

TRADE RELATIONSHIP BETWEEN CHINA AND CENTRAL EASTERN EUROPEAN COUNTRIES

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Abstract

Trade relation between China and Central Eastern European Countries (CEECs) entered into a new stage after CEECs joined EU. The improvement of political relationship boosts the trade expansion between China and CEECs and there is huge potential cooperation space among them. All parties involved in trade should abide by the international rules and keep the faith to promote the further development of economic cooperation. China should adopt strategic measurements to develop healthy trade relationship with CEECs.

Keywords: Trade China CEECs.

1. Trade Status between China and CEECs

The trade relationship between China and CEECs has been established since 1950s. The trade was undertaken by the stated-owned foreign trade companies before 1989 and the trade volume was relatively small. Then the domestic economy transformation and economy depression in CEECs negatively affected the smooth development of trade relationship between China and these countries in 1990s.

With the gradual improvement of economic situation in CEECs in early 2000s, the trade between China and these countries increased rapidly. Poland, Hungary, Czech, Slovak, Romania as well as Bulgaria have joined European Union successively since 2004 and began to carries out EU's common trade policy, the trade relation between China and these countries has come into a new stage(to see Table 1).

It can be found from Table 1 that the trade between China and CEECs increased greatly. For example, Sino-Polish trade volume in 2004 was 2.331billion US dollars with a increase of

17.8 per cent; 3.153 billion US dollars in 2005, 35.3 per cent increase; 4.671 billion US dollars in 2006, 48.2 per cent increase and 7.664 billion US dollars in 2007, 64 per cent increase. Now Poland is China's biggest trade partner in the Central Eastern Europe. Hungary holds the second position.

Table 1.

Trade volume among China and CEECs

	Billion US dollars				
	2004	2005	2006	2007	2008(Jan-Jun)
Poland	2.331	3.153	4.671	7.664	5.071
Hungary	3.127	2.859	3.987	6.226	3.870
Czech	1.793	2.039	2.882	4.967	3.051
Romania	1.384	1.662	6.314	2.366	1.575
Slovak	0.288	0.491	0.914	2.206	1.492
Bulgaria	0.405	0.531	1.865	0.969	0.656

Resource: China Customs

In the first half of 2008, the trade volume between China and Poland, Hungarian, Czech, Romania, Slovak as well as Bulgaria all exceeded the 60 per cent of their trade volume in 2007 respectively. It is estimated that the trade would continue maintain rapid growth in the second half of 2008.

According to Romanian official data, China was listed as the 10th import origination country include EU members and the 28th export partner of Romania in 2007. The trade between China and Romania reached 1.134 Billion Euros (transit trade excluded) in the first half of 2008 with 50.5 per cent growth rate.

According to the Hungarian Central Statistics Office, trade between China and Hungary reached 2.09 billion Euros from January to May 2008 increasing 29 per cent compared with the same period of 2007. The data from Ministry of Economy of the Slovak Republic indicated that Sino-Slovak trade reached 1.2 billion Euros from January to May 2008, increasing 27.7 per cent compared with the same period of 2007. The Ministry of Economy and Energy of the Republic of Bulgaria showed that Sino-Bulgaria trade was 0.3 billion Euros from January to May 2008, increasing 26.6 per cent compared with the same period of 2007. Export from Bulgaria to China was 0.04 billion Euros, increasing 42.6 per cent and import from China was 0.26 billion Euros, increasing 24.9 per cent. Czech official statistics showed that Sino-Czech trade amounted to 6.22 billion US dollars from January to June 2008, increasing 54.2 per cent.

2. Trade Characteristics of Sino-CEECs

2.1. The political friendship boosts the trade expansion

The trade between China and CEECs once dropped greatly in the early-1990s. For example, the Sino-Polish trade was 0.646 billion US dollars in 1989, but it decreased to in 0.14 billion US dollars in 1991. The trade volume began to increase gradually from 2000. The Sino-Polish trade volume reached 0.96 US dollars in 2000 and soared up to 1.243 billion US dollars in 2001, 1.383 billion US dollars in 2002 and 1.979 billion US dollars in 2003.

When President Hu Jintao visited Poland, Hungary and Romania in June 2004, he proposed to strengthen the trade relationship and promote the mutual investment between China and these countries. Then the "Agreement for Economic Co-operation" was signed among China and some CEECs to improve the legal framework for bilateral economic and trade cooperation in 2006. A website of economic and trade cooperation for Sino-CEECs began to establish in 2007 and the Commodities Exhibition of Latin American and Central Eastern European Countries was organized by the Ministry of Commerce, PRC in Beijing in November 2007.

