Meeting Standards – Winning Markets

UNIDO's Trade Standards Compliance Report

Trade Standards Compliance Report 2010

Partner:
Institute of Development Studies (IDS)

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EC DG Sanco/ RASFF, US FDA, FAO, ILO, IPPC, ISO, UNEP, WTO

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www.unido.org/tradestandardscompliance

Rationale

Objectives of Report:

- More transparency on trade standards challenges
- Benchmarking of compliance capacity
- Provision of policy guidance for all development partners
- Increasing aid efficiency

→ **Support for informed policy choices and "smarter" technical assistance**

Focus of Report:

- Analysis of border rejections
- Estimation of export losses
- Identification of developing countries' ability to assess and prove compliance
- New orientations for technical assistance

Contents

Chapter	Content
Rationale and Key Findings	
1 – What do Border Rejections tell us about Compliance Capacity?	Analysis of border rejection data (US-FDA and EU-RASFF data)
2 – Big or Small Money – how significant are Border Rejections for Developing Countries?	Quantification of export losses
3 – How to measure Developing Countries' Standard Compliance Capacity?	• Standards Compliance Capacity Index (SCCI) • FVO Inspection Report analysis
4 – How can Technical Assistance stimulate Integration into Global Value Chains?	• Value chain analysis • Case study - PIP
5 – Towards measuring the impact of Trade Capacity-Building	• Cost/Benefit Model - Outline • Case study - Sri Lanka
6 – Perspectives and Emerging Priorities on Compliance Issues	Contributions from FAO, ILO, IPPC, ISO, UNEP, WTO

Border rejections provide a good, broad indicator of key trade standards compliance challenges

Key Findings Chapter 1

A. Border rejections are unevenly distributed over targeted markets, exporting countries and sectors

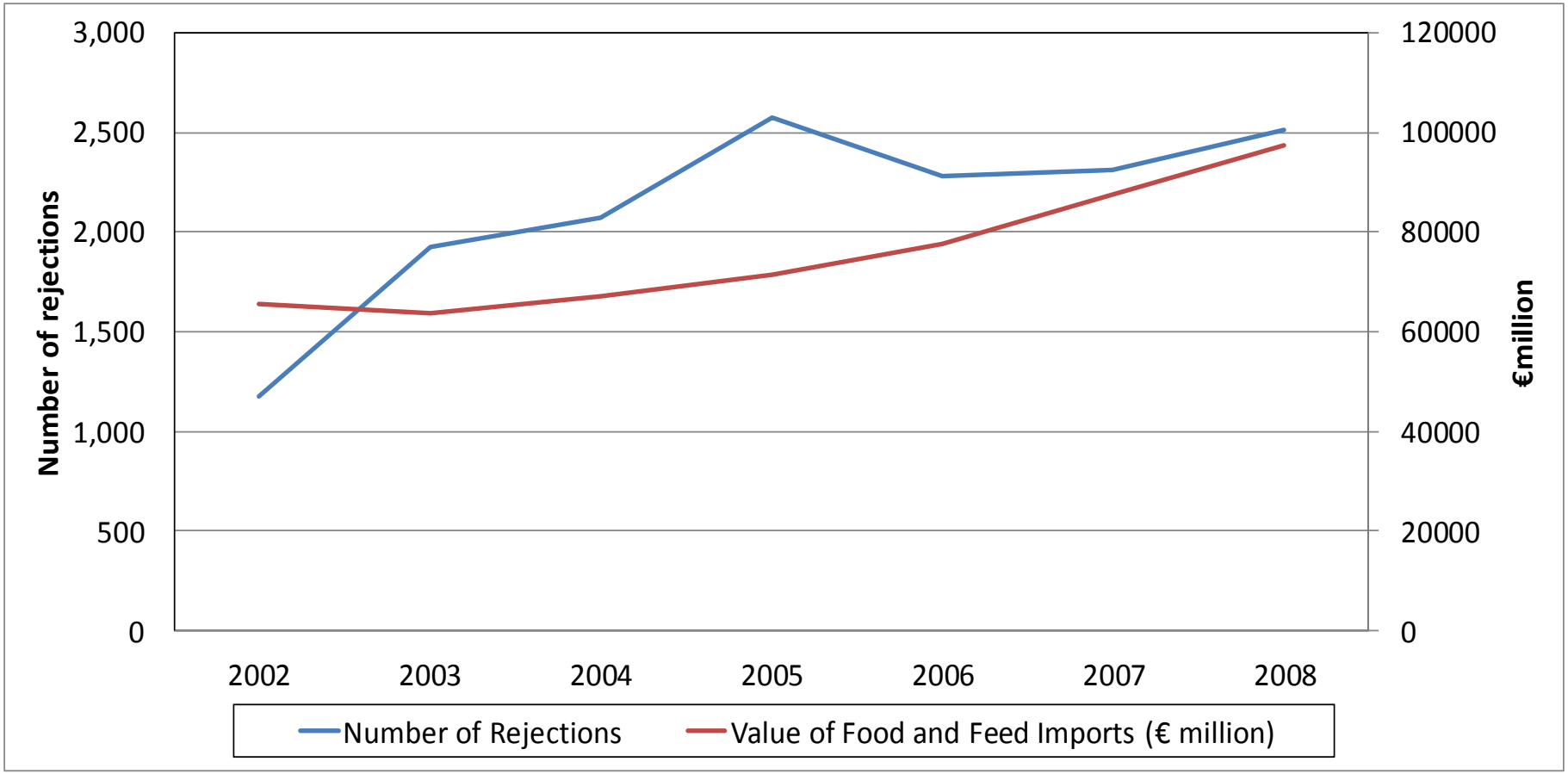
B. Border rejections reveal sector/product related and systems related failures

