

**- The rebalancing of the Chinese economy
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In the second half of the 2000s, China has accumulated huge surpluses in its trade with the U.S. and the EU and has thus played a major part in the rise of global imbalances. Since the global crisis erupted in 2007, China has considerably reduced its global trade surplus. The evolution of its terms of trade has accelerated this rebalancing. The global crisis put an end on China's export-led growth and the domestic demand has taken the lead, driven by investment. China's presence in world markets has continued to increase.

Bilateral imbalances have remained large because China's import demand has been addressed mostly to its Asian neighbours and to the countries producing energy and raw materials. On the one side, China's trade surpluses with Europe and the U.S. have hardly diminished. On the other side, its deficits have deepened with countries in Asia, in the Middle East and in Africa. China's structural deficits with Asia derive from processing trade (China imports components from its neighbours for assembly and re-export). China's deficits with Africa and the Middle East have stemmed from its growing needs of imported energy and raw materials, and from their price rise. For many emerging economies, exports to China have now become very important. By contrast, the dependence of the US as well of the European economies on the Chinese market still appears very limited (except in the case of Germany).

The analysis of China's imports shows that the Asian countries have significantly increased their presence in the domestic market, that the market share of the US has shrunk dramatically, and that the EU has kept strong positions, particularly in consumption goods, which have constituted the most dynamic sector of China's import demand in recent years. This reflects the purchasing power of the most affluent Chinese households. China's transition to a new growth model, driven by private consumption, could thus have far reaching consequences for its partners. To enter this new stage of development, China has to change its economic and social policies