

Unclassified

TD/TC/WP(2002)20/FINAL



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

06-May-2002

English - Or. English

TRADE DIRECTORATE
TRADE COMMITTEE

TD/TC/WP(2002)20/FINAL
Unclassified

Working Party of the Trade Committee

**THE RELATIONSHIP BETWEEN REGIONAL TRADE AGREEMENTS AND THE MULTILATERAL
TRADING SYSTEM**

CONTINGENCY PROTECTION

This paper forms part of a broader study on the relationship between Regional Trade Agreements and the Multilateral Trading System. Together with other chapters and an overall assessment it will be incorporated into a consolidated document to be submitted to the Trade Committee on 28-30 October 2002.

JT00125702

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Acknowledgment

This paper has been prepared by Massimo Geloso Grosso of the Trade Directorate. It is declassified under the responsibility of the Secretary General and is available on the OECD website at the following address: <http://www.oecd.org/trade>.

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CONTINGENCY PROTECTION

I. Key points emerging

1. This chapter surveys contingency protection provisions contained in RTAs with the aim of highlighting how these have gone beyond the WTO framework. “Contingency Protection” refers here to measures taken by governments to counteract injury to domestic producers seen to arise from imports, including when such injury is determined to be caused by practices such as dumping or subsidisation.

2. Contingency protection is thus an issue that arises essentially under liberal trading regimes, when border barriers are relatively low and the volume of imports is felt to justify exceptional import restraints. At the national level, adjustment assistance often complements (or partly replaces the need for) contingency protection.

3. WTO provisions in the areas of safeguards, anti-dumping and subsidies were all strengthened in the Uruguay Round. In RTAs, provisions in these areas reflect two tendencies: on the one hand, border trade barriers between members have been reduced below MFN levels, which could give rise to fears of an increased resort to contingency measures; yet at the same time the objective of deeper integration may obviate the need or lead the members to forgo (or limit the scope of) contingency measures, and in the case of customs unions to implement common external policies in these areas.

4. The result is that the approach taken by RTAs to contingency protection is quite diverse. Some RTAs have gone beyond the WTO by strengthening WTO rules to minimise the opportunity to use these measures in a protectionist manner, while other RTAs have completely eliminated the possibility of using them among participating countries. Yet, in the area of safeguards, some RTAs add new opportunities to use these measures.

5. RTAs usually retain the possibility of using some of these measures, but in varying combinations, the rationale for which may warrant further analysis. Special mention should be made of the EU where all these measures have been eliminated in internal trade, and where a common policy has been adopted toward situations arising in external trade. Some other RTAs have eliminated the possibility of using anti-dumping and countervailing duties, while allowing the use of safeguard measures in relations between members. Others have eliminated the possibility of using anti-dumping and safeguards but have kept the possibility of using countervailing duties. Yet in other cases, RTAs have kept the possibility of using both anti-dumping and countervailing duties, but have eliminated safeguard measures or apply stricter provisions than those existing in the WTO. Several RTAs have also gone beyond the WTO in the area of subsidies.

6. The combination of provisions in each RTA in part reflects the objective and choice of policy measures for achieving the desired level of economic integration. Some commentators¹, in seeking to identify the conditions under which RTAs have eliminated the use of trade remedies among their members,

¹ See Hoeckman (“Free Trade and Deep Integration: Antidumping and Antitrust in Regional Agreements.” World Bank, 1998), and Tavares et al. (“Antidumping in the Americas.” OAS, 2001).

assert that the most relevant parameter affecting the costs and benefits of contingency protection is the degree of economic integration between participating countries. Indeed, according to this view, in the European agreements and ANZCERTA the achievements in the area of contingency protection appear to have been part of a deep integration process fostered by the economic convergence of the competition conditions in the domestic markets of members. This would include convergence at both the macroeconomic level—such as the creation of a single currency for the EU—and at the microeconomic level—such as antitrust, subsidies and fiscal incentives, labour and capital mobility, and regulation of monopolies.

