Study on the Transformation and Upgrading of China's Processing Trade

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Abstract: Processing trade is an important part of Chinese economy and the main content of foreign trade, which has become important driver of Chinese foreign trade export growth and trade ways. Since Chinese reform and opening up policy, not only has processing trade promoted the sustained growth in foreign trade, but also played a positive role in increasing the national income, solving the employment, introduction of foreign investment enterprises develop national aspects. However, unbalanced development between regions and increasing RMB appreciation pressure has resulted in more trade friction between China and western countries. This article puts forward some countermeasures to promote transformation and upgrading of processing trade, based on the analysis of China's processing trade present situation and existing problems.

Keywords: Processing trade, Business models, Transformation upgrade.

1. The Development of Processing Trade in China

At present, China's processing trade into a new stage of development, scale and scope of business to further expand, some development business model has also been optimized, and has become a foreign-funded enterprise as the main trade. In addition, mainly to the main processing, processing is supplemented by the operating characteristics and high-tech products as the main export trade is also expressed in foreign trade. In addition, the developed
countries as China's export market, the main market, to China's processing trade has brought a broad space for development.

1.1 Processing trade accounted for the first position of foreign trade
   Since the reform and opening up, China's processing trade has developed rapidly, the growth of processing trade has accelerated the improvement of China's trade import and export, become the main trade, occupy an important position. According to statistics, in 1996 the import and export volume of 289.93 billion US dollars, of which 50% processing trade; 2008 processing trade volume of 378.4 billion US dollars, China's processing trade from entering a new stage; 2015 China's total import and export trade up to 39530 Billion dollars, processing trade volume of 797.8 billion US dollars. Thirty years of development makes the total trade import and export volume rose rapidly, processing trade steady growth accounted for more than 30% of annual trade volume, accounting for an important position in foreign trade.

1.2 Foreign investment is an important form of processing trade
   At first, China's processing trade is through foreign investment in machinery and equipment to some domestic manufacturing enterprises for production management, this approach is mainly applicable to the southeast coastal areas. These enterprises produce products from foreign trade companies for import and export procedures. China's early trade development, labor and land resources, low cost, coupled with China through the development of a series of preferential policies to actively introduce foreign investment in China to build factories, making China's early trade development to labor-intensive products. China's rich and inexpensive labor resources make foreign-invested enterprises willing to invest and set up factories in China to take full advantage of the cost advantages of product processing in China. Therefore, foreign investment is still an important form of processing trade. According to statistics, the import and export volume of foreign-invested enterprises increased from US $ 890.604 billion in 2008 to US $1117.2 billion in 2015, accounting for 80% of the total import and export volume of processing trade. As the 2008 financial crisis has seriously affected the foreign investment plan, also makes some foreign investors have to evacuate. However, this does not affect the overall growth trend of foreign investment since 2009.

1.3 Business model to feed processing
   In the early development of processing trade, the main trade for the processing, feed processing, to pieces of assembly. Among them, the most simple way of processing, the characteristics of small risk of low profits. Feed processing profit big risk, and its management more complicated processing, with product ownership, which is characterized by since the purchase of
materials, since the sale of products, self-financing, in addition, also need to bear all kinds of risks. In the eighties, China's processing trade to processing mainly processing trade is relatively simple. But with the national policy support and subsidies, foreign-invested enterprises also fancy China's huge consumption, production market, have set up factories in China to invest. In the 1990s, more people value the development of foreign trade opportunities to the sea business, with the competition of enterprises, feed processing gradually take over processing as the main form of processing trade, accounting for China's processing trade exports 53%. At present, the total amount of feed processing trade is still expanding. In 2015, total feed processing trade amounted to US $14539 billion, accounting for 81% of the import and export volume of processing trade.

1.4 Private enterprises import and export strong growth, processing trade model to speed up the transfer

As a large number of administrative examination and approval matters are simplified, to improve the enthusiasm of private enterprises, which also enhanced the vitality of foreign trade. In 2015, China's private enterprises import and export 1.49 trillion US dollars, accounting for 35.9% of total foreign trade import and export. In different trade patterns, processing trade has declined, but the processing trade in the overall trade is still the main force. In the nature of different enterprises, we can easily see the foreign-invested enterprises accounted for half of the import and export, the growth momentum strong. In addition, private enterprises to other enterprises export growth rate as high as 19.1%, its strong import and export growth, processing trade model to speed up the transfer.

2. Problems in China's Processing Trade
2.1 Trade friction constantly

The trade model produced in the middle of processing trade is one of the main reasons for the increasing import and export volume. Since the dependence of foreign trade is closely related to the import and export volume of processing trade, the processing trade leads to the increase of China's foreign trade dependence. Although China's government has adopted many policies to reduce the dependence on China's foreign trade, but the rapid growth in processing trade and the scale of the growing processing trade enterprises, leading to China's dependence on foreign trade is still high. Due to the high dependence on foreign trade, China's foreign trade friction increased, causing a lot of problems in China's international trade. In 2016, about 26 countries had strict trade adjustments to Chinese exports. Among them, anti-dumping 61, countervailing 14, the amount of about 10.6 billion US dollars. In addition, Chinese products also suffer from the US
countervailing investigation of 12, the EU launched anti-dumping investigations 3.

