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Transforming Trade Competition into  
Coordination with PRC

*Shantong LI – Development Research Center*

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# Transforming Trade Competition into Coordination with PRC

Shantong LI  
Development Research Center  
P.R. China

**Note: The views expressed in the ppt are that of the author and should not be attributed to his affiliated institution**

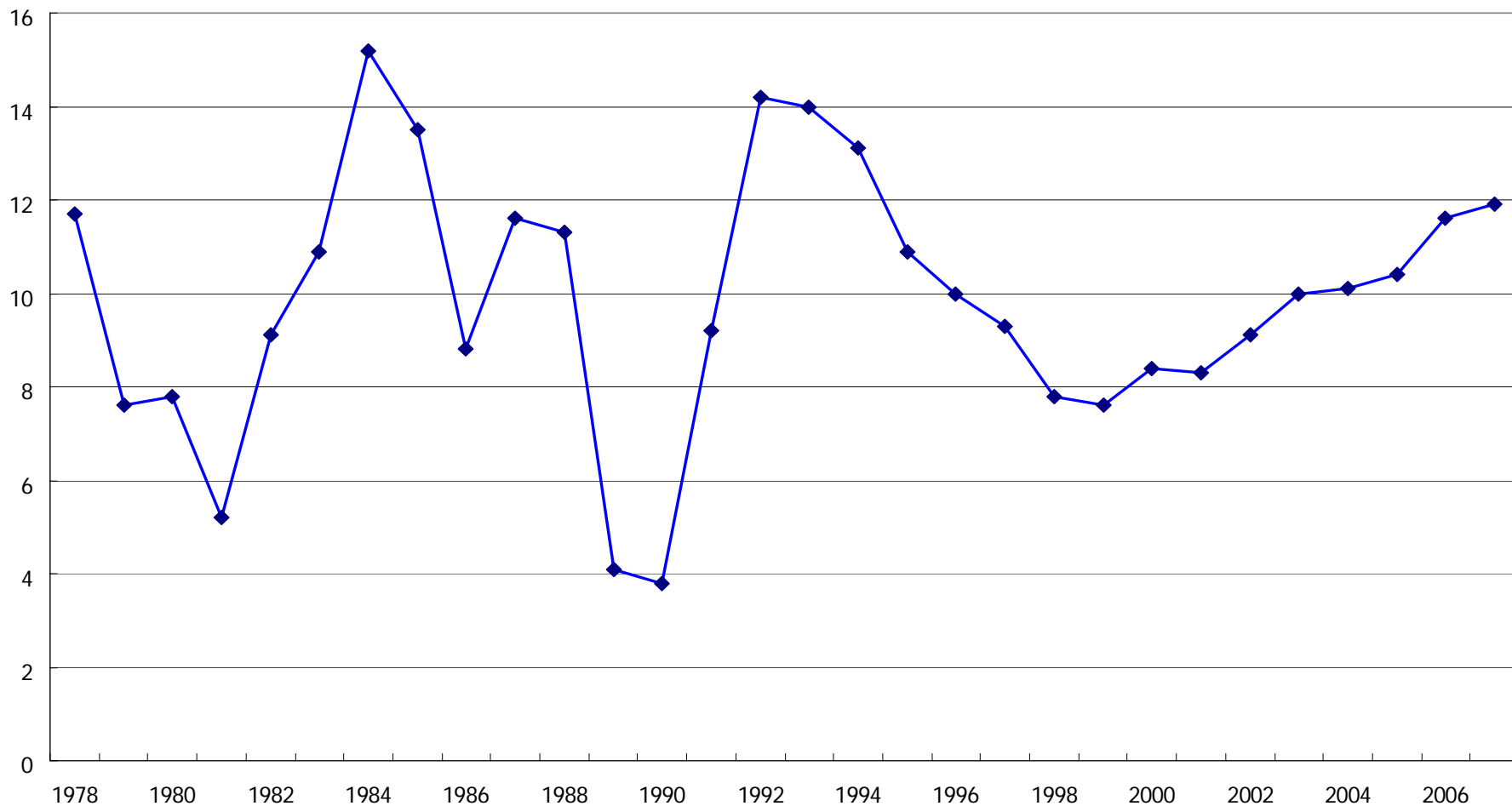


# OUTLINE

- **China in the World Economy**
- **Industrial Performance and Competitiveness of China**
- **Features of trade of Major Asian Economies and Preliminary Exploration of RTA among China, Japan and Korea, Republic. Of**
- **Globalization and Regionalism will both direct to the Prosperity of Global Society**
- **Role of Transport on Trade**



# PRC's economy has been growing at a rate of 9.8% annually since 1978





# Economic Development and Structural Changes of China

	2000	2001	2002	2003	2004	2005	2006	2007
GDP( 100 million yuan)	99215	109655	120333	135823	159878	183868	210871	249530
GDP Growth Rate( %)	8.4	8.3	9.1	10.0	10.1	10.4	11.1	11.9
Per capita GDP( yuan)	7858	8622	9398	10542	12336	14103	16084	18934
Investment rate( %)	35.3	36.5	37.9	41.0	43.2	42.7	42.5	
Foreign trade ( \$100 million)	4743	5097	6208	8510	11546	14219	17604	21738
Foreign trade growth rate( %)	31.5	7.5	21.8	37.1	35.7	23.2	23.8	23.5
Export (\$100 million)	2492	2661	3256	4382	5933	7620	9689	12180
Export growth rate( %)	27.8	6.8	22.4	34.6	35.4	28.4	27.2	25.7
Import (\$100 million)	2251	2436	2952	4128	5612	6600	7915	9558
Import growth rate (%)	35.8	8.2	21.2	39.8	36.0	17.6	19.9	20.8
Trade dependence ratio	0.40	0.38	0.43	0.52	0.60	0.64	0.67	



# Top 10 GNI

	2000		2003		2004		2005		2006	
	Country	GDP	Country	GDP	Country	GNI	Country	GNI	Country	GNI
1	USA	98102	USA	108816	USA	121685	USA	129696	USA	134460
2	Japan	47653	Japan	43264	Japan	47343	Japan	49882	Japan	49000
3	Germany	18661	Germany	24006	Germany	25323	Germany	28523	Germany	30180
4	UK	14297	UK	17948	UK	20134	China	22638	China	26416
5	France	13054	France	17479	China	19380	UK	22637	UK	24252
6	China	10800	Italy	14659	France	18884	France	21777	France	22978
7	Italy	10731	China	14098	Italy	15131	Italy	17249	Italy	18756
8	Canada	7066	Spain	8361	Spain	9191	Spain	11001	Spain	12007
9	Brazil	5938	Canada	8344	Canada	9050	Canada	10519	Canada	11774
10	Mexico	5801	Mexico	6261	Mexico	7049	India	7930	India	9065



