

Chinese Experience of Regulating and Encouraging Foreign Trade

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ABSTRACT

In this article, the author researches Chinese experience of promoting export, areas of state regulation of exports, support for local producers and export support and developed proposals for export promotion in Uzbekistan. Comparative analysis of the economic development of the People's Republic of China, its impact on international trade and the system of state promotion for exports between Uzbekistan and China, the main problems in the development of the export support system of Uzbekistan and exports promotion in Uzbekistan by exploring the possibilities of using the Chinese experience in the development of the export promotion system.

KEYWORDS: *Export, Export promotion, Chinese experience of export promotion, domestic producers, Trade houses, diplomatic missions*

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INTRODUCTION

By analyzing long-term foreign trade results of the export-oriented foreign trade policy of many developing countries in the world, it can be observed that international trade is the most important factor in global growth, development and poverty alleviation. Accordingly, many countries have come up with significant reforms aimed at stimulating foreign trade. In particular, through allocating state preferential loans, state subsidies and implementing properly selected foreign exchange policies in increasing export potential of producers, People's Republic of China (PRC) has become the economy oriented to exports from an import-substituting economy. According to 2020, world trade turnover in 2019 is 34,14 trillion US dollars of which 12,1 percent corresponds to the share of the PRC¹. Today, PRC has become the leading trade partner country in the world, the total export volume of which in 2020

amounted to 2,590 trillion US dollars and amounted to 15.02 percent of the total world exports². This, in turn, shows the possibility of achieving an active foreign trade balance on the example of the experience of the People's Republic of China in promoting exports.

A number of scientific researches are being carried out on supporting state promotion of export in the countries of the world, as well as scientific and theoretical research on the promotion of foreign trade and their improvement. In particular, the many-year experience of the People's Republic of China in the field of state support of exports, development of foreign trade, diversification of export geography is of particular interest to science. Therefore, the main attention is paid to the study of the growth of the share of PRC export scale in the world trade turnover. The researches revealed the need to carry out scientific research aiming at main factors which led to the the rapid integration of People's Republic of China into the world economic system like

¹Trade statistics for international business development Monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares, etc. https://www.trademap.org/Country_SelProductCountry.aspx?nvpm=1%7c156%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c1%7c1%7c1

²Unctad statistics электрон манба 14.04.2020 <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

developing tolling operations in the country, convenient location of geography, possibility of productive use of regional labor distributions, convenience of investment climate.

The analysis of the experience of state support for exports in People's Republic of China made it possible to observe the directions in which the following main supports and methods of regulating and encouraging foreign trade were used. Including:

1. The specificity of tariff and non-tariff methods, China has made the most of the opportunity to change customs tariffs in solving the problem of developing foreign trade. Non-tariff regulation is usually divided into quantitative and covert protectionism as well as financial methods.

Quantitative restrictions (quality restrictions) include quotas, licensing, "voluntary" export restrictions, as well as bans on exports and imports. The most common form of quantitative restrictions is the tariff quota, in which 2 types of export quotas are applied in PRC: the first for all countries of the world and the second for individual countries. There are currently quotas on exports of live animal meat to Hong Kong and Macao.

2. The legal framework for China's foreign economic activity lies in its complexity and breadth

For example, "in the process of accession to the WTO in 2001, more than 200 laws, about 700 decrees of the Council of State and 40,000 administrative documents were adopted"³.

Along with the analysis of the experience of People's Republic of China in supporting exports, it should be noted that the accession of China to the WTO in November 2001 was important and marked a new stage in the country's international trade. According to the World Trade Organization, in the 10 years since China became a member of the organization in 2001, "602 protectionist inspections have been conducted against China, including 510 anti-dumping inspections, 43 antidote inspections, and 106 protection measures". According to Chinese analysts, even after the above inspections, China is one of the world leaders in the number of trade barriers to exports⁴.

³Data from Official site of Ministry of finance of People's Republic of China <http://gss.mof.gov.cn> date of access: 15.02.2019

⁴ Аналитический обзор о мерах, принимаемых в Китае по защите внутреннего рынка и по поддержке национальных экспортеров // Сайт Министерства экономического развития Российской Федерации:

3. The main organizations (subjects) created for the purpose of financial and organizational support of export have improved their functions and activities;

The main subjects of financial support for exports are Exim Bank of China and Bank of China. Both banks have the right to export and import loans. Lending of national exporters and foreign structures purchasing products of People's Republic of China is defined as the main task of the above organizations.

