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## **The Dynamic Structure of U.S.-China Trade, 1995-2004**

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# **The Dynamic Structure of U.S.-China Trade, 1995-2004<sup>1</sup>**

— *PRELIMINARY FINDINGS* —

**Alexander B. Hammer**

## **EXECUTIVE SUMMARY & CONCLUSION**

- I. An Overview of China-U.S. Trade
- II. The Single-Dimensional Decomposition of Total U.S. – China Trade
  - *Ownership structure*
  - *Customs regime*
  - *Incentive scheme*
  - *Product type*
- III. The Multi-Dimensional Decomposition of Product Drivers in U.S. – China Trade
  - *Comparing the Structure of China's Top Export & Import Product Drivers to/from the U.S., to the Structures of:*
    - (1) *China's Overall Exports & Imports to/from the U.S.; and*
    - (2) *Other Top Export & Import Product Drivers to/from the U.S.*
- IV. The Largest Multi-Dimensional Export & Import Contributors to U.S.-China Trade
- V. Recommendations for Further Research

## **APPENDICES I-VI**

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<sup>1</sup> The views expressed in this paper do not necessarily represent those of the U.S. International Trade Commission or any of its Commissioners.

<b>GLOSSARY OF FREQUENTLY USED TERMS:</b>		
<b>CONCEPT:</b>	<b>ACRONYM:</b>	<b>DEFINITION:</b>
Bonded Areas/Zones	BA / BZ	Special geographic areas near Chinese ports where foreign and domestic enterprises are authorized to store, service, and process traded goods free of import duties.
Collectively-Owned Enterprises	COEs	Quasi-public, quasi-private Chinese firms whose assets are equally owned by a community of people working together.
Economic and Technological Development Areas/Zones	ETDAs / ETDZs	Special geographic areas located inside China's open coastal cities, where foreign and domestic enterprises are provided preferable tax, customs duty, and land rent incentives.
Export Processing Areas/Zones	EPAs / EPZs	Special geographic areas located inside China's SEZs. Although smaller and typically more export-oriented than SEZs, their provided incentives to foreign and domestic business are comparable.
Foreign-Invested Enterprises	FIEs	Companies operating in China whose assets are owned, in full or in part, by foreign firms.
High-Technology Industrial Development Areas/Zones	HTIDAs / HTIDZs	Special geographic areas established by China's national government to lure high-technology foreign companies through reduced corporate taxes and import duties.
Ordinary Trade	n.a.	Refers primarily to imports intended for China's domestic market, and exports that are mostly based on local Chinese input.
Private Enterprises	PEs	Profit-making firms invested and established by individuals.
Processing and Assembly	n.a.	A type of processing trade, mostly conducted by SOEs and FIEs
Processing Trade	n.a.	Refers mainly to imports of goods that are intended to be assembled or transformed in China, and subsequently re-exported.
Processing with Imported Parts	n.a.	A type of processing trade, mostly conducted by FIEs.
Special Economic Zones	SEZs	Special geographic areas in China that provide foreign and domestic businesses with reduced corporate taxes and import duties, as well as greater managerial autonomy.
State-Owned Enterprises	SOEs	A Chinese firm whose assets are officially "owned by the people and managed by the state".

## EXECUTIVE SUMMARY AND CONCLUSION

The aim of this paper is to identify structural developments in China's external sector that have significantly influenced that country's large and growing merchandise trade surplus vis-a-vis the United States. To reach its objective, this paper will decompose U.S.-China trade flows according to a series of independent and interdependent criteria, using highly disaggregated 1995-2004 customs data that the U.S. International Trade Commission (USITC) recently acquired from official sources in China.

This paper will serve as the first of many USITC research products on the dynamics of China's trade experience over the past decade. An extensive research agenda has already been scheduled to follow the publication of this paper, which will include collaborative research with Dr. Judith Dean, Dr. Michael Ferrantino, Ms. Joanne Guth, Dr. Zhi Wang, and myself (all from the USITC), as well as our organization's academic collaborators Dr. K.C. Fung (UC Santa Cruz), Dr. Lawrence Lau (Stanford University and the Chinese University of Hong Kong), and Dr. Shunli Yao (Peking University). For this paper, the comments of Dr. Judith Dean were particularly useful in adding structure to the study's scope, clarity to its method of presentation, and precision to its underlying analysis.

After providing an overview of China's merchandise trade balance with the United States in Part I of this analysis, Part II will identify structural developments in bilateral trade flows using independent classifications of the customs data. Specifically, it will expose patterns that have emerged by decomposing merchandise trade flows one factor at a time, starting with the ownership structure of the considered firms, then their "customs regime", "incentive scheme", and finally, the type of goods being traded. Part III will then build upon those findings by decomposing the structures of the fastest growing product categories in bilateral trade, according to the firm-specific criteria identified above. By constructing a multi-dimensional profile of these product drivers and comparing those results to the profile of China's overall trade with the United States (as well as to other identified product trade drivers), we will gain deeper insight into the important factors that have influenced trade flows between the two countries. Part IV will then identify the single-greatest multi-dimensional contributor to China's latest export and imports to/from the United States. Finally, the last part of this analysis will provide recommendations for subsequent research.

Key findings in this investigation can be broadly categorized into general, export-specific, and import-specific observations:

### *General:*

- *FIEs:* Foreign-invested enterprises have constituted China's largest (since 2002) and fastest growing source of (1) exports to the United States *as well as* (2) imports from the United States;
- *Private firms:* China's private firms have been another primary source of growth behind bilateral merchandise trade flows, especially since 2000;
- *Electronics on the global supply chain:* Electronic machinery (HS-84) constituted the largest and fastest growing product category source of export *and* imports

- to/from the United States, supporting anecdotal evidence of China's growing integration on the global electronics supply chain;
- *Incentive schemes:* Enterprises operating in China's special incentive zones, particularly its Economic and Technological development zones (ETDZs), have positively influenced bilateral trade vis-à-vis the United States. ETDZs and other special incentive zones have played a more dominant role in China's imports from the United States, relative to China's exports to the United States.

*Export-specific:*

- *Dominant product drivers:* China's exports of computers, office machinery, associated computer and office machinery parts, radio/telephone/handset transmitters, and other HS-84 & HS-85 products represented the largest and fastest growing source of exports to the United States in the considered period.
- *Role of FIEs in top export categories:* FIEs represented a disproportionately large share of China's exports to the United States among top product driver categories;
- *Role of processing with imported materials in top export categories:* Enterprises in China's machinery (HS-84 & HS-85) exports to the United States disproportionately specialized in "processing with imported materials";
- *Largest multi-dimensional contributor to exports:* Laptop computers that were produced by FIEs in Export Processing Zones (EPZs), and which used imported materials as primary inputs, constituted the largest multi-dimensional contribution to China's 2004 exports to the United States.

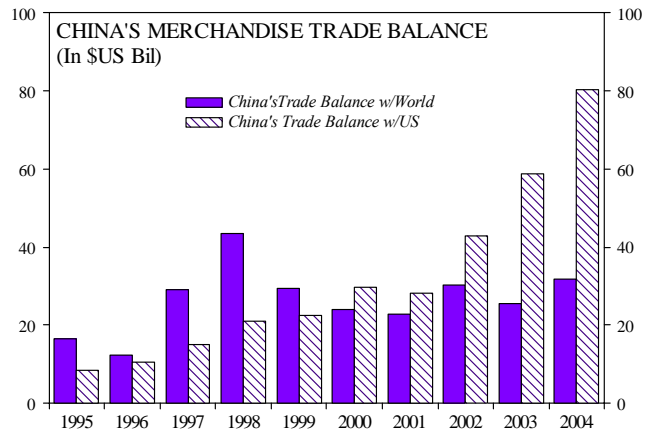
*Import-specific:*

- *Dominant product drivers:* While electronic machinery represented China's largest source of product imports from the United States in 2004, overall imports of yellow soybeans, integrated electrical circuits, and other products from the HS-12 & HS-85 categories, represented the largest source of import *growth* from the United States in the considered period.
- *Special role of FIEs in top import categories:* FIE electrical machinery imports represented China's largest dual (product-ownership) combination of imports from the United States in 2004. Relative to China's total imports from the United States, the share FIE electronic machinery imports grew from 5% in 1995 to 13% in 2004.
- *Largest Contributor to Imports.* Yellow soybeans from FIEs' engaged in ordinary trade in non-incentive-based systems contributed more than any other 'multi-dimensional' component to China's 2004 total imports from the United States.
- *Largest Contributor to Electrical Machinery (HS-84) Imports:* China's individual function machinery and mechanical appliance start-up equipment from FIEs operating in ETDA, contributed more than any other 'multi-dimensional' component to China's top electrical machinery imports from the United States.
- *Concentration of imports:* Although China's single greatest import product from the United States was yellow soybeans, the more diversified set of machinery imports from the United States collectively accounted for a greater share of China's overall 2004 imports from the United States.

## PART I-INTRODUCTION

### AN OVERVIEW OF CHINA-U.S. TRADE

China's merchandise trade surplus with the United States is distinguished by both its magnitude and dynamism. In 2004, its surplus amounted to \$80.3 billion, which was two and a half times greater than China's overall trade surplus of \$31.9 billion (see adjacent figure). Over the past decade, the difference between the two balances widened due to the rapid pace of growth in China's bilateral trade surplus with its largest trading partner, the United States.



Two phenomena help explain why the gap between China's overall and bilateral U.S. trade balance has widened over the past decade. First, China's merchandise export growth to the United States has outpaced China's overall merchandise export growth. Consequently, the share of China's exports headed toward to the United States has grown (from 17% in 1995 to 21% in 2004). Second, China's imports from the United States have grown at a considerably slower pace than China's overall imports. This has resulted in a loss in the share of China's imports originating from the United States (from 12% in 1995 to 8% in 2004). Appendix I-A and I-B provide greater detail about the size and growth of the United States' share of the Chinese export and import markets relative to China's other major trading partners.

The adjacent figure illustrates the magnitude of China's merchandise trade flows vis-à-vis the world and the United States, and provides perspective over the size and growth of the trade flows that will be decomposed in the subsequent section. As can be seen, China's exports to the United States grew from \$24.7 in 1995 to \$124.9 billion in 2004 (exhibiting a 20% average annual growth rate), while China's imports from the United States grew from \$16.1 to \$44.7 billion (exhibiting a 13% average annual growth rate) over the considered time horizon.



## **PART II: THE SINGLE-DIMENSIONAL DECOMPOSITION OF TOTAL U.S.-CHINA TRADE**

This part of the investigation will show how the structure of China’s trade with the United States has changed over time, by decomposing bilateral trade flows using independent criteria. Specifically, China’s bilateral trade with the United States was disaggregated according to ownership structure, customs regime, incentive scheme, and the Harmonized System’s (HS) 2-digit product classification. The table below provides an overview on how the data was disaggregated.

<b>Part II: Decomposing China-U.S. Trade</b>		
<b>Section</b>	<b>Classification:</b>	<b>Breakdown (see definitions below):</b>
1	Firmtype	(1) SOEs; (2) FIEs (including Sino-Foreign Contractual and Equity Joint Ventures); (3) COEs; and (4) Private Enterprises
2	Customs Regime	(1) Ordinary trade; (2) Process & assembly; (3) Process w/imported materials; (4) Warehousing trade; (5) Entrpot trade by bonding activity; (6) Compensatory trade; and (7) Equipment/machinery investment by FIEs.
3	Incentive Scheme	(1) SEZs; (2) Economic & Technology Development Areas; (3) High-Technology Industry Development Area; and (4) Bonded Area.
4	Product	HS-2 Classification

### **Part II, Section 1: Decomposing China-US Trade by Ownership Structure:**

Classifying China’s exports and imports to/from the United States by firm-type reveals major structural changes that have unfolded over the past decade. The most important of these changes revolved around FIEs and private enterprises, which have shouldered a large and progressively growing share of China’s overall trade with the United States.

*Background:* Since the initiation of China’s economic reforms in 1978/79, Chinese policy makers have implemented a series of measures that have gradually, and profoundly, restructured the country’s system of enterprise ownership. Prior to the reform period, **state-owned enterprises (SOEs)**, or non-corporation economic units whose assets were officially “owned by the people and managed by the state”, formed the basis of economic activity in China, as they implemented the national government’s planning objectives. Faced with unmet domestic demand problems and enterprise inefficiencies, yet constrained by social pressures<sup>2</sup>, reformers set out a dual-track strategy aimed at increasing SOE efficiency while allowing non-state sector firms to burgeon. Although SOE production increased over the course of the next two and a half decades, the more rapid growth from other forms of enterprises essentially relegated SOEs to shoulder a progressively smaller share of economic output. By 2003, the state sector only accounted for 13% of domestic economic activity<sup>3</sup> in China, and by 2005, employed only 9% of China’s workforce<sup>4</sup>. Although China’s “growing out of the plan”<sup>5</sup> strategy has been very successful thus far, it has not ended, as SOEs still employ over 65 million people in China as of 2005.<sup>6</sup>

<sup>2</sup> The majority of China’s workforce at the time was employed by SOEs, many of which provided strong housing, healthcare, and education benefits.

<sup>3</sup> See China Statistical Yearbooks using CEIC [1]

<sup>4</sup> *Ibid*

<sup>5</sup> See Naughton [8]

<sup>6</sup> See China Statistical Yearbooks using CEIC [1]

As China's government relaxed its monopolistic control over SOEs and legalized the status of other forms of enterprises in the early period of its reform process, market entry opportunities arose. Specifically, a large number of start-ups were created, initially from quasi-public, quasi-private *collectively-owned enterprises (COEs)* whose assets were equally owned by a community of people who worked together. COEs burgeoned in rural areas (first in the agricultural, then industrial sectors), in large part due to the government's "household responsibility system" that made farmers landholders and decision-makers. COEs currently consist, as they did two decades ago, of a large array of enterprise types, including township-village enterprises (TVEs), SOE subsidiaries, and enterprises owned by both the central and provincial governments. They are typically much smaller than SOEs, and, in aggregate, currently employ more employees than any other type of enterprise (142.7 million, or 19% of China's workforce in 2005<sup>7</sup>).

Owing to the fact that private companies were nationalized in the 1950s, the existence of *private enterprises* in China's pre-1978 economy was rare. This changed during the reform period, as the government legalized the status of these "profit-making economic units invested and established by people". Since then, private enterprises have been proliferating in China, and their influence over the entire economy has grown. Currently, many forms of enterprises are categorized as private, including private limited liability corporations, private share-holding corporations Ltd, private partnership enterprises as well as private-funded enterprises. While these forms of enterprises typically employ fewer than 8 employees, by 2005 they accounted for roughly 7 percent of China's workforce<sup>8</sup>.

China's historic opening to the global economy that began in the early part of its reform period has evolved dramatically over the course of the last two and a half decades, and now includes the country's membership in the World Trade Organization (WTO). China's integration into the world economy predominantly transpired via *foreign-invested enterprises (FIEs)*, or companies operating in China whose assets were owned, in full or in part, by foreign firms. At the beginning of the reform period, FIEs were principally located in coastal zones outside of China's industrial centers, so as to minimize interactions with firms heavily influenced by state-direction. As time progressed, interactions with FIEs and TVEs increased<sup>9</sup>, which ultimately transformed the economic environment of the coastal regions<sup>10</sup>. Soon thereafter, the United States, Japan and EU dramatically increased their FDI to China via FIEs, both to gain access to cheaper domestic manufacturing costs, and, later, to sell their products domestically to a progressively wealthier Chinese consumer base. Currently, FIEs consist of wholly-owned FIEs (WOFEs), and joint-ventures such as Sino-Foreign Contractual Joint Ventures and Sino-Foreign Equity Joint Venture. Only 4% of China's labor force was employed by FIE by 2005.

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<sup>7</sup> *Ibid*

<sup>8</sup> *Ibid*

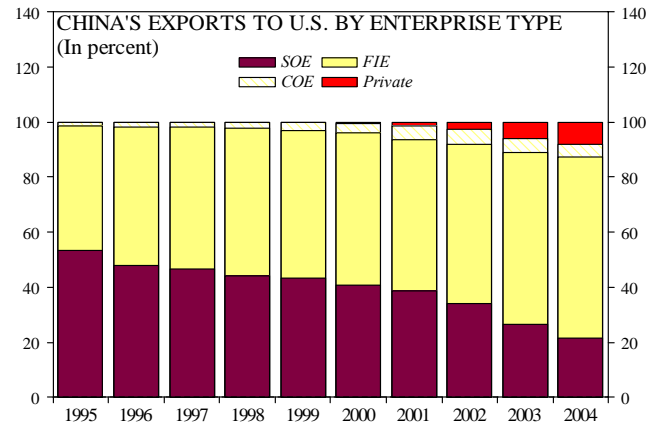
<sup>9</sup> See Rodlauer, p.90 [10]

<sup>10</sup> *Ibid*



China's Exports to the United States ► By Firm-Type ◀ Despite the fact that Chinese SOEs have recorded positive growth in their exports to the United States in the considered period, the faster pace of growth from other forms of enterprises has meant that SOEs have shouldered a progressively smaller share of China's overall U.S.-bound exports.

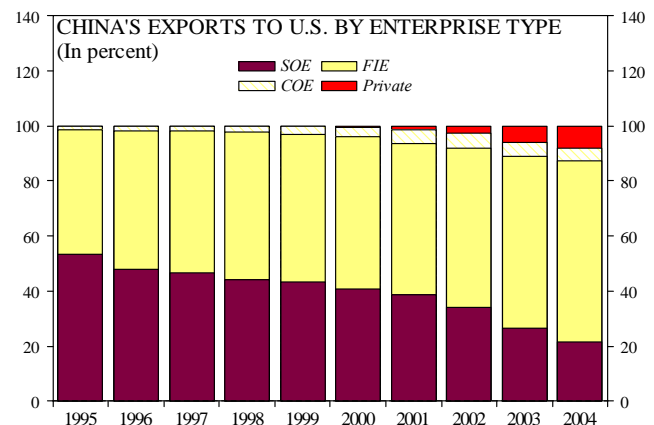
The void has been predominantly filled by FIEs, which have been the engine of growth behind overall Chinese exports to the United States, and which now account for nearly two thirds of China's total exports to the United States (compared to less than half in 1995, and considerably less in preceding years). Private firms have also been an important driver of growth since 2001, and currently shoulder 8.3% of the value of overall Chinese exports to the United States, compared to virtually nothing in 2000. Table 1 displays these drivers of growth in order of the magnitude of their market share increases throughout the considered period.



	1995	2004	Composition Change (1995-2004)
Share of Exports	100.0	100.0	
Foreign Invested	45.2	65.8	20.6
Private	0.0	8.3	8.3
Collective	1.3	4.3	3.0
SOEs	53.4	21.5	-31.9

China's Imports from the United States ► By Firm-Type ◀: The different growth patterns from various forms of importing Chinese enterprises have also created a notable structural shift in the composition of overall imports from the United States.

Despite the fact that SOE imports from the United States have grown steadily over time, the faster pace of growth from China's overall U.S. imports has meant that SOEs have shouldered a progressively smaller share of China's overall imports from the United States. As with the case in exports, the void has been predominantly filled by FIEs., which have also been the engine of growth behind overall Chinese imports from the U.S.. FIEs now account for over half the value of China's total imports from the U.S. (compared to a third in 1995, and considerably less in preceding years). Private firms have also been an important driver of growth since 2001, and



currently shoulder 8.3% of the value of overall Chinese imports from the U.S., compared to virtually nothing in 2000. Table 2 sorts these drivers of import growth by the magnitude of their market share increases throughout the considered period.

	1995	2004	Composition Change (1995-2004)
Share of Imports	100.0	100.0	
Foreign Invested	33.2	52.2	24.7
Private	0.1	8.4	8.3
Collective	0.7	5.4	4.8
SOEs	66.1	33.9	-32.1

*Comparing China's Exports and Imports to/from the United States ▶ By Firm-Type ◀:* The gains foreign invested and private enterprises have made in their respective shares of China's exports and imports markets with the United States over the past decade have, interestingly, complement one another. Specifically, the 20% market share increase of FIEs in exports to the United States have been matched by a 25% increase in FIE's market share of overall imports from the United States. This trend also exists with private enterprises, whose share of China's overall exports and imports grew by 8 percent in both directions. The developments are likely reflective of these firms' growing importance in integrating China in the global manufacturing supply chain

To understand key differences between the ownership structure of China's export and import market to/from the United States, we turn to figures A and B of Appendix II. By juxtaposing these graphs, we can see that: (1) China's SOEs have played a stronger role in importing goods from the United States compared to exporting goods; (2) Chinese FIEs have had a stronger role influencing overall U.S. bound exports than imports; (3) China's private enterprises have shouldered nearly the same share of the overall value of exporting and importing goods going to and arriving from the United States.

## **Part II, Section 2. Decomposing China-US Trade by Incentive Scheme:**

By repeating the methodology employed in the previous sections, we can decompose China's exports to the United States by incentive scheme, and use the figures in Appendix II (C & D) to guide our understanding of long-term structural changes. This section will identify the fact that, when classifying China's trade flows to/from the United States by incentive scheme, "Economic & Technological Development Areas" (ETDAs) have replaced "Special Economic Zones" (SEZs) as important sources of Chinese trade with the United States.

