



Ideas have power

China embraces globalisation

Kolbermoor, 18 September 2018

Margit Molnar
Head of China Desk, OECD



Overview: China and globalisation in the New Era following the 19th Party Congress

Where does China stand in terms of globalisation and where is it coming from?

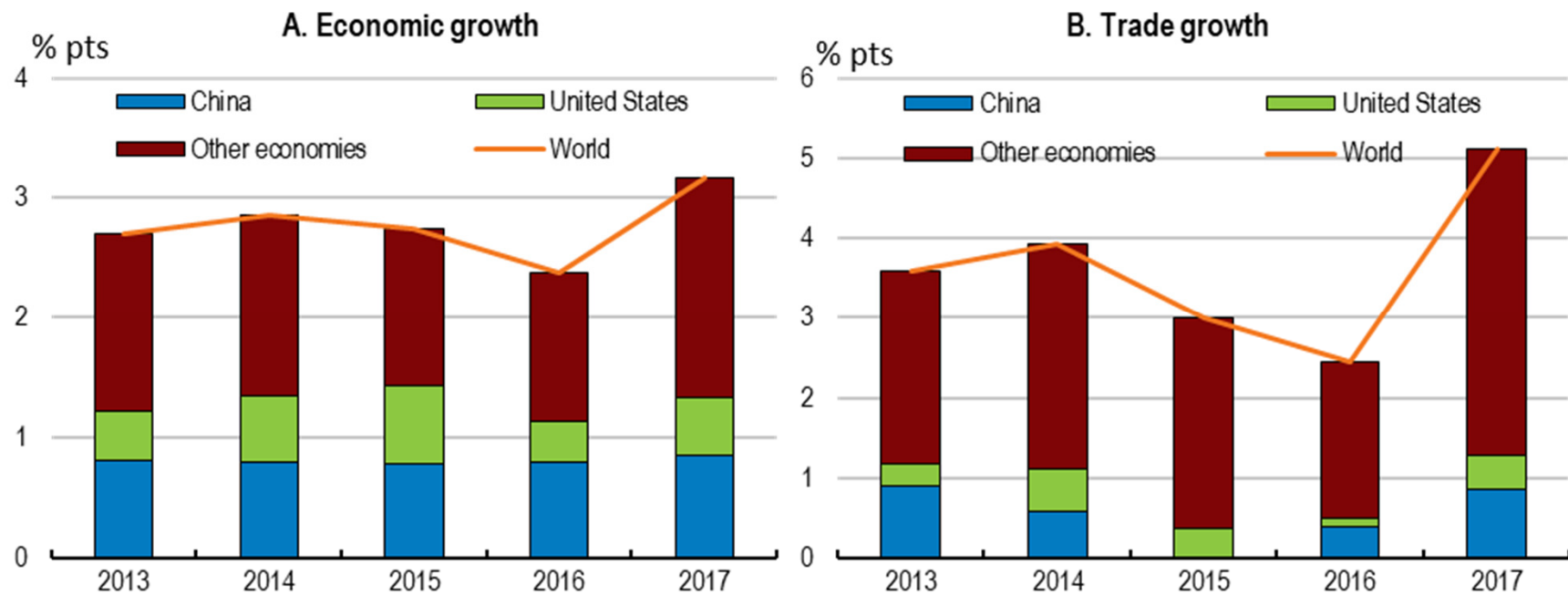
External exposure through

1. trade,
2. global value chains and FDI,
3. Outward investment and
4. financial linkages



China's recent contribution to global activity is larger than that of the United States

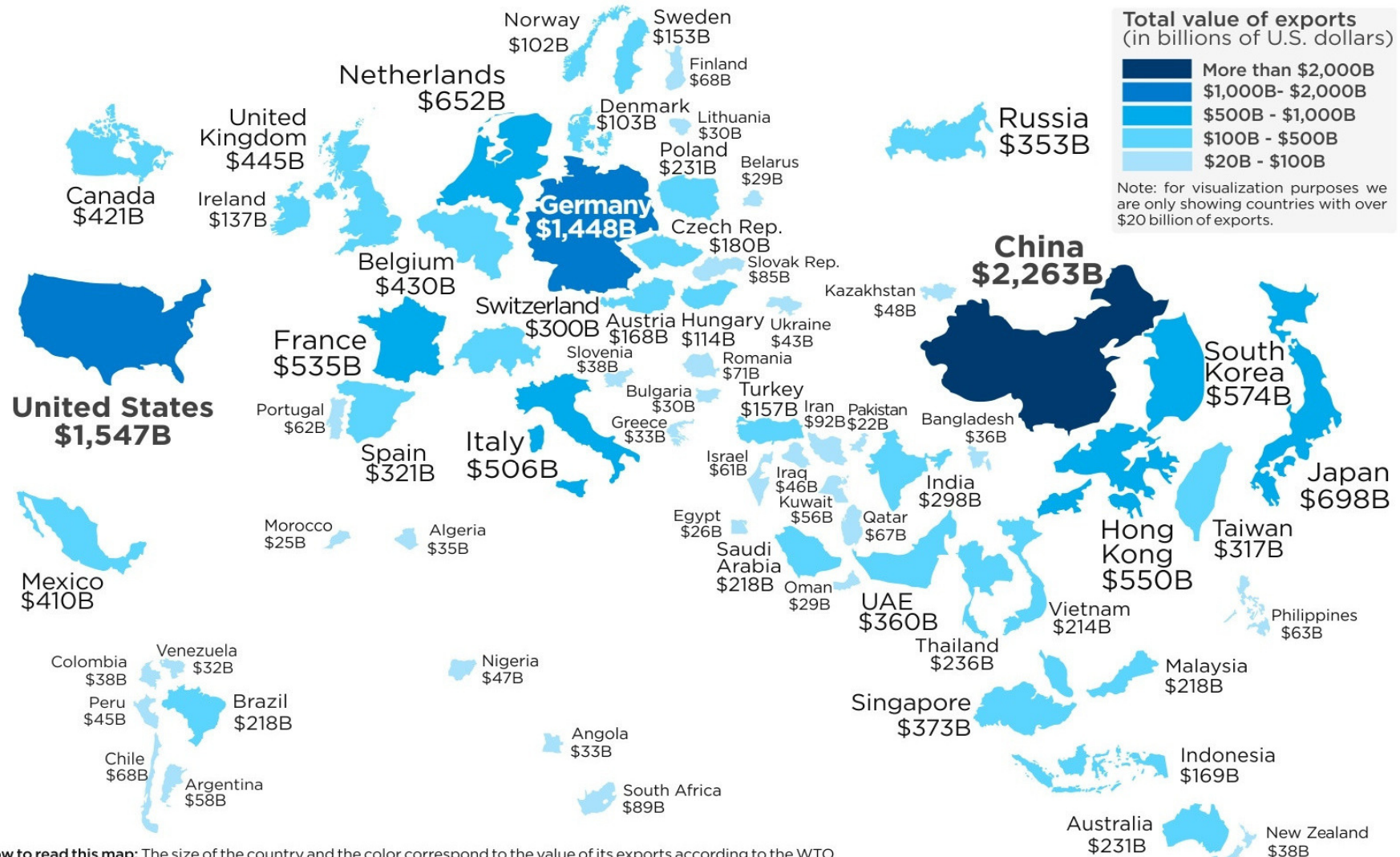
Contributions to global GDP and trade growth



Source: OECD Economic Outlook, September 2018.