# China is Lower Middle Income Country

	China	Developing Countries			High Income
		Low income	Lower Middle Income	Upper Middle Income	
1979	\$260	\$370			\$4380-\$17100
1980	\$290	\$410	\$420-\$1410	\$1420-\$4500	\$4510-\$26850
1990	\$370	\$610	\$611-\$2465	\$2466-\$7619	\$7620-\$32680
1994	\$490	\$695	\$696-\$2785	\$2786-\$8626	\$8626-\$35760
1998	\$750	\$760	\$761-\$3030	\$3031-\$9360	\$9361-\$40080
2000	\$840	\$755	\$756-\$2995	\$2996-\$9265	\$9266-\$40080
2002	\$940	\$735	\$736-\$2935	\$2936-\$9075	\$9076-
2003	\$1100	\$765	\$736-\$3035	\$3036-\$9385	\$9386-
2004	\$1500	\$825	\$826-\$3255	\$3256-\$10065	\$10066-
2005	\$1740	\$875	\$876-\$3465	\$3466-\$10725	\$10726-
2006	\$2010	\$905	\$906-\$3595	\$3596-\$11115	\$11116-



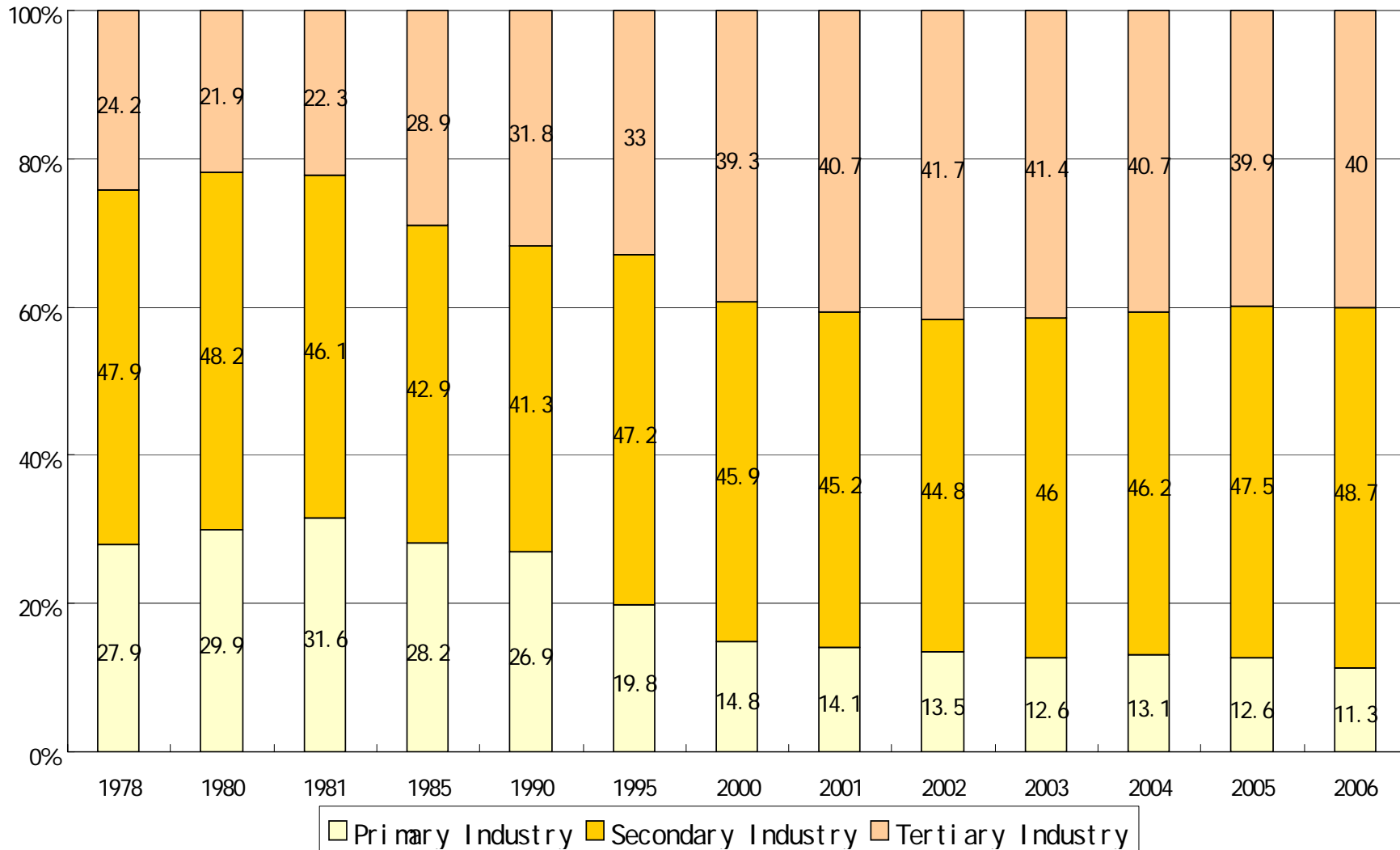
# GNI per capita

- Per capita GNI was \$2010(exchange rate) in 2006, was 27% of the World average, ranked 107
- Per capita GNI was \$4091 (PPP) in 2005, was 46% of the World average, ranked 84
- Per capita GNI was around \$2400 (exchange rate) in 2007