The main task of the bank is to implement the policy of the Chinese government in the field of industrial development, foreign trade and finance through the support of the export of Chinese products, primarily machinery, equipment and other high-tech products and the development of state-owned relations in the field of international trade.

The bank is the only structure allowed by the Chinese state to carry out official support measures for developing countries, which will carry out its activities through two means:

1. "Granting preferential loans between states".
2. "Granting preferential loans to importers through second state enterprises with guarantors"⁵.

4. Due to the economy of the territories of the country and its specific social, geographical features, individual types of Free Economic Zones are formed.

In PRC development of free economic zones serves directly to accelerate investment activities in the country, protect the domestic market and increase the competitiveness of the national product being created to support national exporters.

According to the research, year-to-year increase in the role of Free Economic Zones in the economic development of China is explained by:

- availability of customs duties and tax benefits for foreign investors operating in free economic zones;
- establishment of an effective mechanism for large-scale export of products created in free economic regions by organizing production on the basis of high foreign technology;
- ensuring the development of mutual harmony of simple and high-tech production processes;

[http://www.ved.gov.ru/exportcountries/cn/cn_market/cn_pact_access/кирилган сана 15.02.2019](http://www.ved.gov.ru/exportcountries/cn/cn_market/cn_pact_access/кирилган%20сана%2015.02.2019)

⁵ Official site of Exim Bank of China <http://english.eximbank.gov.cn/Business/index.html#ourBusiness-xwy-1> date of access: 15.05.2019

➤ in achieving economic development in free economic zones, the consumption of material resources in scientific and technical processes and innovation in management are given wide opportunities for all-round independent innovations aimed at development.

As a result of the policy pursued by the state in PRC with a view to promoting exports, the dynamics of exports of Chinese goods and services has acquired the following appearance:

Dynamics of changes in exports of goods and services of China in 2006-2019⁶

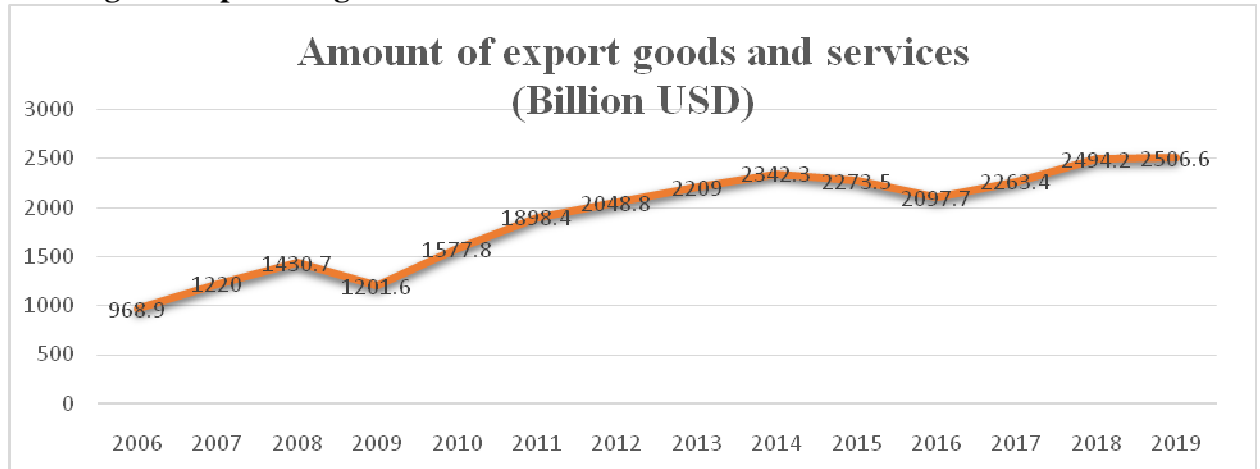


Table was formed by author in accordance with data of UNCTADSTAT.

Foreign investments included in various sectors and sectors of the economy, export of goods and services as a result of financial and organizational measures of the state increased by 2.6 times in 2019 compared to 2006. Also, the export of goods and services has diversified, new directions have emerged. Mechanical engineering and electronics products, household items, production technical works are in example.

