

Food Safety Issues, NTBs and Agriculture & Food Trade in India



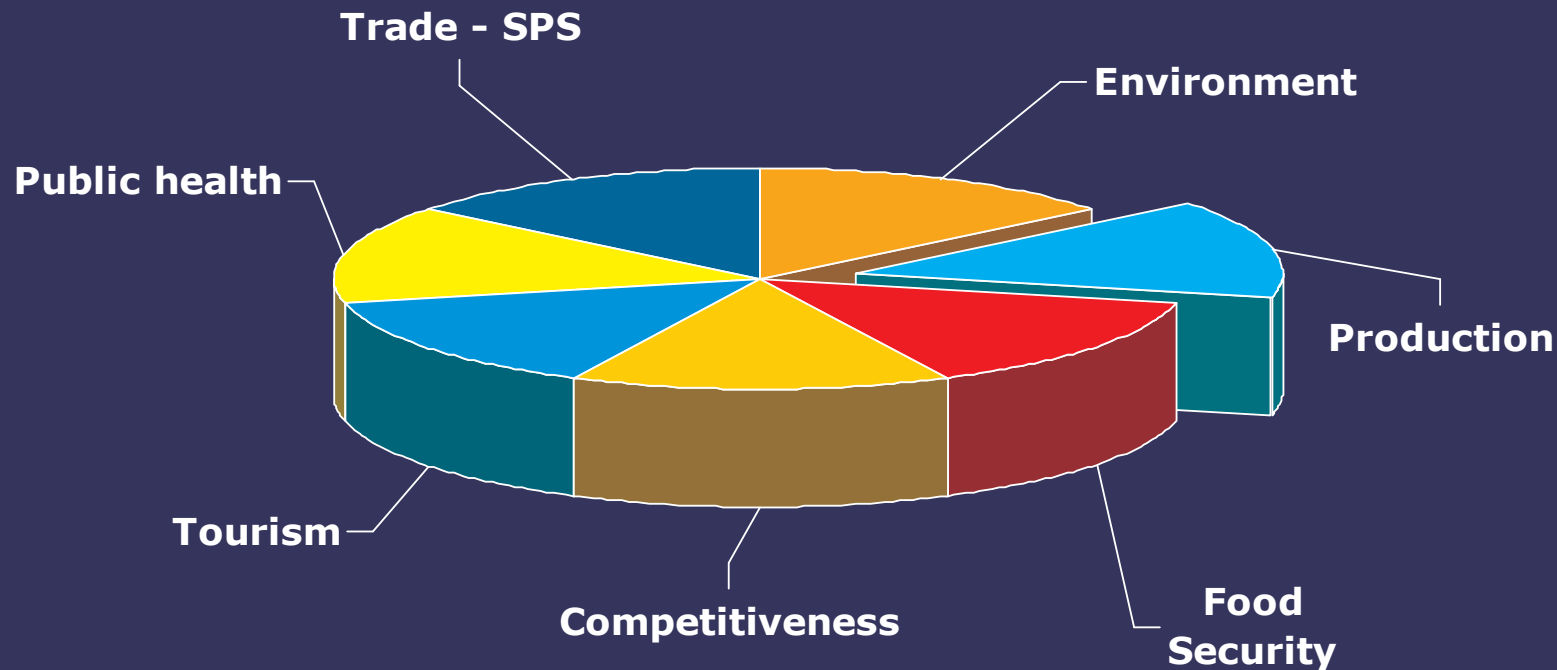
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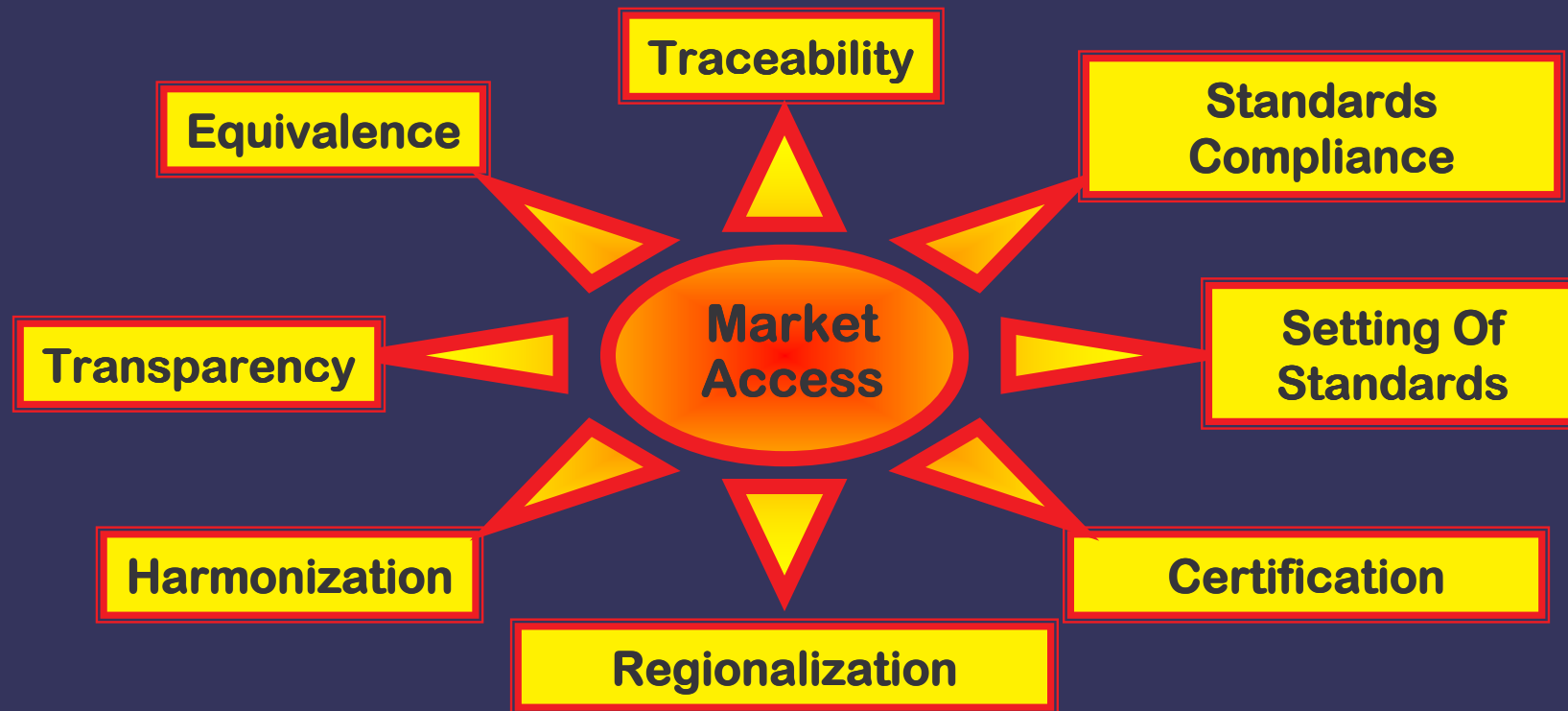
Reality which cannot be ignored by any negotiator

- ❖ Agriculture is not a bargaining chip to get concessions in Services and NAMA for India it is a livelihood for 700 million people in India.
- ❖ Agriculture is a commercial activity with serious social and political implications.
- ❖ Let us be clear, at WTO we have to negotiate for our commercial and strategic interests. We should not plead or beg for concessions.
- ❖ India's biggest bargaining strength is domestic market.
- ❖ Indian agriculture is highly competitive in price terms that is why we are able to exist without subsidy.

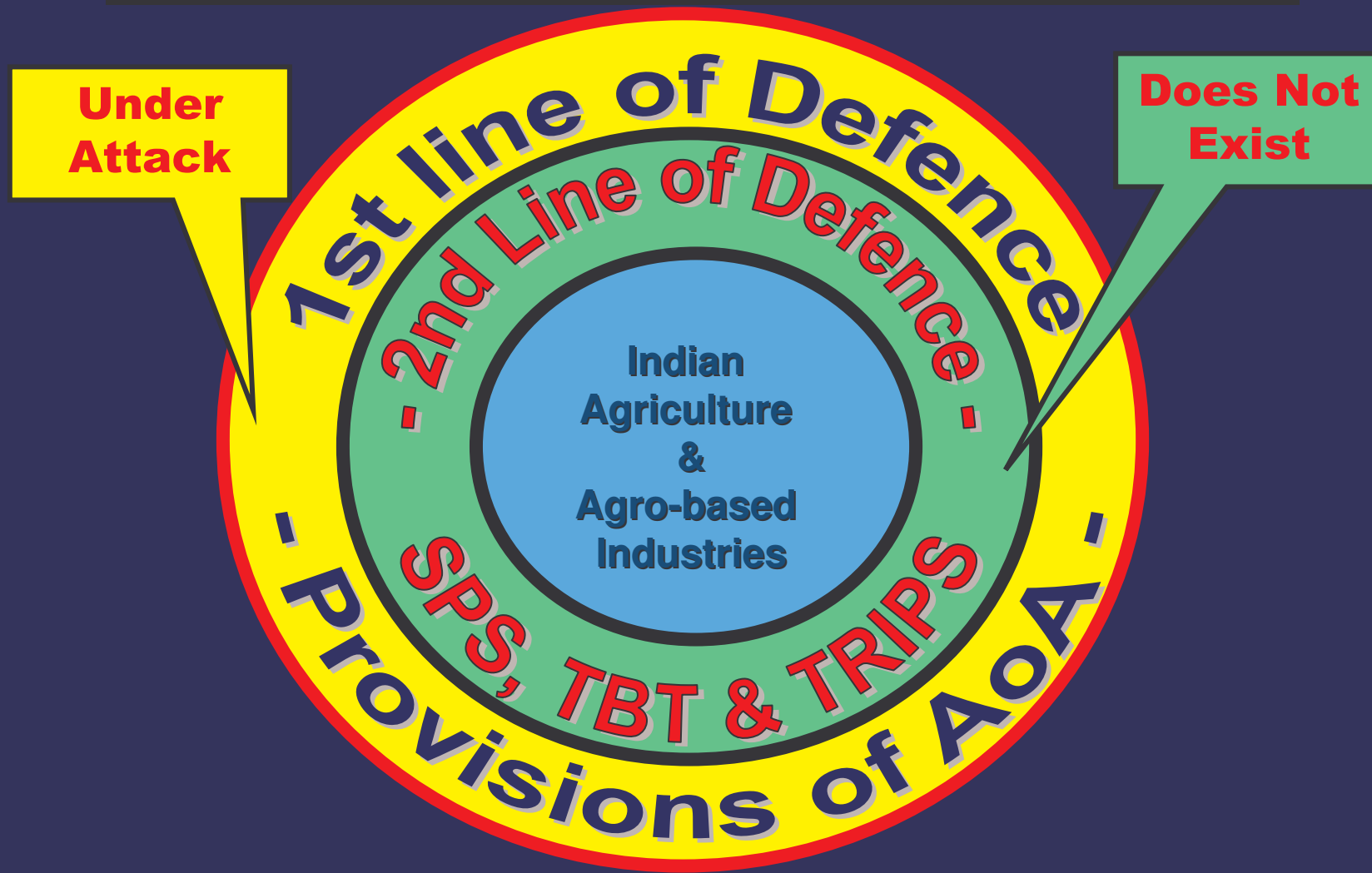
The Multiple Roles of Agricultural Health & Food Safety



