

THE EMERGENCE OF CHINA AND ITS IMPACT ON ASIAN TRADE¹

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China has become the third largest exporter in the world in 2004 and is expected to become the largest by the beginning of the next decade. This paper aims at investigating how the surge of China has altered the other Asian countries' specialisation and has influenced regional integration. The paper tries to answer the following questions: What have been the effects of China's rise on regional integration in Asia? Has China become an engine of trade in the region? How has the position of advanced Asian economies evolved : i.e. Japan and the Dragons (Hongkong, Singapore, South Korea and Taiwan) in the division of labour, since China has become a global manufacturing base? Has China's trade expansion been achieved at the expense of other emerging economies in South-East Asia (the Tigers, i.e. Malaysia, Philippines, Thailand)?

1. THE EVOLUTION OF TRADE PATTERNS IN ASIA²

During the last decade, the share of Asia³ in world trade of manufactured products remained almost stable, and stood at about 30% of world exports and at 25% of world imports in 2004. However intra-Asian trade grew at accelerated pace and the concentration of trade within the region increased significantly on the import side: in 2004, Asia sourced almost 2/3 of its imports from the region, against 59% in 1993. On the export side, the share of intra-regional enlarged only slightly, from 47% to 49%. Since the early 1990s, the emergence of China as a new economic and commercial power has given a new impulse to regional trade integration.

China as the Major Trading Power in the Region

From 1993 to 2003, large shifts occurred in the respective contributions of the different Asian countries to world trade: Japan's share in world trade declined sharply (from 11.8% to 7.2% in exports and from 5.4% to 4.1% in imports) and this drop was almost compensated by the rise of China (from 3.7% to 8.6% in exports and from 3.2% to 5.6% in imports) (**Table 1**). China has overtaken Japan as the major trading power in the region. The diverging trends of Japanese and Chinese foreign trade can be traced back to their contrasted macroeconomic performance. While up to 2003, Japan's economy stagnated, China posted a record economic growth accompanied by a rapid opening up. China's economy is more open to trade and FDI than the Japanese economy has ever been. It is worth noting that during this period, the Tigers succeeded in improving their positions as exporters but stepped back in world imports, and so did the Dragons. In fact, only China and India strengthened their positions in world imports during this period.

Intra-Asian Trade More and More Centred on China

China enlarged its share in intra-Asian trade from 13% in 1993 to about 22% in 2004. China has overtaken Japan as the major importer of Asian manufactured goods and has caught up Japan as the major exporter of manufactured products to the region (**Table 2**). China's trade increased at an accelerated pace with all Asian countries and the most important increase took place between China and the Dragons. In 2004 China received

¹ Background paper prepared for the World Bank Report "An East Asian Renaissance: Ideas for Economic Growth", Indermit Gill & Homi Kharas (Editors), The World Bank, September 2006.

² In this section, the analysis concerns trade in manufactured products.

³ Includes Oceania, for the geographic classification see G. Gaulier, F. Lemoine and D. Ünal-Kesenci (2006a).

37% of the Dragons' exports to the region, 27% of Japan's exports, and 19% of Tigers' exports. China supplied 43% of Japanese imports from Asia; 31% of Dragons' imports from Asia.

2. A NEW DIVISION OF LABOUR

The Segmentation of Production Processes Drives Intra-Asian Trade

The segmentation of production processes was the engine of intra-Asian trade during the period. There are several ways to assess the extent of vertical division of labour, *i.e.* the splitting up of the value added chains between different countries (*Lall et alii, 2004*). One of them is to measure the share of parts and components (P&C) in trade flows. Since the early 1990s, P&C have been the fastest growing product category in Asian trade, accounting for 31% of intra-Asian trade in manufacturing in 2004, against 18% in 1993 (**Table 3**).

China is the Pivot of this Division of Labour

China has played a decisive role in the deepening of the international division of labour in the region. For Asian trade in P&C, China has been the most dynamic market as well as the most dynamic supplier: its share in intra-regional trade rose tremendously between 1993 and 2004: from 5% to 16% in exports and from 9% to 25% in imports. The Dragons and the Tigers have also increased their market shares, while Japan lost most of the ground. This strong involvement of China in the international segmentation of production processes was made possible by foreign firms' strategies which have incorporated China's coastal area into their production networks (**Table 4**).

Production Networks

Cross-border production networks have existed for long in East Asia and are an important factor determining trade patterns in the region (*Borrus, Ernst & Haggard, 2000*). They have contributed to the rise of successive waves of "new industrialised economies" in East Asia: the Dragons and then the Tigers. The evolution of East Asian economies countries has thus illustrated the "model" depicted by Akamatsu (1961) who observed that "the underdeveloped nations are aligned successively behind the advanced industrial nations in the order of their different stages of growth in a wild-flying geese pattern".

