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PARTICIPATION AND CIVIC ENGAGEMENT IN POVERTY REDUCTION STRATEGY

Mr. Mario Berríos
Trade Specialist
Integration, Trade and Hemispheric Issues Division
Integration and Regional Programs Department
Inter-American Development Bank

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Agricultural Trade and Food Safety Issues in the Western Hemisphere

1. The goal of this paper is to identify linkages between trade and food safety issues in the Western Hemisphere and to indicate how trade, sanitary and phytosanitary (SPS) measures, health and other related issues can be addressed through programs of multilateral institutions. The latter is illustrated through the particular example of work of the Inter-American Development Bank (IDB) on these topics. The main argument of this paper is to explain the close interrelation between agriculture production, economic/rural development, food safety and human health issues. In particular, it is recognized that the expansion of trade and agriculture production is closely related to economic and rural development, food safety and health and that consistent approaches to deal with problems in these areas would require the incorporation of integrated strategies bringing together considerations from all of these issues.

Global Markets and Food Safety

2. Over the past few decades, the increase in international commercial exchange has contributed to reducing the scope in which markets and consumers could easily be separated. In the context of global markets for food products, food safety thus refers to health of all consumers, including foreign and domestic. The emergence and development of multilateral and regional trade rules and standard setting bodies have also introduced the question of the relationship between national regulations and international standards concerning the functioning of the food inspection and control systems.

3. In trade terms, compliance with the standard requirements of foreign markets has become an imperative for any successful export initiative and often this requires important investments. One positive result from this situation is that by meeting export market standards one can also have positive spillovers for domestic consumers. Investment in food safety standards is thus becoming not only an issue for segregated foreign market targets but also an increasingly integrated view of serving overall markets.

Trade in Agri-food Products in the Western Hemisphere

4. The significant level of trade taking place in food products in the Western Hemisphere is summarized in Figure 1. Figure 2 reveals that most of this exchange is in products that have undergone some sort of processing. From grains to bakery products, and from feed ingredients to beef, the list of agricultural imports and exports in the Western Hemisphere is comprehensive in coverage at different stages in the food supply chain (Table 1). As expressed by Gelhar and Coyle (2001), driven primarily by per capita income growth, the composition of global agricultural trade has substantially changed in the past two decades. For developing countries, there is also an ongoing consumption and trade shift from basic staples to higher value added products and, particularly in high-

income countries, demand for foreign brands is also expanding intra-industry trade in processed consumer products.

5. The analysis of the structure of agricultural trade over the 1980-1997 period reveals that intra-Western Hemisphere agricultural exports grew at an average rate of 4.8% during this period. Also, we have observed an increasing concentration in the direction of agricultural exports within the Western Hemisphere. Figure 3 displays the results of export intensity¹ calculations for extra- and intra-hemispheric agricultural trade. The results show that Western Hemisphere agricultural export intensity with respect to the rest of the world gradually declined from an index of 0.85 in 1980 to 0.75 in 1997. In an opposite direction, at the intra-regional level, export intensity presented a gradually increasing trend from an index of 1.83 in 1980 to 2.31 in 1997 (Berrios, 2003). These results thus indicate that, while Western Hemisphere countries have a diversified trade pattern with world markets, the dynamic destination and concentration of agricultural trade is higher within the region and especially at sub-regional levels in the Western Hemisphere.

6. The trends of increased sub-regional and regional agricultural trade in the Western Hemisphere would likely continue introducing new challenges on governments' and private producers' food safety systems and practices to develop and implement improvements in prevention, inspection and control systems. Without a major effort to invest in building and updating technical capacity and the necessary infrastructure to guarantee compliance with basic food safety standards of accessible foreign markets, the agri-food export potential of many countries could be affected. In this context, there is an urgent need to generalize information on specific requirements of foreign markets and to build and consolidate national and regional technical expertise and infrastructure. The basic challenge still is to ensure that both governments and private producers recognize and adapt to the new reality and the requirements of global markets.

