

The Performance, Causes and Countermeasures of China's Foreign Trade Growth Decline

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Abstract—This paper analyzes the export growth rate data of some economies in China from 2010 to 2022, and discusses the performance, causes, and countermeasures of fluctuations in China's foreign trade. The findings show that, except for certain special years, the overall export growth rate in China has been decreasing. The negative growth rates in 2015 and 2020 indicate that China's foreign trade is facing significant challenges. The main reasons for this situation are the rise of trade protectionism, the slowdown of global economic growth, and the impact of structural reforms on the supply side. To address these risks, China needs to take a series of measures, such as promoting trade liberalization, enhancing technological innovation capabilities, strengthening industrial upgrading, and expanding opening-up.

Keywords—Chinese foreign trade, comparative analysis, fluctuating decline, new normal

I. INTRODUCTION

Over the past 40 years of reform and opening up, the status of China's foreign trade in the national economy has gradually improved, and its contribution to economic growth has been continuously enhanced. In addition, as the world's largest exporter, the development of China's foreign trade has always attracted much attention. However, in recent years, China's foreign trade growth has faced severe external environmental challenges, such as the global economic downturn, trade protectionism, and the epidemic, which have made the performance of foreign trade fluctuate. Therefore, it is of great practical significance to analyze the performance, causes and countermeasures of China's foreign trade to promote the sustainable development of China's foreign trade.

II. THE DECLINE IN THE GROWTH RATE OF CHINA'S FOREIGN TRADE: A COMPARATIVE ANALYSIS IN THE INTERNATIONAL ENVIRONMENT

Table 1 shows the export growth rate data of China and other economies from 2010 to 2022. It can be seen that the export growth rate of China has been fluctuating, with 31.3% and 20.32% in 2010 and 2011, respectively, followed by a downward trend, and a negative growth of -2.94% in 2015. From 2016 to 2018, the export growth rate gradually recovered, with 9.86% in 2018. However, due to the impact of the global pandemic, the export growth rate dropped to 3.6% in 2020. In 2021, the export growth rate of China rebounded significantly.

The changes in foreign trade growth should not only be based on domestic conditions, but also need to be compared in the context of the international situation. By observing the changes in the relative status of foreign trade, we can have a

more objective and comprehensive understanding of the issues related to foreign trade growth. Table 1 provides information on the export trade situation of China and other representative economies and regions from 2010 to 2022.

From the statistical data shown in Table 1, it can be seen that the export trade growth rate of China has declined from 2010 to 2016, and for the first time, a negative growth rate of -2.94% was recorded in 2015. However, compared with the global growth rate during this period, China's export trade growth rate is still not low. Despite the obvious decline in export trade growth from a domestic perspective, China still maintains a significant "advantage" among countries with export trade growth decline. In 2015, the export trade growth rates of major economies such as the US, the EU, Japan, Germany, the UK, Australia, Canada, Denmark, Italy were -7.28%, -12.26%, -9.47%, -11.33%, -8.77%, -21.90%, -13.97%, -14.56%, and -13.70%, which were much lower than China's export trade growth rate. Among these economies, the lowest difference with China's export trade growth rate was 4.34 percentage points, and the highest difference was 18.96 percentage points. From this perspective, China's export trade performance is significantly better than that of other major economies in the world, and it still belongs to "medium-high" growth rate in terms of relative growth. This can be referred to as the "high" aspect of China's foreign trade development. Although the absolute growth rate has decreased, from a relative perspective, China's position in the global trade structure has continued to rise.

The decline in foreign trade growth from 2010 to 2016 was not unique to China. Major economies around the world were experiencing the same stage of foreign trade growth decline to varying degrees. Moreover, from the perspective of status changes, China's share of global export market still increased, which is sufficient to show that China's foreign trade growth decline during this period was generally better than the global average.

In the period from 2016 to 2022, export fluctuations were particularly significant. Between 2016 and 2018, exports began to recover with a steady growth trend, but then in 2019, exports experienced a cliff-like drop with a year-on-year growth rate of only 0.51%. In 2020, exports were impacted by the COVID-19 pandemic, with a growth rate of only 3.60%, but in 2021, exports rebounded rapidly, with a growth rate of 29.86%, and in 2022, the growth rate is expected to recover to 6.88%. Compared to this, the growth rates of other economies are different. For example, the exports of the US and the EU both decreased by 13.02% and 4.60% respectively in 2020, but also rebounded rapidly in 2021 and

maintained high growth rates. In contrast, Japan, Germany, and the UK all saw rebounds in export growth in 2021, but their growth rates remained lower than China and the US.

