THE BILATERAL TRADE RELATION IN THE WORLD: CHINA PERSPECTIVES

Md. Abu Hasnat ¹, Kamrul Islam Talukder ², Mohammad Tareq Abdullah ³

¹MSC Finance from International Islamic University Malaysia (IIUM)
²MSc. Degree in Marketing from International Islamic University Malaysia (IIUM)
³Master of Economics in International Business from Xiamen University in China.

ABSTRACT

The growth of China’s GDP was 6.7% in the first three quarters of 2016. The value added in industrial output from 6.1% in October to 6.2% in November 2016. There was grown in fixed assets investment by 8.3% in Jan-Nov 2016. The increase in retail sales was 10.8% in November 2016. Inflation grew by 2.3% in November 2016. In November 2016, in terms of US$, exports decorated up by 0.1%, while imports improved by 6.7%, causing in a trade surplus of US$44.5 billion. The index of the Manufacturing Purchasing Manager grew at 51.7 in November 2016. Therefore, China has accomplished with an export basket that is considerably more refined than what would be generally predictable for a country at its income level. This has been a significant element of China's fast growth. The volume of exports really not matters for China’s future growth, if China will start continuing to handle onto higher-income products over time. This paper discussed the trade relation of China with USA, EU, Japan, India and Bangladesh. The study found that China has tremendous future potential in the world trade and those countries who involve in the bilateral trade relation with China performing well in their economy.

Keywords: Trade, China, USA, UE, Japan, India, Bangladesh

INTRODUCTION

The great economic phenomenon of the last quarter century was established by the remarkable performance of China (Rodrik, 2006). The economy of China has extended by rises and jumps, at historically unmatched rates that some economists have found reasonable or practicable ex-ante. More significantly, hundreds of millions of people from deep poverty have been boosted by this growth. The growth has helped recover education, health, and other social principles. China’s GDP made a record in reaching correspondent 9.4 trillion US dollars in 2013 which was 7.7 percent above from 2012 and the number was only about 36.5 billion US dollars at the end of 1977. The growth of per capita GDP has become from 149 US dollars in 1978 to about 6,900 US dollars in 2013. China’s GDP has been rising with an average annual growth rate of almost 10%
over the past three decades. Given the lasting international financial disaster and the inactive world economy in recent years, China’s played its role as the key engine of international growth which is becoming essential. The total trade value in 2013 touched 4,150 billion US dollars where export was 2,209.6 billion and import was 1,940.4 billion. China became the world’s largest trading nation by exceeding the United States in 2013. China concerned a highest $117.6 billion of foreign direct investment (FDI) in 2013 by growing 5.3% from 2012. In the meantime, China’s outward direct investment by non-financial corporations flew 16.8 percent to $90.3 billion from 2012. It is projected that FDI outflows of China will be better inflows in the near future in China. The foreign reserve of China hit almost 3.83 trillion U.S. dollars at the end of 2013 which was $509.7 billion US dollars in 2012.

**Research Objective**

According to the introduction above, this study will examine the bilateral trade relation in the world: China perspectives. The main objective of this paper is to focus on the economic growth in both sides of each bilateral trade contract by China. In line with this, there are two specific objectives have been developed in this paper.

1. To discuss the positive intension of China to build up trade relation
2. To discuss the future potential of Chinese trade relation

**Study Literature**

**The bilateral trade relation between China and US**

The role of bilateral trade relation in between China and US is found (“Trade relation”, 2010) that the relation between China and United States has commonly been established with some periodic Wars, most remarkably during the War and the Vietnam War. At present, there are mutual relations in political, economic, and security interests between China and the USA, but there is no restriction of the avoidance of terrorism and the explosion of nuclear weapons. Although there are unsettled distresses concern to the role of democracy in government in China and human moralities in both corresponding countries. However, China is the major foreign creditor of the United States, in which they are holding an enormous amount of the U.S. national debt. In 2014, the United States owns the world's leading economy and China is the second biggest. In terms of GDP in 2014, the total fund estimation of China's economy has already exceeded that of United States.