Components that Determine Market Access



WTO Chess: Lines of Defense



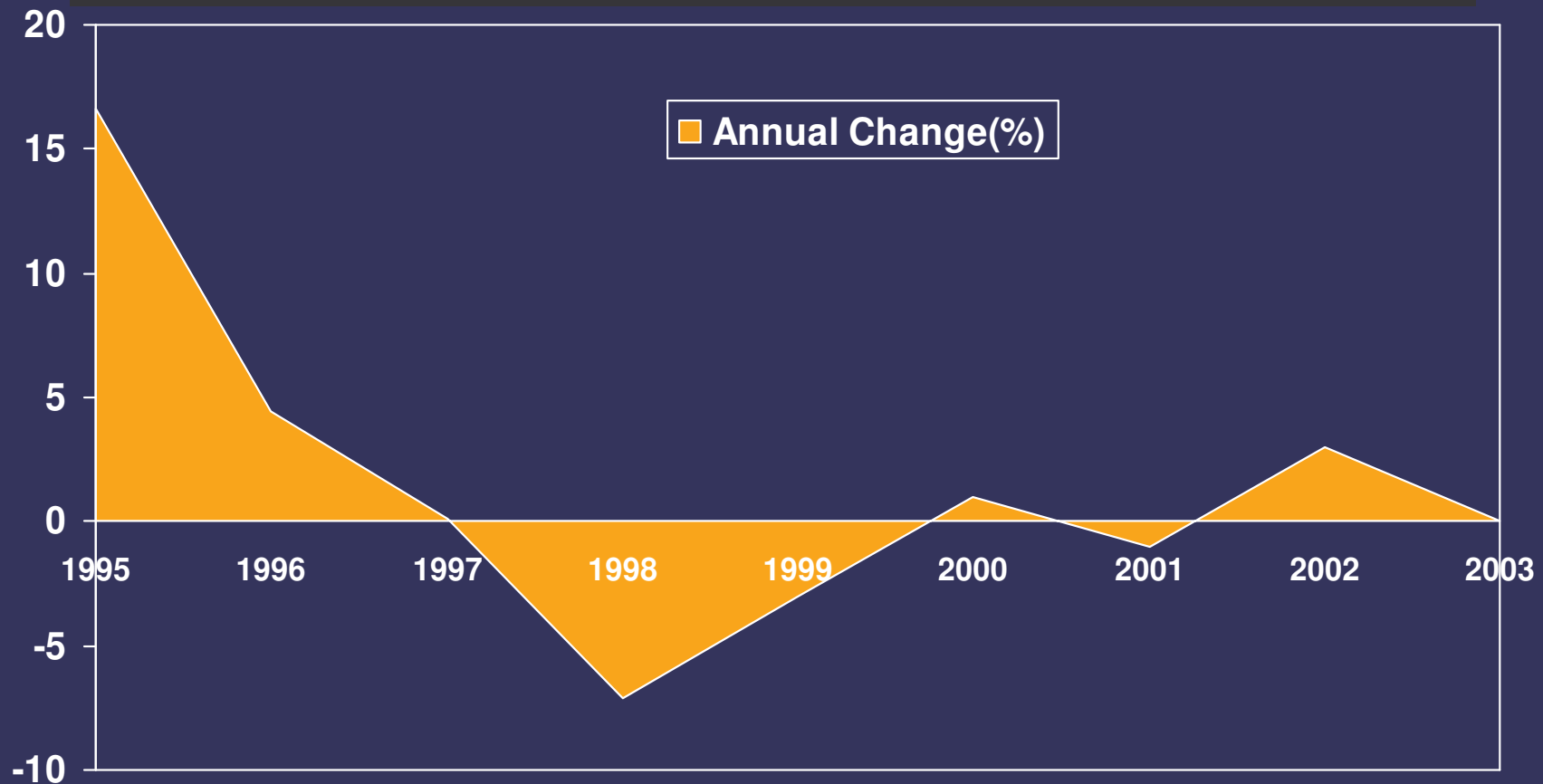
India's Biggest Concern and Challenge in 21st Century

Besides food for 1 billion plus population

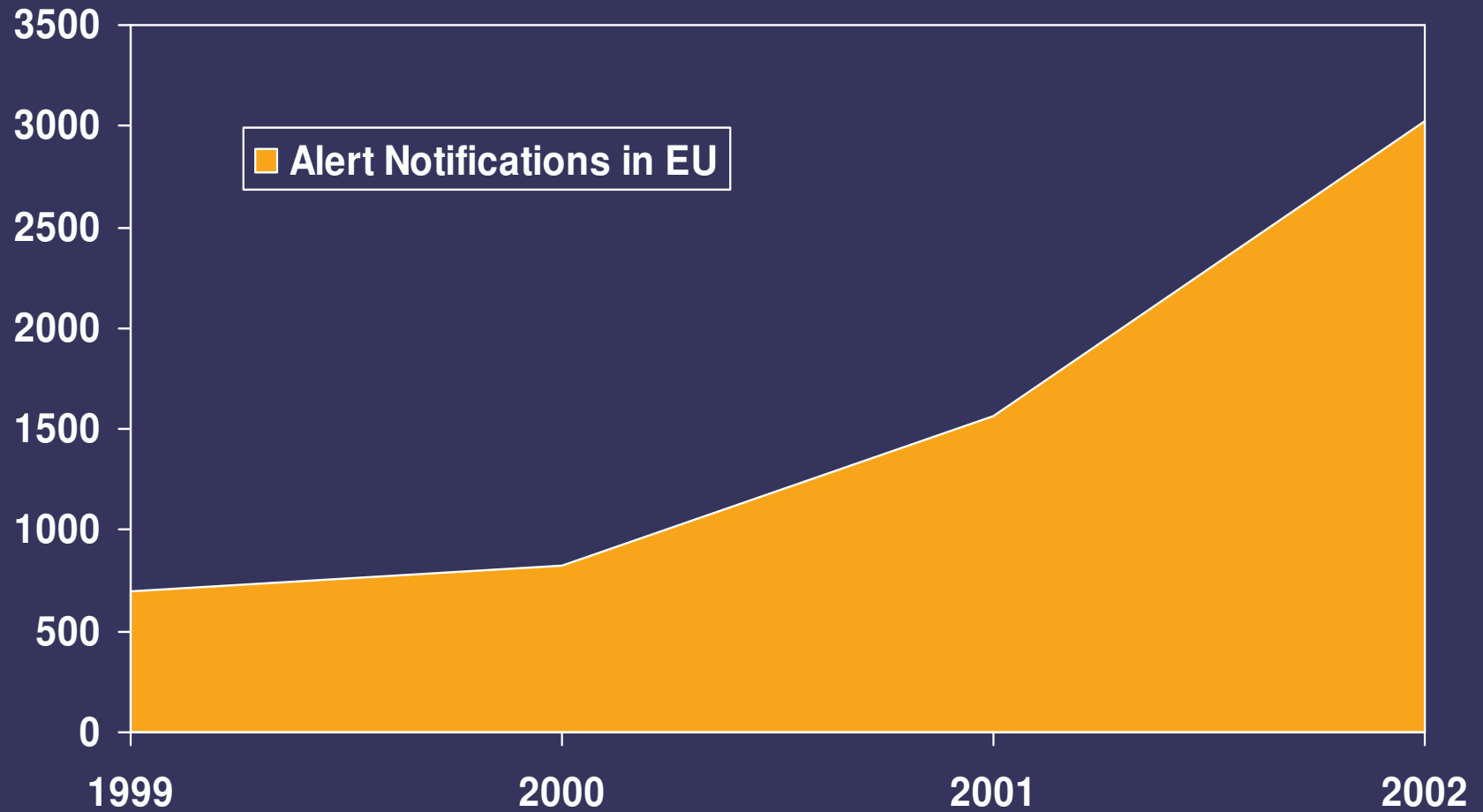
- ❖ Employment to at least 200 million unskilled population to ensure social, political and economic security, integrity and identity of India
- ❖ To preserve the livelihood of 72% of Population (i.e. 800 million people)
- ❖ To maintain law and order and social harmony in India for overall economic growth
- ❖ To ensure market for other industrial goods in India

The only one economic activity and profession that can do this is Agriculture and Agro-based industries

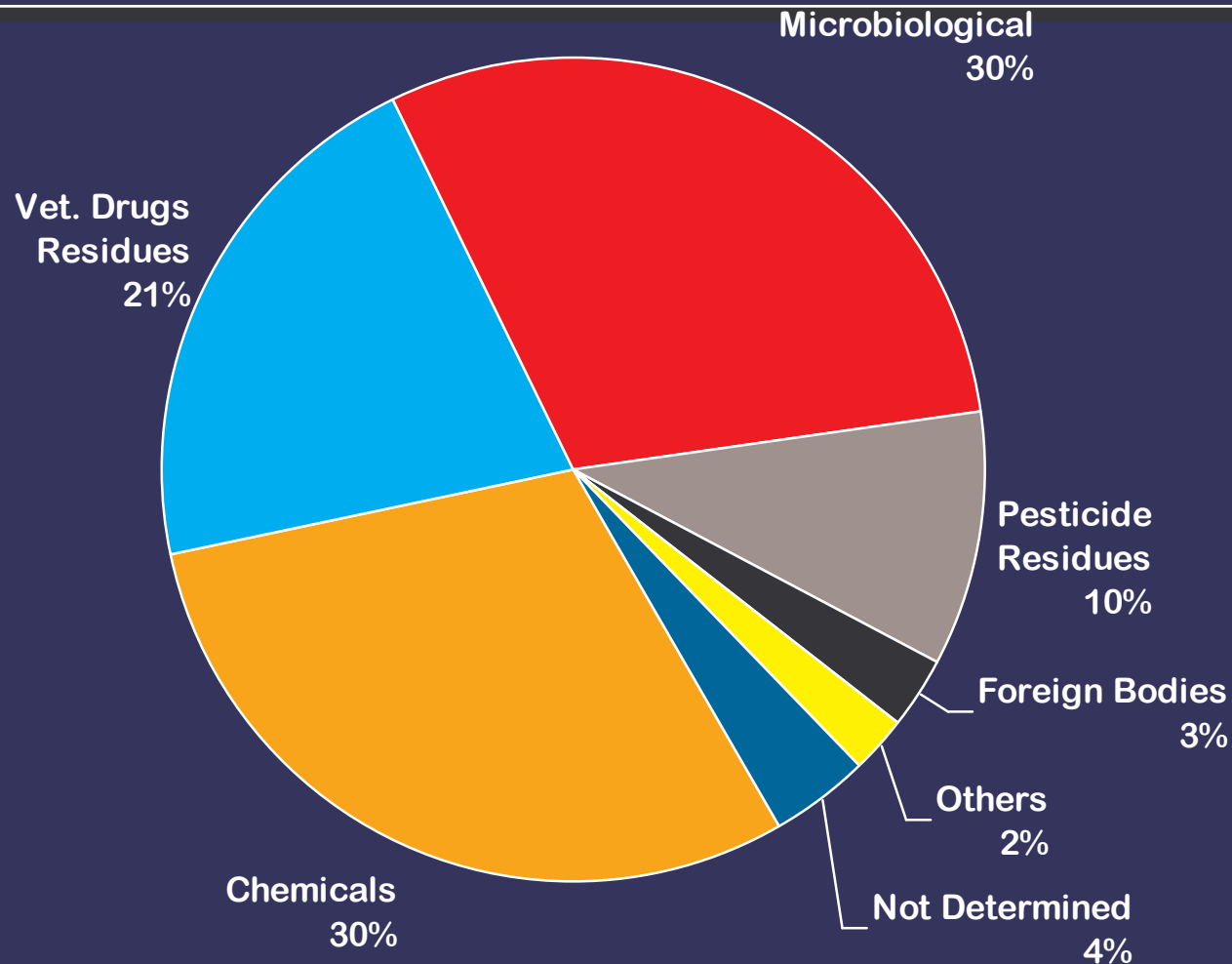
World Trade in Agriculture Products (Source: WTO)



Quality Related Alert Notification Issued by EU



Reasons for Alert Notifications in Year 2002 by EU



Pest Incidences in Imports to India

Crop	No.of Pest	Number of Pest that warrant Quarantine Concern to India										
		China	USA	EU	Australia	New Zealand	Canada	Mexico	Brazil	S.Africa	Thailand	Italy
Apple	365	39	87	14	20	16	61	21	20	15	5	65
Grapes	380	29	77	16	41	33	48	25	35	34	5	68
Mango	317	7	19	1	7	1	2	15	20	9	9	5
Almond	106	12	19	4	9	6	15	7	10	5	0	18
Peas	253	15	33	8	21	15	24	11	17	15	0	26
Kidney Beans	28	11	60	5	20	12	27	25	38	17	6	20
Garlic	92	4	11	2	9	5	8	2	6	4	1	10
Cinnamon	53	1	1	0	1	0	0	0	0	2	0	0
Cocoa	267	8	17	1	6	3	5	9	24	11	14	6

Where are the missing Grape Consignments?

