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**THE WORLD TRADE ORGANIZATION
IN THE INTERNATIONAL FOOD MARKET**

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**Statement by Mr. Anward Hoda, Deputy Director General
World Trade Organization**

The Uruguay Round trade negotiations resulted not only in the creation of the World Trade Organization, but also in over 30 specific agreements, understandings and declarations, many of which have implications for the international food market. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) for example, addresses patent and brand name protection issues, while the agri-food industry has also some interest in aspects of the Agreement on Trade in Services, particularly regarding such issues as transportation and distribution services. However, there are three agreements which will have a very direct effect on international food trade. These are the agreements on Agriculture, on the Application of Sanitary and Phytosanitary Measures, and on Technical Barriers to Trade.

Agreement on Agriculture

The entry into force on 1 January of this year of the Agreement on Agriculture and the other WTO agreements represents a major break with the past in terms of the international arrangements governing agricultural trade. The Member countries of the WTO have pledged themselves to the liberalization and fundamental reform of agricultural trade and domestic policies. The significance of the Agriculture Agreement arises from both the new rules it contains and from the many thousands of specific concessions and commitments which were negotiated on market access, export subsidies and domestic support. Reductions under the specific commitments are being implemented by most countries from the beginning of 1995, although some will start with crop years of financial years in later months.

In terms of market access, the use of quantitative restrictions, variable import levies, discretionary import licensing and other such non-tariff barriers, including those applied through state trading enterprises, to restrict agricultural imports is now prohibited, and governments must rely instead on the exclusive use of tariffs. Certain non-agricultural specific restrictions which are permitted by GATT 1994, such as temporary balance-of-payments restrictions, are not covered by the tariffication requirement. Although the initial step of this reform has resulted in some high tariff levels, agricultural tariffs overall are to be reduced in steps by 36% (24% for developing countries) during the next six years (ten years for developing countries).

It is important to note in this context that current access to markets is being maintained, at existing tariff levels. Furthermore, where no imports had previously been allowed, governments must now permit import opportunities equivalent to at least 3% rising within six years to 5% of total domestic consumption of any product.

The commitments and rules on export subsidies were the center piece of the agriculture negotiations. The reductions in both the quantity of subsidized export (21% for developed and 14 percent for developing countries) and the budgetary outlays allocated for these subsidies (36 percent for developed and 21 percent for developing countries) represent a major achievement by any account, particularly if one reflects on the problems which consistently bedeviled competition in world markets for major commodities over the past two decades.

Furthermore, there is now a prohibition under the Agriculture Agreement on the use of any of the listed direct export subsidies on any agricultural product which is not subject to specific reduction commitments. This means that WTO Members are not entitled to introduce new export subsidies in the future. Developing countries enjoy a temporary exception in respect of certain transport and export marketing cost reduction subsidies.

The overall effect of the commitments under the Agriculture Agreement should encourage the provision of food aid in the form of gifts or long-term concessional sales in the medium to long term. The Agreement also provides for the development of internationally agreed disciplines regarding export credits, with Ministers having agreed to ensure that provision is made for differential treatment in favor of least-developed and net food-importing developing countries.

The domestic support commitments under the Agreement are basically designed to encourage a further shift, over time, towards measures and policies that are minimally distortive in terms of their impacts on production and trade. These commitments therefore have a role to play in underpinning the reform process initiated by the Uruguay Round and in facilitating further negotiations. In essence, the domestic support measures that are to be reduced are market price support measures and production-inducing direct payments.

In a number of heavily subsidizing developed countries the domestic support reduction commitments will have been met as a result of reform credits accumulated since the 1986 reference period. Even so, the commitments should operate to lock-in these domestic policy reforms and as a ceiling to contain the scope for increasing the level of the most trade distorting forms of support. In any event, the real flexibility under these domestic support commitments lies in the ability to shift to support that is not subject to reduction under one or other of the so-called Green or Blue Box categories of minimally distorting support. Thus countries will continue to be able to pursue income support objectives, as well as environmental, regional assistance and structural assistance programs, but in accordance with mutually agreed international criteria and conditions. In this regard it may be noted that developing countries enjoy additional exceptions for investment and input subsidies.

