



CENTRAL AMERICA AND THE INTERNATIONAL TRADE OF POULTRY PRODUCTS

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Abstract

In this document we describe the sometimes protectionist guidelines that rule international trade of poultry products and have therefore affected in one way or another Central America's insertion into this market. We study animal health measures required for trading in poultry products and carry out a comparative analysis of customs duties in several countries and according to trade agreements for these products. Especially, we would like to draw attention to the route Central American poultry products must follow in order to have access to extra-regional markets and, at the same time, draw attention to some compatibility problems between animal health measures and the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).

1. INTRODUCTION

In the report prepared by UNCTAD in 1998 on Least Developed Countries there are examples of countries (Bangladesh, Madagascar,

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Mozambique, Nepal and Uganda) whose exports have suffered substantial losses due to their incapacity to adequately respond to health and environmental measures required by markets from developed countries. These requirements may take different shapes, such as technical standards (for example, limited quantities of certain substances within the product), animal and plant health measures, labeling, packaging specifications and voluntary measures, like eco-labeling.

Facing these actions, exporters must cope with problems such as lack of time and precise information needed to adapt to regulations, simultaneous application of differing standards, costs and difficulties along test and verification procedures, and the uncertainty arising from quick and unexpected changes in external market access requirements. The situation is only worsened by the fact that developing countries tend to be on the receiving, not the setting, end of standards, and because they do not participate effectively in international standard setting.

International trade of poultry products seems to elude all international agreements. It is subjected to a series of tariff barriers, as well as to non-tariff requirements, which have lent this market a very particular and interesting nuance to explore. This paper has been elaborated from this vantage point, paying special attention to the challenges facing Central American countries who wish to comply with these requirements, as well as their reactions to them.

In this paper we study the health norms which must be met in order to trade in poultry products. It is a highly relevant subject, for we seek to determine whether they have acquired a protectionist slant, instead of posing a legitimate concern for the protection of human health. Therefore, we study the general frame within which regulations are established, following by a detailed look into poultry products importing requirements exacted by different countries, as well as the problems they entail. Acknowledgement of Newcastle-free areas or countries (Newcastle is an exotic disease affecting birds), and the certification of implementation of Hazard Analysis Critical Control Point system, better known as HACCP, are only two of the requirements for poultry industries who wish to have access to markets. We conclude by identifying some market access problems faced by poultry products and with an interpretation of the congruence of the sector's sanitary measures with what is stated in the Sanitary and Phytosanitary Standards Agreement (SPS).

This paper shows how animal health requirements are transformed into a complement, and sometimes even a substitute, of old-school border restrictions, which used to be more explicit, even within their apparent irrationality (such as import permits). The permanence of such restrictions casts a shadow over developing countries' international insertion into agricultural affairs, a problem that negotiations should correct. However, there are technical justifications linked to human and animal health that cannot be tossed aside, and which therefore affect animal health requirements prescribed by some countries in order to import these products.

2. CENTRAL AMERICAN EXPORTS OF POULTRY PRODUCTS

Trade in poultry products carried out by Central American countries is very reduced and basically confined to within the region. Table 1 presents total exports from selected countries, according to market of destination. In 1998, Costa Rica exported a total of 3.2 million dollars, 78 per cent of which were exported to Central America. The rest of it was sent to Colombia (San Andrés Island, actually, with an 18.1%), China (2.3%) and Hong Kong (1.3%).

Table 1
Exports under heading SAC 0207 (poultry products) of selected countries, according to market of destination, 1998
(thousands of US \$)

	Central America	Panama	United States	Mexico	European Union	Other	TOTAL
<i>Costa Rica</i>	2,518	0	0	0	0	697	3,216
<i>El Salvador</i>	2,362	0	0	0	0	0	2,362
<i>Guatemala</i>	1,365	0	0	0	0	0	1,365
<i>Honduras</i>	0	0	0	0	0	0	0
<i>Nicaragua</i>	115	0	0	0	0	0	115
<i>Panama</i>	6	0	0	0	0	0	6
<i>Dominican Republic</i> ^{1/}	0	0	0	0	0	0	0
<i>Mexico</i>	1	0	289	0	0	2,651	2,941
<i>United States</i>	15,489	4,485	0	212,056	37,365	1,685,035	1,954,430

Source: Data from Costa Rica (PROCOMER –1998); El Salvador (Foreign Trade Statistics –1998); Guatemala, Honduras and Nicaragua (SIECA – 1998); United States (MAGIC); Panama, and Mexico with data from DATA-INTAL – 1996. 1/ Data available for Dominican Republic in DATA-INTAL reach only up to 1994, when no poultry products exports are reported (same as the two previous years).

Of the Central American countries, Costa Rica presents the most diversity regarding destination of its exports towards foreign markets. Despite of being the second regional exporter of poultry products of the region, El

Salvador does not present exports towards markets outside Central America. Nicaragua and Panama present very low levels of poultry exports, and the few they do show are made within the region. The above could explain why only Costa Rica has made any efforts to be declared Newcastle V-V-free, as a requirement to enter the United States market. In other cases, it seems as though the region's entrepreneurial sector is more bent on maintaining its "hegemony" over domestic demand. This can be explained by at least two reasons: a) producers feel that the internal market is big enough to develop their businesses, and b) they do not wish to be exposed to international competition.

Table 2 shows poultry production levels for Central American countries, where it can be observed that Guatemala is the largest producer, with 230 million pounds in 1997. However, Guatemala imports significant quantities, also. Honduras produced 137 million pounds in 1997, but it is still has a deficit, with high levels of poultry imports.

Table 2
Central America: Data for Production and Apparent Consumption of Poultry Meat, 1997

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Poultry production (lb.)	149,300,000	125,100,000	230,000,000	137,800,000	65,416,200	140,000,000
Average price per pound (US \$)	0.92	1.02	0.95	0.72	0.75	0.73
Estimated production value (millions of US \$)	137	128	219	99	49.0	102
PIB (millions of current CA pesos) ⁽¹⁾	9697.9	11140.9	17,783	4,702	2,022.8	8,700
Poultry production value / GDP (%)	1.42	1.15	1.23	2.11	2.42	1.17
Agricultural GDP (millions of current CA pesos) ⁽¹⁾	1,466.8	1,449.9	4,216.4	949.2	686.2	678.8
Poultry production value/ Agricultural GDP (%)	9.36	8.80	5.18	10.45	7.13	15.06
Apparent consumption ⁽²⁾	134	127	221	101	50	103
Exports (millions of US \$)	3.22	2.36	1.37	0.00	0.12	0.006
Imports (millions of US \$)	0.008	1.44	3.62	1.35	0.89	0.425
Exports / Apparent consumption (%)	2.40	1.86	0.62	0.00	0.23	0.01
Imports / Apparent consumption (%)	0.01	1.14	1.64	1.34	1.79	0.41

Source: Prepared based on data from SIECA, CORECA, AVES of El Salvador and the Central Bank of Nicaragua.

(1) One Central American peso equals one US \$.

(2) Equals production value (PV) - Exports (X) + Imports (M)

Note: Strictly speaking, these calculations give an order of magnitude. However, we must take into account that poultry meat represents a production value and the GDP is an added value concept. Therefore, real participation percentages would be somewhat minor (depending on the country).

The share held by poultry production within Central American countries' gross domestic product (GDP) is estimated between 1 and 2.5%. The same

relation regarding agricultural GDP indicates that poultry represents between 9 and 15% of agricultural GDP in different Central American countries.² This is an approximate indicator of the integration of poultry production into Central American economies. However, it is important to bear in mind that the comparison is carried out between a concept of value of production and a concept of added value, such as the GDP.

We see that foreign trade is really a very small share of Central American apparent consumption, because it revolves around averages of 1% for countries in the region.

