

China's economic hotspots attract global attention

China has grabbed the attention of both domestic and overseas economists, as its lawmakers and political advisers brainstorm at the ongoing annual two sessions, paving the way for China's future development.

The fourth session of the 11th National People's Congress (NPC) and the fourth session of the 11th National Committee of the Chinese People's Political Consultative Conference (CPPCC), currently being held here, are focused on such topics as the 12th Five-Year Plan, boosting domestic demand, and curbing inflation.

FOCAL POINTS

Yolanda Fernandez Lommen, economics unit head at the Asian Development Bank (ADB)'s China Resident Mission, said the 12th Five-Year Plan is of great strategic significance, as taking into consideration of the profoundness, complexity and challenges of the reforms.

Lommen said he was looking forward to the implementation of the new plan, especially the reform measures in the financial system, the social security system, the service industry and its aim to promote fair income distribution.

Chinese Premier Wen Jiabao said in the annual government work report that China was targeting "7 percent of annual economic growth over the coming five years with significant improvement in the quality and performance of economic development."

The model, which stresses growth quality over quantity, was hailed by experts like Yuji Kiyokawa, president of Japan-China Economic Association.

China's new growth strategy could benefit countries, including Japan, should the new measures be put into practice in an effective way, Kiyokawa said.

Andrey Ostrovsky, deputy director of the Far East Institute at the Russian Academy of Sciences, said he would follow closely the specific programs China would work on as it transformed from an extensive economy to an intensive one.

Meanwhile, Mark Williams, a China-focused economist at London-based economic research consultancy Capital Economics, told Xinhua a key issue to address in the new Five-Year Plan was striking a balance between increasing domestic demand and reducing the dependence on exports.

Chen Zhiwu, professor of finance at Yale University, focused more on small and medium-sized companies, recognizing their big role in ensuring employment.

Chen hoped the two sessions would promote legislation to safeguard the development of private businesses and push for tax reductions.

Ngairé Woods, director of the Global Economic Governance Programme at University College, Oxford, said, as China turned more attention to changing the development model and industrial restructuring, it was gradually changing every element upstream and downstream of the "Made in China" chain, which she believes would have a bright future.

In the meantime, issues such as medical care, wage increases, housing and balancing regional development captured the attention of a great many international experts.

Still a developing country, China should build a modern social security system and improve medical security and the endowment insurance system, said Robert Shapiro, co-founder and chairman of Washington-based economic consulting firm Sonecon LLC and a former U.S. undersecretary of commerce for economic affairs.

Capital Economics' Williams said China needed to expand domestic demand, which mattered a lot to both Chinese consumers and Europe and the United States.

If China could find a way to balance economic development, it would also help Europe and the United States. Otherwise it might only lead to a reversion to their protectionist actions, he said.

Lommen also highlighted the role of domestic demand in economic growth in China over the past three decades. But he also pinpointed its unhealthy structure, with investment, especially public investment, making up much of the demand while consumption covered too little.

As the new Five-Year Plan was expected to boost wages and the social security system, the proportion of consumption in domestic demand could be raised, he said.

Sergio Martínez Rivera, economist at the National Autonomous University of Mexico, lauded the measures that China had taken to stimulate domestic demand and encourage consumption by farmers and the mid- and low-income group, saying these policies also held good lessons for Mexico.

Hu Angang, director of the Research Center for Contemporary China at Tsinghua University, said the expansion of domestic demand had become the priority in China's new round of economic restructuring, with the key lying in finding the right areas and being target-oriented.

EMERGING INDUSTRY

Uri Dadush, senior associate and director of International Economics Program at Carnegie Endowment for International Peace, told Xinhua China had the advantage of being a late comer in some emerging industries, such as new energy.

China was currently among the biggest investors in the world in wind power and solar power, but application of these new energies and industry chain optimization still lagged behind, he said.

According to Ostrovsky, China's tax benefits and lending incentives had greatly eased the risk of foreign investment in innovative industries. But the country was yet to develop its independent research capacities.

Lommen called China's decision to develop emerging industries of strategic importance a correct choice. But he also said it must ensure enough investment in research and development and in cultivating talent.

Hailing China's conditions and capacity to develop the many fields of advanced technologies and new energies, Rivera said the outcome would not only boost China's own development, but also contribute to global technological advancement.

Meanwhile, President of the Mexican Senate's Asia Pacific Committee Carlos Jimenez spoke highly of China's progress in developing emerging industries and its becoming an important exporter of emerging industrial products, which in turn fueled the country's economic growth.

China had also made great achievements in information technology, and this, in particular, could be called a "China miracle," he said.

Tsinghua University's Hu said the 12th Five-Year Plan had for the first time made a green economy its core target.

The change indicates that China has stepped into an age of green development and could become a world leader in a green industrial revolution, Hu said, adding that the huge domestic market and high demand for investment that China has is likely to ignite speedy rise of low-carbon technology in the nation and pave the way for green energy investment abroad.

CURBING INFLATION

While applauding China's recent efforts to curb inflation and credit expansion, and crack down on speculation, Ostrovsky warned that inflation pressures would remain for some time, given the high inflation rate worldwide.

Kwan Chi Hung, Senior Fellow at Nomura Institute of Capital Markets Research, said China's recent move to raise interest rates and reserve requirements was the most aggressive among the major economies.

China's economy started to cool after hitting a peak of 11.9 percent growth in the first quarter of 2010, suggesting an inflection point of the Consumer Price Index (CPI), the main inflation gauge, in the near future, Kwan added.

Lommen, meanwhile, forecast tighter monetary policies would take effect in the second half of the year. He said the ADB estimated China's inflation would stay at 4-5 percent in 2011.

Li Daokui, a professor at Tsinghua University, said the new Five-Year Plan asked for reduced economic fluctuation and the momentum for continuous steady development.

Li predicted that prices will gradually fall over the year, indicating a scant risk of sharp inflation in 2011.