Table 1. Export growth rates of selected economies from 2010 to 2022

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
China	31.30%	20.32%	7.92%	7.82%	6.03%	-2.94%	-7.73%	7.90%	9.86%	0.51%	3.60%	29.86%	6.88%
US	20.95%	15.93%	4.27%	2.11%	2.67%	-7.28%	-3.39%	6.54%	7.73%	-1.26%	-13.02%	22.58%	17.62%
EU	12.86%	20.59%	0.06%	6.08%	-2.19%	-12.26%	-2.71%	9.88%	8.87%	-1.27%	-4.60%	18.47%	-2.84%
Japan	32.56%	6.94%	-2.98%	-10.46%	-3.48%	-9.47%	3.21%	8.25%	5.74%	-4.41%	-9.12%	18.06%	-1.37%
Germany	12.60%	17.04%	-4.96%	2.89%	3.26%	-11.33%	0.66%	8.46%	7.73%	-4.43%	-7.19%	18.02%	1.84%
UK	17.35%	22.58%	-6.97%	13.88%	-6.73%	-8.77%	-11.76%	7.38%	11.09%	-4.59%	-15.51%	18.92%	12.95%
Australia	37.82%	27.02%	-4.89%	-1.60%	-4.64%	-21.90%	0.98%	21.57%	11.29%	5.34%	-8.55%	38.39%	19.94%
Canada	22.65%	16.52%	0.81%	0.55%	4.07%	-13.97%	-4.83%	7.97%	7.22%	-1.09%	-12.82%	29.12%	18.59%
Denmark	4.48%	17.15%	-5.86%	4.11%	0.25%	-14.56%	0.12%	7.08%	6.99%	1.25%	-2.74%	16.98%	3.28%
Italy	9.82%	17.10%	-4.15%	3.30%	2.21%	-13.70%	1.02%	8.96%	9.31%	-2.21%	-7.24%	23.48%	13.70%

Source: Based on World Bank (WB) statistics

Overall, excluding the special year of 2021 with significant growth, the export growth rates of various countries basically show a downward spiral trend. Although the growth rate rebounded significantly in 2021 compared to 2020, it returned to normal in 2022. The reasons for this special situation may be as follows:

Firstly, the global economic recovery. Due to the impact of the COVID-19 pandemic, the global economy contracted in 2020, but in 2021, as the global vaccination rate increased, the economy gradually recovered and international market demand rebounded, which also promoted export growth.

Secondly, macroeconomic policy measures. Many countries implemented macroeconomic policies to stimulate their economies during the pandemic, such as through monetary and fiscal policies. The implementation of these policies may have promoted export growth to some extent.

Thirdly, the relaxation of trade protectionist policies. During the Trump administration, the United States adopted a series of protectionist policies, including tariffs on China and other countries, which had a considerable impact on global trade. But with the Biden administration coming to power, these policies have been eased to some extent, which may have boosted export growth as well.

Overall, China's export sector continues to maintain a strong global competitive position and performed well in 2021 under the backdrop of economic recovery and rising trade demand. However, uncertain global economic conditions and trade tensions remain as risk factors that could potentially affect China's foreign trade development. Therefore, Chinese foreign trade enterprises need to closely monitor the global economic situation, adjust their strategies flexibly, and maintain competitiveness and stability. The current decline in China's foreign trade growth rate is a "normal" phenomenon under the backdrop of profound global economic adjustments, rather than an "abnormal" one. It can also be said that it is a "new normal" for foreign trade development in China to shift from high-speed growth to mid-to-low speed growth, or even occasional negative growth as the country enters a new stage of economic development (Dai & Zhang, 2016). To gain a deeper understanding of this issue, we can further explore the reasons behind the decline in China's foreign trade growth rate.