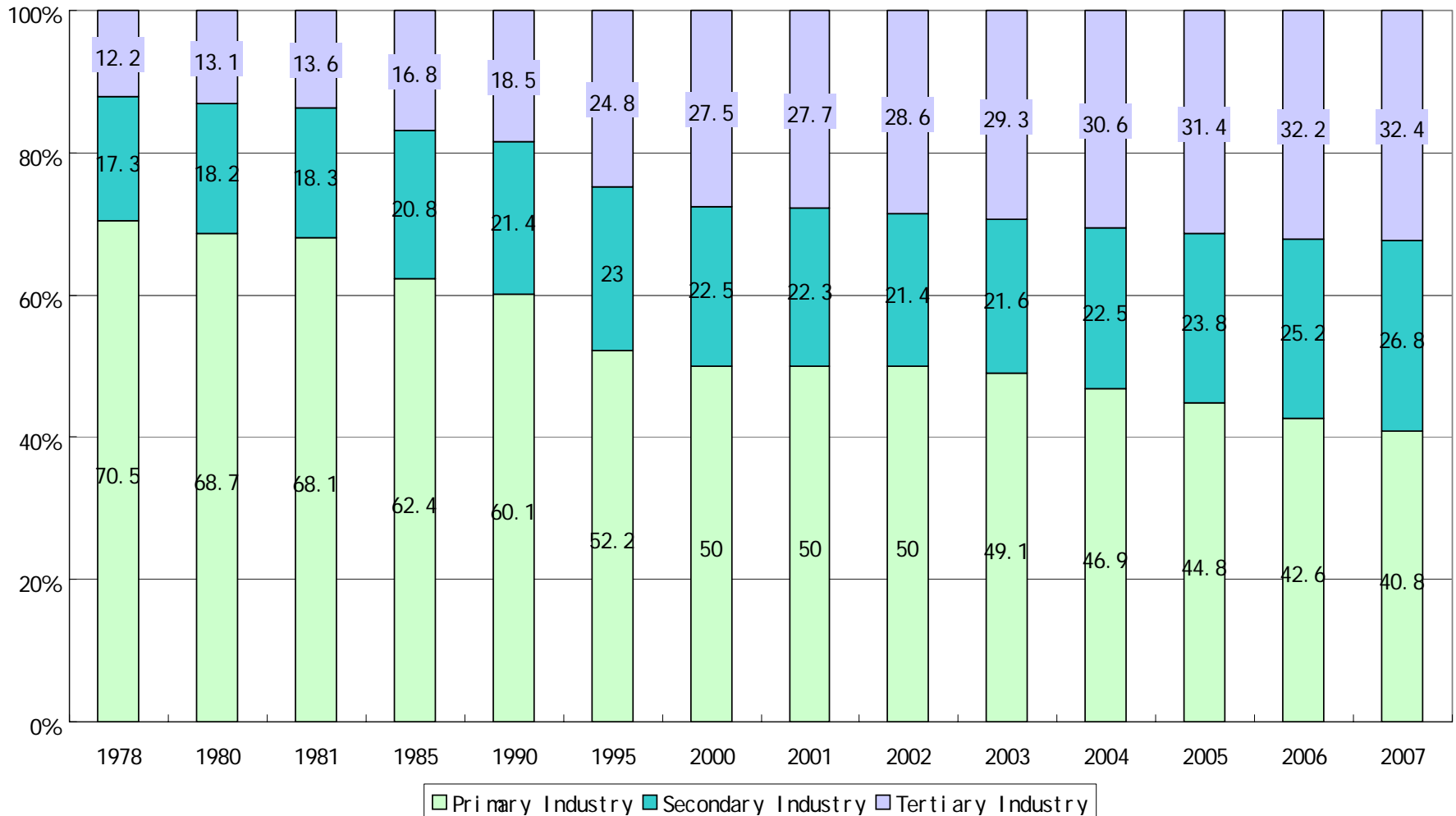


# Economic Structure---Share of agriculture has been declining since 1978



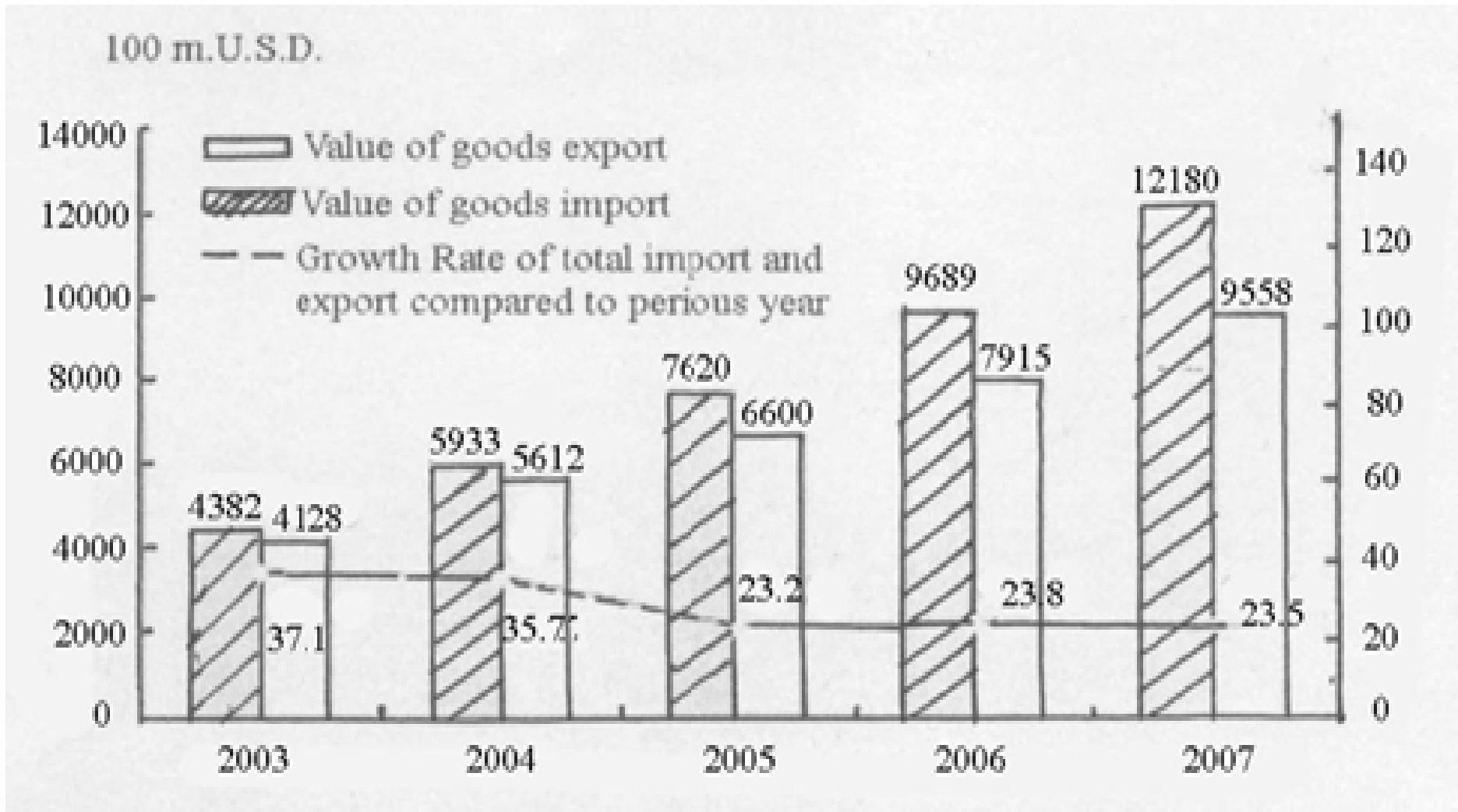


# Employment Structure---Agricultural Sector accounts for 40%





# Growth of Goods Import and Export of China



# Value of various Destination of China's Trade and their growth rate in 2007 (100 million U.S.D.)

Country and Region	Value of Export of goods	Growth Rate % Compared to 2006	Value of Import of goods	Growth Rate % Compared to 2006
EU	2452	29.2	1110	22.4
U.S.A.	2327	14.4	694	17.2
Hong Kong S.A.R.	1844	18.8	128	18.9
Japan	1021	11.4	1340	15.8
ASEAN	942	32.1	1084	21
South Korea	561	26.1	1038	15.6
Russia	285	79.9	197	12.1
India	240	64.7	146	42.4
China Taiwan	235	13.1	1010	16



# Value of trade of intra-regional major trade partner of China in 2006 (10000.U.S.D.)

Country or region	Value of Export of Goods	Value of Import of Goods	Trade Surplus
Asia Total	45572692	52536718	-6984028
Japan	9162267	11567258	-2404991
South Korea	4452221	8972414	-4520193
Hongkong S.A.R.	15530907	1077976	14452931
Taiwan, China	2073308	8709863	-6636555
India	1458130	1027745	430385
Brunei	9963	21531	-11568
Myanmar	120742	25265	95477
Cambodia	69776	3509	66267
Indonesia	944971	960574	-15603
Laos	16872	4965	11907
Philippines	573813	1767456	-1193643
Singapore	2318529	1767262	551267
Thailand	976406	1796243	-819837
Vietnam	746336	248608	497728
Malaysia	1353707	2357243	-1003536
ASEAN Total	7131115	8952656	1821541



