



## International Trade and Its Effects on Economic Growth in China

Anam Azam, Muhammad Rafiq, Fauzia Nazir

**Abstract**—The research based on international trade in china's economic growth in china. Secondary data has been collected in year 2005 to 2014. The main purpose of this study was to examine the significance relationship of international trade with GDP. The study shows that there is a significant relationship of economic growth in china. China is a developing country and also has been developing most rapidly, it is sure that it will become developed country in next year.

**Keywords**— *International Trade, Economic growth, Exports, Imports, Income.*

### I. INTRODUCTION

International trade is an important factor that deals with the impact on economic growth of free trade of goods and services across borders. Economic growth has significant impact on governments and people all over the world because GDP is adjusted for inflation and mostly used for the standard of living in different countries. The level of GDP per capita only measures the average income of the individual which is at the given time. China's international trade has rapid expansion together with its dramatic economic growth which has made the country target the world as its market. China's trade performance has been particularly superior. The beginning of Chinese economic reforms in the late 1970s, china share more and more trade in different countries e.g. India, U.K, Japan etc and then china's share of global trade increased since reform and opening began 1978 .china's GDP growth increased 9.8% per year from 1978 to 2007. In 2007 china's export surplus was 8.9% of GDP and in 2008 china's export surplus was 7.9% of GDP [1].

China's real gross domestic product grew at an average annual rate of nearly 10% from 1979 to 2013 [2]. china is currently the second largest economy after the United States, but within next five years or so it would become the largest country in the all over world in economy. China is the less developed than United States.

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From 1978 to 2011 the real GDP rate about 10% per year, resulting in a more than 20 fold up increase in the level of output. The GDP growth rate is the sum of the growth in employment and the growth in output per employ. China faces challenges in both of these categories. The rate of working age population has fallen 21/2 % in 1979 to less than 1% in 2011, and is expected to turn negative before 2020. In china almost 80% of the working-age population already employed, there is not much room for employment growth to exceed working-age population [3].

China's economy has grown to large extent when Chinese economic reforms begun. According to the Chinese government during the era 1953-1978 real annual GDP growth was 6.7% [4]. One economist Agnus Maddison argued that china's average annual real GDP during this period at 4.4% [5]. In the middle of 19<sup>th</sup> century china's share of world GDP remained about 25%, more than that Europe country. In all over the world the contribution of china economic growth almost remains positive. From 2009-11, china's real GDP

During this period at 4.4% [5]. In the middle of 19<sup>th</sup> century china's share of world GDP remained about 25%, more than that Europe country. In all over the world the contribution of china in economic growth almost remains positive. From 2009-11, china's real GDP growth averaged 9.6%. China's economy has slowed in recent years and real GDP in china grew by 7.7% in 2012-13. According to International Monetary Fund (IMF) has projected that china's growth was 7.4% in 2014 and 7.1% in 2015[6].

The annual growth of china exports and imports averaged 18.5% and 17.3% in 1990 to 2013. In 2014 china exports and imports grew by 0.9% and 1.7% same period in 2013 [7]. China's share global trade exports and imports tripled in 2000-2013 and it rose from 3.8% to 12.1% [8]. According to World Bank it will be increase 20% in 2030[9].

### II. LITERATURE REVIEW

In this paper relevant review of literature on international trade and economic growth were disused in china. This research paper also highlights the significance relationship of international trade on economic growth.

Thomas Rumbaugh and Nicolas Blancher (2004) conduct a research on international trade and WTO Accession in china. International trade in China is increasing; china participates more and more in trade to increase economy. Its exports and imports in market have become more expand especially in Asia [11].

Richard G Harris (2010) et.al has conducted a research on china's growth, trade and education booms in Simon Fraser

University. China's trade have increased in 1992 and it is found that china largely effect on the USA economy. It is observed that china's education boom almost no impact on the USA economy. In this paper findings show that the productivity growth in export may cause fall in trade costs and it has been critical in transmitting benefits of Chinese growth to the world economy [12].

TABLE I ECONOMIC GROWTH IN CHINA GDP

years	GDP Rmb billion at current prices	GDP per head Rmb	Real annual GDP growth rate%
2005	18,493.8	14,185	11.3
2006	21,631.4	16,500	12.7
2007	26,581.0	20,169	14.2
2008	31,404.5	23,708	9.6
2009	34,090.3	25,608	9.2
2010	40,151.3	30,015	10.4
2011	47,310.4	435,198	9.3
2012	51,947.0	38,459	7.7
2013	56,884.5	41,908	7.7
2014	63,600.0	-	7.4

TABLE II IMPORT AND EXPORT OF CHINA 2005-14

Year	Exports	Imports	Trade Balance
2005	762.0	660.1	101.9
2006	969.1	791.5	177.6
2007	1,218.0	955.8	262.2
2008	1,428.9	1,131.5	297.4
2009	1,202.0	1003.9	198.2
2010	1,578.4	1,393.9	184.5
2011	1,899.3	1741.4	157.9
2012	2,050.1	1,817.3	232.8
2013	2,210.7	1,949.3	261.4
2014	2,230.6	1,982.4	248.2

Almas Heshmati and Peng Sun (2010) conduct a research on international trade and its effect on economy in Korea University. International trade is a major factor and has a significant contribution in economic growth. China participation in the global trade increasing and it helps the

static and economic benefits and due to this national economic growth increase [13].

