

Globalization and Competition in Agriculture

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Freer Trade enhances Competition But

- ▶ **The tariff is the Mother of trusts.** Tariffs and Non-Tariff Barriers (NTMs) prevent competition from overseas. They may help domestic producers but hurt consumers.
- ▶ In order to enhance competition in markets of final and intermediate products and factors of production, we should reduce tariffs and NTMs through trade negotiations.
- ▶ **Developing countries benefit from WTO negotiations. They gain from the reduction of tariffs in big markets resulting from negotiations by large countries without participating in them under the principle of “most-favored nation”.**
- ▶ Export taxes on raw materials such as soybeans work as disguised export subsidies for processed products such as soybean oil. But they are not restricted in the WTO agreements but in CPTPP . The WTO agreements were agreed more than 30 years ago in 1993. More should be done in the WTO.
- ▶ **The WTO ceases to be active in terms of both legislative (negotiations) and judiciary (dispute settlement process) functions.**

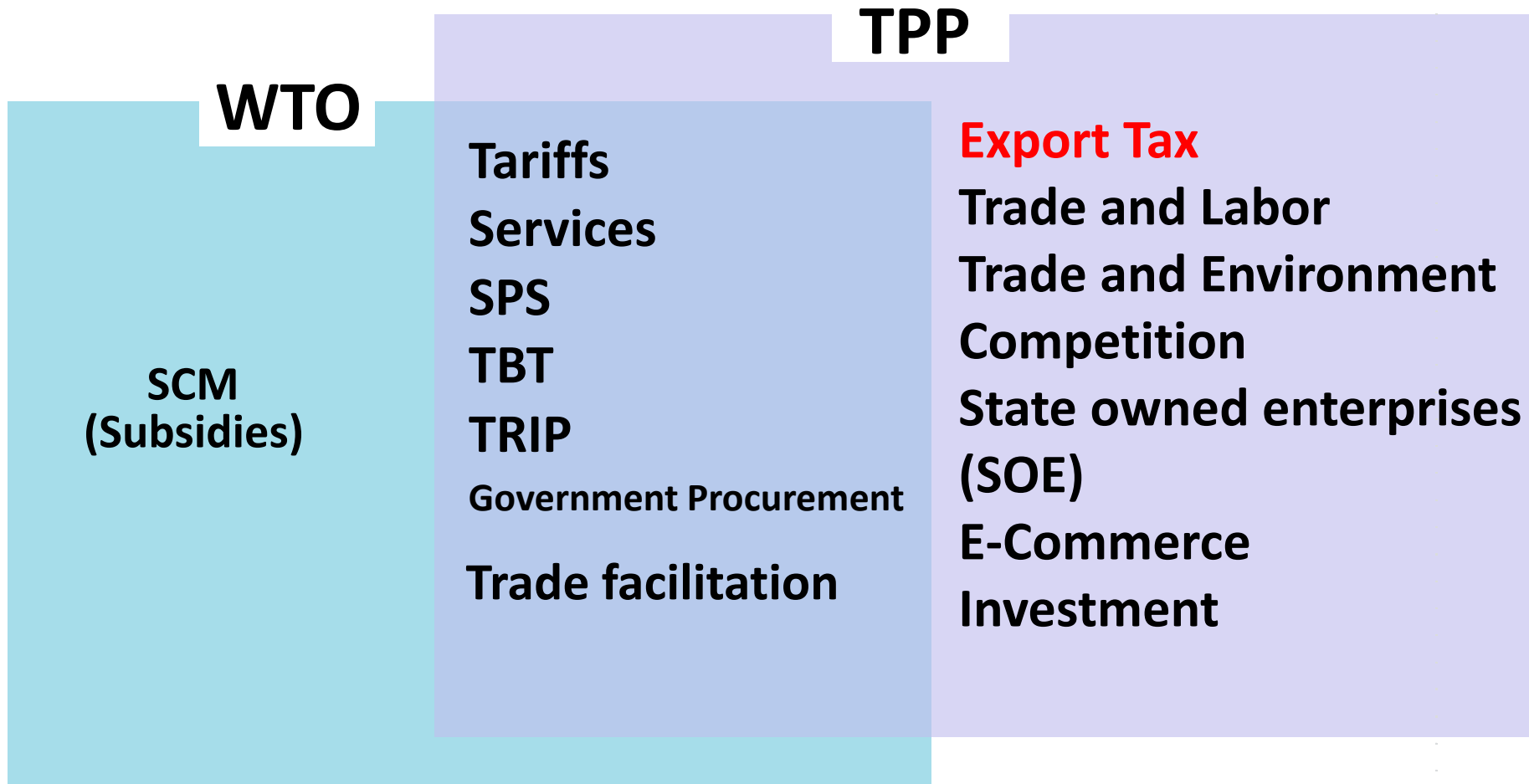
The WTO's legislative function through negotiations has failed

