Making quality growth a reality

Expert sees China GDP rise stabilizing at around 6.3 percent over next three years in favorable environment

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As China aims for high-quality growth, the rate of GDP expansion may stabilize at around 6.3 percent over the next three years, said a leading economist.

"It is not a big problem (for China) to maintain (growth of) 6.3 percent in the short term," said Zhu Baoliang, chief economist at China's State Information Center. He said that personal income is growing slightly faster than GDP, which indicates a continuous increase of China's consumption as well as an upgrade in its structure.

According to the National Bureau of Statistics, China's GDP grew 6.9 percent in 2017, while the nationwide per capita disposable income surged 9 percent, or an increase of 7.3 percent from the previous year after deducting price factors.

"For the next two to three years, the prospect for the world's economy is still good … which can create a favorable external environment for China, and also a good environment for China to stabilize domestic demand and impose reforms in the future," said Zhu.

He was speaking at the annual Credit Suisse Asian Investment Conference, on March 20, in Hong Kong. With the theme Disruption As Usual, the four-day event connected more than 3,500 high-profile delegates with influential thinkers and opinion leaders from around the world.

Zhu expects China's investment in real estate development to maintain a growth rate of around 5 percent, as huge demand is being generated by the 13 million people flocking to cities annually and the 170 million migrant workers still facing housing problems. "We need about 13 million to 14 million houses (per year within the next 10 years)," he said.

Admitting that China's economic growth largely relies on infrastructure, of which the average growth rate has been about 20 percent in the past few years, Zhu said the rapid development of infrastructure may have come to an end.

Zhu Baoliang, chief economist at China's State Information Center.

"The investment in infrastructure is shifting from transportation (and) water conservancy to fields like municipal construction and sewage treatment.

"We think, for this year, a GDP of 6.5 percent would not be a problem, if the investment in infrastructure can drop to around 15 percent," said Zhu.

Trade conflicts between China and the United States will not have a serious impact on China's economy, Zhu said. US President Donald Trump signed off a plan on March 22 to impose tariffs on imports from China. While the memo posted on the White House website did not give a specific amount of the tariffs, Trump said "it could be about $60 billion".

"Even if there will be a reduction of the $60 billion surplus, we estimate its impact to China's economy will be about 0.2 percent," said Zhu.

Meanwhile, Zhu warned that cautious measures should be taken when dealing with the recessive debt of local governments, in case it brings volatility to infrastructure investment. To maintain 15 percent growth in infrastructure investment, he said there needs to be some "necessary infrastructure projects" and expanding the limit on bonds issued by local governments.

According to Xinhua, the Government Work Report released on March 5 at the National People's Congress — China's top legislature — said that local governments can issue special bonds, the Chinese version of municipal bonds, up to 1.35 trillion yuan ($213 billion), or a 550 billion yuan increase from 2017.

To crack down on fast-growing local debt and prevent the risk of default, borrowing from local government financing vehicles — companies capitalized and owned by local governments to raise money for the construction of municipal infrastructure — has been forbidden since 2014 due to their high level of debt. But, "invisible" government guarantees can still regularly be seen in practice, Zhu noted.

Preventing major risks, targeted poverty alleviation and pollution control are the three main tasks raised during the Central Economic Work Conference held in December. Zhu said it is important to slow down the economic growth a little bit to release risks gradually, while encouraging private investment to unleash the vigor of corporates.

Didi drives global plans forward

China's ride-hailing giant to transform transportation abroad through M&As and new technology

By **MA SI**
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One February morning, nearly 9,000 people braved sub-zero temperature and chilly wind to assemble at a Beijing stadium to wildly cheer their employer's stupendous success overseas.

The company concerned was Didi Chuxing, China's largest ride-hailing company and the world's second-most valuable startup after Uber, and the event was its annual lunar year-end conference.

Didi inspires such fierce loyalty and unstinting admiration not just from its employees but users, clients and investors alike. At the conference, Didi's CEO and founder Cheng Wei held center stage and thanked the assembled crowd as well as the 1,000 new staff in Brazil.

In January, global-minded Didi bought a controlling stake in 99, a major ride-hailing company in Brazil, South America's largest economy. The deal marked Didi's first cross-border acquisition.

"Going global is a top strategic priority for Didi," said Cheng. "Now we have employees on the other side of the earth. It takes two days for them to come to Beijing by plane."

That was not an off-the-cuff remark. Cheng was hinting at Didi's broader ambition to transform international transportation eventually by innovating technology.

Employees of Didi Chuxing, China's largest ride-hailing company, at work in their offices in Sao Paulo, Brazil. PROVIDED TO CHINA DAILY

After outcompeting arch rival Uber and forging a merger with it in China, Beijing-based Didi is expanding globally and will still fight Uber in other markets by partnering with the latter's rivals.

The company, founded with 800,000 yuan ($121,000) six years ago, has grown into a heavyweight with a valuation of $50 billion. Sitting on abundant cash and armed with a rich combination of talent and technologies, Didi now aims to revolutionize transportation globally.

"In 2018, we hope to win the global battle through optimization of our internal strength," Cheng said. "After squatting down to hone our skills for a year, we are at a better position to jump up."

Just days before the February conference, Didi announced it will enter the Japanese market through a taxi-hailing joint venture with SoftBank.

Under the partnership, the two sides will build a ride-hailing platform to enhance efficiency for both taxi operators and drivers. It plans to commence trial services in Osaka, Kyoto, Fukuoka, Tokyo and other locations this year.

Though the specific investment size of the joint venture was not disclosed, Didi said in a statement that by integrating its deep learning-based demand prediction and smart dispatch systems with SoftBank's local resources and expertise, the two companies aim to optimize taxi ride-hailing services and increase passenger convenience.

"We will engage with industry practitioners, policymakers and other stakeholders, with the aim of building an open and inclusive platform that will be available to all of Japan's taxi operators," Didi said.

Wang Xiaofeng, a senior analyst with research firm Forrester, said Didi is making a major change in its globalization strategy.

Previously, it had beefed up its overseas presence mainly through investing in pioneering local players, such as Lyft in the United States, Ola in India, Grab in Singapore, Taxify in Estonia and Careem in the Middle East. All of them are fierce competitors of Uber in their respective regions.

"But now, it's opting to move forward through mergers and acquisitions, as well as by setting up local companies on its own," Wang said.

Zhao Xiang, an analyst with Beijing-based Internet consultancy Analysys, agreed. Acquisitions, rather than pure investments, will give Didi more decision-making power in its partners' development in the future and can better export its artificial intelligence technology, he said.

"Though building local partnerships with influential local partners is a faster way than starting from scratch, acquisitions and getting a foothold in foreign countries on its own can give a stronger impetus to Didi's overseas business and help it better take on Uber," Zhang said.

Also, unlike other Chinese companies that target Southeast Asian countries as their starting point for global expansion, Didi is putting heavy emphasis on South America.

It reportedly spent $600 million for complete control of 99 in Brazil. Didi also advertised online for a range of jobs in Mexico as it prepares to enter the market that is one of Uber's regional strongholds.

Didi plans to launch a smartphone app in Mexico this year and recruit drivers for its platform, Reuters reported in December.

Didi's growing interest in Mexico and, more broadly, Latin America, may well be part of a deliberate strategy, given that Uber doubled down on this market after failing to beat Didi in China, analysts said.