*Background:* A central component of China's 1978-initiated economic reform strategy entailed the gradual opening of its economy to international trade and investment. To implement its objective, China established four *special economic zones* (SEZs) along the eastern coast of China in 1980. Business operations in SEZs were distinguished by their decentralized decision making-authority (could be made outside the plan), temporary

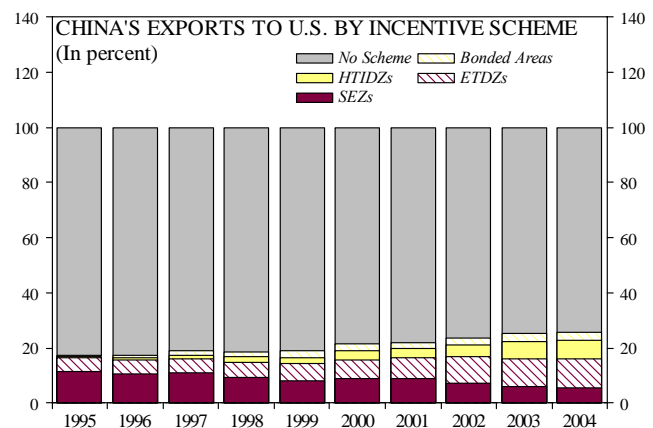
exemption from corporate income tax and import tariffs, and, most importantly, their capacity to draw foreign investment from FIEs through tax concessions and fewer foreign exchange and land use restrictions. Later, several *export processing areas* (EPAs) were established as enclaves within SEZs, and shared many of their advantages. Key differences only lied in their smaller physical size, their degree of export orientation (EPZs are almost exclusively export-oriented), and internal emphasis on managerial and skill training.<sup>11</sup>

Based on the success of the original four SEZs, Chinese authorities granted similar privileges to an additional 14 port cities in 1984, initially referred to as “open coastal cities”. While modeled after SEZs, these areas were not exempt from corporate tax relief. Nevertheless, they were created in pre-established industrial bases, and consequently had immediate access to surrounding human and physical capital. Soon, these open coastal cities established their own “*economic and technological development areas*” (ETDAs) in certain districts, to further facilitate trade with foreign firms. In exchange for direct investment and technology, these ETDAs offered foreign firms the opportunity to trade in China with certain tax, customs duty, and land rent incentives. Meanwhile, China’s national government established a few *high-technology industrial development areas* (HTIDAs) with similar incentives, which aimed to promote trade with higher technically foreign firms.

Within the next few years, preferential “open city” policies were extended throughout China’s southeastern, and subsequently, northeastern coasts. The largest of these was the Pudong New Zone, which was created in 1990 in the eastern part of Shanghai (China’s largest city), and which offered businesses incentives that even surpassed those from traditional SEZs<sup>12</sup>. By 2002, 34 new state-sponsored ETDZs were established in the capital cities of several provinces, while 53 state-level HTIZs were either created or merged with former ETDZs. Also in that year, the national government established other forms of zones, such as Bonded Areas (BE) and Border Economic Cooperative Zones (BECZ), to further stimulate investment. Of these, *bonded areas* have been most prominent, given their authorization to store, service, and process traded goods coming in and out of China’s ports, free of import duties.

*China’s Exports to the United States*

► *By Incentive Scheme* ◀ As can be seen in the adjacent figure, the share of China’s U.S.-bound exports that originate from special incentive systems is non-negligible and growing. Collectively, they accounted for a quarter of China’s total exports to the United States in 2004, compared to 17% in 1995. Table 3 highlights the fact that



<sup>11</sup> See Von Claus Knoth [12]

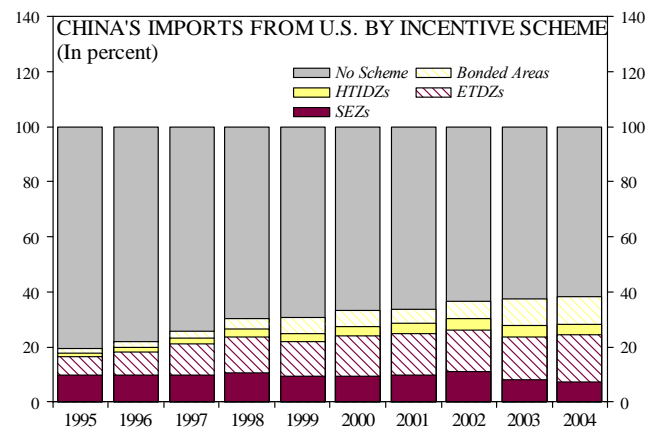
<sup>12</sup> These include incentives for foreign firms to invest in domestic Chinese businesses previously unauthorized to be the recipients of foreign investment, including department stores, supermarkets, and banking and insurance firms.

exports from Chinese ETDZs and HTIDZs account for 10% and 7% of overall 2004 exports to the United States respectively, compared to only 5% and 1% in 1995. The simultaneous decline in the share of exports to the United States from SEZs is attributable, in part, to the fact that SEZs growth is constrained to a more limited number of enterprises (around 14) which are unlikely to grow in number.

Share of Exports:	1995	2004	Composition Change (1995-2004)
Incentive-Scheme Based			
High-Technology Industry Development Zones	0.6	6.5	5.9
Economic & Technological Development Zones	5.0	10.4	5.4
Bonded Areas	0.3	3.2	2.8
Special Economic Zone (SEZs)	11.3	5.7	-5.6
<b>Subtotal</b>	<b>17.2</b>	<b>25.7</b>	<b>8.5</b>
Non-Incentive Scheme Based, Subtotal	82.8	74.3	-8.5

China's Imports from the United States ► By Incentive Scheme ◀ As was the case with

exports, SEZs used to dominate China's import market from the United States. The faster pace of growth in the value and number of other incentive zones (most notably economic & technological development and bonded areas) has meant that SEZs have lost their dominant share of the overall export market in the category despite their positive import growth from the United States. It is also interesting to note that total incentive-scheme systems accounted for nearly 40 percent of overall imports from the United States in 2004, compared to about half that share in 1995.



Share of Imports:	1995	2004	Composition Change (1995-2004)
Incentive-Scheme Based			
Economic & Technological Development Zones	6.8	17.0	10.2
Bonded Areas	1.5	10.1	8.6
High-Technology Industry Development Zones	1.3	3.8	2.5
Special Economic Zone (SEZs)	9.8	7.2	-2.6
<b>Subtotal</b>	<b>19.3</b>	<b>38.1</b>	<b>18.8</b>
Non-Incentive Scheme Based, Subtotal	80.7	61.9	-18.8

Comparing China's Export and Import Flows to/from the United States ► By Incentive Scheme ◀ Appendix

II (C&D) serves as an effective tool for understanding key differences between the "incentive scheme" structure of China's dynamic export and import market to/from the United States. Key observations include the fact that: (1) incentive-based firms have played a more dramatic role in importing from the U.S. than exporting, as demonstrated by the by the fact that the combined exports of all incentive-based firms reached a peak at 25% in 2004, compared to around 38% for imports. Second, "economic & technological development areas" are currently the dominant form of incentive-based trade with the United States, accounting for 10% of total exports and 17% of total imports, respectively. Third, SEZs have been the largest losers of market share in both export and import markets and no longer play the dominant roles in either trade markets (due to their slower growth and limited number of zones). Finally, bonded areas have shouldered a greater

share of the value of China's import market from the United States compared to China's export market to the United States.

### **Part II, Section 3. Decomposing China-US Trade by Customs Regime:**

Using the methodology employed in the previous section, we can also decompose China's exports to the United States according to "customs regime" (reflecting the type of trade being conducted). In so doing, we will highlight the fact that China's export growth to the United States was most heavily influenced by "processing with imported materials", while import growth was most influenced by "entrepot trade from bonded areas" and "processing and assembly".

*Background:* China's trade liberalization strategy followed a two-fold objective of (1) decreasing trade barriers for foreign firms attempting to penetrate China's market and (2) providing incentives for export-oriented foreign and domestic enterprises. First, starting from the early stages of the reform process, China substantially reduced its trade and non-trade barriers. According to the World Bank, tariff levels fell most precipitously in the 1990s, from an average of 42.9% in 1992 to 15.5% by 1997, while quotas and licenses were also dramatically reduced.<sup>13</sup> China's accession to the WTO put further pressure to lower trade barriers in subsequent years. Second, China provided tariff duty exemptions on select imports to provide export-oriented firms with added incentives, and to stimulate investment and capital through FDI. Here, intermediary products that were imported for the production of exports were granted the most favorable tariff exemptions. Other concessions included lowered tariffs on equipment imported by foreign firms for their start-up investments in China.

Until the early 1990s, Chinese customs statistics separated trading regimes into two main categories: those that involved firms doing processing for outward-bound exports (which were not taxed) and those that involved firms conducting trade with the domestic economy (where imports were heavily taxed and exports were directed through special foreign trade corporations). Although the government began lifting restrictions on the later category in 1992, Chinese customs statistics still maintained these basic distinctions. Now, the increasingly fragmented regime structure in China's economy can be subdivided into the four basic groups.

- **Ordinary trade** refers to imports intended for China's domestic market, as well as exports that are primarily based on local Chinese inputs.
- **Processing trade** refers mainly to imports of goods that are intended to be assembled or transformed in China, and subsequently re-exported (all within the international assembly and subcontracting operations). The imported inputs are generally exempt from customs tariffs, while the finished goods are intended to be sold outside of China's market. This category is further subdivided into **process and assembly** (mostly conducted by SOEs and FIEs), and **processing with imported inputs** (almost exclusively conducted by FIEs).

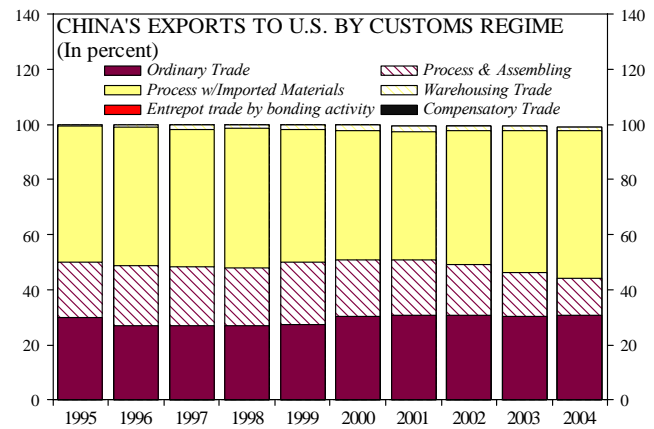
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<sup>13</sup> See Lemoine, p.12 [ 6]

- **Imports of goods by FIEs** refer to imports from FIEs that are part of their start-up investment. Specifically, the initial investment is exempt from customs duties, and generally includes equipment and machinery.
- **Other trade** refers to non-specified forms of trade, including compensatory trade, international aid, warehousing, and entrepot trade (a place where goods are stored or deposited and from which they are distributed). These forms of trade are not subject to the general tariff regime.

China’s Exports to the United States

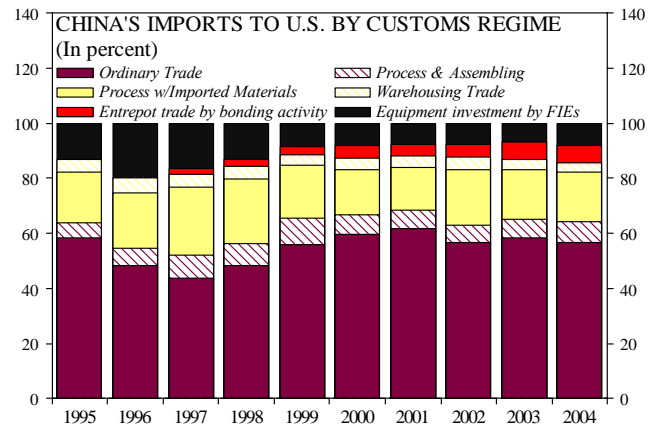
► By Customs-Regime ◀ Although there exist many types of “customs regimes”, only three have dominated China’s export market to the United States. In order of their share of total 2004 exports, they are “process w/imported materials”, “ordinary trade”, and “process and assembly” (note the two processing categories). In the past ten years, export growth to the United States has been driven by “process w/imported materials” firms, as its share of overall exports to the United States has increased from 49% to 53% in the considered period. (see Table 5). The significance of this observation is heightened by the fact that processing with imported materials already consisted of the largest share of the overall China-US export market.



	1995	2004	Composition Change (1995-2004)
Share of Exports	100.0	100.0	
Process w/imported materials	49.4	53.4	4.0
Entrepot trade by bonded area	0.0	1.2	1.2
Ordinary trade	29.8	30.5	0.7
Warehousing trade	0.7	1.3	0.6
Other	0.0	0.0	0.0
Compensatory trade	0.1	0.0	-0.1
Process & assembling	20.0	13.7	-6.4

To understand why firms that have specialized in “processing with imported parts” exports have exhibited such rapid growth compared to the more sluggish performance of firms specializing in processing and assembly can better be understood by considering their respective ownership structures. More specifically, output from FIEs constitute a large and growing share (83% in 1995 and 94% in 2004) of the total output of Chinese exporting firms that specialize in “processing with imported parts”, suggesting that these firms’ robust growth is at least partially attributable to foreign participation. Conversely, SOEs have accounted for a majority (89% in 1995 and 52% in 2004) of total output from firms that specialize in processing and assembly, suggesting that these forms of ownership may hinder growth prospects of exporting firms that specialize in processing and assembly.

*China's Imports from the United States ► By Customs-Regime ◀* The decomposition of China's imports from the United States by customs regime highlights the fact that ordinary trade accounts for the clear majority (over half) of China's overall imports from the United States. Moreover, it shows that non-ordinary trade imports have been diversified among processing (both assembly and from imported parts), FIE equipment investment, warehousing, and entrepot activity.



The fact that the “equipment investment by FIEs” share of overall imports has declined suggests that imports for start-up equipment by new FIEs may be slowing, and substituted for imports from existing and expanding FIEs.

Table 6 identifies that “entrepot trade by bonded area” has been the most important driver of import growth from the United States in the regime category, over the past decade. Its share of overall imports from the United States grew by 6 percentage points from 1995 to 2004.

	1995	2004	Composition Change (1995-2004)
Share of Imports	100.0	100.0	
Entrepot trade by bonded area	0.0	6.0	6.0
Process & assembling	5.4	7.1	1.7
Process w/imported materials	17.5	17.6	0.0
Ordinary trade	55.2	54.6	-0.6
Warehousing trade	4.1	3.1	-1.0
Equipment/machinery investment by FIEs	12.7	7.9	-4.8
Other	5.1	3.9	-1.2

*Comparing the Structure and Growth Patterns of China's Export and Import Flows to/from the United States ► By Customs Regime ◀* China's exports and imports to/from the United States in this classification depended on considerably different factors. For example, imports from the United States were more diversified than exports. Also, export growth most heavily depended on processing with imported materials, while import growth most heavily depended on entrepot trade by bonded area.

#### **Part II, Section 4. Decomposing China-US Trade by Product Type:**

Now that China's trade flows with the United States have been effectively decomposed according to firm characteristics such as ownership, customs regime, and incentive structure, we turn to the types of products being traded to complete our understanding of the structural changes that have unfolded in U.S.-China trade. It shall be shown that China's exports to the United States and imports from the United States have been primarily comprised of a large and growing share of machinery and electronic products (thereby confirming anecdotal evidence of China's emerging position on the global

supply chain). Moreover, China's imports from the United States have been most prominently driven by growth in yellow soybean imports.

*China's Exports to the United States ► By Product-Type ◄* China's top 2004 exports to the United States are identified in Appendix III. To understand what product drivers have led overall export growth to the United States, however, we decompose China's U.S. bound exports into the broad harmonized system's two digit categories, and identify where the largest market share gains have been made over the past decade (Appendix IV-A). Table 7 consolidates those findings by identifying the largest of these changes, and sorting them according to magnitude. As can be seen, China's exports to the United States in the "nuclear reactor, boilers and machinery" and "electronic machinery, sound & TV equipment" categories have grown the fastest, and accounted for approximately half of all of China's exports to the United States by 2004. A deeper investigation into the underlying source of growth within these identified categories suggests that "nuclear reactor, boilers and machinery" predominantly consist of computers and computer part, while "electronic machinery, sound & TV equipment" exports to the United States mainly consist of mobile phones and television parts.

Share of Exports:	1995	2004	Composition Change (1995-2004)
Nuclear reactors, boilers, machinery, parts thereof	7.4	24.0	16.6
Electric machinery, sound, & TV equipment	14.9	21.3	6.4
Furniture, bedding, lamps, prefab beds	4.3	6.1	1.8
Articles of iron and steel	2.0	3.4	1.4
Vehicles and related parts, non-rail/tram	2.1	3.0	0.8
Textile art, needlecraft sets, worn text art	1.3	1.9	0.5
<b>Subtotal</b>	<b>32</b>	<b>60</b>	<b>28</b>

*China's Imports from the United States ► By Product-Type ◄* China's top 2004 imports from the United States are identified in Appendix III. Appendix IV-B identifies market share gains of China's imports from the United States according to their HS-2 category in the past decade. As can be seen, the largest increases originated from the "oil seed, grain, and fruits/plants" category (mainly soybeans), as well as from "electrical machinery, sound, and TV equipment" (mainly integrated circuits). Table 8 consolidates the major import drivers, and compares the magnitude of their market share increases.

Share of Imports:	1995	2004	Composition Change (1995-2004)
Oil seed, misl. grains, seens, fruit/plant, etc	0.5	7.6	7.1
Electric machinery, sound, & TV equipment	11.8	17.1	5.3
Optic, photo-medical or surgical instruments	4.8	7.8	3.0
Organic chemicals	2.7	5.1	2.4
Misl. Chemical products	1.2	2.5	1.3
Pulp of wood, waste paper, paperboard, etc	1.7	2.9	1.2
<b>Subtotal</b>	<b>23</b>	<b>43</b>	<b>20</b>

*Comparing China's Exports and Imports to/from the United States ► By Product-Type ◄* In this section, we have identified the principle export and import drivers of China's trade with the United States according to 2-digit HS product-type specifications. The most noteworthy observation was that "electronic machinery, sound & TV equipment" proved to be a large and growing component in both export and import categories. This conforms to our expectations, given China's increasingly integrated position on the global manufacturing supply chain of electronic goods, and is worthy of further study.



## **PART III: THE MULTI-DIMENSIONAL DECOMPOSITION OF PRODUCT DRIVERS IN U.S. – CHINA TRADE**

Part II of this investigation helped expose two different, yet important sets of information. First, it profiled the ownership, incentive scheme, and customs regime characteristics of Chinese firms which have most dramatically influenced bilateral trade flows over the considered period. Second, it identified major product categories that have been instrumental in driving trade flows between the United States and China over the past decade.

This part of the analysis will build upon those findings by decomposing U.S.-China trade by multiple dimensions, in order to gain a more comprehensive understanding of important factors that have driven bilateral trade flows. To do so, it will simultaneously decompose China's fastest growing export and import product drivers (which accounted for 60% and 46% of China's total 2004 trade with the United States, respectively), according to their ownership, regime, and incentive structures. Ultimately, the multi-dimensional structures of these product drivers will be compared against (1) the composition of China's total trade with the United States, as well as (2) the structure of the other important product trade drivers in U.S.-China trade.

### **Part III, Section 1. Distinctive Features of China's Export Product Drivers to the U.S.** **► Relative to China's Overall Exports to the U.S. ◄**

Table 9 below summarizes the major export-related findings of Part II by consolidating the products and firm characteristics that influenced China's overall exports to the United States over the last ten years. Each category grouping is sorted by order of the magnitude of compositional changes over the considered period. By consolidating these findings, and looking at the market share size and growth patterns from 1995 to 2004, several important themes emerge. Firms that are foreign-owned (ownership), specialized in processing with imported materials and ordinary trade (customs regime), and/or that are operating out of ETDZs or HTIDZs represent a high and growing share of overall exports to the United States. Consequently, we would expect these characteristics to play an important role in the composition and structural changes associated with China's fastest growing product category exports to the United States in the considered time period.

