

Effect of China's Accession to the WTO on Other Asian Economies

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China's accession to WTO: A priori expectations

- Literature suggests North American and other developed nations (including China and Taiwan) gain from increased exports
- Quota removal under ATC and market access to China benefit North American and China
- How does removal of quotas and increased access to Chinese markets impact other Asian economies (“OthAsia”)?

Analysis

- Based on GTAP model of accession developed in class
- From perspective of other Asian countries

- **Regions**

North America

W. Europe

China/Taiwan

Other Asia

ROW

Hong Kong
Japan
Korea
Indonesia
Malaysia
Philippines
Singapore
Thailand
Vietnam
Rest of E &
SE Asia

- **Sectors**

Grains

Food

Extract

Textiles

Manufacturing

Services

Composition of China's Exports (Base)

	1 NAmerica	2 WEurope	3 CHN_TWN	4 OthAsia	5 ROW
1 grains	1%	2%	0%	92%	5%
2 food	12%	13%	1%	60%	14%
3 extract	6%	7%	13%	65%	9%
4 tex	18%	13%	5%	45%	19%
5 mnfc	38%	18%	5%	29%	11%
6 serv	26%	38%	3%	17%	16%

Composition of Other Asia Exports (Base)

	1 NAmerica	2 WEurope	3 CHN_TWN	4 OthAsia	5 ROW
1 grains	0%	2%	1%	88%	8%
2 food	17%	13%	12%	39%	20%
3 extract	4%	5%	15%	58%	18%
4 tex	30%	26%	18%	13%	12%
5 mnfc	30%	15%	16%	26%	13%
6 serv	20%	40%	11%	14%	15%

Before					
rTMS	1 NAmerica	2 WEurope	3 CHN_TWN	4 OthAsia	5 ROW
1 grains	11.1	88.3	0.7	2.4	75.6
2 food	35.8	17.5	15.0	17.9	38.6
3 extract	1.6	1.9	0.2	0.7	1.0
4 tex	14.9	16.5	20.8	20.2	12.6
5 mnfc	6.9	11.6	9.7	9.4	7.4
6 serv	0.0	0.0	0.0	0.0	0.0

After					
rTMS	1 NAmerica	2 WEurope	3 CHN_TWN	4 OthAsia	5 ROW
1 grains	5.9	88.3	0.1	2.0	4.9
2 food	27.3	14.8	8.5	15.0	31.5
3 extract	1.2	1.4	0.1	0.7	0.8
4 tex	6.9	6.5	6.2	6.3	7.3
5 mnfc	4.7	7.8	6.8	5.7	4.8
6 serv	0.0	0.0	0.0	0.0	0.0

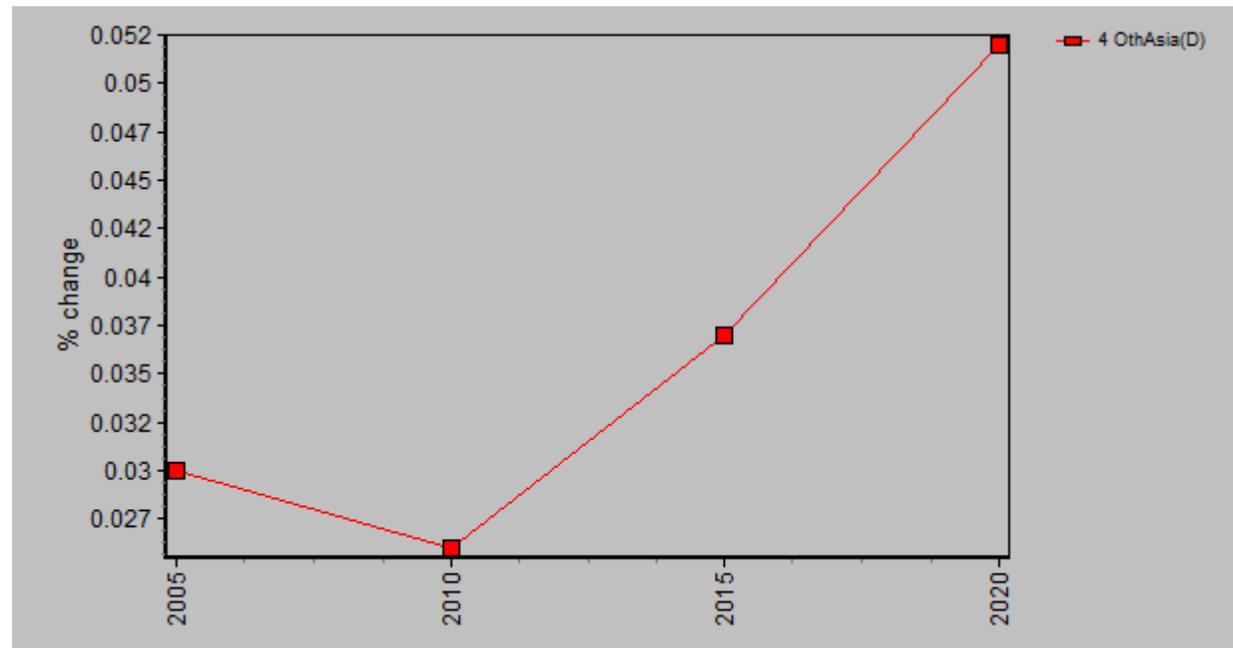
Exports from Other Asia

- Expectation that Other Asia would suffer with China's accession to WTO given they compete in same markets as China
- Instead found that, in aggregate, largely unaffected
- Composition of trade changed

