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# Trade Liberalization and Income Distribution Policy

## 贸易自由化和收入分配政策

*Articles in our Policy Forum series are commentaries on current political issues. They reflect the opinion of the authors and – although researched to our best knowledge – are not scientific papers. If there are CFDS papers on related issues, they will be referred to in the text.*

In the late 1970s, China started the path of economic reforms. China first established four Special Economic Zones in 1980 and Economic and Technical Development Zones in fourteen coastal cities in 1984. In order to attract foreign direct investment (FDI) and to encourage the development of a manufacturing export sector, the government allowed capital import with the ultimate goal to generate spillovers of management skills and technology. Outside of these zones, the government permitted the import and licensing of new technologies and capital goods to improve existing domestic enterprises. At the same time, the Chinese government reduced tariffs and non-tariff barriers on a unilateral basis and extended direct trading rights to more firms, finally allowing China to become a member of the World Trade Organization (WTO) at the end of 2001.

20 世纪 70 年代末，中国开启了改革开放之路。中国最早在 1980 年建立了四个经济特区，并于 1984 年在 14 个沿海城市建立了经济技术开发区。为了鼓励外国直接投资 (FDI) 的进入和制造业出口部门的发展，政府允许引进资本、管理技能和技术。在这些区域之外，政府允许新技术和资本货物的进口或许可，以促进现有的国内企业的发展。与此同时，中国政府单方面降低关税和非关税壁垒，使更多的企业拥有直接贸易权，最终促成中国在 2001 年底加入世界贸易组织 (WTO)。

自 2001 年中国加入世贸组织以来，贸易自由化极大地提高了经济的开放程度。例如，2019 年贸易 (进出口) 总额为 31.54 万亿元。(其中出口 17.23 万亿



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Since China joined the WTO in 2001, trade liberalization has significantly increased the openness of the economy. For example, in 2019, the total trade volume (imports and exports) was 31.54 trillion Yuan. (The exports were 17.23 trillion Yuan, and imports were 14.31 trillion Yuan). This corresponds to about 35% of GDP in that year (Figure 1).

元，进口 14.31 万亿元)。这占当年 GDP 的大约 35%(图 1)。

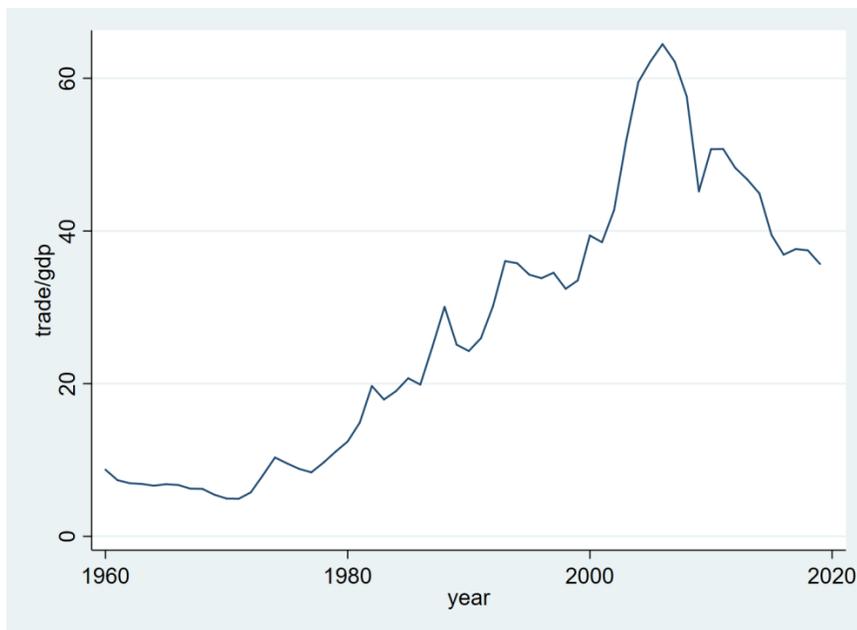


Figure 1: Trade (% of GDP)

The impact of trade liberalization or globalization has promoted the development of the global economy as a whole, but also caused the aggravation of inequality to some extent. Some Chinese regions benefited a lot from trade liberalization compared to other regions, which were less exposed to international trade and foreign investment. Over the past 40 years, the income per capita in China has increased nearly ten-fold. However, China's economic development disparity has also been growing through the period of reform and opening up. The data shows that the disparity of GDP per capita among the Eastern, Central, and Western zones in China is very prominent (Figure 2). The widening income gap not only threatens China's sustained economic growth, but also leads to an increase in social instability. Narrowing the income gap is of great social significance.

