Promoting Trade Competitiveness in Developing Countries

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Edited by

Wineaster Anderson, Marcellina M. Chijoriga and John R.M. Philemon

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LIST OF ABBREVIATIONS

AFTA	Asian Free Trade Area
AGOA	The African Growth and Opportunity Act
ASEAN	The Association of Southeast Asian Nations
COMESA	Common Market for Eastern and Southern Africa
DANIDA	Danish International Development Agency
EAC	East African Community
EBA	Everything But Arms
EU	European Union
FOCAC	Forum for Chinese–African Cooperation
FTA	Free Trade Area
ILO	The International Labour Organization
LGA	Local Government Authorities
MITM	Ministry of Industry, Trade and Marketing
NAFTA	North American Free Trade Area
NEMC	The National Environment Management Council
OECD	Organization for Economic Co-operation and Development
OSHA	Occupational Safety and Health Authority
SUMATRA	Surface and Marine Transport Regulatory Authority
TAMPA	Tanzania Milk Processors Association
TBS	Tanzania Bureau of Standards
TFDA	Tanzania Food and Drugs Authority
TFDA	Tanzania Food and Drugs Authority
UDBS	University of Dar es Salaam Business School
UNCTAD	The United Nations Conference on Trade and Development
UNIDO	The United Nations Industrial Development Organization
WTO	World Trade Organization

PREFACE

The University of Dar es Salaam Business School (UDBS) organized its first ever International Conference on Globalization and Development in Developing Countries in 2011. This conference provided a forum for academicians, practitioners and trade researchers from all corners of the globe to critically address globalization and developmental issues with the aim of provoking debate. The main theme of the conference was "*Promoting Trade Competitiveness in Developing Countries*". Despite the critical importance of the trade sector and the country's trade policy objective of achieving export-led growth for the realization of poverty reduction, studies have demonstrated that export-led drive in most developing countries is hampered by lack of entrepreneurial skills, limited knowledge of international trade opportunities and operations, limited knowledge of WTO requirements, and a lack of knowledge of international trade law.

Concretely, it has been widely acknowledged that most developing countries lack the necessary "software capacity" for making a substantial and positive contribution to the international trade agenda. Because of this, their preparation for participating in various international consultations and negotiations on trade can be fairly judged to be largely ad hoc and only nominally inclusive. In a bid to address these and other handicaps in Tanzania, the governments of Denmark and Tanzania agreed to initiate the Business Sector Programme Support (BSPS III) which aim to, among other things, develop the business sector. Since then, UDBS has spearheaded international business and trade-related research, within the framework of its broad research agenda. The International Conference on Globalization and Development in Developing Countries and consequently this book are among the output of the BSPS III project funded by Danish International Development Agency (DANIDA).

The book comprises nine edited versions of the papers presented at the conference. It is hoped that the contributions in this book, which range from the theoretical perspectives in trade and competitiveness, foreign direct investment, the involvement of China in Africa, agricultural trade and poverty alleviation, natural resource management, export promotion in developing countries and ICT, will stimulate healthy debate and help inform policy review processes in developing countries. The views and

opinions expressed are those of the authors and do not necessarily reflect the official policy or position of DANIDA or UDBS.

ACKNOWLEDGEMENTS

We are grateful to DANIDA for funding the BSPS III project, to the University of Dar es Salaam Business School, to the chapters' contributors, and to all the delegates of the ICGD-DC 2011.

CHAPTER ONE

INTRODUCTION: ENHANCING TRADE NEGOTIATION CAPACITIES AMIDST GLOBALIZATION

JOHN R. M. PHILEMON

Globalization, which is the spread and integration of people, goods, finance, knowledge and culture across the planet, with each of these dimensions having advanced since the dawn of civilization, at a pace determined by the available technologies for transport and communication, is inevitable. Globalization has had far-reaching consequences for almost every aspect of our lives, and will have potentially greater ones in the future. Developing countries stand to lose or gain from globalization, depending on how they manage the diverse dynamics that affect economic growth and marshal resources to their advantage. Experience shows that only a few developing countries have managed to take advantage of the opportunities offered by globalization or mitigate its negative and far-reaching consequences. Most developing countries, Tanzania included, are still mired in the economic doldrums, mainly due to the lack of a proper understanding of the factors at play and management incapacity or inertia that prevents advantage being taken of opportunities. Like so many big events in the history of mankind, globalization has given rise to diverse controversies and debates, thereby polarizing opinion. The process has been supported and opposed by various people at different stages of its life. The director-general of the International Labour Organization (ILO), Juan Somavia, summed it up correctly when he said:

