

EXCLUSIVE INTERVIEW

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China's economy, still strong

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THE "plum rain" that envelops Shanghai every summer -- a confusing mix of drizzle, fog and smog -- is a handy metaphor for the murkiness that currently enshrouds China's economy.

A drumbeat of negative views about China's economic prospects dominates the country's image. The financial weekly *Barron's* recently proclaimed in a cover story that "it looks like the Great China Growth Story may be falling apart." On Friday, China is expected to announce new, subpar growth figures.

But consider a less prominent fact: A Bloomberg survey of economic forecasters yielded an average projected growth rate for China of 8.2% for 2012. If that's the oft-predicted "hard landing" from the heights of China's historic double-digit rates, let's all wish for a similar fate for the United States. No other major country -- not even Brazil or India -- will grow at a rate near China's this year.

As a China believer who recently made a return trip to the country after eight months, I was eager to assess whether the optimism evident there during my past visits had ebbed. I met with businesspeople and investors, mostly Chinese. To be sure, almost every meeting included an acknowledgment of relative soft spots in the economy and worries about things like declining exports, weakening Western economies, a housing bubble, too much investment and a failure to spur domestic consumption.

But on balance, the people I met were firmly optimistic that the fundamental "urge to surge" remained. If anything, the intervening decline in the Chinese stock market had made them more enthusiastic about investing.

"China wants you to misunderstand this economy," one very successful investor said, suggesting that it

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serves China's interests to be underestimated by the United States.

Concerns about China's economy are often exacerbated by anxieties about its political stability amid a leadership transition, rampant corruption and official economic data of questionable veracity. But put those emotions and knee-jerk skepticism aside, and the economic picture looks rosy, at least to me.

Take, for example, China's extraordinary investment rate of 48% of gross domestic product. High investment is a hallmark of an emerging economy; China's capital stock per capita is still only about one-tenth of the United States', which suggests room for further investment.

All that spending gives China a feeling of lunging further and further into the 21st century. Visiting Pudong, Shanghai's shiny new financial district, I recalled that when it was built, in the late 1990s, the vast project was ridiculed by critics as unlikely to ever be fully utilised. Today, Pudong is a major money centre.

No doubt a portion of China's investment has been misdirected. But misdirected overinvestment won't bring down an economy; it simply represents lost consumption for Chinese families. In any event, I'd prefer some misdirected investment to the United States' alternative: a modest 16 percent investment rate.

As for concerns about the housing market, here's what passes for a burst bubble in China: a 2.2% decline in housing prices over nine months (and then a small increase in June). Compare that with the 33% drop in the United States between July 2006 and January 2012.

And what of the economic downturn in the West? Though it has indisputably hurt Chinese exports (which are still growing, albeit at a rapidly decelerating rate), China is now far less dependent on its exports; their share of GDP has dropped from almost 40% in 2007 to 29%.

China may be totalitarian, but its leaders still behave as if they had 1.3 billion customers whom they need to keep happy by delivering steady and rapid progress up the economic ladder. Interest rates were cut in June and were just lowered again. Constraints on bank lending have been relaxed. The luxury tax was reduced. And notably, the managed appreciation of China's currency over the past two years or so has been slightly reversed as China continues to pursue its neomercantilist strategy of manipulating everything from technology transfers to trade barriers.

While China has instituted only modest measures to stimulate consumer spending, the investors I met with are buying up businesses ranging from car dealerships to dairies, betting that the Chinese will step up their expenditures.

The "pessimists-lite" -- those who argue that China's growth rate may not re-accelerate -- may be right. No economy can expand indefinitely at China's historic double-digit rate. But for me, China's economy still pulsates with the confidence of its growing entrepreneurial spirit, an important factor that doesn't fit neatly into statistical models.

The writer, a contributing opinion writer, is a longtime Wall Street executive and a former counselor to the Treasury secretary.

