



Denominators of EU-Asia trade integration

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Conclusions

- Expansion of trade reflects trade-policy reforms
- Expansion of trade deficit with China reflects trade replacement
- Comparative advantage explains expansion of EU-China trade and the deficit
- Yuan misalignment, but investment rather than mercantilist strategy
- Revaluated yuan will be a net cost to Europe



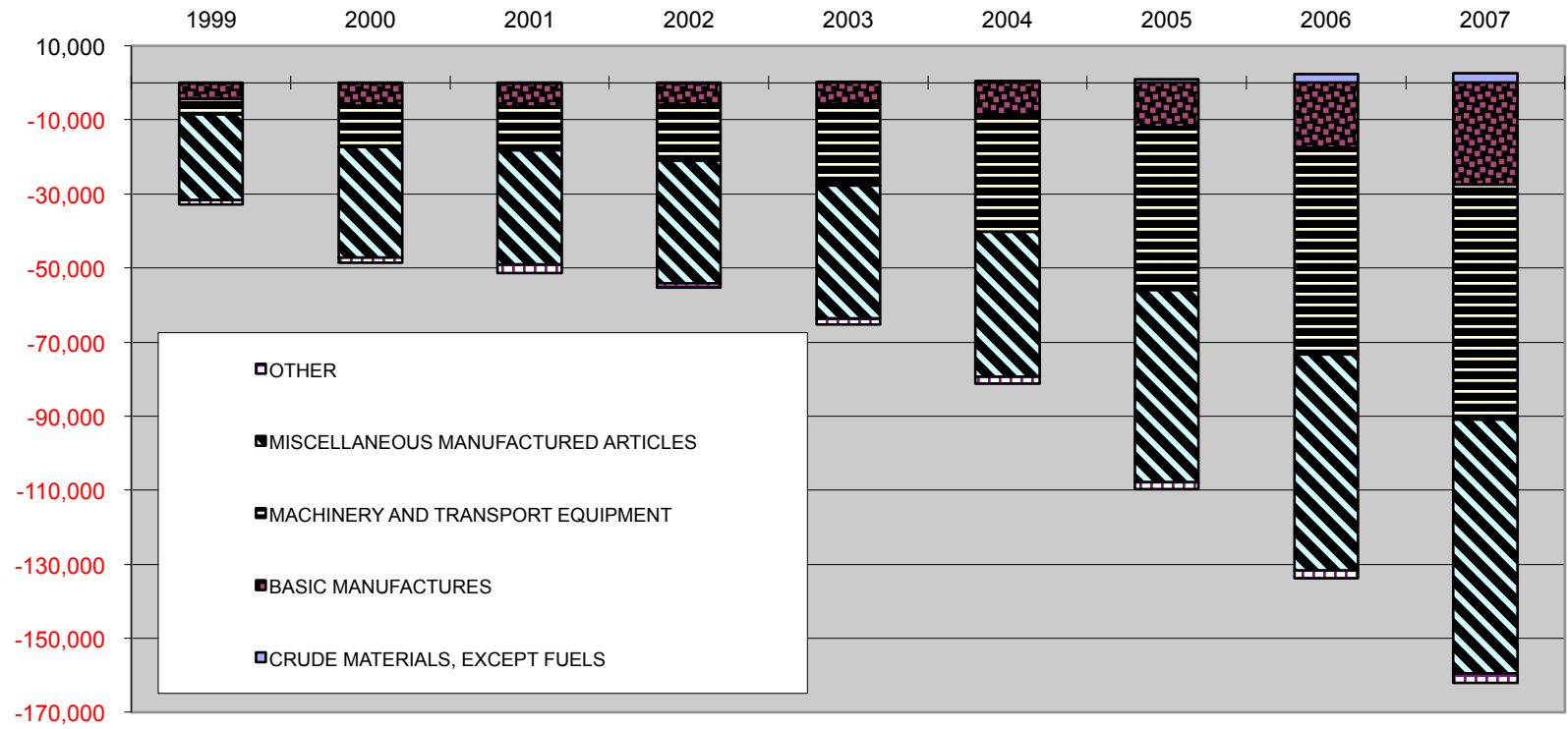
China and India, not Chindia

- Factor endowments, markets and policy
- Significant trade-policy differences:
 - Simple mean *bound* tariff on all goods five times higher in India than China
 - Simple mean tariff on merchandise "only" 70 percent higher in China (300 % for agri)
 - Weighted mean tariff for all goods three times higher in India
 - Non-tariff barriers more trade preventing

Tariffs in China and EU (2007)

	AVERAGE TARIFFS			MAXIMUM TARIFFS		
	CHINA 2001	CHINA 2005	EU 2006	CHINA 2001	CHINA 2005	EU 2006
AGRICULTURAL PRODUCTS	23.1	15.3	17.8	121.6	65.0	427.9
MANUFACTURING PRODUCTS	14.4	8.8	3.8	90.0	50.0	50.9
CHEMICALS	9.9	6.7	4.3	50.0	47.0	50.9
WOOD, PAPER	12.2	4.3	2.5	38.0	20.0	10.0
TEXTILE	)21.1*	9.7	7.4	)42.0*	38.0	12.0
CLOTHING	)	16.2	10.8	)	25.0	12.0
LEATHER, SHOES	17.4	12.2	7.4	90.0	25.0	17.0
MACHINERY	13.4	8.0	2.1	45.0	35.0	14.0
ALL PRODUCTS	15.6	9.8	6.9	121.6	65.0	427.9

