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### Agricultural Liberalization in China: Curbing the State and Creating Cheap Labor

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## EXECUTIVE SUMMARY<sup>1</sup>

Trade liberalization in China has been a continuous process, slow and halting at times but steady in its direction, ever since Deng Xiaoping opened the economy in 1978 with the slogan “to get rich is glorious”. Liberalization in China has been something of a unique process, and one in which the state has played a central role. This is a far cry from the radical and instantaneous economic opening experienced by many developing countries and the former Soviet bloc. With relative freedom from crushing foreign debt, and sufficient international clout to be able to influence the terms of its engagement with the international economy, China’s leaders were able to liberalize domestically without being held hostage by international interests. This meant that they were able to heed domestic development objectives, halting or even backtracking whenever it produced undesired effects. Through careful direct and indirect controls on imports and support for key industries and agriculture, the government increased trade from practically zero to hundreds of billions of dollars while simultaneously raising standards of living for many of its citizens. But not all. With China’s efforts to join, and subsequent entry into, the WTO, the government has bucked its trend of careful liberalization. It has accelerated market deregulation and exposed areas of the economy that were previously deemed too sensitive – including, and especially, agriculture – to unregulated market forces.

The process of agricultural liberalization has had a high human cost. We examine trends in rural and urban poverty, and Chinese agricultural output to tell a story that is rarely told outside China. While we often hear about cheap and abundant labor in China, we less often hear about appalling conditions under which these workers labor. Less often yet do we stop to ask the provenance of these laborers - too easily is it assumed that the people in the largest country on earth were merely waiting for the opportunity to work in low-tech manufacturing industry. Yet the origins of this large labor force is in the countryside. The transformation of the agricultural peasantry into a rural and urban labor force has been one of the most rapid and large-scale in human history, effectively beginning in 1978. This paper examines this process of agricultural transformation, and the continuing difficulties that those who once worked on the land now face.

The scale and speed of trade liberalization following WTO membership has transformed the pace of Chinese economic opening, and the balance of power within it. Scholars have noted that the “cuts... appear far greater, and faster, than any other developing country was required to commit to in the Uruguay Round Agreement on Agriculture”. One might ask quite what China received in exchange for such a radical opening of its agriculture sector. Then-US Secretary of Agriculture Dan Glickman offered this candid response: “Absolutely nothing”. Every member of the WTO save the United States had granted China permanent Most Favored Nation (MFN) status - the biggest benefit of WTO membership - before it had even joined. In addition, the United States had granted China renewable MFN status on a yearly basis for more than 15 consecutive years despite periodic Congressional threats to rescind the trade privilege.

While the Chinese government was clearly keen to join the WTO, the reasons for the precise timing and conditions of China’s entry into the WTO had little to do with the lofty concerns of

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<sup>1</sup> The authors would like to acknowledge the support of the Food First team, and are particularly grateful for helpful critical input from Peter Riggs and Han Deqiang.

international trade theory, or indeed, the glory of getting rich quick. Instead, the political goals of uniting Taiwan and China, along with the economic goal of eliminating state enterprise inefficiencies, were factors that more centrally influenced China's acceptance of less-than-favorable terms of accession. The government and Central Party both place the highest priority on Taiwan's political integration with mainland China, and they were likely willing to make more trade concessions to maintain the possibility of that priority. At the same time, government officials hoped that greater foreign competition brought on by the WTO agreement would stimulate state-owned enterprises to undertake reforms that had been delayed for years.

The period immediately prior to China's WTO accession saw a decisive policy shift in favor of less government intervention in agriculture and, with it, a consolidation of a shift in power to an urban elite largely unconcerned either with agricultural issues or with the rural communities dependent on agriculture. While grain trading was partially deregulated, the government removed itself completely from management of "non-strategic" agricultural products such as vegetables, fruits, seafood and livestock. With sales from producers' surplus grain added in, the share of retail agricultural commodities sold at market prices increased from 4% in 1978 to 83% in 1999 with the lion's share of reductions in subsidies and price supports occurring in the late 1990s and thereafter. In addition to a steep drop in soybean import tariffs, the government also eliminated protective prices for certain "unmarketable" varieties of rice and wheat at the beginning of 2000. In 2001, markets in the principal grain-consuming coastal regions were liberalized. To the extent that they increased the real incomes of those in rural areas, these policies are to be commended. But it is not clear that the benefits of increased incomes are going to China's small-scale farmers. Consonant with the policies of a country pursuing an agenda of market liberalization, the Chinese government now emphasizes the development of local comparative advantage, encouraging coastal areas to decrease grain production and invest in technology, high-value horticulture and fish, increasing capitalization and scale of farming, while reducing labor requirements. In addition, strict new regulations on health and quality to put China on par with international standards, as well as talk among Party officials of more competitive agro-industries that would "organize tens of thousands of farmers in massive production", make it clear that the government intends to reshape agriculture in the 21<sup>st</sup> century along export-oriented agri-business lines. In other words, the economic players who increasingly profit from this liberalization are large corporations, not traditional farmers.

The U.S. Department of Agriculture forecasts that U.S. farm exports to China will rise \$2 billion per year over the current average. Using several different scenarios, scholars suggest that grain imports will increase anywhere from 160% to 200% after the 5-year WTO transition period ends. As imports surge, a reduction in producer prices and supply will be almost inevitable. Estimates suggest that the rise in imports will reduce domestic production of bulk commodities between 2.5% and 7.7%. Though this is a relatively small percentage, it represents a large loss to peasant families, particularly those who depend most heavily on agriculture. Besides being more affected by heavier agricultural competition, households that are more reliant on farm income also tend to be poorer in general. For these people, who number about 311.5 million, a few yuan lost to a small surge in imports could mean the difference between getting by and starvation. In 2000, the rural per-capita income was 2253 yuan after taxes, while average living expenditure was 1670 yuan, leaving just 583 yuan in disposable income (compared to an urban disposable income of 1282 yuan, or more than double). Those figures include wealthier farming households

and non-farming households in addition to poor agricultural households, so we can safely assume that disposable income is even less for the latter group. Faced with declining income, poor peasant households may give up farming altogether and search for non-agricultural employment, as many millions already have. They are likely, however, to encounter a number of barriers along the way.

One immediate consequence of migration is that families lose a form of social security when they leave the land. It provides basic subsistence and at least some guaranteed income, and many families stay on their land hoping that the government may eventually grant them formal landownership. The land also cannot be sold, only subcontracted, so farmers would not even have the necessary collateral to buy an urban residence. Rural migrants also lack access to the same social entitlements that urban residents enjoy -- such as subsidized food, health care, education and housing -- thanks to the continuing rigidity of the hukou system and local regulations in many cities. Subtract rural family support networks as well, and the opportunity cost in terms of social security poses a major hurdle to off-farm migration. More than 25.5 million state enterprise workers were laid off between 1998 and 2001 alone, following Zhu Rongji's public promise to solve the problem of declining state enterprise profitability in three years.

More than mere statistics, the results are evident in labor protests and complaints that have become increasingly commonplace and, in the cases of some public immolations, spectacularly desperate. Between January and June of 1999, 55,244 labor disputes involving a total of more than 230,000 workers were reported, up from just 7,905 disputes in 1994. In one instance, layoffs at PetroChina, located in Heilongjiang province and among the country's largest state owned enterprises, led to one of the biggest protests in years as roughly 50,000 unemployed workers protested for almost two consecutive weeks in spring of 2002. The layoffs were enacted, in part, under investor pressure to boost productivity in order to remain competitive after joining the WTO. In April of 2002, it announced a predicted trebling of unemployment in the next four years; a result, according to the State Council, of China's post-WTO restructuring. If this prediction is born out, the result will be a virtually unbroken rise in unemployment since approximately 1993.

The longer term future for Chinese agriculture is uncertain. Clearly, those destined to feel the affects most acutely are those in already vulnerable positions. They are faced with difficult choices, either to exploit themselves further in rural areas, or to migrate to urban areas, where jobs are increasingly scarce. The Chinese government has, however, felt able to reverse its policies when faced with overwhelming evidence of social harm. Membership of the WTO makes this considerably harder to do in agriculture, at least in the short term. Yet, with increasing levels of social protest, and increasing evidence of the failure of urban-growth policies, and with a newfound voice at the WTO, there is some small hope that the Chinese government may yet intervene to support the livelihoods of the largest sector of its population. The appointment of President Hu Jintao to succeed Jiang Zemin earlier in 2003 may yet signal a sea-change in Chinese multilateral economic policy. China's recent membership of the G21 group of countries, who opposed the joint EU/U.S. proposals on agriculture with their demands that the EU and U.S. slash their effective farm export subsidies at the WTO's Cancún Ministerial, suggests that China is finding a voice on the international stage. Such a position

bends slightly away from the post-1978 pro-market trajectory, but given that the G21's agricultural policies remain export oriented, differing from the EU and U.S. only in terms of who should open markets and reduce subsidies first, we may yet want to be suspicious of the governments commitment to its rural communities.

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## GLOSSARY OF TERMS

**GATT** – General Agreement on Trade and Tariffs

***hukou*** – Household registration given to each Chinese citizen at birth that distinguishes between rural, urban, agricultural and non-agricultural status.

**MFN** – Most-Favored Nation status

**SOE** – State-Owned Enterprise

**TRQ** – tariff-rate quota

**TVE** – Town and Village Enterprise. Owned by local governments or (increasingly) privately, these are rural firms engaged primarily in light manufacturing.

***xiagang*** – Workers not technically unemployed because they retain contracts with their enterprise, but who nonetheless do not work or get paid unless rehired.

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## INTRODUCTION AND METHODOLOGY

Almost everyone wants China to be a success; the Chinese people, the World Bank, the Chinese government, the Central Party and the foreign and domestic industries that have sprung up in China since Deng Xiaoping added, in 1978, a new maxim to the Marxist-Leninist-Maoist firmament: ‘to get rich is glorious’. The good wishes for China’s future have, unfortunately, resulted in some wishful economic thinking. It is standard practice with policy analysis to outline the problem at hand before discussing the tools used to analyse it. But here, right at the outset of an overview of Chinese agricultural history and change, we run into a difficulty. The Chinese economy’s performance has become almost mythic, through its promotion by the Chinese government, multilateral agencies and investors. Before we begin to ask questions about China, it’s vital to be sure that we’re certain about what we’re discussing. This is a little harder than one might think; Chinese statistics are notoriously difficult to fathom. As a recent Chinese newspaper report put it”

“The Village deceives the township, the township deceives the county – in deception upon deception as a report moves up the hierarchy’ and ‘officials create statistics and statistics create careers for officials’”<sup>1</sup>

Few have managed to escape the incentives to overstate Chinese economic wellbeing. The World Bank, a substantial investor in China’s transformation post-1978, had, until the end of the 1990s, been touting an average growth rate of 9.8% per annum between 1978 and 1995.<sup>2</sup> The United Nations, of whose Security Council China is a permanent member, reports even better growth (see Table 1).

<i>Years</i>	<b>1976-1978</b>	<b>1979-1984</b>	<b>1985-1994</b>	<b>1995-2000</b>
<i>Average annual GDP growth rate (% PPP)</i>	<b>14.0</b>	<b>15.1</b>	<b>14.3</b>	<b>10.3</b>

**Table 1. Annual GDP Growth Rates, Averages**

**Source:** United Nations Unified Statistical Database

In other words, in order to be able to talk about China, we need to have a method of knowing what it is we’re talking about. This concern is one that has too often escaped the attention of partisan appraisals of China’s wellbeing. Prem Shankar Jha notes that it is only through constant pestering by China scholars that the Bank, in its “China 2020” report, conceded that these figures were likely to be exaggerated.<sup>3</sup> By triangulating other estimates of GDP with his own approximation using energy consumption and efficiency data, Jha suggests that the Chinese miracle has perhaps been a little less glorious, though impressive nonetheless, with annual GDP growth rates at around 5% since 1980.

