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# **Trade Productivity Upgrading, Trade Fragmentation, and FDI in Manufacturing: The Asian Development Experience**

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## **Abstract**

This paper examines the experience of 10 Asian countries with respect to growth, trade and FDI. It explores relationships between the nature of exports and imports and growth, as well as the relevance of FDI as a channel for these relationships. We find that FDI is often positively correlated with higher productivity levels in exports and imports. The effect for imports is particularly apparent for imported intermediate goods, reflecting the emergence of greater trade fragmentation. In turn, both imported intermediates and exports that are associated with higher productivity levels are positively correlated with per capita GDP. This paper therefore brings together empirical evidence that integrates discussions of FDI, trade fragmentation and improvements in the productivity of traded goods.

Keywords: international trade, trade policy, product upgrading, trade fragmentation, vertical specialization, FDI and economic development

JEL Codes: O1, O24, F14, O33

# Trade Productivity Upgrading, Trade Fragmentation, and FDI in Manufacturing: The Asian Development Experience

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## I. Introduction

From 19<sup>th</sup> century arguments about infant industry protection to recent exercises such as the World Bank's well-known "East Asian Miracle" study, the various aspects of globalization in economic development have been endlessly analyzed and debated. Studies typically focus on different aspects of globalization, such as exports alone, or FDI alone, and use different empirical methodologies. For example, Rodrik (2006) stresses the role of exports that exceed (in a precise manner that we will define later) their "expected" productivity level, in explaining China's growth success. While there is a specific and precise measure of export productivity in Rodrik's analysis, his discussion of the positive role of FDI is brief and informal. On the other hand, Borensztein et al. (1998), for example, examine the impact of FDI on growth through cross-country regressions, finding that a positive impact depends on factors such as having sufficient levels of human capital in the recipient countries. But they have no role for trade in their empirical specifications.

Of course, there are many studies that examine trade and FDI together. In theoretical modeling, the two are bound together, either as substitutes or as complements, depending on the nature of production networks and the associated FDI. Even in these cases, however, empirical examinations based on this theoretical modeling do not seem to treat trade and FDI in an integrated manner. This comes out in the literature reviews of Saggi (2002) and Keller (2009), for example. This problem cannot be solved completely, because trade and FDI data are available at very different levels of granularity. Nevertheless, our analysis makes some progress

in providing a more coherent and consistent empirical examination of trade and FDI in relation to economic development.

Examinations of trade and productivity have recently begun to focus on imported intermediate goods, in contrast to the earlier emphasis on exporting as a driver of productivity and growth (e.g., Goldberg et al., 2009). Clearly, the nature of this trade is partly related to patterns of FDI, to the extent that it is driven by trade fragmentation or vertical specialization (though it need not be). These studies are typically micro-level analyses, using plant or firm level data, and do not consider the role of FDI. Again, our approach allows us to explore the possible linkages between FDI and trade fragmentation in an empirically consistent manner.<sup>1</sup>

Our central empirical tool is the Hausmann, Hwang, and Rodrik (2007) index of export productivity (also used by Rodrik, 2006), called EXPY. The precise index is described in Section III. This index measures the extent to which the export pattern of a country reflects the export of goods that have productivity levels that can be associated with higher income countries. We follow Hausmann et al. (2007) in examining the behavior of this index over time, and its relationship to per capita GDP. Our contribution here is to extend their approach to a longer time period for a specific set of countries.

We go on to adapt the EXPY index to measure the productivity level of imports. This is an innovation that allows us to examine how the other side of trade flows can matter, and also connects more directly to the role and impact of inward FDI. We are able to divide imports into intermediates and other goods, allowing us to distinguish their different possible roles in development, as well as different possible relationships to FDI. In sum, our approach allows us to examine the productivity patterns of exports and imports in relation to income levels and FDI flows.

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<sup>1</sup> For an overview of the evolution and role of FDI in East Asia, see Urata (2001).

Our empirical contribution can be viewed in the light of the ongoing debate about the role of trade (and government policy toward trade and industry) in the East Asian miracle:

*The East Asian Miracle* (World Bank 1993a) ... study puts strong emphasis on the importance of performance in manufactured goods exports. The study goes beyond simply arguing that rapid export growth played an important role in permitting East Asian economies to avoid foreign exchange constraints. It suggests that exports and export policies played a crucial role in stimulating growth. The authors challenge the view that simply striving for a neutral incentive structure was adequate. Instead, they advocate broad government support for exports as a “highly effective way of enhancing absorption of international best practice technology [and] thus boosting productivity and output growth.”... Although the study emphasizes exports as a channel for learning and technological advancement, conspicuously absent is a discussion of the role of imports and import competition in providing similar benefits. (Lawrence and Weinstein, 2001, pp. 379-80)

In their study, Lawrence and Weinstein examine aggregate time-series data for Japan and Korea to make the case for the importance of imports in the two countries’ growth experience. Again, our contribution differs in that we are able to take a more disaggregated view of trade, examine its productivity level and patterns of fragmentation, and correlate it with FDI flows. We also consider a larger sample of countries, giving a sense of patterns more in keeping with the intent of the East Asian miracle study.

The scope of our study is the eight economies considered in the World Bank (1993) study, augmented by the two emerging giants, China and India. Data limitations dictate the period that we use, 1984-2000 (with a couple of exceptions). This period captures the latter part of the East Asian miracle, as well as significant portions of the transitions of China and India toward being more open to foreign trade and capital, as well as domestically more market-oriented. In section II, we provide an overview of some aspects of these economies’ experience during the period in question. Section III describes our data and methodology in some detail. Since we use data from several sources, necessitated by our conceptual scope as well as changes

in data categories over the period in question, preparing the data requires some care. We also explain our indices of trade “quality,” based on Hausmann et al. (2007), or based on extensions of those ideas. We focus on trade in manufactures in our analysis, rather than all commodity trade as in Hausmann et al., but results for all trade are similar to those presented below.

Section IV describes our results. We find that the Asian countries in our sample have been relatively successful at upgrading the productivity level of their trade, consistent with the analysis of Hausmann et al., but for a different time period. By extending the Hausmann et al. approach to different types of exports (intermediate and other), and to imports, which are not considered by those authors, we find that productivity levels in intermediate exports, other goods exports, and intermediate imports are highly correlated with GDP per capita; the three have a clear positive trend for most countries. Furthermore, the correlation between intermediate imports (respectively, intermediate and other goods exports) productivity levels and FDI inflows tends to be higher for more developed (respectively, less developed) Asian countries in our sample. Section V provides a summary conclusion.

## **II. Historical Overview**

The well documented East Asian economic “miracle” is probably best appreciated by observing the growth in GDP per capita in the region. The countries examined all saw impressive growth in GDP per capita (see Figure II.1). PPP converted GDP per capita increased at an average annual growth rate (AAGR) of 4.2 percent in the 1984-2000 period. There was significant convergence in the region, a result of Japan’s stagnation and the high growth experienced by the Asian Tigers (Hong Kong, South Korea, Singapore, and Taiwan) and China. In terms of GDP per capita, the fastest growing countries were China (7.6 percent), South Korea

(6.5 percent), and Taiwan (6.1 percent); the slowest growing countries were Japan (2.1 percent), Indonesia (3.0 percent), and India (3.2 percent). The Asian financial crisis had a significant effect on these economies, but China and the Asian Tigers were able to recover fairly quickly. This pattern continued and, even, accelerated in the post-2000 period, though we do not analyze that more recent experience in this paper.

[Figure II.1 about here]

Trade, especially trade in manufacturing, appears to have played significant role in this growth. We focus on manufactured goods because it allows us to exclude commodities, which have a different role to play in development and industrialization. In all cases, total exports and imports grew at much faster rates than that of the GDP per capita. China experienced the fastest growth in both exports and imports (19 and 21 percent, respectively) and the slowest growing economies were Japan (7 percent each, respectively) and Indonesia (7 and 6 percent, respectively). Manufacturing trade, especially for exports, played a crucial role in this growth (see Table II.1). Manufactures grew at faster rates than overall trade. As can be seen in Table II.1, most of the countries in the sample experienced significant increases in the share of manufactures in overall merchandise trade. The only decreases were minor (Hong Kong, -1 percent, and Japan -0.4 percent), and occurred in countries had had very high shares in manufacturing at the beginning of the period.

There were a few noticeable drops in the share of manufacturing in imports over the period of analysis. For example, the share of manufactures in imports decreased in India (because of the increased importance of uncut/un-mounted diamonds, which the UNCTAD

classification does not consider to be manufacturing), China (because of the increase in petroleum imports), and Indonesia (also because of the large increase in petroleum imports) . Manufacturing exports in China, Hong Kong, Japan, Korea, and Taiwan accounted for more than 90 percent of all exports by 2000. Indonesia had the lowest share (56 percent) and Japan had the highest share (96 percent). On the import side, only Indonesia (61 percent), India (35 percent), Japan (56 percent), and Korea (61 percent) had shares lower than 75 percent. Although the share of manufacturing is not as high on the import side, the growth in share was in the double digits for most of the countries. Japan had the largest increase in the share of imported manufactures (33 percentage points), but it had the smallest share at the beginning of the period (23 percent).

