



**Standards and Trade
Development Facility**

Regional SPS Balance Sheet for Central America

Strengthening links between supply and demand of SPS-related technical assistance in Central America (Stage 2)

Research work for the Standards and Trade Development Facility

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**This report reflects the views of the author alone and does not represent the
views of the STDF or any of its partner agencies or donors.**

EXECUTIVE SUMMARY

I. INTRODUCTION

1. The objective of this STDF research work is to strengthen the linkage between "supply" and "demand" of technical cooperation in the area of food safety, animal and plant health (collectively known as sanitary and phytosanitary or SPS) requirements. The research is being carried out in the framework of the Aid for Trade initiative and in collaboration with the Inter-American Development Bank (IADB).

2. The focus of the report is on sanitary and phytosanitary (SPS) issues that limit Central American exports and the identification of technical assistance actions which would help remove these constraints, taking into account on-going or planned assistance where appropriate. The analysis contained in this report was obtained through interviews and questionnaires submitted to government officials, as well as discussions with private sector representatives, donors and non-government organizations. The responses received from countries can be found in Annex 1.

II. PRIORITY SPS ISSUES FOR MARKET ACCESS

3. Addressing the following list of SPS issues would have a significant and measurable impact on Central American exporters. To tackle these issues, a range of national and regional actions need to be undertaken.

- **INSTITUTIONAL CAPACITY**

4. While some countries are more advanced than others, all Central American countries need assistance to strengthen SPS regulatory systems, in particular to provide or strengthen the institutional capacity to support exports. These needs include quarantine, eradication, surveillance, diagnostics (including laboratory infrastructure and training), and risk analysis. Another particular area of concern is the ability of countries to stay up to date with the import requirements of importing countries.

- **Quarantine.** Currently, quarantine inspection and remediation is unevenly applied across the region, due to limited resources and lack of trained staff. Strengthening quarantine services and increasing professionalism would guard against costs to the country and to producers from pests and diseases of concern and is necessary to maintain pest- and disease-free status.
- **Eradication.** Countries in the region need additional resources and training to eradicate pests and diseases. Eradication can reduce costs to producers and is necessary in specific instances to qualify for export markets.
- **Surveillance.** Monitoring and control of production areas to guard against pests and diseases is needed to protect production and to qualify for export, by maintaining pest- or disease-free status or by reducing pests of concern in traded products. In addition, plant inspection and product testing are needed to ensure sanitary standards are met. Currently Central American countries lack resources to adequately maintain surveillance in many cases. In a number of instances, current surveillance activities in the field are funded by donors, in particular by the U.S. Training in processing plants in HACCP, assistance

with achieving equivalence in standards, and assisting particular plants with pre-audit training can help raise performance of the food safety system.

- **Diagnostics.** Various studies carried out by FAO and IICA have identified deficiencies in the national laboratory system in Central America. This includes need for equipment, calibration of equipment, training of personnel, and access to international standards and practices. Ultimately, labs should be certified under ISO standards. Specialization by different labs across the region could help to promote efficiencies and foster coordination in the region. Work is needed for certifying microbiological standards, to verify animal health status, and to identify residue levels.

- **LIVESTOCK PRODUCTS**

6. Trade in livestock products from Central America is constrained by the presence of OIE-notifiable diseases and problems in attaining recognition of freedom from these diseases. This is particularly the case in the pork and poultry product sectors in relation to Classical Swine Fever (CSF) and Newcastle disease (ND). Against this background, the following actions should be considered:

- **Disease eradication programs.** The success of the Screw Worm eradication program provides an example of what can be achieved in animal disease eradication and a possible model for eradication of CSF and ND in the Central American region.
- **Application of regionalization.** Establishing recognized and disease-free regions, and maintaining this recognition through quarantine, surveillance, and testing may provide an alternative to eradication. In several countries there are efforts to eradicate diseases in part of the country and work could build on those efforts.
- **Consider application of compartmentalization.** For trading partners who accept the concept, compartmentalization may provide a further solution to establishing eradication or disease free zones.
- **Supporting international recognition of disease status.** Access to new markets for beef products would be facilitated, and entry to existing markets protected, by OIE recognition of freedom from FMD and BSE. No such OIE-recognition system currently exists for CSF or ND. However, various actions can be taken to underpin the case for recognition of freedom from these diseases e.g. application of compartmentalization. Resources and technical advice should be provided to countries to support actions to have their status recognized internationally.
- **Promoting equivalence in sanitary controls in the meat sector.** Divergent national approaches to micro-biological contamination in the poultry sector, trade restrictions imposed due to the presence of low pathogenic avian influenza and the differing disease status of individual countries constrains benefits from intra-regional trade and extra-regional trade with neighbors e.g. Mexico, the Caribbean and Colombia. Assistance to promote harmonization within the region and equivalence in trading relations would greatly assist in smoothing out current market access issues.
- **Seeking equivalence for national meat inspection systems and approvals for packing and slaughterhouses.** Assistance at a firm level in the form of training and investment

capital for meat packers is still necessary. For the EU market, a particular issue arises in respect of the need to comply with traceability requirements; this issue is considered separately below.

- **DAIRY PRODUCTS**

7. Sanitary problems in the dairy industry in Central America arise primarily from the duality of production systems. Production within the formal system is subject to official sanitary controls and typically uses modern technology to control sanitary risks. Production in the informal sector tends to be outside of official control channels and leads to higher risks for consumers and exports due to low levels of pasteurization and poor sanitary practices. The following actions should be considered:

- **Assistance to progressively bring producers into the formal sector**, in particular by encouraging dairy electrification, pasteurization and good hygienic practices.
- **Targeted assistance for measures to prevent microbiological contamination** in the formal sector.

- **FISH AND FISH PRODUCTS**

8. Market access constraints for fish and fish products depend on the type of fishery: e.g. coastal fishery or aquaculture. Although basic hygiene conditions are the same across both sector, for aquaculture a series of other risks arise from feed and the method of fish-farming. In the coastal fisheries area, other types of standards e.g. those related to environment and conservation tend to be more restrictive. Priority should be given to the following actions:

- **Assistance to national competent authorities to apply equivalent measures** on fish and fish products to those in target markets, in particular the EU.
- **Within the aquaculture sector, particular attention needs to be given to updating control plans** on heavy metals, contaminants, residues of pesticides and veterinary drugs.
- **Investing in establishing a regional network of laboratories** recognized internationally for their results for specific residues and contaminants development.

- **HORTICULTURE PRODUCTS**

9. Exports in non-traditional fruit and vegetable products (e.g. guavas, berries, avocados etc) are experiencing high rates of growth (although from a low base) in comparison with established export products (e.g. bananas, pineapples and melons). One common problem is fruit fly. Other SPS constraints differ by market. For the US market, the recent difficulties of Honduran melon exports points to issues related to compliance with microbiological standards. For the EU market, a particular problem arises in respect of the need to comply with private standards – an issue considered separately below. Against this background, the following actions should be considered:

- **Fruit fly control.** Three main options exist for control: eradication, establishment and maintenance of free areas and quarantine treatments, such as fumigation and irradiation. Possible options include:

- *Eradication of fruit fly.* Within the eradication option, different approaches are possible. Some officials suggest eradication of the med fly from the entire region. Others, particularly in Guatemala, suggest building on current med fly eradication program in Mexico by expanding the free zone south.
- *Pest and disease free regions.* Current pest-free regions could be extended and expanded to other pests and diseases of concern, such as citrus leprosis. Another approach would be to strengthen the current autonomous fruit fly free zones within the region.
- *Irradiation.* An alternate solution which focuses on treatment could use an irradiation program to eliminate pests of concern. Such an approach could avoid the difficulties of establishing and maintaining pest-free status in the production areas, although might encounter problems of consumer acceptance in certain markets.
- **Establishment of new export protocols.** A number of specific products are eligible to export to the United States and to regional markets. Additional analytical work could lead to control measures that would qualify specific products for export under conditions established between trading partners. This could include products currently not eligible for export (in particular products of interest to consumers with nostalgic or exotic taste that have not generated enough interest to receive a risk assessment), or modifying the remediation requirements (for example, many countries in the region are looking for less damaging treatment requirements for mango than the current required hot water bath.)
- **GENERAL FOOD SAFETY ISSUES (INCLUDING FOR PROCESSED FOOD PRODUCTS)**

10. Growing consumer incomes, the rise of supermarket retailing in the region and more favorable trading conditions are increasing the opportunities in the region to add value to basic commodities through food processing. Against this background, the following actions should be considered:

- **Supporting good agricultural and manufacturing processes.** Training to help food processors raise their quality and work to meet export standards will help gain certifications and reduce the incidence of import detentions.
- **Improving laboratory support services.** Expanded laboratory capacity to test and certify products will increase detection of non-conforming product and enhance the capacity of food processors to improve their product.
- **Strengthened domestic food safety systems.** Strengthening the food safety capacity of the Central American countries will reduce the gap between domestic and export quality, and make it easier for domestic producers to realize export standards.

11. Two SPS issues, important for market access, which cut across a series of product group areas (in particular livestock, fish and fish products and horticulture) are traceability systems and certification systems / private standards.

- **ESTABLISHMENT OF TRACEABILITY SYSTEMS.**

12. The use of traceability systems is growing internationally, driven by regulatory requirements and advances in information technology. It seems clear that such systems are becoming an industry norm, albeit at different speeds across different product categories and in different key markets. Against this dynamic background, the following actions should be considered:

- A dedicated program of investment in traceability systems based on a cost-benefit analysis by product and according to market requirements. From the ensuing analysis, priority export products could include beef and fish. Once established in pilot product sectors and countries, systems could be rolled out into other product groups and other countries.
- Traceability should be allied to disease control policies. Traceability systems should reinforce approaches to restrict animal movements for disease control purposes.
- Divergent national systems would impose important costs and difficulties in mounting common disease control strategies. National or regional traceability systems should also be accepted by trading partners as equivalent. In the absence of such an equivalence determination, the market access logic to implementing such systems would be lost.

- **PROMOTE LOCAL CERTIFICATION SYSTEMS AND CONSIDER COMMERCIAL AND POLITICAL RESPONSES TO PRIVATE STANDARDS.**

13. In addition to mandatory official requirements, penetration of retail chains in some high income markets depends on compliance with a growing range of voluntary standards schemes. The following compliance solutions could be considered:

- design of national Good Agricultural Practice schemes (along the lines of ChileGAP) which can be benchmarked to international schemes;
- development of certification capacity within the region which will be recognized by international buyers; and
- promotion of collective certification schemes to ensure that small farmers can be effectively integrated into market chains.

III. MOBILIZING SPS-RELATED TECHNICAL ASSISTANCE TO ADDRESS PRIORITY NEEDS

14. The aim of this research work is to strengthen the linkage between "supply" and "demand" of technical cooperation in the SPS area. Key to this process is clarifying SPS needs at both a national and a regional level. In parallel, the supply of future SPS-related technical assistance has been researched. A detailed overview of assistance available on a country and

specific sectoral basis can be found in Annex 2. The final expected output is to help the supply of assistance meet on-going needs.

