

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**The determinants of foreign trade development in the People's  
Republic of China..**

**M. Deng Dapeng**

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# Czech University of Life Sciences Prague

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

M. Deng Dapeng

Business Administration

Thesis Title:

The determinants of foreign trade development in the People's Republic of China.

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### **Objectives of thesis**

The main aim of the present Bachelor thesis is to identify the determinants of foreign trade development in China. Being in terms of purchasing power parity (PPP GDP) the largest economy in the world since 2014, (according to the World Bank, 2018), it becomes interesting to investigate how China's foreign trade has been contributing to its economic growth over the last 30 years. To achieve the formulated main goal the following partial research questions will be stated and gradually answered:

1. Which countries were the main trade partners for China in the beginning of the analysed period and which of them became key partners at the end (both importers and exporters)?
2. What goods constitute the bulk of foreign trade turnover in China?
3. Trade in what items had demonstrated a revealed comparative advantage over the analysed period?
4. What is the dynamics of associated macroeconomic indicators in China?
5. What are other factors, that play an important role in economic development of China?

### **Methodology**

The theoretical part of the Bachelor thesis will be mainly based on a relevant literature review (represented by printed literature, scientific articles, surveys, web sources) and the research of similar studies, using methods such as abstraction, inductive reasoning, analysis, synthesis, and deduction.

The practical part will contain descriptive statistical and qualitative thematic synthesis of the main economic indicators and selected for the analysis variables. Own research work will be mainly based on RCA index analysis (Balassa, Vollrath, Lafay) along with comparative techniques and statistical inference.

The results of the conducted analysis will be discussed and complemented with the author's corresponding recommendations.

**The Proposed Extent of the Thesis:**

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**Keywords:**

Keywords: China, economy, GDP, Foreign Trade, Free Market, International Trade.

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**The Bachelor Thesis Supervisor:**

Mgr. Elena Kuzmenko, Ph.D.

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**Prof. Ing. Miroslav Svatoš, CSc.**

Head of department

Electronically approved: 19. 10. 2021

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**doc. Ing. Tomáš Šubrt, Ph.D..**

Dean

Prague on 15.03.2022

## **Declaration**

I declare that I have worked on my diploma thesis titled "The determinants of foreign trade development in the People's Republic of China" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15th of March 2022

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M. Deng Dapeng

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## **Acknowledgement**

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# **The determinants of foreign trade development in the People's Republic of China.**

## **Abstract**

Prior to the beginning of economic reforms and trade liberalization over four decades ago, China upheld policies that kept the economy poor, stagnant, centrally managed, enormously inefficient, and largely isolated from the world economy. China has been one of the fastest-growing economies since opening up to foreign trade and investment and incorporating free-market reforms in 1979, with real annual GDP growth averaging 9.5% through 2018, a rate indicated by the World Bank as "the fastest sustained expansion by a major economy in history." Such development has allowed China to quadruple its GDP every eight years on average, lifting an estimated 800 million out of poverty. China has risen to be the world's largest economy, manufacturer, holder of foreign exchange reserves and merchandise trader. The theoretical part of the Bachelor thesis will be mainly based on a relevant literature review. While the practical part will contain descriptive statistical and qualitative thematic with the use of Trend Analysis.

**Keywords:** China, Economy, GDP, Foreign Trade, Free Market, International Trade.

# **Determinanty rozvoje zahraničního obchodu v Čínské lidové republice.**

Před zahájením ekonomických reforem a liberalizací obchodu před více než čtyřiceti lety se Čína držela politiky, která udržovala ekonomiku chudou, stagnující, centrálně řízenou, nesmírně neefektivní a do značné míry izolovanou od světové ekonomiky. Od roku 1979, kdy se Čína otevřela zahraničnímu obchodu a investicím a zavedla reformy volného trhu, je jednou z nejrychleji rostoucích ekonomik a její reálný roční růst HDP dosahuje do roku 2018 v průměru 9,5 %, což je podle Světové banky "nejrychlejší trvalá expanze velké ekonomiky v historii". Tento vývoj umožnil Číně v průměru každých osm let zečtyřnásobit HDP a vymanit z chudoby přibližně 800 milionů lidí. Čína se stala největší světovou ekonomikou, výrobcem, držitelem devizových rezerv a obchodníkem se zbožím. Teoretická část bakalářské práce bude vycházet především z přehledu relevantní literatury. Zatímco praktická část bude obsahovat popisnou statistiku a kvalitativní tematiku s využitím analýzy trendů.

**Klíčová slova:** Čína, ekonomika, HDP, zahraniční obchod, volný trh, mezinárodní obchod.



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# 1. Introduction

China's international trade has grown rapidly in combination with its rapid economic growth, prompting the country to look to the rest of the world as a market. China has become a modern global manufacturer because to its stable political structure, massive natural resources, and plentiful trained workforce. There have been ongoing discussions about the role that international trade plays in encouraging economic growth, and in particular, productivity, since at least the early twentieth century. Among the most important findings from the extensive literature is that countries with a strong worldwide presence tend to be more productive than those that just produce for their own local market. A country's economy has grown much more intimately tied with external factors such as openness as a result of liberalization and globalization.

As a result, doing research on the determinants of foreign trade development in the People's Republic of China is extremely important in our globalized world. It aids policymakers in the formulation of suitable policies by identifying the source of productivity increase in the context of foreign trade. The implementation of economic reforms and the adoption of the open door policy, international trade and China's economy have witnessed explosive growth. A major factor in the country's ongoing economic success has been the country's integration into the global economic system. Because some of China's comparative advantages have begun to develop into high levels of specialization, the country has attained a rapid growth rate in its GDP, as well as a massive inflow of hard cash and a rise in employment. Additionally, China's engagement in international commerce has contributed to an increase in the productivity of domestic sectors as well as the growth of technological innovation in the country. For example, large imports of machinery goods in the early 1990s had an immediate impact on productivity due to the application of technology contained within them. On the other hand, small imports of machinery goods had no immediate impact on productivity. On the other hand, the degree of science and technology in China has skyrocketed as a result of the "learning by doing" phenomenon.

Therefore, research on the determinants of foreign trade development in the People's Republic of China can serve as a distinguishing case study demonstrating how a latecomer catches up with forerunners by increasing its participation on the global stage.

This research starts with a literature review on features of the economic system of the People's Republic of China. In the practical part, the evolution of foreign trade in the history of the

People's Republic of China is discussed in details. The data and variables used in are explained and the main conclusion is drawn respectively.

## **2. Objectives and Methodology**

### **2.1 Objectives**

The main aim of the present Bachelor thesis is to identify the determinants of foreign trade development in China. Being in terms of purchasing power parity (PPP GDP) the largest economy in the world since 2014, (according to the World Bank, 2018), it becomes interesting to investigate how China's foreign trade has been contributing to its economic growth over the last 30 years. To achieve the formulated main goal the following partial research questions will be stated and gradually answered:

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### **2.2 Methodology**

The theoretical part of the Bachelor thesis will be mainly based on a relevant literature review (represented by printed literature, scientific articles, surveys, web sources) and the research of similar studies, using methods such as abstraction, inductive reasoning, analysis, synthesis, and deduction.

The practical part will contain descriptive statistical and qualitative thematic synthesis of the main economic indicators and selected for the analysis variables. Own research work will be mainly based on RCA index analysis (Balassa, Vollrath, Lafay) along with comparative techniques and statistical inference.

The results of the conducted analysis will be discussed and complemented with the author's corresponding recommendations.

### **3. Literature Review**

#### **3.1 Features of the economic system of the People's Republic of China**

It would be wrong to analyze the foreign trade of a state without paying attention to its economic system. Especially when it comes to such a unique economy as the Chinese one.

The economy of the People's Republic of China (PRC) is a developing economy of a mixed type with elements of a market economy dominated by an administrative-command political and economic system. Due to its historical and political factors, China's economy is recognized as an emerging economy. It is dominated by the public sector, which has a much larger share of the national economy in China than the burgeoning private sector. China is a global manufacturing center, and is the largest manufacturing economy in the world, as well as the largest exporter of goods in the world. [Ashmarov I. A., 2016]

One of all, the peculiarity of China's domestic and foreign markets is the restriction of independent private entrepreneurship in some economically important sectors.

State-owned enterprises import the following goods: grain (including wheat, corn and rice), sugar, cotton, chemical fertilizers, tobacco, crude oil and refined oil. Only accredited enterprises can import/export these goods, in accordance with the Law on Foreign Trade. Tobacco trade is carried out exclusively by state-owned trading enterprises. Non-state trading enterprises that have passed the registration procedure can participate in the import of part of the tariff quota (grain, cotton, sugar, as well as some chemical fertilizers), as well as crude oil and refined oil. [Aliyev T. M. et al., 2017]

Despite the existing variety of forms of ownership in the PRC, state ownership remains the basis of the economy. Thus, the private sector retains leadership in such sectors as the production of clothing, food and the installation of export goods. Industries of strategic importance (for example, energy, utilities, transport, finance, telecommunications, education and health services) are only partially open to private investment. [Aliyev T. M. et al., 2017]

As a rule, these sectors are dominated by large state-owned enterprises. At the same time, the

Chinese authorities note that despite the preservation of the historical reasons for the presence of state-owned enterprises in certain sectors of the economy, the government is in the process of reforming state - owned enterprises in order to further develop a mixed form of ownership in the economy. State-owned enterprises are divided into non-profit organizations and public service providers, as a result of which many state-owned enterprises operate as private enterprises. [Aliyev T. M. et al., 2017]

In state-owned enterprises, the state's participation can be 100 % or can be limited to the role of one of the shareholders. There are three categories of such enterprises:

- state-owned enterprises (whose capital is fully owned by the state),
- state-controlled enterprises (divided into fully state-controlled enterprises (the state's share is over 50 %) and enterprises with "relative" state control, which are further divided into: enterprises where the state's share is less than 50 %, but more than the other shareholders, and enterprises where the state's share is less than that of other shareholders, but it manages by agreement of the parties),
- enterprises with state investments (the state owns some of the shares of the enterprise and does not have any influence on decision-making). [Aliyev T. M. et al., 2017]

Another important feature of China's external economy is the existence of special economic zones. Since 1980, 5 special economic regions have been formed in China. They are located in the south-east of the PRC. The functioning of these economic zones is mainly aimed at international commodity markets. More than 50% of the products manufactured there are exported. First of all here are developing the manufacturing industry, research and trade activity. [Medzhidov Z. U., 2016]

A special management system and a specialized economic policy are being implemented on the territory of special economic regions. Foreign investors have numerous tax and customs privileges, significantly greater powers and rights. [Medzhidov Z. U., 2016]

The management of zones in the PRC is divided into three macro - levels: national, provincial and local. The national level includes special economic zones (SEZs), zones of economic and technological development (ZTER), high-tech zones (ZT), zones of cross-border economic cooperation (PZEC), export production zones (ZEP), free customs zones and free trade zones

(FTZ). To become a state - wide zone, economic SEZ indicators must meet the requirements for annual tax deductions (more than 100 billion yuan), export volumes and FDI inflows. The establishment of FEZ, ZTER and ZVT takes place with the approval of the State Council of the People's Republic of China, and their management is managed by local administrative committees. Free customs zones and ZEPS are managed by the Main Customs Administration of the People's Republic of China. [Aliyev T. M. et al., 2017]

Thus, the People's Republic of China has a unique economic system that combines the mechanisms of both a planning-directive and a market economy. Consideration of China's foreign trade in the following parts of the work will be carried out based on the features of this system.

### **3.2 Foreign trade: the essence and approaches to the definition**

To study the processes taking place in world trade, the most important categories are «international trade» and «foreign trade». The main problem in terminology is the merging of these categories. Most Western researchers do not share the concepts of international and foreign trade. If we separate the concepts of foreign and international trade, then the foreign trade of a country consists of imports and exports of this state. International trade with this approach includes the sum of foreign trade of all countries of the world. However, the unification of these concepts into the term "international trade" as a whole does not interfere with scientific discourse. Separation of concepts is more often used in more specialized studies.

