



Analysis of the Current Situation of Foreign Trade in Central and Western China - A Case Study of Dazhou

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Abstract. This article analyzes the current state of foreign trade in Dazhou, identifying the characteristics of Dazhou's current foreign trade as well as the barriers it faces. Drawing on the foreign trade development experiences of other inland cities, this article proposes recommendations and measures conducive to the development of Dazhou's foreign trade. Existing literature on the foreign trade analysis of inland cities mostly focuses on more developed cities such as Chongqing, Chengdu, and Xi'an, with limited research on cities with a lower degree of openness. This article hopes to fill the gap by providing an analysis of the current trade situation in less developed cities in the western region.

Keywords: Foreign Trade, Trade Dependency, Economic Growth

1 Introduction

Against the backdrop of economic globalization, countries and regions worldwide have been actively developing their foreign trade. Since China's accession to the WTO in 2001, its foreign trade has experienced tremendous growth. With the deepening of opening up, cities in China's inland regions have successively set goals to become open economic hubs. An important indicator to assess the degree of openness is the level of foreign trade (Kong Q. et al., 2021) [1]. The healthy development of foreign trade has a positive stimulatory effect on the economic growth of a country or region. Meanwhile, under the new "Dual Circulation" development model, regions are actively contemplating how to improve their export structure, upgrade their industrial structure, better integrate into the domestic market cycle, and reasonably tap into international markets.

As an important economic growth pole in northeastern Sichuan, Dazhou is also located at the intersection of the three provinces of Sichuan, Chongqing, and Shaanxi, historically known as a revolutionary base. Questions arise on how it can deeply integrate into the "Belt and Road" initiative and the Chengdu-Chongqing dual-city economic circle, how it can best construct the Wan-Da-Kai Chongqing coordinated development demonstration zone, and how to form a comprehensive new opening pattern that links both land and sea, and ensures bidirectional connectivity between the east and the west. Furthermore, considering how to rejuvenate the revolutionary bases of

Sichuan and Shaanxi, there's a need for a profound analysis of Dazhou's current foreign trade situation, followed by suggestions beneficial for the city's foreign trade development.

2 Literature Review

Regarding the development of international trade theory, the academic community generally divides it into three stages: classical trade theory, neoclassical trade theory, and new trade theory. Classical trade theory originated in the UK, where the renowned economist Adam Smith introduced mercantilism and established the theory of absolute advantage. Subsequently, David Ricardo proposed the theory of comparative advantage. Neoclassical trade theory is represented by the Heckscher-Ohlin factor endowment theory, with the later emergence of the Leontief Paradox prompting economists to interpret international trade from various perspectives. These theories have both explained and guided the international trade conditions and foreign trade policies of that era. Modern new international trade theories are characterized by intra-industry trade, economies of scale, and the product life cycle. There are also analyses of current forms of international trade through theories on human capital and consumer preferences.

Research on foreign trade in inland cities of central and western China includes:

Liu Chao (2013) [2] studied the current status of foreign trade development in the western region, focusing on how to accelerate the foreign trade development strategy in the western inland areas. Chen Chen (2014) [3] analyzed the foreign trade situation of Chongqing city, identified the problems in Chongqing's foreign trade, and provided suggestions for the development of foreign trade in the inland ports of the western region. Zong Huiming (2020) [4] conducted a spatiotemporal evolution analysis of Chongqing city's foreign trade development from 2000 to 2018, finding that the level of economic development, geographic location and transportation, dominant industries, and tariffs are factors influencing the evolution of Chongqing's foreign trade pattern.

In a review of publicly available literature, an article analyzing the foreign trade of Dazhou was found. Hou Dongmei and Yu Hong (2010) [5] deeply analyzed the foreign trade of Dazhou, summarizing the characteristics and existing problems of Dazhou's foreign trade.