贸易自由化或者全球化在国际上的影响，整体促进了全球经济的发展，但也在某种程度上加剧了全球的不平等。由于中国各地区对国际贸易和外国投资的敞口不同，贸易自由化对中国各地区收入分配的影响也可能不同。在过去的 40 年里，中国的人均收入增长了近 10 倍。然而，改革开放以来，中国的经济发展差距也在不断扩大。数据显示，中国东、中、西部地区的人均 GDP 差距非常突出(图 2)。收入差距的扩大不仅威胁着中国经济的持续增长，也加剧了社会的不稳定。缩小收入差距具有重要的社会意义。

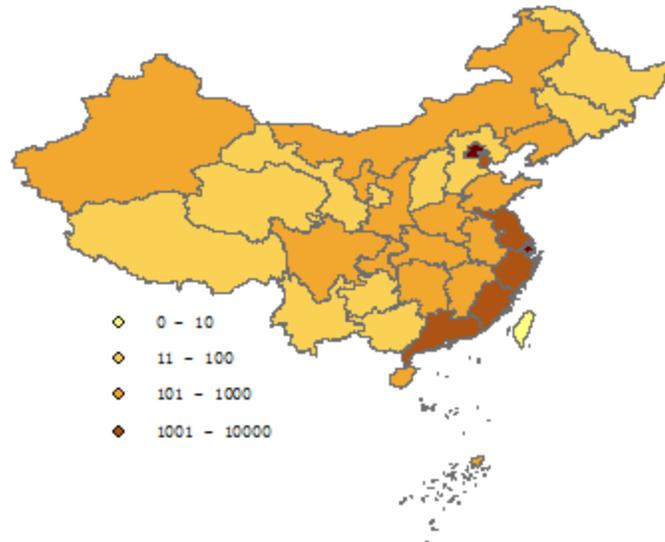


Figure 2: GDP per Capital (Unit: CNY)

The geographical concentration and inequality of the impact of trade on income within a country depend largely on the extent to which the region is affected by imports and exports. Exporters can be differentiated into direct exporters, which match with foreign markets directly, and indirect exporters which export through a trade intermediary. Both direct (top of Figure 3) and indirect exporters (bottom of Figure 3) within China are mainly located at coastal areas. Therefore, trade liberalization is bound to have different effects on regional income inequality.

贸易对一国收入影响的地域集中程度和不平等程度，在很大程度上取决于该地区受进出口影响的程度。出口商可以分为直接出口商（与国外市场直接匹配）和间接出口商（通过贸易中间商进行出口）。通过数据观察中国境内出口商的分布（直接出口商（图3上）和间接出口商（图3下）），可以发现，大多数出口商都位于沿海地区。因此，贸易自由化对区域收入不平等的影响不同也不足为奇。

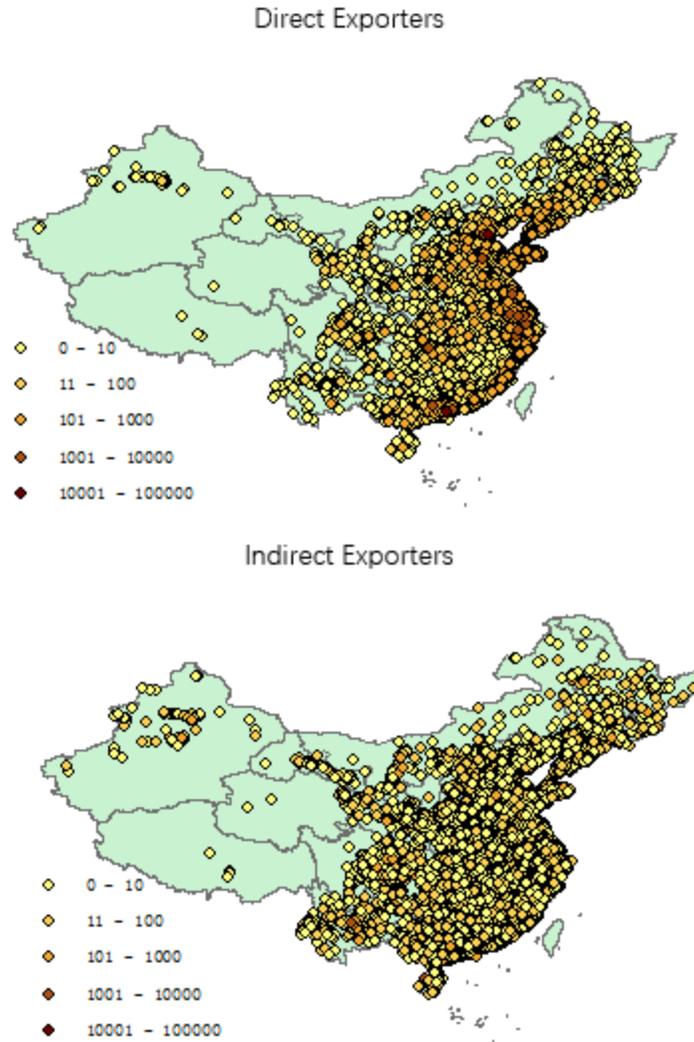


Figure 3: Distribution of Direct and Indirect Exporters (Unit: thousand CNY)

