

***POLICY COHERENCE FOR
DEVELOPMENT ISSUES FOR CHINA***

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- In China's case, when talking about PCD, we have to review and re-examine the long-existing policy framework and highlight on the policy adjustment.
- **1. Chinese agricultural-related policies**
- **(1) Chinese rural development policies are subordinated to the whole national development paradigm, development framework and development strategies.**

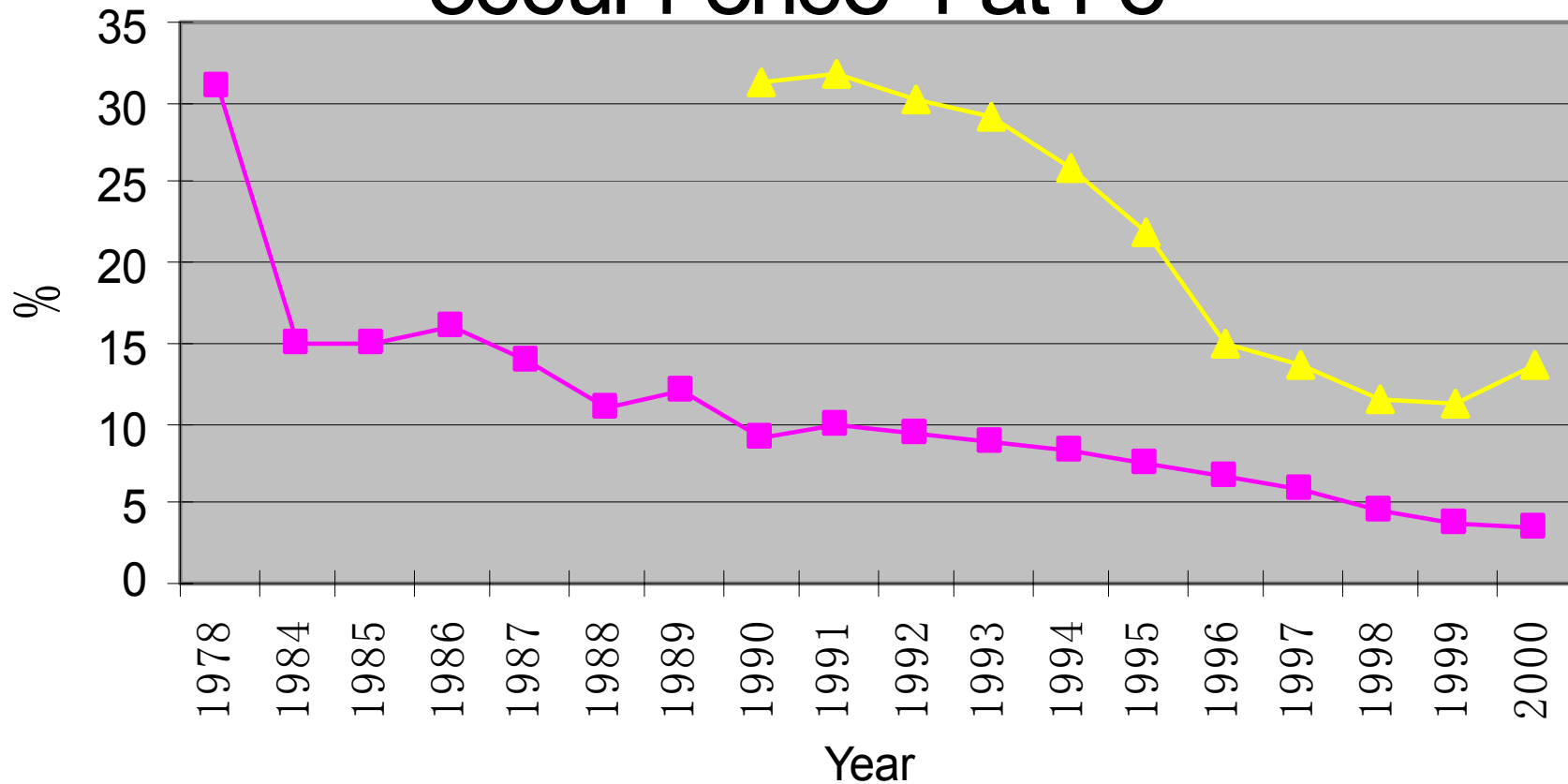
- The national development paradigm China adopted since the reform was characterized as urban-oriented, SOE-oriented, and coastal regions-oriented approaches.
- The basic ideas behind the paradigm were put forward by Deng Xiaoping and he mentioned several times that we should allow or even encourage some groups of people and some regions to take the lead to become rich in both rural and urban China .

some still-existing and newly-emerging problems.

a. Poverty alleviation issue

- In 2000, there were remaining 30 million rural people under poverty line. And in 2003, the number of rural poor were not reduced, on the contrary, increased by 800 thousand (see table 1). And Chinese relevant institutions set up the criteria of 882 RMB yuan (2003) for low income rural population and it was said that criteria was near the one day one USD (PPP) criteria. There still existed 85.17 million rural poor in the year of 2003 based on the criteria of 882 RMB yuan and those people accounted for 9.1% of total rural population.

