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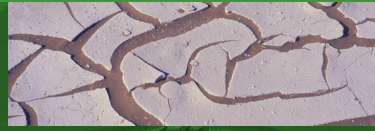
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# How Could Mega-Regional Trade Negotiations Affect Agricultural and Food Trade?



By Remy Jurenas



International Centre for Trade  
and Sustainable Development

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## CONTENTS

LIST OF FIGURES AND TABLES	iv
LIST OF ABBREVIATIONS AND ACRONYMS	v
FOREWORD	vi
ABSTRACT	vii
EXECUTIVE SUMMARY	viii
INTRODUCTION	1
1. THE THREE PROPOSED RTAS	3
1.1 Trans–Pacific Partnership	4
1.2 Regional Comprehensive Economic Partnership	5
1.3 Transatlantic Trade and Investment Partnership	6
2. COVERAGE OF AGRICULTURE AND AGRICULTURAL TRADE IN MEGA–REGIONALS	8
2.1 Market Access	8
2.2 Rules of Origin	11
2.3 Sanitary and Phytosanitary Standards and Technical Barriers to Trade	12
2.4 Regulatory Coherence	15
2.5 Intellectual Property	16
2.6 Export Competition	17
2.7 Agricultural Export Restrictions	18
2.8 Services and Agricultural/Food Trade	18
2.9 Investment	19
3. PROPOSED MEGA–REGIONALS DO NOT ADDRESS DOMESTIC AGRICULTURAL SUPPORT	21
4. POTENTIAL IMPACT OF THESE PROPOSED RTAS ON AGRICULTURAL TRADE	22
4.1 TPP’s Impacts	22
4.2 TTIP’s Impacts	24
4.3 RCEP Is Just Beginning	25
5. IMPLICATIONS OF THESE PROPOSED RTAS FOR THIRD COUNTRIES	26
5.1 Tariff Preference Erosion	27
5.2 Rules of Origin	28
5.3 Standards (SPS and TBT)	28
6. OUTLOOK	29
6.1 Possible Outcomes for Agricultural Trade	29
6.2 Considerations for Third Countries	30
REFERENCES	32
ENDNOTES	38

## LIST OF FIGURES AND TABLES

Figure 1 Countries participating in the RCEP and TPP negotiations

Table 1 Proposed mega-regionals and global agricultural trade, 2013

Table 2 Highly protected agricultural commodities of some TPP country participants

Table 3 Projected change in intra-regional agricultural trade, by commodity, among TPP countries in 2025, under a TPP agreement, relative to baseline

Table 4 Projected change in agricultural trade, by country, in 2025 under TPP agreement, relative to baseline scenario

Table 5 Projected change in agricultural trade, by commodity, between EU and US under a TTIP agreement in 2025, under ambitious outcome scenario, relative to baseline

## ABBREVIATIONS AND ACRONYMS

AFTA	ASEAN Free Trade Area
ASEAN	Association of Southeast Asian Nations
BSE	bovine spongiform encephalopathy
COMESA	Common Market for Eastern and Southern Africa
EFTA	European Free Trade Association
EP	European Parliament
EU	European Union
FDI	foreign direct investment
FSIS	Food Safety and Inspection Service
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreements on Tariffs and Trade
GI	geographical indication
GMO	genetically modified organism
HLWG	High-Level Working Group
JAEPA	apan-Australia Economic Partnership Agreement
KORUS	Korea-US Free Trade Agreement
LDCs	less developed countries
MFN	most-favoured nation
MOFA	Ministry of Foreign Affairs of Japan
NTM	non-tariff measure
OECD	Organisation for Economic Co-operation and Development
P-4	Trans-Pacific Strategic Economic Partnership
RCEP	Regional Comprehensive Economic Partnership Agreement
RIA	regulatory impact assessment
ROOs	rules of origin
RTA	regional trade agreement
SPS	sanitary and phytosanitary
TBT	technical barrier to trade
TPP	Trans-Pacific Partnership Agreement
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRQs	tariff-rate quotas
TTIP	Transatlantic Trade and Investment Partnership Agreement
US	United States
USDA	US Department of Agriculture
USTR	US Trade Representative
WTO	World Trade Organization



## FOREWORD

One of the most significant trends reshaping the landscape of global trade over the last two decades has been the rise in the number of preferential trade agreements, including both bilateral deals and preferential accords among groups such as regional blocs. However, the scale and scope of most of these negotiations have recently been eclipsed by the level of ambition of a number of new 'mega-regional' negotiations, which have the potential to reshape significantly the global trade landscape over the next few years. The Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Co-operation in Asia and the Pacific (RCEP) are amongst the most significant of these. As little reliable information is publicly available about the content of these negotiations, domestic stakeholders are often poorly informed about the implications these talks may have for farm trade, and for different types of actors within the farm sector.

Together, the TPP, TTIP and RCEP represent over three-quarters of global GDP and two-thirds of world trade. As such, although regional trade agreements in themselves are not a new phenomenon, the new mega-regionals are arguably one of the most significant developments in global trade in recent years, representing an attempt to move towards economic integration at a much greater scale than previous similar initiatives, and also representing a shift in the strategic focus of major trading powers - who previously had preferred to direct their attention to negotiating a multilateral trade deal in the WTO.

Agriculture is one of the main areas in which parties to these talks are seeking to achieve trade concessions. In addition to establishing new norms on market access, the regulatory frameworks emerging from the negotiations are likely to affect the operating environment in which farmers and other economic actors conduct their activities in a number of significant ways. For example, by affecting access to seeds, inputs, farm machinery, credit or technical knowledge and skills. As such, the eventual contours of these new regulatory frameworks is likely to have a number of complex and far-reaching implications for broader public policy goals, including in the area of food security and rural development.

Furthermore, while the proposed mega-regionals are likely to have direct implications for agricultural production, trade and consumption within the countries negotiating these accords, they are also likely to have consequences for countries that are not party to the talks. In the longer term, they may also have broader systemic consequences if the new regulatory frameworks come to be seen as establishing standards and norms which become benchmarks for subsequent negotiations, including those in the multilateral trading system. For this reason, it is important to see the mega-regionals not in isolation but instead in the broader context of the evolving global landscape of rules and policies affecting trade and investment.

The following paper therefore intends to provide policy-makers, negotiators and other stakeholders with an impartial, evidence-based analysis of the possible effects of three mega-regional trade negotiations on global trade in food and farm goods. We hope that, as such, the study will also make a significant contribution towards the broader discussion on how rules and policies on farm trade could best promote global food security, rural development and environmental sustainability, both in the countries that are seeking to become party to these negotiations and in those that are currently outside the emerging blocs.



Ricardo Meléndez-Ortiz  
Chief Executive, ICTSD

## ABSTRACT

Three mega-regional trade agreements (RTAs) now being negotiated have the potential to further liberalize agricultural trade and inject additional disciplines in the rules that countries follow to ensure food safety, animal and plant health, and consistency in food product standards. These are the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Trans-Atlantic Trade and Investment Partnership (TTIP). Negotiating reductions in the level of border protection for agricultural and food products has always proved to be more difficult than for manufactured goods, because of the protected status of agriculture in many developed and developing countries and fears that opening up markets to increased price competition from abroad could undermine food security and rural areas. Growing consumer desires for safe and higher-quality foods have also prompted governments to respond, usually through regulatory actions, to address these calls.

If the proposed TPP and TTIP achieve the level of ambition that leaders have tasked their trade negotiators with, studies project noticeable increases in agricultural trade flows among countries in each prospective trade group. One analysis suggests that removing the trade-restrictive features of certain non-tariff measures (e.g., those in place to meet food safety standards) that apply to agricultural commodities and food products would contribute much more to increasing such trade than simply eliminating tariffs and quotas over time.

Securing such ambition, though, is proving difficult for negotiators, at least at present. With US and Japanese negotiators seemingly close to a breakthrough in bilateral talks on Japan's sensitivities in opening up its market for certain agricultural commodities and US efforts to accommodate the interests of its automobile manufacturing sector, attention now is focused on what concessions Canada will offer to those countries seeking a lowering of border protection for its dairy sector. EU and US discussions in TTIP are focused more on finding a way to work towards reconciling divergent regulatory views on food issues than on tariff elimination. RCEP participating countries are still grappling with how to structure the framework that negotiators would follow in negotiating further trade liberalization in all goods; accordingly, RCEP's implications for agricultural trade will not be known for some time.

Should any of these RTAs achieve their stated ambition, third-country agricultural exports to RTA participating countries could decline as their competitive status disappears on certain products. The extent to which this occurs will depend largely on the composition of commodities a third country exports and the degree to which it loses its price advantage for any key commodity. New disciplines introduced that affect standards to ensure food safety and product consistency could raise third-country exporter compliance costs, but could have a positive effect by reducing the complexity faced in selling to multiple destinations with differing rules.

## EXECUTIVE SUMMARY

Three mega-regional trade agreements (RTAs) now being negotiated have the potential to further liberalize global agricultural trade and inject additional disciplines in the rules that countries follow to ensure food safety, animal and plant health, and consistency in food product standards. These are the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Transatlantic Trade and Investment Partnership (TTIP). Negotiating reductions in the level of border protection for agricultural and food products has always proved to be more difficult than for manufactured goods, because of the protected status of agriculture in many developed and developing countries and fears that opening up markets to increased price competition from abroad could undermine food security and rural areas. Growing consumer desires for safe and higher-quality foods have also prompted governments to respond, usually through regulatory actions, to address these calls.

This paper examines the potential effects of these three RTAs on agricultural trade among the 22 countries participating in these talks. They cover the range of income and development levels, from low income to high income, each with varying sensitivities in their agricultural sectors. It will highlight those components pertinent to agricultural trade found in the multitude of smaller bilateral and regional free trade agreements (FTAs) negotiated over the last two decades, noting where 'WTO-plus' features (deeper commitments than those found in existing World Trade Organization (WTO) agreements) have surfaced and set precedents going forward. It will also cover the status of negotiations in each of these RTAs to the extent known, present currently available projections to show the potential impacts of significant trade liberalization on agricultural trade for countries participating in the TPP and TTIP, and identify possible implications of these RTA outcomes for third-country non-participants.

The countries involved in these three RTAs account for 21% of global agricultural trade. Levels of border protection on agricultural imports range considerably, from close to zero for Australia and New Zealand to high on certain commodities imported by Japan and Canada. Except for the European Union (EU) and the United States (US), many of the other countries involved in the TPP and RCEP already have entered into bilateral FTAs that have eliminated tariffs on many commodity and food imports or are still in the process of phasing them out. Where tariffs and quotas remain, particularly on sensitive agricultural commodities, market access talks are focused on the target of comprehensively eliminating border protection but are directed to take these sensitivities into account.

Creating additional market openings involves negotiators agreeing upon the pace at which remaining tariffs will be eliminated, deciding what to do with tariff-rate quotas used to protect the most sensitive agricultural products, and crafting the terms of the safeguards activated to protect domestic markets in case of import surges. The scope of rules of origin (ROOs) that apply to food products traded among RTA partners will be key to broadening the economic benefits within each trade bloc. Acknowledging that countries increasingly have resorted to the use of sanitary and phytosanitary (SPS) rules and technical barriers to trade (TBT) designed to meet public policy objectives to also restrict agricultural trade, negotiators have placed a high priority on crafting mechanisms to more quickly address these issues and addressing outstanding problems. The focus on the role that rules can play to hinder or facilitate trade has led to efforts in the TPP and TTIP to negotiate the inclusion of 'regulatory coherence' to address 'regulatory protectionism' that discriminates against imports once products enter a domestic market. Its objective would be to ease the conditions and costs of trade between countries while affirming their rights to regulate their economies to promote legitimate policy objectives. This would

be primarily accomplished by agreeing upon the process that countries use to systematically develop and implement regulations, and allow RTA partners to participate in this process. If incorporated, regulatory coherence could bring transparency into how countries develop and use their SPS and TBT rules to ensure food safety and apply consistent standards on food products.

These RTAs are also expected to address the rights and obligations associated with the legal protections associated with the use of names of certain foods and wines in international trade (i.e., geographical indications) and address the scope of patent protections available for plants. Additional disciplines on the use of subsidies for agricultural exports and under what circumstances agricultural export restrictions could be imposed are also on the negotiating agenda.

Studies project that ‘ambitious’ outcomes in the TPP and TTIP would result in noticeable increases in agricultural trade flows among participant countries in time, and show that third countries would see a fall in their exports for some commodities into these new trade blocs. A study by the US Department of Agriculture (USDA) estimates that such trade in 2025 among the 12 TPP partners would be 6% higher (+ US\$8.5 billion) than it would otherwise be without an agreement. An analysis commissioned by the European Parliament (EP) projects that bilateral EU-US agricultural trade under TTIP would be 86% higher (+ US\$40 billion) in 2025. It found that addressing the restrictive trade aspects of existing SPS and TBT measures on both sides would account for more than two-thirds of this increase. Incorporating this addition to the analysis was intended to illustrate the larger effect that mitigating some of the trade restrictiveness of rules can have compared to only eliminating tariffs on agricultural imports. This perspective confirms the widespread view that more significant growth in agricultural trade can only be achieved by strengthening in a systemic way what countries do to work through their differences on SPS and TBT issues.

The USDA study estimates that third-country exports of agricultural products to the TPP region would be US\$2.6 billion lower. The EP analysis projects that third-country farm product exports would be 1.5% lower for the EU and 1.7% lower for the US. Aside from anecdotal examples that can be offered, these studies lack detail on which third countries would be affected, by how much, and for which of their agricultural exports. To ascertain this, qualitative impact analyses would involve looking at (1) how dependent a third country is on demand for a product from the countries participating in each mega-regional, (2) whether the third country already benefits from an existing trade preference programme offered by some mega-regional country participants, and (3) how substitutable a product traded within a mega-regional is for the third-country export.

