

RECENT TRENDS OF CHINA'S ECONOMIC GROWTH : AN ANALYSIS

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China's transformation into a dynamic private led economy and its integration into the global economy have been among the most dramatic economic development of recent decade. China has become one of the big players of international trade. China's presence in the world economy will continue to grow and deepen. The foreign trade sector plays an important and multifaceted role in China's economic growth. There are strong prospects that China's rapid economic growth and trade expansion could be sustained well into the future. This paper provides an overview of the recent trends of China's economic growth. The paper also focus on china's foreign trade. The finding show that China is on track to become one of the world's most formidable trading powers and its trade performance will exert increasing influence on how the global trade regime evolves in the future.

Key Words: Chinese Economy, FDI, Foreign trade

INTRODUCTION

China has been the world's fastest – growing economy since initiating economic reform two and a half decades ago. Its influence on global economy has expanded dramatically, particularly its role as a global manufacturer and trader. Prior to the initiation of economic reforms and trade liberalization 34 years ago, China maintained policies that kept the economy very poor, stagnant, centrally controlled, vastly inefficient, and relatively isolated from the global economy. Since opening up to foreign trade and investment and implementing free market reforms in 1979, China has been among the world's fastest-growing economy. Since the initiation of economic reforms and the adoption of the open door policy, international trade and China's economy have experienced dramatic growth. China's integration into the global economy has largely contributed to its sustained economic growth. Some of the industries with comparative advantages began to acquire a high level of specialization, and China has achieved a high growth rate of GDP, as well as an enormous inflow of hard currency and increase in employment. Additionally, China's participation in international trade has also contributed to improvement in productivity of domestic industries and advancement of technology. On one hand, large imports of machinery goods in the early 1990s had an immediate impact on productivity through the application of technology embodied in them. On the other hand, the level of science and technology in China increased dramatically due to the effect of "learning by doing." By the early 1990s, the significance of China's role in the international economy was transformed. In 1992, its trade volume accounted for 2.2% of world trade. China's trade regime has become more transparent when it joined WTO in 2001.

China's presence in the world economy continue to grow and deepen. The foreign trade sector plays an important and multifaceted role in China's economic development. At the same time, China's expanded role in the world economy is beneficial to all its trading partners. Regions that trade with China benefit from cheaper and more varieties of imported consumer goods , raw materials and intermediate products. China is also a large and growing export market. While the entry of any major trading nation in the global trading system can create a process of adjustment, the

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outcome is fundamentally a win-win situation. China is today the largest exporter in the world, and one of the top three importers. Its trade has increased by almost 18% per year on average in the last couple of decades, a performance that is routinely described as “astonishing” and “breathtaking”. China’s rapid trade growth has implications not only for production, incomes and current accounts in developed and developing countries, but more directly, on the welfare of her own population. Present paper present an overview of recent trends of China’s economic growth, The paper also focuses on china’s foreign trade.

REVIEW OF LITERATURE

China’s economic growth is the subject of attraction for a long time. The various research centers, trade committees, economist and media are giving importance continuously. Different studies have attempted to explore the China’s trade and economic growth. Some significant studies have been taken up for the purpose of literature review that are most relevant for our analysis and finding.

Arora V. and Vamvokidis A. (2010) presents some facts on China’s role in the world economy and measures the impact of China’s growth on growth in the rest of the world in the short and long term. Shortrun estimates based on VARs and error-correction models suggest that spillover effects of China’s growth have increased in recent decades. Long-term spillover effects, estimated through growth regressions based on panel data, are also significant and have extended in recent decades beyond Asia. Sung P. and Heshmati A. discusses the role of international trade in China’s economic growth The study demonstrates that increasing participation in the global trade helps China reap the static and dynamic benefits, stimulating rapid national economic growth.