1.1. China is now the largest exporter followed by the United States and Germany (2017)

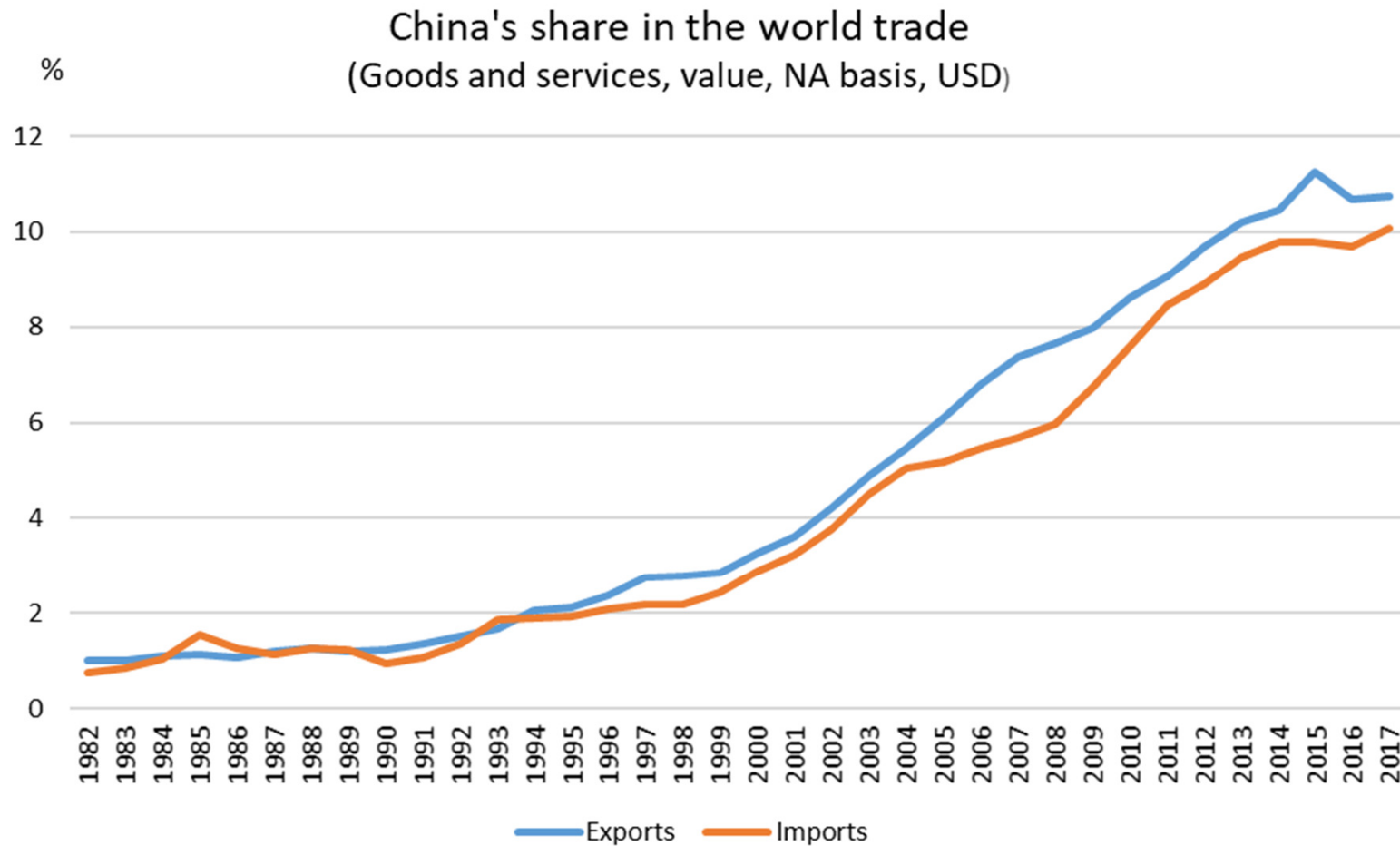


How to read this map: The size of the country and the color correspond to the value of its exports according to the WTO.

Article & Sources:
<https://howmuch.net/articles/largest-exporting-countries-2017>
<https://www.wto.org>



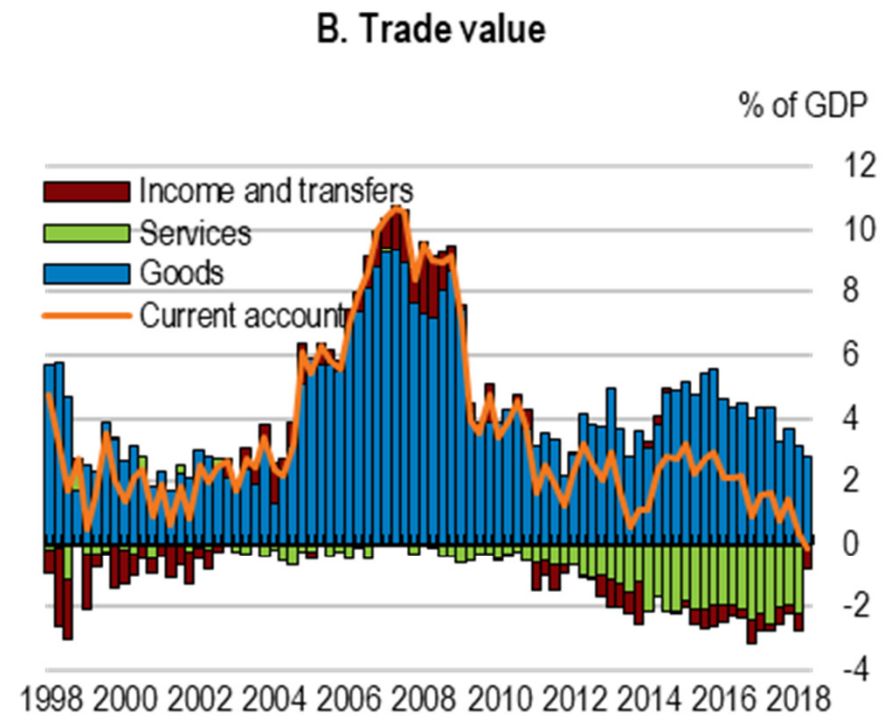
1.2. Opening up to trade 1982-2017



Source: OECD Economic Outlook database.



