RIGHT TRACK

Cargo is loaded onto ships at Qingdao port in Shandong province in July. ZHANG JINGANG / FOR CHINA DAILY

China's recovery boosts global commerce

Pragmatic approach eases impact of COVID, protectionism on supply chains

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There was a time not very long ago when Zhang Wenxing, as part of a company's packaging unit team, used to specialize in ensuring that "Made in China" on product labels was as small as possible.

Not anymore. Zhang, now 43 and working as the production manager at Guizhou Zhuyun Paper Product Co Ltd in Southwest China's Guizhou province, has vivid memories of his then bosses worrying that the company's products like toilet rolls, tissues and wet paper napkins would not sell well if "Made in China" was prominent on labels. Fierce was the competition in the global marketplace, which was dominated by big names.

"Today, that kind of fear has become outdated. 'Made in China' appears prominently on labels and cartons as it denotes high quality and commands a huge global market," he said.

The company's staff have risen to 180. What's more, exports had risen 70 to 90 percent year-on-year in the first eight months of this year.

Owing to COVID-19, many overseas manufacturers in the paper industry have either suspended their production or shut their factories to avoid health risks. But Zhuyun Paper saw its global market orders surge 30 percent on a yearly basis over the past eight months. A hectic production schedule till December has been firmed up.

"In comparison with tissue and other paper products, toilet rolls are in urgent need and have become the main product to be shipped to overseas markets such as the United Kingdom, the United States, Singapore and Australia so far this year," Zhang said.

"Thanks to the firm demand, we have gained more bargaining power in terms of pricing and gradually popularized our brands overseas. We no longer focus on working as an original equipment manufacturer or OEM."

Zhuyun Paper epitomizes the Chinese corporate sector's timely resumption of post-COVID production, and gradual return of overseas demand. They have not only helped manufacturers across sectors rebound but stabilized regional and global supply chains, mitigating the pandemic's adverse economic impact, and building a stronger economic region, said Wei Jianguo, vice-chairman of the Beijing-based China Center for International Economic Exchanges.

Quick recovery from the COVID-19 fallout has enabled China to set goals for creating a more favorable business environment and giving full play to the decisive role of the market in the allocation of resources, he said.

Amid growing uncertainties in the global market, China's foreign trade has beaten market expectations in recent months. China saw its foreign trade increase 6 percent on a yearly basis to 2.88 trillion yuan ($411.59 billion) in August, with exports surging 11.6 percent and imports declining 0.5 percent respectively, according to latest data from the General Administration of Customs.

Despite the global trade market shrinking, China's share of it is growing, which indicates the sector's rising competitiveness and increasing capacity to counter pressure, said Ni Yuefeng, head of the GAC.

He said China will expand the number of comprehensive bonded zones to 150 by the end of this year, in particular in its central and western regions, to further stabilize foreign trade and investment.

A comprehensive bonded zone is a special Customs supervision area established by the Chinese government with reference to the free trade zones (parks) that are commonly used internationally.

To further ease the pressure caused by protectionism, China will likely continue to deepen economic cooperation in more fields with countries and regions related to the Belt and Road Initiative over the next several years, said Chen Bin, executive vice-president of the Beijing-based China Machinery Industry Federation.

The country will also accelerate the pace of sealing more bilateral and multilateral free trade deals with economies such as Japan, South Korea, the Association of Southeast Asian Nations and the European Union, he said.

China has been pushing for progress in negotiations for the Regional Comprehensive Economic Partnership, the China-Japan-South Korea Free Trade Agreement and China-Israel Free Trade Agreements. Meanwhile, the country and the European Union have accelerated the pace of negotiations for the bilateral Comprehensive Agreement on Investment, and hope to conclude talks this year.

Despite the fact that exporters in many parts of the world are still struggling to secure a market share abroad, Xi'an-based Longi Green Energy Technology Co has been not only hiring but expanding its factories in recent weeks, said Zhong Baoshen, its chairman. Ideas for business expansion constantly pop up in his mind, he said.

A GAC employee works on an assembly line in Guangzhou, capital of Guangdong province, in February. ZHANG DI / FOR CHINA DAILY

An array of cars are parked beside a cargo ship for export at the port in Lianyungang, Jiangsu province, on Sept 7.
GENG YUHE / FOR CHINA DAILY

The group, a major Chinese manufacturer of monocrystalline silicon photovoltaic products, saw its exports of photovoltaic units, mainly to Europe, jump 62.5 percent year-on-year to 3.9 gigawatts in the first half of this year, thanks to the gradual recovery of these markets.

Zhong predicted that the value of the company's exports will grow 50 percent year-on-year to 12 billion yuan this year.

The company currently is hiring 17,000 people for its overseas and domestic plants to meet the growing market demand. Its overall staff is likely to reach 51,000 next year.

