

An assessment of the TPP From the perspective of an importing country and trade rules

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Masanori Hayashi

1

2016/6/14

Self-introduction

- Ministry of Agriculture, Forestry and Fisheries (MAFF)
 - 1) Chief negotiator on agricultural tariffs and the SPS Agreement (Uruguay Round)
 - 2) D. G. of International Affairs Division (1998-2001)
- Tokyo Grain Exchange (2003-2008)

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2

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What was agreed in the TPP on grains?

(Thousand tons)

		Current	TPP
Wheat	food	5,740 TRQ under ST Inside: Free + Mark-up Outside: 55 yen/kg	5,740 TRQ under ST 192 CSQs to US, Can, Aus (+32% over 6 years) under ST (SBS) Inside: Free + Mark-up (-45% over 8 years) Outside: 55 yen/kg
	feed	55 yen/kg or Free + Mark-up under ST	Free or Free + Mark-up under ST
Barley	food	1,369 TRQ under ST Inside: Free + Mark-up Outside: 39 yen/kg	1,369 TRQ under ST 25 TRQ (+160% over 8 years) under ST (SBS) Inside: Free + Mark-up (-45% over 8 years) Outside: 39 yen/kg
	feed	39 yen/kg or Free + Mark-up under ST	Free or Free + Mark-up under ST

2016/6/14

What was agreed in the TPP on grains?

(Thousand tons)

		Current	TPP
Rice		682 (milled rice basis) TRQ under ST Inside: Free + Mark-up Outside: 341 yen/kg	682 (milled rice basis) TRQ under ST 56 CSQ to US, Aus (+40% over 12 years) under ST (SBS) Inside: Free + Mark-up Outside: 341 yen/kg
Maize (corn)	feed	Free or TRQ Inside: Free Outside: 50% or 12 yen/kg	Free or TRQ Inside: Free Outside: 50% or 12 yen/kg
	other than feed	TRQ Inside: 3% (Free for processing) Outside: 50% or 12 yen/kg	TRQ Inside: Free Outside: 50% or 12 yen/kg
Soybeans		Free	Free

4

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Current trade situations on grains (Average 2011~13)

(Thousand tons)

		World	TPP
Wheat	Food	5,439	5,434 (US 57%, Can 25%, Aus 18%)
	Feed	689	574 (US 45%, Aus 33%, Can 22%)
Barley	Food	226	224 (Aus 79%, Can 20%, US 1%)
	Feed	1,093	1,069 (Aus 64%, Can 32%, US 3%)
Rice		688	393 (US 84%, Aus 14%, VN 2%)
Maize (corn)	Feed	10,505	6,518 (US 100%)
	Other than feed	4,354	3,958 (US 99%, Aus 1%)
Soybeans		2,773	2,142 (US 83%, Can 17%)

Source: Trade Statistics of Japan
2016/6/14

5

What will happen as a result of trade agreement?

- Many econometric assessments were/are published on major trade agreements;
On Uruguay Round, OECD (1993), UNCTAD, FAO (1995) and a number of scholars (1993-1999) published their results using various econometric models.
- However, the problem with these econometric assessments is it is impossible to test them *ex post*.
- Therefore, I would like to take up two issues; (1) how consumers will behave in buying domestic and imported products, (2) what were agreed in TPP in rule areas which may affect grains trade.

6

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How much money consumers are prepared to pay in buying food?

According to Economics textbooks, consumers are supposed to behave in a rational manner under competitive environment. In the real world, we observe consumers are influenced by various factors such as advertisements, images, value judgments, friends or other persons' opinions, etc.

One method of investigating consumers' buying behavior is to measure **consumers' willingness to pay (WTP)** by experimental auction method.

7

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How much money consumers are willing to pay for buying domestic and imported rice?

Recently, experiments were held in Japan and Korea to examine whether these consumers would behave if they were faced with the choice between domestic and imported (US and Chinese) rice.

Korean and Japanese rice markets have similar aspects; Japonica rice is predominant, consumers eat boiled rice as main dish and they have not so much acquaintance with imported rice.

