

5. State Trading

Essence of the suggestion

Taking into account the impact of state trading on the international market, as well as the current rules, disciplines on state trading, it is necessary to make a clear distinction between export state trading and import state trading.

In particular, with regard to export state trading, which has a considerable effect on the international agriculture market as a whole, it is necessary to establish a clear set of disciplines on state trading in order to enhance transparency and predictability of the measures taken by state trading enterprises and to contribute to food security through stabilizing international agricultural trade.

★ Although the WTO agreements require notifications for both export state trading and import state trading, disciplines on export state trading are less strict than those on import state trading. In addition, Article 17 of GATT stipulates that confidential information which would prejudice commercial interests is not required to be disclosed. Therefore, export state trading enterprises can, therefore, take measures to promote exports by setting lower export prices than domestic prices, and adjust export volumes according to the situation of domestic production.

Table6. Comparison of Disciplines on Import State Trading and Export State Trading under the WTO Agreements

Notification requirements	Relevant provisions	Import state trading enterprises	Export state trading enterprises
Notification on Market Access under the Agreement on Agriculture	• Article 18.2 of the Agreement on Agriculture	• When tariff rate quotas are introduced for products subject to state trading, the information including allocation methods and actual imports should be notified annually.	• No notification obligation
Notification on Import Licensing Procedures	• Article 5 of the Agreement on Import Licensing Procedures	• When import licensing procedures exist concerning products subject to state trading, details should be notified.	• No notification obligation
Notification on State Trading	• Article 17.4 of GATT 1994 • Understanding on the Interpretation of Article 17	• The purpose and function of state trading enterprises (including import quantity and price) should be notified every three years. • Any confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises is not required to be disclosed.	• The purpose and function of state trading enterprises (including export quantity and price) should be notified every three years. • Any confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises is not required to be disclosed.

★ Since export state trading has a greater share in world trade, certain actions taken in the context of such trading could place the global market in an unstable condition.

Table7. Examples of Major Export State Trading in the World

Country	Entity	Covered items	Description
Canada	Canadian Wheat Board (CWB)	Wheat, barely	Monopolized export, purchase of domestic products, setting for market-ing price
	Canadian Dairy Commission (CDC)	Dairy products	Export of powdered skim milk, operation of special milk system
Australia	Australian Wheat Board (AWB)	Wheat	Monopolized export, price-setting for purchase from domestic producers (price pooling system)
	Australian Dairy Corporation (ADC)	Dairy products	Issue of import/export licensing of cheese
New Zealand	New Zealand Dairy Board	Dairy products	Monopolized export

Figure8. Share of Canada & Australia in World Wheat and Barley Exports (1998/1999)

* Canada and Australia are the countries in which state trading enterprises monopolize exports



Source : USDA

★ In light of the above, the following disciplines are required in order to improve the transparency and predictability of the measures taken by export state trading enterprises:

- ① To provide quarterly notifications of the amount and price of exports, the procurement price
- ② Prohibition of financial assistance from the government
- ③ Contribution to the stabilization of the international market through, for example, obligating minimum exports and stockholding in preparation for unforeseen circumstances

6. Consideration for Developing Countries

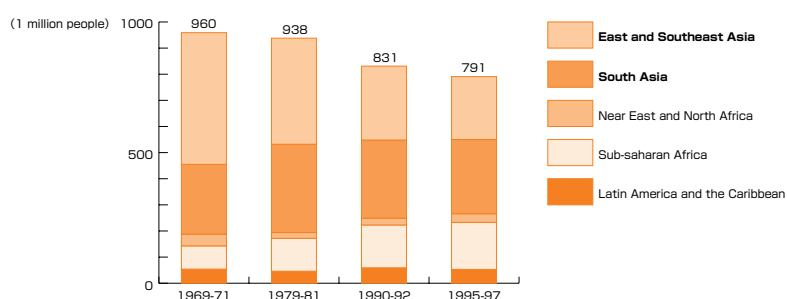
Essence of the suggestion

In the 21st century which ought to be an era of diversity and coexistence, it will be important to fully take into account the needs and the situations of each and every country. In particular, developing countries which account for approximately three quarters of WTO Members are faced with serious problems, such as starvation and malnutrition. Globally, securing a stable food supply is the first priority.