Tisdell C. (2009) focused China’s development policies in Historical, political and cultural context. He found that In 30 years, China’s reforms have not only resulted in it achieving a phenomenal increase in its living standards, it has made China a major global economic actor and has enhanced its status in the world community. Just how its system is likely to develop is difficult to predict but China is unlikely to revert to its doctrinaire position held prior to 1978. Goulierg, Lemoine F. and Kesenci U. (2007) Asian trade is increasingly driven by the international segmentation of production processes within the region, a trend which has been accelerated by the rise of China as a major partner in production networks.

Croix S., Edmonds C. and Li Y. (2006) studied the policies that have shaped China’s manufactured export explosion and examines long trend statistics on the evolution of China’s trading partners and the goods it trades in the post reform period. According to him ‘China is on track to become one of the world’s most formidable trading powers and its export policies and export performance will exert increasing influence on how the global trade regime evolves in the future’. Fung K. C. Iizaka H. Tong S. (2002) found that in the future, at least two challenges facing China in the area of international trade. First, with China’s competitiveness growing, many countries will perceive that their producers will not be able to compete with the Chinese exports, either in the third market or in their own domestic market. A second challenge facing China is how to manage its trade relationship with the United States. According to Lardy N. (2003) China is perhaps the best example of the positive connection between openness and economic growth. Reforms in China transformed it from a highly protected market to perhaps the most open emerging market economy by the time it came into the World Trade Organization at the end of 2001.

RESEARCH METHODOLOGY

The study is based mainly on secondary data sources. Data and information from secondary sources were collected by consulting various relevant journals, studies conducted by various donor and development agencies, export statistics published by Export Promotion Bureau and EXIM Bank, Economic review, publication of WTO and Customs Statistics of China. The information published in the different newspapers and websites in recent times have been consulted in order to present the recent trade and performance of Chinese economies. The collected data and information were then processed, tabulated and analyzed to present the findings in a logical and objective manner. The base period of proposed study will be limited to 1980-1990, 1991-2000 to 2001-2010. important and relevant statistics tools will be used to analyse the data.

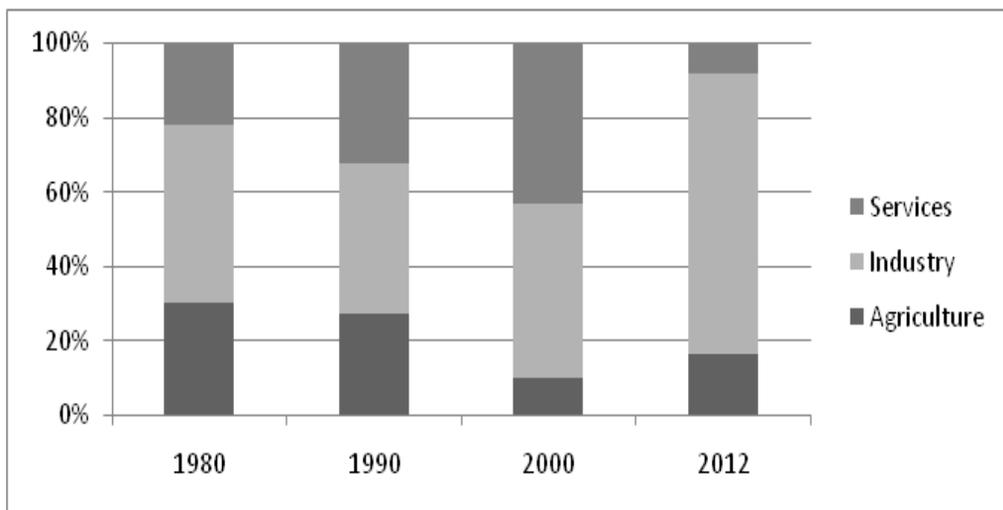
DISCUSSION AND FINDING

The world most populated nations, China has registered outstanding growth performances in recent years. More importantly, his continued economic expansion has been much anticipated to help sustain world economic growth as economic growth as economic growth as economic prospect in the industrial world darkens. For three decades, China's economy has grown very fast today he become world biggest economy.

