

Revitalising the WTO–how?

Free Trade Supports Food Security

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ABARES Outlook 2023

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.**

Can we save the WTO directly? **Plan A**

- ▶ **Consensus** is required to conclude negotiations. One country can obstruct a successful conclusion. We have to **change the way of decision making**.
As regards the adoption of a report in dispute settlement, the WTO changed consensus into **negative consensus**.
 - a. **qualified majority** like the EU
 - b. **critical mass** in which there is no agreement unless what is believed to be a minimum number or volume of participants
with special and differential treatments of developing countries
- ▶ We should **change the way of interpretation**.
 - a. **taking into account the negotiation history** just like the era of GATT
 - b. one of the three members of the Appellate Body who serve on a case must be **an economist**

Plurilateral Agreements? China will not join the agreements on labor, state-owned enterprises and investment. **IPEF** is a kind of plurilateral agreement (not by a single undertaking) and will not replace TPP.

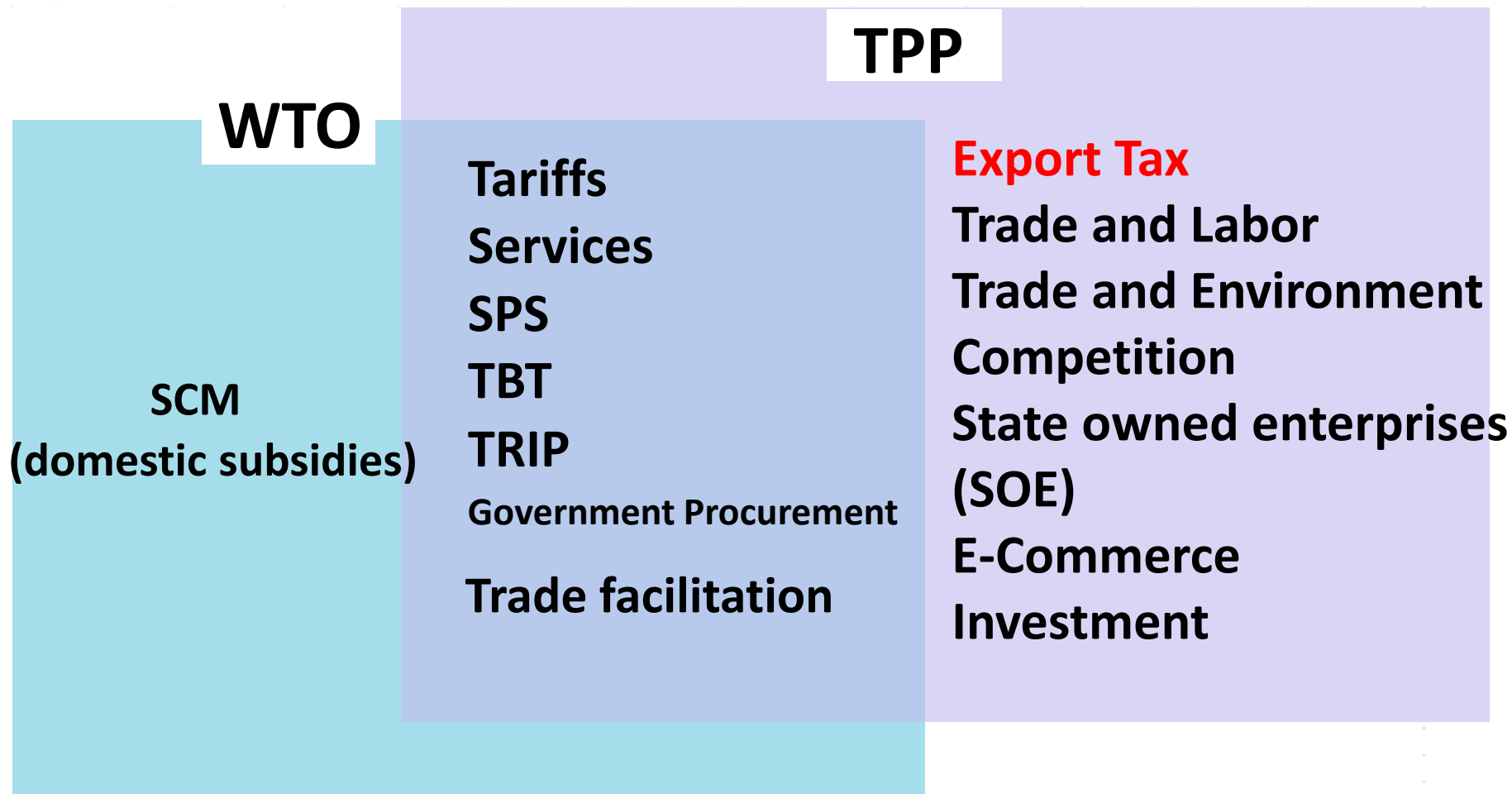
(for your reference)

