

## Rice Policy Reforms of the European Union and its Impact on Rice Exports from Pakistan

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### Abstract

*The study of the import rice regime of the EU is important as it has implications for Pakistan. The EU is a sizable importer of rice in the world in terms of volume. Its rank as net importer of rice further improves to 4th when considered in value terms as it is importer of high quality long grain rice. Pakistan is a producer of high quality aromatic rice called 'basmati' that fetches premium price in the EU (27) and Middle East. The paper attempts an historical review of the Rice Policy of EU and the transition through which it has passed. Then, there is discussion of present status of the rice regime. This is undertaken against the backdrop of the policy reforms introduced first in 1995-2000 and then post-2003 reforms. These reforms are studied with special reference to their impact on rice exports from Pakistan. The WTO related issues of concern such as reducing domestic support in EU, increasing market access and changing of natural export competitiveness through grant of export subsidies are also reviewed. Finally, conclusions of the study are spelled out along with their policy implications. Pakistan in 2008 emerged as the third largest exporter of rice in the world accounting for 13.8% of the total world exports. Its share of the EU market has also been on the increase in the recent past (around 12%). In order to sustain and further increase its share, it requires to register and protect its 'basmati' under GI rule, settle the dispute regarding 'super basmati', press for ending quota restrictions, build up indigenous capacity for DNA test, develop expertise for dispute resolution and promote culture of multiple crop.*

**Keywords:** Rice policy; EU's imports & exports; policy reforms; WTO; super Basmati

**JEL classification:** F13, F19, Q17, Q18

### I. Introduction

The European Union (EU) is the extension of the European Common Market (ECM) established in 1958 under the Treaty of Rome. It had started

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with six members. Its nomenclature kept on changing with the change in the scope and range of its activities. From the European Common Market (ECM) to the European Economic Community (EEC) to simply the European Community (EC) and finally to the European Union (EU) has been gradual transition and transformation of the original organization. In the process its membership expanded from the original six founder members and it has now become a formidable bloc of 27 member countries of the European Continent.

The EU (27) is the largest importer and exporter of agricultural products in the World. There is however a qualitative difference between the nature of its agricultural imports and exports. The agricultural imports of the EU mostly consist of basic agricultural commodities whereas its agricultural exports mostly comprise high quality farm products.

The EU is the most important trading partner of Pakistan, accounting for about one-fifth of its total trade in 2007. In this year, Pakistan's exports to the EU were valued at €3.4 billion while its imports were estimated at €3.8 billion, showing €0.4 billion trade deficit. Textiles and clothing by far dominate goods exports to the EU, accounting for almost three-fourth of its total exports.

Pakistan is also an important exporter of rice to the EU, accounting for 12% of total imports of rice of the EU in the recent past, only lagging behind India (29%), Thailand (25%) and USA (20%). These four countries together supplied 86% of total imports of rice of the EU. Their market share may vary but they will remain main competitors in this market.

### **1.1. Problem statement**

What is the Common Agricultural Policy (ACP) of the EU? How it has been changed and transformed over the years? What is the rice import regime of the EU and how it has evolved over the years particularly after establishment of the World Trade Organization (WTO)? What reforms have been introduced and how these have impacted upon domestic production, exports and imports of rice? What are the implications for traditional exporters of rice to the EU and in particular how exports from Pakistan are likely to be affected? What are the prospects for Pakistan for raising its share of the market? What steps are needed to be taken to achieve this? These are important questions and require investigation. The present paper is an attempt to seek, as far as possible, answers to all the complex questions listed above.

## II. Rice Production in the EU (27)

The EU is a quality conscious market and Pakistan is an important producer of high and premier quality rice called 'basmati'. The EU also produces rice and ranks 17<sup>th</sup> as a world rice producer<sup>2</sup>. But out of 27 member states, only 6 countries namely Italy, Spain, Greece, Portugal, France and Hungary are producers of rice. Italy and Spain are by far the largest producers accounting for more than 80% of the total production. Italy is the single largest producer accounting for more than half of the total production.