C. Also industrialized countries face border rejections

D. Border rejections don‘t indicate foregone export opportunities

Separate UNIDO Working Paper on Border Rejections available

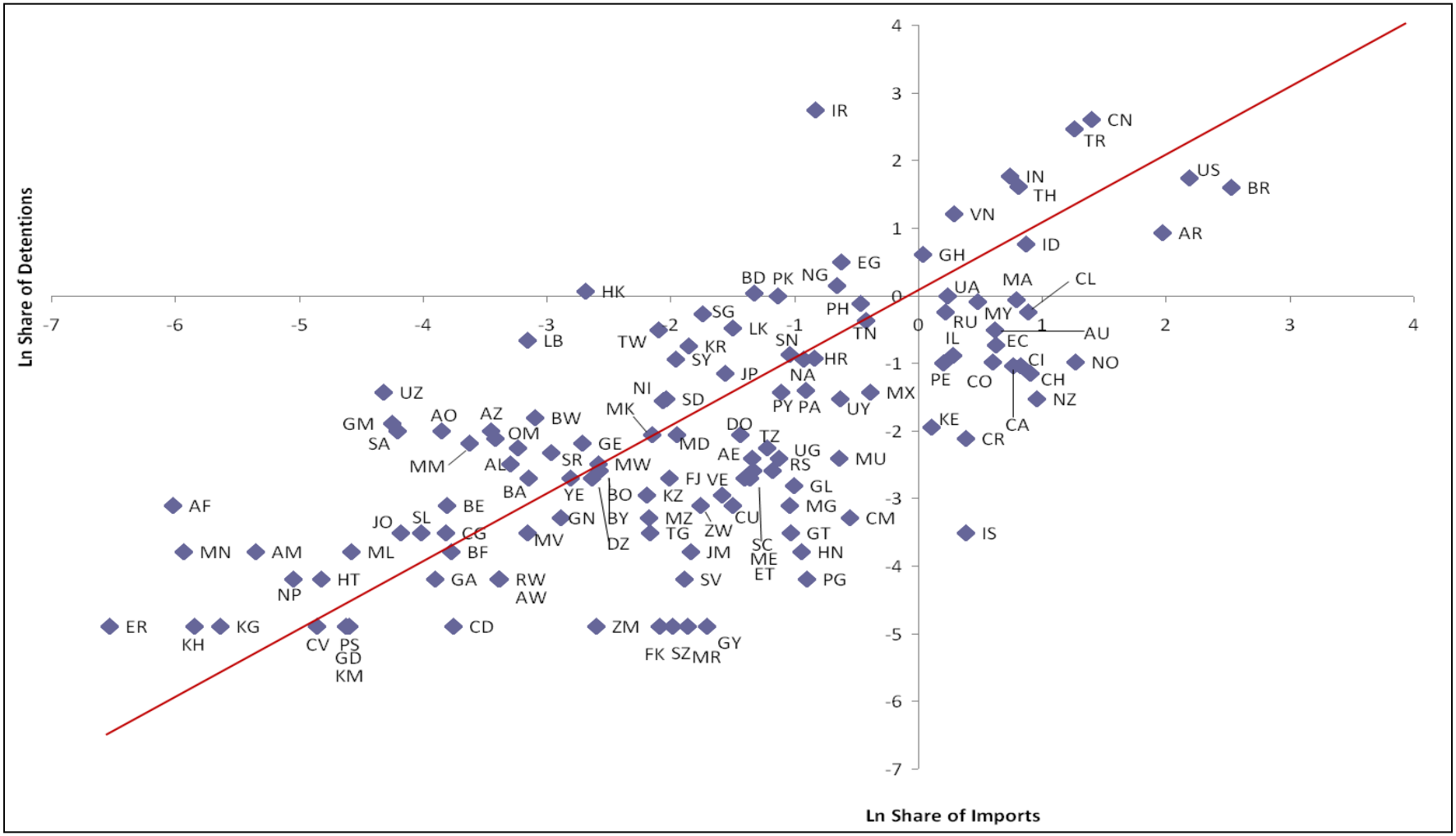
Number of EU Rejections and Value of Food and Feed Imports, 2002-2008



