

China's trade policy and development in recent years

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Last four years saw the most bumpy period in China's economic growth

GDP growth (annual %) - China

World Bank national accounts data, and OECD National Accounts data files.

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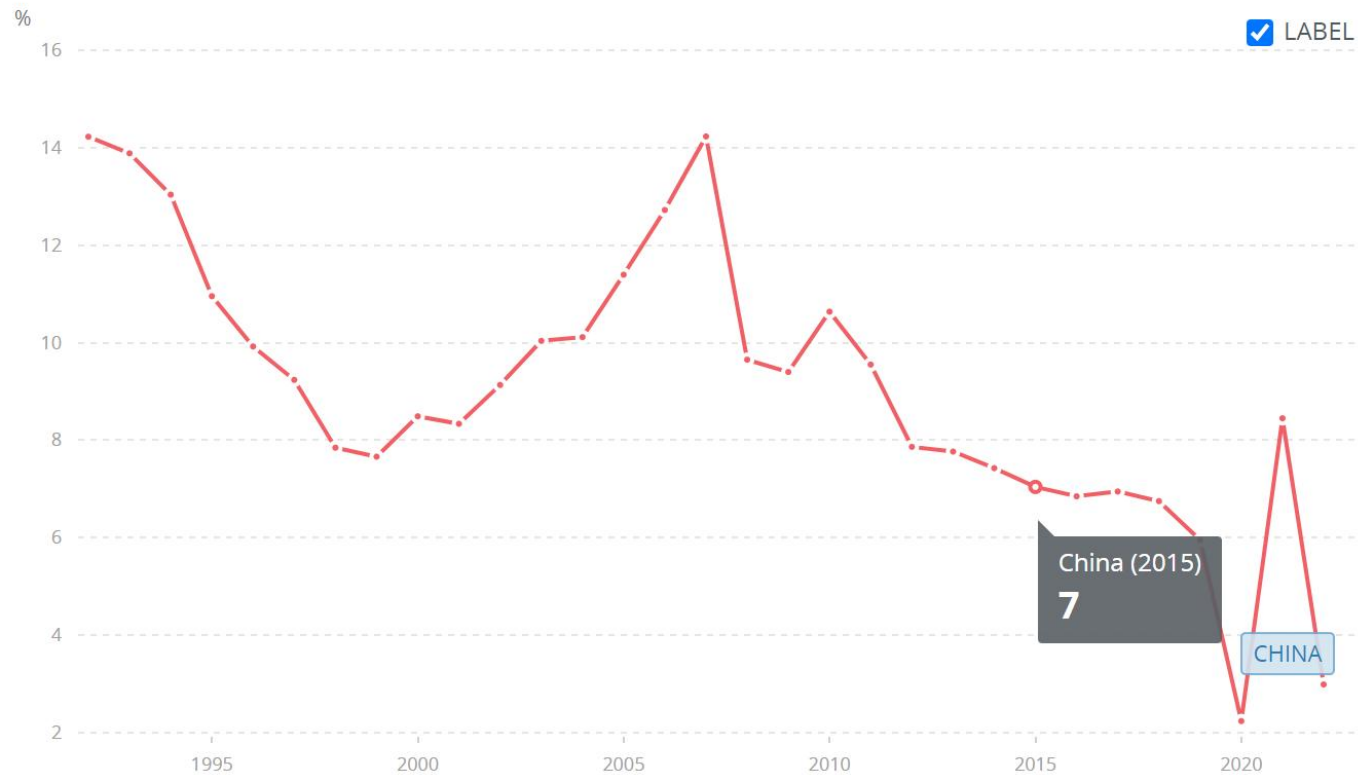
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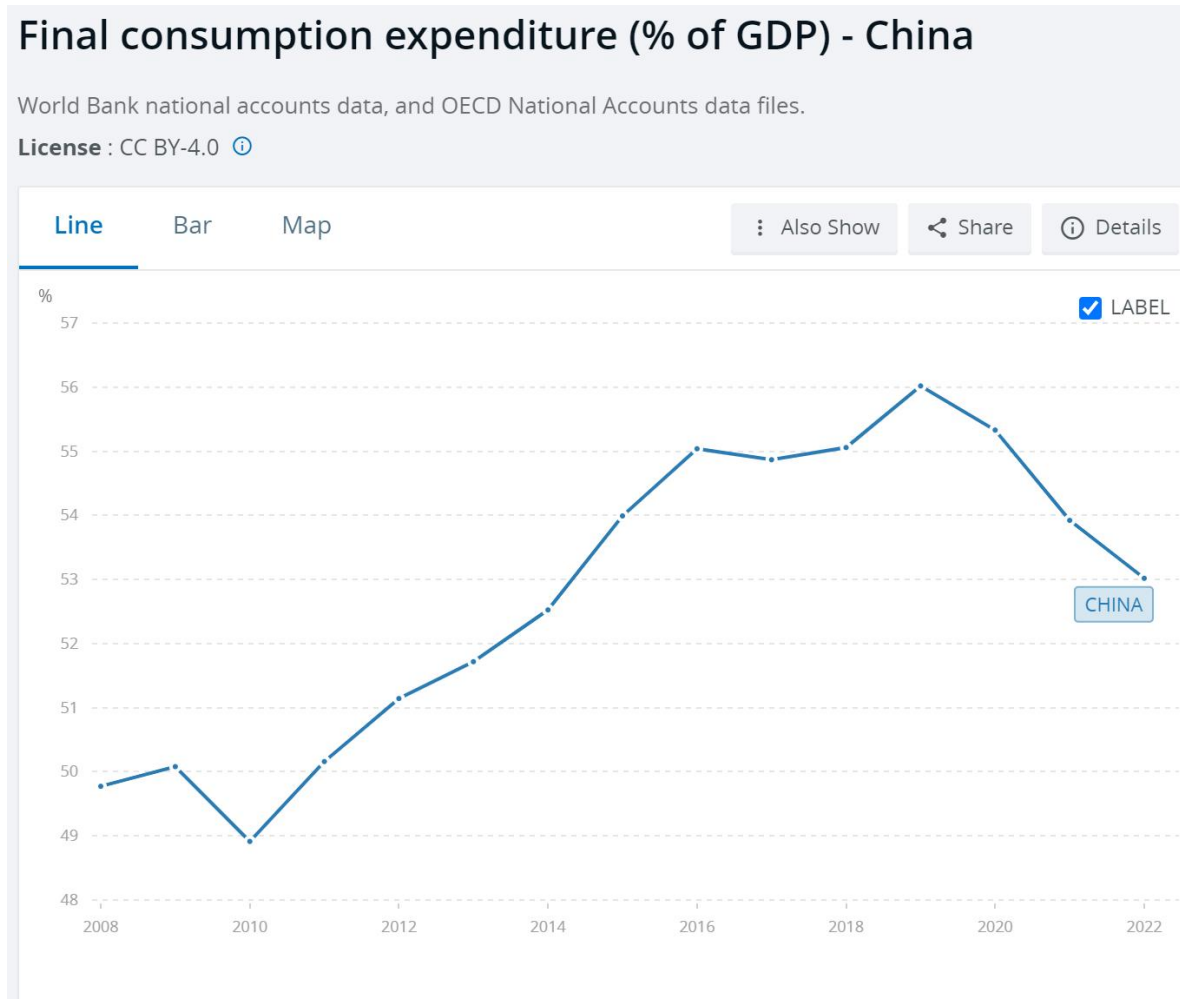
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The transition to consumption-led growth has not succeeded yet



