

# **China's Integration With Global Markets**

**Colin Carter**

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Agricultural Issues  
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## Introduction

- **“China welcomed to the WTO after 15 year wait”** *Sunday Telegraph*, Nov. 11
- **"China can never compete with the United States, Canada and Australia in the farm arena"** *South China Morning Post*, Nov. 12
- **“China's Ticket Into WTO Foreshadows Revolution”** *Washington Post*, Nov. 11

## Introduction

- **China accounts for 3% of global agric. trade > potential to play a greater role.**
- **China's agric. import tariffs (40-60%) are below those of many WTO members (esp. developing countries).**
- **China also maintains nontariff barriers that restrict imports, including tariff rate quotas, quotas, import licenses, and state trading.**

## WTO Entry

- China's entry into the WTO should facilitate the restructuring of its agric.
- Low farmgate prices, marketing inefficiencies & erratic gov't policy, all serve to "tax" agriculture.
- Integration between rural & urban economies is discouraged & rural product & factor markets are distorted.
- Barriers to inter-provincial trade remain high within China (A. Young).

## Recent Studies

- **Liu and Cheng: membership in WTO will be positive for China's agric.**
- **Colby, Price and Tuan: WTO accession will boost China's net agricultural imports.**
- **OECD: China's ag. trade liberalization may have small impacts on trade flows, unless combined with domestic policy reform.**

|                  | <b>Arable Land (m.ha)</b> | <b>Output per ha</b> | <b>Value Added per worker (\$ '000)</b> | <b>Fert. Use (mt/ha)</b> | <b>Agric. Labor in Total Labor (%)</b> | <b>Irrig. Land in total arable (%)</b> | <b>Tractors per '000 ag. Workers</b> |
|------------------|---------------------------|----------------------|---|--------------------------|--|--|--------------------------------------|
| <b>Australia</b> | 54                        | \$376                | \$31                                    | 0.04                     | 4.7                                    | 4.5                                    | 700                                  |
| <b>Canada</b>    | 45                        | \$403                | n/a                                     | 0.06                     | 2.5                                    | 1.6                                    | 1,642                                |
| <b>China</b>     | 124                       | \$2,181              | \$0.3                                   | 0.28                     | 49.8                                   | 42.4                                   | 1                                    |
| <b>France</b>    | 18                        | \$1,813              | \$37                                    | 0.26                     | 3.7                                    | 10.9                                   | 1,236                                |
| <b>India</b>     | 161                       | \$727                | \$0.4                                   | 0.10                     | 60.5                                   | 36.5                                   | 6                                    |
| <b>Japan</b>     | 4                         | \$3,086              | \$31                                    | 0.31                     | 4.6                                    | 59.1                                   | 637                                  |
| <b>USA</b>       | 177                       | \$853                | \$39                                    | 0.11                     | 2.2                                    | 12.1                                   | 1,484                                |