The Situation of Central American Trade in Poultry

One of the points Guatemala is most critical about regarding trade in poultry products (especially trade with the U.S.) is the price of chicken legs and thighs. According to this country, they are sold “below their production costs.”³ Another aspect of concern is the fear of this trade becoming a “surplus trade”, because it is quite volatile. This is a highly relevant issue for small countries, where a small consumption surplus dumped by a large country, at extremely low prices, could wreck an entire industry.

Table 3 shows a price list for chicken parts in the U.S., Costa Rican and Dominican Republic supermarkets. In the first case, the average price per pound of chicken breast (\$2.60) almost doubles the price per pound of drumsticks (\$1.44). This shows how, in the U.S., there exists in fact a marked price differentiation among chicken parts, given its consumers’ tastes and preferences. This situation is reflected in discussions over international trade in chicken meat. In the case of Costa Rica, prices show that there is no such differentiation. On the contrary, chicken breast costs \$1.15 per pound, less than the \$1.30 per pound for drumsticks. In the

² We assume that in Costa Rica the real weight of poultry production in the agricultural GDP is somewhere between 5 and 6%, due to the use of imported yellow corn. Regarding the rest of the countries, the indicator may be closer to reality, due to the higher proportion of usage of national intermediate goods.

³ A complaint favored by many producers in the region is that the U.S. commit dumping in its exports of *thighs and legs*. But the fact is that the reduced price for this product stems for a lower demand in relation to other products as *breasts*. Therefore the accusation of dumping is unsustainable. During the last year the producers chambers seem to be leaving this position. But there are other question marks concerning subsidies granted by the American government to production and exports. While export subsidies are easier to find and reduce, subsidies to production are characterized for their lack of transparence in the international arena, and the may be at state or national levels. The poultry producers argue that while the issue of subsidies is not cleared, their opening to foreign trade should be very careful.

Dominican Republic, price relation shows that a pound of chicken breast costs twice as much as one of drumsticks.

Another argument present in poultry producers' criticism regards animal health considerations, which they perceive as arbitrary and that given the fact that Guatemalan poultry does not enter the U.S. because of these requirements, it does not make sense to open up the market in this type of products. That is, animal health norms contradict trade negotiations.

Table 3
Supermarket Prices for Chicken and Chicken Parts, 1999 y 2000
(dollars / pound)

Brand City or country	<i>Foster Farms</i> Las Vegas	<i>Tyson's</i> Las Vegas	<i>N.D.</i> Columbus	<i>Average</i> USA	<i>Su Ave</i> Costa Rica	<i>PIPASA</i> Costa Rica	<i>CIBAO</i> Dominican Republic
<i>Chicken (whole)</i>	1.29	N.D.	N.D.	1.29	0.92	0.94	0.69
<i>Chicken (whole or cut up)</i>	1.59	1.19	N.D.	1.39	N.D.	N.D.	N.D.
<i>Breasts</i>	2.99	2.59	2.29	2.60	1.15	1.19	1.36
<i>Wings</i>	2.99	1.99	1.49	2.00	0.95	0.96	0.76
<i>Thigh</i>	1.49	1.39	0.99	1.30	0.79	0.86	N.D.
<i>Drumstick</i>	N.D.	1.39	1.49	1.44	1.30	1.40	0.76
<i>Leg</i>	N.D.	N.D.	N.D.	N.D.	0.83	0.91	0.63

Source: Prepared by the authors, based on data obtained from Mel Jamenson (Las Vegas) and Stefan Krause (Columbus, Ohio). Las Vegas and Columbus prices date from December 12, 1999. For Costa Rica, prices date from January 11, 2000 (Su Ave) and November 22, 1999 (PIPASA). For the Dominican Republic, data was obtained from Arlette Pichardo. All prices correspond to chicken with its skin and bones.

El Salvador is not very interested in exporting outside of the region. Some producers argue that there exists plenty of space to increase per capita consumption within the region, since consumption is still quite low. In 1994, production reached 45 thousand metric tons, enough to satisfy national demand. However, Salvadoran producers feel uneasy towards possible imports of some chicken pieces from the U.S. Salvadoran whole chicken are competitive in the market, but once they are cut up, producers say, they can not compete with low prices of wings, thighs and legs from the US.

The perception from some Costa Rican poultry producers is that the Central American market is completely distorted and disorganized. They think that, for example, El Salvador has stopped containers incoming from Costa Rica by arguing that it causes triangulation of chicken pieces from the U.S.

Regarding Honduras, producers say that although they have asked the country to inspect Costa Rican plants to enable exporting to that country, inspection has not taken place yet “due to mere bureaucratic obstacles.” This was the case in 1999, and it seems as though it has turned into a form of “retaliation” because Costa Rica has been internationally acknowledged as Newcastle-free and therefore can demand, from any country that wishes to place its products there, the same requirements applied internationally, aside from carrying out Hazard Analysis of the potential trade partner.

As we shall see, the fact that Costa Rica has been declared Newcastle-free⁴ constitutes a confrontational factor, for national producers may seek to place their products outside the region, while the rest of the countries base their long term strategies on strengthening domestic consumption.

Costa Rican trade with El Salvador deals with day-old chicks from the Hy-line variety; with Guatemala it is centered in fertile eggs from laying hens, and with Nicaragua it is centered in fertile eggs for fattening purposes.

3. IMPORT CUSTOMS DUTIES

3.1 The World Trade Organization (WTO)

The agricultural sector did not fully enter multilateral trade negotiations until the Uruguay Round, which ended in 1994 and it did so specifically under the Agreement on Agriculture. The Agreement establishes a series of concessions and compromises in three main areas: i) markets access, ii) domestic support and iii) exports subsidies.

Regarding access to markets, the compromises reached by the countries as part of the Agreement on Agriculture revolve around two fundamental elements:

- a) Substitution of non-tariff measures for tariffs (*tariffication*). Tariffication eliminates a string of non-tariff barriers, and in this case it establishes a tariff which becomes the starting point for reductions during the next period (ten years for developing countries and six for developed ones). It also determines a basis for a future round of negotiations, enabling them

⁴ Newcastle is an exotic disease affecting birds. It is categorized in list A of diseases established by the World Organization for Animal Health (OIE). Therefore, in order to trade internationally with poultry products, countries must be Newcastle-free. This is further explored in the second part of this paper.

to be more serious and transparent. For tariffed products, current access opportunities must be maintained, and minimum access tariff quotas established. Minimum access represents 3% of consumption of the good in the base period (1986-1988), which will increase to 5% by the end of the corresponding period. These quotas or tariff-quotas will enjoy special tariff treatment, that is, a relatively lower tariff than that resulted from the tariffication process.

- b) Tariff reduction for the rest of products entering agricultural coverage. Countries had to establish maximum tariff ceilings (tariff binding) and from there the compromise to gradually reduce these tariffs. Thus, developing countries committed themselves to reduce tariffs by 24% in ten years, while developed ones promised a 36% reduction in six years.

Consolidated tariffs are not necessarily the ones effectively applied at each border. When a country's effectively valid tariff is lower than the consolidated one, the later can be raised as many times as desired *as long as it does not surpass the consolidated tariff* and, by the end of the period, exemption commitments are met. If it does surpass the consolidated tariff, the country must follow a series of procedures described in the Special Safeguard or in the Common Safeguard.

It must be taken into account that some countries already had consolidated tariffs, as a requisite to enter GATT. Therefore, in some cases, when tariffication came into force, the resulting tariff was higher than the consolidated one previously agreed on. These contradictions took place for example in the case of Costa Rica with dairy products and chicken pieces. In view of this, Costa Rica entered negotiations with countries holding "first negotiator rights", in order to be able to use higher levels than consolidated. Costa Rica negotiated with the US and New Zealand some concessions to apply higher tariff protection levels, respecting procedures established by the Uruguay Round regarding tariff and opening of quotas. For the rest of the products, agricultural as well as industrial, the tariff was consolidated at 45% for the year 2004. (López, 1994).

