

# *Development Proposals about China-ASEAN Agricultural Cooperation under “Belt and Road” Initiative*

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**Abstract**—Among the six economic corridors in the Belt and Road construction, China-Indo-China Peninsula and BCIM Economic corridors are both closely related with Southeast Asian countries. The thesis holds the opinion that agricultural cooperation can be an important point in expanding economic and trade cooperation between China and ASEAN countries. By illustrating the significant foundation and development status about agricultural cooperation between China and ASEAN countries, the thesis puts forward a series of measures, such as establish targeted coordination mechanism with well defined goals to promote agricultural cooperation between China and ASEAN countries.

**Key words:** *One Belt and One Road, Agriculture, Cooperation*

## I. INTRODUCTION

In March 2015, Chinese government released the “Vision and Action in Promoting the Co-Building Silk Road Economic Belt and 21st Century Maritime Silk Road”, which pointed out that depending on international passages and center cities along the line, supported by economic and trade industrial park, China will construct six international cooperative economic corridors such as New Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, and China-Indo-China Peninsula with the countries along the line. China-Indo-China Peninsula and BCIM economic corridors are closely related with southeast Asian countries, where cooperation is expected to be further promoted and make progressive steps.

## II. BASIC ANALYSIS

Agricultural cooperation is an important breakthrough for China and Southeast Asia to develop international cooperation. Linked with mountains and rivers, China and Southeast Asian countries face similar social issues. Their agricultural resources and technology has great complementary, so the agricultural cooperation will be an important choice to promote cooperation under the “One Belt and One Road” initiative.

### *A. Enormous potential: agricultural resources endowments are complementary*

Four important reasons in China lead to sharp demands for agricultural products and resources, firstly the growing population, secondly the economic development, thirdly increasing demand for industrial raw materials, and lastly

migration of rural population to urban areas. The gross demand for agricultural products and resources will be on rise for a long time, while domestic agricultural and natural resources are decreasing. While ASEAN area owns abundant agricultural resources, such as fertile land, much rainfall and plentiful biological resources. The output and export volumes of teak, rubber, ceiba, tung oil, quinine in ASEAN are ranked in the first place in the world, and the output and export of rice, timbers, coconuts, tobacco, sugar, coffee and hemp fiber are also top around the globe. ASEAN countries are mostly in tropical areas, while China is mostly in temperate zone, so both sides have different main agricultural products, which are complementary to each other. It is an effective way to introduce Chinese agricultural technology and combine with the agricultural resources in ASEAN area so as to accelerate the development in Asian countries and supply more agricultural products for the world [1-2]. As a result, China-ASEAN mutual agricultural investment has a promising prospect.

### *B. Technical support: strong complement in agricultural technology*

In terms of technology, Chinese agricultural technology is comparatively advanced. For example, in Laos, Cambodia, Myanmar, etc., the usage level of agricultural machines and equipment is low. Chinese agricultural technology owns relatively strong advantages in the field of planting, stock breeding, pest comprehensive control, agricultural product processing, animal husbandry detecting and epidemic prevention, agricultural technology training, promotion, fodder, chemical fertilizer, pesticide production, etc. As agriculture in China and ASEAN are both based on the mode of small household, Chinese technology has a good market prospect in ASEAN countries, and farmers in ASEAN countries would like to bring Chinese experiences and technical services into their agriculture. At present, some ASEAN countries, such as Vietnam, Laos, Cambodia, etc. all use low amount of agricultural capital goods, while China has certain advantages in such agricultural products and resources, such as chemical fertilizer, pesticides, machinery, seeds and fruit tree seedlings, so there is a massive cooperative room for China and ASEAN countries on the above field. While ASEAN countries boast considerable advantages in planting and processing tropical crops and agricultural product processing. For example, Singapore, the Philippines and Thailand have technical advantages in agricultural and sideline product processing and food industrial processing, so China and ASEAN countries

may reinforce cooperation and complement each other's advantages.

*C. Talent security: agricultural human resources are quite complementary*

China has a relatively big agricultural population and not much farming land, so China has a great number of surplus rural labor forces and especially certain trained labor forces in agriculture, forestry and animal husbandry development, while ASEAN countries have certain land and other resources to utilize but inadequate human resources, especially agricultural technicians. Therefore, China may export agricultural labor forces to ASEAN countries. In this way, the employment pressure of surplus labor forces in Chinese rural areas will be alleviated, and on the other hand, there will be more skilled agriculture workers in ASEAN countries. Besides, China has more high-tech personnel than ASEAN countries, is able to deliver these talents to ASEAN countries to improve the agricultural technology levels in a large scope.

