Study on China’s Agricultural Trade in the Context of Belt and Road

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Abstract: At present, the strategy of “One Belt and One Road” can promote the development of China’s foreign trade of agricultural products, for agriculture’s “going out” has created favorable conditions. From the current situation of China’s agricultural trade, this strategy has an important impact on a series of problems existing in China’s agricultural export trade, such as high export risk, imperfect trade circulation system, single export structure and foreign trade mode of agricultural products. At the same time, it also helps to realize the diversification of China’s imports. Therefore, under the background of the implementation of “One Belt and One Road” strategy, in order to promote the “going out” of China’s agricultural products, China should reduce the export risk of agricultural product, improve the trade circulation system and optimize the export structure and foreign trade mode of agricultural products.

Keywords: “One Belt and One Road”; Chinese Agriculture; Foreign Trade of Agricultural Products

“One Belt and One Road” is a development strategy proposed by the Chinese government in 2013, aiming to strengthen exchanges and cooperation with African and European and realize common economic development through cooperation platforms. The “One Belt and One Road” initiative promotes the spirit of peace and development and seeks mutual trust, mutual assistance and common development by strengthening cooperation with neighboring countries. There are many countries along the “One Belt and One Road” route, among which developing countries account for a large proportion and each of them has its own advantages in agricultural development. Agricultural cooperation between China and other countries along the “One Belt and One Road” is highly complementary with broad prospects and huge potential for development. Therefore, China should give full play to its geographical advantages, firmly seize the “One Belt and One Road” strategic development opportunities, and comprehensively promote the agricultural trade with “One Belt and One Road” countries along the routes[1,5].

1. The significance of “One Belt and One Road” to the foreign trade of China’s agricultural products

1.1 Alleviating the pressure on domestic resources

With the rapid development of China’s economy and the increasing demand of consumers for agricultural products, the shortage of land resources and water resources is becoming increasingly prominent. The use of chemical fertilizers and pesticides in agriculture causes certain pollution to soil, water and air, soil quality decreases, and the contradiction between agricultural production and natural conditions becomes increasingly prominent. In contrast, many countries along the “One Belt and One Road” route have unique advantages in agricultural production. For example, countries in the central region, such as Kazakhstan and Kyrgyzstan, have ample heat, vast land and rich agricultural product-
ion resources. Under the background of “One Belt and One Road”, China’s agriculture “going out” can give full play to the comparative advantages of agricultural production in countries along the “One Belt and One Road” to promote the agricultural development of host country. On the other hand, it can alleviate the pressure of domestic resources, improve the utilization efficiency of domestic agricultural resources and realize sustainable development[2].

1.2 Improving agricultural production efficiency

Agriculture “going out” can consider local conditions, establish agricultural production bases abroad, and carry out agricultural production in combination with the resource endowment of the host country. It can also establish large transnational agricultural products enterprises, build a transnational agricultural products supply chain integrating production, processing, transportation and sales, improve the rationality of agricultural resources allocation, promote the two-way flow of agricultural production factors at home and abroad, and improve the efficiency of agricultural production[2].

2. The current situation of China’s foreign trade of agricultural products

At present, with the continuous development of China’s economy and society, China’s traditional agricultural exports have encountered many problems and the trade deficit has been expanding. Although in recent years, China has increased its support for agricultural exports, and the total trade volume of agricultural products in China has grown rapidly, the trade deficit has not been effectively resolved. Relevant data show that China’s import and export of agricultural products reached us $230.07 billion in 2019, up 5.7% year-on-year. Among them, exports amounted to us $79.10 billion, down 1.7%; imports reached 15.097 billion US dollars, up 10.0%. The deficit was $71.87 billion, up 26.5% year on year. This issue has a vital impact on the strategic direction of China’s agricultural foreign trade. China’s export market is relatively single, and the exploitable market in the process of trading with countries along the “One Belt and One Road” is limited[3].

3. The difficulties of developing agricultural products foreign trade in China

3.1 Problems existing in agricultural products trade circulation with countries along the Belt and Road

3.1.1 Many circulation links and low efficiency

From the producer to the consumer, agricultural products from agricultural brokers to the entrepreneurs in importing countries need to go through five links. There are more participants, more circulation links and high circulation costs. In addition, agricultural products also have the characteristics of perishability, and China is far away from “One Belt and One Road” countries along the route, most agricultural products need to be transported on the cold chain, which also increases the transportation cost[4].

