

Chinese economy fares well - Experts

WU QI

AS the 53rd founding anniversary of the People's Republic of China is drawing near, a leading Chinese economist describes the country's current economic situation as "good" in fact "better than expected."

"Judged on the performance of the national economy in the first half of the year, the country's economic growth is not likely to slow down in the second half," says Prof. Wu Shuqing of the prestigious Peking University. The professor doubles as a member of the financial and Economic Committee of the Standing Committee of the National People's Congress, the Chinese parliament.

In the first six months of 2002, China's gross domestic product (GDP) grew by 7.8 per cent over the same period of 2001, reaching 4,553.6 billion yuan (US\$548.6 billion). "This suggests that a sound foundation is in place for us to attain the projected goal of a 7 per cent economic growth for the whole year," Prof. Wu notes. "If all goes well, the annual economic growth may be even greater."

Growth of the Chinese economy has kept accelerating. It was 7.6 per cent in the first quarter, and in the second, it increased to 8 per cent. The National Bureau of Statistics (NBS) predicts that the annual economic growth is likely to be around 7.5 per cent. According to Prof. Wu Shuqing, the Chinese economy will maintain a sustained, rapid and healthy development in 2003 and many more years ahead. "We have a host of favorable factors to enjoy in our economic development," he concedes.

"Better than expected"

Prof. Wu and other experts attribute the country's economic success in the first half of the year to the government's continued proactive fiscal policy and prudent monetary policy, as well as efforts to stimulate the domestic demand and actively develop foreign trade. Zhang Xueying, a senior expert with the State Information Center (SIC), notes in particular that increased investment, exports and consumption had promoted the "better than expected industrial output," which is the key factor responsible for any growth of China's GDP.

For the six months of this year, large- and medium-sized enterprises those capable of generating at least 5 million yuan (US\$602,409) in annual sales revenue reported a combined industrial output value of 1,446 billion yuan (US\$174.2 billion), a year-on-year increase of 11.7

percent. China's capital spending -- investment in fixed assets -- continued to be a major driving force for the development of the Chinese economy. Such spending rose 21.5 per cent year-on-year, amounting to 1,446.2 billion yuan (US\$174.2 billion) in total.

Domestic consumption continued to be an engine for China's economic growth in the first half of the year. The total retail sales of consumer goods registered a year-on-year increase of 8.6 per cent, reaching 1,944.8 billion yuan (US\$234.3 billion) in national total. "Just for the size of its population -- about 1.3 billion -- China has an immensely great potential as a market of consumer goods and services," Zhang notes. "While opening to the outside world for



Harvesting wheat in Henan province.

the Chinese government and people. The economy's steady growth, however, should not blind us to the negative factors," Yan Xianpu says. In the words of Prof. Wu Shuqing, "China should be sober-minded that the foundation for China's economic growth is not stable enough."

In an interview with the Business World, an economic monthly published by Xinhua, China's state news agency, Prof. Wu Shuqing notes that the adequacy of effective demand has not completely changed. "For the last eight months since November 2001," he says, "prices have gone down or remained unchanged, and prices for capital goods have kept dropping for 12 consecutive months. A continued low price level not only adversely affects the economic performances of companies

capital and technologies. China relies mainly on its own market to seek an economic expansion, which we believe is a leading factor conducive to the country's development."

The country's exports came to US\$142.1 billion for the first six months of 2002. That represented a 14.1 per cent increase over the same period of 2001, an increase which was also "greater than expected," according to Zhang Lijun, a researcher at the Development Research Center under the State Council. Zhang and other experts attribute the growth in foreign trade to a string of government policies to encourage export. "What merits special mention is the policy that allows timely rebate of the value added and other export taxes," he says. "Besides, export credit has kept increasing. It was up 30% year-on-year in the first half of 2002."

Problems

Meanwhile, these experts warned against self-conceit on the part of

but also reins in capital investment." Mounting pressure on the job market, he continues, is another problem. At the end of 2001, 6.81 million urban residents had registered as being unemployed, representing an unemployment rate of 3.6 per cent, 0.5 percentage points over the end of the previous year.

