

## MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

### Communication from Japan

#### Addendum

The following communication, dated 19 December 2002, has been received from the Permanent Mission of Japan.

### Japanese Proposal on Sustainable Development and the Trade of Forest and Fishery Products

## I. BACKGROUND

1. Japan submitted, on 5<sup>th</sup> November 2002, a proposal on “Market Access for Non-Agricultural Products – Communication from Japan – (TN/MA/W/15)”. While pointing out the need to pay due attention to the protection of the environment and the promotion of sustainable development, the paper stated that “special consideration should be given, in the course of market access negotiations, to goods which have to be appropriately addressed in terms of global environment issues and the sustainable use of exhaustible natural resources. In this regard, Japan intends to make a specific proposal on this point as part of this proposal.” At the same time, Members have been discussing the issue of forest and fishery products in the Committee on Trade and Environment and in the Negotiating Group on Rules. Japan hereby submits this paper as a further contribution to the negotiations on forest and fishery products. It contains a specific proposal on the questions that are related to the market access of those products. When discussing forest and fishery products, consideration of global environmental issues and the sustainable use of exhaustible natural resources are of particular importance. In addition, this paper addresses issues concerning the trade and environment, and rules in a comprehensive manner. Japan expects to see constructive discussions on these issues in the relevant committee and negotiating groups. The points explained below are not exhaustive and Japan reserves the right to submit additional proposals.

## II. BASIC IDEAS

2. The Doha Ministerial Declaration firmly reconfirms the commitment to the objective of sustainable development, which is clearly stated in the Preamble of the Marrakesh Agreement.

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<sup>1</sup> The basic document was circulated with the document symbols TN/MA/W/15 and TN/TE/W/17. The addendum, however, does not concern the Special Session of the CTE.

Therefore, the negotiations on forest and fishery products should aim at contributing to the objective of sustainable development. To this end, due consideration should be given to the fact that the Plan of Implementation, as well as other documents of the World Summit on Sustainable Development (WSSD), requires action at all levels to achieve sustainable forest management and sustainable fisheries. In particular, these documents emphasize the urgent need to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing. Negotiations based on the Doha Ministerial Declaration should also address how international trade can contribute to sustainable forest management and sustainable fisheries in all countries, while considering the roles of the forest in solving or improving global environmental problems, and considering the characteristic of forest and fishery resources as exhaustible, but renewable natural resources.

3. Needless to say, negotiations on the market access for non-agricultural products should be evaluated as a whole, ensuring the balance with other negotiations. It should be noted that the civil society is also concerned about the potential negative influence of a free trade regime on forest and fishery resources<sup>2</sup>. It is indispensable for the WTO to promote trade liberalization, while fully acknowledging such concerns of the civil society, taking into consideration the global environmental issues and ensuring sustainable use of exhaustible natural resources.

### **Sustainable forest management and forest products trade**

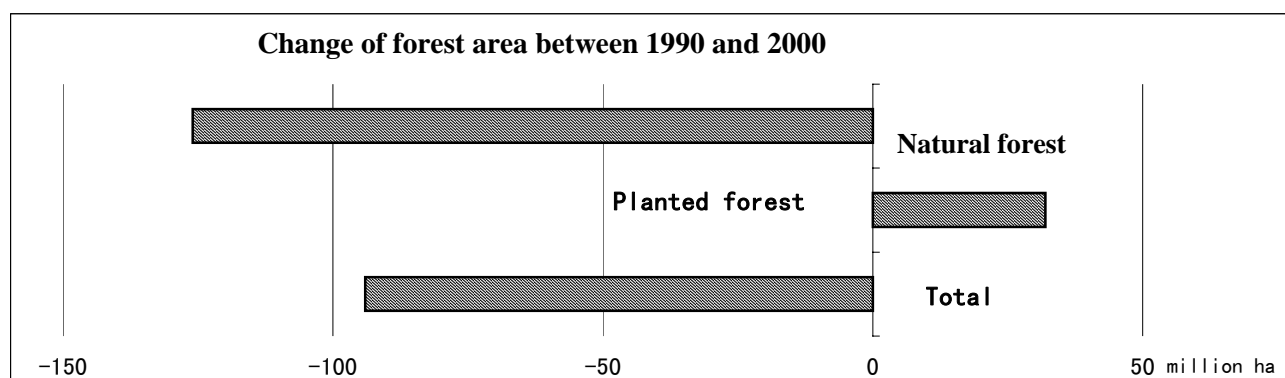
4. Forests are an exhaustible natural resource, which can be depleted through reckless exploitation or poor management, but can be renewable if it is managed appropriately. Furthermore, the forest provides various public benefits, such as the mitigation of global warming, the conservation of biological diversity and the prevention of soil erosion as well as landslides. The forest, therefore, is expected to play an indispensable role in tackling global environmental issues through sustainable forest management. However, forests in the world have been decreasing and degrading due to them being used for agricultural development, over-grazing, the over-harvesting of fuel wood, and inappropriate commercial harvesting. For example, the FAO estimated<sup>3</sup> that around 94 million hectares of forest have been lost over the past ten years, and that existing forests are degrading from closed forests to open forests. Currently, approximately 20% of the world forest products are subject to international trade<sup>4</sup> and a lot of the wood is produced for the purpose of exports. Japan, while greatly contributing to the development of trade in forest products as a major wood-importing country, is also interested in the promotion of sustainable forest management in the world. Promoting sustainable forest management, through which the various needs of forests are being continuously fulfilled, has been one of the world's challenges since the United Nations Conference on Environment and Development (UNCED) in 1992. In particular, at the WSSD, participants reaffirmed that "Achievement of sustainable forest management is an essential goal of sustainable development".