15. Three main questions arise in ensuring that outstanding priority needs for SPS-related technical assistance are met:

- ensuring the appropriate mix of national and regional projects to address specific issues;
- the prioritization given to SPS-issues by both national governments and donors; and
- the level of resources available to address "systemic" issues such as eradication of animal diseases or plant pests.

16. Although many of the SPS market access issues faced by Central American are similar, if not identical, the capacity of countries to comply differs. Advances made by those most able to comply should be further consolidated, in particular where substantial investment in such policies as pest or disease freedom has already yielded market access results. For those with lower levels of compliance, different forms of assistance may initially be required. Common problems may not always therefore lend themselves to common solutions. The final mix of national and regional measures needs to be agreed between donors and beneficiaries.

17. Prioritization by national administrations and donors is also a key issue. Understanding of the economic returns to SPS-related investment in terms of enhanced trade performance, improved agricultural productivity and lower rates of morbidity from food-borne disease is often limited. SPS must compete with other funding priorities to make it on to both national and donor list of priority areas. Funding is also often cyclical, with donor preferences changing budget allocations between specific issues over-time. Furthermore, finding information on the various schemes available and understanding the eligibility criteria applicable to each funding schemes is not straightforward.

18. With the exception of SPS-specific assistance provided through specialized agencies of bilateral donors and international organizations with dedicated programs, most assistance is bundled up in other more general program assistance to help agriculture, environment, health, private sector development and regional integration. Making the case for SPS within these programs is one way to ensure that the overall level of assistance rises to address SPS-related priority issues. Developing or strengthening the capacity to access those resources may be also required.

19. A further consideration is the overall level of resources available. Addressing "systemic" issues such as eradication of animal diseases (e.g. classical swine fever or Newcastle disease) or plant pests (e.g. Medfly) would require substantial resources to be committed over an extended time period. To be successful, coordinated action between beneficiaries and donors would be indispensable, not least in raising the necessary resources.

20. Against this background, the final expected output of this STDF research work is agreement on a plan of action necessary to mobilize resources to address identified SPS issues among beneficiary countries, donors and international organizations.

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ANNEX 1: INFORMATION RECEIVED FROM COUNTRIES

ANNEX 2: OVERVIEW OF SPS-RELATED TECHNICAL ASSISTANCE

I. INTRODUCTION

1. The objective of this STDF research work is to strengthen the linkage between "supply" and "demand" of technical cooperation in the area of food safety, animal and plant health (collectively known as sanitary and phytosanitary or SPS) requirements, for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The research is being carried out in the framework of the Aid for Trade initiative and in collaboration with the Inter-American Development Bank (IADB).

2. The first stage of this work consisted in building a general overview of SPS-related technical cooperation needs, as well as the supply of technical cooperation these countries received during the last period 2001-2006. Results of the first stage of this work were presented at the Regional Review of Aid for Trade, held in Lima, Peru on 12 September 2007. One strong conclusion emerging from the meeting was that: "Standards are a passport for trade. The ability to control sanitary and phytosanitary (SPS) risk and meet international standards is a key element determining participation of developing countries in the trading system."

3. The second stage of this work aims at more tangible and concrete outcomes, by identifying and prioritizing outstanding SPS needs in each of the six countries concerned, the development of specific projects to address those needs, and subsequent mobilization of donor community to examine how these priority needs may be addressed through existing or planned projects and programmes.

4. The focus of the report is on specific SPS issues that limit Central American exports and the identification of technical assistance actions which would help remove these constraints, taking into account on-going or planned assistance where appropriate. The analysis contained in this report was obtained through interviews and questionnaires submitted to government officials, as well as discussions with private sector representatives, donors and non-government organizations. Responses received from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama can be found in Annex 1.

5. This report presents an horizontal overview of institutional capacity, a product-specific section analyzing the main product areas of interest for the region (identified by countries during field interviews), and a section of general food safety issues. In each section, the main SPS measures that are denying or reducing potential access to priority markets have been identified. Priority actions required to increase exports to these markets are presented. Finally, an overview of past, present and planned SPS-related assistance provided by donors, international financial institutions and regional and multilateral organizations is given. An inventory of assistance is provided in Annex 2.

II. INSTITUTIONAL CAPACITY

6. Government institutions are involved at several levels in the process of promoting access over technical requirements. Effectiveness of pest and disease control systems will determine the level of plant or animal health of exports, effecting costs and quarantine status. Government assistance is needed in most cases to resolve technical disputes over the legitimacy of import measures or to reach agreement on remediation requirements. Imposition of trade restrictions on exports requires government intervention to resolve disputes and reopen trade. The institutional capacity of the Central American governments to provide these services is in many cases inadequate. Lack of funding, trained personnel, and infrastructure all compromise the ability of the countries provide systemic support to exporters and maintain high domestic food safety standards. In addition, high personnel turn-over in many of the countries makes it more difficult to train and sustain qualified professionals in government service.

7. All of the countries have needs in these areas. Addressing specific product export interests will entail improving institutional capacity, particularly on quarantine, surveillance, and diagnostics. Preserving access in current markets, and creating opportunities in the future for new exports will also entail involvement in international standards-setting organizations. In some cases, domestic laws and administrative procedures need to be updated to allow for compliance with import requirements, including for issues such as equivalence, or to provide for self-sufficient operations of government services, such as laboratory tests.

8. A further challenge in this respect is ensuring national authorities maintain the institutional capacity to stay informed of changes to import requirements in priority markets and to liaise with the private sector and within government departments about the implications of these changes. Making use of the transparency and publication provisions in the WTO SPS Agreement is necessary, but not sufficient particularly given the rise of private standards. A two-way dialogue with the private sector where exporters can bring matters to the attention of government authorities is required.

9. Institutional capacity in the region also needs to take into account sustainability and independence. Given the chronic resource constraints facing national authorities, establishing systems that cover costs and provide financial self-sufficiency, including by establishing rational fee schedules. In addition, to meet equivalence standards of importing countries regulatory authorities, including inspectors and compliance officials, need to exhibit independence from producers under national regulations. For example, inspectors in meat packing plants need to be present in the plants on an on-going basis, but must be paid by the government. Packing plants can be charged for the service, but the fee should go to the government and not to the inspector to ensure the sanitary decisions do not create a conflict of interest.

10. Central American countries also need to improve coordination between governments in the region, including harmonizing standards where appropriate and identifying regional solutions to particular problems. Pest and disease problems do not confine themselves to national borders and the countries of the region face many of the same problems when trying to access foreign markets, and would benefit from working together to identify solutions. In addition, strengthened cooperation and coordination between governments and private sector would augment government capacity to set priorities and focus resources, as well as ensure continuity in initiatives to overcome export barriers.

III. LIVESTOCK PRODUCTS

11. Central American countries have an interest in expanding meat exports within the region and to the major export markets of the United States, European Union, and Japan. Since Foot and Mouth Disease and BSE are not present, expanding beef exports depends largely on meeting food safety requirements of importing countries, including traceability. Existence of important animal diseases in pork and poultry requires both eradication/control of diseases and meeting food safety requirements in regional and global markets.

12. Central American countries are at different levels of progress in addressing these requirements. For example Costa Rica and Panama have made advances on animal diseases and Honduras is currently formulating an action plan for poultry exports to the United States. Guatemala and Nicaragua are not major pork exporters currently and have significant work to do in order to meet import requirements.

13. In addition, there are export interests for some niche products not generally produced in the region but where export interests exist. For example, El Salvador exports a substantial share of its honey from bees to the European Union, and ensuring it can meet the technical standards required for the EU market is a priority. The main issue here is ensuring that an adequate residue monitoring plan is in place. Costa Rica is developing capacity to export rabbit to the EU, but needs to meet EU sanitary and traceability requirements.

14. Priorities are discussed in further detail by major livestock product group below: beef, pork and poultry

Table 1: National priorities in the area of animal health

Country	General concerns	Specific priorities
Costa Rica	<ul style="list-style-type: none"> • Recognition of equivalence by the United States and the EU • Improve laboratory capacity and achieve accreditation • Improve capacity for monitoring residues and contaminants • Establish traceability systems • Providing training on good agricultural practices on farm 	<ul style="list-style-type: none"> • Pork – official certification that the country to be free of classical swine fever for exports to various countries • Poultry – official determination of avian influenza situation for exports to various countries • Poultry – study on prevalence of salmonella to support exports to various countries • Rabbit – establish equivalence for exports to the EU • Pork, beef, poultry, and fish – establish traceability regimes for exports to the EU
El Salvador	<ul style="list-style-type: none"> • Eradication, surveillance, and monitoring of various avian diseases and improving sanitary standards at packing plants. • Expand productivity and reduce costs associated with disease control and plant sanitary standards for cattle, expanding beef exports 	<ul style="list-style-type: none"> • Poultry to Central America, in particular Costa Rica and Nicaragua. • Pork products to the United States, particular pork <i>pupusa</i>, in addition to eradicating classical swine fever.
Guatemala	<ul style="list-style-type: none"> • Establish credible system of epidemiological surveillance and control. 	<ul style="list-style-type: none"> • Poultry disease eradication, quarantine, surveillance and monitoring. • Improve poultry packing plant sanitary standards to achieve equivalence recognition. • Beef – achieve systemic equivalence and plant approval to export beef, either from the region or re-exporting beef shipped from the United States to Guatemala for processing.
Honduras	<ul style="list-style-type: none"> • Improve and strengthen surveillance system. • Improve and strengthen prevention, eradication, and control of pests and diseases. • Strengthen laboratory network • Maintain a current sanitary database. • Establish a specialized technical experts group part of quarantine system. 	<ul style="list-style-type: none"> • Exotic Newcastle disease eradication, monitoring and control to allow for export to the United States. • Classical swine fever eradication, monitoring and control to allow exports to the United States. • Risk assessment on processed pork (pork tamales) to allow exports to the United States • Improved sanitary controls and traceability to allow more beef and dairy products to be exported to the EU, United States and various countries.

Table 1: National priorities in the area of animal health cont.

Nicaragua	<ul style="list-style-type: none"> • Disease eradication, monitoring and surveillance. • Laboratory improvements • Monitoring residues and contaminants • Traceability • Good agricultural practices, good manufacturing practices, HACCP. 	<ul style="list-style-type: none"> • Eradication, control, and monitoring of avian diseases. • Eradication, control, and monitoring or classical swine fever.
Panama	<ul style="list-style-type: none"> • Establish accredited laboratories to assist shrimp, beef and poultry exports. 	<ul style="list-style-type: none"> • Establish and recognize Exotic Newcastle Disease Free area for poultry production. • Plant approvals for beef and poultry exports to the United States.

A. BEEF

1. Commercial Environment

15. Economic growth, rising consumer incomes, growing tourist revenues and greater market access opportunities are stimulating production of beef in the Central American region. Consumption trends are progressively downward though as consumers switch to other protein sources, chicken and pork. Costa Rica and Nicaragua are the largest exporters in the region, and the Nicaraguan industry continues to grow rapidly. Table 1 below shows production, export and import data for the region.

