

I would like to talk about two issues: the activation of the WTO and food security in Asia.

The two fundamental functions of the WTO have become ineffective.

The first function is a rule-making role. Negotiations cannot be concluded because of the conflicts between developed and developing countries. In the Uruguay Round negotiations (UR), Japan, Australia, the US, and the EU formed the core four-party group in the agricultural negotiations and forwarded their agreement to other participants. This negotiation method was rejected in the Doha Round. In addition, since China joined the WTO, the US and the EU have been pushed back by the opinions of developing countries. Now, we apply the 30-year-old agreements as the world economy has been rapidly changing.

The US cannot control Chinese actions such as those by state-owned enterprises (SOEs) because there are no such agreements regulating them. In addition, since consensus is required for concluding negotiations in the WTO, China can hinder the formation of new agreements.

The Obama administration then focused on the TPP. It attempted to establish new agreements without Chinese participation. Regarding the SOEs, the regulation to which the US prioritized, Vietnam was found to be a hypothetical China because it is a communist country with SOEs. The Chinese government negotiated with the Vietnamese government.

The other role is the judicial function. One problem was the other. The lack of new agreements allows legal experts in an appellate body to interpret the text of agreements as if creating new provisions that are quite different from the intentions of negotiating countries in the UR. A few lawyers can overturn the result of the negotiations in many countries. Frustrated by this, the US refused to appoint a new member to the Appellate Body. Thus, the judicial function is suspended.

I have prepared plan A to C.

Plan A was a direct method of reforming the WTO. The first was to change the decision-making method for concluding the negotiations. I propose two options to replace this consensus. However, to do so, consensus is required. Therefore, it is difficult to obtain.

The other is to change the interpretation of the agreements. Consider negotiation history and let an economist join an appellate body. However, when there are no agreements on new issues such as SOEs, one cannot interpret anything.

A plurilateral agreement is one way to form a new agreement. However, China will not be a member of the agreement on SOEs.

This slide describes the negotiation history of agricultural subsidies. Since the Peace Clause expired in 2004, the distinction between green, blue, and amber boxes has lost legal sense. Wherever adverse effects are caused by a certain subsidy, even when the subsidizing country complies with AMS reduction commitments, a complaint against the subsidy to the WTO can be filed. Alternatively, if trade-distorting subsidies are to be reduced, the Peace Clause can be revived and a new green box can be created through negotiations.

Plan B is to utilize TPP.

This slide discusses the relationship between the WTO and TPP. The FTA, including the TPP, does not deal with domestic subsidies because their effects are not confined to the free trade area. However, in other fields, the TPP further liberalized trade for goods and services and strengthened WTO discipline. The export tax, which the WTO fails to discipline, is prohibited for TPP members.

The TPP has added new agreements. Look at the next slide. China faces a great deal of difficulty in complying with these agreements.

We can and should further liberalize trade and revise or evolve TPP agreements by changes in circumstances.

Discrimination is the essence of an FTA. If you do not join it, you will not benefit from it but will be disadvantaged. That is why I proposed a TPP without the US in the summer of 2016, when it became definite that the US Congress would not ratify the TPP agreements. The difference in beef tariffs applied to Australia and the US, if we concluded TPP without the US, would make US beef disadvantaged in the Japanese market and the US would inevitably return to the TPP.

PM Abe was reluctant initially. Then, after withdrawing from the TPP, Trump threatened PM Abe to conclude the US and Japan bilateral agreement. The prospect of further reduction of tariff on the US beef by concluding the bilateral agreement changed the mind of PM Abe. The TPP without the US would give him the upper hand in the bilateral negotiations. Fortunately, Australia supported my idea and we successfully concluded the CPTPP negotiations.

The US could not demand further reduction of beef tariff in the Japan-US bilateral trade negotiations. However, the US, which achieved an equal opportunity in the beef trade by the Japan-US FTA., has not returned to the TPP.

A Mega FTA such as TPP, has a domino effect. When an increasing number of countries, hopefully, including the US, do not want to be discriminated against by the TPP and are eager to join the TPP, China has no other choice but to join it willy-nilly. We can then apply the new TPP rules to China. If many developing countries join the TPP, we can show the WTO that many developing countries support the TPP and allow it to adopt new rules in the TPP as WTO rules. Thus, we can overcome the conflicts between developed and developing countries.

Plan C takes advantage of the Chinese will to join TPP. China must comply with all TPP agreements and satisfy all the demands of existing TPP members. If China joins the TPP, it will not oppose to let TPP rules WTO rules. However, this will take longer than in Plan B because China may not voluntarily make the domestic reforms necessary to join the TPP. It took 15 years for China to join the WTO.

Let me explain Japanese agricultural policies before touching on food security. Contrary to the US and the EU, Japan depends heavily on price support backed by high tariffs. This was also the case for wheat. If we shift price support to direct payments, we can eliminate the consumers' burden of imported wheat to substantially reduce our nation's burden.

In light of food security, Japan inserted Article 12 in the AoA on export restrictions, but, unfortunately, it is of little use. If Australia resorted to an export ban, its domestic market would be flooded with grain and prices would plummet. You never impose an export ban. However, a poor country is likely to resort to an export ban because a higher price makes people unable to buy food. We could not tell them to stop an export ban. This slide shows that, left to market against a surge in price, an importing country starts to export and leaves consumers with less food and higher prices.

There is a considerable difference between wheat and rice trades. The volume of the rice trade is one-fourth that of the wheat trade. Major wheat exporters are developed countries in which consumers can afford to buy grain even when the grain price triples. You export 60–80 percent of your production. Contrastingly, rice exporters are in developing countries with a lot of poor people. India and Vietnam share half the world's rice trade. In contrast to wheat exporters, they export only a small portion of their production. A 10 % decrease in harvest eliminates Indian exports. A further drop caused India to begin importing.

Japan has formulated a 50-year rice acreage reduction policy and set aside 40% of the paddy fields by giving farmers 4 billion-Australian dollar subsidies annually. Faced with a decline in the domestic demand for rice, it aims to maintain prices by reducing supply.

While world rice production has increased 3.5 times since 1961, Japan has reduced rice production by 40 percent through subsidies.

If the acreage reduction policy is abolished, 10 million tons of rice could be exported. This increased the world trade by 20%. In contrast to India, Japan is a reliable exporter. Despite substantial crop failures, Japan could continue to export crops.

In case of a food crisis, when the sea lane to Japan is interrupted, Japan can consume what it exports during normal times. This works as a free stockpile without a financial burden. Its contribution to global food security has led to food security in Japan. I wish that the government of Japan changes its agricultural policy for the sake of world food security.