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POLICY COHERENCE FOR DEVELOPMENT: ISSUES FOR CHINA

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Abstract

Chinese rural development policies are subordinated to the whole national development paradigm, development framework and development strategies.

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 characterised 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.

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 visualised and a comprehensive policy adjustment framework should be set up.

Chinese agricultural trade policies are subordinated to the overall trade policies which in turn are the indispensable part of Chinese development framework.

The development paradigm of speeding up industrialisation 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. It is reasonable that 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.

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. That resulted in the expansion of China's agricultural products trade.

There was close relationship between the expansion of world grain trade and the expansion of Chinese grain import. 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 tonnes. 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. From long run, it is very possible 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.

The aid from foreign countries, international organisations and NGOs have been focusing on certain aspects. And Chinese governments at different levels took a comparatively flexible and pragmatic attitude and accepted most of the assistance.

In China's case, the most important task is to deepen the internal reform and undertake policy adjustment through institutional changes and organisational innovation to meet the challenge of globalisation and protect the rights and interests of those excluded or vulnerable groups. In forming the new national policy framework, the first priority should be given to political and administrative reform to reduce the corruption due to the rent-setting and rent-seeking activities.

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, analyse 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.

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

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 characterised 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 (p. 23, Deng Xiaoping, 1993).

In practice, growth spurs were associated with a relatively narrow range of reforms, the rest came later. The Chinese called it as gradual change approach, not like the shock therapy. This approach could reduce the resistance from the vested interest groups to ensure the reform process could go on smoothly. It's a kind of Pareto change.

During the transformation from the central-planning economy towards market-oriented economy, and the open policy towards the outside world, the new sectors, like private sectors, TVE, joint ventures, inflow of the FDI, the entry of multi-national or trans-national corporations, sprang up besides the old sectors which were still controlled by the state, then the employment and income sources were increased and diversified, the peoples' dependency rate on old system was decreasing, and the gains out of the new sectors could cover the costs of the reform (Fan Gang, 1991).

There is no need to quote all the achievements and progress China has made during the past two decades and a half. But the development paradigm is not a remedy for all ills and there are some still-existing and newly-emerging problems.

Poverty alleviation issue

In the past two decades and a half, Chinese government made great efforts to help rural people get rid of poverty and tremendous achievements had been obtained (see Table 1). But the task is far beyond completion and there is still a long way to go.

In 1993, the central government set up the "eight-seven plan", *i.e.* alleviating 80 million rural poverty population within 7 years by the year of 2000. But at the end of 1997, there were still nearly 50 million poverty population, and in 2000, there were remaining 30 million rural people under poverty line. According to the poverty criteria set by the World Bank, *i.e.* one day one USD for the minimum income, in terms of purchasing power parity (PPP), and at the end of 1997, there were 124 million poor rural people, poverty rate was 13.5% (Wu Guobao, 2000). 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 (UNDP; NDRC, PRC; CICETE, PRC; CQOLS, Wuhan University; 2004).

The widening gap between urban and rural in terms of income and social welfare

In 2000, the disposable income of urban people per capita was 6280 yuan, the gap between urban and rural widened from 2.65: 1 in 1999 to 2.8 : 1 in 2000, and further widened in 2003 to 3.23:1. In 2003, per capita annual net income of rural households was 2366 yuan (only 80% in cash, other in kind). And since there exists prevailing urban bias in public expenditures, if we consider about the urban hidden income, the social welfare of the urban out of the long-existing dual structure, the gap between urban and rural is even wider.

The stagnation of growth rate of Chinese farmers' net income

Since the year of 1997, the growth rate of Chinese farmers' annual net income per capita was continually decreasing for 4 years (see Table 3). There is the urgent need to increase farmers' income, then enhance their purchasing power so as to stimulate the potential domestic rural market.

Within the long-existing development paradigm China adopted since the reform, policy priorities were not in favour 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.

