

# **Report on Agricultural, Forestry, and Fishery Trades in 2002**

**(Summary)**

March 2002

Ministry of Agriculture, Forestry, and Fisheries

## **Preface**

Japan has developed rich and various dietary patterns as a result of its economic growth and internationalization. However, having to depend for a greater part of the food supply on overseas countries, it is inevitable that the stability of the dietary pattern of nation is closely related to the world trading circumstances of foodstuffs and agricultural and fishery products.

With this in the setting, the 4th WTO Ministerial Conference was held in Doha, Qatar in the Middle East in November 2001 and the Ministerial Declaration launching a new round of negotiations with a balanced and broad-based agenda was adopted. WTO negotiations extremely important, in term of its role to establish an international framework in through which a stable supply of food in Japan should be secured.

To sufficiently reflect our country's position in the final agreement of the WTO negotiations, it is important to gain a wide understanding and support of each members of the society. Therefore, since 1999, the Ministry of Agriculture, Forestry, and Fisheries has issued "Report on Agricultural Trade," including the trends of agricultural trades within and outside of Japan, the progress of negotiations of agricultural products, and the outline and problems of trade policies of agricultural products in other countries. We hope that this report will be of help in gaining a better understanding from a wide range of public.

March 2002  
Food Policy Section, Department of Comprehensive Food

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## **Part I      WTO Negotiations**

### **Chapter 1      Agricultural Negotiations**

#### **1.    Uruguay Round Agreement on Agriculture and Seattle Ministerial Conference**

- In the Uruguay Round Agricultural Negotiations, it was agreed to make commitments in the following three fields: border measures, domestic support, and export competition. These commitments were to be implemented over a period of six years from 1995 through 2000. Japan has been steadily implementing the commitment by improving related domestic laws and ordinances.
- The 3rd WTO Ministerial Conference was held in Seattle in 1999. However, they failed to adopt a ministerial declaration to launch a new round because of the differences in opinion among members and time restrictions.

##### **(1) Uruguay Round Agreement on Agriculture and Implementation**

In the Uruguay Round Agricultural Negotiations, it was agreed to make specific and binding commitments in the following three fields: border measures, domestic support, and export competition. These commitments were to be implemented over a period of six years from 1995 through 2000. Japan has been steadily implementing the commitment since 1995 by improving related domestic laws and ordinances.

##### **(2) Result of the Seattle Ministerial Conference**

1) The WTO Seattle Ministerial Conference was held in Seattle, USA from November 30 to December 3, 1999. Four sub-committees, 1) agriculture, 2) market access, 3) implementation/rules, and 4) new issues, and a forum of the WTO functions were established under the plenary session they all were held at the ministerial level. However, they failed to adopt a ministerial declaration to start a new round because of the differences in opinion among members and time restrictions.

## Outline of the Uruguay Round Agreement on Agriculture

Classification	Targeted policy	Promised implementation method (6 years)
Border measures	Tariffs	Average 36% reduction on all agricultural products (minimum 15% reduction for each item)
	Quantitative import restriction (voluntary export restraints, etc.)	In principle, all quantitative restrictions voluntary export restraint, etc. are converted to ordinary customs duties (tariffication) and reduced.
Domestic support	Market price supports, deficiency payments and others	20% reduction of total Aggregated Measurement of Support (AMS)
Export competition	Export subsidies	36% reduction in value and 21% in volume

Source: The Ministry of Agriculture, Forestry, and Fisheries

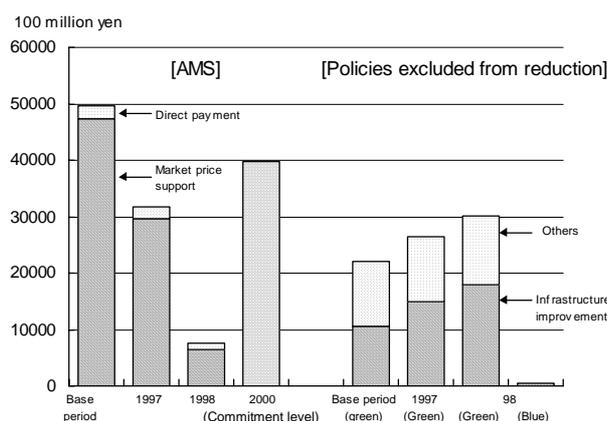
Note: Japan no provides export subsidies.

### Classification of domestic support

Policies exempt from reduction commitment	<1> Green-Box	a. General services provided by the government Research, extension, infrastructural services, and public stockholding b. Direct payments to producers : Decoupled income support, disaster payments, structural adjustment assistance, environmental payment, regional assistance, etc.
	<2> Blue-Box	Direct payments under production-limiting-programmes
	<3> de-minimis	Domestic support which doesn't exceed 5% of the value of the production
Policies under reduction commitment	Amber-Box	Domestic support other than those indicated above (including market price supports and deficiency payments) : Aggregate Measurement of Support (AMS) is calculated and is to be reduced by 20% compared to that in the base period (86 - 88)

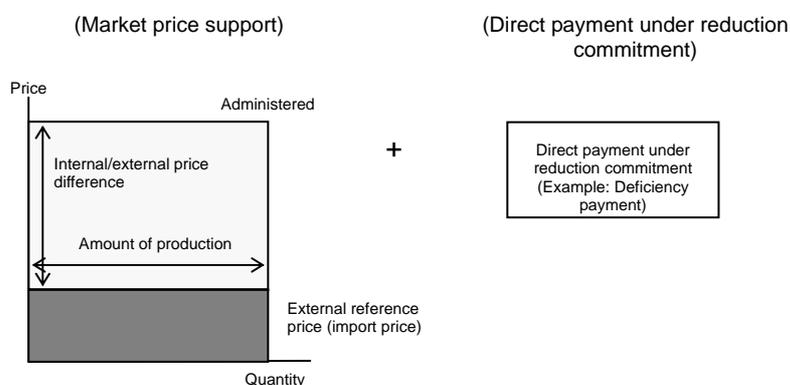
Source: Prepared by MAFF

### Changes in the amount of Domestic Support in Japan



Source: The Ministry of Agriculture Forestry and Fisheries

### (Reference) Concept of Total Aggregate Measurement of Support (AMS)



- Aggregate Measurement of Support (AMS) = Market price support + direct payment under reduction commitment  
[Internal/external price difference x amount of production]

Source: MAFF

## 2. Beginning of the Agricultural Negotiations and its progress

- Agricultural negotiations has started since the beginning of 2000, and in December 2000, Japan submitted the "WTO Agricultural Negotiating Proposal" to the WTO, with the basic philosophy of "Co-existence of various types of agriculture."
- In November 2001, in the "Ministerial meeting on non-trade concerns (NTCs)" that was hosted by six members including Japan, EU, and Korea with the participation of 40 countries, it was confirmed that further trade reform should be in harmony with NTCs and they would actively participate in WTO agricultural negotiations.

### (1) Phase 1 (Up to March 2001)

- Negotiations having started from the beginning of 2000 based on the Article 20 of the Agreement of Agriculture were to be carried out in the Special Session of the Committee on Agriculture they had the first meeting, March 2000 and seven meetings were held until March 2001. During the time, 21 members submitted 45 negotiating proposals to the WTO and they discussed the proposals.
- Japan submitted the "WTO Agricultural Negotiating Proposal" to WTO in December 2000 and explained it in the Special Session in February. With "co-existence of various types of agriculture" as the basic philosophy, the Japan's "WTO Agricultural Negotiating Proposal" pursued better rules and disciplines on <1> market access, <2> domestic support, <3> export disciplines, <4> state trading, <5> consideration for developing countries, <6> response to the concerns of customers and civil societies. The proposal received supportive comments from friends members such as EU and Korea in such point as the importance of the multifunctional of agriculture. However, Cairns Group and USA made such comments that the proposal was conservative. The proposal received comments from more than 30 members.

### (2) Phase 2 (Up to February 2002)

Total 5 meetings were held from May 2001 until February 2002. In each meeting, members discussed issues by issues such as tariffs, amber policies, food security, etc. But no specific conclusions or directions were adopted. The Phase 2 finished in February 2002.

### (3) Activities relating to agricultural negotiations

- "Second International Conference on Non-trade Concerns" was held in Mauritius in May 2001. Forty-two members and observers participated in that meeting including host countries, Japan, EU, Norway, Switzerland, Korea, and Mauritius. Participants underlined that <1> NTCs would not be satisfied through the market only, <2> the coexistence of various types of agriculture, based on each countries specific situations was required, and <3> various policy techniques could be available to pursue NTCs.
- A "Ministerial Level Conference on NTCs" was held in Qatar in November 2001. Forty-members and observers including 6 host countries participated in the conference. They endorsed <1> to <3> indicated above and also confirmed that further trade reform should be in harmony with NTCs and they would actively participate in WTO agricultural negotiations. Japan presented the following opinions: <1> The basic philosophy of the WTO agricultural negotiation should be "coexistence of various types of agriculture" and <2> Flexibility should be secured in policy options in the multilateral trading systems on agricultural product to maintain certain level of domestic agricultural production.

**AGREEMENT ON AGRICULTURE (PART XII)**  
**Article 20 Continuation of the Reform Process**

Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- (a) the experience to that date from implementing the reduction commitments;
- (b) the effects of the reduction commitments on world trade in agriculture;
- (c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and
- (d) what further commitments are necessary to achieve the above mentioned long-term objectives.

**OUTLINE OF JAPAN'S NEGOTIATING PROPOSAL**

Japan's negotiating proposal is built on the basic philosophy of "co-existence of various types of agriculture", and pursues following five points:

1. Consideration of the multifunctionality of agriculture
2. Ensuring food security which is a basis for each country
3. Redressing the imbalance in rules and disciplines applied to agricultural exporting and importing countries
4. Consideration for developing countries
5. Consideration for concerns by consumers and the civil society

1. Basic elements to be considered in the negotiations

- 1) Examining the implementation of the UR agreements
- 2) Pursuit of multifunctionality of agriculture and food security as the major issues of the agricultural policies worldwide

2. Proposal on Market Access

- 1) Tariff Levels
  - To determine appropriate tariff levels in a way that gives flexibility in individual products, taking into account such factors as respective country's actual situation of production and consumption on each product as well as international supply and demand situation
- 2) Access Opportunities
  - To review the current system which lacks in balance between the importing and exporting countries in terms of their rights and obligations

- To set access opportunities with sufficient consideration given to factors such as securing multifunctionality of agriculture and food security, taking into account the current agricultural situation and the progress of structural reform in each country
- To review the level of access opportunities taking into account the latest quantity of consumption
- To improve the current rule which requires Members to maintain the extra level of access opportunities of the products to which the special treatment (Annex 5) had been applied, even after the said treatment ceased to apply during the implementation period

### 3) Safeguard

- To introduce a new framework of safeguard mechanism, for agricultural products, in view of their seasonal and perishable nature, so as to allow timely and effective actions

## 3. Proposal on Domestic Support

### 1) Rules and Disciplines on Domestic Support

- To maintain the basic framework of present rules on domestic support ("Green", "Blue" and "Amber")
- To improve the criteria of "Green Box", in light of experiences to date from implementing the Uruguay Round agreements, in order to promote agricultural policy reform reflecting the real situation of agriculture

### 2) Levels of Domestic Support

- To determine realistic Total AMS commitment levels in order not to undermine the multifunctionality of agriculture in each country

## 4. Proposal on Export Competition

- 1) Strengthening disciplines on export promoting measures; e.g. to further reduce export subsidies.
- 2) Strengthening disciplines on export restrictive measures, including export prohibitions/restrictions and export tax; e.g. to replace them by export tax

## 5. Proposal on State Trading

- 1) Establishing appropriate disciplines on state trading to improve its transparency and predictability, in view of its impact on international market
- 2) Making further disciplines on export state trading obligatory, including quarterly notifications of exports, prohibition of financial assistance from the government and contribution to the stabilization of international market

## 6. Proposal on Consideration for Developing Countries

- 1) Securing the flexibility in rules and disciplines on boarder measures, domestic support, exports and state trading
- 2) Examining a possible framework of international food stockholding, which compliments bilateral and multilateral schemes for food assistance and can lend food in case of temporary shortage

## 7. Proposal on Concerns by Consumers and Civil Society

- 1) Stabilizing domestic food supply
- 2) Examining trade rules with ensuring food safety to the public as the first priority

- 3) Providing information that enhances consumers' confidence in choosing food
- 4) Disclosure of information on WTO agricultural negotiations

8. Agricultural Negotiations in the Context of New Round

Agricultural negotiations should be conducted and concluded under single undertaking as a part of a sufficiently broad-based round

### 3. Results of the Doha Ministerial

- In the WTO Doha Ministerial conference held in November 2001, Ministerial Declaration for launching a new round with a balanced broad based agenda for the negotiations was adopted. Participation of China and Taiwan into WTO were approved.
- For the sections relating to agriculture in the ministerial declaration, a framework that satisfies Japan's claims such as not prejudging the outcomes of the negotiations and consideration to non-trade concerns was secured.
- In China, if its imports are facilitated following the country's accession to the WTO, imports of foreign products are expected to increase. At the same time, its exports of price competitive items such as agricultural products are expected to increase.

