

Title:

China Is Really Number Two

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735

Summary:

China's coming on strong while our leaders chase the terrorists across the globe.

Recently much international press fanfare was generated acknowledging that China had replaced Great Britain as the world's fourth largest economy.

Nobody argues nowadays that China has the highest growth rate of industrialized economics posting annual growth rates in excess of 8.5 percent according to The International Monetary Fund. The World Bank predicted recently that China's economy w...

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Article Body:

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Recently much international press fanfare was generated acknowledging that China had replaced Great Britain as the world's fourth largest economy.

Nobody argues nowadays that China has the highest growth rate of industrialized economics posting annual growth rates in excess of 8.5 percent according to The International Monetary Fund. The World Bank predicted recently that China's economy will grow 10.4 percent this year and 9.3 percent in 2007.

In contrast, the United States is in the 2 to 3 percent range.

What's not been said by our less than candid leaders is that China is already the second largest global economy and has held that spot for sometime and catching the U.S. very quickly. The Chinese economy is already 72 percent the size of the U.S. economy.

One only need reference the 2006 CIA World Factbook. There it is for the whole

world to see.

A country's economic output is measured, and compared to other countries, by a standard known as GDP, or Gross Domestic Product, which is measured in two ways, one by international exchanges rates and by purchase power parity.

Exchange rates are the norm used by most private and public international agencies. But more recently experts have suggested that international exchanges rates distort the true picture.

Value distortions exist between the currencies of the trading nations, in particular, when currencies are something less than free-floating in the open market.

The Chinese Yuan is mostly a fixed-rate currency pegged to the value of the U.S. Dollar. The exchange value is only changed by Chinese government, a little at a time generally to appease the U.S. Congress. Therefore GDP figures between the two nations are distorted.

Countries with free trading currencies can safely use exchange rates as a measure of comparison between their respective GDP's. In the absence of free trading, purchase power parity is used as the standard of comparison.

Purchasing power parity equalizes the purchasing power of different currencies in their home countries for a given basket of goods. This is often used by global economists, and our CIA, to compare the economic output countries.

The difference in an exchange rate and purchase power parity analysis of the China GDP is nothing less than astonishing and should be downright frightening to American leaders.

For example, on an exchange rate basis, the CIA World Factbook estimates China's GDP to be \$2.225 trillion. On a purchase power parity basis that figure is \$8.859 trillion. In comparison the U.S. shows an economy of \$12.49 trillion based on exchange rates and \$12.36 trillion based on purchase power parity.

Based on exchange rates, China is the 4th largest economy in the world. But based on purchase power parity China is clearly number 2.

And the Factbook acknowledges, Measured on a purchasing power parity (PPP) basis, China in 2005 stood as the second-largest economy in the world after the US....

Noted magazine, The Economist reported, By 2020, China will narrowly outstrip

the United States in GDP.

China already exceeds the U.S. in production of many strategic minerals and metals. And its industrial base is now larger as well. According to the Factbook China's industrial output now stands at 4.19 trillion dollars as compared to 2.52 Trillion for the United States. Chinese annual industrial growth is 29.5 percent but only 3.5 percent here in the U.S.

Another significant trend worth noting is leadership in world trade. A recent Wall Street Journal article written by Andrew Batson and Shai Oster reports that Egypt's trade with the China will exceed that of the United States by the year 2012. And this trend is evolving with many countries, even in our own hemisphere.

America's eroding industrial base is compromising the nation's military capabilities. This was recently highlighted in the Pentagon's 2005 Quadrennial Defense Review when it concluded, Sourcing and production is now global, with considerable implications for the industrial base.

This same Defense Department study raised alarm bells about China when it concluded, the industrial and economic power wielded by China, and how this relates to the country's political and military aspirations, is seen as a cause for concern.

But our leaders already know this stuff. They just need to level with the American people instead of spoon feeding them statistical manure.

Soon we will be Number Two.

And let's not forget the echo of Khrushchev's thundering UN speech 50 years ago declaring the East will overrun the West.

It's happening before are very eyes.