

World wants to be part of China's remaking: Tharman

[SINGAPORE] While there will be risks as China rolls out its reform blueprint for the coming decade, the world's second-largest economy is filled with "tremendous potential" and one in which the rest of the world will want to have a stake in.

"China will be an economy with plenty of opportunities for the rest of us," said Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam at the start of the Singapore Management University's

(SMU) inaugural China Forum yesterday.

More than 300 people attended the day-long event, including China Ambassador to Singapore Duan Jielong and former World Bank chief economist Justin Lin.

Mr Tharman's comments came a day after China's ruling Communist party outlined sweeping reforms in promising a bigger role for the free market in the country's state-dominated economy.

In his 20-minute

speech, Mr Tharman said that he remained optimistic about China's future, even as he acknowledged that this would be the "most complex" structural reform task that any country had faced in the last 50 years.

"China is embarking on it with a forward-looking attitude. It recognises the complexity but it is not going to be without risks. It would be naive to think that this is going to be a risk-less process."

China is still coping with the excesses of the previous stimulus package that was introduced during the 2008-09 global financial crisis. The Chinese leaders will also have to deal with the interdependence between the reforms that they

want to undertake.

"It's not possible to have financial sector reform without state-owned enterprise reforms," Mr Tharman said. "It's not possible to have successful urbanisation without reform to the household registration system progressively.

"Each reform carries risks – economic, social, sometimes political – and the interdependence of reforms does not neutralise those risks. It sometimes compounds them."

Still, Mr Tharman said that countries naturally want to be a part of China's transformation because the country is the "major source of economic growth" in the world today.

Mr Lin, who is now a

professor at Peking University, later told the audience that he predicted that China would grow by an average of 8 per cent a year for the next 20 years. As for 2014, he forecasts that GDP growth would reach 7.5-8 per cent at the very least.

Mr Tharman noted that China would have to overcome several challenges in coming years. For one, it could no longer rely on its labour market as an engine of growth for the economy, given that the number of young people entering the workforce is already starting to decline.

Where China can do well, however, is in improving its productivity levels. With a much more diverse and larger economy com-

pared to Japan and South Korea, Mr Tharman said, China's many provinces such as Sichuan had yet to realise its potential in raising productivity.

There is also much scope for China in terms of urbanisation as more people move to the cities, while the growing connectivity between regions will also help boost demand through greater investment, he said.

SMU organised yesterday's forum as part of its efforts to strengthen and deepen its own engagement with China. The university hopes to hold the event on a regular basis, alternating between Singapore and China.