THS 000098
TAN SRI ABDUL MAJID LIBRARY

# INTI INTERNATIONAL UNIVERSITY

## MASTER OF BUSINESS ADMINISTRATION

Green barriers and China's agricultural product export: Is there a relationship?

**Author: Hang Fei**

**Student No: I11009378**

**Supervisor: Dr. MudiarasanKuppusamy**

**Submission Date: December 2012**

**Ethics Number: INBS341**

**Final Word Count: 14,930**

RECEIVED
03 FEB 2014
LIBRARY

HD
31
HAN
2012

## Abstract

In recent years, the world economic integration trend has become more apparent, and the trades among different countries have been strengthened, coming with increasingly close relationship and more incentive competition (China Daily, 2012). But with the changes of international trade environment and lower tariff barriers, some countries are increasingly putting out a series of new trade protection measures to achieve the purpose of trade protection.

The green barrier is one of the most frequent measures in developed countries from the 1990's (Feng, 2009). As an agricultural country, the export of China's agricultural products are often suffered the restrictions from the green barriers. The positive green barriers can regulate the agricultural production in China, and promote the agricultural development and international trade, on the other hand, the objective green barriers would increase the cost of trading, even cause trade friction, and prevent the development of international trade (Wang & Liu, 2007). So the research of influence of green barriers on China's agricultural products is very realistic. According to the influence of green barriers on China's agricultural exports, the corresponding countermeasures can be made to deal with the green barriers and improved China's competitiveness in the international competition.

However, most of the existing studies about green barriers focus on the descriptive analysis. This study of the influence of green barriers on China's agricultural products export will show an empirical analysis based on the questionnaires of 100 staffs of agricultural trade companies.

## Acknowledgement

This MBA project was the result of a long semester which included a lotof hard work, patience and motivation. I would not havebeen possible to completethis project on time without the support and courage given by a certain few people.

First of all, my biggest thank is for my supervisor, Dr. Mudiarasanwho placed enough faith in me in the first place to carry out a research topic thatwas new and challenging yet interesting. He has always imparted his calm aura aswell as invaluable feedback at all times in order to keep me on track. I am extremelygrateful for his assistance and support throughout the duration of this project.

Secondly, I would like to thank Miss. Luo Yuan who gave me the initialmotivation to pursue this topic of research. Without her advice and courage, it wouldhave been a tough journey to complete this research paper. Furthermore, I wouldalso like to express my gratitude to all related managers in the agricultural trade companies in Xi'an of Shaanxi province, whohelped me to hand out questionnaires to the employees in the companies. This researchwould not be completed without their approvals.

Apart from that, there is a long list of friends and family who have constantlygiven encouragement and been extremely supportive throughout thecourse of my studies, such as my dear parents, my friends and my roommate. Thank you.

Hang Fei

November 2012

## Declaration

I hereby declare that this research project is of my own effort except for theinformation that has been used from various authors that have been citedaccordingly and ethically.

