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EDITORIALS

Trouble-making statement

THE PRESS STATEMENT THE WHITE HOUSE ISSUED this weekend has deservedly evoked curses on the street and angry diplomatic representations from Beijing. Despite all the endeavor to leave the impression that the United States is a disinterested third party committed solely to peace in the South China Sea, that statement convinced us of the very opposite.

To enhance the image that White House has tried hard to build for itself, the statement repeated the same old high-sounding words that portray the US as angel of peace.

We know all the speculations and allegations about US intentions in Asia and the South China Sea. And we know the White House knows best what it is truly after. Still, here in China, we see an accommodating official line that welcomes a constructive US presence in the area to share not just the fruits of prosperity, but also the responsibilities for the region's, and, in some ways, the world's, well-being.

So, despite all the rhetoric about outsider plots to contain us, we have been talking about partnership.

But the White House is unwilling to give up its Cold War-era thinking. The US foreign policy rhetoric has been updated by introducing such post-Cold-War catchwords as peace and opportunity sharing. But its actions lag far behind.

The White House's criticism against our Sansha city, for instance, displays stunning disregard for the principle of non-interference in another country's internal affairs. China has had effective administrative control of the Sansha area for centuries. The White House has no business criticizing us for what we do on our territory.

Rather than criticizing the countries creating trouble in the South China Sea, the US statement dumps dirty water on China, the true victim of the disputes there.

If the White House is truly devoted to fair and peaceful resolution of the disputes, it must respect a few facts.

China's sovereignty, both in international law and maritime practice, over the South China Sea islands has been undisputed until very recently.

China has been bullied and is reacting to other countries' provocations lately.

If the White House is interested in restoring peace in the South China Sea, it should talk the real trouble-makers into behaving. The truth, however, is that it has been instigating the other countries in the disputes and even arming them, while blaming China for its defensive moves.

That is outright trouble-making.

Avoid big stimulus plan

LOCAL GOVERNMENTS NOW SERVE AS A BETTER barometer for monitoring the economic winds.

While investors are waiting for the central government to give clearer signs on whether it will launch a powerful stimulus package as it did four years ago, local governments have taken the lead in announcing massive investment plans.

Guizhou province, for instance, will reportedly launch a 3,000-billion-yuan (\$473 billion) investment plan this month to stimulate local tourism, its pillar industry. Eastern and central cities such as Ningbo in Zhejiang province, Nanjing in Jiangsu province and Changsha in Hunan province have rolled out impressive programs to boost local growth.

In late July, the State Council issued a guideline on promoting the central region's economy, signifying that the central authorities have given the green light for more investment projects.

But not all local stimulus programs this time are gigantic investment plans. Ningbo's program involves reducing fees and cutting taxes for the corporate sector to increase industry output, though it also plans to increase investment. Nanjing's policy is mainly aimed at stimulating local sales in sectors such as real estate and cars.

Changsha, however, plans to invest as much as 829.2 billion yuan in hundreds of major projects by 2015 even though its annual fixed asset investment is only about 350 billion yuan, including both public and private investments.

In these times of economic slowdown, a proper increase in investments will help anchor the economy. But it has to be done cautiously because the stimulus package four years ago has taught us a lot of lessons.

Despite instantly boosting economic growth, the last investment boom has left behind rising inflation, increasing local government debts and soaring housing prices. With already ample liquidity in the market, partly a result of the last stimulus package, big nationwide investment programs could cause more serious problems this time.

Although the economy needs to be stabilized promptly, a disproportionately massive package could create serious problems in the future.

Instead, the government should cut taxes and ratchet up consumption. Even if it invests in big projects, they should be related to improving people's livelihoods, rural areas and public facilities in cities, which can lay the foundation for sustainable growth.

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CHINA FORUM | ZHANG XIAOJING

Outlook not that pessimistic

A new round of reform is needed to inject vitality into the Chinese economy and make its growth sustainable

China's declining economic growth rate has been discussed at different forums at length. Some scholars argue that China has exhausted all its advantages in demographic dividend, globalization and reform, and therefore the decline is unavoidable. There is nearly a consensus that China's economy will slow down, and the debate is mainly on the actual rate of growth.

We should respect the economics cycle and not harbor the illusion of registering further double-digit growth. Our research shows that the fast-growing economies, with the sole exception of Taiwan, registered a drop in their growth rates in the fourth decade of their economic development.

But at the same time, we should not be pessimistic about slower growth. China's economic growth is not destined to drop. A relatively strong growth for another decade or even longer can be realized if China can push forward its reform and innovation plan, build up human resources and participate in global governance.