7. However, deep integration is not always associated with the abolition of anti-dumping and countervailing duties among members. In the case of the Canada-Chile FTA, which eliminates the use of anti-dumping duties between members, Canada and Chile have a comparatively lower level of integration and they have not adopted common antitrust rules (see Chapter on Competition Policy). Moreover, safeguard measures can still be applied between the two countries.

8. A similar approach (eliminating anti-dumping action but retaining safeguard measures) has also been taken in some agreements where members have achieved deep economic integration, such as the EEA and EFTA. Although anti-dumping actions are generally no longer possible among members, it may be noted that the safeguard disciplines contained in these agreements remain less stringent than in the WTO.

II. Provisions in WTO agreements

9. Binding tariffs and applying them equally to all trading partners (MFN) are key to the smooth flow of trade in goods. The WTO agreements uphold these principles, but they also allow exceptions—in some circumstances. These include:

- emergency measures to limit imports temporarily, designed to “safeguard” domestic industries;
- actions taken against dumping (selling at an unfairly low price);
- subsidies and special “countervailing” duties to offset the subsidies.

10. It should be noted that some of these areas are under ongoing examination in light of the Doha Ministerial Conference. Specifically, members agreed to negotiations with the aim of improving and clarifying disciplines under the Agreements on Implementation of Article VI of the GATT (the Anti-dumping Agreement) and on Subsidies and Countervailing Measures.

Safeguards

11. Article XIX of the GATT allows a member to take a "safeguard" action to protect a specific domestic industry from an unforeseen increase of imports of any product which is causing, or which threatens to cause, serious injury to the industry. More detailed provisions relating to the implementation of this article have been set out in the Uruguay Round Agreement on Safeguards.

12. This Agreement adds provisions establishing a prohibition against so-called "grey area" measures restraining exports or imports and in setting a "sunset clause" on all safeguard actions. It also sets out the criteria for "serious injury" and the factors which must be considered in determining the impact of imports. The safeguard measure should be applied only to the extent necessary to prevent or remedy serious injury and to facilitate adjustment. Where quantitative restrictions are imposed, they normally should not reduce

the quantities of imports below the annual average for the last three representative years for which statistics are available, unless clear justification is given that a different level is necessary to prevent or remedy serious injury.

13. In principle, safeguard measures have to be applied irrespective of source. Allocation of shares would be on the basis of proportion of total quantity or value of the imported product over a previous representative period. However, it would be possible for the importing country to depart from this approach if it could demonstrate, in consultations under the auspices of the Safeguards Committee, that imports from certain countries had increased disproportionately in relation to the total increase and that such a departure would be justified and equitable to all suppliers.

14. The Agreement lays down time limits for all safeguard measures. Generally, the duration of a measure should not exceed four years, though this could be extended up to a maximum of eight years, subject to confirmation of continued necessity by the competent national authorities and if there is evidence that the industry is adjusting. Any measure imposed for a period greater than one year should be progressively liberalised during its lifetime.

15. The Agreement envisages consultations on compensation for safeguard measures. Where consultations are not successful, the affected members may withdraw equivalent concessions or other obligations under GATT 1994. However, such action is not allowed for the first three years of the safeguard measure if it conforms to the provisions of the Agreement, and is taken as a result of an absolute increase in imports.

16. Special mention should be made of the agricultural sector where members are allowed to take so-called Special Safeguard (SSG) provisions in accordance with the Agreement on Agriculture (AoA). For products whose non-tariff restrictions have been converted to tariffs, governments have the possibility to impose an additional duty on a product, if the country faces a sudden surge of import quantities or a substantial cut in import prices. In effect, the conditions that should be met when a member applies SSG to agricultural products are relatively less strict than those provided by the Agreement on Safeguards (i.e. an 'injury test' is not required).

17. Safeguards have also been considered in the area of services. Negotiations on the question of emergency safeguard measures based on the principle of non-discrimination are mandated under Article X of the GATS and are being conducted in the Working Party on GATS Rules. The deadline for these negotiations has been extended on several occasions and is currently March 2002.

