

Promotion of Tibetan Agricultural and Livestock Products in National and International Markets through Improved Trading Practices and External Relations

Tudeng Kezhu and Huang Juying

Economic Management College of Tibet University, TAR, P. R. China

INTRODUCTION

The improvement of the export of Tibet's agriculture and livestock products has profound historical significance in relation to the reformation and opening up of Tibet. Export promotion is an effective way of increasing income from agricultural and livestock products and harnessing the natural resources of the region. Based on an analysis of the potential and constraints for developing the export market for Tibetan products, this paper tries to propose measures that need to be addressed to realise the potential.

Crop farming and animal husbandry are the basis of the Tibetan economy. Farmers in Tibet involved in cropping and animal husbandry constitute more than 80% of its total population. Therefore, increasing the income of farmers and herdsmen in Tibet is the most important task in Tibet's economic affairs and requires attention from all circles. Agricultural and livestock production in Tibet has already changed from the past subsistence type of simply having adequate food and clothing to the present semi-subsistence surplus type. However, at present, the poor market system provides farmers with few opportunities to use their products as commodities. Moreover, excessive domestic production from other parts of the country has led to low prices and limited domestic demand for Tibetan products, thus hampering the development of Tibetan agriculture and animal husbandry and negatively influencing the incomes of farmers and herdsmen. Therefore, to solve the problem of impeded circulation of Tibetan agricultural and animal products and to look for new demands to increase Tibetan farmers' and herdsmen's incomes, the key lies in participation in domestic and international

markets, turning products into commodities and expanding the range of demand. Obviously, we should seize the opportunity of China's accession to the WTO and Development of Western China and facilitate the use of the Tibetan economy, using domestic and international resources in line with the trends of supply and demand in the home and overseas' markets, by establishing conditions favourable for enhancing export trade in agricultural and animal products.

Function of sustainable economic development of export trade in Tibetan agricultural and animal products

Promoting the export of Tibetan agricultural and animal products has significant implications for the structural adjustment of crop farming and animal husbandry in terms of improving the region's economy, increasing employment opportunities for farmers and herdsmen and increasing their incomes, maintaining social stability, and realising the objective of building a well-to-do society before 2020. These function as outlined in the following paragraphs.

- Through export trade in agricultural and livestock products, the effects of the market chain from producers to exporters can drive the development of relevant economic departments, increase employment and income-generating opportunities for farmers and herdsmen, produce remarkable multiplier benefits, and offer a powerful social economic guarantee for socially and economically sustainable, rapid, and sound development of Tibet.
- We need to improve production and marketing methods in line with international market demands. This will reduce the transaction costs of export trade in agricultural and animal products, increase the profit margin and incomes of producers, and thereby help reduce poverty in rural Tibet.
- Levying tariffs and taxes in line with the provisions of international legislation and agreements can increase Tibet's fiscal revenue and accumulate capital funds for investment in increased production and improvement in the quality of products.
- Through export trade in agricultural and animal products, Tibetan producers and exporters will be exposed to the world market, and this will not only expand their vision but give them exposure to better practices. It will also provide opportunities for the Tibetan people to exchange friendly visits with people from other countries

and strengthen international economic cooperation and exchange of technology, creating a positive environment for development of the national economy of Tibet.

- Export of agricultural and animal products enables us to import products that Tibet lacks or cannot produce, improve cropping and animal husbandry and working conditions of farmers and herdsmen, and meet the increasing material and cultural needs of the Tibetan people. This would improve the living standards of the Tibetan people in general and contribute towards long-term political and economic stability in the region.
- Through export trade in agricultural and animal products, we should study the developed countries in order to formulate relevant regulations and policies adapted to the market law of the country, and then gradually establish a macro-regulation system for a socialist market economy with Tibetan characteristics. We should also study the western developed countries to understand how to use economic levers, such as price, credit, tax revenue, and so on, and adopt the essential administrative means to manage a market economy, thus accelerating the pace of integration of Tibet's economy with the international economy.
- Through export of agricultural and animal products, we can obtain the latest information on international markets in a timely manner, and this will enable us to adjust the structure of agricultural and animal production in Tibet according to the demands of the international market. This would entail substantial improvements in the processing and packaging of products to meet the standards of international markets.

