improving Systems and Mechanisms for Stimulating Consumer Spending (2018-2020)* in succession.

CHINA'S CONSUMPTION FUELS GLOBAL GROWTH

China is now entering a new round of consumption upgrade, and its consumption is exhibiting new features. These new features include expenditures related to livelihood growing slowly while spending on development and leisure rising quickly. Consumption in services has witnessed fast development. The quality of Chinese people's spending is improving,

shifting from low-medium to medium-high-end consumption. At the same time, new patterns of consumption—internet, mobile, green, sharing and credit consumption—have developed fast, and are all realizing sound growth.

Rapidly growing Chinese consumption will promote sustainable development of the Chinese economy, make greater contributions to the world economy, and become an important new driver for global economic growth.

Chinese consumption's contribution to the world is primarily made through the country's imports. Since 2009, China has been the world's second-largest importer of goods for nine consecutive years. The country is also the fastest-growing major market for imports around the world. Take the services trade as an example: From 2013 to 2017, the cumulative services imported by China reached US\$2.1 trillion with an annual growth rate of 10.7 percent,

far exceeding its exports' 2.5 percent growth rate.

China serves as the largest importer for many countries and of many commodities globally. It is the largest importer of oil, agricultural products, and bulk commodities in the world. It is also expected to become the world's largest natural gas importer in 2018. China's imports fuel the development of many resource-based economies, and the Chinese market is tremendously important to these countries.

Today, trade protectionism is rampant around the world. Some countries have locked their domestic markets through various measures. Rather than shifting towards protectionism, China is further opening, especially its consumer market, to the outside world. Chinese President Xi Jinping has pledged on many occasions that China will import commodities and services worth US\$10 trillion in the next five years and make major contributions to the world's stability and growth. Held in Shanghai from November 5 to 10, the China International Import Expo was the first state-level expo with imports as the central theme. Its upcoming editions are sure to provide better means for various economies to share the fruits of China's fast-growing consumer market. 



May 15, 2018: A customer shops for imported food at a supermarket in Nanchang City, Jiangxi Province. China is the largest importer of many commodities for a number of countries globally. [VCG]

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Open Global Economy for All

By Li Gang

Development is not a zero-sum game — it should foster the common progress of all countries through openness and cooperation.

Over the past 40 years of reform and opening up, China's overall national strength has constantly grown. Today, the country has become the world's second-largest economy and largest cargo trader, and ranks at the top in terms of both inbound and outbound investment. China has become deeply integrated in the world economy and is playing an increasingly important role in economic globalization.

Currently, economic globalization faces both opportunities and challenges. The popularity of new technologies such as big data, cloud computing, the Internet of Things, intelligent manufacturing, and blockchain has prompted the emergence of many new industries, new market opportunities, and new business modes, injecting enormous impetus into global economic recovery. The international division of

labor and global transaction systems are witnessing accelerated evolution, and countries around the world are participating in the process with their own comparative and competitive advantages. The development of digital technologies has driven trade in goods and services to increase exponentially. Trade remains the major engine driving global economic growth. However, alongside the rise of anti-globalization mentalities, some developed countries have turned to trade protectionism. Unilateralist, protectionist and strong-armed measures taken by a few countries have resulted in tariff and trade wars, severely undermining the current global economic and trade order designed around the rules of the World Trade Organization (WTO) and jeopardizing global economic growth.

Today, China's economy is shifting toward high-quality

development and entering a crucial stage of transforming its development mode, optimizing its economic structure and converting growth engines. The major source of its economic growth is gradually shifting from investment to consumption and innovation. Alongside its deepened marketization, industrialization and internationalization, China has reached a new historic starting point of opening up. New measures are about to be taken to further open the country up, such as actively building new open economic systems, creating a favorable market environment featuring rule of law, and establishing administrative methods that meet the strictest international investment and trade rules. China is opening up by advancing the sustainable development of foreign trade, accelerating promotion of new

competitive advantages in international trade, enhancing trade facilitation, boosting the development of services trade, and improving the quality and efficiency of foreign trade. It is innovating foreign investment management systems, unifying laws and regulations for domestic and foreign capital, improving work in developing pilot free trade zones, and exploring construction of free trade ports. China seeks to innovate overseas investment cooperation and strengthen the service and supporting system for “going global” while further optimizing the business environment, advancing reform of the commercial system, reducing

administrative examination and approval procedures, transforming the functions of the government and unleashing the full potential of the market.

The drive to create a new landscape for comprehensive opening up should be centered on implementation of the Belt and Road Initiative with the goal of building a new platform for international cooperation and forming a global network involving trade, investment, financing, production and services. Specifically, China first needs to substantially loosen market access restrictions through measures such as lifting or abolishing limitations related to foreign equity ratios in fields like general manufacturing, the advanced service industry, bank-

ing, insurance and futures, lowering thresholds for the establishment of foreign-funded financial institutions and expanding the business scope of foreign-funded financial institutions in China.

Moreover, China needs to create a more attractive investment environment. Relevant measures include strengthening alignment with international economic and trade rules, enhancing policy transparency, and fully implementing pre-establishment national treatment with a negative list approach. China also needs to strengthen intellectual property protection, enhance enforcement of intellectual property rights and considerably increase penalties for breaking the law.

It is also vital for China to

November 7, 2018: A Russian artist carves a chocolate Great Wall sculpture at the Food & Agricultural Products area during the first China International Import Expo. by Guo Shasha





The first China International Import Expo attracted over 400,000 purchasers and 3,600 companies from around the world. by Chen Jian

actively expand its imports. With the first China International Import Expo held in Shanghai as an opportunity, China will further lower import tariffs for automobiles and certain consumer goods, increase imports of special advantageous products and services with the highest demand among Chinese consumers and accelerate the process of joining the WTO Agreement on Government Procurement.

In the future, China's door of opening up will not close but only become wider and wider. Only through constantly expanding the opening-up and adopting policies to liberalize and facilitate high-level trade and investment can the nation promote international exchange in various economic sectors. Through communication,

cooperation and competition with other countries around the world, China can enhance the quality and efficiency of its economic development, elevate its all-round productivity and expand its economic strength.

In terms of global economic governance, China will push economic globalization toward more open, inclusive, balanced, and win-win trends. Only openness can better facilitate communication, cooperation and common development of all countries in the world. Developed and developing countries should work together to achieve coordinated development and establish a more rational interest distribution system that prevents discriminatory trade and investment practices and combats

trade and investment protectionism.

Development is not a zero-sum game — it should tend toward win-win results achieved through openness and cooperation. China will continue to resolutely uphold and promote the reform and improvement of the multilateral trade system and accelerate the healthy development of global trade and investment to propel global economic growth and enable an open global economy to play an increasingly significant role in building a community with a shared future for mankind. 📌

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Intelligent Manufacturing Reshapes Global Trade

By Huang Yanghua

Intelligent manufacturing will create new opportunities for global trade, promoting inclusiveness, innovation, universal benefits and green development.

The global industrial revolutions have not only directly affected the global industrial layout but also profoundly reshaped global trade patterns. After the first industrial revolution, trade of commodities and raw materials increased sharply worldwide. After the second industrial revolution, economic globalization greatly accelerated and the global industrial division network expanded. After the third industrial revolution, the spread of information, technology and capital has made all countries in the world compose a community with shared interests.

In recent years, the new generation of communications technology has accelerated full penetration into

production and consumption fields, which has redefined both the production process and consumption patterns. The global trend of intelligent manufacturing has increasingly become the norm, and global trade patterns have gradually changed.

For most countries, foreign trade is a “mirror” to reflect the status of their industry in the global value chain. Now, many countries are carrying out strategic layout of intelligent manufacturing to reshape their global industrial competitiveness.

Overall, intelligent manufacturing is conducive to boosting global investment and trade growth, which will provide new momentum to help speed up the slow recovery of the world economy since the 2008

global financial crisis.

Comparing the representative intelligent manufacturing development plans of the United States, Germany, Japan and China, it seems that the major industrial countries tend to develop their strengths and avoid their weaknesses, actively seeking a development model for intelligent manufacturing that strengthens their comparative advantages.

Meanwhile, the varying development models of intelligent manufacturing of major countries have created new space for future global economic and trade cooperation.

Firstly, intelligent manufacturing will reshape the comparative advantages, and the level of intelligence

will become the main determinant of global trade competitiveness. With the development of intelligent manufacturing, the competitive advantages of products will no longer be determined by cost competition, but by the production of more personalized and higher value-added products with the help of more intelligent equipment, which will further widen the value gap between high and low value-added products and reconstruct the global value chain.

