Statement of
Gordon G. Chang
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Chairman Wessel, Chairman Slane, and distinguished members of the Commission:

It is a privilege to appear before you today, and I thank you for this opportunity.

My name is Gordon Guthrie Chang. I am a writer and live in Bedminster, New Jersey. I worked as a lawyer in Hong Kong from 1981-1991 and Shanghai from 1996-2001. Between these two periods, I frequently traveled to Hong Kong and China from California.

I am the author of *The Coming Collapse of China* (Random House, 2001) and *Nuclear Showdown: North Korea Takes On the World* (Random House, 2006). I am a Forbes.com columnist and blog at *Commentary* magazine's site.

Summary

China has the world's fastest slowing economy. To arrest the alarming slide in growth, Chinese leaders announced a stimulus package last November. Even with subsequent modifications, the package is inadequate and is unlikely to help much this year, a crucial one. The country's economic model is particularly ill-suited for the global downturn, but the stimulus effort is evidence that Beijing does not intend to change it.

Within the next half decade, Chinese leaders cannot engineer the one thing necessary to create sustainable growth: an increase in consumption. Their plan contemplates stimulating exports, closing off the domestic market to foreign producers, and spending

government cash quickly. Beijing's course of action, unfortunately, will increase trade tensions and destabilize the global economy.

China actively trades its currency to set its value, and it does so to obtain a trade advantage. Beijing, however, feels little need to change this predatory policy and will not do so until Washington brings pressure to bear on China.

Chinese leaders will not undertake any major reforms to either the country's capital controls or currency rules in the near future.

Fall in Growth

Beijing reported 6.8 percent growth in gross domestic product for the last quarter of 2008. In reality, growth was no more one percent, at least if calculated according to how most countries report their results,[1] and the economy may even have contracted. Moreover, it is almost certain GDP shrank in December (as compared to November).

Yet whatever growth was, it is in a steep decline. According to official statistics, GDP skyrocketed a staggering 13.0 percent in 2007, and it was, in all probability, higher than that due to poor sampling procedures that did not properly take into account the output of small manufacturers, then the most productive part of the economy. Now, however, small manufacturers are suffering more than other producers, so current statistics do not reflect the real drop-off. When other distortions in the statistics—some the result of fakery—are taken into account, it's clear no economy is falling faster than China's at this moment.

At the World Economic Forum in Davos last month, an apparently confident Wen Jiabao predicted the Chinese economy will grow eight percent this year. Taking into account trends, it's apparent the premier is about as wrong as he could be. If the fall-off in growth continues—and there is every reason to believe it will—this year the Chinese economy will contract.

Stimulus Package

Beijing's technocrats, to their credit, saw problems coming by the middle of last year. In late July, the Politburo officially reversed course from fighting persistent inflation to lifting growth. Since then, China's technocrats have, among other things, provided tax rebates, handed out incentives for home purchases, and cut interest rates. Nothing, however, seemed to work.

Pessimistic forecasts apparently unnerved China's policymakers, and in November China's State Council announced its stimulus package. The body, the central government's cabinet, said it would spend an "estimated" four trillion yuan, about $586 billion, over nine calendar quarters on ten major areas. In addition, Beijing promised to loosen credit and reduce taxation.

The plan, at least as announced, disclosed few details and, therefore, had a made-up-on-the-spot quality to it. From what we can tell at this point, the stimulus program is deficient in important respects. First, as big as it is, the contemplated spending is not sufficiently large. Second, the stimulus program does not look as if it will work fast enough. Third, the spending plan is pushing the country in the wrong direction. All of these deficiencies stem from the plan's apparent bias toward large-scale infrastructure projects.

First, with regard to the size of the stimulus plan, it is not clear how much of the announced spending was already contemplated in the current five-year plan. Probably only a quarter of the announced outlays are actually new. Moreover, even if all the contemplated spending is new—extremely unlikely—we should remember that the Chinese central government has been pumping massive amounts of cash into highways, ports, and railroads since 1998, and pump-priming loses its effectiveness over time. Governments are notoriously inefficient investors, and this plan comes ten years into Beijing's fiscal stimulus program.