3 Geographic and Economic Background of Dazhou

3.1 Geographic Location and Resources of Dazhou

Dazhou is located in the northeastern part of Sichuan Province, China, situated in the heartland of the revolutionary old area of Sichuan. Dazhou enjoys a unique geographical position, often referred to as the "Eastern Gateway" to the border region of Sichuan and Shaanxi. It shares borders with neighboring provinces and municipalities such as Shaanxi, Chongqing, and Guizhou, and is in close proximity to the Chengdu-Chongqing Economic Zone, offering convenient transportation advantages.

3.2 Natural Resources of Dazhou

Dazhou is a strategically important national energy resource base and serves as the starting point for the Sichuan-to-Eastern China Gas Pipeline Project. The region has been found to contain 42 different types of mineral resources. Among them, natural gas resources amount to a total of 3.8 trillion cubic meters, with proven reserves of 720 billion cubic meters and an annual production exceeding 10 billion cubic meters. In addition, the region produces more than 2.2 million tons of sulfur as a byproduct, making it the largest sulfur production base in Asia. The city also boasts confirmed coal reserves of 975 million tons, making it one of the major coking coal bases in Sichuan province. Dazhou has substantial reserves of limestone suitable for cement production, with confirmed reserves of 460 million tons and prospective reserves of 3.447 billion tons. Additionally, the city has confirmed potassium salt reserves of nearly 15 million cubic meters. Liquid potassium salt brine contains trace elements such as potassium, strontium, and lithium, all of which hold significant value for development and utilization, offering vast potential.¹

Dazhou is also known as the home of Chinese ramie, Chinese chrysanthemum, Chinese black plum, Chinese glutinous rice, and China's olive oil capital. It is renowned as China's rich selenium tea capital and China's lees capital.

3.3 Economic Development of Dazhou

Dazhou started as an agrarian and handicraft-based region back before 90s. With the implementation of China's reform and opening-up policies, Dazhou began to experience significant changes, especially in the recent decades, Dazhou emerged as a crucial energy and resource base, as well as the agricultural processing and specialized industries and Ecotourism also contributed to a more diversified economic landscape.

4 Analysis of Foreign Trade in Dazhou

4.1 Data Sources

Because of the availability of data, the time span of the gross regional domestic product (GRDP) of Dazhou, imports and exports are from 2013 to 2022, and for more specific dataset like the trade patterns and partners of Dazhou are one year short. All data are collected from the Dazhou Statistic Yearbook [6], Sichuan Statistic Yearbook [7], and the Chengdu Customs.

4.2 GRDP of Dazhou

In recent years, Dazhou has witnessed a continuous and stable expansion of its economy. In 2022, the GRDP of Dazhou reached 250.27 billion yuan, showing a year-on-

¹ Dazhou Municipal People's Government, <http://www.dazhou.gov.cn/news-show-199910.html>

year growth of 6.42%. When calculated at comparable prices, this growth was 3.5% higher than the previous year, surpassing the provincial growth rate by 0.6 percentage points. The GRDP and its nominal growth rate for the last 10 years, 2013 over 2022, are demonstrated in Fig. 1 below.

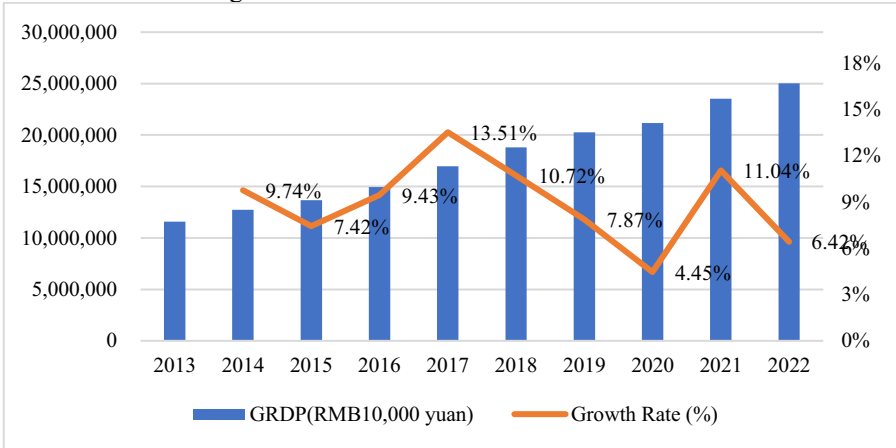


Fig. 1. GRDP of Dazhou over 2013-2022

4.3 Total Import and Export

Fig. 2 presents a retrospect of the data from the past 10 years, 2013 to 2022, it seems that 2018 was a turning point, in which the total import and export value started to rise after three consecutive years of decline. In 2022, Dazhou's total import and export value reached 7.2 billion, and the year-on-year growth rate was 28.72%.