The rice producers in the EU however do not produce long-grain rice or the 'indica' rice. They only produce 'round-grain' rice or the so-called 'japonica' rice which is almost entirely meant for domestic consumption in rice producing countries. Most of the EU member states however are consumers of long grain rice. Towards the close of 1980s and beginning of 1990s, long grain rice production was consciously promoted through direct cash payments to the growers. This enabled the EU to meet 55% of its consumption requirement of long grain rice through domestic production. This had an adverse impact for exporters of long grain rice such as Pakistan<sup>3</sup>. The EU rice consumption is divided into human consumption (85%), animal feed (7%), industry and seed (3%) and wastage (1%). The table below gives rice production and consumption over the last half decade.

**Table: 1. Rice Production and Consumption in the EU (27)\***

Years	Production	Consumption
2005/06	1,731,000	2,651,000
2006/07	1,676,000	2,911,000
2007/08	1,757,000	3,185,000
2008/09	1,680,000	2,970,000
2009/10 (Nov.)	1,930,000	3,100,000

Source: USDA FAS 'Grain World Markets and Trade' Circular Series FG 01-10 Jan.2010. \*The EU membership increased to 27 after inclusion of Bulgaria and Romania.

The production had increased by around 11.5% by 2009/10 compared to that in 2005/06. This had happened due to a surge in global and the EU rice prices, particularly in 2008. The rice price index of FAO which was 100 in base period of 2002-2004, had risen to 295 in 2008, a three-fold increase. This had

<sup>2</sup> For details see: appendix table 1 & 2

<sup>3</sup> For Pakistan's export of rice and its share see appendix table 3 & 4.

almost closed the gap between the EU and world market prices. This was also one of the objectives of the rice sector reform. This dramatic increase in rice price was largely attributable to market interventions by major rice producing<sup>4</sup> and exporting countries such as India, Vietnam and Cambodia. These countries had imposed restrictions on exports to ease domestic price escalation. The bad weather also played a role. The situation was further worsened due to the high oil prices and appreciation in the price of dollar. The narrowing down of gap between EU and world prices of rice has implications for rice exporting countries as relative attractiveness of the EU market may decline subject to persistence of the rice price upward trend. The domestic consumption however increased<sup>5</sup> even more sharply by around 17% over consumption in 2005/06. The net imports of the EU (27) also showed upward trend. This is to be explained by the fact that the EU produces only the round grain rice which is almost entirely consumed in the six rice producing countries while the bulk of other countries consume long grain rice not produced in the EU.

### 2.1. The EU (27) rice trade

The table below shows exports and imports of rice by the EU (27).

**Table: 2. Rice imports and imports of the EU (27)**

Years	Exports	Imports	Net Imports
2005/06	144,000	1,221,000	1,077,000
2006/07	139,000	1,342,000	1,203,000
2007/08	157,000	1,520,000	1,363,000
2008/09	140,000	1,350,000	1,210,000
2009/10(Nov)	135,000	1,400,000	1,265,000

Source: USDA FAS 'Grain world markets and trade' Circular Series FG 01-10 Jan.2010

The table 2 shows that net imports increased by around 17.5% in 2009/10 over 2005/06. This confirms the view that the EU (27) is an expanding market for long grain rice exporters such as Pakistan. The EU remains a large importer in terms of volume. Its rank as net importer of rice improves to 4<sup>th</sup> when considered in value terms as it is importer of high quality expensive long grain variety.

<sup>4</sup> For details see appendix table 5 & 6.

<sup>5</sup> For details see appendix table 7-9.

### **III. Historical Review of the EU Rice Policy**

As noted above, the EU (27) is one of the largest rice consuming areas of the world. This seems to offer fair prospects for exporters such as Pakistan to expand their rice exports in this direction. But rice imports in the EU have been traditionally conducted in accordance with the procedure laid down in the rice policy which has now undergone many reforms with implications for rice exporting countries.

