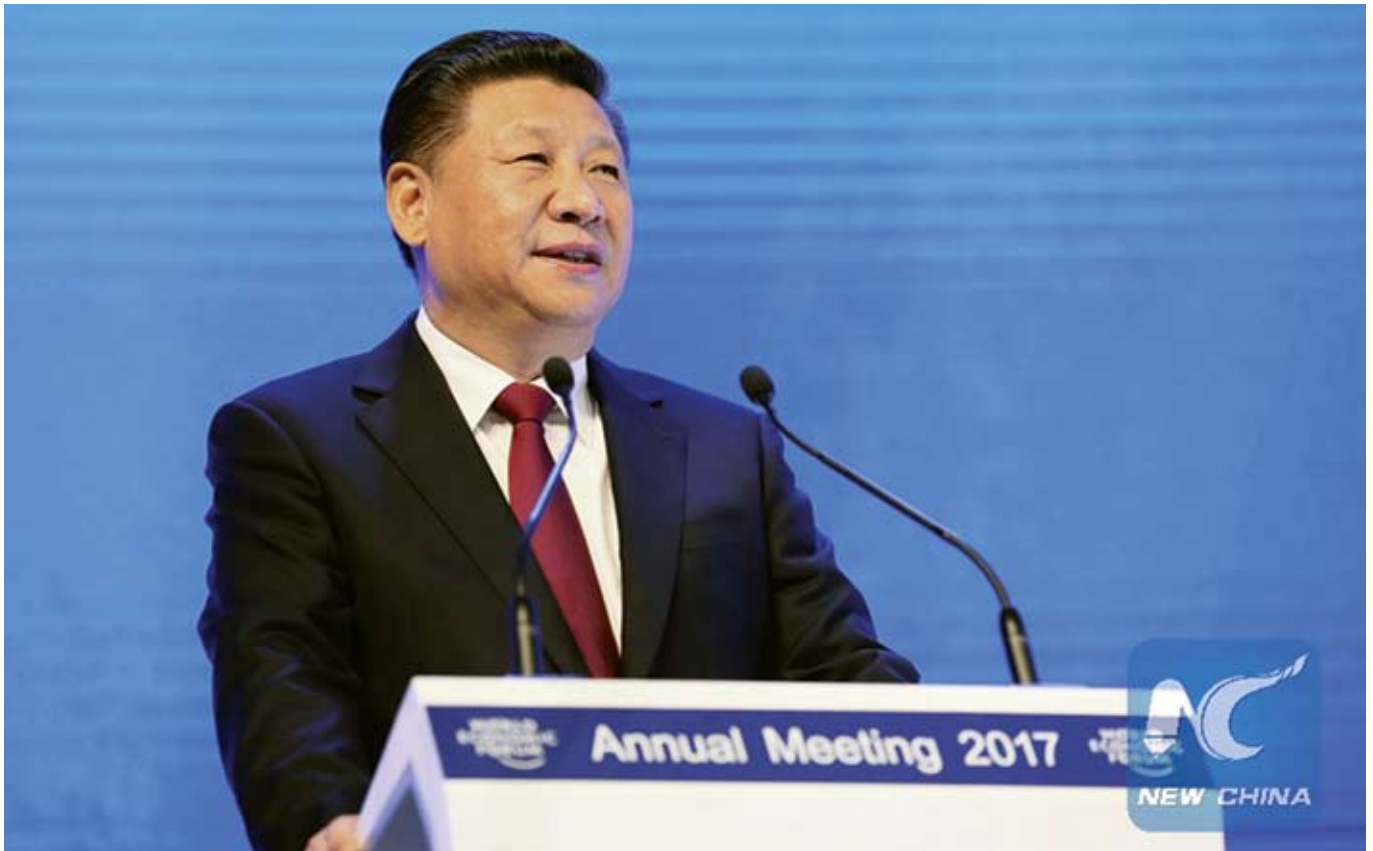


CHINA COMES TO DAVOS



President Xi Jinping

Davos 2017 saw the President Xi Jinping of China become the first Chinese President to address the WEF.

