



COMMITTEE ON COMMODITY PROBLEMS

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UPDATE ON WORLD TRADE ORGANIZATION (WTO) AGRICULTURAL NEGOTIATIONS AND REGIONAL TRADE AGREEMENTS (RTAs) AND FAO'S SUPPORT TO MEMBERS

Executive Summary

The provision of an update on the WTO negotiations on agriculture and RTAs is a regular item on the agenda of the CCP, in view of the importance that the Committee attaches to trade issues and the potential role of trade in contributing to world food security and agricultural development. Trade was recognised as one of the key means of implementation for achieving the Sustainable Development Goals (SDGs).

This document provides an update on developments since the Seventy-first Session of the CCP, focusing on the outcomes of the eleventh WTO Ministerial Conference held in December 2017 in Buenos Aires (Argentina). It also discusses recent developments with regard to RTAs. In the concluding section, it highlights the Secretariat's activities in supporting Members in the formulation and implementation of trade agreements.

Suggested action by the Committee

The Committee is invited to:

- Take note of the developments with regard to the WTO agricultural negotiations and RTAs;
- Emphasize the role that agricultural trade can play as an enabler to achieve the SDGs, and particularly SDG 2 on ending hunger, ensuring food security and improved nutrition and promoting sustainable agriculture;
- Underline the importance of multilateralism and the need to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that is conducive to world food security, improved nutrition and sustainable agricultural development;



- Review and discuss FAO's support to Members on agricultural trade agreements and provide guidance regarding future activities in this respect.

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I. Update on the WTO negotiations - Outcomes of the eleventh WTO Ministerial Conference (MC11) and appointment of the new Chairperson of the WTO Committee on Agriculture in Special Session

1. The eleventh WTO Ministerial Conference (MC11) was held in Buenos Aires, Argentina, from 10 to 13 December 2017. In the period leading up to the Conference, Members of the WTO submitted a number of negotiating proposals to the WTO Committee on Agriculture in Special Session (CoA-SS). The submissions covered issues such as domestic support, public stockholding for food security purposes (PSH), export restrictions, market access, cotton, the special agricultural safeguard (SSG), the special safeguard mechanism (SSM) for developing countries, and export competition.
2. On domestic support, submissions focused on how to constrain the use of overall trade-distorting domestic support (OTDS) and on the reduction or elimination of the aggregate measurement of support (AMS) entitlements for developed countries.
3. On cotton, the discussions focused on how to reduce cotton trade distorting support.
4. On export restrictions, proposals targeted mainly transparency issues and the exemption of export restrictions for food purchases by the World Food Programme (WFP) for non-commercial humanitarian purposes. With regard to market access, the discussion revolved around a possible work programme following an incremental approach on topics like tariff peaks, tariff escalation, tariff simplification and in-quota duties.
5. Some submissions also focused on how to reform the current way of using SSGs and/or how to eliminate them, as much as on the necessity and the means to establish the SSM. Moreover, following the Bali Ministerial Decision in 2013 - through which countries agreed to adopt a permanent solution in the area of PSH¹ by the eleventh Ministerial Conference - WTO Members tabled different proposals on various elements, including coverage, transparency provisions and safeguards, and anti-circumvention provisions.
6. During the Buenos Aires Conference, Members agreed on four Ministerial decisions on various trade issues, including fisheries subsidies. However, despite the efforts deployed by the former Kenyan Cabinet Secretary for Foreign Affairs, The Honourable Amina Mohamed, who served as facilitator for the agriculture negotiations, WTO Members did not reach any agreement on the issues discussed, or on any specific post-MC11 agriculture work programme.
7. In Buenos Aires, several groups of countries also issued Joint Statements proposing additional areas for future work as part of the WTO negotiations. Among these, three statements touched on issues of particular interest to the agriculture and fisheries sectors: a “Declaration on the establishment of an informal WTO work programme for Micro, Small and Medium-Sized Enterprises (MSMEs)”;² a “Joint statement on electronic commerce”;³ and a document on “Investment Facilitation for Development”. In the first case, the signatories declared their intention to create an Informal Working Group to discuss issues such as the reduction of trade costs and trade promotion.² In the second case, Members informed about their intention to initiate exploratory work toward future WTO negotiations on trade related aspects of electronic commerce.³ In the third, Members called for structured discussions to develop a multilateral framework on investment facilitation.⁴
8. Following the conclusion of MC11⁵, discussions remained on hold until April 2018, when Ambassador John Ronald Dipchandra (Deep) Ford of Guyana was appointed as the new Chairman of

