

**LAEBA - PECC**

**Institute for International Economics**

**Treatment of “Sensitive Items” in RTAs and links  
to WTO rules, disciplines and negotiations  
AGRICULTURE**

**Marcos S. Jank**

- President, Brazilian Institute for International Trade Negotiations
  - Associate Professor at the University of São Paulo (USP)
  - Consultant, Inter-American Development Bank

**Washington, DC**

**April 22 2002**

# OUTLINE

- **Pressures on Agriculture Trade Negotiations:**
  - **Positive, Negative and Balance in April 2003**
- **Market Access and Subsidies**
- **Conclusions: RTAs and MTAs**

# Agricultural Trade Negotiations in the Western Hemisphere

- **WTO Doha Development Agenda (DDA)**
- **Regional: > 30 Regional Integration Agreements**
  - **Current: NAFTA, MERCOSUL, ANC, CACM, CARICOM**
  - **Potential: FTAA (34), US-Chile, US-CACM, EU-Mercosul, etc.**
- **Non-Reciprocal Preferential Trade Agreements**
  - **ACP, GSP, CBI, ATPA, etc.**

**Agriculture → top priority in all negotiations**

# Agriculture: Policy Instruments and Regulation

## POLICY INSTRUMENTS

- Tariffs and Tariff Rate Quotas
- Non-Tariff Barriers (Technical/Sanitary)
- Subsidies (Domestic, Export)
- Export Credits and Food Aid
- Antidumping and Safeguards
- Environmental issues
- Non Trade Concerns

## REGULATION

- Agreement on Agriculture (UR)
- TBT & SPS (UR)
- Agreement on Agriculture (UR)
- No multilateral discipline
- GATT Article VI and ASCM
- Issue for WTO Doha Round
- Issue for WTO Doha Round

# POLICY MEASURES AFFECTING AGRICULTURAL TRADE

- ✓ **Tariffs**, including peaks and escalations
- ✓ **Non-Tariff Measures (NTM):**
  - Tariff Rate Quotas or TRQ, including their administration.
  - Technical regulations: product weight, size or packaging; ingredient or identity standards; labeling; shelf-life restrictions.
  - Quantitative restrictions: prohibitions, licensing, export limitations
  - Others: State Tradings Enterprises (STE), price bands, entry prices, etc.
- ✓ **Sanitary and Phytosanitary measures (SPS)**
- ✓ **Domestic Support, AMS**
- ✓ **Export Subsidies**
- ✓ **Antidumping** and Global and Special **Safeguards**
- ✓ **Export Credits** and abuse of **Food Aid** programs
- ✓ **Non-Trade Concerns**
  - **Environmental issues**

# Pressures on Agricultural Trade Negotiations

## POSITIVE

- **WTO negotiations on track**
  - **But 2005 will (probably) be missed**
- **U.S. launch of a bold proposal for agriculture in the WTO**
  - **Tries to correct the signal of the 2002 Farm Bill**
- **EU: Common Agricultural Policy Reform**
  - **Fischler's baseline reform (Commission wants to move)**
  - **Internal pressures: EU-25 enlargement, budget, food safety, public opinion, huge concentration of subsidies**
- **Pressures from the Cairns Group**
  - **No "Blair House" II**
- **FTAA: U.S.-Brasil co-presidency**

# Pressures on Agricultural Trade Negotiations

## NEGATIVE

- **2002 U.S. Farm Bill:** Higher (target) prices and no supply control
- **FTAA**
  - US sensitive products (TPA, Congress): sugar, orange, meats, dairy
  - US: FTAA in a “hub and spoke” format (4 different speeds):  
**Caricom → AC → CACM → Mercosur**
  - Brazil: ag distorting subsidies should be eliminated in the FTAA
- **European Union: postponing CAP reform**
  - Domestic resistances: France, Spain, Ireland, Finland
  - “Chirac-Schroeder” agreement to maintain CAP budget
  - Multifunctionality and “new” non-tariff barriers
- **PTAs → 2 groups of developing countries (poor, advanced)**
  - Divergence of interests: free x preferential trade, strategic products
  - EU wants to play the ACP-EBA-etc cards
- **Japan, Korea, Norway, Switzerland: resistances**

# Assymetry of Interests in Agriculture

## ■ Large Economies (EU, US, Japan)

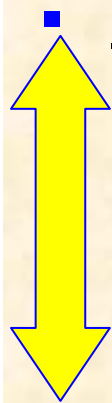
- Agriculture is a politically sensitive sector
- Low average tariffs....but “cirurgical” use of tariff peaks and TRQs
- 95% of subsidies, NTBs (sanitary, technical), Non-trade concerns