Moreover, the new equipment supporting the development of intelligent manufacturing belongs to

technology and capital intensive products, which conforms to the comparative advantages of some countries.

Therefore, after extensive development of intelligent manufacturing, the comparative advantages of different countries will change drastically. Only by promoting practical cooperation can more people share the dividends of human technological progress and enhance the inclusiveness of global trade.

Secondly, intelligent manufacturing will promote the development of industrial integration, which will cause the distinction between goods and services trade to become more blurred. Considering

that production work of the manufacturing industry will be mainly performed by high-efficiency and high-intelligence equipment in the future, the operations of manufacturing enterprises will shift to research and development, design, IT, logistics, marketing and other production services.

Production services will become the bulk of the future manufacturing industry.

In addition, the internet environment will allow the products from the manufacturing industry to provide many intelligent services. For example, Apple's mobile phone is an industrial product, but the company mainly focuses on research

April 25, 2018, Nantong, Jiangsu Province: A technician inspects textile machinery in a digital spinning workshop of Jiangsu Dasheng Group Co., Ltd. It is the first fully automated production line in China's textile industry. [VCG]



and development, design, marketing and other services, so that its users can enjoy good network services.

Intelligent manufacturing accelerates the integration of manufacturing and service industries as well as the integration of global trade in goods and services. Many innovation and start-up activities are expected to emerge in fields with deep industrial integration, bringing more vitality to global economy and trade. Therefore, countries around the world should look to reform the existing global trade statistical and governance systems to better adapt to the new pattern of global trade and enhance its innovation power.

Thirdly, intelligent manufacturing will change the employment structure and stimulate structural changes in populations benefiting from liberalization and facilitation of global trade, which demands that all countries strengthen policy communication and coordination. Demand for labor in the manufacturing sector will reduce as a result of the extensive use of intelligent equipment. The main employment group in the manufacturing industry will be that of professionals who provide service support for production.

The employment structure of the industry will develop towards a growing sector of service employment. Accordingly, all countries should strengthen cooperation in education,




September 3, 2018: Workers on the production line of the Xuanhua branch of Beiqi Foton Motor Co., Ltd. in Zhangjiakou City, Hebei Province. The company promotes intelligent manufacturing of heavy-duty special vehicles and new product research and development. It has formed a production base of heavy-duty special vehicles centered in the Xuanhua branch of Beiqi Foton Motor Co., Ltd. [VCG]

training and social security systems, jointly cope with the challenges brought by the adjustment of global trade patterns and enhance the inclusiveness of global trade.

Fourthly, intelligent manufacturing will promote the development of green industries and will also facilitate more environmentally friendly global trade. With the support of intelligent systems, enterprises can more accurately implement resource management, energy management and logistics management to reduce resource consumption and pollution emissions in production. This will help improve the efficiency of global production, circulation, consumption and resource recycling, effectively reducing the “carbon content” of global trade and promoting green development.

The development of intelligent manufacturing going in a high-end, service-oriented and green direction will inject impetus into economic globalization and create new opportunities for the inclusive, innovative, universally beneficial and green development of global trade.

At the same time, it may be accompanied by new adjustments in the foundation, competition modes and income distribution mechanisms of global trade, which requires pragmatic cooperation, enhanced policy coordination and joint efforts of all countries to promote the reform of the global trading system. 

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Lego: Building Blocks of Consumption

By Ru Yuan

China's rising middle-income group has made the country particularly attractive to Lego Group.

In China today, the definition of “toy” has changed tremendously compared to four decades ago when the country had just begun its reform and opening up. Companion robots, model airplanes, and STEAM (short for “science, technology, engineering, art, mathematics”) toys emerged one after another to replace traditional plush and plastic toys. In conversations about popular toys in the country today, Lego is always mentioned. Founded in 1932, the Danish toymaker's flagship product is colorful interlocking plastic bricks. In recent years, the company has been working to expand in the Chinese market. In early November 2018, it participated as an exhibitor in the first China International Import Expo held in Shanghai.

“We are confident about the Chinese market,” said Paul Huang, general manager of Lego China. “China is current-

ly going through a consumption upgrade, and Chinese consumers are attaching greater importance to branding and quality. Lego has plans to expand to more Chinese cities in the near future.”

THRIVING NON-TRADITIONAL BUSINESS

In late autumn, it is already pitch-dark by 7 p.m. in Beijing. However, Lego Town located in the Chaoyang Park neighborhood in eastern Beijing was still bustling with people and showered in lights. The first floor of the two-story Lego Town building sells the brand's various products and offers space for customers to test out the toys, while the second floor serves as the Lego Education center.

Enrolling in Lego courses is costly. Annual tuition can exceed 15,000 yuan for only one class per week. According to figures from Beijing Bureau of

Statistics, the average monthly salary in Beijing stood at 8,467 yuan in 2017. However, the expensive price tags haven't scared away many parents. “My boy started to study Lego courses at five years old,” explained Carol Zhou, mother of seven-year-old Yun Yun. “Now he can make robots perform tasks such as lifting and grabbing a specific object.”

Lego Group's global revenue in 2017 wasn't good. However, the same year, it realized double-digit revenue growth in China. This growth not only came from the sales of Lego toys, but even more from the group's non-traditional businesses such as Lego Education. Against the backdrop of China's consumption upgrade, the country's rising middle-income group has created great opportunities for the company to develop. Parents are enthusiastic about investing more in their kids' education. It is easy to understand how Lego-branded education, which is

closely linked to STEAM education and innovation, is attractive in their eyes.

LOVING CHINA

In 1993, six decades after the company's establishment, Lego began to be sold on the Chinese mainland. At that time, Lego toys, priced from several dozen yuan to 1,000 yuan or more for one set, were certainly luxuries in China, where the average monthly income still measured only several hundred yuan back then. Long after Lego first entered the Chinese market, the toys could only be found in upscale department stores in China's first- and second-tier cities.

In the 21st century, after a marked improvement in the living standards and income of the Chinese people, Lego is investing more in the Chinese market. It has gradually accelerated its pace of branding and promotion in China and added interactive activities to attract a wider range of Chinese consumers. Lego also successfully expanded its offerings from children's toys to adult-oriented products. Cooperation with a number of popular intellectual properties including *Star Wars*, *Harry Potter*, *Frozen* and *Jurassic World* has introduced Lego to more Chinese teenagers and adults.

With more disposable income, Chinese residents have helped Lego realize rapid annual sales growth and deeper explore the market of China's second- and third-tier cities. In November 2016, Lego Group celebrated



October 13, 2018: A model of Beijing built with Lego bricks attracts many customers in MixC Shopping Mall, Shanghai. Toymaker Lego has seen big prospects in China in recent years. [IC]

the opening of a new factory in Jiaxing, Zhejiang Province. Building its first Asian factory in China aligned with Lego's long-term strategy of "staying close to core markets." The toymaker aims to provide high-quality products to millions of consumers in China and across Asia.

GREAT MARKET POTENTIAL

According to *China Toy Industry Review*, revenue from the primary sector of China's toy industry stood at nearly 236 billion yuan in 2017, an increase of 8.5 percent on a year-on-year basis. As the second largest toy consumer in the world, China has huge room for further development of the toy market.

Against this backdrop, Lego will clearly continue to expand in China. In September 2018, a Lego flagship store opened in Shanghai, and an-

other is planned for Beijing in early 2019. Niels B. Christiansen, CEO of Lego, noted that to date, Lego has established 36 certified stores via retail partnerships in China. By the end of 2018, the company will have up to 60 stores across 15 Chinese cities, with the new stores mostly located in second- and third-tier cities.

Alongside brick-and-mortar stores, digitization is another field Lego is looking at in China. In January 2018, Lego announced a plan to team up with one of China's biggest internet service providers, Tencent, to carry out cooperation in various fields. In September, the two sides unveiled a sandbox game for Chinese players, which will be released at the end of this year. "We believe the Chinese market is huge and hope that more Chinese kids and Lego fans will want to play with our products," said Huang. 56

Siemens' Smart Manufacturing

By Li Zhuoxi

Siemens will drive more Chinese enterprises to radiate digital energy.

Siemens, a German industrial giant, has a relationship with China that can be traced back 145 years when the company supplied the country with its first pointer telegraph. Since then, Siemens has put down roots in China and become a firm partner in China's development with work on the country's first tram, first hydroelectric station and other ground-breaking projects.

