

Reforms set to accelerate development

Boao Forum will bring delegates up to speed with China's achievements and outline its next stage of innovation-driven growth

By DAVID HO

The Boao Forum for Asia Annual Conference 2018 coincides with a significant marker of modern Chinese history — the 40th anniversary year of China's reform and opening-up.

During his New Year address, President Xi Jinping mentioned that reform and opening-up would be the only way for modern China to make progress in its development and to realize the Chinese Dream.

"With the 40th anniversary of the reform and opening-up policy as a turning point, we shall cut paths through mountains and build bridges across rivers, overcome all difficulties and carry reform through to the end," Xi said.

One would be hard pressed to dispute China's achievements since its initial reform and opening-up.

"Looking back, China has accomplished more in 40 years than most developed countries. Lifting 800 million people out of poverty is not a feat that other countries can claim," Terence Foo, co-managing partner at the Beijing office of international legal firm Clifford Chance, told *China Daily Asia Weekly*.

Stephen Groff, vice-president of the Asian Development Bank, said: "Poverty levels in China have fallen significantly. While 250 million people in rural areas lived below the national poverty line in 1978, the figure fell to 30 million at the end of 2017. China is advancing toward its target of eradicating absolute poverty by 2020.

"The country's rapid economic growth has transformed the country from one of the poorest in the world to the level of an upper-middle income country," said Groff.

Tan Eng Chye, president of the National University of Singapore and a delegate to the April 8-11 Boao Forum, in South China's Hainan province, also had high praise for the benefits of Chinese reform.

"China has achieved economic miracles through its four decades of reform and opening-up. Today, it is the world's second largest economy and the largest economy in Asia," Tan said.

"The wide-ranging reforms have fundamentally changed China's socioeconomic status, and influenced the global economic structure. The industrial supply chains in East Asia have been reshaped by China's emergence as a global manufacturing base, which is closely connected to the country's reforms and efforts at opening up," said Tan.

Under Xi's leadership, China has pledged even further reform and opening-up. Tan suggests this is "an evolving marketization process that the whole world is watching closely".

Productivity growth

Chua Han Teng, head of Asia country risk and financial markets at BMI Research, said: "We believe that China remains committed to reforming and opening up the economy even after 40 years of shifting toward a socialist market economy. Chinese policymakers are aware that continued reforms will help to unlock productivity growth, at a time when the demographic profile is set to weaken.

"In our view, Beijing will press forward with reforming State-owned enterprises, undertaking supply-side reforms, liberalizing various sectors to foreign participation, as well as encouraging greater yuan flexibility in order to grow (the Chinese currency's) international usage," Chua said. Chinese State Councilor and Foreign Minister Wang Yi confirmed that attendees at the Boao Forum "will hear a series of new important measures on reforms and opening-up".

A number of reforms are expected this year. For starters, China is extending its anti-graft campaign.

The National Supervisory Commission (NSC), the country's highest anti-corruption agency, was established at the most recent National People's Congress in March. The NSC replaces the Central Commission for Discipline Inspection, but has a wider reach as it covers public servants and rural officials.

Financial reforms are also set to continue, as the authorities agreed to maintain efforts in the crackdown on irregular and illegal activities in the sector.

Chinese authorities have already



Maritime officers checking fire-fighting equipment on board a vessel in Boao, Hainan province, on March 28.

YANG GUANYU / XINHUA

been taking measures to curb wrongdoing by public officials in the rapidly expanding financial market.

Institutions like banks, insurers and securities firms that once earned easy and sizeable profits are now under greater scrutiny. Some have received heavy fines for flouting market rules, and Internet finance or 'shadow banking' companies are facing increasingly stringent rules.

And there has been progress on other fronts of the economy, including deleveraging, destocking, lowering costs and enhancing weak links.

China's wide-ranging structural reforms, designed to improve the supply side of the economy, are also expected to be stepped up this year.

"Guided by the innovative, coordinated, green, open and inclusive approach to development, China will focus on supply-side structural reform, and advance strategic adjustment and upgrading of its economy," Foreign Minister Wang said last month.

Another focus of the reforms is to overcome overcapacity and bring about a greener China with a shift to cleaner energy sources. Last year, the Middle Kingdom slashed over 50 million metric tons of steel production capacity and 250 million tons of coal capacity, both outperforming the annual targets.

Reforms of State-owned enterprises will also be on the agenda this year as the government will expect them to play a bigger role in leading cuts to excess capacity. They will also likely be expected to keep the debt ratio under control and drive inclusive and sustainable economic development.

As well as the major changes these reforms will create domestically, they are expected to make waves across the region.

"Many Asian countries are still in the process of industrialization and

marketization. China's economic success over the past four decades provides the blueprint and know-how for countries keen to transform their economies," said Tan of the National University of Singapore.

Tan also believes that China's experiences in poverty alleviation, infrastructure building, as well as high-tech research and development, could help other developing countries formulate successful economic policies adapted to their own unique situations.

"To achieve the goals of openness and innovation in Asia, open dialogue must continue on vital free trade initiatives," said Tan.

He pointed out that governments should be encouraged to continue opening up their economies and to avoid using protectionist measures in trade disputes.

Digital economy

Aside from reforms, China's focus on innovation is also a key driver in the region's direction.

"China has accelerated its focus on high-quality, value-added growth through innovation," Sabrina Lin, vice-president at the Hong Kong University of Science and Technology and a delegate at the Boao Forum, told *China Daily Asia Weekly*.

"The country is investing heavily to promote an integration of the Internet, big data, and artificial intelligence with the real economy, and through the Belt and Road and Greater Bay Area initiatives it seeks to foster collaboration on the digital economy, sharing economy and green energy both internally and across the region," said Lin.

From WeChat and AliPay to artificial intelligence and bike-sharing apps, China's innovative companies could champion change in Asia.

"The innovation of some Chinese technology companies has caught

the world by surprise. China historically lacked the West's developed brick-and-mortar stores, which led Chinese consumers with smartphones to embrace e-commerce in a big way," said Foo of Clifford Chance.

"At the same time, the sharing economy also took off in China. Some of these innovations are catching on in the rest of Asia, such as the use of Chinese bike-sharing apps and Chinese e-payment platforms in some Southeast Asian countries," said Foo.

Amid all the positives, however, there are issues to be overcome going forward.

"The path ahead has many pressing challenges, such as financial sector reform, *hukou* (urban household registration system) reform and rising social inequality," Foo said of China's domestic considerations.

Closer examination of the region's growth is also required.

"Developing Asian countries including China are all very open economies and have benefited greatly from open trade," said Groff of the Asian Development Bank. "It is also clear that we must pay close attention to the quality of that growth, in addition to its quantity. Quality relates to how such growth affects inequality, gender, environment and climate," he added.

After the Boao Forum, the rest of Asia should be more up to speed with China's new direction and better equipped to work together cohesively.

"Asia today is a strong driver of growth for the global economy," said Tan.

"Asia could unleash its tremendous potential by further tapping its human capital and natural resources, while working together wherever possible to raise the quality of infrastructure, education and technological developments in the region."