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Abstract

Bachelor Thesis

Foreign Trade of China

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1 Introduction

This research divided into two parts: Literature Review and Practical Part.

The Literature Review is written based on literature on International Trade. This part introduces the main theories and a brief history of Foreign Trade and a brief history of International Trade in the world context.

To begin with, the author explained the Absolute Advantage theory from Adam Smith; the father of the Classical Trade Theory, Comparative Advantage by Ricardo and Heckscher Ohlin theory.

This research also used qualitative and quantitative method approach the practical part with the purpose to find out how important the Foreign Trade effect is to China's economy.

2 Keywords

China, Asia, foreign trade, economy growth, international trade

3 Objectives of this thesis

The basic objectives of this thesis is to analyze the foreign trade of China based on the impacts of imports and exports and other indicators. It can be studied via domestic products and free trade agreement made between China and its trading partners. These factors are believed to have explanatory power for China's foreign trade.

4 Methodology

For this thesis methodology, there will be data collected and after that analysed from the source information mainly from the Internet via search engine such as scholarly articles, journals, books from Vietnamese authors and others, trade documents, reports, and several other online academic sources.

This research was also based on quantitative method approach by collecting data from Bureau Statistics of China from 1978 to 2013, there are 27 observations, the unit is 100 million yuan. The main reason to analyse the China growth rate based on the relationship between GDP and Exports-Imports. The GDP and Linear Regression models were created as follow:

$$Y = a + b*x \quad (1)$$

Where:

Y: Dependent variable as GDP

X: Independent variable as growth rate (X-M)

a: constant

b: parameter of received growth rate

The model was verified by compared the p-values with significant level $\alpha = 0.05$ to identify the relationship between GDP and China growth rate (X-M).

5 Main Findings

My aim of this thesis is to have the overview about Foreign Trade of China. The reform process can be divided into the following main stages:

1979-1987 Period (period of exploration and trial)

1988-1990 Period (period of transition toward reform in depth)

1991-2001 Period

Over the past 38 years of reform, the Chinese nation experienced many ups and downs, changes; China's economy not only faced difficulties and challenges but also achieved a lot of achievements. That miraculous development of China was due to great efforts of the Chinese people in the cause of building the country with the target of bringing China to gradually integrate with the world economy and gradually become a strong economic power. In the coming years, China will still continue to grow, the economy will be increasingly integrated, becoming an important part of the world economy.

In the practical part, I used the Linear Regression with the help of SAS 7.1 to compute the relationship between GDP and exports-imports, after computing, I got the result as follow: if the GDP increase by 100,000,000 yuan, so that the (X-M) will increase by 2,030,000,000 yuan. For the statistical verification, we compare the p-value with significant level of 5% ($\alpha = 0.05$). In this case, the p-value of (X-M) was 0.0001 lower than 0.05. From the result, the author rejected the hypothesis, and the GDP growth depends on (X-M). In another way the author can say it was statistically significant.

6 Conclusion

After 38 years of reform and opening up, it can be said that China has achieved great successes in economic development, especially foreign trade development. From a country with stagnant and undeveloped foreign trade, China now is a current foreign trade country with powers ranked the 5th largest in the world and, more importantly, in the future, Chinese position in international trade will be enhanced increasingly.

In past years, thanks to China had proper policies and methods were suitable for the foreign trade development so that it achieved such successes such as high achievements as follows:

It can be said that on the way to opening up and reform of foreign trade, China was not necessarily to always get success and achieve many accomplishments. Sometimes, China also faced the mistakes as results of until now it was also not necessarily to achieve as expected. It still existed with a number of problems to continue to be overcome, such as improving the quality of exported goods and foreign trade performance, issues of regional disparities etc.

Through the study of the development experience of Chinese foreign trade, can be realize the State's role in policy-making and overall macroeconomic method-making were very important for Foreign Trade. Moreover, the Chinese government was very flexible in creating and implementing policies although China is a developing country. In fact, China makes foreign trade reform with cautious and solid steps.

7 Reference

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