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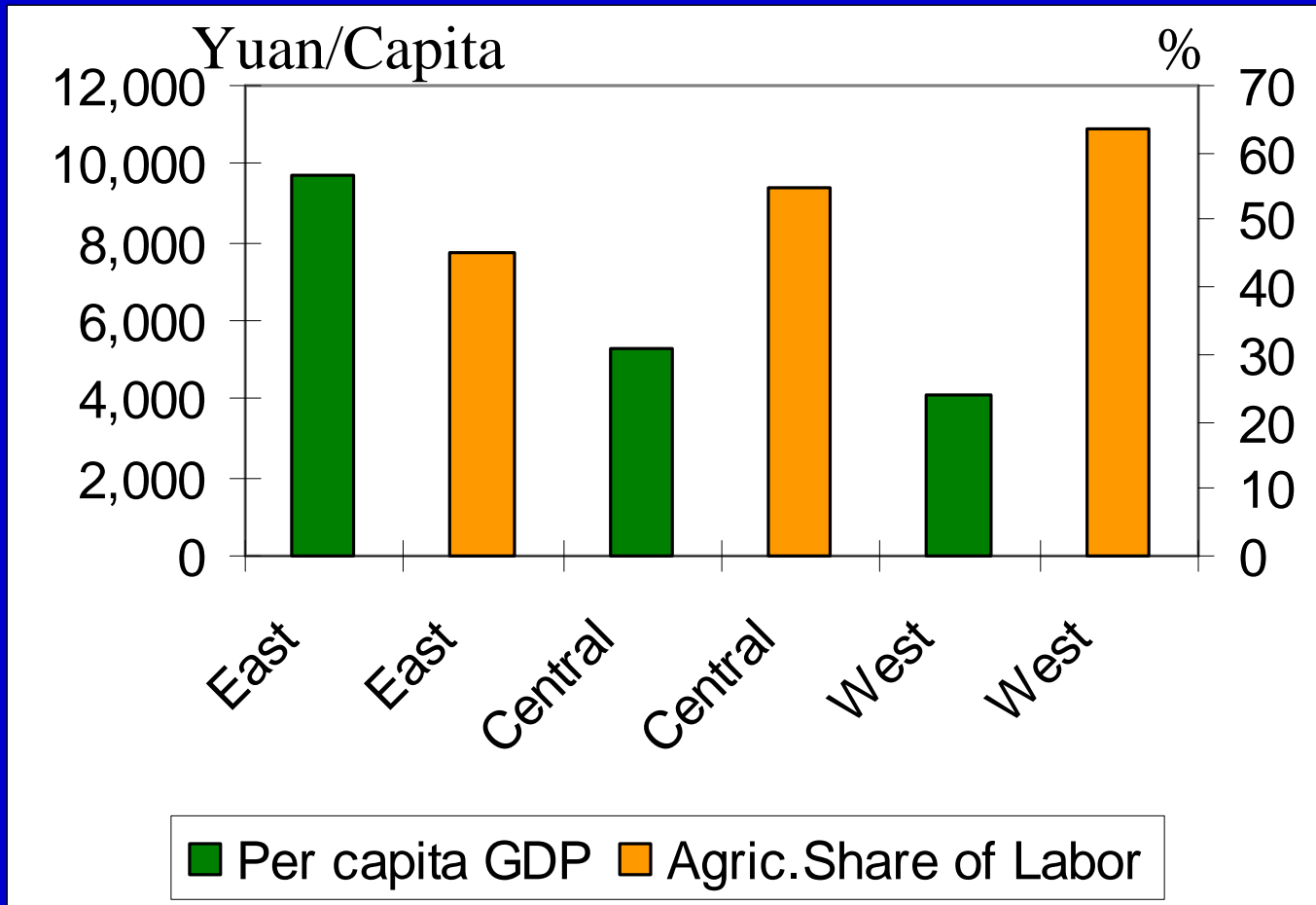
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## Labor Market

