

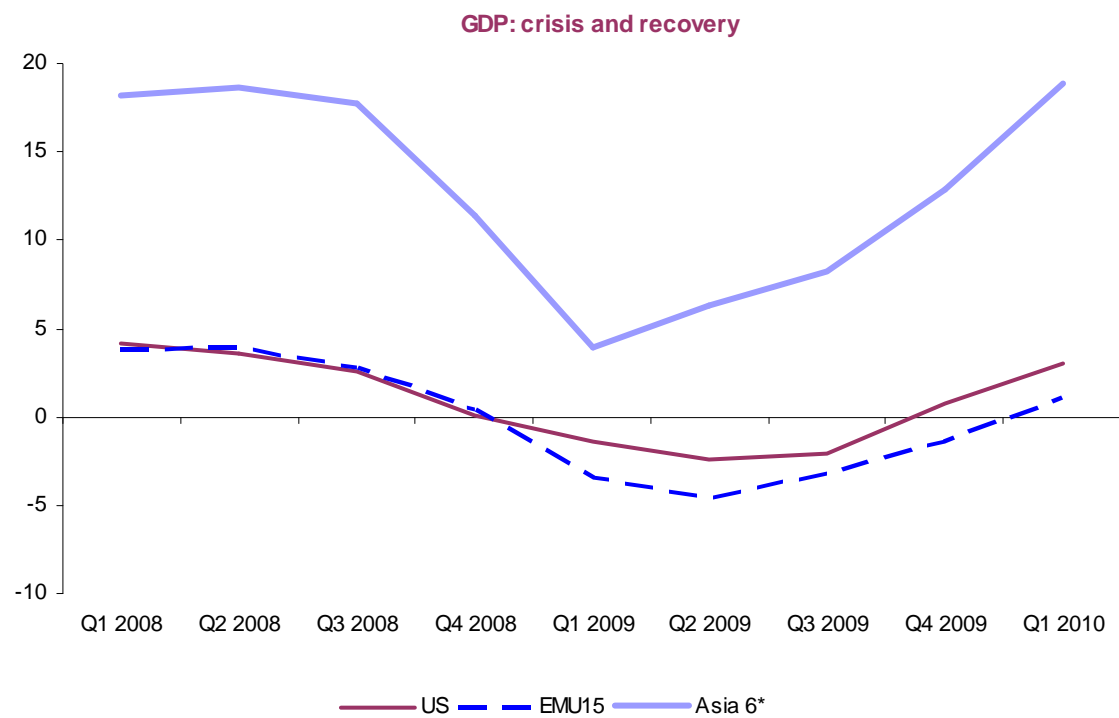


China led growth: more or less risky?

