

# **APTFF Capacity Building Workshop on Facilitating Trade in Agricultural Products in the Context of the WTO TFA**

7 September 2017

Maame Agyeben

Trade, Investment and Innovation Division

United Nations ESCAP

# Content

- Introduction to Trade Facilitation for Agri-food products
- Key challenges for agricultural trade
- Emerging Trends for facilitating trade and automation in the agricultural sector

# What is the agricultural value chain?

A 'value chain' in agriculture identifies the set of actors and activities that bring a basic agricultural product from the field to final consumption and add value at each stage of the production process. A value chain can be a vertical link or a network between various independent business organizations involving processing, packaging, storage, transport and distribution. The terms "value chain" and "supply chain" are often used interchangeably.

Structural transformation in consumer markets is leading to duality in agricultural systems, often within the same country and sometimes in production of the same final consumer

- Traditional" agricultural value chains are generally governed by spot market transactions involving a large number of small retailers and producers. The primary interface of the farmer in this system is with a buyer, often with monopsony power in which information asymmetry prevails. Traditional agricultural value chains are not static and ICT systems in particular are catalyzing change in buying relationships.
- "Modern" value chains are characterized by vertical coordination or consolidation of the supply base, agro-industrial processing and the use of standards throughout the chain. Initially driven by export sector opportunities, modern value chains are becoming more prevalent in the domestic markets of developing countries as incomes rise, urban populations grow and retail structures change. Both "traditional" and "modern" systems may include smallholders.

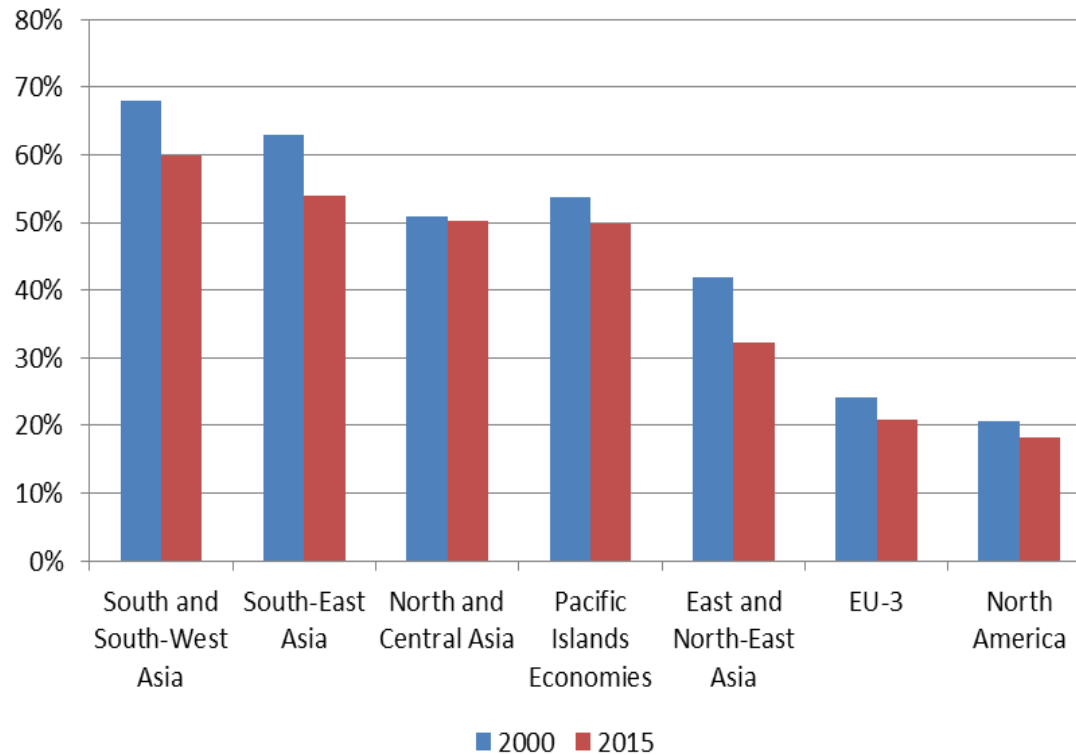
## **Agriculture Trade Facilitation can be defined as:**

*the simplification and harmonization of procedures (activities, practices and formalities) involved in the import and export of agricultural and food products, including but not limited to collecting and processing data and documents required for the cross-border movement of these products*