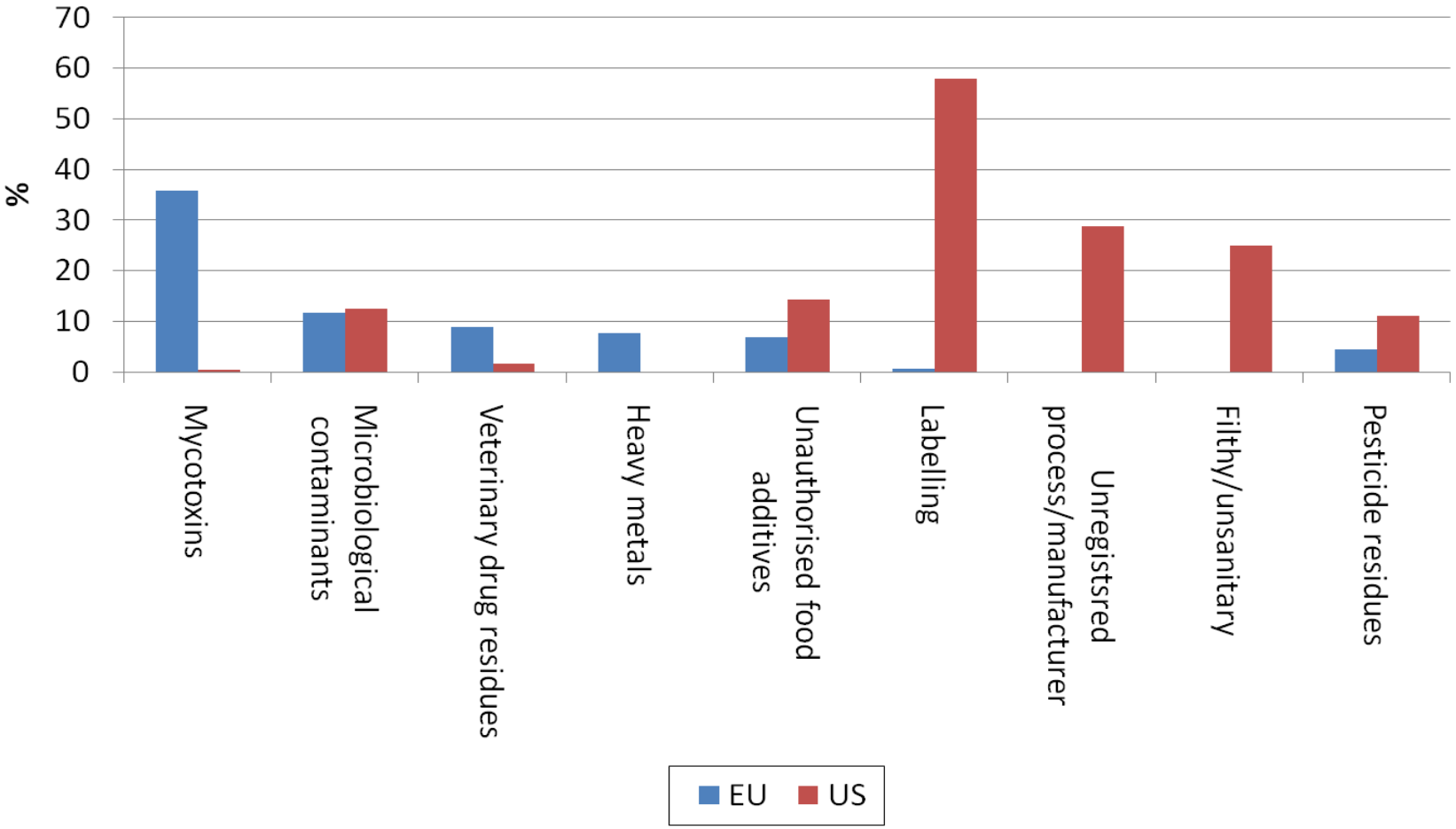
Total EU rejections, 2002-2008

Country	2002	2003	2004	2005	2006	2007	2008	Total	Annual Average
Iran	63	494	495	474	246	133	174	2,079	297.0
China	175	142	168	297	288	436	563	2,069	295.6
Turkey	150	221	209	210	270	313	319	1,692	241.7
India	70	130	132	168	104	129	195	928	132.6
USA	26	57	56	84	246	197	170	836	119.4
Thailand	171	99	49	142	103	109	130	803	114.7
Brazil	103	124	120	129	107	64	68	715	102.1
Vietnam	87	41	72	148	79	53	66	546	78.0
Argentina	12	45	46	63	78	51	60	355	50.7
Indonesia	41	41	79	62	51	29	15	318	45.4
Ghana	1	11	80	65	46	34	25	262	37.4
Egypt	10	43	48	28	31	38	61	259	37.0

EU Relative Rejection Rate, 2002-08



