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Study on the Impact of Textile Trade between China and Japan under the RCEP Framework

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ABSTRACT

Sino-Japanese textile trade is one of the first industries to enjoy tax reduction dividends under the Regional Comprehensive Economic Partnership (RCEP) agreement. This article aims to understand whether the signing of the RCEP agreement is an opportunity or a challenge for the Sino-Japanese textile trade. Based on the revealed comparative advantage index analysis of the current situation of the Sino-Japanese textile trade, it was found that Chinese textiles have comparative advantages in the import and export trade of HS61 - HS63. At the same time, a WITS-SMART model was used to simulate tax reduction in the near and long term to analyze the static and dynamic effects of RCEP agreement on Chinese and Japanese textiles. In the short term, China will benefit more from Japan's tax reduction; in the long run, both China and Japan can benefit from the other's tax reduction and the total effect of trade will be doubled, with good trade potential and prospects. According to the research findings, the Chinese textile industry should seize the opportunities brought by the RCEP agreement to achieve better and faster development.

KEYWORDS

Sino-Japanese textile trade, trade effect, China, Japan, WITS-SMART mode, RCEP framework

INTRODUCTION

Japan is an important export market for China's textile and garment products. However, in recent years, various unfavourable factors such as Japan's prolonged economic downturn and the outbreak of the pandemic have led to a continuous decline in China's exports of textiles and garments to Japan. China's market share in the Japanese textile and garment market has decreased from around 80% in 2010 to 59% in 2020, and the declining market share shifted towards low-cost countries like Southeast Asia [1]. The Regional Comprehensive Economic Partnership (RCEP), initiated by the Association of Southeast Asian Nations (ASEAN) in 2012 and finally signed on November 15th, 2020 as a multilateral agreement, brings new opportunities and challenges to China's textile industry. Therefore, studying the impact of the successful signing of this agreement on the Sino-Japanese textile trade has significant practical significance and value for the overall development of China's textile industry.

Currently, research on the textile and garment trade between China and Japan mainly focuses on regional cooperation, trade competitiveness, and industrial upgrading. Xu believes that since 2005, textiles have become the main traded goods in the industry between China and Japan, with a vertical division of labour [2]. China should strengthen its industrial restructuring. Through constructing a cooperative game model, Jiang analyzed the possibility of cooperation in textile and garment between China and Japan [3]. Based on the comparative analysis of the competitiveness of textile and garment products in the Association of Southeast Asian Nations (ASEAN) market among China, Japan, and South Korea, Kuang and Xiang proposed corresponding strategies for China [4]. Zhao drew on Japan's experience in upgrading its textile and garment industry to provide suggestions for Chinese companies' transformation and upgrading [5]. Based on the current issues of insufficient momentum and slow growth in economic and trade cooperation between China and Japan, Zhang proposed that both countries should take the RCEP agreement as an opportunity to strengthen pragmatic cooperation [1]. Since the 18th century, many economists have conducted in-depth studies on the economic effects brought about by regional economic integration. Viner proposed that regional economic integration would produce a trade creation effect and trade transfer effect among member countries, i.e., a static effect [6]. Magee analyzed the influence of regional economic integration agreements on US trade flow through models [7]. Shah believes that regional economic integration is the key to achieving prosperity and stability [8]. As RCEP negotiations were launched and implemented, Petri and Plummer believed that the signing of RCEP could improve the economic and trade welfare of the Asia-Pacific region [9]. Qin and Ma further analyzed the impact of tariff reduction on member countries under the RCEP agreement from the perspective of the overall trade effect generated by the reduction of RCEP tariff and non-tariff barriers [10]. Wardani et al. pointed out that the existence of common interests is a fundamental element for achieving the goals of RCEP, namely economic integration, development, and strengthening economic cooperation [11]. Zaman analyzed the role of RCEP in trade facilitation in the ASEAN region and found that ASEAN's average export growth within RCEP was 23% [12].

At present, the basic research on RCEP has been relatively mature, mainly focusing on the trade effect between China and other member countries, and taking the Balassa model, partial equilibrium analysis method, and gravity model as the main research methods. The research on bilateral trade effect is relatively rare. The innovation of this study is that it focuses on textiles, an important trade category between China and Japan under the RCEP agreement, tries to analyze the trade competitiveness of the two countries by using the WITS-SMART model and revealed comparative advantage (RCA) index, and predicts the trade effect of textiles in the two countries, to provide reasonable policy suggestions for the sustained and stable cooperation between the two countries in this field.

CURRENT SITUATION OF TEXTILE TRADE BETWEEN CHINA AND JAPAN

This article focuses on the eleventh major category of textiles related to textile and garment, i.e., commodities in chapters 50-63, in the International Convention for Harmonized Commodity Description and Coding System (HS Code) compiled and revised by the World Customs Organization. Chapters HS61 - HS63 are textile and garment products. At the same time, the relevant data on the Sino-Japanese textile trade are selected from the United Nations (UN) trade database.