#### (1) Process towards the launch of a new round

During September and October 2001, informal meetings of a small number of countries at the ministerial level was held. Japan insisted on the following points; <1> Results of agricultural negotiations must not be prejudged and <2> Negotiation proposals of each country must not be prejudged in advance.

#### (2) Result of the Doha Ministerial

- The 4th WTO Ministerial Conference was held in Doha, Qatar in November 2001. Ministerial Declaration launching a new round with a broad-based and balanced agenda for negotiations was adopted and agricultural negotiations were prescribed to be concluded in a single undertaking manner as a part of the new round. Accession prescribed of China and Taiwan to the WTO was formally approved.
- For the sections relating to agriculture in the ministerial declaration, a framework that satisfies Japan's claims such as <1> nor prejudging the outcomes of the negotiations and <2> consideration to non-trade concerns was secured.

### 4. Situations regarding China's accession to the WTO

#### (1) Accession of China to the WTO and its commitments

On its accession to the WTO, China made the following commitments in the agricultural sector; <1> Reduction of tariff levels for agricultural products, <2> Introduction of a tariff quota system associated with products such as grain and vegetable oil, and <3> Elimination of agricultural export subsidies.

#### (2) Demand and supply of agricultural products in China and the influence of its accession to the WTO

- Currently, no major problems have arisen in the supply and demand of food in China, however, import of fats and oils is increasing in line with the increase in consumption.
- Since the domestic prices of grains and soybeans in China are considerably higher than the international prices, import of foreign products may increase when imports are facilitated following its accession to the WTO. At the same time, its exports of price competitive items such as agricultural products are expected to increase.

## Chapter 2 Negotiations on Forest Products

- As a result of the Uruguay Round, staged tariff reduction over five years was implemented starting from January 1995.
- In the current WTO negotiations on forest products, discussions on forest products trade should deal with the viewpoints of global environmental issues and sustainable use of exhaustible natural resources based on the importance of the principle of sustainable development.

### 1. Progress of forestry negotiations of Japan

#### (Up to Uruguay Round)

Japan eliminated its timber import restriction in 1964. On that occasion, Japan set 10% to 20% tariffs for pine sawing lumber and plywood, while eliminating all the tariffs on logs (excluding special logs) and sawn wood products of Douglas Fir and Western Hemlock. Subsequently, Japan has reduced its tariffs cumulatively by responding to the requests from other countries.

#### (Uruguay Round)

The US and major timber exporting countries strongly requested the mutual abolition of tariff (so called zero-for-zero) on forest products, however, Japan rejected the request. Finally, an agreement was made to reduce trade weighted average tariff by about 50% in terms of base rate (tariff as of September 1986) and about 30% in terms of effective tariff as of the start of the negotiation (1994). Japan implemented staged tariff reduction over five-year period from January 1995.

#### (Seattle Meeting)

In the Seattle Ministerial Conference in November 1999, with cooperation of EU and Korea, Japan submitted a six-country proposal including the concept of necessity for sustainable utilization of resources and the protection of the environment through proper resource management. The Meeting ended without launching a new round.

### 2. Issues of WTO Negotiations for Forest Products

#### (1) Tariff measures

Regarding Japan's tariffs on forest products, the US and Canada strongly requested elimination and reduction in APEC and other international fora. Japan insisted that it should be discussed in the forth coming WTO negotiations.

#### (2) Non-tariff measures

Some timber export countries implemented export restriction on logs under the name of environment conservation. However, since consumption and processing of logs and export of processed products are not restricted, such a measure is regarded as quantitative restriction for the protection of domestic industry. This may be a violation of WTO rules.

### 3. Japan's opinions in WTO forest products negotiations

Forests not only produce timbers but also provide various public benefits, including land conservation, water reservoirs, recreational use, and mitigation of global warming. Forests are decreasing rapidly worldwide and illegal logging problems are also becoming noticeable. Given these conditions, the achievement of sustainable forest management is an important global issue. In the negotiations on forest products, Japan will lead the discussions with the viewpoints of global environmental issues and sustainable use of exhaustible natural resources, based on the importance of the principle of sustainable development.

### 4. WTO Doha Meeting

In the 4th WTO Ministerial Conference held in Doha, Qatar in November 2001, Ministerial Declaration launching a new round was agreed and a broad and balanced range of round negotiations including forest products was initiated.

## Chapter 3 Fishery Negotiations

- As a result of the Uruguay Round, tariff reduction has been implemented, however, the Japan's import quota (IQ) system is maintained.
- In the Doha Meeting relating to the current WTO fishery negotiations, the ministerial declaration including the importance of sustainable development was adopted. The necessity for trade rules contributing to sustainable use of fishery resources will be raised accordingly.

### 1. History of Japan's negotiations for fishery products

#### (Uruguay Round)

As a result of the Uruguay Round, Japan accepted a tariff reduction of 33% in the trade-weighted mean, however, it still maintains the import quota (IQ) system.

#### (Seattle Meeting)

In the Seattle Meeting held in December 1999, with the cooperation of EU and others, Japan prepared a six-country proposal including the concept of the necessity for consideration of sustainable use of resources through appropriate resource management in the next round of negotiations, and thereby counteracted unilateral liberalization of fishery products.

### 2. Issues in WTO fishery negotiations

#### (1) Main issues

##### (Tariff measures)

The current average tariff rate is 4.1%. In APEC (Asia Pacific Economic Conference), the USA and other countries demanded abolition of tariffs on fishery products. Japan counteracted claiming that the matter must be handled in WTO negotiations.

##### (Non-tariff measures)

In the Uruguay Round, abolition of the IQ system on fishery products was requested to Japan, however, the system is maintained. Abolition of the IQ system may lead to over-fishing of resources surrounding Japan and export of the catches may be concentrated to the Japanese market, causing a collapse of the regional society. Japan implements an appropriate operation of the system by giving consideration to the balance of demand and supply, consumer's benefit, securing of raw materials for processors, and requests from export countries. Currently, only Japan is maintaining the IQ system on fishery products among the major countries.

##### (Fishery subsidy)

The "Agreement on Subsidies and Countervailing Measures" that was adopted in the Uruguay Round is also applied to fishery subsidies and trade distorting subsidies are disciplined.

Recently, New Zealand and others claimed that fishery subsidies should be reduced since they cause over-exploitation of resources. They also claimed that fishery subsidies distort trade in fishery products.

## **(2) Other issues**

### **(HACCP)**

Since new facilities and investments are necessary to meet the sanitation standard required by HACCP that has been introduced in the USA and EU, developing countries that export fishery products are concerned that the HACCP could become a new non-tariff barrier.

### **(Eco-labeling)**

Labeling for environmental purposes will be discussed in the next negotiation.

## **3. Japan's claim in the WTO negotiations in fishery products**

In April 2001, the basic concept of "In the new round, Japan will claim to secure a framework of negotiations that enables discussions based on the viewpoint of sustainable use of exhaustible natural resources." was formulated with the following specific points.

- <1> Fishery products are exhaustible natural resources that can be depleted without appropriate management and it is necessary to establish trade rules that contribute to sustainable use of fishery resources by controlling over-fishing that ignores the resource status or fishing activities ignoring conservation and management rules.
- <2> For fishery product market access, consideration should be given to such viewpoints as resource conservation and management, stable supply of fishery products and various roles and functions of fisheries and fishing villages.
- <3> For fishery subsidy issues, all the factors that hamper sustainable use of resources, including fishery subsidies, are to be examined in terms of resource conservation. The results of discussion in specialized organizations such as FAO should be taken into account when discussing this issue.

## **4. WTO Doha Meeting**

In the meeting, Japan tried to place the concept of sustainable development of resources in the negotiation. The final ministerial declaration including the following contents was adopted and a new round was started. Japan will raise the necessity for trade rules that contribute to sustainable use of fishery resources.

- <1> The importance of sustainable development was emphasized in the general rules section.
- <2> Market access of non-agricultural products was included in the negotiation and market access of fishery products was also included in this negotiation.
- <3> Clarification and improvements on Agreement on Subsidies and Countervailing Measures covering all non-agricultural subsidies were included and fishery subsidies were decided to be dealt with in the context.

## Part II Trend of trade of Agricultural, Forestry, and Fishery Products

### Chapter 1 Agricultural Products

#### 1. Trends of the world's agricultural supply and demand, and trade

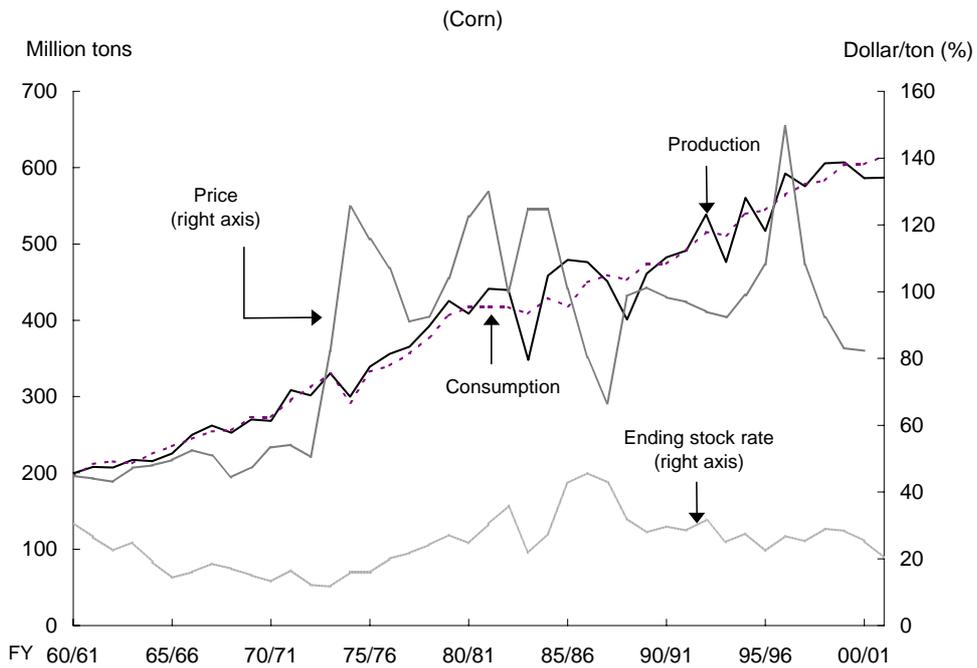
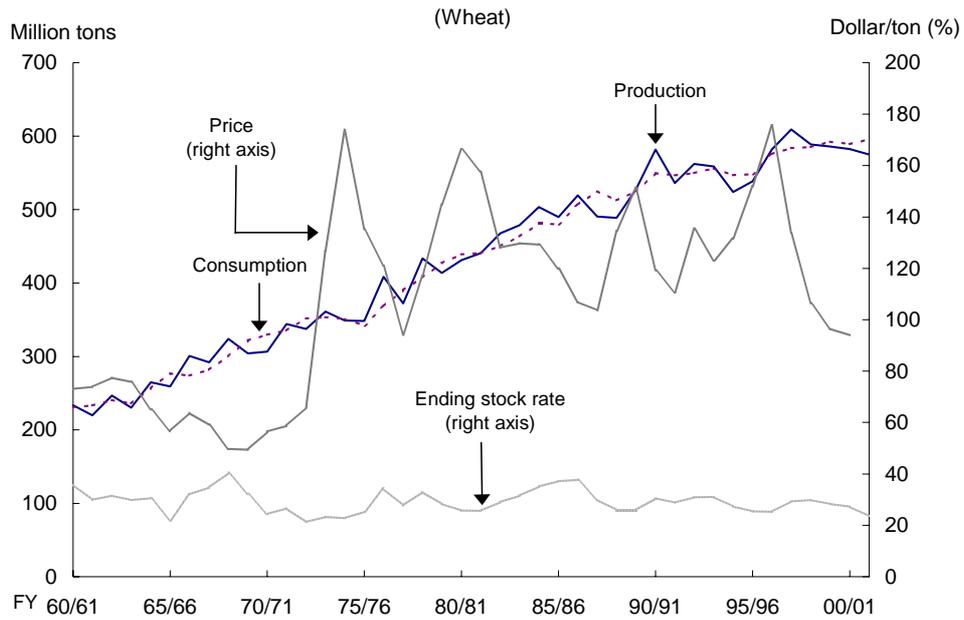
- Production of agricultural products fluctuates greatly according to the conditions of nature, imposing an unstable side, and the supply and demand of foods in the world may be stressed in the medium to long term.
- The trend of agricultural trade is bipolarized, with export regions such as North America and Oceania and import regions such as Asia including Japan.
- The demand for agricultural products in developing countries is expected to increase as the rise of the income level and the tendency for dependency of foods on developed export countries is likely to advance further.
- The concept and handling of genetically modified products differ depending on the country or region, causing trade frictions.