- The Doha Round drifted due to discord between the developed and developing countries. Since China joined the WTO, the US and the EU have been pushed back by developing countries.
- Rules adopted 30 years ago are still applied without change. The further liberalization of goods and services trade is deadlocked and the rules are not attuned to new forms of trade, including e-commerce.
- Most of the issues including forced technologies transfer that the U.S. has against China are not covered by the WTO. Since consensus is required for WTO negotiations, China can block establishing new agreements. ⇒ The Obama administration turned its eye to TPP without China. But how can it impose new rules on China?

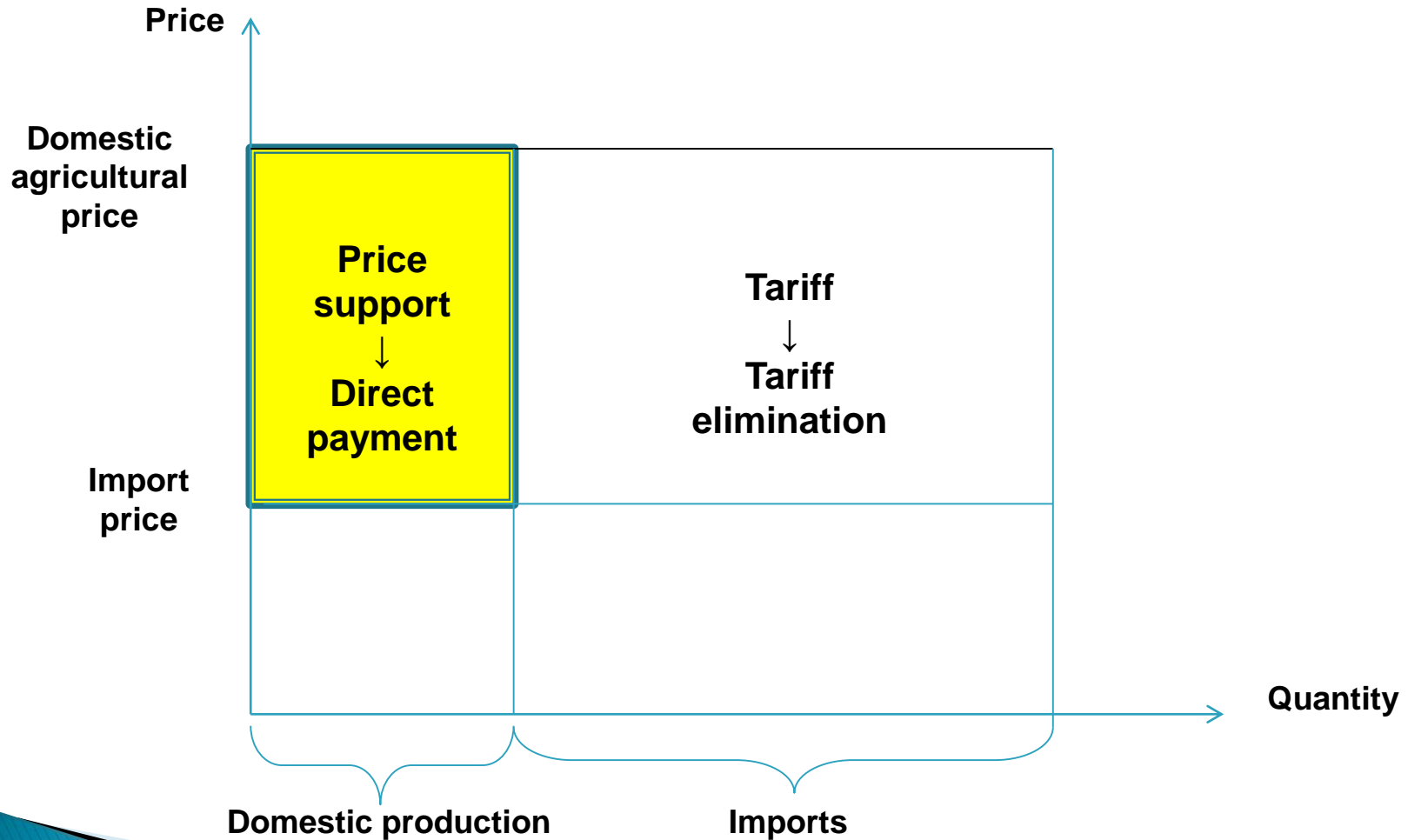
The WTO's **judiciary function** by **dispute settlement** is suspended

