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Thinking on Promoting International Trade Competitive Advantage of Agricultural Products in Guangxi Based on CAFTA Framework

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Abstract This paper analyzes the status quo and the existing problems of international trade development of agricultural products in Guangxi based on CAFTA framework as follows: the international trade of agricultural products in Guangxi shows a trend of rapid growth, but the structure of export products is simple; the distribution of export market is irrational; the export goods are mainly the resources-intensive goods and labor-intensive goods, with low added value of goods; the brand of agricultural products lacks strong overall international competitiveness. In the context of CAFTA framework, in order to foster the international trade competitive advantage of agricultural products in Guangxi, corresponding suggestions are put forward as follows: the structure of export market should change from the current simple status to diversified trend; the structure of export goods should gradually change from the current factor endowment to the orientation of international market demand; the agricultural production should change from the traditional agricultural products to advantageous complementary characteristic agricultural products; the trade structure should change from the land-intensive agricultural products to labor-intensive and technology-intensive agricultural products; the structure of merchandise trade should change from low-price vicious competition to high added-value competition; the governmental function should change from traditional one-way-direction-oriented function to modern integrated-service-and-supervision-oriented function that meets the requirements of export.

Key words CAFTA, Guangxi, Agricultural products, International trade, Competitive advantage, China

Guangxi has abundant agricultural resources, which is an important producing base and advantageous producing area of China's sugarcane, tropical fruit of South Asia, vegetable, cassava, poultry and livestock, fresh water aquatic product, sea water aquatic product, spice, oil, tea, silkworm, fast-growing and high-yield plantation, rosin, traditional Chinese medicinal materials, sisal hemp, tobacco and other agricultural products. The agricultural resources advantage plays great role in promoting the international trade competitive advantage of agricultural products in Guangxi, and realizing earning of foreign exchange and income increase of agriculture in Guangxi to much extent. Since the establishment of China-ASEAN Free Trade Area, the international trade of agriculture in Guangxi has grown prominently, and the progress it has achieved under CAFTA deserves recognition.

The international trade of Guangxi constantly focuses on giving full play to the comparative advantage of natural resources and labor force resources, so as to form the trade pattern of exporting capital-intensive products and technology-intensive products, and importing labor-intensive products and resources-intensive products. It can be said that exporting labor-intensive products conforms to the economic developmental level of Guangxi, and actually reflects the status quo of relatively abundant labor force resources in Guangxi. But with the deepening and propulsion of CAFIA mechanism, if Guangxi still merely relies on its development of comparative advantage and the trade cooperation with Association of Southeast Asian Na-

tions, it may be mired into the "comparative advantage trap", so that the trade conditions deteriorate, the benefit of trade decreases and so on. As a developing province, only by grasping the opportunity of establishment of China-ASEAN Free Trade Area, exerting the geographical advantage of bordering on the Southeast Asian Nations, actively exploiting and fostering competitive advantage of international trade on the basis of the existing comparative advantage, adjusting the existing international trade model, and promoting the competitiveness of important agricultural products in Guangxi in the context of China-ASEAN Free Trade Area, can Guangxi promote its strength and level of international trade, promote the depth and breadth its economic and trade cooperation with the Southeast Asian Nations, and realize the sustainable development of international trade in Guangxi under CAFTA. I analyze the status quo and characteristics of international trade of agricultural products in Guangxi, and put forward corresponding suggestions in order to foster the international trade competitive advantage of agricultural products in Guangxi under CAFTA.

1 The status quo and characteristics of international trade of agricultural products in Guangxi

1.1 The international trade of agricultural products in Guangxi shows a trend of rapid growth The import and export of agricultural products in Guangxi increase rapidly. In 2008, volume of imports and exports of agricultural products in Guangxi reached \$ 2.65 billion, increasing by 60%, with growth rate of 34.6 percentage points greater than that of the

year 1997. The volume of imports was \$ 0.79 billion, increasing by 70%, 47.6 percentage points greater than that of the year 2007; the volume of imports was \$ 1.86 billion, increasing by 56.1%, 29.5 percentage points greater than that of the year 2007. The adverse balance of trade reached \$ 1.08 billion, \$ 0.35 billion greater than that of the year 2007. Amid the agricultural products for import, the import volume of soybean reached \$ 1.51 billion, increasing by 76.3%, accounting for 81.2% of the total volume of import of agricultural products in the same period. In January, 2011, the volume of export of agricultural products in Guangxi reached \$ 122 million, an increase of 48.9%, 37.7 percentage points of growth rate greater than that of the year 2010^[1].

