

BUSINESS FOCUS



Coastal province to ride wave of expansive trade agreement

RCEP helps Shandong forge stronger links with booming East Asian economies

By ZHAO RUIXUE in Jinan and XIE CHUANJIAO in Qingdao, Shandong

Coastal Shandong province is poised to play a larger role in economic integration with Japan and South Korea by utilizing opportunities offered by the Regional Comprehensive Economic Partnership agreement, which now encompasses China and the two big East Asian economies in the same free trade framework for the first time.

Both importers and exporters in the province are benefitting from preferential RCEP rules that came into force on Jan 1.

Yantai Tayho Advanced Materials Co Ltd, located in Yantai, on the province's coast, submitted an RCEP certificate of origin issued by the Japan Chamber of Commerce and Industry to Yantai Customs officials on Jan 7. It was used to apply for tariff concessions for shipment of a chemical used in textile spinning from Japan, said Li Xiaohui, the company's business manager.

The certificate is expected to save around 10,000 yuan (\$1,577) in tariffs on the shipment now that the corresponding tariff has been lowered from 10 percent to 9.1 percent under the RCEP agreement, Li said.

"This year, RCEP certificates will save 400,000 yuan on tariffs for our company," he said.

The RCEP agreement was signed on Nov 15, 2020 by 15 Asia-Pacific countries — the 10 member states of the Association of Southeast Asian Nations and China, Japan, South Korea, Australia and New Zealand — after eight years of negotiations.

RCEP markets are regarded as the world's largest economic bloc, covering about a third of the global economy. The agreement is expected to eventually eliminate tariffs on more than 90 percent of the goods traded among the member countries.

Within RCEP, the three East Asian economies together represent 82 percent of the bloc's economic weight in 2020.

"With the RCEP agreement taking effect, free trade rules are applied to China and Japan for the first time, providing good opportunities to businesses in Shandong, a province geographically close to Japan," said Li Guangjie, director of the Institute of World Economics and Politics at the Shandong Academy of Social Sciences.

The RCEP pact represents the first free trade agreement between China and Japan. The trade pact has brought 25 percent of Japanese exports and 57 percent of Chinese ones to the zero-tariff list, and the figures will be expanded ultimately to 86 percent and 88 percent, respectively.

Based on 2020 trade data, the RCEP agreement is expected to reduce tariffs on goods heading to



Japan from Shandong by 380 million yuan this year. When the tariff reduction process is completed, tariffs on imports from Japan to the province will be cut by 900 million yuan annually.

"Shandong's foreign trade businesses are very excited about the preferential rules to expand trade with RCEP members," said Yao Yong, a senior director at the Customs office in Qingdao.

Reduced-tariff imports shipped through Shandong from RCEP members are mainly parts and materials used in equipment manufacturing and new materials businesses, while such exports shipped through Shandong to RCEP members are mostly chemicals, textiles, plastics and agricultural products, Yao said.

Huangchao Mahan, a foreign trade service provider in Rongcheng, Weihai, recently applied for 13 RCEP certificates of origin for frozen vegetables sold to Japan.

The company sells some 480 million yuan of frozen vegetables to Japan annually. The certificates are expected to save 4 million yuan in tariffs this year, said Wang Xiaobo, company manager.

"Shandong has advantages in agriculture, while Japan and South Korea have a huge demand for agricultural products, indicating that Shandong can play a significant role in RCEP," Zhang Yiying, deputy head of the province's commerce department, said at a news conference about Shandong's advances in opening-up.

Tariffs on many agricultural goods have been eliminated, and trade procedures have been streamlined among RCEP members to facilitate cross-border logistics, Zhang said.

The RCEP agreement requires all members to ensure fresh items such as seafood, fruits, vegetables, meat, eggs and milk pass through Customs within six hours.

Gao Xindong, general manager of Wantong Food Co Ltd in Weifang, said the company has benefited

from work that started in 2021 to prepare for the RCEP measures. Keeping exports of fresh vegetables like onions and scallions fresh is crucial for the company.

"Fresh vegetables go rotten easily, so it matters if our products are approved upon arrival. If they aren't, they are sent back, which increases our costs," Gao said. "Now with the RCEP agreement, our fresh vegetables pass through Customs within six hours, two hours less than that in 2020. This is definitely favorable for us," he said.

Boosted by tariff concessions that cut costs and enhance competitiveness, businesses expect their trade volumes to increase this year.

Liu Kun, business manager at Qingdao Haiwan Group, a chemical company in Qingdao, predicts the company's exports to Japan will grow by 10 percent this year.

"Our annual exports to Japan are around 45 million yuan. The tariff concession will help us save 1 million yuan this year, making our products more competitive in price," Liu said.

Increasing foreign trade will boost the development of logistics. The volume of cargo handled by the Port of Qingdao, operated by Shandong Port Group (SPG), is expected to see double-digit growth this year, said Sun Mengmeng, planning director of the operations department of Qingdao Qianwan United Container Terminal at the port.

SPG, the world's largest port conglomerate in cargo capacity, will expand its network to improve logistics linking China and other RCEP members, said Li Fengli, the group's general manager.