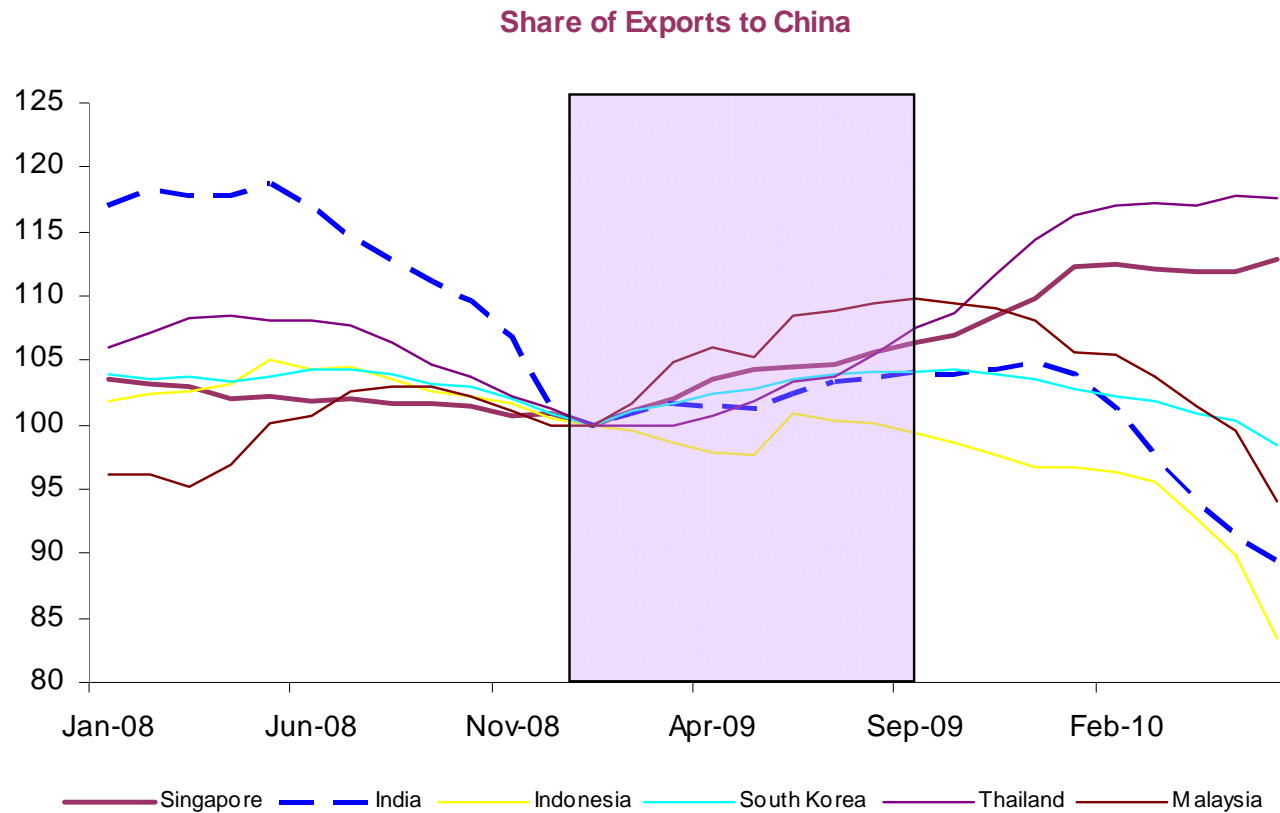
29 | 06 | 2010

- ***Luca SILIPO,***
Chief Economist Asia Pacific, Natixis

Asian economies rebounded faster



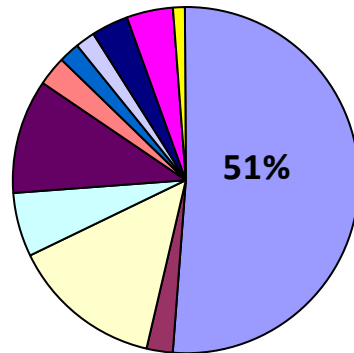
... coming from China



Chinese Size dominating the area

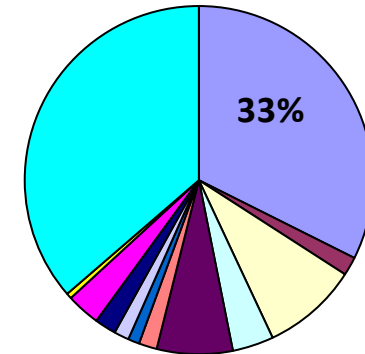
Emerging Asia

- China
- Hong Kong
- India
- Indonesia
- Korea
- Malaysia
- Philippines
- Singapore
- Thailand
- Taiwan
- Vietnam



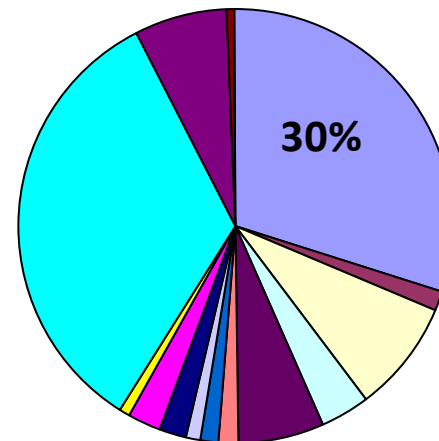
Asia including Japan

- China
- Hong Kong
- India
- Indonesia
- Korea
- Malaysia
- Philippines
- Singapore
- Thailand
- Taiwan
- Vietnam
- Japan



