

Development Aspects of Food Safety and Quality Requirements and their Implications for Developing Countries

Statement of
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Please check against delivery

Thank you Mr. Chairman.

At the outset, I would like to commend UNCTAD and PhilExport for convening this meeting. I would also like to congratulate Dr. Hoffmann for his comprehensive presentation, which has made my task significantly easier.

As time is limited, and as there are many speakers, I will try to be as brief and concise as possible. I would therefore like to begin with a brief overview of the broader perspective of safety and quality requirements and development. I will then discuss some aspects that have to be addressed in order to meet the development challenges of safety and quality requirements, and the role of the United Nations and UNCTAD in the area of safety and quality requirements. I will, in closing, elaborate on some developments in the intergovernmental process.

At this point, I would like to note that for the sake of brevity and simplicity, I will refer to food safety and quality requirements as “standards.”

Safety and Quality Requirements and Development

Mr. Chairman,

This meeting comes at an important time for developing countries. In the middle of this year in Doha, Qatar, developing countries held their Second South Summit where leaders of the developing world articulated their vision of development.

This year also marked the 60th anniversary of the United Nations, the highlight of which was the World Summit held in New York in September. That Summit reaffirmed the centrality of development in the United Nations, including recognizing the importance of accomplishing the Millennium Development Goals by 2015. The Summit also launched an important process of reforming and strengthening the Organization.

Most if not all of us here are also aware that the forthcoming 6th Ministerial meeting of the World Trade Organization, to be held in Hong Kong next month, will help to determine to an important extent the direction of the on-going Doha Round, and the full realization of its development dimension.

In all of the above processes and meetings, the importance of trade as an engine of development has been repeatedly reaffirmed and recognized. However, it has also become clear that progress in the area of development has not lived up to expectations. In fact, it has become increasingly clear that many countries will not be able to accomplish many of the MDGs on their own.

One of the most important development challenges therefore is to fully harness the benefits of trade as an engine of development while mitigating the negative effects of increasing globalization and global integration. Consequently, the principal developmental challenge in the area of standards is how to balance legitimate quality and safety concerns with the need to maximize the trading opportunities for developing country firms, especially where they have comparative advantage over their developed country counterparts.

This is not an easy equation as there are at least three major constraints. First, and most fundamentally, is the question of confidence in the objectivity of standards. Then there is the question of overcoming the confidence gap between developing and developed countries. Third, there is the challenge of capacity of developing country firms to meet the challenges imposed by standards.

Confidence in the Objectivity of Standards

At the outset, it is evident that standards have their benefits. For example, increasing awareness of safety and health issues has led to the elaboration of standards that better protect consumers from preventable risks.

Indeed, consumers increasingly look for greater assurances of product safety and quality. There is also an increasing desire on the part of consumers to nurture the environment and minimize environmentally harmful practices. Governments have reacted by developing regulations, and non-governmental organizations are taking on a new role in the development of standards and codes of conduct. A large number of companies have also begun imposing strict requirements on their suppliers.

Yet notwithstanding that in many cases standards are based on legitimate and necessary considerations, there is the perception of many developing countries that some developed countries are using standards as non-tariff barriers. Indeed, developing countries are concerned that environmental and related health requirements are becoming more frequent and stringent in key export markets for developing countries.

Compounding all of these concerns is the lack of transparency that often surrounds the formulation of these standards. Several factors contribute to the problem of transparency. First, and my apologies for the following play on words, there are no standards to govern the formulation of standards. The process of consultations and negotiations that normally applies to the formulation of intergovernmental regulations is usually not present – and successful voluntary standards often become precursors of regulations.

Second, as these standards can come from a wide variety of sources, they are much harder to track and harmonize as compared to intergovernmental regulations.

Finally, it is often difficult for companies to know whether they should invest in making adjustments required to meet new standards, as not all standards are applied with equal vigour or zeal. This is more likely to affect SMEs as opposed to their larger colleagues.

In light of this, developing countries must be more proactive and involved in the area of standards, starting with their active participation in the process of standards development and ex ante impact analysis.

North-South Confidence

These concerns and a combination of recent events have also broadened in many ways the confidence gap between developed and developing.

The negotiations leading to the World Summit, for example, highlighted the many differences that still exist between developed and developing countries in how to approach development. At the danger of over generalizing, developed countries still in many respects espouse a vision of development that assumes that what worked for one country will work for all, while developing countries assert the need to address unique conditions and circumstances.

