Analysis of the Import and Export Trade of Chinese Herbal Medicine in China

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ABSTRACT
This paper analyzes the import and export data of Chinese herbal medicine from 1994 to 2018, analyzes the current situation of Chinese herbal medicine international trade, analyzes its international competitiveness by using the trade competition index, and uses the multi-linear regression model to analyze the data gradually. This paper explores the factors affecting the international competitiveness of Chinese herbal medicine. The research shows that the main factors affecting the international trade of Chinese herbal medicine are the sowing area of herbs and the World commodity price index, which is not Gross domestic product (Percent change, market exchange rates).

Keywords: Chinese herbal medicine, trade competitiveness index, international competitiveness, empirical analysis

1. INTRODUCTION
In 1994-2018, in the import and export trade of Chinese medicine resources, although the import volume and trading partners are on the rise, but China has been playing the role of a major resource exporter. The proportion of exports to total imports and exports has been maintained between 75% to 90%, and the import and export gap is expanding trend [1]. In the international pharmaceutical market, natural medicines have exceeded 30% of the market share, annual sales of nearly 50 billion U.S. dollars, global sales growth rate of 10% per year. China's natural medicine only accounts for 3% - 5% of the world natural medicine market, exports less than 10% of the international Chinese medicine market, the international trade in Chinese herbal medicine is facing great challenges [2].

2. THE COMPETITIVENESS OF CHINESE HERBAL MEDICINE IN INTERNATIONAL TRADE
According to united Nations data, China's total imports and exports of Chinese medicine resources reached an all-time high of $2,217 million in 2014, while the difference between imports and exports reached $1,707 million, the highest in history; Since 2014, the import and export volume of Chinese herbal medicines has occasionally declined, showing a state of erratic fluctuations; In 2018, the total import and export volume of Chinese herbal medicines in my country was 1.762 billion U.S. dollars, of which imports were 195 million U.S. dollars, a year-on-year increase of 3.97%, and the import volume hit a new high in the past three years. The export value is 1.567 billion dollars.

Figure 1 1994-2018 Chinese herbal medicine import and export data
Due to the particularity of Chinese herbal medicine, the General Administration of Customs of China has not classified it separately. The scholar has counted the HS code of the classification of Chinese medicine products, and clearly mentioned the HS code of Chinese herbal medicine and the import and export products of drinking tablets [3]. The statistical scope of Chinese herbal medicine in this paper is as follows:

### Table 1 Statistical range of Chinese herbal medicine

| Type                              | HS   | Products                                                                 |
|-----------------------------------|------|--------------------------------------------------------------------------|
| Chinese herbal medicine           | 0906 | Cinnamon and cinnamon-tree flowers                                       |
|                                  | 0907 | Cloves                                                                   |
|                                  | 0908 | Nutmeg, mace and cardamoms                                              |
|                                  | 0909 | Seeds of anise, badian, fennel, coriander, cumin, caraway or juniper     |
|                                  | 0910 | Ginger, saffron, turmeric(curcuma), thyme, bay leaves, bay leaves, curry and other spices |
|                                  | 0506 | Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products |
|                                  | 0507 | Ivory, tortoise-shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks unworked or simply prepared, not cut to shape; waste and powder of these products |
|                                  | 0510 | Ambergris, castoreum, civet and musk; cantharides; bile, dried or not glands, other animal products used in preparation of pharmaceutical products, fresh chilled, frozen or otherwise provisionally preserved |
|                                  | 1211 | Plants (including seeds and fruits), used primarily in perfumery, pharmacy; for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not crushed or powdered |

The international trade competitiveness index of Chinese herbal medicines is shown in Table 2. From 1994 to 2018, the overall competitiveness of Chinese herbal medicines trade showed a fluctuating trend, and individual Chinese herbal medicines had strong competitiveness. The export markets with a higher share include "cinnamon and cinnamon-tree flowers", "Seeds of anise, badian, fennel, coriander, cumin, caraway or juniper", "Ginger, saffron, turmeric(curcuma), thyme, bay leaves, bay leaves, curry and other spices", "Plants and parts of plants (including seeds and fruits), used primarily in perfumery, pharmacy; for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not crushed or powdered" (HS: 0906, 0909, 0910, 1211), the trade competitiveness index value is relatively stable, and the international competitiveness is strong; The international competitiveness of "cloves", "Nutmeg, mace and cardamoms" (HS: 0907, 0908) has increased in recent years and is expected to become export products with strong competitive advantages; "Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products", "Ivory, tortoise-shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks unworked or simply prepared, not cut to shape; waste and powder of these products", "Ambergris, castoreum, civet and musk; cantharides; bile, dried or not glands, other animal products used in preparation of pharmaceutical products, fresh chilled, frozen or otherwise provisionally preserved" (HS: 0506, 0507, 0510)'s international competitiveness is extremely
weak, and there has been a tendency to withdraw from the international arena in recent years.

