

Please cite this paper as:

OECD (2015-03-01), "Regional trade agreements and agriculture", *OECD Food, Agriculture and Fisheries Papers*, No. 79, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/5js4kg5xjvtf-en>



OECD Food, Agriculture and Fisheries
Papers No. 79

Regional trade agreements and agriculture

OECD

OECD FOOD, AGRICULTURE AND FISHERIES PAPERS

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and the arguments employed herein do not necessarily reflect the official views of OECD member countries.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The publication of this document has been authorised by Ken Ash, Director of the Trade and Agriculture Directorate.

Comments are welcome and may be sent to tad.contact@oecd.org.

© OECD (2015)

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for commercial use and translation rights should be submitted to rights@oecd.org.

Abstract

REGIONAL TRADE AGREEMENTS AND AGRICULTURE

Linda Fulponi, OECD

Regional Trade Agreements (RTAs) are key instruments to governing international trade, and reflect a balance between political and economic objectives. The level of liberalisation in the agriculture sector can differ substantially across negotiated agreements, and even across products within the same agreement. This paper synthesises the results of the analyses found in previous OECD studies on the agricultural component of some 53 RTAs. It identifies those components that can be trade constraining and explores ways in which future RTAs can facilitate trade. It finds that market access could be improved under an RTA by removing limitations on tariff concessions, harmonising rules of origin, limiting the use of special safeguards to those allowed by the WTO-AoA, prohibiting export subsidies and other export restrictions except as permitted by Article XI of WTO_GATT, and implementing core SPS principles.

Keywords: Regional trade agreements, agriculture, tariff elimination, safeguards, SPS measures

JEL Classification: F1, F13, Q10, Q23.

Table of contents

Executive Summary	5
Introduction	8
I. Regional Trade Agreements and the treatment of agriculture.....	12
Market Access: Tariffs, Rules of Origin and Exemptions	12
Rules of origin and agriculture.....	16
RTAs and Sanitary and Phyto-Sanitary regulations.....	17
RTAs and the TBT agreement	19
Subsidies and trade remedies	19
RTAs and geographic indications	22
II. What are the Impacts of RTAs on Agricultural Trade?	23
III. Looking forward: Can we improve on the agricultural trade liberalisation on offer in RTAs?.....	26
References.....	30
Appendix.....	33

Tables

Table 1.	Regional Trade Agreements Analysed	7
Table 2.	Illustrative list of political-economy considerations behind RTAs	9
Table 3.	Selected TRQ structures	16

Figures

Figure 1.	Share of duty free tariff lines: total and regional aggregates	13
Figure 2.	Share of duty free tariff lines by region and HS chapters.....	14
Figure 3.	Share of duty free tariff lines by economic aggregates.....	15
Figure 4.	Share of RTA Trade in Global Trade: (% 1998-2009)	24
Figure 5.	Average Preferential Margins of Agricultural products	24

Boxes

Box 1.	Selected RTA export subsidy commitments.....	20
--------	--	----

ACRONYMS

ACP	African Caribbean and Pacific states
ASEAN	Association of Southeast Asian Nations
CA	Conformity Assessment
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
EAC	East African Cooperation
ECOWAS	Economic Community of Western African States
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EPC	Export Promotion Council of Kenya
EU	European Union
FTA	Free Trade Agreement
GATT	General Agreement and Tariffs and Trade
GAP	Good Agriculture Practices
GMP	Good Manufacturing Practices
HACCP	Hazard Analysis of Critical Control Points
IPPC	International Plant Protection Convention
MFN	Most Favoured Nation
MRA	Mutual Recognition Agreement
NTB / NTTB	Non-Tariff Trade Barrier
OECD	Organisation for Economic Co-operation and Development
OIE	World Organization for Animal Health
RoOs	Rules of Origin
RTAs	Regional Trade Agreements
SACU	Southern African Customs Union
SADC	Southern African Development Cooperation
SAT	Substantially all Trade
SPS	Sanitary and Phyto-sanitary measures
TBT	Technical Barrier to Trade
TRQ	Tariff Rate Quota
WTO	World Trade Organization

Executive Summary

This report synthesises findings from the analyses of the agricultural component of 53 Regional Trade Agreements (RTAs) and their impact on agricultural trade. While all agreements include agriculture the coverage in terms of specific topics varies across agreements. The analysis is based on 53 preferential trade agreements signed between 1992 and 2009 of which 19 are bilateral agreements and 24 pluri-lateral or regional agreements, with the European Union included in this set. The complete list with dates of entry in force is shown in Table 1. The study analyses all available tariff schedules of these agreements totalling nearly 100 separate schedules. Furthermore the sample includes countries from North, Central and South America as well as Asia, Australia and Africa.

Regional trade agreements reflect a complex set of economic and political objectives. While the economic incentives of preferential market access remain a key factor for the agreements, their final form often represents a balance between market access and diverse domestic policy objectives as well as strengthening of regional policy coordination such as for health and safety standards, environmental protection and competition among other economic and political objectives. Because of their need to balance numerous objectives, the agreements are relatively flexible, allowing for varying levels of legal commitments and differing approaches to trade policies.

Tariff concessions remain a key element in the agreements; over 90% of tariff lines are duty free when the agreements are fully implemented (OECD-IDB, 2010). Even when tariff elimination is not complete the reductions are applied to applied rates and not bound rates, suggesting substantial progress towards tariff elimination. However, this average masks substantial differences between countries. Analysis using income based aggregates (South-low and middle income and North-high income) finds that South-South agreements make the greatest strides in eliminating tariffs, increasing their share of duty free tariff lines from 28% to 92%, whereas for the North-South agreements the share rises from 68% to 87%. Using the geographic aggregates of Asia-Pacific, Latin America and Inter-regional, Latin American countries make the biggest effort increasing their duty free share of tariff lines from 30% to 94% at full implementation with the Asia-Pacific agreements' share rising from 70% to 97%. (OECD-IDB, 2010) The inter-regional group is much slower in eliminating tariffs; the share of duty tariff lines rises from 68 % to 86% (OECD-IDB, 2010).

This high percentage of tariff elimination masks in many cases numerous product exemptions as well as the use of tariff quotas. Dairy, sugar, cereals and meat products continue to remain relatively protected with tariffs that are never fully eliminated except in a few countries. A number of countries also simply exempt large shares of tariff lines.

Rules of Origin (RoOs) applied to avoid trade deflection are found to be more stringent for agricultural products than industrial ones. For agricultural goods, even the *de minimis* rule, allowing a percentage of foreign materials without losing originating status, is frequently revoked and a change of chapter requirement is necessary for a product to be classified as originating. While this is not generally problematic for unprocessed raw agricultural products, it can be so where some processing is undertaken. The impacts of RoOs are, however, not well known for agricultural products.

Export subsidies are prohibited for over 50% of the agreements, but the rest have no specific commitment. About 50% of the agreements include a reference to domestic agricultural subsidies, but

this is generally only to reiterate a commitment to the WTO process and to discuss the issue in the future. There are very few commitments to actual reductions.

Most RTAs prohibit the use of export restrictions between members except as permitted under Article XI of the GATT, with few making specific reference to food stuffs. A number of agreements with developing countries as partners also include chapters prohibiting use of restrictions. For a detailed discussion on the use of export restrictions in agriculture see *Export Restriction on Agricultural products: Findings from the Database* (OECD 2013).

The main trade remedy, which is specific to agriculture in the agreements examined, is the Special Agricultural Safeguard and its use is not subject to the disciplines of the WTO-Agreement on Agriculture (AoA) either in implementation or in product designation.

While regulations governing sanitary and phyto-sanitary issues are of primordial importance to agricultural trade, the agreements contain few concrete commitments with respect to the SPS principles. In general the language is one of guidelines rather than specific actions. A significant number of agreements do include specific commitments to transparency and equivalence but these are concentrated in a few countries, namely Mexico and Chile. Few countries commit to harmonization through the use of international standards. Given differences in national regulatory regimes and capacities, the difficulties in going beyond the WTO-SPS framework in the short run are recognised. However, greater commitments to technical assistance to upgrade national SPS systems as well as exploring ways and means to improve cross border collaboration on standards and regulations, through use of mutual recognition agreements (MRAs) or new mechanisms of international cooperation, seem warranted (OECD-IDB, 2010).

Analysis of the impacts of these agreements on agricultural trade found that tariff preferences do have significant effects on trade flows both for previously traded goods as well as for trade in new products. For pre-existing trade flows, the elasticity of substitution was about 2 so that a 1% preferential margin increases trade by about 2% on average with respect to other suppliers (OECDa, 2012). However, the size of the margin matters, with *products* benefitting from preferential margins of between 5% and 10% increasing trade by 18% on average and by 48% when the preferential margin exceeded 10%. At the specific country and product levels, surveys of Chile's fruit exporting firms and agricultural trade associations both find that RTAs have improved both firm level competitiveness and exports. Not having an agreement with a specific market was considered a disadvantage in the present world trading system. The role of government in providing institutional, regulatory and physical infrastructure is viewed as fundamental to the expansion of trade by exporters and trade associations (OECDb, 2012).

These empirical findings coupled with the product selectiveness of tariff concession schedules through exemptions and TRQs, as well as varying lengths of the implementation periods, indicate that tariff preferences remain an important element, if not the centre piece, for agricultural trade liberalisation in at least the RTAs examined. The complexity of RoOs for agricultural goods as a possible means for limiting the use of preferences reinforces this conclusion. Failure to make bilateral progress on core SPS principles is also of some concern.

Looking forward, it may be useful to explore ways and means for RTAs to become more trade facilitating. The following recommendations applicable to the agricultural component of future RTAs should be considered:

- Tariff Concessions: Limit the number of exemptions and the use of TRQs.
- Rules of Origin: Harmonize and simplify rules across all agricultural products and permit the use of *de minimis* or the tolerance principle of third party materials for agriculture, as for other products.
- Export Subsidies and export measures with equivalent effects: Explicitly prohibit the use of export subsidies for agricultural goods as is the case for non-agricultural goods and discipline the use of export measures with equivalent effects to export subsidies.

- **Export Restrictions:** Explicitly prohibit the use of export restriction except as permitted by Article XI of WTO-GATT which provides for their temporary use to relieve critical shortages of foodstuffs or other essential products.
- **Special Agricultural Safeguards:** Limit use of special agricultural safeguards to those allowed by the WTO-AoA, shortening their period of applicability and ensuring sunset clauses.
- **SPS Principles:** Implement SPS core principles through concrete commitments to:
 - Transparency, including through publication of both new and revised SPS regulations before their implementation.
 - Harmonization, or at least greater convergence, of sanitary and phyto-sanitary measures including through adoption of international standards.
 - Regionalisation, through use of international standards for defining risk free areas.
 - Equivalence in testing and certification across members and non-members.
- **Additional areas which could reinforce the trade liberalisation of the SPS component:**
 - Technical assistance with training and financial commitments to assist countries to meet requirements.
 - Increased scope and role of technical working groups and other means to enhance collaboration on standards and regulations, such as mutual recognition agreements or new mechanisms for institutional cooperation.

