



清华大学

国情研究中心

Center for China Study, Tsinghua University

Seminar on East Asian Economic Integration and  
U.S.-Japan Relations

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# China Perspective

Angang Hu

Center for China Studies, Tsinghua University

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# Outline

- ❑ The background of East Asia economic integration
- ❑ How is China integrating with East Asia economies
- ❑ China's future (2005-2020)
- ❑ Conclusion



# East Asia economic integration

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- ❑ East Asia economic integration contributes to East Asia renaissance
- ❑ East Asia renaissance is speeding up ( World Bank , 2007 )
- ❑ East Asia renaissance is in turn conducive to further economic integration.
- ❑ East Asia has surpassed NAFTA in terms of intraregional trade



## Intraregional Trade (as % of total world trade)

	1980	1985	1990	1995	2000	2005
ASEAN+ 3	30.2	30.2	29.3	37.3	37.0	38.2
ASEAN	17.9	20.3	18.8	23.9	24.5	24.0
ASEAN+3+Hong Kong, China + Taipei China	34.6	37.1	43.0	51.7	51.9	54.5
European Union (EU-25)	61.3	59.8	67.0	67.4	66.8	66.2
NAFTA	33.8	38.7	37.9	43.1	48.8	45.0



## East Asia economies in U.S. import market:1996-2005 ( % )

	1996	1998	2000	2001	2002	2003	2004	2005	05-95
Mainland China	6.5	7.8	8.2	9.0	10.8	12.1	13.4	14.6	+8.1
Japan	14.6	13.3	12.0	11.1	10.4	9.4	8.8	8.3	-6.3
Korea	2.9	2.6	3.3	3.1	3.1	2.9	3.1	2.6	-0.2
Taiwan	3.8	3.6	3.3	2.9	2.8	2.5	2.4	2.1	-1.7
Singapore	2.6	2.0	1.6	1.3	1.3	1.2	1.0	0.9	-1.7
Hong Kong	1.2	1.2	0.9	0.8	0.8	0.7	0.6	0.5	-0.7
Aggregate	31.5	30.5	29.4	28.2	29.1	28.8	29.4	29.0	-2.6

Source : U.S. Department of Commerce



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# Integrating with East Asia

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- ❑ China's economic integrating with the world  
( 1980 - 2005 )
- ❑ China's economic integrating with East Asia
- ❑ China is one of the driving factor of economic integrating in East Asia ( World Bank, 2007 )
- ❑ China's externalities for its neighboring economies
- ❑ East Asia economy will aggregately account for 40% of world GDP by 2050 ( World Bank, 2007 )



# Sources of China's Imports

	1980	1990	1995	2000	2002	2003	2006
Asia	41.3 ( 1981 )	41.0	47.1	53.5	53.1	52.8	66.4
ASEAN	3.4	5.6	7.4	9.3	10.4	11.3	11.3
Japan	26.5	14.2	21.9	17.8	18.1	18.0	14.6
Korea		0.4	7.8	10.0	9.7	10.4	11.3
Taiwan			11.2	11.3	12.9	12.9	11.0
European Union	15.8	17.0	16.1	13.3	13.1	12.9	11.4
United States	19.6	12.2	12.2	9.6	9.2	8.2	7.5

## China's trade with its 26 neighboring economies ( 1995-2005 )

China's rank	1995		2000		2005	
1	1	Hong Kong	3	Mongolia、 Hong Kong、 North Korea	9	Mongolia、 Hong Kong、 Taiwan、Macao North Korea 、 Kyrgyz Republic、 South Korea、 Vietnam、 Japan
2	9	Afghanistan、Macao、 Mongolia、Kazakstan、 Kyrgyz Republic、 Japan、Taiwan、 North Korea、 Myanmar	6	Japan、Macao、 Taiwan、Pakistan、 Myanmar、Laos	7	Kazakstan、Russia、 India、Pakistan、 Myanmar、Laos 、 Philippine
3	1	South Korea	7	Kazakstan、Russia、 Kyrgyz Republic、 South Korea、Nepal、 Tajikistan、Vietnam	5	Singapore、 Malaysia、Nepal、 Tajikistan 、 Thailand
Aggregate	11(42%)		16(62%)		21(81%)	