Food Safety Risks and Trade Rules

7. Important concerns are often associated with the food safety risks² of imported products. In a trade context, the basic framework to deal with concerns on measures to

¹ Export intensity indexes measure the regional concentration and distribution of trade given trade flows. These indexes are constructed as the ratio between the share of a country's agricultural exports going to a region, relative to the region's importance in total world agricultural imports. The index can take values of zero and higher, with a value of one indicating geographically unbiased trade flows.

² Buzby (2001) notes that food safety risks include, for example, risks derived from veterinary drug and pesticide residues, food additives, pathogens (i.e., illness-causing bacteria, viruses, parasites, fungi, and their toxins), environmental toxins such as heavy metals (e.g., lead and mercury) and persistent organic pollutants (e.g., dioxin), and unconventional agents such as prions associated with bovine spongiform encephalopathy (BSE) in cattle.

protect animal, plant and human health and their associated food safety risks is the World Trade Organization (WTO) Agreement on the Application of SPS Measures³. The WTO SPS Agreement sets out general requirements and procedures to ensure that SPS measures are intended to protect against risks rather than to serve as unjustified trade barriers. Annex A of the WTO SPS Agreement explicitly defines that SPS measures include any measure applied to protect human or animal life or health from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs. It also includes any SPS measure applied to protect human life or health from risks arising from diseases carried by animals, plants or products thereof. Article 2.2 establishes that SPS measures may be applied only to the extent necessary and that all measures must be based on scientific principles and that SPS measures may not be maintained without sufficient scientific evidence except in cases where relevant scientific information is insufficient (a provisional SPS measure may be adopted in this case).

8. The WTO SPS Agreement thus recognizes the legitimate need for regulations to protect human, animal and plant life and health, including food safety regulations and to establish the level of protection deemed appropriate. The basic approach is that member countries are to establish regulations based on science and to avoid unjustified or arbitrary discrimination to countries with similar conditions.

9. Regarding health concerns, the main multilateral body dealing with human health issues is the World Health Organization (WHO) which, through the Codex Alimentarius that is in charge of setting standards for food products, has been dealing directly with food safety issues. The WHO is also one of the seven permanent observers in the WTO SPS Committee, which includes the Codex Alimentarius Commission, the International Office of Epizootics and the Secretariat of the International Plant Protection Convention.

10. Trade and food safety have thus become interconnected issues in the marketplace, consumers' concerns, multilateral trade rules and the development of international standards for food products. This interface does have a direct bearing on national governments' abilities to draft and implement regulatory frameworks on trade and food safety issues.

Challenges Involving Trade and Potential Food Safety Risks

11. Agricultural exchange in the Western Hemisphere takes place among countries with differences in their levels of economic development, in the size of their economies,

³ The WTO SPS Agreement came into force on January 1, 1995. Before the end of the Uruguay Round of multilateral trade negotiations, SPS measures were not fully incorporated into multilateral trade rules although Article XX(b) of GATT 1947 did include a general exception which allowed contracting parties to discriminate against imports recognizing their right to take measures necessary to protect human, animal or plant life or health even if those measures imposed trade restrictions.

in the food inspection infrastructure and the overall institutional capacity of public and private institutions. Important agricultural producing countries in the region do have elaborated infrastructure and technical capacity on food inspection and control systems. However, key constraints related to, for example, old regulatory frameworks and inspection procedures and the lack of new investment for the updating and renewing of equipment and technical knowledge persist. Inspection procedures and their regulatory frameworks, which in many cases were defined during the first half of the last century, need to be modernized and take more account of foreign market requirements. Problems related to these issues typically become impediments to access foreign markets. In this context, key policy challenges facing many countries include:

- (a) undertaking modernization of regulatory frameworks and inspection procedures;
- (b) integrating trade, agriculture, and health issues more effectively;
- (c) promoting food safety standards without imposing excessive trade restrictions and regulatory costs, and avoiding conflicting regulatory instruments;
- (d) ensuring self-reinforcing and consistent efforts while working on these issues.

