

雲南與東南亞的農產品貿易：中國-東協自由貿易協定的石蕊試紙

周觀琪

雲南大學經濟學院農村發展研究中心助教

馬克斯·史密斯

澳洲福臨德斯大學商學院講師

克特·安德森

澳洲福臨德斯大學政治與國際研究學院資深講師

關鍵字：雲南、東南亞、農產品貿易、中國-東協自由貿易協定

中文摘要

2002 年 11 月 4 日中共總理朱鎔基與東協 10 國的領袖簽署「東協—中國全面經濟合作框架協議」(Framework Agreement on Comprehensive Economic Cooperation)，同意在 2010 年成立「中國—東協自由貿易區」(China-ASEAN Free Trade Area, ACFTA)，並將農業、資訊產業、人力資源開發和湄公河(Mekong River)流域開發等確定為雙方新世紀初的重點合作領域。

雲南位於中國西南，具有連接東亞、東南亞與南亞次大陸的特殊地理位置。雲南同時也與緬甸、高棉、寮國、泰國與越南共享湄公河。由於此一有利的地理位置，雲南在中國與東協國家雙邊貿易上扮演著重要的角色。2001 年雲南與東協國家的貿易總額僅 7 億美元，但至 2006 年則已激增至 22 億美元，佔雲南該年度對外貿易總額的 34.8%。2007 年農產品躍升為雲南與東協國家貿易的大宗。當 ACFTA 優惠貿易政策與關稅免除實施後，無論是在種類與數量上，雲南從東協國家進口與出口皆呈現成長的趨勢。但是，本文發現儘管雙邊貿易增加、政府政策支持以及基礎建設發展雲南與東協國家，但仍存在重大問題。因此，政府政策的成果僅堪稱小有成果。

Yunnan's Trade in Agricultural Products with Southeast Asia: A Test Case for the China-ASEAN Free Trade Agreement

Zhou Guan Qi

Center for Rural Development Studies,
Yunnan University

Max Smith

Flinders Business School
Flinders University

Curtis Andressen

School of Political and International Studies
Flinders University

**Key words : Yunnan, Southeast Asia, China-ASEAN
FTA, Trade in Agriculture**

Introduction

China's economy has been booming since the early 1990s, propelled by open door trade and investment policies and well-trained, low-cost labour. Over the past fifteen years China's exports have increased more than

tenfold, substantially exceeding the tripling of world trade during the same period. It is now the world's second largest exporter, only slightly behind Germany,¹ and is seeking to consolidate its economic and political position through bilateral and multilateral Free Trade Agreements.

Yunnan, located in southwestern China, enjoys a special geographic position. It links East Asia, Southeast Asia and the South Asian subcontinent. Yunnan also connects Myanmar, Laos, Thailand, Cambodia and Vietnam together along the Mekong River. With its unique advantageous location, Yunnan plays an important role in China's bilateral trade with the Association of Southeast Asian Nations (ASEAN) countries. On 4 November, 2002, Chinese Premier Zhu Rongji and the leaders of the 10 ASEAN countries signed the *Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China* to establish the China-ASEAN Free Trade Area (CAFTA) in 2010.² It will create a potential market of 1.8 billion people and a regional gross domestic product of approximately USD1.7 trillion along with estimated trade valued at \$1.4 trillion.³ The total trade between Yunnan and ASEAN in 2001 was only USD 709

¹ CIA World Factbook. [<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html?countryName=China&countryCode=CH®ionCode=eas#CH>]

² See detailed articles of the Agreement at <http://gjs.mofcom.gov.cn/aarticle/Nocategory/200212/20021200056711.html>.

³ Ramos, Fidel, 'The China-ASEAN Free Trade Area (CAFTA): Challenges, Opportunities, and Potentials', *World Economics and Politics*, no.1, 2004, p.61.

million, but reached USD 2.2 billion in 2006, accounting for 34.8% of Yunnan's total external trade in that year.⁴ The forthcoming implementation of CAFTA will put Yunnan Province at the forefront of China's cooperation with ASEAN. Anticipating this regional trading framework, on 18 June, 2003, China and Thailand signed the 'Early Harvest Plan'. Under this agreement China and Thailand eliminated tariffs on the trade of 180 vegetables and 80 kinds of fruit.