A previous study (Guo, 2004) provided evidence that focuses on the assumption that the industrial consensuses will be less sensitive to the cultural variation than an evolving country in which cultural variation may lead to obstacles to international trade. This paper discusses in the
finding and discussion part that the influence on the coefficient of the religious factor on trade is actually positive in the values where per capita GNP is below a breakpoint and then becomes negative. This fact specifies that it is not really important to measure the effect of religious similarity on foreign trade to have a greater per capita GNP.

The part of bilateral trade relation in between China and US is suggested (‘Great debates’, 2005) that still there is aregional issue in the South China Sea between this two countries. Both of them ensured about the improvement of their relationship at the annual Strategic and Economic Dialogue in 2014. John Kerry (U.S. Secretary of State) indicated that the United States did not pursue to cover China, while Chinese president Xi Jinping declared a conflict between the two countries would be a tragedy. However, that issue did not have the negative impact on their trade relation. Both countries are going ahead in trade through export import to each other.

**The bilateral trade relation between China and EU**

The new website of the European Commission Trade Policy (ECTP, 2013) includes trade relation between China and EU that China as one of the world’s leading economies is a significant trading partner for the EU. China is also a progressively central political supremacy. China’s agreement to the WTO in December 2001 was the main period. It was essential for China to take brave modifications and liberalize as the most important parts of the economy. Both China and the broader WTO membership would have advanced significantly from China’s incorporation into the global economic direction.

(Fox & Godement, 2009) concluded in their article that the strategy of EU and China is based on an invalid trust that China will free up its economy and progress the act of law and implement its legislations under the influence of European commitment. The fundamental idea is that commitment with China is really positive in itself and will not be restrictive on any precise Chinese activities. This strategy has formed web of bilateral contracts, joint declarations, documents of understanding, summits, parliamentary official visit and sector-specific negotiations, all designed to draw China towards EU’s strategies.

The paper focuses on its finding that how actually the European Union and China become two of the biggest traders in the world. In an earlier article, it was proposed (Fox & Godement, 2009) that China is now the 2nd trading partner of EU after the USA and the EU is the largest trading partner of China. The EU is dedicated maintaining trading relations with China. However, the EU wants to guarantee on the China’s Fair trades, respects rational property rights and meets its WTO requirements. Both of them declared the launch of discussions of a complete EU-China Investment Agreement at the 16th EU-China Summit held on 21 November 2013. The Agreement will deliver the advanced liberalization of investment. It will also be the exclusion of
limits for investors to each other's market. It will offer a humbler and more protected permissible framework to investors of both sides by safeguarding expected long-term access to EU and Chinese markets separately and providing for a strong defense to investors and their investments.

The bilateral trade relation between China and Japan

This article (Sasaki & Koga, 2003) argued that the dramatic rise in Japanese exports to China in recent years. The growth of domestic demand in China is remarkable in recent years. Private consumption is growing, particularly in the city areas beside the beach, where the people with good amount of salary is increasing. There is tough demand for mobile phones, household electronics, and visual devices and many Japanese firms have comparative advantages on those products and parts. Moreover, these high-tech products, demand for automobiles has been growing rapidly as well. Although the level of demand for automobiles is low, it is often said that this low level itself capacities a future fast development.

According to (Xing, 2007) using China as an export-oriented country is one of the key incentives that Japanese multinational enterprises to invest in China. Japanese MNEs are able to support their global competitiveness by merging China’s low production costs together with their greater technology, brand gratitude, and global supply networks by investing in China. (Xing, 2007) agreed that another unique exercise of Japanese joined-manufacturers is their wide participation in “reverse imports,” exporting their products back to Japan breaks down overseas sales of Japanese joined-manufacturers into the Japanese market and non-Japanese market. However, in finding and discussion, the study analyzes about the growth in GDP of Japan by exporting to China and the mitigation of domestic deficit in China by importing from Japan.

The bilateral trade relation between China and India

(Singh, 2005) found that booming bilateral trade has come to be the strongest pillar of China-India reconciliation. This has not only since passed the step of political confidence-building but also has a considerable effect on their mutual observations. Their border trade has mainly taken about a perceptible change in their isolated and difficult border areas. This has paid to overall quietness and peace in the area and has as well simplified growth in their border discussions.