Reasons for Rejections, 2002-2008



EU and US Relative Rejection Rate for Food Imports from Indonesia, 2002-2008

Commodity	EU		US	
	Indonesia	Lower Middle-Income Countries	Indonesia	Lower Middle-Income Countries
Total	0.98	2.14	1.40	1.64
Fish & fishery products	5.53	1.80	2.06	0.98
Fruit & vegetables	0.39	1.13	0.73	1.42
Herbs & spices	0.24	1.41	0.47	1.40
Nuts & seeds	0.12	2.43	2.15	1.22

The value of border rejections is lower than expected, but constitutes the 'tip of the iceberg'

Key Findings Chapter 2

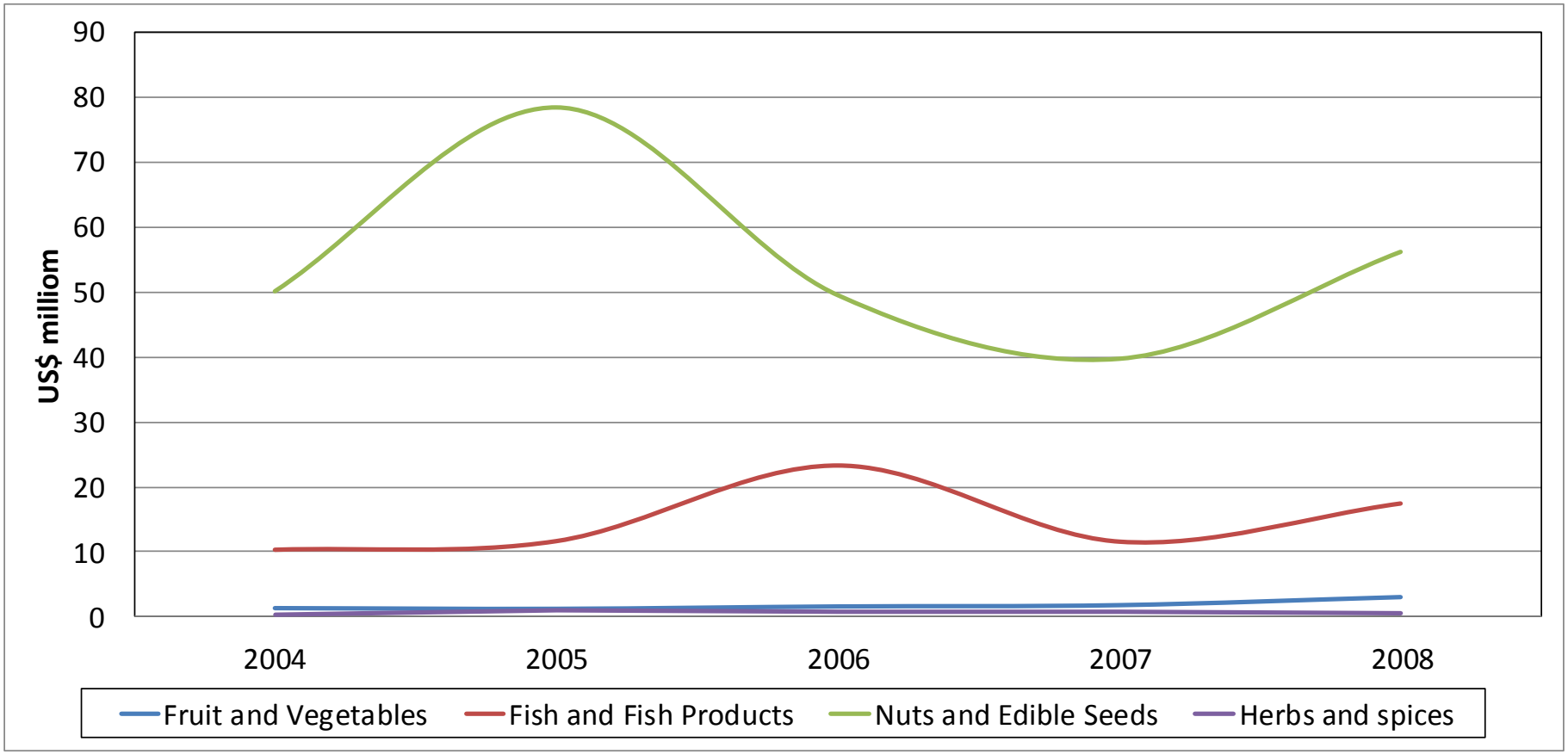
A. Border rejections constitute the tip of the iceberg of missed export opportunities