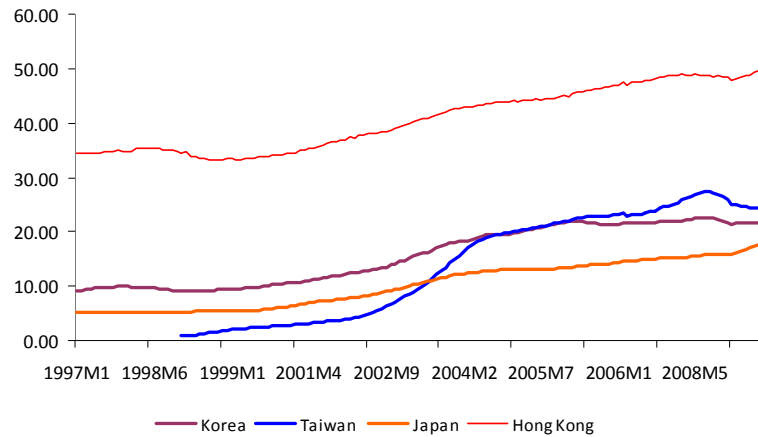
Asia Pacific Region

- China
- Hong Kong
- India
- Indonesia
- Korea
- Malaysia
- Philippines
- Singapore
- Thailand
- Taiwan
- Vietnam
- Japan
- Australia
- New Zealand

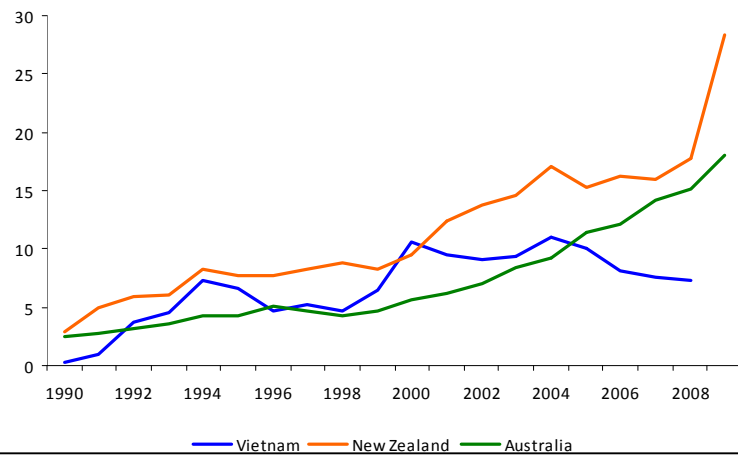


Increasing share of exports to China...

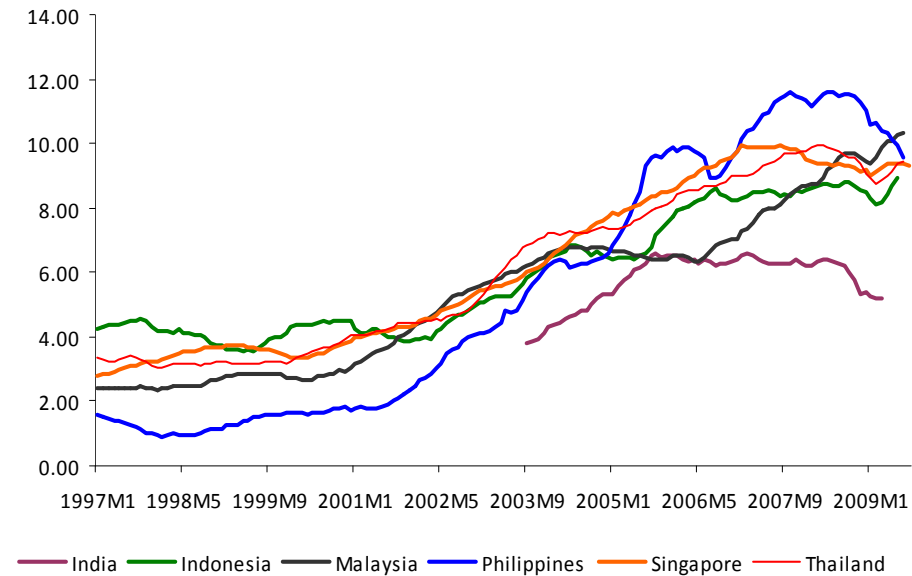
Exports to China over total exports (%)



Exports to China over total exports (%)

