The WTO Implication on Agriculture Development in China

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1. Agriculture and agricultural trade development in China since accession
2. Impact analysis
3. Russia WTO accession and China
Accession in 2001

- Substantial cut in tariff (average 15.3%)
- Huge TRQ Commitment (some top the world)
- Simple tariff structure (AVE only)
- No AMS commitment, with 8.5 De minimis (developing 10% and 6.2)
- No Export subsidy
Agricultural Development

- Agricultural production capacity
- Structural change
- Quality improvement
- Increase of rural income
- Agricultural Policy
Agricultural Policy in general

- **Border measures:**
  - low and simple tariff
  - TRQ for some special

- **Domestic support:**
  - from taxing to grant
  - Green is major instrument
Four Major Types of Agricultural Subsidies

- Direct subsidies for grain production
- Subsidies for fine crop seeds
- Subsidies for input purchase
- Subsidies for agricultural machinery tools purchase

Proportion of Agricultural Subsidies to total Agricultural Output Value

Source: edited according to data from the website of China’s Ministry of Finance
China’s agricultural support is a compensatory support

- Close the growing rural-urban gap in industrialization process to some extent
- It’s applied based on the principles: second industry supports agriculture; urban economy supports rural economy
China’s agricultural Support has no distortive effects on International Trade

- China is a net exporter of agricultural products and trade deficit expands
- Supportive products are not the major advantageous exports
II. Agricultural Trade Development

- Agricultural Trade Policy
- Agricultural Trade changes
- FTA & Agricultural Trade
Tariff and Quota

- After entering WTO in 2001, China has substantially reduced the import tariff of agriculture products.

- Average import tariff of agriculture 15.2%, only ¼ of world average.
Tariff rates of Agricultural Products

<table>
<thead>
<tr>
<th>Country</th>
<th>Maximum Duty</th>
<th>Average Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>1062</td>
<td>130.9</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1909</td>
<td>48</td>
</tr>
<tr>
<td>Japan</td>
<td>753</td>
<td>22.2</td>
</tr>
<tr>
<td>U.S</td>
<td>350</td>
<td>5.2</td>
</tr>
<tr>
<td>EU</td>
<td>198</td>
<td>13.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>55, 35.4</td>
<td>65, 15.2</td>
</tr>
<tr>
<td>India</td>
<td>300</td>
<td>113.1</td>
</tr>
<tr>
<td>China</td>
<td>65</td>
<td>15.2</td>
</tr>
</tbody>
</table>
Rapid growth of agricultural trade, 2001-2011 annual growth rate 18.7% (import 23.1%, export 14.2%)

Higher import growth rate leads to increased agricultural trade deficits since 2004
Major markets

- General trends:
  - diversification in export markets
  - concentration in import markets
Accession has a positive spur to agricultural development

- Promote the deepening of agricultural reform and adjustment of agricultural policy
- Speed up the pace of agricultural structure adjustment and optimization of regional distribution
- Import of certain products Reduces pressures on domestic resources and environment
- Improve the quality and safety system of agricultural products and raise the safety level.
China imported 54786 thousand tons of soybeans in 2010. If China grew at home, it would occupy 464 million acres of cultivated area, which was 19.3% of the arable crop land and 28.2% of planting area of cereals.

To some extent, it makes sense that import of agricultural products means import of land and water resources.
Impacts—another side

Agricultural trade transform from a chronic surplus to a continuous deficit

China's agricultural trade in 2000-2008
(一) Soybean

Import dependence ratio increased greatly

China’s soybean imports and yield in 2000-2008
industrial chain control

- International food providers monopolize the international soybean markets
- International capitals control the circulation and processing of soybeans
While China greatly opens up the agricultural market, high protection and distortion of international agricultural market still exists.

Comparisons of China, the developed and developing countries’ agricultural tariffs (%)

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<tr>
<th></th>
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<th>Switzerland</th>
<th>Japan</th>
<th>USA</th>
<th>EU</th>
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</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>1052</td>
<td>1909</td>
<td>1706</td>
<td>440</td>
<td>408</td>
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<tr>
<td>Average</td>
<td>70.7</td>
<td>85</td>
<td>41.8</td>
<td>11.3</td>
<td>22.8</td>
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<td>55</td>
<td>300</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>Average</td>
<td>35.5</td>
<td>114</td>
<td>32</td>
<td>15.2</td>
</tr>
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</table>
III. China and Russia Bilateral
China – Russia’s agricultural trade value (2007-011)

10 Thousand dollar

- Export
- Import

Years:
- 2007
- 2008
- 2009
- 2010
- 2011

Values:
- 0
- 50000
- 100000
- 150000
- 200000
- 250000

Graph showing the export and import values from China to Russia from 2007 to 2011.
China’s Major agricultural exports to Russia (2007-2011)

10 Thousand dollar

Vegetables  Aquatic products  Fruits  Cereal products  Beverage  Sugar crops and Sugar  Oilseeds
China’s Major livestock exports to Russia (2007-2011)
China’s Major agricultural imports from Russia (2007-2011)
## China and Russia's WTO agricultural commitment

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<th>Country</th>
<th>Finally bound rate (%)</th>
<th>AMS (1 billion dollar)</th>
<th>De Minimis</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15.2</td>
<td>0</td>
<td>8.5</td>
</tr>
<tr>
<td>Russia</td>
<td>10.8</td>
<td>4.4</td>
<td>5</td>
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</table>
Concluding remarks

- Accession in general makes agriculture develop steadily in China.
- Adaptive Policy is key to modify the change of accession.
- Opening policy is essential in current world.
- The future of bilateral cooperate between China and Russia will benefit both sides.