However, over the last decade, the liberalisation of trade and capital flows, together with the development in information and communication technology (ICT) have accelerated the reorganisation of production at world level. International competition has led firms to split-up the value-added chain across countries in order to benefit from the comparative advantages of different locations. As a result of multinational firms' outsourcing and offshoring operations, developing countries have specialised in the labour-intensive stages of production, and China has become a global outsourcing platform (*Gereffi & Sturgeon, 2004*).

The Strategy of Foreign Firms

Leading firms develop different buyer-supplier relationships: they rely either on contractual relations with local suppliers or on equity investment in local affiliates.

Asian firms have based their supply networks in the region mostly on local affiliates. Intra-firm trade dominates East Asia's integration with Japan. Asian firms account for the bulk of FDI received by emerging economies in the region, they have concentrated their investment in manufacturing sectors, and their strategy has been mostly

efficiency-seeking and export oriented, while American or European FDI in Asia have been more “market-oriented”(Ando and Kimura, 2003; Masuyama, 2004; Fukao et alii, 2003).

US firms have developed a different model of network based on external suppliers. In the 1990s, they are involved in the division of labour in Asia through the intermediary of their global suppliers, mostly firms in Taiwan and Singapore. These highly qualified suppliers organise the production at the region (or world) level and provides a wide range of production-related services (Ernst, 2004).

The Dominant Role of Foreign Affiliates in China’s Trade

Foreign affiliates have been the engine of China’s rise in international and in Asian trade. In 2005, wholly-foreign affiliates are responsible for almost 40% of China’s exports and imports; adding Sino-foreign joint ventures, all foreign-invested firms account for about 60% of China’s foreign trade. The overwhelming share of their export activities (80%) comes from assembling and transforming imported inputs, which illustrates the position of China as an export plate-form.

Foreign-invested firms play an outstanding part (84%) in exports of electronic goods which is the most dynamic export sector. Within this sector, they handle 91% of China’s exports of computer and office machinery (**Table 5**).

The importance of foreign-invested firms is particularly large in China’s trade with East Asian countries (**Table 6**). In 2003, about two thirds of China’s trade with Japan and the Dragons were carried out by foreign-invested firms, suggesting that China’s bilateral trade with these countries heavily relies on intra-firm trade. Interestingly, wholly foreign firms have taken the largest part of these bilateral trade flows as they carry more trade activities than joint-ventures.

3. IMPACT OF CHINA’S EMERGENCE ON THE REST OF ASIA

Advanced Economies Stepped Back

The emergence of China as a global manufacturing platform has led to important shifts in the trade pattern of Japan and the Dragons. The massive production facilities created in China by foreign firms have led to a redistribution of the final stages of production processes away from advanced economies. This redistribution of manufacturing capacities has slowed down trade among advanced economies and considerably intensified their trade with China, built up on strong complementarity along the value added chains.

Over the last decade the most dynamic Japanese exports consisted of P&C shipped to China, while exports of finished goods to the Europe and America contracted relatively, as these markets are now supplied by production bases located in China. In Japan’s imports, America and Europe have lost the dominant position they had as suppliers of equipment goods which now come more and more from China (computer equipment) (**Table 7**).

The Dragons have registered a similar reorganisation of their foreign trade pattern, driven by an accelerated trade in P&C with China and a relative weakening of trade with Japan and Europe.

The Tigers Withstand China’s Competition

In the Tigers’ trade, China plays an increasing part which however remained below 10%, much smaller than in Japan’s and Dragons’ trade.

With their production and exports of manufactured goods depending heavily on FDI and contract manufacturing with foreign firms, the Tigers are in potential competition with China both for markets and for foreign capital. Up to now, they have withstood this competition in world markets: although their progress in regional and world markets may have been slowed down by China's emergence, they have not been crowded out, neither from Western markets nor from Asian markets.

From 1993 to 2004, the Tigers succeeded in increasing slightly their share in world exports of manufactured products (from 2.9% to 3.3%), despite the surge of China's exports in this period. They enlarged their position in world exports of electronic goods, from 6.5% in 1993 to 9% in 2004. Their exports to the US slowed down but this was more than compensated by the rise of exports to other partners, mainly China, and also the Dragons and Europe.

