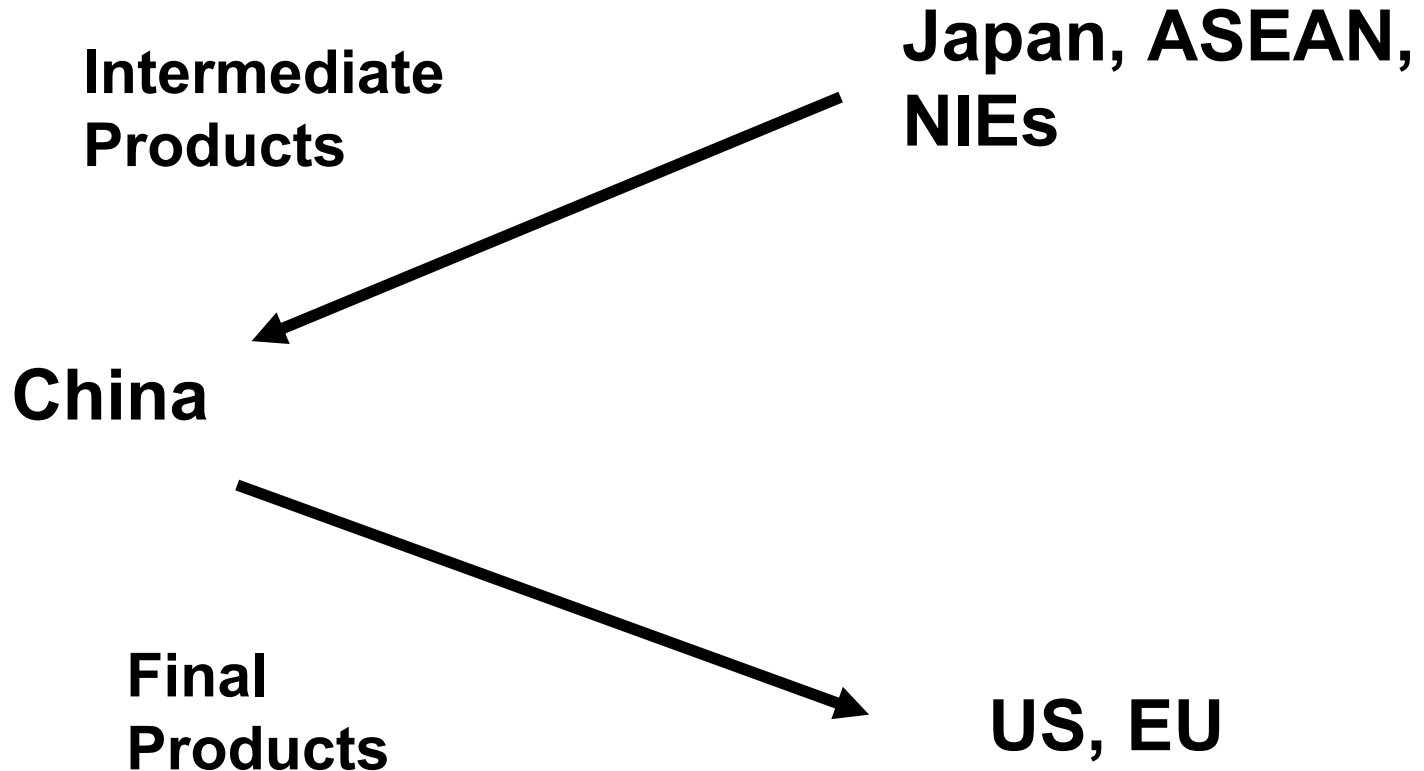


Comment on Gaulier, Lemoine, and Ünal-Kesenci Paper

**Kyoji Fukao
RIETI and Hitotsubashi
University**

China's "Triangular" Trade

Figure 1



What caused the “triangular” trade?

