

China Development Forum 2024 The Continuous Development of China

Symposium on Momentum and Prospects of China's Continuous Development (Second Half)

Hosted by the Development Research Centre of the State Council (DRC) and organized by the China Development Research Foundation (CDRF), the China Development Forum (CDF) 2024 was held at Diaoyutai State Guesthouse in Beijing from March 24th to March 25th. On the morning of March 24, the Symposium on Momentum and Prospects of China's Continuous Development was held. There were four speakers in the second half, including LAN Fo'an, Minister of the Ministry of Finance, JIN Liqun, President & Chair of the Board of Directors, Asian Infrastructure Investment Bank, Thomas J. Sargent, Professor, New York University; Nobel Laureate in Economics, Christopher Pissarides, Professor, London School of Economics & Political Science; Nobel Laureate in Economics. The symposium was chaired by Zhang Laiming, vice president of the DRC.

Lan Fo'an stated that finance was a crucial base and pillar for governing a country, with fiscal policy being a key tool in national macroeconomic strategies. At the end of last year's Central Economic Work Conference, it was emphasized that proactive

fiscal policies for 2024 should be moderately boosted to enhance quality and efficiency. The Government Work Report went on to outline plans and arrangements for the implementation of these proactive fiscal strategies. For this purpose, this year's proactive fiscal policy will focus on several key areas:

First, enhance the level of financial backing. The deficit ratio has been established at 3%, with a deficit amounting to 4.06 trillion yuan; new special bonds for local governments will increase by 3.9 trillion yuan; new ultra-long-term special treasury bonds will be issued totaling 1 trillion yuan; and national general public budget spending will hit 28.5 trillion yuan, a 4 percent increase. Second, boost the dynamism of business entities. Apply the policy of structural tax and fee cuts, emphasize support for scientific and technological innovation and the development of manufacturing, back the ongoing advancement of a high-standard market system, and consistently improve the market environment. Third, bolster local financial assistance. Transfer payments from the central government to local governments reached 10.2 trillion yuan, marking a 4.1 percent increase from the previous period, including 2.57 trillion yuan in planned balanced transfer payments, which is an 8.8 percent rise. Fourth, enhance the efficiency of fiscal policy. Keep refining the fiscal expenditure framework, bolster financial support for key national strategies, improve budget performance oversight, reinforce policy synchronization, ensure alignment with macro-policy directions, and aim to boost the impact on driving high-quality growth.

Specifically, financial backing for high-quality development will

concentrate on these five areas:

First, back and speed up the emergence of new quality productive forces to inject robust momentum into high-quality growth. Enhance policy coordination, boost support for innovative growth, foster advanced self-sufficiency and self-enhancement in science and technology, harmonize traditional industry upgrades, expand new sectors, and nurture future industries. Tailor the development of new quality productive forces to local needs, creating new growth drivers and competitive edges. Second, back the growth of effective demand and boost internal drivers of development. Persist in seamlessly integrating the strategy of boosting domestic demand with deepening supply-side structural reforms, increase effective investment, unlock potential consumption, and amplify the role of domestic demand in economic expansion. Third, back the enhancement of people's welfare and ensure everyone can share in the benefits of development. Strive to the best of our abilities, bolster fundamental, inclusive, and basic welfare infrastructure, and continually improve people's sense of fulfillment, happiness, and security. Fourth, advocate for advanced levels of openness and actively engage in global economic governance. Maintain a high degree of openness, bolster international financial and economic interaction and cooperation, improve dialogue and coordination on macroeconomic policies among major economies, commit to genuine multilateralism, and enhance practical cooperation with multilateral development organizations. Fifth, advance the reform of the fiscal and taxation systems to boost our sustainable development capabilities.

Proactively orchestrate a new phase of fiscal and taxation system reforms, develop and refine a modern fiscal framework in line with China's modernization efforts, effectively mitigate fiscal risks, and steadily boost fiscal sustainability.

Jin Liqun stated that Premier Li Qiang's keynote address delivered an encouraging message. On this matter, he expressed three opinions. First, the growth of a modern economy is anchored in a vibrant financial sector and must function within the macro policy framework. Here, the importance of a modern central banking system is vital to guarantee that prudent monetary policies are adaptable and suitable, and to keep liquidity at a reasonable level that aligns with the realities of each development stage. He emphasized that reaching short-term objectives should not compromise long-term interests. For China to maintain stable economic growth, monetary policy must provide robust support.

Second, advance the financial sector's reform, particularly through market-driven adjustments of interest and exchange rates, to ensure that the financial sector operates in a market-oriented fashion. Every country, including China, prioritizes national, economic, financial security, and stability. Only a functional financial market can guarantee its own safety. A closed financial market is like stagnant water: stable but delicate. He believes that China's next fiscal policy should ensure financial resources are directed appropriately. The growth of new quality productive forces should also gain from fiscal policy implementation. Rather than direct subsidies, laying a foundation for them is essential.

Third, China's economic slowdown should not be solely judged

by its growth rate. In absolute terms, China's current economic expansion is generating significantly more wealth than before. China's vast economic foundation means that even one percentage point of growth is unparalleled compared to the past. Bigger economies necessitate more cautious macroeconomic policies. Thus, China's new era economic growth strategy must pivot its development model, allocate funds wisely, prioritize projects with higher investment returns, back high-end manufacturing and high-tech sectors, and channel more financial resources into key projects in strategic and emerging areas.

