

Research on the Development of Merchandise Trade of Guangzhou City of China

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Abstract

As one of the fastest-growing cities in China, Guangzhou's merchandise trade has been on a constant upward trajectory, which not only drives the development of other related sectors, but also improves the living standards of local residents. This paper analyses the development of merchandise trade in Guangzhou, including the merchandise trade by scale, by mode, by trading partner and by product. Finally this paper points out the corresponding countermeasures in order to improve the development of merchandise trade of Guangzhou further.

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Keywords: Merchandise trade, International trade, Guangzhou, China

1 Introduction

Within thirty years after the reform and opening up policy was implemented, China has made remarkable achievements and also experienced a rapid development in the field of international trade. Through continuous development and progress in recent years, Guangzhou's merchandise trade has reached a certain scale, however the development mode of merchandise trade in Guangzhou and even the most areas in China is still in the initial stage. The majority of the exports are primary industrial products without high tech or core competitiveness. Particularly, the economic crisis spreading from the United States to the world at the end of 2007 hit China's economy and many Chinese companies heavily. In this case, many enterprises in Guangzhou had to cut down production, lay off employees and even were closed down, exerting a negative impact on China's economic development to a certain extent.

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Therefore, this paper points out countermeasures based on the in-depth analysis on Guangzhou's merchandise trade in order to withstand risks and stabilize the economy development.

2 The Situation of Merchandise Trade of Guangzhou City of China

2.1 Merchandise Trade by Scale

In import, the total import value of Guangzhou kept on increasing from 1987 (USD1.147 billion) to 1994 (USD7.467 billion), then fluctuated from 1994 to 1998, and showed an upward trend from 1998 to 2011; especially in recent years, it has grown sharply. Guangzhou's total import value accounted for an unstable proportion of the total import value of Guangdong Province. The most obvious ascent was that the proportion rose from 10.49% in 1992 to the peak 17.05% in 1993. Guangzhou contributed more and more to China's total import value from 1987 to 1993, however the contribution fluctuated from 1993 to 2011 with an apparent decline trend.

As for export, the total export value of Guangzhou tended to climb from 1987 to 1995, however fluctuated from 1995 to 2000 (in 2009, it declined due to the financial crisis), and then grew from 2000 to 2011. The proportion of Guangzhou's export value in Guangdong's export value dropped down from 1987 to 1989, and then hit up to 17.25% in 1993 and 17.27% in 1994. Although there were some signs of recovery from 1994 to 2011, it represented an overall downward trend. From 1987 to 1994, Guangzhou's export value contributed an increasing proportion to China's total export value; from 1994 to 2011, the contribution tended to fall except for some little recovery in some years.

Within several years beginning from 1987, Guangzhou's merchandise trade surged. Then, after a steady development, Guangzhou's merchandise trade showed a rising trend again with the economic expansion, although it ever suffered slight downturn due to the global financial crisis.

Table 1: Merchandise Trade of Guangzhou City of China by Scale, 1987-2011. (USD 100 million)

Year	Import Value	Share of Guangdong Province's Import Value (%)	Share of China's Import Value (%)	Annual Growth Rate of Import Value (%)	Export Value	Share of Guangdong Province's Export Value (%)	Share of China's Export Value (%)	Annual Growth Rate of Export Value (%)
1987	11.47	10.53	2.65	-----	10.24	10.10	2.60	-----
1988	17.66	10.90	3.20	53.97	14.59	9.85	3.07	42.48
1989	17.62	10.09	2.98	-0.23	17.70	9.77	3.37	21.32
1990	18.24	9.27	3.42	3.52	23.55	10.60	3.79	33.05
1991	24.40	9.59	3.83	33.77	29.42	10.87	4.09	24.93
1992	33.88	10.49	4.20	38.85	36.87	11.02	4.34	25.32
1993	69.84	17.05	6.72	106.14	64.49	17.25	7.03	74.91
1994	74.67	16.07	6.46	6.92	86.69	17.27	7.16	34.42
1995	71.32	15.05	5.40	-4.49	95.67	16.91	6.43	10.36
1996	75.53	14.92	5.44	5.90	91.36	15.39	6.05	-4.59
1997	81.51	14.67	5.73	7.91	105.95	14.21	5.80	15.97

