

Year of economic progress

China's growth exceeds expectations in 2017, reforms gain momentum and the Belt and Road bolsters global trade connections

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From an economic perspective, 2017 was a good year for China as President Xi Jinping led the continued push to build a "moderately prosperous society" by 2020 while at the same time pursuing growth sustainability.

With the end of 2017 upon us, the prospects for the Chinese economy remain solid. The World Bank on Dec 19 raised its forecast for China's economic growth in 2017 to 6.8 percent, up from the 6.7 percent projection in October, surpassing the official target of around 6.5 percent.

At the annual Central Economic Work Conference from Dec 18 to 20, officials led by Xi gathered for the first big policy meeting since the 19th National Congress of the Communist Party of China in October. Their discussions were based on a relatively solid economic performance at home and an ongoing global recovery, but also some political headwinds from the United States, where President Donald Trump recently named China as a strategic competitor.

"China has maintained its growth resilience and gained reform momentum. The authorities have undertaken a host of policy and regulatory measures aimed at reducing macroeconomic imbalances and limiting financial risks without notable impact on growth," said John Litwack, the World Bank's lead economist for China.

"As a result, 2017 has been a successful year for China on many fronts. Economic rebalancing received a boost — the growth of household incomes and consumption accelerated this year relative to investment."

The year has seen regional connections and Chinese commerce come together to pay off handsomely for all. With the ideals of free trade and globalization under attack from the very countries that once championed them, China and Xi have emerged as key champions of globalization.

"China's open door will not be closed, it will only be opened wider," said Xi during his speech at the Party Congress, in which he underlined China's willingness to emerge as a global leader. He said the country would liberalize its services sector, commit to negotiating more free trade agreements and push forward with the ambitious Belt and Road Initiative — the China-led drive to boost trade and connectivity by reviving the ancient Silk Road routes.

Xi also said the government will "promote strengthening, improvement and expansion of State capital,



A fully loaded container vessel waits outside a container terminal in Singapore on Feb 9. China has been the largest trading partner of the Association of Southeast Asian Nations for the last seven years. AFP

(and) effectively prevent loss of State assets, deepen reform of State-owned enterprises, develop a mixed-ownership economy and cultivate globally competitive world-class firms"

Globalization push

The goal is to shore up the domestic economy with global trade, strengthened by the Belt and Road Initiative.

Patrick Ip, managing director of the China-ASEAN Investment Cooperation Fund, said that with the US turning toward protectionism, the United Kingdom stepping away from the European Union and Japan battling a sluggish economy, "there is increasing room for a new superpower to emerge and lead the push toward globalization around the world generally and in Asia specifically."

The China-ASEAN Investment Cooperation Fund is sponsored by the Export-Import Bank of China and works under the State Council, China's cabinet, and economic planning body the National Development and Reform Commission.

The World Bank's recently adjusted forecast is attributed to rising household incomes and improving external demand.

One way China is facilitating that

external demand is through the sprawling Belt and Road Initiative that became increasingly prominent this year, with growing amounts of investment, the inclusion of more countries, and the launch of more projects aimed at improving the infrastructure of trade in Asia, Africa, Europe and the Middle East.

"We have signed Belt and Road cooperation agreements with 80 countries and organizations, conducted institutionalized cooperation on industrial capacity with over 30 countries, and built 75 overseas economic and trade cooperation zones in 24 countries under the Belt and Road framework," said China's Foreign Minister Wang Yi during a Dec 11 speech in Beijing at the Symposium on International Developments and China's Diplomacy in 2017.

"Chinese businesses have invested over \$50 billion and created near 200,000 local jobs in countries along the Belt and Road," Wang said.

China's growing role of global leader has been particularly visible in its relationship with the 10 members of the Association of Southeast Asian Nations (ASEAN). In large part due to its investments linked to the Belt and Road Initiative, China is not only helping shore up trade but is also facilitating development by

helping meet one of the most pressing needs in the region — infrastructure.

A new report by law firm Baker McKenzie and consultancy Silk Road Associates places the value for new Belt and Road projects at around \$350 billion over the next five years. With China providing funding, expertise and material for those projects, the Belt and Road itself creates opportunity for Chinese companies to find new markets.

However, China's growth is not only fed by recent initiatives. And its rising global stature this year is not the result of a single year's efforts, but rather, the work of several decades.

Long-term vision

"Sustained rapid growth in (the People's Republic of China) since 1978 and the economy's transformation into a regional and global economic giant have contributed to sustained rapid growth in ASEAN and developing Asia as a whole," said Minsoo Lee, a senior economist at the Asian Development Bank (ADB).

"The positive economic impact of the spectacular rise of the PRC has been most tangible in how East Asia and ASEAN collectively form 'factory Asia', with the PRC at its center. The

impact was not confined to those economies but reverberated across the whole region."

According to the ADB, China has been ASEAN's largest trading partner for the last seven years while ASEAN has been China's third-largest trading partner for the last four years. And this expanded relationship may be at a relatively nascent stage. ASEAN has projected that total two-way trade between the bloc and China will reach \$1 trillion by 2020.

Terence Foo, a co-managing partner at the Beijing office of international law firm Clifford Chance, believes there is plenty of room for growth.

"We are likely to see more cooperation due to the Belt and Road Initiative. China clearly sees ASEAN as an important relationship to nurture for that," Foo said.

And with Japan indicating a readiness to cooperate with the initiative, China now has a powerful new partner in opening up economic possibilities in the region.

"I believe Japan will be able to cooperate well with China, which has been putting forward its (Belt and Road Initiative) in a "free and open Indo-Pacific region", Japanese Prime Minister Shinzo Abe said at the third Sino-Japanese Entrepreneurs and Former High-level Officials Dialogue held in Tokyo recently.

"Meeting robust infrastructure demand in Asia through cooperation between Japan and China will contribute greatly to the prosperity of Asian people, in addition to the economic development of the two countries."

Despite growth exceeding expectations this year, the World Bank predicts that GDP growth may decelerate to 6.4 percent in 2018 and 6.3 percent in 2019.

"Favorable economic conditions make this a particularly opportune time to further reduce macroeconomic vulnerabilities and pursue reforms that target 'better quality, more efficient, fairer, and more sustainable development', as emphasized by President Xi during the 19th Party Congress in October," said Elitza Mileva, a senior economist at the World Bank.

The Washington-based lender cites prudent monetary policy, stricter financial sector regulation, and the Chinese government's continuing efforts to restructure the economy and to rein in the pace of leveraging as factors for growth moderation.

Foreign Minister Wang, in his symposium speech, said: "The outgoing year 2017 is of special, high significance to both China and the world."