
China in the Context of the Asian Financial Crisis*

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Introduction

The Asian financial crisis began in July 1997 with a drastic drop of the Thai baht. The impact of the subsequent financial market turmoil in a number of Asian economies was gradually seen in China in 1998. The crisis has affected China's export and import, investment and savings, reform agenda and regional development. The challenge to China's policymakers was to continue various reform agendas, while dealing with weak domestic and external demand brought about by the domestic austerity programme and the Asian financial crisis.

The Asian calamity was mainly caused by the panic in the financial market. From a longer-term perspective, it could be seen as a financial price adjustment in line with the decline of return on capital in Asia's manufacturing-intensive economy. Although China shares some symptoms similar to those Asian countries, the likelihood of a financial crisis in China remains small, for China has many favourable conditions, including especially the strength of China's central bank as an effective lender of last resort to China's state-controlled banking system.

On the other hand, China could learn invaluable lessons from the crisis without paying the huge price that others, like South Korea, Thailand,

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Malaysia and Indonesia, had to. China should adjust its economic reform and development strategy and pay particular attention to consolidating and restructuring its financial sector and freeing up resources trapped in the state enterprises. Given its low costs of factors of production, such as labour, capital and land, China could improve significantly its international competitiveness through institutional reforms and economic opening that target the reducing of non-factor costs, or so-called transaction costs. Unlike factor costs, transaction costs are human-made and are usually independent of the supply and demand for production factors. To avoid a future financial crisis, China ultimately needs to build an internationally competitive real sector by reducing the total costs of production which are the sum of factor costs and transaction costs.

Impact on China's Economy

On Export and Import

The most significant impact of the Asian financial crisis on China's economy is the pressure on Chinese exports. With a harsh external market, Chinese exports slid to nearly zero growth in 1998, compared with an impressive growth of 20.9% in 1997.¹

In the first half year of 1998, the impact on exports was moderate (see Table 1). This can be attributed to three reasons:

- First, Chinese exporters had already secured orders from overseas buyers prior to the currency market turmoil.
- Secondly, higher interest rates and their deadly effects on the banking and corporate sectors in Southeast Asian countries partly offset their gains in price competitiveness brought about by the weakening currencies. To defend their currencies, Southeast Asian countries tightened liquidity and raised interest rates sharply. As a result, Southeast Asian exporters found it difficult and expensive to borrow to finance their production and sale. In contrast, the liquidity of Chinese exporters continued to improve as the government cut interest rates and increased the supply of bank credits to finance the production of China's exports.
- Lastly, the base amount of exports in the first half year of 1997 was relatively low due to a decline of exports caused by the reduction of the value-added-tax (VAT) rebates that exporters paid for the purchase of raw materials for producing exports.²

Table 1. China's Monthly Exports and Imports in 1998

(Unit: in US\$ billion)

| | Imports amount | Imports growth | Exports amount | Exports growth |
|-----------|----------------|----------------|----------------|----------------|
| January | 8.69 | -12.9% | 12.68 | +8.8% |
| February | 9.00 | +16.5% | 12.15 | +23.9% |
| March | 11.88 | +7.1% | 15.37 | +9.8% |
| April | 11.66 | +4.1% | 15.95 | +7.9% |
| May | 11.29 | -3.8% | 14.93 | -1.5% |
| June | 11.84 | +5.3% | 15.87 | +1.56% |
| July | 11.96 | -6.4% | 16.16 | +3.5% |
| August | 10.94 | -1.5% | 15.54 | -2.6% |
| September | 11.54 | +0.78% | 15.48 | -6.5% |
| October | 11.65 | -9.1% | 14.67 | -17.2% |
| November | 12.30 | +2.1% | 15.10 | -9.7% |
| December | 17.42 | n.a. | 19.80 | +4.3% |
| Total | 140.17 | -1.5% | 183.7 | +0.5% |

Sources: The data for the first eleven months are from *Ming Pao*, 11 December 1998 the others are from *Monthly China Review*, February 1999.

But, in the second half of 1998, the negative impact was much more apparent. The exports, compared with the same periods in 1997, decreased continuously from August to November.

It had been widely expected by many analysts in early 1998 that the impact would come from deteriorating competitiveness of Chinese goods in the markets of developed countries due to the sharply depreciated Southeast Asian currencies. But, it turned out that Chinese exports to North America and Europe increased 16% and 18% respectively in 1998,³ and the total Chinese exports to outside Asian areas in the first eleven months amounted to US\$76.0 billion, rising 14.9% (see Table 2).

