

# New Silk Roads

EAST ASIA AND  
WORLD TEXTILE MARKETS



Edited by Kym Anderson

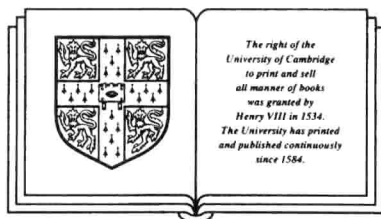
# NEW SILK ROADS

East Asia and World Textile Markets

Edited By

KYM ANDERSON

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# TRADE AND DEVELOPMENT

## New Silk Roads

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# Preface

For centuries East Asia has been home to an important part of the world's textile industry. Its role for most of that period has been as a supplier of natural fibres which were exported to Europe via the so-called Silk Road. During recent decades, however, East Asia's production and exports of textile products have expanded dramatically, transforming the region into a major net importer of natural fibres. Even by the first half of the 1960s its net imports of natural fibres represented one-sixth of world fibre trade, compared with Western Europe's two-fifths. But, by the first half of the 1980s, East Asia's share had doubled while Western Europe's had almost halved.

This dramatic redirection of world fibre trade was driven initially by the success of Japan and then Northeast Asia's newly industrialized economies in developing export-oriented textile and clothing industries and penetrating the markets of more advanced industrial economies. Then in the 1980s China joined its neighbours as a rapidly expanding producer and exporter of textiles and clothing. At the same time, however, China also began to expand its domestic production of fibres. This raised questions in the minds of traditional fibre exporters such as Australian wool producers and US cotton growers as to the net impact China would have on world fibre markets. As a result, the Australian Wool Research and Development Fund in 1987 commissioned a study to address those questions. The Australia-Japan Research Centre (AJRC) of the Australian National University, Canberra, coordinated the three-year project and provided additional funding to ensure its satisfactory completion.

The present volume is one of the products of that endeavour. The AJRC, in collaboration with the University of Adelaide's Centre for International Economic Studies and its Chinese Economy Research Unit, invited several economists to contribute specific papers to a conference in August 1989. A selection of these papers have since been revised substantially to provide an integrated picture of past, present and prospective developments in East Asia as they relate to world fibre, textile and clothing markets, and of the ways in which advanced industrial economies are responding to these developments. The latter papers, which form Part II of this volume, were commissioned by the AJRC, as was the August 1989 conference.

The editor and authors are grateful to the Australian Wool Research and Development Fund and the Australia–Japan Research Centre for financial support for the research on which the volume is based; to Peter Drysdale and Christopher Findlay for their untiring support throughout the project; to the people who kindly acted as discussants at the August 1989 conference at which earlier versions of the chapters were discussed, namely, Rod Falvey, Brian Fisher, Helen Hughes, Ji Hong Kim, John Lowe, John O'Connor, Yoko Sazanami, Ben Smith, Francis Teal, Rod Tyers, Peter Warr and Yongzheng Yang; to the publishers of the journals *Economic Development and Cultural Change* and *Weltwirtschaftliches Archiv* (Kiel Institute of World Economics) for permission to reprint, in Chapters 1 to 3, some material from two Anderson/Park papers which they published; to Cambridge University Press for including the volume in its Trade and Development Series; to Prue Phillips of ANU's International Economic Data Bank for providing data on which many tables are based; to Maree Tait at ANU's National Centre for Development Studies and Shirley Purchase for editorial assistance; and to Debbie Beckman at the University of Adelaide for coordinating the word processing of the manuscript. The editor would also like to express his gratitude not only to his employer, the University of Adelaide, but to the Institute for International Economic Studies at the University of Stockholm, where he was a Visiting Fellow during 1988 when early versions of Chapters 1–3 were drafted and when ideas for the volume were being shaped. After completing this volume the editor took leave from Adelaide to take up an assignment with the economic research division of the GATT Secretariat in Geneva. Needless to say, none of the views expressed in this volume are intended to reflect the views of the GATT Secretariat or GATT Contracting Parties.

Kym Anderson

# Abbreviations and acronyms

ASEAN	Association of South East Asian Nations, comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand
ASIC	Australian Standard Industrial Classification
China	People's Republic of China (excluding Taiwan)
Eastern Europe	The seven main centrally planned European economies (Bulgaria, Czechoslovakia, the former Democratic Republic of Germany, Hungary, Poland, Romania and the USSR)
EC	European Community of twelve member countries (Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom)
EFTA	European Free Trade Association of six member countries (Austria, Finland, Iceland, Norway, Sweden and Switzerland)
ERA	Effective rate of assistance
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
ISIC	International Standard Industrial Classification
Korea	Republic of Korea (or South Korea)
LTA	Long Term Agreement
MFA	Multi-fibre Arrangement
MFN	Most-favoured-nation
MITI	Ministry of International Trade and Industry of the Japanese Government
MTE	Import tariff equivalent
NIEs	Newly industrializing economies
NTBs	Non-tariff barriers to international trade
OECD	Organization for Economic Co-operation and Development



SIC	Standard Industrial Classification (Japan)
SITC	Standard International Trade Classification
Taiwan	Republic of China, Taiwan Province
VER	Voluntary export restraint

## Symbols

n.a.	not applicable
..	not available
—	zero or insignificant