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Analysis on China's Import Trade of Agricultural Products from Thailand

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I. Introduction

China and Thailand are important and friendly economic and trade partners. During 40+ years of China's reform and opening up, the scale and level of trade and investment cooperation between the two countries are continuously developing. In 2010, China-ASEAN Free Trade Area was officially launched, and economic and trade cooperation between the two countries entered a fast lane of development. In 2022, the Regional Comprehensive Economic Partnership Agreement (RCEP) officially came into effect, and the level of openness in various fields such as trade in goods, trade in services, and economic cooperation has significantly improved compared to the commitments made in WTO. The further development of economic and trade cooperation between the two countries has ushered in new opportunities.

China and Thailand are both important producers of agricultural goods. The differences in climate and natural resources give each country its own endowment advantages in agricultural products. And at the same time, the two countries are near in geography and close in economic and trade cooperation, therefore, agricultural trade between the two countries has a very good foundation for development. In recent years, the bilateral trade of agricultural products between the two countries has developed rapidly, especially the significant rapid growth of China's import of agricultural products from Thailand. In 2022, China's import of agricultural products from Thailand reached 12.59 billion US dollars, an increase of 6.02%. Thailand's well-known agricultural products such as durian, mango, and fragrant rice have become common delicacies on the dining table for Chinese consumers. In fact 90% of Thailand's export of fresh durian and manioc are shipped to China. The gradual integration of high-quality agricultural products from Thailand with the huge market demand in China has led to sustained and stable development of agricultural trade between the two countries.

The scope of agricultural products in this article is based on the basic agricultural product scope in the WTO Agreement on Agriculture, but not less fish and fish products, which means it includes all products listed in HS codes 1-24, plus other products listed in ANNEX 1 of the WTO Agreement on Agriculture, such as mannitol, sorbitol, essential oils, wool, raw cotton, and etc. The data used in the analysis is classified according to HS codes in the UN Comtrade database. Considering the research needs and data availability, the sample space is mainly from 2013 to 2022.

II. Current Situation of China's Import of Agricultural Products from Thailand

The bilateral trade of agricultural products between China and Thailand has developed rapidly. In 2022, the import and export value of agricultural products between China and Thailand reached 17.48 billion US dollars, an increase of 5.9%. Among them, China imported agricultural products of 12.59 billion US dollars from Thailand and export value is 4.89 billion US dollars. China has a 7.7 billion US Dollars deficit in agricultural product trade with Thailand, and the deficit increased 6.27% compared to year 2021. As to the share of import from Thailand in China's import of agricultural products from world, the figure is 3.64% in 2013 and 5.34% in 2022. Thailand has become an important sources of China's agricultural product imports.

Agricultural products are an important component of Thailand's export to China. Trade goods between China and Thailand are diverse, including agricultural products, mechanical and electrical products, services and etc. With the increasingly close trade cooperation between China and Thailand, the