1.3. Exports and imports have sharply slowed

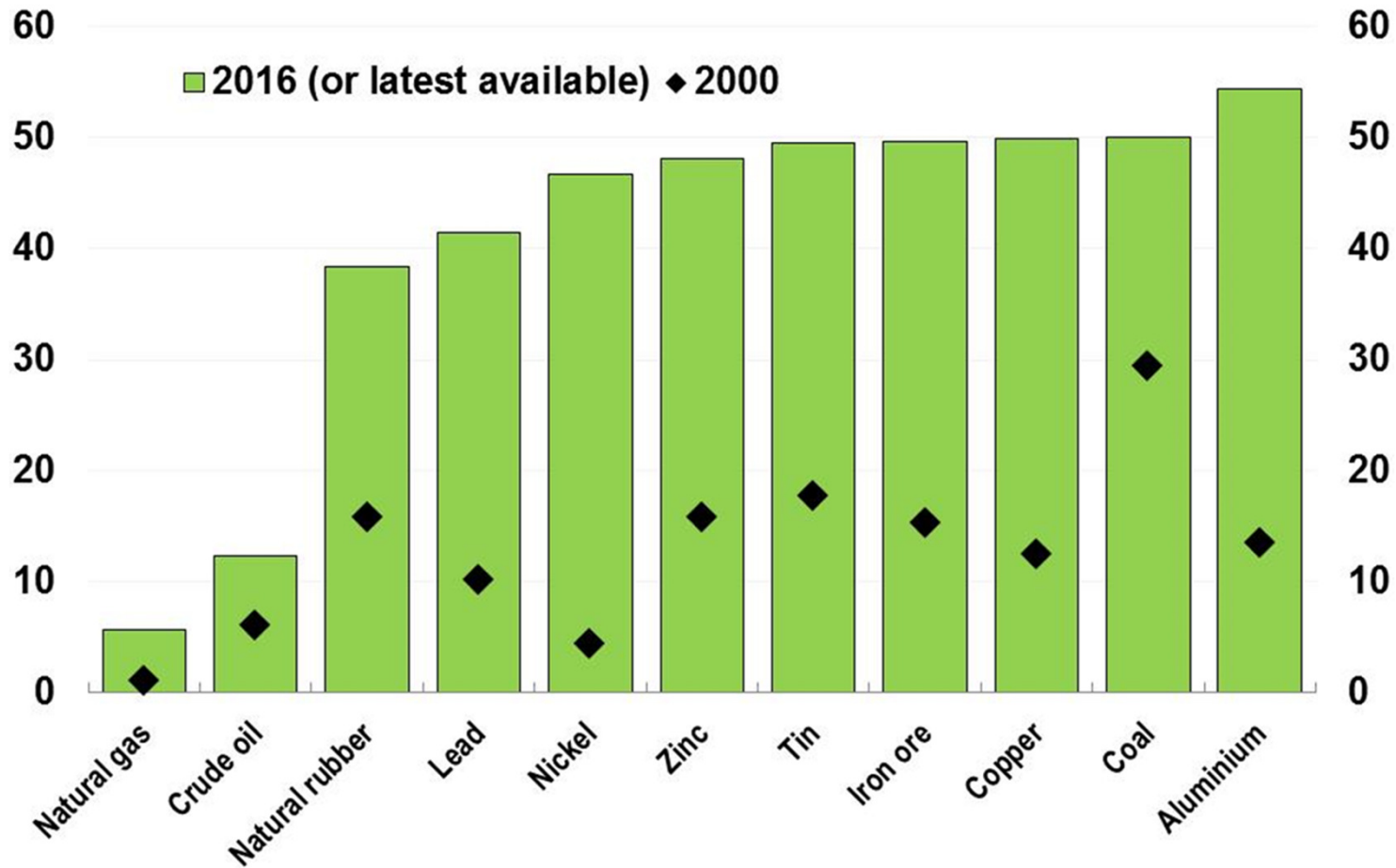


Note: Trade volumes are seasonally adjusted 3-month moving average growth rates.
Source: CEIC



1.4. China's production is highly commodity-intensive

China's share of commodity demand



Source: World Bank; International Energy Agency; and OECD calculations.



2.1. Integration and “deintegration” into global value chains

China’s high growth is fuelled by rapid expansion of the production base by foreign enterprises producing for exports

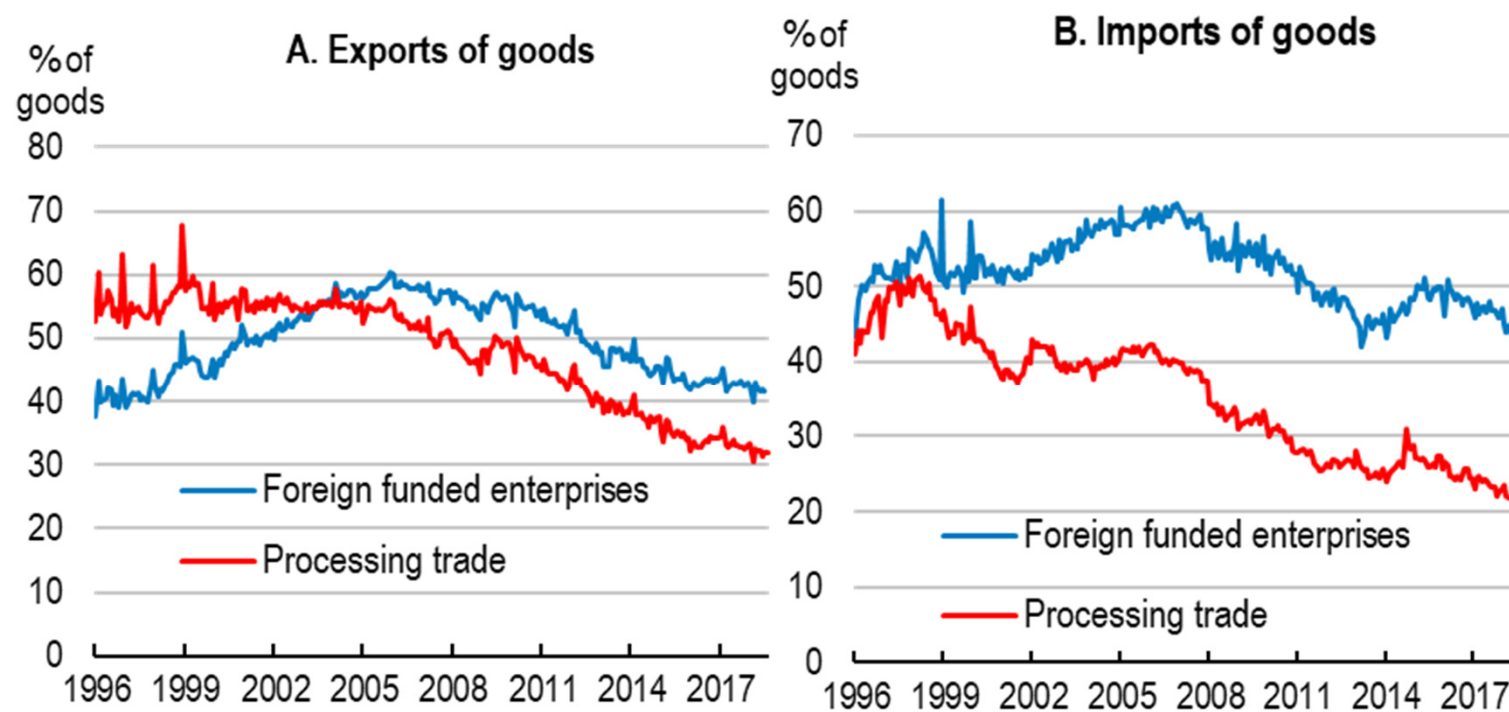
Foreign-invested firms contributed little to the soaring trade surplus as they imported a lot of parts and components