Up to 2003, the Tigers slightly enlarged their market share in the upper-market segment⁴ of world trade and stood ahead of China; but in 2004 they stepped back and fell behind. By contrast, in down-market products, the Tigers have lost ground while China's exports have skyrocketed. The Tigers are still relatively more specialised in medium and upper quality segments which represented in 2004 respectively 36% and 12% of their exports whereas the corresponding figures for China were 17% and 12% (**Figure 1**).

This tends to confirm that upgrading the quality of their exports is indeed crucial for these emerging countries to face the challenge of China's competition.

4. IMPACT ON TRADE IMBALANCES WITH THE REST OF THE WORLD

A Triangular Trade Pattern

As a result of transfer of production facilities from advanced Asian economies to China, a "triangular" trade pattern has emerged. China is used as an export base by the firms located in advanced Asian economies which now export intermediate goods to their affiliates in China. The case of Asian exports of electronic goods to the US provides a clear evidence of this substitution. Since early 2000s, China's exports to the US have skyrocketed while exports by other Asian exports fell in dollar terms. China has overtaken Japan and the Tigers in 2003 and the Dragons in 2004, as the largest exporter of electronic goods to the US (**Figure 2**).

The contribution of the different Asian countries to US trade deficit reflects the substitution of China's exports for Japan's and Dragons' exports. In the nineties, the share of Japan and the Dragons in US trade deficit declined significantly, while China has become responsible for an increasing share of this deficit (**Figure 3**).

Assembly activities carried out by foreign-invested firms in China are responsible for its rapidly expanding surplus. This dynamic segment of China foreign trade shows a built-in asymmetry, as shown in **Table 6** above: deficits with Asian partners which are the main suppliers of inputs and surpluses with the US and Europe (the surplus with Hong Kong should be eventually attributed to trade with Europe and the US).

Asia Still Depends on Western Markets for Final Good Exports

China's emergence and the intensified segmentation of production processes within the region have thus tended to accentuate the structural asymmetry of Asia's trade with the rest of the world.

During the last decade, Asian trade surplus more than trebled, reaching US\$360 billion in 2004. This surplus stems mainly from trade in final goods: consumption goods account by far for the largest part of their trade

⁴ Segmentation by quality is defined by relative unit values of exports for 6-digit trade data, see G. Gaulier, F. Lemoine and D. Ünal-Kesenci (2006).

surplus and capital goods also contribute to the expansion of this surplus. While the segmentation of production processes has boosted intra-Asian trade in P&C, Asia taken as a whole increasingly depends on the rest of the world for its exports of final goods. The final demand, which eventually drives the international segmentation of production processes within the region, is still located outside the region. Although China has opened its domestic market, this has not (yet?) created an autonomous engine for regional trade (**Figure 4**).

5. PRODUCTION SHARING AND TECHNOLOGICAL SPILLOVERS

China's High-Tech Trade Expands Rapidly

How has production sharing with Asian countries enhanced China's technological catch up? China's high-tech exports have also increased at an accelerated pace and their share in world trade rose from 2.8% in 1999 to almost 8.5% in 2003 (World Bank, 2003).

The high-technology content of China's trade rapidly increased in recent years and China's trade deficit in this category of products narrowed significantly⁵. In 2003, imports of high-technology products accounted for 14.9% of China's imports and for 12.4% of its exports (against respectively 10.8% and 6.5% in 1997) (**Figure 5**).

China's trade in high-tech goods appears strongly related to its position in the international segmentation of production processes. More than half of high-tech imports are parts and components, most of them being incorporated in processed exports. The high-tech content of China's exports can thus be explained by their high-tech import content (**Table 8**). Interestingly, most exports of high-tech products also take place in parts and components, illustrating the deepening of the international division of labour. China is not only a location for the final stages of production but has taken place in the middle of the value-added chains. China's high-tech trade is heavily concentrated in a limited number of products as three branches account for 80% of China's high-tech imports: radio and TV; office machinery; precision instruments. The two top export products (radio and TV; office machinery) account for 85% of high-tech imports.

Production sharing with Asian countries has been an important factor stimulating technological transfer to China and favouring the upgrading of its export capacity. As shown in **Table 8** above, the overwhelming share of China's high tech imports originates from Asia (76% in 2003); parts and components account for half high-tech trade between China and Asia.

However, the increasing dependence of China's HT trade on foreign affiliates raises some doubt on the diffusion and assimilation of foreign technology by Chinese industry and on the technological progress of China's indigenous industrial capacities (Lemoine & Ünal-Kesenci, 2004).

