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Challenges for the Global Agricultural Trade Regime after Doha

THE EU MEAT MARKET AND THE DOHA ROUND AT A GLANCE

Marija Banović
CIISA - Faculty of Veterinary Medicine,
Technical University of Lisbon, Portugal
admbanovic@fmv.utl.pt

Miladin M. Ševarlić
University of Belgrade, Faculty of Agriculture, Serbia
milsevar@eunet.rs

Abstract: Meat market has always had a special attention due to repeating crises and confidence breakdowns. Even though global meat trade has grown in the past decades, driven mainly by gains in poultry and pig meat originating from developing regions, many countries that produce and consume meat still remain disconnected by trade. Trade barriers, as sanitary and protectionist standards, have heavily influenced meat market. Sanitary standards related to animal diseases, food safety concerns and health issue awareness mostly identify those countries that are "free" and those that are "not free" of potential risks. Although sanitary barriers can inhibit trade flows they protect against the spread of serious diseases and other risks that can break animal production. On the other hand, protectionist barriers in the form of tariffs and tariff-rate quotas designed as domestic support may distort international markets and prevent significant potential trade in meats. The EU occupies an important position in the world meat market due to its export performance drawn from subsidies and sanitary and protection barriers that have been the focus of strong criticism by some developed and developing countries, among others. The Doha round has had an ambitious call in lowering protectionist barriers and achieving substantial improvements in market access and reductions of export subsidies and in trade-distorting domestic support. Yet, major protectionist barriers linger even so and the average global meat tariffs are higher than the average tariffs for other agricultural goods. Furthermore, these developments in trade liberalization and market access seem not to be only precondition for trade to occur as well as only answer to meat crisis.

Keywords: EU meat market; Doha round

INTRODUCTION

This study looks at the issues of policy-making related to trade in meat products between the European Union (EU) and developing countries. The main objective is to establish and evaluate how relevant EU policy is formed; having in mind that so called Doha Development Round or Doha Development Agenda (DDA) is the attempt of liberalization of world meat trade, whilst maintaining and raising the level of food safety and health care. The role of different forces both domestic and international is examined and EU reaction to criticisms related to sanitary and protectionist standards. This study also attempts to provide answers about the consequences of the Doha round on EU meat market, as well as to give some recommendations at overcoming this challenge and accomplishing a positive change.

Meat products have been selected to be central to the study, due to the high levels of EU support in the livestock sector, and especially in the production and trade of beef and veal. The EU provides subsides to beef and veal more than any other meat products. Likewise, EU grants export subsidies for beef. The other issue concerning EU meat market are high levels of Sanitary and Phytosanitary Standards (SPS) and European consumers' expectations concerning quality that poor meat producers in developing countries have difficulties in achieving. Furthermore, protectionist trade barriers in the form of tariffs and tariff-rate quotas, and previously mentioned trade-distorting domestic and export subsidies are also seen as having very negative influence on the economies of developing and especially of least developing countries. The EU is often targeted to reduce the impact of such negative policies, as these trade barriers in the agriculture sector place a divisive wall between a group of developing countries and the EU. Exactly this disbalance between EU's and developing countries' agriculture trade (and subsequent policies) has increased effort by some EU states to encourage policy consistency. The Doha multilateral trade negotiations targeted at further trade liberalization and at the same time the integration of developing and least developing countries is particularly important to EU policy. Any relevant change in EU policies could affect these countries in such a way that could lead to an increase of their net agricultural trade.

1. PROFILING EU MEAT MARKET

Meat products are among the most rapidly increasing components of the worldwide agriculture. Trends in the global meat sector from the 1990s until today can be described by gains in poultry and pork sectors and growth of meat consumption in developing countries, in addition to meat production growth which is dominated by developing countries (OECD-FAO, 2011). This growth is not only an indication of growing meat demand (as response to income growth), but also of more efficient production, processing and transportation.

