

# INPUTS AND MATERIALS



Mapping Workshop & Trade Capacity Building  
ASEAN-China Free Trade Agreement:  
Overcoming Barriers to Successful Exporting  
Beijing, 20-21 March 2014

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On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)

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## List of Abbreviations

|       |  |
|-------|--|
| ACFTA | ASEAN-China Free Trade Agreement   |
| ADB   | Asian Development Bank   |
| AHTN  | ASEAN Harmonised Tariff Nomenclature   |
| ANSI  | American National Standards Institute  |
| AQSIQ | General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China |
| CCC   | China Compulsory Certification   |
| CCEE  | China Commission for Conformity Certification of Electrical Equipment                                      |
| CCIB  | China Commodity Inspection Bureau  |
| CCIC  | China Commodity Inspection Corporation   |
| CIQ   | China Inspection and Quarantine  |
| CLMV  | Cambodia-Laos-Myanmar-Viet Nam   |
| CNCA  | Certification and Accreditation Administration of People's Republic of China                               |
| EABC  | East Asia Business Council   |
| EABEX | East Asia Business Exchange  |
| EU    | European Union   |
| FTA   | Free Trade Agreement   |
| GDP   | Gross Domestic Product   |
| GIZ   | Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH   |
| LNCCI | Lao National Chamber of Commerce and Industry  |
| MAF   | Ministry of Agriculture and Forestry, Lao PDR  |
| MAFF  | Ministry of Agriculture, Forestry and Fisheries, Cambodia  |
| MARD  | Ministry of Agriculture and Rural Development  |
| MOC   | Ministry of Commerce, Cambodia   |
| MOF   | Ministry Of Finance, Lao PDR   |
| MOIC  | Ministry of Industry and Commerce, Lao PDR   |
| MOIT  | Ministry of Industry and Trade, Viet Nam   |
| PBG   | Pan Beibu Gulf   |
| RCEP  | Regional Comprehensive Economic Partnership  |
| RCI   | Regional Economic Cooperation and Integration  |
| RMB   | Renminbi   |
| ROO   | Rules of Origin  |
| SAC   | Standardization Administration of the People's Republic of China   |
| SEW   | Single Electronic Window   |
| SIST  | Shenzhen Institute of Standards and Technology   |
| SPS   | Sanitary and Phytosanitary Measures  |
| USD   | United States Dollar   |
| VCCI  | Vietnam Chamber of Commerce and Industry   |

## Workshop Agenda

### Day I

|   |   |
|---|---|
| Landmark Hotel, Lotus Room 1, Beijing   |   |
| <b>Thursday, 20 March 2014</b>  |   |
| <b>Opening Session</b>  |   |
| <b>08:30 – 09:00</b>  | <b>Registration</b>   |
| <b>09:00 – 09:15</b>  | <b>Welcome Remarks</b><br>Dr. Jürgen Steiger, Deputy Director, GIZ China  |
| <b>09:15 – 09:30</b>  | <b>Introduction to the Workshop and Objectives</b><br>Stefan Hein, Consultant, GIZ China  |
| <b>Session 1 – Keynote Input on ACFTA</b>   |   |
| <i><b>Learning objective:</b> Substantive Overview of the ACFTA and its trends and prospects, as well as major achievements and challenges. Increased knowledge on trade with agricultural products. Examination and mapping of the export sector's status quo in CLMV countries.</i>                     |   |
| <i><b>Method:</b> Keynote Inputs and Presentation</i>   |   |
| <b>09:30 – 10:30</b>  | <b>Reporting Session: ACFTA – Overcoming Barriers to Successful Exporting</b> (incl. 20min Q&A)<br>Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore |
| <b>10:30 – 11:00</b>  | <b>Group Picture and Coffee/ Tea Break</b>  |
| <b>Session 2 – Country Perspectives: Case Study Analysis</b>  |   |
| <i><b>Learning objective:</b> Increased awareness and assessment of the impact of ACFTA commitments on the agricultural sector of CLMV countries. Identification of barriers and potentials for exporting to China. Strengthened ability to derive necessary preparatory steps to adapt to the ACFTA.</i> |   |
| <i><b>Method:</b> Case studies/views from exporters of agricultural products presented by the delegates of each participating country. Followed by joint mapping of the whole exporting process, expert inputs, recommendations and open discussion.</i>  |   |
| <b>11:00 – 11:30</b>  | <b>Preparatory Session</b><br>Group work to prepare the country reports   |
| <b>11:30 – 11:45</b>  | <b>Country Perspective Cambodia</b>   |
| <b>11:45 – 12:00</b>  | <b>Country Perspective Lao PDR</b>  |
| <b>12:00 – 13:00</b>  | <b>Joint Lunch</b>  |
| <b>13:00 – 13:15</b>  | <b>Country Perspective Viet Nam</b>   |
| <b>13:15 – 15:00</b>  | <b>Feedback Session of Case Studies and Mapping</b><br>Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore   |
| <b>15:00 – 15:30</b>  | <b>Coffee/ Tea Break</b>  |
| <b>15:30 – 16:30</b>  | <b>Wrap-up Discussion</b><br>Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore   |
| <b>18:00</b>  | <b>Traditional Beijing Duck Dinner</b><br>Xiang Man Lou Restaurant, Xinyuanxili East Street   |

## Day II

| <b>Friday, 21 March 2014</b>   |  |
|--|--|
| <b>Session 3 – Policy Recommendations, Knowledge Exchange and Best Practices</b>   |  |
| <i><b>Learning objective:</b> Enhanced knowledge of lessons learned and best practices from current and past efforts to overcome barriers to trade, and on innovative approaches to benefit from the ACFTA. Development of concrete policy recommendations that can carry forward into future inter-governmental processes and foster RCI in Asia.</i> |  |
| <i><b>Method:</b> Break-out groups and learning from peers. Followed by an open discussion.</i>  |  |
| <b>09:00 – 09:15</b>   | <b>Reflection on Day 1</b><br>Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore   |
| <b>09:15 – 10:15</b>   | <b>Policy Recommendations and Best Practices</b><br>2 working groups: Private Sector Group and Public Sector Group<br>30min brain storming and preparation, 30min presentations and mapping<br>facilitated by Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore                 |
| <b>10:15 – 11:00</b>   | <b>Best Practices From the Region: Technical Barriers to Trade Research Center SIST Shenzhen</b><br>Mr. Zhan Wei, Technical Barriers to Trade Research Center, SIST Shenzhen<br><i>Rice Market Access &amp; Compliance: The essential due process into China</i><br>followed by 15min Q&A              |
| <b>11:00 – 11:15</b>   | <b>Coffee/ Tea Break</b>   |
| <b>11:15 – 12:00</b>   | <b>Best Practices From the Region: Technical Barriers to Trade Research Center SIST Shenzhen</b><br>Mr. Zhan Wei, Technical Barriers to Trade Research Center, SIST Shenzhen<br><i>China standardization architecture and system operation from an enterprise perspective</i><br>followed by 15min Q&A |
| <b>12:00 – 12:30</b>   | <b>Concluding Remarks and Evaluation</b><br>Stefan Hein, Consultant, GIZ China<br>Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore   |
| <b>12:30 – 13:15</b>   | <b>Joint Lunch</b>   |
| <b>13:15 – 16:00</b>   | <b>Sight Seeing: Forbidden City</b>  |

## I. Introduction



From 20 to 21 March 2014, the GIZ programme “Regional Economic Cooperation and Integration (RCI) in Asia” convened a Mapping Workshop & Trade Capacity Building entitled “ASEAN-China Free Trade Agreement: Overcoming Barriers to Successful Exporting” in Beijing, China. The following pages summarise the purpose, themes and results of this event. Detailed information including the content of lectures and discussions can be retrieved from the respective summaries.

### **Background**

The ASEAN – China Free Trade Agreement (ACFTA) is a free trade agreement among the ten economies of the Association of Southeast Asian Nations (ASEAN) - Indonesia, Malaysia, the Philippines, Singapore, Brunei, Thailand Myanmar, Cambodia, Laos, and Vietnam - and the People's Republic of China. The initial Framework Agreement was signed on 4 November 2002 in Phnom Penh, Cambodia, with the intent of establishing a free trade area among the eleven nations by 2010. The free trade agreement came into effect on 1 January 2010 and marked a significant milestone in their efforts to pursue greater economic integration in the region. ACFTA became the largest free trade area in the world in terms of population and third largest in terms of nominal GDP, trailing the European Economic Area and North American Free Trade Area.