The soaring trade surplus in the 2000s is mainly attributable to private firms using domestic inputs

The SOE sector is a net importer as they import oil and other resources



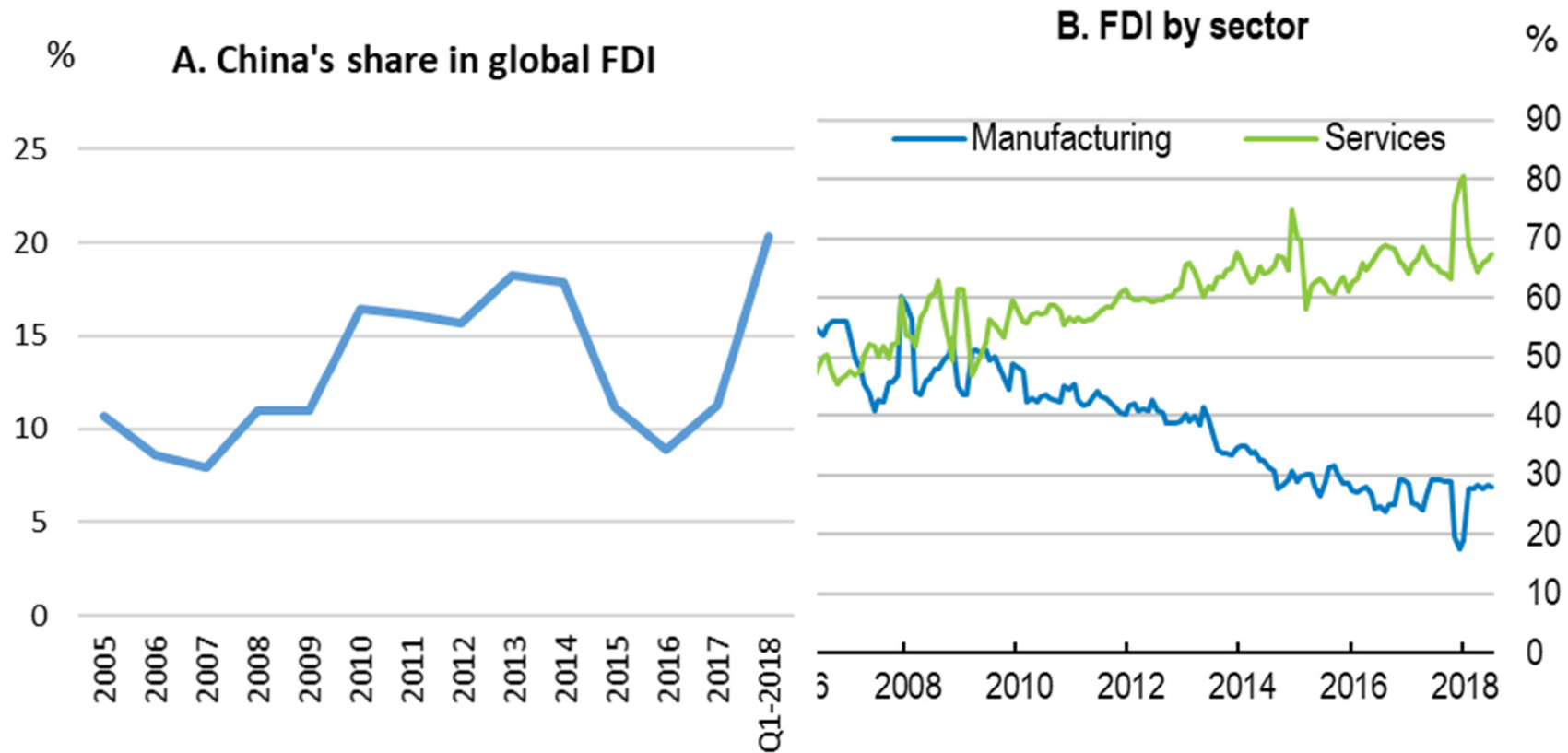
2.2. The role of processing trade is diminishing