**Table 2** 1992-2018 Chinese herbal medicine trade competitiveness index in China

| Year | 0506 | 0507 | 0510 | 0906 | 0907 | 0908 | 0909 | 0910 | 1211 |
|------|------|------|------|------|------|------|------|------|------|
| 1992 | 0.871 | -0.232 | 0.633 | 0.999 | -0.999 | -0.885 | 0.989 | 0.846 | 0.692 |
| 1993 | 0.947 | 0.190 | 0.527 | 0.995 | -0.968 | -0.966 | 0.917 | 0.746 | 0.672 |
| 1994 | 0.934 | 0.609 | 0.521 | 0.999 | -1.000 | -0.930 | 0.988 | 0.806 | 0.807 |
| 1995 | 0.944 | 0.275 | 0.721 | 0.999 | -0.965 | -0.805 | 0.988 | 0.888 | 0.827 |
| 1996 | 0.973 | -0.185 | 0.479 | 0.995 | -0.966 | -0.967 | 0.962 | 0.914 | 0.772 |
| 1997 | 0.946 | 0.233 | 0.434 | 0.999 | -0.996 | -0.999 | 0.849 | 0.933 | 0.726 |
| 1998 | 0.942 | 0.104 | 0.026 | 0.995 | -0.972 | -0.964 | 0.930 | 0.905 | 0.655 |
| 1999 | 0.843 | 0.217 | 0.373 | 0.994 | 0.106 | -0.993 | 0.906 | 0.899 | 0.669 |
| 2000 | 0.693 | -0.039 | 0.243 | 0.986 | -0.986 | -0.994 | 0.946 | 0.917 | 0.689 |
| 2001 | 0.036 | -0.017 | 0.426 | 0.992 | -0.993 | -0.997 | 0.961 | 0.925 | 0.639 |
| 2002 | 0.390 | 0.129 | -0.409 | 0.995 | -0.979 | -0.999 | 0.988 | 0.923 | 0.632 |
| 2003 | -0.390 | -0.585 | 0.340 | 0.998 | -0.921 | -0.996 | 0.973 | 0.912 | 0.750 |
| 2004 | 0.068 | 0.149 | 0.110 | 0.996 | -0.468 | -0.992 | 0.924 | 0.941 | 0.705 |
| 2005 | -0.574 | 0.287 | 0.215 | 0.989 | -0.473 | -1.000 | 0.971 | 0.956 | 0.796 |
| 2006 | -0.282 | 0.158 | -0.012 | 0.992 | 0.221 | -1.000 | 0.952 | 0.958 | 0.879 |
| 2007 | -0.621 | 0.125 | 0.342 | 0.980 | 0.587 | -0.974 | 0.991 | 0.964 | 0.847 |
| 2008 | -0.923 | 0.157 | -0.050 | 0.972 | 0.380 | -0.336 | 0.980 | 0.970 | 0.835 |
| 2009 | -0.895 | -0.286 | 0.071 | 0.987 | 0.606 | 0.139 | 0.987 | 0.971 | 0.845 |
| 2010 | -0.821 | -0.056 | 0.302 | 0.994 | 0.349 | 0.033 | 0.992 | 0.974 | 0.796 |
| 2011 | -0.683 | -0.047 | -0.277 | 0.984 | -0.245 | - | 0.986 | 0.971 | 0.726 |
| 2012 | -0.749 | -0.068 | -0.096 | 0.976 | -0.063 | -0.319 | 0.963 | 0.942 | 0.720 |
| 2013 | -0.991 | -0.195 | -0.227 | 0.986 | -0.704 | -0.019 | 0.935 | 0.968 | 0.699 |
| 2014 | -0.997 | -0.068 | 0.028 | 0.977 | -0.135 | -0.019 | 0.946 | 0.979 | 0.709 |
| 2015 | -1.000 | -0.226 | -0.273 | 0.967 | -0.596 | 0.554 | 0.960 | 0.980 | 0.763 |
| 2016 | -1.000 | -0.183 | -0.265 | 0.967 | 1.000 | 0.618 | 0.947 | 0.961 | 0.812 |
| 2017 | -1.000 | -0.483 | -0.332 | 0.975 | 0.892 | 0.579 | 0.950 | 0.920 | 0.807 |
| 2018 | -1.000 | -0.144 | 0.044 | 0.976 | 0.841 | 0.328 | 0.979 | 0.964 | 0.735 |

