

**PROPOSAL BY THE EUROPEAN COMMUNITY TO INTRODUCE
CONTROLS ON AFLATOXIN CONTAMINATION
(Commission Regulation (EC) No. 1525/98)**

Statement Made by Bolivia at the Meeting of 15-16 September 1998

Bolivia reaffirms its respect for the right of all Members to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health in conformity with Article 2.1 of the Agreement on Sanitary and Phytosanitary Measures.

At the same time, it maintains that the application of such measures should not be contrary to the spirit of the Agreement, according to which any sanitary or phytosanitary measure shall be based on adequate scientific principles without becoming a disguised restriction on international trade.

The Agreement also stipulates that in cases where the relevant scientific research is insufficient, provisional sanitary or phytosanitary measures may be applied on the basis of available information, including information from the relevant international organizations, such as the Codex Alimentarius Commission.

Bolivia would like to point to Article X of the said Agreement concerning special and differential treatment for developing country Members, which stipulates that Members shall take account of the special needs of developing country Members in the preparation and application of sanitary or phytosanitary measures, and calls for the phased introduction of certain measures and longer time-frames for compliance.

The production of Brazil nuts in Bolivia: background

In order to understand Bolivia's position on this issue which particularly affects the country's principal food exports, such as the Amazonian nut known internationally as "Brazil nut" or "Para-nut", it is essential to discuss the background and history of the production of Brazil nuts in Bolivia.

History, characteristics and market

The Brazil nut is the fruit of a tree known scientifically as "*Bertholletia excelsa*" which occurs naturally in the wild only in the Amazonian forests of Bolivia, central-eastern Peru, and north-western Brazil. There are no human plantations of such trees anywhere in the world.

The Brazil nut tree attains heights exceeding 30 metres. The seeds are contained in the fruit pod known as "*coco*" and are extracted by gatherers once they have fallen from the tree during the rainy season (December to March), making their harvesting that much more difficult.

The region of Bolivia with the natural conditions for the development of the trees and the fruit covers an area of 100,000 kms. in the Amazon basin (10 per cent of the total area of the country). For over a century, the economy of this vast territory focused principally on rubber (latex) production and marginally on the harvesting of the nuts in the shell, both forestry products. Until the 1980s, all production was shipped to Brazil as raw material for that country's industries, or for re-export of the peeled nuts.

As a result of the globalization of markets and competition from rubber plantations in other countries, Bolivia lost its markets and its rubber production disappeared. The result was a migration from the forest to the cities. Brazil nut production now remained the only sustenance for the economy of that area. This period coincides with the beginning of the industrialization by Bolivia of the Brazil nut shelling process using its own technology and thereby contributing to the development of a safer market for harvesters of Brazil nuts in the shell. Moreover, the improvement in prices made it possible to strengthen the country's agro-industry.

The marketing of Brazil nuts began after the discovery of latex for the manufacture of rubber at the end of the last century. The market for nuts is essentially concentrated in the high-income industrialized countries, since nuts in general and Brazil nuts in particular are high-priced foodstuffs or inputs. For that reason, and owing to eating habits, the principal markets for Brazil nuts are Europe, the United States, Canada and Australia, where consumption already developed at the time of the trade in rubber, which was extracted from the same forests. For decades, the main supplier of Brazil nuts was Brazil, and it is no accident that the product came to be known internationally as "Brazil nut". However, over the past years Bolivia has taken over first place in world exports of industrialized (peeled) Brazil nuts.

Below is a table showing the current distribution of world supply of peeled Brazil nuts:

World Trade in Brazil Nuts

Supply

	Production and export of processed Brazil nuts (shelled and packaged) 20 kg. crates	
Bolivia	512,000	75.1%
Brazil	120,000	17.6%
Peru	50,000	7.3%