*D. Similar Culture: Similar Social and Cultural Environment*

ASEAN is a multi-ethnic area and it has exchanges with China since ancient times in the long history, and Chinese people are seen in all ASEAN countries. ASEAN countries are deeply influenced by Chinese in terms of culture and social habits, and they have much common culture with China. ASEAN is the most concentrated area of overseas Chinese and about 80% Chinese people live here. Moreover, they have a discursive power in local economic control, which is over 50%. The connections and cultural factors are convenience for agricultural cooperation between China and ASEAN countries, and Chinese enterprises may use such unique advantages and fit local markets at lower cost than other western countries [3].

*E. Geographical advantage: close geographic location*

The choice of location in the period of early outward direct investment generally follows the principle of proximity. China borders on Vietnam, Laos and Myanmar directly and is a closer neighbor of other ASEAN countries, so it obviously owns geographical advantages for mutual agricultural investment. Vietnam, Laos and Myanmar in Indo-China Peninsula have over 5,000 km long land borderlines with Yunnan and Guangxi of China, and they have a host of border channels and ports as well as roads and railways which lead to Guangxi and Yunnan, so the transportation is very convenient. Island countries in Southeast Asia are linked with China through South China Sea, and quite many ports can be used for close sea routes, so the sea route transportation is also very convenient. Therefore, China has unique advantages in agricultural resources investment in ASEAN in terms of geographical relations.

**Current Development Status**

Based on advantages in geography, culture, technology and capital, China has actively promoted agricultural cooperation with ASEAN countries since "going out" strategy is implemented. At present ASEAN area has been the key area for Chinese agriculture go out. In 2011, China launched USD 5.905 billion in ASEAN, of which the investment in Cambodia, Laos, Indonesia and Singapore went up remarkably. Based on

political mutual trust and complement in economic fields between China and ASEAN, Chinese investment in ASEAN will keep growing rapidly in the long run.

Chinese investment in agriculture of ASEAN is concentrated on agricultural production, agricultural product processing, agricultural planting, etc., and mainly distributed in Laos, Indonesia, Vietnam, Cambodia, Myanmar, Thailand, the Philippines, etc. These countries are mostly agricultural ones, and moreover, such countries as Laos, Vietnam, Cambodia and Myanmar have low levels of agricultural technology and agricultural mechanization, which are favorable terms for China to reinforce agricultural investment in these countries [4]. According to statistics, 229 Chinese enterprises launched overseas investment in agriculture in ASEAN, including 87 in Laos, 33 in Indonesia, 29 in Vietnam, 24 in Cambodia, 15 in Myanmar, 15 in Thailand, 11 in the Philippines, 9 in Malaysia, 5 in Singapore and 1 in Brunei. The key agricultural product to develop are natural rubber, cassava, palm, paddy, corn, long range fishing, etc. Chinese investment is mainly from developed coastal areas and provinces adjacent to ASEAN countries.

### III. POLICY PROPOSALS

*A. Strengthen Planning Guidance, Formulate Overall Plan and Coordinative Mechanism*

*1) Reinforce Uniform Planning and Scientific Guidance*

Based on "Vision and Action in Promoting the Co-Building Silk Road Economic Belt and 21st Century Maritime Silk Road", do further study and draw up a series of planning, including the whole strategic planning, preponderant product planning and important country cooperative planning for agricultural cooperation between China and ASEAN, collect opinions and suggestions of relevant countries on planning, reinforce the leading role of these plans for cooperation, establish communication and coordination mechanism, gather strengths, and realize win-win. Actively integrate resources of all sides, effectively grasp the overall cooperation, and promote orderly and healthy development of agricultural cooperation between China and ASEAN countries.

*2) Establish the Coordination Mechanism with Clear Functions*

Based on agriculture "going out" coordination mechanism at the ministerial level, establish the ASEAN agricultural resources investment and development organization comprised of key provinces and set up offices. Hold regular leadership team meetings annually, study general concepts and policy measures for enterprises to launch foreign agriculture investment and cooperation, practically solve enterprises' problems in foreign agricultural investment, and form the "going out" work coordination mechanism for agricultural resources development in ASEAN area, which is led by governmental sectors, coordinated and supported by comprehensive departments, guided by key industrial associations, and implemented by key enterprises.

*3) Complete the Reciprocal Investment Mechanism between Domestic Key Provinces and Key ASEAN Countries*

According to domestic typical provinces' overseas

agricultural cooperation and development planning, we suggest the provinces with advantages, like Guangxi and Yunnan enact specialized measures and policies, and allocate special funds to build friendly province-country (prefecture or region) relations, and actively facilitate government sectors of countries and areas in the above provinces to promote the agricultural investment & cooperation promotion activities between China and ASEAN countries [5].