## ■ Small Economies (ACP, GSP, EBA, CBI, AGOA)

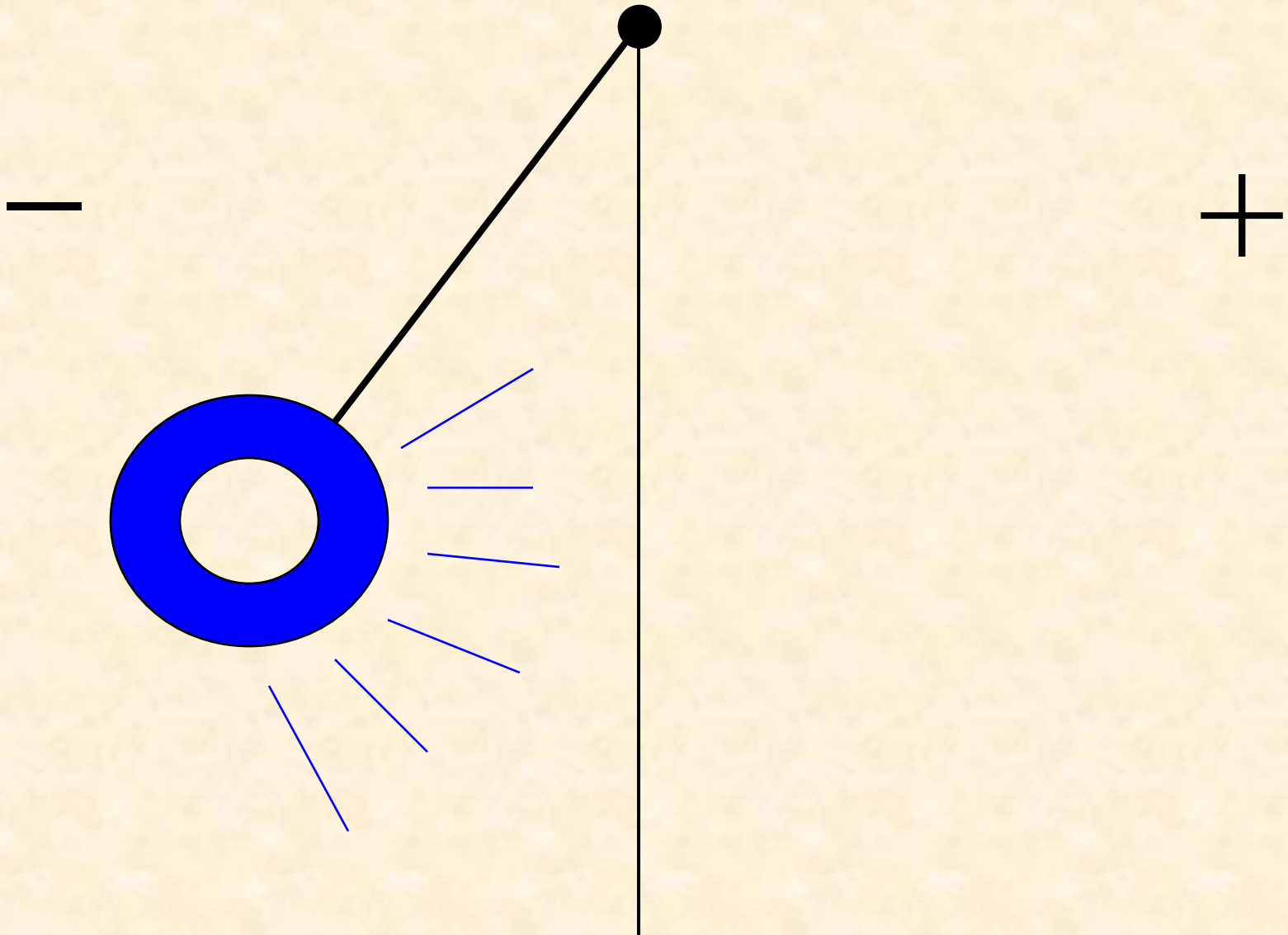
- High dependence on preferential or duty-free access
- High tariffs (CARICOM): major source of fiscal income
- Net Food Importers: dependence from subsidized imports

## ■ Middle Economies (Cairns Group)

- Trade preferences and quotas (TRQs) are not first best
- (Global?) advocacy to promote agricultural trade reform (Cairns)



# BALANCE (April 2003)



# CONCLUSIONS

## Interests in International Agricultural Negotiations

	<b>REGIONAL (RTAs)</b>	<b>MULTILATERAL (DDA)</b>
<b>Market Access</b>	<b>TOTAL</b> (zero tariff intra-bloc) Problem: “Exceptions”	<b>PARTIAL</b> (further reduction based on bound tariffs)
<b>Subsidies (* )</b>	<b>NO</b> (strong resistance from Developed Countries)	<b>YES</b>

(\* ) All trade distorting mechanisms (“amber box” policies, export subsidies, export credits, etc.)

Source: author

# CONCLUSIONS

## SUBSIDIES: SEVEN LOOPHOLES OF THE URAA

- 1) **Export Competition: export subsidies → export credits, abuse of food aid programs**
- 2) **Blue Box and S&D Box exemption**
- 3) **“*De Minimis*” provisions and Non-Product Specific notifications**
- 4) **Trade distorting subsidies into the green box**
- 5) **S&D Box, Food Security Box, SP Products**
- 6) **Government administered price in Amber Box (AMS)**
- 7) **Implementation issues**

# CONCLUSIONS

## FIRST BEST

- ❖ Important reduction of TARIFFS and expansion of TRQs at the Doha Round  
(CGE models: removals of tariffs → greater impact than removal of subsidies)

## SECOND BEST

- ❖ Partial liberalization of tariffs and TRQs
- ❖ Subsidies: Reduction commitments established on a product-by-product basis
  - ❖ No exceptions
- ❖ Full decoupling of subsidies: payments should be fully decoupled from the volume of production, planted area or animal unit
- ❖ Reductions in subsidies should be related to market access enhancement

## THIRD BEST

- ❖ “Market Access” through regional trade agreements (RTAs)
- ❖ WTO: disciplines on subsidies
- ❖ Global Single Undertaking connecting RTAs and MTA (DDA)



**Institute for  
International Trade  
Negotiations**

**Phone/Fax: 55.11.3021.0403**

**Email: [msjank@usp.br](mailto:msjank@usp.br)**