

Foreign Trade of China

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1. Introduction

On December 11, 2001, China officially joined the World Trade Organization (WTO) and became its 143rd member. China's presence in the world economy will continue to grow and deepen. The foreign trade sector plays an important and multifaceted role in China's economic development. At the same time, China's expanded role in the world economy is beneficial to all its trading partners. Regions that trade with China benefit from cheaper and more varieties of imported consumer goods, raw materials and intermediate products. China is also a large and growing export market. While the entry of any major trading nation in the global trading system can create a process of adjustment, the outcome is fundamentally a win-win situation.

In this paper we would like to provide a survey of the various institutions, laws and characteristics of China's trade. Among some of the findings, we can highlight the following:

- In 2001, total trade to gross domestic product (GDP) ratio in China is 44%
- In 2001, 47% of Chinese trade is processed trade¹
- In 2001, 51% of Chinese trade is conducted by foreign firms in China²

¹ We define processed trade to include both trade due to processing and assembly and trade due to processing with imported materials. Processing and assembly refers to the type of inward processing in which foreign suppliers provide raw materials, parts or components under a contractual arrangement for the subsequent re-exportation of the processed products. Both the imported inputs and the finished outputs remain property of the foreign supplier. Processing with imported materials refers to the type of inward processing other than "processing and assembly". For details, see China's Customs Statistics Monthly, December, 2001.

- In 2001, 36% of Chinese exports originate from Guangdong province
- In 2001, 39% of China's exports go through Hong Kong to be re-exported elsewhere³

The organization of this paper is as follows: in the next section, we provide a general overview of the past institutions and rules governing trade in China. We will also examine the evolution of China's general trade pattern over time. In section 3, we will study China's processed trade and trade conducted by foreign firms. In section 4, we study China's trade by province and by regions. In section 5, we focus on China's trade with the world major regions, including Asia, Europe, North America, Latin America and Africa. In section 6, we will examine China's trade with various major trading partners. In section 7, we discuss China's new trade regime with its entry to the World Trade Organization (WTO). In section 8, we analyze in greater details the trade relationships between China and the United States, China and Japan, China and the European Union, and between China and the Association of Southeast Asian Nations (ASEAN). In section 9, we conclude.

2. Evolution of China's Trade Regime

Since the economic reforms and open door policy started in 1978, there has been a strikingly sharp rise in China's exports and imports. As is shown in Table 1, between 1978 and 2001, the total value of China's trade grew at an average annual rate of 15.5% and export and imports grew at 16.0% and 15.6% per annum, respectively.

² Foreign firms include Sino-foreign contractual joint venture, Sino-foreign equity joint venture and foreign-owned enterprises. A substantial portion of trade conducted by foreign firms is processed trade.

³ This is obtained by dividing the value of Hong Kong re-exports that originate from China by the total Chinese exports to the world.

In the pre-reform era, China was an insignificant participant in international trade. China's foreign trade system was a complete state monopoly controlled by the Ministry of Foreign Trade (MOFT). Trade was conducted by product-specific national foreign trade corporations (FTCs) operating under a near total mandatory trade plan. In 1977, China's total trade volume was \$14.8 billion, which accounted for only 0.6% of world trade. A series of measure was introduced to promote exports since 1979. They are meant to decentralize foreign trade administration, to reduce the scope of mandatory planning, and to introduce the market mechanism. Compared to the export system, the import system remained relatively unreformed in the 1980s. In addition to import licensing and high tariffs on protected products, almost all import users were subject to a series of administrative measure and complicated approval procedure. By the early 1990s, the significance of China's role in the international economy was transformed. In 1992, its trade volume accounted for 2.2% of world trade. China's trade regime has become more transparent with its desire to join the WTO. The control over imports was more relaxed with a reduction on a large number of tariff rates. In 1994, the foreign exchange regime was reformed by abolishing the dual exchange rate system, which was introduced in 1986 with the establishment of the foreign exchange adjustment centers (FEACs), or swap centers. The new regime allowed domestic firms to buy and sell foreign currencies at the official exchange rate. In 1996, the new foreign exchange regime became applicable to foreign enterprises as well. During the years 1997-1998, the adverse effects of the Asia financial crisis became more apparent, and China's foreign trade was met with unprecedented difficulties. China's total trade went down by 0.4% and its imports decreased by 1.5%, although its exports maintain a small growth rate of

0.5%. But China's trade growth accelerated since 1999 with the recovery in the Asian economies. From 1999 to 2000, total trade grew at an annualized rate of 31.2%. The export value reached \$249.2 billion, up 27.8% and the import value reached \$225.1 billion, up 35.8%. In 2001, there is a modest increase in trading activities, with total trade rising by 7.8%.

Equally remarkable are the changes in the commodity composition of China's exports and imports. Table 2a shows China's annual export volumes of primary goods and manufactured goods over time. In 1980, primary goods accounted for 50.3% of China's exports and manufactured goods accounted for 49.7%. Although the share of primary good declines slightly during the first half of 1980's, it remains at 50.6% in 1985. Since then, exports of manufactured goods have grown at a much faster rate than exports of primary goods. As a result, the share of manufactured goods increased to 90.1%, and that of primary good decreased to 9.9% by 2001.

Also shown in those tables are five subgroups for manufactured goods and primary goods. China's export was highly dependent on its exports of coal, petroleum, and petroleum products until mid-80s. The large export volume of petroleum was also supported by a sharp rise in oil prices during the period. In 1985, the share of mineral fuels is 26.1%. In 1986, the sudden decline in the share of primary goods in total exports occurs, which is largely associated with the decline in the export volume of mineral fuels. The price reforms coupled with the declined world petroleum price are attributable to the decline.

Domestic agriculture production expanded during the 1980's in response to the higher prices through the price reforms and more opportunities given to the producers to

market their products. Although the share of food and live animals in total exports has declined over time, China has become a net exporter of such products since 1984.

Turning to the manufactured goods, the large increase in the share of the manufactured goods in the total exports since mid-80s is largely accounted for by the increase in the export in the textile category and the miscellaneous products category. These two groups include labor-intensive products such as textiles, apparel, footwear, and toys and sporting goods. During the 1990s, the category that exhibited the most significant surge in exports is machinery and transport equipment. Its share expanded from 9.0% in 1990 to 35.7 % in 2001.

The change in the commodity composition in China's imports can be seen in Table 2b. The share of primary goods in total exports fell from 34.8% in 1980 to 18.8% in 2001. The decline in the share reflects large decrease in imports of food and live animals. Its share reached the highest at 21.8% in 1982 has declined over the past 20 years to 2.0% in 2001. The increased production of agricultural production due to domestic economic reforms enable China to reduce the amount of its agricultural imports.

The share of mineral fuels in imports on the other hand, has been steadily increasing during the period. The rapid economic growth that China has experienced has led to a shortage of those products domestically. China has been a net importer of mineral fuels for the past six consecutive years.

The share of manufactured products in total imports rose from 65.2% in 1980 to 81.2% in 2001. This is largely attributed to sharply rising imports of machinery and transportation equipment. There are two major factors that led to the increase of importing machinery and transportation equipment. First, the imported machinery and

transportation equipment embodied a higher level of technology than those produced domestically. Second, since China initiated the open-door policy, throughout the 1980s and the 1990s, the government promoted to open the economy to foreign investors by adopting a series of reforms and new regulations. Those include establishing Special Economic Zones, Open Coastal Cities, opening up of new sectors, various preferential policies for foreign multinationals such as tax concession, import tariff exemption, and so on. These efforts resulted in creating a more favorable investment environment for foreign multinationals, which led to a considerable rise in foreign direct investment. Among other activities, these foreign firms engage in processing trade. China has become an important link in the global supply chain for multinationals. In addition, China has also a large and growing market. The increased share of imports of machinery and electronics products reflects the increased use of global outsourcing as well as the growth of China's domestic market.