¹ WTO, WT/MIN(13)/38, Ministerial Decision on Public Stockholding for Food Security Purposes

² WTO, WT/MIN(17)/58, Declaration on the establishment of a WTO informal work programme for MSMEs

³ WTO, WT/MIN(17)/60, Joint statement on electronic commerce

⁴ WTO, WT/MIN(17)/59, Joint Ministerial Statement on Investment Facilitation for Development

⁵ This part reflects the status at the time of writing (early June). The Committee will be updated on any developments during the presentation of this paper.

the WTO Committee on Agriculture in Special Session. Upon assumption of his duties, Ambassador Ford expressed his intention to continue the work of his predecessor, Ambassador Stephen Ndung'u Karau of Kenya, and pursue the objective of ensuring substantial progress in agricultural trade negotiations at the WTO.

9. Since then, Ambassador Ford has started a round of consultations with Members and convened informal meetings of the Special Session of the WTO Committee on Agriculture to give the opportunity to Members to report on their activities and exchange views in an interactive manner with a view to achieving progress in the negotiations. In this process, several Members highlighted the role of successful agriculture negotiations in realizing the 2030 Agenda for Sustainable Development and the SDGs. The possibility of taking relevant documents and information prepared by other multilateral organizations, such as FAO, into account in the negotiations was generally considered favourably by the WTO members.

II. Regional Trade Agreements (RTAs)

10. RTAs are “trade agreements of a mutually preferential nature”⁶. They include bilateral, regional and inter-regional free trade agreements (FTAs), economic unions, customs unions, and common markets.⁷ RTAs are allowed under Article 24 of the General Agreement on Tariffs and Trade (GATT) under the conditions that barriers are not being raised on trade with countries that are outside the FTA. WTO members are obliged to notify about the RTAs in which they participate.

11. Since the establishment of the WTO on 1 January 1995, and parallel to the multilateral trade negotiations, RTAs have become a common option to liberalize trade. Starting from the 1990s, the number of RTAs notified to the WTO has grown from approximately 50 to 287 currently in force.

12. As a percentage of global agricultural trade, trade that takes place within the framework of RTAs has risen from 45 percent in 2007 to 51 percent in 2012, which translates into an annual growth rate of 8.2 percent. By comparison, agricultural trade outside RTAs grew by 3.3 percent per year within the same period.⁸

A. Trends in RTAs

13. As of June 2018, the European Union maintained the highest number of notifications to the WTO with regard to RTAs (40 notification), followed by the European Free Trade Association (EFTA) countries⁹ (30), Chile (29), Singapore (22), Turkey (22), South Korea (18) and Ukraine (18). As a result, 97 RTAs were notified in Europe, 83 in East Asia, and 59 in South America.¹⁰

14. Since the last Session of the CCP in October 2016, WTO Members continued to be actively involved in RTAs negotiations. Table 1 shows the RTAs containing agricultural provisions notified to the WTO between October 2016 and June 2018. A demonstration of the interest of developing countries in negotiating and concluding RTAs is the fact that only one of these RTAs does not involve at least one developing country (European Union-Canada).

⁶ WTO General Council, Transparency Mechanism for Regional Trade Agreements, Decision of 14 December 2006

⁷ FTAs and Custom Unions are allowed under Article XXIV of GATT which includes a special exception to the WTO's fundamental principle of non-discrimination among WTO Members (which includes the “most-favoured-nation” principle). Moreover, Paragraph 2(c) of the 1979 Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries – also known as “Enabling Clause” – allows for RTA arrangements covering trade in goods between developing countries.

⁸ Trade and Development Board, Sixty-first session, Evolution of the International Trading System and its Trends from a Development Perspective

⁹ European Free Trade Association, which includes Iceland, Liechtenstein, Norway, Switzerland

¹⁰ The composition of regions is available on the WTO website: http://rtais.wto.org/userguide/User%20Guide_Eng.pdf

Table 1. RTAs notified to the WTO from October 2016 to June 2018 (WTO)

