Should US Amend Its Restrictions on Exporting High-Tech Products to China?

Hailong Jin and Tong Wang

Should US Amend Its Restrictions on Exporting High-Tech Products to China?

Introduction

The Chinese currency RMB has appreciated since 2005.湯 Some critics, such as Athukorala (2009) and Corden (2009), believe this is because the RMB appreciation period coincides with the time that China joined the World Trade Organization (WTO). As joining WTO promotes China’s export, it offsets the RMB appreciation effect. Others point out that the tremendous restrictions of developed countries on exporting their high-tech products to China should also be responsible for China’s high CAS. They assert that amending these restrictions would speed up China’s import growth rate and ameliorate developed countries’, especially US’s, international trade conditions (Wang, 2010). This paper will shed some light on finding efficient ways to reduce US trade deficit with China.

The Model

WE USE THE gravity model, a widely used framework for studying bilateral international trade. Previous studies of using this model to analyze China’s international trade issues mostly focus on the impact of China on other countries export (Athukorala, 2009). Unlike these studies, this paper will analyze causes of China’s CAS increase.

The basic model in this paper is:

\[
\ln(T) = \beta_0 + \beta_1 \ln(D) + \beta_2 \ln(E) + \beta_3 \ln(GDP) + \beta_4 \ln(P) + \beta_5 \ln(C) + \epsilon
\]

The variable explanations are displayed in Table 2.

Data

The data set contains 84 countries based on the following criteria: 1) each country should account for at least 0.05% of China’s international trade in 2008; 2) each country should account for at least 0.05% of China’s export in 2008; 3) each country should account for at least 0.05% of China’s import in 2008. The countries in our study cover nearly 90% of China’s total import and 95% of China’s total export.

In this paper, we analyzed China’s CAS after it joined the WTO based on a gravity model. The result showed that RMB appreciation will increase both of US imports and exports. Hence, amending restrictions on exporting high-tech products to China may be a feasible way for US to achieve this goal.

Conclusions

We selected 84 countries based on the following criteria: 1) each country should account for at least 0.05% of China’s international trade in 2008; and 2) required data is available on the WDI database. The countries in our study cover nearly 90% of China’s total import and 95% of China’s total export.

References


