

China-V4 Trade Relations 2000-2012– An Overview

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“Current Trends and Perspectives in Development of China-V4
Trade and Investment”

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Background

Both China and V4 are the driving force of marketization and globalization

China:

China started to implement the market-oriented economic reform after 1978, unleashed the force of market, builded the so-called socialist market economy.

Economic reform goes hand in hand with opening to the outside world.

Redefining the role of market in the allocation of resources, allowing the market to play a more “decisive” role in the allocation of resources (the third plenary session of 18th CCP central committee)

Visegrad states:

After the breakthrough in 1989, V4 initiated the process of economic transformation by big-bang approach or gradual method.

Objective: build the market economy that has withstood the test in developed countries; market economy without any adjectives;

stabilization, liberalization and privatization

institutional building

Both China and V4 reaped benefits from international trade

China : accession of WTO (December 2001) is regarded momentous event in China's opening-up to the outside world

China attained remarkable achievements:
largest auto market (2009)
largest merchandise exporter (2010); (2014?)
second largest merchandise importer (2010);
largest trader in goods with 4.16 trillion USD
(2013)

Visegrad states:

early-comers of WTO: Czech Republic, Hungary
and Slovakia (Jan. 1995); Poland (July 1995);

EU member states (May 2004)

Integration with the chain of global multinational
firms

Export is the main driver of economic growth in V4 with the exception of Poland

China's new approach towards CEE has brought about new window of opportunity for the trade relations between China and V4

Premier Wen's address in Budapest (2011);

Premier Wen's 16 measures in Warsaw (2012);

Premier Li Keqiang's Romania tour, The Bucharest
Guidelines for Cooperation between China and
CEEC (2013)

Regional approach

China-EU comprehensive strategic partnership

China's Trade with V4: Main Characteristics

- Asymmetry of trade partner between China and V4

scale of population;

market size;

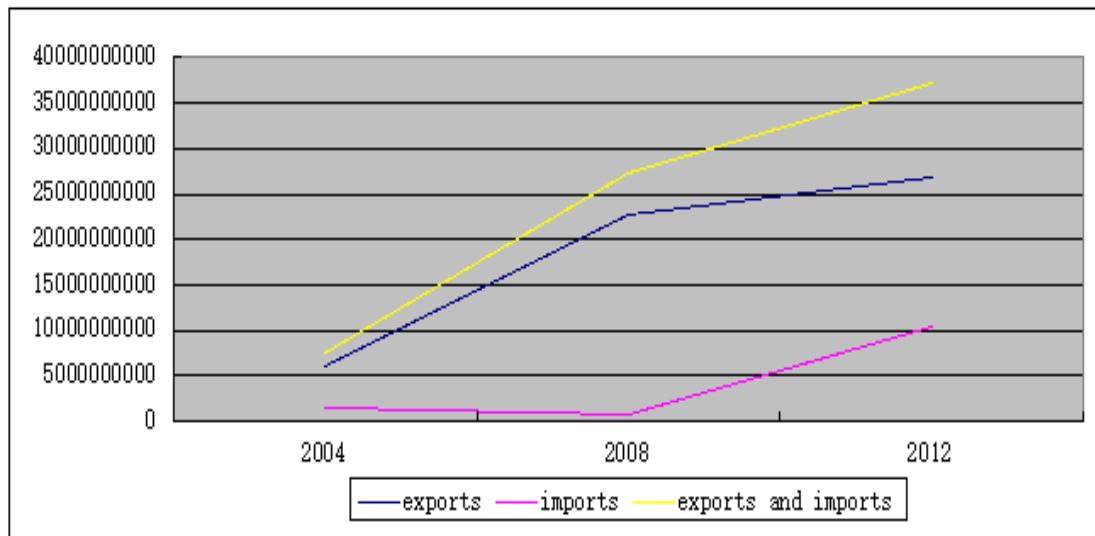
China's total value of exports to V4 accounted for 1.3% of the total value of export in 2012, the total value of imports from v4 is 0.57% of the total imports. For Visegrad countries

For Visegrad countries, China is not their major exports market, however, China is their major import partner. Based on the data from Observatory of Economic Complexity, the share of imports from China in Czech Republic accounted for 13% of total imports, the share of total imports in Poland, Hungary and Slovakia is 10%, 8% and 6% respectively.

