



Food and Agriculture  
Organization of the  
United Nations

# Agriculture in RTAs: The example of Trans-Pacific Partnership

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IAMO Forum 2017  
21-23 June 2017*

# Regional Trade Agreements on a rise

- Since 1990, the number of RTAs has grown from <20 to 290 that are currently in force.
- Almost half of world trade takes place between countries that have RTAs with each other (UNCTAD 2015).
- The share of agri-food trade among RTA parties in global agri-food trade rose from over 20 percent in 1998 to nearly 40 percent in 2009 (Bureau).
- RTAs vary by type: Regional, North-South, South-South, mega-regionals; vary in the breadth and depth
- Usually, RTAs go deeper than the multilateral trade rules, often covering issues like investment, competition and state-owned enterprises

# Treatment of agriculture and food security in RTAs

- Preferential market access
- Export subsidies and export restrictions
- Not usually included: Domestic support
- “WTO-plus” in some areas like IPRs, STEs, govt. procurement
- Some rules are often taken directly from the WTO agreements, f.ex. SPS and enhanced with stronger transparency obligations
- Often exemptions for sensitive agricultural products
- Rules of origin, for agricultural products often with “zero tolerance” for non-originating materials

# Trans-Pacific Partnership (TPP)

Australia

Brunei

Canada

Chile

Japan

Malaysia

Mexico

New Zealand

Peru

Singapore

United States

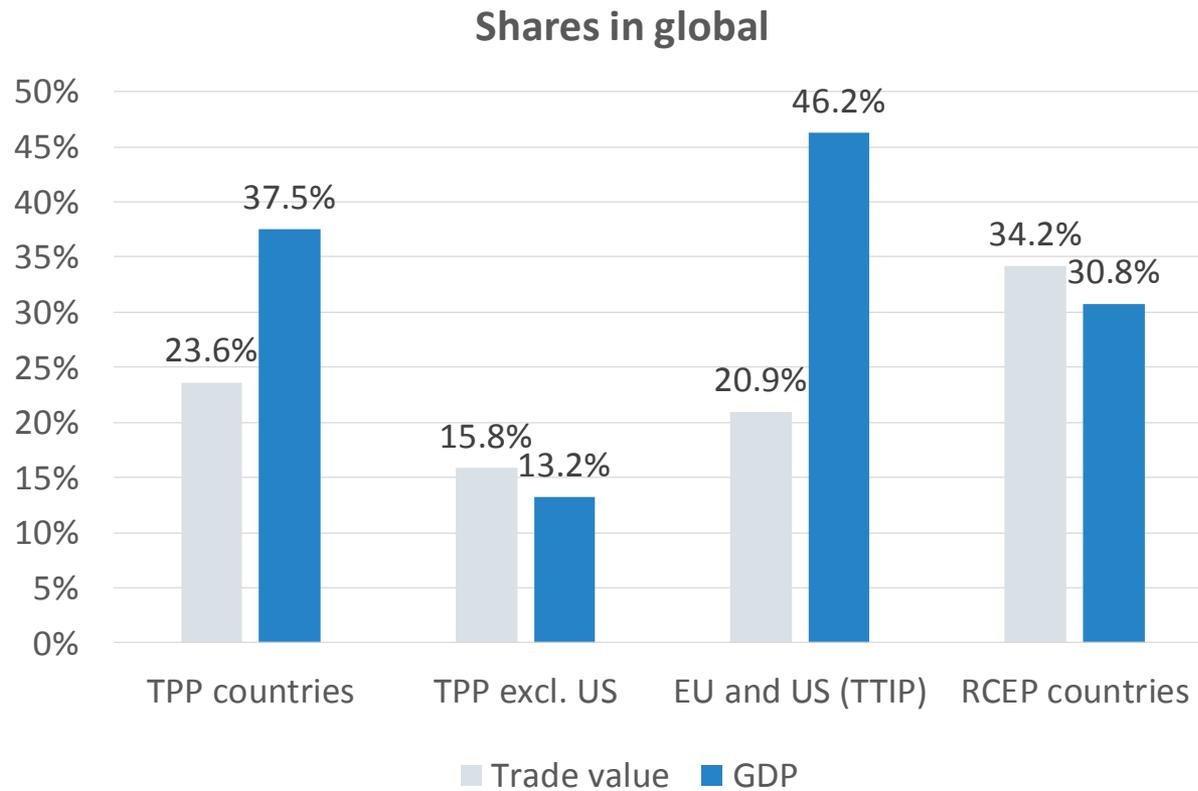
Vietnam

## Negotiations concluded on 4 October 2015

- Set to become the largest (in terms of size of the economies) and most comprehensive regional free trade agreement yet (if ratified)
- TPP members have a combined population of 817 million and GDP of US\$ 28 trillion, which accounted for roughly 11 percent of the global population and almost 38 percent of global GDP in 2015.
- Considered “gold standard” of trade agreements

**US withdraws in January 2017!**

# The weight of mega-regionals



# Food and agricultural trade in TPP countries

(average 2013-2014)

	Agricultural Exports			Agricultural Imports		
	To TPP	To world	Share to TPP	From TPP	From world	Share from TPP
	US\$ bn	US\$ bn	%	US\$ bn	US\$ bn	%