the UR negotiation history of subsidies

- ▶ Assumption: AoA and SCM(the Subsidies Agreement) apply to ag subsidies cumulatively. AoA takes precedence over SCM. The appellate body in US cotton case judged that import substitution ag subsidies were prohibited by Article 3 of SCM.
- ▶ The Peace Clause(Article 13 of AoA) created by the EU's demand in 1992 Blair House Agreement was supposed to last 6 years but extended to 9 years by the US and the EU in 1993. It is stipulated in Article 1(f) of AoA though some countries were opposed to the limitation of period. It expired in 2004.
- ▶ “Q” group and GATT's legal section inserted some phrases to clarify the relationship between AoA and SCM. ①Article 3 of SCA(prohibited subsidies)~”Except as provides in AoA”(Ag export subsidies are not prohibited) ②Article 5 of SCA(actionable subsidies)~” This article does not apply to subsidies maintained on ag products as provided in Article 13 of the AoA” ③Article 13 of AoA~”During the implementation period, notwithstanding the provision of GATT 1994 and the SCM”
- ▶ Any ag subsidy regardless of its status(green, blue or amber) in AoA is not exempt from SCM countermeasures when it causes “adverse effects”.

Make new TPP rules the WTO rules

Plan B: an indirect approach



New & strengthened rules by TPP

- ▶ Race to the bottom by manipulating **Labor** and **Environmental** regulations will be disciplined. **China** has not ratified some of the standards of the International Labour Organization (ILO): approval of the freedom of association and the right of collective bargaining and abolition of forced labor
- ▶ Stronger protection of **Intellectual Property Rights**
- ▶ **ISDS** protects overseas investment from discriminatory measures.
- ▶ Disciplines on **Forced Technology Transfers** in case of investment
- ▶ **Electric Commerce**~ the TPP prohibits its members from demanding the disclosure of source codes – the design of software but this is **not agreed in the RCEP**
- ▶ Level playing field between **State-Owned Enterprises** and private companies. **No disciplines in the RCEP.**
- ▶ Furthermore we should get further market access or **revise and evolve the TPP agreements** according to economic changes.

TPP without the US:CPTPP

- ▶ The essence of FTA is **discrimination**: it is disadvantageous not to join it.
- ▶ I proposed **TPP without the US** in the summer of **2016** in order to lure the US back to TPP. Australia would pay only 9% tariff on beef exports to Japan; whereas the US would have to pay 38.5% tariff. CPTPP was concluded next year. But Japan was forced to conclude the Japan-US FTA.
- ▶ A **Mega-FTA** has **domino effects**. Cumulative rules of origin for industrial goods like automobiles makes it more lucrative. You can make give & take among ag and industrial goods.
- ▶ The concerns that the U.S. has against China are covered by the TPP agreements. If the TPP *with the US* expands, China would be forced to join, and **new TPP disciplines would be imposed on China**. Then China cannot oppose making TPP rules WTO ones.
- ▶ We can persuade the WTO to adopt the rules of the TPP with a lot of developing members.

Make use of the Chinese accession negotiations to the TPP (**Plan C**)