- China's trade with V4 increased steadily
- Bilateral trade between China and Visegrad states grew rapidly 2000-2012 (figure 1).
- The value of trade between China and V4 in 2000 was 2.44 billion USD, of which China's exports was 2.15 billion USD, the imports from V4 was 0.29 billion USD.

The value of trade between China and V4 in 2012 reached 37.25 billion U.S. dollars, of which China exported \$ 26.8 7billion, imports of \$ 10.38 billion. The value of trade between China and V4 in 2012 is more than 16 times than the figure in 2000.

Figure 1 The Trend of China's Trade with V4 ((USD)



Based on the data from OECD, It can be found out that China exports more service than imports (Figure 2 and Figure 3).

Figure 2 The Exports of Service to China by V4 (2000-2011)

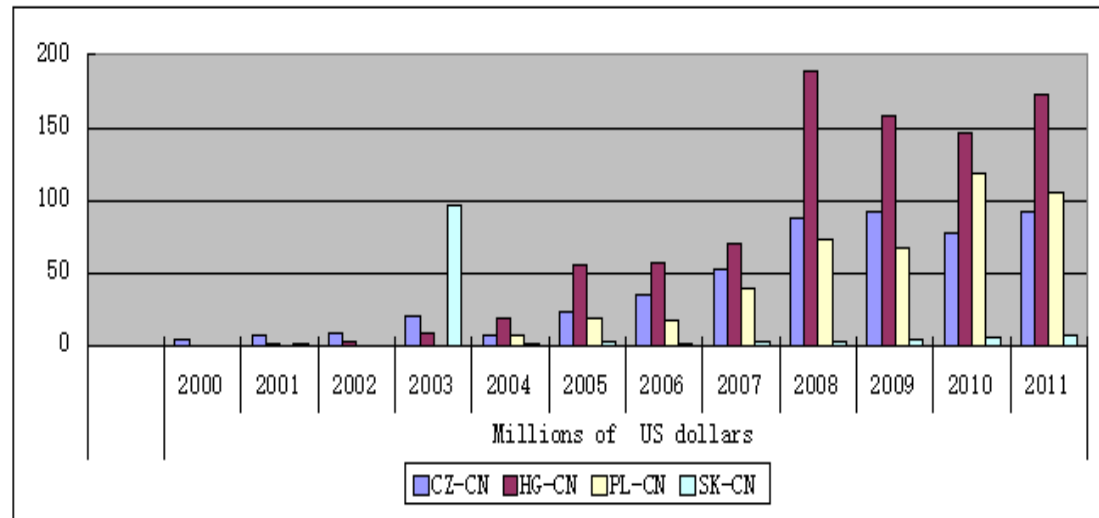
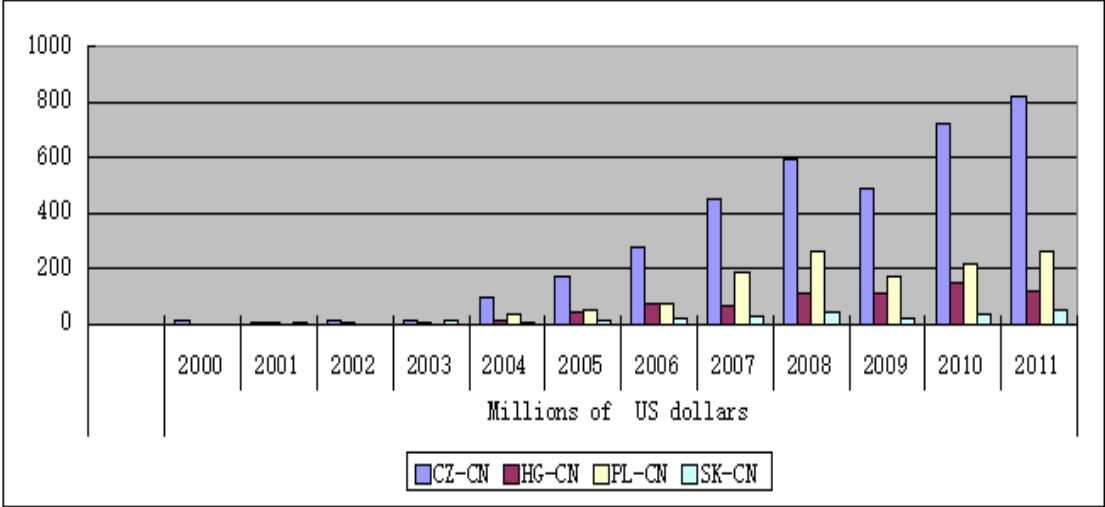