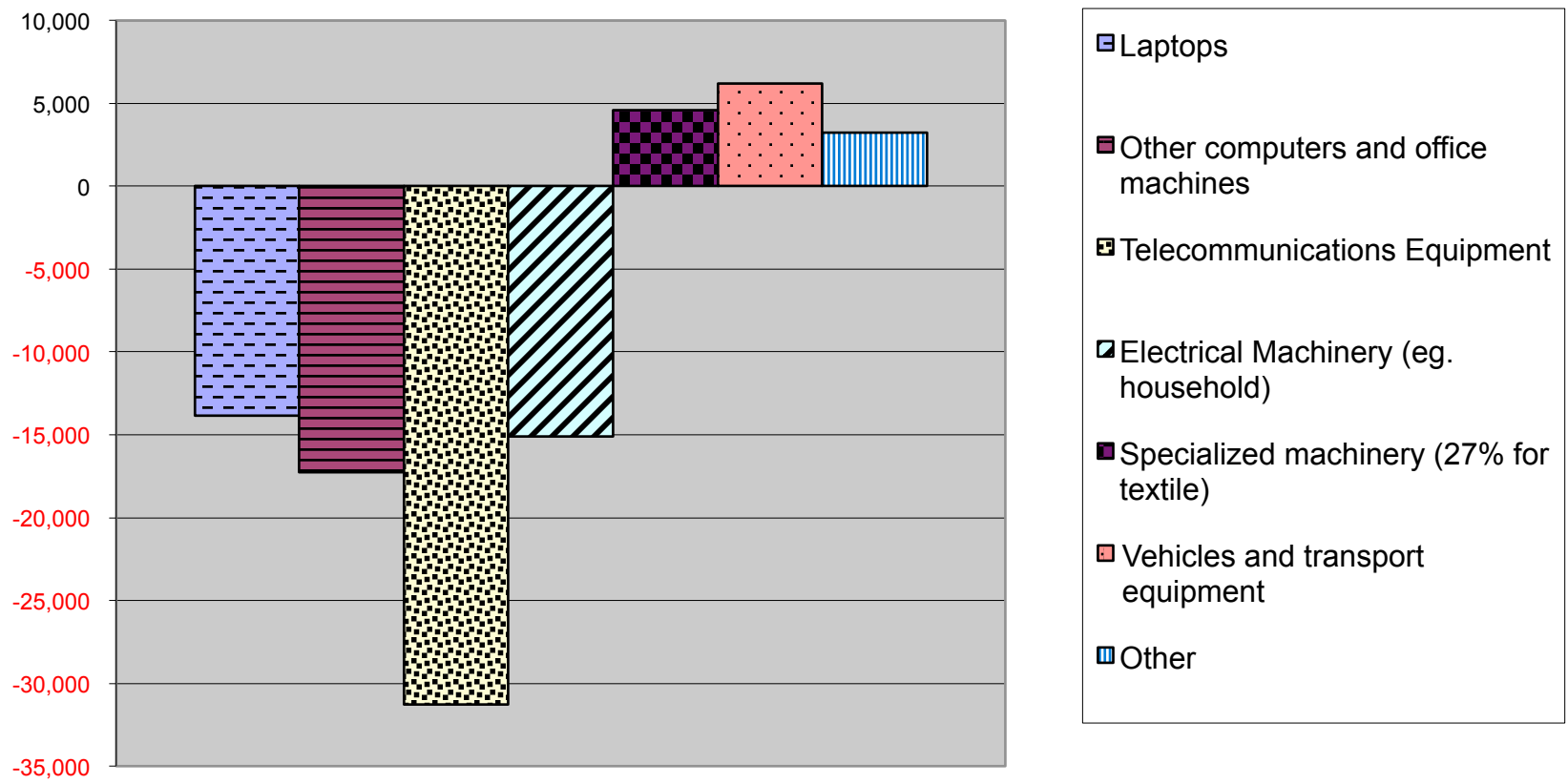
EU's trade deficit with China



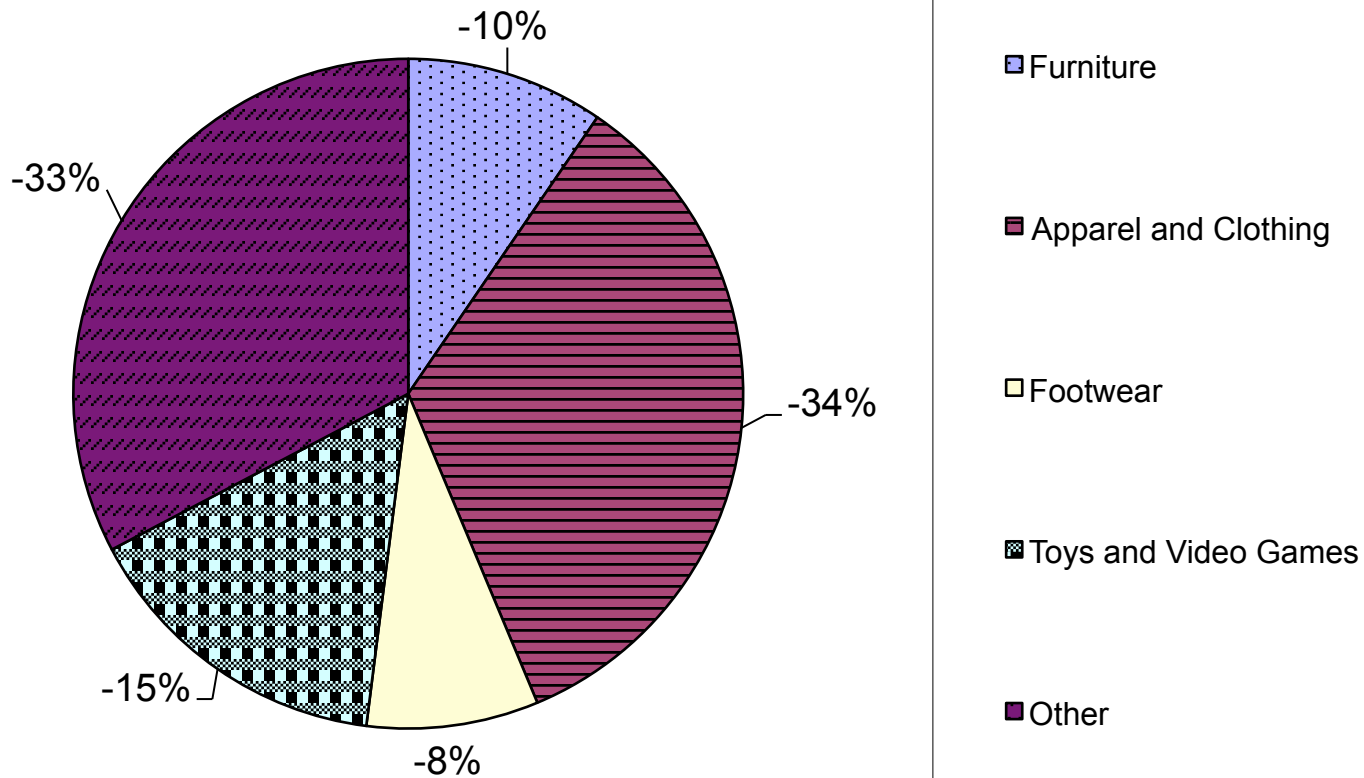
Intra-EU trade and trade with China

	Trade with China annual growth rate (2000-2006)		export-import ratio		Trade deficit in % GDP	
	export	import	2000	2006	trade with China [a]	intra-EU trade 2005
	[1]	[2]	[3]	[4]	[5]	[6]
Trade with China: EUMS with export growth rates higher than import growth rates						
Latvia	133.0	34.4	0.4	10.5	-1.1	-16.2
Estonia	76.4	12.5	4.3	63.6	-1.1	-11.8
Malta	72.7	9.6	3.3	50.0	-1.3	-30.0
Slovakia	61.1	25.4	5.2	23.6	-1.5	-0.5
Cyprus	44.2	10.3	0.8	3.9	-1.7	-20.0
Hungary	55.3	26.9	4.3	14.3	-4.2	2.8
Poland	33.6	15.6	7.1	17.1	-1.2	-2.3
Ireland	31.9	15.6	22.4	49.5	-0.6	12.2
Portugal	26.2	12.5	13.9	27.7	-0.4	-8.9
Lithuania	39.9	26.7	2.2	4.1	-2.7	-9.2
Slovenia	23.2	12.7	10.7	18.4	-0.9	-9.3
Greece	24.7	15.7	4.4	6.8	-0.9	-9.3
