

CHAPTER IV

OVERVIEW OF KUNMING CITY, YUNNAN PROVINCE

4.1 Geographic Position

Yunnan is located in the southern part of China; it has a total area of 394,000 square kilometers. The geographic of Yunnan province is classified into three zones. One is mountain area, which covers 3.3 million square kilometers (or 84% of the total area), most of these areas are forest, lives stocks, and uninhabited parts. Plateau is 2,400 meters above the sea level, which accounts for 10% of the total region, whereas plain covers only 6% of the total area (OAE, 1998). In short, 2,871,000 hectares (11.8%) are devoted to agriculture, while 10,670,000 hectares (44.54%) are contributed for uninhabited area and Savannah. In the mountain area, forest is estimated at 9,530,000 hectares (39.79%). In contrast, a bracken and degenerated forest cover 600,000 hectares (2.50%), while 1.19% or 286,000 hectares go for water area (Yunnan Statistical YearBook, 1999) (figure 4.1).

Kunming city (figure 4.2) is situated in the middle of the Yunnan-Guizhou Plateau in Southwest China, bordering Southeast Asian countries (figure 4.3). It bines of 21,018 square kilometers (102°10' E to 103°40' E, 24°23' N to 26°22' N). The geographic position is high in the north and low in the south, the greatest part of the area is on an altitude of 1,500 to 2,800 meters above the sea level with the highest elevation being 4.25 meters and the lowest 746 meters. The central part of the city is 1,891 meters in an upward angle. It is facing the Dianchi Basin in the north and surrounded by mountains on other three sides (Timing et. al., 1999).