There is also a concern that developed countries take an approach to development that is too patrician, assuming that they know best because they are developed. This does not take into account the broad complexity of the development challenge, including historical reality and the fact that the global economic system was designed primarily for the benefit of the major powers, being designed as it was immediately after the Second World War, and still in the midst of the colonial experience and outlook.

For their part, developing countries have sometimes been guilty of not adequately taking into account the concerns of developed countries, including on questions of governance. Indeed, developing countries have been reluctant to accept wholeheartedly the commitment to good governance at the national level out of concern with conceding ground on the call for reforms of global economic governance.

Aspects of this dynamic can be seen in the ongoing WTO negotiations, and the current discussions leading to the Hong Kong Ministerial. It is also clearly manifested in the ongoing debate over standards, especially their formulation and implementation.

The Capacity Challenge

From the point of view of developing countries, a question of considerable importance is capacity to meet externally imposed standards. These standards inevitably raise the cost of production, thus eroding the competitiveness of developing country producers in relation to their developed country competitors.

In addition, global standards applied locally by chain retailers can act as constraints on producers to supplying important segments of their domestic market. This is problematic from a development point of view as it especially discourages SMEs

from targeting certain domestic market segments, and also restricts access by poorer consumers to quality products.

Another important capacity constraint is access to information. A key element in effectively addressing the capacity challenges posed by these standards is therefore the level of awareness of the industry participants. Subsidiaries of major multinational firms have a high level of awareness as they have access to information on requirements and standards from company headquarters, as would be the case with contract suppliers. It is also important to ensure that this degree of awareness permeates throughout the industry, particularly the smaller players.

Addressing Aspects of the Development Challenges of Standards and the Role of the United Nations and UNCTAD

Mr. Chairman,

In order to ensure that standards are consistent with the development objectives of the multilateral trading system, there is a need to ensure the full and meaningful participation of developing countries in standard-setting processes. Standards should therefore be formulated with the effective participation of all relevant stakeholders, including the affected governments, and the results conveyed in a transparent and clear manner. This is to take into account the broader developmental impact of these standards, including on the health of the affected industries and consequently on the economies of the affected countries.

There is also a need to design new standards in a transparent and inclusive way that is not more trade restrictive than necessary on scientific grounds. For this to be possible, the credibility gap between developed and developing countries must be bridged, and the field of standards depoliticized. This calls for a far greater reliance on cooperation and coordination of technical experts from both developed and developing countries, as well as fostering sufficient confidence that these standards are not intended as a complement to protectionist measures.

Finally, there is a need to strengthen institutional and technical capacity in developing countries to effectively and proactively respond to new standards in export markets. This includes sharing and disseminating information on new standards, as well as building capacity for developing country firms to meet the adjustment costs of new standards while remaining competitive.

Additionally, it is important to take into account that new standards in export markets, if properly applied, may also generate catalytic sustainable development benefits that should be exploited. Benefits also often go to stakeholders other than those shouldering the costs, and it is in this context that government has to play a proactive role. This will require putting in place the requisite institutional and managerial capacity.

The Role of the United Nations and UNCTAD

The role of the United Nations in the area of standards, particularly through the work of the United Nations Conference on Trade and Development is of special importance

particularly through the operationalization of UNCTAD's three pillars of policy analysis, consensus-building, and technical cooperation.

In practice, UNCTAD's policy analysis helps to clearly identify the issues involved in key development-related areas and provides a solid intellectual basis for addressing these concerns. Meetings such as this help to highlight the issues and challenges, as well as build a technical consensus on ways and means to better address the disparate elements involved. These efforts can then be disseminated and operationalized through national-level projects.

The unique value of UNCTAD's work as compared to other UN entities is that it combines in its discussions at the technical level all stakeholders such as the technical community, the business sector, and the intergovernmental process. The resulting technical consensus is then fed to the member states through its intergovernmental mechanism.

It is therefore gratifying for me to participate in an exercise such as this, where all of UNCTAD's three pillars work together in a concrete and tangible manner, while at the same time highlighting the importance of the governmental sector working closely together in partnership with the business sector.

The Intergovernmental Process and Standards

Mr. Chairman,

The Philippines has been very active in taking the lead in the area of standards. The Philippines, for example, was an early supporter of the consultations that led to the establishment at UNCTAD XI of the Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries. One manifestation of this continuing interest is the fact that the Philippine Ambassador to the UN in Geneva, Ambassador Enrique Manalo, chaired the first meeting of the CTF in November 2004.