China's High-Tech Trade Heavily Depends on Foreign Affiliates

Foreign affiliates are at the core of China's foreign trade in high-tech products (**Table 9**). They are responsible for an ever-growing share of China's high-tech trade and played a dominant part both in exports and imports in 2003. They accounted for more than 71% of China's high-tech imports in 2003, against 58% in 1997. Foreign affiliates held an even more dominant position in high-tech exports as they carried out 80% of China's high-tech exports. The rising role of foreign affiliates in China's high-tech trade was entirely due to wholly-foreign affiliates, which accounted for half of China's high tech exports and imports in 2003. Chinese firms are clearly

⁵ For the definition of high-tech products see G. Gaulier, F. Lemoine and D. Ünal-Kesenci (2006).

loosing ground in high-tech trade, and held only 30% of high-tech imports and one fifth of high-tech exports in 2003 (against more than 40% in both exports and imports in 1997).

Most China's high-tech trade takes place with Asian partners and production sharing with Asian firms has hence undoubtedly raised the technological level of China's exports and imports. However, this upgrading seems to have remained quite circumscribed to the production and export bases created in the mainland by Asian firms.

Chinese Firms Lagging Behind

Considering the "high-tech intensity" of trade, defined as the share of high-tech products in the total exports (imports) of each category of firms, it stands out that the gap between Chinese firms and foreign affiliates enlarged considerably between 1997 and 2003 (**Figure 6**). The high-tech intensity of Chinese firms' exports hardly increased while by contrast the high-tech intensity of exports doubled in the cases of joint-ventures and of wholly-foreign firms. Exports by wholly-foreign affiliates were twice more high-tech intensive than exports by Chinese firms in 1997 and three times in 2003.

The relatively low performance of Chinese firms is related to their product specialisation: the high-tech intensity of their exports at the product level is relatively similar to that of foreign affiliates; but in contrast to foreign affiliates, their exports are not concentrated in industries incorporating high technology.

6. THE SUSTAINABILITY OF ASIAN GROWTH

Asian countries have taken advantage of China's emergence to enhance productive integration in the region. This has supported the robust economic growth in the region over recent years (ADB, 2006). To what extent this international division of labour ensures a sustainable economic growth in the region?

China's recent economic performance raises several questions. China's export prices declined (-15% from 1995 to 2003) as did its domestic prices. These trends result from strong productivity gains in manufacturing industry and from intense competition between Chinese producers both in domestic and world markets. China's export drive has thus been sustained through the mobilisation of low-cost labour and through enlarging market shares. This makes China's economic growth vulnerable to fluctuations in the global economy.

Meanwhile, China's import prices increased, both for manufactured products and for raw materials and energy. China's terms of trade deteriorated sharply (-28% from 1998 to 2004) suggesting that China may be trapped in an adverse position in the division of labour (**Figure 7**). This has raised some doubts about the sustainability of export growth based on outward-oriented industries, all the more as this strategy has widened regional and social disparities and has had heavy environmental and energy costs.

Chinese growth model remains rather extensive, with the use of large amount of domestic factors, first of all cheap labour, as well as foreign factors, foreign capital and also expensive imported inputs. China's economy and indirectly the Asian economy still rely on American and European markets as growth engines. Therefore, household consumption has been a relatively weak link in most Asian economies (ADB 2005). The challenge is now to turn to a more autonomous growth model, relying more on domestic demand and on the development of services.

In a Balassa-Samuelson framework, one would expect that an emerging country like China would improve its terms of trade. The trend is clearly opposite as a result of tough export competition and of the need to incorporate more and more sophisticated (and thus expensive) inputs into goods assembled for export (the shortening of the product's cycle for electronic goods is both a cause and a consequence of this).

As the pressure on export prices may largely be the result of competition between firms located in China, a reevaluation of the Yuan would trigger a co-operative way out. The fear that a stronger Chinese Yuan would have a recessive impact on exports should not be exaggerated since Chinese products have a large competitive margin and have crowded out foreign competition in cheap products.

As an appreciation of the Yuan would increase China's buying power, the rise of imports would help correct Chinese as well as global imbalances.

From an Asian point of view, a dynamic Chinese market is crucial. Therefore, a cooperative way out of the current situation should not suppress export opportunities in China. Developed Asian countries as Japan, which have succeeded in adapting their economies to China's rise and found an equilibrium where China is essentially an export platform, would have to find their place in a new equilibrium where China's growth, and more generally regional growth, would be fuelled more by domestic demand. Promoting a sustainable growth model in China and in Asia as a whole is crucial, particularly to prevent a backlash against globalisation.

