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EUROSYSTEM

# Crowding-Out or Mutual Co-Existence? Competitive Position of EU Members and China in the Global Market

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Paris, 21 September 2012

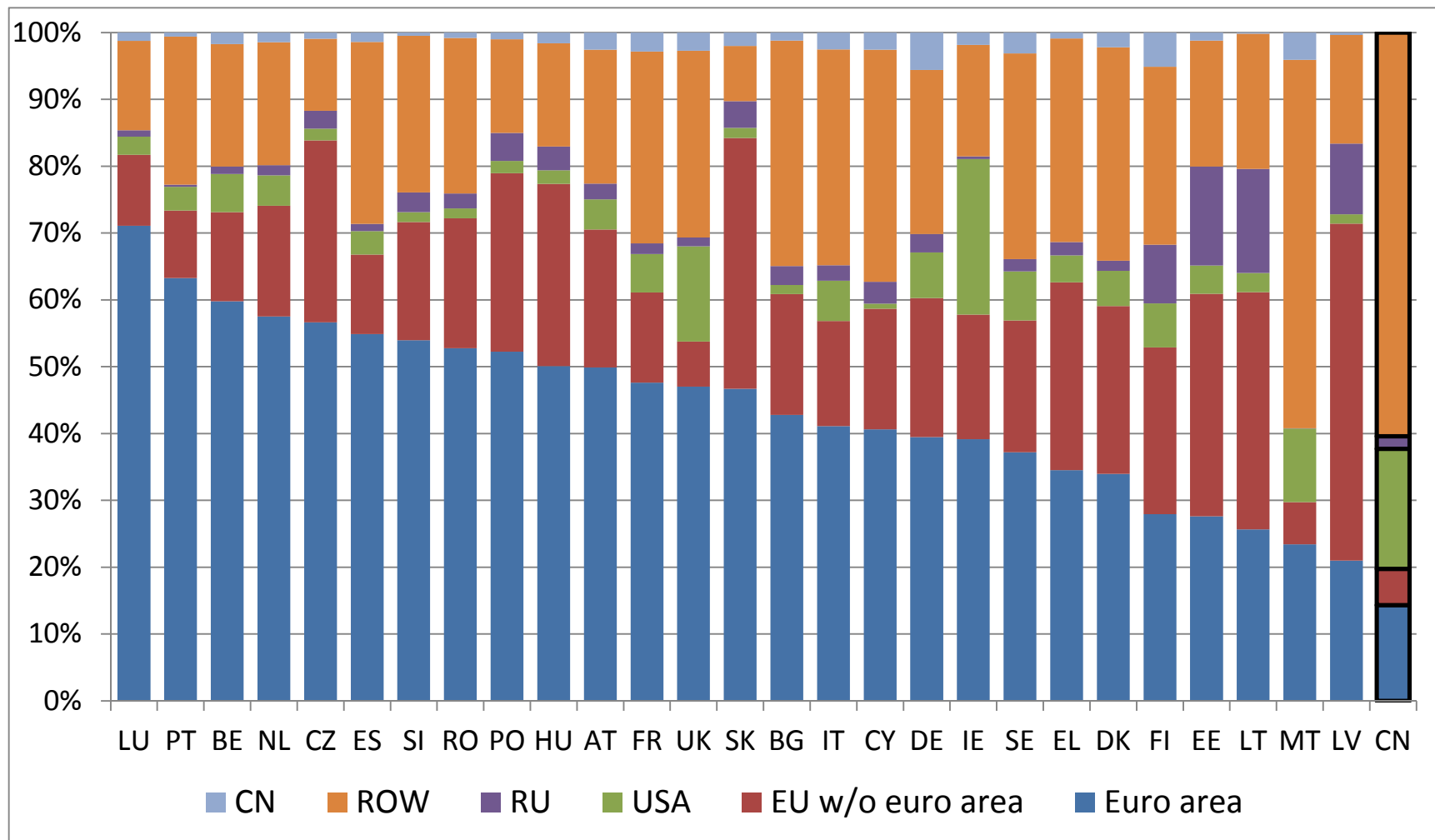
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## Topic and data

