

China as a Global Player

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Thirty years ago China launched economic reforms that would transform the country and its place in the world. At a speed no one could have predicted even a decade ago, the nation has re-emerged as a global player on multiple fronts.

Consider China's progress in technology. As the Annual Meeting of the New Champions 2008 was getting underway in Tianjin, a Chinese astronaut was making the nation's first-ever space walk. On the diplomatic front, Beijing's hosting of the 29th Olympic Games in August was regarded as a major success, despite some critical overseas coverage at the outset. But it is in the arena of economics that China's gains are most apparent.

Prior to travelling to Tianjin to deliver the opening address at the Annual Meeting of the New Champions, Premier Wen Jiabao spoke before the UN General Assembly in New York of China's ongoing efforts to fulfil the Millennium Development Goals. "China has brought down the number of people in absolute poverty from 250 million to 15 million in less than 30 years," he said. With its economic achievements well certified, China now stands as a haven of economic stability at a time when the US and other developed economies are engulfed in financial turmoil and entering what could be a prolonged recession.

More important, its longer term economic outlook appears strong, underpinned by an expanding middle class and growing investments in technology. China's export-led economy is certainly not immune to a global slowdown that originates from the US credit crunch and liquidity crisis.

Liu Mingkang, Chairman of the China Banking Regulatory Commission, predicted GDP growth could slide from 11% to 9%. However, even if exports fall, Chinese firms can expect to profit from the country's growing consumer market.

One of Beijing's top priorities in recent years has been to wean the economy off its reliance on exports and encourage the growth of the domestic market. As Alibaba Chairman and Chief Executive Officer Jack Ma Yun said, "the future of China is domestic demand and consumption."

The government is also seeking to transform China from a country best known for its low-cost manufacturing to one respected for its innovative capacity. "The most important thing for China is human intellectual capital," said Guo Shuqing, Chairman of China Construction Bank.

"In the coming 10 to 20 years, we will have to transform to an innovation-driven growth model." China has already emerged as a preferred destination for R&D investment, both foreign and domestic. Beijing has set a goal to increase national spending on R&D from 1.4% of GDP in 2005 to 2.5% by 2020. Domestic technology leaders predict that in the next decade, China will for the first time create globally relevant technology standards. China's sturdy economic fundamentals and high ambitions are all the more striking against the current backdrop of financial turbulence in the West.

In light of the nation's nearly US\$ 2 trillion in foreign reserves and its US\$ 200 billion sovereign wealth fund, it is no surprise that some foreigners perceive China as a potential economic saviour amid deepening global troubles. Indeed, one near-term challenge for China will be managing international expectations about just how much help it will be able to provide to the rest of the

world.

Its own leaders view China still as a developing country that needs time to mature – a nation hardly prepared to assume the mantle of global leader. They are also wary of the political blowback that can come with any attention-grabbing moves. But those who point to China's rapid ascent up the global economic rankings are less patient as they see the country as possessing characteristics of both an industrialized and developing economy.

There is perhaps no better indicator of China's growing clout than the recent calls for it to become more active in global governance institutions. "I think with this flat world in which we live, China has a bigger role to play in line with its current position as one of the leading countries of the world," said Publicis Group Chairman and Chief Executive Officer Maurice Lévy. Some have gone so far as to argue that China risks becoming a "free rider" on the international stage, reaping the benefits of its growing international influence without playing as active a role in shaping the global financial and geopolitical agenda as it should.

That said, the Group of Seven economies has yet to expand its roster to include on a permanent basis major emerging economies such as Russia, Brazil, India and China in its regular deliberations on global economic governance.

Yet there also remains a strong consensus among Chinese elites that the nation is not yet ready to take up the responsibilities of the developed world. In their view, maintaining stability at home remains top priority. Presiding over the next stage of reforms in this highly complex and diverse country is task enough for now. "What China can do is maintain the momentum of sustained growth and avoid ups and downs," said Premier Wen Jiabao. "That would be our most important contribution to global stability."

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