In Table 4, column A indicates the tariff valid in 2001 for poultry products, where differentiated charges have been identified, for whole chicken, chicken pieces (thighs and legs), chicken breast and ground chicken. Column B shows the tariff within the quota for products tariffed under Uruguay Round commitments. Thus, it is possible to determine that with the exception of Honduras, all Central American countries established tariff

quotas for chicken pieces (that is, thighs and quarters). The tariff outside the quotas is considerably higher, as is the case in Costa Rica (154%), in relation with the tariff within the quota (34%)⁵.

The tariff quota established for chicken pieces by Guatemala is 7000 MT, with a tariff of 15%. Outside of the quota, the tariff is 45%. Most of the imports within the quota come from the U.S., and yet there are imports from this country that double the allocated quota, a fact that, according to Guatemalan producers, indicates that quotas are not being supervised.⁶

El Salvador consolidated most of its tariffs when it entered the GATT in 1990 and increased its consolidated cover rate to 100% in the Uruguay Round, albeit at maximum rates, generally of 40%, which are considerably higher than the ones nowadays applied (WTO, 1996). El Salvador established a tariff quota for chicken pieces; outside from it the tariff reaches 176%. However, according to a WTO report, the quota has never been surpassed and therefore the higher tariff has never been applied.

3.2 The North American Free Trade Agreement (NAFTA)

Before NAFTA came into effect in 1994, Mexico restricted its poultry imports from the US through quotas, which it later changed into a transitory tariff quota. In 1995, Mexico established a 95 thousand MT quota, which would increase by an annual 3% until 2004, when the 10-year transition period would end. All Mexican imports from the U.S. falling within the quota were exempted. With Canada, however, Mexico did not negotiate poultry products liberalization, so these products enter the country by paying a most-favored-nation tariff.

Canada protects its poultry sector with tariffs as high as 250%. Under NAFTA, Canada negotiated a quota where US exports pay a 1.2% tariff. Later, with the Uruguay Round commitments, it established a quota with a tariff of 6.6% for poultry products, which generated some controversy between the two countries.

⁵ There is an interesting twist in the justification for this high tariff in the private sector in Costa Rica. They stated in a workshop where this study was presented that it is not a *protection*, but a *compensatory* tariff for distortions in trade. As imports in the U.S. are blocked and considering their demand curves, *breasts* are expensive a *legs* are cheap. Under real free trade there would be a tendency to equalize the prices of both parts of the chicken and free trade could be beneficial for everybody. This is quite an interesting argument.

⁶ This may be explained by the manner in which the quota was negotiated with Guatemala, establishing it at 20% due to imports made in the base years considered in the calculation of the quota.

U.S. commitments under NAFTA were to put immediately in duty free all poultry products. Therefore, both Canada and Mexico do not pay entry tariffs to the country. The general tariff for other countries in 1999 was 17.6 c/kg (specific tariff), without quotas under WTO agreements.⁷

The Central American Common Market (CACM)

Poultry trade within Central America is carried out in the context of advances made by the Central American Economic Integration, despite of its drawbacks. The legal framework of the CACM was substantially modified at the beginning of the nineties through the adoption of two new mechanisms: The Protocol of Tegucigalpa, added to the Charter of the Organization of Central American States, in 1991, and the Protocol of Guatemala in 1993, which established principles and stages to achieve Economic Union. Both phases include improvement of free trade in the area and convergence towards a joint trade policy, the improvement of Central American Imports Tariff, the establishment of a Common Tariff, free circulation of production factors and monetary and financial integration.

One of the CACM's goals is to achieve convergence towards a common external tariff. The Central American Tariff consists of three parts. The products mentioned in Part I include goods with the same type of tariff throughout the region; Part II includes items that are not yet harmonized, and Part III targets products excluded from tariff harmonization. Poultry products, specifically chicken pieces (thighs and legs) belong to Part II of the Harmonized Tariff Schedule, which means that producers from the region have yet to agree on harmonization. This denotes that the sector has great reservation on the subject.

⁷ Anyway, Mexican poultry meat can not enter the US due to aviar influenza.

Table 4
Custom Duties for Poultry Products in Different Countries

PRODUCT	Import Custom Duty		(C)						
	(A) General Tariff 2001 (%)	(B) Tariff Quota WTO (%)	Mexico	Dominican Republic	Central America	Costa Rica	Canada	United States	
Costa Rica	Whole chicken	40%	-	<i>Excluded</i>	<i>Excluded</i>	(4)	-	-	-
	Breast	40%	-	"	"	"	-	-	-
	Others (Thighs) ⁽¹⁾	154%	34%	"	"	"	-	-	-
	Ground	40%	-	"	"	"	-	-	-
El Salvador	Whole chicken	15%	-	-	-	"	-	-	-
	Breast	15%	-	-	-	"	-	-	-
	Others (Thighs)	176%	17%	-	-	"	-	-	-
	Ground	5%	-	-	-	"	-	-	-
Guatemala	Whole chicken	45%	15 %	-	-	"	-	-	-
	Breast	45%	15 %	-	-	"	-	-	-
	Others (Thighs)	45%	15%	-	-	"	-	-	-
	Ground	5 %	-	-	-	"	-	-	-
Honduras	Whole chicken	35%	-	-	-	"	-	-	-
	Breast	35%	-	-	-	"	-	-	-
	Others (Thighs)	70%	-	-	-	"	-	-	-
	Ground	5%	-	-	-	"	-	-	-
Nicaragua	Whole chicken	30%	60%	30%	-	"	-	-	-
	Breast	30%	-	30%	-	"	-	-	-
	Others (Thighs)	170%	60%	170%	-	"	-	-	-
	Ground	5%	-	0%	-	"	-	-	-
Panama	Whole chicken	15%	-	-	-	"	-	-	-
	Breast	15%	-	-	-	"	-	-	-
	Others (Thighs)	293%	N.D.	-	-	"	-	-	-
	Ground	15%	-	-	-	"	-	-	-

PRODUCT	(A) General Tariff 2001 (%)	(B) Tariff Quota WTO (%)	(C) Special						
			Mexico	Dominican Republic	Central America	Costa Rica	Canada	United States	
Dominican Republic	Whole chicken	25%	-	-	-	-	-	-	-
	Breast	25%	-	-	-	12.5% ⁽²⁾	-	-	-
	Others (Thighs)	25%	-	-	-	-	-	-	-
	Ground	25%	-	-	-	-	-	-	-
Mexico	Whole chicken	240%	N.D.	-	-	-	Excluded	Excluded	Free within NAFTA quota ⁽³⁾
	Breast	240%	N.D.	-	-	-	-	-	-
	Others (Thighs)	240%	N.D.	-	-	-	-	-	-
	Ground	240%	N.D.	-	-	-	-	-	-
United States	Whole chicken	8.8c/kg	-	Free of tariff (0%)	Free of tariff	Free of tariff	Free of tariff	Free (0%)	-
(Specific	Breast	17.6c/kg	-	since	Under the Caribbean Basin Initiative ⁽⁵⁾	Under the Caribbean Basin Initiative	Under the Caribbean Basin Initiative ⁽⁵⁾	since	-
Tariffs) ⁽⁶⁾	Others (Thighs)	17.6c/kg	-	NAFTA	Initiative ⁽⁵⁾	Initiative	Initiative ⁽⁵⁾	NAFTA	-
	Ground	17.6c/kg	-	-	Initiative ⁽⁵⁾	Initiative	Initiative ⁽⁵⁾	NAFTA	-
Canada	Whole chicken	259.4%	9%	Excluded	-	-	-	-	1.2%
	Breast	271%	9%	"	-	-	-	-	1.2%
	Others (Thighs)	271%	9%	"	-	-	-	-	1.2%
	Ground	259.4%	0.0%	"	-	-	-	-	1.2%

(A) Imports Customs Duty

(B) The tariff paid within the quota established under the Uruguay Round for tariffed products.

