

China's Growing Share of Global Exports March 25, 2013

An interesting paper by Steven Husted and Shuichiro Nishioka on "China's Fair Share? The Growth of China's Exports in World Trade," *Review of World Economics*, Vol 149 (3), 2013, shows how China's gains in global market share have been accompanied by reductions in the market shares of the United States, Japan and other developed countries. Developing countries, in contrast, have not lost ground to China. This note summarizes my interpretation of several key findings.

In 1998, China accounted for less than 2 percent of world exports. In 2010, it accounted for over 10 percent. Husted and Nishioka's analysis shows that the United States, Japan and Europe lost market share to China, while developing countries generally did not. Japan and Europe were the big losers in the late 1990s, with the United States actually gaining share in this period, along with China. After 2000, however, the United States experienced the largest loss of market share. China's gains were broadly based, with its share of exports increasing in almost every market.

The authors analyze the growth in exports between 1995 and 2010 for over 90 countries. They decompose the change in market share of each country into five components:

- 1) changes in market share in individual products exported to individual countries from the base period (market share)
- 2) global shifts in demand for different exported commodities (whether demand has shifted towards or away from the products exported by a country)
- 3) changes in the composition of a country's export products relative to changes in other countries' exports
- 4) global shifts in demand among importers (whether demand has grown faster or slower among the markets served by a country)
- 5) changes in the composition of a country's export markets relative to changes for other countries.

Among the 90-plus countries studied, China's market share increased 13 percentage points between 1995 and 2010. Japan's market share fell by 5 percentage points; U.S. market share fell by 4 percentage points, and Europe's share by 3 percentage points.

The United States experienced a substantial loss of market share in individual products and countries (-6 percentage points,) which was partially offset by shifts in demand towards products exported by the United States (1 percentage point) and by the United States shifting towards products where demand was growing (1 percentage point.)

Most of China's gain was attributable to gains in market share in individual products exported to individual countries (12 percentage points). The composition of China's exports also shifted to products where demand was strong more than other countries (3 percentage points.) Meanwhile, demand shifted away from the products they initially exported (-1 percentage point) and the markets they served (-1 percentage point.)

Basically, China gained market share across the board. It also shifted its export mix towards products that were more in demand, offsetting a modest shift in demand away from their initial export products and markets. One consequence of these shifts is that China's exports have become more technologically sophisticated and more like those of an advanced country.

Most of China's exports are manufactured products. In 1995, miscellaneous products, which include apparel, toys and other exports often associated with developing countries, accounted for almost half of China's exports. Machinery and transport equipment, which are more commonly exports of advanced countries, accounted for one-quarter. In 2010, those shares had reversed; and machinery and transport equipment accounted for over half of China's exports while miscellaneous manufactures were about a quarter. At the same time, China's share of world exports in both categories grew dramatically, so that China accounted for a third of world exports of miscellaneous manufactured products and almost 20 percent of exports in machinery and transport equipment.