

Analysis of the Influencing Factors of China's Agricultural Trade with RCEP Countries

Luoyi Yu

School of Management, Tianjin University of Technology, Tianjin, China

yulyy1@stud.tjut.edu.cn

Abstract. The signing of the Regional Comprehensive Economic Partnership Agreement (RCEP) under the new situation of rapid but unstable global economic development will provide new opportunities and challenges for agricultural trade among member countries. This paper reviews the relevant literature in recent years to systematize the factors affecting China's agricultural trade with other RCEP members, to further promote the level of intra-regional economic facilitation liberalization and promote economic development. The study found that the factors affecting China's agricultural trade with other RCEP member countries can be broadly categorized into political and legal, economic and sociocultural aspects, each of which has several subdivisions, like the extent of government intervention, and all of which have different impacts on the conduct of trade. Based on this, this study provides recommendations for improving the competitiveness of China's agricultural products, promoting agricultural trade cooperation within the RCEP region, and strengthening economic integration in the Asia-Pacific region.

Keywords: Regional comprehensive economic partnership agreement, agricultural trade, impact factors.

1. Introduction

In recent years, the rise of trade protectionism, unilateralism, and hegemony has threatened the process of economic globalization. The global economy now faces many unstable and uncertain factors, compounded by the huge impact of the COVID-19 pandemic. In the new situation, General Secretary Xi Jinping has emphasized the need to build a new development pattern with the domestic macro-cycle as the main body. And the domestic and international double-cycle are promoting each other. This is a major strategic plan that puts forward new requirements for China's agricultural trade to develop at a higher level.

The Regional Comprehensive Economic Partnership (RCEP) was initially proposed by the Association of Southeast Asian Nations (ASEAN) in 2012. After many rounds of negotiations, it was signed in 2020 and formally came into force in 2022. The agreement aims to promote intra-regional economic and trade cooperation to further enhance the economic prosperity of the Asia-Pacific region. This paper focuses on the first of the three major industries - agriculture. RCEP will provide a broader trade market for national agricultural products and become a new platform for agricultural exchanges among member countries. The signing of RCEP will create a wider market for agricultural products among member countries, presenting both opportunities and challenges for China's agricultural trade. It will also serve as a new platform for agricultural exchanges.

Currently, there are four primary topics of discussion regarding RCEP and China's agricultural trade. Firstly, the impact of the RCEP signing on China's agricultural economy is being analyzed. Liu Yizhuo et al. utilized the global trade analysis project (GTAP) model to analyze the effects of RCEP on China's agricultural trade [1]. The second area of study concerns the competitiveness and complementarity of China's agricultural trade with RCEP countries. This is mainly analyzed through the display of the comparative advantage index and product similarity index. The findings indicate that China's competitiveness is weaker than that of the other member countries of the RCEP, but the complementarity is stronger [2]. Xia Wenhao and Zhang Yizhuo conducted research on the trade efficiency and potential of China's agricultural products to other member states. They constructed a stochastic frontier gravity model and concluded that the overall trade efficiency is decreasing.

However, there is a larger trade expansion space to Japan and other countries. Therefore, the focus should be on further releasing trade potential [3]. This article examines the impact of China and RCEP on agricultural trade, using a gravity model analysis. However, there is a lack of comprehensive summaries of this type of research.

Currently, there is a relatively rich body of research related to China's trade in agricultural products with RCEP countries, but it is scattered and lacks systematic collation of its influencing factors. Based on this, this paper summarizes the relevant literature at home and abroad in recent years, systematically divides the influencing factors into political and legal, economic and sociocultural aspects, and puts forward suggestions to provide a basis for the further development of agricultural trade, which is of great practical significance.

2. Impact Factors - China's Agricultural Trade with RCEP Countries

China has become a significant player in international agricultural trade, particularly since joining the World Trade Organization (WTO), and its exports have been steadily increasing. Agricultural exports to RCEP partner countries, except the Philippines, have been fluctuating, but with significant variability among individual countries. In 2020, agricultural exports to the top three exporting countries alone accounted for 40% [4]. This raises the question of what factors influence agricultural trade. This paper examines how China can enhance the efficiency of agricultural trade and increase import and export volume. The analysis is conducted from three perspectives: political and legal, economic, and sociocultural. Political and legal factors have a significant impact on cross-border trade, while economic factors directly affect trade. Sociocultural factors, on the other hand, usually have an indirect impact on trade through language and other means.

2.1. Political and Legal Factors

The government formulates and implements policies in various fields, including agriculture, to manage and plan the country's development. The extent of government intervention in the economy varies, but as the subject of this paper is agricultural trade, the country cannot avoid the influence and constraints of the government in its economic activities. The regression model reveals that the government's intervention in the economy has a significant negative impact on agricultural trade [3]. Additionally, democratic political factors impede agricultural trade, as a higher degree of democratic politics brings instability, which is not conducive to the continued stability of trade [5]. Since the 21st century, China and RCEP countries have signed Free Trade Agreement (FTAs), as shown in Table 1.

Table 1. Statistics on FTAs signed between China and RCEP countries in recent years

Vintages	nations	FTA
2002	China and ASEAN	China-ASEAN framework agreement
2008	China and New Zealand, Singapore	China-Singapore/New Zealand Free Trade Agreement
2009	China and ASEAN	China-ASEAN Investment Agreement
2015	China and Korea, Australia	China-Korea/Australia Free Trade Agreement

However, there are controversies surrounding the effects of signing FTAs. Chen Yusheng and Wang Yanmei found that, through the estimation of a trade inefficiency model, signing FTAs has a positive role in promoting intra-regional trade in agricultural products [6]. However, Li Wenxia and Yang Fengmin's empirical study shows that FTAs do not play to their advantage, mainly because they are not compatible with the vast majority of agricultural products in the region. However, Li Wenxia and Yang Fengmin's empirical study results indicate that FTAs do not provide their intended benefits. This is mainly because agricultural trade with the majority of countries does not operate within the framework of the agreement. Therefore, it is necessary to accelerate the negotiation process for the construction of FTAs with the 'Belt and Road' countries [7].

