

Agriculture and food in Free Trade Agreements

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1. The requirement of GATT Paragraph 8(b) of Article 24

GATT Paragraph 8(b) of Article 24 stipulates that the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles 6,7,8,14,15 and 20) are eliminated on substantially all the trade in a free trade area.

2. How agricultural products are treated in current free trade agreements

Since there are no clear - cut definitions of the term 'substantially all the trade' and agriculture is politically sensitive in most of the countries, especially developed countries, most of the free trade agreements do not eliminate the duties and other restrictive regulations of commerce on some agricultural products. Take NAFTA for example. The US - Canada agreement excludes 69 tariff lines such as dairy products or peanuts out of 1199 agricultural tariff lines for US and 35 tariff lines such as dairy products, poultry meats or eggs out of 1015 agricultural tariff lines for Canada.

3. The Japanese Government's position on agricultural products in free trade agreements

The Japanese Government does not intend to exclude the entire agriculture sector from free trade agreements regardless of the opposition from the farm lobby. The Ministry of Agriculture, Forestry and Fisheries will positively take part in the negotiations of free trade agreements along with the Ministry of Foreign Affairs, the Ministry of Economy, Trade and Industry and the Ministry of Finance . The Japanese Government, however, asks for the partner countries' understanding on its position on food security, since 78% of the Japanese people feel fears and anxieties about future food supply under the situation where the self sufficiency rate of food has dropped to 40%, the lowest among the developed countries. The Japanese Government will also have to take into account that the trade diversion effects of free trade agreements might cause any new trade disputes with the traditional exporting countries such as US since Japan is the world's net food and agricultural products importer. The Japanese Government will finally make overall judgments on the conclusion of the negotiation, duly taking into account of the benefits and losses in all sectors brought by the free trade agreement.

4. What is so special about food and agriculture?

(1) Food is indispensable for human life. People cannot do without food. The people who

depend on foreign food supply fear the short of supply from foreign countries. As the results of the Uruguay Round Negotiations, all of the non - tariff measures including import quantity restrictions are prohibited for any agricultural products. Export quantity restrictions, however, are not prohibited. While all of the tariffs on the agricultural products are bound under GATT Article 2, there are no rules or regulations on export taxes. Exporting countries can resort to export taxes or export quantity restrictions. There are imbalances about rights and obligations between importing countries and exporting countries. It is normal and natural that any governments prohibit exportation of food when its own people are starving.

(2) Trade might have bad effects on environment. If production accompanies any bad effects on environment, export of the product concerned will transfer those effects to exporting country. It is disputed that Japanese import of shrimps has deteriorated mangrove and that the import of wood products has damaged rain forests. It should be well noted that GATT Article 24 does not take precedence over GATT Article 20(general exceptions).

5. The problems of GATT Article 24

According to the international trade theory, free trade agreements have both trade creation effects and trade diversion effects. The former are the good effects, while the latter are the bad effects. If many products have trade diversion effects, we should exclude those products from a free trade agreement. In this case, the elimination of the duties on substantially all the trade in the sense of GATT Article 24 will lead to the deterioration of the economic welfare of the countries. It is not well known that the above theory on free trade agreements has been developed since J. Viner's work in 1950 after GATT Article 24 was established in 1948. This means that GATT Article 24 is not based on the international trade theory. It is argued that economic partnership agreements mean more than free trade agreements since those include the facilitation of movements of people, capital and information. If that is the case, we should not put much importance to GATT Article 24 nor let it be the obstacle for the conclusion of the negotiations of economic partnership agreements.

Free trade agreements cannot be the substitutes of multilateral trade agreements, WTO. Preferential trade agreements tend to create trade diversion effects and have failed to establish trade rules such as the regulation of antidumping. We should reduce or eliminate overall trade barriers through multilateral trade negotiations. Though I do not intend to diminish the importance of economic partnership agreements, we should redouble our efforts for the successful conclusion of the current Doha development round.