By the most common definition, international trade refers to the transfer of goods and services from one country to another. This definition was aligned with economic concepts that clarified international trade as trade across international borders. In the overwhelming majority of countries, such trade accounts for a significant share of gross domestic product. Of course, international trade has been present throughout the great historical period. However, its economic, social and political importance has recently increased, especially over the last century. Without international trade, countries would face restrictions on goods and services of their own production. The 2012 Economic Concept adds a definition of the difference between international trade and domestic trade. It lies in the fact that foreign trade

is more expensive than domestic trade. This is primarily due to the fact that trade across an international border requires special fees or costs. These are, for example, trade tariffs, as well as other costs (related to differences between countries and peoples): language, legal system or culture. And the factors of production, capital and labor, move more freely within one country than between countries. [Danjuma Naisla Hassan, Habakuk Aboki, Amos Anyesha Audu, 2014]

The basis of international trade is goods and services. Services are often regarded as intangible and perishable, they require simultaneous production and consumption. It is worth noting, however, that there are exceptions for each of these characteristics of services (when providing architect services, the sketch is material, and ATMs do not require direct contact between the manufacturer and the consumer). [Aaditya Mattoo, Robert M. Stern, and Gianni Zanini, 2008]

In the international registry, services are divided into:

1. Business services
2. Communication services
3. Construction services
4. Distribution services
5. Educational services
6. Environmental services
7. Financial services
8. Health-related and social services
9. Tourism and travel-related services
10. Recreational, cultural, and sporting services
11. Transport services
12. Other services not elsewhere included

The goods are tangible and can be stored. They do not require direct interaction between producers and consumers. The main difference between trade in services and trade in goods is that most of the trade in services should be carried out through the movement of factors (movement of workers or investments). [Aaditya Mattoo, Robert M. Stern, and Gianni Zanini, 2008]



Thus, the sphere of foreign (international) trade deals with the exchange of goods and services between countries. It is a key element of both the economic system of an individual state and the global financial and economic system.

### **3.3 Basic theories of foreign trade**

Many well-known economists have dealt with international trade issues. The main theories of international trade are the Mercantilist theory, the Theory of absolute advantages by A. Smith, the Theory of Comparative Advantages by D. Ricardo and D. S. Mill, the Heckscher – Ohlin theory, the Theory of the product life cycle and the Theory of M. Porter.

The very first teaching about foreign trade can be called mercantilism. This trend was a kind of economic analogue of political absolutism. His publicists of the 17th century are the Englishman Thomas Man, the Frenchman Jean-Baptiste Colbert and the Italian Antonio Serra. They never, however, used the term "mercantilism" themselves; the Scottish economist Adam Smith coined it. Mercantilism implied rather strict principles. Precious metals were very important for the state. If a country did not have mines or did not have access to them, then it was forced to trade. It was believed that the most correct balance should be the excess of exports over imports. The colonial possessions served only as markets for exports and suppliers of raw materials to the metropolis. Production in the colonies was prohibited, and all trade between the colony and the metropolis was considered a monopoly of the metropolis. A strong nation in the context of mercantilism is a large population (an influx of labor, a market and soldiers). Human needs are kept to a minimum, imported luxury goods only deplete the treasury. Economy was considered a virtue, because only with the help of it was possible to create capital. In fact, mercantilism provided a favorable climate for the early development of capitalism with its promises of profit. Later, mercantilism was severely criticized. Supporters of non-interference argued that all trade is profitable, both internal and external. [Britannica]

Scottish economist Adam Smith argued with the mercantilists. He brought a new idea to the study of foreign trade. Countries are interested in the free development of international trade, since they can benefit from it regardless of whether they are exporters or importers. A. Smith developed the theory of absolute advantages, according to which countries sell those goods

that they produce at lower costs, and buy goods produced at lower costs in other countries. This division of labor will allow countries to improve their production both quantitatively and qualitatively. [Schumacher R., 2012]

Continuing to develop the ideas of Adam Smith, the British economist David Ricardo formulated his theory of comparative advantages. It explained the reasons and advantages of international trade by using differences in the relative opportunity costs of producing the same goods between countries. The main features of the theory can be formulated as follows:

- Two countries account for two products;
- Perfect competition dominates the markets;
- The cost of production is measured in labor costs, and the cost of goods is measured in working units of the time required for its production;
- Only labor is a factor of production;
- People's labor costs the same in all countries, whether developed or developing;
- The labor force is mobile within the country, but it is stationary between countries;
- International trade between countries is free and is not burdened with any restrictions such as barriers or tariffs;
- The barter economy is the only tool of trade between countries. [Ukwandu D., 2015]

The English economist John Stuart Mill also developed the theory of comparative advantage, so his name often sounds together with the name of Ricardo.

Adam Smith, David Ricardo and John Stuart Mill have identified differences in the costs of producing goods in different countries. However, the question of why these differences exist was not in their first place. Swedish researchers Eli Heckscher and Bertil Olin have formulated their own theory of international trade. The theory is based on the existence of only two countries, only two goods, one of which is labor-intensive, the other is capital-intensive, and on the existence of two factors of production (labor and capital). The theorem reads as follows: a country will export a product whose production requires intensive use of a relatively excessive (and cheap) factor of production for this country, and import a product whose production requires intensive use of a relatively scarce (and expensive) factor of production for this country. [Rajesh Pal, 2018]

In the mid-1960s, the American Economist R. Vernon put forward a theory of the product life cycle, in which he tried to explain the development of world trade in finished products based on the specifics of their life stages. Vernon identifies five main stages. The first stage is the stage of a new product. The second stage is the product growth stage. The third stage is the stage of product maturity. The fourth stage is the stage of falling production of goods. The fifth stage is the stage of termination of the domestic product. The theory of the product life cycle proceeds from the fact that some countries specialize in the production and export of technologically new goods, while others specialize in the production of already known goods. The most developed countries with large amounts of capital and skilled labor are able to invest large amounts of money in technological innovations, produce new products based on them, thus obtaining a permanent (dynamic) comparative advantage over other countries. [Moran, T. H, 2000]

In 1990, Professor M. Porter of Harvard University developed the theory of competitive advantages. Competitiveness determines the success or failure in specific industries and the place that a country occupies in the world economy system. National competitiveness is determined by the ability of industry to constantly develop and produce innovations. Initially, national companies achieve a competitive advantage by changing the basis on which they compete. The constant improvement of the product, the method of production and other factors allows them to keep the advantage, and quickly, so that competitors cannot catch up and overtake them. Companies operate in a constant state of increased competition. At the same time, competition is not an equilibrium, but constant changes. Therefore, the explanation of competitive advantage is based on the role of the country in stimulating updates and improvements. One of the main drawbacks of Porter's theory at the moment is that it does not correspond to the current pace of technology development and their impact on the development of competitive advantages.

The experience of studying foreign trade is quite great. However, foreign trade is not a static object, which means that completely new theories may become outdated, and the old ones become relevant again. Therefore, the study of foreign trade theories is very important for the analysis of modern cases.

### 3.4 Main foreign trade indicators

Special indicators are used to assess the effectiveness and determine the stage of development of foreign trade. It is important to note that each indicator individually will not be able to give a complete picture, for an effective result it is important to analyze them together.

The main indicator of foreign trade is the value of **trade turnover**. This is the sum of exports and imports. For the collection of statistical data on foreign trade transactions, the assessment of foreign trade turnover is very important, since on its basis it is calculated in the future:

- Trade balance;
- Average prices;
- The effectiveness of foreign trade operations in general and other significant parameters.

Another important indicator of foreign trade is the **trade balance**. This is the difference between the total volume of commodity exports and imports of a country for a certain period of time. When exports to a country exceed imports, it is assumed that the country has a favorable trade balance, in other words, a trade supervisor. If imports exceed exports, the trade balance is unfavorable. This situation is called a trade deficit. It is important to note that this concept is more applicable when applied to trade between two countries, rather than one country and the rest of the world. [Olegario Hamazares, 2015]

Also, the indicators of foreign trade include **quotas** (two types). One of the types is the **import quota**. This is a protective ordinance that sets limit on the amount of product (specific) that can be imported. Quotas serve as a means of restricting imports by issuing certain licenses to importers. Each importer is assigned a quota after the total quantity is determined a product that must be imported (within a certain period of time). In addition to the quantity, import licenses may also specify the country in which the importer must purchase the goods. [Olegario Hamazares, 2015]

An **export quota** implies a restriction on the value or volume of exports of a certain product. This quota is introduced by the government of the exporting country. The restriction may be

aimed at protecting domestic producers from a temporary shortage of certain materials or may be used as a means of reducing world prices for a certain group of goods. Commodity agreements sometimes contain clear provisions indicating the date when export quotas should take effect among producers. Export quotas are also used when conducting an orderly marketing policy and when agreeing on voluntary restrictions. [Olegario Hamazares, 2015]

It is very important to understand the **structure of the country's foreign trade**. The structures include subjects and objects. Subjects are those countries with which the state trades. And objects are goods and services that it sells.

**Export potential** is also a very important indicator of foreign trade. The World Trade Center has developed a methodology for assessing export potential (to help developing countries identify promising products). It is based on the decomposition of a country's potential export of a product to a given target market into three factors: supply, demand and ease of trade. The Export Potential Indicator (EPI) serves countries that seek to support existing export sectors in increasing their exports to both existing and new markets. The Product Diversification Index (PDI) serves countries that seek to diversify and develop new export sectors. [Decreux Yvan, Spies Julia, 2016]

The state of a country's foreign trade and the level of its development depend primarily on the competitiveness of manufactured goods, the level of which is influenced by:

- Provision of the country with resources (factors of production), including such as information, technology;
- Capacity and requirements of the domestic market for product quality;
- The level of development of links between export industries and related industries and industries;
- The strategy of firms, their organizational structure, the degree of development of competition in the domestic market.

In economic development, international competitiveness is usually used to measure the advantages and disadvantages of a particular country's industry. Through a comparative analysis of international competitiveness, the status of the industry in the world is determined. This provides the basis for the development of industrial policy. Researchers use an index

system that includes the ISM index, the RCA index and the TC index. [Jiang, L., & Lin, C., 2019]

1. The **ISM index** shows the ratio of the volume of exports of industries or products of a particular country to the total volume of exports on the world market. This index can show the overall competitiveness of the country.

2. The **RCA index** shows that the comparative advantages of an industry or a specific product in a country can be seen if we calculate the ratio of the share of exports of an industry or product in a country to the current world trade share of the industry or product in the total world

trade. This index is a relative value, but it can be a fairly accurate measure of a country in the current industry or an export product relative to the world average.

3. The **CU index** is the ratio of the total net exports of certain industries or products of a country and the total volume of imports and exports. This index excludes the impact of fluctuations in all macroeconomic aspects, for example, inflation. [Jiang, L., & Lin, C., 2019]

Countries and companies sell goods abroad and buy raw materials and equipment from foreign partners themselves, that is, they are both exporters and importers. Knowing the general trend and dynamics of key macro indicators of trade turnover, you can find out:

- What place does the state occupy in the industry;
- Prospects for market expansion;
- How big is the demand for business services and goods;
- Do the current participants meet this demand and is there any potential for market expansion or not.

Thus, the identification and study of foreign trade indicators is not only an integral part of economic science, but also has practical significance.

### **3.5 The main factors of development and barriers to foreign trade**

Quite a lot of factors affect the foreign trade of the state and international trade. Favorable factors develop and simplify trade between countries. Trade barriers hinder the development of trade and slow down the turnover of goods between countries.