The rice regime of the EU is however a part of the Common Agricultural Policy (CAP) envisaging agricultural protectionism and uniformity of price levels. The regulation 16/64 issued around mid sixties led to establish of a common market in rice. The CAP while discarding different protective devices operative in the member states, had provided for gradual elimination of all tariff and non-tariff barriers in intra-community trade and establishing a common frontier for exports originating from 'third countries'. The system adopted for the purpose was the price support system under which prices regarded as fair for producers were arbitrarily fixed and imports tariffs were imposed in an effort to control supply. The farmers were thus protected against low-priced foreign foodstuffs and also ensured adequate return to the farmers. The tariff imposed on the import of rice was called the 'variable levy'. The addition of the variable levy to the c.i.f. import price of rice was referred to as the 'threshold price'. The 'indicative price' on the other hand, was wholesale fixed at the community level and was supposed to prevail in the area of biggest deficit. This helped farmers to plan their acreage of the crop. The 'intervention price' was also fixed and governments or their relevant agencies were obliged to buy up rice offered to them. This helped in sustaining 'indicative price' at the desired level. The imposition of a variable levy on imports was a foolproof mechanism to exclude all imports so long as the local market price is below the indicative price. This meant that the EU producers would get guaranteed price and burden of adjustment in supply and demand in the EU would fall on foreign suppliers. This also implied that any price reduction on the part of foreign suppliers would be of no use as it would be absorbed by the so-called 'variable levy' which would correspondingly go up. Similarly any 'export subsidization' by exporting countries would be pointless as its effect would simply be soaked up by a parallel increase in amount of the variable levy. The idea of the variable levy was such an

effective tool of protection that it was compared to the invention of wheel that had revolutionized the transportation.

### **3.1. Impact on domestic rice production: the early period**

How this impacted upon rice production in the member countries? As stated earlier, rice production was then concentrated in Italy and France. They only produced round grain rice which fitted well into the ecological characteristics of the area. The consumers in the non-producing countries, on the other hand, had preference for long grain rice which had to be imported from 'third countries'. The members also did not produce broken rice which was used by the large rice processing industry of the EU. Another notable feature of rice production was that the crop was entirely dependent on artificial irrigation and this made it less susceptible to vagaries of nature. This made planning and forecasting job much easier.

The result of the policy was a steady upward trend in production particularly Italian production between 1966/67 to 1974/75. The further expansion in rice production was however hampered by the price ratio between rice and maize which was a competing crop of rice, expensive labor and need for minimum level of imports of broken rice not produced in the EC and consumer preference for long grain rice in the non-producing countries.

### **3.2. Intra and extra-community trade: the early period**

The total imports of rice had registered an increase of nearly 36% but Italy was the main beneficiary whose share of the market increased remarkably from 5% of the total to about 20% by the middle of the seventies. The share of the EC as a whole rose from 7% to 29% during the same period. The 'third countries' particularly USA and Egypt were the main losers. Pakistan was effectively knocked out of this market. The rice import pattern was also changed from import of milled rice to import of husked rice. This was to cater to the husked rice need of a large milling industry of Germany. The imports entirely consisted of long grain rice as there was absolutely no production of this variety. In the later years, however, production of long grain rice was also consciously promoted. The impact of the policy was different on the ACP countries and OCT countries compared to 'third countries'. The ACP (Africa, Caribbean and Pacific) countries were the associated countries covered by LOME Agreement 1975. The OCT referred to the overseas territories and countries of the member states from the colonial

era. Both enjoyed reduced levy on their exports to the EC. This gave them competitive edge over 'third countries' to which group Pakistan belonged.

Thus the rice policy of EU had envisaged a unified rice market having a single price system and a single levy on imports from 'third countries'. The following points of the policy were noteworthy up to the mid-seventies.

**3.2.1. Maize-Rice competition for acreage:** Maize was a competing crop of rice in the original EC. Thus acreage decision of the farmers was determined not only by price of rice but also its competing crop, maize.

**3.2.2. The limiting factor of labor:** The labor was scarce and expensive in the EC and this found to be a limiting factor on further area expansion under rice.

**3.2.3. The compulsive broken rice imports:** One-third of total imports of rice comprised broken rice for industrial uses. The broken rice was not produced in the Community.

**3.2.4. The absence of long grain rice production:** There was a total absence of production of long grain rice but this has changed after deliberate efforts at conversion to production of long grain rice. This may have been prompted by consumer preference for such rice in the non-producing countries.