3. China's Processing Trade and Trade by Foreign Invested Firms

China established the legal framework for processing and assembly arrangements in 1979. Since then, China has built up considerable strengths in assembling and processing of industrial parts and components. It covers a wide range of industries such as electric machinery, automobile, aerospace, and shipbuilding. Table 3a and Table 3b demonstrate the amount of processing exports and imports and the importance of state-owned enterprises (SOEs) and foreign-invested enterprises (FIEs) in such forms of trade for 1995-2001. Throughout the period from 1995 to 2001, the shares of these two types of processing exports exceed more than half of China's total exports. In 2001,

processing exports account for 55.4% of the total exports. As is seen in Table 3a, process & assembling was dominated by SOEs in 1995. However, the trend has been changing. The share of SOEs in process & assembling has been steadily declining over the years from 84% in 1995 to 62% in 2001. The other type of trade, process with imported materials was largely conducted by FIEs and their shares have been gradually increasing from 81% in 1995 to 88% in 2001. In China's imports (see Table 3b), processing trade is relatively small compared to exports. After it peaked at 49% in 1997, processed imports decline to 39% in 2001. The decreasing importance of SOEs can be seen in China's imports as well. Shares by SOEs decreased from 81% in 1995 to 58% in 2001 for process & assembling, and from 18% to 7% for process with imported materials. The decreased role for SOEs in processing trade may reflect the inefficiency in conducting their business. Since 1997, the Chinese government decided to implement the shareholding system and to sell a large number of medium- and small-sized SOEs to the private sector. A number of larger enterprise groups will be established in various industries through mergers, acquisitions, and leasing and contracting. The restructuring of SOEs is intended to increase profits and to improve their competitive edge.

4. China's Trade by Provinces and Regions

A regional breakdown of exports and imports reveals important characteristics of the foreign trade in China. In 1997, 89.1% of the total exports came from the Eastern region of China (Beijing, Tianjin, Hebei, Lioaning, Guangxi, Shanghai, Jiangsu, Zhejiang, Fujian, Shangdong, Guandong and Hainan). Within the East, the Southeast

region accounts for 76.3% of China's exports in 1997.⁴ Guangdong alone produces 41.6% of the total exports for the same year. Such regional imbalances in exporting activities persist to the present day. In 2001, Guangdong's share of the national exports is 36.0%. For the Southeast and the East, the shares are respectively 79.0% and 91.1%.

A similar degree of unevenness in trade can be seen in the nation's imports. For the year 1997, the East and the Southeast accounts for 91.6% and 74.7% of the total imports, while Guangdong imports 39.8%. In 2001, the East and the Southeast again accounts for 91.4% and 74.0%. Guangdong remains the international trade powerhouse of China. In 2001, the province imports 34.6% or more than one-third of the nation's imports.

This imbalance of the regional growth in foreign trade may partially be attributed to the various geographic-specific and sequential open-door policies China has exercised throughout the last twenty years. The strong growth of the export sector in the coastal area has been supported by the massive use of foreign direct investment (FDI). FDI was first attracted by the creation of the Special Economic Zones (SEZ). FDI was concentrated in the provinces of the Southeast coast, namely, Guangdong and Fujian. The multinational enterprises that are export-oriented or use advanced technologies are able to enjoy various preferential policies in the SEZs, such as reduced or exempted corporate income tax, exemption from import tariffs on imported equipment and raw materials. In 1984, fourteen coastal cities were opened and were granted similar policies as SEZs. Out of those fourteen cities, ten are located in the Southeast coast regions and four are in the rest of the Eastern regions. Furthermore in 1985, similar preferential policies were

⁴ Southeast region includes Shanghai, Jiangsu province, Zhejiang province, Fujian province, Shandong province, Guangdong province and Hainan Province.

granted to other coastal economic regions, Pearl River Delta, Yangtze River Delta and Minnan Delta which is to the south of Fujian. In 1990, Pudong in Shanghai was opened and was granted extensive preferential policies. Since 1984, the Chinese government established thirty-two national-level Economic and Technological Development Zones (ETDZs) to enhance FDIs from foreign firms that are export-oriented and technologically advanced. Of those ETDZs, twenty are located in the Southeast coastal area, six are in the rest of the Eastern region, four are in the Central part of China, and only two are in the Western region of China. Thus government policies which establish these economic zones attract foreign direct investment mainly in the Eastern and Southeastern regions, which lead to a concentration of exports and trade in these areas.

Another reason for the unevenly high export growth in the Southeast coast is its geographic proximity to Hong Kong, Macao, and Taiwan. Since the early stages of the opening-up of China, Hong Kong has been moving their labor-intensive manufacturing industries to the Southeast of China, mainly to Guangdong, to take advantage of the abundant supply of cheap labor. These firms contributed to the fast growth of processed exports in the region. On the other hand, the Fujian Delta area became the home for many firms from Taiwan due to its geographic and cultural proximity to Taiwan.

The share of exports in The Yangtze River Delta, the home of Shanghai and two provinces, Jiangsu and Zhejiang has grown steadily during the period 1997 to 2001. The share of those three regions grew to 10.1%, 11.0%, and 9.1% in 2001 from 8.1%, 7.9% and 5.9% in 1997, respectively. As the role of high-tech industry becomes more significant in China's output and China's comparative advantage in skilled-labor and capital-intensive industries becomes higher, the Yangtze River Delta becomes a new

magnet for investment by foreign enterprises. These foreign investments in turn lead to more export and trade.

5. Foreign Trade by Major World Regions

Using China's official statistics, Table 4a and 4b highlight merchandise exports and imports to and from major world regions for 1993 - 2001: Asia, Africa, Europe, Latin America, North America and Oceania. As we see from Table 4a, China's most important export region has always been Asia, which absorbs 53% of China's exports in 2001. However, their share of absorption declines from almost 62%, their peak level of 1995. The importance of North America and Europe in China's exports, however, has been increasing since 1998. In 2001, North America takes in more than 22% of exports and Europe takes in more than 18%.

The reliance of China's trade on Asia can be seen in merchandise imports as well. Asia by far is the largest supplier of China's imports. Asia accounts for more than 60% of China's imports in 2001. Furthermore, its share has been more stable than that for exports. The next largest supplier was Europe. However, Europe's share has been declining gradually over the period. North America has been third, with a share of more than 12% in 2001. A somewhat surprising finding is the significant increase in China's imports from Africa. Import volume from Africa in 2001 is close to five times as big as it was in 1993. Table 4a and 4b highlight China's reliance on the Asian market for both its imports and exports. On the other hand, North America has been more of an export market than a source of import supply.⁵

⁵ If we take into account of re-exports to different regions, the shares of exports and imports to various world regions will have to be adjusted.

6. China's Merchandise Exports and Imports by Major Trading Partners

Table 5a and Table 5b document China's merchandise exports to and imports from its major trading partners, using China's official statistics. According to Table 5a, the major exports markets for China in 2001 are: the United States (20.4%), Hong Kong (17.5%), Japan (16.9%) and the European Union (15.4%). It is well-known that a large proportion of Chinese exports to Hong Kong are re-exported elsewhere so that the true size of the Hong Kong export market has to be estimated. To save space for this paper, we will just rely on the official Chinese figures.⁶ Even without adjusting for re-exports, the United States in 2001 is the largest export market for China. Thus, from an international trade perspective alone, the most important bilateral trade relationship for China is the relationship with the United States. Together the United States, Hong Kong, Japan and the European Union take in 70.2% of China's exports in 2001. Within ASEAN (Association of Southeast Asian Nations), Singapore has been the largest export market for China. In 2001, 31.5% of China's total exports to ASEAN is destined for Singapore. Within the European Union (EU), Germany is the largest market with 23.8% of the total Chinese exports going to the EU.

Turning to the import side, Japan is the largest source of China's imports. In 2001, Japan accounted for 17.6% of China's total imports. The European Union comes in second, with a share of 14.7%. Taiwan and the United States are respectively third and fourth, with shares of 11.2% and 10.8%. Korea is fourth largest, with a share of 9.6%. Korea's export to China has more than quadrupled in absolute terms from \$5.36 billion in 1993 to \$23.4 billion in 2001 with its share increased from 5.16% to 9.6%. Another

trading partner that shows a growing importance as a supplier of China's imports is ASEAN. According to official Chinese figures, in 2001, the total value of their exports to China is \$23.2 billion, which is close to four times as large as it was in 1993.

