CHINA'S RESPONSES TO THE ECONOMIC CRISIS

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Executive Summary

1. Measures to cope with the sudden deteriorating economic conditions amid a global financial crisis top the agenda of ongoing annual meetings of the 11th National Committee of the Chinese People’s Political Consultative Conference (CPPCC) and the 11th National People's Congress (NPC).

2. The Chinese government reiterated at the NPC the target of 8% economic growth this year which seems to be within reach. The objective of unemployment rate below 4.6% may need more effort to actualize though.

3. China has responded swiftly and vigorously to the crisis by putting in place a host of expansionary fiscal and moderately loose monetary policies. The first two batches of a 4 trillion RMB stimulus package were launched in November 2008 and February 2009, totalling 230 billion RMB.

4. In January 2009, the State Council announced an additional spending plan of 850 billion RMB to improve health care and provide universal health care coverage within three years.

5. The government has designated 10 sectors for its industry revitalization plan, including mostly capital intensive industries such as steel, automobile, shipbuilding, petrochemical, non-ferrous metal, equipment manufacturing, as well as export-oriented industries such as textile and light industry.

6. To encourage consumption, the government extended the household purchasing subsidy for home appliance scheme to cover all rural residents nationwide.

7. To tackle unemployment, the government issued guidelines in February to encourage the placement of college graduates through provision of subsidies and social insurance. A graduate trainee program will be launched within three years.

8. Local governments have responded positively to central government's initiatives and acted proactively to stimulate local economic activities. Much effort has been devoted to proposing investment projects.

9. In addition, governments at various localities have announced measures to shore up consumption, such as shopping coupons and tourism vouchers. Some even pay their employees partially with coupons.

10. For regions that heavily depend on export for growth and employment, local governments plan to help exporters through favourable tax policies, funds for industrial upgrading and lower unemployment insurance premiums.

11. Heavily tilted towards infrastructure spending, the stimulus policies are pragmatic means to restore economic momentum in the short run, but they may slow China's pursuit of a more balanced development in the long term.

12. Policy initiatives addressing social security, pension and healthcare have so far been rather scattered. To correct the structural imbalance of China's economy, a more fundamental shift in orientation might be necessary in the long run.

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Combating Economic Crisis Tops NPC's Agenda

1.1 The global financial crisis has spread widely across the world. While it is still too early to assess its full impact, China's economy is already seriously distressed due in part to its growing integration with and rising dependency on the rest of the world; it is now facing "unprecedented difficulties and challenges", as described by Premier Wen Jiabao on 5 March 2009 in his work report at the Second Session of the 11th National People's Congress (NPC) in Beijing.

1.2 This year's NPC meeting has attracted much international attention as a result of the global economic crisis and ways to cope with the sudden deteriorating economic conditions amid global financial crisis top the agenda of this annual event of China's parliament. While no new stimulus program was announced, as some speculated, Premier Wen reiterated the target of 8% economic growth considered essential for China to "generate employment for both urban and rural residents, raise people's incomes, and ensure social stability".

1.3 Recognizing the potential ramifications of a dramatic economic slowdown, the government has responded swiftly and vigorously by putting in place quick and decisive stimulating policies. The central piece of the policy initiatives was an eye popping multi-dimensional and multi-phase Keynesian-type stimulus package of 4 trillion RMB by 2010.

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1.4 Measures to promote employment are also announced at the NPC's annual session where priority lies in finding jobs for university graduates and migrant workers. The government pledged to allocate 42 billion RMB for an even more proactive employment policy and aimed to provide 9 million new urban jobs in 2009 to keep its registered jobless rate at below 4.6%.

1.5 A probable consequence of this series of fiscal programs is a change in the stance of the national budget. In Premier Wen Jiabao's report, an aggressive fiscal deficit budget of 950 billion RMB ($139 billion) has been set aside including 200 billion worth of government bonds to be issued for local governments through the Ministry of Finance. This deficit, record high in six decades and a massive rise from the 180 billion RMB for 2008, is about 3% of GDP, up from 0.4% in 2008[1] and a surplus of 0.6% of GDP in 2007.

