



Is China's Economy Really about to Surpass the US Economy?

In a word, no—not even close.

The US economy is about four times bigger than China's. On a per capita basis, the US economy is about 20 times bigger. The current economic challenges facing the world's economies will slow economic growth for both the United States and China, but the longer-term trend shows that the United States has added the equivalent of nearly two Chinas to its economy in the past decade.

Or looked at another way, China's entire economy is about the size of California, Texas, and Washington state combined.

In addition, the United States has a significant stake in seeing China's economy continue to prosper. US manufacturing, agricultural, and services exports will only grow as China's economy develops and more Chinese move into the middle class.

In fact, the growth of China's domestic market opens up a major new avenue for US companies to gain strength by selling goods and services in China. Many of these goods may be made in China, because distance and lead times mean we cannot serve every customer in China from our US base. But even these product and service sales require design or service support, or component supply, from US facilities; these sales strengthen companies' core operations—and job bases—in the United States.

In addition, streamlining the visa process for legitimate customers of US goods and services will not only help increase sales for US companies, it will also provide additional sales for US airlines, restaurants, and other service sector companies who cater to business clients.

There is much to be gained from a trade policy that encourages China to be more open to US companies,

especially when the US domestic economy is seeking to gain sounder footing.

In fact, the US and Chinese economies are greatly interdependent. For instance, the US is China's second-largest export market; China is our third-largest export market. US companies have invested \$56.9 billion in China, primarily to reach China's domestic market; China in turn holds \$585 billion of US government debt.

Some might try to suggest that China's debt holdings are a source of leverage over America's economy, but that would mean that China is willing to throw away its own prosperity to try to make a political point. In fact, China's investment in US Treasury securities is just another indication of how our economies are bound together. For China's economy to grow and create jobs for its citizens, the US economy must prosper as well.

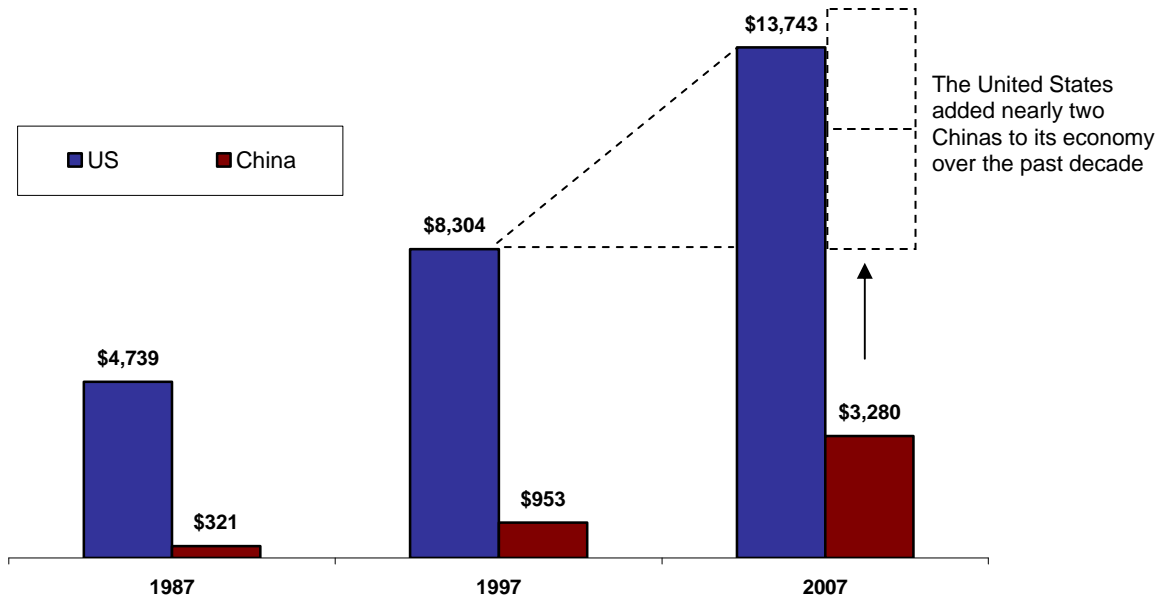
The conclusion should be obvious: our economic success in the years and decades ahead is mutually dependent. We need *more* engagement and cooperation with China, not less.

Action Plan

- Increase emphasis on further opening of China's economy to US exports and China-based operations.
- Encourage China's constructive involvement in global economic policy issues.
- Streamline the visa application process for legitimate customers of US companies to make it easier for them to visit the United States to buy our products and services.

US and China GDP Comparisons, 1987–2007

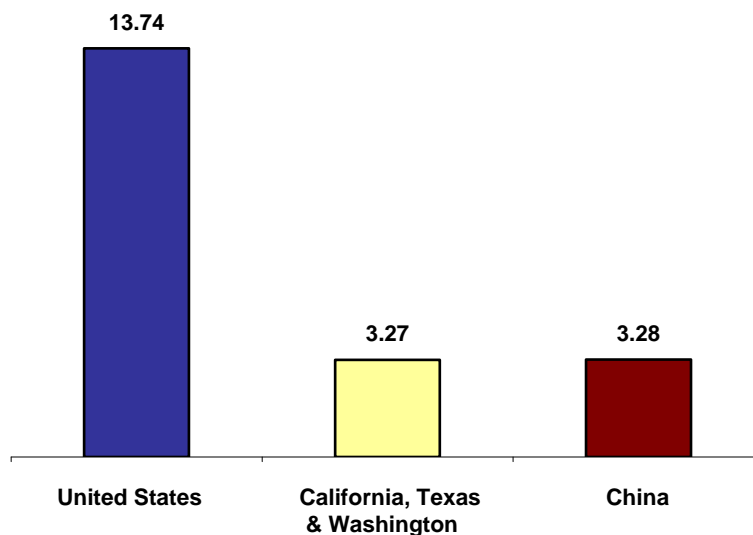
(GDP, \$ billion)



The US economy is four times the size of China's.

Sources: US Department of Commerce, International Monetary Fund

GDP Comparison, 2007 (\$ trillion)



China's economy is equivalent to three US states.

Sources: US Department of Commerce, International Monetary Fund