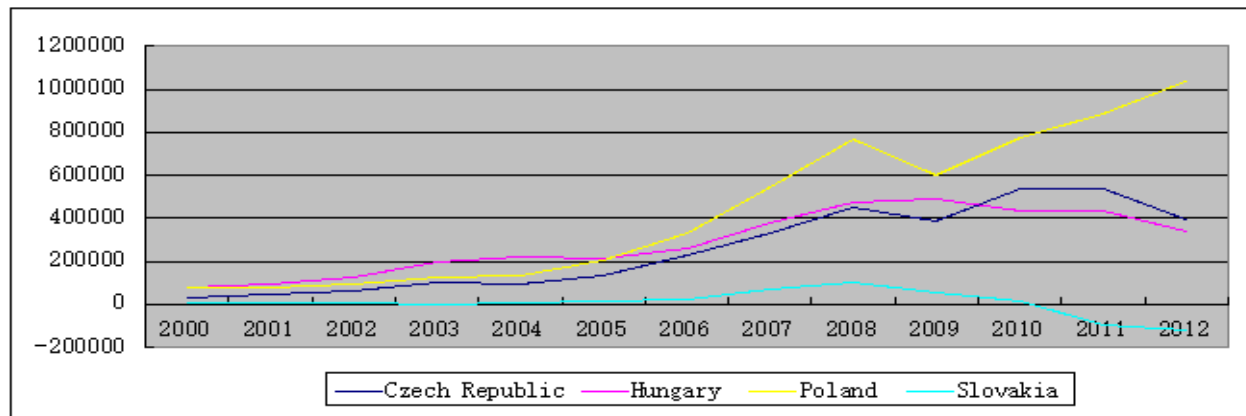
Figure 3 The Imports of Service from China by V4 (2000-2011)



- Trade Imbalance

Trade imbalance is a long-lasting phenomenon for the trade between China and CEEC, there is no exception for Visegrad states.

Figure 4 China's Trade Balance with V4 (2000-2012) (10000 USD)



Understanding the dynamics of trade imbalance between China and V4 remains an intellectual challenge

China's competitive edges

transfer of production factors by multinational cooperations

Trade structure between China and V4

- Composition of exports and imports between China and V4

In term of exports to V4, machinery and transport equipment takes a predominant position, the value of exports to V4 increased substantially from 2000 to 2012. While the primary commodities and manufactured goods became less important in the last 13 years, the value of those products only had minor growth in the period

Figure 5 China's Composition of Exports to Czech Republic (in thousand dollar)

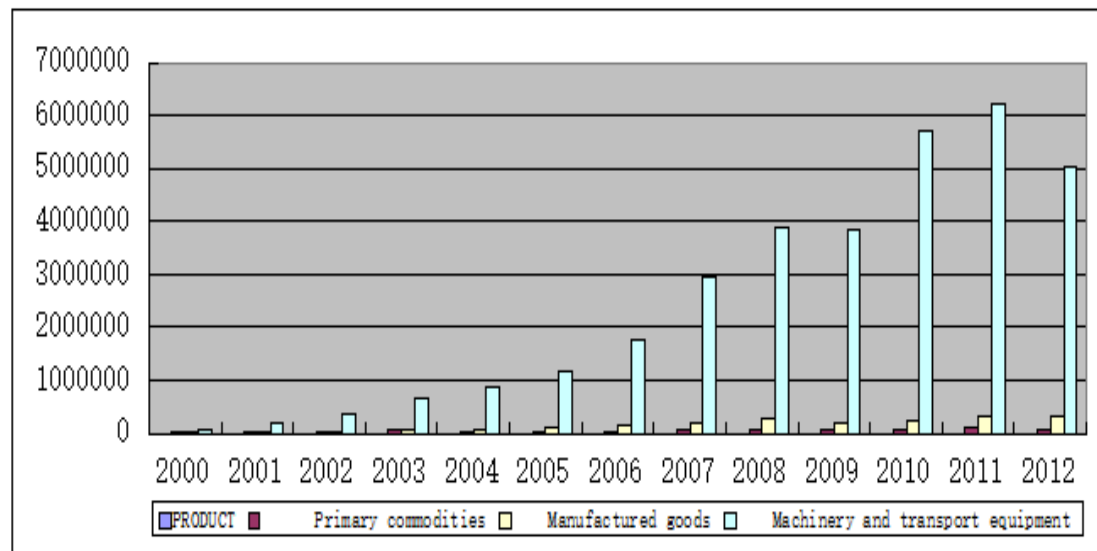


Figure7 China's Composition of Exports to Hungary (in thousand dollar)