The 'Early Harvest Plan' is a pioneering step for regional economic cooperation. According to Chinese Customs statistics, China imported from Thailand 2.82 million tons of vegetables and fruits (worth USD420 million) from October 2003 to September 2004. This represents a 58.4 percent increase in amount and a 120 percent increase in value, compared to the same period the previous year. In the same period, China exported to Thailand 0.18 million tons of fruits and vegetables to Thailand and fruits (worth USD 69.83 million), which was a 170 percent increase in volume and a 160 percent increase in value compared to the same period the previous year. As the closest Chinese province to Thailand, Yunnan province also benefited significantly, with realizing a 19 fold increase in the volume of its fruit and vegetable trade during this same period.

There are problems, however. Transportation networks are inefficient and costly. Quarantine and other

⁴ Yang Yubai and Li Yifeng, 'Yunnan's Opening and Economic Cooperation with ASEAN', Inquiry into Economic Issues, no.8, 2007, p.188.

non-tariff barriers are becoming more significant. Differences exist on how different fruits and vegetables are classified, and this affects whether or not tariffs are applied. This particular trade, therefore, is a test case for the China-ASEAN Free Trade Area, scheduled to take effect in less than a year. This paper therefore aims to examine the anticipated impact of CAFTA on Yunnan-Thailand trade in fruit and vegetables. An identification of strengths and weaknesses in this trade will highlight not only issues with respect to regional trade, but the extent to which China will be able to expand its economic (and, in turn, political) influence in the region.

Context

It is clear that the lack of progress on eliminating trade barriers among member countries of the WTO, and the same problem within the large multilateral trading system of APEC, has led to both smaller regional trading agreements in the Asia-Pacific region as well as a plethora of bilateral FTAs. In this context CAFTA is a logical development for both China and ASEAN.

In 2007 China's top trading partners in 2007 were, in order, the US, Hong Kong, Japan, South Korea and Germany. Of the ASEAN countries, Singapore and Malaysia ranked 8th and 10th respectively. Singapore was listed as number 8 in terms of China's export destinations, a 29.8 per cent increase over 2006. In terms of import sources for China, Malaysia was ranked as number 6, the Philippines as number 8 position and Thailand as number 9. For all three countries the change over 2006 is

significant, at 21.5%, 31.9% and 25.6%, respectively.⁵

China-ASEAN Trade

Table 1 highlights China's dramatic growth in trade with ASEAN. Although the value of trade with ASEAN members increased 15-fold between 1994 and 2007, ASEAN's proportion of China's overall trade increased by only marginally, an indication of the rapid growth of China's trade in general, and also the potential for stronger trade with ASEAN in the future. This is one of the underlying reasons for the creation of CAFTA.

Table 2 breaks down China's trade with ASEAN by country, in 2000 and 2006. It is clear that Singapore was China's most important destination for both exports and imports, though this is, in part, due to the island's role as a regional distribution point as well as being a Chinese enclave in Southeast Asia. Total two-way trade increased roughly four-fold between 2000 and 2006. Singapore is closely followed by Malaysia, Thailand and Indonesia. In all three countries two-way trade has increased significantly – approximately three-fold for Indonesia, four-fold for Malaysia and five-fold in the case of Thailand.

Table 1: China-ASEAN trade, 1994-2007, in USD hundred million

⁵ The US-China Business Council. Forecast 2008 – China's Trade Performance [www.uschina.org/public/documents/2008/02/2008-trade-performance.pdf].

Year	Total exports and imports	Exports	Imports	China's deficit
1994	132.1	63.8	68.3	4.5
1995	203.7	104.7	99.0	3.7
1996	211.6	103.1	108.5	10.0
1997	251.6	127.0	124.6	3.0
1998	236.4	110.8	126.1	16.4
1999	272.0	122.8	149.3	27.0
2000	359.2	173.4	221.8	48.4
2001	416.2	183.9	232.3	48.4
2002	547.7	235.7	312.0	76.3
2003	782.5	309.3	473.3	164.0
2004	1058.8	429.0	629.8	200.8
2005	1303.7	553.7	750.0	196.3
2006	1608.4	713.1	895.3	182.2
2007	2025.5	941.8	1083.7	141.9

Source: China Customs statistics, 2008.

