

# China's Rise and the Reorganization of the Asian Regional and World Economy

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*Japan Focus introduction. China's share in international trade more than tripled from less than 2% in 1985 to about 7% in 2005. By 2004 China was the world's third largest exporter and it is expected to become the leader by the beginning of the next decade. Gaulier, Lemoine and Ünal-Kesenci provide new perspective on China's surge and its repercussions for the restructuring of Asian and world economy and trade. Their major findings include:*

- Since the early 1990s, the largest and fastest growing part of China's foreign trade is the product of outsourcing by foreign investors. Assembly and processing by foreign firm affiliates account for more than half of China's foreign trade and these firms carry out the overwhelming share of the processing trade (80%).



Containers loaded in Shanghai

- Foreign affiliates handle the 80% of China's rapidly growing trade in high-tech products, which is heavily dependent on imports from Asian partners, notably Japan and the "Four Dragons", Hong Kong, Singapore, South Korea and Taiwan. In short, China is deeply enmeshed in growing intra-Asian production and trade networks driven by a new intra-Asian and global division of labor.

- Viewed from the Japanese perspective, the rise of China has resulted in a shift from a bilateral trading pattern dominated by Japan-US trade in capital goods to a trilateral pattern in which Japan exports parts and semi-finished goods to China which then processes, assembles and exports to markets in the US, Europe and Japan.

- Viewed from the Asian perspective, there has been a significant decline in the percentage of trade with the most developed countries (notably the US and Japan). Viewed from a global perspective, there has been growing regionalism with rising percentages of trade within all three major trading zones: Asia, Europe and North

*America. This involves a significantly new division of labor for all regions of the world economy. MS on June 5, 2007.*

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