

The Nightly Business Report
China – A New Stage of Development
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I was in China again a couple weeks ago and was surprised by what I heard from some government officials. They questioned whether the export driven economy that has fueled China's rapid growth is the best thing for the country. China needs to move toward a consumption driven economy they said.

This is a challenge. GDP per capita is about \$1300. It is much higher in the urban areas along the coast where a middle class is emerging. But the majority of people are in the countryside, and they are poor. That is why the national GDP per capita figure is so meager. This disparity between the "haves" and "have nots" is one of China's greatest problems.

The Chinese leadership seems to be facing the challenge. The next 5 year program, to be ratified by the National People's Congress in March, sets a goal of raising GDP per capita to \$1700 by 2010. And in the joint communiqué signed last month with Secretary Snow, the Chinese government pledged to better balance savings and investment by encouraging consumption. Over time, this will help to redress the huge trade deficit China runs with the US.

This focus on raising GDP per capita and increasing consumption signals a new stage in China's development. If the Chinese leadership can pull this off, it will be a tremendous accomplishment. The world will be watching.

I'm Barbara Hackman Franklin