Some developing countries fear that the tariff and/or quota elimination on agricultural products negotiated among RTA partners will erode the tariff preferences that have given their agricultural exports a competitive edge in selling into these countries. The rules of origin crafted in each of the mega-regionals could affect the extent to which agricultural commodities from third countries are utilized as inputs into each trade bloc’s food manufacturing sectors. If restrictive, some of their fears about lower exports could be realized. Another concern expressed is that strengthened TPP and TTIP regulatory disciplines and processes would institutionalize how SPS and TBT rules are applied and set the stage for more rigorous standards that third-country exporters of agricultural products might find more difficult and costly to meet.

Each of the three proposed mega-regional RTAs may be concluded at some point in time, in light of the political capital that leaders have expended in agreeing to pursue them. The TPP talks appear to be nearing a conclusion. Should this occur, momentum could be injected into the pace of talks on the other two negotiating initiatives. Nevertheless, announced timetables

will continue to be missed as negotiators grapple with their respective political sensitivities and pressures from potentially affected business interests. If and when concluded, each agreement's impacts will depend on how much of the sought-after 'ambition' actually ends up reflected in opened markets and new disciplines. Because concluding negotiations will involve trade-offs and compromises, each RTA will likely fall short of the desired 'ambition' in some areas. TPP and TTIP country participants will eliminate tariffs and/or expand quotas on most, but not all, of the agricultural products traded among themselves. RCEP negotiation have not yet reached a stage to ascertain the scope of how agricultural trade will even be negotiated.

How far each RTA goes to dismantle quotas on the most sensitive, or highly protected, agricultural products will involve negotiators making last minute trade-offs not just on agricultural issues, but also on how to address non-tariff measures (e.g., ROOs, SPS, TBT, regulatory coherence) that affect agricultural trade. The possibility always exists that negotiators agree to accept some degree of protection for certain agricultural commodities in order secure objectives in non-agricultural chapters dealing with such issues as services liberalization, competition, pharmaceutical patents, investments rules, among others, elsewhere in the negotiations. The substance of these trade-offs could at the end largely influence how much trade potential is actually created by each of these RTA agreements, not only for agriculture but for other economic sectors.

## INTRODUCTION

Negotiations continue on three mega-regional trade agreements (RTAs) aimed at opening up protected markets and in time possibly reshaping the rules that govern international trade and investment, including trade in agricultural commodities and food products. These RTAs are the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Transatlantic Trade and Investment Partnership (TTIP). Twenty-two countries are participating in these three RTAs. Each potential new trade bloc accounts for sizeable shares of global economic activity and trade, and if concluded and implemented, could reshape a portion of world trade flows and the rules that apply to numerous forms of economic interactions among participating member countries.

The impetus behind these RTAs represents one of the responses made by governments following the 2008 financial crisis to bolster economic and job growth. This development reflects acknowledgement that the multilateral Doha Development Round negotiations conducted under the auspices of the World Trade Organization (WTO) had reached an impasse, but that further trade liberalization can be pursued among smaller groupings of countries committed to reducing tariffs and other trade barriers. This perspective has snowballed, as more governments concluded that if they did not participate in bilateral and regional trade agreements, they would begin to lose out on creating economic opportunities for their citizens. Geopolitics also is a major factor behind the impetus to negotiate RTAs, as major trading nations (e.g., China, the European Union (EU) and the United States (US)) have concluded that broadening their trading relationships is essential to enhancing their economic interests and to secure acceptance of their respective, but also differing, views on what rules should apply to the conduct and terms of trade and investment.

Reducing tariffs and addressing other non-tariff measures on agricultural and food products are always more difficult for trade negotiators to address than those found in other economic sectors. Agricultural tariffs on average worldwide

are higher than tariffs on manufactured goods. Also, some countries protect their most sensitive agricultural commodities using restrictive quotas, a feature that is unique to agricultural trade. Sanitary and phytosanitary (SPS) rules in place to ensure food safety and plant/animal health sometimes turn protectionist, prompting trade disputes.

For these reasons, negotiating agricultural market access provisions and related rules-based issues in bilateral free trade agreements (FTAs) and RTAs usually takes considerable time and involves addressing sensitivities in creative ways. Negotiators are constantly reminded of the interests of their domestic agricultural producing and food manufacturing sectors in seeking to conclude agreements that can command broad political support. At the same time, these concerns are kept in mind as they attempt to secure trade-offs in other negotiating areas. Further, the degree of border protection that a country accords its sensitive agricultural commodities is sometimes reflected in the scope of how a concluded FTA or RTA covers agriculture. If protection is low, tariffs on all traded agricultural products are removed, usually quickly. If high, transition periods to reach a zero tariff are long and the most sensitive products may be excluded altogether. The latter illustrates the political constraints some countries face in liberalizing agricultural trade in trade agreements.

Negotiators in the three mega-regionals are facing similar dynamics in negotiating market access schedules and accompanying provisions for agriculture. The number of countries involved in the TPP and RCEP, the wide range of differences in their development status, and the unique product sensitivities of a few countries are making for a much more complex negotiating process. In the TTIP, there are only two countries negotiating, but still with sensitivities in reducing border protection for certain agricultural products. TTIP negotiators will also expend considerable effort to work through longstanding SPS issues that have restricted trade in both directions, and explore

to what extent consistency can be achieved in developing mutual standards to ensure food safety and govern animal and plant health, and in creating new mechanisms to address divergent views on applying new technologies in the agricultural and food sectors. Because of the broader objectives that country leaders have laid down for negotiators in these RTAs to work towards, outcomes could inject additional disciplines into trading relationships among partners that go beyond their current WTO commitments (i.e., be WTO-plus).

This report focuses on how these three proposed mega-regional RTAs may handle agricultural/food trade and related issues. Negotiations have not yet concluded on any of the three, so

there is no text or tariff schedules to analyse. What is presented is based in part on press accounts and on views expressed by analysts and observers knowledgeable with what RTAs typically cover and who have an understanding of trading relationships in the regions covered by each RTA. The objectives and status of each RTA are laid out, followed by an overview of those features applicable to agriculture, how they are reflected in previous FTAs, and how they might be addressed in these prospective RTAs. Potential impacts on agricultural trade under the TPP and TTIP are presented, based on two analyses that focused on agriculture.<sup>1</sup> It concludes with a review of the potential implications of these RTAs for third countries, particularly those in the developing world.

## 1. THE THREE PROPOSED RTAs

Each of the three RTAs aims to create preferential market openings for agricultural/food products by reducing or eliminating tariffs, expanding (and possibly eliminating) agricultural tariff-rate quotas (TRQs), and settling upon strengthened or new rules to address non-tariff barriers that impede agricultural trade. Achieving these goals would go beyond the market access commitments that RTA country participants made under the Uruguay Round's Agreement on Agriculture and the disciplines they agreed to in various WTO agreements. The most important for agricultural trade are the SPS and Technical Barriers to Trade (TBT) agreements. The preferential aspect of these prospective RTAs means benefits would be realized, and potential losses experienced, by agricultural producers and firms located in participant countries. Agricultural trade with countries outside each RTA (i.e., third countries) would continue to be governed by most-favoured nation (MFN) tariff rates and quota commitments, or under the preferential terms of bilateral FTAs that some RTA participants have previously entered into.

In the aggregate, agricultural trade between the 22 countries participating in the three proposed mega-regionals accounted for an estimated US\$619 billion (almost 21%) of global agricultural trade in 2013 (Table 1). The US\$311 billion in trade among TPP participants represented just over 10% of this total. The RCEP members traded US\$272 billion among themselves (9%). A large portion of agricultural/food trade within the TPP and RCEP regions is already covered by existing bilateral FTAs, meaning that tariffs already are zero or are being lowered over time. Some commodity exclusions, though, remain. Agricultural trade between the two TTIP participants was a much smaller US\$36 billion (1% of the global total).<sup>2</sup>

These prospective mega-regionals will not cover the large portion of world agricultural trade in which Brazil, Argentina and Russia participate nor many of the significant trade flows between mega-regional participants and large third-country markets (e.g., EU-China, US-China, EU-Japan).

**Table 1. Proposed mega-regionals and global agricultural trade, 2013**

	Agricultural trade: global and each RTA country group with world	RTA member countries' agricultural trade with each other	RTA country group's share of its agricultural trade with world	Each mega-regional's share of world agricultural trade
	<i>US\$ billion</i>		<i>per cent</i>	
World	2,979		-	100.0
TPP	666	311	46.6	10.4
RCEP	606	272	44.9	9.1
TTIP	573	36	6.2	1.2
Total, RTAs	-	619	-	20.8

*Notes: 'Agricultural trade' is the sum of agricultural exports and agricultural imports, or equivalent to agricultural trade turnover. The \$619 billion in agricultural trade flows within each RTA grouping, and accounting for the near 21% of global agricultural trade, overstates what could be covered by these three mega-regionals, because of the overlap in agricultural trade flows between some countries negotiating in both the TPP and RCEP (Figure 1).*

*Source: Derived from Global Trade Atlas, using Uruguay Round's Agreement on Agriculture definition for agricultural products.*



### 1.1 Trans-Pacific Partnership

The TPP would expand on the Trans-Pacific Strategic Economic Partnership (P-4) trade agreement (struck between Brunei Darussalam, Chile, New Zealand and Singapore in 2006) to also include Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States and Vietnam. These include eight high-income countries, three upper-middle-income countries, and one lower-middle-income country, using the World Bank's classification of countries by per capita income (World Bank 2015). In November 2011, leaders announced the TPP agreement's broad outlines are 'to establish a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges' (White House 2011). Trade ministers highlighted the features viewed as setting a new standard for future trade agreements. These include: comprehensive and 'ambitious' market access that completely eliminates tariffs and other barriers to trade; a regional agreement that facilitates trade and the development of production and supply chains within the region and incorporates a single tariff schedule and common rules of origin; cross-cutting trade issues such as specific commitments on regulatory coherence to make trade more business friendly and efficient; new trade challenges arising from new technologies and green growth; and a living agreement that can evolve to respond to emerging issues and developments in trade and technology (USTR 2011). Those features particularly pertinent to agricultural trade (e.g., market access, non-tariff barriers or measures such as SPS and TBT, rules of origin, regulatory coherence) are elaborated on below.

Further agricultural trade liberalization among the 12 TPP partners would build upon the network of 30 bilateral and regional 'preferential' trade agreements that have already resulted in the elimination of tariffs and quotas on agricultural imports or are still in the process of being phased out. Nevertheless, some agreements include

product exclusions or retain high tariffs on specified sensitive agricultural products. Also, some countries still retain MFN tariffs and quota restrictions on agricultural imports from TPP partners with which they do not have a preferential trade agreement (Burfisher et al. 2014). Accordingly, agricultural market access talks in the TPP have focused on those products where tariffs and quotas remain and on those products that existing agreements exclude from any trade liberalization.

Leaders in their November 2011 statement acknowledged that 'there are sensitive issues that vary for each country yet to be negotiated, and ... that together, we must find appropriate ways to address those issues in the context of a comprehensive and balanced package, taking into account the diversity of our levels of development' (White House 2011). This sensitivity is visible as TPP negotiators are nearing a possible conclusion. Attention now is focused on the bilateral talks between Japan and the United States on contentious market access issues covering sensitive agricultural commodities for Japan (beef, pork, rice, dairy products, wheat and barley, and sweeteners) and automobile/truck tariffs for the United States. Once all other interested parties gauge the level of ambition that outcome represents, attention would turn towards Canada to see what level of market access is offered on dairy products, poultry and eggs - all of interest to Australia, New Zealand and the US. Further movement on agricultural market issues, and on other controversial provisions in other chapters of the TPP agreement, could soon set the stage for trade ministers to finally work through political trade-offs on market access, commitments on new rules, and a host of remaining contentious issues. Additional discussion on the status of TPP negotiations is found in the 'Market Access,' 'Rules of Origin,' 'SPS/TBT,' 'Regulatory Coherence,' 'Intellectual Property' and 'Export Competition' sections 2.1-2.6 below.

TPP lead negotiators met beginning 24 July 2015, with the aim of resolving as many issues as possible before trade ministers convene

from 28-31 July to work through the political trade-offs on a possible final deal. Observers note this could well be the make-or-break moment for these talks to conclude in 2015 (Inside US Trade 2015e; Bloomberg Business 2015; Financial Times 2015).