Table 2: Cattle meat production and trade in Central America

Countries	Cattle population	Meat Production	Exports	Imports
Costa Rica	330,000	80,741	8,982	1,347
El Salvador	184,719	30,562	13	2,070
Guatemala	355,000	63,000	792	1,414
Honduras	330,000	72,878	526	722
Nicaragua	538,252	84,260	28,700	64
Panama	294,575	56,054	4,462	95

Source: Cattle Number and Meat Production HS 0201, 0202 (mt) – FAOSTAT (2006)
Exports and Imports (mt) – UN-COMTRADE (2006)

16. Trade flows are greatly influenced by three main factors:

- the trade policies of trading partners (i.e. if tariff and quota policies apply);
- the disease status of Central American countries and recognition of status by trading partners; and
- recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouse by importers.

17. High levels of tariff protection and restrictive duty systems have put a break on trade in beef products. The trade policy landscape is changing, albeit gradually as a result of liberalization through regional trade agreements. As this progressive liberalization takes hold, so sanitary restrictions to the beef trade increasingly emerge as the main obstacle to trade.

18. Implementation of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) provides important new opportunities, in particular for access to the U.S. market. Under the CAFTA-DR, U.S. tariffs will be phased out incrementally by 2021. In addition, country specific zero-duty tariff-rate quotas were established for Costa Rica, Nicaragua, El Salvador and Honduras, to complement access currently available under the U.S. WTO tariff-rate quota.

19. Panama is in the process of concluding a Trade Promotion Agreement (TPA) with the United States. The Agreement was signed by both parties on June 28, 2007, but implementing legislation must also be passed before the TPA can enter into force. Under current arrangements, 96 percent of imports from Panama into the United States benefit from duty-free treatment as a

result of U.S. unilateral preference programs such as the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP), or zero normal trade relations (NTR) tariffs.

20. Trade with the neighboring region, in particular the Caribbean, Mexico and other regional trading partners, is growing, in part as a result of free trade agreements.

21. In the past five years, Central American beef exporters have made in-roads into Asian markets, in particular Chinese Taipei, Hong Kong, Japan, South Korea and Viet Nam. For example, Nicaragua's exports to Taiwan have gone from zero to \$4 million in a period of four years.

22. The European Union is another potential market for Central American producers, given traditional high market prices and forecast protein deficiencies in the EU. While EU tariffs currently are high, and WTO tariff-rate quotas limited in size, trade negotiations between Central America and the EU create the possibility of preferential access into the market for Central American product.

2. Sanitary Restrictions in Target Markets.

23. The following section examines SPS import regimes for the US and EU markets. Achievement of recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouse for the US and EU markets should facilitate access to other markets. The one caveat in this respect concerns the timeframes required for official recognition of disease status and for officials approvals of slaughterhouses and meat inspection systems. International recognition of disease freedom for BSE and FMD through the World Organization for Animal Health (OIE) is important in this respect.

24. **United States.** Currently there are no animal health restrictions imposed by the USDA Animal Plant Health Inspection Service on any of the Central American countries, since the region is free of two major diseases of concern: Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth Disease.

25. Exports are constrained by recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouses. Only when the countries' regulatory systems are deemed to achieve equivalent health safety levels and packing plants have been certified by competent national authorities are the facilities eligible to export to the United States, subject to plant and system audits by USDA's Food Safety Inspection Service. Currently, there are only a few plants approved to export in the region. Additionally, imports are subject to inspection procedures at the border, where product that is deemed a risk to human health may be detained.

26. Recognition of plants for export has been a point of contention in bilateral trade relations with the US. Costa Rica and other countries in the region operate similar systems of equivalency determination and individual plant approval. Equivalency determination through CAFTA-DR should help ease this problem.

27. Introduction of country of origin labeling and progressive adoption of a national animal identification system are potentially important trends in US SPS policy which may have a future impact on market access.¹

Table 3: US approval of Central America beef exports

Beef	APHIS BSE	APHIS Foot & Mouth	FSIS System Recognized	National Plant Certified for Export
Costa Rica	Recognized as free by APHIS	Recognized as free by APHIS	Yes	2
El Salvador	Recognized as free by APHIS	Recognized as free by APHIS	No	n/a
Guatemala	Recognized as free by APHIS	Recognized as free by APHIS	No	n/a
Honduras	Recognized as free by APHIS	Recognized as free by APHIS	Yes	2
Nicaragua	Recognized as free by APHIS	Recognized as free by APHIS	Yes	5
Panama	Recognized as free by APHIS	Recognized as free by APHIS	No	n/a

Sources: http://www.aphis.usda.gov/import_export/animals/animal_disease_status.shtm
http://www.fsis.usda.gov/pdf/Countries_Products_Eligible_for_Export.pdf
 Amplified after interviews with USDA personnel.

28. **European Union.** Currently Central American countries are only approved to export offal to the EU and current trade, both exports and imports, is extremely limited. Understanding of European requirements appears to be limited in the region.

Table 4: Plants approved to export to the EU under “Section XIII: Treated stomach, bladders and intestines.”

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Approved plants	3	0	1	0	2	1

Source: https://sanco.ec.europa.eu/traces/output/listsPerCountry_en.htm#

29. Detailed EU legislation in the veterinary field lays down the conditions that apply to the imports of live animals and products of animal origin from third countries to the European Union.² Particular account is taken of:

¹ For more information on import requirements into the United States, see http://www.fsis.usda.gov/regulations_&_policies/import_information/index.asp and http://www.aphis.usda.gov/import_export/animals/animal_import/animal_imports.shtml

- the health status of livestock;
- the legislation of the third country, rules on the prevention and control of infectious or contagious animal diseases in force including on the importation from other countries;
- the organization of the competent veterinary authority and its inspection services;
- compliance or equivalence with the relevant animal health conditions applicable in the Community;
- the guarantees given to inform the EC following confirmation of diseases outbreaks;
- the preparation and use of feedingstuffs, use of veterinary medicines, residue control programs and hygiene conditions of production, manufacture, handling, storage and dispatch applied ; and
- the results of Community inspections and/or audits

30. .As a general rule, products of animal origin intended for human consumption can only be imported into the EU if they come from an approved establishment of a third country included in a positive list of eligible countries for the relevant product, are accompanied by the proper health certificates, and have succeeded the mandatory control at the pertinent Member State's border inspection post. The on-going negotiations with the European Union provide an opportunity to clarify EU requirements.

31. In addition to official sanitary requirements, compliance with voluntary standards schemes may also be required by buyers in certain EU markets, such as GlobalGAP's Integrated Farm Assurance Scheme for cattle products. There is considerable differentiation in private requirements according to national markets (e.g. the standards schemes applied and their requirements differ significantly between Germany and Portugal). In general terms, private voluntary schemes, which typically also include chapters on social, environmental and animal welfare criteria are an increasingly important determinant of access to retail supply chains.

3. Priority actions required to increase beef exports

32. With a favorable situation for OIE notifiable diseases of trade concern and progressive liberalization of market access arrangements for target export markets, the main barrier faced by Central American cattlemen and meat processors is the need to satisfy importing country's requirement for recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouse.

33. It is recommended that the following actions should be undertaken on a priority basis:

- International recognition of disease free status through the OIE for FMD and BSE may assist in securing determinations of disease freedom, in particular in new markets;

² More information on import requirements for animals and animal products, can be found at http://ec.europa.eu/food/international/trade/guide_thirdcountries2006_en.pdf

- Continued investment in surveillance of pests and diseases of concern will be required to maintain the region's disease profile. Failure to preserve disease-free status for animal disease through inadequate inspection, quarantine, and testing programs would create new sanitary restrictions;
- Further assistance to train and prepare slaughterhouses to gain USDA/FSIS approval and expand the number of facilities eligible to export;
- Development of national traceability and animal movement control systems and either progressive roll-out of such systems regionally or recognition of equivalence between these schemes;
- Consideration of commercial and policy strategies needed to meet EU technical requirements, including detailed cost-benefit analysis of required investments, and awareness raising of the specific requirements among the private sector and government.

34. It is recommended that the following actions should also be considered:

- Strengthening the regulatory system in the Central American countries will help to raise the product quality generally, facilitating efforts to achieve export standards. This includes capacity building in both the government and private sector through investment in program infrastructure and human resources.
- Further work to reduce disease incidence in the region, in particular with respect to brucellosis and tuberculosis, will expand production and reduce costs, creating more exportable supply and increasing competitiveness of the region.

4. Technical assistance currently provided

35. Under CAFTA-DR technical capacity building support the U.S. Agency for International Development and the USDA are providing a series of training sessions to help meat packers meet U.S. export requirements and to train producers in good agricultural practices. Some 76 such activities were organized throughout the Central American region in the period 2002-2007. IICA and OIRSA are other important providers of technical information in this area.

36. USDA also has a long-running program in the region to eradicate screw-worm in cattle. USDA is assisting Nicaragua preparing a risk analysis for BSE to present to OIE to establish its risk status. The IADB and the EU have also been working on a pilot program for traceability in the South East part of Nicaragua.

37. The International Livestock Research Institute (ILRI) ran a project between May 2003 to April 2007 entitled "Enhancing beef productivity, quality, safety and trade in Central America." The project addressed the competitiveness of beef value chains in Costa Rica, Guatemala, Honduras and Nicaragua. The ILRI project had a specific focus on supporting integration of small-scale and poor farmers into formal livestock and beef markets.

38. The Inter-American Development Bank (IADB) is currently providing financial assistance for “Improvement of Plant, Animal and Forest Health Services” in Nicaragua. This program is focused on tuberculosis and brucellosis.

B. PORK

1. Commercial Environment.

39. Economic growth, rising consumer incomes, growing tourist revenues and greater market access opportunities are stimulating pork production in the Central American region. Exports are limited, however, with a major constraint being the presence of Classical Swine Fever (CSF) in the region and non-recognition by some trading partners of some countries freedom from CSF. CSF restrictions also disrupt the free flow of pork products within the region.

Table 5: Pigmeat production and trade in Central America

Countries	Pigmeat Production	Exports	Imports
Costa Rica	38,712	1,917	675
El Salvador	14,207	1	2,789
Guatemala	31,372	2,163	4,224
Honduras	9,013	206	10,988
Nicaragua	6,818	57	242
Panama	20,584	4	922

Source: Production (mt) – FAOSTAT (2006)
Exports and Imports HS 0203 (mt) – UN-COMTRADE (2006)

40. Specialty, processed pork products may present export interest for some of the countries in the region. Products such as pork pupusas and tamales may find important high value niche markets among expatriates and consumers interested in "ethnic foods".

41. As for beef, trade flows are greatly influenced by three main factors:

- the trade policies of trading partners (i.e. if tariff and quota policies apply);
- the disease status of Central American countries and recognition of status by trading partners; and
- recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouse by importers.

42. The trade policy environment is progressively liberalizing. Under CAFTA duties have been eliminated for pork exports to the United States, and pork tariffs in the EU are currently under negotiation with the EU. However, high tariffs remain in markets outside of Central America, including in the Caribbean – although bilateral free trade agreements of some Central

American countries, notably Costa Rica have helped facilitate market access and enable exports in recent years.