I'm delighted to come to beautiful Davos. Though just a small town in the Alps, Davos is an important window for taking the pulse of the global economy. People from around the world come here to exchange ideas and insights, which broaden their vision. This makes the WEF annual meeting a cost-effective brainstorming event, which I would call "Schwab economics".

Today, we live in a world of contradictions. On the one hand, with growing material wealth and advances in science and technology, human civilization has developed as never before. On the other hand, frequent regional conflicts, global challenges like terrorism and refugees, as well as poverty, unemployment and widening income gap have all added to the uncertainties of the world.

Many people feel bewildered and wonder: What has gone wrong with the world?

To answer this question, one must first track the source of the problem. Some blame economic globalization for the chaos in the world. The

international community finds itself in a heated debate on economic globalization.

Today, I wish to address the global economy in the context of economic globalization.

The point I want to make is that many of the problems troubling the world are not caused by economic globalization. For instance, the refugee waves from the Middle East and North Africa in recent years have become a global concern. The international financial crisis is another example. It is not an inevitable outcome of economic globalization; rather, it is the consequence of the excessive pursuit >>

of profit by financial capital and grave failure of financial regulation. Just blaming economic globalization for the world's problems is inconsistent with reality, and it will not help solve the problems.

From the historical perspective, economic globalization resulted from growing social productivity, and is a natural outcome of scientific and technological progress, not something created by any individuals or any countries. Economic globalization has powered global growth and facilitated movement of goods and capital, advances in science, technology and civilization, and interactions among peoples.

But we should also recognize that economic globalization is a double-edged sword. When the global economy is under downward pressure, it is hard to make the cake of global economy bigger. It may even shrink, which will strain the relations between growth and distribution, between capital and labor, and between efficiency and equity. Both developed and developing countries have felt the punch. Voices against globalization have laid bare pitfalls in the process of economic globalization that we need to take seriously.

It is true that economic globalization has created new problems, but this is no justification to write economic globalization off completely. Rather, we should adapt to and guide economic globalization, cushion its negative impact, and deliver its benefits to all countries and all nations.

There was a time when China also had doubts about economic globalization, and was not sure whether it should join the World Trade Organization. But we came to the conclusion that integration into the global economy is a historical trend. To grow its economy, China must have the courage to swim in the vast ocean of the global market. If one is

always afraid of bracing the storm and exploring the new world, he will sooner or later get drowned in the ocean. Therefore, China took a brave step to embrace the global market. We have had our fair share of choking in the water and encountered whirlpools and choppy waves, but we have learned how to swim in this process. It has proved to be a right strategic choice.

At the APEC Economic Leaders' Meeting in late 2016, I spoke about the necessity to make the process of economic globalization more invigorated, more inclusive and more sustainable. We should act pro-actively and manage economic globalization as appropriate so as to release its positive impact and rebalance the process of economic globalization. We should follow the general trend, proceed from our respective national conditions and embark on the right pathway of integrating into economic globalization with the right pace. We should strike a balance between efficiency and equity to ensure that different countries, different social strata and different groups of people all share in the benefits of economic globalization. The people of all countries expect nothing less from us, and this is our unshirkable responsibility as leaders of our times.

At present, the most pressing task before us is to steer the global economy out of difficulty. The global economy has remained sluggish for quite some time. The gap between the poor and the rich and between the South and the North is widening. The root cause is that the three critical issues in the economic sphere have not been effectively addressed.

First, lack of robust driving forces for global growth makes it difficult to sustain the steady growth of the global economy. The growth of the global economy is now at its slowest pace in seven years. Growth of global trade has been slower than global GDP

growth. Short-term policy stimuli are ineffective. Fundamental structural reform is just unfolding. A new path for the global economy remains elusive.

Second, inadequate global economic governance makes it difficult to adapt to new developments in the global economy. Madame Christine Lagarde recently told me that emerging markets and developing countries already contribute to 80 percent of the growth of the global economy. The global economic landscape has changed profoundly in the past few decades. However, the global governance system has not embraced those new changes and is therefore inadequate in terms of representation and inclusiveness. The global industrial landscape is changing and new industrial chains, value chains and supply chains are taking shape. However, trade and investment rules have not kept pace with these developments, resulting in acute problems such as closed mechanisms and fragmentation of rules. The global financial market needs to be more resilient against risks, but the global financial governance mechanism fails to meet the new requirement and is thus unable to effectively resolve problems such as frequent international financial market volatility and the build-up of asset bubbles.