Discriminating policies for rural workers jeopardised urbanisation process

Up to now, there are about 130 million rural labourers working in the township and village enterprises (TVE) and according to the recent survey, about 120 million rural labour force worked out of their home county. But those people are marginal and belong to the unstable and vulnerable population. The rural workers in TVE and in urban areas have no right to enjoy the social security programme. Their issues of retirement, medical care, unemployment and job injuries largely depend on their families and themselves. This institutional arrangement results in the stagnation of urbanisation process.

The rural workers shifting to urban areas or working in TVE have been regarded as cheap labour and “cheap” means they have no decent salary (even couldn't get wage in time); no tolerable working and living conditions; no basic social protections. The labour were squeezed to the utmost. Therefore, those labourers couldn't afford the settling-down costs in urban areas. But according to the demographic consensus, quite a few of shifting population were calculated as urban population so that the urbanisation rate already reached 40.53% in 2003, but in fact it is not real urbanisation.

Why those rural labour force are so “cheap”? There used to have the abundant supply of unskilled rural labour and any improvement for their earnings, working or living conditions will meet the resistance from the employers because of the rising costs. And in order to attract FDI, increase fiscal revenue, realise personal promotion, the local cadres were inclined to form the coalition with the entrepreneurs to rule over cheap labour.

The drawbacks of the land tenure system deprived farmers of their property rights and negatively influenced farmers' livelihood

According to the Constitution, there exists the collective ownership of rural land. But it is difficult to clarify who could represent the rural collective and the ambiguous right of rural land also enables local governments, domestic and foreign industrial and commercial capital to obtain, through confiscation, together with community leaders, rural land from rural collective and transfer the land, after the completion of infrastructure, into construction land. In some cases, the farming land turned into infrastructure use, as high-way or oil-pipe-line, and in other cases, the land would be used for industrial parks or commercial housing. In this way the local economy could achieve the capital accumulation and most of the added value

out of the change of land use would be shared among the local government, industrial and commercial capital.

And it was said since the reform, about 2000 billion RMB yuan of added value out of the change of rural land use have been taken out from the farmers during the transaction of rural land. And it was said that according to the programme, from the year of 2000 to 2030, the arable land that will be expropriated will reach 3.63 million ha. If the current compensation criteria are still in force, the losses of farmers because of the transaction will be more than 3000 billion RMB yuan. And the confiscation will also cause about 80 million farmers temporarily unemployed (Zhang, 2004).

In terms of the transfer of farming land into non-farming use, during the urbanisation process, those former farmers who lost their land can only get very limited compensation and become both landless and jobless. It was reported that in the year of 2002, 880 000 farmers lost their land in Zhejiang Province and they only got a lump-sum compensation (“Peoples’ Daily”, March 17th, 2003). And those people were also not included into the urban social security network and became marginal and vulnerable. It was said that various kinds of development zones were expropriating 35 400 square km arable land, and the landless farmers amounted to 35 million and 50% of them were both landless and jobless (Zhang, 2004). The three Nos farmers (farming no land, working no job, no right to enjoy minimum social security) will cause serious problems for the society.

In terms of arable farming land, some agribusiness entered into agriculture and they signed the contract (lease) with local government and rural collective to take the already-contracted land out from farmers. Then the entrepreneurs developed large-scale plantations to grow cash crops such as fruits, vegetables, horticulture, etc. and those farmers might become the hired agricultural labourers of those agribusiness or have to look for other job so that they were in an unsecured status. And they were also not included into the social security network.

Since the small piece of the contracted land is still the basic means of security for the vast number of small-scale farmers, any change of land tenure system will inevitably influence those rural peoples’ subsistence (security). The change of land tenure system will also be connected with those farmers’ development capability - whether those people who lost their land use right will have another stable means of security, like non-farming employment opportunity and social protection as compensation? The land tenure system should be regarded as an important variable to influence the livelihood, income and employment opportunities of those rural labourers.

According to the recently issued Rural Land Contract Law, the state should maintain the long-term stability of rural land contract relationship. And during the contracted period, those who issue the contracts will not be allowed to take back or adjust the contracted land. But the purpose of this law is to regulate the economic relationship within the rural collective between those who issue the contracts (village cadres) and the contractors (ordinary farmers). And this law didn’t touch the key issue that during the land confiscation process how to protect farmers’ economic interests and property rights. And the implementation of this law will also meet the resistance from local officials and rural cadres since they will not be able to easily take the contracted land out from the farmers in the name of promoting agricultural integration or developing agricultural scientific and technological parks.

