Impact of the global financial crisis on the Chinese international trade

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Summary

What is the impact of the global financial crisis on the Chinese international trade. I researched this by using historical data of the international trade of China. I identify and analyze the trends in the international trade. Not just the international trade is taken into account but also the structure of the international trade and top export and top import countries are taken into account, this to see the whole picture of the international trade of China during the crisis. Also China’s international trade is compared to other countries international trade, so you can see how other countries were hit by the crisis. All these variables are put into figures and tables, to get a clear view of the situation before, during and after the crisis. As you can see later the impact of the global financial crisis was huge for all countries, but some countries were hit harder than others.

Key words: import, export, international trade, global financial crisis, China, World Trade Organization.
Chapter 1 Introduction

The Chinese economy is more and more important for all countries in the world. In the Wall Street journal, one article, ‘Rising China Bests a Shrinking Japan’, states that China is the second biggest economy in the world after the USA. The article also says that the economy of Japan, now the third biggest economy, shrank with 1.1%. On the other hand, China grew in the same period 9.8% (Dawson and Dean, 2011). Because of this I want to do research on what the impact of the crisis on China was, and then in particular the international trade of China. With international trade I mean the export and import together.

1.1 Structure and contribution of the paper
In this first chapter there is some small introduction to the research question and general information about China. The second chapter is all about the literature review of the international trade of China. The third chapter is the chapter in which the data on the international trade is shown, compared and reviewed with other countries. And the final chapter consists of a conclusion, a discussion and a recommendation.

The contribution this paper gives is that the data is very recent, up to 2011, others papers only have data up to 2008. In this paper you can see the impact of the crisis on China, but also how fast China is recovering from the crisis, and why it is recovering this fast. Also in this paper the results are compared to other countries international trade, to get a view of how China does it compared to other countries, including some western countries, and some more developing countries.

1.2 Background information
In the last 30 years, since the initiation of economic reforms and trade liberalization, China has become one of the fastest growing economies in the world. In the period between 1979 and 2005 China’s real GDP grew with an average annual rate of 9.6%. China can become the world’s largest economy, speculated by many economists. But there are some pitfalls; the government needs to be able to continue and deepen economic reforms, and the state banking system. And there are some other difficulties, such as pollution and growing income inequality that threaten social stability (Morrison, 2006).

In 2007-2008 the economic crisis hit the world. Although China was not hit that hard by the global financial crisis as other countries, China has not remained unaffected by this. At the top of the crisis, China’s growth was declining very fast. In the second quarter of 2008, China recorded a growth rate of 10.1%, down from 10.6% in the first quarter. Growth further declined to 9% in the third quarter, the lowest in 5 years. And in the fourth quarter it was even as low as 6.8%. These numbers may not look too bad compared to other countries in that period, however in comparison of China’s past it is.
In 2007 China registered a growth rate of 11.4% and the average growth of the past 30 years was 9.6% (Zhang, Li and Shi, 2009).

After the sharpest decline in international trade in 70 years, the trade is rebound in 2010 by growing at 9.5%, according to World Trade Organization (WTO). This strong grow will help China to recover from the ground lost in 2009 when the global economic crisis hit and declined the international trade volume by 12.2%, the largest decline of international trade in China since WWII.

The 12% drop in volume of international trade in 2009 was larger than most economists had predicted. Trade in US dollar terms dropped even more than trade in volume terms (-23%), this is due to falling prices of oil and other primary commodities. In figure 1.1 you can see the big decline of exports in the recent crisis (Northgate, 2010).

**Figure 1.1: Volume of world exports, 1965-2009**
(Annual % change)

![Graph showing Volume of world exports, 1965-2009](image)

Source: World trade organization, yearly data from 1965 till 2009

During the recession their where sharp falls in wealth this caused households and firms to reduce their spending on all kinds of goods, in special consumer durables, for example automobiles and investment goods such as industrial machinery. These things can be seen in table 1.1. Some more detail on this later in Chapter 3.

Because of this fall in products, also the supply inputs for these were declining, and then in particular iron and steel. The fall in demand of iron and steel was also because due the crisis countries, that before were booming, didn’t need any iron or steel for their building projects because these were canceled or postponed.
Table 1.1: Quarterly growth in world trade in manufactures by product, 2008Q1-2009Q3

