

## Beijing Forum 2019 China's Economic Development in the Reconstruction of Globalization (I) (Group A)

On the morning of November 2, 2019, the first seminar of the Beijing Forum (2019) Economic Sub-forum "China's Economic Development in Globalization Reconstruction" was held in the conference room on the second floor of Wanzhong Building, Langrun Park, Peking University National School of Development. The seminar was divided into two sessions, chaired by Prof. Yao Yang from the National School of Development and Prof. Lei Xiaoyan from the National School of Development, respectively. A total of five scholars delivered speeches at the seminar, namely, Professor Yao Yang from Peking University, Professor Satoshi Mizobata from Kyoto University, Professor Liu Guo'en from Peking University, Professor Wu Yanrui from the University of Western Australia, and Professor Lei Xiaoyan from Peking University.

First of all, Professor Yao Yang delivered a speech titled "Fairness at the Border: A New Approach to Resolving US-China Trade Frictions". Professor Yao talked about the recent joint statement with many well-known scholars in China and the United States - "US-China Trade Relations A Way Forward". The statement stated that China-US relations can potentially take four forms: forbidding, negotiation, self-guarding and multilateral. Professor Yao Yang said that the background of the statement is the income inequality in the context of globalization and the failure of the income convergence hypothesis. A few people in the United States have criticized China for not having complied with its commitments when it joined the WTO, and proposed a "Chinese-American decoupling theory". Professor Yao Yang refuted the above viewpoints through the following arguments: (1) China is still a developing country; (2) China is still in its economic transition stage. But at the same time, China should also adapt to its new role in the global economic and trade environment, in which it should transition from rule adherent to rule maker. The China-US trade war actually has given China the opportunity to conduct economic reform and bring more benefits to the world.

Professor Satoshi Mizobata of Kyoto University gave a speech titled "State-led Innovation and Uneven Adaptation in Russia". Professor Mizobata expressed his belief that Russia's innovation

policy is based on the transformation of the growth path and modernization, and thus it has the characteristics of path dependence. He talked about the historical evolution of Russia's innovation policy and the policy-making structure, and expressed his belief that this state-led innovation policy has not been successful. The state-owned ratio of R&D expenditure is too high, but in recent years R&D spending has been stagnant. Moreover, innovation is imbalanced between state-owned enterprises and private enterprises, while technology distribution and adoption is diversified and uneven between households and enterprises. Although the Russian government incentivizes the use of high technology, high-tech employment opportunities have not increased, and, in contrast, technology adoption has become a barrier to innovation. The professor expressed his belief that the Russian economy is highly dependent on energy, that research and development expenditures mainly derive from the government budget, and the low education level of workers should all be responsible for the above results. Therefore, the quality of the government and domestic education level play key role for Russia's innovation capability promotion.

Professor Liu Guo'en from Peking University delivered a speech titled "Inclusive Growth: On the Role of Health". Professor Liu first demonstrated the three economic growth acceleration business cycles during the past 40 years. The first was due to rural reform, the second was due to urban reform, and the third was due to China's participation in the WTO. Then the professor paid attention to the characteristics of economic structure and sector in the past decade and found that the contribution of the service industry exceeded 50%. In the past two years, domestic consumption has increased substantially, and investment has been relatively stable, but the contribution of net exports has turned negative in 2018, due to the China-US trade tension. The professor expressed his belief that it is necessary, therefore, to pay attention to the composition of Chinese consumption. There are two characteristics of China's consumption data for 2015-2018 that need attention: consumption of tobacco, alcohol, and clothing begins to decline, while consumption of housing and health care is on the rise, and the income elasticity of health care consumption keeps rising from an already high level. Professor Liu expressed his belief that because there is still a big gap between per capita GDP and per capita disposable income in China, despite China's GDP growth rate decline, China's per capita disposable income still has room to rise. The professor talked about a sort of medical insurance and pension insurance policies introduced in China in recent years, especially "Healthy China 2030", and interpreted it from the perspective of human resources, arguing that health can make people's productivity higher and increase their income. Therefore, investing in health is

actually a good investment. The professor found that health care expenditure grew faster than GDP growth globally, so health care has become a luxury good. Finally, the professor expressed his belief that whether there will be conflicts or harmony between civilizations depends on whether there is some common value that combines the world, and his answer was that the connection will be human health.

Professor Wu Yanrui from the University of Western Australia gave a speech titled "Cultural Diversity and Foreign Direct Investment: Evidence from China". Professor Wu first reviewed the major source countries of foreign investment in China in 2013 and 2017 respectively and found that they were mainly East Asian countries (regions), such as Taiwan, Hong Kong, and Singapore. The professor then set up a two-country model to examine the relationship between cultural diversity and foreign investment using panel data from 230 Chinese prefecture cities between 2000 and 2014. Specifically, the professor measured the degree of cultural diversity in terms of the share of dialect spoken in a certain city, and controlled for the variables of labor cost, financial development, government involvement, infrastructure, human capital, population density, etc. in panel regression. He found that the cultural diversity is negatively correlated with its absorption of foreign investment, but this negative correlation weakens with the deepening of economic cooperation and the increase in the amount of foreign investment. The professor also examined the mechanism of this impact and found that cultural diversity is not advantageous to the growth of human capital, and thus hinders the absorption of foreign investment. However, with cultural exchanges and economic growth, or at a suitable population size, cultural diversity may have a positive effect on foreign investment absorption.

Finally, Professor Lei Xiaoyan from Peking University delivered a speech titled "Aging in China: Trends, Challenges and Opportunities". Professor Lei first reviewed the characteristics of China's demographic structure and found that China's dependency ratio and youth ratio have shown a continuous decline pattern in recent years, accompanied by an increase in the savings rate and per capita wages. According to the World Bank's estimate for the next 30 years, China's total population will peak in 2029, but the ageing population as well as the proportion of older workers will continue to increase. Despite that fact that children dependency ratio will stay stable, the dependency ratio for the elderly will rise significantly, so the future demographic structure depends more on the elderly than on children. The size of the family will continue to decline, from 4.41 in the 1980s to

2.51 in 2050, and rural households are decreasing faster than those in cities. Then, the professor talked about the challenges China faces: (1) maintaining a high savings rate; (2) slowing down of the human capital formation; (3) closing the generation gap of the pay-as-you-go pension system; (4) the large demand for medical care of the elderly; and (5) the increase in the number of empty nesters and the decline in the number of children that will weaken household care. Finally, the professor put forward several policy recommendations for the above challenges: relaxing family planning and encouraging fertility, making full use of the “demographic dividend” and raising the level of human capital, improving the level of health care, improving the pension system, establishing a more flexible retirement mechanism, and developing long-term care services.