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## How China plans to reinforce the global recovery

By Wen Jiabao

About three years have passed since the eruption of the financial crisis. Thanks to the joint efforts of the international community, the global economy is recovering. Yet there remain many uncertainties, and the recovery is fragile. Global growth is uneven; unemployment in developed economies remains high; government debt risks in some countries have mounted; inflationary pressure is increasing. While the shock of the crisis has yet to end, new risks have emerged. The world must co-operate closely to meet the challenges.

China has moved swiftly to fight the financial crisis, adjusting macroeconomic policy to expand domestic demand, and introducing a stimulus package to maintain growth, advance reform and improve people's lives. By taking these steps, we have overcome extreme difficulties and laid a solid foundation for China's development.

A notable result of our response to the crisis is that China has maintained steady and fast growth. Between 2008 and 2010, China's gross domestic product grew at an annual rate of 9.6, 9.2 and 10.3 per cent respectively. The consumer prices index over the same period was 5.9, -0.7 and 3.3 per cent; 33.8m new urban jobs were created. China has maintained sound growth this year.

The thrust of China's response to the crisis is to expand domestic demand and stimulate the real economy, strengthen the basis for long-term development and make growth domestically driven. We have implemented a two-year, Rmb4,000bn (\$618bn) investment programme covering infrastructure development, economic structural adjustment, improving people's well-being and protection of the environment. As a result, 10,800 km of railways and about 300,000 km of roads have been built and 210m kW of installed capacity for power generation have been added. We have boosted support for science and technology including by encouraging companies to carry out technological upgrading and innovation. More than Rmb1,000bn have been spent in rebuilding after the Wenchuan earthquake. In the affected areas, quality infrastructure and public facilities were constructed, and 4.83m rural houses and 1.75m urban apartments were rebuilt or reinforced. The

quake-hit areas have taken on a new look. We are working to improve the balance between domestic and external demand, with the share of trade surplus in GDP dropping from 7.5 per cent in 2007 to 3.1 in 2010. China's rapid growth and increase in imports are an engine driving the global recovery.

In fighting the crisis, China has made huge strides in developing social programmes, which was beyond our means just a few years ago. We have made breakthroughs in building a social security system covering urban and rural areas. We have introduced a rural old-age insurance scheme which will cover 60 per cent of counties in China this year. The basic urban medical insurance scheme and rural co-operative medical care scheme now cover more than 90 per cent of the population. All Chinese now have access to free compulsory education. Government spending on education has grown to 3.69 per cent of GDP.

It has also pursued flexible and prudent economic policies, and ensured they are targeted and sustainable. Our budget deficit and debt balance are respectively below 3 and 20 per cent of GDP. The government budget deficit has been cut in 2010 and 2011. Since mid-2009, we have used monetary policy tools to absorb excess liquidity. In the fourth quarter of 2009, to strike a balance between maintaining steady and fast growth, conducting structural adjustment and managing inflation were set as the main goal of macroeconomic regulation. Since January 2010, the required reserve ratio and benchmark deposit and lending rates have been raised 12 times and four times respectively. So growth in money and credit supply has returned to normal. In June 2010, reform of the renminbi exchange rate regime was advanced, and the renminbi has appreciated 5.3 per cent against the US dollar.

There is concern as to whether China can rein in inflation and sustain its rapid development. My answer is an emphatic yes. Rapid price rises pose a common challenge to many countries, especially other emerging economies and China. China has made capping price rises the priority of macroeconomic regulation and introduced a host of targeted policies. These have worked. The overall price level is within a controllable range and is expected to drop steadily. The output of grain, of which there is now an abundant supply, has increased for seven years in a row. There is an oversupply of main industrial products. Imports are growing fast. We are confident price rises will be firmly under control this year.

China is now at a new starting point in its drive for development. We have adopted the 12th five-year plan which calls for shifting the development model. We will continue to pursue economic structural adjustment, boost research and development, and education, save energy and resources, promote ecological and environmental conservation, and narrow the regional and urban-rural gap. China's drive for industrialisation and urbanisation is gathering pace. Its economy is increasingly market-oriented and internationalised. We are fully capable of sustaining steady and fast economic growth.

China will continue to work with other countries with common responsibilities. We should make concerted efforts to strengthen the co-ordination of macroeconomic policies, fight protectionism, improve the international monetary system and tackle climate change and other challenges. We should welcome the fast development of emerging economies, respect different models of development, increase help to least developed countries to enhance their capacity for self-development, and promote strong, sustainable and balanced growth of the global economy.

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