This means China's spending must be overly large to have an appreciable effect on economic performance at this moment. The country, however, is already overbuilt and therefore running out of places in which to profitably construct things. When I returned to my dad's hometown in Jiangsu province last June, I could see the dusty backwater—it's technically a "city" but has the look and feel of a town—was scarred by too many projects. There was a virtually vacant 18-story hotel built to world-class standards and towering over its surroundings. The hotel was near to an expensively appointed opera house set to open and in sight of a deserted park dedicated to long-life and dominated by a ten-story statue of a mythical Chinese figure, the biggest bronze longevity monument in the world.

Overbuilding has also plagued the country's great cities. I stayed at a brand-new hotel in the central Wangfujiang section of Beijing. The place was almost empty as were the others next to it even though I was there at a high season for tourists. I was certainly impressed—even astounded—by the ambition of Chinese officials but wondered about the economic viability of their grandiose plans. In a country with too much of most everything, the government's concept now is to simply build more. Eventually—and inevitably—inefficient investment is counterproductive and catches up with an economy.

The State Council's NDRC, the National Development and Reform Commission, estimates the November stimulus plan will add one percent to GDP over its existence.[2] This assessment indicates the program, despite its apparent size, is insufficient.

Second, the plan's emphasis on infrastructure means it will take time to have an effect on economic output. Apart from already-announced projects, the government does not appear to have an inventory of shovel-ready programs for quick funding, especially because the stimulus plan was hastily prepared from all we can tell. As powerful as China's leaders are, they cannot just push a button and churn out eight-lane roads. It takes time to conceive projects, move peasants, survey land, flatten mountains, and pour cement.

Another factor slowing down the speed of the plan is that the government has yet to work out its funding. Soon after the initial announcement in November, central leaders revealed they would contribute only 1.18 trillion yuan of the four trillion funding needed.[3] The rest of the money, they said, would come from lower-tier governments, state enterprises, and banks. Yet many local governments are already dangerously overextended, enterprises now respond to market conditions as much as to central dictates, and bank lending is constrained by loan-quality concerns.

Undoubtedly, the central government will eventually decide to spend likes there's no tomorrow, but the effect of its spending will not be felt until long after that. The additional infrastructure projects contemplated by the plan—whatever they are—will, for the most part, not help until 2010, if then.

Third, Beijing's new spending is pushing the country in the wrong direction. China already invests 45 percent of its income with much of that on infrastructure.[4] Increasing the government's share of the economy, which is what its stimulus plan is all about, will only lead to sluggish economic performance later. The NDRC has estimated that most stimulus spending will go into government cement-type projects.[5] This means the November plan will surely end up favoring large state enterprises over small and medium-sized private firms. Beijing's political leaders will undoubtedly allocate funds for political reasons, and financial institutions will divert credit to government-sponsored infrastructure. China has averaged an exceptional 9.8 percent growth in the thirty years of the reform period largely because of the creation and expansion of the private sector, both in the countryside and the city. In short, Beijing is relentlessly pursuing a counterproductive solution.

Of course, the stimulus plan is a work in progress, changing all the time as tens of thousands of officials at all levels of government interact. Since the November roll-out of the plan, Beijing has issued announcement after announcement on stimulus projects. For example, this month the central government revealed spending plans to support the textile and heavy machinery sectors.[6] These were just the last of a series of industry-specific stimulus initiatives, which covered, for instance, vehicle and steel companies. At present, there are nine plans, both announced and to be announced, for specific industries. Analysts expect the release of future plans for the electronics, communication, light industry, petrochemicals, shipping, and non-ferrous metals sectors.

The provinces, predictably, have also gotten into the act. This month, for instance, hard-hit Guangdong announced 150 industrial and infrastructure projects.[7] Of Mainland China's 31 provinces, autonomous regions, and provincial-level cities, 28 have so far released stimulus plans, and those plans call for a fantastic 29.23 trillion yuan of spending.[8] Now, every town, city, and county in the country is trying to get additional monies from Beijing as is every enterprise and government unit, and the NDRC is now rubberstamping "beauty-show projects" it had rejected earlier. As a result of the rush to spend, one analyst expects the plan to create the greatest surge in corruption in Chinese history.[9]

Of course, not all those plans can be funded, especially because the Central government in 2008 ran a deficit due to a spending extravaganza in December. Beijing entered the last month of the year with a 1.22 trillion yuan surplus and emerged from it with a 111.01 billion yuan deficit.[10] The deficit is widely reported to be a mere 0.4 percent of GDP, but this ratio was probably larger due to various factors, including the overstatement of GDP. This year, the central government's provisional deficit is estimated to be 800 billion yuan,[11] but it will probably end up larger. Beijing has room to spend more—the Ministry of Finance has signaled it will issue almost twice as much debt this year than it did in 2008[12] to pay for the spendathon—but it has only limited ability to tap its enormous foreign exchange reserves. We have to remember that those reserves, on the books of the central government, have been largely accumulated by issuing debt in one form or another. While the "greatest fortune ever assembled" gives Beijing some flexibility, the government understands that at some point it has to pay most of this money back.