> For some, globalization has been an instrument for progress. It has created wealth, expanded opportunities and provided a nurturing environment for entrepreneurship and enterprise. But for others, it has exacerbated inequalities and insecurity. They fear that the risks are too great, the benefits too small. (ILO 2002)

There are as many scholars supporting globalization as those opposing it. Mwapachu (2005), for instance, noted that globalization is a reality, and thus accepting or rejecting it is no longer a choice for Africa. In acknowledging the forces of globalization, Nyerere (1998) warned that even as we prepare ourselves for a competitive life in the global village, we must not forget that our corner in that global village is in Tanzania. Those who knew Mwalimu Julius K. Nyerere, the founding father of our nation, would argue that he would have been the last person to support globalization. However, he himself acknowledged its inevitability and the need for the nation to be prepared. Benjamin W. Mkapa, the third president of Tanzania and probably a singularly ardent supporter of globalization, warned developing countries:

> There are those who speak as if globalization is an option. Do we have any choice? As a nation we surely have choices. An utterly drastic one is to shut ourselves in a cocoon. It is an alternative. But no country has ever advanced by isolating itself from the regional or international community. We need the outside world. It can do without us; but we can't do without it. (Mkapa 2004)

Globalization pre-dates Tanzania's independence but its manifestations are increasingly intensifying as the instruments for change are becoming more sophisticated. Chachage (2009) noted that Africa in general and Tanzania in particular have been part and parcel of many of the processes associated with globalization for centuries. So whilst it may seem to be a new phenomenon, in essence it has been with us for ages. For years, globalization has been associated with commercialism, imperialism, racism, colonialism, nationalism and multiculturalism. Globalization has had its fair share of supporters and accommodators and those who oppose it outright. Each one of these three groups of scholars, bureaucrats and researchers has their seemingly strong arguments to back their position. The diversity of their thoughts, opinions and findings is what brings beauty to any globalization debate.

Mbilinyi (2009), one of those who see no good in globalization, poses the question: "How can we challenge the politics of imperial globalization which continue to impose neo-liberal free market policies on African countries, when developed countries are strengthening regulatory state mechanisms and support for their own national economies?" Globalization, she asserts, creates and thrives on the immiseration of the masses, and clearly cannot be the source of either poverty reduction or poverty eradication. On the social front, a more or less similar sentiment is expressed by Chachage (2004), who argues that "globalization in one way

or another has been responsible for the erosion of people's welfare, job destruction and mass unemployment."

Ndulu (2007) notes that in the current era of globalizing production systems, people move and jobs move. He goes on to argue in support of globalization by concluding that it has raised the potential for relocating skilled jobs to Africa through foreign direct investment and outsourcing, which have been a significant factor behind East Asia's phenomenal growth. Similarly Mwapachu (2005) notes that globalization is a reality in the sense of the breakthrough in information and communications technology, twenty-four hour capital flows and the expansion of trade through transnational and multinational enterprises. Thus globalization cannot simply be wished away or halted. He therefore states that globalization makes it imperative for African countries to pursue regional integration, to maximize economies of scale and make prudent use of scarce resources.

Bringing diversity to the platform

In appreciation of the diversity of thoughts and views, UDBS took the initiative of bringing together various trade stakeholders at an International Conference on Globalization and Development: A Developing Country's Perspective 2011. The conference provided a forum for academicians and practitioners from all corners of the globe to critically address globalization and development issues, with the aim of coming up with suggestions that would lead to solutions to help improve the lot of developing countries. The theme of the conference was "Promoting Trade Competitiveness in Developing Countries." Thirty-three papers were presented at the conference and thoroughly discussed. To reflect the theme of this book, eight topics—comprising regional integration, business regulations, Chinese investment and its influence in Africa, globalization, AGOA, foreign direct investment, and development—were purposely selected on account of being topical and relevant.