- **China’s selective trade policy (the promotion of the processing trade)**
- **Export-oriented FDI from Japan and NIEs**
- **China’s cheap labor**

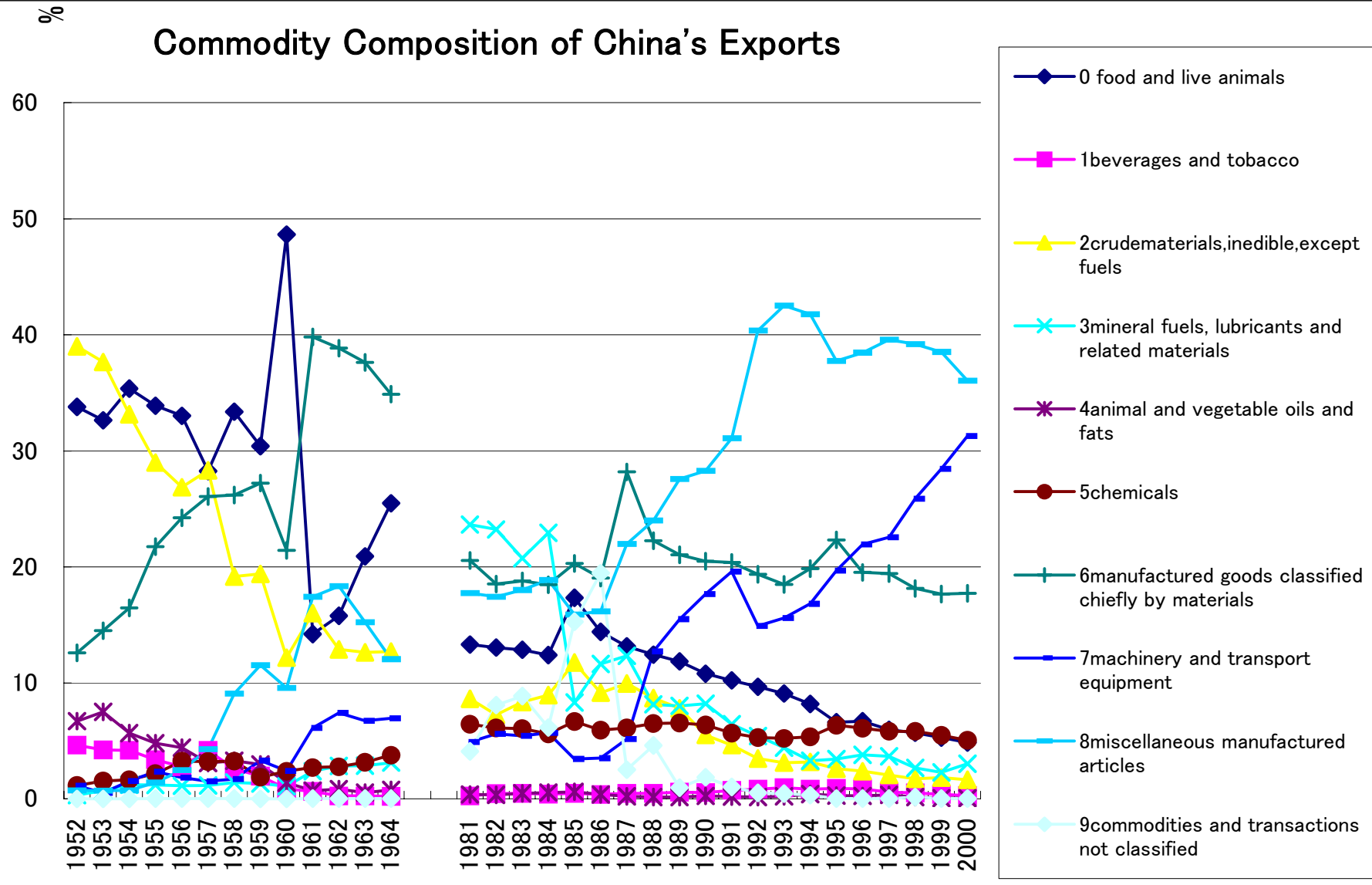
Policy implications

- **Technological catch-up**
Technological upgrading seems to have remained strictly confined within foreign-owned affiliates.
- **A reevaluation of yuan would hardly reduce US deficit.**

Table 1 : Detail of Japan's Trade of Electrical Machinery with China: Most Important 10 Commodities, 2000