Moreover, this boom in trade has also presented new trends. The two states are no longer only recipients of foreign direct investment but have arrived at a new stage of being investors, both mutually as in other regions. In this perspective, the growing deficit in the energy sector and the competition to create new markets present major challenges to sustaining this boom in
their bilateral trade. Therefore, as the fastest growing economy, the bilateral trade relation between China and India will have a future potential economy internationally which is the actual objective of this paper (Singh, 2005).

The bilateral trade relation between China and Bangladesh

(Ahmed et al., 2015) suggested that in recent years, the economic and trade links between China and Bangladesh have significantly advanced with regular development in collaboration fields. Bangladesh is the third largest trade partner of China in South Asia. But, the bilateral trade between them is extremely tilted in favor of Beijing. China has boosted its economic aid to Bangladesh to report concerns of trade imbalance in 2006. Under the auspices of the Asia-Pacific Free Trade Agreement (AFTA), China removed tariff barriers to 84 types of commodities imported from Bangladesh and is working to reduce tariffs over the trade of jute and textiles, which are Bangladesh’s chief domestic products. China has also offered to construct nuclear power plants in Bangladesh to help meet the country’s growing energy needs, while also seeking to aid the development of Bangladesh’s natural gas resources. China’s mainly imports raw materials from Bangladesh like leather, cotton textiles, fish, etc. China’s major exports to Bangladesh include textiles, machinery and electronic products, cement, fertilizer, tire, raw silk, maize, etc. (Ahmed et al., 2015).

Finding and Discussion

The bilateral trade relation between China and US

(Morrison, 2015) found in his recent article that in 1979, total U.S.-China trade related to exports and imports was $2 billion, in which China was ranked as the United States’ 23rd-largest export market and its 45th-largest source of imports. In 2014, while total bilateral trade reached almost $592 billion. In addition, sales by foreign partners of U.S. multinational corporations in China totalled $364 billion in 2013. China is currently the second-largest U.S. trading partner (after Canada), the third-largest U.S. export market (after Canada and Mexico), and the largest source of U.S. imports. China has been one of the fastest-growing U.S. export markets over the past 10 years. The reputation of the Chinese market for the United States is projected to grow significantly in the years ahead.

(Fung & Lawrence, 2003) concluded that U.S. - China trade imbalance has been increasing. Even with China’s agreement to the WTO, the US.-China bilateral trade deficits will start continuing to receive significant attention. For 2002, the official assessment of the deficit by the US government is US$ 103.2 billion, while the official assessment by the Chinese Government is US$ 42.7 billion, a difference of US$ 60.5 billion.
An article (Fung & Lawrence, 2003) also stipulated that in 2015, there was 44% of China's public opinion of the U.S., while there was only 39% of the United States' public opinion of China. It was 57% of the maximum recorded positive opinion of the United States in 2010 while the lowest was at 37% in 2007. Similarly, it was 51% of the maximum recorded positive opinion of China in 2006 while the lowest was at 35% in 2014. For instance, there is a distress over the future trade relationship between the USA and China sharp over the vision of a Donald Trump presidency. However, a few days later in Trump's win in 2016, he and Xi Jinping discussed and agreed to retain close communication.

U.S. Merchandise Trade with China: 2002-2015

![Graph of U.S. Merchandise Trade with China: 2002-2015](image)

Source: U.S. International Trade Commission

The bilateral trade relation between China and EU

The new website of the European Commission Trade Policy (ECTP, 2013) finds that the trade between China and EU has improved dramatically in recent years. China is the major source of imports of EU so far and has also become one of the fastest rising export markets of EU. The EU has also become the largest source of imports of China. Europe and China now trade tremendously over €1 billion a day. EU imports from China are controlled by industrial and consumer goods which include footwear and clothing, machinery and equipment, furniture and
lamps, and toys. EU exports to China are determined on machinery and equipment, aircraft, motor vehicles, and chemicals. However, bilateral trade in services is only to 1/10 of total trade in goods, and the exports of services in EU is only to 20% of EU's exports of goods.

As an outcome, the EU records a major trade deficit with China. This is reflected part of global and Asian value chains, but it will make barriers in China based on the market. There are investment flows which also show massive untapped potential, particularly when taking into account the size of our particular economies. China records for just 2-3% of overall European investments overseas, whereas the growth of Chinese investments in Europe is high.