	1 NAmerica	2 WEurope	3 CHN_TWN	4 OthAsia	5 ROW
1 grains	0%	0%	-1%	1%	0%
2 food	0%	0%	1%	0%	0%
3 extract	0%	0%	-1%	1%	0%
4 tex	-7%	-6%	14%	0%	0%
5 mnfc	-1%	0%	2%	0%	0%
6 serv	0%	0%	0%	0%	0%

Exports from Other Asia (2)

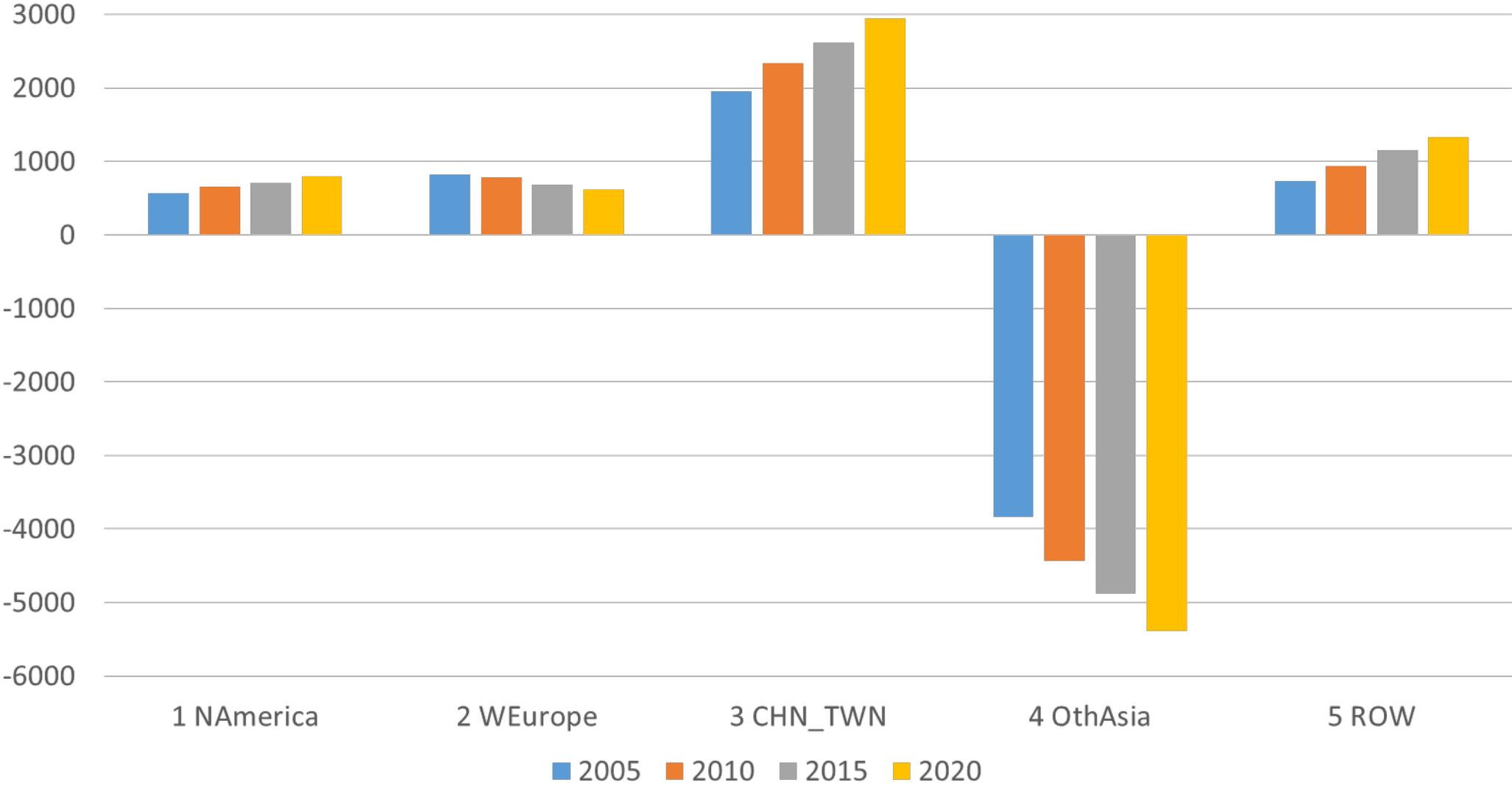
- Decrease in exports to the west is offset by increase in exports of textiles and manufactured goods to China
- Welfare in Other Asia is increased when trade between China and the west is liberalized