# Why facilitate trade in the agri-food sector?

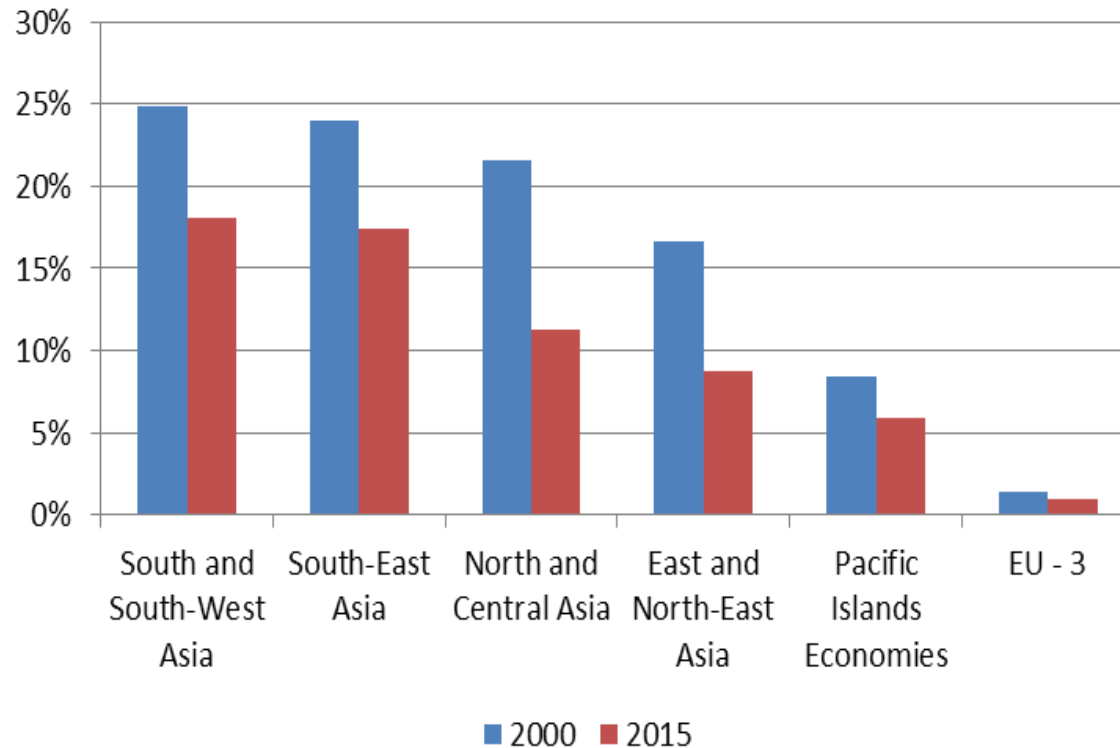
- In LDCs in Asia Pacific the agricultural sector account for 53 percent of total employment (ESCAP, 2014)
- Agriculture supply chains are amongst the most complex
- Trade costs for agricultural trade are higher than for manufacturing products,
  - Complex regulatory and commercial procedures: laboratory test, treatments and certifications;
  - Large number of agencies involved in import and export of agricultural products;
  - Time and temperature sensitive nature – special handling, transportation and cold storage.
- High trade cost and time effect competitiveness of agricultural products and participation in global value chains

