

## TRADE: CHANGING ITS IMPACT ON HEALTH

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**SUMMARY:** *Policy coherence in the areas of agriculture, economics, environment, trade and nutrition is of key importance in the use of a multi-sector/multi-disciplinary approach to addressing the growing incidence of obesity and the control and prevention of the non-communicable diseases (NCDs) which are consequences of its prevalence. There is mounting evidence of significant relationships among levels of international trade, food and diet costs and rises in levels of obesity and non-communicable diseases, especially in developing countries. Empirical research findings suggest that policies aimed at promoting liberalisation of investment and trade have contributed to reduced relative costs of dietary energy and increased availability of energy-dense foods that have resulted in a nutrition-transition characterised by higher levels of consumption of these foods, particularly among low-income groups.*

*Global food production and trade are governed by a complex web of domestic agricultural policies, international trade and investment rules and a myriad of bilateral and multilateral trade agreements which influence prices and availability. Effective use of trade policies as instruments in the control and prevention of obesity and NCDs may require reforms to the existing international trade and investment framework. The existing framework, however, permits general exceptions for measures necessary to protect human, animal or plant life or health and the World Trade Organisation (WTO) Agreement on Agriculture makes allowances for the use of specific measures by governments that may be used as part of the strategy to influence agricultural production and trade. These measures include the use of subsidies as incentives to promote domestic production and border control measures, such as import duties and other taxes, that may be used, selectively, to influence consumer choices in favour of more desirable dietary outcomes.*

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- ***The value of Policy Coherence:*** Policy coherence in the areas of agriculture, economics, environment, trade and nutrition is of key importance in the use of a multi-sector/multi-disciplinary approach to addressing the growing incidence of obesity and the control and prevention of the non-communicable diseases (NCDs) which are consequences of its prevalence. Strategies to deal with obesity and NCDs should be holistic and engage all sectors which impact on the food system and diets. These strategies should involve agriculture and trade, along with health, education, sports and the environment. In effect, prevention and control of nutrition-related disease are not exclusively public-health concerns. ***Raising awareness of that fact both within and outside the public health sector is as much a part of the solution to the problem as are the strategies used in the public health domain to address the problems associated to obesity and NCDs.*** Trade and investment have become very significant aspects of foreign policy. As such a foreign policy dimension to addressing obesity and NCDs, through the multilateral

trade and investment framework, and through bilateral arrangements, such as trade and investment agreements between countries or groups of countries, should also be considered. The role of law – legislation and regulations – in obesity control has also been the subject of research<sup>1</sup>. Although health officials may continue to play the leading role in the fight against obesity and NCDs, the strategies which they use may require engagement with policy makers across several sectors. Naturally, this would have implications for the type of skills which public health experts need to have and the context in which public health policies are framed.

- ***Relationship among agriculture, trade, investment, food and diet costs, obesity and NCDs:*** There is mounting evidence of significant relationships among levels of international trade, food and diet costs and rises in levels of obesity and non-communicable diseases. Drewnowski, *et al*, (2010)<sup>2</sup> observed that trade driven factors have reduced the relative cost of dietary energy in the developing world in four key ways: the dramatic expansion of trade in the inputs to process energy-dense foods; urbanisation – that comes as a result of migration of unskilled labour from agriculture to manufacturing located in poor urban areas with limited physical access to healthy foods; foreign direct investment into food processing - that leads to increased availability and lower costs of highly processed foods and; rising incomes - that have contributed to the displacement of traditional food cultures in favour of energy-dense diets. They also note that energy-dense diets, rich in added sugars and fats are more affordable per unit of energy than diets composed of whole grains, lean meats, fish, low-fat dairy products and fresh fruits and vegetables and that while trade has allowed more efficient production of goods and services it has also driven consumers towards the purchase of these energy-dense processed foods. Population sub-groups with the most limited economic means and groups which are most at risk for obesity tend to spend the largest proportion of disposable income on food.

Lobstein (2010)<sup>3</sup> notes that while trade liberalisation may contribute to global wealth and economic development, the opening of markets facilitates the importation of foods and the inward investment of capital in the manufacture and retail of foods that can undermine healthy dietary patterns. He notes further that the extra-ordinary rise in the prevalence of obesity cannot be attributed simply to failures in personal responsibility and that the context in which choices are made must be recognised. Trade liberalisation is a significant part of that context.