- ▶ **Since the old rules remain in force, new and creative interpretations have been made, as if to create new laws(OVERREACH).**
- ▶ The interpretations **do not agree with the intention of the countries that drafted the text of rules in the negotiations**, e.g. export credit in U.S. cotton case (Japan which has not made commitments of Article 9.1 export subsidies may not give food aid?). A couple of lawyers can overturn what many countries negotiated.
- ▶ **The frustrated U.S. has refused to appoint a member of the dispute settlement body.**

Plan B to Revitalize the WTO: Enlarge TPP & Make new TPP rules the WTO rules



Price support distorts market. A shift from it to direct payment reduces a nation's burden



Make Farmers More Competitive and Profitable in both domestic and foreign markets

- ▶ Income = **sales** (price × amount produced) – **costs**
- ▶ **Cost/ton** = **cost/hectare(A) ÷ yield /hectare(B)**
- ▶ To **reduce (A)**, (1) **factors of production be less expensive** (introduce new companies or cooperatives to **make factor markets more perfect or import factors** from overseas) (2) **the structural adjustment such as expansion of a farm size** (the opportunities of employment for people who leave farming business should be created) (3) **new technology** such as GPS, sensor, drones, A.I. robots which enables farmers to **make less use of production factors**.
- ▶ To **increase sales or (B)**, we may **invent new varieties with higher quality or more yields making use of technology** such as generic engineering