# Population in rural area as a percentage of total population in 2015



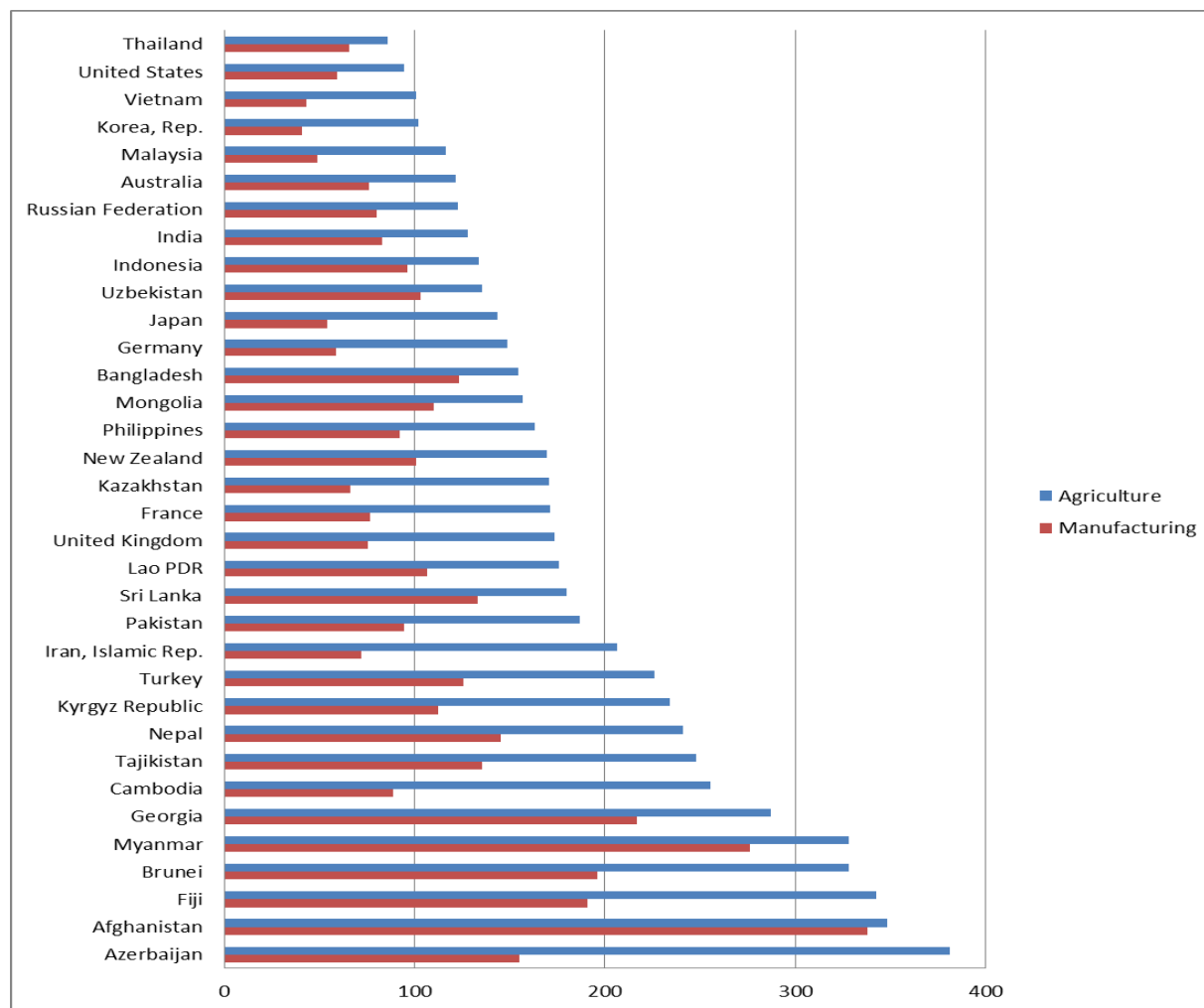
**Source:** Data retrieved from the World DataBank (World Bank)

# Value added in agriculture as a percentage of GDP



**Source:** Data retrieved from the World DataBank (World Bank)

## Agricultural and Manufacturing Comprehensive Trade Costs, excluding tariffs, between Selected Economies and China (2009-2014)



**Source:** ESCAP-World Bank Trade Cost Database



# Actors, time, costs and documents involved in exporting agricultural products

Exporting country	Importing country/region	Product	Days (No.)	Actors involved (No.)	Procedures (No.)	Documents required (No.)	Cost (\$)
Bangladesh	Japan	Frozen shrimp	36.75	14	12	24	500
Bangladesh	India	Jute bag	10	15	12	24	236
Bangladesh	Bhutan	Fruit juice	18	7	9	9	225
Bhutan	Bangladesh	Oranges	12	14	18	14	444
Cambodia	European Union	Rice	32	14	12	24	1 029
Cambodia	China	Maize	20	15	13	22	1 250
Lao People's Democratic Republic	Thailand	Maize	16	11	8	21	735
Myanmar	West Africa	Rice	19-23	20	10	>25	425
Nepal	India	Cardamom	13	11	9	14	1 213
Nepal	Bangladesh	Lentils	13	14	18	18	613
Thailand	Bangladesh	Sugar	13	13	13	31	1 128
Thailand	United States	Jasmine rice	16	16	15	n.a.	n.a.

*Source:* Derived from SATNET BPA Studies ([www.satnetasia.org/theme2.html](http://www.satnetasia.org/theme2.html)), SASEC Phase I BPA Study (forthcoming), and other BPA studies available from <http://unnex.unescap.org/pub/tipub2615.pdf>.