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'China-Bangladesh relations have become the model of friendship between countries with different social systems and different cultures'

China's new ambassador to Bangladesh, Li Jun, arrived in Dhaka on February 18 and presented his credentials to the President on March 6. In an exclusive interview with The Daily Star's Diplomatic Correspondent Rezaul Karim recently, he talked on a wide range of bilateral issues. He said he would try his best and cooperate with the government and people of Bangladesh to improve further the ties between the two countries. He also said China and Bangladesh are good neighbours. Since 1975, the bilateral relationship has always been developing in a smooth manner and bilateral cooperation in various areas has been deepened. Following are excerpts from the interview.

The Daily Star (TDS): As the new Chinese Ambassador in Bangladesh, what are the priorities you plan to emphasise during your assignment in this country?

Li Jun (LJ): In March and June 2010, H.E. Sheikh Hasina, Prime Minister of Bangladesh, and H.E. Xi Jinping, Vice President of China, had a successful exchange of visits. The two sides issued a Joint Statement and decided to establish and develop a "Closer Comprehensive Partnership of Cooperation" between China and Bangladesh from the strategic perspective and on the basis of the principles of longstanding friendship, equality and mutual benefit. I believe this set the direction of and provided the guidelines for the development of our bilateral relationship.

- During my tenure,
- I will do my utmost to consolidate and develop the bilateral relationship with the aim of promoting the development of our two countries and the welfare of our two peoples;
 - I will continue to push for more exchanges of high-level visits and contacts and friendly exchanges between government agencies, parliaments, political parties, and non-governmental organisations of our two countries;
 - I will continue to push for intensified cooperation in trade, investment, agriculture, transportation and infrastructure development on the basis of equality and mutual benefit;
 - I will continue to push for a further widening of people-to-people and cultural exchanges and cooperation with a view to promoting mutual understanding and friendship between the two peoples;
 - I will continue to push for strengthened exchanges and cooperation between the militaries and law enforcement departments to safeguard respective national security and stability and promote peace and stability in the region;
 - I will continue to push for closer coordination and cooperation to uphold the common interests of the two countries as well as that of the developing countries in international and regional affairs, such as climate change, energy and food security.

I am confident that with the joint efforts of our two countries, the closer comprehensive partnership of cooperation between China and Bangladesh will be brought to a new high and bring tangible benefits for our two peoples.

TDS: Bangladesh and China enjoy excellent bilateral relations. How do you foresee these relations developing further in the days ahead?

LJ: The traditional friendship between our two peoples date back to over two thousand years ago. Since the establishment of diplomatic relations in 1975, China-Bangladesh ties have been developing in a smooth manner and the pragmatic cooperation in various fields has been further strengthened. It was the efforts that successive governments and the peoples of our two countries have made that contributed to the enhancement of China-Bangladesh friendship. To them I pay my tributes.

Currently, the development of relations between China and Bangladesh enjoys the right time, right place, and right people. China is implementing the 12th Five Year Plan with scientific development as guidance and transforming economic growth pattern as the main objective. At the same time, Bangladesh is pushing forward the "Digital Bangladesh" and "Vision 2012." Our development strategies have provided us great scope for cooperation. China and Bangladesh are close neighbours, the region where we are situated has been experiencing rapid growth, which created more opportunities for regional and international cooperation. Apart from that, our bilateral relationship has neither problems left from history, nor conflicts of interest at present. Compassion, understanding, support, and mutual-assistance have always been the main theme of our relationship.

I am convinced that the traditional friendship between China Bangladesh and mutually beneficial cooperation will better contribute to the development of the two countries and benefit the two peoples.

TDS: What are the major follow-up events after Prime Minister Sheikh Hasina's visit to China in March 2010?

LJ: In March and June 2010, H.E. Sheikh Hasina, Prime Minister of Bangladesh and H.E. Xi Jinping, Vice President of China had an exchange of visits to each other's countries. The two sides decided to establish a "Closer Comprehensive Partnership of Cooperation" from the strategic perspective and on the basis of the principles of longstanding friendship, equality, and mutual benefit. A Joint Statement was also issued which reflected the consensus reached by leaders of both countries to further consolidate and develop China-Bangladesh relationship.

