

Notes

Introduction

1. *China Statistical Yearbook 1997*, p 603.
2. Shanghai, while a city has been accorded provincial status by the State Council as has Beijing and Tianjin. This status was also extended to Chongqing in 1997.
3. *China Statistical Yearbook 1997*, p 603.
4. Asian Development Bank, (1995) *Key Indicators of Developing Asian and Pacific Countries*, XXVI, pp 118–9; *Ibid.*, 1996.
5. *Statistical Yearbook of Guangdong 1996*, p 349.
6. East Asia Analytical Unit, *Overseas Chinese Business Networks in Asia*, pp 198–9.
7. *China Statistical Yearbook 1997*, p 609.
8. *China Statistical Yearbook 1996*, pp 594–6; *Ibid.*, 1997, pp 602–4.
9. China's Latest Economic Statistics, December 1995, pp 24–6; China's *Customs Statistics Monthly* (1997) 9, pp 18–19.
10. *China Foreign Economic Statistical Yearbook 1994*, pp 165, 173.

Chapter 1

1. Charlene Barshefsky, Statement before the US Senate Foreign Relations Committee subcommittee on East Asian and Pacific Affairs, 29 November 1995; D. Hughes and S. Yim, *South China Morning Post International Weekly*, 18 Nov 1995, p B1; D. Hughes, *South China Morning Post International Weekly*, 14 Oct 1995, p B1.
2. Taken alone, Thailand's exports have grown faster than China's since 1985 but starting from the very low base of US\$7.1 billion in that year.
3. *China Statistical Yearbook 1995*, p 538.
4. *International Business*, 13 Jan 1996, p 1; *China Statistical Yearbook 1995*, p 538.
5. *International Business*, 13 Jan 1996, p 1; China's *Customs Statistics Monthly*, 9.1997, pp 8–9.
6. *Ibid.*; since then their overall share of China's exports has fallen (23 per cent in 1997) but they continue to be well ahead of garments (17.6 per cent) as the leading export category (China's *Customs Statistics Monthly*, 9. 1997, pp 8–9).
7. This trend appeared to be reversed in 1997 when exports of garments to Hong Kong and North America again accelerated (*Ibid.*). We, however, doubt that this is a longer-term trend.
8. *Ibid.*, pp 8–9
9. Xinhua News Agency, Beijing relayed in BBC, SWB FEW/0426 13 Mar 1996, WG/4.

10. Yan Shanping, 'Export-Oriented Rural Enterprises', *Jetro China Newsletter*, 118, Sept–Oct 1995, p 10.
11. *Ibid.*, p 9; even with the exclusion of foreign-invested enterprises in rural areas from the statistics, domestic rural industry was contributing 40 per cent of total industrial output in 1995 (*China Statistical Yearbook 1996*, p 401). Although the statistical basis was changed making comparison difficult, 1996 data would tend to suggest this trend has continued with domestic rural industry contributing over 43 per cent of industrial output value (*China Statistical Yearbook 1997*, p 411). With the output of foreign-invested enterprises in the rural areas, rural industry now clearly contributes a majority of total output. At the same time the contribution of the state sector continues to fall – to 28 per cent in 1996 (*ibid.*).
12. Yan Shanping, *op. cit.*, pp note 10–11.
13. China's *Customs Statistics Monthly*, 9.1997; FIEs contributed more than 63 per cent in 1996 (*China Statistical Yearbook 1997*, pp 603–4).
14. Shanghai, Beijing and Tianjin are in this category.
15. Yan Shanping, *op. cit.*, note 10 *JETRO China Newsletter*, 118, Sept–Oct 1995, p 10.
16. Overholt, 1993, pp 189–93.