1.2 The structure of export products is simple Over the years, the main varieties of exported agricultural products in Guangxi are edible fruit and nut, melon, citrus fruit peel, fish, crustacean, mollusk, and other aquatic invertebrate products. The structure of export products is simple and the deep processing degree is not high^[2].

1.3 The distribution of export market is irrational In recent years, Vietnam, Brazil and the United States are the countries which have the largest amount of import and export of agricultural products of Guangxi. The export market of agricultural products in Guangxi is too concentrated, excessively relying on the market of Vietnam, the United States, South Korea and Hong Kong. The annual import volume of Vietnam is over 0.1 billion yuan, accounting for 70–80% of the total import volume of Guangxi from ASEAN^[3].

1.4 The export goods are mainly the resources-intensive goods and labor-intensive goods, with low added value of goods The export of agricultural products in Guangxi reflects the structural characteristics of resource endowments and comparative advantage of China's agriculture. As the research and development capacity of products is low, and there are few developed products, the specificity degree and quality of agricultural products cannot meet the need of processing industries; the deep processing degree of products is insufficient, and the rate of increase of value through processing is low. Statistics show that the processing rate of agricultural products in whole region is only 40–50%, and secondary deep processing only accounts for 20%, while in developed countries, the processing rate of agricultural products, in general, is more than 90%; the ratio of agricultural primary products and agricultural processed products in developed countries is 1:5, while the ratio of agricultural primary products and agricultural processed products in China is only 1:0.8^[4]. The biggest processing industry of agricultural products in Guangxi is sugar industry, followed by processing industry of animal feed and processing industry of edible vegetable oil. Some products, such as fruits and seafood, have small processing amount, low grade, and low added value when they are sold overseas after rough processing.

1.5 The brand of agricultural products lacks strong overall international competitiveness Generally speaking, agriculture in Guangxi mainly focuses on traditional planting and breeding, so amid the export products, the labor-intensive

products have a relatively large proportion, while the export share of products with high technology content is small. For example, among the finished products which are classified according to raw materials accounting for about 20 percent, a large portion of them are the primary processed products and light industrial products, such as wooden products, bamboo products and hand-plaited straw articles. It indicates that Guangxi is at primary or intermediate stage of industrialization, with weak international competitiveness of agricultural products. The quality problems of export agricultural products in Guangxi focus on the gathering quality, postharvest handling and packaging standards, such as poor image of the products, absence of good brand, rough packaging, shortage of quality assurance and so on. The major countries of ASEAN which export agricultural products have mature technologies of agricultural production, packaging, fresh-keeping, and so on. But Guangxi still lingers at the model of production by scattered farmers, with no standardized production, so that the quality cannot be guaranteed, and it is vulnerable to the impact of pesticide residues, seriously blocking the export of agricultural products. Meanwhile, the agricultural support and protection system is not perfect, and some products are with the problems of pesticide residues and additives. In addition, the quality of agricultural products is uneven, with weak international competitiveness.

2 Suggestions of fostering the international trade competitive advantage of agricultural products in Guangxi in the context of CAFTA framework

With the further advance of CAFTA, Guangxi must have a rational judgment on the self-advantage and the existing problems at the current stage. Based on principles of intensive growth and sustainability, the international trade development of Guangxi with countries of ASEAN, should not merely stay at the level of pursuing quantitative growth, but actively pursue the change into quality and efficiency, and realize the transformation from comparative advantage into competitive advantage.

2.1 The structure of export market should change from the current simple status to diversified trend

The export market of agricultural products in Guangxi Province is too concentrated, and in recent years, Vietnam, Brazil and the United States are the countries with the largest import amount of agricultural products in Guangxi. The trade volume of Guangxi in the year 2008 to Vietnam was \$ 3.124 billion, an increase of 31.4 percent, accounting for 78.3% of the trade volume to ASEAN^[5]. According to reports, in comparison with the same types of fruits of Guangxi, the fruits of Vietnam have the advantage of precocity and long-term supply. The fruit farm produce and processed product bring great brunt to the fruit market of Guangxi. Since 2010, the Vietnamese fruits, such as longan, litchi, watermelon, dragon fruit, and rambutan, as well as dried pineapple, dried taro and other processed products, pour into the market of Guangxi, which has an impact on the sales of the same type of agricultural products in Guangxi, so the trade of

agricultural products in Guangxi has a great market risk.

