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RECENT ECONOMIC TRENDS IN PEOPLE'S REPUBLIC OF CHINA: IMPLICATIONS FOR SINO-LATINOAMERICAN TRADE */

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I. INTRODUCTION

During the last two decades, East and South-East Asia has been the most economically dynamic region in the world. Among the economies often regarded as the most successful showcases, People's Republic of China (PRC) has stood out. Its remarkable accomplishments include, among others: (i) a sustained, yet gradual, transformation from a Stalinist planned economy to a socialist market-oriented one; (ii) one of the world's fastest growing gross national products (GNP); (iii) its sustained industrial growth, promoted first by the large-scale State industries and later the village and township enterprises; (iv) substantial productivity gains in agriculture to feed a quarter of world population; and (v) its emergence as one of the most important partners in the global trade system. Given the already eminent position that PRC occupies on the present world economic scene and its likely high growth prospect, it is of utmost importance for the countries in Latin America and the Caribbean to keep abreast of the economic development of this Asian country and to examine critically their future trade possibilities and modes of cooperation. This paper tries to contribute to this objective.

Whether or not PRC stays on its sustained economic growth path has extremely important ramifications for the future dynamics of the world economy. Its course in international insertion will change the economic and political configuration of Asia and the world alike. It will modify not only the growth potential of neighboring nations but also the scope and form of Asian regional economic integration in its entirety. PRC's tremendously high economic prospects and the outcome of the ongoing Chinese economic reforms will also influence strongly how Latin American economies insert themselves in the Asia Pacific. In the short and medium term, the success of economic reforms will affect trade opportunities of countries on both sides of the Pacific.

Present economic ties between PRC and Latin America are marginal. Nonetheless, profound economic transformations taking place in both regions are conducive to opening up wide trade and investment opportunities. In other words, efforts to strengthen economic ties should bring about appreciable outcomes while both parties are growing and structurally reforming. PRC has been undergoing profound economic reforms. The need to meet PRC's rapidly increasing local demands for primary products as well as capital and consumer goods will open up interesting trade and investment opportunities for the countries in Latin America and the Caribbean. In parallel, Latin America continues with adjustment and structural reforms. These have resulted in significant reductions in inflation, improvement on public finance, higher levels of domestic investment and savings, more stable exchange rates, and more open trade and investment regimes. At the same time, Latin America offers a vast market of 450 million habitants, whose purchasing power has increased enormously in recent years. These future possibilities can be seized by a timely and proper policy implementation.

Given the substantial changes occurring in PRC's economy, which are unfamiliar to many in Latin America and the Caribbean, the paper begins by reviewing briefly the evolution of the economy after 1978 and in particular the foreign trade reform and their results (Chapter II). The following chapter will provide an overview of PRC's trade structure, by partner and product.

Chapter IV will examine in some details the scope and nature of tariff and non-tariff measures of the country and the implications of its possible entry to the World Trade Organization (WTO) for Latin America and the Caribbean. Chapter V will analyze specifically the present trade and investment relations of PRC with the region and will reach some conclusions regarding future possibilities. The paper ends with a summary of major conclusions and a list of priority areas which can enhance economic cooperation between the two regions.

II. MAJOR FEATURES OF RECENT PRC ECONOMY

A. OVERVIEW

The economic record of the People's Republic of China (PRC), especially in the post-Mao Zedong era, has been most impressive, even against the well-acclaimed performance of other Asian neighbors. Despite stop-go cycles, the annual gross national product (GNP) growth during 1978-1993 has averaged close to 9.5%, with a spectacular annual growth rate in the last two years of roughly 13%, in contrast to the foregoing 25 year period (1952-1977) of approximately 6% (see Table 1). GNP growth for 1994 will exceed 11%, despite the government austerity measures. Rapid and sustained growth allowed its real GNP to grow more than three times during the 15 years. Real per capita GNP has more than doubled, against a population increment of 200 million persons.

PRC has been the fastest industrializing country in the world. The industrial sector has continued to lead the economy with an annual average growth rate of 12.5% during the 1980s in real terms and the manufacturing sector in insolation grew even faster, at a rate of 14.4%. These rates surpass those registered by the Republic of Korea (12.2% and 12.7% respectively), and almost triple those of Japan (4.5% and 5.3%). These massive industrial efforts have transformed PRC into a major industrialized country whose share of world industrial output more than doubled during 1977-1986, and whose manufacturing value-added, already by the end of 1987, ranked seventh in the world (UNIDO, 1991). An estimate by the World Bank puts PRC's manufacturing value-added in 1990 at US$ 132 billion, surpassing that of Brazil and Spain of US$ 109 billion and US$ 124 billion respectively (World Bank, 1993a, Appendix Table 6). Throughout the reform years, the investment ratio (investment/gross domestic product) has been maintained in a 35-40% range, remarkably high levels by international standards. Equally striking is that agriculture in the post-Mao era expanded by roughly 6% per year, in comparison with 2.1% of the 1952-1975 period, with a result that agricultural production of all commodities and per capita food production at the end of the 1980's was 100% and 40% higher respectively than at the beginning of the decade.

The worsening income disparity between urban and rural areas notwithstanding (Perkins 1992; Nolan and Sender, 1992), sustained economic growth has brought general improvements in the standard of living. Post Mao China has achieved a widespread decline in death rates, an increase in life expectancy and health care, a reduction in the level of absolute poverty, improved housing in both urban and rural areas, a jump in per capita consumption of basic food stuffs (e.g., grain, eggs, edible oil, poultry) in all parts of the country but the poorest, mountainous regions, and improved access to a variety of consumer durables, such as television sets, radio receivers, bicycles, refrigerators and washing machines (Nolan and Sender, 1992). The Human Development Index (HDI), which takes into consideration social welfare indicators such as life expectancy,

literacy, education, the purchasing power, etc., puts PRC the 94th position among the 173 countries examined (UNDP, 1994).

All these accomplishments have been brought about in a comparatively low-inflation environment, except for 1988, 1989, 1993 and 1994,1/ and in a relatively healthy public finance (Table 1). Up until recently, government deficit remained steadily a small portion of GNP, in the neighborhood of 1% or less. Furthermore, unlike the former-socialist counterparts in Eastern Europe, PRC had no foreign debt of any consequence either in 1978 and had resorted relatively little to foreign credit afterwards. The accumulated external debt in 1993 of US$ 84 billion was of a relatively manageable scale, with its debt-service ratio of 11%, well below internationally accepted warning levels. The country, therefore, started its domestic economic reforms from a relatively strong balance-of-payments position.

Fast economic growth has been accompanied by a similarly impressive performance of the external sector (Table 1). Chinese exports, on a f.o.b. custom clearance basis, increased from US$ 9.8 billion in 1978 to US$ 92 billion in 1993, being now ranked as the world eleventh largest exporter, with its export sales greater than those of Taiwan Province of China, or the Republic of Korea. Chinese exports in that year accounted for roughly 2.3% of world exports. China's US$ 104 billion of merchandise imports in 1993 (2.7% of world imports), a huge jump from the preceding year of US$ 80,1 billion, was greater than any developing country except Hong Kong, which reexports most of its imports. In commercial services (consisted of transports, tourism, telecommunications, insurance , banking and other professional services) as well, PRC exported and imported close to US$ 9 billion dollars respectively in 1993 (GATT, International Trade, 1994). Combined, and net trade with each other, PRC, Hong Kong and Taiwan Province of China, the so-called "Greater China", already import almost double of imports of a medium-sized industrial economy like the Netherlands or Canada. Thus, the three Chinas offer at present a very significant and one of the fastest growing export markets of the world.

Comparing PRC's physical output and consumption with those of other Asian countries suggests that the size of the Chinese economy is much larger than official statistics indicate. For example, Perkins (1992) finds that PRC in 1991 was in most ways a little more advanced than the Republic of Korea was in 1970. Furthermore, he argues that the Chinese food consumption pattern resembles the present situation of Taiwan Province, Korea, and Japan 20 to 25 years ago. Therefore, PRC's social indicators correspond more to those of middle-income countries with dollar GDPs five times as big than to those of the 25 poorest countries on earth, of which PRC is one (The Economist, 1992). In fact, GDP per capita at the beginning of the 1990s was close to US$ 320, similar to that of India, but far below that of other developing countries, including those of Latin America, such as Bolivia, which registered in 1990 GDP per capita of US$ 630.

1/ The official retail price index rose by 18.6% in 1988 and another 17.8% in 1989, and prices on the free markets rose by more than 30% in 1988, which led to considerable discontent in the urban areas. In 1993, the rate of increase in the cost of living was 14.7% overall, while that for the 35 major cities rose even more sharply, up 19.6% for the year. Year-to-year inflation rate rose to 27.4% in September in 1994 from a year ago, two percentage points up on August.

Table 1. Selected Macroeconomic Indicators
(Annual percentage change, unless otherwise specified)

Year	Real Net Material Product a/	General Retail Prices	Government Budget Balance b/	External Debt/ GNP c/	Debt-service ratio c/	Exports d/	Imports d/	Trade Balance d/
1952-1959 e/	10.7	1.6	-0.3			1.5	1.6	-0.1
1960-1969 e/	2.9	0.9	-0.8			1.7	1.8	-0.1
1970-1977 e/	7.0	0.3	0.1			5.4	5.2	0.2
1978	11.7	0.7	0.3			9.8	10.9	-1.1
1979	7.6	2.0	-5.1			13.7	15.7	-2.0
1980	7.9	6.0	-3.5	1.5	4.4	18.1	20.0	-1.9
1981	4.4	2.4	-0.6	2.1	6.9	22.0	22.0	-
1982	8.8	1.9	-0.7	3.0	8.1	22.3	19.3	3.0
1983	10.4	1.5	-0.9	3.3	10.0	22.2	21.4	0.8
1984	14.7	2.8	-0.8	4.0	7.3	26.1	27.4	-1.3
1985	12.8	8.8	0.3	5.7	7.7	27.4	42.2	-14.8
1986	8.1	6.0	-0.9	8.5	9.6	30.9	42.9	-12.0
1987	10.9	7.3	-0.9	11.6	9.5	39.4	43.2	-3.8
1988	11.3	18.6	-0.7	11.3	9.7	47.5	55.2	-7.7
1989	4.4	17.8	-0.7	10.7	11.4	52.5	59.1	-6.6
1990	4.1	2.1	-1.0	14.2	11.6	62.1	43.4	8.7
1991	7.7	2.7	-0.8	16.3	12.1	71.9	63.8	8.1
1992	12.8	5.5	-1.0	16.0	9.6	85.0	80.6	4.4
1993	13.4	13.0	-0.7		10.1	91.7	104.0	-12.3

Source: M. Bell, W. Hoe Ee Khor and Kalpana Kochhar, "China at the Threshold of a Market Economy", IMF, Occasional Paper series, N° 107, Washington D.C., International Monetary Fund (IMF), September 1993, table 1; International Monetary Fund (IMF), International Financial Statistics, various issues; World Bank, World Debt Tables, 1993-1994, Washington, D.C., 1994.

a/ From 1978, the series is gross national product.

b/ Revenue minus expenditure on the basis of the authorities' definitions in percent of net material product or gross national product.

c/ Total debt stocks divided by gross national product and by exports of goods and services.

d/ In billion current US dollars, on a customs basis.

e/ Annual average for the period.

As can be imagined, the size of the PRC economy is heavily influenced by official exchange rate, which does not reflect true levels of the living standard, and which has been depreciating rapidly. When real purchasing capacity of economic agents is taken into account, by using such a measure, for example, the purchasing power parity (PPP), PRC turns out to be the third largest economy in the globe, with a GDP of more than 2.1 trillion dollars. This means that this country in 1992 was 37% of the size of the United States and as almost as large as Japan or the four newly industrializing countries (NICs) (Republic of Korea, Taiwan Province of China,

Hong Kong and Singapore) and the four members of the Association of South-East Asian Nations (ASEAN) (Thailand, Malaysia, Indonesia, and the Philippines) put together. At the PPP, PRC's GDP per capita for 1992 reached more than US$ 1,830. Thus, PRC's progress has already brought incomes nearly into line with the still declining living standards in much of the former Soviet-block, and part of China are rapidly approaching the US$ 10,000 per year level often regarded as the threshold of a modern consumer society.2/

If the growth rate differential of the past between the United States and PRC (6.5 point percentage point) were to be maintained for 20 years more, PRC would transform itself into the world largest economy. Moreover, PRC's economic growth must be analyzed in the context of "Greater China", consisted of PRC, Hong Kong and Taiwan Province. World Bank's projections, based on PPP, put Greater China's GDP will exceed that of the United States as early as the year 2002 (World Bank, 1993d).

Should those forecasts hold, it would not just be another economic pole but the largest of them all. Given the economic space that PRC already occupies internationally at present, and overwhelming impacts of PRC's future economic transformation for the rest of the world, it becomes obvious that the countries in Latin America and the Caribbean follow PRC closely, in order to create closer ties in economic spheres and international cooperation.

B. RECENT ECONOMIC REFORMS AND TRENDS

The scope and complexity of PRC's economic reforms since 1978 have been well documented elsewhere (World Bank, 1992b, 1993c and 1994; Bell, Khor and Kochhor, 1993). The following provides an overview of these reforms, with the purpose of illustrating how a wide range of liberalization and decentralization efforts already implemented and/or in course in the monetary, fiscal and trade spheres has affected and will influence the gross path of the country in general and trade possibilities with Latin America and the Caribbean.

Prior to reform, the economy functioned as a typical socialist regime. Enterprises, under public ownership, transferred all their surplus funds to the State, while loses were covered by budget subsidies. Investment funds and some working capital were provided to them through the government budget in the form of grants; the banking system supplied additional working capital. Wages were paid in accordance with a centrally approved wage scale, and age was a major determinant of wage differentials. Under these circumstances, enterprises were not held responsible of their own financial results; rather, their main responsibility was to fulfill

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2/ For comparison, it is estimated that 1992 per capita incomes in Eastern Europe, also on a PPP basis, range from as low as US$ 2,500 in Moldova, to US$ 3,300 in Russia and $ 6,250 in the Czech Republic. In the same year, average income in Guangdong Province likely approached US$ 5,000, while urban areas in that province probably neared Korea's US$ 7,800 national wide income level. It should be reminded that Guangdong's population of 65 million, albeit only 5% of the country's total, is larger than that of France, the United Kingdom, or Italy.

quantitative output targets established by the plan. These negative aspects on production, pricing, marketing, and investment left managers with little incentive to improve efficiency and productivity.

Now State industrial, commercial and transport enterprises enjoy greater freedom to determine the composition of and pricing of output, to retain after-tax profits, and decide on the disposition of retained earnings. In fact, the Government initiated in 1983 a changeover on a national scale from profit transfers to income taxation, and by 1986 profits of almost all enterprises were subject to taxation rather than being fully remitted to the Government. Also, since 1986, the Government has attempted to reduce the interference of government authorities in the day-to-day operations of the enterprises through the introduction of a contract system for medium- and large-scale enterprises, leasing arrangements for smaller enterprises and, to some extent, the establishment of joint stock companies. Also, a higher degree of fiscal decentralization has given provincial and local authorities more discretion in taxation, resource allocation, and foreign exchange management, yet the renminbi yuan not fully convertible.3/

The economy has gone through a great deal of marketization. The share of intermediate inputs, as well as output, made available through market channels rather than the administrative channels of the central government has been increasing substantially. In the wake of an acceleration in the pace of enterprise reform, the number of producer goods subject to mandatory price control was reduced drastically. The authorities also reduced the share of output of coal and other products subject to mandatory planning. As a result, the proportion of producer goods subject to price control in 1992 was reduced to 20% and that of consumer goods to 10%.4/ As of May 1994, only 5 agricultural products,5/ 24 heavy industrial products and public utilities and 2 industrial consumer goods 6/ are subject to State-fixed pricing (GATT, 1994c). By 1993, controls on grain prices has been lifted in about 2,000 cities and counties covering 80% of the country (Bell, Khor and Kochhar, 1993, p. 27). The effectiveness of a dual price system, adopted since 1985, where a portion of goods allocated through government channels were sold at State-set prices and those goods sold on the market are priced closer to market-clearing levels, has been seriously questioned in recent years, not only on an efficiency ground but also the pressure on State budget.

3/ Earlier, a large portion of foreign exchange earnings was to be returned to the center. Nowadays, however, not only foreign enterprises but also domestic firms can resort to the foreign exchange adjustment centers, or "swap markets", to obtain foreign exchange. By 1991, these markets accounted for a substantial share of all foreign exchange transactions and there is a tendency between the official rate and the "swap rate" to close.

4/ A survey indicates that as long ago as 1989 around 56% of inputs were bought outside the plan and almost 40% of output sold outside the plan. As late as 1990 the State distributed 49% of the steel and 43% of the coal produced, but only 12.6% of the cement, most of which was produced by small enterprises (Perkins, 1992).

5/ These are cotton, tobacco, silkworm cocoon, compressed tea and timber that is allocated by the State.

6/ They are cars and aircraft and engines for civil use.

1. Agriculture

PRC is relatively poor in agricultural resources. Although the total land area is 960 million hectares, the population is supported by less than 100 million arable hectares, and the rest cannot be easily and economically brought to cultivation. The share of agricultural population reaches 67% of the total, with the number of farms close to 225 million. The limited amount of arable land and the huge agricultural labor force means that the average farm size is extremely small: 0.4 hectares per farm is modest in comparison with other Asian countries (Japan: 1.4; Taiwan Province of China; 1.1; and India; 1.7), not to mention the United States (193 hectares), Australia (3,700) and New Zealand (216). Most of the Chinese population lives in the eastern part of the country, whereas western China, with more than half the total area, supports only 5% of the population. This means that equitable distribution of foodstuffs at a national level calls for an efficient marketing and distribution system. Furthermore, despite the drop in the rate of population growth, it has been calculated that there are around 14 million new mouths to feed every year.7/

It was in agriculture that PRC's economic reforms in the late 1970s and early 1980s first began to fundamentally change the Soviet-type system of production and move toward a market economy. While the formal ownership of land has changed little and remains almost exclusively under some form of public ownership, the overhaul of the sector involved the freeing of rural markets for most rural produce except for grain and a few other key commodities, and the abolishment of the agricultural communes as the unit of production and their replacement with what was basically family farms.8/ At the same time, attractive opportunities became available for farmers to invest in non-agricultural activities, especially in the rapidly growing rural industries. These reforms, based on individual economic incentives, with a clear connection between effort and reward, laid the foundation for sustained growth of agricultural output, its productivity and real income of farmers, and generated the surplus of rural savings needed to finance the continuing industrialization.

There has been greater use of market to purchase and market of grain, with the State exercising certain control over a limited number of farm products that have a close bearing on the national economy and people's livelihood. The products to be purchased by the State according to contracts are now limited to a small number of products (see footnote 5) and in modest quantity.9/ For other farm products, State control has been lifted, and both individuals and collectives can trade them freely, though farmers who sign contracts with the State on the

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7/ This annual increment is equivalent to the total population of Australia or Chile.

8/ Under the "household responsibility system", the right to use collectively-owned land was contracted to farm households, initially for five years, then extended to 15 years for annual crops and 50 years for tree crops in 1984. Land use rights were made legally transferable in 1988.

9/ In 1993, PRC harvested more than 450 billion kilograms of grain, of which only 50 billion kilos were purchased by the State (GATT, 1994a, p. 6).

selling of these products enjoy priority access to loans during production seasons. The central and local authorities also have a system of reserve funds in grain, which serve to stabilize prices from excessive bumper crops and acute shortages.

Though the growth rate of agricultural output after the reforms outpaced that prior to 1978, it should be noted that the growth rate of agricultural output during 1985-88 declined in relation to the preceding years of 1979-1984. The amount of agricultural area has been diminishing by 4000 acres annually -arable land and land under permanent crops has declined from 100.9 million hectares in 1982 to 96.6 million in 1991 (ESCAP, 1994, table III-6, p. 83).

The reasons for this decline include: i) the rapid once-and-for-all productivity gains realized in the earlier period resulting from the dismantling of the commune system; ii) increasing fragmentation of land holdings; iii) the outflow of the labor force from the cropping sector; iv) a smaller improvement in the relative prices of agricultural products than the preceding period; v) increasing income opportunities in non-agricultural activities for farmers, who may have preferred to invest in township and village enterprises (TVEs); vi) farmers' heavier investments in such areas as housing, rather than in land, and irrigation, which results in a shortage of water resources and degradation of land; and vii) bottlenecks in transport, processing, storage facilities and marketing systems (Lin, 1992; Bell, Khor and Kachhor, 1993, p. 58).

In contrast to the robust industrial growth, the share of agriculture in GNP has declined more than a 10 percentage point over the years reaching 27% in 1990 (Table 2). The productivity gain in agricultural production of recent years has not been enough to offset the absolute decline sown: of the productivity growth experienced during 1978-1984, 97% was attributable to the changes in farming institutions from the production team system to the household responsibility system. The remaining 3% was contributed by changes in cropping patterns and intensity (Lin, 1992). Though grain output reached its record of 456 million tons in 1993, the production trend has been stagnant. In short, the diminishing acreage of farm land, the saturation in productivity, the underdeveloped transport systems and other production bottlenecks, solutions of which can be only found in the medium- and long-term, will offer interesting trade opportunities.

2. Industrial growth and its characteristics

Economic reforms of the past years have magnified the growth impulse of PRC's already high rate of capital accumulation. From a world perspective, PRC shows a relatively high reliance on industry and especially strongly-skewed towards manufactures, among not only low-income developing countries but also upper-income developing countries. International comparisons also show that the contribution of services to GNP, though rising, is markedly low (see Table 2). Industry, especially the manufacturing sector, has been the motor of PRC's economic growth.

Table 2: International Comparison of PRC's Production Structure, by Sector (percentage share in GNP)

	Agriculture		Industry		Manufacturing separate		Services, etc.	
	1965	1990	1965	1990	1965	1990	1965	1990
Low-income countries	41	31	26	36	19	27	32	35
China	38	27	35	42	28	38	27	31
India	44	31	22	29	16	19	34	40
Indonesia	51	22	13	40	8	20	36	38
Lower middle-income countries	22	17	32	31	20		44	50
Bolivia	23	24	31	32	15	13	46	44
Dominican Republic	23	17	22	27	16	13	55	56
Guatemala		26		19				55
Ecuador	27	13	22	42	18	23	50	45
Paraguay	37	28	19	23	16	23	45	49
Peru	18	7	30	37	17	27	53	57
Colombia	27	17	27	32	19	21	47	51
Costa Rica	24	16	23	26		19	53	58
Philippines	26	22	27	35	20	25	47	43
Thailand	32	12	23	39	14	26	45	48
Upper middle-income countries	16	9	36	40	19	25	47	51
Mexico	14	9	27	30	20	23	59	61
Venezuela	6	6	40	50		20	55	45
Brazil	19	10	33	39	26	26	48	51
Uruguay	18	11	35	34		28	47	55
Korea, Rep. of	38	9	25	45	18	31	37	46
Some high-income countries								
Canada (1986)		3		29				68
France (1989)		4		29				67
Germany (1988)		2		39				59
Italy (1989)		4		34				63
Japan (1988)		3		41				56
United Kingdom (1988)		1		8				68
United States (1987)		2		29				69

Source: World Bank, World Development Report, 1992, Washington, D.C., 1992, table 3; Organization for Economic Co-operation and Development (OECD), OECD in Figures. 1991 Edition, Paris, OECD, 1991.

Massive industrial undertakings have been fostered by more than 8 million registered enterprises, among which 99,000 are State-owned large- and medium-State owned sector, either controlled by Central Ministries or run by provincial governments.10/ State-owned units were estimated to have employed 18% of the labor force in 1992 (Journal of Commerce, 1994, p. 18c). In spite of gains in productivity (Jefferson, Rawski and Zheng, 1992) and recent efforts of restructuring and upgrading, State-owned enterprises face problems in the areas of labor redundancies, high inventories, unutilized capacities, low profitability, and managerial rigidities.

As a partial result, while the weight of State industry in output has declined substantially over the years, that of collective/private industry has grown markedly: the former which accounted for more than 76% of total gross value of industrial output (GVIO) 11/ in 1980 was only 48% in 1992, whereas that of the latter, which was responsible for only 24%, increased its share to 52% (Table 3). Taking services and agriculture as well as industry, the high participation of the non-state sector in total domestic product (close to 70%) puts PRC a level comparable with France and Italy (UBS, 1993, p. 4). The country's endeavor on the creation of a "socialist" market economy is well reflected in this high non-state share.

Accordingly, though most investment decisions continued to be made by some level of government, the share of total investment financed through direct budgetary appropriations has been declining rapidly: in 1981 over 28% of total fixed asset investment was financed by state budget, whereas ten years later that percentage went down to 6.8% (Bell, Khor and Kochhar 1993, Table 4). In general, large-scale investments in key State-owned enterprises are approved and financed by the central government, while smaller ones involving medium and small State-owned enterprises by provincial and local authorities.

Those outside the plan are collective and township and village enterprises (TVEs), which have sprung up since 1979. In 1978, the number of township-village based community enterprises totalled 1.5 million, employed 28.3 million workers, and produced 49.3 billion yuan worth of industrial output. Later in 1989, the number soared to 18.7 million, with employment of 93.6 million workers 12/ and output surpassing the value of total agricultural output by 22% (UNIDO, 1993, p. 108). During 1978-1989, Chinese farmers gained one-fourth of their net

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10/ Enterprises that are under the direct authority of the central government or of provincial government are considered as state owned, and all others are considered to comprise the non-State sector. In the country, there are three main categories of non-State enterprises: collectives, individual businesses (entities employing no more than seven people), and "other enterprises" (those employing more than seven people, foreign enterprises and joint ventures). From the viewpoint of ownership, collectives are regarded as "publicly owned", because in principle their ownership is shared by the community. Moreover, "their operations are closely monitored and often controlled by local government entrepreneurs who exhibit characteristics of both de facto owners and senior managers of township corporations." (Jefferson and Rawski, 1994a, p. 5).

11/ The GVIO represents the combined total of enterprise output inclusive of material costs.

12/ Those employed in these entities represented 23% of the total rural labor force or 62% of the increased labor force between 1978 and 1989, or half of the current total labor force.

income from rural industries and for the period of 1986-1989 alone, the proportion rose to 50%. The net increase in taxes from rural enterprises during 1984-1989 accounted for 50% of the increase in State financial revenue. The majority of TVEs are located in the 12 coastal provinces, which accounted for 70% of total TVE sales in 1991, in contrast to only 8% of the TVEs in the 9 western provinces and autonomous regions with only 8% (Bell, Khor and Kochar, 1993, p. 48).

Rural industrial enterprises show a variety of ownership patterns, the predominant one being collective ownership by townships or villages. The collective sector as a whole and the TVE sector in particular accounted for close to 40% and 29% of total incremental output respectively during 1980-1992 (see Table 3). These are usually very small-scale micro enterprises which are neither State-owned nor privately owned. Unlike the State-owned enterprises, though formally under the supervision of local governments, collective units operate largely outside the orbit of State planning and typically enjoy greater managerial and financial autonomy than the State-owned counterparts. Their main sources of financing are bank loans and the retained earnings. These entities operate relatively freely on the basis of market forces and competition in purchasing inputs and selling outputs. Moreover, TVEs have directly invested in agriculture for purchasing machinery, disseminating scientific and technological results, and strengthening infrastructure, contributing significantly to the modernization of agriculture.

Due mainly to the fast growth of small-scale industries which operated outside the scope of State Plan and the change in emphasis towards the expansion of these industries to keep pace with the rising consumer demand, the light industries has gradually increased its share in GVIO against heavy industries over the years.13/ At present, GVIO is equally divided between heavy and light industries, 50.1% and 49.9% respectively in 1992 (Singh, 1993).

Contrary to what one might expect, the dichotomy between the heavy-State industrial sector and the light small-scale collective industries does not apply straight forwardly. As shown in Table 4, which indicates the State share in each of the 30 industries listed (by the descending order), the State-sector exercises an overwhelming control in many heavy industrial sectors. However, in certain sectors such as building materials, electric machinery and metal working, the non-State share is significant.14/

Furthermore, an examination on the branch structure of GVIO at 1980 prices (see Table 5) indicates that over the years there has been relatively little change in the importance of major branches of Chinese industry, for the State-owned sector as well as that of collective sector.

13/ During 1957-1978, heavy industry grew more rapidly than light industry, while the subsequent phase (1979-1982), light industry was the driving force behind the rapid industrial growth. Since 1983, however, the traditional bias towards heavy industry reasserted itself, when energy and transport projects assumed greater importance (UNIDO, 1991, pp. 30-40; Singh, 1993). In the wake of rectification measures after high inflation in 1988, enterprises, State-owned, collective and private alike, reduced their investment drastically in 1989.

14/ In 1989, rural industries produced 348 million tons of coal, 65.3 millions of cement, 4.9 million tons of machine-made paper, 745 million sets of farming tools, 2.33 billion suits of clothes and 13 billion kWh of electricity (UNIDO, 1991, p. 135).

Unfortunately, these data exclude the minor category of non-independent accounting units and village enterprises, which in recent years have increased their share in total output. The 1987 figures reveal that for the SOEs taken as whole, the most important branches are machinery, textiles, food processing, chemicals, and metallurgy, in the descending order. In contrast, for the collective enterprises (COEs), machinery was also by far the most important, contributing about one third of collective-sector output, followed by textiles and chemicals. The branch structure in both the State and collective segments of industry has been relatively stable. This "dual" structure for many industrial segments, and for the diversified machinery sector in particular, has been the driving force for PRC's rapid and sustained industrialization.

The diverse ownership pattern is also coupled by a differentiated geographic orientation. While foreign and private corporations are known to predominate in such coastal provinces as Guangdong, Fujian, Zhejiang, Jiangsu and Shandong, State-run firms still dominate production activity in cities like Shanghai, Beijing, Tianjin, along with provinces like Liaoning and Heilongjiang. In the first geographical category, as discussed later, Guangdong and Fujian are an example of economic development based primarily on foreign trade, made possible through close relations with Hong Kong and Taiwan Province, the two "Chinas" that share ethnic, geographical and linguistic proximities with these provinces. This type of foreign-trade led development is thus specific to the region.

On the other hand, the economic development in Jiangsu and Zhejiang is based more on domestic-oriented production, including the industrialization of agricultural firms. The domestic-oriented economic development is reflected in their low exports/GDP ratio: in 1991 that ratio for Jiangsu and Zhejiang Provinces were 12.7% and 15.9% respectively, far below that for Guangdong of 40.9% and even less than the national average of 19.3%. In these areas the development process is fueled by the mobilization of excess agricultural labor force in industrial activities (Watanabe, 1994). A challenge of the PRC authorities is to extend this type of development to other areas of the country that are not so culturally or geographically well-endowed as Guangdong or Fujian.

However, the above does not negate the important role of the cluster of township-village-based community enterprises in PRC's export expansion. In 1984-1985, the share of such enterprises in the total foreign earnings of China was only 4.5%, but later in 1990 their exports of US$ 12.5 billion were responsible for 20.8% of the national total (UNIDO, 1992, p. 109). Thus, though their general orientation is the domestic market, these enterprises constitute one of the most important export sectors.

Table 3: Growth of Industrial Output by Form of Ownership (in percent)

Ownership type	Index of Real Output (1980 = 100)				Average annual growth
	1980	1985	1990	1992	1980/92
State	100	148	210	257	7.8
Collective	100	247	554	914	18.4
Private a/	100	21,752	126,057	241,455	64.9
Other b/	100	492	3530	8736	37.2
Total	100	176	328	480	13.1

Ownership type	Shares of Nominal Output (%)				Percent Share of Incremental Output
	1980	1985	1990	1992	1980/92
State	76.0	64.9	54.6	48.4	43.6
Collective					
Urban	13.7	13.3	10.3	11.8	11.5
Township-village	9.9	18.8	25.3	26.2	28.8
Private a/	0.0	1.9	5.4	6.8	7.9
Other b/	0.5	1.2	4.4	7.2	8.3
Total	100.0	100.0	100.0	100.0	100.0
Total Output (billion yuan)	515.4	971.6	2392.5	3706.6	

Source: Chinese Statistical Yearbook 1993, Beijing; G.H. Jefferson and Thomas G. Rawski, " Model of Endogenous Innovation, Competition and Property Rights Reform in Chinese Industry", Working Paper series N° 289, Pittsburgh, Pennsylvania, Department of Economics, University of Pittsburgh, March 1994.

Notes: Percentage totals may not add up to 100 due to rounding error.

a/ Private owned firms employing less than 8 workers.

b/ Includes private firms employing 8 or more workers, joint ventures, foreign-owned firms, and other ownership forms.

Table 4: Share of the State in Chinese Industries, 1990

1. Oil & gas	99.91	11. Chemicals	77.90	21. Instruments	61.20
2. Timber	97.59	12. Coking & town gas	77.70	22. Textiles	56.52
3. Tobacco	96.49	13. Non-ferrous mines	76.05	23. Building materials	51.16
4. Refining	96.44	14. Drink	74.60	24. Electric machinery	48.72
5. Power	96.11	15. Fodder	73.34	25. Wood products	42.49
6. Water	91.09	16. Transport machines	71.30	26. Non-metal mines	41.47
7. Ferrous	86.58	17. Rubber	68.05	27. Metal working	26.00
8. Chemical fibre	84.53	18. Machinery	67.50	28. Plastic	21.81
9. Food	79.54	19. Electronics	66.02	29. Non-ferrous	17.83
10. Coal mines	78.82	20. Ferrous mines	65.96	30. Furniture	12.35

Source: Wang, X, "Groping for stones to cross the River: Chinese reform against Big-Bang", University of Cambridge, unpublished, cited in A. Singh, "The Plan, the Market and Evolutionary Economic Reform in China", UNCTAD Discussion Papers series, N° 76, Geneva, United Nations Conference on Trade and Development (UNCTAD), December 1993, p. 26, table 10.

Table 5: Branch Structure of GVIO at 1980 prices
(Percentage)

Year	1978	1982	1987	1978	1982	1987
Industrial branch		(SOE)			(COE)a/	
1. Metallurgy	11.80	10.96	10.52	1.97	2.32	3.56
2. Power	4.82	4.82	4.59	0.11	0.23	0.20
3. Coal	4.28	3.36	2.65	2.27	1.93	1.42
4. Petroleum	8.01	6.83	6.37	0.12	0.11	0.21
5. Chemicals	11.81	12.41	12.36	10.94	11.45	11.30
6. Machinery	21.12	19.86	25.51	36.07	30.68	33.07
7. Building materials	2.75	2.57	2.70	8.37	8.57	7.51
8. Forestry and wood processing	1.89	1.67	1.13	2.55	2.71	2.28
9. Food processing	12.44	14.58	12.99	2.96	4.69	5.46
10. Textiles	13.83	16.67	14.42	7.90	12.08	15.96
11. Apparel	1.04	0.56	0.53	11.28	9.59	6.22
12. Leather processing	0.00	0.57	0.46	0.00	2.58	2.20
13. Paper	3.07	1.44	1.64	5.48	5.26	2.61
14. Cultural and art products	0.00	1.48	0.47	0.00	1.08	3.94
15. Other	3.14	2.24	3.67	9.97	6.74	4.07
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: T. Rawski, "How Fast has Chinese Industry Grown?", Policy Research Working Paper series, N° 1194, Washington, D.C., Policy Research Department, World Bank, September 1993, pp. 24-25, table 3.
Notes: SOEs are State-owned enterprises, while COEs are collectively-owned enterprises.
a/ Exclude the category of non-independent accounting units and village enterprises.