Czech Republic	28.1	22.9	9.5	12.2	-2.3	3.1
France	15.3	11.7	42.0	50.8	-0.5	-2.1
Germany	19.4	16.7	55.2	63.3	-0.7	4.3
Spain	20.7	19.6	13.4	14.1	-1.2	-3.6
Trade with China: EUMS with export growth rates smaller than import growth rates						
Britain	12.3	12.6	17.0	16.7	-1.3	-3.1
Italy	15.7	16.9	33.9	31.8	-0.9	-0.1
Denmark	13.6	15.6	29.7	26.6	-1.2	2.4
Belgium	13.9	16.8	33.4	28.6	-2.4	7.3
Netherlands	20.0	23.6	12.8	10.8	-5.5	23.0
Austria	14.0	19.9	69.6	51.5	-0.5	-4.4
Sweden	1.6	13.2	109.9	57.5	-0.6	-0.6
Finland	5.1	21.1	156.4	66.9	-0.6	-1.0
Bulgaria	31.5	47.8	16.2	8.1	-3.4	--
Romania	11.0	44.7	49.2	10.0	-2.0	--
Luxembourg	21.1	84.6	76.4	6.1	-11.4	2.1

EU trade deficit with China in Machinery and Transport Equipment (2007)

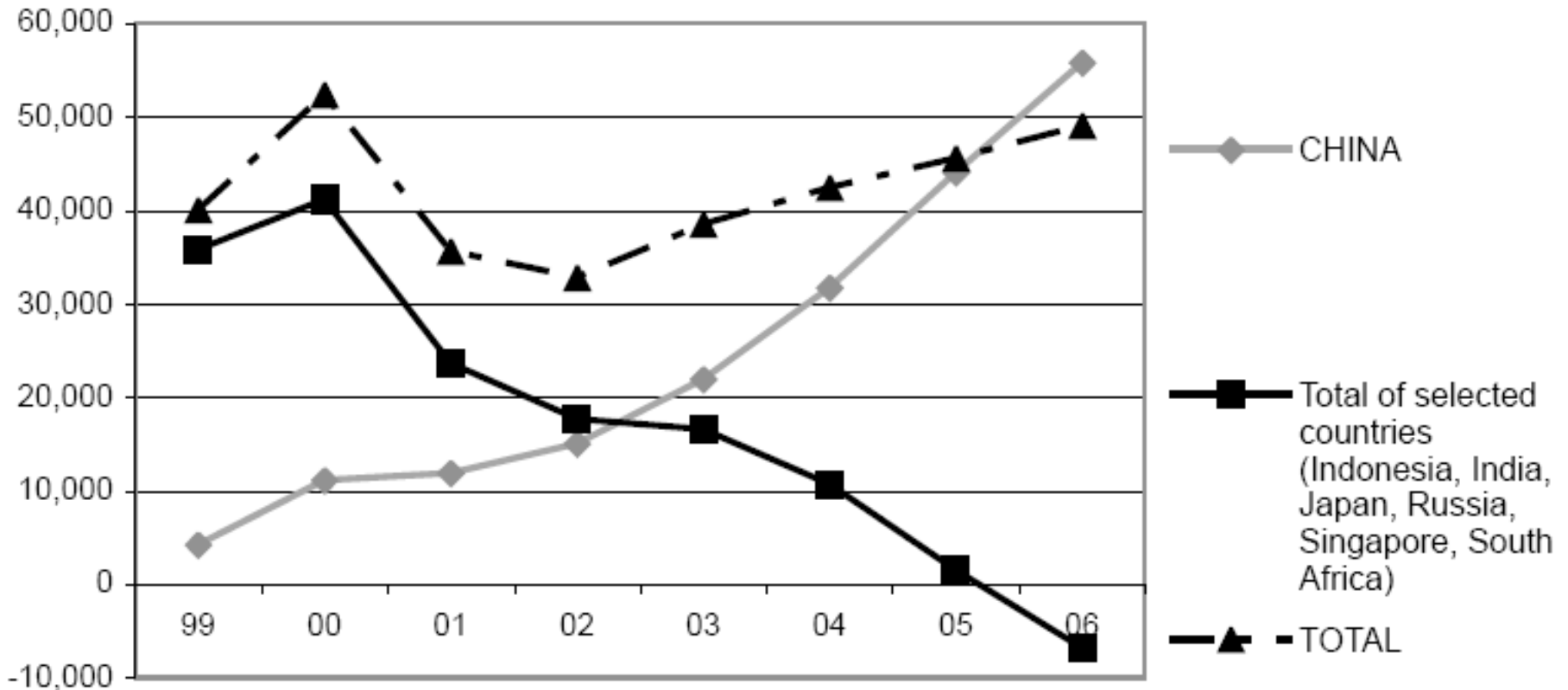


EU trade deficit with China in Miscellaneous Manufacture (2007)