(C) Countries with which there is a free trade agreement. In this case, the agreements are the Free Trade Agreement Costa Rica-Mexico, NAFTA, Nicaragua-Mexico, Costa Rica-Dominican Republic, and Dominican Republic-Central America.

(1) By the end of the exemption period for chicken pieces, on July 1, 2000, the tariff went from 166% to 157%; for ground chicken the final tariff went from 55% to 35%.

(2) The quota allocated to Costa Rica for chicken breasts corresponds to 18% of the specific tariff quota for this product, established in the list of concessions under the WTO Agreement on Agriculture, which increases annually starting from 1170 MT in 1999 until 2070 MT in 2004.

(3) The tariff outside the NAFTA quota was 208% in 1998. The transition period for poultry products under NAFTA was of 10 years, beginning in 1994, when an initial quota of 95 thousand MT was established. This quota increases by 3% a year for ten years.

(4) Some Central American countries have compensatory tariffs (El Salvador for some time and 15% for Nicaragua) for Costa Rican poultry meat because the later left the Central American common tariff for yellow corn at a tariff of barely 1%. Theoretically, the other countries enjoy free trade of these products.

(5) In reality this condition has no great effect because up to this moment US animal health requirements forbid the entry of all poultry products from the region.

(6) This specific tariff is more or less equivalent to an *ad valorem* tariff between 12% and 15%.

For El Salvador, Guatemala and Honduras tariffs correspond to 1999, and for the Dominican Republic and Nicaragua, to 2000.

EXCLUDED: In those cases where a product is excluded from a FTA negotiated between two or more parties, the countries have to pay the Regular Import Tariff.

Since 1960, trade in the region has moved towards tariff exemption, except in the case of *sensitive*⁸ products which are subject to tariffs and/or an imports vigilance regime depending on their origin. However, compliance with animal health measures has limited trade possibilities in poultry products in the region. Therefore, the elimination of tariffs has no immediate effect on trade flows. The situation of animal health in the context of poultry trade shall be analyzed further on in the paper.

3.3 Other Free Trade Agreements (FTAs)

Poultry products have been excluded from most regional FTAs. Such is the case of the Costa Rica-Mexico FTA and, more recently, the Chile-Costa Rica FTA. This indicates the degree of sensitivity liberalization holds for regional poultry producers. Negotiations between Central America and the Dominican Republic leading to a FTA show the same treatment of poultry products, that is, they have been bilaterally excluded from the treaty. Nonetheless, Costa Rica and the Dominican Republic negotiated a quota established solely by the latter to chicken breast imports incoming from the former, with a preferential tariff of 12.5%. This represents half the general tariff applied to all other countries. In the case of the Mexico-Nicaragua FTA, chicken meat has been included in the agreement, although Nicaragua's sector argues that the country was left in a disadvantageous position, fundamentally due to the cost of raw materials and the fast overtaking and presence of large US companies in Mexico (Donald Tuckler, personal communication).

Regarding the Central America-Dominican Republic FTA, Nicaragua's position is noteworthy. This country decided not to ratify the agreement after negotiations concluded in 1999, because it considering that opening the Dominican market of certain agricultural products was completely unsatisfactory to the interests of Nicaragua (WTO, 1999). Regardless, should the treaty be ratified, Nicaragua would be ensured of preferential quotas for its chicken meat in this market. Guatemala did not include poultry products in its FTA negotiations with the Dominican Republic (Hoffman and Bailey, personal communication).

⁸ Coffee, sugar, wheat flour, alcohol, distilled alcoholic beverages, cigarettes and certain petroleum by-products.

4. HEALTH NORMS: GENERAL ASPECTS

Animal and plant health measures seek to protect human health, security and the environment. Their implementation reflects a State's right to determine its own levels of health. Their objectives are to facilitate trade and protect human and animal lives, as well as vegetables. When they protect plants and vegetables, health measures are classified as plant health or phytosanitary measures. When they deal with animals and animal products, they are labeled animal health or zoosanitary measures. This paper is concerned with the latter.

On an international level, efforts to clearly define guidelines for this subject have originated commitments such as the WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). It has become the basis for regulating the matter on a global level and in its interrelation with international trade. The next segment shall deal with this agreement.

4.1 Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement)

Under the Final Act of the Uruguay Round, the SPS Agreement defined a series of understandings on exactly how to establish, adopt and apply the measures in each individual country. According to the Agreement, health measures can be adopted as long as they aim at protecting the life or health of people and animals or at preserving vegetables, and must never discriminate arbitrarily or unjustifiably among members where analogous or identical conditions prevail. Dispositions within the Agreement concentrate on the following elements:

- i) The use of a scientific basis to define measures.
- ii) Acknowledgement of disease and plague *free areas* and areas of low incidence of pests or diseases, in order to enable trade in products from these areas (regionalization).
- iii) Participation in international organizations that establish international standards in order to achieve harmonization.
- iv) To acknowledge equivalent treatments among countries as well as practices to facilitate trade.

- v) Transparency while disseminating norms and procedures used to evaluate health conditions in a country or company with which trade could be established.
- vi) A conflict-resolution process.

Starting from the SPS Agreement, the international organizations deemed competent by the WTO to define standards are: The International Convention for Plant Protection (ICPP, with the Interim Standards Committee), the World Organization for Animal Health (OIE- for animal health measures) and the Codex Alimentarius Commission (food safety).

It is noteworthy that 30 of the 34 Latin American countries belong to the IPCC, 19 to the OIE and 11 to the Codex commission (IICA 1997:9). Because developing countries find adjustment to plant and animal health measures to be a very costly process, it is expected to be slow and, in fact, this is the reason why not all countries belong to these international organizations and commissions.

Thus, poultry trade is regulated, first, by general dispositions defined by the OIE. This office has classified diseases into two groups, according to their epidemiological characteristics. Diseases from List A are the ones with the most impact on international trade, because they have great disseminating power and are especially noxious, may extend beyond national borders, and their socioeconomic and health repercussions may be very serious, and their impact on international animal and animal product trade is quite relevant. Avian Influenza, highly pathogenic, and Newcastle disease, are both included in this list. Hence the importance of being free of them if a country wishes to trade in poultry products.

List B designates transmissible diseases that are relevant from an economic and/or sanitary viewpoint on a national level and whose repercussions on international trade on animals and animal products are considerable. These diseases are usually the subjects of an annual report.

One of the most important concepts evolving as a consequence of the presence of diseases that hinder trade in certain products is that of *regionalization* or *free areas*. This designation, contained in the SPS Agreement, has been instrumental for international trade since its implementation, because it suggests that countries must have the opportunity to export from areas declared free from a particular plague or disease, or

from areas with low incidence of the disease, even if the disease should exist somewhere else within the country. This concept represents a leap forward regarding some countries' policies, where zero risk tolerance used to be a common practice. In order to be declared plague or disease-free, countries are required to undergo a lengthy process of data collection for pertinent analysis and evaluation.

Some Central American, mostly Guatemalan, sources say that the territory is one and borders are merely imaginary lines for plant and animal health phenomena. This view would imply that only a regional effort could permanently free these countries from diseases such as Newcastle. Otherwise, individual efforts would imply very strong control mechanisms at entry point, as is the case with Costa Rica.

4.2 The Animal Health Problem of Central American Poultry Trade

One of the main challenges faced by the development of poultry industry and international trade of its products is doubtless compliance with animal health regulations, because in some cases the measures may stop being legitimate and become covert trade barriers. Therefore, the debate in this regard consists of asking whether in some cases measures have a protectionist slant, because access to markets is more and more conditioned to compliance with this sort of measures. We shall examine this along this segment. *The rule of thumb to evaluate this type of cases establishes that when a product faces in connected markets different types of restrictions to access (tariff or non-tariff), it is probable that non-tariff barriers constitute a deliberately restrictive policy, instead of a legitimate health concern.*

Several diseases threaten the poultry sector. Aviar Influenza and Newcastle have the biggest impact on trade flows (List A diseases). This has led to the need for strict health measures, which in turn have become barriers to foreign trade in the product.