1998	75.39	13.91	5.38	7.50	103.08	13.63	5.61	-2.71
1999	93.18	14.87	5.62	23.60	98.67	12.70	5.06	-4.28
2000	115.60	14.79	5.14	24.06	117.91	12.83	4.79	19.50
2001	114.13	14.09	4.69	1.27	116.24	12.18	4.37	-1.42
2002	141.49	13.79	4.79	23.97	137.78	11.63	4.23	18.53
2003	180.52	13.81	4.37	27.58	168.89	11.05	3.85	22.58
2004	233.14	14.08	4.15	29.15	214.74	11.21	3.62	27.15
2005	268.07	14.12	4.06	14.98	266.68	11.20	3.50	24.19
2006	313.85	13.93	3.97	17.08	323.77	10.73	3.34	21.41
2007	355.91	13.44	3.72	13.40	379.03	10.23	3.11	17.07
2008	389.47	13.94	3.44	9.43	429.26	10.62	3.00	13.25
2009	392.82	15.59	3.91	0.86	374.03	10.42	3.11	-12.87
2010	553.89	16.70	3.97	41.00	483.79	10.68	3.07	29.35
2011	596.98	15.65	3.42	7.78	564.73	10.62	2.97	16.73

Source: Guangzhou Provincial Bureau of Statistics, China National Bureau of Statistics Survey Office in Guangzhou, *Guangzhou Statistical Yearbook*, China Statistics Press (Beijing, 2012), Statistics Bureau of Guangdong Province, *Guangdong Survey Office of China National Bureau of Statistics, Guangdong Statistical Yearbook*, China Statistics Press (Beijing, 2012)

2.2 Merchandise Trade by Mode

The trade modes of Guangzhou have not changed significantly in recent years. As Table 2 shows, there are two main trade modes in Guangzhou, namely general trade and processing trade (processing trade can be further divided into processing with imported materials and processing with provided materials). General trade and processing trade contributed nearly 90% to the total value of merchandise trade of Guangzhou. Therefore, the development of general trade and processing trade affects and even determines the development of Guangzhou’s merchandise trade to a large extent.

In 2011, the export value of general trade and processing trade was higher than the import value respectively. Specifically, the import value of general trade reached USD31.6 billion, accounting for 52.93% of Guangzhou’s total import value. The export value of general trade amounted to USD24.69 billion, accounting for 43.72% of Guangzhou’s total export.

Meanwhile, processing trade generated the export value of USD28.93 billion, accounting for 51.2% of Guangzhou’s export; wherein, processing with imported materials created the export value of USD22.02 billion, and processing with provided materials brought USD6.91 billion. The import value of processing trade equaled to USD21.82 billion, accounting for 36.54% of Guangzhou’s import. It consisted of USD16.89 billion from processing with imported materials and USD4.93 billion from processing with provided materials.

Table 2: Merchandise Trade of Guangzhou City of China by Mode, 2011. (USD10,000)

Mode		Export Value	Share (%)	Import Value	Share (%)
General Trade		2469250	43.72	3160031	52.93
Processing Trade	Processing with Provided Materials	690811	12.23	493110	22.60
	Processing with Imported Materials	2202185	39.00	1688542	13.94
	Total	2892996	51.23	2181652	36.54
Other Modes		285092	5.05	628151	10.53
Total		5647338	100	5969834	100

Source: Wang Linsheng, Guangzhou Yearbook, Guangzhou Yearbook Press, 2012

2.3 Merchandise Trade by Partner

The export of Guangzhou to major trading partners continued to grow in 2011, especially the export to Latin America and other emerging markets performed better than the average level. By the value of merchandise, Guangzhou's top five trading partners in 2011 were the United States, Japan, Hong Kong, South Korea and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. The value of the merchandise transacted among them was equivalent to 48% of the total value of the transacted merchandise of Guangzhou.