Tax-sharing system and fiscal policies were also not in favour of rural development

After the tax-sharing fiscal reform in 1994, the fiscal situation at central government and provincial government level have been improved to a certain extent. The results were that most of the fiscal sources were concentrated at central, provincial, or even prefectural level and a lot of responsibilities and obligations were allocated down to county and finally township or town level. Such an approach caused

difficulties for the rural grassroot organisations (township or town, villages) to implement normal functions. And the unfunded mandate from above also caused the crisis in the provisions of public goods and basic social welfare at grassroots.

The social and economic vulnerability lie in the impacts of fiscal decentralization among different tiers of local governments on public provision, *i.e.* the imbalance between responsibility and fiscal capacity at grassroots not only in poor areas, but in middle, even in rich areas. When the cost of a luxury car at provincial level will exceed the total yearly budget of a township, it is difficult for the grassroot to provide sufficient public service, let alone the heavy debt burden on township or village authorities. It was reported that the debts owed by townships or towns on average was 4 million RMB yuan per town or township and the debts owed by villages on average was 200 000 RMB yuan per village (Zhang *et al.*, 2001).

Rural financial policies couldn't provide farmers with enough capital

After the closing-down of Rural Co-operative Funds (RCF), the Rural Credit Co-operatives (RCC) became the monopolistic financial power in rural areas and it is very difficult for them to be transformed into real co-operatives and because of the high transaction costs with small farmers and also in fear of the financial crisis, commercial banks are withdrawing from countryside. There are few chances for farmers, small rural business men or other working people to get loans from formal financial sectors and they have to go to money-lenders.

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 characterised 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.**

Adjustments of Chinese rural development policies - turning government priorities for rural development

The policy makers could still continue the old development pattern. *i.e.* taking GDP growth as priority, concentrating the resources on the coastal areas, big cities, SOEs, stimulating the domestic consumption of certain groups (white collar or golden collar people) by developing car industry, tertiary industry and commercial housing. In this way, it's possible to keep 7% GDP growth for at least 10 years, maybe even 20 years.

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.

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 realised real development. Thus, the fundamental policy adjustment is not only connected with social justice, but also with development issues.

During the 16th Congress of Chinese Communist Party which was held in November, 2002, Mr. Jiang Zeming put forward that the goal of next twenty years for China is to build an overall well-off society which will benefit more than a billion Chinese people. And he also mentioned that so far in China the dual economic structure between urban and rural hadn't been changed, the tendency of gap widening between

regions hadn't been reversed, and there still existed quite a number of people living below poverty line. Therefore, there was a long way to go to realise China's industrialisation and modernisation.

In the 3rd plenary session of 16th Party's congress in 2003, five harmonised development (urban and rural, regional development, economy and society, human-being and the nature, domestic development and open-up to the outside world) were put forward. It was called on to improve the institutional environment for the rural surplus labour force to work out of their home village. The restrictive regulations for the rural labourers who wanted to pursue urban employment should be eliminated so as to gradually unify the urban and rural labour market and to form the equal employment system for both urban and rural labourers. The problem of "agriculture, rural areas, and farmers" should be treated as three critical issues among all the top important issues.

Following those ideas, in 2004 and 2005, Chinese Communist Party put forward that the scientific development outlook should be adopted to guide the overall situation and human-based sustainable development should be encouraged. The development goal is to finally build a harmonised society. And in the 5th plenary session of 16th Party's congress in October, 2005, for the "eleventh five-years plan", it was suggested 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 visualised and a comprehensive policy adjustment framework should be set up. Now several policies already launched in terms of rural development:

- a. In 2004, taxation reform were launched in 30 provinces, central budget provided 51 billion yuan as fiscal transfer to cover the budgetary deficit of rural grassroots.
- b. Establishing new rural cooperative medical care system.
- c. Promoting rural educational reform. Until the year of 2007, the coverage of children in western areas who could enjoy 9 years' compulsory education should reach above 85% and the illiterature rate for grown-ups will be reduced to below 5%. And recently, Ministry of Education issued a State Education Report and the report promised that until 2010, there will be free of charge in terms of rural compulsory education.