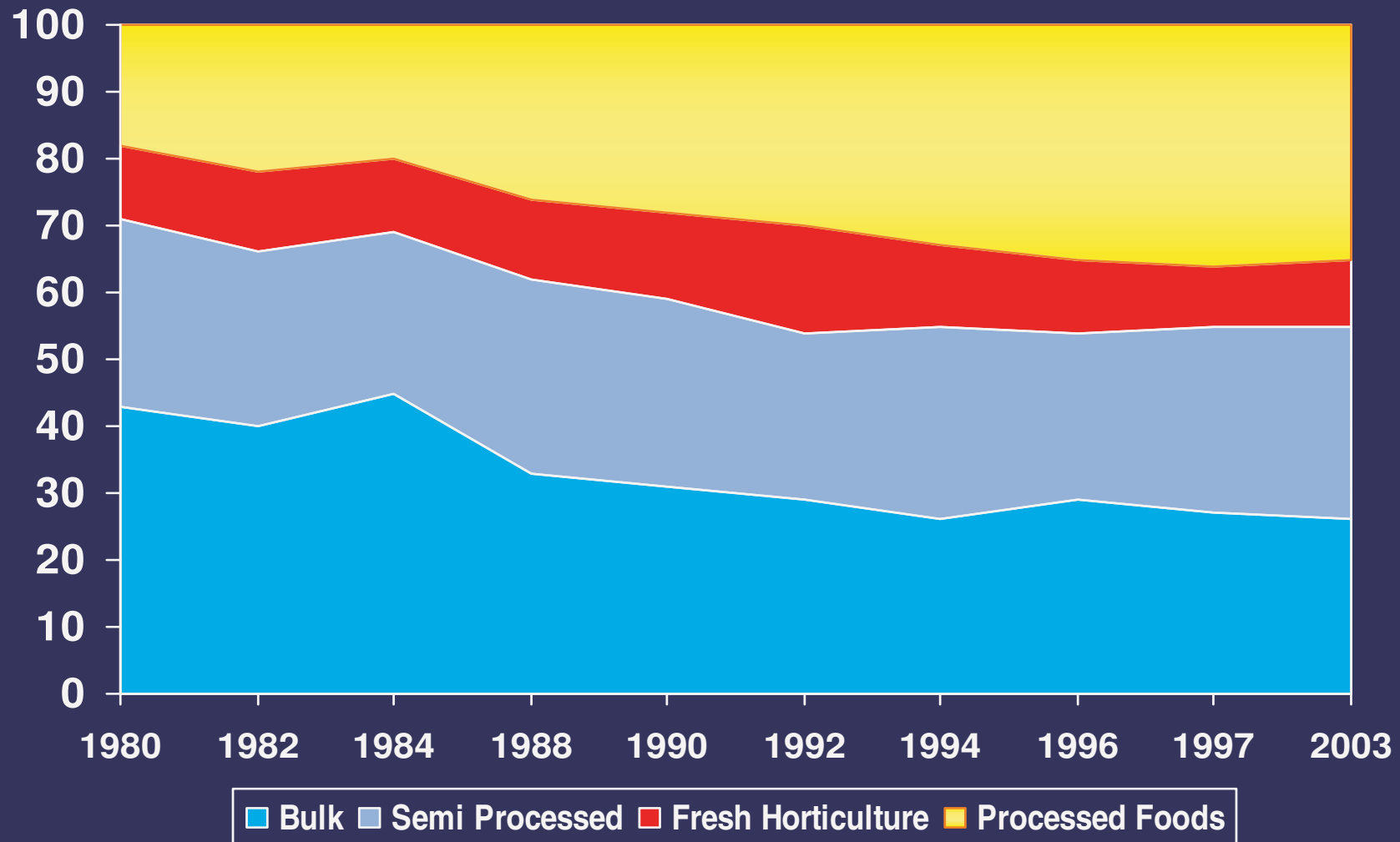
According to USDA, Grapes Exports to India

Year	Value in USD Million	Quantity In MT	Price (\$ per Kg)
2001	1.990	1275.3	1.56
2002	3.233	2050.2	1.57
2003	3.946	2545.5	1.55
In 3 Years	9.169	5871.0	1.56

According to Min. of Commerce, GOI, Grapes Import into India

2001	0.04	45.04	0.88
2002	0.19	225.09	0.84
2003	0.19	225.09	0.84
In 3 years	0.42	495.22	0.86

