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CORPORATIONS GIVING BACK P.22

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ECONOMIC BOOST

China expands investment, promotes consumption and relaxes monetary policy



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A Scientific Approach

In response to the continuing economic slowdown, the Chinese Government has made a series of moves to promote economic growth. The central bank cut interest rates and lowered the deposit reserves rate, while quickening the pace of examining and approving basic construction projects and investing in programs supported by central finance. These measures add new vigor and hope to the acceleration of China's economy. The growth rate for 2012 is likely to stay within a reasonable range of official predictions.

Debt crises in Europe have plagued the global economic recovery and been a drag on China's export industry. Economic growth in China has slowed for five quarters, and indications of an imminent slump are on the rise.

China's leadership has put a renewed focus on maintaining economic growth and preventing the inertia of a wider downturn. If the economic growth rate continues to fall, it will not only affect the government's fiscal revenues and expenses such as public welfare, but also pose more difficulties to business operation due to lack of sufficient demand. Businesses' losses will expand, leading to more staff cuts and increasing strains on employment and income.

While adjusting economic structure, the government will try to avoid new capacity excesses and curb rebounding inflation. These are all very challenging tasks.

Maintaining economic growth requires scientific development, taking into account the impact of stability measures on sustainable economic growth in the future. Bearing this in mind, we believe it's necessary to stabilize the growth rate by boosting domestic demand with deeper and more frequent adjustments of policies. However, policy adjustments must take into consideration the real demands of businesses and equality among different types of capital.

In the coming years, another important method to tap the country's internal drive for sustainable economic growth is to develop urbanization; namely, by making it easier for migrant people from rural areas to become urban citizens.

Of the 700 million urban people in the country, about 200 million are rural migrants. It is predicted that an extra of 300 million people are expected to move into cities in the coming 20 years. The process of transformation from rural to urban populations calls for new requirements. After all, the domestic demand coming out of these changes will be very important for China's economic development.

It's important to avoid the old practice of maintaining growth by relying on massive industrial programs, such as investing in metal and chemical industries. It's time to explore and find new ways of economic growth.

While trying to stimulate China's economy, we should also take a close look at the economic structure itself. High energy-consuming and highly polluting industries, for instance, should be curbed. In the pursuit of growth, it's important to prevent the resurgence of any outdated economic systems. ■

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Please provide your name and address along with your submissions. Submissions may be edited.

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http: //www.bjreview.com

E-mail: contact@bjreview.com.cn

President & Editor in Chief: Wang Gangyi

Vice President: Qi Wengong

Associate Editors in Chief: Li Jianguo, Huang Wei,

Wang Yanjuan, Zhou Jianxiang

Assistant President: Li Zhenzhou

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Assistant Executive Editors: Yao Bin, Zhang Zhiping

Editorial Administrators: Li Ning, Shi Bosen

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Yin Pumin, Liu Yu, Pan Xiaojiao, Yuan Yuan, Wang Hairong, Liu Xinlian,

Yu Yan, Yu Lintao, Zhou Xiaoyan, Bai Shi, Xu Tao, Deng Yaqing, Ji Jing

Photo Editor: Wang Xiang

Photographers: Jiang Xiaoying, Wei Yao

Art: Li Shigong

Art Director: Wang Yajuan

Chief Designer: Cui Xiaodong

Designer: Zhao Boyu

Proofreading: Qin Wenli, Ma Xin

Distribution Director: Pan Changqing

Human Resources: Zhang Xiaoli

International Cooperation: Pan Shuangqin

Legal Counsel: Yue Cheng

North America Bureau

Chief: Huang Wei

Tel/Fax: 1-201-792-0334

E-mail: wei298@hotmail.com

General Editorial Office

Tel: 86-10-68996252

Fax: 86-10-68326628

English Edition

Tel: 86-10-68996259

Advertising Department

Tel: 86-10-68995813

Fax: 86-10-68329398

E-mail: ad@bjreview.com.cn

Distribution Department

Tel: 86-10-68310644

Fax: 86-10-68328738

E-mail: circulation@bjreview.com.cn

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Going Into Space

Shenzhou 9 manned spacecraft stands ready on a launch platform in northwest China's Gansu Province on June 13.