Chapter 2

1. Lardy, 1992, pp 37–9.
2. The clearest expression of this was by Ye Jizhuang, Minister of Foreign Trade in 1955, cited *ibid.*, p 16.
3. Chan (ed), 1986, pp 32–3.
4. *China Today: Foreign Trade*, Book 1, pp 72–3 (Contemporary China Publishing House, Beijing, 1992) (in Chinese).
5. *Ibid.*, p 73.
6. Nicholas Lardy, 1992, pp 52–3.
7. *Ibid.*, p 73–4.
8. Chan, 1986, p 36–7.
9. World Bank, 1986 (in Chinese).
10. *China Today: Foreign Trade*, Book 1, pp 73–4.
11. Lardy, 1992, p 79.
12. *China Today: Foreign Trade*, Book 1, pp 207–8.
13. *Ibid.*, p 76–8.
14. Chan Man-hung, 1989.
15. *Ibid.*
16. Zhu Wenhui, An Analysis of China's Export Growth 1978–1996, PhD thesis submitted to the Peoples' University, Beijing, 1997, p 52 (in Chinese).
17. Bian Zhen Hu, 1996, pp 1–2.
18. Yang Fan, 'Consideration of the Export Situation', *Capital Economy*, Oct 1995, pp 14–16.
19. Bian Zhen Hu, 1996, p 3.

20. Zhu Wenhui, 'The Export Tax Rebate and China's Foreign Trade Reform', *Wide Angle*, Jan 1996, p 50, (in Chinese).
21. *Ibid.*, pp 50–2.
22. For a more detailed study of the process of marketization of the foreign trade regime see Zhu Wenhui, *op. cit.*, note 16.
23. In 1991, Ministry of Agriculture research suggested the average Chinese farming family had no more than 100 days work a year.
24. An important case in point is Hong Kong's VTech Holdings, an important listed company involved in mobile phones and laptop computers, which has established R and D facilities in Dongguan county and which employs more than 100 computer engineers in this facility.
25. Two very prominent new railway lines are the Beijing–Shenzhen line opened in September 1996 and to be extended to Kowloon in 1997 and the Guangzhou–Shantou line via Meizhou, which links the Guangdong capital with the Shantou SEZ by way of the northern mountainous region and the Han River Valley.
26. *Statistical Yearbook of Guangdong 1993*, p 351; Fujian's Statistical Yearbook 1994, p 290.
27. *Statistical Yearbook of Guangdong 1993*, p 351.
28. *Ibid.*
29. Wang Xue Ming, 1992, pp 19–21.
30. Sung Yun-wing, *et al.*, 1995.
31. *Ibid.*, p 26.
32. Oei Hong Leong entered into a joint venture in 1992 with the city government through his Hong Kong listed company China Strategic Investments to take a 60 per cent share and management rights in the 41 state-owned companies in the city (*Corporate International's Company Handbook*, June 1994, p 55). Oei is the eldest son of the founder of the Indonesian based conglomerate, Sinar Mas, considered the third largest private business group in Indonesia.
33. By the end of 1993, the Quanzhou region had attracted US\$1.18 billion in foreign investment in 4000 ventures almost all of it from Chinese diaspora sources (Fujian's Statistical Yearbook 1994, p 320).
34. China's *Customs Statistics Monthly*, 12, 1994; 12, 1995.
35. *Statistical Yearbook of Guangdong*, 1993; 1994; 1995.
36. Tracy, 1994.
37. *Statistical Yearbook of Guangdong*, 1993; 1994; 1995.
38. Overholt, 1993, pp 189–91.
39. Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, 1995, pp 116–17.
40. *Taiwan Statistical Yearbook*, 1995.
41. *JETRO China Newsletter*, 118, Sept–Oct 1995, p 21.
42. Satoshi Imai, 'Comparison of Western, Overseas Chinese and Japanese Ventures', *JETRO China Newsletter*, 119, Nov–Dec 1995, p 18.
43. These findings are commented on in Christensen and Lever-Tracy, 1997.
44. Satoshi Imai, *op. cit.*, note 42, p 23.
45. *Ibid.*, p 18.