Anti-Dumping

18. WTO provisions allow countries to apply anti-dumping measures against imports of a product whose export price is below its "normal value" (usually the price of the product in the domestic market of the exporting country) and if such dumped imports cause material injury to a domestic industry or threaten to cause such injury. Complementing Article VI of the GATT, more detailed rules governing the application of such measures were provided in a voluntary Anti-Dumping code concluded at the end of the Tokyo Round. Negotiations in the Uruguay Round resulted in an Anti-Dumping Agreement, based on the old code, which addresses many areas previously lacking precision and detail, and which is mandatory to all WTO Members.

19. In particular, the revised Agreement provides for greater clarity and more detailed rules in relation to the method of determining that a product is dumped, the criteria to be taken into account in a determination that dumped imports cause injury to a domestic industry, the procedures to be followed in initiating and conducting anti-dumping investigations, and the implementation and duration of anti-

dumping measures. In addition, the new Agreement clarifies the role of dispute settlement panels in disputes relating to anti-dumping actions.

20. On the methodology for determining that a product is exported at a dumped price, the new Agreement adds relatively specific provisions on such issues as criteria for allocating costs when the export price is compared with a "constructed" normal value and rules to ensure that a fair comparison is made between the export price and the normal value of a product.

21. The Agreement retains the requirement for the importing country to establish a causal relationship between dumped imports and injury to the domestic industry. The examination of the dumped imports on the industry concerned must include an evaluation of all relevant economic factors bearing on the state of the industry concerned. The Agreement confirms the existing interpretation of the term "domestic industry". Subject to a few exceptions, "domestic industry" refers to the domestic producers as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products.

22. Procedures have been established on how anti-dumping cases are to be initiated and how such investigations are to be conducted. Conditions for ensuring that all interested parties are given an opportunity to present evidence are set out. Provisions on the application of provisional measures, the use of price undertakings in anti-dumping cases, and on the duration of anti-dumping measures have been strengthened. A significant addition to the new Agreement is a provision under which anti-dumping measures shall expire five years after the date of imposition, unless a determination is made that, in the event of termination of the measures, dumping and injury would be likely to continue or recur.

23. A new provision requires the immediate termination of an anti-dumping investigation in cases where the authorities determine that the margin of dumping is *de minimis* (which is defined as less than 2%, expressed as a percentage of the export price of the product) or that the volume of dumped imports is negligible (generally when the volume of dumped imports from an individual country accounts for less than 3% of the imports of the product in question into the importing country).

Subsidies and countervailing measures

24. The WTO disciplines in this area are laid down in the Agreement on Subsidies and Countervailing Measures, which builds on certain aspects of Articles VI, XVI and XXIII and on the Tokyo Round code in this area. The Agreement defines a subsidy as a financial benefit conferred either directly or indirectly by a government or any public body. Only those subsidies that are reserved to an enterprise or industry or a group of enterprises or industries ("specific subsidies") are subject to the disciplines set out in the Agreement.

25. The Agreement establishes two categories of subsidies. First, it prohibits subsidies that are contingent upon export performance or upon the use of domestic over imported goods². Prohibited subsidies are subject to special dispute settlement procedures, which include an expedited timetable for action by the Dispute Settlement Body and the requirement that, if the subsidy is indeed found to be "prohibited", it must be immediately withdrawn. If this is not done within the specified time period, the complaining member is authorised to take countermeasures.

² Recognising that subsidies may play an important role for economic development in developing economies, the Agreement exempts certain developing country members from this prohibition, and sets forth phase-out periods for export subsidies.

26. The second category is "actionable" subsidies. The Agreement stipulates that no member should provide subsidies that cause adverse effects to another country's industry or other interests. Issues relating to actionable subsidies may be referred to the Dispute Settlement Body. In the event that it is determined that such adverse effects exist, the subsidising member must withdraw the subsidy or remove the adverse effects. If this is not done, the affected country may apply countermeasures.

