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y la
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COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON CITRUS FRUIT

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CURRENT MULTILATERAL TRADE NEGOTIATIONS ON INTERNATIONAL CITRUS TRADE

I. INTRODUCTION

1. The Uruguay Round of Multilateral Trade Negotiations (GATT) that was launched in Uruguay in September 1986 culminated (Marrakech 1994) in the creation of the World Trade Organization (WTO). WTO's function is "to ensure that trade flows as smoothly, predictably and freely as possible", i.e. to facilitate the change from the currently "distorted" world market into one of more open competition. WTO provides a forum for trade negotiations and arbitrates disputes that originate from claims by members non compliance with the agreement. Member countries are encouraged to use WTO mediation to resolve their trade disputes, but if unresolved, members have the right to request of the WTO the establishment of a panel to resolve their disputes.

2. This paper describes the framework of the negotiations and summarizes the current, past and potential future disputes on citrus. A separate paper, CCP: CI 03/12, undertakes a quantitative analysis of the impact of liberalizing citrus trade.

II. CITRUS DISPUTES

3. The citrus market is the largest fruit market in the world, bananas is the second largest. Many disputes concerning citrus products have been brought forward to the WTO, most of which were resolved before a panel was requested:

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A. PAST DISPUTES

- 1995: United States vs. Republic of Korea. The United States requested consultations under WTO dispute settlement procedures after citrus exporters complained that shipments had been detained at port for up to three weeks. Consultation concluded after two rounds of talks with the Republic of Korea revising the inspection procedures (Plant Protection Act of 1996) to allow fresh fruit and vegetables to clear customs more easily.
- 1997: Argentina vs. European Community: the European Community claimed that Argentina could not demonstrate the equivalence of control measures with those of the European Community in relation to citrus canker. The consultation was successfully resolved the following year with the possibility of recognizing systems of certification equivalent to those of the European Community.
- 1999: Argentina vs. United States. Negotiations were held on postponement of US measures concerning the export of citrus produced in northwest Argentina. An agreement was reached the following year. However, the protocols which form the basis for agreement have been challenged in US courts, creating a block to Argentine citrus (primarily lemon) sales to the United States.
- 2002: European Community vs. United States: APHIS (US Animal and Plant Health Inspection Service) banned imports of clementines from Spain due to live detections of Mediterranean fruit fly larvae. Based on new agreed protocols for cold treatment plus physical examination at ports of shipment and receipt plus increased trapping and spraying, exports from the European Community (Spain) to the United States have resumed.

B. CURRENT DISPUTE

- Brazil vs. United States: Brazil claims that an equalizing excise tax imposed by Florida on processed orange and grapefruit products unfairly discriminates against its imports. On 16 August 2002 Brazil requested the establishment of a panel and on 1 October 2002 the WTO agreed to the request.

C. POTENTIAL FUTURE DISPUTES

- 1997: European Community vs. United States: the EC claims exemptions from the United States direct (income) taxes of FSC (Foreign Sales Corporations) income related to exports and of dividends distributed to United States parent companies constitute export subsidies. In September 2002 the dispute panel awarded the European Community a right to impose sanctions worth US\$4 billion on US exports, and citrus products (primarily grapefruit from Florida) have been identified as possible targets for higher EC tariffs.
 - European Community and Asian countries vs. United States: the European Community and Asian countries are threatening to impose sanctions on politically sensitive US exports (including citrus) following stiff tariffs on steel imports.
 - Spain vs. Republic of Korea: Spain has been trying to sell oranges to the Republic of Korea without success due to onerous testing procedures. The United States and the European Community may make a joint complaint.
4. Most complaints relate to the Agreement on the Application of Sanitary and Phytosanitary (SPS) measures. It is not the aim of this paper to look at the scientific basis for non-trade barriers

for citrus. However, it is important to note that citrus pests are recurrent and impact on both productivity and trade. Eradication and prevention of infestation or re-infestation is often the only viable alternative to avoid potentially significant crop losses. Unfortunately pest eradication in citrus plantations is difficult to achieve, and in some cases uprooting trees in extensive areas is the only effective solution (e.g. canker and citrus variegated chlorosis, or CVC).

5. The only dispute concerning tariff barriers is put forward by Brazil against the United States. Brazil claims that the “Equalizing Excise Tax” imposed by the State of Florida on processed orange and grapefruit products discriminates against its citrus juice exports to the United States and provides protection and support to domestic citrus products. Brazil claims that the current tax is applied “in excess” of internal taxes, resulting in an *ad valorem* equivalent higher than the bound level applied before 15 April 1994, contravening GATT rules. Moreover, Brazil argues that tax proceeds are used exclusively to promote domestically grown citrus and citrus products, discriminating against imported citrus products.