(Y-o-y percentage change in current US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2008Q1</th>
<th>2008Q2</th>
<th>2008Q3</th>
<th>2008Q4</th>
<th>2009Q1</th>
<th>2009Q2</th>
<th>2009Q3</th>
</tr>
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<tbody>
<tr>
<td>Manufactures</td>
<td>15.7</td>
<td>18.6</td>
<td>13.2</td>
<td>-10.4</td>
<td>-27.6</td>
<td>-29.8</td>
<td>-21.5</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>14.6</td>
<td>27.0</td>
<td>42.7</td>
<td>5.4</td>
<td>-37.3</td>
<td>-54.7</td>
<td>-55.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>19.3</td>
<td>24.5</td>
<td>21.7</td>
<td>-5.9</td>
<td>-23.5</td>
<td>-24.4</td>
<td>-16.6</td>
</tr>
<tr>
<td>Office and telecom equipment</td>
<td>10.0</td>
<td>13.2</td>
<td>7.2</td>
<td>-13.9</td>
<td>-28.4</td>
<td>-22.2</td>
<td>-15.3</td>
</tr>
<tr>
<td>Automotive products</td>
<td>15.3</td>
<td>15.8</td>
<td>3.4</td>
<td>-26.0</td>
<td>-46.9</td>
<td>-45.6</td>
<td>-28.6</td>
</tr>
<tr>
<td>Industrial machinery</td>
<td>21.9</td>
<td>22.7</td>
<td>15.7</td>
<td>-7.3</td>
<td>-28.8</td>
<td>-36.0</td>
<td>-31.9</td>
</tr>
<tr>
<td>Textiles</td>
<td>10.3</td>
<td>8.9</td>
<td>3.4</td>
<td>-12.8</td>
<td>-26.9</td>
<td>-26.8</td>
<td>-17.3</td>
</tr>
<tr>
<td>Clothing</td>
<td>10.3</td>
<td>11.4</td>
<td>7.9</td>
<td>-2.5</td>
<td>-10.4</td>
<td>-15.5</td>
<td>-12.1</td>
</tr>
</tbody>
</table>

Source: World trade organization quarterly data from 2008Q1 till 2009Q3

Another remarkable thing in the 2009 trade decline was its synchronized nature; you can see this in figure 1.2 (on the next page). International trade of all countries fell at the same time, some more than others, but no region was untouched.

Because of the international supply chains and information technology, countries can respond almost immediately when there are changes in market conditions in another part of the world. This fast information technology contributes to global and national welfare by encouraging the most efficient use of scarce resources, but in the case of the trade collapse it may have spread the recession faster (Northgate, 2010).

As said the effects of the crisis were felt over the whole World. China is bit of an exception, not that it is unharmed, but crisis and accommodating recession have affected advanced and developed economies more (Liu, Liu and Pannell, 2009). China has survived the crisis in better shape than other developed countries (Fidrmuc and Korhonen, 2009; Sun and Zhang, 2009). This can mostly be attributed to less exposure of their banks to subprime loan problems, and the credit default swaps that caused severe problems in North America and Europe. Another thing that helped China survive the crisis better is the fiscal stimulus of Beijing just after the crisis hit the world, but more on this later (Overholt, 2010). But the economic contractions in North-America and Europe have indeed had a negative effect on China.
Figure 1.2: Growth in World exports trade by region

(Year to year % change in dollar values)

![Graph showing growth in world exports trade by region](image)

- a Includes significant re-exports or imports for re-exports
- b Includes Africa and Middle East. These regional totals are significantly under-represented.


The most impacts of the crisis were seen in the rapid decline in orders for consumer goods destined for export to North America and Europe, and because of this there were factory slowdowns or even closures, more on the structure of the import and export later. In North America for example, they were experiencing increasing unemployment, and thus these consumers were buying less. In 2008 these declining purchases were felt globally and exporting nations were tightening up as response.

This was a brief introduction to the research question, “What is the impact of the global financial crisis on the Chinese international trade”; next chapter is the literature review.
Chapter 2 Literature review

Before 1979, China, under the leadership of Chairman Mao Zedong, maintained a centrally planned, or command, economy. A large share of the country’s economic output was directed and controlled by the state, which set production goals, controlled prices, and allocated resources throughout most of the economy. During the 1950s, all of China’s individual household farms were collectivized into large communes, to support rapid industrialization. And the central government undertook large-scale investments in physical and human capital during the 1960s and 1970s. As a result, by 1978 nearly three-fourth of industrial production was produced by centrally controlled state-owned enterprises according to centrally planned output targets. Private or foreign companies were almost nonexistent. The government of China wanted the economy to be self-sufficient. Foreign trade only happened when goods could not be obtained or made in China (Morrison, 2009).

China was planning to join the General Agreement on Tarrifs and Trade (GATT) since July 1986. But China would only join on its own terms. These terms were that China would get more and a more stable access to external markets. Later, Chinese negotiators underlined entry as a ‘developed country’, this because it would allow China to maintain some protection for key domestic sectors, to partially subsidize exporters, and to have a longer period of post-entry adjustment than that afforded to developed countries (Breslin, 2009).