Current situation of development in the export of Tibet's agricultural and animal products

Since implementing the policy for reform and opening-up,, there has been a progressive change in the production and marketing of agricultural and animal products in Tibet. Significant progress has been made in terms of increase in the quantity as well as improvement in the quality of exports, as can be seen from the following passages.

Export Trends

The total exports of agricultural and livestock products showed a fluctuating trend (Table 1). The total value increased from 11,660,000 US dollars in 1990 to 26,760,000 US dollars in 2000. During this period, as a result of the Asian financial crisis and the international

economic depression in 1997, there were major impacts on the export of agricultural and livestock products from Tibet. In 2000, after two years of rapid increase, the value of exports from Tibet of agricultural and livestock products reached over US\$ 26 million: double the value of 1999 exports. However, with rapid growth of the Tibetan economy and upgrading of industrial and export mechanisms, agricultural and livestock product exports demonstrated a downward trend in the share of the total foreign exports. The share dropped from 84% in 1990 to 3.2% in 2002, by 80.8 percentage points.

Table 1: Import of Tibetan agricultural and livestock products

Year	Total exports in Tibet's foreign trade (in US\$ 10,000)	Amount of agricultural and livestock products exported (in US\$ 10,000)	Proportion of agricultural and livestock products exported in the total foreign exports (%)
1990	1394	1166	84
1996	4542	1989	44
1997	5010	755	15
1998	7358	569	8
1999	8605	1323	15
2000	11333	2676	23
2001	8244	265	3.2
2002	8110	261	3.2

Source: Tibet Statistical Yearbook, The Statistics (2002)

Categories of agricultural and livestock products exported

The categories of export commodities changed from single-type to the present multi-type. That means Tibet only exported wool in the past, but now many products, ranging from fine yak hair, carpets, cattle and sheep skin, leather and fur products, highland barley, garlic, raw silk, rape seed, and so on, are being exported.

Among these products, export of locally produced competitive products and processed agricultural and livestock items both make outstanding contributions. According to the commercial bureau of the autonomous region, Tibet's own competitive products constituted the largest classification of goods in terms of export increase in the first quarter of 2004. Chinese-Tibet news net reported on May 13, 2004, about Tibet that 'liangemu-ciba' and 'luodan-ciba' received state-certified food labels for the first time in Tibet, and 10 tons were successfully exported.

On April 25 of the same year, rapeseed from Rikaze was certified with the food label of the 'State Bureau of Quality Testing' again and awarded a certificate for launching exports.

The export markets

Tibet's export of agricultural and animal products expanded in terms of target area from a few neighbouring countries (regions) to 46 countries (regions). At present, Tibet's agricultural and livestock products are exported to market centres in Asia (15 countries), Europe (18 countries), Africa (4 countries), America (8 countries), and Oceania (one country). So far, the Tibet Autonomous Region has exploited 28 markets of all kinds for border trade, of which border trade with the Kingdom of Nepal is the most important. It connects China's inland provinces with South Asia.

Operation and management ability of the export enterprises

In the first quarter of 2004, there were 30 profitable enterprises in Tibet, including three enterprises with a total export value above US\$ 100 million, eight enterprises totalling US\$ 50-100 million, and 11 enterprises of more than US\$ 50 million. The export volume of these enterprises amounts to US\$ 2281 million, and they account for 89.31% of Tibet's total exports.

Trade reforms

The foreign trade system has already evolved from the past single channel system in which the government took the lead role and management under the specialised foreign-trade corporation, to the present multi-level and multi-channel system, involving the central and local authorities, state-run and private enterprises, joint ventures, and corporations. With the promotion of China's external trade system reform, the Tibet Autonomous Region has already set up a foreign trade operating mechanism adapted to international economic norms.