We are aware that the official Chinese trade statistics do not appropriately take the large volume of re-exports via Hong Kong into account and the above comparisons of China's exports to and import from its trading partners has to be adjusted. For the case of the United States, Fung and Lau (2001) have done detailed adjustments to the official U.S. and Chinese trade data. If we do adjust these trade figures, the two countries with the largest export markets for China in 2001 will almost surely be the United States and Japan. In fact, the United States has been the largest export market for China for quite sometime. This reiterates a point that we have made earlier: from a trade standpoint, the bilateral Sino-U.S. relationship is the single most important relationship for China. It is essential that China takes steps to maintain the health and stability of such a relationship.

7. China's Trade Regime with Entry to the WTO

China formally applied to become a member of the GATT in July 1986. It is not until December 2001 that China finally entered the WTO. During these 15 years, China engaged in multilateral negotiations, as well as bilateral negotiations with 37 separate countries and areas including Japan, the United States and the European Union. Although China will enjoy its rights as a full member of the WTO, many domestic laws and regulations need to be reviewed, abolished or modified in order to enforce the WTO agreement and the protocol of accessions. China is required to implement WTO-consistent policy regimes in a wide range of areas and sectors, such as, tariffs, non-tariff-

⁶ For details of such adjustments, see Fung and Lau (2001).

measures, trade-related investment measure, telecommunications, financial sector, service sector, government procurement, etc. The following is the short and selective summary of the WTO agreement and its possible impact on China's economy.

7.1. Tariffs

China has agreed to gradually lower its tariffs on a total of 7,151 items by 2010. Details of the expected changes in the tariff schedules are shown in Table 6. Tariffs on passenger automobiles were 80 to 100% in 1998. Tariffs were cut to 51.9% with WTO accession and will further be decreased to 25% by 2005. Tariffs on information technology products such as computers and semiconductors will be reduced to zero and those on home appliances such as air conditioners, refrigerators, and television sets will be reduced to 10% to 20% by 2005. The average rate of tariffs on all items at the time of accession in 2001 was 13.6%, which is scheduled to be lowered to 9.8% in 2010. Out of 7,151 items, 977 are in agricultural products, whose average rate of tariff is scheduled to be lowered from 22.7% to 15.0%. The average rate of tariff on the rest of the 6,174 items, which include mining and manufacturing products, will be lowered from 16.6% to 8.9%. China lowered tariffs on over 5,300 items to 12% in January 2002. Currently, the average rate of tariffs on manufactured products is 11.6%. The average tariff rate on agricultural products is 15.8%. Cutting tariffs will benefit China's economy by increasing efficiency and expanding a variety of goods for consumers. Increased foreign competition will challenge domestic producers to improve their competitiveness. The extent of economic benefits from reduced tariffs to foreign firms should also be significant but not as large as it seems. Since 1996, China has already cut tariffs significantly. The average tariff rate on all imports was reduced from 42% in 1992 to 17.5% in 2000. China's

proposal to reduce the average tariffs amounts to a reduction of a little over 1% a year. But tariff rates applied in certain sectors can be significantly lower than the published rates. This is the case for high technology industry. A new foreign investment policy in 1999, for an example, allows export-oriented foreign firms to import equipment from abroad without any import duties.

7.2. Other import restrictions

China agrees to eliminate any import restrictions that are not WTO compatible, such as import quotas, import licensing, and foreign exchange control by 2005. China subjects a broad range of commodities to import quotas, including agricultural products such as grains and vegetable oils, raw materials such as fertilizer and cotton, consumer products such as color TVs, cameras, video camera recorders, automobiles, and so on. Many products that are subject to import quotas also require import licenses. Accession to the WTO requires China to comply with rules set out by various WTO Articles to ensure nondiscriminatory application of quotas and to make import licensing procedures more transparent and simple. For example, import quotas on automobiles and parts will be eliminated by 2005. In the meantime, the value of total imports of automobiles and parts allowed will be increased by 15% each year. The elimination of these non-tariff barriers will significantly increase international competition. Protected sectors such as the automobile industry in China will face difficult challenges from foreign competitors. But after a period of adjustments and consolidations, such industries are expected to become more efficient and competitive.

7.3. Service Industries

In accordance to WTO agreements, China will also open up its service sector to foreign competition, including distribution, insurance, banking, and telecommunications. Telecommunications, including fixed-line telephone services, cellular telephones, and internet services is one area that has been under strong government control in the past. The various restrictions imposed on the sector, such as the percentage of foreign capital allowed and the area where foreign firms can operate, will be eliminated. A foreign non-life insurer is permitted to establish as a branch or as a joint venture with 51% foreign ownership. A foreign life insurer is permitted 50% foreign ownership in a joint venture. Over time, geographical restrictions will also be eliminated. Within five years, foreign financial institutions are allowed to have full market access and to provide services to all Chinese clients. The financial position of the Chinese banking system is weak and foreign participation in the sector has been small. In order to improve efficiency and to gain foreign capital, some banks are expected to form strategic partnerships with foreign banks. China will also allow full trading and direct distribution by foreign firms including wholesale and retail trade and the provision of after-sale service.

In sum, in all these areas, domestic Chinese entities will face stiff competition from foreign firms. But the increased competition will eventually lead to increased efficiency and higher labor productivity, which will raise China's competitiveness in the world market.

8. China's Trade Relations with Selective Trading Partners

8.1 U.S – China Relationship

A healthy Sino-U.S. economic relationship is critical to China's economic development. U.S.-China commercial ties have expanded substantially since the beginning of economic reforms. According to Chinese statistics, U.S. exports to China were \$721.1 million and imports were \$270.67 million in 1978. Those figures grew to \$26.20 billion and \$54.28 billion in 2001, respectively. China is currently the 4th largest trading partner for the United States. U.S.-China commercial ties have been strained by a number of issues. The U.S.-China bilateral trade balance has been in deficits for years and is progressively increasing. Even though professional economists view bilateral trade deficits as a result of saving-investment imbalances and government budget deficits, U.S. policymakers continue to have great concerns with the presence of the bilateral trade imbalances. Fung and Lau (2001) have estimated that the China-United States bilateral trade balance is bigger than what the official Chinese figures indicate, but much smaller than the official U.S. official estimates. These discrepancies are due to a variety of factors, including the different ways imports and exports are measured, re-exports via Hong Kong and the re-export markups imposed by Hong Kong middlemen. Despite the fact that the bilateral trade deficits are not as large as they appear, they are still big and are growing. Trade imbalances remain a source of trade friction between the two countries.

Table 7a shows the top 15 U.S. imports from China for the years 1995 to 2000. During this period, there is a significant growth in U.S. imports of capital-intensive manufactures goods. The largest import from China has been electrical machinery, which accounts for almost 20% of total U.S. imports from China in 2000. Non-electric machinery, which includes boilers, machinery and mechanical appliance, accounts for

about 8% of imports in 1995 but has grown to 13% by the year 2000. Non-electric machinery is now the second largest U.S. import item from China. There is no doubt that some of these items are processed exports from China. In other words, production in China and its subsequent export constitutes only one or several stages of the entire global production chain. The rest of the U.S. imports from China largely concentrate in low valued-added and labor-intensive products, such as toys, games, and sports equipment, footwear, furniture, apparel; and leather products.

China's accession to the WTO would likely have a significant positive effect on U.S.-China trade. A study by the U.S. International Trade Commission estimates that the United States will benefit from increasing its exports to China by \$3.1 billion. Another study by Goldman Sachs estimates that China's WTO accession will bring an additional \$13 billion to U.S. exports by 2005.

