



**IIPS**  
**Colloquium**  
**7 October 2003**

## **Fault Lines in China's Economic Terrain**

**Speaker Dr. Charles Wolf Jr., the Rand Corporation**

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The Institute for International Policy Studies held a colloquium on 7 October 2003 on the theme "Fault Lines in China's Economic Terrain." The colloquium featured guest speaker Dr. Charles Wolf Jr., senior economic adviser at the RAND Corporation.

Dr. Wolf first delivered an introduction in which he described the current state of China's economy and the outlook for the future. He then went on to identify eight potential adversities, including "unemployment, poverty and social unrest," "corruption," "HIV/AIDS," "water resources and pollution," "energy," fragility of the financial system," "possible shrinkage of FDI," and "Taiwan conflicts."



In response to questions from the floor regarding the debate over China's pegging of the yuan, Dr. Wolf expressed the view that unemployment in the US is mainly due to increased labor productivity in the US and that it has little to do with China. He added that the level of the yuan should also reflect non-traded goods, and that capital account liberalization by China might rather enable depreciation of the yuan due to the outflow of capital.

In addition, there was a lively exchange of views regarding matters such as China's trade friction with the US and the risk of China's fiscal deficits.