

# China to revamp growth model in next five years

AFP, Beijing

China, long the bargain workshop to the world, plans in the next five years to boost wages and narrow a worrying wealth gap as it vies to head off social unrest in a new and improved economic model.

After decades of blistering growth that elevated its economy to number two in the world, Beijing wants a more sustainable path via higher domestic consumption and less reliance on exports and investment.

The 2011-2015 blueprint, to be unveiled when parliament convenes for its annual session from Saturday, will focus on ameliorating social welfare, championing innovation and reducing China's world-beating carbon emissions.

"China's 12th Five-Year Plan could represent a watershed in the country's pattern of economic development," Eswar Prasad, the former head of the International Monetary Fund's China division, told AFP.

"The main objective of the plan is to reorient growth to make it more balanced and sustainable ... this is necessary to ensure greater social stability," said Prasad, a professor of trade policy at Cornell University.

The overhaul -- if successful -- could see a slowdown in China's economy, which grew 10.3 percent in 2010, and help ease tensions with its key trade partners, analysts say.

While top leaders have long stated the need for retooling the growth model, experts said the



A woman rides a bicycle past a man talking on his mobile phone in Shanghai yesterday. China plans in the next five years to boost wages and narrow a worrying wealth gap as it vies to head off social unrest.

global financial crisis had given them a sense of urgency after millions of factory workers lost their jobs and growth slowed sharply.

"They realised it is not very nice to be exposed to external vulnerabilities," said Alistair Thornton, an economist at IHS Global Insight.

Premier Wen Jiabao said Sunday the country would aim for seven percent annual growth in the 2011-2015 period -- a rare lowering of its usual target of eight percent expansion, until now seen as key to staving off social unrest.

The dramatic transforma-

tion in recent decades has created dozens of dollar billionaires, but also left millions more languishing at the bottom of the pile in a country that still has grinding poverty among the rural masses.

"I think China is at a critical stage -- the prior growth model is not well suited for current conditions and needs to change," said Nicholas Lardy, a senior fellow at Washington's Peterson Institute for International Economics.

"Rebalancing would mean smaller trade and current account surpluses, potentially reducing trade disputes."

China's massive trade surplus

with the rest of the world -- exacerbated by its currency policy -- has fuelled tensions with trade partners, who claim their markets are being flooded with cheap Chinese-made products.

Analysts said the five-year plan is also likely to tackle China's choking pollution through market-based energy pricing, environmental taxes and greater investment in renewable energy.

"I think there is recognition that this must happen and it can happen because it ties into industrial policies and goals," said Michal Meidan, an analyst at research firm Eurasia Group

in New York.

China will also focus on developing "strategic emerging industries" which policymakers hope will become "the backbone" of the economy as it shifts from being the world's workshop to an innovator, said global consultancy firm APCO.

Beijing will reportedly spend more than four trillion yuan (\$609 billion) on industries including biotechnology, high-end equipment manufacturing, environmental protection and clean energy vehicles, APCO said in a report.

This could create opportunities for foreign businesses who have long complained about market access restrictions in China, it added.

But experts cautioned the blueprint was not set in stone and the government's priorities could change if the global recovery falters.

President Hu Jintao "has made it clear that the number one priority is social stability -- that trumps everything else", said Patrick Chovanec, an economics professor at Tsinghua University in Beijing.

With a transition at the top expected in 2012-13, Hu and Wen will be determined to "bed down their legacy as the first leadership team in the post-reform era with a strong focus on equality issues", APCO said.

But policymakers are also likely to face strong resistance from local governments and powerful state-owned companies keen to protect their own interests.

## StanChart 2010 net profit soars to \$4.2b

AFP, London

British-based emerging markets bank Standard Chartered said Wednesday that its 2010 net profit soared by almost a third, delivering a record performance for an eighth successive year.

Profit after tax jumped 29 percent to \$4.2 billion (3.05 billion euros) last year from \$3.3 billion in 2009, the London-listed lender said in a statement.

Pre-tax earnings rose 19 percent to \$6.12 billion with operating income up six percent to \$16.1 billion.

"These results represent our eighth consecutive year of record income and profits," chief executive Peter Sands said.

"This is not a bounce-back, or recovery story, but one of consistent delivery and of diverse and sustained growth."

"We are well placed in the world's most attractive markets, winning market share, growing income and profits, and creating value for our shareholders."

He added: "This has been a strong year for the group, with good growth in volumes as we take market share from our competitors."

Standard Chartered, which derives the lion's share of its income from emerging markets, said it had also made a record start to 2011.

"We start 2011 strongly with the balance sheet in excellent shape, with good momentum and with volume growth in both businesses. We have had a record January, both in terms of income and profit," said Sands

Turning to ongoing unrest in the Middle East and North Africa region, he acknowledged that the bank was facing "challenges" from the turmoil.

"We also face challenges in some markets from political turmoil, most obviously in the Middle East and Africa."

"Thus far, the challenges here are more about protecting our staff and customers, rather than primarily financial, given that our businesses in the most affected countries tend to be rather small."

"And while rapid political change can be disruptive to business activity in the short term, it can also create opportunities."

## Yahoo in talks on \$8b Japan exit

REUTERS, New York/Tokyo

Yahoo Inc is in advanced talks to leave its Japanese joint venture in an effort to sort out its dysfunctional Asian partnerships and free up as much as \$8 billion to fight Google and Facebook.

A deal to transfer Yahoo's 35 percent stake in Yahoo Japan to Softbank Corp, which already controls 42 percent of the unit, could come within a few weeks, people with knowledge of the discussions said.