Commodity Classification Name		HS for EX	HS for IM	EX+IM	Exports to CHINA				Imports from CHINA				uvEX /uvIM	trade overlap	price similarity	trade type
				TOTAL VALUE	unit name	quantity	value (1,000 yen)	unit value	unit name	quantity	value (1000 yen)	unit value				
1	Tuners for television receivers FM tuners for radio-broadcast receivers Parts suitable for use solely or principally with the apparatus of headings Nos.85.25 to 85.28, other than those of subdivisions Nos.8529.10-100 to 8529.90-200	852990100 852990200 852990300 852990900	852990000	118,342,672	KG	4,846,555	65,179,123	13.45	KG	5,064,898	53,163,549	10.50	1.28	yes	no	VIIT
2	Silicon rectifiers Rectifiers, other than silicon rectifiers Static converters, other than rectifiers	850440110 850440190 850440900	850440011 850440019 850440090	76,829,971	KG	1,785,459	9,688,881	5.43	KG	24,710,383	67,141,090	2.72	2.00	yes	no	VIIT
3	Printed circuits	853400000	853400000	59,700,115	KG	2,401,327	40,333,249	16.80	KG	1,336,073	19,366,866	14.50	1.16	yes	yes	HIIT
4	Parts and accessories of machines of subheadings Nos.8519.10 to 8519.39, other than pick-up cartridges Parts and accessories of machines of subheadings Nos.8519.40 to 8521.90, other than pick-up cartridges	852290100 852290900	852290000	59,083,094	KG	4,147,673	32,268,583	7.78	KG	4,176,498	26,814,511	6.42	1.21	yes	yes	HIIT
5	Apparatus for switching electrical circuits, for a voltage not exceeding 1,000 volts, other than those of subheadings Nos.8536.10 to 8536.69 Connecta for a voltage not exceeding 1,000 volts Apparatus for making connections electrical circuits, for a voltage not exceeding 1,000 volts, other than those of subheadings Nos.8536.10 to 8536.69, other than connecta	853690100 853690200 853690210 853690290	853690000	53,476,413	KG	4,675,039	28,819,014	6.16	KG	5,033,696	24,657,399	4.90	1.26	yes	no	VIIT
6	Reception apparatus for television of color incorporating cathode-ray television picture tubes, for broadcasting Reception apparatus for television of color for broadcasting, not incorporating cathode-ray television picture tubes Reception apparatus for television of color, other than those for broadcasting	852812110 852812111 852812119 852812190 852812900	852812000 852812010 852812090	48,983,835	NO	133,784	2,619,041	19.58	NO	2,453,767	46,364,794	18.90	1.04	no	yes	OWT
7	Cased micro-computers of MOS type, monolithic digital	854213900	854213090	48,429,771	NO	340,000,000	37,973,922	0.11	NO	134,900,000	10,455,849	0.08	1.44	yes	no	VIIT
8	Motors of an output not exceeding 37.5 W: DC motors: Electric motors, of an output not exceeding 10 W	850110110 850110191	850110011	44,101,093	KG	571,696	4,907,953	8.58	KG	10,602,695	39,193,140	3.70	2.32	yes	no	VIIT
9	Chassis and kits of radio-broadcast receivers, combined with sound recording or reproducing apparatus, other than those of subheadings Nos.8527.11 to 8527.29 Radio-broadcast receivers, incorporating digital audio disk players, combined with sound recording or reproducing apparatus, other than those of subheadings Nos.8527.11 to 8527.29 Radio-broadcast receivers, combined with sound recording or reproducing apparatus, other than those of subheadings Nos.8527.11 to 8527.29 and those incorporating digital audio disk players	852731100 852731910 852731990	852731000	42,755,915	NO	5,542	49,018	8.84	KG	22760253	42706897	1.88	4.71	no	error	OWT
10	Parts of apparatus for switching electrical circuits Parts of apparatus for making connections electrical circuits Parts suitable for use solely or principally with the apparatus of heading No. 85.35, 85.36 or 85.37, other than those of subdivisions Nos.8538.10-000 to 8538.90-200	853890100 853890200 853890900	853890000	41,859,800	KG	6,680,248	37,705,557	5.64	KG	1,615,926	4,154,243	2.57	2.20	yes	no	VIIT
Subtotal a	Sub-total of top 10 commodities			593,562,680			259,544,342				334,018,338					
Subtotal b	Other commodities (from the 11th commodity to the 309th Commodity)			1,222,779,585			659,984,336				562,795,249					
Total a+b	Total value of Japan's trade of electrical machinery with China			1,816,342,265			919,528,678				896,813,587					