Only, if we look at the dynamics of the change in the export of goods in 2006-2019 years, it can be noted that in 2009 Chinese exports of goods fell by 16 percent compared to 2008.

Dynamics of changes in exports of goods and services of China in 2006-2019⁷



Table was formed by author in accordance with data of UNCTADSTAT.

The main reason for this is due to the fact that China’s largest trading partner is also associated with a decrease in the volume of trade in PRC as a result of the financial crisis in the US, but in 2010 this figure sharply increased by 31.3 percent, due to which Chinese tokens occupied new markets (including the markets of Central Asia, Central and South America). But, in 2011-2016, there was another decline in the volume of Chinese goods exports, which was the result of a policy aimed at increasing the value of the Chinese RMB. A similar situation was observed in the dynamics of Chinese export services.

⁶Data was fromed by author on the basis of data fromUNCTADSTAT. Date of access:16.03.2020 <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

⁷Data was fromed by author on the basis of data fromUNCTADSTAT. Date of access:16.03.2020 <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

It should be noted that the changes in the dynamics of the goods expositions also affected the volume of high-tech goods expositions. But the noteworthy aspect was the fall in exports of high-tech goods by 5.6 percent in 2019 compared to the same period of 2006. This is due to the increase in the share of raw materials and semi-factory products in the composition of export goods.

Principles of change in the share of high-tech goods in the structure of Export goods in 2006-2019⁸

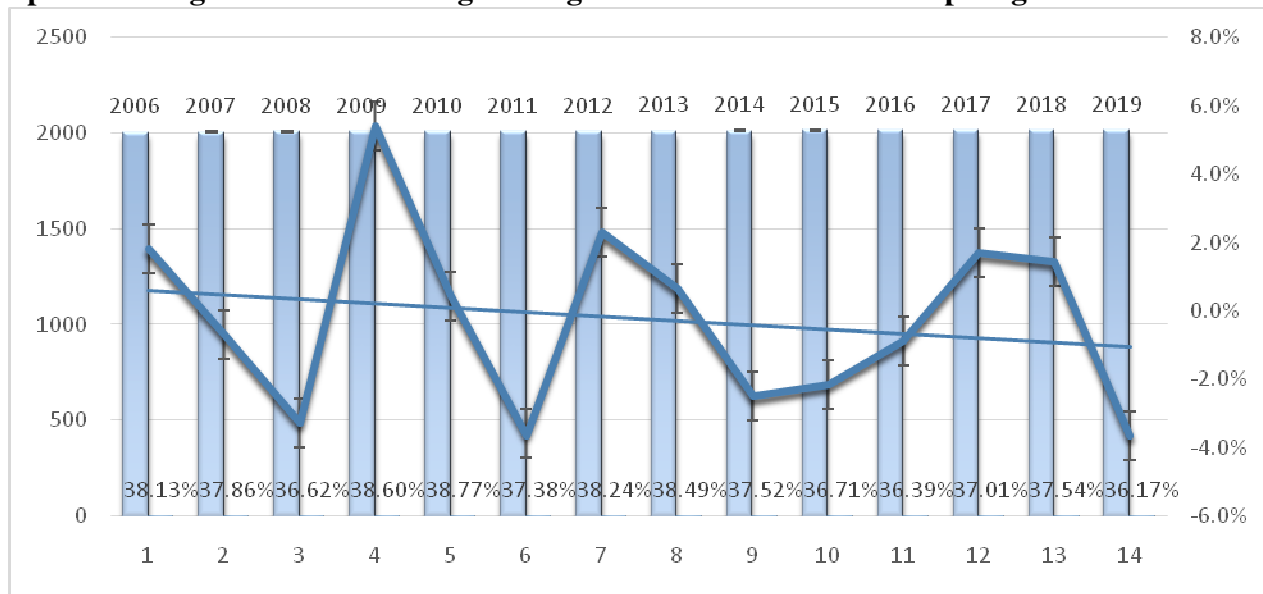


Table was formed by author in accordance with data of UNCTADSTAT.

Analysis of the situation of the export support trend in the PRC indicates that Foreign Trade Balance had a negative balance until the beginning of the 90-ies of XX century. The main reason for this is explained by the fact that in the early stages of reforms, technological imports were the only source of the formation of the national economy.

