

Effecting of Chinese trade surplus on export enterprises

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Abstract: Since the reform and opening up, Chinese foreign trade has made rapid progress, especially into the world these years. China has become the largest trade exporting country in the world; his exports are over 200 countries and regions. Since 1993, China has been foreign trade surplus country, and presents the trend of increasing. The focus of this paper is effecting of the Chinese huge trade surplus on export enterprises. Some suggestions are made combining with current situation, and they are to change the status from the optimization of the industrial structure, change the mode of economic growth; expand domestic demand and change government's foreign trade policy and so on.

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1. Introduction

Since the last century seventy's reform and opening up, China has a rapid economic development and foreign trade pattern changes, from the deficit country to the surplus country. According to statistics, In 20th Century seventy's to ninety's China is a deficit country in the international trade which imports is more than exports. From the ninety's the foreign exchange system reformed, China shows the pattern of trade surplus and the surplus number gradually expanding, In early twenty-first Century the foreign surplus reached \$24 billion. Foreign trade surplus continued to expand after China's accession to the WTO , From 2005 to 2010, foreign trade even though affected by financial crisis, continued the growth trend, in 2008 years, the amount of trade surplus about \$291 billion of China. Chinese trade surplus in 2012 was \$2300 billion. In 2011 the number reached to 2597.5 billion. Get the latest 2014 trade surplus data and we know it continue to grow, which has reached \$ 382.46 billion. Obviously, foreign trade surplus is still the biggest trend of Chinese foreign trade.

From an in-depth analysis of its characteristics, there are several features of China's foreign trade: First, Trade surplus distribution in various regions of China, since the reform and opening up, the eastern region of China has superior policy, location of China and Foreign trade company goes ahead of the rest, development in the international trade quickly than the Midwest. Secondly, it has the character of China's related trade surplus foreign country. Although the number of China's foreign trade partners continued to increase, it has been reached more than 230, the most important source of Chinese trade surplus is Hong Kong, American and The European Union. The corresponding is the main source of trade deficit,

Taiwan, Japan, South Korea and ASEAN. Third, it presented the diversity of the commodity structure of trade surplus. In general, it's the deficit of primary products and the finished-product is an important source of surplus. The miscellaneous products, machinery and transport equipment, mineral products, rubber, textile fabric occupied the important part of the industrial manufactured goods. Enterprises of foreign investment is the main source of foreign trade surplus of China and foreign invested enterprises exports are mainly surplus goods of China, especially in electronic products. Fifth, from the foreign trade transactions, the processing is the main source of China's trade surplus. In October 2013, the gross of exports of goods by trade statistics, the general trade and processing trade for \$74.23 billion and \$82.64 billion, \$15.31 billion for other trade, processing trade occupied the half of the country Chinese.

2. The beneficial effects of trade surplus of China export enterprises

2.1 Help alleviate the employment

First, for China, the employment of a large number of surplus labor force depend on trade surplus, to promote the rapid development of economy. We know, China is the most populous country, has a lot of surplus labor, so how to promote the employment is a serious problem in China. From the comparative advantage theory, China's industrial development direction is labor intensive industry. So as to give a reasonable utilization of China's abundant surplus labor, reduce the surplus labor. If there is trade surplus, in other words, exports are increasing, but China's exports are mostly labor-intensive products. In this way, trade surplus is proportional to employment. And the cheap labor, high occupation morality, such conditions are very consistent with the need to

promote the intensive development of the industry. In the labor force quality, our country has all aspects of intellectual talent, fully comply with high, middle and

low needs of various departments and some technology manufacturing that can help to increase China's economic scale.

Table 1. 2001-2014 Chinese foreign trade exports **Unit: million Yuan (RMB)**

Years	China's import and export trade volume in world ranking	China's import and export trade volume	Chinese export trade volume	Trade profit and loss	GDP
2001	5	42683.6	22424.4	1875.2	102655.2
2002	5	51368.2	27947.9	2817.6	124332.7
2003	3	70476.5	36437.9	2097.3	136822.8
2004	2	95879.1	48133.3	2564.5	148878.3
2005	2	116943.8	62665.1	8387.4	176937.4
2006	2	140954.4	75544.6	14327.8	243314.4
2007	2	166940.2	93455.6	21171.6	265710.3
2008	3	179341.5	124394.9	20843.3	314655.4
2009	2	137817.5	82065.7	13476.3	350443.9
2010	2	140971.4	77594.6	14217.8	401202.4
2011	3	254944.2	132902.6	20171.4	471564.8
2012	2	270673.2	143425.1	20868.3	519355.1
2013	1	259742.1	161295.5	13411.3	531284.5
2014	1	291829.3	153425.3	14234.2	586348.4

