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## Employment Challenges Facing China: Short-term Shock and Long-run Trend

*Cai Fang*

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The COVID-19 outbreak has adversely affected production and consumption activities, and has impacted China's labor market, leading to cyclical unemployment. Meanwhile, behind such short-term shocks, there are also long-term structural factors that have led to the current predicament. China is about to enter an era of negative population growth, which will further dampen economic growth from both the supply side and the demand side. On the one hand, the shift of economic growth drive to innovation may exacerbate the asymmetry between job creation and job destruction and worsen the imbalance between supply and demand of human capital, pushing up the natural unemployment rate, which has been caused mainly by structural and frictional factors; on the other hand, underemployment and low quality of employment are not conducive to the reasonable improvement in labor remuneration, and will, from the demand side, also lead to economic growth potential being unable to be fully brought out. It should be the priority goal of a pro-active employment policy to provide targeted support for various employment groups, and combine the short-term unemployment governance and the long-term exploration of the potential to create more jobs and improve the quality of employment.

## A New Starting Point for the World Trade Organization: Evaluation of the Outcomes of 12th WTO Ministerial Conference and Prospects

*Lu Xiankun*

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The 12th Ministerial Conference of the World Trade Organization (WTO) was successfully concluded in June 2022, inking a number of agreements on coping with the novel coronavirus pandemic, fishery subsidy, and WTO reform. The conference achieved results that far exceeded expectations. What has been achieved at the meeting will help maintain the multilateral trading system, promote the WTO's role in the formulation of international economic and trade rules, and provide greater multilateral space for the benign interactions among its major members. However, the international political and economic and trade

environment has continued to be complicated, and some deep-rooted contradictions and structural problems of the WTO are yet to be resolved. The WTO will have a long and bumpy road ahead as it still has to cope with multiple challenges.

## China's Household Balance Sheet Estimates (1978–2019)

*Xu Wei and Fu Xiongguang*

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More and more attentions have been paid to the issue of household balance sheet in the wake of the sub-prime mortgage crisis in 2008. However, there lack consistent studies on China's household balance sheet since the start of the reform and opening-up. In this article, on the basis of extensive collection of literature and statistics, we estimate China's household balance sheet during the 1978–2019 period, covering almost all financial assets and major physical assets. As of 2019, the total assets of the Chinese households were valued at about 465 trillion yuan (current price), with financial assets standing at 147 trillion yuan (105,000 yuan per capita) and physical assets, which only include housing and automobiles, amounting to 318 trillion yuan (227,000 yuan per capita). Meanwhile, the total liabilities were about 55.3 trillion yuan (40,000 yuan per capita). The total asset to household disposable income ratio has been roughly at the same level with that of the developed economies, such as the United States, Europe and Japan. But in terms of asset structure, China has a higher proportion of physical assets, such as housing, and a lower ratio and inadequate diversification of financial assets. Moreover, China's household leverage ratio has risen remarkably in recent years, but it has a strong capability of debt repayment, and, therefore, its situation is significantly better than that of the developed countries before the eruption of the sub-prime mortgage crisis. In addition, the change in household leverage ratio is counter-cyclical.

## Development-based Relative Regional Balance: Thought on the Path of China's Regional Development Policy

*Xiang Kuanhu and Lu Ming*

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China has strengthened its regional development policies after 2003. Regional development policies have become the main policy instrument for China to build a rational regional economic pattern and support the development of underdeveloped regions. However, systematic analysis and summarization of the theoretical rationale behind China's regional development policies remain inadequate. This article summarizes the economic logic of the

success and failure of regional development policies, and argues, from both the partial equilibrium effect perspective and the general equilibrium effect perspective, that the evaluation of the effectiveness of regional development policies should be based not only on their impact on targeted regions, but also on their impact on other non-targeted regions and the overall economic efficiency. The article also analyzes, from a broader perspective, the equality of regional development policies, and points out that they should not be used as the main policy tool to pursue regional equality in per capita terms. Based on the above analyses, it points out that in implementing its regional development policies aiming to promote development-based relative balance, China should further utilize the agglomeration effect at the national and regional levels, and, at the same time, promote population mobility and provide targeted support for those who feel it difficult to migrate to other regions, to promote a relative balance in per capita terms.

