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United States Department of Agriculture

USDA's
93rd
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Agricultural Outlook Forum

A New Horizon: The Future of Agriculture

February 23-24, 2017 • Crystal Gateway Marriott Hotel, Arlington, Virginia

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Sanitary and Phytosanitary Trade Concerns: A Global Perspective

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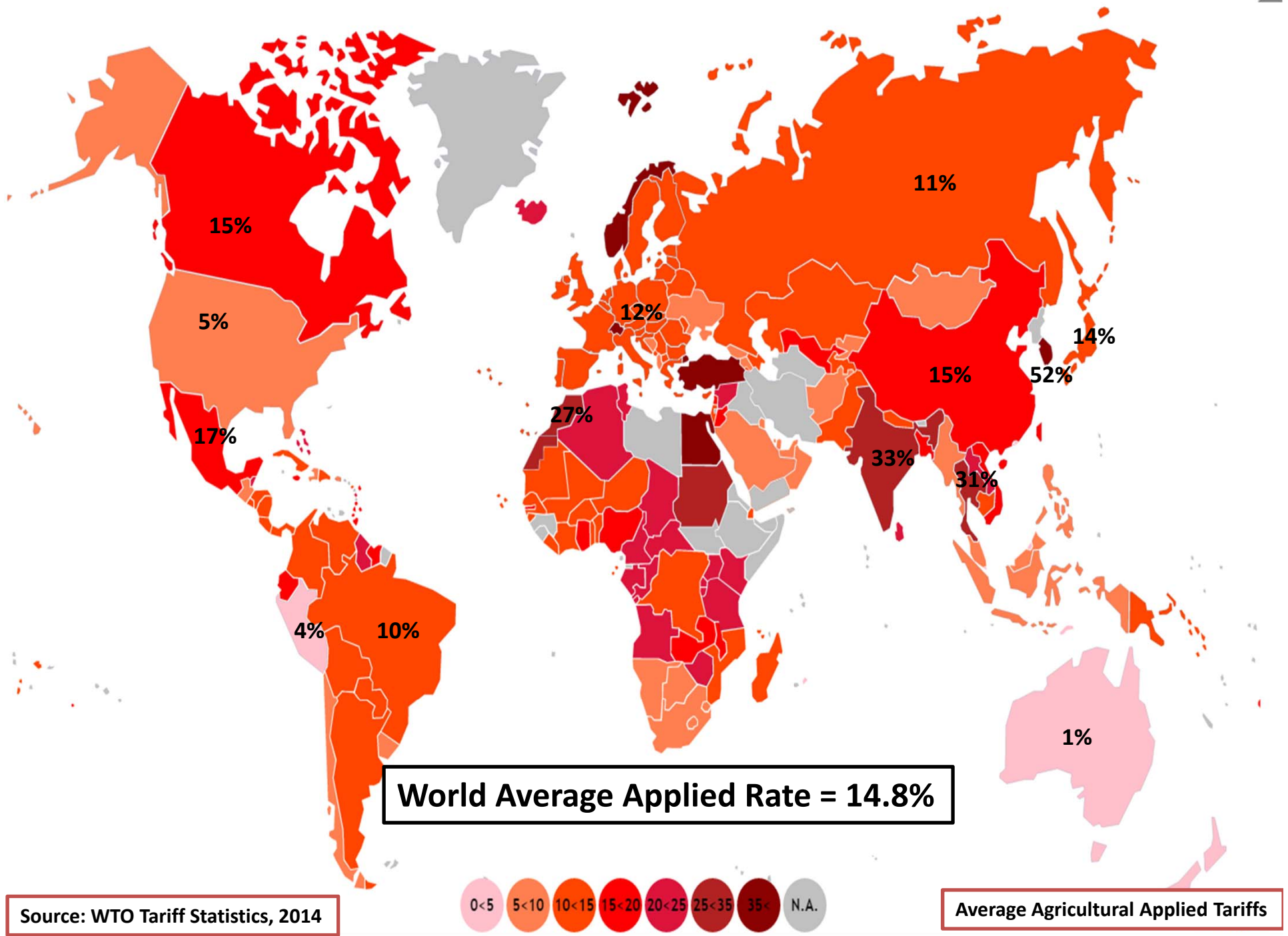




Background

- Since URAA and turn of the century, significant shift in the focus of agricultural trade policy concerns
- From border related market access policies
 - Tariffs, Quotas
 - Export subsidies
- To non-tariff obstacles and a plethora of standards and ‘behind-the-border’ regulatory policies