At present, Chinese industry faces four basic problems: i) suboptimal scale and fragmented production capacity; ii) structural imbalance between downstream and upstream production capacity; iii) high cost and low quality intermediate and capital goods; and iv) shortage of certain raw materials. All of these relate, in one way or another, not only to the legacy of the planned economy in general but also to the process of regional decentralization within the country, under which provincial and local authorities have tended to invest in a similar set of nucleus industries of suboptimal size. Propelled in part by the inefficient allocation of working capital among sectors and among regions, and the trade regime with high import tariffs and other measures (analyzed in Chapter IV), local enterprises have invested in small plants catering to small and regionally fragmented markets. The trade regime has also led to the proliferation of investment in those sectors which require little learning and involve low start-up costs. This has resulted in excess capacity in assembly and processing operations. Meanwhile, the production capacity of upstream and downstream component, intermediate goods and raw materials, which require typically larger investment funds of a longer digestion period, has not been able to keep pace. Naturally, the tendency towards fragmented investment and production capacity contributed to the high cost of intermediate goods, of sometimes suboptimal quality (for some specific cases, see World Bank, 1994).

From this perspective, it can be concluded that import necessities of various industrial raw materials and inputs could expand dramatically in the coming years, if the economy stays on its rapid growth path. Though the majority of these necessities will be satisfied by products coming from the developed economies, there will be also "niches" for a series of products from Latin America and the Caribbean.

3. The external sector

a) Foreign trade

For a large country, PRC shows a high foreign trade share in relation to GNP: the "openness" of PRC (with exports and imports) for the last half of the 1980 ranged from 25 to 30% and rose even higher afterwards.15/ By this measure, China is characterized as a very open economy, by international standards. This "opening" process has been accompanied by the diversification of markets and products, as well as the liberalization of trade measures and the decision-making decentralization since 1978.

15/ Large economies usually contain within their national boundaries varied and reasonably abundant national resources. Also, large economies provide ample opportunity for regional specialization and an internal division of labor. Given the size of their markets, they can also take advantage of economies of scale within their national units. It should be cautioned however, that customs statistics on exports include the full value of inputs imported for further processing, which exaggerates the grade of openness. Even when these considerations are taken into consideration, the Chinese exports in 1992 of roughly US$ 85 billion are equivalent to some 20% of GNP. This is much higher that the corresponding figure for other large economies such as the United States and Brazil, whose export-to-GNP ratio is in the range less than 10%.

PRC's foreign trade increased at an average annual rate of close to 14% between 1952 and 1959, while GNP grew at a 10 to 11% rate, hence becoming more foreign-trade-oriented. This occurred within the context of a tight Sino-Soviet alliance on the one hand and an ambitious industrialization program and the build-up of PRC's defense capability on the other. During the 1950s, from 60 to 80% of its trade was with the Communist Block. In this period, the majority of imports were machinery, equipment and intermediate goods for heavy industries and military items (Eckstein, 1977; Prybyla, 1978).

The following decade evidenced the reversal of this trend; GNP continued to grow, though at a significant lower rate, while foreign trade began to stagnate. As a result of the Sino-Soviet break-up in 1960, which led to the suspension of many industrial projects and a complete withdrawal of soviet technical assistance and credits, the country began to pursue self-reliance, through an import substitution and import minimization policy, which attained its height during the Cultural Revolution. In addition, PRC faced the United States embargo that extended to most of the Western world. During this period, machinery and military imports receded in importance and their place was taken by foods, at a time when total purchases from abroad were shrinking.

In the early 1970s foreign trade again picked up, due mainly to: i) the increasing pace of domestic investment and economic activity in general; ii) the less rigor application of the "self-reliance" policy, under the fourth Five Year Plan, which led to the reinitiation of the imports of machinery, equipment and other producer goods; iii) a new international economic posture on the part of PRC, the so-called "Leaning on All Sides" philosophy, that trade may be carried out with almost all countries, irrespective of their political coloration; iii) the removal of the U.S. embargo on trade and payments in mid-1971 and the opening of commercial and other kinds of relations with between the two countries, which also led to the convergence of political and economic interests in promoting closer commercial, scientific, and technological relations with Western Europe and Japan; and iv) a substantial increase in agricultural imports.

However, it should be pointed out that for the years up to the period of Deng's reforms in the late 1970s, Chinese trade policy had placed primary stress on the role of imports rather than exports. Imports were seen as a residual contributor to domestic development, a means to secure deficit materials, capital goods, foodstuffs and technological information. Exports were viewed as a means for financing such imports, and the volume of purchases abroad was tied to the supply of goods suitable for exports. In general, the authorities' attempts to strike a balance in the trade account, the continued emphasis on self-reliance, tapping internal resources for development, avoiding excessive foreign economic involvements, and their hesitancy towards medium- and long-term foreign credits, put a brake on the expansion of PRC's foreign trade (Prybyla, 1978).

PRC's "open-door" policy in the post-Mao era has been implemented gradually but with a clear direction towards a decentralization of authorities on trade matters. The initial steps taken after 1978 involved the partial break-up of the monopoly control of foreign trade by the State-trading corporations. Prior to 1978, PRC's foreign trade was handled by 12 state-owned foreign trade corporations (FTCs) organized along product lines, each having a monopoly in its area.

Annual volumes of exports and imports were established and controlled in the context of a central planning system for trade, administered by the Ministry of Foreign Trade (MFT), the Ministry of Foreign Economic Relations and Trade (MOFERT), both the proceeders of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC).

During the years of reform, different from the preceding years when trade flows were under strict control of the MFT, branch offices of FTCs became more independent, provinces were allowed to create their own FTCs to serve specific trade needs, and line ministries also established their own FTCs to engage in trade in their products. As a result of the deregulation, by the mid-1980s the MOFERT had approved the creation of more than 800 separate import and export companies, about 70 times the number that existed in 1978. By the end of 1993 the number of trading companies having obtained trade rights stood at 5,000 and that of production enterprises surpassed 2,000. In addition, there are 50,000 foreign-invested enterprises which can handle foreign trade independently.

The decentralization of trade decision-making and the cease of the monopolization of trade by a few trade corporations led to the significantly reduced scope of the foreign trade plan. The trade plan became to consist of two parts: the command plan which established mandatory levels for exports and imports of key commodities, and the guidance plan which assigned targets of certain products to local governments and FTCs which came to possess considerable flexibility in fulfilling those targets. Over the years, the number of products subject to either command or guidance planning has been reducing markedly.16/

Similarly, the way by which the importables or exportables were priced changed significantly. During the period of mandatory planning, the FTCs implemented it under the direction of the MFT, purchasing goods, for export and selling imported goods at their domestic prices. In this way, the tradable goods sector was effectively isolated from the rest of the world, while the trade plan kept the balance of payments in check. For exports FTCs had purchased goods at officially established prices, either ex-factory prices in the case of manufactured goods or procurement prices in the case of agricultural products. Alike, the prices of 80% of all of China's imports were set at levels comparable to similar domestic goods, taking little account for differences in quality. In the later periods, however, import and export came to reflect more international prices.17/

16/ To illustrate the point, in the pre-reform period, the export plan specified the quantities of 3,000 individual commodities that were to be procured by the State for exports. Similarly, at the beginning of the 1980s, import planning covered more than 90% of total imports (Lardy, 1992a). By 1991 exports and imports subject to mandatory planning had fallen to 30% and 20% of their respective totals.

17/ In 1988, the delivery of planned exports to the national FTCs at officially established ex-factory prices accounted for 20% of the value of China's total exports. Similarly, by 1986 four-fifths of all imports were priced based on import cost. By the end of 1990 the domestic prices of more than 90% of all China's imports were based on world market prices (Lardy, 1992a).

The reforms also have reduced the measures to protect local enterprises. Starting in 1991, in view of an eventual re-entrance to the General Agreement on Tariffs and Trade (GATT), all direct budgetary export subsidies to FTCs, which were claimed to give the Chinese companies unfair competitive advantage to outside competitors (Lardy, 1992a), were eliminated, and state control on exports, with some exceptions, were reduced and later abolished. As examined later in Chapter IV, import duties were progressively reduced. Similarly, PRC's customs duty regulations were replaced by the harmonized commodity description and coding system, in conformity with the world trade regime.

Another key feature of the pre-reform era was the maintenance of a highly overvalued exchange rate, combined with a rigid system of exchange control. Unprofitable exports in terms of local currency were offset by the financial profits accruing to the FTCs on their import side on the domestic market. This led to a situation that in practice, the effective exchange rate varied on a product-by-product basis. The continued devaluation during the 1980s -around 1.6 renminbi per US dollar in the late 1970s to 4.8 in 1990- reduced substantially the bias against exports. Starting January 1 of 1994, China has unified its dual-track exchange regime and allowed the yuan to trade in a managed float system (GATT, 1994a, p. 9), in a long-expected step toward the convertible currency. The new foreign exchange system abolished the surrender and retention requirements.18/ This reform led to an immediate devaluation and reduced differentials between the "swap" rates and the official rate.

Reportedly, at present, all supply and demand of foreign exchange are secured in the transactions in the markets, and there is no control on imports through allocation of foreign exchange, nor approval of foreign exchange transactions. Since April of 1994, domestic enterprises have been allowed, without any approval, to buy exchange they need directly from the designated exchange banks against valid documents such as transaction contracts, notice of payment issued by the financial institutions abroad and certificate of quotas and licenses. However, foreign-funded enterprises are still required to balance their foreign exchange receipt and expenditures.

b) Foreign investment

Attracting foreign direct investment (FDI) has been one of the main pillars of the open-door policy. Over the past years, PRC has gradually established a legal framework for foreign investments and tax and other incentives to attract them (Bell, Khor and Kochhar, 1993). They included the promulgation in 1986 of the "Twenty-two Articles", aim of which was to promote

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18/ Under the earlier system, for general commodities, exporters, with the exception of foreign-funded enterprises, which were permitted to retain 100% of export earnings if located in Special economic zones (SEZs), had to surrender all foreign exchange earnings to the State and receive retention quotas for 80% of such earnings. These quotas were, in turn, distributed to the FTC (60 percentage points); the supplying enterprise (10 percentage points; and the local government (also 10 percentage points). The State also had the option to purchase 20 percentage points of the retention quota from the FTC and the 10 percentage points from the supplying enterprise at the prevailing swap market (for further details, see Panagariya, 1991; Bell, Khor and Kochhar, 1993).

FDI in export-oriented and high-technology manufacturing sectors. In the following year, the State Planning Commission announced the Regulation on Orientation of Foreign Investment, which identified transportation, communication, energy, metallurgy, construction materials, machinery, chemicals, pharmaceutical, medical equipment and electronics as priority sectors for foreign investment. Large FDI inflows in the latter half of the 1980s were a response to these measures adopted.

As the first step to attract foreign investment and expand exports, four SEZs were established in 1980-1981.19/ The thrust of the policy was to integrate the country into the international division of labor through improved cooperation with other countries and to stimulate industrial production by using foreign capital and technology. The policy also served to limit the scope of access for foreign capital by first establishing small, geographically defined areas. With preferential treatment in taxation, import licensing, and tariffs, these zones were to serve as experiment "laboratories" for the initiating economic reforms. This was followed by the opening of 14 Coastal Cities in 1984 and later the establishment of Hainan Island as an SEZ in 1988, and the opening of Pudong New Area (in Shanghai) in 1990. In early 1992 these preferential treatments were extended to 23 major cities in inland provinces, including 18 provincial capitals and 5 cities along the Yangtze River valley. In addition, 6 "development zones" were set up in the same region. These special areas have emerged as the most dynamic growth centers in the economy.20/

The FDI flows during the first couple years of the 1990s were phenomenal, by any international standards.21/ The investment frenzy was even more magnified in 1993: the country attracted US$ 100 billion worth of investment contracts, equivalent to the total of preceding 10 years and US$ 20 billion more than the amount predicted by Chinese authorities.22/ This puts PRC the second biggest recipient of global investment behind only the United States. In the first nine months of 1994, actual investment was US$ 22 billion, compared with US$ 28 billion for the whole year of 1993. Cumulative to the end of 1993,

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19/ There are three SEZs in the southeastern coastal area of Guangdong: Shenzhen (near Hong Kong); Zhuhai (near Macao); and Shantou. The other is located in Xiamen in the southeast part of Fujian across from the Taiwan Province of China.

20/ For details on their contribution to the regional and national economies, see (Bell, Khor and Kochhar, 1993, Tables 7 and 8, pp. 34-35).

21/ Annual flow of FDI, after a modest level during the first four years of reform (accumulative to 1982 of US$ 1.2 billion), rose to a US$ 6 billion level in 1990 and then jumped to roughly US$ 12 billion in 1991 on the contracted basis, with a 13,000 projects. More spectacularly, in 1992, 47,000 new foreign-invested projects were approved with the contracted value of US$ 68.5 billion. Out of this, total FDI value actually utilized topped US$ 18.8 billion (Wang, Yuan and Jiang, 1993).

22/ According to the UNCTAD estimates, FDI flows to PRC in 1993 totaled US$ 26 billion, equivalent to 37% of all FDI directed to the developing countries (Reuter, May 4, 1994).

contracts worthy of US$ 217 billion -with a total of over 174,000 FDI projects- were authorized, out of which US$ 57 billion were actually invested.

In the above total, as investors, Hong Kong and Macao accounted for US$ 39 billion, and Japan, the United States and Province of Taiwan were responsible for approximately US$ 5 billion each (Zhan, 1993a; The Financial Times, May 20, 1994, p. 7).23/ The "black hole" force, on the other hand, tends to dampen investment flows to other Southeast Asian countries, which had received the majority of FDI in Asian developing countries in the earlier years.24/ By destination, Province of Guangdong continues to be by far the most popular site, absorbing 45% of the contracted value in 1991, followed by Province of Fujian. Reflecting the geographical and ethnic ties, FDI from Hong Kong and Taiwan in these provinces has been of large scale and is increasing rapidly. In effect, the investors from these territories have been moving their labor-intensive industries, such as shoes, and toys, out of their own increasingly high-wage areas to the low-wage areas of Guangdong and Fujian Provinces.

As a consequence, there were over 50,000 foreign affiliates operating towards the end of 1993 (Zhan, 1993a). The largest category of FDI has been joint ventures, accounting for more than half of the contracted value. However, fully foreign-owned ventures are increasing rapidly in absolute and relative terms (UNIDO, 1993, Table II. 74), thanks to the less restrict ownership measures in recent years. Joint-ventures are preferred on the ground not only of technological spillovers to local producers from the recipient country's point of view, but also on the advantage of having an easier market access from the perspective of the foreign investor.

It is to be emphasized that since the majority of the 50,000 foreign affiliates in PRC are joint ventures between foreign investors and Chinese State enterprises, the potential impact of FDI in public enterprise reform is thought to be significant. For example, in the Province of Liaoning, one of the country's oldest major industrial bases, by the end of the first half 1993, more than 1,000 State enterprises, which account for one tenth of the national total, had entered into joint ventures with foreign firms. Of these enterprises, close to 250 were large- and medium-size State firms (Zhan, 1993a).

Since the majority of FDI is relatively recent, it is still premature to make an evaluation of its overall impact on the economy. However, the contribution of FDI to the national economy, reflected in some macroeconomic indicators, is considerable. Overall, the realized inflow of FDI constituted about 3% of total gross domestic investment in the latter half of the 1980s, while its

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23/ To assess the real size of FDI in PRC, Zhan (1993a) cautions that around 70% of FDI is in kind (equipment and technology), as opposed to equity, and some of it is overvalued as much as 23%. Moreover, some domestic investments have been re-routed through Chinese affiliates in Hong Kong back in the mainland.

24/ In 1993 investment in Thailand, Malaysia and Indonesia fell for the second consecutive year. The first two countries were the worst hit, with a 60-70% reduction in the amount of approved investments. However, the substantial appreciation of the yen in more recent months has reawaken the Japanese investment interests in the ASEAN countries.

percentage went up to 8% in 1992. In the same year the output of foreign affiliates was responsible for 6% of total industrial output. Impacts of these investments are also known to be sizeable in energy,25/ textiles and clothing, footwear, food processing, electric appliances, electronics, automobiles26/ and tourism27/ and, more recently in raw materials, telecommunications28/ and transportation. In terms of employment creation, in 1992 over 6 million workers were employed by foreign affiliates, which in turn accounted for approximately 4% of the employed in urban areas across the country. The tax contribution of these firms to fiscal revenues is also known to be substantial (Zhan, 1993a).29/

The contribution in export expansion is even more remarkable: the share of foreign affiliates' exports in total Chinese exports increased from negligible in 1978 to 5% in 1988, 20% in 1992 and in 1993, 27.5% (US$ 25.2 billion). This achievement is considerable when total exports have been growing with an intensive rhythm.30/ In turn, foreign-affiliated firms accounted for 40% of total imports in 1993, totalling US$ 41.8 billion (The Nikkei Weekly, 1994c; GATT, 1994a). Therefore, operations of these firms have aggravated severely the balance of payments position.

The high import coefficient is related to the processing and assembly type of operations predominant in the PRC's export sector. Since the implementation in 1984 of the special schemes, exports based on processing or assembly type activity have expanded enormously, taking advantage primarily of cheap yet reasonably skilled labor. In essence, the special provisions exempt the import duty for all raw materials or inputs to meet an export contract. The contribution of these preferential areas to the overall trade of PRC is overwhelming. Exports based on processing activity now account for 45% of all exports, in comparison with 23% in 1988, and 64% of all of the country's manufactured exports. They have contributed in a major

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25/ In PRC, foreign investment and technology has contributed greatly to the development of offshore oil fields. During the past 14 years, the country has signed 92 joint exploration and exploitation contracts, attracting more than US$ 3.6 billion of foreign capital.

26/ World major automobile makers, such as Volkswagen, Chrysler, Peugeot, Toyota, Daihatsu, General Motors, Isuzu, Ford, Fiat, Renault and Citroen compete not only among themselves but also with over 100 domestic auto manufacturers. These multinational firms also seek strategic alliances with local producers.

27/ In addition to about 2,000 domestic hotels, there are roughly 500 hotels with foreign investments, which account for 29% of PRC's total capacity and 49% of the total foreign exchange revenues generated by hotels.

28/ For instance, AT&T, Motorola, Nokia, Siemens and Belgian Bell have invested heavily in numerous telecommunications projects.

29/ For instance, in Shanghai, the largest industrial city and the single most important contributor to PRC's budgetary revenues, more than 10% of total tax intakes in 1993 came from foreign affiliates.

30/ Those sectors of foreign funded enterprises with high export orientations are electrical and electronic appliances (exports worth of US$ 4.6 billion in 1991), textiles and apparel (3.3 billion) and footwear (1.4 billion), and these exports accounted for 29%, 17% and 50% of total exports of each category (JETRO, 1993, p. 240).

way to the marked diversification of the country's export basket, which now includes categories of telecommunications equipment. However, because of their "assembly" nature, much of the activities that take place in the SEZs and the Coastal Cities is very low in domestic value added.31/

In spite of the predominant position of Gaundong and Fujian Provinces as the main target of Hong Kong and Taiwan investors, there have been increasing FDI flows to other geographical areas outside the SEZs, such as Jiangsu, Zhejiang Provinces and Shanghai. Now potential investors are being deterred by rising labor costs, particularly in the SEZs, and poor transport infrastructure linking the coast with the interior.32/ In recent years, in addition to these labor-intensive areas, there is an appreciable trend towards substantial flows in large scale in basic industries, such as automobiles, telecommunications, and steel. With a relaxation of FDI restriction on the tertiary sector, there has been also a notable increase in real estate, finance and services (e.g., retail, transportation, trade, management consultancy and insurance). (JETRO, 1993). There is a growing belief among foreign investors that Shanghai will offer the most immediate access to the mainland after PRC joins the GATT/WTO. At the footstep of the rapidly rising Japanese, European and American interests, Korean firms have been very active in investing in the Yangze Delta.33/

It is noteworthy that PRC has transformed into a significant foreign investor abroad. Some sources put PRC's investment in Hong Kong at US$ 12 billion and in other countries at about US$ 2 billion. Others estimate that Chinese investors have sent abroad at least US$ 28 billion, including that US$ 12 billion directed to Hong Kong (JETRO, 1993; Levin, 1993).34/ In recent years, as a result of the normalization of diplomatic ties with several ASEAN governments and of strong ties with ethnic-Chinese business community, Chinese FDI in this part of Asia has been thriving (Wu, 1994). Being an important center for financial intermediation, it is reported that between 70% to 80% of syndicated loans for China as well as Southeast Asia are arranged in Hong Kong (Ho and Kueh, 1993).

31/ In 1991 for these assembly operations, imports of materials worth of US$ 25 billion were required to generate exports of US$ 32.4 billion (World Bank, 1994, pp. 11-12).

32/ FDI in Jiangsu Province on the Yangze River reached US$ 7.2 billion in 1992, the number of joint-ventures being set up with foreign firms in the province of 7,856, up from 1,142 of the preceding year. There were mainly smaller-scale joint projects with enterprises run by farm villages (The Nikkei Weekly, 1993c).

33/ To date, most of the Republic of Korea's US$ 960 million investment in PRC involves small textiles and footwear factories moved from the country to take advantage of low wages (Journal of Commerce, 1994, p. 17c). During first half of 1993, Korea invested US$ 290 million in PRC, US$ 77 million more than its total investment during the whole of 1992. The majority of the projects were centered on Shangdung Province which many Korean businesses regard as the best investment site in China (Korea Business World, 1993).

34/ The official figures are grossly underestimated: according to China's Ministry of Foreign Trade and Economic Cooperation, by the end of 1992 China had 4,117 enterprises operating in 120 countries and territories, with its cumulative, worldwide FDI during 1979-1992 of US$ 4 billion (Wu, 1994).

There are increasing out-flows to other regions of the world 35/ and many believe that Chinese FDI is increasing by 30% a year and will continue to grow at this pace through the end of the century as the country's income grows. Major business deals abroad are no longer reserved only for powerful State-backed companies. As the economic reforms continue at home, provincial, municipal, and private companies, as well as those owned by lesser ministries, are increasingly buying foreign assets (Levin, 1993).

Apart from investment flows per se, the Chinese have intensifies their efforts to upgrade their technological base, by way of licenses, advisory and consulting services, technical assistance, joint-ventures and turn-key projects. Up to the end of 1993, close to 6,300 of technological introduction contracts, with a total value of US$ 53 billion, were signed. Their majority have been undertaken since the initiation of reforms. In 1993 alone, approximately 500 contracts were signed, which totaled US$ 6.1 billion. In accord with the rising technological capability, PRC has also transformed themselves into a technology exporter: in 1993, the country exported US$ 2.2 billion worth of technology, involving more than 600 contracts (Luo, 1994).

In sum, though an increasing share is being accounted for by the firms operating outside the SEZs and the Coastal Cities, it is still necessary to transform the activities of foreign-funded enterprises and other consignment transactions into more effective foreign-exchange creating operations, through higher value-added. Earlier, mainly as a result of past policies which restricted the products of foreign-funded enterprises entering PRC's domestic market, most FDI were in small-scale, labor-intensive projects. In this way, the original goals of bringing in advanced technology and management skills to upgrade industry were not fully attended. Today, the Government is becoming increasingly aware of the pivotal role of FDI not only in capital, technology and management skills, but also as a vehicle for local competition which forces domestic enterprises to improve their efficiency. In parallel, it is likely that the PRC authorities will encourage their FDI or other forms of association abroad, in order to exploit better their productive capabilities or to establish more secure supply sources of raw materials.

4. Obstacles for sustainable growth: implications for Latin America

Despite the enormous efforts made up to now, PRC still faces a series of problems. Solutions for these problems mentioned below require skillful and effective macroeconomic management. On the other hand, solutions for the structural problems involve large investments of long time horizon. Factors such as shortages of energy, inefficient transportation systems, wide income disparities among regions etc. can put a brake on the diffusion process of economic development,

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35/ In addition to the buying by The Shougang Corporation of Hierro Perú for US$ 120 million cash, notable projects include a 5% equity participation of China Travel International Investment in Cathay Pacific Airlines for over US$ 400 million, a 50% acquisition of Celgar Pulp and Paper in British Columbia in Canada by China International Trust & Investment Corporation, a 10% acquisition of Portland Aluminum Smelter in Australia by the same chinese corporation, the 60% participation of Shenzhen Electronics in Standard Glass in the United States, a 60% acquisition of Winland in Hong Kong by Chinese Resources, and a 100% acquisition by China Merchants of Scottish Lion Insurance of the United Kingdom (Levin, 1993).

now concentrated in the coastal provinces, to more remote inland areas. While these problems persist, continued increases in aggregate demand will result in shortages and bottlenecks in a numerous number of sectors and products, at least in the short run. The stop-and-go cycles of the PRC economy should open up interesting trade possibilities for the countries in Latin America and the Caribbean. At the same time, PRC's quest for deeper international insertion should also entice reciprocal Sino-Latinamerican foreign investments in both regions.

a) The difficulty in containing aggregate demand

Each macroeconomic cycle experienced in the past has its own peculiarities, but have had a number of common characteristics: the early phase of each reform was accompanied by an increase in aggregate demand, being ratified by the increase in credit expansion; the emergence of shortages and bottlenecks in critical sectors that led to an accelerated inflation and to a deterioration in the balance of payments; and attempts to stabilize the economy through the reimposition of administrative controls and a slowdown, even a partial reversal of the reform process itself.

The recent cycle since the late 1991 is not an exception. The acceleration of reforms has again fueled an investment boom, led by expansive financial policies. Credit growth exceeded the plan target, and credit creation by nonbank financial intermediaries not covered by the credit plan grew rapidly. There appeared a shortage in such areas as transportation, energy, and industrial raw materials, while inflation accelerated, especially in the first half of 1993. At the same time, import growth exceeded by far that of exports, resulting in a trade account deficit for the first time since 1989. This was accompanied by a rundown in foreign exchange reserves and the marked depreciation of the renminbi in swap markets. Concern about the intensification of demand pressures led the authorities to implement measures, consisting of: i) adjustments in interest rates on deposits and loans; ii) the austerity program involving a reduction in government expenditure; iii) the postponement of price reforms planned for the second half of 1993; iv) a limit on the number of permitted development zones; v) the realignment of credit expansion plan; vi) the elimination of the insurance of IOUs to farmers; and vii) the strengthening of the enforcement of capital gains taxes on real estate transactions (Bell, Khor and Kochhar 1993, p. 69).

Extensive decentralization in decision making processes at different levels among geographical areas has contributed to the above-mentioned process. It has allowed local governments to make independent investments in industry and commerce, while it has forced them to look for additional revenue sources to cover increasing local expenditures. In recent past, local authorities have attempted to negotiate more favorable fiscal packages with the center, meanwhile they have stepped outside the normal budgetary process by tapping the volumous "extrabudgetary" funds" of locally owned SOEs. Also, they have tried to expand the local tax base and at the same time, to circumvent the prohibition on the issue of bonds and bank loans. As a result, there has been a secular decline in the government revenue/GNP ratio, which was offset through the mid-1980s by the growing extrabudgetary funds, although subsequently the latter also began to decline.

In short, since the major part of the State's revenue is retained in the provinces, the center's ability to undertake macroeconomic management through fiscal policy is reduced. This is exacerbated by the difficulty faced by the People's Bank of China to contain credit expansion, because of local political pressure on provincial branches of banks.36/ Under these circumstances, the need for effective indirect macroeconomic policy levers with which to regulate the overall level of investment demand has become more apparent. At the same time, the potential for conflict between central and local investment priorities exists, and in many instances, investments in priority sectors such as energy and transportation infrastructure are less attractive to provincial and local authorities.37/

Effective and coherent macroeconomic management in PRC is a prerequisite for an establishment of dynamic trade expansion with the rest of the world. The stop-and-go economic reforms will affect negatively a creation of stable trade flows, especially with such a region as Latin America and the Caribbean which still plays a "residual" role in the overall PRC trade. On the other hand, to take full advantage of trade opportunities in the short-term, it is necessary for trade partners to assess carefully the macroeconomic performance to anticipate bottlenecks and supply shortages which arise from the cycle of economy's overheating and cooling. Given the increasing freedom of the provincial, municipal and local governments on investment decisions, there should be wider recognition on the part of trade partners of the importance of PRC's local authorities, in view of anticipating trade opportunities and negotiating effectively.

b) The inefficiency of the State-owned enterprises (SOEs)

As discussed above, the SOEs did not show the same dynamism as the agricultural and non-State-owned sectors. "For the most part, the state-owned industrial sector remains characterized by overstaffed and inefficient enterprises producing goods of sub-standard quality, incurring losses on account of both distortions caused by pricing policies as well as fundamental inefficiency associated with the lack of competition, undertaking inappropriate investment and unable to compete with the more dynamic non-state industrial sector" (Bell, Khor and Kochhar,

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36/ Therefore, it becomes necessary to establish a more effective means of revenue collection and sharing between the central and local authorities and to tap more resources with the richer provinces, measures which should raise the central government share in revenues to a 60% level before the year 2000 from the actual 38%. A series of reforms, including tax reform, will be implemented within two years: among others, the value added tax already in place, a consumer tax on some 20 products such as tobacco, liquor and gasoline, and un levy on some types of services. The banking reform, involving the central bank, commercial banks, and money markets, should create a central bank which can control credit expansion. The country's major specialized commercial banks will be converted into true commercial banks that lend money based on risk assessments. Three new banks (the National Development Bank, the Import and Export Credit Bank, and the Agricultural Bank of China) will handle loans for big government projects.

37/ In general, large infrastructure projects and major investments in key SOEs are approved and financed by the central government. Smaller infrastructure projects and investments by medium- and small-scale SOEs are authorized by provincial and local authorities. Finally, investments that are outside the plan are largely undertaken by the TVE sector.

1993, pp. 59-60). Even in 1992 when the economy was witnessing robust growth, it was reported that about one-third of the SOEs were making losses that put a strain on the nation's financial system (Bell, Khor and Kochhar, 1993, p. 28; The Economist, 1994). Moreover, the majority of their losses are concentrated in the sector of energy products and transportation, so that the reduction of such deficits will require substantial upward price adjustments.

Reflecting mounting demands on the State budget to cover losses, low revenue buoyancy, the accumulation of large inventories of unmarketable goods (either because of excess production or low quality), the increasing need of SOEs for credit expansion in the late 1980s and 1990s has worked against macroeconomic management. However, the drastic measure of privatization, as taken place in many parts of Eastern Europe, may not be an appropriate route for PRC, at least in the short-run.38/ This is because in their objective functions, the SOEs are expected to perform multiple social functions -not only generating profits but also being a major source of employment, social welfare, provision of housing, medical care, and education to their employees. Under the likelihood that it will go through a period of harsh transformation to improve productivity, SOEs will be forced to look for trade and investment ventures with foreign enterprises. Latin America can participate in this process by establishing a variety of inter-corporate operations, ranging from trade agreements to joint ventures.

c) The deficiency in energy resources

During the course of its sustained growth, the provision of energy has been lagging behind the rapidly increasing demand. For instance, industrial production in 1992 increased by 20.8% in comparison with the preceding year, but energy production (in standard coal equivalent) grew only by 1.8% (Yuasa, 1993). Reportedly, there is a severe shortage of electric energy, leading to a situation in which more than 20% of the existing productive capacity is unutilized owing to the very deficit.

PRC's endowment of energy resources is immense and it might be argued that contemplated development projects in the area solve the medium and long term energy deficiency. Some argue, however, that this might be too optimistic. In the case of coal, for instance, though the known reserve is 1,500 billion tons (15% of the world total), recoverable deposits are only one-tenth of these (Yuasa, 1993). Furthermore, the viable deposits are located in inland provinces, which suggests that development and transport costs will be extremely high.

The growth in oil production has also been stagnant. In 1993, for instance, China imported approximately 10 million tons of oil more than it exported, joining the ranks of net oil-importing nations (The Nikkei Weekly, 1994d). At present, the majority of the country's crude oil

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38/ The goal of a new corporate law, in effect since July 1, 1993, is to make these companies responsible for their own management and operations, with shareholders selecting the board of directors. In the case of failure, the bankruptcy law adopted in 1989 will be applied. There will be a pilot program to revive the State sector, by choosing 100 firms for their reorganization and renovation with a provision of technology and equipment of roughly US$ 5.5 billion.

production comes from three onshore producing complexes in north-east China, and the endeavors to speed up the development of a various offshore oil fields in south China have encountered difficulties, while the exploitation of important oil deposit discoveries in the western provinces will be costly ventures. Rich endowment of energy resources of Latin America can contribute to lessening these difficulties in meeting increasing demand of these products.

d) Others

The envisaged shortage of foodstuffs and other products mentioned earlier, can be further aggravated by the inadequate transport infrastructure, in particular the railroad system. At present, almost half of the railroad capacity is occupied for the transport of coal, and the problem will be intensified if the planned increase in coal production comes in reality. The World Bank indicates that about 6% of grain production is lost each year in shipping between production areas and consumers, due to the inadequate distribution and marketing system and the limited transport capacity. A large share of China's surplus grain is stored on open platforms and covered only with tarpaulins, in some cases spoiling before it reaches its destination. The Bank-supported projects intends to cut the loss to half, saving 500,000 tons of grain annually.39/ The highway network is still at an infant stage, while capacities at major harbors are limited and there are substantial shipping congestions and delays. These are just some examples of infrastructure deficiency and any solutions to this problem will surely contribute to a more efficient and systematic approach to production and distribution.

One of the PRC's most urgent tasks involves the distribution of fruits of economic growth to its impoverished rural areas, especially in the country's interior regions. Nearly 80% of the PRC's population live in remote farm villages. The trend of a widening income gap has led, for example, to a situation where average annual income for urban Chinese in 1993 was 2,337 yuan (US$ 273), up 10.2% from 1992 after inflation, while the corresponding in rural areas was only 921 yuan, only 3.2% higher than 1992 (The Nikkei Weekly, 1994b). The disparity in incomes between urban and rural residents has been widening steadily since 1984, when the comparable ratio was 1.6 times, instead of the above mentioned 2.5 times. Farmers' dissatisfaction, which has resulted in periodic riots in some areas, relates not only to the low absolute level of incomes, eroded by the rising inflation, but also to rising tax burdens and a decline in government purchase prices of agricultural products. Despite the government's recognition on the plight of the rural population and some fiscal measures to lessen their burdens, it is unlikely that the gap in wealth narrows in the near future.