However, the falling demand for imports across the battered Asian economies hit Chinese exports strongly, as the region had been taking up 60% of China's exports (see Table 3). The Chinese exports to other Asian countries were US\$87.8 billion in the first eleven months of 1998, about 9.8% less than the same period of 1997.⁴

At the same time, China's imports in 1998 remained flat, falling -1.5% over the previous year. Anti-smuggling measures also increased the reported amount of imports. For example, some imports, such as cigarettes and edible oil, increased after the autumn of 1998. Also, part of the demand for smuggled imports was met by domestic production, for example, from domestic oil refineries. High tariff on imports through official channels

Table 2. China's Top Trade Partners

(Exports, in US\$ billion)

| Country | 1997 | 1998 | % change | Rank 1997 | Rank 1998 |
|----------------|----------|----------|----------|-----------|-----------|
| Hong Kong | 43,780.8 | 38,753.2 | -11.5 | 1 | 1 |
| United States | 32,694.8 | 37,975.9 | 16.1 | 2 | 2 |
| Japan | 31,819.8 | 29,692.0 | -6.7 | 3 | 3 |
| Germany | 6,490.4 | 7,353.9 | 13.2 | 5 | 4 |
| South Korea | 9,116.3 | 6,269.0 | -31.3 | 4 | 5 |
| Netherlands | 4,404.6 | 5,161.5 | 17.1 | 6 | 6 |
| United Kingdom | 3,813.4 | 4,632.2 | 21.4 | 8 | 7 |
| Singapore | 4,319.0 | 3,930.0 | -9.1 | 7 | 8 |
| Taiwan | 3,396.5 | 3,869.6 | 13.9 | 9 | 9 |
| France | 2,328.8 | 2,822.8 | 21.1 | 10 | 10 |

Source: PRC General Administration of Customs, *China's Customs Statistics 1999* (The US-China Business Council).

Table 3. China's Exports by Regional Markets

(% share of total)

| Region | 1995 | 1996 | 1997 |
|---------------|------|------|------|
| Asia | 61.8 | 60.4 | 59.5 |
| ASEAN 4* | 3.8 | 3.3 | 3.7 |
| HK / Taiwan | 26.3 | 23.7 | 25.6 |
| Japan | 19.1 | 20.4 | 17.4 |
| South Korea | 4.5 | 5.0 | 5.0 |
| North America | 17.6 | 18.8 | 19.1 |
| Europe | 15.4 | 15.8 | 15.7 |

* ASEAN 4 include Indonesia, Malaysia, the Philippines and Thailand.

Source: *Citibank China Monitor*, First Quarter 1998.

also dampened imports. Hence, the surplus in trade balance reached US\$43.6 billion, about 7.9% upward from 1997.

China's exports are likely to decline in 1999 due to weaker external demand and greater competition from other Asian countries when their economies start to recover. In 1998, China committed itself to holding the *Renminbi* stable, and the policy will probably continue. The strong *Renminbi* contrasts sharply with the other weakened Asian currencies, so China's exports will face keener competition in 1999 when the regional currency market turmoil gradually subsides. By then, those countries' central banks should be able to ease liquidity and cut interest rates, and Southeast Asian exporter should be more aggressive in competing for export orders because of their relatively low product prices in US dollar terms. Inevitably, some

overseas order will be diverted away from China to Southeast Asian countries.

Notwithstanding the bleak outlook of China's export, there are still some favourable factors. China's exports are very diversified. Sectors such as clothing, textile and footwear, where competition between China and Southeast Asia is particularly intense, account for only 30% of China's total exports (see Table 4). Besides, in spite of the depreciation of their currencies, labour costs in Southeast Asia are still higher than those in China in US dollars. Based on estimates using current exchange rates, manufacturing labour costs are still two times higher in Malaysia and Thailand, 1.5 times higher in the Philippines compared with those in China.⁵

Table 4. Structure of China's Exports

| | (% share of total) | | |
|-------------------------|--------------------|------|------|
| | 1995 | 1996 | 1997 |
| Primary products | 14.4 | 14.5 | 13.0 |
| Foodstuffs | 6.7 | 6.8 | 6.0 |
| Mineral fuels | 3.6 | 3.9 | 3.8 |
| Manufactures | 85.6 | 85.5 | 87.0 |
| Clothing | 16.2 | 16.6 | 17.5 |
| Textiles | 9.4 | 8.0 | 7.6 |
| Footwear | 4.5 | 4.7 | 4.7 |
| Elec. appliances | 6.0 | 6.3 | 6.7 |
| Telecom. equipment | 5.7 | 6.0 | 5.6 |
| Chemicals | 6.1 | 5.9 | 5.6 |

Source: *Citibank China Monitor*, First Quarter 1998.

