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Abstract. The purposes of this paper are to research the status quo of the foreign trade in Hubei, analyze the advantages and disadvantages of the foreign trade, explore ways to further expand the advantages and make up for the shortcomings, and propose countermeasures to improve the foreign trade competitiveness. The countermeasures include improving the quality of export products, strengthening the export of pillar industries, increasing the added value of products, accelerating the export of high-tech products, exploring emerging markets, attracting investment from enterprises, promoting policy docking, optimizing trade and logistics, guiding private enterprise innovation, and providing policy support.

1. The Status Quo of Hubei's Foreign Trade Structure

1.1. The Commodity Structure of the Foreign Trade

| Table 1. The Growth of Various Products in Hubei Province in 2016. |
| Mechanical and Electrical Products | +9.4% | Labour-intensive Products | +0.9% |
| High-tech Products | +24.5% | Service Export | +7.1% |
| Mobile Phones | +37% | Agricultural Products | +0.1% |
| Tablet Computers | +18.9% | Pharmaceuticals | +15.7% |
| Integrated Circuits | +9.2% | Chemical Fertilizer | -24.4% |
| LCD Panels | +19.8% | Steel Products | -10.9% |
| | | Ships | -22.4% |

The Data from Wuhan Customs

In 2015, the total import and export value of mechanical and electrical products in Hubei Province was 141.11 billion yuan, a year-on-year increase of 14.8%, accounting for 49.7% of the province's total foreign trade import and export value. Its export value was 86.51 billion yuan, and the import value was 54.6 billion yuan, up 20.3% and 7.1% respectively over the previous year. In addition, the import and export value of high-tech products in Hubei Province was 84.6 billion yuan, a year-on-year increase of 22.9%. The export value was 49.98 billion yuan, and the import value was 34.62 billion yuan, up 29% and 15.1% respectively over last year. It can be seen from the above data that in 2015, Hubei's foreign trade structure was generally under continuous optimization, and the import and export
of mechanical and electrical products and high-tech products in the province's foreign trade accounted for a large proportion. In addition, the implementation of the Belt and Road Initiative not only brought the import and export of fertilizers, ships and other traditional competitive industries to rise, but also made emerging industries such as consumer electronics and high-end manufacturing become important emerging growth points of Hubei's foreign trade. In 2015, the export value of mobile phones in Hubei Province was 15.07 billion yuan, an increase of 3.9 times; that of tablet computers was 4.52 billion yuan, an increase of 65.6%; that of integrated circuits was 3.24 billion yuan, an increase of 57.3%; that of railway equipment was 1.4 billion yuan with doubled growth.

By 2016, Hubei Province exported 62.2 billion yuan of high-tech products, an increase of 24.5%. Besides, the export value of mobile phones reached 20.65 billion yuan, up 37%; that of tablet PC reached 5.38 billion yuan, up 18.9%; that of integrated circuits reached 3.5 billion yuan, up 9.2%; that of LCD panels reached 920 million yuan, up 19.8%. Basically, all categories of high-tech industries were in a state of rapid growth. In the same period, the export value of traditional labor-intensive products was 26.58 billion yuan, down 0.9%, of which clothing export value amounted to 15.7 billion yuan, an increase of 7.1%. In addition, the export value of agricultural products was 11.15 billion yuan, an increase of 0.1%; the export value of pharmaceutical products was 3.48 billion yuan, an increase of 15.7%. In addition, the export value of some overcapacity industries dropped significantly. Among them, that of fertilizers was 6.77 billion yuan, down 24.4%; that of steel was 6.18 billion yuan, down 10.9%; that of ships was 4.42 billion yuan, down 22.4%.

From the data of the import and export of various products in 2015 and 2016, it can be seen that the export value of industrial manufactured goods including labor-intensive products in Hubei Province is much higher than that of primary products. At the same time, the export of high-tech products is also accelerating.