1.6 Heavily tilted towards infrastructure spending, the stimulus programs have been the subject of criticism; the fear is that this may risk aggravating the economy's skewness towards investment at the expense of consumption and therefore is inconsistent with China's long term objective of pursuing a more balanced development model.

1.7 In response to this, the government seems to have slightly revised the composition of the 4 trillion plan without providing further details. In the newly released report by the National Development and Reform Commission (NDRC), the percentage of spending for healthcare, education, and affordable housing has been raised by about 6 percentage point, compared to that revealed earlier, while those for investment on transport, infrastructure, and environment have been reduced.

1.8 With the aggressive stimulus package and massive investment, the target of about 8% of economic growth in 2009 seems to be within the reach of China. The objective of maintaining unemployment rate below 4.6% however

[1] "Factbox: Selected figures from China's 2009 budget ", *Reuters*, Mar 5 2009, http://www. reuters.com.

remains a harder task to actualize as employment generation usually takes place after the economic turnaround.

1.9 Government’s support for the service sector and labour-intensive manufacturing, especially small and medium enterprises would be needed to create more jobs and ease the unemployment pressure.

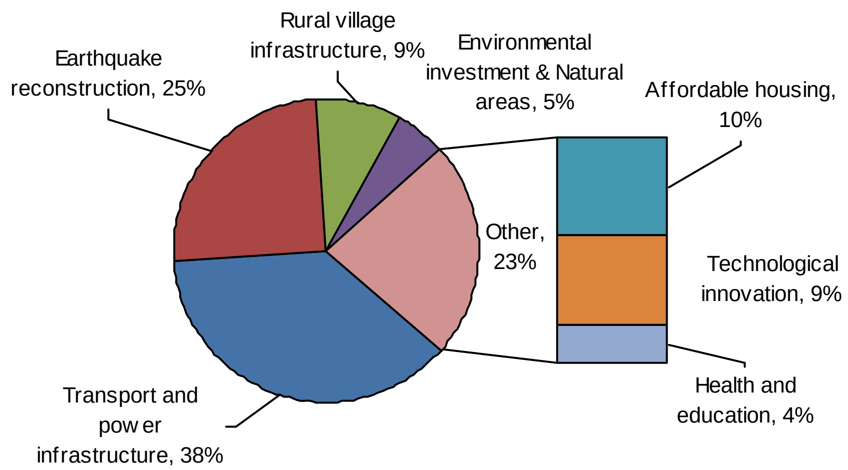
Central Government’s Policy Initiatives

2.1 When first released in November 2008, the 4 trillion RMB plan was very much a preliminary and rough number. This reflects the urgency felt by the leadership to act speedily as a way to heighten confidence when economic conditions deteriorated. The breakdown of the stimulus package was later unveiled by the government (See Figure 1), where the largest portion of the spending goes to transport and power infrastructure, accounting for 38% of the total. Spending on earthquake reconstruction comes second, taking up another 25% of the total, followed by rural village infrastructure and investment for environmental protection, each accounting for 9% and 5% of the total, respectively.

2.2 It is clear that the paramount emphasis of this stimulus package is on investment, especially those on infrastructure. Spending on this broad category, including those on transport and power generation infrastructure, earthquake reconstruction, and rural infrastructure, may claim up to 3/4 of the total.

2.3 A second area of emphasis is sectors for sustainable development as reflected in the planned spending of about 14% of the total to strengthen environmental protection, conservation of natural resources and technological capacity. Thirdly, the package also attempts to address a number of social issues, such as providing affordable housing for low income households and increasing spending on healthcare and education, which accounted for approximately 10% and 4% of the total package, respectively.

FIGURE 1 COMPOSITION OF RMB 4 TRILLION STIMULUS PACKAGE[2]



Source: National Development and Reform Commission.
http://www.ndrc.gov.cn/xwfb/t20090306_264929.htm, accessed on March 7, 2009

2.4 In the fourth quarter of 2008, the central government allocated 100 billion RMB (USD15 billion) of that total package, a high proportion of which was designated for rural infrastructure[3] (See Table 1 in Appendix), taking up a third of the total. Following this, another batch of investment totalling 130 billion RMB (USD 19 billion) was announced on 3 February 2009.[4] This instalment too is expected to focus primarily on infrastructure investment.

