

MASTER'S THESIS

Quantitative analysis of the patterns and contributions of China's external trade

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**Quantitative Analysis of the Patterns and Contributions of
China's External Trade**

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ABSTRACT

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	i
Acknowledgment	ii
Table of Contents	iii
List of Tables	iv
List of Charts	iv
List of Figures	v
Chapter 1 Historical Overview of China's External Trade Reforms	1
1.1 Introduction on China's economic development	1
1.2 Changes in Chinese trade theory	5
1.3 Decentralization of trade administration	11
1.4 Reform of the foreign exchange system	19
1.5 The objective and structure of this thesis	23
Chapter 2 Trade Performance and the Endogeneity of its Expansion	27
2.1 Export performance in China	27
2.2 Import performance in China	34
2.3 The relationship between FDI and trade expansion after reform	39
2.4 Trade dependence	44
2.5 The endogeneity of the non-FDI external trade expansion in China	47
Chapter 3 The Contribution to Growth from External Trade Expansion	62
3.1 Introduction	62
3.2 The model	66
3.3 Data adjustment and processing	71
3.4 Contribution to output growth	77
3.5 Concluding remarks	85
Chapter 4 Revealed Comparative Advantage and Competitiveness	97
4.1 Methodology in measuring revealed comparative advantage	98
4.2 Revealed comparative advantage of China's external trade	104
4.3 Concept of Competitiveness	118
4.4 The model	125
4.5 The result and conclusion	128
Chapter 5 Conclusions	142
Data Appendix	145
References	167
Curriculum Vitae	180