A key player of the fourth industrial revolution or "Industry 4.0," Siemens is leading the digitalization of enterprises. During the first China International Import Expo in November, the company exhibited cutting-edge technology, solutions and project-operation techniques for electrification, automation and especially digitalization. The company's exhibits at the venue covered fields including energy transformation, digital manufacturing, digital cities



On September 11, 2013, Siemens Electronic Works Chengdu was put into operation in Chengdu, Sichuan Province in southwestern China. [IC]

and the Belt and Road Initiative—items that are crucial for China to further strengthen international cooperation.

FUTURE DIGITALIZED ENTERPRISES

What is digitalization? What is the “Internet of Things”? What is “Industry 4.0”? These abstract concepts are being translated into concrete forms in Electronic Works Amberg of Siemens.

The digital factory in eastern Bavaria, Germany, is the most advanced of its type in Europe and even the world. The factory manufactures one control device per second on average, which amounts to 15 million units annually across 230 working days. Its product qualification ratio averages as high as 99.9988 percent, a number that no other similar factory can rival. With highly automated production, computers in the factory automatically process three quarters of work procedures, preparing delivery for about 60,000 global clients within 24 hours.

In September 2013, Siemens Electronic Works Chengdu, a sister factory of Electronic Works Amberg, opened in Sichuan Province in southwestern China. The factory, a research and development (R&D) base for Siemens’ global industrial automation products, is completely digitalized from management, product R&D and manufacturing to logistics. With the help of information technology, its data is interconnected with



— May 18, 2018: An electric starter in a Siemens workshop. A key player of the fourth industrial revolution or “Industry 4.0,” Siemens is leading the digitalization of enterprises. [IC]

Siemens’ manufacturing base in Germany and R&D center in the United States. Currently, the first-time product qualification ratio is higher than 99 percent at the factory. It cuts delivery time in half compared to other Siemens factories in China.

To maintain advantages in global competition, manufacturers around the world are maximizing their usage of resources and increasing production efficiency. This is exactly what digitalization can facilitate. The Siemens factory in Chengdu is a good reference point for China’s future manufacturing.

RADIATING DIGITAL ENERGY

Chinese manufacturers are facing a pressing need for transformation because low-cost labor is no longer the strength of “Made in China” in the global market. Today, the Chinese economy is undergoing

structural reform with innovation-driven development. Digital transformation will impact China’s economy profoundly as it drives China’s industrial upgrade.

As it promotes digitalization, Siemens is radiating digital energy by creating new business modes alongside Chinese enterprises. Statistics show that by the end of 2017, Siemens had provided technological support for more than 167,000 industrial enterprises in China and had assisted more than 1,000 small or medium-sized Chinese enterprises with equipment upgrades by offering financing solutions. Siemens installed its signal systems into 33 metro lines in 15 Chinese cities to provide efficient, reliable and convenient service as well as supplying efficient turbine technology for more than 45 percent of China’s thermal power plants.

Over the years, China has become one of the largest



December 5, 2017: An engineer displays an intelligent robot for special firefighting, co-produced by Siemens and China's Qingdao Aucma Group. [VCG]

research powerhouses for Siemens, and now the country is home to 21 of its innovation centers and more than 4,500 R&D and engineering staff. These employees work in innovation laboratories across the country from Beijing and Shanghai to Suzhou, Nanjing, Wuhan, Wuxi, Qingdao and Chengdu.

CULTIVATING TALENT


McKinsey forecasts that China's demand for senior technological personnel will reach 140 million in 2020, but supply will fall short by 22 million.

The "Made in China 2025" plan alongside waves of digitalization not only presents great opportunities

for Chinese manufacturers, but also raises the necessary skill level for employees. Along with deep cooperation with Chinese manufacturers, Siemens also introduces cutting-edge engineering concepts and advanced talent development systems into China's educational system to cultivate the next generation of innovative talent and support China's industrial upgrade to realize the goals outlined in the "Made in China 2025" plan.

From 2011 to the end of 2015, Siemens invested in China's education with capital and facilities totaling 711 million yuan. As of 2015, Siemens had built more than 300 laboratories in conjunction with Chinese

universities and colleges, producing 56 types of text books about electronics and machinery. In May 2018, Siemens signed a memorandum of understanding on educational cooperation with China's Ministry of Education to cultivate innovative talent for "Made in China 2025" under the framework of China-Germany cooperation.

"The future of digitalization is not just about technology or business, but more about enterprises' ultimate missions, which need to create value for society. This is what Siemens advocates," stressed Wang Haibin, general manager of the Digital Factory Division of Siemens China. 

China Opens Door to Indian Pharma

By Sugandha Mahajan

The Chinese market could open unprecedented avenues for Indian pharmaceutical manufacturers, but it would take Indian players years of capacity-building to leverage the opportunity.

The first-of-its-kind China International Import Expo (CIIE), which drew participation from more than 130 countries, was not just another trade forum. Amidst global trade tensions and increasing US protectionism, China has been advocating globalization and free trade with a vision of strengthening domestic consumption and increasing imports. The CIIE was China's way of extending a warm welcome to countries looking for an alternative export destination and access to what could potentially become the world's largest consumer market.

The expo also represented a strong diplomatic move to safeguard China's interests by strengthening trade relationships and goodwill with other countries in the wake of the trade war with the U.S. Undoubtedly, its

future sessions will open avenues for bilateral trade with multiple partners in the years to come.

China's growth over recent decades has been driven almost entirely by its manufacturing capabilities, and the country has always been seen as an exporter rather than importer. True to this form, Chinese expos have drawn foreign buyers in droves. In the pharmaceutical sector, events such as CPhI and China-Pharm have primarily showcased raw materials manufactured in China, ranging from active pharmaceutical ingredients (API) to pharmaceutical packaging and equipment.

At CPhI China 2017, 31 percent of 7,644 total international visitors were Indians, which shines a light on India's reliance on China for raw pharmaceutical

materials. Over a third of the visitors were from purchasing and production departments, with the remaining from departments of foreign trade, quality-control, R&D, testing and others.

In a stark role reversal, the CIIE saw international players selling to a primarily Chinese audience. The expo closely followed massive tariff cuts for all of China's trade partners and promised easier import terms for crucial sectors including pharmaceuticals. Medical devices and healthcare products represented one-seventh of the categories featured at the CIIE, and alongside product showcasing and new launch announcements, the platform also provided foreign exporters opportunities to better understand China's changing import and registration policies.

POTENTIAL FOR INDIA

The most pressing issue for India is its trade deficit with China. Bilateral trade between India and China has barely doubled from US\$42 billion in 2008 to US\$90 billion in 2018. In contrast, India's trade deficit with China rose to nearly US\$63 billion over the same period. The trade relationship between the two countries, while growing strongly, has so far been severely unbalanced, with India at 7th place on China's list of export destinations, but ranking a weak 24th among countries from which China imports. After negotiations for the Asia Pacific Trade Agreement, China reduced import tariffs on as many as 1,500 products for all its import partners.

The second concern is a wider access to the Chinese market. By opening up further to imports, China not only strengthens bilateral

trade relationships with India and other countries, but also addresses its growing domestic demand. As the world's most populous country which is home to over 18 percent of the global population, China's potential as a market is enormous. The Chinese pharmaceutical and healthcare sectors are quickly moving from traditional to modern medicine, and increasing incomes and access to healthcare are providing immense scope for growth in the country.

Environmental sustainability is expected to remain the mainstay of Chinese manufacturing, and after once heavy polluters reopen, their operational costs will increase due to waste management and compliance costs. The present shortage and impending price increases offer a window of opportunity for other bulk

manufacturing countries such as India to bite into a chunk of the Chinese market.

In June 2018, Chinese Ambassador to India Luo Zhaohui requested Indian participation in the expo and even offered to hold space for them at the already overbooked event. He invited Indian companies to access the tremendous opportunity offered by the Chinese market and declared that China was ready to negotiate a bilateral trade agreement.

However, the invitation seems to have fallen on deaf ears. The expo, which drew participation from over 3,000 companies as well as 150,000 visitors from around the world, only featured four Indian exhibitors across sectors. At least in the pharmaceutical sector this dismal response is understandable, as India struggles to come to terms with the massive economic shift this import expo signifies, and because more efforts are needed from both countries for an equitable and balanced trade relationship to be achieved.