Don't be pessimistic; Scale is important but not everything

Average area of land managed per farmer

Japan	USA	Australia
2.27 ha	169.6 ha	2970.4 ha
1	: 75	: 1309

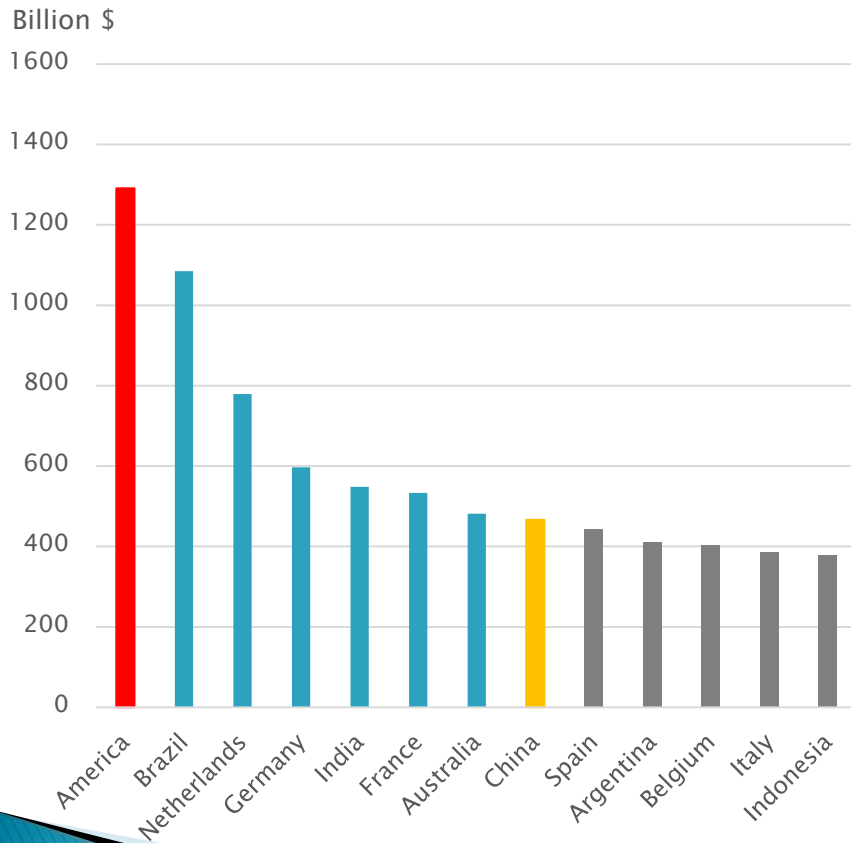
Although size is important,

- ① land productivity is different: **differences in crops and yield/area** (The USA, the world's largest exporter of agricultural products is 1 / 18 the size of Australia; Australian wheat yield/area is 1 / 5 of the UK) Netherland is the 3rd largest exporter.
- ② Most important is **the difference in quality**

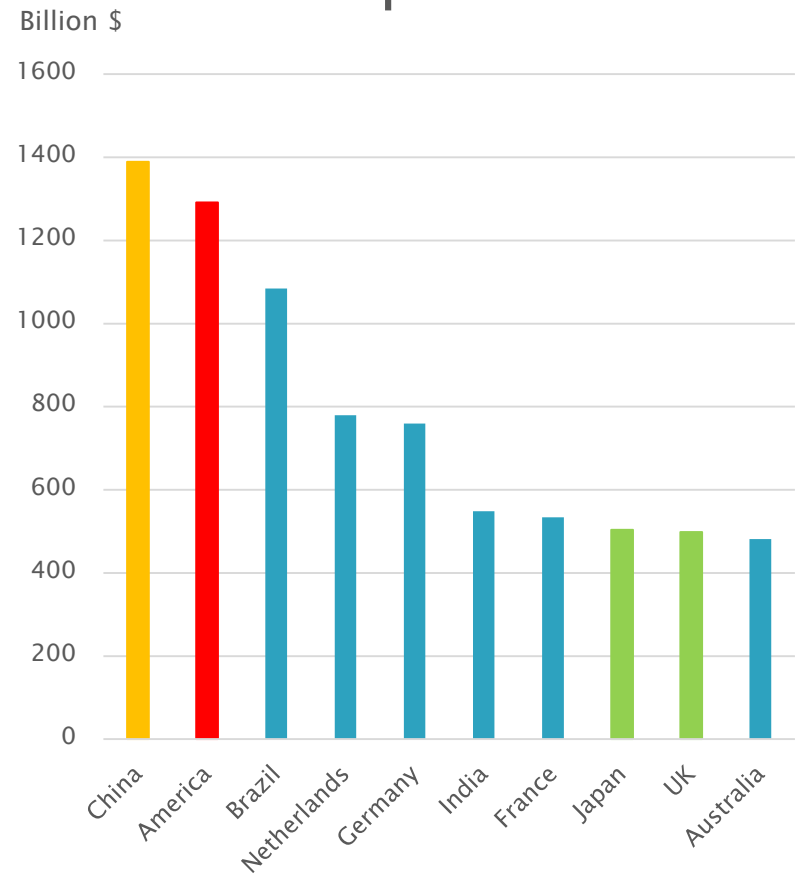
Intra-Industry Trade Prevails in Agriculture

