

imports. Its merchandise trade surplus reached US\$30.3 billion last year.

China's trade in commercial services is only a fraction of the level of its goods trade—about one-ninth. It has maintained a small, but steady, trade deficit in commercial services, at about US\$6-7 billion, for several years now. Nevertheless, the rate of expansion in China's trade in commercial services exceeded the worldwide rate; China increased its share of global commercial services exports from 0.8% in 1985 to 2.4% in 2002 and expanded its share of global commercial services imports from 0.6% to 2.9% in the same period.

Merchandise exports

The commodity composition of China's merchandise exports saw a dramatic shift from 1985 to 2002 (Table 3). Exports of mineral fuels, which accounted for 26.1% of exports in 1985, dropped to 2.6% of exports in 2002. This reflects rapid growth in China's domestic energy use over this period. Exports of food and live animals, which accounted for 13.9% of all goods exports in 1985, slipped to 4.5% in 2002. On the other hand, exports of machines and transport equipment expanded from 2.8% to 39.0% of exports and, in the process, became the largest export commodity group. Similarly, miscellaneous manufactured goods (for example, toys and games) jumped from 12.7% of exports in 1985 to 31.1% last year.

At a finer level of detail, articles of apparel and clothing accessories (which are classified in the miscellaneous manufactured goods category) comprised the leading export commodity in 2002, accounting for 12.7% of overall goods exports (up from 7.1% in 1985). The other four major export commodities (office machines and computer equipment, electric machinery and parts, telecommunications and sound equipment, and miscellaneous manufactured articles) rose from negligible shares in 1985 to shares in the range of 8% to 11% in 2002. Taken together, the top five commodities accounted for 52.0% of overall goods exports in 2002.

Merchandise imports

The commodity composition of China's goods imports underwent some changes over this period as well (Table 4 on page 5). The decline in China's ability to meet its energy demand from domestic sources

is evident from the increasing reliance on energy imports. Whereas mineral fuels accounted for only 0.4% of imports in 1985, its share had expanded to 6.5% in 2002. The other major shift in the pattern of imports over the past 15 years or so has been the relative decrease in imports of basic manufactures in favour of relatively more imports of machines and transport equipment.

Electrical machinery and parts was the largest import commodity in 2002, accounting for 18.8% of goods imports (up from only 0.4% in 1985). In second place was mineral fuels, followed by office machines and computer equipment, specialized machinery, and artificial resins and plastic materials—each accounting for between 5.4% and 5.9%. All of these commodities, with the exception of specialized machinery, have expanded their share of imports since 1985. Taken together, the top five commodities accounted for 41.3% of goods imports last year.

Table 3: Chinese goods exports by commodity

Mn US\$		1985	1990	1995	2000	2001	2002
Exports, by commodity groups							
SITC*	(SITC section, 1-digit level)						
0	Food and live animals	3,803	6,609	9,954	12,281	12,777	14,623
	% of goods exports	13.9%	10.6%	6.7%	4.9%	4.8%	4.5%
1	Beverage and tobacco	105	342	1,370	745	873	984
	% of goods exports	0.4%	0.6%	0.9%	0.3%	0.3%	0.3%
2	Crude materials excl. fuels	2,653	3,537	4,375	4,462	4,172	4,404
	% of goods exports	9.7%	5.7%	2.9%	1.8%	1.6%	1.4%
3	Mineral fuels, etc.	7,132	5,237	5,332	7,855	8,405	8,372
	% of goods exports	26.1%	8.4%	3.6%	3.2%	3.2%	2.6%
4	Animal, vegetable oil and fats	135	161	454	116	111	98
	% of goods exports	0.5%	0.3%	0.3%	0.0%	0.0%	0.0%
5	Chemicals	1,358	3,730	9,094	12,098	13,352	15,329
	% of goods exports	5.0%	6.0%	6.1%	4.9%	5.0%	4.7%
6	Basic manufactures	4,493	12,576	32,240	42,546	43,813	52,957
	% of goods exports	16.4%	20.3%	21.7%	17.1%	16.5%	16.3%
7	Machines, transport equipment	772	5,588	31,407	82,600	94,901	126,983
	% of goods exports	2.8%	9.0%	21.1%	33.1%	35.7%	39.0%
8	Miscellaneous manufactured goods	3,486	12,686	54,548	86,278	87,110	101,168
	% of goods exports	12.7%	20.4%	36.7%	34.6%	32.7%	31.1%
9	Unclassified goods	3,413	11,625	6	221	584	648
	% of goods exports	12.5%	18.7%	0.0%	0.1%	0.2%	0.2%
	Sum	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Exports, top 5 commodities in 2002							
SITC	(SITC division, 2-digit level)						
84	Articles of apparel and clothing accessories	1,936	9,669	24,204	36,170	36,743	41,402
	% of goods exports	7.1%	15.6%	16.3%	14.5%	13.8%	12.7%
75	Office machines and computer equipment	10	375	4,803	18,638	23,572	36,228
	% of goods exports	0.0%	0.6%	3.2%	7.5%	8.9%	11.1%
77	Electric machinery and parts	50	1,219	9,558	24,663	25,998	32,863
	% of goods exports	0.2%	2.0%	6.4%	9.9%	9.8%	10.1%
76	Telecommunications and sound equipment	87	2,623	8,409	19,508	23,759	32,017
	% of goods exports	0.3%	4.2%	5.7%	7.8%	8.9%	9.8%
89	Miscellaneous manufactured articles	137	3,726	13,708	22,068	22,085	26,777
	% of goods exports	0.5%	6.0%	9.2%	8.9%	8.3%	8.2%
	Sum of top 5 commodities	2,219	17,613	60,682	121,047	132,157	169,287
	% of goods exports	8.1%	28.4%	40.8%	48.6%	49.7%	52.0%