These changes should ensure that world trade shares will be progressively and increasingly determined by countries' comparative advantage in agricultural production and marketing, rather than by the capacity of their governments, directly or indirectly, to finance subsidies.

The Agreement on Agriculture has to be viewed both from the long term perspective and the short term point of view. Among a number of evaluations of the Uruguay Round outcome on agriculture that are now available, none has doubted the

systemic nature reform that has been accomplished and the immense impact it would have in the medium and long term. On the short term the impact general verdict is that it is a modest outcome. How modest? To enable you to judge for yourselves, I would invite you to consider the following:

- (a) the tariff rate quotas negotiated as part of the tariffication process (both current and minimum access) will cover, to give one example, import opportunities of grains and related products amounting to 31 million tons rising to 32 million tons over the implementation period. This tariff quota access opportunity is fully bound under GATT 1994 at generally low rates of duty relative to the higher, sometimes much higher, out of quota or general MFN rates of duty. These tariff quota bindings in GATT will be in contrast to the stop-go import policies of the past, and will provide predictable and secure trade opportunities for grains in the future;
- (b) the agreed target for simple average tariff reduction for the developed countries was 36% with a stipulated minimum of 15% for a particular product. Since the developed countries have generally opted for the minimum in respect of the sensitive products, there has been a deeper than 36%—in some cases almost 50%—reduction for other products such as processed food products;
- (c) in respect of export subsidies there will be a very substantial reduction in both value and volume terms from the levels reached in 1991-1992, that is just before the Round was concluded. To give an example from the meat sector this time, for beef alone the reduction, as calculated by the Secretariat in US dollars, will be from US\$ 3.0 billion to \$1.8 billion: a reduction of 40% over six years. For the quantity commitments the corresponding figures are from 1.8 to 1.3 million tons involving a reduction of 28% over the same period. If the reductions in pig meal and poultry subsidies are included, a new market opportunity of 861 thousand tons of meat will be released for efficient exporters. The figures for cereals are even more impressive. For wheat and coarse grains, the reduction will be from \$7.6 billion to \$3.7 billion in budgetary terms and from 82.7 to 56.6 million tons in quantity commitment over the same period. these reductions amount to 52% and 31.5%, respectively.

As a number of these evaluations indicate the trade position of developing countries as a whole and on regional basis will be better off as a result of the Round. Some question marks have been raised about the impact of the Agreement on the developing countries of Africa. What these studies appear to indicate is that although basically the African developing countries would be better off, debatable assumptions about the effect of reduced margins of preference for their exports and of the reductions in developed country export subsidies could possibly offset to a certain extent the gains on agriculture. However, it should be noted that part of the Uruguay Round deal on

agriculture is a Ministerial Decision on the "possible negative effects of the Uruguay Round reform Program on the least developed and net food-importing developing countries. This decision provides for action as appropriate in areas such as food aid, technical assistance, export credits and access to the resources of the international financial institutions. This decision is to be monitored on a regular basis by the WTO committee on Agriculture and will be reviewed at the biennial Ministerial Conference of the WTO itself.

SPS Agreement

As the Agricultural negotiations proceeded, there was concern among many countries that the prohibition of quotas and other import restrictions could result in greater use of sanitary and phytosanitary restrictions on trade, even if these were not always justified. Therefore, an Agreement on the Application of Sanitary and Phytosanitary Measures was negotiated.

The "SPS Agreement", as it is frequently referred to, covers all measures which are taken to protect animal and plant health from pests and diseases, and to protect human and animal health from risks in food or feedstuffs, such as toxins or pesticide residues, as well as to protect humans from animal-carried diseases (eg., rabies). While fully recognizing the right of governments to take measures to protect health, the Agreement aims at minimizing the negative effect of SPS measures on trade. With this end in view it requires that these measures be taken only to the extent necessary, and be based on scientific principles and not be maintained without scientific evidence. This means that sanitary/phytosanitary trade restrictions can be put in place only on the basis of the results of careful laboratory testing and analysis, and identification of genuine concerns regarding food safety or of serious threats to animal or plant health.

