

Facilitating Export and Import of Agrifood Products in South and South-East Asia

fact sheet

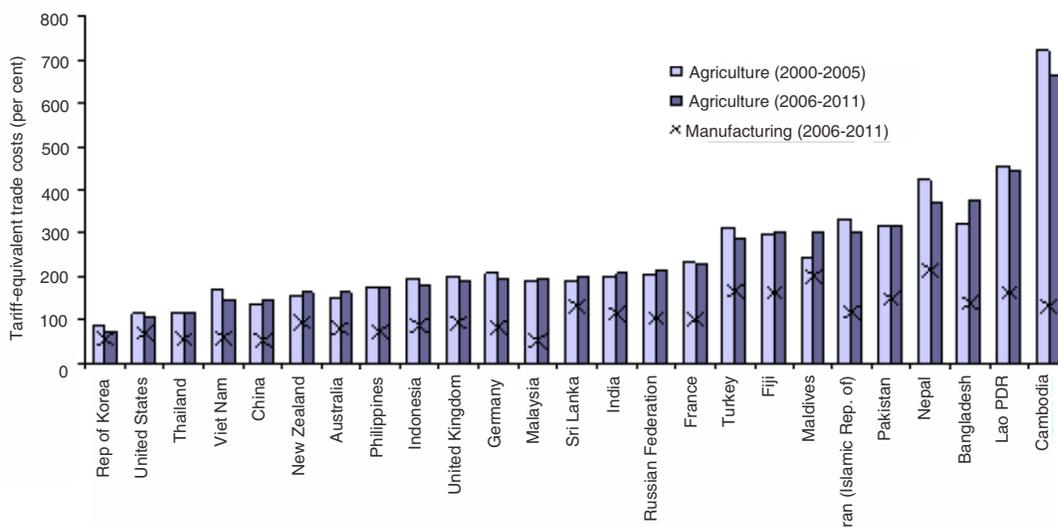
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1. What is trade facilitation and why it is important?

Trade facilitation is any activity or measure that reduces barriers to the movement of goods from sellers to buyers in an international supply chain, such as simplification of regulatory procedures for export and import, establishing a single window for submission of all trade-related documents or establishing electronic traceability systems for perishable exports.

Trading in agricultural products is, however, generally more difficult and costlier than in manufactured goods. The ESCAP-World Bank trade cost database shows that the average comprehensive non-tariff cost of bilateral trade in agricultural products between some Asia-Pacific countries and Japan is much higher than that for manufactured goods (see Figure 1). In addition, for many countries, there was not much reduction in the average trade cost between 2000-2005 and 2006-2011. The higher cost could be attributable to the perishable nature of the products, stringent quality requirements, stricter regulatory procedures as well as handling and logistics.

Figure 1: Comprehensive trade costs (excluding tariff) for agricultural goods with Japan (2000-2005, 2006-2011)



Source: ESCAP- World Bank trade cost database 2013

2. What is the trade facilitation situation for agrifood products in South and South-East Asia?

The Business Process Analyses (BPA) of import and export procedures of various agrifood products¹ conducted in five countries in 2013 (see Table 1), revealed the following:

¹ ESCAP commissioned five Business Process Analysis (BPA) studies on trade of agriculture or food products under the SATNET Asia project in Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal. All study reports are available at: http://unnex.unescap.org/tools/business_process.asp. Please refer to the individual studies for details.

- **The number of days required for export transactions** from the time of initiating a deal up to loading of the goods at the port, range between 10 and 23, with food items taking at least 13 days. Comparison with previous BPA studies for agro-products indicate that Bangladesh and Nepal have improved over time. However, all countries have significant room for improvement, with, for example, the Lao People's Democratic Republic (PDR) study identifying specific measures to cut export time of Maize by over 30 per cent.
- **Too many public and private sector actors** are involved in trade transactions, reducing efficiency and increasing costs. The BPA studies found Lao PDR and Nepal had the fewest number of agencies – 11 – involved in trade transactions, while Myanmar had the most with 20 stakeholders involved in the export of rice.
- **Document handling** was found to be a major problem in all studies. The number of documents, both exchanged internationally and handled domestically, ranges from 14 to 25, usually requiring submission of many copies of each.
- **Transaction costs** vary significantly depending on the location of the export warehouse, trading partner (e.g. specific quality maintenance and test for Cambodian exports to China), infrastructure, access to seaport and, sometimes, informal payments.