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<sup>1</sup> (See *Law and Obesity Prevention: Addressing some key issues for the public health community*, World Cancer Research Fund International Policy and Public Affairs Working Paper No 1, 2013).

<sup>2</sup> Adam Drewnowski, Andrew Hanks and Trenton Smith. '*International Trade, Food and Diet Costs, and the Global Obesity Epidemic*'. In C. Hawkes, C. Blouin, S.Henson, N. Drager and L. Dube (eds.) 2010. *Trade, Food, Diet and Health: Perspectives and Policy Options*. Wiley-Blackwell. P 77

<sup>3</sup> Timothy Lobstein. '*Tackling Obesity in an Era of Trade Liberalisation*'. In C. Hawkes, C. Blouin, S.Henson, N. Drager and L. Dube (eds.) 2010. *Trade, Food, Diet and Health: Perspectives and Policy Options*. Wiley-Blackwell. P 195

S. Friel, L. Hattersley, W. Snowden, *et al.* (2013)<sup>4</sup> state that the liberalisation of international trade and foreign direct investment has brought about three important changes to food systems: opening of domestic markets towards international food trade and FDI; subsequent entry of transnational food corporations and their global market expansion; and global food advertising. They state further that these three changes affect population diets, and raise concerns about obesity and non-communicable diseases (NCDs), by altering the availability, nutritional quality, price and promotion of foods in different locations.

- ***Trade Liberalisation and Obesity – The empirical evidence:*** Empirical research findings suggest that policies aimed at promoting liberalisation of investment and trade have contributed to reduced relative costs of dietary energy and increased availability of energy-dense foods that have resulted in a nutrition-transition characterised by higher levels of consumption of these foods, particularly among low-income groups. A 2009 study by Anne Marie Thow and Corrina Hawkes<sup>5</sup> assessed the impact of trade policy changes on food imports and food availability in Central America and observed that changes in trade policy directly affected food import and availability in three ways: the lowering of trade barriers promoted availability by facilitating higher imports of a wide range of foods; trade liberalisation affected food availability by promoting domestic meat production and; reduction in barriers to investments appeared to be critical to the expansion of processed food markets. The research concluded that trade policies and trade liberalisation, in particular, have implications for food availability and health in the Central American region and play an important part in the ‘nutrition transition’ associated with rising rates of obesity. They recommended that preventive health measures, including measures to prevent or control obesity, take account of the impact of trade liberalisation on diets.

A second study, undertaken in Mexico by the Institute for Agriculture and Trade Policy (IATP) in 2012<sup>6</sup>, examined the impact of US farm and trade policy on the Mexican food environment. The study found that, directly and indirectly, US exports of corn, soybeans, sugar, snack foods and meat products into Mexico increased significantly in the period after NAFTA and that US exports of these products was an important way in which US agriculture and trade policy influences Mexico’s food system. Specifically, the study observed that NAFTA contributed to increased availability of soft drinks, refined and processed foods, meat and dairy products derived from cheap, imported commodity grains as well as increased investments by US-based companies that

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<sup>4</sup> S. Friel, L. Hattersley, W. Snowden, *et al.* ‘Monitoring the Impact of Trade Agreement on Food Environments’. *Obesity Reviews*. Vol. 14., 2013

<sup>5</sup> Anne Marie Thow and Corrina Hawkes. ‘The Implications of trade Liberalisation for diet and health: A case Study for Central America’. *Globalisation and Health* 2009 5:5.

<sup>6</sup> Institute for Agriculture and Trade Policy. ‘Exporting Obesity: How U.S. Farm and Trade Policy is Transforming the Mexican Food Environment’. *International Journal of Occupational and Environmental Health* June 2012

manufacture food and drinks for sale in Mexico. In addition, because of significant US agri-business investments in Mexico across the full spectrum of Mexico's food supply chain the Mexican food system increasingly looked like the industrialized food system of the US. The study concluded that at a minimum trade liberalisation hastened the pace of the nutrition-transition towards increased consumption of obesogenic foods in Mexico.