One of the fundamental requirements necessary to export poultry products, to the US, for example, is for a country to be declared Newcastle-free. In order to enjoy this status, countries must undergo a considerably lengthy process. For example, it took Costa Rica five years.⁹ The declaratory involves a

⁹ Since the Newcastle Commission was created (Executive Decree #2005-MAG) on July 2, 1991, until April 6, 1996, when Costa Rica was officially declared Newcastle-free. However, according to personal communications from the Costa Rican Chamber of Poultry Producers, the process actually lasted for 8

series of stages of joint and individual efforts among representatives from the corresponding governmental institutions (Ministry of Agriculture and Livestock, MAG, in Costa Rica), entrepreneurial sectors, and the United States Department of Agriculture (USDA) through its Animal and Plant Health Inspection Service (APHIS). The declaratory enables Costa Rica to enter the list of countries eligible to export live birds, poultry meat and by-products to the US.¹⁰

In the Costa Rican case, it is not clear where did the main impulse to declare the country Newcastle-free came from, whether from the government or the entrepreneurial sector. The truth is political stability and a long-standing health “establishment” enabled the idea of working long-term in search for a solution for the actual technical problem. There does not seem to have been any vision of exporting towards the U.S. at any certain point. However, both sectors joined efforts in search of this objective.

It is noteworthy that the HACCP (see forward) has not yet been implemented in Costa Rica. One of the requisites needed to export to the U.S. has not been fulfilled yet. In fact, according to a communication from the USDA, this country does not expect any significant changes in imports of poultry products from Costa Rica as a result of the declaratory (USDA-APHIS 1997). Costa Rica began formal procedures to declare its producers’ compliance with the HACCP after it was declared Newcastle-free.¹¹ To achieve this goal, the country must comply with a series of forms or protocols previous to an inspection of the production plants by USDA officials.

In this sense, we have met with an important contradiction. Sources from the MAG indicated to us that the protocols were submitted more than two years ago, in 1998, while others said that they were sent in the first months of the year 2000. On the other hand, U.S. sources have informed us that the documents were actually sent by the end of that same year and therefore inspections from the USDA were retarded. In the end, we found out that

years, starting from the moment when national endeavors began, requiring a lengthy preparation stage before the Newcastle Commission was legally established.

¹⁰ By the year 2000, the countries declared Newcastle-free by the USDA were Australia, Canada, Chile, Costa Rica, Denmark, Fiji, Finland, France, Great Britain (England, the Isle of Man, Scotland and Wales), Greece, Iceland, Luxembourg, New Zealand, Ireland, Spain, Sweden and Switzerland (Code of Federal Regulations 9CFR94.6).

¹¹ It is important to point out that some of the people we consulted indicated that the fact that the entrepreneurial sector did not seek earlier implementation of the HACCP, implies that expectations of exporting to the US were not a priority for the sector.

official communication of the remittance was sent from Costa Rica on December 18, 2000. It specifies that the first protocol was submitted on June 16, 2000.¹² Thus, it seems as though delays in accreditation of Costa Rica for HACCP are due to the time that took the countries' authorities to submit the protocols. But Costa Rican producers and national authorities insist that the problem was owed to the fact that each time they comply with a requirement, there comes a new one and that delays come from new requests for information and criteria for inspections that were not contemplated before.

It is important to bear in mind that all countries establish their own risk levels and they define the guidelines that will determine whether trade with another country is possible. Therefore, the above paragraph is just one example and one could be found for each country. What must be remembered is that the procedure to analyze a country comes from a methodology contained in the International Animal Health Code, published by the OIE. In it, Hazard Analysis methodology is defined, and through it a country evaluates possible partners in animal trade. This method rules all evaluations and therefore they are expected to be always the same. However, this does not obliterate the fact that for some countries the process of Hazard Analysis is extremely costly. In Costa Rica, only two countries comply with HACCP: Guatemala (for processed chicken only) and the US.

The International Animal Health Code establishes that animal or animal product imports imply certain risks for the importing country. The risk may be posed by one or several diseases and infections. It is in these cases that Hazard Analysis becomes relevant and valid. Its aim is to give importing countries an objective and justifiable method to evaluate health hazards associated to any animal, animal product or animal genetic material import, animal feed, biological and pathological products. The analysis must be transparent to enable a clear and documented explanation of the grounds justifying either conditions to imports or rejection (OIE, 1999).

In the process of analyzing risks associated to imports, it is usually necessary to take into account results from an evaluation by the Veterinary Services,

¹² Specifically, on December 18, the following formularies were submitted: *Regulations for Meat and Poultry Products Inspection, Slaughter/Processing, Compulsoriness Questionnaire, Health Questionnaire, Animal Disease Questionnaire*. In turn, the questionnaire *Criteria for Assessing the Adequacy of the Residue Control Program* was submitted on June 16, 2000.

zonification and regionalization, as well as vigilance systems used by the exporting country for continued control of animal disease (OIE, 1999).

With regard to imports, in Costa Rica, the MAG's Department of Animal Quarantine is in charge of carrying out the Hazard Analysis of the country wishing to export its products. This evaluates the exporting country's Animal Health System, and determines its qualifications to send its products to the importing country; alternatively, an equivalence of the measures can also be carried out. As mentioned above, guidelines are stated by the OIE, so the procedure is quite similar in different countries. Once the country is cleared, a formal declaratory of clearance ensues. In order to follow the importing procedure properly, a form must be filled out 48 hours after the permit is delivered. The form is valid for 30 days for one shipment. The permit includes authorization for an inspector to open the container and carry out the corresponding inspection.

Animal health control is important because some diseases can be transmitted not only through live animals but through their meat, also. In the case of poultry, transmission through meat does not necessarily occur because a virus, for example Newcastle, is already present in it, but because during processing the product may be subject to contamination. Also, refrigeration processes prevent the virus from losing its ability to contaminate, even though it is not present in a live organism. In this regard, according to consultations carried out in Costa Rica with specialists in the matter, technically these types of controls make sense, because they help preserve poultry populations free from diseases.

Central America has recently approved a Central American Regulation of Animal and Plant Health Measures and Procedures that seeks to harmonize norms in this matter. In it, SPS Agreement guidelines are basically reproduced, so that it is perfectly congruent with WTO agreements, while attempting to effectively implement accords.

Box 1

Declaration of Costa Rica as a Newcastle-free Country

The wish to prove Costa Rica free of Newcastle disease sprang both from a governmental and a private initiative, stemming from the private sector's need to extend its market horizons for poultry meat and its derivatives, for which it is a fundamental requirement for the country to be acknowledged as free from this exotic disease. The U.S. requires that countries exporting chicken meat to its market be included in the list of eligible countries recognized by the USDA. The products may not even cross its territory if they do not come from a disease-free land.

In Costa Rica, the process of declaration took five years, starting from the creation of the Newcastle Commission, (Executive Decree #2055-MAG, July 2, 1991), conformed by four government representatives (Ministry of Agriculture and Livestock), two private sector representatives and one USDA-APHIS official. However, we must take into account an organizing process previous to establishing the Commission, which adds up to 8 years. The process required participation from many sectors involved in the poultry industry, as well as a series of activities, including the following:

- Preparation of a Handbook for preventing, controlling and eradicating Newcastle disease, to be used in case of an outbreak.
- Preparation of the Handbook on Procedures for Regulating Imports of poultry products and sub-products in Costa Rica.
- Seminar – Rehearsal of a Newcastle outbreak for official and pultry industry veterinarians, with USDA participants.
- Answering and translating the USDA-APHIS questionnaire required to apply for the Newcastle-free declaratory (it was sent to Washington on June 1993 and obtained US approval on September 1993).
- Several informative talks including varied teaching aids for small, medium and large poultry producers.
- Preparation and publication of informative brochures for producers, aimed at keeping them watchful of the disease.
- Visit from the USDA-APHIS authorities, in February 1994, who in turn met with the Newcastle Commission in order to evaluate progress in the declaratory. On April 1994, the USDA sent its report on its previous visit to Costa Rica.
- National Sampling of backyard birds (in high-risk areas such as those near the northern border, located in areas containing large poultry farms and near the Juan Santamaría International Airport) and industrial enterprises including laying hens.
- The study included sampling of 426 farms, of which 17 were industrial enterprises, 405 were households with backyard birds and 4 were other sorts of birds. A total of 3,065 birds were sampled nationwide.
- Serological Laboratory Diagnosis.
- Implementation of the Epidemiological Vigilance sampling in poultry breeding farms and backyard birds in hazard-prone areas.