12. For other smaller and less developed countries, however, initial and critical challenges start with problems concerning limited or lack of financial and human technical capacity to organize and sustain the infrastructure of inspection systems and related institutions. In some cases, basic needs are related to creating minimum conditions for production/preparation of food products, for example, availability of clean water, transportation and refrigeration facilities. The efficiency of control of food borne pathogens is likely to remain limited as long as essential and basic infrastructure related to clean water, operational sanitation systems, refrigeration and hygienic food preparation facilities remain absent or ineffective.

13. Summarizing these constraints, Babu and Rhoe (2001) note a case that typically reflects key problems facing developing countries in the organization and modernization of food safety systems. According to them, these problems are often related to lack of human capacity and personnel; the lack of financial capacity to establish basic infrastructure, to conduct training and make the system sustainable over time; the lack of enforceable mechanisms; the low political importance that is given to food safety issues; the fragmentation among different agencies involved in food safety issues; inadequate post-harvest infrastructure; and lack of representation in international standard setting bodies including the Codex Alimentarius.

14. The context presented above therefore indicates that some of the main challenges involved in the interaction between trade and food safety can be associated with:

- Fully implementing the WTO SPS Agreement;

- Avoiding excessive trade restrictions;
- Building scientific technical capacity in risk assessment;
- Building and making sustainable food inspection and control infrastructure;
- Modifying / creating regulations based on science;
- Providing / obtaining technical and financial assistance; and
- Participating, keeping up and influencing the changes in international standards, e.g. Codex Alimentarius.

15. While changing food safety laws and regulations is key for the operation of efficient inspection systems, a comprehensive and integrated approach on trade and food safety would require a concerted effort to address the problems noted above and include also other essential tasks such as training of different stakeholders (policymakers, scientists and technicians, inspectors, processors, primary producers) and harmonization of food safety regulations with international standards (see Babu and Rhoe, 2001).

IDB Instruments/Examples on Trade, Food Safety and Related Issues

16. The IDB has financed many initiatives to deal with these issues which have covered programs on a variety of topics. Examples of these programs include:

- Central America / Mexico trade facilitation through a regional system of SPS measures;
- Updating the capability/procedures of official laboratories through the Inter-American Network of Food Analysis Laboratories (regional initiative Pan-American Health Organization/WHO);
- Innovation loan to Costa Rica to strengthen regulatory capability of the Health Ministry on food quality/ drinking water/ other risk factors;
- Agricultural Support Services in Jamaica (including SPS and food safety);
- Development of sanitary conditions for the agriculture sector – Peru;
- Modernization of agricultural services in Ecuador; and
- Under consideration: Regional network on agriculture sanitary conditions/ food safety for Caricom countries.

17. IDB programs include actions undertaken at the national and regional levels and they involve loans contracted with national governments and/or non-reimbursable technical cooperation at the national or regional levels. IDB instruments that could be used to address these issues can then involve:

- Trade Sector Facility Loan programs;
- Sector-specific loans;
- Regional Technical Cooperation; and
- Multilateral Investment Fund programs.

18. It should be noted that trade and trade capacity building are key areas of IDB work to support the capacity of countries to engage in trade negotiations; to implement trade agreements; to build institutional capacity through technical training, modernization of information technology (computer, communications, data bases), management of institutions and trade promotion, among others.

Conclusion

19. It is expected that growth in agri-food trade will create a significant need to establish proper SPS policies/control systems and regulatory frameworks. Food safety will continue playing a key role in agri-food trade in the future and international specialized organizations are expected to keep their roles as key components in the global food regulatory framework. Various multilateral institutions, including the IDB, have various instruments to address needs in these areas and good experience is already in place. In preparing any potential action on trade, food safety, health and agriculture, a consistent approach on any of these issues needs to take into account complementarities among sectors and collaboration among international and regional institutions.