From the viewpoint of Latin America, trade possibilities will be certainly widened when a large segment of unprivileged population begins to participate more actively in the economic development process. As the past experiences of Guangdong and Fujian Provinces attest, trade and investment reform can improve dramatically economic welfare of a populace: prior to reform,

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39/ It contemplates the upgrading and better equipment of five major grain port terminals and about 60 intermediate and 300 primary grain depots. It will also provide over 2,400 bulk rail wagons and bulk trucks (World Bank, 1993b).

per capita income of Guangdong Province was close to national average and Fujian Province was one of the poorest regions in PRC. Otherwise being regions of relatively few innate advantages, thanks to reforms, these provinces now enjoy one of the highest per capita income of the country. From the medium and long term persective, economic development and subsecuent income increase in the inner regions will expand trade opportunities of Latin America immensely.

III. PRC'S RECENT FOREIGN TRADE STRUCTURE

The purpose of this chapter is to assess the dynamism of PRC's merchandise trade in recent years, by examining its market and product diversification process. For such a task, it is important to take into account the significant trade flows which go through Hong Kong. Their inclusion or exclusion in the analysis will affect severely the magnitude of such flows and resulting trade surplus/deficits. In the following, the trade structure is first analyzed by using the PRC's official trade data. Later, consideration will be given to Hong Kong's re-exports, which change PRC's trade flows significantly.

A. BY DESTINATION

Chinese official data show that at the beginning of the 1990s, PRC's imports were roughly divided between the developed and developing countries (see Table 6). Until 1992 imports coming from the developed economies increased in absolute values but reduced in relative terms, while those from the developing countries, especially of the NICs (i.e., Taiwan Province, Republic of Korea, Singapore and Hong Kong) had increased tremendously. As examined in more details later, the above is heavily influenced by trade partners' re-exports through Hong Kong to PRC, the rapidly expanding imports from Taiwan Province through Hong Kong, and intermediate goods and components imported by Hong Kong firms involved in processing and assembly operations in neighboring Guangdong Province. Import figures of all the regional groupings considered in the table increased markedly in 1993, reflecting the surge in aggregate demand in that year. In 1993, imports coming from the developed world picked up markedly, reverting slightly the previously declining trend.

Other developing countries' groupings, including Latin America and the Caribbean, do not occupy a considerable space in the import basket of PRC. Though far greater than those from Africa, import values from Latin America and the Caribbean in 1993 did not differ substantially from those from the Middle East. Neither, imports from the ex-socialist countries have recovered to the peak reached towards the end of the 1980s.

Among the developed countries, the relative importance of Japan as source of imports saw a steady decline in the late 1980s and a marked pick-up at the beginning of the following decade, thereby becoming the most important trade partner of PRC. At their face value, up to 1992, PRC's imports from the developed countries had expanded at a rate much slower than their exports to them.

Table 6: PRC's Imports, by Major Regions
(In million US$, share)

Partner	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
WORLD	26 185	39 795	43 164	43 216	55 268	59 140	53 345	63 791	80 585	103 959
Developed economies	18 138	27 934	28 915	26 343	30 394	31 715	26 420	31 338	38 013	54 839
LDC - All Developing Countries	5 961	9 045	11 531	14 141	20 739	23 268	23 151	29 132	37 170	40 651
USA	3 871	4 739	4 674	4 810	6 649	7 839	6 571	8 002	8 901	10 687
EU	3 335	5 793	7 769	7 237	8 064	9 120	8 019	8 359	9 805	14 410
Japan	8 194	14 236	12 494	10 074	11 035	10 532	7 587	10 031	13 682	23 289
NICS a)	3 007	4 746	6 890	9 573	14 360	16 230	17 931	23 142	30 259	31 384
ASEAN b)	678	832	924	1 438	2 024	2 122	2 105	2 762	2 969	3 367
L. America & Caribbean	1 012	1 821	1 629	1 241	2 187	2 416	1 509	1 558	1 899	1 930
Africa	250	220	181	101	171	300	305	303	312	606
Middle East	237	184	267	379	733	750	515	811	1 029	1 958
Economies in transition	1 894	2 649	3 769	3 264	4 137	4 322	3 511	2 739	831	1 288

Partner	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	69.3	70.2	67.0	61.0	55.0	53.6	49.5	49.1	47.2	52.8
LDC - All Developing Countries	22.8	22.7	26.7	32.7	37.5	39.3	43.4	45.7	46.1	39.1
USA	14.8	11.9	10.8	11.1	12.0	13.3	12.3	12.5	11.0	10.3
EU	12.7	14.6	18.0	16.7	14.6	15.4	15.0	13.1	12.2	13.9
Japan	31.3	35.8	28.9	23.3	20.0	17.8	14.2	15.7	17.0	22.4
NICS a)	11.5	11.9	16.0	22.2	26.0	27.4	33.6	36.3	37.5	30.2
ASEAN b)	2.6	2.1	2.1	3.3	3.7	3.6	3.9	4.3	3.7	3.2
L. America & Caribbean	3.9	4.6	3.8	2.9	4.0	4.1	2.8	2.4	2.4	1.9
Africa	1.0	0.6	0.4	0.2	0.3	0.5	0.6	0.5	0.4	0.6
Middle East	0.9	0.5	0.6	0.9	1.3	1.3	1.0	1.3	1.3	1.9
Economies in transition	7.2	6.7	8.7	7.6	7.5	7.3	6.6	4.3	1.0	1.2

Source: United Nations, International Commodity Trade Data Base (COMTRADE).
a) Includes Hong Kong, Taiwan (Prov. of China), Korea RP and Singapore.
b) Includes Malaysia, Indonesia, Thailand, Philippines and Brunei.

On the export side, PRC's official trade data show that the developing countries taken together as PRC's export destination increased their relative importance over the years, while the developed countries lost their share, at least up to 1992 (see Table 7). Interestingly, the absolute amounts exported to the NICs and the corresponding shares declined drastically for 1993, reason probably being that at least for that year, PRC resorted intensively to a more direct channel of exporting without the Hong Kong's intermediation.

In contrast to the impressive surge of exports to the NICs, other developing regions as destination, including those of Latin America and the Caribbean, have been marginal, and in most cases, declining markets for PRC's exports, in relative terms. The ex-socialist countries have reduced drastically their share to a position similar to that of Latin America and the Caribbean. Based on these official figures, PRC has had a favorable and/or equilibrated trade balance with each developing country grouping, except the case of Latin America and the Caribbean.

With respect to the developed countries, according to the Chinese trade data, PRC's exports in f.o.b. to the United States and Japan in 1993 reached over US$ 17.0 billion and US$ 15.8 billion respectively. However, the reported c.i.f import values of these two partner countries differ significantly: for the United States, US$ 33.7 billion, and for Japan, US$ 20.4 billion. For the European Union, in 1992, for which the most updated data are available, US$ 7.6 billion based on PRC data widely differ from the figure reported by the Union of US$ 19.5 billion. In Table 8, exports and imports to and from the three major trade partners reported by PRC (as given in the foregoing Table 7) are compared with those reported by the partners. As can be observed, there are marked discrepancies between the two series, even after taking into consideration the differences that naturally arise from the data based on f.o.b. or c.i.f. values. The discrepancies in PRC's exports have been increasing for each of the three groups over the years, and they are particularly marked for the United States and the EU. In the case of imports, the differences are substantially reduced and can be, to a large extent, explained by the cost of transport and insurance and other charges.

Therefore, the selection of data source changes abruptly not only the absolute amounts of trade taken place with each group but also the relative share of each as origin/destination. Official Chinese customs statistics differ widely from those of the United States, because the former do not take into account the export of goods through Hong Kong. In contrast, the Department of Commerce of the United States consider Chinese goods re-exported through Hong Kong as exports to Hong Kong. As a result, the United States maintains that their trade deficit with PRC reached in 1992 US$ 18 billion, equivalent to 18% of the total deficit of the country in that year, and in 1993 US$ 25 billion, roughly 15% of the total deficit. These discrepancies create different interpretations on the size and cause of trade deficit on both sides. And as the arduous negotiations in trade and investment matters in recent years between the United States and PRC attest, they can even lead to political frictions.

Table 7: PRC's Exports, by Major Regions
(In million US$, share)

Partner	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
WORLD	24 871	25 632	31 061	39 437	47 516	52 538	62 091	71 843	84 940	91 744
Developed economies	10 388	10 710	12 267	14 571	17 285	19 017	21 266	24 880	30 002	48 053
LDC - All Developing Countries	12 975	12 931	16 331	19 556	24 750	29 191	35 463	42 688	50 031	38 399
USA	2 304	2 192	2 627	3 020	3 358	4 405	5 175	6 148	8 599	16 973
EU	2 238	2 139	4 012	3 900	4 741	4 878	5 674	6 759	7 627	11 712
Japan	5 118	5 695	4 747	6 394	7 902	8 395	9 011	10 218	11 679	15 777
NICS a)	7 836	8 647	11 032	15 114	19 860	24 159	30 184	36 907	42 643	28 624
ASEAN b)	758	691	662	994	1 260	1 305	1 732	2 014	2 232	2 438
L. America & Caribbean	546	585	451	482	383	529	772	787	1 064	1 763
Africa	375	271	444	315	404	390	395	478	843	1 066
Middle East	2 244	1 596	2 028	907	1 132	1 122	1 183	1 400	1 799	2 417
Economies in transition	1 512	2 164	2 864	3 071	3 455	3 805	3 540	2 620	1 084	1 538

Partner	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
WORLD	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	41.8	41.8	39.5	36.9	36.4	36.2	34.3	34.6	35.3	52.4
LDC - All Developing Countries	52.2	50.4	52.6	49.6	52.1	55.6	57.1	59.4	58.9	41.9
USA	9.3	8.6	8.5	7.7	7.1	8.4	8.3	8.6	10.1	18.5
EU	9.0	8.3	12.9	9.9	10.0	9.3	9.1	9.4	9.0	12.8
Japan	20.6	22.2	15.3	16.2	16.6	16.0	14.5	14.2	13.7	17.2
NICS a)	31.5	33.7	35.5	38.3	41.8	46.0	48.6	51.4	50.2	31.2
ASEAN b)	3.0	2.7	2.1	2.5	2.7	2.5	2.8	2.8	2.6	2.7
L. America & Caribbean	2.2	2.3	1.5	1.2	0.8	1.0	1.2	1.1	1.3	1.9
Africa	1.5	1.1	1.4	0.8	0.9	0.7	0.6	0.7	1.0	1.2
Middle East	9.0	6.2	6.5	2.3	2.4	2.1	1.9	1.9	2.1	2.6
Economies in transition	6.1	8.4	9.2	7.8	7.3	7.2	5.7	3.6	1.3	1.7

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

a) Includes Hong Kong, Taiwan (Prov. of China), Korea RP and Singapore.

b) Includes Malaysia, Indonesia, Thailand, Philippines and Brunei.

Table 8: Discrepancy in Trade Flows, by Reporting Country/Region
(In million US$)

Reporting country/region	1986	1987	1988	1989	1990	1991	1992	1993
a) PRC's exports, as reported by PRC								
United States	2,627	3,020	3,358	4,405	5,175	6,148	8,599	16,973
EU	4,012	3,900	4,878	4,878	5,674	6,759	7,627	11,712
Japan	4,747	6,394	8,395	8,395	9,011	10,218	11,679	15,777
b) PRC's exports, as reported by the importing country/region								
United States	5,241	6,910	9,261	12,901	16,296	20,305	27,413	33,673
EU	4,106	5,945	7,719	9,159	12,312	16,917	19,457	n.a.
Japan	5,227	7,478	9,861	11,083	12,057	14,248	16,972	20,437
(b)-(a)/(a):(in percentage)								
United States	99.5	128.8	175.8	192.9	214.9	230.3	218.8	98.4
EU	2.3	52.4	58.2	87.8	117.0	150.3	155.1	
Japan	10.1	17.0	17.5	32.0	33.8	39.4	45.3	29.5
c) PRC's imports, as reported by PRC								
United States	4,674	4,810	6,649	7,839	6,571	8,002	8,901	10,687
EU	7,769	7,237	8,064	9,120	8,019	8,539	9,805	14,410
Japan	12,494	10,074	11,035	10,532	7,587	10,031	13,682	23,289
d) PRC's imports, as reported by the exporting country/region								
United States	3,106	3,497	5,017	5,807	4,807	6,287	7,470	8,619
EU	6,403	6,430	6,772	6,901	6,701	6,943	8,645	
Japan	9,936	8,337	9,486	8,477	6,145	8,605	11,967	17,158
(c)-(d)/(d): (in percentage)								
United States	50.5	37.6	32.5	35.0	36.7	27.3	19.2	12.4
EU	21.3	12.6	19.1	32.2	19.7	23.0	13.4	
Japan	25.7	20.8	16.3	24.2	23.5	16.6	14.3	35.8

Source: Calculated from the exports and imports data, reported by PRC, COMTRADE and IMF, Direction of Trade Statistics Yearbook, 1986-1992 and other issues.

B. TRADE DATA RECOMPILATION THROUGH HONG KONG'S REEXPORTS

Given the strong influence of Hong Kong over trade flows of PRC, it is convenient to specify the magnitude of re-exports through this country and to assess the extent to which PRC's overall trade structure is affected by them. The importance of these re-exports is clearly reflected in that re-exports of Hong Kong from all origins, including those from PRC, have increased

tremendously over the years, reaching in 1992 US$ 89 billion, much more than US$ 30 billion of domestic exports. In the following year, total Hong Kong re-exports jumped to US$ 106.6 billion. This accounted for more than 78% of all exports of the country, including only US$ 28.8 billion of domestic exports (see Annex Table 1).

This elevated importance of re-exports implies that PRC's trade flows by destination and origin must be substantially modified. This is the case for the three major trading partners (i.e., US, EU and Japan): the size of re-exports through Hong Kong destined to the three partners is substantial in absolute and relative terms, and there is a clear upward tendency on the share of re-exports in total Hong Kong exports (see Annex Table 1).40/ For instance, re-exports through Hong Kong to the United States reached in 1993 US$ 23.4 billion, while Hong Kong's proper exports to the country were only US$ 7.8 billion. It is equally noteworthy that though the absolute amount is much less, for the developing regions, the relative share of re-exports in total Hong Kong exports was even higher; close to 90% of Hong Kong's trade flows destined to these areas consisted of re-exports. To be stressed is that, without knowing their origin, in 1993 there were more than US$ 3 billion worth of re-exports to Latin America and the Caribbean.

It is known that the relative importance of PRC as origin of Hong Kong re-exports has been increasing rapidly (Ho and Kueh, Table 4, p. 340). To get more insights to the intricacy of this issue, Table 9 presents a matrix of Hong Kong re-exports in 1992, by major origins and destinations. In that year, 58.5% of all re-exports originated in PRC, with a total of US$ 52 billion. Other major countries of origin were Japan (12.3% in 1992), Taiwan Province (7.9%), the United States (4.6%), Republic of Korea (2.8%), and Germany (1.3%). The rest, including Latin America and the Caribbean, were responsible for only 12.6% of the total. An important share of PRC's re-exports through Hong Kong went to the United States (US$ 18 billion) and "other" areas which includes Latin America and the Caribbean (US$ 22 billion). Close to US$ 4 billion each of PRC's re-exports had Japan and Germany as destination. Republic of Korea and Taiwan Province received approximately US$ 1 billion each of re-exports from PRC. Close to US$ 2.3 billion found its way back to PRC itself, after some value added in Hong Kong.

As the same table suggests, in 1992, 30.7% of total re-exports worthy of US$ 27 billion were destined to PRC.41/ A quarter of this came from Japan (26.2%), while in the absence of diplomatic trade links, Taiwan Province exported more than US$ 6 billion to PRC through Hong Kong. The importance of the United States as origin of re-exports to PRC was relatively low, though the majority of the United States' re-exports found PRC as their final destination.

40/ In 1970 and 1975, for instance, only 4% of PRC's total exports were re-exported through Hong Kong. The figure reached 11% in 1984 (Perkins, 1992). Ridel points out that the share of PRC's indirect exports through Hong Kong with the selected countries in 1988 was as follows: Australia, 52%; Canada, 52%; Germany, 39%; Indonesia, 54%; Japan, 15%; Singapore, 17%; United Kingdom, 50%; United States, 62%. The corresponding figures for these countries for imports were much lower: Germany, 8%; Indonesia, 23%; Japan, 21%; Singapore, 18%; United Kingdom, 19%; and United States, 16% (ADB, 1991, p. 45).

41/ Annex Table 1 indicates that in 1993, 33% of total re-exports were destined to PRC.

More than US$ 6 billion worth of goods were re-exported to PRC from "other" areas. As Table 9 reveals, PRC's role as source of origin of Hong Kong re-exports is much more important than as their destination, thereby underestimating the participation share of major partners more severely in PRC's exports than in imports. However, to the extent that more than 30% of Hong Kong's re-exports are directed to PRC, their import values are still prone to misinterpretation.

Taking the above observations in consideration, an attempt is made to estimate PRC's exports and hence their geographical composition, readjusted for re-exports through Hong Kong for 1992. Table 10 summarizes such results. These estimates approximate quite well to the c.i.f. import values in 1992 of the major trade partners presented in Table 8. Such adjustment procedure increases the share of the three developed countries (the United States, Japan and Germany) enormously, raising their share from 27% when unadjusted to roughly 57% of PRC's exports when adjusted. To be highlighted is the case of the United States, which resorts extensively to re-exports through Hong Kong and which absorbs close to 30% of PRC exports after the adjustment. This has an important implication for Latin America and the Caribbean because of the region's as high market dependence as PRC on the United States and a somewhat similar product specialization (i.e., labor-intensive goods) to that of PRC in that market. Though the adjustment may raise the relative share of Latin America and the Caribbean in total PRC exports slightly, as discussed in more details in Chapter IV, the combined PRC exports (those directly coming from the country and those through Hong Kong), in absolute terms, can be twice as large as what Chinese official data indicate.

Reasons for this high degree of intermediation include, among others, rising Hong Kong investment in PRC, the recently-lifted bans on direct trade with the Republic of Korea and their continuation with Taiwan Province. Furthermore, Hong Kong entrepreneurs, because of their expertise in marketing manufactured goods, particularly textiles and clothing which are the two main exports of PRC, have generated demand for intermediation. It might be argued, on the one hand, that as PRC's export basket become more diversified and their proper marketing capabilities are up-graded, there will be more opportunities for direct trade. On the other hand, it is unlikely that Hong Kong's intermediary role can be diminished rapidly in the near future, when taken into consideration the pivotal role in world trade and finance that the territory plays and, as argued below, the process of regional specialization that has been taking place.42/

42/ Hong Kong will remain an independent customs territory after 1997.

TABLE 9: Matrix of Hong Kong Re-exports: by Major Trade Partners, 1992
(In million US$)

Origin \ Destination	China	Japan	Taiwan	USA	Germany	Korea	Other	Total
China	2,590	3,654	1,115	17,949	3,936	846	21,679	51,769
	9.5%	76.0%	33.2%	94.3%	92.7%	48.5%	76.9%	58.5%
	5.0%	7.1%	2.2%	34.7%	7.6%	1.6%	41.9%	100.0%
Japan	7,128	192	449	333	115	244	2,436	10,897
	26.2%	4.0%	13.4%	1.8%	2.7%	14.0%	8.6%	12.3%
	65.4%	1.8%	4.1%	3.1%	1.1%	2.2%	22.4%	100.0%
Taiwan	6,282	13	154	64	26	13	410	6,974
	23.1%	0.3%	4.6%	0.3%	0.6%	0.7%	1.5%	7.9%
	90.1%	0.2%	2.2%	0.9%	0.4%	0.2%	5.9%	100.0%
USA	2,333	179	526	244	13	128	718	4,115
	8.6%	3.7%	15.6%	1.3%	0.3%	7.4%	2.5%	4.6%
	56.7%	4.4%	12.8%	5.9%	0.3%	3.1%	17.4%	100.0%
Germany	782	26	103	13	13	77	167	1,167
	2.9%	0.5%	3.1%	0.1%	0.3%	4.4%	0.6%	1.3%
	67.0%	2.2%	8.8%	1.1%	1.1%	6.6%	14.3%	100.0%
Korea	1,833	64	64	64	26	38	397	2,487
	6.7%	1.3%	1.9%	0.3%	0.6%	2.2%	1.4%	2.8%
	73.7%	2.6%	2.6%	2.6%	1.0%	1.5%	16.0%	100.0%
Other	6,231	679	949	372	115	410	2,385	11,154
	22.9%	14.1%	28.2%	2.0%	2.7%	23.5%	8.5%	12.6%
	55.9%	6.1%	8.5%	3.3%	1.0%	3.7%	21.4%	100.0%
Total	27,192	4,808	3,359	19,038	4,244	1,744	28,192	88,564
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	30.7%	5.4%	3.8%	21.5%	4.8%	2.0%	31.8%	100.0%

Note: Trade values in Hong Kong dollars were converted with the exchange rate of 7.8 HK dollars to the US dollar.
Source: Calculation based on the data in Tokyo Ginko Geppo (Monthly Bulletin of Bank of Tokyo), December 1993.

Table 10: Geographical distribution of China's trade in 1992: Adjusted or non-adjusted by reexports through Hong Kong

	Re-exports though H.K. from PRC (billion US$)	Exports directly from PRC (billion US$)	Adjusted: Combined Exports (billion US$)	Share (%): unadjusted for re-exports	Share(%) : adjusted for re-exports
Destination					
USA	17.95	8.60	25.55	10.1	30.1
Japan	3.65	11.68	15.33	13.8	18.0
Germany	3.94	2.44	6.38	2.9	7.5
Taiwan Province	1.12	-	1.12	-	1.3
Rep. of Korea	1.10	2.44	3.54	2.9	4.2
Other	21.68	59.78	33.02	70.4	38.9
Total	51.77	84.94	84.94	100.0	100.0
	Re-exports from H. K.	Direct Imports of PRC	Combined imports	Share (%):unadjusted for re-exports	Share (%): adjusted for re-exports
Origin					
USA	2.33	8.90	11.23	11.0	13.9
Japan	7.13	13.68	20.81	17.0	25.8
Germany	0.78	4.01	4.79	5.0	5.9
Taiwan Province	6.28	-	6.28	-	7.8
Rep. of Korea	1.83	2.62	4.45	3.3	5.5
Other	6.23	51.38	33.03	63.4	41.0
Total	27.19	80.59	80.59	100.0	100.0

Source: Calculated from the data presented in Table 8 and International Commodity Trade Data Base (COMTRADE).

C. BY PRODUCT

The expansion of export markets has been escorted by product diversification. According to Table 11, based on PRC's official source, the already high proportion of manufactured products in total exports in 1984 (48%) continued to grow and in 1993 the share of these products accounted for more than 81% of total. This high coefficient reflects the relatively high level of industrialization in general on the one hand, and the export product-mix which PRC has specialized in, on the other. The traditional major export item, petroleum and its product, has seen its relative importance reduced drastically over the years. PRC exports a variety of food and agricultural raw materials but their overall weight has reduced significantly, owing to the predominant position of manufactured goods.

Table 12 lists the most important 30 export product-groups, at a SITC three digit level, by the order of importance in 1993, for the period of 1987-1993. These 30 items in 1993 accounted for roughly 60% of total exports. The majority fall in the group of clothing, footwear, toys, travel goods, furniture, some sub-segments of electric and electronics and machinery. This suggests that the country has been exporting more and more along the lines of its natural comparative advantage in low-wage labor. The marked increase of the country's participation in the world exports of these product groups (World Bank, 1994, pp. 158-166) means that PRC's has been displacing the Asian NICs and the ASEAN countries. As real wages and the costs of labor have grown in these countries, and as their export basket consists increasingly of more capital-intensive goods, PRC has been successful in conquering important niches in world manufactured exports.

On the other hand, it should be pointed out that PRC's comparative advantage in capital- and technology-intensive products, which are rapidly increasing their share in world markets, remains relatively limited. Thus, there is still a long way before the country establish a clear advantage in the large spectrum of machinery and electronics sectors, because the export-push of these exports is still based on the expansion of assembly operations.43/

43/ Regarding the sectoral composition of exports based on processing activity, reportedly in 1991, the share of machinery and electronics exports is the highest, at a third of all exports based on processing activity, followed by clothing (24%) and toys (11%). Processing-based exports of machinery and electronics were roughly US$ 10 billion, equivalent to 80% of all Chinese exports from these sectors (World Bank, 1994, p. 11).

Table 11: Composition of PRC's Foreing Trade, by Major Product Groups
(In million US$, share)

Imports										
Commodity	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
All food items	2 363	1 756	2 050	3 170	4 293	5 396	4 617	3 904	3 937	2 977
Agricultural raw materials	2 022	2 446	2 377	2 705	4 486	3 984	3 102	3 703	3 712	3 072
Fuels	132	162	514	539	788	1 650	1 272	2 113	3 610	5 856
Ores and metals	1 448	2 105	1 774	1 288	1 444	1 951	1 563	2 090	3 824	3 989
Manufactured goods	18 116	31 046	32 793	35 321	43 942	45 947	42 506	51 763	64 908	87 337
Not classified	2 103	2 280	3 655	192	316	213	285	217	594	729
TOTAL ALL COMMODITIES	26 185	39 795	43 164	43 216	55 268	59 140	53 345	63 791	80 585	103 959
All food items	9.0	4.4	4.7	7.3	7.8	9.1	8.7	6.1	4.9	2.9
Agricultural raw materials	7.7	6.1	5.5	6.3	8.1	6.7	5.8	5.8	4.6	3.0
Fuels	0.5	0.4	1.2	1.2	1.4	2.8	2.4	3.3	4.5	5.6
Ores and metals	5.5	5.3	4.1	3.0	2.6	3.3	2.9	3.3	4.7	3.8
Manufactured goods	69.2	78.0	76.0	81.7	79.5	77.7	79.7	81.1	80.5	84.0
Not classified	8.0	5.7	8.5	0.4	0.6	0.4	0.5	0.3	0.7	0.7
TOTAL ALL COMMODITIES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Exports										
Commodity	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
All food items	3 798	4 275	5 286	5 754	6 938	7 310	7 857	8 808	9 617	9 922
Agricultural raw materials	1 420	1 579	1 790	2 330	2 690	2 637	2 192	2 073	1 961	1 906
Fuels	5 726	6 635	3 637	4 544	3 950	4 321	5 237	4 754	4 695	4 112
Ores and metals	548	659	799	1 235	1 699	1 384	1 323	1 227	1 437	1 514
Manufactured goods	11 852	9 316	13 506	22 929	30 041	36 384	44 311	54 244	66 790	73 895
Not classified	1 528	3 169	6 044	2 645	2 199	503	1 171	737	441	395
TOTAL ALL COMMODITIES	24 871	25 632	31 061	39 437	47 516	52 538	62 091	71 843	84 940	91 744
All food items	15.3	16.7	17.0	14.6	14.6	13.9	12.7	12.3	11.3	10.8
Agricultural raw materials	5.7	6.2	5.8	5.9	5.7	5.0	3.5	2.9	2.3	2.1
Fuels	23.0	25.9	11.7	11.5	8.3	8.2	8.4	6.6	5.5	4.5
Ores and metals	2.2	2.6	2.6	3.1	3.6	2.6	2.1	1.7	1.7	1.7
Manufactured goods	47.7	36.3	43.5	58.1	63.2	69.3	71.4	75.5	78.6	80.5
Not classified	6.1	12.4	19.5	6.7	4.6	1.0	1.9	1.0	0.5	0.4
TOTAL ALL COMMODITIES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

The product composition of exports does not seem to differ markedly among the major trade partners. Exports to the United States, European Union and Japan, even when considered separately, consist primarily of labor-intensive manufacutured products such as toys, footwear, travel goods, textiles and apparel, and electric and electronic machinery. These items are responsible for roughly 60% of totals. An important exception is petroleum exports to Japan, which is gradually declining in relative terms (Annex Tables 2a, 2b and 2c). In general, the export baskets to these partners reflect the comparative advantage of PRC.

On the side of imports as well, the share of manufactured products has been extremely high, being responsible for 84% of total imports (Table 11). The high coefficient relates to the sustained industrialization process at work and in particular the increasing requirements for industrial inputs. In contrast, food and agricultural products have seen their share declining. This is surprising for a densely populated country like PRC which may need to resort to voluminous food imports. Similarly surprising, imports of petroleum and its products have increased to such extent that their value is not negligible compared with the country's export of the same item. In fact, in 1993 PRC became a net importer of petroleum and its products. This reflects the stagnant domestic production of this product, inefficient refinery facilities, and insfrastructural bottlenecks. Despite an increase in absolute values, the relative importance of ores and metals has declined. In sum, the imports of primary commodities, in which Latin America's comparative advantage lies, has seen their share reduced over the years, against the impressive growth in manufactures.

As done for exports, Table 13 lists the most important 30 product import items, again by the relative importance in 1993. These products were responsible for almost two thirds of total imports in the same year. Except petroleum, the only entry as a primary commodity is copper. Among the major manufactured import-items, the most important are iron and steel products, telecommunication equipment, machinery tools, textile materials for further use, chemical fertilizers, passenger cars and their parts, aircrafts, etc. Most notable has been the rapid increase of iron and steel. Despite the overall upward trend for most product groups, there are wide year-to-year fluctuations, reflecting annual domestic production deficiencies and shortfalls, rather than a response to sustained increases in income and/or to changes in consumer habits.

With respect to PRC's imports from the three developed regions (i.e., the United States, European Union and Japan), regardless of origin, machinery and industrial inputs loom important as major products. Nonetheless, in 1993, for the United States, aircrafts, passenger vehicles and fertilizers, and for Japan, iron and steel machinery and their parts and electrical apparatus can be cited as product-lines of major importance. The 1992 data reveal that motor vehicles and their parts, and industrial machinery were the most important items for the European Union (Annex Tables 2a, 2b and 2c).