The Newcastle-free declaratory took place on April 26, 1996, when Costa Rica unilaterally declared itself Newcastle-free after considering it had accurately complied with the full process. However, after unilateral declaration, the country had to wait one more year for official recognition from the U.S. This came about on June 6, 1997, when the US published officially Costa Rica's change of status and included the country in the list of eligible countries.

Source: Vargas (1996) and USDA-APHIS (1997)

4.3 United States Import Requirements for Poultry Products

The Food Safety Inspection Service (FSIS) regulates imports of live birds and poultry meat in the US, through the Poultry Products Inspection Act. These regulations require that live bird imports undergo quarantine, and that poultry meat be healthy, adequate for human consumption and compliant with all standards, rules and regulations applied to similar domestic products. Imports must originate from plants and countries approved to export into the US, and have previous label approval (See Box 2).

4.4 Hazard Analysis and Critical Control Point (HACCP)

The HACCP was introduced into the poultry sector in 1996 in order to avoid contamination, through identification and control of certain points of the production process prone to contamination hazards (USITC, 1998:16). The system has generalized into the whole of US poultry industry and has become one of the latest animal health requirements to enter the market. Actually, the test has been around for a few years now: It was first used by NASA, in 1958, to ensure absolute sanitary conditions for food taken into space. At the beginning of the seventies, the HACCP was documented in the US and in the eighties the system was used worldwide. Both the European Union and the US began implementing it in their alimentary industries. The HACCP is a standard quality-control system and can be applied to several activities, not only to the poultry industry.

The Codex Alimentarius Commission has recognized the HACCP as a requisite for food treatment. In a recent communication, the Commission states that:

“The Hazard Analysis Critical Control Point System (HACCP) was conceived as a way of ensuring food safety. Governments are responsible for encouraging the industry to apply the HACCP system to analyze potential hazards, identify the points where these can be controlled and describe process parameters and their critical limits, as well as follow-up procedures. Operators are trained to control the part of the process they are responsible for, to follow-up the efficacy of their controls and to adopt adequate corrective measures in the case of deviations.” (FAO, 1999).

Box 2**Procedure Required to Export Meat and Chicken to the United States**

The first requisite for exporting poultry products to the US establishes that they must have been produced under standards equivalent to its own, regarding safety, wholesomeness, and labeling accuracy. The authorities responsible for enforcing these measures are the United States Department of Agriculture (USDA) and the Food Safety Inspection Service (FSIS). The FSIS oversees products such as livestock, sheep, pigs, goats, horses and all poultry products. The latter include all processed products including more than two or three per cent poultry meat as a basic ingredient.

In order to export to the US, the country's competent authorities must approve both plants and country of export. The process to declare a country eligible involves a stage of document evaluation and a stage of on-site inspection. The initial evaluation delves into the exporting country's laws and regulations, focusing on five key hazard areas, such as contamination, disease, processing, residues and economic fraud. If the result is satisfactory, in the next stage a US technical team visits the country in order to carry out an exhaustive evaluation of equipment, laboratories, training programs, inspection systems, in short, an inspection of the plants. Once this phase is concluded, if the FSIS deems the system "equivalent" to that of the US, the country becomes eligible for exporting poultry meat to the US. Periodical inspections will take place later on to ensure continuity of this equivalence between both countries.

Once the country holds a stamp of approval, it may export meat to the US, but in order to do so it must first submit to import inspection requirements. One of them concerns labeling. Import inspections require labels on the containers as well as labels detailing the product. The latter must comply with requirements for household products.

Certified export plants must have their labeling approved before they prepare the product to export it. Labels must be in English and include name of the product, establishment number and country of origin, name and address of the manufacturer or distributor, net amount, list of ingredients and handling instructions. Large shipments do not require pre-approval, but they are inspected at the port of entry. For meat and chicken shipments, the FSIS requires i) an original certificate from the country of origin, indicating that the product was inspected by the national inspection service and is eligible for export to the US; ii) import inspection Report and Form (FSIS form 9540-1).

Afterwards, through the Automated Import Information System, country, plant and product are examined to determine whether they may be exported to the US. Results generated by this program may suggest two alternatives: a) preliminary inspection was enough and no further inspection is required (cases with a good history record) and b), a series of inspections including detailed checking net weight of packages, examining container conditions, searching for defects in the products, laboratory analysis of product composition, microbiological contamination, residues, species. In conducting these inspections, a certain amount of product is randomly selected and examined by FSIS import inspectors. When product samples are sent to FSIS laboratories for analysis, the shipment is usually released before test results are received. However, if the plant had previous violations or a problem is suspected, the shipment is held until laboratory results are known. When a shipment passes inspection, each shipping container is stamped with the official mark of inspection and released into U.S. commerce. From this point, the shipment is treated as domestic product.

If a shipment does not meet U.S. requirements, the containers are stamped "U.S. Refused Entry," and within 45 days must be exported, destroyed, or--with the approval of FDA--converted to animal food.

Source: USDA. Food Safety and Inspection Service, *Importing Meat and Poultry to the United States: A Guide for Importers and Brokers* (<http://www.fsis.usda.gov:80/OA/ptograms/import.htm>), September 20, 1999.

HACCP implementation is an irreversible trend in worldwide food industries, although some countries seem to be lagging behind. We dare suppose that as long as the system is not perfectly well established in all countries, it will become another obstacle to trade, albeit a legitimate one.

Box 3
Newcastle and the HACCP

It is convenient to distinguish between the Newcastle-free declaratory and the implementation of Hazard Analysis Critical Control Point system (HACCP), although both concepts influence current performance and future of the poultry industry.

The exotic Newcastle Disease attacks birds, causing a high degree of mortality. That is, the existence of Newcastle risks poultry related activities in areas where it is found, therefore the need for protection against its entry. However, we must clarify that, contrary to popular belief, Newcastle poses no threat to human health.

The HACCP, in turn, is a system for attempting wholesomeness in food, in this case in poultry products destined for human consumption. Therefore, HACCP seeks to reduce contamination hazards of poultry meat with virus and bacteria. This is why the program is designed to identify those points in food processing most liable to contamination and to establish controls to prevent it from taking place.

Box 4
Veterinary Equivalency between the US and the European Union

In recent years, poultry trade between the US and the European Union (EU) has been disrupted by concerns over health and food safety standards, mainly since an agreement on veterinary equivalency failed to be reached by April 1997, following which imports of US poultry to the EU were banned. The mayor obstacle in reaching a veterinary equivalency agreement was disagreement of the use of chlorinated water in US poultry plants as a method of anti-microbial treatment. The EU does not allow for such treatment in poultry processing, while the US believes it is a safe and effective way to reduce the presence of pathogens that could seriously damage health.

However, it was agreed that EU scientists would begin work on a study of poultry decontaminants, residue testing, and anti-microbial treatment, including the use of chlorine. If the study finds that health and safety methods do not entail health risks, the EU has said it will consider a change in its regulations, which would open the EU market to US poultry.

As a “retaliation” of sorts, between May and November 1997, the US Government determined that European poultry plants were ineligible to ship their product to the US because the former had not applied the HACCP system, which is required for exporting poultry to the latter.