27. The agricultural sector is dealt with separately in accordance with the AoA. The Agreement provides for the reduction during 1995-2000 (2004 for developing countries) of trade-distorting domestic support with the exclusion of some support measures, the so-called "blue box" (payments under production-limiting programmes) and "green box" payments (domestic support policies that have "little or no trade impact"). In addition, the AoA allows the use of export subsidies, although those too have to be reduced over six and ten years for developed and developing-country members, respectively (with no reduction applying to least-developed countries). Nevertheless, recognising the work already initiated in early 2000 under Article 20 of the AoA, members agreed at Doha to further substantially reduce both trade-distorting domestic support and export subsidies, with a view to completely phasing out the latter.

28. One part of the Agreement on Subsidies and Countervailing Measures concerns the use of countervailing measures on subsidised imported goods. It sets out disciplines on the initiation of countervailing cases, investigations by national authorities and rules of evidence to ensure that all interested parties can present information and argument. Certain disciplines on the calculation of the amount of a subsidy are outlined as is the basis for the determination of injury to the domestic industry.

29. The Agreement requires that all relevant economic factors be taken into account in assessing the state of the industry and that a causal link be established between the subsidised imports and the alleged injury. Countervailing investigations shall be terminated immediately in cases where the amount of a subsidy is *de minimis* (the subsidy is less than 1% *ad valorem*) or where the volume of subsidised imports, actual or potential, or the injury is negligible. Except under exceptional circumstances, investigations shall be concluded within one year after their initiation and in no case more than eighteen months. All countervailing duties have to be terminated within five years of their imposition unless the authorities determine on the basis of a review that the expiry of the duty would be likely to lead to continuation or recurrence of subsidisation and injury.

III. Provisions in Regional Trade Agreements

Safeguard measures

30. With respect to safeguard measures, a number of RTAs have gone beyond the WTO framework either by eliminating the possibility of using these measures, or by strengthening WTO rules to minimise the opportunity to use them in a protectionist manner³.

31. The EU is a unique case in that though GATT Article XIX safeguard measures are prohibited in internal trade, a transfer mechanism is in place, mandated by Article 158 of the EC Treaty, that aims at "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas." Specifically, the so-called "structural funds" (European Agricultural Guidance and Guarantee Fund, European Social Fund, and European Regional

³ Propriety of exempting RTA members from safeguard application is under consideration in the WTO Committee on Regional Trade Agreements' discussion of systemic debate and several dispute settlement cases.

Development Fund) are available in the Internal Market, coupled to the existence of a European Investment Bank.

32. Similarly to the EU, safeguard measures have also been eliminated on internal trade in the context of the agreement between New Zealand and Singapore on a Closer Economic Partnership (CEP) and in MERCOSUR. This is also true for ANZCERTA, where Article 17 states that safeguard measures can only be applied during the transition period, being the period in which the following measures remain in force in either member: (i) tariffs; (ii) quantitative import restrictions or tariff quotas; (iii) the performance-based export incentives listed in Annex D of the agreement; or (iv) measures for stabilisation or support which hinder the development of trading opportunities between the member states on an equitable basis.

33. In the case of the Mexico-EU FTA, safeguard measures have not been eliminated in internal trade but the provisions have been strengthened and go beyond the WTO. Indeed, the allowed duration of the measure has been reduced from four to one year, and in exceptional circumstances from eight to three years. In addition, a member intending to take a safeguard measure shall offer, prior to the adoption of the measure, compensation to the other member. An interesting element of this agreement is the so-called "Shortage Clause" (Article 16), whereby a member may adopt export restrictions or export customs duties should a critical shortage occur.

34. Safeguards disciplines have also been strengthened in North America. Canada and the US agreed in Article 1102 of the CUSFTA to exclude each other from global safeguard actions under GATT Article XIX unless imports from the other Party were "substantial" and "contributing importantly" to the serious injury or threat thereof caused by increased imports.