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<sup>2</sup> The NGOs, consumers and others expressed their anxiety of the negative influence of a free trade regime on the sustainable use of forest and fishery resources. The IUCN (International Union for Conservation of Nature) resolved at its 2<sup>nd</sup> World Conference on the Conservation of Nature, held in October 2000, to be "aware that trade liberalisation may encourage unsustainable exploitation of natural resources and the marginalization of local communities", and that it "urges IUCN to investigate the environmental consequences of trade liberalisation".

<sup>3</sup> FAO State of the World's Forests 2001.

<sup>4</sup> Estimation based on FAO statistical data.



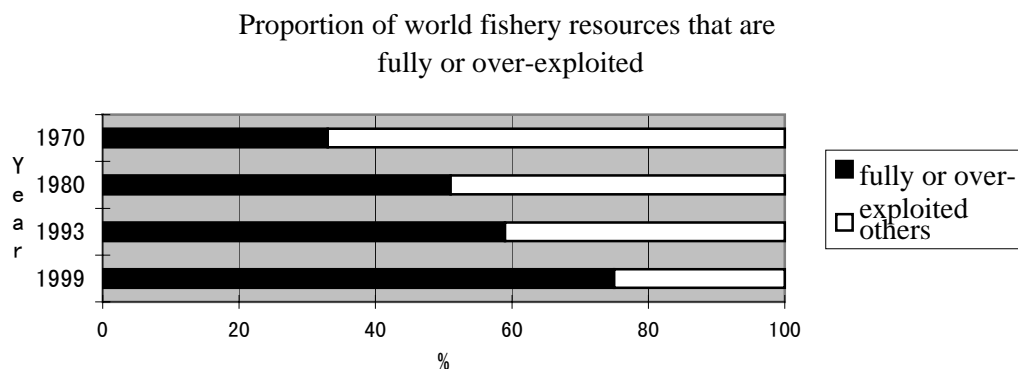
5. In order to promote trade in forest products in a sustainable manner under the multilateral trading system, it is indispensable that each country cooperates to promote sustainable forest management. Japan believes that sound forest resources are the fundamental basis for the sustainable development of trade in forest products, and that the promotion of trade in forest products on a medium to long-term basis, through achieving sustainable forest management, will follow the objectives of sustainable development, which were firmly endorsed by the Doha Ministerial Declaration. In this regard, trade liberalization should not lead to further forest devastation and proper consideration shall be given to the various public benefits that forests provide.

#### **Sustainable fishery resource management and trade in fishery products**

6. Fishery resources are exhaustible natural resources that can be depleted by over-exploitation, but they are renewable with proper fishery management. Fisheries are not only an economic activity, but are also contributive to food security, and to the maintenance and development of rural fishing communities which are dependent on fishing in many countries, in particular, Asian and island countries. It is essential to achieve the objective of sustainable development in the fishery sector, taking into account the various roles that fisheries play in each country. However, given the increasing demand for fishery products all over the world, world fishery resources have been declining due to such factors as catches being made of a capacity beyond reproduction and to IUU (illegal, unreported and unregulated) fishing undermining international management efforts. According to the FAO, the proportion of the world fishery resources, fully or over-exploited, has been increasing steadily by 40 points over the past three decades, culminating at 75% in 1999<sup>5</sup>. 34% of the world fishery products are subject to international trade<sup>6</sup> and many catches are made for export purposes. Japan, while greatly contributing to the development of fishery trade as the largest fish-importing country, importing one-fourth of the total world fishery trade on a value basis, is also interested in the conservation of world fishery resources.