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TABLES

Table 1 – Share of Asian Countries in World Trade of Manufactured Products (in %)

	Exports			Imports		
	1993	2004	Change	1993	2004	Change
Japan	11,8	7,2	-4,6	5,3	4,1	-1,2
Dragons	9,8	8,9	-0,9	10,3	8,8	-1,6
Tigers	2,9	3,3	0,4	3,0	2,5	-0,6
China	3,7	8,6	4,9	3,2	5,6	2,4
India	0,7	1,0	0,3	0,5	0,9	0,4
Other Asia	1,5	1,6	0,1	1,7	1,4	-0,3
Oceania	1,3	1,0	-0,3	1,7	1,6	-0,1
Asia-Oceania	31,8	31,7	-0,2	25,7	24,7	-1,0
World	100,0	100,0	0,0	100,0	100,0	0,0

Source: CEPII-BACI data base, authors' calculations.

Table 2 – Distribution of Intra-Asian Trade by Major Partners, Manufactured Products in 2004, (in %)

<i>Exporters</i>	<i>Importers</i>							
	Japan	Dragons	Tigers	China	India	Other Asia	Oceania	Asia-Oceania
Japan		10,6	3,4	6,0	0,2	1,1	1,2	22,4
Dragons	3,5		8,7	4,2	12,9	0,7	1,9	1,3
Tigers	2,5	4,6		1,1	2,3	0,2	0,6	0,5
China	6,3	12,0	1,5		0,5	1,3	1,1	22,8
India	0,2	0,7	0,2	0,2		0,5	0,1	1,8
Other Asia	1,4	1,3	0,5	0,5	0,2		0,2	0,2
Oceania	0,8	0,8	0,3	0,3	0,2	0,2		0,9
Asia-Oceania	14,7	38,6	11,2	22,3	2,1	5,9	5,3	

Source: CEPII-BACI data base, authors' calculations.

Table 3 – Intra-Asia-Oceania Trade by Stage of Production, % of Trade in Manufactured Products

	1993	2004
Semi-Finished	40	34
P&C	20	31
Capital	18	19
Consumption	23	16
Manufacturing	100	100

Source: CEPII-BACI data base, authors' calculations.

Table 4 – Intra-Asian Trade in Parts and Components in 2004 (%) and Changes between 1993 and 2004 (percentage points) (exports in line, imports in row)

	Japan	Dragons	Tigers	China	Asia
Japan		11 -14	5 -8	7 +3	25 -22
Dragons	4	15	6 -2	15 +9	41 +7
Tigers	2	7 -1	2 +1	4 +4	16 +4
China	3 +2	10 +7	2 +1		16 +11
Asia	10 +3	44 -8	15 -7	25 +16	100

Source: CEPII-BACI data base, authors' calculations.

Table 5 – 2003, China, Exports by ISIC Branch and Type of Firm (%) (% total ISIC Branch)

	Chinese firms	Foreign-invested firms (FIEs)	All Firms
Office machinery & computers	9	91	100
Radio, TV & communication equipment	21	79	100
Motor vehicles, trailers & semi-trailers	30	70	100
Medical, precision & optical instruments	31	69	100
Publishing, printing & reprod. recorded media	34	66	100
Electrical machinery	40	60	100
Pulp, paper & paper products	42	58	100
Total Manuf	43	57	100
Rubber & plastic	48	52	100
Food products & beverages	49	51	100
Machinery	53	47	100
Leather	54	46	100
Wood & of products	57	43	100
Non-metallic mineral products	60	40	100
Metal products	62	38	100
Wearing apparel	65	35	100
Chemicals & chemical products	66	34	100
Textiles	67	33	100
Basic metals	78	22	100
Tobacco products	99	1	100
Electronic goods (Isic 30 32 33)	16	84	100

Branches are ranked according to the share of FIEs in exports, descending order.

Source: China's Customs Statistics, Authors' calculations.

Table 6 - Foreign Affiliates in Chinas Trade with Major Partners, 2003 (%)