Dynamics of foreign trade in China in 1978-2018⁹

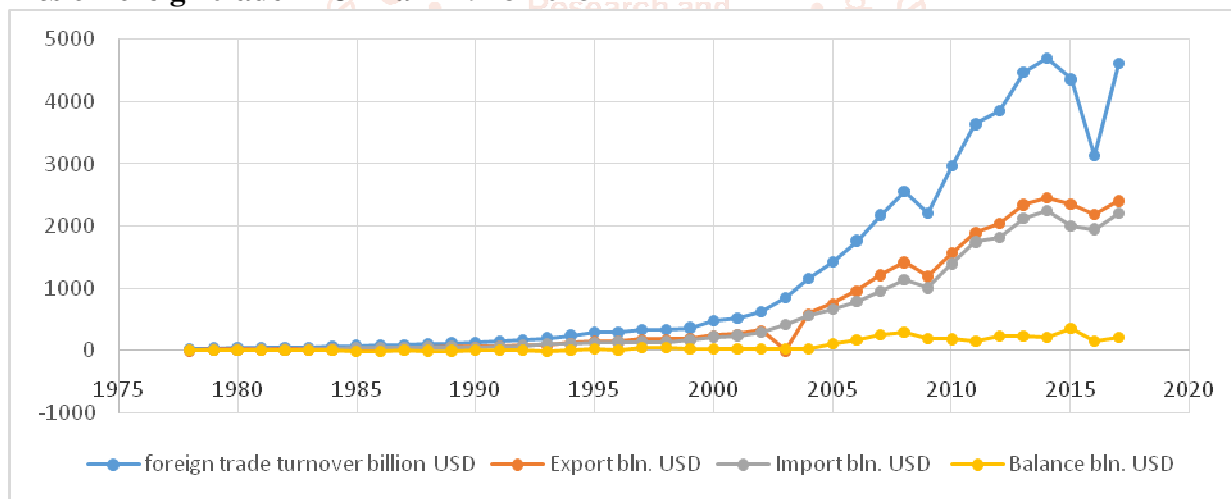


Table was formed by author in accordance with data of World Bank.

The active economic policy (in the field of foreign trade) implemented by PRC in overcoming economic crisis allowed to change the downward trend of the country's exports and imports at the end of 2009 and by 2012 foreign trade was actively restored.

During the Reform years, composition of exports has changed significantly. In exports, the share of raw materials and its primary processed products decreased, and the share of finished industrial products increased significantly. This figure is around 50% in 1980 year, reached 95% by 2012 year.

⁸Data was formed by author on the basis of data from UNCTADSTAT. Date of access: 16.03.2020 <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

⁹ It was counted by author on the basis of data from World Bank <https://data.worldbank.org/indicator/NE.IMP.GNFS.CD?locations=CN&view=chart>

Our analysis showed that the decrease in relative indicators is due to the difference between the dynamics of the absolute growth of individual product groups in exports. If the volume of Chinese export increased by 7.1 times in 2011, export rose 9.5 times in machinery, equipment and vehicles, 9 times in non-ferrous metals, 4.7 times in traditional exports (textiles, textiles and footwear and others).

The results of our observations showed that in the Chinese economy and foreign trade, long-term positive trends that determine the direction of development of the Chinese economy were noted. In particular, if we look at the structure of Chinese exports, the growth trend of machinery and equipment exports in 2016 compared to 2017 was observed, the total export content increased from 50.52% to 59,15%. It is also one of the growing fields of chemical and food products export.

Over the last decade, globalisation of economic processes has continued and the volume of international trade is growing at a rapid pace. According to the gravitational model of foreign trade – two large countries are trading more than two small countries. In addition, trade between the two close countries is more intensive than in the two countries, which are located relatively far away. One of the most popular econometric models (external requirements), which characterizes the essence of a number of classical trades and tries to determine this factors, is the gravitational model. Literature analysis has shown that low cost of transactional spending on foreign trade, logistics efficiency and infrastructure is an important factor affecting trade facilitation between countries. At the same time, GDP of the countries has a direct impact on mutual trade relations. In our study, in order to assess the flow of sales (export-import) of two-sided finished products of 230 countries, the following important affecting factors were distinguished and the model of gravity was drawn up:

- the size of the exporter country's GDP, (with purchasing power parity, in US dollars);
- the size of the importer country's GDP, (with purchasing power parity, in US dollars);
- the distance between the exporter and the importer country (in the measure of km.);
- index of logistics activities (as part of this index, the indices of infrastructure and customs efficiency are taken into account);
- time and financial costs for export;
- subordination in colonial terms of countries, such variables as the total border is included (if it exists, it equals to 1, if there is no, it equals to 0).