III. THE CAUSES OF THE DECLINE IN CHINA'S FOREIGN TRADE GROWTH

The decline in China's foreign trade growth is a complex issue involving multiple factors such as the international economic situation, domestic supply and demand structure, exchange rate policy, and trade friction. This article will analyze the issue from two aspects: the weakening of international market demand and the rise in domestic production costs.

For one thing, the weakening of international market demand is one of the important reasons for the decline in the growth rate of China's foreign trade. Due to the impact of the new crown epidemic, the global economy has been severely impacted, with economic growth slowing or negative growth in major trading partners, and consumer confidence declining, which in turn has led to a decrease in demand for Chinese goods. According to China's customs statistics, the growth rate of China's exports to major trading partners such as the United States, the European Union, Japan, South Korea, and ASEAN in 2020 was lower than in 2019. Exports to the United States, in particular, fell by 12.5% in 2020 due to the double blow of the U.S.-China trade war and the coronavirus pandemic. In addition, China's position as the world's factory has also been challenged due to the disruption of global industrial and supply chains, and some multinational companies have begun to shift or disperse production bases to reduce their dependence on China. These factors have made China's foreign trade face greater downward pressure.

For another, the rise in domestic production costs is also one of the important factors affecting the decline in the growth rate of China's foreign trade. With the transformation and upgrading of China's economy, labor costs, environmental costs, and resource costs are all increasing, resulting in the decline of the competitiveness of Chinese goods in the international market. According to the World Bank, Chinese's per capita GDP reached \$10,300 in 2019, exceeding the average of middle-income countries. This means that China is no longer a low-cost manufacturing country, but a mid-to-high-end manufacturing country. At the same time, due to environmental protection and energy security considerations, the Chinese government has also stepped up supervision and punishment of polluting enterprises and energy-intensive enterprises, and raised environmental taxes and energy prices. Although these

measures are conducive to improving the ecological environment and optimizing the industrial structure, they also increase the operating costs of enterprises. In addition, due to the aging population and family planning policies, China's labor market is also in short supply, resulting in rising labor costs. According to the National Bureau of Statistics, the average wage of employed persons in urban units in China in 2019 was 90,400 yuan, an increase of 11.5% over 2018. All these factors have caused Chinese goods to lose their price advantage in the international market.

IV. COUNTERMEASURES AND THINKING

Although China's foreign trade shifting to medium and low speed growth, or even negative growth, may be a "new normal", it does not mean that we can do nothing. In order to prevent the further decline of foreign trade growth rate and lay the necessary institutional environment for the future healthy development, efforts should be focused on the following aspects:

A. Leveraging the "Belt and Road" Initiative to Promote Stable Development and Transformation of Foreign Trade

Full utilization of the advancement of the "Belt and Road" Initiative, strengthening trade cooperation with countries along the route, is of strategic significance for promoting stable development and achieving transformation and upgrading of China's foreign trade (Zhang, 2019). This initiative provides an important opportunity for foreign trade development, including the core connotations of policy communication, road connectivity, trade facilitation, currency circulation, and people-to-people connectivity. In the process of achieving a truly "win-win" economic development pattern of "interconnectivity", obstacles to trade development will be reduced or even eliminated.

Through active participation in the "Belt and Road" initiative, China's foreign trade can play a significant role:

(1) Trading opportunities: The opening-up of countries along the Belt and Road provides ample opportunities for China's foreign trade. By expanding trade cooperation, China can further enhance trade volume and diversification with these countries, promoting balanced development of exports and imports.

(2) Capacity output and services trade: China can leverage the Belt and Road initiative to strengthen cooperation with countries along the route, promoting capacity output, especially in infrastructure, energy, and other fields. Meanwhile, developing service trade, including finance, consulting, education, and tourism, is also an important direction.

(3) Cooperation platform construction: China can actively participate in the construction of cooperation platforms such as economic cooperation zones and free trade zones under the Belt and Road initiative. These platforms will provide more opportunities and favorable conditions for Chinese companies, promoting trade and investment growth.

(4) Leading trade rulemaking: As an advocate and promoter, China can participate in formulating new trade rules under the Belt and Road initiative, promoting reform and improvement of the international trading system. This will help China increase its influence and voice in global economic competition.

Therefore, by taking advantage of the strategic opportunities presented by the advancement of the Belt and Road initiative, China's foreign trade can actively expand trade cooperation with countries along the Maritime Silk Road, achieving steady growth and transformation and upgrading.