##### (1) Trend of agricultural supply and demand

- The world grain consumption has been steadily increasing due to the population increase, particularly in developing countries while the volume of grain production is greatly affected by the agricultural policy or weather conditions of the major producing countries, and the price fluctuates violently. The supply-demand gap of grain has been easing gradually since 1995 and 1996. However, the rate has been dropping over the past few years.
- Agricultural products are very vulnerable to constraints of the natural conditions so that the volume of production fluctuates greatly and at the same time production cannot be dealt with by changes of the supply and demand situation. The world's trading of agricultural products is structured so that the share of export volume in the production volume is small and the number of exporting countries and regions is small.

As a result, the world's supply-demand situation of agricultural products is unstable due to its characteristics of production and trade and the production volume will be much less than the consumption volume at bad harvests that occur because of bad weather. A considerable increase in the demand of grain is expected due to an increase of population and an increase of the volume of consumption of livestock while constraints on expansion of production are being clarified, such as environmental problems. Consequently, the world's food supply-demand situation may be tight stressed in the medium-term and long-term.

## Changes in supply/demand, price of wheat



Source:USDA [Grain], Reuter ES: Current events

- Notes:1. The production and consumption are the total values of the grains of the year in each country.  
 2. The price is an average of the closing price (settlement) of the first Friday of each month in the Chicago Commodity Exchange.  
 3. Ending stock rate = (ending stock amount/consumption amount) x 100  
 4. The values of 2000/01 are expected value and the values of 01/02 are forecast values.

## (2) Trend of agricultural trade

- With regard to imports, the shares of the former USSR and East Europe have decreased, while the shares of Asia, Africa, and South America have increased because of the advancement and diversification of consumer needs with the population increase and economic growth. As for exports, the shares of EU have decreased due to supply control through production adjustments that were made to reduce overstock, and that of United States have decreased due to decrease of exports to Asian regions.
- By observing the trend of agricultural trade balance by region, the bipolarization between export-dependent regions such as North America and Oceania and import-dependent regions such as Asia including Japan becomes clear. Developing countries of Asia, Africa, etc. are expected to continue increasing their demand for agricultural products with the rising income level. Therefor, dependency of developing countries on advanced export countries is likely to become even stronger in the future.
- In East and Southeast Asian regions where imports of agricultural products are significantly increasing, an increase of demand of food and its diversification are expected in the future due to an increase of population and change of dietary pattern such as an increase of population in metropolitan areas and an increase of supplied calories.

## (3) Situation regarding the trading in genetically modified crops

### (Concepts of main countries regarding safety)

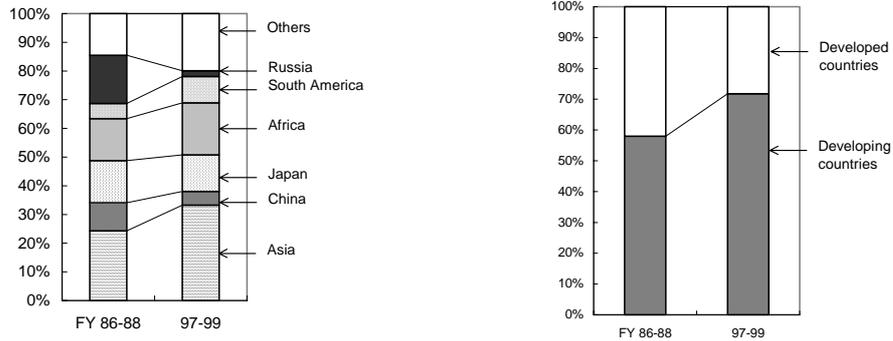
The EU agreed on a new directive regarding the market distribution of genetically modified crops (February 2001). However, some countries including France and Italy stated that they will not agree on the renewal of the new approval under the new directive until the mechanism of traceability (securing of traceability) is established. The USA criticized such movement of the EU. The USA indicated a strong apprehension for the new proposal including introduction of the traceability system submitted from the EU Council in July 2001, while referring to the necessity and the executability.

### (Concept of the main countries regarding labeling)

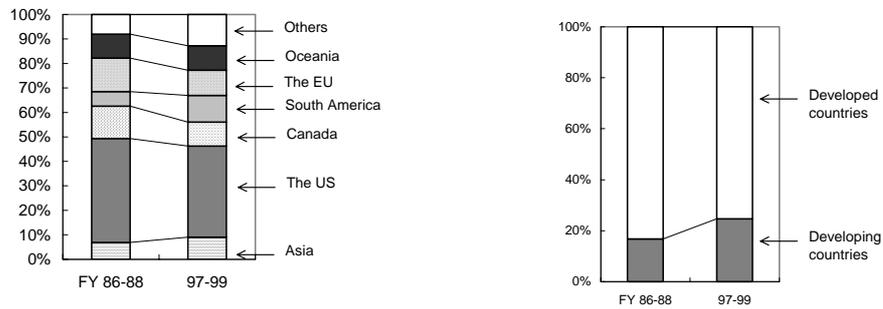
- In 1997, the EU took the decision to make labeling of genetically modified foods mandatory. In July 2001, new regulations including obligatory implementation of traceability were proposed. For the proposal, the US criticized the proposal claiming that scientific verification is impossible and implementation of traceability is not viable due to its heavy load in the production and distribution stages. Canada has almost the same opinion as the US. China is planning to enforce the obligatory labeling system for all the specified items from March 2002. Australia and New Zealand also introduced an obligatory labeling system for genetically modified foods from December 2001. Korea also introduced an obligatory labeling system from July 2001.
- Japan announced on March 31, 2000, the quality labeling standard based on the JAS Law for labeling of genetically modified foods and introduced an obligatory labeling system for genetically modified agricultural products and the prepared foods from April 2001. From the viewpoint of food hygiene, a labeling system based on the Food Sanitation Law was introduced from April 1, 2001 in order to prevent distribution of unexamined foods and unlabelled foods and clarify the ingredients of foods.

## Change in shares in grain trade by country/region

### (Import)



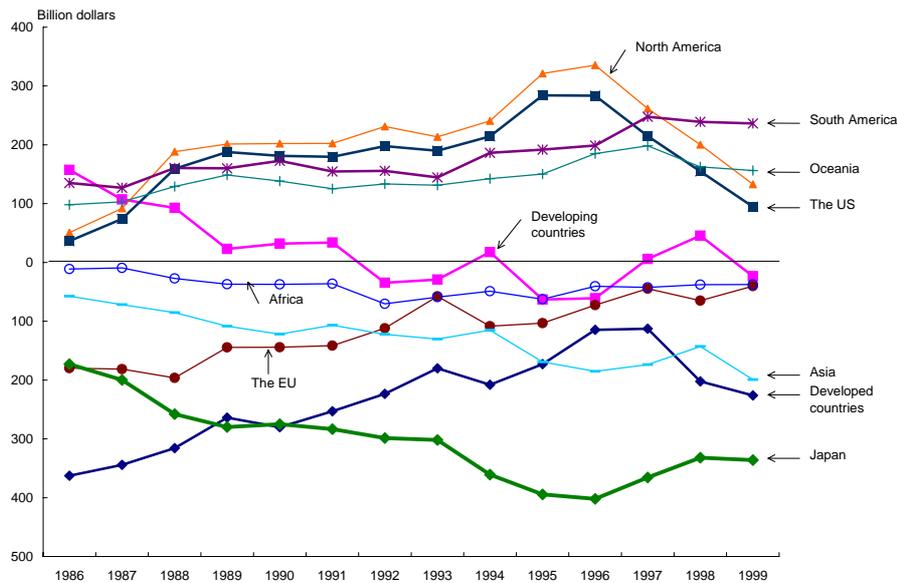
### (Export)



Source: FAO "FAOSTAT"

- Notes:
- 1) The values exclude the intra-EU trade.
  - 2) The values before 1991 of Russia are those of former USSR.
  - 3) The values of Asia are those excluding the values of China, Japan, and former USSR (Asian region).

## Changes in the amount of agricultural trade balance by country/region



Source: FAO "FAOSTAT"

- Notes:
- 1) Amount of trade balance = amount of export (FOB) - amount of import (CIF)
  - 2) The values for the EU and developed countries exclude the intra-EU trade. Values for Asia exclude those for China, Japan, and the former USSR (Asian region).

## 2. Current Situation of Japan's Agricultural Trade

- Japan's import of foods is changing qualitatively and the imports of meat, vegetables, and products of these items have increased rapidly since the latter half of 1980's. In particular, imports of vegetables from China are increasing.
- Japan took provisional safeguard measures for three items, Welsh onion, Shitake mushroom, and Tatami-Omote from April 2001. In December, 2001, Japan and China agreed on promotion of orderly trade as a result of consultation.
- Being the world's largest import country of agricultural products, Japan is vulnerable to fluctuation of international demand and supply and export policies of export countries for its food supply.
- Recently, in response to the occurrence of the foot-to-mouth disease and Bovine Spongiform Encephalitis (BSE) overseas, Japan stopped import of these animals from the countries concerned. In response to the occurrence of BSE within Japan in 2001, Japan applied an urgent temporary stop to the imports of meat and bone meal.
- For the vegetables imported from China, the Ministry of Health, Welfare, and Labor strengthened import inspection.

### (1) Trends of Japan's agricultural trade

#### (Qualitative change of Japan's food imports)

Japan's imports of agricultural products have significantly expanded due to the diversification/advancement of consumer needs under the restricted land conditions, the effect of long-term yen appreciation, improvement of market accesses, etc and the import items have also changed dramatically.

Observing the import trend by item, imports of grain and vegetable oil increased considerably from the 1960s to the 1980s. However, the increase has slowed down since then. Meanwhile, imports of meat, vegetables, and their prepared products rapidly expanded from the late 1980s. The shares of processed products and semi-processed products have also expanded.

#### (Increased import of poultry meat and vegetables from China)

With yen appreciation and its cheap labors as the background, China supplied agricultural products at low prices in response to the demand from Japan's food manufacturing industry and food service industry. (The import amount of prepared foods such as poultry meat has increased to 16.6 times in the past 10 years, of which imports from China account for about 60%. The import amount of fresh vegetables has increased to about 3.5 times in the past 10 years which account for about 40% of the import amount of all vegetables. The import amount of frozen vegetables has increased to twice or more of which imports from China account for about 60%.)

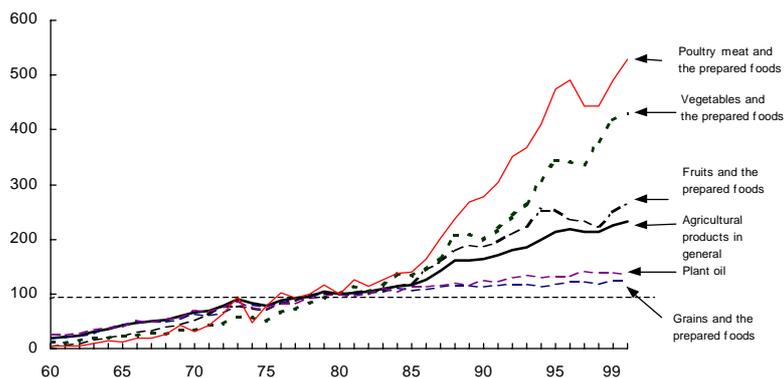
Japanese enterprises used implement "development import," where the enterprises station their bases in China, provide guidance of cultivation, and import goods, however, recently, voluntary exports by Chinese locals has been established.

With enhanced consumer interests for taste, freshness, health, and safety as the background, Japan has enhanced improvement of indication of the place of origin of foods.

### (2) Movement regarding safeguard

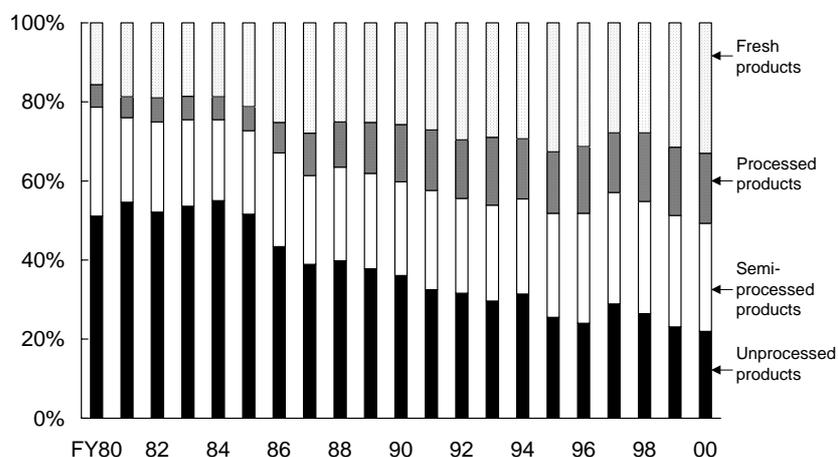
- Japan concerns with the influence of rapid increase of imports of vegetables and other items to the domestic agricultural industry. Government investigations associated with safeguard were implemented from December 22, 2000 for Welsh onion, Shitake mushroom, and Tatami-Omote. Provisional safeguard measures by a tariff quota system were activated for 200 days from April 23, 2001 to November 8, 2001 based on the summary of the investigations of actual conditions (announced in March 23, 2001) and immediate import trend.