* Standard International Trade Classification

Sources: Asian Development Bank (ADB), Key Indicators of Developing Asian and Pacific Countries and United Nations (UN) Trade database (with commodity breakdown on SITC basis)

It is notable that electrical machinery and parts as well as office machines and computer equipment are both major import and major export commodities. This reflects the fact that exports of these commodities from China contain a large proportion of imported components, principally from other countries in Asia—especially Japan, Korea and Taiwan. In fact, it is estimated that 24% of the value of Japan's exports to China is now accounted for by affiliated trade²—a large portion of which is subsequently re-exported worldwide from China.

Geographic distribution of merchandise exports

The distribution of China's exports shifted from Asia toward North and Central America over the 1990s (Table 5 on page 6). Asia was the destination for 68.8% of China's exports in 1990, whereas 12 years later this share had fallen to 43.4%. Correspondingly, the share of exports to

North and Central America increased from 10.2% to 32.1% over the period. To some extent, this shift can be explained by the dominant role Hong Kong has played as an entrepôt for exports from China—Hong Kong was the official recipient of 43.3% of China's exports in 1990. Over time, not only have direct shipments from China increased, but also a larger portion of Chinese shipments via Hong Kong are being correctly assigned to the final country of destination. Thus, Hong Kong's share of China's exports has also dropped (to 15.8% in 2002). Even so, the diminishing role Hong Kong plays as a destination for China's exports cannot entirely explain the fact that China's exports to the U.S. increased from 8.5% of all shipments in 1985 to 29.1% in 2002.

Japan's share of China's merchandise exports has been fairly steady at between one-fifth to one-seventh of the total over the 1990s. In 2002, Japan accounted for 14.3% of China's goods exports. The remaining seven countries in the top 10 ranking each accounted for less than 4% of China's exports last year. Taken together, the top 10 countries accounted for 77.2% of China's exports in 2002. Although Canada did not rank among the top 10 destinations for Chinese exports, Canada nevertheless increased its share of Chinese exports from 0.7% in 1990 to 1.2% in 2002.

Geographic distribution of merchandise imports

In contrast to the exports side, the regional distribution of China's imports shifted in favour of Asia at the expense of Western Europe and North and Central America over 1990-2002 (Table 6 on page 7). In Asia, the decline of Hong Kong as a source of imports has been offset by expanded roles for Korea and Japan and, to a lesser extent, Singapore, Malaysia and a variety of other Asian countries. The U.S., which accounted for one-eighth of China's imports in 1985, has seen its share decline to less than one-tenth. Taken together, the top 10 source countries for Chinese imports in 2002 accounted for 61.6% of the total. Canada's share of China's imports experienced a decline in the 1990s: Canada accounted for 2.8% of China's imports in 1990, but only 1.3% in 2002.

Geographic distribution of merchandise trade surplus

Despite the strong growth in exports, China's merchandise trade balance only expanded from a surplus of US\$9.0 billion in 1990 to US\$30.3 billion in 2002. This is because China's imports grew nearly as fast as its exports.

