

**Voluntary Report** – Voluntary - Public Distribution

**Date:** March 02, 2023

**Report Number:** CH2023-0025

**Report Name:** RCEP Expected to Expand Regional Ag Trade

**Country:** China - People's Republic of

**Post:** Beijing

**Report Category:** Agriculture in the News, Country/Regional FTA's, Trade Policy Monitoring, Agricultural Situation

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**Report Highlights:**

China's two-way agricultural trade with members of the Regional Comprehensive Economic Partnership increased to \$123.5 billion in 2022, one year after the regional free trade agreement came into force. The trade growth is not directly attributed to tariff reductions, most of which are scheduled to reduce over a span of 10 years. Rather, the non-tariff rules focusing on trade facilitation, accumulative rules of origin, E-commerce options, and investment appear to have supported trade development in the region and should likely continue. Changing trade flows could present future challenges in some commodity sectors for the United States.

## Part I: Closer Trade Ties with RCEP Members

The Regional Comprehensive Economic Partnership (RCEP), which is composed of the 10 ASEAN countries, Australia, China, South Korea, Japan, and New Zealand, came into force on January 1, 2022, after 10 member states ratified the agreement. So far, the RCEP has been implemented in 14 out of 15 members. The Philippines remains the exception.

For additional background on the RCEP and its impact on agricultural trade in the region, please see [FAS GAIN reports CH2020-0168](#), [JA2020-0189](#), [VM2022-0038](#), and [TH2020-0164](#).

### *Overview of the People's Republic of China (PRC) Agricultural Trade with RCEP Members*

Historic highs in agricultural trade: The PRC's agricultural imports from 14 RCEP members was \$76.3 billion, an increase of 15 percent on year in 2022, according to Trade Data Monitor. PRC Agricultural exports to RCEP countries were \$47.2 billion, an increase of 7 percent. RCEP countries have been key suppliers of tropical fruit (ASEAN), palm oil (Indonesia, Malaysia), dairy products (New Zealand), meat of bovine animals and sheep (Australia and New Zealand), and wood and wood chips. The PRC's main agricultural exports to RCEP countries, primarily Japan and ASEAN, include processed seafood, plywood, vegetables, fruit, and tea.

Closer trade ties with ASEAN: Based on the current PRC-ASEAN Free Trade Agreement (FTA), RCEP further expanded the bilateral trade in agriculture through significantly improved levels of trade facilitation. In 2022, PRC-ASEAN bilateral two-way trade (i.e., imports and exports) in agriculture was \$72.3 billion, an increase of nearly 16 percent from 2021. The PRC's agricultural imports from ASEAN increased by nearly 21 percent on year to \$46 billion, which was driven primarily by growth in wood chips, fresh cassava and cassava starch, and animal and plant-based oil. China's exports to ASEAN increased by 8 percent to \$26.3 billion, mainly because of growth in processed cuttle fish and squid, food preparations, and inedible animal and plant-based oil and by-products.

Significant increase of agricultural exports to Australia and New Zealand in 2022: The PRC has previously signed bilateral FTAs with Australia and New Zealand and the RCEP further facilitated the trading environment. China's agricultural exports to Australia and New Zealand increased by 14.8 percent and 9.5 percent, respectively, on year in 2022. Exported products were primarily processed wood products (plywood), food preparations, and sugar or confectionary items.

Additionally, the RCEP resulted in bilateral tariff concessions between the PRC and Japan, including immediate tariff eliminations for select products. For example, Japan's import tariffs on Chinese onions and shallots, mung beans, and residues of starch manufacturing were immediately eliminated upon the RCEP entering into force. As a result, the exports of these products to Japan increased by 33 percent, 24.6 percent, and 21.5 percent, respectively, in 2022. Japan remains the largest buyer of Chinese agricultural and related products.

**Table 1. China: Leading Agricultural Imports from RCEP Countries (in \$ Billion)**

HS code	Description	2020	2021	2022	%Δ 2022/21
	Total Agricultural and Related Product Imports from RCEP Members	52.1	66.3	76.3	15.07
151190	Palm oil and its fractions, refined but not chemically modified	4.1	5.9	5.8	-1.73
081060	Durians, fresh	2.3	4.2	4.0	-4.11
440122	Wood in chips or particles, nonconiferous	1.8	2.1	3.3	56.76
040221	Milk and cream, concentrated, not sweetened, in powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%	2.1	2.9	2.8	-3.33
440321	Pine wood in the rough, of which the smallest cross-sectional dimension is 15 cm or more	2.2	3.2	2.5	-20.12
020230	Meat of bovine animals, boneless, frozen	1.7	1.6	2.2	41.29
110814	Starch, cassava (manioc)	1.1	1.7	2.2	31.79
071410	Cassava (manioc) fresh or dried, whether or not sliced or in the form of pellets	0.8	1.5	2.0	32.43
382319	Industrial monocarboxylic fatty acids, nesoi; acid oils from refining	0.5	1.0	2.0	97.93
210690	Food preparations nesoi	1.8	1.7	1.9	9.82
510111	Wool, not carded or combed, greasy (including fleece-washed), shorn	1.3	2.0	1.9	-5.94
100199	Wheat and meslin, not durum wheat, other than seed	0.2	0.4	1.8	355.97
020442	Meat of sheep, cuts with bone in, nesoi, frozen	1.4	1.8	1.7	-6.28
190110	Food preparations for infant use, put up for retail sale, nesoi	1.6	1.5	1.4	-4.63
151790	Edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats and oils covered by headings 1501 through 1515	0.4	0.9	1.4	47.25