### Change of import quantity index by item (1980=100)



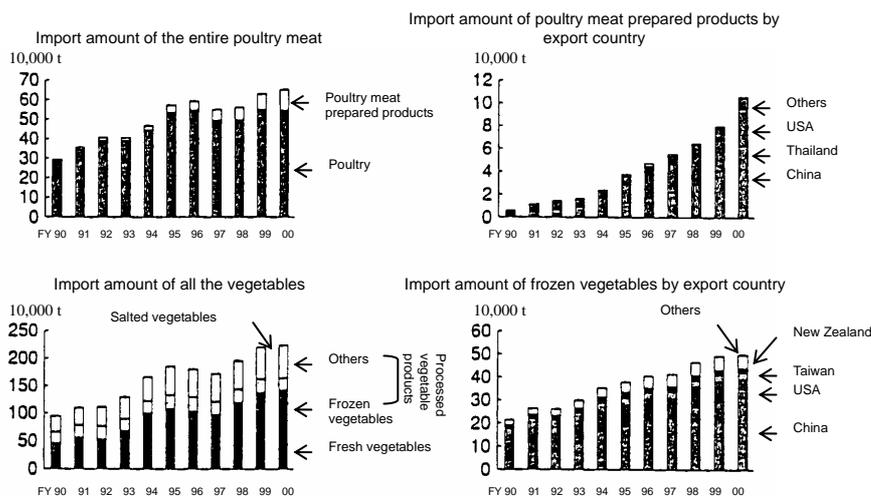
Source: Ministry of Agriculture, Forestry, and Fishery (Import and export quantities of agricultural, forestry, and fishery products and price indexes)  
The indexes of 1995 were recalculated using the indexes of 1980 as 100.

### Change of proportion of the agricultural import amount by the degree of process



Source: Ministry of Finance "Trade Statistics"

### Import trend of poultry meat, vegetables, and the prepared products



Source: Ministry of Finance "Trade Statistics"

- Notes:
- 1) The values of poultry meat indicate those of meat with bones.
  - 2) Poultry meat includes turkey meat and duck meat also.
  - 3) Vegetables do not include forest products (Shitake mushrooms and Matsutake mushrooms) and corn (potatoes and sweet potatoes).

- Japan consulted with China, which is the main export country of these three items since February 2001 through every opportunity. In response to Japan's provisional safeguard measures, China imposed special import tariffs of 100% uniformly on three items including automobiles manufactured in Japan in addition to the current tariffs from June 22. This countermeasure violates the Japan-China Trade Agreement and cannot be justified in terms of the WTO rules also. Japan expressed a feeling of regret and requested immediate withdrawal.
- Under these circumstances, as a result of the agreement on importance of reaching solutions through communications in the conferences at the top level and ministerial level, the following final agreements were reached through the ministerial consultation held on December 21.

<1> Japan does not implement definitive safeguard measures.

<2> China withdraws the special tariff measures.

<3> Both Japan and China develop a trade scheme and promote orderly trade mainly through agricultural trade council. Japan and China make efforts for orderly trade until the council is established.

- With this agreement, the government safeguard investigations of these three items were terminated and in the future, orderly trade for the three items shall be established through making the best use of the agricultural product trade council.

#### **(Roles of Japan in the world's trade of agricultural products)**

Japan holds a high share in the world imports of agricultural product; largest in the world for wheat, corn, and meat and the third for soybeans following the EU and China. Japan's net import amount of agricultural products (import amount - export amount) is increasing. Since 1984, Japan has been the largest net import country of agricultural products.

Seventy percent of the Japan's import amount of agricultural products is occupied by the top five countries. Japan imports 80% or more of wheat and corn from the top two countries and in particular, the US share is high. Japan's food supply that depends mostly on imports is vulnerable to influences of fluctuations of international demand and supply and export policies of export countries.

### **(3) Trend regarding security of safety of imported livestock products**

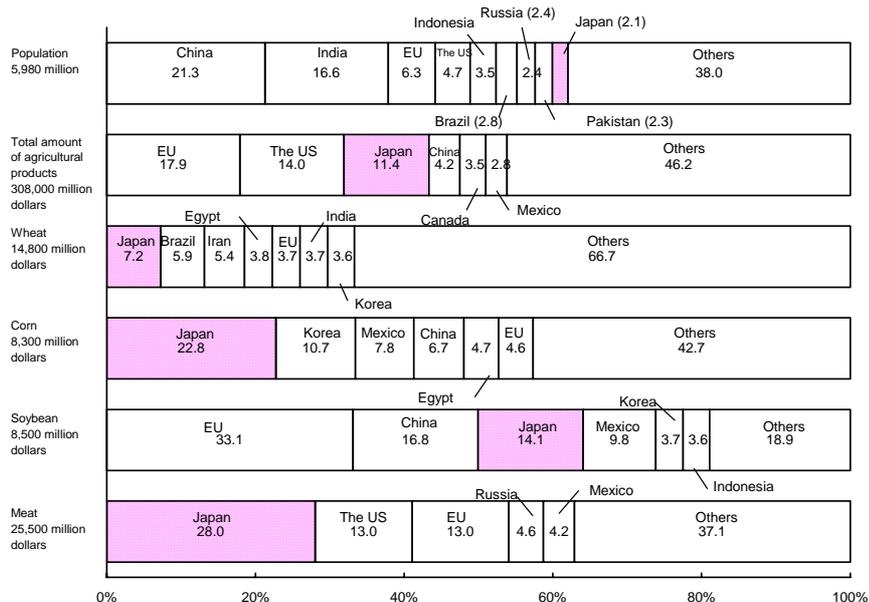
#### **(Animal and plant quarantine)**

- The purposes of animal and plant quarantine are to prevent introduction and exposure of livestock infectious diseases and plant diseases and pests and promote the domestic livestock industry and ensure the stabilization and development of agricultural production. To achieve these objectives, animal quarantine services and plant quarantine stations were established nationwide.

Due to the increase and diversification of import amounts of livestock products and agricultural products, risks of animal infectious disease and introduction of pests are increasing every year and a more effective quarantine system is required.

- Recently, in response to the occurrence of foot-and-mouth disease in 2000, Japan improved the quarantine system of imported straw and forage for feeding. To deal with outbreak of foot-and-mouth disease, BSE, and fowl plaque detected in overseas countries, Japan took measures such as import suspension from the affected countries. In response to the occurrence of BSE in Japan in 2001, Japan took a measure of urgent temporary suspension of import of meat and bone meal, etc. with domestic measures.

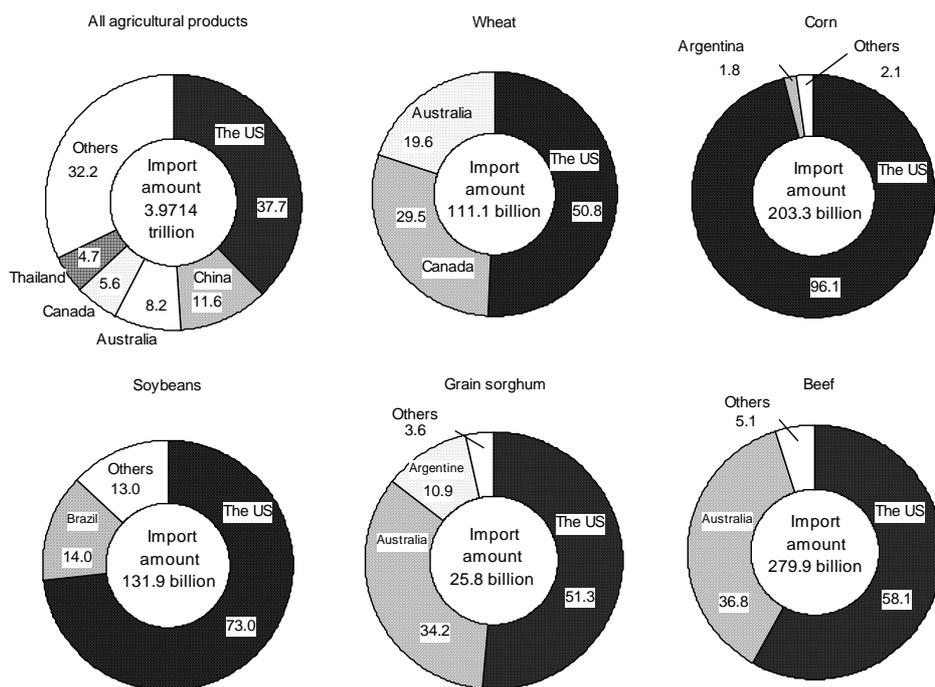
Proportion of the population in Japan to the world's population and proportion of Japan's import amount of agricultural products to that of the world (1999)



Source: FAO "FAOSTAT"

Note: The share for the EU excludes the intra-EU trade and is excluded from the total.

Country shares of Japan's import of major agricultural products (2000)



Source: Ministry of Finance "Trade Statistics"

Note: All agricultural products include wool, alcohol beverage, tobacco, crude rubber, and cotton

**(Import inspection of foods)**

To ensure safety of imported foods, the Ministry of Health, Labor and Welfare monitors food imports to prevent violation of the standards based on the Food Sanitation Law.

Regarding the residue of agricultural chemicals exceeding the standard values that were detected from vegetables produced in China, the Ministry of Health, Labor and Welfare strengthened import inspection on the vegetables imported from China.

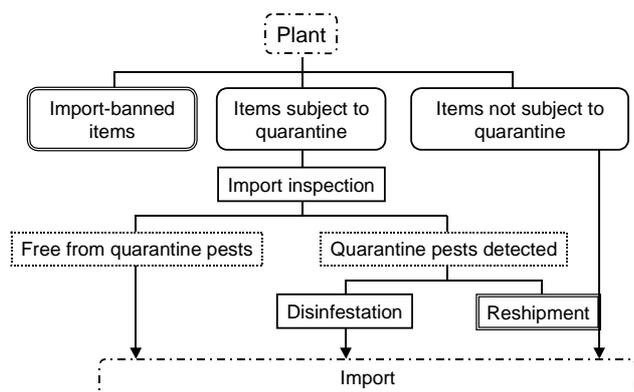
**(Maintaining and securing a safe trade system associated with genetically modified agricultural crops)**

As a result of confirmation regarding contamination of unapproved genetically modified corns "Star Link" in food products and imported feeds, the Ministry of Health, Labor and Welfare and the Ministry of Agriculture, Forestry, and Fishery requested to the US for prevention of contamination. In response to the request, it was agreed the US is to implement pre-export inspection on corn for food products and feeds that are to be exported to Japan.

Continuous steady implementation of contamination prevention measures and information distribution to the nation are extremely important.

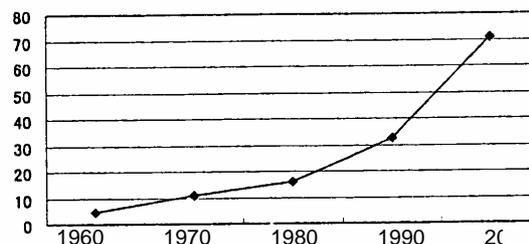
## Mechanism of import quarantine procedure

(Plant protection 75 stations  
Plant quarantine inspectors 783 inspectors)



## Change of the number of import inspections

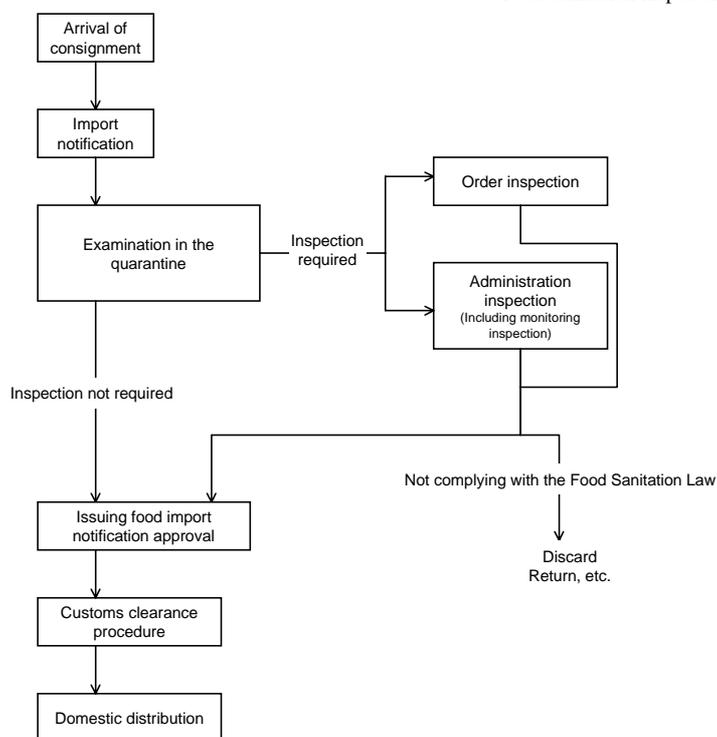
10,000 inspections



Source: "Plant quarantine statistics"  
(Plant Protection Station)