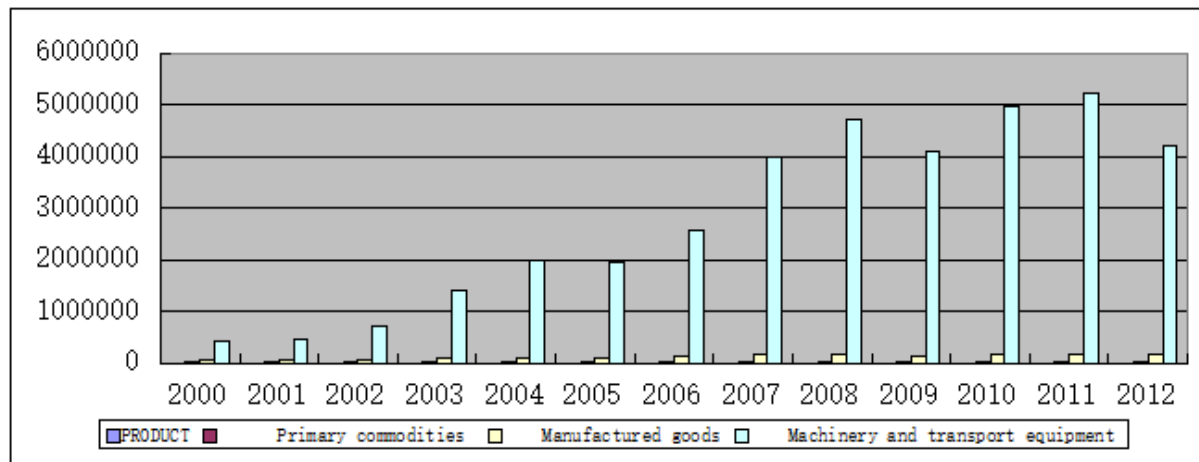


Figure 9 China's Composition of Exports to Poland (in thousand dollar)