The impact of China's entry of the World Trade Organization (WTO) is beginning to show, and trade frictions have kept increasing. In the first half of 2002, there was a sharp increase in the imports of urea, sugar, wheat and steel products, adversely affecting China's trade surplus and the relevant domestic industries. Trade protectionism against Chinese exports has been on the rise, with some developed countries using anti-dumping clauses of the WTO and increasingly demanding environmental protection standards to restrict imports from China. The European Union, for example, has banned the import

of animal-based goods from China. "That alone affects US\$700 million of Chinese exports," Prof. Wu says. "I'm confident of China's economic future"

Prof. Wu Shuqing, however, insists that China is not to be daunted. "These and other problems can be resolved," he says. "After two decades of the reform-and-opening policy implementation, we have accumulated a wealth of experience in dealing with problems. Moreover, we have laid a fairly solid foundation for China's modernization."

While a challenge, he says, the WTO entry is giving rise to a host of opportunities that China may use to promote its modernization process. According to reports from the country's highest research institutions, the WTO entry may drive up China's GDP by three to four percentage points if China seizes the opportunities.

As a full member of the world trade body, never has China been so attractive to foreign investment as today. For eight years in a row, the country has been the greatest investment market among developing countries. For this year, it may lure in US\$50 billion in foreign direct investment, more than for any previous year.

China needs to keep its economic growth high as part of an effort to provide jobs to its citizens. The government is pooling resources from all sectors of society to create jobs for workers who have been laid off in the course of the restructuring of state-owned factories. Community service centers are mushrooming across the country, which have absorbed unemployed workers in their hundreds of millions. The social security system is being improved. Practically all those urban residents living below the poverty line are receiving a subsistence allowance, according to government reports.

Policies to stimulate consumption will continue. Interest rates have been cut repeatedly for the purpose. Those on the government payroll have had their wages raised twice, which are to be raised again this year. The State Council plans to issue 150 billion yuan (US\$18.1 billion) worth of treasury bonds this year, for use in construction of key infrastructure projects.

Citing these "favorable factors" for China's development in the new century, Prof. Wu Shuqing says he is "confident of China's economic future." "Never has the country been in so strong a position to bringing into full play its development potential," he says.

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China's agriculture getting prepared for WTO

DING QILIN

AT a first glance, crop fields in the Huaibei Plain during this year's summer harvest season bore no difference from what it used to be: wheat ears kept swaying in the wind and, as far as the eyes could see, there was an endless expanse of golden yellow.

But a closer look revealed a difference -- in fact no small difference. The acreage sown to wheat had been cut to make room for more profitable cash crops, fruit and vegetables. So in this vast sea of golden yellow, lush-green "islands" were seen from time to time. Farmer Mu Benlun used to grow nothing but wheat on his seven-run (15 mu to a hectare) family farm, for an annual income of approximately 3,500 yuan (US\$422). Over the past two years, he has planted garlic to five mu, leaving only two mu for wheat. Now the farmer was planning to plant green bean to all the land. "Just one mu of green bean will generate 3,000 yuan (US\$361) in profits a year," he said, gleefully.

The Huaibei Plain in east China is a breadbasket for the country. In Jiangsu Province to the east of the plain, the sown acreage to food crops has been cut by more than half a million hectares, on which cash crops, fruit and vegetables are now grown. The rural population in Zhejiang Province, which lies to the south of Jiangsu, are becoming increasingly dependent on north-east China for supply of grain while they themselves are shifting to more profitable undertakings. "China's agriculture is getting increasingly market-oriented," Du Qinglin, minister of agriculture, summarizes. "It is getting prepared for the WTO, for the day when the Chinese market is fully open to the world under WTO principles and rules."

Import quotas to continue with WTO permission

About two thirds of the Chinese live

in farming and pastoral areas, but agriculture furnishes only 16 per cent of the country's gross domestic product (GDP) and 4.9 percent of the country's total exports. China has 100 times as many farmers as the United States. The agricultural products they are able to furnish, however, are just one fifth of what their American counterparts can do in terms of value. Prices of domestically produced major agricultural products are already higher than international prices -- for wheat, 43% higher; for corn, 80%; and for rice 1%.

