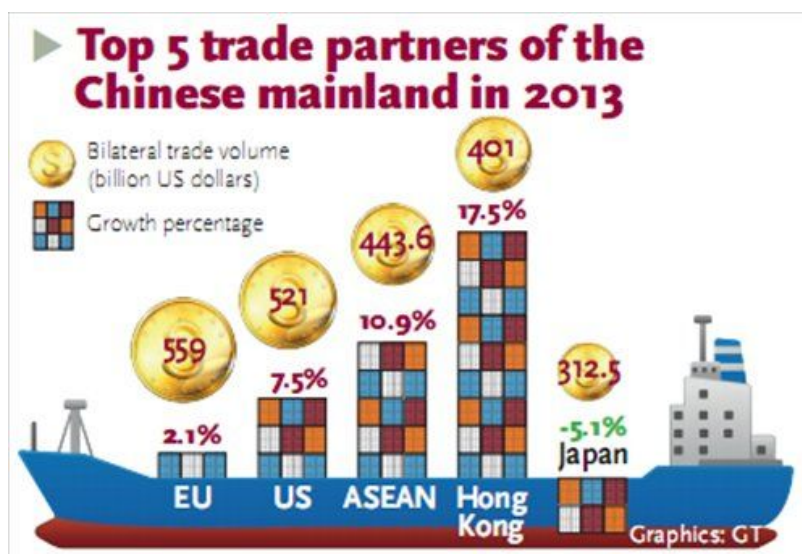


Export growth slower than expected

By Zhang Ye, Global Times, 2014-1-11



China's exports saw lower-than-expected growth in December, according to official data released Friday, mainly due to a clampdown over speculative activities dressed up as exports transactions.

Exports rose by 4.3 percent year-on-year to \$207.7 billion in December, said the General Administration of Customs (GAC), much slower than November's 12.7 percent and close to market expectations of 4.9 percent. Imports rose by 8.3 percent year-on-year, faster than the 5.3 percent in the previous month.

Besides the higher comparison base over the same time in 2012, the dramatic weakness in December's exports is largely due to the central government strengthening its crackdown on fake trade invoices, which helped Chinese exports to draw in hot money, said Xu Hongcai, director of the Department of Information under the China Center for International Economic Exchanges.

A report issued by the US-based research firm Global Financial Integrity on Tuesday showed that about \$400 billion illicitly entered the mainland from Hong Kong via fake trade invoices from 2006 to the first quarter in 2013.

In addition, the yuan's continued appreciation also blocked trading, said Xu.

The GAC said that exports and imports in 2013 hit a new record of more than \$4 trillion, up 7.6 percent year-on-year, but still missed the official target of 8 percent.

Trade surplus in 2013 was \$259.8 billion, rising 12.8 percent from 2012.

"This is quite understandable as the demand was sluggish amid the slow recovery in the global economy," said Zhuang Jian, an economist at the Asian Development Bank. According to official data, the EU and US were still China's top two trade partners in 2013, followed by the Association of Southeast Asian Nations (ASEAN). However, trade with Japan shrank by 5.1 percent.

The decreased trade volume with Japan was partially due to factors "that everyone knows," said GAC's spokesperson Zheng Yuesheng, indicating the political tensions between the two countries, but he voiced expectation of a steady bilateral trade development this year.

However, Chinese consumers still showed a willingness to buy Japanese branded products. Data from the China Association of Automobile Manufacturers showed that Japanese automakers sold a total of 2.18 million sedans in the Chinese market in 2013, slightly higher than the sales of 1.96 million units in 2012.

Zheng also predicted that although domestic exporters will continue facing pressures from increasing labor costs and appreciation of the yuan, a better trade performance can be expected in 2014.

"The external environment for China's trade will be improved by the gradual recovery of developed overseas economies. Also, the deployment of a new open economic system was emphasized during the Third Plenary Session of the 18th Communist Party of China Central Committee, which will benefit future trading. The establishment of the China (Shanghai) Pilot Free Trade Zone will also create a positive impact," noted Zheng.

However, Xu forecast that the trade volume growth rate in 2014 is likely to hover at around 7 percent.

"The policies are good news, but still need a fairly long time to produce an effect. And there have been no clear signs that the country's export-oriented enterprises are seeing a better performance," said Xu.

It will also take long-term efforts to solve enterprises' rising operating costs due to labor shortages and equipment replacement as a result of the government's call for

energy restructuring and environmental protection, said Chen Naixing, head of the Small- and Medium-sized Enterprises Research Center of the Chinese Academy of Social Sciences.