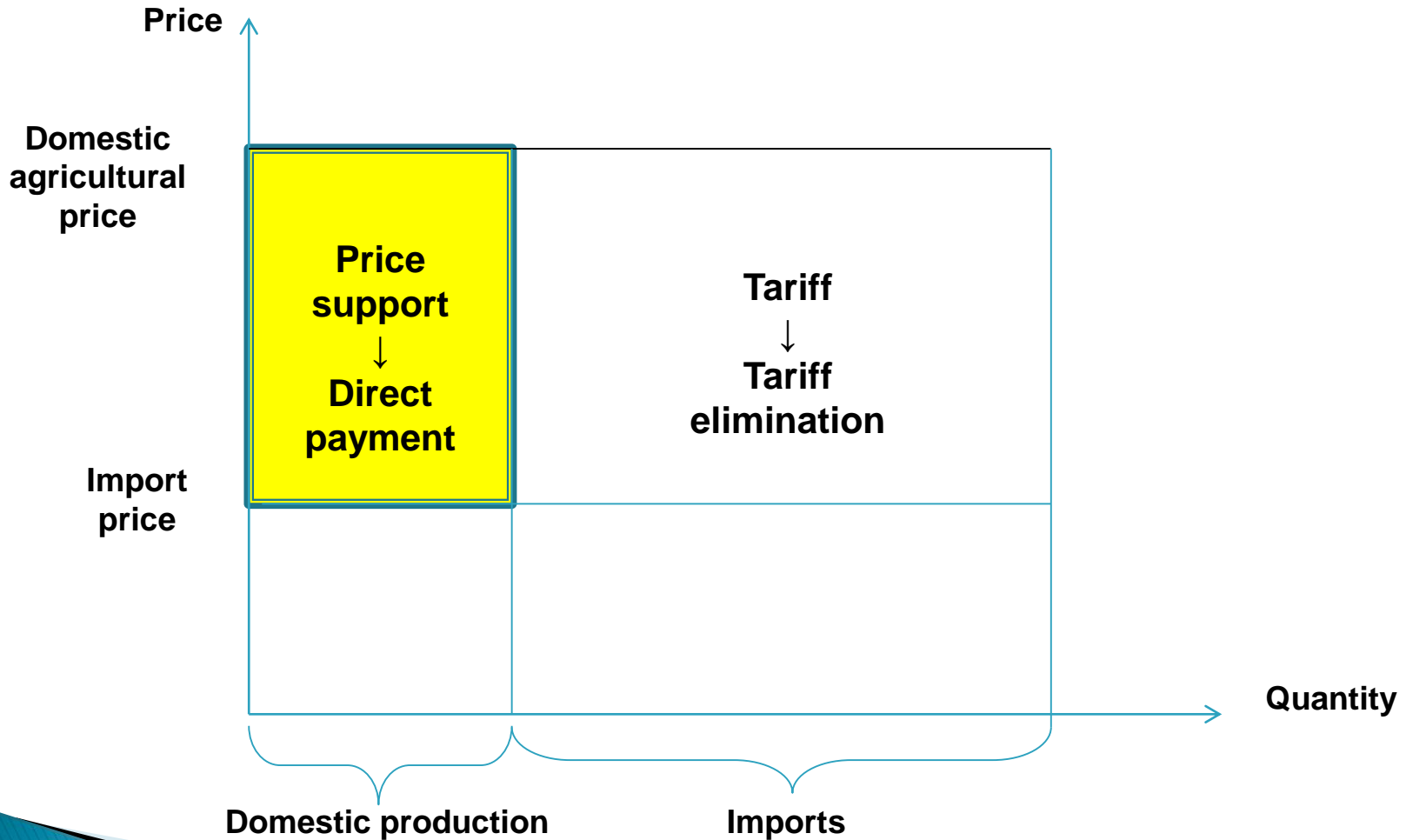
- ▶ Applicants need to satisfy the requirements demanded by the TPP chapters and the existing TPP members.
- ▶ China **must observe the discipline and obligations stipulated in the TPP** agreements including **state-owned enterprises, labor, electronic commerce, and intellectual property rights**.
- ▶ TPP members **can make demands additional to the TPP**. China utilizes SPS measures as bilateral import bans. In the Chinese accession protocol to the WTO, de minimis ("maximum level of excusable support") is reduced from 10% to 8.5%. This is WTO+. But we cannot verify it.

Comparison of agricultural policies

Country	Japan	US	EU
Decoupled direct payments	No	Yes/No	Yes
Environmental direct payments	Partial	Yes	Yes
Direct payments for less favorable regions	Yes	No	Yes
Production restriction program for price maintenance	Yes (rice)	No	No
Tariffs* over 1000%	1 (tubers of konnyaku)	None	None
Tariffs of 500-1000%	2 (rice, peanuts)	None	None
Tariffs 300-500%	2 (butter, pork)	None	None
Tariffs of 200-300%	6 (wheat, barley, skim milk powder, starch, beans and raw milk)	None	None

* Specific tariffs are applied to tariffed products in Japan. Here, these specific tariffs are estimated as their equivalents of ad valorem tariff rates, taking into account international prices.