Table 1: Major findings from BPA studies of export procedures in South and South-East Asia

Export country and product	Destination	No. of days	No. of actors involved	No. of processes	No. of documents required	Cost (US\$)
Cambodia – Maize	China	20	15	13	22	1 250-1 360
Lao PDR – Maize	Thailand	16	11	8	21	735
Myanmar – Rice	West Africa	19-23	20	10	>25	425
Bangladesh – Jute bag	India	10	15	12	24	-
Nepal – Cardamom	India	13	11	9	14	1 213

3. What are key additional trade procedures associated with export and import of agriculture or food products?

Trading in agricultural or food products is usually more difficult than trading in manufactured goods as the former involves additional certificates, tests and inspections. Some key additional procedures are listed below:

Sanitary and Phyto Sanitary (SPS) certificate: SPS certification is to ensure food safety for humans and animals as well as plant health. Certification usually requires pre-testing for acceptable levels of food quality or plant/animal health parameters like pesticide residue levels, presence of certain chemicals or unwarranted ingredients. It also requires pre-inspection of the goods. SPS certificates are usually issued by the Department of Agriculture of the exporting country. In order to initiate this process, a request letter for SPS certification along with the packing list, invoice and fumigation certificate needs to be submitted by the exporter.

Inspection and/or fumigation certificates: These certificates are usually required to prove that appropriate fumigation or other product treatments were carried out for obtaining the SPS certificate. In order to initiate this process, a request letter from the exporter typically needs to be submitted to the appropriate authority.

Quarantine certificate: This certificate is also required to determine the parameters of food quality. A letter from customs, a commercial/export invoice, packing list and customs declaration form must often be obtained first. After verification of documents and examination of samples, a quarantine certificate is issued by the department of quarantine.

Other laboratory test certificates: In some cases, exporters need to have products tested for various ingredients. For example, for jute export from Bangladesh, an oil content test certificate is required.

4. What are the key problems faced by traders due to these processes?

Additional processes add to time, cost (both direct and indirect) and paperwork. Traders must also physically visit several agencies. All processes listed below require submission of paper documents and samples of the products to be tested in laboratories. In some processes, paper-based documents need to be submitted for verification of the online declaration. In one case, even with an alternative electronic interface in place, some processes continue to be done manually.

Additional time: Obtaining a SPS or Quarantine certificate can take from a day to five days in the countries studied (see Table 2). This may or may not include the time required for fumigation, which is usually another day or two. Exporters need to wait for completion of this process before moving to the next process for export.

Additional cost: The direct cost of these processes is usually not very high, hovering around \$10-\$50. In some instances, however, the direct cost can be quite high with a fumigation certificate for maize costing up to \$700 in Cambodia. The indirect cost of delays, however, can be quite substantial in the case of perishable products due to spoilage from the delay caused by the complexity of such processes.

Additional paperwork: The Department of Agriculture or testing laboratories are usually the least integrated entities with trade control agencies (e.g. department of trade or customs) resulting in limited coordination between them. This can create confusion over the documentation required for export or import. If the laboratory tests fail, the entire process may need to be restarted.

Table 2: Obtaining Sanitary and Phyto Sanitary Certificate for export of agrifood products

