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THE ASIAN-PACIFIC CONTEXT OF UNITED STATES-CHINA ECONOMIC RELATIONS

Hugh Patrick

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The economies of East and Southeast Asia have carried out profound and in many cases highly successful transformations over the past quarter-century. The prospect for dynamic economic growth and trade in the Asian-Pacific region is a fundamental force, with major implications for each of the nations in the region and its economic relations with others.

The purpose here is to survey the sequential pattern of Asian-Pacific economic development and growth; the extent and patterns of trade expansion, and the concomitant heightened degree of economic interdependence, regionally and globally; the problems, policy issues, and opportunities these economic forces have brought on; and finally certain implications for China-United States economic relations. These themes can only be stated broadly, without substantial elaboration. Important political factors--such as the evolution from bipolar US-USSR conflict to more complex multipolar relationships, the evolution of China-US relations, the ongoing importance of the Japan-US alliance, and decolonialization and the rise of many new independent nations--are excluded from explicit consideration although they have been of some significance in shaping economic relationships. Similarly, I do not consider the effects of the basic forces of economic change upon political-security relationships. The main focus is thus upon the trading relationships among the economies of the region.

Two factors are central to our understanding of the economic forces at work: the large and increasing degree of interdependence among

the economies¹ of the Asian-Pacific region; and the great heterogeneity among these economies. The region is defined mainly in terms of large trading relationships among its constituent economies, absolutely and/or relatively. For this reason I consider here a broader Asian-Pacific group of economies including not only East and Southeast Asia, but also Oceania (notably Australia), the United States and Canada, and the USSR.² Moreover, intra-regional economic relationships must always be viewed in the context of a global system of relatively free, open, multilateral trade, payments, capital, and technology flows among the market economies. Basic data on the Asian-Pacific economies, their trade performances and structures, and amounts of trade with each other and the rest of the world are provided in Tables 1-5.

These data suggest the immense heterogeneity among the economies of the Asia-Pacific region. They differ by type of economic system (market-oriented, capitalist versus state-planned, socialist); by level of economic development and hence per capita incomes (economically advanced versus developing); by geographic size and natural resource endowment; and by population, in absolute size and relative to the natural resource base. All these factors affect the degree and nature of their

¹The term "economies" is used rather than "nations" since while most autonomous economies are appropriately defined in terms of nation-states some, notably Hong Kong and Taiwan, do not fit well into that definition.

²Data on the USSR are included primarily because of its substantial trading relationship with Japan. Otherwise it can be regarded mainly as an European economy; for example most of its trade with the United States and Canada flows across the Atlantic rather than the Pacific. The Latin American economies are excluded since their trading relationships with Asia are limited (though Mexico is an increasingly important exception).

trade and other economic relationships. A major contrast is between those economies which export agricultural and natural resource commodities and those which must import them, while exporting manufactures. The contrast is particularly stark between those with abundant energy resources (oil and coal) not only absolutely but relative to domestic demand--Australia, Canada, China, Indonesia, and Malaysia--and those which must import large amounts, of which Japan is the most important and extreme example. The differences even among the major economies measured by gross national product (GNP)--the United States, USSR, Japan, China and Canada--are huge. The geographically large countries have extensive agricultural and natural resources; Japan is at the other extreme. Only China and Japan are densely populated relative to resource base; the United States and Japan have large industrial bases and high levels of per capita income; China is still at a low level of economic development.

This heterogeneity provides opportunities for trade and other forms of economic exchange. The extent to which economies take advantage of these opportunities depend upon their own economic priorities, strategies, and performance. In this paper the Asian-Pacific economies are divided between market-oriented and non-market, or planned, economies; the market economies are further subdivided into developed and developing (see Tables 1-5).

Rapid Economic Growth and Development

The most striking economic feature of the Asian-Pacific economies has been their generally rapid rate of growth of GNP over the past two decades, compared both to their historical performances and to the rest of the world. The patterns are of course varied. Growth in

the developed countries slowed in the 1970s due in part to inflation, the oil shocks (especially that of 1973-74), and the policy efforts to handle those turbulent difficulties. In contrast the developing market economies continued to do exceptionally well, in some instances better than in the 1960s.¹ Their rapid natural population growth began to slow, though remaining at rates well above those in the developed economies. The economic performances of China, North Korea, and the USSR were also good according to World Bank data²--somewhere between the region's developed and developing market economies (excluding Japan).

The region's economies have participated in the development process in sequential waves. The United States continues as by far the largest and most important economy. The most profound change has been the rise of Japan--because of its initial size and sustained extremely rapid growth--to become by far the largest, most sophisticated, and most highly developed Asian economy and the world's third largest economy. The United States and Japan are the region's two major economic forces, trading nations, and sources of capital and technology.

Five developing economies--South Korea, Taiwan, Hong Kong, Singapore, and Malaysia--have grown sufficiently rapidly and sustainedly to achieve per capita GNP levels in excess of \$1,000 by 1978. The first four, with severe natural resource constraints, have founded

¹The 1973-4 oil shock had a relatively weak impact since industrialization was relatively more labor and less energy intensive, the share of industrial activity lower, and growth policies were not abated. The 1979-80 oil price rise may have more severe effects since the industrial structure has changed so that energy is more important, and petrodollar recycling may be more difficult.

²World Bank and International Monetary Fund data are used throughout, unless otherwise noted, in order to have comparable data. The economic performances of tragically war-torn Vietnam, Cambodia, and Laos are not discussed due to lack of data.

economic success on export-oriented industrialization and rapid trade expansion; they are the first tier of Asian newly industrializing economies, following the Japanese model. One consequence has been increases in their wages as well as living standards, and hence efforts to move on from standard, labor-intensive manufactures to those requiring more labor skills, capital, and technology. Malaysia, with more abundant natural resources (especially oil, tin and rubber) and a large initial trade involvement, has benefitted from more broadly-based expansion of output and some improvement (unlike most economies) in its terms of trade.

A second tier of newly industrializing Asian economies, utilizing relatively low-wage labor and standard, labor-intensive technologies in relatively simple manufactures, is now beginning to move onto the scene. These include the Philippines, Thailand, Malaysia, Indonesia and, importantly, China. With relatively more abundant natural resources, their growth to date has been founded somewhat more on exports of primary products and a more inward-looking, import-substituting industrialization development strategy.¹ With variations in speed and degree, these economies seem to be shifting toward a more export-oriented industrialization development strategy.