A similar study by Anne Marie Thow and Wendy Snowdon<sup>7</sup> examined the diet and nutrition transition in the Pacific in the context of concurrent changes to trade policy and eventual trade liberalisation. The study found out that there was a dramatic dietary change in the Pacific from a healthful traditional diet to a 'modern' diet associated with high rates of chronic disorder, including childhood obesity, and that trade was clearly one of the key drivers of the dietary change. The researchers proposed that further exploration of options for healthy trade policy could be part of the solution in creating a healthy food environment. They recommended that public health policies be taken into account when formulating trade policies.

- ***Trade and Investment Policy Environment: Scope for Obesity and NCD control and prevention:*** Global food production and trade are governed by a complex web of domestic agricultural policies, international trade and investment rules and a myriad of bilateral and multilateral trade agreements which influence prices and availability. Effective use of trade policies as instruments in the control and prevention of obesity and NCDs may require reforms to the existing international trade and investment framework. The World Trade Cancer Research Fund in its Working Paper No 1 (2013) p 23, notes that international trade and investment law are complex, highly nuanced and insufficiently understood areas of law and that while they give states significant regulatory autonomy and policy space to choose, design and implement public policies that fulfil their regulatory aim there can be significant uncertainties.

The effect of international treaties on the policy space for addressing the problems of obesity and NCDs has not been extensively examined but the limited analyses which exist suggest that international rules do not limit the scope of governments to implement policies aimed at the prevention and control of obesity and NCDs and that the WTO Agreements do in fact provide flexibility for countries to implement policies to support the production of healthy foods as part of a programme to address these concerns (Atkins 2010<sup>8</sup>; Fidler (2010)<sup>9</sup>; Thow, *et al* (2011)<sup>10</sup>).

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<sup>7</sup> Anne Marie Thow and Wendy Snowden. 'The Effect of Trade and Trade Policy on Diet and Health in the Pacific Islands' In C. Hawkes, C. Blouin, S.Henson, N. Drager and L. Dube (eds.) 2010. Trade, Food, Diet and Health: Perspectives and Policy Options. Wiley-Blackwell.

<sup>8</sup> Vincent Atkins. 'Agriculture Trade Policy Instruments to Promote Healthy Diets in Developing Countries: An Assessment of the Opportunities within the framework of the WTO Agreement on Agriculture and the Doha Development Agenda'. In C. Hawkes, C. Blouin, S.Henson, N. Drager and L. Dube (eds.) 2010. Trade, Food, Diet and Health: Perspectives and Policy Options. Wiley-Blackwell. P 272

The WTO Agreements of particular relevance to the food sector are: The Agreement on Agriculture which deals with the rules governing the production and trade of food and other agricultural products; The Agreement on Sanitary and Phyto-sanitary measures which addresses regulations pertaining to plant, animal and human health and; the Agreement on Technical barriers to Trade (TBT) which has as one of its objectives protection of human health or safety. The Agreement on Trade-related Investment Measures (TRIMS) is also of significance for the investments in the processed and fast foods sectors. All the WTO agreements are based on key principles, such as transparency and non-discrimination in their application, to ensure that they are used for legitimate reasons and not as disguised barriers to trade.

International treaties on trade and investment are complemented by numerous bilateral treaties between countries and groups of countries which are generally based on the same fundamental principles which circumscribe the international arrangements. Fidler (2010)<sup>11</sup> states that agreements that liberalise trade in goods, services and capital flows are now so numerous that obesity interventions would have to work within, and not against, these rules. Efforts to remove some of the uncertainties associated to the use of international treaties to address obesity and NCDs and the development of specific policies in these arrangements to address these concerns are areas of reform which should be addressed in the multilateral setting.

- ***Existing trade measures and flexibilities to address public health concerns related to obesity and NCDs:*** The existing global trade policy framework permits general exceptions for measures necessary to protect human, animal or plant life or health (GATT Article XX) and the World Trade Organisation (WTO) Agreement on Agriculture make allowances for the use of specific measures by governments that may be used as part of the strategy to influence agricultural production and trade. These measures include the use of subsidies as incentives to promote domestic production and border control measures, such as import duties and other taxes that may be used, selectively, to influence consumer choices in favour of more desirable dietary outcomes. The table below provides examples of specific measures which governments in developing countries may use as instruments to promote the production of healthy foods as part of a programme to prevent and control obesity and NCDs.

