

Tackling Non-Tariff Measures for Food and Agricultural Products

The importance of tariffs and subsidies, while still high for key food and agricultural products, has declined relative to the application of Non-Tariff Measures (NTMs) in the food and agricultural sector that affect international trade. There is a need to step up efforts to promote greater transparency on NTMs and to improve our ability to measure their impact.

IPC was pleased to co-host with the OECD, which aims to become the “house of NTMs,” just as it is the “house of the Producer Support Estimate” as expressed at the seminar, an international seminar on “**Non-Tariff Measures in Food and Agriculture: Which Road Ahead,**” in Paris on 13 September.



IPC Member Deb Bhattacharya, Charlotte Hebebrand, Ruth Nyagah, and Frank von Tongeren speak at the OECD

Prof. Alan Deardorff of the University of Michigan set the tone for the conference in

his keynote address, emphasizing the need for further analysis and policy deliberations in order to better quantify the benefits of NTMs to human, animal and plant health as well as to the environment, in order to separate and measure their non-protectionist and protectionist effects. Acknowledging that harmonization of NTMs would facilitate trade, he stressed that in cases where regulatory differences reflect genuine differences in costs and benefits, they should be respected.

The seminar also provided an opportunity to present key research findings and conclusions of the **FP7NTM-Impact project**, funded by the European Commission's seventh framework program, in which IPC is participating. Particular focus was placed on the project's work on comparative analysis of NTMs across countries and the development of indicators of heterogeneity. The newly developed concept for an **index for regulatory heterogeneity (HIT)** was introduced to an audience of 100+ policymakers, private sector representatives, food and agricultural trade experts and academics from around the world. The index, which provides an analytical framework for comparing regulatory requirements across countries in a systematic fashion, could become a very useful tool for policymakers, negotiators as well as the private sector, and as such could have a significant potential impact on how countries evaluate and perceive non-tariff measures imposed by their trading partners.

The seminar also included presentations by **OECD** staff on its work to measure the trade and economic effects of NTMs, and to examine the treatment of NTMs in free trade agreements. The **WTO's** Chief Statistician Hubert Escaith and Gretchen Stanton, Secretary of the WTO Committee on Sanitary and Phytosanitary Measures also addressed the conference. A number of IPC members provided their perspectives on NTMs: (see “*NTM Seminar*” on page 3)

China's Biosafety Regulations – Import and Export Implications

With China becoming a net importer of corn, concerns surrounding trade disruptions due to low level presence (LLP) of GM corn events not yet approved in China in commodity shipments have increased. As part of its LLP series (see related article), a case study on China points out that China's import approval process can only commence when a submitter has already received full regulatory approval in their country of origin, which results in significant asynchronicity in approvals. Out of 29 GM corn events approved in the US, for example, only 11 were approved in China as of 2010. The paper also points out that although China has commercialized several GM crops and has a significant number in the research and regulatory pipeline, it has so far not opted to seek approval of its GM crop events in any foreign country. This could lead to trade disruptions affecting Chinese rice exports, although these exports are declining, but also growing exports of processed rice products. The paper recommends that:

(see “*China*” on page 3)



IPC Analyzes US and EU Farm Policies Amid Tight Budgets

Farm incomes have recently reached record highs due to high commodity prices, throwing further doubt on the need to support farm incomes, the traditional justification for farm support. Instead, pressure is mounting to develop a more targeted approach for risk management and a renewed focus on research and development to help farmers meet growing demand. With both the U.S. and the EU deciding on future policies in light of their current budget struggles, the IPC has released a series of papers discussing and making recommendations for upcoming changes to farm support programs.

Food security is commonly cited as an objective for farm programs, but money would be better spent assisting poorer countries with investments in their agricultural and food system infrastructure than on support for developed country farmers. Environmental protection is also a common objective

of farm programs, but this public good is best provided with more targeted and less costly measures.

The liveliest debates focus on direct payments. These programs were adopted originally as a temporary means of phasing out agricultural market interventions such as maintaining high commodity prices and buying up and disposing of surpluses. In the US, direct payments total around \$5 billion per year. In the EU direct payments amounted to a staggering €38 billion in 2008. The IPC cautions that money saved from eliminating US direct payments go towards increased R&D funding, or towards deficit reduction and not be channelled into trade distorting support.

Although EU direct payments have been linked to the provision of public goods, this linkage is not convincing and these payments should be reduced, in particular given the EU's financial crisis. The case for continue direct pay-

ments needs to be made convincingly to the public, or they should be phased out.