I do not trace China's economic performance here. That is far too comprehensive and important a topic to encompass in this overview. Moreover, data are of limited availability, and apparently in the process of substantial revision and analysis to make them reasonably

¹Indonesia has benefitted especially from the sharp rise in the world price of oil, which has fueled a dramatic improvement in its terms of trade and GNP growth.

comparable to other countries.¹ Even greater lack of data preclude appraisal of North Korea's economy.

Future growth prospects are difficult to project with much accuracy in light of uncertainties in both the world environment and domestic economies. In 1980 and for 1981-1982 one can expect slowed growth in the region, due in substantial part to the 1979-80 sharp rise in oil prices and probable further increases, persistence of inflation and efforts to counter it, the U.S. recession and probable slow recovery, and the policy-induced slowdown in Japanese growth. Growth thereafter should accelerate once again.

Over a longer time horizon of ten to twenty years plausible cases can be argued for either the continuation of a slower (2 percent) U.S. growth rate, or some acceleration (to 4 percent plus). Japan is likely to grow at 5-7 percent, more rapidly than other developed countries including Western Europe. This will make it an ever more powerful force in the Western Pacific. It is likely that the Asian developing market economies will continue to grow relatively rapidly. China's growth prospects appear good, even though many problems persist. Overall, a rather optimistic vision of a dynamic, quite rapidly growing Asian-Pacific region seems warranted for the remainder of this century.

¹World Bank, World Development Report, 1980, p. 158. The Bank's 1979 Report listed a China per capita GNP in 1977 of \$390 and a 1960-77 per capita growth rate of 5.1 percent; the 1980 figure of \$230 for 1978, combined with the 3.7 percent growth rate, implies a 1960 GNP per capita of about \$120. These data reflect conversions at official exchange rates, and do not include all GNP items. Purchasing power measures provide substantially higher estimates of Chinese and other developing country GNPs and per capita incomes.

Rapidly Expanding Trade and Increasing Economic Interdependence

One dramatic feature of the Asian-Pacific region has been the rapid expansion, absolutely and relatively, of trade and related economic relationships among its members.¹ In 1965 merchandise exports of the region's economies to each other amounted to \$26.1 billion, some 47.5 percent of their total exports and 15.9 percent of total world trade.² By 1979 intra-regional exports amounted to \$279.6 billion (of which the USSR had \$2.8 billion), 55.6 percent of their total exports and 17.9 percent of world total exports (see Table 5). The increase in the intra-regional share in world trade despite the sharp rises in oil prices (from which main beneficiaries were not in the region) is impressive.

It is also important to recognise that as rapidly as their exports have grown, regionally and globally, the total imports of almost all the Asian-Pacific economies have increased in even larger amounts; over time they have tended to run current account deficits and to borrow from abroad. As importers they have provided rapidly expanding market opportunities for exporters in the region and elsewhere in the world. While in part current account deficits reflect and offset OPEC oil-induced surpluses, the developing market economies as well as Australia and Canada have been substantial net borrowers (and importers) in addition.

There are many reasons for this successful trade performance. Led by the United States, the world economy continued to maintain

¹ For further discussion see Peter Drysdale and Hugh Patrick, "Evaluation of a Proposed Asian-Pacific Regional Economic Organization," in Congressional Research Service, An Asian-Pacific Regional Economic Organization: An Exploratory Concept Paper, for the Committee on Foreign Relations, U.S. Senate (Washington, D.C., July 1979), pp. 1-25, 29-74.

² In these aggregates, in principle exports equal imports. Trade among socialist economies is not included in trade totals, but between market and socialist economies is. USSR trade with the region is excluded in these 1965 measures but is included in 1979 data. The difference is not significant.

a relatively free and open, multilateral system of international trade, payments, capital, and technology flows. Over the past decade Japan has quietly exercised increasing leadership in maintaining this trade-enhancing world system, mainly by substantially opening its own markets, though not as extensively or rapidly as its trading partners would like. Rapid economic growth has been a major factor; it generated both higher demands for imports and greater capacities to export. First-tier developing market economies increased trade proportions and their own growth rates by successfully adopting foreign-trade oriented strategies to replace earlier, inward-looking import-substitution approaches to industrialization. Thus, the region's economies have increasingly exploited their evolving comparative advantage as shaped by their land and natural resource bases, growing labor supplies (in quality as well as quantity), growth of capital stock, and opportunities to import, diffuse, and adapt more advanced technologies.

The importance of trade as measured by its share in GNP varies substantially among the region's economies. It depends on domestic market size and degree of specialization in production, domestic resource base, level of development, and especially government policy. Not surprisingly, most intra-regional trade is among the developed market economies themselves; in 1979 their exports to each other amounted to \$138.6 billion, 49.6 percent of the intra-regional total (see Table 5).¹ Next most important were developing market economy exports to (\$49.9 billion, 17.8 percent) and imports from

¹Note that as measured by this trade matrix exports equals imports within any group of economies. Thus two-way trade among the region's developed economies amounted to \$272.2 billion.

(\$45.2 billion, 16.2 percent) the developed market economies; exports among themselves were smaller (\$19.0 billion, 6.8 percent). Trade between the nonmarket (socialist) economies and the developed and developing market economies was only 4.8 percent, reflecting socialist relatively autarchic development policies and the large size of China's domestic market.

China's exports to the region were \$7.4 billion (62.9 percent of its total exports), imports from the region \$7.6 billion (59.8 percent of total imports); this comprised 2.7 percent of intra-regional two-way trade. In 1979 total merchandise exports plus imports amounted to 11.2 percent of China's estimated 1978 GNP¹ (according to data in Tables 2 and 5), substantially below the U.S. figure of 18.0 percent, the Japan figure of 23.8 percent, and the substantially higher trade/GNP ratios of all the other market economies. The appropriate focus is not upon socialist versus capitalist economic systems but upon the degree of market orientation, with its reliance upon the price mechanisms in domestic and foreign economic policy. (Hungary is one example of a market-oriented socialist economy.) Should China adopt a substantially higher degree of market orientation, the role of foreign trade and its interdependence with foreign economies will further increase.

¹Usually it is better to use same year data for calculating such ratios. However, China's trade expanded by 39 percent in 1979; 1979 GNP data are not yet available. The use of 1979 trade data and 1978 GNP data only slightly overstates the ratio amounts; a purchasing power measure of GNP would reduce the trade ratios of the socialist and developing market economies.

