

The Monthly Magazine for Food and Agricultural Exporters

# AgExporter

United States Department of Agriculture  
Foreign Agricultural Service

February 2002



## The New Trade Talks

- Views From U.S. Leaders of Successful Efforts To Launch New WTO Negotiations
- A Top USDA Official Offers Insights On the Doha Ministerial
- Timelines of Past and Present Rounds

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## Features

### Doha Ministerial Provides New Impetus for Multilateral Negotiations on Agriculture 4

On Nov. 14, 2001, WTO members reaffirmed their commitment to the long-term objective of establishing a fair and market-oriented agricultural trading system.



### WTO Launches New Trade Talks—With the Emphasis on Agriculture 7



In the new talks, agriculture will be at the heart of the discussions. Here are excerpts from statements by USDA Secretary Ann M. Veneman and U.S. Trade Representative Robert B. Zoellick on what it all means to America and its farmers.

### Agricultural Biotechnology Assistance With a Global Reach 9

Through technical workshops and seminars, FAS is communicating with policymakers, opinion leaders and stakeholders about the wide-ranging benefits of agricultural biotechnology—from commercial advantages to greater world food security.



### The Market for Value-Added Food Grows in Portugal 12



Portugal is an increasingly substantial, but frequently overlooked, market for U.S. food products.

### The Changing Face of India 14

More than a decade ago, several Asian countries were touted as economic “tigers.” Today another nation, India, is emerging as a significant power in the region, politically, culturally and economically—and a market that could well repay U.S. exporters’ efforts.



### Belgian Trade Show To Promote Beer 18



A first-ever show, BEER 2002, will be held Sept. 26–28, 2002, in Brussels, exclusively to promote beer trade.

### Trade Notes 19

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# Doha Ministerial Provides New Impetus for Multilateral Negotiations on Agriculture

By Dr. J.B. Penn

The Doha Ministerial Declaration launched new multilateral trade negotiations in numerous areas, from trade in services to the environment. As in the Uruguay Round, agriculture will be at the center of these negotiations.

The Doha Declaration on agriculture reaffirms the commitment of World Trade Organization (WTO) members to the long-term objective of establishing a fair and market-oriented agricultural trading system. WTO members agreed that comprehensive negotiations will aim at substantial improvements in market access, reductions of export subsidies and substantial reductions in trade-distorting domestic support.

The Declaration recognizes that special and differential treatment for developing countries will be an integral part of the negotiations. The Declaration also takes note of the non-trade concerns raised by a number of countries. These non-trade concerns include policy objectives, such as rural development or animal welfare, that extend beyond producing and trading agricultural products.

The United States has an ambitious agenda for these negotiations.

## Market Access

A recent USDA study estimated that the average agricultural tariff for all WTO members is 62 percent, greatly exceeding the average industrial tariff of 4 percent. The study concludes that tariffs contribute the largest share of the total economic cost of agricultural protection.



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In many markets, U.S. exports face import tariffs that exceed 100 percent. This effectively eliminates market access. The U.S. objective is to change this situation and to ensure market access opportunities for all products in all markets. Enhanced market access will be achieved through:

- substantial reduction or elimination of all tariffs, including in-quota duties;
- substantial reduction or elimination of disparities in tariffs among countries;
- substantial reduction or elimination of tariff escalation (where the tariff on the processed product is higher than on the raw input product); and
- simplification of complex tariffs (all tariffs to be converted to an ad valorem, i.e., fixed percentage or a specific tariff).

We intend to focus our attention on the administration of tariff-rate quotas (TRQ's). This concept, which came out of the final Uruguay Round Agreement, was intended to provide market access opportunities in previously closed markets. An initial quota level would have zero or very low duties and a considerably higher duty

would be applied to imports above the initial quota levels. However, improved market access has not always been the result. We seek to increase the quota amounts themselves and to reduce or eliminate the in-quota duty.

Also, we are prepared to establish disciplines to improve the functioning of TRQ administration. We recognize that no single system of TRQ administration is appropriate for all markets and conditions. However, disciplines based on the principles of transparency and predictability will ensure that market access opportunities are created.

## Export Competition

Export subsidies continue to be used by very few WTO members. While the amounts used, in both value and quantity, are within their respective Uruguay Round commitments, these subsidies continue to distort world trade and distort market signals for all producers. The elimination of export subsidies remains a priority objective, not just of the United States, but of almost every other WTO member.

The Doha Declaration commits members to reduce, with a view to phasing out, all forms of export subsidies. This phrase proved to be the most controversial part of the Declaration due to the reluctance of the European Union (EU) to make this commitment. Including the words “with a view to phasing out” makes a powerful statement and will undoubtedly be subject to long and heated debate in the negotiations.

USDA recognizes that the phrase “all forms of export subsidies” can be interpreted by other WTO members to include USDA’s Export Credit Guarantee Program. This program facilitates trade with developing countries by providing commercial financing support to U.S. agricultural exporters.

The United States has fully participated in the Organization for Economic Cooperation and Development (OECD) negotiations mandated by the Uruguay Round Agreement on Agriculture to work toward

disciplines on export credits and is willing to commit to the current draft OECD agreement. Such a commitment would have a significant impact on this program.