Furthermore, amid geopolitical pressures and various challenges, Jin Liqun highlighted that the AIIB now comprises 109 members. Enhanced systematic collaboration among members and the establishment of a new multilateral development bank for the 21st century are essential for effectively tackling poverty alleviation and climate change, aiming for the well-being of the population.

In his speech "The Globalization of Innovation Economy," Thomas J. Sargent presented his perspectives and insights on the economic logic behind innovation development and anti-globalization. He offered three views on the economic logic behind innovation development. Firstly, innovation serves as the driving force of economic growth, drawing foreign investment and fostering a culture of continuous trial and error. This approach leads to superior projects and ideas. Naturally, some efforts turn out to be destructive, which might not benefit individuals, but on a collective level, trial and error facilitates more efficient resource

allocation. Secondly, numerous scientists and economists globally advocate for openness and free trade. However, it's important to recognize that technological advancement necessitates certain foundational infrastructure and associated scientific documentation. Lastly, although AI development will lead to the loss of some jobs, it also significantly boosts productivity and creates new ones. In the realm of AI, it's crucial to focus on the concept of "data sets", which simplify and enhance computing capabilities. Simultaneously, data in itself holds no meaning, but the analysis, interpretation, and research of data carry significant value. A professor at UC Berkeley has utilized an AI platform to assist SMEs. Thomas J. Sargent stated that innovation must be surprising and remarkable. The outcomes of innovation cannot be predicted in advance, as it inherently involves risks and uncertainties. Embracing risk and pursuing progress amidst uncertainty epitomizes the entrepreneurial spirit.

Regarding anti-globalization, Thomas J. Sargent believes that its negative impacts are clear. On one hand, monopolies lead to excessively high costs with effects falling short of expectations, hindering development. On the other hand, anti-globalization impedes global scientific and technological advancement. In the future, it is hoped that scientists worldwide can contribute better ways and methods to achieve shared development.

Christopher Pissarides examined the impact of technological advancement on employment and the growth of service sector jobs. He argues that the advent of new technologies won't diminish employment levels but instead will lead to a transformation,

involving workers moving to new sectors and employers adopting new hiring criteria. This is primarily due to new technologies and investments driving structural changes in the economy. Technological advancements and international trade have boosted productivity, leading to a larger portion of the workforce entering the service industry. Consumption of manufactured goods has its limits, whereas demand for services is boundless. Consequently, the service sector offers vast employment opportunities, necessitating the development of service infrastructure, swift adaptation to technological advancements, and the creation of new job roles.

Christopher Pissarides highlighted the need to explore new consumer demands, enhance the domestic supply of services, and encourage service consumption to develop the service industry. For instance, stimulating domestic demand and creating job opportunities in the service sector, particularly in tourism, catering, and medical aesthetics, is essential. Moreover, attracting more labor from other sectors, especially manufacturing, to transition into the service industry is crucial for further boosting employment. Specifically, as China experiences rapid urbanization and industrial technological innovation, many workers will need to transition to jobs in the service industry. There's a need to further expand employment opportunities within China's service sector.

Regarding labor skill enhancement, Christopher Pissarides noted that the transformation of the modern service industry will increasingly incorporate artificial intelligence technology. This necessitates an upgrading of labor skills, particularly for low-skilled workers from industrial and agricultural sectors. According to his

team's research, the demand for IT-related skills is experiencing the most rapid growth in modern service industries, particularly in areas like data processing and analysis. Furthermore, traditional skills such as communication, management, customer service, self-confidence, problem-solving, and data analytics were ranked among the top six in demand. He emphasized that aside from schools offering STEAM education and training for low-skilled workers, enterprises must prioritize training and organize regular training programs.

(China Development Press Authors: Wu Jia, Xu Jing; Reviewer: Yang Liangmin)

--Background Information--

Under the mandate 'Engaging with the world for common prosperity', China Development Forum (CDF) serves as an important platform for Chinese government to carry out candid exchanges and discussions with leaders of global businesses and international organizations as well as foreign and Chinese scholars. Initiated in 2000, CDF has made remarkable contributions for the policy exchange and international collaborations between China and the world.

--Media Contact--

CDRF

Guo Silu 18666028168/64255855-8014

Shi Yafan 13810361966/64255855-8223

Xia Tian 18801375838/64255855-8086

Shi Wanjing 18801090391/64255855-8090

Qiu Kaixian 18301078627/64255855-8103



中国发展研究基金会
China Development Research
Foundation

中国北京东城区安定门外大街138号
皇城国际中心A座15层

邮编: 100011
电话: 86-10-64255855
传真: 86-10-64255855-8100
网址: www.cdrf.org.cn
电邮: cdrf@cdrf.org.cn

Floor15, Tower a, Imperial International Center, No.138
Andingmen Wai Avenue, Dongcheng District, Beijing, 100011, China

Tel: 86-10-64255855
Fax: 86-10-64255855-8100
Website: www.cdrf.org.cn
E-mail: cdrf@cdrf.org.cn