<b>Table 9: Determinants of Export Growth in China-U.S. Trade, 1995 &amp; 2004</b>								
<i>(In percent of total export value)</i>								
	Composition				Composition			
	1995	2004	Change		1995	2004	Change	
<b>By HS-2 Product Category (Total)</b>				<b>By Customs Regime</b>				
Nuclear Reactors, boilers, machinery, and parts there	7	24	17	Process w/imported materials	49	53	4	
Electronic Machinery, sound, and TV equipment	15	21	6	Entrepot trade by bonded area	0	1	1	
Furniture, bedding, lamps, prefab beds	4	6	2	Ordinary trade	30	31	1	
Iron and Steel Articles	2	3	1	Warehousing trade	1	1	1	
Vehicles and related parts	2	3	1	Other	0	0	0	
Textile Art, needlecraft, worn text art	1	2	1	Compensatory trade	0	0	0	
<b>Subtotal</b>	<b>32</b>	<b>60</b>	...	Process & assembling	20	14	-6	
<b>By Ownership Structure</b>				<b>Subtotal</b>				
					<b>100</b>	<b>100</b>	...	
<b>Foreign Invested</b>				<b>Incentive-Scheme Based</b>				
Private	45	66	21	HTIDZs	1	7	6	
Collective	0	8	8	ETDZs	5	10	5	
SOEs	1	4	3	Bonded Areas	0	3	3	
<b>Subtotal</b>	<b>100</b>	<b>100</b>	...	SEZs	11	6	-6	
				<b>Subtotal</b>				
				<b>Non-Incentive Scheme Based, Total</b>				
				<b>83 74 -8</b>				

Appendix-V serves as an effective tool to decompose the multi-dimensional characteristics of China's top product export categories, as it disaggregates each of the top HS-2 categories according to ownership, customs regime, and incentive scheme characteristics. More specifically, it decomposes export product drivers by the value of the exported products (in Appendix V-A), by the share of each categories' component relative to the HS-2 product category exports (in Appendix V-B), and by share of each component relative to China's overall exports to the United States (in Appendix V-C). The last columns in Appendices V-B and V-C also identify associated market share changes.

***Nuclear Reactors, Boilers, Machinery, and Parts Thereof (Machinery, HS-84):*** China's exports in this category represented the largest and fastest growing source of exports to the United States in the considered ten years. Comprised mainly of computers, office products, and associated parts, this product category accounted for nearly a quarter (24%) of all China's exports to the United States in 2004, compared to only 7 percent in 1995.

By comparing the structure of China's machinery exports (Appendix V) to the structure of China's overall exports to the United States in the same years (Table 9), we find that many of our expectations of major category drivers to have been confirmed. In particular, both sets of exports are (1) dominated by a high and growing concentration of foreign-invested enterprises, (2) predominantly specialized in processing with imported materials, and (3) have the highest concentrations of products exporting through HTDZs incentive systems. Unique structural differences, however, are highlighted below:

<b><i>Distinctive Features of China's "Nuclear Reactors, Boilers, Machinery and Parts" Exports to the United States, 1995-2004 (Relative to China's Overall Exports to the United States)</i></b>
<ul style="list-style-type: none"> <li>▶ Greater dominance by FIEs (84% vs 67% in 2004)</li> <li>▶ Greater reliance on "processing w/imported materials" (75% vs 53% in 2004)</li> <li>▶ Greater reliance on "processing w/imported materials" for growth (10% mkt share growth vs. 4%, 1995-2004)</li> <li>▶ Greater share of exports through incentive-schemes (32% vs. 26% in 2004)</li> <li>▶ Greater share of exports going through HTIDZ incentive-scheme systems (16% vs 6% in 2004)</li> <li>▶ Greater reliance on HTIDZ exports for growth (15% mkt share growth, vs. 6%, 1995-2004)</li> </ul>

***Electrical Machinery, Sound & TV Equipment, Etc. (HS-85):*** China's exports in this category represented the second largest source of export growth to the United States in the considered ten years. Comprised mainly of radio, telephone, and handset transmitters, this product category accounted for over a fifth (21%) of all China's exports to the United States in 2004, compared to nearly 15 percent in 1995.

By again comparing our findings from Appendix V to those in Table 9, we note that, like China's overall exports to the United States, its electrical machinery exports are (1) dominated by a high and growing concentration of foreign-invested enterprises; (2) predominantly specialize in processing with imported materials; and (3) have the highest concentrations of products exporting through ETDZs and HTDZs. Important differences, however, are identified below.

***Distinctive Features of China's "Electrical Machiners, Sound, and TV Equipment" Exports to the United States, 1995-2004***  
***(Relative to China's Overall Exports to the United States)***

- ▶ Greater dominance by FIEs (79% vs 67% in 2004)
- ▶ Greater reliance on "processing w/imported materials" (73% vs 53% in 2004)
- ▶ Greater reliance on "processing w/imported materials" for growth (13% mkt share growth vs. 4%, 1995-2004)
- ▶ Higher share of exports going through incentive-schemes (42% vs. 26% in 2004)
- ▶ Significantly greater share of exports going through ETDZs incentive-scheme systems (20% vs 6.5% in 2004)
- ▶ Greater reliance on HTIDZ exports for growth (16% mkt share growth, vs. 5%, 1995-2004)

***Furniture, Bedding, and Lamps (HS-94):*** China's exports in this category represented the third largest source of export growth product category accounted for 6% of China's overall exports to the United States in 2004, compared to nearly 4 percent in 1995.

While similar to China's overall exports to the United States in (1) its concentration of exports originating from FIEs; (2) predominant specialization in processing with imported materials; and (3) high concentrations of products exported through ETDZs and HTDZs, its export composition also differs in several ways:

***Distinctive Features of China's "Furniture, Bedding, and Lamps" Exports to the United States, 1995-2004***  
***(Relative to China's Overall Exports to the United States)***

- ▶ Modestly greater dominance by private firms (10% vs 8% in 2004)
- ▶ Greater reliance on ordinary trade (44% vs 31% in 2004) than "processing w/imported materials"
- ▶ Greater reliance on "ordinary trade" for growth (7% mkt share growth vs. 1%, 1995-2004)
- ▶ Significantly lower share of exports going through incentive-schemes (12% vs. 26% in 2004)

***Iron and Steel Products (HS-73):*** China's exports in this category represented the fourth largest source of export growth to the United States in the considered ten years. Comprised mainly of miscellaneous iron and steel products, including stove tops, this product category accounted for 3% of China's overall exports to the United States in 2004, compared to nearly 2 percent in 1995.

China's iron and steel products exports are considerably different than China's overall exports, most notably in the fact that they are:

***Distinctive Features of China's "Iron and Steel Product" Exports to the United States, 1995-2004***  
***(Relative to China's Overall Exports to the United States)***

- ▶ Significantly less dominated by FIEs (32% vs. 66% in 2004)
- ▶ Originated from a significantly higher concentration of SOE exports (71% vs. 53% in 1995)
- ▶ Greater reliance on "ordinary trade" (47% vs. 31% in 2004) and "other" (32% vs. 0% in 2004)
- ▶ Greater reliance on "other" regime types for growth (18% mkt share growth vs. 0%, 1995-2004)
- ▶ Have a significantly lower share of exports going through incentive-schemes (8% vs. 26%) in 2004

***Vehicles and Related Parts (HS-87):*** China's exports in this category represented the fifth largest source of export growth to the United States in the considered ten years. Comprised mainly of vehicle parts such as wheels, brakes, and radiators, this product category accounted for 3% of China's overall exports to the United States in 2004, compared to nearly 2 percent in 1995.

While similar to China's overall exports to the United States in its major concentration of exports originating from FIEs, China's U.S.-bound exports of vehicle parts are distinguished by the following:

<i>Distinctive Features of China's "Vehicles and Related Parts" Exports to the United States, 1995-2004 (Relative to China's Overall Exports to the United States)</i>
<ul style="list-style-type: none"> <li>▶ Significantly less dominated by FIEs (35% vs. 66% in 2004)</li> <li>▶ Greater reliance on privates and COEs for growth (11% and 4% mkt share growth vs. 8% and 3%, 1995-2004)</li> <li>▶ More dependant on "other" regime types for growth (23% mkt share growth vs. 0%, 1995-2004)</li> <li>▶ Lesser dependence on "processing with imported parts" (24% vs. 53% in 2004)</li> <li>▶ Lesser dependence on trade going through incentive systems (15% vs. 26% in 2004)</li> </ul>

***Textile Art, needlecraft, and Worn text Art (HS-63):*** China's exports in this category represented the sixth largest source of export growth to the United States in the considered ten years. Comprised mainly of textiles, dress patterns, curtains, and blinds, this product category accounted for 2% of China's overall exports to the United States in 2004, compared to 1 percent in 1995.

While similar to China's overall exports to the United States in its major concentration of exports originating from FIEs, China's U.S.-bound exports of vehicle parts are distinguished by the following:

<i>Distinctive Features of China's "Vehicles and Related Parts" Exports to the United States, 1995-2004 (Relative to China's Overall Exports to the United States)</i>
<ul style="list-style-type: none"> <li>▶ Greater dependence on exports from private enterprises (17% vs. 8% in 2004)</li> <li>▶ Greater reliance on privates for growth (17% mkt share growth vs. 8%, 1995-2004)</li> <li>▶ Lesser dependence on exports from FIEs (24% vs. 66% in 2004);</li> <li>▶ Greater reliance on ordinary trade (61% vs. 31% in 2004);</li> <li>▶ Lesser dependence on "processing with imported parts" (12% vs. 53% in 2004)</li> <li>▶ Lesser dependence on trade going through incentive systems (15% vs. 26%) in 2004.</li> <li>▶ More dependant on ETDA's for growth (8% mkt share growth vs. 0%, 1995-2004)</li> </ul>

**Part III, Section 2. Distinctive Features of China's Import Product Drivers from the U.S.**  
**► Relative to China's Overall Imports from the U.S. ◀**

As was done in the previous section, Table 10 below summarizes the major import-related findings of Part II by consolidating the products and firm characteristics that played a role in influencing China's overall imports from the United States over the last ten years. Each category grouping is sorted by the magnitude of compositional changes over the considered period. By consolidating these findings, and looking at the market share size and growth patterns from 1995 to 2004, several important themes emerge. Firms that were foreign-owned, specialized in processing with imported materials and ordinary trade, and/or that operated in ETDA's and bonded areas dominated China's import market from the United States in 2004. Consequently, we would expect many of these factors to play a role in the composition and structural changes associated with China's fastest growing product category imports from the United States identified in the considered time period.

	Composition				Composition		
	1995	2004	Change		1995	2004	Change
<b>By HS-2 Product Category (Total)</b>				<b>By Customs Regime</b>			
Oil seeds, misc grain/seed/fruit/plant	1	11	10	Entrepot trade by bonded area	0	6	6
Electronic Machinery, sound, and TV equipment	12	17	5	Process & assembling	5	7	2
Optic, Photo, Medic or Surgical Instruments	5	8	3	Process w/imported materials	18	18	0
Organic Chemicals	3	5	2	Ordinary trade	55	55	-1
Misl. Chemical Products	1	3	1	Warehousing trade	4	3	-1
Pulp of wood, waste paper, paperboard	2	3	1	Equipment/machinery investment by	13	8	-5
<b>Subtotal</b>	<b>23</b>	<b>46</b>		Other	5	4	-1
				<b>Subtotal</b>	<b>100</b>	<b>100</b>	
<b>By Ownership Structure</b>				<b>Incentive-Scheme Based, Total</b>			
Foreign Invested	33	52	19	Economic & Technological Developpr	7	17	10
Private	0	8	8	Bonded Areas	1	10	9
Collective	1	5	5	High-Technology Industry Developme	1	4	3
SOEs	66	34	-32	Special Economic Zone (SEZs)	10	7	-3
<b>Subtotal</b>	<b>100</b>	<b>100</b>		<b>Subtotal</b>	<b>19</b>	<b>38</b>	...
				Non-Incentive Scheme Based, Total	81	62	-19

Again, we rely on the findings in Appendix VI(A-C) to profile the multi-dimensional composition of China's top product import (from the U.S.) categories and compare those results against China's broader imports (from the U.S.) in Table 10.

**Oil seeds & misl. grains/fruits/plants (HS-12):** China's imports in this category represented the largest source of import growth from the United States in the considered ten years. Comprised predominantly by yellow soybeans, this product category accounted for nearly a quarter (11%) of all China's imports from the United States in 2004, compared to 1 percent in 1995.

Notable similarities between the composition of this product category's imports from the U.S., relative to China's overall imports from the United States, lies in (1) their mutual dependence on FIEs to import approximately half of overall 2004 imports and (2) their dependence on ETDA's as the largest incentive-based source from through which imports are brought. However, characteristics that distinguish yellow soybean imports from overall U.S. imports into China include the following:

***Distinctive Features of China's "Oil seeds & misl. grains/fruits/plants"  
Imports from the United States, 1995-2004  
(Relative to China's Overall Imports from the United States)***

- ▶ Greater dominance by private firms (19% vs. 8% in 2004) and COEs (10% vs. 5% in 2004)
- ▶ Greater reliance on private and COEs for growth (19% and 9% mkt share gain vs. 9% and 5%, 1995-2004)
- ▶ Considerably less reliant on FIEs for growth (25% mkt share loss vs. 19% growth, 1995-2004)
- ▶ Considerably Greater reliance on "ordinary trade" operations (99% vs. 55% in 2004)
- ▶ Significantly smaller (and falling) share of imports going through incentive-schemes (18% vs. 38% in 2004)

***Electrical Machinery, Sound & TV Equipment, Etc. (HS-85):*** China's imports in this category represented the second largest source of import growth from the United States in the considered ten years. Comprised mainly of integrated "monolithic digital" circuits, this product category accounted 17% of all China's imports to the United States in 2004, compared to 12 percent in 1995.

Like China's overall imports from the United States, its electrical machinery imports are both dominated by a high and growing concentration of foreign-invested enterprises, and are predominantly relying in imports from ETDZs. The main differences, however, lie in the following factors:

***Distinctive Features of China's "Electrical Machiners, Sound, and TV Equipment" Imports from the United States, 1995-2004  
(Relative to China's Overall Imports from the United States)***

- ▶ Greater dominance by FIEs (77% vs 52% in 2004)
- ▶ Greater reliance on "processing w/imported materials" (36% vs. 18%) & "processing and assembly" (21% vs. 7%) in 2004
- ▶ Greater reliance on "processing w/imported materials" for growth (20% mkt share growth vs. 0%, 1995-2004)
- ▶ Greater reliance on "processing and assembly" for growth (14% mkt share growth vs. 2%, 1995-2004)
- ▶ Higher share of imports going through incentive-schemes (59% vs. 38% in 2004)
- ▶ Significantly greater share of imports going through bonded area incentive-scheme systems (21% vs 10% in 2004)
- ▶ Greater reliance on bonded areas zones for growth (20% mkt share growth, vs. 9%, 1995-2004)

***Optic, Photo, Medic or Surgical Instruments (HS-90):*** China's imports in this category represented the third largest source of import growth from the United States in the considered ten years. Comprised mostly of optical measuring equipment, this product category accounted for 8% of China's overall imports from the United States in 2004, compared to 5 percent in 1995.

While similar to China's overall imports from the United States in (1) its high concentration of imports from FIEs, (2) predominant specialization in entrepot trade by bonded area, and (3) high concentrations of products imported through ETDZs, its import composition also differs in several ways, namely:

***Distinctive Features of China's "Optic, Photo, Medic or Surgical Instruments"  
Imports from the United States, 1995-2004  
(Relative to China's Overall Imports from the United States)***

- ▶ Greater reliance on "equipment/material investment by FIEs" (22% vs. 8% in 2004)
- ▶ Greater reliance on "entrepot trade by bonded area" for growth (10% mkt share growth vs. 6%, 1995-2004)
- ▶ Greater reliance on "equipment investment by FIEs" for growth (4% mkt share growth vs. -5%, 1995-2004)
- ▶ Greater reliance on bonded areas zones for growth (14% mkt share growth vs. 9%, 1995-2004)

**Organic Chemicals (HS-29):** China's imports in this category represented the fourth largest source of import growth to the United States in the considered ten years. Comprised mainly of ethylene glycol and styrene, this product category accounted for 5% of China's overall imports from the United States in 2004, compared to 3 percent in 1995. Despite the fact that the FIEs and bonded areas represent an important source of trade for U.S. total and organic chemical imports, the structure of China's organic chemicals imports is generally quite different:

<i>Distinctive Features of China's "Organic Chemicals" Imports from the United States, 1995-2004 (Relative to China's Overall Imports from the United States)</i>
<ul style="list-style-type: none"> <li>▶ Greater dominance by private enterprises (18% vs. 8% in 2004)</li> <li>▶ Less dominated by FIEs (37% vs. 52% in 2004)</li> <li>▶ Greater reliance on private for growth (18% mkt share gain vs. 8%, 1995-2004)</li> <li>▶ Higher share of "entrepot trade by bonded area" (13% vs. 6% in 2004)</li> <li>▶ Greater reliance on "entrepot trade by bonded area" for growth (13% vs. 6% in 2004)</li> </ul>

**Misl. Chemical Products (HS-38):** China's imports in this category represented the fifth largest source of import growth from the United States in the considered ten years. Comprised mainly of polymethane, polyphenyl, and isocynate chemicals, this product category accounted for 3% of China's overall imports from the United States in 2004, compared to 1 percent in 1995.

While similar to China's overall imports from the United States in its major concentration of imports originating from FIEs a private enterprises, and engaging in "ordinary trade", China's imports of miscellaneous chemicals are distinguished by their:

<i>Distinctive Features of China's "Misl. Chemical Products" Imports from the United States, 1995-2004 (Relative to China's Overall Imports from the United States)</i>
<ul style="list-style-type: none"> <li>▶ Greater concentration in processing and assembly (21% vs. 7% in 2004)</li> <li>▶ Greater reliance on "processing and assembly" for growth (12% mkt share growth vs. 2%, 1995-2004)</li> <li>▶ Greater dependence on trade going through incentive systems (55% vs. 38% in 2004)</li> <li>▶ Greater dependence on trade going through bonded area incentive systems (23% vs. 10% in 2004).</li> <li>▶ Greater reliance on imports from bonded areas for growth (22% mkt share growth vs. 9%, 1995-2004)</li> </ul>

**Pulp of wood, waste paper, paperboard (HS-47):** China's exports in this category represented the sixth largest source of import growth from the United States in the considered ten years. Comprised mainly of paper and paperboard, this product category accounted for 3% of China's overall imports from the United States in 2004, compared to 2 percent in 1995.

While similar to China's overall imports from the United States in its major concentration of FIE and private firm imports, as well as its concentration in ordinary trade, China's imports of paper and paper products are distinguished by:

<i>Distinctive Features of China's "Pulp of Wood, Waste Paper, Paperboard" Imports from the United States, 1995-2004 (Relative to China's Overall Imports from the United States)</i>
<ul style="list-style-type: none"> <li>▶ Greater share of imports from ordinary trade (82% vs. 55% in 2004)</li> <li>▶ Smaller share of imports going through incentive systems (10% vs. 38% in 2004)</li> </ul>

### **Part III, Section 3. Distinctive Features of China's Export Product Drivers to the U.S.**

#### **► Relative to China's Other Export Product Drivers ◄**

This part of the analysis will build upon previous findings by comparing the compositions of China's fastest growing export product categories to the United States against each other, to gain a better understanding of the most important factors driving China's export products to the United States in the considered period. To do so, attention will again be focused on China's top six exported product drivers, given that they represented the largest (60% in 2004) and fastest growing share of China's overall exports with the United States.

The figure on the following page provides us with a comparative view of the structural compositions of China's six largest product category exports to the United States in 2004. Each product categories' structural composition is shown according to the three major classifications that were considered in the previous analysis, which include ownership, regime, and incentive scheme.

As can be seen, China's fastest growing product exports to the United States can essentially be subdivided into two categories, each of which being generally similar in structural composition:

***Category 1: HS-84&85: Nuclear Reactors, Boilers, Machinery, Electrical Machinery, Sound & TV Equipment:*** The first of these categories consists of the HS-84 and HS-85 products, which predominantly comprise of computers and their parts, office products and their parts, as well as radio, telephone, and handset transmitters. Relative to a weighted average of the entire six product exports, their composition is distinguished by a:

Ownership:

- Considerably higher share of exports by FIEs
- Lower share of exports by SOEs and private enterprises

Customs Regime:

- Considerably higher share of exports specializing in processing w/imported materials
- Higher share of exports specializing in processing and assembly
- Considerably lower share of exports specializing in ordinary trade

Incentive Scheme:

- Considerably higher share of exports traded through consolidated incentive schemes
- Considerably higher share of exports traded through HTIDAs and bonded areas

In addition to a broadly similar compositional structure, China's HS-84 and HS-85 product categories alone constitute an predominant 45% of China's total exports to the United States in 2004. Category 2 exports to the U.S., which consists of HS-63,73,87,94 (see below), only account for an additional 14% of China's total 2004 exports to the United States.

This suggests that the combined characteristics associates with Category 1 exports drivers play a particularly important role in influencing China's trade with the United States.