2.2 Promoting the economic growth of China

Today, the market competition is very chaotic, the formation of economies of scale with immediately on international trade has played a certain role in promoting. If China want to reduce costs, some enterprises need to reach a very large scale, but because of the lack of domestic demand in China, has failed to form a scale economy in the domestic market. At the same time, in the profit gradually reduce, China can expand exports to reduce the cost for the economy growth. A large number of exports made in China light industry products create molding economies of scale, such as Changhong, Hisense companies which a large number of production of finished products sold to foreign markets, some enterprises such as Changhong TV's foreign share in about 68% or more. Not only that, but also rely on the technology development to expand export. The development of international trade will promote the rapid integration of knowledge and specialized human capital; using export way to participate in international competition, makes the enterprise to improve the high-tech investment and strength their competitiveness in the market, which makes our rapid economic development. At the same time, enable enterprises to carry on the system innovation, system innovation and promote economic growth, while export could accelerate institutional innovation. First of all, the export trade can improve the system innovation China by spillover effect and learning by doing. Secondly, the market and economic scale expansion is due to the export trade.

The current stage, China perfect market economy and market mechanism are widely acclaimed, it has close relationship with China's export encouraging policy. And China's foreign trade amount come out in front of the world, sustained trade surplus gave us to avoid financial crisis from the foreign exchange reserves, especially in the last century ninety's "Asian financial crisis" is not defeat Chinese economy, and then improve the status of China's foreign trade in the world, at the same time, also improves the China's comprehensive national strength.

3. The negative effects of trade surplus

3.1 The loss of a huge surplus of interests behind

China's trade surplus is due to China's high saving rate, caused by its higher than the investment. In other words, China product the production of developed countries' needs while they are also consuming real resources of its own, thus get to the foreign exchange, then our country will use the actual resource's exports get dollar reserves, buy low yielding bonds from developed countries, developed countries then use other foreign currency which from China has bought their treasury bonds and imported goods to China and entities to invest in china. First, from this kind of behavior, the developed countries not only ensure the consumption and ensure reduced using the actual resources. Secondly, based on their increased investment in China, the developed countries increased themselves profits. Furthermore, it also encroached on China's domestic investment

which made China's savings can not be fully utilized while they have to fill the investment through the use of foreign investment. In the future should also pay to developed countries high return on investment profits? The above what we say is the current of china because of the trade surplus caused the loss of interests, if this kind of situation keeps reciprocating circulation and the consequences will be very serious.

3.2 The increases of the foreign trade friction

Because of the impact of financial crisis, international trade protectionism showed new characteristics. In addition to the general safeguard measures, trade friction also show some new form, The main barriers to trade in our country has the environmental protection standard, intellectual property investigation, safety standards, social responsibility system, technical barriers to trade and other forms, but there are some new form of trade friction, such as anti-circumvention, anti-monopoly. These years, trade friction which China faced had more than a number of 5000 kinds of commodities involved. At first the classification of goods were footwear, textile, clothing, agricultural products and other labor-intensive products, which changed to a class of technology intensive products such as telecommunications, iron and steel, color TV. With the development of foreign trade, the amount of money from anti-dumping also increases. Since the ninety's of last century, anti dumping in China amounted to about five billion US \$. In the year of 2001 and 2002, China's anti-dumping amount was 1.1 billion US \$ and 1 billion US \$. In 2003, this figure reached 1.8 million US \$ which can be a very huge amount at that time. A statistics from the Ministry of Commerce, the last century eighty's until now, foreign trade investigation initiated from other countries to China involving chemicals, light industry, textile, electronic engineering, medical equipment, food of animal husbandry industry. At first, trade friction area was trade in goods, gradually expanded to the intellectual property rights, investment, service trade and other fields. Chinese production mainly to some developed countries, such as EU, ASEAN, America, Canada, Japan and Australia, thus, it is the important area occur trade friction. These years, not only developed countries often against China exports, the other main anti-dumping case also exist in developing countries. Because of the influence of the economic globalization, trade friction between countries is continuously enhanced. Trade friction is reflected not only by the friction in the policy, there also some other hidden way. The European Union from the aspects of the protection of labor to crack down our country trade, reflects the trade friction from the current friction to hide friction of China. China's trade

surplus growth, especially China on her important trade partners USA and the EU trade surplus made China's trade friction continue to increase with these countries. In 2009, only this year there have 18 trading nations with China have accused the China anti-dumping, it involved 63 cases, the amount of money up to two billion US \$. The first half of 2010, the scope of investigation involving in China is very wide, involving 12 countries and regions. From April 6, 2011 to December 31st, 18 countries have initiated 49 anti-dumping investigations aiming at China. In 2012, from January 1, to April 16th, a total of 7 countries have initiated 9 anti-dumping investigations aiming at China. There are about eleven countries and regions accused China about foreign trade problems. The first three months of 2013, a case involving reached to 25.