[Table II.1 about here]

When splitting trade into intermediates and other goods, using the BEC classification, we see that intermediate trade patterns are not uniform across countries (See Figures II.2 and II.3).<sup>2</sup> For imports, the importance of intermediates in manufacturing decreased from 1984 until about the mid-1990s. They subsequently increased in importance, but, in many cases, had not recovered by 2000, or were at about the same level, as in the early 1980s. The largest decrease was of less than 11 percentage points (Japan). The only countries to increase the share of intermediates in imports over the period were India, Korea, Malaysia, Singapore, and Thailand. Intermediate imports were, nevertheless, important and account for over 40 percent of all imports for all of the Asian countries in our sample. Characterizing the changes in intermediates in manufacturing exports is more difficult to generalize about, because some countries saw the

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<sup>2</sup> We should note that the data is of a lower bound for intermediates, for more information see the data and methodology section



percentage share of intermediates decrease by double digits, while for other countries the share increased by double digits. The largest drop in intermediates' exports share was almost 20 percent (India) and the highest increase was 29 percent (Taiwan). Interestingly, Japan and the Asian Tigers increased their share, while the rests of the countries (including China) saw decreases. This is consistent with several studies that looked at intermediates and found that the share of intermediates in trade has decreased (Hummels et al., 2001). However, looking at the share of intermediate manufactures trade ignores the fact that not all intermediates are the same. The drop in the share of intermediates in the 1980s was a result of a drop in the importance of relatively low-tech intermediates (such as fabrics), while the increase in the 1990s was a result of increases in the importance of relatively higher-tech intermediates (such as electronic microcircuits). We quantify this difference in relative technological level embodied in each country's imports and exports in the next section.<sup>3</sup>

[Figure II.2 about here]

[Figure II.3 about here]

### **III. Data and Methodology**

The trade, GDP, and FDI data each comes from a separate source. We use trade data compiled and standardized by Feenstra, Lipsey, Deng, Ma, and Mo (2005). The data contain bilateral trade data for 1962-2000, classified as Standard International Trade Classification, revision 2 (SITC, Rev. 2) and disaggregated at the four-digit level. The bilateral data is

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<sup>3</sup> To provide a concrete sense of the major exports and imports of the sample countries, we provide "top ten" tables for each in the appendix.

aggregated to create multilateral data, which is what we use in our analysis.<sup>4</sup> The pre-1984 data were originally classified by SITC Rev.1 and had to be converted to SITC Rev. 2 by the authors; to avoid any concordance issues, we will only focus on the data beginning in 1984 and ending in 2000.<sup>5</sup> We should note that the data excludes SITC four-digit categories that did not exceed \$100,000 per year. The PPP adjusted GDP per capita data are from the Penn World Tables and are in constant 2005 US dollars. For FDI we use UNCTAD's data on FDI inflows as a percent of GDP for the same period as the trade data. The only exception is for Indonesia, which did not report FDI inflows as a percent of GDP during the period in question, and is excluded from the analysis of FDI.

The calculations required two concordances: SITC to manufacturing and SITC to BEC. First, to determine which SITC products are classified as manufacturing, we used UCTAD's definition for manufacturing.<sup>6</sup> Second, to determine which SITC goods were intermediates and which were "other goods", we used the UN's classification by Broad Economic Categories (BEC), which allows us to separate the data into intermediates, consumption, capital, and not classified (see Table III.1). The BEC concordance is in SITC Rev. 3, while the trade data is in SITC Rev. 2. As a result we ended up with three trade categories: Intermediate, Others, and Mixed. "Mixed" refers to categories that include both intermediate and other goods in the different SITC revisions, and it tends to be a fairly small and consistent category (the data can be provided upon request). The share of goods classified as Mixed varied significantly, but was

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<sup>4</sup> The Feenstra et al. trade data are bilateral. They use multiple sources for this base data (e.g., they believe importer data is more accurate) to avoid issues such as re-exports. We aggregate the bilateral data into multilateral data (i.e., getting world totals by SITC sector).

<sup>5</sup> There are two exceptions to this: 1) China; which starts in 1987 because a significant amount of data were not disaggregate before that date and 2) India, which ends in 1999 because India data for imports were not separated in 2000.

<sup>6</sup> SITC 5 (Chemicals and related products), 6(Manufactured goods), 7 (machinery and transport equipment), and 8 (Miscellaneous manufactured articles), less 667 (pearls, precious & semi-precious stones) and 68 (non-ferrous metals).

between 8 (Malaysia) and 25 (China) percent of total exports and between 16 (Singapore) and 23 (Taiwan) percent of total imports. Including Mixed as intermediates or as “others” did not change our results much and we chose to leave the “mixed” trade data out of the current analysis. The trade in the categories used in our analysis still accounts for at a minimum of three-fourths of aggregate trade.

[Table III.1 about here]

To analyze the role of different aspects of trade in the Asian development success, we make use of Hausmann et al.’s (2007) framework to establish a hierarchy in goods in terms of their implied productivity. The quantitative index requires two steps. Step 1 is to rank the traded goods in terms of their implied productivity. They refer to this measure as PRODY and it is calculated by taking a weighted average of the per-capita GDP of a product’s exporters. The weights used are the revealed comparative advantage of each country in that commodity. As PRODY gives the “income/productivity level” of a commodity, the higher the PRODY, the higher the average income level of its exporters. We define good  $i$ ’s share of total exports by country  $j$  as  $EXP_{ji} = x_{ji} / \sum_i x_{ji}$  and good  $i$ ’s share of total imports by country  $j$  as  $IMP_{ji} = m_{ji} / \sum_i m_{ji}$ , where  $x_{ji}$  is the value of export  $i$  by country  $j$  and  $m_{ji}$  is the value of import  $i$  by country  $j$ . Thus,  $\sum_i x_{ji}$  &  $\sum_i m_{ji}$  are total manufacturing exports and imports, respectively. The formula for PRODY is:

$$PRODY_i = \sum_j \left( \frac{EXP_{ji}}{\sum_j EXP_{ji}} \right) (Per\ Capita\ GDP_j)$$

Step 2 is to calculate the average “income/productivity level” for each country’s trade basket. Hausmann et al. refer to this measurement for exports as EXPY and note that it measures “...the productivity level associated with a country’s specialization pattern.” Since we are also looking at the import side we calculate two productivity level variables EXPY and IMPY. They are the weighted sum of the PRODY for each country. The weights are, respectively, the share of each good in country  $j$ ’s total exports and total imports in manufacturing. Therefore, in our analysis, we have introduced IMPY as the import analogue of EXPY. The two measures are calculated using the following formulas:

$$EXPY_j = \sum_i EXP_{ji}(PRODY_i)$$

$$IMPY_j = \sum_i IMP_{ji}(PRODY_i)$$

Note that, since we are using PRODY as a measurement for the productivity level, we use PRODY created from *exporters* to calculate both EXPY for exports and IMPY for imports.

Hausmann et al. chose to compare the implied productivity at a point in time across different countries (with varying GDP per capita). For example, Hausmann et al. find that “EXPY is a strong robust predictor of subsequent economic growth, controlling for standard covariates.” They also find that, compared to the world average, India and China are outliers. We, on the other hand, examine a relatively small number of countries and see how trade patterns in these countries have evolved over time, compared to each other. We also examine different types of exports, imports, and FDI inflows in tracing the evolution of these trade patterns.

#### IV. Results

In this section we analysis and compare the EXPY and IMPY in manufacturing for the Asian countries with GDP per capita, growth over time, and FDI inflows. First, we follow Hausmann et al. in comparing EXPY for exports (and IMPY for imports) relative to GDP per capita. We find that the less developed Asian countries in the sample are somewhat distinct, relative to the average trend of the other Asian economies in this group. This is consistent with Hausmann et al.'s finding. Second, we see how the IMPY and EXPY for imports and exports have changed over time. We find that when we look across time, China and some of the other Asian countries have achieved significant increases in their EXPY and IMPY, but Japan and the Asian Tigers are the ones who stand out as having the highest EXPY (this pattern is not as pronounced for IMPY). Finally, we look at the connection between EXPY or IMPY on the one hand, and FDI inflows on the other; we find that, in almost every case, both EXPY and IMPY are significantly and positively correlated with FDI inflows. The correlation appears to be stronger among intermediate products than among other products.

We begin with Figures IV.1 through IV.4, which display patterns of relationships between EXPY and IMPY on the one hand (for each of the two categories of goods – intermediate and other) and GDP per capita on the other. Both categories of exports display a strong positive relationship between EXPY and per capita GDP. On the other hand, this positive relationship only appears for intermediate imports when comparing IMPY with per capita GDP.<sup>7</sup>

It is interesting to note that China, India, Thailand, Malaysia, and, to a lesser extent, Indonesia appear to be in a different group when comparing EXPY and IMPY with GDP per

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<sup>7</sup> Our results with respect to intermediate imports may also be seen as complementing analyses of the development impacts of trade in capital goods, such as Eaton and Kortum (2001) and Alfaro and Hammel (2007).

capita (See Figure IV.1 to IV.4).<sup>8</sup> That is, for their per capita GDP, these countries appear to be at EXPY levels higher than their Asian counterparts (Japan and the Asian Tigers) were at the same GDP per capita level. Does that mean these countries found a way to increase EXPY/IMPY for a given GDP per capita or that the technological barriers to trade have gone down over time allowing these lesser developed countries to export more sophisticated products? Hausmann et al. suggest that it is first, but the literature on trade fragmentation would favor the latter explanation.

We conjecture that the observed pattern is a combination of the two explanations, with the key link being FDI. During the period being analyzed, these Asian countries have been more receptive to FDI, have opened up their markets, and demanded more technology transfer.<sup>9</sup> At the same time, lower tariffs, lower transportation costs, and lower communication costs have allowed intermediate goods to increase substantially in trade.

Since intermediates have not increased as fast as other goods for several of the countries in the sample (see Section II, and Table II.2), the fact that EXPY and IMPY have increased means that the composition of intermediates has changed substantially. Since the changes in composition have tended towards more high-tech intermediates, these products are the ones that have tended to benefit from the lower trade costs and the various government policies. Finally, with trade fragmentation, it is conceivable that some of the increases in EXPY are due to increased IMPY, since export upgrading is based on importing more complex intermediate goods. The iPod, a product “made” in China, is a clear example of this (Linden, Dedrick, and Kraemer, 2011).

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<sup>8</sup> In order to make the figures intelligible, we do not display the data for every year, but only for the first, middle and last years of the sample.

<sup>9</sup> For an example, see Swenson (2011).

