

How China’s tremors could weaken the world’s economies

By **PAUL WISEMAN** and **DAVID MCHUGH**
AP Business Writers

WASHINGTON — China is exporting something new to the world economy: Fear.

Global investors are quaking over the prospect of a devastating slump in the world’s second-biggest economy. And they’re fast losing confidence that China’s policymakers, seemingly so sure-footed in the past, know how to solve the problem.

The worst-case scenario is that a collapsing Chinese economy would derail others around the world — from emerging markets in Chile and Indonesia to industrial powers such the United States, the European Union and Japan.

The free-fall in the stock markets, in the words of David Kelly, chief global strategist at JP Morgan Funds, is “Made in China.”

This year, the International Monetary Fund expects China’s economy to grow 6.8 percent, which would be its weakest peace since 1990.

China, which was posting double-digit growth in the mid-2000s, is trying to engineer a daunting transition — from overheated growth fueled by exports and often-wasteful investment to slower growth built on consumer spending.

Official numbers show the Chinese economy grew 7 percent from January through March from a year earlier. Yet there’s growing suspicion that Beijing’s statistics are failing to capture the extent of the slowdown: Auto sales, electricity consumption and construction activity are “all looking very weak,” Kelly notes.

“Everybody felt they could slow down to about 7 percent (annual growth) and

that wouldn’t be the end of the world,” says Sung Won Sohn, economist at California State University Channel Islands. “It looks like it’s slowing down even beyond that.”

Big American companies such as Caterpillar and Chevron have acknowledged the damage that China’s troubles are causing them. China’s troubles have also depressed several technology stocks. Shares in Apple, which has enjoyed strong sales of iPhones and other products in China, are down nearly 20 percent the past five weeks.

On the surface, at least, the panic on Wall Street might seem overdone. After all, a 1 percent annual drop in China’s economy translates into just a 0.2 percent pinch to America’s economy, according to Mark Zandi, chief economist at Moody’s Analytics. Likewise, a China pullback of that size would slow annual growth in the 19-country eurozone by only 0.10 percent to 0.15 percent, according to UniCredit Research.

That sort of slowdown is hardly catastrophic.

So why the hysteria? For one thing, China’s troubles raise doubts about whether its policymakers have the tools to keep their economy growing at a healthy pace — something that’s been a reassuring constant for more than two decades.

Recently, Sohn says, “The Chinese government has not been able to control its economy and the financial market.”

Beijing had cushioned its economy during the 2008-2009 financial crisis by ordering state-owned banks to ply companies with loans to build roads, houses and factories. The result: an escalation of corporate debt that’s now feeding the problems.

Obama calls out fossil fuel interests for fighting solar

LAS VEGAS (AP) — President Barack Obama on Monday accused fossil fuel interests and other critics of his energy policies of trying to restrict consumers from accessing solar, wind and other renewable sources in order to protect the status quo.

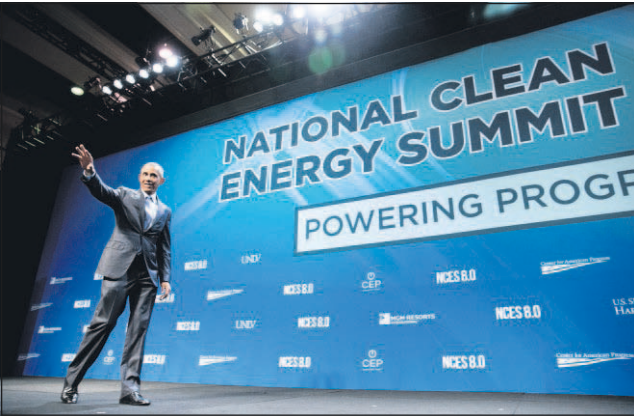
“That’s not the American way,” Obama said in a speech at a green energy conference in Las Vegas. “This is about the past versus the future. America believes in the future.”

