

China-ASEAN Agricultural Product Trade and Its Impact

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Abstract: With the establishment of the China-ASEAN (Association of Southeast Asian Nations) Free Trade Area, a world's largest consumer market is forming which includes over 2 billion people. According to the *Early Harvest* program, the terms of trade of agricultural products bilateral have been improving and the volume has increased significantly, overall presents a strong resource-market pattern of mutual benefit and complementarity. This paper describes the present situation of China-ASEAN trade pattern of agricultural products, meanwhile points out the complementary and competitive relationship of agricultural products trade and the problems exist as well as the countermeasures. This is quite significant for China to improve its agriculture competitive in the region and even in the world. This paper uses the comparative advantage theory analysis method. Although the establishment of the comprehensive strategic partnership needs more efforts and cooperation from both sides, agricultural trade is one of the important concrete actions for laying the foundation for prosperity and peace of bilateral relations.

Keywords: China-ASEAN Free Trade Area, agricultural products, cooperation

1. Introduction

In the face of the competition in the era of globalization, the countries of the world put more efforts on the establishment of regional economic circle in order to enhance their competitive power through the complementarity and cooperation among the countries in the region. Geographically adjacent countries have more cooperative advantages, such as Free Trade Area of European Union, which has become the leader in regional economic integration. Most countries in the Association of Southeast Asian nations (ASEAN) are close to each other, with tight geographical connections and a long history of exchanges. In addition, they are all in an accelerating period of economic development. They share many common problems and desires of both sides to strengthen exchanges and cooperation. It has promoted the establishment of the China-ASEAN Free Trade Area (CAFTA) and injected new ASEAN Free Trade Area into regional economic co-operation.

In 2002, China and ASEAN signed the Framework Agreement on China-ASEAN comprehensive economic cooperation, and started the process of building the free trade area. In 2004, the "Early Harvest" program, an early achievement of the free trade area, was successfully implemented. China and ASEAN first selected highly complementary agricultural products for tariff reduction and exemption, and opened their markets to each other. In 2010, the China-ASEAN Free Trade Area (CAFTA) was formally completed, with both sides gradually implementing zero tariffs on more than

90 per cent of their products, giving a big boost to the rapid growth of bilateral Trade [1]. In 2022, China and ASEAN has become each other's largest trading partner [2].

Agricultural products have become the most important commodity in China-ASEAN trade. The import and export situation, competitive advantage and influence on domestic agriculture of agricultural products international trade are hot topics in academic circles. As the primary content of CAFTA construction, the agricultural trade between the two sides has entered a new development stage since the "Early harvest" program, which has attracted more attention from the academic circle. There is much discussion about the change of agricultural product competitiveness or comparative advantage between China and ASEAN countries, but there is no agreement on whether the two sides are competitive or complementary. In the analysis of China-ASEAN trade pattern of farm produces, some scholars believe that the import and export products of both sides present a pattern of competition and complementary coexistence, and China does not have regional comparative advantage; there are differences in product structure and trade area. The simulation analysis of regional agricultural development shows that CAFTA will benefit the agriculture in temperate regions in China such as in North China, Northeast China and East China, while the agriculture in tropics regions in South China will be impacted negatively. Some regional-based researches, such as GuangXi, YunNan and GuangDong, have analyzed the competitive pressure, comparative advantage and trade potential of China's agricultural products trade with ASEAN from different perspectives, it shows the diverse impact of bilateral trade on different provinces and regions in China.

It can be seen that these studies focus more on the China-ASEAN agricultural trade itself and less on the influence on regional cooperation, as well as political & economic strategies of both sides, therefore, the guiding significance of macro-decision-making is a little insufficient, and the domestic research on China-ASEAN geopolitics focuses on theoretical analysis and strategic elaboration, which is not closely related to the basis of economic trade. William Ndahl, a scholar based in Germany, said in his book that the next global crisis will be caused by food price [3]. It reveals the inter-country political and economic strategies involved in the field of agricultural trade. In view of this, this paper attempts to analyze the pattern of China-ASEAN agricultural trade on the basis of its geo-economic and political impact of a preliminary discussion.

In this paper, the Comparative Advantage Theory method is used. It is pointed out that only by expanding bilateral trade in agricultural products, adjusting and optimizing agricultural structure, and increasing the added value of agricultural products, could multilateral cooperation and exchanges be promoted and the well-being of the people in the region be improved although there is still negative influence. This paper mainly includes five parts:

Part 1. Introduction. This paper introduces the research background and methods of China-ASEAN agricultural products trade.

Part 2. China-ASEAN trade pattern of agricultural products. The high-speed boost of two-way trade recently, the complementary advantages of both sides, broad prospects for cooperation.