# Foreign Investment of China

- The cumulative inflow of foreign investment of China is 882.673 billion U.S.D. from 1979-2006, within which, foreign loan is 147.157 billion U.S.D.. FDI is 691.897 billion U.S.D., while 43.619 billion U.S.D. is other type of foreign investments
- China also increases its FDI outflow to abroad in recent years. Non-financial outflow FDI in 2007 is 18.7 billion U.S.D. with a growth rate of 6.2% compared to 2006. Cumulative FDI of China abroad by the year end of 2006 reached 90.6 billion U.S.D., within which, 82.8% of FDI is non-financial investment



# Freight Transport in China, 2007

Item	Unit	Amount	Growth Rate to 2006
Total Amount	100 m. tons	225.3	10.7
Railway	100 m. tons	31.4	9
HighWay	100 m. tons	162.8	11
Water transport	100 m. tons	27.3	9.7
Aviation	10 <sup>4</sup> tons	401.8	15
Pipeline	100 m. tons	3.8	17.9
Turnover of freight transport	100 m. ton-km	99180.5	11.8
Railway	100 m. ton-km	23797	8.4
Highway	100 m. ton-km	11257.6	15.4
Water transport	100 m. ton-km	62182.2	12.1
Aviation	100 m. ton-km	116.4	23.5
Pipeline	100 m. ton-km	1827.3	27.4



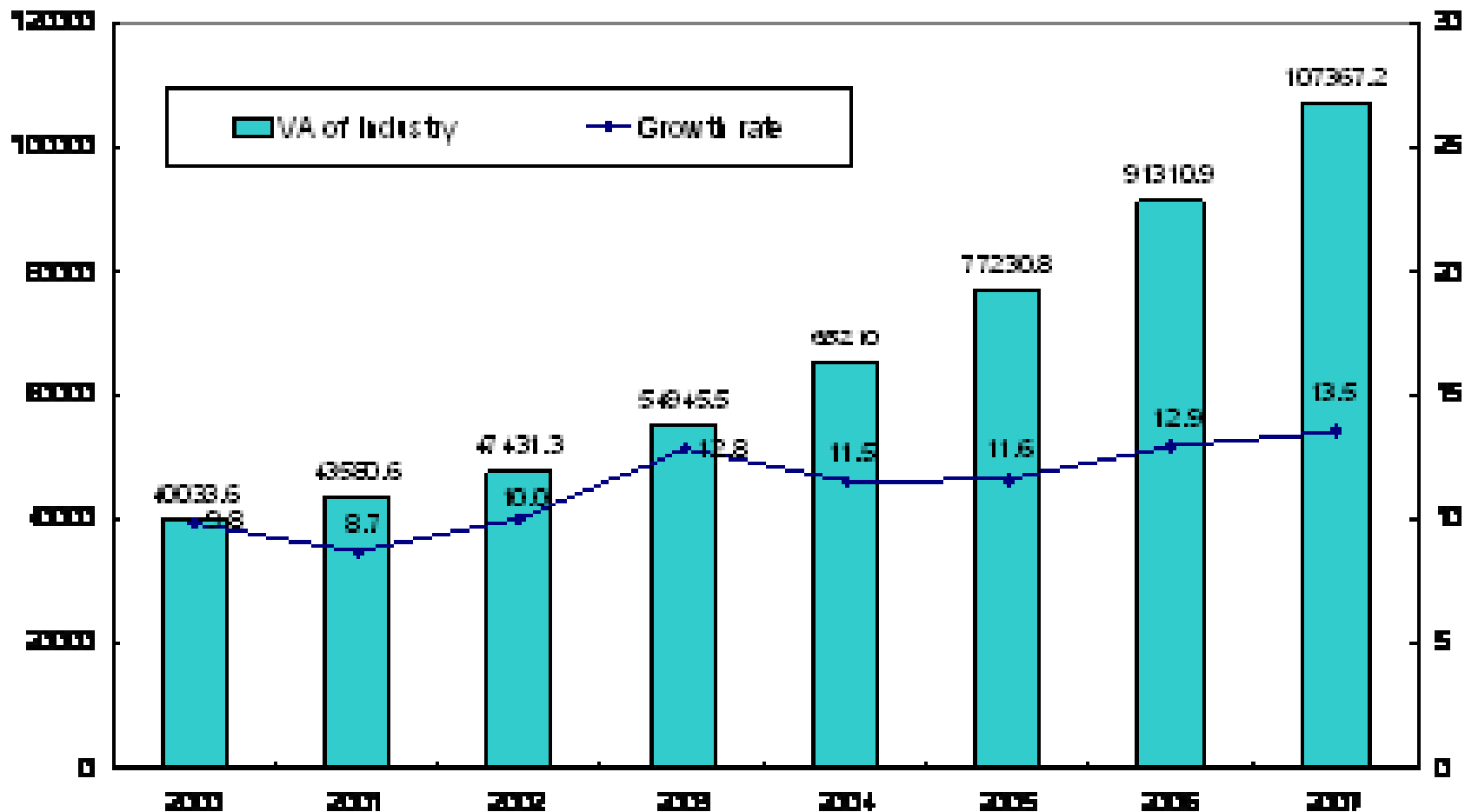
# China's port system has an extraordinary growth rate since 1978

- The volume of freight of major ports reached 5.21 billion tons in 2007 with a growth rate of 13.4% compared to the previous year, within which , the volume of freight of external trade reached 1.78 billion tons with a growth rate of 12.6%.
- The container throughput of China's port reached 1.1179 hundred million TEU, with a growth rate of 21.5%.
- There are six ports of China, Shanghai, Shenzhen, Qingdao, Ningbo, Guangzhou and Tianjin, which are ranked among the global top 20 container terminals in their throughput for 2004-2006 based upon "Review of Maritime Transport 2007" of UNCTAD