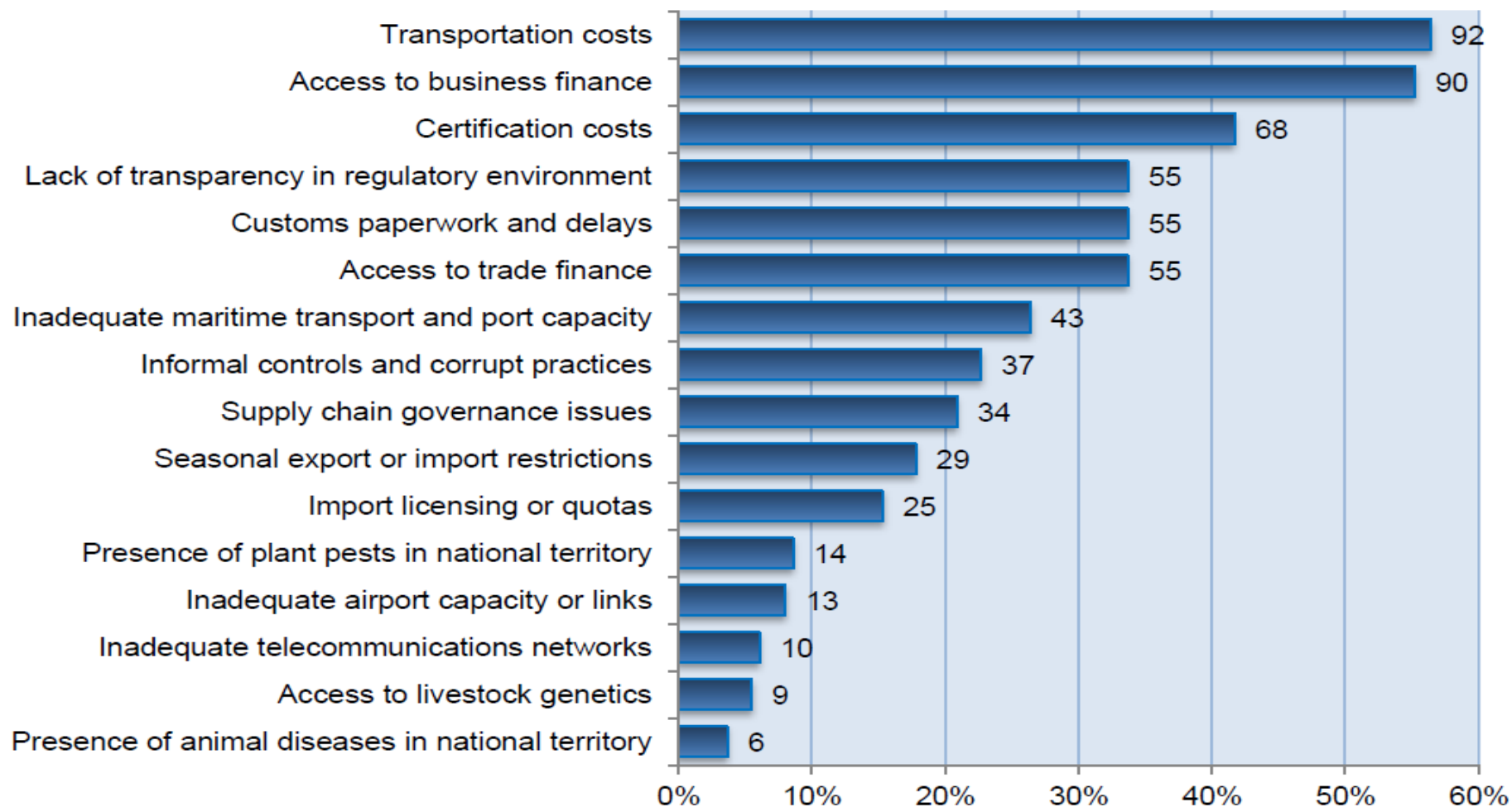
*Note:* While the studies were conducted on the basis of the UNNExT BPA Guide, the scope and context of each study differs. Accordingly, results may not be used for cross-country benchmarking purposes.

**Trade Facilitation is not just about Customs, but several regulatory agencies relate to Agrifood involved.**

Several regulatory agencies with a lot of **complicated, cumbersome procedures** and **document transactions** related to export/import agrifood products, e.g.

- Dept of Livestock Development, MOAC
  - Dept of Fisheries, MOAC
  - Dept of Agriculture, MOAC
  - Food and Drug Authority, MOH
  - Dept of Disease Control, MOH
  - Dept of Medical Science, MOH
  - Chamber of Commerce
  - Royal Customs Department, MOF
  - Dept of Business Development, MOC
  - etc.
- General business registration
  - Specific business registration and Quota
  - Onsite Health Inspection
  - Import/Export Permits
  - Import/Export Certification
  - Fumigation and Reports
  - Health Certification
  - Sanitary Certification
  - Phyto-sanitary Certification
  - CITES Certification
  - At-border Inspection
  - Tracking
  - Reports etc.

# Barriers in connect to agrifood value chains



Source: OECD/WTO Questionnaire 2013, [www.aid4trade.org](http://www.aid4trade.org).