## 1.2 Regional Comprehensive Economic Partnership

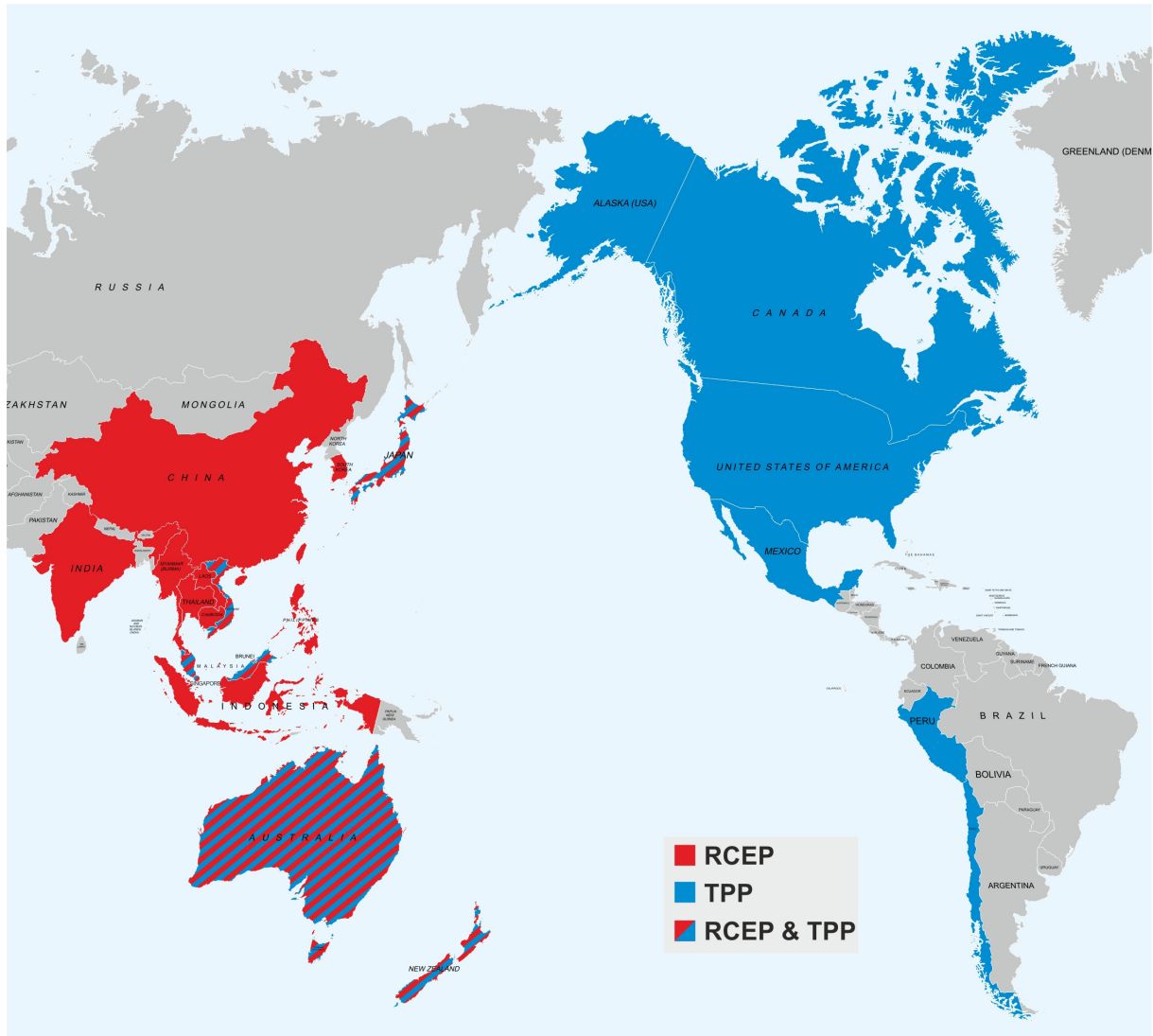
The RCEP aims to further integrate the economies of the ten countries that are members of the Association of Southeast Asian Nations (ASEAN) - Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam, with six other Asian/Pacific countries with whom ASEAN has struck FTAs over the last decade - Australia, China, India, Japan, New Zealand and South Korea. The 16 RCEP participants include six high-income countries, three upper-middle-income countries, six lower-middle-income country, and one low-income country (World Bank 2015).

RCEP's objective is to streamline the current patchwork of market access commitments made in these ASEAN+1 agreements, expand upon or add services and investment coverage where missing, and harmonize rules and regulations among all partners. In practical terms, RCEP is viewed as the way to widen business involvement in regional and global production networks, minimize their transaction costs, and address various

inefficiencies (e.g., differing rules of origin) created by the number of ASEAN-based trade agreements (Basu Das 2014).

Leaders of the 16 countries launched RCEP negotiations in November 2012, committing to 'achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement ... [B]oost economic growth and equitable economic development, [and] advance economic cooperation and broaden and deepen integration in the region through the RCEP, ... [building] upon our existing economic linkages' (ASEAN 2012). RCEP represents ASEAN's vision for creating an imprint on what a regional trading bloc can look like, taking into account the varying levels of development and incomes among its members and FTA partners. In other words, some see RCEP as ASEAN's model for economic integration as contrasted to that underway in the TPP talks. Nevertheless, seven countries are also participants in the TPP process (Figure 1). RCEP negotiators held their eighth formal session 8-13 June 2015, and scheduled additional rounds for 3-7 August and 12-16 October (Korea Herald 2015). Though RCEP leaders set year end-2015 as the target for concluding an agreement, trade ministers meeting between rounds in mid-July 2015 appear to have acknowledged that the difficulties in achieving movement mean that talks will not conclude in 2015 as planned (Asian Trade Centre 2015). Additional discussion on the status of RCEP negotiations is found in the 'Market Access' and 'Rules of Origin' sections 2.1 and 2.2 below.

Figure 1: Countries participating in the RCEP and TPP negotiations



### 1.3 Transatlantic Trade and Investment Partnership

The European Union and the United States announced in February 2013 their decision to enter into negotiations on the TTIP. Leaders stated that ‘a high-standard’ agreement ‘would advance [transatlantic] trade and investment liberalization and address regulatory and other non-tariff barriers’. Both sides highlighted that these negotiations are ‘the opportunity ... also to contribute to the development of global rules that can strengthen the multilateral trading system’ (European Commission 2013).

The TTIP negotiations are to follow the recommendations made by the US-EU High Level Working Group on Jobs and Growth

(HLWG), which called for achieving ‘ambitious outcomes’ in market access; regulatory issues and non-tariff barriers; and rules, principles, and new ways of cooperating in the global arena. Three recommendations are pertinent to agricultural trade. The first is the elimination of all tariffs on bilateral trade, ‘with a substantial elimination of tariffs’ when TTIP goes into effect, and ‘a phasing out of all but the most sensitive tariffs in a short time frame’. The second calls for negotiating ambitious ‘SPS-plus’ and ‘TBT-plus’ chapters that include creating mechanisms to improve ‘dialogue and cooperation’ on dealing with issues on a bilateral basis. The third, broad in scope, calls for ‘disciplines on regulatory coherence and transparency’ that include specific steps for developing and implementing

'efficient, cost-effective, and more compatible regulations for goods', including agriculture (HLWG 2013). Additional discussion is found in the 'Market Access', 'SPS/TBT', and 'Regulatory Coherence' sections 2.1, 2.3 and 2.4 below.

Agricultural trade between the EU and US represents a small portion of their total bilateral trade in goods. In 2013, EU agricultural exports to the US equalled US\$22.4 billion, and represented 5.9% of all merchandise shipments to that market. US agricultural exports to the EU were US\$12.9 billion, and accounted for 5.6% of the total. Agriculture's small share in bilateral trade is reflected in the fact that 2013 EU-US total agricultural trade (almost US\$35 billion) represented only 1.2% of global agricultural/food trade (Table 1). Other country destinations and origins are much more important in each of their trading relationships.

Negotiating the elimination of tariffs on most agricultural products could be easy. The EU's average agricultural import tariff is 13.2%; the US average is 5.1% (WTO 2014e). These averages, though, mask the high MFN tariffs

on their more sensitive agricultural products and accompanying restrictive quotas.

While tariffs may be easier to address, regulatory differences on how to address numerous food issues (e.g., consumer safety, inspection standards, etc.) will prove to be vexing for negotiators. It is not clear yet whether negotiators will handle outstanding SPS issues on a case by case basis or in some systemic fashion. Analyses suggest that resolution of differences on how to view food regulatory matters could noticeably expand trade flows (see 'Potential Impact' section 4 below).

The EU and US concluded their tenth negotiating round on 17 July 2015. Both sides earlier reportedly agreed to spend the first half of 2015 'drilling down into more technical issues' while the US focuses on completing the TPP, and then start 'to tackle the meatier, political issues' later in the year (Inside US Trade 2015f). The slow pace of the TTIP talks and reported deadlocks in many areas has raised the prospect that TTIP may not be concluded by the time the US administration changes in January 2017 (Inside US Trade 2015i).

## 2. COVERAGE OF AGRICULTURE AND AGRICULTURAL TRADE IN MEGA-REGIONALS

Acknowledging the reality that countries may want to further liberalize trade with some partners, General Agreement on Tariffs and Trade (GATT) Article XXIV 5(a)(c) and 8(b) spells out the parameters that FTAs between two or more countries should reflect. Such areas must not raise barriers to third countries and must eliminate 'duties and other restrictive regulations of commerce ... on substantially all the trade' among participating partners 'within a reasonable length of time' (GATT 1994b). While the terms 'substantially all trade' and 'restrictive regulations of commerce' are not defined, the WTO 1994 Agreement interprets 'a reasonable length of time' to be not more than ten years except 'in exceptional cases' (WTO 1994).

FTAs address traditional issues involved in liberalizing agricultural trade through preferential market access provisions that spell out the terms of reducing or eliminating tariffs, what happens to quotas, and on how safeguards will work for specified products. Integral are the transition periods that detail the phase-out periods for each of these forms of border protection. Exclusions for sensitive agricultural products are noted or left for analysts to discover. The rules of origin also are a mechanism used to determine whether a product with inputs sourced from multiple origins is eligible to receive preferential treatment when shipped between partners.

In the last decade or so, FTAs began to include new disciplines to deal with matters that the WTO 1994 agreements proved insufficient to address or to make progress on issues affecting agriculture that Doha Round negotiators could not bring to conclusion. These include additional obligations to streamline the handling of SPS/TBT disputes and issues, address selected intellectual property issues (e.g., treatment of geographical indications), include partner commitments not to subsidize exports to each other, among others. Growing recognition that additional disciplines in non-traditional areas were insufficient to systemically address the impact of non-tariff measures (NTMs) on trade led to placing a new

issue - 'regulatory coherence' - on the TPP and TTIP negotiating agendas. Descriptions on all of these features below includes OECD observations on their use in FTAs that have come into effect over the last 25 years. These characteristics may be expected to appear in varying degrees in the three mega-regionals being negotiated. When known, the status of how an issue is being handled in these prospective RTAs is provided.

### 2.1 Market Access

Negotiating terms of increased market access for agricultural commodities and food products into each partner(s) market(s) beyond each country's current WTO commitments is the traditional focus of FTA or RTA negotiations. In negotiating preferential market access on agricultural/food imports from each other, RTA partners agree to further reduce or eliminate tariffs, to expand or eliminate quota limitations, to introduce safeguards to protect against import surges, and to spell out rules of origin that detail the conditions that each product must meet to qualify for preferential treatment. How much additional agricultural trade liberalization actually occurs under an RTA depends on how exporters and importers assess the opportunities and limitations presented by these four market access elements. How market access for each partner's sensitive agricultural commodities is handled is a crucial component in RTA negotiations, sometimes involving trade-offs with non-agricultural issues and frequently not settled until the very last minute before talks conclude.

#### 2.1.1 Market access components in free trade agreements

*Transition or phase-out periods* refer to the time intervals used to completely remove current trade barriers (tariffs, quotas, and safeguards) on agricultural products. These barriers are eliminated immediately or in stages - set at specific future points in time (e.g., 3, 5, 10, 15, 20 years, etc.). Each stage is sometimes referred to as a 'basket'. Decisions by negotiators on which

basket each product should be placed in depends on how sensitive one country perceives imports from the partner country to be to domestic producers. The longest transition periods apply to the most import-sensitive agricultural products.

The purpose of seeking the longest transition periods seen in some FTAs is to give agricultural producers time to take steps to become more efficient, to shift into producing other agricultural commodities, or to leave the agricultural sector altogether. This also gives rural areas time to adjust to the changes brought about by the cumulative impact of the decisions made by producers.

*Tariff reduction or elimination* involves reducing a tariff to a lower level or to zero, by the end of the transition period agreed upon by negotiators, for each agricultural product. The result is preferential tariffs that apply on products traded among partner countries, which in turn can provide a competitive advantage to purchasing from each other rather than from a third country outside the trade bloc. Current applied tariffs (rather than most-favoured nation bound rates) for each tariff line frequently are used as the starting point. For many products, tariffs are eliminated on a linear basis (i.e., equal annual reductions). For the more sensitive products, tariff reductions occur on a non-linear basis, meaning the tariff only begins to fall at the mid-point or towards the end of the transition period (i.e., backloaded). The Organisation for Economic Co-operation and Development (OECD) concluded that tariff concessions are a key element found in the 55 agreements examined, finding that the average share of lines covering agricultural products where tariffs are eliminated rises from about 65% in the first year of implementation to over 90% in year 18 when fully implemented. However, substantial variation exists in the pace of liberalization (i.e., tariff elimination) across countries and products as covered by these agreements (OECD 2014).

Countries use *tariff-rate quotas* to protect their more sensitive agricultural products. A TRQ provides for duty-free access of a specified quantity of a commodity, which expands over

time. Imports above this quota are usually subject to a high tariff. However, features of TRQs can vary among FTAs. In some instances, this over-quota tariff declines over time. At the end of the transition period for covered commodities, both the quota and tariff no longer apply, allowing for unrestricted access to the partner's market. In other cases, the high-over-quota tariff remains at its high level, while the quota amount slowly expands, with both characteristics in place indefinitely. The preferential nature of a TRQ in an FTA provides one partner with a competitive advantage over a third country in selling to the other partner's market.

*Safeguards* protect producers of specified agricultural products against sudden import surges during the transition to free trade (e.g., as tariffs decline and/or quotas expand). Their use, automatically activated when a product's import price falls below a specified price level or when the quantity entering exceeds a specified amount, is designed to give domestic producers additional time to adjust to increased import competition. When activated, a higher tariff serves as a disincentive to importing the affected product on a temporary basis. A safeguard can be viewed as operating similarly to a TRQ during the period that it is in effect. The OECD found that about one-third of the RTAs examined include special agricultural safeguards for specified products. Features include criteria for when and for how long they can be used, contain sunset clauses for when they expire, and require they be operated in a transparent manner. Including agricultural safeguards in RTAs has provided the political support needed to backstop market openings for sensitive agricultural commodities (OECD 2014).