March 24, 2018: The "Belt and Road service group" from Jiangsu Jinghua Pharmaceutical presents intangible cultural heritage medicines to Cambodian people. Over the past two decades, they have donated a large number of high-quality Chinese patent medicines to several countries. [IC]

**INSUFFICIENT CAPACITY**

Over the past decade, India has relied heavily on China for active pharmaceutical ingredients and raw materials for drugs because of the cost-effectiveness of imports compared to manufacturing. An industry source suggests a hundred percent dependence on China for active ingredients for several statins (cholesterol lowering drugs). 6-APA, which is a precursor

to ampicillin and amoxycillin, both essential antibiotics, is also almost entirely procured from China.

China's recent environmental crackdown on pharmaceutical and API units has also taken a toll on India. Indian industry players dependent on China for raw material state that API costs have increased by as much as 120 percent because of severe shortage. For products like Vitamin C, where a significant percentage of raw materials are sourced from China, import costs soared by as much as 400 percent at their peak and have now plateaued at around 200 percent of their original cost.

While the Chinese market could open unprecedented avenues for Indian pharmaceutical manufacturers, it will take Indian players years of capacity-building to be able to leverage the opportunity. With the weakening rupee, exports to the United States are also becoming more lucrative because they reel in more value per dollar.

Plans to increase domestic production of API and pharmaceutical raw materials in India have been in the works for years, but now the government is pursuing them with gusto. A task force has been set up by the Department of Pharmaceuticals in India to prepare a roadmap for greater self-reliance in API. Bulk drug hubs and incentives are being planned, but the country is still years away from results.



The API China has played an active role in the mutual exchanges and cooperation between the Chinese and foreign pharmaceutical industries. The picture shows the scene of the 75th API China. [IC]

FURTHER TRADE HURDLES

In May 2018, China exempted 28 pharmaceutical drugs, including some for cancer, from import duties. While the Indian Government was enthusiastic about the announcement and hoped it would pave the way for greater exports to China, reality was more complex. Prior to being cleared for export to China, drugs need extensive field trials and approvals from the China Food and Drug Administration (CFDA). The CFDA clearance and registration process presently takes years, and the Indian Government has been urging China to fast-track approvals. In July 2018, the Indian pharma export promotion body, Pharmexcil, reportedly received word that Chinese regulators would provide fast-track approvals for EU-approved Indian manufacturers so they could enter the Chinese market six months after applying. So far, however, the countries have not agreed upon a mutually beneficial path forward.

India's relationship with

Pakistan has remained sour since the two countries became independent. The development of the China-Pakistan Economic Corridor (CPEC), as part of the Chinese Belt and Road Initiative, is expected to supercharge Pakistan's economy through infrastructure development and the introduction of Special Economic Zones across the country. China's growing closeness with Pakistan, even in non-trade matters, has remained a point of contention.

China's move to open its market comes as trade relations with the U.S.—a major export destination for both China and India—remain uncertain. As two of the fastest-growing economies in the world, China and India will have a hard time thriving without mutual support.

Easier import norms and reduced tariffs offer India a chance to cater to growing Chinese demand, but licensing and regulatory hurdles still need to be smoothed before India can truly leverage this opportunity. Similarly, India is already exploring capacity-building to competitively manufacture pharmaceutical raw materials and formulation. Over the next few years it will become more self-reliant and ready to expand its exports. Hopefully, the next session of the CIIE will see more Indian players better placed to sell to China. 

The author is a policy advocacy consultant, specializing in the healthcare and pharmaceuticals sector.

Endless Reform and Opening Up

By Zhang Haibing

Ultimately, a “never-ending” expo requires constant reform and development of the country.



At the first Belt and Road Forum for International Cooperation held in 2017, President Xi Jinping declared that China would host the first China International Import Expo (CIIE) in 2018. On many other diplomatic occasions, the country had also promoted the CIIE to the international community. In September, when the 2018 summit of the Forum on China-Africa Cooperation was held in Beijing, China pledged to import more commodities, non-resource products in particular, from

African countries to support African participation in the CIIE. China welcomed least-developed African countries to participate in the event for free.

Clearly, the CIIE was not an expo in the traditional sense.

EXCEPTIONAL IMPORT EXPO

The CIIE consisted of three parts: Country Pavilion, Business Exhibition and Hongqiao International Trade Forum, integrating the World Expo method to display policies and commodities with the function of Davos World Economic Forum to discuss international trade trends.

The Country Pavilion focused on displaying participating countries' policies on trade and investment, aiming to facilitate mutual policy communication. The Business Exhibition was the major event featuring enterprises from overseas selling commodities produced abroad. Both the enterprises and the products they displayed represented advanced levels of their respective industries. The Hongqiao International Trade Forum was held under the theme of "Unleashing New Vigor in Global Trade, Creating a New Pattern for Open and Win-Win Cooperation," with an eye on establishing a platform for exchange and communication on global economic and trade issues. The forum's three parallel sessions focused on "trade and opening up," "trade and innovation" and "trade and investment." Their topics went beyond trade issues and delved into global governance.

The CIIE was actually a venue for trade exchange featuring China taking the initiative to further open its market by greatly lowering the institutional transaction



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May 4, 2018: An automated container terminal at Qingdao Port in eastern China's Shandong Province. China is an active participant, steadfast defender and important contributor to the multilateral trading system. China will never close its door but open it even wider to the world. by Guo Xulei/Xinhua

cost of imports to make contributions to building an open world economy.

FAR-REACHING INFLUENCE

The CIIE lasted six days starting from November 5. How to design a “never-ending” expo with enduring influence had been a major consideration of organizers.

Firstly, “never-ending” refers to continuity. Rather than being a one-off event, the CIIE will be held time and time again. For trading parties, the premise and foundation of a sustainable import expo lie in the consistent draw of exhibitors and purchasers. Exhibitors care most about easier access

to the Chinese market and increased profits, while purchasers pay attention to whether they can efficiently get quality products at low prices. So, the first import expo made extensive and meticulous preparations on items ranging from facilitating clearance to lowering transaction cost, displaying products efficiently and securing deals effectively. To guarantee smooth transactions, the CIIE set up a service platform for one-stop transactions, promoting a fusion of online and offline transactions. For example, the Shanghai trading delegation set up four purchasing alliances including a cross-

border import e-commerce alliance, a large retailers alliance, a comprehensive trading service providers alliance and an exhibiting services alliance, with an aim to facilitate accurate connections between Shanghai’s purchasers and the exhibitors. The CIIE also hoped to draw more purchasers from home and abroad to Shanghai to do business in the future. From this aspect, the import expo has become a permanent trading platform.

Secondly, the National Exhibition and Convention Center in Shanghai will continue to provide services after the CIIE by building the

China (Shanghai) Pilot Free Trade Zone has explored a new channel and accumulated experience for China’s further reform and opening up, as well as its construction of a new system of open economy. courtesy of Pudong New Area Information Office





January 27, 2016: China's first MIG retail store specializing in imported products opens in Shenyang, capital of Liaoning Province. [VCG]

“6+365” One-Stop Trading Services Platform like the DLG Import Commodities Center. Already, the country pavilions of New Zealand and Mongolia have decided to participate in the 365-day exhibitions as well. This enables displayed products to transform into commodities, allowing consumers to reach foreign quality products without going abroad.

Finally, for China, the CIIE's overflow effects can constantly promote domestic reform and development, optimize economic structure and upgrade industries. Forty years ago when the country began its reform and opening up, China hoped to exchange market access for technology.

But now China is opening its door to host the import expo in an effort to accelerate innovation-oriented development and industrial upgrading of domestic enterprises and constantly meet public aspiration for a better life.

Some newly established regulations and the adjustment of some rules have released dividends like tariff reductions. According to a report issued by the Customs Tariff Committee of China's State Council, since November 1, 2018, 1,585 taxable items have enjoyed lower most-favored nation tariff rates, accounting for 19 percent of all of China's taxable items. Since 2018, China has implemented four

tax cuts, dropping the general tariff level to 7.5 percent from 9.8 percent in 2017. In fact, the Chinese government has spared no efforts to improve the business environment. A forerunner of China's reform and opening up, Shanghai issued an action plan to quicken the pace to build an open economic system, which clarified and detailed measures for further opening financial and manufacturing sectors.

All in all, “never-ending” refers to the constant reform and development of China. 📺

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China's Globalization X Factor

By Aravind Yelery

China benefits from economic reforms, so does the world.

In recent years, China has been consistently shaping the global economic framework. It has been vocal at international forums such as the G20 and WTO, enthusiastically supported financial institutions like the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), and taken a leadership role at various summit-level dialogues such as BRICS and the Forum on China-Africa Cooperation (FOCAC).

