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# **The SPS Agreement**

**India Development Foundation**

**Pune**

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- Introduction to the SPS Agreement
- Situation in India
- Certain important issues



## The Sanitary and Phyto-Sanitary Agreement

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- ✓ Was signed during the Uruguay round of trade negotiations
- ✓ Primary objective: safeguard health or life of humans, plants and animals
- ✓ Approach route: ensuring food safety



## Minimum Standards

- ✓ Encourage member countries to follow international standards
- ✓ To be developed by CODEX, IOE and others within the framework of the International Plant Protection Convention



## Right to advocate own standards

- ✓ Based on scientific principles
- ✓ Applied such that they do not constitute disguised restriction on international trade



## Principle of Harmonisation

- ✓ The establishment, recognition and application of common sanitary and phyto-sanitary measures by the members



## Principle of Transparency

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- ✓ All members be aware of standards imposed by other members
- ✓ Obligatory for members to declare their SPS measures



## Product Standards

- ✓ Quality of the output
- ✓ Permissible level for pesticides, additives, residues etc.
- ✓ Permissible level of contamination and spoilage



## Processing Standards

- ✓ Guidelines for maintaining cleanliness during the production
- ✓ Provision for light, air and other hygiene conditions in the plants
- ✓ Level of technology to be used



## Testing Standards

- ✓ Various tests to be carried out for testing quality
- ✓ Procedure for checking hygiene conditions during production process
- ✓ Tests are usually carried out by independent bodies



## Certification Standards

- ✓ Identification of the agency giving the certificate
- ✓ The certificate specifies that the product and process standards are satisfied by the product in question
- ✓ The agency carries out regular surveillance to ensure that firms adheres to these standards



## Forced to comply

- ✓ Most countries specify what standard and procedure any one product must comply with
- ✓ These standards and procedures may differ across countries and across products



## Dispute settlement bodies

- ✓ These bodies fall under the WTO
- ✓ Addresses disputes between various countries
- ✓ Consists of representatives from all countries
- ✓ Gives judgment on basis of the rules of the agreement



## Approach to follow

- ✓ Raising issue at the industry level and not at firm level
- ✓ Initiative of the central government
- ✓ Be prepared to bear the transaction costs involved



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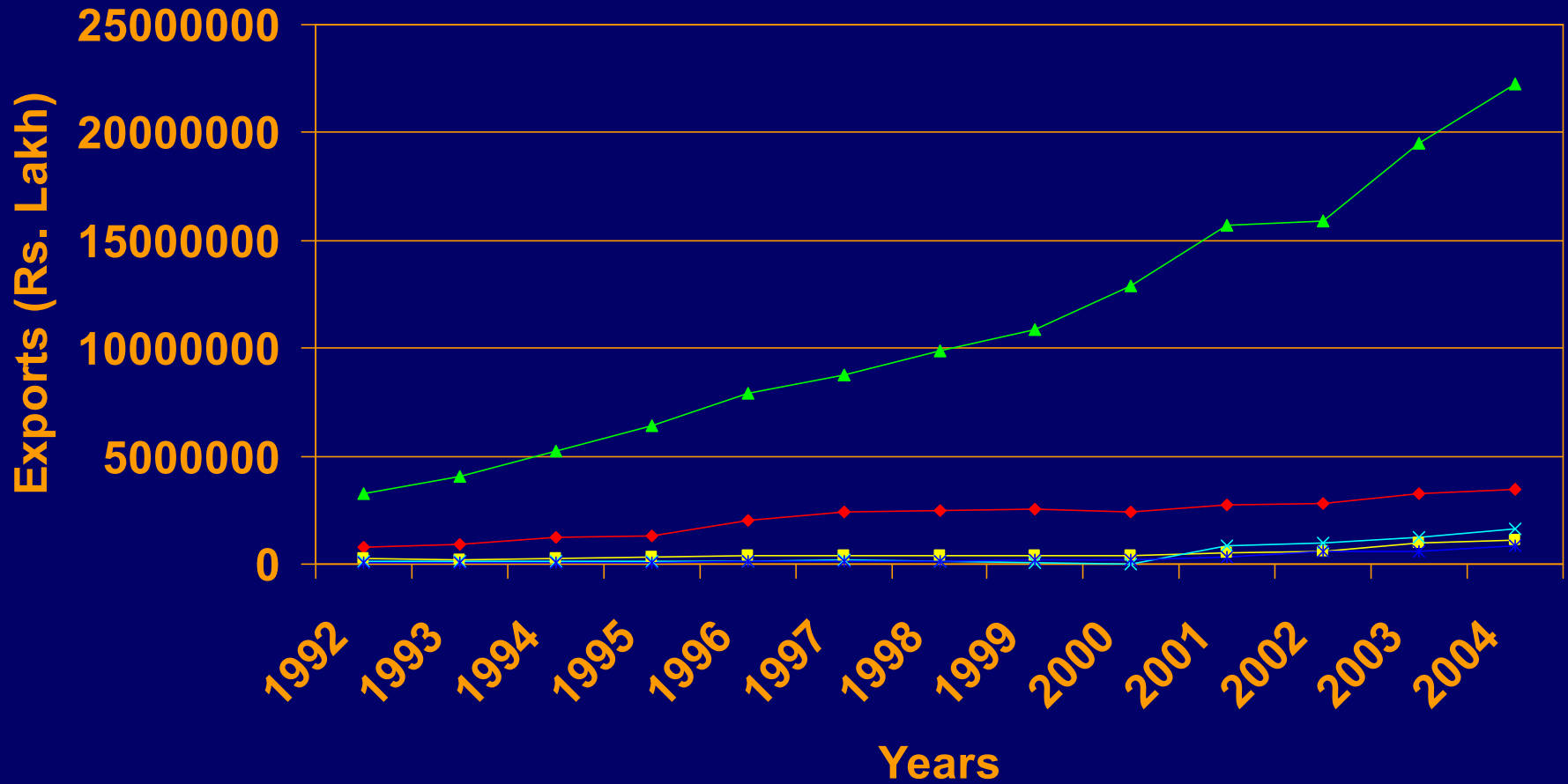
# Situation in India



