

MERCHANDISE EXPORTS OF ASEAN, CHINA AND INDIA¹*Highlights*

- ASEAN: more open to external trade than China or India, and by far the largest exporter until overtaken by China in 2004.
- China's export growth simply phenomenal; that of ASEAN, respectable but much less striking in the post-crisis years.
- India's exports: fast-expanding but still equivalent to 13 per cent of China's and 16 per cent of ASEAN's in 2005.
- Increasing importance and hence competitiveness of ACI supplies in total world exports over time.
- Rising ACI contribution to global export expansion, with China having a dominant share in such contribution.
- China's export surge huge but fast-paced developments in China and India also embodying vast import demand.
- ASEAN's lagging supply in world export growth: a manifestation of the intensifying external competition?

ASEAN has, by and large, been an open and outward-looking region. External trade and FDI are the principal means for globalization as well as an engine of economic growth among the regional economies.

- All these account for ASEAN's greater economic weight than those of China and India in external investors' perceptions, especially in the earlier decades.

A. Comparative openness to trade

Goods trade. Although the ACI GDPs were largely of a comparable size in 1990², merchandise trade to GDP ratio was much bigger in ASEAN than in China or India. ASEAN (gross) trade also exceeded the region's own GDP from the mid-1990s (Figure 1 at the end of text).

The ratios of trade to GDP had been low in China (31 per cent in 1990) and India (13 per cent). This implied the greater importance of domestic sources in economic growth and more limited exposure to external economic forces.

¹ The views expressed in this brief do not necessarily reflect those of the ASEAN Secretariat. The cut-off date for data collection for this brief is end-October 2006.

² The patterns of income generation and GDP growth in ACI were examined in Studies Unit Paper 09-2006 in November 2006.

- However, China's ratio more than doubled to 64 per cent in 2005, a high proportion for a large economy. India's ratio stood at 30 per cent.
- For perspective, those proportions were still much lower than that of ASEAN back in 1990 (87 per cent).

Goods and services trade. The patterns of ACI openness remain similar even with the addition of services trade.³ From around 95 per cent in 1990, traded goods and services amounted to 141 per cent of ASEAN GDP in 2004.

- The corresponding ratio was just below two-thirds in China and one-third in India (Figure 1).

Globally, more goods and services are traded world-wide over time. Global trade in goods amounted to 30 per cent of world GDP in 1990 and 47 per cent in 2005.

- The corresponding ratios for traded good and services were 38 and 57 per cent respectively.

Both ASEAN and China are thus more open to merchandise trade and to goods and services trade than the global averages. This was not the case with India in 2005, although the country's openness will certainly move further upwards from current growth trends and on-going policy reforms.

B. Patterns of merchandise exports

ASEAN's exports (US\$ 143.1 billion) were more than twice of China's (US\$ 64.5 billion) and eight times larger than India's (US\$ 17.7 billion) in 1990.

- India is well-known world-wide as a major exporter of information technology (IT) services. But ASEAN has a well-developed tourist industry and China has become a major attraction for tourists.
- ACI trade in various services will be the focus of a separate brief.

The patterns of ACI exports mirror those of their GDPs. Firstly, export growth between 1990 and 1995 was dynamic and comparable in both ASEAN (125 per cent) and China (131 per cent).

- India's export earnings expanded by 72 per cent meanwhile (Table 1 at the end of text). ASEAN's export value thus became more than tenfold larger than India's in 1995.

Secondly, ASEAN's economic and export performance was much weakened by the financial and economic crisis of 1997/98. Export growth between 1995 and 2000, at 32 per cent (to reach US\$ 426.5 billion in 2000), was just a quarter of the 1990-1995 expansion.

- Such growth was also less than one-half of that in China (with exports of US\$ 249.2 billion in 2000) and one-fifth lower than India's (with US\$ 42.6 billion of exports).

³ Data on services trade are quite inadequate, and the values discussed above should be taken as indicators of the approximate order of magnitude only.

Thirdly, the region's exports subsequently went up by 47 per cent between 2000 and 2005, an expansion much less dynamic than that of China (over 200 per cent) or India (130 per cent).

- ASEAN's exports had been 70 per cent higher than China's in 2000. Five years later, however, China's export earnings (US\$ 762.3 billion) were one-fifth larger than ASEAN's (US\$ 626.9 billion).
- Likewise, the region's exports were just about six and a half times larger than India's (US\$ 97.9 billion) in 2005, compared to ten times a decade earlier (Table 1).

