

# Trade and poverty in china

[Sociology](#), [Poverty](#)



China has become one of the “ fastest growing economies of the world” (Adornino & Wilcox 96) through the implementation of economic reforms and an Open Door policy that have liberalized trade and investment activities in the country. As a result of efforts to significantly reduce trade barriers and to provide a conducive environment for business activities, China’s economy has been integrated into the global economy, which enables it to take advantage of foreign markets for its exports while at the same time enjoying significant inflows of foreign direct investment.

(Fujita & Hu 3, 31; Liang 239; Guan 119) There is no doubt that China’s economic growth is largely due to an increase in its trading activities with other countries that is facilitated by its integration with the global economy. However, alongside China’s rapidly growing economy is the disturbing issue of growing social inequality and poverty, which raises the question of whether increased trade really helps the poor or contributes to their further impoverishment.

Unfortunately, the same policies and reforms driving China’s economy to levels of remarkable growth may be responsible for the growing social inequality among the Chinese. The findings of a study done by Fujita and Hu, for instance, reveal that regional disparity between China’s coastal and interior provinces have been increasing since 1984 due to the uneven distribution of trade activities and direct investment in favor of the latter.

(31) The increasing disparity between the coastal and interior provinces also reflects the income disparity between the rich and the poor provinces characterized by high poverty incidence in the latter. Results from a study

done by Huang, et. al. echoe this contention by illustrating that China's entry into the World Trade Organization—which signalled its complete transformation from a state-planned to a market-driven economy—benefitted rich farmers in the eastern and coastal areas more than the poorer farmers in the hinterlands.

(1298) Thus, increased trading activities have clearly been advantageous only to the rich households but have a minimal impact on poverty alleviation. The increasing gap between the rich and the poor, and the increasing numbers of China's poverty levels are seen as arising from the influence of the economic reforms on the changes in the country's social policy. Liang notes for instance, that “ recent implementation of radical reforms and the restructuring of state-owned enterprises (SOEs) have led to increased unemployment of massive lay-offs.

” (239) Likewise, concerns involving the improvement of domestic efficiency and the demands of China's new economic structure led to a shift in social policy wherein the state reduced its role in the provision of social welfare such as price subsidies for the poor. (Guan 118-119) China's reduced welfare spending for social services have therefore made its populations more vulnerable to poverty due to the absence of reliable safety nets such as social security in cases of unemployment and sickness for workers in urban areas.

In the same manner, reduced social welfare spending also contributes to the lack of access to educational and medical services among the poor in both urban and rural areas since trade liberalization and the primacy of market

activities also encourage the transfer of the welfare burden from the state to the private sector through the privatization of state-owned facilities and services. (Guan 123)

Thus, it is clear that while increasing trade activities have led to China's sustained economic growth, the increased role of market forces in the economy has negative effects on the poor in terms of reduced access to social services as well as the inequities in resource distribution between coastal and interior provinces. Accordingly, China must seriously examine the impact of its social policy restructuring efforts in order to minimize the effects of trade liberalization and the privatization of social services on the poor.

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