


Opinions

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No Trial and Error in Agricultural Trade Negotiations



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Two months after being voted in, the administration of President Park Geun-hye has officially taken the reins of government. But the new administration got off to a rough start, due to the delay and turmoil surrounding the Government Restructuring Act. Nevertheless, we take hope in the belief that the administration will be able to inaugurate an era of happiness for the people, as the president stated.

This does not mean that we should agree with parts of the Restructuring Act that is downright myopic, especially those concerning the separation of food sanitation from agriculture.

Ensuring safety for the nation's food supply means that an integrated system of monitoring must be firmly in place, encompassing the entire process from seeding, cultivation, harvest, processing, and finally, sales to consumers. This is actually the standard on which consensus has been achieved worldwide. This makes the logic behind separating food sanitation from the rest of the process, purportedly on the premise of strengthening it, very difficult to understand. This is an issue that requires further and more in-depth discussion, and on which the government needs to pay close attention to an even greater diversity of viewpoints.

In this regard, trial-and-error is something we simply cannot allow when it comes to agricultural trade negotiations. Any decision that has been made, aside from being nearly impossible to reverse, will have enormous and lasting consequences. Viewed in this light, the negotiations over rice looms as the biggest agricultural issue facing the Park Geun-hye administration. So far, the tariffication of Korean rice has been put off not once but twice, with minimum-access import quota of 408,700 metric tons until 2014. This means that the current import system of rice based on minimum access quota will need to be converted to tariffs from 2015. Claims have been made that it is possible to delay tariffication one more time, but they are highly illogical and unreasonable. This is especially so when one has to consider the cost Korea might have to pay for delaying tariffication again. If it does happen, it would not bode well for the future of Korean agriculture.

The biggest issue regarding tariffication of rice is setting the appropriate tariff level. While the URAA (Uruguay Round Agreement on Agriculture) stipulates that the calculation of tariff equivalents shall be made using the actual difference between domestic and world prices from 1986-88, this is difficult for Korea due to the fact that Korea was not importing rice at the time. Korea can use prices from neighboring countries such as Japan, but this poses another problem in that rice imported by Japan during the period were of the low-quality kind for making grain alcohol, and do not constitute good reference for international prices. Similar difficulties arise with respect to domestic prices. The rules call for using the most representative wholesale price in the domestic market, but it is unclear if Korea even had a 'wholesale market' domestically during those years. As the government was involved in regulating the prices of rice, there are no assurances that prices were indeed set by the market; the prices were most likely the result of government price controls.

The rules also call for bringing quality into the calculation as well. This means, in technical terms, a different array of calculations are possible; and the level of rice tariffs could be influenced by not only the result of calculation, but also negotiations with WTO member countries. To secure an appropriate level of tariffs, a detailed strategy for every country involved have to be in place before the start of such negotiations. Following the tariffication of Korean rice, the current country-specific quota of 205,228 tons allocated to four countries (the US, China, Australia and Thailand) will no longer be in place, replaced by global quota on an MFN basis from 2015 and so will be subject to fierce price competition. The US would likely be disappointed over the loss of its quota, and China would become a pure importer of grains which would give rise to difficulties for Chinese rice exports in the future. The changes in the structure of trade and competition in different countries should be taken into account and must be handled in an efficient manner when Korea decides to engage in negotiations. Again, negotiators must keep in mind that when it comes to agricultural trade, there is no room for trial and error.

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