The president also questioned the ideological consistency of those who champion free-market solutions — except when the free market is pointing to the wisdom of renewable energy. He singled out billionaire brothers Charles and David Koch, who are major donors to Republican political candidates.

“It’s one thing if you’re consistent in being free market,” Obama said. “It’s another thing when you’re free market until it’s solar that’s working and people want to buy and suddenly you’re not for it anymore. That’s a problem.”

Obama said the economics are now such that “solar isn’t just for the green crowd any more, it’s for the green-eye-shade crowd too.”

The president compared those who say that shifting to cleaner energy will cripple the economy with climate change deniers who hold



President Barack Obama waves to members of the audience after speaking at the National Clean Energy Summit at the Mandalay Bay Resort Convention Center, Monday in Las Vegas.

up snowballs in February to argue that “somehow disproves decades of scientific data.”

Fossil fuel and utility interests have been working at the state level and elsewhere to undercut clean energy policies with arguments that the matter should be left to the free market.

The annual energy conference was hosted by Senate Democratic leader Harry Reid. The Nevada senator frequently targets the Koch brothers, depicting them as self-serving oil barons who pay huge sums to try to buy elections and advance their agenda of low taxes and less regulation at the expense of average Americans.

Obama used his appearance to announce new executive actions and other efforts aimed at making it easier for

homeowners and businesses to invest in green energy improvements that in the past may have been impractical or unaffordable.

The moves, which include expanding the use of energy improvement loans, are designed to build on the clean power plant rules that the president announced earlier in the month to cut carbon dioxide emissions from coal-fired power plants by a third. They all feed into Obama’s goal of cutting overall U.S. emissions by 26 percent to 28 percent over the next decade to combat climate change and encourage other countries to do likewise.

The actions Obama announced Monday focused on giving families and businesses more say in what types and how much power they rely on. That could

mean rooftop solar panels, once largely the province of committed environmentalists, or other renewable energy innovations.

Ahead of Obama’s remarks, Housing Secretary Julian Castro said the plan “hits the sweet spot” by making clean energy more affordable for people and protecting the environment. He said people too often have been “priced out” of clean-energy options.

However, Utah Republican Rep. Rob Bishop, chair of the House Committee on Natural Resources, said Obama’s policies were leveling “increased costs and decreased choices on all Americans and especially the most disadvantaged communities.”

The Heartland Institute, a conservative think tank that denies manmade climate change and gets money from the Koch brothers was among groups co-sponsoring a simultaneous “affordable energy summit” in Las Vegas as a counterpoint to Reid’s gathering. The organization, which previously received money from ExxonMobil, maintains that Obama’s policies promote wind and solar power at the expense of conventional energy and “will inevitably cause skyrocketing electricity prices while providing little if any net environmental benefits,” according to the summit’s website.

Heroes who foiled train gunman scheduled for rest, college

SAN FRANCISCO (AP) — So what do you do when a trip on a high-speed train in Europe suddenly turns you and your buddies into international heroes?

Sign a book deal? Take meetings with Hollywood executives? Pose for magazine features?

Perhaps yes to all three, eventually, but not just yet for the three American men who earned the thanks of many nations on Friday when they tackled and subdued a gunman on a train traveling from Amsterdam to Paris.

For now, U.S. Airman Spencer Stone, 23, is in Germany for military observation and treatment. Oregon National Guardsman Alek Skarlatos, 22, is at his side. The third man, Anthony Sadler, 23, is scheduled to start his senior year at Sacramento State on Monday, although university officials are waiting to confirm when he will return home.

Sacramento State President Robert S. Nelsen said eager donors are lining up to help Sadler with scholarship money for his last year studying kinesiology. The university is thrilled, he said, to have such a courageous man on campus.

“We want to have a



From the left, French President Francois Hollande, U.S. National Guardsman from Roseburg, Oregon, Alek Skarlatos, U.S. Ambassador to France Jane D. Hartley, U.S. Airman Spencer Stone and Anthony Sadler, a senior at Sacramento State University in California, pose for photographers as they leave the Elysee Palace in Paris, France, after being awarded with the French Legion of Honor by French President Hollande, Monday.

celebration,” Nelsen said. “But we want to have the type of celebration he wants to have.”