Commodity Composition of China's Exports



Commodity Composition of China's Imports

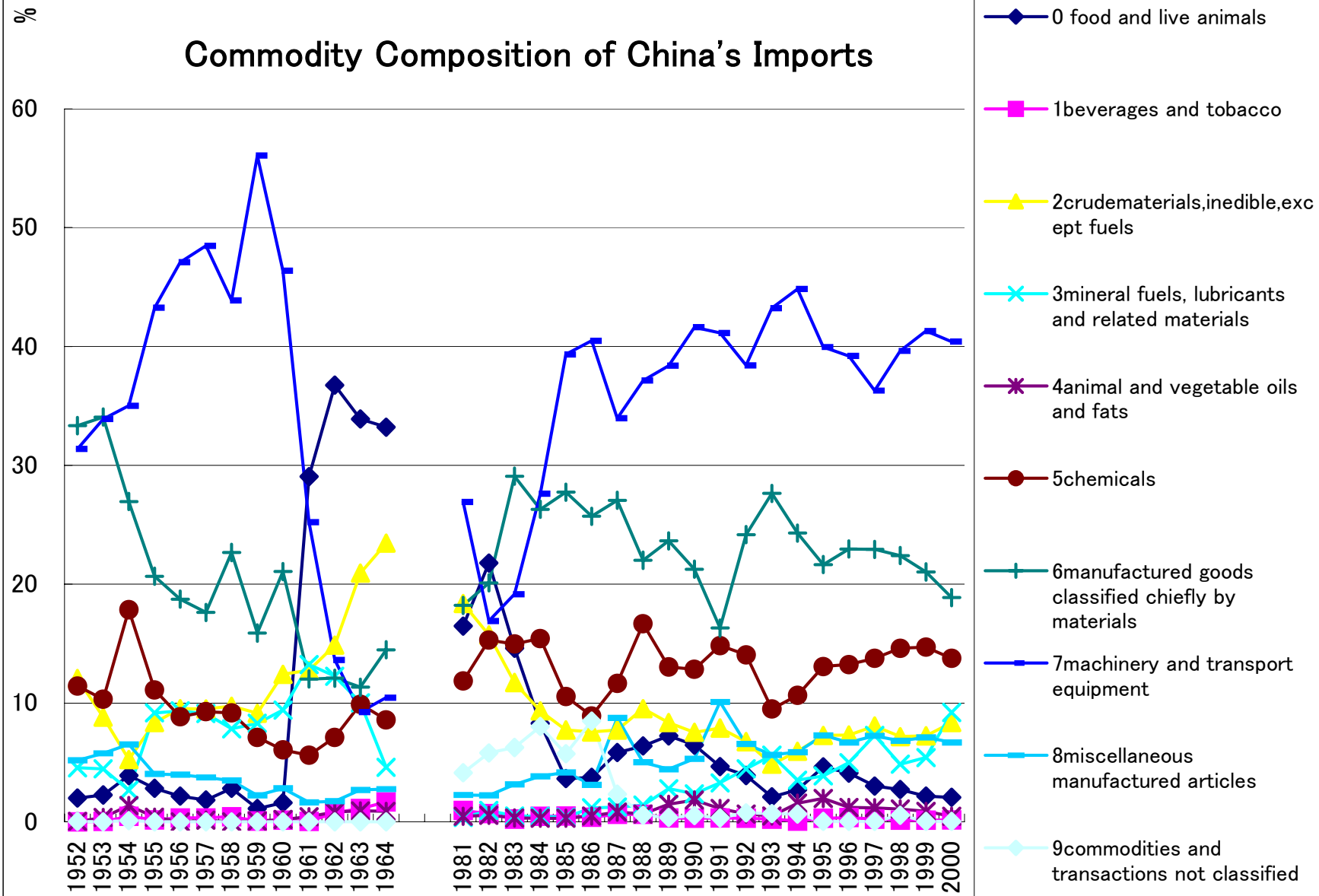
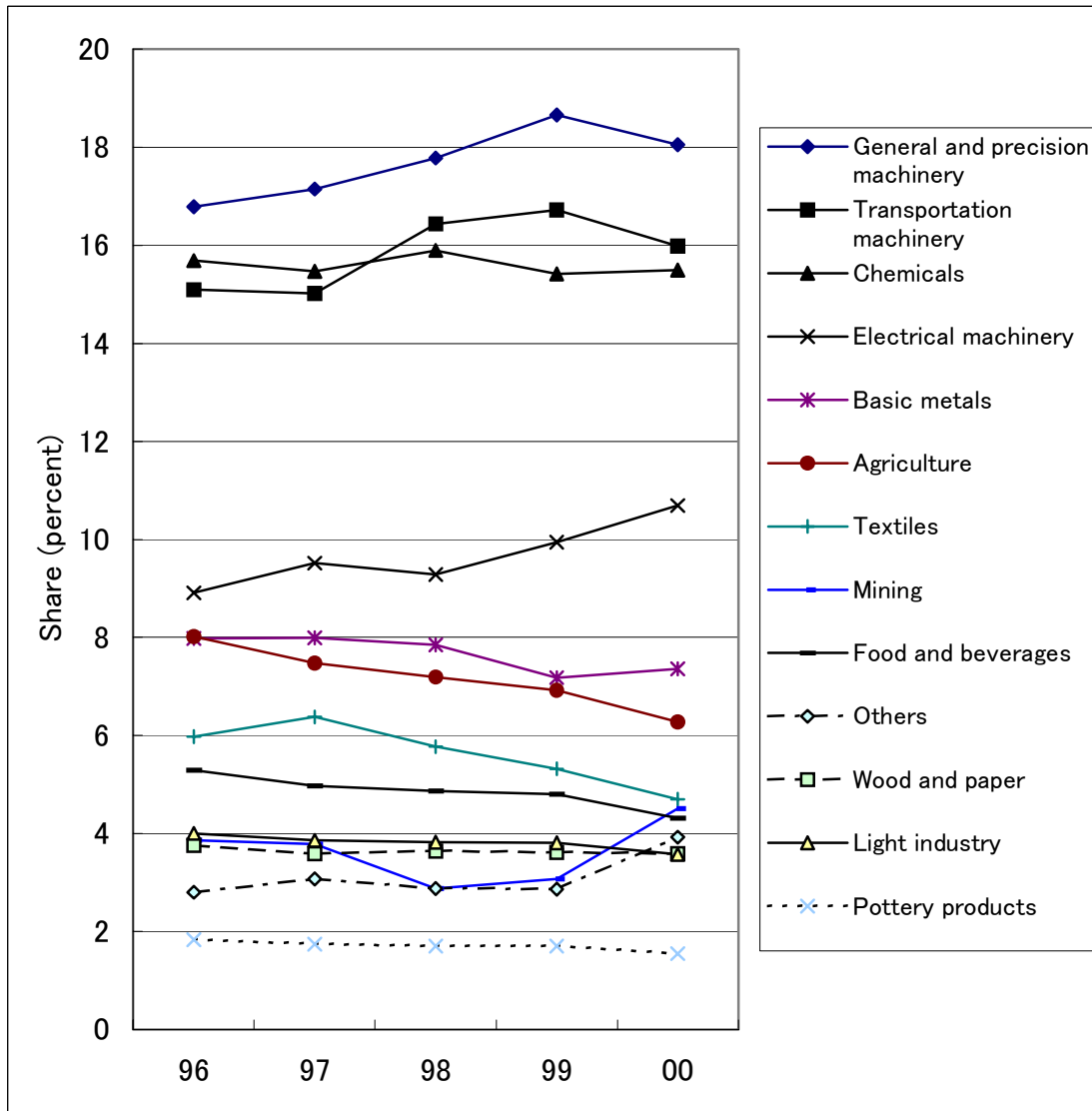
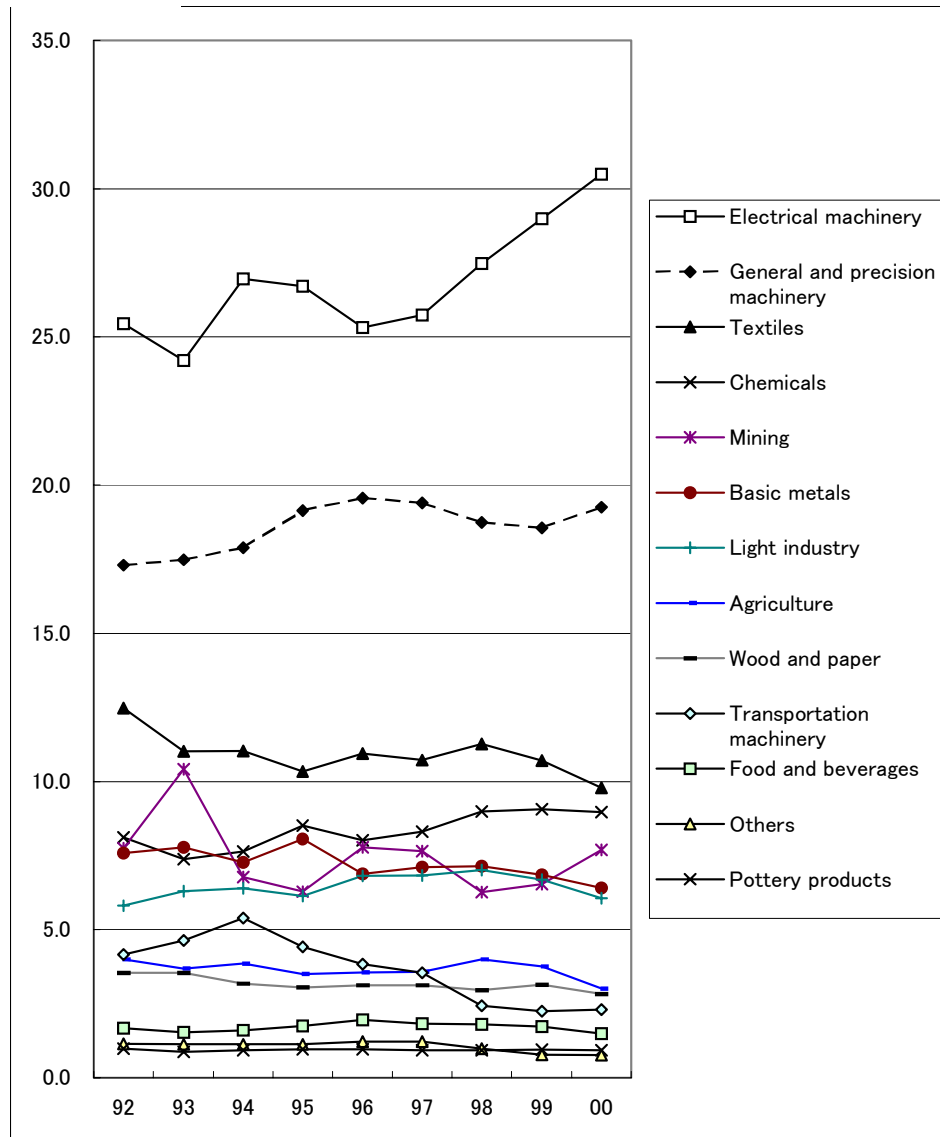