**THE NEGOTIATIONS WILL AIM AT IMPROVING MARKET ACCESS, REDUCING EXPORT SUBSIDIES AND SUBSTANTIALLY REDUCING TRADE-DISTORTING DOMESTIC SUPPORT.**

Whatever the final outcome of the OECD discussion, the United States intends to be fully engaged in the WTO negotiations on export credits. Any theoretical subsidy elements of the U.S. export credit

program pale in comparison to the billions of dollars used annually by the EU on direct export restitutions.

**Domestic Support**

The U.S. goal is to re-define the debate on domestic support. The best way to accomplish this objective is to negotiate and review criteria for determining whether a program has any trade-distorting impact. The challenge for WTO members is to negotiate where the line is drawn between trade-distorting and non-trade-distorting measures. Programs that distort trade will be subject to reduction commitments. We have proposed that the final level of support be based on a fixed percentage of the total value of agricultural production.

In addition to the commitments based on the three pillars from the Uruguay Round, the Doha Declaration contains two other important areas for U.S. agriculture.

**Developing Countries**

The entire Doha Declaration is a commitment to ensure that developing countries, especially the least developed countries, secure a share in the growth of world trade. USDA is committed to working with other U.S. government agencies and international organizations, such as the United Nations Food and Agriculture Organization, to focus attention on trade capacity building in developing countries.

Agriculture is at the heart of sustainable development for the majority of the world’s population. With the world’s largest agricultural research network and decades of experience, USDA will continue to provide important technical assistance to countries throughout the world.

A number of studies on the impact of the Uruguay Round concluded that the level of benefits countries derive from trade



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is directly related to the level of participation those countries have in the negotiations. Our objective is to increase participation in the negotiations by developing countries.

Developing countries differ from one another in many ways, from soybean production in Brazil to subsistence farming in sub-Saharan Africa to traditional farming practices in small island countries. Therefore, one model or approach will not work everywhere. However, in all cases, trade policy can play an important role in agricultural development, allowing farmers to receive world price signals and providing consumers with lower prices and greater choices. Trade policies should enhance food security and can be used by developing countries to ensure a stable supply of healthy foods for their consumers.

### Environment

The Doha Declaration committed members to negotiations that examine the relationship between existing WTO rules and the specific trade obligations in multilateral environmental agreements. It will be vital to ensure that the science-based nature of the Uruguay Round Agreement, in particular the Agreement on Sanitary and

Phytosanitary Measures, is maintained.

The Doha Declaration was difficult to negotiate but we must remember that it is only the beginning. We have an ambitious agenda for these negotiations and we are supported by most of the WTO members. The United States and USDA will continue to play a leadership role in these negotiations. Further trade liberalization is

good, not only for American farmers, ranchers and consumers, it is good for farmers and consumers around the world. ■

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## Chronology of Multilateral Trade Negotiations

### General Agreement on Tariffs and Trade (GATT) Rounds

- **1947:** The GATT, the predecessor of the World Trade Organization, was created during this round.
- **1949:** This round involved negotiations with nations that desired GATT membership. Principal emphasis was on tariff reductions.
- **1951:** This round continued accession and tariff reduction negotiations.
- **1956:** This round proceeded along the same track as earlier rounds.
- **1960-62:** This round, referred to as the Dillon Round, involved further revision of the GATT and the addition of more countries.
- **1963-67:** Known as the Kennedy Round, this round was a hybrid of the earlier product-by-product approach to negotiations and the new formula tariff-reduction approach with across-the-board reductions.
- **1973-79:** This round, also called the Tokyo Round, centered on the negotiation of additional tariff cuts and developed a series of agreements governing the use of a number of non-tariff measures. More countries were involved in the Tokyo Round than in previous rounds (including many developing countries and several East European countries).
- **1986-94:** This round, termed the Uruguay Round because it was launched in Punta del Este, Uruguay, focused on strengthening the GATT and expanding its disciplines to new areas, including agriculture. The Agreement on Agriculture is one of the 29 individual legal texts under an umbrella agreement establishing the World Trade Organization (WTO).

### WTO Trade Ministerials

- **1996:** Singapore
- **1998:** Geneva, Switzerland
- **1999:** Seattle, United States
- **2001:** Doha, Qatar. Launch of the WTO Doha Development Agenda.

### Future Milestones

- **March 31, 2003:** Date set by the WTO to reach agreement on the form that reduction commitments on tariffs, domestic supports and export subsidies will take subject to further negotiations.
- **Summer 2003 (Tentative):** Fifth WTO Ministerial at which a draft schedule of commitments would be submitted.
- **Jan. 1, 2005:** Date set by WTO to finish Doha Development Agenda of trade negotiations.

# WTO Launches New Trade Talks— With the Emphasis on Agriculture

Last November, members of the World Trade Organization (WTO), meeting in Doha, Qatar, took decisive steps toward promoting global economic growth, recovery and development by agreeing on an agenda to negotiate further trade liberalization. Working from a single draft text hammered out over months of discussions among member countries, a consensus was reached on many diverse issues.

Agriculture will be central in discussions during the new talks, so *AgExporter* is presenting excerpts from statements by USDA Secretary Ann M. Veneman and U.S. Trade Representative Robert B. Zoellick on the negotiations and their importance to America and its farmers.