‘Developing country’s’ which were new members, were not forced to fully liberalize immediately, but this treatment for new developing countries declined significantly after the GATT became the WTO in 1995. Moreover special treatment for developing countries is not required and the definition and legal basis of WTO membership is very vague. There are some classifications for what a ‘Least Developed Country’ is and what this means, but there is no definition at all of what establishes a developed or developing country in the WTO rules at all, let along any start of another treatment for them. In contrast, a country itself can decide to classify itself as a developing country if it wants to, but it is up to others to decide whether to give them preferential treatment through the Generalized System of Preferences or not. Any existing member can demand a mutual negotiation with the prospective member and can block entry until or unless they are happy. Because of this, Chinese negotiators insistence on being treated as a developing country where pointless. The terms of Chinese entry were determined by the individual discussions with existing members; what they wanted from China and what they were prepared to offer through strong negotiations irrespective of how China classified itself (Breslin, 2009).
Conclusion, China was reflected too big and too potentially important to be allowed in on its own terms. And trying to negotiate entry conditions that allowed considerable residual protection was not likely to succeed while China was running massive trade surpluses with the EU and the USA, and while many in the US in particular were warning about the future rise of China to challenge the existing global order. China would only be allowed in on terms that were ‘commercially meaningful’ to the US and that debates over what ‘developing’ and ‘developed’ meant were in fact meaningless (Breslin, 2009).

So China joined the WTO and then in 2007 the global financial crisis hit the world, the prior harmful domestic combination of rising currency, market-based wage rises and the residual effects of the previous years’ inflation was suddenly hit by a global collapse of demand. Foreign companies fled China. Local companies closed. Managers who didn’t have the funds for the required salaries to workers fled to Taiwan and elsewhere. According to official calculations, about 20 million workers lost their jobs. Coastal China was vulnerable and was hit hard (Overholt, 2010).

The global financial crisis had a big impact on trade finance, and according to The Global Competitiveness Report (2009), most developing countries can’t get access to people to finance their projects, so this is problematic. The global financial crisis was started by an event in the American housing market that should have been isolated to the U.S. The fact that this problem was able to spread to developing economics showed that institutions in the U.S. were deeply interconnected with systemically important global institutions. China is now in a great strategic position, with massive domestic deposits, capital reserves and a strong export market, to become a major institutional player in trade finance. The China Exim bank is its vehicle for doing just that. It is not only achieving strong growth in its operations, it is also building goodwill with other developing countries in Southeast Asia, Africa and Latin America (Woodward, 2009).

As said before, Chinese jobs are suffering. Global downturn means falling demand for Chinese exports, resulting in factory closures and layoffs on a daily basis in many parts of China, especially in the Southeast. Domestically, overcapacity has long resulted in overproduction which translates as over-employment. Now the global downturn intensifies the situation by throwing out more workers due to slowing industrial output and reduced foreign investment, hence unemployment is climbing in China (Zhang, Li and Shi, 2009).

Beijing responded fast to the crisis, it already announced on November 4 2008 a fiscal stimulus of $568 billion. The exact effects of the fiscal stimulus by Beijing were difficult to designate because some of the expenditures may have been previously budgeted. Because the stimulus was so big there was no doubt about the stimulus and its effect on project spending throughout China. As in the
U.S., China’s monetary stimulus, this involves the manipulation of the available money supply within the economy, probably had far greater economic impact, and far more immediate impact, than the fiscal stimulus. In China, fiscal and monetary stimuli overlapped and reinforced each other to a far greater level because China’s monetary stimulus, in a well-capitalized banking system, was directed much more into actual projects (Overholt, 2010).

Because of the fiscal stimulus China’s increased its financial power and it may have increased its ability to resist U.S. requests, despite of this power of China, it still has little effect on the ability to force the United States to change its policies. While China took minor measures to reduce the increase in its holdings of dollars, it was not willing to take the risks of making its currency fully convertible for domestic political reasons. Thus, the Yuan is unlikely to challenge the dollar’s role as the largest component of world reserves (over 60 percent) in the next decade. However, as China increases national consumption rather than relying on exports as its power of economic growth, Chinese leaders may begin to feel less dependent than they are now on the U.S. market as the source of employment, which is crucial for their internal political stability (Nye, 2010).

The most important part of China’s strategy for crisis management is the overwhelming importance placed on boosting domestic demand instead of the export. Chinese economists have long realized that the structure of the Chinese economy is biased and domestic demand accounts for too small a proportion in economic growth. Because of the global financial crisis the government saw the importance of stimulating domestic demand. Moreover, increasing the internal demand has become a central ingredient of China to overcome the effects of the crisis. This can give China a balanced growth even in the crisis and this is a good example of how China turns a crisis into opportunity. Because of the focus on increasing domestic demand they can compensate this for the export shrinkage caused by the global financial crisis. Increasing the contribution from national demand to growth can secure for China a more balanced economic structure. This serves to improve the long term health of the economy and opens the avenue for sustainable growth. China’s success hinges on her attempt of boosting domestic demand to compensate for the decline in export in the near term and in the longer run to redress the imbalance in the economy to secure sustainable growth (Zhang, Li and Shi, 2009).