Table 12: Product Composition of PRC Exports: Top 30 products
(In million US$, share)

	Commodity	1987		1988		1989		1990		1991		1992		1993	
	TOTAL ALL COMMODITIES	39 437	100.0	47 516	100.0	52 538	100.0	62 091	100.0	71 843	100.0	84 940	100.0	91 744	100.0
1	843 WOMENS OUTERWEAR NONK	948	2.4	1 278	2.7	1 772	3.4	2 021	3.3	2 787	3.9	4 744	5.6	5 252	5.7
2	851 FOOTWEAR	528	1.3	815	1.7	1 283	2.4	1 957	3.2	2 875	4.0	4 084	4.8	5 054	5.5
3	894 TOYS,SPORTING GOODS,ETC	936	2.4	1 259	2.7	1 638	3.1	1 971	3.2	2 454	3.4	3 487	4.1	4 050	4.4
4	842 MENS OUTERWEAR NOT KNI	786	2.0	936	2.0	1 091	2.1	1 159	1.9	1 611	2.2	3 621	4.3	3 858	4.2
5	845 OUTERWEAR KNIT NONELAS	1 953	5.0	2 197	4.6	2 549	4.9	3 305	5.3	3 983	5.5	2 823	3.3	3 123	3.4
6	333 CRUDE PETROLEUM	3 141	8.0	2 557	5.4	2 750	5.2	3 402	5.5	2 889	4.0	2 774	3.3	2 409	2.6
7	652 COTTON FABRICS,WOVEN	1 692	4.3	1 657	3.5	1 822	3.5	1 823	2.9	2 019	2.8	2 064	2.4	2 248	2.5
8	844 UNDER GARMENTS NOT KNIT	417	1.1	521	1.1	656	1.2	784	1.3	1 034	1.4	1 816	2.1	2 019	2.2
9	848 HEADGEAR,NONTXTL CLOTH	428	1.1	593	1.2	740	1.4	872	1.4	984	1.4	1 571	1.8	1 905	2.1
10	846 UNDER GARMENTS KNITTED	435	1.1	607	1.3	762	1.5	859	1.4	1 040	1.4	1 691	2.0	1 810	2.0
11	764 TELECOM EQPT,PTS,ACC NE	175	0.4	246	0.5	349	0.7	522	0.8	697	1.0	1 350	1.6	1 755	1.9
12	658 TEXTILE ARTICLES NES	901	2.3	1 183	2.5	1 271	2.4	1 376	2.2	1 422	2.0	1 695	2.0	1 742	1.9
13	831 TRAVEL GOODS,HANDBAGS	253	0.6	348	0.7	401	0.8	385	0.6	492	0.7	1 477	1.7	1 727	1.9
14	899 OTHER MANUFACTURED GO	490	1.2	580	1.2	681	1.3	773	1.2	875	1.2	1 603	1.9	1 613	1.8
15	762 RADIO BROADCAST RECEIVR	602	1.5	867	1.8	1 152	2.2	1 428	2.3	1 569	2.2	1 484	1.7	1 610	1.8
16	893 ARTICLES OF PLASTIC NES	75	0.2	147	0.3	262	0.5	320	0.5	443	0.6	1 167	1.4	1 430	1.6
17	885 WATCHES AND CLOCKS	483	1.2	681	1.4	786	1.5	1 047	1.7	1 128	1.6	1 247	1.5	1 414	1.5
18	651 TEXTILE YARN	1 311	3.3	1 215	2.6	1 209	2.3	1 008	1.6	1 274	1.8	1 345	1.6	1 335	1.5
19	653 WOVN MAN-MADE FIB FABRI	859	2.2	872	1.8	1 009	1.9	1 095	1.8	1 298	1.8	1 356	1.6	1 292	1.4
20	775 HOUSEHOLD TYPE EQUIP NE	67	0.2	146	0.3	191	0.4	318	0.5	467	0.7	1 030	1.2	1 274	1.4
21	044 MAIZE UNMILLED	323	0.8	393	0.8	439	0.8	404	0.6	864	1.2	1 187	1.4	1 154	1.3
22	778 ELECTRICAL MACHINERY NE	153	0.4	199	0.4	271	0.5	347	0.6	443	0.6	838	1.0	1 100	1.2
23	821 FURNITURE,PARTS THEREOF	177	0.4	235	0.5	272	0.5	322	0.5	465	0.6	825	1.0	1 083	1.2
24	054 VEG ETC FRSH,SMPLY PRSV	431	1.1	610	1.3	598	1.1	723	1.2	883	1.2	960	1.1	1 001	1.1
25	541 MEDICINAL,PHARM PRODUC	421	1.1	484	1.0	566	1.1	643	1.0	774	1.1	895	1.1	905	1.0
26	699 BASE METAL MFRS NES	210	0.5	259	0.5	332	0.6	469	0.8	548	0.8	756	0.9	840	0.9
27	897 GOLD,SILVER WARE,JEWELR	121	0.3	134	0.3	234	0.4	269	0.4	238	0.3	916	1.1	802	0.9
28	759 OFFICE,ADP MCH PTS,ACCES	22	0.1	42	0.1	65	0.1	117	0.2	197	0.3	580	0.7	770	0.8
29	761 TELEVISION RECEIVERS	175	0.4	294	0.6	360	0.7	556	0.9	625	0.9	720	0.8	761	0.8
30	036 SHELL FISH FRESH,FROZEN	468	1.2	703	1.5	738	1.4	926	1.5	759	1.1	921	1.1	758	0.8
	Total 30 products	18 981	48.1	22 060	46.4	26 250	50.0	31 201	50.2	37 138	51.7	51 028	60.1	56 095	61.1
	Other productcs	20 456	51.9	25 456	53.6	26 288	50.0	30 891	49.8	34 705	48.3	33 912	39.9	35 649	38.9

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

Table 13: Product Composition of PRC Imports: Top 30 products
(In million US$, share)

	Commodity	1987		1988		1989		1990		1991		1992		1993	
	TOTAL ALL COMMODITIES	43 216	100.0	55 268	100.0	59 140	100.0	53 345	100.0	63 791	100.0	80 585	100.0	103 959	100.0
1	728 OTH MACHY FOR SPCL INDU	2 762	6.4	2 903	5.3	3 625	6.1	3 750	7.0	4 686	7.3	3 359	4.2	6 035	5.8
2	764 TELECOM EQPT,PTS,ACC NE	1 198	2.8	1 489	2.7	1 417	2.4	1 662	3.1	1 938	3.0	3 084	3.8	4 850	4.7
3	673 IRON,STEEL SHAPES ETC	1 520	3.5	835	1.5	753	1.3	368	0.7	104	0.2	572	0.7	4 544	4.4
4	724 TEXTILE,LEATHER MACHNRY	1 242	2.9	1 397	2.5	1 903	3.2	1 204	2.3	1 552	2.4	3 281	4.1	4 475	4.3
5	583 POLYMERIZATION ETC PROD	1 223	2.8	3 104	5.6	1 682	2.8	1 090	2.0	1 897	3.0	3 669	4.6	3 607	3.5
6	672 IRON,STEEL PRIMARY FORM	81	0.2	41	0.1	51	0.1	104	0.2	69	0.1	779	1.0	3 481	3.3
7	674 IRN,STL UNIV,PLATE,SHEET	2 075	4.8	2 409	4.4	3 648	6.2	1 444	2.7	1 317	2.1	1 997	2.5	3 315	3.2
8	334 PETROLEUM PRODUCTS,REF	371	0.9	498	0.9	969	1.6	610	1.1	901	1.4	1 433	1.8	3 023	2.9
9	653 WOVN MAN-MADE FIB FABRI	559	1.3	642	1.2	699	1.2	834	1.6	1 197	1.9	2 397	3.0	2 567	2.5
10	333 CRUDE PETROLEUM	0	0.0	97	0.2	467	0.8	424	0.8	926	1.5	1 724	2.1	2 323	2.2
11	792 AIRCRAFT ETC	704	1.6	419	0.8	632	1.1	869	1.6	1 221	1.9	2 034	2.5	2 270	2.2
12	781 PASS MOTOR VEH EXC BUSE	328	0.8	540	1.0	490	0.8	311	0.6	580	0.9	1 393	1.7	2 131	2.0
13	776 TRANSISTORS,VALVES,ETC	489	1.1	1 018	1.8	987	1.7	747	1.4	1 032	1.6	1 734	2.2	2 128	2.0
14	736 METALWORKING MACH-TOO	491	1.1	571	1.0	546	0.9	544	1.0	604	0.9	1 005	1.2	2 080	2.0
15	651 TEXTILE YARN	532	1.2	800	1.4	889	1.5	593	1.1	746	1.2	1 904	2.4	1 719	1.7
16	562 FERTILIZERS,MANUFACTURE	1 399	3.2	2 336	4.2	2 364	4.0	2 603	4.9	3 229	5.1	2 995	3.7	1 470	1.4
17	611 LEATHER	129	0.3	149	0.3	164	0.3	188	0.4	360	0.6	1 082	1.3	1 465	1.4
18	741 HEATING,COOLING EQUIPMN	491	1.1	706	1.3	690	1.2	521	1.0	553	0.9	803	1.0	1 353	1.3
19	874 MEASURNG,CONTROLNG INS	777	1.8	733	1.3	750	1.3	717	1.3	812	1.3	1 079	1.3	1 288	1.2
20	782 LORRIES,SPCL MTR VEH NES	512	1.2	413	0.7	360	0.6	347	0.7	377	0.6	898	1.1	1 275	1.2
21	641 PAPER AND PAPERBOARD	673	1.6	518	0.9	529	0.9	592	1.1	805	1.3	1 268	1.6	1 246	1.2
22	682 COPPER EXC CEMENT COPP	208	0.5	285	0.5	322	0.5	242	0.5	437	0.7	1 275	1.6	1 212	1.2
23	778 ELECTRICAL MACHINERY NE	283	0.7	349	0.6	358	0.6	339	0.6	436	0.7	1 063	1.3	1 173	1.1
24	749 NONELEC MACH PTS,ACC NE	270	0.6	350	0.6	411	0.7	420	0.8	515	0.8	852	1.1	1 165	1.1
25	716 ROTATING ELECTRIC PLANT	163	0.4	545	1.0	778	1.3	396	0.7	490	0.8	1 147	1.4	1 156	1.1
26	772 SWITCHGEAR ETC,PARTS NE	202	0.5	308	0.6	288	0.5	259	0.5	364	0.6	882	1.1	1 112	1.1
27	652 COTTON FABRICS,WOVEN	2 104	4.9	2 320	4.2	2 378	4.0	2 989	5.6	3 717	5.8	1 011	1.3	1 019	1.0
28	657 SPECIAL TXTL FABRC,PRODS	230	0.5	318	0.6	477	0.8	503	0.9	681	1.1	1 100	1.4	1 019	1.0
29	784 MOTOR VEH PRTS,ACCES NE	1 836	4.2	2 496	4.5	2 744	4.6	3 485	6.5	4 687	7.3	909	1.1	1 000	1.0
30	678 IRON,STL TUBES,PIPES,ETC	711	1.6	1 057	1.9	1 079	1.8	619	1.2	1 027	1.6	972	1.2	998	1.0
	Total 30 products	23 561	54.5	29 645	53.6	32 452	54.9	28 774	53.9	37 262	58.4	47 701	59.2	66 500	64.0
	Other productcs	19 654	45.5	25 623	46.4	26 688	45.1	24 571	46.1	26 529	41.6	32 884	40.8	37 459	36.0

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

D. PRC AS PART OF ASIAN "FLYING-GEESE"

The foregoing demonstrates that PRC has gradually inserted itself in the so-called "flying-geese" pattern of trade development in Asia. The basic idea behind this concept is that "the development of Pacific Asian trade involves "catching-up" processes among a cluster of economies at different stages of industrialization and development: the more advanced economies in Pacific Asia (for example, Japan) respond to the advance of the economies immediately following (such as Korea and Province of Taiwan) by moving up the ladder of comparative advantage to exports of more technologically advanced products, or of products that are more human capital-intensive, thereby leaving room for imports of more unskilled labor-intensive, standardized products. Led by the United States and Japan, and followed by Asian Newly industrialized economies (NIE), ASEAN and China, the economies of Asia and the Pacific are advancing together through trade expansion based on shifting comparative advantage over time." (Fukasaku and Wu, 1993, p. 17).

Much of the phenomenal increase in PRC-Hong Kong trade in recent years can be attributed to the expansion of subcontracting businesses. For instance, in 1992, over 72% of Hong Kong's imports from China and over 52% of Hong Kong's total exports were associated with these outward processing activities (Ho and Kueh, 1993).44/ At present, an estimated 25,000 enterprises employing 3 million workers in Guangdong Province are producing goods for Hong Kong firms, while roughly 80% of Hong Kong's $ 10 billion investment in China is in Guangdong (UBS, 1993, p. 6). In turn, the relocation of labor-intensive processes across the border has allowed the city economy to move into higher value-added activities in production and services.

Because of the ban on direct economic ties, the intermediary function of Hong Kong is also essential for PRC's economic relations with Taiwan Province. Indirect trade between Taiwan and PRC through Hong Kong grew from $1.5 billion in 1987 to an estimated $7.3 billion in 1992, promoted in part by the growing Taiwanese investment in Guangdong and Fujian Provinces of approximately $ 3 billion (UBS, 1993, p. 6). Taiwanese FDI in PRC is characterized by Original Equipment Manufacturing (OEM) arrangements and a heavy concentration in labor-intensive industries such as footwear, electric and electronic components, plastic products and clothing. These operations are typically of small-scale and export-oriented in which 70-80% of Taiwanese factories export the totality of their production and they rely strongly on the supply of materials and parts from the home country (Fukasaku and Wu, 1993). For instance, the Taiwanese Shoe Association estimates that up to 80% of Taiwan's shoe companies have moved to PRC in search of labor cost advantages (Kao, 1993, p. 34).

44/ Another study (Chou and Lin, 1993) confirms that Hong Kong domestic exports and their re-exports to PRC for outward processing have been increasing rapidly. In the first half of 1992, the value of domestic exports destined for outward processing grew by 11.3%, but this was dwarfed by the re-exports to PRC for the same purpose which grew by 37.1%. During the same period, roughly 74% of Hong Kong's domestic exports to PRC was for outward processing; the figure was 48% for re-exports to PRC.

It is also noteworthy that PRC has become the Republic of Korea's fourth largest trading partner after the United States, Japan and Hong Kong, in a short period of time since Seoul and Beijing signed a treaty ending their Cold War freeze on relations. The booming trade in 1993 between the two countries was estimated at $ 8 billion. As competitiveness at home declines in light industry items such as textiles and footwear, these products are now being made more cheaply on production lines set up with Korean investment in PRC (Far Eastern Economic Review, 1993b).45/

The conventional driving force of "Flying-geese" pattern of development has been the globalization of Japanese and United States firms via FDI. But more recently, due to higher labor costs, the appreciation of the currencies and the growing trade barriers, multinational firms of the Asian NIEs has invested elsewhere in Asia, thereby becoming another catalyst of the same mechanism. The formation of a "Greater China" depends not only on historical and cultural ties but also on the increasing economic complementarities among the three Chinas and their economic relations with others Asian countries. The trade dynamism of PRC cannot be analyzed in isolation but within a larger geographical framework.

45/ See also Footnote N° 33.

IV. NATURE AND LEVEL OF TRADE PROTECTION

A. OVERVIEW

In 1986, fifteen years after its withdrawal in 1949, PRC, one of the original founders, began to seek its reentry to the World Trade Organization (WTO), which is due to replace the GATT in January 1995.46/ Since then, the GATT commission on PRC has sustained close to 20 meetings to examine the possibility of PRC's accession to the multilateral trading system.47/

Its reentry facilitates its international recognition and formal integration in the world economy as well as the consolidation of market reforms in course. From the country's perspective, there are also several tangible and immediate benefits. First, to join to the GATT secures for itself almost automatically the benefits of most favored nation (MFN) treatment from more than 100 contracting parties. Under the multilateral system, joining the GATT eliminates the possibility for the United States to deprive the MFN privilege, a perennial source of commercial conflict between the two countries up to now.48/ Reaccession to the GATT also facilitates the process that PRC receive further preferential treatments under the Generalized System of Preferences (GSP). Furthermore, GATT membership signifies that PRC could resort to the dispute settlement mechanisms and procedures when necessary, and avoid, as much as possible, discriminatory anti-dumping charges imposed by third parties.49/ From the viewpoint of other countries, its membership means the continued commitment of PRC's economic reforms, especially in trade and exchange rate policies.

While the quantitative implications of the Uruguay Round for PRCs' exports remain uncertain, most observers feel that their gains will be substantial. If protection level in the EU, the United States and Japan were to be reduced by 50%, PRC's exports are estimated to increase

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46/ China was an original member of the GATT but has been treated as a non-contracting party since 1950 when the Chiang-kai Shek in Taiwan notified the withdrawal of China from the GATT. For details on the issues related to PRC's reentry to GATT, see Cai (1992).

47/ China became an observer to the GATT in 1982 and a member of the Multifibre Arrangement in 1984.

48/ The United States, by invoking its Trade Act of 1974, gives MFN treatment to China on an ad-hoc basis, and this is reviewed annually. It is estimated that complete deprivation of MFN privileges by the United States would result in PRC's annual export losses in a range of US$ 7.0 and US$ 15.2 billion. United States consumers would also lose annually close to US$ 14 billion in higher prices (World Bank, 1994, pp. 155-158). Also, given its close ties with PRC, the withdrawal of China's MFN status would cost Hong Kong up to 70,000 jobs and up to three percentage points of Hong Kong's annual GDP growth (Ho and Kueh, 1993, p. 347).

49/ As a contracting member, PRC could have avoided such a situation that in 1993, the Mexican government imposed anti-dumping duties on all PRC's products and increased its tariff by 300 to 1000% (Wang, 1994).

by 38% or US$ 11.4 billion in 1988 constant dollars. These figures are better than those estimated for other developing countries, mainly due to the following three factors: i) a relatively high weight of raw materials in the export basket of most developing countries, which generally face low import barriers before the Round; ii) the Uruguay Round tariff cuts would erode the preference margins that exports from other countries currently enjoy, through such as the Generalized System of Preferences, which PRC does not receive; and iii) a high share of textiles and clothing products in PRC's total exports, sector which seems to gain substantially in the medium term from the Round (World Bank, 1994, Chapter VII).

On the other hand, concerns of other contracting parties on China's reaccession to the GATT involve, among others: i) the absence of regulatory transparency; ii) its non-universal administration of trade regime (a dual system consisted first of a liberal, export-oriented production regime with foreign investment in the special economic zones and coastal cities, and of a considerably more restricted trade system applicable to the rest of the country); iii) rules and obligations by local and regional authorities and differential treatment of minority autonomous regions of China and other areas of poverty; iv) uncertainty over the import barriers including quotas, licenses, other restrictions and controls (standards and certification requirements); v) the status of China as a developing country; and vi) the role of the State trading entities.50/

In recent years, PRC has realized enormous efforts on the trade and investment regime liberalization. In addition to tariff reductions, PRC has also abolished the system of export subsidies and adjustment tax on imports, and reduced the categories of goods needing licenses and or quotas for import and export.51/ Nonetheless, as seen below, the level of protection remains quite high, and a substantial and rapid reduction of its level, as envisaged under the GATT reentry, should mean that a series of national firms, up to now heavily protected, will be exposed to severe foreign competition. Against possible, grave impacts of liberalization within the framework of the GATT on plant closures and unemployment, its pace is thought be gradual and the scope sector-specific.

In the pre-reform era, tariffs were regarded as one of the major sources of government revenues and they had little effect on trade decisions since prices paid by end-users of most imported goods were tied to the price of domestic substitutes rather than the international price adjusted for tariffs. In the early 1980s, however, tariff rates began to play a more important role in influencing the volume and commodity composition of imports. During the course of reforms,

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50/ For details on these issues, consult an unofficial draft of a protocol called "Elements for a Draft Protocol on China", presented by the Chairman of Working Party on China's Status as a Contracting Party in June 1994.

51/ In order to meet the GATT requirements, in early 1992, the PRC authorities has promulgated several legislations. They include the publication of the Regulations on the Origin of Goods, the amendment of its Patent Law and Trade-Mark Law, the enactment of the Copyright Law, and the Regulations for the Protection of Computer Software (Wang, 1994). In the same vein, the United States successfully negotiated two landmark trade agreements with PRC in 1992. China committed itself to strengthening intellectual property rights protection and to liberalizing significantly key aspects of its import administration, including reduction of trade barriers and gradual opening of markets to foreign goods, both in a Memorandum of Understanding (MOU).

import duties fluctuated and after seeing a substantial increase over recent years, China's weighted average tariff in 1992 was back to its pre-1987 level (World Bank, 1994, pp. 48-57).52/

With an aim to facilitate its reentry to the GATT, the most substantial reduction took place on 31 December 1992, and PRC readjusted the tariff data to 3,371 tariff lines with an average reduction of 7.3% representing 53% of dutiable items. As of May 1993, the simple average of import duties was 39.9%, while the weighted average tariff (measured against actual import volume for 1992) was 21.9%.53/ Later January 1, 1994, import tariffs for 2,898 products were further reduced by 8.8%.54/ As a result, the simple average level of PRC's tariffs has been brought down from the previous level of 39.9% to 36.4% (GATT, 1994a, p. 7).

Once its reentry to GATT is achieved, PRC will assume the corresponding obligation to reduce its tariff rates by nearly 50% of what were effective in 1992. From this viewpoint, it is interesting to examine in details the protection structure of the country in 1992, as done in the following sections.

B. STRUCTURE OF TARIFF AND NTMs IN 1992

The examination on the protection structure of PRC's imports below is based on UNCTAD's Trade Analysis and Information System (TRAINS) existing since 1992. The analysis tries to cover those products of particular interests for Latin America and the Caribbean. Table 14 provides a summary of PRC's protection, showing the import value for each of the 96 two-digit Harmonized Schedule codes (HS), its MFN range 55/ (the minimum and maximum), the

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52/ In 1982 a series of import tariff revisions were made and in 1989 a more comprehensive customs schedule was announced (Lardya 1992, pp. 46-45).

53/ Among 6,321 tariff headings, the tariff rates for 125 headings were nil, accounting for 2% of the total; those for 2,429 were 10% to 30%, representing 38.4% of the total; those for 1,713 were 30% to 60%, representing 28.4% of the total; and those for 1,479 were above 60%, accounting for 23.4% of the total (GATT, 1993, p. 66).

54/ For the specific rates for all of these 2898 products, see GATT, "Amendments to Customs Imports and Export Tariff of the People's Republic of China", Geneva, 31 December, 1993.

55/ There are two columns of import duty rates: general rates and preferential rates. The preferential rates apply to imports originating in countries and regions with which PRC has concluded reciprocal tariff agreements. As of April 1988, PRC had concluded agreements which contain a most-favored nation clause and other general conditions for the conduct of trade with over 90 nations. The Latin American and the Caribbean countries include Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Jamaica, Mexico, Peru, and Venezuela. Besides, PRC had signed agreements which, in addition to the MFN clause, provide for annual protocols of exchange of goods with indicative lists of commodities to be exchanges (in the region, Mexico, Chile, Ecuador and Brazil). PRC has also signed other series of agreements which contain a MFN clause and fix the quantity or value of specific commodities to be exchanged. From the region, Cuba was the only country (GATT, 1993).

Table 14: PRC Tariff and Non-tariff Measures, by HS Product Category, 1992

HS	Description of product	Imports (000$)	National Tariff lines a/	MFN range b/	MFN average c/	NTM % d/
01	Live animals	20,257	28	0 - 30	17.3	0
02	Meat of bovine animals, fresh or chilled	57,066	56	45 - 60	46.7	0
03	Fish & crustacean, mollusc & other aquatic invertebrate	322,843	112	0 - 55	34.9	0
04	Dairy prod; birds' eggs; natural honey; edible prod. nes.	68,737	34	0 - 65	52.8	0
05	Products of animal origin, nes or included	36,952	37	0 - 75	39.4	9
06	Live tree & other plant; bulb, root; cut flowers etc.	5,756	16	0 - 75	47.3	0
07	Edible vegetables and certain roots and tubers	38,118	72	6 - 75	41.0	0
08	Edible fruit and nuts; peel of citrus fruit or melons	40,692	61	20 - 80	54.8	0
09	Coffee, tea, maté and spices	23,822	39	3 - 70	40.1	21
10	Cereals	NA	16	0 - 3	1.5	0
11	Prod. mill indust; malt; starches; inulin, wheat gluten	NA	34	6 - 60	31.4	0
12	Oil seed, oleagi fruits; miscell grain, seed, fruit etc.	NA	78	0 - 70	30.8	1
13	Lac; gums, resins & other vegetable saps & extracts	NA	22	0 - 70	32.3	1
14	Vegetable plaiting material; vegetable products nes.	NA	12	9 - 50	41.5	0
15	Animal/veg fats & oils & their cleavage products; etc.	NA	54	15 - 60	36.3	0
16	Prep of meat, fish or crustaceans, molluscs etc.	NA	30	70 - 70	70.0	0
17	Sugars and sugar confectionery	NA	17	30 - 60	49.3	22
18	Cocoa and cocoa preparations	NA	11	20 - 50	32.7	0
19	Prep of cereal, flour, starch/milk; pastrycooks' prod.	NA	18	30 - 60	58.1	0
20	Prep of vegetable, fruit, nuts or other parts of plants	13,760	71	45 - 65	54.7	0
21	Miscellaneous edible preparations	46,490	17	45 - 100	68.7	10
22	Beverages, spirits and vinegar	35,325	23	20 - 150	114.5	7
23	Residues & waste from the food indust; prepr ani fodder	461,435	28	5 - 70	21.7	0
24	Tobacco and manufactured tobacco substitutes	204,270	11	45 - 150	111.7	33
25	Salt; sulphur; earch & ston; plastering mat; lime & cem,	60,657	91	0 - 55	29.7	0
26	Ores, slag and ash	1,149,052	36	0 - 20	6.0	0
27	Mineral fuels, oils & product of their distillation; etc.	3,571,144	58	2 - 55	17.3	3
28	Inorgn. chem; compds of prec etl, radioact. elements etc.	376,682	232	3 - 55	20.9	0
29	Organic chemicals	1,158,218	266	5 - 55	20.0	1
30	Pharmaceutical products	318,697	43	0 - 50	19.1	0
31	Fertilizers	3,003,692	28	5 - 18	5.6	0
32	Tanning/dyeing extract; tannins & derivs; pigm. etc.	499,722	54	15 - 55	29.3	0
33	Essential oils & resinoids; perf, cosmetic/toilet prep.	32,958	41	50 - 120	90.6	0
34	Soap, organic surface-active agents, washing prep. etc.	165,261	27	18 - 100	49.6	0
35	Albuminoidal subs; modified starches; glues; enzymes	134,075	15	6 - 65	37.5	0
36	Explosives; pyrotechnic prod; matches; pyrop alloy; etc.	3,739	11	38 - 90	57.3	25
37	Photographic or cinematographic goods	91,125	77	0 - 120	40.2	0
38	Miscellaneous chemical products	647,396	71	5 - 55	25.3	6
39	Plastics and articles thereof	4,753,777	131	15 - 75	34.8	3
40	Rubber and articles thereof	554,617	87	0 - 60	28.8	34
41	Raw hides and skins (Other than furskins) and leather	1,187,524	39	10 - 38	27.4	0
42	Articles of leather; saddlery/harness; travel goods etc.	58,144	25	25 - 75	71.8	0
43	Furskins and artificial fur; manufactures thereof	147,809	23	40 - 110	75.6	0
44	Wood and articles of wood; wood charcoal	1,410,769	84	3 - 75	26.2	43
45	Cork and articles of cork	6,068	7	12 - 28	21.1	0
46	Manufactures of straw, esparto/other plaiting mat; etc.	2,664	15	60 - 75	65.6	0
47	Pulp of wood/of other fibrous cellulosic mat; waste etc.	413,463	19	2 - 2	2.0	57
48	Paper & paperboard; art of paper pulp, paper/paperboard	1,652,532	119	20 - 150	35.0	0
49	Printed books, newspapers, pictures & other product etc.	117,244	20	0 - 35	13.8	0
50	Silk	174,416	21	45 - 85	62.5	0

Continued

51	Wool, fine/coarse animal hair, horsehair yarn & fabric	1,282,268	45	15 - 85	49.2	23
52	Cotton	1,718,862	127	3 - 60	43.0	0
53	Other vebetable textile fibres; paper & woven fab.	130,577	40	15 - 60	27.5	0
54	Man-made filaments	2,259,492	71	23 - 90	65.5	89
55	Man-made staple fibres	1,979,054	121	20 - 90	73.2	93
56	Wadding, felt & nonwoven; yarns; twine,cordage,etc.	296,817	31	30 - 90	60.1	1
57	Carpets and other textile floor coverings	26,936	26	75 - 90	85.5	0
58	Special woven fab; tufted tex fab; lace; tapestries etc.	376,040	67	45 - 85	69.2	14
59	Impregnated, coated, cover/laminated textile fabric etc.	833,821	40	23 - 85	42.4	0
60	Knitted or crocheted fabrics	598,832	21	45 - 90	76.3	0
61	Art of apparel & clothing acess, knitted or crocheted	137,997	121	65 - 90	84.0	0
62	Art of apparel & clothing access; not knitted/crocheted	263,492	155	60 - 90	82.2	14
63	Other made up textile articles; sets; worn clothing etc.	35,386	93	30 - 100	71.5	0
64	Foodwear, gaiters and the like; parts of such articles	377,219	29	65 - 75	73.6	0
65	Headgear and parts thereof	5,469	13	75 - 90	82.5	0
66	Umbrellas, walking-sticks, seat-sticks, whips etc.	89,984	7	90 - 90	90.0	0
67	Prep feathers & down; arti flower; articles human hair	33,713	11	75 - 90	88.1	0
68	Art of stone, plaster, cement, asbestos, mica/sim mat.	75,438	63	9 - 75	38.2	0
69	Ceramic products	92,566	30	15 - 75	52.7	0
70	Glass and glassware	289,027	67	6 - 75	45.8	0
71	Natural/cultured pearls, prec stones & metals, coin etc.	307,621	60	0 - 90	29.5	0
72	Iron and steel	3,583,019	197	2 - 38	13.8	85
73	Articles of iron and steel	1,467,636	146	9 - 75	34.4	10
74	Copper and articles thereof	1,565,399	68	6 - 55	21.3	0
75	Nickel and articles thereof	98,462	19	6 - 45	10.1	0
76	aluminium and articles thereof	668,483	39	9 - 80	26.5	0
77	N.A.					
78	Lead and articles thereof	7,295	11	15 - 55	20.1	0
79	Zinc and articles thereof	67,131	12	15 - 55	21.9	0
80	Tin and articles thereof	12,864	12	15 - 55	26.3	0
81	Other base metals; cermets; articles thereof	45,174	40	9 - 45	18.3	2
82	Tool, implement, cutlery, spoon & fork, of base metl etc.	95,857	72	15 - 60	35.1	0
83	Miscellaneous articles of base metal	232,259	37	20 - 75	50.3	0
84	Nuclear reactors, boilers, machy & mch appliance; parts	3,946,458	268	3 - 100	29.6	8
85	Electrical machy equipment parts thereof; sound recorders etc.	6,576,829	305	0 - 100	42.7	4
86	Railw/tranw locm, rolling-stock & parts thereof; etc.	61,349	27	6 - 23	8.0	0
87	Vehilcles o/t railw/tramw roll-stock, pts & accessories	3,613,583	179	3 - 220	64.5	42
88	Aircraft, spacecraft and parts thereof	2,034,279	15	5 - 6	5.2	33
89	Ships, boats and floating structures	451,906	22	6 - 20	13.5	5
90	Optical, photo, cine meas, checking, precision, etc.	2,024,174	215	3 - 95	22.3	8
91	Clocks and watches and parts thereof	935,177	57	3 - 90	58.7	21
92	Musical instruments parts and access of such articles	32,052	23	45 - 75	51.7	0
93	Arms and ammunition; parts and accessories thereof	1,540	17	60 - 60	60.0	0
94	Furniture; bedding, mattress, matt support, cushions etc.	178,025	50	18 - 90	66.4	0
95	Toys, games & sports requisites; parts & aceess thereof	301,906	48	40 - 100	52.6	0
96	Miscellaneous manufactured articles	278,298	65	25 - 100	73.9	0
97	Works of art, collecters' pieces and antiques	3,211	7	0 - 35	25.0	0
98	Non-standard HS 6 digit items					
	Total e/	62,559,945	5,726	0 - 220	44.5	

Source: Compiled from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS).

a/ Number of national tariff lines within each HS two digit code.

b/ Mimimum and Maximum tariff in each HS two digit code.

c/ Simple average of ad valorem tariff rates of those national tariff lines included in each HS two digit code.

d/ Coverage of the number of tariff lines (in percentage) within each two digit HS code which is affected by basic non-tariff measures.

e/ Total imports are the sum of the figures available only.

simple average of the MFN tariff lines included in each, and the coverage in percentage of the number of tariff lines within each two digit HS code which is affected by non-tariff measures (NTMs).

At the first glance it becomes clear that at least up to 1992, PRC applied generally quite high import tariff rates and that there was a marked dispersion among and within the tariff lines. Excluding some agricultural products whose import values were not available, total imports of those products, categorized into more than 5,700 tariff lines, amounted in 1992 to US$ 62.5 billion. The simple tariff average of all rates considered here was 44.5%.56/ These rates ranked PRC as one of the most highly protected countries in the world, still above those of the developing Contracting Parties to the GATT, which range between 12 and 15%.

Foodstuffs and agricultural raw materials tended to have relatively low rates, and with some important exceptions where the interests of national producers predominate or products are considered as sumptuous consumptions, the application of NTMs to these products was less frequent. Coffee, roasted or not roasted, for instance, faced a MFN rate of 40% and all tariff lines were in one way or another affected by NTMs. Sugar and sugar confectionery was another sector of relatively high tariffs and NTMs.57/ The same tendency repeated for rye, maize, potatoes, soybeans, cocoa and many others. Preparation of meat, fish or crustaceans, molluscs etc. product group of great interest for some Latin American countries, invariably faced a high rate of 70%, though NTMs were non-existent. Products such as beverages, spirits, and vinegar and tobacco and its substitutes were heavily protected with rates sometimes over 100%. There was a clear case of tariff escalation, in accordance with the level of processing involved. For instance, the rate for wheat flour was 9%, while that for wheat starch was 40%.

Among agricultural raw materials, raw hides and skins (other than furskins) and leather was an important import item for PRC, its total imports reaching in 1992 over US$ 1 billion. Though this product group had a relatively low protection (its range 10%-38%), articles which use it as inputs, such as handbags, gloves and suitcases, faced a rate of 75%. Another significant group was wood and articles of wood, with total imports of more than US$ 1.4 billion. There was a clear case of tariff escalation (3%-75% range), starting from wood to sawn wood or plywood and to tableware and kitchenware. This sector faced a high frequency of NTMs. Pulp, paper and its products, with total imports of roughly US$ 1.7 billion, ranged, for instance, from 20% for newsprint to 75% for those of higher elaboration.

56/ Acoording to a World Bank estimate, when weighted by the value of trade in each category, the average rate in the same year was 32% (World Bank, 1994, p.48).

57/ In China there exist some 540 sugar refineries, with annual production of 7.2 million tons and 400,000 employees. In recent years, while local production capacity has increased rapidly, its demand has been stagnant. International sugar price still remains below the domestic production cost. Against this background, it is likely that some quantitative protection be maintained at least in the short run (Toyo Keizai, 1993).

The country imported in 1992 close to US$ 1.3 billion of wool and its products as inputs for their textile industries. Imports of wool alone, greasy, degreased or waste, reached over US$ 430 million. Its protection varied widely, ranging from a 15% level for wool, 50% for its yarn, and to 85% for woven fabrics. A similar situation was found for cotton and its products. In comparison with a low rate for raw cotton, which PRC imports little, those rates for cotton yarn, and fabric (imports of roughly US$ 1 billion) were substantially higher, 28% and 48% respectively. NTMs against these products were almost non-existent. In conjunction, it should be reminded that man-made filaments and man-made staple fibres (e.g., nylon, polyesters, rayon etc.), which PRC imports a great deal (imports of those two groups combined reached US$ 4.2 billion) encountered higher tariff protection and severe restriction by way of NTMs. In fact, these groups faced the highest frequency of NTMs among the 96 sectors examined at the two digit level.

Fertilizers were one of the major items, with their imports reaching in 1992 US$ 3 billion. Rates for fertilizers were low, with little dispersion. Urea, a major product in this group, faced a rate of 5%, with no NTMs applied. The situation was the same for mineral or chemical fertilizers of nitrogen, phosphorus and potassium origin.

Rates for minerals were low in general and not dispersed. Ore and concentrates of iron ore, copper, aluminium, nickel, lead, zinc, tin, for example, faced neither tariffs nor NTMs, while coal's MNF rate was 15%. In the case of petroleum, its crude had a 2% tariff levy whereas its products, 11.9%, and a relatively high application of NTMs. Natural gas, though no NTMs, had a rate of 15%. As happened in agricultural products, tariff rates tended to escalate depending on the level of processing. For instance, the rate for copper, cathodes or refined, was 5.5% and its bars, rods and profiles of refined copper faced a 9%, while certain alloys using this metal had a 15% rate and its rate for articles of copper could reach as high as 50%. PRC imported close to US$ 1.6 billion of copper and its products in 1992. Similarly, severe escalations accompanied alumimium, nickel, lead, zinc and tin.

Tariffs on industrial imports were structured in such a way that intermediate and capital goods were subject mostly to rates of 20-30%, while rates on most finished consumer goods were over 60%. For iron and steel, an import item of increasing importance, with imports of US$ 3.6 billion, the rates were generally low, with its simple average close to 14%, but a majority of these products were affected by NTMs. Most products derived from iron and steel had a much higher tariff levy, but faced a less frequent application of NTMs. Organic and inorganic chemicals had a relatively low rate of 20% and its dispersion was quite small.

Imports of general machinery and its appliance, which amounted to US$ 4 billion, consisted of a wide variety of products, faced a wide tariff dispersion. Industrial inputs, such as engines, generators, furnaces, pumps, cranes, lifts etc., had a rate less than 30% whereas that for products of household use, like air conditioners and refrigerators, was 100%. These luxury items also involved NTMs. Other machineries were in an intermediate position.

Electrical machinery equipment and their parts, the most important product group in terms of value (US$ 6.6 billion) met a similar, but slightly higher, tariff rate. The highest rate of 100% levy was found for record players and other sound reproducing apparatus, videos, radios, some categories of television sets and others.58/ The application of NTMs to this sub-sector of machinery in general was not frequent, but the above mentioned consumer luxury goods faced various NTMs. Another important sub-category, optical equipment and appliances (imports of US$ 2 billion) also encountered higher tariff rates and a more frequent application of NTMs for consumer-oriented products. In accordance with the increase in incomes, with the reduction in tariffs and NTMs could result in import floods of these products.

The widest dispersion of tariff rates within a sector was found in vehicles. The rates levied on products of industrial use such as tractors, mobile cranes, certain types of trucks were much lower than those applied to buses or automobiles. Passenger cars with displacement of more than 3000 cc has the highest tariff rate of 220%, among the all the sectors considered. Furthermore, these high-levied items were also affected severely by NTMs.59/ 60/ In comparison, imports of aircrafts and their parts, with their import values amounting to more than US$ 2 billion, faced a low rate of protection.

In addition to their high levels, PRC's tariff structure was more dispersed than those of most other large developing countries. The World Bank (1944, p. 56) calculates that measured in standard deviation, only India and Pakistan had a wider dispersion than PRC. The high and dispersed structure reflected at large their desire, on the one hand, to protect important domestic sectors such as capital and intermediate goods, and, on the other, to penalize the consumption of non-essential and luxurious items.

