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Correction 2

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INFORMATION

November 7, 1984

To: Members of the Executive Board
From: The Secretary
Subject: People's Republic of China - Recent Economic Developments

The attached corrected page 149 was inadvertently omitted in
SM/84/229, Correction 1 (11/6/84).

Att: (1)

Other Distribution:
Department Heads

Table 1: Share of Trade with China in Total Foreign
Trade of Partner Countries 1/

(In percent)

	Exports to China as share of total exports	Imports from China as share of total imports
Non-oil Developing Countries	<u>1.0</u>	<u>2.8</u>
Asia	1.9	5.8
Of which: Hong Kong	(8.3)	(21.3)
Pakistan	(8.1)	(3.1)
Thailand	(3.3)	(3.4)
Singapore	(1.2)	(2.9)
Malaysia	(1.2)	(2.4)
India	(0.3)	(0.3)
Africa	0.4	0.9
Middle East	0.2	2.8
Western Hemisphere	0.6	0.6
Europe	0.9	1.3
Industrial Countries	<u>1.0</u>	<u>0.8</u>
Of which: Japan	(3.3)	(3.6)
United States	(1.5)	(0.7)
USSR and Eastern Europe	<u>1.7</u>	<u>2.0</u>
Major Oil Exporters	<u>0.1</u>	<u>0.8</u>
Democratic People's Republic of Korea <u>2/</u>	<u>26.0</u>	<u>21.0</u>
World	<u>1.0</u>	<u>1.2</u>

Source: International Monetary Fund, Direction of Trade Statistics, various issues; and staff estimates.

1/ Based on averages for 1980-82.

2/ Estimated from incomplete data.

over 3 percent of its total foreign trade, while trade with China represents a relatively minor share of the foreign trade of other industrial countries. Conversely, China is most affected by economic developments and trade policies in the industrial countries (particularly Japan and the United States) and in Hong Kong, ^{1/} which together account for over two thirds of China's total external trade (Table 2).

Although the commodity composition of China's foreign trade is fairly well diversified, it does account for a significant proportion of world trade in certain goods: changes in its supply of and demand for these goods will affect both its trading partners and other competitors. China's exports of textiles and clothing account for around 4-5 percent of world trade in these products (Table 3), and for a much larger share of the market for certain (generally lower quality) textiles; for example, China is the world's largest exporter of cotton fabrics and polyester/cotton mixed fabrics. ^{2/} Similarly, China's imports of cereals account for roughly 5 percent of total world trade in cereals.

2. The impact of recent developments

The reorientation of economic policies in the late 1970s was clearly reflected in an increased openness of the Chinese economy. The share of imports in GDP increased by one half between 1978 and 1981 before declining in 1982, primarily as a result of the cutback in import-intensive large investment projects (Table 4); the increase in the export ratio was even greater. By 1981, China's ratio of imports to GDP, at 8 percent, was only moderately lower than that of many other countries with large populations (for example, around 9-10 percent for Brazil and India, and 11-12 percent for Mexico and the United States).

Part of the rapid increase in China's exports during 1979 and 1980 reflected higher prices for its oil exports. Although these account for around one fifth of China's export earnings, China's oil exports are too small (around 1 percent of world trade in crude oil) to affect world prices. However, the growth in China's total export earnings was also due to a significant increase in market share for China's non-oil exports from 1978 onwards, representing a marked shift from earlier years. During 1978-83, China's non-oil exports grew at annual rates well above the growth in its trading partners' demand for non-oil imports (Table 5). This rapid growth was primarily a reflection of supply factors. Domestic production of exportables grew more rapidly than in earlier years, and a larger proportion of exportables was

^{1/} The Direction of Trade figures probably overstate the importance of Hong Kong as a source of final demand for China's products, since many goods are re-exported with or without further processing.

^{2/} S. Tsutsomi: "China's Textile Exports and Export Strategy," China Newsletter, No. 50, May-June 1984, Japan External Trade Organization.