Since then, there have been positive developments in bilateral relationship. There have been constant exchanges of high-level visits between the two coun-

tries. The Speaker of Bangladesh Parliament Abdul Hamid and Foreign Minister Dipu Moni, as well as many ministers, have visited China. Liu Qi, Member of Political Bureau of the Central Committee of Communist Party of China (CPC) and Secretary of CPC Beijing Municipal Committee, Qin Guangrong, Governor of Yunnan Province of China as well as other high level officials visited Bangladesh.

There has been much progress in bilateral economic and trade cooperation. Bilateral trade volume in 2011 reached \$8.26 billion, with an increase of 17% compared with 2010. Bangladeshi export to China reached \$449 million, an increase of 67.5%. According to local news reports, Chinese investment in Bangladesh in 2011 amounted to over \$200 million. The agreements on introduction of 3G technology and expansion of 2.5G network, and on Shajhalal fertilizer factory project were signed. The construction work will start very soon. China also exempted debts of Bangladesh worth more than 600 million RMB.

There also have been positive developments in bilateral cultural exchanges. In November 2011, Beijing Night Art Performance and Charming Beijing Photo Exhibition were successfully held in Dhaka. Fantastic performances of the Chinese artists and beautiful pictures of Beijing deepened Bangladeshi people's understanding towards China. "Happy Chinese New Year" cultural events have become a famous Chinese cultural brand in Bangladesh. Every year, Dhaka citizens flock to the theater to enjoy the exciting moments of traditional Chinese New Year.

In addition, there has been big progress also in other areas such as agriculture, education, military, etc. I will continue to push forward the all-dimensional cooperation in various fields between our two countries.

TDS: During the PM's visit to Beijing, Bangladesh and China agreed to strengthen cooperation in the military and law enforcement areas at various levels. Is there any progress in those fields?

LJ: Military cooperation is an important part of the all-dimensional cooperation between China and Bangladesh. In the Joint Statement issued during Prime Minister Sheikh Hasina's visit to China in March 2010, the two sides agreed to strengthen exchanges and cooperation between the militaries and law enforcement departments to safeguard respective national security and stability and promote peace and stability in the region. Military cooperation between China and Bangladesh strictly adheres to relevant international law and norms on international relations, and is not against any third party. In 2011, there was successful cooperation between the two countries in this regard. Air Chief Marshal Ma Xiaotian, Deputy Chief of the General Staff of People's Liberation Army and Vice Admiral Ding Yiping, Deputy Commander of Navy of People's Liberation Army visited Bangladesh with big success. General Mubin, Chief of Army Staff of Bangladesh paid a visit to China, which was fruitful. I believe this tendency of friendly cooperation will be maintained and further developed.

TDS: How do you evaluate China-Bangladesh relations under the present Awami League-led grand alliance government in comparison to ties under previous governments?

LJ: The friendship between China and Bangladesh is a genuine and time-tested one. No matter which party is in power, this bilateral relationship maintains the tendency of moving forward. Since the establishment of diplomatic relations in 1975, successive governments of Bangladesh have been making important contributions to the development of the bilateral relationship. China-Bangladesh relations have become the model of friendship between countries with different social systems and different cultures.

During the tenure of current government under the leadership of H.E. Sheikh Hasina, China-Bangladesh relations have witnessed considerable development, and the all-dimensional cooperation between the two countries has been continuously strengthened. Presently, China-Bangladesh relations are standing at a new starting point, facing unprecedented historic opportunities. The Chinese side stands ready to closely work with the Bangladesh side to further enrich the closer Comprehensive Partnership of Cooperation, strengthen the existing bilateral cooperation in different fields, and enhance the friendship between the two peoples.