Sectoral Composition of GDP of China

sectoral composition of GDP of China from the available data, it is clear that, during the last three decades the weight of the industrial sector on GDP has persistently been much higher in china. The sectoral reallocation of production factors from low productivity sectors toward high productivity sectors is one of the main explanations of per-capita GDP growth. This reallocation together with institutional change, and opening up of China has indeed spurred productivity growth. The following fig 1, shows Sectoral composition of GDP China of China.

Figure 1. Sectoral Composition of GDP China 1980-2012

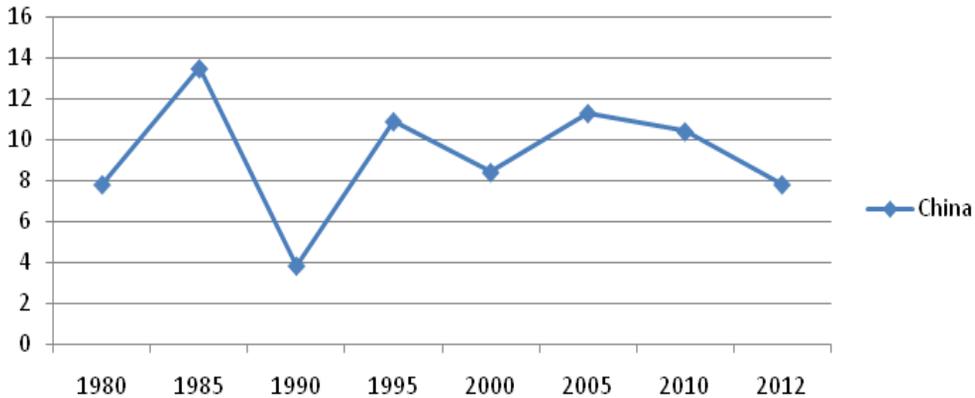


Source: WDI

Annual GDP Growth Rate 1980 – 2012

China’s GDP growth rates has outperformed last three decades. China’s GDP largely depends on International Trade and thus the performance of the economy directly relates to the world economy. The data signifies that the growth of GDP of China rapidly. China has grown at an average rate of close to 10% annually during 1980-12, a rate at which income more than doubles every seven years

The following Figure: 2, shows Annual GDP growth rate of China.

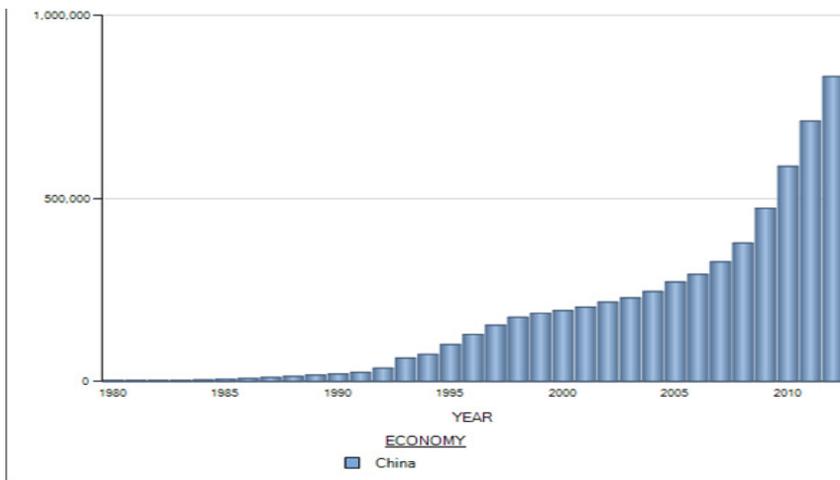


Source:WDI

Inward and Outward Foreign Direct Investment Stock, Annual, 1980-2012

China is certainly a star performer in attracting FDI. As bigger economies normally attract more investment, China currently trends to be the preferred destination for foreign investors. Following figure 3 shows a trend of FDI in China.

