TECHNICAL REGULATIONS AS BARRIERS TO AGRICULTURAL TRADE

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ABSTRACT

Technical regulations are a form of non-tariff barrier that is becoming increasingly visible in agricultural trade disputes. A distinguishing feature of technical barriers is that they are legitimate by governments to protect consumers’ health, recognize citizen preferences in packaging and labeling, and protect the environment from the establishment of non-indigenous pests and diseases. When legitimate externalities or other market failures are addressed technical barriers have the potential to increase national welfare, even without consideration of terms-of-trade effects. Governments may also impose technical barriers to isolate domestic producers from international competition. In these cases under the small-country assumptions, technical barriers are welfare decreasing policies.

Despite GATT rules designed to limit the misuse of technical barriers, continued disputes indicate that this type of regulatory measure can not always be justified on the basis of unambiguous scientific evidence and suggests that governments may still widely apply technical barriers of questionable merit. Political economy is one paradigm that explains government intervention in markets, even when the result is a loss in net welfare.

The 1996 USDA Survey of Technical Barriers to U.S. Agricultural Exports provides a systematic source of primary data on technical measures which caused actual or projected export revenue losses to U.S. firms in 1996 and which might be subject to challenge under the Uruguay Round Agreements. Although no questionable technical barriers to 1996 U.S. agricultural exports were reported for 71 countries included in the Survey, there were a total of 302 barriers identified among 63 countries. The estimated trade impact of the barriers reported was $4.9 billion, or approximately seven percent of the total value of 1996 U.S. agricultural exports.

Two sets of empirical models are estimated to identify the political economy determinants of questionable technical barriers as they are applied to U.S. agricultural exports. The incidence of questionable technical barriers is measured by the presence or absence of such barriers by country. The impact of questionable technical barriers is measured by the reported estimated trade impact as a percentage of 1996 U.S. agricultural exports to that country. Results indicate that, despite strengthened GATT disciplines, political economy considerations continue to influence the incidence and impact of technical barriers in international agricultural markets.

Key words: technical barriers, GATT, political economy, U.S. agricultural exports
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List of Acronyms

AMS Aggregate Measure of Support
AMS/USDA Agricultural Marketing Service, USDA
APHIS Animal and Plant Health Inspection Service, USDA
BICO U.S. agricultural export and import data for bulk, high-value-intermediate and consumer-oriented foods and beverages, FAS
DUP Directly unproductive profit seeing activities
ERS Economic Research Service, USDA
ETI Estimated trade impact
EU European Union*
FAS Foreign Agricultural Service, USDA
FAO Foreign Agricultural Organization
FSIS Food Safety Inspection Service, USDA
GATT General Agreement on Tariffs and Trade
GDP Gross domestic product
GIPSA Grain Inspection Packers and Stockyards Association, USDA
HNIS Harmful non-indigenous species
IATRC International Agricultural Trade Research Consortium
IMF International Monetary Fund
ITO International Trade Organization
MFN Most favored nation status
NAFTA North American Free Trade Agreement
OECD Organization for Economic Cooperation and Development
PSE Producer subsidy equivalent
SPS Sanitary and Phytosanitary
TBT Technical Barriers to Trade
TRQ Tariff-rate quota
UNCTAD United Nations Committee on Trade and Development
USDA United States Department of Agriculture
USTR United States Trade Representative
WTO World Trade Organization

* Prior to November 1993, the European Union was called the European Community [EC]. To avoid confusion, the acronym EU is used throughout this dissertation even when the reference is to a time prior to the name change.