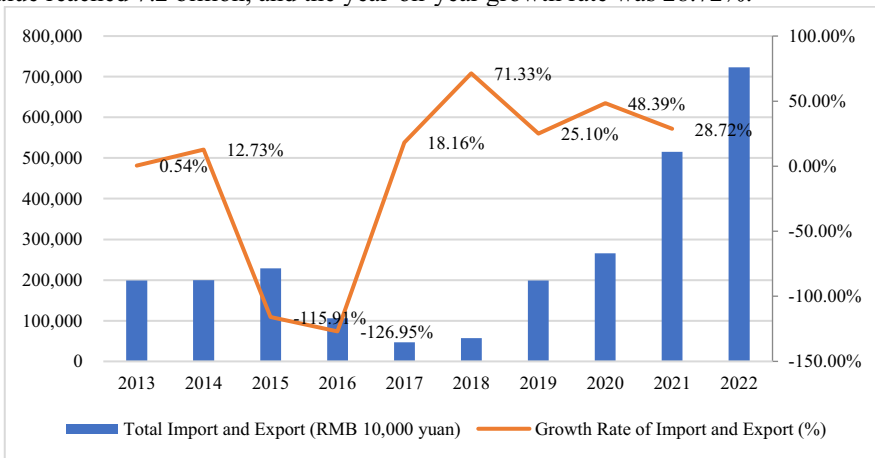


Fig. 2. Total Import and Export of Dazhou over 2013-2022

4.4 Total Export

It can be found in Fig. 3 that the exports of Dazhou experienced a significant increase from 2013 to 2015, and also from 2018 to 2022. There was a sharp drop in exports in 2016, which continued into 2017.

After 2017, exports began to recover and reached their highest point in 2022 with approximately 6,650 million yuan.

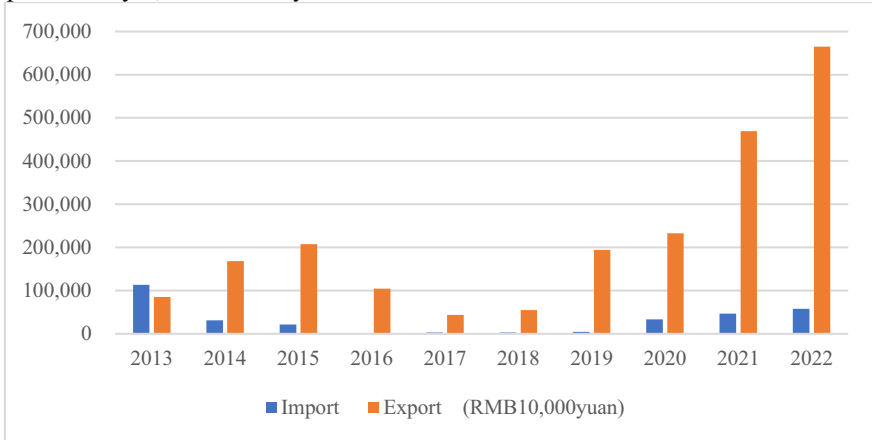


Fig. 3. The value of Import and Export of Dazhou over 2013-2022

4.5 Total Import

Conveyed in Fig. 3, imports decreased significantly in 2016 and 2017, hitting their lowest point in 2016 with only 16.32 million yuan. After 2017, there was increasing trend in imports, with a substantial jump in 2022 to 580 million yuan. Overall, the consistently rising export value indicate that Dazhou's industries or products are gaining traction in external markets.