In view of this, China cannot fully open its agriculture immediately after its WTO entry. As a developing member of the world trade body, it is allowed to continue imposing quotas on import of grain, cotton, oil-bearing seeds, sugar and wool with permission of the WTO. Low tariff rates will be applied to imports of these and other major agricultural products within quotas imposed by the Chinese government and, on imports beyond the quotas, higher tariffs will be charged. This way of handling things will be necessary because China's agricultural production, taken as a whole, remains backward and unable to effectively compete on the world market. Moreover, say officials at the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), given the size of its population, it is vital for China to ensure a stable supply of those agricultural products that are essential to people's life.

China enjoys a range of trade privileges under the WTO's standing rules during a seven-year "grace period" beginning the day of its WTO entry, November 11, 2001. Officials at the Ministry of Agriculture (MA) say that the country is racing against time to restructure its agricultural product-mix to take the best advantage of the opportunities brought about by the WTO entry while effectively coping with the

subsequent challenges.

Agricultural product-mix

Arable land in China is limited in area relative to the country's huge population -- averaging 0.5 hectares per capita, which is 50% smaller than in Japan and the Republic of Korea. Also calculated on a per capita basis, arable land in the United States is 332 times as large as in China, and Australia's is 7,702 times as large. With an amount of farmland that accounts for just 7% of the global total, China has become able to produce more than enough to feed its people who account for one fifth of the human race. The Chinese population has grown about three times since New China was born in 1949, from 400 million to 1,300 million. Grain production, however, has grown five times, from 101 million tons to more than 500 million. Moreover, consumption by the Chinese of grain, meat, eggs and aquatic products, calculated on a per capita basis, now stands above the average for the world. MA officials say that China is now in a position to restructure its agriculture and its product-mix.

Under the new policies that encourage a market-oriented agriculture, spring wheat produced in north China, long-grained glutinous early rice in southern China and wheat and maize in the Yangtze River Valley have removed from the list of agricultural products under state price protection. Farmers are now encouraged to go in for undertakings with a ready market -- a ready foreign market in particular. "Profitability has replaced output as the most important yardstick to measure agricultural achievements," Minister Du Qinglin says.

Du and other officials agree that the low cost of Chinese labor may turn out to be a competitive edge for China. On an average, wages for a Chinese farm worker are equivalent to just one 25% of the wages for an American farm worker. That

explains why labor-intensive agricultural products produced in China have a price edge on the world market. The prices for Chinese fruit, for example, are about 40% lower than international prices. "We have much room to expand the export of agricultural products other than those 'land intensive' products -- grain, cotton, etc.," Du concedes. "To sum up, we are encouraging our farmers to go in for high-yield, cost-efficient and high-tech farming."

To this end, China has set up more than 500 high-tech agricultural zones, which are charged with developing advanced farming techniques and better crop varieties while spreading their use among farmers. One horticulture zone in Shunde County, Guangdong Province, has helped local flower growers increase their sales by up to 50% over the past years.

Millions of Chinese farmers are to lose their jobs in the wake of China's WTO entry, as there is already a surplus labor in the countryside. To effectively cope with this challenge, the process of urbanization will be accelerated. Small towns are mushrooming everywhere in the countryside, where farmers go in for industry or commerce without leaving their native places.

Easier access to world market

While challenging China's agriculture, the country's WTO entry allows easier access of Chinese agricultural products to the world market and helps China get financial, technological and material assistance from fellow members of the WTO and international organizations in agricultural development. China is now eyeing the export of vegetables, fruit and animal products that are labor-intensive as a most important way to cope with the challenges. According to Minister Du Qinglin, a series of programs will be carried

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China's WTO membership marks beginning of new opening era

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economic reforms, has changed China's economic landscape. Rolling off assembly lines in many joint venture plants are shiny cars with the latest automotive technology, including Buick, Honda, Volkswagen, Audi and Citroen. Stores are stacked full with products made by joint ventures or with imported technology: color televisions, washing machines, air conditioners and refrigerators.