2.2. Economic Factors

The impact of economic factors on agricultural trade between China and RCEP partner countries cannot be ignored and is more direct.

Existing research on economic factors mainly focuses on the economic scale of importing and exporting countries, Ding Yibing et al. take the basic trade model as the foundation, and further introduce economic scale and other factors to fully consider the impact of multiple factors on agricultural trade between countries, select the World Bank (WDI) data between 2010 and 2019 to conduct the analysis, and conclude that the larger the size of China's domestic economy is, the more investment in agriculture, the more favorable to promote the development of agricultural technology and promote agricultural exports; the expansion of the economic scale of other member countries will increase agricultural imports. It is concluded that the larger the size of China's domestic economy, the more it invests in agriculture, which is more conducive to promoting the development of agricultural technology and other agricultural exports; the expansion of the economic scale of other member countries will increase agricultural imports. The same is true for food processing and fruit and vegetable products, but the opposite is true for animal products [3, 6]. That is, whether it is an importing country or an exporting country, the expansion of economic scale will be China and RCEP partner countries of agricultural trade to play a role in promoting, and the importing country's economic scale to promote the role of the expansion is more obvious [5]. Economic freedom is another important factor, including commercial freedom, trade freedom, investment freedom, and monetary freedom. Economic freedom is a crucial factor, encompassing commercial, trade, investment, and monetary freedom. Huang Xiaoyan and Li Guoxiang verified the applicability of the trade inefficiency model using the 'one-step method' for regression estimation. The results indicate that a higher degree of economic freedom suggests a higher level of marketization in the partner country, which is more conducive to China's exports of agricultural machinery products. According to [4], the impact of currency freedom is relatively small compared to the trade substitution effect that is generated by a high degree of investment freedom in the importing country. This, in turn, hinders China's exports of agricultural machinery products. Wei Wenjun and Hu Ying used the gray correlation model to analyze the impact of industrialization on agricultural development. The study found that higher levels of industrial development lead to higher levels of agricultural mechanization and modernization, which in turn affects trade between countries. However, this impact is relatively small. Calculations show that the level of industrial development has a positive impact on the value of trade in exported agricultural manufactured goods [8].

2.3. Socio-cultural Factors

Socio-cultural factors pertain to the values, lifestyles, and customs of a society. The existing literature primarily focuses on population size when examining the impact of sociocultural factors on China's agricultural imports and exports. This is done from the perspective of language and other related factors.

Xia Wenhao and Zhang Yizhuo constructed a stochastic frontier gravity model to investigate the impact of China's agricultural trade with other RCEP member countries. They found that for exporting countries, large population size is not conducive to the export of agricultural products due to strong domestic demand. Conversely, for importing countries, the size of the population has a positive impact on the import of agricultural products [3, 8, 9]. Language can impact trade, as countries with more similar languages tend to have less resistance to trade [3]. Additionally, a country's level of urbanization and agricultural modernization, as indicated by the proportion of people employed in agriculture, can affect trade efficiency. High proportions of agricultural employment in China and other RCEP member countries may hinder trade efficiency [10].

3. Suggestions

First, adhering to the innovation-driven development strategy and focusing on the development of agricultural science and technology can increase the level of agricultural mechanization and modernization. This, in turn, improves the competitiveness of China's agricultural products in the international market, leading to a higher market share and promoting the development of agricultural trade. Second, acknowledging the agricultural trade disparities between China and various RCEP member countries should be, and taking distinct measures for each country. The negotiation process of FTAs with Japan and the Republic of Korea should be expedited, tariffs and other trade barriers should be eliminated, and trade potential should be maximized. Additionally, the implementation and upgrading of FTAs for countries that have already signed them should be promoted. To fully utilize the advantages of economic geography, it is recommended to increase trade of agricultural products with countries that have larger economies, larger populations, and are geographically closer. It is important to maintain objectivity and avoid biased language when discussing influencing factors. Third, improving infrastructure development and terms of trade to enhance trade efficiency. Trade time and conditions are often hindered by the freshness requirements of agricultural products and outdated infrastructure in many countries, which poses a major constraint on the development of international trade. Infrastructure construction should be accelerated in all countries, and the development of shipping and air transport technology should be promoted to provide more convenient conditions for trading agricultural products.

4. Conclusion

This study provides a summary of the current literature on the factors that affect agricultural trade between China and the RCEP countries. The factors are categorized into political, economic, and socio-cultural categories. The study analyses the positive or negative impacts of each specific factor on trade under each category and provides recommendations based on the specific factors that affect trade. Political and legal factors can hinder trade, so it is important to accelerate the negotiation process and promote the implementation of signed agreements. Economic factors are the most relevant to the trade process, and it is important to understand the relationship between economic factors and trade between countries. Socio-cultural factors typically have an indirect impact on trade through other means. Although these three aspects cannot cover all influencing factors, they can provide strong support for most cases related to this issue and form a basis for a more systematic understanding of the role of various influencing factors. This understanding can promote the development of Sino-foreign trade in agricultural products in the region.

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