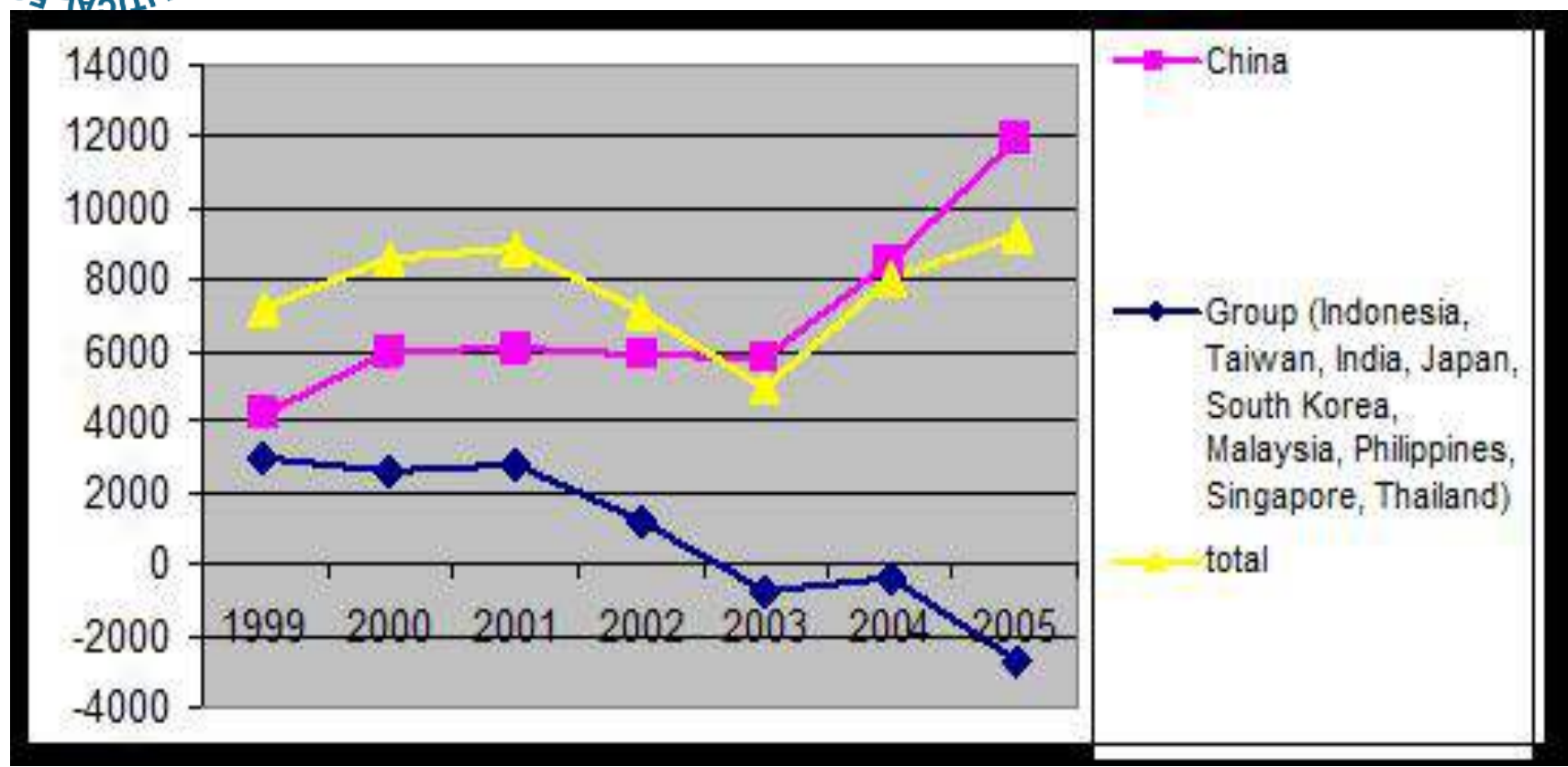


Trade replacement

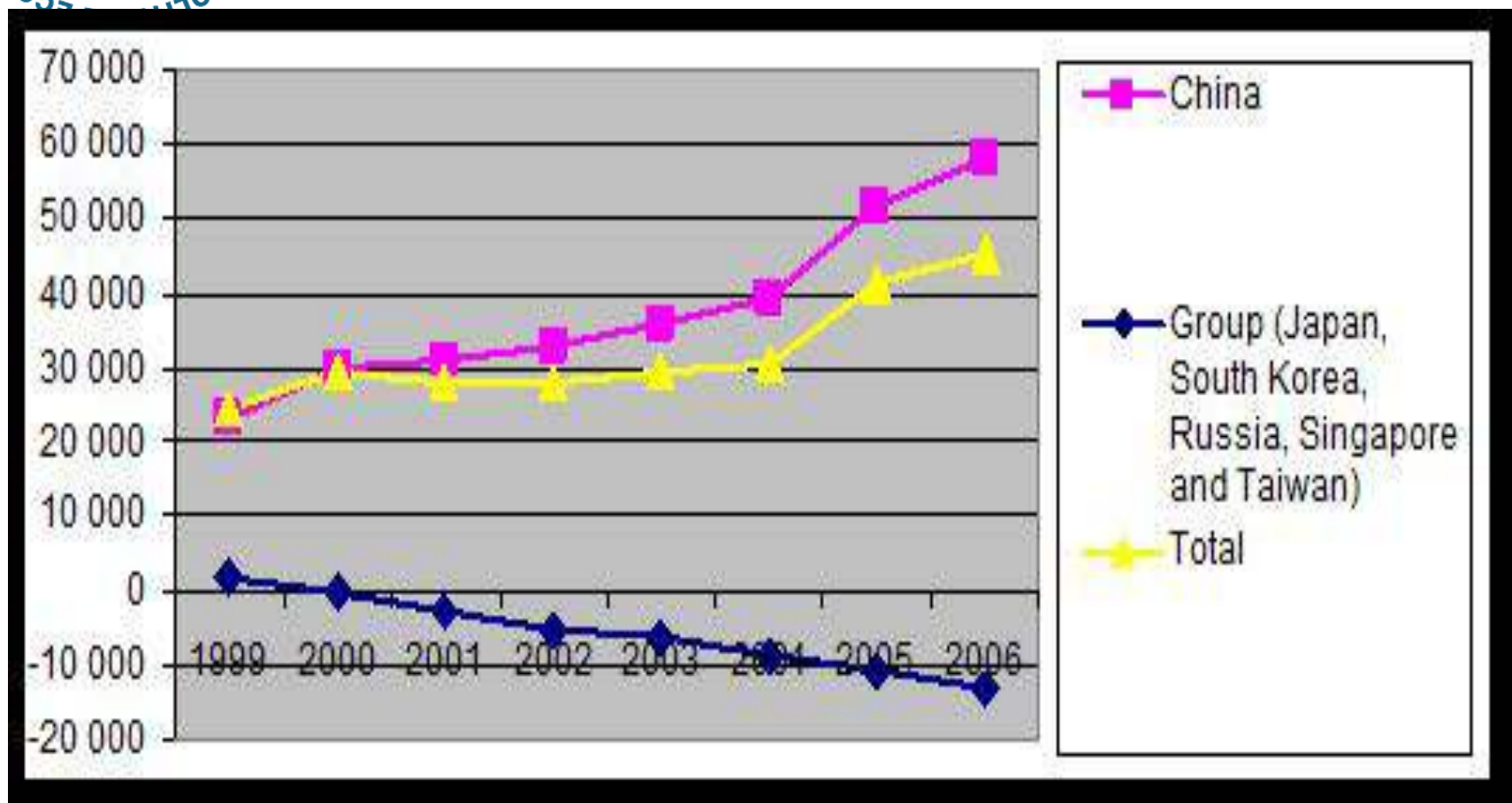
EU trade deficit with China and selected countries "Machinery"