As we know the global financial crisis hit the whole world. Exporting is shrinking, growth is slowing and jobs are suffering. As a result from this questions have been raised to whether China wants to globalize more. Therefore the crisis is a great challenge for China to embrace globalization. If China chooses to globalize more this could have great repercussions for the rest of the world, and thus the world be affected by China’s handling of the crisis (Zhang, Li and Shi, 2009).
Some regions depend heavily on export for growth and employment. Local governments plan to help exporters through favorable tax policies, funds for industrial upgrading and lower unemployment insurance premiums. Miserable export perspectives prompted the local governments to implement stimulating policies aimed particularly at promoting export (Tong, Zhang, 2009).

2.1 Exchange rate in the crisis
The sudden and unexpected unwinding of the dollar carry trade was very important for China. The accidental dollar appreciation from July to November 2008 carried the Yuan, which was, and is, pegged to the dollar, upward with it. Early in July 2008, the People’s bank of China (PBC) was then encouraged to prevent further appreciation of the Yuan by resetting the Yuan/dollar rate at 6.83 + 0.3 percent, where it remains almost a year later. The re-fixed Yuan/ dollar rate gained credibility almost immediately. The Yuan sharp appreciation with the dollar against most other currencies seemed to reduce fears of further Yuan appreciation by giving the PBC a plausible excuse to stop the upward crawl.

The impact on China’s financial markets of the newly stabilized Yuan/ dollar rate was dramatic. Because the one-way bet on exchange appreciation had ended, net hot money inflows stopped, and private financial capital began to flow outward to help finance China’s huge current account (saving) surplus of more than $300 billion per year.

The US and also China are both uncomfortably controlled between inflation and deflation. In July 2008, the ongoing global credit crisis suddenly hit hard and forced carry traders in yen, dollars, and commodities to unwind their positions. Before this date inflation was the major threat because of the fluctuating international commodity prices and an internal loss of monetary control from the one-way bet that the Yuan always rises. Although being partly endogenous, this fall in commodity prices was also a partly exogenous deflationary shock to the world economy.

In the end of 2008, however, the worldwide crisis had become much greater than could be explained by the sudden collapse in commodity prices. The confidence in major banks in the U.S. and Europe was gone this created counterparty risks that caused a worldwide downturn in economic activity. The international trade was hit very hard due to the crisis; China’s exports fell by half from mid-2008 into 2009.

The PBC, after getting their internal monetary control, they focused on a huge domestic credit expansion because of the huge decline in exports. It has cut some requirements on domestic reserve on commercial banks and loosened other direct constraints on bank lending. The inflation was no longer a problem and so it has cut both bank lending and deposit rates of interest. To keep the
bank’s profitability, lending rates remain about 3 percentage points higher than deposit rates. So the exchange rate also had a big role in the global financial crisis (McKinnon, Lee and Wang, 2009)

2.2 Political climate in crisis
A big event as the global financial crisis generates some effects, and this event seems to be driving states to adopt unique policies. We can split up the global financial crisis in 4 phases which overlap; each phase has a different focus. The first phase is to strengthen financial institutions through various financial packages aimed at restoring balance sheets of financial institutions and getting back confidence in the markets. Although the worst of the global financial crisis seems to be over, the inventory of legacy “toxic” assets still has cut the ability of banks to lend money and, combined with depressed equity values, this is threatening insurance companies, pension funds, and investments held by a large group of households and institutions across the world. The second phase of the crisis was to deal with the slowdown and recession in world economies by governments to give various stimulus packages and other measures. The third phase is for protection, this by changing financial regulations and build oversight and a regulatory architecture designed to prevent future crises. The fourth and final phase has been to deal with the political aspect of the crisis and also the foreign policy effects of the crisis. On February 12, 2009, the U.S. Director of National Intelligence, Dennis Blair, told Congress that instability in countries around the world caused by the global financial crisis and its effect, rather than terrorism, is the primary short-term security threat to the United States. He said that according to their statistical modeling, if economic crisis persist over a one-to-two year period, they increase the risk of “regime-threatening instability.” Other countries also have recognized that potential political and security effects of the crisis (Nanto, 2009).
Chapter 3 Data

3.1 International trade
For the last 30 years China’s import and export is growing steadily, as you can see below in Figure 3.1, this is since the opening and reform in the late 70s. The growth was driven by international processing and the offshoring strategies of foreign firms (Lemoine, 2010). After 2001 it grew very hard because China joined the WTO. In the six years after joining the WTO the imports en exports increased from 620.8 billion to 2563.3 billion, this is an annual growth of 26.6%. Such a big growth is huge, but China was already steadily growing before 2001, in the period 1990-2002 the annual growth rate was already 15.1%.

In 2009 the import and export declined for the first time in about 30 years due the global financial crisis. The decline for imports was 11.2% and for exports it was a decline of more than 16%. But already in 2010 China outgrow their 2008 high, this could be due to the fiscal stimulus of Beijing just after the crisis started. On the next page you see in figures 3.2 till 3.5 some other countries and their international trade respectively the Netherlands, USA, Brazil and India.