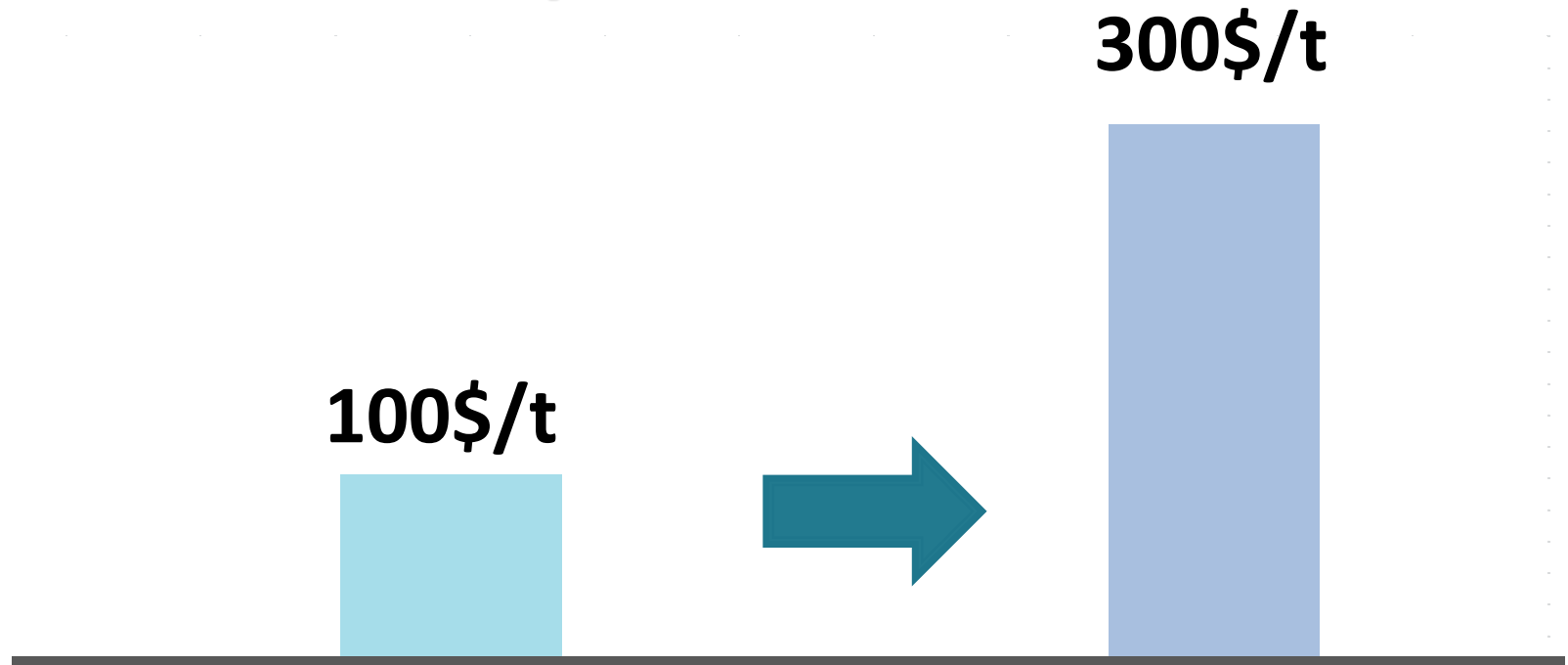
A shift from price support to direct payment reduces a nation's burden



Food Security

- ▶ Japan inserted **Article 12** (notification & consultation) in the **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 a poor importing nation resort to an export restriction?