The possible explanations for the structural changes

- The pandemic has had significant impact on the income and expenditure of households
- The regulatory reforms in the real estate, online education, Internet service industries created huge disruptions, especially on consumptions
- The decline of population has caused unexpected remarkable psychological influence on Chinese consumers
- The collapse of housing market has negative impact on almost everything including government revenue and spending, personal consumption, investment.
- The growing security concerns over external pressure and threat result in even more emphasis on the production and supply side, in particular the development of manufacturing

The share of manufacturing has been rising again with significant global implications

Manufacturing, value added (% of GDP) - China

World Bank national accounts data, and OECD National Accounts data files.

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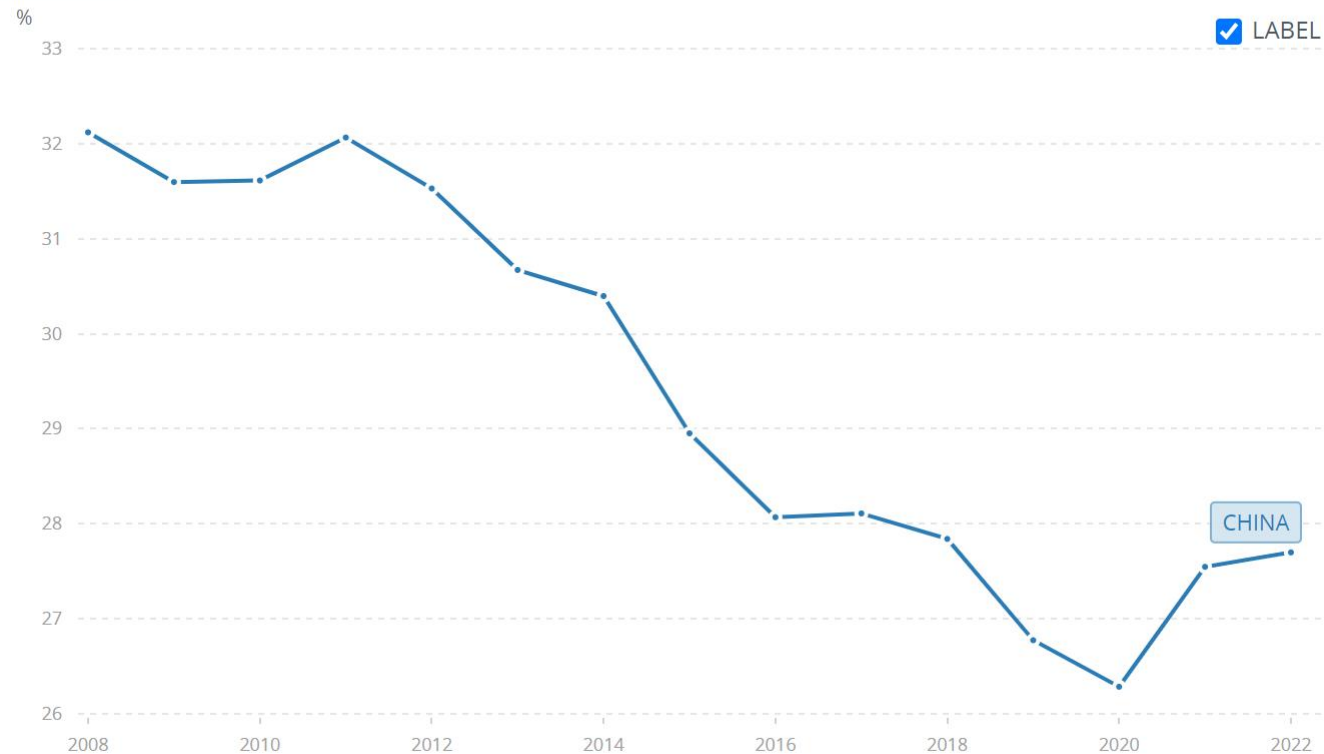
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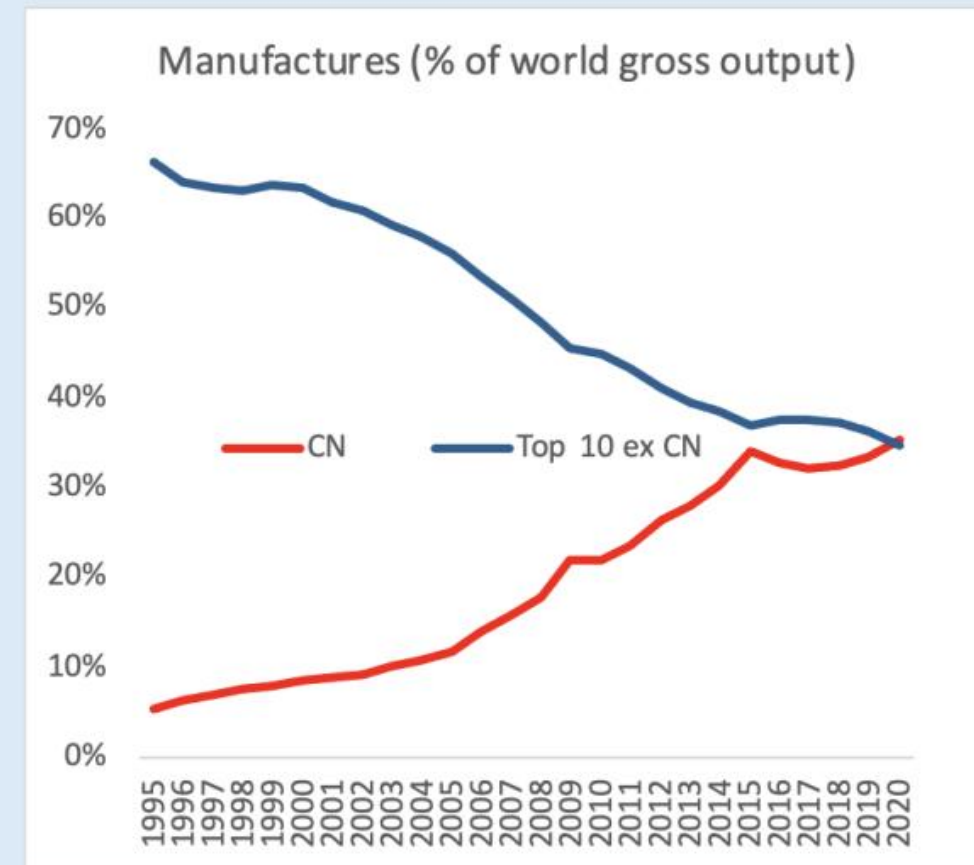
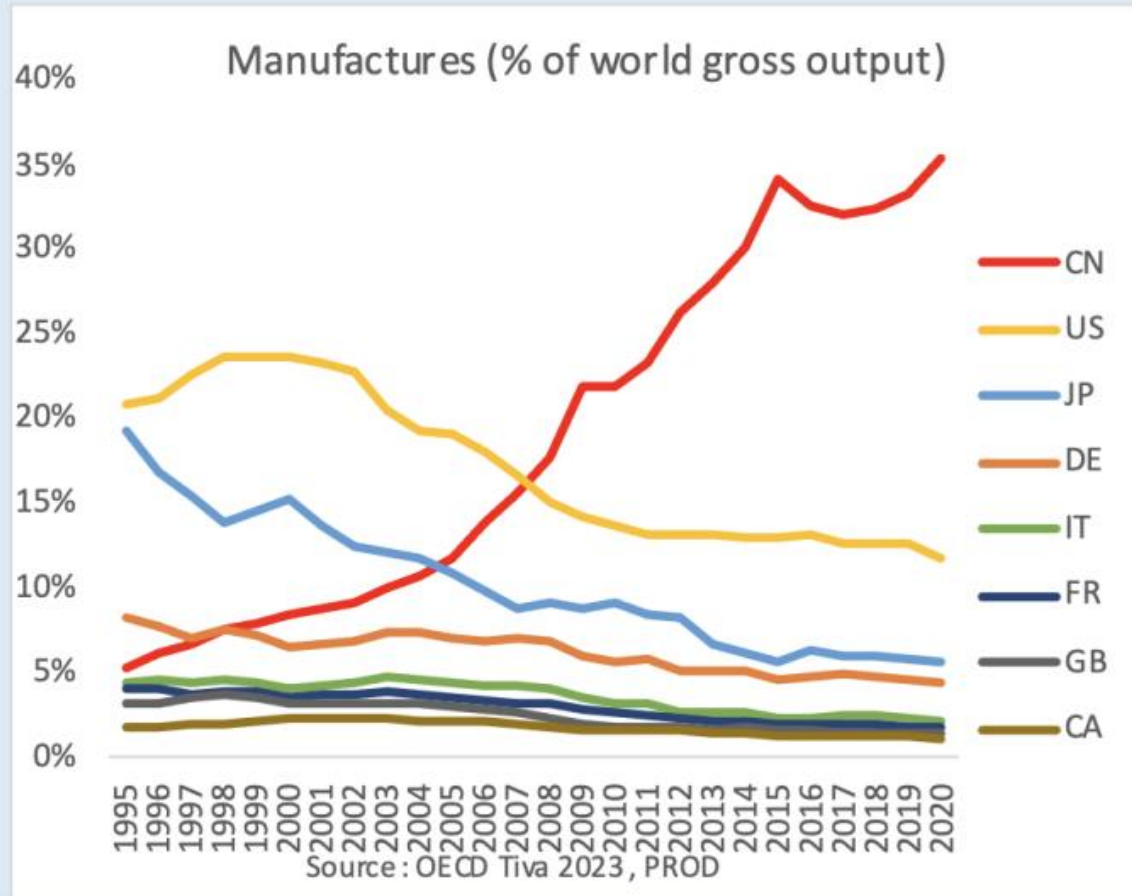
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World shares of gross production

