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To Xinhua, Jing and Bo

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Preface

This book is an empirical analysis of the impact of China's recent economic reforms on the commodity patterns of trade and structure of international comparative advantage. It originated from the doctoral dissertation I completed five years ago at the Australian National University (ANU). The study was undertaken out of a strong feeling of the need to understand how foreign trade and domestic industries have interacted with each other in an era of fundamental economic transformation. The original work covered the first decade of China's reforms up to 1987. However, the rapid growth and structural changes that have taken place in the Chinese economy and the radical reforms introduced since 1987 warranted a thorough updating and revising of the original analysis. In this book, I have extended the investigation to include the second decade of the reform period up to 1995–6. The results have confirmed the findings of the original study and shed some new light on the impact of the reforms on China's dynamic foreign trade and comparative advantage structure.

This study would not have been possible without the help and encouragement I have received from numerous people over the years. First, I would like to express my deepest gratitude to the members of my dissertation committee, Peter G. Warr, Ross Garnaut, Rodney E. Falvey and David Wall for their advice at every stage of my dissertation. The original study also benefited from intellectual support from several other people, in particular, Will Martin, K. P. Kalirajan and Frances Perkins through helpful discussions at various stages of the research. I benefited also from Thomas Rawski, who made a careful reading of an early draft and gave invaluable and constructive comments. The thesis could not have been undertaken without financial assistance from the National Centre for Development Studies. I am particularly appreciative of the support of Helen Hughes, the executive Director of the Centre, during the years I spent there. The help of other staff members and my fellow students in the ANU is also gratefully acknowledged.

As this research relies heavily on the quality of quantitative data, without the help of those people who provided the data, the research would not have proceeded. I am most grateful to Dai Guoqing for providing China's price data at a very early stage of this research and the other officials and the academics whom I contacted directly or indirectly in various government departments, research institutes or universities in China for assisting me with data collection. Thanks also go to Prue Phillips for providing access to the international trade data at the International Economic Data Bank of the ANU.

Since I began updating the original study and rewriting it as a book early this year, many people have helped me. Among them, I would like to express my special gratitude to Zheng Yuxin, Wang Li and Ma Gang of the Institute of Quantitative and Technical Economics (IQTE) at the Chinese Academy of Social Sciences, who provided some of the latest trade and price data and introduced me to the Chinese State Statistical Bureau and some other government departments.

I have also benefited immensely from the critical and constructive comments that Nicholas R. Lardy, Kenneth Clements and Yun-Wing Sung made on my original dissertation. In addition, Fan Mingtai of the IQTE, who visited the Department of Economics in the first half of 1998, helped me with analyzing some of the empirical results. In the past few years, some of the results of this study were presented in a number of seminars at the University of Melbourne, Monash University and the ANU. The comments that I received from seminar participants helped me further clarify some of the basic ideas, which was very useful in preparing this book; the financial support I received through a research grant from the Economics and Commerce Faculty of the University of Melbourne has facilitated this. Thanks are also due to Maree Tait and Dayaneetha De Silva for their editorial assistance, to my commissioning editor at Macmillan, Sunder Katwala, for guiding the manuscript to publication and Peter Nolan for including this book in the series *Studies in the Chinese Economy*.

Finally, my greatest debt goes to my wife, Li Xinhua, whose understanding and constant support have contributed enormously to the completion of this study. I owe a great deal to my family who have not only supported but also actually assisted me in this endeavour in many ways. Therefore, it is to my wife, Xinhua, and our two children, Jing and Bo, that this book is dedicated.

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XIAO-GUANG ZHANG

List of Acronyms and Abbreviations

ACFB	Almanac of China's Finance and Banking
ACFERT	Almanac of China's Foreign Economic Relations and Trade
ANU	The Australian National University
AQP	above-quota procurement price
CCP	Chinese Communist Party
CICNEA	China's Industrial Classification of National Economics Activities
c.i.f.	cost, insurance, freight
CRS	contract responsibility system
DRC	domestic resource cost
DRP	domestic resource productivity
ERR	effective exchange rate
EIR	export-import ratio
EPR	export performance ratio
ER	exchange rate
FDI	foreign direct (or direct foreign) investment
FESC	Foreign Exchange Swap Centre
f.o.b.	free on board
FTC	foreign trade corporation
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
HCDCS	Harmonized Commodity Description and Coding System
H-O	Heckscher-Ohlin (model)
IEDB	International Economic Data Bank
IPR	import performance ratio
IRR	internal rate of return
MAP	market-adjusted price
MKP	market procurement price
MOA	Ministry of Agriculture
MOFEC	Ministry of Foreign Trade and Economic Cooperation
MOFERT	Ministry of Foreign Economic Relations and Trade
MOFT	Ministry of Foreign Trade
NEPR	net export performance ratio
NGP	negotiated procurement price
NPV	net present value
NRP	nominal rate of protection
NSP	net social profitability
OLS	ordinary least squares
PPP	purchase power parity
R&D	research and development
RMB	Renminbi

SACP	State Administration of Commodity Prices
SCO	Special Commissioner's Offices
SEZ	Special Economic Zone
SGP	state-guide price
SITC	Standard International Trade Classification
SLP	state-list procurement price
SMP	social marginal productivity
SPC	State Planning Commission
SSB	State Statistical Bureau
SSTC	State Science and Technology Commission
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WLS	weighted least squares
WTO	World Trade Organization

Abbreviations used in tables

-	negligible
..	not available
na	not applicable