2.5 Along with the 4 trillion plan, the central government also introduced a number of other policies to stimulate the economy, including loosening of credit policies, reforming of value-added tax regime, and abolishing credit

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2 In an earlier version of the plan ("NDRC Details Four Trillion Stimulus Package", *Caijing Online*, 2008-12-01; accessed on February 20, 2009), the spending on transport and power infrastructure accounted for a larger portion of the total (45%), while that on healthcare and education made up only 1%. Figure 1 reflects the revised figures that are released by the National Development and Reform Commission on March 6. In the current breakdown, the shares for affordable housing, technological innovation, healthcare and education in total spending have been raised, while those of spending on transport and power infrastructure, and investment on environment and natural resources have been reduced.

3 "China's Stimulus Package: Energy & the Environment", *China Economic Review*, Nov 19, 2008, http://www.chinaenvironmentallaw.com.

4 "China to spend $19 billion in second stimulus tranche", *Reuters*, Feb 23, 2009, http://www.reuters.com.

ceiling for commercial banks.[5] In November 2008, the government raised the rate of value-added tax rebates for 3,770 export items. The increase varies across items, with the rate on tires raised from 5 to 9 percent, glassware 5 to 11 percent, and various labour-intensive products from 11 to 13 percent.[6] This initial scheme was later followed by another round of tax rebate rate rise for textile and garment exports, from 14 to 15 percent, announced in February 2009.

2.6 In addition to the 4 trillion RMB program, the State Council announced on 21 January 2009 another spending plan of 850 billion RMB (USD 123 billion), including 331.8 billion RMB from the central government[7]. The plan aims to improve health care and provide universal health care coverage within three years.[8] According to this long awaited reform, measures will be undertaken to provide basic medical coverage to both urban and rural residents, improve the quality of medical services, and make medical services more accessible and affordable for the ordinary people.

2.7 In addition, there is a new emphasis on identifying and developing key industries to enhance China's overall technological as well as industrial capacity. By 26 February 2009, the government had designated 10 sectors for its industry revitalization plan, including mostly capital intensive industries such as steel, automobile, shipbuilding, petrochemical, non-ferrous metal, equipment manufacturing, as well as a number of other industries such as textile, light industry, information technology, and logistics.

2.8 As shown in Appendix Table 2, the plan includes various policies, such as tax incentives, subsidies, and bank loans, to support these chosen industries.

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5 "China seeks stimulation", *The Economist*, Nov 10, 2008, http://www.economist.com.

6 "China lifts tax rebates to boost export", *China International*, Nov 18, 2008, http://en.ec.com.cn.

7 "China to boost spending on welfare, education, health care", *Xinhua net*, Mar 5, 2009, http://www.chinadaily.com.cn.

8 "China to provide $123B for universal medical care", *China Daily*, Jan 21 2009, http://www.chinadaily.com.cn.

For industries like textile, the more immediate objective is to assist the struggling firms to survive the sudden drop in external demand. For others, such as equipment manufacturing, the policies aim to strengthen the technological capacity for their long term competitiveness.

2.9 In 2007, the government started a pilot scheme of rural household purchasing subsidy for home appliance. Under the scheme, each rural household is eligible to claim at their local township government finance agencies a subsidy of 13% for purchase of up to two items of three products from designated brands.[9] The pilot scheme, which covered three agricultural provinces of Shandong, Henan and Sichuan, was extended to all rural residents on 1 February 2009, and four more products were added, including motorcycles, personal computers, water heaters, and air conditioners[10]. The 13% subsidy was jointly funded by the central and local governments, with an 80-20 split. The scheme is expected to help cushion the sudden drop in external demand for consumer electronics.