8 out of top 10 exporting and importing countries are the same

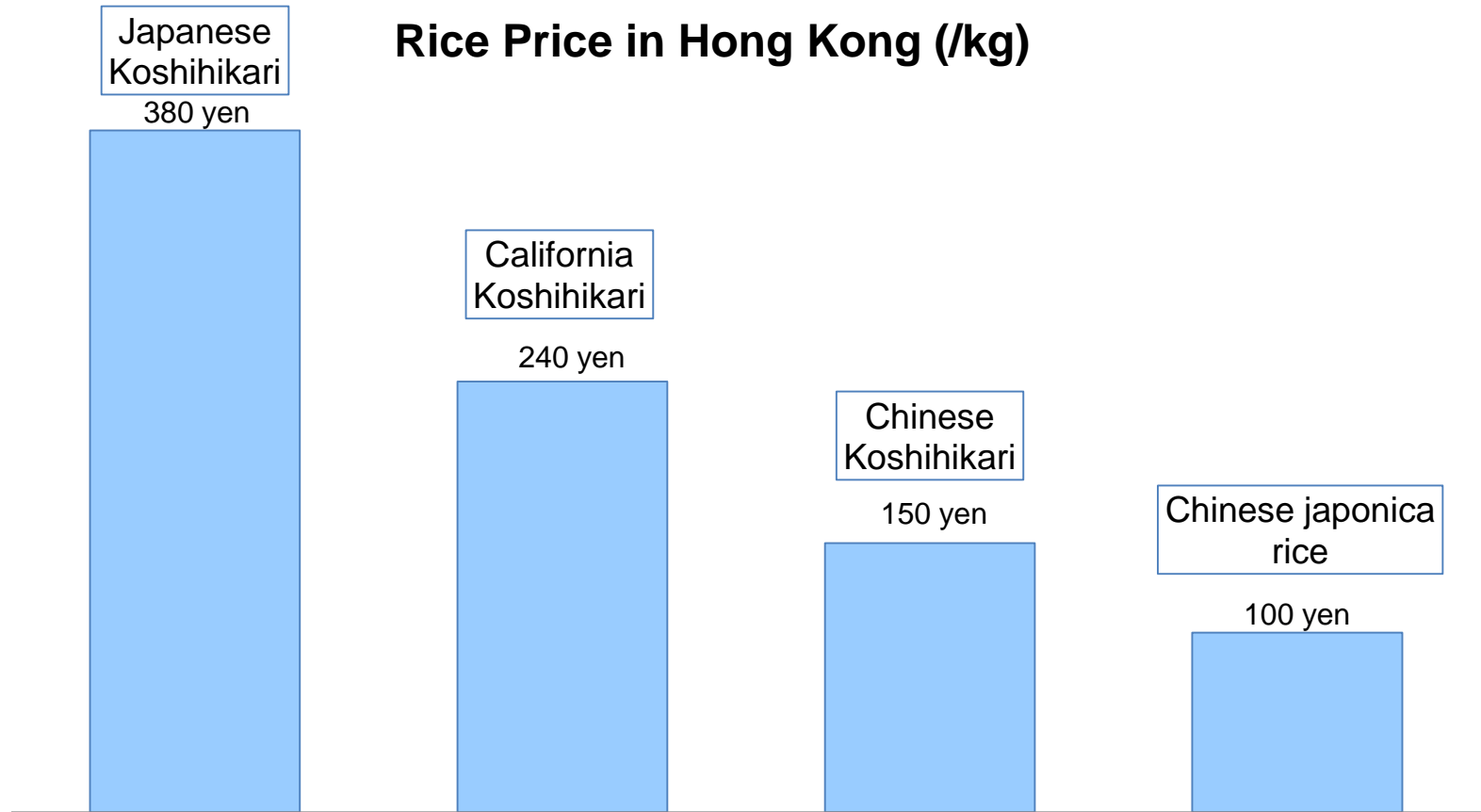
Export



Import



The same variety of rice priced differently according to the areas of production



Intra-industry Trade and Technology

- ▶ The U.S. imports 1.3 million tons of rice including Jasmine rice and exports 2.1 million tons of ordinary rice. The U.S. is both one of the largest importers of beef and one of the largest exporters of beef. **When quality difference exists, intra-industry trade likely takes place.**
- ▶ We can take advantage of **technological progress** in processing and transportation. What were called as **non-tradable goods such as milk are traded now**. *Which countries are the largest and 3rd largest exporters of milk to China?*
- ▶ **Is globalization a threat or an opportunity to farmers? How can farmers take advantage of it?**

NTMs: Food Safety and Trade

- ▶ NTMs but SPS measures are banned by Article 4.2 of the WTO Agreement on Agriculture.
- ▶ SPS measures should **not be used as disguised trade restrictions or in a way to penalize a country for political reasons**. Note that SPS measures can target a specific product/industry in a specific country.