Table 2. The Total FDI of the Manufacturing Industry and Service Industry in Hubei Province from 2011 to 2014 (unit: 10,000 USD).

| Year | Actual Use of FDI | FDI in Manufacturing Industry | Rate of FDI in Manufacturing Industry | FDI in Service Industry | Rate of FDI in Service Industry |
|------|-----------------|-------------------------------|---------------------------------------|-------------------------|---------------------------------|
| 2011 | 465503          | 328504                        | 70.57%                                | 124994                  | 26.85%                          |
| 2012 | 566591          | 373515                        | 65.92%                                | 185006                  | 32.65%                          |
| 2013 | 688847          | 353536                        | 51.32%                                | 269069                  | 39.06%                          |
| 2014 | 792792          | 400108                        | 50.47%                                | 307585                  | 38.80%                          |

The Data from Hubei Provincial Bureau of Statistics

It can be seen from Table 2 that the service trade in Hubei Province has grown rapidly from 2011 to 2014. At the same time, the scale of foreign investment in the service industry is also expanding year by year. However, first of all, the volume of service trade in Hubei Province is still far from sufficient compared with the trade in goods. Compared with the eastern coastal cities, the import and export volume of service trade is still far behind. Secondly, although the export of service trade in Hubei Province has increased in recent years, it is still labor-intensive, and the export structure is relatively serious. Finally, Hubei's service trade lacks international competitiveness because the dominant industries are mainly concentrated in tourism and trade and transportation. However, the international competitiveness is seriously insufficient in the field of service trade with higher added value such as insurance, finance and patent transactions.

1.2. The Foreign Trade Structure

1.2.1. The General Trade with Large Value. Table 3 shows the proportion of various types of trade in import and export from 2012 to 2015. As can be seen from the figure, the structure of trade is still unbalanced. Although the proportion of general trade has declined in recent years, it is still far greater than processing trade. In 2012, the total import and export value of processing trade in Hubei Province was 8912.69 million US dollars, accounting for 27.9%. In 2015, the total import and export value of processing trade was 5843.07 million US dollars, accounting for 29.6%. Processing trade is much
lower than general trade, showing several problems in the current trade and economic development of Hubei Province. First, the degree of utilization of foreign capital in Hubei Province is currently not high; second, the degree of undertaking industrial transfer is low; third, the degree of cooperation with foreign investors is not high.

### Table 3. The Total FDI of the Manufacturing Industry and Service Industry in Hubei Province from 2011 to 2014 (unit: 100,000,000 USD).

| Year | Import | Export | Import | Export | Import | Export | Import | Export |
|------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2012 | 122.74 | 185.67 | 133.32 | 219.17 | 162.01 | 262.32 | 159.00 | 283.18 |
| 2013 | 94.77  | 115.28 | 100.06 | 152.02 | 116.49 | 184.56 | 108.84 | 196.18 |
| 2014 | 2.12   | 3.90   | 1.81   | 3.89   | 1.43   | 5.48   | 1.16   | 5.40   |
| 2015 | 20.80  | 62.30  | 28.14  | 59.33  | 43.07  | 70.43  | 48.75  | 79.84  |
|      | 0.02   | 0.03   | 0.07   | 0.05   | 0.08   | 0.07   | 0.09   | 0.06   |
| 2016 | 5.03   | 4.16   | 3.24   | 3.88   | 0.94   | 1.78   | 0.16   | 1.70   |

The Data from Hubei Statistical Yearbook.

1.2.2. Decline in the Value-added Rate of Processing Trade. The value-added level of processing trade is an important indicator of how much profit the processing trade brings to a region, and it can also reflect the position of the region in the international processing trade market. The value-added level of processing trade can be expressed by the value-added rate of processing trade, which is obtained by the proportion of net export of processing trade to its import.

![The Value-added Rate of the Processing Trade](image)

Figure 1. The Value-added Rate of the Processing Trade in Hubei Province from 2012 to 2015.

As shown in Figure 1, from 2012 to 2015, the value-added rate of processing trade in Hubei Province decreased year by year, from 2.89 in 2012 to 1.71 in 2015. The decrease indicates that the industrial structure of processing trade in Hubei Province has not been well developed and the benefits has not been improved.

In 2012, the total import and export of processing with supplied materials in Hubei Province was US$602.57 million, and it increased to US$8099.56 million in 2015. In 2012, the total import and export value of processing with imported materials in Hubei Province was US$831.12 million, and in 2015 it dropped to US$541.57 million. This change means the lack of foreign capital model and quality in Hubei Province, and also indicates that the processing trade in Hubei Province has not yet reached a better comprehensive development stage.