Table 2: China-ASEAN trade by country, 2000 and 2006, in USD thousand

Year	2006 (a)			2000 (b)			(c)		
	Total	Exports	Imports	Total	Exports	Imports	total	exports	imports
Brunei	31494	9963	21531	7437	1302	6135	3.23	6.65	2.51
Myanmar	146007	120742	25265	62126	49644	12482	1.35	1.43	1.02
Cambodia	73286	69776	3509	22355	16406	5949	2.28	3.25	-0.41
Indonesia	1905546	944971	960574	746377	306182	440195	1.55	2.09	1.18
Laos	21836	16872	4965	4084	3442	642	4.35	3.90	6.73
Malaysia	3710951	1353707	2357243	804487	256487	548000	3.61	4.28	3.30
Philippines	2341270	573813	1767456	314173	146441	167732	6.45	2.92	9.54

Singapore	4085791	2318529	1767262	1082067	576104	505963	2.78	3.02	2.49
Thailand	2772649	976406	1796243	662404	224325	438079	3.19	3.35	3.10
Viet Nam	994943	746336	248608	246641	153726	92915	3.03	3.85	1.68

Source: China Statistical Yearbook, 1998-2007, Tables 17-7 and 18-7.

Note: (c) = (a-b)/(b)

China's increasingly visible FDI into Southeast Asia reinforces these trends. As Shu and Andressen point out, 'As more Chinese companies go overseas, Southeast Asia will be one of the main investment destinations with low manufacturing costs and a substantial new market. In recent years, China's investment in Southeast Asia witnessed an annual average growth rate of 60 per cent and many companies have gained a strong foothold'.⁶ Most of this investment has been in the area of raw materials and especially commodities linked to energy, but there has also been some increase in manufacturing, especially by Chinese state-owned enterprises seeking comparative advantage in production. China-ASEAN trade and investment is therefore significant and growing, and this reality underpins the forthcoming CAFTA.

Yunnan and ASEAN

The province of Yunnan, in southeastern China, borders Myanmar, Laos and Vietnam. For thousands of years it has been a trading center, connecting Southeast

⁶ Shu, Ping and Curtis A. Andressen. "Competition for Influence: A Comparison of Chinese and Japanese FDI in Southeast Asia". *Taiwanese Journal of WTO Studies* IX (2008), p. 172.

Asia and China. It was also a part of the Southern Silk Road. Kunming became more involved in international business after completion of the railway connecting Dian with Vietnam in 1910. Then, during the Pacific War Kunming was one terminus of the Burma Road as well as the headquarters of General Claire Chennaux and the Flying Tigers.

With China's open-door policy and the more recent focus on developing the western regions of China, Yunnan's trade with the outside world has grown significantly. For example, its agricultural products are now sold to 59 countries and regions which, besides the traditional ASEAN countries, include the EU, whose market has been growing dramatically in recent years. In addition, the value of Yunnan's exports to South Asia was USD 90 million in 2008, an increase of 60.6% over 2007, accounting for 9.4% of Yunnan's total exports.⁷

Among all of Yunnan's exports and imports, agricultural products have been growing fastest. According to Kunming Customs, agricultural products became the main item of Yunnan-ASEAN trade in 2007. After preferential trade policies and tariff waivers came into operation, Yunnan's imports from and exports to ASEAN increased, both in variety and quantity. By the end of 2007, Yunnan exported 384,000 tons of agricultural products to ASEAN, with a value of USD 210 million. This equates to an 18.7% increase in volume and a 28.2% increase in

⁷ "Focus on South Asia: A New Phenomenon: The Rising Trading Position of South Asian Countries in Yunnan Province". [http://www.south-asia.org/Article/ShowArticle.asp?ArticleID=157]

value compared to that of the previous year. In addition, in 2007, Yunnan imported 517,000 tons of agricultural products, valued at USD 76.87 million. This represents an 87.3% increase in the volume of imports and an 87.6% increase in the value of imports compared to that of the previous year.⁸