35. The CUSFTA standards in respect of emergency safeguard actions were essentially carried over into NAFTA. In this regard, Article 802 of NAFTA provides for the exclusion of one member's goods from another member's global safeguard actions unless imports from that member: i) account for a substantial share of total imports, (i.e., the member must normally be among the top five suppliers measured in terms of import share during the most recent three-year period); and ii) contribute importantly to the serious injury or the threat thereof⁴. In addition, a member is allowed to take bilateral emergency actions after the expiration of the transition period only with the consent of the other member and with a mutually agreed compensation (Article 801). Members may also take a special safeguard in the form of tariff rate quota for agricultural products (though the over-quota tariff should not exceed the MFN rate) and, only during the transition period, a special safeguard for textile and apparel goods.

36. The safeguards provisions contained in the Canada-Chile FTA and the Canada-Costa Rica FTA reflect NAFTA's approach. In both agreements, members can take safeguards measures at the end of the transition period only with the consent of the other members and with an agreed compensation. The agreements also contain special safeguards provisions for textile and apparel products similar to those of NAFTA and, in the case of the Canada-Costa Rica FTA, members may also resort to special safeguards in the agricultural sector during the phase-out period.

⁴ In *Wheat Gluten* [Investigation No. TA-201-67 (Publication 3088; March 1998)], for instance, the United States International Trade Commission, in excluding Canada, found that while Canada accounted for a substantial share of imports, imports from Canada did not contribute importantly to the injury caused by imports.

37. The provisions contained in some other RTAs are less stringent than WTO provisions in this area, thus raising questions about the conditions under which safeguard measures may be taken between participating countries. This is notably the case of the EEA and EFTA, where the conditions for safeguard measures are defined in EEA Articles 112/114 and EFTA Articles 40/41.

38. Indeed, in these articles there is no mention of a criterion for “serious injury”; the agreements merely state that safeguard measures can be applied “if serious economic, societal or environmental difficulties of a sectoral or regional nature liable to persist are arising.” Similarly, there is no mention of particular measures that should not be taken (i.e. “grey area” measures), nor specific mention of the duration of the policy (“safeguard measures shall be restricted with regard to their scope and duration to what is strictly necessary in order to remedy the situation”). In the case of EFTA, there is also no mention of compensation or of rebalancing measures to remedy potential imbalances⁵.

39. A similar approach has been adopted by CEFTA members. In this agreement, there is also no mention of the duration of the measure nor of compensation or of rebalancing measures⁶. In addition, what appears interesting in the CEFTA approach is the fact that the provisions for the application of safeguards (Article 31) make reference to several measures, including the classical actions against a sudden surge of imports, but also actions against undertakings, state aid, dumping and shortages—seemingly putting them all in one basket. Another interesting feature of CEFTA safeguards provisions is the so-called “Structural Adjustment” article (Article 28). During the transition period members are allowed to take exceptional measures (in the form of increased customs duties) to protect infant industries or certain sectors facing serious difficulties or undergoing restructuring⁷.

40. Other RTAs provide for the use of safeguard measures according to WTO disciplines. A recent example of this approach is the Agreement between Japan and Singapore for a New-Age Economic Partnership (JSEPA). The JSEPA underscores non-discriminatory application of safeguard measures under Article 2.2 of the WTO Agreement on Safeguards and does not exclude the parties from safeguard application. The JSEPA also provides for provisional bilateral emergency measures to facilitate the liberalisation process.

Anti-dumping and countervailing duties

41. Most RTAs allow the use of anti-dumping and countervailing duties according to WTO rules. One such case is the JSEPA, which maintains WTO disciplines on both these measures. On the other hand, there are a few agreements that have attempted to go beyond the WTO framework in these areas by eliminating the possibility of using these measures in relations between participating countries.

42. One such case is the EU. A consequence of the far-reaching integration of markets and adoption of common competition policies (see Chapter on Competition Policy) was the explicit recognition that anti-dumping and countervailing duties did not have a place in the common market and, hence, they cannot be applied between members (Article 91 of the European Community Treaty provides for the application

⁵ EFTA members retain also the right to resort to special safeguard measures for agricultural goods, in accordance with GATT.