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<sup>9</sup> David Fidler. *The Impact of International Trade and Investment Rules on the Ability of Governments to Implement Interventions to Address Obesity: A case Study of the European Charter on Counteracting Obesity*. In C. Hawkes, C. Blouin, S.Henson, N. Drager and L. Dube (eds.) 2010. Trade, Food, Diet and Health: Perspectives and Policy Options. Wiley-Blackwell. P 279

<sup>10</sup> Anne Marie Thow, Peter Heywood, et.al. 'Trade and Nutrition Transition: Strengthening Policy for Health in the Pacific'. Ecology of Food and Nutrition. 50: 1, 18 - 42

<sup>11</sup> David Fidler. 2010. *Op cit*. P 279

The existing framework of trade rules place strict limitations on the types of measures which governments can use. For example, the WTO Agreements on Market Access and on Agriculture prohibit the application of complete bans on imports or the use of quantitative restrictions to control levels of imports except in very specific cases. The most widely accepted method of import control is the imposition of import duties and other charges. This, however, must be done in a transparent way without discrimination among sources of imports (the most favoured nation - MFN - principle) or between imports and like-products produced locally (the national treatment principle). Notwithstanding these limitations, the national product classification system used for administering tariff and other charges make it possible to distinguish between products at very high levels of disaggregation based on product characteristics. For example, products can be distinguished based on their salt, sugar or fat content, or on the basis of the extent of processing or methods of preservation, including types of additives used. Moreover, governments are able to differentiate treatment among products, or among sub-groups of products, based on product characteristics, once the MFN and National treatment principles are adhered to. It is, therefore, quite feasible for governments to distinguish between obesogenic foods and healthier foods in the product classification system based on agreed product-characteristics such as nutrient-value, product-composition, degrees of processing etc., and apply differential treatment either in the production or trade of these goods o influence product prices and consumption in order to achieve specific health objectives, such as obesity and NCD control and prevention.

***Summary of Measures and Flexibilities Contained in the WTO Agreement on Agriculture and Possible Trade Policy instruments to Promote Healthy Diets<sup>12</sup>.***

<b>AoA measure</b>	<b>Flexibility within AoA measure</b>	<b>Agricultural trade policy instrument to promote healthy diets</b>
Market access	Ability to raise tariffs up to bound rate.	Selective tariff changes to influence price and availability and consumption of foods associated with obesity and NCDs and to encourage domestic production of health alternatives.
	Discretion to determine how each agricultural product would be treated in undertaking tariff reduction once minimum cut is	Developing countries which tariffed may reduce tariffs on selected products at higher rates than other products in a manner which favour imports and consumption of healthy foods.

<sup>12</sup> Atkins. 2010. *Op cit.*, P 272

	undertaken.	
Domestic support	Use of Article 6.2 flexibility to grant support (input and investment subsidies) to resource poor or low income farmers and to encourage rural development	Domestic support may be granted to encourage the production for domestic consumption and exports of health foods, including fruits and vegetables and to help low income households generate income which would alleviate poverty and encourage healthy living.
	<i>De minimis</i> provisions which allow for no reduction in domestic support which is equal to or less than 10 percent of the value of agricultural production.	Support within the <i>de minimis</i> threshold may be granted to benefit production, marketing and trade of specific products (primary and processed) and of the agricultural sector generally, in a manner which benefits the production of healthy food alternatives.
	Green Box measures of support may be used without any requirement to reduce the level of such support granted to farmers.	Support which is not targeted at specific commodities and which benefits the agricultural sector in general may be granted to encourage agricultural enterprise and sustain rural livelihoods and development in ways which would perpetuate or encourage healthier lifestyles.
Export competition	Flexibility to grant export subsidies towards reducing cost of marketing exports of agricultural products and for internal transport and freight charges on export shipments, without need to reduce these.	Use of Article 9.4 flexibilities to grant support where feasible to enhance the competitiveness of domestic agriculture on world markets and thereby sustain domestic agricultural production, including targeted production of healthy foods for domestic use and exports.