It’s important to begin with this rather central piece of myth-puncturing, for the myth fuels not only those rooting for another Asian miracle, but also stokes the fires of those who see the “China problem” as one of managing, containing and defanging the largest Asian dragon. Yet while the statistical growth has been solid, the numbers hide a human story, a story that is rarely told outside China. While we often hear about cheap and abundant labor in China, we less often

hear about appalling conditions under which these workers labor. Less often yet do we stop to ask the provenance of these laborers - too easily is it assumed that the people in the largest country on earth were merely hanging around waiting for the opportunity to assemble low-tech manufactures. The origins of this large labor force is in the countryside. Its transformation from an agricultural peasantry into a rural and urban labor force has been one of the most rapid and large-scale in human history, effectively beginning in 1978.

By employing macro-economic data and social and agricultural production indicators to support our analysis we integrate relevant historical information to provide an explanatory framework for the raw figures. When possible, we introduce events at the micro-level to ground the broader analysis in local realities. Historical and statistical information prior to the reform period and WTO entry are introduced where relevant to provide a counterfactual. The following quantitative data are used:

- Macro-economic data: GDP growth rates; purchasing power parity (per capita); selected trade data
- Social Indicators: rates of unemployment, employment generation, poverty, and literacy; Gini indices
- Agricultural Indicators: production levels; import/export levels; producer prices; market prices

An obvious limitation to the analysis presented in this paper is the difficulty of attributing prevailing conditions to specific policies. Since China's trade liberalization policies were deployed alongside many other reforms, the precise impacts of the WTO on Chinese agriculture, as discrete from the effects of ongoing trends in national and regional agricultural liberalization, are difficult, if not impossible, to gauge. In addition, China only became a member of the WTO at the end of 2001, with a five-year transition period. The effects of membership have yet to be felt with full force. As we note below, however, China was grooming itself for WTO accession long before 2001, and an examination of trends in the prevailing macroeconomic climate offers some indication of what may lie in store.

The first part of this paper sketches a general outline of China in order to contextualize the analysis presented in later sections, briefly addressing the topics of land, the economy, trade and agriculture. Section II focuses on trade liberalization and China's WTO membership, examining relevant policies that have been implemented in the last three decades and their immediate impacts at the macro-level. Section III concentrates on rural and agricultural reforms, acknowledging the successes of government policy while also revealing its failures. Section IV analyzes the impact of trade liberalization on the countryside, integrating the previous sections and addressing urban issues where relevant. Finally, we present conclusions based on the analysis presented in this paper.

## **I. CHINA AT A GLANCE**

### *Land*

As of 2003, approximately 1.3 billion people resided in China, making it the most populous nation in the world.<sup>4</sup> Gross population growth averages 0.73 per annum; rural population

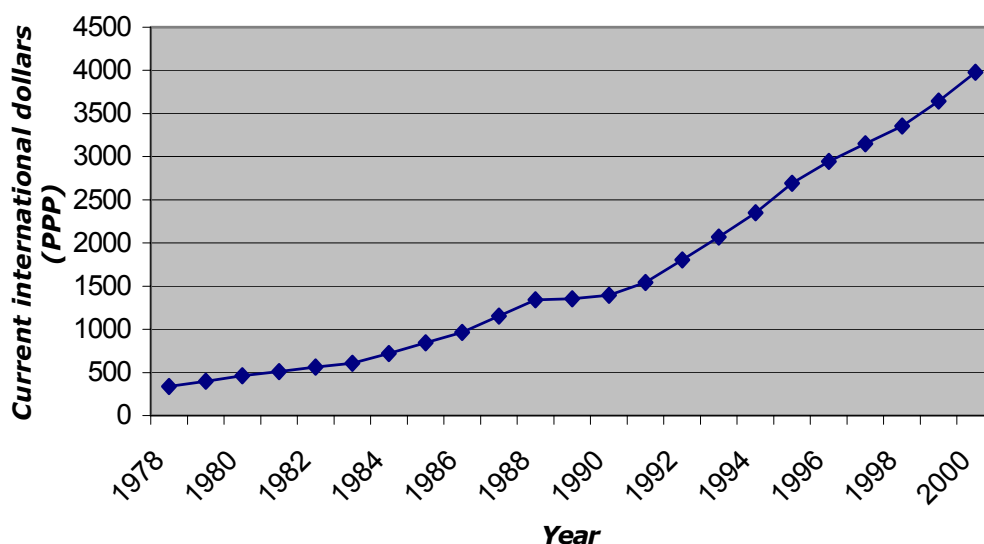
growth is a mere 0.1% per year, but the rural population composed 63% of the total population as of 2001. The country-wide illiteracy rate for ages 15 and above was 14.2% at the last census, while life expectancy was 70.5 years.

China is a vast nation whose territory occupies more than 3.5 million square miles, comprising a total of 33 administrative units: 22 provinces, four municipalities (including Shanghai), five autonomous regions, and the two specially administrated units of Hong Kong and Macau. Ecologically speaking, China is host to a range of climates from the tropical Southeast to arid deserts in the Northwest, creating many ecologically distinct areas and agricultural niches. At the broadest level, China may be divided into three topographic regions – eastern, northwestern, and southwestern. In 1995, the gross amount of arable land was 94.971 million hectares or about 0.08 ha per person.<sup>5</sup>

While this figure is, of course, historically low, the relative paucity of land suitable for cultivation in China has long been an issue. The memory of famine has been behind at least two policy changes in Chinese agricultural history. The famines following the introduction of grain liberalization policies in the nineteenth century, largely as a result of British Imperial policy, affected millions.<sup>6</sup> With fresh memories of the deterioration of food availability under imperial rule, whether British or Japanese, food self-sufficiency was one of the Communist government's top priorities when it came to power. The revolution led to the appropriation of all productive land by the state, which then organized farmers into communes to till the land and secure the nation's food supply. The merits of land reform notwithstanding, the most important historical memories behind contemporary agricultural reform are those not of redistribution, but of the widespread famines following the redistributions in the Great Leap Forward and, later, the Cultural Revolution, in which tens of millions of Chinese died. Nonetheless, a comparison of the fortunes of Chinese rural communities to those elsewhere strongly suggests that the redistribution of land has provided, over the past twenty years, a layer of insurance to those who might (as in other economies undergoing agricultural liberalization) have suffered more.

### *Economy*

In the last three decades, China has undergone a rapid transition from a centrally planned economy to a socialist market economy. Under Deng Xiaoping, the central government opened the country to trade, phased out agricultural communes, pursued vigorous industrialization, and allowed limited private enterprise to develop. The result was quite possibly the longest period of rapid economic expansion in the world, statistical errors notwithstanding (see Table 1). By the end of the 1990s, per capita purchasing power parity had increased tenfold since the beginning of reforms (Figure 1). The only two periods in which growth rates dipped were at the immediate onset of reforms (1980-81) and in the immediate aftermath of the Tiananmen Square incident (1989-1990).



**Figure 1. GDP per capita in current international dollars (PPP), 1978-2000**

Source: United Nations Statistics Database.

#### *Trade and Agriculture*

With the opening of China's economy and continuing liberalization of trade, import and export volumes have predictably risen at a rapid pace. Between 1981 and 2001, total export value increased more than tenfold, from \$22 billion to \$266 billion, while agricultural trade increased at a slower pace from \$2.9 to \$12.8 billion over the same period (see Table 2). The slower growth in agricultural trade is consistent with agriculture's declining share of GDP, which has fallen from 31.8% in 1981 to 15.2% in 2001.<sup>7</sup> Agriculture's share of total employment has also declined over time, from over 80% in 1970 to 47% in 1999.<sup>8</sup> The waning of the agricultural share of trade and GDP indicates the extent to which industrialization and manufacturing have become the new engine of growth in China, while agricultural employment figures suggest that farmers are increasingly seeking jobs off the farm. As Section IV elaborates, the result has been a drastic rise in urban unemployment as increasing rural migration coincides with massive layoffs in state enterprises.

	<b>1981</b>	<b>1991</b>	<b>2001</b>
<i>Total exports (a)</i>	\$22 billion	\$71.8 billion	\$266.2 billion
<i>Agricultural exports (b)</i>	\$2.9 billion	\$7.2 billion	\$12.8 billion
<i>b as a % of a</i>	13%	10%	4.81%

**Table 2. Export values, total versus agricultural, 1981-2001**

Source: World Bank (2002).

It's important to note, though, that the process of liberalization was geographically uneven and, indeed, that the lessons drawn from this initial experience were not necessarily ones that were applicable in other areas or at larger scales. China's experiments with liberalization began with Special Economic Zones (SEZs), particularly in the South East. These zones were offered

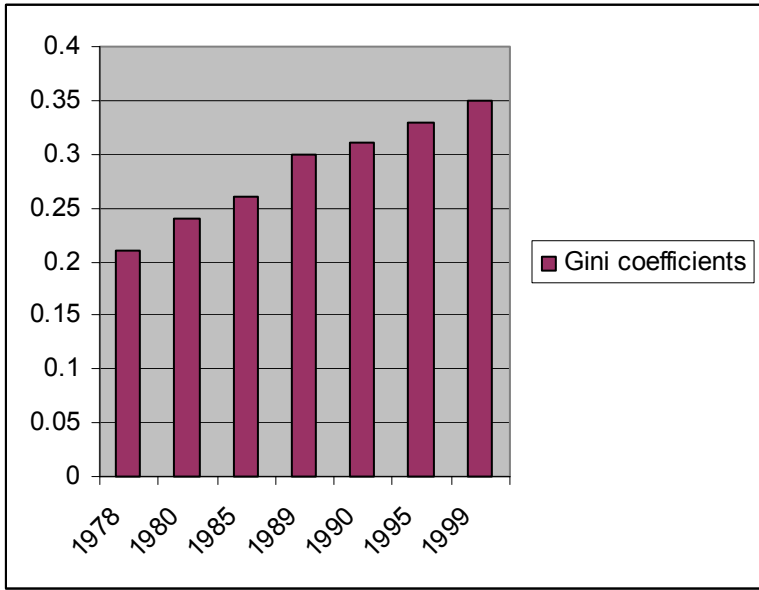
extensive government support, and were, in any case, areas with a geographical bounty of good soil and access to infrastructure. The empirical lesson learned by the government from its experiments in these zones was that liberalization could increase incomes in China. It is less clear that the social and environmental costs of these incomes was appreciated<sup>9</sup> but, whatever the case, it does seem to be clear that the urban bias of the SEZs, and of Zhu Rongji and Jiang Zemin's vision of economic prosperity, were responsible for an extrapolation of the success of a few SEZs onto the entire country.