	Bangladesh	Cambodia	Lao PDR	Myanmar	Nepal
Export products (Trading partner)	Jute Bags (to India)	Maize (to China)	Maize (to Thailand)	Rice (to West Africa)	Cardamom (to India)
Number of days required	4	2-5	2	2	1
Documents required	(i) Pro-forma invoice (ii) Packing list (iii) Oil content certificate (iv) Certificate of Origin (COO)	(i) Phytosanitary certificate application (ii) Commercial invoice (iii) Packing lists (iv) Release container (v) Fumigation certificate	(i) Phytosanitary application form (ii) Packing list (iii) Export license (iv) Customs certification (v) Business license from Vientiane Capital Agriculture Department (vi) Commercial contract among importer and exporter (vii) Pro-forma invoice	(i) Shipping instructions (ii) National Registration Card (iii) Sealed case file from Customs head office - - Export Declaration - Export License - Invoice - Packing list	(i) Letter from Customs to Food Quarantine Office (ii) Commercial Invoice (iii) Packing List (iv) Customs Declaration Form (v) Sample
Stakeholders involved	<ul style="list-style-type: none"> ▪ Exporter or representative ▪ Department of Agricultural Extension (DAE) ▪ Clearing and Forwarding (C&F) Agent 	<ul style="list-style-type: none"> ▪ Exporter ▪ Ministry of Agriculture Forestry and Fisheries (General Directorate of Agriculture) 	<ul style="list-style-type: none"> ▪ Exporter or representative ▪ Vientiane Capital Agriculture Division - Agriculture Quarantine Section 	<ul style="list-style-type: none"> ▪ Exporter ▪ Ministry of Agriculture 	<ul style="list-style-type: none"> ▪ Exporter ▪ Clearing agent ▪ Food Quarantine Office ▪ Customs Office
Direct costs	\$10	\$58 to \$730	-	More than \$300	\$5

5. What can be done to make the procedures more efficient?

Based on the findings of the BPA studies, several recommendations were made for the simplification of procedures, eliminating unnecessary activities and reducing paperwork. Introduction of electronic documents was also suggested. These recommendations are expected to reduce time in most cases and to reduce direct cost in some cases. The reduction in indirect costs – e.g., opportunity costs of waiting and queuing - have not been measured but these are expected to decrease.

Table 3 shows the number of days required for maize export from Lao PDR. It currently takes 17 days to complete all export processes, but the total time can come down to 10 days by simply completing some processes simultaneously and reducing the time needed for customs declaration.

Table 3: Time required in Lao PDR to export maize

Export Procedures	No of days	Proposed reduction of days
1. Concluded export (buying) contract and trade terms	2	2
2. Phytosanitary certification	2	2
3. Fumigation certification	2	2
4. Arrange transportation (trucks)	4	0 – at same time of step 2
5. Provide customs declaration for export of goods	2	1
6. Prepare certificate of origin	2	0 – Together with step 3
7. Establish payment guarantee	2	2
8. Claim payment for goods	1	1
Total number of days for completing one export transaction	17 days	10 days

Key recommendations (general and specific) from the BPA studies are as follows:

- Improve coordination and cooperation.** The Lao PDR study suggested that only one agency (preferably the Livestock department), should visit the importer's site to determine demand for animal feed at the farm and share the report with other agencies, instead of the current practice of separate visits by the Livestock, Trade and Customs divisions based in the national capital. In Myanmar, numerous parties visit the export goods-carrying ship, asking for the same set of documents or copies. This increases administrative costs for ship owners and the crew.
- Reduce documentary requirements for obtaining certificates.** In the Bangladesh study, submission of the Certificate of Origin (COO) and the South Asia Preferential Trade Agreement (SAPTA) certificate is redundant as these contain the same information, i.e., origin of the product. COO is considered unnecessary for acquiring the SPS certificate. Similarly, in Lao PDR, a number of copies of documents that may not be essential are still required for obtaining the SPS certificate. These include the export license and business license from the Vientiane Capital Agriculture and Forestry Division (VCAD) or even a customs certification. Usually, more than one copy of such documents is required.
- Implement existing policies.** In Nepal, tax imposition by the local district authority (DDC) should be eliminated in line with the government's no-export tax policy. Similarly, implementation of the 'competition promotion and market protection act' for transport operators has been suggested for facilitating wheat imports.
- Introduce electronic documents.** This can avoid the need for copies of the same document. In Bangladesh, use of paper CAD (Cash against document) by the exporter, importer and respective banks was recommended to be abolished. Automation of processes, including development of single window facilities through which all information may be submitted electronically at one time and place, has also been recommended in most study reports.
- Improve transport and logistics infrastructure.** Some recommendations go beyond procedural issues. The Cambodia study recommends developing inland waterways, increased collaboration between agencies to implement the proposed logistics framework in order to reduce transport costs, which affect perishable goods. It also suggests developing commodity warehouses along railways, inland ports and seaports.
- Other recommendations.** The introduction of a risk-based management of consignments where mandatory scanning of perishable goods is waived, changing layout of offices and increasing hardware facilities are other recommendations to facilitate trade in agriculture products.

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