Table 1. Regional Trade Agreements analysed

IDB study (Shearer et al., 2009)	Date	OECD-IDB Study (2010)	Date
NAFTA	1992	Australia-Chile	2009
United States-Columbia	2006	Australia-United States	2007
United States-Peru	2006	Australia-Singapore	2003
United States-Chile	2003	Australia-Thailand	2004
CAFTA-DR	2004	China-New Zealand	2009
Chile-Canada	1996	China-Hong Kong	2003
Chile-Japan	2007	New Zealand-Thailand	2005
Chile-China	2005	New Zealand-Singapore	2001
Chile-Korea	2003	Japan-Thailand	2007
Chile-Mexico	1998	Korea-Singapore	2006
Chile-Peru	1998	Korea-Singapore	2006
Chile-European Union	2002	Canada-Peru	2009
Chile-New Zealand-Singapore-Brunei(P4)	2005	Chile-EFTA	2002
Mexico-European Union	2000	Turkey-EFTA	1992
Mexico-Bolivia	1994	Turkey-Egypt	2007
Mexico-Costa Rica	1994	EU-Egypt	2004
Mexico-Nicaragua	1997	EU-South Africa	2000
Mexico-Northern Triangle	2001	United States-Morocco	2005

Table 1. Regional Trade Agreements analysed (*cont.*)

IDB study (Shearer et al., 2009)	Date	OECD-IDB Study (2010)	Date
Mexico-Uruguay	2003	EAC	2002
Mexico-Peru	1995	SADC	2004
Mexico-EFTA	2000	ECOWAS	2005
Mexico-Japan	2004	COMESA	1995
Mexico-Israel	2000	Central America-Chile	
Mexico-Columbia	1994	Panama-Singapore	1999
Mercosur-Peru(ACE59)	2005	Peru-Thailand	2006
Mercosur-Can(ACE59)	2004	Mercosur-Bolivia	2005
Mercosur-Chile	1996		1998

Introduction

As of mid-2013, there were over 350 Regional Trade Agreements in force and reported to the WTO, with over 70% having been concluded since 2000. Most countries have multiple agreements, each consisting of its own set of trade rules. The average WTO member has 13 such agreements and some have over 20 (WTO, 2011). In spite of costs of negotiations and the implementation of diverse agreements as well as the difficulties of navigating through this “spaghetti bowl of trade rules and commitments”, such agreements continue to increase.¹

While multilateral trade liberalisation remains the goal for the WTO and non-discrimination its core principle, countries are allowed to form free trade areas or customs unions to promote free trade among the members as long these do not raise barriers to third countries.² They must also eliminate tariffs and other restrictive regulations of commerce. Though GATT Article XXIV provides the general framework for the agreements, its language allows for substantial flexibility in the interpretation of obligations and responsibilities of signatories.

This paper as well as the studies it draws on does not cover the political economy motivations of the agreements; however, it is important to note that incentives for RTAs as well as their content and structure are the result of balancing a complex set of economic, political and social objectives. This, however, should not be construed to imply that the market access and economic growth aspects are of second order importance in the agreements but rather to recognize that trade policy as implemented in agreements is often tempered by the domestic political and economic contexts in which they are set. A central premise in the economic literature on trade policy is that while multilateral trade liberalisation generates net welfare gains, their distribution is unequal across agents, and this has stymied liberalisation even if the winners can potentially compensate losers.³ This distribution of expected gains

1. Assessing benefits and costs of these agreements is difficult. Benefits may include more than just simple short term trade impacts from reducing quantitative barriers but also political economy implications of moving towards greater integration of regulatory systems and policies over time. But this raises the question of who determines which regulatory or policy framework should be adopted.
2. These must also ensure that ‘*duties and other restrictive regulations of commerce...are eliminated with respect to substantially all trade between constituent territories...in a reasonable length of time*’ (GATT-Article xxiv). While there is no definition of what constitutes “*substantially all trade*” or a ‘*restrictive regulation of commerce*’, a *reasonable length of time* is interpreted by the WTO as ten years.
3. Underlying this discussion is the view that trade promotes economic efficiency and growth and that more trade is generally good for the global economy ignoring distributive issues. This view is of course

and losses gives rise to an imbalance in political forces; that is between those wanting greater liberalisation and those opposing it. This provides the rationale to moving towards reciprocal trade agreements (Hoekman and Kostecki, 2010). There are several competing explanations for reciprocal trade agreements and mechanisms underlying trade policy behaviours. The three main justifications in simplified terms are the following:

- **Terms of trade arguments.** Reciprocal trade agreements are seen to reduce the number of policies that are driven by terms-of-trade and that would arise in the absence of such reciprocal agreements (Johnson, 1954; Bagwell and Staiger, 1996, 2004). This view has been subject to substantial criticism in its ability to explain participation in different trade agreements.
- **Sustaining commitment to policy reform arguments.** The trade agreements are seen as way to help governments commit to domestic economic reform by providing incentives in terms of increased market access and income opportunities. Here the agreements serve to 'lock-in' domestic reforms (Maggi and Rodriguez-Claire, 2007).
- **Domestic political dynamics arguments.** This hypothesis builds on the premise that governments wish to remain in power or be re-elected will attempt to respond to and satisfy domestic constituencies whose support they need to remain in power. Thus they will maintain or raise protection for those whose political support is required. To the extent foreign governments can be motivated to reduce their trade restrictions, that is to liberalise *vis-à-vis* the home country this allows governments to credibly claim credit for the good fortune experienced by exporters (Ethier, 2004). This can change the balance of power between groups and generate further incentives to liberalise in a quid pro quo fashion.

Table 2. Illustrative list of political-economy considerations behind RTAs

Grand strategic	RTA as game-changer: A leading purpose of the RTA is to establish the precedent for covering an issue that has not previously been on the table in multilateral negotiations, and to demonstrate how it might be covered.
Strategic economic	RTA as gap-filler: A leading purpose of the RTA is to fill the gap that is left by either the absence of multilateral negotiations or the failure to achieve rapid progress in them.
Strategic Political	RTA as the expression of a special relationship: A leading purpose of the RTA is to recognise and enhance an historic, special relationship between the partners.
Domestic Economic	RTA as lock-in mechanism: The country has made significant reforms in its domestic laws in one or more sectors and wants to extend even greater confidence to foreign investors by locking the reforms into treaties.
Domestic Economic	RTA as captive market: The country hopes that by maintaining relatively high barriers to the world while establishing an open but managed relationship with certain partners it can sustain a troubled industry.
Domestic Economic	RTA as a means of promoting a national champion: The country has certain competitive sectors for which it seeks to promote exports, and wishes to open markets
Domestic Political	RTA as protector of sensitive sectors: Due to political or cultural reasons, certain sectors may be considered off limits in any trade negotiations.

Source: VanGrasstek (2011), *The Political Economy of Services in Regional Trade Agreements*.

strongly nuanced by inclusion of costs of negative economic externalities as well as by the need to embed social welfare objectives in pursuing economic growth through international trade.

Both the sustaining commitment and political dynamics explanations would view RTAs as instruments of a country's endogenous trade policy that have a complex and inter-related economic and political objectives. Thus it is important to understand the different political economy dimensions embedded in the agreements. A summary of the political economy objectives found to be important to the content and structure as well as choice of partners for the agreements is shown in Table 2. Though focusing on trade in services the document provides an overview of generic political economy motivations for structure and content of RTAs applicable as well to trade in goods. As shown in the table, there are a variety of different strategic orientations that countries might adopt in negotiating agreements.

Incentives for RTAs have indeed varied across countries and over time: from procuring market access to promoting deeper behind the border integration as well as overcoming the blocked multilateral trade negotiations (Estevadeordal et al., 2012; Krishna, 2012; Brown and Stern, 2011; Whalley, 2008; Baldwin, (2006). Since the conclusion of the last multilateral trade liberalisation (MTL) round, RTAs have increased, implying that governments have seen advantages in fostering deeper trade ties with trade partners (Baldwin, 2008). These not only foster increased trade flows but also permit furthering harmonisation of regulatory measures in areas such as labour, competition, environment, intellectual property and capital movements with trading partners. Such objectives have contributed to shifting the debate on their impacts from the trade creation-trade diversion framework to one focussing on how these contribute to more open regionalism and multilateral trade liberalisation (Estevadeordal et al., 2012).

Agriculture has long been considered a sensitive sector with respect to trade policy disciplines and liberalisation compared to manufactured goods that have undergone numerous rounds of liberalisation. Indeed agricultural trade was brought under the GATT disciplines only with the conclusion of the Uruguay Round of GATT in 1995 and it continues to be a source of controversy in the context of the current Doha Development Agenda negotiations. The reasons for its special status are manifold and vary across countries from its cultural heritage and territorial development role to its importance in output, income and employment particularly in developing countries. This often means that the agricultural sector is treated differently in RTAs compared to other goods and that pure economic efficiency arguments do not provide sole basis for governments trade policy stance in negotiating these agreements. Indeed the agricultural trade component of RTAs often reflects more broad based policy objectives in addition to the classic market access issue.

While agriculture is included in all RTAs as required by the GATT-WTO article xxiv, the agreements offer substantial flexibility on what to liberalise, how fast and to what extent.⁴ This has allowed signatories through negotiation to tailor the agreements to specific objectives *vis-à-vis* a partner country, including protection for their sensitive sectors.

Agriculture is generally treated as a sensitive sector often resisting trade liberalisation. With its inclusion in RTAs, has this trade stance changed or have the RTAs simply accommodated the agricultural sector. More simply, how has the agricultural sector fared in the RTAs? Or how has trade liberalisation fared in agriculture in the agreements? If trade liberalisation remains the major goal of the agreements, how in the future these might be developed or structured so as to promote not only greater trade liberalisation among members but also extend benefits multilaterally or regionally.

With the increasing number of RTAs, trade between RTA members has obviously increased, but this does not mean it all benefits from tariff preferences. The share of global agro-food trade between RTA partners rose from over 20% in 1998 to nearly 40% in 2009 (OECD a, 2012). Tariff concessions are a key element of these agreements, especially in agriculture where tariffs are generally high. This raises a number of questions: Do agreements increase trade among partners and if so by how much? Do

4. Agriculture came under the umbrella of the WTO trade disciplines only with the Uruguay Round Agreement on Agriculture, thus agriculture undergone only one multilateral round of tariff reductions and policy reform compared to industrial sectors.

they affect trade flows of existing traded goods or do they increase the probability of new trade flows? Do these impacts differ according to partner's income level?

Several OECD and OECD-IDB reports have analysed both the treatment of agriculture in regional trade agreements as well as their impacts on trade.⁵ The RTAs analysed covered a mix of multi-lateral and bilateral free trade and customs union agreements and included countries at different levels of economic development from the Americas, Africa, Europe and the Asia-Pacific region as well as covering different time periods.⁶ Both the analysis of the treatment of agriculture in RTAs and the impacts of RTAs on trade make use of this basic set of agreements.

The initial findings indicate that while there has been progress in tariff elimination, the schedules are bereft with exceptions and tariff quotas for sensitive products often with stringent rules of origin that likely limit preference use in certain sectors. Non-tariff measures rarely go beyond the support of principles set forth in the SPS and TBT agreements. Commitments to reduce or eliminate agricultural subsidies/support are very limited even though all agree to work to their elimination in the framework of the WTO. Numerous agreements do ban export subsidies between partners with penalties for non-compliance. Though special agricultural safeguards are used by some most of these have sunset clauses since they are considered mainly as transition measures. The upshot is that the agricultural component of RTAs still has a way to go as instruments of trade liberalisation.

The objective of this report is to synthesise key findings of the recent work on agriculture in RTAs and distil what was learned from these studies. It also suggests issues that could be addressed in future agreements so as to continue to promote trade among members as well as contribute of the process trade liberalisation beyond the RTA itself.

This paper is organised as follows: Part I synthesises the analyses of the treatment of agriculture in RTAs and thus examines what's on offer with respect to tariffs, including rules of origin, exemptions. It also synthesises SPS-TBT commitments, subsidies and trade remedies and geographic indications with respect to their WTO-AoA commitments; Part II summarises the key findings of analyses of the impacts of RTA on trade flows using quantitative methods and presents results from a case study of Chilean fruit sector and Part III summarizes provides initial considerations of how future RTAs might provide pathways for open and inclusive agricultural trade liberalisation.

5. See footnote 1.

6. The sample did not include all RTAs in force and reported to the WTO though including some 55 agreements and tariff schedules of nearly 100 countries. However caution must be exercised in drawing general conclusions about the agricultural component of these agreements as the sample may not necessarily be representative. Certain of the agreements included are customs unions not free trade agreements. These include MERCOSUR, COMESA, ECOWAS, EAC and SADC.

I. Regional Trade Agreements and the treatment of agriculture

The information used in this analysis was taken from the agreements available on the WTO and IDB websites. Supplementary information where required is from national governments. Some 55 agreements are examined covering a mix of multi-lateral, bilateral free trade and customs union agreements and include countries at different levels of economic development from the Americas, Africa, Europe and Asia-Pacific region. This sample is not representative of all agreements signed and in force or of those reported to the WTO. Thus caution must be exercised in drawing conclusions on this analysis with respect to RTAs in general. Details on method and data are found in “Regional Trade Agreements, The Treatment of Agriculture”, *OECD Food, Agriculture and Fisheries Working Papers No.44* (OECD-IDB, 2010).