If a deal is reached, Yahoo is likely to turn its attention to China, where it owns about 40 percent of prominent Internet company, Alibaba Group, the parent company of Alibaba.com, these people said.

It was not immediately clear what Yahoo wants to do with that stake.

Relations between Yahoo, Softbank and Alibaba have soured in recent years with Alibaba founder Jack Ma agitating to buy back

Yahoo's stake in his company and Softbank founder and major shareholder Masayoshi Son openly attacking Yahoo's track record as an innovator and its approach to international markets.

Softbank also owns a stake in Alibaba.

"There is a triangular relationship between the three parties. Anything that happens with Alibaba has to involve all three parties," one of the sources said.

Shares of Yahoo Japan rose 3.7 percent in Tokyo after Reuters first reported the talks on expectations Softbank would pay a premium for the stake. Softbank, Japan's No.3 mobile phone operator, closed 3.6 percent weaker on worries over how it would finance the deal, while Alibaba.com dipped 1.3 percent in Hong Kong.

Softbank, in a statement released through the Tokyo Stock Exchange, said it was not in talks with Yahoo

and had no intention to buy its stake in the Japanese business.

A deal for Yahoo's stake in the mature Japanese market could bring a cash infusion that could be viewed favorably by investors, analysts have said.

Leaving the fast-growing and massive China market, where Western internet companies have largely failed to crack the tough regulatory regime and home-grown rivals such as Baidu Inc, would be more controversial.

An Alibaba spokesman declined to comment on Yahoo's intentions in China, although last September the company said it had "moved on" from buying back Yahoo's stake.

As well as owning Alibaba.com, the country's largest business to business online platform, Alibaba Group owns Taobao, China's largest consumer-oriented e-commerce site, and Alipay, China's dominant e-payment service.

## Top car makers seek fortune in emerging markets

AFP, Geneva

Top car makers took a bullish outlook at the Geneva Motor Show on Tuesday, as the industry lined up 170 model launches with an eye on thrifter hybrid vehicles and, above all, emerging markets.

About 700,000 visitors are expected when the show opens between March 3 to 13.

The world's number one car maker Toyota, which has championed cleaner hybrid electric and petrol powered vehicles, signalled further expansion of its range by unveiling a hybrid version of its new Yaris supermini in Geneva.

Didier Leroy, president of Toyota Motor Europe, said the car would be made at its French plant from the second half of the year.

Leroy underlined at the show's press and industry preview that the Japanese company achieved its sales target of 800,000 vehicles in Europe last year.

"Now our goal is to grow by 80 percent in 2011. We're confident to return to the million plus sales in the near future," he said.

In the nine months to December, Toyota sold more than 910,000 units in China and Asia excluding Japan, a 30 percent increase as the company brushed off the impact of a technical recall in the United States that dented sales of its flagship Prius hybrid.

Daimler chairman Dieter Zetsche told journalists at the show that hybrid-electric technology would not find its way into the company's luxury Mercedes cars in the absence of demand from its customers.

However, German car group BMW and France's PSA Peugeot Citroen gave the thumbs up to the technology, announcing this week a 100 million euros (\$138 million) investment in a joint venture to develop hybrid vehicle technology.

It will include a plant in France and BMW chairman Norbert Reithofer insisted in Geneva that the



A model poses with Peugeot HR1 Concept car at the car maker's booth during the Geneva car show on Tuesday in Geneva. Car makers display 170 new models as the automobile industry preview the 81st edition of the motor show.

deal on the less polluting, lower fuel consumption technology was for the "very long term".

"We want to roll out our hybrid systems in the next five to eight years, that means also we're prepared for high oil prices. I also believe that's an intelligent step," said Reithofer.

BMW is eyeing double digit sales growth in January even in top markets the United States and Germany.

Currently half of its business is in the traditional car markets in Europe and North America, and the other half in the rest of the world.

"In China as usual it's going well but also countries like South Korea, Turkey, India, Brazil, Australia, Russia," Reithofer explained.

Daimler's Zetsche called the Chinese market a "safe bet," but like his German rival he played down the sustainability of the huge growth rates seen there in recent years, such as a doubling of sales for Mercedes last year.

"It seems to me that the economy in China will continue for a number of years to grow in the range of the two digits, and on that basis, millions and millions of Chinese people get in the bracket where they can afford a

car," he explained.

Nonetheless, "I would not necessarily see further over-proportionate growth in the premium segment," he added.

Reithofer was eyeing more assembly plants in some emerging markets, on top of a new plant in China in 2012 capable of producing 100,000 vehicles a year.

"We must also develop Russia, develop Brazil, we must also look at countries like Turkey for example," he added.

PSA Peugeot Citroen, meanwhile, was happy with keeping its order books as full as last year's in January.

Chairman Philippe Varin said at the show that growth in Europe could be "zero plus".

The French group also sees its fortune in the emerging world, after a good start to 2011 in Russia and China, albeit a step behind the German luxury car makers.

It is awaiting completion of a second joint venture deal in the first quarter in China and scouting India for plant locations.

"There will be a brand of its own and we don't exclude exports from China," Varin said.



A Palestinian youth picks cherry tomatoes at a field in the southern Gaza Strip yesterday. Israel has granted special approval for the export of a small amount of Palestinian tomatoes from the Gaza Strip to the European market. One truck loaded with tomatoes will be able to leave the impoverished territory over the next two weeks with European coordination.