Cooperation on Trade Standards Compliance Analyses

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Overview

1. The global TSC Reports and their contents
   i. Lens 1: Import rejection analysis
   ii. Lens 2: Corporate Buyer Compliance Confidence Survey
   iii. Lens 3: Trade Standards Compliance Capacity Indices (TSCCI)

2. Trade Standards Compliance Footprints (TSCFs)

3. Regionalizing the TSC Reports
   i. Regional TSC Report for East Asia
   ii. Regional TSC Report for Latin America and the Caribbean

4. Way Forward
Trade Standards Compliance Analysis and Reports

Rationale:
• Policy guidance for all development partners
• Benchmarking of compliance capacity
• Increasing aid efficiency, better (‘smarter’) technical assistance

Import rejection analysis: EU, USA, Japan, Australia

Export losses estimation: for all 4 markets

Quality Infrastructure (QI) survey

Corporate Buyers’ Compliance Confidence survey

Emerging Issues:
TSCR 2010: FAO, ILO, IPPC, ISO, UNEP, WTO
TSCR 2014: major retailers (AEON, Mondelez, GFSI), certification organizations (Fairtrade, MSC), NGOs (WWF, Oxfam), etc.

Regional TSCRs for Asia (with IDE-JETRO) and Latin America and the Caribbean (with Inter-American Development Bank, IDB)

TSC Footprints for Middle Income Countries

Web tool/database (with IDB)
Three Lenses on Trade Standards Compliance Capacity

Towards a Trade Standards Compliance Observatory – (Work in Progress)

- **Buyer Compliance Confidence Radar**: 250 Global Buyers
- **Import Rejection Analysis**: Major markets: EU, US, Japan, Australia
- **Quality Infrastructure Performance Survey**: 49 Countries
- **Trade Standards Compliance Benchmarking**

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Lens 1: Import Rejection Data as a Measure of Compliance Performance

- Concern that developing countries struggle in complying with food safety and quality requirements in industrialised country markets
- Non-compliance can result in rejection of products/shipments by public authorities in the importing country
- Such import rejection data, thus, present one indicator of compliance challenges faced by agri-food exporters to international markets
- Import rejections give indications on 1) the scale and root causes of compliance challenges of developing countries, and 2) their capacity to comply with technical regulations in certain markets or sectors
- UNIDO analyses rejection data from 4 export markets:
  - European Union, United States, Japan, Australia
- Different monitoring systems (by different public authorities) are not easily comparable and compatible across markets – requires harmonization of datasets
- Various factors can influence level of rejections:
  - Not only compliance capacity (which is of particular interest here) but also
  - Level of exports and Frequency of inspection by importing country authority
  - Composition of the exports (high risk products are more affected by inspections)
## Import Rejection Data – Summary Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of rejections</td>
<td>Simple sum of number of rejections</td>
</tr>
<tr>
<td>Unit rejection rate</td>
<td>Number of rejections per US$1 million of imports</td>
</tr>
<tr>
<td>Relative rejection rate</td>
<td>Ratio of a country’s share in total rejections to its share of imports</td>
</tr>
</tbody>
</table>
Key Findings of Import Rejection Analysis (1)

- **Patterns and trends in agrifood rejections** of developing country exports reveal which countries, products and value chains are most affected by compliance challenges – and for what reasons.

- Bulk of rejections affects a relatively small number of countries – among them many MICs.

- Some countries have high rejection rates in all markets for all or most of the commodities they export, suggesting **systemic deficiencies** and the need to strengthen their overall quality infrastructure (QI). Examples include Bangladesh, China, the Dominican Republic, Egypt, Ghana, India, Lebanon, Nigeria, Pakistan and Sri Lanka.

- Other countries face substantial import rejections in particular markets or commodities, suggesting **export market-specific** or **commodity-specific** (rather than systemic) **compliance challenges** – indicating the need for a critical examination of specific value chains and/or the introduction of specific food safety controls.

- Countries with substantial import rejections in particular markets, indicating challenges to comply with technical regulations in **specific export markets**, include El Salvador and Senegal in the US market, Thailand and Turkey in the EU, the Fijis in the Australian market, and Peru in the Japanese market.

- Examples of **commodity-specific compliance challenges** include fishery exports from Indonesia and the Philippines, fruit and vegetable exports from Hong Kong (China), nuts and seed exports from Iran (particularly to the EU), and fruit and vegetable as well as fishery exports from Viet Nam.
Import rejections imply **foregone revenues** for the supplier of the shipment. The “**export losses**” associated with rejections of agri-food imports across 4 sub-sectors analyzed by UNIDO (i.e. fisheries, fruits and vegetables, herbs and spices, nuts and edible seeds) are estimated to amount to an **annual average** (between 2006 and 2010) of:

- US$80 million in the US market,
- US$77 million in the EU,
- US$14 million in Japan, and
- US$7 million in Australia.

“Export losses” are relatively small, as a proportion of the total value of trade. However, it is important to recognize that they only represent the “**tip of the iceberg**” in terms of the economic costs associated with the compliance problems of developing countries.