Composition of World Trade



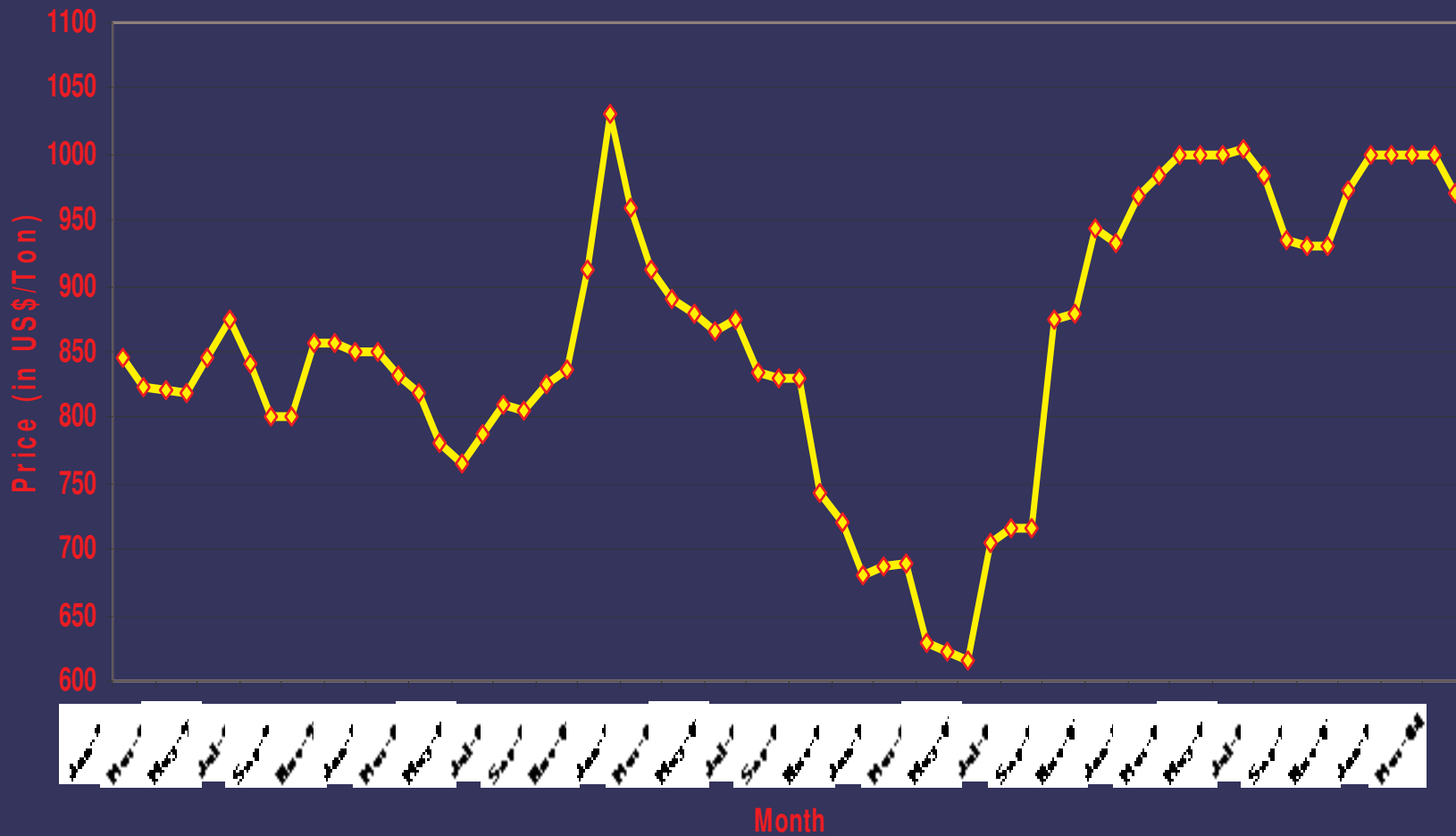
International Cotton Prices



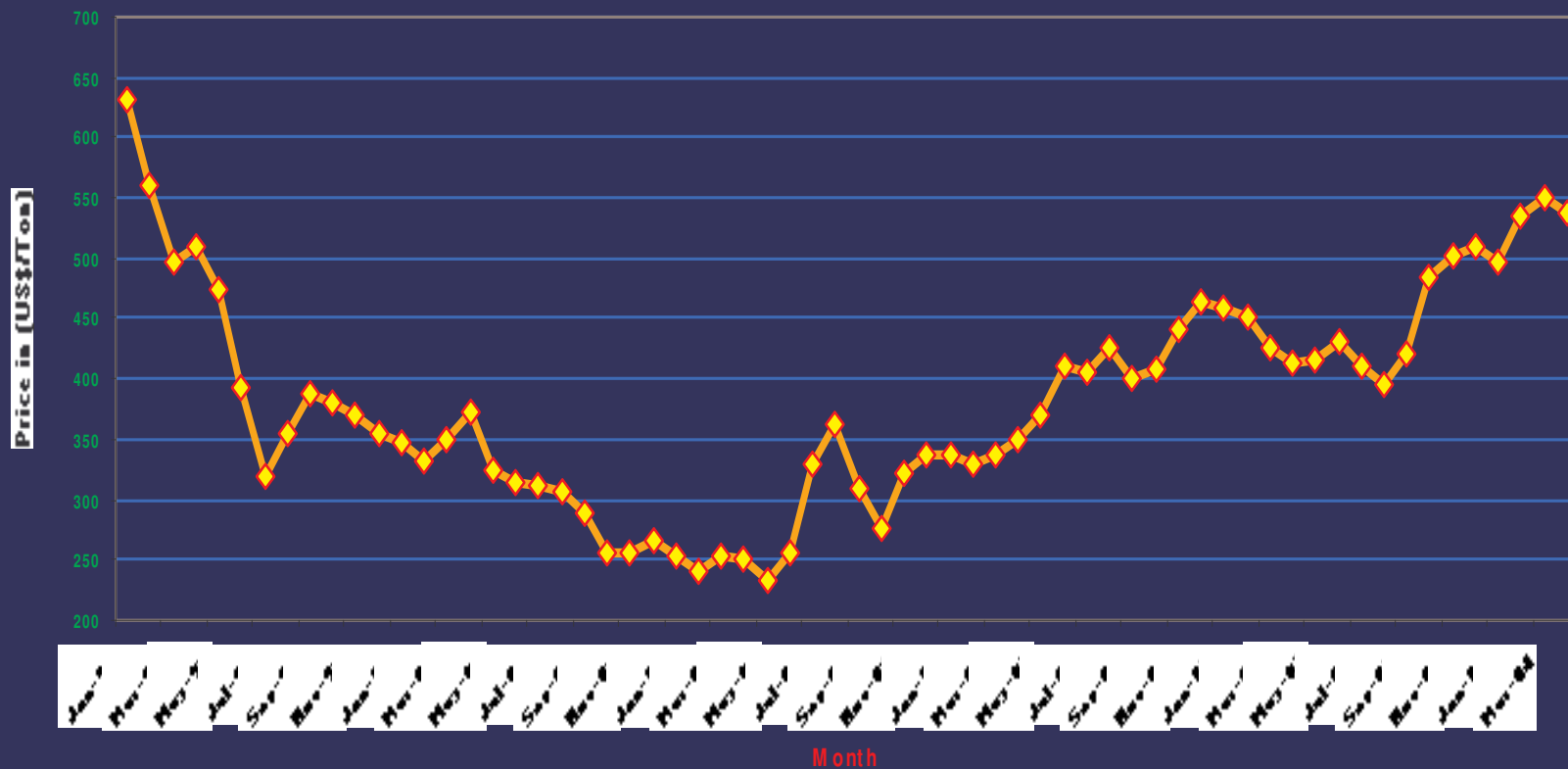
International Beef Prices



International Groundnut Prices

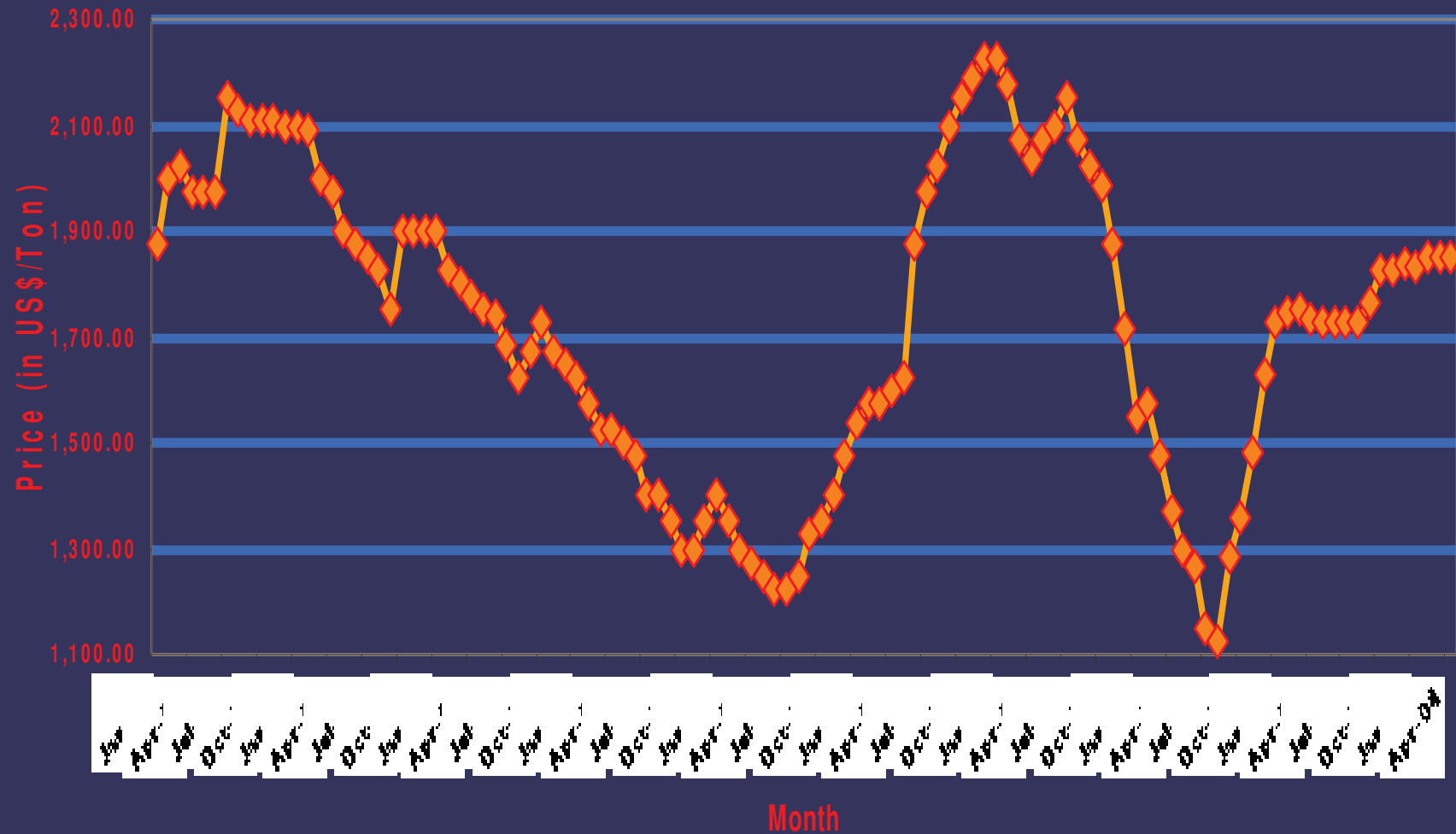


International Palm Oil Prices

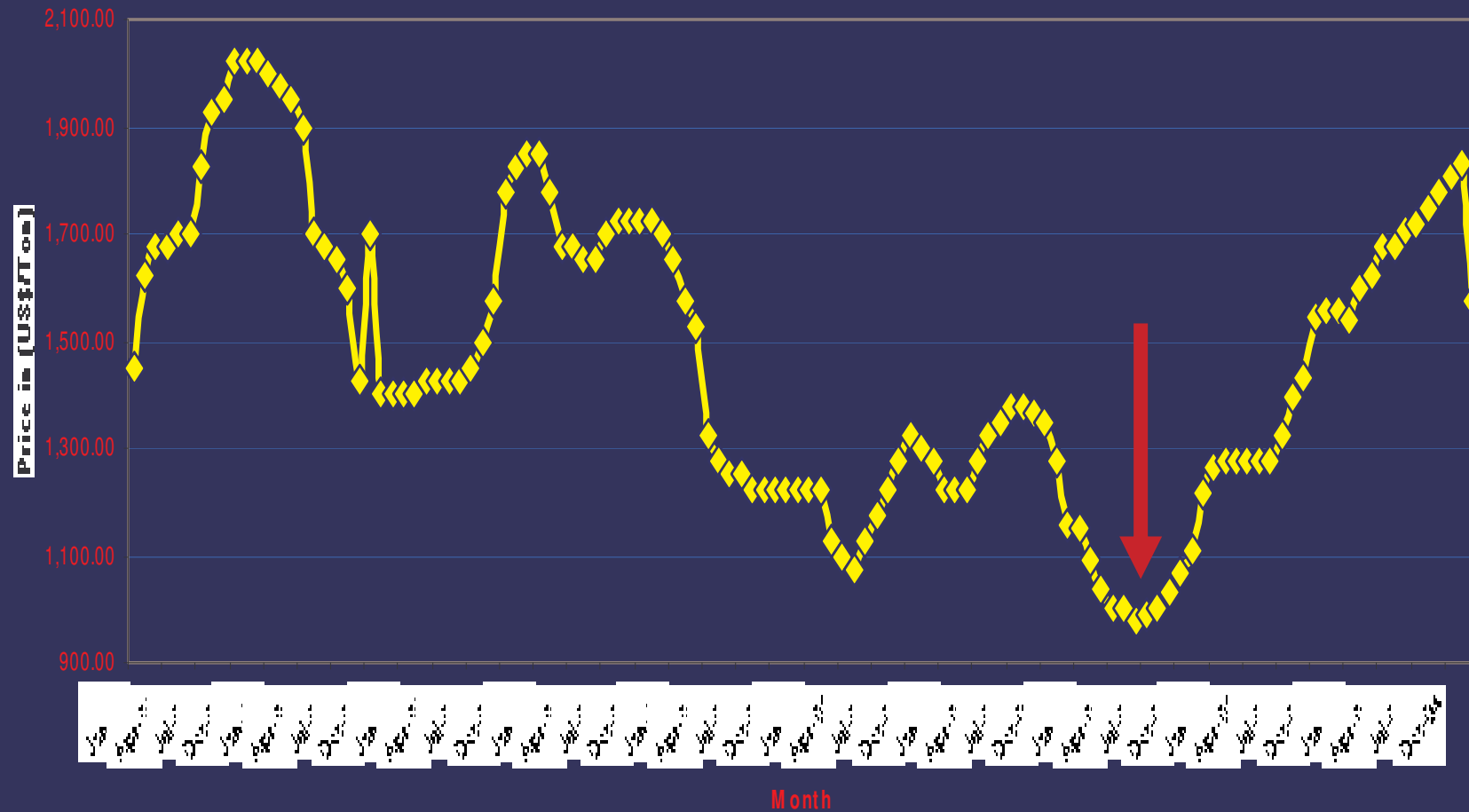




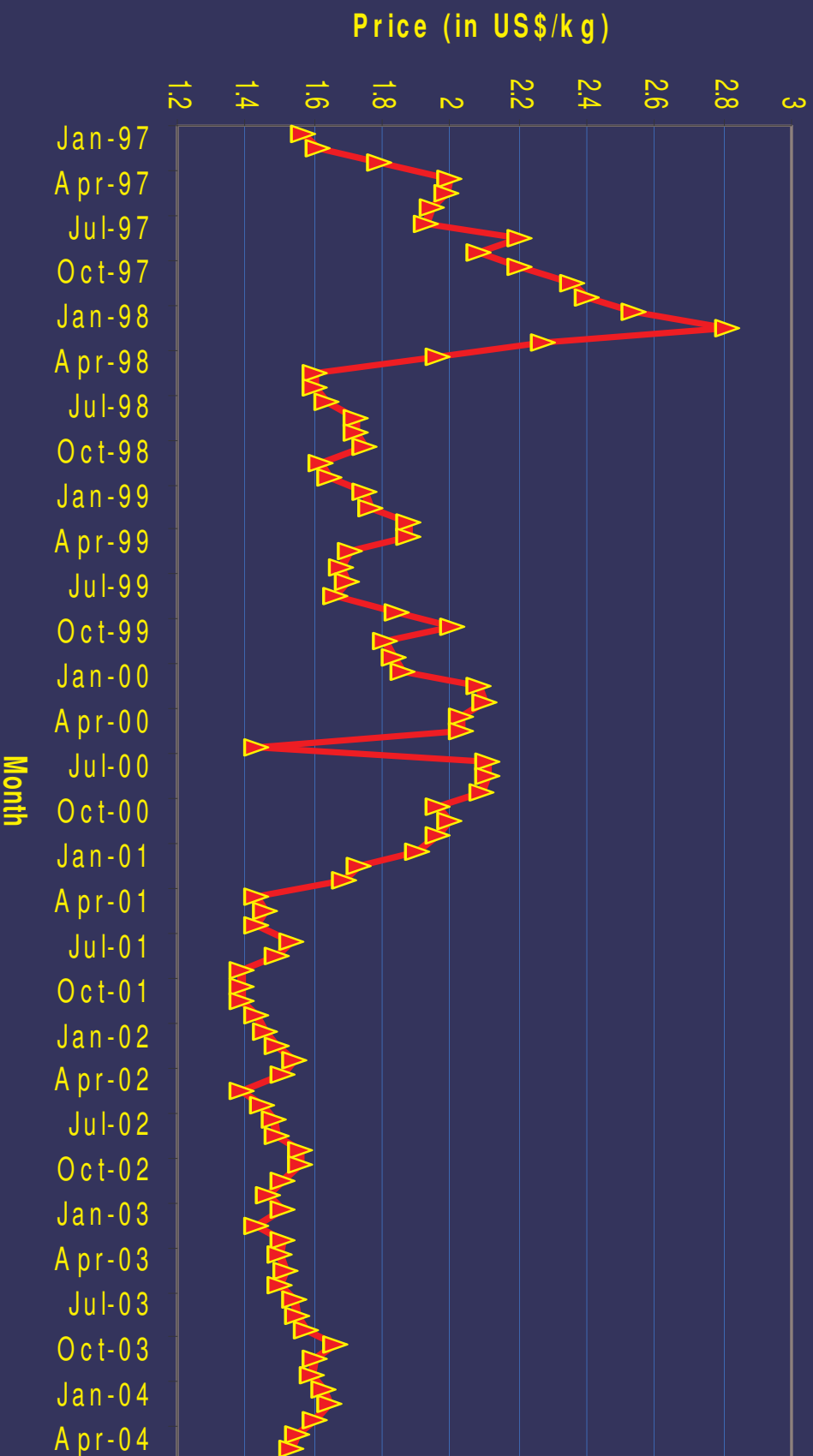
International SMP Prices

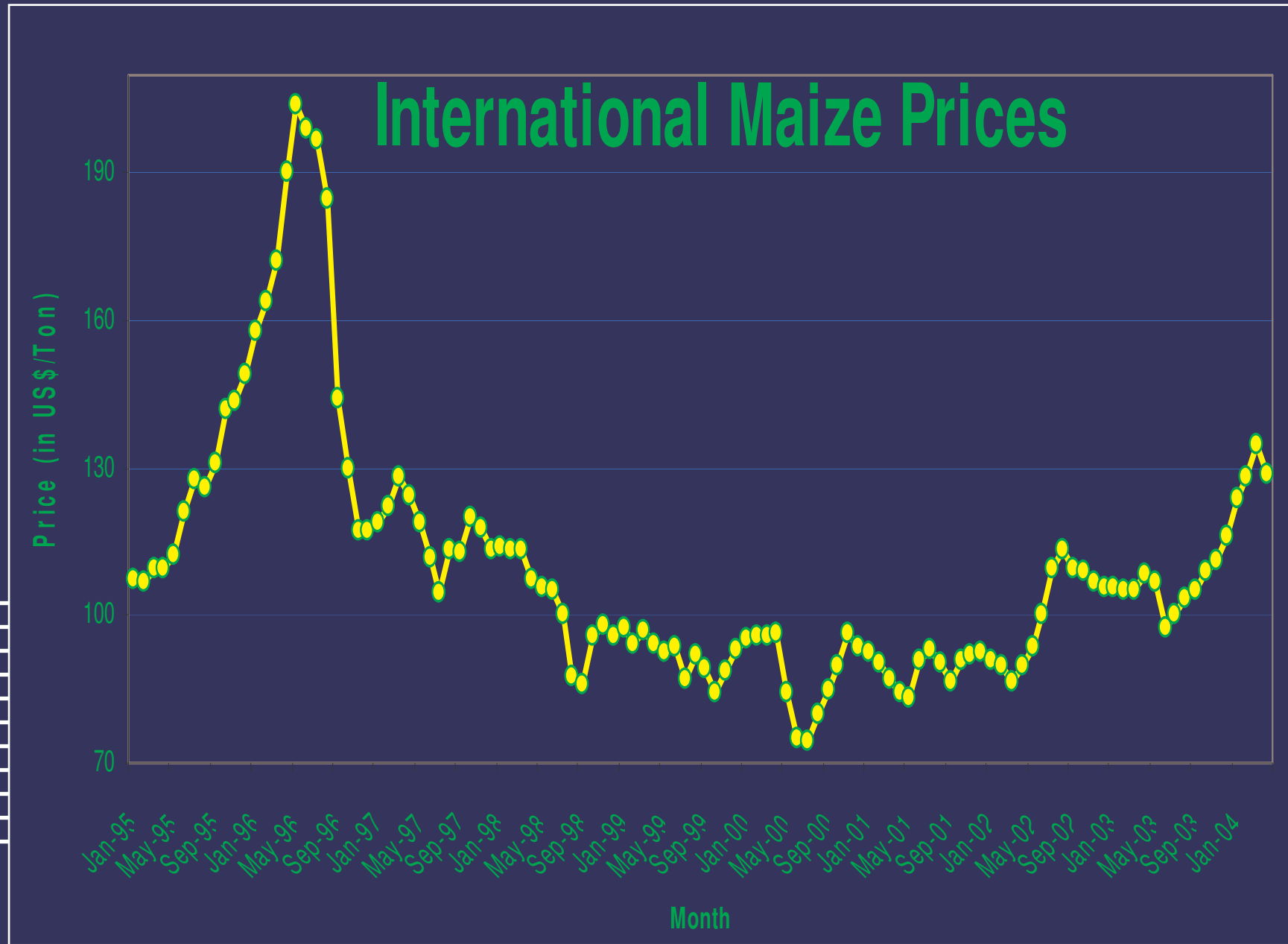


International Dairy-Butter Prices



International Tea Prices



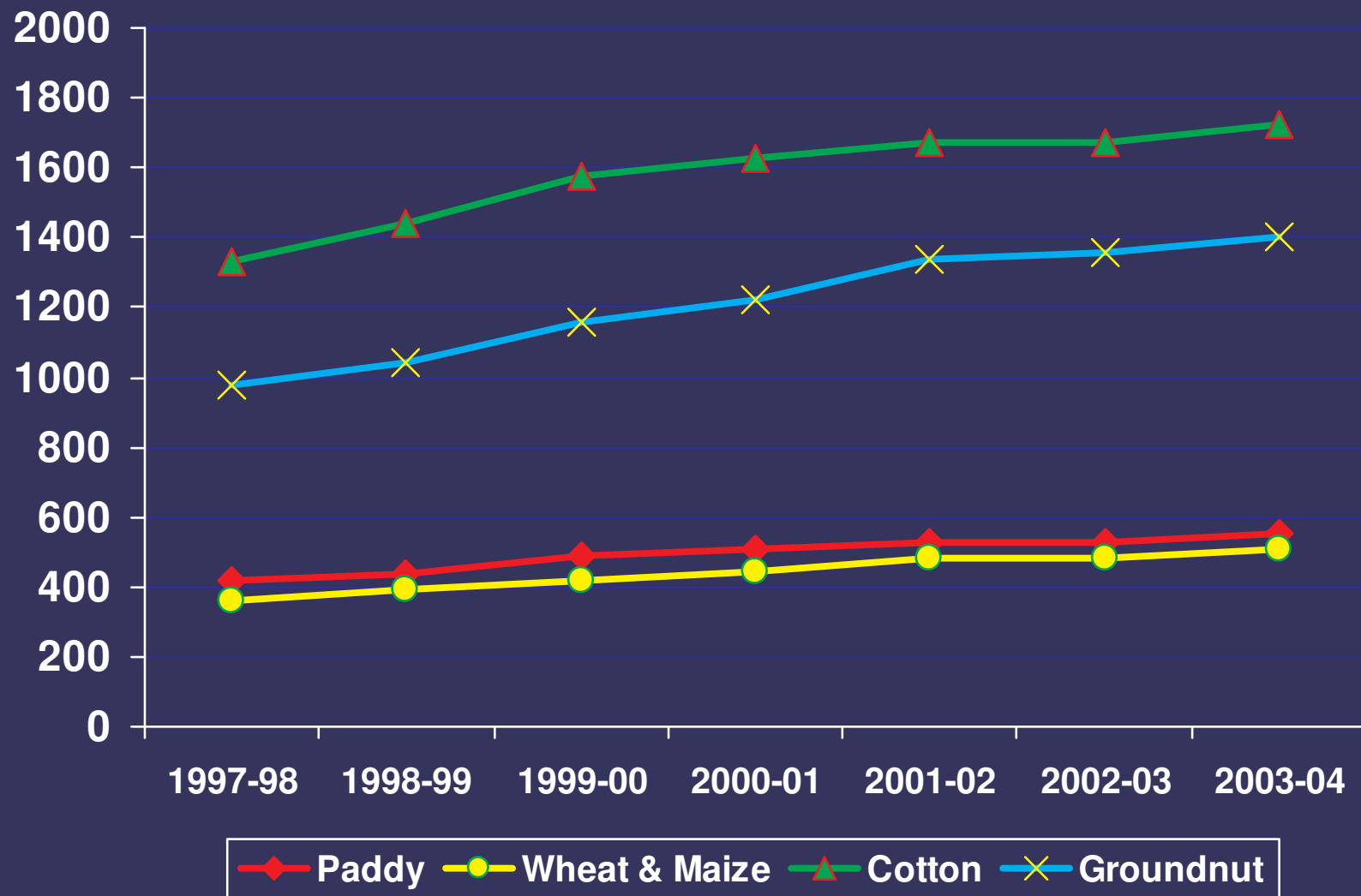




