

A Study of Singapore's Tea Trade with China

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Abstract: China is one of the largest exporters of tea, while Singapore is one of the largest importers of tea. In recent years, China has undertaken significant initiatives to open up to the global market, including signing a free trade agreement with Singapore in 2008. Apart from this, Singaporeans have a unique demand for tea. In Singapore, a national performing art known as "long tea" is highly popular, and both the young and old enjoy drinking tea while discussing business or relaxing. This thesis focuses on the current status of the tea trade between China and Singapore, providing an overview of China's tea industry, Singapore's tea market, and practices for promoting tea trade. The purpose of this thesis research is to give readers a deeper understanding of the tea trade patterns between China and Singapore, as well as to contribute to the enhancement of tea trade between the two countries. This thesis reviews the literature on the data of tea trade between China and New Zealand over the years, analyses it and presents the findings through a literature analysis method. This thesis finds that trade can be promoted through some methods, such as innovative tea products, the promotion of Chinese tea culture, and the appropriate reduction of the export price of tea.

Keywords: Singapore, China, tea trade, import and export.

1. Introduction

Tea is categorized into six main types, including green tea, black tea, oolong tea (green tea), white tea, yellow tea, and black tea. Each type of tea has its own unique production process and flavour characteristics, suitable for consumers with different tastes and needs. Tea trade research has made significant progress in terms of tea market dynamics, trade methods, and marketing strategies, and involves a number of disciplines such as economics, international trade, and marketing. However, there are still some research gaps about the foreign trade barriers to China's tea, the problems occurring in the trade, and the corresponding countermeasures. This thesis specifically discusses the status of China's tea industry, which boasts a long history. The completion of the Belt and Road Initiative greatly advanced China's tea trade. Regarding production, all kinds of indicators are up overall. Regarding exports, since 2015, China's tea-related products have experienced a positive growth trend in both export volume and value. The thesis also explores the Singapore tea market, finding that the demand for tea in Singapore is rising with increasing consumption levels, and there is a market trend that may favor the import of Chinese tea in the future. Additionally, the status of trade between China and Singapore is discussed, with several case studies cited for illustration. Finally, the thesis investigates strategies to promote tea trade between the two countries, including appropriate price reductions, extensive publicity, and enhancing the added value of tea products. This

thesis has some reference value for the field of tea trade in China and for professionals engaged in tea trade research.

2. Overview of China's Tea Industry

2.1. Historical Development

Since the completion of the ancient Silk Road, China has mainly sold tea commodities to the countries along the East Asian route, establishing a strong reputation for China's tea industry. Since the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China, reform and opening up has become a strategic decision, and the development of China's tea industry has been growing steadily. In 1984, China's tea exports were completely liberalised, and in 1985, the volume of tea exports hit an all-time high. In 2003, the area of tea gardens and tea production climbed. Later a series of tea brands emerged and the overseas market gradually expanded.

2.2. Status of Production

Various data indicators show an overall upward trend. First of all, China's tea plantation area growth has been steadily narrowing, reversing the trend of blind expansion. According to statistics, in 2022, the national tea garden area reached 49,954,000 mu, an increase of 993,100 mu, or 2.03%; mining tea garden area reached 45,398,900 mu, an increase of 1,653,100 mu. Among them, the provinces with more than 3 million mu are Yunnan, Guizhou, Sichuan, Hubei, Fujian, and Hunan. Secondly, tea production increased steadily. Affected by the persistent high temperature and drought in the Yangtze River Basin in summer and autumn, the production was reduced in some major provinces. In 2022, Fujian, Yunnan, Sichuan, Guizhou, and Hubei were the top five provinces ranked in dry gross tea production. According to statistics, the total output of dry gross tea in 2022 was 3.181 million tonnes, an increase of 108,000 tonnes, or 3.85%. Finally, the structure of tea production remains balanced. The production ratios for green tea, black tea, dark tea, oolong tea, white tea, and yellow tea are 58.28%, 15.15%, 13.40%, 9.79%, 2.97%, and 0.41%, respectively; while the share of green tea in total production has declined, the share of yellow tea has remained stable, and the proportion of other tea categories has increased [1].

2.3. Export Status

China Customs data show that since 2015, the export volume and value of China's tea-related products have generally exhibited a positive growth trend. However, due to factors such as international market conditions and differences in export unit prices, the overall growth rate of export value has been lower than that of export volume. From 2019 to 2022, the export value of China's tea-related products remained above \$2 billion annually, with export volumes ranging from 357,600 to 389,400 tonnes. The main export commodity is "green tea". In 2022, China exported 375,300 tonnes of tea, reflecting a year-on-year increase of 1.59%. Specifically, green tea exports 313,900 tonnes, accounting for 83.6% of total exports; black tea exports 33,200 tonnes, representing 8.9%; oolong tea exports 19,300 tonnes, making up 5.2%; flower tea exports 0.65 million tonnes, accounting for 1.73%; Pu'er tea exports 0.19 million tonnes, comprising 0.51%; black tea exports 0.04 million tonnes, accounting for 0.09%. Among the major tea-exporting provinces, Zhejiang and Fujian play significant roles [2].