This book is thus organized as follows. Chapter one, by John R. M. Philemon, prepares the ground for a healthy discussion on the influence of Chinese trade in Africa and of globalization, which are the two themes that run throughout the book. Philemon acknowledges, without taking sides, the existence of the two groups: those who support and those who oppose globalization.

Kyung-il Ghymn, in chapter two, asks who is behind China's export success. Since the 1980s China has been one of the most outstanding exporters of manufactured goods in the world. While he does not offer

exhaustive answers to the question, the chapter gives a very detailed and plausible explanation for China's export success.

In chapter three, Humphrey P. B. Moshi assesses the impact of China on the economies of sub-Saharan Africa by focusing on opportunities, challenges and prospects. The author focuses on China's increased competitiveness, its enhanced presence in the world market, and its impact on developing countries in particular, where its presence has become quite pronounced.

Goodluck Charles and David Rwehikiza, both acknowledged researchers on business formalization, address in chapter four the pertinent issue of the regulation of the food-processing business, whose impact on its competitiveness has been ignored. The authors take Tanzania, Ghana and Rwanda as comparative cases to develop their position and arguments. They acknowledge that the degree of regulation in the food-processing sector is increasing because of universal concern about food safety and hygiene.

In chapter five, Deusdedit A. Rwehumbiza focuses on the East African Community (EAC) and its influence on the intensity and competitiveness of Tanzania's manufactured exports. His general objective is to analyze the influence of the newly established EAC on Tanzania's manufactured exports to Kenya and Uganda. The author focuses mainly on the founder states because they are the ones that ratified the treaty establishing the EAC that entered into force on 7 July 2000, and mastered the Customs Union Protocol for several years before the accession of Rwanda and Burundi.

Huruma L. Sigalla, in chapter six, discusses globalization and development as abstract social concepts that have been influenced by certain ideologies. Sigalla also presents the opinions of local actors and the findings of experts from public institutions dealing with issues pertaining to globalization, foreign direct investment and development in Tanzania.

In chapter seven, Amina Akida focuses on the natural resources that Tanzania as a country could, amidst globalization, utilize to build its competitive advantage. Tanzania has been implementing trade liberalization policies since they were introduced in 1987. Since then, in the Tanzanian forestry sector, the trade (both domestic and foreign) in forest products has grown, characterized by its increased share of total trade. There has been an increase in the production, distribution and marketing of forest products in Tanzania. In addition, trade and investment liberalization policies in other sectors and a general change in economic activities have also influenced activities in forestry.

Ulingeta O. L. Mbamba addresses issues pertaining to the relationship between e-government status and global competitiveness in Tanzania in chapter eight. The author states that whilst many developing countries have invested significantly in a range of areas, more than 75 percent of the competitiveness of a country is predicted by its level of e-government. This implies that developing countries should invest in e-government in order to become competitive.

In chapter nine, Wineaster Anderson and John R. M. Philemon discuss the opportunities and challenges represented by the African Growth and Opportunity Act (AGOA) towards Tanzanian firms. The authors note that since independence in 1961, Tanzania has faced economic development challenges that have impacted its ability to participate meaningfully in the multilateral trading system. Although the country is heavily dependent on agriculture, it has not been able to tap the agricultural opportunities presented by the AGOA through its agriculture or nascent manufacturing sector.

Challenges for the future

This book addresses some of the topical issues relating to the potential of globalization and its actual and perceived negative consequences. Debate on these issues is ongoing and will continue to be fostered by UDBS in order to realize its motto of being the giver of knowledge for excellence. It is however worth noting that the conference from which the chapters of this book emanated, was generously supported by DANIDA under one of the three components of the BSPS Phase III. The component, implemented by UDBS and the Ministry of Industry, Trade and Marketing (MITM), supports the development of the human resources and institutional capacity that Tanzania needs in order to improve its participation in international markets. It is thus envisaged that the MITM's capacity to manage international trade negotiations will be enhanced and that support will also be provided to develop the planning and management capacity of the MITM. Support for UDBS will result in the throughput of a higher number of students and trainees, and a more diverse menu of education and training in business management and international trade and business.

The project was scheduled to run from 2008 to 2013, and thus these conferences and the subsequent publication of books and journal articles are some of the project's deliverables. The School continues to strengthen its capacity and that of its staff to continue delivering the programmes that

were undertaken during the last five years. Other collaborators and donors are invited to supplement these efforts.