The worst thing about the stimulus plan is not that it weakens Beijing's finances, that it cannot work as quickly as needed, or that China does not need much of the infrastructure it will build. If there is any significance to the stimulus package, it is that, three decades after the beginning of the country's reform period, China's leaders have shown they remain wedded to the old ways of doing things, namely stimulating their economy with large infrastructure projects. In what may be a once-in-a-lifetime global downturn, they face two urgent and related tasks. They must, at the same time, create growth and put their economy on a sounder basis. The November stimulus plan looks like it will help only with the first goal—if it helps at all.

Structural Problems of the Economy

Chinese officials, like their counterparts around the world, must know that their infrastructure-heavy plans make sense only as stopgap measures. Yet economic problems for China are potentially more serious than they are for almost any other country. The steep downturn in the Chinese economy is an indication that Beijing's economic model, which received near-universal praise in recent years, is particularly ill-suited to the global economic crisis. China appeared strong during a benign period of almost two decades of uninterrupted prosperity and globalization. Now, however, even just the initial stages of the downturn are exposing the inherent weaknesses of its economy.

As we saw in the Great Depression, it was the current-account-surplus countries that had the hardest time adjusting to deteriorating economic conditions and, consequently, suffered the most. That is proving to be the case now as well. China, a surplus country, is extraordinarily dependent on foreign markets for its manufactured goods and agricultural products. About 38 percent of its economy is attributable to exports—but global demand is either flat or slumping.

According to the World Bank, global trade will fall this year, which will be the first time since 1982, and the International Monetary Fund says that global growth will be the lowest since the end of the Second World War. Globalization, which looked like an inevitable trend just a few months ago, is now obviously going into reverse. So the Chinese could end up as the biggest victims of recent events. Yet whatever happens, it is apparent that their country, for all its apparent strength, does not have it within its power to solve its own problems (current-account-deficit countries, on the other hand, can import less and save more and thereby achieve recovery on their own). Export incentives announced at the end of December—value-added-tax rebates for certain goods[13]—seem inadequate to keep exports at 2008 levels. In fact, China's exports are now falling precipitously, declining a greater-than-expected 17.5 percent last month (on a year-on-year basis).[14]

Many observers unthinkingly say that Beijing can solve economic problems by engineering increased domestic consumption to take up the slack. Yes, that is true as a theoretical proposition. And it is true Chinese technocrats understand that this is what China must do. Optimists can point out that the list of ten areas in the original announcement of the stimulus plan include some—such as affordable housing, health, and education—that look like they could boost consumption. And Chinese state media called the plan "a wide-ranging effort to offset adverse global economic conditions by boosting domestic demand."[15]

Yet, as we have seen, the plan overemphasizes government investment instead. Only one percent of the $586 billion spending plan will go to desperately needed social services according to a *Wall Street Journal* assessment,[16] and although this estimate may prove to be too low, it nonetheless gives an indication that Chinese leaders are still stuck in the mindset of a state-dominated economy.

As a practical matter, it is unlikely that China will have a consumer economy either this decade or next. For one thing, China is moving in the opposite direction: consumption's role in the economy has been sliding, dropping from its historical average of about 60 percent to 35 percent today. That's undoubtedly the lowest rate in the world, and while some may say it cannot get lower, it definitely can. As an initial matter, Chinese consumers, reacting to grim economic news from home and abroad, have been pulling back recently, especially as coastal property values collapse and stock markets slide. Moreover, the government's love affair with investment spending is, of course, decreasing the shares of economic output attributable to the two other legs of the Chinese economy, consumption and exports. Finally, Beijing's steps to stimulate exports—like holding down the value of renminbi—inevitably discourage consumption. In any event, it will take years for Chinese technocrats to reorient their economy once they make the decision to do so.