Table 7b shows the top 15 U.S. exports to China for the years 1995 to 2000. As mentioned before, Chinese import quotas and licensing covers a wide range of commodities. A number of items that is important to the United States, including oilseeds, cameras, and motor vehicles have been subjected to both import licensing and quotas. Elimination of import licensing and quotas under the WTO agreement will create a positive impact on the U.S. economy by generating more exports, reducing costs for trade. At the same time, the Chinese economy will also benefit in the longer run as its domestic producers will become more efficient and more productive in the face of more intense foreign competition.

The U.S.- China bilateral WTO agreement provides increased access for U.S. agricultural exports across a wide range of commodities. A tariff-rate quota (TRQ)

system will be established to wheat, corn, rice, oilseeds, vegetable oils, sugar, wool, and cotton, which are identified as priority sectors to the United States. Under a TRQ, the same low in-quota duty is applied to each importer up to a particular amount and out-of-quota rate is applied to any imports that exceed the particular threshold amount. China still can reserve a share of imports for state trading enterprises. The institution of TRQ will provide a share of the TRQ for private traders other than state trading entities.

Some U.S. sectors will benefit from significant cuts in tariffs. Overall industrial tariffs will be cut from an average of 24.6% in 1997 to 9.4% by 2005. Average tariffs for U.S. priority agriculture products, such as beef, grapes, wine cheese, poultry, and pork will be cut from 31.5% to 14.5% by 2004. A study by the U.S. International Trade Commission finds that U.S. exporters will gain from such tariff cuts by a modest amount, ranging from \$1.5 billion to \$1.9 billion.

As U.S. and China expanded their commercial relations, disputes have arisen over a wide variety of issues. One of the on-going trade frictions that the two countries face is textile trade. Under the Agreement on Textile and Clothing, the U.S. textile and clothing quotas will have to be removed by 2005⁷. The U.S. textiles and clothing industries, which have been under the protection of quotas, will be subjected to competition with Chinese imports. But this is likely to be beneficial to both countries, as the United States eliminate the inefficient trade barriers in textile and garment.

⁷ The U.S. negotiated with China for a special safeguard provision to enable the United States to have additional protection against Chinese imports.

8.2 Japan-China Relations

Japan and China have deepened their economic ties since China's reform policy started in 1978. Japan is China's largest trading partner, while China is Japan's second largest trading partner. The two countries together constitute Asia's largest trading partner. Although the total volume of trade declined in 1998, it quickly recovered during the following year. According to Chinese statistics, the value of Chinese exports to Japan in 1999 is \$32.40 billion, which exceeds the value of Chinese exports in 1996 before the onset of the Asian financial crisis. There has been robust growth in the volume of trade between the two countries in 2001. Japanese exports to China have grown from \$3.11 billion in 1978 to \$42.8 billion in 2001, and Japanese imports from China have grown from \$1.72 billion in 1978 to \$45.0 billion in 2001.

Table 8 takes data from official Japanese trade statistics and it shows changes in the commodity composition of Japanese exports and imports to and from China.⁸ Traditionally, China has supplied Japan with agricultural goods and raw materials, while Japan supplied China with capital goods to China. In 1991, Japanese imports of foodstuffs and textile amounts to almost half of its total imports from China, while more than 70% of Japanese exports to China are capital goods. This pattern changes in the 1990s. Japanese imports of foodstuff decline to 10.7% in 2000, and those of textile declined to 30.3% after reaching a peak of 36.4% in 1993. On the other hand, the shares of Chinese exports of both general machinery and electrical machinery increase dramatically from 0.9% and 4.0% in 1991 to 6.9% and 15.1% in 2000, respectively. A large proportion of the production and export of such machinery in China is processed

with imported components by Japanese affiliated firm, reflecting the increased amount of Japan's production in the manufacturing sector in China.

China concluded its bilateral trade agreement with Japan on September 4, 1999. China's accession to the WTO would likely have a significant positive effect on Sino-Japanese trade for the following reasons. First, China and Japan are important trading partners with each other. Second, many products subject to licensing and quotas in China are consumer electronics such as color TVs, VCRs, tape players and cameras, which are major Japanese exports. The removal of non-tariff barriers will eventually strengthen the competitiveness of the Chinese industries. At the same time, it will have a significant impact on Japanese exports. A study by the Economic Planning Agency (2000) of the Japanese government estimates that by 2005, China's accession to the WTO will increase Japanese exports by 20.1 billion, while raising its imports from China by 6.5 billion. The large reduction in Chinese tariffs happens to occur in industries in which Japan has already established competitive edges, such as the automobile industry and the information technology industry. For example, in 1998, Japanese exports share of automobiles to China was 66% in terms of the value, whereas the figures for the U.S. and the EU are 10% and 7%, respectively. China cuts its tariffs on automobile imports from 80-100% to 70-80% at the beginning of 2001. Auto imports from China are expected to continue to increase.

8.3 ASEAN – China Relations

⁸ Data are taken from White Paper in International Trade, MITI, Government of Japan, various years. Note that the aggregate import and export values in Table 8 differ from those taken from the official Chinese data.

According to ASEAN statistics, their share of China's trade rises significantly from 5.8% in 1991 to 8.3% in 2000⁹. ASEAN has become the fifth largest trade partner of China after Japan, the United States, the European Union and Hong Kong. The change in the commodity composition in ASEAN exports to China is equally remarkable. In 1993, two of their largest export commodities to China are HS#27: mineral fuels; oils; and waxes, and HS#44: wood and articles of wood, which account for about 55% of their total exports. In 2000, however, the share of those commodities declined to approximately 22%. In contrast, the shares of HS#84 and 85, electrical and general machinery go up from about 12% to 38% during the same period. On the imports side, electrical and general machinery are the largest and the second largest import commodities from China in 1993, and these two items continue to be the most important ones in the year 2000. However, their relative shares in total ASEAN imports from China increase dramatically from 21% in 1993 to 51% in 2000.

ASEAN's largest trading partners (excluding ASEAN itself) have always been the United States, the European Union and Japan. During the 1990s, many ASEAN members started to lose competitiveness and market shares to China. In trading with the large industrialized countries, China has been catching up to the ASEAN member countries. Table 9 shows the exports from ASEAN and China to the United States, the European Union and Japan. Compared to the 1993 Chinese exports, ASEAN's exports to the United States, the European Union and Japan are respectively 148%, 157%, and 96% larger for the same year. Similar comparisons show that China has been gaining on

⁹ Data are taken out from the ASEAN Trade Statistics Database.

ASEAN throughout the 1990s, By 2000, ASEAN's exports to these three key markets are only larger than those from China by 30%, 51%, and 25% respectively¹⁰.

Many ASEAN member countries are concerned as China develops and finally joins the WTO. On the positive side, China's accession to the WTO will mean greater market access for ASEAN exports to China. Chinese tariffs against ASEAN products will be cut between 34% to 47% by the year 2005 (Thitapha Wattanapruttipaisan, 2001). However, China's accession also creates new competitiveness challenges to many ASEAN countries. There will be increased Chinese competition in ASEAN'S key export commodities in all the important markets. China's largest export commodities are electric and general machinery (HS# XVI), which accounts for 31.9% of their exports in 2001. Among other items, this category includes televisions, sound recorders, parts of those articles, mechanical appliances, and other machinery. Exports by ASEAN countries such as Malaysia, Philippines, and Singapore also rely heavily on these commodities. The share of electric and general machinery in total exports from Malaysia, Philippines, and Singapore in 2000 is 72.2%, 84.3%, and 77.3%, respectively. Due to low wages, China may have competitive advantages in these industries. Another sector that China displays strong competitiveness is textile and clothing. During the 1990's China has increased its market shares in key markets such as the United States, the European Union and Japan. This sector is particularly important to Thailand, Indonesia, and Philippines. For Philippines, knitted fabric (HS#61) and not-knitted fabric (HS#62) are the third and the fourth largest export commodities in 2000. China's accession to the WTO will likely

¹⁰ Since the Asian crisis in 1997, China's catching-up process appears to be accelerated

intensify competition between exporters from China and from ASEAN in both the Chinese domestic market as well as markets in the industrialized countries.