The space mission highlights several new breakthroughs. The spacecraft will perform China's first manned space docking mission with the orbiting *Tiangong-1* space lab module. A female Chinese astronaut for the first time will fly to space as part of a three-person crew. The crew members will stay 13 days in space, a new record of space mission duration. Additionally, Chinese astronauts will enter *Tiangong-1* to complete a series of experiments. The mission is expected to lay a solid foundation for the construction of a Chinese space station in 2020.

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“Fundamentally, the improvement of air quality relies on our own efforts, while it is beyond foreign embassies’ capability and willingness.”

Chinese Deputy Foreign Minister Cui Tiankai, responding to foreign embassies’ monitoring and issuing of air quality data for fine particles in China, in an interview with Hong Kong-based Phoenix TV on June 13

“We wanted to show with actions in our country that we do not need the paralyzing protection of others.”

Italian Prime Minister Mario Monti, declaring that Italy does not need a bailout from its European partners during a Senate briefing in Rome on June 13

“We are now in the early stages of the project to build nuclear submarines. In view of the advances we are making in the related areas, we hope that we will see the use of nuclear submarines by the navy in the future.”

Rear Admiral Abbas Zamini, Deputy Commander of the Iranian Navy, in an interview with the semi-official Mehr News Agency in Tehran on June 12

“It’s unfair to students from rural areas who have never seen an iPhone or iPad. If the [people who set the questions for] *gaokao* need to be more creative, why not include [a question about] breeding pigs and sheep?”

Li Yi, a professor at Beihang University in Beijing, accusing exam chiefs in Sichuan Province of discriminating against rural students by including references to Apple Inc. and micro-blogging in this year’s national college entrance exam in his micro-blog on June 9

Human Rights Plan

The Chinese Government on June 11 publicized its second National Human Rights Action Plan, promising to address challenges and work for the happiness and dignity of every citizen.

The new plan, which addresses human rights protection work in 2012-15, was published by the State Council Information Office and follows the previous one that covered the

2009-10 period.

In an interview with Xinhua News Agency, Wang Chen, Minister of the State Council Information Office, said that the major points of the action plan are as follows: providing protection for citizens' economic, social and cultural rights; providing protection for citizens' civil and political rights; providing protection for the rights of ethnic minorities, women, children, senior citizens and the disabled; conducting education on

human rights; fulfilling obligations to international human rights conventions; and participating in international exchanges and cooperation on human rights.

China will enforce preventive and remedial measures to prevent extraction of confessions by torture and collecting evidence through illegal methods, the document says.

It also pledges that no one will be forced to prove themselves guilty.

The action plan also contains targets such as helping 13 million disabled people obtain rehabilitation through the implementation of key rehabilitation programs, increasing citizens' average life expectancy so that it will reach 74.5 years by 2015 and the coverage of affordable housing will reach 20 percent.

DEEP DOWN Crew members aboard China's *Haiyang-6* research vessel retrieve a surveying device from the Pacific Ocean on June 11, in preparation for dive attempts by the country's deep-sea submersible, the *Jiaolong*, at the Mariana Trench between mid-June and early July. The *Jiaolong* will attempt the world's deepest manned submersible dive by going 7,000 meters under the sea surface



ZHOU YENHUI

Food Safety Campaign

A week-long publicity campaign was launched on June 11 in China to promote honesty in the food industry after a series of food safety scandals.

Under the theme of "building a homeland with moral integrity and strengthening food safety," various departments at all levels around the country held activities to show the results of their work in strengthening food safety and cracking down on major food safety cases.

Moreover, activities were held to raise food producers' and dealers' awareness of relevant laws and regulations, as well as boost their level of honesty and enhance their credibility.

Market Cleanup

The Ministry of Commerce (MOFCOM) said on June 13 that China reported fewer cases of making and selling counterfeits from January to April this year due to consistent law enforcement activities.

Chang Xiaocun, Director of the Market Order Department with the MOFCOM, revealed that 78,773 cases involving intellectual property rights (IPR) infringement and counterfeits were investigated in the four months.