Moreover, the bulk of China's trade is related to outward processing. China takes in parts, raw materials and semi-finished products from the rest of Asia, assembles them and then sells the finished goods to the rest of the world. The lowered Asian currencies should reduce Chinese import costs for parts, raw material and semi-finished goods, which are mainly from Japan, Taiwan and Korea and, to a lesser extent, from Southeast Asia. The World Bank estimates that 87% of Hong Kong's re-export of mainland China-originated goods are related to outward processing. Chinese government officials admit that roughly 60%–80% of China's total exports are generated either directly or indirectly through outward processing.⁶ A considerable proportion of outward-processing business is reflected in

Hong Kong's bilateral trade with China as most trade flows pass through Hong Kong. A clear evidence of the importance of outward-processing business is the huge divergence between China's trade balance with Asia and the United States. China's bilateral trade deficit with the rest of Asia has been rising, reflecting massive imports of semi-finished goods and parts, while China's rising trade surplus with the United States marks China's role as Asia's final assembly line and sales outlet.

On Investment

Since the growth of export and domestic consumption had weakened, investment became the most important driving force for the Chinese economy in 1998. The total investment on fixed assets increased 15%, which was essential to keep China's growth rate at 7.8% in 1998.⁷

While the Asian financial crisis has driven away foreign investment in many Asian countries, utilized foreign direct investment (FDI) in China during 1998 remained relatively stable, reaching US\$45.0 billion, up 0.7% from the previous year. Contracted FDI grew even faster by 2.2% to US\$52.1 billion in 1998 (see Table 5), mainly due to the rising inflow of FDI from the US and European countries, such as the UK and Germany.⁸ However, the increase was partly offset by a shrinkage of FDI from Asian countries, many of which had been key investors in China. The share of

Table 5. FDI in China, 1979–1998

(Unit: in US\$ billion)

| | Amt. contracted | Amt. utilized |
|-------------------------|-----------------|---------------|
| 1979–1989 | 32,360 | 18,468 |
| 1990 | 6,596 | 3,410 |
| 1991 | 11,980 | 4,366 |
| 1992 | 58,122 | 11,008 |
| 1993 | 111,436 | 27,515 |
| 1994 | 82,680 | 33,521 |
| 1995 | 91,282 | 37,521 |
| 1996 | 73,276 | 41,726 |
| 1997 | 51,780 | 45,280 |
| 1998 | 52,130 | 45,580 |
| Growth rate of 1998 (%) | 2.2% | 0.7% |
| Total 1979–1998 | 571,642 | 268,641 |

Source: The US-China Business Council.
(<http://www.uschina.org/press/investmarch99.html>)

investment from Hong Kong fell from an earlier average of 55–60% to around 45% in 1998. Japan's and Taiwan's share also declined. There was an indication that considerable South Korean investment flowed out of China to the cash-strapped parent enterprises in Korea.⁹

To keep up the economy growing despite the unfavourable external condition, China launched a package of fiscal measures to stimulate domestic demand. The focus was to speed up state investment, primarily in infrastructure. The total package represented about 2.5% of 1998's GDP to be implemented during 1998 and 1999, via a fiscal injection financed through special bonds, complemented by financing from the banking sector and local budget. It is expected to have important carry-over effects into 1999 and beyond.

Along with the expansionary fiscal policy, the monetary policy was also relaxed to encourage fixed-asset investment and alleviate the interest burden of state-owned enterprises. Deposit and lending rates were lowered three times in 1998, including a marked reduction in interest rates on reserve deposits with the central bank. Consequently, loans by financial institutions were up by over 20% from a year earlier. But, the lowered interest rates seem to have had little effect on household consumption. The household savings deposits continued to grow as in previous years, and the consumption market remained sluggish all through 1998.¹⁰

On Reform in the Enterprise and Financial Sector

In view of the financial vulnerability of large enterprises and enterprise groups in the Asian financial crisis, especially the bankruptcies of several Korean *chaebols*, the Chinese government adjusted its enterprise reform strategy with greater attention paid to financial control. The reform of large state-owned enterprises continued with the abolition of many industrial ministries in the central government. But, much more remained to be done. The performance of the so-called national "key state enterprises" is still unsatisfactory, many of which were continuously posting losses.