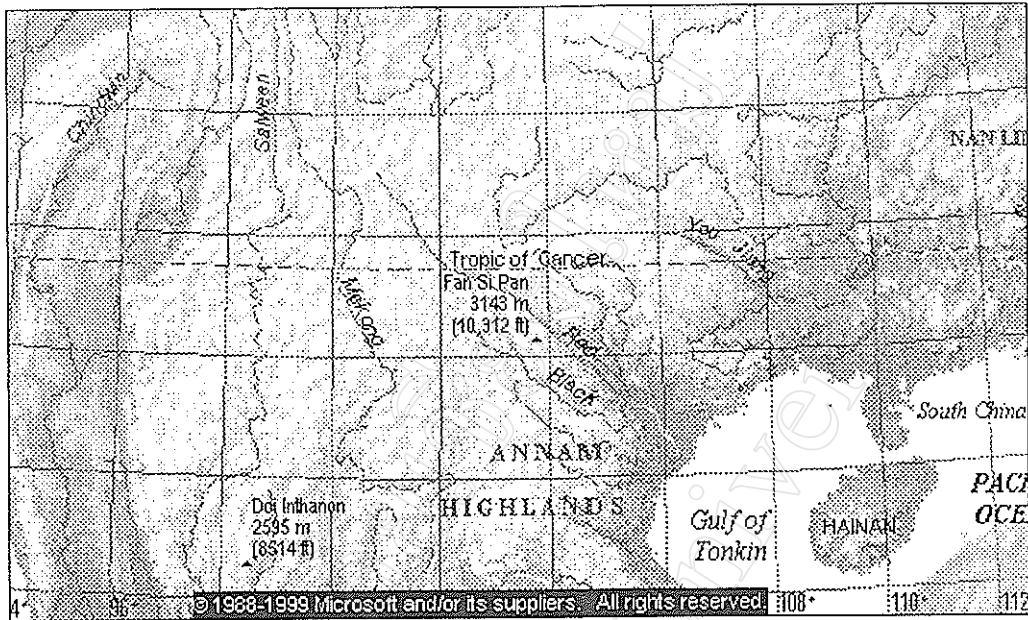


Figure 4.1 Geographical map of Southern China

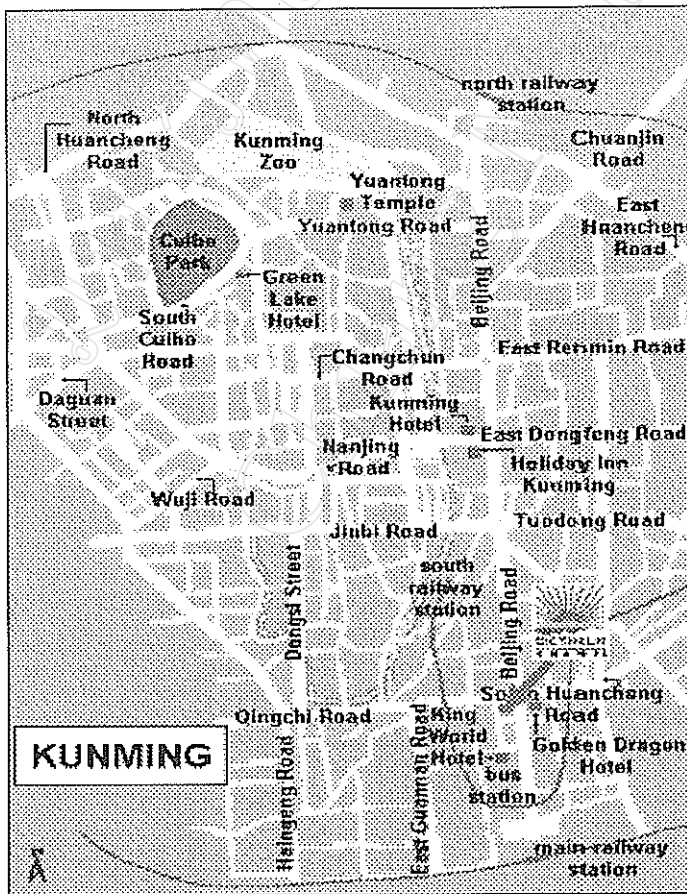


Figure 4.2 Map of Kunming City.