The Chinese government have made great efforts to promote the bilateral trade with the CEECs and encourage the enterprises to "walk out". The government held "China high-tech product exhibition" in Hungary in Sep. 2006. With the help of local famous exhibitor, The Beijing local government held "Beijing brand product exhibition" in CEECs to upgrade Beijing international image and enlarge the oversea promotion efforts.

China has established consultation mechanism with CEECs and kept the constant touch in the trade cooperation.² The friendly political relation boosts the trade between China and CEECs . The Sino-Polish trade volume of 2007 was nearly 4 times of that of 2003. The Sino-Hungary trade volume of 2007 was nearly 2 times of that of 2004.

China exported 1.84 billion US dollars to Poland, increasing 13.8per cent, imported 0.48 billion US dollars from Poland , increasing 35.7per cent in 2004; exported 4 billion US dollars increasing 54.3per cent, imported 0.667 billion US dollars , increasing 19.7 per cent in 2006; exported 6.55 billion US dollars ,increasing 63.6per cent, imported 1.111 billion US dollars, increasing 66.6per cent in 2007.

² The intergovernmental economic, trade, science and technology cooperation committee established in August 1985 between China and Bulgaria , held 12th regular meeting in April 18, 2006 in Sofia. In April 2006, the Sino-Polish economic cooperation joint commission organized 12th conference in Poland to promote bilateral trade through official communication .

Compared with 2006, Chinese imports from Bulgaria increased 90per cent. The imports from Romania increased 21per cent. Besides EU members, China was the third import partner of Romania in 2007.

The trade between Slovak and China increased 141per cent in 2007. Chinese Exports increased 154per cent and imports increased 118per cent.

Czech is also the China's important trade partner. The bilateral trade reached more than 0.9 billion US dollars in 1980s but decreased to 0.357 billion US dollars in 1999, then roared up to 4.967 billion US dollars in 2007. The trade volume between two countries listed third among Sino-CEECs. In order to adapt to the new commitment Czech had to keep after EU entry, Czech and China government signed Economic Co-operation Agreement in 2004 and the Investment Promotion and Protection Agreement in 2005, which laid down solid foundation for further trade development between Czech and China.

2.2. Relatively small trade volume and high trade imbalance

The trade between China and CEECs only accounts for a small portion of trade between China and EU. According to Chinese Customs, trade volume between China and Poland, Hungary, Czech and other Eastern European countries was 24.398 billion US dollars, which only accounted for 6.9 percent of total Sino-EU trade,³ 25 per cent of Sino-German trade in 2007.

China only played minor roles in CEECs international trade. For Romania, the imports from China only accounted for the 3.27 per cent of its total import, the exports to China accounted for 0.53per cent of its total export in 2007. For Slovak, the imports from China accounted for 5.2per cent of its total import, the export to China accounted for 0.8 per cent of its total export in 2007. Slovak imported 1.02 billion Euros in January to May 2008, increasing 24.6 percent compared with the same period of 2007, but only accounting for 5.1 percent of its total import, while it exported 0.18 billion Euros to China, increasing 49.2 percent compared with the same period of 2007, also accounting for 0.9 percent for its total exports.

According to Czech, the Sino-Czech bilateral trade amounted to 6.22 billion US dollars, accounting for the 4.1 per cent of Czech total trade from January to June 2008. The exports was 0.42 billion US dollars from Czech to China, accounting for 0.5 per cent of its total export; the imports from China was 5.8 billion, accounting for 7.8 percent of its total imports.

³ Total trade volume of 356.1 billion US dollars between China and EU in 2007

Table 2.

