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THE DEVELOPMENT OF FOREIGN ECONOMIC RELATIONS BETWEEN CHINA AND ITALY IN TERMS OF CHINESE ECONOMIC EXPANSION

РАЗВИТИЕ ВНЕШНЕТОРГОВЫХ ОТНОШЕНИЙ МЕЖДУ КИТАЕМ И ИТАЛИЕЙ В УСЛОВИЯХ КИТАЙСКОЙ ЭКОНОМИЧЕСКОЙ ЭКСПАНСИИ

The paper deals with studying foreign trade relations between the PRC and Italy in the context of world economic expansion and transformation of the national economy of China, on the one hand, and also in the conditions of recession of the Italian economy, on the other hand. The problems of such relationships from the point of view of their use by Ukraine to optimize its export-import operations with the PRC are singled out.

Статья посвящена исследованию внешнеторговых отношений между КНР и Италией в условиях мировой экономической экспансии и трансформации национальной экономики Китая с одной стороны, а также в условиях рецессии экономики Италии с другой стороны. Отдельно выделены проблемы таких взаимоотношений с точки зрения использования их Украиной для оптимизации собственных экспортно-импортных операций с КНР.

Keywords: export, foreign trade relations, import, Italy, China, problems

Ключевые слова: экспорт, внешнеторговые отношения, импорт, Италия, Китай, проблемы

INTRODUCTION

China's economic expansion, dating back to the late 20th century, has led China to become the second largest economy in the world today. At the same time, in the period from 1979 to 2010, the percentage of China's GDP in the global economy increased from 1.2% to 9.3%, and in 2016 it was 14.8% [1]. Hence, this was due, to a greater extent, to the rapid growth of the country's exports in the face of aggressive foreign trade policy of both the state as a whole and its individual producers. Thus, from 2010 to 2015, the share of the People's Republic of China in global exports increased from 10.3 % to 13.7 %, and in 2016 it amounted to 14.3% (\$ 2.1 trillion), making the PRC the largest global exporter [2]. At the same time, China is one of the largest importers of goods and services. In 2016, the country ranked second after the United States in terms of imports (10.7% of the world imports – \$ 1.3 trillion) [3].

The role of the PRC in the global economy, the volume of exports and imports of the country make foreign trade relations with it one of the most priority for all countries of the world without exception. Such relations are especially important for countries which are in a state of recession after a prolonged economic crisis (Ukraine, Italy, Spain, Greece, etc.).

Thus, from a practical point of view, it is important for Ukraine to study the experience of foreign trade relations with China of other countries, which will reveal the problems of such relations in order to prevent them in the export-import relations between Ukraine and the People's Republic of China.

Under such conditions, it is considered appropriate and relevant to study the foreign trade relations between

China and Italy, which, like Ukraine, has significant economic problems and is one of the main trading partners of the People's Republic of China.

We note almost complete absence of studies in Ukraine on the assessment of foreign trade relations between China and Italy; some aspects of such relations are covered in the works of the following scholars: M.P. Vysotska, L.V. Vlasenko, V.P. Miklovda, O.M. Oliinyk, U.Ya. Harina, Ts. Chen and others. In foreign scientific journals, it is necessary to mark out scientific developments on the subject of the following scholars: A. Amidzhnini, L. Leotti, P. MacMillan, J. Prodi and others.

At the same time, we note the following shortcomings of the above scientific studies: as regards to the scientific works published in Ukraine – almost complete absence of assessment of the experience and problems of the relations between the PRC and Italy, which does not allow using such experience for Ukraine; in the case of foreign scientific publications – it is not possible to make full use of scientific developments for the foreign trade relations of Ukraine with China.

STUDY OBJECTIVE

The above requires a detailed study and evaluation of foreign trade relations between the People's Republic of China and Italy in the context of identifying the problems of such relations to prevent their emergence in the export-import relations between Ukraine and China, which is the study objective.

RESEARCH METHODS

Within the limits of scientific research the methods of analysis and synthesis, observation and generalization, induction and deduction, as well as systemic and struc-

tural approach are used.

RESEARCH FINDINGS.

Slowing growth of China's economy, which has been observed since 2010 (Fig. 1), has led to significant changes in the country's economic and foreign trade policy.

In 2015-2016, the People's Republic of China adopted the economic concept of the development One Belt One Road, which formed the basis for the development of the 13th Five-Year Plan. The main components of this concept are: the development of innovation; partial withdrawal from exports in the direction of development and expansion of the domestic market; increase in the export of innovative products and products with high added value; slowing quantitative growth and focusing on

quality; development of the non-production sector of the economy; extension of economic cooperation with other countries due to intensification of investments through M & A agreements (Mergers & Acquisitions) [5].

The given situation is quite acceptable for the countries – foreign trade partners of the People's Republic of China, which need both Chinese investments and expansion of export-import operations with China as a result of the crisis and the subsequent recession of the national economy, which include, first of all, Italy.

