Chinese economy may matter more to B.C. than to the rest of Canada

China is moving away from simple low-cost products to more advanced manufacturing

BY NICOLAS SCHMITT

The Paralympic Games in Beijing are now complete and the images that have come from China since August are changing a country that is moving forward at a rapid pace.

We know this already, at least in an abstract way, from the financial reports coming from China before the Games. It is indeed difficult not to change quickly when you put after you the rate of economic growth exceeds 10 per cent.

But most foreign tourists will have visited Mount Everest or the Forbidden City, the Great Wall and farming villages than with booming cities and dazzling buildings. Since we know that Shanghai was becoming the New York City of Asia, but Beijing after all, is the capital of China and Beijing, the capital of China and Beijing, is more or less equal to或 equal to be among the most exciting cities in the world.

The Olympic Games, whether it is through the opening and closing ceremonies of the pictures from the events of the Games, with its shiny new buildings, have shown forcefully that China and the Chinese people are becoming increasingly confident and we need to embrace the world, and to play an important role at every level and in all fields.

Still, as Canadians, we seem to be quite passive if not ignorant of what is happening. But, as China, its shift has been spectacular. This is, of course, not just for Vancouver and British Columbia, but the beginning of the great world is gradually moving toward the Western part of the Pacific Rim.

For instance, did you know that last year China became the second biggest exporter and the third biggest importer of manufactured goods in the world? It will not be long before China becomes the largest exporter of manufactured goods in the world and second only to the U.S. on the import side.

Oil with booming China is taking advantage of the Chinese boom since China has now become the third largest trade partner between 2001 and 2007 Canada has actually doubled its imports from China. With the recent slowdown in the U.S., the share of China's Canadian imports shipped to the U.S. has suddenly sharply declined.

It will not be surprising to see China's imports from China, such as textiles, oil, steel or bronze products, but in the other direction, it would be wrong to think that China only exports low-cost consumer products, even if we find a lot of Chinese in our grocery, department and toy stores.

Imports from China are now predominantly composed of machinery and equipment, including computers, electronic and telecommunications equipment. Even fashion clothing, produced in China, is becoming more and more a part of our daily life.

China, as is almost moving away, at least in relative terms, from traditionally simple, low-cost consumer products into more advanced manufacturing products, while Canada, as is increasingly being pushed into resource-based activities. In other words, a rich country like Canada with mainly resource-based products tries to sell relatively poor countries like China in exchange for increasingly sophisticated manufacturing products.

Although China is not the only rich country engaged in this type of exchange with China (think Australia, for instance), this is probably a first from a historical point of view. Surely, this has great economic benefits in the shop and even medium terms, but are the long-run consequences only positive for Canada?

If the source of the trade between China and Canada is changing fast, the massive imports of consumer products coming from China also have a significant impact.

Cost is the following research - thought it was from the U.S., it probably has some validity for Canada as well. It means how trade with China may even help contribute to social peace.

The recent study by two American economists shows that drastic decline in the cost of living has led to a rise in the prices of services and they have generally fallen on many consumer products. When this difference is taken into account, the significance of the rise in inequality between rich and poor in the U.S. that has taken place over the last decade is reduced dramatically.

But why have prices of services and of these consumer products evolved differently? Precisely because a lot of the products consumed by the poor are coming from China. Indeed, an astounding 18 per cent of all U.S. imports from China end up on the shelves of Wal-Mart alone.

Some might argue that even if this is true, the increase in income inequality is simply due to outsourcing jobs to China and in turn caused by globalization itself. Globalization has undoubtedly increased the demand for skilled labor around the world. The new book Unequal Democracy, by Larry Bartels, shows in no uncertain terms that government domestic policies critically influence how income distribution evolves in a country. Simply put, since the Second World War, income inequalities have on average increased when the Republicans were in power and decreased when the Democrats were in power and decreased with the Democrats. For income inequality, like for many other things, it is a matter of choice, not of economic fatalism.

These two examples show that economic ties with China have already had deep effects on North American consumers and they are evolving rapidly. It is only the beginning.

What does this mean for Western Canada? Only economic benefits and more jobs? What does this mean for Vancouver and the mix of jobs in the Lower Mainland in 2010? A better understanding and knowledge of the changing economic forces that are linking Canada and B.C., to China and Asia is essential, especially in Vancouver, the Canadian gateway to the Pacific.

This is in part why Simon Fraser University, through its department of economics, and the Asia-pacific Foundation are in the process of setting up the Jack Austin Chair in Asian Economies. It is only a small step. But right now, there is simply not enough general awareness or research or public debate on these issues. We should not wait for Ottawa to do it. We should take place here. Nicolas Schmitt is a professor of economics at Simon Fraser University.