# DECOMPOSING CHINA'S FASTEST GROWING 2004 EXPORT PRODUCT DRIVERS TO THE U.S.

Figure A

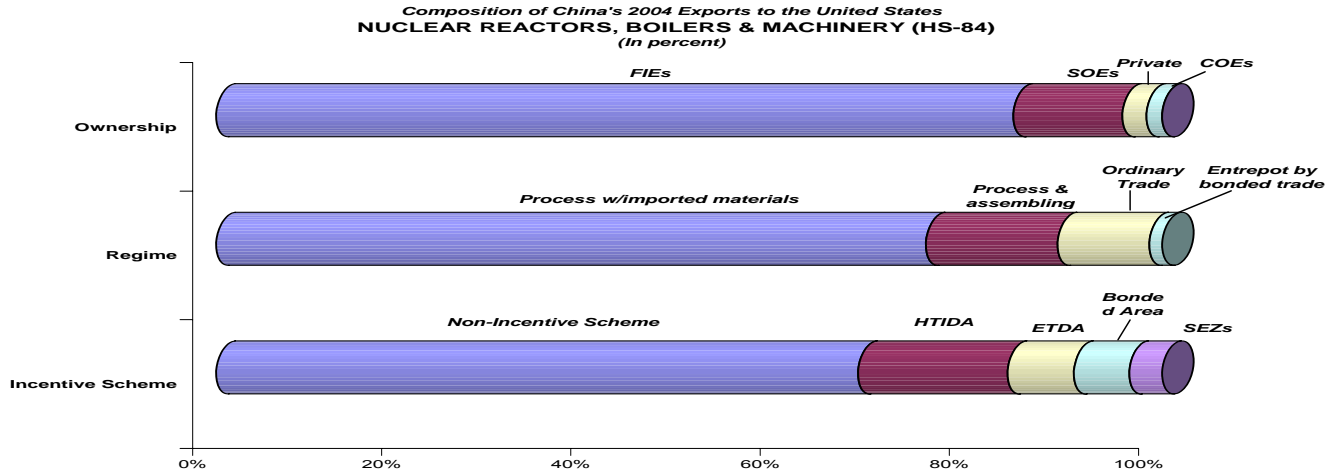


Figure B

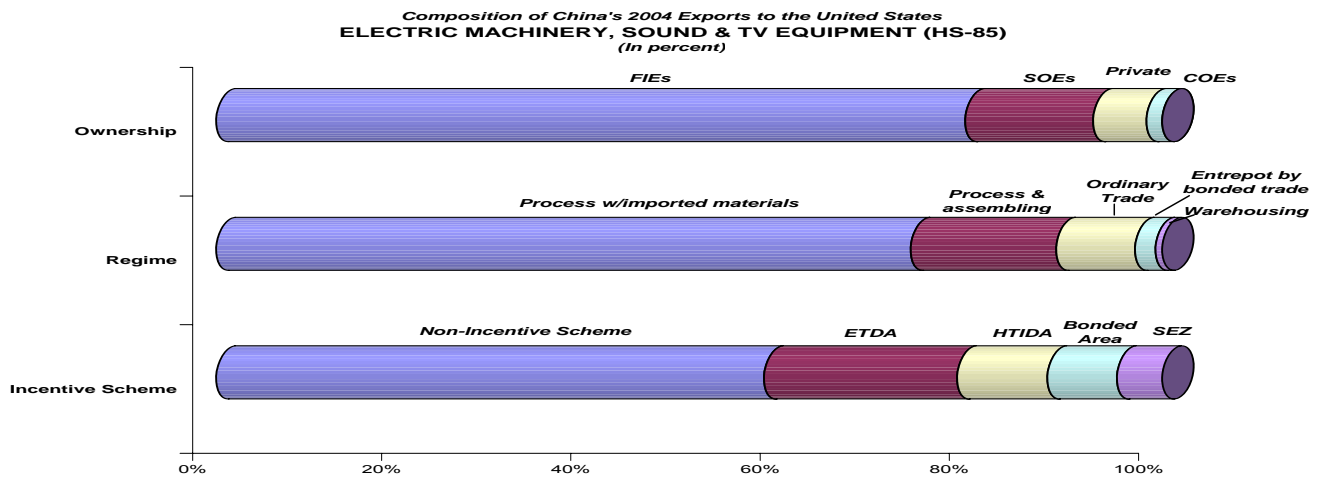
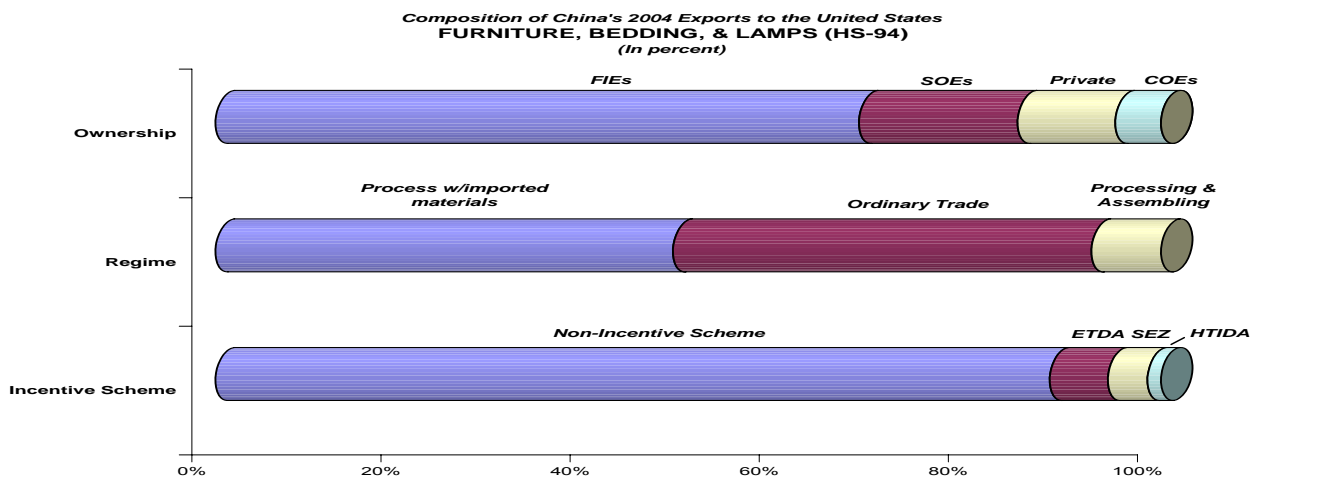


Figure C



# DECOMPOSING CHINA'S FASTEST GROWING 2004 EXPORT PRODUCT DRIVERS TO THE U.S. (...Continued)

Figure D

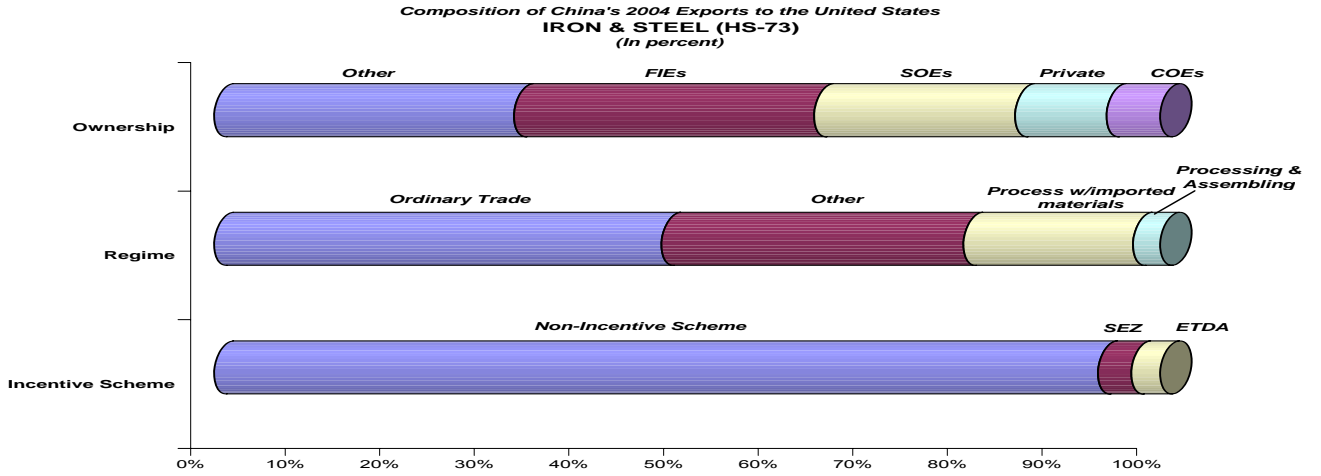


Figure E

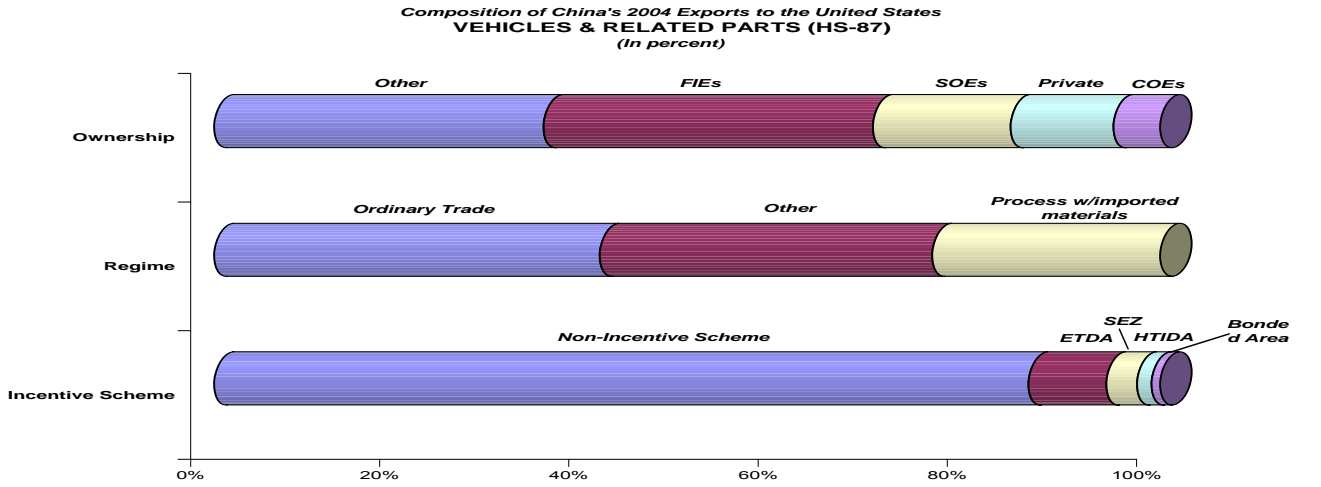
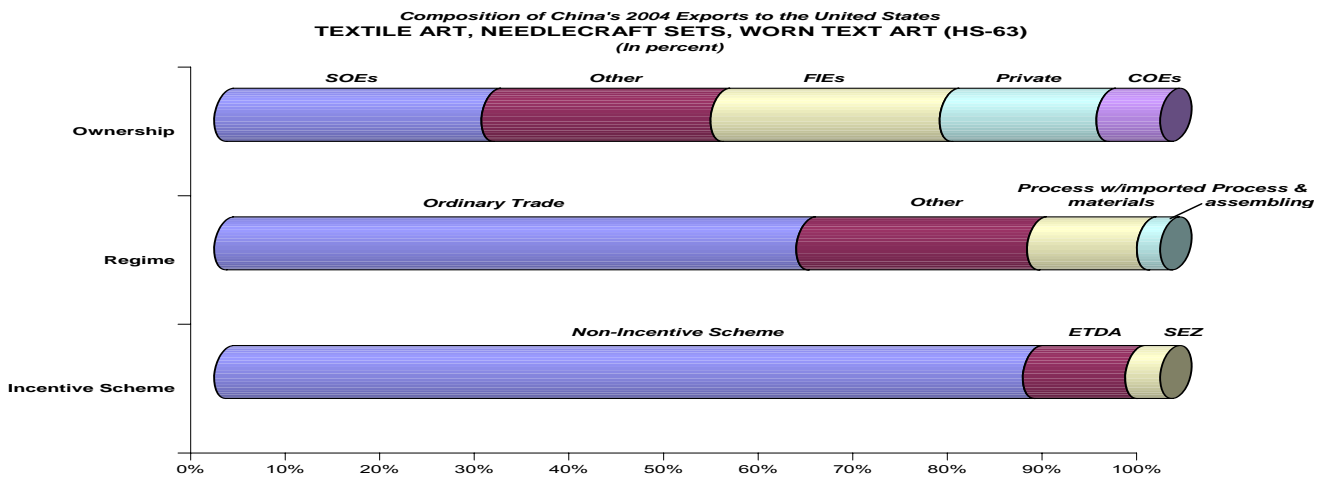


Figure F



***Category 2: HS-63,73,87,94:Textiles, Iron & Steel, Vehicles & Associated Parts, Furniture, Bedding, and Lamps:*** The second of these categories consists of HS-63,73,87,94 products, which predominantly comprise of wood furniture, miscellaneous iron and steel products, vehicle parts, and textiles. Relative to a weighted average of the entire six product exports, their composition is distinguished by the opposite of those characteristics identified in Category 1. Specially, they are a:

Ownership:

- Considerably higher share of exports by SOEs and private enterprises
- Lower share of exports by FIEs

Customs Regime:

- Considerably higher share of exports specializing in ordinary trade
- Considerably lower share of exports specializing in processing w/imported materials
- Lower share of exports specializing in processing and assembly

Incentive Scheme:

- Considerably lower share of imports traded through consolidated incentive schemes
- Considerably lower share of exports traded through HTIDAs and bonded areas

**Part III, Section 4. Distinctive Features of China's Import Product Drivers from the U.S.**

**► Relative to China's Overall Imports from the U.S. ◀**

The figure below provides us with a comparative view of the structural compositions of China's six largest product category imports from the United States in 2004. Unlike exports, China's fastest growing product imports from the United States cannot easily be subdivided into general categories that are considerably different in structural composition. Rather, they can be divided into a broader set of 4 categories that each share a basic set of similar structural attributes.

***Category 1: HS-12&47: Oil seeds, misl grain/seed/fruit/plant, and pulp of wood, waste paper, paperboard:*** The first of these categories consists of the HS-12 and HS-47 products, which are closer to primary products, and which predominantly comprise of yellow soybeans, paper, and paperboard. Relative to a weighted average of the entire six fastest growing product imports, their composition is distinguished by a:

Ownership:

- Lower share of imports from FIEs
- Higher share of imports from COEs

Customs Regime:

- Predominantly high share of imports specializing in ordinary trade
- Smaller share of all other major forms of import specialization

Incentive Scheme:

- Considerably higher share of imports traded not traded through any incentive schemes

**Category 2: HS-29&38: Organic chemicals and misl. chemical products:** The second of these categories predominantly consists of various imported chemicals. Relative to a weighted average of the entire six fastest growing product imports, their composition is distinguished by a:

Ownership:

- Higher share of imports from SOEs and private enterprises
- Lower share of imports from FIEs

Customs Regime:

- Lower share of imports specializing in processing with imported materials

Incentive Scheme:

- Higher share of imports traded not through any incentive schemes

**Category 3: HS-85: Electrical Machinery, Sound & TV Equipment:** The third of these categories consists mainly of integrated circuits. Relative to a weighted average of the entire six fastest growing product imports from the United States, its composition is distinguished by the following combination of attributes:

Ownership:

- Considerably higher share of imports from FIEs and private enterprises
- Lower share of imports from SOEs and private enterprises

Customs Regime:

- Considerably higher share of imports specializing in “processing with imported materials” and “processing and assembling”

Incentive Scheme:

- Higher share of imports traded through incentive schemes systems (most notably bonded areas, ETDAAs and HTDAAs)

**Category 4: HS-90: Optic, photo, medic or surgical instruments:** The fourth and final of these categories consists mainly of optical measuring equipment. Relative to a weighted average of the entire six fastest growing product imports from the United States, its composition is distinguished by the following combination of attributes:

Ownership:

- Considerably higher share of imports from SOEs
- Considerably lower share of imports from FIEs

Customs Regime:

- Considerably higher share of imports specializing in “equipment investment by foreign-invested enterprise”

Incentive Scheme:

- Lower share of imports traded through incentive schemes systems

# DECOMPOSING CHINA'S FASTEST GROWING 2004 IMPORT PRODUCT DRIVERS FROM THE U.S.

Figure A

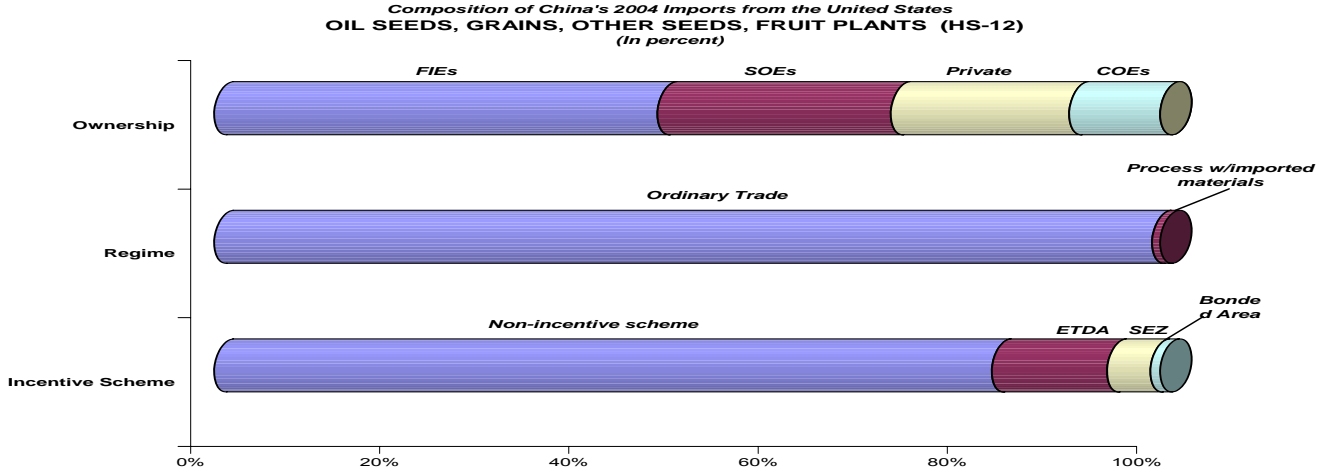


Figure B

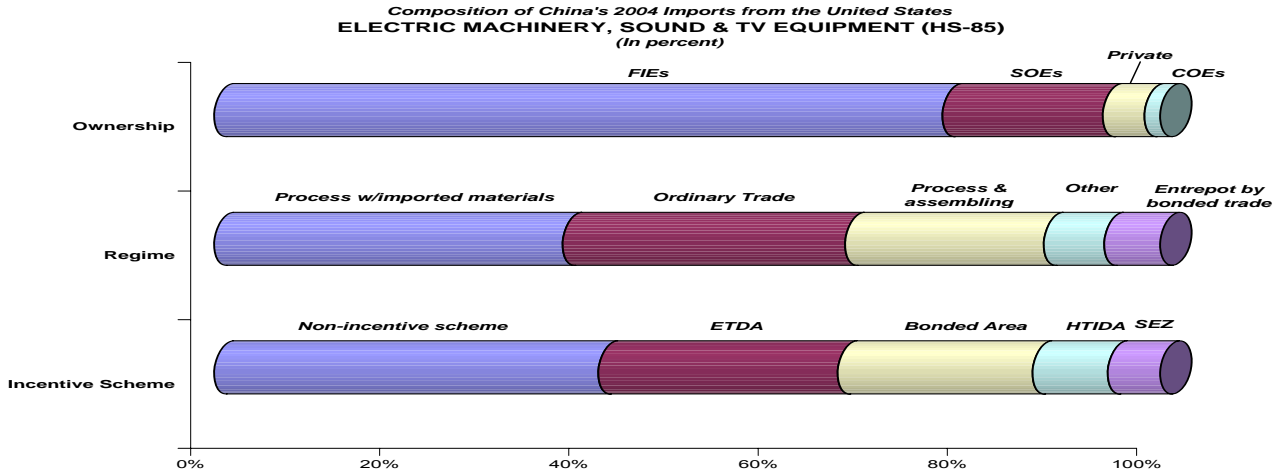
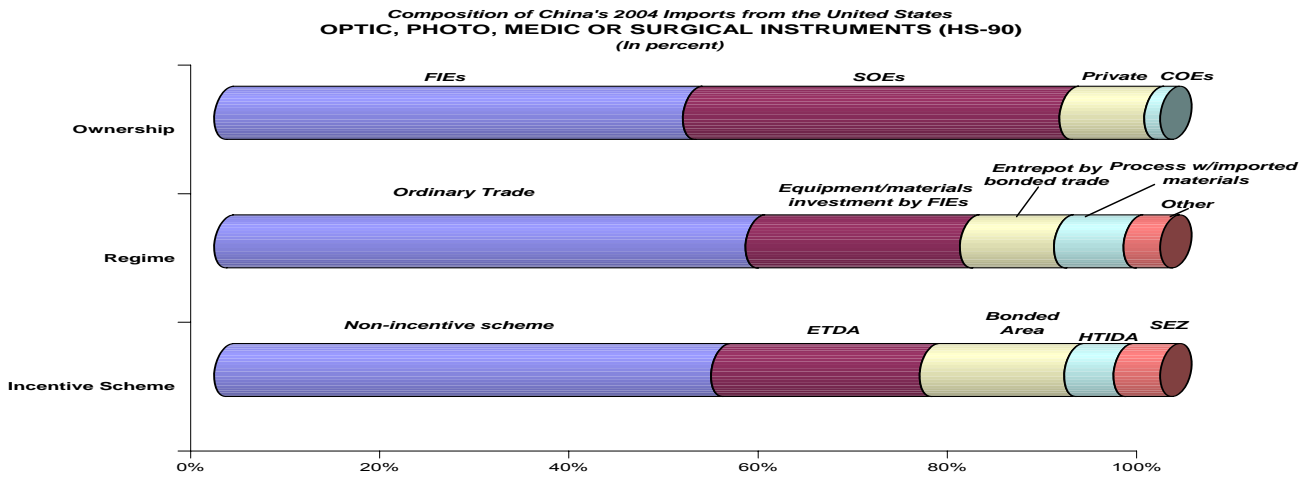