Trade between China and CEECs

Dollars

Billion

	2004\$				2005\$			
	Export	Growth rate(per cent)	Export	Growth rate(per cent)	Export	Growth rate(per cent)	Export	Growth rate(per cent)
Poland	1.844	13.8	0.487	35.7	2.596	40.8	0.557	14.4
Hungary	2.652	16.0	0.475	57.8	2.494	-5.9	0.365	-23.1
Czech	1.351	13.6	0.442	48.8	1.667	23.4	0.372	-15.9
Rumania	1.057	109.1	0.327	-30.5	1.369	29.5	0.293	-10.6
Slovak	0.16	16.6	0.128	5.3	0.308	92.9	0.183	42.4
Bulgaria	0.338	103.1	0.067	14.3	0.442	30.7	0.089	32.9

Dollars

Billion

	2006\$				2007\$			
	Export	Growth rate(per cent)	Export	Growth rate(per cent)	Export	Growth rate(per cent)	Export	Growth rate(per cent)
Poland	4.004	54.3	0.667	19.7	6.553	63.6	1.111	66.6
Hungary	3.288	31.9	0.699	91.3	5.016	52.6	1.209	72.9
Czech	2.365	41.8	0.517	39	4.137	74.9	0.831	60.8
Rumania	6.084	334.3	0.23	-21	2.084	-65.7	0.282	21.9
Slovak	0.577	87.2	0.337	83.8	1.47	154.7	0.735	118.6
Bulgaria	1.783	303.7	0.082	-8.2	0.813	-54.4	0.156	90.4

Resource: China Customs

The table 2 indicated that China maintains huge trade surplus with the CEECs. Poland was China's No.1 trade partner of these new EU members and held the largest trade deficit reaching more than 5.7 billion US dollars in 2007. Though Chinese exports to Romania and Bulgaria decreased greatly in 2007 after their EU entry, China still kept large trade surplus with them amounting to 1.8 billion US dollars and 0.6 billion US dollars respectively. The China's surplus with Hungary and Czech also exceeded 3 billion US dollars.

In the first half of 2008, the trade volume between Romania and China reached 1,134 billion Euros (transit trade excluded) growing 50.5per cent compared with the same period of 2007. Among them, Romania exported 90.64 million Euros to China, imported 1.043 billion Euros from China, 11.51 times of its exports. The Romanian trade deficit was 0.953 billion Euros, increasing 59.6 per cent compared with the same period of 2007.

In the first five months of 2008, Hungary exported 0.3 billion US dollars to China decreasing 4.8 percent compared with the same period of 2007, imported 1.79 billion US dollars increasing 37.2 per cent. Slovak's trade deficit with China reached 0.84 billion Euros in the same period. Czech held 5.38 billion US dollars trade deficit with China in the first half of 2008, and Bulgaria held 0.22 billion Euros trade deficit against China in the first five months of 2008.

2.3. The trade structure need to be improved

In recent years, the mechanical and electrical products took the biggest shares of china's imports from CEECs, the second one is raw material commodities, while the light-industry products is the major commodities export to those countries and the second one is mechanical and electrical products made in China. Though the trade commodities structure has improved continually, the parties involved still hope to enhance the value added in the trade.

The main commodities export to Poland, Hungary, Czech as well as Slovak are computers, office equipments and the spare parts, electric appliances, clothing & textile, shoes, bicycles, food, chemical products and so on; the commodities imported from them are non-ferrous metal, chemical product , auto parts, machinery and transport vehicle, food, glass products and others.

The trade structure between China and Romania is relatively primary, low value added products accounted for more than 50per cent of their total trade. According to the Romanian statistics, Romania imported a lot of consumption goods, cheap metal and their product, chemical products, raw material and finished products of textile from China. Among them, the imports of the high-tech, high-value added products such as mechanical device, electronic equipments, sound or video processing equipments were just worth 0.5-0.9 billion US dollars, taking a small percent of the import from China in 2006-2007.

The main export commodities from China to Bulgaria are clothing and accessories, electrical equipment, appliance, electrical components, shoes, mechanical device and components; the main imports are steel and iron products, non-ferrous metal, transport vehicle, metal ore and wastes. The bilateral trade structure also need to be improved.

2.4. The mutual direct investment between China and CEECs need to be increased

As the result of historical reason, the light industry and home appliance industry in some CEECs do not hold international competitiveness and most of their light-industry products are heavily rely on import. For example, half of domestic consumption of refrigerator, washer and

television in Poland are imported from other countries, so does the consumption of air conditioners in Romania and Bulgaria. The productivity of video, VCD, DVD, microwaves, computer, camera and watch are too weak to meet the demand of their domestic markets.

Now a lot of Chinese Enterprises has established their subsidiaries in CEECs. For example, Hisense Group established television assembly factory in Hungary, F&J Group established television assembly factory in Romania, Donghui company □DHS□ established bicycle assembly factory in Romania. TCL Group 's TTE established television assembly factory in Poland, NUCTECH Company Ltd. (NUCTECH) established joint venture with Athletic in Poland, Lifan Group established air conditioners assembly factory in Bulgaria.