1978-2000 changes in poverty occurrence ratio



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- b. The widening gap between urban and rural in terms of income and social welfare.
- c. The stagnation of growth rate of Chinese farmers' net income.
- Within the long-existing development paradigm China adopted since the reform, policy priorities were not in favor of rural areas, especially inland areas, agriculture, rural small-and-medium-sized enterprises, and rural population. They were the major causes for the stagnation of rural and agricultural development.

- a. Discriminating policies for rural workers jeopardized urbanization process.
- b. The drawbacks of the land tenure system deprived farmers of their property rights and negatively influenced farmers' livelihood.
- c. Tax-sharing system and fiscal policies were also not in favor of rural development.
- d. Rural financial policies couldn't provide farmers with enough capital.

- In the past two decades and a half, there had been great success in terms of rural and agricultural growth in China. But there also existed some deep-rooted problems in terms of labour, land and capital. The development process was characterized as cheap labour plus cheap land plus domestic and foreign capital, advanced technology, information and management, good infrastructure, effective policies and market access.

- In this way Chinese miracle was created and cheap labour and cheap land made great contribution to this miracle at the cost of rural development.
- And also, the low cost expansion of China's industrialization process have ignored the environmental protection issues.

- (2) adjustments of Chinese rural development policies-- turning government priorities for rural development

If development is defined as sustainable economic growth on the basis of equitable distribution, in the past two decades and a half, China has achieved rapid economic growth, but to a certain extent, hasn't realized real development. Thus, the fundamental policy adjustment is not only connected with social justice, but also with development issues.

- An alternative approach is to adjust the distorted redistribution structure and rebuild national social policy framework so that the excluded people or groups could get equal access to the basic public services like their counterparts. Such approaches will act as an investment and enhancement of capability so that those people could catch and make use of opportunities.

---during the 16th Congress of Chinese Communist Party in November, 2002, building an overall well-off society which will benefit more than a billion Chinese people.

---in 2003, putting forward five harmonized development(urban and rural, regional development, economy and society, human-being and the nature, domestic development and open-up to the outside world) .

---three critical issues of “agriculture, rural areas, and farmers” as priority issues of the whole nation and the Party.

---adopting scientific development outlook to guide the overall situation.

---encouraging human-based sustainable development.

---the development goal: finally building a harmonized society.

---in the 5th plenary session of 16th Chinese Communist Party's congress in October, 2005, for the "eleventh five-years plan", suggestion: to set up the goal of building new socialist villages.

- All those thinkings and viewpoints showed that the Chinese authority already attached great importance to the social justice and exclusionary issues and tried to solve those deep-rooted problems. But the ideas should be visualized and a comprehensive policy adjustment framework should be set up. Now several new policies already launched in terms of rural development.

- **(3) Chinese trade policies on agricultural products**

- Chinese agricultural trade policies are subordinated to the overall trade policies which in turn are the indispensable part of Chinese development framework..
- the share of Chinese trade turnover in world trade turnover --increased, from 0.9% in 1980 to 6.2% in 2004.
- the share of agricultural products turnover in Chinese trade turnover --decreased from 28.5% in 1980 to 5.8% in 2004.
- the share of fuel and mineral turnover in Chinese trade turnover --decreased from 13% in 1980 to 8.2% in 2004.

The share of manufactured products turnover in Chinese trade turnover-- increased from 55% in 1980 to 85.2% in 2004, 30.2 points higher. There have been important changes in terms of Chinese overall trade structure.

- The development paradigm of speeding up industrialization process by open policies which put emphasis on attracting FDI enabled China to become world factory. To make sure such a paradigm successful, there should be a kind of trade-off, therefore, agriculture trade was sacrificed to ensure the export of industrial products.

- Chinese agricultural trade policies had been forced to be open. It was the inevitable results of the games played by Chinese trade players and their international counterparts. In 2004, China's tariff of agricultural products was 15.8%, much lower than world average of agricultural products (46.5%). Another figure was that China's tariff rate was 15% compared to the world average of 62%. Considering the actual situation of import, the tariff level was even far below the figure of 15.8%, less than 8% (see Table 4).

- With the adjustment of overall development policies, anyhow, Chinese trade policies will not have big adjustment. The competing power of the manufactured goods will be raised through up-grading the industrial structure, enhancing the content of technology and capital. But the policy of adopting open attitude in terms of the agricultural trade to ensure the export of manufactured goods would not be changed, from my personal viewpoints.

- (4) agricultural policies have been adjusted to meet the new situation.
- a. the reduction of grain supply. In 2003, the total grain output was 430.67 million tons, decreased by 15.9% compared to the highest output of 1998, decreased by 5.8% compared to the year of 2002 and the reduction was 26.39 million tons. It was the lowest grain output since 1990s (see table 5). Such phenomenon caused the rising of food prices which spillovered to the related sectors and goods.
- b. the stagnation of farmers' income.
- c. the necessity to stimulate the domestic market.