The commodity composition of trade has been determined by natural and human resource endowments, the timing and patterns of economic growth and development, and government development strategies. The resource abundant nations--notably the United States, Australia, Canada, Indonesia, and China, but also Malaysia, Thailand and the Philippines--export foodgrains, minerals, and/or fuels (oil and coal) to the resource-deficient nations with high levels of industrial activity--Japan, South Korea, Taiwan, Hong Kong and Singapore. First Japan and then the first tier of newly industrializing economies initially produced labor-intensive manufactures for export, and subsequently began to move into manufactures requiring more skilled labor, technology and capital. Their exports have gone to the United States and the other developed economies, with Japan now becoming an increasingly important market. The second-tier economies are now beginning to displace the first-tier in simple labor-intensive manufactures for export. At the same time, they are likely to engage somewhat more in resource-processing industrialization; where it may be relatively capital-intensive foreign capital will be available. However, most have yet to make the transition from an import-competing to an export-promoting industrialization strategy, and it will take some time for them to have a major trade impact. Japan and the United States are the world's two largest importers of oil in addition to labor-intensive manufactures; they compete increasingly in exporting higher-technology machinery and related products. In general commodity trade patterns suggest a complementary, vertical division of labor among the region's economies, but one that has changed rapidly due to the geographic spreading of industrial activity, a dynamic process which will persist.

The major differences in sizes of economies, as well as their degrees of trade, have wide ramifications. Put simply, two nations are predominant among the Asian-Pacific economies: the United States and Japan. U.S. exports comprise 27.3 percent of total exports in the region, U.S. imports 32.9 percent of total imports in the region. Comparable figures for Japan are 22.1 and 19.2 percent. Trade between the United States and Japan alone accounts for 15.7 percent of the region's trade.¹

For almost all economies in the region, the United States and Japan are their first and second largest trading partners globally, much less regionally.² The two purchase 64.7 percent of the region's developing market economies' exports (and 45.4 percent of their total exports), and supply 59.1 percent of their imports from the region (40.9 percent of their total imports). Similarly 43.9 percent of China's regional exports (and 27.6 percent of total exports) go to Japan and the United States, and 70.7 percent of China's regional imports (and 42.3 percent of total imports) are from them. On the other hand, neither Japan nor the United States are as reliant upon any single economy or pair of economies in their intra-regional trade.³ Similarly the United States and Japan are the major sources of foreign direct investment, foreign aid, portfolio capital, and technology for almost all of the region's economies.

¹U.S.-Canada trade is an even larger proportion (25.3 percent), but Canada has only modest trade with the rest of the region.

²China is one exception since Hong Kong is its largest export market, though a much smaller source of imports. The entrepot trade roles of both Hong Kong and Singapore are of general importance for the region.

³Excluding their trade with each other, and U.S. trade with Canada.

This does not mean dependence flows only one way, from the smaller economies to the two economic giants. The bilateral interaction impacts do loom larger for the smaller economies.¹ Nonetheless, both the United States and Japan need trade and related economic relationships with the region's other economies in order to gain the dynamic benefits of specialization according to comparative advantage, to obtain essential imports, and to earn foreign exchange to pay for imports. And of course the direct bilateral economic relationship is of major importance and benefit to both Japan and the United States despite various difficulties for certain import-competing sectors in both countries.²

Heightened economic interdependence among the Asian-Pacific economies is due not only to their rapid economic growth and trade expansion. Interdependence, regionally and globally, has also been much affected by the sharply changing international economic and political conditions of the 1970s, including especially the formation of OPEC and the evolving North-South dialogue on the most appropriate arrangements for trade, commodity pricing, capital and aid flows, foreign direct investment, technology transfer, ocean resource development, and the like. Accordingly, both successful economic performance and changing international circumstances have raised a number of important issues and problems for the economies of the Asian-Pacific region.

¹See Lawrence B. Krause and Sueo Sekiguchi, ed., Economic Interaction in the Pacific Basin (Washington: Brookings Institution, 1980).

²See the Report of the Japan-United States Economic Relations Group (Washington and Tokyo: January 1981).

Current Issues

Circumstances specific to each Asian-Pacific economy shape what its policymakers deem to be the most important problems and issues in its economic relationships with others in the region. A number of issues are important for the region as a whole. Moreover interest is growing in finding regional mechanisms to manage better these economic interdependences as they evolve.

One fundamental problem lies in the adjustments required in the industrial structure of the developed economies as a consequence of the successful, rapid industrialization first of Japan, now of the first tier of newly industrializing economies, and potentially the second tier. These problems of structural adjustment are particularly severe for the United States because it is the world's largest market, that market is relatively open, competition from imports has hurt a number of major American industries while benefitting all Americans as consumers, and the United States as the leader of the international economic system has long been committed to a foreign policy of relatively free trade. While the American economy has grown absolutely, that growth has been less rapid than that of Japan, Europe, and the newly industrializing economies. Accordingly, U.S. economic power has declined relatively. Combined with domestic difficulties in the turbulent 1970s of inflation, unemployment, and recessions in 1974-75 and 1980, it is not surprising that protectionist pressures have increased in the United States against imports of highly competitive manufactured goods from Japan and other Asian-Pacific economies.

It is impressive that the U.S. government has generally succeeded

in maintaining its liberal trade policy against these pressures. This is exemplified not only in the successful passage in 1979 of the legislation emanating from the Tokyo Round of multilateral trade negotiations, but in U.S. trade data itself.

As Table 6 shows, the United States has greatly increased its trade involvement in the 1970s, importing higher proportions of manufactured goods as well as oil, and exporting much more as well. Nonetheless, the ongoing requirements of structural adjustment and domestic economic problems mean that protectionist pressures to raise import barriers are likely to persist. How American policymakers cope with these pressures will be a significant factor in the maintenance of the United States global and regional leadership role.

Continued and expanded access to the markets of the developed nations, notably the United States and Japan, is vital for almost all Asian-Pacific economies, especially those which have adopted an export-oriented industrialization development strategy or are contemplating doing so. It is also of considerable importance for China. At present Japan is more explicitly committed than the United States to long-run policies to bring about the changes in domestic industrial structure necessitated by rising industrialization in other parts of Asia. This has potentially profound implications for economic and hence political relationships in the region.

A second important issue is security of supply of foodstuffs, oil, and other raw materials to economies where domestic supplies are insufficient. Japan is by far the most vulnerable of the large economies. It vigorously pursues policies to assure stable imports of essential raw materials. This is an important aspect of its economic relationships with the United States, Australia, Canada, Indonesia, and China. For

the United States, Japan, and indeed most of the region's economies the greatest potential threat to economic security would be substantial, sustained interruptions of the supply of oil, the lifeblood of industrialized economies. Oil-deficit countries are vulnerable to adverse developments in the Middle East, the continuing main source of the region's oil imports.