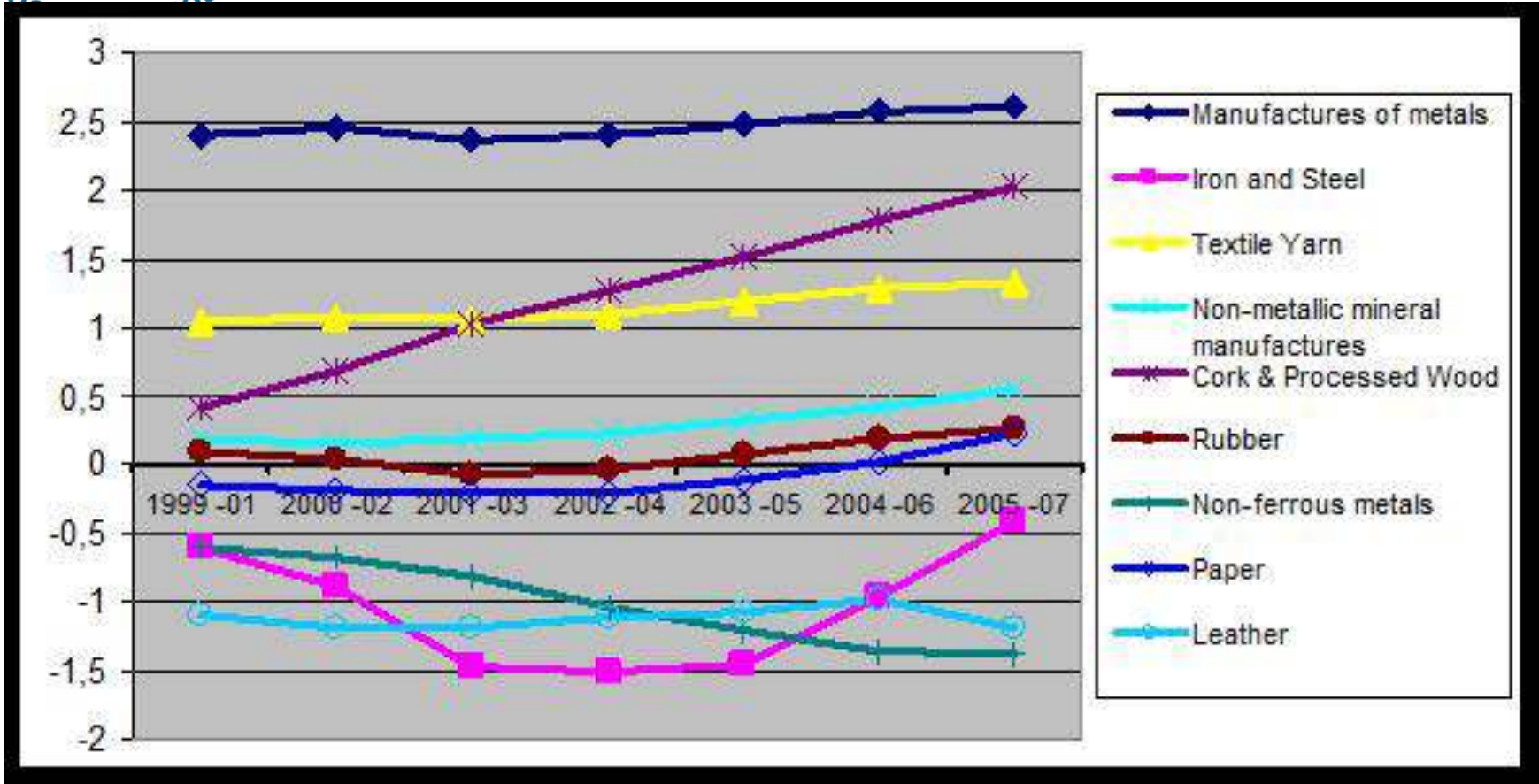
EU trade deficit with China and Asian countries ”Basic Manufactures”