Source: WTO Tariff Statistics, 2014



Average Agricultural Applied Tariffs



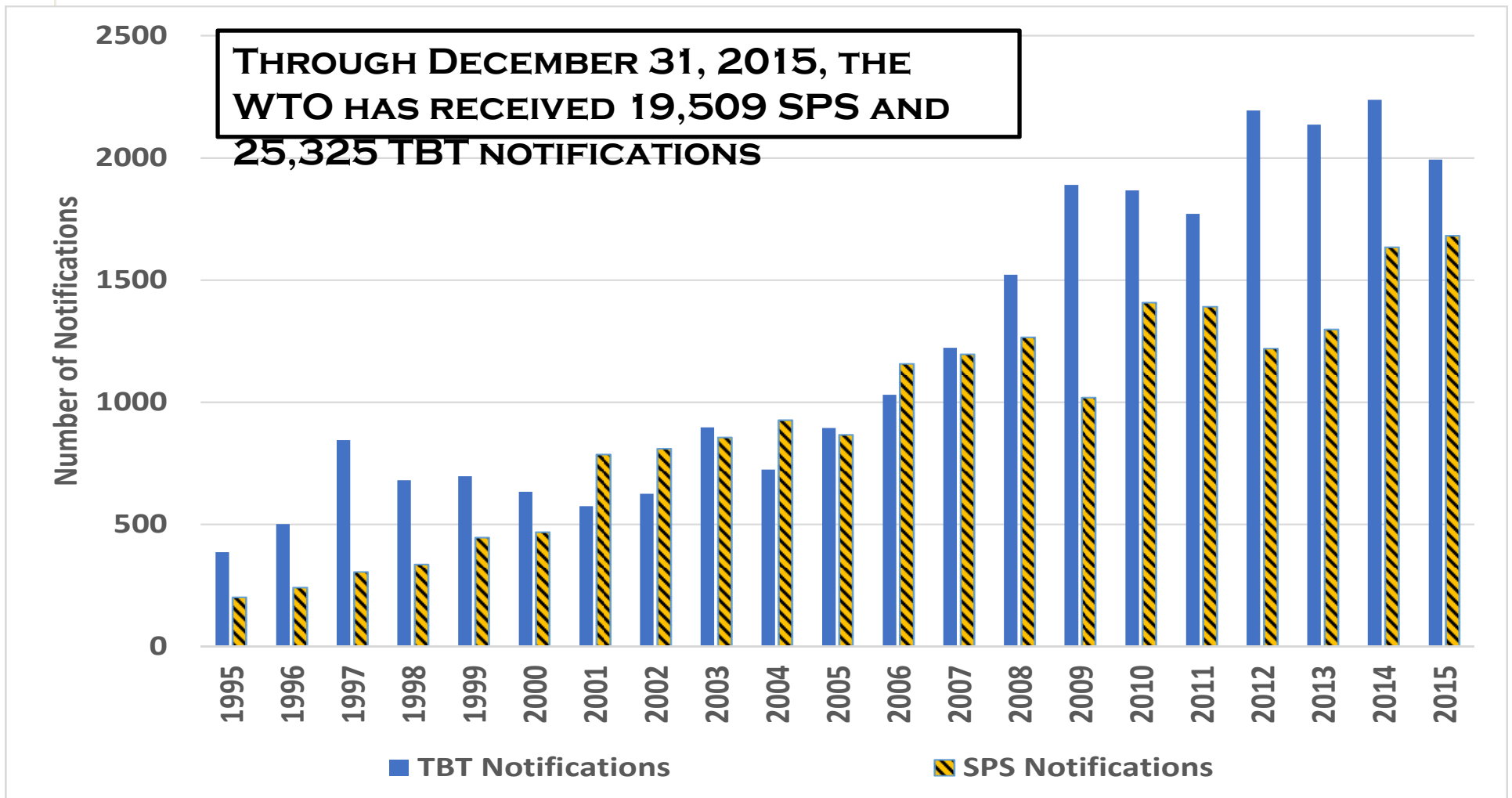
Background

- *“Non-tariff (including SPS & TBT) measures are policies, other than ordinary customs tariffs, that can have an economic effect on international trade in goods, changing quantities traded, prices or both” (UNCTAD 2010)*
- Among those impacting ag. trade, SPS measures particularly relevant
 1. Sensitive nature of food safety/plant/animal health pest and disease risks
 2. SPS Agreement permits countries to adopt their own standards (risk assessment, non-discriminatory and minimally trade distorting)
 3. SPS measures are the most frequently encountered NTMs in ag. trade
 - UNCTAD (TRAINS), WTO’s Integrated Trade Intelligence Portal (I-TIP)
 - SPS issues are most relevant impediments to ag. exports (NTM business surveys) (World Bank 2008; ITC 2011)