**3.2.5. The bias against milled rice imports:** There was a deliberate bias against the import of milled rice as it attracted the highest rate of the levy. This was to ensure the interest of a large milling industry in some of the member countries such as Germany.

**3.2.6. Positive relationship between stage of processing and amount of levy:** The variable levy showed a positive relationship with the stage of processing of rice. Thus milled rice entailed the highest rate while paddy was subjected to the lowest rate.

**3.2.7. Discriminatory enforcement of the levy:** For purposes of levy, rice exporters were categorized into 'third country' suppliers and those members of ACP (Africa, Caribbean and Pacific) associated under the Lome agreement and OCT (overseas countries and territories) countries.

The ACP and OCT countries were levied at half the rate compared to the 'third countries'.

### **3.3. Reforms and present status of the rice regime**

The result of the rice policy outlined above was expansion of rice production in the EU particularly in Italy and consequent expansion in intra-EU trade. The intervention stocks also kept on increasing and at one time had reached 40% of the total annual consumption. Due to fixation of a high intervention price far above the world market price, there was overproduction and surplus production was marketed abroad through grant of huge export subsidies.

The rice sector reform among other things had included replacement of 'price support, with 'direct aid payments, to farmers. Initial reforms introduced in 1995 however failed to check overproduction and intervention stocks continued soaring.

In 1996/97, there was a fixation of 'maximum guaranteed area' (MGA) for rice production for the EU as a whole (433,123 hectares). This was done to avoid excess production while at the same time allowing scope for further expansion of rice acreage. Italy and Spain together got bulk share of the maximum guaranteed area (79%) out of which Italy's share was fixed at 55% of the total. As a consequence, rice production crossed 1995/96 pre-reform level. Other factors also contributed. These included, among others, an increase in per hectare yield, higher ratio of recovery of useable rice and relative higher return of rice crop. This implied a total subsidy of Euro 251 per ton to rice farmers. This resulted in higher production and build-up of intervention stocks to needlessly high levels. This prompted further reforms in 2003 and in later years and aimed at reduction in production and intervention stocks.

A package of additional reforms was proposed in 2000 but it could not be approved and was finally abandoned. Another reforms package was approved in 2003 and was called as the 'Everything but Arms' (EBA) regime. This aimed to allow duty- free and quota- free access to rice imports from developing countries.

### **3.4. Main elements of 2003 rice reforms under EBA regime**

**3.4.1. Replacement of price support system with direct aid payments:** Rice farmers will be compensated for reduction in the rice intervention price equivalent to 88% of the price reduction. This amounted to an increase of direct aid payments to the farmers of €177 per tonnes.



**3.4.2. Downward fixation of the intervention price:** The intervention price will be reduced by half so as to touch €150 per tonnes. This was expected to bring rice price at par with world market price.

**3.4.3. Fixation of a ceiling on annual purchases:** The annual purchases of rice for intervention stocks will be fixed at 75,000 tonnes per annum. This was to reduce huge stock-piling of intervention stocks which had gone up as high as 40% of annual consumption of the EU.

**3.4.4. Introduction of the 'single payments schemes':** The single-payment scheme or the so-called 'decoupled payments' will also be introduced in the rice sector. The compensation under the SPS was subject to compliance of the relevant EU rules concerning environment, animal welfare, food quality and safety. The member states were allowed a transition period of 2005-07 for implementation of the reforms.

**3.4.5. Modification of the EU rice import regime:** A modification of the rice import regime of the EU was also envisaged in the reforms of 2003. The reforms, according to an EU-funded report conducted by a French consultancy firm 'Consulenti per la gestione Aziendale (COGEA)', did not had any adverse impact on EU rice production and incomes of farmers but improved the efficiency of the system. The reforms had two negative off-shoots for developing countries. First, these led to an erosion of the value of preferential levies availed of by the ACP and OCT countries. Second, the position of these countries in respect of margins of tariff preferences also deteriorated relative to the 'third country' suppliers. But margin of decline was more pronounced for LDCs relative to ACP countries and OCTs. It was perhaps in this background that a completely duty-free and quota-free access for rice from LDCs was introduced in 2009.

### **3.5. The Reforms envisaged under WTO and response**

The reforms revolved around three things; reducing domestic support, allowing greater market access and phasing out export subsidies.