⁶ The agreement also contains specific safeguards for agricultural products, which can be taken after consultation between members.

⁷ A similar approach has also been adopted in the context of the Europe Agreements between the EU and the Central and Eastern European countries. Indeed, these agreements contain the same provisions, with the only difference that they are one sided while the provisions contained in CEFTA are valid for all members because of the similar level of economic development.

of anti-dumping duties only during the transition period). A similar approach was taken in the creation of the EEA and subsequently in the agreement amending the EFTA Convention in 2001. Article 26 and new Article 36 eliminate the possibility to use these measures, respectively. It should be noted, however, that EEA members retain the right to apply these measures for agricultural products—defined as products falling within Chapters 1 to 25 of the Harmonized Commodity Description and Coding System—as these products are completely excluded from the agreement.

43. In the case of ANZCERTA, a Protocol on Acceleration of Free Trade on Goods was appended to the agreement in 1988. The Preamble to this Protocol states that: "...the maintenance of anti-dumping provisions in respect of goods originating in other Member States ceases to be appropriate as the Member States move towards the achievement of full trade in goods between them." Article 4 of ANZCERTA was modified to eliminate the possibility to use anti-dumping between members of the bloc. However, a closer look at ANZCERTA reveals that these two countries did not replicate the EU initiative entirely. Indeed, countervailing duties can still be applied between the two members, in accordance with GATT, though they have never been used since ANZCERTA came into effect.

44. The Canada-Chile FTA is an interesting agreement in that it goes beyond NAFTA by eliminating the possibility of using anti-dumping duties between members. Elimination is conditional upon the abolition of tariffs: anti-dumping on specific products ceases to be applicable on intra-FTA trade on the date that tariffs on that product are eliminated (defined at the 8-digit level). In no case is this period to extend beyond January 1, 2003.

45. Like ANZCERTA, the abolition of anti-dumping does not extend to countervailing duties. Nevertheless, this exclusion is intended to be temporary as Article M-05 of the agreement stipulates that members are to consult with a view of eliminating the use of countervailing duties among them. This is similar to the case of MERCOSUR where, though the use of both anti-dumping and countervailing duties remain possible in internal trade, it is envisaged that these measures will be gradually eliminated in parallel with ongoing progress to harmonise competition policy (Decision 28/00).

46. CEP does not eliminate the possibility to use anti-dumping in intra-bloc trade but it nevertheless goes beyond the WTO framework in this area by strengthening the provisions of the WTO Anti-dumping Agreement. Indeed, the *de minimis* dumping margin has been raised from 2% to 5% and the margin of dumped imports normally regarded as negligible increased from 3% to 5%. The agreement also provides for reviews and reassessments of anti-dumping duties to be undertaken after three rather than five years.

Subsidies

47. Several RTAs have gone beyond WTO disciplines in the area of state aids. In both EU and the EEA, state-aids affecting trade flows are prohibited between members, although general available subsidies (aid having a social character, aid granted for damage caused by natural disasters, etc.) are permitted in principle, as is aid targeted at disadvantaged regions (Articles 87/89 and 61/63, respectively). A similar approach has also been adopted by CEFTA, where all subsidies affecting trade flows have been eliminated in internal trade. Nevertheless, in the case of both the EEA and CEFTA, subsidies can be used according to WTO rules for agricultural products, which have been excluded from the agreement and from the relevant article (Article 23), respectively.

48. ANZCERTA also includes disciplines on subsidies that are stronger than those contained in the WTO. All export subsidies were eliminated in internal trade by 1987. Regarding domestic support, following the first five-yearly General Review of ANZCERTA in 1988, the two members signed an Agreed Minute on Industry Assistance agreeing not to pay (from July 1990) production bounties or similar

measures on goods exported to the other member and undertook to attempt to avoid the adoption of industry-specific measures (bounties, subsidies and other financial support) that have adverse effects on competition within the FTA. Following the second five-yearly General Review in 1992, this was strengthened by an agreement that each member would also give due consideration to representations from the other on the effect industry-specific non-financial assistance measures may have on competition within the FTA. These measures have gone a long way towards eliminating subsidy-related trade distortions of all forms, a unique accomplishment among RTAs.