The supposed meat sector revolution has been a central characteristic of both developed and developing countries. Although in many developing countries meat consumption is relatively low, it is still an essential part of their diet, health and income. Besides providing a source of income and food, livestock sector and meat products store value and insurance. In the last decade, stimulated by multilateral trade-negotiations like Uruguayan and Doha round giving developing countries better market access provisions meat trade grew in these countries around 3 % per year (in volume) (OECD-FAO, 2011). Nevertheless, meat trade is still considerably influenced by animal disease and food safety issues, and meat market stays profoundly divided by potential disease risks and quality. As a consequence, growth in many developed and developing countries may be restricted mainly to domestic demand growth. Any outbreak of disease like Foot and Mouth Disease (FMD) and Bovine Spongiform Encephalopathy (BSE) that cannot be contained within a country can affect domestic and international meat markets, not only for trade, but also for global consumption. Furthermore, high fragmentation of the world meat market due to sanitary restrictions poses a significant risk to the liberalization of the meat market. Likewise, environmental costs of production are increasing for practically all meats, and the implementation of new agreements that conditions production may have an effect on the growth of the meat sector.

Table 1: The EU-27 Share of the World Meat Market in 2010

Products	World production (1000 t)	World trade[1] (1000 t)	Proportion of production traded[2] (%)	% of world trade		Net EU share of world trade[3] (%)
				Imported by EU-27	Exported by EU-27	
Total meat of which:	295 462	28 566	9.7	4.1	10.9	6.8
Beef and veal	64 089	7 192	11.2	3.3	7.1	3.8
Pigmeat	109 167	8 591	7.9	0.4	15.9	15.5
Poultrymeat	86 545	12 784	14.8	7.3	8.9	1.6

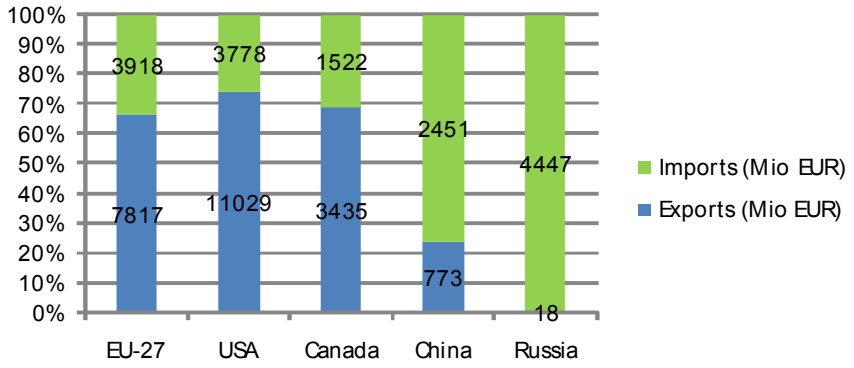
[1]Exports (excluding intra-EU-27 trade) and excluding processed products.
[2](World trade / World production) x 100.
[3]Net balance EU trade/world trade.

Source: EC-DGARD, 2012.

The EU is the world's largest importer and exporter of agricultural products and food (WTO, 2013). The EU occupies an important place in the global meat trade and it is a prominent producer of meat products. Table 1 above shows the EU's share of world trade in meat for the year 2010 (excluding intra-EU trade). The EU is the second largest exporter of meat products in the world after United States of America (USA) (see Figure 1). It is also second largest producer of pigmeat (after China) and third largest producer of beef and veal (after USA and

Brazil, respectively). The EU is self-sufficient in beef, pigmeat and poultrymeat (in 2011, 102.6 %, 110.9% and 104.2%, respectively) and human consumption of total meat in the EU is around 82 kg per head (European Commission, 2013).

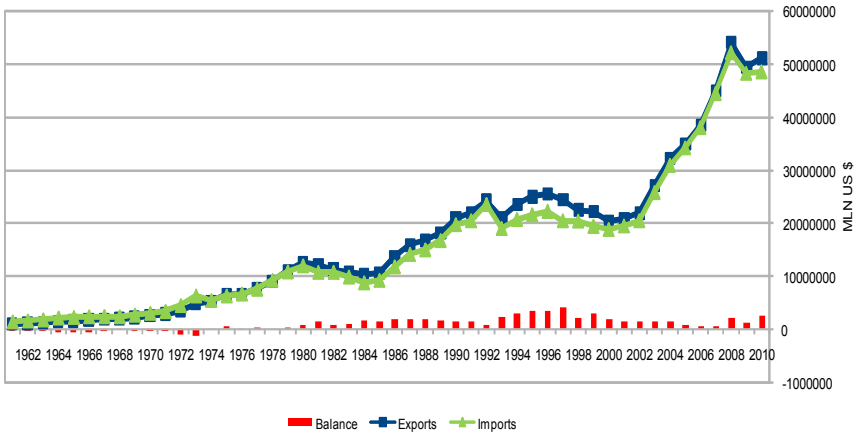
Figure 1: Trade in Total Meat by EU-27 and some other countries (2011)



Source: EC-DGARD, 2012.