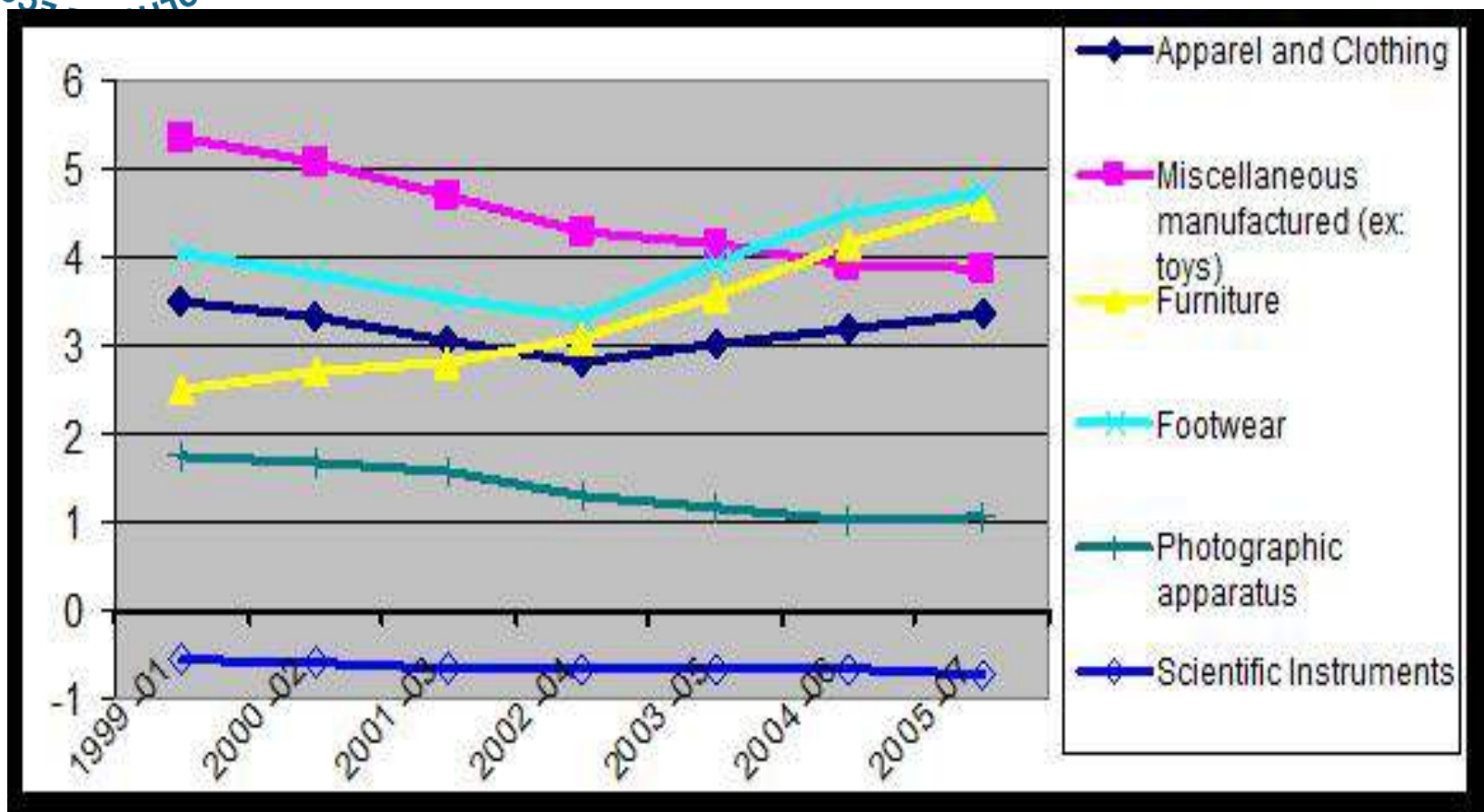
EU trade deficit with China and selected countries "Miscellaneous"



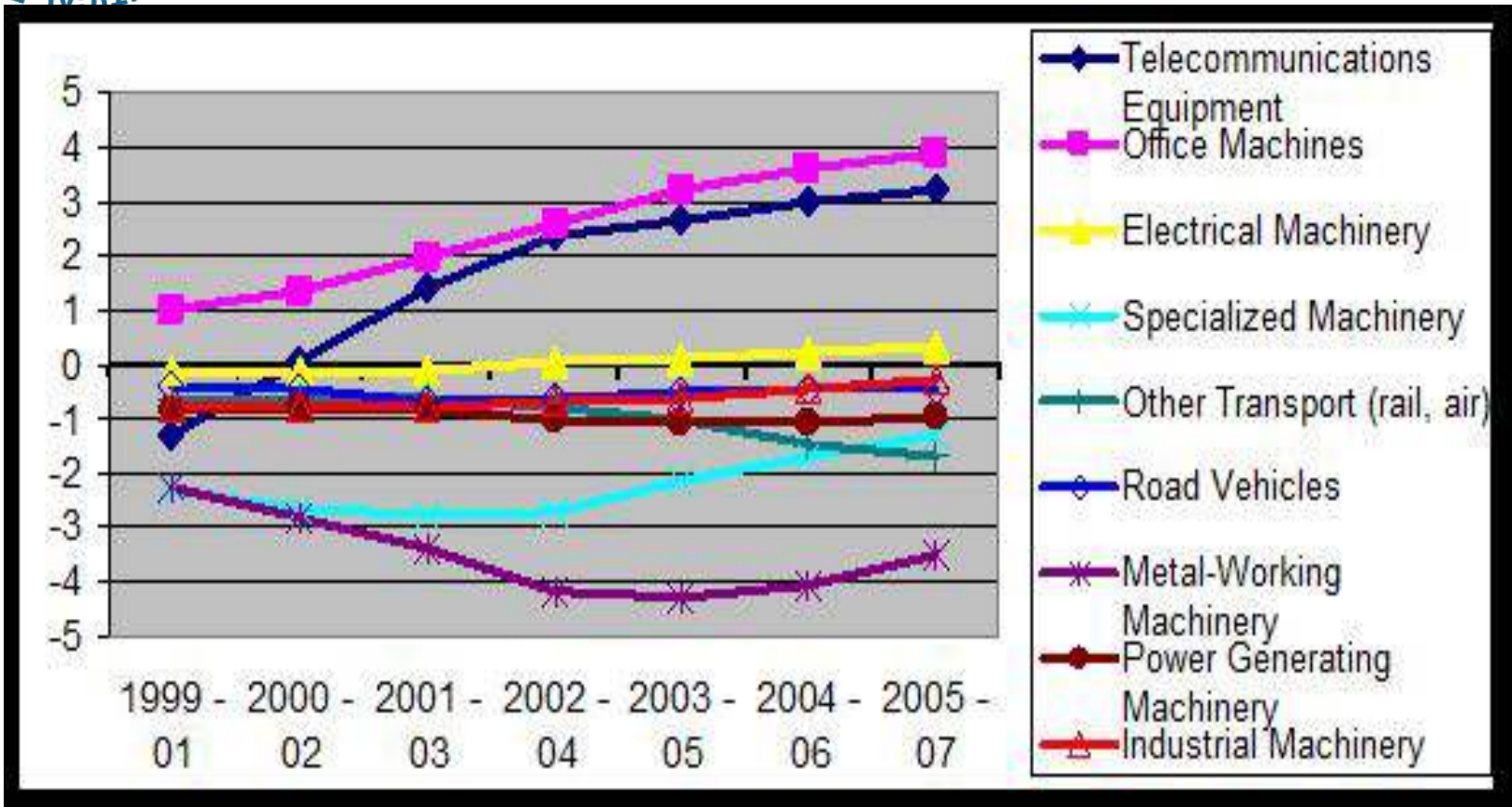
Revealed Trade Advantage "Basic manufactures"