And the best that can be said is that they are only beginning to decide to do so. The most important recent move to promote consumption came in January when the central government said it would spend $123 billion to create a universal health care system in two years.[17] This welcome announcement, however, had a typical nonspecific quality to it, and it could end up as just another soon-to-be-forgotten pronouncement. This month, Beijing has unveiled a series of measures to boost consumption, such as last week's Ministry of Commerce initiative to improve the distribution of goods in the countryside.[18]
The central government is also increasing social welfare spending, especially in the form of direct payments to poor households, but these measures are not in fact preventing consumption's share of the economy from falling behind.

The fact that Beijing had not done more to encourage consumer demand during the sweet spot of the last few years is certainly an indication that it will find it hard to do so in the exceedingly difficult period we are now entering. China's leaders may understand what should be done, but they do not implement sensible policies fast enough because they are constrained by their rigid political system, which inhibits their ability to adapt to changing circumstances.

There is, consequently, little at this moment the central government will do to prevent economic failure. China's grand experiment of grafting a free-market sector onto its socialist economy has just about reached the limit of what it can achieve. Beijing's spending plan reveals that Chinese leaders, despite the seriousness of the situation they face, do not have the tools to implement necessary change. Yet we should not be surprised that they seem unable to break from old patterns. In the last three years, they have shunned further structural economic reform. The changes we have seen in recent times have been minor, and many of them have not been advances. China's economy has progressed about as far as it can within its existing political framework.

When they had the opportunity to change the basis of the economy, Beijing officials squandered it. Instead, technocrats promoted fast growth and fast growth has created dislocations, such as bad bank loans, unfunded social welfare obligations, a degraded environment, and rampant corruption. These problems have not posed serious threats because increases in economic output in past years have masked them. But as growth slows and the economy begins to contract, the dislocations are becoming too big to ignore—and probably too big to solve.

Chinese citizens and businesses sense the end of the so-called "Chinese miracle": they evaded Beijing's strict currency controls and smuggled out $126 billion from China from last October through December.[19] Another estimate, using the broadest definition of "hot money," put the figure as high as $240 billion for the same period.[20]

What does this mean for the United States? The two most important imbalances at this moment are the Chinese current account surplus and the American current account deficit. The fastest path to global prosperity is for American manufacturers to sell to

Chinese consumers, thereby reducing in one stroke both imbalances. Given the size of the American and Chinese economies—together they account for about 31 percent of global output—there is little prospect for worldwide recovery until these two countries establish a more sustainable trading relationship.

Unfortunately, Beijing seems to be restricting imports to maintain a positive trade balance as exports fall. For the last several months imports have fallen substantially in excess of exports. In January, for example, when exports were down 17.5 percent, imports collapsed, falling by 43.1 percent.[21] We saw the same pattern in both November and December.[22] Eventually, China's trading partners will notice this disturbing trend and will retaliate. Many people fear a trade war and want to prevent it. Unfortunately, the Chinese are already waging one.

Currency

Until July 2005, the renminbi was tightly pegged to the dollar. From that month to last July, Beijing permitted a managed float. As a result, the renminbi appreciated 9.4 percent against the dollar in this three-year period. In July, however, the ruling Politburo switched gears and began exercising tighter control over the value of the renminbi to give the country's exporters important price advantages. In December, the People's Bank of China, the country's central bank, engineered a one-day fall of almost one percent of the value of the renminbi, apparently a warning to the United States that Beijing would resume its efforts to cheapen its currency.[23] Throughout all these periods, the renminbi has apparently been kept at an artificially low level. Today, Beijing continues to intervene in its market so that the currency hits a target in the middle of a tight band, and it does so to give an advantage to its now-ailing exporters.

Due to Beijing's active intervention, no one knows the true value of the renminbi, but the discount to market value is thought to be somewhere in the vicinity of 35 percent.[24] The United States and other countries, naturally, want the Chinese currency to trade more freely. To persuade Beijing to loosen its policy, former Treasury Secretary Henry Paulson had worked behind the scenes. The Bush administration, therefore, never cited China as a currency manipulator in any of its twice-yearly reports to Congress mandated by the Trade Act of 1988. Doing so would have required Treasury to open formal negotiations with China on the issue. Paulson was not especially successful for all his efforts.