In our study, the method of small squares (multivariate regression equation) was used in assessing the mutual trade flow of countries. In turn, the mutual trade of countries (export-import) – has been studied as a correlated variable. The number of our observations on the mutual trade pairs of 230 countries amounted to 464767 units.

The above factors were considered as independent variables of the function.

In this regression evaluation, the official data of the World Bank regarding “UNCTAD Stat data, macroeconomic indicators of countries and Logistics performance index” on mutual trade of countries were used for 2018-2019 years.

The results of the conducted study are as follows:

Method:	I	II	III	IV	V
Subject variable:	Export of I country to country J				
GDP of country i (Log)	0.1840 (0.0000)***	0.7615 (0.0000)***	0.1210 (0.0000)***	0.1188 (0.0000)***	0.1148 (0.0000)***
GDP of country j (Log)	0.1991 (0.0000)***	0.1992 (0.0000)***	0.1840 (0.0000)***	0.1655 (0.0000)***	0.1623 (0.0000)***
Distance between countries (log)	-0.1058 (0.0000)***	-0.0938 (0.0000)***	-0.3776 (0.0000)***	-0.4007 (0.0000)***	-0.3969 (0.0000)***
Existence of common borders (log)	4.8512 (0.0000)***	4.9824 (0.0000)***	1.5123 (0.0000)***	1.3797 (0.0000)***	1.2637 (0.0000)***
Existence of common language (log)	2.1534 (0.0000)***	2.2153 (0.0000)***	1.2816 (0.0000)***	1.1654 (0.0000)***	1.1732 (0.0000)***
Constanta	-1.9337 (0.0000)***	-1.8065 (0.0000)***	0.9921 (0.0097)**	0.6705 (0.0739)	0.5914 (0.1182)
Quality of logistics in state (log)	-	-	1.7225 (0.0000)***	1.5588 (0.0000)***	1.5279 (0.0000)***

Quality of logistics in country j (log)	-	-	1.8100 (0.0000)***	1.6134 (0.0000)***	1.7726 (0.0000)***
Time of exporting in country i (documentation, hours) (log)	-	-	-0.4833 (0.0000)***	-0.4526 (0.0000)***	-0.4299 (0.0000)***
Time of exporting in country j (documentation, hours) (log)	-	-	0.5755 (0.0000)***	-0.5576 (0.0000)***	-0.5449 (0.0000)***
Gross domestic fund in country i in US dollars(log)	-	-	-	-	0.0293 (0.0000)***
Gross domestic fund in country j in US dollars(log)	-	-	-	-	0.0646 (0.0000)***
R²	0.308	0.345	0.417	0.435	0.485
Number of observations	464767	464767	464767	464767	464767

According to the results of the evaluation, as determined in the models of gravity, the volume of GDP of countries has a strong correlation with high foreign trade efficiency. It was also observed that the distance between partner countries increased by 10 percent, leading to a decrease in exports by 3,9 percent. In the exporting countries, it was observed that the 10-hour increase in the time it takes to formalize the documents would lead to a decrease in exports by 4,2 percent, and in the importing countries by 5,4 percent.

Also, in the growth of mutual trade, the presence of a common border and the presence of a common language have an important positive effect (the results of the evaluation are presented in detail in the table).

The scientific and theoretical basis of state support for exports and promotion of foreign trade was studied and scientifically based by economist scientists. At the same time, as noted in the above chapters, they differ from the theoretical and methodological framework of the state policy aimed at supporting the country's exports. Including:

- geographic location of the country;
- political situation in the country;
- the role of country in regional and international economic integration and its participation in international trade and economic organizations;
- factors such as quality of goods and services produced in the country and compliance with international standards are also important in the development of exports.

China's export promotion experience is considered to be the most effective way and policy in the world economy. But there is no possibility to apply this experience directly in our country. The main reason

for this is the difference between the political system of the two countries, the geographical location and other direct and indirect factors affecting the volume of exports.

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