RTA	Date of Notification
China – Georgia	05-Apr-18
El Salvador – Ecuador	22-Mar-18
Southern Common Market (MERCOSUR) – Egypt	19-Feb-18
Hong Kong, China - Macao, China	18-Dec-17
European Union – Canada	19-Sep-17
Canada – Ukraine	13-Sep-17
Chile – Thailand	12-Sep-17
EFTA – Georgia	29-Aug-17
Southern Common Market (MERCOSUR) - Southern African Customs Union (SACU)	19-Jul-17
India – Thailand	18-Jun-17
Eurasian Economic Union (EAEU) - Viet Nam	04-May-17
Central American Common Market (CACM) - Accession of Panama	24-Apr-17
European Union – Ghana	03-Apr-17
European Union - Southern African Development Community (SADC)	03-Apr-17
Georgia, Ukraine, Azerbaijan and Moldova (GUAM)	03-Apr-17
European Union - Colombia and Peru - Accession of Ecuador	02-Mar-17
Turkey – Malaysia	20-Feb-17
Common Market for Eastern and Southern Africa (COMESA) - Accession of Egypt	03-Jan-17
Turkey – Moldova	13-Dec-16
Pacific Alliance (Chile, Colombia, Mexico and Peru)	03-Nov-16
Costa Rica – Colombia	31-Oct-16
South Korea – Colombia	05-Oct-16

15. Furthermore, since the last Session of CCP, some RTAs were signed, but have not yet been notified. Among those are the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) Agreement and the African Continental Free Trade Area (CFTA).

16. The CPTPP was signed on 8 March 2018 by eleven Pacific Rim countries, namely Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam. The Agreement is expected to come into force once ratified by at least six of the parties.

17. The Agreement to establish the CFTA was signed on 21 March 2018 by 44 African countries, with the objective of gradually liberalizing tariffs and reducing non-tariff barriers, including in agricultural trade. The Agreement includes protocols covering trade in goods, trade in services, and a dispute settlement mechanism, as well as a set of annexes. Countries also agreed on a “Transition and Implementation Work Program” with the aim of finalizing their respective schedules of commitments for both goods and services, as part of a built-in agenda, by 2019. Following that, a second phase of the negotiations will focus on intellectual property rights, investment and competition policies. The Agreement, its protocols and annexes are under the process of ratification by the parties. The CFTA needs the ratification of a minimum of 22 countries to enter into force.

18. A significant number of RTAs are still under negotiation. A non-exhaustive list includes: the EU-MERCOSUR FTA between the European Union and its Members States and the MERCOSUR countries; the Regional Comprehensive Economic Partnership (RCEP); the India-Australia Free Trade Agreement; the Eurasian Economic Union-Israel Free Trade Agreement; the Japan-South Korea Free Trade Agreement, the China-Norway Free Trade Agreement; the Canada-Singapore Free Trade Agreement; the renegotiation for a North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States of America; the European Union-Indonesia FTA; the China-GCC (Gulf Cooperation Council) FTA; the Pakistan-Malaysia Free Trade Agreement; etc.

B. Treatment of agriculture in RTAs

19. The scope and depth of the treatment of agriculture can vary substantially in each RTA. However, some disciplines on agricultural trade – such as market access provisions relating to tariffs, quantitative restrictions, or trade remedies, among others – remain the cornerstones of many RTAs.

20. Typically, parties of an RTA commit to eliminating or reducing their applied most-favoured nation (MFN) tariffs on goods imported from each other. Generally, non-sensitive agricultural products are subject to greater tariff reductions than others. According to a WTO study¹¹ on the provisions in 115 RTAs concluded by 61 WTO Members, on average, 52 percent of agricultural product tariff lines were liberalized immediately upon entry into force of the agreements, and 72 percent at the end of the implementation periods. On the other hand, some “sensitive” products which, depending on the country’s comparative advantage, could be dairy, sugar, cereals, meat products, fats, oils, fish, fruit or vegetables, have often received exemptions from liberalization, with tariff-rate quotas in place to regulate imports.

21. Non-tariff measures are also addressed in the context of RTAs. In this regard, while many RTAs simply reaffirm the multilaterally-agreed rights and obligations of the relevant WTO Agreements, others deepen the existing provisions. An OECD study, which looked at RTAs notified to the WTO between 2001 and 2014, found that 77 percent and 74 percent of them respectively have an article reaffirming the provisions of the WTO agreements on Technical Barriers to Trade (TBT) and on the Application of Sanitary and Phytosanitary Measures (SPS).¹² Another study, conducted by the WTO, concludes that all the RTAs notified to the WTO during the 2010–2014 period include TBT provisions.¹³ Moreover, while on export prohibitions and restrictions RTAs usually reaffirm the rights and obligations of the WTO rules, on agricultural safeguards they often deviate from these, and contain bilateral obligations to cover a limited number of products, the duration of measures, and the modalities for triggering the safeguards.¹⁴

III. FAO’s support to members on trade agreements

22. Under its Strategic Programme 4 "Enable more inclusive and efficient agricultural and food systems", FAO supports its Members in the preparation for trade negotiations and implementation of trade agreements by: i) providing information and analysis; ii) fostering capacity development; and iii) facilitating dialogue on various aspects of agricultural trade. The following paragraphs provide a sample of activities undertaken by the Organization in support of member countries.