Part3. The impact of agricultural trade on bilateral relations. Introducing the various measures taken by China-ASEAN to expand the scope of trade while promoting the development of industrial structure, transportation, tourism and other aspects, it consolidates and stabilizes the foundation for the establishment of China-ASEAN Mutual Cooperation and common development.

Part 4. Countermeasures against the adverse effects of temporary agricultural trade.

Part 5. Conclusion.

2. China ASEAN Agricultural Product Trade Pattern

2.1. Analysis of the Total Trade Volume of Agricultural Products Bilateral

From the perspective of natural conditions, most regions of ASEAN have high temperatures and rainfall all year round, planting tropical crops and producing natural rubber, sugarcane, palm fruits, coconuts, bananas, lychees, longans and other agricultural products. However, most of China's land is located in the temperate area, mainly producing temperate crops. In terms of cultural factors, both sides are close neighbors and have similar cultures. The increasing mobility of people in the region provides good conditions for agricultural cooperation and complementarity between the two sides. Since the beginning of the "early harvest" between the two sides 20 years ago, bilateral agricultural trade imports and exports have grown rapidly. Recently, it increases from \$39 billion in 2019 to \$61 billion in 2022, reflecting the good results of the "early harvest" program. In 2022, ASEAN replaced countries and regions such as the European Union and become the largest importer of farm produces in China.

According to Figure 1, first, in terms of total trade volume, China's total trade volume with ASEAN has been rapidly increasing since 2019, indicating a good momentum of trade growth and broad prospects for cooperation between the two sides. Second, in terms of trade balance, from 2019 to 2022, China's trade in farm produces with ASEAN has been showing a deficit, with China importing more farm produces from ASEAN. Especially since 2020, China's total agricultural product exports to ASEAN have increased relatively slowly, while imports from ASEAN have increased rapidly, with a trend of widening the deficit, indicating that China imports more products from ASEAN and grows rapidly. China which has population of 1.3 billion has provided a significant broad market for ASEAN.

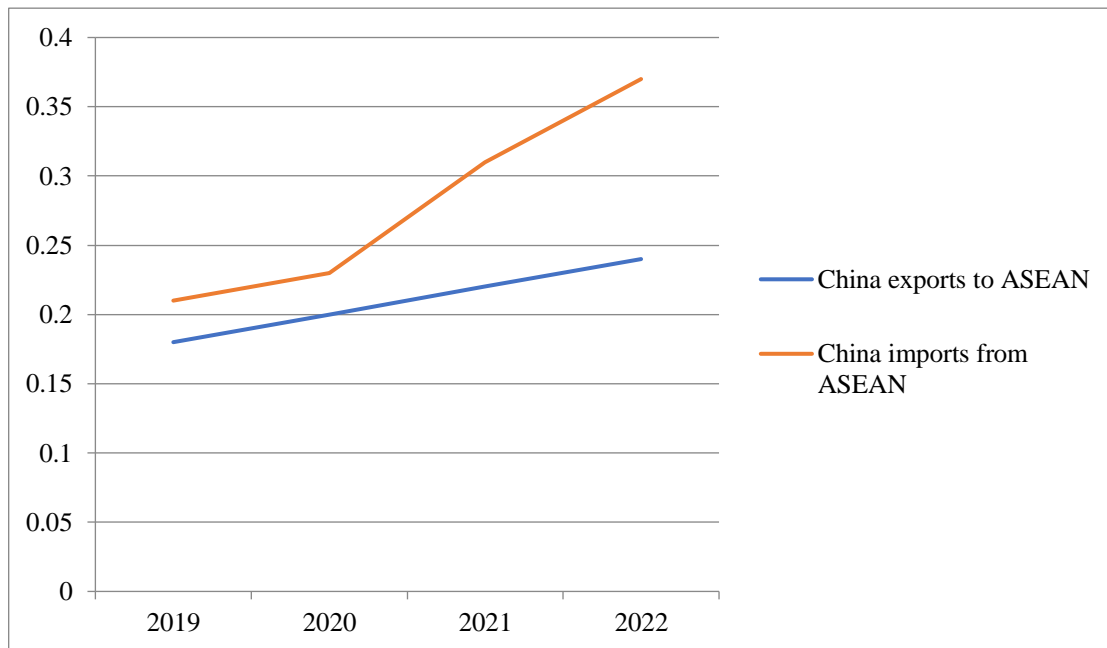


Figure 1: Total trade volume of agricultural products bilateral [4-6].

2.2. Top Three Categories of Agricultural Products with the Largest Import and Export Value from China to ASEAN

2.2.1. Top Three Categories of Agricultural Products with the Largest Value of China Import from ASEAN

Table 1 show that the top three agricultural products imported by China from ASEAN are rubber, palm oil, and tropical fruits. Thailand and Vietnam are the main countries that import rubber from China. Indonesia and Malaysia rank in the top two in China’s palm oil imports. In terms of tropical fruits, China imports the most from Vietnam and Indonesia. The main reasons are: (1) ASEAN countries have superior natural conditions, excellent agricultural product quality, large planting scale, low production costs, and a foundation for large-scale exports. (2) China is close to ASEAN countries and has low transportation costs, so the prices of ASEAN imported products are relatively low, giving it a competitive advantage in the domestic market. (3) The Chinese market is vast and the demand is high, so agricultural products imported from ASEAN have broad sales prospects in China.