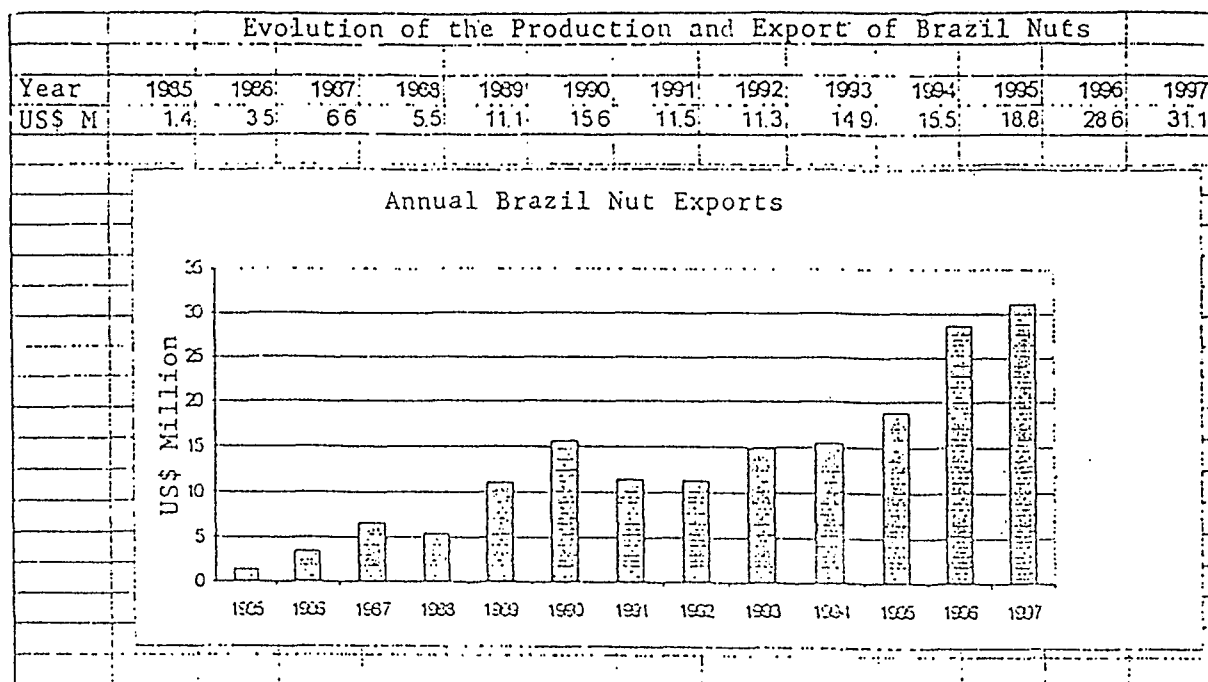
Source: Voicevale imports.

The importance of Brazil nuts for Bolivia

As mentioned, Brazil nuts form the foundation of the productive economy of the entire north of the country and currently generate 4,500 jobs in manufacturing of which 75 per cent are occupied by women, in addition to which 7,000 families are needed for harvesting. In other words, more than 50 per cent of the economically active population is directly linked to Brazil nut production.

For Bolivia, the production and export of Brazil nuts occupies second place among agro-industrial exports in terms of value after soya beans, and is one of the four main non-traditional exports.

The rapid evolution of Bolivian exports can be seen in the table and graph below.



Source: Central Bank, SIVEX, Ministry of Exports of Bolivia.

Environmental characteristics of Brazil nuts

It should be stressed that Brazil nut production activities involve a high degree of environmental protection and fauna and flora conservation, since harvesting does not involve the destruction of forests or threaten the ecological balance and the environment. On the contrary, given the current commercial value of harvesting Brazil nuts in the shell, the inhabitants of the area have an interest in preserving the forest. The fruit-bearing process is in close symbiosis with the surrounding animal and plant environment. The species of bee that pollinates the Brazil nut flower lives in orchids occurring in the groves surrounding the trees, so that the tree will not bear fruit without the surrounding woods. Thus, the maintenance of this activity is fundamental to the prevention of deforestation of the Amazon forest.

Socio-economic characteristics of the harvesting area

The Brazil nut production area covers two departments of Bolivia in which 80 per cent of households suffer from poverty, i.e. they do not have access to the basic facilities (water, health services, drainage and electricity), education, health or shelter, and is one of the regions with the lowest level of infrastructure in the country.

Above all, it is an area that is isolated and lacking in means of communication with the rest of Bolivia and the world. Dirt roads were recently built, but can be used only during the dry months of the year. There are airfields in some of the small towns, but they do not meet air transport requirements. The area still contains indigenous populations in their native state, in forest reserves which remain intact thanks to non-destructive activities such as rubber and Brazil nut production.