Table 3 shows us top 20 countries or regions which transacted with Guangzhou. The data of these countries or regions can explain clearly their influence on the development of merchandise trade of Guangzhou.

In terms of export, Hong Kong and the United States ranked top two, the value of the merchandise imported by them accounted for 23.77% and 17.72% of the export of Guangzhou respectively. Following Hong Kong and the United States, Japan and Germany ranked third and fourth with the respective share of 5.16% and 3.72%. Therefore, for Guangzhou, Hong Kong, the United States and Japan were three main export destinations. For the sake of speeding up the development of merchandise trade of Guangzhou, the trade scope between Guangzhou and these countries or regions should be broadened.

As for import, Japan, South Korea and the United States were major importing partners of Guangzhou, they acquired 19.37%, 12.33% and 7.70% of Guangzhou's total import separately. The trade relations and cooperation among these countries should be enhanced.

By proportion, these twenty countries or regions played key roles in Guangzhou's merchandise trade, sharing 74.88% of Guangzhou's export and 85.74% of Guangzhou's import. Some changes in the development of economy and policies of these countries will directly or indirectly affect the development of merchandise trade of Guangzhou, so Guangzhou should further intensify the communication and cooperation with them.

Table 3: Merchandise Trade of Guangzhou City of China by Country or Region, 2011.
(USD10,000)

Export Ranking	Importing Country/Region	Export Value	Share (%)	Import Ranking	Exporting Country/Region	Import Value	Share (%)
1	Hong Kong	1342321.54	23.77	1	Japan	1156293.88	19.37
2	USA	1000644.98	17.72	2	South Korea	736202.90	12.33
3	Japan	291671.56	5.16	3	USA	459227.07	7.70
4	Germany	210152.93	3.72	4	Macau	376322.72	6.30
5	Tai Pei, Chinese	171172.27	3.03	5	Tai Pei, Chinese	298651.65	5.00
6	South Korea	115148.61	2.04	6	Germany	230969.97	3.87
7	Belgium	104706.03	1.85	7	Thailand	210613.85	3.53
8	United Kingdom	101515.17	1.80	8	Indonesia	205060.78	3.43
9	Singapore	98738.93	1.75	9	Malaysia	200347.40	3.36
10	Netherlands	96364.59	1.71	10	Australia	184287.69	3.09
11	Mexico	95841.50	1.70	11	France	183903.21	3.08
12	Vietnam	92191.47	1.63	12	South Africa	156555.72	2.62
13	Australia	88891.20	1.57	13	Switzerland	123228.38	2.06
14	Malaysia	85619.02	1.52	14	Chile	108479.18	1.82
15	Indonesia	84813.44	1.50	15	Hong Kong	91822.88	1.54
16	Brazil	83063.60	1.47	16	India	87051.75	1.46
17	United Arab Emirates	82064.77	1.45	17	Singapore	78941.12	1.322
18	India	81823.42	1.449	18	Belgium	78872.41	1.321
19	France	81399.97	1.441	19	Spain	75915.37	1.27
20	Thailand	74890.01	1.33	20	Russia	75630.02	1.266
	Total of the above	4228980.01	74.88		Total of the above	5118377.95	85.74

Source: Wang Linsheng. Guangzhou Yearbook. Guangzhou Press. 2012.