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

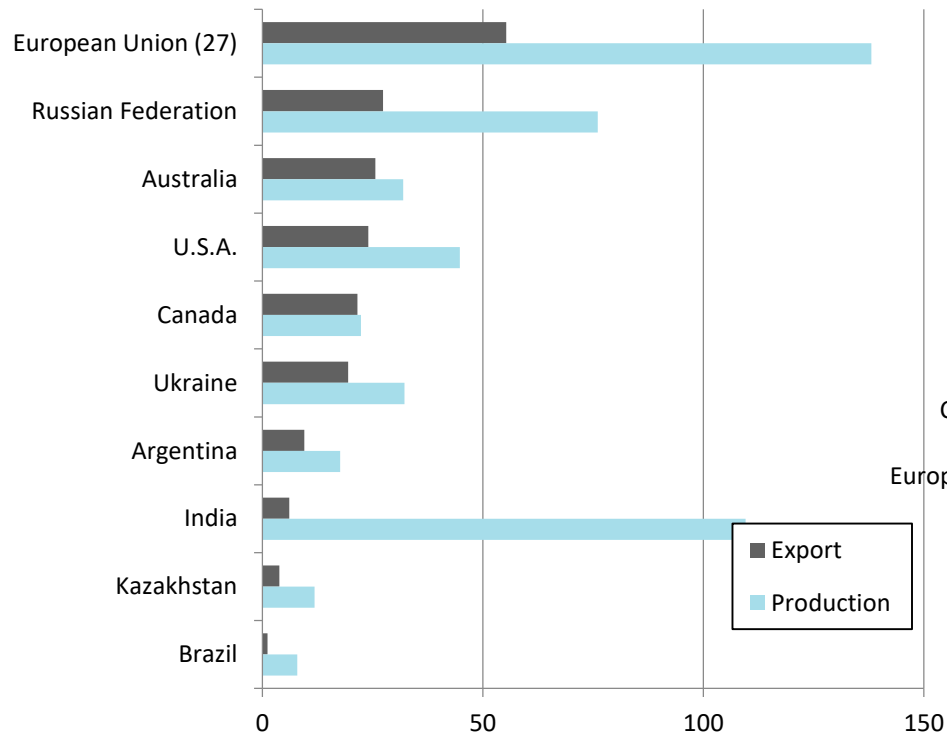


10million tons
0 tons
4million tons
6million tons

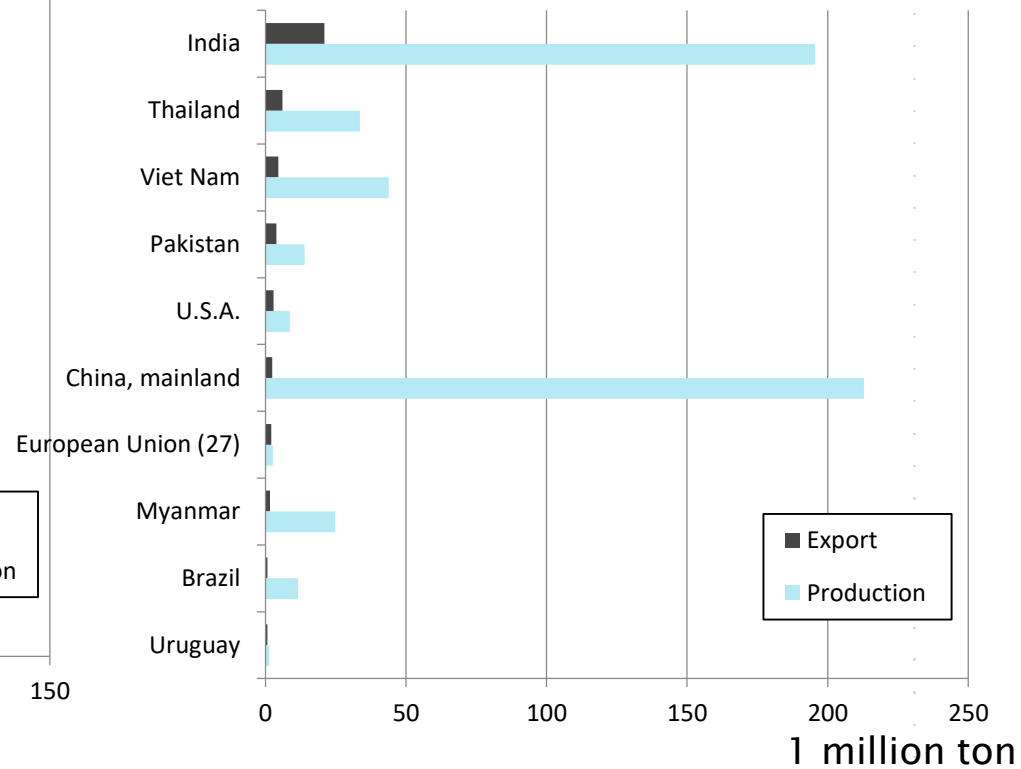
Small change of production of rice largely affects export. India and Viet Nam are likely to resort to export restrictions.

