Nascent technologies key to future

Despite trade tensions with the US, China will emerge as a larger and more capable innovative economy

By EDWARD TSE

High technology and innovations may not come up as the most intuitive or relevant topics to China, since the country has been branded a "copycat" for decades. Some Western media outlets and pundits paint a picture that China's industrial regulations represent forced technology transfer, confer unfair advantages on domestic companies, penalize foreign participants and cheat on the country's commitments to the World Trade Organization.

But China has gradually moved away from its "copycat" image, especially in the past 10 years, and emerged as a global innovation hub. Grassroots innovations have proliferated.

In 2017, the growth in the internet and technology sector — from ride-hailing to e-commerce, and robotics to artificial intelligence (AI) — was 18 percent, substantially outpacing the overall economy which grew 6.9 percent, according to Xinhua.

In the same year, a report by Deloitte and China Venture said China accounts for more than a third of the total number of "unicorns" globally, becoming the world's second-largest birthplace of companies valued at more than $1 billion.

Internet giants such as Alibaba and Tencent, benefiting from the scale and speed of China's market as well as the prevalence of technology, are rapidly scaling up and have already created extensive, sophisticated and lucrative business ecosystems.

Today, Alibaba and Tencent are two of the world's 10 most valuable companies, according to Kantar and WPP's *BrandZ™ Top 100 Most Valuable Global Brands 2018* report.

With plans and programs in mind, China upped the ante in nascent technologies that would, if properly captured, enable yet another age of growth and opportunities.

China aims to become a global AI powerhouse by 2030 with a domestic AI industry worth $150 billion. In December 2017, the Ministry of Industry and Information Technology released a three-year action plan calling for "major breakthroughs in a series of landmark AI products", focusing on such "core competencies" as the production of intelligent sensors and neural network chips.

The plan is matched by governments at all levels, most notably that of Beijing and Shanghai, and East China's Zhejiang province.

Domestic technology giants and startups alike will be the integral players in this endeavor. For example, Baidu, Alibaba, Tencent and iFlytek formed the "national AI squad", respectively backing the development of autonomous vehicles, cloud-empowered smart cities, medical imaging and voice recognition.

Up to now, two-thirds of the world's investments in this sector have flown into China and have enabled a 67 percent growth in the industry in the past year, according to recent research conducted by Tsinghua University.

Chinese companies also filed the largest number of domestic AI-related patents, trumping Silicon Valley by as much as seven times, according to CB Insights, a tech market intelligence platform that analyzes millions of data points on venture capital, startups, patents and partnerships.

In China, new value chains for the use of blockchain in different industry sectors have emerged. About 450 blockchain technology companies have been registered in the country, according to the Ministry of Industry and Information Technology.

The regulatory attitude toward blockchain turned from skepticism to acceptance, and now to support. Throughout 2018, the Chinese government has funded multi-billion-dollar initiatives to develop blockchain-based networks, with the Hangzhou city government investing $1.6 billion in the Global Blockchain Innovation Fund this April.

In the automotive sector, China is poised to be at the world's forefront by going through a four-phase evolution — car ownership, on-demand mobility, smart car ownership, and lastly personalized "automobility" — by 2030 or thereabouts.

Traditional carmakers, foreign and domestic, are trying to reposition themselves as future electric vehicle makers, while collaborating and competing with more than a dozen newer, non-State-owned new-energy vehicle players such as NIO, which went public on the New York Stock Exchange recently.

China will be in the front seat, witnessing the turning point in the Fourth Industrial Revolution, perhaps ahead of most, but not all, of the other countries.

Many foreign companies and their lobbyists have long complained about the lack of market access to China, demanding "reciprocity". While they remain fixated on such issues, they have largely ignored the major shift in China's innovation policy and have become like observers on the sidelines.

Innovation has become, and will continue to be, a global and prevailing theme, and a country's future well-being hinges upon its willingness and ability to embrace this trend.

The United States and its trade war against its trading partners including China notwithstanding, China will emerge as a larger and more capable innovative economy.

China's path will inevitably be marked by many ups and downs, and some of the experiments may not work out as planned while some resources may be wasted.

True, the lack of core technologies such as cutting-edge microchips has exposed China's weakness, but it has also given China the impetus to catch up.

Many startups will fail, but some will certainly succeed. Thus, it would be foolhardy for anyone to discount China's will and ability to achieve its goals.

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Financial stability underpins growth

China can reach a new development stage based on sound fiscal balance, innovative and stable policies

By LUCAS J. DIB

Those trying to understand the soundness of the Chinese economy and its financial institutions can be divided into two critical interpretative "groups": the first has been predicting an imminent economic crash (that never comes); the second, moderate, foresees a forthcoming stagnation process.

Both have failed in their forecasts. What else do they have in common?

They blame the increases in the credit provision and its mismatch with the nominal GDP growth after the 2008 global financial crisis for the so-called ills in the Chinese economy. They are critical of the role of State-owned enterprises as strategic drivers to foster and underpin development, and say the SOEs are less productive and prone to resource misallocation.

Both have criticized the Chinese political approach, albeit this very same system has lifted out of poverty more people than in any other country, while many of the so-called liberal democracies have not been able to improve the living standards of their people at the same pace as China.

And most critics have neither foreshadowed a financial crisis due to the mounting pile of debt that has been pouring from developed countries' central banks post-crisis, nor could they anticipate the 2008 financial crash.

Half-truths merged with misinterpretation could scale up rumors and destabilize economic and political systems, and make it even more difficult for developing countries to catch up with their more advanced counterparts, as has been the case with those that blindly followed the "Washington Consensus".

Thanks to reform and opening-up, China succeeded in building up a unique political and economic system with Chinese characteristics. China never suffered a financial crisis as the United States did.

The Chinese system has an internal intelligentsia that regularly improves its mechanisms while combining a certain dosage of regulation with optimal use of macroeconomic, fiscal and monetary policies addressed to underpin the real economy and financial stability.

China has four of the world's six top commercial banks thanks to a long process of building capital adequacy, and creating asset management companies with debt restructuring mandates and new financial products. It also has the largest (and profitable) export-led apparatus, which generates a robust asset position for the People's Bank of China, the central bank, according to the International Monetary Fund's assessment of reserve adequacy.

Besides, China has continuously facilitated the improvement of institutional and human resources and perfected its guidelines and regulations. It has also helped establish two new multilateral financial institutions, the Asian Infrastructure Investment Bank and the BRICS New Development Bank, in order to alleviate the fiscal burden on developing countries.

And it has come up with bold and innovative proposals such as the Belt and Road Initiative and Made in China 2025, fostering innovation, advanced production, and the integration of goods, services and cultures, which could become turning points for a new and integrated global era.

To understand China, therefore, one has to first respect its uniqueness and avoid ideological prejudices that are not proved by empirical observation. The "one size fits all" approach has been proven wrong, for it does not consider development as a wide range of points along a continuum with multiple degrees in a constantly changing world. Assessments and policies need to be at an optimal point between a country's stage of development and characteristics, and the global trend.

It is also necessary to realize that the world is not a dichotomy (poor versus rich; or West versus East). Instead, we share a common destiny and agenda, which require joint engagement to achieve sustainable development, improvement in living standards and financial stability.

China, like any other country, has its own challenges. True, China has huge reforms to realize and difficult tasks to perform. But thanks to its reliable institutions and able leadership, it can achieve these domestic goals while playing a decisive global role.

If China maintains its sound fiscal balance, and continues to implement innovative and stable policies, it is not going to be shattered by a crisis or economic stagnation. Instead, it will be ready for a new development stage.

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