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WTO Entry and Agriculture in China

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Abstract

Based on macroeconomic view this paper practically analyzes the chances and challenges in agricultural industries in China after WTO Entry, and meanwhile analyzes the essential changes of the market competition of agricultural products in China with impacts of WTO. Based on the analyses, this paper proposes 7 Countermeasures to WTO challenges for the agricultural industries in China.

Key Word

Agriculture, WTO Entry

Text

Practically seen with developmental view, the chances and challenges of China WTO entry are described as: in a long time the chances are over the challenges, while in a short time it is reverse; in eastern regions there are more chances, while in western regions it is reverse; the production with dense labor has more chances, while for the production using more other resources except labor it is reverse. We should get hold of the chances, make Countermeasures against challenges, enlarge the advantages and reduce the disadvantages.

1. Chances for Agricultural Industries

1.1 China become one constitutor of WTO rules and will get benefit from it

After WTO Entry China has got the position that is appropriate for a big country. Hence China has the right to participate in the enactment of WTO rules, which is in favor of reflecting rights and interests of China's and other developing country's agricultural industries and make China and other developing countries from being passive restricted and even casualty to become actively benefited.

1.2 China enjoys the most-favoured-nation clause steadily and the export environment of agro-products is improved markedly

China has become the most-favoured-nation because of his WTO entry, and all other countries should abide by the clause. The international trade of agro-products becomes two-side open from unilateral open, various bulwarks are broken through and the environment is improved.

1.3 China can use the relative mechanisms to legally protect its rational interests

China can take full advantage of trade issues mechanisms of WTO to solve trade dissensions appropriately through the rules of liberty and equality and can also use the rules against subsidy and dumping of agro-products from big export countries to legally protect the rights and interests of agricultural industries in China.

1.4 China can take full advantage of WTO entry to open new development room

As a member of WTO China can use preponderant markets, labor force, resources to make multi-layer and multi-field cooperation with other countries and to make the two resources and the two markets inside and outside China reinforce each other.

1.5 China can further enlarge the cooperation with other countries and promote the modernization of own agricultural production

With WTO entry the modernization and globalization of agricultural industries in China are provided with unprecedented chances, which is in favor of agricultural industries to absorb foreign capital, persons with ability, advanced management methods and advanced technology, and in accordance with international standard to enhance the quality of agro-products, to increase technological contents, to strengthen competitive force of agro-products and to heighten modern level of entire agricultural production.

1.6 China will speed up the reform of agro-products circulation system and the development of market economy

With the drive of WTO China will certainly promote reform through opening to outside.

According to WTO Rules of free trade and justice China will speed up the reform of market economic system of agro-products, promote macro-adjustment and -control, market collocation, corporation management, enlarging Globalization of agricultural industries and rapidly develop market economic system of agro-products with Chinese character.

1.7 The administrative departments will change their functions entirely and enhance work efficiency

With WTO impacts all administrative departments of agriculture will speed up their reform for function transformation to reinforce economic management and macro-adjustment and -control for enhancing their administrative efficiency.

2. Challenges to Agricultural Industries

Along with WTO entry the agricultural industries in China will be faced with further opened market, and the market competition will certainly take place great and substantial changes:

1. domestic and partial competition will become international and full-scale competition;
2. market competition will become comprehensive and include production capability competition, selling capability competition and innovation capability competition;
3. the traditional competition forms, such as price and advertisement will become the competition forms of innovating industrial configuration, increasing technological contents and enhancing additional value;
4. direct contention of markets will become cultivating, exploiting and creating new markets;
5. the product quantity competition will become the competition of product quality and brand;
6. in market competition the main dependency on enterprise efficiency will become the

dependency on function transformation, administrative efficiency and management capacity of every level of government. All these changes will prick up the competition of agricultural product market and bring strong challenges to agricultural industries.