In order to reduce the risk of trade of agricultural products, we must optimize the structure of export markets. In Guangxi, Guangxi should give full play to the advantage of coastal port of Guangxi, and establish cross-sea economic cooperative zone of the Beibu Gulf port of Guangxi and main ports of ASEAN. Meanwhile, in terms of the development of Beibu Gulf Economic Zone in Guangxi, we should establish "4 + 1" operation model, namely "bow-shape" economic belt of Beihai City, Yulin City, Wuzhou City, Hezhou City and Guigang City, which provides the support of extensive hinterland for the development of economy and trade in Beibu Gulf of Guangxi, so as to make the trade of agricultural products divert to several regions and countries of ASEAN, realize the diversification of export markets, and reduce the export risks caused by concentration of the target markets. In addition, we should adopt a variety of marketing strategies, stabilize traditional export markets, exploit export potentialities of the international market, further expand the markets of Europe and North America, develop the emerging markets of ASEAN and the Middle East, expand the export scale of agricultural products of Guangxi, and elevate the international market share of agricultural products.

2.2 The structure of export goods should gradually change from the current factor endowment to the orientation of international market demand Zero tariff will weaken the traditional advantages of Guangxi, such as geographical condition, resources, policies and so on, and aggravate the international market competition of the similar agricultural products and processed products between Guangxi and ASEAN. In order to create competitive advantage, Guangxi must first achieve the transformation of trade structural orientation. Guangxi should focus on the two basic points of resources and market, and adhere to the overall arrangement according to comparative advantage and overall arrangement according to market demand. It should not only take into account the resource conditions in all regions, but also take into account the market potential, so as to propel the basic elements with comparative advantage towards high-level elements, and avoid the export situation of "immiserizing growth".

The resource endowment of Four Little Dragons of Asia is basically the same as that of Guangxi, and their former economic basis is also similar, but Four Little Dragons of Asia realize the transformation from the factor-endowment-oriented strategy to international-market-demand-oriented strategy in just a few decades, then they achieve dramatic economic growth, and the competitive advantage of their products in international market is more and more prominent. Four Little Dragons of Asia provides a successful example for Guangxi.

In the past, Guangxi mainly relied on its own supply conditions and resource-endowment-oriented policy, to participate in international competition. Certainly, the trade structure of Guangxi still focuses on labor-intensive products in the future for a long time. However, Guangxi needs to resume the market orientation; promote strategic adjustment of agricultural structure, from the products and industries without competitiveness

to the products and industries more suitable for international market demand; seek export opportunities from the perspective of market, to develop the emerging markets with rosy prospects and the export products that answer the demand of these markets; on the basis of comparative advantage, adjust the import and export structure of agricultural products; by referring to the allocation of international agricultural resources, adjust the allocation of domestic agricultural resources; strengthen competitiveness of export products.

2.3 The agricultural production should change from the traditional agricultural products to advantageous complementary characteristic agricultural products Guangxi, an important transport hub between China and the countries of ASEAN, is the sole province which has course of transit of sea, land and air leading to the countries of ASEAN; it is also the point of connecting the east and the west of China, the point of intersection and radiation of "one axis – two wings" economic zone of China-ASEAN, and major thoroughfare leading to sea westward, with extremely prominent geographical conditions. With China-ASEAN free trade area in full swing, the agriculture of Guangxi has the advantages of "good timing, geographical convenience and good human relations", which is facing unprecedented opportunities for development.

In Guangxi, the production of pig, poultry, aquatic product, edible oil seed, canned mushroom, medicinal herb, silk, star anise, fennel oil, pine resin, tea and so on has certain advantages; within farming, the ratio of rice and fruit is 13.0% and 8.0% respectively, Thailand 25% and 16%, and Vietnam 49.9% and 10.3%. The ratio and output value of rice and fruit of Guangxi are lower than that of Thailand and Vietnam. The ratio of vegetables in Guangxi reaches 20.8%, far greater than 3.7% of Thailand and 8.3% of Vietnam^[5]. Malaysia, the Philippines and Indonesia are major producing countries of tropical cash crops, quite different from the agricultural structure of Guangxi, with strong complementariness of trade and cooperation. In addition, Malaysia, the Philippines and Indonesia have certain advantage on means of agricultural production, such as agricultural machinery, fertilizer, pesticide, seed and so on, and processing of agricultural products. Therefore, in order to promote the competitiveness of agricultural products, Guangxi must intensively cultivate various types of advantageous agricultural products with market competitiveness; gradually form reasonable layout of agricultural productivity in Guangxi; reduce the blindness and convergence of structure; focus on developing the marketable characteristic industries with the wide market prospect that can have good economic benefit and increase farmers' income; improve the market competitiveness of agricultural products.