5. MARKET ACCESS OBSTACLES FOR POULTRY PRODUCTS

5.1 United States Complaints about Market Access Obstacles

While the U.S. has a restricted entry policy regarding its own domestic market, it has complained about facing access obstacles for its poultry products, ranging from sanitary measures and prohibitive tariffs to bureaucracy.

At the Central American level, complaints focus on discriminatory sanitary measures, for the same measures are not exacted from domestic products. Since 1992, El Salvador imposed a zero-tolerance measure for diseases such as avian adenovirus and salmonella and the U.S. in turn states that its exports towards the country have virtually ceased. Honduras is also mentioned, accused of establishing animal health measures that have blocked US exports of cut-up chicken throughout the nineties. The same happens with the Dominican Republic. Complaints in relation to Panama state that the country's government requires certification of U.S. processing plants as a condition to import poultry products, which sometimes causes such delays that trade is paralyzed. Mexico poses an interesting case, because we can notice a change of its trade policies towards poultry products, brought about by NAFTA. Previously to the treaty, complaints from this country's northern neighbor were that importing licenses considerably limited trade amounts. After the treaty, and tariffication, complaints have migrated towards health measures. The US points out that Mexico applies health measures to poultry products, such as inspections at the entry port, which do not reflect agreements between the USDA and its Mexican counterpart, resulting in unnecessary delays in borders, ports and airports.

Table 5
United States Access to Market Complaints in Selected Countries

Country	Complaint
<i>Costa Rica</i>	Prohibitive tariffs
<i>El Salvador</i>	Discriminatory and protectionist health measures
<i>Guatemala</i>	Wrongly established tariff levels
<i>Honduras</i>	Discriminatory and protectionist health measures
<i>Nicaragua</i>	No particular complaint was mentioned
<i>Panama</i>	Discriminatory and protectionist health measures
<i>Dominican Republic</i>	Discriminatory and protectionist health measures
<i>Mexico</i>	Discriminatory and protectionist health measures

Source: USTR. *National Trade Estimate. Report on Foreign Trade Barriers* (1993-1998)

Regarding Canada, Costa Rica and Guatemala, U.S. trade authorities say that tariffs have become so high they are prohibitive. In the Guatemalan case, the U.S. complains that it has manipulated reference prices to calculate both tariff-quotas as non-quota tariffs in such manner that now they do not reflect real prices, doubling the tariff they charge. Although the final tariff does not exceed the one Guatemala negotiated for poultry products in the WTO, the complaint revolves around the manner in which the tariff is established.

Tariffs within the quota are yet another tariff category established as a part of the Uruguay Round tariffication process, which entailed an obligation to allow access at lower rates, in order to maintain access for products incoming from other countries more or less unalterable. In these cases, the complaint is that even the tariff within the quota is prohibitive.

Towards the end of 2000 (December 16), the Costa Rican government modified import requirements for poultry incoming from the U.S. Starting from that moment, products are required to be free of a) Newcastle disease, b) aviar influenza, c) *Salmonella pullorum*, d) typhoid fever and e) ornithosis. Also, the slaughterhouse processing the birds and the plant producing them must undergo an official inspection and be authorized to export meat. They must have also official certification from the competent authorities from their own country, stating they are apt for human consumption. Finally, plants must have been inspected and approved by the corresponding Costa Rican authorities.

The new requirements came into force on January 1, 2001, and from there on poultry imports from the U.S. have been suspended. This country's government manifests that the measure is unjustified, because previously inspections from the USDA sufficed. In turn, Costa Rican authorities point out that indeed there used to be more flexibility for this products, but now the new legislation is applied and therefore plants must be inspected by national (Costa Rican) authorities.

5.2 United States Barriers to Latin American Exports

The Economic Commission for Latin America and the Caribbean, ECLAC (1997) published a paper on U.S. barriers to Latin American exports. The study point to three general conclusions:

- i) Tariffs do not constitute an important barrier to Latin American and Caribbean trade. In 1997, 70% of the region's exports to the U.S entered free of tariff.
- ii) The extensive amount of health standards in the US has become a barrier to exports.

The US health system is very complex, owing to the existence of regulations on a federal, state and local level and their consequent overlapping. Barriers have taken the shape of consumer and environmental protection, so sometimes it is hard to really see them as trade barriers. Some concrete cases, for example plant health regulations for fruits and vegetables, present numerous difficulties for Latin American and Caribbean exports such as Mexican avocados or Brazilian apples, grapes and mangoes. Strangely, the ECLAC study does not include specific complaints regarding poultry products.

In a recent paper from the Central American and Caribbean Federation of Poultry Producers we find that:

“To avoid the use of health measures as covert restrictions to trade is actually more of an aspiration than a reality, due to the protectionist attitude assumed by some first world countries, who use their high scientific and technologic level in poultry health to establish health measures that turn into non-tariff restrictive barriers to market access. Thus, it is not strange that when a partially exporting country reaches a certain level, close to the established norm, the norm is modify to make compliance with it more difficult.” (Búcaro, 1998:40).

- iii. Subsidy programs are barriers to Latin American trade.

In the subject of subsidies we find the most references to poultry products. This U.S. sector is an important beneficiary of programs subsidizing agricultural production.¹³

¹³ Subsidy programs in the U.S. are acknowledged trade barriers for Latin America, but there are no concrete estimations of whether they have directly affected trade in the region.

5.3 Recent Modifications to Central American Internal Health Measures

During the year 2001, health requirements imposed by Central American countries have varied due to the appearance of new conditions to poultry production. Honduras, for example, has suspended poultry imports from El Salvador since April 19, 2001, citing aviar influenza contamination. This measure, according to the El Salvador Association of Poultry Producers (AVES) is costing the local industry weakly losses of \$400,000.

Nicaragua forbade imports of Honduran poultry, because the OIE declared the latter contaminated by aviar influenza. At the same time, poultry imports from Guatemala were already forbidden, so that Nicaragua allows only poultry imports from Costa Rica, El Salvador and Mexico, as long as these countries maintain its same health measures.

As we may see, animal health measures may change within short periods, which generates uncertainty in the entrepreneurial sector. These quick changes could also explain why national entrepreneurial sectors have focused on supplying domestic markets. All of the above participates from the general lack of order and regional cooperation in these matters.

6. HEALTH MEASURES IN THE POULTRY SECTOR AND THEIR CONGRUENCE WITH THE SPS AGREEMENT

Doubtless, trade liberalization processes have made tariff levels and the existence of quotas, among other trade-restricting measures, gradually lose their relevance. The complete opposite has occurred regarding elements such as plant and animal health import requirements, which have become more and more critical as factors “guiding” international trade of certain products. Their importance is reflected in the increase of notifications to the WTO of technical measures imposed by member countries during the latest years. Most of these measures are imposed by developed countries. This reflects the fact that technical measures may act, whether explicitly or implicitly, as barriers to trade in a manner similar to that of tariffs or quantitative restrictions.

Health barriers to trade may adapt three different forms: 1) they prevent trade through an import prohibition or by skyrocketing production and

marketing costs. 2) They may deflect trade from one provider (country) to another, which would discriminate among suppliers. 3) They may reduce global trade by increasing costs or raising barriers for all potential suppliers (Henson and Loader 2001)..

Developing WTO member countries usually face obstacles to participate in the SPS Agreement, because their formal representation in this organization is generally very small or nonexistent. This fact prevents them from taking advantage of the Agreement's potential benefits.

In this sense, the existence of animal health measures in the trade of poultry products within Central America and with the U.S. reflects a more generalized situation affecting many agricultural and animal products. As we have stated above, existing restriction for poultry products are basically focused towards protecting human and animal health. This means it demands that products be free from certain diseases, such as aviar influenza and Newcastle.

From the technical viewpoint, animal health measures established for poultry products on a regional level are justified because they prevent the spread of disease. This faces us with a situation where measures look after human, plant and animal health and therefore are justified within the WTO frame. The measures can not be dismissed as non-tariff trade barriers because if a country can prove it is disease-free, and at the same time complies with the HACCP, it should be able to export to its chosen destination. In this sense, there would be no discrimination among countries. On the contrary, the same measures would be imposed on all countries as a requisite to export their products, which would concur with the SPS Agreement.