8.4 EU – China Relation

From 1978, the year when China's economic reform started, to the year 2001, total trade volume between China and the European Union has increased more than forty-fold. In the early 1990's, there has been frequent EU anti-dumping proceedings against China. In 1992, there were 20 anti-dumping measures against China, and the figure increases to 30 at the end of 1995 (Roger Strange, 1998). As China's economy grows, the European Union begins to focus on fostering a more stable relationship with China. In 1995, the European Union passed a document entitled "A Long-Term Policy for China-Europe Relations." This document emphasizes the importance of developing more active economic engagements with China. Further EU policies toward China were set out in the 1998 communication "Building a Comprehensive Partnership with China", which was implemented in 2001, with suggestions about concrete ways of furthering EU-China relations.

Like almost all of the trading partners with China, a significant amount of trade between the European Union and China occurs as re-exports via Hong Kong. According to the Census and Statistics Department of the Hong Kong government, re-exports of Chinese goods to the European Union is \$24.3 billion in 2000. This accounts for 22.3% of the total re-exports of goods of Chinese origin that passed through Hong Kong that year. In contrast, Hong Kong's re-exports of goods from the European Union to China

was only \$6.7 billion. This is 10.7% of all the re-exports that go through Hong Kong to China that year.

Table 10 shows the top 10 Chinese exports to and imports from the European Union. EU exports to China is highly concentrated in electrical and non-electrical machinery, accounting for 56% of its total exports to China. Although concentration on this category of exports is fairly common with China's other trading partners, the extent of such concentration is unique to the European Union. For example, the percentage share of electrical and non-electrical machinery in U.S. total exports to China is 35.8% in 2000 and comparable figure for Japan for the same year is 47%. In addition, electrical and non-electrical machinery are also important items on the list of EU imports from China. In 2000, this category of goods constitutes 35.5% of total imports from China to the European Union.

A bilateral EU-China agreement on China's accession to the WTO was concluded on May 19, 2000. China agreed to cut its average import tariffs for 150 key products¹¹ from 18.6% to 10.6%. These key products include spirits, cosmetics, leather articles, textiles, building materials, and machinery and appliances. Furthermore, the agreement made specific commitment in the automobile industry. First, in two years, automobile manufacturers who have invested or will invest in joint ventures with Chinese firms will have freedom to make their own decisions regarding the class and models of the vehicle to be produced. Second, provincial authorities alone can approve automobile foreign investment projects with a value of no more than \$150 million. The old limit used to be \$30 million. Third, wholly foreign owned enterprises will be allowed in the automobile

¹¹ These key products are spirits, cosmetics, leather articles, textiles, building materials, and machinery and appliances.

engine industry. Opening up the automobile sector is important to the European Union. Many European automobile manufacturers such as Volkswagen, Mercedes, Peugeot, Audi, and BMW are well established in China. Japan has been a key player in this industry in China for many years. But many European manufacturers, particularly the Germans, have paid increasing attention to the growing Chinese market. . According to the People's Daily (July 23, 2001), the number of automobiles imported by China from Japan in the first five month of 2001 accounts for 56% of the total imports of automobiles. However China also imports 14% of its automobiles from Germany.

In the future, China may face increasing challenges in exporting to the European Union. The first challenge is the increased use of anti-dumping duties by the European Union towards China. According to China Daily (March 28, 2002), the current total number of anti-dumping cases against Chinese products launched by the European Union reaches 91, accounting for about one-fifth of the total anti-dumping cases that China faces. Second, with the launch of the Euro and plans to expand the European Union to include more members, there should be an increase of intra-EU trade. In some instances, the increase in intra-EU trade may occur at the expense of trade with non-EU countries such as China.

9. Conclusion

China has gone a considerable distance in its attempt to integrate itself to the global economy. China's economy is an increasingly open one. In 2001, its total trade to GDP ratio reaches 44%. In December 2001, China formally joins the WTO. By joining

the WTO, China binds itself to a rule-based trading system and signals to the world that it is ready to continue and even accelerate its open door reform policy.

China's trade is characterized by at least four characteristics. First, a large amount of trade is actually conducted by foreign firms in China. In 2001, 50% of Chinese trade is carried out by foreign-invested firms. Second, a very high percentage of Chinese trade is processed trade. In 2001, 47% of Chinese trade is related to processing. Furthermore, of the processed trade, 73% is conducted by foreign-invested enterprises. Third, there is a large amount of re-exports in China's interactions with the world. In 2001, 39% of China's exports go through Hong Kong to be re-exported elsewhere. Lastly, China's trade is geographically concentrated. In 2001, 35.3% of Chinese trade originates from one province, viz. Guangdong.

What might we expect to see in the future? With increased integration in the global economy, the prominent role of foreign firms in China's trade will likely continue. The presence of foreign firms in Chinese trade reflects also the increased use of global outsourcing as a competitiveness strategy by multinationals from the industrialized economies. With low wages and a large pool of high quality labor, China has become a critical link in the global network of production fragmentation. At the same time, as China continues to grow, more and more of the foreign-invested firms, particularly those from the United States, Japan and the European Union, are set up to sell to the booming domestic Chinese market.

While processed trade should remain an important feature of Chinese trade, it is no longer confined to low-tech and low value-added activities. U.S. high-technology companies continue to subcontract to firms in Taiwan. The same Taiwanese firms are

moving or subcontracting to the Mainland. China has also become an important market for information technology (IT) products. According to the American Electronics Association (AEA), the largest umbrella industry group of high-technology companies in the United States, China is now the third largest IT market in the world. In fact, due to its own estimation of the importance and growth of China's IT market, Silicon Valley acted as one of the most vocal and strongest supporters for China to join the WTO. In the near future, we can expect to see that China's trade will be increasingly high-tech.

The share of re-exports in China's trade has declined in recent years. It is expected that this trend will continue. As China's trade regime becomes more rule-based and more transparent, Chinese trade will also become more direct. With its advanced infrastructure in finance, insurance, shipping and telecommunications, Hong Kong remains a favorite site for multinationals to set up and maintain its regional headquarters. Hong Kong will continue to play an important role in coordinating the global supply chains involving parents of multinationals and specialized suppliers located in China and other Asian countries.

The share of trade conducted by Guangdong province remains high. But there are indications that Shanghai and the Yangtze River Delta have taken an increasing active role in the last few years. Over time, we may expect to see that there is some mild diversification in the share of trading activities away from Guangdong.

In the future, we see that there are at least two challenges facing China in the area of international trade. First, with China's competitiveness growing, many countries will perceive that their producers will not be able to compete with the Chinese exports, either in the third market or in their own domestic market. The backlash will take the form of

an increased use of anti-dumping duties and safeguards. We have already seen the use of such trade instruments against China from a variety of countries, including Japan, the European Union and the United States. A relatively new development is that even developing countries such as India and Mexico are using anti-dumping measures against Chinese exports to their countries. The difficulty with anti-dumping duties is that they are generally WTO-consistent. Thus joining the WTO does not mean that other countries will reduce their use of anti-dumping duties against China.

A second challenge facing China is how to manage its trade relationship with the United States. The United States is the largest economy on earth. The United States is China's largest export market. It is also a critical source of technology. A stable and healthy relationship with the United States is important for China's economic development. It is always a difficult adjustment process for countries to accept a newly emergent economic power. The United States as well as other countries may perceive China as a potential economic threat. Judging from the experience of the relationship between the United States and a rising Japan in the 1970s and the 1980s, it will not be too hard to imagine that there will be difficulties in the trade relationship between the United States and China. Managing and smoothing such a relationship should be an important goal for China.