During the period, people dealing in fake goods worth 1.81 billion yuan (\$287.3 million) were probed in a concerted effort to crack down on copyright infringement and counterfeiting, according to Chang.

He said that government departments would continue to clamp down on violations pertaining to trademarks, copyrights and patents while strengthening supervision over the sales of medicine, cosmetics, farming materials and auto parts.

Tibetan Heritage

Cultural specialists in southwest China's Tibet Autonomous Region have found more than 100

First Golf Major

Chinese golfer **Feng Shanshan** won the Ladies Professional Golf Association (LPGA) Championship on June 11 to become the first Chinese player to win an LPGA Tour title and a major event, closing with a 5-under 67 for a two-stroke victory.

Born in 1989, Feng started playing golf at an early age. She has invested all her spare time in training. She joined the Guangdong Youth Team at the age of 10 and took part in international youth competitions at 14. She won the China Women's Amateur title when she was 15. She started her career as a professional player in 2008 when she became the first registered player of the China Golf Association to join the LPGA tour. So far, she has ranked among the top 10 of all kinds of competitions for 17 times and won a prize money of nearly \$2 million.

The championship really goes beyond Feng's expectations. "I still cannot believe that I have won a major," said Feng.

Many foreign media compared Feng's victory with that of Chinese tennis player Li Na at the French Open. BBC even predicted that China's golf players would amount to 20 million in 2020 boosted by Feng's success.

"I hope this will help the development of this sport in China," Feng said.





DRESS-UP SHOW Local residents visit an exhibition of cheongsams, a traditional Chinese women's dress also known as mandarin gown or *qipao*, at the China Silk Museum in Hangzhou, east China's Zhejiang Province, on June 11

HEAVY RAIN, BIG LOSS Residents are evacuated in Anren County, central China's Hunan Province, on June 11. Torrential rains swept across Hunan on June 9-11, killing nine people and affecting 1.1 million



pages of Tibetan scripture that dates back to the 13th century, local authorities said on June 13.

The document, whose content covers traditional Tibetan medicine and religion, was found at a monastery in Nyemo County on the outskirts of Lhasa.

"The document was compiled during the Yuan Dynasty (1271-1368)," said Pempa Tsering, a Lhasa-based specialist on ancient Tibetan literature.

The finding was among a total of 853 cultural heritage pieces uncovered in Lhasa over the past year, local cultural authorities said.

Palace Museum Counting ▢

Beijing's Palace Museum has catalogued its entire collection of 1,807,558 artifacts, the museum's curator Shan Jixiang said.

After more than seven years of efforts, the museum has catalogued all of the artifacts in its archives, including about 53,000 paintings, 75,000 calligraphy works, 16,000 pieces of copperware and 10,000 sculptures, said Shan

on June 9.

The Palace Museum, built in 1420 in the heart of Beijing, is more popularly known as the Forbidden City.

Statistics show that more than 312 million people have visited the Palace Museum since 1949. The number of annual visitors jumped from 1 million in 1949 to 14 million at present, putting the Palace Museum among the world's most popular museums.

It became a UNESCO World Heritage Site in 1987.

Climate Research Facility ▢

China on June 11 announced the establishment of a national research center designed to facilitate the country's efforts to cope with climate change.

Xie Zhenhua, Vice Minister of the National Development and Reform Commission (NDRC), said at the center's launching ceremony that it would provide technological support for China's efforts to map out a climate change plan.

The National Center for Climate Change Strategy and International Cooperation, which will serve as a window for international co-operation, will conduct research in the fields of strategic planning, laws and regulations, international policy, carbon markets and information consultancy, according to the NDRC.

China has made several efforts, including fiscal measures to promote the efficient use of energy, to cope with rising environmental challenges.

The government plans to cut greenhouse gas emissions by 40 to 45 percent compared with 2005 levels by 2020, as well as boost the use of renewable energy to 15 percent of the country's total energy consumption.

Foreign Labor Rules ▢

The Chinese Government issued new regulations for the management of foreign labor service enterprises to protect workers sent overseas and boost the development of foreign labor cooperation.

The regulations will go into effect on August 1.