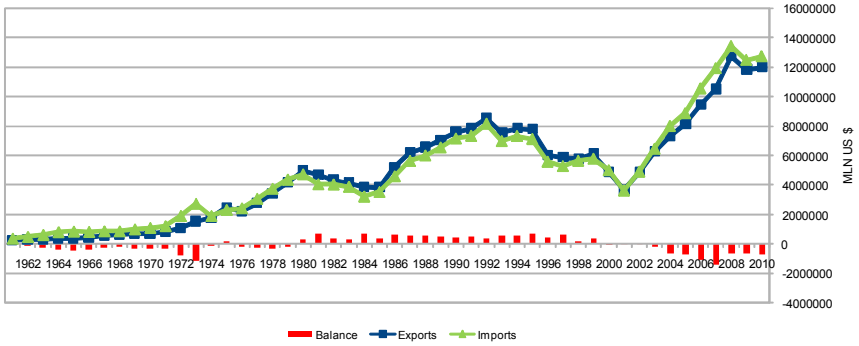
Recently, EU has almost achieved positive trade balances in total meat like during the 1990s, after some short period of stagnation (see Figure 2). However, these positive trade balances in total meat are mainly attributed to the positive trade balances of pigmeat (see Figure 3), as EU is the world's largest exporter of pigmeat (FAOSTAT, 2013). While trade balance of poultrymeat is slowly recovering, trade balance of bovine meat is on its lowest bases ever (see Figures 4 and 5).

Figure 2: EU Trade in Total Meat (1961-2010)



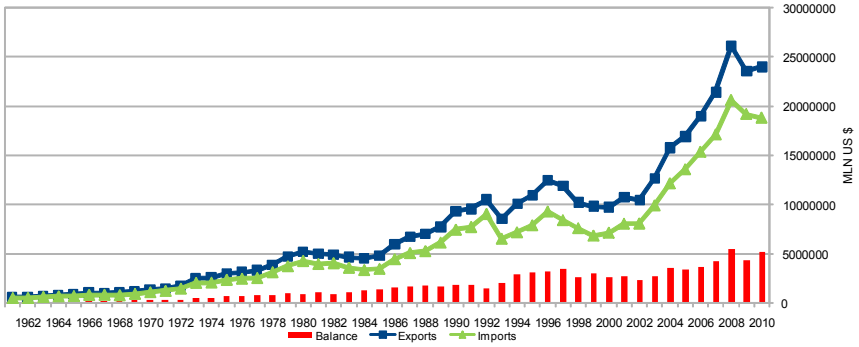
Source: FAOSTAT, 2013

Figure 3: EU Trade in Bovine Meat (1961-2010)



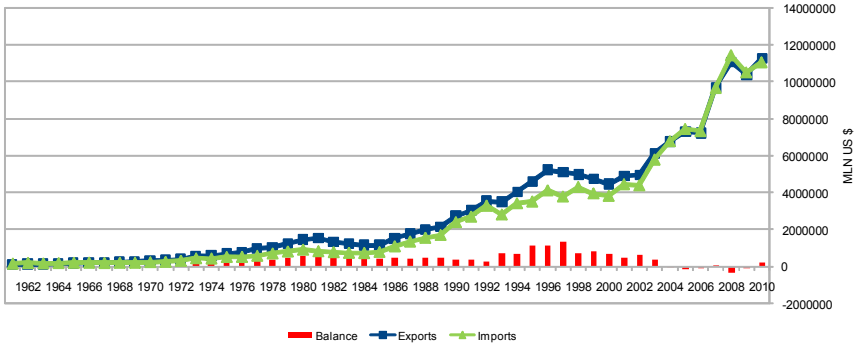
Source: FAOSTAT, 2013

Figure 4: EU Trade in Pigmeat (1961-2010)



Source: FAOSTAT, 2013

Figure 5: EU Trade in Poultrymeat (1961-2010)