# Challenges in the agriculture supply chain

**Access to finance  
and credit**

**Complying regulatory  
standards**

**SPS laboratory  
capacity**

**Post-harvest handling**

**Compliance to quality and production standards**

**Making  
international  
payments**

**Complying to  
compliance standards**

**Conformity assessment  
infrastructure**

**Paperwork and  
Paper based  
systems**

**Additional procedures  
and certifications**

**Inadequate logistics and  
infrastructure**

**Customs procedures**

**Lack of transparency**

**Lack of risk-based  
controls at borders**

**Poor coordination between  
border agencies**

**Costs of  
certification**

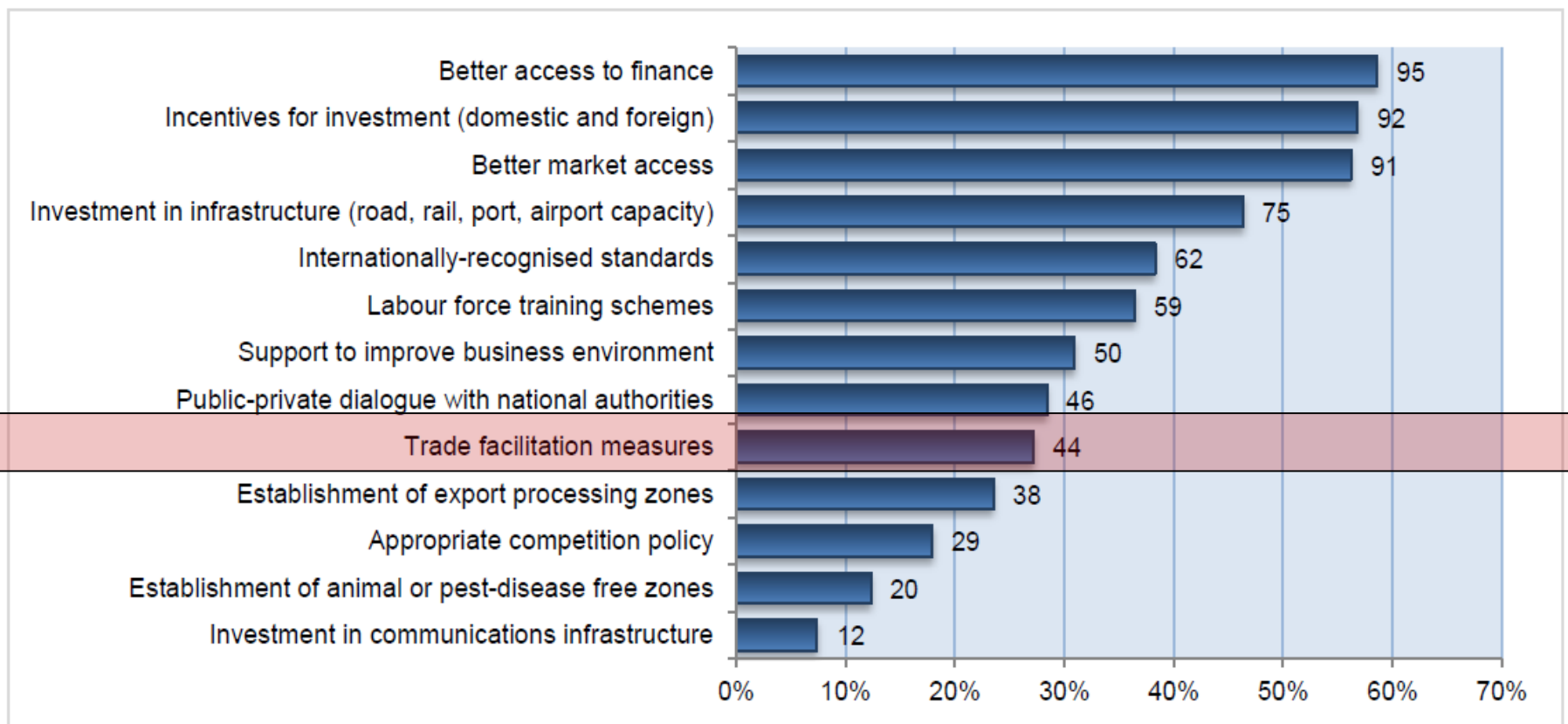
**High transport costs**

**Pest management**

**IT infrastructure**

# How to overcome the barriers?

Types of support most effective to enter, establish or move up agrifood value chains (surveyed from developing country suppliers)