Each big city now has a community of foreigners -- diplomats, resident businesspeople, students and professionals, not to mention tourists in their millions coming to visit China every year, with their spending in the country exceeding US\$10 billion annually.

BY the end of June 2002, China's foreign exchange reserves had reached US\$242.7 billion, second biggest in the world.

Open policy implementation at new stage

China's WTO entry demonstrates that the country has stayed apace with the trend of globalization and that China's opening up and reform has entered a new stage. Vice-Premier Li Lanqing told a forum in Tianjin in May this year. "With a more active attitude, we will take part in global cooperation and competition on a larger scale. We will open the country even wider to foreign countries and investors," he said.

China needs the rest of the world if it is to achieve prosperity, and global development also needs

China, Li said. China's open-wide policy and economic progress will not only benefit the country itself, but also provide more opportunities for investors from the rest of the world, he said.

Since its WTO entry on December 11, 2001, China has committed itself to abiding by the rules and regulations of the world trade body. In recent years, China has revised or annulled foreign-related laws, rules and regulations that do not conform to WTO rules. For instance, the country now gives national treatment to foreign-invested enterprises according to WTO terms. In the revised Law on Chinese-foreign Equity Joint Ventures, production localization is no longer required on

foreign-funded enterprises. On January 1, 2002, China cut its overall tariff rate from 15.3 per cent to 12 per cent.

"WTO membership will exert wide-ranging and far-reaching influences on the Chinese economy. It will bring both opportunities and challenges," says Liu Peiqiang, deputy director of Office of the State Council for Economic Restructuring. "But for an overall point of view, it will bring more advantages than disadvantages."

With China's WTO entry, more foreign investment has been coming to China. In the first half of this year, the Chinese government approved another 15,155 foreign-funded enterprises, up 26.39 per

cent over the same period of last year; and contractual foreign investment during the period totaled US\$43.99 billion, up 31.47 per cent. Sources with MOFTEC say foreign investment in China in the entire year may exceed US\$50 billion, the most in history.

Of the world's 500 top multinational corporations, more than 400 have established one or more operations in the country, according to *International Business Daily*, a leading business newspaper in China.

As China's economy keeps developing at a rapid pace, the China market is growing fast in size, and with China as a member of the WTO, access to the market has become easier for all. The China market has decidedly become more attractive in the wake of the country's WTO entry. In the next five years, according to *International Business Daily*, China's goods market alone will provide its trade partners with at least US\$1.5 trillion worth of business opportunities.

After 15 years of difficult negotiations, China is now a full member of the WTO, a milestone in the country's march toward being an active member of the world economic community. But it is not the end of the opening process. In years to come, to conform to WTO rules and its own commitments, China will implement its open policy in greater width and depth and continue to carry out reforms. For China's open policy, WTO membership signifies only the beginning of a new era.



Beijing International Airport. In August, 2002, China announced opening the country's aviation industry to foreign investment.

In celebration of the 53rd Founding Anniversary of the People's Republic of China

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GDP for the year 2000 to quadruple again in the first half of the 21st century to usher in a modernized China. By 1987, China had attained the target set for 1990. In 1995, her GDP came to 5.76 trillion yuan, which was the target set for 2000. In 2000, China's GDP exceeded US\$1 trillion for the first time. Despite a slowdown of the world economy, it continued to grow in the following year, at 7.3 per cent. According to a latest report issued by the Development Research Center of the State Council, a think tank of China's central government, the country's GDP achieved a 7.8 per cent growth in the first six months of 2002, and the center is expecting a 7.5 per cent growth for the whole year.

Fundamental interests of the people -- point of departure and end result

In the words of Deng Xiaoping, "the essence of socialism lies in liberation and development of productive forces." In judging the success or failure of the Party's work, he said, "the ultimate criterion is whether people are satisfied with it or whether it is to the liking of the people."

The Chinese leadership of the current generation, with Jiang Zemin at the core, is carrying for-

ward the cause started by Mao Zedong and developed by Deng Xiaoping. "Our Party must always represent the fundamental interest of our people," Jiang declared at a mass rally celebrating the 80th founding anniversary of the Party on July 1, 2001. "We must take the fundamental interests of the people as the point of departure and the end result of our work."