SPS and TBT Notifications, 1995-2015





Making Sense of Global SPS Issues

- Universe of notified SPS & TBT measures:
 - Diverse & large.
 - Without expert judgement -- difficult to synthesize data & discern importance
- An alternative:
 - Make use of the issues raised as SPS Specific Trade Concerns raised orally in the SPS Committee meetings as a way to reveal specific concern of exporters
- Specific Trade Concerns (STC) Data
 - WTO SPS Committee brings attention to, discusses, and potentially resolves STCs
 - Not a formal dispute in any legal sense; not even a precursor (only 43 total disputes have escalated out of STCs)
 - No obligation for members to raise a concern
 - Forum for members to exchange info & discuss implementation of SPS Agreement
 - Members can identify partner countries and products impacted
 - Reveal that partners' measures inconsistent with SPS agreement



Example STCs

STC	Initiated	Resolved	Member Maintain	Members Raising/Supp	Issue
118 123	2002	Partially 2008	PAN, VEN	CAN, COL, CHL, USA	Discretionary import licenses and permits
197	2004	2013	EU	COL, BOL, BRA, CHL, Many others	Ocratoxin A tolerance (Coffee)
205	2005	2010	THA	USA, NZL, JPN	Public Health Regulation (High risk foods: milk pwd, beverages, fresh/frozen veg, infant foods)
225	2005	2006	JPN	IND	Fruit Fly interception, regional restrictions on Indian mangoes
251	2007	Not reported	CHN	USA	Zero tolerance for pathogens on raw meat and poultry that are inconsistent with equivalent domestic standards
332	2012	Ongoing	JPN	ARG	Recognition of FMD-free regional zones in Northern Argentina
368	2013	Ongoing	RUS	UKR, KAZ	Presumed false labelling of confectionary products
396	Jul 2015	Ongoing	EU	USA, ARG, BRA, CAN, IIRY PRY	GMO Import 'Opt-Out' Proposal without scientific evidence



Recent SPS Concern Examples (July 2016)

▼ Russian: import measures on food products

Ukraine raised concerns on two of Russia's import measures concerning confectionery products and edible salt. According to Ukraine, Russia banned imports of Ukrainian sweets in July 2013, claiming that the products did not meet Russian food standards, and in January 2016, Russia further imposed transit restrictions for Ukrainian products destined for a third country. In addition, Russia effectively banned imports of edible salt on the claim that the Ukrainian producer breached Russian requirements of food additives. As a result of the Russian measures, Ukrainian exports of sweets and edible salt to Russia dropped drastically. Ukraine requested Russia to provide reasons for the trade restrictions. In response, Russia said it had worked transparently and in good faith with Ukraine, and it would remain open to further discussion. Russia added that some of the issues raised by Ukraine were not covered by the SPS agreement.

Separately, the European Union raised concerns regarding Russia's import restrictions of certain meat products from Germany. In early 2013, Russia banned imports of fresh and chilled meat from Germany and processed meat and dairy products from 3 German states on the grounds that Germany's veterinary service had not carried out proper export controls. The EU said that despite all efforts to address Russia's concerns in the past three years, the restrictions still remain in place with no proper justification. Russia responded that German animal producers had enjoyed access to the Russian market since its WTO accession. However a majority of German processing plants failed to comply with Russia's SPS requirements, according to inspections carried out by the Russian authorities. As a result, Russia banned imports of the concerned products. Once measures have been taken to ensure compliance with Russian requirements, Russia would re-inspect the processing plants.

▼ Costa Rica: Registration for pesticides

Israel raised concerns regarding Costa Rica's pesticide registration system, which it claimed hindered trade. Israel said that an Israeli company had filed close to 100 registrations since 2011, yet no approval had been granted. While Israel supported Costa Rica's right to regulate pesticides, it should respect reasonable time-frames. In response, Costa Rica informed members it had reformed its system for registration, which led to a delay in processing of applications. The reform process is at the final stage and Costa Rica would soon notify the measure to members for comments.

▼ China: Approval of bio-tech and lack of transparency

The United States raised concerns regarding China's proposed amendments to safety assessments of agricultural genetically modified organisms (GMOs). The US said that approvals of several agricultural biotech products was pending in China and urged China to speed up the process. China, in response, said that its food safety management has always been based on risk analysis in line with international practices, and it is still in the process of amending its implementation regulations for agricultural GMOs.