Scale of Textile Import and Export between China and Japan

In recent years, influenced by the overall political and economic situation in the world, the textile trade between China and Japan has experienced some fluctuations. From 2012 to 2021, the overall scale of textile imports and exports between China and Japan showed a trend of first decreasing and then increasing. In terms of exports, from 26.425 billion U.S. dollars in 2012 to 19.281 billion U.S. dollars in 2021, China's textile exports to Japan fell by nearly 27.04%. In terms of imports, from 3.88 billion U.S. dollars to 2.381 billion U.S. dollars in 2021, China's textile imports to Japan fell by nearly 38.6% (Figure 1). However, overall, the fluctuation of imports was more gradual than that of exports.

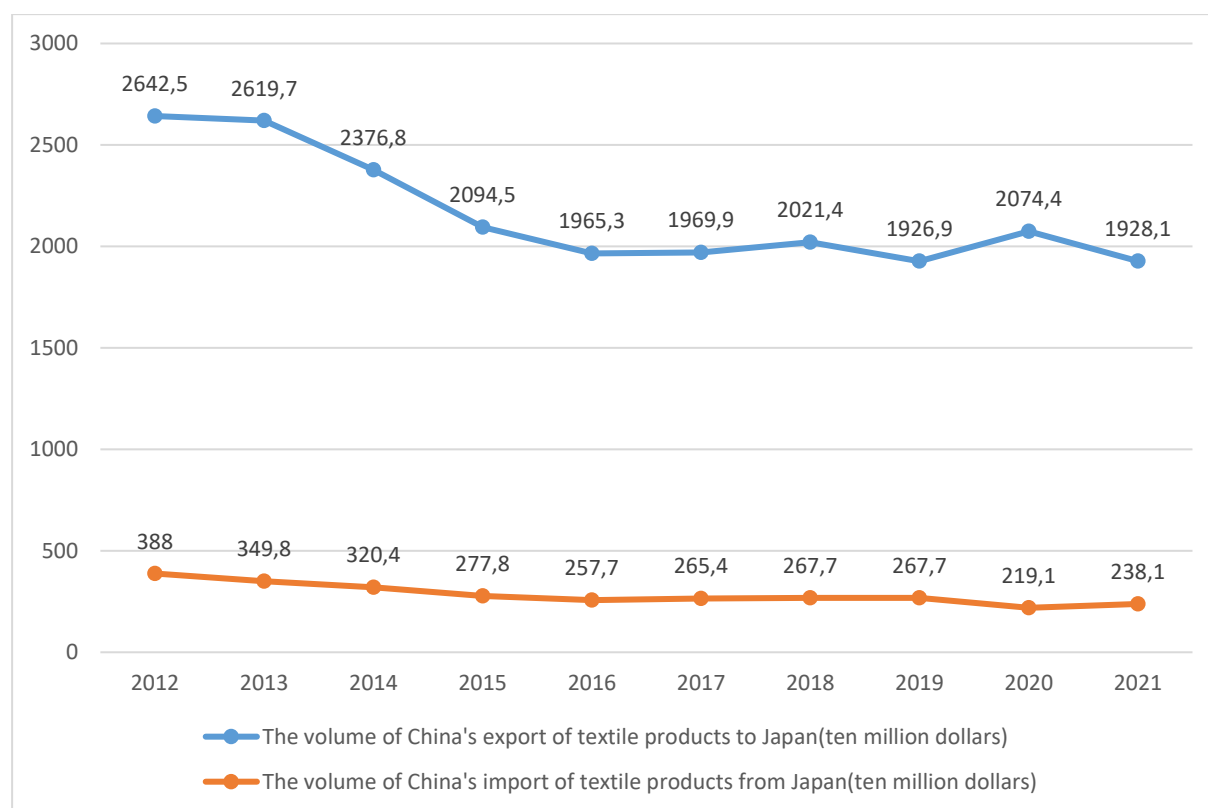


Figure 1. China's import and export volume of textile products with Japan (unit: tens of millions of U.S. dollars) (data source: compiled from UN Comtrade database, <https://comtrade.un.org/>)

Current Situation of Textile Export Structure between China and Japan

By calculating the proportion of China's textile exports to Japan in the bilateral trade volume, this article analyzes the commodity structure of China's textile and garment exports to Japan. China's main export products are HS61, HS62, and HS63, namely textile and garment products, and their proportion has been maintained at more than 10% (Figure 2). In particular, HS61 and HS62 products have always accounted for about 30% of the total textile trade between the two sides. Compared with 2019, the three categories of HS61, HS62 and HS63 in 2020 all fluctuated to varying degrees, and the proportion of HS61 and HS62 declined by more than 5 percentage points year-on-year, to 29.62% and 26.54% respectively (Figure 2). In contrast, the proportion of the HS63 category increased significantly, increasing by more than 2 times to 26.75% (Figure 2), reaching the highest level in ten years. In addition to the above three categories, the proportion of other products has not changed significantly.

