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Statement by Japan

Non-Trade Concerns (G/AG/NG/W/36)

The third paper, contained in the WTO document "Note on NTCs" (G/AG/NG/W/36), from pages 17 to 29, is entitled "Food Security and the Role of Domestic Agricultural Production" and is prepared jointly by Japan and the Republic of Korea.

The delegation of Japan would first like to make a brief introduction on this paper, to be followed by some complementary comments by friends from the Republic of Korea.

As with the other papers contained in this note on NTCs, our paper, as a contribution to this Special Session of the Committee on Agriculture, is intended to present the elements of reflection on this important subject in as comprehensive a manner as possible. The elements comprise four sections as can be seen in the table of contents on page 18 of this document: the first section is on the definition and elements of food security; the second on the situations concerning food security, including the short-, mid- and long-term perspectives, as well as the aspects of the WTO rules and disciplines; the third on the ways and means to ensure food security; and the fourth on what could be a desirable international framework for ensuring food security.

The essence of our paper is as follows;

First, on food security, the importance of which no one can deny, is a problem for every country, whether it be present or potential. For this reason, one of the most fundamental objectives of each government's agricultural policy is on food security, namely to ensure a sufficient food supply for its population.

Second, food security should be ensured through the optimum combination of domestic production, importation and stockholding. This point is illustrated in the diagram on page 26 of our paper. As you can easily understand through this conceptual illustration, such combination can be considered optimum when the cost of food security is at its lowest, taking into account the elements of risk, as well as external effects and characteristics of public goods of food security. In other words, a country may solely rely on either importation or domestic production to achieve food security, but this will only be possible at an unbearably high cost to the domestic economy. We may add that such optimum combination can vary according to the specific situation of each country. And each country has a right to pursue this optimum combination in order to ensure its food security.

Third, when examining the cost-efficiency of domestic production, we must duly take into account the multifunctional characteristics of agriculture. Agriculture, beyond its primary function of producing food, is essential to food security, to social and economic development, to employment, the

maintenance of the countryside and the conservation of land and natural resources, and also helps sustain rural life and land.

These characteristics, manifested jointly with agricultural production activities, can be more correctly analyzed as economic externalities and public goods. Thus it is clear that the market mechanism alone cannot lead to an optimum solution.

Additional intervention on the Note on Non-Trade Concerns

Japan would like to make a brief comment on food security and the role of domestic production.

We have listened (carefully) to comments made by a number of delegations and would like to thank these lively and objective contributions on this important subject.

When we are engaging agriculture negotiations based on Article 20, it is important to have a common understanding on what we are really talking about, as even some key notions such as food security, multifunctionality, may have different connotations.

In this sense, we are encouraged by the fact that many countries share the common recognition, namely food security is a legitimate concern for every country whether developed or developing, and this should be realised as a result of a combination of domestic production, importation and stockholding.

In this real world where we are living, there exists plenty of uncertainties, including possibilities of realization of various crisis scenarios. Food production is under various constraints and only the surpluses tend to be exported after having satisfied the domestic demand.

We also agree that food security is not simply a question of accessibility to food. It is also a question of sustainable utilization of domestic agricultural resources by way of actual production and preservation of production potentialities. And as many delegations pointed out, when we consider the multiple vocations of agriculture, such as, *inter alia*, rural development, employment in rural areas, it is clear that issues we raised in our paper are concerns of every country, whether developing or developed.

As for the policy implications, at this stage we would like to limit ourselves by underlining the points raised in our paper in paragraphs 38–40, section IV paragraphs 50–55.

Finally, we would like to conclude our intervention by expressing our willingness to continue constructive work in order to find a balanced outcome in the negotiations on agriculture.

Comment on MERCOSUR Paper on Export Subsidy and Food Security (G/AG/NG/W/38)

We appreciate the paper subtitled by 7 MERCOSUR countries on the issue of food security.

Japan particularly supports two of the viewpoints expressed in the paper: the first is that the development of domestic agricultural production is necessary to secure food security, and second is that concentrating agricultural production on just a small number of countries will threaten food security.

To ensure food security, we need to establish agricultural trade rules that secure the coexistence and the development of agriculture in each country. At the same time, it is important to set up a basis for sustainable agricultural production in each country. For that purpose, Japan has been actively promoting technical and financial assistance to developing countries.

In this context we would like to draw your attention to the points in which we demonstrate an optimum combination of domestic agricultural production, imports and stockpiling and the multiple roles of domestic agricultural production which are the key to ensure food security.

From this viewpoint, as this paper only refers to export subsidies, we would like to underline that, we should also examine in a comprehensive manner the measures of exporting countries, including export prohibition/restrictions, and export state trading as we pointed out in our paper W/36 in paragraphs 38-40 from the viewpoint of strengthening the rules and disciplines on export **including its practices**.