Italy is one of the countries most affected by the global economic crisis of 2007-2008. In the period from 2011 to 2016, the country demonstrated either a slight increase in GDP or its significant decrease (Figure 2).

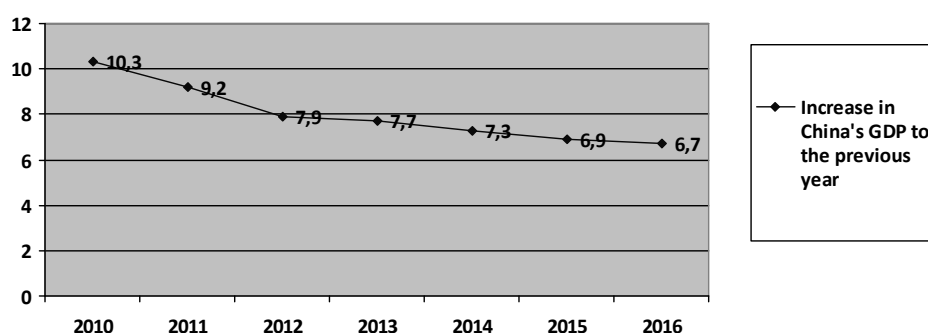


Fig. 1. Annual China's GDP growth rates [composed by the author based on [4]]

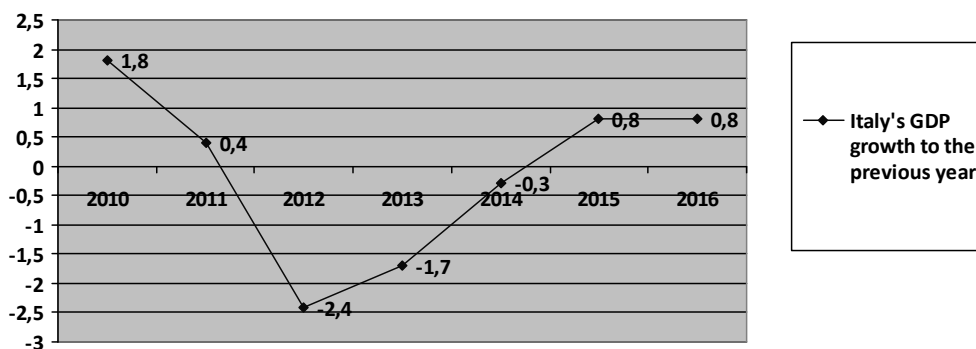


Fig. 2. Annual Italy's GDP growth rates [composed by the author based on [6]]

The economic situation in Italy shows that the country has not recovered from the economic crisis and needs to find ways to stimulate the growth of its own economic system. At the same time, we can state that the set of anti-crisis measures developed and introduced by the Italian state institutions is not effective.

The above increases the topicality and importance of foreign trade relations for both countries, which are considered in the study, because it allows achieving the set economic and export-import goals.

After examining the export/import supplies of products (works, services) between the PRC and Italy (Table 1), the following can be stated: against the backdrop of a gradual decrease in exports from China, which began in 2015, there is a slight decrease in exports to Italy, although the largest drop in Chinese exports was in 2012-2013, years of GDP reduction in Italy; the share of export supplies to Italy in the total exports of China, after a significant decline in 2012-2013, is steadily

increasing, reaching 1.36 % of total exports of the People's Republic of China in 2016 (ranked 20th among importing countries from China); the share of imports from Italy, after declining in 2012, is steadily increasing, especially in the context of a decrease in total imports from China in 2015-2016. In 2016, the share of Italy in total imports of the People's Republic of China reached 1.96 % (13th among the countries exporting products to China); the increase in exports of Italian products to the PRC supports the recovery of its volumes after a significant decline in 2015 (-12.35%). At the same time, since 2012, the share of exports to China in the total volume of exports of Italy has been steadily increasing, reaching 5.70 % in 2016 (4th among the importing countries of Italy); significant import volumes from China against the backdrop of a decline in total imports of products (works, services) by Italy, which began in 2011, has led to a significant increase in the share of Chinese supplies to the Italian market. In 2016, Chinese products accounted for

6.98 % of all imports of Italy (3rd among the countries exporting products to the country).

We note the inequality of foreign trade relations between the People's Republic of China and Italy, since for Italy China is a key foreign trade partner and the most important one outside the European Union, while for

China Italy is important, but not a strategic partner for export-import relations, even within the EU (Germany and France have more branched foreign economic relations with China).

A key aspect of foreign trade relations between the countries is the balance of export and import supplies.