58/ As of 1991, the production capacity of television sets in PRC and the local demand for this product was estimated around 12 million and 8 million a year, resulting in an over capacity (Toyo Keizai, 1993). There is strong competition among local producers and their prices are lower than those imported. Reentry to GATT should therefore increase imports of only larger screen sets, with higher quality.

59/ A rapid reduction of tariffs and NTBs on passenger cars could damage seriously the national industry. As of 1992, there were 163 automakers -about 120 State-run firms-, with a combined annual output of approximately 1 million vehicles, less than half of a Japanese counterpart like Nissan. Output per worker in China was roughly one unit, in comparison with 49 in Japan and 18 in Korea (Toyo Keizai, 1993). The low productivity, the still yet infant manufacturing technology involved and the low quality of products puts PRC at least twenty years behind the Western competitors. For these reasons, the government might not reduce drastically its protection, in favor of national producers' interests. To countervail future foreign competition, however, the Chinese authorities plan to consolidate these separate entities into six or seven groups and boost annual output to 3 million units by the year 2000, via joint ventures with several foreign companies. Similarly, the local procurement requirement for parts has been set at 40%, which will be likely to be raised to 60% in five years.

60/ Reportedly, PRC cut tariffs on cars to as low as 110% (GATT, 1994a, p. 7) but it also eliminated duty-free auto import privileges for joint ventures and launched a crackdown on smuggling. At the same time, it strengthened control on imports by implementing the policy that most car imports be channelled through the State-run China Automobile Trading Center (Journal of Commerce, 1994, p. 5c).

It is interesting to note, however, that there existed a marked gap between nominal and effective rates, thanks to a high level of duty exemption. PRC's operated a system of duty exemptions for exporters, and duty concessions of 50% were provided for foreign-funded enterprises. In fact, about half of all imports were materialized in concessional terms. Numerous exemptions were also applied to imports for use on domestic (as opposed to export) production, and reportedly there was increasing evasion on products for domestic consumption (World Bank, 1994, pp. 58-60). As a partial result, China's actually duty collection has declined in 1991 to less than 6% -situation similar to industrial countries-, from a 10% level in 1986. This way, the role of tariffs as a source of government revenue has diminished significantly (World Bank 1994, p. 48).

C. SPECIFIC NON-TARIFF MEASURES

PRC's NTMs have consisted of a variety of instruments ranging from the mandatory import plan, imports through designated national FTCs (the so-called canalization), import licensing and import controls. The extent to which each of these is applied is difficult to assess with precision because they frequently overlap. Also, their implementation is exercised by both central and local governments, thereby creating multiple stages of import approval from different authorities. It is estimated that in 1992, 51.4% of total imports were affected by non-overlapping NTMs. Overall, an estimated 32.0% of total imports in the same year were subject to control through canalization, while 11.7% to non-overlapping import licensing and 7.7% to non-overlapping import controls (World Bank, 1994, pp. 63-67). Canalization was used as important tool for controlling the import demand of a variety of non-plan commodities either for balance of payments considerations, for the protection of domestic industry, or for the administration of subsidies.

Of these products subject to canalization, two thirds were imports under the mandatory plan. The remaining 13.5% was canalized for reasons other than the trade plan. Therefore, as a consequence of the declining importance of the plan, in 1992 only 18.5% of PRC's imports were subject to mandatory planning. Products subject to such strict measures were those regarded as essential either for the livelihood of the populace or for national economic development, typically subject to state pricing, and thus requiring an import subsidy. In 1992, 11 product groups (reportedly in 1993 the number was reduced to 5) were covered by this measure, including grain, fertilizers, iron ore, wool, plastic sheeting and wood pulp, goods that are of particular importance to Latin America.

It is important to note that in 1994, the PRC Government abolished mandatory plans for imports (GATT, 1994a, p. 7) and reduced the use of canalization. This is significant because the imports of all essential commodities (so-called Category I) had not been restricted to planned commodities and included products such as iron and steel, textile yarns, sugar and cigarettes. In addition, there was a looser form of import control regarding the imports of goods under Category II, which were also restricted to certain FTCs, but the FTCs involved were greater in number (World Bank, 1994, pp. 63-64).

Despite the abolishment of mandatory import plan, at present, in accordance with the State industrial policy and the sectoral development program, import quotas are applied to a wide range of products, from farm items, industrial inputs to manufactures. As of May 1994, 114 categories of products, at the four-digit Harmonized Schedule level, were subject to import quotas (see Annex Tables 3a and 3b). The principal sectors affected are agriculture, certain segments of industrial inputs, automobiles, textiles, machinery and electric and electronic products, and consumer durables. In addition, though not subject to import quotas, some subsectors of machinery and electronic products, which are still at the "infant" stage of production, must be subject to open tendering (Annex Table 3c). The latter amount to 71 product categories, also at the four-digit HS.61/ 62/

Import licensing is still used, though less extensively than before, as a quota allocation mechanism and the balance of payments control, as well as an instrument to protect domestic industry. In all, 1992 there were 53 broad categories of products subject to this measure, accounting for 25.1% of total imports. Of these goods, more than half were also subject to canalization. The number of broad categories subject to licensing in 1994 remains at 53 (Luo, 1994). Reportedly, the award of licenses can be discretional: its distribution may be linked to FTC performance. Likewise, import licensing seems to have been used by provincial and municipal authorities in accordance with the priorities set up by local plans.

Starting from 1 January 1994, PRC has eliminated quota and license for 283 tariff lines, and it appears that these products now face lower tariffs, at least during the year 1994.63/ The combined effect of licensing and quotas is to control imports of agricultural raw materials still subject to domestic price control,64/ critical domestic production such as steel and textiles, essential industrial inputs, and nonessential consumer goods. Though real effects of these quantitative measures cannot be ascertained, the impacts on imports can be grave, not only

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61/ The items covered by these measures are listed in GATT (1994c).

62/ A Chinese source states that at present those products subject to "active" import quotas amount to 114, while those with "passive" quotas total 24 (Luo, 1994).

63/ For the details on these 283 tariff lines and the applicable duties, consult (GATT, 1994c, pp. 27-38).

64/ At present, PRC exercises quota and license management of the import of grain (wheat, rice, maize, and soybeans), cotton, wool, vegetable oil, sugar and tangerines (GATT, 1994a, p. 2).

because of their restrictive effects but also of the complexity involved in transaction, given the wide coverage of products.65/

As in the case of imports, PRC has deployed a wide range of export controls. Though in principle, all mandatory export planning was abolished in 1991, there still remain other forms of control. "Except for 16 categories of products that a close bearing on the national economy and people's livelihood and for which export is managed by few corporations, State control over the export of all other commodities has been lifted." (GATT, 1994a, p. 6). This is a big improvement in comparison with 1992 when about 15% of total exports were still marketed through designated FTCs.

In the same year, export licensing, the more important remaining control, accounted for 15% of the country's exports, affecting principally agricultural goods, such as grain, tea, pork, beef, mutton, poultry and others (GATT, 1994a, p. 6). The main objective of licensing has been to increase the prices received for these commodities by way of supply control. An export licensing is also applied to the case of such commodities as tungsten, of which PRC is the world major producer. In 1993, a total of 138 categories of products were subject to export license (GATT, 1994a, p. 6). Though the relative importance of such measures has been reduced, as of April 1993, 38 broad categories of products still remain subject to export quotas/licenses (World Bank, 1994, pp. 67-68). With the deepening of trade reforms, the number of products subject to export licensing administration should drop even further.

D. AFTER THE FINAL ACT

The Final Act Embodying the Results of the Uruguay Round signed in Marrakesh, Morrocco, in April 15, 1994 will cut the developed countries' tariffs on industrial goods and agricultural products by 38% and 37% respectively, possibly starting as early as January 1995. Though, there are no comparable tariff-reducing targets for developing countries, they must now "bind" their tariffs, by not adding extra fees and payments to their tariff rates, raising it to the expected 72%, up from 22% of their tariffs currently. Also, all quantitative limits on agricultural products will be "tarifficated". Developing countries, except least developed ones, will reduce tariffs on farm goods by 24% in 10 years. In this area, developed and developing countries are required of minimum cuts on individual tariff lines of 15% and 10% respectively. Furthermore, developed

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65/ Import of grain, for instance, goes through various administrative levels: it is handled by the China National Cereals and Oil Import and Export Corporation, while that of cotton is the responsibility of the China National Textile Import and Export Corporation. In accordance with the Rules on the Quota Management of General Commodities, each province, municipality and autonomous region will file with the State Planning Commission applications for the amount of grain and cotton they intend to import according to their local supply and demand. After aggregate balancing, the State Planning Commission will assign import quotas to each province, municipality and autonomous region. Those who have obtained quotas can entrust the above mentioned corporations to handle their imports.

countries will cut export subsides by 36%, and subsidized export volumes by 21% over six years, while developing countries will do the same by 24% and 14% respectively over 10 years. Developing countries enjoy 8 years of grace period on export subsidies and a time-limited waiver on others. Least developed countries and those with per capita GNP below US$ 1000 are exempt from the ban on export subsidies. The tariffication package also provides for the establishment of minimum access tariff quotas (at reduced tariff rates) starting at 3% of domestic consumption and rising to 5%.

PRC seeks its reentry as a "developing country". Some oppose to this criterion arguing that the world sixth largest market, if the European Union were counted as a group, should not enjoy such a privilege. If this petition were admitted, PRC would enjoy a longer span to comply with the requirements of the WTO. In some areas, it will have to do less by way of cutting domestic subsidies or providing market access, greater leeway in domestic support for rural development and providing some classes of export subsidies. It will have similar leeways in services.

In spite of possible leeways and a grace period for the implementation of GATT/WTO regulations, the reaccession means the assumption of important obligations as a world trade partner. PRC's nominal tariff rate average almost 36% in 1994, a still quite high compared to that of other large developing countries such as Brazil and Mexico today.66/ PRC will have to lower its tariff rates even further to bring them in line with those of other developing Contracting Parties. In addition, PRC's reentry to GATT means that its economic and legal systems may need to undergo major changes (Wang, 1994). In agriculture, for instance, as a major net importer of agricultural products, PRC may face potential damages, via the dislocation of domestic production or the effect of lower prices. In the area of Trade-Related Investment Measures (TRIMs), under the stipulation of "National Treatment", PRC will be prohibited from applying laws or administrative regulations which give priority to local suppliers. The GATT membership also means that PRC must revise the laws in respect of banking, financial institutions and insurance. It must allow the establishment of foreign service-related entities (e.g., banks, financial and insurance companies, tourist companies) throughout the country, which will expose local industries to direct competition.

Taking into consideration the level of economic development and possible adverse impacts, some maintain that the world community should adopt a practical and realistic approach to PRC's entry into the global trade body. Others, on the other hand, argue that PRC's rising importance in world trade also makes it difficult for its negotiators to plead for a wide range of special exceptions. These observations taken together may mean that the rest of GATT members should be prepared to negotiate a transitional period, for instance till about the year 2000, in order for PRC to fully comply with the trade body's rules. During this period, the country could reduce the level of tariff protection, remove most NTMs, align its technical standards with international norms, and make its currency fully convertible. Necessary adjustments to fulfill the

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66/ Brazil's import tariffs now range from 0 to 35%, the average being 14%. In Mexico, the maximum tariff is 20% and the minimum 10%, while some exceptions face from 0 to 5%.

new GATT requirements, in turn, will open enticing trade and investment opportunities for the rest of the world, including the countries in Latin America and the Caribbean.

Despite the short- and medium-term problems that the country may have to overcome, the reaccession of PRC to the forthcoming WTO will expedite the process of building a more market oriented economy, allowing at the same time economic exchanges with other Contracting Parties. It will also strengthen the WTO as an international organization, with a fuller support and commitment of the country most populated and one of the most active traders in the world market.

V. TRADE RELATIONS WITH LATIN AMERICA AND THE CARIBBEAN

Though their origin can be traced back to the mid-16th Century, Sino-Latinamerican trade on a significant scale had to wait till the 1960s. During the 1950s, when PRC did not have diplomatic relations with any country in the region, accumulated PRC's imports for this decade amounted to only US$ 30 million, whereas PRC's exports did not reach the US$ 1 billion mark. The modality of trade was principally indirect, by way of Hong Kong. Mutual commercial exchanges picked up in the following decade, registering an accumulated total of US$ 2.05 billion, three quarters of which were, in turn, related to Cuba. The decade of the 1970s registered a sustained increase, and exports and imports of PRC to and from the region climbed to US$ 1.26 billion in 1979 from US$ 150 million in 1970. These achievements were results of and were reasons for the strengthening diplomatic relations between the two regions: during this decade, PRC established diplomatic relations with a number of countries including Chile, Peru, Mexico, Argentina, Venezuela and Brazil (Luo, 1994). In the following, the present trade and investment relations during the 1980s and 1990s between the two regions and the future prospects are examined.

A. TRADE RELATIONS: AN OVERVIEW

1. Relative importance of PRC for Latin America

In recent years, Latin American trade with the Asia Pacific has grown tremendously, and for several countries in the region (e.g., Chile and Peru) the relative importance of Asia as their export destination reaches over 20% of the total. The dynamic penetration of the Asian market has been accompanied by market diversification. In the earlier periods, trade penetration efforts of Latin America in Asia were concentrated on Japan, but later, the NICs and the ASEAN countries began to appear as important trade partners.

As can be appreciated from Table 15, Japan is still by far the most important trade partner for almost all Latin American countries considered here. Depending on the country, Republic of Korea or Hong Kong figures as the second or third. What is interesting is that for some Latin American countries (e.g., Brazil, Argentina and Peru) trade with PRC already exceeds or reach a similar level with Province of Taiwan, let alone the massive re-exports through Hong Kong, which elevate even more the position of PRC. In short, PRC is already an important figure in the Latin America-Asia trade. On the other hand, for another group of countries in Latin America (e.g., Colombia and Venezuela) the present level of bilateral trade with PRC is quite modest in comparison with that with Korea, Taiwan Province or Hong Kong. Given their natural resource endowments, it is also possible to foresee increasing trade possibilities with these countries of relative insignificance up to now.

Table 15: Latin American Countries' Total Bilateral Trade (Exports and Imports) with the Major Asian Partners: 1993 (In US$ millions)

	PRC	Japan	Rep. of Korea	Province of Taiwan	Hong Kong
Argentina	467.6	1,159.2	601.5	243.4	559.7
Bolivia	4.1	59.9	11.9	3.5	N/A
Brazil	1,055.2	4,305.2	1,227.9	1,027	704.9
Chile	485.8	2,535.1	910.9	720.3	415.6
Colombia	25.1	1,161.2	190.8	73.6	69.8
Ecuador	45.1	363.8	382.4	72.0	36.7
Mexico	280.5	4,863.8	1,154.7	686.0	602.9
Panama	360.6	4,565.4	1,360.2	378.7	1,129.2
Paraguay	63.8	218.1	76.9	81.9	178.5
Peru	310.7	545.3	143.2	174.1	50.7
Uruguay	98.5	119.0	52.6	34.7	89.6
Venezuela	95.5	1,070.5	419.8	132.7	225.7

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

2. PRC's imports from the region

Trade with Latin America and the Caribbean has been negligible. PRC trade statistics indicate that its imports from the region have increased in recent years reaching in 1993 US$ 1.93 billion, though far less than those registered in 1989 of US$ 2.42 billion (Table 16). The 1993 figure accounted for 1.9% of total PRC imports, in comparison with 4.1% of four years before. Flows have been accompanied by large annual fluctuations at the regional and national levels. By country of origin, Brazil has been the largest, with wide year-to-year fluctuations. This country's share in PRC's total imports in 1993 was responsible for less than 1%. Besides Brazil, Argentina, Chile, Peru and Mexico have been customary sources of PRC's imports. Imports from the Central American Common Market (CACM) countries and the Caribbean have been extremely low or non-existent. Those coming from Cuba have been declining drastically.67/

The relatively insignificant and declining share of the Latin American and the Caribbean countries in PRC imports means that these countries have failed to take advantage of the rapidly growing market (see Table 6). The instable levels of PRC's imports from the region also suggest that there is a lack of established, close trade and investment links, which are conducive to a

67/ PRC's trade with Cuba does not involve foreign exchange. Rather, it is done by a clearing system. With the envisaged termination of this system in January 1, 1996, PRC will cease trade by convention.

Table 16: PRC's Imports from Latin America and the Caribbean
(In thousand US$)

	1989	1990	1991	1992	1993	rate 1989-1993
World	*59 140 128*	*53 345 133*	*63 790 634*	*80 585 333*	*103 958 979*	*15.1*
Argentina	567 097	318 336	303 858	200 121	219 910	-21.1
Bolivia	0	N.A.	0	N.A.	3	
Brazil	939 975	525 983	345 736	519 322	863 085	-2.1
Chile	179 242	34 292	106 990	409 642	281 660	12.0
Colombia	3 565	3 542	2 446	23 046	776	-31.7
Ecuador	2 667	2 478	1 097	3 515	3 260	5.1
Mexico	148 839	100 399	148 697	113 985	124 823	-4.3
Paraguay	25 329	22 084	19 819	25 397	2 205	-45.7
Peru	181 755	85 423	294 405	310 075	249 107	8.2
Uruguay	110 602	65 774	118 132	93 290	66 639	-11.9
Venezuela	20 205	28 395	6 172	8 945	30 233	10.6
LAIA	*2 179 276*	*1 186 706*	*1 347 352*	*1 707 338*	*1 841 701*	*-4.1*
Costa Rica	291	15	3 630	1 301	1 432	48.9
El Salvador	141	8	235	301	308	21.6
Guatemala	300	N.A.	232	55	237	-5.7
Honduras	34	N.A.	285	29	200	55.7
Nicaragua	4 860	12 531	N.A.	215	230	-53.4
CACM	*5 626*	*12 554*	*4 382*	*1 901*	*2 407*	*-19.1*
Barbados	N.A.	N.A.	15	0	0	
Cuba	229 043	306 214	201 654	182 842	73 642	-24.7
Dominican Rep.	N.A.	N.A.	N.A.	6	N.A.	
Granada	39	N.A.	1	7	4	-43.4
Haiti	0	N.A.	N.A.	N.A.	5	
Jamaica	21	0	33	0	536	124.8
Guyana	N.A.	1	N.A.	N.A.	5	
Panama	223	N.A.	463	3 082	10 465	161.7
Suriname	0	N.A.	N.A.	485	233	
Trinidad & Tabago	N.A.	3 423	4 282	2 772	522	
Antigua & Barbuda	2 211	139	258	235	126	-51.1
Bahamas	N.A.	16	N.A.	N.A.	17	
Dominica	N.A.	N.A.	0	35	30	
St. Chris & Nevis	N.A.	N.A.	N.A.	N.A.	N.A.	
St. Lucia	N.A.	N.A.	0	3	N.A.	
San Vincent-Granadines	N.A.	N.A.	N.A.	N.A.	N.A.	
Belize	14	9	N.A.	N.A.	N.A.	
Caribbean & others	*231 551*	*309 802*	*206 706*	*189 467*	*85 585*	*-22.0*
L.A. & Caribbean total	*2 416 453*	*1 509 062*	*1 558 440*	*1 898 706*	*1 929 693*	*-5.5*

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

more stable trade flow from one year to another. The PRC's import demand for the products from the region seems to have been heavily influenced by the country's annual surplus or deficit in domestic production.

As insinuated in Chapter III, the PRC's imports from Latin America and the Caribbean are subestimated by the extent that a substantial portion of Hong Kong's re-exports has PRC as as origin or final destination. Unfortunately, the data on Hong Kong's re-exports do not provide a separate entry for Latin America and the Caribbean. According to IMF figures, in 1992 the total Hong Kong's imports from the region reached US$ 833 million. Thus, to estimate PRC's imports from the region, first it is necessary to discount Hong Kong's proper imports from the region. As shown earlier, in 1992, US$ 88.6 billion re-exports accounted for 72.3% of total imports of Hong Kong (US$ 122.5 billion). Here it is assumed that the same proportion of US$ 833 million worth of PRC's imports from the region, US$ 602 million, were re-exports. Furthermore, employing the coefficient of "Other" countries (55.9%) as a proxy 68/ and applying the same percentage to the estimated total of $ 602 million, one might conclude that additional US$ 337 million have ended up in the Chinese market. This "guesstimate" will increase PRC's combined imports in 1992 from the region (i.e., those coming directly and the re-exports through Hong Kong) by roughly 17% from US$ 1,930 to US$ 2,267 billion.

The product-mix of PRC's imports from Latin America and the Caribbean is quite limited. In the import basket of PRC in 1993, for instance, only top 10 products, at the three digit Standard International Trade Classification (SITC) level, accounted for 77% of the total, while the top 20 products over 91% (Table 17). Iron and steel in primary forms, copper and iron ore explained more than 40% of the total. Categories of relative importance included other ferrous and non-ferrous metals, farm and fishery products, agricultural raw materials and petroleum derivatives.

It is important to note that for the top 20 priority product groups of Latin America listed in Table 17, the countries of the region are not necessarily the major suppliers to PRC, except for some countries in several products (e.g., Brazil in certain segments of iron and steel products and Chile in copper) (see Annex Table 4). That is to say, in those product groups among which Latin American exports cluster, there is strong competition from suppliers outside the region. In this sense, the countries in the region can conquer bigger market shares, even in products of their comparative advantage, only if they are ready to improve productivity in production and marketing.

3. PRC's exports to the region

On the side of PRC's exports, when based on their official data, the marginal position of Latin America and the Caribbean is even magnified. As destination, the countries in the region have been responsible for 1% to 2% of total PRC exports. Brazil ceased to be a primary importer, even

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68/ In 1992, 55.9% of Hong Kong's re-exports originating from "other" countries than the United States, Japan, Germany, Republic of Korea and Province of Taiwan reached PRC as final destination (see Table 9).

Table 17: Composition of PRC's Imports from Latin America and the Caribbean, Top 20 Products, 1993 (In thousand US$, Share)

	Commodity	value	%	%Accum.
1	672 IRON,STEEL PRIMARY FORMS	366 627	19.0	19.0
2	682 COPPER EXC CEMENT COPPER	242 916	12.6	31.6
3	281 IRON ORE,CONCENTRATES	213 903	11.1	42.7
4	081 FEEDING STUFF FOR ANIMLS	175 544	9.1	51.8
5	673 IRON,STEEL SHAPES ETC	151 115	7.8	59.6
6	674 IRN,STL UNIV,PLATE,SHEET	87 860	4.6	64.2
7	678 IRON,STL TUBES,PIPES,ETC	70 118	3.6	67.8
8	061 SUGAR AND HONEY	64 565	3.3	71.1
9	651 TEXTILE YARN	58 547	3.0	74.2
10	611 LEATHER	43 468	2.3	76.4
11	334 PETROLEUM PRODUCTS,REFIN	40 577	2.1	78.5
12	423 FIXED VEG OILS,SOFT	31 879	1.7	80.2
13	684 ALUMINIUM	31 220	1.6	81.8
14	333 CRUDE PETROLEUM	29 649	1.5	83.3
15	251 PULP AND WASTE PAPER	29 479	1.5	84.9
16	583 POLYMERIZATION ETC PRODS	26 064	1.4	86.2
17	287 BASE METAL ORES,CONC NES	23 182	1.2	87.4
18	671 PIG IRON ETC	23 125	1.2	88.6
19	036 SHELL FISH FRESH,FROZEN	22 820	1.2	89.8
20	034 FISH,FRESH,CHILLED,FROZN	18 156	0.9	90.7
	All other products	178 704	9.3	100.0
	TOTAL ALL COMMODITIES	1 929 518	100.0	

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

at the regional level. Here, none of the countries has a dominant trade relation, while exports to Chile, Argentina, Mexico and Panama have increased substantially in recent years (see Table 18). In comparison with PRC's imports from the region, there are less year-to-year fluctuations and there is a clear upward trend.

As done in the case of imports, an attempt is made to estimate the combined PRC export value to Latin America and the Caribbean. In 1992, Hong Kong exported close to US$ 3 billion to the region. Ouf of this figure, US$ 2.6 bilion were re-exports. It is also known that in the same year, roughly 77% of total re-exports destined to "Other" countries originated from PRC (see Table 9). Assuming that the same proportion of the $ 2.6 billion came from PRC, the combined PRC exports to the region in 1992 could have increased to US$ 3.07 billion (the direct PRC exports of US$ 1.06 billion, plus US$ 2.01 billion of re-exports through Hong Kong).

The foregoing observations on the re-exports through Hong Kong are for only the year of 1992, but the sizeable underestimation especially of PRC's exports to the region put in doubt the allegation by the Chinese officials that the country has experienced a persistent trade deficitary position with Latin America and the Caribbean. Should the situation of 1992 hold true for other years, the opposite will be the case: PRC has enjoyed a substantial trade surplus with the region. By any case, it is necessary to examine the reciprocal trade flows with more detailed trade data on Hong Kong's re-exports, which would permit a precision of such flows, on a time-series basis.

By product, PRC's exports to the region in 1992 did not differ considerably from those directed to the rest of the world, with a large share held by toys, textiles and clothing, footwear, simple electrical and electronic machinery and tools (Annex Table 2d, in comparison with 2a, 2b and 2c). In other words, the export basket to Latin America and the Caribbean is similar to that to the United States, the European Union or Japan. It is also known that the majority of products re-exported through Hong Kong to Latin America and the Caribbean consist basically of three groups of manufactures; textiles and clothing, office and telecommunication equipment (including television sets, radios etc.), and other consumer goods which include other labor-intensive export items of assembly-type operations: these categories accounted for 86% of total Hong Kong's re-exports to the region in 1992 (GATT, International Trade, 1993, Table A19, p. 118). Given the strong competitive position of PRC in these product groups, it can be safely inferred that a substantial portion, if not the majority, of these re-exports had PRC as origin.

Referring to statistical deficiency, it is interesting to find that PRC's exports based on their official data do not match the imports of Latin America declared by the countries of the region themselves. For some countries and years, the c.i.f. value was less than the f.o.b. (see Annex Table 5). When the reverse was true, the difference between the c.i.f. and f.o.b. values distanciated greatly, as in the case of Mexico. The lack of concordance in trade data is less severe when PRC's imports based on their proper data are compared to the exports reported by the countries in Latin America and the Caribbean. The above suggests that in addition to the difficulties arising from re-exports through Hong Kong, substantial improvements should be made

Table 18: PRC's Exports to Latin America and the Caribbean
(In thousand US$)

	1989	1990	1991	1992	1993	rate 1989-1993
World	*52 538 091*	*62 091 411*	*71 842 535*	*84 940 062*	*91 744 005*	*15.0*
Argentina	8 902	11 955	51 631	124 146	247 687	129.7
Bolivia	4 829	6 013	4 462	5 343	4 069	-4.2
Brazil	84 462	106 684	68 034	64 756	192 171	22.8
Chile	61 165	67 135	94 202	128 152	204 132	35.2
Colombia	3 475	2 678	5 034	13 312	24 373	62.7
Ecuador	8 208	8 192	14 047	17 481	41 809	50.2
Mexico	42 617	110 570	86 245	157 742	155 693	38.3
Paraguay	4 455	9 549	16 724	11 320	28 899	59.6
Peru	21 657	23 519	31 313	35 467	61 558	29.8
Uruguay	2 908	5 395	10 510	17 902	31 876	82.0
Venezuela	4 531	12 579	32 745	59 544	65 300	94.8
LAIA	*247 209*	*364 269*	*414 947*	*635 165*	*1 057 567*	*43.8*
Costa Rica	2 236	4 443	2 731	4 866	9 100	42.0
El Salvador	2 178	3 193	5 060	9 097	22 280	78.8
Guatemala	3 629	4 906	10 879	17 298	24 997	62.0
Honduras	3 725	6 020	4 533	10 249	21 143	54.4
Nicaragua	420	790	779	1 018	1 700	41.8
CACM	*12 188*	*19 352*	*23 982*	*42 528*	*79 220*	*59.7*
Barbados	503	1 054	1 599	1 120	1 113	22.0
Cuba	212 252	271 939	224 402	200 232	177 044	-4.4
Dominican Rep.	6 241	5 295	9 506	20 175	36 745	55.8
Granada	29	377	82	82	88	32.0
Haiti	324	1 691	1 454	128	588	16.1
Jamaica	4 691	3 857	5 062	8 472	12 713	28.3
Guyana	222	664	2 666	4 915	4 869	116.4
Panama	38 836	95 447	87 332	132 004	350 140	73.3
Suriname	2 061	1 678	2 155	2 856	4 216	19.6
Trinidad & Tabago	1 883	2 565	4 031	3 899	8 676	46.5
Antigua & Barbuda	85	391	50	585	2 069	122.1
Bahamas	346	477	4 775	1 605	1 574	46.0
Dominica	1 579	1 785	3 927	7 134	20 856	90.6
St. Chris & Nevis	15	30	65	42	37	25.3
St. Lucia	132	66	60	129	145	2.4
San Vincent-Granadines	67	90	44	59	55	-4.8
Belize	659	1 372	1 211	2 458	4 979	65.8
Caribbean & others	*269 925*	*388 778*	*348 421*	*385 895*	*625 907*	*23.4*
L.A. & Caribbean total	*529 322*	*772 399*	*787 350*	*1 063 588*	*1 762 694*	*35.1*

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

on the trade statistics involving the two regions. This can be an important area for interregional cooperation.

B. TRADE POSSIBILITIES BY PRODUCT GROUP

1. Manufactures

Copying the export pattern of other members of the "Flying Geese" flock, PRC has increased the share of manufactures in its total exports. This has derived basically from low wage labor with reasonable skill levels. However, unlike the Republic of Korea or Province China of Taiwan, PRC's manufactures exports have not as yet shown a clear sign of becoming more capital intensive. Neither, in most subsectors of the machinery and electronics sectors, which its Asian neighbors have incorporated in their exports, PRC's competitiveness is not marked. Interestingly, a key feature of PRC exports over the years has been their growing labor intensity. Furthermore, the recent performance of electrical equipment exports has relied primarily on the expansion of assembly operations. Owing to that rapidly rising real wages are forcing countries like Korea and Singapore to move out some segments of manufactures, and that PRC's unit labor costs are likely to remain very competitive with its neighbors such as Indonesia, Thailand and Malaysia, "there would not appear..... serious difficulties of market access that might prevent China from meeting its ambitious export growth targets by continuing to focus on not very high technology, labor- and skill-intensive products." (World Bank, 1994, p. 164).69/

Given the high ponderance of labor-intensive manufactures in PRCs total exports and the notable inroads made by some Latin American countries in these product groups, competition in some areas will be intensifying. Most susceptible areas include textiles and clothing, footwear, electrical and non-electrical machinery, travel goods, metal manufactures, etc. Though PRC is not as dependent as Korea or Province China of Taiwan on the United States market, more than a quarter of their total exports (after being adjusted for reexports through Hong Kong) are destined to the United States. Though the North American Free Trade Agreement (NAFTA) agreement might reduce somewhat the comparative advantage in the United States of PRC against Mexico

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69/ According to a World Bank study (1994, pp. 164-166), some promising areas in which PRC might be able to make substantial inroads in manufactures exports include; sound recorders (SITC 891), furniture (821), plastic articles (893) pumps and centerfuges (7192), machine tools for metal (7151), photographic equipment (86160, articles of paper (6420, cocks and valves (71992), hand tools (695), power tools (7195), medical instruments (86170, textile machinery (7171), other base metal manufactures (6989), domestic electrical equipment (72505), watch movements (8641), automotive electrical equipment (7294), metal nails nuts, etc. (694) and locksmith wares (6981). Their selections are based on the criteria that: i) they are currently produced in PRC but constitute a small share of exports; ii) they all use at least 10% more labor per unit of value added than the United States average; iii) a major market exists for each, with developed countries importing more than US $ 5 billion annually; iv) developing countries have not as yet made important inroads in the trade of these goods; and v) none of them currently face marked non-tariff measures.

and other possible future members of the agreement,70/ PRC will continue to be a formidable competitor in high labor-intensity segments of that country. Competition coming from PRC will be particularly strong for the countries in Central America and the Caribbean, whose basic trade orientation is the exports of textiles and clothing or electrical equipment towards the United States market, even under a preferential arrangement. Latin American and Caribbean countries with an increasing specialization in these product categories, regardless of members or non-members of trade agreements with the United States, will face fierce competition in that market.

In fact, PRC's export drive, based to great extent on the operations in the Special Export Zones, will have important implications for the similar activities which take place in Latin America and the Caribbean. At present, worldwide there are more than 200 zones in 60 developing countries and more in construction or in planning stages. Approximately the half of this number are in Asia, while some 80 zones are in Latin America and the Caribbean (UNCTAD, 1993). In Central America and the Caribbean foreign investors have utilized intensively this type of export platform, taking advantage of low cost of labor and an easier access to the United States market. More recently, some South American countries also have begun to explore these possibilities, by implementing policies to permit the creation of export processing zones or open industrial zones. These maquila-type activities in the region will face a severe competition from their counterparts in PRC.

In other industries, this may not be neccessarily the case. Latin American overall exports has increasingly incorporated industrial products: today, they are responsible for more two thirds of total regional exports and roughly half of them consist of manufactured goods. An important share of industrial products is accounted for by semi-manufactures, based on agricultural or mineral resources. Among the manufactures, the most important are those of new capital-intensive industries (e.g., automobiles) as well as those traditional or basic-input industries (chemicals, iron and steel) (ECLAC, 1994, chapter III). Considering the rapidly growing domestic needs of PRC, the Latin America may not compete head-to-head in these product groups with the Asian country in world markets.71/ Rather, PRC should offer one of the most dynamic markets in industrial products for Latin American producers and exporters.

In recent years, a number of Latin American and Caribbean countries have succeeded in diversifying their exports and reducing the weight of primary products exports. Most of the countries which have changed their patterns of specialization in favor of manufactures have penetrated better not only the markets of the United States, the European Union and Japan, but

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70/ Estimates of trade diversion for PRC in the United States due to the NAFTA can reach US$ 40 million. Though quite small in relation to the overall PRC's trade, this figure exceeds the combined total loss of US$ 28 million of displaced exports estimated for the major South American exporters under the NAFTA (World Bank, 1994, p. 53). The principal explanation is that PRC directly competes with Mexico in many highly labor-intensive sectors like textiles, clothing, footwear, sporting goods, etc, that are subject to strict non-tariff measures in the United States.

71/ This view is shared by Zhan (1993b).

also those of Latin American neighbors. Manufactures exports are known to provide price stability as well as the economies of scale, positive externalities and learning opportunities. However, with respect to the Sino-Latin American trade, there is a clear asymmetry: while Latin American exports concentrate in primary products, PRC's exports to the region in manufactures. The continuation of this trend, therefore, seems to work to the detriment of enormous efforts in recent years of Latin American countries to increase manufactures exports. In order to be mutually beneficial and long sustained, the bilateral trade should enhance Latin American's interests in expanding manufactures exports of high value added and technological content. Otherwise, their exports will tend to be concentrated in a few product lines for which demand is less dynamic and which are more vulnerable in global markets.