FTAs can include *exemptions* from tariff reduction or elimination, or from increasing quota access, for specified agricultural products. These exclusions reflect a country's sensitivity to allowing the prospect of increased competition for producers of commodities that can bring political weight to bear on trade negotiators and possibly undermine an agreement's approval. The OECD notes that these exceptions cover the well-known sensitive products that fall in the dairy,

meats, sugar, fats and oils, and food preparation sectors. Exemptions vary in extent across FTAs and within sensitive product groups, and in the form they take (OECD 2014). Even when tariffs are not completely eliminated, OECD notes substantial progress is made because negotiators start with lower applied rates rather than bound rates (OECD 2014). Sometimes, partners accept the political reality that a country's existing TRQ on an extremely sensitive commodity cannot be revised to incorporate a preferential component. This occurred when South Korea succeeded in exempting rice in its FTA with the US, and the US succeeded in keeping sugar out of its FTA with Australia.

### 2.1.2 Market access negotiations in the proposed mega-regionals

TPP negotiators may be nearing the end game on how they might finalize opening up their markets to agricultural imports from partner countries. The outcome of bilateral talks on the terms of US access for its beef, pork, rice, wheat and barley, and sweeteners into the Japanese market, and the terms of Japanese access for its autos and trucks into the US market, is viewed as critical to

signalling to all participants the level of ambition that the overall agreement might yet reach. The as-yet unknown scope of the Japanese-US deal would have implications for how much leverage Australia, New Zealand and the US would have to negotiate openings for dairy product, poultry and egg exports into Canada's highly protected market.<sup>3</sup> Other countries have their own sensitive agricultural products which they protect with high tariffs and restrictive quotas (Table 2). Meanwhile, the issue of whether the TPP countries will have one single tariff schedule or a mix of bilateral and plurilateral tariff schedules for all goods appears not yet to have been agreed upon. Peru and the US are reportedly engaged in bilateral talks with TPP partners with which each has not yet concluded an FTA. Other TPP countries reportedly are negotiating a plurilateral market access package among themselves. Further, the outcome of agricultural market access talks will influence, and be influenced by, the outcomes on the various rules and cross-cutting chapters. For this reason, talks among chief negotiators beginning 24 July 2015 could clear the way for trade ministers of the TPP countries meeting a few days later to work through the political trade-offs needed to conclude these negotiations.

**Table 2. Highly protected agricultural commodities of some TPP country participants**

Canada	dairy, poultry and eggs
Japan	beef, rice, wheat, barley, sugar, dairy products, selected fruits and vegetables
Malaysia	rice, selected processed food products
Mexico	dairy and poultry products, sugar, selected fruits and vegetables
Peru	dairy products
United States	sugar, selected dairy products and [tobacco]
Vietnam	pork, poultry, selected dairy products, processed food products, fruits and vegetables

Source: Burfisher et al. 2014.

RCEP countries reportedly have not yet agreed upon a process to follow to negotiate the market access issue, including agricultural products. They begin with a patchwork of tariffs already eliminated, other tariffs still being reduced but not all to zero, and product exclusions reflecting the nature of agricultural trade liberalization that has occurred among ASEAN members and its 'dialogue' FTA partners. This is due to the evolution of trade relationships within this trade bloc. The ASEAN Free Trade Area (AFTA) took effect in 1992 among six founding countries. Four others (Cambodia, Laos, Myanmar and Vietnam) joined AFTA in the 1995 to 1999 period. ASEAN's +1 FTAs took effect with Japan in 2008, and with Australia and New Zealand, China, India, and South Korea in 2010. Though remaining tariffs on agricultural imports among AFTA's founding countries are either eliminated or low for remaining tariff lines, rice is excluded from any liberalization commitment. The more recent AFTA members phase in their tariff commitments in 2015. Tariff reductions under the ASEAN+1 agreements will continue through 2025, with end dates and treatment of product sensitivities differing by partner. Once fully implemented, agricultural product coverage will range widely by ASEAN+1 agreement, from about 65% with Japan to 98% with China to 100% for Australia and New Zealand, to illustrate (Wainio, Gehlhar and Dyck 2011; Burfisher et al. 2014). These significant differences in the tariff elimination rates, transition periods, and coverage of goods across the existing ASEAN+1 FTAs (Basu Das 2014) appears to be affecting RCEP negotiators' efforts to come up with a plan on how they will proceed to discuss further liberalizing trade in goods, including agriculture. To illustrate, Japan, Australia and New Zealand reportedly planned to request at the February 2015 negotiating round that India, China and South Korea open up 80% of their tariff lines to imports. The latter three participants, though, seek to limit coverage to 40% of their product lines. For India, this would allow not having to make concessions on spices, dairy and other agricultural products, among other goods (Seth 2015). Negotiations held through mid-July 2015 suggest some movement towards a middle ground in the scope of China's and South Korea's offers but not in India's (Hindu Business Line 2015).

In the TTIP talks, the HLWG acknowledged agriculture's sensitivities for both the EU and US, suggesting that 'both sides should consider options for the treatment of the most sensitive products' (HLWG 2013). Reflecting realities, one EU official has stated his side 'would seek to shield beef, rice and certain starch products, such as potato starch, from complete tariff elimination'. The US position is that TTIP's objective should be the removal of all tariffs. Both sides exchanged their first tariff offers in February 2014, but little movement appears to have occurred since. The initial EU tariff offer covered 96% of all tariff lines (agricultural and manufacturing), with tariffs on about 85% of lines to be eliminated immediately. The US offer applied to less than 80% of all tariff lines, with immediate duty elimination for 69%. The EU has pushed for the US to present a second tariff offer before the EU does, arguing that the level of ambition is not reciprocal. The US argued that both sides should make their second offers at the same time (Inside US Trade 2015f). In mid-July 2015, the US lead negotiator stated both sides are working to determine 'how to move forward' to exchange a second set of improved offers on market access offers for goods, but declined to indicate when that would occur (Inside US Trade 2015d).

A leaked European Commission report summarizing the ninth negotiating round held in late April 2015 revealed in some detail each side's offensive and defensive interests for agricultural products. The EU identified increased geographical indications protections for dairy products and wines as its market access priorities, and cheese as a key defensive interest. US offensive interests seek to obtain market access for grains, meat, milk proteins, and tomato paste; sensitive products are sugar and canned tuna. On sugar, the report suggested the US would 'seek an alternative to full tariff elimination' (Inside US Trade 2015d).

## 2.2 Rules of Origin

Rules of origin (ROOs) specify what is required for an agricultural product to be considered as being produced or processed in one country, in order to qualify for preferential treatment (e.g.,



in the form of a zero or lower tariff, or access under a preferential quota) when exported to an FTA partner's market. This condition generally is met if the good wholly originates in, or is transformed from its raw form (e.g., milk) into a processed product (e.g., cheese) and meets specified conditions. Another type of rule of origin may require that foreign, or third-country, material cannot account for more than a specified portion of the value of a finished product (e.g., 10% *de minimis*), in order to receive preferential treatment. These requirements are designed to benefit the firms and exporters located in FTA participant countries, so that those of a third country cannot benefit from one partner's preferential access to the other partner's market.

The rules of origin chapter in any FTA is extremely complex and detailed, specifying what requirements must be met by each product at the tariff-chapter or detailed tariff-line level to be eligible for the trade agreement's benefits. How these rules, which can vary in design from one trade agreement to another, are crafted frequently determines how restrictive or liberal an agreement is when implemented (Liang 2012). The harvesting and raising of raw agricultural commodities (e.g., wheat, cattle) in a geographic area, for example, easily confers origin by meeting the 'wholly obtained or wholly produced' criterion. A commodity imported from a third country (i.e., not a member of the trade agreement) for processing into an intermediate commodity or finished food product (e.g., wheat into flour, cattle into beef) in a partner country meets the 'substantial transformation' criterion (i.e., change in tariff classification). Difficulties in meeting the 'originating good' requirement, particularly for processed food products, can arise when the value of inputs sourced from a third country represent more than the foreign content threshold specified in an FTA's detailed rule of origin. With the proliferation of bilateral trade agreements, these rules have contributed to increased paperwork and additional compliance costs for firms seeking to benefit from the competitive advantage offered by preferential access to a partner

country's market. This aspect, combined with their complexity, accounts for a large portion of the sentiment behind the term 'spaghetti bowl of overlapping rules' used to characterize bilateral FTAs.

An OECD analysis found that ROOs in RTAs for agricultural goods are 'more stringent' than for industrial products. This is due to the exceptions made in applying the *de minimis* or substantial transformation criteria. While cited research suggests that their complexity and use of exceptions can restrict trade and dilute the benefits of reducing tariffs, the OECD concludes that the impacts of ROOs are not well known for agricultural products (OECD 2014).

All three mega-regional RTAs will have chapters detailing their respective rules of origin. TPP negotiators reportedly have agreed that their ROOs would be 'objective, transparent, and predictable' and 'are far along in their consideration of product-specific rules, seeking a single TPP rule of origin to the extent possible'. At their late April 2015 negotiating round, they reportedly tried to deal with the market access implications of the rules of origin. They reportedly also have agreed in principle on a cumulation rule - meaning that inputs from multiple TPP countries may be combined so that a final product produced in a member country can be claimed as originating within the TPP region and be eligible to receive preferential treatment (CRS 2015; Inside US Trade 2015g). To what degree this one type of rule of origin applies to agricultural and food products, though, will not be known until TPP talks are concluded. The flexibility and relatively less restrictive ROOs found in the existing P-4<sup>4</sup> and ASEAN agreements with partners (Liang 2012) may make it easier for RCEP negotiators to fine-tune them to accommodate changing trade flows within the region.

### 2.3 Sanitary and Phytosanitary Standards and Technical Barriers to Trade

Though WTO member countries have reduced their level of tariff protection on agricultural imports, measures introduced at times by governments to ensure food safety or impose

product standards can have the effect of restricting agricultural trade. These non-tariff measures fall into two categories: sanitary and phytosanitary rules and technical barriers to trade. SPS measures encompass the laws, rules, standards and procedures in place to protect humans, animals and plants from diseases, pests, toxins and other contaminants. TBT covers the technical regulations, product standards, environmental regulations, labelling requirements, and voluntary procedures that deal with human health and animal welfare. WTO rules allow governments to adopt these types of measures, so long as they are not used as disguised protectionism. The WTO SPS Agreement sets out the basic rules for ensuring that each country's food safety and animal and plant health laws and regulations are based on scientific principles and not arbitrarily and unjustifiably discriminatory. The WTO TBT Agreement addresses the use of technical requirements and voluntary standards for a range of traded goods, including food products (CRS 2014a).

Both types of NTMS are extensively used to meet public policy objectives but can have the effect of being more restrictive than import tariffs, according to published studies. A 2007 survey revealed that of the SPS and TBT measures covering trade in 690 agricultural products traded worldwide, only four did not face barriers in any importing country. A 2009 study showed that the overall level of protection (i.e., taking into account the *ad valorem* equivalents calculated for non-tariff barriers, and added to import tariffs) for agricultural goods was twice as high as for simply import tariffs (44% compared to 27%). The WTO, in a literature review of the estimated trade effects of both tariff and non-tariff measures, concluded that NTM measures may restrict trade much more than tariffs, with some SPS and TBT practices having a negative effect on agricultural trade, particularly in terms of export market diversification for small developing countries (CRS 2014a; WTO 2012a; WTO 2012b).

To head off their potential restrictive impacts on agricultural and food trade, countries that have

negotiated RTAs almost always include a separate chapter covering SPS measures. Provisions frequently affirm the rights and obligations laid out in the WTO's SPS Agreement, but contain few specific procedures and measurable commitments to implement core SPS principles. For explanation, these require that countries (1) notify in advance other WTO members of the creation or change of any SPS regulation that could affect trade (i.e., *transparency*); (2) adapt SPS measures to regional conditions (i.e., pest or disease free areas and areas of low pest or disease prevalence), with products from such areas to be accepted by importing countries (*regionalization*); (3) recognize the SPS measures of another country as equivalent to its own (even if they are not exactly the same), as long as the exporting country objectively demonstrates that its measures achieve the same level of protection (i.e., *equivalence*); and (4) base their SPS measures on an assessment of the risks posed to human, animal or plant life or health, using available scientific evidence and recognized techniques, while also minimizing trade distortions (i.e., *risk assessment*). Further, countries are encouraged (but not required) to base their SPS measures on international standards developed by the competent international organizations<sup>5</sup> and to work towards harmonizing or adopting common SPS measures (i.e., *harmonization*).

Nevertheless, a number of RTAs incorporate deeper SPS commitments in the form of annexes, ad hoc agreements, and memoranda of understanding, with procedures to be followed to implement them and/or within a specified time frame. These additional commitments can sometimes address specific outstanding issues between agreement partners. One example is the ad hoc agreements signed between the US and Colombia and Peru in their respective FTAs where the latter two committed to recognize the US meat and poultry inspection system as equivalent and to accept US Department of Agriculture/Food Safety and Inspection Service export certificates. Another is the set of trade-oriented SPS measures being developed by the Common Market for Eastern and Southern Africa (COMESA) to promote the movement of

agricultural and food products among partner countries. The OECD found about 40% of the examined RTAs are 'WTO-plus' with the inclusion of additional specific commitments and procedures. One innovation found in many SPS chapters is the establishment of a joint SPS Committee responsible for concluding pertinent bilateral arrangements and taking steps to implement the core SPS principles laid out in the WTO agreement. The OECD concludes that the RTAs' SPS provisions have had 'mixed results with progress [seen] in some agreements for transparency, but little in the key areas of regionalisation, equivalence, mutual recognition and harmonisation' (Fulponi, Shearer and Almeida 2011).

