The flip side of China's growth

Swelling consumer base could open more doors for American companies

Helen Wang has met plenty like me.
Reading about China's wildfire economic growth fills me with awe and terror. Awe at the sheer numbers and ambition reflected in a gigantic country that posts near double-digit economic increases year after year. And terror at what all that means for the United States, its businesses and its jobs.

"I see a lot of misunderstanding between the U.S. and China and misperception and a lot of fears about China," says Wang, a Saratoga writer who's consulted for companies doing business in China. "People always wonder, 'What does this mean to me?""

Fellow citizens — success. Wang cites one of a number of studies that predict that China's middle class will reach 600 million to 800 million people by 2025.

And, she says, all those people will want stuff, the stuff middle-class people want: cars, houses, iPhones, other electronic toys, nice clothes, music, movies and more.

"I do think this new middle class, because they have increasing demand for foreign goods and they actually favor American brands, that definitely creates a lot of opportunity for American companies in China," she says.

It's helping already, Wang says. General Motors just reported that it sold more cars in China in 2010 than it sold in the United States. She points to Nike, which has recently reported double-digit sales growth in China and which plans to double its business there in the next five years.

New consumers in China have "actually created an alternative growth engine for American companies," Wang says. "The fact that GM turned around so quickly, one year after bankruptcy, part of it is because the Chinese middle class helped.

But I wonder whether it's too good to be true. As members of the ballooning Chinese middle class become more voracious consumers, won't Chinese companies become better at making them what they want?

Wang isn't so sure. She says that for now, China's competitive edge is cost. The country's factories can make stuff cheaply. But, she says, the United States is still the leader when it comes to manufacturing higher-value products like airplanes and medical devices. China's education system, she argues, does not prepare students to innovate. And so the United States remains the innovation leader.

No small matter in Silicon Valley. And while I can't say I'm as sanguine as Wang about the effects of Chinese growth on the U.S. economy, I am more optimistic after listening to her arguments.

And I'm more convinced than ever that little is likely to derail the Chinese juggernaut any time soon. Our best bet is to listen to people like Wang, who've identified the upside, and then get to work on taking full advantage of it.

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