the Relationship between Exports and Production (2021)

Wheat



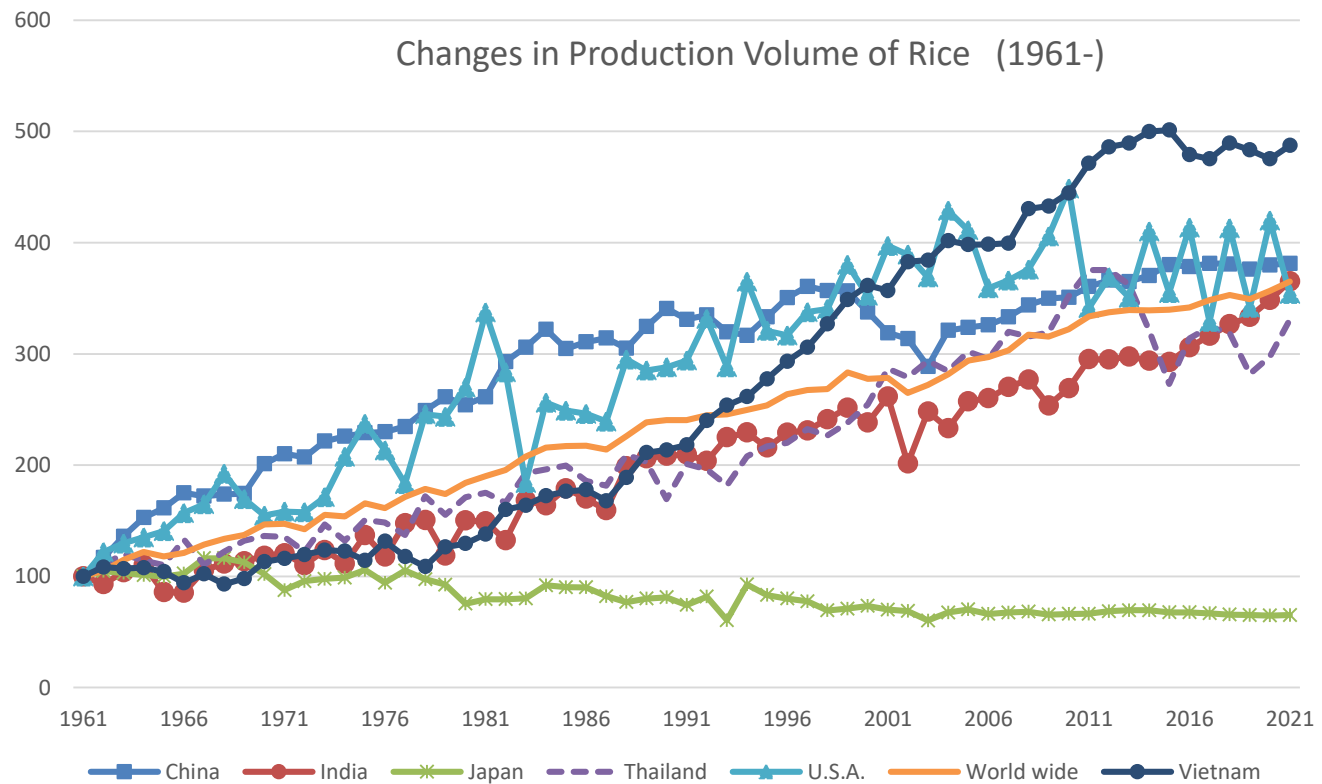
Rice



Quoted from : FAOSTAT

Real life in Japan is a far cry from the slogan of Food Security

Food security as a pretext for high tariffs and huge amount of subsidies



Free Trade for Food Security

- ▶ If the elimination of tariffs on rice makes Japan abolish the acreage reduction policy of rice, she **can export 10 million tons of rice** out of 17 million tons of production. This would **increase the amount of rice traded from 50 million to 60 million in the world**. She can **make great contributions to the world's food security**.
- ▶ In normal times, we import wheat and beef and export rice under free trade. In case of a food crisis when the sea lane to Japan is jeopardized, **she will stop exporting rice and rather start consuming**. **Export works as a stockpile without public expenditures**. Contributing to global food security would lead to food security for Japan.
- ▶ **Free trade is indeed a basis of food security!**



Thank you !

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