In summary, deeper insertion of the Asian countries in the international economy, in part propelled by the above "flying geese" formation, will imply severe adjustment costs for other Third World regions and the Organisation for Economic Cooperation and Development (OECD) countries. The increasing competition coming from the Asians, particularly PRC in labor-intensive areas, will affect negatively trade possibilities of other developing countries in most of OECD markets. Also, it is possible to produce a process of "investment diversion" towards PRC, induced by the attractively low level of wages and the enormous potential that the local market holds. On the one hand, there is a possibility that Latin American exports be increasingly dislocated worldwide by the Chinese export expansion. But, on the other, the positive impact of Chinese demand on products of Latin America will be offsetting, at least partially the costs of market dislocation. Moreover, future Sino-Latin American trade flows should incorporate Latin American manufactures exports, which tend to enhance value-added and technological complexities.

2. Minerals and metals

To assess future trade possibilities in minerals and metals with PRC it is useful to consider the country's share in world production, consumption and trade in the products of major interests to Latin America and the Caribbean. Looking at the figures up to 1990, it is clear that PRC is a very significant, but not necessarily a predominant, producer for a number of products (see Table 19). In such metals as aluminium, copper, lead and zinc, the country's share in world production does not exceed 10%. A relatively high share is reported for tin and mercury and a specially high participation for antimony. In the case of iron ore and crude steel, product group which looms high in the import basket of PRC from Latin America, in spite of the increasing trend, the share is not overwhelmingly high. It is important to note, however, that in the 1980s, the country's share in world production in all of the minerals and metals examined has increased markedly.

PRC's share in world consumption also shows a clear upward trend. The country figures as a major, but not necessarily the predominant, consumer of these metals. The highest share in world consumption is reported for crude steel, which situates around a 10% level. Regarding the trade in these metals, up to now the country has been not only a relatively insignificant importer, but also an important exporter worldwide, in such products as tin and zinc. These figures taken together indicate that at least up to 1990, PRC had been relatively self-sufficient in a number of metal products of major interests to the Latin American region. It is noteworthy, however, that

the rate of self-sufficiency has experienced marked year to year variations, suggesting that depending on production bottlenecks and on the balance of payments considerations, trade levels can vary substantially. These wide yearly fluctuations, together with fast growing markets in some metals, highlight the need for a constant market surveyance on the part of possible mineral and metal exporters to PRC, to exploit fully market opportunities.

According to the concept of use-intensity,72/ the consumption level of these products is closely correlated with the level of economic development, as measured for instance by per capita GDP. It postulates that the intensity of use rise up to certain threshold and then start to fall as the economy matures. The primary reason is that after the materials-intensive stages, during infrastructure building and development of manufacturing and metal working, markets for industrial products reach a certain degree of saturation and technologically more resource-saving industries and services come to represent a growing share of GDP than the traditional materials-intensive activities. In addition, over time technological progress makes it possible to produce a given set of products with ever-decreasing inputs of materials. This effect might permit late-comers to leapfrog over the materials-intensive stages of the predecessors and adopt the most up-to-date materials-saving technologies.

The foregoing means, on the one hand, that even though many developing countries including PRC may continue to increase their share in the world product or in movements of capital goods and consumer durables, their future materials demand will not necessarily reach the levels achieved in the past by the developed market economies (DMECs) at comparable income levels. However, on the other, it also means that developing regions, with a substantially lower level of intensity or consumption per capita, should be regarded as untapped markets for many raw materials and semi-processed products for some time to come, pointing to a possibility of interregional market expansion in these products.

An international comparison of per capita consumption in 1985 73/ of major metals of great interest to Latin America reveals that the present consumption in PRC in relation to the developed market economies extremely low (Table 20). Its level of per capita consumption is significantly reduced even against that of developing country counterparts such as Brazil, Argentina and Mexico. The difference is even greater with respect to the Republic of Korea and Taiwan Province, though higher than that corresponding to India. An examination of these industrial metals points to the conclusion that China finds itself at a development stage, where the unit input of GDP is likely to expand for some years to come. Any reductions in per capita materials requirements thanks to miniaturization, saving and substitution might be offset by

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72/For a fairly large amount of literature on the concept, see ECLAC (1989) and Hoffman, Zivkovic and Marquet (1992).

73/ Use intensity in metals of the DMECs has been declining in the last two decades. To show the consumption gap between these countries and PRC, it was thought appropriate to examine the figures of 1985, when their metal consumption was higher than at present.

Table 19: PRC's Share of World Production, Cosumption and Trade in Various Metals

(In percentage)

Production	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Bauxite	2.7	2.9	2.7	3.1	3.2	3.3	3.4	3.4	3.2	5.1	5.5
Alumina	3.6	3.7	3.3	3.7	3.9	3.4	3.2	3.1	3.4	3.5	3.8
Aluminium, primary	2.8	2.8	2.7	3.0	3.4	3.7	3.8	4.0	4.4	4.9	5.6
Lead, mine	5.3	6.1	6.5	7.1	7.3	8.4	9.9	11.0	10.1	10.2	9.6
Lead, refined	3.8	4.1	4.1	4.0	4.4	4.4	4.2	5.1	5.1	5.6	6.4
Copper, mine	2.4	2.5	2.6	2.9	3.0	3.2	3.2	3.3	2.9	3.2	3.3
Copper, refined	3.5	3.3	3.7	3.9	4.2	4.9	4.9	5.1	5.2	5.3	5.7
Zinc, mine	4.2	4.4	4.6	5.6	5.7	6.3	7.5	8.7	8.5	9.8	9.7
Zinc, smelter	4.2	3.9	4.3	4.7	5.3	5.8	6.2	6.6	7.9	8.4	9.4
Tin, mine	17.7	19.0	19.5	20.3	21.7	21.5	19.3	17.3	18.6	20.8	22.7
Tin, smelter	7.3	7.9	13.3	11.4	12.8	12.5	11.2	13.2	15.3	17.9	19.8
Antimony, mine	37.4	43.4	42.9	52.2	47.1	61.5	63.7	63.3	62.9	67.7	68.7
Cadmium, refined	1.9	2.3	2.3	2.9	3.5	4.0	4.0	4.4	5.2	7.5	6.7
Magnesium	3.0	3.3	2.6	2.8	2.8	2.8	4.0	4.2	4.3	4.4	6.1
Nickel, mine	2.2	2.1	2.4	3.2	3.1	3.2	3.0	3.1	2.9	3.4	3.5
Nickel, smelter	2.0	1.9	2.3	3.2	3.1	3.2	3.0	3.1	3.2	3.3	3.6
Mercury	13.8	14.6	14.1	13.5	15.1	17.1	16.6	21.6	17.5	27.6	29.7
Silver, mine	0.6	0.6	0.6	0.8	0.8	0.9	1.0	1.1	1.0	1.3	1.4
Iron ore, Fe content	8.3	9.1	8.9	9.1	9.8	9.7	9.8	10.0	10.6		
Steel, crude	5.8	5.9	6.1	6.5	7.3	7.6	7.6	7.8	7.8	8.7	

Consumption	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Alminium, primary	3.7	3.8	3.8	4.3	4.8	4.0	3.5	4.8	4.5	5.1	6.5
Lead, refined	3.9	4.2	4.4	4.7	4.7	4.8	4.6	4.5	4.6	4.8	4.9
Copper, refined	4.4	6.3	6.0	5.6	5.8	5.2	5.2	5.5	5.4	6.1	8.1
Zinc	5.3	5.3	5.4	5.6	5.9	6.2	5.7	5.8	7.5	8.0	8.3
Tin	5.0	5.4	5.2	5.4	4.9	5.5	6.0	7.1	10.7	6.8	6.4
Cadmium	1.8	1.6	1.8	1.9	2.0	2.0	2.0	2.2	2.4	2.7	2.8
Magnesium	4.0	4.5	4.7	4.7	5.0	5.0	5.3	4.8	4.6	4.9	5.4
Nickel	2.7	2.6	2.4	2.7	3.0	2.9	3.2	3.2	3.2	4.6	4.8
Steel, crude					10.3	9.9	9.4	9.5	10.4		

Net Imports a/	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Aluminium	3.7	5.3	5.2	8.4	4.5	2.3	1.2	2.4	0.9	0.5	2.7
Copper, refined	4.1	15.7	8.3	11.9	5.5	1.8	1.5	1.9	0.6	3.0	7.3
Lead, refined									0.2	0.0	0.1
Tin, refined	-1.9	-2.2	-1.8	-4.2	-3.2	-10.0	-4.1	-5.5	-5.5	-9.9	-14.8
Zinc, slab	5.4	11.3	11.4	13.2	3.2	-1.3	2.3	-0.0	-0.6	0.3	-3.4
Iron ore, Fe content	0.6	1.3	1.7	2.9	3.5	3.6	3.5	3.3	3.8	4.7	

a/ China's imports minus China's exports divided by world exports.

Source: Metallgesellsshaft Aktiengesellschaft, Metallstatistik 1982-92, Frankfurt, Germany, 80th Edition, 1993; World Bureau of Metal Statistics (WBMS), World Metal Statistical Yearbook, various years; and United Nations Conference on Trade and Development (UNCTAD), The Commodity Yearbook, various years.

increasing requirements for materials, owing to rapid economic growth, in particular of the industrial sector, population increase, the need for infrastructure works and consumerism.

Such trade expansion possibility can be illustrated by the case of steel, product in which the country is the second largest producer after Japan, taking over the former Soviet Union, and the United States. At present, PRC is the largest iron ore mining country and the fourth iron ore importer. China will be facing a significant supply gap in the future in this product group. "The growth of iron ore mining has failed to keep pace with the needs of the country's steel industry. Huge quantities of iron ore imports are inevitable to ease the supply shortage." "Imports of high-grade iron ore, currently at around 10 million tpy, are likely to increase to 20 million in the near future" (UNIDO, 1991, p. 99). Even industrial slow-down in 1990 did not strike a balance between demand and supply, and steel products needed for basic industries such as energy, transportation and raw materials continued to be in acute shortage. Today, almost all steel products are in short supply, due to the already high capacity utilization rates, relatively low labor productivity of the industry, and the soaring prices of raw materials and energy. If the recent situation 74/ can be taken as a trend, imports of the iron ore and steel sector from Latin America should experience rapid growth.

PRC has achieved self sufficiency in many of the non-ferrous metals, but not in copper. PRC at present consumes annually some 900,000 tons of refined copper, 350,000 of which are imported. Projections point to an annual increase of 5%. This way, within a period of 10 years, the consumption of refined copper could increase by some 550,000 tons annually (Estrategia, 1994). And due to the limited possibilities in the expansion of the proper output, its imports are expected to increase. As the Japanese had done in the past, China is beginning to examine mining investment possibilities in Australia, Africa, Russia and South America,75/ in order to establish direct assess to raw materials (Estrategia, 1993).

The same can be said about energy resources. Should PRC reach the level of energy consumption per capita similar to that of the Asian NICs, its impact on world consumption is tremendous: if PRC's GDP per head grew at the same pace as in the past, within 20 years it would be similar to that of the Republic of Korea. Applying Korea's consumption per capita to PRC's expected population in the 20 year period would imply a five-fold increase in its energy demand. This increase is bigger than the total energy consumption of the United States today, while the energy used per head in PRC would still be below than one third of that in the United States now.

74/ Steel imports in the first half of 1993 were 360% higher than in the first half of 1992. The government plans to boost the country's annual steel output some 25% to 100 million tons by the end of the century from the current 80 million tons, by stepping up the output of the four large companies (Shougang Corp. Anshan Iron and Steel Co., Baoshan Iron and Steel Complex Co. and Wuhan Iron and Steel Co.) and doubling other steelmakers of annual production capacity of 3 million tons (The Nikkei Weekly, 1993).

75/ The Chinese are reported to be interested in the Altamira mine, located in 150 north of the Copiapó (Estrategia, 1993).

The Chinese supply of petroleum products, still the major export item of Latin America, has failed to keep pace with demand since the early 1980s, thereby resulting in the reversal of its long-standing policy against imports. With subdued growth of oil production, crude oil supplies have tightened, and since 1988 imports have soared, valued at US$ 5.9 billion in 1993, equivalent to 5.6% of total merchandise imports. However, crude production is expected to rise by only 2.3-3.5 million bpd. Despite the country's intensified efforts to boost exploration, PRC is likely to become more dependent on imports. The Organization of Petroleum Exporting Countries (OPEC) estimates that imports will exceed exports by 100,000 barrels a day and that by 2010, the country's net imports are likely to reach 1.4 million barrels a day (Journal of Commerce, 1994, p. 11c). It is reported that China will boost crude oil imports, not only from Iran, country on which Beijing has relied mainly for imported crude up to now, but also from other nations of the Middle East, such as Kuwait and Saudi Arabia. If planned imports from these countries come off, China will become one of the major buyers on the international crude market (The Nikkei Weekly, 1993). In order to assure future supplies, the Chinese are also interested in some joint ventures in Latin America, including Peru, Ecuador and Venezuela.

3. Agricultural and forest products

As in minerals and metals, PRC is one of the major producers, consumers and traders of a number of agricultural products. The share in world production is markedly high for rice, cotton, wheat, pork and poultry, and coarse grains, and has been increasing over the years for all except rice (Table 21). As expected, its share in world consumption is even higher and in all the cases examined, it has been increasing, especially in the post Mao period. With respect to the country's trade position, it is a primary net importer of products which are major importance to Latin America and the Caribbean. Its position as net exporter of such products as rice, beef and sheepmeat, pork and poultry and dairy products has reduced substantially in recent years.

In the case of foodstuffs and agricultural raw materials, it is interesting to compare per capita consumption of these products in PRC against that of other Asian countries of similar diet and living habits. As shown in Table 22, PRC already has a consumption level higher for rice and wheat than its Asian neighbors, while it is substantially less in other products such as meat, sugar, dairy items, eggs, cotton, and to a lesser extent, coarse grains and wool. It is estimated that by the year 2000, the national consumption of meat, poultry, eggs, and fish will have doubled, and that the projected grain output will be far below demand (UNIDO, 1991, p. 90). Similarly, self sufficiency in cotton and wool is likely to fall if textile and clothing exports continue to grow as in recent years in the country.

Yields per hectare achieved in the country for numerous crops are already high by world standards, so that further grain output growth is unlikely to be rapid. PRC's remarkable self sufficiency in numerous agricultural products has been achieved against the critical situation of only one-fifteenth of the world's arable land to feed over one-fifth of the global population. Several OECD studies (Anderson, 1990; Rama, 1992) conclude that PRC will become increasingly more dependent on agricultural imports in the absence of intervention by the

Table 20: Per Capita Consumption of Metals in Selected Countries, 1985
Per capita consumption (kg)

Countries	Per capita (GDP) US$	Alumi-nium	Copper	Lead	Zinc	Tin	Crude steel
France	9,540	10.6	7.2	3.8	4.5	0.125	267.3
Germany	10,940	19.0	12.4	5.7	6.7	0.272	504.7
Italy	9,290	6.1	1.2	3.1	3.5	0.352	290.4
United Kingdom	8,460	6.2	6.1	4.9	3.4	0.166	257.2
Japan	11,300	15.1	10.2	3.3	6.5	0.262	607.4
United States	16,690	18.1	9.0	4.7	4.0	0.155	439.8
Canada	13,680	13.5	8.8	4.6	6.2	0.150	524.3
Argentina	2,130	2.7	1.3	0.9	0.8	0.026	71.8
Brazil	1,640	2.6	1.4	0.5	1.1	0.032	88.1
Mexico	2,080	1.0	1.5	1.1	1.3	0.013	95.8
India	270	0.4	0.1	0.1	0.2	0.003	18.1
Korea, rep. of	2,150	3.5	5.0	2.0	2.9	0.063	243.2
Taiwan, Province	3,690	7.7	4.8	2.1	2.6	0.063	238.2
China, Pep. Rep. of	275	0.6	0.4	0.2	0.3	0.011	62.9

Source: Figures for all the countries except People's Republic of China are taken from Pradeep Rohatgi, "Materials: the developing dimensions", ATAS Bulletin Materials Technology and Development, Centre for Science and Technology for Development (CSTD), New York, United Nations, 1988. For the corresponding figures for PRC, see Table 19.

Government to restrict such import growth.76/ A potential annual shortfall, according to Carter and Zhong (1991), is projected around 85-100 million metric tons for the latter half of the 1990s, equivalent to 20% of its future grain needs, unless there are major technological development or there are significant price reforms which will eventually alter the traditional policy of taxing farmers and subsidizing consumers.

A study by Lin (1992) shares the same opinion that grain is a land-intensive product, and PRC's land endowment is extremely scarce, making grain self sufficiency a costly policy. He states that "a better policy for China is to rely on its comparative advantage and to allow the nation to produce other labor-intensive crops or manufactured goods in exchange for part of the grain requirement through international trade. Crop patterns and resource allocation in each region and in the nation as a whole would be greatly improved if 5% of the grain requirement (about

76/ In 1990, PRC was the second largest grain importer of the world, after Japan (World Bank, 1992b).

20 million tons) were to be imported." (p. 97). Therefore, despite the specific measures contemplated under the eighth Five-year Plan (1991-1995) and the Ten-Year Development Strategy (1991-2000) to boost agricultural production, the scope for trade opportunities in these agricultural products for Latin America is promising. This is, of course, conditional on their quality- and price-competitiveness, in comparison with those coming from other parts of the world.

Consumption of paper and paperboard in 1992 in Asia, including Japan, reached 71 million tons, accounting for 29% of the world total consumption. That is larger than Western Europe's 62 million tons and not far behind North America's 84 million tons. Among the expanding Asian markets, PRC is now the world's third-largest paper consumer at 19 million tons (The Nikkei Weekly, 1994a). Since PRC's annual production of paper and paperboard reaches over 13 million tons and pulp imports already account for 90% of total demand (Toyo Keizai, 1993), import demand for this group of product will be increasingly rapidly. Also, with the elimination of licensing, which have regulated the imports up to now, should result in an even greater imports.

C. INVESTMENT AND OTHER FINANCIAL FLOWS

Trade and investment are known to have symbiotic, mutually reinforcing relations between each other. Reflecting, as causes as well as effects of, relatively small trade taking place and considerably short trade and diplomatic relations, mutual investment flows have been quite limited. It is estimated that the accumulated Chinese investment in Latin America reach US$ 300 million (Luo, 1994). There are said to be 80 mixed- or wholly-owned companies operating in the region (CONECPLAN, 1993).

The most well known is the case of a Chinese steel company buying Empresa Minera del Hierro del Perú (HIERROPERU) for an amount of US$ 120 million. This deal also involves the assumption by the Chinese of outstanding debts totalling US$ 42 million and an investment commitment of US$ 150 million (Far Eastern Economic Review, 1993, A Special Advertising Supplement on Peru). Meanwhile, another Chinese company, Sapet Department (a division of the huge China National Petroleum Corp.) has embarked its first oil extraction venture in northern Peru, regarded by experts as the preliminary step in an ambitious plan to equipment supply for the petroleum industry in Latin America.77/ Other major projects include the iron ore mines and fishing sectors in Peru, iron ore production, wood processing, and bicycle assembly in Brazil, tractor assembly in Venezuela, fish meal and apparel in Chile, maritime fishing in Argentina, zinc mining in Bolivia, and fresh-water shrimp culture and apparel in Ecuador. Currently, studies are undertaken to examine the investment possibilities for iron ore mine projects in Brazil and copper mines in Chile.

77/ The terms of this association would allow the Chinese to get 30% of the oil and Petróleos del Perú (PETROPERU), 70%.

Table 21: PRC's Share of World Production, Consumption and Trade in Various Agricultural Products

(per cent)

	Wheat	Coarse grains	Rice	Beef and sheep-meat	Pork and poultry	Dairy products	Sugar	Cotton	Wool
Production									
1961-64	7	8	31	0.5	10	0.6	1	9	4
1965-69	9	8	37	0.7	15	0.5	2	16	4
1970-74	10	8	39	0.9	14	0.6	2	15	5
1975-79	12	10	38	1.0	15	0.6	3	15	5
1980-84	15	11	39	1.5	18	0.8	4	23	7
1985-86	17	10	38	2.0	21	1.0	5	22	6
1987-89	17	12	31				5	23	
1991-93	18	13	36	3.3			7	25	
Consumption									
1961-64	9	8	31	0.5	9	0.6	3	9	4
1965-69	11	8	37	0.7	14	0.5	3	16	4
1970-74	11	8	38	0.9	14	0.6	3	15	4
1975-79	14	10	38	1.0	15	0.6	4	17	5
1980-84	18	11	39	1.5	18	0.8	5	21	8
1985-86	20	11	40	1.9	21	1.0	7	24	11
1987-89	20	11	39				8	24	15
1991-93	20	13	36				7	25	
Net imports a/									
1961-64	11	2	-16	0.0	-18	0.0	7	3	1
1965-69	11	0	-23	-0.2	-41	-0.1	4	3	-1
1970-74	9	1	-28	-0.2	-29	-0.1	3	6	0
1975-79	10	1	-13	-0.3	-12	0.2	6	8	1
1980-84	12	0	-7	-0.8	-11	0.2	7	10	5
1985-86	9	6	-7	-1.5	-11	0.7	8	-9	14
1987-89	12	-4	-4				12	-6	8
1991-93	10	-4	-8				5	6	10

a/ China's imports minus China's exports divided by world exports.
b/ 1990-92
c/ 1989-91

Source: For the period up to 1986: Kym Anderson, Changing Comparative Advantages in China: Effects on Food, Feed and Fibre Markets, Paris, OECD Development Centre Studies, (Organisation for EconomiCo-operation and Development (OECD), 1990, Table 3.12, p.44; for 1987-89: World Bank, Price Prospects for Major Primary Commodities, Washington D.C., 1988 and 1990; and United Nations Conference on Trade and Development (UNCTAD0, Commodity Yearbook, 1992, Geneva, 1992; for the 1990s: Food and Agriculture Organisation of the United Nations (FAO), Commodity Review and Outlook, 1993/1994, Rome, FAO, 1994.

Table 22: Per Capita Consumption of Various Agricultural Products: PRC and Other Economies

(Kg per capita per year)

	Rice	Wheat	Coarse grain	Beef and sheepmeat	Pork and poultry	Sugar	Dairy products	Eggs	Cotton	Wool
PRC										
1975-79	95	56	62	0.6	10	4	3	3	3	0.15
1980-84	109	81	72	0.8	15	6	4	3	4	0.24
1985-86	117	97	74	1.0	18	7	5	6	5	0.33
1987-90	105	93	88			7			4	0.21
Korea, Rep.										
1975-79	154	50	94	3	7	12	8	6	8	0.90
1980-84	139	58	109	4	12	19	16	7	10	1.25
1985-86	141	85	115	5	14	23	25	8	10	1.42
1987-90						17			10	1.20
Taiwan, province. of China										
1975-79	122	38	155	4	38	28	12	6	13	1.09
1980-84	97	37	189	7	46	27	14	8	15	1.21
1985-86	96	41	209	6	54	28	18	10	17	1.27
Hong Kong										
1975-79	71	31	48	18	57		30	14	46	0.63
1980-84	69	45	64	18	68		33	13	30	0.34
1985-86	67	47	46	18	73		40	12	24	0.43
Japan										
1975-79	91	52	104	7	20	28	58	17		
1980-84	88	52	137	8	24	24	67	18	6	
1985-86	82	51	140	9	27	24	69	18	6	
1987-90						23			6	1.00
India										
1975-79	72	49	14	1		22	44	1		
1980-84	75	54	13	1		22	50	1	2	
1985-86	79	58	12	1		21	56	1	2	
1987-90									2	0.11
Indonesia										
1975-79	132	8	24	2	1	11	2	1		
1980-84	154	10	29	2	2	11	3	2	1	
1985-86	162	9	29	2	3	12	3	2	2	
1987-90						15			1	
All developing countries										
1975-79	74	56	56	6	7	16	35	3		
1980-84	79	66	62	6	9	17	38	3		
1985-86	82	72	63	6	10	17	39	4		
All industrial market economies										
1975-79	7	112	353	34	41	40	269	16		
1980-84	8	124	359	31	46	39	276	16		
1985-86	8	135	361	31	48	37	282	16		

Source: Kym Anderson, Changing Comparative Advantages in China: Effects on Food, Feed and Fibre Markets, Paris, OECD Developing Centre, Organisation for Economic Co-operation and Development (OECD), 1990; Economic and Social Commission for Asia and the Pacific (ESCAP), Statistical Yearbook for Asia and the Pacific (ST/ESCAP/1339), Bangkok, Thailand, 1994; Food and Agriculture Organization of the United Nations (FAO), Commodity Review and Outlook, 1993/1994, FAO, 1994.

As can be gathered, the main purpose of investments is two fold; one is to guaranty supplies of some natural resources (minerals and metals, over the growing yet insufficient domestic production, and the other, to promote assembly-type exports in such sectors in which PRC has comparative advantage (e.g., tractor, bicycle, motorcycle assembling and apparel production). As for the world, the Chinese investors involved in Latin America are of the public sector (Luo, 1994).

As mutual knowledge and understanding deepens and as the efforts of economic stabilization and outward orientation in both regions keep their course, there will be wider investment opportunities. The Chinese might be interested in those direct investment projects, outside privatization and debt-equity conversion arrangements, which have been a major incentive for attracting investment flows to Latin America in recent years.78/ Though large investment projects in sectors other than natural resources will be unlikely, there will be continued PRC interests in such areas as iron ore or copper mining, wood processing, assembly of machinery and electric and electronic products, and textiles and apparel.

Latinamerican investments in PRC are even smaller in number and size. The most notable are Chilean fabrication of copper tubes, Cuban's interests in medical equipment, and as a joint-venture, the recent opening of Brazilian churrascaria, all of them in Beijing. Another interesting case of joint-venture is an opening of a leather factory to which an Argentinean firm supplies the raw material and later they export final products to the United States (Luo, 1994).

Despite its minuscule scale at present, Latin American foreign investment in PRC should increase. Some of the sectors earmarked for joint-ventures in PRC are those in which Latin American entrepreneurs can participate with a relatively small initial capital.79/ Also, given the present level of technological capability of PRC and the countries in the region, substantial technological transfers can be envisaged. This type of cooperation could involve the participation of private and State-owned enterprises of distinct sizes.

78/ According to UNCTAD, foreign direct investment in Latin America has shown a appreciable increase in recent years: during 1988-1992 total FDI flows towards the region amounted to US$ 53 billion, and in 1992 alone US$ 17.7 billion. During this time span, the major receptor countries were Mexico (US$ 18.4 billion), Argentina (10.6 billion), Brazil (7.0 billion), Chile (4.0 billion), Venezuela (3.2 billion) and Colombia (3.0 billion) (a summary of an UNCTAD report in Reuter, 30 August, 1994).

79/ The areas specifically preferred for joint-ventures in PRC, with a possible Latin American participation are the following: i) fresh or dried fruit processing, juice and drinks, in Beijing; ii) dehydration of vegetables, with an annual capacity of 1600 tons; iii) refined oil processing, with an annual capacity of 60,000 tons, of total investment of US$ 4 million; iv) renovation of processing equipment for wheat, bread and pasta, with a capacity of 75,000 tons of wheat, 4,000 tons of bread, and 3,000 tons of spaghetti a year; v) elaboration in Beijing of maize products and its oil, processing capacity of 37,000 tons and 750 tons, respectively; vi) elaboration of meat products, with a 2000 annual capacity, with an investment of US$ 1.06 million (foreign participation of 40%) in Beijing; vii) elaboration of strawberry-based drinks (1,000 tons a year); and viii) elaboration of fruit juices and drinks, with a capacity of 2,000 tons (total investment of US$ 2.3 million, with a foreign participation of 52%) in Beijing (CONECPLAN, 1993).

To facilitate investment flows, PRC has signed a reciprocal investment-promotion and protection-agreement with Bolivia, Chile, Argentina, Uruguay, Peru, Ecuador and Jamaica. An eventual agreement with other countries, including such major regional players as Brazil and Mexico, at an earliest time, will undoubtedly enhance the investment environment for both regions.

In the financial sector, also of recent phenomena, there have been interesting initiatives. In order to facilitate Sino-Latinoamerican trade flows, the Bank of China 80/ signed in 1985 a reciprocal credit agreement with the Banco de la República Colombiana, with a total amount of US$ 5 million. In the following year, the same Chinese bank signed a similar agreement with Mexico's Bancomext, for a total of US$ 10 million. Since their conception, these two agreements are said to have a good performance record. Furthermore, a buyer-credit agreement was also signed with the Banco Nacional de Argentina, with a sum of US$ 20 million (Luo, 1994). These promotion efforts have been coupled by other steps. The opening of a representative office of Banco do Brazil, as early as in 1981, in Beijing, the establishment in 1994 a branch office of the Bank of China in Panama, and the opening in 1994 of the China Eximbank, organization subordinate directly to the State Council, are some examples. Obviously, as mutual trade intensifies, there will be greater needs of trade finance, involving more institutions and countries in both regions.

To bring about more consolidated economic relations based on long-lasting mutual confidence, it is necessary to formalize relations by government initiatives. In this sense, the Chilean case is illustrative. Over the years, they have signed a series of treaties with PRC: the Bilateral Trade Agreement with PRC in 1970; Treaty on Scientific and Technical Cooperation in 1980; the Memorandum on the Cooperation on Plant Quarantine in 1990; the Memorandum of Understanding between the Mining Ministry of Chile and the Ministry of Geology and Mineral Resources of PRC on Scientific Cooperation and Technology in the Area of Geosciences in 1992; the Agreement on Promotion and Reciprocal Protection of Investment in 1994; and the Complementary Memorandum on Cooperation on Vegetable Quarantine between the National Service of Animal and Plant Quarantine of PRC and the Agricultural and Livestock Service of Chile in 1994. As Chile's increasing trade relations with PRC witnesses, these formalities are conducive to more expedient concretion of trade and investment possibilities.

Along the same line, as agreed during the President Jiang's visit to Brazil in November 1993, there are other spheres of technical cooperation in space technology, including the satellite production,81/ launching services, space communication, material processing, etc. They have expressed interests in developing joint-ventures in other high-tech areas, such as micro-gravity and chemicals (REUTER, 1993a, 1993b). Also, in the agricultural sector, there are wide

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80/ The capital and assets of this bank, specialized in foreign exchange and foreign trade, has reached in 1993 US$ 340 billion. It has 474 subsidiaries in 18 different countries (Luo, 1994).

81/ Both countries are already cooperating in a US$ 200 million project to construct two satellites for land investigation.

opportunities for cooperation, in such areas as quality control and sanitary and fitosanitary inspection,82/ which all contribute to the enhancement of trade.

82/ In 1993, PRC signed a memorandum with Chile to cooperate in sanitary inspection for vegetable products, and with Uruguay for vegetables and animal products (Luo, 1994).

VI. CONCLUSIONS AND RECOMMENDATIONS

The implementation of economic reforms in People's Republic of China (PRC) has been gradual, in contrast to a simultaneous and comprehensive, "big-bang" approach adopted by the former-socialist countries in Eastern Europe. Though the reforms in the post-Mao Zedong era have signified a decisive departure from Stalinist centrally planned economy towards greater use of market forces, their implementation has been pragmatic, evolutionary and incremental. The gradual changes in marketing mechanisms, from the complete mandatory pricing for almost all products to the dual price system and then to a wide application of market price determination for the majority of products, have spared PRC the need to go through drastic price stabilization programs common in the economies in transition. The rapidly expanding marketization of the economy does not still involve formal privatization of State-owned enterprises. Neither, it has altered the basic land ownership structure. One of the world highest economic growth rates has been achieved through the functioning of product, capital and labor markets which are extremely imperfect, by international standards. The most dynamic force in its industrialization process has been the collective sector and township and village enterprises, which are neither strictly State- nor private-owned. The success of its "Open Door" policy, though a drastic change in its outward orientation from the "self-reliance" approach, was made possible by a gradual implementation of policies on export promotion and foreign capital and technology: the policies evolved from the establishment of Special Economic Zones in limited geographic areas, to its extension to other coastal cities, and later to cities in inland provinces. A remarkable expansion of foreign trade, has been brought about in highly protective environment by a wide range of export and import controls and on capital movements, under a non-convertible exchange rate system.

Notwithstanding a possible worsening in income disparity and certain reversals in trends in recent years, the above-mentioned achievements have been brought about in a comparatively low-inflation environment and in a relatively healthy public finance. Coupled with relatively little resort to foreign capital, the reforms have parted from a relatively strong balance-of-payments position. Though its economic size, measured by market exchange rates, is still far below that the major developed economies, when taken into consideration real purchasing power, PRC's share in world output triples to 6%, making it the world's third largest economy behind the United States and Japan. Should the difference in growth rate between the United States and PRC be maintained for 20 years more, the latter will transform into the world largest economy.

The success of economic reforms, ongoing and forthcoming alike, depends on a sound macroeconomic management, which will check an unduly increase in aggregate demand, fueled by too permissive credit expansion. The overheating of the economy, which leads to the emergence of shortages and bottlenecks in critical sectors, an accelerated inflation and a deterioration of the balance of payments, must be avoided. For an effective macroeconomic management it is essential to establish a healthier public finance. In this view, investment decisions among distinct government authorities must be coordinated, while a more effective means of revenue collection and sharing between the central and local authorities should be

sought. These polices should be accompanied by measures to correct income disparity among the urban and rural areas, especially in the interior.

The deepening of the ongoing economic reforms, coupled with prudent macro policies, should insure that the economy stay in the course of its sustained, yet gradual, transformation process. The reforms on trade and investment regimes in particular will stimulate even further the fast growing external sector of PRC. As the economy continues to grow and the income of the majority of the populace to rise, there will be wider trade and investment opportunities for the countries of Latin America and the Caribbean. At the same time, the reforms will produce important bottlenecks and shortages in local industrial production and result in large annual fluctuations in industrial materials and farm products from outside. To take full advantage of these opportunities, therefore, it is important for Latin America and the Caribbean to be aware of the implications that these reforms might have on future trade and investment opportunities.

PRC has been one of the fastest industrializing countries in the world. The industrial sector has continued to lead the economy and in particular the manufacturing sector. Its manufacturing value-added, already by the end of 1987, ranked seventh in the world and surpasses that of Brazil or Spain. Throughout the reform years, the investment ratio (investment/GDP) has been maintained in a 35-40% range, remarkably high levels by international standards. The industrialization drive, based earlier on the efforts of State-owned enterprises, has gradually extended to cover collective and town and village enterprises (TVEs), which are now the most dynamic sector of the PRC economy. These small-scale enterprises, operate relatively freely on the basis of market forces and enjoy greater managerial and financial autonomy than the State counterparts. The collective sector as a whole and the TVEs accounted for 40% and 26% respectively of gross value of industrial output (GVIO) in 1992. Private firms, including foreign-funded entities, were responsible for 14% of GVIO. In addition to their contribution to industrial output and employment creation, rural industries in some provinces provide Chinese farmers an important non-agricultural income source.