The purpose of comparing the results of these experiments is to see;

- (1) Do Korean consumers and Japanese consumers behave in the same manner or differently?
- (2) If consumers of two countries behave in a different manner, in what way do they differ?

8

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How much money consumers are willing to pay for buying domestic and imported rice?

Consumers are asked the amount of money he/she is prepared to pay in the cases of without information and with information.

The participants are asked to test three bowls of boiled rice ; (i) without information (blind test) and (ii) with information (COOL, food mile, production area and variety).

After the test, they put a figure he/she is willing to pay, the WTP price is decided by auction and participants decided by drawing lot have to pay their money.



Rice A



Rice B



Rice C

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Korean consumers' WTP on rice

(2010, at Korea University)

	Domestic	Made in US	Made in China
Without information	1.00	1.04	0.99
Country of Origin	1.21	1.07	1.09
Food Miles	1.18	0.95	1.12

Experiment was held at Korea University in August 2010. Participants were 100, mainly housewives (89 women, aged 48 on the average). Rice used were all milled, No.1 grade; Kyeong-gi rice for domestic rice, Calrose for US rice, Golden Terra for Chinese rice. For comparing the results of various cases, the monetary WTP values are expressed in index, that of the case of without information for domestic rice (1.707 Won/kg) being put as 1.00.

2016/6/14

Japanese consumers' WTP on rice (2014, at Waseda University)

	Ibaragi /Koshihikari	California /Koshihikari	Chinese Northern district /short grain
Without information	1.00	1.08	0.74
Production area and variety	0.88	0.76	0.40

Experiment was held at Waseda University in January, February and July 2014. Participants were 86 (40% men, aged 53 on the average). Rice used were all milled; Koshihikari produced in Ibaragi area for domestic rice, Koshihikari produced in California for US rice, Short-grain rice produced in north-east province for Chinese rice. For comparing the results of various cases, the monetary WTP values are expressed in index, that of the case of without information for domestic rice (452 Yen/kg) being put as 1.00.

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Korean and Japanese consumers' behavior on domestic/imported rice

		Korea	US	China
Korea	Without information	1.00	1.04	0.99
	With information on COOL	1.21 (+21%)	1.07 (+3%)	1.09 (+10%)
		Japan	US	China
Japan	Without information	1.00	1.08	0.74
	With information on production area and variety	0.88 (-12%)	0.76 (-30%)	0.40 (-45%)

Lessons/suggestions which could be drawn from these results

●Doing business in importing countries

There might be good business opportunities for imported as well as for domestic rice. But it depends on (1) what segments of consumers you are targeting and (2) what aspect of quality attributes you are going to appeal.

●Econometric modeling on 'trade liberalization' impact

There might be possibility of over- (or under-) estimation on 'replacement effect' coefficient used in various econometric models. In 2010, MAFF estimated 90% of the Japanese rice will be replaced by imported rice if all tariffs/TRQs were to be abolished.

13

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Analysis on rule areas of the TPP

Among the 15 EPAs (Economic Partnership Agreements) which Japan has concluded since 2002, the TPP is unique in having a detailed stipulations on trade rules on the following grain trade related areas;

1. Border measures
2. Export competition
3. Plant quarantine and food safety
4. Modern biotechnology
5. Geographical indications

14

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Border measures (1)

For importing countries, 'Market Access' is only a part of border measures which include also **export tax, export restrictions**

/prohibitions. In the TPP, there are provisions to limit the exporting countries' measures;

(1) "No Party shall adopt or maintain any duty, tax or other charges on the export of any good to the territory of another Party" (Art.2.15).

(2) "No party shall adopt or maintain any prohibition or restriction on the importation of any good of another Party or on the exportation of any good destined for the territory of another Party, except in accordance with Article XI of the GATT 1994 (...)"(Art.2.10).

*GATT allows on certain conditions temporary export prohibitions/restrictions to prevent/relieve critical shortages of foodstuffs or other products essential to the exporting country etc. 2016/6/14

Border measures (2)

In the TPP, there are provisions on "**Food Security**" (Art.2.24).