Chapter 3

1. *A Statistical Survey of China 1996*, p 109.
2. In 1978 Shanghai contributed 12.1 per cent of Chin'a Industrial Output Value and Guangdong 4.7 per cent, see Yeung and Sung, *Shanghai*, Chinese University Press, 1996, pp 42–3.
3. While it is hard to find concrete evidence for this, it is common knowledge in both Chinese and British government circles.
4. *Shenzhen Statistical Yearbook 1995*, p 398.
5. Zhu Wenhui, 'The Development of Foreign Investment in China', *Wide Angle*, May 1996 (in Chinese).
6. While this is nominally true we would advise some caution in interpreting this ratio because the export data includes not only the value of exported goods produced in Guangdong but also the value of the 'inner entrepot' trade and the grossed up value of the 'processing trade' exports. A much more realistic figure for net exports from Guangdong is provided by the provincial government. They calculated net exports, goods plus the value added of the 'processing trade' at US\$10.56 billion in 1990. This provides a much more accurate exports to GDP ratio of 34 per cent, still a very high figure and consistent with an export-oriented industrialization strategy.
7. *Statistical Yearbook of Guangdong 1995*, p 203.
8. *Ibid.*, p 354.
9. While the Chinese Customs Service insists on grossing up the value of this sub-contracting trade, the Provincial Government in Guangdong recorded them in its data only in terms of net value added until 1993. The result was a wide discrepancy in the recorded value of exports from the two sources.
10. *Statistical Yearbook of Guangdong 1995*, p 356.
11. Asian Development Bank, *Key Indicators of Developing Asia-Pacific Economies 1995*.
12. *Statistical Yearbook of Shenzhen 1995*, p 398.
13. *Statistical Yearbook of Guangdong*, various years; *Hong Kong Chamber of Manufacturers, Hong Kong Manufacturing Investment in China*, 1993.
14. *Statistical Yearbook of Guangdong 1995*, p 358.
15. Overholt, *China: The Next Economic Superpower*, p 124.
16. Interview in Shenzhen by Zhu Wenhui.
17. *South China Morning Post*, 2 July 1994, p B4.
18. *Statistical Yearbook of Guangdong 1995*, pp 358–9.
19. *Ibid.*, p 358; *Statistical Yearbook of Guangdong 1994*, p 308.
20. *China's Customs Statistics Monthly*, 6, 1996; *Guangdong Socioeconomic Statistics Monthly*, 5, May 1996, p 34.
21. *South China Morning Post*, 4 Sept 1996, p Business 1.
22. *Ibid.*
23. Many of the largest Japanese corporations have production facilities in Shenzhen including Hitachi and Sanyo but penetration beyond the SEZs is limited.
24. *Statistical Yearbook of Guangdong 1996*, p 129.

25. *Hong Kong Economic Times*, 12 Aug, 1996.
26. *Sunday Morning Post*, 25 Aug 1996, p Money2.
27. See Lever-Tracy *et al.*, 1996; and Yamaguchi, 1993 for a more substantial discussion of this phenomena.
28. *China Statistical Yearbook 1997*, p 609.
29. See Tracy, 1994, for a substantive analysis of the origins of foreign capital in Guangdong.
30. IMF, 1996 reported that Hong Kong was the fourth largest source of foreign investment in 1995 trailing only the United States, Britain and Germany.
31. An example of this is the development in Hong Kong of the first multi-lingual and the first regional (as opposed to national) paging systems, in both cases building on existing technology.
32. A very interesting perspective on Hong Kong's alternative route to late development is provided by Tai-lok Lui and Stephen Chiu, 'Merchants, Small Employers and a Non-Interventionist State: Hong Kong as a Case of Unorganised Late Industrialisation', in John Borrego *et al.* (eds), *Capital, the State and Late Industrialisation: Comparative Perspectives on the Pacific Rim*, Boulder, Westview, 1996, pp 221-46; supply side analyses also tend to overlook the fact that there is often far greater profit in financing and distribution than in production. In this respect Hong Kong's distribution technologies are probably unequalled.
33. Industrial output in the first nine months of 1997 was up 18 per cent, substantially higher than in Eastern or Northeastern China (*Guangdong Socioeconomic Statistics Monthly*, 9, 1997, p 46).
34. In the first nine months of 1997, exports from China to Hong Kong grew at 39 per cent and to the United States at 27 per cent (China's *Customs Statistics Monthly*, 9, 1997, pp 4-7).
35. *Guangdong Socioeconomic Statistics Monthly*, 9, 1997, p 34.
36. Interview with Taiwanese entrepreneurs in Hong Kong, April 1996. Acer, the largest Taiwanese computer manufacturer, has also established a large facility in the province.