2.10 With rising job losses sparking fears of social unrest, the State Council issued a circular in February 2009 announcing measures to encourage the placement of university graduates. These include providing subsidies and social insurance to those who are willing to work in villages and local communities, and helping those who work in remote areas or join the Army to settle their student loans. A graduate trainee program for one million unemployed college graduates will be launched within three years, while local government and various organizations are expected to subsidize the trainees for their living expenses. The State Council also announced economic incentives for private companies to recruit more graduates and workers as well as disincentives for enterprises' job-cut.[11]

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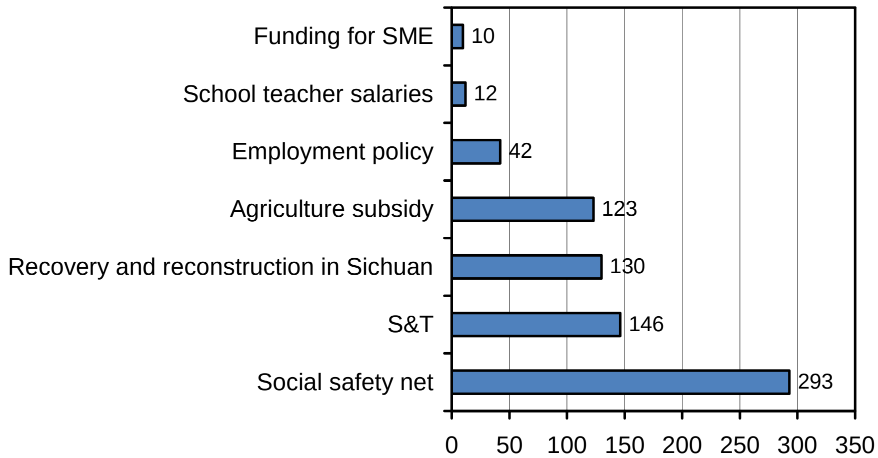
9 The claim should be made within 15 working days following the purchase. Three products are included in the scheme, including coloured TV sets, refrigerators, and mobile phones.

10 "China boosts rural consumption with household appliance subsidy program", *People's Daily*, Feb 2, 2009, http://english.peopledaily.com.cn.

11 One example of disincentives for enterprises' job-cut is that "a report needs to be filed with the local trade union when a firm is planning to lay off more than 20 workers or over 10 percent of the entire staff, unless the workers are notified 30 days in advance".

2.11 Although Premier Wen did not reveal any stimulus plans beyond the 4 trillion RMB package at his speech to the NPC session, he did highlight some spending plans for this year in several areas. As shown in Figure 2, 293 billion RMB will be spent on improving the social safety net to expand coverage and benefits of social security programs; 146 billion RMB to science and technology sector, and 130 billion RMB for earthquake reconstruction.

FIGURE 2 SELECTED CENTRAL GOVERNMENT'S SPENDING PLAN IN 2009 (RMB BILLION)



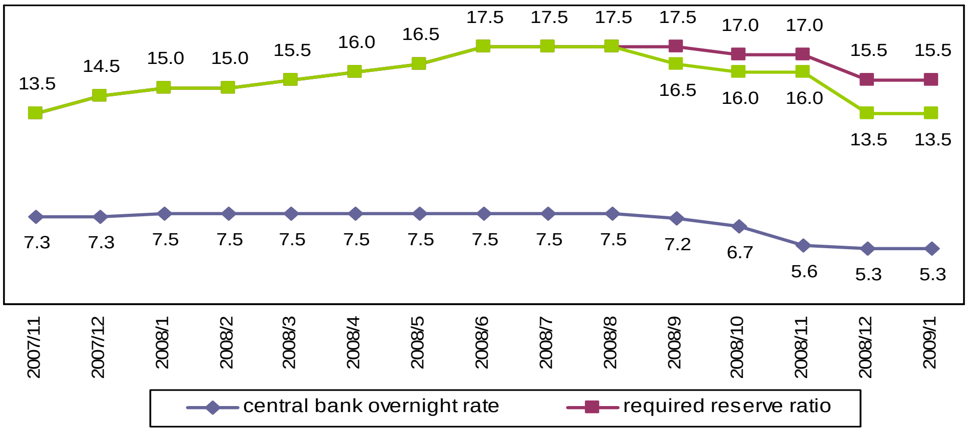
Source: "Key figures in government work report by Premier Wen", *Xinhua*, March 5, 2009, http://www.chinadaily.com.cn.

