

Unit 9

Economy

Learning Objectives

After studying this unit, you'll be able to

- summarize what you have read;
- appreciate the argumentative style of writing employed in the text;
- know more about the current economic situation in China.

Starter

China implemented the open market policy in 1978, which proved to be the most influential factor for the fast economic development. By employing the open market policy, our country have ensured an environment where the citizens may enjoy better living standards.

Do you know what an open market policy exactly is?

Talk to your parents or any elder friends about their experiences during the years of changes since the implementation of the open market policy.

Passage A



INTRODUCTION

An open economy is an economy in which people, including businesses, can trade in goods and services with other people and businesses in the international communities at large.



TEXT

Is an Open Economy Good?

Is lowering tariffs¹ and adopting an open policy a good thing? Is a Free Trade Agreement (FTA) good for a country? Someone commented that since most countries, including the developed ones, still have protectionism² in the form of tariffs, subsidies³ and quotas⁴, it can therefore be concluded that protectionism is in fact good for us. This is a good argument but I would like to put forth my views here to show that an open market actually benefits everyone.

Take the example of India. India is a big country. But until the mid 1990s, it was essentially a closed and protected economy. Since the market was protected, it could not compete against the outside world even though it has a highly educated population.

Manmohan Singh started the economic reforms in the 1990s and you can witness the growth rate has shot up and within a short span of years, India has become an up-and-coming economy. It is now a major outsourcing⁵ destination for the West, especially in IT software technology.

Let us now take a hypothetical⁶ case. Let's say that I operate a fan factory in our country and let's assume that the fan market is a protected one. I would enjoy the protection because my fan is crude and old-fashioned. And though I know it, I have no incentive to improve.

I would be contented with that design since it would be selling well in the country through protection. But my fans could not be exported because nobody outside our country will buy it. But once the market is opened up, I

1. tariff: *n.* 关税

2. protectionism: *n.* 贸易保护主义

3. subsidy: *n.* 补助金, 津贴

4. quota: *n.* 配额, 限额

5. outsourcing: *n.* 外包, 外购

6. hypothetical: *adj.* 假设的, 假定的

would have no choice but to source for better parts and better designs if I want to compete with the imports. I would have no choice but to make my company more efficient. In doing so, my products and services improve, and if they can compete with the imports, they will definitely be good enough for the export market.



I will find that now my improved fans can have a much bigger market than before. The higher revenues⁷ earned will enable me to make high-end products such as air-conditioners, fridges and so on. That was in fact how many of our local electrical companies went through.

China's rise

China started its reform in the 1980s. Before that, China was producing many goods and was probably self-sufficient in many ways. But their products were crude, bulky⁸, ancient looking and technologically behind time. Yes, they were producing radios and TVs, but these products were unable to compete with the outside world even with very cheap pricing. But once China opened up, there was no turning back. They are now the top off-shoring⁹ destination in the world. It is no exaggeration¹⁰ to say that now every company in the Fortune 500 has a presence in China. Looking around myself, my HP notebook is made in China, my Motorola mobile is also made in China, and so are a growing number of products in my home. China's products are currently catching up fast with the West in both design and technology.

In the words of Thomas Friedman, the three-time winner of Pulitzer Prize, since 2001, the year in which China joined WTO, "the whole world now has to run faster because China is running very fast."

The US and many other developed nations have to be more innovative¹¹ and move up to a higher level because the lower rungs of the ladders are quickly being occupied by China and the little dragons and tigers. From a mainly off-shore manufacturing centre, China has now moved up to designing products. In the not so distant future, I am certain it will start to invent ideas and move to the forefront of technology.

So, the world has to run faster. Any nation still idling and moving in low

7. revenue: *n.* 收益

8. bulky: *adj.* 笨重的

9. off-shoring: *adj.* 国外的

10. exaggeration: *n.* 夸张

11. innovative: *adj.* 革新的, 创新的

gears¹² will find itself being overtaken by other countries. This competition is healthy for mankind as it helps to hasten technological advances and raise the standard of living for the whole world.