Finally, we do not agree with some of the points raised in the paper, namely:

- We do not share the view that agriculture should be subject to the same general trade rules as manufactured goods. As it was clear during the discussion on the previous paper, the specificity of agriculture cannot be denied.
- We do not support the idea that food aid should be made only in full grant form. As the difficulties faced by developing countries are quite diverse, and because the adequate and timely flow of aid could be hampered, to the detriment of needy developing countries, if too strict a rule is imposed, food aid that is not in full grant form should also be permitted, if the receiving country so agrees.
- We cannot go along with the argument that liberalization of trade in agriculture is the real solution to food security. We would refrain from getting into a detailed explanation here for we already addressed this point during the debate on the previous paper W/36.

Comment on Cairns Proposal on Market Access (G/AG/NG/W/54)

The agricultural sector has a certain specificity and this specificity is reflected in the WTO where the Agreement on Agriculture has been placed as *rex specialis* in the WTO legal system. Given this specificity, it is not easy for us to understand the Cairns Group's claim that the tariff systems, including the levels, of industrial products, should automatically be considered as the norm for the negotiations on agricultural tariffs.

In this respect, due consideration should be given to the specificities of each product, and the necessity to maintain a certain level of domestic production and multifunctional vocation of agriculture should not be neglected. Taking a mechanical and one-fits-for-all approach by ignoring these considerations is, in our view, not only unrealistic, but also unachievable.

The necessity to give special consideration to developing countries is one of the important features of the proposal by Japan submitted to the General Council last year. As the problems and needs of developing countries are fairly wide-ranging, depending on the specific situations they are faced with, Japan is prepared to look in detail into those individual countries' problems and needs during the course of the negotiations.

Comment on the Proposal from Transitional Economies (G/AG/NG/W/56)

We understand with sympathy the succinct description of the problems and difficulties which Members in the process of transition are facing.

We are of the view that these problems should be addressed properly in the negotiations on agriculture and we share the views in the proposal that these negotiations firstly, should allow the co-existence of various types of agriculture among Members; secondly, should promote domestic agricultural policy reform; and, thirdly, should not take a straight-jacketed-approach.

Comment on US Proposal on Tariff Rate Quota (G/AG/NG/W/58)

We would like to make brief comments.

First, what Members have committed in their own schedules is on the "opportunity" to access, and not on the actual volume of imports. The fill rates may vary depending on the specific situation of the products concerned.

Second, both the single tariffs and tariff rate quotas are equally legitimate border measures under the WTO agreements. And we do not see the reason why a tariff quota should be considered an interim or transitional measure toward establishing a single tariff. According to the Secretariat's background paper titled "Changes in Tariff Quota Administration and Fill Rates" (S/20), during the period between 1995 and 1999, there seems to exist a tendency in a opposite direction.

Third, the WTO rules and disciplines should be equitable for all Members especially between exporting countries and importing countries.

Due to these reasons, we find major difficulties in following the US proposal's mechanical and automatic approach, taken from the exporting interests.

Comment on ASEAN Proposal – Special and Differential Treatment (G/AG/NG/W/55)

Japan fully recognises the necessity to give developing countries special considerations as clearly stated in the proposal of Japan submitted to the General Council last year.

However, we are of the view that in order to address properly the problems and needs of developing countries, it is necessary to take a global approach, taking into account the diverse specific situations among developing countries and without limiting our considerations to the so-called three pillars as contained in the proposal. We consider that S&D, as well as NTCs, should be considered on its own title, and not in a subordinate to the three pillars.

And in this context, we would like to underline the importance of capacity-building in close cooperation with relevant international organisations.

Finally, Japan is willing and prepared to continue constructive dialogues within ASEAN countries on how to address their problems and needs, taking properly into account the NTCs including multifunctionality of agriculture vocations of Asian agriculture.