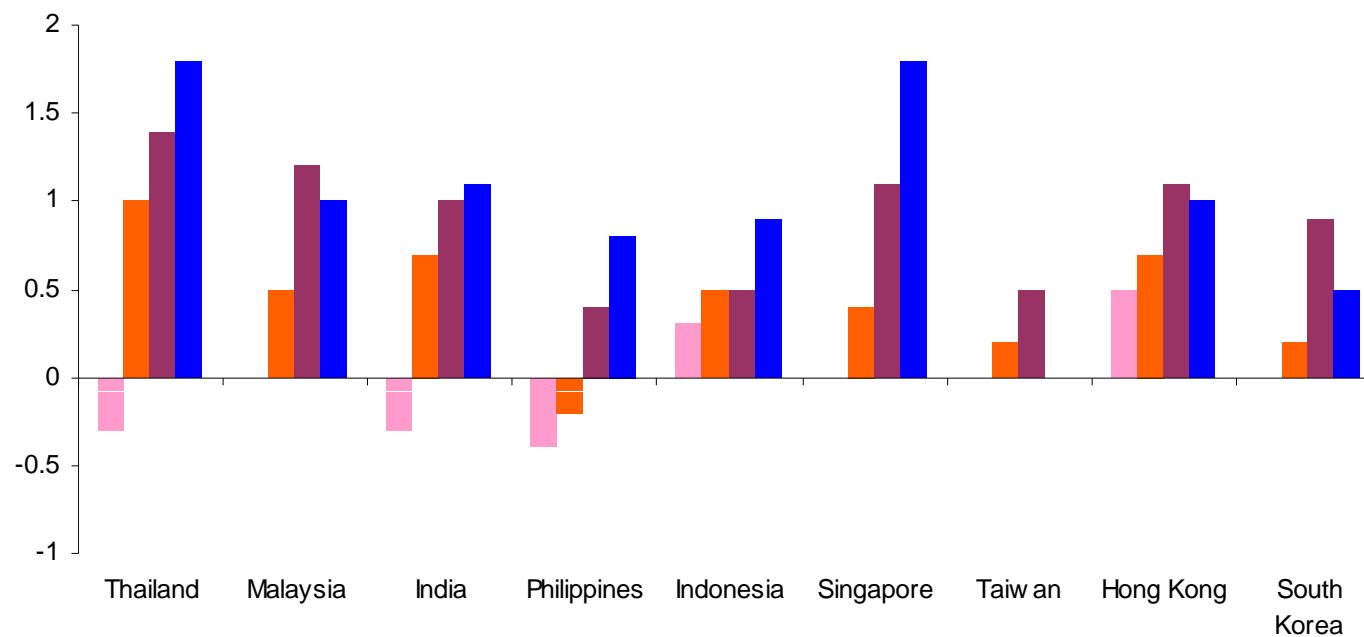


Exports to China over total exports (%)