## SOE Norms in International Economic Treaties and Evolution of China's Stance

*Shen Wei and Fang Li*

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It has been a new trend in the making of international economic and trade agreements (FTAs) to include provisions related to State-owned enterprises (SOEs). Such provisions are based on existing WTO framework of behind-the-border measures and rules and the objectives and characteristics of the competition chapters of FTA between the United States and the European Union. The SOE chapters of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is illustrative of the traits of modern SOEs norms. In the agreement, the SOE-related measures and rules cover a wide range of entities; its definition of commercial considerations and non-discrimination obligations has been strengthened; and it has also defined SOE-specific subsidy rules, put forward higher transparency standards, and reflected the "hardening" trend of the competitive neutrality concept. Starting with acceptance of WTO-plus obligations, China's paradigm on SOE norms is shifting into a more proactive role of participant after decades of exploration and transition. China should deal with the multiple facets of SOE norms and their impacts prudently, make use of the competitive neutrality concept to guide domestic reforms, and, at the same time, make SOEs norms more balanced and inclusive.

## Impact of Strengthened Regulation on Chinese Stocks Listed in the US Market

*Xiong Qiyue, Zhao Xueqing and Zou Ziang*

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The United States is a major overseas market for Chinese companies aiming to go public. In recent years, US regulators have continued to enhance its regulatory policies on US-listed Chinese stocks, including expanding the scope of restriction of the purchase and sale of publicly traded securities of listed Chinese companies, introducing and accelerating the implementation of the Holding Foreign Companies Accountable Act, and strengthening the control and information disclosure requirements on variable interest entity (VIE) enterprises. The above-mentioned policies have put more de-listing pressure on most US-listed Chinese stocks, complicated cross-border capital flow, and weakened the financing function of the US capital market for Chinese companies. Meanwhile, the price volatility of US-listed Chinese stocks has increased to have a negative and contagious impact on the stock markets of Chinese Hong Kong and Mainland. China should gradually reduce the reliance of its enterprises in sensitive industries on the US capital market, guide overseas-listed companies to improve corporate governance in accordance with international rules, prevent the risk contagious effects of non-bank financial institutions, and strengthen short-term capital flow management and cross-border financial supervision coordination and communication.

## Implementation of the Debt Service Suspension Initiative: Traditional and Emerging Creditors Competing or International Capital Market Constraining?

*Wang Zhao and Feng Kai*

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The G20 announced the bilateral sovereign debt service suspension plan in early 2020, when the COVID-19 pandemic first erupted, for the 73 poorest countries to ease their debt predicament as a result of the novel coronavirus; it represents the first coordinated debt relief initiative between China and the West. However, more than one third of the poorest debtor countries eligible for joining the debt service suspension initiative have so far declined to accept it. Researchers have generally attributed the refusal to competition between traditional and new creditor countries. This article argues that, apart from the factor of emerging creditor countries, two major structural changes have occurred in the North-South sovereign debt relationship since the 1980s. One is the combination of debt relief and global aid programs; the other is the securitization of sovereign debts. As a result, pushed by the debt relief aid initiatives of the West, many developing countries, even the poorest ones, have issued sovereign bonds to finance for their development.

Those debtor countries may suffer from credit rating downgrades, increased borrowing costs, and even lost access to the international capital markets if they accept the G20 debt relief initiative. It is of great significance to understand the constraining effect of the international capital market on intergovernmental debt relief since it is important for China to push coordination between traditional and new creditor countries in the post-epidemic era and promote structural changes in global debt governance.

## Research Progress on the Missing Inflation Puzzle and the Validity of Phillips Curve

*Wu Liyuan and Liao Shiwei*

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Around the eruption of the global financial crisis in 2008, the real economy performance, represented by unemployment rate, fluctuated greatly, but inflation remained quite stable, which posed a serious challenge to people's long-held belief that there is a significant trade-off between inflation and unemployment, as described in the Phillips Curve theory. This missing inflation puzzle not only casts doubt on the validity of the Phillips Curve theory, but also causes great confusion and difficulty in understanding and predicting inflation. Since the global financial crisis, a large number of papers have studied this issue, but their conclusions are controversial. Moreover, there have been few comprehensive reviews of those studies. In an attempt to present the logic of literature debate, this article systematically combs the relevant research, and summarizes the explanations of the missing inflation puzzle in the current literature from five perspectives: measurement factors, the change of inflation expectations, the fluctuation of marginal cost volatility, the flattening of the Phillips curve, and the transformation of monetary policy framework. On that basis, it also combs the debates about the validity of the Phillips Curve theory and concludes that most studies find that it is still valid, although those who have verified its validity hold four different views. Finally, the article discusses the meaning of the main conclusions mentioned above for the future trend of inflation and monetary policy-making, before reviewing the shortcomings of existing studies.