Technological advances move with such lightning speed that sometimes we really feel behind time. In this digital world, what is sold today becomes obsolete¹³ in a year or two. An example is the computer chips which improved so fast that Pentium I, Pentium II and now Pentium III are considered obsolete, all within a decade. In the present era, it is much easier for people in an open market to have access to these new advances and innovation.

A certain form of protection may be necessary in the initial stage of developing an industry. Once the industry has found its footing, opening up will help the industry become more efficient, competitive and technologically advanced.

People factor

A main factor to be considered is of course the people. If the people are hardworking, adaptive¹⁴, and willing to accept new ideas, then an open economy will stimulate the country to grow faster. If, on the other hand, the people have a careless attitude, then they may find themselves overwhelmed by the external forces and become marginalized¹⁵. Many countries are afraid of opening up precisely because the leaders are not sure whether their people in certain sectors are ready.

However, it is my opinion that too much protection is bad for the people. The people become dependent, afraid of changes and not receptive to new ideas. They cannot think outside the box. In order to make them adaptive, they must face new challenges and be innovative. So opening up the economy will have the effect of pushing the people to become more efficient and adaptive.

Another advantage for opening up is that there would be an increase of FDI. Mexico is an example. The FDI into Mexico increased three times after the signing of NAFTA. Singapore and Australia too experienced an increase in FDI after their signing Free Trade Agreement with the US.

Finally, an open economy would have a corrective effect on some of the anomalies¹⁶ that our economy may be facing because of the implementation of new economic policy.

12. gear: *n.* (排) 挡

13. obsolete: *adj.* 过时的

14. adaptive: *adj.* 有适应性的

15. marginalize: *v.* 排斥

16. anomaly: *n.* 反常情况

(1,012 words)

NOTES

1. **Manmohan Singh:** 曼莫汉·辛格, 印度总理。1991年6月至1996年5月, 辛格担任财政部长, 进行了前所未有的经济改革, 打破了束缚印度经济增长的种种枷锁, 使印度经济步入高速发展的轨道, 他本人也被誉为“印度经济改革之父”。
2. **Pulitzer Prize:** 普利策奖, 也称为普利策新闻奖, 1917年根据美国报业巨头约瑟夫·普利策 (Joseph Pulitzer) 的遗愿设立, 20世纪七八十年代已经发展成为美国新闻界的一项最高荣誉奖。现在, 不断完善的评价制度已使普利策奖成为一个全球性的奖项。
3. **FDI:** Foreign Direct Investment, 外商直接投资。
4. **NAFTA:** North American Free Trade Agreement, 北美自由贸易协定。



EXERCISES

1. Do the following statements agree with the information given in the text? Mark T for TRUE if the statement agrees with the information given in the text; F for FALSE if the statement contradicts the information given in the text; NG for NOT GIVEN if the information is not given in the text.
 - 1) Until the mid 1990s, India was essentially a closed and protected economy.
 - 2) Manmohan Singh started the economic reform in the 1980s and you can witness the growth rate has shot up within a short span of years.
 - 3) Once the market is opened up, companies have no choice but to source for better parts and better designs for the products.
 - 4) It is no exaggeration to say that now every company in the Fortune 500 has a presence in China.
 - 5) US and many other developed nations have to be more innovative and move up to a higher level because their people don't like imported products.
 - 6) A certain form of protection is unnecessary in the initial stage of developing an industry.
 - 7) Before World War II, protectionism policy developed to a new peak and was accompanied by various trade wars between countries.
 - 8) The open market policy will have the effect of pushing the people to become more efficient and adaptive.
2. Find out the full names of the following abbreviations with the help of dictionaries or other information sources.
 - 1) FTA: _____

- 2) WTO: _____
 3) FDI: _____
 4) NAFTA: _____

3. Discuss the following questions.

- 1) Give your understanding of the open market policy to your partner.
 2) In your opinion, what should be the most important factor for the success of an open market policy? Why?