[Figure IV.1 to IV.4 about here]

The patterns in Figures IV.1 to IV.4 can be investigated through examining the correlations between the variables, reported in Table IV.1. We find that GDP per capita and EXPY are highly correlated (this is consistent with Hausmann et al.). In fact, the EXPY for both intermediate and other exports are highly correlated with GDP per capita. The correlation is positive and significant in every case, with the sole exception of “other goods” for Hong Kong. Interestingly, the correlation between the IMPY for intermediate imports and GDP per capita is also strong, positive, and significant in many cases. There are, however, a few exceptions; the correlation is not significant for India, Malaysia, Taiwan, and Thailand. The correlation between the IMPY for other imports and GDP per capita is not significant in most cases. The only exceptions are Malaysia, Singapore and Taiwan. The correlation is actually negative and significant for Taiwan. It is interesting to note that for both Malaysia and Taiwan the correlation is not significant for intermediate imports, but it is for other imports. For Malaysia, the reason may be the country’s increased reliance on non-intermediate imports. For Taiwan, the negative sign on the correlation of IMPY for other goods imports is perplexing.

To see if part of the reason that the less developed countries in the sample stand out from the others is shifts in the technological frontier, we examine how EXPY and IMPY change over time (Figures IV.5 through IV.8). Looking at the data in this dimension, it becomes quite clear that for EXPY the less developed countries (including China) are not outliers, but are, in fact, below the East Asian average. A major reason might be that the less developed economies in the sample have not reached development levels required to export more technologically advanced products. The fact that EXPY and IMPY are so high relative to GDP per capita may be a result

of the breakup of the production chain (trade fragmentation), lower production costs (better, more inexpensive technology), or lower trade costs (transportation costs, high tariffs, and non-tariff barriers).

Nonetheless, it is also clear that the EXPY has increased at impressive rates for exports (see Figures IV.5 and IV.6). This applies to both intermediates and others. These figures appear to show that all the countries are converging towards one point for intermediates. China, India, and Indonesia have the lowest EXPY at the end of the period, but these were also the countries with the fastest growing EXPY. The increase in EXPY for “other goods” exports is quite large (five countries increased EXPY by at least 5,000 US\$). It is no wonder that this increase in productivity level has been noticed, even in the popular press.<sup>10</sup> There are some exceptions; China, Indonesia, Hong Kong, and Japan had relatively little or no growth in EXPY for this category. However, the reasons for this lack of growth are very different among this subgroup. In particular, Japan had the largest EXPY at the beginning of the period, and was still in the top three by the end of the period. Although China, Indonesia, and Hong Kong may not have increased as much as the others, they have managed to match the rest of the sample countries in their EXPY for intermediate exports.

[Figure IV.5 about here]

[Figure IV.6 about here]

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<sup>10</sup> For example, see the New York Times article of January 21, 2012, “How the U.S. Lost out on iPhone Work,” which reflects the combination of FDI, trade fragmentation and export productivity upgrading in the context of China’s role as a base for iPhone production. (<http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html>)



How is it that the EXPY for “other goods” exports increased by such large amounts? It is conceivable, with trade fragmentation, that part of the large increase in the EXPY for exports was led by the increase in the IMPY for imports. Several studies find that foreign content in some countries’ exports has increased over time (for examples of this phenomenon, see Hummels, Ishii, and Yi, 2001; and Dean, Fung, and Zhi, 2008). Our results also show that the imported intermediates have also increased in productivity level, as measured by IMPY, something that has received little attention in the literature (see Figure IV.7). India is the only country where IMPY does not have a strong positive trend during the period (which may be related to its poor performance in the EXPY for “other goods” exports). By the end of the period, the countries with the lowest IMPY for intermediate imports were India, Hong Kong, and China. China, however, began to experience a large increase in IMPY toward the end of the 1990s. For the most part, it appears that the IMPY for other imports is fairly constant (see Figure IV.8). It is noteworthy that most of the Asian countries in the sample had IMPY levels for imports that were at the same technological level during the whole period and that “other goods” imports into Hong Kong and Japan were significantly less technologically advanced than those of the other countries.

[Figure IV.7 about here]

[Figure IV.8 about here]

What role has FDI played in this technological upgrading? FDI is arguably a key driver of trade fragmentation. In China, for example, foreign invested enterprises perform the majority of processing trade (trade that uses imported intermediates) and do very little in regular trade

(Dean, Lovely, and Mora, 2009). There are case studies, such as the iPod example, that find examples of FDI leading to technological upgrading in imports and exports. However, rigorous econometric analysis rarely looks at the link between technological upgrading and FDI, focusing more on increases in exports or imports. To see if there is a connection between FDI and upgrading we compare the respective correlations between EXPY and IMPY and FDI inflows (as a percent of GDP). The EXPY and IMPY correlations with FDI inflows (see Table IV.2) are smaller than their correlations with GDP per capita. They are, nonetheless, statistically significant in many cases, and fairly high in magnitude. In general, for both intermediate and other goods exports, the correlation between EXPY and FDI inflows is strongest for the less developed economies in the sample (especially for China and India). The correlations, although positive, are not significant for Japan, Singapore, and Taiwan; South Korea has a strong positive and significant correlation for both intermediates and other goods exports; and Hong Kong has a strong positive and significant correlation for the intermediates EXPY and a positive, but not significant, correlation for other goods EXPY. The correlation appears to be higher for intermediate exports than for other goods exports. Malaysia, again, has a negative and significant correlation between the EXPY for intermediate exports in manufacturing and FDI inflows.

The correlation between IMPY and FDI inflows (as a percent of GDP) is not as strong, nor as significant, as the correlation between EXPY and FDI inflows. It is interesting to note that, in contrast to the findings for EXPY, the correlation is not significant for the less developed Asian economies of our sample. The correlation for intermediate imports is fairly strong, positive, and significant for Hong Kong, Japan, Korea, and Singapore. The correlation between IMPY for “other goods” imports and FDI inflows is only significant in two cases: Singapore and Thailand, and it is negative in the latter case. The fact that the correlation is negative and

significant for Thailand is perplexing (especially because the correlations were strong, positive, and significant for EXPY).

The heterogeneity of the correlations among the sample of countries is presumably a result of how important FDI is to each country and the sectors targeted by the FDI inflows. For example, FDI may be complementary to certain types of trade, and a substitute for others. The latter happens when FDI is motivated by the desire to reduce trade costs of exporting to the host country. On the other hand, if FDI is motivated by setting up production for exporting, then FDI and exports can move together.<sup>11</sup> In these kinds of models or empirical exercises, trade effects are measured in terms of quantitative impacts. On the other hand, the focus of the analysis here is on the complexity or productivity of trade. The correlations in Table IV.2 indicate that the higher income countries in the sample tend to have higher FDI being associated with more complex intermediate goods imports: these might be sophisticated engineering equipment, for example. For the lower income countries in the sample, the export impacts are more pronounced. In both cases, however, there is still unexplained variation across countries with similar income levels.

## **V. Conclusion**

In reviewing the development experience of several Asian economies, specifically with respect to their FDI, trade fragmentation and trade upgrading, we find that these countries have been relatively successful at upgrading the productivity level of their exports and their intermediate imports. Although we do not identify the causal link, it is clear that export and import productivity levels are highly correlated with GDP per capita. Whatever the causal link may be, we find that, for the Asian economies in our sample, intermediate export productivity

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<sup>11</sup> Blonigen (2001) finds evidence of substitution as well as complementarity between affiliate production and exports of Japanese automobile parts for the US market.

levels are converging; there are many successful cases of improved final goods export productivity levels; and there are strong positive trends for intermediate import productivity levels.

FDI may arguably be a driver for the upgrading of trade productivity levels, but the role varies by country. In general, for the less developed Asian economies in our sample, we find that FDI is highly correlated with the increases in productivity growth in exports. For the more developed Asian economies, however, this correlation tends to be higher for increases in productivity of intermediate imports.

Our findings have potential policy implications. First, FDI may play a significant role in technological upgrading and the sectors receiving this FDI may determine whether intermediate goods or other goods increase in productivity levels. Second, trade costs (especially tariffs and non-tariff barriers) may stunt the productivity levels of exports by increasing the costs of intermediates used by local producers or by discouraging FDI that seeks to take advantage of vertical specialization. Policymakers should take these possibilities into account when setting trade policies.

Future research can focus on several areas. For example, detailed econometric studies are needed to identify the causal link between FDI and technological upgrading of both imports and exports. This would involve identifying the specific sectors receiving FDI and to see if this FDI is indeed driving some of the patterns we identify in our analysis. Finally, it would also be interesting to disaggregate the data by trading partner. For example, in the case of exports, are higher technology goods destined for countries in the North or the South? Is this pattern different for intermediates versus other goods? And in the case of imports, what is the origin of the higher-

tech intermediate goods imports? Has trade fragmentation opened up new opportunities or new challenges for lesser developed countries? These are all questions worth exploring.