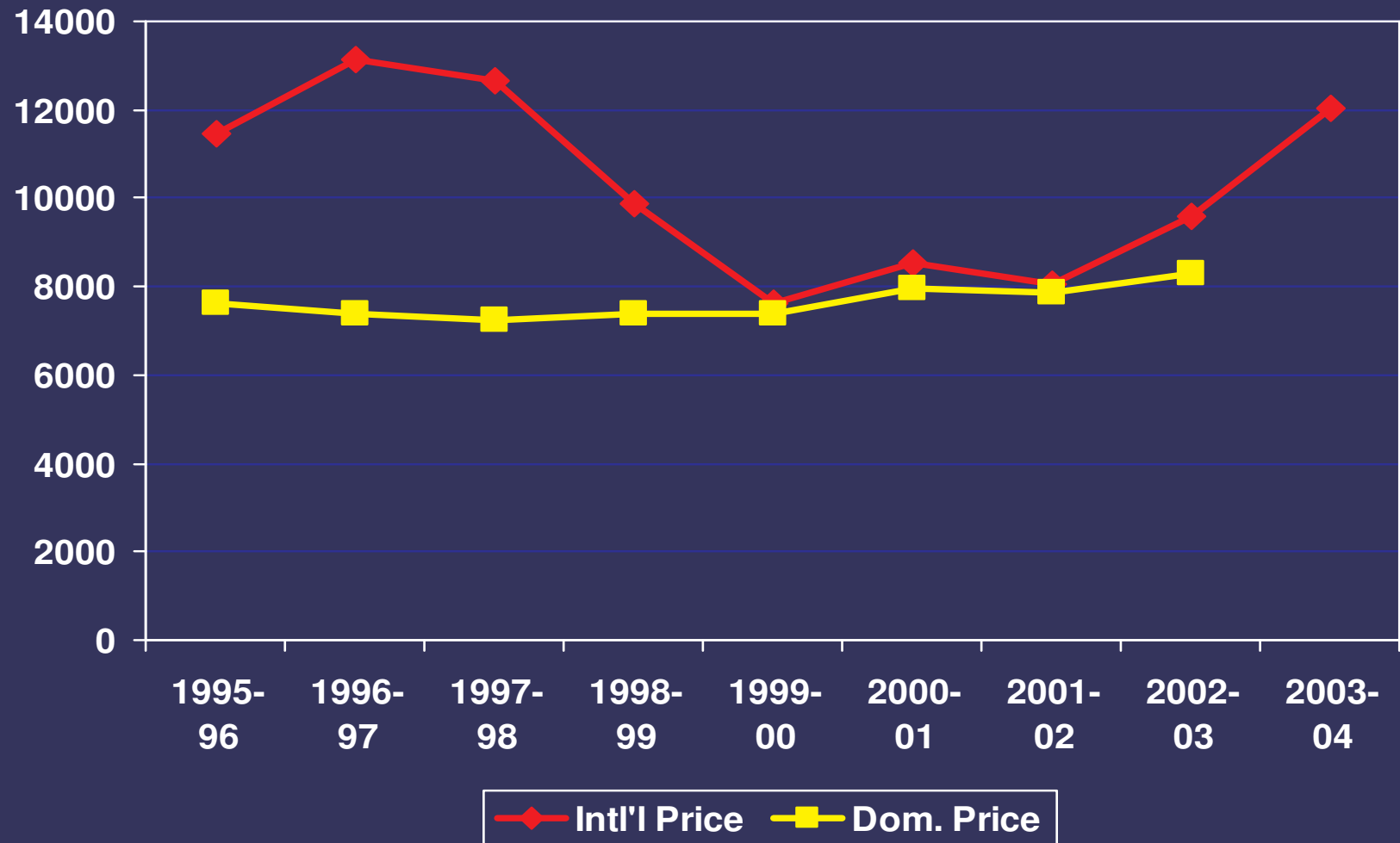
Lessons from Coffee Crisis : A Case Study

- ❖ Please note, no developed country produces Coffee and there is no subsidy for coffee, still the prices have crashed to almost 100 year low.
- ❖ **Following points should not be ignored while developing negotiation positions for future.**
 - Consumption Trends
 - Technological Developments including Biotechnology for high productivity
 - Reduction in Transportation Costs
 - World's Excess Production Capacity

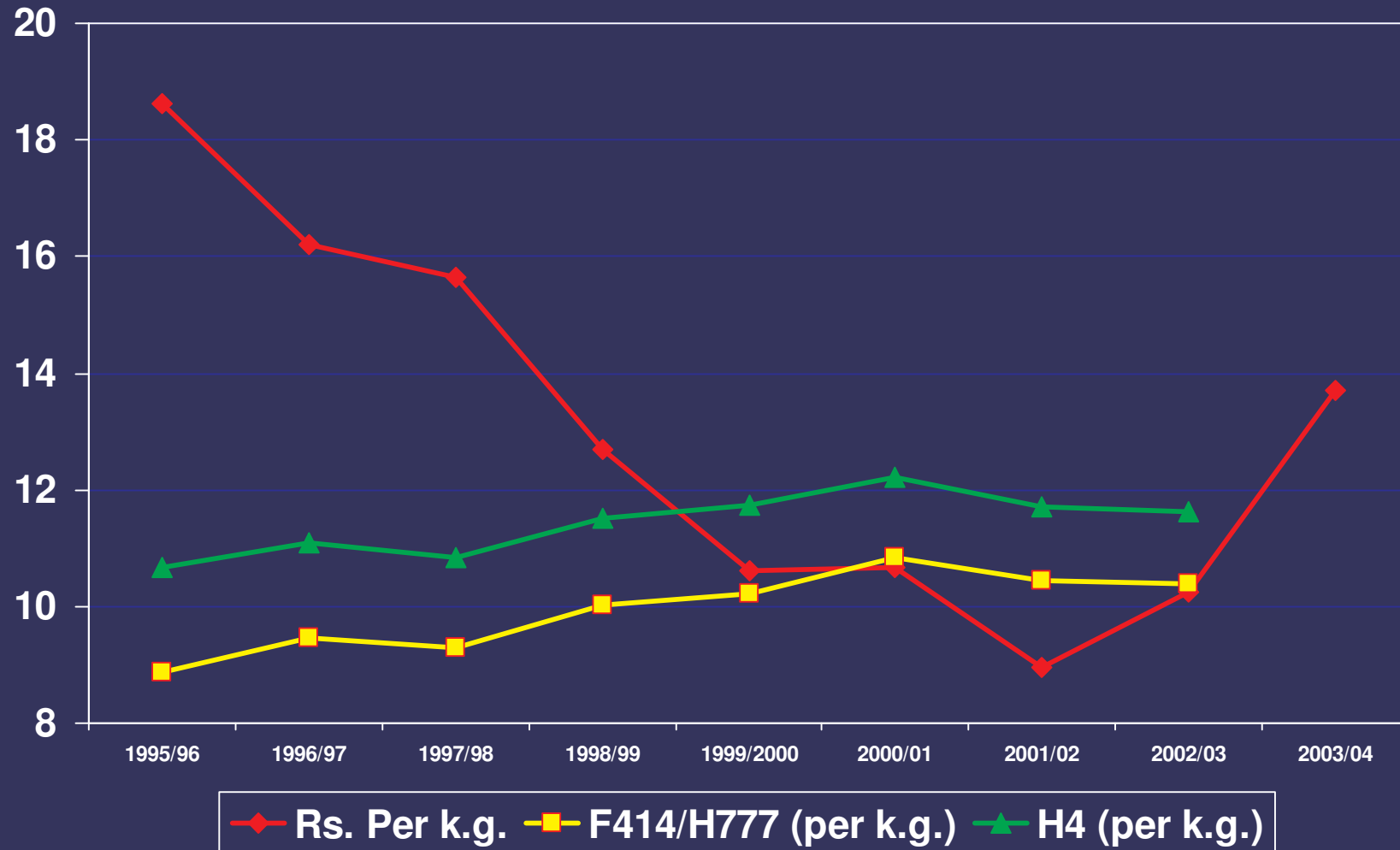
Minimum Support Price (in Rs./Quintal)