Favorable factors have a significant impact on the economies of countries and world trade. These include the following:

- High growth rates of world production. This factor is influenced by the following mechanisms of influence on international trade.
- The impact of the scientific and technological revolution. The development of technologies is closely related to the factors of production. Technological progress makes capital more productive, and also creates incentives for new investments. Technologies create new equipment that accelerates production. [Y. Kozak, A. Gribincea, T. Sporek, T. Shengelia, N.Prytula, E.Voronova, I. Ukhanova, V. Kurylyak, A.Kozak, A. Zborovska, 2016]
- Activities of international economic organizations. Systematic problems in the functioning of international trade are mitigated by international financial institutions. They are endowed with the ability to create external liquidity in a crisis. [Steiner, A., 2016]
- Activities of transnational corporations. Multinational corporations are actively engaged in research for their branches and subsidiaries. [Y. Kozak, A. Gribincea, T. Sporek, T. Shengelia, N.Prytula, E.Voronova, I. Ukhanova, V. Kurylyak, A.Kozak, A. Zborovska, 2016] Such attention develops production in several regions at once.
- International economic integration. International economic integration has accelerated in recent years. Its main characteristics include the reduction or elimination of trade tariffs and restrictions on capital flows (for example, through the use of new communication technologies). The result of this process is the international mobility of capital, that is, a freer movement of goods and the development of production processes. [Carré, F. J., 2001]
- Liberalization of trade regimes. The liberalization of mutual trade is carried out on a bilateral, regional and multilateral basis. Bilateral agreements can serve as a good basis for trade with one or more trading partners, but they are not able to provide favorable conditions for the development of free competition in the world market. The liberalization of regional trade is carried out between the States that are part of the integration groups, but at the same time a differentiated approach to third parties is maintained. The most effective way of mutual liberalization is multilateral liberalization within the framework of the World Trade Organization. It is aimed at ensuring free competition in international trade. The liberalization of multilateral trade allows more competitors to benefit from international trade. [Pakhlyan A.A., 2018]

The existence of interstate customs borders has led to the emergence of various tools and methods by which States carry out their foreign trade policy. Trade barriers can be tariff and non-tariff. The customs tariff is a systematized list of customs duties levied on cargo owners

when goods pass through the customs state border. The level of customs taxation depends on a number of factors. These are: differences in the level of domestic and world prices of goods in different countries; the degree of concentration of production and the level of monopolization of the market of individual goods; the ratio of labor productivity and production costs in individual countries, etc.

Researchers identify tariff effects. There are three separate effects: reduction, diversion, and compression. The trade reduction effect is calculated as the weighted average trade value of the bilateral tariffs imposed by the countries. This variable reflects changes in the price index for imported varieties relative to the domestic price level. The increase will lead to a reduction in imports.

The tariff diversion effect reflects the variability of tariffs in different countries and reflects the extent to which preferential tariffs lead to a transition from one type of product to another. A high tariff distracts trade from a particular exporter.

The third tariff effect (the compression effect) arises from the presence of fixed costs, which can lead to a reduction in trade with fewer partners than would be observed in the absence of barriers. The presence of fixed costs will increase the scale of countries' imports from large potential suppliers by diverting trade from smaller suppliers. [Haverman, Nair-Reichert, Thursby, 2003]

The policy of trade restrictions in the participating countries may be influenced by international organizations. For example, after joining the WTO, China lowered its trade barriers. In 2004, China lowered its average tariff rate by 0.6% to 10.4%, and in 2008 the average tariff rate was already below 10%. China has also agreed to abolish non-tariff barriers, import quotas, licenses, established trade practices and other non-tariff barriers. [Sun, Heshmati, 2010]

Non-tariff barriers include technical restrictions. Technical barriers to trade are understood as all state control measures and restrictions related to technical requirements for products if they are used as a means of restricting the access of foreign-made products to the domestic market of the country. Technical barriers are diverse both in nature and in forms. They can exist in the form of standards, technical norms, rules, requirements for the safety of goods, requirements for packaging, labeling and other technical characteristics of products. Most often, technical barriers are expressed in bans on the import of products that do not meet certain technical requirements of the importing country. In practice, there may be other, more complex mechanisms that ensure the safety of imported products (usually used in agricultural trade):



1. Mandatory inspection of goods. It carried out in the absence of a document confirming the conformity of products with the necessary standards;
2. Special permits. The importation of certain goods may be authorized only by the competent authorities of the importing country;
3. Inspection of enterprises. Only products manufactured at enterprises that have successfully passed the special inspection procedure by specialists of the importing country receive an import permit;
4. Special requirements for labeling and packaging;
5. In fact, the existing technical parameters are a specific case of technical barriers, the emergence of which is due not to government regulation measures, but to the technical policy of firms aimed at consolidating their presence in the market and creating obstacles for competitors to enter the market.

These measures are usually used for public purposes, such as regulating markets, protecting consumers, or conserving natural resources. Technical trade barriers can also be used in line with protectionist policies to discriminate against imports and domestic industries. Foreign suppliers are restricted access to the domestic market of the country due to difficulties in meeting mandatory standards. Domestic producers are increasing their supplies and will receive an additional surplus of the manufacturer, which is transferred from foreign suppliers. [Cha, Y., Koo, M. G, 2020]

International trade and economic organizations are interested in easing barriers and stimulating development factors. However, the national interests of the state may be affected by free trade between countries. Therefore, this confrontation can hardly be resolved.

### **3.6 The features of the protectionism policy**

Protectionism is a policy of protecting the domestic market from foreign competition through a system of certain restrictions: import and export duties, subsidies and other measures. Such a policy contributes to the development of national production.

In economic theory, the protectionist doctrine is the opposite of the free trade doctrine - free trade, the dispute between these two doctrines has been going on since the time of Adam Smith. Proponents of protectionism criticize the doctrine of free trade from the standpoint of the growth of national production, employment of the population and improvement of demographic indicators. Opponents of protectionism criticize it from the standpoint of

freedom of entrepreneurship and consumer protection. In history, protectionism has intensified in times of crisis, for example, during a war or an economic depression. Protectionism weakened in peacetime, when the absence of threats allowed free trade to develop. [Britannica]

Protectionism is associated with several areas of development at once: the fiscal, tax and customs policy of the country. Together, they represent a means of stabilization, which is aimed at stimulating or limiting the activities of the external sector of the economy. An important factor in choosing the direction of influence is the creation of conditions under which the national economy will ensure a sufficient level of development of the external sector and will be able to withstand the challenges of world markets. Protectionism measures have an impact on the entire range of foreign economic activity. [Panchenko, Reznikova, 2017]

The protection policy of the state can be divided into three directions: strategic, regulatory, situational. The criterion for this division is the goal. For strategic protection the goal is the strategic protection of national interests or structural transformation of the national economy. For regulatory protection it is strategic and tactical protection of national interests. For the situational protection the goal is the tactical protection of national interests. [Panchenko, Reznikova, 2017]

Strategic protection is applied in several areas. The specifics of its implementation are indicated in the table below.

Table 1 Classification Indicators of Classic Protection by Strategic Kind.

<b>Object of influence</b>	<b>Instruments of influence</b>	<b>Type of protectionism</b>	<b>Types of adjacent policies</b>	<b>Regulatory mechanisms</b>	<b>Regulatory level</b>
Structure of economy	Structural policy	Complex	Regularity  Foreign trade  Budget  Financial	Of restrictive/ stimulating nature  Direct/indirect influence	National

			Monetary	Price/non-price	
Agricultural industry	Agricultural policy	Agrarian	Regularity Financial Budget and tax Foreign trade Structural	Of restrictive/ stimulating nature  Direct/indirect Influence  Price/non-price	Non-governmental organizations  Global  Integration  State
Energy industry	Energy policy	Energy	Regulatory		
Resource-intensive industries	Raw material policy	Resource	Technological		
High-tech industry	Technological policy	Technological	Financial		
Financial sector	Innovative policy	Financial	Regulatory		
Investment industry	Investment policy	Investment	Monetary and credit  Budget and tax		

*Source: VOLODYMYR PANCHENKO, NATALIJA REZNIKOVA, From Protectionism to Neo-Protectionism: New Dimensions of Liberal Regulation / Phenomenology of Neo-dependence in Terms of Economic Globalization / 2017.*

Regulatory protection primarily concerns "growth points" and labor-intensive industries. Now these areas are considered a priority, and protectionist policies are aimed at their development.

Table 2 Classification Indicators of Classic Protection by Regulatory Kind

<b>Object of influence</b>	<b>Instruments of influence</b>	<b>Type of protectionism</b>	<b>Types of adjacent policies</b>	<b>Regulatory mechanisms</b>	<b>Regulatory level</b>
“Growth Points” Industries and Labor-intensive industries	Structural policy  Innovative Policy  Technological  Budget and tax	Industrial  Investment  Technological	Budget and tax  Foreign trade	Of restrictive/ stimulating nature  Direct/indirect influence  Price/ non-price	National  Regional

*Source: VOLODYMYR PANCHENKO, NATALIJA REZNIKOVA, From Protectionism to Neo-Protectionism: New Dimensions of Liberal Regulation / Phenomenology of Neo-dependence in Terms of Economic Globalization / 2017*

Situational protection pays more attention to the socio-demographic sphere. Protectionism in this area concerns the problems of population growth and reduction, migration issues.

Table 3 Classification Indicators of Classic Protection by Situational Kind

<b>Object of influence</b>	<b>Instruments of influence</b>	<b>Type of protectionism</b>	<b>Types of adjacent policies</b>	<b>Regulatory mechanisms</b>	<b>Regulatory level</b>
Industrial concentration  Income of the population	Regional,  social,  migration policy	Selective  Socially oriented	Budget and tax  Monetary and credit	Incentive/ restrictive nature  Direct influence  Price/	National  Regional

Migration				non-price	
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*Source: VOLODYMYR PANCHENKO, NATALIJA REZNIKOVA, From Protectionism to Neo-Protectionism: New Dimensions of Liberal Regulation / Phenomenology of Neo-dependence in Terms of Economic Globalization / 2017*

The policy of protectionism has a number of advantages. These include, for example, increasing military security, increasing the population, diversifying production and strengthening the sense of national identity. [Dales, John H., 2015] However, protectionism has a number of disadvantages. Freedom of entrepreneurial activity and consumer protection are restricted. Due to high customs costs, the cost of imported goods rises, the range of products decreases. Lack of competition and high import duties lead to incorrect pricing. The cost of goods is increasing, which negatively affects the purchasing power of citizens. National production is being undermined. Domestic producers have no motivation in the absence of competition.

The policy of protectionism is used in one way or another in all modern states. The question of whether there should be more protectionism or free trading is very important for foreign trade policy.

### **3.7 International trade: functions and the main institutions**

International trade: forms, functions and the main institutions.

If foreign trade is the trade of one country with other countries, consisting of the import (import) and export (export) of goods and services, then international trade is the totality of foreign trade of the countries of the world.

Forms of international trade can be systematized in several directions. According to the specifics of regulation, there are ordinary trade, trade with the most favored nation regime, preferential and discriminatory trade.

Ordinary trade is the implementation of regulation in full compliance with national legislation, based on the absence of a state monopoly on foreign trade and on the right to this trade of individuals and legal entities and state institutions.

The most favored nation regime is an agreement under which each of the countries entering into the agreement undertakes to provide the other country with no less favorable conditions in the field of economic, trade and other relations than it provides or will provide in the future to any third State. This regime provides for the provision of customs privileges, as well as advantages in respect of internal taxes and fees imposed on the production, processing and circulation of imported goods. The most favored nation and the National Regime are vital principles that form the principle of non-discrimination. The main purpose of these principles is to provide equal opportunities to all members of the World Trade Organization. The most-favoured-nation regime should be applied even if the beneficiary country is not a WTO member. [Moawiah Milhem, 2013] The most-favored-nation regime has a multiplier effect, thanks to which concessions "negotiated" by one or more countries are transformed into advantages for all members of a multilateral agreement.

Preferential trade is an agreement between countries to provide more favorable terms of trade to each other than they provide to third countries. Now there is a tendency to expand the area covered by such an international trade regime. Prior to the 1990s, trade agreements mainly focused on tariff reductions, and now preferential trade often includes a number of provisions that already cover policy areas. Many trade agreements cover intellectual property rights protection, investment regulation, and competition policy. [Hofmann, C., Osnago, A., 2018]

Discriminatory trade arises as a result of the application of strict restrictive measures in trade and economic relations (embargo, trade boycott, trade blockade) or other instruments that discriminate against the rights of a trading partner. It is generally recognized that discriminatory purchases in favor of domestic suppliers can constitute a barrier to trade and international competition. [Trionfetti, F., 2000]

According to the number of participants in international trade relations, bilateral and multilateral trade are recognized. Bilateral trade is trade between two countries in accordance with trade agreements between them and the system of mutual settlements. Multilateral trade is international trade between several countries.

According to the specifics of the subject, trade in raw materials, industrial goods, finished products, services and intellectual labor products are distinguished.