### *Rural Poverty and Inequality*

Tracking poverty and inequality is central to any analysis of social and economic change, because crude economic growth figures taken alone can be deceptive, the statistical exaggeration particular to Chinese data notwithstanding: an average growth rate of 8.6% in the late 1990s does not necessarily mean that all of China's citizens enjoy an equal rise in income. In fact, the benefits have not been distributed equally, as China's poor today are overwhelmingly concentrated in rural areas. In the late 1990s, more than 100 million people in China were officially considered impoverished, meaning that they earned less than \$1 a day in terms of purchasing power parity (PPP).<sup>10</sup> Of those 100 million, three-fourths resided in the countryside. To put it differently, fully one-fourth of the rural population is impoverished, compared to only 1% in urban areas.<sup>11</sup> Wang's discussion on inequality might give us pause here:

“Income inequality has grown in many countries in the 1980s and 1990s but not in all countries. What really distinguishes China from all others, however, is the fact that in China it has increased both to a greater extent and more rapidly than almost anywhere else. The World Bank reports that the increase in China's overall inequality was ‘by far the largest of all countries for which comparable data are available’”<sup>12</sup>

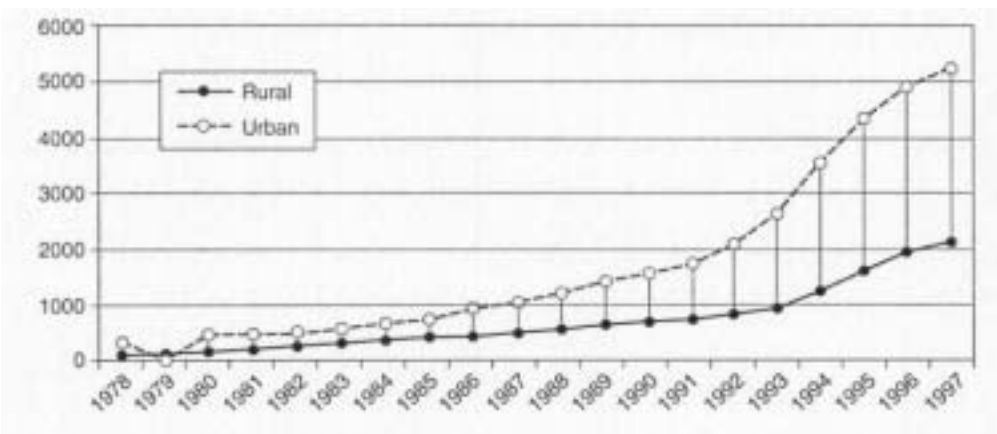
There are reasons to expect this sort of trend. Given the magnitude of the discrepancy between pre-liberalization and post-liberalization industry income levels, as the population transitions from one to the other in the absence of income redistribution, inequality is bound to increase. Note, however, that this is *only* inevitable because of the absence of redistribution – an absence, given the Chinese government's prior political commitment, that we investigate further, below. For those working in agriculture, though, the inevitability of this inequality is bitter news. The wage levels in agriculture show few signs of catching up with non-farm wage levels and, as we shall see, after membership of the WTO, prices for agricultural goods are on course to plummet.<sup>13</sup> This means that those who remain working on the land are destined never to catch up with their urban counterparts. The trends in inequality between rural and urban areas are disturbing, as Figure 2 suggests.



**Figure 2: Trends in Income Inequality Since Liberalization**

Source: Anderson et al (2002:29) and Wang (2000:382)

While some commentators flag the unevenness of the distribution of inequality<sup>14</sup>, all observe a similar rural-urban income polarization to some degree. The countryside's disproportionate share of poverty is part of a broader polarization between rural and urban incomes. As Figure 3 clearly indicates, the absolute urban-rural gap increased steadily from 1978 until the late nineties (data past 1997 was, unfortunately, unavailable). During the same period, the relative urban-rural gap in total consumption widened, from 2.9 in 1978 to 3.5 in 1998.<sup>15</sup> Moreover, after approximately 1993, the discrepancy became even more distinct (Figure 3).



**Figure 3. Rural and urban per capita income**

Source: Wang (2000, p. 387)

In terms of its wide income disparities between rural and urban areas, China is not unlike many other developing countries. But though the outcomes are similar, many of the causes are unique, particularly in light of China's exceptional history. Section II outlines some of the policies that have created and reinforced the divide between city and village, while a discussion of trade liberalization's impact on inequality is presented in Section III.

## **II. TRADE LIBERALIZATION IN CHINA**

*"Bringing China into the WTO is a win-win decision..."*

*"China makes one-way concessions to open its markets to American goods, services, and farm products... while the United States makes no new market access commitments."*

--Bill Clinton, press conference, 10 January 2000<sup>16</sup>

Trade liberalization in China has been a continuous process, slow and halting at times but steady in its direction, ever since Deng Xiaoping opened the economy in 1978. Yet trade liberalization in China was a far cry from the instantaneous economic opening experienced by many developing countries and the former Soviet bloc. With relative freedom from crushing foreign debt, and a healthy measure of diplomatic muscle, China's leaders were able to subordinate liberalization to national development objectives, halting or even backtracking whenever it produced undesired effects. Through careful direct and indirect controls on imports and support for key industries and agriculture, the government increased trade from practically zero to hundreds of billions of dollars while simultaneously raising standards of living for the vast majority of its citizens. That said, the relentless pro-market undertone to the liberalization process, guided by Zhu and Jiang's vision and manifest most recently in China's efforts to join the WTO, have unleashed a hitherto unimagined round of liberalization. It has accelerated market deregulation and exposed areas of the economy that were previously deemed too sensitive – including, and especially, agriculture – to unregulated market forces for gains whose existence we may question.

### *i. The Open-Door to Chinese Trade*

Liberalized trade in China did not begin with the WTO. China's accession to the WTO is merely one component, though a particularly important one, of a broader movement towards trade liberalization. This movement is not a recent development, either: it began with the unilateral decision to open the economy in December of 1978 as part of a set of comprehensive reforms instituted by Deng Xiaoping's government.<sup>17</sup> Within just two decades, China's share of world trade went from 0.8% to 3%,<sup>18</sup> a result of 15% average annual growth in trade volumes. In the last decade alone, China's foreign trade quadrupled, compared to a mere 83% increase in world trade over the same period. Even if we allow that China was starting from a relatively small export base (and thus more readily prone to vast proportional increases in its trade volumes), and that exchange rates diminish the real value of domestic production, these statistics deserve closer scrutiny. By the dawn of the new millennium, the value of Chinese trade reached \$474.3 billion

with \$249.2 billion in exports, making it the 8<sup>th</sup> largest trading nation in the world.<sup>19</sup> As Table 1 below shows, cheap and plentiful labor allowed China to build up an enormous manufactures industry, which by 1996 accounted for 85% of all exports.<sup>20</sup>

China did not achieve this remarkable growth in trade by simply throwing its economic doors wide open; the process was considerably more complex and subject to strict management. In general, reforms encompassed a shift from direct control over trade to indirect control mechanisms. Considerable decentralization was one major outcome of reforms. The other major outcome, which we discuss at length farther down, was the creation of prohibitive tariff barriers and other mechanisms to protect domestic industries, which helped make possible incredibly swift gains in standards of living, primarily for those in urban areas,<sup>21</sup> and have only recently been dismantled as part of China's comprehensive reforms inspired by the WTO. In 1984, the central government transferred control of the handful of foreign trade corporations (FTCs) to provincial governments and allowed each province to create additional FTCs, which led to rapid expansion in the span of a few years. By 1986, there were 1200 FTCs; by the early 1990s, over 3,000. Today there are approximately 200,000 firms eligible to engage in international trade.<sup>22</sup> Another major thrust of reforms has occurred on the import side. Planned quotas, which simply ban imports beyond a certain volume, were gradually replaced with tariff-quotas, which allow a specified amount of imports in at a low duty before imposing a (sometimes prohibitively) high tariff on them. Over time, the government has reduced many of its tariffs and also increased the size of quotas to allow in more goods at a lower duty.

#### *ii. Remaining Restrictions*

Despite these steps towards liberalizing trade, the Chinese government retains a great deal of control over the economy, and the expanse of the 'Chinese miracle' does need some deflating. For example, although the World Bank's 1990 and 2001 estimates place China's trade in terms of GDP at a phenomenally high 32.5% and 44% based on exchange rates,<sup>23</sup> as Carter and Li point out, using official exchange rates can be misleading. Using current international dollars or purchasing power parity (PPP) instead, China's trade as a percentage of GDP drops to a mere 6.6% in 1986 or, more recently, 7.1% in 1996. Other trade-related figures fail to reflect staggering increases as well. While the World Bank reports China's growth in real trade less growth in GDP at 6.2%,<sup>24</sup> the figure is only 2.1% when expressed in real terms -- unimpressive when compared to 6.9% in Thailand and 4.5% in the United States.<sup>25</sup>

These adjusted figures are relatively low in part because numerous barriers continue to protect domestic agriculture and industries from foreign enterprises. The government employs a number of import restrictions in addition to tariffs, such as import licenses, taxes, and sanitary and phytosanitary measures. U.S. imports of citrus and soy were until recently prohibited because of the latter.<sup>26</sup> One example of a particularly innovative non-tariff protection is the value-added tax system that officials introduced in the early 1990s, which taxes goods only for the value of sales and processing. So for example, a grain trader pays no tax on the price of wheat bought from a village farmer, but rather pays a tax on the difference between the purchase price and selling price. Because this is a small fraction of the total price of the wheat, the tax is relatively small. However, if the grain is imported and not for immediate re-export, it is subject to a 13% to 17% tax on its total value. This amounts to roughly an additional 10% protective tariff on imports.<sup>27</sup>

Furthermore, while the Chinese government allowed the newly independent FTCs to deal with agricultural and manufactured goods alike, it reserved a strict monopoly on “strategic products” like grain and fertilizers for state trading corporations. This has allowed the government to maintain significant control over the supply and price of staples in order to keep food affordable for urban populations, on the one hand, and to prop up rural incomes on the other. Thus the central government imposed a two-year ban on grain exports at the end of 1994 to increase domestic supply and bring consumer prices down: prices that were high in the first place chiefly because the government had maintained artificially high grain exports (and thus an artificially low domestic supply) a few years earlier.<sup>28</sup> At the other extreme, the average export subsidy for maize was reportedly 34% in 2001 -- a high subvention intended to reduce domestic maize supplies and once again increase domestic prices.<sup>29</sup> With China’s recent entry to the WTO, however, such control over supply and price are unlikely to persist.

### *iii. The Trials of WTO Accession*

Of all the countries that have gained entry into the WTO, China has by far gone through the most lengthy and rigorous procedure before finally attaining formal membership in November of 2001.<sup>30</sup> In the process, 44 members (counting the European Union as one bloc) expressed interest in concluding bilateral treaties with China, which were incorporated into the final terms of China’s WTO membership. From the outset, the United States put up the greatest resistance, in particular refusing to concur until China made a number of concessions on agriculture. The reason lies not in some lingering American anti-Communist sentiment, but rather in the numbers: the United States’ balance of trade with China has gone from a small surplus before the 1990s to a deficit of over \$57 billion in 1998.<sup>31</sup> Forcing open Chinese markets and particularly agriculture to the greatest extent possible would perform a dual function: first, it would help close the trading gap and stop an outflow of foreign exchange, and secondly, it would secure new markets for American corporations, including agribusiness. Incidentally, these pressures are also behind renewed U.S. insistence that China allow its exchange rate to float more freely.

Before acceding to the WTO, China had already implemented a number of measures to restructure and liberalize its agricultural trade at least partly in anticipation of membership. As Gertler elaborates, this is part of standard procedure for any would-be WTO entrant: “[n]ew members are... pressed to liberalize their trade regimes during accession negotiations”,<sup>32</sup> as a transitional step and to assure other WTO members of their intention to abide by the rules. Hence China reduced its tariffs on soybean imports from 114% to 3% in 2000, leading to substantial increases in imports.<sup>33</sup> The shift from planned quotas to tariff-quotas mentioned above were also intended in part to bring China closer to WTO membership. Although representing a large change in trade policy, however, these pre-accession reforms were nothing compared to the comprehensive transformation that started with China’s acceptance in 2001 and that will continue over the next few years.