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CHAPTER TWO

CHINA'S EXPORT SUCCESS: WHO'S BEHIND IT?

KYUNG-IL GHYMN AND FAN LIU

Introduction

China is the world's second largest economy after the United States. It is the world's fastest-growing major economy, with an average growth rate of 10 percent over the past thirty years. After more than twenty years of economic reform, China has become one of the most important destinations for cross-border direct investment. China is also the largest exporter and second largest importer of goods in the world. It became the world's top manufacturer in 2011, surpassing the US. In 2010, foreign direct investment (FDI) in China exceeded US$100 billion for the first time, and investment overseas by Chinese companies in non-financial sectors totalled US$59 billion (Invest in China 2011).

It is amazing how China has conquered the world with its various products. It seems that wherever you go, there is always a Chinese product at hand. Its overwhelming success in terms of gross earnings is matched by the diversity of its exports, which include electrical machinery and equipment, apparel, iron and steel, footwear and accessories, optics and medical equipment, furniture, toys and games, power generation equipment, leather and travel goods and plastics. Surprisingly, the US is the top destination for China's exports, although China trades with many other countries as well, amongst them Hong Kong, Japan, South Korea, India, Singapore, Malaysia, Germany, and Taiwan (Ministry of Commerce 2011). The US is known for its insistence on strict compliance with standards, which means that to meet these standards product quality must be assured.

Many people may wonder why China is so successful at exporting, but economic analysts had foreseen this a long time ago. China's export structure has shown a rapid shift from labour-intensive industries to

capital- and skill-intensive industries (Xu 2007). As China builds its technological capacity and skilled labour force, its exports are expected to become increasingly sophisticated. However, studies have found that the level of sophistication of China's exports is already exceptionally high. Rodrik (2006) looked at the cross-country relationship between export success and per capita income and found that "China is an outlier in terms of the overall sophistication of its exports: its export bundle is that of a country with an income-per-capita level three times higher than China's." Why is China's export success level so exceptionally high? Some believe that it is due to the size and nature of China's trade in processed goods, which is a significant element in its foreign trade, accounting for 55 percent of China's exports to the world in 2005 (Ferrantino et al. 2007). Branstetter and Lardy (2006: 662) pointed out that "China is able to export huge quantities of electronic and information technology products only because it imports most of the high value-added parts and components that go into these goods".

FDI is believed to be another important reason for China's exceptionally high level of export success. Exports by foreign invested enterprises (FIEs) have accounted for more than half of Chinese exports since 2001 (Ferrantino et al., 2007). The FDI explanation is reinforced by the role of FIEs in China's exports of processed goods, especially high-tech ones. Branstetter and Lardy (2006: 38) noted that "most exports of electronic and information products are assembled not by Chinese-owned firms but by foreign firms that are using China as an export." Given these strong arguments, it is important to investigate how the trade in processed goods and FDI have led to China's export success. In this chapter, we trace the development of China's economic policy regarding US–China trade, and its role as a major centre for global supply chains. We also explore FDI in China and the resulting changes in FDI inflows. Finally, we discuss the impact of FDI inflows on China's export success, particularly after its formal accession to the World Trade Organization in December 2001.

US–China Trade

China has become a global manufacturing centre and "Made in China" products are seen everywhere. About 95 percent of merchandise sold in the American stores Wal-Mart and Target are Chinese-made. High-end manufactured goods, sophisticated electronic products, consumer products, sporting goods, and even agricultural products find their way into every corner of the US market. It appears that Chinese marketers are

performing so well that every product they export to the US market becomes a marketing success in a very short time, which raises a number of questions. Is China's export success in the US market a result of Chinese manufacturing firms' marketing efforts? Do they have a marketing and organizational function that generates and creates products? Do they have a system for communicating with and giving value to customers? If one looks at the impressive trade statistics, the answer would be a resounding "yes."

In the late 1970s, China began to adopt economic policies that were more market-oriented, and this shift has been very successful in promoting economic growth (Naughton 1996; Lardy 2002; Branstetter and Lardy 2006). Rising levels of industrial output have been accompanied by an increase in FDI inflows, leading many to conclude that this has played a major part in China's success. Since China's official entry into the WTO in 2001, its economy has continued to expand rapidly, FDI inflows have continued on a large scale, and its role in world trade has continued to increase.