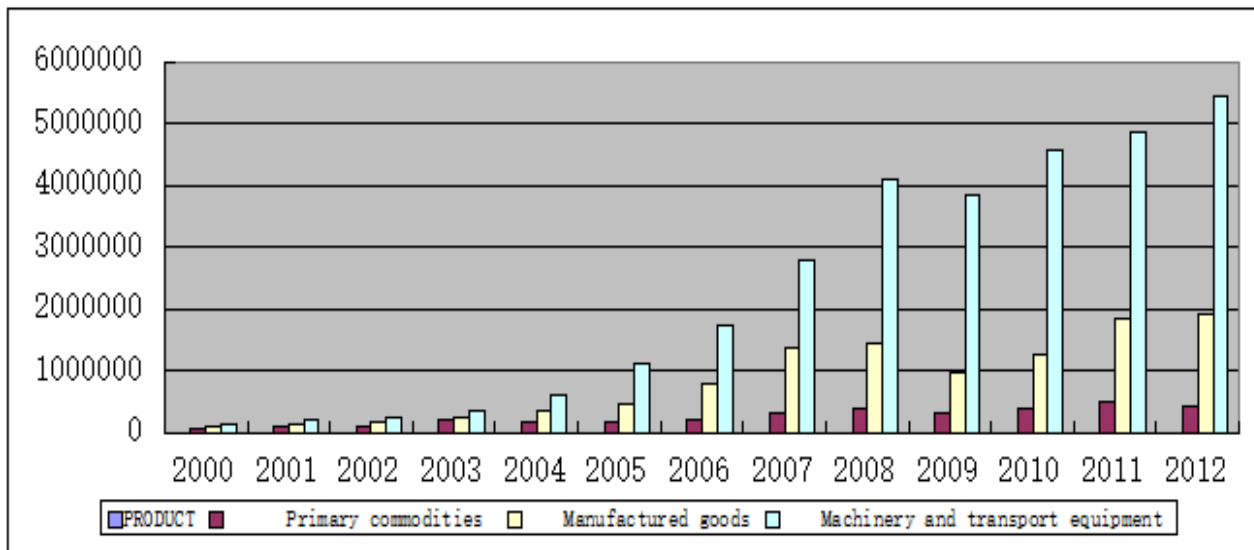
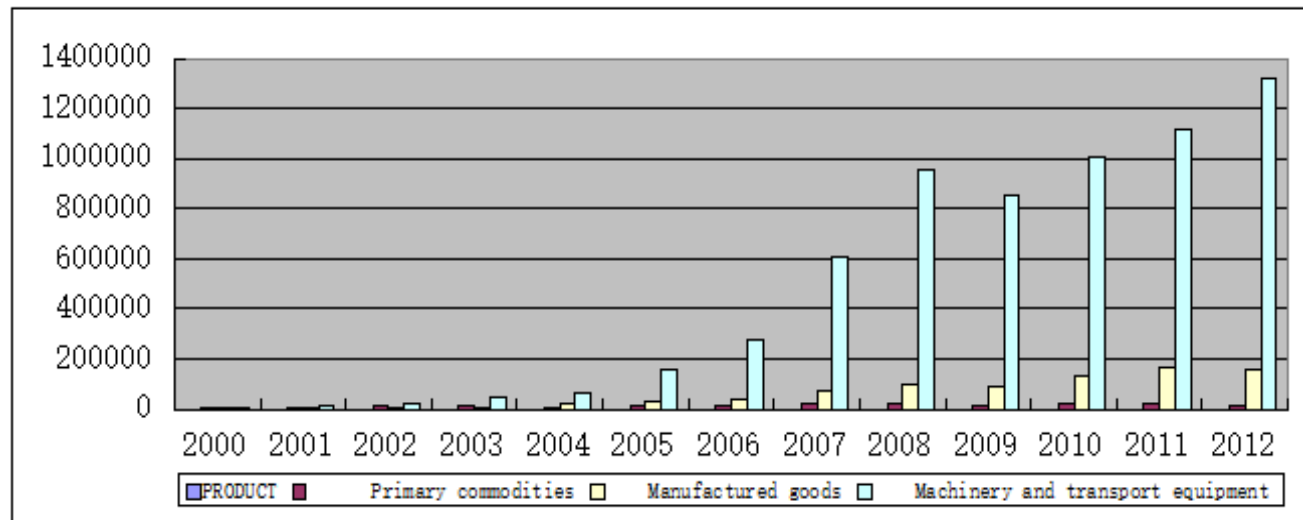


Figure 11 China's Composition of Exports to Slovakia (in thousand dollar)



In term of China's imports from V4, the picture is quite different. Among China's imports from Czech Republic, Hungary and Slovakia, machinery and transport equipment dominated the bilateral trade while the primary commodities and manufactured goods became less important. The composition of the imports from Poland is more balanced, growth of import in primary commodities is faster than manufactured goods and machinery and transport equipment.

Figure 6 China's Composition of Imports from Czech Republic (in thousand dollar)