Revealed Trade Advantage "Miscellaneous"



Revealed Trade Advantage "Machinery"

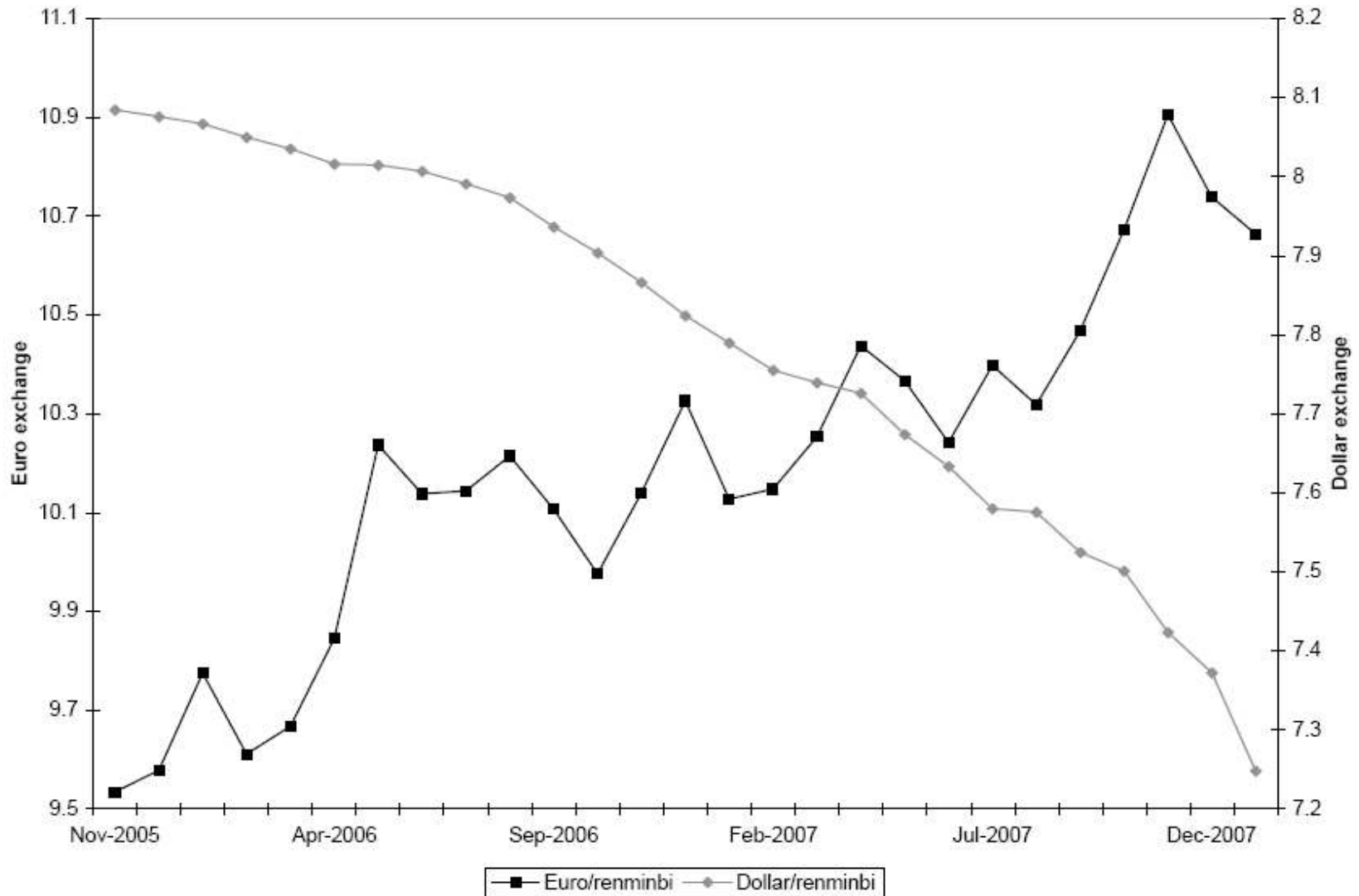


	EU-27 trade with China			EU-27 external trade		
	Exports (%)	Imports (%)	RCA	Exports (%)	Imports (%)	RCA
Raw material-intensive goods	11.3	2.9	1.4	12.6	34.3	-1.0
Labour-intensive goods	12.7	43.9	-1.2	20.0	21.9	-0.1
26 Textile fibres and their wastes	0.5	0.2	0.8	0.21	0.2	0.1
6 o. 62 Manufactured goods classified by materials	6.3	10.6	-0.5	9.2	6.5	0.3
67 Iron and steel	3.6	3.7	0.0	3.2	3.0	0.1
68 Non-ferrous metals	2.6	1.0	0.9	1.7	3.4	-0.7
8 o. 87 Miscellaneous manufactured articles	2.8	30.7	-2.4	8.2	12.0	-0.4
Capital-intensive goods	5.3	3.4	0.4	7.2	5.2	0.3
Products of mobile Schumpeter-industries	20.4	40.6	-0.7	18.7	20.8	-0.1
51 Organic chemicals	2.5	1.2	0.8	3.2	2.5	0.2
52 Inorganic chemicals	0.4	0.4	-0.2	0.7	0.8	-0.1
58 Plastics in non-primary forms	0.7	0.2	1.1	0.8	0.4	0.8
59 Chemical materials and products, n.e.s.	1.5	0.4	1.3	1.6	0.8	0.8
75 Office machines and automatic data-processing machines	1.5	14.0	-2.2	2.3	5.0	-0.8
76 Telecommunication, sound recording and reproducing apparatus and equipment	2.6	14.4	-1.7	3.2	5.7	-0.6
77 Electrical machinery, apparatus, appliances n.e.s.	11.2	9.9	0.1	6.9	5.7	0.2
Products of immobile Schumpeter-industries	50.4	9.3	1.7	41.5	17.8	0.9
54 Medical and pharmaceutical products	1.7	0.5	1.3	6.1	2.6	0.9
71 Power-generating machinery and equipment	5.5	0.9	1.8	4.3	2.3	0.6
72 Machinery specialized for particular industries	9.7	0.9	2.4	6.1	1.5	1.4
73 Metal working machinery	3.4	0.2	2.8	1.1	0.5	0.8
74 General industrial machinery and equipment, n.e.s.	10.8	3.7	1.1	7.2	2.7	1.0
78 Road vehicles (incl. air-cushion vehicles)	8.7	1.3	1.9	9.9	4.3	0.8
79 Other transport equipment	7.2	0.8	2.2	3.9	2.0	0.7
87 Professional, scientific and controlling instruments and apparatus, n.e.s.	3.6	1.0	1.3	2.9	1.9	0.4
Total (Bn. Euro)	69.4	230.0		1,203.1	1,393.8	

Intra-industry Index

	Intra Industry Trade Index: Sectoral aggregation (up) and number of industries with at least medium level of IIT (down)						
	1999 - 01	2000 - 02	2001 - 03	2002 - 04	2003 - 05	2004 - 06	2005 - 07
0-Food & Live Animals	0.11 0	0.13 1	0.14 2	0.12 1	0.12 3	0.13 4	0.13 2
1-Beverages & Tobacco	0.23 1	0.28 0	0.26 0	0.23 0	0.14 0	0.10 0	0.09 0
2-Crude Materials	0.10 1	0.10 2	0.11 3	0.12 2	0.11 2	0.10 3	0.09 3
3-Mineral Fuels	0.01 0	0.01 1	0.01 1	0.02 0	0.02 0	0.03 0	0.04 0