Incidentally, this year China reached its 40th year of reform and opening up. Across these past four decades, China had its growth trends undergo mammoth changes. Opening up has brought prosperity to the Chinese nation. China's meteoric rise, both in numbers and scale has enabled it to emerge as a geo-economic pillar in the

global order. China benefits from its economic reforms, so does the world.

China's reform and opening up started at a time when developed economies were looking for an economy to integrate into global production chains. China evolved into an integral

player in global finance, capital movement, supply and value add networks. At first, China had negligible influence in global economic affairs, but as the country became more closely connected to the outside world, it could no longer escape the negative effects of

With the theme of "Starting a new era of automobiles," the 2018 China International Energy-saving and New Energy Vehicles Exhibition (IEEVChina) opened at the China National Convention Center, Beijing. [IC]



economic crises sparked in the West. As a central figure in global production cycles, China was forced to override basic sensitivities about the environment and forgo standard norms related to banks and real estate as world buyers continued to pressure China to perform and deliver.

After 40 years of expedited industrial and economic development, China is re-examining global complexities. It is doing this as it redesigns its responsibilities and role in global economic affairs. The first-ever China International Import Expo (CIIE) in Shanghai, held in November 2018, supported this point.

The Chinese objective to diversify its focus and create multiple complementary relationships has manifested in a number of ways. Appraisal of these initiatives has been the cornerstone of the Chinese global economic architecture. Global institutions were introduced, and new transnational financial centers were created and brought into the mainstream to serve the needs of the country and region. In May 2017, at the Belt and Road Forum for International Cooperation in Beijing, Chinese President Xi Jinping first announced the plan to host the CIIE. The Ministry of Commerce indicated that it would be a historic event at which foreign companies could openly bid on the ever-expanding consumption-driven Chinese economy. Domestic e-commerce giant

Alibaba predicts that the Chinese consumer economy will expand to US\$6.1 trillion in 2021, fueled by the middle-income population and its diversifying needs. Consumption is all set to replace investment as the key to China's growth. This is significant especially as many global economies are turning inward to protect their markets and reduce imports by deploying trade barriers, and to kindle domestic industries' growth.

The Chinese manufacturing industry once served as the engine of global growth, but the global slowdown altered the metrics of growth as well as the national priorities for many Western economies. As China was just starting to cluster its town and urban spaces with cheap production facilities in the 1980s, Western multinational corporations were already looking for new customers in China. Global corporations could sense the prosperity and the fast-growing consumer base in urban China. The losses for the country were multiplied until private Chinese enterprises started focusing on the domestic market.

Considering the size and nature of the Chinese economy, an expo focused on imports may seem like a small step for such a large change. But if one contextualizes the significance of an event of that nature, China is attempting to inject the X factor into global economic affairs by taking calculated risk. Increasing numbers of



October 31, 2018: Logistics personnel ship goods in the West Coast New Area of Qingdao, Shandong Province. As revealed by the data of National Bureau of Statistics (NBS), China's manufacturing PMI came in at 50.2 in October, easing 0.6 percentage points from the previous month. The benchmark index showed a decelerated growth momentum in manufacturing industry overall. [VCG]

foreign brands are finding it more and more difficult to catch the attention of Chinese millennial consumers. China allowing foreign companies to invest, produce, and compete in the country is testament to its confidence. State planners expect such an opportunity to contribute to efforts to strengthen trade liberalization and economic globalization, rather than cause any distress, especially as Asian economies are struggling to maintain growth momentum amid rising fears over trade wars and protectionist tendencies in certain developed states.

Italian scholar political economics Giovanni Arrighi authored a book titled *Adam Smith in Beijing: Lineages of the 21st Century*, in which he articulated how in the late 18th century, political economist Adam Smith predicted an eventual equalization of power between the West and the

territories it conquered. Despite growing competition, China pursues inventive policies to expand opportunities that make market spaces proliferate geographically (horizontally) as well as based on market value and tendencies (vertically).

The confident Chinese economy is ready to take on the challenge of inviting foreign companies to China, including those from India, to let them test the market. For many foreign players, the potential of more than a billion consumers has elevated China to become a major global market for countless goods and services. Chinese regulators welcome

foreign investment, and foreign investors see growing opportunity in China as the consumer base rapidly expands. This coincides with challenging changes in the Chinese market, as well as with important supporting policies being explored by the Chinese state. These will include upgrading of skills, spreading the benefits of growth more widely, tackling China's vast environmental challenges and strengthening trust on intellectual property protection.

Succeeding in a confident China is a story one must understand to fully embrace the maiden China International Import Expo.

Since the 2008 global financial crisis, growth rates have remained sluggish globally, and the Chinese economy has been enduring tumultuous times.

First, the expo underlined confidence in the Chinese economy by allowing its market to be openly accessible to foreign companies. Chinese private companies, with their experience in catering to demand for diversified yet affordable merchandise globally, know the best approach to gain market share. Extensive experience dealing with global consumers has enabled Chinese companies to know their limitations and strengths.

November 5, 2018: Many advanced scientific and technological products are exhibited at the first CIE. by Chen Jian



On the other hand, state planners have also identified the missing link between a highly trained human resource pool that is eager to innovate and a market revolution. Foreign companies cannot simply deploy their domestic strategies in China. Asos left China in 2016, the same year as Marks & Spencer, because both failed to meet expectations. The Chinese market has been consistently experiencing mega trends under the dominance of millennials, and foreign brands need to understand and keep up with the pace. Local companies that focus on millennials and have the ability to adjust quickly have outlived their foreign competitors. Flexibility will play a big role in foreign brands' success in the Chinese market.

Second, the Chinese state is certain that its economy can handle the pressure of the imports and foreign competitors. This would not have been possible a few years ago when the economy faced incongruity with global imports slowing and exposing the vulnerabilities of Chinese export-led growth. Private companies that were driving the economic growth had to devise strategies to expand their footprint in a slowly widening domestic consumer market.

This is evident from the fact that after the 2008 massive fiscal stimulus, the Chinese state—despite being worried about weakening exports and global economic woes—did not feel the urgency to launch additional policies. Chinese



October 30, 2018: As one of the first “6+365” perennial display and trading platforms of the CIIE, the Orient International Center Yuanzhong Building opens at No. 2900, North Zhongshan Road, Shanghai. [IC]

state planners instead focused on inspiring consumers to spend more and unleashing domestic demand as a new growth engine. The measures to boost spending on energy-saving products, tourism and online shopping and subsidies for vehicle and appliance purchases show how the government is satisfied with the results of its interventions.

Third, extra breathing room has enabled domestic suppliers to take on the foreign exports. Imported products have a difficult time creating new premium space in the Chinese market because Chinese consumers have become aware of high-end brands and cost-value ratios. The presence of the foreign brands has expanded alongside a steep rise in the performance of private Chinese companies. And it

should be noted that Chinese buyers increasingly pay close attention to certification and product quality.

Fourth, design and innovation is the new core value. Lately, Chinese enterprises have been paying close attention to the fact that innovation can add immeasurable value to products and services. The young Chinese generation commands the design, innovation and range of Chinese brands, and their orientations in recent times illustrate this. A generation connected more strongly than ever to new frontiers in technology understands what it takes to innovate and design. 📱

The author is a senior research fellow at Peking University.

