• Potential Growth Areas: China's Sectors of Comparative Advantage

China rapidly has become a major developing country exporter of manufactures and, with manufactured exports of roughly US $75 billion in 1993, it now trails only Taiwan and South Korea; its food exports by value are second only to those of Brazil. Since 1979, China's exports have grown at an annual rate of 15 per cent in real terms, while the share of exports in GDP has increased from 6 to 23 per cent. Industrialized countries now purchase about 70 per cent of China's exports, with the share going to the U.S. increasing steadily. Manufactures contribute just over one half of China's total exports, and of manufactured exports, textiles and clothing account for 50 per cent. Textile and clothing exports have recorded the most dramatic growth. In volume terms, China is now the largest single supplier of textile and apparel imports to the U.S.. On the import side, China provides an increasingly important market for intermediate goods, machinery and equipment, for services and for investment.

China's sheer size in terms of population and its resource endowment[51] suggest that it will continue to increase in importance in world markets. If China can effectively utilize its human and natural resources to expand exports, the consequences for both Asian and world markets would be significant. The question is whether China's trade patterns will develop in such a way that it primarily competes with the other countries in the region or whether it will provide opportunities for enhanced regional cooperation and integration.

Analysis of industry-level revealed comparative advantage (RCA) statistics[52] indicates that China has developed a RCA[53] in a relatively broad base of labour-intensive manufactures, which parallels the experience of most of the Asian NIEs.

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[51] China is the world's largest producer of tungsten and antimony and a major producer of mercury, tin, graphite, magnesite, anthracite and bituminous coal, iron ore and oil.

[52] For a more detailed review of China's revealed comparative advantages, see Alexander J. Yeats, World Bank Discussion Paper No. 141, "China's Foreign Trade and Comparative Advantage", World Bank, Washington, 1992

[53] The revealed comparative advantage of country j in the trade of product i is measured by the item's share in the country's exports relative to its share in world trade. If x_{ij} is the value of country j's exports of product i, and x_{tj} is the country's total exports, its revealed comparative advantage index is: $RCA_{ij} = (x_{ij}/x_{tj})/(x_{iw}/x_{tw})$ where the w subscripts refer to world totals. If $RCA_{ij} > 1$, this implies that the country has a revealed comparative advantage in the product (i.e., This indicates that the share of product i in country j's exports is greater than the corresponding world share). If $RCA_{ij} < 1$, this implies that the country has a revealed comparative disadvantage in the product.