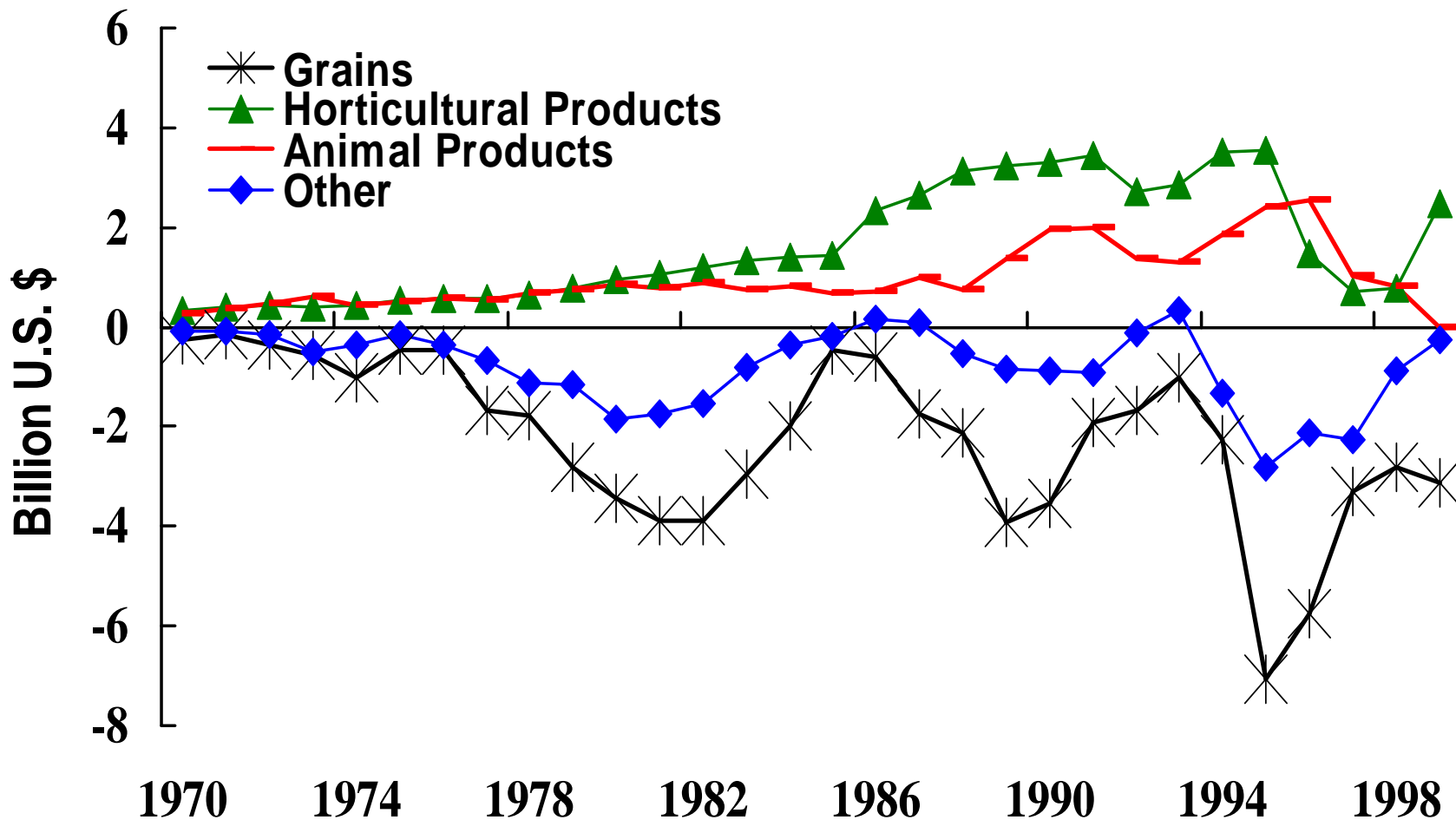
- **China's 320 m. farmers make up 50% of the national labor force but produce less than 20 % of the GDP.**
- **Labor productivity in agric.  $< 1/5^{\text{th}}$  that of industry &  $< 1/3^{\text{rd}}$  of that in service sector (Bhattacharyya & Parker '99).**
- **Gov't. policy supports urban wages at the expense of returns to farm labor.**
- **Labor does not move freely between rural & urban employment opportunities (Zhao; 1999).**