Under the free trade agreement, tariffs will be reduced to zero on 7,881 product categories. This reduction already took effect in China and the six founding members of ASEAN: Brunei, Indone-

sia, Malaysia, the Philippines, Singapore and Thailand. The remaining CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam) countries will follow suit in 2015.

By 2013, the average tariff rate on Chinese goods sold in ASEAN countries decreased from 12.8 percent to 0.6 percent starting 1 January 2010. At the same time, the average tariff rate on ASEAN goods sold in China decreased from 9.8 percent to 0.1 percent. With regard to bilateral trade, the two partners are on track to meet the goal of lifting total trade to 500 billion US dollars by 2015. According to China's Ministry of Commerce, bilateral trade value reached 400.1 billion US dollars in 2012, 7.3 times the amount of 2002. As a result China has become ASEAN's largest trading partner and ASEAN has emerged as China's third biggest trading partner.

Although there is wide consensus among politicians and economists that ACFTA can help to overcome the limitations of domestic markets and thus foster economic development, managing the costs and benefits of ACFTA is one of the unique challenges the region is facing. This particularly applies to Cambodia, Lao PDR, Myanmar and Viet Nam which are all characterised by an agricultural sector of considerable size, and therefore, the export of agricultural products plays a crucial role for their development. Gaining market access to China and overcoming barriers to successful exporting of agricultural goods is a key priority for CLMV countries in the context of ACFTA.

Against this backdrop, the GIZ programme "Regional Economic Cooperation and Integration (RCI) in Asia" designed an interactive small-scale workshop in order to map the status quo of ACFTA implementation in the CLMV countries, develop concrete policy recommendations on how to overcome barriers to trade, as well as present regional best practices on the efficient management of important aspects such as standards and technical barriers to trade.

## DAY I



## II. Welcoming Remarks

Jürgen Steiger, Programme Director RCI Asia, GIZ China



Dear Partners and Experts,  
Ladies and Gentlemen,

A very warm welcome to all of you to our Mapping Workshop & Trade Capacity Building on “ASEAN-China Free Trade Agreement – Overcoming Barriers to Successful Exporting”. I am very happy to welcome participants from Cambodia, Lao PDR, Viet Nam and China. I appreciate that in this Mapping Workshop we have a rather small group of participants which allows us to enter into focused discussions on ACFTA and its implications for trade and regional economic cooperation in Asia.

Since not everybody has worked with GIZ’s “Regional Economic Cooperation and Integration” Programme before and not everybody in this room might be fully familiar with its objectives, allow me to comment briefly on the following points, before we give the floor to you:

*First, what is the “Regional Economic Cooperation and Integration” – or as we call it – RCI Programme’s mandate?*

*Second, what do we want to achieve with this workshop?*

The RCI Programme has been commissioned by the German Federal Ministry for Economic Cooperation and Development to support regional stakeholders with the aim to strengthen processes of regional economic cooperation and integration. Our programme addresses functional aspects of regional cooperation and integration by providing capacity building, organising trainings and conducting sector studies in the areas of trade facilitation, port cooperation and cross-border economic cooperation.

Clearly, this workshop on ACFTA falls in the category of trade facilitation, but it touches upon all of our programme's focal areas. Since ACFTA is widely considered as a crucial component of Asian regional economic integration, we would like to contribute to a better understanding of its opportunities and challenges.

The implementation of ACFTA in January 2010 marked a major milestone in ASEAN-China economic relations. Member states of ACFTA encompass a population of over 1.9 billion people, thereby generating a GDP of more than 6 trillion USD and a trade volume of approximately 4.5 trillion USD. Although the political and economic benefits of increased integration may outweigh the risks, managing the costs and benefits of ACFTA is one of the major challenges the region is facing. This particularly applies to Cambodia, Lao PDR, and Viet Nam which are all characterised by an agricultural sector of considerable size, and therefore, export of agricultural products plays a crucial role for their development. Especially market access to China – ASEAN's largest trading partner – and overcoming barriers to successful exporting of agricultural goods is of utmost importance for CLMV countries to fully gain from the potential returns from ACFTA.

Against this backdrop, we designed an interactive small-scale workshop in order to map the status quo of ACFTA implementation in CLMV countries, develop concrete policy recommendations on how to overcome barriers to trade, as well as present regional best practice on the efficient management of important aspects such as standards and technical barriers to trade.

This way, we aim to support the creation of a common vision from the government, trade associations and domestic producers on how to benefit from the agreement by increasing productivity and competitiveness, upgrading technology, promoting training for firms on how to penetrate the Chinese market.

Ladies and Gentlemen, as you can see ACFTA is manifold and challenging, but most importantly it will be driven by you, and so is our workshop. We strongly believe that a better understanding of ACFTA and its significant export potentials for CLMV countries are key for bolstering economic growth through expanded trade and for ensuring that smaller countries can access benefit from advanced regional economic integration in Asia.

Let's create a common vision, address its key issues and jointly discuss approaches on how to overcome barriers to trade in order to optimise the gains ACFTA promises.

Ladies and Gentlemen,

Let me close now by highlighting my wish for the coming two days to bring new insights to all of us and to stimulate the joint reflection of public and private sector representatives on ACFTA. The floor is all yours. Thank you very much!

### III. Workshop Summary



#### 3.1 Introduction to the Workshop and Objectives

Stefan Hein, Programme Manager, GIZ China



Following the welcome remarks, Stefan Hein, GIZ Programme Manager, briefly presented the concept and main objectives of the Mapping Workshop. He explained that the workshop format had been designed to generate knowledge on opportunities and challenges of the ASEAN-China Free Trade Agreement for the CLMV countries, to examine and map barriers in exporting agricultural products from the CLMV countries to China and to jointly identify means to overcome these barriers to successfully export agricultural goods. The workshop aimed to enable participants to assess the impact of ACFTA on the CLMV countries' agricultural sector and to strengthen their ability to take on the necessary preparatory steps to adapt to the ACFTA scheme prior to its full implementation by 2018. As participants were encouraged to provide country-specific case studies, Mr. Hein emphasised the importance of mutual learning and best practices for this workshop and explained that the outcomes of the Mapping Workshop will feed into an assessment of trade capacity development needs in the Pan-Beibu Gulf region (PBG) and the development of further in-depth training measures.

#### Workshop Concept and Next Steps



### 3.2 Reporting Session: ACFTA – Overcoming Barriers to Successful Exporting

Edmund W. Sim, Partner at Appleton Luff International Lawyers, Singapore



In the first workshop session, participants received a substantive overview of the ACFTA and its trends and prospects, as well as major achievements and challenges. By increasing participants' knowledge on trade with agricultural products, the first session laid the foundation for a close examination and mapping of the export sector's status quo in the CLMV countries.

Edmund W. Sim, Partner at Appleton Luff International Lawyers, briefly explained the structure and modalities of the ACFTA. He stressed that the ACFTA's framework agreement was signed in Phnom Penh in 2002 and that ACFTA took effect on 1 January 2010. It consists of 10 bilateral FTAs and covers trade in goods, services and investment. The agreement differentiates between goods that are traded within normal track (most products), sensitive track and highly sensitive track. Agricultural goods, which possess huge export potential for the CLMV countries as production costs in China are on the rise, are subject to the sensitive and highly sensitive track and therefore facing barriers to trade.

#### Infobox: ACFTA

##### Tariffs:

- China and ASEAN-6 apply 0% rate for normal track
- CLMV to apply 0% rate for normal track from January 1, 2015
- China to have sensitive track tariff reduction to 0-5% by January 1, 2018
- China to have highly sensitive track tariff reduction to 0-50% by January 1, 2015

##### Sensitive List (selected goods)

- Coffee
- Pepper
- Durum Wheat
- Pineapples and Pineapple Juice

##### Highly Sensitive List (selected goods)

- Maize
- Rice
- Flour
- Soya oil
- Palm oil
- Rapeseed and mustard oil
- Sugar
- Cigarettes, cigars, tobacco

##### Other barriers to trade

- Classification
- Rule of origin
- Certification of origin
- Inspection
- Sanitary and phytosanitary measures
- Standards
- Marking and labelling

However, Mr. Sim emphasised that beside tariff-barriers to trade, non-tariff barriers to trade are equally important obstacles to free trade between China and ASEAN. He stated that sometimes verifying a document takes longer than verifying the traded goods. Particularly the acceptance of the certificate of origin by the Chinese authorities appears to be a huge challenge for all CLMV countries. Whereas global players and big companies can handle this issue with the Chinese customs, small and medium-sized companies from CLMV do not have the capacities and market power to do so.