### 2.3.1 *New SPS disciplines in TPP and TTIP?*

TPP and TTIP negotiators aim to develop a 'WTO-plus' SPS chapter that goes beyond what is found in existing RTAs. Much work has already been done on shaping TPP's SPS chapter, with outstanding issues awaiting political decisions by trade ministers. Strong differences exist over what approach should be included to resolve SPS disagreements that arise among TPP members. The US tabled text that proposed to establish both a 'consultative mechanism' among technical experts to address SPS disputes that arise, and a 'rapid-response mechanism' designed to quickly resolve SPS barriers that block shipments of perishable products. Other TPP countries that are significant agricultural exporters, though, appear to favour some dispute settlement process to handle SPS cases that arise. In July 2014, US negotiators reportedly indicated they would accept dispute settlement for some SPS obligations, but not for all. It is still not clear what kind of dispute settlement mechanism would be acceptable to the US and which SPS obligations it would agree to subject to such proceedings (CRS 2015).

As of late January 2015, TPP negotiators reportedly were weighing proposed text that 'would require TPP countries to engage in some sort of cooperation' on the process each followed to approve 'genetically modified organisms (GMOs), also known as biotech traits'. The language on GMOs reportedly being

discussed would be 'non-binding' in recognition that even this form of commitment would be 'difficult for some countries to accept' because 'the issue is so politically controversial' (Inside US Trade 2015m).

The SPS issues that the EU and US will raise in the TTIP are well known and controversial. They will be considered against the recommendation made by the US-EU High-Level Working Group that both sides negotiate an 'ambitious "SPS-plus" chapter that creates a mechanism for 'improved dialogue and cooperation' on addressing bilateral SPS issues and that builds upon WTO's SPS Agreement to also include requirements that 'each side's SPS measures be based on science and on international standards or scientific risk assessments', be applied 'only to the extent necessary' to protect human, animal or plant life or health, and be 'developed in a transparent manner, without undue delay' (HLWG 2013).

Both sides exchanged initial SPS proposals (the US in December 2014, the EU earlier in the fall) to begin the process, after months of highlighting those issues they want to address in the TTIP. The US reportedly seeks to 'tailor' SPS obligations to specific US and EU issues and make much more transparent how each side implements SPS measures. The EU proposal includes creating a framework to discuss animal welfare issues and to secure recognition that animals are 'sentient beings' (Inside US Trade 2015n).

The US wants to address the EU's ban on imports of US meats treated with growth-promoting hormones; the EU's prohibition on the use of certain pathogen reduction treatments for poultry (i.e., chlorine rinsing at the end of the processing chain or equivalent treatments); the EU's lengthy process for approving genetically modified food and feed traits for import; the EU's process for setting import tolerances for pesticides; among others (CRS 2014a; USTR 2014).

The EU seeks equivalence treatment on its beef and dairy exports. It wants the US to expedite consideration of its request to allow

eligible EU countries to ship beef to the US market, following the 2013 decision by the US Department of Agriculture (USDA) to allow beef imports from countries determined by the World Organisation for Animal Health (OIE) to pose ‘negligible’ and ‘controlled risk’ for BSE (i.e., mad cow disease). Only Ireland has attained US recognition to do so, having met US equivalency criteria (Inside US Trade 2015f; Bureau et al. 2014). On dairy, the EU exports of pasteurized milk and milk products face various administrative barriers that have the practical effect of severely limiting shipments (Bureau et al. 2014). EU horticultural producers would like to see removed the specific and lengthy approval procedures that apply to new types of plants and plant products (Bureau et al. 2014).

### 2.3.2 TBT+ in TPP and TTIP?

A few RTAs address certain TBT issues pertaining to agricultural products, reflecting their importance in bilateral trade. These provisions elaborate on the WTO TBT Agreement’s commitments in how marketing requirements are to be applied with respect to packaging, grading and size; accept a partner’s grading or classification system for specific products; and allow for participation in a partner’s process for developing food product standards and regulations (Fulponi, Shearer and Almeida 2011). One example of this is the inclusion in Chile’s FTAs with Australia and the US of a memorandum of understanding that recognizes the equivalence of each other’s beef grading systems (OECD 2014).

TPP negotiators are drafting a separate TBT chapter that would apply to all product categories, including agricultural goods. TPP negotiators are reportedly developing TBT provisions modelled after those found in the South Korea-US (KORUS) FTA. These expanded on the WTO TBT Agreement by providing each partner country with opportunities to comment on standards and regulations as they are developed and then implemented. TPP provisions will reportedly include annexes on sector-specific TBT commitments to harmonize their country approaches to regulations

in key areas (CRS 2015). Whether specific commitments for food sectors will be included is not yet known.

TTIP negotiators are likely to be guided by the US-EU HLWG’s recommendation that an ‘ambitious “TBT-plus”’ chapter include a mechanism for dialogue and cooperation on addressing bilateral TBT issues as they arise. It calls for TBT provisions ‘to yield greater openness, transparency, and convergence in regulatory approaches and requirements and related standards development processes, as well as, *inter alia*, to reduce redundant and burdensome testing and certification requirements, promote confidence in our respective conformity assessment bodies, and enhance cooperation on conformity assessment and standardization issues globally’ (HLWG 2013). Both sides reportedly have developed a consolidated bracketed text (i.e., different positions laid out) for a TBT chapter (Inside US Trade 2015h), but details are not known.

## 2.4 Regulatory Coherence

Regulatory coherence, sometimes termed regulatory cooperation, is on the agenda of both the TPP and TTIP negotiations. This step acknowledges the viewpoint that ‘behind-the-border’ (as contrasted to ‘border’) measures can act as ‘regulatory protectionism’ once products arrive in the destination country. This occurs when regulatory policies discriminate against imports by imposing a disadvantage against them in a way that is not necessary to reach a ‘genuine public policy objective’ (Polanco 2013). This topic is new to RTAs, would be WTO-plus, and also comprehensive by cutting across a number of chapters (including SPS and TBT) found in trade agreements. In practical terms, the objective of regulatory coherence would be ‘to ease the conditions and costs of trade’ conducted among RTA member countries ‘while affirming the[ir] rights to regulate their economies to promote legitimate policy objectives’ (CRS 2015). Provisions would attempt to address in large part, to the extent this is politically possible, the way that regulations are systemically developed and implemented.

In outlining the broad features of a TPP agreement, leaders endorsed including regulatory coherence as a cross-cutting trade issue for negotiators. To make trade within the region more business-friendly and efficient, they plan to work ‘to improve regulatory practices, eliminate unnecessary barriers, reduce regional divergence in standards, promote transparency, conduct regulatory processes in a more trade-facilitative manner, eliminate redundancies in testing and certification, and promote cooperation on specific regulatory issues’ (USTR 2011). According to a leaked unauthenticated text, likely now dated, TPP negotiators as of early 2010 reportedly would have member countries “endeavor” to establish a domestic regulatory entity to vet proposed regulations’, by ensuring they comply with domestic law and policy and also with trade agreements and other international obligations. Besides aiming to assure that regulatory consistency is achieved among various agencies in each country, this mechanism would be encouraged to conduct regulatory impact assessments (RIA) to assess the need for a given regulation, conduct cost-benefit analysis, and weigh alternatives to regulation. This established body, process or mechanism would also seek to ensure there is transparency and openness in the rule-making process (CRS 2015). As of March 2015, negotiators had completed work on TPP’s regulatory coherence chapter (Inside US Trade 2015a). Not known is how much the text reflects the above description.

TTIP negotiators have also placed this broad issue on their agenda. Reflecting ‘divergent public preferences and values’, particularly on food, the EU and US are likely to expend much effort in trying to find ways (if at all possible) to accommodate their longstanding differing views that underpin their regulatory approaches. The EU has declared its commitment to uphold its ‘precautionary principle’<sup>6</sup> which undergirds its risk management policy on food safety and animal/plant health issues. The longstanding US position, firmly supported by US agriculture groups, is that available scientific findings must serve as the basis to develop regulations on these issues (CRS 2014a). This tension,

with implications for existing SPS and TBT issues involving food products, has generated considerable public controversy on both sides of the Atlantic, with civil society expressing concerns that the TTIP will result in the lowering of food safety standards. Difficult negotiations will centre around whether achieving some degree of compatibility in regulatory approaches is even possible, and if so, how that could be structured. Both sides reportedly have created ‘consolidated [bracketed] text’ on horizontal regulatory cooperation (Inside US Trade 2015h), but few details are known. Both sides reportedly still differ on how regulatory cooperation can be achieved. The US wants the EU to adopt ‘good regulatory practices’ such as providing notice of proposed regulations and giving stakeholders the opportunity to comment. The EU’s focus is ‘in crafting disciplines that would lead to central and sub-central regulators cooperating on both sides’ (Inside US Trade 2015j).

## 2.5 Intellectual Property

Some RTAs in their intellectual property chapters address the rights and obligations associated with protections for the use of names of certain foods and wines in international trade and address the scope of patent protections available for plants.

### 2.5.1 Geographical indications

Longstanding differences between the EU and the US on the legal status accorded to geographical indications (GIs) used to market specified foods, wines and spirits have spilled over into the TPP and TTIP negotiations. The WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) recognizes the use of these marks or labels to protect the quality and reputation of a distinctive product produced in a particular region of a country (Article 22), with a higher level of protection being granted to wines and spirits (Article 23). The OECD found that while only a few RTAs include chapters that deal only with GIs, the WTO found that more than half of the RTAs captured by its analysis (92 in number) contain GI provisions. How GI protections are handled varies across these trade agreements, and likely

reflects the extent to which any partner has a significant portfolio of GIs it seeks to protect (OECD 2014; WTO 2014b).

As the debate in the Doha Round on extending the higher level of protection granted to wines and spirits to other products has been inconclusive, the EU has placed a high priority in its bilateral FTA negotiations to secure enhanced GI protection for numerous agricultural products with the aim of using such designations to add value to exported products. This objective has been central to its strategy to promote its standards internationally in trade agreements. The US has 'equally' resisted this objective (Draper, Lacey and Ramkolowan 2014) with limited success. For example, the EU secured GI protections for specified cheeses, wines and other food products in its FTAs struck with South Korea, Canada and the Southern African Development Community (SADC), among others. In return, the EU reciprocated by recognizing the GI status of FTA partner country products. Including these protections has created problems in particular for US cheese exporters, who argue certain US cheeses no longer can be exported, or may not in the future be marketed, in these countries because of the GI protections they granted or will grant to EU-origin and GI labelled products.

How to handle the GI issue will likely be one of the most contentious agricultural topics in the TTIP's intellectual property chapter. In late April 2015, negotiators reportedly discussed how to better enforce geographic protected food names (Inside US Trade 2015h). The EU continues to advocate for the US to extend protections to EU's product list of GIs beyond what the US grants through its existing trademark system, a stance that reportedly has faced a cool reaction from US negotiators (Inside US Trade 2015l). Further, the EU seeks GI protections for its products in the FTAs currently being negotiated with TPP countries (e.g., Japan, Malaysia, Singapore and Vietnam).<sup>7</sup> In turn, the latter are facing pressure in TPP negotiations from the US, Australia and New Zealand to accept the view that cheeses, for example, with common names (i.e., not associated with any particular

geographic area) be allowed to be marketed without any legal encumbrances.

### 2.5.2 Patent protection for plants

The WTO TRIPS Agreement allows (but does not require) countries to exclude plants from patent protection. Further, countries can take advantage of this exception, regardless of how the plants are obtained (i.e., through conventional breeding processes or genetic engineering). TRIPS also allows excluding the patentability of conventional methods for plant breeding. Many developed and developing countries, though, have opted to allow the patenting of plants, whether genetically modified or not. Some observers have raised concerns that this trend of granting patent rights to genetically modified plants, plant cells, genes and other sub-cellular components and enabling plant biotechnologies, affects access to patented seeds and other agricultural inputs and their affordability, and has possible implications for food security (Correa a, 2013).

Provisions in some bilateral FTAs with the US limit or completely rule out partner countries' ability to exclude plants and parts from patentability. Some of these FTAs (e.g., Morocco-US) contain the obligation to grant patents for plants. US FTAs with Chile, Peru, Colombia and CAFTA-DR (Dominican Republic-Central America) include 'best endeavour clauses' to make available patents for plants (Correa b, 2012). An early leaked unauthenticated draft of TPP's intellectual property chapter appears to contain in bracketed text comparable provisions proposed by the US. Pertinent language would extend patent protection to plants and animals (Draper, Lacey and Ramkolowan 2014). Whether TPP negotiating partners will accept this stance is not known at this time.

## 2.6 Export Competition

Though the WTO agriculture negotiating agenda includes looking at the trade-distorting dimensions of agricultural export subsidies, agricultural export credits, and food aid, some RTAs only address export subsidies. OECD found that about half of the examined RTAs explicitly

prohibit them. Typical language requires that ‘parties not introduce, maintain or re-introduce export subsidies for agricultural goods destined to the territory of the other’. Its examination found that some RTAs include commitments that set a date for terminating their use and/or provide a grace period to phase them out (OECD 2014).

Early in the TPP negotiations, Australia and New Zealand reportedly sought to secure disciplines on other TPP countries’ use of export subsidies, export credits and food aid in support of their agricultural sectors. Their proposal was based in part on the rules reflected in the 2008 Doha draft text dealing with these forms of export competition. The US acknowledged its sensitivity on including this in the TPP, maintaining that export competition issues should be addressed in the multilateral context (Inside US Trade 2012a; 2012b). With this issue still outstanding, the US reportedly indicated in late January 2015 that it would ‘agree to an unconditional and complete ban’ on the use of agricultural export subsidies in the TPP region if other partners drop their demand for new disciplines on the use of agricultural export credits (Inside US Trade 2015m). One possible explanation for this stance is that the US would lose little by giving up these export subsidies (which it no longer uses), but would be able to retain another important tool to conclude export sales.