Data source: calculated based on data from UN Comtrade Database
3. DATA SOURCES AND RESEARCH METHODS

3.1. Research Methods

This paper intends to collect data on the import and export of Chinese herbal medicine from 1994 to 2018, to descriptively analyze the current situation of Chinese herbal medicine international trade, and to establish a multilinear regression model through E-view8.0 regression quantitative analysis, and to explore the factors affecting the international trade in Chinese herbal medicine. Common indicators used for international competitiveness analysis using import and export data are the Shown Comparative Advantage Index (RCA) and the Trade Competitiveness Index (TC). Although RCA excludes the impact of macroeconomic aggregate fluctuations, it does not consider the impact of changes in the international trade environment on imports and exports when measuring products, and only uses export data to compare the advantages of measurement, the results are more controversial than TC, so this paper chooses TC to measure the international competitiveness of Chinese herbal medicine [4-5]. China's international trade in Chinese herbal medicine is in an awkward situation, it is difficult to enter foreign markets

Table 3 Classification of China’s herbal medicine competitiveness indicators

| Descriptive index | Trade competitiveness index |
|-------------------|-----------------------------|
| Influencing factor index | Commodity Non-Fuel In Price index includes Food and Beverages and Industrial Inputs Price Indices (Index, 2016=100) |
| The sowing area of herbs (100,000 hectares) |

3.2. Data Selection

Chinese herbal medicine is not classified separately by the General Administration of Customs of China, and the data are not perfect, while the United Nations database provides a full range of Chinese herbal medicine trade data for HS classification of trade products, and commodity trade is divided into three sectors: Chinese mainland (China), Hong Kong SAR (China), Macao SAR (China). The Chinese mainland data can be traced back to 1992, but the data of Hong Kong (China), and Macao (China) are missing more. In order to ensure the consistency and comparability of the data, the import and export data of Chinese herbal medicine selected in this paper are collected from the United Nations trade database. Data on the production and planting area of Chinese herbal medicines are from the National Bureau of Statistics statistical system. Gross domestic product (Percent change, market exchange rates) and commodity price index are from the International Monetary Fund's World Economic Outlook Database, October 2019. The sowing area of medicinal herbs comes from the Chinese National Bureau of Statistics, and due to the lack of data for 1993 and 2019, it is proposed to study the data for 1994-2018.

4. RESEARCH DATA ANALYSIS

Table 4 shows the data we analyzed. Use the multiple linear regression method to establish the prediction model, construct the initial model, as in (1): 

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + U_t$$  \hspace{1cm} (1)$$

$Y_t$ is the total export of Chinese medicinal materials and decoction pieces in year $t$; $X_{1t}$ represents Gross domestic product (Percent change, market exchange rates) in year $t$ and $X_{3t}$ represents the World commodity price index in year $t$; $X_{5t}$ represents the sown area of medicinal materials in year $t$, and $U_t$ is the random error term.
Table 4 Summary of analysis data of Chinese medicinal materials export measurement model

| Year | Export value | Gross Domestic Product | World commodity price index (2016=100) | The sowing area of herbs |
|------|--------------|------------------------|----------------------------------------|-------------------------|
| 1994 | 5.185        | 3.199                  | 59.709                                 | 3.121                   |
| 1995 | 5.661        | 2.928                  | 63.826                                 | 2.787                   |
| 1996 | 4.863        | 3.299                  | 64.128                                 | 2.548                   |
| 1997 | 4.455        | 3.497                  | 60.721                                 | 3.079                   |
| 1998 | 3.430        | 2.359                  | 55.432                                 | 3.720                   |
| 1999 | 3.129        | 3.181                  | 50.543                                 | 4.825                   |
| 2000 | 3.316        | 4.219                  | 52.241                                 | 6.756                   |
| 2001 | 3.345        | 1.701                  | 50.124                                 | 8.273                   |
| 2002 | 3.486        | 1.979                  | 51.407                                 | 9.639                   |
| 2003 | 3.526        | 2.891                  | 57.582                                 | 12.482                  |
| 2004 | 5.203        | 4.036                  | 65.937                                 | 12.847                  |
| 2005 | 5.693        | 3.591                  | 71.193                                 | 12.133                  |
| 2006 | 5.682        | 3.98                   | 86.728                                 | 8.312                   |
| 2007 | 6.734        | 3.832                  | 101.541                                | 11.587                  |
| 2008 | 7.479        | 1.523                  | 113.924                                | 12.350                  |
| 2009 | 8.821        | -1.991                 | 98.136                                 | 12.101                  |
| 2010 | 11.904       | 4.124                  | 123.101                                | 12.623                  |
| 2011 | 13.050       | 3.075                  | 147.693                                | 13.825                  |
| 2012 | 12.367       | 2.472                  | 136.225                                | 15.190                  |
| 2013 | 17.260       | 2.608                  | 128.826                                | 16.484                  |
| 2014 | 19.624       | 2.846                  | 121.831                                | 17.589                  |
| 2015 | 16.616       | 2.824                  | 101.059                                | 18.610                  |
| 2016 | 15.388       | 2.57                   | 100                                    | 19.324                  |
| 2017 | 15.921       | 3.227                  | 106.416                                | 21.611                  |
| 2018 | 15.675       | 3.077                  | 108.171                                | 23.924                  |
From the regression results of the equation, $\alpha=0.05$, $t_{\alpha/2(23)}=2.07$, $X_1t$ cannot pass the t test, and the $X_3t$ initial model works best. Choose $X_3t$ as the initial model, and perform the Frisch stepwise regression method to discuss the analysis results. As shown in Table 5, the best fitting equation is:

$$\hat{Y} = -3.705 + 0.434X_3t + 0.086X_2t$$

$(2.451) (3.844) (3.811)$

$R^2=0.808$, DW=0.437, F=46.300

| Table 5 Stepwise regression table |
|-----------------------------------|
| $Y=f(X_1t)$  | c   | $X_1t$ | 9.409 | -0.245 | 0.003 |
| t             | 3.336 | -0.268 |
| $Y=f(X_2t)$  | -3.882 | 0.145 | 0.679 |
| t             | -2.031 | 6.976 |
| $Y=f(X_3t)$  | 0.385 | 0.729 | 0.681 |
| t             | 0.287 | 7.012 |
| $Y=f(X_3t, X_2t)$ | -3.706 | 0.086 | 0.434 | 0.808 |
| t             | -2.451 | 3.811 | 3.844 |
| $Y=f(X_3t, X_2t, X_1t)$ | -4.100 | 0.125 | 0.086 | 0.435 | 0.809 |
| t             | -2.013 | 0.297 | 3.742 | 3.770 |

When other factors remain unchanged, for every 1 unit increase in the world commodity price index, the export of Chinese herbal medicines will increase by 0.086 units, and the export of Chinese medicinal materials will increase by 0.434 units for every 1 unit increase in the sown area of medicinal materials. From a long-term perspective, the world economic growth variables have little effect on people's demand for Chinese medicine. This may be because the export of Chinese medicine is more susceptible to changes in the trading environment, export standards, and planting environment. The trend of the World commodity price index is the epitome of the macroeconomic trend, showing a positive correlation with my country's Chinese medicine export trade, and it is impossible to artificially interfere with the global economic trend. The planting area of Chinese medicinal materials reflects the level of raw material resources and has a great impact on international competitiveness. It can be seen that the innate advantages of resources can bring advantages to my country's Chinese medicinal trade. In the future, while improving the utilization of natural resources, the sown area of medicinal materials can be appropriately increased.

5. CONCLUSION

The export volume of Chinese herbal medicines is positively correlated with the world commodity price index, and the trend of the world commodity price index is a microcosm of the macroeconomic trend. The world commodity price index is estimated to continue to increase in 2020-2024, which will seriously affect the future international economic situation. Coupled with the impact of the new crown epidemic, in 2020, the global economic growth is expected to be -4.9%, which will continue to expose economic and medical problems [8]. In the future, we will attach importance to the time series data of the import and export trade of Chinese medicine products, carry out dynamic analysis, and pay attention to the summary of the rules, which will help future generations to study and benefit the overall improvement of the country's Chinese medicine trade situation.

When selecting indicators, the article should have added all the main factors affecting the international competitiveness of Chinese herbal medicines. However, due to the data availability and accuracy of certain indicators, some indicators have to be abandoned. Moreover, some indicators are difficult to quantify, so the regression analysis is only to verify the existing available indicators, and the regression analysis method is relatively simple.
The research data spans a long time, the customs codes of Chinese medicinal materials and decoction pieces are messy, and still use the previous calculation range in 2011, and due to the availability of data, the data uses HS classification and mainland China's import and export trade data. Did not consider possible updates in the future.

ACKNOWLEDGMENT

This research is supported by the key of Hubei University of TCM “Study on the regional differences in Chinese medicine culture” (2020ZZX004).

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