Import rejections not only have an immediate impact (interrupted trade flows, foregone export revenues) but might also harm the country’s reputation as exporter. These **reputational costs** of non-compliance can be far more significant and even curtail exports altogether, either because market access is restricted (e.g. by import bans) or because exporters are perturbed by the risk of facing rejections.

**Total Import Border Rejections 2006 to 2010 (4 markets):**

Approx. US$ 890 million
Composition of ALL US import rejections and estimate of average annual value of rejections ("export losses")

On average, every year the US rejects agri-food import products worth over US$ 81.3 million.
Exporting country perspective: Import rejections of Chinese Agri-Food Products, 2002-2010
Reasons: Why are Agri-Food Products from China Rejected?

The chart illustrates the reasons why Agri-Food products from China are rejected, categorized by various factors such as Additive, Adulteration/missing document, Bacterial contamination, Heavy metal, Hygienic condition/controls, Labeling, Mycotoxins, Other contaminants, Packaging, Pesticide residues, Veterinary drugs residues, Others microbiological contaminants, and Others. The chart highlights the percentage of rejection for each category across different regions (US, EU, Japan, and Australia).
Relative Rejection Rate: For EU Fish and Fishery Product Imports, 2002-2010

-6.000 -5.000 -4.000 -3.000 -2.000 -1.000 0.000 1.000 2.000 3.000 4.000

Ln Share of Rejections

-6.000 -5.000 -4.000 -3.000 -2.000 -1.000 0.000 1.000 2.000 3.000 4.000

Ln Share of Imports

Bad performers

Good performers

Small exporters

Large exporters

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Country-Level Estimates of “Export Losses”: Average Annual Value of Vietnamese Fish and Fishery Product Rejections

Average annual loss across four markets: about US$13 million

Trade Standards Compliance Footprints (TSCFs)

Purpose & objectives of TSCFs:

- Country fact sheets for 48 Middle Income Countries (MIC)
- Based on import rejection data
- Provide a snapshot on selected countries’ challenges to comply with export market requirements in agri-food trade
- Allow for benchmarking of compliance capacity
- Target policy makers
- Simple decision-making support tool to guide and inform their priorities-setting for trade capacity-building

http://unido.org/tscfootprints/
12-14 June 2013,
San José, Costa Rica
Lens 2: Corporate Buyer Compliance Confidence Survey

- Aim is to get from buying/importing companies their **perceptions on and assessment of compliance capacity and performance** of exporting developing countries.
- Provides another indicator of compliance problems faced by developing countries in export markets for key agri-food exports.
- Complements analysis of rejection data by covering:
  - Official requirements not enforced through border inspections
  - Private standards
  - Where trade does not take place
- **Positions food safety compliance in context of other factors** influencing export performance.
- Survey undertaken among corporate buyers in export markets such as the European Union, United States, Japan, Australia and Canada for:
  - Fish and fishery products (n=159)
  - Fresh fruit and vegetables (n=196)
- Buyers asked for their assessment of compliance capacity of selected pilot countries:
  - ECOWAS + Mauritania
  - South Africa
Importance of Factors in Choice of Where to Source Fresh Fruit and Vegetables

Scale:
1 = not important
7 = very important
Lens 3: Trade Standards Compliance Capacity Indices (TSCCI)

- Get **country self-assessment about capacity/performance of its Quality Infrastructure (QI) and related services**
- Provide **measure of relative capacity in 10 key QI areas / compliance functions**:
  - Quality policy/legislative environment
  - Standardisation
  - Technical regulations
  - Metrology
  - Accreditation
  - Inspection
  - Testing
  - Certification
  - Food safety
  - WTO-related institutions respective to technical regulations/standards
- For each capacity function, an index is developed
- Each index consists of indicators of the underlying ‘assets’
- Data collected through QI survey with responses from 49 countries in Africa and Asia
Array of Compliance Capacity in Vietnam, Philippines & Singapore
Regionalizing the TSC Report: 2014 ++

IDS

African Union Commission

UNIDO

Norad

UNIDO

IDE-JETRO

UNIDO

Poverty Reduction through Productive Activities • Trade Capacity Building • Energy and Environment
First Regional TSC Report for East Asia
published jointly with IDE-JETRO

• Complement global TSC Reports
• Detailed analyses of rejections of agri-food exports of East Asian countries
• **In-depth case studies** on trade standards compliance challenges along selected **priority agri-food value chains in China and Vietnam**
• Tailored policy recommendations and decision-making support
Conclusions

- Import rejections represent only the ‘tip of the iceberg’
- ‘Export losses’ while often relatively small, indicate reputational risk
- 3 lenses are important: Rejection analysis, buyer perception surveys and QI performance assessment: “TSC Observatory”
- Global TSC Observatory work can be complemented with more in-depth regional and national analyses
- In-depth value chain studies can indicate how to improve compliance performance → importance of regional reports
  - IDE-JETRO: East Asia
  - IDB: LAC
Way Forward