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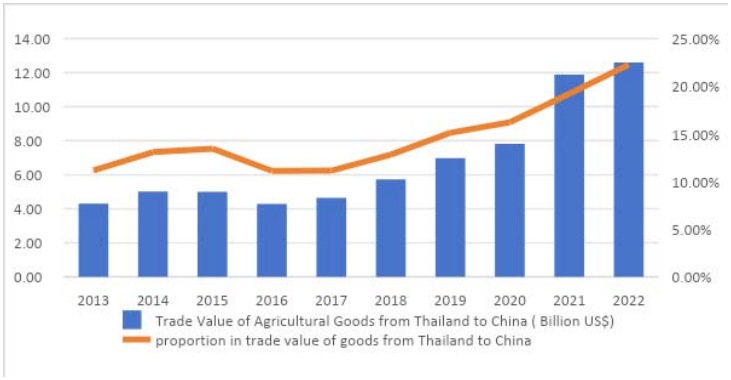
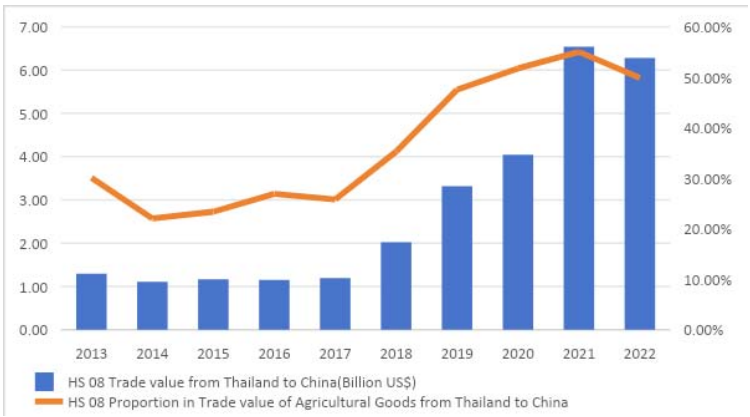
bilateral trade between the two countries continues to grow. Among them, the growth rate of China's import of agricultural products from Thailand is significant higher than its export. As shown in Figure 1, in 2013 China imported 4.3 billion US dollars of agricultural products from Thailand, accounting for 11.16% of China's total imports of goods from Thailand. In 2022, China imported 12.59 billion US dollars of agricultural products from Thailand, accounting for 22.28% of China's total imports of goods from Thailand. Over the past decade, China's import of agricultural products from Thailand has increased by 1.93 times, now accounting for nearly a quarter of China's import of goods from Thailand.



Data source: Calculated based on UN Comtrade Database (China as the Reporter)

Figure 1: 2013-2022 Trade Value of Agricultural Goods from Thailand to China and its Proportion

The proportion of fruit products in China's import of agricultural products from Thailand is increasing rapidly. Agriculture is a traditional industry in Thailand, the world's largest exporter of rice and a major producer and exporter of rubber, manioc, sugarcane, and aquatic products. At present, the trade value of cereal products in China's import of agricultural products from Thailand is far less than that of fruits, vegetables and roots. From 2013 to 2017, the trade value of vegetables and roots (commodity code HS07) imported from Thailand by China was the highest, accounting for over a quarter of the total. But after 2018, as shown in Figure 2, the import of fruit and nuts (commodity code HS08) began to increase and surpassed the vegetables and roots. China's import value of fruit and nuts from Thailand has increased from 1.45 Billion US dollars in 2013 to 6.28 Billion US dollars in 2022, an increase of 2.33 times. Since 2021, fruit and nuts accounts for about 50% of China's import of agricultural products from Thailand.



Data source: Calculated based on UN Comtrade Database (China as the reporter)

Figure 2: 2013-2022 Trade Value of Fruit and Nuts (HS08) from Thailand to China and its Proportion

Fresh durian, manioc, manioc starch, guava mango and mangosteen are the top four agricultural products imported by China from Thailand. As shown in Figure 3, the total import value of the four products has increased from 2.75 billion US dollars in 2013 to 7.53 billion US dollars in 2022, which has similar growth rate with China's import of agricultural products from Thailand. Therefore, the proportion of the above four products in China's import of agricultural products from Thailand has not changed much, basically ranging from 50% to 60%, in 2022 the figure is 59.79%. Further analysis shows that before 2018, the import value of

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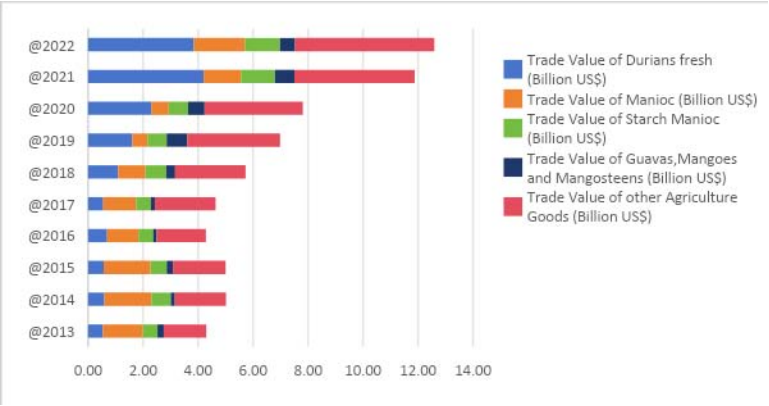
manioc was greater than that of the other three products, after 2018 the import value of fresh durian has grown at an astonishing rate and surpassed the import value of manioc. In 2022, the import value of fresh durian from Thailand to China was 3.85 billion US dollars, accounting for 30.54% of China's import of agricultural products from Thailand. This means that fresh durian alone accounts for nearly one-third of China's import of agricultural products from Thailand. Fresh durian, a popular and unique tropical fruit, has become a star product. In addition, the import value of manioc starch, guava mango and mangosteen has grown rapidly as well, ranking just after fresh durian and manioc.