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## Figures and Tables

Figure II.1: PPP Converted GDP per capita, 1984-2000 (Constant 2005 US\$)

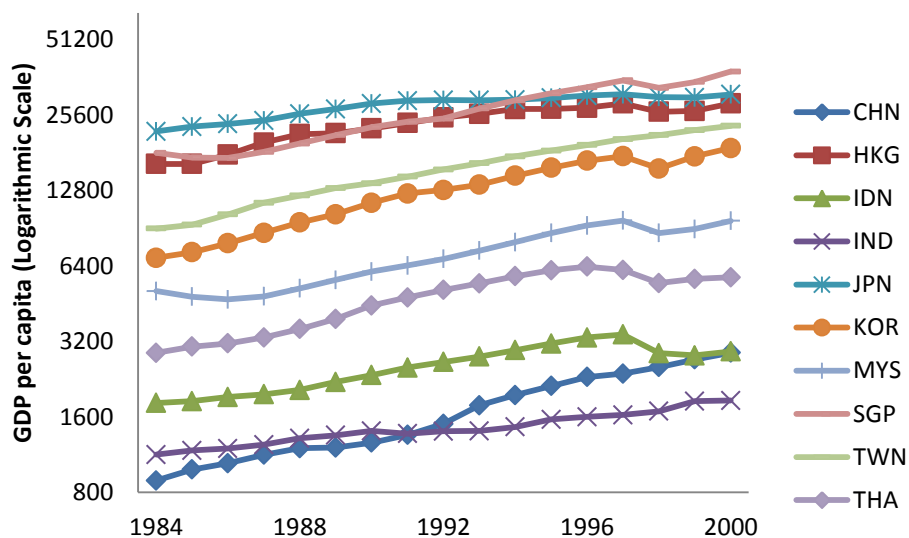
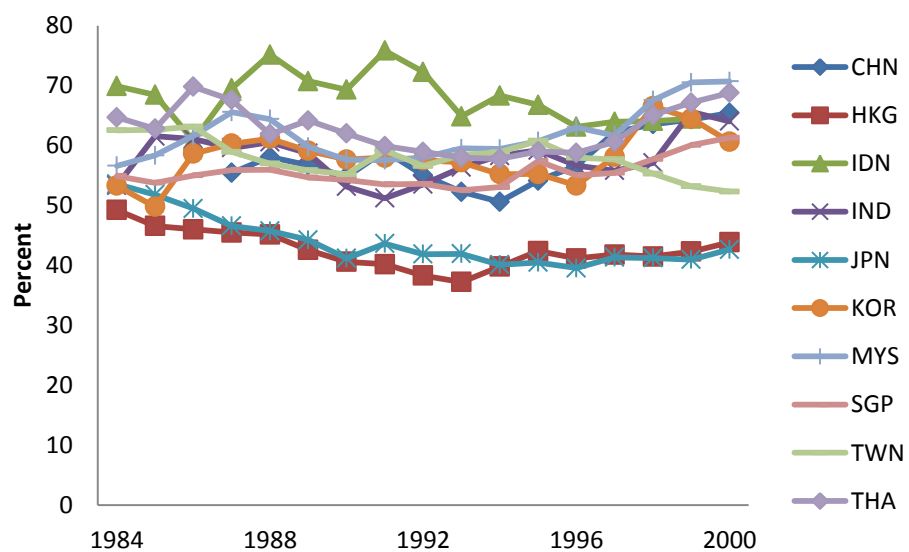
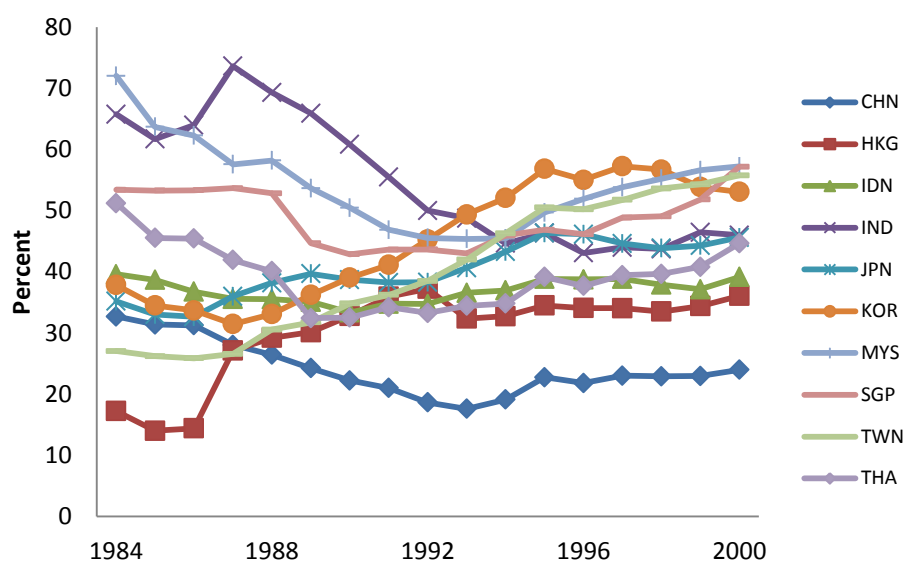


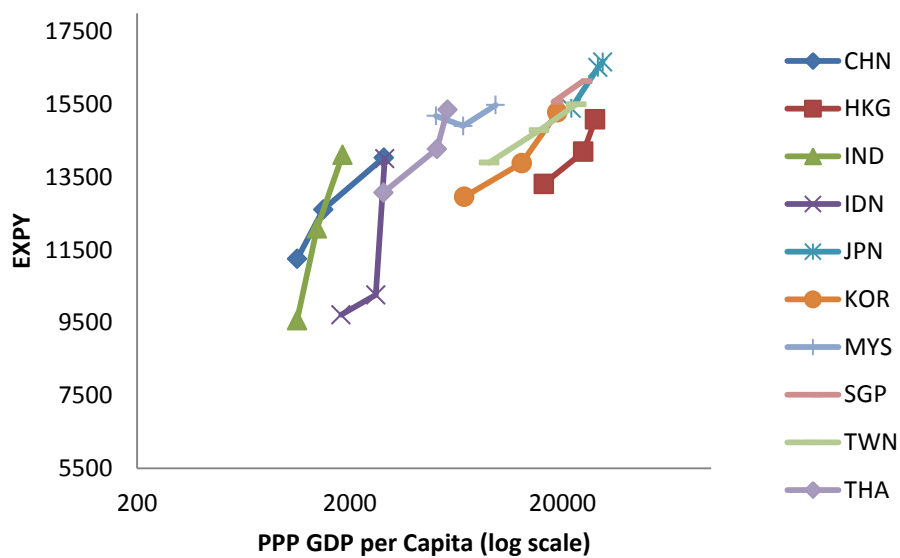
Figure II.2: Intermediate Imports in Manufacturing (share of Total Imports)



**Figure II.3: Intermediate Exports in Manufacturing (Share of Total Exports)**

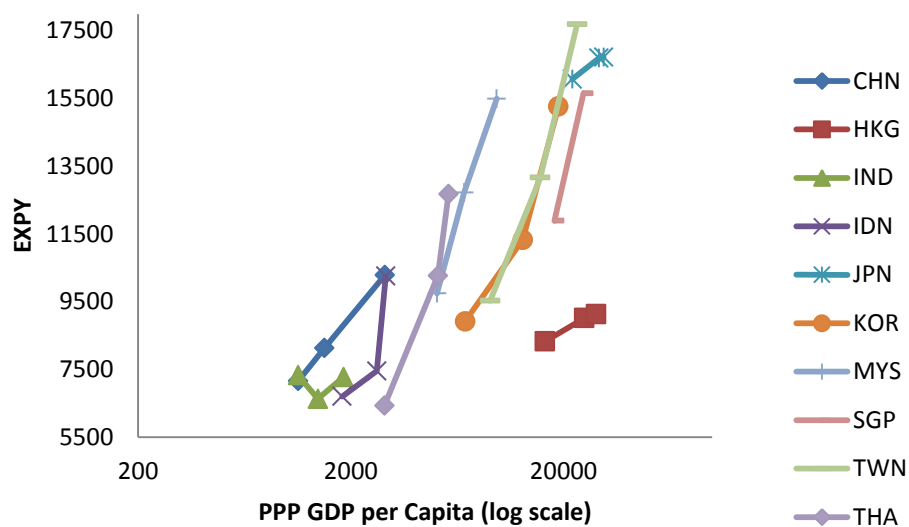


**Figure IV.1. Intermediate Exports Vs. GDP per capita (1984, 1992, and 2000)**

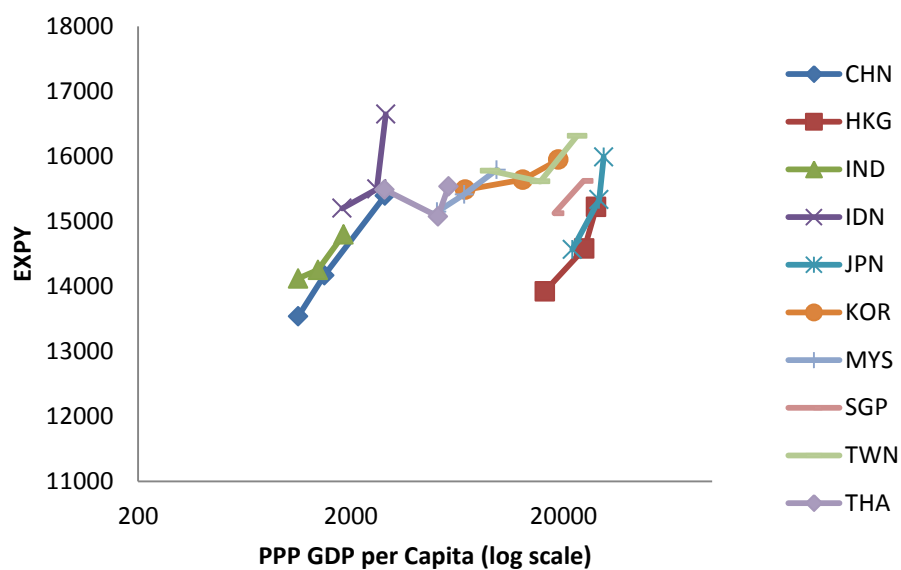




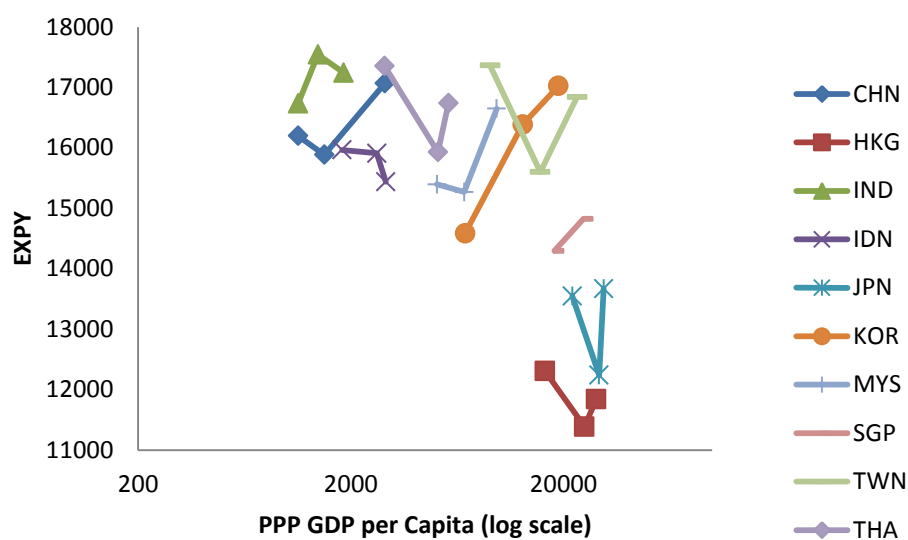
**Figure IV.2. EXPY for Other Exports Vs. GDP per capita (1984, 1992, and 2000)**



