



World livestock trade



Claims that developing countries stand to lose from economic globalization have "probably been exaggerated", says a new FAO policy discussion paper. Commissioned by our Animal Health and Production Division, the study looked at current trends in world trade in livestock and livestock products and recommends policy responses for developing countries as they come to grips with trade liberalization and new sanitary controls. One key recommendation is that they support World Trade Organization measures to promote free trade and reduce tariff and non-tariff barriers.

International trade in livestock and livestock products (or LLPs) is big business, accounting for about one sixth, by value, of all agricultural trade. Meat exports - mainly of bovine, pig and poultry meat - make up about half the total value. As a group, the developed countries account for more than three-quarters of world trade in LLPs and, as a group, developing countries are net importers, with dairy produce being the biggest single import item. At the same time, consumption of LLPs in the developing world is expanding rapidly, presenting new market opportunities for both exporters the domestic producers.

Against this background, the "changing institutional framework" of world trade, centred on the World Trade Organization (WTO), has major implications for developing countries. Under the WTO's Agreement on Agriculture, signed in 1994, and the Doha Declaration of November 2001, WTO member countries are committed to reducing export subsidies and agricultural support for domestic producers, and to improving access to imports through the removal of non-tariff barriers such as quotas and reduction of tariffs. (The Least Developed Countries - LDCs - are exempt from the reduction commitments, but must convert non-tariff barriers, such as import quotas, into tariffs and may not increase domestic support for agriculture beyond the 1986-88 level.) In addition, the Sanitary and Phytosanitary (SPS) Agreement, finalized with the establishment of the WTO, seeks to ensure that quarantine



regulations are not being used to protect domestic producers by calling on member countries to adopt zoosanitary measures that are internationally agreed and scientifically justified.

Benefits for all. The FAO study, *Trade in livestock and livestock products*, says this trade liberalization will benefit consumers and taxpayers in economies with high levels of agricultural protection as well as "efficient producers around the world". The resulting economic growth should benefit all, both developed and developing countries, although growth in world demand will lead to a modest increase in prices. "The greatest benefits will accrue to producers in the main exporting countries and to their governments through reduced expenditure on support measures," the study forecasts. "The developed countries will derive the greatest benefits and savings, since they contribute most to world exports and some currently apply the highest levels of protection."

Although some LDCs should benefit - Africa's Sahelian region, in particular, may have some "limited comparative advantage" in production of ruminant livestock and associated hides and skins - the study says "it is doubtful whether low-income countries [LICs] can compete in world markets with the middle- and high-income beef-producing countries." Overall the LICs, and

indeed developing countries in general, are and will remain for the foreseeable future net importers of livestock and livestock products, especially dairy products and poultry meat.

Despite this growing dependence on imported livestock products and other agricultural goods, the study found, developing countries should ("at least in theory") have a comparative advantage in the production of some other commodities: "They should benefit from freer trade by importing goods for less than they would cost to produce domestically and exporting other commodities at a higher price than would be earned if sold on the home market."

Both developed and developing nations ought to promote free trade and reduce tariff and non-tariff barriers where possible, the study recommends. "Some of the criticisms of [the WTO's] aims are misdirected," it says. "Critics of globalization suggest that developing countries will become less self sufficient and more dependent on other countries and that trade will be concentrated in the hands of transnational corporations. The extent of these dangers has probably been exaggerated."

The claim that free trade promotes specialization and discourages agricultural self-sufficiency might, in part, be true but the disadvantages had to be set against the gains in national income and social welfare. "In any case," the study says, "the expansion of trade is unlikely to lead to complete specialization and the end of production for the home market. The argument that the wealthier, developed countries maintain their barriers to trade, while the developing countries have reduced theirs, only gives support to the activities of the WTO in attempting to reduce all trade barriers." The study recognizes, however, that compliance with WTO rules and obligations and preparing legal briefs in trade disputes make heavy demands on the resources of LICs. Bilateral and multilateral assistance, both technical and financial, "is definitely needed".

On the risk of a rise in food prices following reduction of trade barriers, the study sees a silver lining: "Although the cost of imports would rise for the developing countries, this will provide an incentive for domestic producers to increase production." In addition, other sectors of developing economies may benefit from the increased trade opportunities. Developing countries might be well advised, therefore, to persuade the developed countries to reduce support for their own agricultural producers and to reduce barriers to trade.

Costs of compliance. On the SPS Agreement, the study acknowledges that many developing countries face difficulties in meeting international SPS standards, owing to the small scale of their export operations, their greater vulnerability to disease outbreaks and pest infestations, and inadequate public health and veterinary services. "Admittedly the OIE Animal Health Code, on which the zoosanitary measures are based, is full of recommendations for which compliance by the LDCs is extremely difficult," the study finds. "The Code was basically written to protect the health of livestock in developed countries." Since the cost of the compliance with international standards is "possibly prohibitive", the study recommends technical and financial assistance to developing countries to help them meet SPS requirements and participate in standard setting.

But even if they were able to comply with the required SPS standards, some LICs and LDCs would still have difficulty in competing for developed country markets - for these countries, therefore, "the most important effect of raising SPS standards may be the improvement of domestic human, animal and plant health".