2.12 Since the second half of 2008, moderately loose monetary policies have been implemented to complement the fiscal stimulus program to cope with the economic slowdown. People's Bank of China (PBOC) lowered interest rates on 16 September 2008 where the benchmark one-year lending rate fell by 0.27 percentage point to 7.2%, the first rate cut in over six years[12]. A complete reversal of monetary policy from its June orientation occurred in October 2008 with several more rounds of interest rates cut and reserve requirement relaxation, as depicted in Figure 3.

[12] "China cuts interest rates as Wall Street wobbles", *China Economic Review*, September 16, 2008, http://www.chinaeconomicreview.com.

2.13 The central government's grand fiscal spending programs are likely to be followed by those of the local governments. Indeed these initiatives have quickly given rise to many notable and innovative responses from governments at provincial and lower level of governments.

FIGURE 3 INTEREST RATE AND RESERVE RATIO MOVEMENTS



Source: People's Bank of China (PBOC)
Note: Since September 2008, the required reserve ratio has been different for financial institutions of different sizes. The ratio for relatively large financial institutions, including the big four state commercial banks, the Bank of Communication and China Postal Saving bank, is higher than that for smaller financial institutions. This is indicated by the gap of the top two curves in the above figure.

The Local Governments' Responses

3.1 When the central government announced the ambitious stimulus program in November 2008, it was stipulated that 1.18 trillion RMB out of the 4 trillion, less than a third, will be funded by the central government's fiscal budget. The remaining is expected to be elicited from local government budget, state owned enterprises, and governmental ministries.[13] Not surprisingly, local governments responded positively to the initiative and acted proactively by drawing up and publicizing plans to advance investment, export, and consumption as ways to tackle problems at their localities.

[13] "China details 4 trillion RMB stimulus package", *China Assistor*, Nov 14, 2008, http://news.chinaassistor.com.

3.2 Various local governments have devoted much effort to proposing investment projects and seeking approval as well as subsequent partial funding by the central government. This is natural, given the national stimulus plan's paramount emphasis on infrastructure investment. In fact, soon after the announcement of the central government's stimulus package, local governments proposed numerous projects, totalling a dramatic amount of 18 trillion RMB worth of investment.[14]

3.3 Overall, local governments have identified areas on which to focus their investment expenditure, depending on the relative importance of the projects to the localities. Table 2 lists the policy initiatives by governments of some provinces and municipalities.

TABLE 2 INVESTMENT PROJECTS AT LOCAL LEVEL

Regions	Policy Initiatives	Amounts (million RMB)
Shannxi	Project of Safe Drinking Water in Rural Areas, by 2012	800
Jiangsu	Transport and infrastructure, 2009	81,000
Wuhan of Hubei	Infrastructure for cultural activities, 2009	1,321
Hulunbuir of Inner Mongolia	Sandy Land Reclamation, 2009	150
Baotou of Inner Mongolia	Energy conservation and resources utilization, 2009	Over 6,000
TEDA of Tianjin	Fix assets formation, 2009	21,000
Shanghai	EXPO related investment projects, 2009	155, 000
Guangxi	Fix assets formation, 2009	600, 000
Anhui	Real estate development and investment, 2009	150, 000-180,000
Ningxia	Fix assets formation, 2009	107,200
Jiangxi	Agricultural products, 2009	130
Tianjin	Agriculture, 2009	10,000
Wunan	Projects for people's livelihood	35,000
Guangdong	Transport infrastructure, 2009	97,600
	Energy security, 2009	75,300
	Modern manufacturing, 2009	28,900
	Modern agriculture and irrigation, 2009	20,400
	High-tech industry, 2009	16,600

Source: C ompiled by authors from various sources.

[14] "Local finances to struggle with 18 trillion yuan plan", *China Daily*, Nov 26, 2008, http://www.chinadaily.com.cn.

3.4 Governments at various localities have also announced measures to shore up consumption, which is in fact consistent with the government's long-term objective to reduce the economy's reliance on investment and on external demand. One measure that has been experimented by several regions is the issuing of coupons to spur local consumption. Table 3 documents a number of specific policies implemented by some provincial or city level governments.

