BARBADOS
PRIVATE SECTOR
TRADE TEAM

Reconciling Health and Safety Concerns with Trade Policy

Successive international trade agreements have progressively reduced tariffs as barriers to trade in goods. Unfortunately, the reduction of non-tariff barriers has not proceeded at the same pace. Hence, there always remains the possibility of imposing certain types of non-tariff measures to provide protection to domestic producers within the limits established in the multilateral trading system. Non-tariff barriers are in the broadest sense a wide and heterogeneous range of policy interventions, other than tariffs, which distort international trade. Such policy interventions could include import quotas, restrictive state-trading practices, countervailing duties, technical barriers to trade and sanitary and phytosanitary (SPS) measures.

While it may be tempting to conclude that most of the policy interventions that are considered to be non-tariff barriers were erected to protect domestic producers against foreign imports, this is not necessarily the case. For example, over the last three decades there has been a steady growth in regulations governing health and safety and consumer protection, especially in developed countries. With justification, governments jealously guard the right to regulate these areas in the public interest.

The interface between health and safety issues and trade concerns frequently generates frictions. This is evident in the number of SPS trade disputes that have been referred to the Dispute Settlement Body of the World Trade Organisation. Examples of the negative effect of SPS regulations on trade performance are also evident in the Caribbean region. For example, presence of the pink hibiscus mealy-bug in fruits and vegetables in the 1990s had a damaging effect on trade in these products.

While it is important to ensure that health and safety standards are not used as instruments of protectionism, it is equally important to recognise that the pursuit of non-trade related policies (such as the protection of health and the environment) is equally legitimate. In the multilateral trading system, the Agreement on SPS arguably represents a compromise between these two principles. The SPS Agreement is intended to address measures designed to protect human, animal and plant life and health and is used to regulate SPS measures as non-tariff barriers.

Countries with weaker standards tend to view strong regulations to protect consumer health and safety as trade barriers while countries with stronger health and safety standards frequently argue that lax health and safety standards in the countries of origin represent an implicit and unfair subsidy to foreign producers.

Developing countries face a significant challenge in relation to the interface between trade policy and health and safety regimes. In order to successfully penetrate export markets, they are required to comply with the importing countries' health and safety regulations. However, while the SPS Agreement encourages the use of international standards, differing regulations in different markets significantly increases the cost of small producers doing business. In the case of small economies such as Barbados, this may mean limiting exports of some products to specific markets as the cost of compliance with the SPS regime in a range of other potential markets may not merit the additional expense.

In some export markets compliance with SPS regulations is further complicated by the existence of private standards. Particularly in developed countries, individual industry and private standards have become more commonplace as producers respond to consumer concerns. For instance, EurepGAP (now GlobalGAP) is a common standard for farm management practice created in the late 1990s by several European supermarket chains and their major suppliers. So even after meeting the importing countries' national SPS requirement, the product may also need to satisfy the private standards used by retailers.

If this issue is considered in context of trade agreements to which Barbados is a party, it is abundantly clear that any inability on the part of Barbadian exporters to comply with its treaty partners' health and safety requirements is likely to negate market access opportunities. In the case of the Economic Partnership Agreement (EPA), one of the areas earmarked for development co-operation is the enhancement of the technological and research capabilities of the CARIFORUM States so as to facilitate development of, and compliance with, internationally recognised SPS measures. Therefore, exploiting EPA opportunities for certain products will depend largely on the speed at which this development co-operation is operationalised and the manner in which it is done. At this stage, it would be prudent to take stock of the extent to which the domestic producers satisfy the SPS regulations in their main export markets and to consider what additional actions are required to ensure compliance with SPS requirements in other non-traditional markets.

Another salient issue is the state of the legislative framework in developing countries themselves. The lack of a modern legislative framework for monitoring compliance with health and safety issues serves as a worrying signal to trade partners that products originating from the exporting country may not comply with international standards. In Barbados, it continues to be of grave concern to the private sector that the Meat Inspection Act has been in draft for twenty-five years. This poses a significant challenge to some Barbadian producers who are fully compliant with the respective standards set by the International Standards Organisation (ISO) for their industry, but still find themselves unable to export partially as a result of the dated legislative framework. This will most certainly work against some exporters as they attempt to utilise the EPA to grow and diversify their export markets.

On the other side of the coin, as importers, developing countries often find themselves at a disadvantage in trying to effectively monitor whether imports comply with domestic health and

safety standards given their limited human resources and financial capacity. At the same time, domestic producers must satisfy these same domestic requirements.

In the final analysis, given the negative impact that health and safety regimes can have on international trade, the challenge to the Government of Barbados and the private sector is to work together to ensure that exporters are able to operate in an enabling environment which reflects international health and safety standards in order to ensure that Barbadian products can successfully penetrate foreign markets and, at the same time, be alert to instances in which trade partners are seeking to use SPS regulations as non-tariff barriers.