Australia	11.8	32.2	37	6.5	14.1	46
Brunei	0.03	0.03	90	0.4	0.6	71
Canada	32.8	49.4	66	25.9	36.8	70
Chile	7.5	17.1	44	1.8	6.3	29
Japan	1.4	5.0	29	32.1	73.2	44
Malaysia	6.7	24.4	27	4.2	16.2	26
Mexico	20.9	24.8	84	22.2	26.4	84
New Zealand	7.9	23.8	33	2.7	4.6	59
Peru	2.5	7.5	34	1.8	4.5	41
Singapore	4.8	10.3	46	5.4	13.4	40
USA	67.3	150.9	45	64.9	136.1	48
Vietnam	6.7	21.6	31	3.9	12.3	32
<b>Total</b>	<b>170.3</b>	<b>367.1</b>	<b>46</b>	<b>171.8</b>	<b>344.4</b>	<b>50</b>

## Intra-TPP trade tariffs and MFN applied tariffs for agri-food products

TPP Country	Intra-TPP Tariff	Applied MFN Tariff
	Average	Average
Australia	0.5	1.2
Brunei	0	0.1
Canada	1.2	8.1
Chile	6	6
Japan	7.5	14.5
Malaysia	0.9	9.3
Mexico	4.1	21.6
New Zealand	0.8	1.2
Peru	2.6	3.1
Singapore	0	0.5
US	1.2	5.2
Vietnam	12.6	16.8

# TPP chapters with implications for agriculture

Chapter 2: **National Treatment and Market Access:** tariffs, tariff rate quotas, export disciplines, safeguards, agricultural biotechnology.

Chapter 3: **Rules of origin:** criteria to determine eligibility for TPP benefits.

Chapter 7: **Sanitary and Phytosanitary Measures:** provisions on the protection of human, animal and plant life and health.

Chapter 8: **Technical Barriers to Trade:** technical regulations and standards with annexes on wine and spirits, proprietary formulas for prepackaged foods and food additives, and organic products.

Chapter 18: **Intellectual Property:** geographical indications.

# Market access

- Tariffs **for non-sensitive** agricultural products will be eliminated or reduced substantially. Important concessions on meat by Mexico, US, Vietnam
- For **sensitive** products, exemptions apply (especially by Japan).  
For example, sugar is excluded by many from tariff liberalization (Chile, Japan, Mexico, Peru, the United States and Vietnam). Dairy products are also exempted by some (Canada, Japan, Mexico and Peru).
- Many TRQs will remain in place (dairy, grains, meat and sugar and confectionary products), but with more favorable conditions to members (country-specific or general TRQs).
- Less protective TPP members will eliminate import barriers on almost all agricultural tariff lines upon entry into force of the TPP (Australia, New Zealand, Brunei and Singapore).