To meet their obligations under this agreement, governments essentially have two alternatives: to undertake an assessment of the risks involved in each case, or to base their requirements on the standards, guidelines and recommendations which have been developed by the relevant international technical bodies. The WTO itself will not develop technical standards, but the SPS Agreement explicitly refers to the standards and guidelines which have been developed by the Office International of Epizooties (the World Animal Health Organization) for animal diseases, by the FAO/WHO Codex Alimentarius Commission for food safety matters, and by the FAO International Plant Protection Convention for phytosanitary measures.

Governments are encouraged to make use of these internationally agreed standards for trade purposes and thus "harmonize sanitary or phytosanitary measures on as wide a basis as possible". If they do so, the SPS Agreement considers them to be in compliance with their obligations under the WTO. Governments who choose to impose more rigid import requirements can be challenged to provide a scientific justification for

their use. An importing country could thus be required to show why the international standard does not provide sufficient health protection. It could for instance take the plea that the conditions of exposure in that country are radically different from the assumptions used in the development of the international standard and its in-built safety margins.

Much work is now underway on risk assessment methodologies, to identify the factors that should be considered, what type of analysis should be done, what are the appropriate margins of safety in different circumstances, how to deal with unknown factors, how to present the results. All three of the specialized standards-making institution are proceeding to develop such methodologies, for their own use and for use by governments in cases where international standards do not yet exist. Furthermore, risk analysis has become a matter of discussion in numerous other plurilateral and regional fora, so that it should be possible for governments to quickly identify methodologies which are appropriate to the situation they must assess.

Two provisions of the SPS Agreement are likely to contribute to further minimize the negative trade effects of SPS measures. These provision relate to the acceptance of equivalence of SPS measures and recognition of disease-free area.

The SPS Agreement also requires governments to accept as equivalent the practices of another country which result in the same level of health protection. This is a recognition that often times other, perhaps less technically elaborate, measures can result in an equally safe product. For example, the requirements on slaughterhouses of two countries may not be he same, but both may result in equally safe meat products. Or, one country may use a certain fumigation treatment on fruits and another a temperature treatment, but with the same guarantee of elimination of a particular pest of concern.

Another major provision is the recognition of disease-free-areas, or areas of low pest or disease prevalence, irrespective of political boundaries. Import restrictions must correspond to the physical and epidemiological conditions of the supplying region, whether it is part of a country or encompasses parts of several countries. If a particular disease is endemic only in one part of a country, yet the major producing areas are free of the disease and can be kept that way through buffer zones, limitations on movement and other controls, there is no reason why the country as a whole should be considered to be infected for trade purposes. This is an important concept, and a number of government already are meeting to work out the details necessary to put it into practice on a bilateral basis, most notably the United States with Argentina, Brazil and Uruguay. Certification of disease-free status is also actively under consideration by the World Animal Health Organization (the OIE) in particular with regard to foot-and-mouth disease.

As of the beginning of 1995, governments which are members of the WTO have the obligation to ensure that all sanitary and phytosanitary regulations which have been adopted are published promptly. The Members are also required to give advance notification of proposed changes in their animal/plant health requirements or food safety regulations which might affect trade, whenever these are not based on international standards. These advance notifications are distributed by the WTO Secretariat to all member countries, allowing them the opportunity to seek further information and make their concerns known directly to the government taking the actions.

These transparency requirements are buttressed further by the obligation for each Member to establish an "Enquiry Point", a single contact office from which trading partners can seek any kind of information on sanitary and phytosanitary measures, new or existing, including bilateral agreements and the texts of any regulations or agreements. This should make it possible for exporters to learn, through one single contact point, all the sanitary/phytosanitary requirements that might be relevant to their export products, and the conditions being applied to other exporting countries.

A special committee has been established in the WTO to oversee the implementation of the SPS Agreement. The SPS Committee, which is open to all member governments, held its first meeting at the end of March 1995. A second meeting is scheduled for the end of June. Already this committee has begun to address some of the substantive issues before it, including questions on risk assessment methodologies and on the disciplines to be applied in risk management decisions. The Committee is charged with setting up a procedure to monitor the use of international standards, to contribute to the transparency of trade requirements. I encourage all governments to participate actively in this Committee, to use the opportunities now available to address sanitary/phytosanitary problems of concern to your countries and to ensure that such restrictions are used only when necessary to protect health, not commercial interests.