Foreign labor service enterprises will each be required to create a bank account containing no less than 3 million yuan (\$47.62 million) to be deposited in banks designated by authorities in order to cover potential risks, according to the new rules.

The funds will mainly be used to cover service fees, wages, compensation for losses and emergency expenses when labor service enterprises fail to pay.

Foreign labor service companies should help workers protect their legal rights, the regulations said, adding that companies will be obliged to provide compensation that foreign employers fail to provide.



PLAYING A DREAM: Beijing-born pianist Tian Jiaxin plays Mozart's *Piano Concerto No. 20 in D minor, K.466*, at the Good Shepherd-Faith Presbyterian Church in New York City on June 2

THIS WEEK ECONOMY

Inflation Falls

China's inflation eased to a 23-month low, providing ample room for the government to boost economy.

The consumer price index (CPI), a main gauge of inflation, slowed to 3 percent in May from a year ago, said the National Bureau of Statistics (NBS) on June 9. It weakened from 3.4 percent in April and 3.6 percent in March.

Compared with the previous month, the CPI edged down 0.3 percent, which was mainly attributable to food price decreases.

Food prices, which account for nearly one third of the weighting in the calculation of China's CPI, saw a 6.4-percent year-on-year increase in May.

The producer price index (PPI), a gauge of inflation at the wholesale level, fell 1.4 percent in May from a year earlier.

Liu Yuanchun, Vice Dean of the School of Economics at Renmin University of China, attributed the lower-than-expected CPI growth to the waning effects of imported inflation and lackluster domestic demand.

Moreover, he expected the economy to

rebound after hitting the lowest point in the year in the second quarter. Domestic demand will then pick up, which could stop consumer prices from falling, but declining global commodity prices will continue to weigh on domestic prices, he said.

Trade Rebounds

China's foreign trade growth trumped market forecasts to post double-digit rates in May, boosted by slightly improved external markets and more working days in the month.

Exports and imports totaled \$343.58 billion in May, up 14.1 percent year on year, rebounding from the 2.7-percent growth in April, said the General Administration of Customs on June 10.

The figure replaced the monthly trade record set in November 2011, when foreign trade amounted to \$334.11 billion.

Both imports and exports reached record highs in May, with exports climbing 15.3 percent from a year earlier to \$181.14 billion, and imports rising 12.7 percent to \$162.44 billion. Trade surplus hit \$18.7 bil-

lion in May, slightly higher than the \$18.42 billion in April.

Improved markets in the United States and Japan, stable growth in emerging economies, as well as less pressure for the yuan to rise further helped boost May's trade data, said Huo Jianguo, Director of the Chinese Academy of International Trade and Economic Cooperation.

But the country should still be cautious about the long-term trend, Huo said, citing uncertainties with the euro-zone debt crisis.

Lowered GDP Forecast

China's economic growth will likely moderate to around 8 percent this year amid downward risks caused by the ongoing crisis in Europe, said an official from the International Monetary Fund (IMF) on June 8.

In April, the IMF predicted an annual growth of 8.2 percent for China. David Lipton, First Deputy Managing Director of the IMF, told Xinhua News Agency that the latest revision is still a comfortable growth for China under the current circumstances.



EQUIPMENT SHOW An exhibitor (right) introduces coal mining equipment to visitors at the Eighth China International Exhibition for Energy Industry and Green Technologies in Yinchuan, capital of northwest China's Ningxia Hui Autonomous Region, on June 11

Numbers

10.89 trillion yuan

China's fixed-asset investment rose 20.1 percent year on year to 10.89 trillion yuan (\$1.73 trillion) in the first five months of this year, said the National Bureau of Statistics (NBS) on June 9.

1.67 trillion yuan

China's retail sales of consumer goods grew 13.8 percent year on year to 1.67 trillion yuan (\$265.08 billion) in May, according to NBS.



ASSEMBLING AIRBUS Workers check parts for the 100th Airbus A320 aircraft in the final assembly line in north China's Tianjin on June 13. The aircraft will be delivered by the end of the year

PSBC President Investigated

The Postal Savings Bank of China (PSBC) issued an announcement on June 11, saying that its president **Tao Liming** is under investigation because of suspicions of "personal economic problems."