Will China allow the renminbi to float or at least loosen the tight trading band? That's unlikely for two reasons. First, Beijing wants to help Chinese exporters and its major tool for accomplishing this goal was—and remains—intervention in its domestic market to fix the value of the renminbi.

Second, Beijing evidently feels little pressure to change its policies. When Timothy Geithner stated last month during his confirmation proceedings that "China is manipulating its currency," he—not Beijing—received criticism. Moreover, the market for Treasuries momentarily reacted negatively to his comments on manipulation.

Yet Geithner did the right thing to raise the issue. As an initial matter, China is indeed manipulating its currency. The Bush administration's failure to confront Beijing surely emboldened Chinese officials and made it harder to persuade them to take steps in everyone's interest. Virtually everybody seemed to worry about the "prickly" Chinese and how they would react to Geithner's words. Yet Beijing's leaders are not little children. On the contrary, they are ruthlessly pragmatic. And despite what some in Washington may think, they respond to pressure just like Americans—and like everyone else on the planet.

It is a mystery to me why complaining about protectionism is itself considered protectionism. In my view, the United States should do all it can to bring Chinese currency practices in line with those of China's trading partners. The real risk for us—the United States and the rest of the global community—is that Beijing will take too long to do so. Asian nations are already depressing the value of their currencies to make their exports more competitive with China's.[25] In the 1930s, tariff walls deepened the Great Depression and prolonged it. This time, more subtle—but probably as destructive—measures look like they will produce the same effect.

You will hear many commentators say that changing China's currency practices will not solve America's trade deficit. Of course that's true, because currency manipulation is not the *sole* reason for the plight of American manufacturers. Yet Chinese manipulation is an important factor. I practiced law for more than two decades, much of it in Asia. I represented parties involved in trade between China and the United States and often saw them haggling over pennies when negotiating unit prices. A swing either way of a few cents had a disproportionate effect on the success of the business of my clients. So it is counterintuitive to think that currency manipulation, which can change the price of a product by thirty or forty percent, would have no affect on our country's trade deficit.

Capital Controls and Currency Restrictions

Beijing still maintains an elaborate set of capital controls and generally discourages the use of the renminbi outside the Mainland. Clearly, Beijing would like to liberalize restrictions so that it can eventually play an even more important role in Asia.

Recently, the Chinese government has taken some steps in this direction. For example, at the beginning of last month, the People's Bank of China announced it would allow companies in Hong Kong and Macau, special administrative regions of China that are outside the renminbi zone, to use renminbi to settle transactions in goods with parties in Guangdong province and the Yangtze River Delta. The Bank also said it would allow renminbi for trade between parties in Guangxi and Yunnan provinces and the ten Asean nations.[26] Moreover, this month Beijing joined with Japan and South Korea in extending swap lines to Indonesia[27] and entered into a similar deal with Hong Kong in January.[28] Both arrangements contemplate the use of renminbi. And some think Beijing will expand the issuance of "panda bonds" as a way of popularizing the renminbi.[29] Most analysts believe the Chinese are viewing the global crisis as an opportunity to make progress in making their presence felt in the region. Some Asian analysts even think that, given China's heft, in time the renminbi will displace the dollar to become the world's reserve currency.[30]

That sounds unrealistic for many reasons, even if we adopt a long horizon. Yet whatever happens in the indefinite future, I believe there will be only a few liberalization experiments in the short-term, while the global crisis lasts. Chinese leaders appear to be extremely concerned by the trends in the economy, and during periods such as these they will remain conservative and shy away from grand experiments. Until the economy stabilizes itself—and the smuggling of money out of China ends—Chinese officials are unlikely to authorize any major changes in their capital controls and currency rules.

[1] China's growth numbers are reported on a year-on-year basis. This method tends to mask declines in growth when they first occur. Most countries compare changes in economic output from one quarter to the next.

[2] See J. R. Wu and Aaron Back, "China Offers Stimulus Plan Details," *Wall Street Journal*, November 27, 2008, http://online.wsj.com/article/SB122782315253462269.html.

[3] See "China Details 4 Trillion Yuan Stimulus Package," *People's Daily* (Beijing), November 14, 2008, http://english.peopledaily.com.cn/90001/90776/90884/6533822.html.