The terms of China’s WTO membership are notable both for their comprehensiveness and their intensity, particularly with regard to agriculture, reflecting the strong bargaining position of the United States and other industrialized agro-exporters. On January 1, 2002, a month after entry into the WTO, the average bound tariff on agricultural imports was immediately reduced to 15.8

percent,<sup>34</sup> although for individual products it ranged from 0% to 65%.<sup>35</sup> In addition, tariff-rate quotas (TRQs) were created for grains, sugar, and cotton, allowing imports up to a certain volume at a minimum tariff rate (1-15%). The amounts allowed at the minimum rate also grow over the three years after accession at annual rates ranging from 7.2% for wheat to 18.9% for rice.<sup>36,37</sup> Quota limits on soybean and soybean meal imports will be completely eliminated.<sup>38</sup> China agreed to remove any other national or subnational regulations and non-tariff barriers on the quantity, quality or treatment of imports. Furthermore, although China reserved the right to exclusive state trading of grain, sugar, and cotton,<sup>39</sup> its accession agreement guarantees market access for private trading companies,<sup>40</sup> creating the possibility of a future WTO action if attempts to maintain state trading monopolies. Not only are private traders granted the right to compete in China's domestic markets, they will eventually not even need to be domestically owned. Transitional measures allow foreign majority ownership of companies by 2004, with completely foreign ownership in 2005.<sup>41</sup> Under heavy pressure from the United States, China also agreed not to subsidize agricultural exports, and to limit its domestic support for farmers to 8.5% of the cost of production. This is lower than the 10% cost of production subsidies that developing nations are officially entitled to, but it represented a compromise with the United States' initial demand of a 5% cap.<sup>42</sup>

The scale and speed of trade liberalization according to the schedule outlined above is practically unheard of, particularly regarding agriculture, where the "cuts... appear far greater, and faster, than any other developing country was required to commit to in the Uruguay Round Agreement on Agriculture".<sup>43</sup> Consequently and not without a tinge of cynicism, Wang asks "[w]hat did China get in return?" only to find his own answer: "US Secretary of Agriculture Dan Glickman was frank: 'Absolutely nothing'". Every member of the WTO save the United States had granted China permanent MFN status, the biggest benefit of WTO membership, before it had even joined. In addition, the United States had granted China renewable MFN status on a yearly basis for more than 15 consecutive years despite the real and constant irritant of Congressional threats to rescind the trade privilege.<sup>44</sup> While many in the Chinese government welcomed an end to the annual menace of U.S. unilateralism, and while there may have been some benefits to some trading sectors of the economy, it is unclear that these compensate for the Chinese concessions in the negotiations.

Why, then, did China accept such an unappealing WTO schedule? As Nicholas Lardy discusses in *Integrating China into the Global Economy*, China seems to have agreed to unprecedented trade liberalization measures for reasons largely unrelated to trade. The political goal of uniting Taiwan and China, along with the economic goal of eliminating state enterprise inefficiencies, were factors that decisively influenced China's acceptance of less-than-favorable terms of accession. As the nineties drew to a close and Taiwan's accession negotiations were almost complete, US officials began to warn Chinese trade representatives that Taiwan's WTO application might be considered on its own merits without waiting for China's acceptance – implying greater legitimacy for an independent Taiwan.<sup>45</sup> The government and Central Party both place the highest priority on Taiwan's political integration with mainland China, and they were likely willing to make more trade concessions to maintain the possibility of that priority. There was also a strong domestic component to China's rushed accession. At the time of signing, government officials hoped that greater foreign competition brought on by the WTO agreement would stimulate state-owned enterprises (SOEs) to undertake reforms that had been delayed for

years.<sup>46</sup> In addition, Rongji and Jiang's commitment to the 'modernisation' of the Chinese economy trickled through the Central Party. Thus, although perhaps a little more hurried than the country would have liked, the accession was considered a 'net plus'. Indeed, "[t]op Chinese leaders regard the WTO accession as the second most important change in China's economic policy regime, following Deng Xiaoping's reform and open-door policy in the late 1970s."<sup>47, 48</sup> Thus, for Taiwan and for economic reform, officials were willing to risk a flood of imports triggered by the terms of its WTO agreement.

Some experts claim that WTO membership will still yield trade benefits for China by allowing its labor-intensive goods greater market access in markets that are currently protected, but such claims tend to overlook several facts. Many member nations were already allowing Chinese labor-intensive manufactures into their markets with little or no restriction; for example, 80% of China's textile exports were entering countries free of import quotas.<sup>49</sup> Yet, and this is an indicative contradiction, the European Union and the United States, the biggest potential markets for Chinese goods that are still restricted, have so far failed to phase out quota restrictions on textile and garment imports according to schedule.<sup>50</sup> Even if the U.S. did throw open its markets to textile imports, Chinese fabrics would remain restricted for an additional 4 years thanks to part of the China-US bilateral accession agreement.<sup>51</sup> Although proponents of China's WTO membership are adamant about the benefits that liberalization will bring, the terms of China's accession agreement leave reason to be skeptical.

### **III. AGRICULTURAL AND RURAL POLICIES OF CHINA AND THEIR EFFECTS, 1978-2003**

Rural China has undergone profound change over the past half a century, and with its transformation have come shifts in the fortunes of its residents. Among other changes, the central government has devolved much control over production to local governments, land has been redistributed to households, rural enterprises have become a significant source of employment, and rigid controls on residency and migration have been reformed. This section examines each of these developments in turn, acknowledging their successes while drawing attention to their shortcomings.

#### *i. Bound by Birth to the Land?: Hukou Registration*

At birth, every Chinese citizen is assigned a *hukou*, a type of permanent registration status that differentiates between those born in rural, urban, agricultural, and non-agricultural areas. Citizens typically keep their status until death, and one's *hukou* determines where one can live, work, and receive social benefits. Although national regulations were relaxed in the 1980s to allow farmers to leave the countryside,<sup>52</sup> many cities and towns maintain rules that give employment and welfare preference to permanent residents, and it is difficult to obtain a change in permanent residence. Instead, beginning in the late 1980s citizens were allowed to buy special *hukou* from city and town governments. Different municipalities charge different entry fees, which usually rise according to the affluence of the area: so for example, smaller cities charge an average of 5000 yuan, whereas Shanghai charges 40,000 yuan for a special city *hukou*.<sup>53</sup>

The central government has also taken some initiative to extend legal residence and privileges to less wealthy migrants. The Ministries of Education and Public Security in 1998 issued a joint regulation compelling local governments to educate migrants' children between the ages of 5 and 14 who reside within the district for 6 months or more. Just one year earlier, the government started a trial program granting urban status on rural *hukou* holders if they lived in the city and held a stable non-agricultural job for 2 years or more.<sup>54</sup> More recently, in August of 2001, the Ministry of Public Security announced plans to abolish *hukou* altogether within five years and establish in its place a national social security system that would provide benefits to workers irrespective of original residence. A source within the Labour Bureau, too, cited the need to remove restrictions on labor mobility imposed by *hukou*, in order to further market-oriented reforms by establishing a "free labor market".<sup>55</sup>

On the other hand, national policy has also facilitated crackdowns on illegal migration by city authorities. The Custody and Repatriation Act permits detention and expulsion of migrants if they lack permanent residence or temporary registration status. The act has allowed cities to send thousands of migrants back to the countryside through periodic crackdowns; police in Beijing, for example, expelled 180,000 people in the first half of 2000 alone for having no legal identification, regular residences or long-term employment.<sup>56</sup> Although it is possible to overstate the importance of the *hukou*, the issue of migration, and China's equivocal policies towards migrants, are urgent questions, and we discuss them further in Section IV.

#### *ii. Household Responsibility and Decollectivization*

After the Communist Revolution, agricultural production was organized under the commune system, with farmers organized into production teams and assigned work points depending on the quantity of hours worked per year. Although output nearly doubled within two decades, population growth virtually canceled out the gains and food shortages continued in a number of provinces.<sup>57</sup> The Great Leap Forward and the Cultural Revolution both exacerbated, disastrously, these shortages. When Deng Xiaoping came to power, the collectives were abolished and the "household responsibility system" (HRS), a new property regime, was instituted. Under the HRS, the village gained collective ownership of productive land, which it then divided between families for production based on household size, on the one hand, and the total amount of land and soil quality, on the other. Each household was required to enter into a production team contract, of which there were two types: *baochan daohu* and *baogan daohu*. Under the former, the team provides each household with inputs, while families in return deliver an annual quota to village production teams at a government-specified "procurement" price; they must also pay taxes and fees to their village. The latter contract includes all of the provisions of the former, but goes further by distributing production equipment (plows, tools, etc.) evenly between households and allowing them to sell any surplus beyond the quota for a higher price on the market.<sup>58</sup>

### **Box A: Urban Bias and Government Policies in China**

During the late 1980s and throughout the 1990s, growth of the urban economy and wages outstripped rural growth like never before, leading to a considerable rise in urban-rural income disparity. Consequently, the ratio of urban to rural income rose, from 1.86 in 1985 to 2.79 in 2000. Yet this outcome is far from inherent to a newly industrializing country such as China. The widening inequalities are partly the result of actively formulated policies whose effects were considerably urban-biased, and within urban areas, biased towards elites.

It is plainly obvious that in China, heavily-subsidized wages in the manufacturing sector have most directly reinforced income disparities. Throughout the late 1980s and early 90s, many of China's urban state-owned enterprises experienced falling profits and even losses as production costs matched or exceeded revenues. But instead of laying off workers or filing for bankruptcy, as a private enterprise would likely do, SOEs simply received more subsidies from the state, which allowed them to raise wages even while they were in the red. The rural industrial sector, by contrast, received few government subsidies. When a village enterprise becomes unprofitable, it either lays off workers, cuts their wages, or else goes bankrupt. The resulting downward pressure on rural wages has kept their growth rates below urban rates, although (as Section IV discusses) recent SOE layoffs and higher urban unemployment rates may be exerting a similar downward force on urban incomes.

Less directly, rural-urban inequalities have been exacerbated by the historically overwhelming allocation of state investment to the non-agricultural sector. As far back as 1965, public expenditure on agriculture was only 12% of total government investment. Moreover, from the onset of reforms in 1978 until 1985, state spending on agriculture dropped from a high of 14% of total investment to a low of 8%, before making a partial recovery to 11% in the mid-nineties. These percentages even to some extent mask the disparities between rural and urban public investment, as rural men are required to give up to 25 days of labor per year to work on public infrastructure. They receive only basic compensation for this labor, and in the meantime forego higher earnings from wages or crop production. There is no similar requirement for urban men, giving them an additional 25 days' worth of wages over their rural counterparts.

*Sources: Anderson et al; Choe; Huang and Zhang; Johnson*

The policy led to significant increases in agricultural production and rural income through the mid-1980s, as farming households took advantage of the incentive to exceed their quotas in order to sell their surplus for higher market prices. Grain output increased at an average annual rate of 5%, while its gross value increased an average of 7.7% per year.<sup>59</sup> By 1984, 99% of villages had adopted the HRS, from only 14% in 1980.<sup>60</sup> From 1979 to 1985, the ratio of urban to rural incomes actually declined, from 3.2 to 2.3.<sup>61</sup> But with wide adoption in such a short period of time, by around 1984 the spurt of economic change due to decollectivization seemed to have ended. Agricultural growth subsequently slowed down again to just 4.0% annually, compared to the 7.1% annual increase enjoyed while HRS was being implemented.<sup>62</sup> Average annual growth in industrial output, by comparison, was three times that of agriculture from 1985<sup>63</sup> – a rate sustained in part, as we explore in Box A, by considerable urban policy bias.

