

Where is China in the Knowledge Race?

From the perspective of International Trade

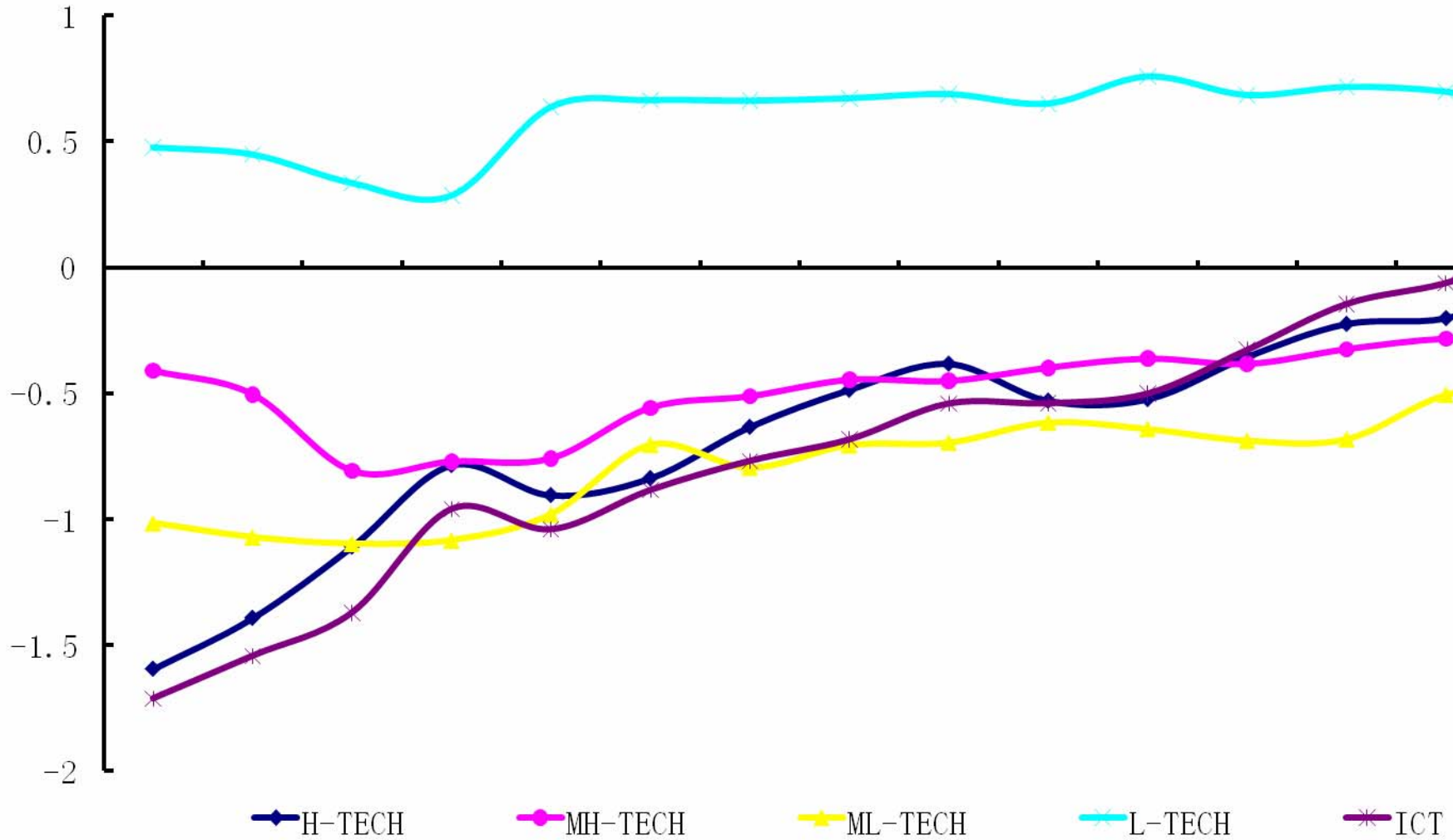
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The Competitiveness of international trade of China in the World Market

- The competitiveness comes from specialization
- The competitiveness comes from quality and variety

Specialization Index(RC index) : China VS Japan 1990-2004



Average Real Competitiveness Index :China VS Japan and Korea 1990-2004

Manufacturing Industries	Janpan	Korea
Textile ,Clothes	1.17	4.17
Leather, Shoes	0.14	0.19
woods and furniture	0.63	0.76
Rubber products	0.23	0.26
OIL related PRODUCTS	0.19	0.33
NON-FERROURS related PRODUCTS	0.18	0.21
Transport equipment	0.01	0.15
Electronic equipment	0.08	0.09

Sources of trade specialization competitiveness for China

The most important three factors

- Low labor cost
- FDI
- Exchange rate policy

Challenges

- Low profit margin and welfare of the workers
- Environmental damage
- Terms of trade becomes worse
- Problems of International payment balance
- More trade disputes with other countries

How to be competitive in the future for China?

- Growth model transition
- Put more money into education and R&D
- More import from other countries
- FDI policy
- Other Institutional factors