**Figure IV.3. IMPY for Intermediate Imports Vs. GDP per capita (1984, 1992, and 2000)**



**Figure IV.4. IMPY for Other Imports Vs. GDP per capita (1984, 1992, and 2000)**



**Figure IV.5 EXPY for Intermediate Exports**

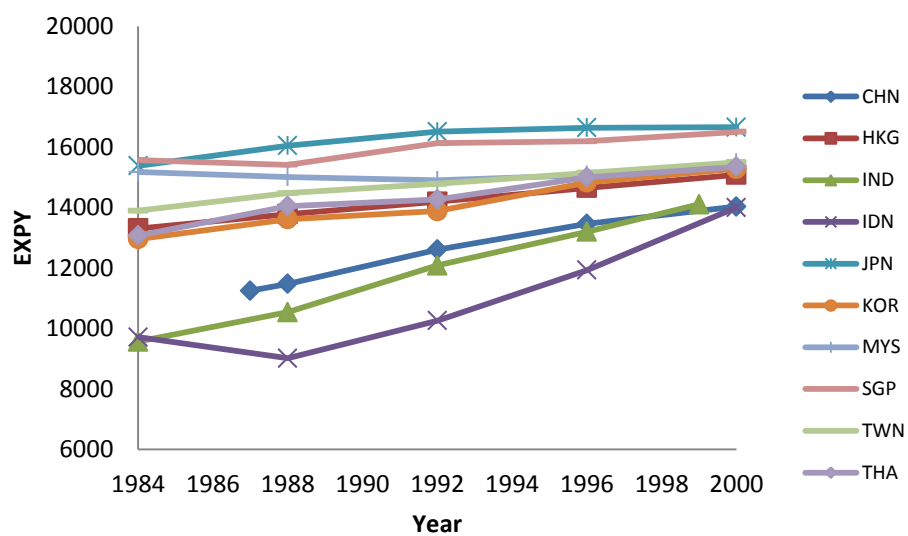


Figure IV.6. EXPY for Other Exports

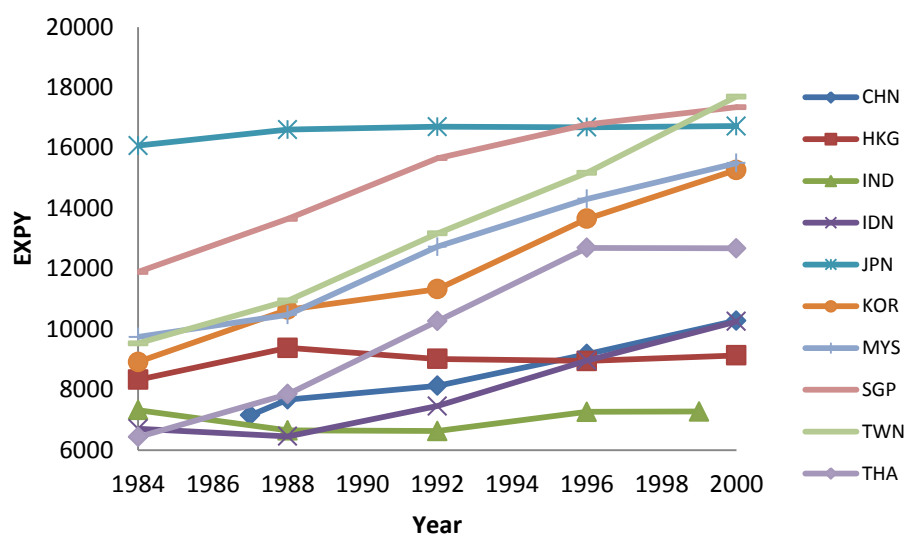


Figure IV.7. IMPY for Intermediate Imports

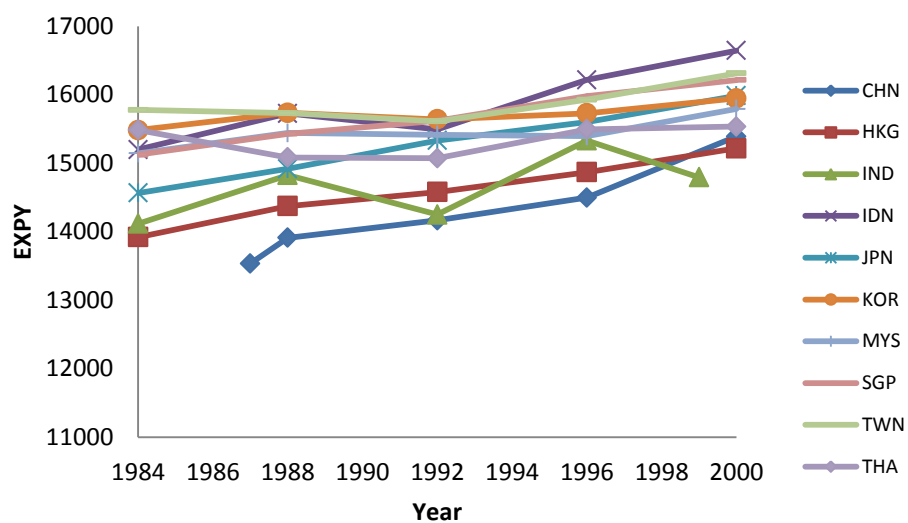
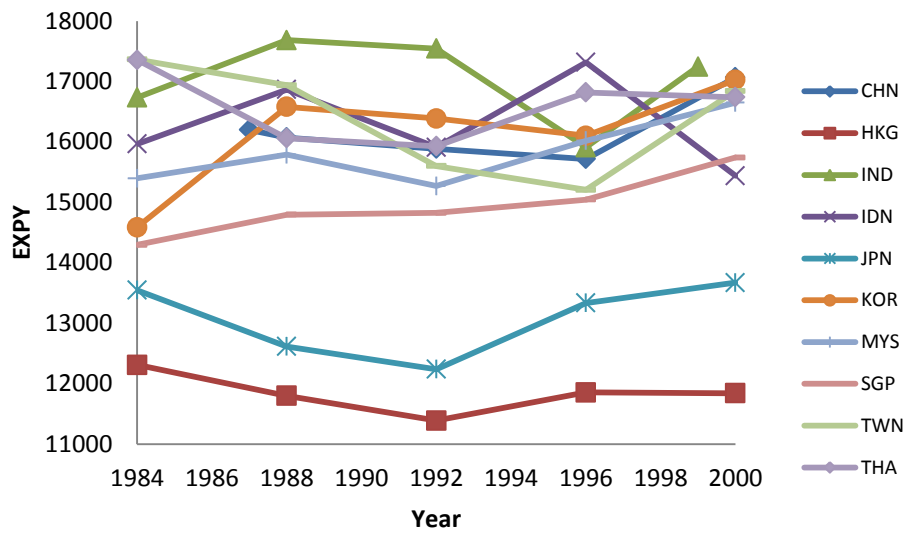


Figure IV.8. IMPY for Other Imports



**Table II.1. Share of Manufacturing in Total Exports and Imports**

| code | Exports |      |            | Imports |      |            |
|------|---------|------|------------|---------|------|------------|
|      | 1984    | 2000 | Difference | 1984    | 2000 | Difference |
| CHN  | 62      | 91   | 29         | 82      | 75   | (6)        |
| HKG  | 92      | 91   | (1)        | 75      | 86   | 11         |
| IDN  | 8       | 56   | 48         | 64      | 61   | (4)        |
| IND  | 38      | 61   | 22         | 43      | 35   | (8)        |
| JPN  | 96      | 96   | (0)        | 23      | 56   | 33         |
| KOR  | 90      | 90   | 0          | 55      | 61   | 6          |
| MYS  | 26      | 83   | 56         | 73      | 84   | 11         |
| SGP  | 50      | 82   | 32         | 53      | 81   | 28         |
| THA  | 29      | 76   | 47         | 59      | 75   | 16         |
| TWN  | 90      | 95   | 5          | 57      | 79   | 22         |

Note: Data for China starts in 1987 and data for India ends in from 1999

**Table II.2. Share of Intermediates in Manufacturing Exports and Imports**

| code | Exports |      |            | Imports |      |            |
|------|---------|------|------------|---------|------|------------|
|      | 1984    | 2000 | Difference | 1984    | 2000 | Difference |
| CHN  | 28      | 24   | (4)        | 55      | 65   | 10         |
| HKG  | 17      | 36   | 19         | 49      | 44   | (5)        |
| IDN  | 40      | 39   | (0)        | 70      | 64   | (5)        |
| IND  | 66      | 46   | (20)       | 53      | 64   | 11         |
| JPN  | 35      | 46   | 10         | 54      | 43   | (11)       |
| KOR  | 38      | 53   | 15         | 53      | 61   | 7          |
| MYS  | 72      | 57   | (15)       | 57      | 71   | 14         |
| SGP  | 53      | 57   | 4          | 55      | 61   | 6          |
| THA  | 51      | 45   | (7)        | 65      | 69   | 4          |
| TWN  | 27      | 56   | 29         | 63      | 52   | (10)       |