The share of the State is still high for many industrial segments, especially in power and energy, timber, tobacco, machinery, textiles, food processing, chemicals and metallurgy. Sectoral specialization of the collective sector is relatively strong in machinery, textiles and chemicals. Therefore, the simple dichotomy between the heavy-State industrial sector and the light small-scale collective industries does not straight forwardly apply. In fact, in many of the exportables, such as textiles and electronics and metal working, the State share is still significant.

There are basically three geographical areas that have been instrumental in the economic liberalization process. The first encompasses such cities as Shanghai, Beijing and Tianjin, along with provinces like Liaoning and Heilongjiang, where State-run firms still dominate industrial activity. The second covers the Provinces of Guangdong and Fujan, which are an example of economic development based primarily on foreign trade. This type of development has been facilitated by close relations with Hong Kong and the Province of Taiwan, that share ethnic, geographical and linguistic proximities. The third pole consists of the Provinces of Jiangsu and Zhejiang, which have proceeded down the path of domestic-oriented development, including the

industrialization of agricultural villages. Despite their general inward-orientation, the TVEs account for more than 20% of total exports of the country, constituting one of the most important export sectors.

Chinese industry, especially of the State sector, still suffers a series of problems. In general, the State-owned sector remains characterized by inefficiency, sub-standard quality, inappropriate investment decisions and the lack of competition. The collective sector not exclusive, industry is suboptimal scale and fragmented production capacity, structural imbalance between downstream and upstream production capacity, high-cost and low-quality intermediate and capital goods, and shortage of certain essential raw materials. In spite of the recent implementation of measures to make these companies responsible for their own management and operations, it is unlikely that the ongoing reforms will provide immediate solutions to these problems. While they persist, the countries in Latin America can expect from PRC large import demands, though widely fluctuating from year to year, depending on the stop-and-go cycles, a feature common up to now of the PRC economy. Meanwhile, the course of the State-enterprise restructuring is also conducive to that these firms establish various types of joint ventures with foreign interests. Since the majority of the 50,000 foreign affiliates in PRC are joint ventures between foreign investors and State enterprises, the potential impact of foreign investment in public enterprise reform can be significant.

Agriculture in the post-Mao era expanded by at such a fast pace that agricultural production of all commodities and per capita food production at the end of the 1980's was substantially higher than at the beginning of the decade. However, in recent years there has been not only a slow-down in productivity gains but also a decline in the amount of area sown. The causes for the stagnation include, among others: i) the difficulty of replicating the one-time productivity gains resulting from the dismantling of the commune system; ii) the still insufficient improvement in relative prices; iii) rising income opportunities for farmers in rural industries; iv) increasing fragmentation of land holdings; and v) insufficient investment in infrastructure. Yields per hectare in the country for numerous crops are already high by world standards, so that further grain output growth is unlikely to be rapid. The solutions to these constraints can only be found in the long-run.

Its outward orientation in the external sector changed from the "self-reliance" approach to the "Leaning-on All Sides" philosophy, irrespective of political coloration. Trade reforms have touched a wide range of issues involving: i) the decentralization of the decision making process and the cease of the monopolization of trade by a few trade corporations; ii) the rapid reduction of exports and imports subject to mandatory planing; iii) increasing use of international prices for the determination of the domestic prices of imports; iv) the elimination of all direct budgetary export subsidies; v) a step-by-step reduction of tariff and non-tariff barriers; and v) the elimination of a rigid exchange control and the depreciation of the local currency. These were accompanied by the ambitious plans to attract foreign investment.

As a response to these changes the country's foreign trade expanded rapidly. Its exports of more than US$ 92 billion rank PRC as the world eleventh largest exporter, with its export

sales greater than those of Taiwan Province or the Republic of Korea. Its imports of more than US$ 104 billion are greater than any developing country except Hong Kong, which reexports most of its imports. Combined, and net trade with each other, China, Hong Kong and Taiwan Province of China, the so-called "Greater China", already import almost double of imports of a medium-sized industrial economy like the Netherlands or Canada. Therefore, the three Chinas offer at present a very significant and one of the fastest growing export markets of the world.

The foreign direct investment (FDI) in PRC has been rising at a phenomenal rate: cumulative to the end of 1993, contracts worthy of US$ 217 billion were authorized out of which US$ 57 billion were actually invested. By nationality of investors, Hong Kong and Macao have been by far the most important, followed by Taiwan Province, the United States, and Japan. Major FDI flows have been concentrated in the processing and assembling of industrial products in the South-East coastal regions. Recently, however, there have been significant flows into high-technology and capital-intensive industries, as well as services and infrastructure, in other geographical locations. FDI in agriculture still remains relatively small.

The contribution of FDI in total gross domestic investment (8% in 1992), total industrial output (6%) and employment creation (6 million employed at foreign affiliates) is substantial. The pivotal role of FDI in the national economy is even more marked in the trade sector: the share of foreign affiliates' exports in total PRC exports reach close to 30%, constituting the major vehicle for the export drive. It is to be noted, however, that given the predominance of processing and assembling operations which require a high portion of import materials, the national value-added in export-related activities is known to be very low. The export push promoted by FDI, based on the expansion of subcontracting or assembly type operations, have led to a large negative trade balance. In this respect, it is highly desirable for the PRC authorities to establish backward and forward links with the rest of the economy and to augment local contents of these operations. The government encourages those FDIs that are to augment local contents and local competition which force domestic enterprises to upgrade their efficiency, in addition to their contribution in capital, technology and management skills.

PRC's FDI coming from Latin America and the Caribbean is limited in number and scope. Despite its minuscule scale, investment opportunities should be expanding in the future. An obvious case would be joint-ventures or other forms of association in food processing. There is also a need for the advanced technology in dairy products and fruits and their processed items, demand of which is likely to increase in the near future. These can be undertaken with relatively small initial capital requirements, possibly with public enterprises of distinct sizes. When so justified, to take advantage fully of the expanding and emerging markets in PRC, it is preferable to cater them more directly via FDI than through exports.

PRC's investment in Latin America and the Caribbean is also of a reduced scale. The accumulated Chinese investment in the region could total only US$ 300 million. Principle motives of PRC in investing in Latin America up to now are to ensure supplies of raw materials for its rapid expansion of manufacturing and large projects outside these sectors will be unlikely.

However, there will be continued PRC's interests in such areas as minerals and metals, wood porcessing, assembly of machinery and textiles and apparel.

It is difficult to determine with accuracy PRC's trade flows with its partners, because its official data distort the flows by country of origin and destination, owning to the exclusion of the enormous volume of PRC's trade re-exported by Hong Kong. In 1992, US$ 51.8 billion (58.5% of all Hong Kong re-exports totalling US$ 89 billion) originated from PRC, while 30.7% of total re-exports worthy of US$ 27 billion were destined to PRC. Incorporating these flows will increase the participation of the developed countries, especially the United States, in total PRC exports, and Japan in imports, who resort extensively to re-exportation through Hong Kong. Due to the non-existent diplomatic relations, Province of Taiwan undertakes a substantial volume of trade indirectly through Hong Kong. The adjustment for re-exports reduces drastically the participation share of Asian NICs, of which Hong Kong is a member. The adjustment on re-exports elevates the United States' share in PRC exports from 10% to 30%. This high market dependence on the United States should mean that Latin American and Caribbean countries will face fierce competition in some categories of labor-intensive products in that market, regardless of the signing of the NAFTA or other trade agreements.

A "guesstimate" by this study suggests that PRC's exports to Latin America and the Caribbean can be underestimated as much as 200%. Similarly, when taken into consideration re-exports, PRC's imports from the region can be underestimated by almost 17%. These underestimations affect severely the trade balance of the countries in the region with PRC. Therefore, examining the trade structure of PRC only by looking at their official statistics is prone to misinterpretation and hence misguided policies.

Let alone the problems associated with Hong Kong's re-exports, the official data show that PRC's exports have been escorted by market and product diversification. Manufactures have increased their share consistently over the years in both PRC's exports and imports. Due to the increasing importance of manufactures, the participation of Latin America and the Caribbean in PRC imports has been insignificant, being responsible for less than 2% of total imports and this small share has been declining. The flows are also characterized by wide year-to-year fluctuations. The reduced weight of the countries of the region means that they have failed to take full advantage of the rapidly growing import market of PRC. Large annual fluctuations also suggest that there is a lack of established, solid trade and investment links, which are conducive to more stable trade flows from one year to the next.

The changing import basket, increasingly consisted of manufactures, reflects the ongoing transformation of the economy as a whole, which requires increasing industrial raw materials and capital goods. The major manufactures imports include iron and steel, telecommunication equipment and machinery tools, passenger cars and their parts, textile materials for further use, chemical fertilizers, etc. Their imports from Latin America and the Caribbean are concentrated in ferrous and non-ferrous minerals and metals, especially iron and steel products, and other groups of traditional (e.g., petroleum, animal feeds, sugar and honey) and non-traditional primary products (pulp and paper, fish and their products, leather products). Given an asymmetric trade

relation of Latin America with PRC, in which they export primary commodities and import manufactures, it is desirable that future Latin American exports incorporate increasingly manufactures, which provide greater economies of scale and positive externalities.

With some exceptions (e.g., iron and steel products by Brazil and copper by Chile) the relative importance of Latin America as suppliers of these products remain low. The rapidly expanding import sectors are not necessarily those in which the countries in the region have comparative disadvantage. In fact, an increasing share in the export basket of Latin America consists of industrial products, manufactures and semi-manufactures, and PRC's import demands are very likely to increase in these products in the future. In this sense, the countries of the region could have taken fuller advantage of the PRC's import surge, if they had been better prepared. Diligent market research and aggressive marketing efforts in the future are called for in order to establish some "niches" in the most dynamic import segments, which are up to now captured by suppliers from developed economies.

Per capital consumption in PRC of ferrous and non-ferrous metals is extremely low, by international standards. Its consumption level of major metals which are of great interests to Latin America (e.g., aluminium, copper, lead, zinc, tin and crude steel) is lower than that in the developed market economies but also that of developing countries. An examination of the use of intensity of these industrial metals points to the conclusion that PRC is at a development stage, where unit of input of GDP is likely to expand for some years to come. Reductions in per capita consumption thanks to miniaturization, material saving and substitution might be offset by increases requirements for materials, which arise from rapid economic growth, population increase and the great need for infrastructure projects and consumerism. Similarly, given the existing and foreseen difficulties in bringing envisaged exploitation projects into operation in the near future, PRC's oil imports will likely to increase substantially. Should the present trend continues, the Chinese will be increasingly interested in some joint ventures in Latin America, to insure future supplies of metals and petroleum.

Its position as net exporter of such products as rice, beef and sheepmeat, pork and poultry and dairy products has reduced markedly in recent years. Though per capita consumption of some produce (e.g., rice, wheat) is higher than its Asian neighbors, it is substantially less in other products such as meat, sugar, dairy items, eggs, fish, cotton, and to a lesser extent, coarse grains and wool. By the year 2000, the national consumption of these products will have doubled, and the projected output will be far below demand. These foreseen deficiencies signify increasing import demand for a large number of farm products in which Latin America and the Caribbean are known to have strong comparative advantage. To this effect, an annual population increase of 14 million and possible changes in consumer habits should provide an even more enticing market in farm and their processed products. To attend the customers more directly, it is possible to establish food processing facilities, an area to which the Chinese attach high priority in joint ventures with Latin American interests.

As in the case of imports, the participation of Latin America and the Caribbean in PRC's exports is negligible: the region has accounted for less than 2% of total. The products involved

do not differ significantly from those directed to its major trade partners (e.g., the United States, European Union and Japan), reflecting the country's comparative advantage. They are labor-intensive manufactures, such as toys, textiles and clothing, footwear, simple electrical and electronic machinery and tools.

The increasingly predominant position of manufactures in PRC's export basket has also been related to how the country has inserted itself in the growth pattern of its Asian neighbors. Copying the export pattern of other members of the "Flying Geese" flock, PRC has conquered successfully world markets of labor-intensive manufactures exports, as other Asian economies move out of them and specialize more in technology-intensive and capital intensive products. Based on this perspective, PRC' export dynamics must be analyzed not only in a national context but also a larger Asian regional framework.

From the viewpoint of Latin America and the Caribbean, PRC's export drive, based primarily on low labor costs, which are likely to remain very competitive for some time to come, will provide strong competition to the producers and exporters of these categories of products of the region, in markets inside and outside the proper region. The increasing competition coming from the Asians, particularly PRC in labor-intensive areas, could affect negatively trade possibilities of other developing countries in the OECD markets. Also it is possible to produce "investment diversion" towards PRC, induced by the attractively low wages and the enormous local market potential.

PRC has been liberalizing its trade regime and its pace has accelerated in recent years. To facilitate its entry to the WTO, tariffs for many products were reduced to such a level that the simple and weighted averages at the beginning of 1994 were 39.9% and 21.9% respectively. Besides, the country has abolished the system of export subsidies and adjustment tax on imports, and reduced the categories of goods subject to licenses and or quotas for both imports and exports. Nonetheless, the level of tariff protection still remains high compared to other developing countries and still a wide range of products are subject to quantitative restrictions. In addition, the tariff structure for the majority of products is "escalated" in such a way that the processed products of higher value-added face a much higher levy than raw materials. Under the GATT membership, PRC will assume the responsibility to reduce its tariff rates by 50% of the levels in effect in 1992. Though high tariff rates and non-tariff barriers are common among capital goods and luxurious consumer items, reductions and corrections of the escalation in primary products should help increase Latin American exports.

PRC's entry to the WTO obviously enhances its international recognition and formal integration in the world economy and at the same time serves to consolidate the ongoing economic reforms. It will also strengthen the WTO as an international organization, with a fuller support and commitment of the country most populated and one of the most active trade partners in the world market. In addition, as more immediate effects, its reaccession also secures for the country the most favoured nations benefits and facilitates its access to the Generalized System of Preferences. The GATT membership also allows PRC to resort to the dispute settlement mechanisms and procedures, when necessary. However, as the PRC authorities have repeatedly

stated, the reentry should not be achieved at any cost. PRC's reentry means that its economic and legal systems must undergo major changes. A more accelerated reduction of trade barriers, as envisaged under the GATT reentry, should mean that a large number of national firms will be exposed to severe foreign competition. Against possible, grave consequences of further liberalization, its process is thought to be gradual and the scope sector-specific.

The key for economic cooperation is mutual understanding and deepening of diplomatic relations. In this sense, PRC has already established diplomatic relations with 17 countries in Latin America and the Caribbean and they have created an office of the Ministry of Foregin Trade and Economic Cooperation (MOFTEC) in almost all of those embassies.83/ Besides these official channels, PRC envoys a significant number of trade missions to the region and participates in international trade fairs. These initiatives have served to create direct contacts among the trade agents of both parties. In contrast, similar trade-prospective undertakings on the part of Latin America and the Caribbean have been relatively scarce and general knowledge of the entrepreneurs on PRC has been limited. More active participation of Latin American agents in those fairs will surely enhance trade and marketing possibilities. Another form of trade promotion, on a more permanent basis, is by establishing representative offices in PRC. As some Argentinean and Brazilian cases show,84/ a permanent presence in the consumer market provides potential exporters with up-to-date information and their market peculiarities and idiosyncracies.

With respect to the diplomatic relation, there are 29 nations in the world which recognize Taiwan as nation, rather than a province. It should be pointed out that all seven Central American countries, along with Haiti, the Dominican Republic and several other smaller-island countries, recognize Taiwan as the true representative of China. In recent years, these countries have officially supported the entry of Taiwan to the United Nations. Also, the Taiwanese commercial and investment interests in Central America as well as technical assistance directed to them have intensified substantially. Reflecting the importance that it attaches to the sub-region, Taiwan is also a contributing member of the Central American Bank for Economic Integration (CABEI). The rising profile of Taiwan makes it increasingly complex for Latin America and the Caribbean to establish a common stance towards the "two-China" dichotomy in multilateral negotiations such as the United Nations, World Trade Organization and those involving the Pacific Basin countries. Meanwhile, however, trade relations can continue as before: the non-existence of diplomatic relations does not prevent the countries from seeking stronger economic ties with PRC. For instance, in early September of 1994, a mission of high level officials of Honduras, first of its

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83/ PRC does not yet hold diplomatic relations with Panama, with which the country has notable commercial relations.

84/ An Argentinean firm, IMPSA, has a strong presence not only in Beijing but also in other parts of Asia. This company, for instance, has been successful in exporting to PRC seaport lifts to handle containers. A Brazilian firm, Com. Brasileira de Proyectos y Obras (CEBPO) recently opened a representative office in Beijing, to exploit possibilities in hydroelectric projects in PRC.

kind, visited Beijing to examine trade and investment possibilities. These efforts should be continued and encouraged for other countries.

Possibilities to widen trade and other links between Latin America and PRC can be pursued not only by bilateral means but also through multilateral mechanisms. The latter include the Pacific Basin Economic Council (PBEC), Pacific Economic Cooperation Conference (PECC), and Asia-Pacific Economic Cooperation Council (APEC). PRC is a member of each. PBEC, which groups business community of 18 countries, including several Latin American countries (Chile, Colombia, Mexico and Peru) and Russia. PECC, comprised of private sector interests, academics, and governmental representations, among which Chile, Colombia, Mexico and Peru are also members. APEC, a formal forum at a ministerial level for consultation and cooperation in economic matters, has recently accepted the membership of Mexico and Chile.

These organizations are of transcontinental character, involving both side of the Pacific. These channels should not only serve to create and strengthen joint interests of the member countries but also to provide fora for bilateral consultations and negotiations, including the Chambers of Commerce and other forms of business associations. It is crucial that Mexico and Chile in APEC, and some other Latin American countries who are members of the above-mentioned organizations, to act as an interlocutor of Latin American interests. At the same time, these countries should perform a function of "bridge" to the countries which have had little commercial relations with PRC up to now. Also, efforts to strengthen mutual relations through the Rio Group should be further encouraged.

In conjunction with the scarcity of commercial information, it is of great importance to improve the quality of trade statistics involving the countries on both sides of the Pacific. As repeatedly mentioned throughout this paper, it is difficult to assess with certain precision the amount of trade which takes place at the national or regional level between Latin America and PRC, owing to the large quantities of re-exports through Hong Kong. Aside from this, there are great discrepancies in trade data depending on the individual reporter countries. To correct this deficiency, it is preferable for some international or regional organization, such as APEC or the Rio Group, to assume a responsibility of data collection, screening and monitoring.

Up to now the Group of 77 and PRC have worked together in various international fora with the conviction that only through a unified voice their economic and social interests of developing countries be heard and insured. The Group of 77 and PRC represent more than four-fifths of humanity. The revitalization of world economy and social development still remains as the major challenge for the developing countries. The preservation of a united front among its various regional components, Latin America and PRC, should provide an invaluable asset to the Group in the resumption of North-South dialogue. Recently, for example, these countries have been working jointly on the draft declaration and action program for the World Summit for Social Development. It is important that this type of South-South coordination in economic and social fronts be maintained and strengthened.

The establishment of more strengthened economic relations is unlikely, unless clear commitments by the governments are not forthcoming. In order to facilitate trade flows on a more consistent manner, it is preferable to expand trade finance and to strengthen the institutional framework for such objective. Similarly, it is convenient for both regions to provide a more stable investment climate, by signing a reciprocal agreement on investment promotion and protection. Also, when possible, the countries in Latin America and the Caribbean should promote technical cooperation projects or other sectoral agreements with PRC (e.g., quality control, sanitary and fitosanitary inspection), which consequently would lead to trade and investment possibilities. From a similar angle, it becomes strategically important for the countries of the region to support the PRC's aspirations to play a more protagonical role in trade and economic cooperation between the two areas. This can be achieved, for example, by advocating the PRC's official requests in September of 1993 for a full membership at the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB).

Another area in which PRC and Latin America can collaborate is the field of primary commodities. PRC is not only an important producer and exporter but also a dominant importer of a series of products that weigh heavily in export basket of the region. Their production, consumption and trade affect the prices of these products worldwide, and therefore it is of interest of both regions to establish prices which are more stable and remunerative. As in the case of tin, this country is the major actor not only as a world consumer but also as a supplier of a group of commodities, influencing the price level of these products. Currently, the country is the world's largest producer and exporter of tin, with annual exports of some 32,000 tons, equivalent to almost 40% of the total world demand. Tin prices, presently at a very low level by historical standards, have been negatively affected by the exports from outside the Association of Tin Producing Countries (ATPC), which regulates the world supply.85/ The recent incorporation of PRC to the Association, and the envisaged Brazil's membership in the coming year will help to create a more orderly market with more remunerative prices and to take a stronger stance against the non-member producers (Vietnam, Russia, Burma, Peru and Zimbabwe), including the United States Defense Logistics Agency, the third largest exporter of the tin metal.

The rapid process of industrialization of PRC would place a new strain on global energy supplies. Apart from possible changes in international demand and supply that it imposes, it should produce severe environmental effects, unless specific measures be taken. Most of energy comes from coal, particularly soft, high-sulfur, highly polluting coal, which results in acid rain not only in the country's territory but also other parts of the globe. Also, the country has been the fastest growing emitter of carbon dioxide in the recent past, ranked third in emission of greenhouse gases behind the US and the former Soviet Union. "The Stockholm Environment Institute calculated that if China's economy grows 8.5 percent a year for the next three decades,

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85/ The members of the ATPC are Malaysia, Indonesia, Bolivia, Thailand, Nigeria, Australia, Zaire and PRC. The previous reluctance of PRC to join ATPC was based on the distribution of quotas in accordance with exports rather than production. PRC had argued that its contribution to the Organization should be based on exports because a large proportion of its production is for domestic consumption, unlike other countries which export most of what they produce.

then by the year 2025 China will produce three times as much carbon dioxide as the United States". (Kristof, 1993, p. 65). In spite of the low level of emission on a per capita basis, PRC's sincere cooperation is sought for to curb the worldwide greenhouse phenomenon. Sino-Latin American trade should expand in such a way that negative environmental effects be minimized.

Annex Table 1: Destinations of Domestic Exports and Re-exports of Hong Kong, 1980-1993
By Region and Major Trading Partner

(In billion US$)

	1980	1989	1990	1991	1992	1993
PRC						
Domestic exports (a)	0.32	5.54	6.10	7.00	8.01	8.19
Reexports (b)	0.93	13.27	14.25	19.74	27.42	35.50
Sub-total (a+b)	1.25	18.81	20.35	26.74	35.43	43.69
Share of reexports (b/a+b)	74.4%	70.5%	70.0%	73.8%	77.4%	81.3%
United States						
Domestic exports (a)	4.53	9.26	8.53	8.10	8.36	7.80
Reexports (b)	0.62	9.25	11.30	14.28	19.22	23.36
Sub-total (a+b)	5.15	18.51	19.83	22.38	27.58	31.16
Share of reexports (b/a+b)	12.0%	50.0%	57.0%	63.8%	69.7%	75.0%
EU						
Domestic exports (a)	4.03	5.79	5.92	6.24	5.48	4.72
Reexports (b)	0.52	5.48	8.23	11.13	13.41	15.56
Sub-total (a+b)	4.55	11.27	14.15	17.37	18.89	20.28
Share of reexports (b/a+b)	11.4%	48.6%	58.2%	64.1%	71.0%	76.7%
Japan						
Domestic exports (a)	0.47	1.67	1.55	1.50	1.42	1.25
Reexports (b)	0.44	2.85	3.16	3.81	4.84	5.09
Sub-total (a+b)	0.91	4.52	4.71	5.31	6.26	6.34
Share of reexports (b/a+b)	48.4%	63.1%	67.1%	71.8%	77.3%	80.3%
Prov. Taiwan						
Domestic exports (a)	0.17	0.57	0.73	0.78	0.84	0.81
Reexports (b)	0.45	2.12	2.75	3.22	3.40	2.86
Sub-total (a+b)	0.62	2.69	3.48	4.00	4.24	3.67
Share of reexports (b/a+b)	72.6%	78.8%	79.0%	80.5%	80.2%	77.9%
Singapore						
Domestic exports (a)	0.36	0.74	1.00	1.13	1.34	1.47
Reexports (b)	0.50	1.41	1.66	1.56	1.79	2.22
Sub-total (a+b)	0.86	2.15	2.66	2.69	3.13	3.69
Share of reexports (b/a+b)	58.1%	65.6%	62.4%	58.0%	57.2%	60.2%
Latin American and the Caribbean						
Domestic exports (a)	0.47	0.36	0.45	0.41	0.32	0.43
Reexports (b)	0.13	0.81	1.08	1.86	2.61	3.08
Sub-total (a+b)	0.60	1.17	1.53	2.27	2.93	3.51
Share of reexports (b/a+b)	21.7%	69.2%	70.6%	81.9%	89.1%	87.7%
Africa						
Domestic exports (a)	0.52	0.26	0.25	0.26	0.26	0.21
Reexports (b)	0.30	0.84	1.12	1.38	1.98	1.83
Sub-total (a+b)	0.82	1.10	1.37	1.64	2.24	2.04
Share of reexports (b/a+b)	36.6%	76.4%	81.8%	84.1%	88.4%	89.7%
Middle East						
Domestic exports (a)	0.61	0.32	0.27	0.26	0.27	0.25
Reexports (b)	0.29	0.86	0.89	1.22	1.56	1.85
Sub-total (a+b)	0.90	1.18	1.16	1.48	1.83	2.10
Share of reexports (b/a+b)	32.2%	72.9%	76.7%	82.4%	85.2%	88.1%
Economies in transition						
Domestic exports (a)	0.05	0.06	0.09	0.08	0.05	0.04
Reexports (b)	0.01	0.22	0.21	0.38	0.45	0.63
Sub-total (a+b)	0.06	0.28	0.30	0.46	0.50	0.67
Share of reexports (b/a+b)	16.7%	78.6%	70.0%	82.6%	90.0%	94.0%
World Total						
Domestic exports (a)	13.67	28.73	29.00	29.74	30.25	28.83
Reexports (b)	6.03	44.43	53.39	68.92	89.34	106.55
Sub-total (a+b)	19.7	73.16	82.39	98.66	119.59	135.38
Share of reexports (b/a+b)	30.6%	60.7%	64.8%	69.9%	74.7%	78.7%

Source: General Agreement on Tariffs and Trade (GATT), International Trade, various years; United Nations, Commodity Trade Statistics (ST/ESA/STAT/SER.D./113-01), Statistical Papers, Series D, vol. 42, No. 1, New York, Statistical Division, 1994.

Annex Table 2a: Product Composition of PRC Trade with US: 1993 a)
(In million US$, Share)

	Commodity	Imports	%	%		Commodity	Exports	%	%
1	8942 TOYS,INDOOR GAMES ETC	4 414	13.1	13.1	1	7924 AIRCRFT NES OVER 15000K	2 004	23.2	23.2
2	8510 FOOTWEAR	4 690	13.9	27.0	2	7810 PASS MOTOR VEH EXC BUS	569	6.6	29.8
3	8310 TRAVEL GOODS,HANDBAGS	1 417	4.2	31.2	3	5629 FERTILIZERS NES	293	3.4	33.2
4	8451 -- JERSEYS,PULLOVERS ET	1 195	3.6	34.8	4	7643 TV,RADIO TRANSMITTRS ET	277	3.2	36.5
5	8439 -- OTHER OUTER GARMENT	825	2.5	37.2	5	0412 OTHER WHEAT ETC UNMILL	274	3.2	39.6
6	3330 CRUDE PETROLEUM	242	0.7	38.0	6	7284 MACHY FOR SPCL INDUS NE	234	2.7	42.3
7	8435 -- BLOUSES	967	2.9	40.8	7	7649 PTS NES OF EQUIPMT OF 76	205	2.4	44.7
8	8429 -- OTHER OUTER GARMENT	392	1.2	42.0	8	7929 AIRCRAFT PARTS NES	189	2.2	46.9
9	8939 MISC PLASTIC ARTICLES	941	2.8	44.8	9	3341 GASOLINE,OTH LIGHT OILS	158	1.8	48.7
10	8441 -- MENS SHIRTS	464	1.4	46.2	10	8748 ELEC MEAS,CONTRL EQU N	130	1.5	50.3
11	8481 LEATHER CLOTHES,ACCESS	643	1.9	48.1	11	2471 SAW-,VENEER-LOGS CONIF	96	1.1	51.4
12	8459 -- OTHER,CLTHG ACCESRY	210	0.6	48.7	12	2820 IRON AND STEEL SCRAP	84	1.0	52.3
13	7622 PORTABLE RADIO RECEIVE	561	1.7	50.4	13	7119 PTS NES OF APP OF 711	83	1.0	53.3
14	8999 OTHER MANUF GOODS NES	513	1.5	51.9	14	9310 SPECIAL TRANSACTIONS	82	0.9	54.3
15	7758 ELECTRO-THERMIC APPL N	518	1.5	53.4	15	6413 KRAFT PAPER,PAPERBOAR	81	0.9	55.2
16	8431 -- COATS AND JACKETS	166	0.5	53.9	16	7641 LINE TELEPHONE,ETC EQUI	81	0.9	56.1
17	8423 -- TROUSERS,BREECHES E	302	0.9	54.8	17	7523 DIGITL CENTRL PROCESSO	75	0.9	57.0
18	0360 SHELL FISH FRESH,FROZEN	240	0.7	55.5	18	5138 POLYACIDS AND DERIVATIV	71	0.8	57.8
19	8124 LIGHTING EQUIPMENT NES	478	1.4	57.0	19	7144 REACTION ENGINES	67	0.8	58.6
20	8462 -- OF COTTON NON ELASTI	58	0.2	57.1	20	7239 CONSTR ETC MACHY PTS N	65	0.8	59.4
21	7628 OTHER RADIO RECEIVERS	311	0.9	58.1	21	7149 ENGINE & MOTOR PARTS NE	63	0.7	60.1
22	7757 DOMESTIC ELECTRC EQU N	464	1.4	59.4	22	7362 METAL FORMING MACH-TO	60	0.7	60.8
23	7599 ACCTG,ETC,ADP MCH PTS,A	314	0.9	60.4	23	7849 OTHER MOTOR VEHCL PART	57	0.7	61.4
24	6584 LINENS ETC	228	0.7	61.0	24	8741 SURVEYING INSTRUMENTS	56	0.7	62.1
25	7638 OTHR SOUND APPARATUS E	295	0.9	61.9	25	7821 LORRIES,TRUCKS	56	0.6	62.7
26	8947 OTH SPORT GDS,FAIR AMUS	332	1.0	62.9	26	7449 PTS NES OF MACHY OF 7442	54	0.6	63.4
27	7641 LINE TELEPHONE,ETC EQUI	280	0.8	63.7	27	7367 OTH METALWRKG MACH-TO	54	0.6	64.0
28	8212 MED FURN,STUFFD FURNSH	178	0.5	64.3	28	2671 REGENERATD FIBRE TO SPI	53	0.6	64.6
29	8997 BASKETWORK,BROOMS ETC	238	0.7	65.0	29	7741 ELECTRO-MEDICAL EQUIPM	52	0.6	65.2
30	7643 TV,RADIO TRANSMITTRS ET	426	1.3	66.2	30	7283 OTHR MINERAL WORKG MA	52	0.6	65.8
	Other products	11 370	33.8	100.0		Other products	2 946	34.2	100.0
	TOTAL ALL COMMODITIES	33 673	100.0			TOTAL ALL COMMODITIES	8 619	100.0	

Source: United Nations, International Commodity Trade Data Base (COMTRADE).
Notes: a) Figures are based on the United States data, which include PRC's re-exports through Hong Kong to the United States.

Annex Table 2b: Product Composition of PRC Trade with Japan: 1993 a)
(In million US$, Share)

	Commodity	Imports	%	%		Commodity	Exports	%	%
1	3330 CRUDE PETROLEUM	1 686	8.3	8.3	1	7810 PASS MOTOR VEH EXC BUS	617	3.6	3.6
2	8451 -- JERSEYS,PULLOVERS ET	1 202	5.9	14.1	2	7284 MACHY FOR SPCL INDUS NE	584	3.4	7.0
3	8439 -- OTHER OUTER GARMENT	862	4.2	18.3	3	6727 IRN,STL COIL FR REROLLNG	551	3.2	10.2
4	8510 FOOTWEAR	665	3.3	21.6	4	7641 LINE TELEPHONE,ETC EQUI	528	3.1	13.3
5	8429 -- OTHER OUTER GARMENT	554	2.7	24.3	5	7611 COLOUR TV RECEIVERS	521	3.0	16.3
6	0360 SHELL FISH FRESH,FROZEN	517	2.5	26.8	6	7821 LORRIES,TRUCKS	454	2.6	19.0
7	8310 TRAVEL GOODS,HANDBAGS	479	2.3	29.2	7	7245 WEAVING,FELT MFG,ETC M	436	2.5	21.5
8	8942 TOYS,INDOOR GAMES ETC	461	2.3	31.4	8	6746 IRN,STL THIN PLATE,ROLLD	428	2.5	24.0
9	8431 -- COATS AND JACKETS	389	1.9	33.3	9	6744 IRN,STL HVY PLATE,ROLLED	357	2.1	26.1
10	8423 -- TROUSERS,BREECHES E	389	1.9	35.2	10	6782 IRON,STL SEAMLESS TUBES	353	2.1	28.1
11	8441 -- MENS SHIRTS	383	1.9	37.1	11	7638 OTHR SOUND APPARATUS E	328	1.9	30.1
12	8462 -- OF COTTON NON ELASTI	356	1.7	38.9	12	6531 CONT SYNT WEAVES NONPI	291	1.7	31.7
13	8459 -- OTHER,CLTHG ACCESRY	343	1.7	40.5	13	7244 SPINNING,EXTRDNG,ETC M	278	1.6	33.4
14	0371 FISH PREPARD,PRESRVD N	300	1.5	42.0	14	7851 MOTORCYCLES ETC	253	1.5	34.8
15	0440 MAIZE UNMILLED	242	1.2	43.2	15	6745 IRN,STL MED PLATE,ROLLE	251	1.5	36.3
16	3222 OTH COAL,NOT AGGLOMER	242	1.2	44.4	16	7442 LIFTING,LOADING MACH NE	250	1.5	37.8
17	0546 VEGETABLES SIMPLY PRES	241	1.2	45.6	17	7849 OTHER MOTOR VEHCL PART	239	1.4	39.2
18	8212 MED FURN,STUFFD FURNSH	229	1.1	46.7	18	7721 SWITCHGEAR ETC	235	1.4	40.5
19	6716 FERRO-ALLOYS	227	1.1	47.8	19	6731 IRON,STEEL WIRE ROD	230	1.3	41.9
20	8435 -- BLOUSES	226	1.1	48.9	20	7132 MOTOR VEHCL PISTN ENGIN	202	1.2	43.1
21	6613 BUILDING STONE ETC WOR	226	1.1	50.0	21	6749 OTH IRN,STL PLATES,SHEET	189	1.1	44.2
22	6521 GREY WOVEN COTTON FAB	216	1.1	51.1	22	7831 BUSES	180	1.1	45.2
23	0565 VEGTBLES PRSVD,PREPD N	213	1.0	52.1	23	3343 GAS OILS	180	1.1	46.3
24	7649 PTS NES OF EQUIPMT OF 76	209	1.0	53.1	24	7415 AIR-CONDITIONING MACHN	173	1.0	47.3
25	6584 LINENS ETC	206	1.0	54.1	25	7361 METAL CUTTING MACH-TOO	170	1.0	48.3
26	8994 UMBRELLAS,CANES ETC	187	0.9	55.0	26	7139 PISTON ENGINE PARTS NES	166	1.0	49.2
27	8434 -- SKIRTS	183	0.9	55.9	27	6522 WOVEN COTTON BLEACHD,	160	0.9	50.2
28	0545 OTHER FRESH VEGETABLES	172	0.8	56.8	28	7649 PTS NES OF EQUIPMT OF 76	160	0.9	51.1
29	0561 VEG DRIED EXC LEGUMINO	158	0.8	57.6	29	7416 HEATING,COOLING EQU NE	158	0.9	52.0
30	7162 AC MTRS,GENRTRS,GEN SE	158	0.8	58.3	30	6783 IRON,STL TUBES,PIPES NES	145	0.8	52.9
	Other products	8 517	41.7	100		Other products	8 090	47.1	100.0
	TOTAL ALL COMMODITIES	20 437	100			TOTAL ALL COMMODITIES	17 158	100.0	

Source: United Nations, International Commodity Trade Data Base (COMTRADE).
Notes: a) Figures are based on the Japanese data, which include PRC's re-exports through Hong Kong to Japan.