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 is gradually increasing, from 0.9% in 1980 to 6.2% in 2004. The share of agricultural products turnover in Chinese trade turnover decreased dramatically from 28.5% in 1980 to 5.8% in 2004. And the share of fuel and mineral turnover in Chinese trade turnover also decreased from 13% in 1980 to 8.2% in 2004.

Meanwhile the share of manufactured products turnover in Chinese trade turnover increased from 55% in 1980 to 85.2% in 2004, 30.2 points higher (Chen, 2005). The figures indicates that in the past two decades and a half, **there have been important changes in terms of Chinese overall trade structure.**

The development paradigm of speeding up industrialisation 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. It is reasonable that 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%)¹. Another figure was that China's tariff rate was 15% compared to the world average of 62% (Ke, 2005). 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.

Agricultural policies have been adjusted to meet the new situation

The new situation was characterised as:

- a. The reduction of grain supply. In 2003, influenced by agricultural structure adjustment and natural disasters, the total grain output was 430.67 million tonnes, 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 tonnes. It was the lowest grain output since 1990s (see Table 5). Such phenomenon caused the rising of food prices which spilled over 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 mobilise 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. During the reform, elimination of agricultural special tax except tobacco enabled farmers to reduce burden of 6.8 billion RMB yuan, and the reduction of agricultural tax enabled farmers to reduce burden of 23 billion RMB yuan. And also from central government side in 2004, the direct subsidies to grain producers reached 11.6 billion RMB yuan, the subsidies for adopting good varieties of grain in 13 grain-producing areas reached 2.8 billion RMB yuan, and the subsidies for purchasing agricultural machinery reached 0.5 billion RMB yuan. But all the subsidies only accounted for 0.5% of China's agricultural output value (Ke, 2005) and according to Amber Policies, the percentage of subsidies could reach 8.5%.

All the policies adopted by central government produced good results. In 2004, the grain sown areas increased 330 million mu from previous year. Grain output reached 469.47 million tonnes, increased by 9% or 38.77 million tonnes. Grain output per mu reached 308 kg, increased by 6.6%. Both the average grain output per unit and the increasing amount broke the record (see Table 5).

1. Chen Yongfu's calculation according to the data from Benjamin Buetre, Roneel Nair, Nhu Che and Troy Podbury (2005).

In 2004, farmers' net income per capita reached 2936 RMB yuan, increased 314 yuan or 12% from previous year. After deducting the influence of prices, the actual increasing rate was 6.8%. It was the highest and fastest increase since 1997 (see Table 3).

It should be pointed out that the rising of grain prices played key role in farmers' income increase. In 2004, the comprehensive average price of grain per kilo rose by 22.2% or 25 cents. Such a price rising enabled farmers' net income per capita increased by 165 RMB yuan, 52.5% of total increase (Zhang, 2005).

In 2005, 27 provinces, autonomous regions and municipalities already eliminated agricultural taxes and it was announced that from the year of 2006, there will be no agricultural taxes all over China. And the direct subsidies to grain producers in 2005 would be increased by 10%, on the bases of 11.6 billion RMB yuan of 2004. Meanwhile the State Council decided to transfer 5.5 billion RMB yuan to award 800 grain-producing counties for supporting their education, science and technology, and agriculture.

If we try to analyse the agricultural situation of 2004, we should notice that 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 (Zhang, 2005).

2. China's experience with OECD agricultural-related policies

The expansion of agricultural products trade

Chinese agricultural trade was forced to adopt open policies to ensure the expanding of manufactured goods export. That resulted in the expansion of agricultural products trade.

According to the agricultural products statistics by the Ministry of Commerce, from 1995 to 2004, the trade of Chinese agricultural products experienced the changing process from first reduction then to expansion. Especially after China's entering into WTO, the trade scale was gradually expanding. 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 (Weng, 2005).

