

A Workshop on

Challenges and Prospects for China's Agricultural Trade and Trade Policy: With Specific Focuses on China's Trade with EU, USA and Other Major Partners

Organized by Center for Chinese Agricultural Policy, Chinese Academy of Sciences,
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Introduction and background

The objective of the workshop is to discuss the recent developments in both multilateral and bilateral agricultural trade, and its possible impacts on China, with special emphasis on China's agricultural trade with EU, USA and other major trade partners, and to prospect of China's agricultural trade and policies in the next decades. The workshop brought together China's agricultural trade policy makers from Ministry of Agriculture of China and researchers in the field of agricultural trade. The results of this workshop will provide inputs for CCAP's trade policy study and for formulating the scenarios of China's agricultural trade policy in the CATSEI project.

The workshop is organized as part of the EU-funded CATSEI project (*Chinese Agricultural Transition: Trade, Social and Environmental Impacts*) that studies the impact of China's current economic transition on its agricultural economy, with special emphasis on social conditions and the environment in China's rural areas as well as on markets in the rest of the world with EU in particular.

The meeting

Qian Keming, Director General of Agricultural Trade Promotion Center of the Ministry of Agriculture, who has been in charge of WTO/Doha Round negotiation in agriculture, opened the meeting at 13.30 on 25th April 2007. He expressed the importance of this meeting and his highly appreciation to CCAP's work in trade policies. Jikun Huang, professor and director of CCAP, introduced the background of this research project and explained the purpose of the workshop. The meeting discussed various issues related to agricultural trade with China's major trade partners. Among them, the following three major issues received most attention.

1. Special Products (SP) Issue

Wang Donghui, Division Director of WTO affaires of MOA, gave a talk on the potential impacts of SP negotiations in the new Doha round on China's agricultural trade and his concerns on this issue. He first reviewed the results of some exiting studies in this field, and said that the results are quite different. One study from World Bank showed that if developing countries adopt SP protection policies, it will substantially reduce the positive effects of Doha round negotiation, and will have big negative impacts on the efforts of poverty alleviation in those developing countries. While another study from Carnege

Endowment argued that developing countries should adopt the SP protection policy, and showed that this would be very helpful for their anti-poverty efforts. Those results were adopted by different countries or interest groups to support their positions in the Doha negotiations.

China's final decision on the SP policy has not yet been set, and the Chinese government is keen to do more assessments on how different SP policies will affect China's agricultural trade and the welfares of different groups of farmers in China. The selection of SP and their corresponding quota and tariffs, he believes, should consider the following three impacts: a) the impacts on agricultural labor employment; 2) the impacts on China's grain/food security; 3) the overall impacts on China's GDP development and regional development. China's tariffs on imported agricultural commodities are already quite low compared with those in many other countries, and given the considerations of the rising China's labor costs and the appreciation of RMB leading the decrease of China's comparing advantage over agricultural production, China should give more supports to agriculture, including using SP policies to protect China's agriculture. Some products such as grains, sugar, milks, and cotton are major products that were considered as potential list for special products in the new round negotiations.

Dr. Jikun Huang made a comment following Mr. Wang's talk. He said, economic theories have proved that under some general conditions, free trade can bring positive effects on economic development, and the development of China's economy and its opening-up policy have also strongly shown the evidences of trade and economic growth. But, that does not mean all sectors and all the people will benefit from trade liberalization. For example, while the labor-intensive agricultural products such as fruits, vegetables and processed foods have gained from trade liberalization, the production of land-intensive agricultural products (e.g., soybean, other edible oil crops, cotton, sugar, etc) and the farmers producing these products had been negatively affected by China's trade liberalization. So, the assessment of SP policy should not only focusing on its impacts on China's overall GDP development but also on how it will affect the production and trade of different commodities, income distributions among regions and among farmers.