## Other provisions concerning agriculture

- *Agricultural safeguards*: The TPP does not allow for special safeguards for agricultural goods or contingency restrictions on imports (with exemptions for some products in place for United States and Japan).
- *Rules of origin*: A good is considered to be of TPP origin as long as the value of the non-originating content is <10 percent of the value of the good. (with some exceptions).
- *Agricultural biotechnology*: Members (both exporters and importers) commit to share specific information related to the products with low level presence of biotech material (risk assessments and new plant product authorizations).
- *Intellectual Property Rights (Geographical Indications)*: promote transparency and share information on the process of recognizing and cancelling GIs. Possibility for trading partners to object to GI protection before it is officially recognized.
- *Intellectual Property Rights (Patents)*: TPP Parties are required to join the International Union for the Protection of New Varieties of Plants 1991 (protection of new varieties of plants).

# Sanitary and phytosanitary measures

- TPP reinforces and builds upon the WTO's SPS agreement to ensure food safety, plant/animal health, while facilitating and expanding trade.
- TPP sets up an SPS committee to enhance the implementation of the provisions in the SPS chapter and strengthen communication and cooperation.
- Enhanced communication during inspections at the borders.
- During import checks, members have the obligation to provide rapid notification when shipments are held and not allowed entrance due to an adverse result of the check
- Resolving SPS-related trade issues: If bilateral consultations do not resolve the matter, the issue should be addressed first through Cooperative Technical Consultations (CTC) before using dispute settlement

# Technical barriers to trade

Three annexes that are relevant to food and agriculture:

- Rules for labeling and certification for wine and distilled spirits
- Rules for information disclosure on proprietary formula for prepared foods and food additives (ensuring confidentiality of information to protect commercial interests).
- Rules for technical regulations and standards on the production, processing, labelling and sale of organic products.

# Expected impacts

## Impacts on members:

- Modest growth in trade (around 2 percent - Poonyth et al. (2016), increasing to 6 percent if all the remaining tariffs and TRQs are eliminated Burfisher et al., 2014)
- Different studies find different welfare gains (from near zero in Burfisher et al., 2014) to 8-10% in Malaysia and Vietnam (World Bank, 2016).
- US gaining most in terms of export expansion, while Japan increasing agricultural imports (for example, Burfisher et al., 2014 and Poonyth et al. (2016).
- Differential impacts on producers and consumers:

E.g. in Japan a significant welfare gains for consumers, while producers (in particular those involved in beef, pork and rice production), will lose. Schmitz et al. (2015)

Sensitive sectors (dairy, meat, rice and wheat) will suffer greatest losses in production. Gilbert et al. (2016)

## Impacts on non-members:

Trade diversion effects on others, some non-members in Asia would register a welfare loss.

# Recap

- Market access: Some important tariff preferences (in particular for meat), but exceptions for some sensitive sectors (dairy, rice, sugar and wheat)
- A system of TRQs will continue to regulate market access for these products
- The effects on overall agricultural trade is assessed to be modest.

## However:

- “New generation” trade agreements: Provisions go beyond reducing traditional trade barriers and target deeper in trade and economic integration (“WTO-plus” and “WTO-beyond”).
- Focus on reduction in non-tariff barriers, transparency and enhanced regulatory cooperation offer significant benefits in the long run.
- The global “weight” of the bloc means that there would be implications for the rest of the world (erosion of preferences; trade diversion and spillover effects of evolving standards).

# Way forward for the TPP?

## Option 1: Proceed as 11 countries

During the Asia-Pacific Economic Cooperation (APEC), Trade Ministers of the remaining 11 members issued a statement (21 May 2017) :