	World	EU-15	USA	Japan	H. Kong	Singapore	Korea	Taiwan
All Export Flows	100	100	100	100	100	100	100	100
FA Total Exports	55	55	62	64	66	66	51	63
<i>JV</i>	22	21	20	28	26	32	20	13
<i>WFOF</i>	33	34	42	36	41	34	31	50
FA Processed Exports	43	45	52	49	56	55	37	48
<i>JV</i>	15	14	14	19	20	26	13	8
<i>WFOF</i>	29	31	38	30	36	29	24	40
All Import Flows	100	100	100	100	100	100	100	100
FA Total Imports	56	49	50	69	62	63	68	72
<i>JV</i>	22	30	21	28	25	21	27	15
<i>WFOF</i>	34	19	29	41	37	42	41	57
FA Imports for Processing	32	10	20	37	50	39	40	54
<i>JV</i>	10	5	6	13	19	12	13	9
<i>WFOF</i>	22	5	14	25	31	27	28	45
Overall Trade Balance (bn US\$)	25,5	18,8	58,6	-14,7	65,2	-1,6	-23,0	-40,4
FA Total Trade Balance	8,4	13,3	40,9	-13,2	43,7	-0,7	-18,9	-30,1
<i>JV</i>	3,5	-1,1	11,5	-4,2	16,9	0,6	-7,7	-6,2
<i>WFOF</i>	5,0	14,4	29,4	-9,1	26,8	-1,3	-11,3	-23,9
FA Processing Trade Balance	58,5	26,7	41,4	1,3	37,4	0,8	-10,0	-22,2
<i>JV</i>	25,2	7,6	11,0	1,7	13,4	1,1	-2,9	-3,8
<i>WFOF</i>	33,3	19,1	30,3	-0,5	23,9	-0,3	-7,1	-18,4

JV: Joint Ventures; *WFOF*: wholly foreign-owned firms.
Source: China's Customs Statistics, authors' calculations.

Table 7 – Reorientation of Japan's Trade (%)

	1993	2004	1993	2004
	Capital goods		Parts & Components	
Exports to :				
Dragons & Tigers	27	27	36	37
China	5	13	3	15
Europe & North America	47	41	51	40
World	100	100	100	100
Imports from:				
Dragons & Tigers	21	23	30	42
China	4	32	4	20
Europe & North America	73	42	64	35
World	100	100	100	100

Source: CEPII-BACI Database, authors' calculations.

Table 8 – Breakdown of China’s Trade in High Technology Products by Production Stage and Major Zone, 2003 (in %)

IMPORTS					
	Asia-Oceania	Western Europe	America	Others	World
Semi-Finished Products	3	1	1	0	4
Parts & Components	37	4	4	1	46
Capital Goods	36	7	6	1	49
Consumption Goods	0	1	0	0	1
Total	76	12	10	2	100

EXPORTS					
	Asia-Oceania	Western Europe	America	Others	World
Semi-Finished Products	4	2	2	1	8
Parts & Components	30	7	8	1	47
Capital Goods	18	8	13	4	42
Consumption Goods	1	1	1	0	3
Total	53	17	24	6	100

Source: China's Customs Statistics, authors' calculation.

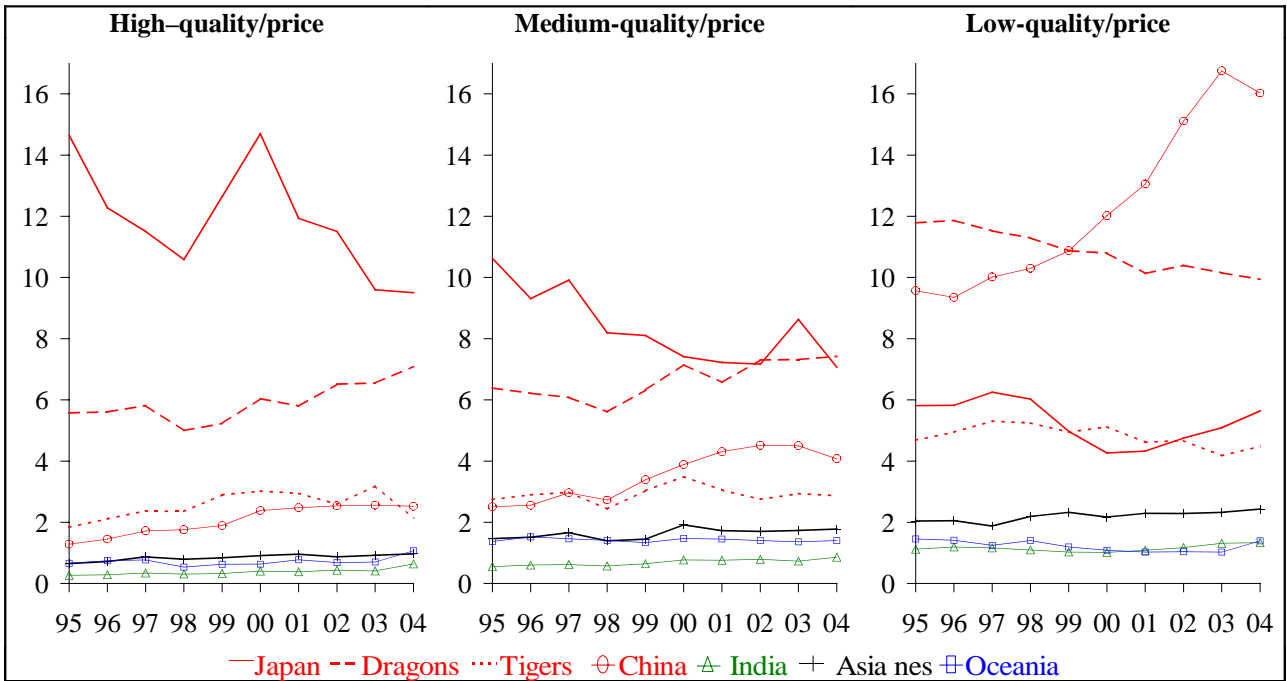
Table 9 – Breakdown of China's High-Tech Trade by Category of Firms (%)

