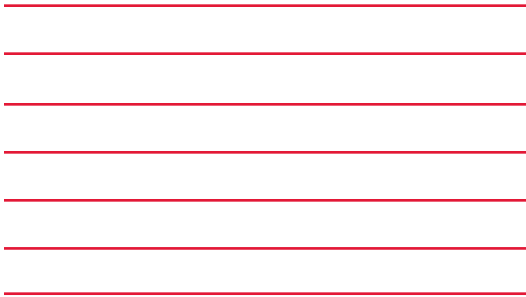


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POLICY  
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**Roots of  
Competitiveness:  
China's Evolving  
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Interests**



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# **Roots of Competitiveness: China's Evolving Agriculture Interests**

Daniel H. Rosen  
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Institute for International Economics  
Washington, DC  
July 2004

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# Preface

Several of the most powerful forces shaping the global economy converge on the subject of China's agricultural transformation. Agricultural policies were one of the keys that opened the door to broader reforms that shaped the Chinese manufacturing juggernaut and growing world trade power we know today. In addition, these policies contributed the most significant achievement in development economics in the world economy over the past two decades: the emergence of nearly 300 million Chinese peasants from poverty.

Yet despite the momentum and importance of China's economic reforms in the agriculture sector, misunderstandings about China's agrarian competitiveness abound, and the consequences of its structural adjustment for the world trade agenda are little appreciated. These facts motivated the Institute to undertake this volume by Daniel Rosen, Scott Rozelle, and Jikun Huang on China's agricultural transformation and its implications for the international economy in general and the current world trade talks in the Doha Round in particular.

By assembling a systematic review of China's reform in the agricultural sector, performance under its newly adopted World Trade Organization (WTO) rules and obligations, and negotiating positions in WTO talks on agriculture now under way, our authors hope to inform trade policy audiences and observers of China on these significant developments. Their conclusions provide reason for optimism that a new force is emerging for liberalization in world agricultural trade—the major bastion of distortion and hence lost economic opportunities for developed and developing countries alike: In the short term, China's comparative



advantage, its already-accepted WTO obligations, and a confidence derived from two decades of successful policy reform all point toward China's taking a strong liberalization posture on agriculture in trade forums, including the WTO. This volume also concludes that underestimating the momentum of China's agriculture strengthening is risky: Just as in manufactured goods, China is poised to displace production elsewhere in labor-intensive agriculture. China will press for liberalization in agriculture to afford its farmers the benefit of realizing their comparative advantage.

This study complements a number of other Institute efforts on China and on agriculture, though it is the first to bring the two together. A number of studies on global agricultural trade have been produced, including the recent *Food Regulation and Trade: Toward a Safe and Open Global System* by Tim Josling, Donna Roberts, and David Orden, and the policy brief *This Far and No Farther? Nudging Agricultural Reform Forward* by Josling and Dale Hathaway. The Institute's work on China has been important for over a decade, from Nicholas Lardy's *China in the World Economy* (1994), to Rosen's *Behind the Open Door: Foreign Enterprises in the Chinese Marketplace* (1998), to recent work by Lardy and Morris Goldstein on Chinese currency issues. *Roots of Competitiveness: China's Evolving Agriculture Interests* is an important continuation of the Institute's commitment to understanding the world's most important emerging economy.

The Institute for International Economics is a private, nonprofit institution for the study and discussion of international economic policy. Its purpose is to analyze important issues in that area and to develop and communicate practical new approaches for dealing with them. The Institute is completely nonpartisan.

The Institute is funded largely by philanthropic foundations. Major institutional grants are now being received from the William M. Keck, Jr. Foundation and the Starr Foundation. A number of other foundations and private corporations contribute to the highly diversified financial resources of the Institute. About 18 percent of the Institute's resources in our latest fiscal year were provided by contributors outside the United States, including about 8 percent from Japan.

Major support for this study came from Cargill, Inc., Mars, Inc., and Monsanto Co. In addition to funding, each of these firms contributed importantly by sharing their commercial experience with the authors, including providing them access to staff in China. The American Farm Bureau Federation provided an additional contribution.

The Institute's Board of Directors bears overall responsibilities for the Institute and gives general guidance and approval to its research program, including the identification of topics that are likely to become important over the medium run (one to three years), and which should be addressed by the Institute. The director, working closely with the staff and outside Advisory Committee, is responsible for the development of

particular projects and makes the final decision to publish an individual study.

The Institute hopes that its studies and other activities will contribute to building a stronger foundation for international economic policy around the world. We invite readers of these publications to let us know how they think we can best accomplish this objective.

C. FRED BERGSTEN  
Director  
July 2004