Note: Data for China starts in 1987 and data for India ends in from 1999

Table III.1. Current BEC and SNA classes of goods

| Classification by Broad Economic Categories  | Basic classes of goods in SNA |
|--|-------------------------------|
| <b>1 Food and beverages</b>  |                               |
| 11 Primary   |                               |
| 111 Mainly for industry  | Intermediate                  |
| 112 Mainly for household consumption   | Consumption                   |
| 12 – Processed   |                               |
| 121 Mainly for industry  | Intermediate                  |
| 122 Mainly for household consumption   | Consumption                   |
| <b>2 Industrial supplies not elsewhere specified</b>                                   |                               |
| 21 Primary   | Intermediate                  |
| 22 Processed   | Intermediate                  |
| <b>3 Fuels and lubricants</b>  |                               |
| 31 Primary   | Intermediate                  |
| 32 Processed   |                               |
| 321 Motor spirit   | Not classified                |
| 322 Other  | Intermediate                  |
| <b>4 Capital goods (except transport equipment), and parts and accessories thereof</b> |                               |
| 41 Capital goods (except transport equipment)  | Capital                       |
| 42 Parts and accessories   | Intermediate                  |
| <b>5 - Transport equipment and parts and accessories thereof</b>                       |                               |
| 51 Passenger motor cars  | Not classified                |
| 52 Other   |                               |
| 521 Industrial   | Capital                       |
| 522 Non-industrial   | Consumption                   |
| 53 Parts and accessories   | Intermediate                  |
| <b>6 Consumer goods not elsewhere specified</b>  |                               |
| 61 Durable   | Consumption                   |
| 62 Semi-durable  | Consumption                   |
| 63 Non-durable   | Consumption                   |
| <b>7 - Goods not elsewhere specified</b>   | Not classified                |

**Table IV.1. Correlation between GDP per capita and EXPY/IMPY in Manufacturing**

| Flow | Class | CHN     | HKG     | IDN     | IND     | JPN     | KOR     | MYS     | SGP     | TWN      | THA     |
|------|-------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|
| EXP  | I     | 0.9727* | 0.9025* | 0.7675* | 0.9622* | 0.9769* | 0.9778* | 0.2758  | 0.9128* | 0.9802*  | 0.9160* |
|      | O     | 0.9697* | 0.3693  | 0.8475* | 0.6002* | 0.9033* | 0.9726* | 0.9756* | 0.9368* | 0.9941*  | 0.9755* |
| IMP  | I     | 0.8999* | 0.9533* | 0.7096* | 0.3862  | 0.7433* | 0.5795* | 0.2013  | 0.9572* | 0.4053   | -0.0929 |
|      | O     | 0.5013  | -0.0032 | 0.4814  | 0.1582  | -0.1912 | 0.4661  | 0.4936* | 0.8721* | -0.6412* | -0.2575 |

\* 5% significance level

**Table IV.2. Correlation between FDI inflows (% of GDP) and EXPY/IMPY in Manufacturing**

| Flow | Class | CHN     | HKG     | IND     | JPN     | KOR     | MYS      | SGP     | TWN    | THA      |
|------|-------|---------|---------|---------|---------|---------|----------|---------|--------|----------|
| EXP  | I     | 0.7857* | 0.5085* | 0.8133* | 0.3735  | 0.6485* | -0.4826* | 0.3934  | 0.3451 | 0.5159*  |
|      | O     | 0.6644* | 0.1755  | 0.7942* | 0.2351  | 0.6952* | 0.5416*  | 0.4444  | 0.3500 | 0.5457*  |
| IMP  | I     | 0.4428  | 0.5229* | 0.4812  | 0.6982* | 0.7729* | -0.4194  | 0.5753* | 0.4705 | -0.3866  |
|      | O     | 0.0896  | 0.1316  | 0.1874  | 0.3964  | 0.3737  | 0.0236   | 0.6643* | 0.1566 | -0.4973* |

\* 5% significance level

Note: Data on FDI inflows (% GDP) for Indonesia is missing.

## Appendix

Table A1: Top Ten Exports in 1999

| country      | class | sitc2   | description                                       | value      | PRODY  |
|--------------|-------|---|---|------------|--------|
| China        | M     | 8942  | CHILDRENS TOYS,INDOOR GAMES,ETC.                  | 24,590,510 | 13,995 |
|              | O     | 8510  | FOOTWEAR  | 18,749,789 | 6,470  |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752- | 10,296,961 | 14,434 |
|              | O     | 8310  | TRAVEL GOODS,HANDBAGS,BRIEF-CASES,PURSES,SHEATHS  | 9,490,894  | 8,162  |
|              | O     | 8451  | JERSEYS,PULL-OVERS,TWINSETS,CARDIGANS,KNITTED     | 7,697,577  | 4,012  |
|              | O     | 7525  | PERIPHERAL UNITS,INCL.CONTROL & ADAPTING UNITS    | 7,297,261  | 14,228 |
|              | M     | 8939  | MISCELLANEOUS ART.OF MATERIALS OF DIV.58          | 5,559,173  | 18,789 |
|              | O     | 8439  | OTHER OUTER GARMENTS OF TEXTILE FABRICS           | 5,554,139  | 4,881  |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                | 5,283,397  | 15,621 |
| M            | 7712  | OTHER ELECTRIC POWER MACHINERY,PARTS OF 771-      | 4,936,128   | 13,050     |        |
| China HK SAR | I     | 7764  | ELECTRONIC MICROCIRCUITS                          | 4,275,384  | 17,052 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752- | 2,969,879  | 14,434 |
|              | O     | 8451  | JERSEYS,PULL-OVERS,TWINSETS,CARDIGANS,KNITTED     | 2,712,731  | 4,012  |
|              | O     | 8439  | OTHER OUTER GARMENTS OF TEXTILE FABRICS           | 1,676,353  | 4,881  |
|              | M     | 8851  | WATCHES,WATCH MOVEMENTS AND CASES                 | 1,519,618  | 22,093 |
|              | M     | 8942  | CHILDRENS TOYS,INDOOR GAMES,ETC.                  | 1,504,373  | 13,995 |
|              | O     | 8973  | JEWELLERY OF GOLD,SILVER OR PLATINUM              | 1,381,675  | 7,939  |
|              | O     | 8462  | UNDER GARMENTS,KNITTED OF COTTON                  | 1,086,441  | 4,521  |
|              | M     | 7788  | OTHER ELECT.MACHINERY AND EQUIPMENT               | 1,032,287  | 13,171 |
| I            | 6522  | COTTON FABRICS,WOVEN,BLEACH.MERCERIZ.DYED,PRINTED | 936,002   | 8,098      |        |
| India        | M     | 6513  | COTTON YARN                                       | 1,422,014  | 3,743  |
|              | O     | 8973  | JEWELLERY OF GOLD,SILVER OR PLATINUM              | 1,044,606  | 7,939  |
|              | O     | 6584  | BED LINEN,TABLE LINEN,TOILET & KITCHEN LINEN ETC. | 768,543    | 5,950  |
|              | O     | 8462  | UNDER GARMENTS,KNITTED OF COTTON                  | 755,072    | 4,521  |
|              | O     | 8441  | SHIRTS,MENS,OF TEXTILE FABRICS                    | 676,076    | 3,080  |
|              | O     | 8435  | BLOUSES OF TEXTILE FABRICS                        | 643,912    | 4,518  |
|              | O     | 8439  | OTHER OUTER GARMENTS OF TEXTILE FABRICS           | 571,569    | 4,881  |
|              | O     | 8481  | ART.OF APPAREL & CLOTHING ACCESSORIES,OF LEATHER  | 509,505    | 5,374  |
|              | M     | 5417  | MEDICAMENTS(INCLUDING VETERINARY MEDICAMENTS)     | 506,859    | 20,926 |
| I            | 6522  | COTTON FABRICS,WOVEN,BLEACH.MERCERIZ.DYED,PRINTED | 502,823   | 8,098      |        |
| Indonesia    | I     | 6342  | PLYWOOD CONSISTING OF SHEETS OF WOOD              | 2,735,111  | 6,861  |
|              | O     | 8510  | FOOTWEAR  | 1,865,958  | 6,470  |
|              | O     | 8219  | OTHER FURNITURE AND PARTS                         | 1,108,464  | 12,395 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752- | 912,272    | 14,434 |
|              | I     | 6412  | PRINTING PAPER & WRITING PAPER,IN ROLLS OR SHEETS | 887,605    | 22,352 |
|              | O     | 7525  | PERIPHERAL UNITS,INCL.CONTROL & ADAPTING UNITS    | 865,212    | 14,228 |
|              | O     | 7638  | OTHER SOUND RECORDERS AND REPRODUCERS             | 811,759    | 15,030 |
|              | I     | 6415  | PAPER AND PAPERBOARD,IN ROLLS OR SHEETS,N.E.S.    | 774,986    | 20,324 |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                | 749,020    | 15,621 |
| O            | 8439  | OTHER OUTER GARMENTS OF TEXTILE FABRICS           | 730,930   | 4,881      |        |
| Japan        | O     | 7810  | PASSENGER MOTOR CARS,FOR TRANSPORT OF PASS.& GOOD | 57,271,654 | 16,660 |
|              | I     | 7764  | ELECTRONIC MICROCIRCUITS                          | 24,731,586 | 17,052 |
|              | I     | 7849  | OTHER PARTS & ACCESSORIES OF MOTOR VEHICLES       | 14,698,404 | 19,647 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752- | 13,130,106 | 14,434 |
|              | M     | 7284  | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND. | 10,948,210 | 19,017 |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                | 10,225,946 | 15,621 |
|              | M     | 7788  | OTHER ELECT.MACHINERY AND EQUIPMENT               | 9,713,834  | 13,171 |
|              | O     | 7638  | OTHER SOUND RECORDERS AND REPRODUCERS             | 9,475,341  | 15,030 |
|              | O     | 7932  | SHIPS,BOATS AND OTHER VESSELS                     | 9,467,473  | 11,211 |
| O            | 7525  | PERIPHERAL UNITS,INCL.CONTROL & ADAPTING UNITS    | 8,991,797   | 14,228     |        |