## Imported food monitoring system

(Acceptance organization: 31 seaports/airports)  
Food sanitation inspectors: 264 inspectors



Source: Prepared by the Japan Food Sanitation Association

## Inspection status of imported foods based on the Food Sanitation Law

	1985	1990	1995	2000
Number of notifications (A)	384,728	678,965	1,052,030	1,550,925
Weight notified (1,000 tons)	22,665	21,731	28,268	30,034
Number of inspections (B)	39,817	119,345	141,128	112,281
(B / A %)	(10.3)	(17.6)	(13.4)	(7.2)
Number of violations (C)	308	993	948	1,037
(C / B %)	(0.8)	(0.8)	(0.7)	(0.9)

Source: Imported Food Monitor Statistics Japan Food Sanitation Association

**(4) Counterargument to major countries' reports concerning Japanese agricultural trade policy**

**a. 2001 National Trade Estimate (NTE) Report (USTR)**

<p align="center"><b>Outline of description on Japanese Agricultural Policy</b></p>	<p align="center"><b>Counterargument and comments</b></p>
<p>● <b>Rice</b></p> <p>Despite Japan's Uruguay Round commitments and efforts by the U.S. industry to meet Japan's needs, full market access for American rice has not been achieved.</p>	<p>● <b>Rice</b></p> <p>Consistent with the WTO Agreement on Agriculture, the Government of Japan has faithfully implemented measures related to rice import, including its tariffication in April, 1999. The Japanese government has also administered both ordinary import and SBS import in a manner consistent with WTO Agreement. The Government, therefore, does not recognize any outstanding issues between Japan and the United States on rice import. Access of U.S. rice to the Japanese market will be achieved as a result of competition with other exporting countries on providing appropriate varieties, quality and price. If the United States wishes to further increase its rice export to Japan, the U.S. side should make efforts in these areas.</p>
<p>● <b>Fumigation Policies</b></p> <p>For pests already found in Japan, including many cosmopolitan species of thrips and aphids, Japan insists fumigation is necessary if found on imports, maintaining that the pests are not widely distributed in Japan and are under "official control" by MAFF. However, MAFF does not require fumigation of infested locally grown produce. The United States will continue to urge Japan in appropriate technical and deregulatory fora to develop a comprehensive list of non-quarantine pests and adopt transparent inspection procedures in an effort to reduce excessive, unnecessary, and trade distorting fumigation requirements.</p>	<p>● <b>Fumigation Policies</b></p> <p>Under the rules and regulations of Japan, fumigation is not applied to pests that meet certain conditions, such as a certain pest exists throughout Japan or have limited distribution while not nationally controlled. Such pests (called "non-quarantine pests") are designated in conformity with international standards i.e. the Guidelines of FAO. The list of non-quarantine pests has been properly revised from scientific and technical point of view. The Government of Japan has informed the WTO's SPS Committee (Committee on Sanitary and Phytosanitary Measures) of designated non-quarantine pests with the list and, therefore, the policy in this regard is transparent.</p>

**b. Canada's international market access priorities  
(Department of Foreign Affairs and International Trade, 2001)**

Outline of description of Japanese agricultural policy	Counterargument and comments
<p>● <b>Tariffs on Canola Oil</b></p> <p>Japan's duties on imported cooking oils are applied on a specific rate basis, i.e. a certain number of yen per kilogram. As a result of the Uruguay Round Multilateral Trade Negotiations, the specific duties for these products have decreased in Japan. As <i>ad valorem</i> equivalents (AVEs) of specific duties are inversely related to import prices (i.e. when import prices fall, the <i>ad valorem</i> equivalents rise, and vice versa), specific duties progressively cushion domestic producers against competition from lower-priced imports, thereby counteracting cuts in specific duty rates. For example, due to the low product prices experienced in 2000, the <i>ad valorem</i> equivalents of specific rates on canola oil have ranged from 23 percent to 28 percent. These high tariffs are designed to protect Japan's domestic oil-crushing industry and other related products such as margarine. Canada will seek the maximum negotiable reduction in these high tariffs in the WTO agriculture negotiations.</p>	<p>Japan has cut the tariff on canola oil (36% reduction from base rate ) as a result of UR trade negotiations.</p> <p>No further reduction is considered at the present.</p>

**c. Agricultural trade policies in Japan - The need for reform (Department of Agriculture, Fisheries and Forestry Australia, 2001)**

Claim from Australia	Comments of Japan
<p>● <b>Multifunctionality of agriculture</b></p> <p>The high level domestic support targets the agricultural production as a whole and does not directly aim at multifunctionality such as flood mitigation and rural employment. Therefore, the policies are inefficient.</p>	<p>Japan supports agriculture not only in terms of multifunctionality but also in terms of comprehensive viewpoint including agricultural production.</p>
<p>● <b>Food security and food self-sufficiency</b></p> <p>Japan regards food security as a major rationale of high level agricultural support. However, under all but the most extreme conceivable circumstances, Japanese people have ability to ensure that food security requirements are met. "The New Basic Law for agriculture" aims at enhancement of food self-sufficiency, however, it is more efficient to pursue food security through trade than through protecting and supporting of domestic production.</p>	<p>Most Japanese people feel uneasy about the current food supply condition that greatly depends on the supply from overseas. The inclination of Japanese people towards local agricultural products must also be regarded as important and food security is not the only rationale of agricultural support. The aim of "the New Basic Law for agriculture" is to pursue food security by combining domestic production, reserve and import.</p>

### 3. Agricultural Product Trade Policies in Major Countries and Their Problems

#### (1) Overview of trade policies of agricultural products in foreign countries and their problems

(The US - Abolishing acreage reduction and the deficiency payment system by the Federal Agriculture Improvement and Reform Act of 1996 -)

##### <Outline of trade policies>

The current farm U.S. policy is implemented based on the Federal Agriculture Improvement and Reform Act of 1996 that introduced Production Flexibility Contract Payments, abolishing acreage reduction and the deficiency payment. Marketing Loan that provides non-recourse loan for farmers through the Commodity Credit Corporation (CCC) remains. Import quantitative restriction measures and the levies system have been shifted to a tariffication system in accordance with the Uruguay Round Agricultural Agreement. Emergency supplemental support had been executed four times since 1998 to deal with recent stagnant crop prices.

##### <Overview of individual trade policy and problems>

###### a. Export subsidy (EEP and DEIP)

This is a system which the US Government provides subsidies to exporters of grains and dairy products. The government can grant export subsidies with its discretion, as long as the total amount of such subsidies export quantity is within the government's reduction commitment under the Uruguay Round agreement. However, export subsidies have the nature to distort international trade.

###### b. Export credit guarantee programs (GSM102 and GSM103)

This is a system under which the Commodity Credit Corporation (CCC) extends guarantees to developing countries importing US agricultural products on a commercial basis. This system has not only a trade distortion effect but also a circumvention of the provision of export subsidies, as the CCC collects claims in case of default.

###### c. Export Administration Act

This is a system to restrict exports of agricultural products and other products in such cases as a shortage of supplies on the domestic market. The system raises not only a trade distorting effect, but also the difficulty of food security, which impedes stable food supply to the importing countries.

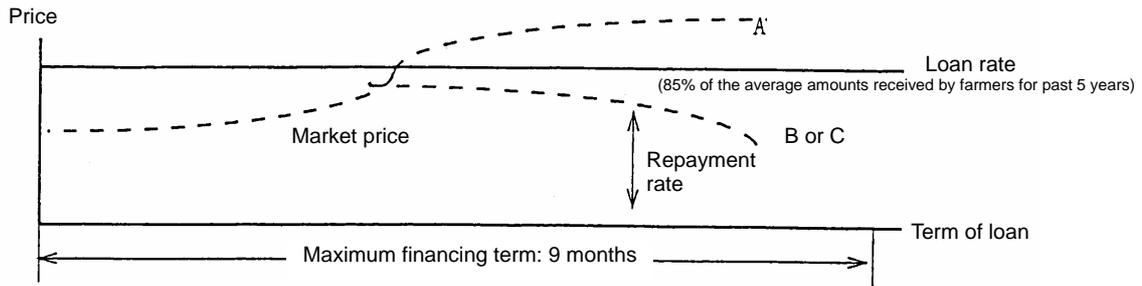
###### d. Emergency Supplemental Support

The US government had implemented emergency supplemental support four times amounting to a total 27.3 billion dollars since 1998. They contained compensations for crop price stagnancy such as Market Loss Assistance Payment, which were classified into Amber Box. Foreign countries including EU, criticized that they ran counter to 1996 FAIR Act that aims at establishing market-oriented farm policy.

###### e. The Next Farm Bill (counter- cyclical payments)

The US Congress is discussing the next farm bill. The next farm bill intends to introduce counter-cyclical payments, as of the end of January 2002. When crop price is stagnant, counter-cyclical payment provide farmers with payments based on target price. It can be classified as Amber Box support under Uruguay Round Agriculture Agreement. It may keep current production away from market trends, and cause overproduction and international crop price stagnation.

### Mechanism of price support financing system



- Case A: Sell products at market price and repay at loan rate  
 B: Forfeited products for exemption from loan repayment  
 C: Repay loan at the level of market price (marketing loan)

### Loan rate of major agricultural items

Fiscal year	1996	1997	1998	1999	2000	2001
Wheat (dollar / bu)	2.58	2.58	2.58	2.58	2.58	2.58
Corn (dollar / bu)	1.89	1.89	1.89	1.89	1.89	1.89
Soybean (dollar / bu)	4.97	5.26	5.26	5.26	5.26	5.26

Source: US Department of Agriculture

Note: The loan rates of wheat and feed grains can be reduced according to the stock rates under the direction of the Secretary General of the Department of Agriculture.

### Outlay of export credit guarantee program

Unit: Million dollars

Fiscal year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GSM – 102	4,439	5,596	3,643	3,080	2,772	3,079	2,809	3,963	2,955	2,928
GSM - 103	83	88	239	140	149	151	63	56	44	33

Source: Budget Summary, US Department of Agriculture

### Emergency Supplemental Support

- <1> Assistance authorized by the "Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act", 1999 (enacted October 1998)
  - Total value \$6 billion. Market Loss Assistance Payment \$2.9 billion
- <2> Assistance authorized by the "Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act", 2000 (enacted October 1999)
  - Total value \$8.7 billion. Market Loss Assistance Payment \$5.5 billion
- <3> Assistance authorized by the Agricultural Risk Protection Act of 2000 (enacted June 2000)
  - Farm economic support portion \$7.1 billion. Market Loss Assistance Payment \$5.5 billion
  - In addition to the \$7.1 billion in farm economic support, this law also contains an increase in government subsidization of insurance premiums and costs for improvements in farm insurance to enable better management of insurance operations (preventing fraudulent reports and other measures) worth \$8.2 billion (over the next five years).
- <4> Assistance authorized by the Crop Year 2001 Agricultural Economic Assistance Act (enacted August 2001)
  - Total value \$5.5 billion. Market Loss Assistance Payment \$4.6 billion

(The European Union - Positive expansion of direct payment while reducing market intervention prices -)

**<Overview of trade policy>**

The European Union implements such policies as market intervention and direct income compensation payments based on the Common Agricultural Policy (CAP). Border measures consist of import tariffs, grant of export and import licenses, export subsidies, export tariffs, and so on.

The European commission proposed the reform of the CAPi Agenda 2000, started from 2000 view of the expected enlargement to the Central and Eastern European Countries (CEECs).

The reform comprises measures for reducing market intervention price and maintaining direct income compensation payments.

**<Overview of individual trade policy and problems>**

a. Export subsidies/export levies

The EU grants export subsidies (or applies export levies) in view of the necessity to prevent wild fluctuation of prices within the EU market. The export subsidies are problematic in that they may distort world trade. Since the export levy is designed to ensure supplies and stabilize prices within the EU market, it raises problems as to the balance in rights and obligations between exporting and importing countries.

b. Export subsidies on processed cheese

The EU grants subsidies to skim milk and butter produced in the EU and has introduced a system to use them for processed cheese designed for export. This constitutes diversion of export subsidies from skim milk and butter to processed cheese. Therefore, it is a violation of its commitment to reduce export subsidy for processed cheese.

(Canada - Safety net such as NISA and CFIP -)

**<Overview of trading policy>**

Agricultural policy is the joint jurisdiction of the federal and provincial governments in Canada. Specifically, the governments implement safety net such as the Net Income Stabilization Account (NISA), Canada Farm Income Program (CFIP) and crop insurance. There are state trade enterprises such as Canadian Wheat Board. Import quantitative restriction measures on crops such as wheat, beef, dairy products, were all shifted to tariffication.

