Analysis and Countermeasure Study on the Export Commodity Structure of China in the Post-Crisis Era

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Abstract. In the post-crisis era, the total volume of China’s foreign trade shows a trend of increase, the capacity to earn foreign exchange through exports has enhanced increasingly. China has replaced American to become the first large trading country in the world. However, the world’s trade commodity structure is developing toward the direction of high technology, service and green product, while the export commodity structure of China mismatches the international market demand. How to improve and optimize the export commodity structure of China and stabilize Chinese export trade have become the problems to be solved urgently. This thesis analyzes the current situation of the export commodity structure of China based on introducing the export commodity structure with the object of trade in goods, and proposes relevant optimization measures aimed to the demand of international market.

Introduction

Under the influence of financial crisis, China's foreign trade has appeared big fluctuation. In December, 2008, foreign trade started to decline, and the decreasing amplitude reached the maximum value in the first season of 2009, then the decreasing amplitude started to slow down. Up to 2010, China's foreign trade presented the restorative fast growth situation. The development of China's foreign trade is closely connected with the world economic changes. Currently, the world economic crisis has developed into the post-crisis era--the world economy is slowly recovering, some developed countries have begun to rebound. But because of the existing source of economic crisis, the overall situation of world trade growth is still severe. Under this background, the scale of China’s foreign trade is continuously extending, but the problems have also appeared gradually at the same time, which inhibit the development of China’s trade. Therefore, although China holds the advantage of quantity in the foreign trade, it still cannot become a powerful trade nation. The major problems of China’s foreign trade are unreasonable export commodity structure and small added value of products. Export commodity structure generally means the composition of all kinds of products in a country’s export trade over a period of time, which is expressed by the proportion of export volume of each kind of product in the sum of export trade. The export commodity structure of a country can not only reflect the resources situation of the country to some extent, but also can reflect its scientific and technical level, economic development and so on. Therefore, the analysis and research on China’s export commodity structure are imperative.

The Current Situation and Existing Problems of Export Commodity Structure

In the post-crisis era, the international environment has changed a lot. All counties have conducted loose economic policies after economic crisis, the market has appeared excess liquidity. Meanwhile, because the developed countries thought the cause of crisis came from global unbalanced economy, recovering the balance of economy has become the important way to solve crisis. Under the guidance of this train of thought, global trade protectionism has been prominent. These changes have directly aroused the complicate international environment of foreign trade. Under this background, China’s foreign trade has still presented the characteristics of total sum increase and
structure optimization. However, compared with developed countries, the export commodity structure of China still needs further upgrade.

**Current Situation of Export Commodity Structure**

**Total volume of export trade presents growth trend.** Recent years, China’s export trade environment has become more complex. The domestic industrial structure adjustment of China has shaken the export trade seriously especially the export of traditional industry. Besides, the global financial crisis has also aggravated the export trade competition. Even so, China’s export trade has still developed rapidly. The total volume of import and export trade increased to $4.30304 trillion in 2014 from $2.21 trillion in 2009, of which the total volume of export trade increased to $2.21 trillion from $1.2 trillion. But the growth rate declined continuously from 34.7% in 2010 to 6.2% in 2012, which rose again slightly until 2013.

**The export commodity structure presents new features.** After the global finance crisis, China’s foreign trade has appeared new features by elaboration. The foreign trade structure is optimizing increasingly, which is taking efforts to replace the low-level and labor-intensive structure by high-level structure with high-level research and development. The concrete performance of export commodity structure changes is:

A. The export growth of primary commodity has a relatively slow rate, and the proportion of it in the total volume of export commodity has declined, the proportion of manufactured goods has increased. From 2008-2015, the number of export commodity increased increasingly, but its proportion presented downtrend, while the proportion of manufactured goods increased. The export volume of primary commodity was $78 billion in 2008, which increased to $107.3 billion in 2013, but its proportion in the total volume of export commodity dropped to 4.9% from 5.5%. The manufactured goods not only had an increase in amount of export, but also in the proportion, of which the amount of export increased to $2.1023 trillion in 2013 from $1.2527 trillion in 2008, and the proportion increased to 95.1% from 94.5%. Manufactured goods are the leading products in China’s export commodity.