The same Agreement states that transparency in the establishment of animal and plant health measures is a cornerstone to international trade evolution (Article 7 of the Agreement). Full knowledge of dispositions should help activate trade in a series of products. However, each country establishes its own health requirements within the frame of what is considered as an "adequate protection level" for the country, but this level is very hard to define. Thus, when one country objects to another's health requirement, the latter must simply justify why it feels this particular measure is necessary. That is, countries have a wide scope to define health protection measures

they deem necessary, and under bad faith or retaliating conditions, they can become non-tariff barriers to trade.

On this point, the Agreement allows governments to impose import requirements, more stringent than international standards, and in the pertinent cases, they have to demonstrate scientifically exactly which international standards are deemed insufficient.

There is another noteworthy element. The same Agreement establishes a segment relative to technical assistance developed countries may give to developing ones in order to help them comply with demanded health requirements. Article 9, paragraph 2, states:

“When substantial investments are required for a developing member country to comply with animal or plant health requirements posed by a developed member, the latter shall consider the possibility of giving technical assistance necessary to enable the developed country to maintain and increase its access opportunities for the product at hand” (SPS Agreement).

What the Agreement establishes is the *possibility* of developed countries offering financial and technical help to developed ones. And this possibility depends on the will and need developed countries may have to import certain products. Besides, there “exists evidence that much of the technical assistance is reactive – it is provided once compliance problems with the SPS Agreement have been identified – instead of being part of a strategy leading to improve the country’s existing capacity.” (Henson and Loader, 2001:98, quoting from Horton, 1998). This places us in a context where developed countries’ interest in helping another country to comply with animal health requirements would arise only under conditions where traditional suppliers would be unable to satisfy demand. Under other conditions, what incentives could a developed country have to give technical assistance to developing countries, if it does not really need them to supply the product?

In this regard, technical capacity installed in developing country becomes crucial, because the possibility of carrying out all the tests necessary in the long process of acquiring disease-free status depends on it. In this case, cooperation between private sector and government within the country is indispensable, as the Costa Rican case proves. Here, all expenses to finance

a technical supervisor of procedures leading to the Newcastle-free declaratory were undertaken by the private sector. It would be interesting to think about the possibility of developed countries helping developing ones to increase their technical capability and face the process of disease-free declarations or to comply with requirements in general. Again, however, this would only be possible if developed countries needed more suppliers of the product at hand; otherwise, only the traditional structure of suppliers will continue to exist.

The important issue is that compliance with animal and plant health requirements implies increases in final costs, which may affect export competitiveness and could restrict access to certain markets. Therefore, technical and financial support from developed countries could help lessen the financial load posed by compliance with these requirements.¹⁴ However, in the current frame of the Agreement, the probability of aid in this sense is very restricted.

This is not the only cost of compliance with health requirements. There are other elements which, although they are not costs in themselves, turn into restrictions. For example, the whole process of convincing both the entrepreneurial and the public sectors of the need to advance towards compliance is costly enough. The typical instability of high-ranking government posts bears a cost, also: generally, changes in government imply a change of direction. Thus, there are no long-term policies or a clearly defined, credible policy, either. *Along our research we have found that there is a gray area between the legitimacy of animal health requirements and the lack of political will from the private sector and the government to solve these problems*, which is certainly true in the case of the poultry sector.

In short, we observe that the SPS Agreement offers some disadvantages to developing countries. First, because they generally lack the technical staff needed to deal with the decision-making process within the Committee on Sanitary and Phytosanitary Measures, so that most proposals come from developed countries. Second, developing countries' institutional capacity is limited by the scarcity of resources available to comply with export requirements for certain products, such as poultry. Third, technical and financial support from developed countries is conditioned to the need these

¹⁴ For example, in Costa Rica a routine inspection on a national level to ensure the country is Newcastle-free costs approximately \$3000.

countries may have for new suppliers, not necessarily to developing countries' desire to export the product.

Therefore, although health norms for trade in poultry products within Central America and to the US do present a scientific justification, it is also true that nothing guarantees the measures will not become non-tariff barriers to trade.

7. CONCLUSIONS

Poultry products are consumed and produced throughout the World. The term "poultry products" comprehends production of chicken, turkey, duck and geese. On a global level, the US is the largest producer and Russia the largest importer. The Central American region produces as a whole one per cent of the World total. Trade within the region is scarce, arising mostly when there are shortages.

The last decades have seen a sharp increase of per capita poultry consumption, especially because this type of products is preferred to fattier red meats. For some countries, the possibility of increasing per capita poultry consumption is the main option for poultry industry growth.

It is important to make a practical distinction between chicken breast and the rest of the cut-up chicken. In the US, the breast is sold at comparatively higher prices, while chicken pieces such as legs and thighs are sold at very low prices. This situation instills in Central American producers a measure of fear of opening the market for cut-up chicken. The above took shape in tariff commitments achieved at the end of the Uruguay Round, where it is clear that most Central American countries taxed chicken pieces establishing considerably higher tariffs outside the quotas than within them.

Poultry-growing is becoming more and more subject to animal health requirements as a requisite to access international trade. In this sense, international treaties have established regulatory frames for these sorts of measures in order to prevent their becoming barriers to trade. Among these frames, we may highlight the WTO's SPS Agreement. Regardless, complaints about the existence and permanence of trade obstacles of this nature persist among poultry producers both from developed countries as well as from developing ones.

We may cite as an example the fact that access to the U.S. poultry meat market has been so far an impossible task for Central American producers. Costa Rica, for example, has climbed another step of the process with the Newcastle-free declaratory. The next step will be implementing the HACCP, although producers are already wondering if, once this stage has been finalized, a new series of norms will appear and prevent trade. Recognition that Costa Rican plants are implementing the HACCP is still pending, though, due to delays by Costa Rican authorities in handing in the protocols, which they did in December 2000. The next stage is respective accreditation by the U.S. government.

Obviously, economic logic dictates that Central American countries should import dark meat from chicken and export the white meat (breasts), benefiting both producers *and* consumers. However, this does not happen due to the existence of non-tariff barriers of the animal health sort. It seems unlikely that negotiations within the WTO shall solve the problem, although it should not be so hard to do so in negotiations carried out within the frame of the Free Trade Area of the Americas (FTAA), where an agreement for cooperation and transference of technology could be the *pari passu* complement of any tariff exemption.

However, the Central American entrepreneurial sector does not show a clear priority of exporting to the U.S. Costa Rica has taken a big step with the Newcastle-free declaratory, but it has yet to implement the HACCP. The rest of the countries in the area seem to share a consensus in focusing only towards the domestic or regional market, partly because opening the market could imply not only export growth, but also an increase in imports, which could affect the “hegemony” local producers have enjoyed throughout the region.

Regarding the concordance between animal health measures applied to poultry products and the SPS Agreement, the former are indeed technically justified. In this sense, it would be necessary for developing countries to seek more help from industrialized ones in terms of technical and financial transference to comply with health requirements. However, the WTO agreement does not force countries to give help, it only establishes the possibility for them to do so. Also, developing countries should increase their participation in the Committee on Sanitary and Phytosanitary Measures, as well as in international poultry sector organizations; once again, however, we return to the problem of lack of resources. Only in a

system that guarantees transparency of health measures imposed by different governments – especially by developed ones – can national governments apply the measures necessary to comply with specific requirements. This is an important, even a necessary condition for developing countries to implement long-term measures. Finally, on the Central American level, it is indispensable to establish institutions (organizing and normative) that guarantee stability and transparency of the said requirements. This institutionality would respect national prerogatives of inspection and verification, but at least it would render standards more homogeneous and less volatile, promoting competitive development of the regional poultry industry.

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