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Table 1**China's Foreign Merchandise Trade**

Year	Trade Volume (US\$ billion)				Index 1978=100		
	Total	Exports	Imports	Balance	Total	Exports	Imports
1978	20.7	9.8	10.9	-1.1	100	100	100
1979	29.4	13.7	15.7	-2	142	140	144
1980	38.1	18.1	20	-1.9	184	185	183
1981	44	22	22	0	213	224	202
1982	41.6	22.3	19.3	3	201	228	177
1983	43.6	22.2	21.4	0.8	211	227	196
1984	53.5	26.1	27.4	-1.3	258	266	251
1985	69.7	27.4	42.3	-14.9	337	280	388
1986	73.8	30.9	42.9	-12	357	315	394
1987	82.7	39.4	43.2	-3.8	400	402	396
1988	102.8	47.5	55.3	-7.8	497	485	507
1989	111.7	52.5	59.1	-6.6	540	536	542
1990	115.4	62.1	53.4	8.7	557	634	490
1991	135.7	71.9	63.8	8.1	656	734	585
1992	165.6	85	80.6	4.4	800	867	739
1993	195.8	91.8	104	-12.2	946	937	954
1994	236.7	121	115.7	5.3	1,143	1,235	1,061
1995	280.9	148.8	132.1	16.7	1,357	1,518	1,212
1996	289.9	151	138.8	12.2	1,400	1,541	1,274
1997	325.2	182.8	142.4	40.4	1,571	1,865	1,306
1998	323.9	183.7	140.2	43.5	1,565	1,875	1,287
1999	360.6	194.9	165.7	29.2	1,742	1,989	1,520
2000	473.3	249.2	225.1	24.1	2,287	2,543	2,065
2001	509.8	266.2	243.6	22.5	2,463	2,716	2,234

Source: China's Customs Statistics, various years, General Administration of Customs of the People's Republic of China.

Note: The figures are in US\$ billion. Exports are valued on a f.o.b. basis, imports on a c.i.f. basis.

Table 2a
Composition of China's Export
(US\$100million)

	Total	Primary goods						Manufacture goods						
		total	food	beveraes	raw			total	chemicals	textile	machinery	miscel.	others	
					materials	mineral	oil							
1980	181.19	91.14	29.85	0.78	17.11	42.8	0.6	90.05	11.2	39.99	8.43	28.36	2.07	
1981	220.07	102.48	29.24	0.6	19.48	52.28	0.88	117.59	13.42	47.06	10.87	37.25	8.99	
1982	223.21	100.5	29.08	0.97	16.53	53.14	0.78	122.71	11.96	43.02	12.63	37.05	18.05	
1983	222.26	96.2	28.53	1.04	18.92	46.66	1.05	126.06	12.51	43.65	12.21	38.04	19.65	
1984	261.39	119.34	32.32	1.1	24.21	60.27	1.44	142.05	13.64	50.54	14.93	46.97	15.97	
1985	273.5	138.28	38.03	1.05	26.53	71.32	1.35	135.22	13.58	44.93	7.72	34.86	34.13	
1986	309.42	112.72	44.48	1.19	29.08	36.83	1.14	196.7	17.33	58.86	10.94	49.48	60.09	
1987	394.37	132.31	47.81	1.75	36.5	45.44	0.81	262.06	22.35	85.7	17.41	62.73	73.87	
1988	475.16	144.06	58.9	2.35	42.57	39.5	0.74	331.1	28.97	104.89	27.69	82.68	86.87	
1989	525.38	150.78	61.45	3.14	42.12	43.21	0.86	374.6	32.01	108.97	38.74	107.55	87.33	
1990	620.91	158.86	66.09	3.42	35.37	52.37	1.61	462.05	37.3	125.76	55.88	126.86	116.25	
1991	718.43	161.45	72.26	5.29	34.86	47.54	1.5	556.98	38.18	144.56	71.49	166.2	136.55	
1992	849.4	170.04	83.09	7.2	31.43	46.93	1.39	679.36	43.48	161.35	132.19	342.34	NA	
1993	917.44	166.66	83.99	9.01	30.52	41.09	2.05	750.78	46.23	163.92	152.82	387.81	NA	
1994	1,210.06	197.08	100.15	10.02	41.27	40.69	4.95	1,012.98	62.36	232.18	218.95	499.37	0.12	
1995	1,487.80	214.85	99.54	13.7	43.75	53.32	4.54	1,272.95	90.94	322.4	314.07	545.48	0.06	
1996	1,510.48	219.25	102.31	13.42	40.45	59.31	3.76	1,291.23	88.77	284.98	353.12	564.24	0.12	
1997	1,827.92	239.53	110.75	10.49	41.95	69.87	6.47	1,588.39	102.27	344.32	437.09	704.67	0.04	
1998	1,837.57	206	106.19	9.76	35.17	51.81	3.07	1,631.57	103.16	323.83	502.33	702.2	0.05	
1999	1,949.31	199.41	104.58	7.71	39.21	46.59	1.32	1,749.90	103.73	332.62	588.36	725.1	0.09	
2000	2,492.03	254.6	122.82	7.45	44.62	78.55	1.16	2,237.43	120.98	425.46	826	862.78	2.21	
2001	2,661.54	263.53	127.79	8.74	41.73	84.16	1.11	2,398.01	133.53	438.23	949.18	871.23	5.85	

Source: China Statistical Yearbook 2001, China's Customs Statistics Monthly, December 2001

Note: Since 1992 and 1993, there has been a change in the classification system for categories like "Others".

Table 2b
Composition of China's Import
(US\$100 million)

	Total	Primary goods						Manufacture goods					
		total	food	beveraes	raw			total	chemicals	textile	machinery	miscel.	others
					materials	mineral	oil						
1980	200.17	69.59	29.27	0.36	35.54	2.03	2.39	130.58	29.09	41.54	51.19	5.42	3.34
1981	220.15	80.44	36.22	2.13	40.27	0.83	0.99	139.71	26.06	40.35	58.66	5.58	9.06
1982	192.85	76.34	42.01	1.3	30.12	1.83	1.08	116.51	29.36	39.06	32.04	4.86	11.19
1983	213.9	58.08	31.22	0.46	24.59	1.11	0.7	155.82	31.83	62.89	39.88	7.82	13.4
1984	274.1	52.08	23.31	1.16	25.42	1.39	0.8	222.02	42.37	73.18	72.45	11.82	22.2
1985	422.52	52.89	15.53	2.06	32.36	1.72	1.22	369.63	44.69	118.98	162.39	19.02	24.55
1986	429.04	56.49	16.25	1.72	31.43	5.04	2.05	372.55	37.71	111.92	167.81	18.77	36.34
1987	432.16	69.15	24.43	2.63	33.21	5.39	3.49	363.01	50.08	97.3	146.07	18.78	50.78
1988	552.75	100.68	34.76	3.46	50.9	7.87	3.69	452.07	91.39	104.1	166.97	19.82	69.79
1989	591.4	117.54	41.92	2.02	48.35	16.5	8.75	473.86	75.56	123.35	182.07	20.73	72.15
1990	533.45	98.53	33.35	1.57	41.07	12.72	9.82	434.92	66.48	89.06	168.45	21.03	89.9
1991	637.91	108.34	27.99	2	50.03	21.13	7.19	529.57	92.77	104.93	196.01	24.39	111.47
1992	805.85	132.55	31.46	2.39	57.75	35.7	5.25	673.3	111.57	192.73	313.12	55.88	NA
1993	1,039.59	142.1	22.06	2.45	54.38	58.19	5.02	897.49	97.04	285.27	450.23	64.95	NA
1994	1,156.14	164.86	31.37	0.68	74.37	40.35	18.09	991.28	121.3	280.84	514.67	67.68	6.79
1995	1,320.84	244.17	61.32	3.94	101.59	51.27	26.05	1,076.67	172.99	287.72	526.42	82.61	6.93
1996	1,388.33	254.41	56.72	4.97	106.98	68.77	16.97	1,133.92	181.06	313.91	547.63	84.86	6.46
1997	1,423.70	286.2	43.04	3.2	120.06	103.06	16.84	1,137.50	192.97	322.2	527.74	85.5	9.09
1998	1,401.66	229.52	37.93	1.79	107.16	67.73	14.91	1,172.14	201.66	310.71	567.68	84.55	7.54
1999	1,656.99	268.46	36.19	2.08	127.4	89.12	13.67	1,388.53	240.3	243.17	694.53	97.01	13.52
2000	2,250.94	467.39	47.58	3.64	200.03	206.37	9.77	1,783.55	302.13	418.07	919.31	127.51	16.53
2001	2,436.13	457.74	49.76	4.12	221.28	174.95	7.63	1,978.40	321.06	419.39	1,070.42	150.76	16.77

Source: China Statistical Yearbook 2001, China's Customs Statistics Monthly, December 2001.