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IDB Contact Information

IDB main web site: <http://www.iadb.org/>

Trade: http://www.iadb.org/INT/Trade/1_english/index2.htm

Agriculture and Rural Development: http://www.iadb.org/sds/ENV/site_47_e.htm

Health: http://www.iadb.org/sds/SOC/site_11_e.htm

Annex

Figure 1

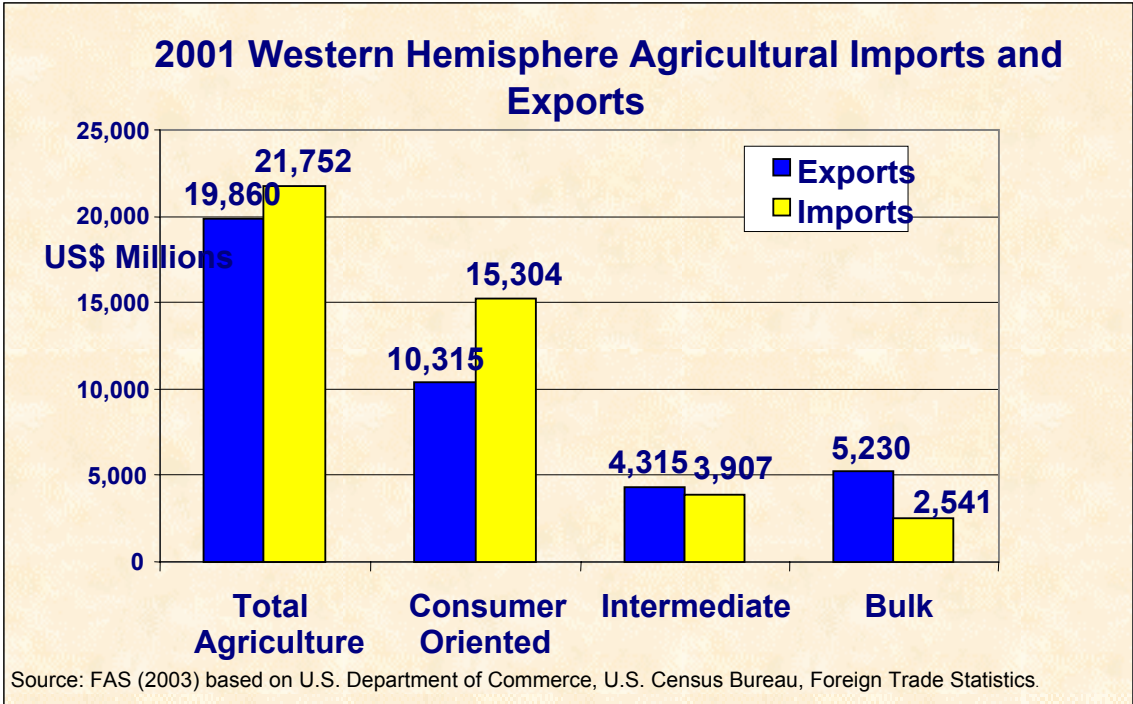


Figure 2.