**Topic:** Is the emergence of China as trade competitor a threat to single EU countries?

- **Dynamic Trade Link Analysis<sup>®</sup>**
- **China versus EU-27**
- **UN-COMTRADE**
- **6-digit HS-level**
- **1999 to 2011**
- **Matlap codes**

# Export destinations



## Dynamic Trade Link Analysis<sup>®</sup> – 1

- **Trade link:** country A exports to a specific market B

Year 1	Year 2	Europe
1	1	ACTIVE
0	0	INACTIVE
0	1	ENTRY
1	0	EXIT

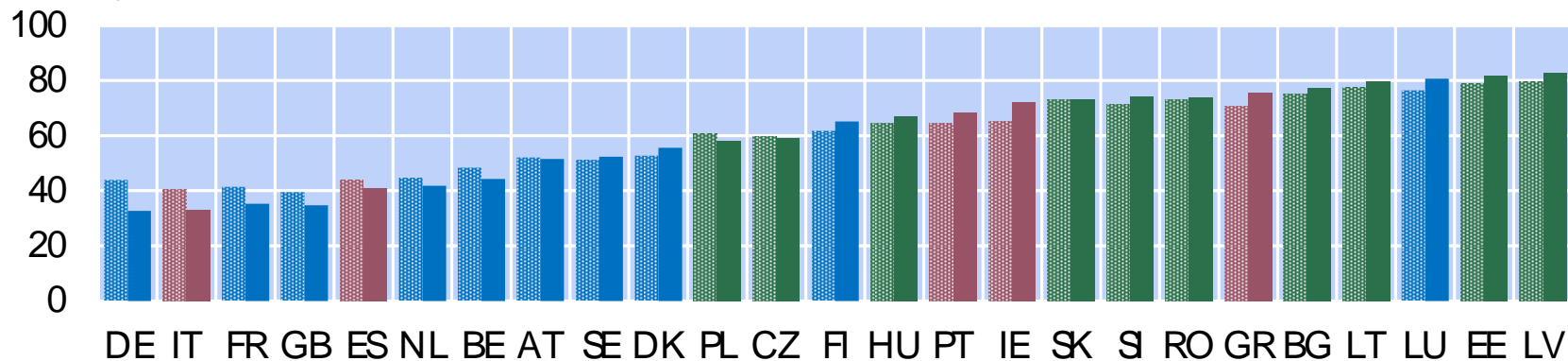
- **Survival** of trade link over at least two years
- **At least one** of the partners is **active** in that market
- **Only third-country markets**
- **Number** of trade links (not value)

## Dynamic Trade Link Analysis<sup>®</sup> – 2

Combinations	Type of competitive pressure
ACTIVE-inactive INACTIVE-active	No competition

