Mutual Trust between Veterinary Services. The Basis for Trade in Livestock and Livestock Products

Introduction

Last year, the Animal Health Service of FAO (AGAH) conducted an electronic conference on the ‘Principles for rational delivery of public and private veterinary services with reference to Africa’, the documentation of which can be found on the FAO homepage (www.fao.org). The electronic conference resulted in the formulation of general guidelines for the organization of veterinary services and the division and sharing of responsibilities between the national public veterinary service, the private veterinary sector and the livestock producers and their organizations. Many persons from the Americas followed and contributed to the conference.

This year, AGAH is conducting a similar electronic conference on veterinary services with particular reference to Latin America and the Caribbean. A considerable number of documents on the delivery and privatization of veterinary services in Latin America have been produced. In view of the World Trade Organization’s (WTO) Sanitary and Phytosanitary (SPS) Agreement, which now provides the legal framework for international trade in livestock and livestock products, and the large potential of Latin American countries to produce beef for export discussions in this conference should focus on necessary adjustments of veterinary services required to place Latin American countries in a position to take advantage of the opportunities and manage the threats arising from increased global
trade in livestock and livestock products. FAO and AGAH consider the building of mutual trust in the capabilities of national veterinary services as an essential prerequisite for the establishment of good trade relationships. The objective of this conference is to identify concrete steps and measures which must be taken to institute veterinary services which benefit from the trust of their counterparts trade partners’ counterparts.

In the following, this introductory paper will briefly summarize the SPS Agreement, provide a rough outline of the Latin American cattle industry and current trade in cattle and derived products, and conclude with a short overview of the challenges arising for veterinary services in the new trade environment.

**SPS Agreement**

WTO is the international institution governing the trade regulations pertaining to international commerce in goods, services and ideas. It was established on 1 January 1995 following the signing of the Final Act of the Uruguay round negotiations in April 1994. Currently 132 countries have become members of the WTO and an additional 31 have applied for membership.

The Uruguay Round commitments in agriculture cover improved market access and disciplines on domestic support and export subsidies. From the beginning of the Uruguay Round negotiations, when many countries proposed the reduction or elimination of quantitative restrictions and other non-tariff barriers to trade in agriculture, it was considered necessary to also ensure that governments do not resort to the unjustified use of sanitary and phytosanitary requirements for the purpose of trade protection. It is in this context that a separate, specific Agreement on the Application of Sanitary and Phytosanitary measures (the SPS Agreement) was negotiated, which entered into force with the establishment of the WTO.
The SPS Agreement recognizes the right of governments to restrict trade when necessary to protect human, animal or plant life or health. However, all measures taken should have a scientific basis, not unjustifiably discriminate between countries, be transparent and accept the principle of ‘equivalence’, i.e. one measure is not to be preferred over another if the end result is the same.

The SPS Agreement also recognizes the right of governments to establish the level of protection they consider necessary, i.e. their own ‘appropriate level of sanitary and phytosanitary’ protection, also referred to as ‘acceptable risk’. To facilitate trade while ensuring food safety or animal and plant health, countries are encouraged to harmonize their SPS requirements. This means that the establishment of national SPS measures should be based on international standards, guidelines and recommendations where these exist. Development of such standards and guidelines is left to other international institutions such as the joint FAO/WHO Codex Alimentarius Commission, the International Plant Protection Convention or the Office International des Epizooties (OIE).

**Latin American and Caribbean Cattle Inventory and Trade Volume**

The Uruguay Round commitments regarding market access are central to the broader package of interrelated commitments aimed at improving conditions of competition and opportunities for trade in agricultural products. The extent to which countries meet the Uruguay Round requirements in agriculture and subsequently may benefit from the results varies considerably. The potential access to international markets resulting from the Uruguay Round negotiations provides a major stimulus for the
Mutual Trust between Veterinary Services. The Basis for Trade in Livestock and...

beef industries in some Latin American and Caribbean countries, provided sanitary (and other, e.g. quality, reliability, processing) requirements of importing countries can be met.