Table 4: Chinese goods imports by commodity

Mn US\$		1985	1990	1995	2000	2001	2002
Imports, by commodity groups							
SITC	(SITC section, 1-digit level)						
0	Food and live animals	1,553	3,335	6,132	4,758	4,976	5,237
	% of goods imports	3.7%	6.3%	4.6%	2.1%	2.0%	1.8%
1	Beverage and tobacco	206	157	394	364	412	387
	% of goods imports	0.5%	0.3%	0.3%	0.2%	0.2%	0.1%
2	Crude materials excl. fuels	3,236	4,107	10,159	20,003	22,127	22,737
	% of goods imports	7.7%	7.7%	7.7%	8.9%	9.1%	7.7%
3	Mineral fuels, etc.	172	1,272	5,127	20,637	17,466	19,285
	% of goods imports	0.4%	2.4%	3.9%	9.2%	7.2%	6.5%
4	Animal, vegetable oil and fats	122	982	2,605	977	763	1,625
	% of goods imports	0.3%	1.8%	2.0%	0.4%	0.3%	0.6%
5	Chemicals	4,469	6,648	17,299	30,213	32,104	39,040
	% of goods imports	10.6%	12.5%	13.1%	13.4%	13.2%	13.2%
6	Basic manufactures	11,898	8,906	28,772	41,807	41,938	48,492
	% of goods imports	28.2%	16.7%	21.8%	18.6%	17.2%	16.4%
7	Machines, transport equipment	16,239	16,845	52,642	91,931	107,015	137,034
	% of goods imports	38.4%	31.6%	39.9%	40.8%	43.9%	46.4%
8	Miscellaneous manufactured goods	1,902	2,103	8,261	12,751	15,076	19,801
	% of goods imports	4.5%	3.9%	6.3%	5.7%	6.2%	6.7%
9	Unclassified goods	2,456	8,990	693	1,653	1,676	1,564
	% of goods imports	5.8%	16.9%	0.5%	0.7%	0.7%	0.5%
	Sum	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Imports, top 5 commodities in 2002							
SITC	(SITC division, 2-digit level)						
77	Electric machinery and parts	177	2,050	9,744	35,646	39,909	55,495
	% of goods imports	0.4%	3.8%	7.4%	15.8%	16.4%	18.8%
33	Petroleum and petroleum products	46	1,054	4,613	19,049	16,050	17,430
	% of goods imports	0.1%	2.0%	3.5%	8.5%	6.6%	5.9%
75	Office machines and computer equipment	311	772	2,858	10,858	12,660	17,094
	% of goods imports	0.7%	1.4%	2.2%	4.8%	5.2%	5.8%
72	Specialized machinery	4,903	5,936	13,787	11,090	13,143	16,215
	% of goods imports	11.6%	11.1%	10.4%	4.9%	5.4%	5.5%
58	Artificial resins and plastic materials	867	1,499	7,169	13,120	13,932	15,800
	% of goods imports	2.1%	2.8%	5.4%	5.8%	5.7%	5.4%
	Sum of top 5 commodities	6,304	11,310	38,171	89,764	95,694	122,034
	% of goods imports	14.9%	21.2%	28.9%	39.9%	39.3%	41.3%

Sources: Asian Development Bank (ADB), Key Indicators of Developing Asian and Pacific Countries and United Nations

In terms of trade with individual countries in 2002, China registered its largest trade surplus (US\$47.7 billion) with Hong Kong. However, the trade surplus with Hong Kong was more than offset by trade deficits with other Asian countries, in particular with Korea, Japan and Malaysia (Table 7 on page 8).

In 2002, China registered a trade surplus of US\$42.8 billion with the U.S.—compared with a US\$1.3 billion trade deficit in 1990. China recorded a growing trade deficit with Germany over 1990-2002 but has been expanding its trade surpluses with other European countries, principally the United Kingdom and the Netherlands.

China's importance to its major trading partners

So far, we have been examining the trade data from China's point of view. We now flip this over to look at the importance of China as reported by Canada and China's other trading partners.

In terms of exports to China, Hong Kong is most dependent on the Chinese market, with 39.3% of its total 2002 exports destined for China, up from 24.8% in 1990 (Table 8). Exports from Korea to China have expanded dramatically since the mid-1990s, with China's share of total Korean exports more than doubling from 7.0% in 1995 to 14.7% in 2002. China's share of Japanese