TDS: Strategically, how does China see Bangladesh in the geo-political equation in the region?

LJ: China adheres to the foreign policy of "building friendship and partnership with the neighboring countries," and would like to establish and maintain good-neighbourly relations with all its neighbouring countries. China attaches importance to the important role of Bangladesh in maintaining peace, stability and development of South Asia. China is willing to join hands with Bangladesh and further promote the closer Comprehensive Cooperative Partnership



His Excellency Li Jun

between the two countries.

TDS: The cabinet recently approved the draft of Sonadia Deep Seaport Authority Act. Is there any development from the Chinese side about construction of the deep seaport at Sonadia in Chittagong?

LJ: The deep seaport in Sonadia Island is of strategic importance to Bangladesh and will be helpful in enabling Bangladesh to become the regional transportation and logistics centre. Chinese enterprises have advanced technologies, equipments and ample funds. Over the years, China Harbour Engineering Company Ltd has accumulated rich experience in this regard. Presently, this company has established an office in Dhaka and stands ready to participate in this project in a commercial manner. Chinese enterprises are also ready to cooperate with enterprises from other countries to jointly take part in this project. So long as the Bangladeshi side shows enough will and determination, this project can make positive progress very soon.

TDS: How can China cooperate with Bangladesh in tackling the impact of climate change in Bangladesh?

LJ: As a country most vulnerable to climate change, Bangladesh has been experiencing sufferings caused by climate change. China fully understands and respects the concerns of Bangladesh over it. During international negotiations on climate change, China has always been supporting the legitimate and reasonable requests of Bangladesh and the Least Developed Countries as a whole. As developing countries, China and Bangladesh should stick to the principle of "common but differentiated responsibilities" and work together to safeguard the common interests of developing countries.

China and Bangladesh are both victims of climate change. On this issue, the two countries face the same challenges and our basic interests are the same. Over the years, China has already carried out cooperation with Bangladesh in the area of adaptation. For example, China helped Bangladesh in projects of river dredging. The Chinese Government provided relevant training for Bangladeshi officials and technicians. China will continue to strengthen the cooperation with Bangladesh in this regard on the basis of "equal consultation, mutual benefit and common development". China will continue to support the capacity building to help Bangladesh better resist the adverse effects of climate change. Relevant government institutions of the two countries can have detailed discussions.

TDS: Is there any progress in the construction of the 8th Friendship Bridge (2nd Meghna Bridge) and Bangladesh-China Friendship Exhibition Centre?

LJ: Consultations are going on between our two countries concerning the 8th Friendship Bridge. I believe there will be a positive result soon. As for the China-Bangladesh Friendship Exhibition Centre, we noticed some news reports saying that the Bangladeshi government has decided to build this Centre at Purbachal. We would be very happy to get the confirmation from and work with the Bangladeshi side so that concrete progress can be made concerning this project.

TDS: Would you be willing to provide assistance to Bangladesh in launching a communication and remote sensing satellite into orbit in the near future?

LJ: China is willing to provide assistance to Bangladesh in launching a satellite. This has been reflected in the Joint Statement issued by the two countries during the visit of Her Honourable Prime Minister Sheikh Hasina to China in March 2010. The two sides can have further consultations in this regard.

TDS: Will you provide assistance for the dredging of riverbeds and for capacity building through training of personnel?

LJ: Bangladesh is a country with a large number of rivers. River dredging is essential to the livelihood of Bangladesh people and the development of this country. Against the backdrop of global climate change, river dredging becomes even more important. China understands the need of Bangladesh and always tries to extend its help. Each year, the Chinese government provides relevant training courses for Bangladeshi government official and technicians. Besides, the Chinese government strongly supports qualified Chinese enterprises to take part in dredging projects. In September 2011, China Harbour Engineering Company Ltd was selected to implement a project for Jamuna River dredging (14 kilometers). China will continue to provide its support at the request of Bangladeshi government.