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TWO SESSIONS:

The future of economy will be inclusive and broader-based

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Douglas McWilliams, deputy chairman of the Centre for Economics and Business Research, the London-based economics consultancy, says China's adjustment to a higher-quality growth model could happen automatically, rather than be forced by policy changes.

"Labor shortages are leading to higher wages and higher productivity, which will bring about the change on its own. Growth, however, needs to be more evenly spread regionally. Western China, in particular, needs to catch up. The savings ratio also needs to fall, and working hours need to adjust to give a better work/life balance," he says.

Edward Tse, managing director of Gao Feng Advisory and an expert on China's tech industry sector, believes China's new industry sectors are already generating high-quality growth.

"Internet-based businesses ranging from e-commerce to car-hailing services have been growing twice as quickly as China's overall economy for the past 10 years. I expect the contribution from the new economy to continue in 2018, along with an increase in consumption and investment as well as trade."

With China expecting to contribute 35 percent of global growth this year, according to the International Monetary Fund, financial markets across the world will also pay close attention to the government's growth target.

Last year, the figure was set at "around 6.5 percent, or higher if possible" and was comfortably achieved with GDP rising 6.9 percent in 2017 — the first time annual growth has accelerated since 2010.

China still needs to grow at a relatively fast pace to meet the government's aim of becoming a "moderately well off society" by 2020, in time for the following year's 100th anniversary of the founding of the Communist Party of China (CPC). To achieve this, it needs to double the 2010 GDP per capita income level.

George Magnus, an associate at the Oxford University China Centre and an expert on the China economy, expects the government target to remain at "around 6.5 percent".

"China looks to me to be well on course to meet the 2020 goal. On my reckoning, 6.2 percent per annum should do it. So there is even a bit of a cushion if things go slightly awry for any reason. China can now afford a bit of a tradeoff between the quantity and quality of growth in future," he says.

Louis Kuijs, Hong Kong-based Asia head of economics consultancy Oxford Economics, also expects a target in line with the 6.5 percent of last year, although he believes there are risks of excessive credit growth to achieve it.

"Since China's leadership is intent on meeting the 2020 target, it is likely it will be met, even though this implies only a moderate slowdown in credit growth, with credit already continuing to outpace nominal GDP growth this year."

However, Tse, also author of *China's Disruptors: How Alibaba, Xiaomi, Tencent, and Other Companies Are Changing the Rules of Business*, does not believe 6.5 percent is unrealistic or excessive.

"The perennial prediction of the 'coming collapse of China' is unlikely to happen, yet again."

McWilliams, of the Centre for Economics and Business Research, says the major risk to China not meeting its 2020 target comes from global factors outside of Beijing's control.

"The goal is likely to be met but it is not certain. There is a major world recession building up as the global debt problem unwinds. My best guess is that this will emerge between 2020 and 2025. China this time will be much more affected than it was by the global financial crisis," he says.

It has been suggested that China may soon move away from setting ambitious growth targets.

Neither of the future long-term targets of becoming a global technology leader by 2035 or a "great modern socialist country" by 2050 set out by General Secretary Xi Jinping in his report to the 19th National Congress of the CPC in October came with numbers attached.

"It is still an open question," says Kuijs. "Clearly many experts, including me, would recommend abandoning specific targets for growth. Setting targets, however, remains a crucial element of economic policymaking in China's vast government system."

Magnus at Oxford University believes the government's overall economic strategy would benefit if the government abandoned targets and made growth forecasts instead — the practice in most advanced economies.

"It would be a positive develop-

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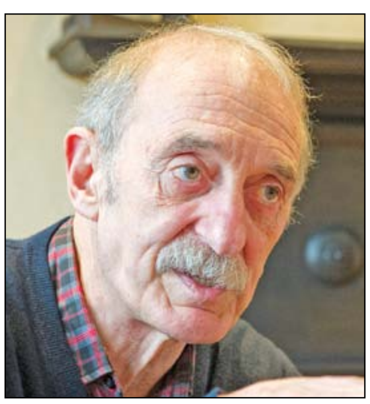
Workers assemble cars in a production line in Cangzhou, North China's Hebei province. MOU YU / XINHUA



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