G7 shares declined sharply (gross production)

China's share rose sharply (gross production)



The importance of trade for China has been declining for years, but rebounding recently

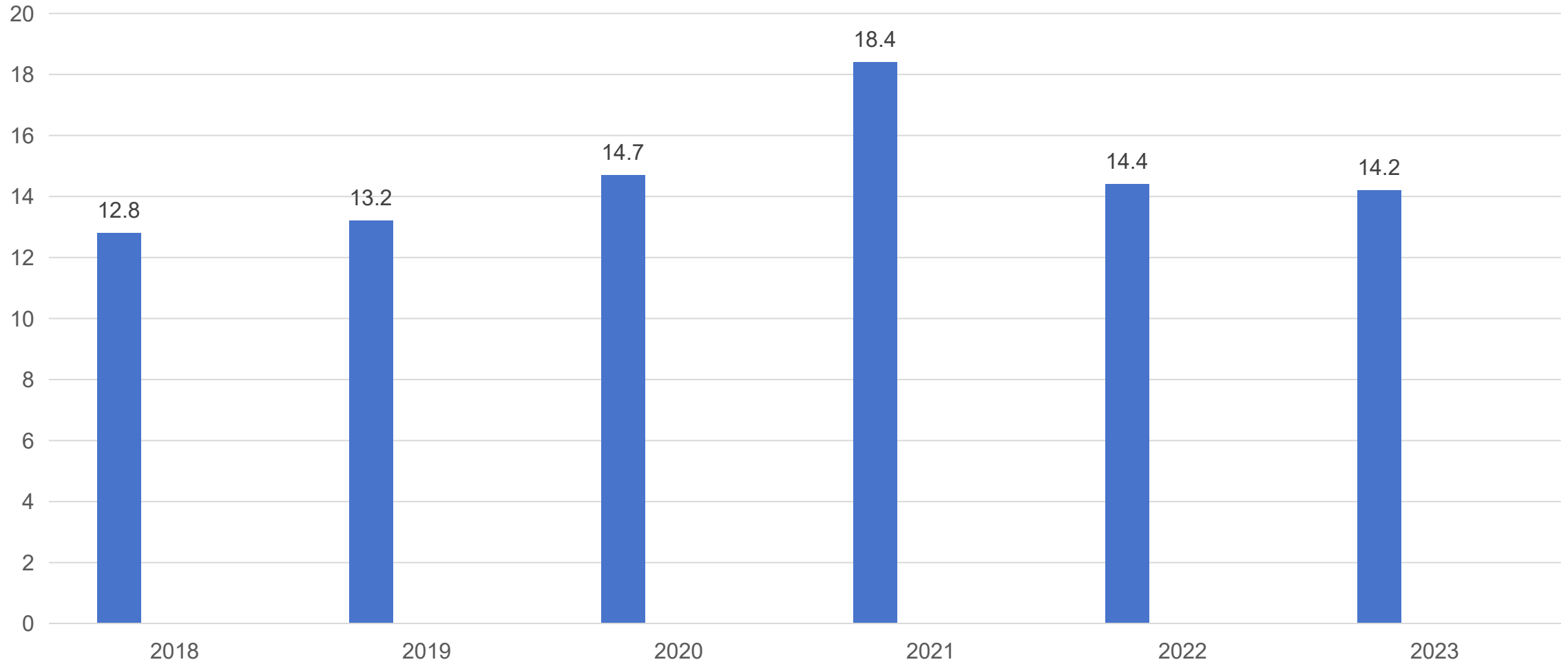