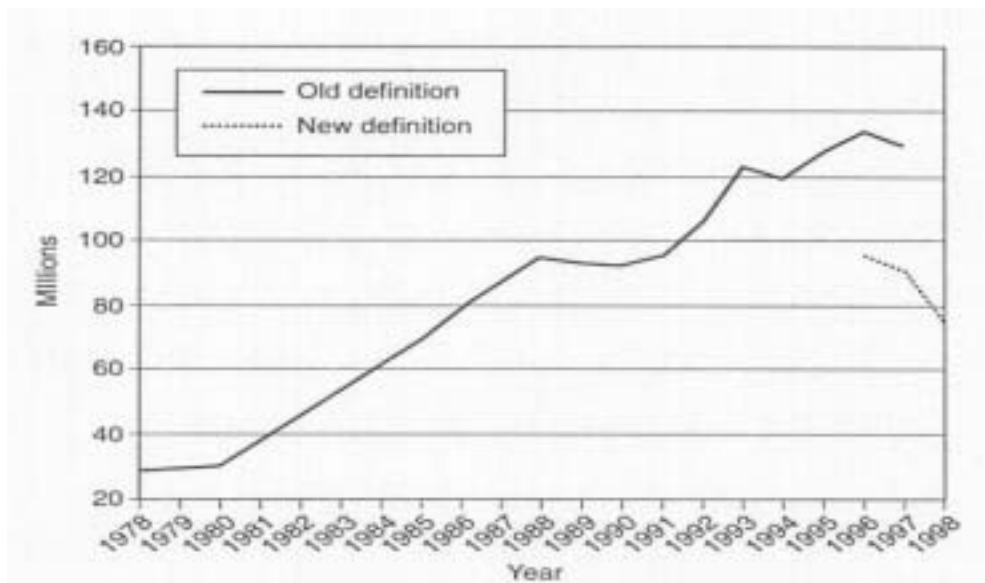
The redistribution of land according to soil fertility, in addition to total area, means that farm households frequently receive fragmented pieces of land in different parts of the village. To take one typical example, in Pingdu city (Shandong province), land allocation per household was only 0.7 hectares while the average number of plots per family was seven.<sup>64</sup> While land

fragmentation is sometimes cited as an impediment to higher agricultural productivity (since families must spend extra time and resources traveling to plots and transporting harvests) there may be benefits that are overlooked. A variety of smaller plots allows farmers to diversify their production, and to have access to different kinds of ecologies. Given the right sort of government support and infrastructure, this kind of agriculture might be made to work. Yet the shift in government policy towards industrialization has caused a precipitous decline in the sums spent by government on agricultural investment. Moreover, because plots are distributed to households according to family size, HRS also encourages rural people to have larger families,<sup>65</sup> a fact that not only contradicts China's one-child policy but also leaves fewer hectares of arable land for everyone. Insecurity of land tenure, especially due to periodic land redistribution, also discourages households from investing in their plots of land. Although the government has declared that the 15-year land contracts peasants sign are good as long as they continue to produce on the land, in practice some areas redistribute land every 2 to 3 years owing to high population growth.<sup>66</sup>

Although rural incomes increased most rapidly following decollectivization, the abolition of the communes also meant the end of many health and educational services that the central government had provided. Although rural quality of education had been declining since the Cultural Revolution, the HRS accelerated the decline by placing the financial burden of schooling squarely on the villages and peasants themselves. Thus more affluent villages are able to pay their teachers more and improve facilities, while poorer areas have no choice but to cut back on educational services. Furthermore, children are significant units of production to families under the HRS, and time spent at school is an opportunity cost that some cash-strapped households may not be willing or even able to make.<sup>67</sup> On the issue of health, medical cooperatives that used to cover 90% of the rural population for a flat-rate now can claim less than 10% of the countryside.<sup>68</sup> Again, inequalities have surfaced between rural and urban areas and also between provinces in access and quality of health care.

### *iii. 'Leave the Land, But Not the Countryside'*

Realizing that land reform alone would not solve rural employment issues, the central government sought to develop rural areas through town and village enterprises (TVEs) under the slogan "leave the land, but not the countryside". In 1998, each TVE employed 6 people on average and typically produces light manufactures or processed food products. The enterprises were started by village and town governments with little or no help from the central government and many continue to be managed by villages today, although an unknown number have been privatized in recent years.<sup>69</sup> The initial growth and success of TVEs was remarkable, as more than 100 million jobs were created throughout the 1980s and early 90s.<sup>70</sup> In the mid- and late-90s, however, TVE growth slowed and even became negative as previously inefficient state owned enterprises (SOEs) in cities became more competitive and took advantage of their larger size (see Figure 4 below).<sup>71</sup> Consequently, TVE employment declined by 4.8% in 1997 and 18.7% in 1998.<sup>72</sup> The government, however, is expecting this trend to reverse, resulting in 10 million new jobs over the next five years.<sup>73</sup>



**Figure 4. TVE Employment, 1978-1998<sup>74</sup>**  
 Source: Wang (2000, p. 381)

*iv. Macro-level Agricultural Policies: Spreading Markets, Shrinking State*

At the provincial level, the central government established the “grain bag governor responsibility system” (or “grain bag GRS”) in 1993, which decentralized control over grain supplies.<sup>75</sup> At the time, grain production was decreasing in areas with traditionally high yields due to higher returns from other forms of agriculture and industry,<sup>76</sup> contributing to rapid increases in grain prices. Provincial governments were made directly responsible for increasing agricultural production by enacting whatever policies they deemed necessary, including imposition of tariffs and restrictive quotas on inter-provincial trade.<sup>77</sup> At the same time, it replaced central planning with market mechanisms, allowing provinces deficient in grain to trade with surplus regions and to negotiate their own prices. Previously, planned trans-provincial grain allocations were the dominant form of grain transfer between provinces.<sup>78</sup> In this respect, the grain bag GRS was part of broader reforms intended to establish a socialist market economy. While the GRS has effectively reduced the physical distance between policy formation and implementation, and thus allowed public planning to be more attentive to local realities, it has also encouraged provincial and local governments to view their domains as personal fiefdoms. Illegal and exorbitant taxes, as well as corruption, have been the feature of numerous media reports and public protests in the last decade.<sup>79</sup>

The central government meanwhile focused its concern on maintaining national food self-sufficiency by balancing aggregate supply and demand.<sup>80</sup> Over the last two decades, it has increasingly abandoned direct supply control in favor of indirect mechanisms that influence both supplies and prices. Raising grain procurement prices to encourage higher production levels, subsidizing exports to reduce domestic supply and drive up market prices (as in the early 1990s), and restricting or even blocking exports to lower domestic market prices (as in 1995 and 1996) are typical of the measures taken to maintain macro-level control of farm production and

supply.<sup>81</sup> Another major reform undertaken in 1985 was the introduction of a “dual-track” system, which established a low “guaranteed” quota price and a “negotiated” price that could be adjusted to reflect market conditions, falling during surplus years and rising during poor harvest years to help maintain farm income.<sup>82</sup> Thus during the bad harvests of the late 1980s, negotiated prices rose, while they fell between the surplus years of 1990 and 1992. With sales from producers’ surplus grain added in, the share of retail agricultural commodities sold at market prices increased from 4% in 1978 to 83% in 1999.<sup>83</sup> While grain trading was partially deregulated, the government removed itself completely from management of “non-strategic” agricultural products such as vegetables, fruits, seafood and livestock. Indeed, in these areas we now see a large increase not only in external investment, but also in investment by pesticides companies and other ancillary industries. Richard McGregor in a Sept 30, 2003 Financial Times article observes an example of the shift in governance as a result of this:

"We have to basically try to invent our business here," says Gérard Renou, head of Syngenta's vegetable and flowers division. "We have to be closely involved with all the players making decisions - otherwise you can't commit yourself in a way that the customer expects."

Remarkable reductions in subsidies and price supports occurred in the late 1990s and thereafter. In addition to the steep drop in soybean import tariffs already mentioned in Section II, the government also eliminated protective prices for certain “unmarketable” varieties of rice and wheat at the beginning of 2000.<sup>84</sup> The following year in 2001, grain markets in main coastal regions that consume grain were liberalized. Consistent with the policies of a country pursuing an agenda of market liberalization, China is now emphasizing the development of local comparative advantage, encouraging coastal areas to decrease grain production and invest in technology, high-value horticulture and fish.<sup>85</sup> In addition, strict new regulations on health and quality to put China on par with international standards,<sup>86</sup> as well as talk among Party officials of more competitive agro-industries that would “organize tens of thousands of farmers in massive production”,<sup>87</sup> make it clear that the government intends to reshape agriculture in the 21<sup>st</sup> century along export-oriented lines.

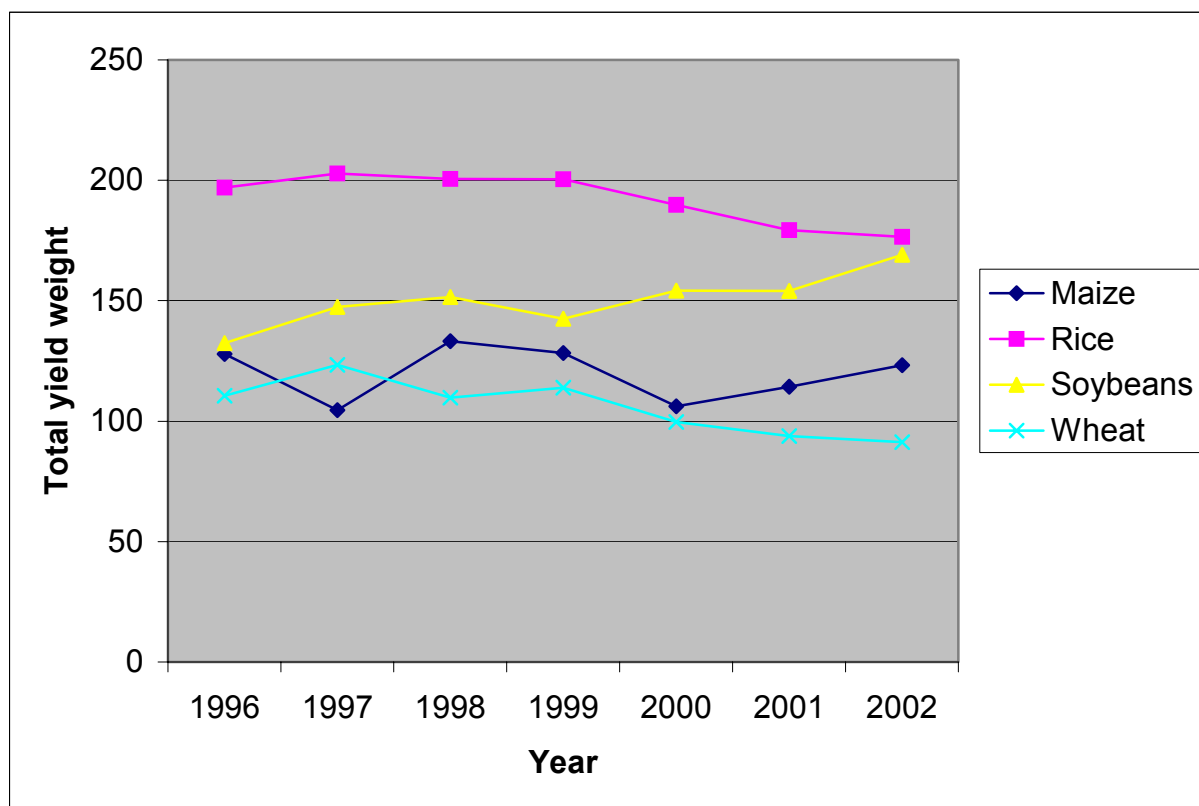
#### **IV. THE RURAL EFFECTS OF TRADE LIBERALIZATION AND BEYOND**

The analysis now turns to consider the dislocating impacts of trade liberalization measures on rural residents and farmers in particular. Liberalization’s urban effects are also considered, since the city has been the traditional sink for displaced rural populations. In addition, relevant interactions between trade reforms and policy developments discussed in previous sections are brought to the fore. Finally, this Section explores, and contests, several of the solutions to rural displacement and urban redundancy that have been proposed by supporters of liberalization.