It has been clearly recognized that many countries will need technical assistance in order to comply with their obligations under the SPS Agreement. This is recognized in the agreement, which stresses the need for bilateral and multilateral training and assistance programs. The WTO Secretariat is not a technical organization in this sense. However, we have begun a series of regional seminars, jointly with the three specialized technical institutions involved, to make both government officials and the private sector fully aware of the new agreement and its benefits and obligations. A Pan-American seminar will be soon held in Mexico City, on 11-12 May next, presented by officials from the WTO Secretariat, the Office International of Epizooties, the FAO/WHO Codex Alimentarius Commission and the FAO International Plant Protection Secretariat. Your countries have all been invited to participate, and we hope that you will be present in large number.

TBT Agreement

As I indicated earlier, the SPS Agreement is limited to the measures taken to protect animal or plant health from pests and disease, and to protect human and animal health from food-borne risks as well as to protect humans from animal-carried diseases. All other technical measures, including those related to labelling and packaging requirements, and to food quality concerns, are subject to another WTO agreement, the Agreement on Technical Barriers to Trade (the "TBT Agreement").

The TBT Agreement imposes disciplines not only on mandatory standards (known as technical regulations) but also on voluntary standards as these too affect trade by influencing consumer preference. Not only the technical regulations and standards adopted by central government and local government bodies come within the purview of the Agreement but also those adopted by non-governmental bodies. The Agreement also covers the procedures for assessment of conformity with technical regulations and standards.

The basic principles of the TBT Agreement are the national treatment obligation for imported products and where international standards exist they shall be used unless considered inappropriate for a good reason. Where relevant international standard does not exist or a variation is envisaged in the adoption of technical regulation or conformity assessment procedures, Members have to give advance notice and take into account the comments received. Similar transparency provisions are also provided under the Code of Good Practice for voluntary standard setting activities, such as the obligations to notify, provide copies of work programs and to public adopted standards.

As with the SPS Agreement, there is a requirement to set up an Enquire Point to respond to all reasonable enquiries from other Members and interested parties in other Members about any technical regulations, standards or conformity assessment procedures, adopted or proposed, by central or local government bodies. Some WTO members have chosen to have the same Enquiry Point for SPS measures and other technical requirements subject to the TBT Agreement, which could provide a sort of "one-stop shopping" for information regarding restrictions applicable to food exports, thereby considerably enhancing transparency.

Unlike the Agreement on Agriculture and the SPS Agreement, the TBT Agreement is not an entirely new agreement. It was one of the results of the previous round of multilateral negotiations and came into effect in 1980, but only for those countries which had specifically signed it. As a result of the Uruguay Round negotiations, the TBT Agreement was further strengthened, and now applies to all Members. The main improvements in the new TBT Agreement are the following:

- (a) It now provides criteria to clarify the discipline that a measure must not constitute an unnecessary obstacle to trade. That is, the trade measures imposed must be commensurate with the risks involved if the requirement were not met. If non-compliance would result in little harm, the technical regulation should not be excessive.
- (b) It strengthens disciplines on voluntary standards, procedures for assessment of conformity and standards related activities of local governments.
- (c) One shortcoming of the previous TBT Agreement was that it covered technical requirements on the final product only, and did not address requirements for production or processing methods. Production and processing methods related to product characteristics are now included in the new TBT Agreement.

Dispute Settlement

Violations of any aspect settlement process. As before under the GATT, governments can bring their trade complaints to the WTO, and request that an independent panel consider the case. However, now the recommendations of the panel will be automatically adopted, unless there is a consensus among WTO members to block adoption. Another new feature is the creation of a standing Appeals Body to consider appeals of panel decisions.

We are confident that all these results of the Uruguay Round will strengthen the world trading system for food, other goods and services. The negotiation of these agreements was a difficult task, requiring much flexibility and compromise among governments. However, the bigger task lies ahead, in ensuring the implementation of these agreements both in your own countries and by your trading partners.