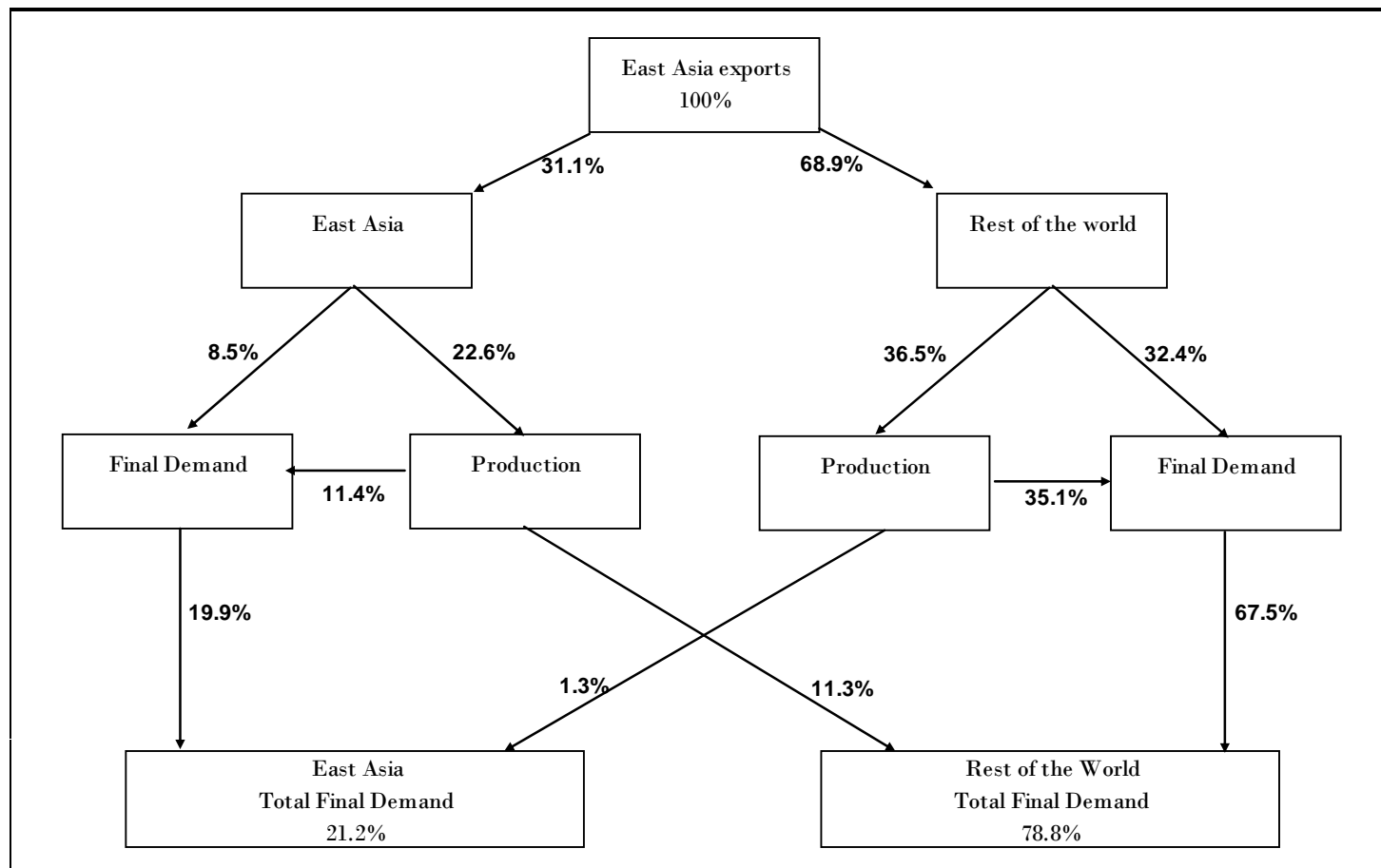
Shows increasing economic linkages...

