

# China economy grew to world's 3rd largest in 2007

By JOE McDONALD, AP Business Writer – Wed Jan 14, 4:19 pm ET



BEIJING – China's economy grew to the world's third-largest in 2007, new data showed Wednesday, another milestone in the country's stunning ascent in the global pecking order that puts it behind only Japan and the United States.

China has grown tenfold in the past 30 years, and the revised data leapfrogged it ahead of Germany. But overtaking the United States is another matter.

"I think it will take only three to four years for China to overtake Japan as the second-largest economy in the world," said Merrill Lynch economist Ting Lu. Catching up with the United States could take decades, he added.

The status is symbolic — China's 1.3 billion people are, on average, among the world's poorest. But it reflects the country's explosive growth as it transformed from a long-isolated nation to the world's factory.

The government revised its estimate of 2007 growth from an already high 11.9 percent to 13 percent, the fastest rate since 1994. The national statistics bureau did not explain the factors behind the revision.

The new estimate raised gross domestic product to 25.7 trillion yuan, or \$3.5 trillion at 2007 exchange rates, the statistics bureau said. That would be ahead of Germany's 2007 GDP of 2.4 trillion euros, or \$3.3 trillion at an exchange rate produced by averaging rates on the 15th of each month during that year.

The revision comes as China's export-driven economy struggles to reverse a slump caused by global turmoil and prevent already simmering social unrest over lost export-related jobs.

The government is launching a \$586 billion stimulus package and is promising to help struggling exporters. China's exports fell at their fastest rate in a decade last month. On Wednesday, the Cabinet cut fuel prices and a tax on auto sales.

The change in economic ranking won't help China out of its slump, said Moody's [Economy.com](#) analyst Sherman Chan.

"The only effect is perhaps negative, as a stronger 2007 would make the 2008 slowdown more upsetting," Chan said in a report.

The United States is the world's biggest economy at \$13.8 trillion in 2007, followed by Japan at \$4.4 trillion.

Germany's 85 million people were still far ahead of China in GDP per person in 2007 at \$38,800.

China's per capita GDP was \$2,800 in 2007, but the country has wide disparities of wealth and poverty, and many live on far less than that. Chinese officials say more than 100 other countries have a higher income per person.

Then-supreme leader Deng Xiaoping set China on the road from communist central planning to a market-style economy in 1979. That year's GDP was just \$300 billion — one-tenth of the 2007 level — according to the International Monetary Fund.

Over three decades, hundreds of millions of people have lifted themselves out of poverty and major cities have been transformed into forests of skyscrapers and modern apartment blocks, with streets jammed with private cars.

Independent economists estimate China's economy grew by another 9 percent in 2008 despite the global downturn. Figures for 2008 are expected to be released this month.

But economists have slashed 2009 forecasts to as low as 6 percent. That would be the highest for any major economy but is worrisome for communist leaders who need to satisfy a public that expects steadily rising incomes and is already restive over thousands of recent manufacturing layoffs.

Lu said it will be decades before China can match U.S. output, if it ever can.

"Even if growth in the U.S. is zero, China still would have to double and double again to overtake the U.S.," he said. "It would be more than 20 years, and that is so far out, it is very hard to forecast what will happen."

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On the Net:

National Bureau of Statistics (in Chinese): <http://www.stats.gov.cn>