## In remarks at the Farm Journal Forum on Nov. 28, 2001, Secretary Veneman said:

“We’ve just launched historic new trade negotiations, and agriculture is at the heart of the discussions.

“We went into the negotiations in Doha saying we would aggressively seek

language that would tear down the walls that other countries have built that hurt our farmers—particularly the large export subsidies of the European Union.

“We came home with a victory—a framework that sets a positive stage for future negotiations. The Doha Declaration sets the stage for helping to expand and revitalize the global economy. It also sends a powerful signal that the world’s trading nations support peaceful and open exchange, and reject the forces of fear and protectionism.

“We now have a clear and ambitious direction to move forward on agricultural



**"WE CAME HOME WITH A  
VICTORY—A FRAMEWORK THAT  
SETS A POSITIVE STAGE FOR  
FUTURE NEGOTIATIONS."**

**—Ann M. Veneman,  
U.S. Secretary of Agriculture**

trade reform: to substantially reduce tariffs and increase market access, to work toward eliminating export subsidies and to reduce trade-distorting domestic supports.

"Removing trade barriers around the world is fundamental to keeping the United States on the path of prosperity and long-term economic growth for the food and agriculture sector. The increased reliance on foreign markets means that we must pay greater attention to the compatibility of domestic farm programs and our international undertakings and activities.

"Without export markets, farm and ranch income would be significantly lower today. And so would asset values.

"All evidence points to developing and middle-income countries as the main source of future growth in food demand, especially the newly emerging middle class in many of these countries.

"To capitalize on these opportunities, we need to diversify well beyond the current pattern of export concentration, where over 60 percent of U.S. agricultural exports go to eight country markets.

"Reaching the burgeoning middle class in developing and middle-income countries will be key to expanding U.S. agricultural exports.

"Increased openness and participation in trade will boost economic growth and development for both developed and developing countries, and demonstrate that economic growth and increased trade are inextricably linked."

**In a Nov. 14, 2001, statement in Doha, Ambassador Zoellick said:**

"This is an important moment because we've brought together countries from all over the globe with a very strong statement on trade and growth and development. The time that it took us to complete these talks

is a reminder that opening markets is never easy.

"We've reached an agreement that affirms the commitment of WTO members to work cooperatively to reduce the world's trade barriers. This signal of forward progress on trade gives an endorsement and very timely boost to the multilateral trading system. This is only a beginning of course, and over the next few years we will



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certainly face more tests as we engage in negotiations. But I'm optimistic that what we've achieved in Doha lays the ground work for a trade liberalization agenda that will be a starting point for greater development, growth, opportunity and openness around the world.

"Launching the negotiations with this declaration is a landmark achievement for U.S. agriculture. Our team really delivered for America's farmers and ranchers.

"We've settled on a program that lays out ambitious objectives for future negotiations on the liberalization of the agriculture market. These objectives represent a cornerstone of our market access priorities for trade, and they will create a frame-

work that will help the United States and others to advance a fundamental agricultural reform agenda.

"Our work here can mark a new era in economic cooperation between developing and developed nations. On a range of issues, such as agricultural liberalization and reduction of tariffs on non-agricultural goods, we've shown how our interests can converge with the developing world. I believe that we in the United States have an enhanced appreciation for the interests of developing nations in trade. And in turn many of the developing nations with which we cooperated have demonstrated their recognition of our shared interests.

"In the area of rules, the text provides for a two-phase process of negotiations to clarify and improve the disciplines under the agreements on anti-dumping and countervailing measures, and on trade-distorting practices that give rise to dumping and countervailing duties.

"The text notes that the negotiations should preserve the effectiveness of the agreements and the instruments that we apply, thus recognizing that these instruments are legitimate means to counter unfair trade practices and should not be undermined. We also are taking important steps to improve the transparency of the WTO." ■

*For the complete remarks of Secretary Veneman at the Farm Journal Forum, go to:*  
**[www.usda.gov/news/releases/2001/11/0240.htm](http://www.usda.gov/news/releases/2001/11/0240.htm)**  
**USDA Press Release No. 0240.01**

*For the full text of Ambassador Zoellick's statement from Doha, go to:*  
**[www.ustr.gov/releases/2001/11/01-100.htm](http://www.ustr.gov/releases/2001/11/01-100.htm)**  
**USTR Press Release No. 01-100**

# Agricultural Biotechnology Assistance With a Global Reach

By Steven D. Beasley

The United States has undertaken many efforts to increase an understanding of the use of biotechnology in agriculture. This article focuses on FAS' global biotechnology training and technical assistance program, funded by the Emerging Markets Program.

Program activities—primarily technical workshops and seminars—are designed to improve understanding of the issues surrounding agricultural biotechnology in emerging markets across the globe.

The activities have fostered a more balanced discussion that can improve U.S. trade prospects and help safeguard world food security. U.S. agricultural commodities most likely to benefit from this assistance are coarse grains, soybeans, wheat, cotton, fruits and vegetables.

## Program Basics

Through this program, science-based, user-friendly information on agricultural



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biotechnology is made available to key stakeholders and decision makers in important future markets for U.S. agricultural products.

Discussions focus on several overarching questions:

- What is biotechnology? What does it promise?
- Is biotechnology safe? What regulatory mechanisms are already in place in countries with well-developed biotech industries?
- What are the crucial trade issues related

to biotechnology? What are the key issues on the trade front, such as negotiations in the context of the World Trade Organization or the Codex Alimentarius, labeling and identity preservation?