After this overview, Mr. Sim and the workshop participants analysed the export potential of agricultural goods from CLMV countries to China. Since Thailand offers similar agricultural products than CLMV countries and already has entered into an FTA with China in 2003/2004, it served as an example and basis for the analysis.

If one looks at China's agricultural imports from all sources, it becomes clear that the Chinese market offers great opportunities for the CLMV countries. In the period from 2009 to 2013, imports of all major agricultural products experienced constant high growth. This particularly applied to dairy products and cereals imports which quadrupled since 2009.

| Products  | Value in 2009 | Value in 2010 | Value in 2011 | Value in 2012 | Value in 2013 | Growth 2009-2013 (in percent) |
|---|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| Oil seed, oleagic fruits, grain, seed, fruit, etc       | 21005837      | 27061892      | 32020530      | 38582565      | 42611823      | 103%                          |
| Animal,vegetable fats and oils, cleavage products, etc  | 7737211       | 8884173       | 11540146      | 13040937      | 10829296      | 40%                           |
| Fish, crustaceans, molluscs, aquatic invertebrates, etc | 3604804       | 4365460       | 5587562       | 5488977       | 5993138       | 66%                           |
| Meat and edible meat offal                              | 1701444       | 2224995       | 3411422       | 4107752       | 5926932       | 248%                          |
| Dairy products, eggs, honey, edible animal product, etc | 1046346       | 2000015       | 2657866       | 3251392       | 5244528       | 401%                          |
| Cereals (incl. rice)                                    | 876144        | 1501286       | 2015943       | 4750662       | 5053761       | 477%                          |
| Edible fruit, nuts, peel of citrus fruit, melons        | 1719970       | 2139435       | 3035471       | 3807879       | 4092438       | 138%                          |
| Residues, wastes of food industry, animal fodder        | 1837903       | 3234535       | 3102286       | 3047901       | 3654317       | 99%                           |
| Beverages, spirits and vinegar                          | 1114742       | 1645629       | 2556626       | 3102473       | 3058446       | 174%                          |
| Cereal, flour, starch, milk preparations and products   | 1011012       | 1221777       | 1625763       | 1945785       | 2584507       | 156%                          |

Table 1: China's agricultural imports from all sources (Source: Trademap)

China's huge demand for agricultural products can also be seen from table 2, which shows Thailand's exports to China from 2009 to 2013. Edible vegetables and fruits generated the highest value, whereas the export volume of miscellaneous edible preparations increased eightfold since 2009. In summary, it can be said that all agricultural products that are exported from Thailand to China showed high growth rates since 2009 and, thus, are definitely an interesting example and possible indicator for the CLMV countries.

| Products   | Value in 2009 | Value in 2010 | Value in 2011 | Value in 2012 | Value in 2013 | Growth 2009-2013 (in percent) |
|--|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| Edible vegetables and certain roots and tubers           | 581832        | 966461        | 957773        | 1248244       | 1446961       | 149%                          |
| Edible fruit, nuts, peel of citrus fruit, melons         | 493747        | 495912        | 749310        | 1058429       | 1294602       | 162%                          |
| Milling products, malt, starches, inulin, wheat gluten   | 177577        | 287712        | 316677        | 308924        | 570234        | 221%                          |
| Cereals  | 196896        | 228784        | 255662        | 161123        | 235870        | 20%                           |
| Fish, crustaceans, molluscs, aquatic invertebrates, etc. | 95678         | 128905        | 127691        | 152403        | 164541        | 72%                           |
| Miscellaneous edible preparations                        | 8993          | 16104         | 24187         | 37948         | 83260         | 826%                          |
| Sugars and sugar confectionery                           | 50200         | 11776         | 191449        | 584982        | 75623         | 51%                           |
| Residues, wastes of food industry, animal fodder         | 21171         | 100077        | 51430         | 51698         | 63302         | 199%                          |
| Vegetable, fruit, nut, etc food preparations             | 11147         | 17729         | 22251         | 30513         | 35669         | 220%                          |
| Animal, vegetable fats and oils, cleavage products, etc  | 8787          | 16672         | 13441         | 20030         | 35178         | 300%                          |

Table 2: China's imports from Thailand (Source: Trademap)

China's import of agricultural goods from Cambodia is characterised by a high proportion of cereals and edible vegetables (see table 3). Although starting from a very low level, the percentage increase is remarkable. While there was almost no export to China between the years 2009 and 2011, the export took off in 2012 and increased more than sixfold in the case of cereals and more than doubled in the case of edible vegetables. Fish, crustaceans, aquatic invertebrates and milling products increased tenfold since 2009, but dropped sharply from 2012 to 2013. Surprisingly edible fruits play almost no role for Cambodia's export to China. This can partly be explained by Thailand's strong market position.

| Products   | Value in 2009 | Value in 2010 | Value in 2011 | Value in 2012 | Value in 2013 | % Growth 2009-2013 |
|--|---------------|---------------|---------------|---------------|---------------|--------------------|
| Cereals  | 5             | 0             | 2             | 3006          | 19033         | 380560%            |
| Edible vegetables and certain roots and tubers           | 1             | 0             | 0             | 5343          | 12846         | 1284500%           |
| Fish, crustaceans, molluscs, aquatic invertebrates, etc. | 254           | 868           | 2564          | 3828          | 3343          | 1216%              |
| Milling products, malt, starches, inulin, wheat gluten   | 31            | 0             | 0             | 1964          | 349           | 1026%              |
| Oil seed, oleagic fruits, grain, seed, fruit, etc.       | 109           | 160           | 207           | 95            | 33            | -70%               |
| Vegetable, fruit, nut, etc food preparations             | 26            | 13            | 27            | 6             | 21            | -19%               |
| Edible fruit, nuts, peel of citrus fruit, melons         | 0             | 54            | 120           | 310           | 2             | 0%                 |
| Beverages, spirits and vinegar                           | 55            | 6             | 8             | 8             | 2             | -96%               |
| Miscellaneous edible preparations                        | 0             | 0             | 1             | 1             | 1             | 0%                 |

Table 3: China's imports from Cambodia (Source: Trademap)

For the Lao PDR, the export of cereals to China plays a crucial role and more than doubled since 2009. The second important category of agricultural goods is oil seed and oleagic fruits, which increased by 150 percent since 2009. However, it becomes obvious that Lao also has a huge export potential in the area of milling products and lac/gums, which since 2009 increased more than ninefold and fourfold respectively. Also, tea and coffee seem to meet the huge Chinese demand for high quality beverages.

| Products   | Value in 2009 | Value in 2010 | Value in 2011 | Value in 2012 | Value in 2013 | % Growth 2009-2013 |
|--|---------------|---------------|---------------|---------------|---------------|--------------------|
| Cereals  | 14932         | 12801         | 11928         | 21560         | 32868         | 120%               |
| Oil seed, oleagic fruits, grain, seed, fruit, etc.     | 5814          | 10450         | 9069          | 9956          | 14553         | 150%               |
| Milling products, malt, starches, inulin, wheat gluten | 407           | 498           | 113           | 2200          | 4426          | 987%               |
| Lac, gums, resins, vegetable saps and extracts, etc.   | 260           | 1153          | 1284          | 1790          | 1532          | 489%               |
| Beverages, spirits and vinegar                         | 224           | 107           | 529           | 599           | 622           | 178%               |
| Miscellaneous edible preparations                      | 0             | 41            | 0             | 0             | 591           | 0%                 |
| Coffee, tea, mate and spices                           | 110           | 307           | 279           | 337           | 473           | 330%               |
| Vegetable plaiting materials, vegetable products, etc. | 6             | 17            | 135           | 210           | 178           | 2867%              |
| Live trees, plants, bulbs, roots, cut flowers etc.     | 0             | 9             | 523           | 0             | 22            | 0%                 |
| Edible vegetables and certain roots and tubers         | 311           | 222           | 178           | 499           | 16            | -95%               |

Table 4: China's imports from Lao PDR (Source: Trademap)

