

# Exploring NTM Impact: Micro-level evidence

Discussion panel at

‘Analyzing NTM: Collating evidence and Setting the Research Agenda’

April 26<sup>th</sup> 2017, Bangkok

# Context

- ▶ Working on the Swiss Development Co-operation (SDC) funded Regional Local Economic Development - East-West Economic Corridor (RLED-EWEC) implemented by the Mekong Institute (MI).
- ▶ Looks at a series of Border Provinces along the route from DaNang, Vietnam to Myawine, Myanmar. One in Central Vietnam, two in Central Laos, two in Thailand and a major border State in Myanmar.
- ▶ The Project has worked on three commodities in selected areas - Coffee in Quang Tri Province, VN - Rice in Khammoune Province, LPDR - Maize in Kayan State, MM.
- ▶ Focused on 3 Border Posts



# Cross-Border Trade Agreement (CBTA)

- ▶ Initial commitment to “facilitate cross-border movement of goods, vehicles, and people between and among the countries of the GMS is a priority initiative under the GMS Economic Co-operation programme.”
- ▶ Formalised in 2005 - but covered following aspects. All designed to mitigate against “non-physical barriers”
  - single stop / single window inspection
  - cross-border movement of people
  - transit traffic
  - arrangements for transport operators to work across border
  - exchange of traffic rights

Some countries only ratified the agreement in 2015 (Thailand) and some still haven't officially (Myanmar) but are co-operating with provisions. Only 7 of 15 border posts are included in Phase 1 of CBTA.

The following has now been included: “inconsistent and difficult border crossing formalities and procedures in customs, immigration and quarantine inspection.” Also added “multi-stop and unco-ordinated processing of goods, vehicles and people” - It is here that Non-Tariff Measures (and the uncertainty they cause on either side of the border) cause the biggest problems.

# Periodic Maize Import Restriction

- ▶ Current USDA forecast for Thailand MY2016/17 larger exportable surplus of rice and corn. Estimated corn production in 2016/17 to increase to 4.9 million metric tonnes after two years of drought (depleted stocks of 129,000 mt). Driven by more favourable farm gate prices versus cassava. Plus 600,000mt imports = Total Supply = 5.63 million metric tonnes. Thai Feed Mill Association predicts feed demand will shrink 4% to 18.6 million mt (due to fall in broiler production - 40% of feed market. Layer (20%) and swine (30%) feed increased while shrimp feed declined. Feed mills rely on imported corn from neighbouring countries (Cambodia and Laos) due to insufficient domestic production.
- ▶ Thailand dropped corn subsidy programme in MY2015/16 but maintained import window for tariff and quota-free corn imports from CM and LPDR during 2016/17. Due to shortage imports were allowed 1<sup>st</sup> Feb to 31<sup>st</sup> Aug (instead of 1<sup>st</sup> March to 30<sup>th</sup> June). But only allowed 54,700 mt at 20% in tariff quota. Out of Quota Imports subject to 73% tariff rate with a surcharge of 180 baht per mt = USD 6 per mt). With total imports at only 10.7% - not sharing.
- ▶ Finally corn imports from Myanmar in 2016/17 were not provided with the Feb to August window. EWEC estimates that some 30 to 40,000 mt of maize have been smuggled from Kayin State across the border into Thailand.

# Non-Tariff Regulations used to erect barriers to Imports

- ▶ All Imports of Foods are subject to an all powerful Food Act of 1979 - this Act and all subsequent laws are stipulated by the Ministry of Public Health. Ministry of Agriculture and Co-operatives monitors certain imported food products such as: meat, fruits, vegetables and grains and pulses.
- ▶ Even foods are further divided into:
  - Controlled Foods - 14 types - all must be registered
  - Standardised Foods - with quality standards defined by regulations. The purpose is to encourage local producers to up-grade and maintain hygienic quality. These foods are ones produced by SMEs and household industry but in Thailand these 'enforced' standards have been applied for two decades and producers in the neighbouring countries have major problems.
  - Not registered but quality and labelling must meet standard requirements - 31 types - set by MoPH.
- Food being sold direct to the Public must be licensed by Food and Drug Admin. Production facilities need be inspected by FDA Inspectors. Product registration take at least a month (even to import a sample of product). This includes 54 product types including milk, milk products, drinking water, tea, coffee, fortified rice and brown rice flour.

# Examples of NTM in Laos and Myanmar not based on formal investigation

- ▶ Few problems between Laos and Vietnam - some problems around importation of live banana stems - but actually might have been a virus disease
- ▶ Laos into Thailand - refusal to accept Certificate of Origin from Provincial Capitals - demanding certificate from Head office in Vientiane (350kms away). Request for residue test with no accepted lab in Central Laos. Demanding inspection of potential pests in a crop grown on the other bank of the Mekong river. Rice shipment held by request for DNA test to prove rice variety did not contain registered gene from Thai fragrant Jasmine (Mali) rice. Refusal to accept GMP certification (provided by German company) because it was not “bench marked” against Thai Standard.
- ▶ Myanmar into Thailand - refusal to accept CofO issued by Provincial Agric office. Inability to provide seed variety used to produce Maize. Turning back shipments on need for residue test only available in Yangon. Long delays in inspection of perishable fruit shipments.
- ▶ Samples of roasted Coffee from Vietnam refused entry into Thailand because Processor was not ‘licensed’.

# Uncertainty is Major disincentive for SMEs to engage in Export trade.

- ▶ The uncertainty is a serious disincentive for small exporters and SMEs to even attempt to engage in cross border trade.
- ▶ Complete lack of clarity and reliable of information sources on what are the actual regulations - most common attitude - If in doubt !!!! - Smuggle it is easier and very easy to cross the Mekong. Very important reason to clarify and make sure correct information is provided.
- ▶ There are so many potential regulations that no one understands - that many small exporters are subject to 'rent seeking' behaviour by border officials.
- ▶ There is growing clarity in the regulations governing cross-border contract farming - Laos has a formal arrangement. Key issues are contract provisions and protection of participating farmers. Also issues on "importation" of product back into host country.

# Thanks for listening

## Questions?

- ▶ Any questions and Comments after reading the full text - I can be contacted on [kevin.billing@gmail.com](mailto:kevin.billing@gmail.com)