Market access: Tariffs, rules of origin and exemptions

Tariffs and TRQs have been central to agricultural trade negotiations both for multilateral and regional trade agreements. In contrast to industrial goods, tariffs in agriculture vary substantially across goods and this relates their use to measures of protection for domestic producers. In addition, the wide spread use of tariff quotas and exemptions in the schedules along with the attention given to the development of complex RoOs for accessing tariff preferences leads one to suspect that tariffs still remain important instruments of protection.

Because tariffs in agriculture are high compared to non-agricultural goods, eliminating tariffs may provide a boost to trade particularly if reductions could be achieved in the more highly protected sectors. But it could also mean that those countries without preferential access may experience a loss in their competitiveness and is an issue for further analysis.

This section synthesises what was learned about the tariff concessions in agriculture as well as their concomitant rules of origin and tariff line exemptions (OECD-IDB, 2010). This synthesis covers 55 agreements and 158 tariff concession schedules.⁷ The list of the RTAs analysed are shown in Table 1.

Tariff concessions are analysed by calculating the share of tariff lines that are duty free for each chapter in each year over the implementation period beginning with the year the agreement comes into force.^{8,9}

An overview of tariff elimination commitments for all agreements and by regional aggregates over time is shown in Figure 1. The share of duty free lines overall rises from 75% to over 90% averaging across concessions and products, but with substantial variations across countries and products. We use regional and income aggregates to summarise in broad terms the variations between agreements.

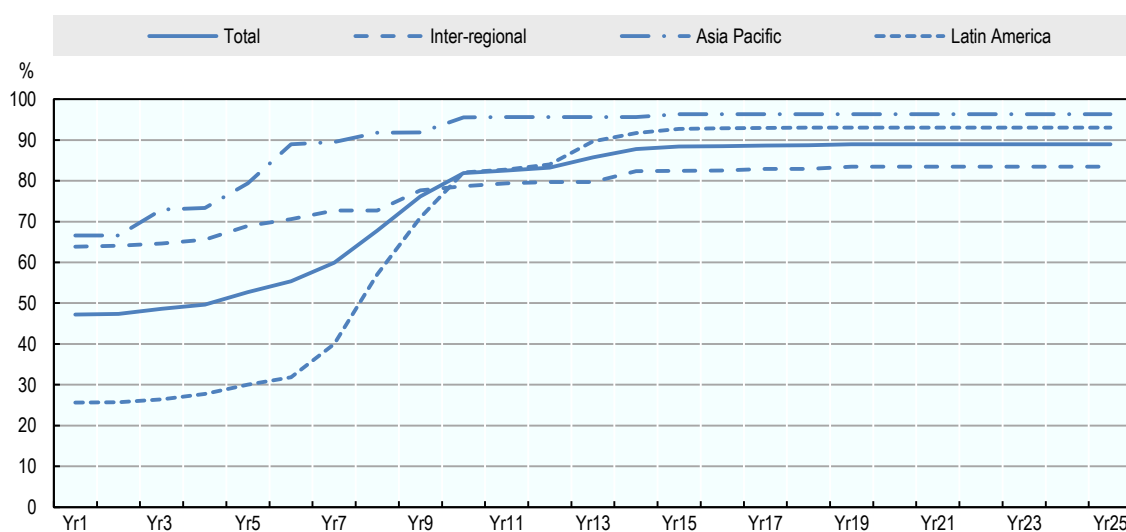
Regional variations: Asia-Pacific, Latin American and Inter-regional

The Asia-Pacific and Latin American agreements liberalise most or all of their tariff lines with 97% and 95% respectively being duty free at full implementation as shown in Figure 1. The Latin American agreements make significant progress with an initial share of duty free lines of 27%. They rapidly liberalize so that by year 10 approximately 85% of lines are duty free and by year 18 over 95% are duty free. Among the Asia-Pacific RTAs, the concessions of Singapore, Australia and Hong Kong

7. Given the lack of tariff schedules for the African customs unions, no African aggregate is defined. Caution must be exercised in making comparisons across aggregates as the sample sizes differ considerably: 70- Latin America; 16-Asia-Pacific; 66- Inter-regional; and 6 African agreements.
8. Agriculture is defined as HS 01-02, 04-24 and selected products of chapters 28-53. Each country has tariff concession schedule *vis-à-vis* its partner, therefore the number of tariff concessions is a multiple of the number of agreements.
9. The share of duty free lines is calculated by chapter over a 25 year period from initial implementation. This ensures covering full implementation for all the agreements even though almost all are implemented by year 18 in the sample.

grant duty free status immediately to most products thus the initial share of duty free lines is quite high. These are also countries with a large share of zero MFN tariffs. Inter-regional agreements are slower in eliminating duties, with an initial share of duty free tariff lines of 68%. They rise to only 82% at full implementation. The only African agreement for which tariff reduction schedules by sector is available by tariff line is the East African Community (EAC), for which Kenya liberalises the totality of its agricultural products with Uganda and Tanzania upon entry into force of the agreement, while Uganda and Tanzania fully liberalise by year 10.¹⁰

Figure 1. Share of duty free tariff lines: total and regional aggregates
As of first year of implementation



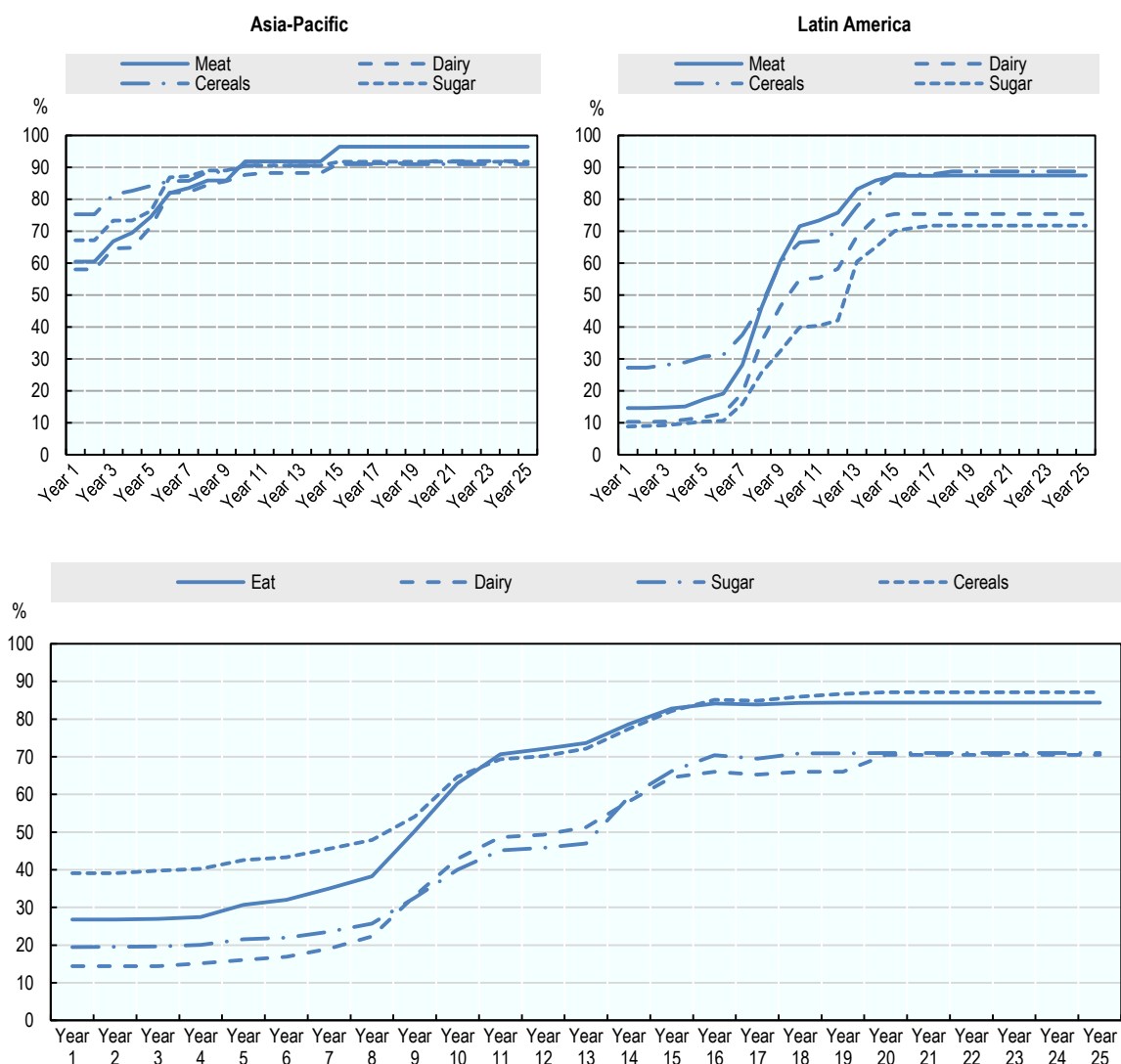
Source: OECD-IDB (2010), Regional Trade Agreements: the Treatment of Agriculture.

Using these same aggregates the share of duty free lines is examined at the sector level as shown in Figures 2. Two sectors stand out for lagging behind in all aggregates, these are sugar (HS17) and dairy (HS4). These products are also subject to a number of exemptions and TRQs. The sectors that reach close to 100% of duty free lines in each region are vegetable plaiting materials (HS 14), vegetable gums and resins (HS 12-13).

Among the Latin American concessions, cereals (HS 10), meat and fish preparations (HS 16) and fruit preparations do not totally eliminate duties, in addition to the traditionally sensitive products of sugar and dairy. In the Asia Pacific concessions, the smallest share of duty free lines is for sugar, dairy and tobacco which nonetheless become over 90% duty free at full implementation. In the case of the Inter-regional group, only 65% of the tariff lines for dairy and sugar and 75% of HS 19-cereal preparations and HS 21-miscellaneous edible preparations become duty free at full implementation.

10. Though not included in the quantitative representation of tariff reductions many of the SADC concessions have liberalised large shares of their tariff lines by year 5. Furthermore, although the COMESA and ECOWAS agreements are not included in the chart, free trade in all products is envisioned within a finite time span, so it can be posited that in general the trade agreements concluded among African partners are more liberalising than those among African and non-African parties.

Figures 2. Share of duty free tariff lines by region and HS chapters
As of first year of implementation



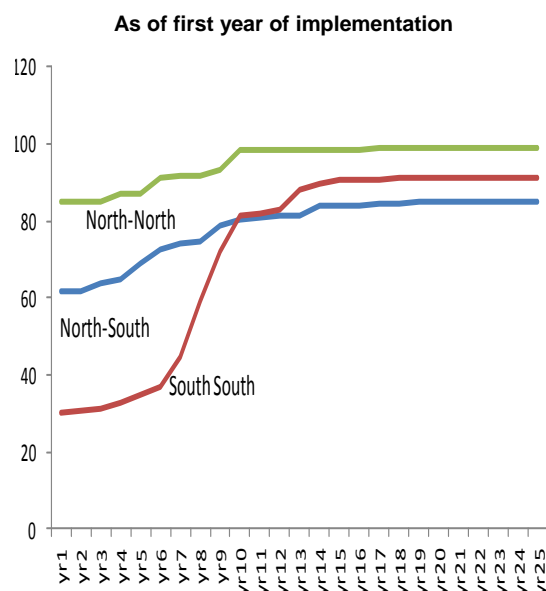
Source: Regional Trade Agreements: the Treatment of Agriculture, (OECD-IDB, 2010)

An analysis of selected countries with multiple agreements indicates that countries do not appear to apply a uniform tariff reduction strategy across all agreements but tailor them with respect to partners permitting them to target specific sectors with respect to a given partner.

The agreements are also examined according to income aggregates, with South designating low and middle-income countries and North designating high-income countries. These tariff elimination profiles are shown in Figure 3. The South-South agreements appear in general to be more liberalising than North-South ones as measured by the percentage share of duty free tariff lines at full implementation. The South-South group is dominated by the Latin American agreements in our sample, thus the trajectories of duty free tariff lines are similar to this group. Only a few additional agreements are included in this aggregate notably the EAC (East African Community) and P4 (Chile-New Zealand-Singapore-Brunei). The North-South group is essentially the inter-regional group presented previously, with the addition of Asian economies. The North-North group consists of only a few countries and the

share of duty free lines increases from 85 to 98%. The major difference in these income-based aggregates, compared to the regional aggregates, is the initial share of duty free tariff lines.