According to the forms of interaction of subjects, traditional, compensatory (counter), exchange trading and trade with cooperation are distinguished. Traditional trade means the export and import of goods that are not conditioned by cooperative ties and obligations and are regulated by contracts for the international sale of goods. Trade with cooperation involves the conclusion of contracts linking the production processes of independent firms. Depending on the degree of integration, production, sales, production and sales and trade are distinguished as part of consortia. Counter-trade is a type of foreign trade operations characterized by mutual purchase of goods by the exporter and importer from each other. Counter-trade allows developing countries to promote exports and exchange their surplus goods that are not needed by the international market. Counter-trade is especially beneficial for the development of the state if the state receives investments in infrastructure from the transaction, which is necessary for the development and economic growth of the country. [Marilyn Onukwuga, 2019] Exchange trading is the trading of goods and financial instruments through exchanges in a predetermined place and at a certain time according to the rules established by the exchange.

There are also other criteria for classifying forms of international trade. For example, international trade by territorial scope (local, regional, interregional, global), by the structure of relations between trade entities (intra-company, intra-industry, inter-industry, horizontal, vertical) etc.

Identification of classifications of forms of international trade is of great importance not only for the theory of international trade (for analysis and forecasting), but also helps in practice. Regulatory trade regulation must necessarily be based on different types and forms of international trade. In addition, the classification allows countries to build the main direction of foreign trade based on their strengths.

Combating discrimination in international trade is one of the tasks of international policy. Various institutions have been created for this. The World Trade Organization (WTO), established in 1995, replaced the General Agreement on Tariffs and Trade (GATT) as the

only international body dealing with global rules of trade between States. The national regime that the World Trade Organization is fighting for implies that foreign and national companies are treated equally. It is unfair to give preference to domestic companies over foreign ones. Some countries have a most-favored-nation regime, but the policy is that all countries should be treated equally in terms of trade. [Shah, Anup, 2007]

The WTO is both an organization and at the same time a set of legal documents, a kind of multilateral trade agreement defining the rights and obligations of governments in the field of international trade in goods and services. The main tasks of the WTO are the liberalization of international trade, ensuring its fairness and predictability, promoting economic growth and improving the economic well-being of people. The main functions of the WTO:

- Monitoring compliance with the requirements of the WTO basic agreements;
- Creation of conditions for negotiations between WTO member countries on foreign economic relations;
- Settlement of disputes between states on issues of foreign economic trade policy;
- Control over the policy of the WTO member States in the field of international trade;
- Assistance to developing countries;
- Cooperation with other international.

The World Trade Organization has several bodies, even judicial ones. For example, a judge decides whether a less favorable treatment is provided for "similar" imported goods and/or, in the case of tax measures only, whether a different treatment is provided for directly competitive and replaceable products. [Howse, R., 2016]

Not only does the World Trade Organization regulate international trade, individual regional and sectoral institutions also play an important role. The main ones are listed below:

- European Free Trade Association (EU EFTA). EFTA was established in 1960 with the aim of creating a free trade area.

- **International Trade Centre (ITC). The Agency for Technical Cooperation of the United Nations Conference on Trade and Development and the World Trade Organization dealing with operational and business-oriented aspects of trade development.**

- UN Commission on International Trade Law (UNCITRAL). A subsidiary body of the UN General Assembly, established in 1966 to promote the development of international trade law.



- UN Conference On Trade and Development (UNCTAD). The main objectives of UNCTAD are: to promote the development of international trade; equal, mutually beneficial cooperation between states; participation in the coordination of actions of other UN agencies in the field of economic development of economic relations and the promotion of international trade.
- Consumers International (CI). The organization was created by national consumer organizations who wanted to create a cross-border union for the exchange of knowledge.
- Asia-Pacific Economic Cooperation (APEC). The aim of APEC is to increase economic growth, prosperity in the region and strengthen the Asia-Pacific community.
- International Energy Agency (IEA). The Agency focuses on energy security, economic development and environmental protection.
- International Finance Corporation (IFC) - World Bank Group. It was established in 1956 in order to ensure a steady flow of private investment in developing countries.
- UN Economic and Social Commission for Asia and the Pacific (UN ESCAP). The main task of ESCAP is to manage the process of globalization in the field of environmentally sustainable development, trade and human rights.
- UN Economic Commission for Africa (UNECA). The task is to develop and implement innovative financing models for infrastructure development, as well as human, material and social assets for a transforming Africa.
- **European Bank for Reconstruction and Development (EBRD). It is an investment mechanism created in 1991 by 40 countries and two international organizations to support market economy and democracy in 34 countries - from Central Europe to Central Asia.**
- Eurasian Patent Organization (EAPO). An international organization established to perform administrative tasks related to the functioning of the Eurasian Patent System and the issuance of Eurasian patents.

In addition to the function of international commodity exchange, international trade plays an important role for the national economy. International trade affects the state of the national economy by performing the following functions:

1. Filling in the missing elements of national production, which makes the "consumer basket" of economic agents of the national economy more diverse;
2. Transformation of the natural-material structure of GDP due to the ability of external factors of production to modify and diversify this structure;

3. The effect-forming function consists in the ability of external factors to influence the growth of the efficiency of national production, the maximization of national income with a one-time reduction of socially necessary costs for its production.

Thus, the international trade system is the most important part of the global economic system. Various international institutions ensure trade relations between countries and monitor the fairness of trade relations.

## 4. Practical Part

### 4.1 The evolution of foreign trade in China

China had high economic development over the last 30 years. Before 1978 China's foreign trade was developing very slowly because China had centrally planned economy with minimal trade with the rest of the world and low export and import rates. Since 1978 China made several reforms regarding the foreign trade. By the end of 1978 China had total value of export and import approximately 20,6 B USD and took 32 places in world trade. By the end of 2010, China's total value of export and import reached almost 3 T USD which was 44 times better than in 1978. At the beginning China foreign trade was mainly concentrated in light industrial and textile products, while now the main approach is a high-tech products, including electronics and information technology commodities. [China's Foreign Trade Information Office of the State Council the People's Republic of China, 2011]

Many thanks to China Government which significantly reduced import and export restrictions, which encourage the market. Those liberalization policies bring a lot of investors, which set up ventures and introduced new technology in China. With the help of these reforms, in 2001 China successfully joined the World Trade Organization because they meet membership requirements. After becoming a WTO member, China continues reducing trade restrictions. In 2004 they lowered its average trade tariff by 10,4%. Removing non-tariff barriers such as licenses, import quotas, trading practices led to restructuring such industries such as automobile, chemical and electronics which previously was highly protected by the government. [G.M Caporale, A. Sova, R. Sova, 2015]

In this practical part we will give a detailed answers on following questions:

1. Which countries were the main trade partners for China in the beginning of the analyzed period and which of them became key partners at the end (both importers and exporters)?
2. What goods constitute the bulk of foreign trade turnover in China?
3. Trade in what items had demonstrated **the most rapid growth** over the analyzed period?
4. What is the dynamics of associated macroeconomic indicators in China?
5. What are other factors, that play an important role in economic development of China?

## 4.2 Structure of China's Export and Import

China has the world's fastest-growing economies in the history in just since 1979, which makes China the most economically developed country now, especially in foreign trade. By the end of 2019 China was the number 2 economy in the world in terms of GDP, the number 1 in total exports, the number 2 in total imports. [oec.world]

According to OEC database, we chose the biggest 20 export industries in foreign trade, which can show what share in the market China. Here is following categories, which was taken as essentials: Machines, Transportation, Chemical Products, Metals, Plastics and Rubbers, Instruments, Foodstuffs, Mineral Products, Paper Goods, Miscellaneous, Textiles, Animal Products, Stone and Glass, Precious Metals, Vegetable Products, Wood Products, Animal and Vegetable Bi-Products, Animal Hides, Arts and Antiques, Weapons, Footwear and Headwear. [oec.world]

**Table 4 Top 20 China's export industries 2009-2019 (in B USD)**

Top 20 China's export industries 2009 - 2019 (in B USD)											
Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Machines	594	780	894	957	988	1006	1004	996	1120	1220	1200
Textiles	171	204	239	236	251	269	255	240	243	254	248
Metals	85,3	118	150	153	160	187	181	161	173	193	187
Miscellaneous	92,1	111	121	134	141	153	157	151	168	177	180
Chemical Products	57,8	78,5	101	98,8	102	114	110	104	119	143	135
Transportation	56,4	76,6	88,1	91,1	86,6	92,6	98,2	89,1	94,7	106	108
Plastics and Rubbers	40,6	54,4	70,1	78,6	86	92,8	88,3	84,5	94,6	106	110
Instruments	43,7	56,8	65,6	77,2	80,2	80,9	81,5	76,9	80	81,7	81,9
Footwear and Headwear	38,8	48,8	55,3	59,2	65,2	70,7	68,4	60,4	61,7	62,7	63,1
Stone and Glass	22,1	28,4	32,9	36,9	41,4	45,4	47,5	42	43,8	48	49,6
Mineral Products	22,7	30,4	35,7	33,1	35,4	36,5	30,3	29	37,4	48,2	49,4
Precious Metals	9,52	12,9	22,5	32,8	34,7	33	18,8	15,8	17,9	16,3	16,1
Animal Hides	20,9	26,5	30,8	31,2	34,2	34,8	33,6	30,5	31,2	32,8	31,2
Foodstuffs	16,4	19,6	24,2	26,8	27,2	28	26,8	27,4	29,4	32,3	30,7
Paper Goods	12,4	15	18,4	20,1	22	24,5	24,5	23,9	24,7	26,3	28,3
Vegetable Products	12,8	16	18,6	18,3	20,1	21	22	23,2	23,8	24,3	26
Animal Products	11,4	13,8	17,2	17,7	18,6	20	18,4	18,6	18,7	19,6	19,2
Wood Products	9,9	12	13,9	14,6	14,8	16,3	16	15,3	15,1	16,2	15,1
Arts and Antiques	0,238	0,377	0,632	0,817	1,22	0,777	0,805	0,531	0,433	0,486	1,02
Animal and Vegetable Bi-Products	0,477	0,533	0,867	0,861	0,786	0,851	0,867	0,808	1,09	1,38	1,42
Weapons	0,296	0,36	0,435	0,462	0,371	0,265	0,61	0,4	0,457	0,423	0,336

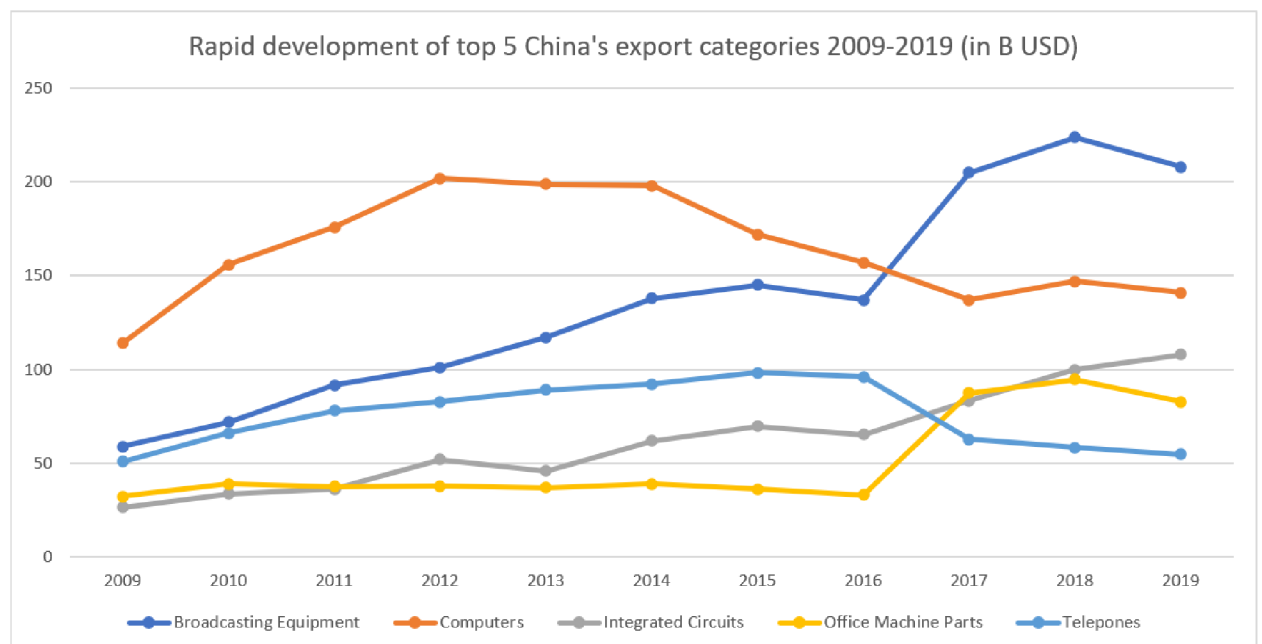
Source: OEC Database URL: <https://oec.world/>