Figure 3.1: Annual growth of international trade in China 1978 - 2010
(In billions of dollars)

Source: General Customs Administration of China, Yearly data from 1978 till 2010
I took two western developed countries the Netherlands and the USA, and two more developing countries with growing international trade namely India and Brazil. If you compare first the
Netherlands and the USA with China, you see they are both relatively hit much harder than China, you see this in the drop in 2009. The Netherlands and USA had respectively a drop in international trade of 22.7% and 23% in 2009, China had a drop of 13.9%. So compared to China the western countries international trade was hit harder than the international trade of China. And they are still both got no new high in 2010 and thus both are still recovering. If you now compare China with India and Brazil, you see that they both are relatively comparable to China’s international trade, they both are hit by the crisis but are already at a new high of international trade in 2010, they dropped respectively 18.1% and 24.6%.

**Figure 3.5: Monthly growth of international trade in China from January 2006 till February 2011**
(In billions of dollars)

Next we are splitting this up in monthly imports and exports for the period 2006-2011, this can be seen in figure 3.6. You see the monthly International trade is growing steadily from 2006 to mid-2008, with February as exception because of the influence of the long Spring Festival (Chinese New Year) holiday, so data for February should be left out (Liu, Liu and Pannell, 2009). Starting in mid-2008 trading is declining very fast, September 2008 it was $243.6 billion and compared to January 2009 there was a decrease of more than 41% to $141.9 billion. In February 2009 there was the lowest value of international trade since a 3 year period. Just like other countries hit by the crisis the international trade was very volatile in 2008-2009. Nevertheless China’s international trade is recovering relatively fast compared to other countries such as USA and the Netherlands (figures 3.7).
and 3.8). As you can see in figure 3.6 the growth of China’s international trade since it hits it low, is steadily growing again. In the USA and the Netherlands there is still no new high, as seen in figures 3.7 and 3.8. Also you can see when China’s international trade is growing again, it again grows very fast, if you compare this to the Netherlands and USA, they grow more modest. In May 2010 China already hit a new high of $243.9 billion, and from there on it's still growing pretty fast. China is hit by the crisis but not that hard as other countries, only looking at the international trade. As mentioned before this is also due to the big fiscal stimulus by Beijing, almost immediately after the crisis hit China.

**Figure 3.6: Monthly growth of international trade in the Netherlands from January 2006 till January 2011**
(In billions of dollars)

![Figure 3.6](image)

Source: Eurostat, Monthly Data from January 2006 till February 2011

**Figure 3.7: Monthly growth of international trade in USA from January 2006 till January 2011**
(In billions of dollars)

![Figure 3.7](image)

Source: Census, Monthly Data from January 2006 till February 2011
Now let’s compare this to India and Brazil (figures 3.9 and 3.10). Compared to China there is again not much different except for February. India and Brazil are both hit relatively less due to the Crisis, and both recover very fast. So only if you look at yearly and monthly data, you see more developing countries recover faster than the western countries.

**Figure 3.8:** Monthly growth of international trade in India from January 2006 till January 2011 (In billions of dollars)

![Graph of Monthly Growth of International Trade in India](source)

Source: Reserve Bank of India, Monthly Data from January 2006 till February 2011

**Figure 3.9:** Monthly growth of international trade in Brazil from January 2006 till January 2011 (In billions of dollars)

![Graph of Monthly Growth of International Trade in Brazil](source)

Source: Desenvolvimento, Monthly Data from January 2006 till February 2011
In the figures 3.11 and 3.12 below, I compare the monthly import and export for the years 2007, 2008, 2009, 2010 and 2011.

**Figure 3.10: Monthly growth of Export in China from January 2007 till February 2011**
(In billions of dollars)

Source: China customs statistics, Monthly data from January 2007 till February 2011

Figure 3.11 shows that the export for 2009, is below the export of 2007 for most of the months. But in the third quarter of 2009 China registered a growth of 8.9%. In 2010 and 2011 (first 2 months) the export is above old levels for every month, so it looks like China is again growing significantly. As said before in February, there is the Chinese New Year, and thus less export, this can be clearly seen in the figure. Another thing seen from the graph is the big gap between January 2011 and February 2011, if you compare this to the other gaps between January and February this gap is really huge.

The decline in imports is less than the decline of exports; this is because of investment stimulus adopted by the Chinese central government, and as said before because the focus now is more on the domestic demand. The import is growing again since January 2009, and in May 2009 it exceeded its 2007 May imports. Also in imports the big gap between January 2011 and February 2011 can be seen.
Because of the government investments the trade surplus, the difference between exports and imports, is shrinking as seen in figure 3.13, with even some negative values in March 2010 and February 2011. The average trade surplus in 2007 was $21.9 billion in 2008 it was $24.8 billion in 2009 this was $16.3 and in 2010 it was $15.2 billion. The trade surplus has declined a little, but still China has a very big trade surplus considering the economic condition in the world. In 2010 it is growing further, and I think in the future it will grow steady as before.
3.2 Region distribution of China’s trade

In the 1990s, China’s trade was heavily dependent on a few countries/regions, such as the US, Japan, Hong Kong, and the EU. The Asian Financial Crisis in 1997–1998, which made China’s export trade stagnant, forced China to diversify its trade partners, so that by 2002, just after China joined the WTO, the U.S., EU, and Japan had become China’s three largest export destinations (Liu, Liu And Pannell, 2009).