PSBC became a joint stock company earlier this year. It has more than 500 million clients, and its assets exceed 4 trillion yuan (\$634.92 billion). It is a commercial bank with the largest number of branches and the largest network in China. At the same time, it has the fifth biggest pool of deposits among China's commercial banks and its asset scale increases fastest among Chinese large national banks.

Tao has been the president of PSBC since March 20, 2007. His economic problems are said to be related to "illegal loans."



Though it's hard to tell the impact that the European crisis will have on other countries, it's important that China and other countries be ready and attentive to the possible outcomes, said Lipton.

China has the space for a forceful response if the world economy further slows and then affects the Chinese economy, stressing that the stimulus measures, if necessary, should align with the goal of quality growth that relies less on investment, more on consumption, and is environmentally friendly, he said.

Boosting Logistics

The National Development and Reform Commission (NDRC) on June 8 published a guideline on offering more support to private

investors in the logistics sector.

To ensure fair competition, the guideline pledged a substantial tax reduction for private logistics companies, a more favorable land-use policy and a better financing environment.

The newly adopted guideline specified a list of key logistic areas in which private investors should be encouraged to enter, including medicine and renewable resources delivery, supply chain management and co-operation with state-owned railway logistic companies.

It also welcomed private companies to invest in infrastructures for the logistic industry.

Aircraft Sales

Xi'an Aircraft International Corp. (XAIC)

will sell three MA60 regional aircraft to MARS, a Ukrainian-based airline, marking the first time for China-made civil regional aircraft to enter the European market.

The press release issued by the XAIC in June did not disclose the contractual price or the delivery date.

The deal marks a breakthrough in China-Europe cooperation in aviation, said Jiang Jianjun, General Manager of XAIC.

Jiang said the twin-turboprop MA60 aircraft produced by the XAIC have become popular in domestic and overseas aviation markets due to the aircraft's fuel efficiency.

"Because of rising fuel prices, the fuel-efficient turboprop is expected to have bright market potential," said Jiang.

9.6%

China's industrial value-added output grew 9.6 percent year on year in May, according to the NBS.

5.3 trillion yuan

China's fiscal revenue in the first five months rose 12.7 percent from the same period a year ago to nearly 5.3 trillion yuan (\$841.3 billion), according to the Ministry of Finance.



THE UNITED STATES

A firefighting helicopter drops water on a hotspot burning close to homes near Horsetooth Reservoir in Colorado on June 11. Massive wildfires damaged hundreds of square km of forests in drought-parched Colorado and New Mexico

XINHUA/AFIP



Chinese troops participate in the opening ceremony of the *Peace Mission 2012* joint antiterror drill in north Tajikistan's Chorghudairon training field on June 9. More than 2,000 service people from the member countries of the Shanghai Cooperation Organization took part in the drill

LI JIANG

TAJKISTAN



XINHUA/APP

IRELAND

Colombian diver Orlando Duque dives 23 meters from a helicopter next to Ashford Castle in Cong in west Ireland on June 11



XINHUA/APP

Yemeni Defense Minister Mohammed Nasser Ahmed looks through binoculars as he oversees a military operation against Al Qaeda in Abyan Province in south Yemen on June 10. Two days later, government forces retook the Al Qaeda strongholds of Jaar and Zinjibar in a major victory of a month-long offensive

YEMEN



XINHUA/APP

Two jaguar cubs play at the Berlin Zoo on June 12. Their mother gave birth to three cubs two months earlier

GERMANY



XINHUA/APP

Villagers in traditional dress celebrate the holiday of Rusalye, devoted to water nymphs, in Sosny, 170 km from Minsk, on June 10

BELARUS

COVER STORY

TO ENSURE GROWTH

Improving the structure needs to take priority over speed concerning
China's economy By Lan Xinzhen



STEELY RESOLVE:
Workers produce die steel in the Dalian Production Base of Dongbei Special Steel Group Co. Ltd. on November 14, 2011

Wang Zhongbing, Mayor of Zhanjiang in Guangdong Province, is famous for a kiss. On May 27 Wang received approval from the National Development and Reform Commission (NDRC) for an iron and steel project in his city. The project, worth 70 billion yuan (\$11.08 billion) with annual steel output of 10 million tons, will be the pillar for the city's economic growth. After getting the go-ahead, Wang emerged from the commission's main office in Beijing



and began smooching the final document, the culmination of four years of hard work.

