

Gafta Position on Free Trade Agreements

Gafta is the international trade association representing over 1800 member companies in 95 countries who trade in agricultural commodities, spices and general produce. Gafta is headquartered in London and also has offices in Geneva, Kiev, Beijing and Singapore. More than 90% of Gafta's membership is outside the UK. With origins dating back to 1878, Gafta provides a range of important services that facilitate the movement of bulk commodities and other produce around the world. It is estimated that around 80% of all grain traded internationally is shipped on Gafta standard forms of contract, and Gafta's Arbitration Service, based on English law, is highly respected around the world.

Gafta promotes free trade in agricultural commodities and works with international governments to promote the reduction of tariffs and the removal of non-tariff barriers to trade, as well as a science and evidence-based approach to international trade policy and regulatory decision making. For this reason, Gafta supports multilateral agreements and recognises the indispensable role played by the WTO in facilitating and safeguarding trade and in giving a sense of predictability and certainty for business to operate, backed by a credible dispute settlement system to resolve trade disputes.

Global trade rules ensure a level playing field, promoting open and free trade. However, Gafta recognises that the global agricultural negotiations have moved at a slow pace over the last years, and as a result there has been a proliferation of FTAs agreed worldwide. The world share of trade covered under FTAs is continuously increasing and this trend continues and cannot be overlooked. Furthermore, in many areas the WTO rules set out the basic principles but leave the details to each member country and those details, particularly rules relating to health, safety and the environment, vary a lot from one country to another.

Principles for Free Trade Agreements (FTA) and Regional Trade Agreements (RTAs)

Since Gafta is a multinational organisation, working to promote free trade generally, it is not appropriate for us to comment on country-specific or region-specific proposals for trade agreements. However, we list below some key principles which we believe should shape the development of any FTA or RTA.

FTAs/RTAs should:

- **be predominantly about trade and aim to promote trade by removing tariffs and barriers to trade**
And not attempt to encompass significant social and environmental protection measures within trade agreements. As well as individual countries having their own laws in these areas, there are also international organisations working to ensure multilateral consensus on these issues and trade policy is a very inefficient way to achieve them.
- **recognise the importance and be complimentary of multilateral rules and not undermine them**
The role of the WTO should be supported by governments, as it seeks to adapt to the changing demands and environment of international trade.
- **recognise WTO principles of 'equivalence of outcome'**

The WTO has established the principles for recognising equivalence of outcome under the SPS Agreement, with regard to standard setting. It is important that countries can have different regulatory regimes that seek to achieve the same outcome, and we would encourage all governments to abide by the WTO principles in their future assessments of SPS regimes, promoting alignment of policies and accept and recognise that different methods can be used to achieve the same objective. Where equivalence cannot be agreed, mutual recognition agreements should be encouraged in order to facilitate trade.

- **promote science-based regulatory decision-making**
Assessments on food and feed safety should be based on sound science, and through a 'risk assessment' and not on 'hazard analysis'. The 'precautionary principle' approach to regulation is at odds with scientific research and innovation in agricultural technologies, and ultimately global efforts to achieve zero hunger by 2030.
- **respect each nation's sovereignty**
FTAs should promote trade liberalisation and open dialogue and should not be used to enforce particular political viewpoints, or discriminate between trading partners.
- **reflect international standards**
The international standard-setting bodies such as Codex Alimentarius, IPPC and OIE are recognised by WTO under the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). Gafta works in close conjunction with Codex and the IPPC, and these bodies, who have access to the best scientific, technical and government advice, are the most appropriate bodies for agreeing sanitary and phytosanitary standards. All governments should support and work with these international bodies, as well as all the international technical standard-setting bodies, that provide references for world trade.
- **include a dispute resolution mechanism to a neutral arbitral body**
Parties to an FTA must have confidence in the neutrality of any dispute resolution process which should be efficient and the results binding.
- **should promote the use of English law in international contracts**
English law is used extensively in international contracts and the English courts and alternative dispute resolution mechanisms, such as arbitration, are respected worldwide.
- **ensure expert, technical and commercial input prior to any agreement**
Since many of the side agreements to an FTA include technical agreements, we would urge governments to ensure the appropriate expertise, including that from relevant stakeholders and commercial entities, is used at the appropriate time during negotiations.

Appropriate monitoring of FTAs is vital

It is important for governments to liaise closely with relevant stakeholders to ensure that newly negotiated FTAs work appropriately and foster trade liberalisation. It is also important to ensure that the rules agreed in principle are respected. In this regard, Gafta is a good reference point for the trade in raw materials and is happy to facilitate appropriate dialogue between countries and the global agricultural commodity businesses.