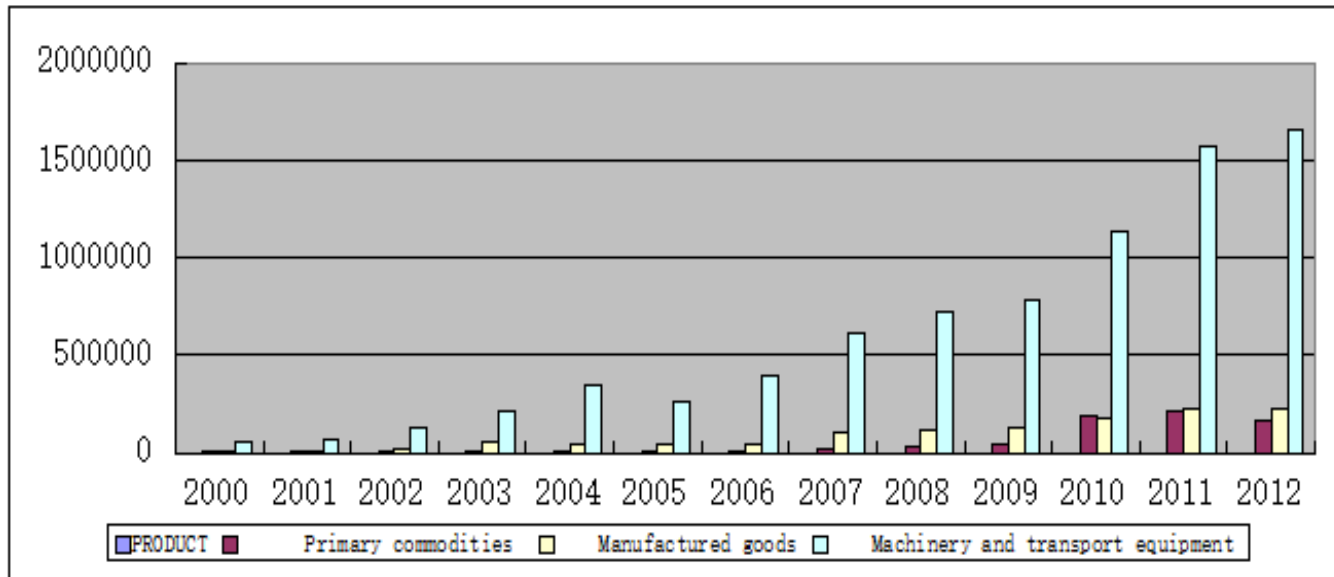


Figure 8 China's Composition of Imports from Hungary (in thousand dollar)

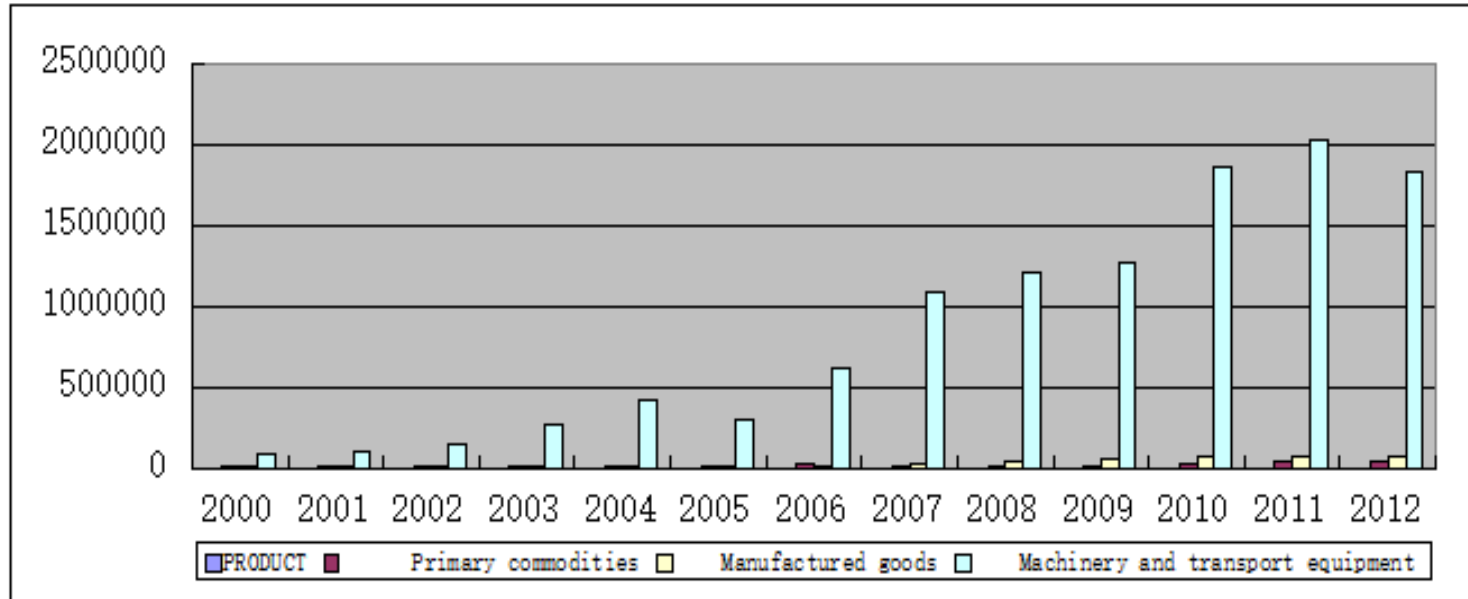


Figure 10 China's Composition of Imports from Poland (in thousand dollar)