4.6 Trade Dependency Ratio

Illustrated in Fig. 4, the trade dependency ratio of Dazhou from 2013 to 2015 was moderately changed, from 1.72% in 2013 to 1.68% in 2015. While a sever drop in 2016, which is in the similar trend as the total import and export. Further, the upgoing line also verify the increasing trade value from 2018 to 2022. The trade dependency ratio is an indicator of the importance of international trade relative to the economy of a region. A higher trade dependency rate, in some of the case, suggests a greater reliance on international trade.

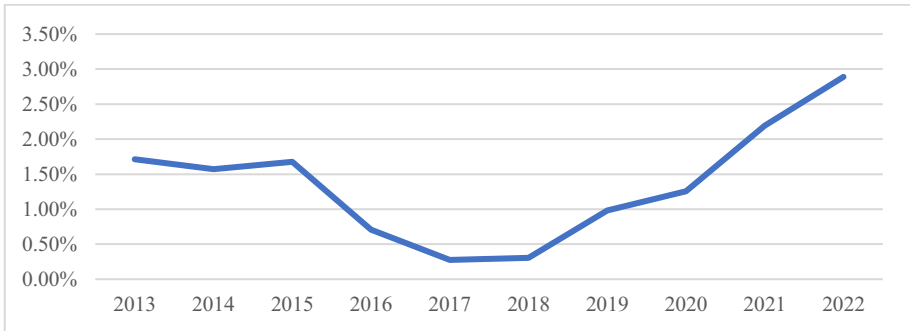


Fig. 4. Trade Dependency Ratio of Dazhou over 2013-2022

4.7 Trade Patterns

Table 1 presents that if we examine the trade pattern of Dazhou from export and import separately, it can be found that from 2013 to 2021, most of the export was general trade, less than 1% was processing trade.

Table 1. Proportion of different trade methods in exports²

Export Trade Pattern (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Trade	0.98	1.00	1.00	1.00	1.00	1.00	1.00	0.96	0.96
Processing Trade	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.04

While it was a different story concerning the import side, Table 2 demonstrates that the proportion of processing trade kept increasing since 2019, to 35% of the total import until 2021.

Table 2. Proportion of different trade methods in imports

Import Trade Pattern (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Trade	0.99	1.00	1.00	1.00	0.97	1.00	0.96	0.60	0.64
Processing Trade	0.00	0.00	0.00	0.00	0.03	0.00	0.04	0.30	0.35

² Data in Table 1 and 2 were calculated based on the original data obtained from Chengdu Customs

4.8 Main Trade Partners of Dazhou

In 2019, the top five trade partners were ASEAN, Hongkong, EU, US and Japan. In 2020, the top five were Hongkong, ASEAN, US, Japan and EU. In 2021, they were Hongkong, US, EU, South Korea and ASEAN.³ The trade values with those top five trade partners accumulated more than half of the total trade value.

5 Barriers in the Development of Foreign Trade in Central and Western Cities

5.1 Limited International Exposure

Compared to the coastal cities, businesses in the middle-west cities might have limited experience in dealing with international markets, understanding global business cultures, or navigating the complexities of international regulations and standards. This scenario also presents in Dazhou, where the visible and invisible distance from global markets are so far that this city could merely get international exposure.

5.2 Lower Level of Industrialization

For many of the middle-west cities, major portion of the economic outcome is from the primary and tertiary industries. Those regions may have not participated in the same level of industrialization as their eastern counterparts, making it challenging to produce goods that meet international standards. While labor costs might be lower, there's often a shortage of workers with the specialized skills required for certain industries or for operating and maintaining advanced machinery. In Dazhou, it is so typical that the business entities and models lack of variety, there are limited number of enterprises involve in the industrialization process, while even less of them participate in the foreign trade.

5.3 Infrastructure Deficit

Many central western cities have historically lacked the kind of advanced infrastructure—like deep-sea ports, high-speed rail links, and international airports, which are crucial to international trade and investment. The geographical location of China's middle-west cities are farther from major international shipping routes and ports, which seems to be some natural disadvantage. While such disadvantage is even worse due to the outdated infrastructure. Until now, the first high-speed train station is still under construction in Dazhou.