There was also an increase in the complexity of trade. From January to November of 2007, Yunnan imported 37,000 tons of fruit with tropical characteristics, equivalent to USD 23.11 million, which were increases of 54.2% and 50.4 %, respectively, compared to that of the previous year. To be specific, Yunnan imported 33,000 tons of dried longan, equivalent to USD 19.66 million, which was a 33.2% increase compared to that of previous year; 33,500 tons of sugar cane, equivalent to USD 7.77 million, which was a 160% increase compared to that of the previous year; 10,000 tons of palm oil, equivalent to USD 7.95 million, which was a 71.1% increase; and 11,000 tons of sesame, equivalent to USD 7.13 million, which was a massive 1300% increase.⁹

The Greater Mekong Sub-Region

⁸ Kunming Customs. "Agricultural Products Trade between Pan—Pearl River Delta Region and ASEAN".

[<http://kunming.customs.gov.cn/publish/portal174/tab2503/module12201/info125691.htm>]

⁹ Kunming Customs. "Agricultural Products Trade between Pan—Pearl River Delta Region and ASEAN".

[<http://kunming.customs.gov.cn/publish/portal174/tab2503/module12201/info125691.htm>]

The Lancang-Mekong River is 4880 kilometers long, and travels through Qinghai, Tibet and Yunnan provinces in China, and five Southeast Asian countries. Excluding Qinghai and Tibet, this expanse is known as the Greater Mekong Sub-region (GMS), which refers to the six countries and areas along the Mekong River; namely, Cambodia, Vietnam, Laos, Myanmar, Thailand, and Yunnan province in China. The GMS covers 2.57 million square kilometers, and has a population of 320 million people. In 1992, after stimulus from the Asia Development Bank, six countries and areas along the Lancang-Mekong River initiated the GMS economic cooperation regime, in order to strengthen economic ties among these countries and areas, promote economic and social development in the sub-region and reach common prosperity. As a participant and the sponsor, the Asia Development Bank is in charge of providing technical and financial support for the implementation of GMS projects.

The GMS is a region rich in water, biological diversity, minerals and other natural resources. It connects China, Southeast Asia and South Asia to each other and also has great potential for tourism. For example, the ancient Chinese town of Lijiang, and the historic ruins of Angkor Wat in Cambodia are both located within the GMS. As such, the GMS is a region of great economic and historic importance.

Although the GMS is resource-rich, it is also characterized by a lack of social and economic development. Indeed, some countries, such as Cambodia, Myanmar and Laos, are classified by the United Nations

as among the least developed countries in the world. In the past few years, countries in the GMS have started economic reform, adjusted their industry structure and implemented open-door policies. As such, economic development has become a common goal of GMS countries.

The GMS economic cooperation is project oriented. After a decade of development, the GMS has become the fastest growing integrated region in the world, with annual economic growth of over 6%. At the end of 2007, GMS economic cooperation concentrated on infrastructure construction, cross-border trade and investment, private sector participation, human resource development, environmental protection and the sustainable utilization of natural resources. The resulting projects, 180 in total, with a value exceeding USD10 billion, cover the transportation, energy, telecommunication, environment, agriculture, human resource development, tourism, and trade and investment sectors.¹⁰

China, especially government officials from Yunnan and the Guangxi Zhuang Autonomous Region, paid great attention to, and participated actively in the planning of GMS economic cooperation. They have been particularly involved in the promotion and construction of projects in the fields of transportation, energy and telecommunications.

¹⁰ Yunnan Provincial Financial Bureau. "Participation in Cooperation with GMS".

[<http://www.yn.gov.cn/yunnan,china/73466068433108992/20071015/1158332.html>]

Trans-Asian Railway and the Kunming-Bangkok Road

The Trans-Asian Railway (TAR) is an integrated railway network connecting regions across the Eurasia continent, and was designed by the Economic and Social Committee of the Asia-Pacific (ESCAP), a part of the UN.

The idea of building the TAR started in the 1960s, but stagnated due to economic and political obstacles before and during the Cold War. In order to smooth the flow of goods within European and Asian countries, a Memorandum of Understanding (MOU) on building the TAR was signed at the fifth ASEAN Transportation Ministry Conference held in Hanoi, during September 1999. The TAR starts at Kuala Lumpur, then heads to Bangkok, Phnom Penh, Ho Chi Minh City, and Kunming (see the solid lines in Map 1). The planned completion date of the TAR is 2010, and it is anticipated that this will enhance the trade in commodities within Europe and Asia.

