OECD Recommends Further Agricultural Reforms in China Following WTO Accession

How can China reform its agricultural policies to open its markets while protecting the livelihoods of its farmers? Will integration into the global trading system help or hurt China’s rural economy? According to a new OECD publication, China’s accession to the World Trade Organisation underscores the importance of agricultural reforms undertaken in the last 20 years and provides a basis for further reforms needed in the future.

China in the Global Economy: Agricultural Policies in China after WTO Accession identifies both challenges and opportunities for China’s farmers. While poverty in rural China has been reduced over the last 20 years and incomes have grown - with an estimated upswing last year of 4.2%, the gap between rural and urban incomes has widened. In 1985, rural incomes were 54% of the level of their urban counterparts: today, they are less than one-third. According to the authors of the report, this is largely due to economy-wide policies, which put agriculture and rural areas at a disadvantage.

Within the agricultural sector, policy priorities have shifted from a focus on maximising production to increasing farmers’ incomes and improving product quality, while seeking to exploit China’s comparative advantage in labour-intensive products. In parallel, China is seeking to improve the international competitiveness of its agricultural products and to absorb excess rural labour by the development of small townships with diversified economic activities.

The precise effects of agricultural policies on rural incomes in China remain uncertain. This is due to numerous price distortions and the lack of reliable official data, as well as institutional and systemic problems. A comprehensive evaluation of support, based on an internationally accepted methodology is needed. To arrive at this, an inventory of policies, an understanding, classification and description of the policy measures applied, and a careful scrutiny of the existing price, production and consumption data are necessary. These are as important to Chinese policy-makers as the estimates of the level of support as such.

Looking ahead, the OECD report calls for an array of possible measures to help rural populations as they adapt to new conditions. These include fiscal reform to alleviate disproportionately high taxes and fees imposed on farmers by local authorities; a relaxation of labour migration restrictions; better access to education to provide the rural population with the skills needed to compete on urban labour markets; and greater access to social benefits.

Journalists may obtain a copy of the full report from the Media Relations Division (request by fax: [33] 1 45 24 80 03 or news.contact@oecd.org). For further information, journalists may contact Andrzej Kwiecinski (tel. [33] 1 45 24 95 08 or andrzej.kwiecinski@oecd.org) or Alexandra Trzeciak-Duval (tel. [33] 1 45 24 95 09 or alexandra.trzeciak-duval@oecd.org) in the OECD Directorate for Food, Agriculture and Fisheries.