|            |   |      |   |            |        |
|------------|---|------|---|------------|--------|
| Korea Rep. | I | 7764 | ELECTRONIC MICROCIRCUITS                              | 17,875,244 | 17,052 |
|            | O | 7810 | PASSENGER MOTOR CARS, FOR TRANSPORT OF PASS. & GOOD   | 9,372,667  | 16,660 |
|            | O | 7643 | RADIOTELEGRAPHIC & RADIOTELEPHONIC TRANSMITTERS       | 4,772,204  | 20,363 |
|            | O | 7932 | SHIPS, BOATS AND OTHER VESSELS                        | 4,640,971  | 11,211 |
|            | I | 7599 | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-, 752-    | 4,516,730  | 14,434 |
|            | O | 7525 | PERIPHERAL UNITS, INCL. CONTROL & ADAPTING UNITS      | 4,477,254  | 14,228 |
|            | I | 6531 | FABRICS, WOVEN OF CONTINUOUS SYNTH. TEXTIL. MATERIALS | 3,166,282  | 10,051 |
|            | O | 7524 | DIGITAL CENTRAL STORAGE UNITS, SEPARATELY CONSIGNED   | 3,140,025  | 16,289 |
|            | I | 7649 | PARTS OF APPARATUS OF DIVISION 76-                    | 2,399,884  | 15,621 |
|            | I | 6552 | KNITTED/CROCHETED FABRICS OF FIBRES OTH. THAN SYNTH   | 1,992,552  | 9,384  |
| Malaysia   | I | 7764 | ELECTRONIC MICROCIRCUITS                              | 16,619,652 | 17,052 |
|            | I | 7599 | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-, 752-    | 9,396,094  | 14,434 |
|            | O | 7524 | DIGITAL CENTRAL STORAGE UNITS, SEPARATELY CONSIGNED   | 4,986,819  | 16,289 |
|            | O | 7525 | PERIPHERAL UNITS, INCL. CONTROL & ADAPTING UNITS      | 2,553,217  | 14,228 |
|            | O | 7638 | OTHER SOUND RECORDERS AND REPRODUCERS                 | 2,182,045  | 15,030 |
|            | I | 7763 | DIODES, TRANSISTORS AND SIM. SEMI-CONDUCTOR DEVICES   | 2,138,164  | 12,103 |
|            | O | 7628 | OTHER RADIO-BROADCAST RECEIVERS                       | 1,964,173  | 12,516 |
|            | O | 7523 | COMPLETE DIGITAL CENTRAL PROCESSING UNITS             | 1,893,200  | 24,163 |
|            | I | 7649 | PARTS OF APPARATUS OF DIVISION 76-                    | 1,837,646  | 15,621 |
|            | O | 7611 | TELEVISION RECEIVERS, COLOUR                          | 1,582,574  | 14,250 |
| Singapore  | O | 7524 | DIGITAL CENTRAL STORAGE UNITS, SEPARATELY CONSIGNED   | 12,363,981 | 16,289 |
|            | I | 7764 | ELECTRONIC MICROCIRCUITS                              | 11,771,117 | 17,052 |
|            | I | 7599 | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-, 752-    | 8,273,697  | 14,434 |
|            | O | 7523 | COMPLETE DIGITAL CENTRAL PROCESSING UNITS             | 2,551,731  | 24,163 |
|            | O | 7525 | PERIPHERAL UNITS, INCL. CONTROL & ADAPTING UNITS      | 2,452,324  | 14,228 |
|            | I | 7768 | PIEZO-ELECTRIC CRYSTALS, MOUNTED, PARTS OF 776-       | 1,490,692  | 15,380 |
|            | O | 7528 | OFF-LINE DATA PROCESSING EQUIPMENT. N.E.S.            | 1,405,417  | 23,176 |
|            | I | 7649 | PARTS OF APPARATUS OF DIVISION 76-                    | 1,285,399  | 15,621 |
|            | M | 7788 | OTHER ELECT. MACHINERY AND EQUIPMENT                  | 1,238,413  | 13,171 |
|            | O | 8983 | GRAMOPHONE RECORDS AND SIM. SOUND RECORDINGS          | 1,205,298  | 25,318 |
| Taiwan     | I | 7599 | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-, 752-    | 13,294,784 | 14,434 |
|            | I | 7764 | ELECTRONIC MICROCIRCUITS                              | 13,201,899 | 17,052 |
|            | O | 7522 | COMPLETE DIGITAL DATA PROCESSING MACHINES             | 4,288,036  | 24,050 |
|            | O | 7525 | PERIPHERAL UNITS, INCL. CONTROL & ADAPTING UNITS      | 4,266,756  | 14,228 |
|            | O | 7523 | COMPLETE DIGITAL CENTRAL PROCESSING UNITS             | 3,878,125  | 24,163 |
|            | I | 7722 | PRINTED CIRCUITS AND PARTS THEREOF                    | 2,295,402  | 13,784 |
|            | I | 6552 | KNITTED/CROCHETED FABRICS OF FIBRES OTH. THAN SYNTH   | 2,101,460  | 9,384  |
|            | I | 6531 | FABRICS, WOVEN OF CONTINUOUS SYNTH. TEXTIL. MATERIALS | 1,965,487  | 10,051 |
|            | M | 7788 | OTHER ELECT. MACHINERY AND EQUIPMENT                  | 1,889,128  | 13,171 |
|            | M | 8939 | MISCELLANEOUS ART. OF MATERIALS OF DIV. 58            | 1,833,581  | 18,789 |
| Thailand   | O | 7524 | DIGITAL CENTRAL STORAGE UNITS, SEPARATELY CONSIGNED   | 4,211,867  | 16,289 |
|            | I | 7764 | ELECTRONIC MICROCIRCUITS                              | 3,510,486  | 17,052 |
|            | I | 7599 | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-, 752-    | 3,205,052  | 14,434 |
|            | O | 7525 | PERIPHERAL UNITS, INCL. CONTROL & ADAPTING UNITS      | 2,338,450  | 14,228 |
|            | O | 7821 | MOTOR VEHICLES FOR TRANSPORT OF GOODS/MATERIALS       | 1,107,166  | 16,254 |
|            | I | 7649 | PARTS OF APPARATUS OF DIVISION 76-                    | 1,057,604  | 15,621 |
|            | O | 8973 | JEWELLERY OF GOLD, SILVER OR PLATINUM                 | 1,030,814  | 7,939  |
|            | M | 7415 | AIR CONDITIONING MACH. SELF-CONTAINED AND PARTS       | 1,020,753  | 16,787 |
|            | O | 7611 | TELEVISION RECEIVERS, COLOUR                          | 968,940    | 14,250 |
|            | O | 8510 | FOOTWEAR  | 911,503    | 6,470  |

Table A2: Top Ten Imports in 1999

| country      | class | sitc2 | description  | value      | PRODY  |
|--------------|-------|-------|--|------------|--------|
| China        | I     | 7764  | ELECTRONIC MICROCIRCUITS                           | 7,532,605  | 17,052 |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                 | 5,363,549  | 15,621 |
|              | M     | 7284  | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 4,048,955  | 19,017 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 3,788,179  | 14,434 |
|              | I     | 5833  | POLYSTYRENE AND ITS COPOLYMERS                     | 2,583,205  | 19,903 |
|              | I     | 7721  | ELECT.APP.SUCH AS SWITCHES.RELAYS,FUSES,PWGS ETC.  | 2,283,884  | 14,682 |
|              | I     | 6531  | FABRICS,WOVEN OF CONTINUOUS SYNTH.TEXTIL.MATERIALS | 2,247,753  | 10,051 |
|              | O     | 7924  | AIRCRAFT EXCEEDING AN UNLADEN WEIGHT OF 15000 KG   | 2,240,222  | 12,637 |
|              | M     | 7788  | OTHER ELECT.MACHINERY AND EQUIPMENT                | 2,184,398  | 13,171 |
|              | I     | 6746  | SHEETS & PLATES.ROLLED:THICKNESS OF LESS THAN 3MM. | 2,180,581  | 12,025 |
| China HK SAR | I     | 7764  | ELECTRONIC MICROCIRCUITS                           | 9,197,478  | 17,052 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 6,878,303  | 14,434 |
|              | M     | 8942  | CHILDRENS TOYS,INDOOR GAMES,ETC.                   | 6,136,434  | 13,995 |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                 | 5,010,606  | 15,621 |
|              | O     | 8510  | FOOTWEAR   | 4,960,661  | 6,470  |
|              | O     | 8310  | TRAVEL GOODS,HANDBAGS,BRIEF-CASES,PURSES,SHEATHS   | 3,532,912  | 8,162  |
|              | M     | 8851  | WATCHES,WATCH MOVEMENTS AND CASES                  | 2,866,234  | 22,093 |
|              | O     | 7643  | RADIOTELEGRAPHIC & RADIOTELEPHONIC TRANSMITTERS    | 2,755,613  | 20,363 |
|              | O     | 8451  | JERSEYS,PULL-OVERS,TWINSETS,CARDIGANS,KNITTED      | 2,664,494  | 4,012  |
|              | M     | 7712  | OTHER ELECTRIC POWER MACHINERY,PARTS OF 771-       | 2,225,244  | 13,050 |
| India        | I     | 5222  | INORGANIC ACIDS AND OXYGEN COMPOUNDS OF NON-METAL  | 924,435    | 4,738  |
|              | I     | 5629  | FERTILIZERS,N.E.S.                                 | 660,715    | 7,131  |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 432,886    | 14,434 |
|              | I     | 7849  | OTHER PARTS & ACCESSORIES OF MOTOR VEHICLES        | 356,810    | 19,647 |
|              | I     | 5623  | MINERAL OR CHEMICAL FERTILIZERS,POTASSIC           | 339,131    | 6,173  |
|              | I     | 5112  | CYCLIC HYDROCARBONS                                | 318,569    | 17,291 |
|              | O     | 8983  | GRAMOPHONE RECORDS AND SIM.SOUND RECORDINGS        | 318,389    | 25,318 |
|              | O     | 7932  | SHIPS,BOATS AND OTHER VESSELS                      | 297,038    | 11,211 |
|              | O     | 7938  | TUGS,SPECIAL PURPOSE VESSELS,FLOATING STRUCTURES   | 268,552    | 9,027  |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                 | 256,785    | 15,621 |
| Indonesia    | I     | 5112  | CYCLIC HYDROCARBONS                                | 474,619    | 17,291 |
|              | I     | 5111  | ACYCLIC HYDROCARBONS                               | 306,753    | 17,334 |
|              | I     | 7849  | OTHER PARTS & ACCESSORIES OF MOTOR VEHICLES        | 296,772    | 19,647 |
|              | I     | 5989  | CHEMICAL PRODUCTS AND PREPARATIONS,N.E.S.          | 283,198    | 18,135 |
|              | I     | 5121  | ACYCLIC ALCOHOLS & THEIR HALOGENATED,DERIVATIVES   | 245,741    | 15,580 |
|              | M     | 7284  | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 222,606    | 19,017 |
|              | O     | 7938  | TUGS,SPECIAL PURPOSE VESSELS,FLOATING STRUCTURES   | 217,835    | 9,027  |
|              | O     | 7821  | MOTOR VEHICLES FOR TRANSPORT OF GOODS/MATERIALS    | 210,690    | 16,254 |
|              | I     | 6782  | SEAMLESSTUBES AND PIPES,BLANKS FOR TUBES & PIPES   | 196,176    | 7,611  |
|              | O     | 7234  | CONSTRUCTION AND MINING MACHINERY,N.E.S.           | 195,787    | 15,514 |
| Japan        | I     | 7764  | ELECTRONIC MICROCIRCUITS                           | 11,926,291 | 17,052 |
|              | I     | 7599  | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 6,881,834  | 14,434 |
|              | O     | 7810  | PASSENGER MOTOR CARS,FOR TRANSPORT OF PASS.& GOOD  | 6,213,942  | 16,660 |
|              | O     | 7924  | AIRCRAFT EXCEEDING AN UNLADEN WEIGHT OF 15000 KG   | 4,220,178  | 12,637 |
|              | O     | 7523  | COMPLETE DIGITAL CENTRAL PROCESSING UNITS          | 4,072,387  | 24,163 |
|              | I     | 7649  | PARTS OF APPARATUS OF DIVISION 76-                 | 3,444,135  | 15,621 |
|              | O     | 7524  | DIGITAL CENTRAL STORAGE UNITS,SEPARATELY CONSIGNED | 3,394,213  | 16,289 |
|              | O     | 8451  | JERSEYS,PULL-OVERS,TWINSETS,CARDIGANS,KNITTED      | 3,047,889  | 4,012  |
|              | O     | 8310  | TRAVEL GOODS,HANDBAGS,BRIEF-CASES,PURSES,SHEATHS   | 2,664,623  | 8,162  |
|              | O     | 8510  | FOOTWEAR   | 2,581,682  | 6,470  |