Latin America and the Caribbean currently have a cattle population of over 340 million head, of which, however, more than 60% are raised in three countries, namely Brazil, Argentina and Colombia. Around 60 million head of cattle are slaughtered per year in the region, equivalent to an overall average offtake rate of 17%, with an average carcass weight of around 200 kg. These figures indicate that the bulk of the regional beef herd has substantial productivity reserves which can be mobilized once a market is available, a development seen in Uruguay as a result of its official accreditation as free of foot-and-mouth disease by the OIE and subsequent access to North American and Asian beef markets.

Despite the overall low average production indices of the Latin American beef industries, trade in beef and derived products provides substantial net earnings in the order of 1.3 billion US$ per year for the region (see table in next page).

World meat production and consumption rose by 3% in 1997, to 223 million tons. In the same year, international trade in bovine meat increased by more than 5% to 4.8 million tons. This increase in global trade was sustained by larger exports from Australia, Canada, New Zealand and Uruguay, all countries with high sanitary standards. In Latin America and the Caribbean, strong domestic demand boosted imports, especially in Brazil, Chile and Mexico.

It can be predicted that overall trade in livestock and livestock products will continue to increase as a consequence of the Uruguay Round agreements. In some countries, the livestock sector is in a position to immediately benefit from trade liberalization and expand while in others exposure to international
competition may pose a serious threat to the national industry. For example, exposure of the Mexican economy to the more liberal trade regime as part of the North American Free Trade Agreement revealed weaknesses that had developed in the beef industry making it unable to compete with its US neighbours. As a consequence the country has gone from an exporter to an importer of beef.

**Imports and exports of beef and beef products of Latin American and Caribbean countries (1995)**

<table>
<thead>
<tr>
<th></th>
<th>Imports</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metric Tons</td>
<td>US$ ('000)</td>
<td>Metric Tons</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>91,768</td>
<td>148,532</td>
<td>83,889</td>
</tr>
<tr>
<td>Beef and veal boneless</td>
<td>156,958</td>
<td>395,098</td>
<td>347,206</td>
</tr>
<tr>
<td>Beef and veal sausages</td>
<td>899</td>
<td>1,848</td>
<td>570</td>
</tr>
<tr>
<td>Beef dried</td>
<td>2,400</td>
<td>5,211</td>
<td>506</td>
</tr>
<tr>
<td>Beef preparations</td>
<td>12,647</td>
<td>39,528</td>
<td>233,593</td>
</tr>
<tr>
<td>Meat extracts</td>
<td>1,225</td>
<td>3,157</td>
<td>2,778</td>
</tr>
<tr>
<td>Homogenized meat</td>
<td>1,373</td>
<td>2,217</td>
<td>293</td>
</tr>
<tr>
<td>Edible offals</td>
<td>98,788</td>
<td>94,642</td>
<td>51,208</td>
</tr>
<tr>
<td>Total</td>
<td><strong>366,058</strong></td>
<td><strong>690,233</strong></td>
<td><strong>720,043</strong></td>
</tr>
</tbody>
</table>

Source: FAO Stat
It is essential that signatories of the WTO Agreements assess and evaluate their national circumstances in the context of the Agreements in order to fulfil their obligation of complying with their provisions and to take advantage of the new opportunities. As trade in livestock and livestock products will be greatly determined by application of the SPS Agreement, it is in the interest of safeguarding and promoting their livestock industries that countries assess the capacity of their veterinary services, and, where necessary, take corrective action.

Challenges for Veterinary Services in Latin America and the Caribbean

Traditionally, national animal health policies were generally aimed at preventing catastrophic disease losses through specific disease eradication programs and restrictive import policies following a ‘zero-risk’ approach. Given the significant advances in disease eradication achieved in Latin America over the last decade (e.g. FMD, CSF) and the above mentioned changes in the international trade environment, national veterinary services will have to adjust if they want to play a role as ‘trade facilitators’ in addition to safeguarding the health status of the national herd.