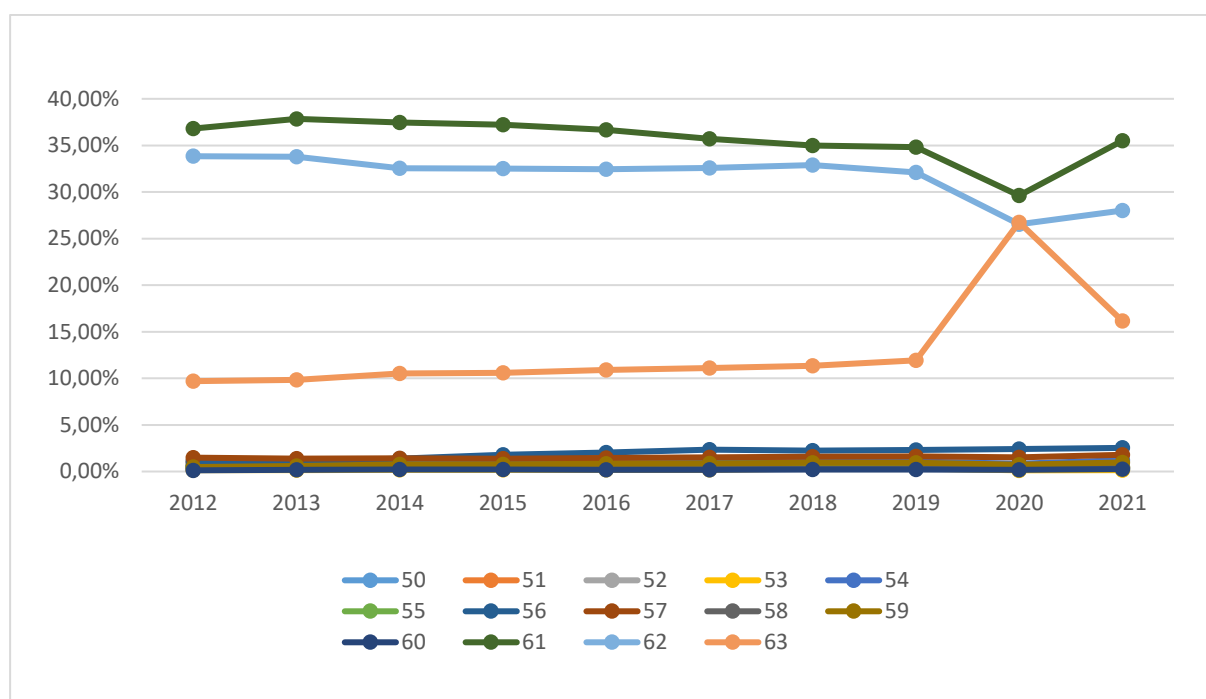


Figure 2. The proportion of each chapter of Sino-Japanese textile products in bilateral textile trade from 2012 to 2021 (data source: compiled from the UN Comtrade database, <https://comtrade.un.org/>)

Analysis of Sino-Japanese Textile Trade Competitiveness based on RCA Index

This article calculates the RCA index of HS50-HS63 textiles for China and Japan from 2012 to 2021 respectively and conducts the relevant analysis of trade competitiveness, as shown in Table 1.

From the data of China, among the textile and garment products within the defined HS code range, the RCA index of China's related products is greater than 2.5, indicating that it has a strong comparative advantage in the world. From the data of Japan, it has a strong comparative advantage in products of silk (HS50), chemical fibre filament (HS54), chemical staple fibre (HS55), special yarn (HS56) and

industrial textile (HS59). At the same time, Japan's comparative advantage in wool (HS51) and knitted fabrics (HS60) since 2015 has weakened compared with the previous period.

The common advantages of the two countries are silk (HS50), wool (HS51), chemical fibre filament (HS54), chemical short fibre (HS55), special yarn (HS56), industrial textile (HS59), and knitted fabric (HS60). The data shows that textile and garment products are the basis of trade between the two countries, and there are big differences in the comparative advantages of the two countries.