3.3 The difficulty of foreign exchange reserves management increasing

Compared with the international requirements, continued in about 30% of foreign exchange reserves and the balance is reasonable. Just in 2012, China's sustained trade surplus of China's foreign exchange reserves reached a number of 2496.7 billion US \$, the ratio of the same period foreign debt, 3533.9 billion US \$, was 41.5%, while the ratio of the internationally recognized 30%, from this we can see a very high proportion in China. And at the end of 2013, China's foreign exchange reserves reached 2745.2 billion US \$. The main form of foreign exchange reserves become the dollar and the dollar assets, The dollar assets continued to devalue, China's foreign exchange reserves continue to shrink, if the dollar selling, which will make the dollar more not to be worth a hair, but made the rest of US \$ assets more lock water, it will make China's reserves difficult to manage, and finally in dilemma. Another point is that international trade surplus also produces many other unexpected problems, such as the increase of foreign exchange resulting in unstable price which could make the RMB appreciation and bring economic pressure to people. Influence of economic growth by exterior is very large, and appeared a conflict that China pursued of a targets that keep internal and external in balance, then policy change is more difficult, these influenced China in negative way. Meanwhile, also the increase in foreign exchange reserves is the results of surplus produced and how to deal with this conflict has become the central bank's monetary policy a period of important target at present and in the future. Because of the rapid growth of foreign exchange reserves, the central bank to solve the contradiction between the task and the cost is growing; the difficulty also will be increasingly high. Double surplus of balance of payments resulted in the rapid growth of foreign exchange reserves. In the current system of foreign

exchange settlement, foreign exchange is purchased by the central bank. So in order to maintain the stability of exchange rate, a lot of foreign exchange has to be absorbed by the central bank, subsequently, put a lot of monetary base to the market. In recent years, because of more and more foreign exchange reserves, the gap of the increment between foreign exchange reserves and the monetary base is very obvious, this leads to the difficulty bigger and bigger which the central bank in dealing with hedge business and the cost will continue to grow.

4. The strategy suggestion of adjusting trade surplus and deficit

4.1 Upgrade the import and export structure, optimize the processing trade, transform to the high technology industry

China should establish their own core competitiveness in the field of high technology, because it has the advantages in the traditional labor intensive industry, In order to reduce the high energy consuming products and primary products exports. China should give preferential support in high technology and mechanical and electrical products export. On the import side, in order to promote import, China should implement preferential policies, expand import channels, improve the import and export environment, also they should attract the Multi-National Corporation to process high technology level, transfer the value content manufacturing to China. Gradually, from the generation of processing change to brand or generation of design, is the core competence of the corporation of its own. The more export trade enterprises to use domestic accessories, lengthening the industrial chain, while strengthening the promoting effect on domestic regional economic.

How to change the way of increase in imports, should be caused high attention, To give full plays to the purpose of the import of China's economic development, enrich the import tax laws and regulations, introducing the advanced technology, equipment and spare parts and import domestic scarce resources, raw materials, reduce the gap between the developed countries, let the import stimulating exports, so as to realize the transcendence. Meanwhile, China should also make full use to the advantage of China as a big country of import, fully join into the global resources fixed system and gradually grasp the initiative of imported resources. First, the Chinese government should strengthen the formulation of enough preferential policies to high technology products, high value-added in policy, and gradually reduce the production of high energy consumption products and export ratio, replaced is through fiscal and tax, financial and investment or other related policies to achieve the regulation on the structure of

import and export trade. Second, China would also like to accelerate the adjustment of industrial structure, enhance the competitiveness of our export products. Finally, insist on the implementation of Scientific Outlook on Development, reduce to product and export high energy consumption products.

4.2 Expand the domestic demand, reduce the dependence on trade

For China, with huge size of the market and a population of nearly 1.4 billion countries, also the continuous development of the economy, Chinese living standards are rising, but the reasons of obviously insufficient domestic consumption for China is the people most of the income is stored in the form of savings in the bank. To expand domestic consumption demand, one of the effective ways is through the fiscal policy and monetary policy and other policy instruments to stimulate domestic demand. In addition, to expand domestic demand, the most effective method is to adjust the policy of income distribution. In order to promote the balanced development of Chinese trade, promote consumption, stimulate imports, control low cost of export, avoid export dumping, China should greatly increase the income of low-income people, establish and improve the minimum subsistence guarantee mechanism of residents.

4.3 Greater international co-ordination

International trade is produced between three or more than three countries, to reach an agreement must have enough measures to reduce trade friction between countries. In WTO rules and legal framework, China should consult with other countries and carry out active consultations of settlement mechanism in WTO dispute, guarantee each country's equity. Simultaneously, in certain circumstances, in order to reduce trade friction between itself and its trading partners, China must adopt some measures, weaken the forces of trade protectionism trade partners in a certain extent, make them be strict with oneself, proceed with caution.

4.4 Improve the RMB exchange rate formation mechanism, make a reasonable guide appreciation expectation

In recent years, the expectation of RMB appreciation is more and more serious. But now, the real exchange rate of RMB appreciation is more slowly than Chinese economic growth rate. So now we can consider improving the RMB exchange rate appropriately to reduce the foreign trade surplus.

Conclusions

The moderate International trade will promote economic growth, improve trade country's welfare level. The government needs to make a clear orientation in lead role in the process of market economy development, increase investment in education, provides adequate human capital for the industry transformation.

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