In the meantime, local governments accelerated the divestiture of small state-owned enterprises, according to the policy known as "letting go of the small." Many provincial governments showed initiative in the sale of small state-owned enterprises so as to alleviate their own financial burden. However, this reform was slowed down with the growing concern at the central level about the illegal transfer of state assets into private hands and the impact of unemployment.

The financial crisis in the neighbouring countries encouraged China's reform in the financial sector. Most of the reform measures focused on reducing non-performing loans in the system, such as:

- the abolition of the credit quota system;
- the introduction of a risk-based loan classification system;
- the strengthening of the capital base of state-owned banks by issuing special treasury bonds;
- the consolidation of the central bank's provincial branches along regional lines to enhance supervision and prevent interference from local governments.

There was also progress with a financial opening to foreign banks. A number of foreign banks were granted licences to engage in limited domestic currency operations and participate in the domestic inter-bank market in Shanghai and Shenzhen.

China has taken a number of precautionary measures against financial risks in the banking system as well as in the external sectors. The central bank conducted a nationwide inspection to ensure the banks have completely ceased their operation in brokerages, insurance companies, as well as in trust and investment firms. A result of these actions was the closing-down of insolvent Hainan Development Bank and Guangdong International Trust and Investment Corporation (GITIC). The process of financial sector consolidation is continuing, especially in the trust and investment companies.

In addition to the above measures, China tightened control over foreign exchange transactions and foreign borrowing by Chinese enterprises and financial institutions. Under the new regulation that took effect on 1 January 1998, all commercial and financial institutions borrowing abroad were required to seek approval from the State Administration of Foreign Exchange (SAFE). Moreover, China stepped up its efforts to maintain its strong external payment position. To prevent a drastic drop in export growth, the government increased the VAT rebate for the exports of selected products by the state-owned enterprises. China also resumed the tax exemption status on the imports of capital equipment for foreign-invested projects to encourage the inflow of foreign direct investment. On some occasions, officials hinted that China would defer the liberalization of exchange controls on capital accounts until the successful completion of the banking reform.¹¹

Will a Financial Crisis Happen in China?

The Asian Financial Crisis Explained

The direct origin of the crisis was financial panic.¹² Because some Asian countries' short-term foreign debts came to exceed their short-term external payment ability, confidence was lost and their currencies were drastically depreciated under the attacks of international speculators. In addition, overheated property and stock markets, together with lax prudential rules and financial oversight, contributed to a deterioration of loan portfolios in the region's banks, complicating the efforts to defuse the currency crisis.

In the Southeast Asian countries, the central banks, not only neglected their supervisory duties in the financial market, but also failed to fulfil their obligation as the lender of last resort. The failure to protect depositors led to bank-runs and capital flight. Moreover, the International Monetary Fund (IMF) programmes imposed a severe macroeconomic contraction on top of the market panic and forced these Asian governments to close down many troubled banks. The IMF therefore helped to further convince the investors of the need to flee the countries rather than to restore market confidence promptly.

A widely debated issue is the role of "crony capitalism" in causing the crisis. Some people claim that "crony capitalism" was the fundamental reason for the Asian financial calamity.¹³ That seems to be an oversimplification. There is no doubt that "crony capitalism," such as the lack of transparency about the ties between government, business and banking, severely damages economic efficiency and social justice. But, from a historical perspective, corruption and collusion always happen at the early stage of economic development and can be reduced with the progress of the society, as shown by the experiences of Hong Kong and the United States. "Crony capitalism" certainly cannot explain the short-term fluctuations in Asia's financial markets, as we cannot say that the degree of corruption in these Asian countries would change suddenly during the crisis period.

From a longer-term perspective, the recent Asian financial crisis could be better seen as a by-product of the accelerated integration of the world economy. Global economic integration in recent years has been on the whole a healthy process and has led to the rapid improvement of production efficiency and the apparent intensification of competition in manufacturing. The globalization of finance, services and manufacturing has

allowed firms, especially the multinational corporations, to draw inputs from anywhere and set up factories anywhere and, then, sell their products anywhere in the world. The technology may come from the United States and the production know-how from Japan; the factories in turn may be in China to take advantage of low labour costs and large markets there. The resulting great leap forward in productivity has reduced dramatically the relative prices of products manufactured in Asia. The fall in prices has forced the downward adjustment of expected future profits in many Asian firms. Five years ago, investors may have expected a return as high as 20% to 50% from Asian firms. Today, a positive return on investment in Asia would already be good luck. The accumulated capital inflows into Asia in the past several decades now could not obtain such expected high return. Some of the investors have to absorb losses due to the downward adjustment of returns.

