



## **China's pro-poor economic rebalancing to benefit other Asia-Pacific countries**

As **China's** Government initiates its long-term policy reform aiming to reduce the world's second largest economy's dominant reliance on exports and develop domestic demand-based growth drivers through inclusive development, other economies in the region also stand to benefit.

"Despite a slowdown in headline GDP growth in China, largely as a result of a fall in investment, an increasingly consumption-driven Chinese economy would benefit regional exporters of consumer goods through increased penetration to Chinese markets," says the *Survey*.

ESCAP estimates reveal that this could increase exports by other Asia-Pacific countries to China by nearly \$13 billion during 2013-2015, with regional export growth rising by up to one-half of a percentage point above the level it would have been without China's rebalancing.

China's policymakers have stated the country's vision to improve the "quality of growth" by economically empowering the poor, aiming to stimulate domestic consumption to levels where it can play the economic role hitherto played by exports and infrastructure investment.

The Government's 12<sup>th</sup> five-year Plan clearly outlines measures to move the economy away from external dependence and towards a sustainable, domestically-driven long-term growth path. The Plan also aims to reduce the role of investment in domestic demand and boost the disproportionately small share of consumption.

Towards this end, in February 2013, the Government announced plans to lift 80 million people out of poverty by 2015, including through a significant hike in rural minimum wages, reform of the household registration system to allow rural migrants to avail of social security and other entitlements reserved for urban-registered citizens and making tax collection more progressive and equitable.

These reforms will make China's growth more inclusive and even have a positive impact on other Asia-Pacific economies. ESCAP analysis shows most Asia-Pacific countries will benefit from China's rebalancing. Although the increase in China's domestic consumption is projected to be smaller than the decrease in investment, the majority of Asia-Pacific exporters to the country will gain as their dependence on China's consumer goods market is larger compared to capital goods. **New Zealand** would benefit the most with its sales to China projected to increase by about 0.49 per cent over 2013-15.

In view of constrained growth prospects in traditional developed world export markets, policymakers in developing Asia-Pacific economies would need to closely monitor the evolving nature of demand in China as they seek to better harness the potential for trade within the region.