The price of oil is also a major problem. OPEC large and sudden increases in oil prices have disruptive, depressing effects upon the oil-importing economies. They generate inflationary pressures, as well as those for adjustment of the industrial structure. Economies must export more, and often borrow more, to pay their increased import bill. When the United States and Japan respond by slowing domestic growth, exports by the region fall. The recycling of OPEC surplus earnings through world financial markets to those economies most in need of borrowing has gone relatively well to date, but it is not without cost, and fraught with potential future problems.

Fundamental to all these issues is the maintenance of an open, multilateral, competitive, and just system for international trade, payments, capital flows, and technology transfer. The developing economies, regionally and globally, have been urging modifications in the rules of the system to provide them better access to the markets of the developed nations, more foreign aid, more and better terms for technology transfer, and the like. Nonetheless, it has been in the common interest of all market economies, developing and developed, to maintain the liberal international economic system which has prevailed since the 1950s.

In an earlier postwar era that system could be maintained under virtually unilateral U.S. leadership. Small economies could safely act as if their exports and trade policies would have no impact on the rest of the world. That era is over. The United States shares its economic power with others. It can no longer insulate domestic economic policy decisions from their foreign economic implications. Similarly, previously small economies have become larger and their trade impact more noticeable. Economic actions are transmitted from one economy to another in this regional schema of interdependence, and feed back to the originator.

Accordingly, various Asian-Pacific economies have come to seek new ways to manage their economic interdependence better. These include consideration of various arrangements for regional or sub-regional economic cooperation, to complement the global set of arrangements on the one hand and bilateral relationships, notably with the United States and Japan, on the other. ASEAN represents one such institutional development.

Over the past two years interest in exploring the possibilities of forming a Pacific economic community has increased significantly. It has become more than an academic concept, in large part because Prime Minister Ohira established a Japanese study group in December 1978 to examine the desirability and feasibility of such ideas. This set into force a process by which the views of other governments--Australia, New Zealand, the United States, and eventually the ASEAN nations and South Korea--were sought. As a result a special Seminar on the Pacific Community was held at Australian National University

in Canberra in September 1980, with participants from the developed and main developing market economies, including representatives both from governments in their private capacities and the private sector. This inclusion in the discussions of both public and private sector representatives is virtually unique, different from the OECD governmental model. It suggests potentially an active, constructive, institutional involvement among governments, businesses, and policy-oriented scholars.

Underlying this political process are the fundamental economic forces that make such possible arrangements attractive. To recapitulate, they include sustained, rapid growth of most Asian-Pacific economies, in the past and probably in the future; major expansion in foreign trade, intra-regionally and with the rest of the world; increasing regional economic interdependence and growing recognition of that fact; a large number of new problems, in part a consequence of trade expansion, in part due to events in the rest of the world; and an interest in finding practical mechanisms for consideration of these problems by development of a regional middle ground between traditional bilateral and global mechanisms. It is increasingly perceived there are regional problems with regional solutions.

It is premature to determine what kind of regional institutional arrangements, if any, will emerge from this process, which has only begun. Clearly what brings participants together is the pragmatic recognition of strong common economic interests rather than any high degree of shared ideologies and values. It was apparent in Canberra that participants share a healthy desire to maintain and sustain

national identity and independence against potential external pressures and threats, but are not seeking a security-oriented organization. Not surprisingly the nations most interested are those most involved in foreign trade. They apparently seek a loose-knit consultative arrangement which would help to manage better the economic problems inevitable in a system of economic interdependence. Pacific regional economic cooperation, in whatever institutional form, is seen by most of its proponents as a practical way to complement at a manageable level commitments both to a global, multilateral, non-discriminatory economic system and to special bilateral economic relationships.

This approach is designed to be beneficial, and certainly non-threatening, to all the economies of the Asian-Pacific region. Given their commonality of economic interests, it is not surprising that the initial focus has been on the market economies. Participation by the ASEAN nations is essential; however, to date they have expressed a mixture of interest in and willingness to explore the possibilities and considerable skepticism. On the other hand, neither the United States nor Japan are prepared to take leadership initiative, somewhat uncertain of their own interests and unwilling to be seen as trying to dominate the region. The American government's position is apparently one of cautious interest but no commitment until it is clear that others, particularly ASEAN, are prepared to move ahead.

The discussions indicate the Asian-Pacific market economies want any Pacific economic community that may emerge to be of mutual benefit with China. There is considerable awareness of potential pitfalls, and

a strong desire to avoid them. Mechanisms which improve trading arrangements among the Asian-Pacific economies without discriminating against others will help not only the participants but all who trade with them.

Implications for China-United States Economic Relations

It is not surprising that, as China has changed its domestic and foreign economic policies and as China and the United States have established diplomatic relationships, the recent economic relationship has had a strong bilateral focus. There are a host of bilateral trade, finance, direct investment, and technology transfer issues to be dealt with. Yet these cannot be resolved in isolation. Neither nation can ignore the implications for, and interactions with, its other trading partners in the region and elsewhere. The Asian-Pacific environment provides an important part of the setting within which China-United States economic relations will develop. Mutual opportunities and problems are appropriately viewed in a broader regional economic context. In an American perspective, bilateral economic arrangements based on special favors could harm U.S. interests vis a vis all the other economies of the region, including the USSR.

It is premature to project in much detail or with much confidence future prospects for the China-United States economic relationship. Trade resumed in 1972 and while increasing rapidly only surpassed \$1 billion annually in 1978. As shown in Table 5 it amounted to \$2.3 billion in 1979, and an estimated \$3.8 billion in 1980. It is anticipated that absolute amounts of bilateral trade will increase throughout the 1980s but at substantially slower rates.

The trade pattern to date reflects a mix of comparative advantage and government policies. The United States exports much more to China

than it imports. Unprocessed agricultural products--cotton, corn, wheat, soybeans--amounted to \$946.1 million, 55.1 percent of U.S. exports, in 1979; in October 1980 a wheat and corn sales agreement covering 1981-84 was signed, amounting to sales of about \$1 billion (6-9 million tons) annually. High technology items make up most of the remainder; this clearly is the area of potential high export growth in the long run. China's exports to the United States are much more diversified. Natural resources comprise about one-quarter; most exports consist of a wide range of textile and other labor-intensive manufactures.