##### *i. A Smooth 18 Months but Uncertain Future*

So far, the direct and specific impact of WTO membership and its more stringent liberalization prescriptions on China have been limited, at least in the aggregate: in the first nine months after joining (January to September of 2002), agricultural exports topped \$12.62 billion, maintaining an agricultural trade surplus of \$3.88 billion.<sup>88</sup> Production of maize and soy held steady or

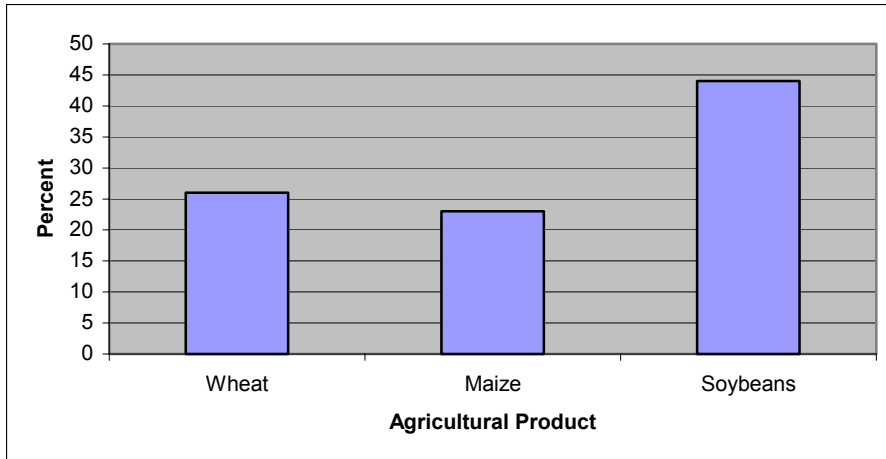
increased while rice and wheat encountered slight declines (see Figure 5). However, to conclude that the countryside's prospects under the new liberal regime are rosy would be a serious mistake. First of all, it has only been a year and a half since China joined the WTO, with substantial policy changes yet to occur (see Section II.iii). A number of fortuitous and deliberate occurrences have also forestalled the full impact of trade liberalization. Grain failures in Australia, the United States and Canada in 2002 reduced those countries' output by 30 to 50% and increased world prices by 20%, sparing Chinese grain farmers from the brunt of competition.<sup>89</sup> In addition, officials cut imports of soybeans in 2002,<sup>90</sup> a move that may bring challenges from other WTO members if repeated in the future. In absence of these irregularities, many compelling reasons exist to believe that further liberalization in absence of mitigating policies could precipitate in calamity for millions of rural inhabitants.



**Figure 5. Producer prices of rice, wheat and maize in China (yuan per tonne)**  
**Source:** Aubert (1997, p. 173)

*ii. Rising Imports, Falling Prices, and Peasant Displacement*

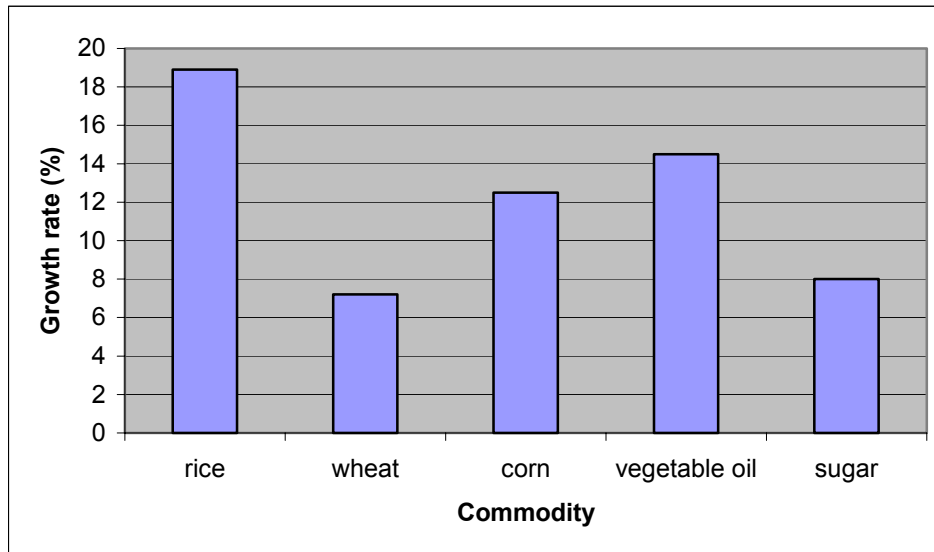
The fundamental expectation of trade liberalization is that it will equalize China's domestic prices with international prices. This poses a problem for farmers, because the gap between China's domestic agricultural prices and world prices has been widening from 1993 until very recently, with Chinese bulk commodities heavily overvalued.<sup>91</sup> In 2000, the year before China's accession to the WTO, domestic wheat prices were 26% higher than the world price; maize was 23% higher; domestic soy prices, 44% (see Figure 6).<sup>92</sup> Under



**Figure 6. Percent Difference Between Domestic and World Prices, Year 2000**

Source: Huang et al (2002, p. 27)

China's terms of WTO membership, quotas for basic agricultural commodities will rise over the 5 years following accession by a predetermined annual rate: for rice, the rate is 18.9%, for wheat 7.2%, corn 12.5%, vegetable oil 14.5%, and sugar 8.0% (see **Figure 7**).<sup>93</sup> As of 2000, China was already importing 2 Mmt of wheat per year with tariffs in place, while soy imports from the United States in 2001 were worth \$1 billion, or 20% of US total soybean exports. Under the US-China WTO agreement, 7 Mmt of wheat imports were allowed immediately in 2002 with no tariff, while quotas were completely eliminated for soybeans and the tariff fixed at 3%.<sup>94</sup> Given the relative price gaps already noted above, agricultural imports are expected to increase markedly. The U.S. Department of Agriculture forecasts that U.S. farm exports to China will rise \$2 billion per year over the current average.<sup>95</sup> Zhai and Wang, using several different scenarios, suggest grain imports will increase anywhere from 160% to 200% after the 5-year WTO transition period ends.<sup>96</sup> As imports surge, a reduction in producer prices and supply will be almost inevitable. Estimates suggest that the rise in imports will reduce domestic production of bulk commodities between 2.5% and 7.7%.<sup>97</sup>



**Figure 7. Average annual growth rate of tariff-rate quotas under China's terms of WTO accession**

Source: Zhai and Wang (2002, p. 2207)

Though this is a relatively small percentage, it represents a large loss to peasant families, particularly those who depend most heavily on agriculture. Besides being more affected by heavier agricultural competition, households that are more reliant on farm income also tend to be poorer in general.<sup>98</sup> For these people, who number about 311.5 million,<sup>99</sup> a few yuan lost to a small surge in imports could mean the difference between getting by and starvation. In 2000, the rural per-capita income was 2253 yuan after taxes, while average living expenditure was 1670 yuan, leaving just 583 yuan in disposable income (compared to an urban disposable income of 1282 yuan, or more than double).<sup>100</sup> Those figures include wealthier farming households and non-farming households in addition to poor agricultural households, so we can safely assume that disposable income is even less for the latter group. Women are, as Box B suggests, much harder hit by these trends than men. Faced with declining income, poor peasant households may give up farming altogether and search for non-agricultural employment, as many millions already have. They are likely, however, to encounter a number of barriers along the way.

The most immediate drawback to migration is that families lose a form of social security when they leave the land. It provides basic subsistence and at least some guaranteed income, and many families stay on their land hoping that the government may eventually grant them formal landownership.<sup>101</sup> The land also cannot be sold, only subcontracted,<sup>102</sup> so farmers would not even have the necessary collateral to buy an urban residence. Rural migrants also lack access to the same social entitlements that urban residents enjoy -- such as subsidized food, health care, education and housing -- thanks to the continuing rigidity of the *hukou* system and local regulations in many cities.<sup>103</sup> Subtract rural family support networks as well,<sup>104</sup> and the opportunity cost in terms of social security poses a major hurdle to off-farm migration.

**Box B:** *The Gendered Impacts of Trade Liberalization*

Women are twice discriminated against in today's urban employment market: they are the first to be laid off from jobs in manufacturing and the last to be re-hired. Many of the state enterprise workers forced into early retirement are women, who are routinely pushed out while in their 50s. This is in part because the official retirement age for women is 5 years less than for men: 55 years versus 60 years old. When secure jobs become available, traditional patterns of sexism, visible the world over, come into play: employers prefer men, who will hold out for factory work rather than take part-time or temporary jobs that pay far less. Women are more likely to take what they can get -- including informal, low-wage labor -- even as their husbands choose to stay unemployed. According to a recent study by the Ministry of Labor and Social Security, the re-employment rate is 19% higher for men than women.

When many of the women who are now being laid off or prematurely retired began their work, urban females were practically guaranteed employment in state-run manufacturing facilities -- employment that was promised to last until they were old enough to live off of retirement pensions. The government has since reneged on that promise in the face of growing foreign competition that now threatens the survival of state firms. Trade liberalization requires SOEs to value competitiveness, efficiency, and profitability over secure employment and greater gender equality.

*Sources: Hewitt (2002); Forney; Chen Y.*

*iii. Urban (Un-)Employment?*

Even supposing that farmers were willing and able to leave the land, their employment prospects in the non-agricultural sector would not be guaranteed. Although official government statistics reported an urban unemployment level of 3.6% in 2001, many academics and even some government agencies declare much higher rates -- anywhere between 8 and 10%. The State Council, itself a government agency, estimates an end-2001 figure of 10%.<sup>105</sup> The discrepancy can be explained by the fact that official government estimates don't include *xiagang* workers: laid-off state enterprise employees who are not working but nonetheless maintain employment contracts.<sup>106</sup> Insofar as state enterprises have been making enormous staff reductions in the last 5 years, the exclusion of the *xiagang* is significant. More than 25.5 million state enterprise workers were laid off between 1998 and 2001 alone, following Zhu Rongji's public promise to solve the problem of declining state enterprise profitability in three years -- in time to make them competitive with foreign firms following WTO entry.<sup>107</sup>

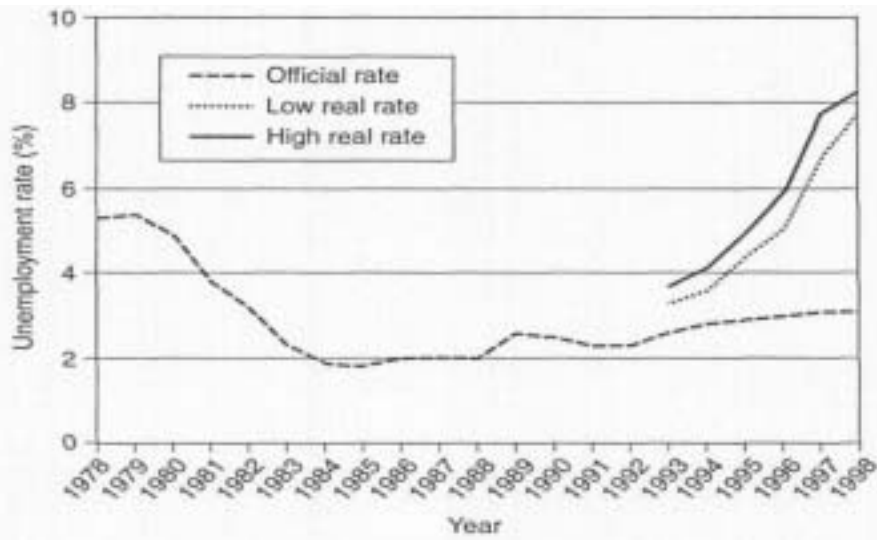
More than mere statistics, the results of job cuts and labor market restructuring are evident in labor protests and complaints that have become increasingly commonplace. Between January and June of 1999, 55,244 labor disputes involving a total of more than 230,000 workers were reported, up from just 7,905 disputes in 1994 (see Table 3). In one instance, layoffs at PetroChina, located in Heilongjiang province and among the country's largest SOEs, led to one of the biggest protests in years as roughly 50,000 unemployed workers protested for almost two consecutive weeks in Spring of 2002.<sup>108</sup> The layoffs were enacted, in part, under investor pressure to boost productivity in order to remain competitive after joining the WTO<sup>109</sup>.

