

Peculiarities of China export system

Peculiaridades del sistema de exportación de China

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ABSTRACT

The model of economic development of the people of Republic of China has become a miracle of the 20th century. For this reason, many aspects of China's economic development model are widely studied by many foreign scholars. Among these are China's experience in supporting state exports, which is one of the successful models of Chinese foreign economic policy. Therefore, the authors analyzed Chinese's experience of state support and encouragement of exports, and explored the possibilities of using this experience in Uzbekistan. In the XXI century, economic development and their share in international labor division are determined by their participation in trade and economic processes. During the same period, China has strengthened its position in the world economy as a result of the export- oriented economic system as a result of its policies supporting foreign economic activity in the 1980s. China has made the most of its ability to change customs tariffs to address its foreign trade development goals. Non-tariff regulation is usually subdivided into quantitative methods, covert protectionism and financial methods.

Keywords: export, foreign, economic activity, China, Eximbank

RESUMEN

El modelo de desarrollo económico del pueblo de la República de China se ha convertido en un milagro del siglo XX. Por esta razón, muchos aspectos del modelo de desarrollo económico de China son ampliamente estudiados por muchos académicos extranjeros. Entre ellos se encuentra la experiencia de China en apoyar las exportaciones estatales, que es uno de los modelos exitosos de la política económica exterior china. Por lo tanto, los autores analizaron la experiencia china de apoyo estatal y estímulo a las exportaciones, y exploraron las posibilidades de usar esta experiencia en Uzbekistán. En el siglo XXI, el desarrollo económico y su participación en la división internacional del trabajo están determinados por su participación en los procesos comerciales y económicos. Durante el mismo período, China ha fortalecido su posición en la economía mundial como resultado del sistema económico orientado a la exportación como resultado de sus políticas de apoyo a la actividad económica extranjera en los años ochenta. China ha aprovechado al máximo su capacidad para cambiar los aranceles aduaneros para abordar sus objetivos de desarrollo del comercio exterior. La regulación no arancelaria generalmente se subdivide en métodos cuantitativos, proteccionismo encubierto y métodos financieros.

Palabras clave: exportación, exterior, actividad económica, China, Eximbank

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INTRODUCTION

Export activity is supported by the financial support provided by the Chinese government, which is different from the export support of other countries.

Including:

1. Characteristic of tariff and non-tariff methods;
2. Specificity of stages and conditions of China's accession to the WTO for the purpose of developing foreign economic activity;
3. Improved number and functionality of organizations established for financial and organizational support for exports;
4. Creation of separate types of free economic zones based on the economy of the regions of the country and geographical features;
5. The use of separate approaches to the industry in each exported commodity and its export activities.

The main purpose of the research is to analyze the experience of state support of export to China and to explore the possibilities of its application in Uzbekistan.

During the research, the following tasks were used to highlight the topic:

- Study of China's exports Support Policy;
- Study of the activities of China Exim bank and its role in export development country;
- Study the activities and objectives of China Export Promotion and Development Funds;
- Analysis of China's Foreign Trade Indicator for the period 1980-2017;
- To study and make suggestions on possible aspects of implementation of the Chinese export promotion experience in Uzbekistan.

The important aspect of Chinese economy is that the country's politics, economy, social life, banking and financial support provided by the Chinese government, which is different from the export support of other countries.

Including:

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2. Specificity of the stages and conditions of China's accession to the WTO for the purpose of developing foreign economic activity;
3. Improved number and functionality of organizations established for financial and organizational support for exports;
4. Creation of separate types of free economic zones based on the economy of the regions of the country and specific social and geographical features;
5. The use of separate approaches to the industry in each exported commodity and its export activities.

China has made the most of its ability to change customs tariffs to address its foreign trade development goals.

Non-tariff regulation is usually subdivided into quantitative methods, covert protectionism and financial methods. Quantitative constraints (qualitative restrictions) included quotas, licensing, voluntary export restrictions as well as export and import prohibitions. The most common form of quantitative restrictions is the tariff quota. There are 2 types of export quotas in China: for all countries in the world and for some isolated countries. There are currently quotas for expanding live cow, pigs and poultry to Hong Kong and Macau. However, upon receipt of quota, the exporter must obtain a license from the Ministry of Commerce of the People's Republic of China. Since 2012, export quotas for 173 products, including rice, corn, wheat, cotton and coal, flour, refined timber, coke, oil and oil products, rare earth metals and more;

Quotation and licensing are the main type of state regulation of foreign trade.