As would the City of Sacramento, which is planning a parade for all three men, who grew up in the area. Besides Sadler, Stone and Skarlatos grew up in nearby Carmichael, California. In fact, the three friends likely won’t lack for invites to fetes and parades, big and small.

“We’d like to invite them to a rally to honor them and give them time to interact with current students,” said Trent Allen, spokesman for the San Juan Unified School District in Sacramento County, California, where Skarlatos and Stone attended high school. “That’s on our wish list.”

Skarlatos, who moved to Roseburg, Oregon, as a teenager, returned from deployment to Afghanistan

in July. He is studying at the local community college and hopes for a career in law enforcement, said his stepmother Karen Skarlatos.

He plans to stay in Germany with Stone until he is released, she said Monday. Then they’re being flown straight to New York, where she assumes they will sit for interviews.

“They really want to have a day that they can have to themselves in Germany, but whether or not they’re going to get that, I don’t know,” Karen Skarlatos said.

The friends had met up in Europe on vacation and were on their way to Paris by train when they spotted a man carrying an automatic rifle. In a tale now recounted around the world, Stone tackled the man, Skarlatos wrestled the gun away, and all three beat him unconscious. A fourth man, a Briton, helped tie up the gunman.

The gunman has been identified as 26-year-old Moroccan Ayoub El-Khazani and is being questioned by French counterterrorism police outside Paris.

On Monday morning, the men received France’s highest honor from President Francois Hollande, along with a kiss on both cheeks.



In this photo provided by the South Korean Unification Ministry, South Korean presidential security adviser Kim Kwan-jin, right, shakes hands with Hwang Pyong So, North Korea’s top political officer for the Korean People’s Army, after their meeting at the border village of Panmunjom in Paju, South Korea, Tuesday.

Propaganda turned off as Koreas reach deal

SEOUL, South Korea (AP) — After 40-plus-hours of talks, North and South Korea on Tuesday pulled back from the brink with an accord that allows both sides to save face and, for the moment, avert the bloodshed they’ve been threatening each other with for weeks.

In a carefully crafted, though vague, piece of diplomacy, Pyongyang expressed “regret” that two South Korean soldiers were maimed in a recent land mine blast Seoul blamed on the North. While not an acknowledgment of responsibility, let alone the “definite apology” South Korea’s president had demanded, it allows Seoul to claim some measure of victory in holding the North to account.

South Korea, for its part, halted anti-Pyongyang propaganda broadcasts on the border, which will let the authoritarian North trumpet to its people a propaganda win over its bitter rival — and put an end to broadcasts that outside analysts say could demoralize front-line troops and inspire them to defect.

The agreement marks a good first step in easing animosity that has built since South Korea blamed North Korea for the mine explosion at the border earlier this month and restarted the propaganda broadcasts in retaliation. But, as always on the Korean Peninsula, it’s unclear how

long the good mood will continue.

Despite South Korean President Park Geun-hye’s expression of hope that the North’s “regret” will help improve the Koreas’ relationship, the accord does little to address the many fundamental, long-standing differences. The announcement of further talks to be held soon in either Seoul or Pyongyang could be a beginning, but the Koreas have a history of failing to follow through on their promises and allowing simmering animosity to interrupt diplomacy.

The negotiations that began Saturday at the border village of Panmunjom, where the Koreas agreed to the 1953 ceasefire that stopped fighting in the Korean War, also resulted in Pyongyang agreeing to lift a “quasi-state of war” declared last week, according to South Korea’s presidential office and North Korea’s state media.

While this declaration was largely a matter of rhetoric — the border is the world’s most heavily armed and there has never been a formal peace agreement ending the Korean War, so the area is always essentially in a “quasi-state of war” — there had been growing worry about South Korean reports that the North continued to prepare for a fight during the talks, moving unusual numbers of troops and submarines to the border.



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