C. Long-term trends and global perspectives

China's export expansion was phenomenal: earnings in 2005 were almost eleven times higher than the 1990 level. The increase in exports was around 3.4 times in ASEAN and 4.5 times in India (Table 2).

ACI competitiveness has also increased significantly: ACI share in global exports more than doubled to 14.4 per cent between 1990 and 2005 (Table 3). India's small share almost doubled (to 1 per cent) while ASEAN's was higher by two-fifths (to 6.1 per cent).

- China's share, much smaller than ASEAN's until very recently, went up steadily to reach 7.4 per cent in 2005, or almost 2.8 times higher than the 1990 level.

Moreover, ACI contribution to global export growth is proportionately higher than their rising share in world exports. It stood at 15.9 per cent of global export expansion (of US\$ 1,738 billion) between 1990 and 1995.

- The ratio went up to 16.4 per cent (of US\$ 1,317 billion) during 1995-2000; and 19.4 per cent (of US\$ 3,966 billion) between 2000 and 2005.

More pertinent, however, is ASEAN's declining share in the combined ACI contribution to global export growth: from almost two-thirds during 1990-1995 to just over a quarter for 2000-2005 (Figure 2).

- Over the same periods, India's share in such contribution gained 2 percentage points (from 5 to 7 per cent) but China's share more than doubled from 30 per cent to 67 per cent respectively.

D. Issues and implications

Firstly, India is a small exporter in the ACI context and the country's exports, although fast-rising, were equivalent to 13 per cent of China's and 16 per cent of ASEAN's in 2005.

- The scale involved is telling: India's exports increased by about 130 per cent (equivalent to US\$ 55.3 billion) between 2000 and 2005.
- ASEAN's export growth was 47 per cent but this yielded some US\$ 200 billion because of the region's much larger export base.

Secondly, China overtook ASEAN as the largest ACI exporter in 2004. What is more, the country's exports recently shifted to a higher trend.

- Annual export growth averaged 14.5 per cent between 2000 and 2002 but accelerated to 32.8 per cent between 2003 and 2005.
- Over 2000-2005 as a whole, China's export earnings were 206 per cent higher, equivalent to an absolute gain of US\$ 513 billion.

Thirdly, new and vast sources of demand are constantly emerging from the huge population of China and India plus their fast-rising living standards along with the ACI solid contribution in sustaining a strong global economy.

- Nevertheless, ASEAN's exports were lagging. They increased almost 1.4 times faster than global export growth between 1990 and 1995 but world exports were rising almost one-third faster a decade later.
- In contrast, India's exports were more than keeping pace with the expansion in global exports of the past 15 years.

Fourthly, a consensus in the literature is that the competitive threat from China is not as huge as its unprecedented export surge may imply. Nor is it negligible, however.⁴

- Indeed, ASEAN and India have felt the heat of competition from China. ASEAN's export market shares would likely have been maintained or have grown faster with a less dynamic export surge from China.

Fifthly, no country could have an all-inclusive competitiveness. Hence, mutual gains can be further leveraged through broader and deeper economic interdependence in trade and investment to maximize relative advantages.

- Sustained, booming growth and demand for both producer and consumer goods has made China the world's third largest importer (behind the US and the EU) of developing-country products.
- India's domestic import market has also expanded faster than merchandise export growth, thus providing additional opportunities for trade and investment complementation.

Finally, trade interdependence and, on the other side of the coin, export market "crowding out" and displacement depend on the dynamic interactions of many demand and supply factors, including technology capabilities and supply-chain arrangements.