B. EU rejections of USD 72 million/year, dominated by nuts and seeds valued at USD 55 million/year

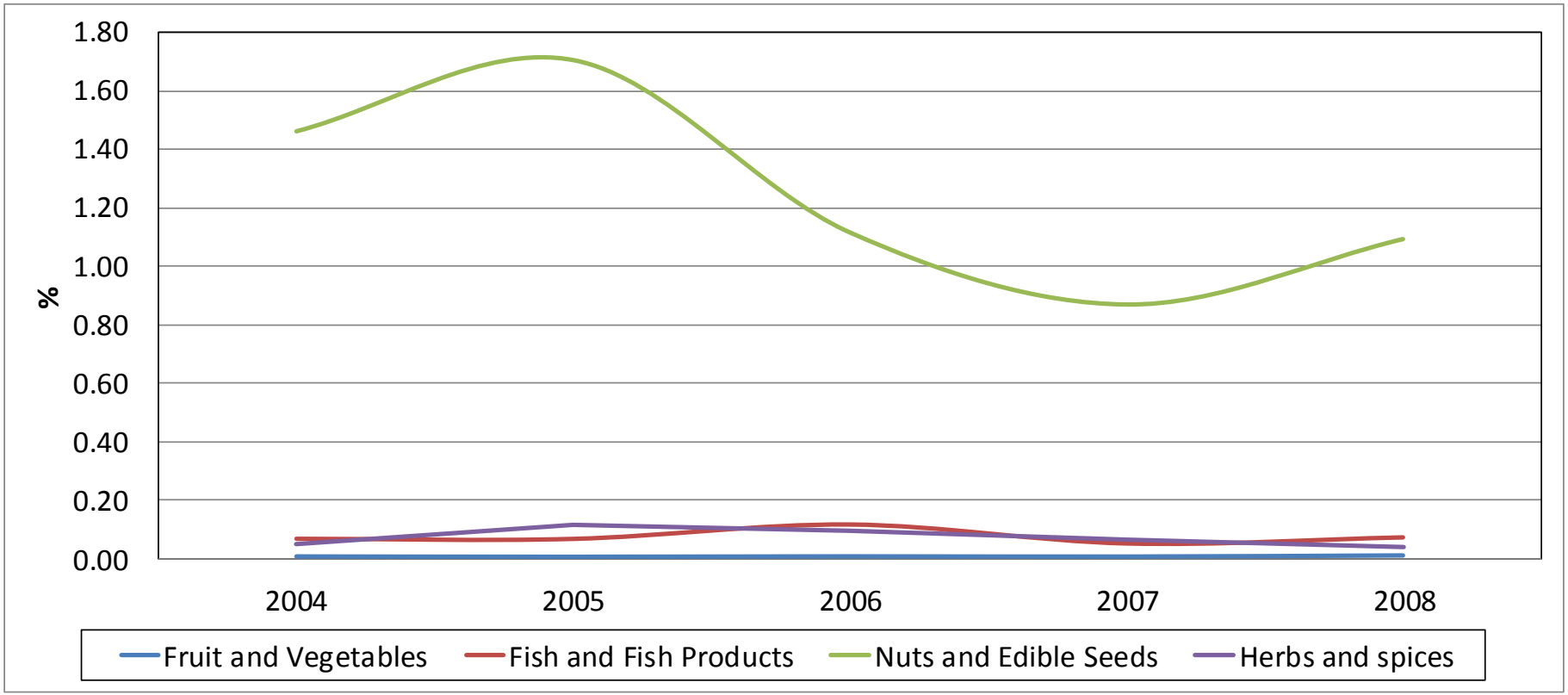
C. US rejections of USD 71 million/year, dominated by fish and fishery products valued at USD 41 million/year