Source: Trade Data Monitor, LLC

### *RCEP Non-Tariff Rules Expected to Boost Regional Agricultural Trade*

China entered bilateral FTAs with almost all RCEP members, except Japan, long before RCEP came into effect. Under the pre-existing FTAs, import tariffs for most agricultural products have been or will be soon eliminated, while most RCEP tariff eliminations will be achieved over a 10-year period. Although RCEP tariff reduction schedules cover commodities beyond the product scope of current FTAs, few belong to the agriculture sector. Therefore, the growth in agricultural trade between the PRC and RCEP countries is not attributed to tariff reductions. Rather, non-tariff trade facilitation is playing a more important role. Over time, experts suggest that these non-tariff rules will accelerate and drive the PRC's agricultural trade towards RCEP members, especially ASEAN.

### *Highlights of Non-Tariff Rule Changes Resulting from RCEP Implementation*

According to recent statements from various PRC official accounts, the government attaches great importance to RCEP enforcement which is believed to consolidate and further expand China's foreign trade relations and investment opportunities. Additionally, ministries and government office have released official guidance and training materials focusing PRC domestic stakeholders to be cognizant of the following non-tariff rule changes which are aimed at helping Chinese industries better utilize the RCEP agreement.

The following plain text is from recently issued guidance while FAS China analysis and comments appear in italics.

1) The RCEP has introduced more efficient and transparent rules on non-tariff barriers such as; a) customs procedures and trade facilitation, b) inspection and quarantine, c) technical standards, and d) compliance assessment. For example, the RCEP simplifies customs clearance procedures, adopts efficient management methods such as pre-ruling, pre-arrival processing, and the use of up-to-date information technology, and requires customs authorities, if possible, to release goods within 48 hours after arrival in most instances and the release of perishable products (e.g., seafood, fruit, vegetables, etc.) within 6 hours. These customs and trade facilitation rules exceed the WTO Trade Facilitation Agreement (WTO TFA) and significantly improve the efficiency of customs clearance and reduce the trade cost.

*FAS China comments: The RCEP trade facilitation rules are expected to make traded goods move faster through customs clearance and at a reduced cost. This is of particular importance to agricultural products, especially fresh/chilled and perishable products. Additionally, traders could be increasingly likely to turn to RCEP member countries now to source chilled and perishable agricultural products as these rules are implemented over time.*

2) The unique regional accumulation rule of origin, an important achievement of RCEP, will benefit the development of the agricultural processing trade and the flow of intermediate products across member states. According to this rule, if the value-added part of the product during the processing belongs to one of the 15 member countries, and the cumulative added value exceeds 40 percent, it can enjoy the corresponding tariff preferences of RCEP members. "This rule promotes the minimization of production costs and the optimization of trade efficiency in the region and will help strengthen cooperation in the industrial and supply chains in the region," a senior official from the PRC Ministry of Commerce was quoted as saying.

*FAS China comments: The accumulative rule of origin is of particular benefit for enterprises that need to import raw materials for processing and re-export. For comparative advantages purposes, the enterprises in the region, such as those in Vietnam that have labor advantages, will find the most suitable source of imported raw materials for agricultural product processing and re-export, thus increasing the trade flow of agricultural and related products within the region.*

3) E-commerce rules usher in new opportunities for agricultural trade development. Compared to current FTAs, RCEP's E-commerce chapter reached a consensus for the first time on issues such as cross-border information transmission and data localization, which provides institutional guarantees for regional E-commerce cooperation. RCEP E-commerce rules aim at promoting paperless trade, electronic authentication, and electronic signature, which will significantly improve the efficiency of customs and logistics and reduce operational risks and uncertainties of cross-border E-commerce trade.