Although no delegates from Myanmar could attend the workshop, it is worth looking at the case of this catching-up economy. While most exports to China, such as edible vegetables and cereals increased in the period from 2009 to 2013, they did not reach their peak level from 2010 anymore.

| Products   | Value in 2009 | Value in 2010 | Value in 2011 | Value in 2012 | Value in 2013 | % Growth 2009-2013 |
|--|---------------|---------------|---------------|---------------|---------------|--------------------|
| Oil seed, oleagic fruits, grain, seed, fruit, etc. nes | 54727         | 58581         | 37442         | 56962         | 65526         | 20%                |
| Fish, crustaceans, molluscs, aquatic invertebrates nes | 59514         | 65538         | 58279         | 59676         | 55047         | -8%                |
| Edible fruit, nuts, peel of citrus fruit, melons       | 28566         | 49713         | 32526         | 35888         | 21081         | -26%               |
| Edible vegetables and certain roots and tubers         | 9841          | 63560         | 17567         | 21772         | 17021         | 73%                |
| Cereals  | 5668          | 5305          | 6131          | 6483          | 9426          | 66%                |
| Residues, wastes of food industry, animal fodder       | 2552          | 7458          | 2451          | 2243          | 5777          | 126%               |
| Sugars and sugar confectionery                         | 3604          | 3154          | 2422          | 2436          | 1881          | -48%               |
| Vegetable plaiting materials, vegetable products nes   | 1377          | 1990          | 593           | 1106          | 1356          | -2%                |
| Products of animal origin, nes                         | 1049          | 779           | 279           | 764           | 963           | -8%                |
| Coffee, tea, mate and spices                           | 397           | 617           | 428           | 996           | 871           | 119%               |

Table 5: China's imports from Myanmar (Source: Trademap)

As a last country case study, the participants discussed Viet Nam, which is the leading CLMV country in terms of agricultural exports to China. As the world's second largest rice exporter, cereal export to China is crucial to Viet Nam's export strategy. This can also be seen in the steep rise of cereal imports to China in the period from 2009 to 2013. Besides cereals, processed products such as animal/vegetable fats and oils, cleavage products and residues, wastes of food industry, animal fodder as well as fishery products were the main drivers of Viet Nam's exports to China. The high share of processed products within in the total export of agricultural goods to China can be described as Viet Nam's unique characteristic. While the other CLM countries are mainly exporting raw materials, Viet Nam increasingly relies on processed agricultural goods. This strategy is primarily driven by the idea of global value chains and therefore comparable to Thailand's approach, Viet Nam is currently China's most important trading partner among the CLMV countries.

| <b>Products</b>  | <b>Value in 2009</b> | <b>Value in 2010</b> | <b>Value in 2011</b> | <b>Value in 2012</b> | <b>Value in 2013</b> | <b>% Growth 2009-2013</b> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|
| Cereals  | 1038                 | 22326                | 123591               | 682130               | 616348               | <b>59278%</b>             |
| Edible fruit, nuts, peel of citrus fruit, melons       | 301634               | 318013               | 421831               | 527035               | 608320               | <b>102%</b>               |
| Edible vegetables and certain roots and tubers         | 282885               | 210597               | 402748               | 525118               | 341905               | <b>21%</b>                |
| Milling products, malt, starches, inulin, wheat gluten | 73130                | 59694                | 137993               | 184801               | 124705               | <b>71%</b>                |
| Residues, wastes of food industry, animal fodder       | 4506                 | 21189                | 21539                | 52536                | 92659                | <b>1956%</b>              |
| Fish, crustaceans, molluscs, aquatic invertebrates nes | 27767                | 32553                | 45454                | 55238                | 68435                | <b>146%</b>               |
| Coffee, tea, mate and spices                           | 29030                | 38759                | 77321                | 93750                | 64691                | <b>123%</b>               |
| Animal,vegetable fats and oils, cleavage products, etc | 1209                 | 12849                | 18387                | 20201                | 30127                | <b>2392%</b>              |
| Cereal, flour, starch, milk preparations and products  | 1310                 | 1789                 | 3290                 | 6032                 | 11995                | <b>816%</b>               |
| Vegetable, fruit, nut, etc food preparations           | 986                  | 2979                 | 4610                 | 3400                 | 10176                | <b>932%</b>               |

Table 6: China's imports from Viet Nam (Source: Trademap)

Finally, Mr. Sim and the participants undertook a cross-country comparison of the CLMV countries' market share and position in terms of exports to China. As one can see from table 7, the market shares from Cambodia and Lao PDR are vanishingly low compared to those of Thailand and Viet Nam. However, in absolute numbers both countries have reported steady increases since 2009. Among the four CLMV countries and Thailand, Viet Nam held the biggest market share in 2013, which is not surprising considering its position as the world's second largest rice exporter. If one takes into account that Thailand's strong market position benefited from an earlier FTA, it becomes obvious that there is a huge market potential for agricultural exports from the CLMV countries to China. Still, the question how to tap this potential and overcome barriers to trade remains. Thus, the next session of the workshop focused on analyzing the individual country perspectives.

| Country         | 2009     |              | 2010     |              | 2011     |              | 2012     |              | 2013      |              |
|-----------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|-----------|--------------|
|                 | 1000 USD | Market Share | 1000 USD  | Market Share |
| <b>Cambodia</b> | 6443     | 0.01%        | 2839     | 0.00%        | 10959    | 0.01%        | 18634    | 0.02%        | 35630     | 0.04%        |
| <b>Laos</b>     | 26473    | 0.06%        | 27623    | 0.05%        | 24714    | 0.03%        | 37297    | 0.04%        | 55281     | 0.05%        |
| <b>Myanmar</b>  | 167745   | 0.36%        | 257177   | 0.42%        | 160818   | 0.21%        | 190415   | 0.21%        | 179754    | 0.18%        |
| <b>Vietnam</b>  | 733339   | 1.58%        | 734521   | 1.20%        | 1281023  | 1.66%        | 2175440  | 2.36%        | 1999671   | 1.98%        |
| <b>CLMV</b>     | 934000   | 2.02%        | 1022160  | 1.68%        | 1477514  | 1.92%        | 2421786  | 2.63%        | 2270336   | 2.25%        |
| <b>Thailand</b> | 581832   | 1.26%        | 966461   | 1.58%        | 957773   | 1.24%        | 1248244  | 1.35%        | 1446961   | 1.44%        |
| <b>Others</b>   | 45112241 | 97.49%       | 59082320 | 96.83%       | 75083388 | 97.51%       | 89658198 | 97.29%       | 97875654  | 97.13%       |
| <b>Total</b>    | 46275905 | 100.00%      | 61015242 | 100.00%      | 76998934 | 100.00%      | 92154686 | 100.00%      | 100769576 | 100.00%      |

Table 7: Market Share (Source: Trademap)