3.1.2 Imperfect development of circulation infrastructure

Now, in the railway transportation of China’s agricultural products, the mechanized quick-frozen carriage is use to keep these products fresh, rather than the professional carriage of fresh keeping, freezing and refrigeration. However, the high cost of refrigerated storage and insufficient facilities at trade ports lead to only 1% of the refrigerated agricultural products’ transportation volume in the whole transportation volume. Higher logistics cost and less cold-chain transportation volume lead to the increase of agricultural products’ prices, which restricts the development of cross-border agricultural products trade. The rate of refrigerated transportation of agricultural products in China is about 10%, which leads to the decay of a large number of fresh agricultural products in the process of transportation, and the circulation loss rate is as high as 25%. However, in western developed countries, the refrigeration rate is as high as 90%, and the circulation loss rate of agricultural products is reduce to 5%. Therefore, the level of agricultural cold chain transportation is low in China[4].
3.2 Single export structure of agricultural products in foreign trade

The product structure of agricultural products export is unreasonable and the value-added is too low. In terms of product structure, primary processed products account for 80% of China’s exported agricultural products, while deep-processed products account for only 20%. In terms of value, the value and value-added of deep-processed products are much larger than those of primary processed products. This unreasonable phenomenon affects the overall quality and income of China’s agricultural products trade. Among the exported agricultural products, the “three low” agricultural products with low quality, low price and low brand influence prevail, which does not meet the development requirements of modern agriculture and brand agriculture.[3][5]  

3.3 Higher export risks for the third and fourth categories of agricultural products

The third category of export products (animal and vegetable oils, fats and their decomposition products; refined edible oil; animal and vegetable wax) and the fourth category (food, beverage, alcohol, vinegar, tobacco and tobacco substitutes) accounted for more than 70% of China’s agricultural exports. There are about 28 countries or regions with high risk of export. It mainly includes the countries and regions sanctioned by the United Nations and the United States, the areas prone to cross-border fraud and the countries and regions with Financial Action Task Force risk early warning, including large-scale agricultural trade activities and high-risk areas of drugs, involving the countries and regions sanctioned by the United Nations and the United States. Most of these countries’ legal systems are not perfect, which will cause export losses. The business environment risk and political risk do not change much in a short term, among which the legal risk is the most prominent[7].

4. China’s foreign trade development strategy under the background of “One Belt and One Road”

4.1 Strengthening and improving the circulation system

Firstly, we will improve the infrastructure in producing areas for agricultural products. In the process of local infrastructure construction, local governments should attach importance to the circulation of agricultural products. The main infrastructure in agricultural production areas includes rural roads, warehouses and transport vehicles, which can ensure that agricultural products can be transport to distribution centers as soon as possible from the place of production, and reduce the loss rate of agricultural products. Secondly, the storage and transportation capacity of agricultural products should be improved. Agricultural products circulation enterprises need scientific research institutions to jointly develop the basic route of green and safe transportation of agricultural products to achieve long-distance and long-term transportation of agricultural products. Thirdly, the construction one of the “one belt, one road” agricultural products circulation center should be speeded up, and the international trade of agricultural products should be promoted[4][5].

4.2 Optimizing the export structure of agricultural products

Developing the export of agricultural products and optimizing the export structure of agricultural products are no longer necessary to continue the original model of extensive operation relying on subsidies. Instead, we should improve and optimize the industrial structure, develop more agricultural products for deep processing, and improve the technical strength of agricultural products, in order to increase the value-added of products. In terms of primary products, brand awareness and strategy should be strengthen, and attention should be paid to the development, publicity and promotion of iconic products, famous specialties and green products. At the same time, the historical and cultural value of agricultural products and the modern and brand agriculture are also need to be developed. What’s more, deep processing of agricultural products should adjust the structure of agricultural production based on the changes in the structure of market demand for agricultural products. With the opportunity provided by the “One Belt and One Road” strategy, China should make use of its capital and technological advantages to make industrial adjustment and layout, and expand and strengthen agricultural products with comparative advantages[5][6].
4.3 Contract and other legal means to protect their legitimate rights and interests

Legal means are used to protect their legitimate rights and interests and ensure that the subject of the contract is legal and strict formulation of contract terms. It is necessary to master the professional knowledge of international trade and international commercial law and be familiar with domestic and foreign trade policies and measures.[7]

5. Conclusion

Accelerating the implementation of the “One Belt and One Road” initiative can promote the transformation of China’s agricultural industrial structure and promote social and economic reform. The Belt and Road Initiative has provided a broader international market for China’s international trade in agricultural products, which effectively increased the export of China’s agricultural products and promoted economic development. Therefore, China should keep pace with the times and accelerate the implementation of the “One Belt and One Road” initiative to achieve sustainable trade development.

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