Source: CEIC



2.3. China is still an attractive destination for FDI



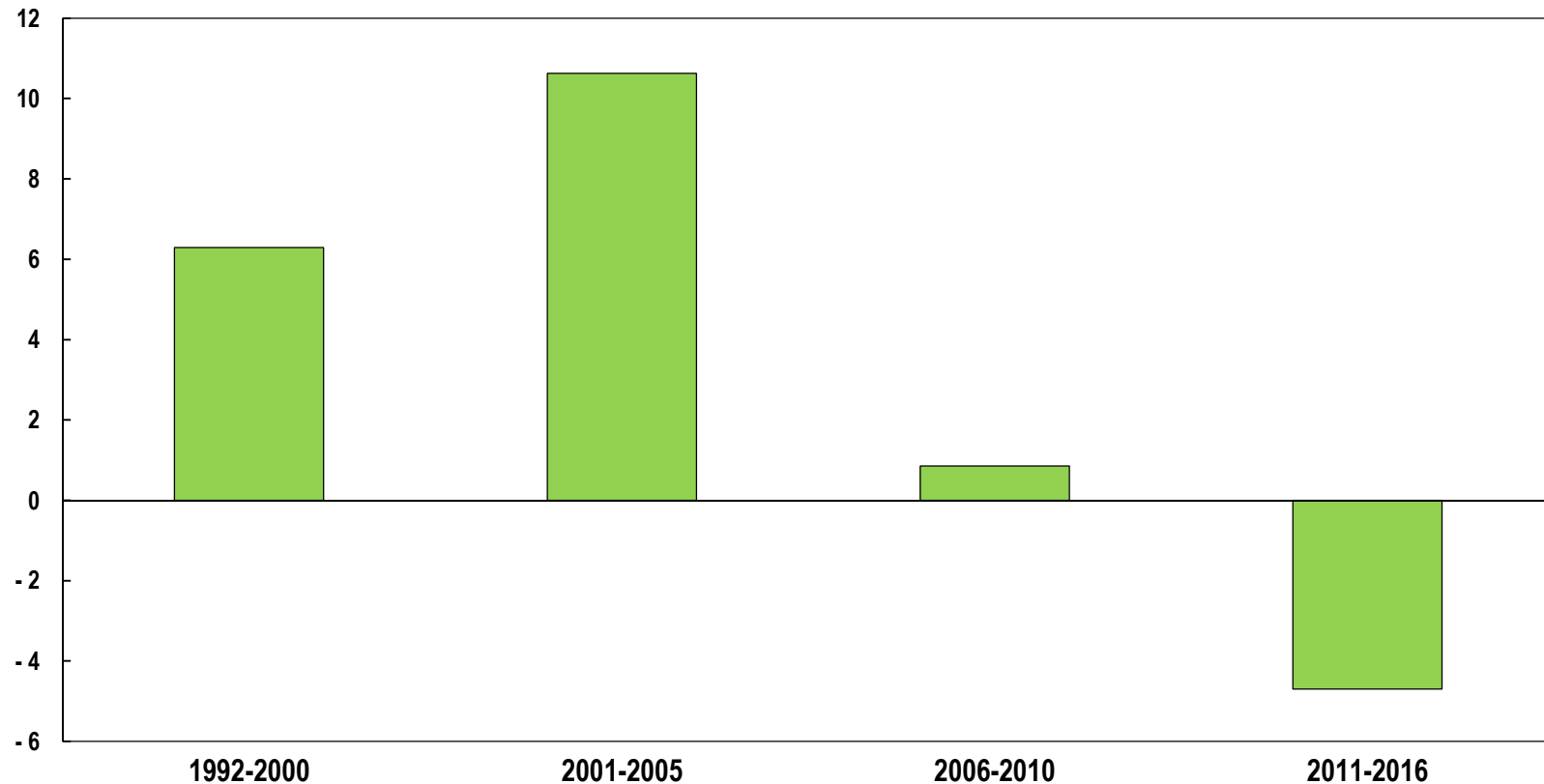
Source: OECD FDI Statistics and CEIC database.



2.4. China's GVC participation appears to have peaked...

Real time global value chain indicator, China

Average annual % changes



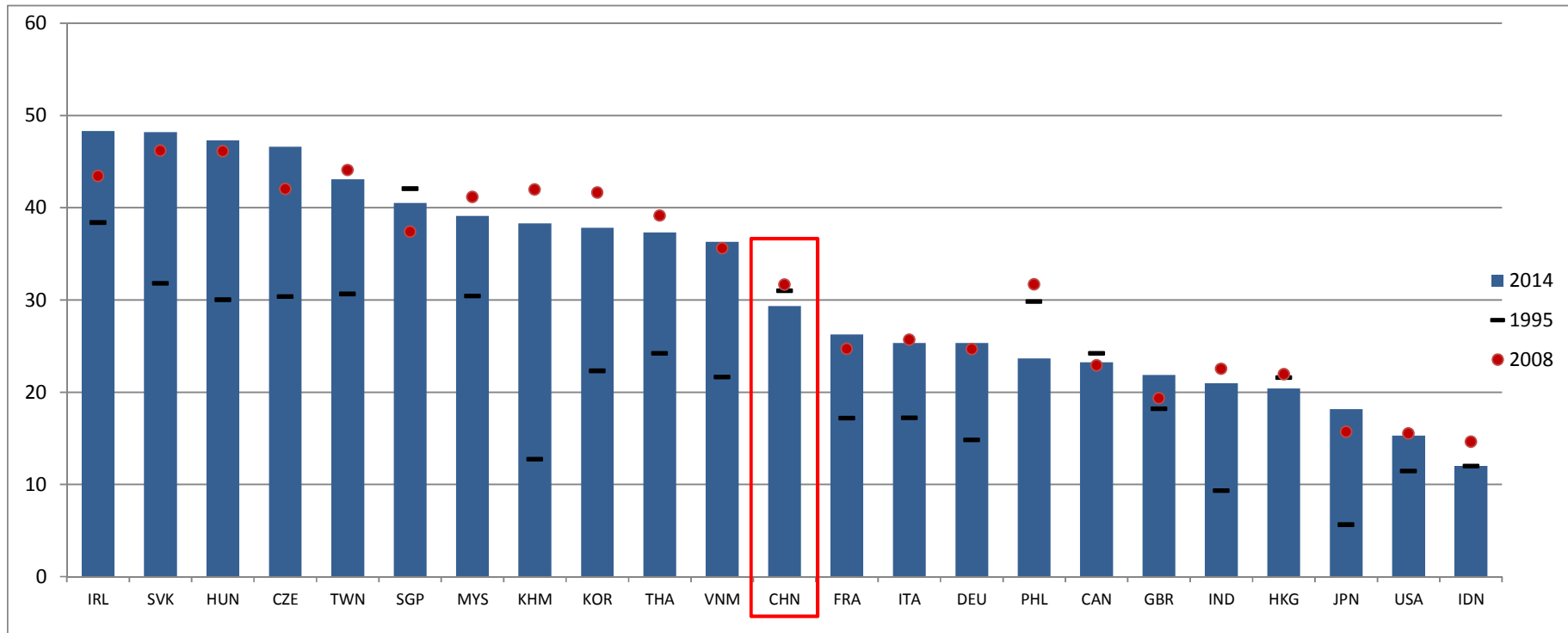
Note: Structural global value chain indicator shown which adjusts for the economic cycle and changes in commodity prices. For further detail see OECD 2016 Economic Policy Paper "Cardiac Arrest or Dizzy Spell: Why is World Trade So Weak and What Can Policy Do About It?".

Source: OECD June 2017 Economic Outlook database; OECD STAN Bilateral Trade database; and OECD calculations.