43. However, the main constraint faced by pork producers is the continued presence of classical swine fever in the region. Guatemala, Honduras and Nicaragua all reported confirmed clinical cases to the OIE in 2007³. Furthermore, for Costa Rica and Panama although the last reported occurrence of CSF in each country was 1997 and 1961 respectively, several key trading partners do not recognize either country as free of CSF and thus maintain import restrictions. In large part, this may be because both countries share a common land border with CSF-affected regions.

2. Sanitary Restrictions in Priority Countries.

44. **United States.** Outbreaks of CSF in Guatemala, Honduras and Nicaragua and the non-recognition of Costa Rica and Panama as CSF-free mean that no Central American countries are eligible to export pork to the United States. Table 6 provides more details.

Table 6: Pigmeat trade from Central America with the US

Pork	APHIS Classical Swine Fever	APHIS Vesicular Disease	APHIS Foot and Mouth	FSIS System Recognized	National Plant Certified for Export
Costa Rica	Controlled, but not recognized	Recognized as free	Recognized as free	Approved	0
El Salvador	Need to eradicate and control.	Recognized as free	Recognized as free	Not approved	0
Guatemala	Need to eradicate and control.	Recognized as free	Recognized as free	Not approved	0
Honduras	Need to eradicate and control.	Recognized as free	Recognized as free	Approved	0
Nicaragua	Need to eradicate and control.	Recognized as free	Recognized as free	Approved	0
Panama	Controlled, but not recognized.	Recognized as free	Recognized as free	Not approved	0

Sources: http://www.aphis.usda.gov/import_export/animals/animal_disease_status.shtm
http://www.fsis.usda.gov/pdf/Countries_Products_Eligible_for_Export.pdf

Amplified after interviews with USDA personnel and officials in the region.

45. The OIE provides official recognition of freedom from four diseases; FMD, BSE, rinderpest and contagious bovine pleuropneumonia (CBPP). Recognition of CSF is not thus on

³ No data was reported by El Salvador to the OIE.

the basis of self-declaration; trading partners require additional information before they will officially recognize a country as CSF-free.

46. CSF restrictions mean that even though the meat inspection systems of Costa Rica, Honduras and Nicaragua are recognized as equivalent by the US, no export can take place. Furthermore as the table shows, no plants have been approved. Thus even if the CSF restrictions were lifted, there would still need to be additional consideration to seeking approval for plants.

47. Similar to the US, the European Union does not recognize Central American countries as CSF-free. Trade is also extremely limited within the region because of restrictions due to the different stages of control of CSF.

3. Priority actions required to increase pigmeat exports

48. Control of CSF is the primary obstacle facing the region. However, this primary obstacle hides behind it another of ensuring that approvals are secured for individual plants.

49. The following priority actions are recommended.

- In Costa Rica and Panama, scientific reviews and cost-benefit analyses of the feasibility of applying the OIE concept of compartmentalization to the pigmeat sector should be considered. By focusing on individual plants and establishing specific biosecurity plans, compartmentalization may offer opportunities for market access, assuming they are accepted by trading partners;
- Continued assistance should be provided across the region in eradication, quarantine, control, and monitoring for CSF. The success of the US assistance to control screw-worm may provide a useful model in this respect.

50. Other actions which should be undertaken include:

- Gaining recognition of equivalence of Central American food safety inspection systems will be required to export to the U.S. and EU. In view of the unfamiliarity of Central American exporters with EU procedures, it is recommended that cost-benefit analysis and a competitiveness assessment is conducted before funding is allocated for compliance.
- Strengthening the food regulatory system in the Central American will help to raise the product quality generally, facilitating efforts to achieve export standards. This includes capacity building in both the government and private sector through investment in program infrastructure and human resources.

4. Technical assistance currently provided

51. OIRSA is engaged in a multi-year process of control of CSF in the region. The United States is providing workshops to animal health specialists to train them in training producers on how to monitor and control the CSF. U.S. CAFTA-DR training sessions can assist meat packers meeting U.S. food safety standards. Ongoing U.S. assistance to support the national quarantine and surveillance systems is helping to provide an institutional basis for animal disease control in the countries of the region.

C. POULTRY

1. Commercial Environment.

52. The same factors of economic growth, rising consumer incomes and growing tourist revenues and greater market access opportunities are stimulating poultry production in the Central American region. It is a large poultry producing and consuming region where consumption rates are on the rise

Table 7: Poultry production and trade in Central America

Countries	Poultry Production	Exports	Imports
Costa Rica	90,952	1,897	1,921
El Salvador	101,364	1,317	4,714
Guatemala	176,244	1,401	33,585
Honduras	140,711	749	9,796
Nicaragua	83,617	211	1,348
Panama	85,100	1	6,710

Source: Meat Production (mt) – FAOSTAT (2006)
Exports and Imports HS 0207 (mt) – UN-COMTRADE (2006)

53. Central American countries are net importers of poultry, and Costa Rica is the larger exporter in the region. The need to import a substantial portion of feed raises production costs, but efficient producers in the region are able to take advantage of low labor costs to compete. Industry sources believe this is particularly true if the region's producers can access the EU and U.S. markets, and the U.S. market for white meat in particular.

54. As for both beef and pork, trade flows are greatly influenced by three main factors:

- the trade policies of trading partners (i.e. if tariff and quota policies apply);
- the disease status of Central American countries and recognition of status by trading partners; and
- recognition of equivalence of meat inspection systems and approval of meat packing/slaughterhouse by importers.

55. Under CAFTA-DR, U.S. tariffs have been eliminated on Central American exports. The European Union is another promising market for Central American producers, given traditional high market prices and forecast protein deficiencies in the EU. While EU tariffs are high, trade negotiations between Central America and the EU create the possibility of improved access. Central American producers also have the ability to export competitively to the Caribbean region, but trade has been limited.

56. As with classical swine fever and pork exports, so Newcastle disease is a major impediment to market access for the region's poultry producers. Honduras reported a clinically confirmed case to the OIE in 2007. For Costa Rica, Guatemala, Nicaragua and Panama, however, the last confirmed cases reported to the OIE were in 1990, 2002, 2003 and 1977 respectively⁴.

2. Sanitary Restrictions in Priority Countries.

57. **United States.** Currently only Costa Rica is recognized as free from Newcastle disease by the US. However, it cannot export to the US as its meat inspection system has not been judged equivalent, and no plant has been approved for export to the US. Costa Rica and Honduras have applied for recognition of equivalence of their plant inspection systems with FSIS. Recent recognition of Chile's food safety by the US has paved the way for Chilean poultry exports to the United States and provides optimism that a similar solution can be found for Costa Rican and Honduran exporters.

58. Other Central American countries are not eligible to ship poultry to the United States due to the presence of Newcastle disease or non-recognition of their freedom of the disease. Central American inspection systems are also not recognized as equivalent to the U.S. authorities. Table below provides an overview.

Table 8: Poultry trade from Central America to the US

Poultry	APHIS Newcastle disease	APHIS Avian Influenza	APHIS Salmonella	FSIS System Recognized	National Plant Certified for Export
Costa Rica	Recognized as free by APHIS	Recognized free of H5N1 highly pathogenic avian influenza (HPAI)	Claims non-existent, subject to review by FSIS	System not approved	0
El Salvador	No region recognized as free	Recognized free of H5N1 (HPAI)	Claims non-existent, subject to review by FSIS	System not approved	0
Guatemala	No region recognized as free	Recognized free of H5N1 (HPAI)	Need to control.	System not approved	0
Honduras	No region recognized as free	Recognized free of H5N1 (HPAI)	Claims non-existent, subject to review by FSIS	System not approved	0
Nicaragua	No region recognized as free	Recognized free of H5N1 (HPAI)	Claims non-existent, subject to review by FSIS	System not approved	0
Panama	No region recognized as free	Recognized free of H5N1 (HPAI)	Need to control.	System not approved	0

⁴ No information was reported by El Salvador to the OIE.

Sources: http://www.aphis.usda.gov/import_export/animals/animal_disease_status.shtm
http://www.fsis.usda.gov/pdf/Countries_Products_Eligible_for_Export.pdf
Amplified after interviews with USDA personnel and officials in the region.

59. Similar problems prevent market access for poultry products to the EU. EU import rules are harmonized and the European Commission acts as the competent authority on behalf of the 27 Member States. In general, exporting countries must have a competent veterinary authority which is responsible throughout the food chain. The authorities must be empowered, structured and resourced to implement effective inspection and guarantee credible certification of the relevant veterinary and general hygiene conditions.

60. In addition to disease reporting and disease freedom obligations as set out in the OIE Terrestrial Code, the EU only authorizes imports from approved establishments requires national authorities to guarantee that the relevant hygiene and public health requirements are met. The hygiene legislation contains specific requirements on the structure of establishments, equipment and operational processes for slaughter, cutting, storage and handling of meat. Furthermore, a monitoring system must be in place to verify compliance with EU requirements on residues of veterinary medicines, pesticides and contaminants. The residue monitoring plan of the exporting country must be submitted and approved by the EU Commission.

61. Within Central America and the broader region, trade in poultry is frequently restricted by border measures, including related to incidence of diseases such as low pathogenic avian influenza and salmonella. Industry and government officials express concern that many of these measures are arbitrary and motivated by commercial concerns.

3. Priority actions required to increase poultry exports

62. The Central American countries are at different levels of advancement in the process of Newcastle disease control and eradication, their ability to obtain recognitions of equivalence for their food safety systems and pursue different policies with respect to the control of salmonella in poultry products.

63. The following priority actions are recommended

- Further investment in eradication of Newcastle disease, and maintenance of disease free regions through quarantine, control and surveillance;
- Scientific reviews and cost-benefit analyses of the feasibility of applying the OIE concept of compartmentalization to the poultry sector in different countries in the region. By focusing on individual plants and establishing specific biosecurity plans, compartmentalization may offer opportunities for market access, assuming they are accepted by trading partners;
- Further work to train and prepare meat packing plants, in particular in Costa Rica and Honduras to gain USDA/FSIS approval to export.
- Harmonization of control policies for salmonella and microbiological contamination of poultry products across the region. Different approaches between countries create market access barriers in the region. For example, Central American countries are considering implementation of a zero tolerance standard for salmonella, in line with standards in individual countries. While a shared standard would facilitate trade, a zero tolerance

standard for salmonella will in practice be a difficult standard to meet and will also raise questions about the credibility of the standard. Due to the differing approaches to salmonella and residues adopted by the EU and US, in particular regarding the use of anti-microbial treatments and current difference between the United States and El Salvador of a zero tolerance standard, countries in the region should make a strategic assessment of harmonization as well as an empirical determination of health and safety standards.

64. Other actions which should be considered include

- Strengthening capacity of the government and private firms to deal with outbreaks of low pathogenic avian influenza so as to help to mitigate market closing effects and help to foster trade within the region by bringing more certainty and control related to this disease.
- Consideration of the commercial and policy strategies needed to meet official and private EU import requirements, including raising awareness of the specific requirements among the private sector and government, appears necessary to access those markets.

