

China-New Zealand Trade Status and Analysis under The Background of RCEP

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Abstract: Since the establishment of friendly diplomatic ties between China and New Zealand, the two sides have maintained closed trade relationship, with the trade volume showing a growing trend. The Regional Comprehensive Economic Partnership (RCEP) was officially signed in 2020 and entered into force on January 1st, 2022. It will take trade relationship between China and New Zealand to a new level. The entry into force of the RCEP means that the resources of the two countries will be further integrated, which will be more conducive to the further development of bilateral economic and trade relationship. This paper aims to analyze the current situation and existing problems of import and export trade between China and New Zealand in the context of Regional Comprehensive Economic Partnership (RCEP), and put forward properly suggestions.

Keywords: China, New Zealand, Trade, RCEP.

1. Trade Process between China and New Zealand

China and New Zealand officially established diplomatic relations on December 22, 1972. Since then, bilateral trade has always maintained a good state of development, and the markets and products of both sides began to integrate. In August 1997, New Zealand was the first Western country to agree to China's accession to the WTO. In April 2004, the New Zealand government recognized China's full economic status. In May of the same year, China and New Zealand signed the China-New Zealand economic and trade cooperation Framework and discussed the feasibility of the agreement. In November, the two leaders reached an agreement and began negotiations in December. In April 2008, the two countries signed the China-New Zealand Free Trade Agreement, making New Zealand the first developed country to conclude a bilateral free trade agreement with China. In March 2017, China and New Zealand signed a Memorandum of Arrangement on enhancing cooperation on the Belt and Road Initiative, making New Zealand the first Western country to sign a similar cooperation document with China. The two countries have developed from a single trade relationship to a diversified trade partnership. Compared with other trading countries, trade between China and New

Zealand has developed rapidly and the volume of trade between the two countries has continued to grow. After years of efforts, both countries signed the RCEP in 2020 and it comes into force in 2022.

In 1998, the import and export trade between China and New Zealand was 4.363 billion yuan. In 2016, it was 75.856 billion yuan, an increase of 71.493 billion yuan in 18 years. Total trade has expanded 17 times. From 2017 to 2021, the total trade volume increased from 98.228 billion yuan to 159.776 billion yuan. Before China formally joined the RCEP, the growth rate of the total trade between China and New Zealand was increasing and the trend was relatively stable. Under the influence of the COVID-19 pandemic in 2020, the total trade volume, which was growing positively, declined by 0.34 percent instead of rising. In the post-2021 pandemic period, after China and New Zealand joined the RCEP, the total trade volume of China and New Zealand increased by 34.182 billion yuan compared to 2020, with a growth rate of 27.22%.

2. Analysis of the Current Trade Situation between China and New Zealand

2.1. Overall trade scale analysis

Table 1. Total import & export trade & balance of trade between China and New Zealand from 2017 to 2021.

Year	China's export value to New Zealand (unit: RMB 100 million)	China's import from New Zealand (unit: RMB 100 million)	Total import and export volume (unit: RMB 100 million)	Balance of trade (unit: RMB 100 million)
2017	345.43	636.85	982.28	-291.42
2018	381.57	730.48	1112.05	-348.91
2019	395.96	864.32	1260.28	-468.36
2020	419.15	836.79	1255.94	-417.64
2021	553.31	1044.45	1597.76	-491.14

Source: China Customs Office

From 2017 to 2021, the trade volume between China and New Zealand increased steadily, with the export volume increasing by 60% from 34.543 billion yuan to 55.331 billion yuan. Import volume increased by 64 percent from 63.685

billion yuan to 104.445 billion yuan. In the past five years, China has been running a trade deficit with New Zealand, and the trade deficit has further widened. The deficit was 29.142 billion yuan in 2017 and 49.114 billion yuan in 2021, an

increase of 68.5 percent. In 2021, the total import trade reached 104.445 billion yuan, an increase of 20.766 billion yuan compared with the same period in 2020, and an increase of 1.25 times year-on-year. This is the first major breakthrough since the establishment of diplomatic relations between the two countries. The RCEP has helped China-New

Zealand trade exceed 100 billion yuan by 2021, opening a broader market for bilateral cooperation, boosting economic growth and meeting the interests of both countries.