United States, Japan, Hong Kong and European Union, are the biggest export regions for China, this can be seen in table 3.1. To all countries the export declined huge, the biggest declines are seen in The Netherlands and South Korea, with respectively a 20.1% and 27.4% decline from 2008 to 2009. But in 2010 all China’s export countries that lost a lot of share in the crisis, already grew huge; all countries outgrew their 2008 export volume. The biggest winners in 2010 are Germany and The Netherlands with respectively a 36.3% and 35.5% growth rate from 2009 to 2010.

Table 3.1: China’s top export Destinations 2009

(in billions of dollars)

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<td>28.3</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
<td>190.6</td>
<td>166.2</td>
<td>-12.8</td>
<td>Hong Kong</td>
<td>218.3</td>
<td>31.3</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>116.1</td>
<td>97.9</td>
<td>-15.7</td>
<td>Japan</td>
<td>121.1</td>
<td>23.7</td>
</tr>
<tr>
<td>4</td>
<td>South Korea</td>
<td>74.0</td>
<td>53.7</td>
<td>-27.4</td>
<td>South Korea</td>
<td>68.8</td>
<td>28.1</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>59.2</td>
<td>49.9</td>
<td>-15.7</td>
<td>Germany</td>
<td>68</td>
<td>36.3</td>
</tr>
<tr>
<td>6</td>
<td>The Netherlands</td>
<td>45.9</td>
<td>36.7</td>
<td>-20.1</td>
<td>The Netherlands</td>
<td>49.7</td>
<td>35.5</td>
</tr>
<tr>
<td>7</td>
<td>United Kingdom</td>
<td>36.1</td>
<td>31.3</td>
<td>-13.3</td>
<td>United Kingdom</td>
<td>38.8</td>
<td>24</td>
</tr>
<tr>
<td>8</td>
<td>Singapore</td>
<td>32.3</td>
<td>30.1</td>
<td>-6.9</td>
<td>Singapore</td>
<td>32.3</td>
<td>7.6</td>
</tr>
<tr>
<td>9</td>
<td>India</td>
<td>31.6</td>
<td>29.7</td>
<td>-6.1</td>
<td>India</td>
<td>40.9</td>
<td>38</td>
</tr>
<tr>
<td>10</td>
<td>Australia</td>
<td>22.2</td>
<td>20.6</td>
<td>-7.2</td>
<td>No info</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PRC General Administration of Customs, China's Customs Statistics, Yearly data from 2008 till 2010

The imports are less declined; this is because of what is stated before the government investments in the economy. Japan, South-Korea, Taiwan and the USA are China’s biggest import countries. The biggest declines here are Japan, Taiwan and Saudi Arabia, with respectively losses of 13.1%, 17% and 23%. But just like the export, in 2010 they all grew huge, with biggest growers; Malaysia and Australia with respectively a growth rate of 55.9% and 54.1%.
Table 3.2: China's top import Destinations 2009

(in billions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan</td>
<td>150,6</td>
<td>130,9</td>
<td>-13,1</td>
<td>Japan</td>
<td>176,7</td>
<td>35</td>
</tr>
<tr>
<td>2</td>
<td>South Korea</td>
<td>112,1</td>
<td>102,6</td>
<td>-8,5</td>
<td>South Korea</td>
<td>138,4</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>Taiwan</td>
<td>103,3</td>
<td>85,7</td>
<td>-17</td>
<td>Taiwan</td>
<td>115,7</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>United States</td>
<td>81,3</td>
<td>77,4</td>
<td>-4,8</td>
<td>United States</td>
<td>102</td>
<td>31,7</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>55,8</td>
<td>55,8</td>
<td>0</td>
<td>Germany</td>
<td>74,3</td>
<td>33,4</td>
</tr>
<tr>
<td>6</td>
<td>Australia</td>
<td>37,4</td>
<td>39,4</td>
<td>5,4</td>
<td>Australia</td>
<td>60,9</td>
<td>54,1</td>
</tr>
<tr>
<td>7</td>
<td>Malaysia</td>
<td>32,1</td>
<td>32,3</td>
<td>0,7</td>
<td>Malaysia</td>
<td>50,4</td>
<td>55,9</td>
</tr>
<tr>
<td>8</td>
<td>Brazil</td>
<td>29,9</td>
<td>28,3</td>
<td>-5,3</td>
<td>Brazil</td>
<td>38,1</td>
<td>34,7</td>
</tr>
<tr>
<td>9</td>
<td>Thailand</td>
<td>25,7</td>
<td>24,9</td>
<td>-3</td>
<td>Thailand</td>
<td>33,2</td>
<td>33,3</td>
</tr>
<tr>
<td>10</td>
<td>Saudi Arabia</td>
<td>30,6</td>
<td>23,6</td>
<td>-23</td>
<td>Saudi Arabia</td>
<td>32,8</td>
<td>39,2</td>
</tr>
</tbody>
</table>