4. Technical assistance currently provided

65. USDA has provided ongoing technical support to surveillance and control programs in the region, as well as diagnostic training and tutorials on meeting U.S. food safety standards. The United States is providing consultant services to assist Honduras strategic planning on achieving free status with respect to Newcastle disease. FAO and USDA have programs for assisting with diagnosis and control of avian influenza, which are likely to continue in the future.

66. As part of the global effort to control the spread of Highly Pathogenic Avian Influenza, FAO is strengthening surveillance systems across all Central American countries.

67. The IADB is currently providing financial assistance for Improving the Plant, Animal and Forest Health Services Program in Nicaragua, and working on some poultry-raising farms under monitoring systems.

IV. DAIRY PRODUCTS

1. Commercial Environment.

68. Costa Rica is the largest dairy exporter in Central America, and is the only net exporter. Nicaragua is an important exporter in the region, but the data does not reflect this because of informal trade and re-export by neighbours. The other countries are substantial importers, in particular Guatemala and El Salvador, and smaller exporters although there is growing interest in exports for "nostalgic expatriate" markets and to exploit opportunities created through trade agreements in these countries. Several markets, including the U.S. market, are of particular interest for Central American cheese producers because of demand from migrants and adoption of ethnic cuisine into culinary cultures.

Table 9: Dairy production and trade in Central America

Countries	Dairy Production	Exports	Imports
Costa Rica	779,465	32,545	9,922
El Salvador	492,478	1,461	27,585
Guatemala	291,297	1,399	51,512
Honduras	1,761,950	6,962	22,065
Nicaragua	663,644	4,806	4,781
Panama	187,000	5,444	11,991

Source: Dairy Production (mt) – FAOSTAT (2006)
Exports and Imports HS 0401-0406 (mt) – UN-COMTRADE (2006)

69. Dairy production systems in Central America are characterized by both formal and large informal sectors. In the leading producing and exporting countries, Costa Rica and Nicaragua, a small number of medium sized and large companies dominate the formal sector. Sanitary standards are typically high among these suppliers with on-going investment in technology, modern control systems and consistent supply of primary materials.

70. In contrast, in the informal sector small artisanal production systems dominate with large number of local suppliers providing dairy products through informal channels outside of official sanitary controls. Pasteurization rates are often low, particularly when assistance has not been provided to convert to pasteurized production. Cheese and sour cream is a preferred method to add value and preserve unpasteurized milk in the absence of refrigeration. Hygiene and sanitary practices are variable, creating significant food safety risks for domestic consumers and difficulties with market access if these products end up in export consignments.

71. Under the terms of CAFTA-DR tariffs on dairy products will be phased-out by 2025. Tariff-rate quotas have been established to provide progressively improved access. Nicaragua filled 100% of its cheese quota in 2007 by mid-way through the year, with El Salvador filling 30% of its quota. Costa Rica will receive its quota when it implements CAFTA-DR. Access to the EU is currently restricted by high tariffs and sanitary approvals. Some Central American countries are also exporting dairy products to the Caribbean countries.

2. Sanitary Restrictions in Priority Countries.

72. **United States.** The approval system for dairy products differs sharply from that which covers the importation of meat products into the United States. There are no requirements related to disease-freedom, nor for equivalence of inspection systems nor the prior approval of plants. All dairy products are eligible for export to the United States. However, all products are subject to inspection at the border.

73. Issues that have been particularly difficult for Central American exporters have been problems with technical violations of labeling requirements, sanitary violations, particularly salmonella and other microbiological contamination, and procedural violations such as incorrect product and facility registration. Currently over 20 specific cheese exporters from each Honduras and Nicaragua are subject to a U.S. Food and Drug Agency “Import Alert” where all their cheese exports are subject to automatic detention at the U.S. border for microbiological contamination.

74. **European Union.** The EU import rules for dairy products have many similarities to that for meat and meat products. In particular, dairy exports to the European Union must come from countries with equivalent systems of sanitary inspection and control and then only from plants specifically approved for export. Currently, no Central American systems or plants are approved to export to the European Union.

75. **Central America:** Sanitary controls within the region focus on border inspections. Industry and government officials have expressed concerns that arbitrary inspection requirements and enforcement restrict trade on an intermittent basis, and fear commercial considerations may be one of the motivations for these restrictions.

3. Overview of national priorities

76. Central American countries have greatest need for improvement in milk handling, including training in good agricultural and manufacturing practices, assistance in establishing pasteurization infrastructure, and improvement in commercial links to bring more milk producers into the formal sector. In addition, improved capacity for diagnostic services to identify non-conforming product will help reduce incidence of microbiological contamination. Control and eradication of brucellosis and tuberculosis will also reduce bacteria load in raw milk, reducing the level of microbiological contamination.

Table 10: National SPS priorities in the dairy sector

Country	General concerns	Specific priorities
Costa Rica	Not identified	Not identified
El Salvador	<ul style="list-style-type: none"> Expand productivity and reduce costs associated with disease control and plant sanitary standards for dairy exports 	<ul style="list-style-type: none"> Improve sanitary performance of dairy products exported to the United States and the EU.
Guatemala	Not identified	Not identified
Honduras	Improved sanitary controls and traceability to allow more dairy products to be exported to the EU, United States and various countries	Not identified
Nicaragua	<ul style="list-style-type: none"> Eradication, control, and monitoring of brucellosis and tuberculosis in cattle. Improved sanitary performance for dairy products. 	Not identified
Panama	Not identified	Not identified

4. Priority actions required to increase dairy exports

77. Central American dairy exporters face problems with food safety standards. Dairy products fail to meet these standards because of structural deficiencies (e.g. the continuing presence of large informal sectors) and problems in particular processing plants. All of the countries lack comprehensive modern infrastructure to guard against contamination of milk, although some advanced dairies in some of the countries have the resources to preserve product quality.

78. The deficiencies relate to many features of artisanal producers: include lack of a robust cold chain (particularly because of lack of electrification in many producing areas), absence of potable water; high levels of tuberculosis and brucellosis in cattle herds, failure to implement good agricultural and good manufacturing practices, and insufficient laboratory facilities for product testing.

79. Against this background of formal and informal systems, priority should be given to the following actions:

- measures to progressively bring producers into the formal sector, in particular by encouraging dairy electrification, pasteurization and good hygienic practices.

- targeted assistance to the formal sector to assist for measures to prevent microbiological contamination

5. Technical assistance currently provided

80. The United States has provided sanitary training for cattlemen and dairy operators as well as specific assistance to help dairies to meet U.S. food safety standards. U.S. laboratory assistance has expanded the ability of exporters to test milk and dairy products to identify quality problems. This assistance is provided under CAFTA-DR training and future activities are subject to review currently.

81. The IADB has been financing a program to raise quality standards of cheese producers in part of El Salvador to allow them to expand domestic sales and gain access to foreign markets. Also, under the “Food and Agriculture Sector Program” some Guatemalan dairy farms have been declared free of brucellosis and bovine tuberculosis.

82. The United States is using funds generated from food aid programs to provide operational support for certification of Nicaraguan farms free of tuberculosis and brucellosis, good agricultural practices and traceability, eradication of classical swine fever, and management of national surveillance systems.

V. FISH AND FISH PRODUCTS

1. Commercial Environment.

83. Central American countries are large exporters of a variety of fish and fish products, including shrimp, tilapia, tuna and lobster. Exports to the United States were about \$298 million in 2004, or approximately 6 percent of the region's total industrial exports to the United States. In total, exports to North America accounted for nearly 75% of all fish exports between 2003-2005. Honduras is the leading CAFTA exporter, accounting for 45 percent of Central American and Dominican exports in the sector. Panamanian exports to the United States totaled over \$104 million in 2006.

Table 11: Total fish catch in Central America by country in 2005

Countries	Capture	Aquaculture	Total
Costa Rica	22,340	24,038	46,378
El Salvador	41,114	2,203	43,317
Guatemala	12,248	4,508	16,756
Honduras	19,200	29,380	48,580
Nicaragua	30,914	9,983	40,897
Panama	214,737	8,019	222,756

Source: FAOSTAT (2005) - Unit: metric tons

84. Tariff barriers to most of the products of this group are relatively low, particularly in the United States and the EU, the principal markets for Central America. The United States imposes MFN tariffs on fish of 0 to 35 percent, with an average of 2.0 percent for the sector. The highest tariffs are applied to processed tuna. All products in the sector except processed canned tuna are duty-free under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Promotion Authority (CBTPA) tariff preferences.

85. Under DR-CAFTA, the United States agreed to consolidate all Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Promotion Authority (CBTPA) tariff preferences into the final tariff elimination schedules. This means that all fish imports from Central America except two canned tuna tariff lines receive duty-free treatment. For these two lines, the base rate from which tariff cuts will be made will be the 2005 CBTPA preference rates. These base rates will be eliminated according to a 10-year non-linear staging schedule. Duties on products in the last category will decrease by 2 percent for the first two years, by 8 percent for the next four years, and by 16 percent for the last four years.

86. For Panama, 100 percent of its exports to the U.S. will receive duty-free treatment immediately upon implementation of the TPA. For three tariff lines of canned tuna, which account for less than 1 percent of U.S. imports from Panama, the U.S. tariff will be phased out over ten years.

87. Sanitary restrictions on imports vary considerably by trading partner, but also by the source of fish i.e. coastal fisheries, inland fisheries and aquaculture. For example, in the case of aquaculture products, a control plan on heavy metals, contaminants, residues of pesticides and veterinary drugs must be in place in an exporting country for imports to be accepted by the EU.

2. Sanitary Restrictions in Priority Countries.

88. **United States.** Like dairy products, fish products are eligible for export to the United States, but are subject to inspection at the border. Sanitary standards and chemical residues are issues of particular concern for fish imports, including a maximum residue level of 1 part per million for methyl mercury in fish, which can be an issue of concern for some large fish such as tuna.

89. **European Union.** The EU sanitary system for the import of fish and fish products requires the exporting country to have a competent authority responsible for official controls and capable of guaranteeing that the relevant hygiene and public health requirements are met. Imports are only authorized from approved vessels and establishments (e.g. processing plants, freezer or factory vessels, cold stores), which have been inspected by the competent authority of the exporting country and found to meet EU requirements. As noted above, for aquaculture products, a control plan on heavy metals, contaminants, residues of pesticides and veterinary drugs must be in place to verify compliance with EU requirements.

90. Specific conditions also apply for imports of live or processed bivalve molluscs (e.g. mussels and clams), echinoderms (e.g. sea urchins) or marine gastropods (e.g. sea-snails and conchs). These imports are only permitted if they come from approved and listed production areas.

Table 12: EC approvals of Central American fish export plants and cold storage facilities

Fish and Fish Products	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Approved plants	7	6	7	4	7	16
Approved freezer or cold storage	0	2	0	2	4	43
EU Food and Veterinary Office inspection	February 2007	October 2002	September 2005	November 2006	November 2006	September 2007

Source: https://sanco.ec.europa.eu/traces/output/listsPerCountry_en.htm and http://ec.europa.eu/food/fvo/ir_search_en.cfm

91. Past Food and Veterinary Office inspection visits to countries in the region have highlighted various shortcomings, notably in respect of compliance by the competent authority with EC legislation, residue monitoring systems, laboratory testing, traceability and labeling.