Problems in exporting agricultural and livestock products

The export structure is yet to become effective. Firstly, reforms in production would require a change from the present labour-intensive system with low added value of products. Secondly, the market structure is out-of-balance. Export products are aimed at markets in Asian countries, especially those of neighbouring countries, and this causes excessive centralisation in terms of export areas. Statistics from the commercial bureau of the Tibet Autonomous Region show that Tibet exported to 46

countries and regions in the first quarter of 2004, and 67.5% of the total export was to Nepal.

Export-oriented enterprises manufacturing agricultural and livestock products in Tibet generally lack the capacity to be internationally competitive and resilient to market risks, since they are small in scale, have insufficient capital, poor techniques, and simple management.

It is difficult to spread modern marketing means because of the limited ability of producers and exporters to adapt to the prevailing free market economic climate. Thus, the traditional marketing system results in a limited share of the international market.

An ineffective information network makes it difficult for farmers and businessmen to capture international markets through accurate and timely quotations, and this results in blind and spontaneous production and deals that accentuate vulnerability to market risks.

The management system in the agricultural and livestock export sector is not smooth. Policies and services to promote and manage exports are not yet in place.

The advantage of and restrictions to exporting agricultural and livestock products

Advantages

Domestic advantages

Natural resources: It is said that there are more than 14 million yaks all over the world. China, with more than 12 million, has the most yaks in the world. Tibet may be the first area in the world to have raised and trained yaks. At present, the number of yaks in Tibet is over four million, accounting for one third of the country total. Besides milk and meat, yaks produce 1,600 tons of coarse hair and 2,000 tons of fine hair annually. Tibetan yak meat has high protein and low fat content, making it popular among international consumers.

According to experts, the markets in Hong Kong and Macao refer to yak meat as 'the head of the beef' and it is extremely popular. The protein content in yak milk is generally higher than that of cattle (10 kg of cattle milk produces only one kilogramme of cheese, whereas the same quantity of yak milk can produce 1.5 kg of cheese). It is a popular belief that cashmere wool produced from Tibetan goats is of superior quality and is comparable to the wool produced in Ladakh, India, After

the ban on hunting 'chirus', cashmere production has become an ideal substitute. As for agricultural products, highland barley is a unique cereal crop characterised by its wide adaptability, high yields, and number of varieties. Because of its ability to thrive in the extreme conditions of Tibet, highland barley is considered to contain medicinal properties. In recent years, the health benefits of highland barley have been acknowledged both at home and abroad.

Preferential policies: The third and fourth working forums on Tibet and the implementation of 'the develop-the-west strategy policy' by the central government offers Tibet preferential policies on finance and banking as well as price guarantees for export of agricultural and animal products.

Environmental conditions: The trend in consumer preference strongly favours ecological products. Therefore, given the pristine environment of Tibet, it has comparative advantages for promoting organic agricultural and animal products. According to estimates by experts, in the following ten years green products will lead the world market. Because of its unique environment and position, Tibet is globally one of the least populated areas and has thus the potential to increase organic agriculture extensively by harnessing the advantages offered by its clean air, abundant water, and vast open areas. It would be an ideal strategy to offset the low production and high costs associated with farming by capturing the market based on a Tibetan 'cachet' or niche.

Existing trade routes: Tibet is located in the southwest border area of China and is adjacent to five countries in South Asia (India, Bhutan, Burma, Nepal, and Sikkim). The boundary line is about 4,000 km long and covers 21 counties, 203 towns, and 770 villages of five prefectures on the Tibetan side (Rikaze, Sannan, Arli, Linzhi, and Chamdo). There are 312 cross-over routes of which 44 are permanent and 268 are seasonal. There are five highways crossing over to the border areas of neighbouring countries, 28 border trade markets, and 87 enterprises on border trade. Trade is facilitated by dry ports, one of which is at Dram on the border with Nepal and is in the Class I category. Four others in the Class II category are at Riwu, Yadong, Jilong, and Pulan. Yadong is about 300 km from Thimphu, capital of Bhutan, 100 km from Gangtok the capital of Sikkim, 740 km from Calcutta, and 460 km from Lhasa. Therefore, the connectivity is already there for facilitating trade. This unique regional advantage offers favourable conditions for border trade in Tibet. With improvement in the relations between China and India, Tibet could potentially become the 'trade corridor' of China to South Asia. The opening of such a trade corridor to South Asia, in addition to

accession to the WTO and the application of the free principle in transit would give great impetus to the export of agricultural and livestock products from Tibet.