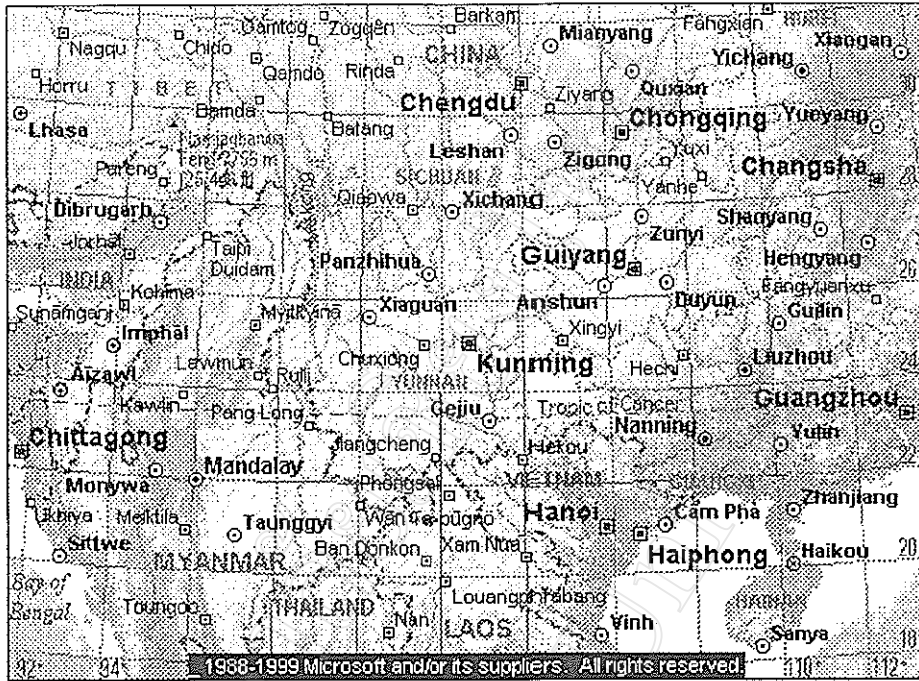


Figure 4.3 Map of Southern China

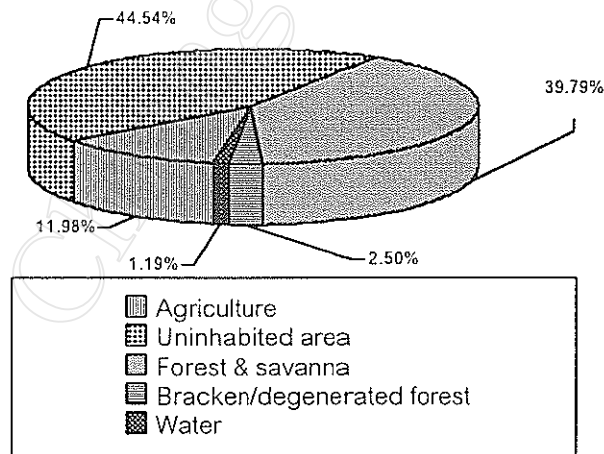


Figure 4.4 Land used in Yunnan

4.2 Agriculture

Biological resources in Kunming characterized by its temperature, the desired humidity, long hours of sunshine and short frost season. Kunming has more than 150 families of wild seed plants of 1,190 species, 206 fungi, 348 grain crops, 35 cash crops, 34 vegetables, 269 medical herbs, 460 flowers and over 400 fruits (about 40 endemic species).

Eastern and western region of Yunnan are covered by red soil of various ages. Though only about six percent of Yunnan's land is arable, the wild climatic variations assure the province a variety of crops. In so far, rice is the basic grain. In the upland plains, in the open valleys, and on the terraced hillsides, rice is the principal summer crop, with corn (maize) an important secondary crop. Other summer crops in the rice regions comprise sweet potatoes, vegetables, sugarcane, and tea. Winter crops in the rice region include wheat, barley, beans, peas, and rape seed. Among the hill people, corn, barley, and wheat are grown in summer in drier fields. Peaches, persimmons, walnuts, and chestnuts are also produced locally. In the extreme south, especially in the low-lying valleys, such produce as bananas, coconuts, and coffee are grown. Yunnan is one of China's major producers of tobacco; other industrial crops consist of cotton and hemp. The western canyon region holds enormous timber reserves and produces some tung oil. Livestock raised in Yunnan are water buffaloes, ponies, mules, cattle, sheep, goats, and pigs. (Timming et al., 1999)

By using agricultural activities as criteria to separate the region, Yunnan can be classified into six different agricultural activity areas.

- (1) Middle part: grows tobacco, wheat, rice, flowers, vegetables, and lives stock (i.e. pigs).
- (2) Northeastern part: grows oats and barley
- (3) Northwestern part: grows rice and as major crops
- (4) Southwestern part: grows coffees, herbs, sorghum, and abundant with forest which drives to a paper industry
- (5) Western part: grows rice, wheat, rape seed, lives stocks, and aquaculture
- (6) Northwestern part: grows oats and is abundance of savanna, suitable for raising ponies

Considering Kunming City, its agriculture is based on crop - growing and animal husbandry. Its farm produces are rice, maize, broad bean, wheat, oil-bearing crops, vegetables, fruit, pork, beef, mutton, poultry, etc. It is recognized as one of China's three bases for vegetable production in winter and spring seasons, and its gross agricultural output value in 1998 reached 6.63 billion RMB yuan. (National Electronics and Computer Center, 1998)

In summary, most Yunnanese is in agricultural sector. The major agricultural products are rice, wheat, oil seeds and products, sugar/sugarcane, tea, tobacco leaves/tobacco, beef, pork, eggs, and aquaculture products. In comparison, total area of Yunnan is nearly 80% of Thailand; nevertheless, the agricultural area accounts for less than 10% of agricultural area in Thailand. That is Yunnan agricultural area is

only two-third of the agricultural area in northern part of Thailand. However, agricultural labor force is approximately 16.6 million, which are only 8.79% less than Thai's, which is 18.2 million (OAE, 1998)

4.3 Economic Structure.

Prior to 1990s, Yunnan province was a poor in development. The agricultural and industrial production values were only 830 and 195 million RMB Yuan in 1939. Since 1939, Yunnan government has revolted the economic development plan (Sopha, 1998).