## 2.7 Agricultural Export Restrictions

According to the OECD, most RTAs prohibit the use of export restrictions (e.g., export bans, export duties, export quotas, among other measures) between partners, except as allowed under GATT Article XI (2)(a). This exception allows WTO members to temporarily apply an export prohibition or restriction ‘to prevent or relieve critical shortages of foodstuffs’ (GATT 1994a).<sup>8</sup> Further, the WTO Agreement on Agriculture’s Article 12 sets conditions on the use of this exception for food. These require the exporting country to take into account the impacts of an export prohibition or restriction on the food security of importing countries and to notify the WTO in advance of such

action. Article 12, though, does not apply to any developing country, unless a restrictive measure is placed on a specific food product for which it is a net exporter (WTO Agreement on Agriculture).

A few RTAs contain provisions that allow export restrictions in case of food shortages or for food security reasons. In other agreements, export restrictions are ‘simply not allowed’ (e.g., Mexico-Japan, except for specified non-agricultural goods; Chile-European Free Trade Area) (OECD 2014).

Japan has long justified the high level of border protection for its agricultural sector on what it claims to be its need to ensure food security for its population. In return for the possible opening under the TPP of its market to its sensitive agricultural commodities, Japan may seek to incorporate some assurance of access to key commodities in the TPP text. A sign of this is found in the stand-alone chapter, perhaps the first of its kind, found in the Japan-Australia FTA that took effect in January 2015. ‘Chapter 7 - Food Supply’ commits each country to ‘endeavour’ not to prohibit or restrict the export to the other of 14-specified ‘essential foods’. These include beef, offals, numerous dairy products, barley and sugar (MOFA 2014). These commodities fall into the five categories of sensitive products that bilateral Japanese-US talks have focused on in the TPP context.

## 2.8 Services and Agricultural/Food Trade

Trade in agricultural commodities and food products utilizes various services from origin to final destination. These include research and development, maritime shipping, land transport, wholesale distribution, retail marketing and various types of professional services, among others. According to the WTO, most global services trade occurs in the form of cross-border supply (i.e., the service provided crosses a border from the supplier to the consumer: Mode 1) and commercial presence (i.e., a firm in one country supplies a service through a branch, agency or subsidiary located in another country: Mode 3) (WTO 2011). Historically, governments have regulated how

services are provided to protect consumers from harmful or unqualified providers and/or to directly offer services to its citizens. While the rules and offerings may be legitimate to meet public needs, they ‘may intentionally or unintentionally discriminate against foreign providers and impede trade’. To address national policies and regulations that restrict the provision of services across borders, the multilateral General Agreement on Trade in Services (GATS) lays out the principles and obligations that countries commit to with respect to the services sectors within their boundaries. Governments commit to treat services imported from all other participating countries on a non-discriminatory basis, be transparent in the publication of regulations and rules, impartially and objectively administer them, and ensure that monopoly suppliers of services operate consistently with their country’s obligations made under GATS. Further, GATS prohibits governments from placing certain limits on suppliers of services from other countries (i.e., to allow for market access) and requires governments to treat a foreign service or service provider no less favourably than a domestic provider (i.e., national treatment) (CRS 2014b). Their purpose is ‘to guarantee a certain level of openness to foreign competition’ (WTO 2011).

Because of the rapid growth in the services sector in many countries, numerous FTAs and RTAs include provisions that go beyond current GATS commitments to further liberalize the terms under which services are provided across borders. Negotiators generally use one of two approaches in negotiating how to liberalize services trade in RTAs. Under the ‘negative list’ approach, ‘all services covered by the agreement are considered liberalized unless a reservation is taken for existing or future non-conforming measures in the accompanying annexes’. Under the ‘positive list’ approach, each country specifies to which sectors obligations apply, ‘subject to any limitations or conditions’ that are spelled out. In practice, RTAs that incorporate a negative list approach offer much more in terms of liberalization (i.e., openings and increased competition) than those

that follow the positive list model (Harbinson and Lim 2012).

How agricultural and food trade is affected by services trade provisions in the GATS and in RTAs has received little attention, even though such trade relies on the use of numerous services to complete transactions. One case study identified the numerous services tapped by a Swedish food ingredients company to illustrate their contribution to the value added to its products and their role in facilitating the processing of inputs and the sales and shipment of product to export markets. It argues that trade negotiators need to focus on the obstacles created by those services barriers that affect the entire agricultural sector (from production to food processing) rather than just on the commercial interests of large services firms. This study concludes that for the food industry to be more effective and competitive in both domestic and foreign markets, it must acknowledge the role that services can play to support trade in goods (Kommerskollegium 2013).

TPP negotiators have closed out the chapter on cross-border trade in services (Mode 1) (Inside US Trade 2015a). They reportedly followed the negative list approach in which the buyer and seller of a service are located in different countries (CRS 2015). In the TTIP, the US and EU exchanged their first services offers in July 2014 - the US using the negative list approach, and the EU following a ‘hybrid’ approach. The latter uses a negative list for national treatment obligations, but a positive list to cover market access commitments (Inside US Trade 2015k). In July 2015, both sides exchanged revised services offers based on the hybrid scheduling approach (Inside US Trade 2015j).

## 2.9 Investment

Investment rules increasingly incorporated into RTAs could have a bearing on foreign direct investment (FDI) by participant countries in each other’s agricultural and food sectors. Such investments can be in farmland, food processing, agricultural inputs and services, wholesale distribution, and retail networks.



With global food demand increasing due to population and income growth, larger firms in the developed countries continue to invest overseas in these segments of the food chain, particularly in developing countries. Their objectives for investing in another country are to meet rising demand in host countries for food products using local inputs and cheaper labour, and to use it to serve as a platform to export higher-value crops back to their home markets.

Debated is the extent to which the existence of investment rules affect FDI into these two sectors. One view holds that sometimes a country's domestic policy reforms (e.g., macroeconomic policies) rather than regional trade liberalization contribute more to increased investment. Bolstering this are findings that economic growth, market size and changing consumer tastes draw in investment, though an RTA can effect these determinants (Worth 1998). Another view is that the protections accorded firms facilitate needed investments into the agricultural sectors of some developing countries that may not otherwise occur.

The investment provisions found in FTAs/RTAs typically require partner countries to treat foreign investment and investors on a non-discriminatory basis, set minimum standards for investment protections in accordance with international law, provide compensation for any direct or indirect expropriation action taken, allow for movement of funds into the country and for repatriation of earnings, set limits on the use of performance requirements (e.g., mandatory export quotas or local content rules), spell out procedures for an investor to submit an investment

dispute with a partner's government to binding international arbitration (i.e., investor-state dispute settlement), ensure environmental, labour, transparency, and anti-bribery standards are met, and list exceptions to these provisions for 'national security' and 'prudential' interests, among others. Investments made in the agricultural and food sectors of partner countries are in general subject to the RTA's investment provisions, but stipulations and limitations can be found in some agreements. Examples include Australia's right in its FTAs with China, Japan and South Korea to screen proposals for foreign investment in agricultural land of over A\$15 million (down from A\$252 million previously) and in agribusiness of over A\$53 million (Taylor 2015; Australian Government 2015). South Korea, reflecting domestic law, in some of its FTAs secured the right to prohibit foreigners from investing in any rice or barley farming enterprise or to hold 50% or more equity in a beef cattle operation (KORUS FTA).

To the extent that some TPP and RCEP developing countries impose investment barriers, the inclusion of an investment chapter could draw foreign investors into their agricultural and food sectors. Providing outside capital could enhance agricultural productivity to meet domestic food needs and generate export earnings. But foreign investment could also inject competition, particularly in those areas that directly affect smallholder farmers. With investment largely flowing freely between the EU and US, any change in rules under the TTIP would likely have a marginal impact on food and agricultural investments made in each direction.

### **3. PROPOSED MEGA-REGIONALS DO NOT ADDRESS DOMESTIC AGRICULTURAL SUPPORT**

The OECD's survey found that RTAs contain 'no substantial commitment to reducing' domestic agricultural subsidies. Almost half of the agreements specify that such support to domestic farmers should conform to the WTO Agreement on Agriculture's provisions. Others simply affirm partners will work within the WTO context to reduce agricultural subsidies, but do not commit to limit or eliminate their

own subsidies. The OECD notes that within the context of an RTA involving two or several countries, reducing domestic support may be administratively costly because of the difficulty in implementing some mechanism that achieves a 'one to one' relationship between a commodity receiving support and exports to a market (OECD 2014).

## 4. POTENTIAL IMPACT OF THESE PROPOSED RTAs ON AGRICULTURAL TRADE

Economists generally expect FTAs to increase trade in goods, including agricultural products, and trade in services between partners. They use a variety of economic models to isolate the impact of trade liberalization from the impacts that can be attributed to other factors (i.e., population growth, economic growth, currency fluctuations, and price changes, among others) that influence trade. The assumptions and approaches used can be problematic, and are debated among economists (Economist 2015; Inside US Trade 2015c). The following presents retrospective analyses on the impact of FTAs on agricultural trade in effect for some time, followed by projections on the potential impacts of agricultural trade liberalization under the TPP and TTIP.

One OECD analysis found that ‘tariff preferences do have significant effects on [agricultural] trade flows both for previously traded goods as well as for trade in new products’. A tariff preference is the difference between the MFN tariff a country imposes on a food product, for example, imported from all other countries, and a lower or zero tariff imposed on that same product from a partner country under an FTA or under a trade preference scheme offered developing countries (e.g., the African Growth and Opportunity Act by the US, the Generalized Scheme of Preferences by the EU). The larger the difference, or margin, between the two tariff levels, the more an importer has the incentive to buy the product from an exporter in the partner country rather than from elsewhere, and realize the savings associated with the low or zero tariff. The OECD found that on goods that already are traded, ‘a 1% preferential margin increases trade by about 2% on average with respect to suppliers’. But if margins were higher, trade increased much more. ‘Products benefitting from preferential margins of between 5% and 10%’ saw trade increase ‘by 18% on average and by 48% when the preferential margin exceeded 10%’ (OECD 2014).

Looking at two of the mega-regionals, the scope of two studies that look at the potential impacts on agricultural trade - one under TPP and the other under TTIP - varies considerably. A US Department of Agriculture study projects what happens to agricultural trade within the 12-country TPP region under a scenario of only the complete elimination of all tariffs and quotas on traded agricultural goods.<sup>9</sup> An analysis commissioned by the European Parliament (EP) goes much further in examining the TTIP, to also quantify the protective impact of partially removing the regulatory barriers that impede trade in certain agricultural products.

### 4.1 TPP

If TPP negotiators accomplish their objective to conclude an agreement that results in comprehensive market access for all agricultural products within the region, the USDA study estimates what this would mean for agricultural trade among the 12 TPP participating countries. Compared to a baseline scenario that projects what agricultural trade within the region for 2025 would be, such trade under a ‘hypothetical and stylized TPP scenario’ is estimated to be 6% higher, or about US\$8.5 billion (US\$(2007)) (Table 3). This scenario assumes the complete elimination of all agricultural and non-agricultural tariffs and tariff-rate quotas by all TPP participating countries on all imports of agricultural and non-agricultural products from partners in 2025. This analysis does not quantify the gains that might be achieved in other areas of the TPP negotiations that could impact agriculture (e.g., SPS barriers, TBTs, investment rules, trade in services, among others). For perspective on these issues and what is reported on them in the TPP context, see sections 2.2, 2.3, 2.4, 2.5, 2.6, and 2.7.

By commodity, the USDA study projects that intra-regional trade (in value terms) in 2025 (compared to the baseline) would be noticeably higher in primarily beef and some mutton

(+US\$2.2 billion, or 25% of total change), followed by dairy products (e.g., powdered milk, butter, cheese, and 'other') (+\$1.6 billion, or 19% of total), and 'other foods' (e.g., processed foods and feeds) (+\$1.2 billion, or 14% of total) (Table 3).

**Table 3. Projected change in intra-regional agricultural trade, by commodity, among TPP countries in 2025, relative to baseline**

Commodity	2025 intra-regional TPP trade, baseline	Change in value in intra-TPP trade, under TPP Agreement in 2012, from baseline	Percent change in value in 2025, under TPP Agreement	Share of value change in 2025
	<i>\$US millions (2007)</i>		<i>Percent</i>	
Bovine meat	11,777	2,161	18.3	25.3
Other foods	52,562	1,199	2.3	14.0
Poultry meat	3,299	796	24.1	9.3
Rice	780	604	77.5	7.1
Sugar	1,185	569	48	6.7
Other dairy	1,622	531	32.8	6.2
Other meat	1,043	487	46.6	5.7
Powdered milk	1,917	464	24.2	5.4
Fruits/vegetables	17,061	406	2.4	4.8
Butter	963	265	27.6	3.1
Cheese	1,536	255	16.6	3.0
Wheat	4,015	251	6.2	2.9
Pork	6,550	157	2.4	1.8
Oils and fats	5,612	108	1.9	1.3
All other	25,625	294	1.1	3.4
<b>Total agriculture</b>	<b>135,545</b>	<b>8,548</b>	<b>6.3</b>	<b>100.0</b>

Source: Burfisher et al. 2014.

By country, Japan would account for almost 70% of the expansion in TPP-region agricultural imports in 2025. Its agricultural imports would be about 14% higher (\$5.8 billion) than in the projected baseline, with meat imports accounting for half. Canada and the

United States would each account for 10% of the import expansion. On the other side, US agricultural exports would account for 33% of the expansion in regional agricultural exports (\$2.8 billion), followed by Australia's 31% share (\$2.6 billion) (Table 4).