[4] Kenneth Rogoff, "Growing Pains," *South China Morning Post* (Hong Kong), February 6, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=3a233c179564f110VgnVCM100000360a0a0aRCRD&ss=China&s=News.

[5] "NDRC: Total Investment to Surpass 18t Yuan Next Year," *China Daily* (Beijing), November, 27, 2008, http://www.chinadaily.com.cn/bizchina/2008-11/27/content_7246742.htm.

[6] Martin Zhou and Jane Cai, "Textile, Heavy Machinery Sectors Receive Bailouts," *South China Morning Post* (Hong Kong), February 5, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=c6924a0b1324f110VgnVCM100000360a0a0aRCRD&ss=Companies&s=Business.

[7] Fiona Tam, "Stimulus Package to Provide Guangdong with 150 Projects," *South China Morning Post* (Hong Kong), February 5, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=ee8fc7d36a14f110VgnVCM100000360a0a0aRCRD&ss=China&s=News.

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[9] Laurence Brahm, "Spend at Any Cost," *South China Morning Post* (Hong Kong), November 18, 2008, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=4d738c89d5aad110VgnVCM100000360a0a0aRCRD&ss=China&s=News.

[10] J. R. Wu, "China Registers Deficit After Burst of Spending," *Wall Street Journal*, February 1, 2009, http://online.wsj.com/article/SB123351852305837057.html.

[11] Adam Chen, "Stimulus Plans to Push Budget Deficit to 800B Yuan," *South China Morning Post* (Hong Kong), December 25, 2008,

http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=07927fc03896e110VgnVCM100000360a0a0aRCRD&ss=Companies&s=Business.

[12] Wang Ming, "China's Bonds Signal Recovery," *Wall Street Journal*, January 5, 2009, http://online.wsj.com/article/SB123109995930151963.html.

[13] Denise Tsang, "More Steps Taken to Boost Exports," *South China Morning Post* (Hong Kong), December 25, 2008, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=80c27fc03896e110VgnVCM100000360a0a0aRCRD&ss=Companies&s=Business.

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[15] "China's 4 Trillion Yuan Stimulus to Boost Economy, Domestic Demand," Xinhuanet, November 9, 2008, http://news.xinhuanet.com/english/2008-11/09/content_10331324.htm.

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[19] Tom Holland, "Manipulated? Yes, But Maybe Not Overvalued," *South China Morning Post* (Hong Kong), January 29, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=8f19e4f9a8d1f110VgnVCM100000360a0a0aRCRD&ss=Columns&s=Business.

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[22] See Economist Intelligence Unit, "China Economy: Quick View—Merchandise Trade Falls Further," January 13, 2009.

[23] Joe McDonald, "China Tells US to Get Economy in Order," Associated Press, December 4, 2008, http://finance.yahoo.com/news/China-urges-Washington-to-apf-13741994.html; Andrew Jacobs, "Paulson's China Trip Leaves Big Issues Unresolved," *New York Times*, December 6, 2008, p. B3.

[24] Some estimates put the undervaluation at around 50 percent. See, e.g., "Undervalued Currency Helps Boost China Growth," wsj.com, September 11, 2008, http://blogs.wsj.com/economics/2008/09/11/undervalued-currency-helps-boost-china-growth/.

[25] See David Roman, "Asian Central Banks Warm to Weak Currencies as Reserves Swell," *Wall Street Journal Asia* (Hong Kong), January 9, 2009, http://online.wsj.com/article/SB123149742811967795.html.

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[27] Laura Santini, "Still Restricted, But China's Yuan May Gain Currency Abroad," wsj.com, February 6, 2009, http://blogs.wsj.com/chinajournal/2009/02/06/still-restricted-but-chinas-yuan-may-gain-currency-abroad/?mod=rss_WSJBlog?mod=chinablog.

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[29] See Laurence Brahm, "A New Bear Market," *South China Morning Post* (Hong Kong), February 10, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=23a8562752b5f110VgnVCM100000360a0a0aRCRD&ss=China&s=News.

[30] See, e.g., Adam Chen, "An Important Step Towards Becoming a Global Currency," *South China Morning Post* (Hong Kong), January 5, 2009, http://www.scmp.com/portal/site/SCMP/menuitem.2af62ecb329d3d7733492d9253a0a0a0/?vgnextoid=5e3d63a0191ae110VgnVCM100000360a0a0aRCRD&ss=Companies&s=Business.

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