Based on the dialogues conducted with developing countries, Japan proposes to provide them more consideration with regard to agricultural trade rules, as well as to strengthen the scheme for assisting them in food security, in order to enable developing countries to solve their problems through self-help.

★ More than 800 million people are suffering from starvation and malnutrition in the world. In Asia, 500 million people are undernourished. In addition, a huge demand in food aid has arisen due to various disasters and economic crises, and making food aid one of the most significant measures.

Figure9. Population Suffering from Malnutrition in Developing Countries



Source : USDA

★ Existing food stockholding schemes are far from operating. It is therefore important to examine appropriate levels of stockpiling, financial support, and a system which could flexibly provide support in case of emergency.

[Rice stockpiling system in ASEAN]

- Established in 1979
- The total amount of stock held by each Member country is only 67,000 tons



Accordingly, the stock failed to cover the large scale food crisis of 1998 in Indonesia, where there was a 2 million ton shortage in rice

[SAARC (South Asian Association for Regional Cooperation) Stockpiling for food security]

- Established in 1988
- Each Member country stockpiles rice and wheat.



No actual stockpiling is made because SAARC is not in the state of full operation

★ US and EU provide food aid mostly in the form of wheat and flour. Japan is the world's fourth largest food aid donor, delivering its aid mainly in the form of rice. It is possible for Japan to make contributions in the field of food aid, in particular that by rice, in the future as well.

Table8. Food Aids by Major Countries (1999) (Units: 10,000 tons)

	Grain			Dairy products /oils	Total
		Rice	Wheat/ wheat flour		
US	813	52	609	111	924
EU	226	6	150	19	245
Canada	41	1	39	2	43
Japan	35	20	12	2	37
China	23	6	3	—	23

Source: The World Food Program (WFP)

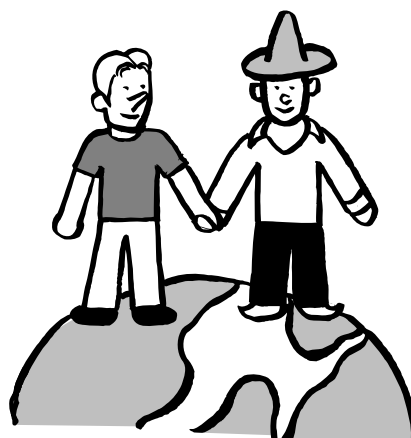
★ Japan attaches great importance on following principles in contributing to solving serious starvation and malnutrition problems in developing countries: the application of disciplines under the URAA in such a way so as not to disturb the efforts to improve domestic production made by developing countries suffering from starvation and malnutrition, and the consideration for a possible international framework which enables a more effective food aid administration.

1. Application of disciplines with due consideration for food security

- ① Rules and disciplines on border measures: A wide range of flexibility to be given in order to ensure food security
- ② Rules and disciplines on domestic support: Consideration for the support necessary to increase food production for domestic consumption
- ③ Rules and disciplines on exports and state trading: Consideration to be given so as not to cause an excessive burden on developing countries

2. Addressing food security concerns

Examination of the possible framework for international food stockholding which shall complement existing bilateral and multilateral food aid schemes, and which will enable loan of food in the case of temporary shortage



〈It is extremely important to solve serious problems of starvation and malnutrition in developing countries, which undoubtedly serves for social stability and economic development in those countries and ultimately leads to peace and prosperity of the world as a whole.〉

7. Response to the Concerns of Consumers and the Civil Society

Essence of the suggestion

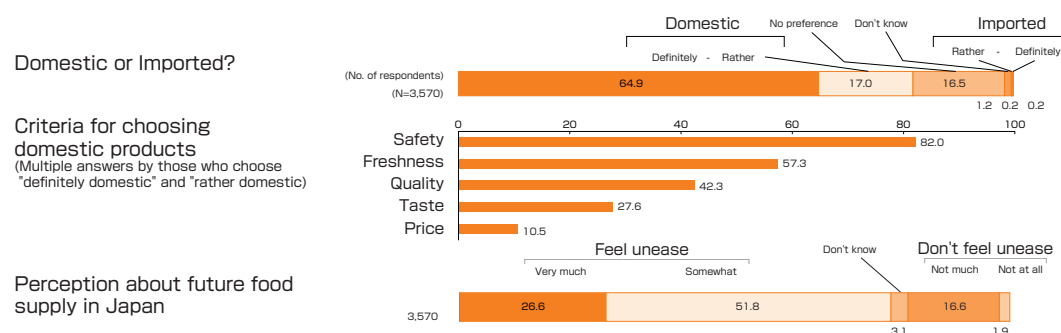
In response to concerns of consumers and the civil society of Japan which imports 60% of its food consumed domestically and is the largest net food-importing country in the world, we propose that the following are to be fully considered in terms of trade rules:

- ① Stable food supply
- ② Providing safe food to the public
- ③ Providing information that enhances consumers' confidence in choosing food
- ④ Disclosure of information on WTO agricultural negotiations

★ In the agricultural negotiations to determine the trade rules of agricultural products in the 21st century, it is essential to appropriately reflect concerns of consumers and the civil society. For that purpose, the Japanese government has conducted various activities, such as public hearings at local level, soliciting of views via mail and E-mail, and official opinion polls. The government will make efforts to fully reflect the concerns expressed on such various occasions in the future course of negotiations.

〈Consumers and the civil society in Japan strongly seek stable food supply and secured food safety〉

Figure10. Official Opinion Polls on Trade of Agricultural Products (July, 2000)(Excerpt)



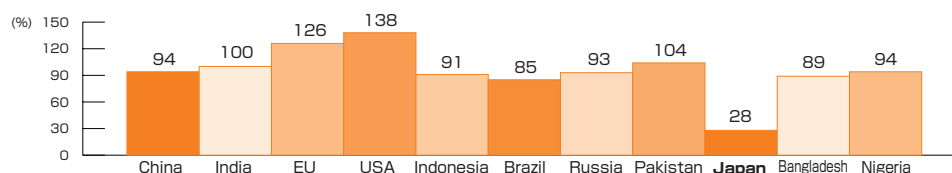
★ Japan is the largest net food-importing country in the world, and its grain self-sufficiency rate is at a very low level for a country with a population of more than 100 million.

Figure11. Agricultural Imports and Exports (1997)(Unit: 100 million dollars)

Source: FAOSTAT

Note: 1) Top 5 countries in terms of net agricultural imports as shown from the top of the table
Top 5 countries in terms of net agricultural exports as shown from the bottom of the table
2) Net Import = Import - Export

Figure12. Grain Self-sufficiency Ratio in the Countries with a Population of more than 100 million



Note: Figures applicable to 1997 for Japan, 1992 for EU, 1996 for other countries

★ In preparation for this proposal, the Government of Japan has received opinions from a wide range of members of the society, including consumers, economic organizations and agricultural producers in Japan. The following are some of the typical views presented on the WTO agricultural negotiations

- The Government should take responsibility in ensuring the food necessary for the nation.
- Full consideration should be given to benefits of importing and developing countries, rather than those of exporting countries.
- Highest priority should be given to food safety, not to trade promotion.
- As long as food safety is not secured, precautionary trade restrictions should be applied
- Information which enhances the choice of consumers should be provided, through methods including international rules on mandatory labeling.
- Stable food supply is strongly desired so that consumers can live free from care now and in the future.
- Role sharing with other international organizations should be considered in the discussions of biotechnology including genetically modified organisms (GMOs).
- Positive disclosure of information should also be made regarding the progress of future negotiations.



〈Market scene in Japan〉

★ The Government of Japan proposes the following points so that consumers and the civil society in Japan can enjoy a stable supply of safe food.

①Stable food supply

- ・ Reduction in support and protection, which would seriously impede nationwide efforts to increase the food self-sufficiency ratio, would not be acceptable. Measures that increase the instability of the international food market should be governed by more strengthened disciplines. Such a system as import state trading, that has the role of stabilizing the domestic food supply, should be maintained.

②Providing safe food to the public

- ・ Ensuring food safety should be a primary focal point when considering trade rules.

③Providing information that enhances consumers' confidence in choosing food

- ・ A scheme to provide information by way of appropriate labeling for both imported and domestic products should be established.
- ・ Appropriate international rules should also be established under the auspices of the CODEX with regard to the labeling of genetically modified organisms (GMOs).

④Disclosure of information on WTO agricultural negotiations

- ・ In order to secure the transparency of the agricultural negotiations, adequate information should be provided to the consumers and to the civil society, in addition to providing necessary opportunities for expressing their views.