

## China beats America in global trade race

Ben Southwood 11th February 2013

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CHINA has eclipsed the US to become the world's top trader in goods for the first time, official figures from the two countries revealed.

Chinese imports and exports together totalled \$3.87 trillion (£2.45 trillion) in 2012, according to figures from the country's ministry of commerce, just ahead of the US's \$3.82 trillion in goods traded – surpassing the world's biggest economy for the first time.

And economists said the gap between the world's two preeminent economies would only widen over coming years, as China's tight trade links with fast-growing Asian and African countries paid off.

“Though the figures are distorted by the different date of the Lunar New Year, and though a crossing point is essentially arbitrary, it is clear that China is roaring past the US to take up the baton as the key force in driving world trade,” Daiwa's Chris Scicluna told City A.M. “They benefit from their location, close to other rapidly expanding Asian economies, and we can only assume their trade will continue to outpace mature economies in Europe and North America.”

But Scicluna said that China overtaking the US now was ironic, given that it was currently rebalancing its economy away from relying on net trade and towards domestic demand.

Nicholas Lardy, senior fellow at the Peterson Institute for International Economics, also seized on this point. “It is remarkable that an economy only a fraction of the size of the US economy has a larger trading volume,” Lardy told Bloomberg.

Especially remarkable was that the boom in trade had come from Chinese imports – which have grown faster than exports since 2007 – not exports and an undervalued currency.

Slower export growth did not stop China posting a trade surplus in goods of \$231.1bn over 2012, its largest in four years, in contrast to the \$727.9bn trade deficit for goods seen in the US.

However some analysts poured cold water on the figures – which exclude services trade – a sector more prevalent in mature economies like the US and UK. With services included, the US does more trade than China.

And the method of computing the figures is flawed, said Dan Ikenson at the Cato Institute, a Washington think tank. “The back of your Apple device reads ‘Designed by Apple in California; Assembled in China’ – that says all you need to know,” Ikenson said.

“The iPod costs \$150 to produce, but though only \$5 of that cost is Chinese inputs, all of it accrues to Chinese exports – basically a large fraction of China’s export value reflects foreign-made intermediate goods and labour.”

Ikenson also cautioned that we should not necessarily conclude that China was stronger economically because it did more trade – in fact it might be more dependent on foreign countries and less self-sufficient.

“The title of world’s top goods-trading nation is a bit misleading,” Ikenson added. “At the same time, we should celebrate China’s growing economy.”