This created capital flight out of Asia, and financial turmoil followed.

However, the current financial adjustments did not destroy the vast modern production capacity built up in the area during the last few decades. In the long run, the financial adjustment should not eliminate the productivity gains from the global economic integration. Some of Asia's strong fundamentals, such as high private savings rates and low inflation, remain. Although many investors and workers have been hurt seriously during the crisis period through loss of wealth and jobs, the Asian economy on the whole is likely to recover soon from the calamity and thrive again with improved competitiveness.

China: Similarities and Differences

The Asian financial crisis highlighted the danger of systemic weaknesses in the financial and enterprise sectors. Similar symptoms exist in China. If not promptly addressed, the weakness in its financial and enterprise sectors could pose a threat to long-term economic stability.

- First, China's non-performing loan level is probably the highest among Asian countries. According to Standard and Poor's estimates, problematic assets in China's banking system could reach 35–60% of total domestic credit. Even by conservative estimates, the ratio still reaches 20%.
- Secondly, the development of financial institutions has outpaced the regulatory and supervisory capacity, and many non-bank

financial institutions, which have developed alongside the traditional large state-owned banks, have taken high risks.

- Thirdly, government interference in investment decision has been widespread. The bulk of the problematic bank loans are owed by loss-making state-owned enterprises engaged in unprofitable projects supported by the government.
- Last but not least, the Chinese enterprises are highly leveraged, and an average liability to equity ratio is about 2 for the industrial sector.¹⁴

Therefore, some economists argue that China will be next in the financial crisis. The poor-quality loans will bring banks to their knees, and China's economy is going to melt down. These views seem too pessimistic. There are indeed some important differences between China and the troubled Asian countries. China has overall a stronger systemic capability both to support domestic banks and to enforce foreign exchange supervision, which could give China time to learn the lesson and mitigate the spread of the Asian crisis to the Chinese economy. Moreover, China on the whole is still far more backward than the newly industrialized Asian countries and is likely to sustain its high rate of economic growth in the next few decades if it continues its market-oriented reform.

In the domestic market, China has maintained good public confidence in its financial system. China's banks fund their assets mainly through the large domestic private savings, that are over half of the country's gross domestic product.¹⁵ Public confidence in state-owned banks helps keep the savings of the Chinese people in the banks that provide the needed liquidity to the banking system.

Moreover, banks in China are generally less exposed to the volatile real estate and financial markets. The real estate market is not yet well developed, except in a few large cities like Shanghai and Shenzhen. The large amount of office buildings recently completed in Shanghai and Shenzhen certainly exceeds the current demand but may not be too excessive if we look at the largest Chinese cities five or ten years from now. China's total stock market capitalization is about only 20% to 25% of GDP. Since June 1997, banks in China have been banned from financing any stock purchase.

As to the external payment balance, China has accumulated over US\$140 billion in reserve. China's trade surplus has grown continuously in the past five years. The inflow of capital is mainly in the form of foreign direct investment. Currency inconvertibility on capital account provides

China an additional buffer against a destabilizing external financial flow. In absolute amount, China's foreign debt is sizable, doubling from US\$60.3 billion in 1991 to US\$126.8 billion in 1997. But, in relative terms, the foreign debt burden remains comfortable at the present level. Despite rapid growth, China's total foreign debt is only about 14.1% of its gross domestic product and 61.6% of its exports, both within the international safety standards of 30% and 165%, respectively. China's foreign debt service uses up only 9.1% of the foreign exchange earnings, well within the international safety ceiling of 18%. More importantly, short-term borrowing only accounts for 11.3% of China's total outstanding foreign debt, compared with 44.3% for South Korea and 32.8% for Indonesia (see Table 6). The bulk of China's foreign borrowing has been mainly used to finance productive investments in infrastructure development, rather than in funding current account deficits.

