

# **Agricultural Liberalization in Free Trade Agreements**



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# The Structure of Agricultural Issues in Selected FTAs

	<b>NAFTA</b>	<b>US-Aust</b>	<b>J-SGP</b>	<b>J-Mex</b>	<b>K-Chl</b>	<b>K-EFTA</b>
<b>Agr. Ch</b>	<b>Yes</b>	<b>Yes</b>				
<b>Special SG</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes(C)</b>	<b>Yes</b>	
<b>SPS</b>	<b>Yes(C)</b>	<b>Yes(C)</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>EA</b>	<b>Yes</b>		<b>Yes</b>			
<b>Cooperation</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>		
<b>Agr. DSU</b>	<b>Yes</b>					
<b>Others</b>	<b>Sugar</b>	<b>Dairy</b>				

Agr. Ch: Agricultural Chapter; SG: Safeguards

SPS: Sanitary and Phyto-Sanitary; EA: Emergency Actions,

# Imports of Agriculture

- The imports of agriculture more critically depend on NTBs than tariffs
  - In FTA negotiations, elimination of agricultural tariffs are closely linked with the discussion on related measures such as SPS, SG, subsidy, etc.
- Market Access
  - Tariffs (Elimination, Preference, Seasonal)
    - Sensitive items: Exception, Long Implementation
  - Tariff Rate Quota
  - Combinations: Tariffs, Quota

# Average Tariff Rates

	<b>All Industries</b>	<b>Agriculture</b>	<b>Sensitive Items</b>
<b>US</b>	<b>3.1</b>	<b>3.2</b>	<b>textiles, shoes, steel</b>
<b>Canada</b>	<b>3.4</b>	<b>3.1</b>	<b>textile, auto</b>
<b>Mexico</b>	<b>15.5</b>	<b>42.1</b>	<b>Chemicals, auto, steel</b>
<b>Japan</b>	<b>2.5</b>	<b>8.3</b>	<b>Agriculture, shoes, leather</b>
<b>Korea</b>	<b>7.9</b>	<b>44.5</b>	<b>Agriculture, machinery</b>
<b>India</b>	<b>24.5</b>	<b>59.1</b>	<b>Auto, chemicals, electronics</b>
<b>Mercosur</b>	<b>6.6-11.1</b>	<b>2.1-9.6</b>	<b>Auto, electronics, machinery</b>



# Allocation of Quota and Management

	<b>Allocation of Quota and Management</b>
- <b>Automatic Procedure</b>	- Automatic Import Permission with <b>Minimum requirements</b>
- <b>Arrival Order</b>	- <b>First come, first serve</b>
- <b>public sale</b>	- <b>public auction</b>
- <b>Past Performance</b>	- <b>Performance of imports and production of processed food</b>
- <b>State Trading</b>	- <b>Government or organization appointed by government</b>
- <b>Producers' Organization</b>	- <b>Producers' acquisition of quota rent</b>



# Special(Bilateral) Safeguards(SSG)

- Most FTAs adopt Safeguards measures on agricultural imports
  - Safeguards measures can be in form of multilateral (global), bilateral or special SG.
- Key issues are the ceiling of tariffs in case of evoking counter-measure against surging imports, minimum conditions for the SG, duration of the measure, etc.



# Special(Bilateral) Safeguards(SSG)

- The SG triggers are price (FOB, CIF), quantity or the combination of price and quantity
- The items applicable for SG are decided by members
- In most FTAs, tariff ceiling are MFN tariffs
  - But higher tariffs than WTO bound rates are possible in Special SG (by declaring “Parties maintain their rights and obligations under the Agreement on Safeguards of the WTO”).



# Sanitary and Phyto-Sanitary (SPS)

- SPS measures are based on WTO Rules
  - The World organization for animal health (OIE)
  - The International Plant Protection Convention (IPPC)
  - The Codex Alimentarius
- More favorable measures (WTO-plus) are adopted in such as
  - Equivalence, harmonization, transparency
  - Risk assessment
  - Committee on SPS measures





# Agricultural Rules of Origin (ROO)

- In principle, agricultural products strict rules of origin
  - “Wholly Obtained Criterion”
- Many ROO Issues in agricultural trade
  - Fresh Products mixed with foreign ones
  - Meats: slaughter vs animal origin
  - Processed Food with imported products
    - US: Sugar, Spirits, Tobacco



# ***Others Agricultural Issues***

## Subsidy

- Direct subsidy is not allowed
- Indirect subsidy vs minimum allowance
  - NAFTA–Canada’s subsidy for transportation in the exports of grains and oilseed

## State Trading

- Importing country: Management of quota
- Exporting country: Improve terms of trade
  - Australia–Single desk arrangement for sugar, rice, barley etc