2.2. Commodity structure analysis

Table 2. Trade volume of China's main imports from New Zealand from 2017 to 2021

Category of Products	Live animals		Wood and wood products		Food, tobacco and drinks		Plant products		Paper		Other Products	
	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)
Year												
2017	297.87	46.77	138.56	21.76	61.36	9.63	26.87	4.22	17.29	2.71	94.9	14.91
2018	330.47	45.24	169.4	23.19	76.03	10.41	31.13	4.26	18.27	2.50	105.18	14.4
2019	433.10	50.11	163.95	18.97	108.46	12.55	39.13	4.53	17.96	2.08	101.72	11.76
2020	436.72	52.19	136.31	16.29	116.93	13.97	38.73	4.63	16.75	2.00	91.35	10.92
2021	542.46	51.94	221.00	21.16	107.34	10.28	45.17	4.32	16.90	1.62	111.58	10.68

Source: China Customs Office

The top five categories of products imported by China from New Zealand are live animals, wood and wood products, food and beverage tobacco, plant products and paper. The trade volume of live animal products maintained a steady growth trend, from 29.787 billion yuan in 2017 to 54.246 billion yuan in 2021, a year-on-year increase of 5.17 percent. Trade in

wood and wood products, food and beverage tobacco and plant products has nearly doubled in five years. On the whole, China's import volume shows an expanding trend in 2021. In this sense, the RCEP has promoted closer diplomatic ties between China and New Zealand.

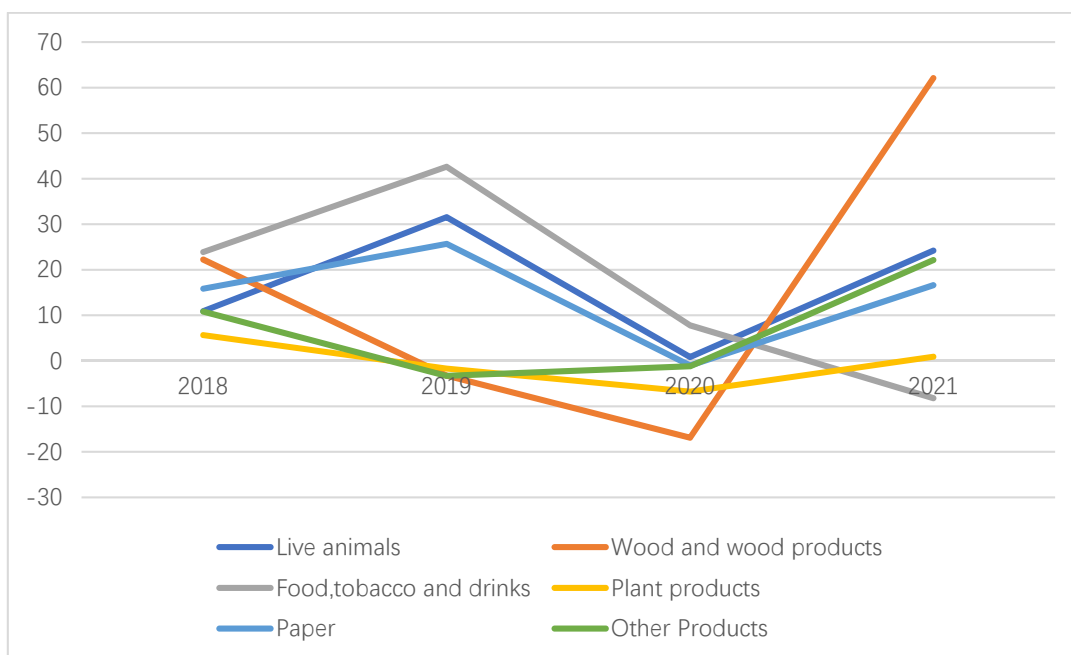


Figure 1. Growth rate of China's main import products from New Zealand

Source: China Customs Office

Table 3. Trade volume of New Zealand's main imports from China 2017-2021

Category of Products	Mechanical and electrical products		Textiles		Base metals products		Furniture, toys and miscellaneous goods		Plastic and rubber		Other Products	
	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)	Amount (Unit: 100 million Yuan)	Proportion (unit: %)
Year												
2017	94.76	27.43	54.24	15.70	33.73	9.76	38.69	11.20	25.61	7.41	98.4	28.5
2018	103.94	27.24	56.71	14.86	36.67	9.61	41.33	10.83	29.11	7.63	113.81	29.83
2019	99.34	25.09	55.07	13.91	40.89	10.33	48.39	12.22	30.74	7.76	121.53	30.69
2020	109.69	26.17	59.44	14.18	42.50	10.14	52.25	12.47	32.55	7.77	122.72	29.27
2021	139.83	25.27	63.20	11.42	63.20	11.73	73.09	13.21	44.01	7.95	168.25	30.42

