

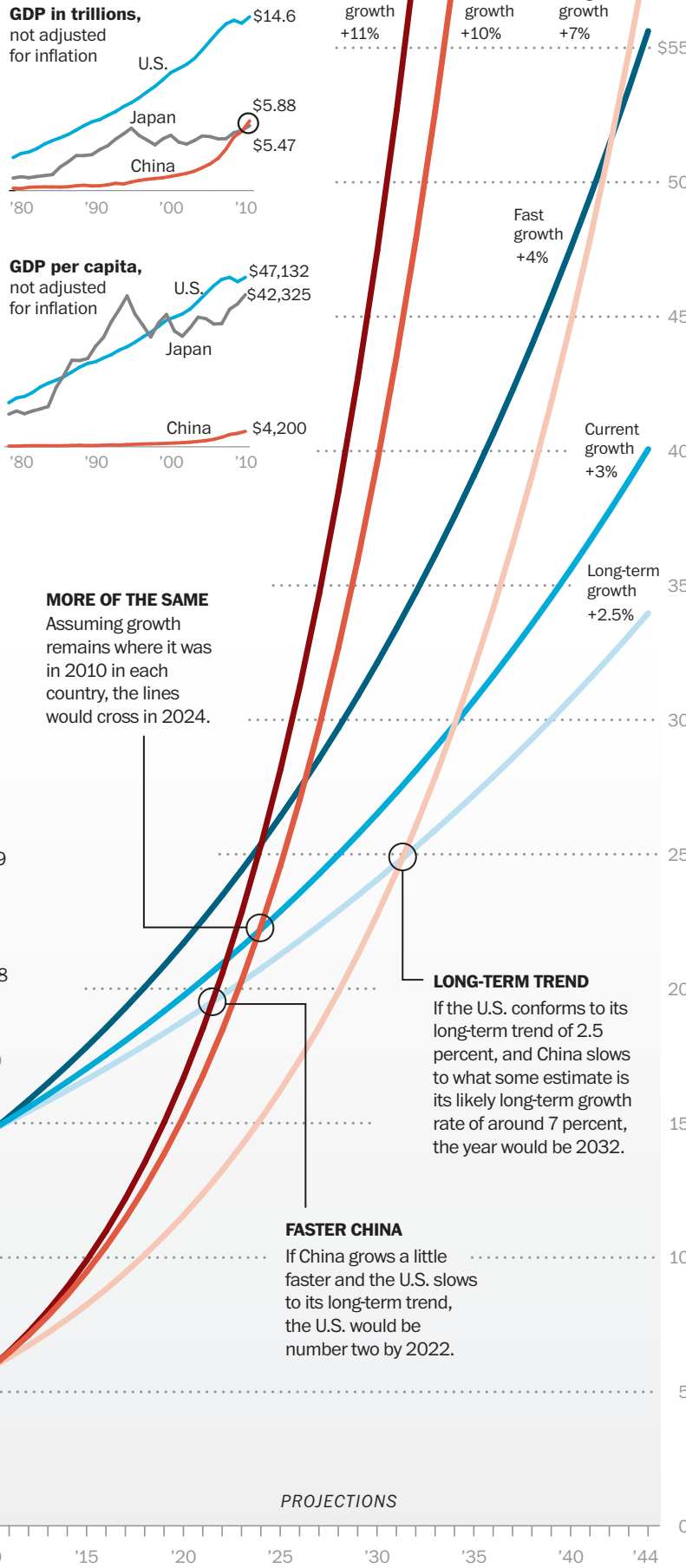
China's way to the top

China's economy is the world's second biggest, with a \$5.8 trillion gross domestic product that eclipsed Japan in 2010. Will China pass the United States? When?

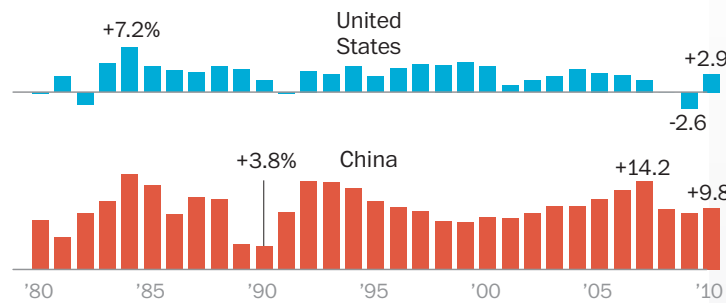
There was a similar debate about Japan in the 1980s before growth stalled after a collapse in that country's financial and real estate markets. Japanese growth has remained low ever since, an era known as the "lost decades." Some analysts regard China as a bubble waiting to burst, and foresee a perhaps dramatic slowdown for the country — or at least to much less than the 10 percent growth it registered last year.

But there are major differences between Japan and China — perhaps most significantly their populations. With its wealth spread among roughly 1.4 billion people, per capita income in China remains low at around \$4,200 — representing an immense potential for the country to extend development to its poorer regions.

Does that mean sustained, 10 to 11 percent growth is possible, or will China's expansion slow to a more reasonable rate, say, 7 percent or less? As for the United States, its long-term trend GDP growth is around 2.5 percent. Will that be sustained going forward? Simply by extending last year's growth rates for the two countries, China's economy becomes the biggest in 2024.



Annual GDP growth



GDP in trillions, not adjusted for inflation