Economic relations have, not surprisingly, increased substantially and covered a wider range of transactions since the establishment of diplomatic relations between the United States and China on January 1, 1979. The subsequent two years have been devoted to laying the institutional framework in both countries for economic interaction in many dimensions, though the process is not yet completed. A variety of agreements have been signed covering trade, civil aviation, shipping, patent, copyright, and trademark protection, a commercial-dispute settlement mechanism, and the settlement of past claims. The United States has revised its export control regulations to permit sales of certain high technology products and some categories of military support equipment, though not military equipment itself. The US Export-Import Bank in late fall 1980 made available to China a \$2 billion line of credit. The Overseas Private Investment Corporation expanded to China, as of October 1980, its safeguards to American corporate investment abroad. China has begun the process of establishing the domestic institutional framework and rules for foreign investment and co-production in China, and for expanded foreign economic interchange generally, though the system is not yet in place.

Nonetheless, a number of major trade and related economic issues of longer-run significance remain. These include: access of Chinese manufactures to the U.S. market; the availability of such goods on competitive terms; U.S. policy restrictions on the export of military equipment and other high technology hardware and software of strategic significance; and the large bilateral trade imbalance. The first two issues are directly related to broader regional (and global) concerns.

From an American perspective, bilateral trade must be governed by the general rules of market competition in a relatively open, multilateral system. With American provision of most-favored-nation treatment to Chinese exports and the recent joint agreement on textile quotas, it can be said the United States has accepted China into this trading system. Chinese policymakers will determine what China imports; the United States will have to compete with other exporters in selling to China. In turn China will have to compete with other economies in selling in the American market; in certain products of interest to China, notably textiles, American policymakers have imposed import restraints. Certainly the United States will want to maintain its existing good trading relationships with Japan and other Asian-Pacific economies, and expand trade with them. It is important that Chinese exporters understand well the rules and procedures governing trade with the United States and the specific requirements for selling in the American market, in which private consumer and business behavior play the major role.

There are substantial complementarities between Chinese and American production and trade possibilities. However, those comple-

mentaries also exist for both vis a vis other Asian-Pacific economies. China exports oil, and both the United States and Japan are large oil importers; transport costs alone suggest Japan rather than the United States will be the major foreign buyer of Chinese oil, even though oil was the single largest American import item (\$71.8 million) from China in 1979, and probably in 1980 as well. China needs to import machinery and related high-technology hardware and software; both the United States and Japan are important sources of supply, though thus far the direct competition has been less than might superficially be expected. The bilateral trade data suggest the United States has more to sell to China--agricultural products as well as machinery and equipment--than it has to buy from China. So long as China is able and willing to participate in a system of multilateral trade and settlements, to cover trade deficits by borrowing, and the United States and others are willing to lend, bilateral balance need not be a serious issue.

Assuming China in the longer run plans major expansion of exports in order to pay for imports, important issues with broad regional ramifications are: what will China have to sell, to whom, and under what conditions? China's comparative advantage lies in the export of minerals, notably oil and coal, and manufactured goods produced by labor-intensive methods. It is unlikely that the volumes of oil and coal exports can be increased significantly in the next five years; production has apparently peaked in present onshore oil fields, domestic demand is rising, and significant offshore production cannot occur quickly. The development of coal mines will also take time. Yet in the longer run it is of high priority for the United States and Japan, and indeed all energy users, as well as China that Chinese production and exports of oil and coal be

expanded substantially. For China there will be a ready market without significant problems of market penetration; for consumers the world supply of energy will be increased and its sources diversified. These export opportunities for China are great--but so too are the problems of increasing production.

While growth of labor-intensive manufactured goods can be assumed, its rate of growth may well depend substantially upon China's degree of success in expanding energy exports. They are probably substitutes: with given import requirements, China may attempt to increase manufactured goods exports more rapidly if energy exports lag. Such a strategy would have its own problems. The future capability of the Chinese economy to produce adequate amounts of manufactured exports competitive in price and quality is one concern. Market access is another.

The protracted bilateral negotiations concerning the size of U.S. import quotas on Chinese textiles represent an atypical extreme. The international multifiber textile agreement, by which the United States imposes bilateral quota restrictions on textile imports, is the major exception to the general principle of free, open, competitive trade. It has substantially restricted textile exports by Japan, South Korea, Taiwan and Hong Kong, and is a trade barrier to second-tier economies as they industrialize. American allocation of quotas is difficult; good economic criteria are hard to apply. The United States feels constrained in how large a textile quota it can allocate to China both by pressure from the American textile industry and by concern that it treat its other Asian-Pacific trading partners fairly. As a consequence China's textile quota is and will probably continue to be modest. However, the present bilateral agreement covers only a few (eight) textile

product categories, but with a strong antisurge provision covering other textile products. Where imports increase sharply, the United States can ask for consultations in order to establish a quota: if negotiations fail, imports can be restricted by an unilaterally-imposed quota set by a formula.

This has already occurred in the case of wool sweaters, not under the initial quota provisions. In 1980 United States imports of sweaters from China increased sharply to some 225,000 dozen, second only to those from Taiwan. Following an American request in October 1980 for consultations and subsequent failure to reach agreement, in January 1981 a quota of 183,076 dozen was set for the fifteen-month period October 1980-January 1982. China, like other nations before it, will probably seek export expansion in other textile categories, which will provoke reactions by the American industry and other regional economies already subject to quota restrictions. It is easy to predict that further textile disputes will occur. How they are managed will be a substantial test of the bilateral relationship in a broader context. They probably will be an ongoing irritant without fundamentally undermining the overall relationship.

The exceptional case of textiles underscores the extent to which China's economic interests lie in American maintenance of a liberal trading system and against any spread of protectionism. On net balance, it is probably reasonable to assume the U.S. market will continue to be open for most labor-intensive and other manufactures of direct interest to China. China will be in direct competition with other

Asian-Pacific economies, especially the other second-tier nations. However, all of them will in substantial degree be replacing import market shares presently held by Japan and first-tier economies. The United States will have to extend even-handed treatment to all; even so the political ramifications are obvious. Moreover, in the absence of special assistance, American firms facing severe import competition will continue to invoke support under the laws against dumping or severe injury.

China is interested not only in access to the U.S. market and to the purchase of U.S. goods, but also in obtaining American technology, finance and direct investment capital. Like all host countries China can be expected to set the general framework in which it imports technology and capital as well as goods. As a socialist economy, it has its own rules which differ substantially from those of capitalist economies. China will have to deal not only with the U.S. government, but also with private banks and businesses with their own objectives and modes of behavior. American enterprises will of course have to compete with their Japanese, European, and other counterparts.

The American government has not yet made available large amounts of credit to China on concessionary terms through any bilateral foreign aid (official development assistance) program, and its U.S. Export-Import Bank commitments are relatively modest thus far. Given funding constraints for both programs, developing Asian-Pacific market economies may well perceive any substantial amounts of U.S. official credit to China as a diversion from their own needs. For is it clear that U.S. terms would be acceptable to China.