The Kunming-Bangkok road starts from the Kunming-Yuxi expressway in Yunnan/China, and finishes at Bangkok in Thailand. It is approximately 1800 kilometers in length and winds its way through southwestern China, Laos and Thailand (see the dotted lines in Map 1). The Chinese section runs from Kunming to Mohan port, and is 827 kilometers long; the Lao section runs from Mo Ding to Houayxay, and is 247 kilometers long; while the Thai section, running from Houayxay, across the Mekong River to Bangkok, is 813 kilometers long.

Among these three countries, Laos was the last to start construction, which began in 2004. The entire Kunming-Bangkok Road was finished in August, 2008, and has become an important transport link between the two cities. This is especially important for trade in agricultural products between the two countries, where product perishability and 'time to market' are important considerations. Moreover, the development of these transportation corridors has therefore not only connected

Map 1¹¹
The TAR and Kunming-Bangkok Road



¹¹ Source of map: http://www.chinahighway.com/zt/zt_info.php?id=224

Yunnan to continental Southeast Asia, but also to the Indian and Pacific Oceans.

The Fruit and Vegetable Trade

There has been substantial growth in the exports of agricultural products worldwide over the past forty years. In 1970, USD52.1 billion worth of agricultural goods was exported around the globe, compared to USD522 billion in 2003. This equates to a ten-fold increase. The average growth rate was 7.2% though this was outpaced by fruit and vegetables, whose average growth was 8.3%. Moreover, while agricultural production decreased in Europe and increased only marginally in North America during this period, in Asia there was modest growth. Developed countries carry out the majority of the trade in fruit and vegetables and the top 15 countries who trade in this area account for approximately 76% of world imports and 74% of world exports. In other words there is a great concentration of trade in this field.¹²

Yunnan's Gross Domestic Product (GDP) was 295.9 billion Yuan (USD36 billion) in 2004, 2.18% of China's total, and the 29th highest provincial GDP in China. Only Gansu and Guizhou provinces had a lower GDP. Per capita GDP of Yunnan in 2004 was 4850 Yuan (USD600), the 19th highest in China. At that time there were 7 million people living under the poverty line in Yunnan, and 73 counties depending on financial support from the central

¹² Food and Agriculture Organization of the United Nation. "Statistics on Agricultural Products Exports".
[http://www.stats.gov.cn/tjsj/qtsj/gjsj/1995/t20020325_402279737.htm]

government. The four industries supported by the Yunnan government were tobacco, bio-technology, mining and tourism.¹³

In 2005, the GDP of Yunnan reached 347.23 billion Yuan (USD43 billion), a 9.0% increase compared to that of previous year. The export and import amount was USD 4.74 billion, increased by 26.6% compared to that of previous year, among which export amount was USD 2.64 billion and import amount was USD 2.10 billion, 18.0% and 39.4% increase compared to those of previous year respectively. In the end of 2005, there were 2.48 million people living under poverty line, and the number showed an obvious downward trend.¹⁴

In 2006, the GDP of Yunnan jumped to 400.67 billion Yuan (USD50 billion), increased by 11.9% compared to that of previous year. In this year, per capita GDP of Yunnan went above USD 1000, which is a cornerstone for Yunnan to work on reducing population under the poverty line.¹⁵

In 2007, the GDP of Yunnan reached 470 billion Yuan (USD62 billion), an increase of 12% compared to that of previous year. Compared to different numbers in 2006, fixed asset investment increased by 26.1%, export and import amount increased by 41%, and income of

¹³ Baidu Encyclopedia (Baidu Baike). "Introduction on Yunnan".
[<http://baike.baidu.com/view/7242.htm>]

¹⁴ Ibid.