The US also questioned China over the lack of information on trade measures relating to China's 2015 Food Safety Law. The US said that China had not notified measures issued by some of China's principal regulatory agencies to implement the 2015 Food Safety Law, although many of these measures had a significant impact on trade. The US urged China to notify these measures and afford members the opportunity to provide comments. Australia, the EU and New Zealand also shared similar concerns. In response, China said that it took its transparency obligations seriously, and some of the trade measures the US mentioned had not taken effect. It assured members that the measures would be notified to the WTO when the regulations are revised after public comments.

▼ European Union: Review of pesticide residues and criteria for endocrine disruptors

The EU updated members on how they can actively contribute to its ongoing review process of maximum residue levels (MRLs) for pesticides, as circulated to WTO members in [G/SPS/GEN/1494](#).

Discussions also continued around the European Commission's criteria to identify chemicals that can impact hormone systems at certain doses, or endocrine disruptors. On 15 June 2016, two draft legal acts containing the criteria were endorsed by the European Commission. Twenty members raised concerns over the proposed criteria, which they claim could lead to hundreds of products having to be taken off the market and unnecessarily impacting on trade and agri-food production.

▼ EU: Approval of biotech foods

The United States repeated its concerns on the delayed approval of US biotech products in the European market. The US said that significant delays in the consideration of biotech products are disrupting the ability of producers to bring new products to market. In particular, the US said that the European Commission had not taken action to adopt approvals of three soybean products, which has disrupted seed markets and farmers' planning decisions. The EU responded that approvals of all biotech products are in line with the current legal framework, and the authorization process for the three soybean products are at the final stage.

