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**The Trans-Pacific Partnership: Potential Impact on
the Global Rice Market, Japan and Partners**

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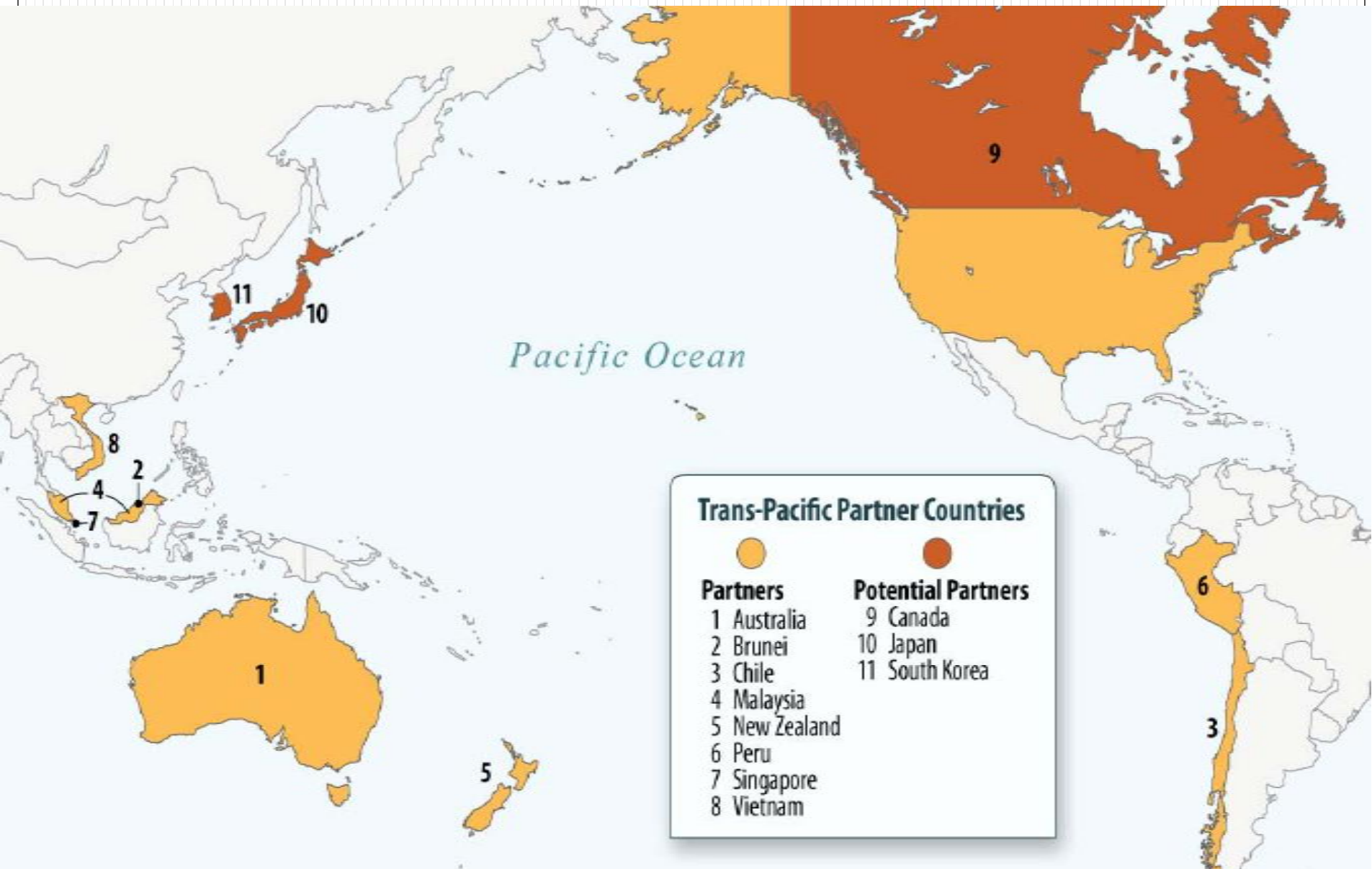
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Presentation Outline

