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SPECIAL FEATURE

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The entrepreneurship of private Chinese firms are driving the indigenous innovation efforts as well as posing challenges to international rivals. China's contributions are likely to include innovations that have not been adequately pursued by others, such as new technologies and artificial intelligence. Its capability to innovate the process of innovation itself is also exemplary for foreign competitors to emulate and learn.
- 13 China's Economic Relations with Japan, South Korea and Taiwan Sustained by Persistent Technological Gaps by CHIANG Min-Hua
China's main sources of trade deficits with Japan, South Korea and Taiwan are in capital and technology-intensive products. Despite China's growing technological advancement, Japan, South Korea and Taiwan's large trade surpluses vis-à-vis China (or China's persistently large trade deficits with them) indicate that the three economies still possess more comparative advantages in producing high-technology and capital-intensive goods.
- 24 Technology as a Battleground: US Demands, China's Responses by ZHAO Litao and YIN Xiangru
US President Trump has taken issue with Made in China 2025 not because techno-industrial policies are unique to China. The real concern is that "China is becoming less complementary to the United States and more directly competitive". The United States needs to re-establish itself as an unrivalled leader in the new international technological order in order to engage with China in a high-tech rivalry similar to that of the US-Japan.
- 34 China's E-commerce Development and Its Implication by KONG Tuan Yuen
E-commerce today plays an integral role in China's economic development. Since 2013, the Xi Jinping administration has launched at least four major polices, the Internet Plus Action Plan, Made in China 2025, Mass Innovation and Entrepreneurship, and the Belt and Road Initiative, to support the development of e-commerce. ASEAN countries have also sought active collaboration with China to promote e-commerce in recent years.

ESSAYS

- 46 **The Financialisation of the State Sector in China**
by Barry NAUGHTON
- The 2013 Third Plenum had formulated a broad programme of renewed economic reforms and called for the completion of the conversion of SOEs into corporations that was mostly accomplished by 2018, thus laying the basis for financialisation. The result has been an increasingly interventionist government, steering increasingly important state firms through financial instruments.*
- 61 **China's Rising Financial Risks and Liquidity Problems** by LI Yao
- China's increasing financial risks, the intensifying financing difficulties of the real economy and the escalating Sino-US trade war have brought unprecedented pressure on China's financial reform and opening-up process. Many fundamental problems still exist in China's financial market and regulatory system, such as unclear roles of the government and the market, market segmentation of financial products and so on.*
- 77 **China's Approaches to the South China Sea Code of Conduct Negotiation** by ZHANG Feng
- China's new resolve in the South China Sea Code of Conduct (COC) negotiation is a tactical response to the July 2016 release of the Philippines versus China arbitration ruling. COC activism was, more broadly, meant to preserve regional stability, one of the two goals of China's larger strategy towards the South China Sea, the other being safeguarding rights. China's three-year timetable is a demonstration of its commitment to the process.*
- 87 **Japan's Foreign Talent Policy** by LIM Tai Wei
- The Japanese authorities have emulated Western countries to institute a points system for evaluating immigration eligibility of professionals and highly skilled individuals. Besides foreign talent policies, Japan has also resorted to technologies like robots to meet its manpower needs in labour-intensive and the higher value-added industries.*
- 95 **Major Security Challenges to China's Belt and Road Initiative**
by Li Nan
- China has adopted several major methods to cope with both traditional and non-traditional security challenges to the Belt and Road Initiative. It has, for instance, been enhancing its military capabilities as well as employing Chinese police for overseas law enforcement to safeguard its overseas interests.*
- 104 **Mixed Ownership Reforms of China's State-owned Enterprises**
by Sarah Y TONG and YIN Xiangru
- While the reform of state-owned enterprises (SOEs) is often considered among the top priorities in the Chinese government's agenda, much remains to be achieved. The key features of the mixed ownership reforms are twofold, one is to separate the SOEs into different categories and subject them to varying rules and policies, and the other is to go slow by trial and error and by supplementing policies to respond to new circumstances.*