During 1980s, the total production had been increased rapidly, which yielded the GNP at 39.17 billion RMB Yuan. Yunnanese government focused on agricultural development. Besides agriculture, power supply, public utilities, and small industries have various kinds of product supplied to the markets. Yunnanese government has recognized the importance of open economy; therefore, they had built the economic and trade relationship with more than a hundred countries from all over the world. As a consequence of this, trade value was increased from 110 million Yuan in 1980 to 550 million Yuan in 1990. Thus, an increasing rate of trade value was 17.4% per annum, particularly the export value increased by 3.5 times within ten years. In addition to the trade value, foreign investment yield 630 million yuan. This investment expansion contributed the progression in technology of tobacco, chemical and machinery industry. Furthermore, the border trade value has also increased from 2.8 million yuan to 1.8 billion yuan in 1980 and 1990, respectively. Accordingly, the standard living of the Yunnanese has been ameliorated over time, noticed by an

increase of the employment rate in urban region (from 49.34% to 54.2%). The wage rate was risen for 1.8 times, from 760 yuan to 2,130 yuan. Furthermore, the average household expenditure (exclude inflation rate) in both urban and rural area was improved by 54.1% (from 173 yuan to 616 yuan) (Timing et al., 1999).

4.3.1 Income per Capita

In 1996, the average income of the Yunnese was approximately 4,466.46 RMB yuan per capita for the urban people and 1,299.28 RMB yuan per capita for rural people, with inflation rate was equal to 6.60 percent, down from 1995 which fetched at 18.10 percent (Department of Export Promotion, 1998). However, income per capita has been increased gradually. In 1998, urban and rural income per capita was 6,042.72 RMB yuan and 1,430.00 RMB yuan, consecutively. In contrast, inflation rate was declined to -0.8 percent (Amorntheerakul, 1998) (table 4.1).

Table 4.1 Income per capita and inflation rate of urban and rural people in Yunnan Province from 1996-1998

Year	Rural income per capita		Urban income per capita		Inflation rate (%)
	RMB yuan	Baht	RMB yuan	Baht	
1996	1,299.28	3,897.84	4,466.46	13,399.38	6.60
1997	1,374.87	6,186.915	5,558.29	25,012.31	2.3
1998	1,430.00	6,435.00	6,042.72	27,192.24	-0.8

Source: Department of Export Promotion, January 1998; Commercial Section, Royal Thai Consulate-General, Kunming City, 1998 (Note: Use exchange rate 1 RMB yuan = 4.5 Baht in 1997 and 1998, while in 1996 use the exchange rate at 1 RMB yuan = 3 Baht)

4.3.2 Border Trade and Relevant Policies.

Border trade refers to trade of goods among border inhabitants or enterprises in certain areas of China's border provinces and autonomous regions. Cross-border transactions have evolved from the simple exchange of goods to production activities. This is the main trend and direction for further reform of cross-border trade in China through establishment of free economic zone in border of cross-border areas and development of sub-regional and transactional cooperation, towards regionalization of the world economy.

In a macro level, Yunnan has international trade worldwide and the exports of Yunnan in 1996 totaled US\$ 1,096.31 million, 9.80 percent decrease from the total export of US\$ 1,215.48 million in 1995. The most important exported product in 1996 were tobacco with the export value of US\$ 258.87 million. The second most important was non-ferrous metals with the export value of US\$ 144.67 million. The following was raw material for chemical industry which valued at US\$ 138.25 million (Department of Export Promotion, 1998). (Appendix B.1).

Due to the rank of the major trade partner countries in 1998, Thailand was at the eleventh position, two levels down from 1996. Considering the import value of major trade partner countries (1998), Thailand was drop dramatically from the ninth rank in 1997 to the twenty-fifth in 1998. Thailand has experienced a trade deficit with Yunnan for five years since 1994 (table 4.2). In terms of trade, Yunnan has attained a positive trade balance against Thailand. However, for the border trade

value, Thailand has a positive trade balance since 1994. Yet, the growth rate of positive trade balance has been deteriorated overtime.

Table 4.2 The border trade balance of Thailand against Yunnan from 1993-1997 of the total trade value (normal trade plus border) (million baht).

Year	Trade value				Growth rate			
	Total trade value	Export	Import	Trade balance	Total trade value	Export	Import	Trade balance
1993	-	-	-	-	-	-	-	-
1994	0.41	0.04	0.37	-0.33	-	-	-	-
1995	4.28	29.33	13.47	15.86	10,339.02	73,225	3,540.54	4,906.06
1996	113.46	82.79	30.67	52.12	165.09	182.27	127.69	228.63
1997	217.71	140.37	77.34	63.03	91.88	69.55	152.17	20.93

Source: Consule of Chiangsan, Commercial Section, Chiang Rai, 1996.