Table 1. RCA index of textiles in China and Japan from 2012 to 2021

Year	Country	HS code of textile products													
		50	51	52	53	54	55	56	57	58	59	60	61	62	63
2012	China	6.98	2.89	5.73	4.67	6.92	6.49	5.82	4.38	6.19	5.38	6.79	5.99	6.84	6.39
	Japan	1.45	1.11	0.70	0.23	2.79	3.30	3.59	0.20	0.99	2.60	1.20	0.04	0.09	0.19
2013	China	7.02	3.43	5.99	5.64	7.43	6.25	5.34	4.04	6.89	6.49	7.42	6.73	6.83	6.58
	Japan	1.27	1.13	0.63	0.26	3.00	2.69	3.93	0.18	0.94	2.45	1.08	0.05	0.06	0.20
2014	China	7.00	3.33	5.89	5.14	7.02	6.24	5.28	3.92	6.85	6.26	7.43	6.70	6.79	7.10
	Japan	1.30	1.00	0.72	0.28	3.07	3.26	3.80	0.18	0.95	2.56	1.07	0.04	0.06	0.20
2015	China	6.79	2.87	5.57	3.87	6.31	5.74	5.03	3.63	6.11	5.62	6.65	5.22	5.46	6.50
	Japan	1.13	0.53	0.54	0.25	2.34	2.15	3.05	0.14	0.93	2.60	0.64	0.08	0.07	0.20
2016	China	7.18	2.87	5.84	4.87	6.74	6.02	5.53	3.82	6.48	5.94	7.27	6.08	6.36	6.95
	Japan	1.14	0.69	0.61	0.20	2.50	2.22	2.97	0.21	0.96	2.55	0.79	0.06	0.06	0.23
2017	China	7.32	2.52	5.82	5.01	6.89	4.12	5.51	3.99	6.62	6.07	7.26	6.38	6.93	7.21
	Japan	1.01	0.77	0.63	0.29	2.62	2.32	3.64	0.18	0.98	2.63	0.82	0.05	0.07	0.21
2018	China	7.30	2.80	5.75	5.57	6.94	6.14	5.65	4.19	6.72	6.16	7.27	6.21	6.55	7.07
	Japan	1.05	0.78	0.56	0.26	2.47	1.97	3.77	0.21	0.94	2.55	0.81	0.07	0.08	0.15
2019	China	7.04	3.01	5.19	4.79	6.74	5.91	5.50	4.16	6.55	6.01	7.01	5.78	5.78	6.65
	Japan	1.17	0.81	0.55	0.24	2.27	2.06	3.63	0.22	0.89	2.60	0.78	0.07	0.08	0.22
2020	China	5.75	2.62	4.33	3.81	6.07	5.28	5.26	3.96	5.85	5.29	6.29	5.21	5.28	6.25
	Japan	1.75	0.78	0.50	0.25	2.17	2.22	2.81	0.17	0.95	2.77	0.71	0.08	0.09	0.12
2021	China	5.65	2.36	4.05	3.51	5.79	4.99	4.49	3.80	5.70	5.30	6.11	5.16	5.19	5.84
	Japan	1.45	0.58	0.44	0.14	1.88	1.83	3.00	0.16	0.81	2.71	0.59	0.07	0.11	0.1

Source: UN Comtrade database (<https://comtrade.un.org/>)

ANALYSIS OF DYNAMIC AND STATIC EFFECTS OF SINO-JAPANESE TEXTILE TRADE: METHODS AND CONCEPTS

Introduction of Static Effect Analysis Model

The SMART model, jointly developed by the World Bank and other international organizations, is included in the WITS database and can be used to analyze trade flows, tariff revenues and economic effects. Referring to the study of Yu et al., this method can simulate changes in imports and exports of

different product categories and levels of tariff concessions before and after the establishment of free trade zones between different countries [13]. Its parameters are composed of the export supply elasticity coefficient, the Armington elasticity coefficient, the tariff concession rate, and so on.

In this article, when setting parameters, referring to the practice of Peng et al. and Ge et al., the SMART model in the WITS database is adopted, and the default setting of 99 for export elasticity and an Armington elasticity coefficient of 1.5 is accepted [14,15]. To observe the impact of tariff reduction on recent trade volume, as well as ensuring data completeness and comparability, the database year is set to 2019. To compare the changes in the trade effects of textile products between China and Japan under different tariff rate variations, it is necessary to set the value of parameter 'a' in the Swiss formula within the system. According to the tariff commitment tables of Japan and China in RCEP, the tariff reduction situation for different years under the three major categories HS61, HS62, and HS63 is found. The value is substituted into the Swiss formula: $r_1 = a \times r_0 / (a + r_0)$, where r_0 and r_1 represent the tariff rates before and after reduction respectively. The value of a is calculated, and finally, the SMART model is run to calculate trade effects under different tariff rates.