Figure 3. Share of duty free tariff lines by economic aggregates



Source: OECD-IDB (2010), *Regional Trade Agreements: the Treatment of Agriculture*.

Exemptions: How widespread are these?

While there is a clear move to eliminating duties on agricultural products, the selectiveness across products for exemption from full tariff elimination is evident as well. These include products which are not only totally exempt from tariff liberalisation but also those for which tariffs are not fully eliminated or those for which tariff rate quotas continue after full implementation.

Research on product exclusions in 15 bilateral agreements of, the United States, the EU, Japan and Canada (the four largest trading economies) finds that 27% of their agricultural tariff lines are excluded from tariff elimination (Durumi, 2009).¹¹ Furthermore certain products are excluded in all agreements and others in only one or more agreements, which indicate selective preferential treatment across members and products. This strategy is likely to extend to duty elimination or reduction as well.

The exceptions to full tariff elimination include the well-known ‘sensitive’ product groups of dairy, meats, sugar, fats and oils as well as food preparations (chapters 19-21). Durumi (2009) reports that the category prepared foodstuff accounts for over 50% of the exclusions. The exclusions vary across products and agreement as well as in form, from no or partial tariff reductions to TRQs and there are no simple way to categorise these exclusions.

The exemption of specific products is likely the result of negotiations and a solution to resolve conflicting interests between partners (Grossman et al., 1995).¹² Since countries are only required to

11. The agreements analysed include: US-Australia, Canada, Korea, Mexico, Morocco and Peru; Japan Mexico, Thailand and Chile, EU-Mexico and South Africa, Canada-USA, Canada and Mexico. Excluded products permanently excluded, products temporarily excluded from reduction, and TRQ products for which quota is less than 50% of bilateral trade which account for over 50%.
12. Since “substantially all trade” (SAT) has no clear definition either overall or in terms of chapters, this gives flexibility in selecting products for exemption while still meeting the requirements of Article XXIV.

eliminate tariffs on “substantially all trade” (SAT) this lends flexibility in selection of products for tariff elimination and effectively permits countries to retain protection for their specific set of sensitive products. This is an area in which more complete liberalisation could further promote trade among members.

Tariff rate quotas (TRQs)

Tariff quotas have been widely used in the agricultural trade as a way to maintain a limited amount of import protection for a domestic industry. Their impact on trade is an empirical issue which depends on both the size of the quota and quota tariff at any point in time. There is a wide variability in the design and use of TRQs in RTAs. Each uses a *sui generis* approach to liberalising while maintaining some measure of protection for sensitive products thus making simple categorization difficult (Crawford, 2011). Table 3 describes several TRQ structures most commonly found in the RTAs.

Table 3. Selected TRQ structures

Duration	Quota structure	Tariff
Expire at implementation	Fixed quota	In-quota tariff = 0 / <MFN
Continue after implementation	Quota increasing over time	Over quota tariff > / =MFN Over quota tariff decline

While most tariff-quotas applied in RTAs are in the WTO AoA list, some agreements have added new TRQs (Crawford, 2011). Others such as Australia and New Zealand make limited use of these allowing developing country partners however to use them with respect to their exports. For example, in the Costa Rica-Canada agreement, Costa Rica uses phased tariff elimination for above quotas quantities of honey imports but MFN tariffs for above quotas of pork imports, and in the United States-Chile FTA, a finite duty-free access is provided that is subject to linear tariff elimination over four years, a relatively short phase out period. Given that TRQs are not applied uniformly across all designated products, this can raise the question as to whether these instruments should be viewed as trade restricting or providing for some limited liberalisation? This same issue was raised in the drafting of the Agreement on Agriculture and the topic has arisen again in DOHA round discussions (Shearer et al., 2009, Crawford, 2011).

Rules of origin and agriculture

To utilise the preferential tariffs, products must originate in one of the agreement countries, but how product origin is defined then becomes key to using the preferential tariff. Rules of origin (RoOs) define product eligibility under an RTA and while their primary objective is to prevent trade deflection and erosion of parties’ benefits from preferential market access conditions. But they can also constitute a form of protection, with their restrictiveness determined by the same protectionist interests as for tariffs (Falvey, 1998); Garay and Estevadeordal, 1996; Estevadeordal, 2000; Estevadeordal et al., 2008; Shearer et al. 2009). RoOs are characterised by substantial variation and complexity both across products and agreements and can be defined at the 4 digit level or more. Their complexity and lack of transparency also hints at their selective use in doing more than simply preventing trade deflection and dilutes expected benefits of tariff liberalisation (Horlick, 2011; Abreu, 2013).

The most frequently used criteria for defining origin for agricultural products found in the agreements are: i) wholly originating, and ii) substantial transformation of any non-originating materials through a change of tariff classification usually a change in chapter, the most stringent requirement. In general, RoOs allow products to be defined as originating without a change of product classification if they contain no more than a specified percentage of non-originating materials, defined as the *de minimis* criterion or tolerance principle, often set at 10%. This provides for some leniency in application of

RoOs. For agricultural products however the leniency of the “*de minimis*” criterion is systematically withdrawn and products must either be wholly originating or where non-originating materials are present at *de minimis* level they must also meet the change of chapter requirement.¹³

How constraining are RoOs for agriculture? Analysis of RoOs schedules reveals that HS chapters 1-8, 10 and 12 for which raw materials and goods with minimum processing dominate, the wholly produced criteria dominates. Revoking the *de minimis* criteria for these chapters does not usually interfere with utilisation of preferences as trade is in raw materials which are generally wholly originating. For the HS chapters 09, 11 and 13-24 the criterion applied is generally a change in chapter, even if the *de minimis* criterion is satisfied. In addition specific products, identified by 4 or 6 digit tariff lines, often need to be wholly originating, specifically processed products (HS16, 19-21) and those products containing sugar (HS17). Detailed analysis of RoOs found that these are most restrictive for the agriculture and textile sectors (Estevadeordal and Suominen, 2005).

With increasing numbers of RTAs, the complexity and variation of RoOs can dampen the benefits of trade liberalisation because as agents will need to compare the costs of compliance with the expected benefit from using the tariff preference.¹⁴ Costs of compliance have been estimated at between 3-5% of the value of exported goods depending on country procedures (Estevadeoral and Suominen, 2005). Comparing this ballpark figure to the preference margins across products provided by the agreements in the aggregate, one finds that the preference margins after a number of years are higher than the estimated costs of compliance, thus providing an incentive to their utilisation. Given the initial tariff configurations for agricultural products, tariff preferences may be important factor in determining trade flows. If margins of preference are small this means that trade may not benefit from the tariff preferences.

At present there are no WTO guidelines for RoOs in RTAs, and this is an issue that could merit further reflection. Simple rules that facilitate trade by reducing their variation and complexity could limit any negative trade impacts these might otherwise have. For instance, the *de minimis* or tolerance of 3rd party materials could be made to apply to all products irrespective of the sector without significant risk of trade deflection, particularly where the criterion is set at low levels (Estevadeoral et al., 2008, 2005, Abreu 2013). While the harmonization and simplification of RoOs for agricultural products would improve upon the present situation, this approach runs the risk of standardising or harmonising rules on the agreement with the strictest rules which could run counter to the objective of greater trade liberalisation.

RTAs and sanitary and phyto-sanitary regulations

Most RTAs include a separate chapter on food safety, plant and animal health, or SPS, with specific provisions found in annexes, ad-hoc agreements and memorandums of understanding (MOU). Of the 55 agreements examined, only five do not contain a separate SPS chapter: Canada-Chile, Mexico-Peru, China-Hong Kong, Japan Thailand and United States-Singapore.

But to what extent do these agreements contain specific procedures and measurable commitments in terms of implementing the WTO-SPS rights and obligations?¹⁵ This analysis finds few agreements that have specific commitments in terms of WTO-SPS agreement obligations.¹⁶ The language used is

-
13. The change of chapter requirement for defining originating products is the most restrictive after wholly originating.
 14. Recent research on preference utilisation using the data sources finds that for the US, Canada and the EU preferences are widely used and their use increase with the size of the preference margin and volume of exports (Abreu, 2013). This indicates that while preferences can be costly even where volumes and/or marginal preferences are small these are widely utilised.
 15. By going beyond.
 16. The core principles are transparency, equivalence, harmonization, regionalisation and risk assessment.

indicative of their commitments, with wording such as “should or could or might” may be signalling preferred behaviours. Furthermore, over 40% of these limit the chapter to one or two paragraphs instructing the parties simply to observe commitments to the SPS agreement.

Deeper specific SPS commitments are generally found in the annexes, memorandums of understanding and *ad hoc* agreements, these latter in the form of an exchange of letters or an implementing arrangement. The *ad hoc* agreements can be important complements to the agreements. For instance, in the United States-Columbia and United States-Peru agreements, the Colombian and Peruvian authorities agree to recognize the United States inspection system for meat and poultry as equivalent and to accept the USDA/FSIS Export Certificates.

Examining the progress in commitments to the core SPS principles, only in transparency is there significant commitment. Nearly 40% of the agreements adopt specific measures with respect to transparency. However in our sample these are largely accounted for by Chile and Mexico, both of which have numerous agreements and have an interest in being notified of changes in SPS regulations. See Table A2 for a summary of agreement commitments with respect to core principles as well as mutual recognition and Joint Committees.

Surprisingly only 15% of the agreements make any specific commitments to harmonisation, which is simply the adoption of international standards. Yet a more generalised commitment to harmonisation would be an important step in facilitating trade both for members and non-members, as it would reduce the number of different regulatory schemes to which traders must adapt. A few agreements make commitments to equivalence but do so only with respect to specific tasks such as inspection, sampling methods or certification and not equivalence of the safety measures themselves. Few agreements go beyond reiterating the SPS core principles with respect to regionalisation, yet by setting standards for circumscribing disease free areas these agreements can promote trade liberalisation. Similarly, committing to specific intermediate risk assessment measures and procedures can avoid unnecessary trade interruptions.

Mutual recognition, which is not a core principle of the SPS agreement, is limited to a few instances related to certification and inspection procedures. Mutual recognition of the entire SPS system would be difficult to negotiate, particularly between countries at different levels of development where standards, conditions and enforcement significantly differ.

The creation of a Joint SPS committee is the most common innovation introduced in the agreements. These committees provide an institutional framework for regulatory authorities to resolve contentious issues bilaterally as well as to consult relevant International Organisations on SPS measures that are pending before domestic authorities, and to coordinate technical cooperation programmes.

Deeper commitments to transparency, harmonization to international standards and equivalence in assessment are however being made in certain agreements. For instance, both COMESA's Green Pass (CGP) and SAFTA's 'Accredited Exporter' are adopting this more general SPS framework. For the Green Pass a competent authority in one member is considered as sufficient authority in SPS matters to allow a commodity's access to the market in any other member. Furthermore the framework encourages the signing of mutual recognition agreements between COMESA members and Non-members for the purpose of recognition of the CGP. Such measures have enormous potential to foster trade since it reduces transaction costs due to export procedures and certifications. This framework is still in the initial implementation stage. In the "Accredited Exporter" framework, an exporter who demonstrates to its national regulatory authority that it possesses the technical capabilities and management competence, facilities, equipment and production systems to meet regulatory requirements of an importing country can minimise control, inspection and approval procedures.

With reductions in tariff barriers some suggest protection may be shifted to non-tariff measures, in particular the use of regulatory measures, such as those dealing with sanitary and phyto-sanitary regulations or technical regulations (Trachtman, 2011; Matoo et al. 2005). In principle, regulatory measures unlike tariffs are legitimate as they impose the same standard on foreign and domestic firms.

However, in spite of the supposed symmetry of treatment the impact may be asymmetric because the costs of compliance are likely to differ. As the objective of most of these regulations is to enhance welfare by remedying market failures, negative environmental externalities, and health risks among others, the issue is how differing welfare enhancing regulations can be implemented so as not to constrain or distort trade flows. In agro-food trade, applying internationally agreed standards should minimise trade distortions as well as ensuring satisfactory levels of food safety, plant and animal health.

It is generally acknowledged that regulatory frameworks can promote or stymie trade flows. This is particularly true of SPS measures (Shearer et al. 2009; Henson, 2008; Henson and Jaffee, 2007). Where RTAs move these frameworks towards transparency, harmonisation, and risk analysis based measures and equivalence, trade flows are facilitated not only among agreement partners but also for non-members.

