

# China has big growth prospects: Tharman

By CHIA YAN MIN

CHINA'S economic growth may be slowing as it tackles some short-term challenges but there remains much potential there, said Deputy Prime Minister Tharman Shanmugaratnam yesterday.

Mr Tharman told the Singapore Management University's inaugural China Forum that while the process of reform will be risky, China has tremendous growth prospects that can benefit the rest of Asia.

China's leadership concluded its four-day policy summit on Tuesday with a communique promising a bigger role for the free market in the country's state-dominated economy.

Mr Tharman, who is also Finance Minister, said that the country has exhausted its scope for labour force growth but the economy "still has significant upside for productivity".

"Connectivity between regions in China is spurring not just investment opportunities but also

the domestic convergence of productivity," he added.

China has further scope to bring productivity on a par with countries that are global leaders by shifting resources from rural to urban areas, eliminating the inefficiencies from its legacy of central planning and tapping new technologies.

"Convergence and moving from middle income to upper income remains a story that has yet to be written among the emerging economies of the last 20 years, and China intends to write that story," noted Mr Tharman.

However, the nature of the reforms required to move the country beyond middle-income status are much deeper and more far-reaching than those required to escape poverty, and there are still risks involved in China's outlook, said Mr Tharman.

The country's policymakers are grappling with the "overlapping challenges" of re-gearing its economy for long-term growth, while having to "mitigate the excesses"

of the stimulus package implemented during the global financial crisis.

"The combination of those challenges means having to take some short-term pain in order to achieve long-term gain," said Mr Tharman.

"This is a new phase of transformation for China as an economy and as a society."

The interdependence between the reforms being embraced – as outlined in the communique issued on Tuesday – further contributes to the complexity, he added.

"Each reform carries risk, and the interdependence of the various reforms... compounds those risks. This is why the communique... concluded that China has to take a pragmatic approach of crossing the river by feeling the stones."

China is embarking on the "most complex structural reform task that any country has faced in the last 50 years", and the rest of the world has a stake in it succeed-

ing and sustaining growth by moving up the value chain, said Mr Tharman.

Former World Bank chief economist Justin Lin, said he is optimistic about the outlook for China, and expects its gross domestic product to grow between 7.5 per cent and 8 per cent next year.

"The driver of China's rapid economic growth is the 'advantage of backwardness'... For instance, the income gap between the rich and the poor is still much larger in China compared to the United States," said Professor Lin at the event.

"The reforms aim to remove some of the distortions that are preventing the market from playing a key role in resource allocation," he added.

OCBC economist Tommy Xie said Tuesday's communique reiterated that China's leaders are likely to "maintain the main role of public ownership (in the economy), signalling that the pace of reform is unlikely to be drastic".

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