### Infobox: China's import from Thailand and the CLMV countries

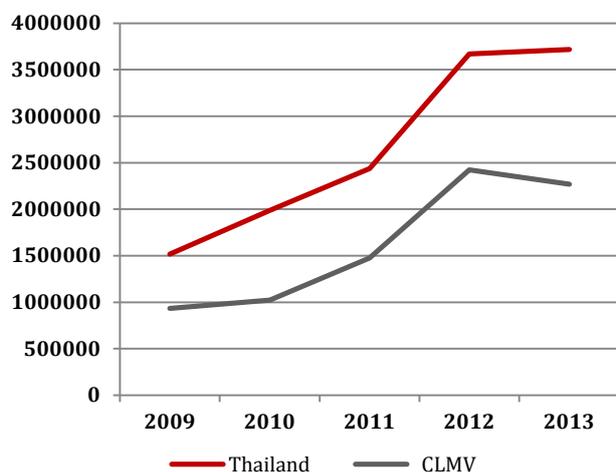


Figure 1: Exported agricultural goods to China

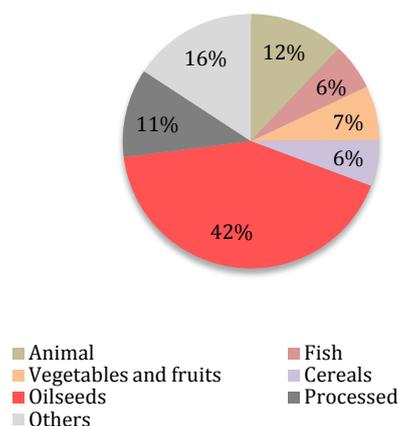


Figure 2: China's agricultural import goods

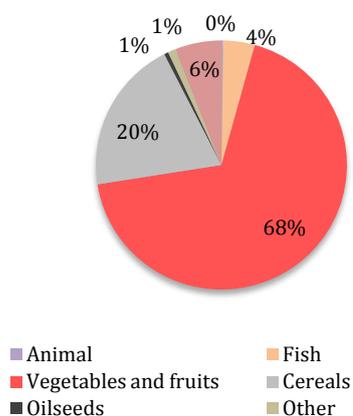


Figure 3: Thailand's exported agricultural goods to China

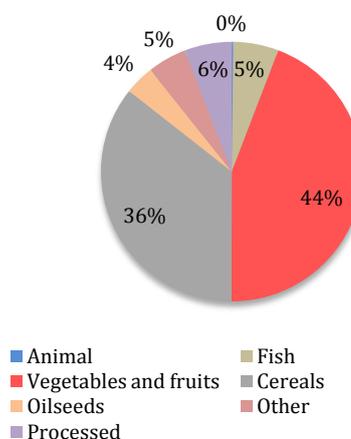


Figure 4: CLMV's exported agricultural goods to China

(Sources: Trademap)



### 3.3 Country Perspectives: Case Study Analysis

#### 3.3.1 Cambodia

##### Country Profile

According to the Asian Development Bank (ADB) Cambodia's natural resources, hydropower potential, and prospects for industrial growth outside the garment production industry are limited and the country has few economic options but to rely on its strengths in agriculture, fisheries, and forestry. This impression was confirmed by Cambodian participants, who stated that the country is still an agrarian economy, where the majority of the population (approx. 80%) is engaged in agriculture activities. Agricultural resources primarily consist of about 2.8 million hectares of cultivated land, whereas the fishing industry focuses on the Mekong River and Tonle Sap.

##### Products with Export Potential

Wide ranges of agricultural products are exported to the world including China. The major agricultural export products are: rice, cassava, manioc, maize, natural rubber, tapioca and starch. Rice is by far the most the important crop in Cambodia. It occupies more than 80 percent of cultivated land and is the most important agricultural export commodity. Rice is also the main source of crop value added and the major driver of agricultural growth. With strong government support, rice production has grown steadily since 2003 and Cambodia turned from net rice importer to a net rice exporter. It is the national target for 2015 to achieve a paddy rice surplus of more than 4 million tons and a milled rice export of at least 1 million ton. So far, Cambodia gains market access to the European Union, the United States, ASEAN and China through bilateral free trade agreements. Moreover, it signed a Memorandum of Understanding on rice and tapioca export with China.

##### Export Procedures (Baseline)

Prior to the workshop, a template was sent to all country delegations in order to receive detailed information about the country-specific export procedures. The following table briefly summarises the results for Cambodia.

| # | Document needed                      | Ministry Responsible                        | Time                          |
|---|--------------------------------------|---|-------------------------------|
| 1 | Sale Contract, Invoice, PL           | Company                                     | About 1 week before exporting |
| 2 | Phyto-sanitary Certificate           | MAFF, Plant Protection Sanitary and PS Dept | 1-3 days                      |
| 3 | Certificate of Fumigation (Optional) | General Dir. of Agriculture                 | 3-4 days                      |
| 4 | Certificate of Packing               | CCIC  |                               |
| 5 | Certificate of Weight and Quantity   | CCIC/others                                 |                               |
| 6 | Certificate of Pesticide Residues    | PPSPD/CCIC                                  |                               |
| 7 | Certificate of Crop Year             | PPSPD/CCIC                                  |                               |
| 8 | Health Certificate of Container      | CCIC  |                               |
| 9 | Certificate of Origin                | MoC; DMUL; DBIL; DTPS                       | 1 day                         |

Table 8: Required Documents Cambodia (Source: country presentation Cambodia)

### Reported Export Barriers to China

The Cambodian participants reported that especially the high standards and requirements to enter the Chinese market are very demanding. Particularly burdensome are the costly and time consuming procedures to receive the China Certification and Inspection Company (CCIC) certification. The accreditation by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) was another critical aspect that was discussed during the session. In this context, Cambodian delegates criticised that the Chinese government (via AQSIQ) must be contacted and receive the required documents before the final shipment of the agricultural goods when often the responsible departments and officials are not known to the Cambodian side. In addition, it was reported that these procedures may differ among different regional and provincial governments. As a result, the export process of agricultural goods to China is conceived by Cambodian private and public sector representatives as costly (high information costs), unpredictable and time consuming. This, for instance, has led to the indirect import of Cambodian broken rice via Malaysia to China in the past.

### Suggestions - The Way Forward

A first suggestion that was made by the Cambodian representatives was the signing of further product-specific MoUs (which already exist for rice and tapioca) between China and Cambodia. The ideal solution, according to the participants, would be a MoU covering all agricultural products. Furthermore, they suggested to localise the certifying and testing procedures, as it is perceived too expensive to invite Chinese experts from the CCIC to examine the production facilities. Transparent standards and requirements were named as a prerequisite for more successful exporting to China. Finally, participants explained a need for further capacity development measures and technical assistance to successfully overcome barriers to the Chinese market. In this respect, they emphasised the importance of also involving Cambodia's private sector (milling associations and the chamber of commerce) in trainings.



## Feedback Session

In order to structure the feedback session, Mr. Sim prepared two guiding questions for the audience:

*(1) Would you describe your problems mainly as government-driven problems, or are there any other issues, for instance, logistical problems?*

Participants said that the described problems were a mixture of political and logistical problems. While they agreed that Cambodia lacks an efficient logistical infrastructure, delegates emphasised that Cambodian businessmen are more successful in exporting agricultural goods to China, if they partner with Chinese importers. This perception was supported by Laotian participants, who said that the same would apply to Lao businesses. Both parties argued that due to the high importance of networks in China it seems inevitable for Cambodian and Laotian exporters to cooperate with Chinese intermediaries. Beside the “network argument”, participants agreed that Chinese importers are more familiar with the market entry requirements and regulations and therefore highly facilitate the export process. However, both Cambodian and Laotian delegates partly accused Chinese local governments of raising barriers to trade through non-transparent and inconsistent clearing procedures. A Cambodian private sector representative, for instance, reported a case where Cambodian rice, which was cleared at the port of Guangzhou, could not be further transported to Fujian province although all customs-related facilities and procedures are nationwide regulated from the central government in Beijing.

*(2) Does the export procedure work better or worse with other countries?*

Workshop participants from Cambodia stated that European and US markets are easier to access and non-tariff barriers to trade are relatively lower than in China. With the exception of rice export, the same applied to Japan. Different from the case of China, participants did not mention language barriers as an obstacle to trade.



### 3.3.2 Lao PDR

#### Country Profile

The Lao PDR was described by participants as a resource-rich, landlocked country which is sparsely populated. An estimated three-fourth of its population lives by subsistence agriculture and similar activities. As Lao PDR's major export products mining, agricultural products, handicraft, forestry products, wood products, and furniture were listed by the delegates. This statement is supported by data of the Lao Trade Portal, which states that in the first six months of 2013, Lao PDR's exports reached 1.539 million USD, a total increase of 4.14%. The main drivers of this development were mining covering 47.86% of the total exports and the export of electric power covering 16.41%. Industrial products covered 7.17%, wood products approx. 23.36% and agricultural product 5.3%. The main trade partners of the Lao PDR are mainly bordering countries. Thailand is the main export partner of Laos with a trade value at 619 million USD, covering 40.95% of the total export value, followed by China with a trade value at 416 million USD covering 27.53% and Viet Nam with a trade value of 261 million USD.

#### Products with Export Potential

As rice export plays only a minor role for Lao PDR's trade with China, participants selected ASEAN Harmonised Tariff Nomenclature (AHTN) 1005.90.90, corn, as agricultural product with export potential. In order to facilitate the export of corn from the Lao PDR to China, both sides have consulted and mutually agreed on a MoU regarding the requirements to enter the Chinese market in 2012. According to the MoU, Lao has to inspect and register all exporting companies as well as to submit the list of these companies to China.