## No Competition (ACTIVE-inactive, INACTIVE-active)

in % of all trade links

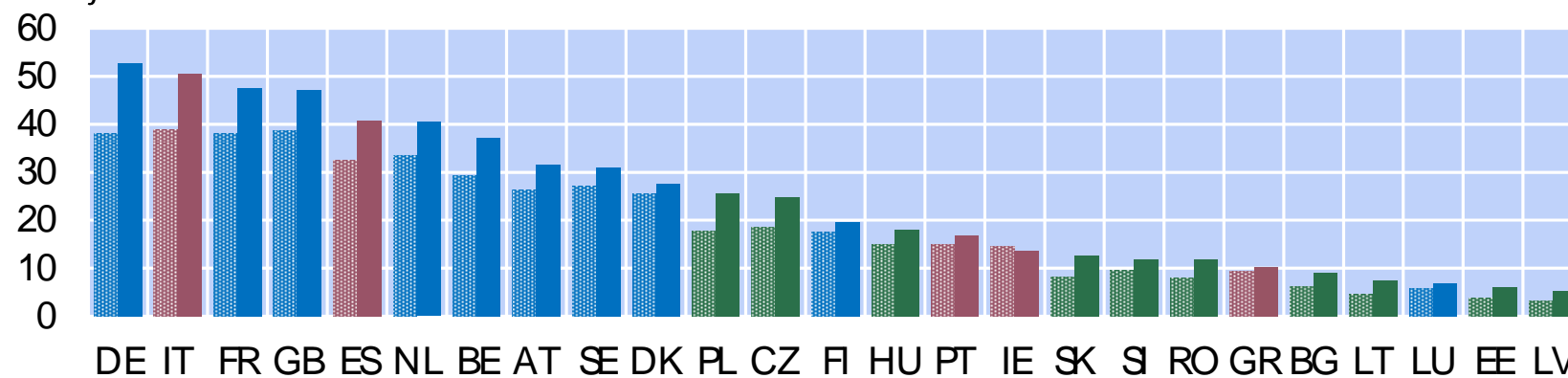


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## Existing Competition (ACTIVE-active)

in % of all trade links

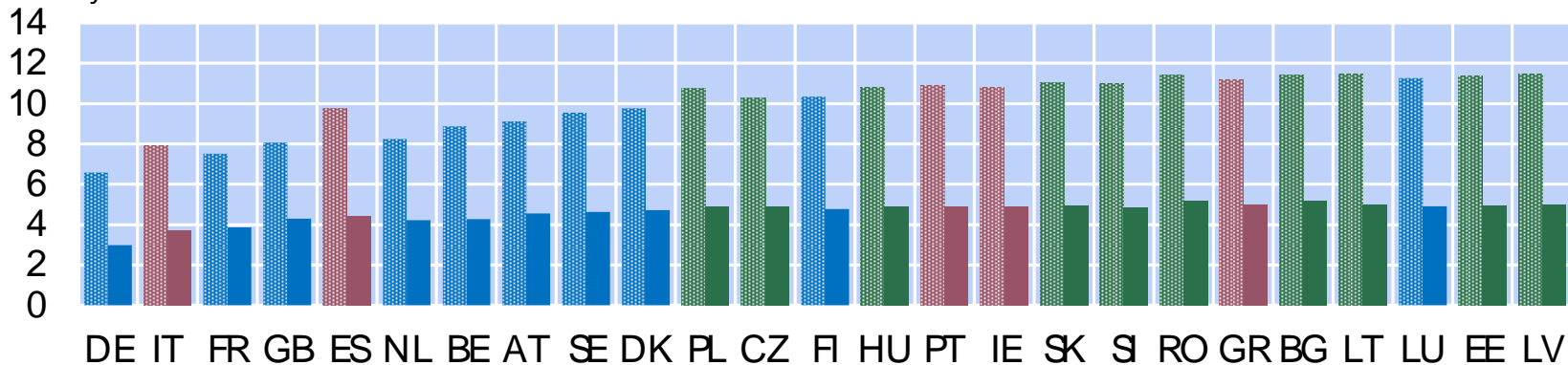


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## Conquering New Markets (*ENTRY-inactive, INACTIVE-entry*)