Data Source: Calculated based on UN Comtrade Database (China as the Reporter)

Figure 3: 2013-2022 Trade Value of Selected Products from Thailand to China

China is the largest export market for Thai agricultural products. The main export markets of Thai agricultural products are China, Japan, the United States. In recent years, there have been slight adjustments in exports to the Japanese and American markets, and exports to the Chinese market have increased significantly. Now China has become the largest export market for Thai agricultural products for years. As shown in Table 1, according to UN Comtrade Database (Thailand as the reporter), China has the largest share in Thailand's agricultural product export market, rising from 15.55% in 2019 to 25.48% in 2021 which means that about a quarter of Thailand's agricultural product exports are sold to the Chinese market. In addition, several agricultural product exports rely heavily on the Chinese market. As shown in Table 2, from 2019 to 2021 the Chinese market share in Thailand's fresh durian, manioc, and manioc starch exports was high and increasing. In 2021, the Chinese market share in these three product exports was 90.04%, 99.48%, and 71.84% respectively.

Table 1: 2019-2021 Market Structure of Thai Agricultural Products Export

Period	Market Share of China	Market Share of Japan	Market Share of USA	Market Share of others
2019	15.55%	13.00%	10.39%	61.06%
2020	18.70%	12.52%	12.02%	56.77%
2021	25.48%	11.29%	10.63%	52.60%

Data source: Calculated based on UN Comtrade Database (Thailand as the Reporter)

Table 2: 2019-2021 Chinese Market Share of Thai Durian Fresh, Manioc, and Starch Manioc Export

Period	Durian fresh: Market Share of China	Manioc: Market Share of China	Starch Manioc: Market Share of China
2019	58.01%	98.99%	53.24%
2020	72.79%	99.41%	62.70%
2021	90.04%	99.48%	71.84%

Data source: Calculated based on UN Comtrade Database (Thailand as the Reporter)

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III. Factors Influencing China's Import of Agricultural Products from Thailand

With the increase of GNI, the demand for imported goods by Chinese consumers grows rapidly. According to the World Bank Data, GNI per capital PPP of China is 11,780 current international dollars in 2013 and 21,250 current international dollars in 2022. Considering the increase of GNI per capita and China's population, the change in market demand is a huge volume. The impact of increased income on demand is also influenced by the income elasticity of demand. Some agricultural products such as oil seeds, animal or vegetable fats and oil have a relatively low income elasticity of demand, so the market's demand for these products is less affected by income changes. However, other agricultural products such as meat and edible meat offal, fruit and nuts edible have a relatively high income elasticity of demand. As consumer income increases, the quantity of demand for such products will significantly increase as well. China imported from world meat and edible meat offal of 5.93 billion US dollars in 2013 and 30.88 billion US dollars in 2022, an increase of 4.2 times, and fruit and nuts edible of 4.10 billion US dollars in 2013 and 16.64 billion US dollars in 2022, an increase of 3.06 times. The tropical fruits and other agricultural products from Thailand matches the demand of the Chinese market just in time. Taking fresh durian as an example, Thailand exported fresh durian of 3.41 billion US dollars in 2021, of which the largest demand came from China.