- What are consumers' main concerns about biotechnology? How do you communicate with them in an objective, responsible and responsive manner?

The program has measurable goals:

- Improve the dialogue on biotechnology in targeted markets, which have much to gain from the technology.

## THIS EFFORT SHOULD HELP PREVENT OR REDUCE BARRIERS AND RESTRICTIONS ON U.S. AGRICULTURAL PRODUCTS AND ENHANCE WORLD FOOD SECURITY.

### 2001 Accomplishments: Biotechnology Training and Technical Assistance Program

Country	Activity	Location	Timing and Significance
Mexico	Educational program, May 2001: Mexico's Health Committee legislators studying U.S. regulatory policy	Washington, DC	Event coincided with debate on legislation requiring labeling of all biotech-derived foods
Philippines	Seminar, June 2001: Over 120 attendees, two-thirds of them Philippine legislative staff	Manila	Event simultaneous with drafting of a key biotech policy statement by legislature Follow-up to include training with secondary-level educators
Chile	Seminar, September 2001: Over 130 attendees including regulators, policy makers, food industry members, scientists and media	Santiago	Event coincided with Chile's debate on biotech labeling and other policies
South Africa	Seminar, September 2001: Over 200 attendees including farmers, food industry members, regulators, policy makers and media from 17 sub-Saharan countries	Pretoria	Event stimulated discussion among stakeholders on the needs and opportunities for biotech on the continent
Peru	Seminar, October 2001: Over 100 attendees from Peru, Ecuador and Bolivia, including academics, regulators, policy makers, food industry personnel, scientists and media	Lima	Event coincided with debate on biotech crop field trials and labeling Follow-up to include training with secondary-level educators

- Foster more balanced media reports.
- Enhance the business environment for agricultural biotechnology products through the promotion of transparent, reasonable and predictable trade and regulatory procedures and policies.
- Encourage adoption of science-based trade and regulatory policies.
- Increase U.S. agricultural biotechnology exports.

#### Reaching Out to Critical Developing Markets

The FAS initiative supports U.S. government efforts abroad to explain agricultural biotechnology issues to political and social leaders, government regulators, importers and distributors, retailers and wholesalers, farmers, intermediate food

processors, scientists, media representatives and consumers.

In fiscal 2001, the program's coordinators launched specific technical assistance and training projects in major commercial centers in the Philippines, Chile, Peru and South Africa. In addition, they also arranged an educational program in the United States for key legislators from Mexico.

FAS geared the seminars and technical workshops to the specific issues, concerns and constraints in each region. Specific objectives typically include:

- Informing interested parties, from agribusinesses to consumers, about the benefits of agricultural biotechnology, especially those specific to their own countries. USDA has completed an information guide on the basics of bio-



technology communication, to be translated into languages of target countries, that will be useful in achieving this goal.

- Educating attendees on the benefits—such as higher yields, lower use of chemical inputs and greater insect resistance—of biotechnology crops.
- Educating interested parties on food safety standards and the U.S. regulatory system.
- Discussing the need for sound intellectual property rights protections to stimulate technological development.
- Educating regulators and scientists on the need for standardization and consistency in risk assessment.
- Heightening the awareness of foreign governments and business interests of U.S. government policy positions on agricultural biotechnology.
- Educating natural resource managers on the environmental benefits and issues related to the technology.

#### Project Players and Participants

The Trade and Investment Program, part of FAS' Food Industries Division in the International Cooperation and Development area, proposes and coordinates each activity, providing liaison between FAS offices, other agencies and partners in the public and private sector. The Emerging Markets Program reviews the proposals, approves the countries and provides principal funding.

FAS offices in the targeted region provide in-country support in executing the project. They help evaluate the market's informational needs, determine the composition of the target audience, acquire facilities and line up appropriate local speakers to complement expert teams from the United States.

Private corporations and associations with which FAS has established important



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**"THIS CONFERENCE WAS AN  
OUTSTANDING EXAMPLE OF THE  
EXCEPTIONAL RESULTS FROM  
SYNERGISM BETWEEN  
WASHINGTON, DC AND U.S.  
EMBASSIES."**

**—John R. Hamilton, U.S. Ambassador,  
Peru**

partnerships (such as the International Food Information Council, the International Life Sciences Institute, the American Crop Protection Association, the National Food Processors Association and the Grocery Manufacturers of America) provide advisors, educational resources and speakers. Private firms and associations routinely send

their own world-class experts to these fora and shoulder the associated costs.

U.S. government agencies—such as the U.S. Agency for International Development, the Food and Drug Administration, the Environmental Protection Agency and the Animal and Plant Health Inspection Service—also supply speakers.

Equally important, the program has attracted the co-sponsorship and participation of noted specialists and other distinguished speakers from the target countries themselves. These individuals come from universities and think tanks, from government and political sectors, from trade groups and private companies. Their participation helps ensure a locally relevant yet broad-based discussion, as well as audience acceptance of seminar content. ■

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## PORTUGAL HAS 10 MILLION PEOPLE WHO HAVE MONEY TO SPEND.