in % of all trade links

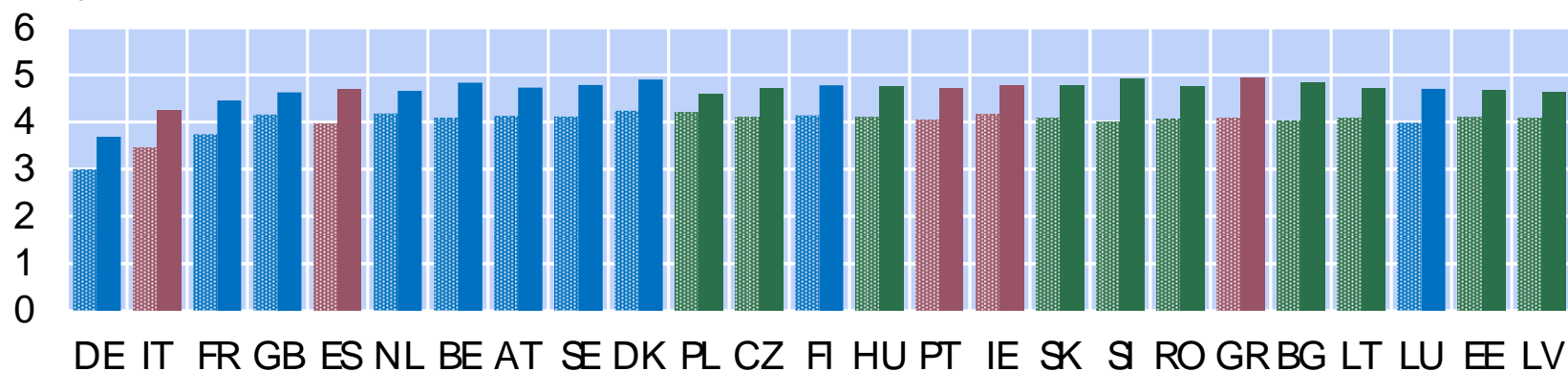


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## Leaving Unpromising Markets (*EXIT-inactive, INACTIVE-exit, EXIT-exit*)

in % of all trade links

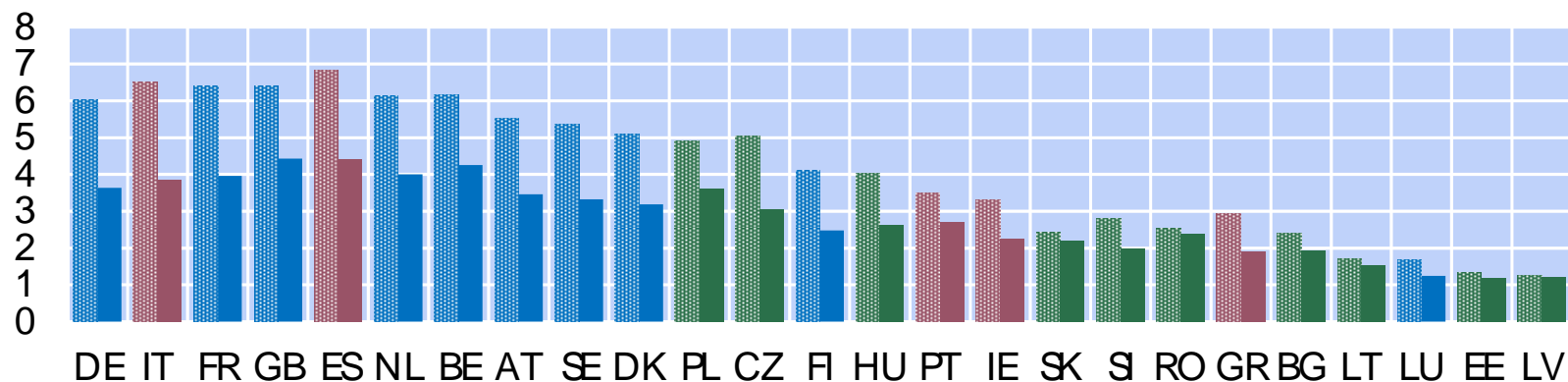


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## New Competition (ACTIVE-entry, ENTRY-active, ENTRY-entry)