The CTF is an open-ended and project-funded multi-stakeholder forum, composed of representatives from government, the business sector, NGOs, international organizations and academics. It aims to assist developing countries in analyzing key trends of environmental and related health requirements in export markets, and to exchange national experiences on pro-active approaches to meeting such requirements. The ultimate aim is to allow developing countries to maintain market access, harness developmental gains, while safeguarding social welfare.

In this regard, CTF activities will analyze and discuss ways of overcoming specific developing country challenges on the development and implementation of new environmental and related health requirements, as well as adjusting to them. The value added of the CTF includes several dimensions.

First, the taskforce links policy and capacity-constraint issues to develop a more holistic and development-oriented approach on environmental requirements and market access. Second, the CTF interfaces discussions in the WTO, notably in the

Committee on Trade and Environment on environmental requirements and market access, with other debates at the international and national levels.

Third, the taskforce includes in its analysis and discussion voluntary environmental requirements of the private sector and NGOs, thus providing a formal exchange mechanism between stakeholders and governments. The CTF also draws into the discussion stakeholders normally not involved in WTO debates, and can therefore play a particularly useful role for feeding findings and conclusions of its activities into the WTO process.

Finally, the CTF allows a regular exchange of information among agencies and initiatives that provide technical and capacity-building assistance in fields relevant to CTF discussions.

As Chairman of the first substantive meeting of the CTF in early November 2004, the Philippines saw that the taskforce provides a forum for well-structured and focused dialogue and networking on some key issues at the interface of environmental requirements and market access for developing countries.

At that meeting, a work program was adopted that directs CTF discussions on specific sector and country-focused experiences to address specific substantive issues. As part of this conference, the CTF holds a stakeholder consultation on one of the sector-focused project activities that have recently been launched.

This consultation will explore how national circumstances and development priorities can be adequately reflected in national codes on Good Agricultural Practice that are intended to be ultimately benchmarked to EurepGAP or similar standards. This benchmarking offers the opportunity for a harmonization of national standards under one umbrella, thus avoiding the complexities and costs of a myriad of divergent standards. In this regard, national GAPs should pay special heed to the situation of smallholders and to harnessing their potential.

Based on such activities, the CTF promises to be a discussion and brainstorming forum providing a holistic, development-oriented and pro-active approach, which goes well beyond the WTO framework. In this regard, the CTF can play a four-fold role: an analytical; a policy dialogue; an information exchange; and a technical assistance role.

In addition to the CTF, the Philippines has undertaken other initiatives in the area of standards. As Chair of the Asian Group in UNCTAD, the Philippines took the lead in ensuring that the subject of standards received the commensurate attention at major intergovernmental meetings.

The first opportunity arose in the preparations for the Second South Summit that took place in Doha, Qatar, in June of this year. Largely as a result of the Philippines' initiative, the heads of state and government agreed "To ensure that the comparative advantage of developing countries is not undermined by any form of protectionism including the arbitrary and abusive use of non-tariff measures, non-trade barriers and other standards to unfairly restrict access of developing countries products into developed countries markets and reaffirm that developing countries should play an

increasing role in the formulation of, *inter alia*, safety, environment and health standards.”

Developing countries therefore made standards one of their priority issues in the negotiations leading to the World Summit in September this year in New York, and this is one of the concerns addressed in the language that was agreed upon with respect to broadening and strengthening the participation of developing countries in international economic decision-making and norm-setting.

With respect to standards and our region, informal consultations are currently underway on how to highlight this as one of the principal areas of focus in operationalizing both the 2005 Jakarta Declaration on the accomplishment of the MDGs in the Asia-Pacific region, as well as the trade and development aspects of the New Asian-African Strategic Partnership (NAASP).

It is hoped that a ministerial-level meeting will take place next year to formulate a concrete action plan to implement the NAASP. It is expected that an inter-regional, ministerial-level consideration of the need to address standards in a holistic and comprehensive manner involving all stakeholders, will increase the profile of the subject of standards and will further catalyze developing country efforts. It is also expected that the forthcoming 62nd Session of the ESCAP, to take place in Jakarta in the spring of 2006, will address the subject of standards and their implications on development including the accomplishment of the MDGs.

It is hoped that these initiatives will facilitate addressing standards at the national-level, including fostering a more effective public- sector partnership. This would include cultivating a profitable division of labor that exploits their respective comparative advantages so that the business sector can do what it does best, which is to identify the areas of greatest interest and opportunity, and the public sector can then fill in the gaps including enhancing the necessary infrastructure while ensuring that the development dimension is fully taken into account.

Thank you Mr. Chairman.