# Industrial Sector of China



## Amount of major industrial products and growth rate (2007)

	Unit	Amount	Growth Rate % to 2006
Cotton yarn	10 <sup>4</sup> ton	2000	14.7
Cloth	100m .meter	660	10.3
Chemical fiber	10 <sup>4</sup> ton	2390	15.3
Sugar	10 <sup>4</sup> ton	1271.4	34
Tobacco	100m .piece	21413.8	5.9
Colored TV	10 <sup>4</sup> unit	8433	0.7
Household Refrigerator	10 <sup>4</sup> unit	4397.1	24.5
Household air conditioner	10 <sup>4</sup> unit	8014.3	17
Primary energy	100m .SCE	23.7	7
Crude coal	100m . ton	25.36	6.9
Crude oil	100m . ton	1.87	1.1
Natural gas	100m . M <sup>3</sup>	693.1	18.4
Electricity generation	100m . kw -hr	32777.2	14.4
Steel	10 <sup>4</sup> ton	56894.4	21.3
Refined copper	10 <sup>4</sup> ton	344.1	14.6
Aluminum	10 <sup>4</sup> ton	1228.4	32.6
Cement	100m . ton	13.6	9.9
Sulfuric acid	10 <sup>4</sup> ton	5500	9.3
Ethylene	10 <sup>4</sup> ton	1047.7	11.4
Chemical fertilizer	10 <sup>4</sup> ton	5786.9	8.3
Generating Equipment	10 <sup>4</sup> kw	12991	11.1
Car	10 <sup>4</sup> unit	888.7	22.1
Within which: passenger car	10 <sup>4</sup> unit	479.8	24
Tractor	10 <sup>4</sup> unit	20.3	1.9
Integrated circuit	100m .chip	411.6	22.6
Programme controlled telephone exchange	10 <sup>4</sup> line	5387.1	-27.2
Mobile phone	10 <sup>4</sup> unit	54857.9	14.3
Micro personal computer	10 <sup>4</sup> unit	12073.4	29.3



# Distribution of World MVA, 1995-2007

Year	Industrialized countries							Developing countries								
	CIS	Europe			Japan	North America	Others	Regional groups				Development groups				
		EU-15	EU-12	Other				Africa	Latin America	South and East Asia	West Asia and Europe	NICs	Second-generation NICs	Least developed countries	China	others
1995	1.3	25.9	1.2	1.2	20.4	26.5	1.8	0.8	6.9	12.9	1.1	9.7	3.2	0.3	5.1	3.4
1996	1.2	25.0	1.3	1.2	20.5	26.6	1.7	0.8	6.9	13.6	1.2	9.9	3.4	0.3	5.5	3.4
1997	1.1	24.7	1.3	1.2	20.1	27.0	1.7	0.8	7.1	13.8	1.2	9.9	3.4	0.3	5.7	3.6
1998	1.1	24.9	1.3	1.2	18.5	28.5	1.7	0.8	7.1	13.7	1.2	9.7	3.1	0.3	6.1	3.6
1999	1.1	24.5	1.3	1.2	18.0	29.0	1.7	0.8	6.7	14.5	1.2	9.9	3.1	0.2	6.4	3.6
2000	1.1	24.2	1.3	1.1	17.9	28.9	1.7	0.9	6.6	15.1	1.2	10.1	3.1	0.3	6.7	3.6
2001	1.2	24.6	1.4	1.1	17.2	27.9	1.7	0.9	6.7	15.9	1.2	10.1	3.2	0.3	7.4	3.7
2002	1.3	24.2	1.4	1.1	16.6	28.1	1.8	0.9	6.5	17.0	1.2	10.3	3.3	0.3	8.0	3.7
2003	1.4	23.3	1.4	1.0	16.9	27.6	1.8	0.9	6.4	18.0	1.3	10.3	3.4	0.4	8.8	3.7
2004	1.4	22.7	1.5	1.0	16.8	27.6	1.6	0.9	6.5	18.7	1.3	10.6	3.5	0.4	9.1	3.8
2005	1.4	22.1	1.5	1.0	16.6	27.4	1.6	0.9	6.4	19.7	1.4	10.8	3.5	0.4	9.8	3.9
2006	1.5	21.8	1.6	1.0	15.8	27.0	1.6	0.8	6.6	20.9	1.4	11.1	3.7	0.3	10.6	4.0
2007	1.5	21.3	1.6	1.0	15.5	26.7	1.5	0.8	6.6	22.0	1.5	11.3	3.7	0.4	11.4	4.1



# UNIDO--CIP index for measurement of industrial performance

- **Competitive Industrial Performance (CIP) index is composed of four elements**
  - MVA/capita,
  - manufacturing exports/capita
  - share of medium-and high-tech activities in MVA
  - share of medium and high-tech products in manufactured exports
  - share of MVA in GDP
  - share of manufactured goods in total export
  
- **Drivers of industrial performance**
  - skill index
  - R&D spending/capita
  - FDI/capita
  - Royalties/capita
  - ICT infrastructure index



# CIP index and its components of Selected Asian Countries

Country	Rank in 2000	Manufacturing value added (MVA) per capita (1995US\$)		Manufactured exports per capita (US\$)		Share of manufacturing in total output (GDP)		Share of manufacturing in total exports (percent)		Share of medium-or-high technology production in MVA		Share of medium-or-High-technology products in manufactured exports	
		1990	2002	1990	2002	1990	2002	1990	2002	1990	2002	1990	2002
Singapore	1	4410	6582.5	16266	33106	28.6	28.2	93.2	96.8	78.8	87.6	62.3	78.9
Japan	6	9697	9850.9	2264	3595	26.5	25	97.5	93	66.5	68.1	83.9	86.3
Taiwan of China	9	2842	4397.5	3149	6564	32.7	28.1	95.8	98.3	52.2	58.6	51.6	71.2
Korea, Rep.of	10	100.7	359.4	41.6	234.5	33.1	34.5	76	91.6	51.6	57.3	34.4	45.6
Malaysia	15	2238	4858.7	1455	3591	28.8	33.9	96.2	96.5	55.1	64.1	52.9	70.6
Thailand	23	757.5	1516.5	1287	4121	26.5	35.9	78	93.3	52.3	65.1	50.6	76.2
China	24	520.9	999.6	338.6	869.6	27.2	33.6	80.6	87.4	23.7	42.6	33.3	60.3
Philippines	25	252.4	269.5	69.8	482.4	24.8	24.2	52.7	96.2	31.2	38.3	30	81.8
Hong Kong SAR	27	2043	1133	4843	3212	16.3	8.7	95.3	94.9	41.8	58.5	40.6	36.8
Brazil	31	913.6	865	159.3	221.9	22.5	18.8	75.1	76.8	51.6	54.1	40	51.5
Indonesia	38	162	278.7	82	224	20.7	27	58.6	76.9	30	43.4	10.5	31.3
India	40	49	77.6	16.8	38.5	16.6	15.8	79.6	85.8	55.3	58.4	17.9	19.7
U.S.A.	11	4325	5567.7	1182	1948	18.1	17.6	81.1	88.1	63	63.7	73.4	76.7
Germany	7	6871	6649.1	4665	6512	30.6	27.2	93.2	90.6	66.5	63.2	68.7	74.9



# Globalization and Regionalism

- There are rapid growth of Regional Trade Agreements since 1990
- As of July 2007, there were 140 regional trade agreements (RTAs) in effect worldwide. This stands in contrast with the situation in 1989 when there were only 19 RTAs (UNCTAD and JETRO )
- RTAs are from the initiatives of the government rather than driven purely through market force. Therefore, RTAs can represent coordination among governments to certain extent



# Competition and Cooperation

- Theories of competition are well established and documented in abundant economic literatures. But there is nearly no niche for theories on “coordination”.
- Economists traditionally see trade cooperation as a means to avoid trade wars. There are some general arguments that the intentions of government to cooperate on trade policy may include strategic reasons, such as increasing market size, seeking scarce resource and insurance against unfavorable trade policy developments in partner countries