As China's economy has expanded to become the second largest in the world, and as China's geopolitical clout has grown commensurately, the US has sought to broaden the US–China relationship to encompass a wide range of global and regional issues. US–China trade expanded rapidly after the two nations re-established diplomatic relations in January 1979, signed a bilateral trade agreement in July of that year, and agreed mutual most-favoured-nation treatment beginning in 1980.,When China's reforms began in 1979, the value of US–China trade (exports plus imports) was US$2 billion, and China was ranked the twenty-third largest US export market and the forty-fifth largest source of US imports (Morrison 2011).

In remarks made in July 2009, President Obama[*] declared that partnership between the US and China was "a prerequisite for progress in many of the most pressing global challenges." Continuing major bilateral issues in the relationship include trade and investment concerns (Lawrence and Lum 2011). In 2010, bilateral merchandise trade was US$457 billion; China was the US's second largest trading partner (after Canada), the US's third largest export market (after Canada and Mexico), and the largest source of US imports. In recent years, China has been one of the fastest-growing markets for US exports, and the importance of this market is expected to grow even further, given the pace of China's economic

[*] The White House Office of the Press Secretary, "Remarks by the President at the U.S./China Strategic and Economic Dialogue," July 27, 2009, http://www.whitehouse.gov/the-press-office/remarks-president-uschina-strategic-and-economic-dialogue.

growth, and as Chinese living standards continue to improve and a sizable Chinese middle class emerges (USITC DataWeb 2011).

Year	US Exports	US Imports	US Trade Balance
1980	3.8	1.1	2.7
1985	3.9	3.9	0.0
1988	5.0	8.5	-3.5
1989	5.8	12	-6.2
1990	4.8	15.2	-10.4
1991	6.3	19	-12.7
1992	7.5	25.7	-18.2
1993	8.8	31.5	-22.7
1994	9.3	38.8	-29.5
1995	11.7	45.6	-33.9
1996	12.0	51.5	-39.5
1997	12.8	62.6	-49.8
1998	14.3	71.2	-56.9
1999	13.1	81.8	-68.7
2000	16.3	100.1	-83.8
2001	19.2	102.3	-83.1
2002	22.1	125.2	-103.1
2003	28.4	152.4	-124.0
2004	34.7	196.7	-162.0
2005	41.8	243.5	-201.7
2006	55.2	287.8	-232.6
2007	65.2	321.5	-256.3
2008	71.5	337.8	-266.3
2009	69.6	296.4	-226.8
2010	91.9	364.9	-273.0

Table 2-1 US Merchandise Trade with China: 1980–2010 (US$ billions). Source : USITC DataWeb.

The US trade deficit with China has widened over the past two decades, as US imports from China have grown much faster than US exports to China. That deficit rose from US$10 billion in 1990 to US$266 billion in 2008, fell to US$227 billion in 2009, and then rose to US$273 billion in 2010 (see Table 2-1 and Figure 2-1). As can be seen in Figure 2-2, the US trade deficit with China in 2009 was significantly larger than that with any other US trading partner and several trading groups. For example, it was

larger than the combined US trade deficits with the Organization of Petroleum Exporting Countries, the twenty-seven nations of the European Union (EU), Mexico, Japan, and Canada (together totalling US$235 billion).

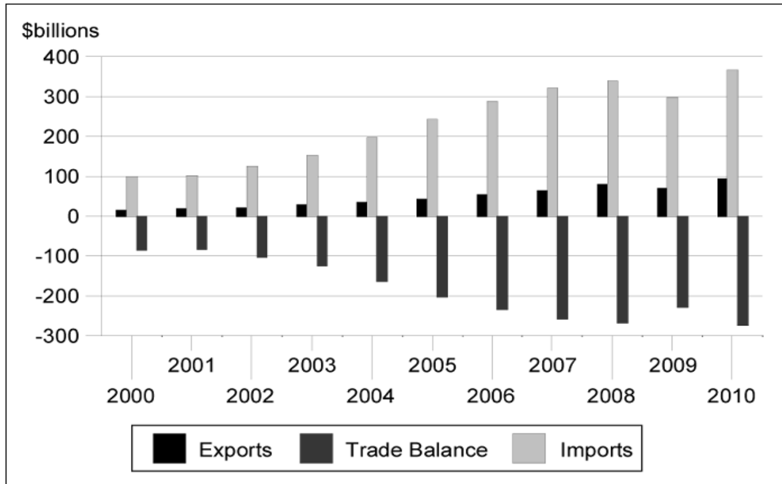

Figure 2-1 US Trade with China: 2000–2010.
Source : USITC DataWeb.