Figure 4-1 The Commodity Composition of Intra-EU trade, 1996-2000



Source: Calculated from PC-TAS.
June 17, 2004

Figure 4-2 Commodity Composition of Intra-East-Asia trade, 1992-2000



Source: Calculated from PC-TAS.

June 17, 2004

RIETI

Table 2 Share of Sales to Each Destination in Total Sales: Foreign Manufacturing Subsidiaries of Japanese and US Firms, by Location, 1999

(%)

Destination	Location of Operation						
	East Asia (excl.	China	Japan	Europe	US	Latin America	All the Economies
<i>U.S. subsidiaries</i>							
Local Market	39.6	50.4	90.1	56.7	-	65.1	57.7
Exports to other countries	32.8	29.6	7.1	37.5	-	13.1	27.2
Exports to the US	27.6	20.0	2.8	5.8	-	21.8	15.1
<i>Japanese subsidiaries</i>							
Local Market	48.2	47.0	-	60.1	90.4	77.3	70.0
Exports to other countries	25.8	21.8	-	36.3	7.3	17.7	20.4
Exports to Japan	26.0	31.2	-	3.6	2.3	5.0	9.6

Source: Authors' calculation based on Department of Commerce (U.S.), *U.S. Direct Investment Abroad: Operations of U.S. Parent Companies and Their Foreign Affiliates*, available on the Internet, <http://www.bea.doc.gov/bea/ai/iidguide.htm#link12b>; and METI (2001).