

Oil Price Could Spur China Industry Restructuring

September 6, 2008

CHANGCHUN, Sept. 5 (Xinhua) -- Concern over surging oil prices could mean the restructuring and upgrading of China's industries, according to a United Nations Conference on Trade and Development (UNCTAD) official here on Friday.

"Commodity price hikes have severely affected the Chinese economy, but they also occurred as China faces industrial restructuring challenges," Li Yuefen, the UNCTAD Debt and Development Finance Branch head, said.

Rising commodity prices and wages have made it increasingly difficult for China to sustain a competitive export edge, she added.

A slow global economy is another challenge.

The Geneva-based agency released its annual Trade and Development Report (TDR) in Changchun, the northeastern Jilin Province capital. The world economy is forecast to grow 2.9 percent this year, 0.9 percentage point less than last year, according to the report.

"In mid-2008, the global economy is teetering on the brink of recession," Li said. The downturn after four years of relatively fast growth was due to a number of factors.

These included the ongoing financial crisis, high commodity prices and tight monetary policies in several countries. China also faced a weak and volatile stock market.

Despite a slowdown, output growth in China this year was expected to expand about 10 percent, said Detlef Kotte, an UNCTAD Macroeconomic and Development Policies Branch official. That growth is dependent on oil prices and might lead policy makers to restructure Chinese industries.

Li recommended cutting oil use and upgrading manufacturing technology.

The full TDR report is at www.unctad.org.

The report's release took place amid the 4th Northeast Asia Investment and Trade Expo here.

Nobel economics prize winner Robert Mundell told a forum that China's economic growth would not stay at 11 percent for long, but it was destined to be 8 percent for the next 15 to 20 years.

China's GDP growth rate was 11.4 percent last year. GDP grew by 10.4 percent in the first half, down 1.8 percentage points year-on-year.

Mundell predicted that China's GDP would overtake that of Japan by 2012, surpass Europe in 2030 and exceed that of the United States in 2050.

Asked about the economic impact of the Olympics, Kotte said it would be reflected in a boost from infrastructure projects. There would not be a post-Olympics slowdown as some infrastructure projects were still under way and China was a large economy, Kotte added.

He said the Games would "also help foster a positive image" of China around the world, which would attract investment and tourism.

Source: China View