In addition, the promises made by China in “Agreement on Agriculture” will also bring strong challenges. These promises are: 1. the “yellow box” support will be limited under 8.5% of Agricultural production value; 2. the export subsidies of agricultural products will not be offered; 3. the import ban of wheat, orange and meat from some places of USA will be relieved; 4. the special ensuring measures for the protection of domestic market will not be adopted; 5. actions will be made against dumping, subsidy and other relative ensuring measures; 6. the market admittance will be recognized for grain and other 10 main agricultural products.

Nevertheless, the impacts of WTO entry on different kinds of agricultural products are unlike. These are dependent on product sources in international markets, domestic consumption structure, storage and transportation. The impact on rice is weak and on wheat is not strong, while the impacts on cotton, sugar and plant oil are strong and on corn and soybean are strongest.

Taking one with another, China can control the impacts of WTO entry on agricultural products, and the food security in China will not be threatened. Firstly, during the transition period the tariff quota will be still adopted in China for the main kinds of grain such as wheat, rice and corn. According to the promises of China, the import amount will not over 4-5% total yield in China. Secondly, China has strategically adjusted agricultural structure according to the orientation of market. Finally, in a long-term there is a large market for grain products.

3. Countermeasures against the Challenges

3.1 Optimizing resources collocation, speeding up structure adjustment, developing preponderant products

Being based on market demand, enforcing structure adjustment, optimizing the resources collocation of agricultural production, developing preponderant products are the forceful

countermeasures. The combinations of production factors in different regions and different industries should be optimized to improve the entire quality of agricultural products, enlarge economic and ecological benefit, increase farmer income and promote industrial upgrade. Based on the practice of China, structure adjustment should be reinforced according to the orientation of inside and outside markets. The general policy is that sustainable development should be adhered, production capacity should be protected and agricultural and rural ecological environment should be improved; rural economy should be developed entirely and synthetically to increase farmer income. Concretely saying, the strategic adjustment of regional composition, variety structure and industrial structure should be actualized pressingly: 1. the agriculture in east should be developed for export to use the opportunity of WTO entry and through its action to promote the development of agricultural industries in other regions; 2. taking the power from WTO entry the central region should upgrade grain industry and become the barn of China for the stabilization of agricultural production and even entire national economy; 3. considering the impacts of WTO entry west region should innovate agricultural development model to make new effects on agricultural production in other regions.

No matter in east, central and west, during the strategic structure transformation of agricultural industries the relation among farming, forestry, stockbreeding and fishing should be made rationally. The variety structure should be optimized constantly and practically and the proportion between dominant products and special superior products should be adjusted. Considering the consumption tendency the variety structures of wheat, rice and corn should be adjusted for enhancing entire quality and diversification. Through the dynamic structure adjustment of agriculture, crop regionalization, rational composition, management specialization, variety diversification and high product quality will be realized.

3.2 Changing subsidy form directly for farmer to reinforce agricultural industries and to enrich farmer

Subsidy policy is the most common and effective support for agricultural industries in the world. It is the political and economic measure of government to protect native industries and can be used in production, ware circulation and trade. In the frame of WTO, the “green box” subsidy is used at large and the “yellow box” subsidy is limited. According to WTO China must adjust the subsidy form for agricultural industries and spurn the traditional price support policy in the area of production and selling. Based on the adjustment of national income distribution the financial support for agriculture should be reinforced and the “green box” should be enlarge to improve the environment of production, ware circulation and trade. The sticking point of subsidy reform is that farmers should be given direct subsidy to ensure their income increasing constantly: 1. in the main production region direct subsidy should be made according to production area, product amount and quality; 2. in the region where farmland should be replaced by forest and grass according to the national policy direct subsidy should be made according to the replaced area.

3.3 Reforming circulation system, standardizing market order and exploiting international market

Being seasoned with external open policy the circulation system of agricultural products, especially grain and cotton, should be further reformed and the market should be further developed. Legal system should be established for standardizing market order. International market should be exploited and the two kinds of markets and resources inside and outside China should be combined with each other closely.