#### Export Procedures (Baseline)

Before the workshop took place, GIZ sent a template to all country delegations in order to receive detailed information about the country-specific export procedures. The following table briefly summarises the information the Lao delegates sent to the organisers ahead of the workshop on the country-specific export procedures in their country.

| # | Step   | Document needed   | Ministry Responsible | Time   |
|---|--|---|----------------------|--------|
| 1 | Receive Invoice and packing list from buyer    | Packing list/Invoice  | MOIC                 | 3 days |
| 2 | Phytosanitary Certificate                      | Request letter/certificate of disease/certificate of rule of origin | MAF                  | 3 days |
| 3 | Certificate of Origin                          | Invoice/production base price                                       | MOIC/LNCCI           | 1 day  |
| 4 | Declaration of goods and export tax            | packing list/Invoice/Phyto/ISO certificate                          | MOF                  | 1 days |
| 5 | Plant Quarantine Office at border              | Packing list/Invoice/Phyto  | MOF                  | 1 day  |
| 6 | Submit forms to Customs House at border        | All documents related to import                                     | MOF                  | 1 day  |
| 7 | Inspection and Seal Check by Customs at Border | Depend on category of merchandise                                   | MOF                  | 1 day  |

Table 9: Required Documents Lao PDR (Source: country presentation Lao PDR)

### Reported Export Barriers to China

Laotian delegates reported that some actions undertaken by the Chinese government (mostly local government) are conceived as barriers to trade. For instance, participants told the audience about trade advantages, if a Lao company unites with a Chinese partner or receives Chinese foreign direct investments (the same was reported by Cambodian representatives, see p. 19). While in these cases the import to China will be unproblematic, it will be difficult for Lao companies without ties to Chinese businesses to import goods to China. The reasons for this situation might be manifold, but the preferential treatment of Lao-Chinese businesses suggests that these companies have the right contacts, networks and information to overcome barriers to trade. Another issue that was raised by the Lao representatives was the barrier of high Sanitary and Phytosanitary Measures (SPS) requirements. The presenters described that Lao exporters of agricultural goods often lack both the training and information to meet the Chinese requirements. Furthermore, delegates reported that the following non-tariff barriers to trade pose difficulties to Lao exporters: First, insufficient infrastructure. As a landlocked country, Lao is heavily dependent on road transport, which is exposed to the weather and sometimes interrupted. Second, time limited access to China for agricultural products. If a product is cultivated in the Lao PDR and China, then it becomes very difficult for Lao exporters to sell this good to China during harvest time. Third, some Lao exporters were constrained to change transportation vehicles at the border. Due to limited warehouse facilities, the risk of deterioration and costs of transportation increase exorbitantly.

### Suggestions - The Way Forward

In order to overcome the above mentioned barriers to trade, participants referred to the Lao Trade Portal which provides detailed trade-related information in English and Lao. The website could serve as a best practice example for other countries and was described as very successful by the delegates (please refer to [www.laotradeportal.gov.la](http://www.laotradeportal.gov.la) for further information). Moreover, it was suggested to further intensify Lao-China trade relations. In this regard, presenters briefly introduced and described the Lao-China Cooperation Committee and annual meetings between nine provinces of Northern Laos and Yunnan Province, China (see figure 5).

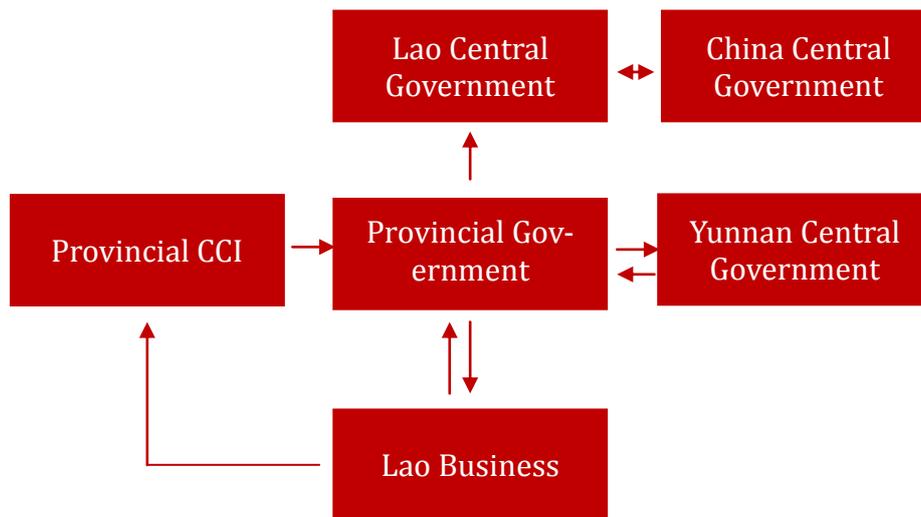


Figure 5: Process of improving Lao-China trade relations

### Feedback Session

Participants were particularly interested in the Lao-China Cooperation Committee and its organisational and institutional set-up. The ministerial committee was established in 1997 and is responsible for:

- (1) Discussing and agreeing on possible cooperation in economic, trade and technical areas.
- (2) Monitoring and controlling the implementation of bilateral contracts between the governments of both countries.
- (3) Monitoring and controlling the implementation of bilateral cooperation projects (see Jalilian, H. (2013): *Assessing China's Impact on Poverty in the Greater Mekong Subregion*, ISEAS, Singapore).

For instance the committee has worked actively and agreed on projects like the Laos-China Friendship Hospital in Luang Prabang and a cement factory in Vangvieng.

Another point that was briefly raised during the feedback discussion was the question how private enterprises gather relevant information about the Chinese market and if the Lao government and chamber of commerce provide any additional sources to its private sector beside the Lao Trade Portal. Lao delegates mentioned the so-called barterfli project and its related East

Asia Business Exchange (EABEX) web portal. First initiated in 2011 by the East Asia Business Council (EABC), EABEX is meant to help micro, small and medium sized enterprises to gain access to markets and connect with potential investors abroad. EABEX enables registered parties to search for products and services from authenticated companies and suppliers that are members of trade associations of ASEAN member countries. To date, EABEX has registered more than 5,500 members from 18 trade association across ASEAN, China, Japan and South Korea. Participating trade associations include the Federation of Malaysian Manufacturers; Singapore Business Federation and Singapore Indian Chamber of Commerce and Industry; China Council for the Promotion of International Trade; Japan Chamber of Commerce and Industry; and the Korea International Trade Association. One of the EABEX key services is the so-called FTA Gateway, which is a database that includes more than 15 FTAs, among them the ACFTA. The system also provides access to comprehensive tariff rates and Rules of Origin (ROO), and allowing comparisons with alternate destinations and sources for further information please refer to [www.barterfi.com](http://www.barterfi.com) and [www.eabex.org](http://www.eabex.org)).



### 3.3.3 Viet Nam

#### Country Profile

Viet Nam is widely considered a development success story. Its economic reforms since 1986 have transformed Viet Nam from one of the poorest countries in the world to a lower middle income country by the end of 2010 (*World Bank, 2014*). Although the contribution of agriculture to the country's GDP has decreased steadily over the last two decades, agricultural production still plays a vital role for Viet Nam's economy. Viet Nam is now the world's 15th-largest exporter of agricultural products and 75% of its 90 million people live in rural areas and work in agriculture.

#### Products with Export Potential

Major agricultural export products are: rice (2<sup>nd</sup> largest exporter in the world), coffee, pepper, cashew, tea and seafood. Particularly the fishing industry gained in importance and now contributes 20% of the agricultural output, about double its share of 10 years ago (*ADB, 2014*). Bordering with China, Viet Nam's most important export market, the country has proactively controlled the quality of its export goods, for instance, via strengthening its inspection system in order to fulfill the entry requirements of the Chinese market.