# Regional Differences in Income & Employment



**Exit of labor from agric. has been regionalized.**

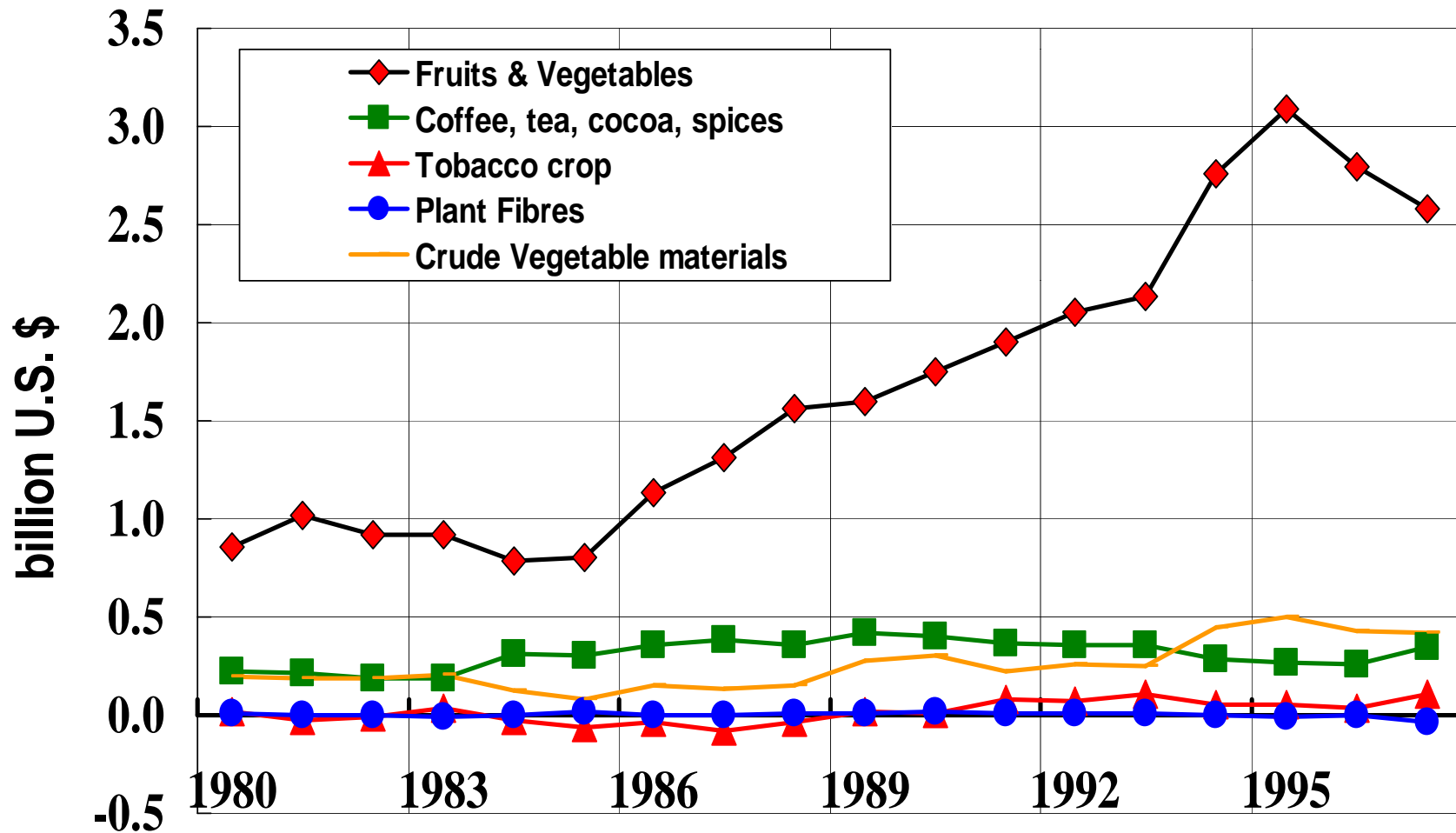
# CHINA'S NET AGRICULTURAL EXPORTS: *1970-1999*