External advantages

Advantage of accession to the WTO: Using WTO's clauses on preferential treatment in the transition period in China and principles of encouragement, greater effort is needed to develop export commodities. WTO membership could help open up overseas' markets to agricultural and livestock products and increase the volume of trade in them; help farmers and herders to use foreign capital investment, introduce modern technology, and accelerate transformation of traditional production methods into more efficient ones.

Consumers' choice: With the growing affluence and health consciousness of consumers worldwide, there is an ever-increasing demand for green products or organic produce. Tibet is a stretch of pristine highland with little or no chemical pollution of land and water. Hence the production base for livestock and crops is still natural and organic. In recent years, with the spread of deadly animal diseases such as Mad Cow and Bird Flu, the demand for organic products has increased on the international market along with soaring prices. In the second half of 2003, the deficit in supply of organic beef and mutton on the international market was about 150,000 tons. The enormous demand for green agricultural and livestock products in the international market offers a tremendous opportunity for the export of agricultural and livestock products from Tibet.

Constraining factors

Domestic restrictions

The restriction of infrastructure and information: Until the end of 2002, the total district traffic mileage was around 355.4 million kilometres, of which only 2,000 km were topped with asphalt and just over 18,000km were suitable for traffic in rainy conditions. More than 20% of villages and towns still do not have a phone, and telephone coverage in farming and pastoral areas is only 0.43%. There are 5,865 Internet users, which only accounts for three per cent of the total number of telephones. Only 70% of villages and towns, 41% of administrative villages, and 61% of the households engaged in agricultural and livestock activities in the province have access to electricity. The infrastructure is generally poor and access to information is infrequent, contributing to a substantial increase in the cost of production and export.

Imposition of WTO's provisions: After China's accession to the WTO, the central government began fulfilling its commitments, viz. cutting down on subsidies¹ for export of agricultural products, relinquishing the right to support agriculture, defined as an aggregate measurement of support (AMS)¹, improving animal and plant sanitation measures and technical standards, and reduction of the average tariff on agricultural products. This means that Tibet will have to remove the trade protection—labelled the Berlin Wall—set up under the previous economic system and allow free market forces to operate.

Poor entrepreneurial skills: Lack of adequate education and limited access to information have meant that farmers and herders have little knowledge of the market economy and generally suffer from poor commercial consciousness. They are not disposed to accept new ideas and market demands in addition to restrictions imposed by social norms such as culling of animals. In addition, among foreign trade employees an attitude of "wait for and rely on the other's demand" needs to change if exports are to be actively promoted.

Difficulty in meeting quality standards: Tibetan agricultural and livestock products are just entering the standardisation stage through national standard authentication, and international standard authentication has not yet started. Obviously, there is a long way to go before these products meet the required standards for international markets and national permits for export.

The technical barriers to trade (TBT)

In the name of protecting the environment, developed countries protect their interests through levying mandatory technical standards that are aimed at restricting imports from developing countries. These standards are all made in line with the production and technological standards of developed countries, so that products from developing countries are unable to comply. For instance, the import regulations of the European Union not only require the determination of chemical residues in products but also the sanitary conditions of the production process and facility. In addition, there are also strict regulations concerning the temperature of the work space, meat products' prescription, and container types and packing requirements. In recent years, while customs' tariffs have dropped substantially and non-tariff barriers have also been reduced to a great extent, the technical barriers to trade have become the main mechanisms through which developed countries protect their domestic markets. As

¹ AMS: An index that measures the monetary value of the extent of government support to a sector.

the production system in Tibet still uses traditional methods and very few scientific methods, the technical barriers to trade will become the most difficult barriers to break.