- Status of the Trans-Pacific Partnership
- Rice Trade of the Partnership
- Japan – A new member?
- RICEFLOW analytical framework
- Analysis of TPP without Japan
- Analysis of TPP with Japan
 - Low Substitution of Imported Rice for Domestic Rice
 - High Substitution of Imported Rice for Domestic Rice
- Conclusions

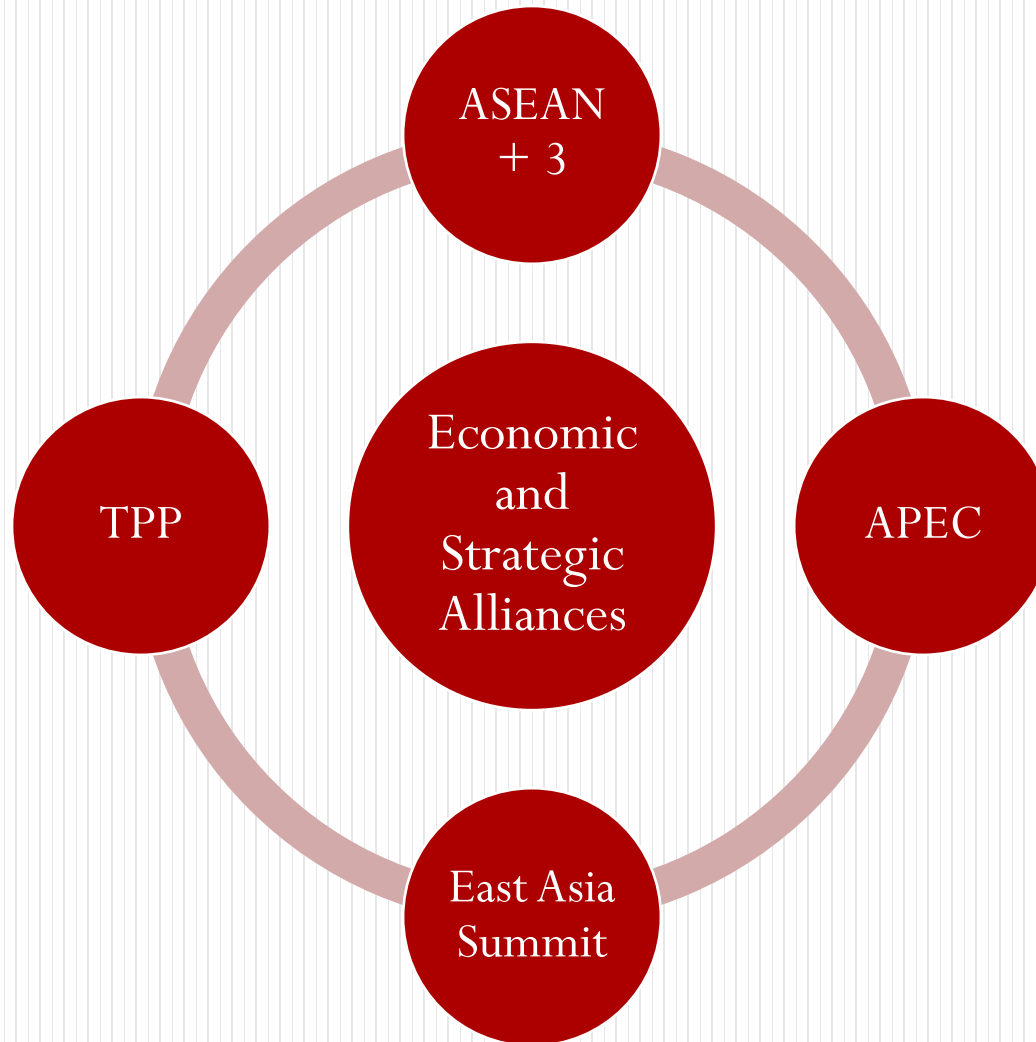
Status of the TPP – 21st Century Trade Agreement?



