

CHINA'S GROWING AND CHANGING TRADE STRUCTURE AND THE WORLD ECONOMY

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Abstract

The rapid expansion of China's trade surplus has been a key development in the world economy in recent times. While the growing trade surplus has been viewed with cynicism in some quarters as a clear sign of unfair price competitiveness of Chinese exports with an undervalued Yuan, many others have argued that China's trade surplus reflects changes in China's economic and trade structure and associated shifts in its role within regional and global production chains. In order to address the issue, we posit and explore how China's trade policies have resulted into a shift in China's trade structure with specialization in many high tech industries. Can it lead to de-industrialization in Europe and USA? If anti-dumping and other duties are applied on China by the western world, will it cause China's exports to decrease? Can China's huge investment in manufacturing industries sustain itself in the wake of decreasing demand across the world? Can China's internal consumption make up for its production in case exports are reduced? We find that not only China has made significant inroads in world trade since its admission to WTO but also its trade structure has changed significantly towards high-end technology exports aided by well calibrated FDI policy.