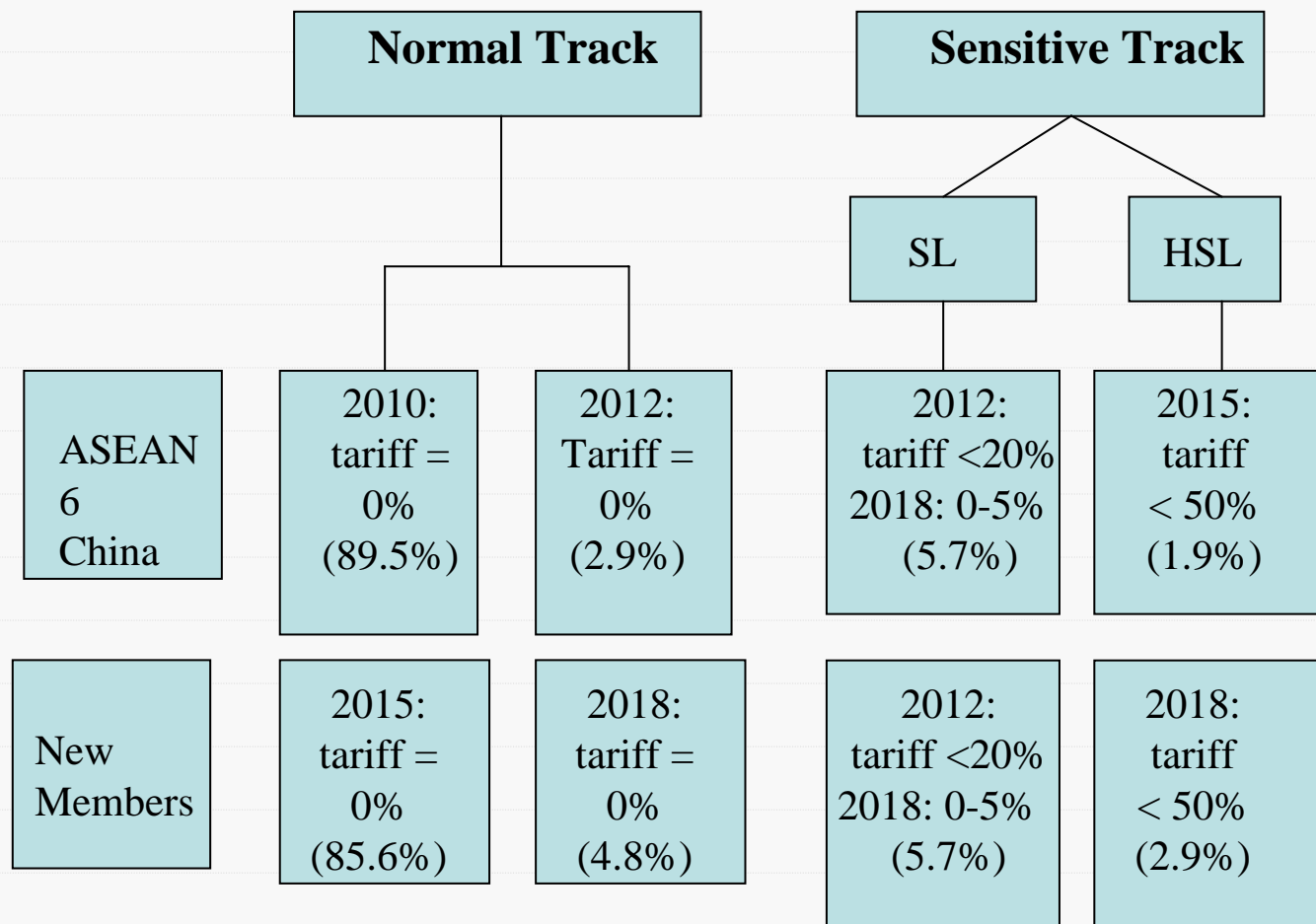
# Agricultural Liberalization in FTAs by Western Countries (unit: tariff lines, %)

Importer	Exporter	Within 10 year	After 10 year	Exception	Total
US	Mexico	1,154(97.0)	36 (3.0)	0(0.0)	1,190(100)
US	Chile	1,364(85.2)	235(14.8)	0(0.0)	1,599(100)
US	Australia	876(53.3)	434(26.3)	336(20.4)	1,646(100)
Australia	US	Immediate elimination of all agricultural tariff lines			
Chile	US	574(81.2)	133(18.8)	0(0.0)	707(100)
EU	Mexico	1,204(59.3)	0(0.0)	833(40.7)	2,047(100)
Mexico	US	832(90.6)	17(1.8)	70(7.6)	919(100)
Mexico	EU	669(67.9)	0(0.0)	316(32.1)	985(100)
Average		79	8	13	100

# Agricultural Liberalization in FTAs by Japan and Korea (unit: tariff lines, %)





Importer	Exporter	Within 10 year	After 10 year	Exception	Total	Remarks
Japan	Singapore	250 (39.4)	0 (0.0)	385 (60.6)	635 (100)	HS6
Japan	Mexico	508 (51.9)	75 (7.7)	396 (40.5)	979 (100)	HS8
Korea	Singapore	933 (65.0)	0 (0.0)	481 (34.0)	1,414 (100)	HS10
Korea	Chile	1,011 (71.5)	12 (0.9)	391 (27.7)	1,414 (100)	HS10
Average		57.1	2.2	40.7		

# Tariff Elimination in the ASEAN-China FTA





# Conclusion

-  FTAs with major agriculture exporters introduce various components in favor or against agricultural trading
-  Generally, US prefer “no exception” in agricultural tariff elimination in FTAs
  - However, exceptions are allowed in the FTA with Australia
-  The FTAs by EU, Japan and Korea allow wide agricultural exception
  - The deal breaker in the FTA between Japan and Korea was the coverage of agricultural liberalization
  - Korea accept wide agricultural liberalization for the first time in the KORUS FTA
-  Without wide agricultural liberalization, it is not likely to achieve comprehensive and high quality FTAs



**Thank you for listening**