B. The rapid development of new high-tech products. Under the guidance of China’s export oriented policy, the amount of foreign-funded enterprise is increasing constantly, meanwhile, because of the high technological superiority of foreign-funded enterprises, the government encourages the foreign merchants to invest in our high and new technology industry, which promotes the extremely rapid growth rate of new high-tech products. The new and high-tech products mainly include computers, electronic products, communication equipment, etc., with a narrow scope. The proportion of its amount of export in the total export has risen year by year. In the new high-tech products, the growth rate of industries with high technical content and additional value, such as electronic computer and mobile communication is extremely obvious, which belong to the fastest growing industries in China. The direct investment of foreign enterprises has driven the development of China’s high and new technology, which not only promoted the upgrade of industry, but also drove the export of the industry. The new high-tech products have become the important factor that drives the optimization of China’s export trade structure.

**Problems Existed in Commodity Structure**

The proportion of manufactured goods with the representatives of mechanical and electrical products and new high-tech products in the export structure of Chinese enterprises is increasing continuously. Generally, because of the improvement of scientific and technical level, export structure has been optimized to some extent. But it still has an obvious gap compared with developed counties. China’s export commodity structure depends on quantity to increase the foreign currency earnings, which is short of structure level obviously. There are distinct gaps between these features and trading powerful nations. When the crisis impacted on China, the main object of us was to maintain the steady growth of export trade. As China has got rid of the crisis and come into the post-crisis era, the issue of foreign trade structure has been put on the agenda again. The current problems existed in China’s commodity structure are as follows:
The level of primary commodity and industrial export commodity is low. With the development of China’s foreign trade, the amount of manufactured goods in the export commodities is increasing continuously, which hold the dominant position in the export commodities. But most manufactured goods are products with low additional value and low levels which don’t have deep processing stage. The major components are mechanical product equipment and light industrial products, which belong to labor-intensive equipment. Different from China, the fund and technology intensive equipment have accounted for more than 90% in the mechanical and electrical products of developed countries. Mechanical and electrical products are the main contents of export commodities, which have an inconspicuous difference in proportion between China and developed countries. But in the technical content and knowledge content, there is still a great distance between Chinese mechanical and electrical products and the “high-grade, precision and advanced”, mechanical and electrical products of developed counties. Chinese mechanical and electrical products still have a weak competitive capacity. Secondly, the proportion of new high-tech products that represent high-tech content and high added value in China’s export products is not high. According to statistics, there is a great distance between China and developed countries in the contribution rate of technical progress on economic development. The slow development of high and new technology is the huge resistance for China to realize the goal of trading powerful nation.

Increase of export cost, decrease of enterprise competitiveness. Although China’s export commodity structure has been optimized unceasingly recent years, the added value of labor-intensive products is low, the technological element of export products is not high, causing the low profit, which is easily to be affected by cost fluctuation like international exchange rate and price of labor power. For example, recently, RMB has appreciated unceasingly, to maintain the original profit room, the prices of China’s export commodities have to be raised, which certainly will bring the decrease of product sales, restrain the export of China’s products, and lead to the decrease of the quantity of export commodity to some extent. Meanwhile, the salary of employees of the domestic enterprises is in the ascent stage, which increases the production cost of labor intensive products. However, for the same product, developed countries adopt capital intensive and technology intensive methods to produce, which can evade the problem of cost raise with good product performance. By contrast, the original cost advantage of China’s export products is disappearing gradually. Besides, many export enterprises in China have small scale, they fight the enemy separately facing the problem of cost raise. Because they have small scale and weak strength, which are short of human resources and capital strength to research and develop new high-tech products with high profits, their enterprise competitiveness will decline unceasingly facing the increase of labor cost.

Increase of export environment pressure. To get rid of the influence of finance crisis, national governments all adopted the way of trade barrier with the center of technology and quality, suppressed the export products from China greatly and restricted the entrance of Chinese products into their counties. The export products of China have relatively low quality and low price, which are often invested by the import counties about anti-dumping and anti-subsidy in the foreign market. Particularly, with the deepening of reforms, developed countries have transferred many labor intensive industries with serious pollution and high energy consumption to developing countries. While the enterprises of their countries mainly produce capital intensive products with clean and energy-saving features. Under the influence of China's legal standards and the constraint of technological development level, the products of China were often encountered the green trade barrier by western countries.

The problems faced by China’s foreign trade are related to the development of future trade, the realization of trading powerful nation, and even the future economic trends of China.

Strategies on Optimizing China’s Export Commodity Structure
Currently, the structure of China’s export commodity has come to the key period. Although the export has recovered after crisis, from the analysis on the development situation of international
economy, developed countries have come into the post-crisis era. It is the inexorable trend for them to adjust economic structure and realize economic balance, which will restrict the growth of our export. It is the necessary approach to optimize the existing export commodity structure for the development of China’s foreign trade, which is the main method for China to build strong market competitiveness in the system of capital intensive and technology intensive industries in the future.