Under appropriate conditions substantial private American capital and technology will flow to China. Some will be specific to China, hence not likely to represent a substantial diversion from investment elsewhere in the region; this includes oil and other natural resource development projects but perhaps also large-scale projects for the domestic market, such as truck production. Joint enterprise or co-production arrangements for labor-intensive manufactures are other potentially attractive investment possibilities. Presumably they would have a substantial export focus. American firms would have, in addition to capital and technology, superior knowledge of American tastes and established marketing channels. Investment and trade would go hand in hand. However, such projects could well represent a diversion of American business activities from other developing economies in the region to China. On the other hand, such joint investment projects may well be undertaken by overseas Chinese, a direct source of diversion from their potential investment in ASEAN or other economies.

From the perspectives of both the United States and China, the most important implications lie in the triangular economic relationship with Japan. Japan's economic complementarity with China is greater than America's with China, yet Japan and the United States are of far greater importance to each other. Japan is likely, by economic need as well as its policies allowing imports of textiles and other labor-intensive manufactures (with the notable exception of silk), to develop trade more rapidly with China than does the United States.

The complex set of economic interdependencies in the region will be influenced by the degree, speed, and nature of expansion of the China-U.S. economic relationship. Both the realities and the perceptions of this bilateral relationship will be complex and ambiguous, with no simple generalizations possible. Much depends on China's economic performance--the rapidity of domestic economic growth and its structure--and China's foreign trade policy. Much also depends upon United States trade and credit policies. It will be in the interests of both nations to seek a market-oriented economic relationship rather than one based on special bilateral deals because of the implications for their interactions with the other economies of the region.

Expansion of U.S.-China economic relations can be viewed by the other Asian-Pacific economies both as an opportunity--where it is a result of China's general economic success with an overall expansion of trade--and as a competitive threat--where it is at their own expense because of increased Chinese competition in the U.S. market, other third country markets, and indeed their own markets. Probably Japan, the other developed countries, and the first tier of newly industrializing economies will, on net balance, benefit from Chinese expansion of trade. However, the second tier developing market economies (notably ASEAN excluding Singapore) could well be net losers, especially if there is a diversion of American textile import quotas, capital, co-production investment, and technology flows from them to China. These complex interactions would feed back not only to the economic relationships with the Asia-Pacific economies of both China and the United States, but to their political relationships as well.

TABLE 1

ASIAN-PACIFIC ECONOMIES: BASIC HUMAN AND NATURAL RESOURCE ENDOWMENTS

	Population		Area		Natural Resource Endowments Per Capita				
	(Millions) Mid-1976	Average Annual Growth Rate (%) 1970-78	(thousands of km ²)	Land ^b (1977, ha)	Oil ^c (ton)	Coal ^d (1976, ton)	Iron Ore ^e (1976, ton)	Copper (1976, ton)	Tin (1976, ton)
Developed:									
United States	221.9	0.8	9,363	3.3	16	16,700	17	0.39	
Canada	23.5	1.2	9,976	16.9	39	4,700	470	1.36	
Japan	114.9	1.2	372	0.3	0.1				
Australia	14.2	1.6	7,687	42.8	20	14,300	770	0.55	0.024
New Zealand	3.2	1.6	269	6.7	5				
Developing Market economies:									
South Korea	36.6	1.9	99	0.2					
Taiwan	17.1	2.0	36	0.2	0.1				
Hong Kong	4.6	1.9	1	0.01					
Philippines	45.6	2.7	300	0.5	0.1			0.38	
Thailand	44.5	2.7	514	0.9					
Malaysia	13.3	2.7	330	2.2	28				
Singapore	2.3	1.5	1	0.01					
Indonesia	136.0	1.8	2,027	1.1	9				0.028
Papua New Guinea	2.9	2.4	462	12.9	0.1			3.14	0.067
Burma	32.2	2.2	677	1.7					0.017
Emerging Market:									
China	952.2	1.6	9,597	0.5	2.7		3		0.002
North Korea	17.1	2.6	121	0.7					
Vietnam	51.7	2.9	330	0.5					
Cambodia	9.4 ^a	..	181	2.0					
Laos	3.3	1.3	237	4.8					
U.S.S.R.	261.0	0.9	22,402	5.9	34		110	0.14	0.002

a: 1977. b: Land includes arable land, permanent pasture, and forest or woods. c: As of January 1, 1980.

d: Bituminous coal and lignite. e: Recoverable iron.

Sources: World Bank, World Development Report, 1980; World Bank Atlas, 1979; IMF, International Financial Statistics Yearbook 1979; Food and Agricultural Organization, Production Yearbook 1978; Pennwell Publishing Co., International Petroleum Encyclopedia 1980; Bureau of Mines, U.S. Department of Interior, Commodity Data Summaries 1977.

Note: .. indicates data not available.

TABLE 2
 ASIAN-PACIFIC ECONOMIES: GROSS NATIONAL PRODUCT AND GROSS DOMESTIC PRODUCT

	GNP ^c (Billions of U.S. dollars) 1978	Growth Rate		GNP per Capita Amount (\$) 1978	Average Annual Growth (%) 1960-78	Share in GDP of		Exports of goods and nonfactor services (%) 1978	Military Expenditures % 1977
		(GDP, Annual Average) 1960-70	1970-78			Industry (%) 1978	Industry (%) 1978		
Developed:									
United States	2,127.6	4.3	3.0	9,590	2.4	34	8	5.4	
Canada	216.1	5.6	4.4	9,180	3.5	31	26	2.0	
Japan	836.2	10.5	5.0	7,280	7.6	40	11	0.9	
Australia	113.8	4.1	3.8	7,990	2.9	32	16	2.6	
New Zealand	15.3	3.9	2.2	4,790	1.7	31 ^a	27	1.8	
Developing Market Economies:									
South Korea	42.5	8.5	9.7	1,160	6.9	36	34	5.9	
Taiwan	23.9	9.2	8.0 ^b	1,400	6.5	48	59	8.2	
Hong Kong	14.1	10.0	8.2	3,040	6.3	31 ^a	98	0	
Philippines	23.3	5.1	6.3	510	2.6	35	19	3.2	
Thailand	21.8	8.2	7.6	490	4.6	27	21	3.4	
Malaysia	14.5	6.5	7.8	1,090	3.9	32	51	4.2	
Singapore	7.7	8.8	8.5	3,290	7.4	35	164	6.4	
Indonesia	48.8	3.5	7.8	360	4.1	33	21	3.4	
Papua New Guinea	1.6	6.5	2.6	560	3.6	26 ^a	45	1.6	
Burma	4.9	2.6	4.0	150	1.0	13	7	3.7	
Nonmarket:									
China	219.0 ^d	5.0	6.0	230 ^d	3.7	..	..	9.4	
North Korea	12.5	7.8	7.2	730	4.5	..	..	19.6	
Vietnam	8.9	..	..	170	..	..	..	..
Cambodia	..	3.1	..	..	..	..^a	..	..
Laos	0.3	..	..	90	..	14 ^a	2	..	
U.S.S.R.	965.5	5.2	5.3	3,700	4.3	62	..	13.3	

a: 1977. b: 1970-77. c: Preliminary except U.S.A. (From World Bank Atlas, 1979).

d: Preliminary estimate based on partial official information.