The debate on trade protection with developed countries has not progressed much. The Fifth Ministerial Meeting of the WTO held in Cancun, Mexico, did not achieve any substantial results and has only added to the uncertainty of future negotiations. There is an apparent risk that the trade policy of each country will become even more conservative under the pressure of large profit-driven groups. Several WTO members take such measures as anti-dumping to protect their own countries' interests conforming to the WTO principles. Even if China has become a member of the WTO, it is still a developing country with many technical barriers facing its exports. Moreover, because of the large amount of exports from China, its trade transactions will receive much more attention than those of others, making it liable to disputes with other countries.

Recommendations

From the above analysis, in order to increase exports of agriculture and livestock products from Tibet, the following practical propositions are made.

- Removing technical barriers to trade and improving the competitiveness of agricultural and livestock products

In consultation with experts, the government must establish a standardisation system for products and production technologies. This system must be in line with the international criterion in order to regularise and standardise production and operation on the farms, so that they can meet the requirements of the international market. Farming enterprises need to strive towards achieving the ISO9000 and ISO14000 standards of international certification and to actively apply them in licensing exports that meet the conditions of the importing country.

An effective inspection system needs to be established to monitor compliance with the requirements of the Farming Ministry's regulations as laid out in the 'quality inspection system planning of national farming products.' The inspection system should be focused on improvement of production standards and quality of those goods that have comparative advantages in the world market. In particular, attention needs to be given to the improvement of animal health and sanitation facilities in the manufacturing units.

It is also necessary to institute an efficient system of approving qualification and branding of types of products for which Tibet

has comparative advantages. The process of approval under non-harmful food, green food, organic food categories and inspection of the places where they are produced within the framework of the Hazard Analysis Critical Control Point (HACCP) and Good Manufacturing Practice Regulations (GMP)² regulations need to be improved by engaging professional workers.

- Product development and publicity

Emphasis on scientific research to develop new products and improve production is needed. The promotion of trade and technological development should go hand in hand in order to facilitate commercialisation and industrialisation of products. With the overall advantage that China has in the world in terms of labour and resources, there is potential to bring out new value-added products.

Capacity building of institutions and individuals involved in production and marketing is crucial if Tibetan goods are to be competitive in the international market. Training is required in various fields, so that a pool of talented personnel becomes available. Included should be training in foreign languages, political systems, and conditions of trade and commerce besides technical training in production and management skills.

- Establish and strengthen an organisation for promoting the exports

Apart from understanding the situations of target countries through foreign diplomacy and economic and commercial delegates overseas, some special bureaux need to be set up to promote export and provide support services in the main trading countries. Such bureaux should also be charged with the responsibilities of conducting research, coordination, negotiation, and transactions. They should lead the enactment of industrial codes and technological criteria and coordinate export enterprises, monitor market trends, and provide market information.

- Make full use of the regional advantage and develop its border trade actively

Border trade is an important and indispensable part of Tibet's economic activities. Border trade should be enhanced by

² HACCP: Hazard Analysis Critical Control Point
GMP: Good Manufacturing Practice Regulations
www.dsm.com/en_US/html/sustainability/glossary.htm

expanding operational channels and diversifying goods, on the basis of mutual agreements and through joint ventures. The larger companies should be encouraged to set up branches or factories in neighbouring countries, either as private enterprises, share-holders, and corporations, or through sub-contracting of product processing and packaging. For example, it would be viable to establish a meat factory as a joint venture in Kathmandu where the processing and packaging of mutton could be carried out from sheep and goats exported from Tibet. Strategic trading facilities should be created to administer and facilitate border trade that optimises the regional advantage that Tibet has by sharing borders with several countries.

- Establish a market information system for farm products

A comprehensive market information system for both domestic and international markets in agricultural and livestock products should be developed. This information system should cover the whole chain from production to marketing and consumption. Focus should be placed on gathering intelligence on market policies, consumption trends, pricing, and demand and supply trends in the intended markets.

- Diversification of the export market and varieties

Tibet needs to expand the market for its farm products beyond Nepal to her neighbouring countries and to the larger Asia-Pacific Region and diversify its range of export products. This would not only increase the volume of exports but would also offer a range of choices for the importing countries and thereby reduce potential conflicts and disputes and lower the possibility that China may suffer technical barriers to trade from the importing countries.