Source: FAOSTAT, 2013

The EU provides large support to livestock sector. In 2011, the largest source of domestic support for livestock sector was to poultry and pigmeat around 188 millions of Euros through export refunds for both poultry and pigmeat and direct interventions for pigmeat. This pattern contrasts with EU support for beef and veal that relied far more heavily on export subsidies. During 2011 almost all EU export subsidies (around 80%) went to livestock sector and meat products (EC-DGARD, 2012). The EU is the only country in the world that grants export subsidies for beef, and it is also pointed out to give the highest level of support to its beef producers (Halderman & Nelson, 2004). These EU supports (among others) have been the focus of strong criticism by various EU member states, as well as developing countries, international organizations, and others (Anderson & Martin, 2005). Most of the criticisms are related to the reports that over-subsidized beef is destabilizing beef production and marketing system in developing countries and mainly West and South Africa, that existing EU policies regarding import tariffs, domestic support, as well as sanitary standards are restricting markets access.

Current SPS standards and European expectations regarding meat quality are quite rigorous and meat producers in developing countries are not able to meet them or simply do not have enough means. However, these standards are quite important and even more than these standards animal disease outbreaks have shown in the past to have potential drastic effects on supply, demand and trade of meat products (e.g., BSE, FMD and H1N1). No matter whether the region is an importer or exporter, any diseases outbreak if not contained within a region could affect both domestic and international markets. Even so, diseases, such as H1N1, could influence not only potential trade, but global consumption and health. Hence, SPS standards are important and we as consumers should be lucky to have them.

Regarding criticisms around over protection of meat product tariffs' quotas (TRQs), it is important to mention that from 2008 the former quotas for African, Caribbean and Pacific (ACP) countries are substituted with unlimited duty-free market access as a provisional application of the EPA (European Partnership Agreements), substituting the former Cotonou agreement. These duty-free in-quota imports may enter from every country under the general high quality beef quota and from Chile (fresh, frozen) and Switzerland (live, dried). Moreover, in 2009 the EU agreement with Brazil increased the import quota for Brazilian high quality beef, as well as the erga omnes frozen beef quota for processing. TRQ for beef comprise: country-allocated, erga omnes, live animals, meat products, bilateral quotas for baby beef and an erga omnes quota of high quality beef (OECD-FAO, 2011).

In defence of the EU enters the fact that the EU continues to be the top importer of products from developing countries. Between 2009 and 2011, 67 billion of Euros or 72% of EU imports came from developing countries, which is significantly higher than the 43% share in total agricultural imports of the largest

five importers (i.e., Canada, USA, Australia, New Zealand and Japan) taken together (EC, 2012). Moreover, EU imports from developing countries are growing representing around 55% of all EU-27 imports (see Table 2). Furthermore, developing countries export large part of total meat products to the EU, and particularly beef. Most of these meat products and particularly beef the EU imported from developing countries in 2011 came from Latin America. If we look at the imports from least developed countries (LDC), the EU has the highest share (2.7%) when compared to other developed countries (EC, 2012).

Table 2: The EU-27 Imports and Exports of Agricultural and Meat Products in 2011

Countries	Imports (Mio EUR)	% of total Extra EU-27 trade	Exports 54464	% of total Extra EU-27 trade	Balance
Total Extra EU-27 trade	**105 348**	**100.0**	**98 765**	**100.0**	**6 583**
Candidate countries[1]					
agricultural products	5 078	4.8	4 101	4.2	977
-of which meat products	548	10.8	33	0.8	515
Mediterranean Area[2]					
agricultural products	17 048	16.2	8 788	8.9	8 260
-of which meat products	490	2.9	20	0.2	470
NAFTA[3]					
agricultural products	18 173	17.3	11 312	11.5	6 861
-of which meat products	233	1.3	202	1.8	31
USA					
agricultural products	14 606	13.9	8 265	8.4	6 341
-of which meat products	199	1.4	151	1.8	48
MERCOSUR[4]					
agricultural products	1 673	1.6	21 989	22.3	-20 316
-of which meat products	17	1.0	1925	8.8	-1 908
ACP[5]					
agricultural products	8 519	8.1	13318	13.5	-4 799
-of which meat products	667	7.8	47	0.4	620
Arabian Gulf countries[6] agricultural products	5 866	5.6	359	0.4	5 507
ASEAN[7] agricultural products	4 823	4.6	10 369	10.5	-5 546
Russia agricultural products	10 578	10.0	1 108	1.1	9 470
Australia agricultural products	1 956	1.9	2 038	2.1	-82
New Zealand agricultural products	280	0.3	2 324	2.4	-2 044

