

**BEIJING PUTS ITS FOOT
ON THE COUNTRY'S ACCELERATOR**

The official announcement from the seat of power of the Government of the People's Republic of China (PRC), last week, as to the extent of the direct economic losses to the country due to the blizzards and excessively cold weather of January is very telling.

It tells one, inter alia, that the losses, caused by the January blizzards, will be much more than just the initial figure of 111 billion renminbi (about \$HK120 billion).

The official, PRC Government announcement stated, only, that '*direct economic losses*', so far, are put at 111 billion renminbi.

No mention has been made about indirect economic losses, not to mention opportunity cost losses – which could eclipse direct and indirect economic losses by a wide margin.

The full extent of the aggregate economic losses is not expected to be known until the middle of the year, at the earliest, and the harmful effects to the overall economy of the record-setting blizzards of January will, probably, be felt right up to the end of the year, if not longer.

It is obvious, even at this early stage, that the economy of the PRC will be dented; and, that the economic growth rate of the country will be stunted.

The question is, of course: By how much has the GNP (**G**ross **N**ational **P**roduct: The annual total value of goods produced and services provided in a country) be retarded, relative to the GNP of Fiscal 2007?

What is very clear is that, at the top echelons of power at Beijing, the situation is at the top of nearly every agenda to be discussed at the highest levels – for very good reason.

When the head of the PRC Government chairs an emergency meeting of the State Council in order to lay down the '*law*', so to speak, as to what must be done, immediately, one realises as to the extent of the gravity of the situation.

The problems, facing the PRC Government, have the potential of turning very ugly, leading to civil unrest.

Something definitive and immediate has to be done in order to ameliorate the situation with regard to the suffering of what are believed to be some 100 million, Chinese residents of the country.

Premier Wen Jia Bao (), on Wednesday, February 13, convened a meeting of the State Council, at which meeting, it was ordered that all of the various ministries and provincial governments '*minimise damage caused by the natural catastrophe.*'

The order went out from this emergency meeting that all affected electric power must be restored, post-haste, and that the PRC's power grids must be repaired as a matter of national necessity.

In the meantime, domestic coal production in the country must be stepped up because many of the country's

power generators rely on coal as their primary source of fuel in order to keep the turbines running.

Coal inventories, at many power stations, especially in the south of the country, are so low that electricity rationing has been in force since the middle of January.

Importing thermal coal from Australia at \$US100 per tonne – which is a record-setting, price level for the fossil fuel – could lead to fanning inflationary flames in the country.

In December 2007, the price of imported thermal coal was about \$US76 per tonne.

In one month, therefore, the imported price of coal, **Free On Board (FOB)**, rose by about 35.53 percent.

The rationing of electricity must cease, it has been ordered, and the country's production of coal must, as a matter of urgency, be increased in order to reduce dependency on coal imports.

Premier Wen Jia Bao, also, ordered that relief money be paid to the affected victims of the blizzards, that money to be paid out, immediately.

Cash subsidies will be paid to affected farmers in order to guarantee that there be no shortage of food at the tail end of the year when crops are, normally, harvested.

Things must return to the status quo ante – now.

Spring planting must go ahead, as usual, and, if needs be such, the PRC Government will assist in supplying funds to make certain that spring planting is not interrupted.

The PRC Government has, officially, announced that some 25.30 million hectares of farmland have been lain to waste as a direct result of the January blizzards and, in terms of badly affected farmland, one is told that there are another 177 million hectares.

The country's forests have suffered severe damage, with about one tenth of the entire country's woodlands, known to have been affected.

Premier Wen Jia Bao, during the height of the crises of January, visited a number of stricken areas of the country and he knows, first hand, of the difficulties that many people of the country are facing.

Thus far, it is known that PRC-domiciled insurance companies have paid out more than one billion renminbi (about \$HK1.09 billion) in claims.

Other claims are bound to follow and the Premier does not want the insurance companies to dicker about meeting their financial commitments to the populous.

The official toll of deaths, caused by the blizzards, stands at 107 lives; that is the initial toll, only.

What It Means

As this medium pointed out, last Wednesday, the economy of the PRC will be affected by the slower growth of the US economy, but, in addition, it is clear, today, that the PRC Government faces, what the Americans call, a double whammy.

Please See TARGET Intelligence Report, Volume X, Number 29,

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**‘AFTER THE SNOW COMES THE THAW ...
AND, THEN, THE TROUBLES !’**

TARGET (), also, pointed out, in last Wednesday’s publication, that the extent of the horrendous weather of January would, most likely, not be definitively known until the middle to the end of the year.

The announcements of last week by Beijing underlines the gravity of the problems, facing the world’s fastest-growing economy.

Premier Wen Jia Bao, certainly, does not want to have civil unrest fester in any part of the country, in addition to the other crises that the country’s economy is facing.

Hence, an admission, now, as to the extent of some – not all, mind you – of the economic problems, facing the country, is aimed at the PRC Government, being seen as adopting a proactive stance.

The admission, also, is preparing the populous for what is going to come to pass as the year winds down.

By dribs and drabs, one may expect to learn as to the extent of the catastrophic problems, caused by January’s blizzards, followed by the deep freeze which left millions of commuters, being unable to return home to enjoy the Chinese New Year festivities.

Pain, there is bound to be for many millions of Chinese people for the remainder of the year, but the situation may be somewhat softened by preparing the people for what will befall them due, it will be pointed out, very clearly, to natural disasters – and through no fault of the Government at Beijing.

The PRC Government’s policy is, clearly: Misery likes company; we suffer as a *‘family’*.

At the same time, the PRC will distribute, to the worst affected areas of the country, free padded jackets, duvets and essential foodstuffs.

With regard to padded jackets, it is known that at least 2 million such jackets have been purchased by the Government and have, already, been distributed.

More padded jackets and duvets, no doubt, will be made available, freely to people of the worst-affected areas, as a sign of the Government’s concern.

Obviously, Beijing will continue to keep its proverbial foot on the accelerator of the economy of the country in order to demonstrate its resolve to the 1.30 billion-plus human population.

Regiments of the **P**eople’s **L**iberation **A**rmey (PLA) have been mobilised in order to hand-carry, where necessary, essential supplies to outlying areas.

The cost of these operations, and hundreds of other, emergency measures, must be mind-boggling – but it is absolutely necessary if Beijing is to keep faith with the populous.

And that is the name of the game because Beijing is facing a major challenge to its authority.

It must meet the challenge, head on.

And it will, without question, by the looks of things, today.

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