D. Export losses can be significant at level of enterprises, sectors, pro-poor employment

Value of EU Rejections of Food and Feed Imports, 2002-2008



Value of EU Rejections of Food and Feed as a Percentage of Value of Imports, 2002-2008



Systemic tools for standards compliance capacity benchmarking are needed

Key Findings Chapter 3

A. Systemic approach to quantifying levels of trade compliance allows for comparisons between countries → identification of priority investment areas

B. Government policy choices can be facilitated through comparative approaches

C. Resource constraints and lack of knowledge on compliance with EU requirements among developing countries (see also FVO Report analysis)

Standards Compliance Capacity Index - Overview

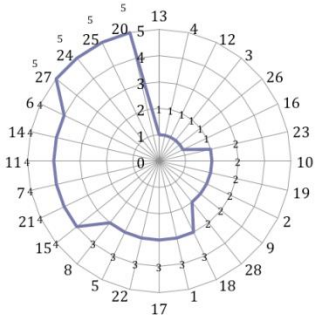
Country coverage:

28 countries
ECOWAS and ASEAN
plus reference countries

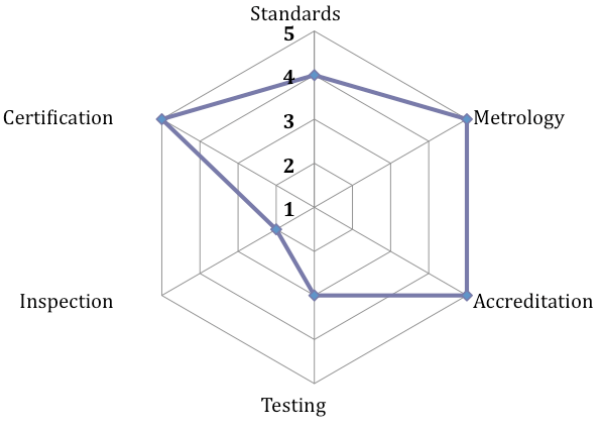
Variables in 6 domains:

Standards
Metrology
Accreditation
Testing
Inspection
Certification

Array of compliance capacity, standard-setting



Array of compliance capacity in country 15



Next edition:

- **Expansion of country coverage**
- **Expansion of variables**
  - **along the value chain**
  - **creation of a Trade Performance Index**

Overcoming standards compliance challenges needs innovative technical assistance

Key Findings Chapter 4

A. Value chain approach to structure the compliance challenges faced by developing countries

B. Value chain approach to support the effectiveness of technical assistance strategies

C. Trade standards, and compliance with them, supports value chain governance

Development partners call for better accountability and effectiveness of technical assistance

Key Findings Chapter 5

A. Need for economic analysis support to trade capacity-building

B. Development of guiding principles for donors, beneficiary governments and private sector stakeholders

C. Development of Cost/Benefit model (RoI)

Trade standards compliance challenges faced by developing countries will continue to change over time

Key Findings Chapter 6

A. Early-warning system needed – evolution of market requirements, trade standards

B. Upcoming trade-relevant standards compliance issues along new frontiers including sustainability, climate change, water conservation, etc.

C. Need to support early policy dialogue on developing countries‘ development efforts/choices

Way Forward

- Publication of TSC-R 2 envisaged for Q3 2012
- Update data series to 2010
- Expansion of detention analysis (markets and product analysis)
- Extend analysis to other industrialised country importers:
  - Australia, Japan
- Inclusion of a buyer survey on trade-related challenges
- Expansion of the cost-benefit model
- Web-based benchmarking tools

IDS remains key partner

NORAD/UNIDO co-funding: € 250,000