

*"How the world's second largest economy will manage its economic growth and tackle environmental challenges will be crucial to its role in Asia and the international system..." (Henry Paulson & Paul Rudd)<sup>1</sup>*

### "New" Financial System Needed

- Henry Paulson has indicated that China requires a "new" financial system to cope with emerging challenges, despite the success of the existing growth model
- Suggests a capital allocation system that tends away from state-owned sector and towards the private sector and individuals
- By creating investment opportunities for individuals, convert from a country of savers to a country of investors

### Opening Up of Key markets

- Key sectors such as energy and telecom should open to private sectors
- Level the playing field and giving equal access as the state-owned enterprises
- Paulson also suggests that it is important for China to pursue constructive engagement with foreign firms from US, Europe and Australia
- A key focus will be on the extent that China allows international firms to come in and compete

### Advantages of Slower Growth

- Paulson suggests that a slower growth rate for China will benefit the country as the quality of growth is also important
- As China moves away from a low-wage, investment-driven growth to consumption driven by domestic demand, environmental issues such as air pollution would be an imperative consideration as China strives to keep a balanced growth
- Kevin Rudd, former PM of Australia, has seen an increasing effort on China's part to tackle climate change issues
- The impact of the growth on the environment could possibly be the single, greatest radical change in China's political economy over the past three years

<sup>1</sup> Source: China Daily USA 09/12/2014 page 1 - by Zhang Yuwei in New York