Annex Table 2c: Product Composition of PRC Trade with EU: 1992 a)
(In million US$, Share)

	Commodity	Imports	%	%		Commodity	Exports	%	%
1	8942 TOYS,INDOOR GAMES ETC	2 107	10.8	10.8	1	7849 OTHER MOTOR VEHCL PART	756	8.8	8.8
2	8310 TRAVEL GOODS,HANDBAGS	1 013	5.2	16.0	2	7244 SPINNING,EXTRDNG,ETC M	386	4.5	13.4
3	8510 FOOTWEAR	841	4.3	20.3	3	7284 MACHY FOR SPCL INDUS NE	363	4.3	17.6
4	8439 -- OTHER OUTER GARMENT	617	3.2	23.5	4	7810 PASS MOTOR VEH EXC BUS	272	3.2	20.8
5	8429 -- OTHER OUTER GARMENT	444	2.3	25.8	5	7649 PTS NES OF EQUIPMT OF 76	203	2.4	23.2
6	8999 OTHER MANUF GOODS NES	396	2.0	27.8	6	9310 SPECIAL TRANSACTIONS	189	2.2	25.4
7	8459 -- OTHER,CLTHG ACCESRY	386	2.0	29.8	7	7452 OTH NONELEC MCHS,PTS N	172	2.0	27.4
8	8451 -- JERSEYS,PULLOVERS ET	343	1.8	31.5	8	7721 SWITCHGEAR ETC	164	1.9	29.3
9	8462 -- OF COTTON NON ELASTI	332	1.7	33.2	9	7641 LINE TELEPHONE,ETC EQUI	163	1.9	31.2
10	8431 -- COATS AND JACKETS	326	1.7	34.9	10	7245 WEAVING,FELT MFG,ETC M	150	1.8	33.0
11	7622 PORTABLE RADIO RECEIVE	288	1.5	36.4	11	7283 OTHR MINERAL WORKG MA	135	1.6	34.6
12	8435 -- BLOUSES	282	1.4	37.8	12	7138 PISTON ENGINES NES	134	1.6	36.1
13	8441 -- MENS SHIRTS	277	1.4	39.2	13	7416 HEATING,COOLING EQU NE	130	1.5	37.6
14	7628 OTHER RADIO RECEIVERS	273	1.4	40.6	14	7924 AIRCRFT NES OVER 15000K	128	1.5	39.1
15	7758 ELECTRO-THERMIC APPL N	244	1.3	41.9	15	6782 IRON,STL SEAMLESS TUBES	115	1.3	40.5
16	8481 LEATHER CLOTHES,ACCESS	226	1.2	43.0	16	6732 IRON,STEEL BARS ETC	99	1.2	41.6
17	6584 LINENS ETC	209	1.1	44.1	17	7361 METAL CUTTING MACH-TOO	96	1.1	42.8
18	8851 WATCHES,MOVEMENTS,CA	209	1.1	45.2	18	7162 AC MTRS,GENRTRS,GEN SE	92	1.1	43.9
19	8939 MISC PLASTIC ARTICLES	208	1.1	46.3	19	7139 PISTON ENGINE PARTS NES	84	1.0	44.8
20	8997 BASKETWORK,BROOMS ETC	201	1.0	47.3	20	7247 TEXTILE MACHINERY NES	83	1.0	45.8
21	2919 OTH ANIMAL MATERIALS NE	198	1.0	48.3	21	5150 UN SPECIAL CODE	82	1.0	46.8
22	7638 OTHR SOUND APPARATUS E	187	1.0	49.3	22	7831 BUSES	79	0.9	47.7
23	7641 LINE TELEPHONE,ETC EQUI	178	0.9	50.2	23	0412 OTHER WHEAT ETC UNMILL	78	0.9	48.6
24	2683 FINE ANIMAL HAIR,UNCOMB	173	0.9	51.1	24	7372 ROLLING MILLS AND ROLLS	77	0.9	49.5
25	7611 COLOUR TV RECEIVERS	171	0.9	51.9	25	5831 POLYETHYLENE	77	0.9	50.4
26	7757 DOMESTIC ELECTRC EQU N	165	0.8	52.8	26	7187 NUCLEAR REACTORS,PTS N	74	0.9	51.3
27	0548 EDIBLE VEG NES FRESH,DR	165	0.8	53.6	27	7442 LIFTING,LOADING MACH NE	69	0.8	52.1
28	0813 OILCAKE AND OTH RESIDUE	159	0.8	54.4	28	7367 OTH METALWRKG MACH-TO	65	0.8	52.8
29	8124 LIGHTING EQUIPMENT NES	157	0.8	55.3	29	7281 MACH-TOOLS FR SPCL IND	63	0.7	53.6
30	8931 PLSTC PACKG CONTNRS,LI	156	0.8	56.1	30	7362 METAL FORMING MACH-TO	63	0.7	54.3
	Other products	8 571	43.9	100.0		Other products	3 907	45.7	100.0
	TOTAL ALL COMMODITIES	19 503	100.0			TOTAL ALL COMMODITIES	8 549	100.0	

Source: United Nations, International Commodity Trade Data Base (COMTRADE).
Notes: a) Figures are based on the EU data, which include PRC's re-exports through Hong Kong to EU.

Annex Table 2d: Product Composition of PRC trade with
Latin America and the Caribbean, 1992 a)
(In million US$, Share)

	Commodity	Imports	%	% Acc.		Commodity	Exports	%	% Acc.
1	8942 TOYS,INDOOR GAMES ETC	66	6.6	6.6	1	6821 COPPER NES,ALLOYS,UNW	154	16.2	16.2
2	7523 DIGITL CENTRL PROCESSO	35	3.5	10.1	2	6841 ALUMINIUM,ALLOYS,UNWR	84	8.8	24.9
3	8510 FOOTWEAR	34	3.4	13.5	3	2815 IRON ORE,CONC,NOT AGGL	79	8.3	33.3
4	7853 INVAL CARR, PTS OF 785	31	3.1	16.6	4	6512 WOOL,HAIR YARN,INCL TOP	78	8.2	41.5
5	8441 -- MENS SHIRTS	28	2.8	19.4	5	4232 SOYA BEAN OIL	65	6.8	48.3
6	6534 DISC SYN BLEND FABRC NE	26	2.6	22.1	6	6782 IRON,STL SEAMLESS TUBES	58	6.1	54.3
7	7628 OTHER RADIO RECEIVERS	22	2.2	24.3	7	2517 SODA,SULPHATE WOOD PU	43	4.6	58.9
8	7525 ADP PERIPHERAL UNITS	19	1.9	26.1	8	6725 IRN,STL BLOOMS,SLABS,ET	42	4.4	63.3
9	6522 WOVEN COTTON BLEACHD,	18	1.8	27.9	9	0814 MEAT OR FISH MEAL FODDE	32	3.4	66.7
10	7849 OTHER MOTOR VEHCL PART	16	1.6	29.5	10	0342 FISH FROZEN,EXCL FILLETS	25	2.6	69.3
11	7243 SEWING MACHS,NEEDLES E	16	1.6	31.1	11	2871 CPR ORE ETC,CEMENT COP	24	2.6	71.9
12	7611 COLOUR TV RECEIVERS	15	1.5	32.6	12	2816 IRON ORE AGGLOMERATES	22	2.4	74.3
13	8939 MISC PLASTIC ARTICLES	15	1.5	34.0	13	6746 IRN,STL THIN PLATE,ROLLD	17	1.8	76.0
14	3232 COKE,SEMI-COKE,RTRT CR	14	1.4	35.4	14	6731 IRON,STEEL WIRE ROD	16	1.6	77.7
15	7757 DOMESTIC ELECTRC EQU N	13	1.3	36.7	15	5621 CHEM NITROGENOUS FERT	11	1.2	78.9
16	6953 OTHER HAND TOOLS	13	1.3	38.1	16	5831 POLYETHYLENE	11	1.1	80.0
17	7851 MOTORCYCLES ETC	13	1.3	39.4	17	6114 LEATHR BOVINE NES,EQUIN	10	1.0	81.0
18	6535 CONT REGN WEAVES NONPI	13	1.3	40.7	18	2671 REGENERATD FIBRE TO SPI	9	1.0	82.0
19	7649 PTS NES OF EQUIPMT OF 76	11	1.1	41.8	19	5832 POLYPROPYLENE	9	1.0	83.0
20	6573 COATED ETC TEXTILES NES	11	1.1	42.9	20	5138 POLYACIDS AND DERIVATIV	9	0.9	83.9
21	7788 OTH ELEC MACHY,EQUIP NE	11	1.1	43.9	21	7452 OTH NONELEC MCHS,PTS N	9	0.9	84.9
22	8429 -- OTHER OUTER GARMENT	10	1.0	45.0	22	2682 WOOL DEGREASED,UNCOM	8	0.9	85.7
23	7361 METAL CUTTING MACH-TOO	10	1.0	46.0	23	6749 OTH IRN,STL PLATES,SHEET	8	0.9	86.6
24	8998 SMALLWARES,TOILETRYS E	10	1.0	47.0	24	4241 LINSEED OIL	7	0.8	87.4
25	7162 AC MTRS,GENRTRS,GEN SE	10	1.0	47.9	25	6931 WIRE CABLES, ROPES ETC	7	0.7	88.1
26	6991 LOCKSMITHS WARES,ETC	10	1.0	48.9	26	2665 DISCN SYNTH FIBRE UNCM	7	0.7	88.9
27	7721 SWITCHGEAR ETC	10	1.0	49.8	27	5824 POLYAMIDES	6	0.6	89.5
28	7492 COCKS,VALVES ETC NES	9	0.9	50.8	28	2222 SOYA BEANS	6	0.6	90.1
29	8310 TRAVEL GOODS,HANDBAGS	9	0.9	51.7	29	6747 TINNED PLATES,SHEETS	6	0.6	90.7
30	8462 -- OF COTTON NON ELASTI	9	0.9	52.6	30	0412 OTHER WHEAT ETC UNMILL	5	0.6	91.2
	Other products	474	47.4	100.0		Other products	83	8.8	100.0
	TOTAL ALL COMMODITIES	1 000	100.0			TOTAL ALL COMMODITIES	950	100.0	

Source: United Nations, International Commodity Trade Data Base (COMTRADE).
Note: a) Figures are based on the Latin America and the Caribbean countries' data.

Annex Table 3a: List of General Products Subject to Import Quotas (At HS Four Digit Level)

HS tariff item	Description of products
1001	Wheat and meslin
1005	Maize (corn)
1006	Rice
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified
1511	Palm oil and its fractions, whether or not refined, but not chemically modified
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified
1701	Cane or beet sugar and chemically pure sucrose, in solid form
2106	Superfine sugar
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading No. 20.09
2203	Beer made from malt
2204	Wine of fresh grapes, including fortified wines
2205	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.
2401	Unmanufactured tobacco
2402	Tobacco refuse
2403	Other manufactured tobacco and manufactured tobacco substitutes
2709	Petroleum oils and oils obtained from bituminous minerals
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude
2837	Cyanides, cyanide oxides and complex
3102	Mineral or chemical fertilisers, nitrogenous
3103	Mineral or chemical fertilisers, phosphatic
3104	Mineral or chemical fertilisers, potassic
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium
3701	Photographic plates and film in the flat, sensitised, unexposed, of any material other than paper, paperboard or textiles
3702	Photographic films in rolls, sensitised, unexposed, of any material other than paper, paperboard or textiles
3703	Photographic paper, paperboard and textiles, sensitised, unexposed
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or s preparations or articles
3902	Polymers of propylene or of other olefins, in primary forms
3907	Polyacetals, other polyethers and epoxide resins, in primary forms
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip
4002	Synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip
4011	New pneumatic tyres, of rubber

4012	Retreaded or used pneumatic tyres of rubber
4013	Inner tubes, of rubber
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
4406	Railway or tramway sleepers (cross-ties) of wood
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed
4412	Plywood, veneered panels and similar laminated wood
4701	Mechanical wood pulp
4702	Chemical wood pulp, dissolving grades
4703	Chemical wood pulp, soda or sulphate, other than dissolving grades
4704	Chemical wood pulp, sulphite, other than dissolving grades
4705	Semi-chemical wood pulp
5101	Wool, not carded or combed
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock
5105	Wool and fine or coarse animal hair
5201	Cotton, not carded or combed
5203	Cotton, carded or combed
5402	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex
5403	Artificial filament of yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading No. 54.04
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading No. 54.05
5501	Synthetic filament tow
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning
5509	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale
5512	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres
5513	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2
5514	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m2
5515	Other woven fabrics of synthetic staple fibres
5516	Woven fabrics of artificial staple fibres
5601	Wadding of textile materials and articles thereof
5801	Woven pile fabrics and chenelle fabrics, other than fabrics of heading No. 58.02 or 58.06
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jacket), wind-cheaters, wind-jackets and similar articles, other than those of heading No. 62.03
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading No. 62.04
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)
6205	Men's or boys' shirts
6206	Women's or girls' blouses, shirts and shirt-blouses
6211	Track suits, ski suits and swimwear

Annex Table 3b: List of Machinery and Electric Product Subject to Import Quotas

8407	Spark-ignition reciprocating or rotary internal combustion piston engines
8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)
8414	Air or vacuum pumps, air or other gas compressors and fans
8415	Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other
8445	machines for preparing textile fibres
8450	Household or laundry-type washing machines, including machines which both wash and dry
8469	Typewriters and word-processing machines
8470	Calculating machines
8471	Automatic data processing machines and units thereof
8519	Turntables (record-decks), record-players, cassette-players and other sound reproducing apparatus, not incorporating a sound recording device
8520	Magnetic tape recorders and other sound recording apparatus, whether or not incorporating a sound recording device
8521	Video recording or reproducing apparatus, whether or not incorporating a video tuner
8522	Parts and accessories of apparatus of heading Nos. 85.19 to 85.21
8525	Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus
8527	Reception apparatus for radio-telephony, radio-telegraphy or radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock
8528	Television receivers (including video monitors and video projectors), whether or not incorporating radio-broadcasting receivers or sound or video recording or reproducing apparatus
8529	Parts suitable for use solely or principally with the apparatus of headings Nos. 85.25 to 85.28
8540	Thermionic, cold cathode or photo-cathode valves and tubes (for example, vacuum or vapour or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode-ray tubes, television camera tubes
8542	Electronic integrated circuits and microassemblies
8701	Tractors (other than tractors of heading No. 87.09)
8702	Motor vehicles for the transport of ten or more persons, including the driver
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars
8704	Motor vehicles for the transport of goods
8705	Special purpose vehicles, other lorries, mobile workshops, mobile radiological units
8706	Chassis fitted with engines, for the motor vehicles of headings Nos. 87.01 to 87.05
8707	Bodies (including cabs), for the motor vehicles of headings Nos. 87.01 to 87.05
8708	Parts and accessories of the motor vehicles of headings Nos. 87.01 to 87.05
8711	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars
8714	parts and accessories of vehicles of headings Nos. 87.11 to 87.13
8802	Other aircraft (for example, helicopters, aeroplanes)
8908	Vessels and other floating structures for breaking up
9006	Photographic (other than cinematographic) cameras
9009	Photo-copying apparatus incorporating an optical system or of the contact type and thermo-copying apparatus
9012	Microscopes other than optical micro-scopes
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other than electro-medical apparatus, for functional exploratory physiological parameters
9022	Apparatus based on the use of X-rays and desks, screens, examination or treatment tables, chairs and the like.
9101	Wrist-watches, pocket-watches and other with precious metal
9102	Wrist-watches, pocket-watches and other watches, including stop-watches, other than those of heading No. 91.01

Annex Table 3c: List of Specific Machinery and Electronic Products Subject to Open Tendering

8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)
8413	Pumps for liquids, whether or not fitted with a measuring device
8419	Machinery, plant or laboratory equipment, whether or not electrically heated, for the storage water heaters, non-electric
8421	Centrifuges, including centrifugal dryers
8422	Dish washing machines
8423	Weighing machinery (excluding balances of a sensitivity of 5 cg or better),including weight operated counting or checking machines
8425	Pulley tackle and hoists other than skip hoists
8426	Ships derricks
8427	Fork-lift trucks
8428	Other lifting, handling loading or unloading machinery
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical tamping machines and road rollers
8430	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting, or boring machinery
8433	Harvesting or threshing machinery, machinery of heading No. 84.37
8438	Machinery, not specified or included
8439	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard
8441	Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds
8442	Machinery, apparatus and equipment example, planed, grained or polished
8443	Printing machinery
8444	Machines for extruding, drawing, texturing or cutting man-made textile materials
8445	Machines for preparing textile fibres
8447	Knitting machines, stitch-bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting
8451	Machinery (other than machines of heading No. 84.50) for washing, cleaning, wringing, drying, ironing, pressing, impregnating textile yarns, fabrics or dyeing, dressing, finishing, coating, etc.
8452	Sewing machines, other than book-sewing machines of heading No. 84.40
8454	Casting machines, of a kind used in converters, ladles, ingot moulds and metallurgy or in metal foundries
8455	Metal-rolling mills and rolls thereof
8456	Machine-tools for working any material by discharge, electro-chemical, electron beam, ironic-beam or plasma arc processes
8457	Machining centres, unit construction metal
8458	Lathes for removing metal
8460	Machine-tools for deburring, sharpening, grinding, honing, lapping, polishing, etc.
8462	Machine-tools (including presses) for working metal or metal carbides, not for working metal by forging, hammering or folding, straightening, flattening, die-stamping
8464	Machine-tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working
8465	Machine-tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
8471	Automatic data processing machines and units thereof
8474	Machinery for sorting, screening, forming, foundry moulds of sand
8475	Machines for assembling electric or electronic lamps, tubes or valves or manufacturing or hot working glasses or glassware
8477	Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter
8478	Machinery for preparing or making up tobacco, not specified or included
8480	Moulding boxes, for metal foundry

8483	Transmission shafts (including cam gear boxes and other speed changers, pulleys, including pulley blocks
8502	Electric generating sets and rotary converters
8504	Electric transformers, static converters (for example, rectifiers) and inductors
8515	Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, whether or not capable of cutting
8517	Electrical apparatus for line telephony or line telegraphy, including such apparatus for carrier-current line systems
8518	Microphones and stands thereof
8525	Transmission apparatus for radio-apparatus, television cameras
8527	Reception apparatus for radio-telephony, radio-telegraphy or radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock
8529	Parts suitable for use solely or principally with the apparatus of headings Nos. 85.25 to 85.28
8531	Electric sound or visual signalling other than those of heading No. 8512 or 85.30
8535	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical supperssors, plugs junction boxes), for a voltage exceeding 1,000 volts
8537	Boards, panels, (including numerical control panels), consoles, desks, cabinets and other bases
8543	Electrical machines and apparatus, signal generators
8544	Insulated (including enamelled or anodised) wire, cable (including co-axial fitted with connectors
8604	Railway or tramway maintenance or service vehicles, whether or not self-propelled
8701	Tractors (other than tractors of heading No. 87.09
8704	Motor vehicles for the transport of goods
8705	Special purpose motor vehicles, other lorries, mobile workshops, mobile radiological units
8901	Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods
8902	Fishing vessels
8904	Tugs and pusher craft
8905	Light-vessels, fire-floats, dredgers, floating cranes, and other vessels the navigability of which is subsidiary to their main function
9007	Cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus
9008	Image projectors, other than cinematographic
9010	Apparatus and equipment for photographic (including cinematographic) laboratories (including apparatus for the projection of circuit patterns on sensitised semi-conductor materials)
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus for functional exploratory examination or for checking
9022	Apparatus used on the use of X-ray and desks, screens, examination or treatment tables, chairs and the like
9024	Machines and appliances for testing the hardness, strength, compressibility, elasticity or other mechanical properties of materials
9026	Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of liquids or gases excluding instruments and apparatus of headings No. 90.14, 90.15, 90.28 or 90.32
9027	Instruments and apparatus for physical or chemical analysis (for example, surface tension or the like), microtomes
9030	Oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking electrical quantities, excluding meters of heading No. 90.28
9031	Measuring or checking instruments, appliances and machines not specified or included elsewhere in this Chapter
9032	Automatic regulating or controlling instruments and apparatus

Source: GATT, Working Party on China's Status as a Contracting Party, Communication from China, Spec(88)13/Add. 15, 11 May, 1994.
Notes: There are overlaps between the three sections of the table, at a four-digit HS level, but this does not occur at a higher digit level.

Annex Table 4: PRC's Principal Suppliers of the Major Products
Imported from Latin America and the Caribbean, 1993
(In thousand US$, Share)

Group Description	value	%	%Accum.	Partner
1 672 IRON,STEEL PRIMARY FORMS	3 481 362	100.0		WORLD
	767 664	22.1	22.1	RUSSIAN FED
	700 418	20.1	42.2	JAPAN
	306 272	8.8	51.0	KOREA RP
	300 196	8.6	59.6	BRAZIL
	204 717	5.9	65.5	GERMANY
	126 303	3.6	69.1	IRAN, ISLAMI
	108 376	3.1	72.2	KOREA D P RP
	100 855	2.9	75.1	UKRAINE
	72 985	2.1	77.2	TAIWAN
	64 026	1.8	79.0	CZECH REP
	60 352	1.7	80.8	NETHERLANDS
2 682 COPPER EXC CEMENT COPPER	1 211 555	100.0		WORLD
	219 023	18.1	18.1	JAPAN
	216 952	17.9	36.0	CHILE
	149 919	12.4	48.4	TAIWAN
	118 167	9.8	58.1	HONG KONG
	106 521	8.8	66.9	USA
	59 447	4.9	71.8	PHILIPPINES
	53 452	4.4	76.2	RUSSIAN FED
	51 028	4.2	80.4	BELGIUM-LUX
3 281 IRON ORE,CONCENTRATES	926 981	100.0		WORLD
	485 134	52.3	52.3	AUSTRALIA
	141 782	15.3	67.6	BRAZIL
	100 533	10.8	78.5	S.AFR.CUS.UN
	92 483	10.0	88.5	INDIA
4 081 FEEDING STUFF FOR ANIMLS	308 164	100.0		WORLD
	166 786	54.1	54.1	PERU
	31 404	10.2	64.3	USA
	20 046	6.5	70.8	TAIWAN
	16 535	5.4	76.2	JAPAN
	12 484	4.1	80.2	HONG KONG
5 673 IRON,STEEL SHAPES ETC	4 543 983	100.0		WORLD
	877 870	19.3	19.3	RUSSIAN FED
	640 626	14.1	33.4	JAPAN
	424 970	9.4	42.8	TURKEY
	347 635	7.7	50.4	KOREA RP
	264 897	5.8	56.3	ITALY
	232 107	5.1	61.4	UKRAINE
	168 915	3.7	65.1	GERMANY
	144 183	3.2	68.2	ROMANIA
	138 880	3.1	71.3	IRAN, ISLAMI
	130 631	2.9	74.2	BRAZIL
	111 998	2.5	76.6	CZECH REP
	105 367	2.3	79.0	POLAND
	92 622	2.0	81.0	SPAIN
6 674 IRN,STL UNIV,PLATE,SHEET	3 315 300	100.0		WORLD
	1 648 805	49.7	49.7	JAPAN
	422 199	12.7	62.5	KOREA RP
	287 686	8.7	71.1	RUSSIAN FED
	119 681	3.6	74.8	GERMANY
	91 196	2.8	77.5	TAIWAN
	78 442	2.4	79.9	KAZAKHSTAN
	75 778	2.3	82.2	BRAZIL
7 678 IRON,STL TUBES,PIPES,ETC	998 455	100.0		WORLD
	557 120	55.8	55.8	JAPAN
	108 675	10.9	66.7	GERMANY
	60 963	6.1	72.8	ARGENTINA
	42 062	4.2	77.0	TAIWAN
	36 575	3.7	80.7	USA
8 061 SUGAR AND HONEY	114 528	100.0		WORLD
	64 564	56.4	56.4	CUBA
	34 204	29.9	86.2	AUSTRALIA
9 651 TEXTILE YARN	1 719 224	100.0		WORLD
	400 433	23.3	23.3	TAIWAN
	361 199	21.0	44.3	HONG KONG
	221 128	12.9	57.2	NOT SPEC.
	174 948	10.2	67.3	JAPAN
	113 252	6.6	73.9	USA
	107 719	6.3	80.2	KOREA RP
10 611 LEATHER	1 465 010	100.0		WORLD
	562 599	38.4	38.4	TAIWAN
	332 281	22.7	61.1	KOREA RP
	134 350	9.2	70.3	HONG KONG
	97 736	6.7	76.9	ITALY
	78 955	5.4	82.3	USA

Continuation Annex Table 4

11 334 PETROLEUM PRODUCTS,REFIN	3 023 361	100.0		WORLD
	1 573 763	52.1	52.1	SINGAPORE
	350 040	11.6	63.6	USA
	315 291	10.4	74.1	KOREA RP
	207 977	6.9	80.9	RUSSIAN FED
12 423 FIXED VEG OILS,SOFT	117 439	100.0		WORLD
	59 388	50.6	50.6	GERMANY
	21 360	18.2	68.8	BRAZIL
	10 519	9.0	77.7	ARGENTINA
	7 918	6.7	84.5	HONG KONG
13 684 ALUMINIUM	492 531	100.0		WORLD
	76 738	15.6	15.6	USA
	68 553	13.9	29.5	JAPAN
	63 492	12.9	42.4	AUSTRALIA
	49 661	10.1	52.5	TAIWAN
	47 331	9.6	62.1	HONG KONG
	41 170	8.4	70.4	RUSSIAN FED
	28 571	5.8	76.2	BRAZIL
	22 295	4.5	80.8	KOREA RP
14 333 CRUDE PETROLEUM	2 323 412	100.0		WORLD
	594 918	25.6	25.6	INDONESIA
	557 235	24.0	49.6	OMAN
	254 129	10.9	60.5	YEMEN
	179 857	7.7	68.3	ANGOLA
	121 446	5.2	73.5	PAPUA N.GUIN
	107 300	4.6	78.1	LIBYA, AJ
	92 825	4.0	82.1	UNITED ARAB
15 251 PULP AND WASTE PAPER	294 053	100.0		WORLD
	94 496	32.1	32.1	CANADA
	77 961	26.5	58.6	USA
	32 286	11.0	69.6	HONG KONG
	20 994	7.1	76.8	CHILE
	13 521	4.6	81.4	NEW ZEALAND
16 583 POLYMERIZATION ETC PRODS	3 607 249	100.0		WORLD
	1 037 226	28.8	28.8	TAIWAN
	676 253	18.7	47.5	JAPAN
	499 917	13.9	61.4	KOREA RP
	462 555	12.8	74.2	HONG KONG
	365 510	10.1	84.3	USA
17 287 BASE METAL ORES,CONC NES	453 216	100.0		WORLD
	166 378	36.7	36.7	AUSTRALIA
	37 492	8.3	45.0	HONG KONG
	36 664	8.1	53.1	INDIA
	28 888	6.4	59.4	CANADA
	25 433	5.6	65.1	GABON
	21 529	4.8	69.8	CHILE
	20 416	4.5	74.3	USA
	15 591	3.4	77.8	RUSSIAN FED
	10 582	2.3	80.1	PORTUGAL
18 671 PIG IRON ETC	165 059	100.0		WORLD
	45 420	27.5	27.5	RUSSIAN FED
	26 461	16.0	43.5	INDIA
	23 123	14.0	57.6	BRAZIL
	14 125	8.6	66.1	MALAYSIA
	11 224	6.8	72.9	UKRAINE
	9 884	6.0	78.9	JAPAN
	6 848	4.1	83.1	TURKEY
19 036 SHELL FISH FRESH,FROZEN	115 353	100.0		WORLD
	30 764	26.7	26.7	USA
	21 979	19.1	45.7	ARGENTINA
	14 988	13.0	58.7	JAPAN
	6 888	6.0	64.7	AUSTRALIA
	6 134	5.3	70.0	SINGAPORE
	3 830	3.3	73.3	NEW ZEALAND
	3 352	2.9	76.2	SPAIN
	3 118	2.7	78.9	CANADA
	2 953	2.6	81.5	HONG KONG
20 034 FISH,FRESH,CHILLED,FROZN	212 419	100.0		WORLD
	74 093	34.9	34.9	RUSSIAN FED
	24 248	11.4	46.3	THAILAND
	15 384	7.2	53.5	JAPAN
	13 042	6.1	59.7	INDIA
	11 918	5.6	65.3	ARGENTINA
	10 631	5.0	70.3	HONG KONG
	9 893	4.7	75.0	KOREA D P RP
	6 796	3.2	78.1	USA
	5 901	2.8	80.9	TAIWAN

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

Annex Table 5: Discrepancy in Trade flows, by Reporter
(In current thousand US$)

Origen/Destination	1986	1987	1988	1989	1990	1991	1992	1993
(a) China's exports, as reported by China								
ARGENTINA	9 849	9 662	6 356	8 902	11 955	51 631	124 146	247 687
BRAZIL	254 536	243 253	71 492	84 462	106 684	68 034	64 756	192 171
CHILE	14 012	24 628	34 762	61 165	67 135	94 202	128 152	204 132
MEXICO	10 656	9 266	13 726	42 617	110 570	86 245	157 742	155 693
PERU	12 393	23 023	7 558	21 657	23 519	31 313	35 467	61 558
CUBA	94 538	79 528	155 608	212 252	271 939	224 402	200 232	177 044
L. America & Caribbean	450 631	481 974	383 041	529 318	772 397	787 350	1 063 590	1 762 695
(b) China's exports, by the importing country								
ARGENTINA	9 607	12 765	18 733	15 096	31 623	188 203	170 415	214 839
BRAZIL	410 738	401 806	125 165	156 086	203 458	75 099	57 289	170 847
CHILE	21 035	57 062	55 021	47 905	57 034	95 214	146 738	212 511
MEXICO	52 679	47 040	109 050	161 479	218 408	428 500	541 802	N.A.
PERU	10 043	29 471	2 471	19 513	19 066	17 815	N.A.	90 591
CUBA	144 232	96 913	N.A.	255 480	N.A.	N.A.	N.A.	N.A.
L. America & Caribbean	684 889	685 822	344 822	702 062	575 944	869 128	1 000 256	783 328
Difference in percentage: (c)=(b)-(a)/(a)*100								
ARGENTINA	-2.5%	32.1%	194.7%	69.6%	164.5%	264.5%	37.3%	-13.3%
BRAZIL	61.4%	65.2%	75.1%	84.8%	90.7%	10.4%	-11.5%	-11.1%
CHILE	50.1%	131.7%	58.3%	-21.7%	-15.0%	1.1%	14.5%	4.1%
MEXICO	394.4%	407.7%	694.5%	278.9%	97.5%	396.8%	243.5%	
PERU	-19.0%	28.0%	-67.3%	-9.9%	-18.9%	-43.1%		47.2%
CUBA	52.6%	21.9%		20.4%				
L. America & Caribbean	52.0%	42.3%	-10.0%	32.6%	-25.4%	10.4%	-6.0%	-55.6%
(d) China's imports, as reported by China								
ARGENTINA	345 387	332 204	414 266	567 097	318 336	303 858	200 121	219 910
BRAZIL	704 220	451 986	797 948	939 975	525 983	345 736	519 322	863 085
CHILE	181 941	112 211	119 845	179 242	34 292	106 990	409 642	281 660
MEXICO	100 868	73 912	163 524	148 839	100 399	148 697	113 985	124 823
PERU	83 434	83 842	211 665	181 755	85 423	294 405	310 075	249 107
CUBA	85 128	77 241	292 930	229 043	306 214	201 654	182 842	73 642
L. America & Caribbean	1 629 398	1 240 859	2 187 227	2 416 456	1 509 062	1 558 441	1 898 706	1 929 691
(e) China's imports, reported by the exporting country								
ARGENTINA	252 053	265 575	361 650	407 204	240 970	247 513	128 296	163 250
BRAZIL	411 695	296 032	647 189	563 937	302 096	226 406	460 032	779 395
CHILE	96 828	76 708	99 013	106 171	34 132	80 426	221 297	183 334
MEXICO	110 355	130 191	178 877	89 805	65 415	71 031	41 124	N.A.
PERU	28 898	40 540	111 489	71 806	55 460	221 454	N.A.	143 760
CUBA	70 759	85 249	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
L. America & Caribbean	1 082 816	983 352	1 590 156	1 326 116	786 618	976 009	950 443	1 367 153
Difference in percentage: (f)=(d)-(e)/(d)*100								
ARGENTINA	27.0%	20.1%	12.7%	28.2%	24.3%	18.5%	35.9%	25.8%
BRAZIL	41.5%	34.5%	18.9%	40.0%	42.6%	34.5%	11.4%	9.7%
CHILE	46.8%	31.6%	17.4%	40.8%	0.5%	24.8%	46.0%	34.9%
MEXICO	-9.4%	-76.1%	-9.4%	39.7%	34.8%	52.2%	63.9%	
PERU	65.4%	51.6%	47.3%	60.5%	35.1%	24.8%		42.3%
CUBA	16.9%	-10.4%						
L. America & Caribbean	33.5%	20.8%	27.3%	45.1%	47.9%	37.4%	49.9%	29.2%

Source: United Nations, International Commodity Trade Data Base (COMTRADE).

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