Period	Total number of labor disputes	Number of collective labor disputes	Total number of workers involved in labor disputes	Number of workers involved in collective disputes
Jan-Jun 1994	7905			
Jan-Jun 1995	12956		31144	
Jan-Jun 1996	14852	1050	40413	33646
Jan-Jun 1997	26600	1821	97006	56425
Jan-Jun 1998	34879	2798	134436	84208
Jan-Jun 1999	55244	3955	230243	144273

**Table 3. Incidence of Labor Disputes**

**Source:** Wang (2000, p. 400)

It is important to flag the extent of the sea-change in Chinese government politics over the past thirty years. The same government that proclaimed its fealty, above all, to its workers is now throwing them out on the street, while the workers themselves are organizing into loose unions to demand their rights from a regime that supposedly embodies those same principles. With rising contention, the government has been forced to acknowledge reality: In April of 2002, it announced a predicted trebling of unemployment in the next four years; a result, according to the State Council, of China's post-WTO restructuring.<sup>110</sup> If this prediction is borne out, the result will be a virtually unbroken rise in unemployment since approximately 1993 (see **Figure 8**). Officials have done little to curb the trend, as they expect the private sector to become a new source of economic growth and employment.<sup>111</sup> Official policy was changed in 2000 to place businesses on equal footing with state-owned enterprises, reflecting the strongest yet official support for private industry.<sup>112</sup> Ironically enough, the growth of the private sector in China has led to declining employment in the United States, as box C below explores.



**Figure 8. Urban Unemployment in China.**<sup>113</sup>  
 Source: Wang (2000, p. 383)

**Box C: Production Shifts to China and Rising U.S. Unemployment**

While this paper focuses primarily on trade liberalization's domestic impacts, it is important to remember that the effects of economic changes in one country are not limited to its physical territory. This is particularly true of China, home to 1/5 of the world's population and, at the end of the 1990s, 1/3 of all Foreign Direct Investment (FDI). This box addresses, however briefly, the consequences of China's rapid trade expansion for its largest trading partner, the United States. The outcome, as reviewed below, has been a massive transfer of factories, investment, and employment losses from the U.S. to China, with higher profit margins for corporations that move manufacturing overseas.

In an alarming study jointly commissioned by the U.S.-China Security Review and U.S. Trade Deficit Review Committees, Dr. Kate Bronfenbrenner of Cornell University and academics from the University of Massachusetts at Amherst reported enormous job losses in the U.S. as a result of economic opening in China. According to their macroeconomic analysis, the US-China trade deficit eliminated up to 760,000 jobs between 1992 and 2001. The researchers also tracked major media sources in the US and China for reports of American companies shifting production to China. Based strictly on the reports, they calculated an annual employment losses of 34,900 jobs, a figure that they estimated was actually closer to between 70,000 and 100,000 since their media study captured less than half of all plant relocations.

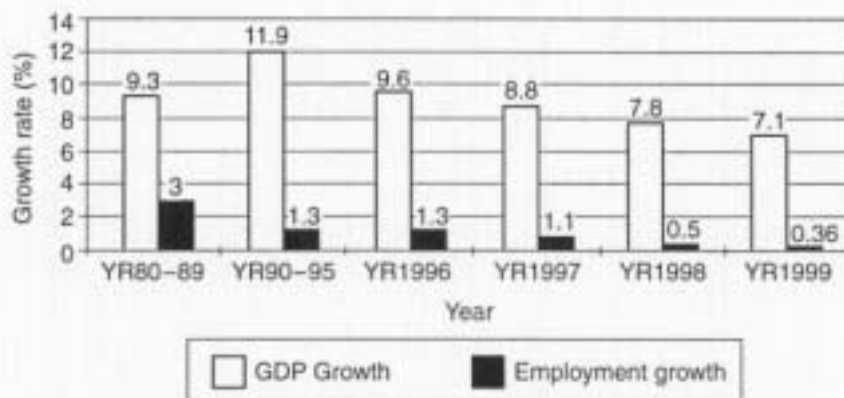
The light manufacturing sector has been most heavily hit by competition from products of Chinese origin, thanks in large part to much lower labor costs. Despite the fact that it enjoys relatively high rates of import protectionism, the U.S. textile and apparel industry has had difficulty remaining competitive, as indicated by industry giants Burlington Industries and Guilford Mills filing for Chapter 11 bankruptcy protection. Employment has clearly suffered: the Labor Department reports that nearly 270,000 textile and apparel workers have lost their jobs in the last two years. Meanwhile, China's share of the U.S. textile market has jumped from 9% to 45% in the two years since officially joining the WTO. Industry experts also claim that the US' commitment to remove import quotas would cause that share to rise as high as 75% in the absence of other protective measures.

It is important to add that many of the cheap manufactured imports from China are not made by Chinese companies, but rather carry labels from companies headquartered in Japan, South Korea, and the United States. There has been a strong correlation between increases in U.S. FDI to China and job losses in the U.S. as companies relocate operations -- including well-known brands like Mattel, General Electric, and Motorola. Therefore, to say that jobs are being lost to China is only half-correct: true enough, workers in China are performing the tasks previously done by workers in America, but they are doing it for the same corporations, which are now raking in higher profits due to lower labor costs.

*Sources: Barboza; Bronfenbrenner et al; Lardy*

But the disturbing fact is that while China's economy is continuing on a path of high growth, employment growth rates are not only lagging but *declining*. **Figure 9** shows this trend clearly: whereas employment opportunities increased 1% for roughly every 3% of economic growth in the 1980s, by 1999 the economy would have had to increase nearly 20% to generate the same 1% rise in available employment. With 46 million new workers predicted to enter the labor force between 2002 and 2007,<sup>114</sup> the rate of employment growth relative to economic growth would

have to be well over twice the 1999 figure. The scramble for employment in the coming years, just as millions of farmers lose their livelihood, will likely be intense. As the subsequent box elaborates, the job crunch is already exacerbating gender inequalities. It is profoundly unrealistic to expect rural migrants to compete with millions of urban locals, who have four more years of education on average.<sup>115</sup> The claims of liberalization proponents, that urban employment is a viable option for displaced farmers, must be met with some skepticism.



**Figure 9. Employment Elasticity of Output Growth.**

Source: Wang (2000, p. 384)

*iv. The Export-Oriented Alternative*

Other trade liberalization advocates suggest that farmers could remain on the land by switching to higher-value, labor-intensive export crops. They point out that China has a comparative advantage in labor-intensive products, meaning it can produce goods that require large labor inputs such as horticultural and seafood products cheaper than other countries.<sup>116</sup> According to Robert Anderson, “there are significant opportunities for Chinese organic farmers... to explore within the US market”.<sup>117</sup> The Development Research Center predicts that 1.51 million farmers could simply switch from producing grains to growing non-grain crops for export if the full benefits of WTO entry are realized.<sup>118</sup> Indeed, China is already the world’s largest producer of labor-intensive vegetables, with exports over \$3.7 billion in 2001.<sup>119</sup>

Yet supposed opportunities in the export sector are meaningless if farmers cannot access or afford them. With increased land concentration and the entry of groups like Yum Foods (owners of KFC among others), the signs are that the benefits resulting from Chinese wage differentials in the world economy will not be reaped by the farmers. The process of shifting from one kind of cultivation for local markets to another is far from simple, after all, and it requires the fulfillment of multiple preconditions before it may be considered. Among them are access to credit, training, infrastructure, a guaranteed market, and protection from fluctuations. Most farmers have few or none of these. As the “Urban Bias and Government Policies” box in Section III outlined, government investment has been channeled primarily towards urban and large scale uses. At the same time, special public funds that remained available to rural citizens were increasingly captured by the more lucrative TVE sector and away from agricultural uses. From 1979 to 1986, the proportion of agricultural loans issued by the Agricultural Bank of China has

declined from 22.84% to just 11.77%.<sup>120</sup> The liberalization of financial services is increasing the availability of private credit, but without formal title to their land, farmers lack the collateral to secure a loan.

Even with enough capital, export markets are anything but guaranteed. Foreign countries have rejected, and continue to reject, some Chinese agricultural products due to health and safety standards. To take one example, in 2002 the European Union banned Chinese meat and seafood exports, citing hazardous pesticide residue levels.<sup>121</sup> Although the government is implementing an ambitious plan to raise food health and safety regulations to the level of international standards,<sup>122</sup> farmers may take years to meet them<sup>123</sup>. Whether or not health violation claims are based on justifiable evidence or merely a hidden form of protectionism is a subject of considerable debate, and one this analysis will not address. Regardless of their legitimacy, the relevant point is that in the mean time, many agro-export markets remain closed to small-scale Chinese farmers.

## CONCLUSIONS

In the immediate wake of its entry to the WTO, China is confronted with a number of serious issues, among them decreasing growth in agricultural incomes, rapid inflows of migrants from the countryside to cities, rising unemployment and widespread social protest. As this paper has demonstrated, the root causes of these problems are highly complex and it would be an oversimplification to attribute them to WTO entry or even trade liberalization in the absence of consideration of broader political and economic factors. Some existing problems, however, have been and will be further augmented by the liberalization measures and economic restructuring that result from WTO membership. Our findings suggest that those who stand to lose the most from additional liberalization in the coming years are those who have already lost out in recent years: namely farmers, state employees, and unskilled workers. Contrary to the assertions and assumptions of liberal trade's supporters, everyone will *not* benefit from more open markets, as the millions of unemployed and underemployed in China's cities and innumerable poor farmers in the countryside can doubtless attest.

The People's Republic of China was established on foundations of egalitarianism and social security for all of its citizens. If, as our results suggest, trade liberalization (including WTO entry) in China continues to displace rural populations and urban workers while rendering higher levels of provincial, sectoral, and gender inequality, the government is likely to face a legitimacy crisis as a result of its rural citizens facing a crisis of poverty. Appeals to higher standards of living and gross national product rather than classlessness are doubtful to find much sympathy with those who have been betrayed and ultimately excluded from the gains.

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<sup>1</sup> Jha 2002, 95.