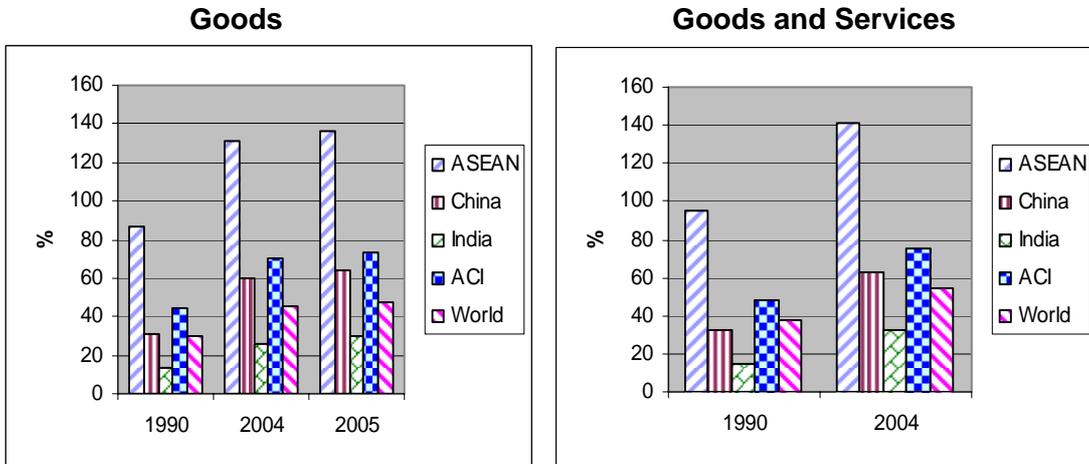
- Some of those factors will be examined in future ACI briefs. Meanwhile, the next brief focuses on ACI merchandise imports and the trade balance, including the patterns of China's trade surplus.

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⁴ For a detailed review of China's trade performance and competitiveness, see Thitapha Wattanaputtipaisan and the many references cited in the first two papers:

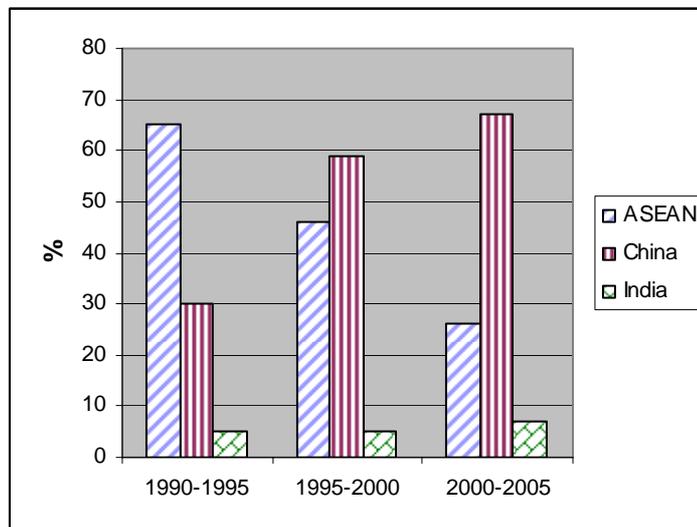
- 2005a, "Background Note on China and ASEAN—Part One: The Rise of China as an Economic Power", Studies Unit Paper No. 04-2005;
- 2005b, "Background Note on China and ASEAN—Part Two: Risks and Opportunities for ASEAN", Studies Unit Paper No. 06-2005; and
- 2005c, "Interdependence between ASEAN and China", *Bangkok Post*, Business Section, 9 July 2005.

Figure 1. Ratios of trade in goods and of trade in goods and services to GDP of ASEAN, China and India during 1990-2005



Source: IMF, *World Economic Outlook Database*, September 2006; and *Direction of Trade*.

Figure 2. Percentage shares of ASEAN, China and India in global merchandise export growth during 1990-2005



Source: Same as in Figure 1.

Table 1. Merchandise exports of ASEAN, China, India and the world during 1990-2005

	US\$ billion		Percentage changes		
	1990	2005	1990-1995	1995-2000	2000-2005
ASEAN	143.1	626.9	125	32	47
China	64.5	762.3	131	67	206
India	17.7	97.9	72	40	130
ACI	225.4	1487.1	123	43	107
World	3,330	10,351	52	26	62

Source: IMF, *World Economic Outlook Database*, September 2006; and *Direction of Trade*.

Table 2. Percentage longer-term changes in merchandise exports of ASEAN, China, India and the world during 1990-2005

	1990-2005	1990-2000	1995-2005
ASEAN	338	198	94
China	1,082	286	412
India	453	140	221
ACI	560	219	196
World	210	92	104

Source: Same as in Table 1.

Table 3. Percentage shares of merchandise exports from ASEAN, China and India in global merchandise exports during 1995-2005

	1990	1995	2000	2005
ASEAN	4.30	6.37	6.68	6.06
China	1.94	2.94	3.90	7.36
India	0.53	0.60	0.67	0.95
ACI	6.77	9.91	11.25	14.37

Source: Same as in Table 1