Enrico Marelli and Marcallo Signorelli (2011) conduct a research on trade and its effects on economic growth in China. In this research paper economic growth GDP of china and India is analyzed in terms of their integration in global economy. Finding shows that effect on economic growth remains positive between two countries [14].

Marie Daumal and Selin Ozyurt (2011) conduct a research on international trade flows on economic growth in Paris University. This paper explains trade openness on the economic growth and income level of Brazil states. In this paper it is conclude that trade is more benefit to states with a high level of income and therefore their contribution is increase in Brazil [15].

Crentsil Kofi Agyekum (2015) et.al has conducted a research on china's trade and economic growth of Ghana in Beijing University of Technology. According to Crentsil china development model has led many African countries to making china a state –guided development. There are many difficulties and limitations between Africa and china, but china's investment in Africa is increasing [16].

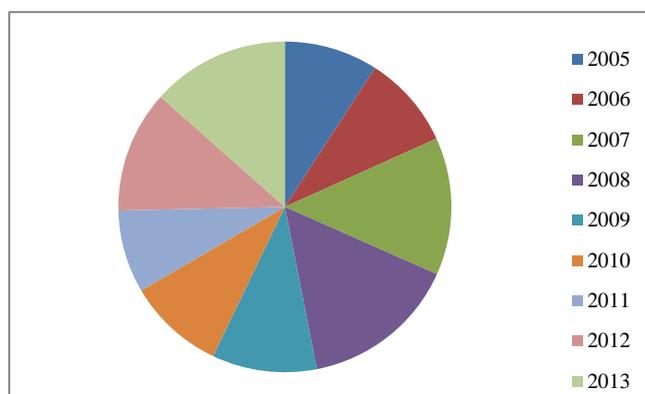


FIGURE I GLOBAL SHARE OF IMPORT AND EXPORT OF CHINA

China participates in the world trade under the global framework to improve the multilateral trade system. Chinese trade sectors and trade policy also effect on the nation's economic growth. China's trade was secondary in 1971. It is well known that china has pursued unparallel free trade since 1978 and steadily expanded to improve the international trade and then china share global trade since 1979. In 2010 china became the second world largest economy. In 2012 American exports and imports goods and services was US\$3.82 trillion and chin's total trade was \$315.1 billion. China was the second largest country in export and import for more than 78 countries in 2012, compared to only 20 countries in 2000. China's trade surplus in 2012 nevertheless still came mostly came from its trade with the United States. According to economist Hu Angang defined that Chinese economy would become the big economy in the world in 2030 [8-17].

### III. METHODOLOGY

The secondary data has been used in this research paper. It is analyzed in this paper there is a positive relationship between international trade and economic growth. The data has been collected from the national bureau of statistics in this time period 2005-14.

### IV. RESULTS AND DISCUSSION

The results conclude that Table 1 shows economic growth annual growth of china. In fourth column real GDP is 11.3% but in 2014 the growth rate is 7.4% it means GDP is increased or decreased steadily. Table 2 shows trade balance of china in year 2005 to 2014. In 2005 china export was very low but gradually it increased and in 2014 export value was highest. Similarly import was low in 2005 but steadily it increased it means that china increasing GDP and promote the international trade.

TABLE III CHINA'S MAJOR TRADE PARTNERS IN 2014

Country	Exports	Imports	Total trade	Trade balance
United States	324.5	122.2	446.7	+202.3
Japan	148.3	194.6	342.9	-46.3
Hong Kong	268.0	15.5	283.5	+252.5
South Korea	82.9	162.7	245.6	-79.8
India	50.5	23.4	73.9	+27.1
Russia	38.9	40.3	79.2	-1.4

Table 3 shows china trade export, import, total trade and trade balance of different countries. In U.S the export and import value is high but in Russia the export and import is very low and its trade balance is also negative. It means that the U.S has been large export and import value in this year and its trade balance is positive.

### V. CONCLUSION

In conclusion, china is a developing country because china has got on path of peaceful development. China is a socialist country and also contribute to world trade through own development. China faces many challenges and difficulties but it is willing to work with trading partners and always ready to face challenges. It is also contribute to the world economy in order to promote the foreign trade. China also co-operates with other countries in science and technology, education and industry is one of the fastest growing in the world. All this will make great contributions to the growth of world trade.

TABLE IV CHINA'S % SHARE OF EXPORTS PRODUCTS

Commodities	China(\$)	China share%
Electronic equipment	571,045,520,000	24.4
machines	400,910,983,000	17.1
Furniture's	93,390,874,000	4.0
clothing	81,453,227,000	3.5
Knit	92,002,609,000	3.9
Technical equipment	74,020,496,000	3.2
Plastics	66,816,299,000	2.9
Vehicles	64,243,754,000	2.7
Iron or steel products	60,685,405,000	2.6

### VI. RECOMMENDATIONS

- It must be necessary that the government should co-operate with different agencies in order to deal with exporters and importers.
- It is essential that International trade is most important factor in the world to achieve social objectives and goals by achieving higher economic growth. So, China should develop exports to achieve extra balance of payments.
- Government should help the individuals, households, and firms in order to take the preventive action.
- Government must improve the economic policies and trade system e.g. taxes, subsidy and monetary policies and minimize the tariffs.
- It must be necessary to increase foreign direct investment. Chinese government must encourage the labors and workers because it will help to reduce the current account deficit.
- China should develop new strategy to improve the growth balance (GDP) with broader welfare and sustainability goals.
- The requirements of world trade organization WTO will be met to maintain competitiveness of international trade.

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