Passage B



INTRODUCTION

An open and free market system provides the platform where medium and big enterprises can embrace the expensive and time-consuming process of establishing their brands in an ever-increasing competitive environment. Many companies in China have made great strides in this regard and have played their part in boosting the economy.



TEXT

Economic Boom Produces More Domestic Brands

China's success story has helped many major multinational¹ brands thrive² in the world's most populous country and the fastest-growing economy.

The current economic boom has also produced a number of high-profile³ domestic brands, though many have yet to make a big splash⁴ outside the country because building a brand overseas is costly and takes time. However, they will gain significant exposure⁵ to foreigners who are in the country.

In order to get a better understanding of the changes taking place one can look at some of the strongest Chinese consumer brands that will be

1. multinational: *adj.* 跨国的
2. thrive: *v.* 繁荣, 兴旺发达
3. high-profile: *adj.* 引人注目的
4. make a splash: 引起轰动
5. exposure: *n.* 曝光

making their mark with foreigners and Chinese alike.

Tsingtao beer: brewed⁶ for the world

Tsingtao beer is not only the pride of its hometown by the sea in Shandong Province, but also one of the best, if not the best well-known, brand names in the country. In bars and restaurants around the country, many Chinese beer lovers would rather drink tea if their beloved Tsingtao is not served.

It is no surprise that the Tsingtao Brewery has consistently⁷ outsold any other competitor. Last year, the company sold 5.05 billion liters of beer, most of which was consumed in China, the world's largest producer and consumer of the beer. Total beer consumption in China was 39 billion liters in 2007, up nearly 14 percent from the year before.

Founded by a German-British brewing company in 1903 with equipment and raw materials imported from Germany, Tsingtao beer has evolved into a large enterprise listed on the Shanghai and Hong Kong stock exchanges. The brewery posted an adjusted⁸ gross profit of 1 billion *yuan* on turnover of 13.7 billion *yuan*. Of the total turnover, 34.59 million *yuan* was derived from exports.

As a sponsor of the Beijing 2008 Olympic Games, Tsingtao beer has secured the right to sell beer in designated⁹ Olympics facilities. Qingdao, the location of Olympic Sailing Center, is also the location of Tsingtao beer headquarters¹⁰. In the city center of Qingdao, a unique 1,000-m long beer street built by the 100-year-old Tsingtao beer, has more than 40 different variations of bars available. After watching the sailing competition, the public and foreign tourists can come to the beer street to enjoy the century-old unique cultural flavor of Tsingtao beer.

Quanjudu: Peking duck pioneer

There is a Chinese saying: "A trip to Beijing is not complete if you miss seeing the Great Wall or dining on a Peking duck." To its lovers, Peking roast duck embodies¹¹ the essence¹² of Chinese cuisine, culture and customs.

The birthplace of the duck is Quanjudu, an eatery established in 1864, when China was still under the reign of the Qing emperors.

In the following 144 years, Quanjudu expanded into a full service restaurant with branches in Beijing, Shanghai, Hong Kong, and many other

6. brew: v. 酿造

7. consistently: *adv.* 一贯地

8. adjusted: *adj.* (根据各种变量及偶然因素) 校正过的

9. designated: *adj.* 指定的

10. headquarters: *n.* 总部

11. embody: v. 包含

12. essence: *n.* 本质, 精髓

cities. But it is still famous for its roast duck, prepared according to the same original procedure that demands precise temperature and timing.

In 2007, sales revenue of Quanjude was 917 million *yuan*. In November of the same year, Quanjude went public on the Shenzhen Stock Exchange. On the first trading day, its shares closed at 42.3 *yuan*, up 271.4 percent compared with its issuing price of 11.39 *yuan*.

Lenovo: think bigger

From a former computer import agent, Lenovo has grown into China's largest and the world's fourth largest computer manufacturer.