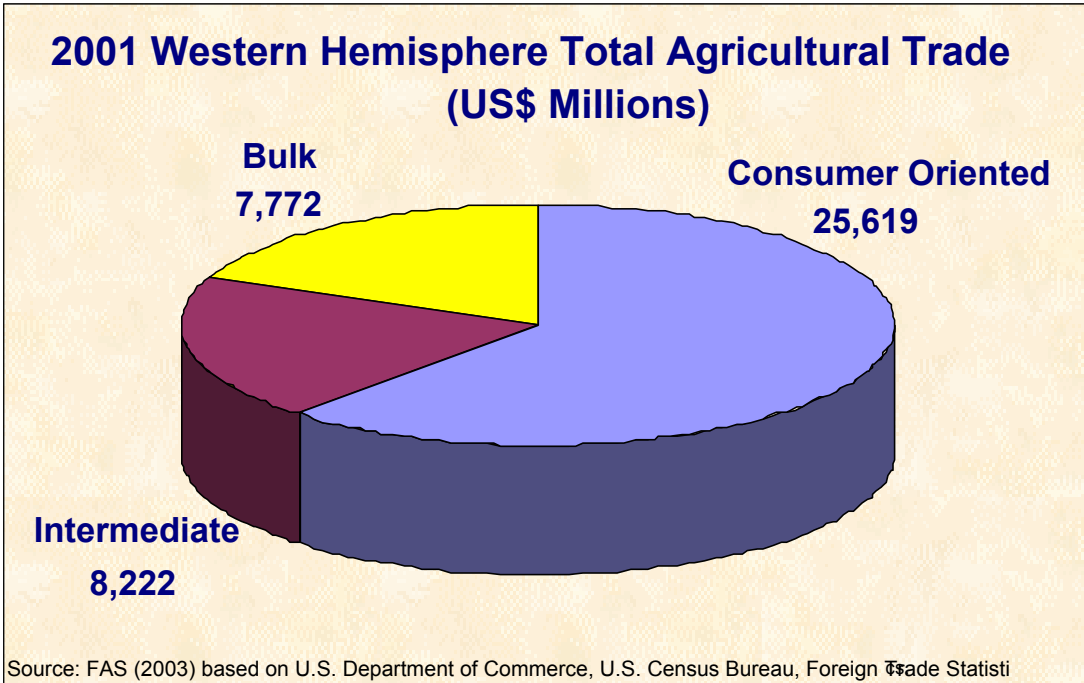
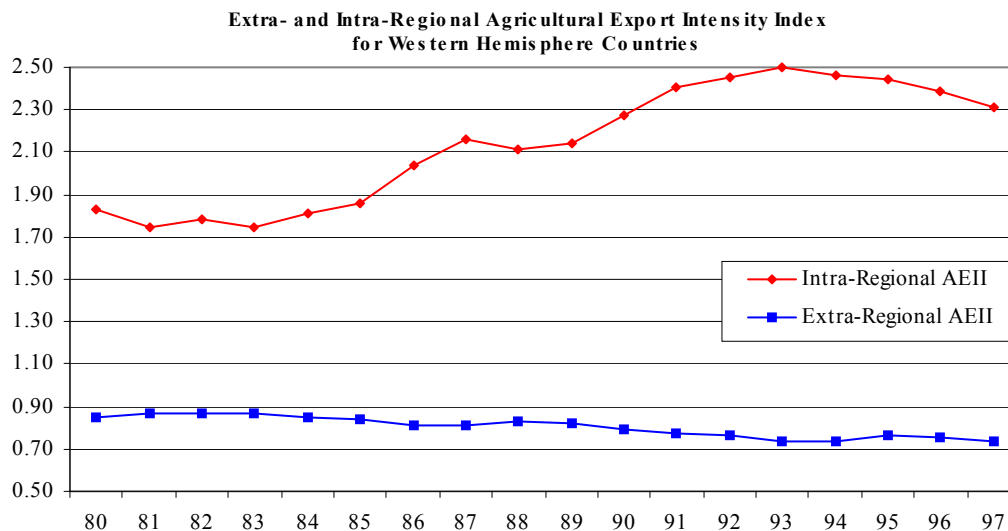


Table 1.

Top 15 Groups of Agricultural Products Exported and Imported in the Western Hemisphere, 2000	
Exports	Imports
1. Barley, maize, rice	1. Barley, maize, rice
2. Beverages	2. Beverages
3. Bovine meat	3. Wheat and malt
4. Wheat and malt	4. Bovine meat
5. Vegetables	5. Coffee
6. Coffee	6. Soybeans
7. Processed grains	7. Tropical fruits
8. Food preparations	8. Processed grains
9. Potatoes, tomatoes & onions	9. Vegetables
10. Tropical fruits	10. Potatoes, tomatoes & onions
11. Temperate fruits	11. Live animals
12. Live animals	12. Food preparations
13. Peanuts	13. Temperate fruits
14. Swine meat	14. Swine meat
15. Soybeans	15. Feed

Source: INT-IDB calculations based on IDB (2001) and Feenstra (2000).

Figure 3.



Source: Berrios (2003), own calculations based on data bases from IDB (2001) and Feenstra (2000).