Source: China Customs Office

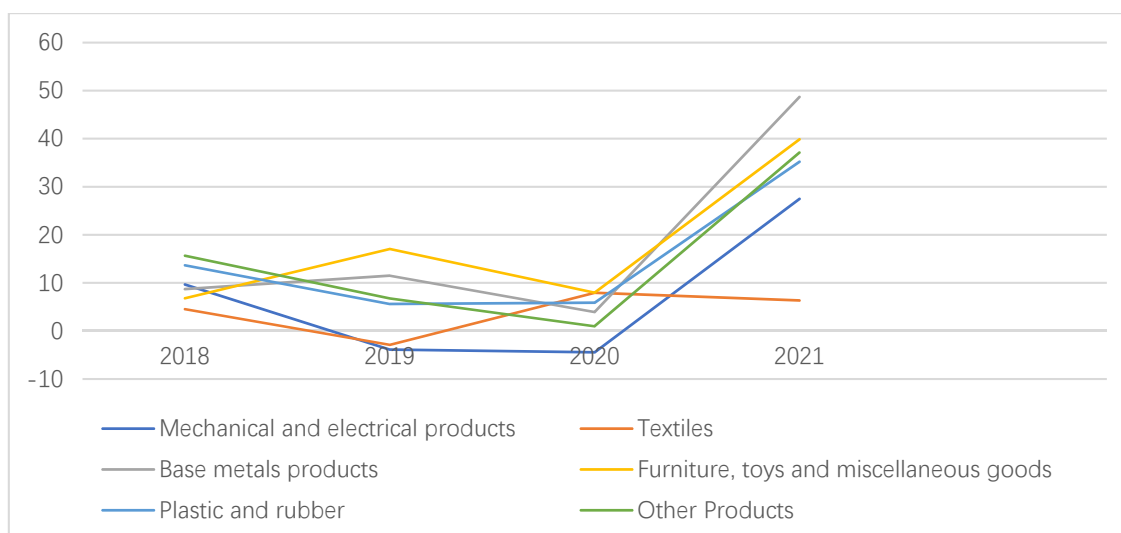


Figure 2. Growth rates of New Zealand's main import products from China
Source: China Customs Office

New Zealand mainly imports mechanical and electrical products, textiles and raw materials, miscellaneous products of furniture and toys, base metals and products and plastics and rubber from China. Electromechanical products, textiles and raw materials have been the top two categories of products imported to New Zealand from 2017 to 2020. However, miscellaneous products of furniture and toys ranked second in imports in 2021. In the same year, New Zealand's import value of mechanical and electrical products reached 13.983 billion yuan, and miscellaneous furniture and toys reached 7.309 billion yuan. Furniture, toys, miscellaneous products and base metals and products have also doubled in the past five years. Although the proportion of the trade volume of mechanical and electrical products and textiles and raw materials decreased, the trade volume rose steadily.

This paper calculates the degree of trade integration between China and New Zealand by collating the data from 2017 to 2021. The trade integration index is calculated as follows:

$$TCD_{ab} = (X_{ab} / X_a) / (M_b / M_w)$$

TCD_{ab} represents the trade integration degree of China to New Zealand, X_{ab} represents the export volume of China to New Zealand, and X_a represents the total export volume of China. M_b represents the total amount of New Zealand imports; M_w stands for total global imports. If $TCD_{ab} > 1$, a and b are closely linked in terms of trade. If $TCD_{ab} < 1$, a and b are loosely connected in trade. Based on the above tabular data, the trade integration degree of both sides is as follows.

Table 4. Trade integration index of China and New Zealand

Year	2017	2018	2019	2020	2021
TCD _{ab}	1.26	2.55	1.65	1.71	1.88

Source: China Customs Office

Table 4 shows that the trade integration index of both China and New Zealand from 2017 to 2021 is greater than 1. And the overall trend is increasing, which shows that the trade relationship between the two countries is very close

and deepening. In 2018, TCD_{ab} reached the highest value in the past five years, reaching 2.55. TCD_{ab} has been increasing from 2019 to 2021.

3. Advantages of China-New Zealand trade in the context of RCEP

The RCEP has greatly strengthened the trade relationship between China and New Zealand, with total trade between the two countries nearly tripling in the past few years. Mutual trade between China and New Zealand is growing faster than ever before, outpacing that of other major trading partners with whom New Zealand works. Now New Zealand's imports and exports are highly dependent on China, and China has been the largest trading partner, exporter and importer of New Zealand for many years. Among the major importers of New Zealand's trade, China accounts for about 1/4, and among the major exporters, China accounts for about 1/3, both ranking the first place, but the export accounts for more than 10% of the import. It can be seen that New Zealand is highly dependent on China, mainly exporting a large number of products to China and relying on China's huge consumer market to consume its domestic surplus products. According to the data in the table above, the growth of the import and export volume of the two countries and the types of products, the types of goods traded between the two countries are also increasing. For products not previously covered, the two sides are now slowly increasing the share of trade.