**3.5.1. Reducing domestic support:** This takes the form of all the 'three box' definition of the domestic support policies i.e. 'Amber Box' or production distorting domestic policy measures; 'Blue Box' or policy measures replacing price support with direct cash payments in order to limit production and 'Green Box' or domestic support policies isolated from the level of production or prices. The negotiation on reducing domestic support to rice sector assumes special relevance for the EU as it has a high level of

assistance programs. The policy of direct cash payments falling under 'blue box' category is even more operative in the EU. The EU after 1995 have reduced price support and instead instituted the system of direct cash payments. The domestic policies falling under 'green box' category are also rampant in the EU.

The main issues to be sorted out in difficult negotiations under WTO relate to: a) evolving criteria for designating the EU countries in line with the 'three box' definition; b) the permissible limit of use of the domestic support policies under *de minimis provision* of the WTO; c) the time-framework or the speed of implementation.

**3.5.2. Increasing market access:** The domestic markets in the EU are protected from international competition by imposing high duties or so-called variable levies, import ban or import quotas. The ad-valorem tariffs on rice have already been reduced from 99% in 1994 to 57% by the end of stipulated implementation period. The 'tariff escalation' is a special feature of rice trade involving the EU. This is done to safeguard milling industry in the EU.

The 'preferential access' is also granted to some countries to the detriment of others under the Cotonou Agreement i.e. the 'Everything-but-Arms' initiative of the EU. The ensuing negotiations under WTO for better market access are expected to centre on expansion of 'minimum access quotas' or reduction in bound tariffs.

**3.5.3. Changing natural export competitiveness:** The EU still uses export subsidies to maintain and bolster its rice sales abroad. The EU however does so within the WTO ceiling of 133,000 tons in milled equivalent.

According to one assessment, complete liberalization at the Global level i.e. an absence of domestic support, export subsidies and trade barriers was found to increase prices up to a maximum of 14% and world rice trade to expand up to a maximum of 47%. Some models limited to policy reforms in the EU, the United States, Japan and the Republic of Korea predicted an increase in world prices up to a maximum of 21%. Other models disaggregated on the basis of varieties, predicted larger price increases in 'japonica' rice compared to 'indica rice'. Since 'indica rice' producers are located in the temperate zone where 'japonica rice' is difficult to plant, there is only a limited scope of a switch over to japonica production.

The Uruguay Round Agreement on agriculture had stressed greater access to the EU market but little has changed and the market remains highly

restricted. In addition to levy of import duties, the EU also subsidizes agricultural exports in order to make these more competitive in world markets. The amount of subsidy granted is so high that the EU is responsible for almost 90% of global agricultural export subsidies.

#### **IV. Problems and Implications for Pakistan**

Asian suppliers of rice to the EU in particular Pakistan and India supply basmati rice. This is partly due to demand for basmati by a sizable population from both countries residing in the EU with large concentration in the UK. The 'basmati' literary means 'fragrance of a virgin' and has a geographical origin in the Kalar tract of Punjab. It is special aromatic long grain rice with an unmatched flavor. Due to absence of any competition, it fetches premium price in the world markets especially in the EU and the Middle East. Due to its popularity and high price, attempts have been made in the US to label or advertise its long grain rice as 'basmati'. This has been stopped for the time being and instead they were allowed to use the word 'texmati' by the US Patent Office in response to a joint petition by both India and Pakistan. Now some multinationals have obtained 'patents' on basmati rice. The Trade-Related Intellectual Property Rights (TRIPS) agreement under WTO may be moved for securing exclusive rights for the use of the word 'basmati' in terms of its 'GIs' (geographical indications) clause. The US rice growers and multinationals are interested in getting their rice patented as basmati as its import was allowed massive duty abatement by the EU.

