


# Chapter 1

## Transformation of China's Agricultural Trade in Response to Emerging Tensions on the Global Market

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### ABSTRACT

*China has worked to ensure future food self-sufficiency, but still depends on the imports of many kinds of agricultural products. Imports grow as domestic demand is restructured in favor of qualitative food products of high nutrient value amid the progressive degradation of agricultural lands, and shrinking possibilities for agricultural production. Currently, the majority of such value-added food products is imported from the USA. By raising import tariffs in response to the recent US protectionist policies, China may face a situation of food insecurity. This chapter reviews the recent tendencies in China's foreign trade in food and agricultural products, analyses food security status of China on major kinds of agricultural commodities, discusses current US-China trade relations and reorientation of China's foreign trade in food and agricultural products, and provides possible solutions to the improvement of food security by means of intensification of domestic agricultural production and diversification of imports.*

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## **INTRODUCTION**

International trade is a commonly accepted tool to increase the utilization of competitive advantages of a country by the involvement into the global exchange. In the open international market, competition spurs domestic producers to increase efficiency and cut production costs, while, in turn, producing competitive internationally-traded products have a significant impact on trade volumes and patterns of a country (Levchenko & Zhang, 2016) and determines relative positions of domestic producers in external markets (Maitah, Kuzmenko, & Smutka, 2016).

Commonly, there is a positive relationship between openness, export to GDP ratio, and economic growth (Afonso, 2001; Sun & Heshmati, 2010; Frankel & Romer, 1999). Theoretical models demonstrate that trade openness improves the efficiency of the allocation of world resources, and the comparative advantage gained will improve production and trade. As a result, national income will increase above the production frontier curve. Omoju and Adensaya (2012) registered a significant impact of trade openness on national income and ability of a country to enhance growth through higher total factor productivity.

It is also widely accepted that openness to trade increases the level of competition, improves firms' productivity, and brings more business opportunities to local enterprises, thus leading to improved economic development. Wagner (2007) found that promoting exports led to more intense competition and improvement in terms of productivity, while Lee (1995) discovered that increased imports of those products which were not available in the domestic market resulted in the increased productivity of manufacturing. Lamaj (2015) reports that the continuing reduction and removal of trade barriers has enabled more than 500 million people to lift themselves out of poverty in the past three decades, including 400 million in China. Yanikkaya (2003) argues that trade liberalization does not necessarily lead to growth but finds that trade barriers are positively associated with growth, especially for developing countries.

Despite significant efforts aimed at promoting international competition, there are sectors in which foreign trade policies are yet only partially adapted to the challenges associated with today's globalized economy (Perez Motta, 2016). Agricultural trade is one of such specific cases due to the vital importance of agricultural production and trade for ensuring food security. Both global and national dimensions of food security of a particular country are developed under the influence of two major types of economic policy, which are often countered with one another. On the one side, there is a global trend towards liberalization of economic and trade relations, which is facilitated in the framework of international organizations and various alliances of countries. Reduction and removal of administrative barriers to agricultural trade are mandated by the World Trade Organization (WTO). On the other side, countries tend to protect domestic producers, support the purchasing power of consumers, and

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