Comments on the Secretariat's Background Papers

1. Studies on the Implementation and Impact of the Agreement on Agriculture (G/AG/NG/S/16)
 - (i) We would like to thank the Secretariat for preparing such a useful reference paper providing us with an overview of the results of the studies, carried out by the various intergovernmental organizations, regarding the impact of the implementation of the Uruguay Round agreements. In particular, we appreciate that this paper includes some case studies, not only on developing countries, but also on developed countries.
 - (ii) Although there are some studies that have drawn on the conclusion that improvement in agricultural trade through the implementation of the Uruguay Round agreements has not been so significant, we cannot deny that there have been some negative impacts on certain products and regions. We therefore consider that further in-depth analysis and evaluation of concrete individual cases, rather than the mere study of the general trend, could be a useful contribution to the agricultural negotiations based on Article 20, as an "experience from implementation".
 - (iii) Clearly, we must continue discussing the experience from implementation as an issue to be considered in a balanced manner in the negotiations, as prescribed in Article 20. In this regard, we consider it would be useful to have a session devoted to such discussion, based upon the presentation made by the intergovernmental organizations of their analytical contributions.
2. Non-trade Concerns (G/AG/NG/S/17)
 - (i) We would again like to thank the Secretariat for its efforts to produce such a useful paper, which contains a compilation of the issues on non-trade concerns raised by Members.
 - (ii) We do not consider it necessary to get into this subject in a detailed manner after six hours discussion at this Special Session. However, we would like to take up two points.
 - (iii) First, Japan considers that now the situation has come to the stage where many Members share a common understanding that common features of the multifunctionality of agriculture is, in economic terms, jointness, externality and the public goods aspects. As the multifunctionality of agriculture constitutes a very important element of non-trade concerns, it is worth pursuing this notion in an objective manner in order to properly address these non-trade concerns.
 - (iv) Second, from the viewpoint of having a common understanding among the Members on the scope and elements of non-trade concerns based on certain points in common, and from the viewpoint of deepening our future discussions on non-trade concerns to discuss and examine appropriate policy measures to address such concerns, the present paper prepared by the Secretariat seemingly has much room for improvement. For example, the paper categorizes agriculture's contribution to land conservation and the fostering of water resource into the ecology aspect, a view which is not common and cannot be shared by Japan.
 - (v) Another example on the need of improvement on the Secretariat's paper, Japan would like to point out is that it puts the policy implication arguments in the first "General" part together with arguments of a conceptual nature. As we do not have any basis to

affirm, for example, that the Green Box is the only measure to address non-trade concerns or multifunctionality, it is clearly a preposterous approach.

- (vi) Due to this reason, we would like to ask the Secretariat to revise this valuable document based upon the comments and also reflecting the discussion held upon the paper W/36, "Note on Non-trade Concerns".

3. Operation of the Green Box (G/AG/NG/S/18)

- (i) The "Green Box" plays an important role as a "receptor" for converting non-exempt domestic support measures ("Amber Box") into measures which conform to the direction of reform indicated in the Agreement on Agriculture. We should, therefore, recognise its importance.
- (ii) There seems to be various views on the "Green Box" measures, but it is necessary to secure the smooth progress of the reform process of agricultural policy in each country, when discussing the framework of such "Green Box" measures.

4. Inflation and Exchange Rate Movements in the Context of Domestic Support Commitments (G/AG/NG/S/19)

- (i) In our view, this paper provides various simulations on the effects of inflation and of exchange rate movements on the AMS commitment levels, by highlighting the point at issue.
- (ii) The situation is not ideal in that the evaluation on what degree a Member abides by its AMS commitment varies, as pointed out in the paper, according to the inflation and exchange rates movements, which in fact have no direct relationship with a Member's efforts to reform their agricultural policies.
- (iii) The efforts by the Members towards agricultural policy reform should be evaluated in a fair manner and disciplined pursuant to the Agreement on Agriculture. Therefore, it is necessary to establish a rule whereby inflation and exchange rates do not affect a Member's status as to what extent it abides by its AMS commitments.
- (iv) The issue of inflation was discussed during the Uruguay Round negotiations and has been addressed in Article 18 of the Agreement on Agriculture but as only an issue to be given due consideration. In our view, it is, therefore, necessary to establish a certain rule thereon in the negotiations.

5. Changes in Tariff Quota Administration and Fill Rates (G/AG/NG/S/20)

- (i) We would again and finally like to thank the Secretariat for its efforts to produce an interesting analytical paper on tariff quota administration.
- (ii) It is interesting to note, from the Table 1 on page 1, a tendency that administration methods such as HI (Historical importers) and LD (Licenses on demand) have gained popularity among the Members, while the methods of AT (Applied tariffs), namely the single-tariff regime, seems to have lost its popularity.
- (iii) We should be very cautious, however, about whether or not we can draw any conclusion from the types of TRQ administration at this stage. For example:

- Although the method of AT (Applied tariffs) might have had certain defects in terms of its function to regulate the import volume, this does not necessarily mean that this is from an import-restrictive consideration. It is, therefore, always necessary to take account of the actual circumstances when conducting such an analysis.
 - Although the number of TRQs administered by methods such as HI (Historical importers) and LD (Licenses on demand) has increased, there is no clear tendency in the fill rates of the quotas of commodities imported through these administration methods.
- (iv) From the experiences gained up to now under the GATT/WTO, there do exist certain pros and cons for each TRQ administration method. It is, therefore, quite difficult to logically foresee which specific administration method will most suitably be applied on a certain product entering a particular country.
- (v) The analysis presented in this paper is conducted in terms of the fill rates of the TRQs. However, the true nature of the problems to be focused on is whether or not a TRQ is operated in an unjustifiably trade-restrictive manner. We should bear in mind the fact that the fill rates will be low if a TRQ is administered in a trade-restrictive manner, but that the opposite is not always the case.
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