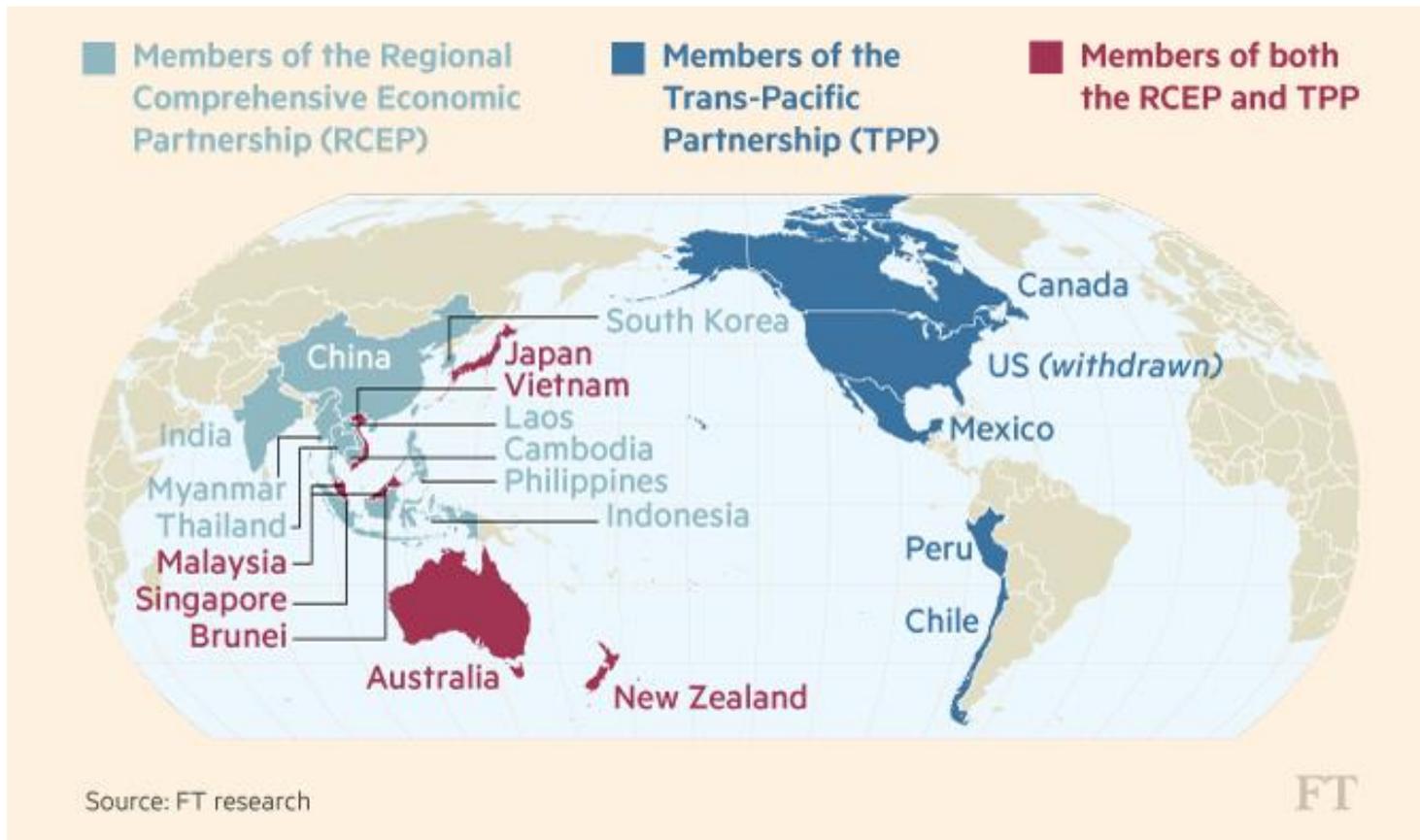
“The Ministers agreed on the value of realising the TPP’s benefits and to that end, they agreed to **launch a process to assess options to bring the comprehensive, high quality Agreement** into force expeditiously, including how to facilitate membership for the original signatories.”

Roadmap for next steps to be developed by November 2017

However, without the US some countries are pushing for revisions.

# Way forward for the TPP?

## Option 2: RCEP (China takes the lead)



## RTAs: Pending questions

- Can regionalism evolve into multilateralism (convergence of regional and multilateral rules)?
- Some issues, such as domestic support, cannot be addressed at a regional level
- Trade creation vs trade diversion effects?
- The effects of mega-regionals on third countries, in particular LDCs?
- What are the pitfalls of being a “follower” on rules and standards (spill-over effects on developing countries)?



## Trade

Increased trade in agricultural, fishery and forestry products is an essential component of most countries' development strategies. Global and regional agreements that shape trade policies need to recognize the diverse situations and needs of countries at different levels of development.

Countries need the flexibility to address food security, poverty reduction and sustainability issues as they open their markets to trade.



### Latest



#### FAO's role in trade

The relationship between trade and food security has been a topic of long-standing debate.

#### Key facts

- Low and middle income countries account for approximately one third of global trade in food and...

**Thank you!**

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