2.5. ...including using less foreign sourced value in its exports

Foreign value added as a % of exports, 1995, 2008, 2014



Source: TiVA Nowcast (2017)

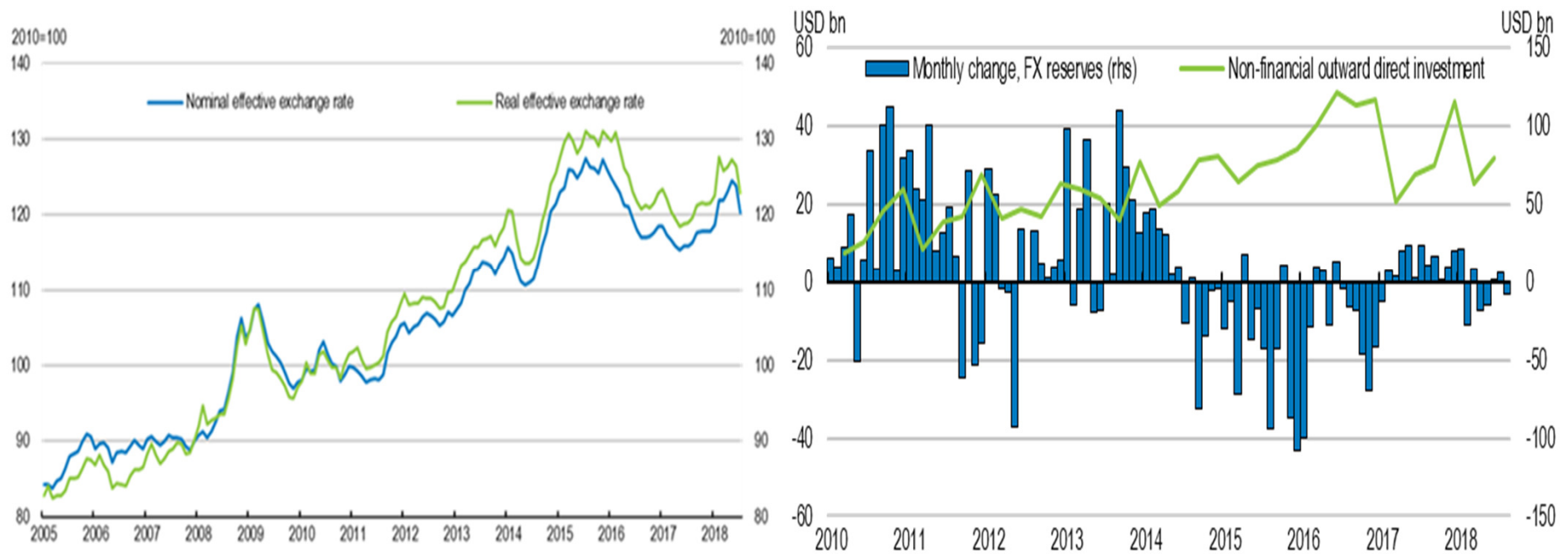


3.1. China is an increasingly important investor

- In 2014 China became a net capital exporter and remained so in 2015-6
- But in 2017 due to crackdown on capital flight disguised as ODI and to increased screening by potential destination countries, Chinese outward flows slackened