Note: Since 1992 and 1993, there has been a change in the classification system for categories like "Others".

Table 3a
Exports by Type of Enterprise and by Customs Regime
(US\$ billion)

	1995	1996	1997	1998	1999	2000	2001
Total	148.8	151.1	182.7	183.8	194.9	249.2	266.2
Process and Assembly	20.7	24.2	29.4	30.7	35.8	41.1	42.2
Process with Imported Materials	53	60.1	70.2	73.7	75.1	96.5	105.2
Process and Assembly	1995	1996	1997	1998	1999	2000	2001
Total	20.7	24.2	29.4	30.7	35.8	41.1	42.2
SOE	17.3	19	22.3	22.5	24.2	26.5	26
FIE sub total	2.9	4.5	6.1	7.2	10.4	13.1	14.3
Process with Imported Materials	1995	1996	1997	1998	1999	2000	2001
Total	53	60.1	70.2	73.7	75.1	96.5	105.2
SOE	13.4	10.9	11.7	10.9	9.8	10.4	9.9
FIE sub total	39.2	48.6	57.7	62	64.2	84.1	92.3

Table 3b
Imports by Type of Enterprise and by Customs Regime
(US\$ billion)

	1995	1996	1997	1998	1999	2000	2001
Total	132.1	138.8	142.4	140.2	165.7	225.1	243.6
Process and Assembly	16.2	17.8	20.9	19.9	23.6	28	28.9
Process with Imported Materials	42.1	44.5	49.3	48.7	50	64.6	65.1
Process and Assembly	1995	1996	1997	1998	1999	2000	2001
Total	16.2	17.8	20.9	19.9	23.6	28	28.9
SOE	13.2	13.6	15.4	14.2	15.4	17.4	16.9
FIE sub total	2.7	3.7	4.9	5	7.4	9.7	10.8
Process with Imported Materials	1995	1996	1997	1998	1999	2000	2001
Total	42.1	44.5	49.3	48.7	50	64.6	65.1
SOE	7.4	6.5	6.1	5.1	4.3	4.8	4.3
FIE sub total	34.4	37.8	42.9	43.2	45.3	58.9	59.5

Source: China's Customs Statistics, various years.

Table 4a
China's Exports to Major World Regions

(US\$ billion)

Export To	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	91.74	121	148.77	151.07	182.7	183.71	194.93	249.21	266.15
Asia	52.62	73.45	92	91.25	108.92	98.18	102.58	132.31	140.96
North America	18.16	22.86	26.24	28.3	34.6	40.1	44.39	55.28	87.88
Europe	16.43	18.77	22.98	23.87	28.96	33.43	35.47	45.48	49.24
Latin America	1.78	2.45	3.15	3.12	4.61	5.32	5.27	7.19	8.24
Oceania	1.23	1.72	1.9	1.96	2.4	2.66	3.11	3.91	4.07
Africa	1.53	1.75	2.49	2.57	3.21	4.06	4.11	5.04	6.01

Table 4b
China's Imports from Major World Regions

(US\$ billion)

Import From	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	103.96	115.62	132.08	138.84	142.36	140.24	165.72	225.1	243.61
Asia	62.6	68.77	78.05	83.44	88.4	87.05	101.69	141.34	147.18
North America	12.07	15.74	18.8	18.73	18.31	19.2	21.82	26.12	30.24
Europe	23.97	25.02	27.81	27.66	25.75	26.31	32.65	40.78	48.4
Latin America	1.93	2.25	2.97	3.61	3.77	2.99	2.99	5.41	6.7
Oceania	2.36	2.92	3.02	3.94	3.67	3.14	4.19	5.88	6.29
Africa	1	0.89	1.43	1.46	2.46	1.48	2.38	5.56	4.79

Source: China's Customs Statistics, various years

Table 5a
Merchandise Exports to Major Trading Partners

(US\$ Billion)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	91.74	121	148.77	151.07	182.7	183.71	194.93	249.21	266.15
Hong Kong	22.05	32.36	35.98	32.91	43.78	38.78	36.89	44.52	46.55
Taiwan	1.46	2.24	3.1	2.8	3.4	3.87	3.95	5.04	5
Japan	15.78	21.58	28.46	30.87	31.82	29.72	32.4	41.65	44.96
Korea	2.86	4.38	6.69	7.51	9.12	6.27	7.81	11.29	12.52
USA	16.96	21.46	24.71	26.69	32.69	38	41.95	52.1	54.28
EU	12.24	15.39	19.09	19.83	23.81	28.15	30.21	38.19	40.9
Germany	3.97	4.76	5.67	5.84	6.49	7.35	7.78	9.28	9.75
France	1.29	1.42	1.84	1.91	2.33	2.82	2.92	3.71	3.69
Netherlands	1.61	2.27	3.23	3.54	4.4	5.16	5.41	6.69	7.28
Italy	1.3	1.59	2.07	1.84	2.24	2.58	2.93	3.8	3.99
United Kingdom	1.93	2.41	2.79	3.2	3.81	4.63	4.88	6.31	6.78
ASEAN	4.68	6.38	9.04	9.7	12.03	10.92	12.17	17.34	16.39
Singapore	2.25	2.56	3.5	3.75	4.32	3.9	4.5	5.76	5.79

Source: China Customs Statistics, various years

Table 5b
Merchandise Imports from Major Trading Partners

(US\$ Billion)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	103.96	115.62	132.08	138.84	142.36	140.24	165.72	225.1	243.61
Hong Kong	10.45	9.44	8.59	7.83	6.99	6.67	6.89	9.43	9.42
Taiwan	12.93	14.09	14.78	16.18	16.44	16.69	19.53	25.49	27.34
Japan	23.29	26.33	29	29.18	28.99	28.31	33.77	41.51	42.8
Korea	5.36	7.32	10.29	12.48	14.93	15.02	17.23	23.21	23.39
USA	10.69	13.89	16.12	16.16	16.3	17	19.48	22.36	26.2
EU	15.72	18.58	21.25	19.87	19.19	20.72	25.47	30.85	35.72
Germany	6.04	7.14	8.04	7.32	6.18	6.99	8.34	10.41	13.77
France	1.64	1.94	2.65	2.24	3.24	3.2	3.79	3.95	4.1
Netherlands	0.71	0.71	0.82	0.92	1.07	0.83	1.01	1.24	1.46
Italy	2.74	3.07	3.12	3.25	2.45	2.28	2.69	3.08	3.79
United Kingdom	1.66	1.77	1.97	1.88	1.98	1.95	2.99	3.59	3.53
ASEAN	6.01	6.84	9.4	10.7	12.33	12.56	14.87	22.18	23.23
Singapore	2.65	2.49	3.4	3.6	4.46	4.23	4.06	5.06	5.14

Source: China Customs Statistics, various years

Table 6
Schedule for Tariff Reduction

	1998 Accession	Jan. 2002	Jan. 2003	Jan.2004	Jan.2005	Jan. 2006	July. 2006	Jan. 2010
Total number of items (7,151 items)	17.5	13.6						9.8
Agricultural products (977 items)	22.7	19.3						15
Manufactured products (6,174 items)	16.6	12.7						8.9
Home Appliance								
Air Conditioner	25	21	19	17	15			
Refrigerator	30	24	21	18	15			
Color TV	35	31.7	30					
Information Technology								
Computer	25	16.7	12.5	8.3	4.2	0		
Semiconductor	9	9	3	0				
Fax Machine	12	6	3	0				
Xerox Machine	22	10	14.8	12.4				
Automobiles								
Passenger cars	80.0-100.0	51.9	43.8	38.2	34.2	30	28	25
Trucks	50	40	37.5	30	29.2	25		
Precision Machinery								
Camera	25	21.7	20					
General Machinery								
Folk lift	18	14.4	12.6	10.8	9			
Printing Machine	16	12.5	10.8	9				