92. In addition to official sanitary requirements, compliance with voluntary standards schemes may soon also be required by buyers in certain EU markets, such as GlobalGAP's Integrated Farm Assurance Scheme for aquaculture shrimp and similar standards in development for tilapia and pangasius. As in other product areas, there is considerable differentiation in private requirements according to national markets (e.g. the standards schemes applied and their requirements differ significantly between the Germany and Portugal). In general terms, private voluntary schemes, which typically also include chapters on social, environmental and animal welfare criteria are an increasingly important determinant of access to retail supply chains.

3. Overview of national priorities

93. The principal barrier to exports has been meeting plant approval and residue requirements in the EU and passing import inspection in the United States. To meet these requirements Central American countries need strengthening of laboratory diagnostic systems, assistance to meet EU equivalence standards, and training in good aquacultural practices.

Table 13: National SPS priorities for the fish and fish products sector

Country	General concerns	Specific priorities
Costa Rica	<ul style="list-style-type: none"> • Recognition of equivalence by the EU • Improve laboratory capacity and achieve accreditation • Improve capacity for monitoring residues and contaminants • Establish traceability systems 	<ul style="list-style-type: none"> • Improve ability to certify compliance with residue requirements for exports to the EU • Fish (tilapia and shrimp) – provide good aquaculture practices to support exports to the EU
El Salvador	Not identified	Not identified
Guatemala	Not identified	Not identified
Honduras	<ul style="list-style-type: none"> • Improve and strengthen surveillance system. • Strengthen laboratory network • Maintain a current sanitary database. • Establish a specialized technical expert group as part of quarantine system. 	Not identified
Nicaragua	<ul style="list-style-type: none"> • Laboratory improvements • Monitoring residues and contaminants • Traceability 	Not identified
Panama	<ul style="list-style-type: none"> • Establish accredited laboratories to assist shrimp exports 	Not identified

4. Priority actions required to increase fish and fish product exports

94. Priority should be given to the following actions:

- To protect market access to the EU, continual monitoring of changes to EU fisheries and health legislation is necessary to ensure that national competent authorities are able to demonstrate that they apply equivalent measures on fish and fish products.
- Within the aquaculture sector, particular attention needs to be given to updating control plans on heavy metals, contaminants, residues of pesticides and veterinary drugs. Close attention to the evolution of EU rules in this area is required.
- Network of laboratories recognized internationally for their results for specific residues and contaminants development. At present, Central American exporters send samples of fish products to Ecuador to get an accredited test for pesticide residues prior to export to the EU.

95. Attention should also be given to the following areas:

- The potential rise in private standards schemes in the fisheries area, not just within the EU market, but other markets world-wide.
- Promoting good manufacturing practices and monitoring and surveillance of product quality.

5. Technical assistance currently provided

96. The EU provided training on food standards and import requirements for fishery and aquaculture products in 2006. The FAO has an on-going programme on the establishment of internal quality standards for fishery products in the Central American started in 2007, and the US has an eradication of shrimp diseases program in Nicaragua, running since 2007.

97. Under the IADB Program for Improving the Plant, Animal and Forest Health Services Program”, Nicaraguan shrimp farms have been helped to put in place monitoring program for diseases.

VI. HORTICULTURE AND FLORICULTURE EXPORTS

1. Commercial Environment

98. Central American countries export nearly \$2 billion a year of fresh fruits. Primary markets are the United States (over \$1 billion) and the European Union (over \$600 million) as well as markets in the region. Asian markets have potential, but tariff barriers and logistic barriers appear to be the primary barriers to access these markets and current trade is relatively small. The U.S. market is open to fresh fruits, with all tariffs set at zero under CAFTA-DR. Most products also have duty-free access to the EU under current arrangements, albeit with some notable exceptions.

99. While trade in bananas and pineapple is well established and managed by multinational companies, growth is relatively slow in these products. In contrast, trade in non-traditional products is currently at a lower level but is experiencing higher growth rates, despite much less technical and market support. For example over the period 2004 – 2006, exports of papaya from Costa Rica have increased from less than half a million dollars to over \$1.5 million, cashew exports from El Salvador have increased from \$325,000 to \$500,000, guava exports from Guatemala have increased from \$1.3 million to nearly \$3 million, avocado exports from Honduras have increase from \$1.5 million to \$2 million, Nicaraguan strawberry exports have increased from \$13,000 to \$25,000.

100. Ornamental plants and cut flowers are a major export from the region, with exports exceeding \$250 million in 2007. Around 50% are destined for the EU and 40% for the United States.

Table 14: Total fruit and nut exports from Central America by country

Countries	Melons	Bananas	Pineapple	Others
Costa Rica	94,508	645,152	434,617	23,184
El Salvador	33	0	0	2,640
Guatemala	6,652	233,032	7,573	16,298
Honduras	35,313	131,526	19,052	4,544
Nicaragua	5,850	11,667	92	3,262
Panama	166,516	109,798	36,922	497

Source: UN-COMTRADE for HS chapter 8 (thousands \$US)

101. Central American countries export on average \$250 million dollars a year of fresh vegetables, over half of that to the United States. Exports to the EU only account for \$16 million a year. Distribution across products is more varied than for fresh fruits.

Table 15: Fresh vegetable exports from Central America by country

Countries	2004	2005	2006
Costa Rica	77,422	91,741	85,324
El Salvador	13,182	9,161	10,454
Guatemala	52,870	103,774	57,660
Honduras	32,090	35,452	34,380
Nicaragua	24,813	35,074	15,262
Panama	9,936	26,401	22,871

Source: UN-COMTRADE for HS chapter 7 (thousands \$US)

2. Phytosanitary and Sanitary Restrictions in Priority Countries.

102. **United States.** To export fresh fruits and vegetables to the United States, exporters must satisfy a number of specific requirements regarding the pest and disease status related to the product. Most important of these are to develop a list of pests and diseases associated with the product to determine potential risks to U.S. agriculture. When risks are identified, the product can be approved, denied access or mitigating measures can be identified.

103. All Central American countries have a substantial number of products approved for entry, some with mitigating measures required. The primary pest of concern denying access to imports is fruit flies, in particular Mediterranean fruit fly and flies of the genus anastrepha, but other pests and diseases of concern exist in the region. Mitigation may be applied, such as regulations permitted export from all countries in the region except for El Salvador and Panama by treating mangoes with a hot water dip at an APHIS approved facility. Similarly, protocols have been established that allow access for tomato and peppers that are cultivated under greenhouses and subject to surveillance by national plant health authorities.

104. In addition to plant health protection, exports of fresh fruit and vegetables to the United States are inspected for human health concerns and labeling requirements. Failure to maintain the product in sanitary condition or deliver products that have meet pesticide residue standards can result in a positive finding by FDA inspectors and shipment detentions, as well as import alerts that shut down all exports from a facility or a region.

105. The fundamental difficulty Central American countries have in obtaining import admissibility for new products, or establishing more favorable remediation standards is their ability to establish a technical basis for navigating through the U.S. regulatory system. This ranges from diagnostic capability to eradication, quarantine, surveillance, control, and monitoring. In addition, for specific products of interest identified as export priorities, managing the U.S. regulatory system requires focused attention from government officials and private sector companies and associations⁵.

⁵ For a list of products eligible to export by country, see <https://manuals.cphst.org/q56/Summaries/CountrySummariesMain.cfm>

106. Exports of live plants face additional restrictions, including because of the risk of pest or disease transmission through soil or through diseased root stock. Under the “clean stock” program, exports to the United States are permitted for producers who meet specified standards.

107. **European Union.** Certain plants, plant products and other objects must be accompanied by a phytosanitary certificate, issued by the National Plant Protection Organization of the exporting country, before exports can be introduced into the Community. Upon entry into the Community, the phytosanitary certificate may be replaced by a plant passport for circulation within the EU. Plant health standards are not harmonized across the EU for most products, and imports must comply with certification requirements of individual EU member states.

108. 98% of current Central American fruit and vegetable exports to the EU consist of bananas, pineapple, and melons. Only three other categories account for more than \$1 million in exports to the EU (guavas, berries, and grapefruit.) Central American countries have not identified many specific products of interest to gain new admissibility to the EU. The most important restrictions for Central American exports are process requirements, including traceability and pesticide residue requirements.

109. In addition to official sanitary requirements, voluntary standards schemes are well-established in the area of fruit and vegetables. The present GlobalGAP's Integrated Farm Assurance Schemes were first developed for fruit and vegetables⁶. These standards are well-established and a de facto requirement for access to most large retail distribution chains in northern Europe. Furthermore, these private voluntary schemes typically also include chapters on social, environmental and labor criteria. Meeting such standards may not present a problem for larger producers, but research from elsewhere in the world suggests that it can be onerous for small producers unless they can be grouped into collective certification schemes. One particular issue relates to certification of compliance and the recognition of certification bodies outside of the EU to perform these services. Outside of banana, pineapple, and melons producers, to date few Central American exporters have systems in place to comply.

110. **Asia:** Central American countries have not focused on navigating the regulatory approval process to enter Asian markets. The most efficient approach they have taken is to obtain import approvals from the United States as a facilitating step – once they have access to the U.S. market it is much easier to achieve approval from other countries. This is particularly true for fruit fly restrictions.

111. **Central America:** Trade of fruits and vegetables within Central America are restricted by some specific pest and disease concerns. Improvements in the phytosanitary systems in the region will help facilitate these resolutions.

⁶ EUREPGAP started in 1997 as an initiative by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). British retailers in conjunction with supermarkets in continental Europe were the driving forces. They reacted to growing concerns of the consumers regarding product safety, environmental and labour standards and decided to harmonize their own often very different standards.

3. Overview of national priorities

112. Central American countries have identified eradication programs to deal with specific pest infestations, particularly fruit flies. They also have an interest in conducting pest risk assessments on products not currently eligible to export to major markets or identifying more practical remediation plans for products currently allowed access under restrictive conditions. Overcoming EU technical requirements, including GlobalGap standards and pesticide residue requirements are also of interest to Central American countries.