## Agricultural Exports of India

- Largest producers for many food products
- Indian food market: above INR 250 billion
- Value-added products: INR 80 billion
- Food exports: INR 1350 million
- A higher proportion of exports are to other developing countries

# Exports from India



- ◆ Agricultural & allied products
- ▲ Manufactured goods
- ◆ Ores & minerals
- ✕ Petroleum & crude products
- ✱ Other commodities



## Snap-shot of the industry

- Growth rate of the food processing industry: 15 per cent
- Number of units in year 2004: 6607
- Installed capacity: 2.5 MT
- Direct Employment: 270 thousands
- Contribution to GDP: 5 percent
- FDI that came in year 2004: INR 3.5 billion



## Standard setting agencies

- ✓ Bureau of Indian Standards: the nodal agency for standards in India
- ✓ CODEX (India): the Indian wing of the international organisation CODEX Alimentarius



## Other agencies

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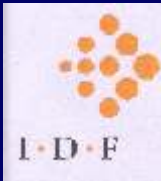
- ✓ Ministry of Food Processing Industries
- ✓ Export Inspection Council
- ✓ APEDA
- ✓ MPEDA



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# Some important issues



### Example

- ✓ EU provides more market access to those countries who do not have the capacity to fulfill even half of their quotas
- ✓ This may act as a barrier for countries that have the potential to become major suppliers to EU



## Unnecessarily high standards

### Example

- ✓ Presence of Maximum Residue Limit of Methoprene, a pesticide used in Mushrooms
- ✓ Tolerance limit specified by  
Canada: 0.05 mg / Its  
CODEX: 0.2 mg/lts
- ✓ Canadian standard is evidently more stringent



## Lack of required technology

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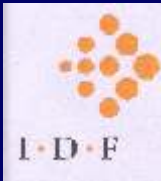
### Example

- ✓ EU allows milk and milk products imports only if it has been mechanically milked
- ✓ Difficult to achieve for countries like India where there are large number of small producers
- ✓ Possible solution is adoption of better technology at the co-operative level



## Example

- ✓ Shrimp industry in Bangladesh invested USD 18 million for adopting HACCP system
- ✓ The recurrent costs: USD 2.4 million per annum for maintenance
- ✓ Costs very high for a single firm
- ✓ Efforts required at the industry level
- ✓ Government co-operation also needed



### Example

- ✓ India
- ✓ Specific problem for countries with hot and humid climate
- ✓ Difficult to maintain very stringent norms for hygiene
- ✓ More prone to growth fungus and other infectants
- ✓ Possible solution by maintaining cooler conditions during processing and packaging



## Expected gains

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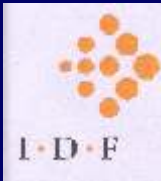
- ✓ Higher export potential
- ✓ Accessibility to more number of markets
- ✓ Better technology will help domestic market as well
- ✓ Better bargaining power for the country in standard setting procedure



- **Awareness among the producers and exporters regarding the SPS standards**
  - ✓ More awareness at the firm level
  - ✓ Awareness regarding both the gains and the challenges in store
  - ✓ More efforts by the industry organisations and government



- **Availability of adequate and timely information**
  - ✓ Information on the new standards being implemented by other countries
  - ✓ Information on standards implemented by international organisations
  - ✓ Information on disputes between other countries
  - ✓ A regular update on this information for all stakeholders



## Need of the Hour

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- **Availability of adequate resources**
  - ✓ Information is costly
  - ✓ Technological costs
  - ✓ Risk bearing capacity for the firm in case of detentions and rejections of consignment
  - ✓ Large firms have more resources, smaller firms have more challenges



## Need of the Hour

- **Active participation by the government**
  - ✓ More participation in standard setting procedure
  - ✓ More forthcoming in raising its voice in case of any dispute
  - ✓ More aware of any discrimination faced by industry in India



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Thank You

### Example: Mango

- ✓ Mangoes should be without damage
- ✓ It should display sufficient ripeness
- ✓ Maximum Residue Limit for pesticides like Carbendazim, Dithiocarbamates and Prochloraz : 2 mg/kg
- ✓ Maximum limit for presence of contaminants like Tin: 1 mg/kg

## Processing standards

- Example: Code of hygiene practices for spices and aromatic plants
  - ✓ Cleaning, packaging and transportation should be done so as to prevent re-absorption of water from air
  - ✓ Buildings should be of sound repair and should prevent harboring of pests
  - ✓ Packaging material being used should be such that it prevents contamination

- Example: Presence of Salmonella
  - ✓ Microbiological testing of meat products has to be carried for testing the presence of Salmonella
  - ✓ ISO 6579:1993 specifies the testing procedure

## Certification standards

- Example: export of marine products from Mauritius to EU
  - ✓ Official Veterinary Services (OVS) of the Ministry of Agriculture, Fisheries and Cooperatives is the competent authority
  - ✓ Products must come from approved vessels and cold storages
  - ✓ Consignment must be accompanied by a duly signed and complete certificate

- Example: export of black beans from Nicaragua to Mexico
  - ✓ Mexican authorities refused to furnish importers with the document containing the phyto-sanitary requirements necessary for the importation of black beans from Nicaragua
  - ✓ Failure in publishing the required phyto sanitary practices for import of black beans from Nicaragua
  - ✓ Nicaragua withdrew the complaint on after Mexico addressed the issue