¹⁵ Ibid.

urban and rural population increased by 7.8% and 10 % respectively.¹⁶

Yunnan exports primarily apples, pears, and oranges in the fruit category, and potatoes, mushrooms and garlic in the vegetable category. These products are mainly exported to Asia and to Thailand in particular.¹⁷

All of this is to say that for the Province of Yunnan, the fruit and vegetable industry is very important. It also plays a role in balancing China's trade in this area. China imports more food than it exports though it is still a major producer of fruits and vegetables, at 506,634 thousand tonnes in 2004.¹⁸

Reasons for Yunnan's Success in the Fruit and Vegetable Industry

1) Climate

Yunnan province, in southwestern China, has a diverse geographic structure and climate with habitats ranging from tropical monsoon forests to high snow covered mountains. For example, the altitude of northwestern Yunnan ranges from hundreds to thousands

¹⁶ Baidu Encyclopedia (Baidu Baike): Introduction on Yunnan. [<http://baike.baidu.com/view/7242.htm>].

¹⁷ Kunming Customs statistics.

¹⁸ In 2004 China exported 1,003,665 million US dollars worth of agricultural goods but imported 1,029,406. Food and Agriculture Organization of the United Nations. Source: FAO Statistical Yearbook, 2004 [http://www.fao.org/statistics/yearbook/vol_1_2/pdf/China.pdf].

of meters, so the climate in this area varies even over distances as small as ten square kilometers. However, most parts of Yunnan enjoy a low altitude climate, with moderate temperatures and humidity, good rainfall and large amounts of sunlight. Such a climate is very suitable for the production of subtropical agricultural products.

2) Area Under Cultivation

There are a number of different fruit and vegetable cultivation areas being built in Yunnan province in order to transform Yunnan's comparative advantage in agricultural products into economic benefits and to further comprehensive cooperation potential with ASEAN.

Essentially, the plan is to build four vegetable cultivation areas in Yunnan. The first of these is an elaborate vegetable cultivation and processing area in central Yunnan, which will focus on developing frozen vegetables and dehydrated vegetables. The second is an anti-seasonal vegetable cultivation and processing area in southern Yunnan, which will focus on rootstalk vegetables, leaf vegetables, onion and garlic and other anti-seasonal vegetables. The third planned area is a vegetable cultivation and processing region in northeastern and northwestern Yunnan, which will focus on the vegetables in demand from Sichuan, Chongqing, and close-by tourist spots. The fourth area will focus of cultivating and processing wild vegetables in the Lancang and Nujiang River areas. It will develop bamboo, green garlic and other vegetables with market potential.

In 2007, vegetable plantation areas in Yunnan province reached 10 million acres, with a production volume of 8 million tons and a value of 15 billion Yuan (USD2 billion). Together with tobacco, livestock products and 14 other categories of agricultural products, vegetables are regarded favourably as agricultural products with great export potential.

Fruit production is also responsible for significant areas of cultivation in Yunnan. The areas around Luxi, Shizong, Chenggong and Anning grow pears and peaches; while those around Ludian, Malong and Zhaoyang are apple cultivation areas; the areas around Mengzi, Yuanmou, and Binchuan on the other hand specialize in bananas, megranates (pomegranates) and orange cultivation; while Mile and Ruili are grape and lemon growing districts (mainly for fruit juice). This demonstrates the geographic and climatic advantages, inherent to Yunnan, that allow it to produce a diverse range of agricultural products with export potential to the Asian market.

3) Government Support for the Fruit and Vegetable Industry

The promotion of trade in fruit and vegetables is a key focus of the Yunnan provincial government, and, as a consequence, a number of government policies designed to support Yunnan's fruit and vegetable industry have been implemented.

A comprehensive transportation and communication network is largely encouraged and pushed by related government departments, such as the Provincial Financial Department, the Railway Bureau, the Foreign Affairs Office and the Reform and Development Committee. Yunnan is to be positioned as not only a starting point leading into Asia, but also a transfer center connecting inner China on the one hand, and ASEAN and other markets further afield on the other. This will be achieved with a transportation network of expressways, railroads, airlines and water carriage, in order to enlarge Yunnan's trade with ASEAN countries.

A trade corridor will also be put in place to provide convenient trade and investment conditions between Yunnan and ASEAN countries, thus smoothing the flow of goods, people, information and capital. Yunnan provincial government is working on reforming the existing trade management mechanisms to encourage local private companies to export and import, to improve the trade structure, and to facilitate the development of famous brands. To this end they are designing mutually beneficial trade and investment policies, regulating trade financing and balancing channels, upgrading infrastructure and service for investors, and strengthening trade consultation.