|            |      |                                     |  |            |        |
|------------|------|-------------------------------------|--|------------|--------|
| Korea Rep. | I    | 7764                                | ELECTRONIC MICROCIRCUITS                           | 13,540,410 | 17,052 |
|            | M    | 7284                                | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 2,154,851  | 19,017 |
|            | I    | 7599                                | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 1,815,882  | 14,434 |
|            | I    | 7649                                | PARTS OF APPARATUS OF DIVISION 76-                 | 1,794,350  | 15,621 |
|            | I    | 5989                                | CHEMICAL PRODUCTS AND PREPARATIONS,N.E.S.          | 1,382,362  | 18,135 |
|            | M    | 7788                                | OTHER ELECT.MACHINERY AND EQUIPMENT                | 1,341,709  | 13,171 |
|            | I    | 7763                                | DIODES,TRANSISTORS AND SIM.SEMI-CONDUCTOR DEVICES  | 1,339,290  | 12,103 |
|            | I    | 7721                                | ELECT.APP.SUCH AS SWITCHES,RELAYS,FUSES,PWGS ETC.  | 1,319,443  | 14,682 |
|            | I    | 7768                                | PIEZO-ELECTRIC CRYSTALS,MOUNTED,PARTS OF 776-      | 1,212,723  | 15,380 |
|            | M    | 8710                                | OPTICAL INSTRUMENTS AND APPARATUS                  | 1,058,776  | 16,677 |
| Malaysia   | I    | 7768                                | PIEZO-ELECTRIC CRYSTALS,MOUNTED,PARTS OF 776-      | 9,191,687  | 15,380 |
|            | I    | 7764                                | ELECTRONIC MICROCIRCUITS                           | 8,325,827  | 17,052 |
|            | I    | 7599                                | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 2,519,590  | 14,434 |
|            | I    | 7649                                | PARTS OF APPARATUS OF DIVISION 76-                 | 1,690,317  | 15,621 |
|            | M    | 7788                                | OTHER ELECT.MACHINERY AND EQUIPMENT                | 1,298,959  | 13,171 |
|            | I    | 7722                                | PRINTED CIRCUITS AND PARTS THEREOF                 | 1,216,008  | 13,784 |
|            | I    | 7721                                | ELECT.APP.SUCH AS SWITCHES,RELAYS,FUSES,PWGS ETC.  | 1,143,346  | 14,682 |
|            | M    | 7284                                | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 1,140,345  | 19,017 |
|            | I    | 7763                                | DIODES,TRANSISTORS AND SIM.SEMI-CONDUCTOR DEVICES  | 999,865    | 12,103 |
|            | O    | 7810                                | PASSENGER MOTOR CARS,FOR TRANSPORT OF PASS.& GOOD  | 886,831    | 16,660 |
| Singapore  | I    | 7764                                | ELECTRONIC MICROCIRCUITS                           | 17,784,221 | 17,052 |
|            | I    | 7599                                | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 9,063,500  | 14,434 |
|            | O    | 7524                                | DIGITAL CENTRAL STORAGE UNITS,SEPARATELY CONSIGNED | 3,258,148  | 16,289 |
|            | I    | 7649                                | PARTS OF APPARATUS OF DIVISION 76-                 | 2,822,151  | 15,621 |
|            | I    | 7768                                | PIEZO-ELECTRIC CRYSTALS,MOUNTED,PARTS OF 776-      | 2,289,477  | 15,380 |
|            | M    | 7788                                | OTHER ELECT.MACHINERY AND EQUIPMENT                | 2,274,292  | 13,171 |
|            | I    | 7721                                | ELECT.APP.SUCH AS SWITCHES,RELAYS,FUSES,PWGS ETC.  | 1,931,954  | 14,682 |
|            | M    | 7284                                | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 1,870,827  | 19,017 |
|            | I    | 7763                                | DIODES,TRANSISTORS AND SIM.SEMI-CONDUCTOR DEVICES  | 1,659,250  | 12,103 |
|            | O    | 8983                                | GRAMOPHONE RECORDS AND SIM.SOUND RECORDINGS        | 1,602,773  | 25,318 |
| Taiwan     | I    | 7764                                | ELECTRONIC MICROCIRCUITS                           | 14,275,299 | 17,052 |
|            | O    | 7524                                | DIGITAL CENTRAL STORAGE UNITS,SEPARATELY CONSIGNED | 6,301,691  | 16,289 |
|            | M    | 7284                                | MACH.& APPLIANCES FOR SPEZIALIZED PARTICULAR IND.  | 4,671,837  | 19,017 |
|            | I    | 7599                                | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 2,184,552  | 14,434 |
|            | M    | 7416                                | MACH.PLANT & SIM.LAB.EQUIP.INVOLV.A TEMP.CHANGE    | 1,840,257  | 13,071 |
|            | I    | 7721                                | ELECT.APP.SUCH AS SWITCHES,RELAYS,FUSES,PWGS ETC.  | 1,730,691  | 14,682 |
|            | I    | 5989                                | CHEMICAL PRODUCTS AND PREPARATIONS,N.E.S.          | 1,706,517  | 18,135 |
|            | I    | 7763                                | DIODES,TRANSISTORS AND SIM.SEMI-CONDUCTOR DEVICES  | 1,691,680  | 12,103 |
|            | I    | 6725                                | BLOOMS,BILLETS,SLABS & SHEET BARS OF IRON OR STEEL | 1,609,921  | 7,648  |
| M          | 7788 | OTHER ELECT.MACHINERY AND EQUIPMENT | 1,493,057  | 13,171     |        |
| Thailand   | I    | 7768                                | PIEZO-ELECTRIC CRYSTALS,MOUNTED,PARTS OF 776-      | 2,664,272  | 15,380 |
|            | I    | 7599                                | PARTS OF AND ACCESSORIES SUITABLE FOR 751.2-,752-  | 2,239,371  | 14,434 |
|            | I    | 7764                                | ELECTRONIC MICROCIRCUITS                           | 2,202,747  | 17,052 |
|            | O    | 7924                                | AIRCRAFT EXCEEDING AN UNLADEN WEIGHT OF 15000 KG   | 1,611,338  | 12,637 |
|            | I    | 6997                                | ARTICLES OF IRON OR STEEL, N.E.S.                  | 1,329,656  | 14,589 |
|            | I    | 7721                                | ELECT.APP.SUCH AS SWITCHES,RELAYS,FUSES,PWGS ETC.  | 1,003,479  | 14,682 |
|            | M    | 7788                                | OTHER ELECT.MACHINERY AND EQUIPMENT                | 872,248    | 13,171 |
|            | M    | 8939                                | MISCELLANEOUS ART.OF MATERIALS OF DIV.58           | 811,267    | 18,789 |
|            | I    | 7761                                | TELEVISION PICTURE TUBES,CATHODE RAY               | 803,673    | 12,841 |
|            | I    | 7849                                | OTHER PARTS & ACCESSORIES OF MOTOR VEHICLES        | 679,681    | 19,647 |