1.2.3. Regional Structure of Foreign Trade. In recent years, Hubei Province has not only consolidated the traditional foreign trade market, but also committed to the development of emerging markets, and fully strengthened trade cooperation with the less developed countries in the third world. At the same
time, it strives to maintain high-quality trade cooperation with developed countries. It guarantees the source of new trading partners without losing the original trade route.

**Figure 2.** Distribution of Trade Between Hubei Province and the Continents from 2012 to 2015.

As can be seen from Figure 2, Hubei's foreign trade has always been in a dominant position in the Asian region, and its trade volume growth rate is much higher than that of other continents. In 2015, the volume of trade between Hubei Province and Asia accounted for 59% of that of the province's total foreign trade, while the trade volume between Hubei Province and Europe accounted for 15.5%. North America was second to Europe in terms of foreign trade in Hubei Province, and its annual trade volume accounts for 10.3%. From the overall chart, except for the continuous growth of trade with the Asian region, the trade between Hubei Province and the second, third and fourth major foreign trade entities in Europe, North America and Latin America was relatively unstable. The trade volume has been growing slowly from 2012 to 2014, and then the trade volume in 2015 has suddenly dropped to that in 2013, indicating that there is a significant fluctuation in the trade between Hubei Province and the three continents. Obviously, there is still trade instability. In addition, the trade between Hubei Province and Oceania is basically stable. Only the trade volume in 2015 has declined, and basically the same problem exists in Europe and North America. For Africa, the last major trader, there is no such problem. The trade volume has been rising steadily, but there is no abnormal phenomenon with a sudden increase. In summary, we need to maintain the current stable foreign trade situation between Hubei Province and Asia as well as Africa, while finding trade problems with other continents and strengthening our trade competitiveness, so that Hubei's foreign trade can achieve rapid development.

The foreign trade relations between Hubei Province and other countries and regions are extremely uneven, which can be reflected from the following table. The main trading partners of Hubei Province are concentrated in several countries and regions, which indicates that Hubei Province has high dependence on these countries and regions in terms of foreign trade. The following table shows the changes in the proportion of major trading partners in Hubei's foreign trade:

**Table 4.** Changes in the Proportion of Hubei's Major Trading Partners in Hubei's Foreign Trade (Unit: percentage).

| Countries and Regions | The Proportion of Total Trade | The Proportion of Imports | The Proportion of Exports |
|-----------------------|-------------------------------|---------------------------|--------------------------|
|                       | Year  | 2012 | 2015 | 2012 | 2015 | 2012 | 2015 |
| Hong Kong             | 4     | 22.6 | 0.26 | 4.8  | 6.5  | 22   |
| Japan                 | 9.1   | 6.7  | 16.6 | 12.6 | 4.4  | 3.4  |
| South Korea           | 4     | 4.6  | 5.8  | 7.6  | 2.9  | 2.9  |
| Taiwan                | 2.7   | 3.9  | 4.5  | 7.5  | 1.5  | 1.8  |
| USA                   | 11.4  | 9.3  | 6.7  | 7.2  | 14.4 | 10.5 |
| Australia             | 6.2   | 3.3  | 13.1 | 6.5  | 1.67 | 1.5  |
The Data from Hubei Statistical Yearbook

In Table 4, we can clearly see the changes of Hubei's foreign trade partners in recent years. In 2012, the top three countries and regions of trade partners in Hubei Province were the United States, Japan, and Australia; in 2015, they became Hong Kong, the United States, and Japan. The foreign trade volume between Hubei Province and the three major trading partners accounted for 40% of the province's total foreign trade. The distribution structure of Hubei's foreign trade was also concentrated. From 2012 to 2015, Hubei's six major trading partners were Hong Kong, Japan, South Korea, Taiwan, the United States, and Australia, whose total trade accounted for 50.4% of Hubei's total foreign trade.

In the current rapid development of international trade, although the rankings of major foreign trade partners in Hubei Province have changed, the developed countries still occupy the largest proportion. Under the Belt and Road strategy, the foreign trade cooperation between Hubei Province and developing countries has also increased. As a major industrial province, Hubei Province has strong dependence on resources. The foreseeable future is that these developing countries, as major exporters of raw materials and primary products, will become Hubei's new big trading partners. As developing countries are vast markets. Hubei Province will have closer links with these countries.