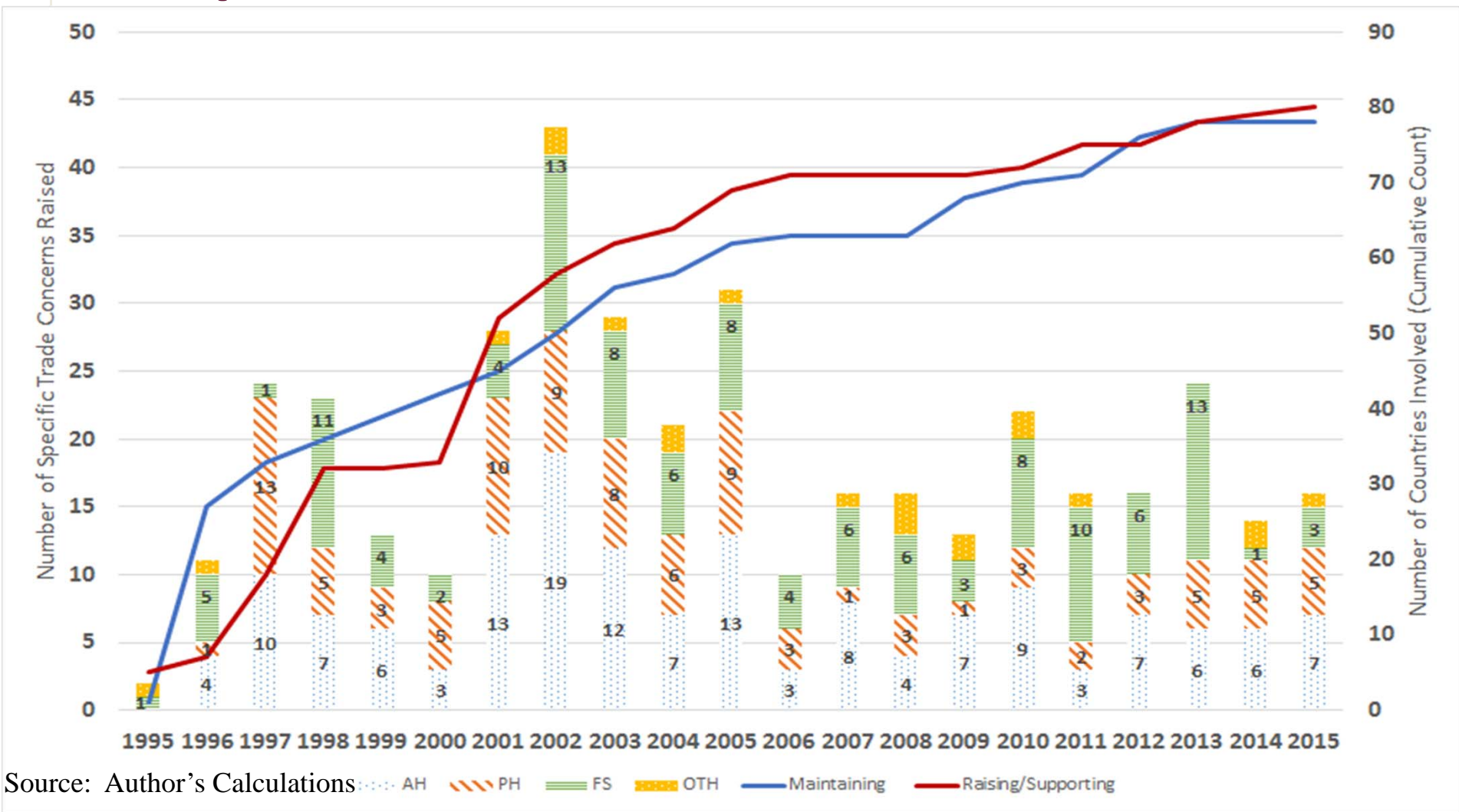


Tabulations of the 1995-2014 SPS Specific Trade Concern Data



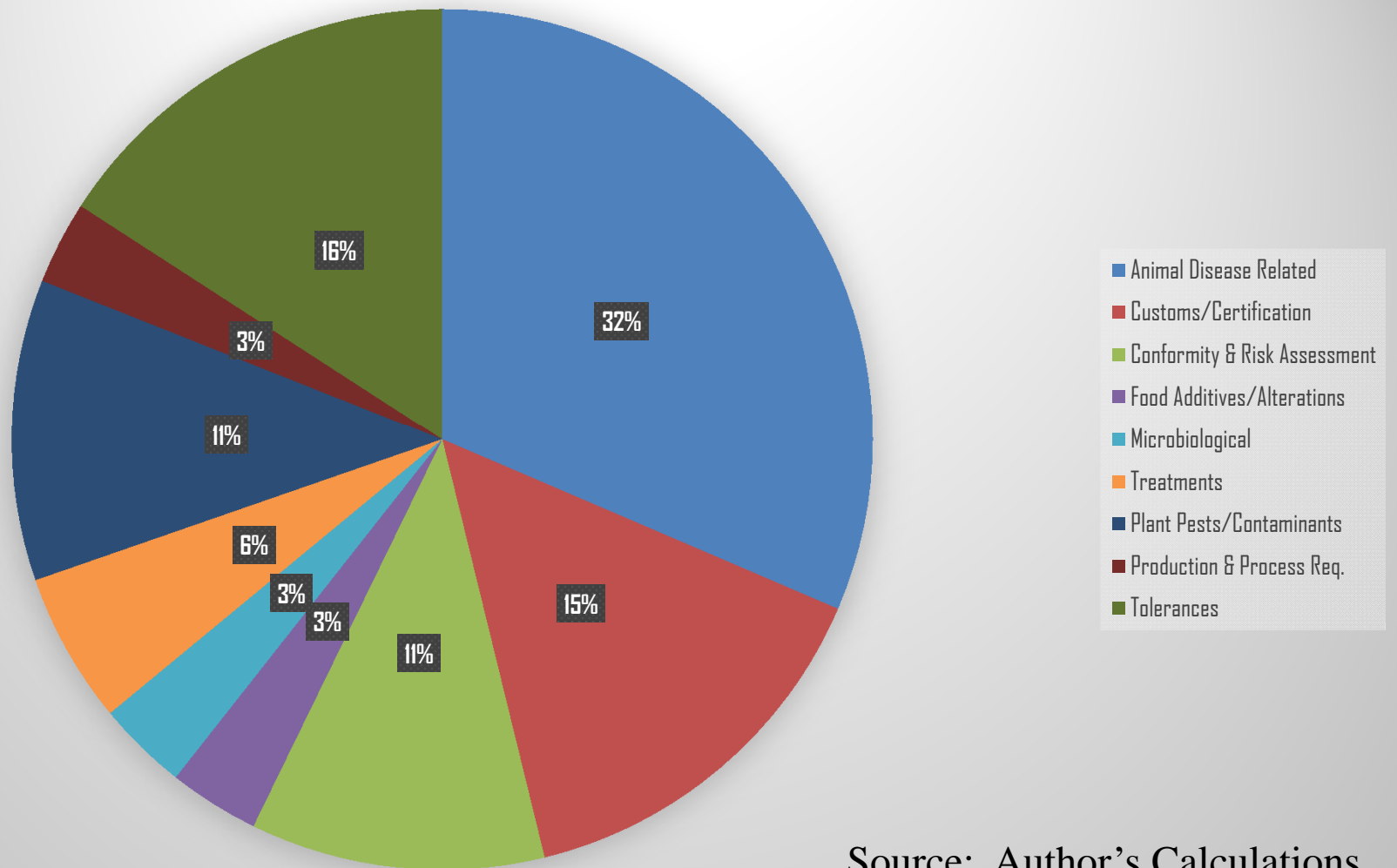