Since the 2009, China's top 5 export industries were Machines – 594 B USD, Textiles – 171 B USD, Miscellaneous – 92,1 B USD, Metals – 85,3 B USD and Chemical Products – 57,8 B USD which are 45%, 13%, 7%, 65% and 4,4% respectively according to total export trade balance. By the end of 2019, China's top 5 export industries are Machines – 1.2 T USD, Textiles – 248 B USD, and Metals 187 B USD, Miscellaneous – 180 B USD and Chemical Products – 135 B USD which are 46,69%, 9,65%, 7,67%, 7% and 5,75% respectively

according to total export trade balance. Even during 10 years top 5 China industries remained the same. The only difference between a decade is an order of this industries: Metals and Miscellaneous change places from 3<sup>rd</sup> to 4<sup>th</sup> in 2010. According to top 3 China's export industries, from 2009 to 2019 Machines have been grown by 102% (606 B USD) , Textiles by 45% (77 B USD), Metals by 119% (101,7 B USD), Miscellaneous by 95% (87,9 B USD) and Chemical Products by 134% (77,2 B USD), while from 2015 to 2016 Machines have been down in average by 0,6% (-10 B USD) , Textiles by 8,7% (-29 B USD), Metals by 9,4% (-26 B USD) and Chemical Products by 6,5% (-10 B USD).

Let's focus on on most rapid development industry in China – Machines. Above you can look at the graph with most fast growing export categories in Machines industry, which are: Broadcasting Equipment, Computers , Integrated Circuits , Office Machine Parts and Telephones.

**Figure 1 Rapid development of top 5 China export categories 2009-2019 (in B USD)**



Source: <https://oec.world/>

Since 2009 there were following order of Machines categories: 1) Computers (114 B USD); 2) Broadcasting Equipment (58,8 B USD); 3) Telephones (50,7 B USD); 4) Office Machine Parts (32,2 B USD); 5) Integrated Circuits (26,4 B USD), while by the end 2019 have following order: 1) Broadcasting Equipment (208 B USD); 2) Computers (141 B USD); 3) Integrated Circuits (108 B USD); 4) Office Machines Parts (82,7 B USD); 5) Telephones

(54,8 B USD). As you can see Broadcasting Equipment has the most rapid descriptive growth compared with others categories and change their place from 2<sup>nd</sup> to 1<sup>st</sup> biggest category over last decade with breakeven point in 2017. Meanwhile Integrated Circuits surprisingly increased almost 4 times over the decade.

Table 5 Top 20 China's import industries 2009-2019 ( in B USD)

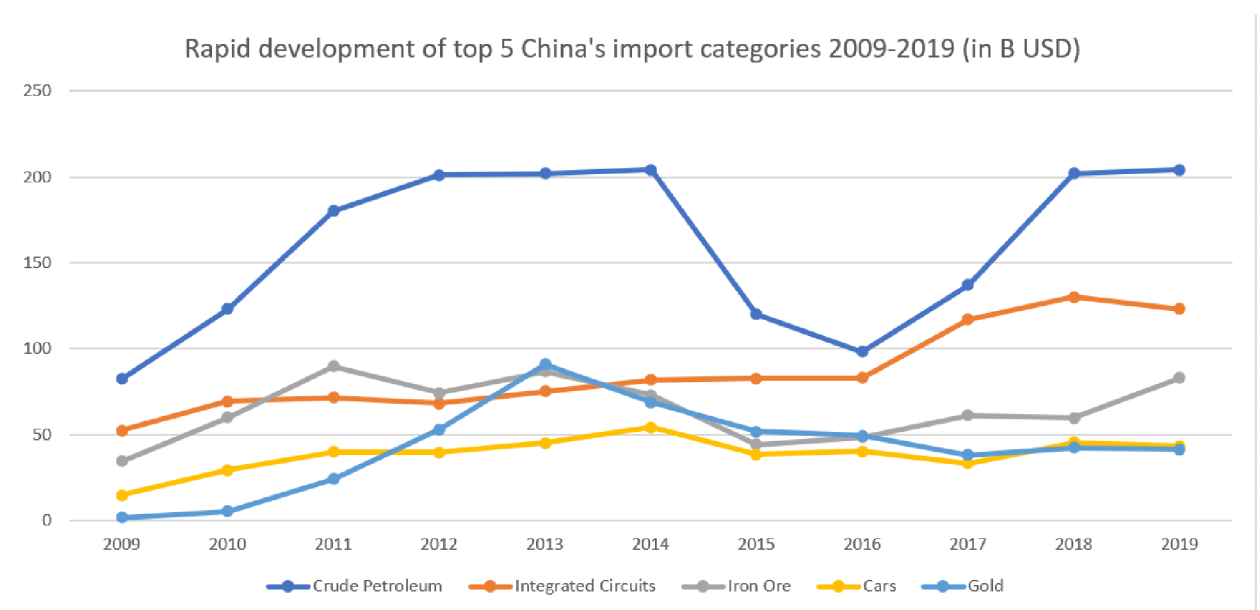
Top 20 China's import industries 2009 - 2019 (in B USD)											
Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Machines	226	299	328	298	299	315	294	289	364	397	374
Mineral Products	169	260	377	392	413	402	261	243	331	424	446
Metals	75,5	92,5	104	98,8	95,4	90,7	78,9	72,2	86,2	92,6	85,5
Chemical Products	62,8	83	105	105	112	112	99,3	97,6	115	135	133
Plastics and Rubbers	48,5	64,8	77,7	73,4	78,3	75,1	65	64,5	76,3	79,8	75,7
Instruments	44,5	63,6	71	77,9	77,8	81,2	73,3	73,8	80,7	88,2	84,2
Transportation	43,6	68,3	84,3	86,5	102	117	96,3	96,5	106	111	92,3
Vegetable Products	23,5	30,4	37,3	46,3	53,4	55,1	54,2	53,1	60,3	60	59,4
Textiles	17,8	25,3	32,3	35,1	35	30,2	26,8	24,7	27,3	29,2	28,2
Paper Goods	13,7	17,2	21,5	20,3	20,8	20,6	21,1	21,5	25,1	28,9	24,6
Animal and Vegetable Bi-Products	8,26	9,43	11,9	13,3	11,3	9,25	8,61	7,88	9,08	9,38	10,4
Animal Products	7,29	9,53	14,1	15,1	19,9	20,3	18,7	22,4	24,6	29,8	45,4
Wood Products	6,95	9,86	13,1	12,6	16,4	18,7	14,9	16,5	20,3	20,3	18,8
Foodstuffs	6,96	10	12,9	14,2	16,2	15,7	18,2	19,2	22	24,5	25,1
Precious Metals	6,41	11,3	32,3	60,2	99,1	87,5	63,9	55,6	44,4	49,5	49,9
Animal Hides	5,11	6,32	7,98	8,4	9,04	9,44	8,83	7,06	7,54	6,66	5,93
Stone and Glass	3,39	4,98	5,75	5,85	6,06	7,39	7,37	7,45	7,2	7,58	7,31
Miscellaneous	3,09	3,85	5,36	4,71	4,74	5,03	4,8	5,03	5,67	6,16	5,79
Footwear and Headwear	0,899	1,03	1,36	1,5	1,67	1,93	2,37	2,61	3,02	3,67	4,28
Arts and Antiques	0,104	0,179	0,261	0,224	0,325	0,44	0,265	0,503	0,415	0,383	0,686
Weapons	0,0212	0,0302	0,0168	0,0151	0,0966	0,0127	0,0144	0,025	0,0312	0,02	0,0246

Source: OEC Database URL: <https://oec.world/>

Since the 2009, China's top 5 import industries were Machines – 226 B USD; Mineral Products – 169 B USD; Metals – 75,5 B USD; Chemical Products – 62,8 B USD; Plastics and Rubbers 48,5 B USD, which are 30,8% , 23,1% , 10,3% , 8,6% and 6,6% respectively. By the end of 2019 , Top 5 China's import categories are Mineral Products – 446 B USD, Machines – 374 B USD, Chemical Products – 133 B USD, Transportation – 92,3 B USD and Metals – 85,5 B USD, which are 28,2% ; 23,7% ; 8,4% ; 5,8% and 5,4% respectively. Compared to export charts, a new industry has emerged over the past 10 years – Transportation replaced Plastics and Rubbers in 2010. According to top 3 China's import categories, from 2009 to 2019 Mineral Products have been grown by 164% (277 B USD), Machines by 65% (146 B USD) and Chemical Products by 112% (70,2 B USD), while from 2015 to 2016 Mineral Products have been decreased in average by 59,5% (159 B USD), Machines by 8,1% (- 26 B USD) and Chemical Products by 13,8% (-14,4 B USD).

Let's take a look at most rapid developed categories in case of import. Above you can look at the graph with most fast growing import categories independent from industry, which are – Crude Petroleum, Integrated Circuits, Iron Ore, Gold and Cars.

Figure 2 **Rapid development of top 5 China import categories 2009-2019 (in B USD)**



Source: <https://oec.world/>

Since 2009 there were following order of Machines categories: 1) Crude Petroleum ( 82,4 B USD); 2) Integrated Circuits (52,3 B USD); 3) Iron Ore (34,5 B USD); 4) Cars (14,7 B USD); 5) Gold (1,6 USD), while by the end 2019 have following order: 1) Crude Petroleum ( 204 B USD); 2) Integrated Circuits (123 B USD); 3) Iron Core (83,1 B USD); 4) Cars ( 43,1 B USD); 5) Gold ( 41,5 B USD). We can noticed that over the decade all most rapid developed categories remained the same, but we can see an interesting boom in Gold category during 2009 – 2013, where we have almost 57 times increase during this 5 year period.

Thanks to OEC Databse, we can look at hisotical tendecy of how Export and Import were happending over the last 20 years in China. From 2001 to 2008 China had rapid export trade growth with the average annual increase by 25,23%: 2001 – 324 B USD;2002 – 393 B USD ; 2003 -511 B USD ; 2004 – 683 B USD ; 2005 – 829 B USD ; 2006 – 1007 B USD ; 2007 – 1330 B USD ; 2008 – 1550 B USD. We can notice that the growth rate of international imports has fallen in 2008 due to crisis in USA, which had significant impact on world economy and China wasn't an exception. From 2008 to 2009 China have been dropped by 14,8%. China was recovering almost 1 year to get back to indicators, which were before crisis.