#### Export Procedures (Baseline)

The following table summarises the information the Vietnamese delegates sent to the organisers ahead of the workshop on the country-specific export procedures in their country.

| # | Step  | Document needed   | Ministry Responsible | Time     |
|---|---|---|----------------------|----------|
| 1 | Receive Invoice and packing list from buyer |   | NONE                 |          |
| 2 | Phytosanitary Certificate                   | Application papers include:<br>- Application form<br>- Paper of Authorization of Owner<br>- Bill of lading<br>- Packing list<br>- Contractual and payment papers<br>- Certificate of Disinfection | MARD                 | 24 hours |
| 3 | Certificate of Origin                       | - Application form<br>- Bill of lading<br>- Custom declaration<br>- Material declaration form<br>- CO form  | VCCI or MOIT         | 8 hours  |
| 4 | Declaration of goods and export tax         | NONE (currently agricultural products are subject to 0% export tariff)  |                      |          |

| # | Step   | Document needed  | Ministry Responsible       | Time  |
|---|--|--|----------------------------|---|
| 5 | Plant Quarantine Office at border              | Phytosanitary Certificate  | Office of Custom Clearance | Instantly   |
| 6 | Submit forms to Customs House at border        | <ul style="list-style-type: none"> <li>- Custom declaration form</li> <li>- Contract</li> <li>- List of goods</li> <li>- Export license (if applied)</li> <li>- Certificate of tax exemption (if applied)</li> </ul> |                            | 8 hours (for random inspection)<br>- 24 hours (full inspection) |
| 7 | Inspection and Seal Check by Customs at Border |  | Custom Office              |   |

Table 10: Required Documents Viet Nam (Source: country presentation Viet Nam)

### Reported Export Barriers to China

Vietnamese delegates reported that they made almost the same experiences as their Cambodian and Laotian colleagues. First, Vietnamese exporters often face difficulties related to the acceptance of supporting documents (e.g. certificate of origin) at Chinese borders. Even if the Vietnamese exporters stick to the requirements, Chinese officials sometimes refuse the import of agricultural goods. In other words, Chinese provincial-level custom policies are unstable and not transparent. Second, Vietnamese exporters perceived it as difficult to penetrate the entire Chinese market. Most trade takes place along the border and Chinese intermediaries arrange further transport from the bordering provinces Yunnan and Guangxi to the rest of China. As in the case of Laos and Cambodia, a Chinese business partner facilitates the import procedures and guarantees further transport within China. Finally, Vietnamese participants like the delegates from Laos, mentioned seasonal restrictions. If products are cultivated in Viet Nam and China, then it becomes very difficult for Vietnamese exporters to sell these goods to China during harvest time.

### Feedback Session

Different from the Laotian and Cambodian delegates, the Vietnamese participants neither perceived Chinese standards as too high nor as barriers to trade. This could be explained by the fact that Viet Nam is already exporting many agricultural goods to the EU and the US and therefore is used to high entry standards and SPS requirements. Moreover, Viet Nam is already exporting a considerable amount of processed goods and therefore has to stick to strict SPS regulations. In addition, participants noted that another reason for Viet Nam's good trade relations to China is its transport infrastructure (warehouses, roads and customs facilities), which is already more advanced and developed than in Laos and Cambodia. Finally, it was stated that Viet Nam as the leading export economy among the CLMV countries could serve in many areas as a best practice example and could act as an advisor for the smaller countries. This especially applies to rice export where all countries in the region could benefit from Viet Nam's experience as the world's 2<sup>nd</sup> largest exporter of rice.



### 3.4 Wrap-up Discussion Case Studies

In the last session of day one, participants summarised the main findings from the case studies. In order to structure the points raised in the discussion, the facilitators clustered them into best practices and challenges:

| Best practices<br>(What is already working well?)  | Challenges<br>(What needs to be improved?)   |
|--|--|
| <ol style="list-style-type: none"> <li>1. MoU (improves the predictability of legal decisions)</li> <li>2. Cooperation committee (private sector should be included)</li> <li>3. Trade portals, databases and clouds</li> <li>4. Overseas Inspection of goods (Viet Nam's approach to deal with CCIC)</li> <li>5. There is not "one" Chinese market (China is too big to talk about one market, thus, try to enter China on the provincial level first)</li> </ol> | <ol style="list-style-type: none"> <li>1. Governmental distortions (improve provincial level interaction and dialogue)</li> <li>2. Transport infrastructure (warehouses, customs facilities, roads etc.)</li> <li>3. Self-certification (it is working in the ASEAN, why not with China?)</li> <li>4. Contracts with Chinese businesses are often only "guidelines" as there are no enforcement mechanisms.</li> <li>5. Establishment of an ASEAN-wide database on standards and market entry requirements.</li> </ol> |

Table 11: Best practices and challenges

#### Best Practices

All participants agreed that product-specific MoUs are a good tool for improving trade relations with China, as they provide exporters with a first legal basis and improve the predictability of legal decisions. As a second point, delegates agreed that the Lao-China Cooperation Committee could serve as a best practice example for improving the provincial level dialogue on a political sphere. However, participants emphasised that the private sector (represented by chambers of commerce and/or associations) as a key stakeholder should be involved in the committee too. Thirdly, workshop participants discussed several approaches to overcome the information gap on ACFTA and the Chinese market entry requirements. In this context, trade portals, databases (such as the Lao Trade Portal and EABEX database) and clouds were named as the most promising approaches to overcome barriers to trade. Fourthly, the Vietnamese delegates reported on their experiences in terms of overseas inspection of goods. As it turned out during the discussion, the tool of overseas inspection is closely linked to already processed goods and might be

not suitable for raw materials. Finally, all participants agreed with Mr. Sim that one cannot talk about “one” Chinese market, as consumer habits, purchasing power and consumer demand vary widely within China. Hence, the small CLMV countries should focus on selected provinces as export markets first.

## Challenges

Although participants agreed that entering China on the provincial level might be the best strategy for a market entry, most delegates reported government-driven distortions are among the most prominent barriers to trade. Consequently, intransparent and unreliable import procedures were named among the most pressing challenges. In addition, workshop participants, especially from Laos and Cambodia, stated that poor transport infrastructure is one of the main obstacles to trade with China. In terms of certification, most participants argued that it would be a great advantage to introduce self-certification in the respective countries, or at least improve the cooperation with CCIC. However, Cambodian and Lao delegates said this would require further in-depth training and capacity building. Another issue that was raised during the case study session was the question how to deal with Chinese business partners in case of a contract breach? Mr. Sim pointed out that it is really difficult to enforce a claim against a Chinese company as contracts in China are often treated as “guidelines” and are not perceived as legally binding. Finally, the workshop participants discussed the establishment of an ASEAN-wide database on ACFTA-related standards and market entry requirements. In this context the delegates referred to the successful Lao Trade Portal and reported that the EU already approached ASEAN in order to support the establishment of such a database. However, so far ASEAN did not agree to cooperate with the EU on this matter.



## DAY II



### 3.5 Policy Recommendations and Best Practices

In the first session of the second day, participants were divided into two groups; one group represented the public sector, whereas the other group acted in place of the private sector. Subsequently, the groups discussed the following guiding questions:

- **Private sector group:** *How should the **government** deal with market access problems to China? (Give at least 3 suggestions)*

The private sector group suggested that one should divide this question into two parts: First, how should the home government deal with market access problems to China? and second, what should the Chinese government do to ease market entries?

#### Home government:

- (1) Facilitate a private sector dialogue platform for companies from China and CLMV. In this context, Mr. Hein referred to the already existing China-ASEAN Expo, which annually takes place in Nanning, China.
- (2) Establish working groups or steering committees with relevant line ministries and private sector to improve exchange and dialogue (already existing in Cambodia).
- (3) Support (financially and technically) private sector trainings via the chambers of commerce or associations.
- (4) Home governments should strengthen and emphasise the role of the ASEAN chamber of commerce.
- (5) Support the private sector with the establishment of a trade promotion website, as it is a very effective and inexpensive tool.
- (6) In the long run participants hope that the government will change its mindset and expand its role from a regulator to a service provider.

#### Chinese government:

- (1) Improve the access to information regarding standards, market entry requirements and Chinese companies/traders. For instance, by setting up an English website. Mr. Sim added that

all Chinese companies have to be registered at MofCom, however, you need trained staff to gather information and thus a website will be very costly.

(2) Reduce bureaucratic hurdles and paperwork at customs, e.g. SEW.

(3) Use the Regional Comprehensive Economic Partnership (RCEP) negotiations to promote common standards and transparent market entry requirements for agricultural goods (for further information, please refer to <http://www.dfat.gov.au/fta/rcep/#about>).

**Public sector group:** *How should the **private sector** deal with market access problems to China? (Give at least 3 suggestions)*

(1) Improve and increase market research on target markets.

(2) Organise and improve networking among the national chambers of commerce. In this context, Mr. Sim asked the audience the (rhetorical) question whether this approach seems to be promising considering the weak position of the ASEAN business club.