SPS Specific Trade Concerns, 1995-2015



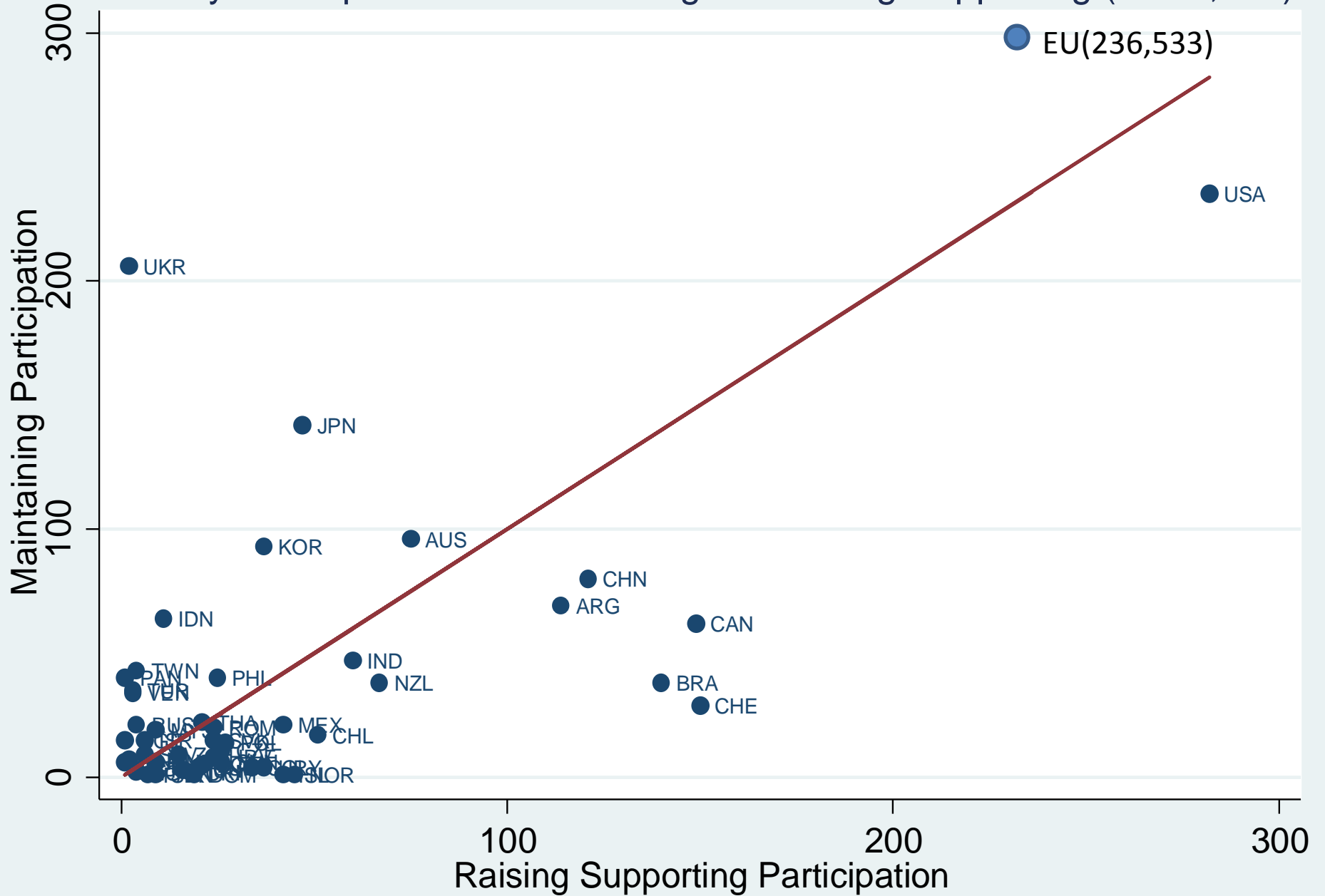


Share of Concerns Raised by Type, 1995-2014