Table 6. Short-term Foreign Debt*

| | Short-term debt (US\$ billion) | % of total foreign debt | % of total FX reserves |
|-----------------|-----------------------------------|----------------------------|---------------------------|
| South Korea | 68.5 | 44.3 | 665.5 |
| Indonesia | 45.0 | 32.8 | 300.0 |
| Philippines | 39.0 | 38.6 | 145.1 |
| Thailand | 10.5 | 19.9 | 119.3 |
| Malaysia | 13.6 | 30.0 | 62.7 |
| Taiwan province | 23.2 | 74.0 | 27.8 |
| China | 14.4 | 11.3 | 10.3 |

* Year-end estimate.

Source: *Citibank China Monitor*.

Opportunities and Challenges

The macroeconomic challenges from the confluence of external and domestic development are coming at an increasingly complex and difficult stage of the Chinese structural reform initiated by the government. In 1998, China's central government kept floundering in the face of the conflict between the short-term objective of maintaining an eight-percent economic growth rate¹⁶ and the longer-term goal of market-oriented reform.

The Asian financial crisis highlighted the importance of institutional change, not just the growth rate, in determining long-term economic prospects. The currently troubled Asian countries will become stronger

competitors of China in several years after reforming their financial and enterprise systems. Hence, it is of extraordinary importance for China to strengthen its effort at structural transformation to improve the performance of its enterprise and financial sectors.

After two decades of reform, the Chinese economy has evolved into two parts: one is the state-owned enterprises and banks and the other is the foreign-funded enterprises and a part of the joint-stock enterprises. The latter market-oriented sector is on the whole healthy, vigorous and rapidly growing. But, the poor performance of the state enterprises and banks has become a barrier to an even better performance by the market-oriented sector. China's advantages lie in its low factor costs of labour, land (for manufacturing) and domestic capital (from the high savings rate). But, the costs of doing business include not just factor costs, but also the usually hidden costs of dealing with people and organizations, or the so-called transaction costs. The high transaction costs are reflected in the poor services of the government, accounting, banking, the legal system and the capital market. It is not surprising that most of these high transaction costs are related to activities in the state sector, such as long procedures for government approvals, monopoly or tight regulation by the government in accounting, banking and legal services, as well as in some important industries, such as telecommunication.

Unlike factor costs that are largely determined by supply and demand, transaction costs are human-made and can be increased or reduced through institutional changes. China's past reforms have been largely successful at reducing transaction costs. But, compared with the Western market economies and the newly industrialized economies in Asia, China needs to do a lot more to bring its institutions and business practices close to the international standards. China's possible accession into the World Trade Organization (WTO) in 1999 would certainly accelerate greatly this convergence process.

Notes

1. It was estimated that the Chinese exports amounted to US\$18.37 billion in 1998, approximately the same as in the previous year. See *Ming Pao*, Hong Kong, 11 January 1999.
2. The value-added-tax rebate rates to exports were reduced from 17% to 7%–9% in 1996, which caused a decrease of exports in early 1997. The VAT rebate selected items has returned to 17% since 1 January 1998.

3. The data are from CCTV News.
4. *Ming Pao*, 11 December 1998.
5. It was estimated by *Citibank China Monitor*, First Quarter 1998.
6. The data are quoted from *Will China Devalue Its Currency?* The BCA China Analyst, February 1998.
7. The total investment on fixed asset amounted to RMB2.868 trillion in 1998, among which the state-owned investment reached RMB2.150 trillion, increasing by 22%. See *Jingji ribao* (Economic Daily), 31 December 1998.
8. For example, the FDI from US to China increased 45% in 1998. See *Monthly China Review*, February 1999.
9. See Hu Chunlin, Background Papers for China CEM99.
10. The retail amount of consumption goods only increased 6.8% in 1998, more slowly than the economic growth. See *Jingji ribao*, 31 December 1998.
11. See *Ming Pao*, 27 April 1999.
12. See Jeffrey Sachs: "IMF Is a Power unto Itself," *Financial Times*, 11 December 1997.
13. See Thomas G. Rawski, "Will China Catch the 'Asian Flu'?" *China Economic Review*, Vol. 9, No. 1 (1998).
14. See *Citibank China Monitor*, First Quarter 1998.
15. The total savings of Chinese residents amounted to over RMB5 trillion, more than half of China's GDP that was RMB7.97 trillion in 1998. See *Jingji ribao*, 31 December 1998.
16. The State Statistics Bureau announced that the economic growth of China in 1998 was 7.8%. See *Jingji ribao*, 31 December 1998.