- (1) In the main grain consumption region the market reform policy that came on in August 2001 should be boosted continually and in the main grain production region the market reform policy should also come on in a short time.
- (2) The traditional system that makes domestic trade apart from foreign trade should be reformed as soon as possible to establish fair and just mechanism for import and export.

- (3) Adapted to the WTO requirements the central wholesale markets, the regional wholesale markets and the bazaars should be improved and the grain futures market should be developed steadily.
- (4) Market order should be neatened and standardized, and the system and regulations should be established.
- (5) The agro-product guild should be established as social agency organization as soon as possible and the guild should have universality, authority and servings.
- (6) Own advantage should be fully brought into play and relative policies should be adopted for exploiting international market.

3.4 Being brave in innovation and carving out thought

In the new development phase of agricultural industries in China the future development line, circulation system, management system, adjustment measures, enterprise system and the technology should be innovated. Here there are three points to be emphasized: 1. the development should be synthesized and sustainable; 2. the systematism of ensuring security should be realized; 3. agricultural products should be further processed in a large scale.

3.5 Adopting standard system, improving product quality and enhancing competition capacity

There are four sides of tasks to be done: 1. establishing standard system of agricultural products; 2. establishing quality examination system and quarantine system of animal and plant; 3. developing the production system, selling system and supply system of green products; 4. enhancing consciousness to the quality of agricultural products.

3.6 Improving law and rules and using the regulations of WTO to protect own rights and interests

The regulations, agreements and the mechanism to resolve trade issues under the WTO should be used to protect own rights and interests and ensure the security of agriculture. The regulations

against dumping agricultural products should come on as soon as possible to determine the dumping situation of main agricultural products and the duty against dumping.

3.7 Transforming the function of government to enhance macro-control and administrative efficiency

After WTO entry the function of administrative departments of agriculture is even more important and necessary. Certainly the administrative departments should be simplified and their function should be transformed. Three problems in the administrative departments should be resolved: “wrong position”, “lacking position” and “absent from position”. The necessary way to solve the problems is taking the administrative function apart from enterprise management to enhance administrative efficiency and making administrative departments become uncorrupted, industrious, practical and high effective and do entire, strategic, fundamental and macro-political invents:

- (1) Investigating issues and development of national agriculture, making policy and reform proposals;
- (2) Administering policies and principles for deepening the reform of rural economic system and agricultural system;
- (3) Using the measures of administration, economy and law to reinforcing the macro-control of important products that have close relation with the national economy and the people's livelihood and to ensure national food security;
- (4) Strengthening the cooperation among relative departments, constituting and administering regulations according to WTO and establishing and executing the standard system of agricultural products;
- (5) Based on macro-economic consideration proposing instructive opinions for improving the wholesale markets of agricultural products, promoting market agency organizations and standardizing market order to create a good environment for just, right and open competition;

- (6) Establishing information system and collecting, analyzing and providing correct and authoritative information on main agricultural products in time to serve for the central decision-making and enterprise management;
- (7) Researching agricultural policy including natural scientific and technological policy and social scientific policy. The research on the prospect, macro-issues and strategy of agriculture and the industrial policy should be emphasized to provide the base information for national decision-making;
- (8) Training producers, proprietors and the employees in administrative departments to enhance their synthetic diathesis including political, professional and characteristic diathesis.
Currently the knowledge about the WTO should be popularized and the teams of person with ability should be brought up in this area. It is necessary for agricultural industries to face the WTO;
- (9) Developing foreign affairs for intercommunion, technological cooperation, exchange visits and conjunct research.

If we hold the initiative, are good at using the two kinds of resources and markets inside and outside China, raise advantage and avoid shortage, the agricultural industries in China will certainly bridge the difficulty, weaken the pressure, gestate vital force and coruscate energetic in the world.

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