# Change of Trade Interaction with Partner Regions and Economies

--Trade Interaction with Partner Regions and Economies 1995, Import

	China	Japan	Korea, Republic of	HongKong SAR	Taiwan of China	Singapore	Indonesia	Malaysia	Thailand	Philippines	Industrial Europe	USA
China	132.1	21.96	7.79	650	11.19	257	1.55	1.57	1.22	0.21	1698	1220
Japan	1072	336.1	5.14	0.81	4.27	204	4.23	3.14	3.01	1.03	1611	2258
Korea, Republic of	548	24.13	135.1	0.62	1.90	1.60	246	1.86	0.69	0.45	1471	2251
HongKong SAR	35.57	14.65	5.18	196.1	8.52	5.15	0.83	1.90	1.39	0.44	1212	787
Taiwan prov. of China	299	29.23	4.18	1.78	103.6	2.86	2.08	2.85	1.43	0.60	1584	2006
Singapore	3.25	21.15	4.34	3.30	4.11	124.5	-	15.48	5.16	0.88	1483	1505
Indonesia	343	21.14	5.62	0.63	4.18	5.43	43.6	1.76	1.69	0.19	1987	1091
Malaysia	223	27.49	4.13	2.17	5.13	12.47	1.58	77.0	2.66	0.60	1743	1628
Thailand	296	30.55	3.50	1.05	4.83	5.88	0.95	4.57	70.8	0.82	17.68	1202
Philippines	232	22.13	5.02	4.86	5.42	5.74	2.18	2.19	1.50	28.5	11.31	1891





# Change of Trade Interaction with Partner Regions and Economies

--Trade Interaction with Partner Regions and Economies 2005, Import

	China	Japan	Korea, Republic of	Hong Kong SAR	Taiwan prov. of China	Singapore	Indonesia	Malaysia	Thailand	Philippines	Industrial Europe	USA
China	6600	1521	11.64	1.85	11.32	250	1.28	304	212	1.95	11.64	751
Japan	21.03	5159	4.73	0.30	3.50	1.30	4.04	284	3.02	1.49	12.30	12.68
Korea, Republic of	14.79	18.53	261.2	0.78	3.08	2.04	3.13	2.30	1.03	0.89	10.93	11.79
Hong Kong SAR	44.96	11.01	4.42	300.2	7.21	5.80	0.64	2.45	2.02	1.71	8.74	5.16
Taiwan prov. of China	11.00	25.22	7.25	1.16	182.6	2.72	2.49	2.86	1.58	1.53	10.44	11.59
Singapore	10.26	9.61	4.30	2.10	6.66	200.1	5.22	13.66	3.76	2.32	12.45	11.72
Indonesia	8.38	9.90	4.11	0.42	1.92	13.58	69.7	3.08	4.94	0.46	8.76	5.56
Malaysia	11.50	14.52	4.96	2.49	5.53	11.71	3.82	114.6	5.27	2.81	12.54	12.91
Thailand	9.44	22.05	3.28	1.27	3.81	4.55	2.65	6.85	118.2	1.59	10.08	7.38
Philippines	6.50	17.10	4.85	4.25	7.34	7.94	2.31	3.77	3.53	47.0	8.26	17.49



# Change of Trade Interaction with Partner Regions and Economies

--Trade Interaction with Partner Regions and Economies 1995, Export

	China	Japan	Korea, Republic of	HongKong SAR	Taiwanprov.of China	Singapore	Indonesia	Malaysia	Thailand	Philippines	Industrial Europe	USA
China	1488	1913	450	2419	208	235	097	086	118	069	1329	1662
Japan	496	429	705	626	652	520	225	379	445	161	1666	2755
Korea, Republic of	731	1363	1251	854	310	535	237	236	194	119	1381	1947
HongKong SAR	3328	609	162	1739	267	284	061	090	093	116	1584	2177
Taiwanprov.of China	034	1178	230	2338	1117	395	167	260	275	148	1351	2365
Singapore	233	780	274	857	407	1183	-	1918	577	163	1383	1826
Indonesia	383	2706	642	365	385	829	454	217	155	130	1508	1392
Malaysia	265	1268	279	535	314	2032	132	738	392	091	1439	2071
Thailand	291	1679	142	517	240	1403	144	275	564	073	1607	1786
Philippines	123	1575	254	472	326	571	074	181	458	174	1782	3579

# Change of Trade Interaction with Partner Regions and Economies

--Trade Interaction with Partner Regions and Economies 2005, Export

	China	Japan	Korea, Republic of	HongKong SAR	Taiwanprov. of China	Singapore	Indonesia	Malaysia	Thailand	Philippines	Industrial Europe	USA
China	720	11.02	461	1634	217	218	1.10	1.39	1.03	0.62	18.15	21.42
Japan	13.46	594.9	7.84	604	7.32	3.10	1.55	2.11	3.77	1.52	14.39	22.85
Korea, Republic of	21.77	8.45	284.4	5.46	3.82	2.60	1.77	1.62	1.19	1.13	14.06	14.59
HongKong SAR	44.65	5.24	2.24	292.1	2.32	2.07	0.43	0.83	1.03	0.90	14.75	15.92
Taiwanprov. of China	21.99	7.62	2.96	17.15	198.4	4.05	1.19	2.16	1.93	2.18	10.68	14.57
Singapore	8.60	5.46	3.51	9.37	3.91	229.7	9.62	13.23	4.09	1.82	11.89	10.39
Indonesia	7.78	21.07	8.27	1.74	2.89	9.15	85.7	4.01	2.62	1.66	11.75	11.52
Malaysia	6.60	9.35	3.36	5.85	2.78	15.61	2.36	141.0	5.38	1.40	11.33	19.69
Thailand	8.30	13.65	2.04	5.57	2.45	6.77	3.60	5.16	110.1	1.86	13.62	15.46
Philippines	9.89	17.47	3.37	8.10	4.58	6.56	1.16	5.96	2.83	41.2	16.52	18.02



# Change of Trade Interaction with Partner Regions and Economies

- There is greater trade interaction within Asian region from 1995 to 2005.
- There are decreasing share of trade interaction with developed economies, Japan, U.S.A. and industrial Europe
- There are increasing share of trade interaction with China for most of the major economies in Asia



# Rationality to Study FTAs among China, Japan and Korea, Republic of

## --Trade share of major trade blocks

	Share of Export within blocks (%)			Share to export to total global export (%)
	1995	2000	2005	2005
EU 25	65.7	67.5	66.8	39.4
NAFTA	46	55.6	55.8	14.5
Mercosur	20.5	21	12.9	1.6
ASEAN	25.5	24	24.9	6.4
China, Japan, Korea, Rep.of	16	17	20.2	16.2

- There is rapid growth of trade among China, Japan and Korea, Republic of. There is also significant increase of importance of China in the share of export market of Japan and Korea, Republic of. It is increased from 4.96% and 7.31% respectively for them in 1995 and to 13.46% and 21.77% in 2005. These three countries together also have a high share of their export to global total compared to other trade blocks.