TABLE 3 COUPONS ISSUED BY PROVINCIAL AND MUNICIPAL GOVERNMENTS (AS OF FEBRUARY 2009)

Region	Policy	Amount (mil RMB)
Zhenjiang of Jiangsu	Tourism coupons to residents in the city and neighbouring cities	80
Nanjing of Jiangsu	Tourism coupons to local residents	20
Ningbo of Zhejiang	Tourism coupons to local residents	8
Hangzhou of Zhejiang	Tourism coupons Shopping coupons for low-income families	10 100
Chengdu of Sichuan	Shopping coupons to low-income residents	37[15]
Guangdong	Tourism coupons for people age 55 and above	20
Guangdong	200,000 travel coupons to rural residents	at least 13% discount on airfares and hotels
Zhongshan & Zhaoqing of Guangdong	400,000 coupons to residents of Guangzhou	

Source: Compiled by authors from various sources.

3.5 Many of the shopping vouchers are in the form of tourism coupons that are redeemable at designated travel agencies. The period of validity of the coupons varies from one to three months. These coupons are expected to encourage more travel-related consumption such as in retail, food and beverages, and accommodation.

15 "Chengdu coupons working well", *CCTV*, Jan 21, 2009, http://www.cctv.com.

3.6 In addition to directly issuing tourism and shopping coupons, some local governments experimented with alternative measures to boost consumption. One example is the issuing of coupons as part of the employees' bonus or salary. In Hangzhou, Zhejiang province, civil servants receive coupons as part of their salary. In Shenzhen, Guangdong province, instead of cash subsidies, the municipal government handed out coupons to pensioners. Such measures aim to discourage savings and thus stimulate higher consumption.

3.7 The sudden drop in external demand is especially damaging to regions heavily dependent on export for growth, such as Guangdong. Dismal export perspectives prompted the local governments to implement stimulating policies aimed particularly at promoting export. At the beginning of 2009, Guangdong unveiled eight favourable tax policies to reduce local exporters' tax burden of up to 3 billion RMB for the year. It also plans to earmark 1.9 billion RMB to support the industrial upgrade of the manufacturing sector and to restructure the export and import portfolios.

3.8 Meanwhile, local governments also put out plans to address employment problems of both migrant workers and college graduates. Guangdong province has pledged to spend 6 billion RMB between 2009 and 2012 to help establish several industrial parks in less-developed regions within the province to accommodate enterprises relocating from the Pearl River Delta region and to provide employment to 379,000 migrant workers.

3.9 Guangzhou has also pledged to considerably reduce unemployment insurance premium from January 2009 to alleviate the burden of enterprises engaging in labour-intensive production. The Changchun municipal government in Jilin province recently passed polices to reduce sales tax and provide government financial assistance in terms of bank loans to university graduates who intend to start their own businesses.

The Effectiveness of the Stimulus Measures

4.1 Widely hailed at home and abroad as a giant step in the right direction, the announcement of the 4 trillion package by the central government marked a determined effort to boost public confidence and to forestall a decline in market sentiment. Following the initial publication, more details of the stimulus package were announced, along with numerous supplementary plans by the central government, including its ministries, and local governments at various levels. It is evident that the overriding emphasis, by both the central and local leaders, is the large expenditure on infrastructure, generally believed as the surest way to pump up China's economy.

4.2 While the government is loaded with a multi-target task, it is evident that the immediate concern is the economic slowdown which would inevitably lead to mounting business failures and loss of employment.

4.3 The government has acted quickly and decisively over the past several months with numerous plans, which encompass a variety of measures and large sums of funding commitment covering a wide range of sectors.

4.4 On close examination, however, this 4-trillion package over two years will lead to an additional fiscal spending of 600 billion a year by the central government, equivalent to about 2% of GDP in 2007. This figure is less substantial than many first assumed considering that China central government's fiscal spending in 2007 accounted for approximately 12% of GDP.[16]

4.5 What is more, the size of the plan is believed by some to be overstated as some of the investment projects announced in the package like rail network extension and earthquake reconstruction have already been earmarked earlier and thus cannot be classified as additional spending or incremental investment or "new" money. Some projects planned over the next five years