Merchandise trade (% of GDP) - China

World Trade Organization, and World Bank GDP estimates.

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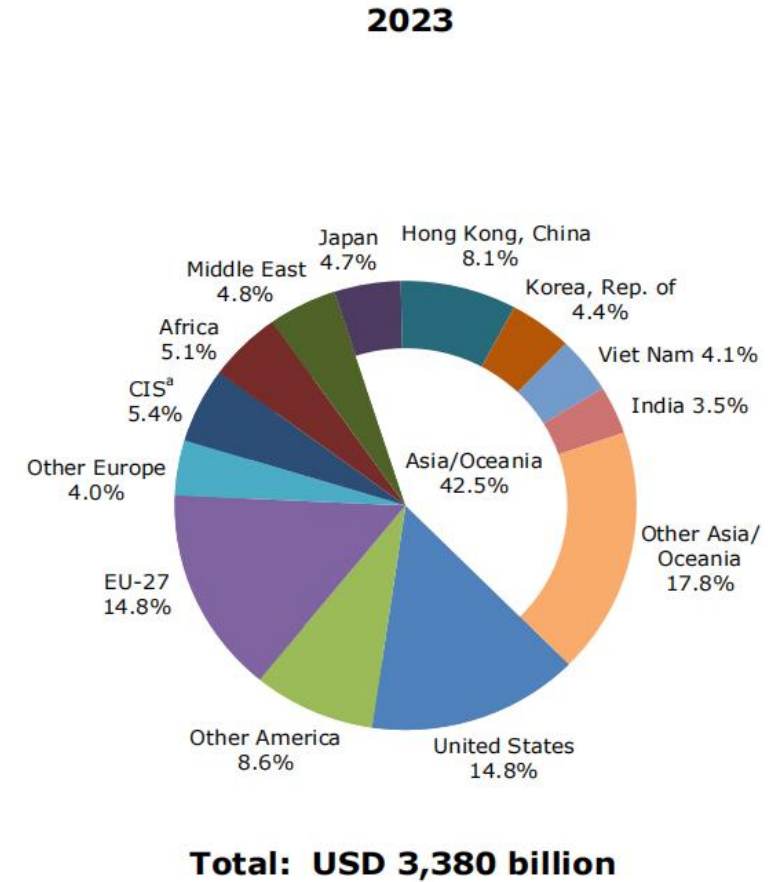
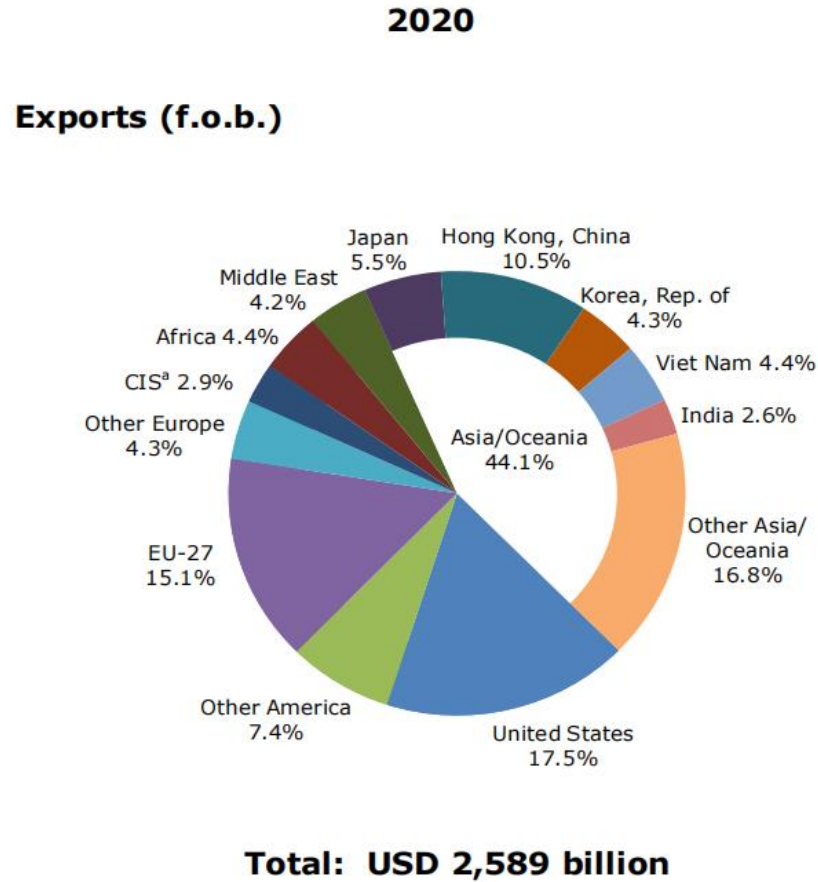


