

# NEWS from *The International Policy Council*

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## **International Policy Council Makes Recommendations for the Free Trade Area of the Americas**

Belo Horizonte, Brazil, -- The International Policy Council on Agriculture, Food and Trade (IPC) has presented its recommendations for the Free Trade Area of the Americas (FTAA), as it relates to agricultural trade policy. These recommendations were presented by the members of the IPC on May 13 in Belo Horizonte, Brazil at the IPC seminar, *Agriculture, the FTAA & the WTO*.

**Recommendations Summary:** The FTAA is a major endeavor to promote free trade in the Americas. Given the scope of this endeavor in terms of GDP and trade covered, it is crucial that measures are taken to maximize benefits to the Americas as well as to the world economy at large.

The way agriculture is treated will be of decisive importance in this process. Therefore, the IPC considers it important that the agricultural sector be assured of an integral place in any FTAA negotiations and eventual agreement. Several agricultural issues will be important as the FTAA process moves forward. These include how to deal with tariff rate quotas established under the WTO. The question of the abolition of subsidies to remove the threat of countervailing duties, and the need for competition policies that reduce anti-dumping actions will also be important. Also, negotiators must deal with food safety concerns, genetically modified organisms, and other emerging controversial issues.

Trade integration on the regional level must not undercut the rules of the global trading system and global trade liberalization efforts. Meeting WTO obligations therefore should be the starting point for the FTAA. All efforts have to be made that the development of the FTAA is compatible with the rules framework of the WTO. But care must be taken, too, that the FTAA is a trade creating, and not a trade diverting arrangement. The FTAA will increase the economic well-being of the region and thus benefit the world economy. In addition, the trade distorting effects should be addressed by another global trade negotiation. Therefore, as other regional integration agreements in the past, particularly in Europe, the

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FTAA must be embedded into a multilateral round of trade negotiations in the WTO. There is already agreement that negotiations on agriculture should be resumed in the WTO in 1999. In this next round of agricultural talks, WTO negotiators will have to be focusing on further reductions, if not the total elimination, of trade distorting agricultural subsidies, particularly export subsidies. They will also need to review how tariff rate quotas are applied and administered, with the aims of eliminating or significantly reducing, wherever possible, the high tariffs applying to above quota imports. The prohibitively high tariffs -- which have thwarted many of the potential benefits of tariffication -- need to be significantly reduced in some orderly fashion.

Other issues the WTO negotiators will need to focus on include: rules for increasing access, rules for state trading organizations in the trading system, completing the decoupling and tariffication process, reforming the sectors which have escaped reform in the Uruguay Round such as sugar and dairy, further defining the rules for the establishment of acceptable science-based criteria in support of sanitary and phytosanitary standards, and defining trade distorting subsidies to remove present ambiguities.

Many of these are also issues the FTAA should focus on. The FTAA should strive to go further on major issues of market access, curtailing subsidies, and reforming policies than the WTO can be expected to go. Progress of liberalizing trade in the WTO can help the FTAA and vice versa.

As the FTAA and the WTO processes go forward, several unique problems will require attention. These include the difficulty of conducting complex negotiations simultaneously in two fora, as well as educating the public and private sectors about the benefits to be derived from the agreements and adjustments required. In considering appropriate trading arrangements for the whole region, special attention should be given to the agricultural need of the islands and small economies of the Caribbean and Central America.

Coming from twenty-two countries, the members of the IPC are highly conscious of the complexities of trade negotiations between countries with different levels of development, different economic and cultural histories, and different views on the desirable direction and pace of trade reform. We believe, however, that a properly constructed FTAA can lead to expanded trade and higher levels of economic well-being, if it is accompanied by a similar effort in the WTO.

**The IPC is an international group of agricultural leaders and experts dedicated to developing and advocating policies that support an efficient and open global food and agricultural system -- one that promotes the production and distribution of food supplies adequate to meet the needs of the world's growing population, while supporting sound environmental standards.**