Status of the TPP – Membership

- Original Members
 - Brunei, Chile, New Zealand and Singapore
- Additional Members
 - Australia, Malaysia, Peru, U.S. and Vietnam
- Potential Members
 - Japan, Korea, Canada

TPP in an evolving Asian-Pacific Architecture



Forces Driving Integration and Alliances in the Pacific Rim

- (1) The rise (re-emergence) of China and its jockeying for influence and leadership with Japan and South Korea and other Asian countries,
- (2) Globalization and the cross-border expansion of corporations and supply chains, including supplies of energy and raw materials,
- (3) Liberalized trade and investment flows,
- (4) The global war on terrorism, and
- (5) The rise of the European security model -- keeping the peace through progressive institution building and increased stakeholder relationships.

TPP Negotiations

- Nine countries completed the 9th negotiation round and reported a broad outline at the November 12, 2011 meeting in Honolulu, Hawaii.
- “We, the Leaders of Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, United States, and Vietnam, are pleased to announce today the broad outlines of a Trans-Pacific Partnership (TPP) agreement among our nine countries. We are delighted to have achieved this milestone in our common vision to establish a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges.”

TPP Framework – is very broad

- Core issues including market access to industrial goods, agriculture, and textiles as well as rules on intellectual property, technical barriers to trade, labor, and environment.
- Cross-cutting issues not previously in trade agreements, e.g. *making the regulatory systems of TPP countries more compatible* so companies can operate more seamlessly in TPP markets, *helping innovative, job-creating small- and medium-sized enterprises* participate more actively in international trade.
- New emerging trade issues such as addressing *trade and investment in innovative products and services*, including digital technologies, and *ensuring state-owned enterprises compete fairly* with private companies and do not distort competition.

What will market access mean for rice trade with Japan?

Exports 32% and Imports 11% of global trade

Table 1. Rice trade by TPP members, 2009. (thousand MT)

	Exports		Imports	
	Total	Intra-TPP	Total	Intra-TPP
Australia	30	10	205	37
Brunei	0	0	38	6
Chile	0	0	126	1
Japan	90	0	759	405
Malaysia	0	0	879	634
New Zealand	0	0	37	14
Peru	45	0	85	8
Singapore	0	0	556	341
USA	3,459	441	591	41
Vietnam	5,864	1,036	23	0
Total	9,487	1,487	3,299	1,487

Source: UN Comtrade.

Intra-TPP rice trade by type of rice

Type	Milling	Exporter	Importer	Volume (mt)
MG	brown	Australia	New Zealand	813
MG	white	Australia	New Zealand	6,661
MG	white	Australia	Singapore	2,253
LG	white	USA	Australia	19,392
LG	white	USA	Japan	142,260
LG	white	USA	New Zealand	5,126
LG	white	USA	Singapore	2,099
MG	brown	USA	Japan	12,543
MG	white	USA	Australia	9,128
MG	white	USA	Chile	442
MG	white	USA	Japan	246,082
MG	white	USA	New Zealand	1,757
MG	white	USA	Singapore	1,648
LG	white	Vietnam	Australia	8,252
LG	white	Vietnam	Brunei	5,880
LG	white	Vietnam	Japan	4,166
LG	white	Vietnam	Malaysia	633,505
LG	white	Vietnam	Peru	7,496
LG	white	Vietnam	Singapore	334,935
LG	white	Vietnam	USA	41,277
Total				1,485,715

Ad Valorem tariff equivalents of Japan rice imports

Type	Milling	Exporter	AVE TRQ	Volume (mt)
MG	brown	China	291%	8,700
MG	white	China	272%	73,972
FR	white	Pakistan	279%	577
LG	white	Thailand	582%	267,424
FR	white	Thailand	435%	3,356
LG	white	USA	243%	142,260
MG	brown	USA	238%	12,543
MG	white	USA	233%	246,082
LG	white	Vietnam	701%	4,166

