



Trade and food safety standards Intra-regional trade and food safety standards

The Issue

The global Food and Agriculture Organization of the United Nations (FAO) COVID-19 response programme addresses intra-regional trade as one of its action points given the unprecedented impact of the COVID-19 crisis on intra-regional and international commerce. The Latin American and Caribbean (LAC) exports have fallen by 30 percent interannually in April.¹ Although the agri-food exports have grown interannually 8.5 percent in April 2020 in 14 Latin America and the Caribbean (LAC) countries,² these export earnings have been unequally distributed among agricultural producers and subsectors. The agribusinesses that export industrial crops have registered a significant increase.³ However, smallholders producing perishable food have suffered from lower demand, less liquidity, and the shift of customers' diet to staple low-cost meals.⁴

Despite the LAC's profile as a food exporter, the regional trade integration, that can mitigate losses due to lower demand in other regions, has been weak in volumes and value. In 2019, already before the crisis, only 13 percent of regional agri-food exports were intra-regional and these were dominated by large agribusinesses.⁵ The pandemic has also exposed underlying structural issues, such as food halted in the ports or delays in customs. These shortcomings point to the fragility of intra-regional trade infrastructure.

The sub-region of South America, one of the most important net exporters of agri-food products, produces 74 percent of the total LAC region agri-food exports, but only 14 percent are destined for intra-regional markets (within South America and with other subregions of LAC region).⁶ It has registered a stable, but not dynamic growth of its agricultural export surplus. Despite the record harvest in 2019–2020 season, restrictions adopted due to the pandemic have negatively affected trade, in particular when it comes to perishable products often produced by smallholders, leading to lack of liquidity and potential informalization.

1 IADB-INTAL. 2020. *Impacto del COVID-19 en el comercio exterior, las inversiones y la integración en América Latina y el Caribe*. Newsletter número 5. https://conexionintal.iadb.org/descargas/index.phpfile=Newsletter%20INTAL%20Comercio%20y%20COVID-19%20Num5&origen=conexion_INTAL

2 ICA. 2020. *Exportaciones Agrícolas De América Latina Se Expanden 8,5% Mientras Ventas Externas Totales Caen 30%*. 10 July 2020 [online]. [Cited 1 January 2021]. <https://blog.ica.int/es/prensa/noticias/exportacionesagricolas-de-america-latina-se-expanden-85-mientras-ventas-externas> (no longer available online)

3 IICA. 2020. *Aumentan 11 % a mayo 2020 las importaciones agroalimentarias de China, principalmente desde Estados Unidos y Argentina*. 29 June 2020 [online] [Cited 1 January 2021]. <https://blog.iica.int/blog/aumentan-11-mayo-2020-las-importaciones-agroalimentarias-china-principalmente-desde-estados> (no longer available online)

4 FAO, IFAD, UNICEF, WFP and WHO. 2020. *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO. <http://www.fao.org/3/ca9692en/online/ca9692en.html>

5 FAO. 2020. *COVID-19 y exportaciones de alimentos en América Latina y el Caribe: comercio intrarregional e interregional*. Rome. 1 p. <http://www.fao.org/3/ca9268es/CA9268ES.pdf>

6 Ibid.

Budget

USD 8 million

Time frame

2021–2023 (30 months)

SDGs



Related FAO policy notes on COVID-19

- ▶ FAO. 2018. *Agricultural trade and employment: links, evidence and policy implications*. Trade Policy Brief no.32, May 2018. Trade and Markets Division.
- ▶ FAO. 2017. *The treatment of agriculture in Regional Trade Agreements*. Trade Policy Brief no. 29, October 2017. Trade and Markets Division.
- ▶ FAO. 2017. *Non-tariff measures in agricultural trade*. Trade Policy Brief no. 26, October 2017. Trade and Markets Division.
- ▶ FAO. 2017. *Trade and food standards*. Trade Policy Brief no. 24, October 2017. Trade and Markets Division.