Source: WTO (2002)

Table 7a
Top 15 U.S. Imports from China 1995-2000
(\$US million)

HTS	Sector	1995	1996	1997	1998	1999	2000
	Total	45,370	51,210	61,996	70,516	81,522	99,581
85	Electrical machinery	7,779	8,751	10,426	12,573	14,915	19,360
84	Non-electrical machinery	3,596	4,460	5,971	7,583	10,154	13,378
95	Toys, games, sporting goods	6,213	7,504	9,363	10,557	11,078	12,380
64	Footwear	5,817	6,367	7,354	8,016	8,438	9,206
94	Furniture, bedding, lamps, etc.	1,972	2,395	2,994	3,947	5,547	7,202
62	Non-knit apparel	3,274	3,510	4,153	3,806	3,749	4,164
42	Leather products	2,532	2,621	2,948	2,931	3,010	3,842
39	Plastics & articles	1,619	1,742	1,983	2,086	2,469	2,907
90	Cameras, optics, instruments	1,262	1,479	1,927	2,179	2,287	2,744
61	Knitted, crocheted apparel	1,372	1,506	1,813	1,855	2,021	2,029
87	Motor vehicles and parts	499	545	719	858	1,070	1,949
73	Articles of iron & steel	556	666	872	1,104	1,357	1,876
63	Misc. textile articles	649	585	717	818	962	1,098
82	Tools, cutlery of base metals	363	399	508	597	761	911
83	Misc. metal stuff	324	386	454	565	727	854

Table 7b
Top 15 U.S. Exports to China 1995-2000
(\$US million)

HTS	Sector	1995	1996	1997	1998	1999	2000
	Total	11,613	11,801	12,533	13,908	12,585	15,335
84	Non-electric machinery	2,167	2,266	2,430	2,610	2,399	3,083
85	Electric machinery	1,242	1,380	1,448	1,652	1,829	2,401
88	Aircraft, spacecraft & parts	1,173	1,701	2,121	3,584	2,316	1,689
12	Oilseeds, etc.	56	427	428	303	370	1,045
90	Cameras, optics, instruments	432	463	572	587	708	780
39	Plastics & articles	334	393	423	430	516	717
31	Fertilizer	1,204	891	1,050	1,064	930	658
29	Organic chemicals	262	245	213	220	317	483
48	Paper and articles	142	250	260	335	345	384
76	Aluminum & articles	147	175	193	148	178	309
74	Copper and articles	146	114	77	80	91	287
72	Iron and steel	141	72	71	91	139	265
41	Raw hides, skins, leather	110	117	135	160	127	260
47	Wood pulp, waste paper	182	187	148	156	189	259
87	Motor vehicles & parts	151	156	351	142	165	189

Table 8
Japanese Trade with China by Industry 1990-2000

Japanese Exports to China

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total	6130	8593	11949	17273	18682	21931	21806	21689	20105	23449	30338
Foodstuffs	25	28	33	30	54	93	119	110	95	101	139
Textile	609	927	1223	1384	1804	2369	2600	2545	2145	2585	2958
Chemical Goods	751	1072	1074	1055	1360	2040	2045	2205	2327	3030	3989
Metal Goods	1193	1554	1735	3367	2713	3103	2372	2434	2301	2555	3258
General Machinery	1034	1497	2865	4590	4677	6066	6349	5201	4723	4967	5924
Electrical Machinery	1391	1905	2414	3138	4080	4806	4607	4840	4746	5986	8336
Transportation Eqt.	314	550	1163	1959	1977	941	906	1075	876	791	1175

Japanese Imports from China

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total	12054	14216	16953	20565	27566	35922	40370	41846	37085	43103	55116
Foodstuffs	1935	2446	2787	3225	4716	4704	5020	5038	4605	5267	5871
Textile	3198	4226	5887	7492	9912	12355	13570	12379	11021	13245	16703
Chemical Goods	652	743	703	741	942	1333	1397	1477	1315	1346	1638
Metal Goods	558	757	566	628	1037	2198	1483	1899	1490	1564	2207
General Machinery NA		130	139	279	417	948	1711	2172	2039	2368	3805
Electrical Machinery	380	574	790	1232	1897	3294	4329	4977	5153	6277	8350
Transportation Eqt. NA		25	45	58	108	234	290	325	291	397	575

Table 9
ASEAN and Chinese Trade with Major Trading Partners

(US\$billions)

Merchandise Exports to Major Trading Partners

China's export to

	USA	EU	Japan	ASEAN
1993	16.96	12.24	15.78	4.68
1994	21.46	15.39	21.58	6.38
1995	24.71	19.09	28.46	9.04
1996	26.69	19.83	30.87	9.7
1997	32.69	23.81	31.82	12.03
1998	38	28.15	29.72	10.92
1999	41.95	30.21	32.4	12.17
2000	52.1	38.19	41.65	17.34

Merchandise Imports from Major Trading Partners

China's import from

	USA	EU	Japan	ASEAN
1993	10.69	15.72	23.29	6.01
1994	13.89	18.58	26.33	6.84
1995	16.12	21.25	29	9.4
1996	16.16	19.87	29.18	10.7
1997	16.3	19.19	28.99	12.33
1998	17	20.72	28.31	12.56
1999	19.48	25.47	33.77	14.87
2000	22.36	30.85	41.51	22.18

ASEAN export to

	USA	EU	Japan	ASEAN
1993	42.01	31.39	30.95	43.68
1994	49.37	35.2	34.3	58.57
1995	54.99	44.29	42.68	70.18
1996	59.52	46.93	43.15	80.97
1997	70.03	46.09	42.01	85.35
1998	64.62	46.14	34.72	69.31
1999	70	55.65	37.63	74.7
2000	67.69	57.56	51.98	90.44

ASEAN import from

	USA	EU	Japan	ASEAN
1993	33.71	31.82	55.7	38.76
1994	39.2	38.73	67.3	46.91
1995	46.44	46.39	78.54	53.6
1996	53.01	57.38	73.31	64.21
1997	61.7	51.01	71.26	64.62
1998	50.94	33.26	46.69	51.6
1999	45.96	34.68	51.24	56.78
2000	46.32	36.93	61.4	69.15

2000				
Sector	1,990 Rank	Chapter	Sector	2000
Computer/Machinery	7,753	1	85 Electrical Equipment	9,012
Electrical Equipment	6,668	2	84 Computer/Machinery	8,270
Aircraft, Spacecraft	1,239	3	87 Cars, Trucks, Autos	1,249
Optical/Medical Instruments	908	4	90 Optical/Medical Instruments	1,238
Cars, Trucks, Autos	835	5	29 Organic Chemicals	966
Organic Chemicals	810	6	39 Plastics	928
Plastics	680	7	44 Wood	660
Paper & Paper Board	473	8	48 Paper & Paper Board	520
Wood	394	9	38 Misc. Chemical Products	504
Misc. Chemical Products	393	10	88 Aircraft, Spacecraft	488

2000				
Sector	1999 Rank	Chapter	Sector	2000
Electrical Equipment	4,258	1	85 Electrical Equipment	7,951
Computer/Machinery	3,624	2	84 Computer/Machinery	5,409
Apparel, not Knitted	1,502	3	62 Apparel, not Knitted	1,820
Toys	1,342	4	95 Toys	1,686
Articles of Leather	1,293	5	42 Articles of Leather	1,518
Organic Chemicals	1,138	6	90 Optical/Medical Instruments	1,244
Plastics	998	7	39 Plastics	1,223
Optical/Medical Instruments	946	8	29 Organic Chemicals	1,204
Articles of Iron or Steel	895	9	94 Furniture	1,174
Footwear	858	10	73 Articles of Iron or Steel	1,142