But Wang is well aware that the only reason the project was given the green light is because of the Central Government's hopes to drive economic growth via investment to alleviate the economy's current sluggish trend.

Since the first quarter of last year, China's economic growth has been experiencing a wave of torpor. The 8.1-percent GDP growth in the first quarter of this year is much lower than market expectations, causing concerns of the Central Government. Economic data in May showed that the pressure of downturn economic growth has not been alleviated.

Zhanjiang is not alone in receiving a nod from the NDRC. From January to the end of May, more than 1,200 investment projects nationwide were approved, with a total investment of 200 billion yuan (\$31.65 billion).

This is actually one of the series of measures taken by the Chinese Government to stabilize economic growth.

The more, the merrier

Besides expanding investment, China has also adopted measures such as promoting consumption and relaxing monetary policy to stimulate economic growth.

A joint decision made by the Ministry of Finance (MOF), the NDRC and the Ministry of Industry and Information Technology (MIIT) said from June 2012 to May 2013 a consumption subsidy will be granted to families buying energy-saving air conditioners, flat-screen television sets, refrigerators and washing machines. The subsidies will range from 180 to 400 yuan (\$28.48-\$63.29) per unit.

A new round of auto subsidies is also in the works. The NDRC, MIIT and another two ministries and commissions said a fixed subsidy of 3,000 yuan (\$474.68) has been offered to consumers purchasing cars with engine capacities of 1.6 liters or less and saving 20 percent of oil compared with standard autos. In 2009-10, China provided 4.97 billion yuan (\$788.89 million) of subsidies for rural residents to purchase vehicles, helping drive up vehicle sales to 38.2 billion yuan (\$6.04 billion).

The MOF has also arranged budgetary funds of 36.3 billion yuan (\$5.74 billion) to subsidize consumption of energy-saving home appliances, high-efficiency illuminating apparatus, energy-saving vehicles and high-efficiency electric machinery, expecting to drive up consumption of 450 billion yuan (\$71.2 billion).

On June 8, the People's Bank of China (PBC), the central bank, announced it would cut the benchmark interest rate by 0.25 percentage points, with an aim of increasing currency supply and creating a good financing environment for investment. This is the first

interest cut in recent three years. Before that, the central bank had cut the reserve requirement ratio twice this year.

Pressure intensifies

China's current economic situation is still a concern for officials and economists. According to figures released by the China Federation of Logistics and Purchasing on June 1, the purchasing managers index stood at 50.4 percent in May, a decline of 2.9 percentage points from the previous month, indicating that economic growth is starting to slip.

Tang Jianwei, senior analyst of macroeconomics with the Bank of Communications, said synchronous slowdown of exports and investment is the major reason for sluggish Chinese economic growth.

In the first quarter this year, the United States saw 2.2-percent economic growth and a slow decline in the unemployment rate. But its overall economy still lacked a continuous and powerful driving force. In the same quarter, the euro zone was stagnant with uncertainty regarding future policies, particularly the aggravating debt crisis in Spain and an unclear political situation in Greece. The result of the Greek election on June 17 and the following situation are imposing uncertainties on the euro zone, and many countries including China are preparing for Greece to leave the euro zone. All this shows the protracted nature and complexity of the European sovereign debt crisis. The post-earthquake reconstruction has helped improve the economic growth in Japan, but it is still hard for the Japanese economy to pick up in the short term.

"Low growth rates in developed economies will inevitably greatly contract the external demand for China and amplify the adverse impact to the Chinese economy," Tang said.

According to Tang, if the sovereign debt crisis in Europe spreads to the core countries, the world economy will touch bottom once again, and China's exporters will suffer severe losses.

Shen Danyang, spokesman of the Ministry of Commerce (MOFCOM), admitted that the actual external demand is even worse than expected. Particularly, demand from the European Union, China's largest trading partner, declined seriously. Judging from Customs statistics for exports and figures for the 111th Canton Fair concluded on May 5, China still faces a severe situation of exports, and external demand is unlikely to reverse in a short time.