³ Based on the data obtained from Chengdu Customs.

6 Prospects and Strategies of Developing Foreign Trade in Central Western Cities

6.1 Prospects of Developing Foreign Trade in Central Western Cities

Developing trade-oriented economy for China's middle-west cities can be a double-edged sword. The development of a trade-oriented economy has the potential to significantly boost economic growth, improve living standards, and modernize industries. However, it can't be neglected that more outward economic development can bring up more vulnerability to the external changes, domestic industry competition, economic structure adjustments and even environment concerns. To maximize the benefits and minimize the side-effects, it requires strategic planning.

6.2 Measures to Promote the Development of Foreign Trade in Central Western Cities

6.2.1 Improve the Foreign Trade Policy System.

Policy is an effective means to guide economic development. Dazhou should accelerate the introduction of a policy system which is multi-level, wide-ranging, comprehensive, and integrates both domestic and foreign elements. The policies formulated should have clear objectives and tasks, strengthen measures for implementation, allocate substantial funding, and promote the rapid development of foreign trade. In addition, county and district governments in Dazhou should also introduce supporting policies and measures to promote foreign trade development, thereby promoting the development of a local open economy. This would establish a policy system to advance the development of Dazhou's foreign trade. And for the wide central western areas in China, foreign trade policy system is patchy.

6.2.2 Cultivate Foreign Trade Enterprise Entities.

Enterprises are the main entities in economic development. To address the shortcomings in the development of foreign trade, it's essential to vigorously cultivate foreign trade enterprises. Relying on the Sichuan Free Trade Demonstration Zone and the Chengdu-Chongqing Economic Circle, Dazhou should actively establish a platform for the agglomeration of foreign trade enterprises. Support the development and expansion of key industries such as equipment manufacturing and new materials in import and export trade, cultivate clusters of advantageous export industries, and increase the export share of bulk commodities. Accelerate the adjustment of the export product structure, strengthen the development and cultivation of foreign trade products, increase the types and quantities of foreign trade products, and enhance the international competitiveness of Dazhou products. Promote the integration of processing trade, service trade, and new trade forms, support the strengthening and expansion of processing trade and service trade, and enhance the product's position in the global value chain. Actively carry out investment promotion activities to undertake industrial transfers, introduce large export-oriented projects, and cultivate new growth points for foreign trade.

6.2.3 Accelerate Infrastructure Construction.

Middle-west cities were traditionally the transportation hubs in China. Dazhou for example, many railway tracks converged there, has been losing its geographic advantage in recent years. The construction of highways, high-speed trains and logistic centers are basics for expanding trade volumes.

Centered on Sichuan's strategic positioning as a comprehensive transportation hub connecting the east and extending northward, where a modern multi-modal transportation network encompassing rail, road, water, and air, must be scientifically planned and constructed. The aim shall be to create a seamless multi-modal transport system and an efficient inward and outward connected freight system. By establishing a regional international logistics hub with multi-modal transportation at its core, Dazhou will form an external economic corridor that is smoothly accessible from east to west and connects from south to north.

7 Conclusion

In summary, the degree of prosperity of the foreign trade in Dazhou is quite low. The past economic growth was heavily relied on the domestic economic activities. Nevertheless, in the context of Dual Circulation Strategy, middle-west cities shall catch the tide by involving in both domestic and international economic circulation.

Dazhou, as well as many other China's middle-west cities are currently in a strategic opportunity period where national and provincial policies overlap, and the regional layout is being reshaped. It is in an accelerated breakthrough period for increasing economic growth and efficiency, as well as improving the capacity and quality of the city. It's also a critical period for solidifying core support and enhancing developmental resilience, and a decisive phase for striving to become the deputy economic center of the province. To promote Dazhou's high-quality development and compete for the position of the province's deputy economic center, this region shall go along with the trends of openness and integration, as well as transformation and innovation. And shall utilize external resources and markets to drive development and employ innovative thinking and methods to plan for growth. From "openness", these central and western cities can obtain endless momentum and infinite vitality.

Fund

Supported by the Research Initiation Fund of Sichuan University of Arts and Science

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