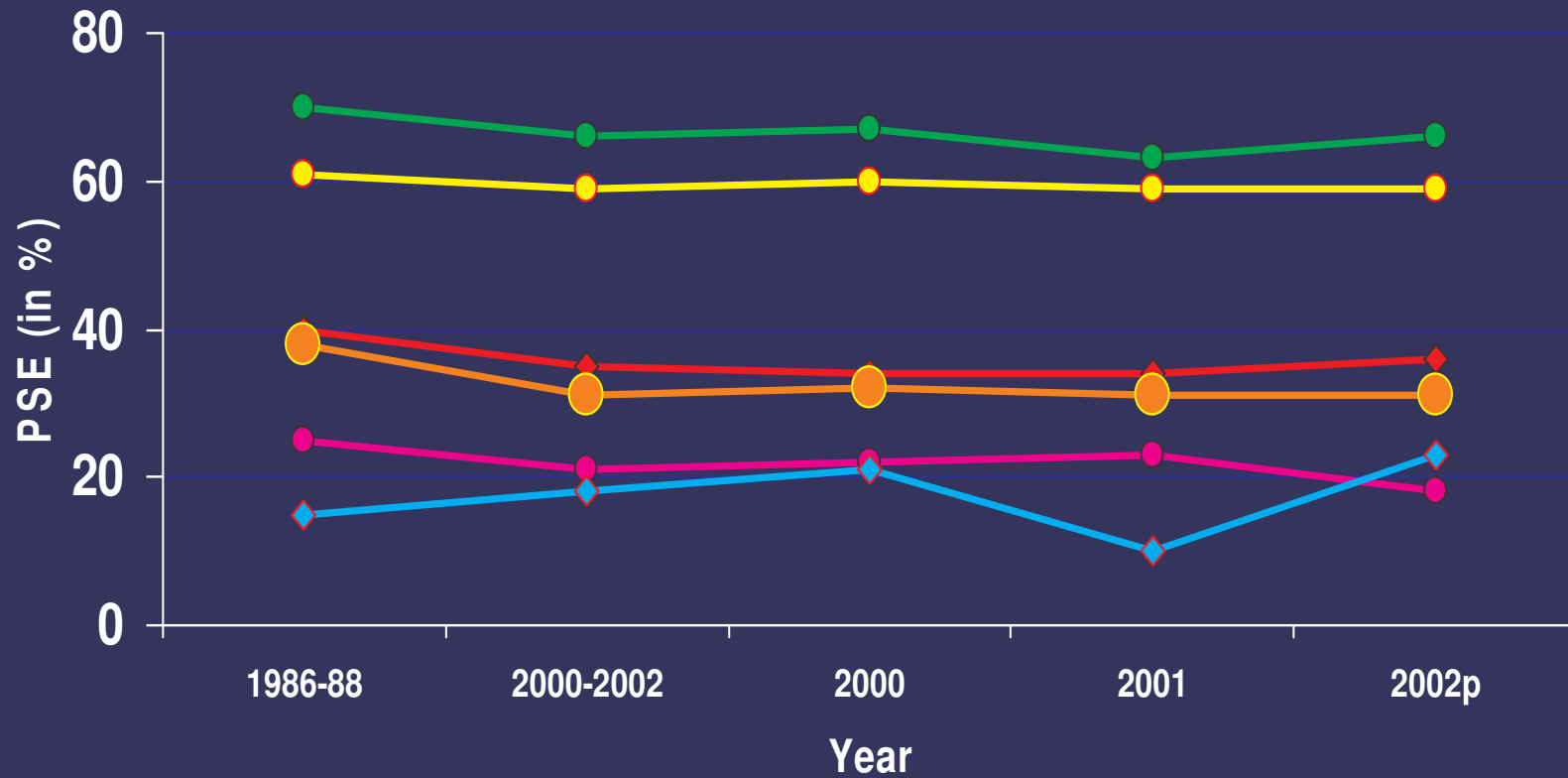
Price Movements in Trade : Soybean (in Rs./Ton)



Price Movements in Trade : Cotton (in Rs./Kg)



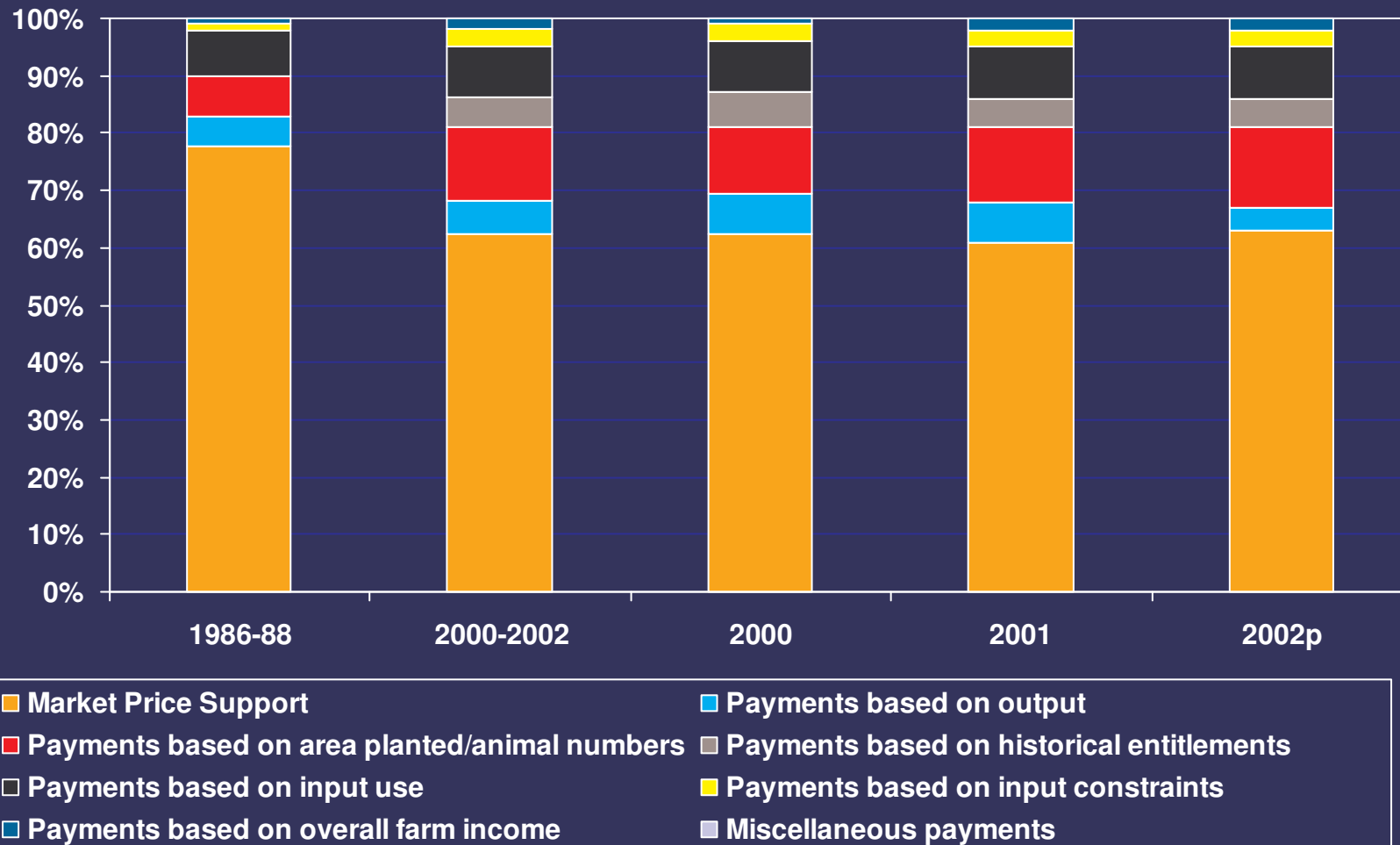
PSE by OECD Members demanding Tariff Cuts



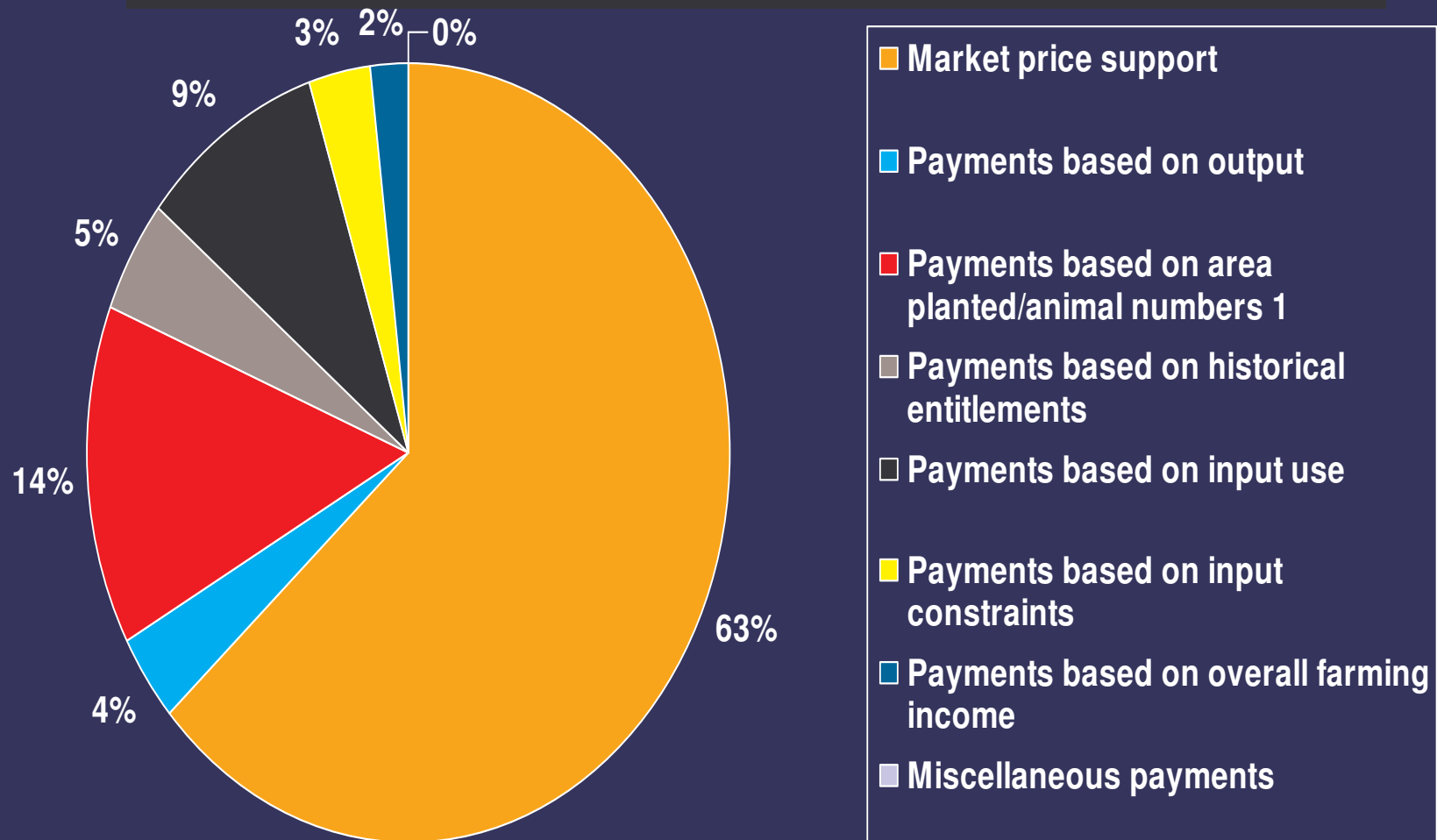
Composition of Domestic Support % (1995/98)

Country	Total Current AMS	Green box	Blue Box	De minimus	Total
Canada	32	50	0	18	100
EU	54	22	23	1	100
Japan	0	50	48	2	100
USA	3	83	12	2	100
OECD	42	45	11	2	100

Composition of PSE by OECD Countries



Components of PSE in 2002



Comparison of US-EU-India Farming Structure

Particulars	US	EU	India
Production (farm gate value)	\$190 billion	\$197 billion	\$100 b
No. of farms holding (1996)	2.058 mio.	7.37 mio.	700 mio
Farmland (1997)	425 mio. ha	134 mio. ha	?
Average size of holding	207 ha.	18 ha.	0.8 ha.
Total Support Estimate (TSE, 2000)	\$ 92.3 billion	\$ 103.5 billion	?
TSE per capita	\$ 338	\$ 276	?
TSE as %GDP	0.92%	1.32%	?
Producer Support Estimate, (2000)	\$ 49.0 billion	\$ 90.2 billion	?
PSE / full time farmer equivalent	\$ 20,000	\$ 14,000	?

Why EU Distorts Global Market?

Fact:

1% increase in Milk supply will suppress the domestic market price by 4% in EU.

Impact:

Pressure on Domestic Subsidies will increase.