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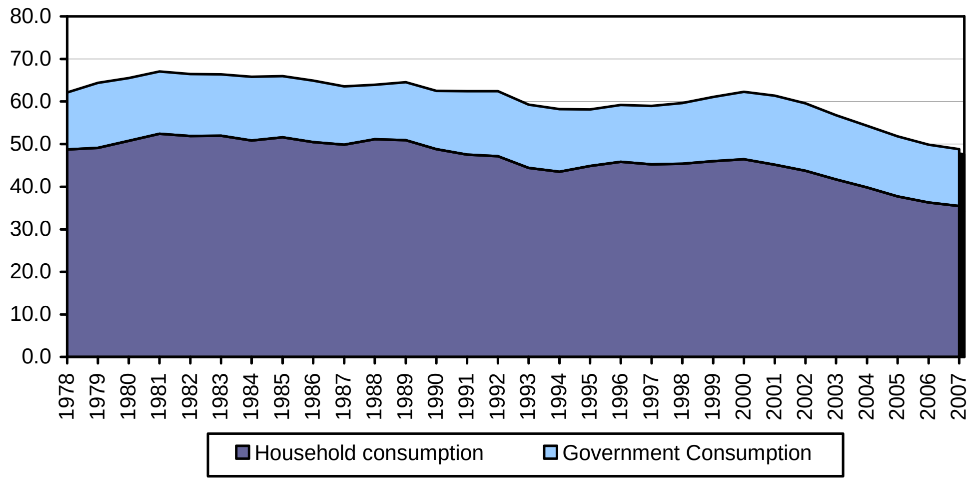
[16] "Report on the Implementation of the Central and Local Budgets for 2007 and on the Draft Central and Local Budgets for 2008", *China.org.cn*, March 18, 2008, Nethttp://www.china.org.cn.

are now brought forward and therefore will lead to higher infrastructure spending in the next two years.

4.6 Despite the excessive dependence of the Chinese economy on investment and export demand – or perhaps partly because of it, over three quarters of the rescue package are for investment projects. This emphasis has been the subject of criticism; the fear is that this may risk aggravating the economy's skewness towards investment at the expense of consumption and therefore is inconsistent with China's long term objective of pursuing a more balanced development model. As shown in Figure 4, household consumption accounted for around 50% of China's GDP in the late 1970s; in the 1990s, it began to decline, especially after 2000 to hit a historical low of 35%, in 2006, much lower than other major economies such as the US where 70% of GDP comes from household consumption. In addition, the contribution of the Chinese government spending has remained consistent but rather modest.

FIGURE 4 HOUSEHOLD AND GOVERNMENT CONSUMPTION AS SHARE OF GDP



Source: China Statistical Yearbook, 2007.

4.7 However, policies directed at spurring consumption through income-tax cuts could not offset the current downdraft quickly as is desired. In fact, household saving rate increased over the past decade, from around 15% in

1995 to over 25% in 2007, compared to less than 5% in Japan and Korea. Consequently, tax cuts or welfare benefits are more likely to be saved rather than spent, especially when individuals are facing economic uncertainty. As a result, the government has adopted an investment-centred stimulus program to quickly restore economic growth momentum and to prevent a hard landing.

4.8 Given the urgency to rescue the economy, many are concerned about the quality of the projects and the possible misuse of the funding. For example, some investment projects, formerly not qualified for bank lending, may now be able to obtain loans. Indeed, bank lending jumped in November 2008 at the fastest annual rate of nearly five years. In January 2009 alone the banks extended new loans of 1,620 billion RMB, twice as high as that a year ago. Insurers were recently given the authority to lend to infrastructure projects. While it is conceivable that China will be able to achieve the 8% GDP growth in 2009, it may come at the price of low returns and a possible piling up of new non-performing loans.

4.9 Since the bulk of the package focuses on investment expenditure and only a small portion deals with issues like social security, pension and healthcare, questions remained as to whether a more direct injection of funding into the social safety net should command more attention. In fact, with investment as a top priority, local governments and businesses may be much less interested on issues like worker safety, medical insurance and environmental protection.

4.10 More importantly, without a comprehensive social safety net, the effectiveness of various consumption promoting plans would be limited. Worse, the rather scattered initiatives on consumption promotion may lead to a new round of local protectionism along provincial borders.