Table 1: Top 3 Import Markets for Key Bulk Export Commodities from January to December 2022
 Unit: (100 million US dollars) [4-6].

	Rubber		Palm oil		Fruit &nuts
Thailand	17	India	29	Thailand	56
Malaysia	4.7	Malaysia	10.5	Chile	33
Côte d’ ivoire	4.3	Thailand	0.01	Vietnam	15

2.2.2. Top Three Categories of Agricultural Products with the Largest Value of China Exports to ASEAN

From January to December 2022, Chinese exports to ASEAN are mainly citrus, apple, tea, garlic and other temperate crops. It can be seen that the two sides trade for their own comparative advantages of products. Therefore, in agriculture trade, the provinces in northern and central China have benefited greatly.

2.3. Basic Characteristics of China ASEAN Agricultural Product Trade

2.3.1. Constantly Improving Terms of Trade, and Rapidly Increasing Import and Export Volume

In recent years, the integration of China ASEAN regional cooperation has been continuously deepening. China continues to promote trade liberalization and facilitation, further reduce tariffs, expand imports from ASEAN, fully leverage the role of regional expositions, trade fairs, and other platforms to promote agricultural products. Both sides are increasing their market expansion efforts, and bilateral trade is thriving.

2.3.2. Bilateral Trade Complementarity and Competitiveness Coexist

China imports tropical fruits, palm oil, rubber, etc. from ASEAN, and exports temperate fruits, tea, etc. to ASEAN, forming complementary products; but there are also some provinces in China, such as GuangXi and YunNan, with similar climate conditions and crops planted in ASEAN countries, competing with each other. Since the setup of China ASEAN free trade, ASEAN agricultural products have been selling well in the domestic market due to their high quality, low prices, and to some extent,

leading to stagnant sales of similar products in China, and even a significant reduction in planting area, which has had a significant impact on the local economy [7].

3. The Impact of Farm Produce Trade on the Development of China-ASEAN Economic and National Friendly Relations

3.1. The Promotion of Agricultural Trade to China-ASEAN Mutually Beneficial Cooperation

Since the entry into force of the Regional Comprehensive Economic Partnership Agreement (RCEP), a growing number of ASEAN countries are making it easier for their agricultural products to enter the Chinese market. Many operators of agricultural enterprises in ASEAN countries said that with the gradual implementation of a series of RCEP rules, interregional trade costs have been significantly reduced and the trade has been further convenient, people in the region enjoy real benefits. Tariff benefits and significant trade facilitation for ASEAN agricultural traders. One of the major benefits of the entry into force of RCEP is the reduction in import costs and increased export opportunities. According to the agreement, above 90 per cent of trade within the region will be tariff-free eventually, which extremely facilitates cross-border trade flows [1]. Since this year, Vietnam's passion fruit, durian have been allowed to sell in Chinese market. This is good news for such as Vietnam which is abundant in fruit resources. In the future, more Vietnamese farm produces will be exported to China, leveraging the complementary advantages in resources of the two countries, making fully utilize of RCEP, and pushing forward bilateral trade relations. Under RCEP, import tax is generally reduced, which is an extreme benefit for agricultural development to Vietnam and ASEAN [9].

3.2. Substantial Increase in Cross-Border Freight Traffic

In recent years, along with the advancement of sea routes in the western region of China, the China-Laos Railway and etc., the supporting infrastructure such as the cold chain and cold storage in the region have been continuously improved. It is increasingly facilitate for farm products of ASEAN countries to enter the Chinese market. For example, besides air freight, the Thai's durian can also choose land transport, or from the port of Linchaban to the Chinese port of Qinzhou, Guangxi, port of Guangzhou, Nansha port area and other places. According to relevant data, in the first ten months of 2022, the cumulative total of rail-sea combined freight trains was 621,026 TEU, an increase of 19.7% year on year. At present, there are more than 640 kinds of rail-sea combined freight trains in the west of China. Statistics show that until Nov.2022, China-Laos Railway has carried more than 10 million tons of freight, with cross-border cargo transport volume of more than 1.8 million tons, and the value of more than 12 billion Yuan. At present, China's 25 provinces have launched China-Laos railway international freight trains. Freight transport has covered Laos, Thailand, Myanmar, Malaysia, Cambodia, Singapore and other countries and regions, and has transported goods from fertilizer, department stores at the beginning to more than 1,200 kinds such as electronic, photovoltaic, cold-chain fruits and etc [2].

