Quantitative Analysis of the Patterns and Contributions of China’s External Trade

WANG Yu Qing

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Philosophy

April 1998

Hong Kong Baptist University
This thesis is an attempt to generate more understanding of China's external trade under the economic reform, particularly the distinct but inter-related issues relevant to the patterns and contributions of such trade activities. Performance and reforms of the existing foreign trade system are first explained and reviewed. Issues of trade dependence and the trade of foreign-invested enterprises (FIEs) are then analyzed. After examining the endogeneity of the non-FDI external trade expansion by using a VAR exercise, the contribution to output growth from external trade expansion is investigated. One significant result from the mathematical models is that according to the accepted relationship between external trade and productivity, external trade expansion has become more efficient in China. Based on an analysis of revealed comparative advantage (RCA), it is found that China exploited its advantage in labor in the 1980s, and it has been experiencing a changing RCA in the 1990s, as a result of the upgrading in industrial technology and productivity. The competitiveness of China during the recent ten years is then examined. Taking net exports as the indicator of competitiveness, and input-output coefficients, investment expansion, and the devaluation of Renminbi as explanatory variables, the quantitative results show that the competitiveness of China neither increased nor decreased, which suggests that there is still a long way to go to reach an export-led growth process in China. The thesis concludes with a discussion of the external factors that have been limiting the progress of China's competitiveness in external trade.
# Table of Contents

Abstract
Acknowledgment
Table of Contents
List of Tables
List of Charts
List of Figures

Chapter 1  Historical Overview of China’s External Trade Reforms

1.1 Introduction on China’s economic development
1.2 Changes in Chinese trade theory
1.3 Decentralization of trade administration
1.4 Reform of the foreign exchange system
1.5 The objective and structure of this thesis

Chapter 2  Trade Performance and the Endogeneity of its Expansion

2.1 Export performance in China
2.2 Import performance in China
2.3 The relationship between FDI and trade expansion after reform
2.4 Trade dependence
2.5 The endogeneity of the non-FDI external trade expansion in China

Chapter 3  The Contribution to Growth from External Trade Expansion

3.1 Introduction
3.2 The model
3.3 Data adjustment and processing
3.4 Contribution to output growth
3.5 Concluding remarks

Chapter 4  Revealed Comparative Advantage and Competitiveness

4.1 Methodology in measuring revealed comparative advantage
4.2 Revealed comparative advantage of China’s external trade
4.3 Concept of Competitiveness
4.4 The model
4.5 The result and conclusion

Chapter 5  Conclusions

Data Appendix

References

Curriculum Vitae