The company operates a manufacturing base with over 4,000 employees in Malaysia. It plans to move to the next development stage by building more branches in other countries, including India, Australia and Brazil during the post-pandemic period, to further compete with other established rivals.

Bai Ming, a senior researcher at the China Academy of International Trade and Economic Cooperation in Beijing, said many countries' broken or shut industrial and supply chains pushed the rebound in China's export growth rate over the past two months. China's supportive trade policies, surging value of shipments to the ASEAN markets, and rapid export of anti-epidemic materials also boosted exports.

"Whether this momentum could be maintained in the future depends on the global community's efforts in containing the pandemic. If a second wave of the contagion occurs in China's major trading partners, it will delay their economic recovery and affect China's external demand," he said.

"China should seal more free trade deals with partner economies to put its trade growth on a firmer footing."

Gao Lingyun, a research fellow at the Institute of World Economics and Politics, which is part of the Beijing-based Chinese Academy of Social Sciences, warned that because of rising unilateralism, China must continue to upgrade of its trade structure, with its transition to high value-added trade such as high-tech manufacturing and services.

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Since the pandemic has hit the economies of developing countries more severely than those of developed countries, trade between China and developing nations has also been damaged more than that between China and developed economies, Gao said.

So, China needs to stabilize trade ties with Africa and South America, as well as pay attention to the relocation of its labor-intensive industries to other markets in the next stage.

To help more export-oriented companies, the government announced in mid-August that it will step up credit support for foreign trade companies, especially micro, small and medium-sized ones, and extend financial support to major foreign-funded enterprises that are eligible for low-cost re-lending and rediscount quotas.

Under the new rule, foreign-funded companies are also entitled as domestic firms to the 1.5 trillion yuan re-lending and rediscount special quota support provided by the People's Bank of China, the central bank.

However, Ren Hongbin, assistant minister of commerce, talked of foreign trade environment turning even more complex and challenging in the second half of the year. As the pandemic is still raging worldwide, the resulting global economic contraction will squeeze external demand, he said at a national meeting on stabilizing the country's foreign trade.

The Ministry of Commerce found in a recent survey that insufficient orders, impeded logistics, financing difficulties and unstable industry and supply chains are prominent factors troubling foreign trade businesses.

A report released by the World Trade Organization in early August said that travel restrictions and border closures imposed by countries could account for a substantial increase in trade costs, besides causing considerable delays in international maritime and land transport.

Growing importance of trade in services

REPORTER'S LOG
By Zhong Nan

Trade in services in China is having a bit of a duel with trade in goods. Or so it appears.

Trade in services refers to purchase and sale of services. According to the World Trade Organization's definition, trade in services covers 12 major sectors. These include commerce, communication, construction and related engineering, finance, entertainment, culture, sports, tourism, education and environment.

Strong manufacturing capability and complete industrial chains mean that trade in goods was the mainstay of China's international impact for long.

That is changing. The share of trade in services in overall economic pie is increasing, and is also driving growth.

Services trade currently accounts for about 20 percent of the total volume of global trade and the proportion is expected to rise to one-third in 2040, according to a report by the Chinese Ministry of Commerce and the World Trade Organization.

China's services trade boasts even greater growth potential. The value of China's services trade stood at $743.4 billion last year, accounting for about 5 percent of the country's GDP.

China has become an important growth driver in world services trade in recent years. It has been the world's second-largest trader in services for six consecutive years, and its trade in services in 2019 reached 5.42 trillion yuan ($793 billion), the Ministry of Commerce said.

Post-pandemic, this trend will likely impart more growth impetus to both domestic and global firms.

China needs to meet the twin challenges of intensified protectionism and the damage done to global trade and investment activities by COVID-19. The nation may choose to maintain the growth of services trade at a steady clip and accelerate the pace of drafting the negative list for cross-border services trade.

It's the negative list that determines the off-limits sectors and industries for foreign investors. Of late, many areas have been coming off China's negative list. Stated differently, more and more areas are being thrown open to foreign investors. The shorter the negative list, the better for investors.

To be sure, the already fierce competition among global cities will intensify further in the future. The winners will be decided by their business environment. And the negative list has a huge influence on business environment. A shorter negative list will help Chinese cities as well as their surrounding regions such as the Yangtze River Delta and Pearl River Delta to become world-class urban areas. They will emerge a new growth pole of the modern global trade in services.

With many global companies from the services trade sector building more regional branches and service facilities in China's central and western regions, as well as in pilot free trade zones and Hainan free trade port, these moves will further ensure the quality and efficiency of the country's opening-up and reform. They will also facilitate stability in foreign trade, foreign investment, employment and supply chains.

The Chinese government may formulate specific and feasible implementation plans based on the country's industrial characteristics and locational advantages. It will likely cultivate new competitive points in areas like digital trade, transportation, tourism, culture, traditional Chinese medicine, service outsourcing, in order to further boost economic transformation and upgrade coordinated regional development.