Over 80 ports in RCEP member countries had 113 shipment routes linked with ports run by SPG last year. SPG was forecast in 2021 to handle 4.6 million of the shipment yardstick called twenty-foot equivalent units of full containers from RCEP routes, up 11.6 percent year-on-year, the company said.

SPG will also promote the sale of goods imported from other RCEP members to China by building distribution centers.

"We will focus on imported consumer goods such as cold chain products and build a premium shipping route cluster for imported consumer goods that covers RCEP members," Li said. The premium cluster means that SPG will improve its routes connecting other RCEP members with its ports, such as adding more routes to import consumer goods.

Chinese consumers are likely to reach more quality imported fruits and vegetables at good prices, he said.

Contact the writers at zhaoruixue@chinadaily.com.cn

Guangxi at forefront of rising commerce with ASEAN nations

By ZHU WENQIAN in Beijing and SHI RUIPENG in Nanning

Chinese exporters in the Guangxi Zhuang autonomous region said they look forward to business opportunities emerging from the Regional Comprehensive Economic Partnership pact, an agreement expected to help companies lower tariffs and raise their competitiveness.

The agreement is expected to provide a strong boost to international trade and investment and contribute to the global economic recovery from the COVID-19 pandemic. It is also expected to bring growth to existing trade arrangements.

The RCEP agreement, which took effect on Jan 1, is considered the world's largest free trade agreement in terms of economic power. The total population of its 15 member countries — the 10 member states of the Association of Southeast Asian Nations and China, Japan, South Korea, Australia and New Zealand — also covers roughly 30 percent of the world's population.

Guangxi Liugong Machinery Co Ltd, a machinery manufacturer based in Liuzhou, Guangxi, said the RCEP agreement will bring significant business opportunities to the company, given that the member countries have a high potential for economic growth.

"We will further increase efforts to improve our sales, and boost our ability to raise funds and perform after-sales services overseas," said Li Dongchun, general manager of the international business department of the company.

Guangxi TWT Supply Chain Management Co Ltd, a Nanning-based trading company, said it imports fruit from ASEAN markets, such as shipping fresh mangoes from Cambodia to Qinzhou Port in Guangxi.

"With the RCEP agreement taking effect, Japan, South Korea, Australia and New Zealand will also enact zero tariffs for imported fruit. Thus, we can export more fruit to countries like Japan and South Korea," said Wang Zhengbo, president of the company.

"Vietnam used to levy a 15 percent tariff on goods exported to the country by heavy trucks. Now, the tariff has dropped to zero, thus it has significantly raised the competitiveness of products that are exported from China to Vietnam," he said.

Qinzhou officials said they would continue to expand trade with other RCEP nations and improve the city's position in industrial chains. CNGR Advanced Material Co Ltd, a company in the city that provides new energy materials for lithium batteries, is talking with Indonesia about importing nickel ore.

Qinzhou Port is the domestic port with the greatest number of container ships bound for ASEAN markets. In 2021, annual cargo throughput at the port reached 160 million metric tons, local government officials said.

Last year, the port was listed for the first time as one of the top 100 ports globally in terms of its ability to handle container ships, indicating that it is developing into an international hub port.

The China-Malaysia Qinzhou Industrial Park, celebrating its 10th anniversary, expects to accelerate independent innovation and expand its ties with the

Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Economic Belt. Together, they plan to expand collaboration with other RCEP members.

Over the past three decades, China-ASEAN economic ties have grown at a rapid pace, and 2021 marked the 30th anniversary of the establishment of the China-ASEAN dialogue partnership.

Despite the negative impact of the COVID-19 pandemic, trade between China and ASEAN nations still shows strong growth momentum. Over 30 years, bilateral trade value between China and ASEAN nations skyrocketed to \$684.6 billion in 2020 from less than \$8 billion in 1991, making them each other's largest trading partner.

In 2021, cross-border trains connecting Nanning and Hanoi, Vietnam, operated 346 freight round trips, with the number having surged 108.4 percent year-on-year. The number is higher than the total trips operated in the previous four years since its launch in 2017, according to China Railway Nanning Group Co Ltd.



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The China-Vietnam freight train service transports several types of goods, and volumes have been growing continuously. Through the freight service, some high-quality fruits, electronics and daily necessities from ASEAN nations have been transported to different regions of China after arriving in Nanning.

Last year, 19,400 tons of imported fruit, including durians, mangoes and longans were transported to China via the freight train service, and their volume was up 14.7 percent year-on-year. China has exported products such as glassware, cotton, electronic components and diesel engines to ASEAN nations through the train service.

On Jan 6, a freight train moving fruit from ASEAN markets arrived in Pingxiang, Guangxi. It was the first freight train to transport fruit since the RCEP agreement took effect this year. The train carried 17 large containers of Thai durians, valued at about 11 million yuan (\$1.74 million), according to China Railway Nanning Group.

This year, 400 China-Vietnam freight train trips are expected. Guangxi's local government said it would enthusiastically promote new business opportunities emerging from the RCEP agreement and further push forward the economic and trade cooperation between China and ASEAN nations.

Contact the writers at zhuwenqian@chinadaily.com.cn



An aerial view of the container dock of the Qinzhou Port section of China (Guangxi) Pilot Free Trade Zone in Qinzhou, South China's Guangxi Zhuang autonomous region. CAO YIMING / XINHUA