In 2004 the EU decided to withdraw duty concession on imports of 'super basmati' by branding it a 'hybrid' basmati variety rather than a 'pure' basmati'. It was going to adversely affect basmati exports to the EU as the EU is the second most important destination after Middle Eastern countries. Also because about three-fourth of total rice exports of Pakistan to the EU are of 'super basmati' variety. The EU decided to impose an import duty of 264 Euros a ton on hybrid basmati rice starting 31 March 2004 instead of the 14 Euros a ton as earlier. (The 'super basmati' has been evolved by crossing between basmati 370 and basmati 320). Pakistan earned about 531 US Dollars from its rice exports to the EU of which 80% was super basmati variety. The duty concession was however granted on the import of kernel basmati and basmati 370, but it was only for a temporary period of three months. Moreover the share of these varieties in total exports was relatively small. It may be mentioned here that even before the withdrawal of this duty concession, Pakistan was exporting basmati rice under stringent conditions

imposed by the EU such as fixing a quota ceiling and minimum price and harsh quality control checks. The negotiations between the major stakeholders however resulted in an agreement re-incorporating super basmati in duty abatement list of the EU starting September 2004. Pakistan agreed to a control system based on DNA test and to protect its basmati rice on the basis of the so-called GIs. Moreover if its exports of rice increase to a level of ‘disturbance’, then a normal tariff would apply.

The variable duty has also been replaced with a new system of ‘tariff rate quotas’ (TRQs). Under this basmati gets preferential access or duty free entry into the EU but it is quota-restricted. Pakistan may benefit more if it is allowed to export under reduced import duty but without quota restrictions. Despite these handicaps, Pakistan in 2005 was the fourth largest exporter of rice to the EU accounting for 12% of total imports<sup>6</sup>. India, Thailand and USA were the largest exporters with EU market shares of 29%, 25% and 20% respectively. In 2005, duties levied on import of rice into the EU are contained in the table-3, below.

**Table: 3. Duties on Import of Rice in the EU (2005)**

Rice Category	(Euro/ton)		
	Third Country (duty)	Third Country (tariff quota)	ACP
Rice Paddy	211	-----	69.51
Husked Rice	42.5	88	10.54
Milled Rice	145-175	-----	38.36

Source: <http://export-help.cec.eu.int/>

Among the ACP countries, Guyana and Surinam are major beneficiaries of the EU trade preferences. Imports are made at duties which are substantially lower compared to those levied on rice imports from ‘third countries’. The import of husked rice is favored as lowest duties are imposed on it. This is done for benefit of the milling industry which is quite strong in some EU countries especially in Germany.

#### **4.1. Major countries of origin for the EU rice imports:**

Table-4 indicates that there was an impressive increase in the share of India, Thailand, Pakistan and Guyana. This seems to have occurred at the cost of the US and the ‘other suppliers’ whose share dropped to 20% and 7% respectively in 2005 from 32% and 40% respectively in 1995.

<sup>6</sup> For total export of rice and production see appendix table 7 & 8.

**Table: 4. Extra-EU Imports of the European Community**

Countries	Imports (million Euro)		Average annual growth
	1995	2005	
Total	306 (100)	403 (100)	(2.6)
India	40 (13)	16 (29)	(11.4)
Thailand	37 (12)	99 (25)	(10.4)
USA	98 (32)	82 (20)	(-1.9)
Pakistan	5 (2)	48 (12)	(24.3)
Guyana	3 (1)	28 (7)	(26.5)
Others	123 (40)	30 (7)	(-24.4)

Source: Eurostat COMEXT 20 September 2006 (S.R.4) and Figures in parenthesis are percentages.

The growing importance of the EU market for Pakistan is evident from the above table. Starting as minor exporter of rice to the EU market in 1995 when it was responsible for 2% of the total imports, it emerged as the 5<sup>th</sup> largest exporter accounting for 12% of the total imports by 2005.

## V. Conclusions and Policy Implications

The EU market is important for basmati rice exports from Pakistan. It is therefore imperative that Pakistan not only maintains its present share of the EU market but also expands it. In order to do that, the following issues must be resolved on priority.

- Pakistan should immediately take steps to register its basmati at the international level. This will foreclose any future attempt of either its main competitors or multinationals to label their rice as 'basmati'. India has already done it and Pakistan should follow suit.
- The government without delay should frame 'Geographical Indication Law' that will enable her to register basmati rice produced in Pakistan. Other traditional products of Pakistan may also be registered under the same law.

