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# China's Stimulus Spurs U.S. Business

*As the Government's \$585 Billion Program Pours Money Into Projects, U.S. Suppliers Find Opportunities*

By **JAMES T. AREDDY** and **TIMOTHY AEPPEL**

China's efforts to quickly pump up its economy are providing a much-needed boost for U.S. businesses as well.

A growing number of companies, from tire and excavator makers to fast-food chains, are benefiting from China's \$585 billion stimulus program, which has quickly funneled money into everything from bridges to consumers' pockets.

Just 11 days after the Chinese government approved a \$930 million bridge and expressway project called Xiangshan Island Bridge, which will extend over the East China Sea and through mountain tunnels, massive orange drilling equipment was already on site.

Such speed is critical to U.S. industrial-equipment makers, which sell into that market and aren't benefiting nearly as quickly from U.S. stimulus spending.

**Caterpillar** Inc. Chief Executive James W. Owens says the company's excavator sales in China have returned to record levels in recent months, bouncing back from plummeting sales over the winter.

He says China continues to have a great need for infrastructure and that projects there could start much more quickly than could similar projects in the U.S. "It's something like nine months [in the U.S.] versus nine weeks" in China, he says.

China also appears to be one of the few bright spots for the steel industry. Although U.S. steel companies are suffering because of the problems in the auto and construction industries, Lakshmi Mittal, CEO of **Arcelor Mittal**, the world's largest steelmaker, said on Wednesday that China's stimulus package is finally starting to increase demand for steel.

Rising demand in China helps all steelmakers, whether or not they have plants in China, because it keeps excess Chinese steel from flooding the market and depressing prices.

When China's economy sputtered late last year, fears arose that the one bright spot had faded. But it now appears to be stabilizing, in large part because of the speed and heft of the country's stimulus spending.

As a result, China, the world's third largest economy behind the U.S. and Japan, may be the first major economy to recover.

China's investment in infrastructure projects has soared, rising 102% in the first quarter from a year earlier, the National Bureau of Statistics says. In contrast, Washington has distributed \$69 billion of its \$787 billion in stimulus funds to states and localities, which have spent \$14 billion.

China is emerging as an important opportunity for many U.S. producers.

"The hope is that China would become an engine of growth to drive the global economy out of this severe recession -- much as the U.S. was the engine of growth that drove the global economy after the dot-com collapse," says Daniel Meckstroth, an economist at the Manufacturers Alliance/MAPI, a public-policy group in Arlington, Va.

He notes that China has a huge foreign currency reserve, built up over years of trade surpluses, that puts it in a position to spend heavily to stimulate its economy by building infrastructure.

China's efforts are also stimulating consumer spending, and that helps manufacturers both at home and abroad, including in the U.S. "The Chinese are spending on more value-added goods: autos, appliances," Mr. Meckstroth says.

Indeed, [Goodyear Tire & Rubber Co.](#) CEO Robert Keegan says the company sees promising signs for tire sales in China, where auto sales hit a record in March.

Although emerging strength in China isn't enough to offset weak North American sales, it does help prevent even deeper losses.

On Wednesday, the tire maker said it swung to a first-quarter loss of \$333 million, compared with a net profit of \$147 million, or 60 cents a share, a year earlier. Sales fell to \$3.5 billion from \$4.9 billion.

Fast-food giants are also trying to cash in. [Yum Brands Inc.](#) -- parent of the KFC and Pizza Hut chains -- opened 98 new restaurants in China in the first quarter and is on track to open at least 475 new ones for the full year.

Before the recession took root in the U.S. and then spread around the world, companies talked about the powerful Chinese economy, which was driving up demand and prices for a wide range of goods, from iron ore to tractor tires. Executives remained optimistic that demand in China would offset weaknesses elsewhere.

The swift start on the Xiangshan Island Bridge project reflects years of preparatory work, a top-down administration that tolerates little dissent and a pipeline of projects.

Indeed, by the time building on the bridge began, it had been being planned for 15 years.

"China has a strong pipeline of well-prepared projects," says Robert Wihtol, China country director for the Asian Development Bank.

The bank estimates it takes 18 to 20 months under normal circumstances for China's highest administrative body to sign off on a "feasibility study report," and then four to six months for the money to be disbursed to start building a major piece of infrastructure.

These days, Chinese officials keen to demonstrate their commitment to sparking economic activity increasingly pepper speeches with buzzwords like *jiakuai*, or "build it quick."

In a recent report, the World Bank forecast stimulus spending will represent three-quarters of the 6.5% GDP growth it sees for China this year. But the World Bank also said much of the money is for "projects that were already envisaged in the government's longer-term plans."

Serious discussion of the Xiangshan Island Bridge dates to 1994, says Ningbo-native Liu Cijun. That was five years before Mr. Liu completed a Ph.D. dissertation on bridge wind resistance in preparation for his

current job: chief engineer on the new project.

The provincial government gave its blessing for preparatory work on the bridge in 2004 and held a stone-setting ceremony in 2006, but the bridge work didn't begin. Beijing had begun admonishing local officials nationwide to cut unnecessary spending to slow double-digit economic expansion, and the China Development Bank declined to release funds for the bridge.

"The situation didn't change until the second half of last year...when financial crisis broke out," says Chen Caijian, who managed the project for four years and now works in the transportation section of Ningbo's planning bureau.

On Aug. 18, the bridge's feasibility report finally won approval from an umbrella planning agency in Beijing, paving the way for other parts of the government to sign off on it too.

When the Ministry of Transportation gave its nod in December, about 200 bridge-piling specialists were quickly hired from Jiangxi province to start site-preparation work, and the site has been busy 24 hours a day ever since.

—Ellen Zhu, Bai Lin and Joseph Barrett contributed to this article.

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