

## Economy

# No 'hard landing' risk for China, World Bank says

By Wang Xiaotian (China Daily)  
Updated: 2010-06-11 09:18

BEIJING - China is not at risk of a double slump although it is a possibility in high-income countries, Justin Yifu Lin, chief economist of the World Bank (WB), said on Thursday.

He was speaking in response to speculation that the world's third-largest economy would suffer a hard economic landing.

"The Chinese government will have large fiscal scope even if the worst scenario occurred in European countries, one of the country's largest export markets," Lin said during a video news conference with Asian media representatives after the bank released its Global Economic Prospects 2010.

He said China could adopt positive fiscal policies and attract foreign investment to improve the environment and infrastructure and boost growth if a downturn occurred in external markets.

In the first quarter of this year, the Chinese economy showed unexpectedly strong growth momentum with its gross domestic product (GDP) expanding by a blistering 11.9 percent year-on-year, arousing concerns about rising inflation and potential asset bubbles.

The government and regulators, as a result, have tightened liquidity and dampened the real estate sector to prevent rising prices from evolving into a crisis.

The stringent policies, however, have led to a decrease in economic activity and triggered widespread concern about a downturn, especially in the wake of the eruption of the European debt crisis.

Lin said the government should adjust policies to cope with the new situation, but insisted China was capable of achieving 9.5 percent GDP growth this year.

The bank said in the report that economic growth would slow down to 8.5 percent in 2011 and 8.2 percent in 2012.

It predicted global economic recovery would continue to advance with a GDP growth rate of 2.9 percent and 3.3 percent in 2010 and 2011, but Europe's debt crisis had created new hurdles on the road to sustainable medium term growth.

"The better performance of developing countries in today's world of multi-polar growth is reassuring," said Lin, calling on the high-income countries to seize opportunities offered by stronger growth in developing countries for the rebound to endure.

More than 40 percent of all growth in the global economy next year would come from developing countries, said Andrew Burns, manager of global macroeconomics of the World Bank.

□

### Related readings:

- ◆ [China to grow 9-10% after 'overheated' quarter, World Bank says](#)
- ◆ [World Bank sees progress on Development Goals](#)
- ◆ [China gains more say in World Bank](#)
- ◆ [World Bank president sees end to 'Third World'](#)

Regardless of how the debt situation in high-income Europe evolves, a second round of financial crisis could not be ruled out in certain emerging countries in Europe and Central Asia, where rising non-performing loans and "significant" levels of short-term debt may threaten banking sector solvency, the bank cautioned.

"Developing countries are not immune to the effects of a high-income sovereign debt crisis," said Burns.

While the European debt crisis has temporarily been put under control, prolonged rising sovereign debt could

make credit more expensive and curtail investment and growth in developing countries, he said.

The bank projected high-income countries would grow by between 2.1 and 2.3 percent in 2010, not enough to undo the 3.3 percent contraction in 2009, followed by growth of between 1.9 and 2.4 percent in 2011.

Possible policies that favor more aggressive cuts in deficits among these countries would benefit medium-term growth in both developing and high-income countries by reducing the borrowing costs of high-income countries, said Burns.

Copyright By chinadaily.com.cn. All rights reserved