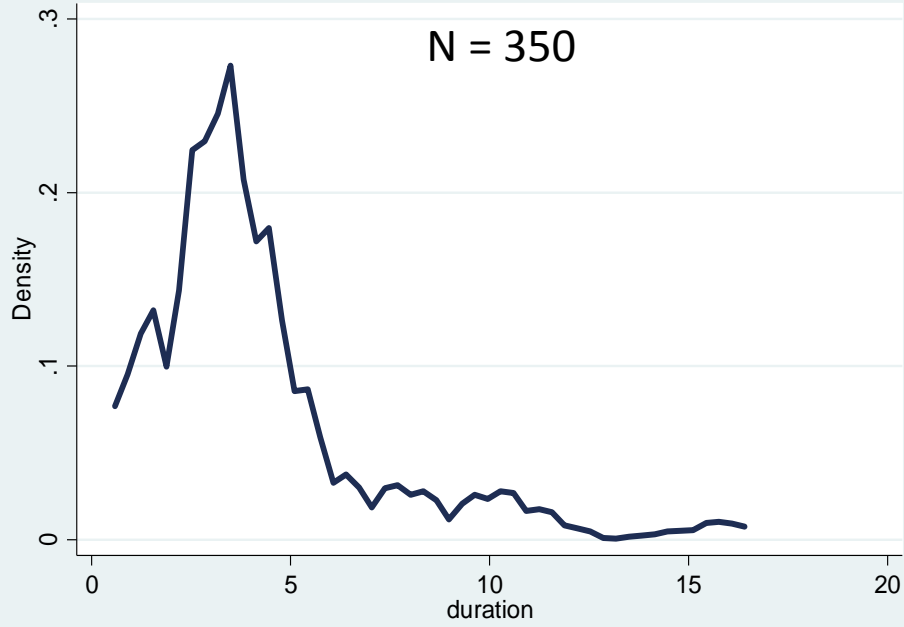
Source: Author's Calculations

Country Participation as Maintaining vs. Raising/Supporting (N = 2,326)



