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Trends and Influences in China's Manufacturing Sector

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Oral Presentation O7.1

TRENDS AND INFLUENCES IN CHINA'S MANUFACTURING SECTOR

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The increasing globalization of the world economy has led to a large movement of manufacturing activity to China from developed countries, especially over the past decade. However, statistics show that the proportion of Chinese labor devoted to manufacturing has decreased over the same period. Using data from the China Statistical Yearbooks 1994-2006, this study explores this paradox, focusing particularly on the effect of foreign direct investment (FDI) on the number of workers in China's manufacturing sector. Contrary to popular belief, this study finds that FDI has little correlation with the amount of Chinese laborers in manufacturing and explores alternative explanations for the decrease, including technological advance and the decline of state-owned enterprises.