- Chinese government must achieve two goals: to ensure the safety of grain supply and to increase farmers' income to stimulate the domestic consumption.
- In order to achieve the two goals, government should adopt the policies to give farmers' more support to mobilize farmers' incentives to produce grain and improve the competing power of agricultural products.

In 2004, in order to promote the rural taxation reform, the financial transfer from central government reached 51 billion RMB yuan. Other approaches: elimination of agricultural special tax except tobacco; the reduction of agricultural tax; the direct subsidies to grain producers; the subsidies for adopting good varieties of grain in 13 grain-producing areas, the subsidies for purchasing agricultural machinery. But all the subsidies only accounted for a small percentage of China's agricultural output value and according to Amber Policies, the percentage of China's subsidies could reach 8.5%.

- The agricultural situation of 2004---almost all the factors which enabled the increase of grain output and farmers' income had temporary and short-term features. None of the factors as expanding the grain sown areas, grain prices rising, good climate, exemption of agricultural taxes, etc. had sustainable function. It is crucial and hard to establish an effective and sustainable mechanism to ensure grain safety and the increase of farmers' income in long run .

- **2. China's experience with OECD agricultural-related policies**
- (1) the expansion of agricultural products trade

By the end of 2004, the total trade turnover of agricultural products expanded from 26.5 billion USD in 1995 to 51.2 billion USD in 2004, increased by 93% (see Table 6). In terms of agricultural products trade, China has become one of the world top countries. If EU was calculated as one entity, China occupied the position of No. 4 and if EU were calculated as individual countries, China occupied the position of No. 8.

In terms of the trade balance of agricultural products, from 1995 to 2003, China always kept favourable trade balance above 2.2 billion USD. But in 2004, the trade turned into unfavourable balance and the deficit reached 5.036 billion USD. It was estimated that in the year of 2005, the trade of agricultural products would still be unfavourable balance, though the amount would be reduced. Anyhow, the 20 years-lasting situation of favourable balance of agricultural trade was changed.

- **(2) China's grain trade structure**
- In 1996, Chinese State Council issues a white book named "Chinese Grain Issues". In this book, it was suggested that the self-dependent rate of grain should be above 95%, the net import couldn't exceed 5% of domestic consumption. Now according to Chinese grain category, including soybean, if taking domestic output plus net import as domestic consumption, in 2004, net import already reached 5.2% of domestic consumption.

- There was close relationship between the expansion of world grain trade and the expansion of Chinese grain import. In 2004, the import volume of soybean accounted for 67% of total grain import volume and the import volume of wheat accounted for 24% of total grain import volume. And the import value of soybean accounted for 92% of total grain import value. It is possible that the Chinese grain trade structure will be featured as import of wheat and soybean and the import volume of grain (including soybean) will be approaching 30 million tons.

- The United States was a major beneficiary of China's growth in grain and soybean imports and it is also one of China's fastest growing markets, with agricultural exports to the United States growing 43% between 2002 and 2004 (Fred Gale, 2005). But such a situation will inevitably influence China's effective and sustainable grain safety mechanism. And Chinese grain producers' livelihood and income will also be influenced, especially those soybean producers in northeastern areas and wheat producers in middle areas.

- (3) the prospect of Chinese agricultural trade
- Some factors will influence the long-term domestic grain supply: the reduction of cultivated land; the prices of grain products which is the main factor to influence farmers' incentive to produce grain; the demand for raw materials in industrial sectors; the storage of grain, etc. The local overheating economic situation will cause severe competition among regions for raw materials and it will in turn influence the import status. From long run, it is inevitable that there will be deficit between domestic grain supply and demand. It is important to coordinate such situation with maintaining an effective and sustainable grain safety mechanism.

- **4. conclusion**

- When talking about policy coherence, in China's case, it means policy adjustment and deepening reform. The contradiction between columns and blocks still plays negative role to jeopardize the comprehensive social schemes. Each government department has its boundary and sector interests and the officials of those institutions were inclined to pursue and maintain their vested interest through rent-setting and rent-seeking activities. As the background paper pointed out correctly that "achieving policy coherence is difficult because of multiple policy objectives and conflicting interests".

- We have to deepen the reform to promote the democratic process and empowerment of individuals (citizens) and their organisations since democratisation could act as a powerful instrument to push inclusion; to enable local people to express, share, enhance, analyze and extend their knowledge of life and conditions so that **they could plan, act and make use of the adjusted policy approaches by themselves.**

- Through the local peoples' participation, it will ensure the involvement of the targeted excluded and vulnerable social groups themselves in the formation of new development paradigm and combine the top-down approach with bottom-up initiatives. It is clear that only the empowerment of ordinary people could balance the empowerment of capital.

