



Brazilian Food Needs Only a Chance

MARIA HELENA TACHINARDI

'Globalization insights' is a series of feature stories told by journalists from Africa, Asia and Latin America – stories that give an insight into the perceptions and experiences of people as globalization unfolds in their environs. This project is jointly organized by the Friedrich-Ebert-Stiftung and IPS EUROPA.

While expectations are increasing of the greater role the BRICS group (Brazil, Russia, India, China and South Africa) should play in the world economy, there is growing debate also over the competitive advantages of these economies, and what to expect from them in international trade.

Brazil is emerging as a country that produces and exports a wide range of technological and value-added products such as aircraft, soybeans, automobiles, iron ore, meat and capital goods.

The country is destined to become a giant in industry and agribusiness, in the technology of uranium enrichment, and in biotechnology since it has one of the largest biological reserves on the planet and an extremely mineral-rich soil. The value of one sector does not impede the importance of the other sectors.

But this story is about how well agribusiness in Brazil

coping with globalization, a synonym for the interdependence between global markets.

Although Brazil's share in world trade is still minor, at about 1 percent, the country is a big supplier of foodstuff, and makes good use of its unbeatable competitive advantages. Brazil brings together agricultural technology, an abundance of land that is still cheap, a soil and climate allowing for two harvests per year, and high productivity thanks to a combination of investment in research and technology, private funding of equipment, and modernisation.

The private sector in Brazil has expanded manifold across the territory, expanding the boundaries for the cultivation of grains and cereals, and for livestock farming. Brazil is the third largest exporter of agricultural products worldwide, trailing only the United States and the European Union. It is the leading exporter of soybeans, coffee, orange juice, sugar, beef and chicken.

Without domestic or export-related agricultural subsidies in the United States, the European Union and Japan – some of the most important issues at the World Trade Organisation (WTO) Doha round – and sanitary and phytosanitary restrictions in the wealthier markets, Brazil would experience a real export boom that its competitors would have difficulty surpassing.

China, one of the fastest growing economies, imports grains, iron ore and other commodities from Brazil. The demand for food is related to the growth of world population. According to the Food and Agricultural Organisation (FAO) the world population will grow from around 6 billion currently to 8.3 billion people in 2030.

This would offer Brazil new opportunities, particularly in China, to market its agro industrial commodities. But reality might prove to be different – because when it comes to food, national economies protect themselves using concepts such as 'food safety' (the idea of protecting health against diseases, residues and additives) and 'food security' (against hunger, war and disasters).

In this context it should be noted that the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) is clearly linked to globalization. One incident of BSE/mad cow disease in one country or region affects the global meat market. Mad cow disease, which first appeared in the United Kingdom in 1986, caused panic in that country, as well as in neighbouring nations, and did a lot of damage.

The panic was due to uncertainty regarding possible cross-contamination of human beings. In fact, there is a human variant of the disease, Creutzfeld-Jakob disease (vCJD). To the extent countries were alarmed, international trade was being restricted.

With globalization, it is no longer possible to establish 100 percent efficient control of contagious diseases within the context of food imports. Products that might have to be restricted because of mad cow disease range from natural and processed meat to gelatine products, bone meal, leather and fur, and even gelatine-based cosmetics.

"Brazilian women could be left without French cosmetics because of mad cow disease," says Rodrigo Lima, a 30-year old lawyer from Ponta Grossa in Paraná, a Brazilian state with a flourishing agribusiness. "This would be unthinkable outside of the context of globalization. In a globalized world, borders have become permeable, which can be both good and bad for countries."

Rodrigo learned how important sanitary and phytosanitary measures are when he started on his master's degree in 2002, a year after the conflict between Brazil and Canada broke out over the mad cow disease. The disease did not exist in Brazil, but Canada used the pretext to complicate Brazil's external trade.

Brazilian reaction, especially in the media, was not only to suggest a boycott of Canadian products, but also to politicise Canada's 'trade attack'. The largest selling Brazilian weekly *Veja* ran a cover in which Canada was depicted as a bear, suggesting that it was not the cow that was mad, but rather the bear associated with Canada.

The mad cow episode has become rooted in the collective consciousness of the nation. Who in Brazil would not recall the row with Canada? The episode showed also to what extent sanitary and phytosanitary measures can be used as a protectionist shield. This was one of the hypotheses that Rodrigo explored in his thesis 'Sanitary and phytosanitary measures at the WTO: protectionism or defence of legitimate objectives'.

Four cases adjudicated to date by the WTO show that such measures have been applied without scientific evidence. The European Community could not justify that the ban on hormone-treated beef coming from the United States and Canada was necessary to protect consumer health. A case between Canada and Australia showed that Australian measures to protect the health of the salmonids were not based on sound scientific evidence. The last two cases were a dispute between the United States and Japan about phytosanitary requirements for the import of fruits and vegetables. Japan could not prove that its protectionist measures were necessary to prevent the entry of pests.

Rodrigo's supervisor Welber Barral from the Federal University of Santa Catarina suggested that the board of examiners include the president of the Institute for International Trade Negotiations (ICONE), Marcos Sawaya Jank, who liked the work and invited the researcher to continue his studies of the issue.

The topic is of great importance to the sponsors of the institute, among them the Brazilian Association of Agribusiness (Associação Brasileira de Agribusiness - Abag), the Brazilian Association of the Vegetable Oil Industry (Associação Brasileira das Indústrias de Óleos Vegetais - ABIOVE) and associations with links to the beef, poultry and pork industries (ABIEC, ABEF and ABIPECS).

In its one and a half years of existence, ICONE itself has become a success story for an organisation of the Brazilian private sector in the field of agribusiness. ICONE is an independent non-profit organisation that has as its main objective the development of studies and applied research to support international negotiations, particularly in the area of agribusiness, thus contributing to a broader integration of Brazil into the world economy.

Founded in March 2003, ICONE is supported by eight Brazilian private associations. The institute is composed of a permanent team of researchers with a multidisciplinary background and of a network of collaborators from universities and research centres. It maintains projects and partnerships with international organizations, government agencies and the private sector.

About the author:

Maria Helena Tachinardi is director of public affairs of the Institute for International Trade Negotiations (ICONE) in Brazil. She also writes for many Brazilian publications, such as the magazines FOCO Economia e Negócios and Desafios do Desenvolvimento. She is a free-lancer for Valor Econômico, a financial newspaper.

More information is available on
www.fes.de/globalization

The views expressed in this publication are not necessarily the ones of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

Friedrich-Ebert-Stiftung
Hiroshimastrasse 17
10785 Berlin
Germany
Tel.: ++49-30-26-935-914
Fax: ++49-30-26-935-959
Roswitha.Kiewitt@fes.de
www.fes.de/globalization

IPS EUROPA
Potsdamer Platz 11
10785 Berlin
Germany
Tel.: ++49-30-2589-4017
rjaura@ipseuropa.org
www.ipseuropa.org
www.ipseurope.org