Figure: 3, FDI in China 1980-2012



Source : UNCTADE

Growth of China's Foreign Trade

China has emerged as a super power country at the world level for which its increasing trade has contributed a lot. The economic reform in China has started since 1979 & thereafter the international trade of China is continuously increasing and since 1990, the international trade has accelerated. [since 1990, the speed of trade has increased], the total trade was 206.4 M \$ in 1978 which was seen increasing in 1990. As 1154.4 USD 100M.in 2004, the trade balance of China was negative till 1989. And after that China is able to maintain the balance in positive, continuously. [See table 1]

Table: 1, Exports, Imports, and Trade Balance of China

Year	USD 100 Million Total Export and Import ⁸⁰	Total Export	Total Import	Balance
1978	206.4	97.5	108.9	-11.4
1980	381.4	181.2	200.2	-19.0
1985	696.0	273.5	422.5	-149.0
1989	1116.8	525.4	591.4	-66.0
1990	1154.4	620.9	533.5	87.4
1991	1357.0	719.1	637.9	81.2
1992	1655.3	849.4	805.9	43.5
1993	1957.0	917.4	1039.6	-122.2
1994	2366.2	1210.1	1156.1	54.0
1995	2808.6	1487.8	1320.8	167.0
1996	2898.8	1510.5	1388.3	122.2
1997	3251.6	1827.9	1423.7	404.2
1998	3239.5	1837.1	1402.4	434.7
1999	3606.3	1949.3	1657.0	292.3
2000	4742.9	2492.0	2250.9	241.1
2001	5096.5	2661.0	2435.5	225.5
2002	6207.7	3256.0	2951.7	304.3
2003	8509.9	4382.3	4127.6	254.7
2004	11545.5	5933.2	5612.3	320.9

Source: Data before 1979 are from the Ministry of Foreign Trade, and figures since 1980 are Customs Statistics of China

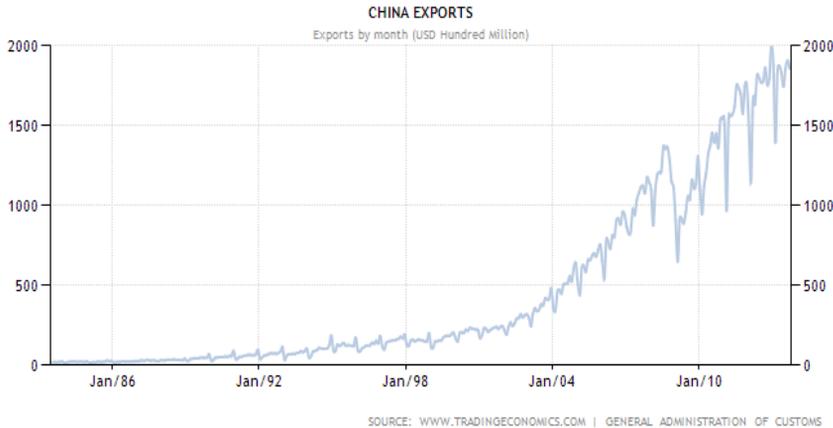
From the above table, it is clear that the limitations of international trade of China has increased continuously and the trade balance also shows that China has always gained from the international trade. The table also clarifies that, while the import and export was 591.4 USD 10M & 525.4 USD 100 M, respectively, in 1989 has increased. In 2004 to import 5612.3 USD 100M & export 5933.2 USD 100 M.

China's World Export

Exports in China decreased to 1856.44 USD Hundred Million in September of 2013 from 1906.08 USD Hundred Million in August of 2013. Exports in China is reported by the General Administration of Customs. From 1983 until 2013, China Exports averaged 447.5 USD Hundred Million reaching an all time high of 1992.3 USD Hundred Million in December of 2012 and a record low of 13.0 USD Hundred Million in January of 1984. Export growth has been a major component supporting China's rapid economic expansion. Exports of goods and services constitute 30% of GDP. China major exports are: electromechanical products (57 percent of total exports) and

labor-intensive products like clothing, textiles, footwear, furniture, plastic products, bags and toys (20 percent). In recent years, the exports of high tech products have been also growing and in 2012 accounted for 29 percent of total exports. Following fig 4 shows trend of China's world export.