Countries with a large potential for generating livestock products for export and a high animal health status (e.g. USA, Canada, Australia) will invoke the SPS Agreement to open export markets from which they are currently banned by exerting pressure on the signatories of the Agreement to update and harmonize their international trade legislation in accordance with international standards.

As the 'zero risk' approach is now regarded as arbitrary, unscientific and incompatible with the goals of trade liberalization, defensible and transparent risk assessments will
become an important element in establishing the appropriate import requirements (The US stopped issuing import permits to European nations for ruminants and ruminant products because of the risk of BSE; The Pork Council of Australia (PCA) called for a temporary ban on Canadian imports because it feared the introduction of post-weaning multi-systemic wasting syndrome (PMWS). A technical working group established by the Australian Quarantine and Inspection Service in consultation with the PCA concluded that there is a negligible risk of PMWS establishing in Australia as a result of the importation of pig meat under the current conditions for importation. Therefore, Australia continues to permit the importation of pork from Canada without specific requirements having been imposed at this time in relation to PWMS). One of the main activities of the veterinary services in the US, Australia and European countries currently is the development of transparent and flexible risk assessment systems which the industries understand and support and which are compatible with those of the foreign veterinary counterparts. Scientific risk assessments will become the cornerstone of trade disputes, which will be costly to both parties if they go to the WTO's disputes panel..

International agricultural trade is shifting from the export of raw products to that of semi-finished or finished products often oriented at special niche markets. On the one hand, processing may reduce the risk of spreading some of the major livestock pathogens (e.g. CSF virus does not survive the manufacturing process of Parma ham), but on the other hand it carries additional risks such as contamination with ‘unexpected’ pathogens and may lead to difficulties in identifying the origin of the raw materials used. Therefore, it is important that more attention is focused on finished products and that production processes are transparent, regulated and monitored by independent authorities.

The WTO SPS Agreement will invariably lead to an increase in trade in livestock and livestock products and thus to a
concomitant increase in the risk of introducing exotic diseases. As a consequence, the veterinary services of many countries will have to improve their preparedness for exotic disease outbreaks (e.g. in Taiwan, 4 million pigs, equivalent of 38% of the pig herd, were slaughtered due to the FMD outbreak in 1996; in the Netherlands, over 12 million pigs were destroyed in the course of the last CSF epidemic; CSF was introduced into Haiti where it caused severe losses in the rural pig population). The establishment and maintenance of emergency preparedness systems have to be achieved against a background of declining funds for public services in general and veterinary services in particular. The question of who is to bear the cost of such epidemics will have to be addressed.

In order to realize export potential, the veterinary services of a country must have an infrastructure which can provide reliable ongoing surveillance and control services. Consumers in the higher income countries are increasingly concerned about food contaminated by chemical residues and additives as well as products manufactured in manners defined as environmentally unsound. Thus, infrastructures which not only monitor animal health, but also residues and additives as well as the production process will have to be put in place if export into the high income countries is aimed for. Such infrastructures will constitute a bonus for a country’s livestock products if they are open to scrutiny and establish a record of providing accurate information of the health, origin and quality of a commodity. The establishment of mutual trust between the veterinary services of trade partners will be a key issue to prevent unjustified trade barriers and disputes.

Most Latin American countries wishing to benefit from the reduction of tariff barriers to trade in livestock and livestock products face major challenges in establishing the required infrastructures to achieve, maintain and document the health and quality standards of their products to the satisfaction of the
veterinary authorities of the lucrative high value markets. The establishment of the necessary infrastructure to satisfy international trade demands will require joint funding and managing of disease eradication and control initiatives between industries involved in livestock production and trade, governments and regional organizations.