Figure C



# DECOMPOSING CHINA'S FASTEST GROWING 2004 IMPORT PRODUCT DRIVERS FROM THE U.S. (...Continued)

Figure D

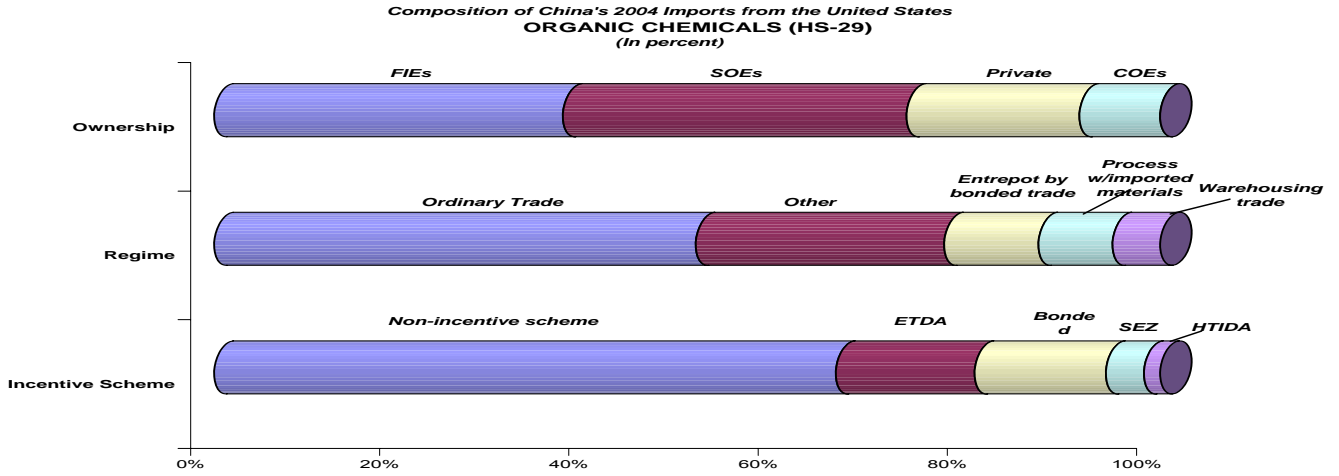


Figure E

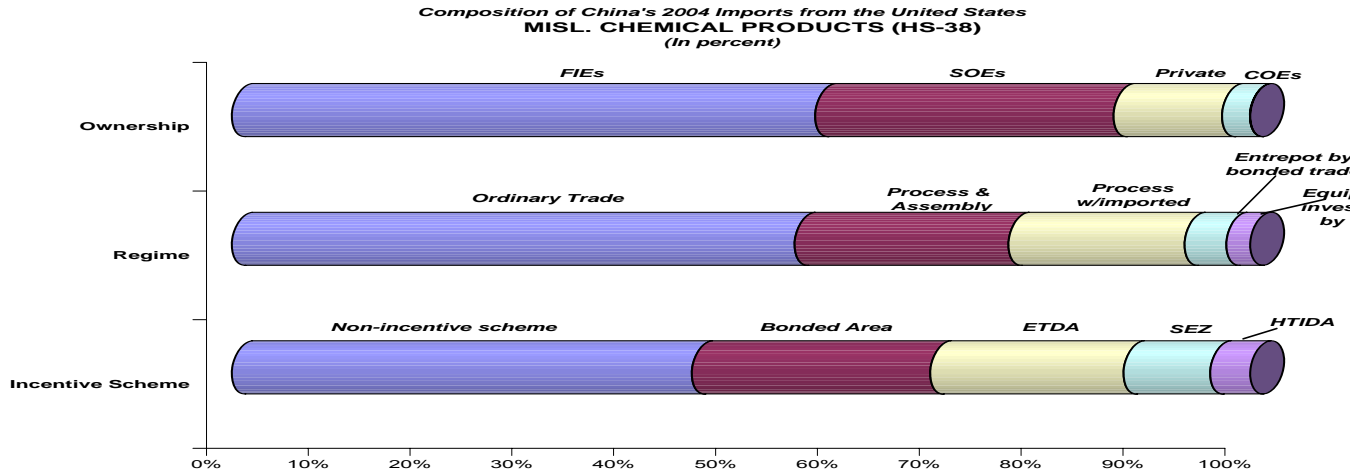
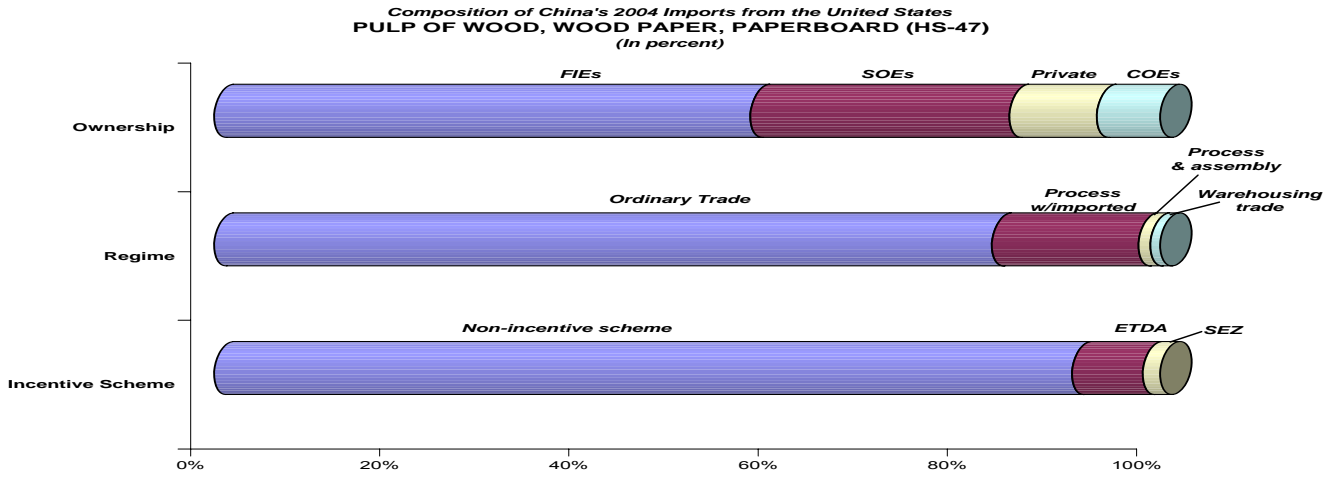


Figure F



## **PART IV: THE LARGEST MULTI-DIMENSIONAL EXPORT & IMPORT CONTRIBUTORS TO U.S.-CHINA TRADE**

Part III of this analysis provided insight into the multi-dimensional structure of China's top product exports and imports to/from the United States. Specifically, it simultaneously unveiled the ownership structure, customs regime, and incentive schemes associated with China's top product trade drivers vis-à-vis the United States.

While the analysis in Part III provided insight into the *likely* combinations of factors that collectively formed a profile of important trade drivers in U.S.-China trade, it fell short of concluding that the combination of factors were *necessarily* related. For example, just because FIE ownership, "processing with imported materials", and HTIDA exports were individually considered the most important ownership/customs regime/incentive scheme factors influencing China's machinery exports (see Table 9), does not necessarily mean that the most influential factors influencing China's exports to the United States derived from the necessary combination of those factors (e.g. FIE firms specializing in the processing of imported materials for exporting machines through HTIDAs to the United States).

In this concluding section, we utilize our previous findings to create a profile of the most important *related* factors that have contributed to overall 2004 exports and imports to/from the United States. Specifically, we will answer the following questions:

- What were the characteristics of China's most prominently traded products with the United States in 2004 (among China's top HS-2 categories)?
- What were the characteristics of China's most prominently traded products with the United States in 2004?
- Were these the same?

To answer these questions, we will use the observations from the previous section to provide us with frames of reference, or "drilling points", from which to conduct empirical testing on combinations of criteria.

### **— CHINA'S EXPORTS TO THE UNITED STATES —**

**The Multi-Dimensional Profile of China's Most Predominant Contributor to 2004 HS-84 Exports to the U.S:** From our analysis in Part II of this study, we identified the fact that "nuclear reactors, boilers, machinery, and parts thereof" (HS-84) were not only the largest 2-digit HS contributors to China's overall 2004 exports to the United States (see Appendix III), but were also the largest product driver in the considered time period. Specifically, their share of China's overall exports to the United States was 24 % in 2004, compared to only 7% ten years before. The magnitude and robust growth associated with this product category's exports to the United States inspire questions regarding the most prominent underlying source of these forms of exports. To answer this, we focus our attention on the last year for which we have data (2004), given its greatest relevance.

Our analysis in Part III showed that for “nuclear reactors, boilers, machinery, and parts thereof” (HS-84) the overwhelming majority of exports to the United States originated from FIEs (84%). By restricting our data set to FIEs from this product category, we drill deeper into our data to consider which of the customs regimes accounted for the highest proportion of exports in that year. As expected (based on identified trends but not empirically validated), “processing with imported materials” was found to be the largest contributor. By restricting our dataset this time to HS-84 exports from FIEs specializing in processing with imported materials, we assess which incentive scheme was the most influential (see Table 11 below). Finally, we also assess which of the specific HS 8-digit product types within the broader HS-84 category accounted for the greatest share of China’s overall exports to the United States in 2004.

As can be seen in the table below, the multi-dimensional profile of the largest contributor to China’s HS-84 2004 exports to the United States were laptop computers produced by FIEs in Export Processing Zones (EPZs), that used imported materials.

<b>TABLE 11: THE PROFILE OF CHINA'S LARGEST CONTRIBUTOR TO 2004 U.S.-BOUND EXPORTS</b>			
	<b>\$U.S. Mil</b>	<b>% of Previous Category</b>	<b>% Total Exports to U.S.</b>
Total China Exports to U.S.	124,946		
Nuclear Reactors, Boilers, Machinery, and Parts (HS-84)	29,998	24%	24%
o/w Foreign Invested Enterprises	25,281	84%	20%
o/w Processing w/imported materials	21,946	87%	18%
o/w Export Processing Zones	6,488	30%	5%
o/w "Portable computers weight <=10kg, w/at least CPU, keyboard, display" (HS-84713000)	5,175	58%	4%

**The Multi-Dimensional Profile of China’s Most Predominant Contributor to 2004 Overall Exports to the U.S:** By repeating the above methodology (but not restricting our data set to HS-84 product groupings<sup>14</sup>), we arrive to an identical conclusions. Specifically, the combination of factors that had the most influence over China’s largest HS-2 digit category also had the largest influence over China’s overall 2004 exports. This observation is not entirely surprising, given how large a share the HS-84’s product category constituted relative to China’s overall exports to the United States in 2004.

***In sum, the multi-dimensional profile of the largest contributor to China’s overall (and HS-84) 2004 exports to the United States were laptop computers produced by FIEs in Export Processing Zones (EPZs), that used imported materials.***

<sup>14</sup> Note that HS-85 exports to the United States were only slightly lower than HS-84, ultimately suggesting that the largest multi-dimensional component of China’s 2004 exports could have easily fallen in this listing.



— CHINA'S IMPORTS FROM THE UNITED STATES —

**The Multi-Dimensional Profile of China's Most Predominant Contributor to 2004 HS-84 Imports from the U.S:** By repeating the methodology applied to China's exports, we can also create a multi-dimensional profile of the most prominent combination of factors that have influenced China's top HS-2 imports from the United States. As a starting point, we consider the largest HS-2 import product category from the United States in 2004, which, as was the case with exports, was "nuclear reactors, boilers, machinery, and parts thereof", or HS-84 (see Appendix III). Next, we restrict our data to determine, among the HS-84 products, which combinations of ownership structure custom regime, incentive structure, and, HS-8 product category ultimately contributed the most to China's 2004 imports from the United States.

As can be seen in the table below, China's "individual function" machinery and mechanical appliance start-up equipment from FIEs operating in ETDA's contributed the most to China's top HS-2 product imports (HS-84) from the United States.

<b>TABLE 12: THE PROFILE OF CHINA'S LARGEST HS-84 CONTRIBUTOR TO 2004 IMPORTS FROM THE U.S.</b>			
	<b>\$U.S. Mil</b>	<b>% of Previous Category</b>	<b>% Total Imports from U.S.</b>
Total China Imports from U.S.	44,678		
Nuclear Reactors, Boilers, Machinery, and Parts (HS-84)	7,836	18%	18%
o/w Foreign Invested Enterprises	4,545	58%	10%
o/w Start-up equipment investment by foreign-invested enterprise	2,253	50%	5%
o/w ETDA's	1,046	46%	2%
o/w Machine & mechanical appliances w/individual functions (HS-84798990)	589	56%	1%

**The Multi-Dimensional Profile of China's Most Predominant Contributor to 2004 Overall Imports from the U.S:** As was done on the export side, we can now repeat the above methodology without restricting our data set to the HS-84 category, in order to unveil the combination of factors that most greatly influenced China's overall 2004 imports from the United States.

As can be seen in the table below, China's imports of yellow soybeans from FIEs' engaged in ordinary trade through non-incentive-based systems contributed the most to China's overall 2004 imports from the United States.

<b>TABLE 13: THE PROFILE OF CHINA'S LARGEST OVERALL CONTRIBUTOR TO 2004 IMPORTS FROM THE U.S.</b>			
	<b>\$U.S. Mil</b>	<b>% of Previous Category</b>	<b>% Total Imports from U.S.</b>
Total China Imports from U.S.	44,678		
Oil seeds, grains, other seeds, fruits & plants (HS-12)	3,392	8%	8%
o/w Foreign Invested Enterprises	1,589	47%	4%
o/w Ordinary Trade	1,557	98%	3%
o/w Non-Incentive Based System	1,178	76%	3%
o/w Yellow Soybeans (HS-12010091)	1,177	100%	3%

*In sum, the multi-dimensional profile of the largest contributor to China's overall 2004 imports from the United States were yellow soybeans from FIEs' engaged in ordinary trade through non-incentive-based systems. This was different from the source of China's most prominent HS-84 import category, which were FIE's individual function machinery & mechanical appliance start-up equipment, operating in ETDAs.*

The fact that China's single largest multi-dimensional HS-8 digit contributor to its overall 2004 imports is different from its most important contributor within its most dominant HS-2 digit (HS-84) category highlights the following important point. Although China's single greatest import product from the United States was yellow soybeans, the more diversified set of machinery imports from the United States have collectively accounted for a greater share of China's overall 2004 imports from the United States.

## **PART V: RECOMENDATIONS FOR FURTHER RESEARCH**

The aim of this paper was to gain an understanding of the structural developments that unfolded in U.S.-China trade between 1995 and 2004, which have ultimately influenced China's large and growing merchandise trade surplus with the United States. In completing this objective, the following issues surfaced that warrant additional attention:

- *2005 Data:* 2005 customs data from China was recently released, suggesting that this paper could be updated to reflect newer information.
- *Inclusion of firms' location as part of growth profile of exports and imports:* Anecdotal evidence suggests that China's trade of specific products are clustered in different geographic locations. Much of the trade with the United States, for example, is thought to originate from firms in the southeast coast of China, while trade with Japanese and Korean firms is thought to be mostly concentrated in the northeast. The southwest and northwest, by contrast, are thought to be engaged in relatively less trade with China's major trading partners. Subsequent research could explore the degree to which these observations are true, and could test whether the inclusion of firm location will add clarity to establishing a detailed profile of the dynamic forces at play in U.S.-China trade.
- *Transportation method:* The database used for this analysis also supplied data that describes the shipment method of trade flows (e.g. ship, air), and could add to our understanding of trade flow dynamics between the United States and China.
- *Clarification on China's position on global supply chain:* As was shown, "electronic machinery, sound & TV equipment" proved to be a principle driver in both export and import categories to/from the United States, supporting anecdotal evidence of China's position on the global supply chain of electronics. In subsequent research, this issue could be more thoroughly investigated;
- *Consideration of special cross-classification relationships:* When investigating similarities/causal factors between classification types, areas that warrant additional attention include relationships such as imports' "bonded areas" incentive schemes and "entrepot trade by bonding activity" in the customs regime classification.

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# APPENDIX I

Figure A  
**CHINA'S EXPORT MARKET, BY COUNTRY (1995 & 2004)**  
 (In millions of U.S. Dollars)

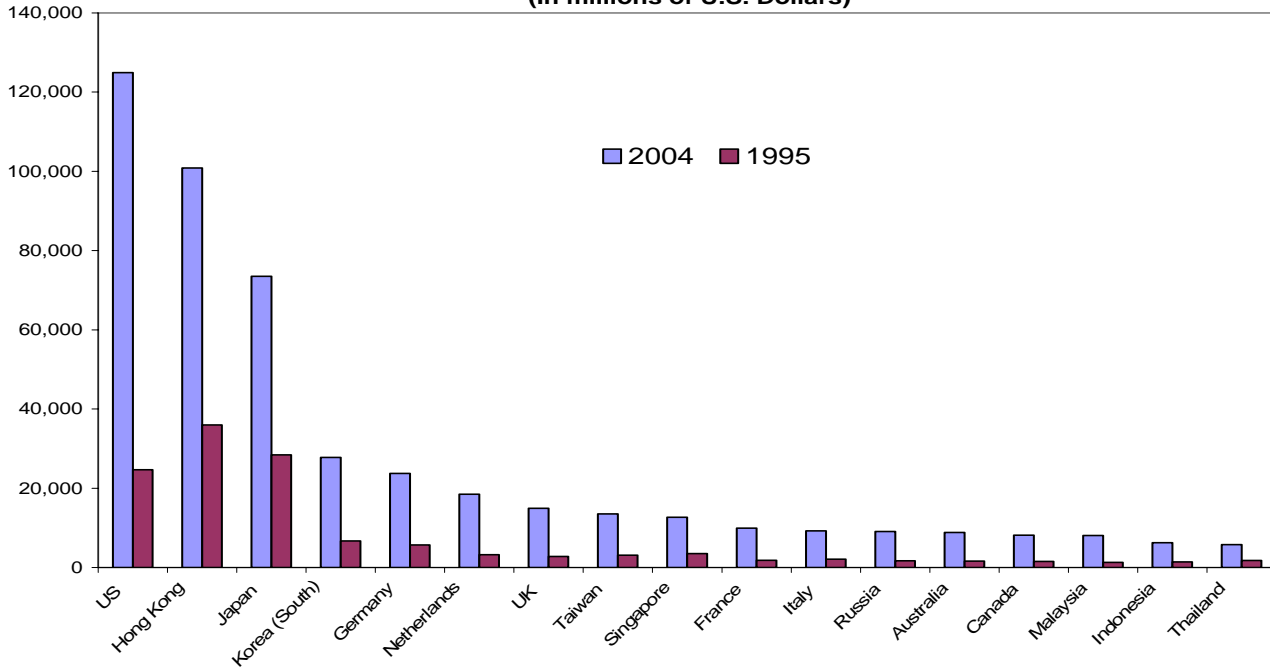
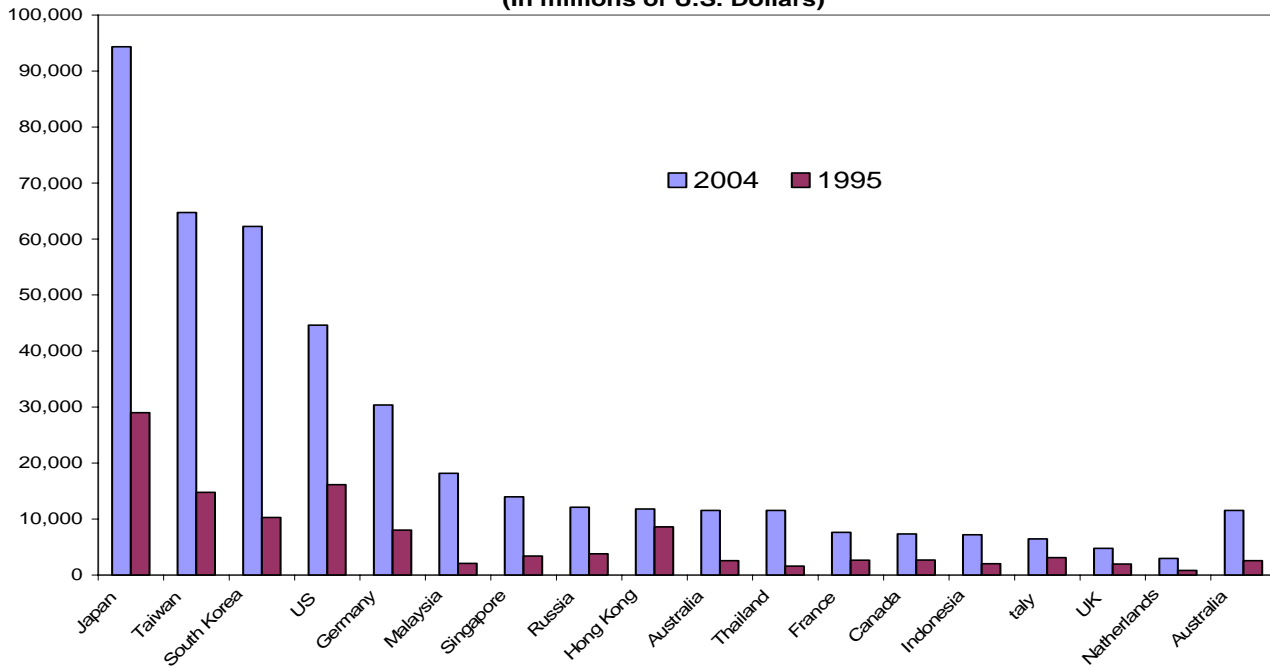