B. Relying on the Development of Service Trade to Cultivate New Growth Points

Under the "new normal" of slowing growth in goods trade, service trade has become an important engine leading the growth of foreign trade. A notable feature of global trade development is that global service trade is growing faster than goods trade. Therefore, speeding up the development of China's service industry, enhancing international competitiveness, and promoting the development of service trade play an important role in creating new growth points in foreign trade and promoting the smooth development and transformation and upgrading of goods trade.

To adapt to this new trend, we can:

- 1) Develop the service industry: Accelerate the development of the service industry and improve the quality and level of service trade. Particular emphasis should be placed on cultivating high-end producer services, providing high-value-added service products to support and lead the transformation and upgrading of manufacturing.
- 2) Enhance international competitiveness: Strengthen the enhancement of the international competitiveness of the service industry, through measures such as improving service quality, reducing costs, and strengthening innovation capabilities, to make China's service industry competitive in the global market.
- 3) Create service trade platforms: Actively participate in the formulation of international service trade rules and cooperation, and establish service trade platforms to provide broader development space and opportunities for Chinese service enterprises.
- 4) Strengthen cooperation and innovation: Conduct cooperation in service trade with other countries, jointly promoting the development of service trade. At the same time, focus on innovation in service trade models and business models, providing new types of service products and solutions that meet market demand.

By seizing the important opportunities of global service trade development, accelerating the development and enhancement of China's service trade competitiveness, we can fully play the role of service trade in promoting the development of the service industry, promoting the upgrading of China's manufacturing industry. This not only benefits the stable growth of goods exports but also helps achieve the "upgrading" of exports.

C. Relying on Technological Innovation to Enhance the Ability of Foreign Trade Transformation and Development

To promote the transformation and development of foreign trade, especially the implementation of the innovation-driven development strategy, we need to rely on technological innovation to reshape new growth drivers. The level of technology is a crucial factor in determining the level of foreign trade development and competitiveness. To cultivate new competitive advantages in foreign trade development, especially innovation-driven development advantages, we

must improve the technological level of export-oriented industries, especially manufacturing.

At present, although China has become one of the important manufacturing bases in the global value chain, overall, we are still in the low end or high-end industries and products in the global industrial chain, with relatively low added value. Compared with industrial powers such as the United States and Northern Europe, our manufacturing sector still has room for improvement in terms of technological level and innovation ability, and there is still a large gap with world-class standards. Many industries and enterprises lack independent core technologies, intellectual property rights, and core brands due to insufficient technical transformation and R&D investment.

Therefore, we must increase investment in technology research and development, improve technological levels, and accelerate the use of advanced and applicable technologies and high-tech to upgrade traditional labor-intensive industries to gain new competitive advantages. At the same time, we need to increase the funding for basic research, promote industry-university-research cooperation, and promote the transformation of scientific and technological achievements. To this end, we can take the following measures:

- 1) Increase investment in technology research and development: Increase funding for technological innovation and research and development to support enterprises to strengthen independent innovation and cultivate core technologies and intellectual property.
- 2) Strengthen the cooperation between industry, academia, and research: Establish a sound mechanism for cooperation between industry, academia, and research to promote close cooperation between scientific research institutions and enterprises, and accelerate the transformation and application of scientific and technological achievements.
- 3) Enhance the quality of talent training: Strengthen the training of scientific and technological talents, improve their innovative capabilities and technological level, and cultivate high-level talents with international competitiveness.
- 4) Promote technology transfer and dissemination: Strengthen the construction of technology transfer and promotion institutions, promote the application of advanced and applicable technologies in enterprises, and improve overall technological level.

Through the implementation of these measures, we can continuously improve China's technological level and innovation ability in the manufacturing sector, promote transformation and development of foreign trade, and gain new competitive advantages.

D. Relying on Human Capital to Cultivate New Advantages for the Development of Foreign Trade

Under the current international division of labor and production model dominated by the global value chain, the cost of domestic factors of production is constantly increasing, entering a high-cost era of production (Zhang, 2018). Therefore, the key to improving the ability of foreign trade transformation and development and cultivating new competitive advantages is to climb up the value chain and

gain competitive advantages at a higher value chain. This competitive advantage mainly depends on the quality and human capital of workers.