Since 2003, the Chinese government has implemented a series of policies to reduce the income gap, among them benefits for farmers, rural development policies, poverty alleviation policies, and income security policies. These policies have played a certain role in narrowing the income gap between urban and rural areas, which led to a slight narrowing of the national income gap. However, it should also be noted that China's income distribution gap is still a big problem. Fair and reasonable income distribution order has not been fully established. In particular, as global growth has slowed, advanced economies, particularly the US, have significantly reduced

自 2003 年以来，中国政府实施了一系列缩小收入差距的政策，例如惠农政策，农村发展政策，扶贫政策和收入保障政策。这些政策应该说发挥了一定的作用，使得城乡之间收入差距缩小，然后使全国的收入差距略有缩小。但是，还应该看到，中国的收入分配差距仍然是一个大问题，公平合理的收入分配秩序还没有完全建立。特别是随着全球经济增长放缓，发达经济体，尤其是美国，大大减少了对国际贸易自由化的进一步支持。美国总统特朗普为了减少美

further support for international trade liberalization. Almost immediately after his election, US president Trump initiated a trade war hoping reduce the US trade deficit with China. During the trade war, US investment in China was relatively stable, at about \$1.3 billion a year, but Chinese investment in the US plummeted. It fell from a peak of \$54 billion in 2016 to \$9.7 billion in 2018 and just \$2.5 billion in the first half of 2019. In addition to the concerns that the trade war has caused for Chinese companies, increased scrutiny of their investments in the US and China's restrictions on capital outflows have all contributed to the sharp drop in investment. Therefore, the trade war will inevitably lead to changes in the pattern of development and employment in China, which in turn will lead to changes in the pattern of income distribution. Some income distribution problems hidden by the high economic growth in the past may be exposed at this stage.

At the present stage, it is urgent to implement and accelerate the income distribution reforms to narrow down the income gap. However, we need to be aware of its difficulties: For example, how to continuously increase the income of the low-income population? How to expand the size of the middle-income group? How to adopt effective policy measures to adjust high income? At the same time, we need to be aware of the recent lower economic growth and the changes in China's economic structure. Labor-intensive industries were transformed into technology-intensive and capital-intensive industries, and the employment structure of the labor force changed from low-skilled to high skilled labor. Keeping in mind the above discussed economic changes and policy goals, it would be favorable for provincial governments outside the coastal areas to support the development of export-oriented enterprises leading to increased local capital and labor demand and promoting regional productivity. In the long run, it may reduce the income gap.

国对中国的贸易逆差发起贸易战。在贸易战期间，美国对华投资相对稳定，维持在每年 130 亿美元左右，但中国对美国的投资则锐减。中国对美投资从最高峰 2016 年时的 540 亿美元，在 2018 年滑落至 97 亿，到 2019 年上半年则仅有 25 亿。除了贸易战导致中国企业有所顾虑外，美国对中资企业的愈趋严格的投资审查，以及中国对资本外流的限制，都是投资量大幅缩水的原因。因此，贸易战将不可避免地导致中国企业发展以及就业方式的变化，进而导致收入分配方面的变化。过去经济高速增长阶段所隐藏的一些收入分配问题可能会暴露出来。

在现阶段迫切需要树立加快收入分配制度改革的紧迫意识，深刻认识到只有加快改革才能巩固已经取得的缩小收入差距成果并达到预期目标，否则就会前功尽弃，甚至会引发严重的社会矛盾。当我们思考中国收入分配制度改革时要意识到所面临的难题，譬如，如何持续地提高低收入人群收入？如何扩大中等收入群体的规模？如何采取有效的政策措施调节高收入？同时我们也要注意中国经济进入新常态，经济增长速度区间下移，经济结构发生更大改变，劳动密集型产业转变为技术密集型和资本密集型产业，也是低技能劳动力为主的就业结构向高技能劳动力为主的就业结构转变。除了收入分配和再分配政策的考量，就贸易对经济发展的重要性而言，考虑到出口企业的劳动力构成和地理分布，缩小收入差距的政策改革可以考虑在内陆省份部分发展出口导向型企业，这不仅可以增加当地的资本，劳动力需求，也会促进当地生产力的提高，从而缩小收入差距。

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