2.4 Merchandise Trade by Product

Tables 4 and 5 indicate 17 categories of products with the export value of more than USD100 million and 18 categories of products with the import value of over USD100 million of Guangzhou. For export, the export value of mechanical and electrical products, audio-visual equipment, parts and accessories was the highest, accounting for 31.20% of Guangzhou's total export value; the export value of textile materials and products accounted for 13.61%; the export value of vehicles, aircrafts, ships and transport equipment accounted for 9.32%. From the perspective of import, the import value of mechanical and electrical products, audio-visual equipment, parts and accessories hit the highest level, accounting for 21.91% of Guangzhou's total import value; the import value of base metals and related products accounted for 13.72%; the import value of optical and medical instruments, clocks and musical instruments accounted for 11.83%. Basically, Guangzhou mainly exports labor-intensive products although high-tech products are developing fast. In this case, Guangzhou should accelerate the exploitation of its core industries and high-tech modern innovative products. Meanwhile, Guangzhou should change the situation that labor-intensive products play key roles in export, as well as reform the structure of imported products. In short, it is urgent for Guangzhou to conduct technological reform and development for changing the pattern of merchandise trade of Guangzhou.

Table 4: Merchandise Export of Guangzhou City of China by Product, 2011.
(USD10,000)

Export Ranking	Category	Export Value	Share (%)
1	Mechanical and electrical products, audio-visual equipment, parts and accessories	1761929.37	31.20
2	Textile materials and products	768865.86	13.61
3	Vehicles, aircrafts, vessels and transport equipment	526516.59	9.32
4	Base metals and related products	427927.66	7.58
5	Optical and medical instruments, clocks, musical instruments	386019.01	6.84
6	Miscellaneous products	358383.94	6.35
7	Jewelry, precious metals and related products, imitation jewellery, coins	327572.06	5.80
8	Plastic and plastic products, rubber and rubber products	255233.74	4.52
9	Chemical products and related products	189365.61	3.35
10	Shoes, hats, umbrellas, feather products, artificial flowers, hair products	154569.17	2.74
11	Leather, fur and related products, bags	143494.74	2.54
12	Minerals	131880.33	2.34
13	Wood pulp, waste paper, paper, cardboard and related products	64602.88	1.14
14	Mineral materials, ceramics, glass and related products	57902.05	1.03
15	Food, beverage, liquor, vinegar, tobacco and related products	38300.74	0.68
16	Wood and related products, charcoal, cork, wickerwork	23082.59	0.41
17	Live animals, animal products	15842.51	0.28
18	Plant products	12083.72	0.21
	Total of the above	5643572.57	99.94

Source: Wang Linsheng. Guangzhou Yearbook. Guangzhou Press. 2012.

Table 5: Merchandise Import of Guangzhou City of China by Product, 2011.
(USD10,000)

Import Ranking	Category	Import Value	Share (%)
1	Mechanical and electrical products, audio-visual equipment, parts and accessories	1307761.54	21.91
2	Base metals and related products	818863.59	13.72
3	Optical and medical instruments, clocks, musical instruments	705932.89	11.83
4	Plastic and plastic products, rubber and rubber products	568625.04	9.52
5	Minerals	535538.34	8.99
6	Vehicles, aircrafts, vessels and transport equipment	487647.92	8.17
7	Chemical products and related products	473468.96	7.93
8	Jewelry, precious metals and related products, imitation jewellery, coins	210082.23	3.52
9	Textile materials and products	160628.50	2.69
10	Plant products	134303.51	2.25
11	Special commodities and unclassified goods	112450.82	
12	Food, beverage, liquor, vinegar, tobacco and related products	101679.23	1.70
13	Animal and vegetable oil, grease, wax, refined edible oil and grease	84274.72	1.41
14	Wood pulp, waste paper, paper, cardboard and related products	74103.64	1.24
15	Live animals, animal products	54514.50	0.91
16	Leather, fur and related products, bags	45200.27	0.76
17	Miscellaneous products	35243.93	0.59
18	Wood and related products, charcoal, cork, wickerwork	30774.98	0.52
19	Mineral materials, ceramics, glass and related products	23690.63	0.40
	Total of the above	5853434.42	98.05

Source: Wang Linsheng. Guangzhou Yearbook. Guangzhou Press. 2012.

2.5 Merchandise Trade by Enterprise

Table 6 represents the merchandise trade of foreign-invested enterprises and their contribution of Guangzhou's imports and exports in 2011.