In the competition between countries and enterprises, the final competition depends on the competition of talents. Therefore, we need to increase investment in workers and cultivate and accumulate human capital. By improving the quality of workers, we can shift from relying on quantitative expansion to relying on qualitative improvement, and lay a talent foundation for the upgrading and transformation and development of foreign trade industry.

Specifically, we can take the following measures:

- 1) Strengthen training and education: Increase investment in education and training to improve the comprehensive quality and professional skills of workers, and cultivate high-quality talents that meet the needs of foreign trade transformation and development.
- 2) Support scientific research and innovation: Strengthen the cultivation of scientific research and innovation capabilities, encourage cooperation between enterprises and research institutions, promote the transformation of scientific and technological achievements, and enhance the technological content and competitiveness of industries.
- 3) Strengthen talent introduction and retention: Formulate attractive talent policies, attract domestic and international high-level talents to work and start businesses in China, retain excellent talents, and stimulate their innovative potential and entrepreneurial enthusiasm.
- 4) Strengthen international exchange and cooperation: Actively participate in international exchanges and cooperation, absorb advanced experience and technology from abroad, and promote the internationalization and diversity of talents.

Through the implementation of these measures, we can improve the quality of workers and accumulate human capital, providing a solid foundation for the upgrading and transformation and development of foreign trade industry.

E. Relying on the "Going Global" of Enterprises to Drive the Development of Foreign Trade

One of the prominent features of foreign trade development based on the global value chain at present is the integration of trade and investment. Through the internationalization strategy of enterprises, i.e., "going global", participating in the global value chain and setting up operations there, it has become an important driving force for promoting foreign trade development.

The internationalization strategy of enterprises not only helps to transfer domestic surplus capacity, transfer value-added links of industries and products that have lost their comparative advantage to other regions and countries, and establish trade platforms, but also drives the export of related products in China. In addition, the internationalization strategy of enterprises can also be motivated by different purposes, including market-seeking, resource-seeking, and technology-seeking. For China at its current stage of development, especially technological seeking may be more important.

Relying on the internationalization strategy of enterprises, China can obtain more advanced technology and other

high-end factors from abroad, thus promoting the optimization and upgrading of its industrial structure. In the case where the domestic industrial structure is not yet highly developed, “going global” can help obtain advanced technology and other resources from abroad, which is conducive to laying a foundation for the transformation and development of foreign trade.

In summary, relying on the internationalization strategy of enterprises to integrate and utilize global resources and markets is of great importance for enhancing the comprehensive advantages of foreign trade development. By actively participating in the global value chain, China can better adapt to and lead the development of the global economy, promote the transformation and upgrading of foreign trade.

F. Relying on the Introduction of International Advanced Factors to Upgrade the Quality of Foreign Trade Development

For a long time, China’s foreign trade development has had a typical “foreign capital embedded” feature, which is an inevitable result of integrating into the global value chain dominated by multinational corporations. Against the backdrop of increasing cross-border flows of various production factors, the quality of China’s foreign trade development largely depends on its ability to introduce international advanced production factors. Therefore, achieving the transformation and development of China’s foreign trade requires leveraging the “siphoning” effect of international advanced production factors.

In the “new normal” of foreign trade development, we should establish a “comprehensive factor” development concept and take full advantage of the opportunities to attract foreign capital, gather multiple production factors such as technology, brands, management, marketing channels, and institutions in China. By attracting more high-quality production factors, especially advanced management professionals and technological talents, it will be conducive to enhancing China’s ability to integrate various advanced factors for innovative activities, further enhancing the impetus for the transformation and development of foreign trade.

In summary, China’s foreign trade development needs to

rely on its “foreign capital embedded” feature and realize the transformation and development through attracting the aggregation of international advanced production factors. By introducing more high-quality production factors, especially external intellectual resources such as advanced management professionals and technological talents, it will enhance China’s innovation capacity in foreign trade development and inject new impetus into the transformation and development of foreign trade.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

AUTHOR CONTRIBUTIONS

Tao Mingyuan conducted the research, analyzed the data, and wrote the paper; Pei Yiming provided guidance, inspection and necessary funds; all authors had approved the final version.

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