49. Similarly to ANZCERTA, CEP also prohibits all export subsidies on goods in internal trade, including on agricultural products. In addition, in the event that a domestic subsidy maintained by one member causes serious prejudice to the (trade) interests of the other member, consultations can be sought with a view to limiting the subsidisation.

50. NAFTA's subsidies disciplines correspond to those of the WTO⁸, with the exception of export subsidies in the agricultural sector. Indeed, export subsidies for agricultural products are prohibited in relations between Canada and the US as a result of CUSFTA (this has been incorporated in Annex 702.1 of NAFTA). With respect to trilateral trade NAFTA Article 705 affirms that it is inappropriate to provide an export subsidy for goods exported to another member where there are no other subsidised imports of that good. In addition, a member may adopt or maintain an export subsidy for an agricultural good exported to the territory of another member where there is an express agreement with the importing country.

51. CUSFTA seems to have influenced other RTAs concluded in its periphery. Indeed, the Canada-Chile FTA eliminates the possibility to use export subsidies in the agricultural sector. Article C-14 of the agreement stipulates that no member is allowed to maintain export subsidies in internal trade after January 1, 2003. This is also true for the Canada-Costa Rica FTA where export subsidies for agricultural goods have been eliminated since the entry into force of the agreement.

Work in progress

52. Given their significance it seems useful to include in the discussion here some prospective agreements. In APEC, several bodies have been established responsible for exploring possible "collective actions" in a number of areas in order to achieve the free trade goal, and competition policy is among these topics. The main focus of work has been on information collection and dissemination and on technical assistance (see Chapter on Competition Policy). The implications of a "competition framework" for several regulatory areas is one of the dimensions of the work program on competition policy, and contingency protection is part of this agenda.

53. In the FTAA context, a working group on subsidies, anti-dumping and countervailing duties was created. This group has engaged in a process of information collection and exchange, and discussions are ongoing on a Draft Agreement with the aim of making progress toward concluding negotiations by 2005. The terms of reference of the group commit to the achievement of a common understanding with the view to improving the operation and application of contingency protection "in order to not create unjustified barriers to trade in the Hemisphere."

⁸ It should be noted that duty waivers on imported parts and components tied to exportation, which are exempted from the restrictions of the WTO Agreement on Subsidies and Countervailing Duties, are restricted in intra-NAFTA trade. However, these restrictions apply to imported non-NAFTA originating goods (or goods substituted with identical or similar goods) that are used in the production of another good that is exported to a NAFTA country, but do not apply to goods originating in a NAFTA country.

GLOSSARY

ANZCERTA (Australia-New Zealand Closer Economic Relations Trade Agreement): Australia and New Zealand.

APEC (Asia Pacific Economic Co-operation Forum): Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States and Vietnam.

CEFTA (Central European Free Trade Agreement): Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia.

CEP (Closer Economic Partnership): New Zealand and Singapore.

CUSFTA (Canada-US Free Trade Agreement).

EAA (Agreement on the European Economic Area): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, Norway, Portugal, United Kingdom, Spain and Sweden.

EFTA (European Free Trade Association): Iceland, Liechtenstein, Norway and Switzerland.

EU (European Union): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, United Kingdom, Spain and Sweden.

Europe Agreements: The EU has concluded these with Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.

FTAA (Free Trade Area of the Americas): Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St Lucia, St Kitts and Nevis, St Vincent and Grenadines, Suriname, Trinidad and Tobago, Uruguay, United States and Venezuela.

JSEPA (Japan-Singapore Economic Partnership Agreement).

MERCOSUR (Mercado Común del Sur / *Southern Common Market Agreement*): Argentina, Brazil, Paraguay and Uruguay.

NAFTA (North American Free Trade Agreement): Canada, Mexico and the United States.