In 2005, Lenovo completed the acquisition¹³ of IBM's PC-making business, making it an international company holding a world-renowned brand. That acquisition, perhaps one of the most successful deals by Chinese companies in overseas markets, has greatly boosted Lenovo's profile¹⁴.

The China-based computer giant posted a net profit of \$485 million on turnover of \$13 billion in the latest financial year. It has been outpacing¹⁵ its rivals.

Lenovo is a Worldwide Olympic Partner and the official computing equipment provider for the Beijing 2008 Olympic Games. More than 30,000 units of equipment including Lenovo desktop and notebook PCs, monitors and servers are supporting the Olympic Games. That means Lenovo helps manage virtually¹⁶ every facet¹⁷ of the Olympic venues¹⁸, from gathering and storing participant data to displaying the scores, all the while giving significant exposure to the audience.

In addition, Lenovo equipment will support 56 venues across seven cities for the Olympics. It has opened six Internet lounges¹⁹ in the Olympic Village and they are equipped with 260 computers, which are available to the athletes and officials free of charge.



13. acquisition: *n.* 收购

14. profile: *n.* 姿态, 形象

15. outpace: *v.* 超过

16. virtually: *adv.* 实际上

17. facet: *n.* 方面

18. venue: *n.* 会场

19. lounge: *n.* 休闲室

Bank of China: financial gold

After Beijing won the bid²⁰ to host the Olympics, Bank of China became the sole banking partner of the Beijing 2008 Olympics and Paralympics. From Olympic ticket sales to individual accounts for non-residents, Bank of China provided a range of services to support the Olympic Games.

To address the financial service demand in the core Olympics zone, Bank of China has set up temporary branches in Athletes' Village, Media Village, MPC and IOC Headquarters Hotel and fitted these branches with wheelchair ramps²¹, lower counters and barrier-free signs to allow better access for all customers. To assist foreign institutions and individuals that need financial services during the Games, the Bank launched an "Olympics Temporary Accounts" service for qualifying non-residents.

The bank's call center offers multi-lingual services in English, French, Japanese, Korean and Spanish, all of which strengthens its global brand value.

(889 words)

20. bid: *n.* 投标21. ramp: *n.* 坡道**NOTES**

- MPC:** Main Press Center, 北京奥运会主新闻中心。
- IOC:** International Olympic Committee, 国际奥林匹克委员会。

**EXERCISES**

- Do the following statements agree with the information given in the text? Mark T for TRUE if the statement agrees with the information given in the text; F for FALSE if the statement contradicts the information given in the text; NG for NOT GIVEN if the information is not given in the text.
 - Many domestic brands have to make big efforts in overseas markets because building a brand there is costly and takes time.
 - Tsingtao beer was founded by a German brewing company.
 - Quanjude has now developed into a full service restaurant with branches in Beijing, Shanghai and Hong Kong.
 - Lenovo was originally a computer import agent.
 - Bank of China is one of the banking partners of the Beijing 2008 Olympics and Paralympics.

2. Match the following words in the left column with their definitions in the right column.

- | | |
|---------------|--|
| 1) costly | a. sell in larger quantities than others |
| 2) brewery | b. a business which pays for an activity in return for advertising |
| 3) consistent | c. the amount of business done in a certain period, measured in money |
| 4) outsell | d. a place where beer is made |
| 5) turnover | e. an offer to do some work at a certain price |
| 6) sponsor | f. costing a lot of money, especially when it is regarded as unreasonable or unnecessary |
| 7) cuisine | g. continually keeping to the same principles or course of action |
| 8) bid | h. a style of cooking |

3. Discuss the following questions.

- 1) In your opinion, what should be the key factors for domestic brands' success in overseas market?
- 2) Do you know any famous domestic brands besides those mentioned in the text? Share your information with your partner.

Reading Skills

Summarizing

What is summarizing?