Central American exports comprise less than 25 percent of the total agri-food exports of the LAC region, and in general, this sub-region is a net importer. International trade is a relevant source of rural employment in productive value chains of coffee, cocoa, pulses, sugar cane, which contribute to the development of the sub-region. All value chain activities have been strongly affected by the crisis, which adds to the ongoing risks of climate change disasters, pests and diseases, and the forced migration of thousands of people from rural areas.

For the Small Islands Developing States of the Caribbean Community (CARICOM), although the agricultural trade represents both a major source of employment, and a large component of their food supply,⁷ intra-regional trade (within the Caribbean and with the other sub-regions of LAC region) remains low.⁸ Despite being a net importer, the sub-region imported only 17 percent of total imports from markets within the sub-region. At the same time, exports within the CARICOM accounted for less than 35 percent of total agricultural exports.⁹

The key underlying issue for the limited intra-regional trade in the LAC region, has to do with the application of non-harmonized non-tariff measures (NTMs), such as sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures, which leads to inability of smallholders to access the regional markets.

As the crisis unfolds, the projected contraction of economic activity by 7.2 percent¹⁰ will exacerbate the negative impacts of the crisis on economies and livelihoods. Nevertheless, the crisis has also created opportunities to strengthen intra-regional trade (both within and between the sub-regions) with the objective to mitigate the impacts of the crisis, to reactivate economies and to trigger growth and employment. The recovery phase offers an opportunity for the region to assert its place as global agri-food actor.

The action

1 South America

- 1.1. A comprehensive assessment of trade barriers in the LAC region and in the South America sub-region will be conducted. The assessment will focus on commodities that are already exported in other markets.
- 1.2. Harmonization of standards and procedures between countries and sub-regional trading blocs will be supported through technical assistance to agents of the public sector to implement reforms that facilitate and promote intra-regional trade (both within the sub-

regions and with countries and trading blocs in other sub-regions).

- 1.3. Technical assistance will be provided to facilitate (regional) market access of small farmers, cooperatives and micro, small and medium-sized enterprises (MSMEs) by meeting trade standards and regulations.
 - Mobilization of resources by regional trade blocs and relevant private sector partners from the region and from other regions.
- 1.4. Access to relevant market information for private and public actors will be promoted.
 - Relevant market information products defined according to national and sub-regional priorities.
 - Existing market intelligence tools and national agencies working in this area identified to consolidate existing information and complement the relevant missing data.

2 Central America

- 2.1 Mechanisms for the promotion and facilitation of regional trade will be strengthened and expanded.
 - Specialized analysis to identify non-tariff barriers to trade (NTBs) and technical assistance to design and implement solutions to reduce them.
 - Technical assistance to design and implement policies and programmes that increase agri-food exports by expanding and/or strengthening market access, with special emphasis on the Central American dry corridor areas.
 - Capacity building programs on agricultural trade policy for public officials will be designed and implemented.
- 2.2 Market intelligence and other digital tools will be established, and their use will be promoted through capacity building and technology diffusion.
 - New tools will be developed, or where possible, existing ones will be strengthened to monitor prices and markets, and their use will be promoted among public and private sector, especially with rural micro and small businesses and family farmers.
 - Development and/or diffusion of digital technological solutions that facilitate or enable the internationalization of rural micro and small business and family farming (with special emphasis on those led by women, youth and/or indigenous people), will be promoted and supported.

3 The Caribbean

- 3.1 Information, knowledge and sharing of best practices between government and private sector on intra-regional trade facilitation will be promoted and improved.
 - Capacity development of national and regional level on trade policy and trade agreements, promoting compliance with the World Trade Organization (WTO) rules, regional trade agreements and international instruments.
 - Technical support for strengthening modalities and procedures that enhance access to

7 FAO. 2007. Agricultural trade policy and food security in the Caribbean Structural issues, multilateral negotiations and competitiveness. Edited by J.R. Deep Ford, Crescenzo dell'Aquila and Piero Conforti. Rome, FAO.

