

China Will Continue National Construction

by Mary Burdman

The “driving force behind China’s robust growth” has been government-sponsored infrastructure construction, and China will continue to base its economic development on this policy, Finance Minister Xiang Huaicheng said, in an interview in the Dec. 20 *Wall Street Journal* and the London *Financial Times*.

Beijing plans to carry out a 150 billion yuan (\$18 billion) stimulus plan in 2001, as it did in 2000, Xiang told the two Western financial newspapers—just as both published nervous headlines on the dangers of looming “economic weakness.”

China has suffered from the effects of the global economic crisis which hit Asian nations so brutally in 1997-99, but the pillars of its national economic security—a protected, non-convertible currency, its (as yet) non-membership in the free-trade World Trade Organization (WTO) regime, high levels of foreign exchange reserves, and, most important, a policy of government-led national construction of China’s vast internal economy of 1.26 billion people—remain in place.

As Xiang told the Western papers, Beijing has issued around 360 billion yuan (\$43.37 billion) of special infrastructure bonds over the past three years, to stimulate growth through infrastructure construction and technological upgrading of state enterprises. With additional funds from state banks, local governments, and state enterprises, the total invested into China’s economic construction has been 1.5 trillion yuan over the three years. This will continue. China will need another 500 billion yuan to complete investment in 1,000 projects still being planned, Xiang said. Some 50 billion yuan of bonds this year, will be used specifically to build up China’s poor, western hinterlands. The next two years of such national

investment “would just about do it,” Xiang assured the *Financial Times*. With Britain crumbling down around it (see article, p. 10), London should take notice.

The *Financial Times* cited “observers,” those anonymous editorial voices, to express concern about growing Chinese indebtedness, but Xiang said that the levels of national and foreign debt are “not a problem.” China’s “budget deficit,” of about \$33.7 billion this year, is “controllable,” he said. China’s foreign exchange reserves have risen to \$160 billion.

The First Long-Distance Maglev?

But of greater importance than these financial issues, is what China is building. The “keystone” of imminent infrastructure construction, will be the Beijing-Shanghai high-speed railway. On Dec. 16, the Ministry of Railways made a dramatic announcement: Not only is China planning to spend some 100 billion yuan on the project, but, even more important, the possibility that maglev (magnetic levitation) technology could be used, is being studied.

Rail Ministry spokesman Ren Guixi did not definitely say whether the Beijing-Shanghai rail line would use the maglev or a slower, wheeled rail system, but said that the question is still being studied.

Were China to build a 1,300 kilometer maglev rail line, this would be the first such use of this technology in the world. The existing experimental German maglev tract is only 34 km long; the plan to build a full-scale maglev in Germany has been scrapped.

However, China and Germany have already agreed to build a 35 km maglev line in Shanghai, linking Pudong International Airport to the city center. Construction is to start in

January 2001, with Germany delivering the maglev-specific equipment and one-third of the capital. The Shanghai line will likely be extended 180 km south to the city of Hangzhou. Another line could then be built to the important center of Nanjing on the Yangtze River, which would be a first stretch of the Shanghai-Beijing rail line.

Whether to build a full-scale maglev rail line has been a matter of “heated debate” in China since the Beijing-Shanghai high-speed rail line was proposed in China’s Tenth Five-Year Plan (2001-05), the national *China Daily* reported on Dec. 16. While some experts are proposing that China use the most advanced technology, the maglev, as safe, comfortable, stable, and fast, opponents consider it “unwise” for China, still a developing country, to use what they consider the “immature and extravagant” maglev technology.

“We will choose one that fits China’s situation best,” Ren Guixi said.

Investment in this project will be the equivalent of two-fifths of the total money spent on rail construction in China during the past five years, the ministry reported. Overall financing for rail building will also be expanded over the next five years, with priority given to the landlocked western regions.