3.2. Stronger exchange rate with capital controls have reversed the decline in forex reserves

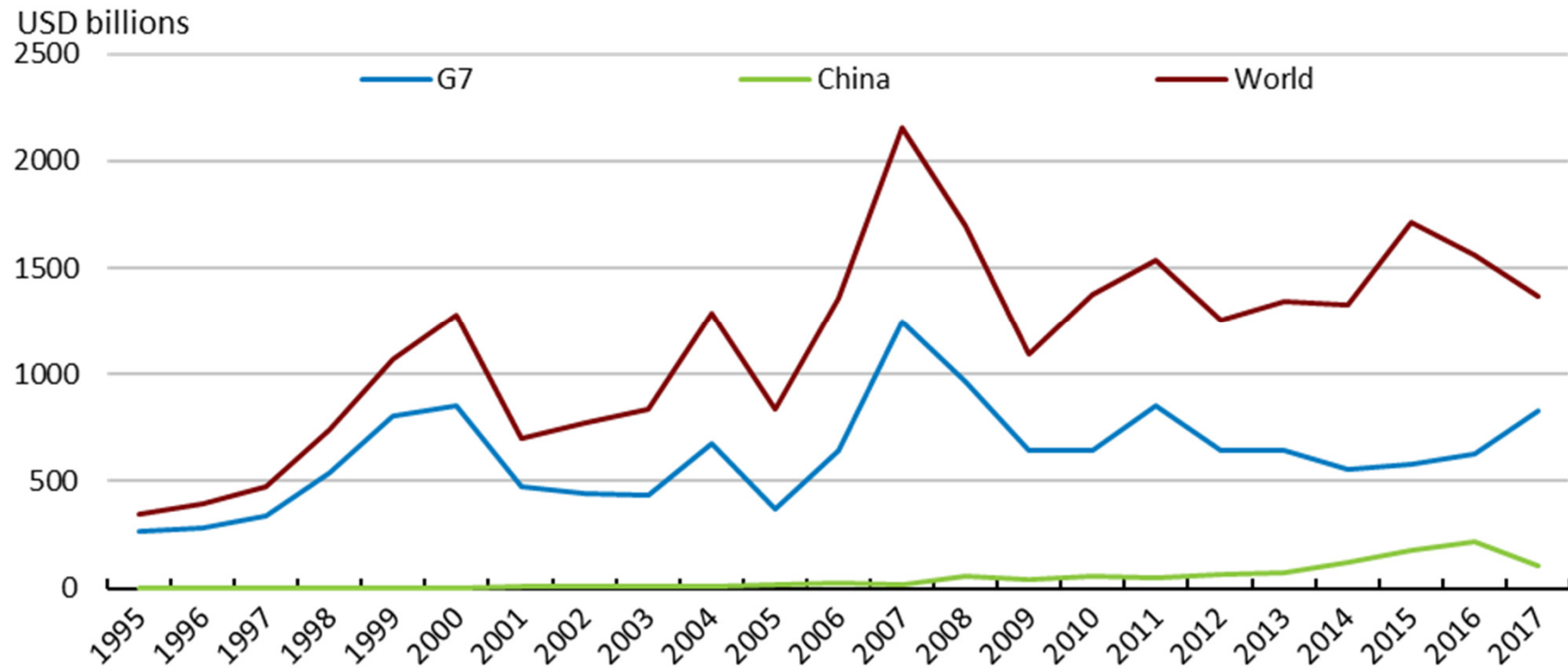


Source: CEIC



3.3. China is gathering pace in outward FDI

Outward foreign direct investment flows

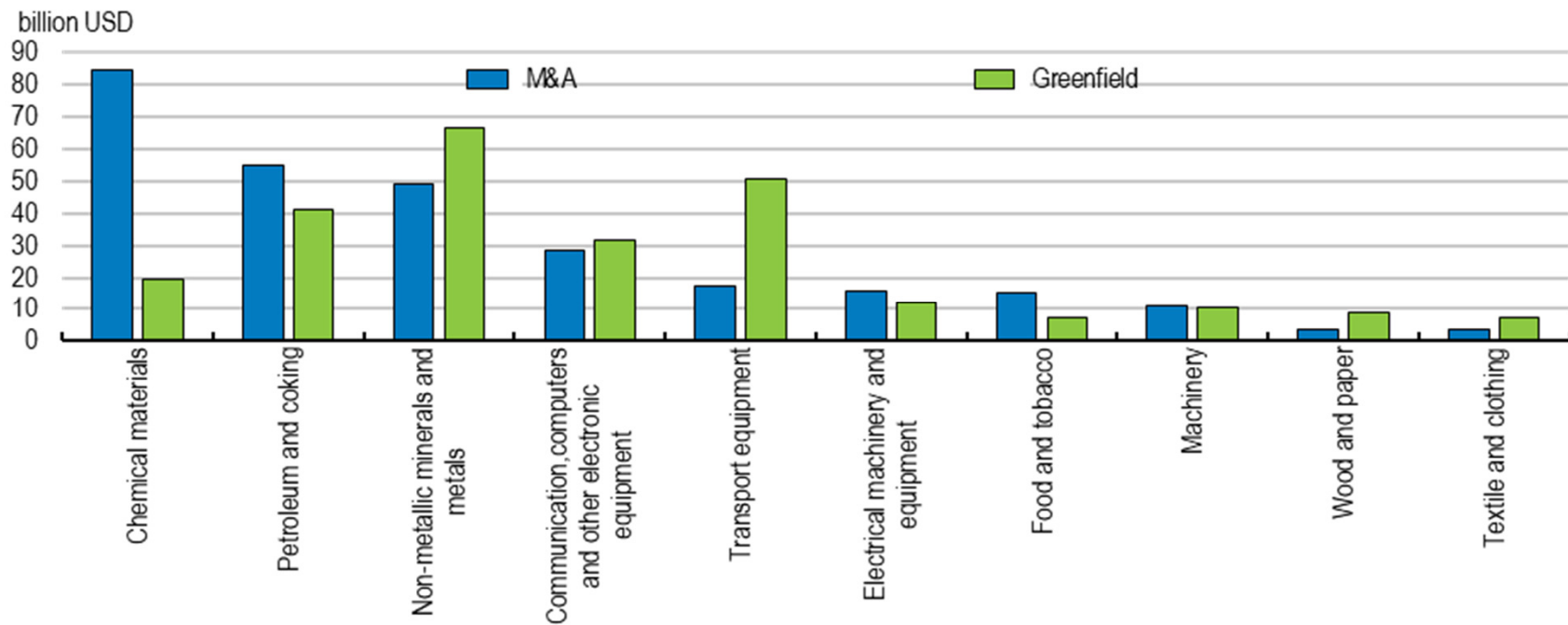


Source: OECD Foreign direct investment statistics database (released 20 July 2018) and IMF.





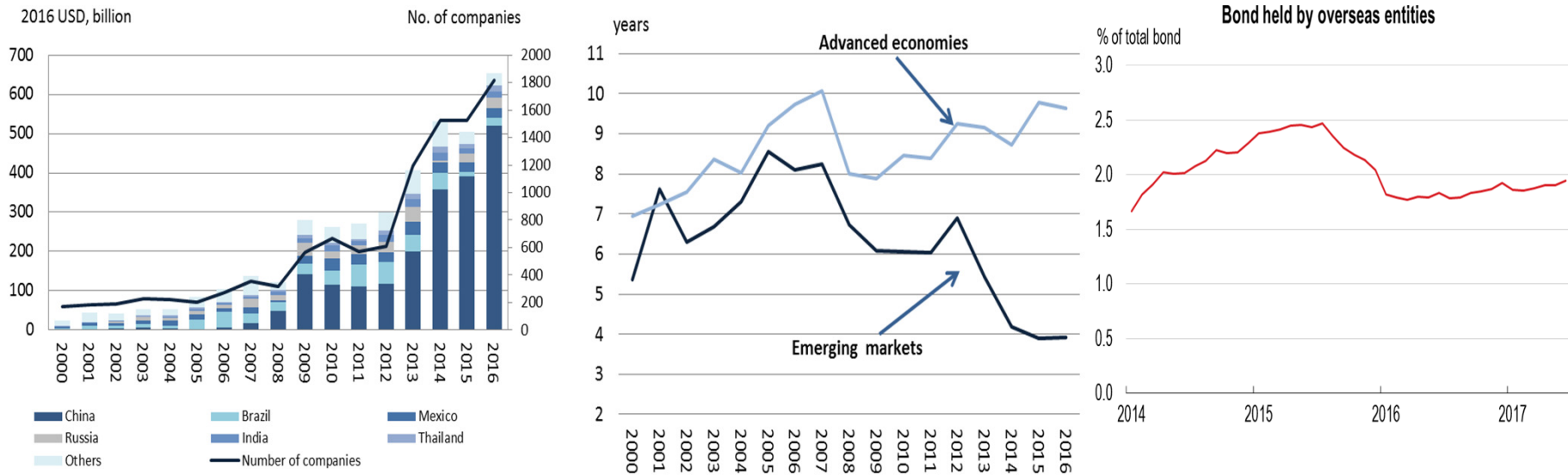
3.4. 2017 outward investment flows by China were driven by resource-based industries



Source: FDI Markets and Dealogic database.



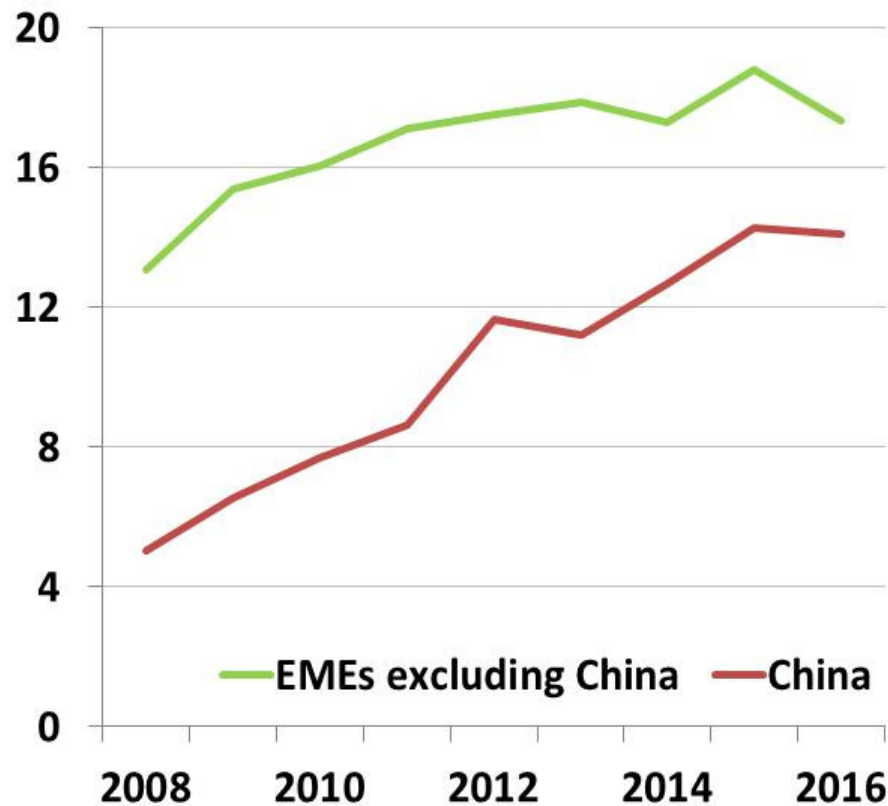
4.1. Record corporate bond issuance in emerging markets mainly driven by China