**Total goods: EU Trade flows and balance, annual data 2005-2015**

![Graph showing EU Trade flows and balance, annual data 2005-2015](image)

**Source:** Eurostat Comext -statistical regime 4

**The bilateral trade relation between China and Japan**

(Sasaki & Koga, 2003) found that the economy of China and Japan is separately the world's second and third-biggest economies by nominal GDP. Also, those economies are considered as the world's first and fourth-biggest economies by GDP. In 2008, the growth of trade in between China and Japan was $266.4 billion with a sharp rise of 12.5 percent on 2007 which made China and Japan the top two-way trading partners. China was also the major target for Japanese exports in 2009. Since the end of World War II, the relation between China and Japan is still stalled in tension, though there was a condition that risks the breaking out of the clash in Asia.
The enmity between these two countries started when there were the Japanese war and the expansionism and nautical disagreements in the East China Sea. Hence, when they are closed business partners, there is concealed tension which the leaders from every side are trying to control. There was a meeting between Chinese President Xi Jinping and Japanese Prime Minister Abe Shinzo about numerous faces to face to try to improvement a friendly relationship between both countries. The key argument among the spectators and the analysts are whether China-Japan relationship would stay constant due to their solid bilateral trades or the relationship would failure due to the historical conflict and hostility (Sasaki & Koga, 2003).

A recent study (Ryan & Fuhrmann, n.d.) found that Japan’s trade to China has been positive for the relationship between the countries. In the same way, Australia’s trade with China and other rising Asian markets has confirmed ideal for it to export such as Iron ore. Japan used to able to adapt its products to Asian, and particularly Chinese tastes.

The study (Ryan & Fuhrmann, n.d.) also found that the relation between the two countries is durable and only getting tougher. Japan is already the largest trading partner of China in terms of imports. Japan recorded for 11.3% of China’s total imports in 2011. Unexpectedly, China’s exports about only 7.8% go to Japan, which ensures it as the third-largest trading partner in Japan with only 17.1% in the US and 14.1% in Hong Kong. As China is Japan’s major export and import partner, China recorded for 21.5% of Japan’s aggregate imports in 2011 and 19.7% of its total exports.
(Xing, 2007) concluded in his research that according to a JETRO survey in 2003, 61.5% of Japanese firms used to export at least 70% of their products in China. In 2001, Japanese joint-owners in China sold 65% of their products in foreign markets. (Xing 2007) also found that according to the figure, on average, more than 50% of exports controlled for Japan. In the sector of meticulousness tool, Japanese domestic market made almost 90% of the overseas sales where more than 70% are in the chemical sector, more than 60% are in industry machinery. It is suggested that the high ratios of the sales in the Japanese market are one of the key purposes for Japanese MNEs investing in China. As those products exported back to Japan by Japanese affiliates go to the product types, which cover China’s key imports from Japan. Therefore, “reverse imports” add openly to the growth of the bilateral trade between the two countries.

The bilateral trade relation between China and India

In an earlier article, it was proposed (Singh, 2005) that China and India today signify Asia’s two biggest and most active civilizations which are developing as the new trend in global relations. Particularly, with their annual GDP growth rates are correspondingly at 9.1% and 8.5% for 2003 and at 9.5% and 6.9% for 2004. China and India have known as the fastest rising economies. According to World Bank assessments, and measurement on the basis of getting power parity, China and India have already become individually the second and fourth leading economies of the world developed countries.
(Singh, 2005) also stipulated that nothing compares to the China-India bilateral trade when it comes to assessing the positive trends of China-India relations in the post-1962. The target of attainment US$20 billion in bilateral trade by 2008 was set by the two prime ministers in their meeting in Delhi in April 2005 which is now projected to be extended before the end of 2005. Correspondingly, the target of US$30 billion of bilateral trade set for 2010 is now projected to be touched by 2008. At least in the short-run, their current institutional arrangements and enthusiasm augurs very well for their continued trade boom, which can contribute a great deal to their growing confidence one in the other and their developing long-term planned partnership. Particularly, China’s foreign trade stood at US$851 billion for 2003 and beaten US$1 trillion for 2004. India’s foreign trade, by contrast, extended only about US$180 billion for 2004. If the East Asian financial crisis had diverted China’s trade to India then the countetrends in the wake of India’s nuclear tests of May 1998, resulted in India’s total foreign trade skimming from US$86.86 for 1998 to US$81.84 billion for 1999. However, this general slide was not regularly reflected in the China-India bilateral trade, though China this was perhaps one area most directly affected by India’s nuclear tests (Singh, 2005).