In addition to tangible product trade between Yunnan and ASEAN countries, the Yunnan government is also encouraging trade in intangible goods and services. On the one hand, advanced technologies, management talent and capital are expected to flow from Singapore and other developed countries; while on the other domestic capital,

technologies and talent should also be channeled to the ASEAN countries.

While development and prosperity are pursued on one side, the environment and sustainability of resources and population are also given great attention, in order to maintain cordial relationships between members of the China-ASEAN Free Trade Area. As such, the Yunnan provincial government has implemented policies designed to assist water conservation, pollution management, forest and biodiversity protection.

The Yunnan government has also built databases and electronic information centers on ASEAN countries, such as, the China—ASEAN Small and Medium Enterprises Electronic Exchange Market, the China—ASEAN International Electronic Business CA Certification Center, the China—ASEAN Tourism Information Service System and the China—ASEAN Comprehensive Information Database and Information Service System. By providing links and reducing uncertainty, the information provided by these databases has the potential to stimulate trade between Yunnan's fruit and vegetable producers and importers, and the ASEAN markets.

Great attention will be paid to agricultural development by the Yunnan provincial government. The Yunnan government will cooperate with ASEAN countries on developing agricultural resources, for example, by renting land in Myanmar and Laos to develop aquatic and agricultural products processing industries. Forestry and biological resources will also be developed under

cooperation between Yunnan and the ASEAN countries, especially, Myanmar, Laos, Thailand and Vietnam. Other measures will also be taken, such as, opium replacement plantations and the introduction of high value crops suitable for cultivation in the respective regions.

The Early Harvest Plan and CAFTA

To date the Early Harvest Plan has met with limited success. Although tariffs have been removed on 188 types of fruit and vegetables, only about 30 of the products are traded in any amount. As an extreme example: during the 14 months from October of 2003 to December of 2004, Yunnan exported no fruit to Thailand whatsoever, and the only agricultural product that Thailand imported from China overall, was dried longan.

Problems within Yunnan-ASEAN Trade in Fruit and Vegetables

There are a number of problems hampering Yunnan's trade in fruit and vegetables with ASEAN. Yunnan has followed a low level and unsophisticated trade model to date, and this is an obstacle for Yunnan's fruit and vegetables entering foreign markets. There are rich fruit and vegetable resources in Yunnan. But, as far as production procedures are concerned, there is no market regulation. Together with issues such as variable quality and unknown levels of fertilizer usage, Yunnan's fruits and vegetables occasionally do not meet entry requirements for the ASEAN market, not to mention the international market. At the same time, leading companies of Yunnan's

fruit and vegetable exports are mostly small to medium sized enterprises (SMEs), that have limited capital, negotiation power, and research and development ability. These companies generally do not have the resources necessary to improve their planting technologies, packaging methods or the transportation and storage of their produce. All of this makes it very hard to upgrade their products, hence where they can compete is at a low level of production, which in turn has limited profits.

Poor post-processing and packing technologies further lower the value of Yunnan fruit and vegetables. Freshness is vital to maintain the value of fruit and vegetables, and this requires large outlays on storage and packing facilities. In developed countries, 70% to 80% of fruit will be processed systematically to maintain freshness, while only 10% of Yunnan fruit is handled in this manner. For example, in Thailand, after lichees are picked, the fruit will be sorted into three categories. The first category is for fruit suitable for fresh fruit sales, the second is for fruit suitable for processing into fruit juice, and the third is for those lichees suitable to be sun-dried. The lichees sorted into the first category will be packed carefully, in a manner designed to retain their freshness, and transported by air to different destinations. The remaining fruit is sent to nearby factories, without delay, for processing into juice or drying. In Yunnan, it is rare for sellers to follow these procedures, and in most years, farmers' return on their harvest is very poor, due to low prices, which, in turn,

reduces their motivation to adopt these innovations.¹⁹

Transportation difficulties have also reduced some of Yunnan's resource and location advantages. As mentioned above, freshness at market is essential for fruit and vegetable production and export. In Yunnan, about 25% to 30% of fruit and vegetables will be wasted during the process of transportation, while this proportion is only 2% to 5% in the USA and other developed countries because their produce is refrigerated during the entire transportation process. Air transportation is efficient, but costly, while water transportation is cheap, but time consuming and is limited to specific seasons. The Kunming-Bangkok road is the main transportation line connecting Yunnan and ASEAN countries, but presently the transportation cost is still not low enough for some low margin fruit and vegetables.²⁰