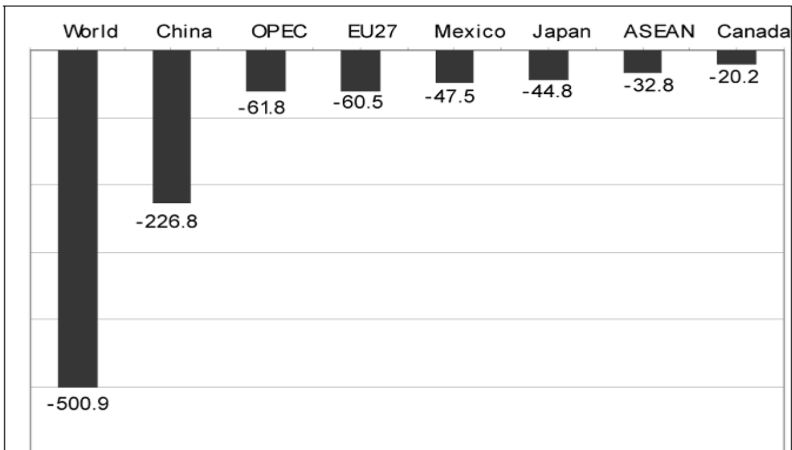

Figure 2-2 US Trade with China: 2000–2010.
Source : USITC DataWeb.

China as a Major Centre for Global Supply Chains

Many analysts contend that the sharp increase in US imports from China (and hence the growing bilateral trade imbalance) is largely the result of production facilities being moved from the US, Europe, and other (primarily Asian) countries to China. That is, various products that used to be made in such places as Japan, Taiwan, Hong Kong, Korea, and Singapore, and then exported to the US, are now being made in China (on behalf of foreign firms) and exported to the US. An illustration of this shift can be seen in Table 2-2, which lists US imports of computer equipment and parts from 2000 to 2010. For example, in 2000, Japan was the largest foreign supplier of US computer equipment (with a 19.6 percent share of total shipments), while China ranked fourth (with a 12.1 percent share). In just ten years, Japan's ranking fell to number three, the value of its shipments dropped by 61.2 percent, and its share of US computer imports declined to 5.3 percent. China was by far the largest foreign supplier of computer equipment in 2010, with a 61.5 percent share of total US imports, compared with 12.1 percent in 2000 (see Figure 2-3). While US imports of computer equipment from China from 2000 to 2010 rose by 620.5 percent, the total value of US computer imports worldwide rose by only 41.9 percent. Many analysts contend that a large share of the increase in Chinese computer production and exports came from foreign computer companies that had moved their manufacturing facilities to China. For example, Taiwan, one of the world's leaders in sales of information technology, produces over 90 percent of its information hardware, such as computers, in China.

	2000	**2002**	**2004**	**2006**	**2008**	**2010**	**2000–10 % change**
Total	68.5	62.3	73.9	83.8	85.4	97.2	41.9
China	**8.3**	**12.0**	**29.5**	**40.0**	**45.8**	**59.8**	**620.5**
Mexico	6.9	7.9	7.4	6.6	6.2	13.6	97.1
Japan	13.4	8.1	6.3	6.3	6.6	5.2	-61.2
Malaysia	4.9	7.1	8.7	11.1	9.0	3.0	-38.8
Singapore	8.7	7.1	6.6	5.6	4.0	3.6	-58.6

Table 2-2 US Merchandise Trade with China: 2000–2010 (US$ billions). Note: ranked according to top five suppliers in 2010.
Source: USITC Trade DataWeb.