Biofuels are another controversial aspect of US and EU farm programs. IPC argues that subsidies and tariffs should be phased out, given concerns about the impact of biofuels on food prices. As biofuels do have a place in the overall renewable energy strategy, removing import restrictions is key to maintaining supply with the least impact of food prices. Scientific justification must be used to determine sustainability criteria for biofuels—indirect land use change should be incorporated, but presently there is no consensus on how to do so and the issue has been highly politicized.

IPC's publications, supported by the RISE foundation with additional support from the Farm Foundation, are available at <http://www.agritrade.org/Publications/FarmPolicyintheUSandEU.html>.

Zero Threshold for Low-Level Presence of Biotech Crops Causes Trade Disruptions

Increasingly, biotech crops are being adopted by farmers around the world for their increased yield and efficiency. New biotech crops are strictly regulated for food and environmental safety. To date more than 120 biotech

events and 24 biotech crops have been authorized in various countries and commercialized. However, as biotech events occur at increasing speed, regulatory approvals of new biotech crops

have become less synchronized. Many biotech crops have received regulatory approval for use and cultivation in one or more exporting countries, but have not been authorized in the importing country. Such asynchronicity in regulatory approvals could cause

costly trade disruptions. Even when attempts are made to segregate biotech and conventional commodities, low level presence (LLP) of biotech events are likely to occur. In the case of asynchronous regulatory approvals, if the importing country has a zero threshold for unapproved biotech events, trade disruptions could occur (and such disruptions have occurred already).

It is necessary for countries to take a practical approach to address asynchronous approvals. One such approach is advocated by the Codex Annex on Food Safety Assessment in Situations of Low-Level Presences (LLP) of Recombinant DNA Plant Material in Food, which suggest that importing countries take an abbreviated risk assessment in instances of

LLP products that have been fully approved in the country of export and declare the unauthorized event "safe for food and feed at low levels" while awaiting full regulatory review.

IPC has recently released a series of papers analyzing what has and what can be done in regards to asynchronous authorizations and low level presence. IPC takes the position that a predictable and effective regulatory environment that minimizes asynchronous approvals and implements transparent, trade-facility LLP policies is desirable to keep trade options open and commodity prices at appropriate market levels. IPC has released a Position paper documenting the IPC position, as well as a series of Case Studies covering China, Vietnam, and Latin America.



More Work Needed to Address Agricultural Export Restrictions

While food prices have risen around the world, many low-income net food importing countries (NFIDCs) have experienced particularly profound food crises with rising food insecurity. Continued food price volatility is expected considering that population growth, dietary changes, and more frequent climatic incidents are predicted to occur in the upcoming decades. Over the past four years, food prices have repeatedly jumped to crisis levels, leading many low and middle income countries to respond with restrictions on exports of agricultural products in order to promote national food security. However, these measures have been shown to trigger further price increases on the world markets, and thereby aggravating the food security problems of NFIDCs.



In September, IPC and CUTS Inter-

national hosted a session of the WTO Public Forum to discuss the motivations behind and impacts of agricultural export restrictions. The discussion covered whether and how international trade disciplines on agricultural export restrictions can be improved, and urged the WTO Agricultural Committee to elevate the profile of export restrictions in its deliberations.

Panelists emphasized the need to better implement the existing rules regarding transparency of export restrictions. Article 12 of the Uruguay Round Agreement on Agriculture stipulates that any WTO member implementing export restrictions shall “give due consideration to the effects of such prohibition or restriction on importing Members’ food security,” “give notice in writing, as far in advance as practicable, to the Committee on Agriculture,” and “consult, upon request with any other member having substantial interest as an importer with respect to any matter related to the measure in question.” While these

rule are not perfect, chief of Cabinet of the WTO Director General Arancha Gonzalez said that “We may not be able to craft big rules on export restrictions...but we should abide by the existing rules.”

Mokhtar Warida of Egypt’s Mission to the WTO explained that in April 2011, the NFIDCs called for improved disciplines on export measures, but this proposal has not been taken up in the trade debate. So far, discussions have been limited to exemptions on export measures for purchases by the World Food Programme. Gregg Young of the US Mission to the WTO pointed out that such an exemption would be very small in terms of the volume of the global grains market.