<sup>2</sup> World Bank (1997).

<sup>3</sup> Jha (2002).

<sup>4</sup> All statistics in this paragraph courtesy of the United Nations Statistics Division and World Bank (2003)

<sup>5</sup> Ikegami (1997, p. 32).

<sup>6</sup> Davis (2001) notes that at the beginning of the 1800s, the Chinese imperial grain distribution system was highly effective in redistributing grain to parts of the country most in need, with far greater efficiency than any equivalent system in Europe or North America.

<sup>7</sup> World Bank (2002).

<sup>8</sup> Carter and Li (1999, p. 8); Goodkind and West (2002, p. 2245). Some scholars argue that government figures overstate agricultural employment, estimating a percentage of total employment much less than 47%. See, for instance, Johnson (2002, p. 2164); and Mead (2003, p. 120).

<sup>9</sup> Though see Riggs n.d. for a hopeful vision of environmentally sustainable change in Guangdong.

<sup>10</sup> Huang et al (2002, p. 1).

<sup>11</sup> Anderson et al (2002, p. 2).

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- <sup>12</sup> Wang (2000, p. 385).
- <sup>13</sup> Anderson et al (2002, p10).
- <sup>14</sup> See, for instance, Chen and Ravallion (2002).
- <sup>15</sup> Johnson (2002, p. 2164).
- <sup>16</sup> Wang (2000, p. 393).
- <sup>17</sup> Anderson et al (2002, p. 3).
- <sup>18</sup> Carter and Li (1999, p. 3).
- <sup>19</sup> Zhai and Wang (2002, p. 2199).
- <sup>20</sup> Carter and Li (1999, p. 5).
- <sup>21</sup> Rodrik (2001, p. 56).
- <sup>22</sup> Carter and Li (1999, p. 7).
- <sup>23</sup> World Bank (2003)
- <sup>24</sup> *Ibid.*
- <sup>25</sup> Carter and Li (1999, p. 4).
- <sup>26</sup> Carter and Li (1999, p. 3).
- <sup>27</sup> Huang et al (2002, p. 6).
- <sup>28</sup> Carter and Li (1999, p. 6).
- <sup>29</sup> Huang et al (2002, p. 7).
- <sup>30</sup> Somewhat ironically, China was one of the original contracting parties to the GATT in 1948, but the communist revolution occurred one year later and in 1950 Taiwan, claiming to represent all of China (including the People's Republic), declared its withdrawal from the trade agreement. Beijing never recognized the move, but the rest of the world did. In July of 1986, the People's Republic reapplied for admission to the GATT and entered into negotiations, which were carried over into the WTO at its inception following the Uruguay round. Aside from matters internal to the accession negotiations, China's entry was delayed by a number of unexpected political events – the Tiananmen "incident" in 1989, the bombing of a Chinese embassy in Belgrade by US forces during the Kosovo conflict, and the downing of a US spyplane by Chinese pilots, to name a few prominent examples. Bilateral negotiations with the United States and EU finally concluded in November of 1999 and May of 2000, respectively, which accelerated negotiations with other members. The accession Working Party finally concluded 17 September 2001, with the terms of accession approved by the WTO Ministerial Conference in Doha 10 November 2001. China accepted the following day, and 30 days later (on 10 December), according to custom, China became a member of the WTO. For full details, see Gertler (2002, pp. 1-3).
- <sup>31</sup> Carter and Li (1999, p. 2).
- <sup>32</sup> Gertler (2002, p. 9).
- <sup>33</sup> Anderson et al (2002, p. 4).
- <sup>34</sup> Crook (2002, p. 13).
- <sup>35</sup> Gertler (2002, p. 10).
- <sup>36</sup> Thus for wheat, the quota increases from 7.3 million metric tons (mmt) at accession to 9.3 mmt after 5 years; for corn, the quota will go from 4.5 mmt to 7.2 mmt; for rice, from 2.6 mmt to 5.3 mmt. See Lin (2000, p. 407).
- <sup>37</sup> Zhai and Wang (2002, p. 2207).
- <sup>38</sup> Wang (2000, p. 396).
- <sup>39</sup> Crook (2002, p. 13).
- <sup>40</sup> Anderson et al (2002, p. 5); Lin (2000, p. 406).
- <sup>41</sup> Crook (2002, p. 13).
- <sup>42</sup> Bezlova (2001); Crook (2002, p. 13).
- <sup>43</sup> Anderson et al (2002, p. 1).
- <sup>44</sup> Wang (2000, p. 393).
- <sup>45</sup> Lardy (2002, p. 16).
- <sup>46</sup> Lardy (2002, p. 20).
- <sup>47</sup> Lin (2000, p. 405).
- <sup>48</sup> Official statements on grain exports provide an excellent example. In 2002, wheat failures in major grain-producing countries such as Australia, the United States and Canada reduced world wheat supplies by as much as 50%, helping China achieve impressive net exports of wheat. However, government agents, at least publicly, seemed to attribute wheat exports to successful agricultural policies, conveniently overlooking the worldwide grain shortages. Run Wenyi, an agricultural research scientist, said that the exports "prove that China can guarantee to feed itself and contribute to the world's cereal supply," while the Ministry of Agriculture attributed the exports to successful "restructuring of agricultural production in recent years". See "China Makes First Export of Spring Wheat for Human Consumption", Xinhua, 4 March 2003.
- <sup>49</sup> Wang (2000, fn 47).
- <sup>50</sup> Bennet (n.d.); Wang (2000, fn 47). The U.S. and EU are supposed to gradually phase out quota restrictions on textile and garment imports by 2004 (see Wang, p. 393).
- <sup>51</sup> Wang (2000, fn 47).
- <sup>52</sup> Attané (2002, p. 152).
- <sup>53</sup> Goodkind and West (2002, p. 2246).
- <sup>54</sup> Goodkind and West (2002, pp. 2246-7).

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- <sup>55</sup> Hennock (2001).
- <sup>56</sup> Goodkind and West (2002, p. 2247).
- <sup>57</sup> Between 1949 and 1974, agricultural output grew by 75 to 80 percent, while population increased 70%. See Attané (2002, pp. 150-1).
- <sup>58</sup> Choe (1996, p. 246).
- <sup>59</sup> Chen and Brown (2001, p. 281).
- <sup>60</sup> Rozelle and Huang (2000, pp. 550-1).
- <sup>61</sup> Attané (2002, p. 157).
- <sup>62</sup> Anderson et al (2002, p. 23).
- <sup>63</sup> Anderson et al (2002, p. 23).
- <sup>64</sup> The community later instituted its own reforms, reducing the average number of plots to three. See Chen and Brown (2001, p. 281).
- <sup>65</sup> Attané (2002, p. 154)
- <sup>66</sup> *Ibid.*
- <sup>67</sup> Attané (2002, p. 158).
- <sup>68</sup> Attané (2002, p. 160).
- <sup>69</sup> Johnson (2002, p. 2171).
- <sup>70</sup> Mead (2003, p. 118).
- <sup>71</sup> Johnson (2002, pp. 2168-9).
- <sup>72</sup> Wang (2000, p. 379).
- <sup>73</sup> Johnson (2002, p. 2168).
- <sup>74</sup> The government changed its definition of TVEs in 1997, perhaps to exclude TVEs that had been privatized. Regardless of definition, however, it's clear that TVE employment declined between 1996 and 1998.
- <sup>75</sup> Hongyuan (1997, p. 52).
- <sup>76</sup> Hongyuan (1997, p. 53).
- <sup>77</sup> Johnson (2002, p. 2172).
- <sup>78</sup> Hongyuan (1997, p. 52).
- <sup>79</sup> Though rural protests occur on a regular basis, a few examples will suffice. High taxes and falsified local election results in Jiangsu and Shaanxi provinces resulted in a sizeable protest against officials in early 1999. In August of 2000, riots broke out in Jiangxi province, Southern China, after thousands of farmers became frustrated with rising taxes imposed by the local government. Just 3 months later, in November of 2000, county officials in Fujian province increased taxes on banana production by 80%, which led to a thousand-person march on local government offices. See "Rural Unrest in China"; "Chinese Farmers Stage Violent Protest"; and also Hewitt (2000).
- <sup>80</sup> Chen, Xiaohua (1997, p. 24).
- <sup>81</sup> For more about the export ban, see Section II, p. -- and fn --. In 1994, the government increased the procurement price of grain by 40%, followed by a further 42% in 1996. See Chen, Xiwen (2002, p. 4). This resulted in a temporary halt in rural-urban income polarization through 1997. See Wang (2000, p. 386).
- <sup>82</sup> Aubert (1997, p. 172).
- <sup>83</sup> Anderson et al (2002, p. 4).
- <sup>84</sup> Chen, Xiwen (2002, p. 13).
- <sup>85</sup> Chen, Xiwen (2002, p. 16).
- <sup>86</sup> China Daily. "Farmers Urged to Adopt Top Norms".
- <sup>87</sup> Xinhua, "Agriculture Top Priority for Government".
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- <sup>90</sup> China Daily. "First Anniversary of Entry to WTO: Agriculture Faces Challenges".
- <sup>91</sup> Wang (2000, p. 397).
- <sup>92</sup> Huang et al (2002, p. 27).
- <sup>93</sup> Zhai and Wang (2002, p. 2207). See also Section II, fn -- for gross volumes.
- <sup>94</sup> Wang (2000, p. 396); Veneman and Zoellick.
- <sup>95</sup> Bezlova (2001).
- <sup>96</sup> Zhai and Wang (2002, pp. 2208, 2211).
- <sup>97</sup> Estimated reductions: corn 7.7%, wheat 4.7%, soy 4.5%, cotton 3.8%, oilseed 3.6%, sugar 2.5%. See Wang (2000, p. 397).
- <sup>98</sup> Anderson et al (2002, pp. 14, 16); USDA (2002, p. 3).
- <sup>99</sup> Attané (2002, p. 152).
- <sup>100</sup> Johnson (2002, p. 2166).
- <sup>101</sup> Crook (2002, p. 16).
- <sup>102</sup> *Ibid.*
- <sup>103</sup> Anderson et al (2002, p. 8).
- <sup>104</sup> *Ibid.*
- <sup>105</sup> Miaomiao and Wen (2002).
- <sup>106</sup> Wang (2000, pp. 381-82).
- <sup>107</sup> Lardy (2002, p. 23).

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- <sup>108</sup> "Chinese Oil Workers in Massive Protest" (2002).  
<sup>109</sup> Human Rights Watch (2002, p. 27).  
<sup>110</sup> Miaomiao and Wen (2002).  
<sup>111</sup> Hewitt (2002).  
<sup>112</sup> Lardy (2002, p. 19).  
<sup>113</sup> The "real rates" combine official government figures with state enterprise layoffs.  
<sup>114</sup> Hennock (2001).  
<sup>115</sup> Johnson (2002, p. 2170).  
<sup>116</sup> Anderson et al (2002, p. 2); Carter and Li (1999, p. 5); Huang et al (2002, p. 5); Chen, Xiwen (2002, p. 16); Zhai and Wang (2002, p. 2203); Lardy (2002, p. 144).  
<sup>117</sup> China Daily. "Experts Discuss Post-WTO Agriculture."  
<sup>118</sup> Lardy (2002, p. 110).  
<sup>119</sup> Crook (2002, p. 17).  
<sup>120</sup> Choe (1996, p. 248).  
<sup>121</sup> China Daily. "Farmers Urged to Adopt Top Norms"  
<sup>122</sup> China Daily. "Farmers Urged to Adopt Top Norms"  
<sup>123</sup> Crook (2002, p. 17).