Summarizing is taking larger selections of text and reducing them to their bare essentials: the gist, the key ideas, and the main points that are worth noting and remembering. It's the distillation, condensation or reduction of a larger work into its primary notions.

What are we doing when we summarize?

We strip away the extra verbiage and extraneous examples. We focus on the heart of the matter. We try to find the key words and phrases that, when uttered later, still manage to capture the gist of what we've read. We are trying to capture the main ideas and the crucial details.

The key steps when summarizing:

- Get the main ideas;
- Focus on key details;
- Use key words and phrases;
- Break down the larger ideas;
- Write only enough words to convey the gist.

Summarize sentences.

Summarize a sentence by taking out the unnecessary words. Use one or two words to take the place of groups of words about the same topic. Only keep the words which tell the main point of the sentence. Use as few words as possible.

Summarize short passages.

A paragraph summary should be as short as possible, but it must be a complete sentence. The summary of a paragraph is the main idea of the paragraph. Often, but not always, the main idea is found in the topic sentence.

Step 1. Read through the passage to ensure that you have fully understood it.

Step 2. Review the passage and underline the topic sentence in each paragraph. If you cannot find a topic sentence, write a short summary of the paragraph.

Step 3. Put the topic sentences together and connect them with words like *and*, *but*, *however* etc. If necessary, you may add some details to support the main ideas.

**EXERCISES****1. Summarize the following sentences.**

- 1) The tall cowboy put the saddle on his horse, untied him from the fence, waved good-bye and rode off into the sunset.
- 2) After turning on the oven, Mike mixed the sugar, flour, eggs, milk, oil and vanilla in the new blender, poured the batter into the buttered pans, and put the cake in the oven.

2. Re-read Passage B in this unit and make brief summaries of the four major parts.

Supplementary Reading

How World Growth Will Withstand the US Recession

Economic growth worldwide has slowed in 2008 because, to some degree, high oil prices and recession in the US have affected most industrial countries. Although the global economy will probably manage to avoid a recession, it is unlikely to improve in 2009, after a year of uncertainty in financial markets and escalating commodity prices.

5 Cooler performance in the US—the single biggest national economy—hasn't shut down other countries the way it often did in the past. But weak conditions in the US, together with higher commodity prices, have nonetheless started to squeeze economies abroad in varying degrees. Despite fears of recession and sharp swings in oil prices and financial markets, the global economy will grow 3% in 2008 and 2.8% in 2009, below the 3.8% average over the last four years.

10 Although the American slowdown is not as severe as it has been in most prior cycles, it will still sting. Countries that are net exporters of commodities are likely to be best positioned to withstand the pain.

Emerging markets and commodity-intensive countries are providing regional support, but a reduction in exports has started to hinder their growth. Domestic demand and regional strength—
15 large factors in determining how other economies fare during the US slump—have shown at least some effect. For instance the industrialized countries, more closely tied to US fortunes and dependent on commodity imports, have not seen a boost from heavier consumer spending at home, which they require to minimize the damage.

US growth is likely to dip.

20 US economic growth in the second quarter of 2008 was deceptively robust, though we expect that this was merely a temporary respite and we suspect more danger lies ahead. After a soft 0.9% bump in the first quarter of 2008, real gross domestic product increased a solid 3.3% in the second quarter as monetary and fiscal stimuli kicked in. However, now that Americans have spent their tax rebate checks, the US will likely slip back into recession.

25 But even if a recession doesn't officially occur, conditions will feel like one to most Americans. That's because housing is likely to keep depressing expansion through 2009. We expect housing sales to bottom out this year, though home prices won't reach their lowest point until late 2009. The longer-term outlook remains upbeat, however, with growth probably returning to 3% by the second

half of next year.