- ▶ The WTO's SPS agreement sets out that measures without **scientific evidence** are not allowed.
- ▶ Newly developed measures or requirements related to food safety: **HASSP** (Hazard Analysis and Critical Control Point) for processed food, **Traceability**

Private Standards

- ▶ Private standards and regulations become more important than governmental ones. According to the Global Food Safety Initiative(GFSI)”, its recognition offers a passport to the global market”
- ▶ Farmers cannot sell their products in European supermarkets without GLOBAL G.A.P. (Good Agricultural Practice) certification. This is not in scope of WTO’s Agreement on Technical Barriers to Trade since it is not about processes and production methods related to product characteristics.
- ▶ On the other hand, farmers can use certification as a brand of their products or a proof of high quality for their products.
- ▶ Can farmers in developing countries take advantage of it?

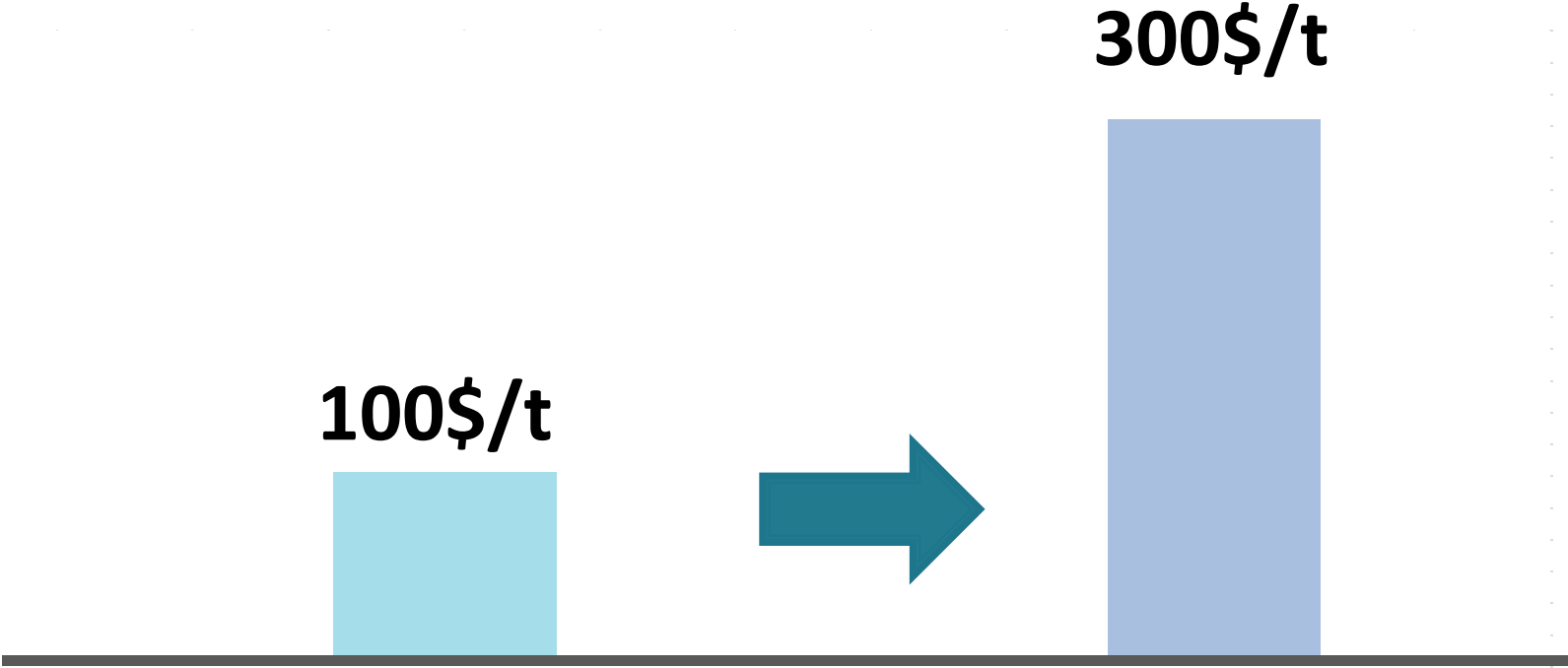
Deal squarely with big businesses and Explore new markets