Thailand is a major producer and exporter of rice, natural rubber and tropical fruits in the world, and has its own unique natural endowment advantages in the production and export of these agricultural products. During the five years from 2017 to 2021, Thailand's main agricultural product export markets were China (export value 30.99 billion US dollars, export market share 17.05%), Japan (export value 22.91 billion US dollars, export market share 12.61%), and the United States (19.52 billion US dollars, export market share 10.75%). The export value continued to grow, and China has become the largest market. The distance between China and Thailand is relatively close, and the transportation of goods is well developed, which increases the timeliness and convenience of agricultural products, especially fresh fruit transportation. The continuous development of cold chain transportation for fruit has improved efficiency and reduced costs, 6-hour rapid customs clearance facilitates trade of perishable goods, as well as trade tariff reduced further, all of these helps to provide new impetus for Sino-Thai agricultural product trade. However, the production and export of agricultural products are susceptible to natural factors such as climate. And the inspection and quarantine issues caused by pests cannot be underestimated. In addition, Thailand's competitors in Southeast Asia have also begun to compete for global market share in agricultural exports. For example, China has officially allowed the import of fresh durian from Vietnam since 2022, and Vietnam is reducing costs through land border transportation. Vietnam's fresh durian exports to China are showing a rapid growth trend, which may challenge dominant position of Thailand's fresh durian in the Chinese market.

In addition, regional economic cooperation is also an important influencing factor in the trade of agricultural products between China and Thailand. After the establishment of the China-ASEAN Free Trade Area and the launch of the RCEP negotiations, bilateral trade between China and Thailand has continued to expand and cooperation has become closer. RCEP is the world's largest free trade agreement, consisting of 10 ASEAN member countries and 5 trading partners (China, Japan, South Korea, Australia, and New Zealand). After its implementation in the Philippines in June this year, this agreement will enter into force for all 15 members. According to the RCEP agreement, 65% of the tariffs and quotas on trade of goods between member countries will be abolished, and this proportion will increase to 90% over time. For example, China will maintain zero tariffs or immediately reduce tariffs on agricultural products under 960 categories, accounting for 65.3% of all agricultural products. Partly tax reductions and exceptions only accounts for 7.2%. RCEP also includes simplifying customs procedures, investment and e-commerce regulations, and introducing more free trade measures, all of which are favorable factors for the sustained and rapid development of China's import of agricultural products from Thailand.

IV. Conclusion

In recent years, China's import of agricultural products from Thailand have grown rapidly. China's import of agricultural products from Thailand is much greater than its export, the trade deficit is large and still increasing. The growth rate of China's import of agricultural products from Thailand is greater than the growth rate of China's total imports of goods from Thailand. Therefore, the proportion of agricultural products in China's total imports of goods from Thailand has significantly increased, reaching nearly a quarter.

Since 2018, the product structure of China's import of agricultural products from Thailand has undergone significant changes. Before 2018, vegetables and roots accounted for the largest proportion, with manioc being the most prominent. After 2018, the import of fruit and nuts has grown rapidly, with fresh durian being the most prominent. Now fruit and nuts accounts for about 50% of China's import of agricultural products

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from Thailand, significantly surpassing vegetables and roots. Among fruit and nuts, fresh durian is really a star product.

China has become the largest market for Thai agricultural exports for years. Thailand's main agricultural product export markets are China, Japan, the United States. In recent years, exports to the Chinese market have grown rapidly. In 2021, about a quarter of Thailand's agricultural product exports were to China. Fresh durian and other agricultural products have a high dependence on the Chinese market.

China's import of agricultural products from Thailand still has great potential for development. Thailand's abundant tropical fruit and other agricultural products have unique natural endowment advantages and are widely popular in the international market. The income elasticity of demand of these products is relatively high. As long as they can meet the huge market demand of the Chinese market and continuously improve the timeliness and convenience of delivery, there is still great development potential. In addition, the comprehensive launch of the RCEP agreement, which includes measures such as canceling tariffs, simplifying customs procedures and etc., is also a favorable factor for promoting the further development of China's import of agricultural products from Thailand.

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