3.1 Trade goods are becoming more complementary

The RCEP will help enhance our trade complementarity. China mainly produces labor-intensive products, but livestock resources are relatively small, which requires imports to make up for the gap in China's domestic market. Despite China's geographical advantages, cheap labor and vast consumer market, there is still a huge demand for some products, such as live animals and dairy products. And these products happen to be New Zealand's strengths. On the contrary, New Zealand is a small country with a small population and developed industry. It is rich in technology and capital, two factors of production, and mainly produces technology-intensive products. In addition, New Zealand has rich forest resources, mineral resources and animal resources, and its production of wood, dairy products and live animals is

relatively large. However, New Zealand has a small population and scarce labor resources, which makes the production cost of labor-intensive products high. Therefore, New Zealand relies heavily on imports to make up for domestic demand for such products.

3.1. The RCEP has upgraded the China-New Zealand Free trade agreement

The second major impact of RCEP is to upgrade China's free trade agreement with New Zealand. The RCEP has made up for the shortcomings in the original China-New Zealand free trade Agreement, expanded the coverage of the agreement and made various laws and policies clearer. The upgraded RCEP deal covers trade, tariffs, customs, movement of natural persons, dispute settlement, agricultural products and health. China is opening up more to New Zealand in aviation, education, finance, elderly care and passenger transport, while New Zealand is increasing the number of teachers and tour guides in some special work arrangements and relaxing the verification requirements for their work permits.

3.1.1. XExpand the scope of talent introduction

In order to promote the mutual exchange and integration of talents from both sides, China and New Zealand have made great efforts to extend the residence period of talents and ensure the maximum utilization of talents. For example: In terms of the temporary entry policy for natural persons, China promises New Zealand that talents in the medical field can continue to work in the medical service industry in China for up to 6 months as long as they have the official medical license issued by New Zealand and get the approval of the Ministry of Health. In addition, if there are special reasons, they can apply for an extension to 1 year. To promote further cooperation in medical services between the two countries. For business visitors i.e. leaders, ministers, etc. stay up to 6 months. New Zealand has committed to China that if you have a specific skill or are an expert in a specific field in China, you can stay in New Zealand for up to three years on your first visit, and you can extend your stay for up to six years if there is still a strong demand for such experts. China has lowered its requirements for foreign investment in New Zealand, making it easier and faster for foreign investment to enter the country. According to the RCEP, Chinese asset management consulting companies can engage in marketing, human resources, public relations, tourism services and other work within New Zealand through a variety of means.

Talent is the bridge between the two countries and the key to economic progress and national prosperity. The introduction of talents between the two sides is conducive to the exchange and complementarity of talents with different professional knowledge. The introduction of talents can not only save the time and cost of cultivating talents, but also introduce the talents needed by the country in a targeted way.

3.1.2. Reduce tariff levels

The upgraded China-New Zealand Free Trade Agreement has increased tariff preferences, significantly reduced overall tariffs, and directly eliminated tariffs on some goods. The annexes to the RCEP agreement indicate tariff concessions for wood, paper products, wool and agricultural products, which will gradually expand the scope of zero-tariff products imported and exported by China and New Zealand. It is foreseeable that more New Zealand products will enter the Chinese market, and at the same time, many better quality

products from China will enter the New Zealand market. This has not only strengthened bilateral economic and trade cooperation, but also optimized the quality and efficiency of the development of China-New Zealand economic and trade relations.

4. Trade inadequacies between China and New Zealand in the context of RCEP

4.1. Widening trade gap

The total value of imports and exports between China and New Zealand has been growing steadily. But the value of China's imports is far greater than the value of its exports, and China's trade deficit is widening. The reason is that the economic dividend and opening-up dividend brought by RCEP will further expand China's import demand, which will deepen China's trade deficit from New Zealand. On the other hand, there is a big gap in market size and consumption power between the two countries.

China has a large population and a large market size, resulting in a large elasticity of consumer demand. With a small population, New Zealand has a small elasticity of consumer demand and a lack of consumption power and enthusiasm. The RCEP agreement is equally open to trade between the two countries. However, compared with China, New Zealand's import demand will increase less while its export demand will increase more, which will further widen the external gap between the two countries.