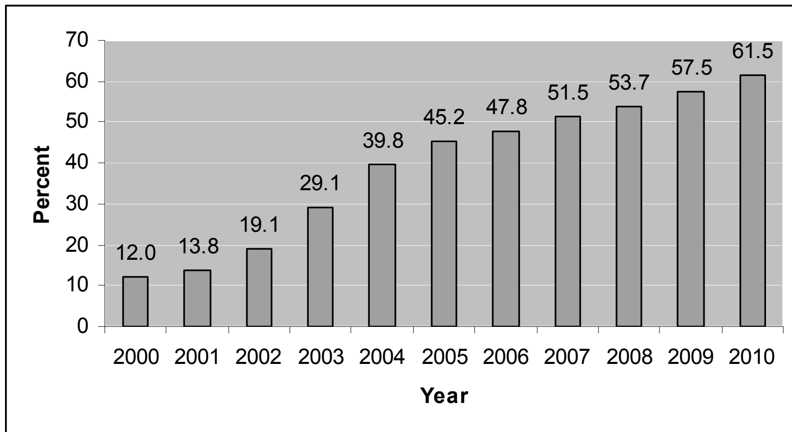

Figure 2-3 Share of US Computer Imports from China: 2000–2010.
Source : USITC DataWeb.

The Importance of FDI to China

The early international economics literature suggests that FDI is a significant source of innovation and technology transfer (Findlay 1978; Mansfield and Romeo 1980). FDI not only injects capital into the domestic market but it also plays a central role in terms of technological spillover and the advancement of managerial skills. FDI is believed to carry with it new technologies and know-how not available in the host countries, where it has the potential to accelerate the adoption of technology and make production more efficient.

A number of scholars have long recognized and argued that FDI is one of the main forces driving economic growth (Blomstrom et al. 1992). FDI is of particular importance to developing countries (Balasubramanyan et al. 1996) and to China in particular (Chen et al. 1995; Luo 1998; Wu 2000). It has been scientifically proven that FDI is more efficient than domestic investment in contributing to the economic growth of the host country. Blomstrom et al. (1992) found that FDI had a major effect on the economic growth of less developed countries. Findlay (1978) also postulated that FDI increases the rate of technical progress in the host country through the "contagion" effect from the more advanced technology, management practices, etc., used by foreign firms. Borensztein et al. (1998) found that FDI is an important vehicle for the

transfer of technology, contributing to growth in larger measure than domestic investment.

Since 1979 the continuing flow of FDI has had a pivotal role in China’s economic growth. Dees (1998) found that FDI affected China’s growth through the diffusion of ideas. A detailed review of the history of China’s economic development in relation to FDI and associated policies can be found in Chen et al. (1995) and Luo (1998). A few empirical studies have also explored the relationship between FDI and China’s intra-industry trade (for example, Hu and Ma 1999; Zhang et al. 2005). Essentially, those studies are based on aggregated FDI and cross-country analysis. However, the way in which FDI affects intra-industry trade depends largely on factors specific to the country as well as to the industry. For instance, domestic-market oriented FDI usually functions as a substitute for exports from the FDI source to host countries. Inflows of domestic-market oriented FDI reduce rather than increase trade between the FDI source and host countries.

Until recently, inward FDI had been considered a critical factor among the many factors contributing to the sustained economic growth in China (Wei and Liu 2001; Whalley and Xin 2006; Tuan and Ng 2007; Yao and Wei 2007). Although inward FDI is believed to have had a positive and significant effect on economic growth, the exact mechanism of how FDI has impacted the development process is far from being understood (Yao and Wei 2007; Tuan and Ng 2007). The fascinating developments in China’s globalization also provide us with a tempting opportunity to study the role of inward FDI in the country’s economic growth. In this connection, the total factor productivity framework may provide us with an effective tool to measure production efficiency and, in addition, provide some evidence regarding the sources of economic growth in the context of FDI absorption.

Since China began its economic reforms in the late 1978, it has gradually opened up to the rest of the world, with increasing FDI inflows and international trade. China received a cumulative total of US$10,305 billion in FDI during the last twenty-year period (1991–2010) and benefited tremendously from both tangible and intangible assets associated with FDI inflows. This strategy has been very successful. China’s exports grew rapidly, reaching US$1,600 billion in 2010. A look at Chinese export data by producer type reveals that FDI firms, both direct and joint ventures, have been a major contributor to the dramatic export expansion, accounting for almost 54 percent of China’s total trade.