# International Competitiveness of major Industries of China, Japan and Korea, Repub. of

-- RCA Index 2002-2005

	China		Japan		Korea, Republic of	
	2002	2005	2002	2005	2002	2005
Agriculture	0.46	0.38	0.05	0.05	0.15	0.13
Fishery	1.42	1.44	0.19	0.26	0.66	0.47
Petro-chemical	0.5	0.52	0.76	0.83	0.74	0.84
Textile	3.05	3.09	0.31	0.3	1.72	1.05
Iron and Steel	0.85	1.03	1.33	1.31	1.35	1.4
Machinery	1.27	1.38	1.35	1.41	1.14	0.95
Electronics	1.41	1.59	1.5	1.45	1.88	1.99
Automobile	0.18	0.23	2.16	2.26	1.02	1.42



# Analysis of comparative Advantage of Each country in Intra-regional Trade in East Asia

-- RRCA Index 2002-2005

	2002			2005		
	China	Japan	Korea Republic of	China	Japan	Korea Republic of
Agriculture	1.95	0.12	0.6	2.03	0.11	0.49
Fishery	1.82	0.13	0.85	2.03	0.16	0.44
Petro-chemical	0.47	1.31	1.54	0.54	1.31	1.33
Textile	1.72	0.35	0.67	1.8	0.31	0.43
Iron and Steel	0.55	1.71	0.67	0.92	1.56	1.22
Machinery	0.77	1.13	1.24	0.85	1.18	0.86
Electronics	0.95	1.33	0.53	0.82	1.01	1.13
Automobile	0.58	1.92	0.24	0.5	1.15	1.2



# Asia is the locomotive of S-S trade

- Total exports from the South reached 4.5 trillion U.S.D., which is around 37% of world trade: South-South trade also exhibits a “hub-and-spoke” pattern in terms of geographical trade flows, while Asia is the world’s most important trade hub. Intra-Asian trade accounted around 90% of total S-S trade and trade among East Asian and South-East Asian countries has more than half of share of S-S trade in 2006





# Top 10 Economies in S-S Trade

Rank	Total merchandise	Manufactures	Fuels, mineral and metals	Agricultural products
Leading exporting economies				
1	China (19.7)	China (22.4)	Singapore (9.8)	China (11.5)
2	Hong Kong (China)(14.2)	Hong Kong (China)(17.2)	China (9.7)	Argentina (10.6)
3	Rep.of Korea (11.1)	Rep.of Korea (13.2)	Indonesia (7.3)	Brazil (10.2)
4	Singapore (9.4)	Taiwan Prov.of China(11.2)	Nigeria (6.4)	Malaysia (9.6)
5	Taiwan Prov.of China (9.3)	Singapore (9.7)	Iran, Islamic Rep.of(6.2)	Thailand (8.2)
6	Malaysia (6.0)	Malaysia (5.6)	Venezuela (5.9)	Indonesia (6.5)
7	Thailand (4.1)	Thailand (3.9)	Malaysia (5.8)	India (5.5)
8	India (3.4)	India (3.0)	Rep.of Korea (5.0)	Hong Kong (China)(5.1)
9	Brazil (3.3)	Brazil (2.4)	India (4.4)	Chile (2.6)
10	Indonesia (3.1)	Indonesia (2.1)	Chile (3.6)	Singapore (2.5)
Share of top 10	83.5	90.7	64.2	72.3
Leading importing economies				
1	China (21.0)	Hong Kong(China)(23.3)	Rep.of Korea (20.4)	China (17.9)
2	Hong Kong (China)(17.7)	China (21.9)	China (19.1)	Hong Kong (China)(7.4)
3	Rep.of Korera (8.9)	Singapore (8.1)	Taiwan Prov.of China(8.7)	Rep.of Korea (7.2)
4	Singapore (7.7)	Rep.of Korea (5.7)	Singapore (8.2)	India (6.1)
5	Taiwan Prov.of China (5.9)	Taiwan Prov.of China(5.4)	Thailand (5.2)	Malaysia (4.2)
6	Malaysia (4.6)	Malaysia (5.0)	Indonesia (4.1)	Brazil (3.9)
7	Thailand (4.0)	Mexico (4.4)	Brazil (4.0)	Thailand (3.6)
8	Mexico (3.5)	Thailand (3.6)	Hong Kong (China)(3.3)	Saudi Arabia (3.6)
9	India (2.5)	India (2.3)	Turkey (3.2)	Singapore (3.4)
10	Brazil (2.2)	Philippines (1.9)	Malaysia (2.9)	Indonesia (3.0)
Share of top 10	77.8	81.7	79.2	60.4



# China is a leading economy in S-S trade

## --Study by UNCTAD

- A recent study by UNCTAD shows that China has become a leading economy in export and import of S-S trade. China ranked No.1 in export of all commodities, manufactures and agricultural products, it ranked No.2 in export of fuels, mineral and metals in S-S trade. China is also ranked No.1 in import of all commodities and agricultural products of S-S trade, it ranked No.2 in import of manufactures and fuels, minerals and metals



# Factors influencing the expansion of S-S trade in Asia

- Increase in demand for natural resources from rapidly growing developing countries, for example, the high demand of import of oil, iron ore and other minerals of China.
- An increasing demand for new markets, particularly for exports of manufactured goods, for example, many developing countries depend highly on U.S. market for export, it runs the risk to be effected by a downturn of U.S. economy. There is need to diversify the market in export.
- Strategies for regional and global supply chains of transnational corporations from the North, as well as of those from the South.
- Growing interest across the South to integrate their economies through new bilateral, regional or interregional trade agreements, and
- Increased access to market information networks due to growth of the internet



## Lessons drawn from experiences of S-S trade and RTAs in Asia and policy implications

- Although RTAs can be a strong facilitator of regional trade and economic integration and entry into global and regional value chain of production and trade. It is necessary to understand that the growing interdependence of developing Asia is not solely a consequence of regional integration through RTAs, in fact, this integration is the result of intensified intra-industry linkage and cooperation.
- S-S RTAs can form part of a strategic scenario for enhancing intraregional cooperation and economic gains of developing countries. But the success of this strategic scenario depends largely the clear objectives and policy targets, such as regional comparative specialization and complementarity.
- The policymakers should have the awareness to understand the global strategies of transnational corporations of the North and South when considering entering into RTAs.
- Developing countries as a whole should aim at facilitating trade in the region not only through tariff reduction/elimination but also through “beyond tariff issues” (i.e. non-tariff measures, trade in services, trade facilitation and competition policy)



# Role of Transport on Trade

- Infrastructure and related services interact with trade in goods and services in a complex way. First, the cost and quality of infrastructure services are important determinants of the volume and value of international trade through the impact they have on cross-border transactions costs. Second because sectors differ in terms of how, intensively they use infrastructure services, the quality and cost of such services also effect matters of comparative advantage---WTO study