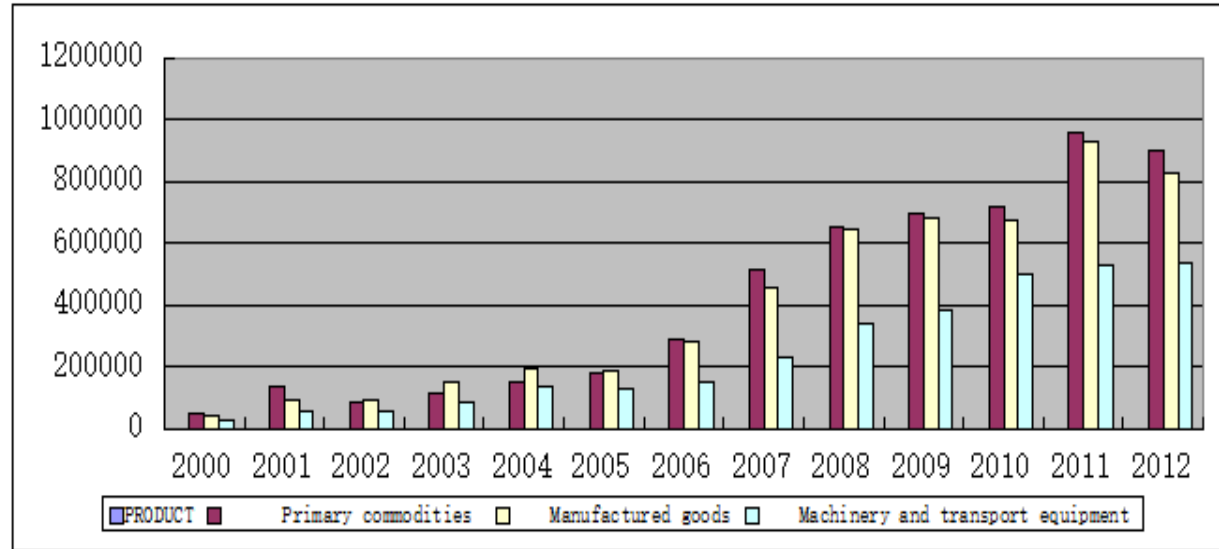
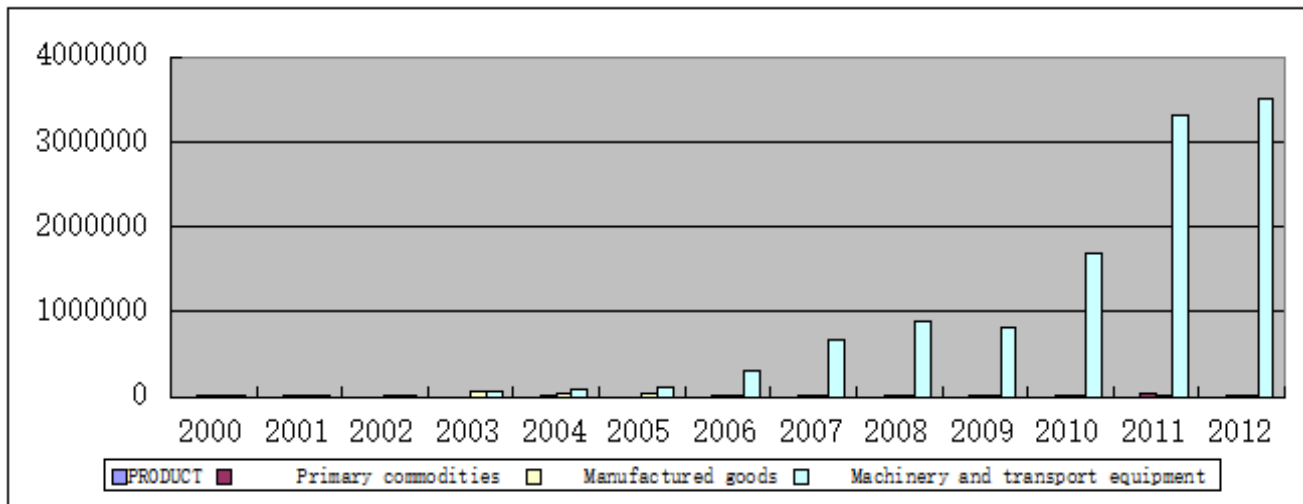