The share of China in world merchandise exports has been relatively steady despite some unexpected shocks



A geographical structural change is happening

The share of Big Four has declined from 48.6% to 42.4%



China has been gradually promoting opening-up in the last years

- Further reducing tariffs: the overall tariff level of China has dropped to 7.3%, far lower than China's WTO accession commitment of 9.8%.
- China is not an active user of trade remedies with only three antidumping investigations in the last three years in comparison to 107 of the US, 104 of India.
- Improving trade facilitation: in December 2022, the average overall customs clearance time for imports and exports in China decreased by 67.13% and 91.60% from those in 2017 to 32.02 hours and 1.03 hours respectively.
- Relaxing data flow regulation: In March 2024, China issued the Provisions on Promoting and Regulating the Cross-border Flow of Data, which optimizes and adjusts the data export regimes
- Easing market access for foreign investment: China abolished the market access restrictions in automobile manufacturing, and realized zero restriction in the negative list for foreign investment access in the field of manufacturing
- Optimizing the policies on visa and foreigners' stay and residence: offering unilateral visa-free policy to dozens of countries

China still cherishes the rules-based international trading system

- In September 2023, a group study session was held by China's top leadership on "WTO Rules and WTO Reform", during which President Xi Jinping emphasized that China firmly safeguards the WTO
- China submitted and co-sponsored dozens of proposals to modernize the WTO. China played a positive role in driving and facilitating negotiations and discussions through proposals covering fisheries subsidies, agriculture, investment facilitation, e-commerce, development, and trade and environment, etc.
- As a responsible developing Member, China pushed for pragmatic outcomes on development issues at MC13 by building bridges.
- China made new achievements in FTA negotiations including RCEP, FTAs with Cambodia, Ecuador, Nicaragua, Serbia, and Belarus.

Overcapacity and industrial policy

- Overcapacity is not a new phrase which was often used by the Chinese government to alleviate the pressures on SOEs in face of fierce competition from private companies in selected sectors such as textile, steel, electrical appliance, shipbuilding, coal, automobile
- The problem of overcapacity does not mean that the whole industry has overproduction but the capacity of the outdated and uncompetitive companies is yet to be cleared sometimes because of government interventions
- Periodical excessive investment and production is unavoidable when an industry is at both the rise and demise stages because there will be a transition from old to new technology
- In the new energy sectors, the issue of overcapacity is actually caused by the changing international competition scenario between leaders and followers