2. Non-trade Barrier Issues

Zuo Changsheng, Deputy Director General of China's Agricultural Trade Promotion Center, gave a talk on the non-trade barrier issues in China's agricultural trade. From the perspective of China's exportation of agricultural products, non-trade barriers, especially, the sanitary and phytosanitary (SPS) measures from Japan, South Korea, EU and USA, have significantly negative impacts on China's agricultural export, and is becoming the most important constraint for China's agricultural export. He also pointed out that although high import tariffs of other countries have limited China's agricultural export expansion, China's agricultural exports have been expanding. For example, Israel imposed 300% tariff on China's garlic, but China's garlic still took a very large share in Israel's market. Using EU as another example, EU impose quota on many of China's agricultural products and impose high tariffs if those imports exceeded the quota, China still export large scale of agricultural commodities to EU, and the quantity of most of

those products have exceeded the quota. But SPS can totally exclude China's products out of some countries' markets.

China also has its own SPS policies and requirements on imported agricultural commodities, but usually those sanitary and phytosanitary standards are much lower than those in the developed countries such as EU, Japan, South Korea and USA, in particular those of developed countries. Hence, China's SPS policy generally has no big impacts on the exports of other countries. Mr. Zuo also pointed out that on the study of SPS measurement and the impacts of SPS policy, China is much lagged behind. He requested Dr. Huang's team to work more on SPS policies and their impacts on China's agricultural trade, production, farmer's income and poverty.

Dr. Yangjun from CCAP commented Mr. Zuo's presentation. He said in the study of the impacts of SPS policy, we should pay attentions to its overall impacts, and also to its impacts on the welfare of different farmer groups. The latter impacts may have even more important policy implications. For the study of economic impacts of trade agreements, we should also analyze the indirect impacts by bilateral trade agreements. For example, before the China-ASEAN free trade agreement, ASEAN countries imported apple mostly from Australia, but after the China-ASEAN free trade agreement, apple from China take a much larger share than those from Australia in ASEAN market.

3. Prospective of China's Agricultural Trade in the New Era

Dr. Qian Keming, Director General of China's Agricultural Trade Promotion Center, gave a comprehensive talk on China's agricultural trade policy in the new era. First, he addressed new challenges facing China's and global agriculture. One of major challenges is the development of biofuel and its implications to agricultural production, trade and food security. The biofuel development has opened a new market for grain products, and will make the grain price at a much higher level in the coming years and even in the next few decades. The development of biofuel will have big impacts on China's agricultural production, agricultural trade, and food security. China should re-investigate its agricultural policies including the agricultural trade policy.

Second, he very concerns the rising of non-trade barriers in many China's major trade partners, particular in Japan, South Korea, EU and USA. Third, to increase China's agricultural production and improve its food securities, he emphasized that China should consider the following trade policies: a) reducing its import tariffs on inputs of agricultural productions, such as fertilizer and pesticide; b) reducing the barriers that limiting foreign seed companies access to the Chinese market; c) taking a more active attitude towards genetically modified crops and technologies; d) encouraging direct investment of China's big companies over agricultural production in other countries, especially those countries in South America and Africa. Fourth, he also emphasized the importance of domestic policies and reforms in the course of trade liberalization. These include investments in agriculture, income transfer for the poor and those who are negatively affected by trade liberalization, the balance between agriculture and non-agricultural policies, etc. Last but not least, he called for a joint effort between his

trade promotion center and CCAP on trade policy study. He is also looking forward to seeing the results from our project.

Workshop Participants

Dr. Keming Qian, Director General, China's Agricultural Trade Promotion Center, Ministry of Agriculture (Dr. Qian is in charge of agricultural negotiation of WTO)

Mr. Changsheng Zuo, Deputy Director General, China's Agricultural Trade Promotion Center, MOA

Mr. Donghui Wang, Director, Division of WTO affaires, MOA

Dr. Tingjun Peng, Deputy Director and Associate professor, Institute for Agricultural Trade and Development Policy.

Dr. Jikun Huang, Director, Center for Chinese Agricultural Policy (CCAP), CAS

Dr. Jun Yang, Research fellow, CCAP, CAS

Dr. Huanguang Qiu, Research fellow, CCAP, CAS

Dr. Zhigang Xu, Research fellow, CCAP, CAS