In terms of the trade turnover, the import of agricultural products was reduced from 12.2 billion USD in 1995 to 8.2 billion USD in 1999, then increased each year and reached 28.1 billion USD, 1.3 times higher compared to 1995. The export of agricultural products was reduced from 14.4 billion USD in 1995 to 13.6 billion USD in 1999, then also increased each year and reached 23.1 billion USD, 0.6 times higher compared to 1995.

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 balance turned into unfavourable balance and the deficit reached 5.036 billion USD. It was estimated that in 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.

China's grain trade structure

In 2003, China experienced the lowest grain output since 1990, meanwhile 2003 was the year that China exported highest amount of grain in history. The net export of grain reached 16.16 million tonnes. Exported corn itself amounted to 16.39 million tonnes and broke the export record (Zhang, 2004).

In 2004, the cereals trade changed from net export in 2003 to net import in 2004. Exported corn only amounted to 2.32 million tonnes and imported wheat reached 7.23 million tonnes. Meanwhile the import of soybeans exceeded 20 million tonnes and reached 20.23 million tonnes.

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 we take domestic output plus net import as domestic consumption, in 2004, net import already reached 5.2% of domestic consumption (Zhang, 2005).

There was close relationship between the expansion of world grain trade and the expansion of Chinese grain import. Since 1990s, world grain trade increased from 505 million tonnes in 1990 to 676 million tonnes in 2003. World grain imports increased from 251 million tonnes in 1990 to 337 million tonnes in 2003. And Chinese grain imports accounted for 9.5% of world grain imports in 2003. In 2004, the unfavourable balance of Chinese grain trade reached 8.3 billion USD and net imports of grain reached 24.84 million tonnes (see Table 7). 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 (Chen, 2005).

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 tonnes. And 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.

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. According to the report of Chinese Vegetable Oil Association, by the end of 2004, the processing capacity of 169 large scale soybean processing enterprises already reached 70.10 million tonnes and their utilisation rate were only 40%. The same case was cotton. The processing capacity of cotton is three times of market demand (Zhang, 2004). 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 very possible 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.

China will mainly export vegetables, processed foods, fruits and animal husbandry products to offset the deficits. But in terms of sorting, grading, packing, quality control and quarantine, etc., there is a long way to go for China to meet the international standard and overcome the non-tariff barriers (green barriers). Since China will not be regarded as a market economy country for 15 years, the domestic prices

of exported products couldn't be used as comparative prices during anti-dumping issues and it will make the situation even more difficult for Chinese exporters of agricultural products.

3. China's experience with aid policies (bilateral, multilateral and NGO)

The aid from foreign countries, international organisations and NGOs have been focusing on certain aspects:

Some urgent development issues, like poverty alleviation; women empowerment; environment protection, etc.

“hard” infrastructure (road construction, water facilities, toilet improvement, etc.)

“soft” infrastructure (rural education, child-care, public health, etc.).

Almost all the assistance have ideology and value orientation. They put emphasis on mass participation, democratic management, anti-GMO crops, etc. And Chinese governments at different levels took a comparatively flexible and pragmatic attitude and accepted most of the assistance.

China's experience with international organisations

In accordance with the policy direction of China's 10th Five Year Plan, the World Bank's current assistance programme is designed to help China in terms of rural aspects: Address the needs of the poorer and disadvantaged people and regions, through investment lending in rural development, transport and social sectors, as well as Analytical and Advisory Activities (AAA) including distance learning; and facilitate an environmentally sustainable development process, through investment lending in water resource management, watershed rehabilitation and wastewater treatment, energy, global environment projects supported by the Global Environment Facility and Montreal Protocol, and policy work.

In support of these objectives, the Bank's programme is carried out through three main instruments: loans for physical investments; loans and grants - often provided by bilateral partners and administered by the World Bank - for technical assistance; and non-financial services in the form of analytical reports, policy advice, workshops and training. These instruments are used singly or in combination as appropriate to the specific objective. (http://www.worldbank.org.cn/English/Overview/overview_brief.htm)

United Nations Development Assistance Framework (UNDAF) for China (2001-2005) is the result of a close consultative process between the UN system, the Government, and so-called "Stakeholders", organisations such as other multilateral and bilateral donors, international and national NGOs, who are active in development and as such are valuable partners to the UN (see Table 8).