Agricultural studies by internationally recognized consulting firms reveal that the area is naturally suited for agro-forestry owing to its climatic and soil conditions, which do not permit any intensive agricultural activity of any other type.

As a result of the intense Brazil nut production activity over the past five years, in spite of the high cost of transport, the inhabitants of the area now have access to food, provisions and supplies for everyday existence which have given them a more dignified standard of living.

Technical observations concerning the draft regulation on aflatoxin control

Bolivian Brazil nut exports are inspected by international trade surveillance firms, which conduct detailed quality controls of the product through laboratory analysis, including aflatoxin contamination tests. Thus, the following basic observations can be made concerning the application of a Community regulation for the control of aflatoxin contaminants in nuts, including Brazil nuts:

- There is no scientific evidence that a decrease in aflatoxin levels in foodstuffs from 20 ppb to 4 ppb has a clear positive impact from the quantitative point of view on the protection of human health and the reduction of such effects as the incidence of cancer;
- inspection at the place of destination would have disastrous effects on the trade in Brazil nuts and on the economy of Brazil nut producers and exporters;
- as will be shown further on, the proposed sampling method is technically and economically inappropriate for Brazil nuts owing to their characteristics and the type of packaging used to market them;
- statistical techniques provide no justification for the enormous samples taken for aflatoxin analysis at the place of destination;
- the refusal to recognize the analyses at the place of origin, which amounts to a refusal to recognize the validity of specialized quality certification firms, produces insecurity in the marketing of the product both for sellers and buyers and affects the normal development of the Brazil nut market.

Effects of the application by the EC of the regulation on aflatoxin control

(a) Socio-economic effects

In the light of the above circumstances surrounding the production of Brazil nuts in Bolivia, the immediate effects would be:

- The collapse of the principle activity of a vast region of Bolivia whose economy is based on Brazil nut production, and the consequent unemployment of the labour force with the inevitable effects of such unemployment on the social conditions and population of that area;
- a decline in one of the most important sources of foreign currency for Bolivia, a country which has been suffering from a severe trade deficit in its balance-of-payments over the past seven years;

- damage to the region's environment as a result of the search for other sources of productive economic activity and imminent deforestation of the Amazonian forest of Bolivia;
- an increased threat of a surge in drug trafficking activities in a zone contiguous with and neighbouring an area which currently produces coca, particularly since in Amazonia it would be much more difficult to combat drug trafficking because of the vastness of the area and its inaccessibility.

(b) Technical effects on trade

The immediate effect on the Brazil nut trade itself would be:

- Rejection of containers-full because of the high level of discrepancy among the laboratory analyses, disregarding the average.

As mentioned above, the methods currently used for the harvesting of Brazil nuts owing to the difficulty of the environment produce considerable fluctuation in the quality of conservation of the raw material, which means, in its turn, that there is a considerable statistical diversity in the aflatoxin content of the final product. This diversity, added to the normal discrepancies in analysis results obtained from different laboratories, can be enormous. Since the proposed limits are very low (4 ppb), they will often be exceeded even when the average result for the lot or for several lots remains within the limit.

- The rejection of containers-full because of the discrepancy between the results of the EC laboratories and those of the surveillance firms operating in Bolivia.

For the same reasons mentioned above, there are already considerable discrepancies in the results of the analyses of laboratories operating within the EC and the international surveillance firms SGS and Inspectorate, which operate in Bolivia under a government mandate covering all international trade. If Regulation No. 1525/98 were to be applied, the analyses of these surveillance firms would be deprived of their utility, creating legal problems and requiring the termination of the contracts with the firms in question with inevitable economic damage to the Bolivian State and to the investments by those firms in laboratories and qualified staff.

- Cost of the rejection of containers-full at the place of destination.

The rejection following different analysis results at the place of destination of a product that was exported on the basis of the results of an analysis at the place of origin by the above-mentioned surveillance firms establishing compliance with the regulations in force would involve heavy losses for the exporter in view of the high cost of shipping and withdrawing the goods and the inevitable loss of customers. It is logical that if a lot has problems, they should be detected at the place of origin in order to avoid further costs.

- Lack of technical feasibility of the proposed sampling system.