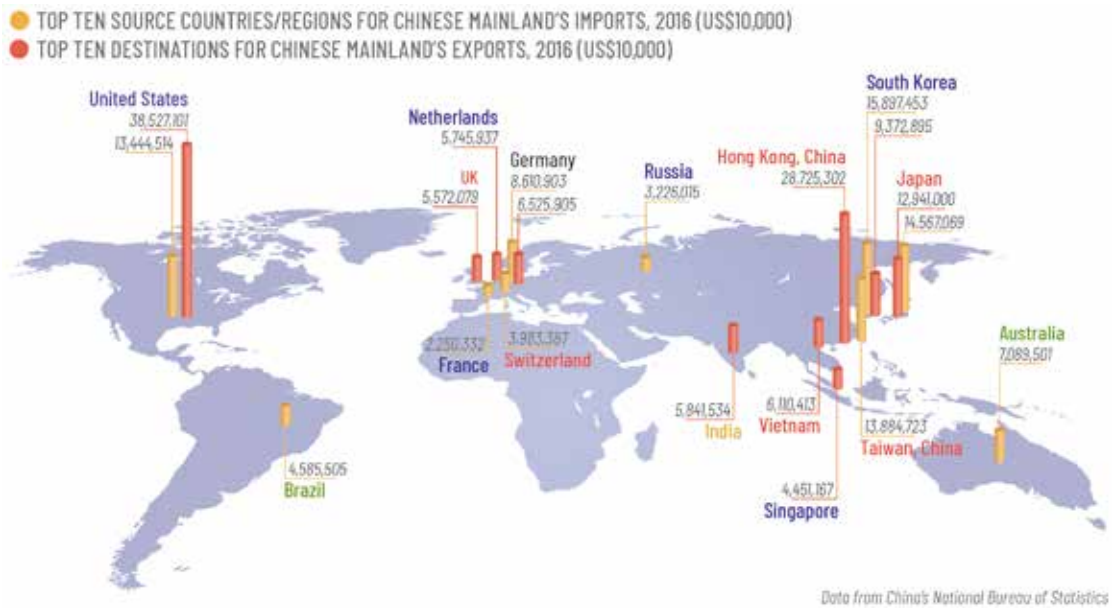
A Glance at China's Foreign Trade

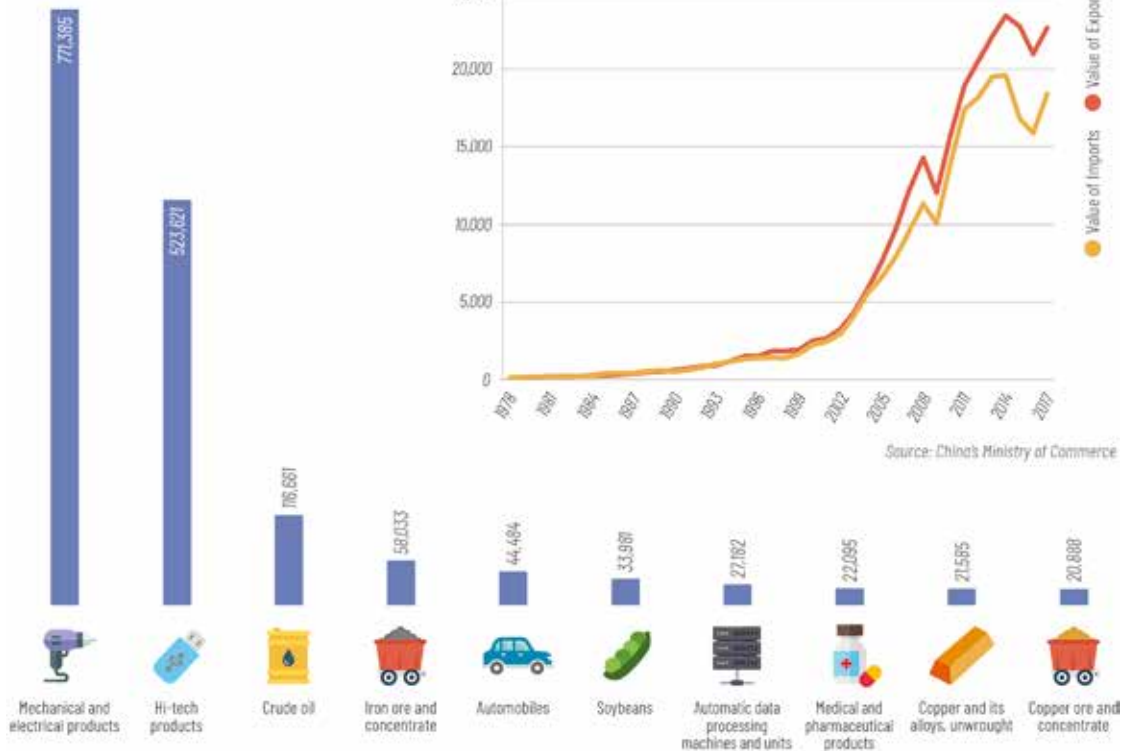
Edited by Zhou Xin
Designed by Andrey Maleev

The China International Import Expo, which was held from November 5 to 10, attracted massive global attention. Since China's reform and opening up that started in the late 1970s, the country has quickly jumped into the world division of

labor, and its trade relations with other countries have become increasingly close ever since. During the process of "made in China" products becoming popular around the world, China's population of nearly 1.4 billion has emerged as a key spending force, purchasing

an increasingly huge volume of international goods and services. The following data showcases the changes in China's imports and exports across the four decades since the reform and opening up as well as China's recent jump in imports.

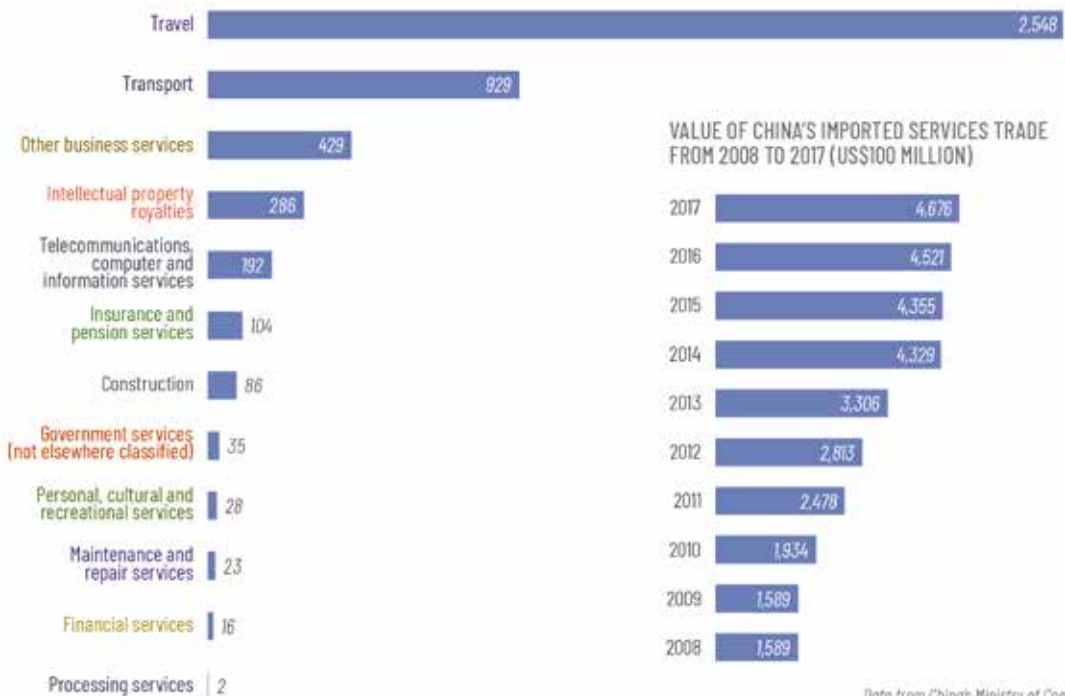
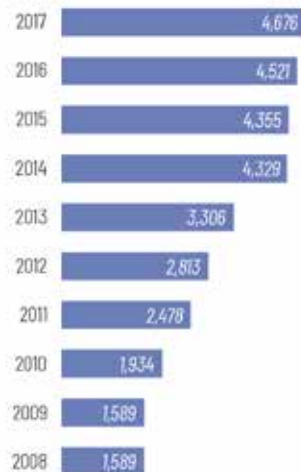


CHINA'S TOP TEN IMPORTED COMMODITIES
IN TERMS OF VALUE IN 2016 (US\$1 MILLION)

Source: China's Ministry of Commerce

Source: China's National Bureau of Statistics

CHINA'S IMPORTED SERVICES BY CATEGORY, 2017 (US\$100 MILLION)

VALUE OF CHINA'S IMPORTED SERVICES TRADE
FROM 2008 TO 2017 (US\$100 MILLION)

Data from China's Ministry of Commerce

The Many Faces of Trade Globalization

Concept by China-India Dialogue

A Sustainable Trade Plan Is Key

Anusha J

Age: 24

Occupation: Student

Birth place: Bangalore

Current residence: Bangalore



Trade globalization has made the world a global village, providing accessibility to products that were once available only if a relative

living abroad came to visit with gifts from a distant land. In addition to foreign companies establishing manufacturing units in India, websites that ship globally emulate village markets: I can scroll through a seemingly infinite catalogue and pick the products I choose to own. I wake up to the sound of the alarm and scroll through my notifications every morning on a phone manufactured in China, spritz on some perfume made in the United States, and perform the same 10-step skin care routine after purchasing Korean beauty products.

Government regulations such as relaxed restrictions and enhanced procedures for foreign direct investments not only increase the accessibility of products, but also help the economy and generate thousands of jobs as well,

especially when companies set up shop in another country. This helps raise the standard of living of people in both urban areas and rural regions of the country.