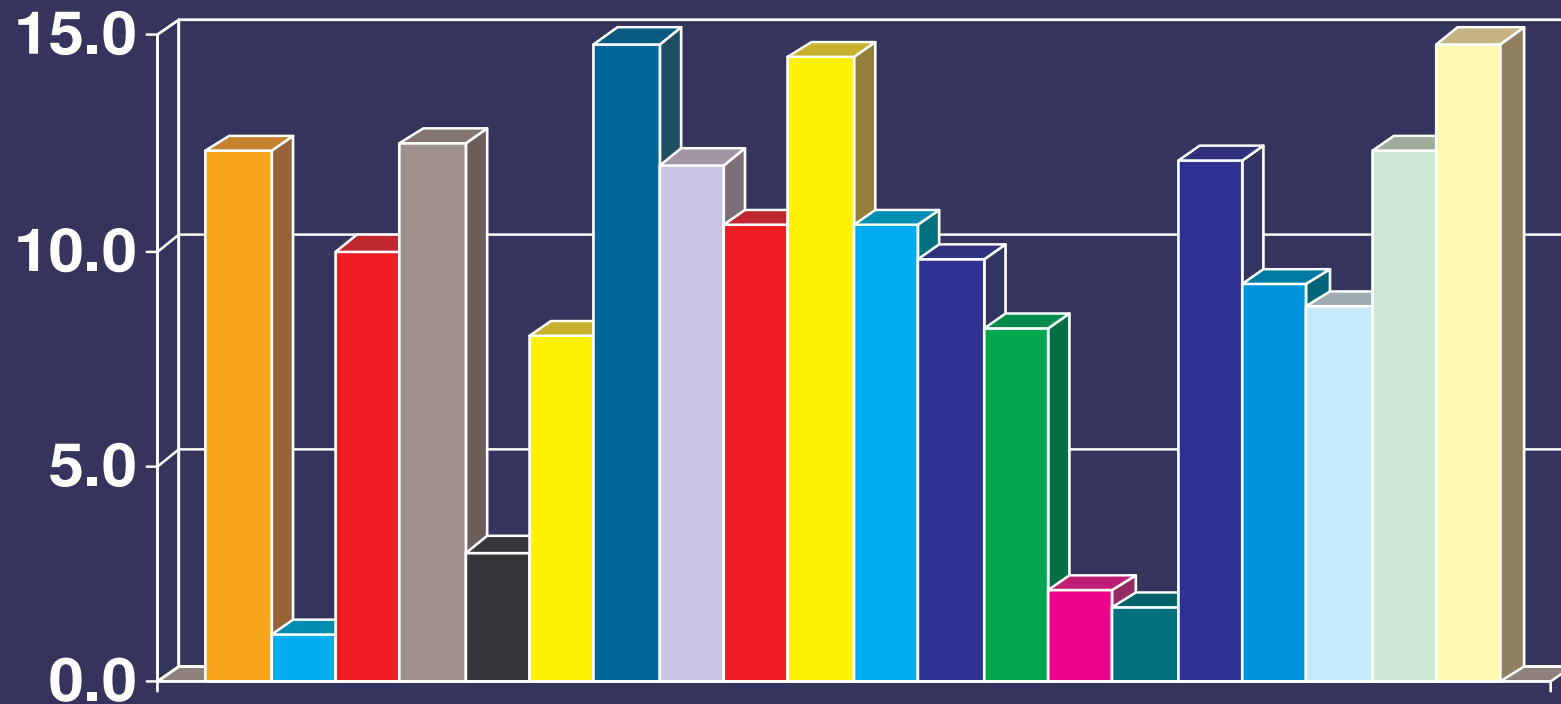
Option:

Save the domestic market and pressure on budget allocation within EU members by exporting dairy products.

Today, Antidumping Law does not protect farmers Interest from dumping

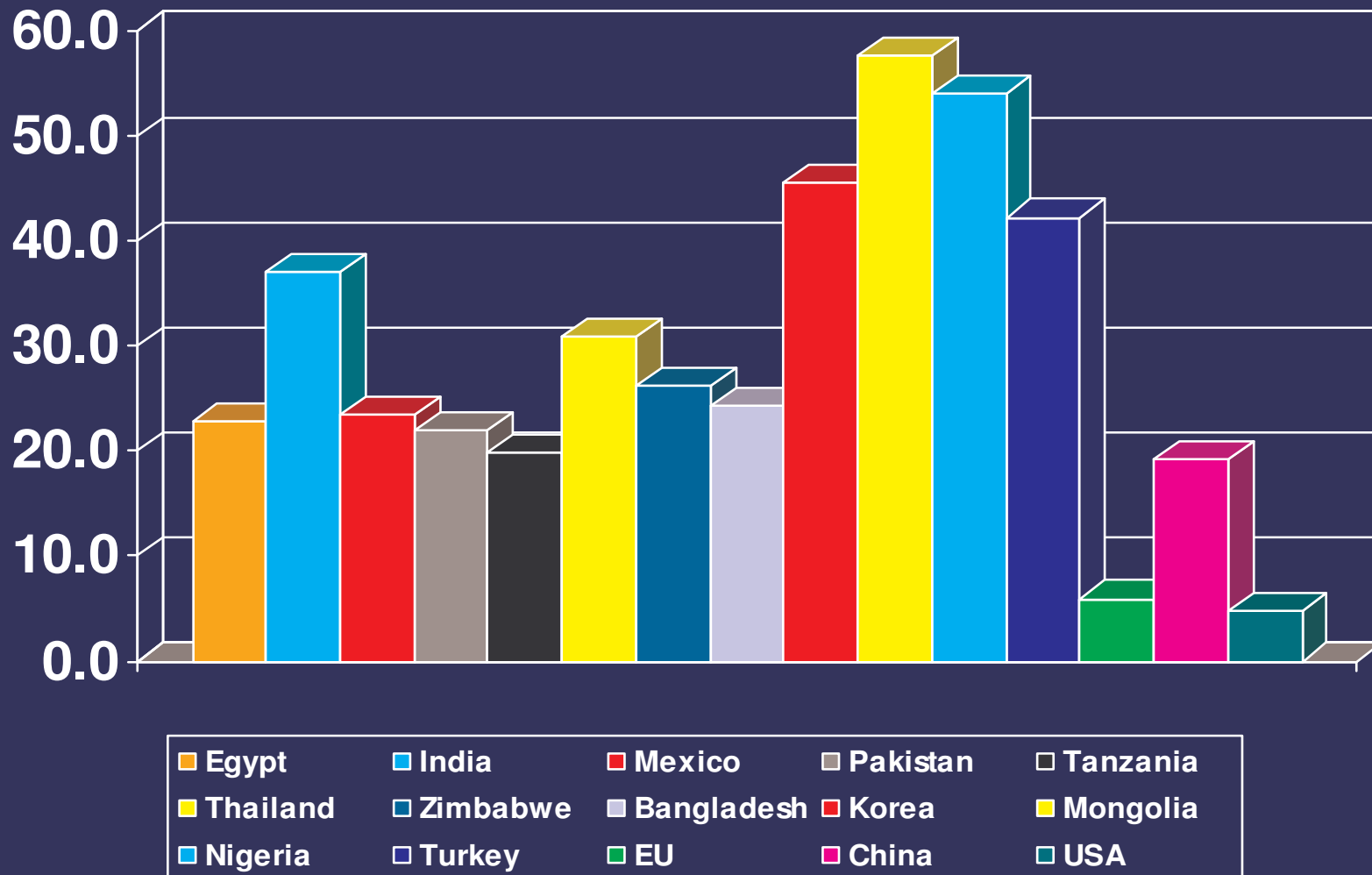
- ❖ Legal provisions are not adequate
- ❖ There is not a single agency to ensure reliable data in the whole country for agriculture sector
- ❖ Customs clearance is happening without proper documentation & most of the time under invoiced.
- ❖ Trade data from DGCIS are almost 6 to 9 months old in the computer age and reliability is also doubtful. (Today on MoC website, data is of Sept. 2003)
- ❖ ICAR and other Agriculture departments have no linkage at all with Commerce departments and have very limited exposure to trade issues in agriculture
- ❖ No involvement of agriculture experts in Negotiation teams.

Average Applied Tariff in Agriculture



- | | | | | |
|-------------|-------------|--------------|----------|-------------|
| Argentina | Australia | Bolivia | Brazil | Canada |
| Chile | Colombia | Costa Rica | Cuba | Ecuador |
| El Salvador | Guatemala | Indonesia | Malaysia | New Zealand |
| Paraguay | Philippines | South Africa | Uruguay | Venezuela |

Average Applied Tariff in Agriculture



Free Trade Agreements (FTA) & Preferential Trade Agreements (PTA)

- ❖ Do we really need FTA & PTA for agriculture sector?
- ❖ Can we ensure that NTBs will not be an issue after FTA/PTAs?
 - Example: Cambodia demanded concession on almonds
 - Nepal & Sri Lanka adding to problems in edible oil, honey, confectionary, etc.
 - Singapore is not an agriculture country at all, but supplying large quantities of agro-products
- ❖ FTAs and PTAs strategically not a good development for Indian agriculture sector because the imports will be many times more than exports, and monitoring country of origin, value addition because our custom points are absolutely non-existent.
- ❖ Monitoring and enforcement of law is the biggest issue in Indian customs and quarantine points.

Emerging Situations

- ❖ EU, Japan & USA will offer cut in subsidies, what India will offer in negotiations in return to EU, USA and Japan offer? G-20 members will agree to tariff reduction to 15 to 20%, what about India?
- ❖ Can India export agro-products according to new food safety norms, animal welfare norms and environmental norms clubbed with traceability provisions in the laws of importing countries?
- ❖ Can India stop entry of sub-standard of OECD markets without having domestic food laws and custom procedures in place, as per National Treatment Clause of WTO?

Options for India

- ❖ **WTO was conceptualized for welfare of people, therefore welfare of number of farmers must be the basis for all negotiations.**
- ❖ **Do not fall in the trap of percentage reduction commitments or amount involved.**
- ❖ **Link all tariff negotiation with the percentage of domestic support by OECD Countries.**
- ❖ **India will become isolated within G-20 members due to high tariffs while negotiating on applied tariff.**

Sanitary and Phyto-sanitary Measures and Technical Barriers to Trade:

Safety Mechanism

or

Protection Mechanism

Role of Standards

- ❖ Plays important role in cutting costs. This leads to :
 - Saving in cost of Designs
 - Saving in cost of Production
 - Saving in cost of Handling
 - Saving in cost of Storing
 - Ensures uniform quality in merchandise
 - Facilitate the exchange of information
 - Speed the introduction of new products
 - Reduces disputes over Specifications and Quality of Goods and Services
 - Helps in achieving Economies of Scale

Why Standards vary?

Standards used in production of goods vary :

- ❖ **by purpose**
- ❖ **by specificity**
- ❖ **the development time**
- ❖ **The size of Industry-market**
- ❖ **Concentration of Market Share**
- ❖ **Dominance of firms and suppliers**
- ❖ **Technology intensity**
- ❖ **The degree of public welfare concerns**

All these affect standards development pattern and outcomes.

How Standards are Developed?

Product standards outline the –

- ❖ Features and characteristics of processes, products, services and materials. Standards are developed in several ways:
- ❖ Through a commonly accepted definition of terms among producers.
- ❖ By construction and design specifications
- ❖ By creation of a set of criteria on how a product must function
- ❖ Some standards are set through rule-making producers
- ❖ Standards may be detailed in written specifications, or followed by custom in manufacturing processes.

The Quality Assessment Criteria

- Product Testing
- Certification of Products
- Labeling and Product Marks
- Laboratory Accreditation
- Recognition of Technical Competence
- Quality System Registration

Why Testing Certification & Laboratory Accreditation is an issue?

The existence of a standards does not indicate to final producers or consumers that products function as indicated in the technical specifications in a standard.

Product testing, plant inspections, and other producers are conducted to determine if a product conforms to the specifications set forth in a standard.

Conformity assessment involves the following producers:

- ❖ A manufacturer's or supplier's declaration of conformity by in-house testing and quality protocols;
- ❖ **An independent, third-party test of materials of final products;**
- ❖ Certification by outside laboratories that a product conforms to a standard or suite of standards (which might include granting of a product mark or label);
- ❖ **An independent audit and approval of a laboratory or manufacturing quality system (resulting in laboratory accreditation or registration with a quality systems registrar.**

Negative Side of Standards

- ❖ Kills bio-diversity
- ❖ Standards may slow technological change and innovation.
- ❖ Standardized products may raise the costs to innovative firms seeking to establish a new standard.
- ❖ Product markets may be tied to inefficient and costly standards that reduce consumer welfare. This may occur for many reasons, including discriminatory standards development procedures that block development of competing standards.
- ❖ There are welfare costs under entirely different conditions, such as the existence of many competing technology standards in the market at the same time.

What is the way out? Focus on Extension and Research

An economically efficient global trading system based on use of declaration of conformity to meet health, safety and environmental regulation is possible.

WTO allows countries to ensure:

- ❖ Food Safety
- ❖ Animal Health
- ❖ Plant Protection
- ❖ Protect humans from animal/plant pest or disease
- ❖ Protect territory from other damage from pests

Food can Kill

In the United States alone, an estimated **76 million people** got sick from food-borne illnesses in 1999 – and **5000 of them died.**

- FAO

Let us look at KEY FACTS:

- In industrialized countries, up to **30 percent** of people suffer from food-borne illnesses every year.
- An estimated 70 percent of the approximately **1.5 billion** annual cases of diarrhoea in the world are caused by biological contamination in foods.
- Contaminated food plays a major role in the epidemiology of cholera and other forms of epidemic diarrhoea, substantially contributing to **malnutrition**.
- The incidence of food-borne diseases may be **300 to 350 times higher than the number of reported cases worldwide**.
- **Overuse of antibiotics** has led to the appearance of resistant strains of bacteria. Factors contributing to this include overuse of antibiotics in farm animals and crops, overprescription by medical doctors and improper use by patients.