RICEFLOW[®] Model

Salient Features

- Spatial Partial Equilibrium Model with Bilateral Trade Flows
- Supply Chain Framework – Production, Processing, Transportation, Trade, and Final Consumption
- Product Distinction: (Type & Degree of Milling)

Type	Degree of Milling
Long	Paddy
Medium	Brown
Aromatic	Milled

Analytical Applications

- Trade Policy
 - Multilateral
 - Bilateral
 - Regional Trade Agreements
- Food Security
- Impacts of Technology Innovation, Adoption and Dissemination

Three Scenarios Analyzed

1. TPP with full market access without Japan as a member
2. TPP with full market access with Japan as a member, but assume Japanese consumers strongly prefer Japanese domestic rice compared to imported rice.
3. TPP with full market access with Japan as a member, but assume Japanese consumers will substitute imported rice for Japanese domestic rice.

TPP rice trade without Japan

				BASELINE		TPP-JAPAN
Type	Milling	Exporter	Importer	Initial	% Change	Final
LG	white	USA	Australia	19,392	0.0%	19,392
MG	white	USA	Australia	9,128	0.0%	9,128
LG	white	Vietnam	Australia	8,252	0.0%	8,252
LG	white	Vietnam	Brunei	5,880	0.0%	5,880
MG	white	USA	Chile	442	0.0%	442
LG	white	USA	Japan	142,260	0.0%	142,260
MG	brown	USA	Japan	12,543	0.0%	12,543
MG	white	USA	Japan	246,082	0.0%	246,082
LG	white	Vietnam	Japan	4,166	0.0%	4,166
LG	white	Vietnam	Malaysia	633,505	119.9%	1,393,077
MG	brown	Australia	New Zealand	813	0.0%	813
MG	white	Australia	New Zealand	6,661	0.0%	6,661
LG	white	USA	New Zealand	5,126	0.0%	5,126
MG	white	USA	New Zealand	1,757	0.0%	1,757
LG	white	Vietnam	Peru	7,496	0.0%	7,496
MG	white	Australia	Singapore	2,253	0.0%	2,253
LG	white	USA	Singapore	2,099	0.0%	2,099
MG	white	USA	Singapore	1,648	0.0%	1,648
LG	white	Vietnam	Singapore	334,935	0.0%	334,935
LG	white	Vietnam	USA	41,278	0.0%	41,278
Total				1,485,715	51.1%	2,245,288

TPP with Japan, low substitution

				BASELINE	TPP+JAPAN	
Type	Milling	Exporter	Importer	Initial	% Change	Final
LG	white	USA	Australia	19,392	0.0%	19,392
MG	white	USA	Australia	9,128	0.0%	9,128
LG	white	Vietnam	Australia	8,252	0.0%	8,252
LG	white	Vietnam	Brunei	5,880	0.0%	5,880
MG	white	USA	Chile	442	0.0%	442
LG	white	USA	Japan	142,260	95.7%	278,403
MG	brown	USA	Japan	12,543	134.8%	29,451
MG	white	USA	Japan	246,082	71.2%	421,292
LG	white	Vietnam	Japan	4,166	13273.0%	557,119
LG	white	Vietnam	Malaysia	633,505	119.9%	1,393,077
MG	brown	Australia	New Zealand	813	0.0%	813
MG	white	Australia	New Zealand	6,661	0.0%	6,661
LG	white	USA	New Zealand	5,126	0.0%	5,126
MG	white	USA	New Zealand	1,757	0.0%	1,757
LG	white	Vietnam	Peru	7,496	0.0%	7,496
MG	white	Australia	Singapore	2,253	0.0%	2,253
LG	white	USA	Singapore	2,099	0.0%	2,099
MG	white	USA	Singapore	1,648	0.0%	1,648
LG	white	Vietnam	Singapore	334,935	0.0%	334,935
LG	white	Vietnam	USA	41,278	0.0%	41,278
Total				1,485,715	110.4%	3,126,502