Trade across borders is not only an economic tool, but also influences the political and cultural climate between nations. Cultural exchange establishes soft power and brings countries closer. When restaurant chains from foreign countries are introduced, they are not just setting up business, they are bringing in a taste of their gastronomical culture, although it's not always authentically native. Countries also exchange art, music, dance—the entertainment industries of Hollywood and Bollywood both produce movies that are reverently watched all over the world.

With internationally successful brands such as Ikea and Walmart recently reaching the Indian market after the success of other brands such as Starbucks, McDonald's, H&M and Forever 21, it seems like a new brand has set up a shop here every time I turn around. This widespread exchange of products globally also leads to the exchange of ideas, ideals and characteristics among people.

As trade increases around the globe, production rises and prices fall. Although this is good for consumers, the companies that provide these products are for-profit enterprises that aim to produce goods at the lowest possible costs, giving rise to sweatshops in underdeveloped countries. Many clothes offered by big brands are affordable only due to the labor of people working unreasonable hours for extremely low wages. In the race to riches and comfort,

ethical treatment of the workers is often disregarded. With a pressing need for employment in these countries to keep their economies afloat, the positions are filled despite inadequate labour laws to protect workers from poor conditions.

An increase in production means an increase in factory output, waste and pollution. The environment bears the brunt of increased industrialization and urbanization. This not only causes an economic burden but also severely threatens the mortality of those who cannot afford to protect themselves from dilapidated living conditions. The World Bank is helping developing countries implement corrective measures to reduce air and water pollution and design systems for better waste management. Millions of dollars are being spent to

reduce carbon emissions and greenhouse gases as well as to clean up water bodies through treatment plants.

Trade is not always conducted with consumers in mind, and a deal between nations can have a political motive in terms of national security, as with arms trade. Politically inclined, diplomatic trade has global ramifications, turning countries into allies or adversaries, which can lead to trade wars among nations. These scuffles can turn economies upside-down, causing international chaos.

Even though trade globalization has considerable drawbacks, proper checks and corrective actions can ensure it produces a net positive. A sustainable trade plan is the way to make the most of resources, establish safe working conditions and produce the best-quality products for consumers.

Trade Globalization on the Dining Table

Zhou Huijing

Age: 24

Occupation: Student

Birth place: Shandong

Current residence: Beijing



Imagine a table offering Russian king crabs, Norwegian salmon, Spanish ham, Korean kimchi and Chilean cherries all together. As trade globalization continues, we can enjoy gourmet food from all over the world without leaving home. Every time we consume, it affects the market or even the development of the world economy and culture.

The world has long been a global village. As trade globalization expands, high-quality materials and delicacies from all over the world appear more frequently on our dining tables. "Lifestyles differ 100

kilometers away, customs differ 1,000 kilometers away and food differs 10,000 kilometers away." Diverse natural geographical environment, climatic conditions, resources, local conditions and customs and unique historical development experience have all led to different food cultures.

In his book *Illustration of Global Food Culture*, Ji Qing opined that many cultures were passed on through food as the world changed. Unique styles and splendid cultures were born throughout the history of various ethnic groups, regions and countries. Various

cultures communicate, merge, and develop in competition, cultivating a colorful global tapestry of culture. Today, no matter where we go, we will feel the power and charm of culture. Trade globalization has spurred cultural exchange of food around the world. When people taste gourmet food, they are subtly influenced by the accompanying culture. Enjoying food helps the public understand a country's cultural customs and lifestyles.

Home cooking is one of my holiday interests, and Indian curry powder is my favorite ingredient. Authentic Indian curry powder can be bought in Chinese supermarkets, and the unique flavor sparked my interest in Indian food.

While bringing us convenience and fresh experiences, trade globalization has accelerated the blending of cultures around the world, including food culture, and has left certain impacts on traditional culture. However,

ultimately trade globalization has a positive impact on our lives. We have to adapt to the tide of trade globalization, keep our minds open and innovate continuously.

As Chinese scholar and reformist Liang Qichao said, "The path of a rising sun is bright." I believe that in the context of trade globalization, countries around the world will further strengthen exchanges and everyone will raise glasses together around the big table of world food culture.

Trade Globalization Deepens Cultural Blending

Zhang Yun

Age: 34

Occupation: journalist and writer

Birth place: Anhui Province

Current residence: Beijing



"Great Harmony" is a philosophical concept in ancient China, which represents the enlightened ideal society that humans should seek. It features a community with a shared future where people offer love and help to each other as in "I am with you and you are with

me." The concept is similar to a "global village."

In the early 21st Century, the world is becoming increasingly inseparable because of trade globalization. No country can remain isolated. Alongside material exchange and mutual economic impact is cultural blending. Different nations learn cultures and concepts from each other and cast influence in myriad other ways. Groups of different races, with different ideas, can build bridges to experience each other's cultural world for better understanding.

Two decades ago, we learned about India through Rabindranath Tagore's works and the tales in *Ramayana*. But now, young Chinese have more options, even face-to-face exchanges. As for young people I know, they watched the movie *Dangal* directed by Aamir Khan and learned about the social issues relevant to paternity, feminism and more in India. They reflected on

the same issues in China and generated heated discussions. India's young people can also watch Chinese films to learn about China's past and present.

Cultures, though rooted in different nations, belong to the world, to mankind. With increasingly advanced media, communication faces fewer and fewer restrictions caused by geographical distance. Culture blending is happening faster and deeper. As trade globalization deepens, a cultural world of "Great Harmony" will form as we work together towards all things beautiful, bright and heart-warming.

"When the Great Tao prevailed, the whole world was one community shared by all," claims *Liji* or *Book of Rites*. We should cherish that human beings emerged and created brilliant civilizations. We ought to strengthen mutual understanding, share beliefs in a better world and jointly build a beautiful future.

A plethora of choices for buyers and sellers

Prasad Khake

Age: 22

Occupation: Data analyst & programmer

Birth place: Nashik, India

Current residence: Pune, India



The CII is an important move to open Chinese markets to the world while actively encouraging liberalization and economic globalization. China's rise has been inextricably linked to globalization since it opened its economy in 1978. With the advent of skilled labor and a favorable ecosystem, China has become a powerhouse of production.

This economic development would not have been possible without the growth of others. Over the last four decades, China has risen economically by integrating itself in the global economy and steadily upgrading its position in the world.

Globalization has impacted all social classes. The working class has had to adjust their talents, and the managerial class can no longer use traditional business models to compete. With trade globalization opening

market floodgates, there are more choices than ever before. Aggressive pricing and dynamic marketing drive consumers to choose from a plethora of products. And with technology in the equation, everything is just a click away.

With multi-national corporations focusing on Chinese markets, a vast number of opportunities have emerged for both consumers and sellers. China is extensively becoming the hub for business expansion and integrations. Home-grown companies and startups have already become key players and leaders in global trade. Trade globalization has led to diminishing geographical boundaries.

Due to globalization you can own an American-designed phone with parts sourced from South Korea and assembled in China. Crucially, businesses now have to keep in mind that China is seeing a difference between generations. The young are more aware of the outside world and often more tolerant of different people and values. Consumers can now interact directly with traders resulting in reduced costs and better experiences. Everyone can participate and exchange ideas. In this new marketplace, consumers have been empowered to choose and make informed decisions in a competitive landscape.

Global trade has provided access for people across social classes to world-class amenities and products at affordable prices. The possibility of a trade

war with the U.S. has made it imperative for China to explore every option and focus on trade because of potentially depleting markets due to new tariffs and taxes. Policymakers obviously have a crucial role. Focusing on key areas of taxes and regulations and making the ecosystem favorable for companies to do business should be top priority. The ongoing trade conflict between the U.S. and China is adversely affecting businesses due to an increase in management costs and risk. This will eventually affect consumers. Anyone willing to start a business or venture will face a dilemma.

Global free trade has made everyone and everything accessible, but it has also greatly increased competition in the market. Markets are now flooded with products in the same price range and choosing among them has become a cumbersome process with so many options available. One can always get a better deal elsewhere. Also, small-scale businesses are at a disadvantage to MNCs with the latter's aggressive marketing and competitive pricing. With globalization, it has also become necessary to be flexible and adaptable to stay relevant. From the consumers' point of view, they have a plethora of choices. This has to be the greatest advantage of globalization. With China aiming for imports and expansion, everyone can surely benefit as they carry the world forward. 🇮🇳

Chinese and Indian Youth: Stronger Together

By Zhang Wenjuan

Young people from China and India should strengthen communication and learn from each other to play a bigger role in reshaping the cultures of their countries and strengthening their soft power.