China uses export licensing of goods and services, mainly to fulfill obligations under international treaties. In 2009, 231 trade items were used for export licenses under export contracts. These include beef, pigs, and poultry (Hong Kong and Macao), beef, pork, poultry, paraffin, platinum, car and chassis, motorcycles, Vitamin C, some metals and more. The voluntary export restrictions policy provides for quantitative restrictions based on the obligations of one of the trending partners. The Chinese government's voluntary export restriction policy applies to certain countries of the United States and the European Union under bilateral agreements.

REASARCH METHODOLOGY

Scientific research methods such as induction, deduction, scientific abstraction, analysis and synthesis, as well as economic and mathematical methods were widely used in the subject. Widespread study and analysis of research methods has played an important role in making scientific conclusion and making recommendations.

LITERATURE REVIEW

China's economic development path and reform system have been widely studied by scientists since the 1980s. Including: In Rosalie L. Tung's book, *US-China Trade Negotiations* (L. Tung, Rosalie. 1982) China's political and economic relations with foreign countries are based on mutual respect for sovereignty and territorial integrity, aggression, non-interference, equality and mutual interest and the five principles of peaceful coexistence. China's foreign trade policy is also governed by the same principles. In particular, the emphasis is on reliance and on equality and mutual interest.

Since 1978, the country has been talking about reforms in foreign trade, its structure and efficiency.

Elizabeth Paulet and Chris Rowley In the book *The China Model: Originality and Limits* (Paulet, Elisabeth, Rowley, Chris 2017) China and India as global market leaders in the 21st century have seen changes in the global market and international economic relations, resulting in changes in the product market, purchase and sale, says investment strategies, as well as trade and economic relations with natural resources.

China's economic growth model and its export promotion experience have been studied by many researchers and scholars in a variety of ways and ways. But most importantly, China's experience in supporting foreign trade has been successful only in its case, and this has not always been successful in the experience of other countries and is reflected in the scientific and practical conclusions of many scholars.

ANALYSIS AND RESULTS

China's foreign trade development process involves several steps:

Stage 1 Model of import substituting products 1950-1960. This model is based on mercantilism theory and is aimed at developing heavy industry complexes in the country. This period was characterized by low export volumes and low competitiveness.

Stage 2. Export promotion model based on open economy. The model aims to stimulate export-oriented products and increase competitiveness by attracting foreign investment in the country's economy.

Stage 3. (1990-2001) A model aimed at supporting the production of import-substituting and export-oriented products. As a result of international industrial cooperation, China was focused on filling the national market with Chinese products and exporting products using imported machinery and technology.

Stage 4. The global financial and economic crisis and its aftermath. A model aimed at increasing domestic demand. This period was characterized by the expansion of the domestic market, the increase in the number of local producers and the improvement of the quality of products and services. (Pay Wan, 2010)

Analyzing the experience of the People's Republic of China in promoting exports, it should be noted that accession to the WTO in November 2001 played a major role and marked a new stage in the country's international trade.

Eximbank of China and the Bank of China are the main subjects of export support. Both are eligible for export and import lending. The main task of the above organizations is to provide loans to national exporters and foreign entities that purchased the products of the People's Republic of China. According to the World Trade Organization, after China's accession to this international organization in 2001, 602 protectionist investigations against China totaled \$ 38.98 billion, including 510 anti-dumping investigations, 43 antidote investigations, and 106 protections. Thus, according to Chinese analysts, China is the world leader in the number of trade barriers against exported products (Ved.gov.ru). In China, the basic financial support measures used in recent years are more traditional: export financing (many loans are provided to exporters of high-tech products and exporters of high-value engineering products) and export credit insurance measures (including machine-building products in 2003) adopted "People's Republic of China on Funding for Export Credit Insurance Support and Development activities within the program"). The Eximbank of China was established on April 26, 1994 by the decision of the State Council of the People's Republic of China. In its activities, the Bank follows the instructions of the State Council. At the same time, the bank is a commercial organization, operating in accordance with the principles of the management of commercial banks. The main objective of the Bank is to implement the Chinese government's policy in industrial development, foreign trade and finance through the promotion of Chinese exports, primarily machinery, equipment and other high-tech products and the development of interstate relations in international trade. The sources of financing are the bank's own funds and are refinanced by foreign governments and commercial banks. The sole owner of China Eximbank is the Government of the People's Republic of China, represented by the Ministry of Finance. The authorized capital of the bank is 3.38 billion yuan (\$ 408,4 million) (Ved. gov.ru). Eximbank of China:

Export-import credits, including vendor credit and buyer credit, mechanical and electronic products and full production equipment for export-import of fixed assets;

Issue of Chinese government grants to foreign countries of mixed and state soft loans;

Attraction of foreign interbank loans, government loans, organization and participation in domestic and international syndicated lending;

Export credit insurance, guaranteeing export credit, import and export insurance and factoring services;

Issuance of financial bonds in the domestic market and short-term securities (excluding shares); currency exchange transactions.