Some economists have forecast that China's demographic dividend, which means a high percentage of working-age population, will end in 2015. The sixth population census shows that China's population

growth is much slower than what the policymakers had expected, and the drop in the number of children and increase in the number of senior citizens have been beyond expectations too.

Australian economists Rodney Tyers and Jane Golley, however, say, China's demographic dividend can last until 2030 if the actual working population, instead of the working-age population, is calculated. The number of workers will increase by including workers from the traditionally non-working age group. For example, extending the retirement age can turn non-working-age people into workers.

Besides, thanks to the development in China's education sector the number of skilled, well-educated workers is increasing. This will offset the negative impact of the declining working-age population and prepare China for a knowledge-based economy.

It is true that China is losing its traditional advantage of exporting products at low costs. For three decades, China's economy relied heavily on exports to the United States and European countries by taking advantage of its cheap labor. But with the return of protectionism to the world stage after the global financial crisis, China may lose the benefits it has gained from globalization.

China, nonetheless, can gain new benefits by helping devise the rules

of globalization, mainly in the areas of financial regulation, international monetary policy reform, development issues, security and energy.

On one hand, changes after the global financial crisis require constant renewal of global rules, which offers China an opportunity to take part in global governance. On the other, a change in the power balance between developed and developing countries has put China in a better position to have a greater say in international issues.

A reform in the international monetary policy and internationalization of the yuan will not only reduce the loss of China's foreign reserves, but also place the country in a better position for global financial competition. China should try to play its due role in the price-setting mechanism of international bulk commodities and gain an upper hand in international negotiations.

It should also take part in stipulating the rules related to climate change, including reducing energy use and carbon emissions, building low-carbon economies and carbon trade, which will influence future industrial development and the share of responsibilities and costs among different countries.

A new round of reform is crucial to China's economic growth. China's reform has been propelling growth for more than three decades, but its benefits are dwindling, and will con-



The leadership has to show wisdom, determination and courage to push forward the reform, for only if the reform is successful can China's economy be revitalized and continue on track for years to come.

tinue to do so until we initiate a new round of reform.

The fundamental issue of reform is the relationship between the government and the market. We should press ahead with both market reform and government reform. Market reform includes reform in the land use system, marketization of the interest rate and development of the capital market. The government, on its part, should reform the *hukou* (house registration) system, and create an equity system for urban and rural workers.

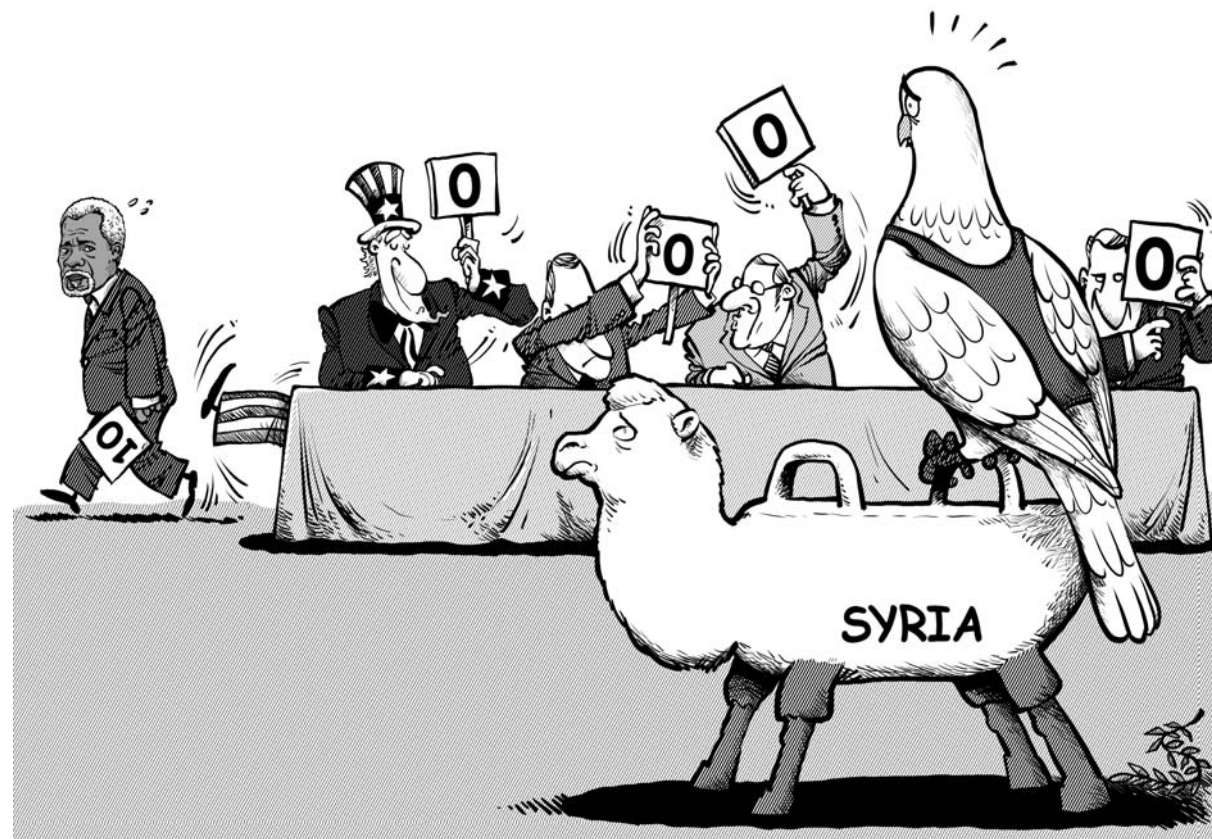
The government should also draw a clear line for its responsibilities and functions. It should increase investment in social development and human resources, ensure social justice and fairness, provide public goods and services, and see to it that low-income people have equal access to these goods and services.