Moreover, according to relevant scholars, two different scenarios, short-term and long-term, are set to calculate the changes in trade effects of textile products between China and Japan under different tariff reduction rates [13-15]. The short term is the first year after the RCEP agreement takes effect. The long term is the 21st year after the RCEP agreement takes effect, i.e., the year when the tariff decreases to 0.

Introduction to the Principles of Dynamic Effect Analysis

Referring to the study of Wang et al., Balassa was the first to study the economic growth effects of regional economic integration from the perspective of homogeneous countries [16]. He believed that regional economic integration would bring dynamic effects to members, including expanding economies of scale, improving research and development efficiency, and promoting technological progress. Based on the endogenous growth framework, Romer, Grossman and Hopman et al. expanded on the above research [17,18]. Rivera and Xie further extended the research subject to heterogeneous countries and proposed that it is also applicable to the dynamic effects of regional economic integration, which can promote the economic growth of two countries [19].

In this article, the dynamic effects of the Sino-Japanese textile trade will be analyzed from three aspects: competition promotion effect, investment promotion effect, and scale economy effect.

SIMULATION AND RESULT ANALYSIS

Static Effect

This article selected HS61-HS63 textile and garment products with large export sales in China and Japan as research subjects. The products were subdivided into four-digit codes to analyze their static trade effects. Specific simulation results are as follows.

Simulation results of Category 62 textile and garment products

In terms of the trade effect of the tax reduction in the first year, the total trade effect of Japan's tax reduction on China reached tens of millions of U.S. dollars for two categories of products: 6104 (knitted or crocheted coats, overcoats, and other similar products) and 6110 (pullovers), indicating that the tariff reduction has a great impact on the above products. In terms of trade effect, the total trade effect brought by Japan's tax reduction on most of these products in China was high, and the data showed that trade creation was greater than trade diversion. However, the trade creation effect of China's tax reduction on Japan was low, among which the trade creation effect of Category 6115 (knitted or crocheted pantyhose, etc.) was the highest, which was 627.861 thousand U.S. dollars. The reason may be due to China's high import dependence on Category 6115 products. Japan's export volume increased after China reduced trade barriers with Japan, leading to a higher trade volume between the two countries (Table 2).

Table 2. Trade effects of China's tax cuts on Japan and Japan's tax cuts on China (Unit: thousand U.S. dollars)

HS code	China imposes tax cuts on Japan		Japan imposes tax cuts on China	
	Trade creation	Trade diversion	Trade creation	Trade diversion
6101	3.763	1.247	546.133	279.798
6102	0.671	1.376	596.272	321.771
6103	8.79	6.376	2,281.307	1,507.785
6104	416.006	34.089	10,613.734	3,321.673
6105	4.005	8.924	942.301	901.844
6106	151.676	3.747	6,214.497	1,241.928
6107	1.826	1.184	1,957.385	701.993
6108	16.211	9.45	1,901.163	804.937
6109	10.225	23.107	2,896.717	4,585.901
6110	13.359	28.958	14,888.758	9,422.284
6111	14.938	18.653	2,510.698	287.121
6112	14.115	3.049	6,917.818	162.55
6113	0.024	0.016	94.058	35.302
6114	3.918	8.958	117.858	274.913

HS code	China imposes tax cuts on Japan		Japan imposes tax cuts on China	
	Trade creation	Trade diversion	Trade creation	Trade diversion
6115	627.861	21.282	7,860.678	1,103.245
6116	12.864	5.772	1,468.567	554.851
6117	26.814	7.845	331.583	128.981

Data source: SMART model calculation and collation of schedules of tariff commitments between China and Japan

Simulation results for Category 62 (non-knitted and non-crocheted garments)

In terms of the trade effect of tariff concessions in the first year, the trade creation effect of Japan on eight kinds of textile and garment products from China was up to more than one million U.S. dollars. The trade effect of Category 6203 (men's or boys' outerwear, trousers, suits, coats, etc.) and Category 6204 (women's or girls' outerwear, trousers, suits, coats, etc.) products were more obvious, reaching tens of millions of U.S. dollars. It can be seen that Japan's tariff reduction has indeed brought positive trade effects to China's textile and garment exports. The trade creation effect caused by China's tariff reduction on Japan was relatively low, but the trade creation effect of most products was greater than the trade transfer, of which Category 6204 (women's or girls' outerwear, trousers, suits, coats, etc.) had a trade creation effect of over 100,000 U.S. dollars, the highest in Category 62 (Table 3).