<sup>5</sup> The State of World Fisheries and Aquaculture, FAO 2000  
Review of the State of World Fishery Resources, FAO 1997

<sup>6</sup> FAO Yearbook of Fishery Statistics - Commodities 1999



Source: Review of the State of World Fishery Resources, FAO 1997, The State of World Fisheries and Aquaculture, FAO 2000

7. It is a prerequisite for each country to implement adequate resource management in a cooperative fashion in order to promote fishery trade in a sustainable manner under the multilateral trading system. Japan believes that sound fishery resources are the fundamental basis for the development of fishery trade, and that the implementation of proper resource management and the development of fishery trade on a medium to long-term basis will follow the objectives of sustainable development, which were firmly endorsed by the Doha Ministerial Declaration. In this regard, due consideration should be given to the roles and functions of fisheries and fishing communities, which contribute to the sustainable development of resources, in order to prevent them from collapsing.

### III. SPECIFIC POINTS TO BE DISCUSSED ON FOREST PRODUCTS

#### Levels of Tariffs

8. When conducting the negotiations regarding tariffs on forest products as part of the negotiations on market access for non-agricultural products, in accordance with the Doha Ministerial Declaration, due consideration should be given to the following points:

- (i) Natural and social conditions surrounding forests vary in each Member. Tariffs on forest products play the role of adjusting the differences in those conditions. From the viewpoint of the promotion of sustainable forest management, this function should be duly maintained.  
In this respect, it is crucial to ensure that each Member retains flexibility among products when determining the appropriate level of tariffs, by taking into account such factors as the trends of domestic production and consumption, and the international supply and demand of each product, while giving due consideration to the conditions and the management of forests and the experiences of past trade negotiations. Full consideration should also be given to the importance of the wood industry, which has been evolving in parallel with forests and forestry.
- (ii) Japan does not support the idea to call for further sector-specific tariff reductions in the forest products sector, including zero-for-zero and harmonization, in addition to the general tariff reduction formula, since it ignores the conditions and the management of forests in each country, seriously impedes the promotion of sustainable forest management, and does not represent the position of importing countries. From the viewpoint of ensuring a total balance of the negotiations, those regarding tariffs should neither be independently conducted, nor isolated from other issues including export tax and export restriction.

### **Special and differential treatment, and capacity building for developing countries**

9. Japan's general idea on special and differential treatment, and on capacity building for developing countries, is set out in the aforementioned proposal (TN/MA/W/15). In order to ensure the long-term development of forestry and trade in forest products, it is important to provide technical and financial assistance which will contribute to the promotion of sustainable forest management in developing countries.

#### **Export restriction of unprocessed logs**

- 10.(i) Japan recognizes the necessity of trade measures that are taken for the purpose of the conservation of the environment or of natural resources if implemented in a WTO-consistent manner.
- (ii) One of the specific trade measures taken for this purpose in the forest products sector is export restriction maintained by some Members on forest products including unprocessed logs. These export restrictions are explained by the Members as a necessary measure for preserving forest resources, thereby protecting wild animals and plants inhabiting in the forests. In this sense, Japan could agree with the rationale behind this measure in light of the objective of environment protection.
- (iii) However, there does exist cases whereby no export restrictions are imposed on processed wood products made from the unprocessed logs which are subject to the export restriction. The consistency of these measures with the WTO agreements should therefore be scrutinized in light of the appropriate trade measures for the purpose of the conservation of the environment and of natural resources.

#### **Export tax**

11. Since export tax, unlike tariff, is unbound, exporting Members are allowed to set at will the rate thereof. In this sense, the rights and obligations between importing and exporting countries remains unbalanced. For this reason, export tax should be discussed in the negotiations on market access for non-agricultural products.

#### **Illegal logging and labelling on forest products**

12. Recently, illegal logging has been internationally recognized as a major factor impeding efforts towards sustainable forest management. In the WSSD, participants adopted the Plan of Implementation, which reaffirmed to take "immediate action on domestic forest law enforcement and illegal international trade in forest products". Japan has already presented a contribution paper to the Regular Session of the Committee on Trade and Environment with the aim of pursuing a possible contribution from a trade perspective on illegal logging<sup>7</sup>. Japan also raised the issue of labelling on forest products in its aforementioned paper in order to expand discussions on illegal logging, considering the growing international interest in using labelling on forest products as an effective tool to promote sustainable forest management.