Sources: World Bank, World Development Report, 1980, World Bank Atlas, 1979 and IMF, International Financial Statistics Yearbook 1979 (May 1980); U.S. Arms Control and Disarmament Agency, World Military Expenditures and Armed Transfers 1968-1977 (October 1979).

Note: .. indicates data not available.

Table 3
ASIAN-PACIFIC ECONOMIES: MERCHANDISE TRADE

	Merchandise Trade				Terms of Trade before Interest payment on External Public debt 1978 (millions of dollars)	
	Amount (millions of dollars)		Average Annual Export Growth Rate (%)		Average Annual Import Growth Rate (%)	
	Exports (1978)	Imports (1978)	1960-70	1970-78	1960-70	1970-78
Developed:						
United States	141,154	182,787	6.0	6.5	9.8	5.4
Canada	46,065	43,434	9.9	4.3	9.3	7.1
Japan	97,501	78,731	17.5	9.7	13.7	5.0
Australia	14,127	13,885	6.5	4.0	7.2	5.1
New Zealand	3,752	3,500	4.6	2.4	3.0	3.3
Developing Market Economies:						
South Korea	12,711	14,972	35.2	28.8	20.1	13.5
Taiwan	12,682	11,033	23.7	9.3	17.9	9.1
Hong Kong	11,499	13,452	12.7	4.8	9.2	3.2
Philippines	3,425	5,143	2.2	5.4	7.2	4.7
Thailand	4,085	5,256	5.2	12.2	11.2	5.6
Malaysia	7,413	5,929	6.1	5.2	2.7	6.8
Singapore	10,134	13,049	4.2	9.8	5.9	8.1
Indonesia	11,643	6,690	3.5	7.2	1.9	15.8
Papua New Guinea	780	676	..	..	..	..
Burma	243	309	-11.6	0.5	-5.7	-4.6
Nonmarket:						
China	10,680	11,950	..	..	..	..
North Korea	..	950	..	..	..	..
Vietnam	..	..	..	..	..	..
Cambodia	.. ^a	..	-3.3	..	-3.0	..
Laos	.. ^a	64	..	..	..	..
U.S.S.R.	52,216	50,550	..	7.8	..	10.2

a: 1977.

Sources: Same as Table 1.

TABLE 4

ASIAN-PACIFIC ECONOMIES: TRADE STRUCTURE, 1977 (%)

	E X P O R T S				I M P O R T S			
	Fuels, Minerals and Metals	Other Primary Commodities	Manufactured Goods		Fuels	Other Primary Commodities	Manufactured Goods	
Developed:								
United States	6	24	70		30	18	52	
Canada	26	23	51		10	13	77	
Japan	1	2	97		44	37	19	
Australia	34	45	21		10	11	79	
New Zealand	6	77	17		15	13	72	
Developing Market								
Economies:								
South Korea	2 ^e	13	85		20	27	53	
Taiwan	2 ^e	13 ^e	85 ^e		19	25	56	
Hong Kong	1	3	96		6	25	69	
Philippines	17	58	25		24	17	59	
Thailand	9	72	19		22	15	63	
Malaysia	27	56	17		13	24	63	
Singapore	32	24	44		26	21	53	
Indonesia	71	27	2		12 ^e	21 ^e	67 ^e	
Papua New Guinea	35	63	2		14 ^e	24	62	
Burma	6	88	6		4	23	73	
Nonmarket:								
China	14	37	49		..	..	..
North Korea	51	31	18		..	..	..
Vietnam	12	32	56		..	..	..
Cambodia	0	80	20		..	..	..
Laos	20	65	15		..	..	..
U.S.S.R.	21	9	68		..	..	..

Sources: Same as Table 1.

e: 1976.

TABLE 5

ASIAN-PACIFIC ECONOMIES IN WORLD TRADE MATRIX, 1979
(F.O.B. U.S. Dollars in Millions)

	I M P O R T E D B Y							Taiwan ^e	Hong Kong
	U.S.A.	Canada	Japan	Australia	New Zealand	Subtotal (1)	South Korea		
EXPORTED BY:									
Developed									
U.S.A.	...	33,096	17,579	3,617	530	54,822	4,191	3,078	2,083
Canada	37,652	...	3,501	484	79	41,716	312	120	121
Japan	26,447	1,725	...	2,587	581	31,340	6,201	4,153	3,652
Australia	2,220	352	5,197	...	922	8,691	501	413	354
New Zealand	721	105	629	584	...	2,039	65	45	69
Subtotal (1)	67,040	35,278	26,906	7,272	2,112	138,608	11,270	7,809	6,279
Developing Market Economies									
South Korea	4,393	388	3,352	157	24	8,314	...	161	533
Taiwan ^e	5,488	402	2,183	407	28	8,508	166	...	1,107
Hong Kong	4,144	355	1,026	423	71	6,019	205	187	...
Philippines	1,383	62	1,208	94	4	2,751	141	67	156
Thailand	571	27	1,094	51	9	1,752	49	67	255
Malaysia	1,873	75	2,644	188	79	4,859	232	299	188
Singapore	1,846	122	1,392	449	221	4,030	217	113	975
Indonesia	3,171	28	7,189	190	51	10,629	384	411	99
Papua New Guinea	68	6	331	81	7	493	6	5	...
Others and Unspecified ^{a,b}	452	12	1,862	115	66	2,507	9	119	77
Subtotal (2)	23,389	1,477	22,281	2,155	560	49,862	1,409	1,429	3,340
Nonmarket									
China	594	143	2,667	166	34	3,604	6	...	2,746
North Korea	...	...	137	...	...	137	...	...	19
Vietnam	1	...	44	...	1	46	13	...	15
Cambodia ^a	...	...	...	1	...	1	...	...	...
Laos	2	...	8	...	...	10	...	...	1
USSR	822	54	1,723	65	7	2,671	4	...	29
Subtotal (3)	1,419	197	4,579	232	42	6,469	23	...	2,810
(1) + (2) + (3)	91,848	36,952	53,766	9,659	2,714	194,939	12,702	9,238	12,429
ROW ^c	110,073	10,195	43,053	6,585	1,543	171,449	5,639	4,204	4,296
TOTAL	201,921	47,147	96,819	16,244	4,257	366,388	18,341	13,442	16,725