In case a Party temporarily prohibit/restrict export to prevent or relieve a critical shortage of foodstuffs,

(1) The Party shall notify at least 30 days before, providing its reasons, consult, upon request, with any Party having a substantial interest and respond to any question within 14 days;

(2) The Party shall ordinarily terminate the measure within 6 months. Without consultation, the Party shall not continue the measure beyond 12 months.

(3) The Party shall immediately discontinue the measure when the critical shortage cease to exist.

Food Supply clause in Japan-Australia EPA

- “The Parties recognise the importance of strengthening their stable relationship in trade in food” (Art. 7.1 Basic Principle).
- “Each Party shall endeavour not to introduce or maintain any prohibitions or restrictions on exportation or sale for export of any essential food to the other Party (...).” Obligations to limit the measure to the extent necessary, to notify and to consult. (Art.7.3 Export Restrictions on Essential Food)

17

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Export competition

● Export Subsidy (Art.2.21)

(1) No Party shall adopt or maintain any export subsidy on any agricultural good.

(2) The Parties shall work together in the WTO to eliminate export subsidies.

● Export Credits, Export Credit Guarantees or Insurance programmes (Art.2.22)

The Parties shall work together in the WTO to develop multilateral disciplines.

● Export State Trading Enterprises (Art.2.23)

The Parties shall work together in the WTO towards an agreement on the elimination of restriction on the export authorisation and special financing as well as greater transparency on their operations.

18

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Plant quarantine and food safety

As compared with the WTO SPS Agreement and with the previous FTA/EPA agreements of TPP countries, there are a number of new and detailed provisions in these areas;

- (1) **Detailed procedural requirements** sometimes with timeframes in such areas as equivalence, adaptation to regional conditions, transparency, etc.
- (2) **Rapid procedures in case a trade problem takes place**
 - (a) Rapid notification mechanism: inform traders within 7 days if a shipment is prohibited as a result of import check (Art.7.11),
 - (b) A Party may raise any matter which it considers adversely affects its trade at **Cooperative Technical Consultation (CTC)** which meets within 30 days in order to resolve it within 180 days of the request (Art.7.17).
- (3) A Party which takes an **emergency measure** shall review its scientific basis within 6 months and communicate the results to any Party on request (Art.7.14).

19

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Modern biotechnology

There are provisions on **Trade of Products of Modern Biotechnology**, especially “**LLP occurrence**” (inadvertent low level presence of genetically engineered crops in a shipment of plant products) (Art.2.27);

- (1) **To prevent a future LLP occurrence**, the exporting Party shall provide the necessary information upon request.
- (2) **In the event of LLP occurrence**, the importing Party shall inform the importer and provide to the exporting Party any available risk/safety assessment.
- (3) **To reduce trade disruptions from LLP occurrences**, each exporting Party shall endeavour to encourage technology developers to submit applications for authorisation and an authorising Party shall endeavour to allow year-round submission/review of application and increase communication between the Parties.
- (4) To exchange information and further enhance cooperation, a **WG on products of modern technology** is established under the Committee on Agricultural Trade.

20

2016/6/14

Geographical indications

The TPP's provisions on Geographical Indications (Art.18.30-18.36) contain new elements such as the requirement of due process, transparency procedures and criterion on 'common names'.

- (1) The Parties have to provide administrative procedures for protection/recognition of GIs, including for opposition and cancellation.
- (2) A GI registration can be opposed/cancelled on the grounds if it is likely to cause confusion with trademarks or it is a term customary in common language as the common name.
- (3) A term will be considered as a common name; if it is used to refer the type of goods, it is used in marketing/trade or it is a component of a multi-component GI name.

21

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Is the TPP a model for future trade agreements?

Is the TPP a new type of regional trade agreements which provides "go-beyond WTO" trade rules?

Could the TPP be a "model" for future trade agreements, from the viewpoint of creating "Mega FTAs" as well as of renovating the WTO?

22

2016/6/14

Thank you

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