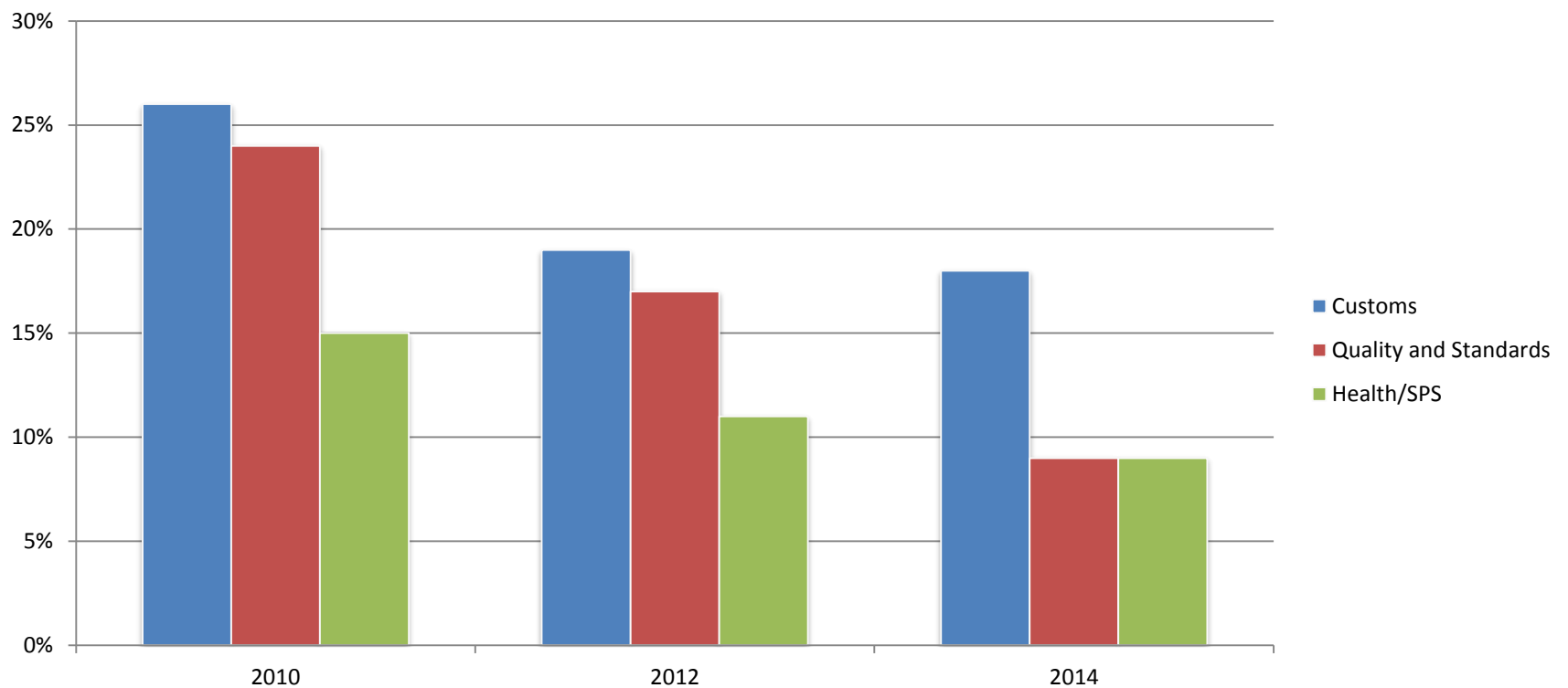
Source: OECD/WTO Questionnaire 2013, [www.aid4trade.org](http://www.aid4trade.org).

Extracted from presentation: S. Keretho, 2014

# Objectives of Agricultural Trade Facilitation

- Reducing time and costs associated with trading of agricultural and food products.
- Ensuring compliance with relevant laws and regulations.
- Meeting the growing information needs of buyers.
- Gaining and maintaining access to markets
- **All procedures involved in agricultural trade may be considered, including:**
  - Commercial procedures:
  - Transport and logistics procedures
  - Regulatory procedures:
  - Financial procedures:

## Private sector % rate of satisfaction with selected border agencies (bottom quintile respondents)\*



Source: World Bank Logistics Performance Index

# WTO SPS Agreement

- Agreement on the Application of Sanitary and Phytosanitary Measures, entered into force on 1 January 1995
- Defines the basic rules for food safety and animal and plant health standards. All countries maintain measures to ensure that food is safe for consumers, and to prevent the spread of diseases or pests among animals and plants
- SPS Committee developed recommended procedures and a standardized format for governments to use for the required advance notification of new regulations; monitor the use of international standards; and work on guidelines to ensure consistency in risk management decisions, in order to reduce possible arbitrariness in the actions taken by governments

