



Using Comparative Advantages – An Example from China

Professor Li Yining, Head of the Department of Economics and Management, Beijing University, had these comments in the Hong Kong newspaper, *South China Morning Post* (October 16, 1995), "One of the most important decisions in a developing economy is knowing when and how to use a region's geographical features to their best advantage." He cited, as an example, how one county in southern China had made the transformation from financial gloom to a thriving economy by switching from corn to sugarcane production.

Long-term corn yields were poor, food supply was inadequate, farm income was low, and the entire county was in poor financial state. County leaders decided to do something about it. They cut corn hectareage and expanded the sugarcane growing area...because sugarcane yields were much higher. They also built a sugar refinery. As a result, sugar production expanded, generating more income for the county and the industrial sector.

The county's economy was revived. Farmer income increased and food was more abundant, largely due to three reasons.

Farm land converted to sugarcane was more productive. Further, land still in corn was managed more intensively, resulting in higher, more profitable yields.

The sugar refinery triggered industrial growth in the county, allowing the industrial sector to offer greater support to agriculture.

Increased per capita income brought about rapid economic changes. The domestic market was more prosperous; there was more money for education, construction, etc.

Professor Li Yining points out that each area (county) has its own comparative advantages. Success depends on how they are managed. He recognizes that convincing farmers to change can be difficult, but change is required to improve economic conditions. He concludes that if comparative advantage is not exploited, poor counties will continue to be poor and those counties with food shortages will require outside aid to survive.

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Editor's Note: Professor Li Yining is also a Standing Committee Member of the National People's Congress.