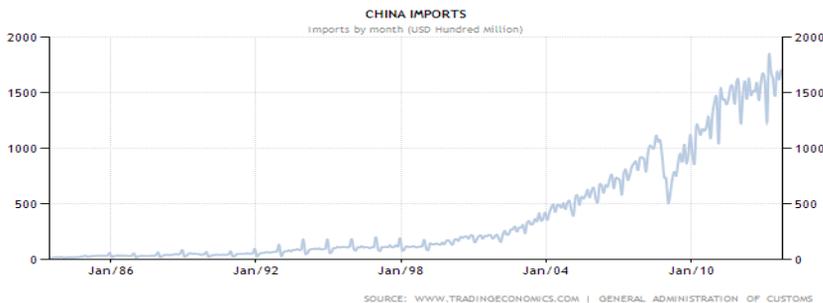
Figure: 4, Trend of China's World Export



China's World Import

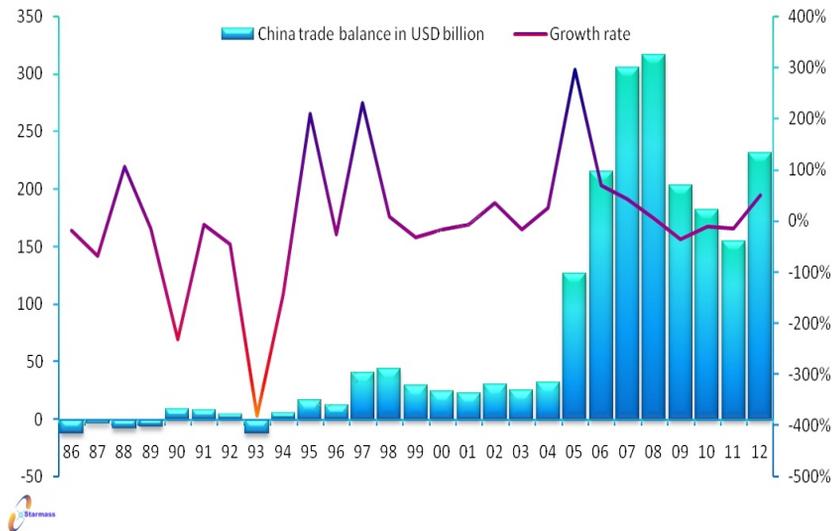
Imports in China increased to 1704.26 USD Hundred Million in September of 2013 from 1620.90 USD Hundred Million in August of 2013. Imports in China is reported by the General Administration of Customs. From 1983 until 2013, China Imports averaged 392.1 USD Hundred Million reaching an all time high of 1830.1 USD Hundred Million in March of 2013 and a record low of 16.6 USD Hundred Million in July of 1983. Following figure shows trend of China's world import.

Figure: 5, Trend of China's Import



Trade Balance of China

Combing the statistics from imports and exports, trade balance from 1986 to 2012 is derived. In 2012, China has an exceedingly high trade surplus of 231 USD billion, and 10 times increase since 2000. An excess trade surplus would result in pressure to appreciate Yuan so as to clear the excess liquidity and to curb inflation. China would need to enhance Yuan's exchange rate mechanism and enhancing Yuan's flexibility. Below is the figure of China trade balance and its trends from year 1986-2012:

Figure: 6

CONCLUSION

In this paper present the overview of China's economic growth and foreign trade. The finding shows that China's rapid economic growth since 1978 has resulted in a doubling of the country's GDP every 7-8 years. The expansion of its international trade has been a particularly noteworthy aspect of China's rising prominence in the world economy. China's exports and imports have grown at an average rate of 15 percent each year since 1979 as compared with a 7 percent annual expansion of world trade over the same period This process has been facilitated by trade reform and the general opening of the economy that have led to a surge in foreign direct investment (FDI) and increased integration with the global trading system. The rise of China as global economic powers is one of the most important transformative processes of our time.

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