Complicated customs and financial procedures also cause significant problems for Yunnan fruit and vegetable exporters. Normally, it will take at least 2 to 3 days to obtain all the customs and border clearances necessary to ship the produce out of China, which compounds the delays caused by inefficient transportation. In addition, there is no specific regulation on which currency should be used in fruit and vegetables trade between Yunnan and

¹⁹ Agriculture Bureau of Taizhouwan. "Fruit Processing Difference between China and Thailand".
[http://www.tzag.gov.cn/documents/docdetail.asp?parent_menuid=10&documetid=7123&sub_menuid=82]

²⁰ Zhou Guanqi. "Potential Analysis on Yunnan Fruit and Vegetable Exports", *Donglu Dissertations*, April, 2006.

ASEAN, which puts producers at risk of exchange rate fluctuations and increases the financial cost of doing business. Meanwhile, it's still hard for exporters to exchange currency directly at the bank or other financial institutions, so illegal currency exchange is boosted.

What is seen as unfair competition between countries, also reduces the motivation of Yunnan producers. According to the "Early Harvest" plan, some ASEAN countries with less developed production enjoy government protection and preferential policies, while producers in Yunnan receive little or no support, despite having less modern production techniques. In addition, the lack of standardization of tariff categories between China and ASEAN countries has adversely affected Yunnan's producers. For example, although Yunnan has a comparative advantage in producing potatoes, it is regarded as a grain rather than a vegetable in some ASEAN countries. As a consequence, Yunnan's potatoes do not enjoy a tariff waiver in accordance with the "Early Harvest" plan, which puts Yunnan's producers at a disadvantage.

Conclusion

This paper has highlighted the plans of China to increase its regional economic connections. CAFTA is the most recent and comprehensive of these agreements, and has been supported by Chinese government policies to improve transportation and communications links. It is clear that one of the main beneficiaries in this regard is the Province of Yunnan, with its enhanced linkages with the

northern countries of Southeast Asia. This moves towards the fulfillment of both China's plans for greater regional economic links but also its desire to spread the benefits of China's rapid economic growth to the Western regions of the country.

The Early Harvest Plan is an agreement designed to facilitate CAFTA by encouraging the early development of trading mechanisms, and also as a test case in economic cooperation. This paper has found, however, in spite of an increase in trade, significant problems remain. This is in spite of government-supported plans and a substantial development in infrastructure. In this respect the plan has met with only limited success.

What is particularly important in looking at the Early Harvest Plan, and CAFTA, is what it means for the broader picture of China's regional goals. It is clear that regional trade is a part of China's 'peaceful rise'. As Wang argues, "...China's trade activism, driven by resource needs, is a strategy motivated by geopolitical considerations but uses geoeconomic means".²¹ Above all China needs regional stability to continue its economic growth, as well as access to resources and trading networks. CAFTA fills these goals nicely. Moreover, in geostrategic terms, CAFTA allows China to better balance the influence of Japan and the US

²¹ Wang, Vincent Wei-cheng. "The Logic of China-ASEAN Free Trade Agreement: Economic Statecraft of 'Peaceful Rise'", Paper presented at the conference entitled 'China in the World, the World in China: Implications of a Transforming China: Domestic, Regional and Global Impacts', Institute of China Studies, University of Malaya, Kuala Lumpur, 5-6 August, 2007.

in Southeast Asia, and increase China's regional political power in the long term. Anticipating the continued growth in the size and power of China's economy, ASEAN countries can only manage some degree of balance by operating as a unit – individually their economies are too small. In economic terms, CAFTA also allows access to an enormous market, with great trade potential.

The political and economic aspects of CAFTA are apparent, but planning economic cooperation and delivering it are two different things. The trade in fruit and vegetables between Yunnan and Thailand under the Early Harvest Plan suggests that regional economic integration is still a long way off.