4-Animal and Vegetable Oils	0.04 0	0.06 0	0.12 1	0.17 1	0.20 1	0.15 1	0.13 0
5-Chemicals	0.28 5	0.29 6	0.30 7	0.30 6	0.31 5	0.32 7	0.33 7
6-Basic Manufactures	0.16 4	0.17 7	0.19 6	0.21 7	0.21 9	0.21 4	0.21 3
7-Machinery & Transport Equipment	0.27 5	0.26 5	0.24 5	0.22 6	0.22 7	0.22 8	0.22 11
8-Miscellaneous Manufactures	0.05 1	0.06 1	0.06 3	0.07 3	0.07 4	0.07 4	0.07 3
9-Other	0.32 2	0.30 2	0.33 2	0.36 1	0.42 1	0.47 3	0.45 3
Total	0.18 19	0.18 25	0.18 30	0.17 27	0.18 32	0.18 34	0.18 32

Exchange rates RMB/EUR





Basic BoP economics

$$(1) \text{ GDP} = C + I^{\text{home}} + X - M$$

$$(2) \text{ GDP} = C + S$$

$$(3) S = I^{\text{home}} + I^{\text{abroad}} + dR$$

$$(4a) S - I^{\text{home}} = X - M \iff (4b) I^{\text{abroad}} + dR = X - M$$

Short-run impact of 30 % revaluations

SITC	Volume (1000 tons)				Value (Million €)			
	2007	t2	Variation	%	2007	t2	Variation	%
0-Food & Live Animals	2,472	2,202	-270	-10.9%	3,255	3,754	500	15.4%
1-Beverages & Tobacco	57	52	-6	-9.6%	76	89	13	17.0%
2-Crude Materials	3,726	3,356	-371	-9.9%	2,711	3,172	460	17.0%
3-Mineral Fuels	3,315	3,065	-249	-7.5%	622	743	121	19.4%
4-Animal and Vegetable Oils	101	89	-12	-11.6%	90	104	14	15.7%
5-Chemicals	3,525	3,154	-371	-10.5%	7,525	8,761	1,235	16.4%
6-Basic Manufactures	38,792	33,915	-4,877	-12.6%	36,577	42,406	5,828	15.9%
7-Machinery & Transport Equipment	11,239	10,067	-1,172	-10.4%	105,821	123,805	17,983	17.0%
8-Miscellaneous Manufactures	13,289	11,937	-1,352	-10.2%	72,849	84,891	12,042	16.5%
9-Other	32	28	-4	-14.0%	515	612	97	18.8%
Total	76,548	67,864	-8,684	-11.3%	230,043	268,337	38,294	16.6%

Long-run impact of 30 % revaluation

SITC	Volume (1000 tons)				Value (Million €)			
	2007	t2	Variation	%	2007	t2	Variation	%
-Food & Live animals	2,472	1,983	-489	-19.8%	3,255	3,379	125	3.8%
-Beverages & tobacco	57	46	-11	-19.1%	76	79	3	4.6%
-Crude materials	3,726	3,061	-665	-17.8%	2,711	2,882	170	6.3%
-Mineral Fuels	3,315	2,780	-535	-16.1%	622	674	52	8.4%
-Animal and vegetable Oils	101	81	-20	-19.9%	90	95	5	5.7%
-Chemicals	3,525	2,843	-682	-19.3%	7,525	7,909	384	5.1%
-Basic manufactures	38,792	30,496	-8,296	-21.4%	36,577	38,047	1,469	4.0%
-Machinery & transport equipment	11,239	8,929	-2,310	-20.6%	105,821	109,402	3,580	3.4%
-Miscellaneous manufactures	13,289	10,720	-2,570	-19.3%	72,849	76,277	3,427	4.7%
-Other	32	24	-8	-25.5%	515	543	28	5.4%
Total	76,548	60,962	-15,585	-20.4%	230,043	239,287	9,244	4.0%