If more precise and deeper commitments to transparency, harmonization to international standards and equivalence in assessment can be achieved in the agreements, not only would they promote trade more strongly between members but also with third countries. These commitments could provide basis for wider applicability of standard regulatory regimes and open paths for their multi-lateralisation. This recommendation does not minimise the importance of reinforcing regionalisation nor the greater need for satisfactory risk assessment procedures which are core elements of the SPS agreement. However, moving forward on selected elements could prove fruitful even if uniform progress on all cannot be made simultaneously.

RTAs and the TBT agreement

Most of the agreements reviewed do not provide for specific food or agriculture related WTO Technical Barriers to Trade (TBT) provisions, but rather the general rules of the agreement are applied to food and agriculture. The TBT chapters of the RTAs examined provide generic guidelines and reiterate the commitments made at the multilateral level under the WTO-TBT Agreement. The agreement commits all countries to make standards, technical regulations and conformity assessment procedures compatible with international standards to ensure these are the least trade disruptive and distorting to trade.

Only a few agreements examined include specific references to agro-food products.¹⁷ While all agreements suggest working towards one or more of the basic principles of harmonization, equivalence or conformity assessment recognition, few firm commitments are made. One example of closer cooperation between members is Mexico's agreements with Bolivia, Nicaragua, and Costa-Rica. These reinforce commitments to respect national treatment when applying marketing requirements to agricultural goods with respect to packaging, grading and size. They also establish a special committee on standardization of agricultural products with the task of reviewing the operation of classification and quality standards and resolving issues that arise in their implementation. Chile's agreements with the United States and Australia include MOUs specifying the equivalence of each other's beef grading systems.

Subsidies and trade remedies

Given the sensitivity of the agricultural sector to trade liberalisation, many RTAs include specific modalities applicable only to agricultural products with respect to subsidies and safeguards. These include chapters on special agricultural safeguards and agricultural subsidies, thus paralleling agriculture's treatment in the WTO-AoA. A summary of agreements including specific references to export subsidies and domestic support in the RTAs are shown in Annex Tables A3.

17. The agreement these include: Mexico-Costa Rica, Mexico-Bolivia, Mexico-Nicaragua, US-Chile, NAFTA, New Zealand-Thailand, Australia-Thailand, Australia-Singapore and Australia-Chile.

Domestic support

Since agricultural subsidy regimes can distort trade, how do RTA's govern subsidies to agriculture? Nearly half of the agreements examined specify that support to domestic producers should conform to provisions of the WTO-AoA (Mexico with Bolivia, Costa Rica, Nicaragua, Northern Triangle, EFTA, Chile, Uruguay, ACE58 and ACE59 between Mercosur and CAN). Others simply state they will cooperate within the WTO community to reduce subsidies to agriculture, but do not necessarily commit to limiting or eliminating their own subsidies. Others evoke the incompatibility of subsidies and free trade without reference to agriculture, for example, New Zealand-China, COMESA, and SADC.

The upshot is that the RTAs make no substantial commitment to reducing domestic subsidies. While it is likely that reducing domestic support may be administratively costly in a RTA framework unless there is a one to one correspondence in products receiving support and exports to a given market. In the case of domestic support to agriculture, the best solution is likely to be the multilateral one where all countries work towards the elimination of trade distorting domestic support.

Export subsidies

Export subsidies, direct and indirect through export measures with equivalent effect, distort agricultural trade and their removal even if only between agreement partners is an improvement over the status quo, creating a more level playing field for all market participants. Approximately 50% of the RTAs examined explicitly prohibit export subsidies: 100% of Asia-Pacific agreements and 66% of those of the Americas. They generally require that 'parties not introduce, maintain or re-introduce export subsidies for agricultural goods destined to the territory of the other'. For the others, commitments may or may not include a set date for their termination or a phase-out or grace period to facilitate adjustment with or without termination. See Box 1 for examples of commitments.

To ensure compliance the agreements often provide for countervailing measures, such as a suspension of tariff elimination and/or additional tariffs. In certain agreements the countervailing measures can apply to partners who import goods subsidised by a third party. Here the exporting partner may even request that the importer adopt specific measures to counter the impacts of the exports subsidised by third countries and include an export subsidy for goods destined to the importer.

Eliminating export subsidies for goods destined to partner countries should be seen as a significant move towards trade liberalisation not only between members but also could provide a stepping-stone to their elimination more widely.

Box 1. Selected RTA export subsidy commitments

For many Latin American agreements commitments are precise as to expiry of export subsidies. All of Mexico's agreements with other Latin American countries except with Peru regulate. For example, Mexico's agreements with Uruguay, and Bolivia as well as Mercosur-Peru, P-4, and Costa Rica-Canada terminate immediately with coming into force of the agreement. Others are more lenient in their implementation: Chile-Canada (5.5 years), Mexico-Northern Triangle (5 years), Chile-Mexico (3 years), while others commit to their elimination when tariff elimination is complete (Mexico with Columbia, Costa Rica and Nicaragua). In about half of the agreements there is no set date for their termination.

Export restrictions

Most RTAs include chapters that prohibit the use of export restrictions except for reasons falling under GATT-Article XI. These chapters are generally not specific to agriculture, thus do not generally refer to WTO-AoA Article 12 disciplining export prohibitions.¹⁸ A few RTAs specifically include

18. WTO-AoA Article 12 provides the disciplines for the use of export prohibitions and restrictions on foodstuffs in accordance with Article XI (para. 2) of the GATT. In particular it requires member to give written notice in advance specifying as far as possible, the nature and duration of the measure as well as responding to affected importers should they request additional information. The provisions of

clauses that allow their use in the case of food shortages or for food security reasons. For instance, COMESA allows use of export restrictions to maintain food security in times of war or famine provided notification is given to other members and SADC permits export restrictions in the presence of critical shortages of food stuffs in any member country. In other RTAs such as, Chile-EFTA or Mexico-Japan, export restrictions are simply not allowed and yet others include prohibitions on the use of export duties such as EU-Mexico. Few agreements prohibit export duties explicitly even though these can be as detrimental to the functioning of markets as are quantitative restrictions.

The provisions of Article 12 of the WTO-AoA do not apply to developing countries that are not net-food exporters. However, most agreements simply comply with the WTO-GATT disciplines on export restrictions subject to Article XI of the GATT. While the use of export restrictions may provide temporary relief to domestic consumers, their overall impact on the domestic economy as well as the rest of the world is likely to be negative since they can trigger higher world prices and unreliability in export supply as well as efficiency losses in both importing and exporting countries (Kim, 2010). A complete description of export restrictions in agriculture is found in OECD (2013).

Special agricultural safeguards

Trade liberalisation, in particular tariff elimination under RTAs can generate new demands for protection through trade remedies, such as special agricultural safeguards. Their inclusion is meant to provide assurance that the agreements do provide a means to protect domestic industry/producers from unanticipated consequences of trade liberalisation that could harm certain industries/producers or disrupt domestic markets due to increased imports or low prices. So far factual analysis of the actual use and effectiveness of agricultural safeguards in RTAs is missing.

Slightly over a third of the RTAs examined contain specific agricultural safeguards (Shearer *et al*, 2009; OECD-IDB, 2010). These restrict the set of products subject to safeguards, stipulate the criteria for their application, and generally provide for sunset clauses when agreements are fully implemented. Most limit the duration of a measure to one year or less and impose strict regulations on transparency. Trade remedies vary from a halt in tariff reductions to an increase in tariffs up to the MFN applied tariff rate. Certain agreements prohibit their use between partners such as Australia-Singapore, New Zealand-Singapore and Canada-Israel). Though special agricultural safeguards found in RTAs resemble closely those of the WTO-AoA, they are not subject to the same criteria or modalities for their implementation.

With respect to the Special Agricultural safeguards, most agreements do have sunset clauses with specified dates indicated in the agreement or sunset clauses at the time of full implementation.¹⁹ The presence of sunset clauses for these can be interpreted as going beyond the minimum required under WTO-AoA. But should the use of special safeguards for additional products not originally included in the WTO-AoA SSG list be considered as a move towards trade liberalisation at least during the period of their applicability? As agreements are tailored between partners, the trade impacts for certain products under bilateral liberalisation may generate need for assurance for remedies to counter increased trade or price outcomes.

The products covered and modalities for implementation can be complex and vary markedly between agreements and countries. The products most frequently found under this provision are livestock, dairy, poultry, and fruits and vegetables, that is, primary unprocessed products. The North-South agreements use detailed criteria and modalities while the South-South agreements rely on more generic modalities and rules. Each country has a set of sensitive products and the quantity or price that could disrupt markets varies with the size of the market and its importance to the country as well as influence of the lobby groups (Kruger *et al.*, 2009; Shearer *et al.*, 2009).

Article 12 do not apply to developing country member except if taken by a net-food exporting developing country.

19. The US-Chile and US-Morocco special agricultural safeguards do not have explicit sunset clauses.

If agricultural safeguards are more restrictive in the coverage, volume triggers, duration, and remedies, this would indicate a move to greater liberalisation. However some suggest that stringent rules among partners could generate more general safeguard actions. This might occur if imports are increasing from many countries, RTA partners or not, the higher threshold for using bilateral safeguards could theoretically lead to a country invoking an SSG. Thus differences in disciplines on safeguard actions applying to imports from RTA and Non RTA sources could lead to more global actions and penalising non-members more than might otherwise be the case (Teh et al., 2007).²⁰ The disciplines on safeguards and the governance of their use in agriculture are complicated and merit deeper discussion and analysis.

The inclusion of safeguard mechanisms in RTAs, ensuring import competing sectors protection against unanticipated consequences of trade liberalisation, has likely provided political support for liberalisation (Teh et al., 2009; Kotera et al., 2007). In contrast to the WTO agreement on safeguards and countervailing measures, special agricultural safeguards do not require that damage to the domestic industry be demonstrated but only that pre-specified price or import volume triggers are reached for their application

Special agricultural safeguards may simply be part of a portfolio of trade management tools with their restrictive rules of origin and long implementation periods that serve to mitigate the effects of RTAs on import sensitive industries and permit progress in trade liberalisation (Teh et al., 2009).²² How might these measures be improved upon in future agreements so as to make them more trade promoting? Shortening their period of applicability to only a few years, rather than the current long transition periods and perhaps requiring evidence of damage rather than simple trigger prices or quantities might possibly be among the paths to improve their trade promoting characteristics and limit risks to third countries.

RTAs and geographic indications

Geographic Indications (GIs) are governed in the multilateral trading system by the WTO-TRIPS (Trade Related Intellectual Property Rights) agreement dealing with Intellectual property rights protection. Only a very limited number of RTAs include specific chapters on dealing with Geographic Indications. References to GIs vary across agreements and may reflect the extent to which the countries themselves have a significant portfolio of GIs. For agreements where at least one partner has a portfolio of geographic indications, this is included explicitly in the agreement and annexes or MOUs which serve to precisely define products and scope of the protection. Whether included or not in agreements, GIs would nonetheless be protected through general provisions of the WTO-Trips agreement. The paragraphs on GIs either refer to the TRIPS legislation or may specify definitions, scope, procedures and sanctions. While GIs need not be specific to agricultural goods, these goods do dominate their use.

-
20. Since special agricultural safeguards allows a country to increase tariffs if import volumes or price triggers are reached and this without showing serious injury or threat of, it is possible that increasing imports from all sources trigger action through SSG to all but the trade partner if these are prohibited in a RTA or trigger volumes are greater than those stipulated under the SSG.
 21. Some analysts suggest that the safeguards in RTAs are incompatible with GATT XXIV Para 8(b) which provides for the removal of all restrictive measures (Pauwelyn, 2004).
 22. From a legal perspective, trade remedies clauses should not be included RTAs. Article XXIV, para 8(b) explicitly allows those articles dealing with trade remedies to be excluded from the agreements and where the agreements do not explicitly exclude the relevant GATT articles the presence of the set of trade contingent measures, AD/CVD/global safeguards appear to be inconsistent with Article XXIV (Prusa and The, 2011, Marceau, 1994).

II. What are the Impacts of RTAs on Agricultural Trade?

The share of global trade among RTA members (excluding intra-EU trade) rose from over 20% in 1998 to nearly 40% in 2009 (OECDa, 2012). The trends across broad sectors of agricultural food and manufactured products are roughly similar. This evolution is shown in Figure 4. This simple description of trade flows does not imply causality; however, it could reflect a faster pace of agricultural trade among members of RTAs that entered into force between 1998 and 2009.