- The EU objection of ‘super basmati’ not being a “pure’ basmati must be permanently settled otherwise its exports will be adversely affected. The duty concession may be withdrawn if the proposed DNA tests do not confirm it ‘distinctiveness’.
- Even ‘super basmati’ must be protected and patented by Pakistan to foreclose its use by other rice growers particularly India. The ‘super basmati’ seed had been exclusively developed by Pakistan and others must be barred to use this.
- The basmati must also be treated differently because it does not compete with other long grain rice from either US or Thailand. Moreover it does not threaten the livelihood of rice farmers in the EU. The duty reduction given to basmati imports is precisely due to these factors and it must not be curtailed.
- Since duty free imports of basmati into the EU are accompanied by quota restrictions, this dilutes the ensuing benefits to Pakistan. An effort may be made to replace it with unlimited access accompanied by some duty reduction.
- Pakistan must build up indigenous capacity for DNA testing in collaboration with the EU for certification of ‘purity’ and ‘quality’. This will obviate the necessity of hiring foreign experts or sending specimens abroad for verification.
- Pakistan lacks legal and technical capacity for resolution of trade disputes under the Dispute Settlement Mechanism (DSM) provided under WTO. It is in the long term interest of the country that such an expertise is developed as soon as possible.
- The mono-crop culture must be replaced with diverse crop strategy and relatively more value-added exports of rice such as polished rice. This will impart greater stability to exports and ensure more secure income to the farmers.

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**Appendices**

**Table: 1. Rice Production in the EU (25)**

Country	Production (tonnes)	Share (%)
Italy	1,360,000	51.3
Spain	855,000	32.2
Greece	175,000	6.6
Portugal	146,000	5.5
France	105,000	4.0
Hungary	10,000	0.4
Total (EU)	2,651,000	100.0

**Table: 2. EU Exports and Imports of Rice (1995/96—2009/10)**

Years	Exports	Imports	Net Imports
1995/96	149,000	491,000	342,000
1996/97	279,000	540,000	261,000
1997/98	288,000	553,000	265,000
1998/99	275,000	489,000	214,000
1999/00	214,000	519,000	305,000
2000/01	215,000	549,000	334,000
2001/02	241,000	534,000	293,000
2002/03	235,000	577,000	342,000
2003/04	276,852	768,264	491,412
2004/05	401,303	759,800	358,497
2005/06*	144,000	1,221,000	1,077,000
2006/07	139,000	1,342,000	1,203,000
2007/08	157,000	1,520,000	1,363,000
2008/09	140,000	1,350,000	1,210,000
2009/10	135,000	1,400,000	1,265,000

Source: 1) 'Agricultural in the European Union' (annual reports)

2) USDA Grain Report No 35181(09/13/2005)

3) USDA FAS 'Grain World Markets and Trade' circular series FG 01-10, Jan. 2010

4) \* figures prior to 2005/06 are for EU (25).



**Table 3: Pakistan's Rice Exports (1995-2008)**  
(000 tonnes)

<b>Years</b>	<b>Pak. Exports</b>	<b>World Exports</b>	<b>Pak. Exp. as % of world exports</b>
1995	1592	20,800	7.6
1996	1677	19,700	8.5
1997	1982	18,818	10.5
1998	1994	27,670	7.2
1999	1838	24,941	7.4
2000	2026	22,846	8.9
2001	2417	24,414	9.9
2002	1603	27,813	5.8
2003	1958	27,550	7.1
2004	1986	27,116	7.3
2005	2350	27,716	8.5
2006	2696	31,844	8.5
2007	3000	29,663	10.1
2008	4000	28,960	13.8

Source: World Grain Situation and outlook, foreign Agriculture Service, USDA.

