

## 2012 Caixin Summit: China and the World

### **Friday, November 16, 9:30 -12:00 – Changes in the World Economy**

The world economy has entered a period of turbulence and change: advanced economies have entered a sustained slump, and once-triumphant emerging economies now face difficulties and need to regain their vitality. The euro zone debt crisis is rattling the process of European integration, and globalization faces new challenges. The problems are clear to see, but what are the solutions?

#### **Key Points:**

- The 18th Party Congress report made it clear: future reforms must focus on the market economy. The critical issue is implementation.
- Reforms are more important than fast growth.
- Resources must be allocated by the market not by the state.
- Not sticking to state ownership of companies but to encourage non-government economies.
- China has to upgrade its economy with a value-added manufacturing industry. A strong financial industry is needed to support this process.

In managing the relationship between the government and the market, China needs to stick to an economic system with diversified ownership. It is also important to protect the legal personal assets of citizens. Pooling people's legal personal assets together will form a huge development fund for the society. The non-public-ownership economies should be encouraged and supported by the government. It is critical to implement fair protection towards them.

In addition to the protection of property rights, China should also have constitutional review to rein in administrative power, and give the people increased legislative power, supervision over government budget drafting and review, as well as the right to participate in the review of plans to build major industrial projects.

China's economy has begun to recover. The services sector grew in the third quarter and exports have also warmed up. Due to the stimulus policies enacted by the Chinese government in the wake of the global financial downturn, the liquidity in the market stands at excessive levels. Enhancing the efficiency of the financial system is imperative.

Currently, China should still make the manufacturing industry a top priority. The financial sector serves the real economy. This represents a balanced relationship between the real economy and the virtual economy. China can be proud of itself to be the world's factory. It is also strongly urged that Chinese manufacturing industry should be upgraded.

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#### Disclosures

*This summary was prepared by Wei Jialin and Sabine Gusbeth. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Caixin Summit.*

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