

History and Challenges of Agricultural Trade Negotiations in Japan (TPP and Other Negotiations)

Part 1

Mitsuaki Shindo,
Ministry of Agriculture, Forestry and Fisheries,
Regional Policy Planning Division

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EXPLANATORY NOTE FOR TRANSLATION

This is a summarized translation of an article posted on the November 2013 edition of the magazine “Rippou to Chousa” (“Legislation & Research”) published by the Secretariat of the House of Councillors of the Japanese Diet.

The article explains Japan’s history of trade negotiations and the potential impact of the TPP agreement on the domestic agriculture. While it does not clarify the types and the exact magnitude of possible domestic support for mitigating the impact of tariff elimination through the future TPP agreement (the government never openly discusses the details of such support because doing so is believed to weaken the government’s negotiating position), it roughly explains the magnitude of budgetary implication of the tariff elimination both in terms of the additional spending and the revenues lost (loss of tariff and other revenues).

All the monetary values in this paper are expressed in terms of USD using the conversion rate of 100yen/USD.

INTRODUCTION

Japan’s agriculture still faces serious problems such as decreasing farm income, insufficient number of core farmers and aging population in rural areas. While the Government has launched policies for tackling these issues, future direction of Japan’s agriculture is attracting great attentions since the ongoing TPP negotiation is expected to have a huge impact on Japan’s agriculture.

Therefore, this paper looks at Japan’s position concerning trade negotiations such as WTO, FTA/EPA and TPP negotiations and identifies issues to bear in mind when foreseeing the future directions of Japan’s agriculture.

1. History of Japan's past trade negotiations

Japan joined the General Agreement on Tariffs and Trade (GATT) in 1955. At that time, Japan was allowed to apply import restrictions in order to safeguard its external financial position and its balance of payments, based on Article XII of the GATT. The government started trade liberalization in 1960s and its balance of payments rapidly improved. In 1963, Japan graduated from the Article XII status and import restrictions due to trade imbalances is now prohibited based on Article XI.

Since then, Japan's agricultural trade became gradually liberalized through trade negotiations including GATT Kennedy Round (1964-67), Tokyo Round (1973-79), Japan-US agricultural trade negotiations following the US filing of GATT complaint, which was integrated into and resolved in the Uruguay Round (1986-93), where all the border measures for agricultural products, except rice, were tariffed.

With the voluntary termination of special treatment for rice in 1999, all the quantitative trade restrictions for Japan's agricultural products were tariffed.

While some argue that Uruguay Round pushed importing countries into disadvantaged positions, others argue that the reduction of agricultural support was not enough and real cuts of agricultural support was carried over to the next round of negotiations.

In 2001, Doha Development Agenda (DDA) was launched. Since then, modality texts were drafted four times, and the negotiations were conducted based on these texts. In July 2008, with the worldwide economic downturn, modality agreement was seen as low-hanging fruit. However, the confrontational situation over Special Safeguard Mechanism (SSM) between the US, a large food exporting country and India and China, representative developing countries, led to breakdown of the negotiations.

In 2000, when the agricultural negotiations started in advance of the DDA, Japan submitted its negotiation proposition calling for "co-existence of various types of agriculture." More specifically, over the course of DDA negotiations, Japan demanded that members should be allowed to have a sufficient number of "sensitive products," which can avoid the application of the general tariff cut formula and refused to accept introduction of "tariff capping," which would set a uniform maximum rate for tariffs on agricultural products.

While WTO multilateral trade negotiations stagnate, the number of bilateral/regional FTA/EPA negotiations has increased. This is because deal makings are easier between limited number of countries than in the WTO's multilateral context and flexible treatment of various exemptions in different fields is possible. While Japanese government originally treated FTA/EPAs as complement to the WTO system, it changed its position in 2002 when it completed an FTA with Singapore. The 2010 cabinet decision clarified further inclination to FTA/EPAs and the current Abe government's "Japan Revitalization Strategy" states that through TPP negotiations, Japan seek to establish new rules of FTAAP (Free Trade Area of the Asia-Pacific), along with RCEP (Regional Comprehensive Economic Partnership) and Japan-China-Korea FTA. It further seeks to establish world-wide rules of trade and investment by simultaneously advancing other trade negotiations such as the Japan-EU EPAs.

Japan already sealed FTA/EPAs with 13 countries and areas (Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Vietnam, India and Peru)

and all those FTA/EPAs are already in effect. Since the WTO negotiations are not advancing, Japan needs to further advance FTA/EPAs in order to maintain its trade competitiveness and to secure stable supply of energy.

(To be continued)

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