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## Integrating with neighboring economies

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- ☐ **By 2010 , China will be likely to rank top 3 trading partner in all its neighboring economies' list, in which No1's number goes up as well.**
- ☐ **Become a new source of outbound FDI.  
By 2005 Asia as a whole holds 71.0% of China's cumulate outbound FDI over years.**



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# China's future (2005-2020)

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- ❑ China economic growth record: 1978-2005
- ❑ China economic development perspective:  
2005 - 2020
- ❑ China economic & social development  
goals (2020)



## China's economic growth source

□ The main sources of China's high speed growth are *Total Factor Productivity* (TFP) and capital input

Sources of China Economic Growth (annual growth, %, 1978-2020)

	1978 - 2005	2005 - 2020
GDP	9.6(100)	8.5(100)
Capital	9.5(36)	10.0(47)
Labor	1.9(6)	0.3(1)
Human resource	2.1(7)	2.0(7)
TFP	4.7(49)	3.8(45)

Note: TFP stands for total factor productivity. Parenthesis shows factor's contribution to GDP growth. A situation: weight for capital is 0.4, labor is 0.3 and human resource is 0.3.

Source: Author calculation and simulation.



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# Rank of main indicators of China in world (1978-2020)

	1978	1990	2000	2005	2010	2020
GDP	10	11	6	4	3	2
GDP (PPP)	4	3	2	2	2	1
GNI per capita	175 (188)	178 (200)	141 (207)	110 (180)	99 (180)	80 (180)
GDP per Capita (PPP)		110 (162)	84 (162)	72 (162)		
HDI	74 (113)	88 (121)	85 (173)	85 (177)	75 (177)	60 (177)
Foreign trade	27	16	8	3	2	2
S&T power			4	3	3	2
Comprehensive national power	5	3	2	2	2	2

Note: Parenthesis shows countries number among ranking.

Source: Angang Hu, China Rising and Openness, Manuscript, May, 2007 .



# When can China catch up with and surpass the United States in GDP

## Relative Gap in GDP between the U.S. and China (China=1.00)

	2000	2003	2005	2006
WBI(2000 price , exchange rate method) a	8.1		5.6	
WBI(2000 price , PPP) a	1.77		1.41	
CIA (current price , Exchange rate) b				5.25
CIA (current price , PPP) b				1.29
Maddison(1990 price , PPP) c	1.86	1.36		
Economist Intelligence Unit d				1.35

Note : a World Bank : "World Development Report 2007" , Beijing, Tsinghua University Press , March 2007 , PP.288 - 289.b CIA : World Factbook, 2007. c Angus Maddison, *World Population, GDP and Per Capita GDP, 1-2003 AD*, <http://www.ggd.net/maddison/>, March, 2007. d Intelligence Bureau of British Economist , from : Craig K. Elwell, Mare Labonte and Wayne M. Morrison, 2007, Is China A Threat to the U.S. Economy ? CRS Report for Congress, Order Code RL 33604. [www.fas.org/sqp/crs/row/RL33604.pdf](http://www.fas.org/sqp/crs/row/RL33604.pdf).



# Conclusion

- ❑ China's renaissance makes the best of East Asia economic integration.
- ❑ China's renaissance pushes forward East Asia renaissance .
- ❑ East Asia: from “miracle” to financial crisis to renaissance ( World Bank, 1993, 1997 & 2007 )



# Conclusion

- ❑ China's economic future
  - ❑ an unprecedented development opportunity;
  - ❑ unprecedented development challenges;
  - ❑ the opportunities outweigh the challenges;
  - ❑ challenges can be turned into opportunities.
- ❑ By 2020 , China will become the biggest economy, going hand in hand with East Asia becoming the most dynamic area throughout the world.



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Thank you !