Table 1

Analysis of foreign trade relations between China and Italy for 2010 – 2016

[composed by the author based on [7, 8, 9, 10, 11, 12]]

Years/Indicators	2010	2011	2012	2013	2014	2015	2016	Abs. deviation 2016 to 2010, billion USD	Growth rates, 2016 to 2010,%
Exports of China, billion USD	1,578	1,898	2,049	2,209	2,343	2,274	2,061	483	130.61
Exports of China to Italy, billion USD	31	34	26	26	29	28	28	-3	90.32
Share of export supplies to Italy in the total exports of China, %	1.97	1.79	1.27	1.18	1.24	1.23	1.36	-0.61	69.04
Exports of Italy, billion USD	428	503	483	500	510	447	456	28	106.54
Exports of Italy to China, billion USD	14	18	16	18	19	17	26	12	185.71
Share of export supplies to China in the total exports of Italy, %	3.27	3.58	3.31	3.60	3.73	3.80	5.70	2.43	174.31
Imports of China, billion USD	1,396	1,744	1,818	1,950	1,959	1,680	1,326	-70	94.99
Imports of China from Italy, billion USD	14	18	16	18	19	17	26	12	185.71
Share of import supplies from Italy in the total imports from China, %	1.00	1.03	0.88	0.92	0.97	1.01	1.96	0.96	196.00
Imports of Italy, billion USD	475	545	474	466	466	405	401	-74	84.42
Imports of Italy from China, billion USD	31	34	26	26	29	28	28	-3	90.32
Share of imports from China in the total imports of Italy, %	6.53	6.24	5.49	5.58	6.22	6.91	6.98	0.45	106.89

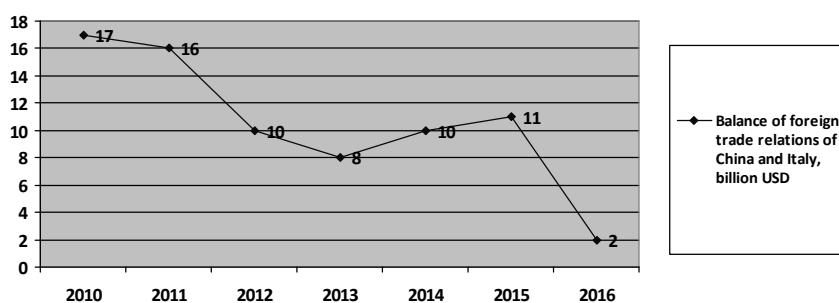


Fig. 3. Balance of foreign trade relations of China and Italy, billion USD
[composed by the author based on [13]]

In the period from 2010 to 2016, China had an external foreign trade surplus with Italy, which, after a minor correction in 2013-2015, was constantly decreasing (Fig. 3). The above also confirms the inequality of foreign trade relations between the People's Republic of China and Italy, from which China gets more economic benefits.

The structure of China's exports to Italy is dominated by: computer hardware and home appliances - about 25% of total exports to the country in 2016; light industry goods - about 20% of total exports to the country in 2016;

equipment for industry - about 15% of the total exports to the country in 2016; metal rolling and metal products - about 10% of total exports to the country in 2016 [14].

The structure of Italian exports to China is dominated by: medicines – about 15% of the total exports to the country in 2016; light industry goods – about 15% of the total exports to the country in 2016 (predominantly premium goods); chemical industry goods – about 10% of the total exports to the country in 2016; cars, spare parts and accessories to them – about 10% of the total exports

to the country in 2016; food products – about 10% of the total exports to the country in 2016 [15].

According to the structure of export-import supplies, China has advantages over Italy, since it displaces domestic producers on the traditional markets of products (works, services) of the country (home appliances, light industry, industrial equipment), importing predominantly Italian premium products and food.

We note the problems and inequalities in foreign trade relations between Italy and the People's Republic of China, where China has additional benefits and market power.

Complementing the work of J. Prodi [16], we will identify the problems of Italy in foreign trade relations with China, which need to be addressed in terms of the development of export and import supplies of Ukraine and the People's Republic of China:

- Critical increase in the share of exports and imports to/from China against the backdrop of slow growth or decrease in the total exports/imports;

- Reduction in the structure of exports of several major items to China against the backdrop of expanding the structure of imported Chinese supplies;

- Displacement of the national producers (for Italy, mostly medium and small businesses) from traditional domestic production markets by large Chinese corporations supported by the state institutions of the People's Republic of China;

- Insufficient state support for national exporters and producers of products in foreign trade relations with Chinese partners.

It should be noted that Ukraine, in the search for ways to restore the national economy after a prolonged period of crisis, taking into account the export orientation of the domestic economic system and the undeveloped domestic market, needs to study the problems of foreign trade relations between economically developed countries, which include Italy and the People's Republic of China.

CONCLUSIONS

On the basis of the analysis of statistical data on export-import operations between China and Italy, the foreign trade relations of these countries, as well as the problems of such relations between the countries for Italy in the conditions of economic expansion of China in the world markets of products (works, services) were assessed in the paper. The study revealed the inequality in foreign trade relations between China and Italy, through which China gains additional benefits and market power. The importance of such work for the restoration of the economy as well as export and import activity of Ukraine is separately determined.

In further research, it is necessary to study in more detail the experience of China and Italy in capturing markets and protecting their own market from being captured by the importers from other countries in the context of its application in Italy.

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