	Exports		Imports		Trade Balance	
	%		%		(% X+M)	
	1997	2003	1997	2003	1997	2003
Chinese firms	42	21	42	29	-13	-22
Joint Venture	28	27	33	21	-20	8
Fully foreign owned firms	30	53	25	50	-4	-3
All firms	100	100	100	100	-13	-5

Source: China's Customs Statistics, authors' calculations.

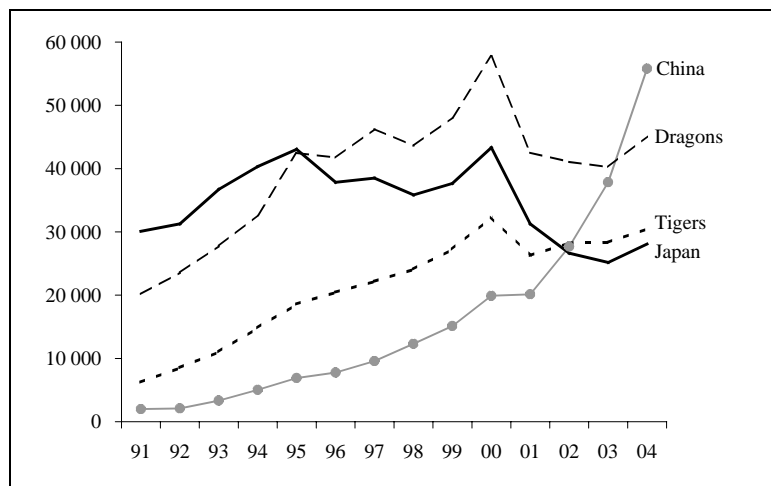
FIGURES

**Figure 1 – Asian Country Share in World Exports by “Quality/Price” Range
(% world exports in the respective range)**



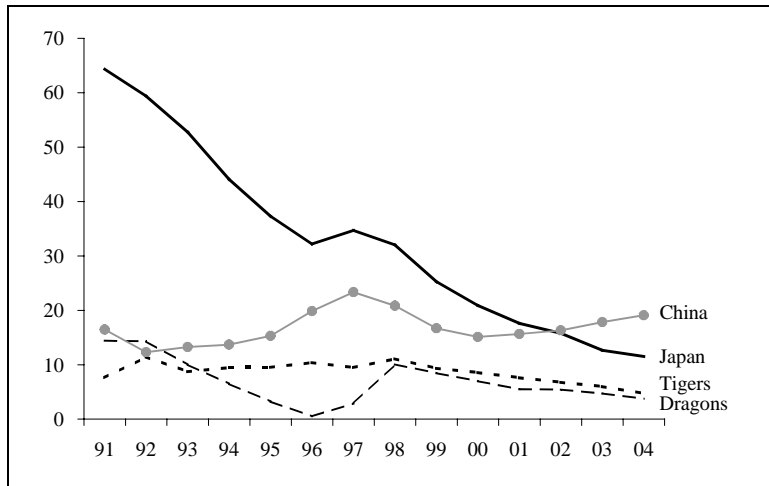
Source: CEPII-BACI data base, authors' calculations.