**<Overview of individual trade policies and problems>**

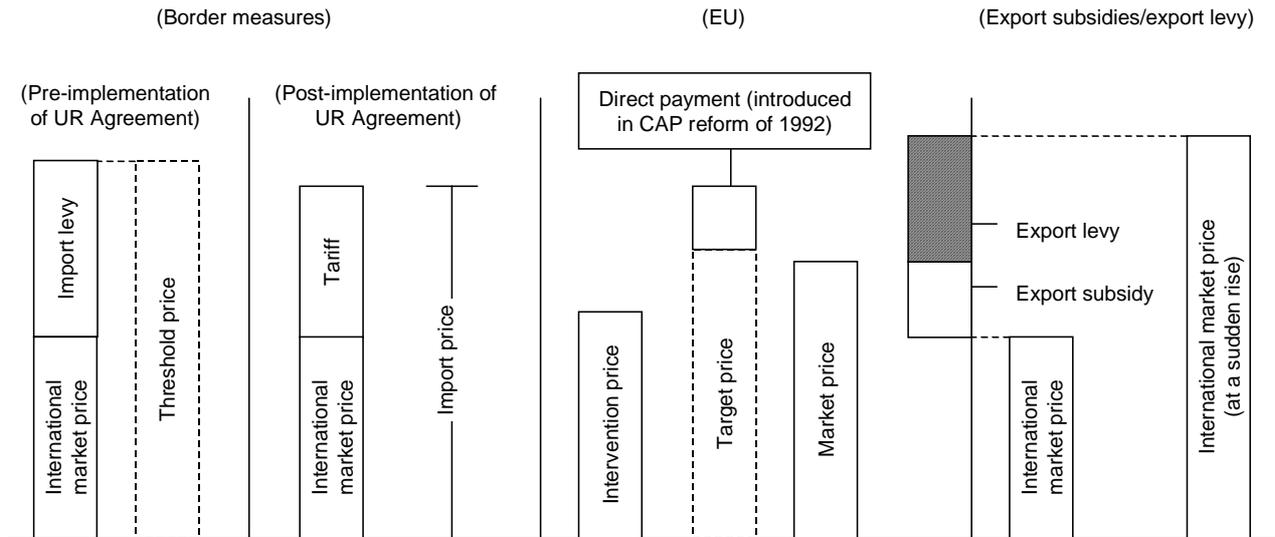
a. Export subsidy

Under the Uruguay Round Agreements, Canada promised to reduce export subsidies. A small amount of export subsidies were paid to butter and skim milk in fiscal 1996/97, but no export subsidy was granted after fiscal 1997/98.

b. Grain export through the Canadian Wheat Board

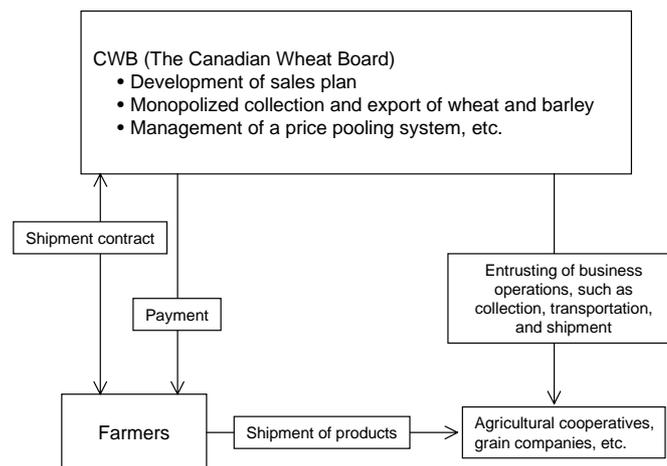
The Canadian Wheat Board (CWB) monopolized collection and export of wheat and barley produced in the Western plain provinces. Rules on state export enterprises are less strict than those on state import enterprises. This raises problems as imbalance in rights and obligations between exporting and importing countries.

## Outline of Common Agricultural Policy (CAP) (grains)



- Note:
- 1) Before the implementation of the UR Agreement, differences between threshold price and international market price were charged as variable levy.
  - 2) After the implementation of the UR Agreement, statutory tariff was established while threshold price was abolished.
  - 3) The difference between intervention price as of July 1991 (at the level of 94% on intervention price), i.e. 155ECU, and the target price is directly paid as income compensation.
  - 4) Export tariffs are applied restrictively to extremely high emergency cases only as a result of the CAP reform by Agenda 2000.

## Business overview of the Canadian Wheat Board (CWB)



**(Australia - Reviewing single desk by the Australian Wheat Board -)**

**<Overview of trade policies>**

In the agricultural policy in Australia, the Department of Agriculture, Forestry, and Fisheries of the commonwealth is in charge of international negotiations, quarantine of foods for import and export, the taxation, and drought measures. State Governments are in charge of other agricultural policies. As to cross-border measures there is no obstacle other than tariff in the trade policy and export of wheat, rice, and sugar is centrally controlled by the corporations or the boards.

**<Overview of individual trade policy and problems>**

● Single desk for wheat export by the Board

The Australian Wheat Board (AWB) was established as a statutory authority by the Commonwealth in 1939 to deal with purchasing, reserving, transporting and selling wheat. Since 1989, AWB has the responsibility for the management and marketing of all wheat export (more than 80% Australian wheat is exported). In July, 1999 it was completed privatization as AWB Ltd. with wheat growers as its shareholders. Following privatization, single desk of the wheat export was transferred from the AWB to the Wheat Export Authority (WEA), which was established by the "Wheat Marketing Act of 1998." And, the WEA has consigned its export operation to AWB Ltd. Just as in the case of the Canadian Wheat Board, this raises problems as to the balance in rights and obligations between exporting and importing countries.

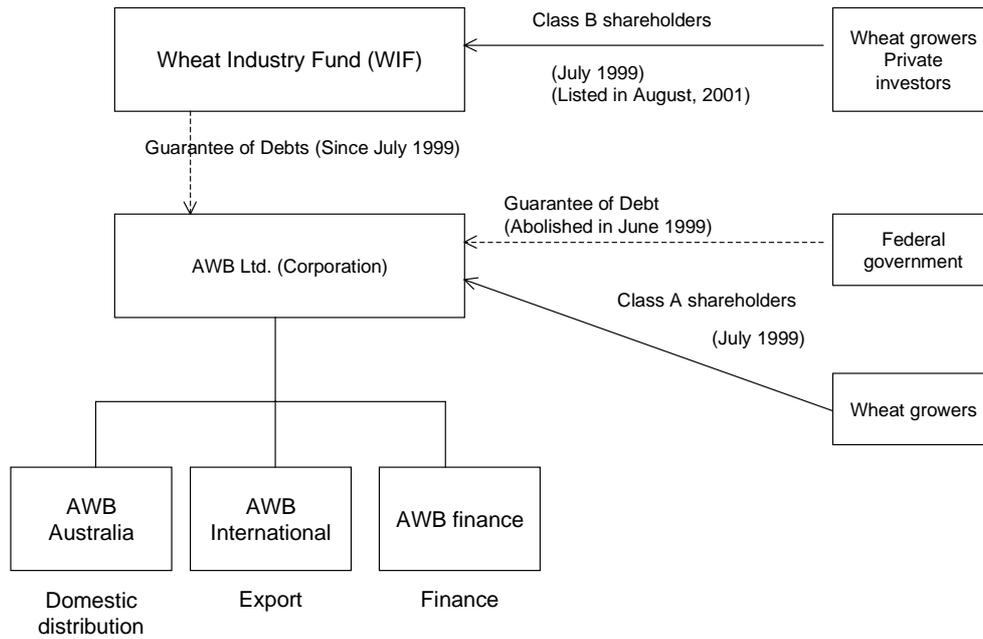
**(2) Trend of regional trade agreements**

<1> The movements towards the conclusion of regional trade agreements with the aims of elimination of tariffs and quantitative restrictions, and liberalization of investments and service trades became prominent from the latter half of the 80's.

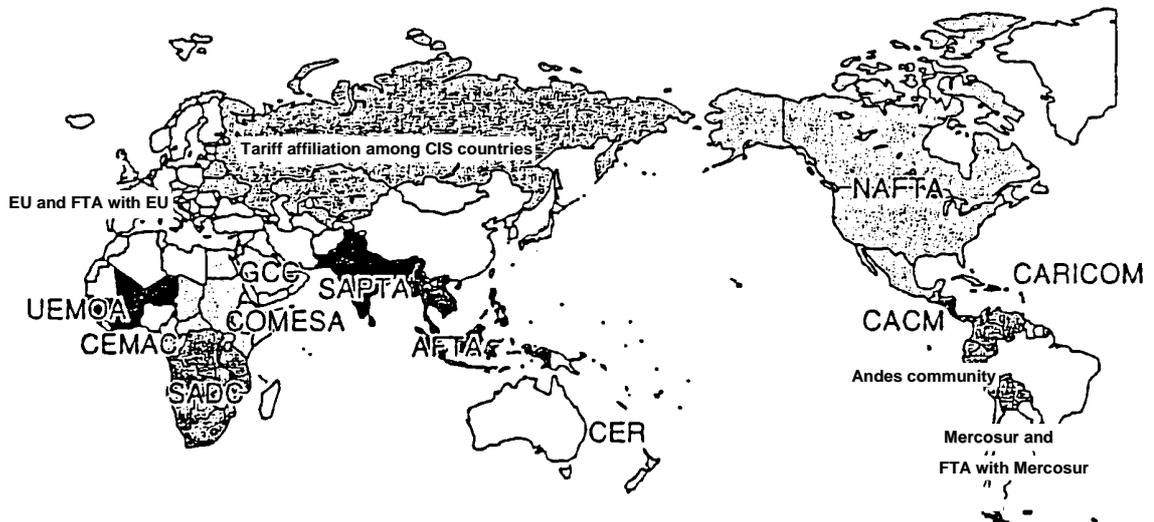
<2> In the 90's, the movements expanded. In particular, agreements between non-neighboring countries were more frequent. The EU concluded free trade agreements with Mexico and South Africa, other than the Central Europe, Eastern Europe, and Mediterranean countries. The South and North American countries agree to conclude free trade agreements in the entire South and North America by 2005. (1998 US Summit).

<3> Japan reached an agreement with Singapore for "the Japan Singapore Economic Partnership" Agreement conclusion and the signatures were exchanged in January 2002. A meeting of the joint study group participants from business sector, academic sector and governments was established with Mexico from September 2001. Examination is in progress with Korea at the Business forum of private sector level.

## Outline of Reform of the Australian Wheat Board (AWB)



## Major regional trade agreements in each region



Note: Countries that are affiliated with multiple regional trade agreements are indicated by a color as one of the regional trade agreements.

## Chapter 2 Forest Products

- The world's timber production has been stagnant since 1990's. 80% of timber trades are implemented among advanced countries including Russia.
- Japan depends on external sources for 80% of its timber supply. Recently, the imports of wood products such as lumber, plywood, and laminated wood are dramatically increasing.
- International discussions are being held regarding the relationship between timber trade and environmental conservation. In particular, Japan insisted on the importance of examination of trade measures for illegally harvested timbers.

### 1. Trends of the World's Forest Products Demand, Supply, and Trade

#### (1) Status of the World's forest resources

The "State of the World's Forests 2001" compiled by the United Nation Food Agricultural Organization (FAO) indicates that the world's forest area is 3,870 million ha (2000), which accounts for 30% of the total land area. During the period from 1990 to 2000, 94 million ha of forests, 2.5 times of the area of Japan, has disappeared due to transfer to farm lands, untraditional shifting cultivation, excessive grazing, excessive collection of fuel wood, and inappropriate logging.

#### (2) World's wood production and current condition of wood products trade

##### (Trend of wood production)

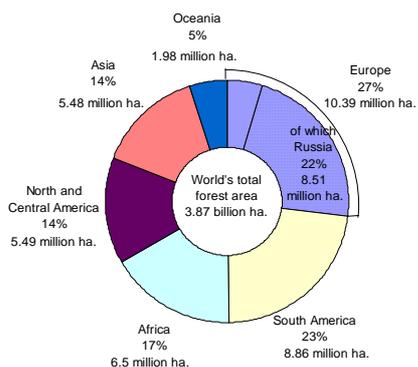
The world's wood production has increased continuously in accordance with the increase of population and economic development. Since the 1990's, the production has almost been stagnant.

##### (Trend of wood products trade)

The amount of wood products trade (including paper products) has increased rapidly during the 1970's. The "FAO Yearbook of Forest Products (1999)" indicated that about 16% of the world's wood production is directed to international trade.

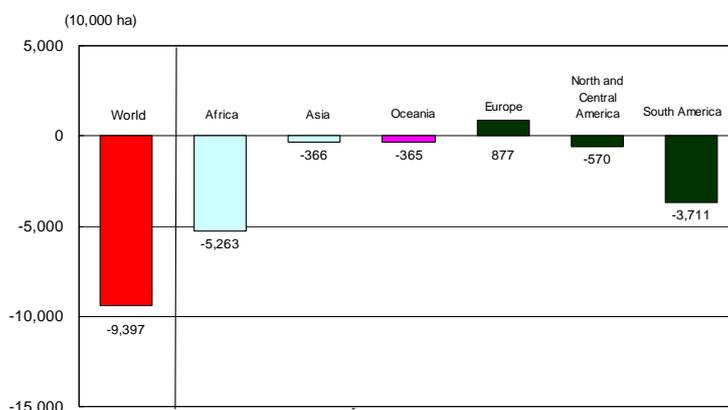
Wood products trade is active between the producer countries and the consumer countries. The producer countries includes the US and Canada, (the world's largest timber production regions), Indonesia and Malaysia, (tropical wood production regions), Europe including Sweden and Finland (suppliers of lumber and paper products), and Russia and others, (coniferous log export countries). The consumer countries includes the US, the largest wood consuming country, followed by Japan, China, Korea, and Europe. 80% of timber trades are among advanced countries including Russia.