Change in long term GDP annual growth as Chinese GDP grows by 1%



... but final demand remains largely from G3

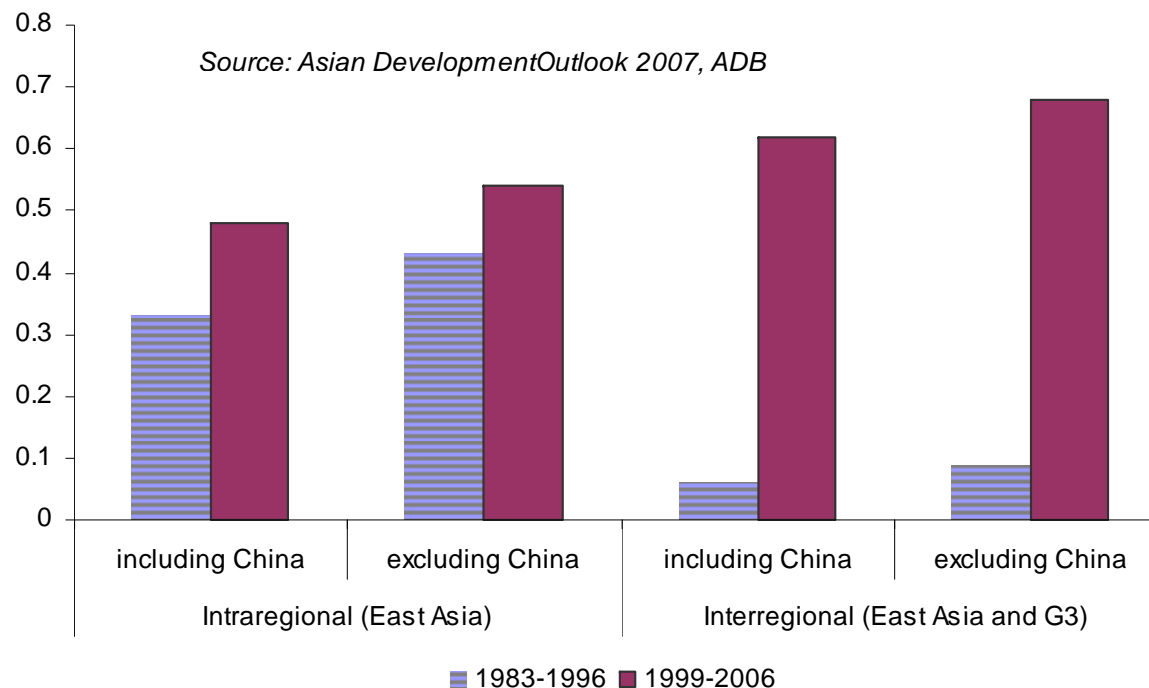
Share of Exports from East Asia



Source: Asian development Bank Outlook 2007

... and business cycle correlation less affected

Business Cycle Correlation



Where are the linkages coming from?