*Source: Compiled from FAO trade data*

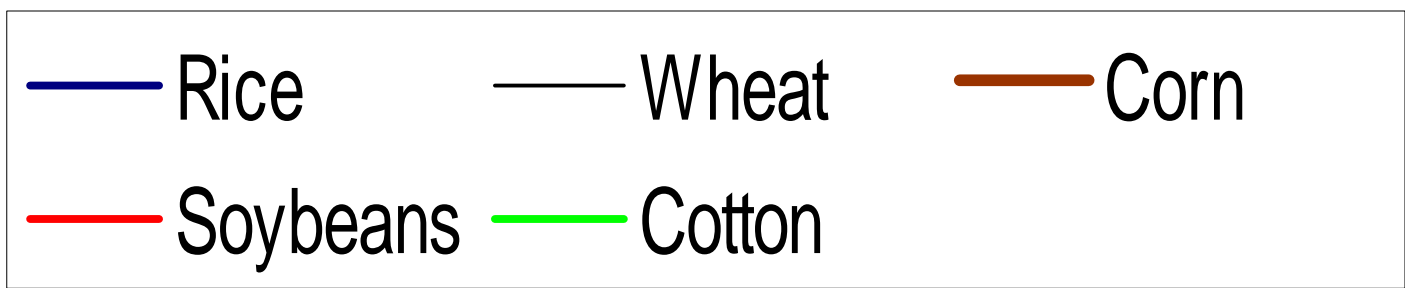
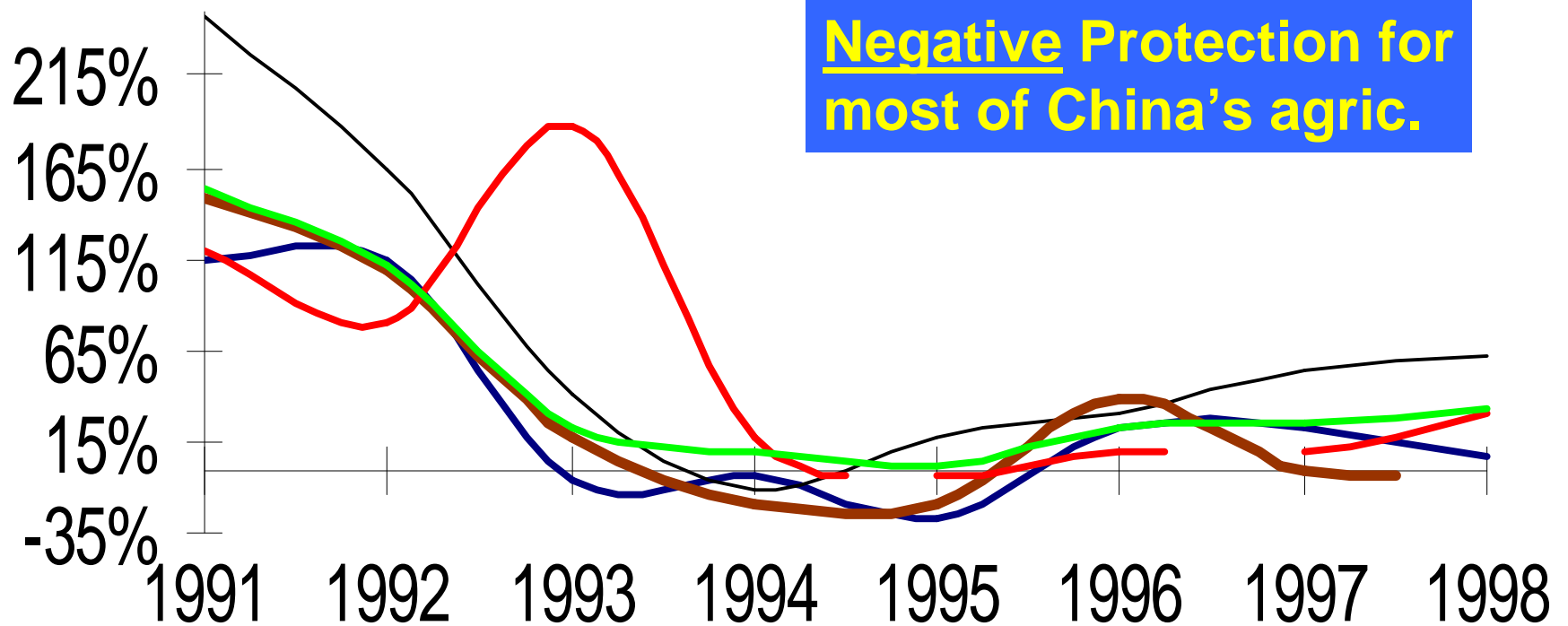