Also, it should reduce its intervention in microeconomic activities, make the market more accessible to private players, break its monopoly in certain sectors, simplify the administrative approval system and improve economic efficiency.

China's reform has reached a crucial stage where different interests are entangled with each other. The leadership has to show wisdom, determination and courage to push forward the reform, for only if the reform is successful can China's economy be revitalized and continue on track for years to come.

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PANG LI



HONG LIANG

Guns, especially handguns, are seductive

Many people living in this part of the world must think the United States is a far away land inhabited by wonderful but hard-to-understand people with mindsets that are a mirror image of theirs.

This notion has been further reinforced by the latest gun control debate, driven to maddening frenzy by the Aurora (Colorado) shooting in which a single gunman shot dead 12 people and wounded 58 in a packed theater. I guess that has all of us wondering what's there to debate. Most of us would expect that this carnage, and those before it, should be enough to tilt public opinion overwhelmingly toward stricter control on the ownership and sale of firearms.

Perplexing it might seem, but that obviously wasn't the case. The political force that has steadfastly resisted any proposed change construed as a constrain on people's constitutional right to bear arms has remained strong. Despite the frantic calls by people on the other side of

the fence, including law enforcement agencies, educators and parents, no politician is known to have initiated the legislative process to tighten gun control on a national scale.

The over-used argument often cited by anti-gun control groups that "guns don't kill, people do" is sounding more like a bad cliché that defies common logic. Anyone who has ever held a real gun in his hand would know that it is more than just a piece of well-crafted tool that you would leave in the closet until the time you need it to fix something. Guns, especially handguns, are seductive.

Shortly after moving to San Francisco in the early 1990s, I was surprised to find a big gun shop at a stone's throw from the financial district on Sansome Street. I don't know if it's still there today. In those days, it was most conspicuous, with a huge signboard announcing its presence in the unlikely neighborhood of banks, fashion boutiques, art galleries and jewelry stores.

The sight of it whetted my interest to find out what it's like to own a gun, something I had never even dreamt of when I was living in Hong Kong and other Asian cities. A Chinese friend, who grew up in the US and was then working at a Chinese language newspaper in San Francisco's China Town, took me to barn-sized gun bazaar in Emeryville to get what I wanted.

I didn't have a clue to what I wanted. So I just bought a smart looking Beretta .38 in gun-metal blue with a design that was obviously rooted in its Italian heritage. I went back there to pick up the gun a week later. The salesperson asked me what I planned to use it for. I said I didn't plan to use it for anything, and I didn't even buy any bullet to go with it.

That evening at home, I took the gun from the box, cocked it and pulled the trigger, which made a satisfying clicking sound. All of a sudden, I had an inflated feeling of power and the urge to shoot something with it.

I was scared of myself and quickly put the gun back into the box and locked it in the desk drawer. The next morning in the office, I found it hard to concentrate on my work, worrying all the time that someone would break into my home, steal the gun and do something evil with it.

After a few days, I couldn't bear the anxiety of owning a gun anymore. So I surrendered it to the police.

Having read my story on the activities of Asian gangs, the elderly owner of a China Town shop which I frequented advised me to keep a gun at home just in case. He kept a loaded shotgun in his shop all the time.

But I knew better. A study by the authoritative New England Journal of Medicine showed that guns kept in homes supposedly for self defense are 43 times more likely to kill a family member, friend or acquaintance than cutting down an intruder.

I rest my case.