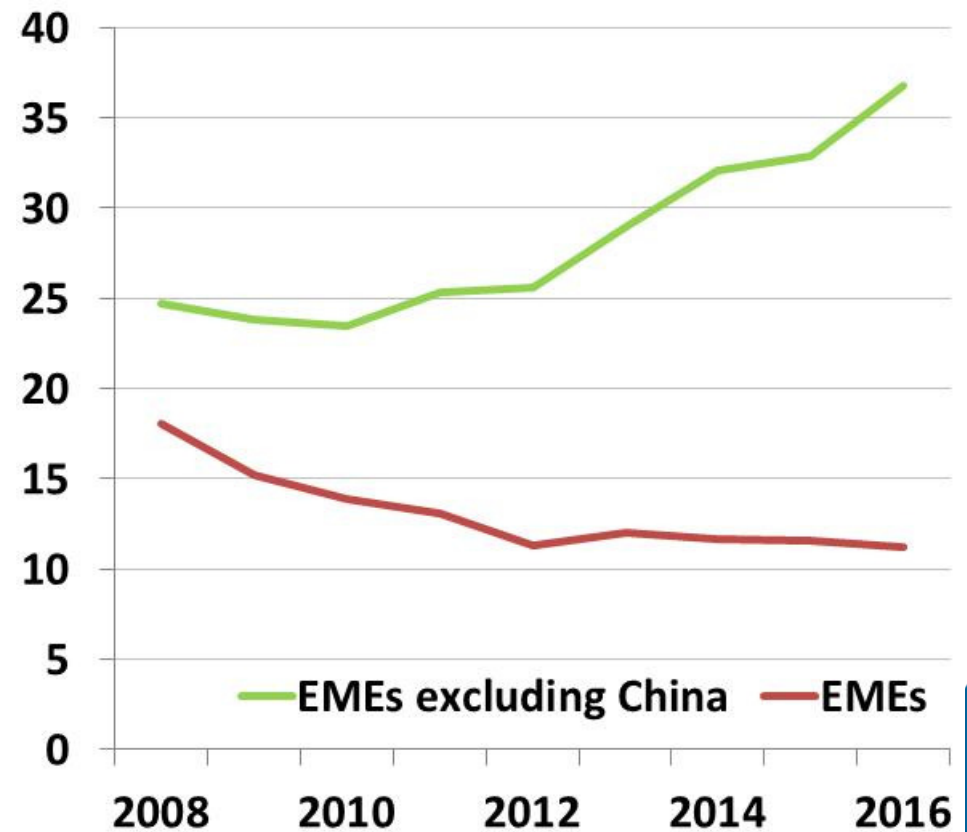
Source: 2017 OECD Business and Finance Scoreboard and BIS.

4.2. An increasing share of corporate debt is in debt securities and its foreign currency share declined

Share of debt securities in total non-financial corporate debt (%)



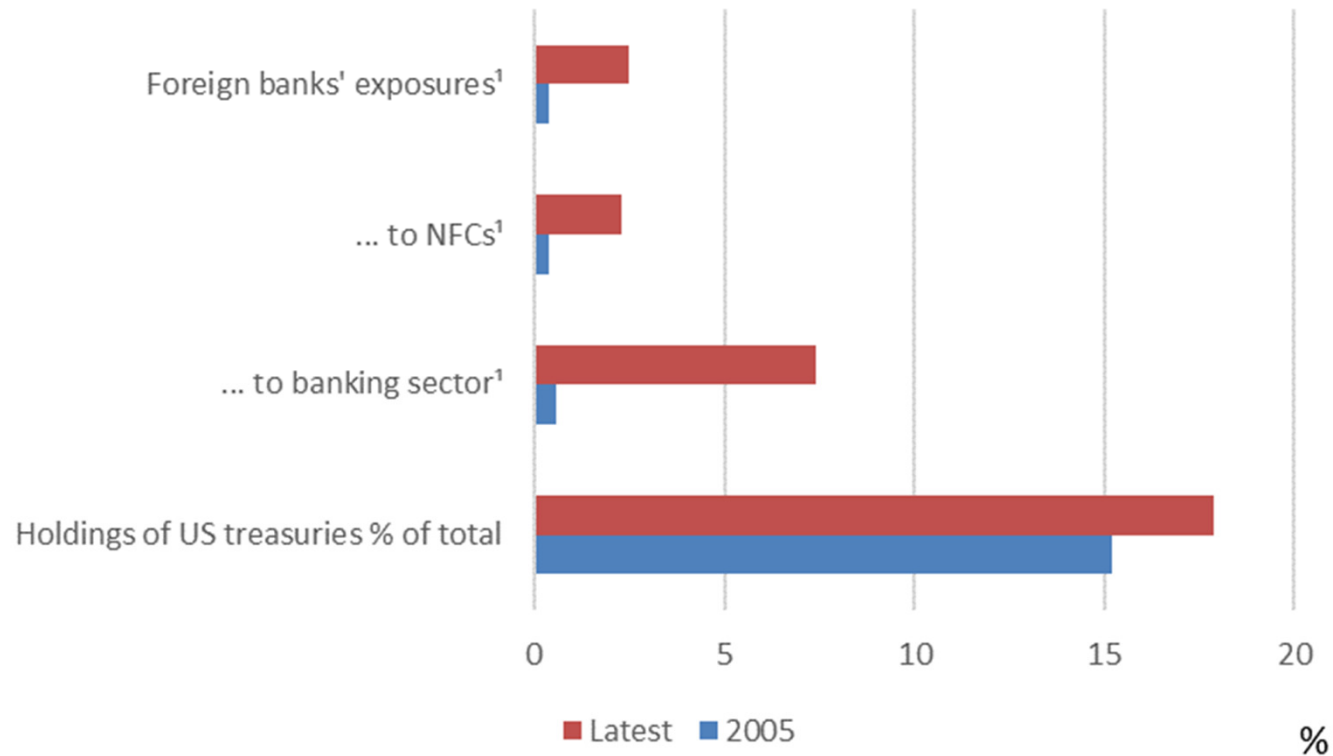
Share of foreign currency in total non-financial corporate debt securities (%)



Source: BIS; and OECD calculations.



4.3. External exposure through banks is more notable



Note: Share of loans to China in total foreign loans of all BIS reporting banks, on an ultimate risk basis

Source: Bank for International Settlements; US Department of Treasury International Capital System.



Thank you!

margit.molnar@oecd.org