Table 16: National priorities in the Plant Health areas

Country	General concerns	Specific priorities
Costa Rica	<ul style="list-style-type: none"> • Recognition of pest free and low prevalence areas • Eradication, control, and surveillance of fruit fly • Recognition of equivalence for phytosanitary control • Approval for transit through third countries • Meeting quarantine standards, including fumigation requirements • Conducting pest risk assessments • Accreditation of laboratories 	<ul style="list-style-type: none"> • Citrus leprosis and citrus greening – approval of mitigation plan and certification of pest free areas by the U.S. • Fruit fly in mango – establishment of new protocol for less damaging remediation treatment. • Roya blanca in crysanthemum – achieve recognition of pest free area by U.S. • Carambola – conclusion of U.S. pest risk assessment • Plants larger than 18” – modification of current U.S. ‘clean stock’ requirements through risk mitigation techniques • Conducting pest risk assessments for a number of specific products for access to the U.S. including Guava, Maracuyá, Pitaya, and Avocado and these products as well as Papaya, Melon, and Mango to Japan. • Organic certification to access the U.S., Canada and Japan
El Salvador	<ul style="list-style-type: none"> • Expand access for products restricted by fruit fly concerns beyond current greenhouse protocols, including by establishing fruit fly free zones. Several fresh fruit currently face import prohibitions in the United States. • Establish access for “nostalgic” products service ethnic markets in other countries. 	<ul style="list-style-type: none"> • Expand access conditions for products currently covered by greenhouse protocols with the United States, including tomato and pepper, by establishing fruit fly free regions. • Expand access for papaya and ornamentals to the United States by reducing required mitigation requirements. • Establish reasonable terms of access for products currently denied access to the U.S. market, such as Flor de Izote, chipilin, pitaya, and avocado.
Guatemala	<ul style="list-style-type: none"> • Establish quarantine, surveillance, and monitoring capacity and certify conditions. • Improve ability to meet pesticide residue standards • Expand med fly free zone south from Mexican border. • Establish med fly free zone in Peten. 	<ul style="list-style-type: none"> • Resolve concerns of El Salvador and Nicaragua about golden nematode in potato exports • Various fruits and vegetable restricted by fruit fly concerns, including mangosteen, zapote, avocado and rambutan. • Various vegetables restricted by pesticide residue standards, including snow peas. • Establish less damaging remediation treatment for fruit fly on mangos exported to the United States.

Honduras	<ul style="list-style-type: none"> • Implement phytosanitary guide identifying requirements for exporting fruits and vegetables. • Strengthen phytosanitary diagnostic system. • Strengthen surveillance network. • Strengthen quarantine system. • Establish a pest risk analysis unit. • Strengthen register for use and control of pesticides. 	<ul style="list-style-type: none"> • Med fly eradication, monitoring and control to allow various fruits and vegetables to be exported to various markets. • Citrus canker, leprosis, and tristeza to allow exports of citrus products to Central American countries and the United States. • Palm thrip eradication, monitoring and control to allow various fruits and vegetables to be exported to Central American countries. • Chile jalapeno, melon and pepino pest risk assessments to allow exports to Mexico.
Nicaragua	<ul style="list-style-type: none"> • Recognition of pest free and low prevalence areas • Monitoring, control, and eradication of fruit fly • Conducting pest risk assessments • Accreditation of laboratories and certification authorities. • Monitoring, surveillance, and quarantine programs. 	<ul style="list-style-type: none"> • Fruit fly – monitoring and surveillance, resources (infrastructure and human resources), eradication program, and achieving recognition of free areas for exports to various countries. • Products with potential to export if risk assessments and mediation procedures can be agreed include: okra, Chinese vegetables, mango, pitaya, citrus, and platano.
Panama	<ul style="list-style-type: none"> • Eradication and recognition of pest-free status for Mediterranean fruit fly in the principal agricultural production region. • Accredited laboratories to evaluate pesticide residues and identify pests and diseases. • Capacity to conduct Pest Risk Assessments. • Capacity for surveillance and monitoring of plant health threats. • Export certification system 	<ul style="list-style-type: none"> • Admissibility for various fruits to Japan and Taiwan, principally because of Med fly.

4. Priority actions required to increase fruit and vegetable exports

113. Central American countries have several approaches for overcoming barriers to fresh fruit exports, ranging from ambitious system changing approaches to discrete institutional improvements. In addition, product and market-specific interventions can help expand export opportunities.

114. Priority should be given to the following actions:

- *Conduct additional risk assessments.* There are a number of products of interest from Central America that are currently not eligible for export from the region because pest and disease risk assessments have not been conducted. Moving those risk assessments effectively requires both credible government plant health systems and negotiation with importing government authorities.
- *Consider compliance options for private standards.* For access to certain of the EU member state markets, in particular those of northern Europe, compliance with private standards is becoming a de facto market requirement. Three main issues arise in consideration of compliance: design of national GAP schemes (along the lines of ChileGAP), development of certification capacity within the region which will be recognized by European buyers and promotion of collective certification schemes to ensure that small farmers can be effectively integrated into market chains. Such measures would only appear necessary if the range of products and producers who can currently export is broadened, since existing suppliers do not report difficulties with compliance.
- *Consider fruit fly control options.* Fruit fly infestation in the region is a primary barrier for most products of interest. Three main options exist for control: eradication, establishment and maintenance of free areas and quarantine treatments, such as fumigation and irradiation. It is recommended that a regional co-ordination and strategy meeting be held to consider control options and agree regional and national actions necessary to control fruit fly.
 - *Eradication of fruit fly* would remove a principle barrier to exports. Some officials suggested eradication of the med fly from the entire region. Others, particularly in Guatemala, suggested building on current med fly eradication program in Mexico by expanding the free zone south.
 - *Pest and disease free regions.* Pest and disease free regions could be established for other pests and diseases of concern, such as citrus leprosis. Finally, another approach would be to establish autonomous fruit fly free zones within the region, which a number of the countries are working on.
 - *Irradiation.* Development of an irradiation program would eliminate pests of concern, and avoids the difficulties of establishing and maintaining pest-free status in the production areas.

- *Good agricultural practices.* Training on production techniques and post harvest handling practices will help producers in the region reduce incidences of pests and diseases.

115. Attention should also be given to the following areas:

- Greenhouse protocols. Central American countries have established protocols with the United States to mitigate pest concerns. By producing under greenhouses, and maintaining surveillance programs, the Central Americans have been able to export tomatoes and peppers to the United States. These programs could be expanded.
- System improvements. Central American governments need to improve their systems for pest and disease control to gain approvals in foreign markets, and to guard against introduction of new pests and diseases.

5. Technical assistance currently provided

116. Through its CAFTA-DR training the United States is providing training related to good agricultural practices, strengthening government technical services, and training on U.S. import requirements for fruits and vegetables. Through the same program the United States has provided assistance to prepare Central American producers to access the U.S. market under protocols for greenhouse cultivated tomato and peppers. The US is also using funds generated from food aid programs to provide operational support for med fly eradication and fly free zones, control and eradication of citrus leprosis, good agricultural practices and traceability, and management of national surveillance systems.

117. The IADB is financing a technical assistance project to train horticultural producers in good agricultural practices and work with the government of El Salvador to establish a surveillance program to reduce pesticide residues in horticultural products. With the support of the IADB Program for Improving Plant, Animal and Forest Health Services Program, Nicaragua is working on strengthening farming services and controlling phytosanitary diseases.

VII. GENERAL FOOD SAFETY ISSUES (INCLUDING FOR PROCESSED FOOD PRODUCTS)

1. Commercial Environment.

118. Central American countries have been exporting processed products through the region and in neighboring countries, and are beginning to expand exports to the United States and are evaluating prospects for exporting to the European Union and beyond. Exports of processed fruits and vegetables under HS chapter 20, including canned fruits and vegetables and juices, have increased from under \$70 million in 1994 to over \$270 million in 2006 for the CA-5. Under CAFTA-DR tariffs on processed products, except for sugar and dairy-containing products, are set at zero.

119. Central American food processors are regionally competitive in Latin America and the Caribbean, and are entering the U.S. market. Areas of particular competitiveness include processed fruits and vegetables, snack foods, beverages, and ethnic foods for customers with interests in nostalgic and exotic foods. However, because they are new to exporting to large markets such as the United States and the European Union, they are prone to run into problems with technical standards, such as labeling and packaging requirements, and hygiene, chemical and residue standards.

2. Phytosanitary and Sanitary Restrictions in Priority Countries.

120. The most important government barriers to imports relate to food safety standards, in particular microbiological contamination and pesticide residues, and labeling requirements. The chart below demonstrates reasons for detentions from the CA-5 countries during a recent period for food and pharmaceutical products.

Table 17: U.S. FDA Detentions of Central American Imports: June 2006 – June 2007

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Total
Labeling	37	16	118	124	19	314
Unapproved pharmaceutical	23	1	10	29	2	65
Pesticide residues	10	1	17	2	0	30
Plant not registered	6	4	8	5	4	27
Food coloring	16	2	2	4	0	24
Salmonella	1	2	1	17	2	23
Product not registered	2	4	5	7	3	21
Other	9	5	6	15	1	36

Source: Ministerio de Economía, El Salvador from FDA data

121. **United States:** Imports of processed products are subject to inspections at the border, under the same system identified above for dairy products. In addition, there are registration and process requirements for canned foods, including for low-acid canned food requirements.

122. **European Union:** Processed products containing meat or egg products must be certified to access the EU market. Additional requirements for other products depend on standards

established in individual EU member states. Few Central American companies have gone through the certification process.

123. **Central America:** Central American countries have product and plant facility registration requirements, which apply to imported products. However, enforcement is limited by resource constraints and exports

124. Central American countries seek strengthening of their food safety systems through a series of specific interventions. These include improvements in diagnostic and laboratory capacity, strengthening of inspection services, provision of training for good agricultural and manufacturing practices, and assistance in participation in international standards setting activities.

Table 18: National concerns in the area of food safety

Country	General concerns
Costa Rica	<ul style="list-style-type: none"> • Addressing requirements for microbiological contaminants • Improve inspections of processed foods • Accreditation of laboratories • Good agricultural practices, good manufacturing practices, and HACCP training • Risk analysis capacity • Improve the country’s participation in international organizations • Updating regulations • Strengthening the center for information and notification
El Salvador	<ul style="list-style-type: none"> • Improve sanitary practices to reduce microbiological contamination and detention at border through capacity building in good agricultural practices (GAP), good manufacturing practices (GMP), Hazard Analysis Critical Control Point (HACCP), and other programs. • Improve capacity of producers to meet private standards and assistance in dealing with private standards that go beyond those set by international organizations and national legislation. • Strengthening technical and human resource capacity of laboratories and government agencies.
Guatemala	<ul style="list-style-type: none"> • Ability to certify HACCP. • Improve performance under import inspection for labeling and quality standards. • Establish traceability system • Create reliable national or regional laboratory system • Improve risk assessment capabilities

Table 18: National concerns in the area of food safety cont.

Honduras	<ul style="list-style-type: none"> • Improve capacity of equipment, technical ability, and human resources. • Expand participation in international standards-setting organizations. • Establish a risk analysis unit for food safety to generate a database of information to access and maintain foreign market opportunities. • Improving laboratory system, including equipment, technical training, and human resource capacity. • Strengthening systems of surveillance, control and eradication of pests and diseases. • Establishing inspection and certification processes, for laboratories and for products and production methods.
Nicaragua	<ul style="list-style-type: none"> • Provide capacity building on good agricultural practices, good manufacturing practices, HACCP. • Improve laboratory and certification services. • Develop system for laboratory and certification accreditation. • Establish traceability system
Panama	<ul style="list-style-type: none"> • Strengthen laboratories, surveillance, diagnostic, and risk assessment capacity, including achieving accreditation. • HACCP training • Establishment and coordination of traceability program in the region. • Technical training for personnel and expand capacity of inspection, surveillance and diagnostic system, including accreditation of food safety systems and establishment of a regional reference laboratory.