in % of all trade links

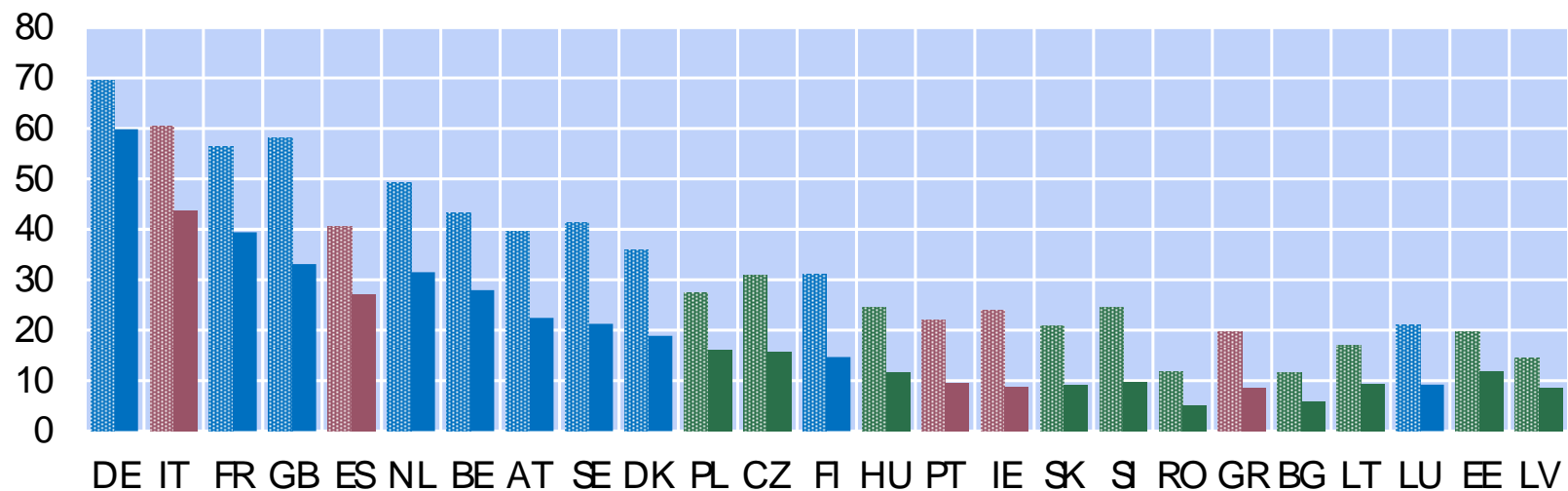


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## Bilateral Competition: New competition from China

in % of "new competition" trade links



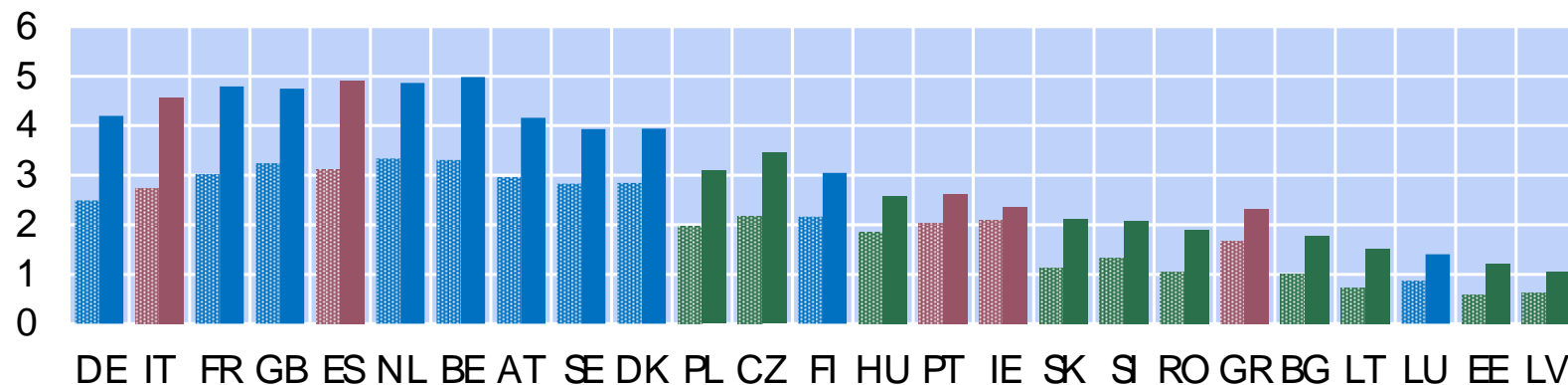
Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.



