



YAHOO! WEATHER: Check the latest forecast in your area

China to revamp growth model in next five years



by Allison Jackson – Tue Mar 1, 10:47 pm ET



AFP/File – Pedestrians pass in front of the Shanghai skyline. China, long the bargain workshop to the world, plans ...

BEIJING (AFP) – China, long the bargain workshop to the world, plans in the next five years to boost wages and narrow a worrying wealth gap as it vies to head off social unrest in a new and improved economic model.

After decades of blistering growth that elevated its economy to number two in the world, Beijing wants a more sustainable path via higher domestic consumption and less reliance on exports and investment.

RELATED QUOTES

^DJI	12,044.40	+59.79
^GSPC	1,304.28	+9.17
^IXIC	2,715.61	+14.59

The 2011-2015 blueprint, to be unveiled when parliament convenes for its annual session from Saturday, will focus on ameliorating social welfare, championing innovation and reducing China's world-beating carbon emissions.

AdChoices



"China's 12th Five-Year Plan could represent a watershed in the country's pattern of economic development," Eswar Prasad, the former head of the International Monetary Fund's China division, told AFP.

"The main objective of the plan is to reorient growth to make it more balanced and sustainable ... this is necessary to ensure greater social stability," said Prasad, a professor of trade policy at Cornell University.

The overhaul -- if successful -- could see a slowdown in China's economy, which grew 10.3 percent in 2010, and help ease tensions with its key trade partners, analysts say.

While top leaders have long stated the need for retooling the growth model, experts said the global financial crisis had given them a sense of urgency after millions of factory workers lost their jobs and growth slowed sharply.

"They realised it is not very nice to be exposed to external vulnerabilities," said Alistair Thornton, an

economist at IHS Global Insight.

Premier Wen Jiabao said Sunday the country would aim for seven percent annual growth in the 2011-2015 period -- a rare lowering of its usual target of eight percent expansion, until now seen as key to staving off social unrest.

The dramatic transformation in recent decades has created dozens of dollar billionaires, but also left millions more languishing at the bottom of the pile in a country that still has grinding poverty among the rural masses.

"I think China is at a critical stage -- the prior growth model is not well suited for current conditions and needs to change," said Nicholas Lardy, a senior fellow at Washington's Peterson Institute for International Economics.

"Rebalancing would mean smaller trade and current account surpluses, potentially reducing trade disputes."

China's massive trade surplus with the rest of the world -- exacerbated by its currency policy -- has fuelled tensions with trade partners, who claim their markets are being flooded with cheap Chinese-made products.

Analysts said the five-year plan is also likely to tackle China's choking pollution through market-based energy pricing, environmental taxes and greater investment in renewable energy.

"I think there is recognition that this must happen and it can happen because it ties into industrial policies and goals," said Michal Meidan, an analyst at research firm Eurasia Group in New York.

China will also focus on developing "strategic emerging industries" which policymakers hope will become "the backbone" of the economy as it shifts from being the world's workshop to an innovator, said global consultancy firm APCO.

Beijing will reportedly spend more than four trillion yuan (\$609 billion) on industries including biotechnology, high-end equipment manufacturing, environmental protection and clean energy vehicles, APCO said in a report.

This could create opportunities for foreign businesses who have long complained about market access restrictions in China, it added.

But experts cautioned the blueprint was not set in stone and the government's priorities could change if the global recovery falters.

President Hu Jintao "has made it clear that the number one priority is social stability -- that trumps everything else", said Patrick Chovanec, an economics professor at Tsinghua University in Beijing.

With a transition at the top expected in 2012-13, Hu and Wen will be determined to "bed down their legacy as the first leadership team in the post-reform era with a strong focus on equality issues", APCO said.

But policymakers are also likely to face strong resistance from local governments and powerful state-owned companies keen to protect their own interests.

"The reform agenda is clear but what is less certain is whether the government has the political will to take

on such an ambitious reform agenda," said Prasad.

"But China's leaders may have little choice if they want to maintain their legitimacy and maintain social stability."

Follow Yahoo! News on [Twitter](#), become a fan on [Facebook](#)

More on China

[China partly wins appeal on US anti-dumping dispute](#)

AFP

[USTR "deeply troubled" by WTO ruling in China case](#)

Reuters

[U.S. courts confront China's involvement in price fixing](#)

Reuters

[More »](#)

More...

Business Video: [Global Commodities Play](#) CNBC

Business Video: [Time to Launch Apollo?](#) CNBC

Business Video: [Japan Earthquake's Economic Impact](#) ABC News

Most Viewed - Business

[Shoppers shake off high gasoline costs in February](#) Reuters

[Nuke plant trouble after Japan quake 3K evacuated](#) AP

[Wall Street up on energy shares after Japan quake](#) Reuters

[AIG bid to buy back mortgage bonds may buoy market](#) Reuters

[Ryan says GOP ready to take on health programs](#) AP

[All Most Viewed »](#)

Daily Features



[All Comics »](#)

Opinions & Editorials: [Diverse views on news from the right, left, and center.](#)

[All Opinion »](#)

Elsewhere on the Web

Time.com: [Data Mining: How Companies Know Your Personal Information](#)

Time.com: [In Post-PC Era, Owning Multiple Web-Savvy Devices Reigns](#)

FOXBusiness: [Agilent Says Japan Operations Unaffected by Quake](#)