Participants in the discussion called for more stringent disciplining of export restrictions. Other participants, however, pointed out that such rule-making may not be possible given the fragile consensus in the agricultural trade reform agenda.

NTM Seminar (from page 1)

Malcolm Bailey of Fonterra and **Willem Jan Laan** of Unilever presented a business perspective; **Debapriya Bhattacharya**, Centre for Policy Dialogue (Bangladesh) highlighted the impact of NTMs on least developed countries; and **Jikun Huang** of the Center for Chinese Agricultural Policy at the Chinese Academy of Sciences spoke about the impact of NTMs on Chinese exports and imports.

Key conclusions of the deliberations, as summarized by OECD and IPC, focused on the need to redouble efforts to provide greater transparency of NTMs, but to do so in a consistent, focused and cost efficient manner and to advance work to better measure the costs and benefits of NTMs and to

encourage good regulatory processes. The need for better harnessing of exporter knowledge – gaining a better understanding and quantification of the costs of NTMs to businesses and other standard takers was also emphasized. Although the seminar was focused on government imposed NTMs, several participants also stressed the need for greater research on the impact of private standards and on the interaction between public and private standards.

Two background papers for the conference, on SPS Standards, authored by Tim Josling and Donna Roberts were prepared by IPC. All presentations are accessible at <http://www.agritrade.org/Publications/SPSandNonTariffMeasures.html>.

China (from page 1, green box)

- China should consider embarking on its import approval process before a GM event has been authorized in the country of origin, so as to shorten the regulatory delay and take a pragmatic and cost-effective approach to LLP that ensures the safety of imported commodity shipments and minimizes disruptions to international trade and domestic market price stability.
- Although China’s biotech program is focused on improving its domestic agricultural productivity and food security, it should nonetheless request approvals in trade partners, in order to avoid import bans affecting its rice and processed rice products.

Recent Publications

IPC Series on Low Level Presence and Asynchronous Authorizations

<http://www.agritrade.org/Publications/LowLevelPresenceBiotech.html>

The Economic Impacts of Asynchronous Authorizations and Low Level Presence: An Overview

By Nicholas Kalaitzandonakes

China's Agricultural Biotechnology Regulations - Export and Import Considerations

By Jikun Huang and Jun Yang

Asynchronous Approvals of GM Products and the Codex Annex: What Low Level Presence Policy for Vietnam?

By Guillaume P. Gruere

Potential Economic Impacts of Asynchronous Approvals of Biotech Crops on Latin American Countries

By Nicholas Kalaitzandonakes, James Kaufman, and Douglas Miller

IPC Series on Farm Policy in the US and EU

<http://www.agritrade.org/Publications/FarmPolicyintheUSandEU.html>

Farm Policy in the US and the EU: The Status of Reform and the Choices Ahead

By David Blandford, Tim Josling, and Jean-Christophe Bureau

IPC Policy Focus: The Future of Direct Payments

IPC Policy Focus: What Next for Farm Policy in the U.S. and EU?

IPC Policy Focus: Biofuel Policies in the U.S. and EU

Membership of the International Food & Agricultural Trade Policy Council

Carlo Trojan, The Netherlands
Chairman

Bernard Auxenfans, France
Malcolm Bailey, New Zealand
Debapriya Bhattacharya, Bangladesh
Joachim von Braun, Germany
Piet Bukman, The Netherlands
Pedro de Camargo Neto, Brazil
Jason Clay, United States
Csába Csáki, Hungary
H.S. Dillon, Indonesia
Franz Fischler, Austria
Ashok Gulati, India
Jikun Huang, China

Carl Hausmann, United States
Vice-Chairman

Sarah Hull, United States
Nicolas Imboden, Switzerland
Marcos Jank, Brazil
Robbin Johnson, United States
Hans Joehr, Switzerland
Timothy Josling, United Kingdom
Willem-Jan Laan, The Netherlands
Gerrit Meester, The Netherlands
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Hidenori Murakami, Japan
Namanga Ngongi, Cameroon

Carlos Perez del Castillo, Uruguay
Vice-Chairman

Joe O'Mara, United States
J.B. Penn, United States
Michel Petit, France
Lord Henry Plumb, United Kingdom
Marcelo Regunaga, Argentina
Roberto Rodrigues, Brazil
Hiroshi Shiraiwa, Japan
James Starkey, United States
Stefan Tangermann, Germany
Robert L. Thompson, United States
Ajay Vashee, Zambia
Brian Wright, Australia