**Table 4: Major Rice Exporters and Market Shares (2008)**  
(1000 tons)

<b>Countries</b>	<b>Exports</b>	<b>%Share</b>
<b>World</b>	<b>28,960</b>	<b>100.0</b>
Thailand	9,000	31.1
Vietnam	5,000	18.2
Pakistan	4,000	13.8
USA	3,100	10.7
India	2,500	8.6
China	1,300	4.5
Total(6)	24,900	86.0

Source: USDA

**Table 5: Major Rice Importers and Market Shares (2008)**  
(1000 tons)

<b>Countries</b>	<b>imports</b>	<b>% Share</b>
<b>World</b>	<b>26,342</b>	<b>100.0</b>
Philippines	1,800	6.8
Iran	1,700	6.4
Nigeria	1,600	6.1
Saudi Arabia	1,370	5.2
Europe	1,300	4.9
Iraq	1,000	3.8
Malaysia	830	3.1
Cote d'Ivoire	800	3.0
South Africa	720	2.7
USA	700	2.6
Bangladesh	700	2.6
Japan	700	2.6
<b>Total(12)</b>	<b>13,220</b>	<b>50.1</b>

Source: USDA.

**Table 6: Major Rice Producers and Shares (2008)**  
(1000 tons)

<b>Countries</b>	<b>Production</b>	<b>% Share</b>
<b>World</b>	<b>661,811</b>	<b>100.0</b>
<b>Asia</b>	<b>600,541</b>	<b>90.7</b>
China	193,000	29.1
India	148,365	22.4
Indonesia	57,829	8.7
Bangladesh	46,505	7.0
Vietnam	35,898	5.4
Thailand	29,394	4.4
Myanmar	17,500	2.6
Philippines	16,814	2.5
Japan	11,029	1.7
Pakistan	9,451	1.4
<b>Total(10)</b>	<b>565,785</b>	<b>85.5</b>

Source: The International Rice Research Institute +USDA

**Table 7. Rice Exports from Pakistan (1994/95-2007/08)**  
(Million Rupees)

Years	Rice Exports	Total Exports	As % of total
1994/95	14026	251173	5.6
1995/96	17141	294741	5.8
1996/97	18453	325314	5.7
1997/98	24563	373160	6.6
1998/99	26825	390342	6.9
1999/00	27944	443678	6.3
2000/01	30849	539070	5.7
2001/02	27510	560947	4.9
2002/03	32433	652294	5.0
2003/04	36535	709036	5.2
2004/05	55516	854088	6.5
2005/06	68939	984841	7.0
2006/07	67935	1029312	6.6
2007-08	117270	1196638	9.8

Source: i) Pakistan Statistical Yearbook 2005.

ii) Pakistan Economic Survey 2008-09.

**Table 8: Variety-wise Production and Yield of Rice in Pakistan**  
(000 tonnes)

Years	Basmati		IRRI		Others	
	Prod.	%	Prod.	%	Prod.	%
1994/95	1352	39	1927	56	168	5
1995/96	1488	38	2284	58	195	5
1996/97	1564	37	2493	59	150	4
1997/98	1439	33	2468	57	426	10
1998/99	1687	36	2593	55	393	9
1999/00	1871	36	2912	56	373	8
2000/01	1701	36	2556	53	546	11
2001/02	1999	52	1695	43	188	5
2002/03	2304	52	1942	43	232	5
2003/04	2522	52	1901	39	425	9
2004/05	2555	51	1908	38	562	11
2005/06	2920	53	2214	40	412	7
2006/07	2736	50	2238	41	465	9
2007/08	2643	48	2284	41	637	11

Source: Pakistan Statistical Yearbook 2005 and 2009

**Table 9: Pakistan per Capita Availability of Rice (1995/96—2004/05)**  
(000 tonnes)

<b>Years</b>	<b>Production</b>	<b>Exports</b>	<b>Seed/waste*</b>	<b>Net Avail.</b>	<b>Per capita</b>
1995/96	3966	1685	238	2043	15.52
1996/97	4305	1767	258	2280	16.85
1997/98	4325	2091	260	1982	15.07
1998/99	4674	1789	280	2663	19.80
1999/00	5156	1990	309	2857	20.78
2000/01	4810	2294	289	2227	15.85
2001/02	3882	1645	233	2004	13.97
2002/03	4479	1684	269	2560	17.24
2003/04	4848	1972	291	2585	17.38
2004/05	5000	2168	300	2532	16.50
2005/06	5547	3137	333	2077	13.40
2006/07	5438	2848	326	2264	14.32
2007/08	5563	3500	334	1729	10.73

Source: Pakistan Statistical Yearbook 2005, \* 6% of production on average