Figure B  
**CHINA'S IMPORT MARKET, BY COUNTRY (1995 & 2004)**  
 (In millions of U.S. Dollars)

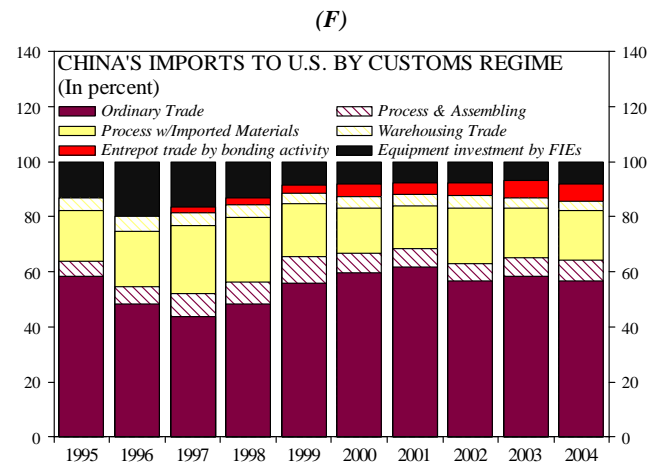
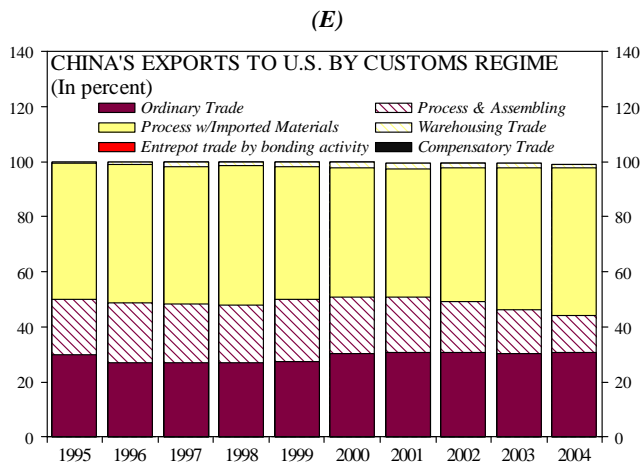
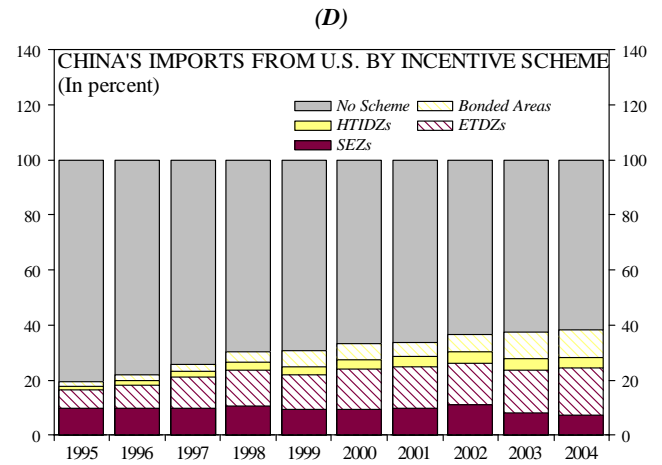
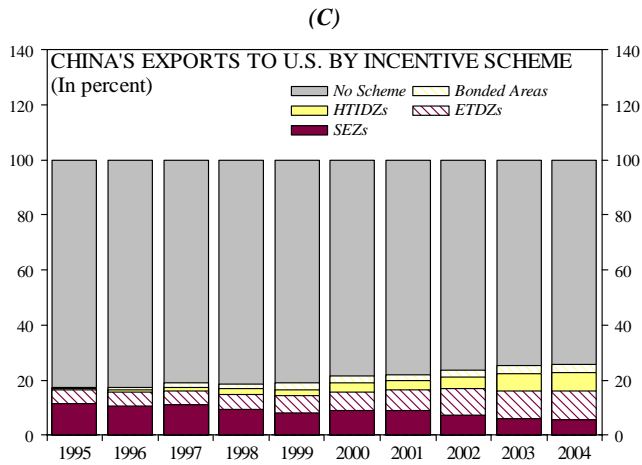
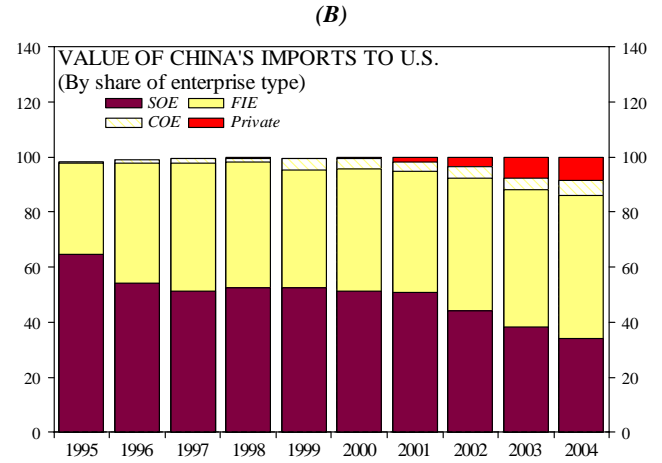
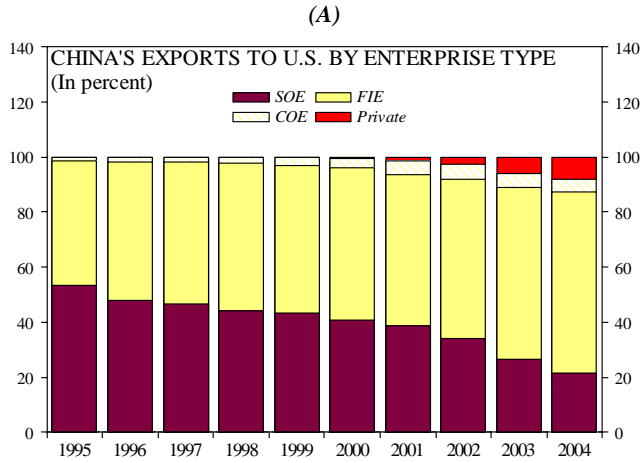


## APPENDIX II

### Disaggregating China-U.S. Trade by Enterprise Type, Customs Regime, and Incentive Scheme (1995–2004)

**CHINA'S EXPORTS TO THE U.S.**

**CHINA'S IMPORTS FROM THE U.S.**



Source: China's official customs data.

### Appendix III: Decomposing China's Top 20 Traded Products w/the United States

(In Millions of U.S. Dollars)

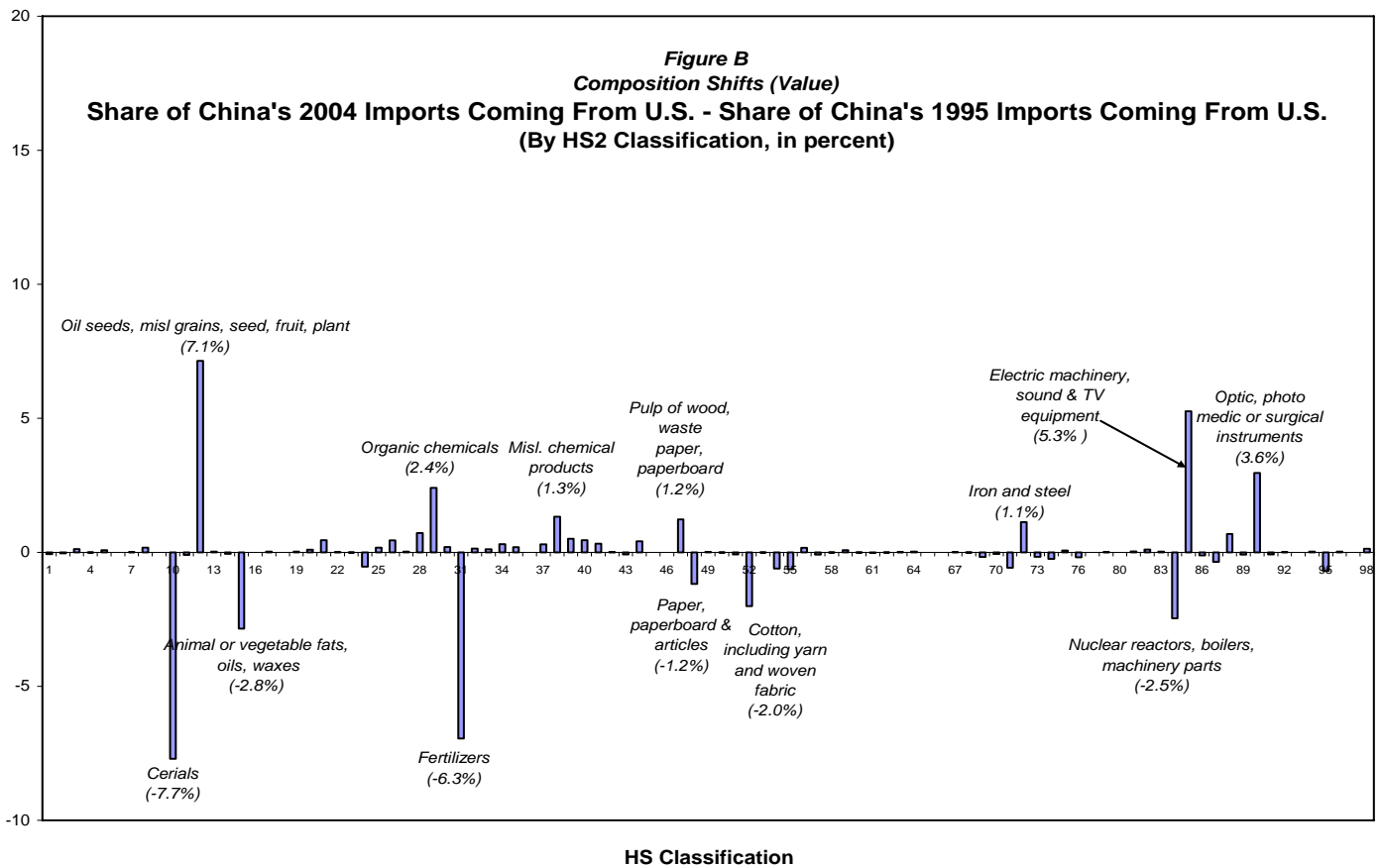
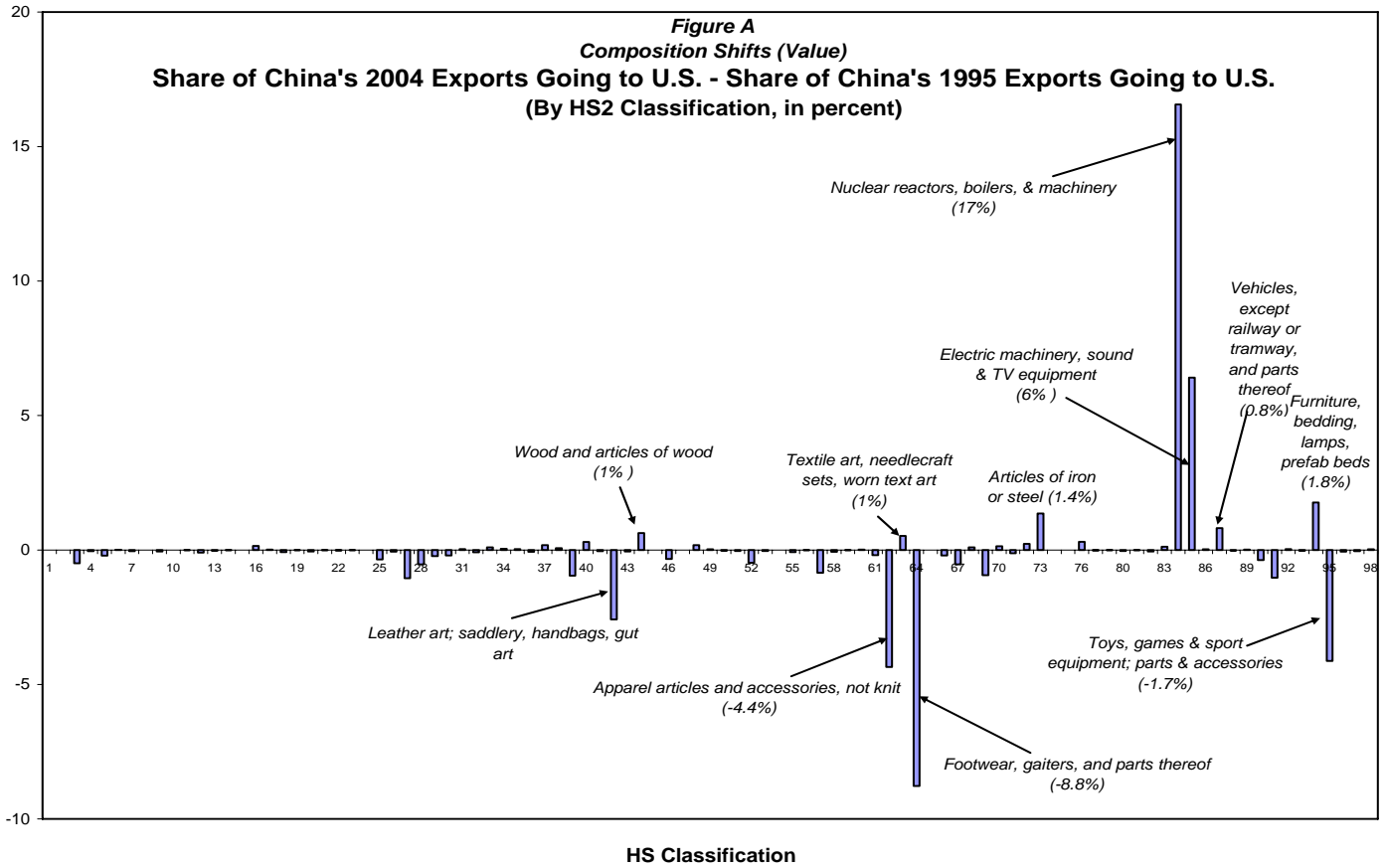
#### CHINA'S EXPORTS TO THE U.S.

Rank (2004)	Product	1995		2004	
		Value	% of Total	Value	% of Total
1	Nuclear Reactors, Boilers, Machinery Etc.; Parts (HS-84)	1,840	7%	30,000	24%
2	Electric Machinery Etc; Sound Equip; Tv Equip; Pts (HS-85)	3,690	15%	26,670	21%
3	Furniture; Bedding Etc; Lamps Nesoi Etc; Prefab Bd (HS-94)	1,074	4%	7,636	6%
4	Toys, Games & Sport Equipment; Parts & Accessories (HS-95)	2,278	9%	6,364	5%
5	Footwear, Gaiters Etc. And Parts Thereof (HS-64)	3,347	14%	5,956	5%
6	Articles Of Iron Or Steel (HS-73)	497	2%	4,210	3%
7	Plastics And Articles Thereof (HS-39)	968	4%	3,700	3%
8	Vehicles, Except Railway Or Tramway, And Parts Etc (HS-87)	529	2%	3,688	3%
9	Apparel Articles And Accessories, Not Knit Etc. (HS-62)	1,763	7%	3,475	3%
10	Leather Art; Saddlery Etc; Handbags Etc; Gut Art (HS-42)	1,265	5%	3,169	3%
11	Apparel Articles And Accessories, Knit Or Crochet (HS-61)	523	2%	2,408	2%
12	Textile Art Nesoi; Needlecraft Sets; Worn Text Art (HS-63)	330	1%	2,331	2%
13	Optic, Photo Etc, Medic Or Surgical Instrments Etc (HS-90)	543	2%	2,267	2%
14	Railway Or Tramway Stock Etc; Traffic Signal Equip (HS-86)	301	1%	1,556	1%
15	Wood And Articles Of Wood; Wood Charcoal (HS-44)	136	1%	1,480	1%
16	Organic Chemicals (HS-29)	331	1%	1,391	1%
17	Tools, Cutlery Etc. Of Base Metal & Parts Thereof (HS-82)	250	1%	1,205	1%
18	Iron And Steel (HS-72)	165	1%	1,124	1%
19	Rubber And Articles Thereof (HS-40)	147	1%	1,119	1%
20	Miscellaneous Articles Of Base Metal (HS-83)	187	1%	1,103	1%
	<b>Subtotal</b>	<b>20,165</b>	<b>82%</b>	<b>110,854</b>	<b>89%</b>
	<b>TOTAL</b>	<b>24,713</b>		<b>124,948</b>	

#### CHINA'S IMPORTS FROM THE U.S.

Rank (2004)	Product	1995		2004	
		Value	% of Total	Value	% of Total
1	Nuclear Reactors, Boilers, Machinery Etc.; Parts (HS-84)	3,225		7,837	18%
2	Electric Machinery Etc; Sound Equip; Tv Equip; Pts (HS-85)	1,904		7,627	17%
3	Optic, Photo Etc, Medic Or Surgical Instrments Etc (HS-90)	776		3,475	8%
4	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc (HS-12)	73		3,392	8%
5	Aircraft, Spacecraft, And Parts Thereof (HS-88)	799		2,522	6%
6	Plastics And Articles Thereof (HS-39)	779		2,385	5%
7	Organic Chemicals (HS-29)	431		2,271	5%
8	Cotton, Including Yarn And Woven Fabric Thereof (HS-52)	964		1,776	4%
9	Pulp Of Wood Etc; Waste Etc Of Paper & Paperboard (HS-47)	271		1,299	3%
10	Miscellaneous Chemical Products (HS-38)	189		1,117	3%
11	Iron And Steel (HS-72)	135		879	2%
12	Raw Hides And Skins (No Furskins) And Leather (HS-41)	227		775	2%
13	Cereals (HS-10)	1,476		649	1%
14	Copper And Articles Thereof (HS-74)	262		619	1%
15	Vehicles, Except Railway Or Tramway, And Parts Etc (HS-87)	270		588	1%
16	Paper & Paperboard & Articles (Inc Papr Pulp Artl) (HS-48)	400		579	1%
17	Fertilizers (HS-31)	1,311		531	1%
18	Inorg Chem; Prec & Rare-Earth Met & Radioact Compd (HS-28)	431		509	1%
19	Articles Of Iron Or Steel (HS-73)	177		415	1%
20	Aluminum And Articles Thereof (HS-76)	169		389	1%
	<b>Subtotal</b>	<b>14,272</b>		<b>39,632</b>	<b>89%</b>
	<b>TOTAL</b>	<b>16,124</b>		<b>44,679</b>	