3. Singapore Tea Market Overview

3.1. Market Demand

In recent years, the new style of tea is becoming more and more popular. Singapore's demand for it continues to grow, making it one of the world's most invested consumer markets for new-style tea drinks. These drinks, which are based on tea and enhanced with additions like milk, pearls, and other toppings, are particularly favored by young people. Given that young people make up a significant proportion of Singapore's population, there is substantial market demand. Besides, the consumption level of public life in Singapore is gradually increasing, young people have become the main force of consumption, and tea, a more flexible commodity, is experiencing increased demand as a result. Additionally, tea culture has long been popular in Singapore, contributing to the already significant demand for tea.

3.2. Market Trends

The United Kingdom is considered China's primary competitor in the tea market. In recent years, the United Kingdom has relied on the production and processing of tea in India and other Southeast Asian regions to earn a lot of profit from sales to other countries. Its tea exports to Singapore have risen year by year, creating substantial competition for China. However, in the future trend, China still holds a greater advantage. Chinese tea exports are generally cheaper and more cost-effective than those from the UK, which is crucial for Singaporeans, despite their increasing incomes. In addition to this, China's tea basically has a longer history than any other country, and the quality of tea is guaranteed. Given these factors, Singapore is likely to continue favoring the import of tea from China in the future.

4. The Status of Tea Trade between China and Singapore

In recent years, China's tea exports have been mainly in Asia and Africa, led by countries like Sri Lanka and India, with export volumes reaching a stable level annually. Comparatively speaking, the tea trade between China and Singapore is still in the development stage. Singapore's trade facilitation index is vastly superior to that of China, while China outperforms Singapore in terms of ease of hiring foreign labour and openness to multilateral trade rules [3]. In terms of domestic market access, Singapore has an open import policy. At the same time, China supports the multilateral trading system and continues to open its doors to trade [4]. In this context, China and Singapore signed a free trade agreement, highlighting the great potential for bilateral trade development. According to factor endowment theory, China's production costs for labor-intensive goods are much lower than in Singapore, whereas technology-intensive products, due to China's limited technological conditions, are imported from Singapore [5-7].

Tea, being a labor-intensive product, gives China an advantage as a labor-abundant country. With large-scale tea farms benefiting from economies of scale, the production cost of tea in China is much lower than in most other countries, creating a price advantage. In the future, Singapore is likely to import more tea from China, further promoting the development of the China-Singapore tea trade.

Since the reform and opening up, China's economy has gained rapid development and per capita disposable income has increased significantly, while Singapore's per capita disposable gap is gradually narrowing [8]. Based on the theory of overlapping demand, the trade relationship between the two countries is determined by the structure of demand and income levels. The closer the level of income, the greater the overlap of demand, leading to a broader potential market (both domestic and foreign). This overlap increases the profit potential through export trade [9]. Thus, the narrowing of the per capita disposable income gap between the two countries is a positive trend for export trade

profitability. In addition, many Singaporean Chinese have a daily habit of drinking tea, which translates into consumer behavior, suggesting that there is significant potential for the growth of the China-Singapore tea trade.

5. Practices to Promote Trade Development

In 2008, China entered into a free trade agreement with Singapore. Since the establishment of the China-Singapore Free Trade Area, trade between the two countries has increased year on year. Promoting the tea trade between China and Singapore can start with innovating Chinese tea products. For example, increase the added value of tea and develop industries such as tea cakes, tea drinks, and tea candies to broaden the international market and attract more foreign customers. Secondly, promoting Chinese tea culture is crucial. Creating international marketing materials, producing advertisements about tea production, and using overseas short videos to showcase Chinese tea products can help attract more attention. Thirdly, the price of tea can be appropriately reduced within a reasonable range, to create a price advantage, and to stand out in the many large countries exporting tea. In addition, taking advantage of the new style of tea drinks in recent years, which is hot around the world, China could open new-style tea drink shops in Singapore. This would increase Singapore's awareness of these trendy beverages and boost imports of Chinese tea.

6. Conclusion

This paper discusses the trade of tea between China and Singapore, covering the current situation of the tea trade, the overview of China's tea industry, Singapore's tea market, and the practice of promoting the tea trade. An analysis using factor endowment theory suggests that Singapore may import more tea to China in the future. According to the overlapping demand theory, the profit from exporting tea will increase as the gap in per capita disposable income between the two countries narrows. Despite the large volume of tea exports from China to Singapore, China's tea exports are ranked outside of the top five, and the export value has decreased to some extent in recent years. This thesis did not use case studies, experiments, modelling, or questionnaires as research methods to analyse the tea trade between China and Singapore and the local tea market in Singapore. Besides, future research could also focus on the political, cultural, and economic factors affecting the tea trade.

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