8 FAO. 2020. "COVID-19 y exportaciones de alimentos en América Latina y el Caribe: comercio intrarregional e interregional". [online] URL: <http://www.fao.org/family-farming/detail/ru/c/1280519/>

9 CARICOM. 2018. Facilitating Intra-Regional Agri-Food Trade. CARICOM Thematic Group Business Development Technical Brief.

10 World Bank. 2020. Global Economic Prospects June 2020: Analysis LAC. Accessed 27th October 2020. URL: <http://pubdocs.worldbank.org/en/538491588787962322/Global-Economic-Prospects-June-2020-Analysis-LAC.pdf>



relevant information for trade among CARICOM Member States.¹¹

3.2 Trade facilitation will be promoted through technical assistance and intra-regional discussions to implement reforms to address obstacles to trade.

- Consultative roundtables will be held to evaluate and prioritize the findings of regional groups - CARICOM, CARICOM Private Sector Organization (CPSO) and the Regional Food and Nutrition Action Plan (RFNSAP) assessments on NTMs affecting intraregional trade for priority products.
- A roadmap for the elimination of the NTMs that contravene the CARICOM Single Market and Economy (CSME) Rules is designed and implemented.
- Capacity development programs are designed and/or implemented for CARICOM Member States, competent authorities and regional border regulatory agencies, on SPS, standards and other conformity assessments that are related with NTMs for the priority products.

Expected results

This proposed programme aims to mitigate the impacts of COVID-19 on agricultural trade and food security, as well as to address structural constraints to intra-regional trade (both within the sub-regions and between the sub-regions). The support will deal with issues of competitiveness and trade performance and addressing policy and regulatory coordination issues at the sub-regional level, aiming to achieve the following results at regional level:

- Trade flows between the sub-regions will be enhanced due to a better communication and identification of non-traditional trade partners within the region so that barriers to trade will be addressed and digital technologies will be promoted.
- Resilience to shocks from international markets will be built on the basis of both trade partners and exported commodities mix diversification at sub-regional and regional level.
- Capacities of public and private sector will be increased and will allow the identification of barriers to intra-regional trade, opportunities to access new markets and increase competitiveness of the regional food system. This will be achieved through actions 1.2, 2.1 and 3.1.
- Enhanced regulatory cooperation at the sub-regional and regional level. This will be achieved through actions 1.2, 1.3, 2.1 and 3.2.
- Asymmetries of information and unequal access to market information that affect small farmers, cooperatives and MSMEs, will be addressed providing access to better market information and market intelligence tools. This will be achieved through actions 1.1 and 2.2

¹¹ Such as CARICOM non-tariff barrier (NTBs) system and CARICOM Interactive Market Place and Suspension Procedure (CIMSPro).

- Improved access to regional and sub-regional markets for small farmers, cooperatives and MSMEs. This will be achieved through actions 1.2, 1.3, 2.1, 2.2 and 3.2

Strengthening of regional networks and platforms as arenas for discussing policy priorities and promoting harmonization standards and procedures.

Partnerships

Regional institutions and economic communities, such as: Asociación Latinoamericana de Integración (ALADI), Secretaría de Integración Económica Centroamericana (SIECA), Organismo internacional Regional de Sanidad Agropecuaria (OIRSA), Instituto Interamericano de Cooperación para la Agricultura, Comunidad Andina (CAN), Mercado Común del Sur (MERCOSUR), Alianza del Pacífico, CARICOM.

National institutions and organizations: ministries of agriculture, trade, economy and health; food safety and customs authorities; chambers of commerce; private-sector associations; non-governmental and civil society organizations; research institutes and academia.

International financial institutions: Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD).

Country focus

In South America, the focus will be on the Andean Community member states (Bolivia, Colombia, Ecuador and Peru) and MERCOSUR member states (Argentina, Brazil, Paraguay, Uruguay, and Venezuela). In Central America, the focus will be on El Salvador, Guatemala, Honduras, and Nicaragua. In the Caribbean, the focus will be on CARICOM member states (Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago)

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