[1]Croatia, Island, Macedonia F.Y.R and Turkey; [2]Marocco, Algeria, Tunisia, Turkey, Egypt, Israel, Lebanon, Syria, Libya, Jordan, West Bank and Gaza Strip; [3]USA, Canada and Mexico; [4]Latin American Common Market: Brazil, Paraguay, Uruguay, Argentina; [5]79 African, Caribbean and Pacific countries signatory to the Lomé Convention; [6]Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, United Arab Emirates; [7]Association of South-East Asian Nations: Myanmar, Thailand, Laos, Vietnam, Indonesia, Malaysia, Brunei, Singapore, Philippines, Cambodgia.

Source: EC-DGARD, 2012.

2. THE DOHA ROUND

The EU trade agreements are managed by regulations formulated within the context of the World Trade Organization (WTO). The WTO represents a facilitator to achieve multilateral agreement on international trade issues and to resolve possible trade disputes. The Uruguayan Round in 1995 included multilateral trade negotiations of the agricultural sector that aimed at improvements in market access (reductions in tariffs), reductions of all forms of export subsidies and substantial reductions in trade-distorting domestic support. This was an important transition point for developing countries participation in the WTO regime. However, developing countries left Uruguay Round quite disappointed, and increased liberalization of agricultural trade was their top priority in the next rounds. The Doha Round of WTO started in Doha, Qatar in November 2001, targeted at further trade liberalization, while facilitating the integration of developing countries (particularly lest developing countries) into the WTO multilateral system.

Today, there is almost no progress in the multilateral agricultural negotiations since the Doha Round began. Most of the blame for the failure of the Doha Round was directed at the EU. In 2003 meeting in Cancun failed after proposals for the EU to change agricultural support from a "trade distorting" category to a "non-trade distorting" that some even called "EU's insane farm policies" (Halderman & Nelson, 2004). After a decade of trade negotiations and numerous delays in Geneva Doha negotiations "have reached the last fork in the road", nevertheless everyone agreed that talks must go on (Baldwin & Evenett, 2011). Even though a new round of negotiations are already scheduled for December 2013 in Bali, many have already pronounced Doha's death, dug a grave and buried it (Kleimann & Guinan, 2011; Jessop, 2013). They see Doha round and the WTO's approach as "outdated" and markets actions always one step ahead of the WTO's decision making structure. What highlights this vision is that in the long run, the passing of Doha undermines the role of the WTO as a protector and rule-maker of the international trading system. Hence, new visions are needed regarding multilateral trade liberalisation as well as fresh thinking regarding the future position of the WTO. It is obvious to everyone that the Doha Round negotiations were the best possibility until today that could benefit developing countries in general and enhance efforts to utilize livestock to help reduce poverty in developing countries. However, such negotiations are driven by factors that often have little to do with agriculture, but rather with politics.

The protection barriers that EU uses in form of market access restrictions (i.e., TRQs, export subsidies and domestic support) are often called in Doha round as "distorting to the global agricultural trade". The conclusion of the Uruguay Round was that the EU makes extensive use of TRQs to provide a minimum degree of market access. However, effect of TRQs on trade is quite

controversial. As quantities imported under a TRQ are limited, trade is regulated by licences. The complexity of TRQs licence administration can be an additional barrier to trade, but depending on how many TRQs are filled. The often criticised EU expenditure on export subsidies has decreased considerably although they remain part of the EU's policies. Domestic support as single farm payment and other direct payments are often defended by EU farmers that these recognise the higher environmental, animal welfare and food safety standards and that they prevent land abandonment in less favoured areas (TCD, 2010). Hence, these payments are more likely to lead to higher production levels than this would be if they seize to exist. Nevertheless, EU plans to improve the regulations on these barriers that distort the production and trade (EC, 2013).