Foreign-funded enterprises mainly exist in three forms: equity joint venture, contractual joint venture and wholly foreign-owned enterprise. Equity joint ventures and wholly foreign-owned enterprises occupy the major positions of foreign-funded enterprises of Guangzhou.

As for merchandise trade, the export value of foreign-funded enterprises amounted to USD28.515 billion, accounting for 42.90% of Guangzhou's export value. Their import value was USD30.753 billion, sharing 51.51% of Guangzhou's import value. In both of export and import, foreign-funded enterprises contributed nearly 50% to Guangzhou's merchandise trade. Hence, Guangzhou should make advantage of foreign-funded

enterprises to boost the development of merchandise trade, accelerate the development of Sino-foreign cooperative enterprises, and make effective use of foreign capital to promote the development of the merchandise trade of local enterprises in Guangzhou.

Table 6: Merchandise Trade of Guangzhou City of China by Enterprise, 2011
(USD10,000)

Enterprise	Export Value	Share (%)	Import Value	Share (%)
Equity Joint Ventures	676564	10.12	782301	13.10
Contractual Joint Venture	127769	1.92	72467	1.21
Wholly Foreign-owned Enterprise	2047123	30.80	2220558	37.20
Total of the Above	2851456	42.90	3075326	51.51

Source: Guangzhou Provincial Bureau of Statistics, China National Bureau of Statistics Survey Office in Guangzhou, Guangzhou Statistical Yearbook, China Statistics Press (Beijing, 2012)

3 Recommended Policy for Improving Merchandise Trade of Guangzhou City of China

3.1 Accelerating Transformation and Upgrading of Industrial Structure

Guangzhou's economic development can prompt the increase in merchandise trade. Therefore, the upgrading of the industrial structure has become a necessary measure to stimulate the economic development of Guangzhou.

For transformation and upgrading of the industrial structure, Guangzhou should advance the balanced regional development, actively utilize the advantages in labor force and land resources, transfer the processing and assembly industry with a relatively simple administrative process, accelerate the development of technology-intensive industries and other high value-added industries, as well as ensure the rational industrial layout.

Besides, Guangzhou government need make a solid planning for the construction of industrial parks, then speed up the construction and form industrial agglomeration, as well as avoid the waste of land resources and construction costs caused by idle industrial parks.

Furthermore, Guangzhou should advocate the development of the productive service industry, vigorously develop the information technology industry and third-party logistics, extend the industrial chain, shorten the cycle from R & D to marketing.

3.2 Speeding up Technological Innovation Activities

Accelerating technological innovation, raising production efficiency and reducing production costs are the prerequisites for Guangzhou to occupy a favorable position in the international competition.

Nowadays, the international competition mainly rests in the competition in technology and talents. The development of science and technology is the core driving force for the industrial upgrading, competitiveness and economical growth of a country. Guangzhou

need change the existing irrational and backward production through digesting, absorbing and using the existing or the introduced new technologies. Moreover, Guangzhou should improve the utilization efficiency of production materials and cut down production costs to push forward the development of merchandise trade.

3.3 Using Foreign Investment Reasonably

It is significant for Guangzhou to attract, utilize and guide foreign investment in merchandise trade. The introduction of foreign investment can greatly ease the employment pressure in Guangzhou, facilitate the technological upgrading of enterprises, intensify the management of enterprises and stimulate economic growth of Guangzhou.

In order to rationally use foreign investment and improve itself, Guangzhou should finish the following tasks. First of all, Guangzhou needs to create fair competition environments for investment in order to protect the safety and legality of foreign investment. Second, Guangzhou should provide appropriate preferential policies for the foreign investment in high-tech, scientific and technological R & D, information technology services and other fields. Third, Guangzhou should judge the impact of foreign investment on the development of Guangzhou's merchandise trade alertly and sensibly and restrict the foreign investment which may cause serious environmental pollution.