China/OthAsia Trade Restriction

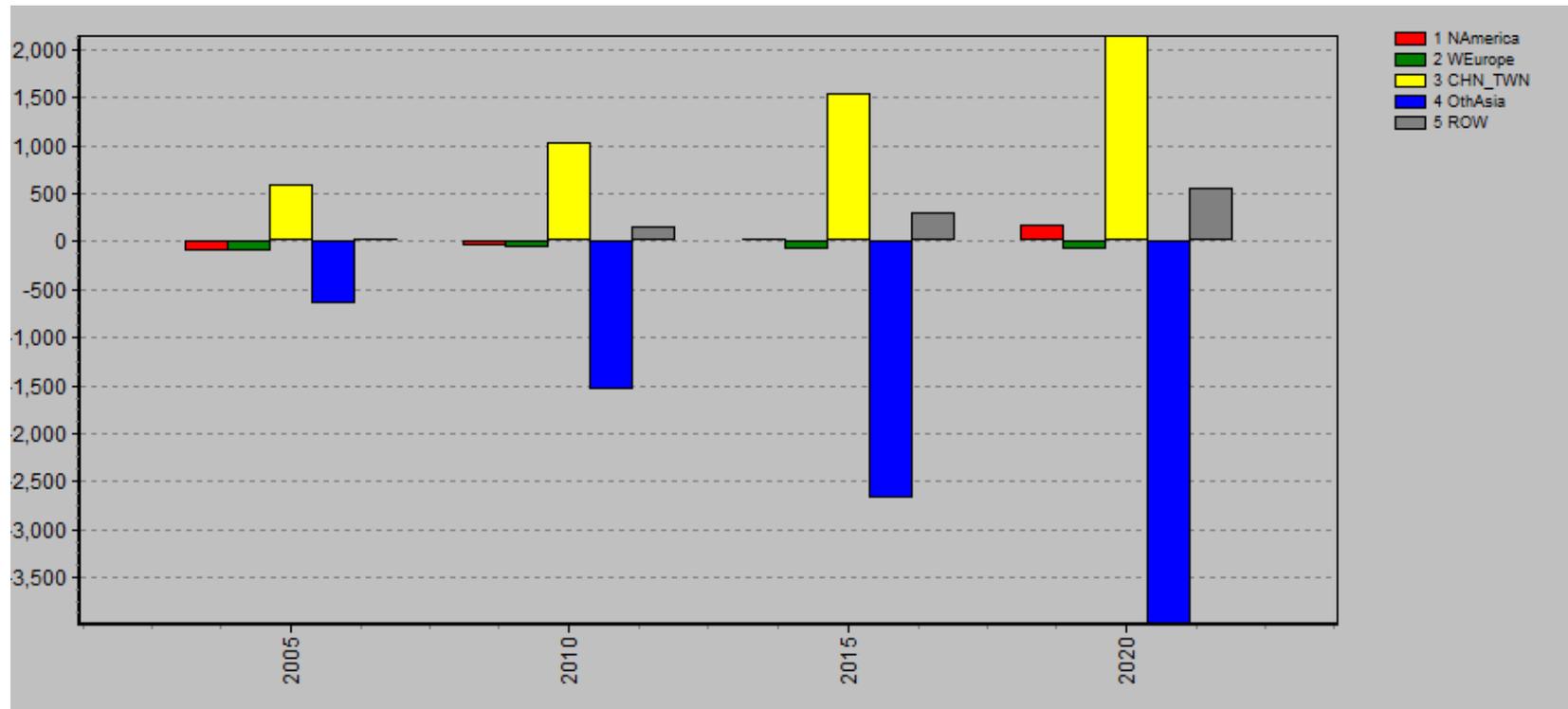
- What if China was unhappy with the influx of imports from other Asia and want to reduce the import of textiles from other Asia by 25%?
 - A tariff of between 6 and 7.5% would accomplish this
 - Feasible?
- A 5% tariff would reduce imports of textiles from other Asia by 17-20%
 - Overall imports of textiles are reduced by ~8% from WTO accession baseline
 - Output of domestic (China) textiles increases
 - As expected, employment moves in tandem with output

Cumulative Textiles Trade Balance Difference



Impact on Welfare

- China's new import restrictions from other Asia
 - Improve China's well-being
 - Deteriorate Other Asia's well-being
 - Overall global welfare is decreased



Summary

- China's accession to the WTO is good for China and (surprisingly?) also good for Other Asia
- In other Asia, the composition of exports changes, but overall level is largely unchanged
- If China imposes a trade restriction because of "excessive" imports of textiles from Other Asia...
 - Chinese textile industry increases output
 - Imports from other regions increase
 - China's welfare improves
 - Other Asia's welfare deteriorates