# Role of Transport on Trade

- It has been studied by WTO and other international organizations that the transport costs are in many cases high than that provided by tariffs. A recent study of the World Bank (2001) shows that fact for 168 out of 216 US trading partners
- Logistic cost is 8.6% of GDP of U.S.A. in 2003 while China has a logistic cost around 21.3% in the same year
- With the logistic cost, U.S.A. has a share of transport cost around 5.5%, while China has a share of transport cost around 12%



## Freight cost by Region (percentage of import value)

World	6.1
Developed countries	5.1
Developing countries	8.7
Africa	12.7
Latin America	8.6
Asia	8.4
Pacific	11.7



## The cost of marine transport is huge

- **The shipping cost differs greatly for different types of goods, for example, the tankers, bulks or the containers. It differs also for the size of ships, routes of transport.**
  - With China for example, the total number of containers handled in 2007 is around 1.2 hundred million TEUs. Assume 75% of them is fully loaded, the shipping cost of them from China to U.S.A. will be around 13.8 million U.S.D. to 17.3 U.S.D.
  - The freight rate of bulks is also varied greatly within a year. It also depends upon the route of trade and the size of ships. The round trip cost of transatlantic transport of bulks is varied from 38725 U.S.D./day to 92500 U.S.D./day in the period of 2004-2007.
  - The freight rate of tankers is also varied within a year. It also depends upon the route and size of ships the freight rate of Aframax (small size tanker, 50000-99999dWt) is varied from 31000 U.S.D./day to 52000U.S.D./day.



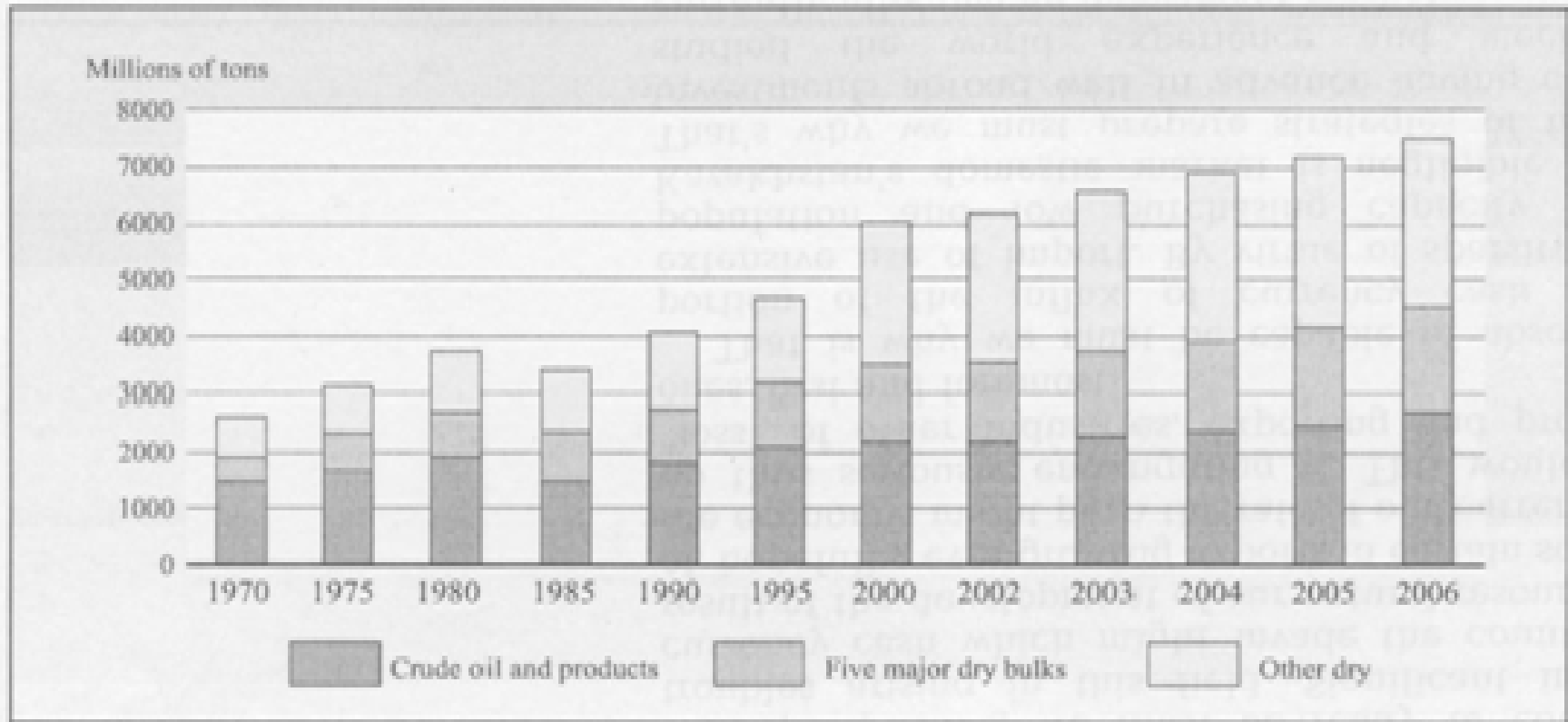


# Role of Transport on Trade

- It is estimated by UNCTAD that the marine freight cost may account 5-6% of import value for developing countries. It is estimated by a study of UNCTAD that “Developing countries in Asia accounted for 67.5 percent of import value and 61.5 percent of freight payments of all developing countries as compared with 66.4% for 2003.”
- If regional cooperation is further enhanced, there will be reduction of transatlantic cost to U.S.A. and to Europe: This may be one rationality to strengthen the intra-regional cooperation within Asia



# International Seaborne Trade for selected years (Millions of tons loaded)





# Transport facilitation to be one essential element of regional cooperation

- intra-regional cooperation in Asia will reduce the transport cost of sea-borne trade. If it is under estimated to be 4% of the value of import. It will be around 38.4 billion U.S. dollar for China in 2007. This situation is also true for other developing countries in Asia.
- It has been studied by UNCTAD that transport facilitation is indispensable for most countries in regional cooperation. Improving trade logistics and transport connectivity is an important element of any policy that seeks to improve trade opportunities in order to accelerate growth and structural change. It is clear that the existence of tariff barriers or quantitative constraints pose formidable obstacles to trade, but they do not render trade exchanges completely impossible as does the absence of an appropriate regional infrastructure.
- The regional infrastructure covers a broad aspects rather than simple transport. It will cover telecommunication and other institutional infrastructures and others



# Actively Develop International Economic

## Cooperation-- Chapter 37 of “China’s 11th –Five Year Plan”

- **Section 2 “Promote International and Regional Economic Cooperation.”**
- Planning in overall and promote the facilitation of trade, investment and transport
- Participate actively the international and regional cooperative institutions, enhance the dialogue and negotiation
- Develop the bilateral and multi-lateral economic and trade cooperation with all countries
- Participate actively the preparation of regulations related to multilateral trade and investments; promote the establishment of a new international economic order
- Increase the development assistance to other developing countries, further strengthen the economic and technological cooperation with developing countries



Thank you very much!