

《Li vows steps to maintain growth》

Fine-tuning of measures, more reforms to help nation achieve 7.5% GDP target

Market forces and more reforms, in addition to targeted policy fine-tuning, should be the measures used by policymakers to help the world's second-largest economy achieve its annual growth target, Premier Li Keqiang said during a visit to central China that ended on Friday.

"China's economic growth is overall smooth and remains at a reasonable level," Li said at a meeting with leaders from four provinces and entrepreneurs on Thursday afternoon.

He said higher employment numbers and the booming service sector, as well as the robust economic data in the second quarter, are all evidence that the government's pump-priming measures have borne fruit.

China's GDP growth is estimated to have accelerated to 7.5 percent in the second quarter from 7.4 percent in the first three months, Switzerland-based financial services firm UBS AG said in a recent report, on the back of robust manufacturing activities and a more relaxed credit market. Official GDP figures are expected to be released on July 16.

Li, however, said that there are still uncertainties in the global market and some structural problems in the domestic economy. "Therefore, we should not ignore downward pressure," he said.

Local government officials, who were present at the meeting with the premier, expressed concerns about regional economic development.

"The aluminum, coal and steel sectors are still suffering heavy losses. ... Lending rates, especially for smaller businesses, have grown by at least 20 percent on average," said Xie Fuzhan, governor of Henan province. He suggested that the central government further boost credit support to the real economy and let investment play a bigger role in driving growth.

Su Shulin, governor of the coastal Fujian province, where footwear and textile exporters are struggling with weak foreign demand, called for greater supportive measures including faster export tax rebates to assist foreign trade growth.

This is the second time within a month that the premier has had such a meeting with governors. In June, Li met top officials from eight provinces, including Beijing, Guangdong and Zhejiang, to discuss problems in the country's regional economic growth.

"While maintaining steady economic growth, we should also continue to push forward structural adjustments to the economy, so as to benefit short-term and long-term development," Li said during Thursday's meeting.

The premier called for more private sector participation in urban renovation and railway projects in central and

western regions, as well as energy and environmental protection projects. He also urged the private sector to introduce more healthcare and pension service products.

Li said the government would focus on targeted policy fine-tuning, including tax reduction and monetary support to the agricultural and service sectors, to ensure that the 7.5 percent annual economic growth target can be achieved.

"The government is still confident and has enough ammunition to boost the economy," said Fan Gang, a noted Chinese economist, during a recent forum held by Singapore-based OCBC Bank.

"The Ministry of Finance was actually behind their fiscal spending schedule in the first half, yet the economy is already growing at nearly 7.5 percent. With a better global economic climate expected in the second half, there will be an uptick in growth," he said.

'China facing complex challenges'

Though China is unlikely to see a hard landing this year, it still faces several complex economic challenges, Tharman Shanmugaratnam, deputy prime minister and finance minister of Singapore, said on Friday.

"China has the most competent and capable economic team among the major economies, but is faced with the most complex challenges. They are moving in a direction that is farsighted, but all along the way, there are risks," he said during the DBS Asian Insights Conference 2014 in Singapore.

Unlike other economies, China has to take serious note of social disruptions while restructuring its economy.

"Major restructuring usually means you take a hit. You go through retrenchment before you come out. That's what happened to Greece, Spain and Portugal. But China can't afford to take that dive in growth, because the risk of social disruption is a very serious one," he said.

Moving ahead with all the reforms also requires a major alteration of the relationship between the central and provincial governments, he said, because China is actually many different economies combined into one, if people look at the nature of its provinces.

"The central government has to take on more expenditure, and the provinces need more revenue so that they don't need to rely on shadow banking and land sales," he said.

Apart from that, China has to deal with a heavy legacy while moving toward economic marketization.

The financial crisis in 2008 has led to burgeoning credit in certain sectors. Shadow banking is a significant problem that cannot be unraveled easily. Another part of the legacy is the entrenched interests in the State-owned sector. That will shape reform all along the way, he said.

"If the nation can achieve three quarters of what has been set out (in the reform agenda), that's a transformation in China and a huge plus for Asia and the world's economy," he said.