The Portuguese retail food market is extremely competitive, and domestic distribution systems are efficient. Hypermarkets, supermarkets, convenience stores, discount stores and specialized stores coexist with the traditional grocery stores and wet markets. In 1998, retail food outlets totaled almost 29,000, and this number is expected to grow from 1 to 3 percent annually over the next five years.

Moreover, the number of restaurants in Portugal has tripled during the last 20 years to some 90,000.

### U.S. Trade Prospects

Market opportunities appear particularly bright for U.S. high-value consumer foods, beverages and seafood. Factors likely to bolster the market include:

- Portuguese consumers have seen their purchasing power increase over the last decade, and they increasingly buy on impulse.
- Direct sales, large supermarkets, hypermarkets and shopping malls are a growing part of Portuguese everyday life.
- Eating habits have changed drastically in the last few years, with more and more people eating "on the run."
- For consumer goods, the decisive selling factors are price, quality, brand name and innovative product features.



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### Best High-Value Product Prospects

- Walnuts
- Peanuts
- Edible dry beans
- Wines, beer and bourbon
- Fruit juices and other non-alcoholic beverages
- Seafood (lobster, salmon, frozen items)
- Frozen vegetables (including french fries)
- Microwavable food products
- Ready-to-eat food products
- Processed fruits and vegetables



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- Dried fruits and dried fruit mixes
- Sauces and condiments
- Snacks
- Breakfast cereals
- Low-calorie products
- Food supplements and health foods
- Herbal teas
- Pet food
- Organic food products
- Ethnic foods



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- Portugal's total market for consumer-oriented agricultural products was \$2.2 billion in 1999, with yearly growth expected at 3 percent through 2005. The market for edible fish products was just over \$1 billion in 1999, with an expected annual growth rate of 2 percent through 2005.

### Exporter Business Tips

Success in introducing a product into the Portuguese market depends on acquiring good local representation and making personal contact. The advantages of local representation include market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts and market development expertise.

English is widely spoken in Portugal. Therefore, U.S. exporters can expect to conduct their meetings with private and government contacts in English.

U.S. firms getting involved in the Portuguese market should remember that modern sales techniques coexist with traditional practices. For example, many Portuguese business people still consider personal contact and a handshake a stronger bond than a contract. But they will not be offended if a formal contract is requested. As in any business undertaking, U.S. firms

are strongly advised to check prospective partners' bona fides and obtain written agreements.

Portugal follows EU rules and regulations that govern food trade. Portugal applies import duties according to maximum and minimum tariff rate schedules. The minimum schedule applies to U.S. products.

The following documents are required for ocean or air shipments of food products to Portugal:

- Bill of lading and airway bill (2 copies)
- Commercial invoice (2 copies)
- Phytosanitary certificate and/or health certificate
- Import certificate (usually obtained by the Portuguese importer) ■

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For details, see FAS Report PO1025. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.



# The Changing Face of India

By Maria Nemeth-Ek

Is India a crouching tiger, ready to take off and participate in world trade? While skeptics may underestimate the country's commercial potential, India has appeared on the radar screen of those with long-term vision.

It would be inadvisable to dismiss the opportunities implicit in this vibrant and culturally diverse country. India has the world's second largest population—over 1 billion inhabitants—and an economy that has expanded by an average 5-6 percent annually in recent years. The growing middle class—estimated at 20-50 million—has acquired new tastes, sophistication and demands.

Just a little over a decade ago, the country had political leanings toward the former Soviet Union and touted self-sufficiency at the expense of efficiency. India was practically closed to world trade.

Now, it is emerging as a significant power in Asia, and U.S.-Indian trade relations have improved. Its northern neighbor, China, has captured much of the limelight and significant levels of direct foreign investment, but wise businesses are taking a good look at this emerging market.

Market access has improved. For example, last April, the Indian government lifted its remaining quantitative restrictions on imports of foods and beverages.

However, importation is by no means without constraints. Tariffs on food products typically range from 40 to 63 percent;

for import-sensitive items, they can be much higher. Additional constraints include complex labeling requirements in Hindi, setting of maximum retail prices, administrative hurdles, cumbersome bureaucratic procedures, lack of cold chain facilities, fragmented distribution and an underdeveloped retail system.

## Open to the New—But Loyal to the Familiar

India's population is about 82 percent Hindu, 12 percent Muslim, 2.3 percent Christian, 2 percent Sikh and the rest different beliefs. Religious background and income level highly influence food con-

sumption and preferences: many Indians are vegetarian; beef is taboo for most of the population; and there is a strong preference for fresh products and traditional spices and ingredients.

