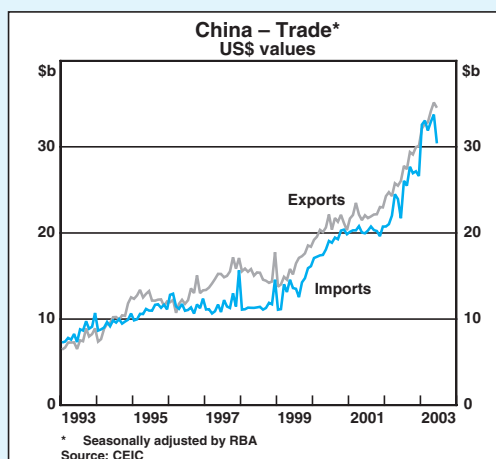


Box B: China and International Trade

The ongoing integration of China into the world economy is reshaping the trading patterns of many countries, including Australia. Over the past year, the value of China's international trade has risen by around 35 per cent, and in the March quarter, China surpassed Japan to become the third largest goods trading country in the world (Graph B1). China now accounts for around 5 per cent of world merchandise trade, up from 2 per cent 10 years ago.

The majority of China's trade is with countries in the Asian region, with around 65 per cent of China's imports sourced from the region, and around half its exports going to the region (Table B1). China's trade with a number of Asian countries, most notably Japan, Korea and Taiwan, has grown particularly strongly, and this has contributed to a 32 per cent rise in intra-regional east Asian trade since 1999. Excluding China, intra-regional trade has increased by a much more modest 13 per cent over this period. China has also recorded strong growth in trade with countries outside Asia, with exports outside

Graph B1



the region more than doubling since 1999. In contrast, east Asia's exports (excluding China) to the rest of the world are broadly the same as they were in 1999.

China runs large trade deficits with most east Asian countries, but these are more than offset by trade surpluses with the United States and Europe. Overall, China's trade

Table B1: China - Merchandise Trade by Region
US dollars, per cent

	Exports			Imports		
	Share of total	Annual growth		Share of total	Annual growth	
	2002	1999 to latest	Latest year	2002	1999 to latest	Latest year
United States	21	13	31	9	1	27
Europe	15	11	47	13	7	44
Japan	15	7	27	18	11	37
Hong Kong	18	14	16	4	6	1
Rest of Asia	20	16	39	43	22	44
Australia	1	14	36	2	13	29
Other	10	20	44	11	24	50
Total	100	13	33	100	14	40

Source: CEIC

surplus has averaged around 2¹/₂ per cent of GDP over recent years.

China's imports and exports are both dominated by manufactured goods, with intermediate manufactured goods, including machinery and transport equipment, comprising a higher share of imports than exports (Table B2). In part, this reflects the increasingly important role that China plays in the processing of higher value-added goods. Both imports and exports of information technology and communications (ITC) equipment have grown strongly over recent years, with China now accounting for a larger proportion of world ITC equipment exports than any other country in the region except Japan.

Like a number of other countries, Australia has benefited from the rapid growth in China's trade, with its merchandise exports to China more than doubling over the past four years. China is now the fourth most important destination for Australia's exports, up from tenth position in 1990. The main impetus to this increase has come from China's demand for resources, with resource exports having grown at an average annual rate of 15 per cent over the past decade (Graph B2). As a result of this sustained growth, the share of Australia's total exports to China accounted for by resources has

Graph B2



increased from 45 per cent in 1990 to around two-thirds today. Overall, Australia has maintained its share of Chinese imports since the late 1980s, with Australia accounting for around 10 per cent of China's resource and rural-based imports on average.

Australia's imports from China have also grown rapidly over recent years, with over 90 per cent of merchandise imports being manufactured goods, of which an increasing share is ITC equipment. The strong growth in low-cost imports from China has contributed to the relatively weak pricing pressures in the markets for many manufactured goods. ✎

Table B2: China – Merchandise Trade by Commodity
US dollars, per cent of total

	Exports		Imports	
	1999	2002	1999	2002
Primary products	10	9	16	17
Manufactured goods	90	91	84	83
– Machinery and transport equipment	30	39	42	46
<i>of which ITC goods</i>	23	31	25	29
– Clothing and footwear	20	16	1	1
– Other manufactured goods	40	36	41	36
Total	100	100	100	100

Source: CEIC