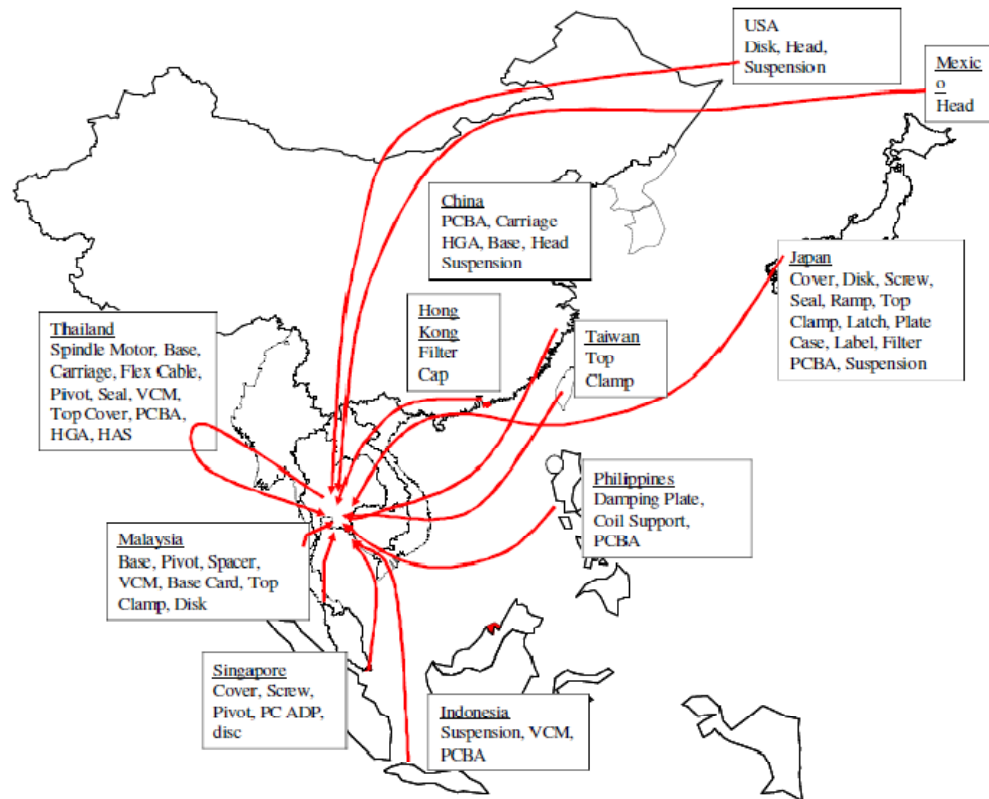
Linkages with China

**Final demand from
China**

Vertical Integration

Example of Supply Chain

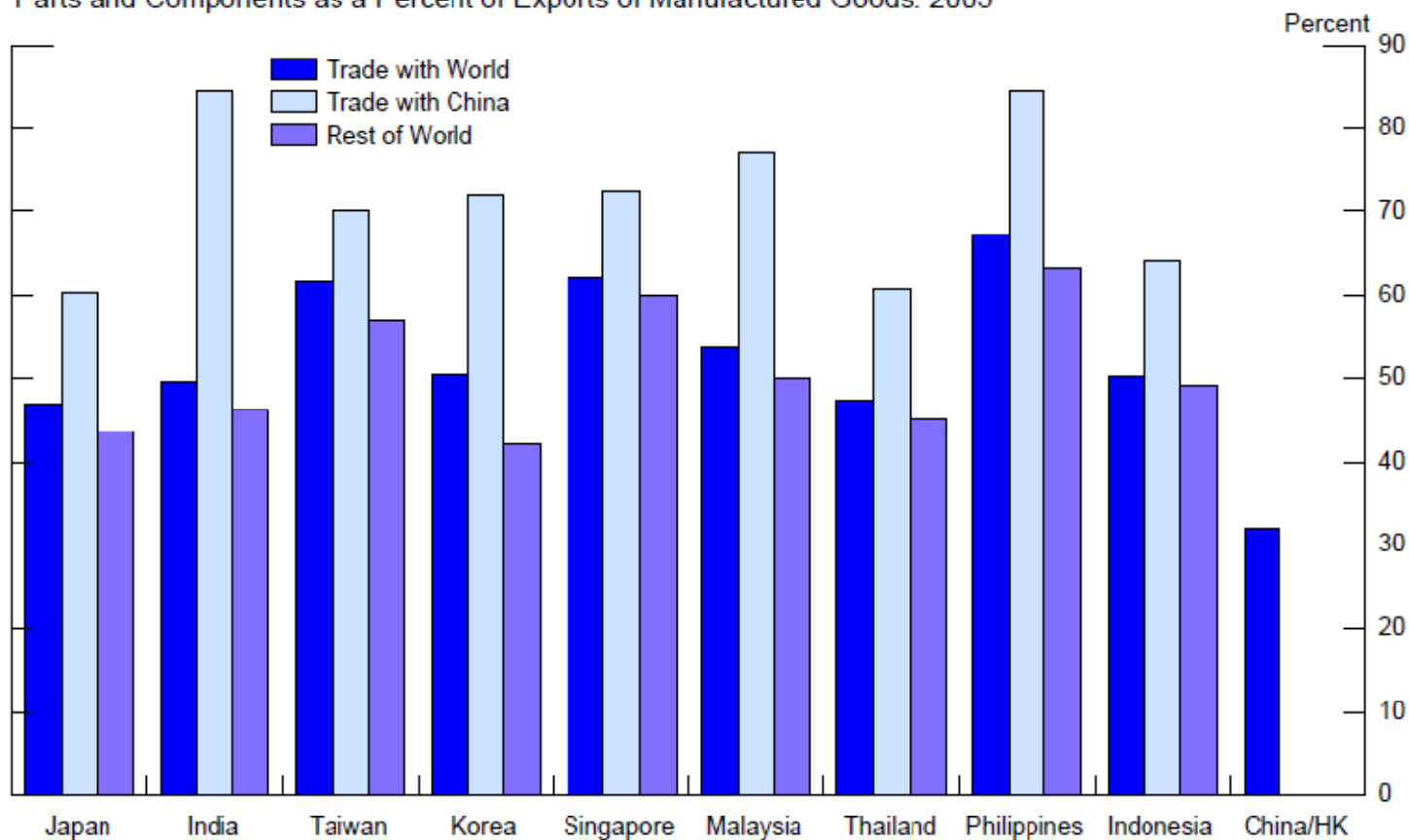
Figure 2 A supply chain example. (This shows the nations where parts are sourced for a hard-disk drive assembled in Thailand.)



Source: Baldwin (2008) based on data adapted from Hiratsuka (2005).