4.2. The market is becoming more competitive

The RCEP has brought our two countries closer to each other in terms of trade and market opening. Therefore, China will import more products and quality products from New Zealand that are not available at home. New Zealand will also be able to import more cheap products from China to replace the expensive products in New Zealand. This will bring pressure on the local enterprises of both sides to compete in the market of similar foreign products.

In addition, the further opening up of the investment sector provides important opportunities for both Chinese and New Zealand producers. Both companies will have more OFDI products and host countries to choose from. Competitive products and industries can be directly produced in the other country. To a certain extent, foreign investment can reduce production and operation costs by taking advantage of the comparative advantages of different countries. For the host country, the operation risk of local enterprises will become greater due to the enhanced market competition.

4.3. There are cultural differences between the two countries

The RCEP has relaxed the entry rules for foreign workers in the two countries, which has increased the mobility of people in the two countries, which will bring about cultural conflicts to some extent. The pace of life in New Zealand is relatively slow and people live a leisurely life. They tend to think in a straight line in both work and life. They regard work as part of life and are used to going to and from work on time. New Zealanders place a high value on their right to privacy, especially when it comes to their families. The pace of life in China is relatively fast, especially in first-tier cities and special economic zones. For Chinese people, they tend to think in a curvy way when doing things. They think that

working overtime is normal and "internal volume" is serious. In the same enterprise, Chinese people have different thinking patterns and ways of doing things from New Zealand people. If they hold different opinions for a long time, the decision and judgment of the enterprise will be affected and the business environment will be impacted.

5. Countermeasures analysis

5.1. Improving the structure of China's exports

China mainly produces labor-intensive products and exports at relatively low prices, resulting in a low total export trade. New Zealand mainly produces technology-intensive products with high production costs. Under the dual effects of technology monopoly and high profits, the prices of Chinese products imported from New Zealand are high, which leads to a high import volume of China from New Zealand. In order to reverse China's trade deficit, the country needs to increase investment and research and development in high-tech industries to achieve high-quality economic development, transformation and upgrading. In addition, the preferential tariff policies in the RCEP agreement can reduce the import and export costs of products. Chinese exporters should seize the good opportunity brought by the RCEP to expand their export scale and gradually reduce the trade deficit.

5.2. Improving product competitiveness

First of all, China needs to vigorously improve the production technology and innovation capacity of its enterprises to raise the added value of products. Perfect pre-sale, sale and after-sales service. Special staff can be arranged for one-to-one or one-to-many services to give the people of New Zealand more psychological satisfaction, so that they are willing to pay a higher price. And enrich the types of products, forming a complete product supply chain. In the technical ability is insufficient, can choose to compete in price, highlight the advantages of Chinese products, timely adjust the enterprise development strategy. Secondly, local enterprises in New Zealand can launch cheaper homogenized products or increase consumer services to make up the price gap by improving the overall value of products. Thirdly, establish brand awareness. RCEP will be used to build awareness of the enterprise or product, expand the influence of the brand and improve the international status of the enterprise or product.

5.3. Take a rational view of cultural differences

In order to solve the cultural conflict, the two peoples need to be tolerant, non-discriminatory, equal and view the local cultural environment without colored glasses. New Zealand is a country with a clean society and strong emphasis on individualism. The system of intellectual property and personal property is very complete. So in terms of dealing with things, it is suggested that the Chinese people put aside their previous bad habits, such as taking advantage of the human, material and financial resources around them to get extra benefits. New Zealanders working in China also need to change their previous behavior. China is a big country with

collectivism, so New Zealanders working in China should pay attention to China's national and collective interests, and do as the Romans do.

6. Conclusion

Driven by the RCEP agreement, China and New Zealand continue to expand the scale and extent of trade. With the expansion of preferential tariff policies, the bilateral trade degree gradually deepened, the bilateral trade volume continued to rise, and became a stimulus factor for the economic growth of the two countries, and the trade volume ushered in an unprecedented peak in 2021. The development trend of China-New Zealand trade is bound to be more harmonious, with greater talent mobility, closer medical services, freer flow of production factors, and better price advantages for import and export of products. The prospect of bilateral trade is good.

China and New Zealand have prominent competitive products and fully realized their trade complementarity. The difference in the comparative advantages of China and New Zealand is the basis of the economic and trade development of the two countries. China's comparative advantage is labor-intensive products, such as machinery products, textile raw materials, miscellaneous products, base metals and other products with lower labor costs. New Zealand's comparative advantages include live animals, wood products, food products (mainly vegetables, fruits, dairy products), plant products and so on. The enhanced complementarity of competitive products between China and New Zealand has further deepened our trade dependence, and also enhanced the international status of both sides and the international competitiveness of imported and exported products.

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