

# CHINA

Linking Australia  
with China Business



# Co<sup>NEW</sup>NECTIONS

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# Reining in the dragon

China's push to avoid  
economic over-heating

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**China simply has too much economic momentum for the new measures alone to derail growth. This is a turbo-charged economy, so by simply slowing it down there's no way it's going to crash.**

**- Luke Yang, AT Kearney, China**

Yang says obtaining property loans from the banks has become much more difficult in Shanghai. In addition there have been well-publicised cases of rogue banks being punished for trying to circumvent the government's new restrictions on lending.

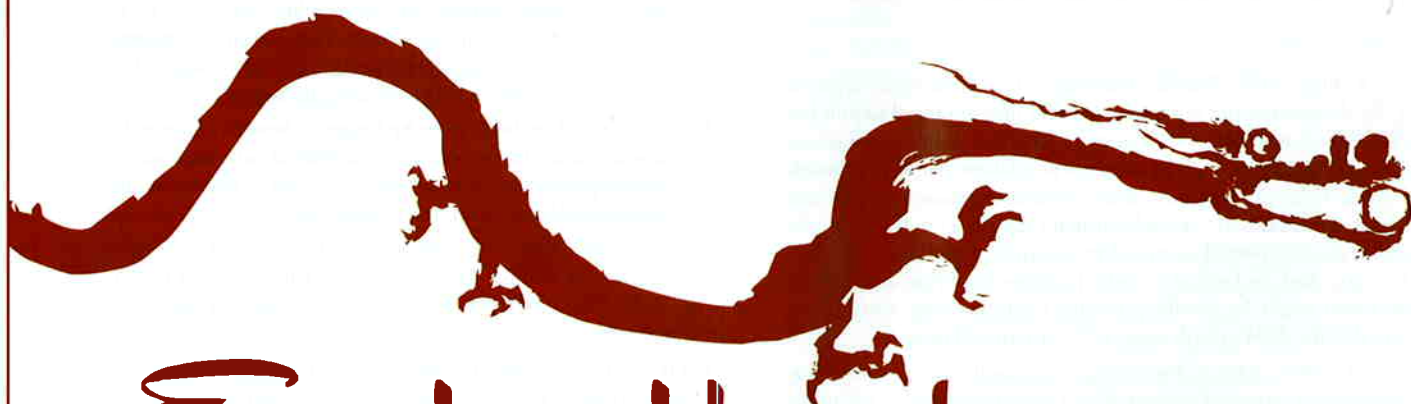
But Yang does not expect a meltdown. He contends China simply has too much economic momentum for the new measures alone to derail growth. "This is a turbo-charged economy, so by simply slowing it down there's no way it's going to crash. China will stay a huge buyer from the rest of the world," he said.

Yang observes that a lot of China's growth is not actually driven by bank lending or bank credit. Growth is being driven by the huge amounts of foreign capital pouring into the economy as well as by the increasingly important private sector.

In fact Yang says that China could benefit a lot from handling the situation successfully. If it can temper its growth rates and simultaneously avoiding serious economic disruption, he says China could boost international confidence in its ability to manage its economy.

Concern remains among some commentators that China still lacks the range of economic levers needed to achieve a soft landing. The ANU's Chris Nailer says China has the same institutional weaknesses found in developing countries. Its ability to manage the economy is hampered by the still incomplete transition from a state-controlled economy to a market-based system.

He is not convinced the recent measures will be effective, and predicts Beijing will be obliged to adopt more draconian administrative measures later this year for its efforts to rein in the economy to succeed.★★



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