23. In the run up to the MC11, FAO provided a series of Trade Policy Briefs aimed at broadening and deepening the understanding of key issues related to WTO negotiations on agriculture, such as

¹¹ WTO, 2016, *Regional Trade Agreements and the Multilateral Trading System*, ed. Rohini Acharya, Cambridge University Press.

¹² Lejarraga, I. 2014, “Deep Provision in Regional Trade Agreements: How Multilateral Friendly?” OECD Trade Policy Paper, No. 168, OECD Publishing, Paris.

¹³ WTO, A. C. Molina, V. Khoroshavina, 2015, *TBT provisions in Regional Trade Agreements: to what extent do they go beyond the WTO TBT Agreement?*

¹⁴ FAO Trade Policy Brief on “The treatment of agriculture in Regional trade Agreements”, FAO 2017

import tariffs and tariff escalation, non-tariff measures in agricultural trade, export restrictions, and the treatment of agriculture in RTAs.

24. In July 2017, FAO and the WTO jointly released a publication on Trade and Food Standards, outlining how international food safety standards are set through the Joint FAO/WHO Food Standards Programme – the Codex Alimentarius Commission – and how these standards are applied in the context of the WTO SPS and TBT Agreements.

25. Furthermore, FAO published five technical notes and policy briefs on various aspects, including a technical note on trade and nutrition and food security, and one on the WTO Nairobi Ministerial Conference Decision on export competition.

26. FAO delivered trade-related capacity development in the Europe and Central Asia region through the Regional Initiative on Agri-food Trade and Market Integration. FAO continued to support the Agricultural Trade Expert Network in Europe and Central Asia (ATEN), which was established in 2014, to promote expert-led evidence-based policy dialogue on agricultural trade issues. As part of ongoing efforts to collect quantitative information on trade policies, FAO has also initiated a pilot study to assess agricultural policy indicators for six countries in the Europe and Central Asia region (Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan and Moldova).

27. Moreover, FAO worked with stakeholders in Eastern and Southern Africa to improve trade-related capacities through a series of targeted trainings and regional dialogues, which covered topics such as alignment of agricultural investment and trade plans, regional integration, export promotion strategies and market access conditions for specific products. In addition, FAO organized national dialogues in Mozambique, Rwanda, Tanzania and Zambia, contributing to greater coherence between National Agricultural Investment Plans (NAIPs) and national trade policies through the identification of areas for bridging trade and agricultural priorities and development of project proposals to enhance agricultural trade.

28. FAO has also organized and/or participated in a number of dialogue events and workshops on key multilateral and regional trade issues influencing agriculture and food security. These included – *inter alia* - two meetings in Argentina on agricultural trade negotiations in preparation for the MC11; a seminar in Switzerland on SSM and PSH (31 May 2017); a regional workshop in Ukraine on the impact on agri-food trade stemming from the conclusion of the WTO Trade Facilitation Agreement (30 May–1 June 2017); a workshop in Uzbekistan on the implications for agricultural and trade policy following their accession to the WTO (21–22 June 2018). Two panels were also organized at the margins of MC11, the first on “Agri-Food Trade, Climate Change and Achieving the SDGs” and the second on “Agricultural Trade, Employment and Poverty Reduction: Experiences from Latin America and the Caribbean”. In addition, FAO also organized several working sessions at the annual WTO Public Forum on issues related to the role of agricultural trade in achieving the SDGs.

29. On 24 October 2017, under the auspices of the CCP, a high-level event was organized on “Trade and the 2030 Agenda for Sustainable Development”, with the aim to inform and sensitize the Members about the state of play of the WTO agricultural trade negotiations and the preparation for the eleventh WTO Ministerial Conference, and to debate and highlight the role of trade in achieving food security and improved nutrition and the articulation of food security needs in the multilateral trading system. In addition to FAO, representatives from WTO, the Organisation for Economic Co-operation and Development (OECD) and the International Centre for Trade and Sustainable Development (ICTSD) participated in the event.