

## Foreign trade with the People's Republic of China: high-quality technical products in high demand

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Today China is Germany's third most important trading partner for imports and on position eleven when it comes to German exports. On the whole, German enterprises received goods to the value of EUR 54.6 billion from China last year, while goods worth EUR 29.9 billion were exported to the Middle Kingdom. So 7.1% of all German imports came from China, the country to which 3.1% of German exports were delivered.

### China's importance as a trading partner has grown considerably

From 1980 to 2007, exports to China grew by an average 13% each year, while imports rose by even 17%. So foreign trade with China showed a much more dynamic development than German foreign trade as a whole: in the same period, total German exports rose by an annual 6.5%, and imports by 5.6%.

As regards the value of exports, China meanwhile competes seriously with Germany as the "world's export champion". With exports to the equivalent of US-\$ 1 218 billion in 2007, the People's Republic of China already drew very near to leading Germany, whose exports amounted to US-\$ 1 329 billion, and China displaced the United States, which fell from second to third place. On account of its huge growth rates in international goods trade, the People's Republic of China not only left the fourth largest trading nation Japan behind but is steadily approaching Germany, the number one.



### Negative foreign trade balance since 1989

Last year German enterprises imported nearly twice as many goods from China as were sent there. Until the end of 1988, the value of German exports to China had mostly been higher than the value of German imports. This trend reversed in 1989, and since then the German deficit in the foreign trade balance with China has increased almost continuously. In 2007 it amounted to EUR 24.7 billion.

German-Chinese foreign trade balance

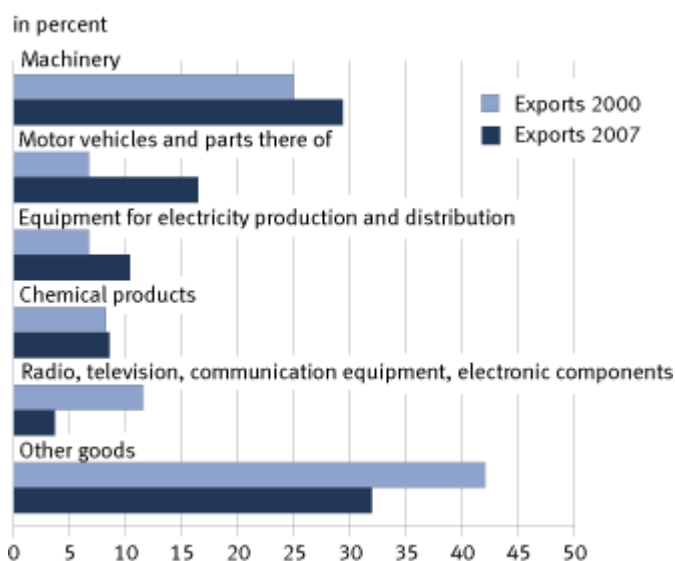
Years	Export	Import	Foreign trade balance
	in EUR mn		
<b>1980</b>	1,063	750	313
<b>1985</b>	3,287	1,307	1,980
<b>1990</b>	2,157	4,136	-1,979
<b>1995</b>	5,514	8,175	-2,662
<b>2000</b>	9,459	18,553	-9,094
<b>2005</b>	21,235	40,845	-19,610
<b>2006</b>	27,478	49,958	-22,479
<b>2007</b>	29,923	54,649	-24,726

### Exports to China: German motor vehicles in high demand

Although exports from China prevail at the time being, the country's importance as a market is regarded to be great due to its large population and extraordinarily rapid economic growth. With EUR 29.9 billion, the value of German exports to China already was 27 times higher in 2007 than in 1980. At the time, German exports to China had amounted to EUR 1.1 billion. While the growth rate had been quite moderate in the eighties with an average 9%, it accelerated to 14% in the nineties and since 2000 has amounted to some 18%.

Whereas in the mid-seventies, German exports to China had been dominated by goods such as iron and steel, chemical and mechanical engineering products, which together had accounted for more than four fifths of total exports to China, the range of goods is more diverse today. In 2007, four fifths of exports were made up by seven groups of goods. As in the past, German machinery is still in great demand in China (29% of exports). In addition to that, Germany mainly exports motor vehicles (16%) and equipment for electricity production and distribution (10%) to China. The aforementioned groups of goods gained in importance above average between 2000 and 2007. Exports of motor vehicles and parts thereof recorded a particularly high increase (34% on an annual average).

### Structure of goods exported to China, 2000 and 2007

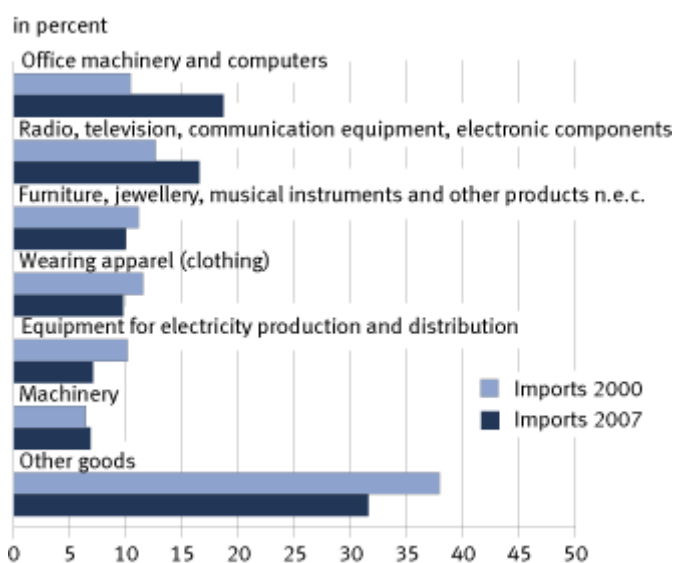


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### Imports from China: trend towards high-quality technical products

From 1980 to 2007, imports of Chinese goods rose more than seventy times. This growth was very steady since the average annual growth rates of the eighties and nineties (16 and 14%) scarcely differ from those recorded since the year 2000 (17%).

### Structure of goods imported from China, 2000 and 2007



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Important imports “made in China“ in the mid-seventies had in particular been food (24% of imports from China), agricultural and forestry products (21%), textiles (11%), wearing apparel (clothing) (8.6%), chemical products (8.5%) and wood products (7%). Four fifths of imports had been made up of these six groups of goods. In 2007 the range of goods imported from China was somewhat more varied and had also changed from “rather simple” goods to high-quality technical products. Four fifths of total imports are made up of nine groups of goods today: major imported goods in 2007 included office machinery and computers (19% of imports), and radio, television and communication equipment and electronic components (17%). These two groups recorded above-average growth rates from 2000 to 2007 (27 and 21%, respectively). The third most important imports category encompassed furniture, jewellery, musical instruments, sports goods, games and toys, and similar products (10% of imports). Games and toys accounted for more than 50 percent of those imports.