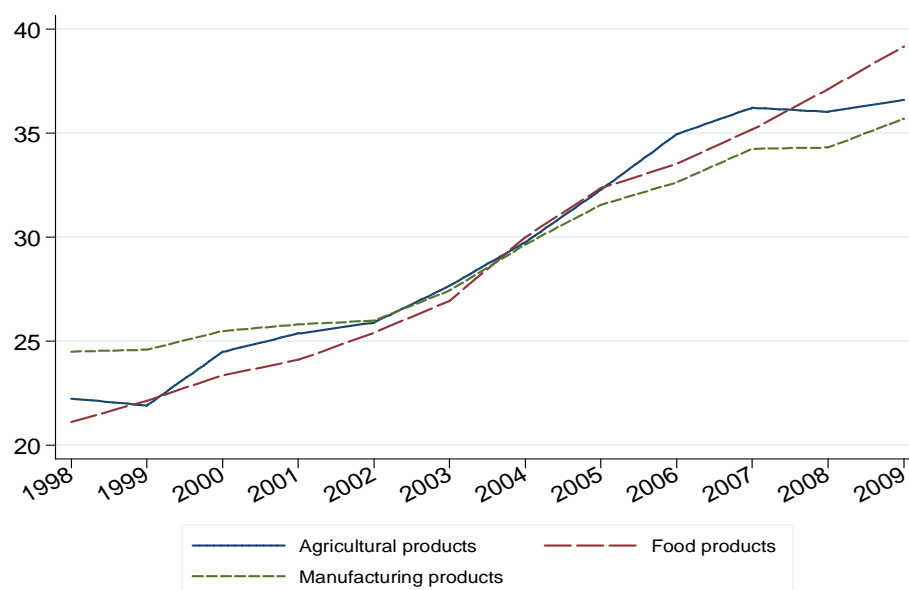
These trends are likely to over-estimate preferential trade since a large share of RTA trade is undertaken with MFN tariffs of zero.²³ Indeed rigorous counterfactual quantitative analysis need to be undertaken to be able to attribute increase in trade to RTA's.

Do tariff concessions on offer in these agreements matter for agricultural trade? In spite of the emphasis on impacts of non-trade measures on agricultural trade, this study finds that tariffs do matter. A quantitative analysis of tariff concessions over time for the set of RTAs analysed finds that the preferential margins resulting from preferential tariffs some eight years after agreements entry into force increase from 4.7% to 8.9% on average. (OECDa, 2012). There are, however substantial variations across commodities as shown in Figure 5. For example, the preferential margin for HS 18 (Cocoa/cocoa prep) rises from 4.4% to over 17%, and HS 16 (prep. Meat/fish) rises from 2% to over 12%. These products achieve over 97% duty free tariff lines at implementation compared to HS 17 (sugar) where the preferential margin only rises from approximately 6% to 9% over the implementation period.

Using income based aggregates, the analysis finds that preference margins for South-South agreements are close to the overall average but there is significant asymmetry in North-South agreements. North exports to South countries receive a 4.2% margin while South exports to North countries receive a margin of 15%. How important are these preferential margins for trade flows?

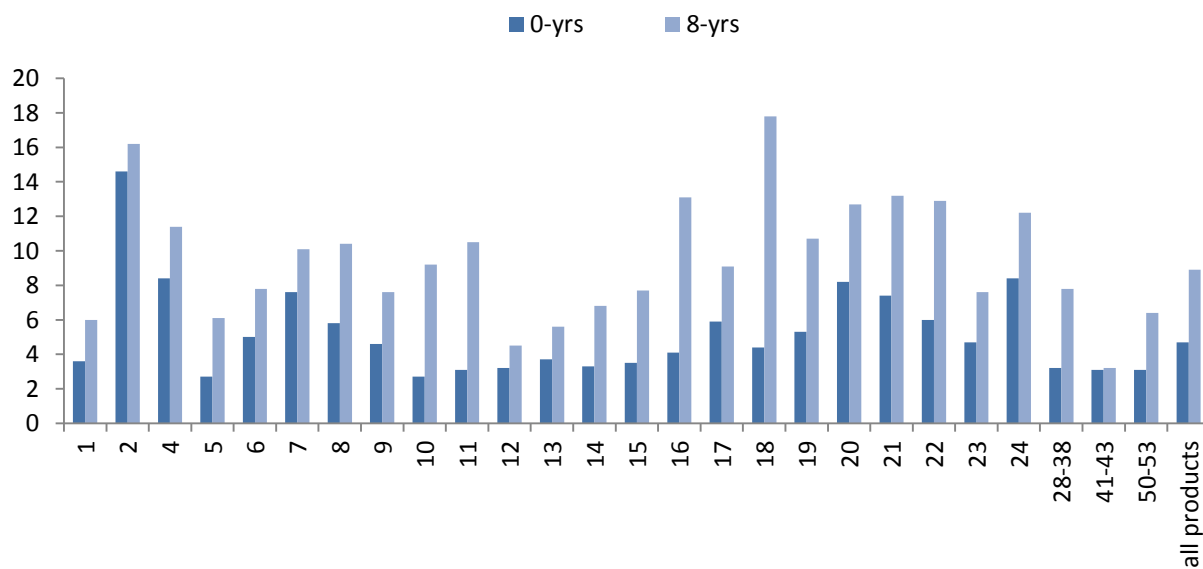
23. According to the WTO, World Trade Report, 2011 the overall share of trade taking place on a preferential basis in 2008 was only 16% with less than 2% taking place with goods receiving tariff preferences of greater than 10% in 2008 (WTO,2011).²³ However agricultural trade under preferential agreements is significantly higher at 24% with 7.4% receiving a tariff preference of 10% or more. Indeed the trade weighted preference margin for agriculture is 4% compared to less than 1% for non-agricultural sector. The report also provides an overview of agro-food trade under preferential trade agreements according to subsectors. For 2008, the report finds that the trade weighted preference margins are 2% for non-agricultural goods, 4.9% for animal products, 4.4% for vegetables, 2.4% for fats and oils and 3.6% for processed foods. This broad brush discussion of preferential margins indicates that preferential tariffs can potentially provide significant trade benefit, however caution is necessary given the intricacies of and limited information on their utilisation.

Figure 4. Share of RTA trade in global trade: (%1998-2009)



Source: OECD (2012a), Figure 2.

Figure 5. Average preferential margins of agricultural products



Source: OECD (2012a), Table A1.

The analysis finds that the tariff preferences do matter for agricultural trade flows: trade flows are significantly increased both for pre-existing trade (intensive margin) and for new trade (extensive margin) (OECDa, 2012). Overall, a 1% reduction in the preferential tariff generates a 2% increase in trade relative to other suppliers, on average. For South-to-South trade and South to North trade the elasticity is close to the overall average of 2, however it is much smaller at 1.34 for North to South trades.²⁴ This implies that South countries are likely to benefit more in terms of increasing trade than do North countries. This is because their destination markets and products face relatively high MFN tariffs. While it is best not to generalise this result to all RTAs, previous studies on impacts of RTAs on trade tend to be consistent with these results even when other studies employ different methodologies (Simonovska and Waugh, 2011; Broda and Weinstein, 2006; Kee et al., 2008) and Romalis, 2007).

Not only do the impacts differ across country aggregates, they also vary according to the size of the margin. For products with a preferential margin of between 5% and 10%, bilateral trade flows increase by some 18% on average overall but impacts increase to some 48% when margins are greater than 10%. So again the size of the preference margins matters. If the impacts of the size of the preference margin are examined by country aggregates, one finds that when margins are greater than 10%, South to North trade flows are increased by about 25% but South to South countries are substantially higher. Even with lower preferential margins, South-South exports are more sensitive to tariff preferences.

Do the agreements open new markets for products? This question was addressed by asking if the probability of exporting is increased with an agreement. The analysis suggests that preferential agreements have only a weak impact on the probability of exporting new products. With preferential margins greater than 5% the probability for exporting new products is but 1.5%. These impacts are strongest for the South-South agreements even without a positive preferential margin.

How are RTAs effects perceived by exporters – their primary beneficiaries? A case study of Chile's fruit export sector was used as a basis for understanding how RTAs are perceived by exporters and what their impacts might be on fruit exports. Chile's fruit sector was chosen for the study because Chile has over 22 RTAs and is one of the world's leading fruit exporters. Both an econometric analysis following the approach of the aggregate RTA impact analysis and a survey of exporters' perceptions of RTA efficacy were undertaken. Again these results should not be generalised across all agreements or even across sectors for Chile.

An econometric analysis of the impacts of tariff preferences on fruit trade found that a 1% decrease in the preferential tariff generates an increase in trade of approximately 5% compared to other suppliers, which is an elasticity of substitution of approximately 5. The mere presence of an agreement increases trade by about 68% and positive preferences further increase trade flows. The impact of the preferential margins on the probability to trade new products was however very weak, a margin 10% or more increased the probability of trade in new products by only 3.5%. Thus, there may not be a substantial benefit from these preferential margins in opening new markets. Both of these results were corroborated with the survey of Chilean exporters.

How do exporters view the RTAs? Do they find they increase trade, profits or provide them with easier market access? The survey found that exporters overwhelmingly perceived the RTAs as having brought trade benefits to the sector in general and fruit exports in particular. Nearly 85% agreed that the RTAs increase trade flows in existing markets. However, only about 60% found these to open new markets. This response may reflect their market destination configuration. Nonetheless, the weaker impacts of RTAs on new markets do support the econometric findings discussed above.

Interestingly, exporters found tariff preferences to have been more important in the past, but with multiple agreements of importers they find that their preferences have been eroded. Nonetheless over 75% of exporters do utilise the preferences, even if these are not the determinant factor in export

24. A detailed description of the econometric method and assumptions made are found in *The Impact of Regional Trade Agreements on Trade In Agricultural Products*, (OECDa, 2012).

decisions. Rules of Origin were not considered to be a problem for exporters except that certificates were not obtainable on the weekends. However, the processed fruit trade association noted that rules of origin were often a binding constraint for their exports due to inclusion of imported sugar content. Nearly 75% of exporters also perceived the RTAs to increase competitiveness in spite of preference erosion. Less than 60%, however, found these agreements to increase profitability.

How are non-tariff measures, such as SPS or TBT regulations, perceived to impact trade flows? Food safety regulations were considered to be justified even where stringent. RTAs were not considered as a means to relax the regulations but rather to facilitate clarity on procedures and definitional matters. About two-thirds of the exporters found that the RTAs did facilitate opening markets for their products because of the negotiation efforts by the Chilean food safety, plant and animal health authorities (SAG) to clarify and define procedures in fulfilling SPS requirements of the importing country. In particular, the RTAs were seen as accelerating authorisation processes linked to the more stringent risk analysis procedures of certain importers notably, the United States, Korea and China. Contacts among regulatory agencies through technical committees as well as ad hoc contacts have been important in resolving specific procedural issues.

The survey found that exporters and trade associations consider the role of government as fundamental in providing an environment to enable them to do business. Their export success was recognised to be in part due to the government fulfilling this role. This perception was reiterated by a number of other agricultural trade associations. Both SAG and the export promotion agency (ProChile) were singled out as important players in assisting exporters to enter new markets or expand in current ones. ProChile was perceived as an important player in facilitating commercial ties through assisting producers in making known their products worldwide.

While over 70% of the respondents believe that the government has been important actor in helping them access the benefits of the agreements, the trade associations were considered crucial in informing firms about the agreements and their benefits. These trade associations also participate indirectly in the trade agreement negotiations through the "*cuarto adjunto*" or room next door. The strategy of the government of involving all players from the beginning of the negotiating process has been influential in the uptake of open markets trade policy in Chile, even if not all business demands are met.

III. Looking forward: Can we improve on the agricultural trade liberalisation on offer in RTAs?

The analysis of the treatment of agriculture in RTAs highlighted a number of areas where present structure and rules could be made more trade liberalising and conducive to a more open regionalism or multilateral liberalisation. These include distribution of tariff concessions, exemptions and TRQs, RoOs, as well as SPS regulations. The recommendations are based on the analysis of some 53 agreements, rather than all the RTAs that have been notified to the WTO and therefore caution is called for in trying to generalise these.

