

19th CPC NATIONAL CONGRESS | International perspective

Q&A | BEN BINGHAM

Fruits of growth shared broadly

The Chinese government has ensured economic, financial and social stability and made progress in implementing reforms

Can you summarize the greatest achievements of the Chinese government and the Asian Development Bank in the past five years?

The ADB has assisted China to sustainably reduce poverty and better manage vulnerability through a robust and nationally integrated social policy, to mitigate the drivers of inequality. This involves a two-pronged approach to reduce local poverty and better protect global public goods, and to secure and smooth China's economic restructuring and transition toward a modern social services sector.

How do you rate China's economic growth and business opportunities in the past five years? What is the biggest challenge it faces, and how can it overcome it?

Over the past five years, the government has managed to maintain sufficiently high GDP growth and ensured economic, financial and social stability. It has also made

progress in implementing reforms in most of the roughly 60 areas of reform outlined by the Party in November 2013.

With growth on a more solid footing at this juncture, the policy focus has shifted more to addressing risks to financial stability. Once implemented, the decisions made at the National Financial Work Conference will further mitigate financial risks by providing an institutional framework for sector regulators to work together to head off incidents and contain their fallout.

Another challenge is to find the right balance between government intervention and letting markets play a decisive role. Substantial progress has been made over the past two years; for instance, with reducing excess industrial capacity and the housing overhang, and government intervention played a critical role here. However, it is also broadly accepted that well-regulated and competitive markets



Ben Bingham, China director for the Asian Development Bank.

are critical for increasing economic efficiency and productivity. This is exactly what China needs to achieve a high-income economy in the coming years.

What valuable experiences can China offer other regions and

countries to boost their own development?

From its opening-up in 1978 to 2016, China achieved a consistent annual growth rate of almost 10 percent. This growth rate is phenomenal, and has led to the country becoming one of the top economies in the world.

In addition, the fruits of this rapid growth were broadly shared. Living standards rose tremendously, and there have been many achievements in eradicating poverty. During these years of rapid economic growth, China has managed to lift more than 800 million out of poverty. By its own thresholds, poverty in urban areas has largely been eradicated, and the country is on track to eliminate rural poverty by 2020 as planned. In 2016, only 43.3 million rural poor remained (compared with 122.4 million in 2011).

One reason for its success is that it has devoted a large portion of its GDP to infrastructure investment

compared with other developing countries in Asia. China has shown how an economy can achieve rapid growth by drawing on market systems and open trade and investment relations with partner countries. The government's five-year plans, with their clear vision, have played an important role, and have helped attract private sector investment in infrastructure.

Can you tell us a bit about the progress that has been achieved in projects cofinanced by the Asian Infrastructure Investment Bank and the ADB?

The ADB signed a memorandum of understanding with the AIIB (on May 2, 2016) to strengthen cooperation, including through jointly financing projects. We hope to broaden our partnership in the spirit of collaboration, rather than competition. The ADB has already cofinanced four projects with the AIIB.

Q&A | MARGIT MOLNAR

Performance beyond expectations

Expert from OECD praises stable growth and innovation advances but warns about local government debt

What's your biggest expectation for the 19th CPC National Congress?

An important issue is how to ensure stable and inclusive growth in the coming years. To unleash additional growth engines, the current momentum of reforms should continue. These broadly include reforms that boost productivity, such as improving the utilization of innovation outputs or reducing the burden on doing business, and reforms that improve inclusiveness, for example, reforms ensuring equal access to a certain quality of public services nationwide.

What economic indicators have increased your confidence about the Chinese economy?

H1 performance was beyond expectations. After such a strong first half, it would be hard to have a weak

2017, given the carry-over effects. In the first half of the year, we saw strong industrial production growth (which was particularly strong in some new and high-tech sectors, such as robotics) as well as the recovery of enterprise profits and, on the demand side, strong growth of infrastructure investment. Also, external sector recovery contributed to the strong growth performance.

What are the big challenges ahead for China's economy?

Most people have ruled out the possibility of a hard landing in China, but it is important to ensure that some sources of vulnerability do not derail the growth process. Corporate leverage is still high, though it has moderated somewhat, judging from recent data. Another issue is local debt. Implicit and contingent sub-national government debt has



Margit Molnar, head of the China Desk of the economics department of the Organization for Economic Cooperation and Development (OECD).

continued to accumulate through increasingly innovative ways and has necessitated a new set of regulations.

Without the removal of implicit guarantees, however, it is difficult to stop debt accumulation.

What valuable experiences can China offer other regions and countries to boost their own development?

In a short period China has become the top innovator in the world. It has overtaken the United States in terms of the number of patents filed recently, and it is well ahead of other countries in terms of mobile apps and the shared economy. An important lesson to learn from China is how to channel funds for purposes that are deemed important for long-term growth, such as innovation-oriented research and how to create an environment for certain innovations to thrive. I would also add that utilization or commercialization of inno-

vation is equally important, and that the environment for innovation needs to be properly covered by regulations to ensure a level playing field.

How would you summarize the achievements of relations between the OECD and Chinese authorities?

Having been able to follow this cooperation for nearly 20 years, I would say agreeing on producing economic surveys with government support across the board was a milestone in our relations. We also produced a report on intergovernmental fiscal relations, which received support from across the government. Then, we have received a large number of people seconded from various Chinese government agencies, while China has joined a number of our committees.