**Figure 3 China's Total Export Trades 1999-2019 ( in B USD)**



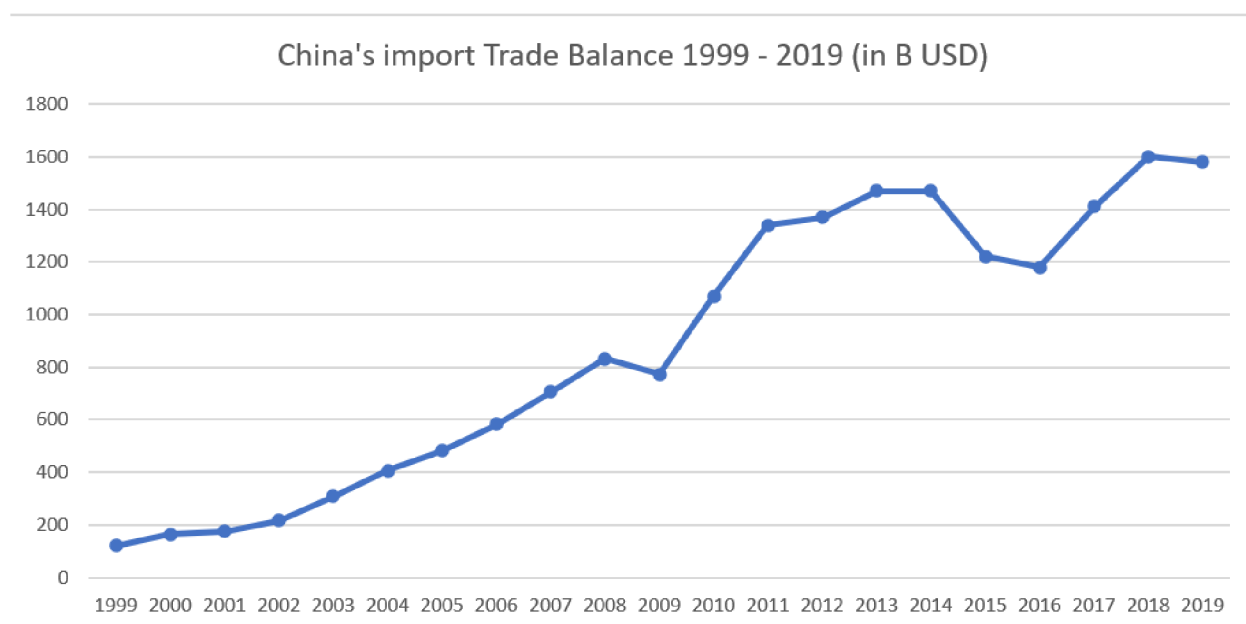
Source: OEC Database URL: <https://oec.world/>

After 2008 crisis, export trade balance continued to grow from 2009-2014 growth with the average annual increase by 12,87%: 2009 – 1,32 T USD ; 2010 – 1,7 T USD ; 2011 – 2T USD ; 2012 – 2,11 T USD ; 2013 – 2,21 T USD ; 2014 – 2,38 T USD. Despite good growth rates, during 2015-2016 happend another fall in the economy , but at this time with 2,52% decrease in 2015 and 5,60% in 2016. Nevertheless, after China Stock Exchange collapse they were able to return to pre-crisis indicators just in a year as well as in 2008. By the end of 2019, export trade balance equals 2,57 T USD.

As we mentioned, China was country number 2 after the United states of America in turms of total imports by the end of 2019. United States of America was a leader in balance of trade over the last 20 years, while China has one of the worse indictors beofore 2000's. When China become a WTO member in 2001 , China had rapid development in international trade with following annual increase: 2001 – 176 B USD (7,98%); 2002 -216 B USD (22,73%); 2003 -309 B USD (43,06%); 2004 – 406 B USD (31,39%); 2005 - 481 B USD (18,47%); 2006 – 582 B USD (21%); 2007 – 706 B USD (21,31%) ; 2008 – 831 B USD (17,71%).



Figure 4 China's Total Import Trades 1999-2019 (in Billion USD)



Source: OEC Database URL: <https://oec.world/>

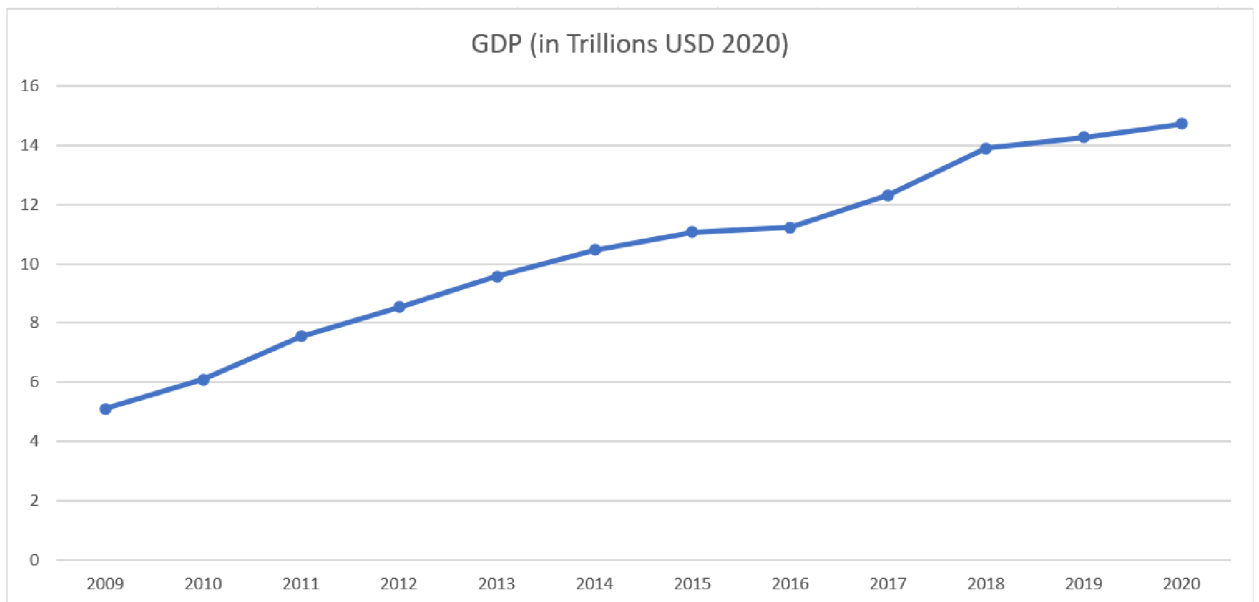
Despite the slowdown in development during the crisis in 2008 (decrease 6,98% - 58 B USD), but China was able to recover from the crisis and from 2009 to 2014 China had following indicators and annual increase: 2010 – 1070 B USD (38,42%); 2011 – 1340 B USD (25,23%); 2012 – 1370 B USD (2,24%); 2013 – 1470 B USD (7,3%); 2014 -1470 B USD (0%). During 2015-2016 crisis China had following 17,01% decrease in 2015 and 3,28% in 2016 respectively. By the end of 2019, import trade balance equals 1,58 T USD.

### 4.3 The dynamics of associated macroeconomic indicators in China

The best and simplified way to understand macroeconomic indicators of a given country are GDP and GDP per capita. Gross Domestic Product represents goods and services produced in the country during specific period of time. The simplified version of GDP formula is  $GDP = Consumption + Investment + Government Spending + Net Exports$ . Let's focus on components of this formula and give a small description, what includes in each part. Consumption includes consumer spending on physical goods and services. In many developed countries, Consumption might take almost half of the GDP of the country. Investment describes land, building and equipment which business spend money on.

Government include local, state and national government spending on schools, roads , hospitals and etc. Net Exports, which is an equation of Export – Imports, explains how much product does the country bring in and sent out. Sometimes Net Exports might be negative, because the buy products more than sell to different countries. Let’s take a look at China’s GDP graph during 2009-2020:

Figure 5 GDP in Trillion USD for 2020 year end



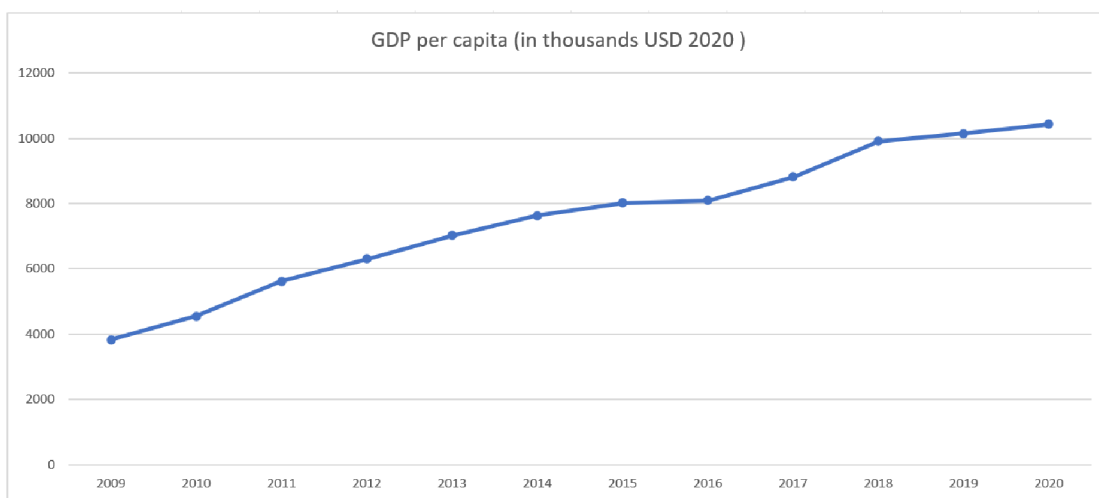
Source: World Bank national accounts and OECD National Accounts data files

During the 2009 – 2020 China had following annual GDP: 2009 - 5,102 TR USD ; 2010 - 6,087 TR USD ; 2011 - 7,552 TR USD ; 2012 - 8,532 TR USD ; 2013 - 9,57 TR USD ; 2014 - 10,476 TR USD ; 2015 - 11,062 TR USD ; 2016 - 11,233 TR USD ; 2017 - 12,31 TR USD ; 2018 - 13,895 TR USD ; 2019 - 14,28 TR USD ; 2020 - 14,723 TR USD, with the following annual GDP growth in %: 2009 – 9,4 % ; 2010 – 10,6 % ; 2011 – 9,6 % ; 2012 – 7,9% ; 2013 – 7,8% ; 2014 – 7,4 % ; 2015 – 7% ; 2016 – 6,8% ; 2017 – 6,9% ; 2018 – 6,8% ; 2019 – 6 % ; 2020 – 2,3%. We clearly see that the China’s GDP grow every year, where over the past 10 years the peak for the year was 2010, and the worst year was 2020, which is explained by the consequences of the pandemic COVID-2019, but What does it mean? If the GDP volumes grow, they express the improvement of the economic situation. A slowdown in the production of goods and services indicates a recession. There are the following economic indicators indicating the crisis: Recession - GDP increases for at least two to three years by less than 2-3

percent; Stagnation - GDP has remained at approximately the same level for several years; Depression - there is a sharp decline in this indicator. In our case we GDP have annual increase over the last decade, meaning the China have a Recession from 2009 – 2019. However, there is a large decline in GDP 2020 causing by the pandemic and called Depression.

Unfortunately, GDP cannot represent the real economic development during specific period of time, but it gives approximate value of the country's economy. That's why let's take a look at GDP per capita, which describes GDP divided by the population of the country.

Figure 6 GDP per Capita for 2020 in thousand USD



Source: World Bank national accounts and OECD National Accounts data files

During the 2009 – 2020 China had following annual GDP per capita: 2009 - 3832,236 TH USD ; 2010 - 4550,453 TH USD; 2011 - 5614,352 TH USD ; 2012 - 6300,615 TH USD ; 2013 - 7020,338 TH USD ; 2014 - 7636,117 TH USD ; 2015 - 8016,431 TH USD; 2016 - 8094,363 TH USD ; 2017 - 8816,987 TH USD ; 2018 - 9905,342 TH USD ; 2019 - 10143,838 TH USD ; 2020 - 10434,775 TH USD, with the following annual GDP per capita growth in % 2009 – 8,9% ; 2010 – 10,1% ; 2011 – 9% ; 2012 – 7,1 % ; 2013 – 7,1 % ; 2014 – 6,8% ; 2015 – 6,4% ; 2016 – 6,2% ; 2017 – 6,3% ; 2018 – 6,3 % ; 2019 – 5,6% ; 2020 – 2,1%. Compared to GDP, GDP per capita have the same tendency with average annual increase by 6,8%. In spite of increase tendency, GDP per capita shows much accurate standards of living than GDP.

As an a small conclusion we can observe that the GDP indicator increases when there is an

increase in production and demand, the population has money and they are willing to spend it. GDP falls when the unemployment rate rises and citizens' spending decreases, which we will discuss further. It also decreases when the activities of enterprises and businesses stop, which can be observed during the coronavirus pandemic.

#### **4.4 The main trade partners of China**

China has the second economy in the world after the United States of America because China has good trade relationships with almost all foreign countries. Let's take a look at the main trade partners over the last decade from 2009 – 2019 powered by WITS (World Integrated Trade Solution) database.