### World's forest areas (2000)



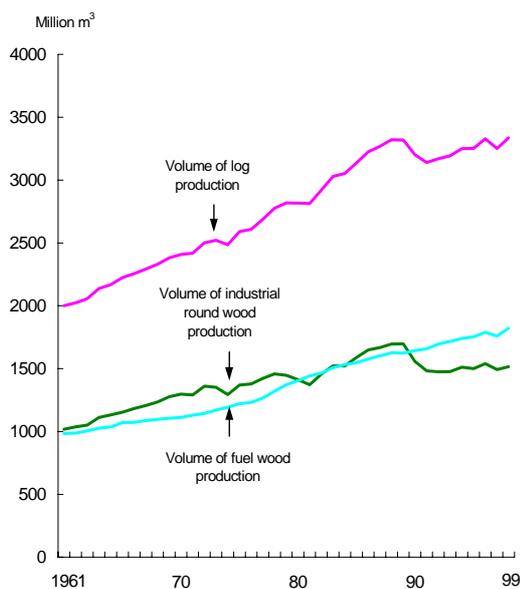
Source: FAO "State of the World's Forests 2001"  
 Note: Regional classification depends on geographical classifications, not economical or political classification. The total for Europe includes Russia.

### Increase/decrease of forest areas from 1990 to 2000



Source: FAO "State of the World's Forests 2001"  
 Note: Decreased area based on the forest areas by region in 1990

### World's log production



Source: FAO "FAOSTAT" (as of November 2001)

## **(Outlook for trade of each product item)**

### **<Log>**

The world's log export increased continuously, from about 400 million m<sup>3</sup> in 1961 to about 100 million m<sup>3</sup> in the early 1970s. After that, followed by relatively low level of 80 - 90 million m<sup>3</sup>. This is because major wood exporting countries shifted their export products from logs as raw materials to processed products.

Japan imports large amount of logs and 15% of the world's import in 1999, although the amount is decreasing recently.

### **<Lumber>**

The world's lumber export has increased by 2.9 times, from 41.51 million m<sup>3</sup> in 1961 to 121 million m<sup>3</sup> in 1999. The U.S. is the world's largest lumber importing country (mainly from Canada).

## **2. Current Situation of Japan's Wood Products Trade**

### **(1) Trend of wood products export/import**

#### **<1> Wood products import**

Japan relies on overseas supply (according to the wood supply/demand table) for 80% of its wood supply (wood for individual use) in 2000. In Japan, imports of wood products including lumber, plywood, and laminated lumber have recently increased dramatically. The import value of woods (type HS44) in Japan in 1999 was 1,230.3 billion yen (10.8 billion dollars), 1,214.8 billion yen (11.3 billion dollars) in 2000, 1% decline in yen base (4% increase in dollar base) from the previous year. The major suppliers are the US (17%), Canada (16%), and Indonesia (13%). Characteristics of each product item are as follows:

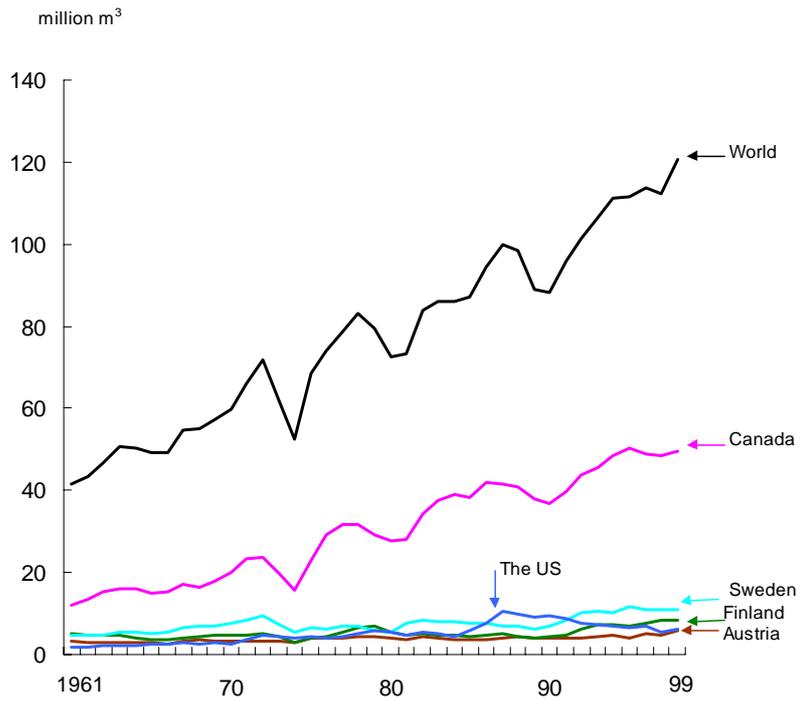
- North American wood accounting for 31% of the wood products import (North America)
- South-sea (Nanyo-zai) wood, the second largest amount of imported wood products (Indonesia, Malaysia, PNG)
- North-sea (Hokuyo-zai) wood, the largest amount of log import (Russia)
- New Zealand wood and Chile wood, used for packing and plywood.
- European wood, import of processed products increasing rapidly

#### **<2> Wood products export**

In 2000, both volume and value of timber export are quite small, compared to those of import. The total value of wood export was 8.1 billion yen in 2000, a 11% decline from the previous year.

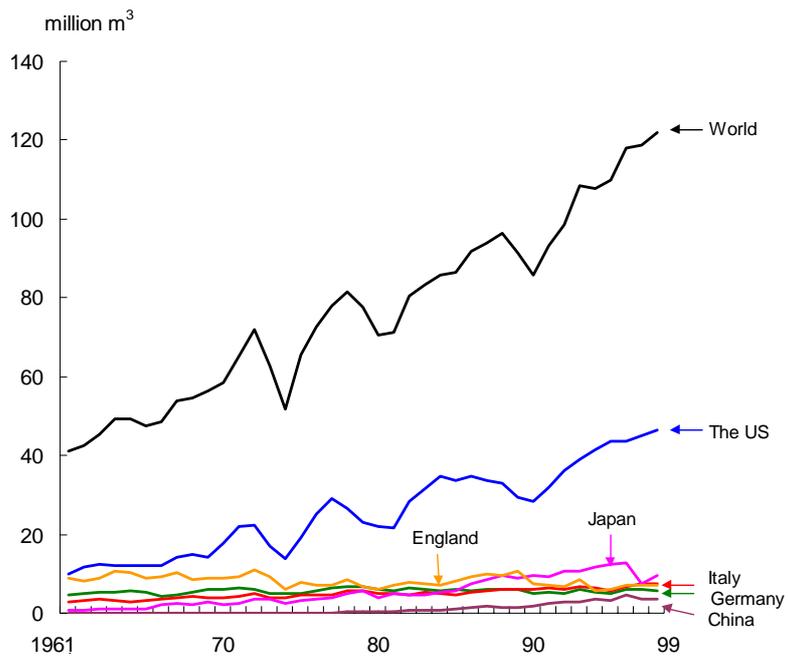
The Japanese wood is exported to Korea (20%), the US (15%), and Taiwan (13%) on the value basis.

### World's major lumber exporting countries



Source: FAO "FAOSAT"

### World's major lumber importing countries



Source: FAO "FAOSTAT"

## (2) Trend of export/import of special forest products

### <1> Import trend of special forest products

The imported amount of "fresh Shiitake mushrooms" in 2000 has dramatically increased to 42,057 tons, an increase of 33% from the previous year. Based on the temporary decision that the rapid increase of imports may cause serious damage to the domestic industry, Japan initiated a provisional safeguard for a period of 200 days starting from April 23, 2001 based on the WTO Safeguard Agreement and the regulation of the Tariff Law. Import of "dried Shiitake mushrooms" has flattened out recently with the imported amount 9,144 tons in 2000, almost the same as the previous year.

### <2> Export trend of special forest products

Export of special forest products has recently decreased dramatically. "Dried Shiitake mushrooms", the main export item, are mainly exported to Hong Kong and Singapore, with the export volume of 115 tons in 2000, a 26% decrease from the previous year.

### Value of Japan's timber import (type HS44)

Unit: 100 million yen (million dollars)

Classification \ Year	2000
World's total	12,148 ( 11,274)
US	2,061 ( 1,913)
Canada	2,004 ( 1,860)
Indonesia	1,524 ( 1,415)
Malaysia	1,444 ( 1,341)
China	1,009 ( 936)
Russia	640 ( 594)
Australia	622 ( 578)
New Zealand	450 ( 417)
Chile	350 ( 325)
Sweden	263 ( 244)
Japan's total import amount of wood	409,384 ( 379,939)
Yen exchange rate (against US dollars)	107.75 yen/dollar

Source: Ministry of Finance "Trade Statistics"

Notes:

1. The yen exchange rate is the average of the inter-bank central values.
2. The dollar based values were produced by converting the yen based values (by "Trade Statistics") with the average of the inter-bank central values.

### **3. International Situations Concerning Wood Products Trade**

#### **(1) Overview of forest product trade policies in foreign countries**

##### **<1> North America (the USA and Canada)**

###### **<Log export restrictions in the USA>**

In 1990, log export from the Federal forests West of the 100 degrees West longitude was prohibited permanently. In 1997, log export from state forests West of the 100 degrees West longitude was also permanently prohibited. This export restriction most likely violates the WTO rules.

###### **<Log export restriction in Canada>**

The Province of British Columbia sets an obligation to process logs inside the province and permits only when there is excessive production. Such restrictions most likely violate WTO rules.

##### **<2> Softwood lumber dispute between the US and Canada**

In April 2001, the US lumber industry filed countervailing and anti-dumping duty petitions concerning certain softwood lumber products from Canada, following the expiration of US-Canada Softwood Lumber Agreement. In August 2001, the US Government made a determination to apply provisional countervailing duty. In October 2001, the US Government also made a determination to impose provisional duty in the anti-dumping duty investigation. The investigations for countervailing and anti-dumping duties are currently in progress for final determinations.

A WTO panel has been established based on a request from Canadian Government, while the two countries are holding meetings intermittently to find a solution through negotiation.

##### **<3> South East Asia (Malaysia and Indonesia)**

In wood producing countries in South-east Asia, log export is restricted with the background of resource constraints, domestic wood processing is promoted as a complement of the export restrictions. Japan's log imports are declining due to these measures.

###### **<Malaysia>**

In Peninsular Malaysia, export of logs (excluding logs of small diameter) is prohibited.

In Sabah State, export of logs is limited up to 2 million m<sup>3</sup> per year.

In the Sarawak state, a log export quota has been implemented with the aim to redirect raw wood to local factories for processing.

Export quantity restrictions and export prohibition in these three regions most likely violate the WTO rules.

###### **<Indonesia>**

According to the IMF Agreement in 1998, the export tax of logs and sawing lumber was reduced to 30%, and further to 15% in December 1999. The total export volume of logs, lumber, and other products is stipulated by laws. Such a quantitative export restriction most likely violates the WTO rules.

In April 2001, Indonesia applied to include Ramin in the CITES Appendix III (implemented in August), and prohibited logging and export of Ramin.

In October 2001, Indonesia stopped log export as a provisional measure.

## **(2) Current situation of international discussions regarding the issue of wood products trade and environmental conservation**

### **<1> International Tropical Timber Organization (ITTO)**

ITTO is an international organization established for sustainable development.

In the 29th ITTC (International Tropical Timber Council, November 2000), as the evaluation of "the year 2000 objective," the members reaffirmed its full commitment to moving toward achieving the objective, with the recognition that the objective have not sufficiently achieved due to the shortage of human resources.

The 31st ITTC (November 2001), adopted a resolution to combat illegal logging, and proposed amendments of the current system such as logging concession and industrial licenses and the introduction of timber certification, based on the report from the technical mission dispatched to Indonesia.

### **<2> Policy discussion under the United Nations**

The relationship between wood products trade and environment, have been discussed in the "Intergovernmental Panel on Forests (IPF: 1995-1997)" and " Intergovernmental Forum on Forests (IFF: 1997-2000)" that were established under the "United Nations Commission on Sustainable Development (CSD)", since the "Global Summit" held in 1992.

In October 2000, "United Nations Forest Forum (UNFF)" was established under the International Economic Society Directors' Meeting for further promotion of sustainable forest management. The objectives of UNFF is to implement activity proposals that were agreed in IPF/IFF and promote monitoring, evaluation, and report of the implementation status.