2.2 Regional development imbalance intensified

Since the reform and opening up, China has taken priority to the development of the eastern coastal areas after the development of the transfer strategy. Processing trade in the course of more than 30 years of development, led to the regional development of the problem of imbalance, the reason there are two points: First, the eastern coastal areas of China's geographical advantages. In addition, in the process of rapid development in the eastern region, there is no emphasis on the strategy of accelerating the transfer to the central and western regions, leading to the loss of cheap labor cost advantages in the eastern region of processing trade enterprises and the development of the central and western regions. Second, in recent years, the eastern part of the processing trade enterprises gradually shifted to the central and western regions, and this processing trade model has also been welcomed by the central and western regions. However, according to the eastern coastal areas of the same processing trade model and structure of the evolution, not to upgrade the industry, this copy of the original production model, and ultimately will not succeed. In addition, there is no comparative advantage and regional advantages theory to adapt to the industrial development of the economic model, the transformation and upgrading process will suffer setbacks, and ultimately can not achieve economic growth and regional balanced development.

2.3 The rapid decline in processing trade hampered the overall trade growth

According to the General Administration of Customs statistics, the first three months of 2015, China's trade import and export volume declined, down 3.7%, processing trade fell 8%. From the data we can see that in recent years, China's foreign trade competitive advantage changes in the world's influence is not to be underestimated, especially in processing trade, its import and export volume has dropped significantly. The first three months, processing trade fell 8% year on year, import and export volume of 301.6 billion US dollars; 1 to 4 months, China's processing trade import and export 411.3 billion US dollars, down 6.5%. 1 to May, China's processing trade import and export volume of 524.2 billion US dollars, down 5.3%. Of which processing trade exports 330.65 billion US dollars, down 4.8%. Data show that China's processing trade in 2015 was down the development of the state, should be highly valued, the relevant departments should actively take relevant measures to develop processing trade.

2.4 Processing business enterprise business model narrowed

In recent years, China's cheap labor cost advantage has gradually declined,
coupled with high inflation and industry competition intensified as well as raw material prices, plant rental costs, those labor-intensive products mainly processing trade enterprises, sales prices, hinder the development of the market is not conducive to the development of enterprises. Of course, labor-intensive enterprise transformation and upgrading is a direction, but the transition is not timely to be eliminated may be larger. One of the problems exposed by these phenomena is the lack of independent brand building, with the internationalization of the degree of competition and competition in the market, only foreign trade OEM has been unable to meet market requirements, this model is increasingly shrinking.

3. **Promote the transformation and upgrading of processing trade**
   
   First of all, to promote the processing, feed processing industry and product upgrades. The inclusion of knowledge and capital-intensive industries in the trade permissible categories; the inclusion of industries with low technological content and the ability to promote economic growth in trade restrictions; the inclusion of low value-added and large resource consumption in trade ban table of contents. We will continue to implement differentiated policies for different types of industries. Then, to strengthen the R & D, marketing, brand building and other aspects of service support. Should be appropriate to reduce the tax incentives for enterprises to produce products, and accordingly to strengthen the enterprise R&D, brand building and other tax relief and direct financial subsidies; to support enterprises to develop high value-added service links to carry out periodic assessment of policies and timely adjustment of relevant policies. Strengthen the domestic standards, and promote enterprise R&D activities; vigorously develop and supply chain management related industries, the development of enterprises, enterprises and universities, research institutions to provide a convenient platform for cooperation, scientific research personnel to provide low interest rates, interest-free loans or financial subsidies; Improve the global enterprise supply chain management capabilities. Second, to promote the processing trade to the central and western regions in an orderly shift. Finally, optimize the tariff structure to gradually promote China's processing trade domestic convenience.
   
   In promoting the processing trade enterprises to facilitate domestic sales, mainly: First, to allow processing trade enterprises focus on domestic declaration procedures, and to extend the scope of application to non-network enterprises. Second, the processing trade enterprises to allow domestic sales of finished products or materials, and then focus on tax, that is, "the first sales after the tax." Third, in the processing trade domestic sales concentrated areas, business and customs departments should establish a "green channel", set up a special window, simplify the domestic program. Fourth, the establishment of a
sound processing trade bonded goods domestic dutiable value system. Fifth, we will strengthen the propaganda and interpretation of the domestic policy of processing trade enterprises. Sixth, the relevant government departments should be processing trade enterprises to provide better domestic sales promotion services.

References