Since I arrived at Jindal Global Law School to teach, the school had become the major platform for my life in India. Youth are the future, and they became the window for my observation of Indian society. During the time I taught there, I found that students from China and India both had unique strengths, and they should do everything they can to learn from each other.

Stanley Wolpert, a famous American historian who focused his study on India, opined that expressive Indians were the most active and argumentative communicators, and they tended to inspire each other's imaginations with ideas and experience. From my perspective, introspection, diligence, broad vision, experimental spirit and pragmatism were Chinese

strengths in global competition, all fueled by its culture. If young Chinese and Indian people learned from each other, they could attain unstoppable competitiveness.

In a class that compared the laws of China and India, Indian students were the majority. Only two came from China. During discussions, Indian students participated enthusiastically while Chinese students rarely expressed views. I was a bit worried about their mid-term examination because it was designated as an oral debate. My concerns ultimately proved unfounded. Even though it was oral, the examination was still an examination, in which Chinese tend to excel. My Indian colleagues and I were all impressed by their performances.

We followed standard debate rules with four students in a

group, of which two argue the pros and the other two the cons. Open discussion is where many Indian students excel. However, expressing all their ideas in such a limited time proved a challenge. In just 20 minutes, four students complete two rounds, leaving every student only two and a half minutes for each round. It is difficult to excel without practicing within the scoring parameters beforehand. The Chinese students had no language advantages nor anything novel in their opinions, but they performed outstanding preparations. They made a list of key arguments and had clearly practiced extensively because they spoke fast and expressed their ideas fluently. As a result, they shared a wealth of information in such a short period of time. Their Indian classmates, however, either ran out of time before reaching their core opinions or allowed one member

to speak the whole time, bringing all of their scores down.

I once asked an exchange student from China about her opinion of the Indian students. She told me that in another class she was assigned to make a slide in a group with an Indian student, who refused to work on the slide or practice. She made the slide herself, and then he criticized her work as useless because it simply regurgitated what the teacher had taught. During the presentation, however, she discovered that the classmate was very creative and developed admiration for him.

When comparing Chinese and Indian students, I imagine that a student with the ideas and eloquence of Indian students coupled with the diligence and sense of responsibility of Chinese students would be an optimally competitive global citizen. I once chatted with a Chinese media professional whose daughter studied in a good private high school in India and was admitted to Brown University of the Ivy League. Only at the university did her daughter finally get the chance to hang out with Chinese students. She discovered that they mostly just played cards and went to restaurants. Gradually, she had less contact with her Chinese circle of friends. Although many of them had attended renowned high schools in China, they faced challenges adapting to local culture. In comparison, the girl who once lived in India had major advantages. First, she had ventured abroad in childhood, which strengthened her ability to adapt to a different culture. Second, she learned how to organize activities and



July 4, 2018: Students from India and Sri Lanka take part in sampling the quality of edible agricultural products at an agricultural products wholesale market in Chengdu City, Sichuan Province. [IC]

communicate actively from Indian students. Finally, she was diligent and had the same sense of responsibility as other Chinese students. This girl presented an ideal combination of Chinese and Indian culture.

India is home to thinkers and debaters. If Indian students can spare a little more effort for preparations, they will produce remarkable achievement in many sectors, especially in humanities. During the 24th Willem C. Vis International Commercial Arbitration Moot held in Vienna, students from Jindal defeated 330 teams worldwide, among which many came from globally prestigious universities, and took second place. They were admired around the world. However, India needs not only thinkers and debaters, but also pragmatic people who can solve problems. Problem solvers need to figure out solutions to help the most marginalized

people in society.

The latest generation of youth in China is not lacking in for ideas and innovation. New technologies and business modes emerge all the time. If the youth in China spend more time pondering deep-seated problems plaguing society, Chinese society will improve and radiate a better cultural atmosphere. Young people from the two countries should strengthen communication and learn from each other to play a bigger role in reshaping the cultures of their countries and strengthen soft power, which will inspire the emergence of a new form of relations between China and India. 🇮🇳

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Stray Birds on the Huangpu: Indians in Shanghai



Stray Birds on the Huangpu: A History of Indians in Shanghai

Mishi Saran & Zhang Ke / Editors-in-Chief

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Shanghai shimmers, thanks to its rich, diverse history, and the city can be considered the crucible of modern China. Tracing the tales of Indians of all sorts who were—and are—entangled with Shanghai has been an extraordinary journey. Like the best voyages, this one has been complex, nuanced, packed with astonishing discoveries and lacking an ending.

Once we started looking, it seemed Shanghai connections to India were everywhere. Even the word “Bund” (the waterfront area of Shanghai) comes from the Hindi word “bundh,” which means “embankment.”

Such meshing is also evident in old street names. Between 1843-1915, ten streets in Shanghai were named after Indian cities, all located in the northeast part of the International Settlement.

The British tendency to import Indians to do their heavy military lifting or police work reached its peak in Shanghai. The connections ranged far and wide,

whether related to war or literature.

The multifarious links even snaked down generations. India's Nobel laureate and poet, Rabindranath Tagore, traveled to Shanghai at least three times. Left in Shanghai were strands of two ancient civilizations that were accidental witnesses to the birth of each other's modernity.

Over the past 200 years, Indians have laid roots in Shanghai, bought land, built houses and created cemeteries to bury their dead. They have made Chinese friends, married into the Chinese community and suffered through a Japanese occupation, along with the rest of the city's inhabitants.


Shanghai remained in the psyche of all those who passed through the city. Shanghai gifted many Indians fortune, soulmates, safety and careers. For many who were born there, it was the first home they ever knew, and for arrivals, it was often the home for which they yearned all their lives. An elderly Parsi woman I met in Mumbai still talks fondly about her youth in Shanghai.

Most foreigners had to leave Shanghai in the years around the Communist victory over the Kuomintang in 1949, but many came streaming back to China as soon as they were able. Soon, an official visit of the Indian People's Theatre Association in 1955 inspired efforts to hold a massive Indian Film Week. Raj Kapoor's film *Awaara* was screened in China that year as part of that effort.

Indians who were born in Shanghai or spent happy childhoods there also

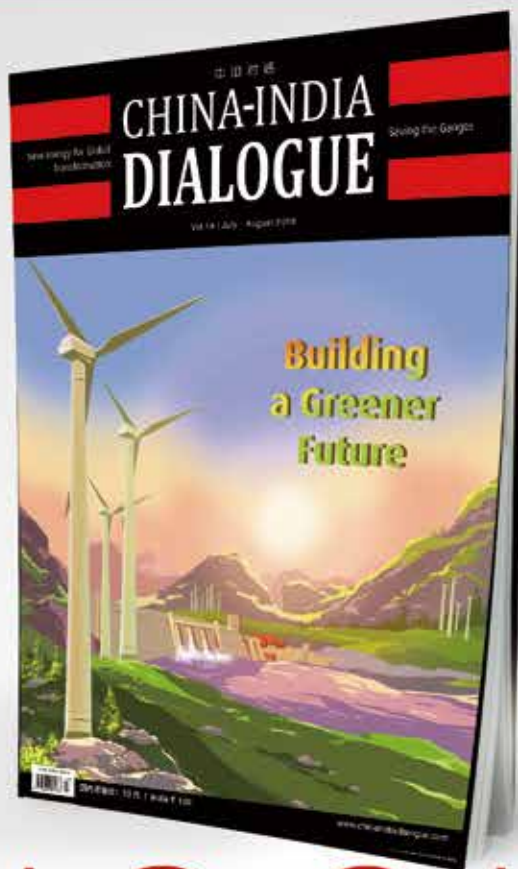
came back as soon as they could: They wandered in the streets of Shanghai looking for their old houses, their old haunts and their old playgrounds.

Many Indians with no previous connections to the city have also flooded Shanghai in droves for most of the typical reasons: the market, the money, the chance for a better life, all fueled by hunger for adventure. Today, we meet as equals: We hail from an independent, ascending India, and venture into a China that is firmly in charge of its own destiny.

Just as always, fortunes are made and lost and made again. Indians have returned to Shanghai, bought houses, married locals, found their calling and stayed. And so the great cycle continues. We could argue that Indians are merely reverting to an old habit of coming to Shanghai. Shanghai, in turn, is rediscovering anew how much Indians have fueled its evolution. 

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*Mishi Saran is an Indian writer. She has published two popular books: *The Other Side of Light* and *Chasing the Monk's Shadow: A Journey in the Footsteps of Xuanzang*. She is currently working on her third book, set in Shanghai in the 1930s, and researching the history of Parsis in China.*



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