### **<3> Forest certification and labeling**

Timber certification and labeling systems have been developing recently for the harmony between wood products trade and environment conservation. FSC and ISO14000 Series are the major international certification systems. Country-based or regional certification systems, such as Sustainable Forestry Initiative (SFI), Canadian Standards Association (CSA), and Pan-European Forest Certification (PEFC), have also been developed in wood products exporting countries.

Since certification and labeling are beneficial for sustainable forest management and may have substantial influence on the demand and supply of domestic products, Japan is carrying out investigation and examination of certification and labeling, taking into account the characteristics of domestic forest management.

### **<4> Illegal logging**

Recently, illegal logging problems are gaining international concerns. In the G8 Okinawa Summit held in July 2000, G8 leaders adopted a communique, stating that they would examine how best they could combat illegal logging.

In the "Forest Law Enforcement and Governance: East Asia Ministerial Conference" held in Indonesia in September 2001, the Ministerial Declaration was adopted, stating that all countries, exporting and importing, should take actions to combat illegal logging.

Japan intends to invoke further international interests regarding illegal logging problems through aggressive participation in internal discussions based on the basic idea that "illegally harvested timber should not be used" and, at the same time to, insist on the importance of examination of internationally acceptable trade measures.

### Outline of timber export restriction in major timber exporting countries

Country	Target region	Restriction
USA	Federal forest in the State of Alaska	Prohibition of log export (since 1928)
	Federal forest west of 100 degrees west longitude, excluding the State of Alaska	Prohibition of log export (since 1974, in 1990 making measures permanent)
	State forest west of 100 degrees west longitude, excluding the State of Alaska	Prohibition of log export (partly prohibited since 1990, making the measures permanent in 1997)
Canada	Province of British Columbia	Prohibition of transfer and export of logs and wood chips to areas outside of the Province (excluding some excessive logs produced, since 1906)
		Total prohibition of export of high-quality timbers such as Red Cedars, Douglas and Spruces (since 1986)
Indonesia	All area	Elimination of high export taxes based on the IMF Agreement in 1998, and introduction of 30% export taxes on logs and lumber. The tax rate was reduced to 15% in December 1999.
		Introduction of export regulations defining the establishment of a total export volume of logs and lumber in 1998
		Prohibition of export of Ramin and inclusion of Ramin in the CITES Appendix III in April 2001 (issued on August 2001)
		Stopping export of logs and woodchip logs in October, 2001
Malaysia	Peninsular Malaysia	Prohibition of export of all kinds of species excluding small diameters timber, since 1985.
	State of Sabah	Elimination of log export ban and introduction of log export quota limiting the volume to 2 million m <sup>3</sup> per year since November, 1996.
		Prohibition of export of logs and lumber of Cerangun Batu in August 2000. (a partial permission system was introduced in December 2000)
	State of Sarawak	Prohibition of export of Ramin since 1980
		Prohibition of export of: Hollow Alan Batu logs, timbers produced from agricultural transformed land, baby small timbers (diameter 33cm or less) and timbers produced from swamps area since 1993.
		Some proportion of logs are allocated for local processing within the State and the remaining volume is allocated for export. 60% of logs are allocated for local processing since 1999.
Papua New Guinea	All area	Prohibition of export of logs of Ebony, Teak, Balsa, Cordia and Conifers
		Prohibition of export of logs of Rosewood and Black bean since 1989
		Imposition of log export tax of 15% to 70%, depending on market price from January 1996. Amended to 10% to 65% in January 2002.

## Chapter 3 Fishery Products

- The world's fishery production in volume has been increasing since 1992. Fishery trade has expanded, however recently it leveled off. Japan, USA, and EU hold about 80% of the world import.
- Fishery import in Japan has been recently decreasing due to stagnant domestic demand caused by the economic downturn, however, the import in volume started to increase from 1999. The import in value has not increased yet.

### 1. Trends of the World's Fishery Demand and Supply, and Trade

#### (1) Trend of the demand for and supply of fishery products

<1> The world's fishery production in volume has been increasing since 1992. The fishery production volume of China, which is the largest producer, is increasing while the production volumes of Peru, Japan, and Chile, which are major fishery production countries, are leveling out or decreasing.

Food and Agriculture Organization of the United Nations (FAO) indicates that 75% of the world's fisheries resources are fully or over-exploited, and appropriate management measures must be introduced urgently.

<2> Prices of world's major fishery products for each group have been stable in recent years.

#### (2) Trend of fishery trade

<1> The world's fishery trade has expanded, however, recently it has leveled off. Japan is the world's largest fishery product importing country that imports about 30% of the world's fishery trades in value. Japan, USA, and EU hold about 80% of the world import.

<2> The largest fishery product exporting country is Thailand, followed by Norway, China, and USA.

### 2. Current Situation of Japan's Fishery Trade

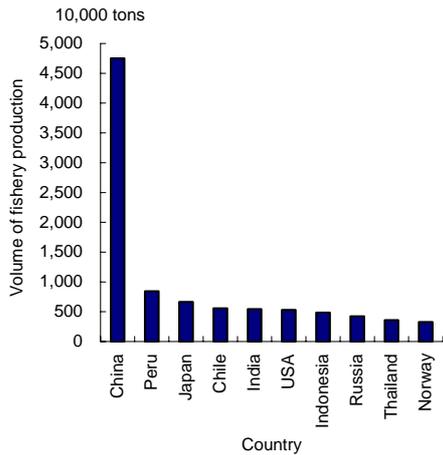
#### (1) Trend of import of fishery products in Japan

Import of fishery products in Japan has been decreasing due to stagnation of domestic demand as a result of economic recession, however, the volume of import started to increase from 1999. However, the import is leveled out in value. The major items are tuna, salmon, trout, codfish, mackerel, and shrimps.

#### (2) Trend of export of fishery products in Japan

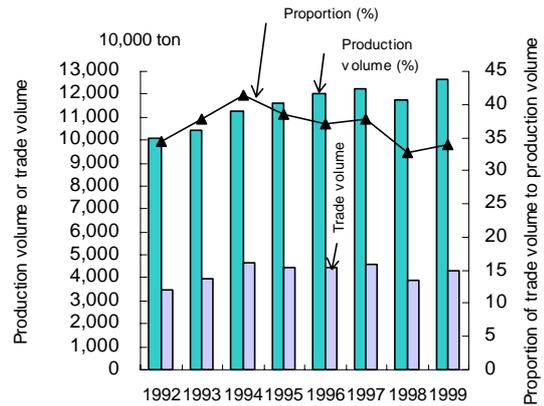
Japan used to be one of the major fishery product exporting countries that exported canned goods and others, however due to the recent decrease of export of such processed products, the export level has declined.

### Fishery production volume by country (1999)



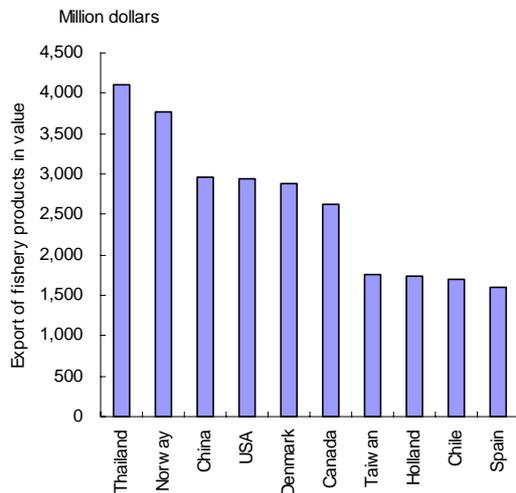
Source: FAO "Yearbook of Fishery Statistics - Capture Production 1999" and "Aquaculture Production Statistics 1999"

### Change of trade volumes of fishery products



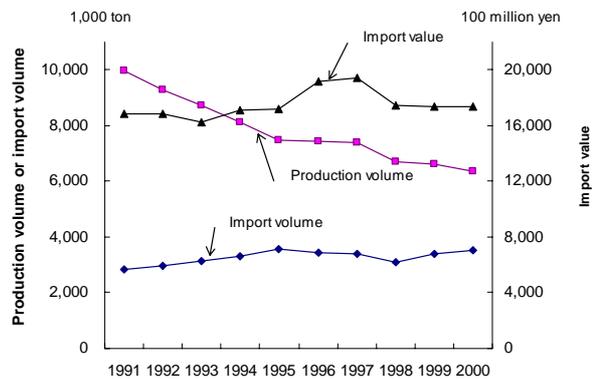
Source: FAO "Yearbook of Fishery Statistics - Commodities 1999"

### World's fishery product export countries



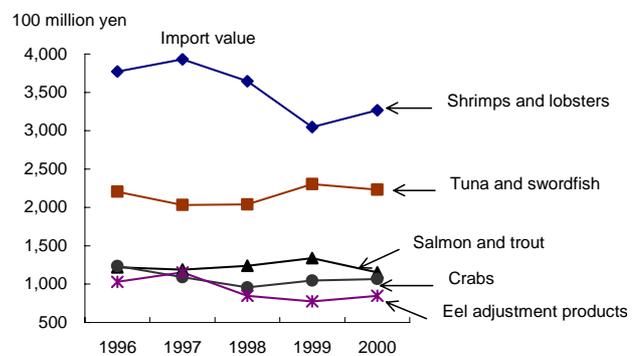
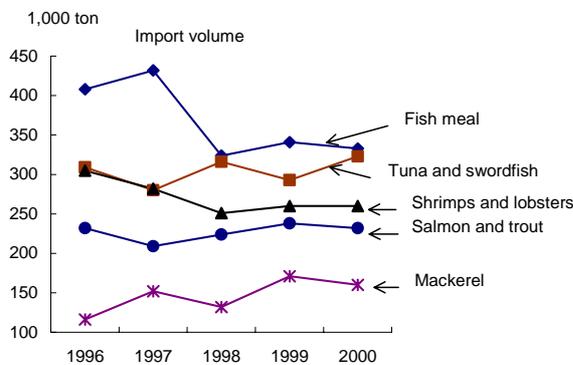
Source: FAO "Yearbook of Fishery Statistics - Commodities 1999"

### Change in production volume and import of fishery products



Source: Ministry of Agriculture, Forestry, and Fishery "Yearbook of Fishery and Cultivation Production Statistics" and Ministry of Finance "Trade Statistics"

### Change in import volume and value of main fishery product items in Japan



Source: Ministry of Finance "Trade Statistics"  
Note: "Fish meal" includes meal and pellet.

### **3. International Situations Surrounding Fishery Trade**

#### **(1) Overview of fishery trade policies of the USA and the EU and the problems**

##### **(USA)**

As a result of the Uruguay Round, the fishery tariff was reduced to 1.2% in weighted average. The USA is criticized for using anti-dumping measures arbitrarily against salmon from Norway and other products in order to protect the domestic industry.

##### **(EU)**

As a result of the Uruguay Round, the fishery tariff was reduced, however, it is still high, which is 10.2% in weighted average, while preferential duties are applied to developing countries. EU currently prohibits import of scallops from Japan as the product does not satisfy the sanitary standard specified by the EU. The two countries are discussing the matter in order to resume the trade.

#### **(2) Examples of fishery trade disputes among countries**

##### **(Shrimp-turtle case)**

The USA prohibited import of shrimp products for protection of sea turtles. The WTO Panel and Appellate Body judged that the prohibition violates GATT. Subsequently, the improved measures by the U.S. according to the Panel judgment was taken up again by the WTO Panel and the Appellate Body and the measures were judged to be consistent with WTO rules.

##### **(Prohibition of salmon import by Australia)**

Australia prohibited import of salmon in order to control the spread of fishery disease. The WTO Panel judged that such prohibition violates the SPS Agreement.

##### **(Prohibition of swordfish import by Chile)**

Chile rejected unloading of swordfish at Chilean ports fished by EU fishing vessels. The EU decided to start a WTO dispute settlement procedure, however, the dispute was solved through consultations between the two countries.

##### **(Prohibition of landing of shark fin by foreign vessels to the US ports)**

The USA prohibited landing of shark fin by fishing vessels to the US ports for the protection of sharks.

### **(3) Trade measures by international fishery organizations**

#### **(International Commission for the Conservation of Atlantic Tunas)**

The Commission prohibited import of Atlantic bluefin tuna from Equatorial Guinea, Honduras and Belize, Atlantic swordfish from Belize and Honduras, Atlantic bigeye tuna from Belize, Honduras, Equatorial Guinea, Cambodia, and St. Vincent to member countries.

#### **(Commission for the Conservation of Antarctic Marine Living Resources)**

For resource conservation, a catch documentation scheme was introduced for Patagonian toothfish.

#### **(Commission for the Conservation of Southern Bluefin Tuna)**

For resource conservation, a statistical documentation scheme was introduced for southern bluefin tuna.

### **(4) CITES**

Recently, movements for protecting tuna, shark, and paddlefish are becoming more active. Japan is concerned that a political decision is frequently made on the protection of species which are far from extinction within the framework of CITES. Japan considers that conservation of commercial marine species should be managed by regional fishery management organizations. Japan considers that trade restriction measures are to be applied selectively to only those who violate the rules, rather than applying CITES measures that uniformly restrict trade.