Chapter 4

1. This is based on the accepted international norm of grossing up the value of the processing industries. Even if you use the method we prefer of only including the net added value of these industries, in which imported components comprise the bulk of export value, the exports to GDP ratio would still be a very high 68.9 per cent.
2. While it is fairly simple for the Chinese authorities to disentangle and correctly identify Western and Japanese investments routed through Hong Kong registered companies, this is much more difficult in the case of ethnic Chinese-owned companies be they from Taiwan, Southeast Asia, North America or Australasia.
3. Since 1989, the annual official statistics have consistently shown Hong Kong as the largest investor with between 55 per cent and 65 per cent of total foreign direct investment (*Fujian's Statistical Yearbook 1995*, p 300).

4. See data published in Lever-Tracy *et al.*, 1996.
5. *Fujian's Statistical Yearbook 1995*, p 288.
6. Neither source has contributed more than about 2 per cent of the province's FDI (*Fujian's Statistical Yearbook 1995*, p 300).
7. *Fujian's Statistical Yearbook 1994; 1995; Statistical Yearbook of Guangdong 1995*, p 359.
8. In 1996, FDI into Fujian was the same as in 1995 at US\$4.0 billion (*China Statistical Yearbook 1997*, p 608).
9. *China Statistical Yearbook 1996*, p 601.
10. In the general export slowdown in 1996, which effected China as a whole, exports only grew at 1–2 per cent in Guangdong while in the Yangtze Delta they grew at more than 7 per cent (*China Statistical Yearbook 1997*, p 603).
11. *Ibid.*, p 603; China's Customs Statistics Monthly, 9, 1997, pp 18–19; 22–23.
12. *Statistical Yearbook of Jiangsu 1995*, p 226.
13. The data is supported by fieldwork studies conducted by the authors in Guangdong, Fujian and Jiangsu, which found that many joint ventures in Jiangsu were locally managed, quite unlike the situation in the Pearl River Delta and the Xiamen regions.
14. *China Foreign Economical Statistical Yearbook 1994*, pp 303–306.
15. *Statistical Yearbook of Jiangsu 1995*, pp 323–325; and previous years.
16. *A Statistical Survey of China 1996*, pp 76–7.
17. Christensen and Lever-Tracy, 1997.
18. *China Statistical Yearbook 1986*, p 56.
19. *Ibid.*, p 405.
20. *A Statistical Survey of China 1996*, pp 76–7.
21. We are grateful for this point to Chan Heshun and Zhu Wenhui both of whom have conducted extensive research in this area in pursuance of doctoral studies.
22. Development Strategies of China's Iron and Steel Industries, Forum Hotel, Shenzhen, 10–11th September 1996.
23. The major limitation on these small-scale producers appears to be the non-availability of scrap steel or reduced iron ore to feed the furnaces rather than any form of market impediment.
24. *A Statistical Survey of China 1996*, pp 76–7.
25. Shanghai Volkswagen recorded sales of more than US\$1.25 billion in 1993, making its sales three times that of the next largest FIE, Beijing Jeep (*China Foreign Economic Statistical Yearbook 1994*, pp 315–24).
26. *China Foreign Economic Statistical Yearbook 1994*, pp 315–24.
27. Of the 200 largest foreign investments in China at the end of 1993, only nine had recorded exports of more than US\$100 million in that year and more than half less than US\$10 million. Among the large exporters in this group, JVs invested in by Sanyo and Canon and the Hong Kong invested, Shenzhen Zhenghua Bicycle Co, were the most prominent. (*Ibid.*, pp 315–24).
28. China's *Customs Statistics*, 6, 1996 (Tables 8 and 9).
29. Peng Choo-foo and Elaine Chan, 'Japanese Spearhead Move to Yangtze Delta', *Sunday Morning Post*, 18 Aug 1996, p Money 3.

30. This came from discussions in Beijing with senior officials close to the State Council.
31. China's *Customs Statistics*, various issues; Statistical Yearbook of Shandong 1994; 1995.
32. *Ibid.*
33. *A Statistical Survey of China 1996*, pp 78–9.
43. See Table 4.1 for data on Shanghai, Beijing and Tianjin; *Guangdong Statistical Yearbook 1995*, p 362 for Guangdong, Shenzhen and Foshan.
35. China's *Customs Statistics Monthly*, 6, 1996, pp 17–18; pp 21–2.