# CHINA'S NET HORTICULTURAL EXPORTS: 1980-1997

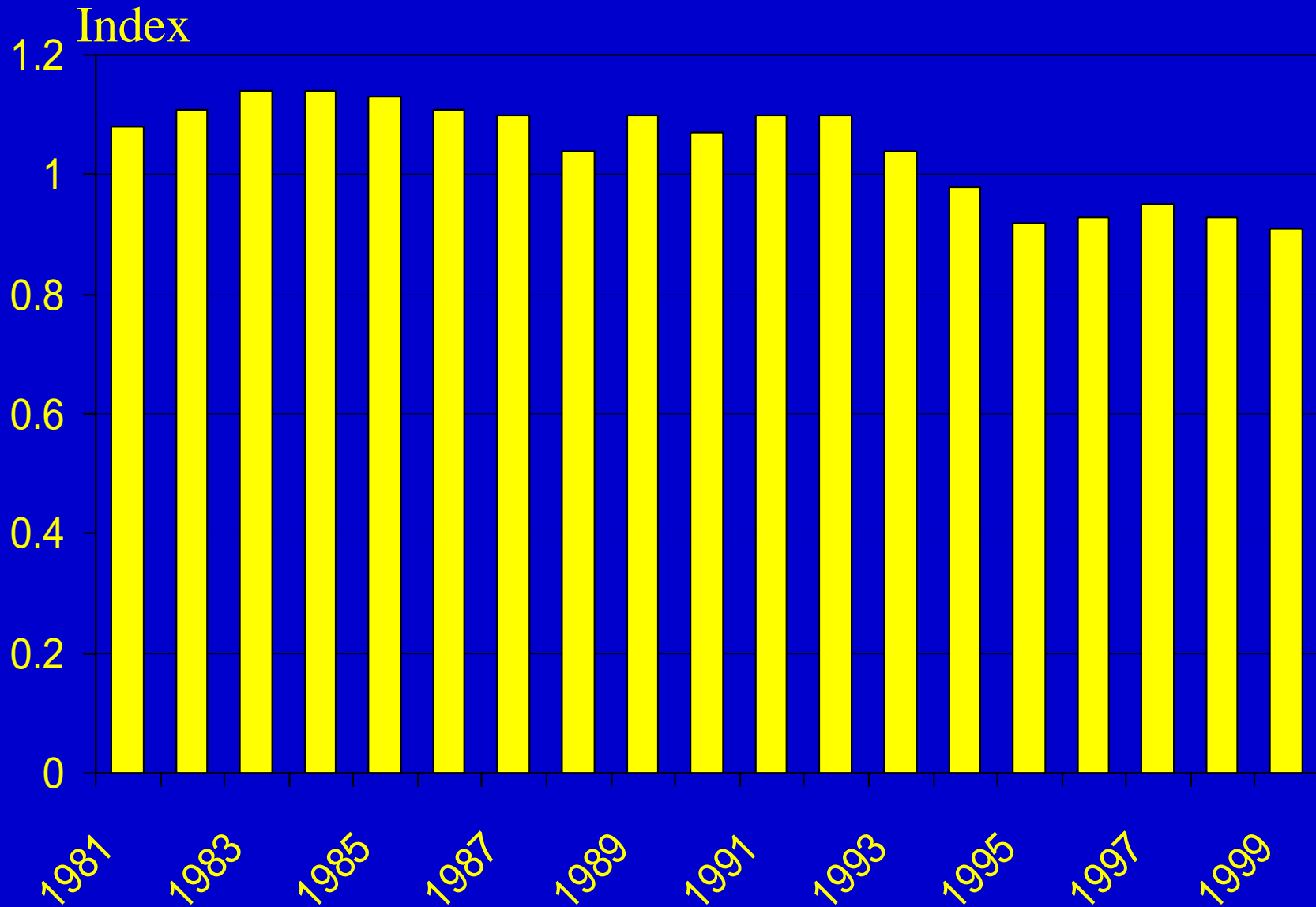


Source: Compiled from FAO trade data

# Ratio of Border to Farmgate Prices



# Regional Specialization Indexes



## Summary

- **WTO will further lower trade barriers & force trade patterns consistent with resource endowments.**
- **China's agric. trade patterns have not changed much since 1980.**
- **Regional agric. specialization in 1999 was less than in 1981; due to domestic distortions.**
- **Further agric. policy reform in China (in response to joining WTO), will transform China's agric.**

## Summary

- In early 1990s, Ted Schultz, (Nobel Prize winner), said gains from specialization when China moves away from planning & self-sufficiency, to a country with specialized family farms, would swamp the returns that have resulted from decollectivization.
- If Schultz was right, it might be that the real gains from liberalization of China's agriculture have not yet been realized,