(Singh, 2005) also found the progressive movements in the bilateral trade. It has been mainly formed by the economic improvements on both sides and searching for new business partners. As a result, their difficult politico-strategic balances, that had continued to slow the rising interest, have arisen to be minimized and disregarded. From the examples of China using trade as its political instrument, its trade with other difficult nationals like Japan and South Korea has improved individually from US$16.8 billion and US$0.7 billion for 1990 to an enormous US$99.6 billion and US$36.2 billion for 2002, in which it was making them each other’s most

Source: National Bureau of Statistics of China
appreciated trade partners. China’s mutual trade with Japan and South Korea reached US$212 billion for 2004. In that period, the growth of bilateral trade between India and China was US$0.2 billion for 1990 and US$5 billion for 2002. Although it has improved much earlier since then getting US$7.6 billion for 2003 and US$13.6 billion for 2004.

The bilateral trade relation between China and Bangladesh

The website of Embassy of the People’s Republic of China in Bangladesh (EPRCB, 2007) discussed that based on the statistics of the Chinese Customs, the bilateral trade volume amounted to $1.368 billion in 2003 with the growth of 12.45% as opposite to the preceding year. It was included an export of $1.335 billion and an import of $33 million, up 25.2% and 3.2% respectively on the perspective of China. (Farabi et al. 2015) found that bilateral trade extended as great as US$3.19 billion in 2006, replicating an increase of 28.5% between 2005 and 2006. The export of Bangladesh to China amounted only around USD 98.8 million.

The study also found that China is the prime trading partner of Bangladesh, with total bilateral trade volume about $8.287 billion in fiscal 2013-14. However, it is estimated to produce to more than $10 billion in the present fiscal year. In fiscal 2013-14, Bangladesh imported $7.5 billion value of goods from China and exported only $746.20 million value of goods to China. So there is plenty scope for not only growing export from Bangladesh to China but also re-locating labor concentrated industries from China to Bangladesh.

(Jun, 2014) found that China’s GDP reached equivalent 9.4 trillion US dollars in 2013 and the number was only around 36.5 billion US dollars in 1978. The per capita GDP has developed from 150 US dollars in 1978 to about 6,901 US dollars in 2013. China’s GDP has been growing with a regular annual growth rate of almost 10% over the past three decades. China’s role as the main engine of global growth is becoming indispensable by the given the remaining international financial crisis and the inactive world economy in recent years. The total worth of trade in 2013 touched 4,160 billion US dollars where export was about 2,209.6 billion and import was around 1,950.4 billion. China exceeded the United States and converted the world’s biggest trading nation in 2013. China involved the highest $117.6 billion of foreign direct investment (FDI) in 2013, rising 5.4% from 2012. At the same period, the outbound direct investment in China by non-financial firms jumped 16.8 percent to $90.2 billion from 2012. It is estimated that FDI outflows of China will exceed inflows in the near future.
Conclusion

According to overall study, this paper has already ensured its objectives. Based on graphical representations of all bilateral trade relations of China with the USA, Europe, and Asia, it can be easily understood that how potential Chinese trade is and how other countries can be benefited economically to maintain export and import with China. This research also focuses on the positive intention of China to maintain bilateral trade relation in the world through some major barriers in between the countries. For instance, there was a contradictory issue between China and USA about the South China Sea, cultural effect, and other political issues but they are going ahead in building GDP by the good trade relation. Also, China has successfully negotiated the comprehensive EU-China Investment Agreement and this agreement will be supposed to be progressive and eliminate the restrictions to each other’s market. In addition, China has the positive intension to Japan maintaining bilateral trade relation though they had several historical contradictions about the Japanese war and the East China Sea. Moreover, China used to show the significant correlation in the trade with other Asian countries such as India and Bangladesh. In the graphical representation, it is observed that China gets the most export benefit from Bangladesh in between China-Bangladesh bilateral trade Relation. However, it is absolutely cleared that the bilateral trade relation is really significant in China perspectives and in the world to build up strong GDP on both sides for future potential.
References