It should also be borne in mind that the final agreements reflect a balance among numerous political economy objectives, and not necessarily focused on just achieving better market access.

Analyses of the impacts of tariff preferences find that these can have significant positive effects on trade flows for their members. This means that more complete tariff elimination, particularly for those highly protected sectors, could further boost trade for members.²⁵

25. While the Chilean case study is quite circumscribed as to product and country, the analysis finds that tariff preferences are important for competitiveness and maintaining a level playing field with respect to other exporters and that the role of government to facilitate trade through institutional, regulatory and physical infrastructures were fundamental to their ability to export globally.

These analyses highlight areas and issues that might be improved upon in future agreements to increase their trade facilitation, thus promoting trade among members and possibly with non-members as well. Clearly, the most important component for expansion of benefits of the agreements is that of accession or enlargement of the membership, an issue beyond the scope of this report.

Market access and trade rules

While the RTAs examined have eliminated tariffs on a large share of agricultural products numerous products in key sectors continue to be exempt from this liberalisation process. These exemptions operate through partial reductions in duties, the use of tariff quotas as well as their total exclusion from negotiations. This likely indicates the political economy constraints that countries face in liberalising trade in agricultural products. Sectors such as sugar, meat, cereals and dairy are slow in eliminating tariffs and even at full implementation are not fully liberalised in almost all regions as well as across North and South countries alike. Each has its set of sensitive products which it seeks to protect. While recommended implementation time span is 10 years, for selected agricultural goods this can exceed 18 years. Furthermore, from the evidence presented it is unclear that such a protectionist strategy is even based on comparative advantage arguments. Nonetheless, tariff liberalisation even with a limited number of partners may foster the country's willingness to engage in multilateral liberalisation at some future point (Crawford, 2012).

Recommendation: Future RTAs might consider limiting the number of exemptions to full liberalisation. The use of TRQs could similarly be substantially limited and at least not be permitted for products not in the WTO AoA list. Quotas could also be required to increase over the implementation period so as to remove their binding constraint. The use of RoOs for agricultural products is complex and varies markedly across products, countries and agreements, hinting at their use as measures of protection. These often appear more stringent than for industrial products in that even the *de minimis* or tolerance of third party materials is removed for agricultural goods.

Recommendation: Simple rules that facilitate trade by reducing their variation and complexity could limit any negative trade impacts these RoOs might otherwise have. *De minimis* or tolerance of third party materials could be made to apply to all products irrespective of the sector without significant risk of trade deflection, particularly where the criterion is set at low levels (Estevadeoral et al., 2004, Abreu 2013). While the harmonization and simplification of RoOs for agricultural products would improve upon the present situation, caution is needed to avoid the risk of standardising or harmonizing rules on those agreements with the strictest rules which could run counter to the objective of greater trade liberalisation.

While most of the agricultural safeguards in RTAs have sunset clauses, limiting their use from the outset (if these safeguards cannot be totally abolished) could improve the trade liberalising aspects of the agreements. Their use is justified as an incentive to further liberalisation as they provide some assurance against possible deleterious effects of trade liberalisation on trade and prices. Though some analysts suggest that the mere presence of safeguards in a RTA is incongruous with the GATT Article XXIV-8(b), others suggest that it actually provides significant flexibility to include the possibility for intra-regional safeguards.²⁶

26. From a legal perspective, trade remedies clauses should not be included in RTAs. Article XXIV, para 8(B) explicitly allows those articles dealing with trade remedies to be excluded from the agreements and where the agreements do not explicitly exclude the relevant GATT articles the presence of the set of trade contingent measures, AD/CVD/global safeguards appear to be inconsistent with Article XXIV (Prusa and Teh, 2011, Marceau, 1994). In contrast Pauwleyn (2004) suggests that “GATT Article XXIV *does not prohibit safeguards on trade within a regional trade arrangement*. In particular, GATT Article XXIV-8 permits some internal restrictions (including intra-regional safeguards) as long as ‘substantially all the trade’ is liberalised.

Recommendation: Limitation of the use of special agricultural safeguards to those allowed by the WTO-AoA; shortening their period of applicability; ensuring sunset clauses. The use of much higher volume trigger levels for RTA members in periods of rising imports from all countries could imply a risk of greater use of special agricultural safeguards *vis-à-vis* third countries but not between RTA members. Where the safeguard is applied only with respect to the partners there is no risk of spill-over effects since it is limited to RTA members.

Nearly 50% of the agreements prohibit export subsidies to member countries and this is a significant move towards trade liberalisation and a move that goes beyond what is required in the WTO-AoA.²⁷

Recommendation: Prohibition of export subsidies could be explicitly applied to the agricultural sector as they are for the non-agricultural sector. This would be a positive step towards promoting a level playing field in trade. However the use of export subsidies is best tackled within the multilateral trade framework.

Most RTAs include a chapter, which prohibits the use of export restrictions except as permitted by Article XI of the GATT, which allows their use to prevent or relieve critical shortages of foodstuffs. The Article 12 of WTO-AoA defines provisions to be observed when export restrictions on foodstuffs are instituted in accordance with Article XI of the GATT. Those provisions do not apply to developing countries that are not net-food exporters. See the complete description of export restrictions in agriculture in OECD (2013).

Recommendation: Export restrictions in RTAs should follow WTO-GATT disciplines under Article XI.

A detailed analysis of the SPS chapters finds that there is no real engagement to make operational the basic principles of the SPS agreements. The language remains superficial with no concrete commitments, even for countries at similar levels of economic development. Greater transparency and uniformity in regulations could facilitate market access for members. A key to overcoming discrimination due to differential capacities could be achieved through appropriate technical assistance (Almeida, 2009; Sotler, 2009; Lesser, 2007). Having one system applied to all products domestic and foreign would be advantageous from an administrative and private sector perspective. Moreover, it would be a concrete step towards the multilateralising their SPS requirements, so that they apply to both RTA members and other partners.

Recommendation: While many SPS chapters in RTAs have made some progress on the issues listed below, not all are included in all agreements. Future RTAs could include concrete commitments for inclusion in SPS chapters on:

- Transparency through publication of both new and revised SPS regulations before their implementation;
- Harmonization of sanitary and phyto-sanitary measures through adoption of international standards;
- Regionalisation through use of international standards for defining risk free areas;
- Equivalence for in-country testing and certification. One certificate accepted by all importers could be more efficient for RTA members but also provide for more open regionalism. Comesa's Green Pass or SAFTA's certified exporter approach could provide an initial framework;

27

The Bali Ministerial Declaration of 7 December 2013 states: we therefore reaffirm our commitment as an outcome of the negotiations to the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect, as set out in the 2005 Hong Kong Ministerial Declaration. We regret that it has not been possible to achieve this objective in 2013 as envisaged in that Declaration.

- Commitments to increased technical and administrative assistance, including technical training and equipment, are needed to promote trade among members. These will have spill over effects on all trade;
- Increase the scope of Joint SPS committee tasks for collaboration on specific SPS issues as well development of standards and regulations. These could initially be had through mutual recognition agreements (MRAs) or *ad hoc* agreements on specific products and later expanded through different forms of institutional cooperation.

References

- Abreu, M.D., (2013), "Preferential Rules of Origin in Regional Trade Agreements", WTO ERSD working paper, 2013-05.
- Bagwell, K. and R. Staiger (1996), "Reciprocal Trade Liberalization, " *Working papers* 9602, Wisconsin Madison – Social Systems.
- Bagwell, K. and R. Staiger (2004), "[Multilateral trade negotiations, bilateral opportunism and the rules of GATT/WTO](#)," *Journal of International Economics*, Elsevier, vol. 63(1), pages 1-29.
- Baldwin, Richard. E., (2006), "Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade", *The World Economy* 29, 1451-518.
- Borda, C. and D. Weinstein, (2006), "Globalization and Gains from Trade" *Quarterly Journal of Economics*, 121:2.
- Brown, A., and R. Stern, (2011), "Free Trade Agreements and Governance of the Global Trading System" *The World Economy*, 34: 3 331-354.
- Cadot, O., C. Carrere, J. de Melo, and B. Tumeurchudur (2005), "Product Specific Rules of Origin in EU and United States Preferential Trading Agreements: An Assessment", *CEPR discussion paper* 4998.
- Carrere, C. and de Melo, J. (2004), "Are rules of origin equally costly? Estimates from NAFTA" *CEPR Discussion paper*, no. 4437.
- Crawford, J. (2012), "Market Access Provisions on Trade in Goods in Regional Trade Agreements, WTO, ERSD-20120-20.
- Crawford, J and R. Fiorentino (2006), "The Changing Landscape of Regional Trade Agreements", *Discussion Paper # 8*, WTO.
- Damuri, Y. R., (2009), "How preferential are Preferential trade Agreements? Analysis of Product Exclusions in PTA's, *NCCR Trade Regulation, Working Paper*, no.2009/30.
- Estevadeordal, A., Suominen, K and C. Martincus, (2012), "Regional Trade Agreements: Development Challenges and Policy Options", IDB-ICTSD E-15 expert policy dialogue, November.
- Estevadeordal, A., M. Shearer and K. Suominen (2008), Market Access Provisions in Regional trade Agreements," *Int working paper*, 01, 2nd quarter 2008. IDB.
- Estevadeordal, A. (2000), Negotiating Preferential Market Access: The case of the North American Free Trade Agreement, *Journal of World Trade*, 34: 1 145-166.
- Estevadeordal, A. and K. Suominen, (2005), "Rules of Origin in Preferential Trading Arrangements: Is All Well with the Spaghetti Bowl in the Americas? *Economia*. http://www.researchgate.net/publication/227386457_Rules_of_Origin_in_Preferential_Trading_Arrangements_Is_All_Well_with_the_Spaghetti_Bowl_in_the_Americas.
- Ethier, W., (1998), "Regionalism in a Multilateral World", *Journal of Political Economy*, 106:1214-45.
- Ethier, W., (2004), "Political Externalities, Non-discrimination and a Multilateral World, *Review of International Economics*, 12:3 303-320.
- Freund, C., (2003), "Reciprocity in Free Trade Agreements" *World Bank Research Working Paper* no 3061, May.
- Garay, L.J. and A. Estevadeordal (1996), Protection, Preferential Tariff Elimination and Rules of Origin in the Americas, 5(2) 63-92 *Integration and Trade*,

- Grossman, Gene M. and Elhanan, Helpman, (1995), "The Politics of Free Trade Agreements", *American Economic Review*, Vol 85:4 667-80.
- Henson, S. (2008), "The role of Public and Private Standards in Regulating International Food Markets", *Journal of International Agricultural Trade and Development*, 4:1 63-81.
- Henson, S. and S. Jaffee, (2007), "Understanding Developing Country Strategic Responses to the Enhancement of Food Safety Standards", *The World Economy*, 31:1 1-15.
- Hoekman, B. and M. Kostecki, (2010), *The Political Economy of the World Trading System, WTO and Beyond*, Oxford University Press, Oxford, UK.
- Johnson, H. (1954), "Optimum Tariffs and Retaliation". *Rev. Econ. Studies* 21, no. 2 (1954): 142-53.
- Keck, Alexander and Andreas Lendle, (2012), "New evidence on preference utilization", *Staff Working Paper*, World Trade Organisation, Economic Research and Statistics Division, ERSD, 2012-12.
- Kee, H.L., A. Nicita and M. Olarrega, (2008), "Import Demand Elasticities and Trade Distortions", *Review of Economics and Statistics*, 90:4 666-682.
- Kim, J. (2010), "Recent Trends in Export Restrictions", *OECD Trade Policy Papers*, No. 101, OECD Publishing, Paris.
DOI: <http://dx.doi.org/10.1787/5kmbjx63sl27-en..>
- Krishna, Pravin, (1998), "Regionalism and multilateralism: Political Economy Approach", *Quarterly Journal of Economics* 113:1
- Kruger, P., and W. Dinner and J.B. Cronje, (2009), "Comparing safeguard measures in regional and bilateral agreements", ICTSD, Issue Paper no 72.
- Lesser, C. (2007), "Do Bilateral and Regional Approaches for Reducing Technical Barriers to Trade Converge Towards the Multilateral Trading System?", *OECD Trade Policy Papers*, No. 58, OECD Publishing, Paris.
DOI: <http://dx.doi.org/10.1787/051058723767>
- Maggi and A. Rodriguez-Clare, (2007), "A Political-Economy Theory of Trade Agreements" *American Economic Review*, 97:4 1374-1406.
- OECD-IDB (2010), "The Treatment of Agriculture in Selected Regional Trade Agreements", [\[TAD/TC/CA/WP\(2010\)7\]](#).
- OECDa, (2012a), "The impact of Regional Trade Agreements on Trade in Agricultural Products", [\[TAD/TC/CA/WP\(2012\)2/FINAL\]](#).
- OECDb, (2012b), "The Impact of Regional Trade Agreements on Chilean Fruit Exports", [\[TAD/TC/CA/WP\(2012\)3/FINAL\]](#).
- OECD, (2013), "Export Restriction on Agricultural products: Findings from the Database", [\[TAD/TC/CA/WP\(2012\)4/FINAL\]](#).
- Pauwelyn, J., (2004), "The Puzzle of WTO Safeguards and Regional Trade Agreements", *Journal of International Economic Law*, p109-142.
- Piermartini, R and M. Budetta (2009), "Technical Barriers to Trade", *WTO Staff Working Paper*, ERSD, 2009
- Prussa, Thomas and Robert Teh, (2011), *Contingent Protection Rules in Regional Trade Agreements*, Ed. Kyle W. Bagwell and Petros C. Mavroidis. 1st ed. Cambridge: Cambridge University Press, 2011. pp. 60-100.
- Simonovska, I and M.E. Waugh, (2011), "The elasticity of Trade: Estimates and Evidence", *Technical Report*, 16796, National Bureau of Economic Research.