Table 3. Trade creation effects of China's tax cuts on Japan and Japan's tax cuts on China (Unit: thousand U.S. dollars)

HS code	China imposes tax cuts on Japan		Japan imposes tax cuts on China	
	Trade creation	Trade diversion	Trade creation	Trade diversion
6201	9.989	16.757	3,247.025	3,103.853
6202	71.861	16.347	6,258.028	3,479.584
6203	86.889	57.669	11,640.23	6,463.171
6204	188.472	63.072	14,287.505	8,110.052
6205	4.716	4.169	1,982.955	1,497.303
6206	6.422	4.917	3,829.514	2,054.875
6207	2.573	0.675	346.403	150.676
6208	2.912	2.971	695.417	180.9
6209	1.804	4.221	152.694	98.58
6210	3.475	0.4	2,019.563	1,061.875
6211	17.352	13.7	3,596.889	3,370.497
6212	11.924	19.74	0	0
6213	0.458	0.545	193.429	80.734
6214	33.439	3.402	692.426	275.373
6215	0.098	0.149	237.064	206.745
6216	0.381	0.468	43.117	17.773
6217	8.749	12.561	148.431	73.309

Data source: SMART model calculation and collation of schedules of tariff commitments between China and Japan

Simulation results of Category 63 (other textile manufactured goods)

In terms of the trade effect of tariff reduction in the first year, Japan's tariff reduction had a large trade creation effect on Category 63 products in China, of which 6302 (bed and table fabric products) and 6307 (other manufactured products, including garment cutting samples) reached tens of millions of U.S. dollars. However, Category 6308 (retail package composed of machinery and yarn) had the lowest trade effect, and the trade diversion was greater than the trade creation. Relatively speaking, the trade creation effect of China's tariff reduction on Category 63 products in Japan was not obvious. Moreover, Category 6308 products had the lowest trade creation effect, which was most likely because these products are usually consumer goods or household goods with intense market competition, and Chinese and Japanese consumers may more easily choose to import similar products from other countries. There was no trade data for 6309 (used clothing) and 6310 (new or used scrap fabrics of textile materials and waste threads, ropes, cords, cables, and their products) (Table 4).

Table 4. Trade effects of China's tax cuts on Japan and Japan's tax cuts on China (Unit: thousand U.S. dollars)

HS code	China imposes tax cuts on Japan		Japan imposes tax cuts on China	
	Trade creation	Trade diversion	Trade creation	Trade diversion
6301	18.899	1.636	722.134	149.275
6302	8.693	8.111	6230.9	1456.719
6303	28.23	3.916	951.27	196.557
6304	13.074	6.233	982.933	127.378
6305	1.017	2.435	442.051	304.867
6306	4.921	0.462	548.356	103.72
6307	94.086	73.467	3495.589	1256.577
6308	0.009	0.023	0.034	0.084
6309	/	/	3.834	9.9
6310	/	/	0	0

Data source: SMART model calculation and collation of schedules of tariff commitments between China and Japan

Comparison of simulation results between different tariff concessions under long-term scenario

To further compare the changes in the trade effect of Chinese and Japanese textiles in the 21st year after the implementation of the RCEP agreement and after this year (reaching zero tax rate), this article compared the overall trade effect in the first year with the effect when the tax rate was 0. It was found that the overall trade effect of Japan's tax reduction on China was greater. After the implementation of zero tariffs in the 21st year, the total trade effect reached 27.495 billion U.S. dollars, showing an increase of nearly 14.9 times that in the first year of tariff reduction. Relatively speaking, the overall trade effect achieved by China's implementation of tax reduction on Japan was small, but compared with the implementation of tax reduction in the first year, the total trade effect after the

implementation of zero tariffs increased by nearly 25.17 times, which was much higher than the overall effect growth rate brought by Japan's tax reduction, indicating that Japan will reap greater trade effect in these three categories of textiles in the long-term scenario (Table 5).

Table 5. Trade effects of tax reduction on HS61-HS63 products in China and Japan under different simulation scenarios
(Unit: thousand U.S. dollars)

Year Item	The first year of implementing tax cuts			The 21 st year and the following years		
	Category	Trade creation	Trade diversion	Category	Trade creation	Trade diversion
Japan imposes	HS61	62,139.527	25,636.877	HS61	951,317.251	403,581.085
tax cuts on	HS62	49,370.69	30,225.3	HS62	693,794.139	421,080.457
China.	HS63	13,377.101	3,605.077	HS63	225,342.298	54,378.983
China imposes	HS61	1,327.066	184.033	HS61	33,109.251	4,746.637
tax cuts on	HS62	451.514	221.763	HS62	11,757.488	5,222.624
Japan.	HS63	168.929	96.283	HS63	4,293.572	2,519.382

Data source: SMART model calculation and collation of schedules of tariff commitments between China and Japan

To sum up, in the short term, the trade creation effect produced by HS61, HS62, and HS63 chapters was mostly higher than the trade diversion effect. Japan's tariff reduction brought more obvious positive trade effects on China's textile and garment exports. Among them, the total trade effect of Category 6104 (knitted or crocheted coats, overcoats, and similar products), Category 6110 (pullovers), Category 6203 (men's or boys' coats, trousers, suits, coats, etc.), and Category 6204 (women's or girls' coats, trousers, suits, coats, etc.) was as high as tens of millions of U.S. dollars, indicating that the tariff reduction was relatively large in the short term and made China's textile and garment exports more competitive. On the contrary, for Japan, the trade effect of China's tax reduction on Japan in the first year was not significant. Possibly because China's textile and garment already has a high production efficiency and a complete supply chain system in the world, the trade creation effect was small for Japan even after the tax reduction.