2.4 The trade structure should change from the land-intensive agricultural products to labor-intensive and technology-intensive agricultural products Resources advantage is not tantamount to industrial advantage. Guangxi should not blindly emphasize the advantage of geographical conditions and the advantage of environment, but exploit the advantage of technological innovation. China is a country with a large popula-

tion, and the land resources and funds for construction are limited, so it should export labor-intensive and technology-intensive agricultural products with comparative advantage. The factor endowment and technological condition of Thailand, in general, is close to the factor endowment and technological condition of Guangxi. Thailand relies mainly on exports of agricultural products and labor-intensive products, but it has become one of the member countries with relatively high level of economic development in ASEAN. The competitive advantage of export goods of Thailand is very prominent, whose experience has the significance of valuable reference for Guangxi which has not entirely leapt from labor-intensive export goods to technology-intensive export goods. In the mid-eighties of 20th century, the Thai government realized that it must develop technology-intensive export goods, and reduce labor-intensive export goods, or else the labor-intensive export goods will eventually be replaced by the export goods of countries whose production cost is low. Guided by this thought, the Thai government applied new technology to the process of production of agricultural products. Although the export products are mainly the labor-intensive products, the products of Thailand have prominent competitive advantage, due to improvement of technological content.

In order to promote the trade of agricultural products of Guangxi, it must adjust the agricultural structure, improve the quality of agricultural products, give full play to its comparative advantage, build brands, and improve the competitiveness of international trade of agricultural products. In addition, it must focus on the development of new, multi-layered and fine products and focus on the elevation of quality and technological level of labor-intensive products, so as to form its own competitive advantage. First, it should study and introduce new varieties of agricultural products and help farmers promote and apply these new varieties. For example, it should vigorously promote the new high-quality varieties of vegetables introduced from home and abroad, such as A-175 watermelon, Lubao 168 watermelon, Xiaoqilin watermelon, Luyumiben pumpkin and so on. Second, it should focus on developing high-quality new varieties of products, and realize diversification of the varieties of export products. For example, through many years of scientific and technical personnel's efforts, in terms of seed selection and popularization of new vegetable varieties, soilless cultivation techniques, drip irrigation technology, horticulture and other aspects of the research and promotion of modern agricultural technology, it has made remarkable achievements. At present, the fruit export of Guangxi is in the face of the pressure of intense competition of Vietnam, Thailand and other countries of ASEAN, so it should exploit and develop new technology, in order to improve the competitiveness of agricultural products.

2.5 The structure of merchandise trade should change from low-price vicious competition to high added-value competition At present, the export structure of China's agricultural products is irrational. The export of the primary agricultural products accounts for 80% and the export of deep processed agricultural products accounts for 20%, so in the future, we should focus on developing deep processing of agri-

cultural products, which is the most effective way for agricultural products to give play to comparative advantage of agricultural products and expand export.

2.5.1 Depend on the science and technology to invigorate agriculture and realize increment of value by deep processing. As the current production in Guangxi focuses on farmers' decentralized management, the level of agricultural industrialized operation is relatively low, the scale of bases is small, and there is a shortage of effective agricultural operation subjects and strong agricultural organization system, so the level of agricultural technology is low, the processing costs of products are high, and it is in unfavorable circumstance in the process of competition. By elevating the level of science and technology, extending the industrial chain, introducing modern production factors and so on, Guangxi should increase the proportion of processing industry of agricultural products by a large margin, and increase added value of agricultural products. Guangxi should increase technological input in products; strive to improve the technological content and added value of products; on the basis of inheriting the existing comparative advantages, stick to technology innovation; develop deep processing of agricultural products and byproducts with comparative advantage; increase added value and technological content as far as possible; realize the transformation from exporting simple labor-intensive products to exporting intellectual labor-intensive products.