Owing to the peculiarities of the Brazil nut, the enormous quantity of samples required under the proposed Regulation - a hundred samples per container of eight hundred crates (more than 15 per cent of the total) - constitutes a GREAT TECHNICAL ECONOMIC OBSTACLE for the following reasons:

- (i) Brazil nuts from Bolivia are shelled before marketing. In that form, the physiochemical and organoleptic characteristics of the product require a special packaging of plastic and aluminium film from which the air is extracted and an inert atmosphere of carbonic anhydride introduced, since the product tends to suffer from oxidation and deterioration when exposed to light and to the surrounding atmosphere;
- (ii) taking a minimum sample of a hundred crates per container necessarily involves the destruction of the above packaging and consequent loss of protection;
- (iii) under these conditions, the product has a very limited life which does not meet the needs of distribution and marketing, and there is a risk not only of product loss, but also of loss of the product's reputation with end consumers;
- (iv) to avoid such dangers, the importer would have to set up repackaging lines at great cost to the exporter and the end consumer.

- Slowdown in the normal growth of the Brazil nut market.

Application of the Regulation might provide a disincentive to purchasers of the product and its replacement on the market by other products, since the marketing problems posed by a regulation that is difficult to implement apply much less to other types of nut.

- Financial effects of marketing

In view of the above risks, importers and end buyers of Brazil nuts would pay for the product subject to final inspection at the place of destination, engendering financial costs and a cash flow problem for exporting firms.

- Insurance coverage

Traditional buyers of the product would have to take out export insurance guaranteed by the Bolivian State to protect themselves against possible rejection of their shipment upon arrival. This would lead to an excessive increase in the price of the product for the consumer.

Domestic measures by Bolivia to tackle the problem of the new regulations on aflatoxin contamination

In view of the importance of the sector for the local economy and faced with plans to introduce new regulations for the control of aflatoxin contamination, Bolivia is taking control measures and supporting its producers, through its public and private entities, with a view to avoiding aflatoxin contamination - but within acceptable margins and limits. These domestic measures will help to improve the working conditions of harvesters and workers in the Brazil nut industry and to bring production into conformity with the accepted aflatoxin contamination limits.

They will include:

- (a) The setting up and accreditation of internationally recognized laboratories for the certification and control of the levels of aflatoxins and other contaminants;

- (b) the setting up of a system of quality auditing for the accredited laboratory or laboratories;
- (c) standardization of transport, storage and reception of raw materials in the Brazil nut processing industries;
- (d) standardization of the storage and processing infrastructure facilities in the Brazil nut industry;
- (e) financial support for the improvement of transport, storage and processing conditions in the Brazil nut agro-industry, with special focus on harvesting on behalf of the small producer.

To this end a Supreme Decree has been issued creating the Brazil Nut Council, made up of representatives of the private sector, the State and the standardization and quality entities, and responsible for the implementation of the above measures.

The control and reduction of aflatoxin contamination risks will be based on a comprehensive improvement programme covering firstly the harvesting, transport and storage stages, and then the processing stage. The process is also to be controlled by a local body such as the proposed laboratory.

The laboratory will be duly accredited, through audits by other, internationally recognized laboratories, to certify the quality of each shipment exported from Bolivia. At the same time, the laboratory will be at the service of the Brazil nut exporting industry to control the raw material received and the storage and processing conditions to detect contamination problems at every stage so as to provide a further guarantee of the suitability of the product for human consumption.

Conclusion

Over the past ten years, Bolivia has made considerable efforts to improve the harvesting and processing of Brazil nuts with a view to enhancing the quality of the product and boosting the income levels of the rural population.

We think that the efforts made thus far, added to the proposed measures for the control of contaminants, should enable Bolivia to avoid a collapse of exports and of the Brazil nut industry; indeed, they should contribute to the development of a healthy, competitive, solid quality industry with prospects of capturing new markets, and hence to the growth of an activity that is important for the country and for the economic sustenance of the Amazonian area.

The restrictive measures that the EC is seeking to impose could cause the collapse of the Brazil nut industry through the loss of a highly significant market. On the other hand, an appropriate approach to this issue could help to promote the development of the Amazonian region and to make an important contribution to the conservation of an area rich in fauna and flora.

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