In the long run, the trade effect of the two countries was further expanded and manifested, the scale of textile trade of the two countries could be expanded in the process of tax reduction of the other side, and the trade creation effect was greater than the trade diversion effect. After Japan's tax rate for China reached 0, the trade creation effect and trade diversion effect of H63 (other textile manufactured products) increased the most, increasing by 16.8 times and 15 times respectively. While after China's tax rate for Japan reached 0, both the trade creation effect and the trade diversion effect reached more than 20 times, among which the trade creation effect of H62 (non-knitted and non-crocheted clothing) expanded most significantly, reaching more than 26 times, with great trade potential.

Dynamic Effect

Competition promotion effect

After the signing of RCEP, the textile industries of China and Japan will face more intense market competition, which will promote the continuous technological innovation and industrial upgrading of enterprises on both sides and constantly improve their competitiveness. The agreement stipulates that Japan will implement zero tariffs on Chinese textiles in 21 years, which will greatly improve China's competitiveness in the Japanese market [20]. Chinese textile and garment enterprises should actively participate in international competition and further expand export markets while introducing new technologies and equipment and conducting digital transformation to continuously improve the international competitiveness of textile and garment products.

Investment promotion effect

The RCEP agreement has formulated rules related to investment and origin cumulation, which promotes investment facilitation and trade liberalization for enterprises on both sides. For example, according to the RCEP agreement, both China and Japan have adopted a negative list approach to further open up investment in five non-service sectors including manufacturing, agriculture, forestry, fishing, and mining, to improve the policies transparency for both parties [1]. Moreover, rules in areas such as intellectual property rights, e-commerce, competition, government procurement, and small and medium-sized enterprises are included. The signing of RCEP will also effectively promote better cooperation between China and Japan in exploring opportunities in third-party markets, contributing to their joint efforts in advancing economic globalization. According to estimates by the Asian Development Bank, the Southeast Asian region will require approximately 210 billion U.S. dollars annually for infrastructure investments from 2016 to 2030 [1]. There is a significant demand for funding to support various infrastructure projects.

Scale economy effect

The economic structures among RCEP members are highly complementary. RCEP further relaxes market access in areas such as goods, services, and investment between member countries. It gradually unifies rules of origin, customs procedures, inspection and quarantine measures, technical standards, etc., which will strengthen cooperation in production division among members and promote the further development of regional industrial chains, supply chains, and value chains [21]. Scale economies' effects are further evident. The global value chain participation in RCEP increased from 38.3% in 2007 to 40.5% in 2017. In 2017, RCEP's exports based on the global value chain reached 1.6 trillion U.S. dollars, and the member countries' exports within the region amounted to 780 billion

U.S. dollars [22]. Textile trade between China and Japan is mainly characterized by vertical specialization and strong complementarity, and the implementation of the RCEP agreement is expected to integrate both countries' textile industry chains, resulting in scale economies.

DISCUSSION

Through the analysis of the static and dynamic effects of textile and garment products in China and Japan, it is found that after the signing of RCEP, the two countries will usher in new development opportunities for the textile and garment industry, but at the same time, based on the adjustment of the global industrial chain in recent years and the sluggish economy, the development of bilateral trade will face new challenges. Where should Chinese textile and garment enterprises go when facing the threat of cost advantage transfer and the challenge of technological reform and innovation? The article tries to put forward suggestions in the following aspects.

Grasp the Opportunity of the Signing of the RCEP Agreement and Comprehensively Promote the Structural Transformation of the Textile Industry

After the RCEP agreement comes into effect, Japan will gradually reduce tariffs on textile and garment products from China, but the benefits may not be significant in the short term. Therefore, Chinese companies should seize the opportunity to upgrade and transform their industrial structure and make up for their weaknesses. For example, Japan hardly processes textiles, while China is the world's processing base. Relevant companies can make full use of their advantages to enhance the vitality of China's textile and garment products through industrial alliances and technological cooperation.