Most important for the interior, Ren announced plans to build a rail line from Golmud, in Qinghai Province, to Lhasa, the capital of Tibet, which will be the first-ever railroad to the “roof of the world.”

This will be a most astonishing project. It will connect the existing Xining-Golmud railroad, built in 1984, to Lhasa. “Approval will come very soon and trains will be running within 5.7 years,” Ren said. It will require investment of \$2.4 billion.

The challenges involved in building this “Qingcang” rail line are enormous—at least equal to those of building the U.S. Transcontinental Railroad in the 19th Century. The route will run 1,100 km, through valleys of mountains which tower well over 6,000 meters—much higher than either the Alps or Rocky Mountains—and will traverse the often-frozen Tibetan plateau. Planning and surveying already began in the 1950s, and since July 1997, a group of rail experts have been making a detailed study of the route. Some 30.6 km of bridges and tunnels will also be built.

Other routes, including from Yunnan province in the southwest, or central Sichuan, are also under consideration.

Overall, China’s rail construction grew rapidly during the past five years. Almost 6,000 km of new rail line was built, bringing China’s total rail network to over 68,000 km, the biggest in Asia. Capital construction during 1996-2000 reached \$31 billion, double the amount of the early 1990s. Some 4,300 km of existing lines were electrified, and over 4,000 km of the new lines are double-tracked.

The railways have also been turned from a loss-making to a profit-making operation. Railway revenue was up over 70% over the five years, to 461.5 billion yuan. Increased speed

was important to achieve this: Passenger trains on the short Guangzhou-Shenzhen line now can travel at 200 km/hour, and on the main, long-distance Beijing-Guangzhou, Beijing-Harbin, and Beijing-Shanghai routes, trains reach 160 km/hour.

China will continue to strengthen its national rail network, the Rail Ministry announced on Dec. 16, including the Euro-Asian continental rail bridge and the other “eight longitudinal” and “eight lateral” rail corridors. These include the corridor along the Yangtze River, and the southwest corridor leading to the ocean. Part of the latter, will be the new, electrified 625 km railroad to be built to link the city of Huaihua in Hunan Province in southern China, with Chongqing on the Yangtze, the biggest city in China’s interior. Construction of this rail line, one of the “ten leading projects for developing the west,” is expected to take more than five years. Currently, passengers or freight from Sichuan Province and Chongqing, which have a population of more than 100 million people, go 300-500 km out of the way north or south, to reach the southern Chinese coast.

China’s industry is growing along with the infrastructure. Its construction machinery market will be the biggest in the world within the next decade. The industry will grow by 10% annually in next Five-Year Plan, an official of the State Economic and Trade Commission said on Dec. 12.

Projects such as the Three Gorges Dam, the west-to-east gas pipeline, the west-to-east power transmission project, and the national urbanization program, will all require expansion of the construction machinery sector. “Building equipment will be needed for all these projects and tens of billions of yuan will have to be poured into the industry,” said the official. “Each year, 5-8% of building funds will go toward buying equipment.”

China now has 1,008 construction machinery manufacturers, which supply 60% of the domestic market, and has also imported machinery products worth more than \$1 billion each year for the past five years.

There are intentions to protect this vital industry, whenever China joins the WTO. To deal with WTO free-trade demands, China’s domestic machinery makers are going to have to create a group of strong conglomerates, Wu Xiaohua, director of the State Administration of Machine-Building Industry, said in an interview with the Dec. 10 *China Daily Business Weekly*. The machinery sector plans to launch 30 to 50 large enterprise groups in the next ten years, to carry out product research and development, manufacturing, trading, and financing. “They are expected to lead fast development of the machine-building sector,” Wu said.

China now has more than 40,000 machine-making enterprises of different sizes and capability. These cannot all be preserved; instead, China will concentrate on supporting 250-300 key enterprises. “By doing so, the state-owned capital and resources are expected to play a leading role in the sector,” Wu said.

The key areas of focus, he said, are equipment for agricul-