2.5.2 Extend agricultural industrial chain and realize increment of value of agricultural products. On account of seasonal characteristics, and relatively centralized ripening time and time for market of agricultural products, the development of processing industry of agricultural products and extension of agricultural industrial chain can increase the income of farmers steadily. First, it can ease off the pressure of fresh marketing of agricultural products. Second, it can stabilize the price of agricultural products and increase farmers' income. Third, it can promote the upgrading from simple agricultural products to multi-layered processed products, and increase added-value of agricultural products. Taking litchi as an example, apart from being as fresh fruit, there are a series of processed products, such as dried litchi, litchi fruit wine, canned litchi, litchi drink and so on, after processing of litchi, which has further extended industrial chain of litchi and elevated the value of litchi. 18 processing enterprises of canned fruit, fruit wine, preserved fruit in Qinzhou City can process 50 000 tons of fresh fruits of litchi and 0.1 million tons of fresh fruits of pineapple, citrus, plum, pear and so on. It has realized the transformation from the advantage of agricultural resources to the advantage of industry, and increase of value of agricultural products.

2.5.3 Introduce the modern production factors and promote the grade of agricultural products ceaselessly. Vegetable is one of the mass varieties of agricultural products in Guangxi that are exported to ASEAN, but the agricultural products of Guangxi that are exported to Thailand are non-perishable vegetables, mushrooms, dried bamboo shoot and other dried products, lacking fresh green vegetables. The reason is as follows: the preservation technology is not up to standard; after picking of vegetables, the development of grading, packaging, storage,

preservation, and refrigerated transportation is backward, focusing on simple storage; the vegetables that are exported to ASEAN have low quality and low grade, and neglect packaging, so most of the vegetables that enter the bazaar and supermarket are the low-grade products, and the price of these vegetables is also universally lower than that of the products of the same type in other countries; in terms of quality, the nutrition, taste, appearance, hygiene, and safety of vegetables have a large gap with that of the developed countries. There are few opportunities for agricultural products of Guangxi to enter Malaysia, Indonesia, Singapore and other medium-and-high income countries. Therefore, it should vigorously introduce modern production factors, greatly improve the quality of laborers, play the significant role of modern science and technology, management, information, resources and other factors in modern large-scale production, ceaselessly improve the grade of agricultural products, and improve the competitiveness of agricultural products.

2.6 The governmental function should change from traditional one-way-direction-oriented function to modern integrated-service-and-supervision-oriented function that meets the requirements of export To improve the competitiveness of international trade of agricultural products, the role of government is extremely critical, and the function of government must change from traditional one-way-direction-oriented function to modern integrated-service-and-supervision-oriented function that meets the requirements of export.

2.6.1 Strengthen the management of quality safety of agricultural products. Strengthening the quality and safety management of agricultural products is the fundamental way to eliminate "green barrier" of international trade. It should gradually carry out test of agricultural products and food, further promote the standardization of production, establish quality monitoring system, further perfect the test and safety monitoring system of export agricultural products, focus on strengthening and improving the test work concerning advantageous export agricultural products and related agricultural inputs, and improve the competitiveness of China's agricultural products in international market.

2.6.2 Establish the warning mechanism of technological trade barrier. The government should strengthen the construction of web sites of communication and consulting, establish overseas technical trade barriers information center and database, timely release warning information, provide services of information consulting for enterprises, strengthen the research on technical standards, technical policies, relevant regulations, standard structure and standard content of developed countries and

China's major trading partner countries, and pay close attention to the new trend of changes of global technical trade measures, so that the agricultural products are up to the international standards and avoid falling into the trap of technical barrier.

2.6.3 Implement the strategy of green brand. Nowadays, the competition of international market has entered the era of brand competition, so if we want to break through the green barriers in the trade of agricultural products, we must take the brand road of "recognition by market". Therefore, the government should guide enterprises to take the road of standardized production, strictly in accordance with international standards and market access standards of the countries of ASEAN, and help the agricultural production and processing enterprises to obtain domestic and foreign market access qualification. In the process of development, the enterprise should seize this opportunity, and vigorously develop agricultural and animal husbandry products of green brand. The specialized households, bases and enterprises should establish and enhance brand awareness, and learn to build brand, especially the green brand.

3 Conclusion

Guangxi must grasp opportunities brought by the establishment of China-ASEAN Free Trade Area, strengthen the adjustment of international trade industry, realize rapid development of international trade in Guangxi, and improve the international competitiveness of agricultural products in Guangxi.

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