Third, uneven global development makes it difficult to meet people's expectations for better lives. Dr. Schwab has observed in his book *The Fourth Industrial Revolution* that this round of industrial revolution will produce extensive and far-reaching impacts such as growing inequality, particularly the possible widening gap between return on capital and return on labor. The richest one percent of the world's population

own more wealth than the remaining 99 percent. Inequality in income distribution and uneven development space are worrying. Over 700 million people in the world are still living in extreme poverty. For many families, to have warm houses, enough food and secure jobs is still a distant dream. This is the biggest challenge facing the world today. It is also what is behind the social turmoil in some countries.

First, we should develop a dynamic, innovation-driven growth model. With this in mind, G-20 leaders reached an important consensus at the Hangzhou Summit, which is to take innovation as a key driver and foster new driving force of growth for both individual countries and the global economy.

Second, we should pursue a well-coordinated and inter-connected approach to develop a model of open and win-win cooperation. We should commit ourselves to growing an open global economy to share opportunities and interests through opening-up and achieve win-win outcomes. Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air. No one will emerge as a winner in a trade war.

Third, we should develop a model of fair and equitable governance in keeping with the trend of the times. There is a growing call from the international community for reforming the global economic governance system, which is a pressing task for us. Only when it adapts to new dynamics in the international economic architecture can the global governance system sustain global growth.

Fourth, we should develop a balanced, equitable and inclusive development model. To achieve more balanced development and ensure that the people have equal access to

opportunities and share in the benefits of development, it is crucial to have a sound development philosophy and model and make development equitable, effective and balanced.

We should foster a culture that values diligence, frugality and enterprise and respects the fruits of hard work of all. Priority should be given to addressing poverty, unemployment, the widening income gap and the concerns of the disadvantaged to promote social equity and justice. It is important to protect the environment while pursuing economic and social progress so as to achieve harmony between man and nature and between man and society.

China has in the past years succeeded in embarking on a development path that suits itself by drawing on both the wisdom of its civilization and the practices of other countries in both East and West. In exploring this path, China refuses to stay insensitive to the changing times or to blindly follow in others' footsteps.

Between 1950 and 2016, despite its modest level of development and living standard, China provided more than 400 billion yuan of foreign assistance, undertook over 5,000 foreign assistance projects, including nearly 3,000 complete projects, and held over 11,000 training workshops in China for over 260,000 personnel from other developing countries. Since it launched reform and opening-up, China has attracted over \$1.7 trillion of foreign investment and made over \$1.2 trillion of direct outbound investment, making huge contribution to global economic development. In the years following the outbreak of the international financial crisis, China contributed to over 30 percent of global growth every year on average. All these figures are among the highest in the world.

China's economy has entered what we call a new normal, in which

major changes are taking place in terms of growth rate, development model, economic structure and drivers of growth. But the economic fundamentals sustaining sound development remain unchanged.

China will foster an enabling and orderly environment for investment. We will expand market access for foreign investors, build high-standard pilot free trade zones, strengthen protection of property rights, and level the playing field to make China's market more transparent and better regulated. In the coming five years, China is expected to import \$8 trillion of goods, attract \$600 billion of foreign investment and make \$750 billion of outbound investment. Chinese tourists will make 700 million overseas visits. All this will create a bigger market, more capital, more products and more business opportunities for other countries. China's development will continue to offer opportunities to business communities in other countries. China will keep its door wide open and not close it. An open door allows both other countries to access the Chinese market and China itself to integrate with the world. And we hope that other countries will also keep their door open to Chinese investors and keep the playing field level for us.

World history shows that the road of human civilization has never been a smooth one, and that mankind has made progress by surmounting difficulties. No difficulty, however daunting, will stop mankind from advancing. When encountering difficulties, we should not complain about ourselves, blame others, lose confidence or run away from responsibilities. We should join hands and rise to the challenge. History is created by the brave. Let us boost confidence, take actions and march arm-in-arm toward a bright future. **NA**