## Crowding Out (EXIT-active, EXIT-entry, ACTIVE-exit, ENTRY-exit)

in % of all trade links

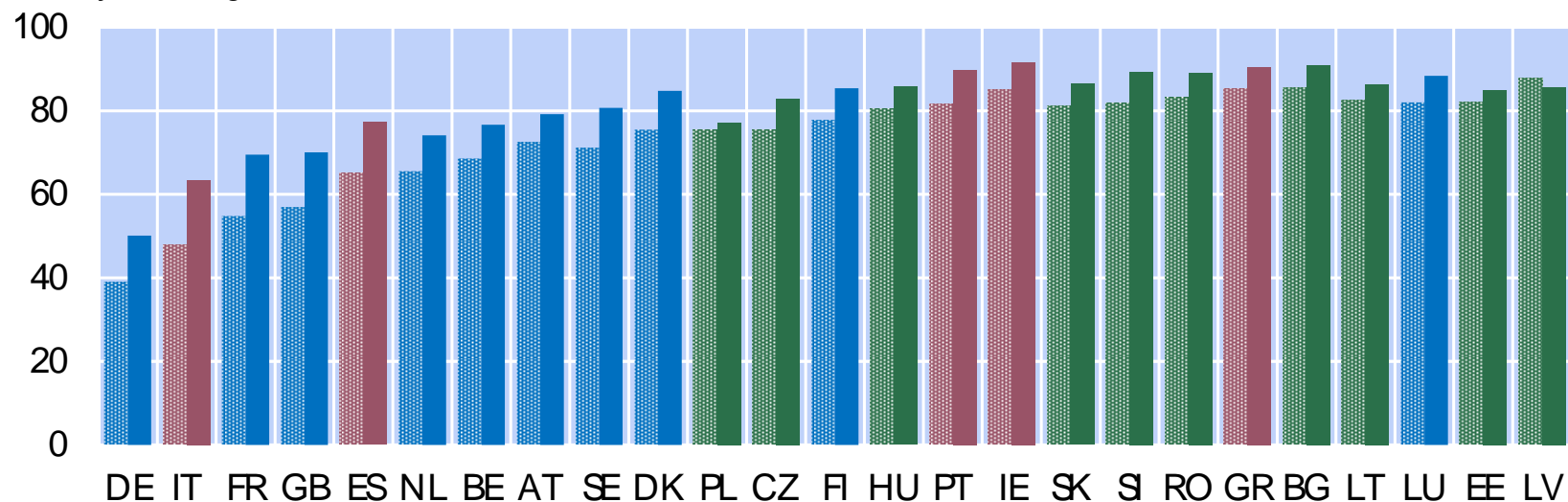


Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

## Bilateral Competition: Crowding out by China

in % of "crowding out" trade links



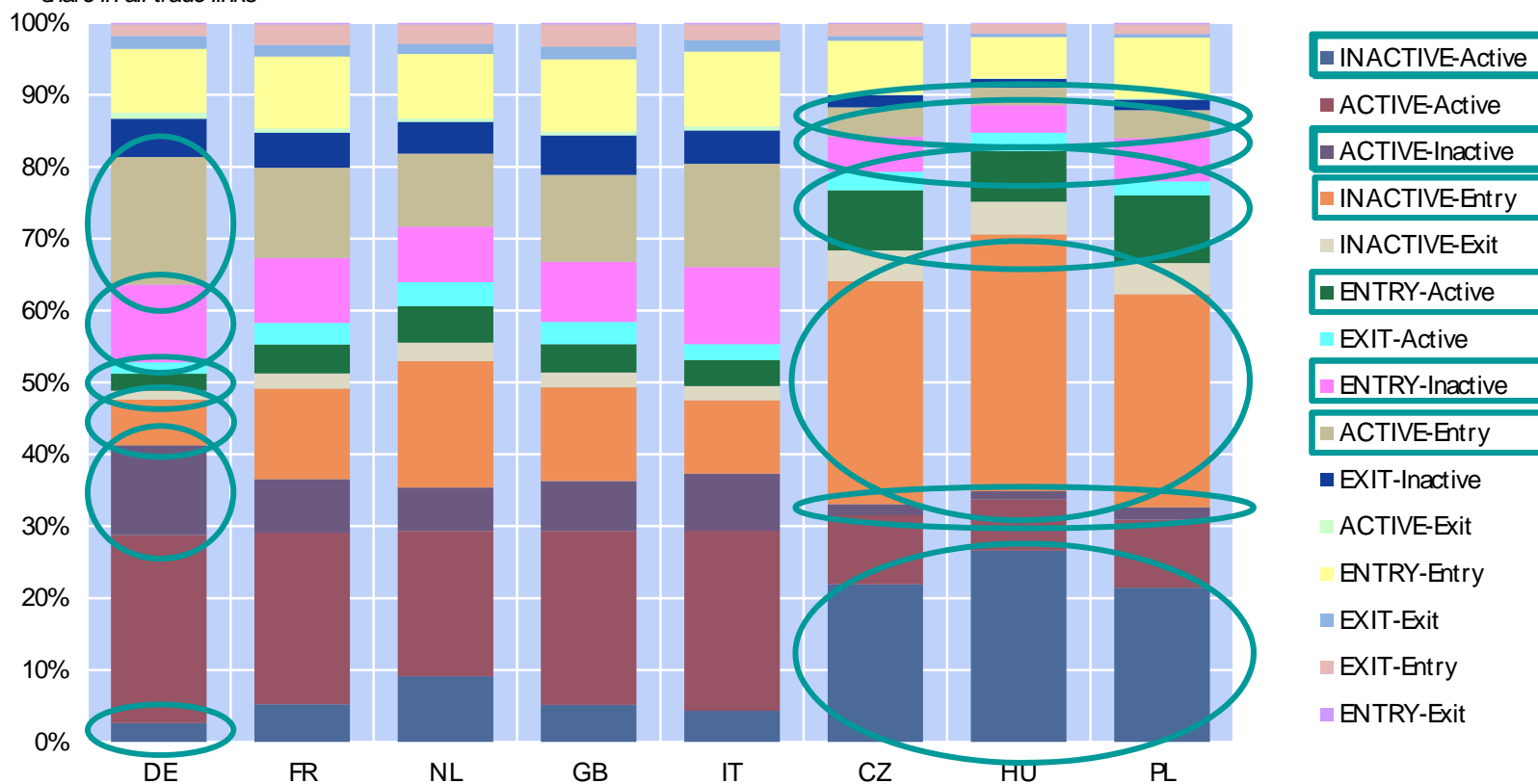
Source: UN COMTRADE, own calculations.

Shaded bars = 2001; solid bars = 2009.

# Conclusions and Further Research

## Trade Links, Comparison of 2001 to 2009

share in all trade links



Source: UN COMTRADE, own calculations

## Conclusions and further research

### Dynamic Trade Link Analysis:

- **New tool to investigate competitive pressure**
- **Direct competition more important for large countries**
- **New ventures typically successful**
- **Crowding-out effects small, but mostly China crowding out EU countries**

### Open issues:

- **Extend analysis to BECs**
- **How to incorporate size effects / values?**