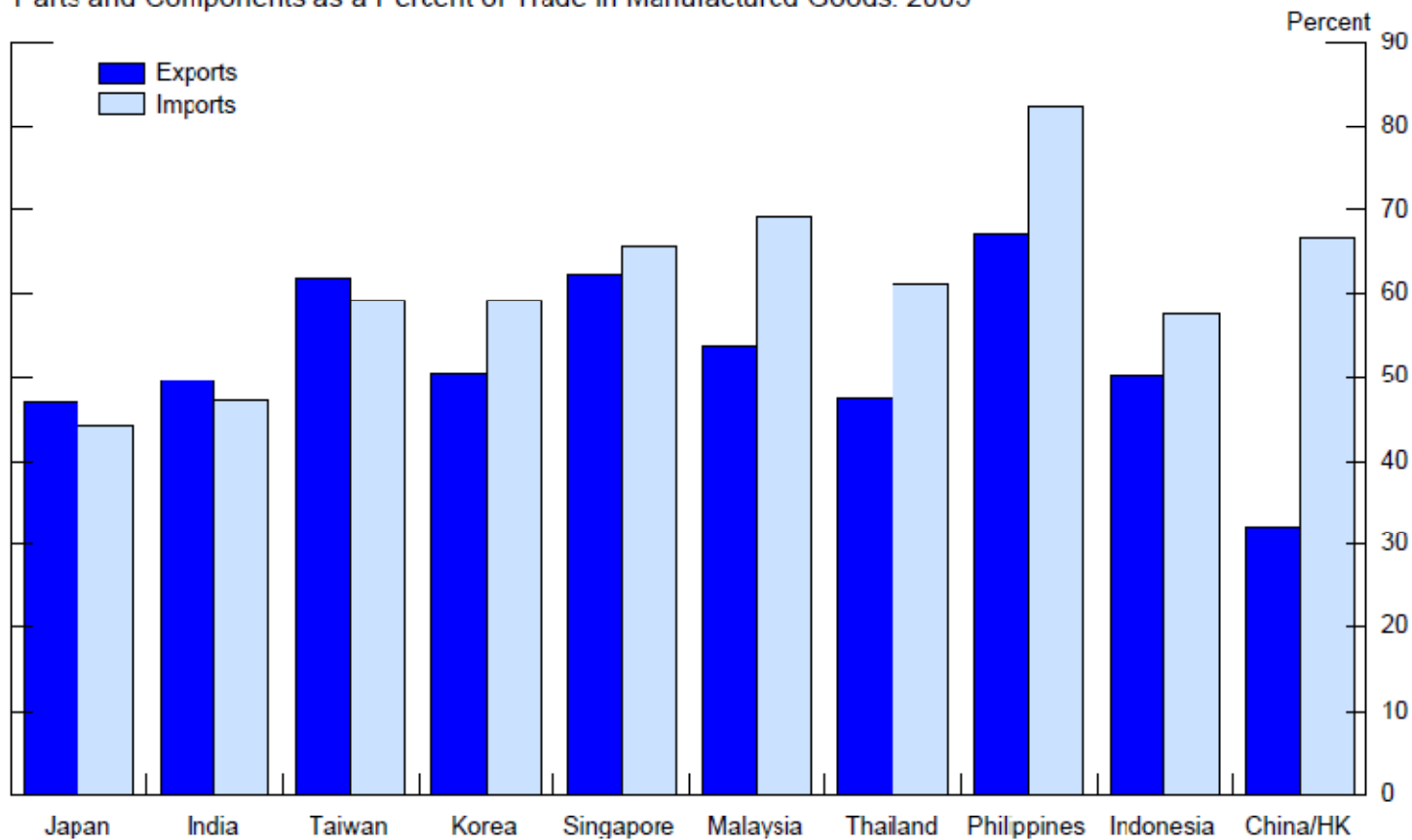
Exports of Parts play a big role in Asian linkages

Parts and Components as a Percent of Exports of Manufactured Goods: 2005



China the end stage of the multi-country system

Parts and Components as a Percent of Trade in Manufactured Goods: 2005



Conclusion

- The size of China, its trade and its FDIs are a significant entity in Asia and as such influence the economic development in the countries in the area
- The swift rebound in the economies of Asia started between the 1Q and 2Q 2009 is due partly to China and its stimulus plan
- Trade linkages – the most important source of economic transmission between China and other Asian countries can be determined by both direct trade and participation to a vertical integration system of production
- Today, most of the linkages are due to vertical integration which does not bode well for the future
- However, the developments in Chinese domestic demand can continue to be of support in the years to come

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