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## Will Take a Decade to Shift Chinese Economy Away From Exports

Necessary to retool factories, change whole supply chains and retrain workers

*Friday, February 18, 2011*

**By** . Agence France-Presse

China's central banker Zhou Xiaochuan said on Feb. 18 that it would take at least a decade to shift the country's economy away from its export-based model, and that Chinese exporters would hold tenaciously onto foreign markets.

Zhou acknowledged the debate raging between countries about the global imbalances caused by some countries running large export surpluses, and said there was already a shift underway in China from manufacturing to services.

"I think it is possible but it will take a long time," he told the Eurofi G20 seminar on the sidelines of a Group of 20 meetings finance ministers and central bankers.

He said it involved not only retooling factories, but changing whole supply chains and retraining workers. "This kind of cycle is over a period of 10 years," said the Chinese central banker.

He said during this period Chinese manufacturers would likely continue to export and improve their productivity.

Zhou said appreciation to date of the yuan has shown that Chinese manufacturers have been able to adjust and make productivity gains. "I think that means they have room to improve and survive," he said.

He said Chinese exporters have told the central bank that even with a rising yuan they would only shift around up to 20% output.

"They say exports are still more profitable than the domestic market," said Zhou.

He said the country's economy is already shifting more towards the service sector, saying that

according to the most recent data only 10% of loans went to manufacturing compared to levels of over 50% in the 1990s.

On Feb. 14 China announced that its trade surplus shrank in January, but analysts warned the data may have been skewed by a surge in imports leading up to the Lunar New Year holiday. The trade surplus fell 53.5% to \$6.45 billion in January as the exports and imports grew strongly ahead of the holiday, the General Administration of Customs in Beijing said.

That data came hours after Tokyo confirmed China had surpassed Japan as the world's second biggest economy and as economists look to the release next week of January inflation figures at a time when Beijing is trying to rein in prices.

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