30 Oil prices have fallen recently, though a major disruption in supply could still push prices up toward \$200 a barrel, thereby derailing the recovery. American reliance on foreign capital is also a major pitfall. Although the current account
35 deficit has improved from its record high in 2006, the current gap still stands at 5% of GDP. Private money was almost entirely financing the shortfall—and at very low interest rates. Now, as foreign investors have lost confidence in American securities and the US dollar, money is not so easy to come by. Investor fears abroad about American
40 credit risk and the threat of a declining dollar have increased dramatically. The result could be both a sharp drop in the dollar and a sharp rise in US interest rates, extending the recession.



It is unlikely that foreign central banks would allow this. They intervened to slow the dollar's fall in 2007, though not as vigorously as they had in 2003 and early 2004. They didn't do that to help the US financial markets, but rather to protect their own countries' trade surpluses, which
45 depend on bilateral surpluses with the US. More importantly, foreign and US investors have panicked about credit risk since last year. Because of the US subprime mortgage problems and related instabilities in the international capital and financial markets, central banks have taken dramatic action to stabilize global markets. The US has moved to a more complete and expensive solution.

50 However, business conditions could continue to worsen and bring about a much harder landing in the US than we currently expect. That would increase recession risk abroad.

How Canada, Europe, Japan and Australia are faring.

In Canada, after a midyear pickup, we expect economic growth to decelerate to 1.2% this year, much less than the 3% average of recent years. Shrinking exports will likely weaken overall growth
55 as a strong Canadian dollar and soft growth for Canada's major trading partners stymie demand. Business investment and consumer spending, which have supported the economy in recent years, have begun to slow.

Australian economic activity has hit the skids recently amid weak consumer confidence and spending—a drop in business confidence. But strong prices for Australian commodities will help
60 the country avoid a recession.

European economic growth will likely slip to 1.5% in 2008, more than 1 percentage point

lower than last year's 2.7%. Accelerated retail price inflation and surging commodity prices are likely to diminish consumer spending.

65 Japan's near-term economic prospects are weak for 2008 and 2009 after seven years of expansion. Higher commodity prices will likely erode corporate profits. The corporate sector is pushing down wages. Higher oil and food prices have already taken their toll on consumers' spending power.

70 Although Europe and Japan face hurdles, economic growth in both will outpace that of the US in 2009. For Japan, this will be the first growth year since 2001. However, Europe and Japan, which together constitute about one-quarter of the world's GDP, contributed just 12% to worldwide GDP growth in 2006—the same contribution as the US made alone.

China and developing Asia spread growth.

75 The international community will feel the effects of a US recession and a slowdown in Europe, but several regions are well prepared to withstand less favorable global conditions. Much of the fastest growth continues to be in the developing Asian economies, especially China and India.

80 One beneficiary of outside growth in China and India is Australia, where demand for resources from its Asian neighbors will help counter weakness in the US. Although Australia's economic activity has recently slowed more sharply than expected, economic conditions for Australia's regional neighbors remain fundamentally sound and broadly supportive of Australia's growth outlook. In particular, the commodity-intensive nature of China's development will help support Australia's resource industry. Japan and South Korea have been able to rely on China's rapid growth for some insulation from the US economic slowdown.

85 For the Asia-Pacific region as a whole, the recovery from the 1997 Asian currency crisis has been stronger than we expected. The key risk this year is whether the US growth slowdown will deepen or lengthen, leading to a broader slump in Asia.

The global growth shakeup will continue.

90 World growth has slowed in response to recession in the US and higher energy prices. Overall, the challenges to the world's economies in 2008 are expected to continue into 2009. Even though the US doesn't dominate the world economy as it once did, the American slowdown still can shake up the world economy. The global economy may not be falling in response to the US stumble, but it does have to slow down to regain its balance.

(1,177 words)



BACKGROUND KNOWLEDGE

In 2008, a global economic crisis was suggested by several important indicators of economic downturn worldwide. These included high oil prices, which led to both high food prices and global inflation. It is a substantial credit crisis leading to the bankruptcy of large and well-established investment banks as well as commercial banks in various nations around the world. The crisis also results in increased unemployment and the possibility of a global recession.