TPP with Japan, high substitution

				BASELINE	TPP+JAPAN High	
Type	Milling	Exporter	Importer	Initial	% Change	Final
LG	white	USA	Australia	19,392	0.0%	19,392
MG	white	USA	Australia	9,128	0.0%	9,128
LG	white	Vietnam	Australia	8,252	0.0%	8,252
LG	white	Vietnam	Brunei	5,880	0.0%	5,880
MG	white	USA	Chile	442	0.0%	442
LG	white	USA	Japan	142,260	90.4%	270,863
MG	brown	USA	Japan	12,543	2674.0%	347,943
MG	white	USA	Japan	246,082	2207.0%	5,677,112
LG	white	Vietnam	Japan	4,166	12913.0%	542,122
LG	white	Vietnam	Malaysia	633,505	119.9%	1,393,077
MG	brown	Australia	New Zealand	813	0.0%	813
MG	white	Australia	New Zealand	6,661	0.0%	6,661
LG	white	USA	New Zealand	5,126	0.0%	5,126
MG	white	USA	New Zealand	1,757	0.0%	1,757
LG	white	Vietnam	Peru	7,496	0.0%	7,496
MG	white	Australia	Singapore	2,253	0.0%	2,253
LG	white	USA	Singapore	2,099	0.0%	2,099
MG	white	USA	Singapore	1,648	0.0%	1,648
LG	white	Vietnam	Singapore	334,935	0.0%	334,935
LG	white	Vietnam	USA	41,278	0.0%	41,278
Total				1,485,715	286.5%	8,678,276

Key results of the analysis

Scenario	Change in global trade	Percent change
No Japan	0.5 million mt	1.7%
Japan, low substitution	1.2 million mt	4.0%
Japan, high substitution	7.7 million mt	22.0%

Key results of the analysis

Scenario	Trade creation	Trade diversion
No Japan	Vietnam, Malaysia	India, Pakistan
Japan, low substitution	Japan, US and Vietnam	China and Thailand
Japan, high substitution	Japan, Australia, US and Vietnam	China and Thailand

Key results of the analysis

Scenario	Change in Japan imports	Percent change
No Japan	0 million mt	0.0%
Japan, low substitution	1.3 million mt	70.1%
Japan, high substitution	6.8 million mt	802.1%

Key results – Impact on Production

		BASELINE	TPP-JAPAN	TPP+JAPAN Low		TPP+JAPAN High			
		Volume of Production (mt)							
Type	Country	Initial	% Change	Final	% Change	Final	% Change	Final	
MG	Japan	10,592,500	0.00%	10,592,500	-6.90%	9,861,618	-93.80%	656,735	
LG	Malaysia	2,510,000	-59.40%	1,019,060	-59.40%	1,019,060	-59.40%	1,019,060	
LG	USA	7,550,973	0.00%	7,550,973	2.50%	7,739,747	2.40%	7,732,196	
MG	USA	2,421,257	0.00%	2,421,257	11.00%	2,687,595	331.00%	10,435,618	
LG	Vietnam	38,895,500	3.00%	40,062,365	5.20%	40,918,066	5.10%	40,879,171	

Key results – Impact on Consumption

		BASELINE	TPP+JAPAN Low	TPP+JAPAN High		
Volume of Consumption (mt)						
Type	Country	Initial	% Change	Final	% Change	Final
LG	Japan	413,849	12.7%	466,408	12.7%	466,408
MG	Japan	7,977,251	-5.2%	7,562,434	0.1%	7,985,228
FR	Japan	3,933	-6.4%	3,681	-8.9%	3,583
LG	Malaysia	2,411,214	5.9%	2,553,476	5.9%	2,553,476

Key results of the analysis

- Japan membership in TPP has a significant impact on global rice trade
- The extent of the impact depends primarily upon the Japanese consumers.
- Will they readily substitute imported rice for domestic Japanese rice?

Thank you!