- ▶ In order to face big agribusinesses, we may nurture **countervailing power** of small farmers. (Extraterritorial application of the Antitrust law is possible?)
- ▶ The government can help farmers **sell their own products directly to consumers in farmers markets**, or establish cooperatives with bargaining power in terms of both selling farmers' products and buying production factors on behalf of farmers. It may help cooperatives operate facilities for storage or processing of farmers' products so that farmers' share of profits in the market may increase or so that the value of farm products may increase.
- ▶ To make farmers' products more value-added, it may help farmers get GAP certification or enhance the recognition of local special products. One product-one village movement in Oita prefecture in Japan is well known in Asia.
- ▶ Geographical indications may help farmers.

Food Security

- ▶ Japan inserted **Article 12** (notification & consultation) **in the WTO's Agreement on Agriculture**. Not major food exporting countries such as the US and Australia but developing countries like India may implement export restrictions. But **no country can force them to export to the extent that hunger will result at home**.
- ▶ Article 12 does not regulate **export duties(tax)** as imposed by the EU between 1995 and 1997. Export duties push down domestic prices below international levels. Domestic processors can purchase raw materials at prices lower than their competitors in other countries. **Export duties have the same effect as that of export subsidies for processed products, e.g. Argentina on soybean, Indonesia and Malaysia on wood.**
- ▶ Please refer to research conducted by Murdoch University titled "Food security, trade and partnerships: Towards resilient regional food systems in Asia."

Why might an importing country resort to an export restriction?



Domestic Production	10million tons
Import	2million tons
Export	0 tons
Consumption	12million tons

