

DPM Tharman optimistic over China's reforms

By Linette Lim

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DPM and Finance Minister Tharman Shanmugaratnam (Photo: Ministry of Finance)

SINGAPORE: China is facing the most complex structural reform task any country has faced in the last fifty years -- this is according to Singapore Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam, who was speaking at a forum on China organised by the Singapore Management University.

He said the rest of Asia and the world has a stake in China's successful transformation.

China's Third Plenum, a four-day closed-door meeting, has just been concluded. The meeting is widely seen as a platform for Chinese leaders to launch far-reaching reforms.

While the detailed reform plans will only be spelt out in the coming months, Mr Tharman said he is optimistic about the country.

He added: "There are risks involved in China's reforms package. They will have to go about it with the pragmatism that they have shown so far, but this is an economy with tremendous

potential left -- not just going by (the) historical experience of other countries, but going by its own inherent potential to move to a more efficient platform for growth.

"And it will be an economy where there will be plenty of opportunities for the rest of us."

Others are equally positive about China. Professor Justin Lin -- a former chief economist at the World Bank -- said the Chinese economy has the potential to grow at 8 per cent every year for another two decades. However, this will depend on the success of the reforms undertaken.

He said the reforms must also address China's income gap, so as to maintain social stability.

Prof Lin, who is now honorary dean and professor at the National School of Development of Peking University, said: "The roots of the income disparities is the distortions -- in the financial sectors, in the resource sectors, and in the monopolies.

"So if the Chinese government carries out the reform recommendations as discussed in the third plenary session, I think the roots of the income disparity can be removed."

Besides facing the challenge of shifting to greater consumption-driven growth, the Chinese economy is also dealing some of the negative effects of a US\$656 billion stimulus package, unveiled after the 2008 global financial crisis.

The stimulus has led to concerns over excessive lending and infrastructure investment.

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