And UNDP also helped Chinese relevant institutions to form a national development framework converging with the MDGs to build China's overall well-off society. The researchers integrated MDGs into China's development framework and they regarded the overall well-off society as the Chinese edition of MDGs.

China's experience with bilateral aid policies

One case: China Netherlands Poverty Alleviation Project (CNPAP) has been developing and refining participatory approaches for sustainable solutions to the problems of rural poverty and resource degradation. After five years a critical mass of experience has been gained with practical, effective ways to involve rural people in their own development process. Participation has been applied not just in project planning, but in the identification, design, implementation and the ongoing operation and maintenance of

project activities. Recognising the many and varied causes of poverty, CNPAP involved in a wide variety of sectors, including agriculture, forestry, irrigation, health, education and the development of farmer self-help organisations. Participatory approaches appropriate to activities in each sector have been developed.

China's experience with NGOs

There are various kinds of foreign NGOs working actively in the fields of rural development in different provinces. Their political attitude and value orientation are also diversified.

The Ford Foundation is a resource for innovative people and institutions worldwide. Their goals are to strengthen democratic values, reduce poverty and injustice, promote international cooperation and Advance human achievement.

ActionAid International China (AAIC) is a member of the AAI partnership. AAI first engaged in China in 1999 and a wholly operational AAIC programme was established in 2001. Currently, AAIC has nine staff members in the Beijing head office and three staff members in Hebei and Guizhou provinces where their projects are located.

AAIC works in partnership with the poor and marginalised people in rural and urban areas, with Chinese non-governmental and community-based organisations and with the local governments. The groups of people AAIC aims to work with and for are: Poor farmers; Marginalised women; Ethnic minorities; People living with HIV/AIDS; Rural migrants living in the cities. Current projects concerning rural development in China are: Integrated rural development project in Huian county, Hebei province, Leishan county, Guizhou province; Capacity building for good governance in rural China (project implemented in collaboration with Partnerships for Community Development). WTO and farmers rights workshop; Research on farmers rights to information in Gansu, Sichuan, Yunnan and Hebei provinces. Collaboration in establishing and running of the James Yan Institute of Rural Reconstruction; Capacity building for the Integrated Rural Development Centre in Guizhou.

Green Peace Organisation was established in Canada in 1971. It has offices in 41 countries. Chinese office was established in Hong Kong in 1997 and its aim was to push China's environment protection activities. Now they have branch office in Beijing and issued some materials concerning GMO crops, like Green Peace bulletin, Dec. 2004: The environment danger of Bt (*Bacillus thuringiensis*) plant; article: Whether should China approve to grow GMO rice? Feb. 17th, 2005.

World Vision is an international Christian relief and development organisation working to promote the well being of all people - especially children. It is one of the largest relief and development non-governmental organisations in the world. At present, World Vision is implementing about 88 relief and development projects in 16 provinces/municipalities/autonomous regions across China. From 1989 to 2004, funds worth over 636 million yuan (USD 77.6 million) were used in different projects in China. In order to ensure the quality of their projects, they are organised, implemented and monitored by World Vision's staff on site. The projects are focusing on Child-focused Area Development Programme; Relief and Rehabilitation; education; health; Agro-forestry & Environmental Protection/ Small-scale Infrastructure.

Oxfam (Hong Kong) initiated a just trade movement in April, 2002 and a book named "Unjust rules - Trade, Globalization and Poverty" was published in June, 2002.

4. Conclusion

When talking about policy coherence, in China's case, it means policy adjustment and deepening reform. And it is not so easy for implementation. There existed the in coordination among government

sectors. The contradiction between columns and blocks still plays negative role to jeopardise 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”.

In the new version of World Bank (Reaching the Rural Poor - Strategy for Rural Development), the writers also correctly pointed out that “the question of how national policies contribute to greater inclusion in or exclusion from the benefits of globalisation is critical” (p. 3, Csaba Csaki, 2003). It should be pointed out that during the past two decades and a half, especially during the globalisation process, in China there have occurred a kind of tendency which was characterised as the capitalisation of power and the empowerment of capital. So the most important task for China is to deepen the internal reform and undertake policy adjustment through institutional changes and organisational innovation to meet the challenge of globalisation and protect the rights and interests of those excluded or vulnerable groups.