The development of import and export trade in the eastern, western and central parts of Hubei Province is extremely uneven, with Wuhan, Xiaogan, Huanggang, Ezhou, Huangshi and other cities in the eastern region, Suizhou, Jingmen, Jingzhou, Tianshui and other cities in the central region, and Yichang, Enshi, Fuyang, Shiyan and other cities in the west. The total import and export volume in the eastern part of Hubei Province accounts for about 60% in the province, that in the central region accounts for about 30%, and that in the western region accounts for about 10%. The eastern region occupies a dominant position in the total foreign trade of Hubei Province.

As mentioned above, the TC value is the most intuitive basis for judging whether a commodity has the competitive advantage of foreign trade. Due to space limitations, the TC values of all products in Hubei Province cannot be listed here. Therefore, mechanical and high-tech products are selected as samples, which are the first and second places of foreign trade in Hubei Province in recent years. Although they cross each other, their overall proportion is more than 60% of the province's total import and export volume each year, with a certain degree of representativeness.

1.2.4. Foreign Trade Competitiveness of Hubei Province. The range of TC values fluctuates between -1 and 1, where industries with TC values below 0 are weakly competitive industries, and industries with TC values above 0 are competitive industries. According to the data in the above table, it can be calculated that the TC values of the mechanical and electrical products in Hubei Province from 2012 to 2016 are 0.22, 0.24, 0.17, 0.23, and 0.25 respectively; similarly, the TC values of the high-tech products from 2012 to 2016 are 0.23, 0.24, 0.13, 0.18, 0.25. Whether it is mechanical and electrical products or high-tech products, exports in 2014 and 2015 have been significantly affected. The decline in TC value is at the stage of foreign trade transformation in Hubei Province. After this period, the two TC values have increased. It can be said that in the past five years, the foreign trade situation of Hubei Province's mechanical and electrical products and high-tech products has been in a period of steady improvement. On the other hand, products with a TC value below 0.3 can only be regarded with a weak competitive advantage in the international market. However, for Hubei Province, mechanical and electrical products and high-tech products are the largest import and export products in Hubei Province each year. Compared with other export products, they have the strongest competitive advantage in the province. From this point of view, it is clear that Hubei's foreign trade competitiveness is not strong, and the products only with weak competitive advantages are difficult to occupy a place in the international market.
Table 5. Statistics on Import and Export of Hubei Electromechanical and High-tech Products from 2012 to 2016 (Unit: US$100 million).

| Article Items | Electromechanical Products | High-tech Products |
|---------------|-----------------------------|-------------------|
|               | Expot Rate of Increase | Provinci al Export Ratio | Import rate of Increase | Provinci al Import Ratio | Export Rate of Increase | Provinci al Export Ratio | Import rate of Increase | Provinci al Import Ratio |
| Year          | Expor t | Rate of Increase | Provinci al Export Ratio | Import rate of Increase | Provinci al Import Ratio | Export t | Rate of Increase | Provinci al Export Ratio | Import rate of Increase | Provinci al Import Ratio |
| 2012          | 99.1   | 4.8%           | 51.1%            | 63.4 | -8.7%           | 50.5%            | 47.1   | 12.4%           | 14.7%            | 29.7 | -8.4%           | 23.6%            |
| 2013          | 102.5  | 3.5%           | 44.9%            | 63.2 | -0.4%           | 46.6%            | 52.1   | 10.5%           | 14.3%            | 32.2 | 8.7%           | 23.8%            |
| 2014          | 117    | 14.1%          | 43.9%            | 83   | 31.3%           | 50.5%            | 63.1   | 21.1%           | 14.7%            | 48.97| 52.1%          | 29.8%            |
| 2015          | 138.9  | 18.7%          | 47.6%            | 87.66| 5.6%            | 53.4%            | 80.3   | 27.3%           | 17.6%            | 55.58| 13.5%          | 33.9%            |
| 2016          | 151.8  | 9.3%           | 58.6%            | 90.18| 2.9%            | 68.1%            | 99.8   | 24.3%           | 25.5%            | 60.08| 8.1%           | 45.3%            |

The Data from Wuhan Customs.
Therefore, in general, Hubei's current foreign trade competitiveness is weak, but it has been steadily improving in recent years, and its strong latecomer ability is worthy of expectation.