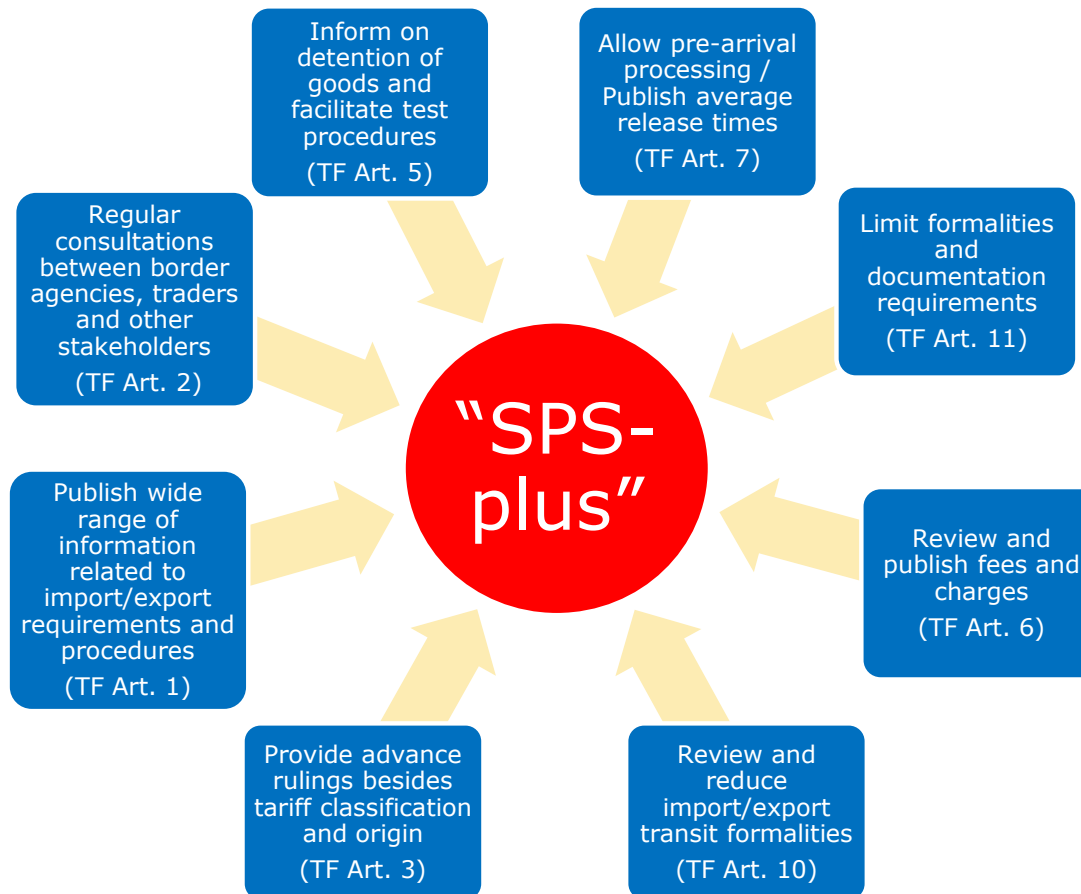


# Trade Facilitation Agreement

## Article 7.9: Perishable Goods

- To release perishable goods under normal circumstances in the shortest time possible. Under exceptional circumstances provide for the release of such goods outside the business hours of customs and relevant authorities
- Priority should be given to perishable goods when scheduling any examination and arrange or allow the importer to arrange proper storage of perishable goods. And if consistent with domestic legislation allow the release to take place at the storage facilities

# TF Agreement and SPS Agreement



Source: WTO

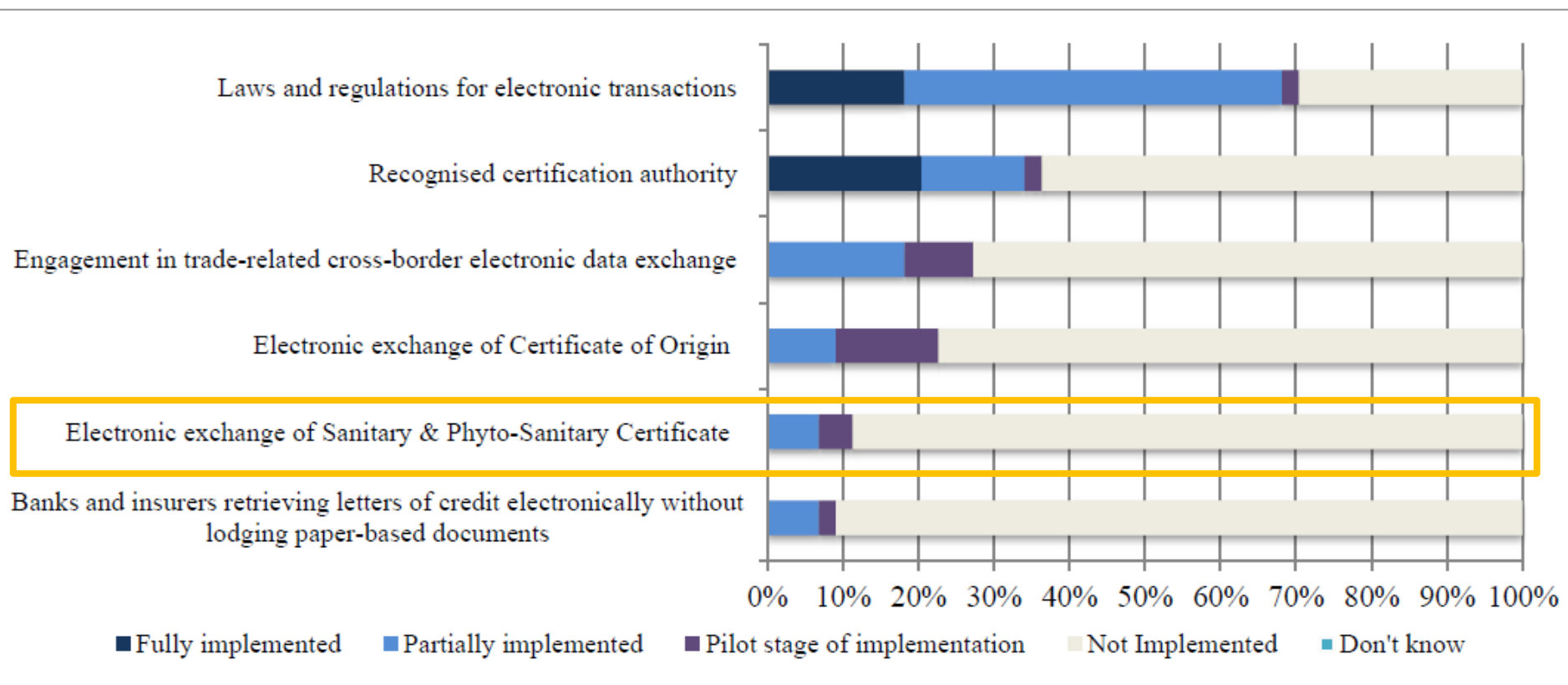
# Challenges of traditional paper-based processes for agricultural trade

