'One Belt, One Road' initiative, RMB internationalization, Made in China 2025; three policies to push China growth

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As China transitions from being manufacturing hub of the world into a more technology, services and consumption-focused economy, Beijing is pushing for three crucial policies to return the country back on its upward path and stabilize the GDP growth to around 6-7%.

Barry Lau, one of the co-founders of Adamas Asset Management Hong Kong Limited says that the "One Belt, One Road" initiative orchestrated by the Chinese government will be a great contribution to get the economy back on a growth path.

He told participants in the latest Opalesque 2016 China Roundtable, "There will be infrastructure plays but also a lot more, I would say, outbound investments." He added that the primary driver would be to establish the Chinese currency, the RMB, as a more recognized exchange to the neighboring countries.

However, Lau admits this could face a serious challenge under the incoming Donald Trump administration in the U.S. But he still believes that Trump will be focusing first on domestic issues and thus would allow China "to really grow its presence and its significance in and around the region here."

He added, "And therefore, the RMB may well become more freely traded on a much sooner scale than it had previously anticipated. So, I think it's all positive for China, but it will be a bumpy ride for a few months, may even be years, but there will be ample opportunities to make money."

Made in China 2015 is the third key policy

Along with the Renminbi internationalization and the 'One Belt, One Road' initiative, the third major Chinese policy that Beijing is pushing is the 'Made in China 2025 strategy'.

Interestingly, all these policies are closely linked to Germany, said Michael Hsih, the Chief Representative of the Deutsche Boerse Beijing office. Deutsche Boerse has two major cooperation projects with Chinese exchanges. One of them is CEINEX, an established joint venture with the Shanghai Stock Exchange and the China Financial Futures Exchange. The other one is with China Foreign Exchange Trade System.

CEINEX, China Europe International Exchange is based in Frankfurt, so outside of China. This allows the joint venture partners to be a bit more flexible when it comes to offering Chinese products. The initial
purpose of this joint venture was to launch RMB denominated products for the distribution outside China, targeting European, US and also to other Asian investors.

Hsih said, 'We have already shared how Deutsche Boerse reacted to the RMB internationalization. The 'One Belt, One Road' project ends in Rotterdam and passes through Germany. And if you look at 2015, around 26 German companies have been acquired by Chinese companies - the trends relate to the cooperation between the Made in China 2025 and German Industrial 4.0.' And this is because Germany is very good in manufacturing advanced technology products and services, he added.

In the first half of 2016, the number of German companies acquired by Chinese firms has reached 37. Hsih added that he sees the trend that more and more funds are going outside to find opportunities, while China focuses on stabilizing its domestic market. The previous investment opportunities and growth, compared to the past several years, is decreasing. To discover the new potential opportunities, China shall follow the three national policies, he said.

As a result, Hsih is expecting more funds will be invested overseas, especially Europe, where China may cooperate with European companies to promote product, service and technology into the Chinese market.

'Another new model is the concept of the high speed trains. China built a high speed train system with the technology from Japan, France, and from Germany. Now the high speed train covers the 'One Belt, One Road' countries,' Hsih commented.