Figure 12 China's Composition of Imports from Slovakia (in thousand dollar)



- Change of commodities structure

China and Czech Republic

China's export to Czech Republic in Category 5(machinery and transport equipment) was only 13.89 % of the total export in 2000, the share of machinery and transport equipment in total export increased over time, it took up 81.91% of the total value of exports, ended in 79.87% in 2012.

The value of the manufactured goods in the share of total export value fell from 81.5% to 17.88% in the period. It can be seen that category 5 and category 6 just have exchanged position in the last 13 years.

The two categories of commodities, machinery and transportation equipment plus manufactured goods, accounted for 97.75 in 2012, back to 2000, the share was 95.41%, therefore the other categories of commodities were negligible.

As for the structure of import commodities from Czech Republic, imported commodities mainly concentrated in three kinds of commodities: chemical products (category 4), machinery & transportation equipment and manufactured goods. The share of the 3 kinds of commodities was around 90% in the period. The share of the manufactured goods was almost the twice of the share of machinery and transport equipment.

China-Hungary

China-poland

China-Slovakia

- The trend of trade structure: Moving in different direction

Table 7 Comparative diversification indices of merchandise exports china-v4 2000-2012

year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CN-CZ	(5) 0.557	(5) 0.530	(5) 0.503	(5) 0.513	(5) 0.505	(5) 0.498	(5) 0.481	(5) 0.465	(5) 0.452	(5) 0.471	(5) 0.459	(5) 0.444	(5) 0.449
CN-HG	(5) 0.480	(5) 0.445	(5) 0.430	(5) 0.454	(5) 0.470	(5) 0.461	(5) 0.461	(5) 0.474	(5) 0.488	(5) 0.492	(5) 0.495	(5) 0.485	(5) 0.494
CN-PL	0.544	0.539	0.55	0.56	0.56	0.558	0.549	0.532	0.515	0.529	0.515	0.514	0.505
CN-SK	0.614	0.596	0.598	0.617	0.583	0.564	0.57	0.567	0.562	0.562	0.554	0.55	0.55

Table 8 Comparative diversification indices of merchandise imports
china-v4 2000-2012

year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CN-CZ	(5) 0.406	(5) 0.413	(5) 0.432	(5) 0.431	(5) 0.441	(5) 0.452	(5) 0.466	(5) 0.479	(5) 0.487	(5) 0.489	(5) 0.472	(5) 0.482	(5) 0.487
CN-HG	0.398	0.383	0.39	0.412	0.439	0.461	0.465	0.49	0.458	0.488	0.496	0.474	0.479
CN-PL	0.388	0.413	0.431	0.443	0.447	0.456	0.449	0.474	0.467	0.451	0.431	0.416	0.407

The trade structure between China and V4 moved in different direction. On the one hand, for the merchandise exports, the trade structure between China and V4 became more similar from 2000 to 2012.

On the other hand, for the merchandise imports, the trade structure between China and V4 became more different from 2000 to 2012.

- Measurement of Trade Complementarity between China and V4

Table 9 China-V4 Merchandise trade complementarity Index, annual, 2000-2012

year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CN-CZ	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6
CN-HG	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
CN-PL	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
CN-SK	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5

Based on the merchandise trade complementarity index by UNCTADSTAT, it can be seen that the level of the trade complementarity between China and V4 is at the medium level.

Conclusion

- The trade volume between China and Visegrad countries has increased at rapid pace in the period of 2000-2012. The trade between China and V4 still has potential to growth.

- What can be done to give a boost to the bilateral trade with V4?

The government should give a helping hand to entrepreneurs to explore external market, seek business partners and land business opportunity;

The entrepreneurs should have the final say in business decision-making. The entrepreneurs should make use of various opportunities to explore external market, tap the business potential;

Reduction of trade deficit requires common efforts between China and V4;

Diversified trade structure should be formed by joint efforts;

The central government should push forward regional authority to build partnership through twinning program with regional government with Vesehrad countries.

Thank you !