Promote Digitalization of Trade and Optimize the Whole Industrial Chain

Relevant textile enterprises should optimize all links of the traditional textile chain, such as production and manufacturing, cross-border customs clearance, logistics and warehousing, and after-sales service, to further enhance the international competitiveness of their products. Relevant enterprises can implement intelligent manufacturing, and greatly improve the company's flexible manufacturing capabilities, while shortening the textile research and development cycle and mass production time, to meet the personalized customization needs of users in the Japanese market.

Rationally use RCEP Rules and Make Full use of Tariff Preferential Dividend Superposition

The RCEP agreement stipulates the intra-regional rule of origin cumulation in the field of trade in goods. This rule will bring dividends of multiple tariff preferences to export enterprises, greatly reduce their costs, and improve their market competitiveness. In addition, the RCEP agreement will optimize customs clearance procedures and bring more trade facilitation and liberalization to enterprises.

Therefore, the government, the textile and garment association, and other relevant departments should interpret and publicize the relevant rules of the RCEP agreement promptly to help with policy implementation.

Fully Consider Japan's Temporary Imposition of Additional Conditions and Prevent Trade Risks

After the RCEP agreement comes into force, the improvement of rules and provisions will be a major issue for further cooperation between China and Japan. Japan may put forward additional requirements and preferential policies for relevant Chinese industries, and relevant Chinese departments need to work out an early warning mechanism in advance. For example, China needs to make timely predictions on possible anti-dumping cases, encourage enterprises to actively respond to anti-dumping cases, and establish a special Sino-Japanese anti-dumping association to help enterprises come up with solutions. At the same time, China should make good use of RCEP transitional protection measures to protect the safety of domestic enterprises.

CONCLUSIONS

In conclusion, based on the SMART model calculation, the result is positive, i.e., the implementation of the RCEP agreement will be a rare opportunity for bilateral textile trade between the two countries. However, this is only a static simulation result that relies on both parties' commitment to implementation and favourable external economic and political conditions. The entry into force of the RCEP agreement will bring challenges to the Sino-Japanese textile trade:

Firstly, from the perspective of Sino-Japanese economic and trade cooperation. On the one hand, it is easily affected by the pressure of global economic growth and the changes in Sino-US relations; On the other hand, there are also many problems in Sino-Japanese economic and trade relations, such as investment imbalance, which will produce uncertain factors for the textile cooperation between the two countries and face new challenges.

Secondly, the impact of the RCEP agreement on the manufacturing industry after it enters into force. Due to the relaxation of market access, the middle and low-end industries in China's textile industry may accelerate the transfer to other RCEP member states, and the industrial chain is facing a re-layout. At the same time, Japan will also have an impact on the high-end industry of China's textile industry, so the transformation and upgrading of China's textile enterprises is imminent;

Thirdly, from the perspective of RCEP rule adaptability. Chinese textile enterprises as a whole have a large gap in the understanding and application of RCEP rules compared with Japanese enterprises. In future business negotiations and actual trade exchanges, there are bound to be many obstacles.

It is hoped that the two countries will seize the historical opportunity, seek common ground while reserving differences, and solidly promote the progress of bilateral cooperation to achieve a win-win situation. The details are as follows:

The trade effects of textiles and garments in chapters HS61 - HS63 between China and Japan were analyzed. In terms of static effect, the WITS-SMART model was used to simulate and calculate the trade effect between the two countries under short-term and long-term scenarios, and the following conclusions are drawn. In the short term, Japan's tax reduction had a large trade creation effect on China, while the trade effect of China's tax reduction on Japan was relatively insignificant. In the long run, the trade effect between the two countries was significantly improved, and the textile and garment trade between the two countries had great potential under the framework of the RCEP agreement. In terms of dynamic effects, the further development of the RCEP agreement could bring obvious competition-promoting effects, investment-promoting effects, and scale economy effects to the two countries.

There are some limitations when using the SMART partial equilibrium model to analyze the economic effects of textile trade between China and Japan under the RCEP agreement. Firstly, this model is static, which estimates the impact of the RCEP agreement on the Sino-Japanese textile trade volume as a one-time effect. This impact mainly comes from the resource allocation static effect caused by relative price changes resulting from tariff adjustments, without considering the dynamic effects of factor growth caused by investment changes resulting from tariff adjustments. Secondly, due to space constraints, challenges faced by textile trade between China and Japan under the RCEP agreement were not thoroughly analyzed in this study, which could be a potential area for further research in the future.

Author Contributions

Conceptualization – Chen M, Lin XY and Bao J; methodology – Chen M and Bao J; formal analysis – Chen M and Bao J; investigation – Chen M; resources – Chen M; writing-original draft preparation – Chen M, Lin XY and Bao J; writing-review and editing – Chen M and Lin XY; visualization – Chen M; supervision – Chen M. All authors have read and agreed to the published version of the manuscript.

Conflicts of Interest

The authors declare no conflict of interest.

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