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Development in brief

# The impact of Chinese export surpluses on developing and emerging economies

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China's trade surplus reached a historic high of around USD 1.2 trillion in 2025. This was largely driven by state-supported industries, weak domestic demand and strong export growth. This has varying effects on developing and emerging economies (EMDEs): whilst favourable import prices help to curb inflation in the short term, direct competitive pressure on local producers is increasing in numerous key sectors**.**

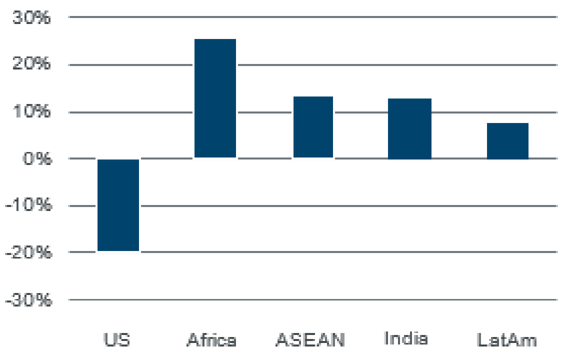
## Structure of the supply effect

Unlike the 'China shock' of the 2000s, when it was primarily industrialised countries and labour-intensive sectors that were affected, the current competitive pressure is more widespread, both geographically and across sectors. It is increasingly affecting technology-intensive industries as well. This trend is underpinned by a deliberate strategic shift. In the face of the domestic property crisis, Beijing is channelling massive subsidies into the expansion of advanced manufacturing capacity, which is fuelling global overcapacity.

Trade tensions and escalating market access barriers, particularly from the US and the European Union, have played a key role in the increasing diversion of Chinese exports to alternative markets. Export volumes rose massively last year, particularly to Africa (+25.8%), South-East Asia (+13.4%), India (+12.8%) and Latin America (+7.3%).

The impact of this wave of exports is being felt in both emerging industries of the future and traditional sectors. In sectors such as textiles, steel and basic consumer goods, this puts local suppliers under price pressure. This accelerates structural change and, as empirical evidence from Brazil shows (Connolly, 2022), often leads to painful job losses in the formal sector. The extent of these effects depends largely on the competitiveness of the respective economies. Countries with weak manufacturing sectors or high production costs are particularly vulnerable.

**Exports from China in 2025 – change in per cent**




Source: China Customs 2026

## Ambivalent effects: disinflation versus deindustrialisation

At the same time, there are also advantages. Lower prices for machinery, intermediate goods and technologies can facilitate investment, for example in the energy sector or in infrastructure. In the case of renewable energy, this is noticeably accelerating expansion. From a macroeconomic perspective, this leads to imported disinflation, which broadens the scope for monetary policy action by local central banks.

Nevertheless, the steadily growing dependence on imports carries the risk of current account deficits in the medium term. Structural price dumping also threatens the long-term industrial production potential of importing countries. In many cases, emerging markets risk being reduced to mere assembly hubs, where Chinese intermediate goods are simply put together – often primarily with the aim of circumventing Western tariffs. This hinders the urgently needed advancement of emerging economies into high-margin stages of the value chain. In the case of solar modules, for example, the overwhelming Chinese market presence almost completely prevents the profitable establishment of domestic value chains in developing and emerging economies.

## Economic policy implications and outlook

The industrial policy dilemma varies greatly depending on a country's stage of development: advanced emerging economies (e.g. Brazil, India) must defend their existing core industries They have the capacity to implement protective measures such as anti-dumping duties and, thanks to the size of their markets, can build up bargaining power vis-à-vis Beijing, at least in certain areas.

Developing countries, on the other hand, face the threat that price pressure will nip their industrial development in the bud. They risk being permanently relegated to the role of raw material suppliers. Furthermore, due to massive credit and trade dependencies, they lack almost any leverage to demand fair bilateral trade terms.

Whether the technological benefits of cheap imports or the risk of deindustrialisation ultimately prevail depends largely on how effectively these countries integrate trade defense measures with targeted structural reforms to secure their own competitiveness in the long term. ■

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