**Table 4. Projected change in agricultural trade, by country, in 2025 under TPP agreement, relative to baseline scenario**

Country	Baseline 2025	Change in 2025	Share of change in TPP region
	<i>US\$(2007) million</i>		<i>Percent</i>
<b>Exports</b>			
United States	52,395	2,827	33.1
Australia	13,629	2,611	30.5
New Zealand	8,055	1,039	12.2
Canada	26,982	1,007	11.8
Vietnam	4,284	273	3.2
Singapore	1,357	204	2.4
Other countries	28,843	587	6.9
<b>Total</b>	<b>135,545</b>	<b>8,548</b>	<b>100.0</b>
<b>Imports</b>			
Japan	41,118	5,830	68.2
United States	44,846	908	10.6
Canada	18,271	871	10.2
Vietnam	2,100	388	4.5
Mexico	14,296	235	2.7
Malaysia	2,915	191	2.2
Other countries	11,999	125	1.5
<b>Total</b>	<b>135,545</b>	<b>8,548</b>	<b>100.0</b>

Source: Burfisher et al. 2014.

## 4.2 TTIP

A European Parliament-commissioned analysis of TTIP's impacts for EU-US agricultural trade lays out multiple scenarios to reflect the differences in the degree of ambition that negotiators might achieve. Two of these scenarios include (1) completely eliminating tariffs within five years, and (2) combining tariff elimination with an 'across-the-board 25% cut in the level of trade restrictiveness of NTMs' (Bureau et al. 2014).

This study projects overall EU-US trade and bilateral agricultural trade would be higher under both scenarios compared to the continuation of status quo policies (i.e., the baseline). The magnitude of increase would depend on the scope of realized ambition (i.e., whether negotiators agree only on a full 'phasing-out of tariff protection', or go further to also address a number of contentious NTMs

on both sides of the Atlantic that fall in the SPS category and other regulatory areas). Under the 'tariffs only' phase-out scenario, the volume of EU agri-food exports to the US would be 19% higher, while imports from the US would rise by 31%. Under the more ambitious scenario (i.e., tariff elimination and an across-the board 25% cut in the level of trade restrictiveness of agricultural NTMs), agricultural trade in each direction would be much higher. EU agri-food exports to the US are projected to be almost three times higher than under the tariffs-only scenario (56%, or US\$13 billion). EU imports from the US would be almost four times higher (at 116%, or almost US\$27 billion) (Table 5).

By commodity, under the more ambitious scenario, other food products (e.g., prepared fish and vegetables, flour and juices) (US\$3.5 billion), beverages and tobacco (US\$2.8 billion), and dairy products (US\$2.4 billion) would account for two-thirds of the increase in EU

exports to the US market. US agri-food exports to the EU would also be concentrated in other food products (US\$5.7 billion), dairy products (US\$5.4 billion), fruits and vegetables (US\$4.8 billion), and white meats (US\$3.7 billion) (Bureau et al. 2014).

**Table 5 .Projected change in agricultural trade, by commodity, between EU and US under a TTIP agreement in 2025, under ambitious outcome scenario, relative to baseline**

Commodity	2025 agricultural exports, baseline	Change in value in exports, under TTIP agreement in 2025, from baseline	Percent change in value in 2025, under TTIP agreement	Share of value change in 2025
	<i>US\$ millions</i>		<i>Percent</i>	
<b>EU to US</b>				
Other foods <sup>a</sup>	4,459	3,554	79.7	27.3
Beverages and tobacco	12,411	2,848	22.9	21.9
Dairy products	1,009	2,407	238.6	18.5
Other crops <sup>b</sup>	1,043	1,581	151.6	12.2
Pork and products	336	972	289.3	7.5
Vegetable oils	1,397	813	58.2	6.3
All other agriculture	2,397	826	34.5	6.4
Total EU agricultural exports to US	23,052	13,001	56.4	100.0
<b>US to EU</b>				
Other foods <sup>a</sup>	4,169	5,747	137.9	21.4
Dairy products	258	5,386	2,087.6	20.1
Fresh vegetables, fruits and nuts	5,000	4,840	96.8	18.0
Pork and products	356	3,690	1,036.5	13.8
Cereals	2,421	2,954	122.0	11.0
Other crops <sup>b</sup>	1,888	1,096	58.1	4.1
All other agriculture	8,975	3,121	34.8	11.6
Total US agricultural exports to EU	23,067	26,834	116.3	100.0

<sup>a</sup> Processed foods (fruit, juices, vegetables, nuts, fish, flours, grain products, baked goods, confectionery, etc.).

<sup>b</sup> Horticultural products, seeds, tobacco, forages, among others.

Source: Bureau et al. 2014.

### 4.3 RCEP

A comparable analysis of impacts associated with further liberalization in agricultural trade by the 16 Asian countries participating in the

RCEP negotiations has not been conducted.<sup>10</sup> With negotiating parameters not yet agreed upon to guide the scope of ambition envisioned, it may be some time before such an analysis can be undertaken.

## 5. IMPLICATIONS OF THESE PROPOSED RTAS FOR THIRD COUNTRIES

Trade flows between the two or more countries that form an FTA/RTA and the rest of the world (i.e., all other countries that lie outside of the trade bloc) can change once its provisions begin to take effect. Attempting to project such changes in trade flows is complicated and would involve looking at numerous factors (discussed below). Some have raised concerns that the magnitude of these changes by virtue of the size of these three mega-regionals could be adverse to third countries (i.e., those outside each bloc) once they have been in force for some time. In other words, they highlight the prospect that third countries will be worse off, as their exports to a mega-regional RTA could decline when importers within the trade bloc, taking advantage of the cost savings associated with the elimination of tariffs and other reduced trade barriers, buy from suppliers within the bloc, even though a third country exporter might be a lower-cost producer.

Others instead highlight the benefits that result from the ‘mutual elimination of import barriers’ within an RTA. The elimination of tariffs means consumers buy at lower cost from a more efficient producer within the region rather than from a domestic source. Over time, investment flows towards those firms that can produce more cheaply and efficiently, and consumers’ purchasing power expands (i.e., ‘trade creation’, as termed by economists).

The USDA and EP studies project that both the TPP and TTIP would result in a ‘net creation of trade in agriculture’. In other words, the expansion of agricultural trade within each trade bloc would be larger than the amount that is no longer imported from the rest of the world, added to the amount countries in each bloc would instead export to each other rather than to the rest of the world. For the TPP, the USDA report projects that the US\$8.5 billion in expansion of agricultural trade within the region in 2025 (relative to the baseline) (Table 3) would be larger than the US\$3.0 billion

in both types of projected trade diversion (i.e., US\$2.6 billion in reduced imports from the rest of the world, and US\$400 million in reduced exports to the rest of the world). By commodity, meat imports from the rest of the world would be US\$987 million lower; ‘other agriculture’ imports would be US\$970 million less. Both commodity categories account for about three-quarters of the US\$2.6 billion in agricultural imports that would be sourced by TPP partners from within the region rather than from third countries. Trade diversion would be most noticeable for Japan, which would substitute agricultural imports from other TPP partners for what otherwise would be imported from the rest of the world (Burfisher et al. 2014). The USDA study provides no breakdown on which third countries’ exports to the TPP region would be affected by this diversion.

The European Parliament-commissioned study projects considerable creation in agricultural trade between the EU and US under the combined scenario examining ‘tariff elimination and 25% reduction in trade restrictiveness of NTMs’. However, it suggests TTIP would in the aggregate not significantly affect EU and US agricultural trade flows (ranging from 0% to 2%) with the rest of the world. Those effects, though, ‘could be significant in specific sectors and for specific partners’. For example, trade diversion under TTIP could affect Morocco’s vegetable, fruit, and vegetable oil sectors; Mercosur’s cereals, vegetable and fruit sectors; and Canada’s cattle and vegetable oil sectors, among other country-specific impacts (Bureau et al. 2014).

While the analytical tools used in these two studies provide some indication of what the third country impacts of TPP and TTIP might be on diverting their agricultural exports from these two prospective trade blocs, they lack detail on which third countries would be affected, by how much, and for which of their agricultural exports. A qualitative impact analysis would involve looking at (1)

how dependent a third country is on demand for a product from the countries participating in each mega-regional, (2) whether the third country benefits from an existing preference programme offered by mega-regional country participants, and (3) how substitutable a product traded within a mega-regional is for the third country export (adapted from Rosales and Herrerros 2014). Further, the ability of a third country to adjust to the prospect that some of its agricultural exports would be diverted from a mega-regional RTA depends on whether it is an emerging market economy, a least developed country (LDC), a small and vulnerable economy (SVE), or classified in another 'developing country' category.

Since such detailed qualitative analysis has not been conducted of how the agricultural exports of non-participating countries (particularly developing countries) could be directly affected (aside from anecdotal references), broad observations can still be made on possible third country impacts from the mega-regionals affecting all trade, extrapolated to apply to agricultural trade. These issues include the potential loss in market access due to trade preference erosion, possible difficulties in participating in agricultural value chains depending on how rules of origin are crafted, adapting to new standards governing agricultural trade, among possible others. The cumulative effects on any individual country will vary, and depend much on the agricultural commodity/food composition of its agricultural exports to the countries that comprise each RTA. Impacts at the level of third countries will also be affected by how pro-active each government's response is in practical terms to the limitations and/or possibilities that these mega-regionals may bring about.

### 5.1 Tariff Preference Erosion

Some developing countries fear that the tariff and/or quota elimination negotiated among RTA partners will erode the tariff preferences that have given their agricultural exports a competitive edge in selling into these

countries. Ten of the 22 RTA participants - a mix of developed countries and large emerging markets - in the three mega-regionals offer non-reciprocal benefits of a zero tariff on many agricultural products to eligible developing countries under a trade preference programme, with some targeted specifically to LDCs.<sup>11</sup> The rationale behind these preference programmes is to promote economic growth and development in developing countries by stimulating their exports. Under such a programme, the incentive exists for a beneficiary country exporter to sell to an offering country's market because the MFN tariff does not apply. If an RTA member country eliminates a tariff on a product that can now be supplied by a partner country within the trade bloc, the exporter outside the RTA loses its competitive advantage based on the programme and, in turn, faces the prospect of losing export sales.

Under the mega-regionals scenario, the extent that a third country experiences tariff preference erosion would depend on (1) the commodity/food composition of its agricultural exports to those countries belonging to one of these prospective RTAs, and (2) whether agricultural/food products already benefit from duty-free access under a country's trade preference programme. First, if a commodity or food product can now enter duty-free from another RTA member rather than the third country, an importer likely would choose to buy from a supplier located in the RTA. Whether that happens would depend on the importer comparing the transport costs from the two origins and the qualitative features of the product, among other possible factors. To the extent that such diversion occurs, the agricultural products most affected would be those where a high tariff preference exists. Second, developing countries already benefiting from duty-free access for their agricultural products under existing preference programmes into RTA countries may not experience trade diversion, but the extent to which this occurs would depend more on qualitative product factors and distance.



## 5.2 Rules of Origin

How ROOs are crafted in the TPP, RCEP and TTIP would affect the extent to which agricultural commodities from non-participating countries are utilized as inputs in the food sector. If the ROOs, to illustrate, for processed food products require that all ingredients must be sourced from within the trade bloc, LDCs and small states would lose an export market for those same ingredients (Palit 2014). To explain, a food processing firm in a TPP member country, to claim a preferential tariff on its finished product when exporting to another TPP partner, would have to show that it meets this requirement. Such restrictive ROOs would prevent these countries from entering the RTAs' value chains, 'particularly in fragmented production networks like ... processed food'. However, liberal ROOs (e.g. allowing ingredients sourced from outside the RTA to account for a larger share of a food product's value) would allow firms from outside the trade bloc to participate in that RTA's value chains. While more flexible ROOs could surface in the TPP, the variety of the ROOs found in the ASEAN FTAs (particularly with their +1 partners) means crafting ROOs in the RCEP may be difficult to achieve. Bottom line, the export prospects of the smaller developing countries will depend on the 'conditions [placed] on minimum threshold levels of regional value addition and product transformation' detailed in each RTA's ROOs for food products (Palit 2014).

## 5.3 Standards (SPS and TBT)

If the TPP and TTIP achieve their stated objectives to incorporate new standards and/or procedures pertinent to agricultural trade that go beyond what WTO SPS and TBT agreements require, these new disciplines might in time spill over to affect trading relationships between RTA member countries and third countries outside each trade bloc. To what degree this occurs depends much on whether RTA partners in their ongoing negotiations only succeed in resolving conflicting views, for example, on outstanding SPS issues in the TTIP context, or go further to develop a framework that institutionalizes how partners work through regulatory matters that affect food.

Because of the concerns civil society has expressed on specific food issues that negotiators are expected to take up to harmonize standards or develop 'regulatory coherence', trade negotiators will face strong public and industry pressures not to back away from longstanding views and positions on what, for example, constitutes adequate measures to ensure food safety. Against these sensitivities, negotiators likely will not delve into the substance of these issues until talks near conclusion. Further, not knowing the scope of what might be realized in new regulatory disciplines, their potential impacts are 'very difficult to predict', and any efforts to do so 'probably shouldn't be believed' (Draper 2015).