3.4 Improving Business Operation Environments

Guangzhou need learn from practice and experience at home and abroad, make in-depth research on the problems that exist in the current operating environments of Guangzhou, and propose new approaches on the improving of legal, administrative, market and social environments. Additionally, Guangzhou should limit the expansion of high-pollution, high-energy-consumption and low-efficient enterprises to control the overall environmental quality. Also, Guangzhou should encourage the merchandise trade of private enterprises and support small and medium-sized enterprises. This is because that the development of private enterprises, especially small and medium-sized enterprises, reflects the substantial progress of production technology, operation, management, product innovation and competitiveness of enterprises of Guangzhou.

3.5 Strengthening the Development of Foreign Trade

For reinforcing foreign trade, on one hand, Guangzhou should make detailed and effective solutions as well as reach consensus with copartners, on the other hand, Guangzhou should inspire private enterprises to seek new multinational investment projects. This is not only beneficial for economic development, but also in favor of some enterprises in exploring investment channels and learning from foreign advanced technology and management experience.

3.6 Diversifying International Trade Modes

Currently, general trade and processing trade are the most important trade modes of Guangzhou and they contribute nearly 90% to the total value of merchandise trade of Guangzhou. However, for the further development of merchandise trade, Guangzhou

should diversify modes and avoid over-reliance on some modes. Thus, Guangzhou should make more efforts to diversify trade modes and actively guide and promote the development of other trade modes through preferential policies.

4 Conclusion

By scale, the total import value of Guangzhou kept on increasing from 1987 (USD1.147 billion) to 1994 (USD7.467 billion), then fluctuated from 1994 to 1998, and showed an upward trend from 1998 to 2011. As for export, the total export value of Guangzhou tended to climb from 1987 to 1995, however fluctuated from 1995 to 2000 (in 2009, it declined due to the financial crisis), and then grew from 2000 to 2011.

By mode, the import value of general trade accounted for 52.93% of Guangzhou's total import and the export value of general trade accounted for 43.72% of Guangzhou's total export in 2011. Meanwhile, processing trade contributed 51.23% to Guangzhou's export value and 36.54% to Guangzhou's import value. General trade and processing trade contributed nearly 90% to the total export and import value of Guangzhou together.

By partner, Hong Kong, the United States and Japan were major partners of Guangzhou in export in 2011. The exports to three of them contributed 46.65% to Guangzhou's total export. Japan, South Korea and the United States were three main importers of Guangzhou, the value of the goods imported from them was equivalent to 39.40% of Guangzhou's total import value.

By product, the export value of mechanical and electrical products, audio-visual equipment, parts and accessories, textile materials and products, vehicles, aircrafts, vessels and transport equipment occupied 54.13% of Guangzhou's total export value in 2011. In the same year, the import value of mechanical and electrical products, audio-visual equipment, parts and accessories, base metals and related products, optical and medical instruments, clocks and musical instruments took 47.46% of Guangzhou's total import value.

By enterprise, foreign-funded enterprises contributed 51.51% and 50.49% to Guangzhou's import and export value respectively in 2011. The enterprises invested by the foreign countries mainly exist in three forms: equity joint venture, contractual joint venture and wholly foreign-owned enterprise. Especially, wholly foreign-owned enterprises take dominating positions, devoting 37.2% and 30.8% to the total import and export value of Guangzhou respectively.

On the basis of the above analysis, Guangzhou should promote the diversification of trade patterns to avoid excessive dependence on some trade modes. Guangzhou should not only maintain and strengthen the cooperation with the current copartners, but also adopt favorable policies and measures to attract potential copartners. Also Guangzhou need deal with the trade friction properly, and lower the risks and influence incurred by the friction. Furthermore, Guangzhou should deepen bilateral and multilateral regional economic cooperation. Guangzhou need conduct innovation enthusiastically and exploit products with core technology in order to boost the international trade. In addition, Guangzhou should embolden merchandise trade companies to develop more products with intellectual property rights and independent brands. In the interest of the further development of Guangzhou's international trade, Guangzhou should attract foreign investment actively, use foreign investment rationally and effectively, perfect policies and improve investment environments.

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