In forming the new national policy framework, the priority should be given to political and administrative reform to reduce the corruption due to the rent-setting and rent-seeking activities.

On June 28th, 1986, Mr. Deng Xiaopiong gave a speech and he said that “if we only undertake the reform on economic system and we don’t launch the reform on political system, the reform on economic system will not succeed. Because such a reform will finally face the obstacles from the people. The problems-solving will rely on the people. If you want to decentralise the power, but he wants to keep the power in his hands, what could you do? From this perspective, whether all of the reforms could be successful or not will finally depend on the reform of political system.” (p. 164, Deng, 1993).

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, analyse 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.

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APPENDIX

Table 1. The number and percentage of rural population under poverty line

Year	Rural population (million)	Rural people under poverty line (million)	Percentage (%)
1978	790	250	31.65
1985	808	121	14.98
1990	841	85	10.10
1995	859	65	7.57
1996	851	58	6.82
1997	842	50	5.94
1998	832	42	5.05
2000	808	30	3.71
2002	782	28.2	3.61
2003		29	

Rural poverty line: 450 yuan per capita (1994)
530 yuan per capita (1995)
640 yuan per capita (1997)
635 yuan per capita (1998)
630 yuan per capita (2001)
627 yuan per capita (2002)
637 yuan per capita (2003)

Sources: China Statistical Yearbook, Analysis and Forecast on China's Rural Economy (1999-2000) - Green Book of China's Rural Economy, UNDP; NDRC, PRC; CICETE, PRC; CQOLS, Wuhan University; A National Development Framework Converging with the MDGs to Build China's Overall Xiao-Kang (Well-off) Society, December, 2004.

Table 2. The gap between urban and rural income per capita annual

Year	Per capita annual disposable income of urban households (yuan)	Net income of rural households (yuan)	The ratio between urban and rural
1978	343.4	133.6	2.57:1
1980	477.6	191.3	2.50:1
1985	739.1	397.6	1.86:1
1990	1 510.2	686.3	2.20:1
1991	1 700.6	708.6	2.40:1
1992	2 026.6	784	2.58:1
1993	2 577.4	921.6	2.80:1
1994	3 496.2	1 221	2.86:1
1995	4 283	1 577.7	2.72:1
1996	4 838.9	1 926.1	2.51:1
1997	5 160.3	2 090.1	2.47:1
1998	5 425.1	2 162	2.51:1
1999	5 854	2 210.3	2.65:1
2000	6 280	2 253.4	2.79:1
2001	6 859.6	2 366.4	2.90:1
2002	7 703	2 476	3.11:1
1978	343.4	133.6	2.57:1

Source: China Statistical Yearbook.

Table 3. The change of farmers' net income per capita

Year	Nominal income (yuan)	Nominal increasing rate (%)	Actual income (yuan)	Actual increasing rate (%)
1985	397.60	11.90	383.05	780
1986	423.76	6.58	410.32	320
1987	462.55	9.15	445.79	520
1988	544.94	17.81	491.69	630
1989	601.51	10.38	536.22	-160
1990	686.31	14.10	667.62	1100
1991	708.55	3.24	700.04	200
1992	783.99	10.65	750.35	590
1993	921.62	17.56	809.08	320
1994	1 221.00	32.50	967.70	500
1995	1 578.00	29.20	1 282.00	500
1996	1 926.00	22.00	1 720.02	900
1997	2 090.00	8.50	2 014.60	460
1998	2 162.00	3.40	2 179.87	4.30
1999	2 210.00	2.20	2 244.16	3.80
2000	2 253.00	1.90	2 256.00	2.10
2001	2 366.40	5.00	2 347.63	4.20
2002	2 476	4.63	2 480	4.80
2003	2 622.00	5.90	2 582	4.30
2004	2 936	11.98	2 800	680

Note: Actual income is the net income deducting the prices influence.