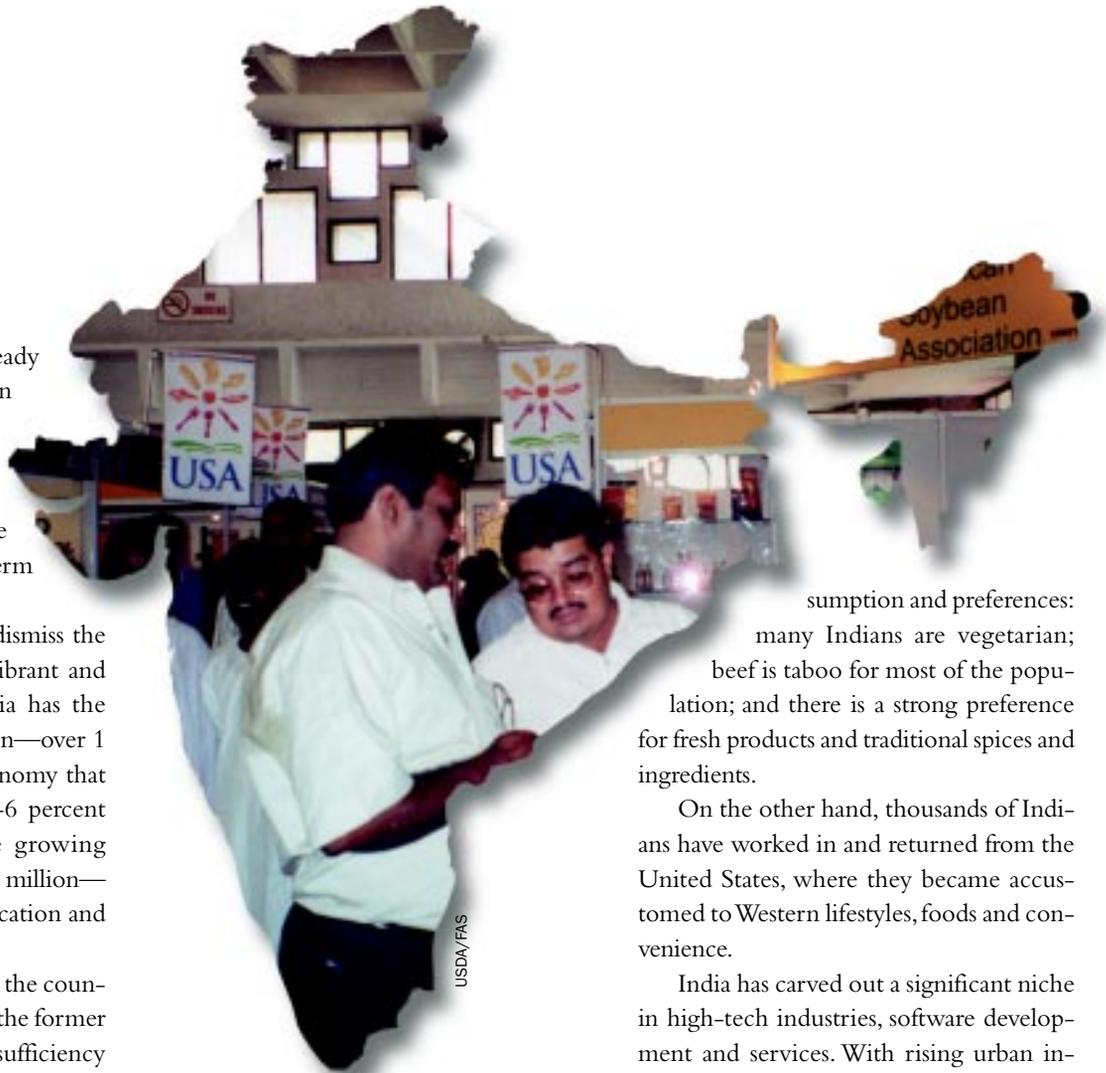
On the other hand, thousands of Indians have worked in and returned from the United States, where they became accustomed to Western lifestyles, foods and convenience.

India has carved out a significant niche in high-tech industries, software development and services. With rising urban incomes, more women in the workforce and more fast food outlets, acceptance of new food products is increasing, provided they are tailored to Indian tastes.

## Shopping the Old-Fashioned Way

Since home refrigeration is still rather a luxury, most Indians shop daily at small neighborhood specialty shops. Processed foods are sold in small quantities suited to consumers' limited purchasing power.

Food products are sold in 3-4 million small grocery stores. The supermarket concept common to the United States is practically nonexistent. In size and looks, larger grocery and convenience stores resemble U.S. supermarkets of 40 years ago. No ma-



major foreign supermarket chain has opened outlets in India, although this will change with time and a more open trading environment. The southern parts of the country (Mumbai, Chennai, Bangalore, etc.) have more developed chains; however, they also are not comparable to typical U.S. outlets.

India's markets are supplied by about 400 distributors and suppliers, each typically handling 3 or 4 products. The share of imported products is small, primarily almonds, fruit juices, ketchup, chocolates, sauces, specialty cheeses, canned fruits and vegetables, peas and beans, snacks, cookies and cake mixes.

**Distribution System**

Container handling facilities are available at most major ports and in several cities. But the distribution system is highly fragmented, due to the country's large size, infrastructure limitations (roads, electricity, cold storage) and large number of retail stores.

Refrigerated warehousing and transportation facilities are limited and costly. Electricity capacity does not meet demand.

Initially, imports were shipped through regional hubs of Dubai, the United Arab Emirates, and Singapore, or through gray markets. Now more and more importers are preferring to source directly from producers. Once the products reach India, they are handled in a three-tiered structure: from distributor/dealers to wholesalers to retailers. These patterns are changing as marketeers search for more efficient approaches.