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<sup>7</sup> WT/CTE/W/211 (11 June 2002) The discussion was held at the CTE regular sessions in June and in October 2002.

#### IV. SPECIFIC POINTS TO BE DISCUSSED ON FISHERY PRODUCTS

##### Levels of tariffs

13. When conducting negotiations regarding tariffs on fishery products, as part of the negotiations on market access for non-agricultural products, in accordance with the Doha Ministerial Declaration, due consideration should be given to the following points:

- (i) It is crucial to ensure that each Member retains flexibility among products when determining the level of tariffs, taking into account the level of fishery resources and the status of fishery management;
- (ii) A zero-for-zero approach in the fishery sector should not be pursued since it will abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities in each country. It will also add an extra pressure to the resources through inducing catches beyond the renewable capacity of resources, thereby impeding sustainable development of fisheries.

##### Special and differential treatment, and capacity building for developing countries

14. Japan's general idea regarding the special and differential treatment of developing countries, as well as capacity building, is set out in its proposal (TN/MA/W/15). In order to assure the long-term development of fisheries and fishery trade, it is important to provide adequate technical and financial assistance, which will contribute to the promotion of sustainable fishery resource management in developing countries.

##### Conservation and management measures for resources and trade measures

15. The market access of fishery products, together with trade and environment, should be considered in common, from the standpoint of the promotion of sustainable development, with regard to the roles and necessities of trade-related measures that could complement conservation and management measures for fishery resources.

##### Fisheries subsidies issue

16. The Rules Negotiating Group has been discussing the trade-distorting aspects of fisheries subsidies. However, no concrete cases have been provided<sup>8</sup> to demonstrate that trade distortions caused by fisheries subsidies are unique, and it is obvious that trade distortion is not limited to the fishery sector alone. There is, therefore, no need to create a special discipline for the fishery sector from a trade-distorting point of view. It is necessary, however, in accordance with Paragraph 28 of the Doha Ministerial Declaration, to conduct negotiations aimed at clarifying and improving disciplines under the Agreement on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of the Agreement and its instruments and objectives, and taking into account the needs of developing and least-developed participants. As agreed at the WSSD, elimination of IUU fishing and solving the problem of over-capacity are two important issues for achieving the sustainable development of fisheries. Comprehensive efforts should be made towards achieving a solution to these issues, taking into full account the discussions had in specialized

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<sup>8</sup> The report of the FAO expert consultation on fisheries subsidies held in November 2000 states, "Information regarding effects of fisheries subsidies on trade is limited". Also, no evidence has been provided in recent discussions of the WTO on this topic that a certain subsidy affects trade.

organizations, such as the FAO<sup>9</sup>. Japan is prepared to make a maximum contribution for the purpose of promoting discussions, and urges other concerned Members to also partake in discussions conducted by those organizations having expertise. Taking into account the work of these organizations, the WTO should examine how to address fisheries subsidies at the Regular Session of the Committee on Trade and Environment, for the purpose of solving IUU fishing and over-capacity issues.

### **Labelling for environmental purposes in the fishery sector**

17. The trade and environment section of the Doha Ministerial Declaration lists up labelling for environmental purposes as one of the items to be studied at the Regular Session of the Committee on Trade and Environment. The Committee has, therefore, the duty to report to the 5th Ministerial Conference and to make recommendations, including on the desirability of negotiations regarding this item. In the fishery sector, labelling for environmental purposes is likely to contribute to the sustainable use of fishery resources by way of stimulating a voluntary and proper choice by consumers if implemented properly. Arbitrary labelling, which does not consider impartial and scientific criteria, would pose the risk of an unjustifiable restriction of trade. Therefore, the FAO, having expertise on fisheries should first try to establish scientific and objective guidelines in order to implement labelling for environmental purposes in the fishery sector<sup>10</sup>. The WTO should consider how to deal with this issue from a trade viewpoint, taking into account the established guidelines.

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<sup>9</sup> The FAO held the 2nd expert consultation on fisheries subsidies in December this year, to be followed by a governmental consultation. The Fisheries Committee of the OECD will launch a comprehensive study on government financial transfers next year.

<sup>10</sup> Labelling issues, including that for environmental purposes in the fishery sector, will be discussed at the FAO Committee on Fisheries to be held in February 2003.