- Large volumes of data to submitted and processed
  - Can cause delays in inspection and release of goods
- Manual intervention in the review, processing and approval
  - Can lead to errors
- Efficiency
  - Data re-entry required to generate reports
- Transparency
  - Retrieval
  - Limited data analysis and aggregation capabilities
- Security
  - Higher risk of forgery and manipulation
  - Higher risk of import control failures

# Opportunities for automation and paperless systems in the agri-food trade

- National Single Window
- Electronic traceability
- Electronic business standards (such eLAB, FLUX, eCITES)
- Electronic Certifications (include e-SPS)

**Figure 14: State of implementation of “cross-border paperless trade” measures in Asia-Pacific economies (in %)**



# UNNExT Tools, Guidelines and Studies

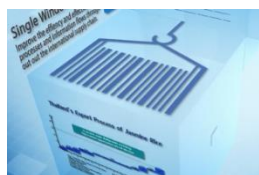


## Information Management in Agrifood Chains: Towards an Integrated Paperless Framework for Agrifood Trade Facilitation

<http://www.unescap.org/resources/information-management-agrifood-chains-towards-integrated-paperless-framework-agrifood>

## UNNExT Handbook on Implementing UN/CEFACT e-Business standards in agricultural trade

<http://www.unescap.org/resources/unnext-handbook-implementing-uncefact-e-business-standards-agricultural-trade>



## E-Learning Series on Business Process Analysis for Trade Facilitation

The ESCAP course consists of seven modules and introduces a step-by-step approach to conducting BPA. It is aimed at government officials and other stakeholders responsible for trade facilitation.

<http://www.unescap.org/our-work/trade-investment-innovation/trade-facilitation/bpa-course>



## Capacity building workshops and training materials:

- [Workshop on Implementation of e-SPS and Automation for Agriculture Trade Facilitation](#)
- [Workshop on UN/CEFACT e-Business Standards in Agricultural Trade](#)
- [Workshop on Electronic Exchange of SPS Certificates for Better Trade Control and Facilitation](#)



## UNNExT Briefs:

*Streamlining and Automating Procedures in Agricultural Trade: A Case Study of the Philippines, UNNExT Brief No. 18*

*The State of Paperless Trade in Asia-Pacific 2015, UNNExT Brief No. 17*

*Electronic Traceability of Aquaculture Products: the Case of TraceVerified in Viet Nam, UNNExT Brief No. 16*

*Electronic Traceability of Agriculture Products in India: the Case of GrapeNet, UNNExT Brief No. 15*

Available here: <http://unnext.unescap.org/pub/brief.asp>

# Facilitating Agricultural Trade

- Fundamental to review and simplify procedures and documentation through Business Process Analysis
- Perishable and time-sensitive nature requires considerations to logistics and infrastructure
- Priority in release should be provided to perishable goods (TFA)
- Including risk based controls at the borders
- Enhancing capacity to meet SPS requirements is key (laboratory capacity, streamlining inspection and certification procedures)
- Enhancing transparency and information to allow traders to comply with the requirements for trade in agricultural procedures

# Thank you.

For more information see:

<http://www.unescap.org/our-work/trade-investment-innovation/trade-facilitation>

<http://unnex.unescap.org/>

[agyeben@un.org](mailto:agyeben@un.org)