TABLE 5 CONTINUED

Page 2

IMPORTED BY

	Philippines	Thailand	Malaysia	Singapore	Indonesia	Papua New Guinea	Other and Unspecified ^b	Subtotal (2)	China
EXPORTED BY:									
Developed									
U.S.A.	1,570	961	932	2,331	981	33	191	16,351	1,724
Canada	75	76	60	101	54	11	5	935	507
Japan	1,610	1,701	1,496	2,660	2,110	122	278	23,983	3,674
Australia	183	135	394	377	280	378	309	3,324	776
New Zealand	61	21	48	58	43	29	133	572	90
Subtotal (1)	3,499	2,894	2,930	5,527	3,468	573	916	45,165	6,771
Developing Market Economies									
South Korea	114	112	83	197	195	2	16	1,413	...
Taiwan ^e	195	180	126	410	387	3	23	2,597	...
Hong Kong	270	173	155	642	379	19	194	2,224	382
Philippines	...	19	57	65	45	3	9	562	51
Thailand	10	...	235	427	276	...	7	1,326	67
Malaysia	116	150	...	1,829	23	3	25	2,865	194
Singapore	209	564	1,842	...	124	98	347	4,439	148
Indonesia	165	37	66	1,951	...	...	1	3,114	...
Papua New Guinea	7	...	...	5	...	...	14	37	20
Others and Unspecified ^{a,b}	35	71	13	143	1	1	...	469	...
Subtotal (2)	1,121	1,306	2,577	5,669	1,430	129	636	19,046	862
Nonmarket									
China	116	179	196	374	120	...	88	3,025	...
North Korea	1	7	1	7	20	...	...	55	NA
Vietnam	2	1	...	15	1	...	...	47	NA
Cambodia ^a	...	...	...	...	...	...	...	...	NA
Laos	...	3	1	3	...	...	...	8	NA
USSR	8	8	8	22	12	...	...	91	NA
Subtotal (3)	127	198	206	421	153	...	88	4,026	...
(1) + (2) + (3)	4,747	4,398	5,713	11,617	5,051	702	1,640	68,237	7,633
ROW ^c	2,061	2,257	2,141	6,564	2,103	55	1,079	30,399	5,133
TOTAL	6,808	6,655	7,854	18,181	7,154	757	2,719	98,636	12,766

TABLE 5 CONTINUED

Page 3

IMPORTED BY						
	North Korea	Vietnam	Cambodia	Laos	U.S.S.R.	Subtotal (3)
						(1)+(2)+(3)
						ROW ^c
						TOTAL
EXPORTED BY:						
Developed						
U.S.A.	...	1	...	1	3,607	5,333
Canada	1	19	...	...	646	1,173
Japan	281	117	1	9	2,443	6,525
Australia	21	23	...	...	563	1,383
New Zealand	...	...	...	...	196	286
Subtotal (1)	303	160	1	10	7,455	14,700
Developing Market Economies						
South Korea	...	1	...	...	1	2
Taiwan	...	...	...	...	...	...
Hong Kong	38	18	...	1	10	449
Philippines	2	...	...	...	83	136
Thailand	...	31	...	29	33	160
Malaysia	4	1	...	...	243	442
Singapore	38	59	1	7	169	422
Indonesia	...	...	...	...	55	55
Papua New Guinea	...	...	...	...	...	20
Others and Unspecified ^{a,b}	...	...	...	...	...	...
Subtotal (2)	82	110	1	37	594	1,686
Nonmarket						
China	NA	NA	NA	NA	NA	...
North Korea	...	NA	NA	NA	NA	...
Vietnam	NA	NA	NA	NA	NA	...
Cambodia ^a	NA	...	3	NA	NA	3
Laos	NA	NA	...	...	NA	...
USSR	NA	NA	NA	NA	...	...
Subtotal (3)	...	...	3	...	...	3
(1) + (2) + (3)	385	270	5	47	8,069	16,389
ROW ^c	184	483	6	14	17,475	23,295
TOTAL	569	753	11	61	25,524	39,684
					504,708	1,054,792
					223,272	502,837
					831,520	1,056,663 ^d
					21,122	23,884
					26,173	36,671
					2,976	3,784
					70,594	100,507
					4,378	11,807
					620	812
					43	139
					9	10
					1	19
					18	23,884
					2,762	36,671
					10,498	502,837
					279,565	1,056,663 ^d
					225,143	1,559,500

Notes:

- a: Export data were derived from partner country estimates.
- b: Countries included are Brunei, Macao, Fiji, French Polynesia, Kiribati Rep., Guam, Nauru, New Caledonia, New Hebrides, Saint Helena, American Samoa, Solomon Islands, Tonga, Western Samoa and other Pacific Ocean island countries.
- c: ROW (Rest of the World) does not include the Pacific non-market economies (China, North Korea, USSR, Vietnam, Cambodia, and Laos) but includes trade of European non-market economies with market economies. Trade among non-market economies is not included in ROW or world totals.
- d: The total amount is obtained by adding non-market countries' total exports to market economies plus Taiwan's exports to ROW total.
- e: Taiwan's data were taken from Monthly Statistics of Trade, Republic of China, December 1979 since DOT excluded its trade values from the 1980 Yearbook; Import values were converted from c.i.f. to f.o.b. basis using IPS's f.o.b./c.i.f. factor of 1.07.

Source:

INF, Direction of Trade Yearbook, 1980, abbreviated as DOT.

Statistical Department, Republic of China, Monthly Statistics of Trade, December 1979.

TABLE 6
UNITED STATES TRADE AS A SHARE OF GNP
(in percent)

	E X P O R T S			I M P O R T S		
	Agri- cultural	Non-Agri- cultural	Goods and Services	Petroleum Products	Non- Petroleum Goods	Goods and Services
1960	1.0	2.9	5.7	0.3	2.7	4.7
1970	0.8	3.6	6.7	0.3	3.8	6.1
1975	1.5	5.5	10.2	1.9	5.0	9.4
1979	1.5	6.2	12.1	2.5	6.4	11.9

Source: United States Department of Commerce, Survey of Current Business, June 1980 and earlier issues.