## APPENDIX IV



## Appendix V(a): Decomposing China's Dominant Export Product Drivers to the U.S.

(in millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Total Exports</b>	<b>24,713</b>	<b>26,709</b>	<b>32,716</b>	<b>37,964</b>	<b>42,015</b>	<b>52,141</b>	<b>54,271</b>	<b>69,949</b>	<b>92,472</b>	<b>124,946</b>
<b>Nuclear reactors, boilers, machinery &amp; parts (HS-84)</b>	<b>1,840</b>	<b>2,440</b>	<b>3,482</b>	<b>4,598</b>	<b>5,277</b>	<b>6,854</b>	<b>7,337</b>	<b>12,056</b>	<b>21,361</b>	<b>30,000</b>
SOEs (1)	650	718	846	1,114	1,359	1,589	1,552	2,238	2,652	3,458
Foreign Invested (4)	1,150	1,655	2,555	3,405	3,783	5,026	5,371	9,208	17,708	25,281
Collective (5)	39	68	80	76	131	218	361	466	501	496
Private (6)	0	0	1	1	2	19	51	141	498	763
Other	0	0	0	1	1	1	2	2	2	2
Ordinary trade (10)	300	355	430	506	714	1,014	1,145	1,644	2,167	2,901
Process & assembling (14)	288	387	429	558	766	811	910	1,863	3,450	4,163
Process w/imported materials (15)	1,192	1,636	2,541	3,407	3,673	4,939	5,166	8,225	15,423	22,444
Warehousing trade (33)	59	61	24	5	8	38	21	48	68	82
Entrepot trade by bonded area (34)	0	0	58	121	114	49	93	273	251	407
Other	1	1	0	1	3	1	2	3	2	3
Special Economic Zone	289	395	732	809	505	763	764	623	823	1,041
Economic & Technological Development Area	151	159	160	281	336	429	459	1,148	1,671	2,101
High-Technology Industry Development Area	13	30	291	421	513	936	988	2,041	4,518	4,743
Bonded Area	5	60	260	378	683	865	575	987	1,564	1,758
Other	1,382	1,796	2,040	2,709	3,240	3,860	4,551	7,258	12,786	20,358
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>3,690</b>	<b>4,084</b>	<b>4,853</b>	<b>5,882</b>	<b>7,200</b>	<b>9,540</b>	<b>10,641</b>	<b>14,178</b>	<b>18,006</b>	<b>26,670</b>
SOEs (1)	1,489	1,419	1,640	1,916	2,370	2,888	3,371	4,272	3,907	3,609
Foreign Invested (4)	2,190	2,639	3,194	3,940	4,781	6,522	6,838	9,241	12,503	21,114
Collective (5)	11	26	18	22	44	98	336	502	620	441
Private (6)	0	0	0	3	6	32	96	163	975	1,506
Other	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	209	203	263	334	504	787	981	1,176	1,639	2,221
Process & assembling (14)	1,250	1,244	1,409	1,725	2,193	2,487	2,567	2,876	3,292	4,105
Process w/imported materials (15)	2,222	2,620	3,160	3,797	4,466	6,144	6,952	9,969	12,804	19,579
Warehousing trade (33)	9	17	19	21	25	98	84	110	143	188
Entrepot trade by bonded area (34)	0	0	2	4	12	23	57	47	128	578
Other	1	1	0	0	0	0	0	0	0	0
Special Economic Zone	760	859	850	796	883	1,189	1,122	1,107	1,268	1,961
Economic & Technological Development Area	173	236	343	529	779	1,177	1,670	2,915	3,539	5,448
High-Technology Industry Development Area	112	132	148	179	225	452	530	629	1,091	2,543
Bonded Area	18	36	63	68	268	288	375	341	562	1,276
Other	2,629	2,821	3,450	4,310	5,046	6,433	6,944	9,186	11,546	15,442
<b>Furniture, bedding, and lamps (hs-94)</b>	<b>1,074</b>	<b>1,151</b>	<b>1,453</b>	<b>1,904</b>	<b>2,563</b>	<b>3,269</b>	<b>3,383</b>	<b>4,637</b>	<b>5,832</b>	<b>7,636</b>
SOEs (1)	545	469	599	747	970	1,087	1,021	1,289	1,254	1,281
Foreign Invested (4)	491	649	827	1,109	1,523	2,034	2,111	2,919	3,864	5,197
Collective (5)	37	33	26	48	68	131	207	297	307	368
Private (6)	0	0	0	0	2	17	44	132	407	790
Other	1	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	394	352	469	649	805	1,163	1,207	1,851	2,472	3,348
Process & assembling (14)	121	175	235	290	438	487	525	640	558	556
Process w/imported materials (15)	559	621	745	960	1,311	1,606	1,635	2,116	2,746	3,662
Warehousing trade (33)	0	2	2	4	8	13	14	20	28	39
Entrepot trade by bonded area (34)	0	0	1	0	0	0	1	10	28	32
Other	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	74	54	67	85	150	246	243	239	293	319
Economic & Technological Development Area	55	50	50	75	92	158	192	276	366	468
High-Technology Industry Development Area	1	2	2	9	10	12	14	21	70	108
Bonded Area	0	3	5	3	4	5	10	12	29	33
Other	945	1,042	1,327	1,731	2,306	2,848	2,923	4,089	5,075	6,709



## Appendix V(a):Decomposing China's Dominant Export Product Drivers to the U.S. (...Continued)

(in millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Articles of iron or steel (HS-73)</b>	<b>576</b>	<b>702</b>	<b>950</b>	<b>1,291</b>	<b>1,563</b>	<b>2,110</b>	<b>2,252</b>	<b>3,037</b>	<b>4,008</b>	<b>6,165</b>
SOEs (1)	408	411	482	605	696	803	836	945	1,018	1,310
Foreign Invested (4)	79	139	217	316	402	599	632	918	1,262	1,955
Collective (5)	9	13	33	52	60	99	129	156	209	350
Private (6)	0	0	1	2	3	8	24	101	256	596
Other	79	139	217	316	402	599	632	918	1,263	1,955
Ordinary trade (10)	328	366	456	604	729	956	1,047	1,310	1,719	2,896
Process & assembling (14)	41	52	85	107	135	136	136	166	158	175
Process w/imported materials (15)	127	144	190	263	294	414	429	627	832	1,099
Warehousing trade (33)	0	0	0	1	1	3	7	11	19	23
Entrepot trade by bonded area (34)	0	0	0	0	1	1	2	5	17	16
Other	80	139	217	316	402	599	632	918	1,263	1,955
Special Economic Zone	19	25	37	32	41	58	92	148	172	214
Economic & Technological Development Area	25	28	29	34	37	57	55	85	109	186
High-Technology Industry Development Area	1	1	7	1	11	18	7	11	20	49
Bonded Area	1	5	6	9	10	5	11	12	24	23
Other	531	643	871	1,215	1,464	1,971	2,089	2,779	3,668	5,676
<b>Vehicles and related parts, non-rail/tram (HS-87)</b>	<b>836</b>	<b>753</b>	<b>978</b>	<b>1,247</b>	<b>1,544</b>	<b>1,834</b>	<b>1,869</b>	<b>2,724</b>	<b>3,742</b>	<b>5,659</b>
SOEs (1)	215	199	255	303	393	453	442	539	703	824
Foreign Invested (4)	308	269	350	461	555	652	654	997	1,284	1,971
Collective (5)	6	15	22	23	34	65	90	112	197	279
Private (6)	0	0	0	0	6	12	29	78	275	615
Other	615	269	350	461	555	652	654	997	1,284	1,971
Ordinary trade (10)	147	147	191	232	347	475	611	861	1,428	2,284
Process & assembling (14)	60	75	92	90	133	112	81	61	39	29
Process w/imported materials (15)	321	261	342	462	506	589	518	794	972	1,350
Warehousing trade (33)	0	1	2	2	2	5	4	4	9	12
Entrepot trade by bonded area (34)	0	0	0	0	0	1	1	7	10	13
Other	308	269	350	461	555	652	654	997	1,284	1,971
Special Economic Zone	154	96	84	121	113	97	83	106	119	181
Economic & Technological Development Area	50	19	32	55	85	149	175	262	346	462
High-Technology Industry Development Area	0	0	0	0	1	2	5	23	30	87
Bonded Area	0	0	0	1	7	9	7	18	22	51
Other	632	637	861	1,070	1,338	1,578	1,599	2,312	3,206	4,831
<b>Textile art, needlecraft sets; worn text art (HS-63)</b>	<b>392</b>	<b>389</b>	<b>488</b>	<b>596</b>	<b>727</b>	<b>826</b>	<b>830</b>	<b>1,357</b>	<b>2,295</b>	<b>3,076</b>
SOEs (1)	268	229	268	334	416	456	477	607	799	869
Foreign Invested (4)	61	79	108	126	147	170	146	284	521	745
Collective (5)	1	2	4	9	17	27	51	122	206	208
Private (6)	0	0	0	0	0	4	11	61	248	509
Other	61	79	108	126	147	170	146	284	521	745
Ordinary trade (10)	213	180	214	317	415	504	542	898	1,470	1,881
Process & assembling (14)	19	26	27	30	38	40	44	53	67	75
Process w/imported materials (15)	98	102	139	121	127	112	97	120	229	355
Warehousing trade (33)	0	1	0	0	1	1	1	2	7	13
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	2	7
Other	61	79	108	126	147	170	146	284	521	745
Special Economic Zone	50	45	61	46	49	44	43	55	92	113
Economic & Technological Development Area	12	15	32	42	53	74	90	142	236	330
High-Technology Industry Development Area	0	0	0	0	0	1	2	12	16	14
Bonded Area	2	0	0	0	2	1	2	4	5	11
Other	329	329	394	508	623	706	694	1,143	1,945	2,607

**Appendix V(b): Decomposing China's Dominant Export Product Drivers to the U.S.**  
(in percent of China's HS2 export category to the U.S.)

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-04
	...	...	...	...	...	...	...	...	...	...	...
<b>Nuclear reactors, boilers, machinery &amp; related parts (HS-84)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	35	29	24	24	26	23	21	19	12	12	-24
Foreign Invested (4)	63	68	73	74	72	73	73	76	83	84	22
Collective (5)	2	3	2	2	2	3	5	4	2	2	0
Private (6)	0	0	0	0	0	0	1	1	2	3	3
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	16	15	12	11	14	15	16	14	10	10	-7
Process & assembling (14)	16	16	12	12	15	12	12	15	16	14	-2
Process w/imported materials (15)	65	67	73	74	70	72	70	68	72	75	10
Warehousing trade (33)	3	3	1	0	0	1	0	0	0	0	-3
Entrepot trade by bonded area (34)	0	0	2	3	2	1	1	2	1	1	1
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	16	16	21	18	10	11	10	5	4	3	-12
Economic & Technological Development Area	8	7	5	6	6	6	6	10	8	7	-1
High-Technology Industry Development Area	1	1	8	9	10	14	13	17	21	16	15
Bonded Area	0	2	7	8	13	13	8	8	7	6	6
Other	75	74	59	59	61	56	62	60	60	68	-7
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	40	35	34	33	33	30	32	30	22	14	-27
Foreign Invested (4)	59	65	66	67	66	68	64	65	69	79	20
Collective (5)	0	1	0	0	1	1	3	4	3	2	1
Private (6)	0	0	0	0	0	0	1	1	5	6	6
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	6	5	5	6	7	8	9	8	9	8	3
Process & assembling (14)	34	30	29	29	30	26	24	20	18	15	-18
Process w/imported materials (15)	60	64	65	65	62	64	65	70	71	73	13
Warehousing trade (33)	0	0	0	0	0	1	1	1	1	1	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	1	0	1	2	2
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	21	21	18	14	12	12	11	8	7	7	-13
Economic & Technological Development Area	5	6	7	9	11	12	16	21	20	20	16
High-Technology Industry Development Area	3	3	3	3	3	5	5	4	6	10	7
Bonded Area	0	1	1	1	4	3	4	2	3	5	4
Other	71	69	71	73	70	67	65	65	64	58	-13
<b>Furniture, bedding, and lamps (hs-94)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	51	41	41	39	38	33	30	28	22	17	-34
Foreign Invested (4)	46	56	57	58	59	62	62	63	66	68	22
Collective (5)	3	3	2	3	3	4	6	6	5	5	1
Private (6)	0	0	0	0	0	1	1	3	7	10	10
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	37	31	32	34	31	36	36	40	42	44	7
Process & assembling (14)	11	15	16	15	17	15	16	14	10	7	-4
Process w/imported materials (15)	52	54	51	50	51	49	48	46	47	48	-4
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	1	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	7	5	5	4	6	8	7	5	5	4	-3
Economic & Technological Development Area	5	4	3	4	4	5	6	6	6	6	1
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	1	1	1
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	88	91	91	91	90	87	86	88	87	88	0

## Appendix V(b): Decomposing China's Dominant Export Product Drivers to the U.S. (...Continued)

(in percent of China's HS2 export category to the U.S.)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Mkt Share Change 2004-1995
<b>Articles of iron or steel (HS-73)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	71	59	51	47	45	38	37	31	25	21	-50
Foreign Invested (4)	14	20	23	25	26	28	28	30	31	32	18
Collective (5)	2	2	3	4	4	5	6	5	5	6	4
Private (6)	0	0	0	0	0	0	1	3	6	10	10
Other	14	20	23	25	26	28	28	30	31	32	18
Ordinary trade (10)	57	52	48	47	47	45	46	43	43	47	-10
Process & assembling (14)	7	7	9	8	9	6	6	5	4	3	-4
Process w/imported materials (15)	22	21	20	20	19	20	19	21	21	18	-4
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	14	20	23	25	26	28	28	30	31	32	18
Special Economic Zone	3	4	4	3	3	3	4	5	4	3	0
Economic & Technological Development Area	4	4	3	3	2	3	2	3	3	3	-1
High-Technology Industry Development Area	0	0	1	0	1	1	0	0	0	1	1
Bonded Area	0	1	1	1	1	0	0	0	1	0	0
Other	92	92	92	94	94	93	93	91	92	92	0
<b>Vehicles and related parts, non-rail/tram (HS-87)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	26	26	26	24	25	25	24	20	19	15	-11
Foreign Invested (4)	37	36	36	37	36	36	35	37	34	35	-2
Collective (5)	1	2	2	2	2	4	5	4	5	5	4
Private (6)	0	0	0	0	0	1	2	3	7	11	11
Other	74	36	36	37	36	36	35	37	34	35	-39
Ordinary trade (10)	18	20	20	19	22	26	33	32	38	40	23
Process & assembling (14)	7	10	9	7	9	6	4	2	1	1	-7
Process w/imported materials (15)	38	35	35	37	33	32	28	29	26	24	-15
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	37	36	36	37	36	36	35	37	34	35	-2
Special Economic Zone	18	13	9	10	7	5	4	4	3	3	-15
Economic & Technological Development Area	6	3	3	4	6	8	9	10	9	8	2
High-Technology Industry Development Area	0	0	0	0	0	0	0	1	1	2	1
Bonded Area	0	0	0	0	0	1	0	1	1	1	1
Other	76	85	88	86	87	86	86	85	86	85	10
<b>Textile art, needlecraft sets; worn text art (HS-63)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	69	59	55	56	57	55	57	45	35	28	-40
Foreign Invested (4)	16	20	22	21	20	21	18	21	23	24	9
Collective (5)	0	0	1	2	2	3	6	9	9	7	7
Private (6)	0	0	0	0	0	0	1	4	11	17	17
Other	16	20	22	21	20	21	18	21	23	24	9
Ordinary trade (10)	54	46	44	53	57	61	65	66	64	61	7
Process & assembling (14)	5	7	6	5	5	5	5	4	3	2	-2
Process w/imported materials (15)	25	26	28	20	17	14	12	9	10	12	-13
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	16	20	22	21	20	21	18	21	23	24	9
Special Economic Zone	13	12	13	8	7	5	5	4	4	4	-9
Economic & Technological Development Area	3	4	7	7	7	9	11	10	10	11	8
High-Technology Industry Development Area	0	0	0	0	0	0	0	1	1	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	84	85	81	85	86	86	84	84	85	85	1

**Appendix V(c): Decomposing China's Dominant Export Product Drivers to the U.S.**  
**(in percent of China's total exports to the U.S.)**

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004-1995	
<b>Nuclear reactors, boilers, machinery &amp; parts (HS-84)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>17</b>
SOEs (1)	3	3	3	3	3	3	3	3	3	3	0	
Foreign Invested (4)	5	6	8	9	9	10	10	13	19	20	16	
Collective (5)	0	0	0	0	0	0	1	1	1	0	0	
Private (6)	0	0	0	0	0	0	0	0	1	1	1	
Other	0	0	0	0	0	0	0	0	0	0	0	
Ordinary trade (10)	1	1	1	1	2	2	2	2	2	2	1	
Process & assembling (14)	1	1	1	1	2	2	2	3	4	3	2	
Process w/imported materials (15)	5	6	8	9	9	9	10	12	17	18	13	
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0	
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	
Special Economic Zone	1	1	2	2	1	1	1	1	1	1	0	
Economic & Technological Development Area	1	1	0	1	1	1	1	2	2	2	1	
High-Technology Industry Development Area	0	0	1	1	1	2	2	3	5	4	4	
Bonded Area	0	0	1	1	2	2	1	1	2	1	1	
Other	6	7	6	7	8	7	8	10	14	16	11	
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>21</b>	<b>6</b>	
SOEs (1)	6	5	5	5	6	6	6	6	4	3	-3	
Foreign Invested (4)	9	10	10	10	11	13	13	13	14	17	8	
Collective (5)	0	0	0	0	0	0	1	1	1	0	0	
Private (6)	0	0	0	0	0	0	0	0	1	1	1	
Other	0	0	0	0	0	0	0	0	0	0	0	
Ordinary trade (10)	1	1	1	1	1	2	2	2	2	2	1	
Process & assembling (14)	5	5	4	5	5	5	5	4	4	3	-2	
Process w/imported materials (15)	9	10	10	10	11	12	13	14	14	16	7	
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0	
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	
Special Economic Zone	3	3	3	2	2	2	2	2	1	2	-2	
Economic & Technological Development Area	1	1	1	1	2	2	3	4	4	4	4	
High-Technology Industry Development Area	0	0	0	0	1	1	1	1	1	2	2	
Bonded Area	0	0	0	0	1	1	1	0	1	1	1	
Other	11	11	11	11	12	12	13	13	12	12	2	
<b>Furniture, bedding, and lamps (hs-94)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>2</b>	
SOEs (1)	2	2	2	2	2	2	2	2	1	1	-1	
Foreign Invested (4)	2	2	3	3	4	4	4	4	4	4	2	
Collective (5)	0	0	0	0	0	0	0	0	0	0	0	
Private (6)	0	0	0	0	0	0	0	0	0	1	1	
Other	0	0	0	0	0	0	0	0	0	0	0	
Ordinary trade (10)	2	1	1	2	2	2	2	3	3	3	1	
Process & assembling (14)	0	1	1	1	1	1	1	1	1	0	0	
Process w/imported materials (15)	2	2	2	3	3	3	3	3	3	3	1	
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0	
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0	
Economic & Technological Development Area	0	0	0	0	0	0	0	0	0	0	0	
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0	
Bonded Area	0	0	0	0	0	0	0	0	0	0	0	
Other	4	4	4	5	5	5	5	6	5	5	2	

## Appendix V(c): Decomposing China's Dominant Export Product Drivers to the U.S. (...Continued)

Mkt  
Share  
Change

(in percent of China's total exports to the U.S.)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004-1995
<b>Articles of iron or steel (HS-73)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>
SOEs (1)	2	2	1	2	2	2	2	1	1	1	-1
Foreign Invested (4)	0	1	1	1	1	1	1	1	1	2	1
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	0	0	0
Other	0	1	1	1	1	1	1	1	1	2	1
Ordinary trade (10)	1	1	1	2	2	2	2	2	2	2	1
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	1	1	1	1	1	1	1	1	1	1	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	0	1	1	1	1	1	1	1	1	2	1
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	0	0	0	0	0	0	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	2	2	3	3	3	4	4	4	4	5	2
<b>Vehicles and related parts, non-rail/tram (HS-87)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>1</b>
SOEs (1)	1	1	1	1	1	1	1	1	1	1	0
Foreign Invested (4)	1	1	1	1	1	1	1	1	1	2	0
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	0	0	0
Other	2	1	1	1	1	1	1	1	1	2	-1
Ordinary trade (10)	1	1	1	1	1	1	1	1	2	2	1
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	1	1	1	1	1	1	1	1	1	1	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	1	1	1	1	1	1	1	1	1	2	0
Special Economic Zone	1	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	0	0	0	0	0	0	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	3	2	3	3	3	3	3	3	3	4	1
<b>Textile art, needlecraft sets; worn text art (HS-63)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>
SOEs (1)	1	1	1	1	1	1	1	1	1	1	0
Foreign Invested (4)	0	0	0	0	0	0	0	0	1	1	0
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	1	1	0
Ordinary trade (10)	1	1	1	1	1	1	1	1	2	2	1
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	0	0	0	0	0	0	0	0	0	0	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	1	1	0
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	0	0	0	0	0	0	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	1	1	1	1	1	1	1	2	2	2	1