4.11 In general, the scale and magnitude of the stimulus plans from both central and local governments inevitably invite scepticism on efficiency and highlight issues of potential waste, suboptimal planning, unnecessary or meaningless projects and even corruption. Government-led lending could add to excess capacity in some sectors and even create new bad loans for banks.

4.12 Consequently, the full effect on boosting economy to great extent hinges not only on the policy initiatives stipulated in all rounds of stimulus programs but also on the implementation, much of which remains unclear. Indeed it takes time to get projects started and hence no overnight magic could be expected. To correct the structural imbalance of China’s economic development, a more fundamental economic reorientation might be necessary in the long term.

Appendix

TABLE 1 CENTRAL GOVERNMENT'S INVESTMENT PLAN OF 100 BILLION FOR NOVEMBER AND DECEMBER, 2008

Sector	**Amount (billion RMB)**
Total	100
Rural infrastructure, methane, water & roads	34
Major Transport infrastructure	25
Health and education	13
Urban water, sewage, energy conservation	12
Affordable housing and slum clearance	10
Technology	6

Source: National Development and Reform Commission (NDRC).

TABLE 2 THE STATE COUNCIL'S REVITALIZATION PLANS FOR 10 INDUSTRIES

Industry	Key Elements	Date of announcement
Automobile	Lower purchase tax on cars under 1.6 liters, from 10% to 5% for the period of 20 Jan to 31 Dec; allocate 5 billion RMB (730 million USD) to provide one-off allowances to farmers to upgrade their three-wheeled vehicles and low-speed trucks to mini-trucks or purchase new mini-vans under 1.3 liters for the period of 1 March to 31 Dec; increase subsidies for people who scrap their old cars and lift regulations that restrict car purchase; and urge improvements to the credit system for car loans. In the next three years, earmark 10 billion RMB to support auto companies to upgrade technologies; and develop new engines that use alternative energies.	Jan. 14, 2009
Steel	Special funds to be allocated from the central government's budget to promote technological advancement of the sector, readjustment of products mix, and improvement in product quality.	Jan. 14, 2009
Textile	To increase the rate of tax rebates from 14% to 15% for exporting firms of textile and garment; to set up a special fund to help in upgrading technology; to encourage old factories to relocate to inland provinces and to the western regions; to encourage financial institutions to support the growth and consolidation of local textile firms.	Feb. 5, 2009
Machinery	To reduce reliance on imported parts; to promote integration of research institutions; and to encourage machinery exports and imports of key technologies and machinery parts by implementing tax policies.	Feb. 5, 2009
Ship building	To increase credit support by an unspecified amount for ship builders; to extend the existing financial support policies for ocean-going vessels until 2012; to provide tax rebates on key imported components for domestically owned oceangoing ships.	Feb. 11, 2009
Electronics and information	To modify criteria for high-tech enterprises and to adjust tax rebates for exporters of electronics and information products.	Feb. 18, 2009
Light industry	To lift restrictions on processing trade; to raise the rates of export rebates, to extend fiscal and credit support to SMEs, to add microwave ovens and cookers to the list of appliance purchase subsidy program.	Feb. 19, 2009[17]
Petrochemical	To guarantee the supply of input materials for farming, such as fertilizers; to promote technological innovation and the construction of major petrochemical projects; to accelerate the building of reserves for oil products, provide better tax policies and more credit access for firms.	Feb. 19, 2009
Nonferrous metals	To promote company restructuring and to provide subsidized loans for technical innovations of the sector; to adjust the rate of export rebate for the exporters of nonferrous products; to eliminate technically undeveloped producers; and to avoid	Feb. 25, 2009

[17] "China unveils stimulus package for light industry, petrochemical sector", *Xinhua News*, Feb 19, 2009, http://news.xinhuanet.com.

	excessive output capacity.	
Logistics	To increase supply of necessary equipment and to set an industry standard and establish an information platform; to build a special region for logistics development; to boost urban delivery, wholesale and rural logistics; to encourage mergers and restructuring of companies to nurture the emergence of internationally competitive large and modern logistics companies; to encourage the development of logistics for energy, mining, automobile, and medical industries as well as for agricultural products; to allocate 100 billion yuan (by central and local governments) within two years to promote the application of innovative products.	Feb. 25, 2009

Source: Compiled by authors with information from Xinhua net.