Source: China Statistical Yearbook, State Statistical Bureau, PRC.

Table 4. China's tariff of agricultural products import, 2004

	Import value (100 million USD)	The share of total import (%)	Tariff rate (%)	Tariff amount (100 million USD)
Grain	22.1	7.9	1	0.221
Oil	38.9	13.9	9	3.501
Cotton	32	11.4	1	0.32
Sugar	2.8	1.0	15	0.42
Soybean	69.8	24.9	3	2.094
Vegetables	0.9	0.3	13	0.117
Fruits	5.9	2.1	12	0.708
Animal husbandary products	40.4	14.4	12	4.848
Others	67.5	24.1	14	9.45
Total/ average	280.3	100.0	7.7	21.679

Sources: The data of import value were provided by the Information Center, Ministry of Agriculture, China. The tariff rates were synthesised according to the actual custom tariff quoted from Ke, *et al.*, (2005).

Table 5. The change of grain output and sown areas

Year	Grain output (10 thousand tonnes)	Grain sown areas (10 thousand mu)	Grain output per capita (kg/person)
1978	30 477	180 881	318.7
1980	32 056	175 851	326.7
1985	37 911	163 268	360.7
1990	44 624	170 199	393.1
1991	43 529	168 471	378.3
1992	44 266	165 840	380.0
1993	45 649	165 764	387.4
1994	44 510	162 816	373.5
1995	46 662	165 090	378.3
1996	50 454	168 822	414.4
1997	49 417	169 368	401.7
1998	51 230	170 681	412.4
1999	50 839	169 741	405.5
2000	46 218	162 694	366.1
2001	45 264	159 120	355.9
2002	45 706	155 836	357.0
2003	43 067	149 115	333.3
2004	46 947	152 415	361.2

Source: *The Main Data of Chinese Rural Economy 1978-2003*, Rural Social and Economic Survey Department, National Statistics Bureau.

Table 6. The trade balance of China's agricultural products
Unit: million USD

Item		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Agricultural products	Total import	m	12 169	10 827	9 924	8 332	8 216	11 237	11 813	12 411	18 898	28 126
	Total export	x	14 375	14 255	14 928	13 805	13 551	15 617	15 997	18 027	21 251	23 090
	Trade balance	x-m	2 206	3 428	5 004	5 473	5 335	4 379	4 184	5 616	2 353	-5 036
	Total amount of trade	x+m	26 544	25 082	24 853	22 137	21 768	26 854	27 810	30 438	40 149	51 215

Note: "+" means favourable balance; "-" means unfavourable balance quoted from Chen (2005).

Source: The Ministry of Commerce Statistics.

Table 7. The change of grain import and export, China
(Unit: million USD, 10 000 tonnes)

	2002	2003	2004
Export turnover	1 846	2 818	1 055
Import turnover	3 060	5 998	9 364
Export- import	-1 213	-3 179	-8 309
Export volume	1 514	2 230	514
Import volume	1 417	2 283	2 998
Export volume-import volume	98	-53	-2 484

Note: Grain trade turnover indicated the commodities whose tariff codes are HS10,11, 1201, the figures of grain trade volume are quoted from *Chinese Agricultural Development Report 2005*.

Source: *Chinese Agricultural Development Report 2005*, Statistical Division of Chinese Custom quoted from Chen (2005).

Table 8. PROGRAMME RESOURCE FRAMEWORK 2001-2005

Participating Agency	UNDAF Goals			Total (millions of USD)
	Goal 1 (%)	Goal 2 (%)	Goal 3 (%)	
UNDP	20	70	10	210
UNFPA	70	20	10	20
UNICEF	60	15	25	105
WFP	100			86 (+210 of Govt matching funds)
FAO	40	40	20	10
ILO	62	23	15	30
UNAIDS	100			1.5-2
UNESCO	45	35	20	14
UNIDO	50	50		90
UNIFEM	45	35	20	1.5-2
WHO	75	20	5	32.5 (out of which 15.0 is extra-budgetary)
UNHCR	15		85	5.2
IFAD	100			148
Total				754.7