3.3. Transformation and Upgrading of Traditional Industries

Both sides have their own advantages in agricultural production. Although there is some competition in the field of agricultural product trade, as their consumption structures change, complementarity becomes increasingly apparent. From the perspective of natural conditions, most regions of ASEAN have a tropical climate, with rainfall and high temperatures throughout the year. They are suitable for planting tropical crops and are rich in natural rubber, sugarcane, palm fruits, coconuts, bananas, lychees, longans, and other agricultural products. Meanwhile, many parts of China are located in the

temperate area, mainly planting temperate farm produces. From the perspective of cultural factors, both sides are close neighbors and have similar cultures. The increasing mobility of people in the region has brought favorable conditions for trade cooperation.

In addition, both sides have enormous potential for cooperation in upgrading the industry chains process of farm produces, and the demand for cooperation between both sides is increasing day by day. For ASEAN countries, many of Chinese farm technologies and equipment are “cost-effective”, and many agricultural technologies are advanced than that of ASEAN. Recently, China has conducted demonstration projects in ASEAN countries such as rubber seedling, corn planting, horticultural crop cultivation, pig production and feed processing, spreading excellent varieties, and farm machinery, and achieving good production in some varieties. Besides, in terms of corporate communication, it is also showing initial results. It is reported that China’s “going global” enterprises have established a number of grain and crop production bases and industrial parks in ASEAN, covering the industrial chain links of breeding, planting, seed industry, processing and warehousing logistics, including farm produces such as grain, fruits, aquatic products, sisal, etc. At the same time, the bilateral countries have also launched the China ASEAN Science and Technology Cooperation Partnership Program, effectively promoting agricultural technology cooperation between both sides. China has held over 200 of farms technology and management training courses for ASEAN countries. More than 4,000 agricultural management and technical personnel from ASEAN countries participated. China also provided human resource support for regional farm development [2].

3.4. Further Cooperation Deepening among Other Parties by Continuous Improvement of Trade in Agricultural Products

China and ASEAN complement each other’s resources and markets first through trade in agricultural products. With the rapid increase in trade volume, led to other aspects of more in-depth contacts, such as tourism, exchange of talent, trade in industrial products. China has been ASEAN’s largest trading partner for 10 consecutive years. In 2022, ASEAN also became China’s largest trading region. The cumulative investment of Chinese enterprises in ASEAN has also exceeded 100 billion US dollars, the number of economic and trade cooperation zones has reached 25, creating more than 100,000 local jobs. At present, China and ASEAN are working together to promote the Blue Economic Partnership. Both sides are striving to expand the sustainable use of marine resources. This year is also the China-ASEAN digital economic cooperation year, as China and ASEAN countries in e-commerce, scientific and technological innovation, 5G networks and smart city cooperation has made progress. China will continue to make full use of its advantages in the market, industrial system and taking the lead in resuming work and production, deepen cooperation with ASEAN countries in agricultural trade and the co-construction of industrial chains, and open up a south-facing domestic corridor. China will also accelerate the integration of the digital economy with agricultural economic and trade cooperation, develop new ideas for cooperation in such areas as inspection and quarantine of agricultural products, customs clearance, financial support and project development, and strengthen agricultural policy dialogue, to jointly solve major problems arising in the course of cooperation, and bilateral economic and trade cooperation enjoys broad prospects.

4. Suggestion to the Region in South China

The agricultural trade between China and ASEAN plays an important role in the overall economic cooperation of two sides. But for GuangXi, YunNan, HaiNan and other provinces in tropical areas, they produce similar crops to ASEAN. In order to avoid unnecessary and fierce competition, these provinces should change their thinking to meet the challenge. First, they should organize the scattered farmers to expand scale and form scale benefit, cultivate large-scale companies, save transaction costs,

create local brand characteristics, and enhance international competitiveness. Second, they will vigorously promote structural adjustment of agricultural products, such as the development and cultivation of a large number of vegetable varieties needed by ASEAN countries. Third, speed up technological transformation, change the extensive production and management, enhance the scientific and technological content, and the economic value-added. Fourth, strengthen the construction of product standards strictly in accordance with the quarantine inspection standards and certification standards of ASEAN countries and further open the market of ASEAN countries [10].

5. Conclusions

To sum up, there is great room for development in China-ASEAN agricultural cooperation. The two sides cooperate in a mutually beneficial way, fully exploiting their own comparative advantages and optimizing resource allocation. While exporting a large amount of their own agricultural products and increasing income, it can also gradually transform the country's less efficient industrial structure, while stimulating the development of various industries such as talent exchange, transportation, tourism and regional economic exchanges through trade in agricultural products. China will enhance the region's international competitiveness and lay a solid foundation for the establishment of a partnership for peace and prosperity.

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