

Agricultural Trade Issues

An East Asian Perspective

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Responses to the Doha Ministerial

- € Non-ag. sector welcomes the new round
 - ˆ Growth: GDP 3.4%, exports 6.4% [KIEP]
 - ˆ Domestic non-ag. market is wide open [SEI]
 - ˆ Welcome since 73% of GDP depends on trade [KTA]
- € Expectations on
 - ˆ tariff reduction, and
 - ˆ stricter anti-dumping cases



Responses to the Doha Ministerial

- € Ag. sector prejudices the new round results
 - ˆ More liberalization of markets
 - w Exemption to tariffication
 - w Tariff rate quota to tariff-only
 - w Reductions in tariff rate
 - ˆ More reductions of domestic support
 - w Lower purchasing price of rice
 - w Less quantities purchased
- € Ag. & service sector will be the losers.



Responses to the Doha Ministerial

“...without prejudging the outcome of negotiations we commit ourselves to comprehensive negotiations aimed at:

Substantial improvements in market access;

Reductions of, with a view to phasing out, all forms of export subsidies; and

Substantial reductions in trade-distorting domestic support.” [Ministerial Declaration]



Agriculture Under the URAA

- € Market liberalization
 - ˆ Tariff rate reduction: 24% during 10 yrs.
 - ˆ Average agri. tariff reduced to 62% in 2004.
 - ˆ TRQ (market access) set up for major crops.
- € Domestic support
 - ˆ Subsidies are reduced (13.3%, 10 yrs.).
- € Korea has implemented the commitments.



Self-Sufficiency Rates

	1990	2000
Rice	108.3	102.9
Wheat	0.1	0.1
Corn	1.9	0.9
Beans	20.1	6.4
Potatoes	95.6	99.3
Beef	52.5	52.8
Peanuts	91.0	23.0
Sesame	67.0	26.0



Agriculture Under the URAA

- € Political arrangements
 - ˆ Senior secretary on agricultural affairs was created in B.H.
 - ˆ Special tax for agricultural development
 - ˆ Presidential Commission on Rural Reconstruction (PCRR)
- € “Agricultural Development Programs” of June 14, 1994.
 - ˆ Aimed at enhancing agricultural competitiveness



Structural Problems

- € Extremely small scale of farming
 - ˆ 1.4 ha per farm (Korea); 1.5ha (Japan)
- € High dependence of farm incomes on agriculture
 - ˆ 65% for Korea (less than 20% for Japan)
- € Low direct income payments to farmers
 - ˆ Only 2.6% of farm income (9.4% for Japan)
- € Importance (Dominance) of rice
 - ˆ 52% of agricultural source of income









Structural Problems

- € During 1970-2000:
 - ˆ Total population increased by 15 million; but
 - ˆ Rural population decreased by 10 million
- € Low agricultural growth rate:
 - ˆ 1.1% in 2000 (8.8 percent growth in GDP)
- € Share of agriculture (2000):
 - ˆ Population: 8.5%
 - ˆ GDP: 4.0%
- € Loans became farm debts.



Rice Policy at the Cross Road

- € URAA exempted rice from tariffication.
- € MMA rice quota filled with processing rice.
- € Government raised rice purchasing price after the financial crisis.
 - ~ 116% up from 1986-88 (17% down in Japan).
- € Rice production increased.
- € Agricultural income share increased:
 - w 38% (1995) to 52% (2000)
- € Reduction in rice consumption accelerated.



Rice Policy at the Cross Road

- € Rice stock to production ratio soared.
- € “Rice Marketing Committee” recommended rice purchasing price cut (-4 to -5%).
- € Farming groups **strongly** against the cut.
- € Government announced “same as previous” price for 2002 crops.
- € The future of rice policy is debated actively.
 - ^ Less rice, higher quality in branded-bags
- € Re-negotiation on rice exemption scheduled in 2004 at WTO.













Farmers' Demands

- € Strengthen negotiating abilities to:
 - ^ Deal with requests on market openings
 - ^ Maintain the 'developing country' status
- € To guarantee rice farmers' income, design a new rice policy including:
 - ^ Raising direct income payments; and
 - ^ Establishment of public stockholding scheme
- € Take advantage of the 'green box' of URAA
 - ^ e.g., decoupled income support, domestic food aid, etc.



Concluding Comments

- € Doha Declaration omens for negotiation results of new round--Farm sector as a loser.
- € Agriculture lagged behind a rapid economic growth and has structural problems.
- € Korea and Japan do NOT share as much as before in terms of agriculture.
- € Rice policy reform is under way, but bumpy.
- € As a WTO member, China will play a bigger role in East Asian agriculture



Thank you for your attention!