Source: PRC General Administration of Customs, China's Customs Statistics, Yearly data from 2008 till 2010

3.3 Structure of China’s trade

Around 20-25 years ago China was a low-end product exporter, some export products then were textile products and raw materials. For example in 1990, the category textiles, apparel, leather, and footwear accounted for roughly one quarter of the value of China’s exports, and raw material for another 25 percent. But in the 1990s china also had a surprising growth in exports, not only in textiles and apparel but also machinery, transport equipment, and electronics. By 1997, textiles and apparel were the largest export products of China, totaling 29% of the exports, just three years later machinery, transport equipment, and electronics had become the largest export product by value, totaling 33% of the total. The share of textiles and apparel declined at the same time (Liu, Liu and Pannell, 2009).

The next table and figure (table 3.3, figure 3.14) shows the export of China by sector in 2008, 2009 and 2010 and the change in percent’s between the years. As seen in table 3.3 the biggest export products in 2008-2010 are electrical machinery and equipment, power generation equipment, apparel, and iron and steel. Due the crisis almost all sectors declined very much in 2009, but iron and steel and inorganic and orchanic chemicals were the biggest losers due the crisis with losses of 53.6% and 24.5% respectively. The iron and steel decline is so huge because due the crisis most building projects were closed down, or postponed, so because of this they don’t need the iron and steel for building material, and that’s why the decline is that huge. Another big decline is vehicles; this is because when there is a crisis people tend to postpone buying a new vehicle, and thus this decline also big. But in 2010 it looks like all sectors recovered already from the crisis. In figure 3.14 you can
clearly see the biggest export products of China, and which exports got hit the most by the crisis, and how fast the already recovered in 2010.

Table 3.3: China’s Exports 2008-2009

(in billions of dollars)

<table>
<thead>
<tr>
<th>Commodity description</th>
<th>2008</th>
<th>2009</th>
<th>% change over 2008</th>
<th>2010</th>
<th>% change over 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical machinery and equipment</td>
<td>342.2</td>
<td>301.1</td>
<td>-12</td>
<td>388.8</td>
<td>29.1</td>
</tr>
<tr>
<td>Power generation equipment</td>
<td>268.8</td>
<td>236.0</td>
<td>-12.2</td>
<td>309.8</td>
<td>31.4</td>
</tr>
<tr>
<td>Apparel</td>
<td>113.0</td>
<td>100.5</td>
<td>-11.1</td>
<td>121.1</td>
<td>20.5</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>101.9</td>
<td>47.3</td>
<td>-53.6</td>
<td>68.1</td>
<td>44.1</td>
</tr>
<tr>
<td>Furniture</td>
<td>42.8</td>
<td>38.9</td>
<td>-9.1</td>
<td>50.6</td>
<td>30</td>
</tr>
<tr>
<td>Optics and medical equipment</td>
<td>43.3</td>
<td>38.9</td>
<td>-10.2</td>
<td>52.1</td>
<td>34</td>
</tr>
<tr>
<td>Inorganic and organic chemicals</td>
<td>42.4</td>
<td>32.0</td>
<td>-24.5</td>
<td>43.2</td>
<td>34.9</td>
</tr>
<tr>
<td>Ships and boats</td>
<td>19.6</td>
<td>28.4</td>
<td>44.9</td>
<td>40.3</td>
<td>42.1</td>
</tr>
<tr>
<td>Footwear</td>
<td>29.7</td>
<td>28.0</td>
<td>-5.7</td>
<td>35.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Vehicles, excluding railway</td>
<td>39.2</td>
<td>27.9</td>
<td>-28.9</td>
<td>38.4</td>
<td>37.5</td>
</tr>
</tbody>
</table>

Source: PRC General Administration of Customs, China’s Customs Statistics, Yearly data from 2008 till 2010

Figure 3.13: China’s Top Exports 2008-2009 -2010

(in billions of dollars)

Source: PRC General Administration of Customs, China’s Customs Statistics, Yearly data from 2008 till 2010
The top imports in 2008-2010 (table 3.4) of China are electrical machinery and equipment, mineral fuel and oil, power generation equipment and ores, slag and ash. Regarding the imports biggest losing sectors due the crisis were mineral fuel and oil and inorganic and organic chemicals, with respectively 26,8% and 50,7% decline. As you can see in the figure almost all imports recovered from the crisis in 2010, with mineral fuel and oil, ores, and ash as big winners with respectively 52,1% and 54,9% growth rates. The only one which declined small in 2010 is iron and steel, as you can see this one grew with a small rate from 2008 to 2009, in table 3.3 you could see they export a lot of iron and steel, and I think because they already exporting a lot of iron and steel, they got enough for domestic purposes, and don’t need to import that much. The big declines in import of most products could be explained by that the crisis slowed everything down, and thus companies didn’t need the commodity’s in 2009, but in 2010 when the economy was recovering, they needed it and thus they are growing with big rates.