2. Problems in the Foreign Trade Structure

2.1. Single Variety of Export Commodities
In 2015 and 2016, the export value of mechanical and electrical products in Hubei Province was 13.89 billion and 15.18 billion US dollars respectively, accounting for 47.6% and 58.6% of total exports, and that of high-tech products was 8.03 billion and 9.98 billion, accounting for 17.6% and 25.5%. From the perspective of specific product categories, its exports of ships, automobiles, steel, textiles and clothing, and agricultural products accounted for only 40%, and in 2016 the rate fell to 39.5%.

2.2. Relatively Concentrated Export Market
Hubei’s exports mainly rely on traditional developed markets such as Europe, the United States and Japan. The EU, the United States, ASEAN and Japan are the top four trading partners of Hubei Province. In 2011, the bilateral trade between Hubei Province and the European Union, the United States, ASEAN and Japan totaled US$6.64 billion, US$3.75 billion, US$3.35 billion and US$3.12 billion, accounting for 50.3% of the total trade. Hubei Province has a lack of presence in developing markets. In the past five years, the trade volume of Hubei Province to these four major trading partners has risen year after year, even reaching more than 60% of the total foreign trade volume in 2015, but it cannot hide the drawback of Hubei’s single foreign trade market.

2.3. Lack of Geographical Advantages
Hubei Province is located in the central area of China's inland, and its transportation is well developed in rivers, railways, highways and aviation. Therefore, the developed transportation in Hubei Province provides advantages for the domestic trade, but there is no advantage in foreign trade.

2.4. Late Trade Policies
The implementation of Hubei's foreign trade policy was late, and the foundation of Hubei's foreign trade was relatively weak. The implementation effect of the promulgated policies had a certain lag, which made the growth rate of the foreign trade in Hubei Province fast but also slow, leading to fluctuations and instability. Therefore, Hubei is not prominent across the country in foreign trade.
3. Countermeasures for Optimizing Hubei’s Foreign Trade Competitiveness

3.1. Improve the Quality of Export products and Promote the Export of Pillar Industries
Hubei should take advantage of this to increase the government's support for automobile exports, reward enterprises that strive to expand the export market, dare to innovate, and actively absorb the advanced technology of other countries. The small and medium-sized private enterprises should be given a certain degree of preferential treatment and compensation in the economic aspect, and the requirements for the loan should be relaxed. The government should encourage companies to cultivate their own brands and assist in other initiatives such as strengthening their brand's external publicity.

3.2. Explore Emerging Markets
Hubei Province should improve the foreign trade information platform, hold various economic and trade activities, strengthen the training of foreign trade enterprise personnel, and provide financing facilities for small and medium-sized foreign trade enterprises, so as to promote the rapid development of foreign trade enterprises. Enterprises need to be encouraged to participate in various international exhibitions, use e-commerce platforms to explore international markets through multiple channels, increase the development of markets in Africa, Latin America, Oceania, and other countries, for the aim to achieve market diversification.

3.3. Promote Policy Docking and Optimize Trade Logistics
Hubei Province seizes the opportunity, avoids risks and complements advantages. It combines the Belt and Road Initiative with the strategy of the Yangtze River Economic Zone to resolve visa application difficulties faced by enterprises going global. Hubei Province can learn from the similar experience of foreign countries, and combine "big data and artificial intelligence" to design a logistics system that meets the requirements of modern logistics industry, reduces logistics costs and increases logistics speed for trade enterprises, and thus attracts the investment of large enterprises and foreign merchants.

3.4. Guide Private Enterprise Innovation and Give Policy Support
Hubei should gradually build high-tech zones and technology start-up parks in other cities, and give private enterprises assistance and services in scientific research and product innovation. In addition, the optimized pioneer park provides a sustainable development environment for small and medium-sized private enterprises, responds to mass entrepreneurship and innovation, and realizes the strategy of national innovation-driven economic development.

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