**Adjust the Export Commodity Structure According to the Features of the Production Factors and Industrial Structure of China**

After the reforms and opening up, labor has always been the most abundant part in the production factors of China’s enterprises. However, unskilled and manual labor account for a lot in the labor production factors, which brings a certain difficulty for the improvement of China’s employment rate. As one of the four major goals of a country’s macro economy, full employment has self-evident significance. Therefore, in China’s export commodity structure, the development of labor intensive industry and products has important significance for China’s economy. So the adjustment of export commodity structure should conduct deep processing for the labor intensive products, improve the quality of products further, and create own brands. We should establish the agricultural and sideline textile industry as the pillar products of export, put electromechanical industry as the leading industry of export, make the high and new technology industry into export strategic industry, build the product group with the combination of agricultural and sideline textile, electromechanical industry and high and new technology industry to promote the transformation to the direction of sophistication for export products. Besides, measures should be taken to strengthen the construction of technological content for traditional export products to make them become new products with high technological content, deep processing and high added value, so as to promote the transformation from comparative advantage to competitive advantage for the labor intensive products of China’s export products. What’s more, the export upgrade of labor intensive products may cause the surplus of labor, so the service industry should be developed strongly to transfer the excessive labor, which release employment pressure and provide strong guarantee for the adjustment of industrial structure.

**Develop the New High-Tech Products Faster**

Compared with traditional manufactured goods, new high-tech products have higher technological content, higher prices and more abundant profits, which are not easy to be replaced or surpassed with vast market prospect. China’s export products mainly concentrate on rough-wrought products with low prices, leading to the big large gap between China and the developed countries in the capacity to earn foreign exchange through exports. In the process of adjusting industrial structure, technologies should be used to improve the service efficiency of factors and change the factor endowment and create new comparative advantage on this basis. First of all, China should strive to develop and research some high and new technology projects, such as developing the processing trade of high and new technology industries like information technology, medicine, biology and so on, increase the construction of industrial matching capacity, and cultivate the capacity of building self-owned brands. Secondly, China should create fair environment of competition, improve the proportion of state-owned enterprises and private enterprises in processing trade. The government should provide policy support for the new product research and development, development of human resources and brand building of these enterprises. In addition, China should create R&D center with the help of transnational corporations by encouraging the foreign investment companies to introduce the processing and manufacturing links with high added value and advanced technological level into China, to realize the goal of improving the technical ability of Chinese enterprises depended on “technological spillovers” and improve the international competitiveness of China comprehensively.
Optimize the Structure of Operating Entities, Adopt International Standards to Adapt to the External Environment

The reforms for Chinese foreign trade enterprises can make their international competitiveness enhance strongly. Reconstructing the operating entities of foreign trade on the basis of upgrade industrial structure. The government should increase input to domestic enterprises selectively, accelerate the construction of modern enterprise management system; break the bounds between private ownership and public ownership, realize resource sharing, blend the capital to withstand risk together; eliminate the limits of regions and departments, cultivate the large-scale enterprise groups, organize the enterprises across provinces, cities and sectors, achieve alliance between giants, and carry out large-scale of enterprise groups gradually. All of these can improve the international competitiveness greatly no matter in macroscopic level or microscope level, enhance the ability to contend against foreign-invested enterprises. To decrease the enterprise cost through economies of scale, make full use of foreign capital and technologies to achieve the product differentiation and establish the comparative advantage of products eventually.

Facing the technology, quality and green barrier of foreign countries, the foreign trade enterprises of China should produce goods with referring to international standard. In the globalized world today, international standard is the important trend, which should be referred by both enterprises and countries. If the export enterprises only produce goods under the national standard, it will have narrower development space in the future facing the abroad trade barrier. Besides, enterprises should speed up the upgrade of manufactured goods, divide the sections of manufactured goods under the premise of complying with international standards. They should plan the production based on the demand for products of the exporter, make sure that the products conform to the demand of the objective country no matter in technology or quality or product feature, so as to circumvent trade barriers.

Conclusion

To sum up, in the post-crisis era, the export commodity structure should be adjusted unceasingly to encourage China to become the large trade country in the world, however, we should also find out the complicated international environment generated in the post-crisis era, the invisible risks and problems existed in China’s export commodity structure. Only follow the change of demand structure in the international market, keep up with the structure transformation of export commodity of developed counties, adjust and optimize the export commodity structure in time, can we improve the international competitiveness of China’s export products and ensure the steady development of China’s foreign trade in the crisis-ridden post-crisis era.

References