**Appendix VI(a): Decomposing China's Dominant Import Product Drivers from the U.S.**  
(in millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Total Imports</b>	<b>16,123</b>	<b>16,179</b>	<b>16,301</b>	<b>16,997</b>	<b>19,487</b>	<b>22,364</b>	<b>26,194</b>	<b>27,230</b>	<b>33,860</b>	<b>44,678</b>
<b>Oil seeds, mist grain/seed/fruit/plant (HS-12)</b>	<b>73</b>	<b>294</b>	<b>745</b>	<b>500</b>	<b>559</b>	<b>1,219</b>	<b>1,226</b>	<b>988</b>	<b>2,249</b>	<b>3,392</b>
SOEs (1)	20	104	435	244	260	666	643	288	637	837
Foreign Invested (4)	52	189	309	256	253	451	369	555	1,093	1,589
Collective (5)	1	1	1	1	46	102	136	77	108	327
Private (6)	0	0	0	0	0	0	77	68	411	639
Other	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	14	180	528	376	487	1,211	1,193	913	2,188	3,357
Process & assembling (14)	18	21	63	37	14	6	3	3	2	6
Process w/imported materials (15)	39	93	153	86	58	2	30	73	59	29
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	1
Other	1	0	0	0	0	0	0	0	0	0
Special Economic Zone	29	81	64	59	33	61	51	89	90	155
Economic & Technological Development Area	16	59	131	109	115	218	184	210	313	413
High-Technology Industry Development Area	0	0	0	0	0	0	0	1	2	3
Bonded Area	0	0	13	0	0	0	0	38	53	35
Other	28	155	537	332	411	940	990	650	1,790	2,786
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>1,904</b>	<b>1,830</b>	<b>2,076</b>	<b>2,892</b>	<b>3,564</b>	<b>4,700</b>	<b>5,962</b>	<b>5,654</b>	<b>5,398</b>	<b>7,627</b>
SOEs (1)	1,086	828	820	1,232	1,387	1,937	2,529	1,804	1,403	1,290
Foreign Invested (4)	745	967	1,200	1,587	2,054	2,605	3,236	3,633	3,670	5,865
Collective (5)	14	20	44	68	94	132	156	91	76	127
Private (6)	0	0	0	1	4	18	35	119	241	335
Other	60	15	12	4	24	8	7	8	8	10
Ordinary trade (10)	1,136	851	840	1,223	1,547	2,371	3,128	2,306	2,396	2,227
Process & assembling (14)	117	120	171	230	404	398	771	442	315	1,567
Process w/imported materials (15)	304	421	648	1,012	1,129	1,150	1,206	2,153	1,907	2,748
Warehousing trade (33)	28	50	60	78	80	98	278	254	163	167
Entrepot trade by bonded area (34)	0	0	27	50	168	459	307	287	366	441
Other	320	388	331	298	236	224	272	212	251	476
Special Economic Zone	267	163	210	204	344	367	505	443	352	422
Economic & Technological Development Area	222	270	398	566	656	969	1,327	1,073	1,307	1,930
High-Technology Industry Development Area	71	115	141	226	168	268	314	518	560	608
Bonded Area	14	32	40	61	359	547	376	445	564	1,570
Other	1,331	1,251	1,288	1,835	2,038	2,548	3,439	3,175	2,614	3,097
<b>Optic, photo, medic or surgical instruments (HS-90)</b>	<b>776</b>	<b>771</b>	<b>776</b>	<b>936</b>	<b>1,216</b>	<b>1,578</b>	<b>2,432</b>	<b>2,123</b>	<b>2,808</b>	<b>3,475</b>
SOEs (1)	541	424	438	527	791	906	1,369	1,234	1,454	1,382
Foreign Invested (4)	208	316	322	365	384	633	876	782	1,110	1,721
Collective (5)	3	8	6	14	23	31	117	42	49	58
Private (6)	0	0	1	0	4	3	65	59	187	312
Other	25	23	9	29	14	5	6	6	8	2
Ordinary trade (10)	555	453	448	558	848	1,029	1,800	1,398	1,821	1,886
Process & assembling (14)	4	3	8	6	7	6	5	5	15	33
Process w/imported materials (15)	27	31	47	46	55	72	93	89	118	247
Equipment/materials investment by foreign-invested enterprise (25)	139	221	205	218	202	335	365	376	474	760
Warehousing trade (33)	22	37	42	55	45	57	44	48	51	84
Entrepot trade by bonded area (34)	0	0	11	14	29	50	84	156	235	334
Other	29	26	15	39	29	29	40	51	95	130
Special Economic Zone	48	58	64	83	119	167	254	139	169	172
Economic & Technological Development Area	48	66	102	140	161	275	367	365	491	766
High-Technology Industry Development Area	30	47	41	63	49	100	209	96	141	181
Bonded Area	10	15	21	25	40	82	119	204	347	530
Other	639	585	547	625	846	954	1,483	1,320	1,660	1,825

**Appendix VI(a): Decomposing China's Dominant Import Product Drivers from the U.S. (...Continued)**  
(in millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Organic chemicals (HS-29)</b>	<b>431</b>	<b>392</b>	<b>317</b>	<b>334</b>	<b>597</b>	<b>846</b>	<b>748</b>	<b>881</b>	<b>1,511</b>	<b>2,271</b>
SOEs (1)	264	240	192	178	381	529	462	523	714	825
Foreign Invested (4)	150	144	107	142	197	279	227	277	520	837
Collective (5)	5	4	7	12	17	33	41	42	99	194
Private (6)	2	0	1	0	3	4	18	39	176	415
Other	11	4	10	1	0	0	1	0	1	0
Ordinary trade (10)	246	219	165	171	422	675	592	687	1,064	1,529
Process & assembling (14)	15	16	23	18	27	18	16	19	32	55
Process w/imported materials (15)	126	106	79	106	93	72	78	84	152	235
Warehousing trade (33)	42	48	37	29	42	49	34	49	90	152
Entrepot trade by bonded area (34)	0	0	12	9	14	31	28	43	174	300
Other	64	49	15	10	247	504	436	492	617	789
Special Economic Zone	55	35	41	38	54	44	38	56	63	91
Economic & Technological Development Area	64	56	55	64	104	164	152	164	235	333
High-Technology Industry Development Area	1	2	1	2	7	9	20	17	18	39
Bonded Area	11	12	14	9	16	33	29	46	183	315
Other	299	288	206	221	416	596	510	598	1,013	1,492
<b>Misl. chemical products (HS-38)</b>	<b>189</b>	<b>200</b>	<b>250</b>	<b>394</b>	<b>585</b>	<b>495</b>	<b>465</b>	<b>753</b>	<b>1,423</b>	<b>1,117</b>
SOEs (1)	103	102	115	105	175	175	206	197	252	328
Foreign Invested (4)	80	92	122	277	386	299	239	515	1,095	640
Collective (5)	2	4	13	12	22	20	11	11	12	31
Private (6)	0	0	0	0	1	1	8	30	63	119
Other	4	2	1	1	1	0	1	0	1	0
Ordinary trade (10)	91	106	122	118	221	230	276	300	444	605
Process & assembling (14)	16	16	24	113	240	125	32	130	623	230
Process w/imported materials (15)	62	61	77	133	94	101	121	272	293	189
Equipment/materials investment by foreign-invested enterprise (25)	11	8	14	9	7	7	4	5	5	26
Warehousing trade (33)	5	7	3	4	6	13	10	10	15	20
Entrepot trade by bonded area (34)	0	0	7	16	15	18	20	33	40	45
Other	4	2	4	1	2	1	2	2	2	3
Special Economic Zone	19	15	23	27	33	32	41	50	62	95
Economic & Technological Development Area	23	30	38	44	58	80	121	272	309	212
High-Technology Industry Development Area	8	7	6	6	5	10	9	12	27	44
Bonded Area	2	4	9	149	235	132	38	151	665	262
Other	137	145	175	169	254	240	256	268	360	505
<b>Pulp of wood, waste paper, paperboard (HS 47)</b>	<b>271</b>	<b>299</b>	<b>250</b>	<b>236</b>	<b>314</b>	<b>619</b>	<b>614</b>	<b>706</b>	<b>1,043</b>	<b>1,299</b>
SOEs (1)	196	188	119	89	118	225	237	229	307	356
Foreign Invested (4)	72	106	127	146	195	382	349	410	564	737
Collective (5)	2	3	2	1	1	11	26	41	94	87
Private (6)	0	0	0	0	0	1	2	27	78	120
Other	1	1	2	0	0	0	0	0	0	0
Ordinary trade (10)	227	241	207	194	256	545	534	601	837	1,064
Process & assembling (14)	0	1	0	0	0	0	0	0	3	16
Process w/imported materials (15)	43	49	36	39	55	71	79	103	201	201
Warehousing trade (33)	1	7	6	2	3	2	1	2	2	13
Other	0	0	1	2	0	1	0	0	0	5
Special Economic Zone	13	7	6	5	6	5	9	13	24	24
Economic & Technological Development Area	21	21	21	15	20	27	29	45	63	97
High-Technology Industry Development Area	0	0	0	0	0	0	0	1	3	2
Bonded Area	3	7	1	2	0	1	0	0	0	6
Other	234	264	222	214	287	586	576	648	954	1,171

**Appendix VI(b): Decomposing China's Dominant Import Product Drivers from the U.S.**  
**(in percent of China's HS2 import category to the U.S.)**

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
<b>Oil seeds, misl grain/seed/fruit/plant (HS-12)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	27	35	58	49	47	55	52	29	28	25	-2
Foreign Invested (4)	72	64	41	51	45	37	30	56	49	47	-25
Collective (5)	1	0	0	0	8	8	11	8	5	10	9
Private (6)	0	0	0	0	0	0	6	7	18	19	19
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	20	61	71	75	87	99	97	92	97	99	79
Process & assembling (14)	25	7	9	7	2	0	0	0	0	0	-25
Process w/imported materials (15)	54	32	21	17	10	0	2	7	3	1	-53
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	1	0	0	0	0	0	0	0	0	0	-1
Special Economic Zone	40	27	9	12	6	5	4	9	4	5	-35
Economic & Technological Development Area	22	20	18	22	21	18	15	21	14	12	-10
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	2	0	0	0	0	4	2	1	1
Other	38	53	72	66	74	77	81	66	80	82	44
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	57	45	40	43	39	41	42	32	26	17	-40
Foreign Invested (4)	39	53	58	55	58	55	54	64	68	77	38
Collective (5)	1	1	2	2	3	3	3	2	1	2	1
Private (6)	0	0	0	0	0	0	1	2	4	4	4
Other	3	1	1	0	1	0	0	0	0	0	-3
Ordinary trade (10)	60	47	40	42	43	50	52	41	44	29	-30
Process & assembling (14)	6	7	8	8	11	8	13	8	6	21	14
Process w/imported materials (15)	16	23	31	35	32	24	20	38	35	36	20
Warehousing trade (33)	1	3	3	3	2	2	5	4	3	2	1
Entrepot trade by bonded area (34)	0	0	1	2	5	10	5	5	7	6	6
Other	17	21	16	10	7	5	5	4	5	6	-11
Special Economic Zone	14	9	10	7	10	8	8	8	7	6	-8
Economic & Technological Development Area	12	15	19	20	18	21	22	19	24	25	14
High-Technology Industry Development Area	4	6	7	8	5	6	5	9	10	8	4
Bonded Area	1	2	2	2	10	12	6	8	10	21	20
Other	70	68	62	63	57	54	58	56	48	41	-29
<b>Optic, photo, medic or surgical instruments (HS-90)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	70	55	57	56	65	57	56	58	52	40	-30
Foreign Invested (4)	27	41	41	39	32	40	36	37	40	50	23
Collective (5)	0	1	1	2	2	2	5	2	2	2	1
Private (6)	0	0	0	0	0	0	3	3	7	9	9
Other	3	3	1	3	1	0	0	0	0	0	-3
Ordinary trade (10)	71	59	58	60	70	65	74	66	65	54	-17
Process & assembling (14)	1	0	1	1	1	0	0	0	1	1	0
Process w/imported materials (15)	3	4	6	5	5	5	4	4	4	7	4
Equipment/materials investment by foreign-invested enterprise (25)	18	29	26	23	17	21	15	18	17	22	4
Warehousing trade (33)	3	5	5	6	4	4	2	2	2	2	0
Entrepot trade by bonded area (34)	0	0	1	2	2	3	3	7	8	10	10
Other	4	3	2	4	2	2	2	2	3	4	0
Special Economic Zone	6	8	8	9	10	11	10	7	6	5	-1
Economic & Technological Development Area	6	9	13	15	13	17	15	17	17	22	16
High-Technology Industry Development Area	4	6	5	7	4	6	9	5	5	5	1
Bonded Area	1	2	3	3	3	5	5	10	12	15	14
Other	82	76	71	67	70	60	61	62	59	53	-30



**Appendix VI(b): Decomposing China's Dominant Import Product Drivers from the U.S. (...Continued)**  
**(in percent of China's HS2 import category to the U.S.)**

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
<b>Organic chemicals (HS-29)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	61	61	60	53	64	63	62	59	47	36	-25
Foreign Invested (4)	35	37	34	43	33	33	30	31	34	37	2
Collective (5)	1	1	2	4	3	4	5	5	7	9	7
Private (6)	0	0	0	0	1	1	2	4	12	18	18
Other	2	1	3	0	0	0	0	0	0	0	-2
Ordinary trade (10)	57	56	52	51	71	80	79	78	70	67	10
Process & assembling (14)	3	4	7	5	4	2	2	2	2	2	-1
Process w/imported materials (15)	29	27	25	32	16	9	10	9	10	10	-19
Warehousing trade (33)	10	12	12	9	7	6	5	6	6	7	-3
Entrepot trade by bonded area (34)	0	0	4	3	2	4	4	5	12	13	13
Other	15	12	5	3	41	60	58	56	41	35	20
Special Economic Zone	13	9	13	11	9	5	5	6	4	4	-9
Economic & Technological Development Area	15	14	17	19	17	19	20	19	16	15	0
High-Technology Industry Development Area	0	0	0	1	1	1	3	2	1	2	1
Bonded Area	3	3	4	3	3	4	4	5	12	14	11
Other	69	73	65	66	70	70	68	68	67	66	-4
<b>Misl. chemical products (HS-38)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	55	51	46	27	30	35	44	26	18	29	-25
Foreign Invested (4)	43	46	49	70	66	60	51	68	77	57	15
Collective (5)	1	2	5	3	4	4	2	1	1	3	2
Private (6)	0	0	0	0	0	0	2	4	4	11	11
Other	2	1	0	0	0	0	0	0	0	0	-2
Ordinary trade (10)	48	53	49	30	38	47	59	40	31	54	6
Process & assembling (14)	9	8	10	29	41	25	7	17	44	21	12
Process w/imported materials (15)	33	31	31	34	16	20	26	36	21	17	-16
Equipment/materials investment by foreign-invested enterprise (25)	6	4	5	2	1	1	1	1	0	2	-3
Warehousing trade (33)	2	4	1	1	1	3	2	1	1	2	-1
Entrepot trade by bonded area (34)	0	0	3	4	2	4	4	4	3	4	4
Other	2	1	1	0	0	0	0	0	0	0	-2
Special Economic Zone	10	7	9	7	6	7	9	7	4	9	-2
Economic & Technological Development Area	12	15	15	11	10	16	26	36	22	19	7
High-Technology Industry Development Area	4	3	2	1	1	2	2	2	2	4	0
Bonded Area	1	2	3	38	40	27	8	20	47	23	22
Other	72	72	70	43	43	48	55	36	25	45	-27
<b>Pulp of wood, waste paper, paperboard (HS 47)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>
SOEs (1)	72	63	48	38	37	36	39	32	29	27	-45
Foreign Invested (4)	27	36	51	62	62	62	57	58	54	57	30
Collective (5)	1	1	1	1	0	2	4	6	9	7	6
Private (6)	0	0	0	0	0	0	0	4	7	9	9
Other	0	0	1	0	0	0	0	0	0	0	0
Ordinary trade (10)	84	81	83	82	81	88	87	85	80	82	-2
Process & assembling (14)	0	0	0	0	0	0	0	0	0	1	1
Process w/imported materials (15)	16	16	14	16	18	11	13	15	19	15	0
Warehousing trade (33)	0	2	2	1	1	0	0	0	0	1	1
Other	0	0	0	1	0	0	0	0	0	0	0
Special Economic Zone	5	2	2	2	2	1	1	2	2	2	-3
Economic & Technological Development Area	8	7	8	6	6	4	5	6	6	7	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	1	2	0	1	0	0	0	0	0	0	0
Other	86	88	89	91	92	95	94	92	91	90	4

**Appendix VI(c): Decomposing China's Dominant Import Product Drivers from the U.S.**  
(in percent of China's total imports from the U.S.)

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
<b>Oil seeds, misl grain/seed/fruit/plant (HS-12)</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>10</b>	<b>11</b>	<b>10</b>
SOEs (1)	0	1	3	1	1	3	2	1	2	2	2
Foreign Invested (4)	0	1	2	2	1	2	1	2	3	4	3
Collective (5)	0	0	0	0	0	0	1	0	0	1	1
Private (6)	0	0	0	0	0	0	0	0	1	1	1
Other	0	1	2	2	1	2	1	2	3	4	3
Ordinary trade (10)	0	1	3	2	2	5	5	3	6	8	7
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	0	1	1	1	0	0	0	0	0	0	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	0	1	2	2	1	2	1	2	3	4	3
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	1	1	1	1	1	1	1	1	1
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	0	2	5	3	3	6	5	4	9	10	9
<b>Electric machinery, sound &amp; TV equip, &amp; parts (HS-85)</b>	<b>12</b>	<b>11</b>	<b>13</b>	<b>17</b>	<b>18</b>	<b>21</b>	<b>23</b>	<b>21</b>	<b>16</b>	<b>17</b>	<b>5</b>
SOEs (1)	7	5	5	7	7	9	10	7	4	3	-4
Foreign Invested (4)	5	6	7	9	11	12	12	13	11	13	9
Collective (5)	0	0	0	0	0	1	1	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	1	1	1
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	7	5	5	7	8	11	12	8	7	5	-2
Process & assembling (14)	1	1	1	1	2	2	3	2	1	4	3
Process w/imported materials (15)	2	3	4	6	6	5	5	8	6	6	4
Warehousing trade (33)	0	0	0	0	0	0	1	1	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	1	2	1	1	1	1	1
Other	2	2	2	2	1	1	1	1	1	1	-1
Special Economic Zone	2	1	1	1	2	2	2	2	1	1	-1
Economic & Technological Development Area	1	2	2	3	3	4	5	4	4	4	3
High-Technology Industry Development Area	0	1	1	1	1	1	1	2	2	1	1
Bonded Area	0	0	0	0	2	2	1	2	2	4	3
Other	8	8	8	11	10	11	13	12	8	7	-1
<b>Optic, photo, medic or surgical instruments (HS-90)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>3</b>
SOEs (1)	3	3	3	3	4	4	5	5	4	3	0
Foreign Invested (4)	1	2	2	2	2	3	3	3	3	4	3
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	1	1	1
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	3	3	3	3	4	5	7	5	5	4	1
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	0	0	0	0	0	0	0	0	0	1	0
Equipment/materials investment by foreign-invested enterprise (25)	1	1	1	1	1	1	1	1	1	2	1
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	1	1	1	1
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	0	0	0	0	1	1	1	1	0	0	0
Economic & Technological Development Area	0	0	1	1	1	1	1	1	1	2	1
High-Technology Industry Development Area	0	0	0	0	0	0	1	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	1	1	1	1
Other	4	4	3	4	4	4	6	5	5	4	0

**Appendix VI(c): Decomposing China's Dominant Import Product Drivers from the U.S. (...Continued)**  
**(in percent of China's total imports from the U.S.)**

**Mkt  
Share  
Change**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-2004
<b>Organic chemicals (HS-29)</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>2</b>
SOEs (1)	2	1	1	1	2	2	2	2	2	2	0
Foreign Invested (4)	1	1	1	1	1	1	1	1	2	2	1
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	1	1	1
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	2	1	1	1	2	3	2	3	3	3	2
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	1	1	0	1	0	0	0	0	0	1	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	1	1	1
Other	0	0	0	0	1	2	2	2	2	2	1
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	1	1	1	1	1	1	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	1	1	1
Other	2	2	1	1	2	3	2	2	3	3	1
<b>Misl. chemical products (HS-38)</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>1</b>
SOEs (1)	1	1	1	1	1	1	1	1	1	1	0
Foreign Invested (4)	0	1	1	2	2	1	1	2	3	1	1
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	1	1	1	1	1	1	1	1	1	1	1
Process & assembling (14)	0	0	0	1	1	1	0	0	2	1	0
Process w/imported materials (15)	0	0	0	1	0	0	0	1	1	0	0
Equipment/materials investment by foreign-invested enterprise (25)	0	0	0	0	0	0	0	0	0	0	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Entrepot trade by bonded area (34)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	0	0	0	1	1	0	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	1	1	1	0	1	2	1	1
Other	1	1	1	1	1	1	1	1	1	1	0
<b>Pulp of wood, waste paper, paperboard (HS 47)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>
SOEs (1)	1	1	1	1	1	1	1	1	1	1	0
Foreign Invested (4)	0	1	1	1	1	2	1	2	2	2	1
Collective (5)	0	0	0	0	0	0	0	0	0	0	0
Private (6)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Ordinary trade (10)	1	1	1	1	1	2	2	2	2	2	1
Process & assembling (14)	0	0	0	0	0	0	0	0	0	0	0
Process w/imported materials (15)	0	0	0	0	0	0	0	0	1	0	0
Warehousing trade (33)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Special Economic Zone	0	0	0	0	0	0	0	0	0	0	0
Economic & Technological Development Area	0	0	0	0	0	0	0	0	0	0	0
High-Technology Industry Development Area	0	0	0	0	0	0	0	0	0	0	0
Bonded Area	0	0	0	0	0	0	0	0	0	0	0
Other	1	2	1	1	1	3	2	2	3	3	1