20th November 2012

Hang Fei

# Table of Contents

Abstract.....I

Acknowledgment.....II

Declaration.....III

Table ofContents.....1

List of Figures & Table.....4

List of Appendices.....5

Chapter 1.....6

1.0 Introduction.....7

1.1 Background of Research.....7

1.2 Problem Statement.....8

1.3 Research Questions.....9

1.4 Research Objectives.....10

1.5 Research Significance.....11

1.6 Limitations .....12

1.7 Scope of Study .....13

1.8 Outline of Research .....14

Chapter 2.....16

2.0 Introduction .....17

2.1 The Overview of China's Agricultural Products Export in Recent Years.....17

2.2 The Overview of Green Barriers.....19

2.3The Causes of Green Barriers.....23

2.4The Influences of Green Barriers.....25

2.5 The methods to deal with green barriers.....29

2.6 Research Model.....33

2.7 Chapter Summary.....34

Chapter 3.....36

3.0 Introduction .....37

3.1 Research Design .....37

3.2 Research Framework .....38

3.3 Study Population, Unit of Analysis, Sample Selection and Sampling Techniques.....39

3.4 Data Collection and Analysis Methods.....40

3.4.1 Data Collection.....40

3.4.2 Analysis Method.....41

3.5 Measuring Instrument.....43

3.6 Data Analysis Approach.....43

3.6.1 Validity and Reliability Tests.....43

3.6.2 Inner Model Evaluation.....44

3.7 Questionnaire Design .....45

3.8 Ethical Considerations .....50

3.9 Chapter Summary .....51

Chapter 4.....52

4.0 Introduction .....53

4.1 Response Rate .....53

4.2 Preliminary & Demographic Analysis .....53

4.3 Assessment of Reliability .....57

4.4 Results from Partial Least Square (PLS) Modeling .....57

4.4.1 PLS Outer Model Evaluation .....58

4.4.2 Structural (inner) Model Evaluations.....62

4.5 Hypotheses Testing.....63

4.6 Chapter Summary .....64

Chapter 5.....65

5.0 Introduction .....66

5.1 Results Discussion.....66

5.2 Theoretical Implications.....69

5.3 Practical Implications.....70

5.4 Recommendation for Future Research.....71

5.5 Conclusion.....73

5.6 Personal Reflection.....74

References.....76

Appendices.....81

# List of Figures & Tables

Figure 1(a) Research Model.....33

Figure 1(b) Specific Research Model.....33

Figure 2Research design blueprint.....38

Figure 3 Structural (inner) Model Evaluation.....63

Table 1 Summary of Questionnaire.....49

Table 2 Summary of Respondent's Profile (n=144).....56

Table 3 Summary of Reliability Test.....59

Table 4(a)Statistical Results of Outer Model Evaluation before Removing.....59

Table 4(b) Statistical Results of Outer Model Evaluation after Removing.....60

Table 4(c)Correlations of Latent Variable.....61

Table 5Structural (inner) Model Evaluation.....62

Table 6 The Summary of the hypothesis test.....64

# List of Appendices

Appendix 1: Survey Questionnaire.....82

Appendix 2: Initial Research Proposal Paper.....84

Appendix 3: MBA Project Log

Appendix 4: MBA Project Ethic Form

# Chapter 1 Introduction

## 1.0 Introduction

This research was done to examine the relationship between the causes, influences of green barriers and the methods to deal with green barriers, and China's agricultural products export. Firstly, the background is in Section 1.1 and Section 2 talks about the problem statement. Research questions and objectives together with significance, limitations and scope of study are shown from Section 1.3 to 1.7. In Section 1.8, the outline of this research is explained.

## 1.1 Background

Due to the rich natural resources and relatively cheap labor, China's agricultural export has a comparative advantage in the international agricultural market. At present, China is becoming the fifth largest agricultural products exporter in the world (Yu, 2010). The export markets of China are mainly in Asia, Europe and North America.

With the gradual recovery of global economy, especially in some countries the increasing prices of agricultural products led to the recovery of the global agricultural market demand. Although China's agricultural export is keeping a better growth momentum, agricultural industry has been one of the national key areas of trade protection especially in the developed countries. Japan, the United States, European Union, South Korea and other major developed countries continue to make new technical trade measures and health measures to increase detection items and improve the detection standards, in order to increase the access threshold of agricultural products(Jiang, 2008).



THS 000098
TAN SRI ABDUL MAJID LIBRARY

Green barriers are also called environmental barriers and green protectionism, which is a new trade barrier since 1990s. Buyers will impose green barriers on sellers' export when the buyers want to protect their own limited resources, human, animal, plant health and ecological environment in the modern international trade. Green barriers take place when importers have strict environmental protection laws and regulations to manage their own environment and technology standards(Wang & Liu, 2007). It has become a common phenomenon that green barriers hinder China's agricultural exports since China joined the WTO.