Assuming that the TPP and TTIP do strengthen regulatory disciplines, the impacts could be substantial and (depending upon the details of outcomes) affect third countries in different ways. Concern is expressed that institutionalizing rigorous quality standards and tightening the process by which such standards are addressed (i.e., by creating new non-tariff barriers) could adversely affect agricultural exports from smaller countries (Palit 2014). Discrimination also could occur where an existing regulatory obstacle to trade is reduced or abolished between RTA partners but remains in place for third countries, or a mutual recognition agreement is agreed to without consideration for third parties. Impacts could be substantial for third countries if their export prospects into large markets (e.g., the EU and US under TTIP) as a result disappear as EU and US exporters secure a competitive advantage to sell into each other's market. One solution proposed to address such impacts is for an RTA to detail what a third country must do to comply with a changed SPS or TBT requirement (Rollo, Mendez Parra and Ollerenshaw 2013).

By contrast, the RCEP is not likely to pursue a 'deep regulatory agenda' (Draper 2015). It is expected to include a SPS chapter, but whether the outcome will be a negotiating group or just a committee to discuss issues cannot yet be discerned. Reportedly, there has been no movement on TBT issues.<sup>12</sup>

## 6. OUTLOOK

Each of the three mega-regional RTAs likely will be concluded at some point in time, in light of the political capital that leaders have expended in agreeing to pursue them and in injecting additional momentum as needed. Geopolitical considerations also enter the picture, particularly as the US, China and the EU as major economic powers view the TPP, RCEP and TTIP, respectively, as venues to shape global trading relationships and the rules that guide them. If and when concluded, each mega-regional's impacts will depend much on the level of sought-after 'ambition' that actually ends up embedded in its provisions. Because concluding negotiations involves making trade-offs and agreeing to compromises, each trade agreement will likely fall short in some areas of the desired comprehensive 'ambition'. Nevertheless, these RTAs by virtue of the number of countries involved and/or the size of economic output represented can be expected to 'push the line' to further reduce border protection, introduce some new 'behind the border' rules on traditional and new issues, and/or create processes and procedures to handle them.

The timing of when each mega-regional concludes will bear on the substance of what could emerge in the others. If 'ambition' with '21st century rules' is achieved in the TPP, pressure will increase on RCEP negotiators to advance the pace of their talks to counter the trade agreement model that the TPP represents. Though RCEP country leaders until recently held year-end 2015 as the target for completing their talks (ASEAN 2015), negotiators appear to have given themselves more time. TPP's outcome also will be taken into account by TTIP negotiators, where talks still have a considerable way to go.

### 6.1 Possible Outcomes for Agricultural Trade

What to do with tariffs, quotas, rules of origin and safeguards constitutes the traditional scope of issues that trade negotiators deal with to achieve further agricultural trade liberalization.

TPP and TTIP country participants are likely to eliminate tariffs and expand quotas on most of the agricultural products traded among themselves. This would go considerably further than the reductions in border protection begun under the WTO's 1994 Agreement on Agriculture. A substantial portion of tariffs will be eliminated immediately (reflecting past practice in previously negotiated FTAs) in order to inject momentum into trading relationships and to sell prospective benefits to key agricultural constituencies. Tariff phase-out periods for each country's sensitive agricultural commodities and food products will be lengthy - as evidenced in existing FTAs, and be longer than the time used by analysts to project impacts (e.g., ten years in USDA's TPP study, and five years in the EP's work on TTIP).

To illustrate, an examination of two large FTAs reveals that countries with a high average MFN agricultural tariff level generally secure from their agreement partner long transition periods to eliminate tariffs and quotas on some agricultural products, a lower level of border protection for a smaller set of products, and/or exclusions for a few sensitive commodities. Under KORUS, which took effect in 2012, South Korea (with an average applied agricultural tariff of 52.7% compared to 4.7% for the US) (WTO 2013) immediately eliminated duties on 31% of its agricultural tariff lines, and will phase out most remaining agricultural tariffs in 3, 5, 7, 10, 12, 15 and 20 years. Korea's TRQs with high over-quota tariffs on 11 agricultural products will terminate in stages ranging from 10 to 18 years. However, Korea retained slowly expanding quotas with high over-quota tariffs for five products (milk, cream, cream powder; honey; potatoes, fresh or chilled but not for chipping; oranges; identity-preserved soybeans for human consumption). These will remain in place indefinitely. Korea also succeeded in excluding rice and rice products from any preferential liberalization commitments (WTO 2014a).

Under the Japan-Australia Economic Partnership Agreement (JAEPA) which entered into force in January 2015, Japan (with an average MFN applied agricultural tariff of 19.0% compared to 1.2% for Australia) (WTO 2014d) immediately eliminated duties on a portion of its agricultural tariff lines, and will phase out tariffs on many more agricultural products under either simple or complex terms ranging from 3 to 15 years. Preferential duty-free TRQs will apply to Japanese imports from Australia of various cheeses, ice cream, yogurt, unroasted malt barley, beef offal, processed beef products, orange and apple juice, chocolate slabs, pork meat and products, honey, and poultry meat and products (Parliament of Australia 2014a). JAEPA requires both countries to review Japan's market access treatment of Australian wheat, sugar, dairy and beef in year five, and triggers an automatic review if Japan earlier provides better treatment for such imports from a third country with the intent of providing equivalent treatment for these Australian commodities. Japan excluded a number of its sensitive products - a stance reflected in its previously negotiated economic partnership agreements. Australian products that will not receive additional preferential access include rice, milk powder, butter, shiitake mushrooms, sake, 'low polarity' raw sugar, and certain fur skin products (Parliament of Australia 2014b).

How far each RTA goes to dismantle TRQs on the most sensitive agricultural products will involve negotiators making last minute trade-offs not just on agricultural issues, but also on how to address non-tariff measures (e.g., ROOs, SPS, TBT, regulatory coherence) affecting agricultural trade. They will have to take into account the political pressures brought to bear by producer groups seeking to retain some form of border protection. The possibility always exists that negotiators agree to exclude this or that agricultural commodity to secure another objective or to reserve space for future negotiations. The substance of these trade-offs could at the end largely influence how ambitious each of these RTA agreements turns out to be, not only for agriculture but for other economic sectors and concerned public groups. At this

time, negotiations among RCEP partners are not yet sufficiently advanced to ascertain what the outlook might be for a further opening in agricultural trade.

Though negotiating tariffs and quotas are the traditional focus, many agree that more significant gains in agricultural trade can only be achieved by strengthening in a systemic manner the way countries work through differences on SPS and TBT issues. Though negotiations in any of these three mega-regionals may simply serve as a catalyst for trying to resolve outstanding bilateral disputes, there are indications in leaked and public texts that participating countries want to move further. Formalizing a process to handle these types of NTMs that affect agricultural trade that includes the option of using dispute settlement and enforcement would noticeably inject momentum into addressing these problems when they arise. In the longer term, the introduction of elements of regulatory coherence (such as increased transparency in how countries craft regulations, for example, to ensure food safety or institute food standards) could reduce transaction costs for manufacturers of food products traded within a mega-regional.

## 6.2 Considerations for Third Countries

It would appear at first glance that third country exports of key agricultural products would become less competitive in the EU, the US, Japan and other member countries of a mega-regional, because of the loss of their trade preference. One example cited is the potential impact of Brazilian and Thai chicken exports to the EU under TTIP, still facing an EU tariff, unlike US chicken exports entering duty free at some point in time (Draper 2014). The extent to which this would occur under any of the three RTAs would depend on numerous factors. First, long tariff phase-out periods negotiated on sensitive agricultural commodities would give third countries time to adapt to a changing global market environment and mitigate to some degree a loss in competitiveness. Second, developing countries eligible to export most agricultural commodities duty free to developed

countries under trade preference programmes may not lose their competitive edge in those markets if opened up to RTA member countries selling the same commodities. The extent to which preferential advantage continues would depend on the composition of commodities sold, transportation costs, and product quality factors. Detailed country-level analyses would be needed to confirm or refute this prospect. Third, the prospect that a third country might lose its competitive edge in a prospective mega-regional trade bloc might prompt the closing out of long ongoing FTA negotiations or the initiation of new ones with key members in that bloc. For example, Brazilian and Thai poultry exporters could attain tariff-free access to the EU market if their countries' governments, respectively, secured this objective in FTA talks that have been underway for long time. Fourth, losing a trade preference for an agricultural product as a result of a mega-regional could be mitigated by shifting exports to other countries' markets.

Concerns are also expressed that strengthened SPS and TBT disciplines on trade in agricultural and food products, if included in these mega-regional RTAs, would raise the bar too high for small states and least developed countries to meet, and result in reduced exports. They point out that meeting higher standards would mean incurring additional costs and affect their competitiveness (Palit 2014; Draper, Lacey

and Ramkolowan 2014). Such a scenario would depend upon whether new RTA provisions actually require market participants to change their operations to meet by reference, for example, an international standard, or simply institutionalize a process for countries to meet to work out differences. The flip side on this matter is that credible standards on agricultural products can be positive for developing country exporters. They can serve to build confidence between these exporters and buyers of these products in these new trade blocs.

How the rules of origin are structured in these mega-regional RTAs could affect third country exports of agricultural commodities used as ingredients in manufacturing processed food products to mega-regional members. If a rule is detailed in a way that gives an edge to an ingredient being supplied by a firm within the trade bloc so that the finished product qualifies for preferential treatment when sold, the third country exporter would lose. The extent to which this might occur, though, depends on how important a third country's agricultural commodities are as ingredients used to add value in finished food products manufactured in an RTA market. Determining this requires more detailed analysis, including case studies, on how agricultural commodities are affected by border measures as they move through global value chains, including those countries within and outside a mega-regional trade bloc.

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## ENDNOTES

- 1 Numerous studies present broader overviews (i.e., looking at all economic sectors) of the potential impacts of the TPP and TTIP or variants of these two possible trade blocs. They employ different methodologies and assumptions to arrive at their results, and cover agriculture very simply. The two agriculture-focused studies are summarized in sections 4.1 and 4.2. No known comparable analysis of RCEP's potential impacts on agricultural trade exists.
- 2 Within each of the proposed mega-regionals examined in this report, total agricultural trade accounted for less than 10% of total merchandise trade in 2013. Among the 12 TPP country participants, agricultural trade's share of total trade in all product categories was 8%. Among the 16 RCEP country participants, agricultural trade represented about 6% of total trade. Agricultural trade between the US and EU accounted for almost 6% of total exports and imports in all products.
- 3 Canada's supply management programmes support its dairy, poultry and egg sectors. Its main features (1) provide price support to producers based on their production costs and return on equity and management, (2) limit production to meet domestic demand at the cost-determined price, and (3) restrict imports to protect against foreign competition. An overview of these programmes, the potential impact of trade liberalization under the TPP, and a review of comparable analyses is found in Burfisher et al. 2014.
- 4 In 2006, Singapore, New Zealand, Chile and Brunei put into effect the Pacific-4 or Trans-Pacific Strategic Economic Partnership agreement. They viewed it as a way to work towards trade liberalizing trade in the Asia-Pacific region. The P-4 agreement is the basis upon which eight other countries have since joined to negotiate the TPP.
- 5 Cited as sources of scientific expertise and globally recognized standards are the Codex Alimentarius Commission for food safety; the World Organisation for Animal Health (OIE) for animal health and diseases; and the International Plant Protection Convention (IPPC) for plant health.
- 6 Though no universally agreed upon definition exists, this principle (permitted under WTO rules) allows a country to take 'protective action' (e.g., placing restrictions on trade of products or processes) if scientific evidence is believed to be inconclusive on its potential impacts on human health and the environment. The EU's view on the precautionary principle is referenced in the 1992 treaty that established the EU and is incorporated in its food legislation and regulations (CRS 2014a).
- 7 Three other TPP countries have GI protections in their FTAs with the EU. Chile's and Peru's FTAs with the EU are in force. The Canada-EU FTA has not yet been ratified. One outstanding issue facing TPP negotiators is how to address the differences between the US, Australian, and New Zealand proposed rules on treatment of GIs and the position held by their TPP negotiating partners, which seek to exclude their GI commitments made in other trade agreements from such rules (Inside US Trade 2015b).
- 8 GATT allows for export restrictions under certain other circumstances. Article XX lists a number of general exceptions if applied on a non-discriminatory basis (e.g., necessary to protect human, animal or plant life or health; to ensure essential quantities of domestic materials to a domestic processing period under specified conditions; essential to the acquisition or distribution of products in general or local short supply if two conditions are met). Article XXI lists national security exceptions.

- 9 USDA's Economic Research Service also looked at the implications of the TPP for the farm and food sectors in two participating countries. See USDA 2014a; 2014b.
- 10 Communication with Deborah Elms, executive director of the Asian Trade Centre in Singapore, 23 February 2015.
- 11 These are Australia, Canada, Chile, China, EU, India, Japan, New Zealand, South Korea and the US (<http://ptadb.wto.org/ptaList.aspx>, accessed 24 August 2015). Six of these ranked among the top ten importers of agricultural products in 2013 (WTO 2014c: 67, Table II.14).
- 12 Communication with Deborah Elms, executive director of the Asian Trade Centre in Singapore, 23 July 2015.

ICTSD's Programme on Agricultural Trade and Sustainable Development aims to promote food security, equity and environmental sustainability in agricultural trade. Publications include:

- Japanese Agricultural Trade Policy and Sustainable Development. By Kazuhito Yamashita. Issue Paper No. 56, 2015.
- Argentina's Agricultural Trade Policy and Sustainable Development. By Marcelo Regúnaga, Agustín Tejada Rodríguez. Issue Paper No. 55, 2015.
- La Política de Comercio Agrícola de Argentina y el Desarrollo Sustentable. Por Marcelo Regúnaga y Agustín Tejada Rodríguez. Documento de Fondo No. 55, 2015.
- Low-Carbon Agriculture in Brazil: The Environmental and Trade Impact of Current Farm Policies. By Marcelo Marques de Magalhães and Divina Aparecida Leonel Lunas Lima. Issue Paper No. 54, 2014.
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