Asian Financial Forum 2017

Panel Discussion on China Opportunities

Synopsis:
As China gears down for a more sustainable and balanced expansion based on consumption, it remains Asia's economic anchor with enviable GDP growth of at least 6.5 per cent in the lead up to 2020, buttressed by supply-side reforms and schemes like Internet Plus, Made in China 2025 and, notably, the Belt and Road Initiative. While aiming to free up market vitality and facilitate an internal economic upgrade, China has to be vigilant in case the credit expansion steadying the economy in the short term undermines long-term reform efforts. Externally China faces a formidable environment, notably sluggish developed markets and trade protectionism that may escalate under a Trump presidency in the US, along with capital outflow and renminbi depreciation driven by massive ODI and hastened by US rate hike expectations. This panel will discuss how China can navigate the choppy waters of 2017 to generate greater economic stability and efficiency, as well as creating trade and investment opportunities for both Chinese and overseas enterprises.

Moderator
Mr Ronnie Chan, Chairman, Hang Lung Properties Limited

Speakers
Mr Raymund Chao, Greater China Chairman, PwC
Mr Lai Xiaomin, Chairman, China Huarong Asset Management Co, Ltd
Mr Ning Gaoning, Chairman, Sinochem Group
Mr Wang Hongzhang, Chairman and Executive Director, China Construction Bank Corporation

Led by Ronnie Chan, the Chairman of Hang Lung Properties Limited, the panel found consensus on a number of hot topics, including the forecast for economic growth this year: 6.0 to 6.5 per cent, as well as possible threats to that growth and its drivers.

Interestingly, the panellists agreed that the most significant threats to the economy are not debt levels within the financial system, the mainland's housing sector or non-performing loans held by lenders. For the AFF panel, the greatest risks are external ones: protectionist trade policies and general uncertainty about the policies of the United States under President-elect Donald Trump.

Wang Hongzhang, the Chairman and Executive Director of the China Construction Bank Corporation, and Ning Gaoning, the Chairman of the Sinochem Group, felt that the greatest risk to the Chinese economy this year would be a global financial crisis inspired by an external shock to trade.

Any policy-linked shock and uncertainty can be weathered however, buffered by the size of the population and domestic demand. The audience and panel felt the main incentive in China will be increasing domestic demand. The sheer scale of the mainland's economy, now over 25 per cent of the world's entire gross domestic product, its population of 1.3 billion people and the workforce, to which the equivalent of an entire country's labour force is added annually, would act as a buffer to external shocks. It is factors such as these, incorporated with the unique characteristics of a managed economy, that economists schooled in Western thought fail to understand when interpreting the health of the economy.

Mr Wang suggested there are still immense opportunities for development, and therefore economic growth, right across the mainland.

"If you look at the land and the wealth gap, it is very wide. The disparity is huge," he said. "The potential for economic growth is also huge. Urbanization is still underway. In the past few years, urbanization has accelerated quote a lot. Compared to more advanced countries, our urbanization rate is quite low." There is also the stimulus that would stem from mainland Chinese moving out of poverty. "What is the growth driver? Every year there are 50 million people moving into the cities," he said. "Historically there has never been a country like China and no country has ever been so motivated to such great wealth."

If the US were to turn its back on globalisation, that would create a very big impact in the short term, said Raymund Chao, the Greater China Chairman, PwC. He said globalisation has largely been a positive force for China, bringing prosperity and development. Any withdrawal of that force for good would have a severely negative effect on the mainland economy. Innovation could be one way for the economy to weather a short-term disruption.

Lai Xiaomin, the Chairman of the China Huarong Asset Management Co, Ltd, noted that increased protectionism would harm not only the mainland, but also the country implementing it. "China contributes 25 per cent of the global GDP, so there's a lot of credence to the suggestion that if China sneezes the world catches cold" he said, "and the US currently contributes 27 per cent of the total gross domestic product."

He also mounted a passionate defence of the financial services sector, suggesting "non-performing loans were not a big problem". Despite some reports to the contrary, he predicted there would "not be a financial crisis among mainland banks", that "there was no problem with Chinese banks" and that "Chinese banks will not collapse". "The banks' P and L are under control and the asset management firms are managing very well," he said. "The banking sector is in very good health."

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