

**Subject:** Seminar by Alicia Garcia-Herrero on 29 Sep (Friday)  
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CENTRE FOR ASIAN PACIFIC STUDIES  
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DEPARTMENT OF ECONOMICS

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# Can the Chinese Trade Surplus be Reduced with Exchange Rate Policy?

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(in English)  
by

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**Date :** Friday, 29 September 2006  
**Time :** 2:00 p.m. – 3:30 p.m.  
**Venue :** Room SO322, Social Sciences Building, Lingnan University

## **Abstract**

The speaker estimates long-run and short-run elasticities of Chinese exports and imports to changes in the renminbi's real effective exchange rate for the period from 1994 to 2005. She finds strong evidence that a real revaluation reduces exports in the long-run in a considerable way. This is the case both for processed exports (i.e., transformed and re-exported goods) and ordinary exports. Ordinary imports are also found negatively affected by the real appreciation. The price elasticity of imports for processing becomes significant –and with the same sign as ordinary imports - only during the last few years, as China entered WTO. All in all, according to her estimation, a permanent 10% real revaluation of the renminbi would reduce China's trade surplus between 10% and 70% in the long-run. Such a significant reduction points to an important role of China's exchange rate policy as far as trade is concerned.

ALL ARE WELCOME  
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