Exim bank's financial support makes high-tech products. Concessional loans for this purpose totaled \$ 165.7 billion. (undp.org. 2007)

Exim bank of China includes activities such as exporter lending, imports of Chinese products and international guarantees. In particular, in line with the Foreign Economic Policy Strategy of 2013, the Bank will provide full credit to exporters of national vessels, as well as companies engaged in the repair and modernization of foreign vessels, production of basic equipment for vessels and the development of appropriate technologies. Loans can be issued in Chinese yuan and in foreign currency. Unlike similar financial institutions in other countries, China's exporter support system provides loans for offshore contracts and investment. The Bank is the only bank authorized by the Chinese State to provide official support to developing countries and operates through two means: concessional lending to the state and lending to privileged importers.

The bank is involved in the repayment of concessional and mixed loan programs, as well as business contracts for projects, equipment, technology and services in the interests of China. Another organization in the system of export support is the Export Support and Development Funds. The term "aid and development funds" in the People's Republic of China refers to the government allocated funds for export credit insurance to export-oriented enterprises.

Areas of support and development funds are as follow:

- 1) Medium and long- terms export credit insurance;
- 2) Short –term export credit insurance;
- 3) Foreign Investment Insurance.

Financial support to Chinese exporters will be based on premium payments. Including:

- 20% of real insurance premiums will be provided with short- term export credit insurance;
- 10% real insurance premiums will be provided to insurers of medium and long-term export credit, as well as investments abroad.

Provides funds management to support and develop export credit insurance. In China, there are several ways in which government supports export and the extent to which the export promotion system has produced result is discussed in more detail in the paragraph. In particular, the impact of export promotion policies, on foreign trade dynamics, export dynamics and export geography and structure will be analyzed.

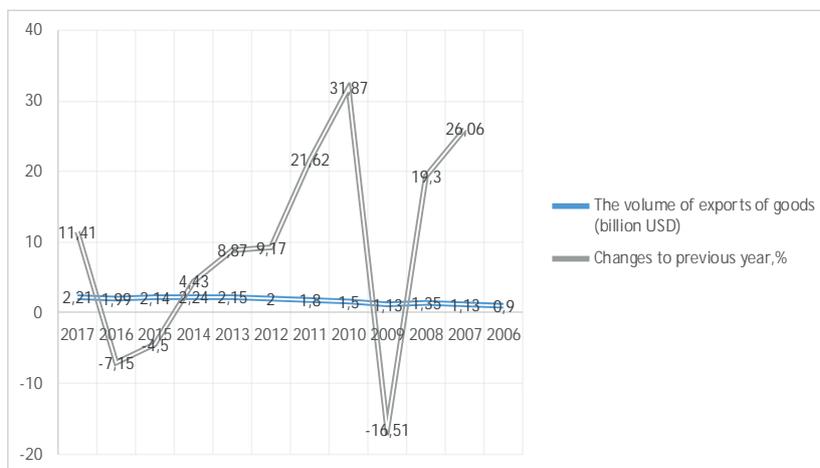
Table 1. China Foreign Trade Dynamics, 1978-2017[8, World bank.org.]

Years	Foreign trade turn over, bln. USD.	Exports billion USD	Import billion USD	Balance billion USD
1978	20,7	9,8	10,9	-1,1
1988	102,7	47,5	55,2	-7,7
1998	324	183,7	140,3	43,4
2008	2561,6	1428,5	1133,1	295,4
2009	2207,2	1201,7	1005,6	196,1
2010	2972,8	1577,9	1394,8	183,1
2011	3642	1898,6	1743,4	155,2
2012	3866,8	2048,93	1817,83	231,1
2013	4473	2354	2119	235
2014	4704	2463	2241	222
2015	4365	2362	2003	359
2016	3144	2200	1944	156
2017	4626	2418	2208	210

As can be seen from the table, China's foreign trade balance remained negative until the early 1990s. The main reason

for this is that in the early stages of reforms technological imports were the only source of formation of the competitive basis of the national economy.

With China's accession to the World Trade Organization (WTO) in 2001, new opportunities for foreign trade were opened. Thus, China's foreign trade almost doubled between 2002 and 2004 (from \$620 billion to \$1.15 trillion). In general, since the country's accession to the WTO, the foreign trade turnover has increased more than 4 times. (Goryunov, A.L. 2003) Figure 1.