Regarding the exported commodities, it is apparently that the major exported commodity from Thailand is rubber (see table 4.3).

Table 4.3 Value of agricultural commodities exported from Thailand to Yunnan province (million baht)

Items	Value		
	1994	1995	1996
1. Rubber	-	-	129.438
2. Seeds/animals	-	3.213	4.564
3. Fruits & vegetables	-	-	.0790
4. Seafood	0.765	5.279	0.025
5. Instant noodles	-	-	4.20
6. Custard Cake	-	-	2.17
7. Candies	-	-	2.09

Source: OAE, 1998.

4.3.3 Regulation for import fruit commodities to Kunming City (Ming, 1999).

Agriculture is a major factor, which is significant to Chinese economy. Diseases and pest control are extremely important for a safety and development of Chinese's fruit growing industry to prevent the introduction of these fruit enemies. As a result, it came up with an Article 9, 10, and 11 from Chapter II, existed in The Law of the People Republic of China on Import and Export Commodity Inspection. (Ming, 1999) (Appendix B.2) Import of the host fruits from regions where there existed economically significant disease and pests, such as Mediterranean fruit fly, is prohibited. All fresh fruits except import-prohibited ones are placed under the import inspection. When importing fresh fruits, the importers should submit a written application to the animal and plant quarantine service in the entry port.

4.3.4. Tax Regulation of China.

The tax regulations for the fair market form of border trade are distinct. The tax has to be levied on the inhabitants of trading countries who enter the exchange markets when their sales exceed the minimum under the duty exempt ceiling defined by the tax organizations.

The tax regulations for border trade of small amounts are as follows. Tax has to be levied on the inhabitants of trading countries who enter the exchange markets when their sales exceed the minimum under the duty exempt ceilings defined by the tax organizations. In addition, for border trade in small amounts, imported goods can enjoy exemption or reduction of taxes, while there is no duty or drawback for

exported goods. In terms of licensing management, the Border Trade Bureau will handle and approve licences for imported and exported goods subject to the licensing regulations.

In case of tax levied on agricultural products, particularly, fruit commodities, the tax rate for longan is 30% plus V.A.T. 7% (Amorntheerakul, 1999). Though there is no evidence for a tax rate recorded for Thai mango, from the interview with Thai exporter (T.P.F. Intertrade Co., Ltd.), tax rate for fruit commodities is not fixed. No announcement for an accurate number; nevertheless, from their experience the tax rate ranges from 5-10 Baht per kilogram.

4.3.5 Economic Cooperation in the Greater Mekong Subregion

The Greater Mekong Subregion (GMS) Program, a cooperation among the six countries, was established in 1992 financed by Asian Development Bank (ADB). The member countries include Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, Vietnam and Yunnan Province of the PR China (PRC). This program first focused on basic infrastructure that would help link the subregion and encourage development of resource base. Not only does it contribute transportation and energy infrastructure, but also enable freer flow of people and goods, and share of resources (ADB, 1999). This project would facilitate subregional trade by ameliorating transportation (appendix B.3) and telecommunication and some sources of energy.

4.4 Summary

Kunming is a capital city of Yunnan Province with a great complexity of 27 nationalities with natural resource abundance. Rice is a basic grain while corn is a secondary crop. Betterment of Yunnanese economy resulted from the trade reform policy. This results development in foreign trade, production, scientific research, technology, and financial participate in external economic and trade. Yunnanese income per capita has increased, gradually. Though Chinese ease the international trade, there is still a certain level of trade barrier, particularly, the import restriction of fruit and vegetables. Among the exported commodities from Thailand, rubber has the highest value. In spite of that, the trade balance of Thailand with Yunnan has been deficit since 1995.

GMS Program is an economic cooperation, which encourages international trade among countries in Mekong River Basin by developing infrastructure such as transportation, energy, and telecommunications. Particularly transportation, it is directly enable more trade among member countries. While GMS is an economic cooperation in micro level, WTO is a cooperation in a global level. WTO does also aim at economic integration to ease more foreign trade. China, who is in GMS Program and going to be a member of WTO, therefore, has to adjust the foreign trade policy by free trade barriers.