Food safety and Trade

- ❖ Our capacity to produce food has grown in recent years. Our capacity to ensure that it is safe has sometimes lagged behind.
- ❖ Hazards don't respect borders

Foods safety: neither easy nor cheap

Drivers of Future Trade Policies

- Food Safety
- Environment
- Perception of Public
- Flow of Labor and Capital
- Availability of Information

Agreement on Technical Barriers to Trade

Two types of Standards :

- ↖ **Mandatory Standards**
- ↖ **Voluntary Standards**

Mandatory Standards

- **Mandatory Product Standards not to cause unnecessary Obstacles to International Trade**
- **Based on internationally agreed standards, guidelines and recommendations**
- **Arguments based on Geographical, climatic or any other reasons is open for international discussions**
- **To accept measures of exporting countries as Equivalent if they achieve same level of protection**

Voluntary Standards

- **May also pose problems in trade**
- **Code of Good Practices for the Preparation, Adoption and Application of Standards is integral part of TBT**
- **Based on International Standards**
- **Participate in preparation of international standards**

Product Standards

- ❖ Agreement on Technical Barriers to Trade uses term “Technical Regulations” to cover standards with which compliance is mandatory.
- ❖ The term “Standard” is used for voluntary standards.
- ❖ Both terms cover:
 - Product characteristics
 - Process and Production Methods (PPM) that have an effect on product quality characteristics
 - Terminology and symbols, and
 - Packaging and labeling requirements as they apply to the products

Technical Regulations under AoTBT

- ❖ **Main conditions**
- ❖ **Requirements to base technical regulations on international standards**
- ❖ **Opportunity to comment on draft standards**
- ❖ **Rules governing certification of conformity with standards**
- ❖ **Mutual recognition of certificates of conformity assurance**
- ❖ **Obligation of local government bodies**

Technical Regulations: Main Conditions

- ❖ **Technical Regulations** are Mandatory in Nature and must meet the following criteria:
 - They should be applied on an MFN basis to imports from all sources
 - National Treatment principle must apply
 - They should not be formulated and applied to cause an “unnecessary obstacle to trade”
 - They should be based on scientific information and evidence

Distinction between Product Standards and PPM Standards

- ❖ **Product Standards define product characteristics, or the product's quality, design or performance**
- ❖ **PPM standards specifies norms relating to how goods should be produced, and apply before and during production stage i.e. before the product is placed on the market**
- ❖ **The provisions of the Agreement on TBT apply primarily to product standards, they do not cover PPM standards, except when the production process or method used has an effect on product quality**

Technical Regulations & International Standards

- ❖ Requirements to base technical regulations on international standards to avoid barriers
- ❖ An exception is made when the regulatory authorities believe that the international standards would be ineffective or inappropriate in view of climatic, geographical, or technical factors, but will be open for international discussions and comments and take the comments into account when finalizing
- ❖ Harmonize technical regulations on international basis. Standards of ISO, Codex, etc. will play an important role

Certification of Conformity with Standards

- ❖ **Conformity assessment procedures must follow “National Treatment”**
- ❖ **Any fee charged must also follow “National Treatment”**
- ❖ **Selection of samples for testing should not be made as to cause inconvenience to foreign suppliers**
- ❖ **Agreement encourages countries to accept the results of the inspections and tests carried out by competent certifying bodies in the exporting countries if they are satisfied that product standards and the procedures for assessment of conformity are equivalent to their own.**

Agreement on Sanitary and Phytosanitary Measures

Purpose:

- **To protect human, animal or plant life or health from pests and diseases that may be brought in by imported agricultural products**
- **This is Mandatory Standards / Measure**

Scope of the Agreement on SPS Measures

- ❖ **The Agreement defines SPS measures as measures taken to protect human, animal or plant life or health:**
 - “From risks arising from the entry, establishing or spread of pests, diseases, disease-carrying organisms or disease-causing organisms;
 - ...from risks arising from additives, contaminants, toxins or disease-causing organisms in food, beverages and feedstuffs;
 - ...from disease carried by animals, plants or products thereof”.

Requirements of SPS Agreement from countries

- SPS Measures not to cause unnecessary obstacles to International Trade
- SPS Measures must be based on internationally agreed Standards, Guidelines & Recommendations
- Standards / Measures not based on international guidelines and standards are not considered appropriate
- To accept measures of exporting countries as *Equivalent* if they achieve same level of protection
- Codex, IOE, IPPC, etc. will play important role in harmonization of SPS regulations on an international basis;

Guidelines for Level of Protection

- ❖ **Appropriate level of protection should be based on :**
 - **An assessment of risk appropriate to the circumstances**
 - **Available scientific evidence**
 - **Relevant process and production methods**
 - **Prevalence of specific disease or pests**
 - **Costs of control or eradication**
 - **Relative cost-effectiveness of alternative approaches to limiting risks should be taken into consideration**

Difference between TBT and SPS

- ❖ **TBT applies on Non-discriminatory i.e. MFN basis to imported products**
- ❖ **SPS measures apply on a discriminatory basis, taking into account such factors as the differences in the level of prevalence of specific diseases or pests**
- ❖ **SPS permits to restrict imports on a provisional basis, as a precautionary step, in cases where there is imminent risk of the spread of disease but the “scientific evidence is insufficient”. This provision is not there in TBT**

Difference between TBT and SPS

- ❖ SPS Agreement provides greater flexibility for countries to deviate from international standards than is permitted under TBT Agreement.
- ❖ Its provisions thus make it clear that the adoption of a standard which is different (either higher or lower) will have to be justified on scientific or technical grounds.

Obligations of Local Government Bodies

- ❖ **The Agreement imposes a binding obligation on member countries to require their central government bodies to abide by its discipline in formulating and applying mandatory standards.**
- ❖ **As the central government which are signatories to the Agreement are not allowed by the constitutions to assume binding obligations on behalf of state governments and local bodies, it calls on these governments to “take such reasonable measures as may be available to them” to ensure that these local bodies abide by the Agreement’s discipline.**

List of Products

Agricultural Products Generally Subject to Health and Sanitary Regulations:

- **Fresh Fruits and Vegetables**
- **Fruit Juices and Other Food Preparations**
- **Meat and Meat Preparations**
- **Dairy Products**
- **Processed Food Products**

Business Implications

- ❖ **Agreements on TBT & SPS require each member country to establish “*Enquiry Points*” from which information can be obtained by interested business enterprises on :**
 - Technical regulations and voluntary standards adopted or proposed to be adopted;
 - Conformity assessment procedure, adopted or proposed to be adopted;
 - SPS measures / regulations adopted or proposed to be adopted;
 - Control and inspection procedures, production and quarantine treatment, pesticide tolerance treatment and food additives approval procedures;
 - Risk assessment procedures.
- ❖ **Close interaction between industry and government is must to identify the issues and areas of concern in order to protect the national interest and trade**

Definition of “Harmonization” for SPS Measures

- ❖ According to Annex A of the Agreement on Application of SPS measures, “Harmonization” means the establishment, recognition and application of **common sanitary and phytosanitary measures** by different Members.

SPS measures include:

- **All relevant laws, decrees, regulation, requirements and procedures including inter alia, end product criteria**
- **Processes and production methods**
- **Testing, inspection, certification and approval procedures**
- **Quarantine treatments including relevant requirements associated with the transportation of animals, plants or with the materials necessary for their survival during transportation**
- **Provisions on relevant statistical methods, sampling procedure and methods of risk assessment**
- **Packaging and labeling requirements directly related to food safety**

“Harmonization” and “Equivalence”

It is important to note that these are new science based knowledge intensive tools and techniques which can be used as:

- ❖ Trade barriers to protect domestic agriculture and agro-based industries

or

- ❖ Can be used to promote trade in competitive markets

International Organizations

- ❖ International Plant Protection Convention (IPPC)
- ❖ Office International Des Epizooties (OIE)- (World Organization for Animal Health)
- ❖ Codex Alimentarius Commission
- ❖ World Trade Organization

“Harmonization” and “Equivalence”

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WTO

- ❖ International Trade Agreements
- ❖ Dispute Resolution
- ❖ Committees for International Trade Agreements Negotiation
- ❖ Utilizes the services of Intergovernmental organizations for technical assistance like Codex, IIPC, OIE, etc.

IPPC

- ❖ Agreement on SPS Measures
- ❖ Focus on International Standards for Phytosanitary Measures and their technical justification by Pest Risk Analysis (PRA)
- ❖ Regional Plant Protection Organizations
 - Justify Non-tariff Barriers on technical ground
 - Releases A1 and A2 Quarantine Lists

OIE

- ❖ Established International Animal Health Code (latest version in Year 2000)
- ❖ Publishes List A and List B
- ❖ OIE Manual of Standards for Diagnostic Tests and Vaccines

Codex

For Food products:

- ❖ Publishes Code of Practice
- ❖ Product Standards

Codex Code of Practice

Codex Code of Practice for Canned Fruits and Vegetables

International Code of Practice Case of Fruits and Vegetables

1. **General Principles of Food Hygiene (CAC/RCP 1)**
2. **For Primary Production, Harvesting and Packing of Fresh Fruits and vegetables**
3. **For Quality Inspection and Certifications of fresh fruits and vegetables**
4. **Guide for the Quality Control of fresh Fruits and Vegetables**
5. **For Inspection Site Requisites**
6. **Packaging and Transport of Tropical Fresh Fruit and Vegetables (CAC/RCP 44)**
7. **For Canned (or Dehydrated / Frozen) Fruits and Vegetable Products (CAC/RCP 2)**
8. **Standard Canned Fruit or Vegetable (CAC STAN ___)**
9. **Code of Ethics for International Trade in Food (CAC/RCP 20)**

Why there are Non-Tariff Barriers ?

- ❖ Today, the debate over technical barriers to trade is most closely related to government demands for third-party conformity assessment for health, safety or environmental reasons.
- ❖ Barriers are also related, in some to government refusal to accept test data or product certifications issued through foreign laboratories and firms.
- ❖ There are welfare enhancing effects of regulations to facilitate public health, safety and the environment.

How to balance risk is extremely complex and difficult to determine.

Non-Tariff Barrier Survey (1)

- ❖ In EU: After BSE EU has tightened up Meat Inspection and Labeling requirements
 - Animal Welfare Groups demanding Humane handling
 - Eco-labeling
 - Sustainable Forestry Management Certificate systems
- ❖ Japan
 - Fumigation and its effect on quality
- ❖ USA: Recent outbreak of E.Coli in USA
 - Tightening-up of documentation requirements and inspection procedure
 - Moving towards equivalence but at higher standard

Non-Tariff Barrier Survey (2)

- ❖ **Australia:**
 - Quarantine rules are interpreted differently in each state
- ❖ **South Korea:**
 - Extend Export Credit guarantees and get market access
- ❖ **Taiwan:**
 - Taiwan Customs Animal and Plant Quarantine Service tests for E.coli on an ad hoc basis and regulations are sketchy and undefined and not required for domestic producers
 - Taiwan has given selective access to USA products but denied other countries meat and other food products

Non-Tariff Barrier Survey (3)

- ❖ **China:**
 - Chinese authorities have tightened up import regulations which has had the effect of increasing transparency of the rules
- ❖ **Russia:**
 - Does not accept many meat and fruit products from many countries
- ❖ **Middle East:**
 - New labeling and regulation requirements
 - Importation Certifications have to be validated by embassies this resulted in higher cost of certification
- ❖ **South America:**
 - Strengthening quarantine measures

Classification of technical barriers by policy instrument

- ❖ **Import bans**
 - Total bans
 - Partial bans
- ❖ **Technical specifications**
 - Process standards
 - Product standards
- ❖ **Information remedies**
 - Packaging standards
 - Labeling requirements
 - Controls on voluntary claims

Classification of technical trade barriers by regulatory goal

Societal interests	Risk-reducing measures	Non-risk reducing measures
Producers/ processors	Commercial animal and plant health protection	Compatibility
Consumers	Food Safety	Quality Attributes
Natural environment	Protection of natural environment from harmful non-indigenous species	Conservation

Classification of technical barriers by Scope

	Uniform	Border (universal)	Border (Specific)
Measures Directly affects:			
Domestic Production	Yes	No	No
Imports	Yes	Yes	Some

Scope of Measure from Importer and Exporter Perspective

	Regulation imposed on one exporter (Specific)	Regulation imposed on all exporters (Universal)
Regulation imposed by one importer (specific)	Either can avoid compliance costs by selling to or buying from other markets. "Potential" rather than actual trade impediment.	Importer bears cost of compliance as this cost becomes built in to selling price by all exporters.
Regulation imposed by all importers (universal)	Targeted exporter bears cost of compliance as importers can choose to buy from other sources.	Importers and exporters share the cost of compliance as the world market price adjusts to the cost. Price to buyers goes up and to sellers goes down.

Open for Discussion...

Thank You.