## 1.2 Problem Statement

This research will examthe relationship between the causes, influences of green barriers and the methods to deal with green barriers, and China's agricultural products export. With the correct measurements, China can make more improvements on the agricultural products export and other global trades.

There is no doubt that China has an important trading power in the world market, Chinese producers and exporters have felt the pain and loss of unknowing the rule of international trade, and unable to competing with the rule of international tradeat the same time (China Daily, 2012). In recent years, with the international trade environment changes, and lower tariff barriers in international trade, green barriers have become one of the most important agricultural trade barriers.

The green barriers are becoming not only the serious challenges faced by China's agricultural export products but also the biggest obstacle for China's agricultural exports (Yu, 2010). To deal with the green barriers, it is important to identify the causes of green barriers on China's agricultural products export, which are from both import and export countries. The

limited agricultural technology of China is one significant cause. Due to the limited agricultural technology of China, the agricultural export products can't meet the high environmental standards mentioned in "green barriers" of the import countries. In the process of export, the quarantine system, import standards and complex inspection process that are regulated by the import countries are also the main causes. The complex process built by import countries is the biggest obstacle for China's agricultural products export.

As agricultural trade plays a key role in China's foreign trade, how to break restrictions of green barriers impacted on agricultural export products and how to effectively regulate China's agricultural production with the correct use of the green barriers are the big problems for China's future development(Wang & Liu, 2007). By changing the negative influence and making use of the positive in influences of green barriers in China, the sustainable development of China's agricultural trade can also bepromoted in the future.

In most previous researches, the authors focus on the negative influences of green barriers. But the green barriers also have positive influences on the agricultural products export as mentioned in the hypothesis two in this study. The most significant issue for further exploration in the study is to effectively take use of the positive influences to improve China's agricultural products export. This study will make an empirical analysis of the positive influences of green barriers with questionnaires.

### 1.3 Research Questions

The research questions were obtained by finding the main issues related to the study, and they will be utilized to produce research objectives which will

in the end be the measurer of the study successfulness (Zikmud, 2007). The questions consist of:

- To what extent the causes of green barriers impact on China's agricultural products export?
- To what extent the influences of green barriers impact on China's agricultural products export?
- To what extent the methods to break restrictions of the green barriers impact on agricultural export products on China's agricultural products export?

## 1.4 Research Objectives

Consequently, the questions are followed by the research objectives, which are categorized into two clearer sections: general objective and specific objectives. The main objective generalizes the whole idea of the specific ones, while the specific objectives will produce detailed results and findings to support the study usefulness for the future opportunities(Zikmud, 2007).

### General Objectives

Basically, examining the relationship between green barriers and China's agricultural products export is the main objective of this study.

### Specific Objectives

The specific objectives were obtained by using the Research Questions, and are done as a measurement of the research's successfulness at the

end of the research period (Zikmud, 2007). The followings are the specific objectives of this research:

- To examine the relationship between the causes of green barriers and China's agricultural product export
- To examine the impact of green barriers influencers toward China's agricultural product export
- To examine the impact of effective solutions of green barriers toward China's agricultural product export

### 1.5 Significance of the Study

As the world economy moves towards globalization, China has become more open to trade with other countries. Its international trade volume had risen from US$20.6 in 1978 to US$1,422 billion in 2005 (Wang & Liu, 2007). Since China's exports are mainly about the labor intensive and resource intensive industries, this exports pattern causes a heavy environmental problem in China. Green barriers become a kind of emerging non-tariff barrier which is used for the developed countries to protect their production and economic development in recent years. The main forms of green barriers include green tariff and market access, green packaging and labeling requirements, green technology standards, Green health inspection system, environmental costs and green subsidy system (China west products, 2011). China's mechanical, agricultural, mechanical and electrical products are all influenced by green barriers, which include recycling requirements, pollution, noise and safety standards (Wang & Liu, 2007). How to cope with green barriers becomes the biggest challenge that China faces to continuously expand its exports.