Jiang and his comrades believe that the fundamental interests of the Chinese people lie in the country's reform and development. They are sparing no effort to ensure that China will double her GDP in the first decade of the new century with the 2000 GDP as the base figure. By the time Party celebrates its centenary in 2021, China will have accomplished the task of building up a full-fledged socialist market economy. By the mid-21st century, New China, while celebrating her centenary, will have developed into a powerful, modernized socialist country, a country strong, prosperous, democratic and with highly developed social ethical standards.

Still a developing country

Indeed, New China has so much to celebrate as its 53rd birthday is drawing near. According to statistics of the World Bank, China's 2000 GDP was the sixth biggest in the world,

following that of the United States, Japan, Germany, France and Britain. According to a report published by the United Nations International Trade Conference on global investment in 2001, nearly 400 of the world's top 500 transnational corporations have invested in China. The same report also indicates that the country is becoming a production, procurement and research and development (R&D) base for more and more transnational companies. For eight years in a row, China has attracted more foreign investment than any other country in the developing world. The National Bureau of Statistics has reported that in 2002, China is likely to lure in an extra US\$50 billion in direct foreign investment.

China is now recognized worldwide as one of the fastest growing economies, able to maintain an annual economic growth of five to seven percent in the first two or three decades of the current century. Life of the Chinese people has kept improving. For one example: Cars, which used to be a symbol of social status, are rapidly finding their way into homes of the ordinary Chinese. For every 200 Chinese people, there was one car in 2000. Car sales went up 20 per cent in 2001. The Beijing Municipal Government has

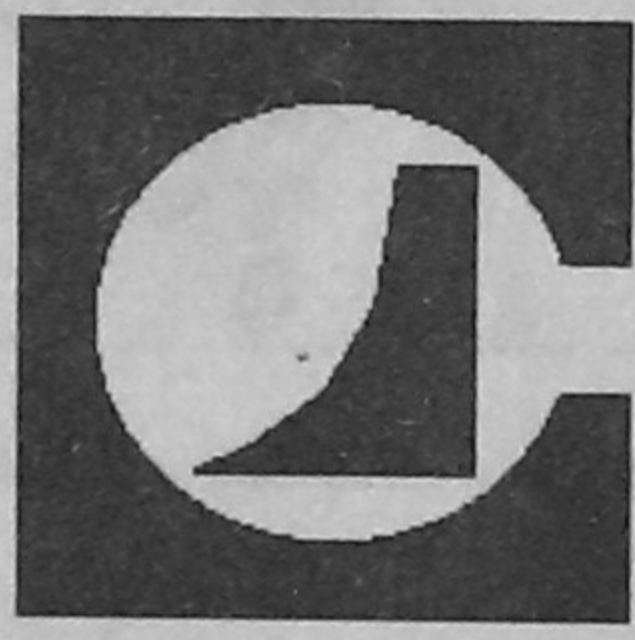
reported that in the first six months of 2002, car sales in the Chinese capital increased by 19.2 per cent year-on-year, and 90 per cent of the buyers were private citizens.

Despite these dazzling achievements, the government and people are clear that China remains a developing country. "China's aggregate economic volume is quite impressive," the Development Research Center of the State Council notes in a report. "But the figure is small when calculated on a per capita basis."

The Horizon survey, in its own way, suggests that a fairly good proportion of the Chinese population -- somewhere between ten to 20 per cent -- are not satisfied with their living conditions. These people belong to the "disadvantaged groups," in particular workers laid off by state-owned factories in the course of their restructuring for better economic performance.

According to officials at the Development Research Center of the State Council, reform and development are the solution to the problem, noting that in just 20-odd years since the reform began, the poverty-stricken population in the Chinese countryside have been reduced from 250 million to about 30 million.

WARM CONGRATULATIONS ON THE 53RD ANNIVERSARY OF THE FOUNDING OF THE PEOPLE'S REPUBLIC OF CHINA



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