- Complete **2014 global TSC Report**
- **Formalize** collaboration with **data-providing agencies** (EU DG SANCO, US FDA, Australian DAFF, Japanese MHLW)
- Anchor TSCR as **regular UNIDO publication**
- Continue **collaboration with IDE-JETRO** on next edition of TSCR for East Asia
- **Collaboration with IDB of a TSC Report for LAC**
  - Identify experts; formalize institutional partnerships for surveys
  - Start rejection analysis and implementation of surveys
- **Improvement web tool on import refusals (IntradeBID)** and availability of the tool/mirroring on UNIDO’s website
  - Support finalization of programming work at the IADB’s end
  - Complete programming work at UNIDO’s end
Regionalizing the TSC Analyses and Reports (2)

Regional TSC Report for Latin America and the Caribbean to be published jointly with the IDB

Draft Table of Contents:

1. **Import rejection analysis** (for key international export markets such as the EU, the US, Japan, and Australia and – if data becomes available – also for regional markets like Brazil or Chile)

2. **Rejection analysis case stories** presenting highlights of and based on an in-depth analysis of rejection data (e.g. on a specific country or compliance issue)

3. **Quality Infrastructure capacity** and Trade Standards Compliance Capacity Indices (TSCCI) based on a QI survey among QI institutions in the region

4. **Corporate Buyers’ Compliance Confidence** assessment through a “buyer survey”

5. **In-depth case studies** of compliance issues along selected agrifood value chains in LAC
Online import rejection database
Jointly with the Inter-American Development Bank (IDB)
Sanitary and Phytosanitary Measures (SPS)

Rejected Exports
## Result/Rejected Exports

<table>
<thead>
<tr>
<th>Origin</th>
<th>Company</th>
<th>Product</th>
<th>Code</th>
<th>Subject</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Netuno Alimentos S/A</td>
<td>FROZEN LOBSTER TAILS SIZE 5 OZ</td>
<td>SALMONELLA</td>
<td>Bacteria</td>
<td>The article appears to contain Salmonella, a poisonous substance which may render it injurious to health.</td>
</tr>
<tr>
<td>Brazil</td>
<td>Netuno Alimentos S/A</td>
<td>FROZEN LOBSTER TAILS SIZE 5 OZ</td>
<td>SALMONELLA</td>
<td>Bacteria</td>
<td>The article appears to contain Salmonella, a poisonous substance which may render it injurious to health.</td>
</tr>
<tr>
<td>United States</td>
<td>Pesca - Industria de Frutos Pesca S.A.</td>
<td>FROZEN ROCK LOBSTER TAILS SIZE 9</td>
<td>SALMONELLA</td>
<td>Bacteria</td>
<td>The article appears to contain Salmonella, a poisonous substance which may render it injurious to health.</td>
</tr>
<tr>
<td>United States</td>
<td>Toffano Productos Alimenticios LTDA</td>
<td>CHEWY CANDIES 4G, FORTOURT</td>
<td>COLOR LILYL, COLOR LHSG, UNSAFE COL</td>
<td>Labeling, Additives</td>
<td>The article appears to contain an artificial coloring and it fails to bear labeling stating that fact. The article appears to contain an artificial coloring and it fails to bear labeling stating that fact. The article appears to be, or to bear or contain a color additive which is unsafe within the meaning of Section 721(a).</td>
</tr>
<tr>
<td>United States</td>
<td>CAPEL - Icapui Pesca Ltda</td>
<td>FROZEN ROCK LOBSTER TAILS OTHER</td>
<td>FILTHY</td>
<td>Hygienic Condition/controls</td>
<td>The article appears to consist of a filthy, putrid, or decomposed substance or be otherwise unfit for food.</td>
</tr>
</tbody>
</table>

### Indicators

This indicator gives the number of shipments from Latin America and the Caribbean that were rejected by the U.S. FDA by product category. (See Advanced Selection to modify these parameters.)

### Rejections by Product

**Mexico**

Use the horizontal and vertical scroll bars to display all the table data.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Meat and meat products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herbs and spices</td>
<td>13</td>
<td>38</td>
<td>25</td>
<td>16</td>
<td>37</td>
<td>432</td>
<td>34</td>
<td>30</td>
</tr>
<tr>
<td>Vegetables and vegetable products</td>
<td>439</td>
<td>679</td>
<td>844</td>
<td>499</td>
<td>489</td>
<td>220</td>
<td>260</td>
<td>397</td>
</tr>
<tr>
<td>Sauces, condiments, and seasonings</td>
<td>31</td>
<td>138</td>
<td>40</td>
<td>29</td>
<td>67</td>
<td>41</td>
<td>79</td>
<td>56</td>
</tr>
<tr>
<td>Other processed foods</td>
<td>177</td>
<td>44</td>
<td>30</td>
<td>30</td>
<td>38</td>
<td>11</td>
<td>41</td>
<td>44</td>
</tr>
<tr>
<td>Feed materials</td>
<td>5</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>17</td>
<td>19</td>
</tr>
</tbody>
</table>

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Thank you for your attention!

**INTradeBID:**
http://www.iadb.org/int

Further reading...


[www.unido.org/tradestandardscompliance](http://www.unido.org/tradestandardscompliance)