

## Direction and Issues of the Economy in Post Financial Crisis China

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- China's economy is heading for recovery from the global financial crisis ahead of the other economies. The focus of attention is whether China's economy will continue growing to become the engine of the global economy.
- China's economy in 2009 is likely to achieve the 8 percent growth target the Chinese government has set. The rate, however, is expected to be about 8.5 percent, which is lower than the rate of growth in 2008. China's economic growth rate in 2010 is expected to be higher still.
- From the macroeconomic viewpoint, there is no significant uncertainty in the growth rate of the Chinese economy. The possible problem is that the economic stimulus package to increase the economic growth will cause excessive liquidity, which in turn will cause a resurgence of inflation of part of the assets and consumer goods' prices, creating a bubble economy.
- Policy concerns for the year 2010 should focus on the elimination of the asset bubble. Moreover, another policy concern is the increase of employment. At present, employment is not improving even though the economic climate seems to be improving, and it is unlikely that consumption, or domestic demand, will increase all of a sudden.
- The basic direction of the economic policy in 2010 discussed at the meeting of the Central Politburo of the Communist Party of China held in November and that of the Central Economic Work Conference in December 2009 is said to be the maintenance of positive fiscal policy and easy monetary policy.
- The maintenance of the continuity of the economic policy decided at the Central Economic Work Conference is the right choice. It is necessary, however, to implement, in a fully-fledged manner, the reform of various economic systems, which have been postponed since the financial crisis.
- It is said that the Chinese business of major Japanese companies is gradually improving, starting from the second quarter of 2009 against the background of the recovery of China's economy. This is mainly because of the increased shipment of building materials, including steel products, based on the asset bubble in China.
- The new Japanese Democratic Party government is expected to pursue a pro-China policy. It is necessary for Japan and China to seriously cooperate to promote the prosperity of the East Asian region, even if there will be cases where Japan and China compete with each other on a global basis in the future.

[Translated by ERINA]