### *B. Raise Service Levels of Governmental Sectors*

In order to make sure China effectively develops the agricultural investment and cooperation relationship with ASEAN, Chinese government sectors are expected to provide the following public services for overseas agricultural investment.

#### *1) Build the Service Platform*

As most Chinese enterprises have no idea about ASEAN markets, laws and stipulations, the government is recommended to fund and set up the information service center, which will introduce ASEAN countries' investment environment, cooperation projects, hold seminars, exhibitions, fairs, meetings, investment promotion meetings and forums to promote agricultural, economic and trade cooperation, and encourage Chinese enterprises make full use of the advantages in Chinese agricultural production, such as Chinese agricultural product planting industry, breeding industry and seeds, then combine with natural resources advantages of ASEAN countries, develop agriculture by joining hands with ASEAN countries, driving the development of economy and improve the income level of the farmers in this region.

#### *2) Establish Agricultural Leading Enterprises Contact and Cooperation Mechanism*

China should guide agricultural leading enterprises to set up agricultural enterprises in key countries and areas in the form of joint venture and cooperation, actively develop "order agriculture" cooperation with local farmers and farms by providing agricultural implements, chemical fertilizers, pesticides, agricultural technical services, advance payments, etc., and establish purchase, transportation, warehousing and processing system to cut down the sensitivity of large area overseas land purchase or lease and investment risks.

#### *3) Establish Information Service Channels for Agricultural Cooperation*

Government sectors take the lead to gradually establish the information and service channels among government departments, which can make information shared and spread in the sectors, including relative government department, industrial chamber of commerce, associations and enterprises [6]. Strengthen the strengths of overseas agricultural institutions in some ASEAN countries, and set up a special responsible department in embassies by referring to the Agriculture Department of the Embassy of the United States in China, and send agriculture counselors. Institutions like this should collect preferential policies to attract foreign agricultural investment, build preferential policy information service network, publish these preferential policies to domestic industries, take the initiative to help Chinese enterprises to launch investment in these areas, and provide investment

channels, so Chinese enterprises will make full use of preferential policies of ASEAN countries to attract foreign agricultural investment.

### *C. Strengthen Insurance and Financial Support*

The government should take finance, taxation, insurance policy supporting measures to encourage domestic strong agricultural enterprises to launch investment and develop cooperation with ASEAN in the agricultural field[7-8].

#### *1) Further complete financial policies*

Firstly considering characteristics of overseas agricultural investment projects, government should set up China-ASEAN Agricultural Investment Special Fund for fiscal support under "One Belt and One Road" strategic framework based on USD 10 billion "China-ASEAN Investment Cooperation Fund", mainly including enterprise capital investment, enterprise overseas investment loss, initial costs of enterprises in exploring markets, agricultural product logistics and processing park construction in junction cities, etc.

#### *2) Further complete preferential taxation policies*

Firstly avoid double taxation. If overseas agricultural investment enterprises have paid income taxes in foreign countries and areas, their taxes paid should be deducted at home. Secondly, the government is recommended to formulate preferential financial and taxation policies about customs duty, income tax, value added tax, etc. in line with international practice and WTO rules.

#### *3) Further strengthen financial support*

Firstly take ASEAN as the pilot site to explore the "overseas guarantee and domestic loan" financing mode in which enterprises put overseas assets, stock rights, land, etc., and overseas banks present the letter of guarantee for overseas enterprises to get domestic loans. Secondly, provide favorable loan interests rates, time limits and limits for overseas agricultural investment construction, especially when enterprises build or acquire dock, warehouse, processing and other logistics facilities independently. Thirdly, support and encourage commercial investment companies to provide guarantee for overseas agricultural product base construction, and help agricultural enterprises foreign businesses solve financing difficulty; encourage strong enterprise to get listed abroad and issue shares and bonds for direct financing on international capital markets.

#### *4) Establish overseas investment insurance system*

Multilateral agreement signed in China-ASEAN free trade zone provides certain legal protection for bilateral investment, but the stipulations are unclear, restrictively applicable and not practical. Therefore, Chinese government should play the dominating role of making policy insurance, and gradually establish overseas investment insurance system based on the flexibility of commercial insurance. It is recommended to establish a national overseas investment insurance institution. A new independent institution may be established within People's Insurance Company of China to be responsible for overseas Chinese investment insurances.

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