3. Priority actions required to increase processed food exports and general food safety standards

125. Priority should be given to the following actions

- Good agricultural and manufacturing processes. Training to help food processors raise their quality and work to meet export standards will help gain certifications and reduce the incidence of import detentions.
- Improved laboratory support. Expanded laboratory capacity to test and certify products will increase detection of non-conforming product and enhance the capacity of food processors to improve their product.
- Strengthened domestic food safety systems. Strengthening the food safety capacity of the Central American countries will reduce the gap between domestic and export quality, and make it easier for domestic producers to realize export standards.

4. Technical assistance currently provided

126. Through its CAFTA-DR training the United States is providing training related to good agricultural practices, strengthening government technical services, and training on U.S. import requirements for the United States. The IADB and EU are providing training on good agricultural practices in certain Central American countries. There are number of capacity building programs in the region oriented to improve competitiveness of small and medium enterprises in the region, including providing production assistance.

VIII. OVERVIEW OF PAST, PRESENT AND PLANNED SPS-RELATED ASSISTANCE

127. Assistance to Central America tends to come from a limited number of donors, international financial institutions and regional and multilateral organizations. Annex 2 provided a detailed overview of assistance available on a country and specific sectoral basis.

128. Most assistance to the region is provided on a national basis. SPS co-operation is often not identifiable as a discrete category, but instead falls within the scope of broader programs on agriculture, environment or health. SPS assistance can also be available within private sector development and regional integration projects. It is often difficult to pinpoint assistance provided or available in the SPS area with a degree of accuracy. The exception is dedicated SPS-related assistance offered by specialized organizations within bilateral donors (e.g. US Department of Agriculture), regional organizations (e.g. IICA or OIRSA) or multilateral organizations (such as FAO or OIE).

129. Various drivers of SPS-related technical assistance to the region over the past five years can be identified:

- CAFTA-DR agreement;
- extension of Millennium Challenge Corporation activities to El Salvador, Honduras and Nicaragua;
- signature of the EU-Central America Political Dialogue and Co-operation Agreement and on-going negotiation of a Free Trade Agreement;
- efforts to protect bio-diversity, in particular conservation of forestry and marine resources.

○ US ASSISTANCE

130. In the period 2003-2007, the US provided more than \$650 million in trade-related assistance to CAFTA-DR countries. Agencies involved in providing support include the U.S. Agency for International Development (USAID); the Departments of Agriculture, State, Commerce, Treasury and Homeland Security; the Overseas Private Investment Corporation; the Trade and Development Agency; and, the Millennium Challenge Corporation.

131. One of the newest and largest U.S. Government contributors to the CAFTA-DR countries is the Millennium Challenge Corporation (MCC). To date, the MCC has signed compacts worth \$215 million for Honduras (in June 2005) \$175 million for Nicaragua (in July 2005) and \$461 million El Salvador (in November 2006). Guatemala has not yet met eligibility criteria for a compact, but to address rural development needs, the US is supporting an additional \$10 million per year in USAID funding starting in 2007 for up to five years (or until the compact is signed).

132. CAFTA-DR also created a Committee on Trade Capacity Building (TCB). The TCB aims to ensure that TCB activities respond to “National Trade Capacity Building Strategies”

developed in partnership with the Central American countries⁷. The TCB brings in agencies of the US government, non-governmental organizations, private sector representatives, and four multilateral institutions: the Inter-American Development Bank (IADB), World Bank, Organization of American States (OAS), and the Economic Commission for Latin America and the Caribbean (ECLAC). Within the National Trade Capacity Building Strategies agreed by countries, SPS issues are prominent.

133. According to figures in the Congressional Budget Justification for Foreign Assistance in 2009, a total of \$9.7 million has been requested to support economic growth through programs in the areas of trade and investment, private sector development and environment for the Central American region⁸. No specific provision has been made for agriculture. In addition, the region can also benefit from the Latin America and Caribbean (LAC) Regional Program.

134. The US has provided training on food additives, a poultry food safety assessment and meat inspection training to Costa Rica; technical assistance to cheese and dairy plants, and has performed a laboratory assessment to identify training needs in El Salvador; a meat and poultry inspection training seminar to Guatemala; technical assistance to dairy facilities in Honduras and Nicaragua; has conducted a poultry assessment to identify training needs in Nicaragua; and a meat and poultry inspection seminar to Panama. The US has also provided several training courses on Good Agriculture Practices (GAP), Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Point (HACCP), brucellosis and tuberculosis containment and eradication, equivalence topics, risk assessments, food safety and regulatory enforcement to the region.

o EC ASSISTANCE

135. In March 2007, the European Commission published a Regional Strategy paper on EU-Central America Political Dialogue and Co-operation Agreement⁹. The Regional Strategy Paper earmarked an indicative allocation of €75 million for the period 2007-2013 and focuses primarily on the priority of regional integration. These resources will be supplemented by projects funded from specific EC budget lines and programs financed under the Central American and Latin American regional programs. On the EC side, consolidating the Central American customs union and related harmonised and common policies are a priority area. Within this area, SPS issues have been identified as an area which needs to be addressed.

136. The final selection of projects and corresponding amounts through the Regional Strategy will be based on the outcome of detailed identification and preparatory studies carried out by the Commission in close cooperation with the relevant Central American authorities.

137. The EC has provided training on food standards and import requirements for fishery and aquaculture products, and food standards and import requirements for fruit and vegetables. It has a new aid programme for strengthening social cohesion and supporting regional integration (2007-2013). Spain has provided technical assistance in animal and plant health to Costa Rica; training on forestry genetic resources and genetic improvement of plant species to Guatemala; a course on food, health and consumer rights to Nicaragua; and has a cooperation and coordination agreement on animal health with Panama.

⁷ See [USTR - CAFTA National Action Plans for Trade Capacity Building](#)

⁸ See <http://www.usaid.gov/policy/budget/cbj2009/101444.pdf>

⁹ See http://ec.europa.eu/external_relations/ca/rsp/07_13_en.pdf

○ **OTHER BILATERAL DONORS**

138. At the level of other European donors, Spain is one of the most prominent EU Member States in the Central American region. Its main areas for cooperation in this region include strengthening public administration, health, education, sustainable development and natural resources and environmental management, disaster prevention and reducing ecological vulnerability, tourism, micro-enterprise and fisheries. Germany has been/still is present, with sub-regional approaches in themes such as the creation of employment and (sustainable) industrial competitiveness; renewable energies; micro credits; prevention of catastrophes and watershed management.

139. Italy, the Netherlands, Sweden and Finland also provide significant amounts of cooperation through regional programs. Over the past few years the substantive part of funding provided by these donors has been directed to environmental management and natural resources, in particular by Sweden which plans to put even more emphasis on this area of regional integration over the period 2004-2008.

140. Chinese Taipei is another important bilateral donor to the Central American region. The signature of bilateral Free Trade Agreements has been the main factor behind assistance. In the period 2003-2007, Chinese Taipei signed FTAs with Panama, Guatemala, Nicaragua, El Salvador and Honduras.

○ **INTER-AMERICAN DEVELOPMENT BANK**

141. The Inter-American Development Bank (IADB) is the most important provider of multilateral lending to the Central American region. By the end of 2007, the IADB portfolio in the Central American Region (6 countries) included financial assistance of approximately US\$ 1,800 millions.

142. The IADB has been providing financial support, through loans and technical cooperation, for trade related assistance in the region with the objective of enhancing trade capacity building, including, among others, assistance on trade facilitation, export and investment promotion, negotiating capacity and implementation of trade agreements, business development for promoting exports, trade adjustment, etc. Examples of such financial assistance include programs aimed at improving competitiveness in foreign trade in Costa Rica and Panama as well as grants to enhancing Agribusiness Competitiveness in Honduras and Panama. Under a trade sector facility program, the IADB has also financed programs to strengthen international trade institutional capacity in Panama; Guatemala and Nicaragua for approximately US\$5 million in each country.

143. During recent years, the IADB has approved loans for about 20 US\$ millions to support Central American countries on specific SPS related issues. Most of them are on-going programs and include the following: Improvement of Plant, Animal and Forest Health Services in Nicaragua (US\$ 7.3 millions); Retooling Agro-enterprise in El Salvador (SPS component: US\$ 3.6); Support for Restructuring of Food and Agriculture Production in Guatemala, (SPS component: US\$ 3.5 millions). Also, the Bank has provided grants of regional and national scope to address SPS needs and/or overcome SPS related barriers, such as the Regional Implementation of Sanitary and Phytosanitary Measures in Mesoamerica, BID/FOMIN (US\$ 3.0 millions), and Assistance for Small and Medium-Sized enterprises in Central America on Technical Requirements for gaining Market Access under DR-CAFTA, BID/FOMIN RG (technical barriers

component: US\$ 1.5 million); and technical cooperation to support Good Agricultural Practices for Rational Use of Pesticides in El Salvador (US\$ 0.15 million).

○ **INTERNATIONAL ORGANIZATIONS (REGIONAL AND MULTILATERAL)**

144. The International Regional Organization for Plant and Animal Health (OIRSA) new strategy approved in 2007 prioritizes phytosanitary support for the citrus and fruit agri-food chain, the vegetable and plant chain, support for the aquaculture chain, regional support for the poultry, the bovine and the pig production chains, and strengthen the quarantine system in the region. Assistance has been focused on training activities such as seminars on the eradication phase of classical swine fever in El Salvador, Nicaragua and Honduras, a seminar on Standards and Sanitary Inspection of dairy products in Nicaragua, a regional workshop on traceability, a regional course on health and food security in aquaculture, several seminars related to avian influenza and workshops on other SPS related topics.

145. The Inter-American Institute for Cooperation on Agriculture (IICA), in conjunction with the United States Department of Agriculture (USDA), has implemented, since October 2002, the SPS Initiative for the Americas, which has supported the active participation of the countries of the Americas at 17 consecutive SPS Committee meetings and helped them build their national SPS capacity. A new project for institutional strengthening, with funding from the STDF, will promote a common and shared vision in these countries, and will consolidate their institutional capacity-building for the sake of more active and effective participation in the SPS Committee. IICA supports the institutional strengthening of official services in various fields; support is based on the results obtained from the application of the Performance, Vision and Strategy (PVS) tool. IICA has held a number of training workshops for the purpose of disseminating information on the SPS Agreement and international norms, training on Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP) and Hazard Analysis Critical Control Point (HACCP), support for the implementation of a traceability system, the improvement of laboratories, surveillance and prevention of avian influenza, and the exchange of information related to SPS measures.

146. The Food and Agriculture Organization of the United Nations (FAO) has developed an integrated system of quality assurance for food analysis laboratories in Central America, has established internal quality standards for fishery products in the region, has provided assistance for early detection of avian influenza, management of coffee pest (Broca) and the prevention of its dispersion in Costa Rica and Panama. Support has been given for the recovery of areas affected by the coconut lethal yellowing disease in Honduras, and the modernization of the national sanitary and phytosanitary system in Panama. A new FAO sub-regional office for Central America is being established in Panama during 2008.