Table 3.4: China’s Imports 2008-2009

(in billions of dollars)

<table>
<thead>
<tr>
<th>Commodity description</th>
<th>2008</th>
<th>2009</th>
<th>% change over 2008</th>
<th>2010</th>
<th>% change over 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical machinery and equipment</td>
<td>266,4</td>
<td>243,8</td>
<td>-8,5</td>
<td>314,4</td>
<td>29</td>
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<tr>
<td>Mineral fuel and oil</td>
<td>169,4</td>
<td>124</td>
<td>-26,8</td>
<td>188,7</td>
<td>52,1</td>
</tr>
<tr>
<td>Power generation equipment</td>
<td>138,8</td>
<td>123,7</td>
<td>-10,9</td>
<td>172,3</td>
<td>39,4</td>
</tr>
<tr>
<td>Ores, slag and ash</td>
<td>86,4</td>
<td>70</td>
<td>-19</td>
<td>108,6</td>
<td>54,9</td>
</tr>
<tr>
<td>Optics and medical equipment</td>
<td>77,7</td>
<td>67</td>
<td>-13,8</td>
<td>89,8</td>
<td>34,1</td>
</tr>
<tr>
<td>Plastics and articles thereof</td>
<td>48,8</td>
<td>48,5</td>
<td>-0,7</td>
<td>63,7</td>
<td>31,3</td>
</tr>
<tr>
<td>Inorganic and organic chemicals</td>
<td>86,0</td>
<td>42,4</td>
<td>-50,7</td>
<td>58,2</td>
<td>37,2</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>35,1</td>
<td>36,7</td>
<td>4,7</td>
<td>34,5</td>
<td>-6,1</td>
</tr>
<tr>
<td>Copper and articles thereof</td>
<td>26,0</td>
<td>29,5</td>
<td>13,3</td>
<td>46,1</td>
<td>55,8</td>
</tr>
<tr>
<td>Vehicles other than railway</td>
<td>27,0</td>
<td>28,4</td>
<td>5,2</td>
<td>49,5</td>
<td>74,5</td>
</tr>
</tbody>
</table>

Source: PRC General Administration of Customs, China’s Customs Statistics, Yearly data from 2008 till 2010
Discussion and recommendations

While working on the paper it was very difficult to find the data on China’s import and export. This is because most of the Chinese government websites are in Chinese or are very confusing. But after a while I found some good websites which were very clear, and contained all the information I needed. Another obstacle was to find relevant papers, because lots of papers that were on the international trade of China were published before the crisis, and thus had nothing to do with my research. And other papers were about the international trade of China to the USA. But when I finally had all the information I needed it was very convenient to write the literature review. And most things that we’re said in the literature I could validate with my data.

Because the crisis isn’t that long ago, the long term effects were not taken into account. So for future research you could look at the long term effects of the crisis on China. Can China still grow with the same growth rate as before the crisis, or did the crisis put some kind of stop on the growth of China. Another point for future research is how the fiscal stimulus exactly reacted to the international trade of China, now it is not really clear how it exactly reacted to the stimulus; this is something for future research. One last thing I think is good for future research, is the focus of China now more on domestic demand, how this works out.
Conclusion

Since the 70s China’s international trade grew very hard, and after joining the WTO in 2001 it grew even harder, with an annual growth rate of 26.6%. China is an export country, and when the financial crisis hit, China faced the effects of an export led-growth, but China has been spared the worst effects of the crisis. In other countries like the USA and the Netherlands the international trade was hit worse. But China did not escape unharmed. As said before China is an export led country, because of this strategy, it created unemployment growth, due the many factories that made the consumer products as well the higher valued durable goods transport equipment, and heavy machinery for the export.

In 2009 the international trade declined, and especially the export. But China recovered very fast from it, in the third quarter of 2009 it was already growing with 8.9%, this was also due to the big stimulus of Beijing to stimulate the domestic growth. In the charts you could see that the stimulus of the government helped to get China out of the bottom, in 2010 they already listed a new high. But what is unknown, is if China keeps on growing with a rate like before, or is it going to grow more modest. This also because China is more going to focus on domestic consumption, so that it is less dependent on the export.

In the tables you could clearly see that the exports of China depend on several countries. And thus China is very dependent with their export on these countries. With the USA as the biggest export country of China, where most export consists of consumer products, it may think of broaden its export regions, and export products, this to become less vulnerable to events like the global financial crisis.

So the impact of the global financial crisis on China’s international trade was big, but also because of the stimulus by Beijing, China recovered relatively fast from it, and in 2010 it already had a bigger international trade than in the year before the crisis 2008. We don’t know what the international trade of China is going to do in the future, but one thing is for sure, China is and will be a big player in the world economy.
References