In 2009, China's major trading partners for exports were the United States – 221,3 B USD with 18,42% of export partner share; Hong Kong (China) – 166,2 B USD – 13,83% ; Japan - 97,9 B USD – 8,15 % ; Korea Republic – 53,7 B USD – 4,47 % and Germany – 49,9 B USD – 4,15 %. China's major trading partners for imports in 2009 were Japan 130,9 B USD with 13,02% of import partner share ; Korea Republic – 102,5 B USD – 10,20% ; United States – 77,8 B USD – 7,73% ; Germany - 55,8 B USD - 5,55% and Australia – 39,4 B USD – 3,92%.

In 2010, China's major trading partners for exports were the United States – 283,8 B USD with 17,99% of export partner share; Hong Kong (China) – 218,3 B USD – 13,84% ; Japan - 121 B USD – 7,76% ; Korea Republic – 68,8 B USD – 4,36 % and Germany – 68 B USD – 4,31%. China's major trading partners for imports in 2010 were Japan 176,7 B USD with 12,66% of import partner share ; Korea Republic – 138,3 B USD – 9,91% ; United States – 102,7 B USD – 7,37% ; Germany - 74,3 B USD - 5,32% and Australia – 61,1 B USD – 4,48%.

In 2011, China's major trading partners for exports were the United States – 325 B USD with 17,12 % of export partner share; Hong Kong (China) – 268 B USD – 14,12% ; Japan - 148,3 B USD – 7,81% ; Korea Republic – 82,9 B USD – 4,37 % and Germany – 76,4 B USD – 4,02%. China's major trading partners for imports in 2011 were Japan 194,6 B USD with 11,16 % of import partner share ; Korea Republic – 162,7 B USD – 9,33% ; United States – 123,1 B USD – 7,06% ; Germany - 92,7 B USD - 5,32% and Australia – 82,7 B USD – 4,74%.

In 2012, China's major trading partners for exports were the United States – 352,4 B USD with 17,20% of export partner share; Hong Kong (China) – 323,4 B USD – 15,79% ; Japan -

151,6 B USD – 7,40% ; Korea Republic – 87,7 B USD – 4,28 % and Germany – 69,2 B USD – 3,38 %. China major trading partners for imports in 2012 were Japan 177,8 B USD with 9,78% of import partner share ; Korea Republic – 168,7 B USD – 9,28% ; Unites States – 133,8 B USD – 7,36% ; Germany - 91,9 B USD - 5,06 % and Australia – 84,5 B USD – 4,65%.

In 2013, China major trading partners for export were Hong Kong (China) – 384,5 B USD with 17,41 % of export partner share; United States – 369 B USD – 16,71 % ; Japan - B USD – % ; Korea Republic – B USD – % and Germany – B USD – %. This is the first time when Hong Kong overtook USA in case of export and became export trading partner №1. China major trading partners for imports in 2013 were Korea Republic 183 B USD with 9,39 % of import partner share ; Japan – 178,6 B USD – 9,16 % ; Unites States – 153,4 B USD – 7,87% ; Australia - 98,9 B USD - 5,07 % and Germany – 94,2 B USD – 4,83 %. Here is the first time when Korea Republic overtook Japan in case of import and became import trading partner №1. Also Australia and Germany changed their places from 5<sup>th</sup> to 4<sup>th</sup> as import trade partners.

In 2014, China major trading partners for export were United States – 397 B USD with 16,95% of export partner share; Hong Kong (China) – 363, B USD – 15,5% ; Japan – 149,4 B USD – 6,38 % ; Korea Republic – 100,3 B USD – 4,28 % and Germany – 72,8 B USD – 3,1%. Hong Hong was only one year as a leader export trade partner, in 2014 USA retuned their leadership. China major trading partners for imports in 2014 were Korea Republic 190,1 B USD with 9,70 % of import partner share ; Japan – 162,9 B USD – 8,32 % ; Unites States – 160 B USD – 8,17 % ; Germany - 105 B USD - 5,36 % and Australia – 97,6 B USD – 4,98%. Germany overtook Australia in case of import and closes the top 5.

In 2015, China major trading partners for export were United States – 410 B USD with 18,03% of export partner share; Hong Kong (China) – 330,5 B USD – 14,54 % ; Japan – 135,6 B USD – 5,97% ; Korea Republic – 101,3 B USD – 4,46 % and Germany – 69,1 B USD – 3,04 %. China major trading partners for imports in 2015 were Korea Republic 174,5 B USD with 10,39 % of import partner share ; Unites States – 148,9 B USD – 8,85% ; Japan – 142,9 B USD – 8,51% ; Germany - 87,6 B USD - 5,22% and Australia – 73,5 B USD – 4,38%. Year after year , Japan losing their postion and only during 3 years their lowered from 1<sup>st</sup> to 3<sup>rd</sup> postion in import, skipping Korea and USA.

In 2016, China major trading partners for export were United States –385,7 B USD with 18,39% of export partner share; Hong Kong (China) – 287,3 B USD – 13,69% ; Japan – 129,3

B USD – 6,16 % ; Korea Republic – 93,7 B USD – 4,47% and Germany – 65,2 B USD – 3,11 %. China major trading partners for imports in 2016 were Korea Republic 158,9 B USD with 10,1 % of import partner share ; Japan – 145,7 B USD – 9,17 % ; Unites States – 135,1 B USD – 8,51 % ; Germany - 86,1 B USD - 5,52 % and Australia – 70,9 B USD – 4,46%. As we can notice, Japan returned to second place in import after the beginning China's crisis in 2015.

In 2017, China major trading partners for export were United States – 430,3 B USD with 19,01% of export partner share; Hong Kong (China) – 279,2 B USD – 12,34% ; Japan – 137,3 B USD – 6,06 % ; Korea Republic – 102,7 B USD – 4,54% and Vietnam - 71,6 B USD – 3,16%. Here is an absolutely new country, which closes the top 5 in export – Vietnam, which overtook Germany. China major trading partners for imports in 2017 were Korea Republic – 177,6 B USD with 9,63 % of import partner share ; Japan – 165,8 B USD – 8,99 % ; Unites States – 154,4 B USD – 8,38% ; Germany - 96,9 B USD - 5,26 % and Australia – 95 B USD – 5,15%.

In 2018, China major trading partners for export were United States – 479,7 B USD with 19,23% of export partner share; Hong Kong (China) – 303 B USD – 12,15% ; Japan – 147,2B USD – 5,9 % ; Korea Republic – 109 B USD – 4,37% and Vietnam – 84 B USD – 3,37%. China major trading partners for imports in 2018 were Korea Republic 204,6 B USD with 9,58 % of import partner share ; Japan – 180,4 B USD – 8,45 % ; Unites States – 156 B USD – 7,38 % ; Germany - 106,3 B USD - 4,98 % and Australia – 105 B USD – 4,92 %.

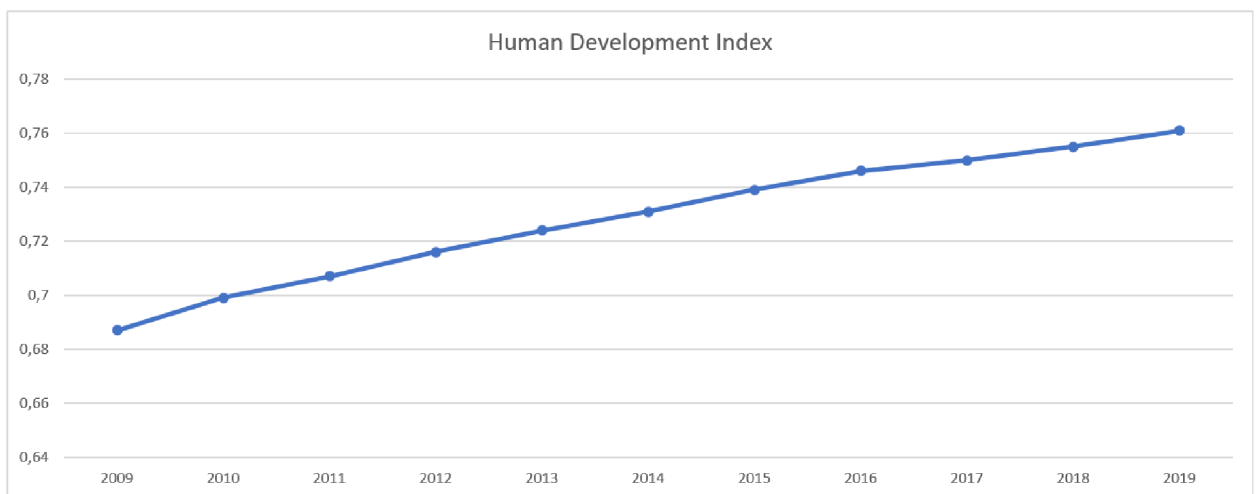
In 2019, China major trading partners for export were United States – 418,6 B USD with 16,75% of export partner share; Hong Kong (China) – 279,6 B USD – 11,19 % ; Japan – 143,2 B USD – 5,73 % ; Korea Republic – 111 B USD – 4,44 % and Vietnam – 98 B USD – 3,92 %. China major trading partners for imports in 2019 were Korea Republic 173,6 B USD with 8,39 % of import partner share ; Japan – 171,5 B USD – 8,29 % ; Unites States – 123,2 B USD – 5,96 % ; Australia - 119,6 B USD - 5,78 % and Germany – 105 B USD – 5,08 %.

## 4.5 Analysis of the main factors of foreign trade development in China

In this final part we will discuss main factors of foreign trade, which may show the full picture of China's trade development. There are following main factors which we will analyze: Human Development Index, Income Index, Labor Force participation and unemployment rate.

The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. According to technical notes for Human Development Report 2020, calculation of HDI consist of several indicators: 1) Life expectancy at birth (Life expectancy index); 2) Expected years of schooling and Mean years of schooling (Education Index); 3) GNI per capita - PPP \$ (GNI index). [Pedro Conceição, 2020].

Figure 7 Human Development Index



*Source: HDRO calculations based on data from UNDESA (2019a), UNESCO Institute for Statistics (2020), United Nations Statistics Division (2020b), World Bank (2020a), Barro and Lee (2018) and IMF (2020).*

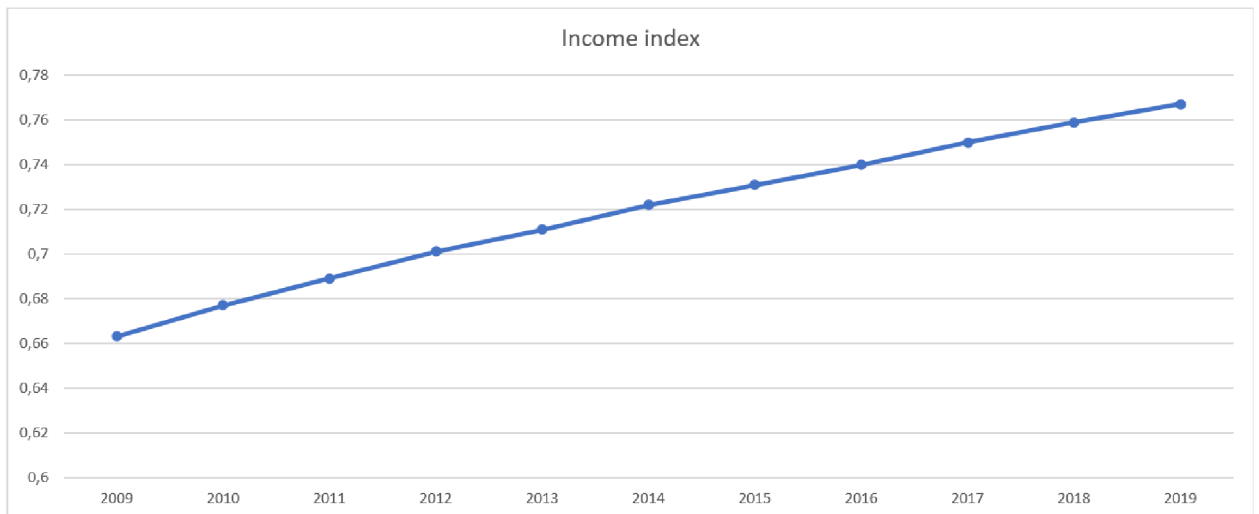
In the graph we can see following Human Development Index during 2009 – 2019: 2009 – 0,687 ; 2010 – 0,699 ; 2011 – 0,707 ; 2012 – 0,7112 ; 2013 – 0,724 ; 2014 – 0,731 ; 2015 – 0,739 ; 2016 – 0,746 ; 2017 – 0,750 ; 2018 – 0,755 ; 2019 – 0,761. According to human development table, we can strongly agree that China's HDI correspond to HIGH human development, which starts from 0,698 in 2009 to 0,750 in 2019. Looking at world tendency,

which shows average HDI of all countries all over the world, China's have a little bit higher indicators over the last decade than the world statistics. However, China's is far from VERY HIGH Human Development Index, because by the end of 2009 and 2019 starts from 0,861 and 0,892 respectively.