Chapter 5

1. Asian Development Bank, *Key Indicators of Developing Asia-Pacific Economies*, 1996; 1997.
2. Literally 'international trading companies'.
3. Victor Sit and Siu-lin Wong, 1991, pp 12–42.
4. Pamela Baldinger, 1992, p 14; *South China Morning Post*, 2 July 1994, p B4.
5. Differentiation has to be made between transshipments and re-exports. The former purely make use of shipping and ancillary services, while in the latter case the goods are imported into the receiving country to be re-exported at a later date passing through customs on each occasion. The latter are recorded in trade statistics while the former are not. Only re-exports from China appear in Hong Kong's trade statistics. The risk on these re-exports is borne by Hong Kong registered companies.
6. In Hong Kong's rise to NIC (NIE) status, the USA had emerged as its most important export market.
7. *Hong Kong External Trade*, December 1994.
8. Wal-mart is particularly prominent in this respect. Wal-mart has now progressed to retailing its products, many of them produced in Guangdong, in China and in 1996 opened its first branch in Asia in Shenzhen.
9. An example of this is the Jinsong company in Hangzhou, Zhejiang province, which is now exporting National washing machines back to Japan; another example is the Hai-er plant in Qingdao, Shandong province which makes Mitsubishi refrigerators for the Japanese market. Hai-er's products are of such quality that they outsell the similar imported product in the domestic market despite a higher price.
10. China's *Customs Statistics Monthly*, 9, 1997.

Chapter 6

1. Foreign reserves had grown to well over US\$100 billion by the end of 1996 and to over US\$140 billion by end 1997 (*Far Eastern Economic Review*).
2. IMF, *DOTs Yearbook 1996*.
3. Statement to Senate Foreign Affairs Sub-Committee on East Asian Affairs, 29 Nov 1995.

4. Statement by Wu Yi reported in *Economic Times*, 20 May 1996, p 1 (in Chinese).
5. I have myself been shown contracts between recording companies and Chinese producers permitting the latter to reproduce the material from the master tape for the domestic market at a royalty of US\$1 per pressing. This has permitted the producer to retail them for the equivalent of US\$2.50 (Rmb20) in the domestic market. A much higher price, however, can be obtained in export markets but it is not the producer in China who normally benefits from this but the buyer with the ability to get them into the export market illegally. There is some evidence that this is achieved by criminal syndicates from Hong Kong and Taiwan.
6. US Trade representative Jeffrey Lang reported in the *South China Morning Post*, 3 Oct 1996, p B16.
7. Dai Xianglong, governor of the People's Bank of China, at the Annual Meeting of the World Bank and IMF, Washington, Oct 1996, reported in the *South China Morning Post*, 3 Oct 1996, p B16.
8. China's *Customs Statistics Monthly*, 7, 1996, p 13.
9. *Ibid.*, 6, 1996.
10. There was some indication in 1997 that the value-added on exports from the 'processing industries' was increasing. Provisional data suggested it had reached 40 per cent, a much more realistic figure. This was almost certainly the result of new customs measures put into effect in 1996 seeking to eliminate illegal smuggling of materials from the processing industries to domestic corporations. Whether, this can be maintained is of course the crucial question and it will need to be closely monitored.
11. *China Statistical Yearbook 1997*, p 604.
12. In October 1996 this concession was extended to the China-Singapore Suzhou Industrial Park (*South China Morning Post*, 26 Oct 1996, p Business 3).
13. In the first eight months of 1996 only 9.4 per cent of exports came from the SEZs (China's *Customs Statistics Monthly*, 8, 1996).
14. *China Statistical Yearbook 1997*, p 594-5.
15. Lee You-il, Korean Foreign Direct Investment in Southeast Asia in the Late 20th Century, PhD thesis, Murdoch University, 1996 (despite the title the author deals extensively with the movement of South Korean small and medium-sized enterprises into Northeast China).
16. IMF, *Direction of Trade Statistics Yearbook 1996* (DOTS).

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