*FAS China comments: The streamlined E-commerce rules allow smaller businesses to participate in agricultural trade in the region through the form of cross-border E-commerce. It is reported that China and ASEAN are currently facilitating the docking of RCEP cross-border E-commerce industry associations. In addition, new trade formats such as incorporating E-commerce into traditional trade patterns will further expand the agricultural trade. For example, the China-Laos Railway is exploring models of combining Lanchang-Mekong sectional express rail with cross-border E-commerce service to better use rail connections in the region.*

4) Upgraded rules on market access and investment create more open and easier investment in agricultural production and processing. The adoption of a "negative list" in investment will improve the investment openness and policy transparency of agriculture-related industries (Note: The PRC and 7 other members including New Zealand, Thailand, Vietnam, Laos, Cambodia, Myanmar, and the Philippines who currently adopt a positive list will change to a negative list within 6 years of entry). For the first time, the PRC has made a high-level commitment in the fields of agriculture and forestry. ASEAN has also made relatively high commitment to opening investment in agricultural planting, animal husbandry and product processing. For example, Thailand will lift restrictions on foreign businesses in rice planting, animal husbandry, and sugarcane processing. Vietnam will remove restrictions on access of foreign business to processing of aquatic products, vegetable oil, and dairy production.

*FAS China understands that PRC and RCEP officials believe the "negative list" is an improvement over a "positive list" as it allows industry broader flexibility to invest. In other words, foreign investment is only prohibited in enumerated items on the "negative list" whereas a "positive list" is proscriptive and may not cover all future areas of market opportunity. Given constraints in labor and natural resources, the Chinese agriculture system has entered a period of rapid increases in cost and prices. Taking advantage of the "low" labor cost among ASEAN members and "rich" agricultural resources of Australia and New Zealand, the PRC is expected to increase its investment in agricultural production and processing in RCEP member countries and form cross-nation industrial chain cooperation in the medium and long term.*

## **Part II Impact of PRC and RCEP Ag. Trade on U.S. Agriculture**

*U.S. consumer-oriented agricultural products may face longer term competition*

While most U.S. exports of agricultural and related products (such as soybeans, corn, cotton, sorghum, alfalfa hay, hides and skins, pork and pork offal, etc.) to China were not impacted by the RCEP inception, as RCEP members lack many of these sectors, the U.S. agricultural exports to the PRC may face challenges over time in areas where there is greater competitiveness.

The RCEP trade facilitation rules allow agricultural trade to move at faster pace and, conceivably, at a reduced cost between RCEP members. And the accumulation rule of origin and investment rule are expected to change the marketing channels and the supply chain of agricultural and related products in the region. The PRC is expected to increase its investment in agriculture production and processing in RCEP countries, which could eventually increase imports of agricultural and related products, such as edible oil (from ASEAN), dairy products (from New Zealand), and meat of bovine animals (from Australia and New Zealand). In addition, consumer-oriented products such as snack foods and drinks from Japan and South Korea will become more competitive against like products from the United States as tariffs reduce gradually over the next few years. As for fresh fruit, there has been sizeable import growth from RCEP members (largely tropical fruit) where the United States does not compete (i.e., deciduous fruit). That said, there is some potential for changes to deciduous and citrus fruit trade flows to the PRC.

**Table 2. China: PRC Import Comparisons of Select Commodities from the United States and RCEP Members**

<b>Commodity (group)</b>	<b>Country</b>	<b>2021</b>	<b>2022</b>	<b>% Change 2022/21</b>
Beef & beef products	U.S.	150,713 MT	192,464 MT	27.7
		\$1.3 billion	\$1.8 billion	35.2
	RCEP	373,651 MT	407,750 MT	9.1
		\$2.3 billion	\$3.0 billion	32.1
Wheat	U.S.	2.7 million MT	625,606 MT	-77.1
		\$860.8 million	\$265.1 million	-69.2
	RCEP	2.7 million MT	5.7 million MT	109.1
		\$862.5 million	\$2.1 billion	143.6
Dairy products	U.S.	439,343 MT	468,987 MT	6.8
		\$724.9 million	\$773 million	6.6
	RCEP	1,903,354 MT	1,684,526 MT	-11.5
		\$7.8 billion	\$8.1 billion	3.7
Poultry meat & products	U.S.	446,661 MT	346,022 MT	-22.5
		\$1.09 billion	\$1.24 billion	13.5
	RCEP	104,038 MT	84,576 MT	-18.7
		\$338.4 million	\$383.3 million	13.3
Tree nuts	U.S.	189,851 MT	155,959 MT	-17.9
		\$1.0 billion	\$821.7 million	-21.6
	RCEP	1.0 million MT	1.3 million MT	24.8
		\$1.2 billion	\$1.5 billion	25.9
Fresh fruit	U.S.	52,931 MT	31,853 MT	-39.8
		\$151.4 million	\$99.8 million	-34.1
	RCEP	4.5 million MT	4.5 million MT	0.0
		\$8.4 billion	\$8.1 billion	-4.0

Source: Trade Data Monitor, LLC

**Attachments:**

No Attachments.