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At the roots of China's striking performance in textile exports: A comparison with its main Asian competitors

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ABSTRACT

This paper analyzes the determinants of China's striking performance in textile exports in the time period 2001-2016. We integrate the analysis by Lall and Albaladejo (World Development, 2004), based only on China and its main Asian competitors' market share dynamics, by estimating an extended version of a traditional export function, derived from the imperfect substitute model, including a proxy of non-price competitiveness. The key long-run elasticities for each Asian exporter are thus computed and discussed in a panel-data framework, and the different export performances are examined taking into account the interaction between the estimated parameters and the growth rates of relative prices, world income and product quality. Lastly, we decompose the textile export growth differences between China and its rivals into the three main channels of trade competition, i.e. price, quantity and quality. Our findings show that China is crowding out most of its rivals with a competitive strategy based on a mix of low and decreasing relative prices and non-price policies aiming at stimulating export volumes. However, certain weaknesses in the Chinese trade prospects emerge when quality improvement is considered.

KEYWORDS Textile exports; Outperformance; Displacement; Competitiveness; Cross-country comparisons; Panel data analysis

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