Huawei and ZTE has enjoyed some market share in Bulgarian telecommunication market, which established a positive image for Chinese high-tech companies and promoted the high-tech products trade. Some high-tech products supplied by Chinese companies have been accepted by these countries. For example, container inspection equipments supplied by NUCTECH to Poland were highly appreciated by Poland's Customs.

Meanwhile, CEECs hold some relative comparative advantages in auto industry, coal mining technology and equipments, airplane-building and ship-building technique as well as drugs manufactures, which provide more cooperation opportunities for Chinese companies. The "Grandetiger" from Hebei Zhongxing Automobile Co., Ltd (ZXAUTO) was produced by the Pol-Mot company in 2008, estimated annual output would be 1500 units. Czech hold first-class sewage biological treatment technology and sewage deposit filtration technique in the world, which meeting the Europe and America sewage processing standard. These high-technologies provide more favorite condition for future cooperation among China and Czech.

2.5. The trade division effect of EU expansion on trade between China and CEECs

Since China's export structure to EU is quite similar with that of CEECs, the trade division effect of EU expansion negatively influences Chinese trade with CEECs. The commodities from CEECs enjoyed unified tariff rate in the EU, low transportation cost and geographic convenience, which increased their competitive power greatly, so the trade has shifted from extra-EU to intra-EU. Though the trade between China and these countries has increased rapidly in recent years, but more attentions of CEECs has been paid to the intra-EU market.

EU-15 have become the most important trade partners of the new EU 10 members since 2003. The 67per cent of new EU 10 exports flowed to EU-15, and 58 percent of their imports came from EU-15. For Hungary, 80 percent of its exports flowed to EU after the entry and

German is its No.1 trade partner with 30% of its export amount and more than 29% of its imports, while the import from China only accounted for 5 percent of total imports in the same period.⁴

The export from China to Romania and Bulgaria decreased more than 50 percent after their EU entry in 2007. According to the Bulgarian Statistics, the total foreign trade was 35.482 billion Euros in 2007, with the EU countries was 21,05 billion Euros, with non-EU countries was 14.43 billion Euros and the trade with China was only 0.68 billion Euros.

3. The prospect of trade between China and CEECs

Though the trade volume between China and CEECs is relatively small, there is still great potential space for the future development.

The GSP treatment provided by the new EU members would lead to more opportunities to Chinese products and the market expansion would bring about more investment opportunities for Chinese enterprises. Though the establishment of higher trade standard and intense market competition in these countries would eliminate some inferior Chinese products, it also drives Chinese enterprise to improve the product quality and technical contents.

CEECs hold rich resources in tourism, 32.6 millions foreigners visited to Slovak in 2007, Bulgaria was selected as one of the "best destination" by the World Tourism Organization. China should strengthen cooperation with these countries to carry out various tourism trade to ease the trade imbalance.

There are some defects appeared in the trade, there are some language barriers between China and CEECs. Some CEECs government website do not hold English version and it is difficult for Chinese to find more information on it.

China enterprises and trade union in CEECs should make full use of their local advantage to help the newcomers develop the local market by providing local law consultation and language assistance, establishing friendly relationship with local peoples, actively participating local public affairs, making contributions to the local economic development and promoting the health sustained development.

In December 2007, Lisbon Treaty integrated the members' FDI policy into the EU Common Trade Policy. The Treaty which would come into force in January 1, 2009. Due to the relatively weak competitiveness and self-interests, some CEECs could argue the EU set up

⁴ Ministry of Economy and Transport, Hungary

more barriers to non-member countries. China is likely to bear the negative result and more concern should be paid to this issue.

The excessive trade imbalance is not helpful to establish a long-term stable mutual-benefited trade relationship between China and CEECs. Some CEECs had determined to participate Shanghai World Exhibition in 2010 to vigorously promote its culture, tourism, education, scientific research ability and the business investment environment to China. These countries economical and trade structure would improve gradually along with their continuously economy transformation and adaption to the EU integration. It is opportunity and challenge for China.

Most of CEECs would like to maintain and develop friendly cooperative relationship with China, which is helpful to promote trade among them. The economy cooperation among China and CEECs would continuous expand and hold more development potential in the future.

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