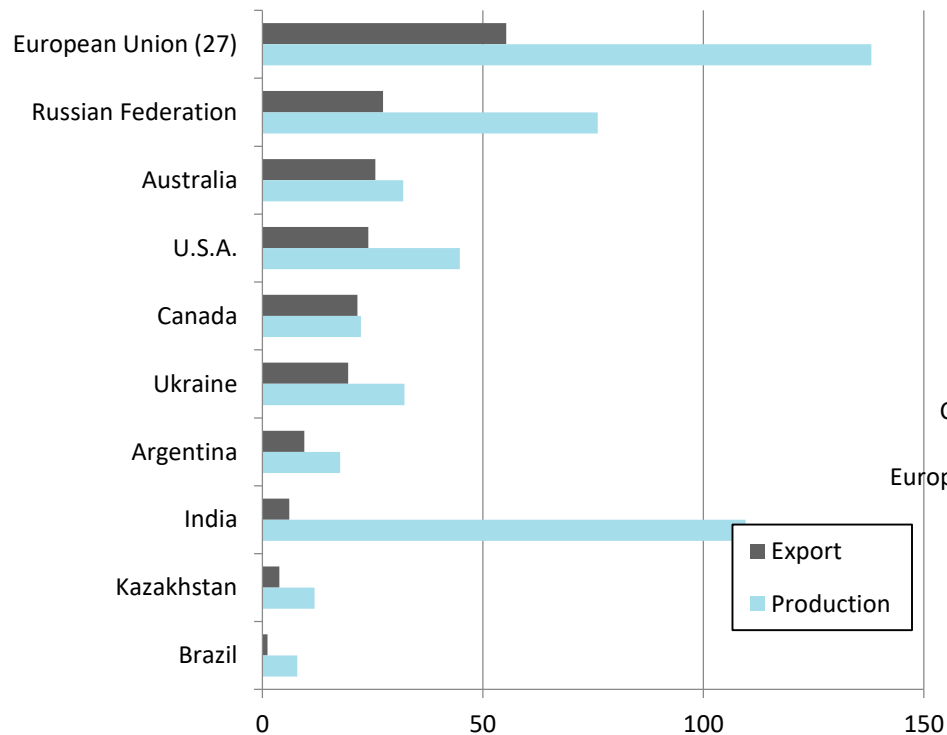


10million tons
0 tons
4million tons
6million tons

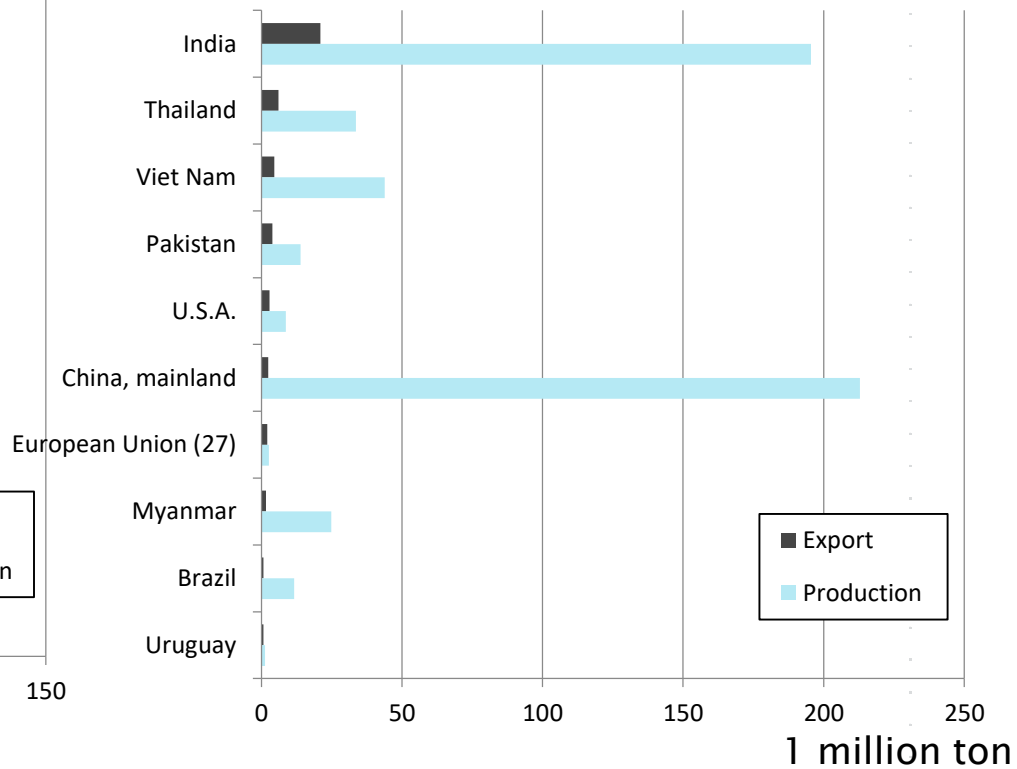
Small change of production of rice largely affects export. India and Viet Nam are likely to resort to export restrictions.

the Relationship between Exports and Production (2021)

Wheat



Rice



Quoted from : FAOSTAT



Thank you !

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