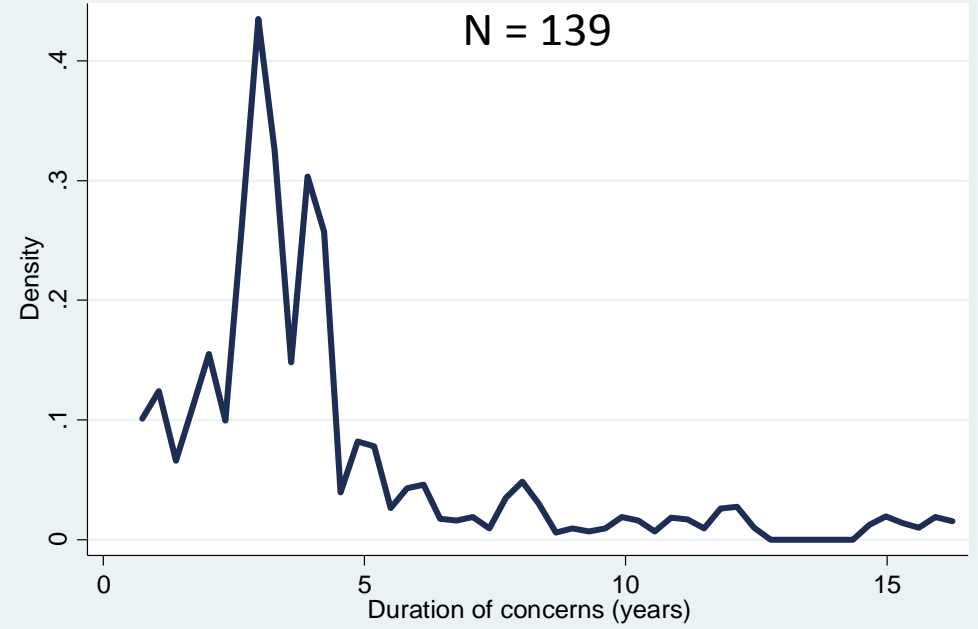
Overall

N = 350



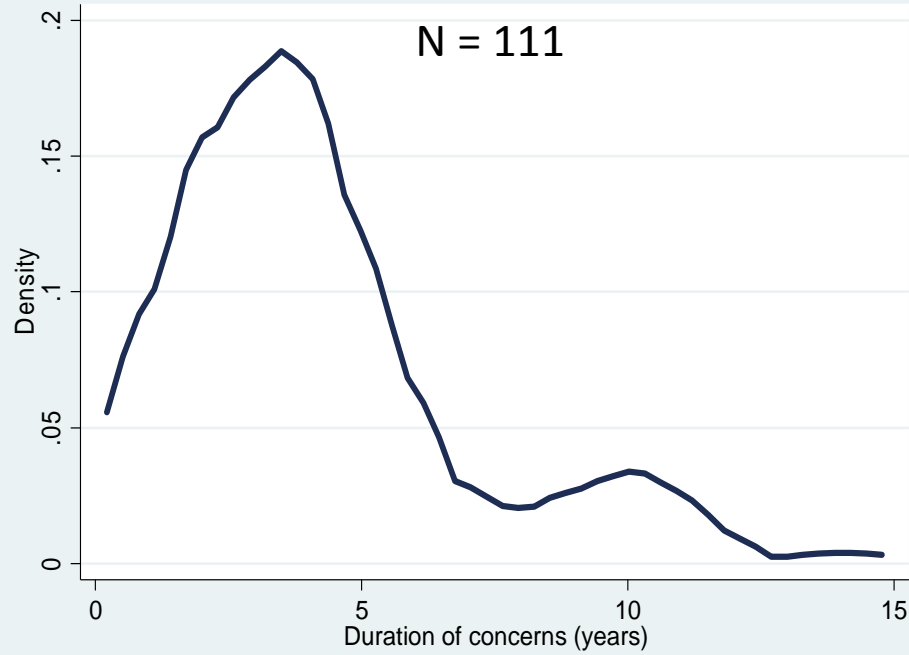
Animal Health

N = 139



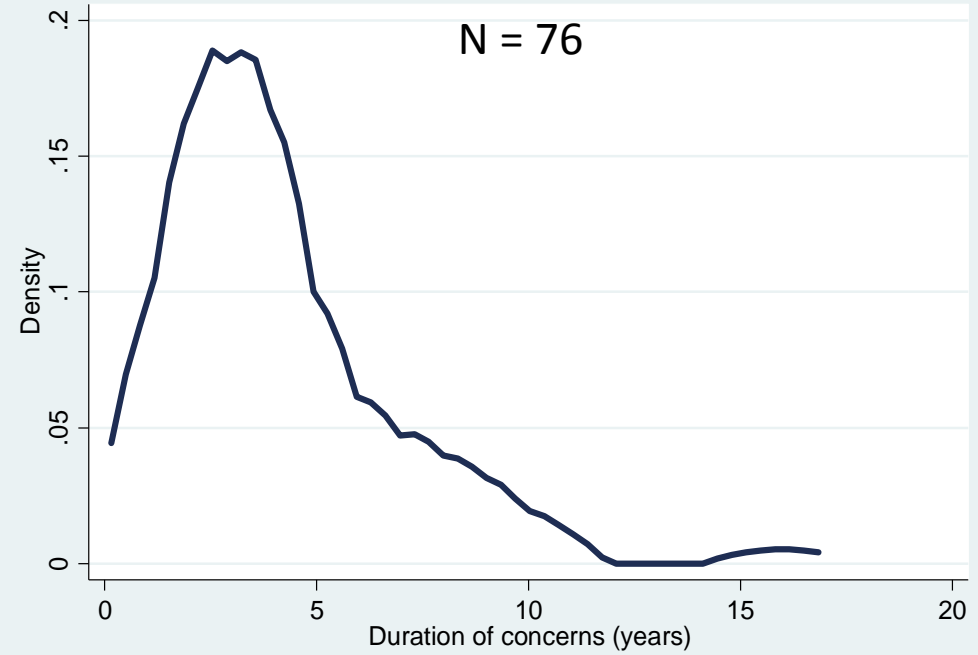
Food Safety

N = 111



Plant Health

N = 76





Agricultural Trade Impacts

Average reduction in trade during years with active STC: By SPS type (WTO subject)

SPS Type (WTO Subject)	Reduction in trade*	# of bilateral-commodity trade pairs**	Share of Observations
Animal Health	-54%	1,366	0.25
Food Safety	-39%	2,822	0.51
Other	-30%	482	0.09
Plant Health	-34%	853	0.15

Notes: *Percentage difference in average bilateral-commodity trade for years when an STC was active vs. average bilateral-commodity trade for years without an STC active, averaged across bilateral-commodity trade pairs.

**Includes bilateral-commodity trade pairs where an STC was active at least one year



Conclusions & Takeaway Messages

1. Members have raised > 400 SPS concerns since 1995
2. Approx. 40% of concerns reported as resolved (moderate success)
3. Animal disease related issues most prominent ~ 1/3 of concerns
4. Active SPS concerns impose significant trade effects with AH related measures reducing trade by > 50%
5. More generally, STCs reveal important information about SPS obstacles that might be missed when evaluating official disputes or sifting through > 19,000 WTO notifications of SPS measures





Thank you for the opportunity to present at the 2017 AOF!

More info:

Grant, J.H. and S. Arita. 2017. "Sanitary and Phytosanitary Measures: Assessment, Measurement and Impact," International Agricultural Trade Research Consortium (IATRC) Commissioned Paper, available soon at: <http://iatrcweb.org/>

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