



Integrated Assessment of the Impact of Trade Liberalization

A Country Study on China's Rice Sector

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Foreword

Over the last two decades, China has undergone a series of market-oriented reforms that have resulted in China's dramatic economic growth in all sectors. In line with these market reforms, China's foreign trade market has, generally speaking, opened up, especially since the early 1990s. China joined the World Trade Organization (WTO) at the end of 2001, signifying further trade liberalization.

China's WTO membership will require trade-policy adjustments in line with WTO rules. China has agreed to reduce tariff rates, limit its domestic support to farmers to 8.5 per cent of production value (compared to 10 per cent for other developing countries), and eliminate agricultural export subsidies. For rice, a global tariff-rate quota of 2.66 million tons in 2002 will rise in annual increments to 5.32 million tons in 2005, at a 1 per cent tariff rate. At the same time, its out-of-quota bound tariff rate will fall from 114 per cent to 65 per cent. All these changes related to trade liberalization will have an impact on China's rice sector. Faced with new opportunities and challenges in trade liberalization, China's rice sector may benefit from a larger foreign market and an increase in technology transmission. However, it could also face more intensive competition from the world rice market.

Rice is one of the most significant crops in China's agricultural production, and the rice economy plays an important role in China's agricultural economy. Rice production is widely distributed across the country, and the rice growing area represents about 30 per cent of the total grain sown area. Consequently, changes in the rice sector will have an impact on most local economies and households in rural areas.

Rice production is closely related to the rural environment. Fertilizers, pesticides and films are all necessary chemical inputs in rice production, but they can also cause serious environmental damage. Methane emissions from rice paddy aggravate the greenhouse effect. In addition, rice production requires large quantities of irrigation water, which puts pressure on water resources.

However, with the introduction of some changes to the rice sector, trade liberalization could benefit the economy, rural society and rural ecologies.

Given the background described above, the goal of this project is to identify the positive and negative impacts of trade liberalization, enhance the country's understanding of the implications of multilateral trade rules, and improve its negotiating capacity. The ultimate goal is to formulate policies and policy packages to eliminate the identified negative impacts of liberalized trade and to maximize the positive ones through economic and regulatory instruments as well as through the application of voluntary private-sector initiatives, particularly in the context of the Agreement on Agriculture (AoA).

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United Nations Environment Programme

The United Nations Environment Programme (UNEP) is the overall coordinating environmental organization of the United Nations system. Its mission is to provide leadership and encourage partnerships in caring for the environment by inspiring, informing and enabling nations and people to improve their quality of life without compromising that of future generations. In accordance with its mandate, UNEP works to observe, monitor and assess the state of the global environment, improve the scientific understanding of how environmental change occurs, and in turn, how such change can be managed by action-oriented national policies and international agreements. UNEP's capacity-building work thus centres on helping countries strengthen environmental management in diverse areas that include freshwater and land resource management, the conservation and sustainable use of biodiversity, marine and coastal ecosystem management, and cleaner industrial production and eco-efficiency, among many others.

UNEP, which is headquartered in Nairobi, Kenya, marked its first 30 years of service in 2002. During this time, in partnership with a global array of collaborating organizations, UNEP has achieved major advances in the development of international environmental policy and law, environmental monitoring and assessment, and the understanding of the science of global change. This work also supports the successful development and implementation of the world's major environmental conventions. In parallel, UNEP administers several multilateral environmental agreements (MEAs) including the Vienna Convention's Montreal Protocol on Substances that Deplete the Ozone Layer, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (SBC), the Convention on Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention, PIC) and the Cartagena Protocol on Biosafety to the Convention on Biological Diversity as well as the Stockholm Convention on Persistent Organic Pollutants (POPs).

Division of Technology, Industry and Economics

The mission of the Division of Technology, Industry and Economics (DTIE) is to encourage decision makers in government, local authorities and industry to develop and adopt policies, strategies and practices that are cleaner and safer, make efficient use of natural resources, ensure environmentally sound management of chemicals, and reduce pollution and risks for humans and the environment. In addition, it seeks to enable implementation of conventions and international agreements and encourage the internalisation of environmental costs. UNEP DTIE's strategy in carrying out these objectives is to influence decision-making through partnerships with other international organizations, governmental authorities, business and industry, and non-governmental organizations; facilitate knowledge management through networks; support implementation of conventions; and work closely with UNEP regional offices. The Division, with its Director and Division Office in Paris, consists of one centre and five branches located in Paris, Geneva and Osaka.

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The Economics and Trade Branch (ETB) is one of the five branches of DTIE. Its mission is to enhance the capacities of countries, especially of developing countries and countries with economies in transition, to integrate environmental considerations into development planning and macroeconomic policies, including trade policies. ETB helps countries to develop and use integrated assessment and incentive tools for sustainable development and poverty reduction. The Branch further works to improve the understanding of environmental, social and economic impacts of trade liberalization and the trade impacts of environmental policies, and to strengthen coherence between Multilateral Environmental Agreements and the WTO. Through its finance initiative, ETB helps enhance the role of the financial sector in moving towards sustainability.

In the field of environmental economics, ETB aims to promote the internalization of environmental costs and enhance the use of economic instruments to contribute to sustainable development and poverty reduction, including in the specific context of Multilateral Environmental Agreements. The UNEP Working Group on Economic Instruments serves as an advisory body to UNEP-ETB's work programme on economics and has been instrumental in the preparation of UNEP publications on economic instruments.

For more information on the general programme of the Economics and Trade Branch, please contact:

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