Mei Xinyu, a researcher at the Chinese Academy of International Trade and Economic Cooperation, said under the present international economic situation, it is unrealistic for the external demand to resume the level before the European debt crisis.



PURCHASE INCENTIVE: A Tibetan couple choose a car in Lhasa, capital of Tibet Autonomous Region

There are also major uncertainties in emerging markets. For instance, India has been faced with trade deficits and depreciation of the rupee, which intensifies exchange risks for investors. Russia and Brazil face similar risks. China's other important trading partner Japan is playing a limited role in promoting China's external demand.

When exports are weakening, investment also encumbers the speed of economic growth. According to the National Bureau of Statistics, in the first four months, China's fixed asset investment grew by only 20.2 percent, the lowest since 2003. In the January-May period, the growth rate even fell below 20 percent, a threshold of "appropriate growth of investment."

At present, growth of China's real estate investment is dropping significantly because of strict control policies, sluggish real estate sales and restricted sources of development loans. Meanwhile, manufacturing investment is declining for the influence of the weak international economy and lowering real estate investment and corporate profitability. Therefore the market expects that investment growth will continue to decline. Since reaching the height of 25.8 percent in May 2011, growth of fixed asset investment has been declining.

Among the troika driving up economic growth, only consumption is stable. In May, retail sale of consumer goods grew 0.84 percent month on month.

Zhang Liqun, a researcher at the Department of Macroeconomic Research of the Development Research Center of the State Council, said attention should be paid to a significant slowdown of economic growth, because this will cause increasing unemployment, decreasing urban and rural resident incomes and declining taxation revenues, and business difficulty of enterprises will cause an increase of non-performing loans in commercial banks.

Guaranteeing measures

Continuous economic slowdown is the result of macro-control measures by the Chinese Government for more sustainable develop-

ment, and the growth speed is still higher than the target of 7.5 percent fixed by the Chinese Government at the outset of this year. However, this continuous slowdown has still attracted the attention of the Central Government. In May, Premier Wen Jiabao stressed the importance of maintaining a steady economic growth.

The NDRC accelerated approval of industrial projects. On May 20, the commission approved more than 100 projects. Some big projects, such as the steel projects in Zhanjiang and Fangchenggang, which were previously rejected for strict control of excessive production capacity, were given new life.

The interest cut on June 8 is expected to provide more currency support to investment. Tang said the interest cut is a measure by the central bank to cope with the slowdown in economic growth and ensure steady growth. "Given present figures, GDP growth in the second quarter is likely to be lower than 8 percent. The recent government policies indicate that approval of new projects is being accelerated, but the reduction of the reserve requirement ratio shows that the economic situation is really not so good. Therefore the interest cut this time is of course favorable to the whole real economy. It is conducive to reducing financing costs of enterprises and stimulating their demand of funds," he said.

Du Ying, NDRC Vice Minister, said at a press conference on June 1 that at present, the task of "stabilizing growth" includes four parts: continuing to implement structural tax reduction measures, maintaining a reasonable credit scale, expanding consumption and keeping a reasonable investment scale, and stabilizing exports.

When exports turn sluggish and consumption grows steadily, the speed of economic growth is decided to a large extent by that of investment growth. Zhang said in the short term, a fast way would be to launch investment projects,

but in the long run, the government should rely on expanding consumption.

According to Zhang, against the backdrop of the accelerated process of China's urbanization and industrialization, a certain investment scale is necessary. During this period, the Chinese economy cannot develop without investment. In the meantime, for the need of transforming growth pattern and economic restructuring, the government should accelerate its effort to nurture consumption.

Zhang stressed that monetary policy is important now, because it is closely related to the recovery of economic growth and the stability of demand. Control of money supply by the central bank seemed too tight last year for the purpose of coping with inflation, leading to the inadequate credit supply this year and curbing economic growth to some extent.