**Local Markets and Retail Stores**

India has a variety of local food stores, from traditional wet markets to small stores and mini-supermarkets. Most food stores in India focus on one food category—fruits and vegetables, meats or other grocery items. These small stores generally have about 300 square feet of floor space, with items stacked high on shelves along the walls and behind counters. Competing stores offering the same assortment of goods often face each other or stand next to each other. The few grocery chains in India can have up to 4,000 square feet of floor space and stock meats, produce, bakery products and other items.

Imported products, including well-known American brands, can be found in markets that cater to the expatriate and



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upper-income Indian communities. These markets tend to be in the higher income areas of the larger cities. The following items have appeared on Indian store shelves: chocolate syrup (Hershey's), peanut butter (Skippy, Planters, and an Australian brand), cake mixes (Betty Crocker), salsa (Giant private label), barbecue sauces (Kraft and Shop Rite), other sauces and bloody Mary mix (Tabasco), prunes and prune juice (Sunsweet and Del Monte), pie fillings (Comstock), juices (Ocean Spray and Tropicana), biscuits (Murrey), cheese dips and squeeze cheese (Bruce Co. and Old Fashioned Foods), Washington State Red Delicious apples, canned soups (Heinz and Campbell's), popcorn (Golden Valley), spices

(Gel Spice Co.), potato chips (Pringles), ice cream (Blue Bunny) and pet food (Purina and Iams).

The following markets stock imported food items in India. The list is by no means exhaustive but is just intended to give the reader an idea of the wide range of Indian retail outlets.

- **I.N.A. in New Delhi:** This is a traditional wet market, with an enclosed row of small stores with a range of groceries, dried goods, spices, fresh fish, poultry and meats, and a seemingly endless winding row of outside stalls covered with canvas offering fruits, vegetables and non-food items. There are only a few shelf-stable imported grocery items available at I.N.A.
- **Modern Bazaar in New Delhi:** This is the city's only supermarket. It measures less than 2,000 square feet and has three aisles. It is located in a middle-class neighborhood shopping center that has a movie theater and other places of entertainment for teenage and young customers. The Bazaar is well organized and stocked with a wide range of imports.
- **Khan Market in New Delhi:** This market is made up of approximately 40-50 small stores, 15 of which carry food items. This market is frequented by the expatriate community and upper-income Indians. The food stores have a wide selection of shelf-stable imported goods including a varied assortment of imported fruits.

- **Nilgiri's and Food World in South India:** These two grocery chains are expanding in South India and resemble U.S. convenience stores. They stock fruits, vegetables, meat, bakery items and grocery items. They have a small but growing selection of imported food items.

### Strategy for Entering the Market

While the Indian market has great potential, success requires patience and steady application. Companies need to prepare for a long-term investment; to develop creative marketing strategies; and to be open to partnerships, technology transfer and two-way trade arrangements.

Due to infrastructure and distribution limitations of products in the retail sector, it would be best to focus on dehydrated, high-tech or other innovative products that require little or no refrigeration. India's food service sector is better able to support various product formats, so products face fewer limitations.

The most promising products include: fruits (apples, grapes, kiwi fruit), chocolates and cookies, frozen french fries, cheeses, fruit juices, snacks, popcorn, almonds, condiments, vegetable oils and other ingredients.

Companies need to do market research on the potential for their products and services before initiating export sales. There are many qualified firms in India that can help with this service. Before selecting an agent, it is important to check the reputation, the customer base, flexibility and size of the potential partner. Also, it's not unusual to appoint more than one representative for different locations and markets.

To test the market, U.S. companies may wish to participate in a food show or promotional event sponsored by the Office of Agricultural Affairs in New Delhi. Partici-



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pation in the U.S. Pavilion and American Café at the AAHAR 2002 food show, where samples are displayed and buyer interest is canvassed by professional staff, is a low-cost way to test the waters.

This year's AAHAR show will be held March 6-10, 2002, in New Delhi. Although the deadline for exhibiting has passed, U.S. firms may wish to visit the show. In addition, company representatives are encouraged to travel in the country to make contacts and assess market prospects. For more information, contact: Tobitha Jones, FAS Trade Show Office. Tel.: (202) 690-1182; Fax: (202) 690-4374; E-mail: Jones, Tobitha@fas.usda.gov

### Business Is Buzzing—the AAHAR 2001 Show Experience

AAHAR is the premier food and processing equipment show in India. The 2001 show had about 200 exhibitors and an es-

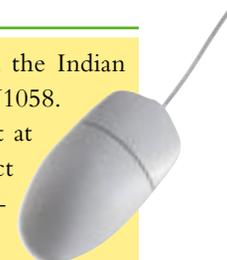
timated 20,000 visitors. Although several foreign products were presented in individual booths (Canadian, Saudi, Spanish, Australian, British, Nepalese, Italian and Chinese), the United States had the only organized national pavilion. About 40-50 products were shown in the U.S. Pavilion, including macadamia nuts, raisins, juices, frozen potatoes, soy products, jams, peanut butter, pie fillings, sauces and dried fruits. These products generated a lot of interest.

The event provided an excellent opportunity to showcase U.S. food products literally days prior to the Indian government's elimination of all remaining quantitative restrictions on imports.

As was the case in Eastern Europe in the late 1980s, the companies at the 2001 show were looking beyond traditional ideas and ways of doing business, or changing profile due to environmental concerns. Some have considerable resources to devote to these objectives, and others have valuable distribution networks. Companies in the manufacturing business (e.g., paint or steel) or pure commodity trade (sugar or ingredients) have an interest in diversifying into processed food trade and joint ventures. ■

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For more information on the Indian market, see FAS Report IN1058. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.