- Support the building of a production base and export processing area, adjust the industrial structure, and improve the added value of the farm and livestock products. Research and development support should be extended to the production of goods with comparative advantages in different locations so that they can meet international standards. Special funds should be provided to subsidise the construction or rectification of production facilities to bring them up to modern standards. In addition favourable lending schemes should be available for products such as the pine products from Linzhi prefecture, minor forest products from Chamdo prefecture, rapeseed from Shannan and Rikaza prefectures, fine yak hair from Naqu prefecture, and cashmere from Arli prefecture. Flagship enterprises should be established for

these products and they should be given preferential treatment in the form of tax exemptions, loans, and support for construction of infrastructure. The government should encourage the development of ecological agriculture to produce organic farm products and provide preferential import and export rights to those who have met the conditions for running such production enterprises.

- Reduced taxation

The levy of heavy taxes is one of the important factors discouraging producers and preventing them from improving their capacities. Keeping in mind the socioeconomic conditions of Tibet, the government should make adjustments in taxation policies such as tax reimbursement rates and modalities for exports and increasing tax return rates on value-added goods. The customs' and tax administration agencies should adopt a unified commodity coding system, remove duties on processing equipment, and provide free inspection and certification of specified farm products.

- Shift the functions of the government and optimise the soft environment

After becoming a member of the WTO, China has become obliged to comply to its requirements and shift its management system accordingly to fit a market economy. The government should change from traditionally centralised planning and control and simplify the procedures for inspection, approval, and supervision of production of goods and exports so as to cut down on costs and become more efficient. It should play an advisory, facilitating, and monitoring role and support producers and exporters by providing market information and by promoting their products in international trade fairs and expos.

CONCLUSIONS

Although Tibet has a lot of potential to enhance its revenue and improve the living standards of farmers and herders through participation in the globalised economy, it has a long way to go before it can realise this potential. Much needs to be done, from reorientation of the production base to focusing on those products with comparative advantages to establishment of efficient marketing channels and support structures. The external and internal barriers and constraints described in this paper will need to be removed and advantages opportunistically exploited. With the active support and commitment of the central and provincial governments and increased exposure to global market forces, it is hoped that Tibetan agricultural and livestock products will be able to compete

effectively in both regional and global markets in the near future and contribute towards a prosperous society.

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Chapter 5

Improving the Livelihoods of Herders through Promoting an Improved Pastoral Ecosystem in Tibet

Zhao Haoxin and Chen Yuxiang

The Agricultural Scientific Academy of Tibet, Lhasa, TAR, P. R. China

INTRODUCTION

This paper analyses the status of pastoral animal husbandry in the high and cold regions of Tibet. Guided by the objective of pursuing scientific development and by consideration of the development trends in international and national grassland and animal husbandry sciences, the paper proposes to establish a new grassland ecosystem in the high and cold region in order to improve production and thereby the living conditions of Tibetan herdsman.

The status of Tibetan grasslands and animal husbandry

Grassland animal husbandry is the basis and pillar industry of Tibet. Natural pastures and yaks, Tibetan sheep, goats, hogs, and poultry have always been the material bases of survival for Tibetan herdsman.

Since the establishment of China's reform and open policy, particularly since the Third Symposium held by the Central Committee of the Communist Party of China on the Work of Tibet, grassland animal husbandry has made significant progress. According to statistics, the number of livestock reached 22,660,000 in 2003 (whereas it was 9,740,000 in 1951). In the decades since 1951, the production value of grassland animal husbandry has amounted to 60% of the total agricultural production value in Tibet and to about 50% of the total industrial and agricultural production value. Grassland animal husbandry accounts for the largest proportion in agriculture, if compared with other provinces and regions in the country.

One of China's five major pastoral zones and one of the four major pastoral areas, Tibet is rich in pastoral resources. According to a survey carried out in 1987, Tibet has 17 types of natural pastures, covering an area of 82,070,000 ha, of which an area of 55,000,000 ha is usable