Figure 2 – US Imports in Electronics from Asia (Isic 30 32 33), US\$



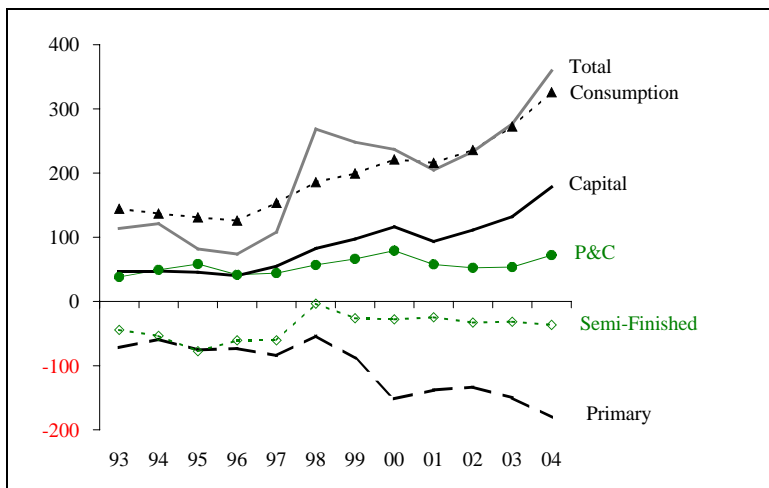
Source: CEPII-BACI data base, authors' calculations.

Figure 3 – Contribution to US Total Trade Balance (in %)
US Total Trade Balance



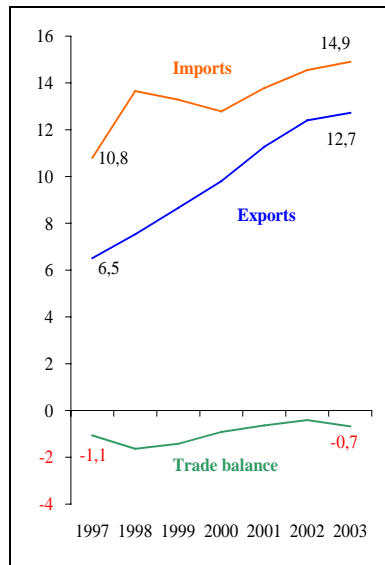
Source: CEPII-BACI data base, authors' calculations.

Figure 4 – Trade Balance of Asia-Oceania by Production Stage (bn US\$)



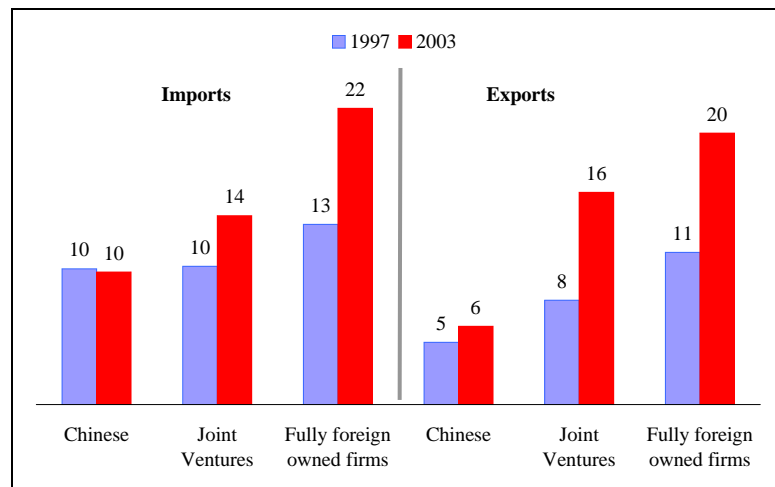
Source: CEPII-BACI data base, authors' calculations.

Figure 5 – China's Trade in High-Tech Products*



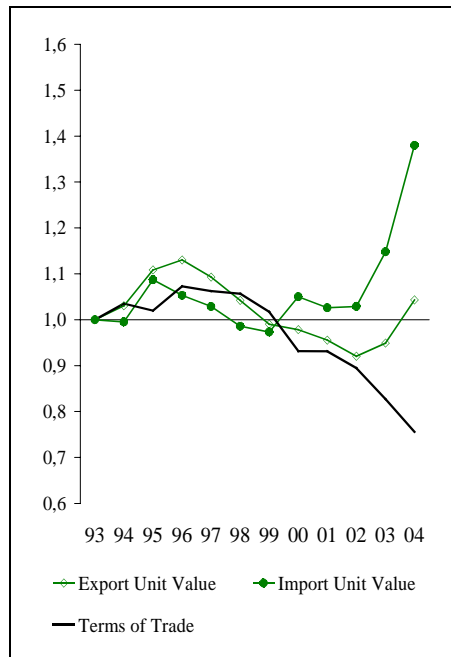
* High tech flows in % of total imports or exports. Trade balance is in % of total exports plus imports.
 Source: *China's Customs Statistics*, authors' calculations.

Figure 6 – High-Tech Trade in % of Total Trade for Each Category of Firms, 1997 and 2003



Source: *China's Customs Statistics*, authors' calculations.

Figure 7 – China's Terms of Trade, 1993=1



Source: *CEPII-BACI data base*, authors' calculations.