"At present market liquidity is tight, offering inadequate support to the economic growth. When prices are almost stable, the monetary policy should give more support to economic growth," said Wang Jun, Deputy Director of the Department of Consultancy of China Center for International Economic Exchanges. Wang predicted that the central bank may further relax monetary policy within the year.

Restructured growth

At the June 1 press conference, Du said China would not launch stimulus measures like the 4-trillion-yuan (\$586 billion) package after the 2008 global financial turmoil.

China needs to both sustain growth and fulfill the task of economic restructuring. A research report by China International Capital Corp. Ltd. says the Chinese Government is issuing a series of macroeconomic measures, not only focusing on the short-term target of stabilizing economic growth, but also considering the long-term target of eco-



GOLD FEVER:
Consumers look at a gold necklace at the 2012 Beijing Gold Jewelry Festival on April 28

Zuo Xiaolei, chief consultant to the president of China Galaxy Securities Co. Ltd., said decisions of vision in both breadth and depth are needed to ensure steady growth and deal with the relationship between steady growth and economic restructuring. Otherwise, even though troubles at hand

conomic restructuring and transformation of the economic growth pattern. According to the report, among the projects approved by the NDRC this year, 78.8 percent will be in the public utilities industry, and 11.3 percent in information services.

Seeing from policies issued by various ministries and commissions to stabilize growth, whether subsidies for energy-saving air conditioners and flat-screen televisions or favored housing loans to purchase of green residential buildings, energy-saving and environment protection projects account for a large proportion.

Zhang thought during this round of measures to “stabilize growth,” private investment will play a more important role. Several ministries and commissions have issued provisions for private capital to invest in monopoly industries, with unprecedented efforts to support private investment. Many experts say China’s measures to stabilize growth will not reverse the strategic progress in transforming the growth pattern and economic restructuring, nor will they intensify the long-standing economic imbalance. The Chinese Government has set a bottom line for the measures of stabilizing growth this time: There will be no investment policies as strong as the 4-trillion-yuan stimulus package in 2008, and macro-control of the real estate industry will not be relaxed.

Public concerns

As China faces pressures of excessive capacity in its steel production, some large steel

projects, such as those in Zhanjiang and Fangchenggang that have received NDRC approval, have aroused public concerns that the government is increasing investment blindly to ensure steady economic growth.

Zhang said undeniably, for the pursuit of economic growth, government-led irrational investment behavior is commonly seen. Excessive investment has led to surplus capacity in many industries and low investment returns. This has spread from traditional industries such as iron and steel and ship building to photovoltaic and some other emerging industries. Because of random investment, investment efficiency has dropped rapidly in recent years, so has the quality and returns of economic growth.

“We should not make random investment now with the excuse of stabilizing growth, which will impose bigger adverse impacts to future economic development,” said Zhang.

Ba Shusong, Deputy Director of the NDRC Research Institute of Finance, said experiencing massive investment and slowed down economic development in 2008 and 2009, many industries now see a surplus capacity. Hence when making new investment, the government should avoid increasing investment in these industries to facilitate economic restructuring.

Ba thought the best way of investment is to appropriately accelerate construction of infrastructure projects, instead of putting more money into the iron and steel industry.

can be solved, more severe problems may be caused in the future.

According to Zuo, “stabilizing growth” is more important to stimulating economic growth, hence many suggestions carry on the ideas of rescuing the crisis, such as opinions of frequently cutting the reserve requirement ratio or relaxing the monetary policy, but inflation will then be inevitable. The Chinese economy has not yet emerged out of the haze of high inflation caused by the overflow of liquidity during 2009 and 2010. If relaxing the monetary policy again, the economy would get into more unstable circumstances. Therefore the government must be prudent in relaxing its monetary policy.

Zuo thought since the Chinese economy is now in a reasonable state of macro-control instead of crisis, it is unnecessary to massively overdraw money from the central bank to stimulate economic growth.

At present the biggest problem the Chinese economy faces is the declining investment demand, mainly caused by the reduction of investment in real estate, iron and steel, cement and other industries with surplus capacity, but it is a decline of ineffective investment. It indicates that to stabilize economic growth, the government needs to create new effective investment demand, such as investments in electronics, information technology and other strategic emerging industries, as well as service industries. ■



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