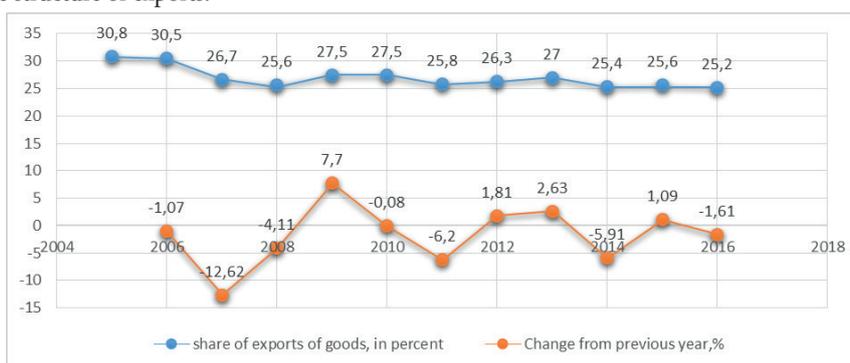


Picture 1. Dynamics of Changes in Exports of Chinese Goods for 2006-2017. (UNDP.org, 2007)

Exports of goods and services increased by \$ 1.5 billion in 2017 compared to 2006 as a result of foreign investment in various sectors and sectors of the economy and government financial and organizational measures for exports of goods and services diversified, new directions emerged. This includes machinery and electronics products, household appliances and production machinery and more.

Just look at the dynamics of changes in exports of goods in 2006-2017, while in 2009, China's exports of goods fell by 16.51% compared to 2008. The main reason for this is the decline in Chinese trade as a result of the economic and financial crisis in the United States, China's largest trading partner. But in 2010, the sharp rise was 31.87%. We can point to the emergence of new markets for Chinese goods (including Central Asian, Central and South American markets). However, in 2011-2016 there was a further decline in the volume of Chinese exports. The main reason is policy pursued to enhance the value of Chinese yuan.

It should be noted that the changes in the dynamics of exports of goods also affected the volume of exports of high-tech goods. In the same years there was a decline. However, it is noteworthy that in 2016, there was a 5.6% drop in comparison with in 2006. The main reason for this was the increase the share of raw materials and semi-finished products in the structure of exports.



Picture 2 trend in Changes in the share of High-tech Goods in the Exports of Goods 2006-2016 (Knoema. Uz. 2019).

At the core of the successful growth of exports in China is the strong export policy of the state.

China has always taken active steps to support national exports. During the crisis, these measures were aimed at overcoming exports by creating new incentives for expanding exports and entering new markets.

In order to maintain sustainable economic growth due to the decline in China's national investment, annual exports must increase by 15%. The PRC cannot withstand simultaneous decline in investment, consumption and exports. A 15% growth rate (exports) is major benchmarking, and slower growth leads to lower employment rates.

The export orientation of the economy provides a competitive advantage in the global market, as the PRC has such competitive resources: cheap labor and raw materials.

CONCLUSIONS AND RECOMENDATIONS

China's export promotion experience is one of the most effective methods and policies in the world economy. However, it is not possible to implement its experience directly in our country. This may be explained by differences in political systems, geographical location and other direct and indirect factors affecting the volume of exports. Based on the analysis and results, we offer the following areas of improvement of export activity in Uzbekistan:

1. Establishment of Export-Import Bank of the Republic of Uzbekistan. Establishment of such a bank will allow to increase export volume in the country :

- Opportunity for local producers (exporters) to receive export and import credits at low interest rates;
- Development of export credit insurance system;
- Possibility to purchase equipment and raw materials from abroad based on the wishes and wishes of local exporters. For example, foreign banks providing export-import loans to Uzbekistan require the purchase of machinery or raw materials from the bank, but the establishment of the Export-Import Bank in the country is based on the exporter's needs and financial capabilities, and sells new high-tech equipment and this allows you to obtain qualitative products.

2. The need to reduce the value-added tax in the country in relation to export products

Specifically, setting the VAT refund system based on the volume of exports, depending on the volume of exports. For example

- 5% discount on export up to\$ 1,000;
- 10%with export volume of 1001-10000 USD;
- 20% discount when exports exceed\$ 10,000 and up to\$ 20,000;

In the case of exports exceed US \$ 20,000 and up to US \$ 100,000,000, A 30% tax deduction should be introduced.

This scale may vary depending on other economic indicators of Uzbekistan.

The introduction of such a mechanism in the Uzbek economy will facilitate the export activities of producers.

3. Based on the Chinese experience, the high technologies in Uzbekistan should also be encouraged to export goods. The country will be able to increase its share of international labor by supporting high-tech goods exports.

The effective implementation of the above suggestions will also depend on the government's GDP, the ability to proper and efficiently use national wealth, the role and share of the international labor division.

Export development in the Republic of Uzbekistan will create new industries in the national economy, increase their share in the international labor division, and promote international industrial cooperation and integration.

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