One of the most important results of the WTO and Uruguay Round was the agreement on the application of Sanitary and Phytosanitary Measures (SPS) that aimed at greater transparency and equivalence among member states with regard to SPS standards. The organization most relevant to livestock sector in the LDCs is the World Organization for Animal Health (OIE) that provides the legal framework for the application of standards, guidelines and recommendations to international trade in animals and animal products. The agreement also gives legal framework for international standards, guidelines and recommendations recognized by the FAO/WHO Codex Alimentarius Commission for food safety, including veterinary drugs (Halderman & Nelson, 2004). Even though these standards have in their best interest animal diseases issues, food safety and health concerns, they are often criticised as "over-hush". The critics point to the fact that due to these "hush" SPS standards and quality requirements, most poor developing country producers in the livestock sector often do not even have the opportunity to export their products to the EU market, as a key example giving beef and veal. Problem is that even if unrestricted access would be granted to the EU meat market, producers from the developing countries would not benefit from it. The high awareness among EU consumers in relation to high quality products, origin, environmental and animal welfare is higher obstacle than the SPS standards. The EU consumers simply want "Quality" and are willing to pay for it (Banovic et al., 2009). Furthermore, EU consumers are well aware of BSE and other food safety crises, thus expect and require high food safety standards. On the other hand, the implementation of the SPS standards is costly, and these burden developing countries cannot take without assistance from developed countries (Finger & Schuler, 2002). Another problem is the transparency of these standards and efficacy of using them to defend export rights or justify restricting imports. There is a still need for upgrading SPS standards not to be misleading and used in dishonest ways. It seems that for now the export of meat products to the EU meat market is not the route out of poverty for the least developed countries and other products should be their way out. Nevertheless, given that demand for meat products in developing countries is expected to increase considerably in the next two decades, especially in Asia and Latina

America (OECD-FAO, 2011), and subsidized exports (of for example EU beef) that dominate these markets can reduce even more trade opportunities for poor African countries that lived for generations of livestock. This practice is endangered by concerns about animal disease transmission and high SPS measures based on developed country requirements and practices. If however in some way, trade in livestock could be liberalized as a result of multilateral negotiations, poor developing countries could increase their share in the markets. But until further notice it will not be easy for least developing countries to trade in livestock and meat products in the EU meat market.

CONCLUSION

This study analyzed the consequences of the Doha round on the EU meat market, as well as EU reaction to criticisms related to sanitary and protectionist standards. It explained that for many economists, journalists and scientists, the Doha development round is not working its magic, thus either new initiative should be born or Doha should be simply laid to rest. The EU consumer high consciousness of quality, food safety, health, environmental and animal welfare is the bigger obstacle for developing countries entering EU meat market than SPS standards. For EU consumer these standards simply identify those countries that are "free" and those that are "not free" of potential risks. Although these SPS standards can inhibit trade flows animal disease outbreaks have previously shown to have even much heavier effect on supply, demand and trade of meat products and that any outbreak in some of the major exporting countries could affect both domestic and international markets, not only for trade, but also for global consumption and health. Regarding market access restrictions in the form of TRQs, export subsidies and domestic support, which EU uses extensively, EU plans to further improve the WTO rulebook on these barriers that distort the production and trade.

There have been many studies analysing the impact of Doha round and global meat market (see e.g. Halderman & Nelson, 2004; Anderson & Martin, 2005; Anania & Bureau, 2005; MAGELAN project, 2003) which provided different types of models using different data and different scenarios, making it extremely difficult to compare the results. Moreover, these studies often assume no changes in domestic policies, international rules and standards and in Doha agreement. This does not mean that these (mentioned) studies are not useful, (as) it all looks well on the paper, but we should focus to a question at hand and ask ourselves: "Where is the problem?"

Doha round places in front of global as well as EU meat market quite a full plate regarding the development of trade liberalization, and does not provide any spoon. It all depends of the organization of the different foods on the plate and "who talks to whom". These foodstuffs should be set aside and the changes in

development of trade liberalization should involve first international trading system and only then and there states separately. Special attention should be paid to issues regarding the consumer itself, as consumer is the ultimate arbiter of "what is good" and "what is poor". These issues particularly involve SPS standards, animal diseases (like BSE and FDM), traceability and labelling, food safety and health concerns (like GMO and hormones), as well as social concerns (like environmental and animal welfare). Finally, the product quality and safety should be their guiding star.

Today while WTO members are heading to their meeting in Bali, one question remains: "What happens next?" and "Will we have some kind of comprehensive trade agreement in the near future?"

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