- Stoler, Andrew, (2009), “TBT and SPS Provisions in Regional Trading Agreements’ paper presented at the Conference on Regional Integration in Asia and Europe, Sussex, UK.
- Shearer, M., J. Almeida, and C. Gutierrez and M. Shearer (2009), “The Treatment of Agriculture in the Regional Trade Agreements in the Americas”, *IDB Working Paper Series* 154, December 2009.
- VanGrasstek, C. (2011), “The Political Economy of Services in Regional Trade Agreements”, *OECD Trade Policy Papers*, No. 112, OECD Publishing.
<http://dx.doi.org/10.1787/5kgdst6lc344-en>.
- Whalley, J. (2008), “Recent Regional Agreements: Why So Many, Why So Much Variance in Form, Why Coming So Fast and Where Are They Headed?” *The World Economy*, 31:4 517-532.
- WTO, (2011), *World Trade Report 2011: The WTO and preferential trade agreements: From co-existence to coherence.*, World Trade Organisation, Geneva.

APPENDIX

Table A1. List of the 78 agreements tariff schedules used in econometric estimations

Argentina-Bolivia (1997); Argentina-Chile (1996); Argentina-Colombia (2005); Argentina-Ecuador (2005); Argentina-Peru (2005); Argentina-Venezuela (2005); Australia-Chile (2009); Australia-Singapore (2003); Australia-Thailand (2005); Australia-USA (2005); Bolivia-Brazil (1997); Bolivia-Mexico (1995); Bolivia-Paraguay (1997); Bolivia-Uruguay (1997); Brazil-Chile (1996); Brazil-Colombia (2005); Brazil-Ecuador (2005); Brazil-Peru (2005); Brazil-Venezuela (2005); Brunei Darussalam-Chile (2006); Canada-Chile (1997); Canada-Costa Rica (2002); Canada-Mexico (1994); Canada-Peru (2009); Chile-China (2006); Chile-Costa Rica (2002); Chile-El Salvador (2002); Chile-Iceland (2004); Chile-Korea (2004); Chile-Mexico (1999); Chile-New Zealand (2006); Chile-Norway (2004); Chile-Paraguay (1996); Chile-Peru (1998); Chile-Singapore (2006); Chile-Switzerland (2004); Chile-Uruguay (1996); Chile-USA (2004); China-New Zealand (2008); Colombia-Paraguay (2005); Colombia-Uruguay (2005); Colombia-USA (2009); Costa Rica-Mexico (1995); Costa Rica-USA (2006); Dominican Rep.-USA (2006); Ecuador-Paraguay (2005); Ecuador-Uruguay (2005); El Salvador-Mexico (2001); El Salvador-USA (2006); EU27-Chile (2003); EU27-Egypt (2004); EU27-SACU (2000); Guatemala-Mexico (2001); Guatemala-USA (2006); Honduras-Mexico (2001); Honduras-USA (2006); Japan-Mexico (2005); Japan-Thailand (2007); Kenya-Tanzania (1994); Kenya-Uganda (1994); Korea-Singapore (2006); Mexico-Nicaragua (1998); Mexico-Uruguay (2004); Mexico-USA (1994); Morocco-USA (2006); New Zealand-Singapore (2001); New Zealand-Thailand (2005); Nicaragua-USA (2006); Panama-Singapore (2006); Paraguay-Peru (2005); Paraguay-Venezuela (2005); Peru-Thailand (2003); Peru-Uruguay (2005); Peru-USA (2009); Singapore-USA (2004); Turkey-Egypt (2004); Uganda-Tanzania (1994); Uruguay-Venezuela (2005).

The date in parenthesis refers to the year of entry into force of the Agreement.

Source: OECDb, (2012)

Table A2. Coverage and Depth of WTO-SPS principles

Agreement	SPS principles					Other commitments	
	Harmonization	Equivalence	Regionalization	Assessment of risk	Transparency	Joint Committee	Mutual Recognition
RTA							
NAFTA	√	√ (+)	√	√	√ (+)	Inst.	*
United States-Colombia /a	√	√	√	√	√	Inst.	*
United States-Peru /a	√	√	√	√	√	Inst.	*
Canada-Costa Rica /a	√	√	√	√	√	Inst.	*
CAFTA /a	√	√	√	√	√	Inst.	*
Chile-United States a/	√	√	√	√	√	Inst.	*
Chile-Canada	*	*	*	*	*	*	*
Chile-Japan /a	√	√	√	√	√	Inst.	*
Chile-China	√	√	√	√	√ (+)	Inst.	*
Chile-Korea	√	√	√ (+)	√	√ (+)	Inst.	*
Chile-Mexico	√ (+)	√	√ (+)	√	√ (+)	Inst.	*
Chile-Peru	√ (+)	√	√ (+)	√	√ (+)	Inst.	*
Chile-EU	√ (+)	√ (+)	√ (+)	√	√ (+)	Inst.	√
Chile-New Zealand-Singapore-Brunei (P4)/a	√	√ (+)	√	√	√ (+)	Inst.	*
Mercosur-Chile /a	√	√	√	√	√	*	√
Mercosur-Bolivia /a	√	√	√	√	√	*	√
Mexico-EU /a	√	√	√	√	√	Inst.	*
Mexico-Bolivia	√	√	√	√	√ (+)	Inst.	*
Mexico- Costa Rica	√	√	√	√	√ (+)	Inst.	*
Mexico-Nicaragua	√ (+)	√	√ (+)	√	√ (+)	Inst.	*
Mexico-Northern Triangle	√ (+)	√	√ (+)	√ (+)	√ (+)	Inst.	√
Mexico-Uruguay	√	√	√ (+)	√ (+)	√ (+)	Inst.	*
Mexico-Peru	*	*	*	*	*	*	*
Mexico-EFTA /a	√	√	√	√	√	Inst.	*
Mexico-Japan /a	√	√	√	√	√	Inst.	*
Mexico-Israel /a	√	√	√	√	√	√	*
Mexico-Colombia	√	√	√	√ (+)	√ (+)	Inst.	*
Mercosur-Peru (ACE 58)	√ (+)	√ (+)	√	√ (+)	√ (+)	√	*
Mercosur-Andean Community (ACE 59)	√ (+)	√ (+)	√ (+)	√ (+)	√ (+)	√	*
Panama-Singapore /a	√	√	√	√	√	√	*
Peru-Thailand	√	√	√	√	√ (+)	Inst.	*
Cent.Amer-DR	√	√	√	√	√	Inst.	√

Agreement	SPS principles					Other commitments		
	Harmonization	Equivalence	Regionalization	Assessment of risk	Transparency		Joint Committee	Mutual Recognition
RTA								
Cent.Amer-Chile	√	√	√	√ (+)	√ (+)		Inst.	*
Canada-Peru	√	√	√	√	√		Inst.	*
EFTA - Chile a/	√	√	√	√	√		Inst.	*
Australia – Thailand	√	√ (+)	√	√	√		Inst	*
New Zealand - Thailand	√	√	√	√	√ (+)		Inst	*
Australia - Singapore	√	√ (+)	√	√	√ (+)		√	√
Japan - Thailand	*	*	*	*	*		*	*
China- New Zealand	√	√ (+)	√ (+)	√ (+)	√ (+)		Inst	*
Australia - United States	√	√	√	√	√		Inst	*
Australia - Chile a/	√	√	√	√	√		*	*
United States -Singapore	*	*	*	*	*		*	*
New Zealand – Singapore	√	√	√	√	√		*	√ (+)
Korea -Singapore a/	√	√	√	√	√		*	*
China - Hong Kong	*	*	*	*	*		*	*
EFTA-Turkey	*	*	*	*	*		*	*
EU- South Africa	*	*	*	*	*		*	*
EU-Egypt	*	*	*	*	*		*	*
Turkey- Egypt a/	√	√	√	√	√		*	*
United States - Morocco a/	√	√	√	√	√		Inst	*

Note: /a : When there is basically a single provision stating that the Parties should respect the WTO SPS Agreement; √: When there is a commitment on the subject identified in the related column, although it does not go beyond the WTO-SPS Agreement; √(+) When the commitment go beyond the WTO SPS Agreement by specifying the steps and/or timeframe to apply the related subject;+ No SPS chapter

In the case of Mutual Recognition, the symbol “√” means that the parties establish a generic commitment to work toward the identification of areas for mutual recognition agreements; “√(+)” means that the parties already specify their scope (i.e. standards relating to packaging and labelling)

Source: OECD-IDB (2010)

Table A3. Agricultural Subsidies

Agreement	Domestic support	Export subsidies	Agreement	Domestic support	Export subsidies
Australia – Thailand	*	√	EFTA-Turkey	√	*
Australia-United States	*	√	EU-Egypt	√	*
Australia-Chile	√	√	EU-South Africa	√	*
Australia-Singapore	√	√	United States – Morocco	*	*
New Zealand- China	√	√	SADC-	*	*
New Zealand-Thailand	√	√	EAC-	*	*
New Zealand-Singapore	√	√	COMESA-	√	*
Korea- Singapore	*	√	ECOWAS-	*	*
United States-Singapore	*	*	EFTA-Chile	√	*
Japan-Thailand	√	√	Canada-Peru	√	√
China-Hong Kong	√	√			
Egypt- Turkey	√	*			

√ included in the RTA; * not included.

Source: Fulponi, L., M. Shearer and J. Almeida (2011), "Regional Trade Agreements - Treatment of Agriculture", *OECD Food, Agriculture and Fisheries Papers*, No. 44, OECD Publishing, Paris.

DOI: <http://dx.doi.org/10.1787/5kgg53fmnjxv-en>

Table A4. Agricultural Subsidies

	Domestic support	Export subsidies
NAFTA	√	√
United States-Colombia	*	√
United States-Peru	*	√
Canada-Costa Rica	√	√
CAFTA-DR	*	√
Chile-United States	*	√
Chile-Canada	*	√
Chile-Japan	*	√
Chile-China	*	√
Chile-Korea	*	*
Chile-Mexico	√	√
Chile-Peru	*	*
Chile-European Union	*	*
Chile-P4	*	√
Mexico-EU	*	√
Mexico-Bolivia	√	√
Mexico-Costa Rica	√	√
Mexico-Nicaragua	√	√
Mexico-Northern Triangle	√	√
Mexico – Uruguay	√	√
Mexico-Peru	*	*
Mexico-EFTA	√	√
Mexico-Japan	*	*
Mexico-Israel	*	*
Mexico-Colombia	√	√
Mercosur-Peru	√	√
Mercosur-Can	√	√
Mercosur Chile	*	*
Mercosur-Bolivia	*	*
Central America-DR	*	*
Central America-Chile	*	*
Panama-Singapore	*	√
Peru-Thailand	*	√

√- included in the RTA; * not included.

Source: Shearer et al. (2009) Table 2.