Let's take a look at income index provided by United Nations Development Programme. In their Human Development Reports they calculate income index by the division the income of the population and composition of resources. The result is expressed as an index using a minimum of 100\$ and a maximum value 75,000\$.



Figure 8 Income index

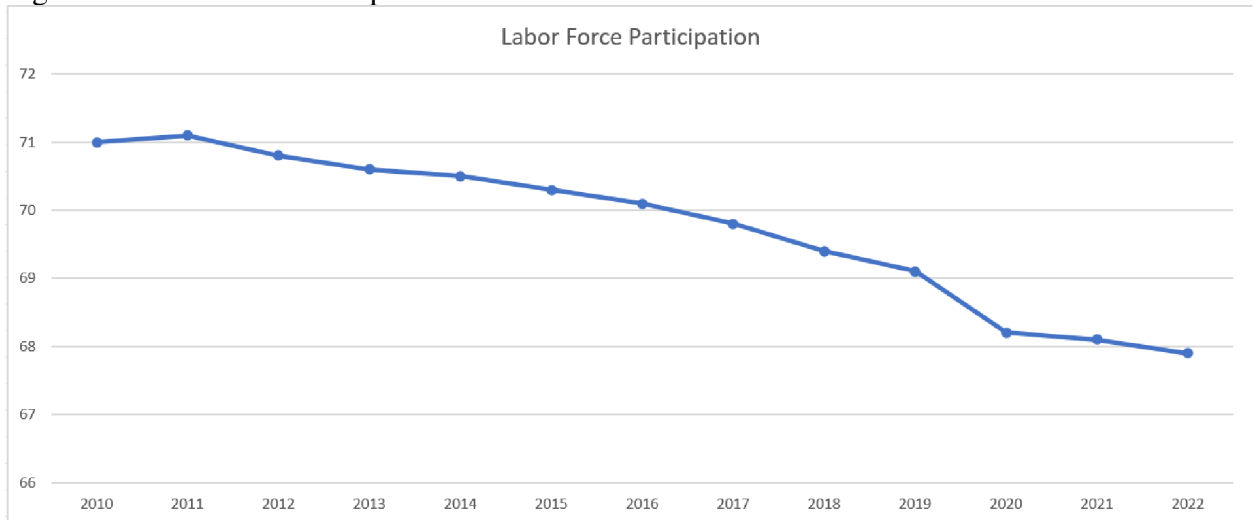


Source: HDRO calculations based on GNI per capita (2017 PPP International \$) from World Bank (2020a), World Development Indicators datanase.

In the graph we can see following income index during 2009 – 2019: 2009 – 0,663 ; 2010 – 0,677 ; 2011 – 0,689 ; 2012 – 0,701 ; 2013 – 0,711 ; 2014 – 0,722 ; 2015 – 0,731 ; 2016 – 0,740 ; 2017 – 0,750 ; 2018 – 0,759 ; 2019 – 0,767. According to human development table correlated with income index, we can strongly agree that China's income index correspond to HIGH human development, which starts from 0,691 in 2009 to 0,749 in 2019. As we can notice in the graph, there is a stable growth development of income index over the last decade, even during the crisis in 2015 - 2016 years. Also, if we will look at world tendency in income index growth, China keeps pace with world indicators, which shows the arithmetic average of this indicator around the world.

Last but not least indexes which we will analyze are unemployment rate and labor force participation among population , which are elder than 15 years old from 2010 to 2022. Thanks to ILOSTAT explorer ,where we took China's data about total Labor force participation rate by sex (male and female) and age (from 15 years older and elder). Labor force participation rate is measurement in dimension of work, employment and vulnerability and can described as percentage of a county's working age population that engages actively in the labor market, either by working or looking for work. It provides an indication of the relative size of the supply of labor available to engage in the production of goods and services.

Figure 9 Labor Force Participation



Source: *International Labor Organization database (ILOSTAT)*

In the graph, we can notice following statistics regarding Labor force participation from 2010 – 2022: 2010 – 71 ; 2011 – 71,1 ; 2012 – 70,8 ; 2013 – 70,6 ; 2014 – 70,5 ; 2015 – 70,3 ; 2016 – 70,1 ; 2017 – 69,8 ; 2018 – 69,4 ; 2019 – 69,1 ; 2020 – 68,2 ; 2021 – 68,1 ; 2022 – 67,9. There is a decreasing tendency in labor force participation over the last year. This might be explained by the fact that population of China is constantly growing and the population growth rate does not correspond to the growth rate of labor force participation.

Many thanks to ILOSTAT explorer, where we took China's data about unemployment rate by sex (male and female) and age (from 15 years older and elder). Unemployment rate is a summary measure of achievements in two key dimensions: work, employment and vulnerability. As a definition of unemployment rate, coefficient can be described as percentage of the labour force population from 15 and elder that is not in paid employment or self-employed, but is available for work and has taken steps to seek paid employment or self-employment. Here is following unemployment rate from 2010 to 2022: 2010 – 4,5 ; 2011 – 4,6 ; 2012 – 4,6 ; 2013 – 4,6 ; 2014 – 4,6 ; 2015 – 4,6 ; 2016 – 4,5 ; 2017 – 4,4 ; 2018 – 4,3 ; 2019 – 4,5 ; 2020 – 5 ; 2021 – 4,8 ; 2022 – 4,7. As we can see there is small difference year to year over the last decade, even during 2012 – 2015 unemployment rate was unchanged during 4 years. However, if we will look at world average statistics, China's unemployment rate is much lower than world indicators (excluding BRICS) having 6,3 rate in 2010 and 5,8 in 2020 respectively.

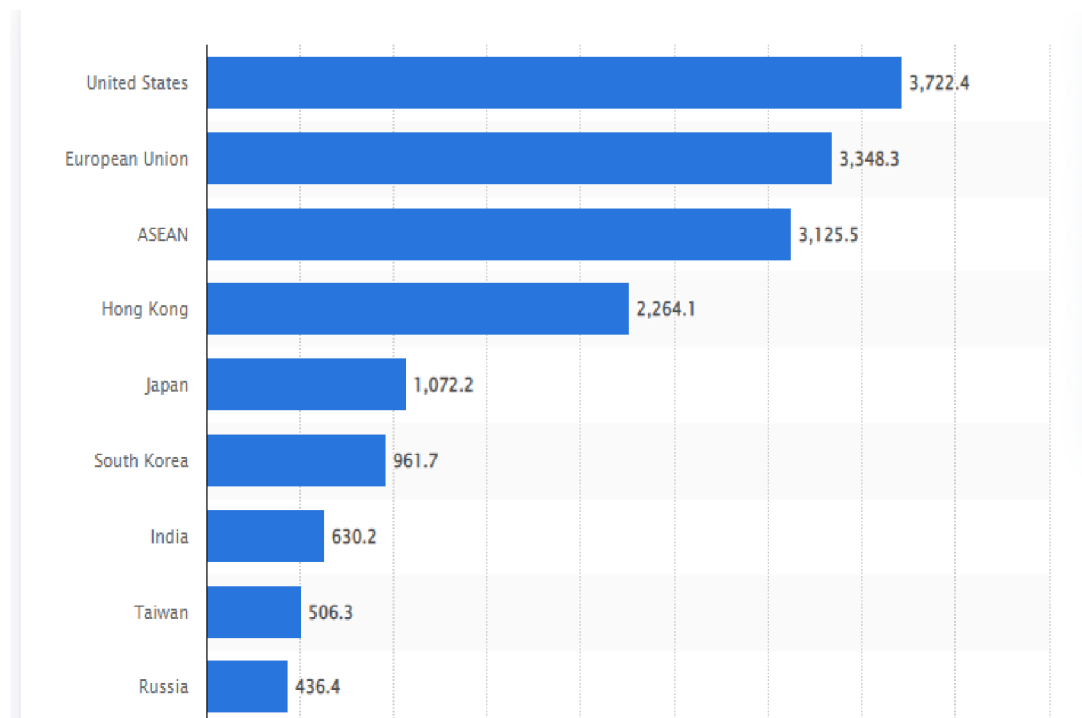
## 5. Results and Discussion

The net export (Balance of Trade) share in GDP shows a significant positive effect on economy efficiency. We can then say that the higher the net export trade ratio, the more efficient local production capacity. According to my findings, adequate evidence in the trade history of China could be found to prove that exports played an important role in their industrialization (economy developments).

After that, China established a strategy and increased efforts to pursue free market reform, which brought about more dynamic benefits of foreign trade development in the country. Thanks to the advancement of technology, organization and management innovation, China's foreign trade strategies had improved productivity to a large extent, which generated the spillover effects across other industries.

Furthermore, in this research work, I highlighted that China's main trade partners were: the United States, Japan, Hong Kong, EU, Korea, Rep. and Vietnam. The following image shows the trade partners of China with their export values:

**Figure 11 China's leading export partners in 2021 in Billion Yuan**



Source: <https://www.statista.com/statistics/256350/main-export-partners-for-china-by-export-value/>

[According to WorldBank](#), the total trade value of China to the rest of the world in 2010 account for an estimated 1,5 Trillion USD. This value continues to increase as they gain more popularity in foreign businesses. For instance, in 2019, the total foreign trade value of China to the global markets was 2,5 Trillion USD, almost twice the amount in 2010. It can only tell us how strong China's economy has emerged.

The following research questions shall briefly be answered:

1. Which countries were the main trade partners for China in the beginning of the analysed period and which of them became key partners at the end (both importers and exporters)?

As previously mentioned in chapter 4.4 of this research work, China's main trade partner was the United States with an estimated amount of 221,3 Billion USD for 2009 year end. The United States still remain the major trading partner of China through the examined year periods (2009 – 2019)

2. What goods constitute the bulk of foreign trade turnover in China?

According to OEC database and also from our Table 4 of this research work, the most traded goods and services by China are machines, textiles, and metals, with machines having the most traded amount (exports and imports).

3. Trade in what items had demonstrated a revealed comparative advantage over the analysed period?

According to our findings, we strongly believe that China has a comparative advantage in trading machines and textiles over every other industries.

4. What is the dynamics of associated macroeconomic indicators in China?

Although, China's GDP per capita cannot be compared to western countries, however, the country still maintained its position as the most power economy in the world according to GDP standard.

5. What are other factors, that play an important role in economic development of China?

Based on our findings, factors that majorly influenced China's economic developments are large-scale capital investment, which is sponsored by both domestic savings and foreign direct investment. Another major factor we could look into is the increase in productivity (labor efficiencies).

## **6. Conclusion**

Being a Citizen of China and a Business Administrative Student, this research had majorly drawn my attention to fully understand how international trade operates in the country. As we all know that China's international trade has grown rapidly, prompting the country to look to the rest of the world as a market. I applied both qualitative and quantitative approaches in this research to discuss the determinants of foreign trade development in the People's Republic of China. Based on the theoretical & literature reviewed, we can fully understand the key factors that play in China's foreign trade development; China's main trading partners; and most traded goods.

I selected 20 largest export industries in trade, which also showed China's market share. Below are the following categories, which are considered essential in Foreign Trade: Machinery, Transportation, Chemical Products, Metals, Plastics and Rubber, Instruments, Foodstuffs, Mineral Products, Paper Products, Miscellaneous, Textiles, Animal Products, Stone and Glass, Precious Metals, Vegetable Products, wood products, animal and vegetable by-products, animal skins, art and antiques, weapons, footwear and headgear.

In conclusion, we can say that China's outstanding performance in economic growth can be linked to its increasing involvement in global and dynamic trade policies. China's rapid economic growth has made the country see the globe as its market. This has helped the country enjoy the dynamic benefits from trade, facilitating the Gross Domestic Product. I strongly believe China's foreign trade will continue the development trend in the nearest future years.

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