# Belgian Trade Show To Promote Beer

By *Yvan Polet*

**W**hile overall consumption of beer is down slightly in Belgium, the market for specialty beers is growing. As a result, Belgium is importing more beer, despite its 113 breweries that produce more than 450 brands.

## Domestic Production

Interbrew, which uses the slogan “The World’s Local Brewer,” is by far the biggest Belgian producer and the world’s second-largest after Anheuser Busch. Since 1970, all of Belgium’s beer production increases have been absorbed by its export market. The Belgian Pils lagers are the country’s most popular beer exports, with 70 percent going to France and the Netherlands. Interbrew has recently taken a giant step toward increasing its market share in the United States by acquiring Beck’s Beer.

## Rising Imports

But in recent years, Belgian beer drinkers have been seeking different examples of the beverage. Young people in particular

are buying foreign beers, especially from Denmark and Mexico. This increasing demand for specialty beers opens good opportunities for new types. Original tastes and flavors have a good chance to succeed if they are backed by a strong marketing campaign.

## BEER 2002

U.S. microbrewers will have an excellent opportunity to sell their products at BEER 2002, which will be held in Brussels, Sept. 26–28, 2002. This is the

**ORIGINAL TASTES AND FLAVORS HAVE A GOOD CHANCE OF SUCCESS.**

world’s only beer show that focuses exclusively on the beer trade for business people. BEER 2002 has a Web site at: [www.beerexportexhibition.com](http://www.beerexportexhibition.com)

Here companies can get more information and sign up to participate. The show has been designed to enable brewers from around the world to meet in one place, along with other key members of the industry: mass distribution managers, heads of various brewing federations, and beer importers and exporters.

BEER 2002’s objective is not only to offer top managers and professionals from the brewing industry the opportunity to meet. It will also:

- allow them to exchange information and opinions, and present and promote products,
- develop new sales and marketing strategies and



17141

- conclude new alliances and sales agreements with mass distributors and buyers worldwide, who have come to Brussels for these precise reasons.

BEER 2002 will afford companies the chance to negotiate distribution agreements with brewers, specialized distributors and distribution networks. Purchasers from major airline, hotel and catering groups, restaurants, hypermarkets, supermarkets and convenience stores will also attend the show. ■

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For details, see FAS Report BE1039. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.



# Trade Notes...

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## China and Taiwan Join the WTO

At the World Trade Organization (WTO) meeting in Doha, Qatar, in November 2001, China and Taiwan won approval to become new members of the WTO. China's and Taiwan's entries to the WTO will mean new export opportunities for a broad range of U.S. products. Last year, U.S. agricultural exports totaled more than \$2 billion to Taiwan and more than \$1.7 billion to China. The two markets ranked as the fifth and sixth largest, respectively, for imports of U.S. agricultural products. In the WTO, Taiwan will be officially known as Chinese Taipei.

## China Approves U.S. Genetic Centers

The Chinese Department for Animal and Plant Quarantine Supervision has approved approximately 30 U.S. artificial insemination and embryo transfer centers to export genetic material to China. The approval is valid until Oct. 30, 2003. In 2001, China imported nearly \$2 million worth of U.S. genetics, including beef and dairy cattle, cattle semen and breeding swine. This record level represents a 180-percent increase over the previous year.

## Produce Business Honors SUSTA for Marketing Excellence

*Produce Business* magazine awarded the Southern United States Trade Association (SUSTA) its Marketing Excellence Award 2001, for SUSTA's "Go South!" promotion. SUSTA was cited for its unique way of promoting fresh produce from 16 southeastern U.S. states in Ontario, Canada. SUSTA recreated a Mardi Gras theme using the slogan "Go South! For Quality Produce from the Southern U.S." The Mardi Gras promotion—emphasized with colorful beads, coins, banners and posters in supermarkets—touted U.S. produce as a way to beat the winter blues.

## Japan Pet Food Market Promising for U.S. Products

U.S. products attracted interest at a pet fair in Osaka, where 80 companies exhibited in 130 booths. The show was sponsored by Japan Wayne Company, a leading wholesaler of pet products in western Japan. While American pet food products attract considerable interest in Japan, the difficulty for new-to-market U.S. companies is the relative absence of suitable trade shows; most pet shows in Japan are geared toward Japanese companies or Japanese agents of foreign companies. International pet food sales have grown almost 14 percent annually for a decade, and this year are projected to reach a record 1 million tons valued at \$1 billion. The FAS Agricultural Trade Office in Osaka plans to participate in the Japan Pet Business Show in the spring of 2002, recruiting new-to-market U.S. companies that are looking for business partners in Japan.



### ***Also in This Issue:***

- Keeping the communication channels open for products of biotechnology
- India's emergence as a cultural, political and economic power—and what it portends for U.S. suppliers and exporters
- Portugal's thriving market for value-added foods

### ***And Next Time, Turn to AgExporter for:***

- U.S. trade relationships with China, Taiwan and Hong Kong—and how they could change with the WTO accessions of China and Taiwan
- Improving U.S. pet food products' position in France's robust market

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