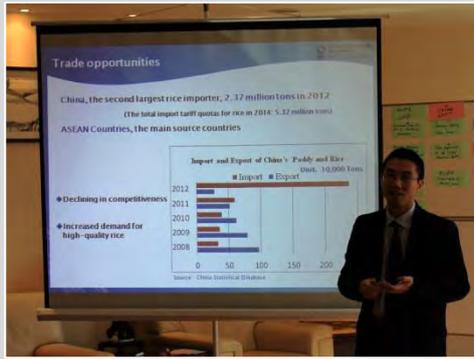
(3) Establishment of joint committees like in the case of Laos.

(4) Establish trade representative offices abroad (they could be connected to the embassies).

(5) Improve product branding and try to establish trademarks.

These recommendations confirm the need for the private sector and the public sector to work together in the home countries and in China to improve market access. This is a shared responsibility.

After the group work, the topic of the workshop became more technical and participants got the chance to enhance their knowledge on the Chinese system of standards and gained some from first-hand experience on rice imports to China presented by Mr. Zhan Wei from the Shenzhen Institute of Standards and Technology (SIST).



## IV. Best Practices from the Region: Technical Barriers to Trade Research Center, Shenzhen Institute of Standards and Technology (SIST)

### 4.1 Rice Market Access & Compliance: The Essential Due Process into China

Mr. Zhan Wei, Senior Researcher



#### Overview

After decades of near self-sufficiency, China is on track to overtake Nigeria as the world's largest rice importer by late 2013, the total import tariff quotas for rice in 2014 is reported to be 5.32 million tons. Once a major rice exporter, China is now taking a position in the rice market that many have predicted and some lamented: that of an importing behemoth with a voracious appetite.

*Why rice imports have jumped?* First, China's domestic rice production might be over-reported. Second, China's agricultural

sector is declining in competitiveness. Third, poor off-farm logistics erode China's food sector efficiency. This creates incentives for companies in the south to source rice from neighboring exporters such as Thailand, Cambodia and Vietnam. Fourth, rising concerns over the safety of domestically-produced rice make imported rice more attractive. A 2011 study argued that as much as 10% of rice sold in China is contaminated and unfit for consumption.

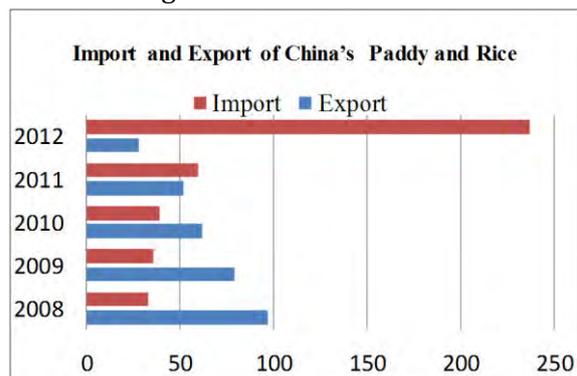


Figure 5: China's rice export and import (Source: SIST)

#### Six considerations for a successful export strategy

Achieving the level of integration to support rice market access and compliance into China requires a focus on six considerations. The six considerations are TBT Portal, Standards and competitiveness, Funding issue, Selling model, Customer and product view, and Demand signal management.

## (1) TBT Portal



Sanitary and Phytosanitary (SPS) measures have become a major area of concern as they affect international trade directly or indirectly in the form of market access barriers. China is typically concerned about rice safety and requires strict compliance with numerous regulations, so exporting countries should meet SPS requirements set by China. For Entry and

Exit inspection and quarantine agencies (CIQ) under AQSIQ will implement inspection and quarantine for the rice exported to China at port of entry, rice exported to China should comply with Chinese national food safety standards and other relevant standards for rice, such as GB 1354-2009 Rice, GB 2715-2005 Hygienic standard for grains and so on.

In order to increase competitiveness in rice trade, exporting countries should improve interactions with China, and follow the newly applicable national standards for rice.

## (2) Standards and competitiveness

Exported rice produced with advanced standards creates unique competitiveness. Advanced standards, such as the newly international standards, not only mean high quality, but also mean proper rice classification, excellent rice processing technology, and competitive packaging and so on. Rice exporters adopting advanced standards and quality management system may classified the rice properly to match different target markets and increase the value of the rice.

## (3) Funding issue

In 2005, Shenzhen government invested more than 10 million RMB in constructing the Shenzhen Market Access Technical Barriers Information Platform (referred to as “Market Access Platform”) to provide exporting enterprises with timely international market information and enhance their products’ competitiveness. Since it was established, the Market Access Platform has helped many Chinese enterprises export their products successfully. Therefore, getting financial support from the government or industry is helpful to export rice successfully.

## (4) Selling model

Rice exporters should conduct research on the Chinese rice market first to determine the rice selling model, and select distribution channels and market entry strategies. An effective marketing is necessary to stand out your product, emphasise its quality and distinguish it from competitors.

### (5) Customer and product view

Also, to research the target customers' consumption habits of rice and how the consumer sees you, and design the products according to their views, will no doubt facilitate the products accepted by the target customers.

### (6) Demand signal management

Demand Signal Management is about understanding and acting on consumer behavior. When you understand the consumer signals that drive demand, you can model you promotions to help optimize results. Make sure what kind of rice the customers demand for most. The rice exporter should be sensitive to the demand signal of Chinese customers.

### Trade promotion management and optimization

By focusing on the above six areas, exporting countries can manage and optimize the rice export strategy. In conclusion, a successful rice export is not only selling rice, but also selling quality, the brand, and what the customers really need. Then, the rice exporters can gain double what they have invested.

## 4.2 Chinese Standardization Architecture and System Operation from an Enterprise Perspective

Mr. Zhan Wei, Senior Researcher

### Introduction

In his second presentation, Mr. Zhan Wei explained and analysed the Chinese standardisation architecture. In total, China hosts 35 laws and regulations that are concerned with the issue of standardisation. The most important frameworks are:

- Standardization Law of P.R.C.
- Enforcement Regulations of Standardization Law
- Management Regulations of National Technical Committee
- Management Regulations of Industrial Standards
- Management Regulations of Adopting International Standards

Mr. Zhan pointed out that one can differentiate between four standard levels: National Standards, Industrial Standards, Local Standards and Enterprise Standards, which are divided into two types: Mandatory Standards and Voluntary Standards. In order to identify these standards, Mr. Zhan analysed their different structures. For instance, National and Enterprise Standards are characterised as follows:

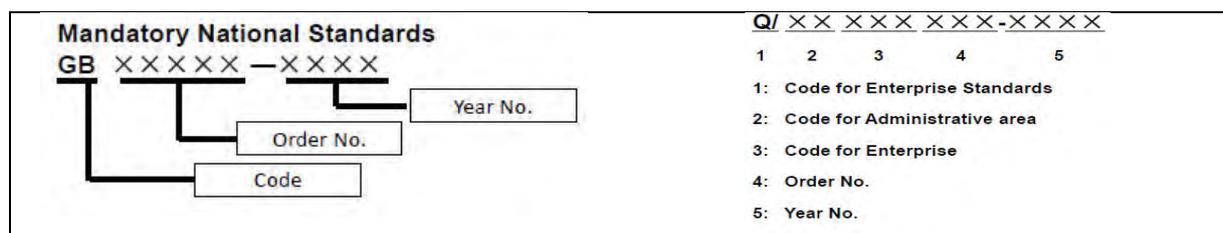


Figure 6: Chinese National and Enterprise Standards (Source: SIST)

Products sold in the Chinese market are generally required to have a label indicating which standards have been followed.

There is no centralised register to search for or purchase these standards. Companies often have to consult with their importer or distributor, or with the relevant Chinese trade association to identify which standards need to be followed for a given product or service, and to obtain copies of these standards. However, the website <http://www.tbtmap.cn>, which is hosted by the Shenzhen Institute of Standards and Technology provides valuable information on standards required to enter the Chinese market. As the website is only available in Chinese, Mr. Zhang also recommended the Standards Portal (<http://www.standardsportal.org>), which is available in English and run by American National Standards Institute (ANSI).

### Implementing and Supervising Agencies

The standards system in the PRC is administered at the top by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and headed primarily by the Standardization Administration of the People's Republic of China (SAC). In addition, government institutions and private enterprises can provide input and participate in the standards process.

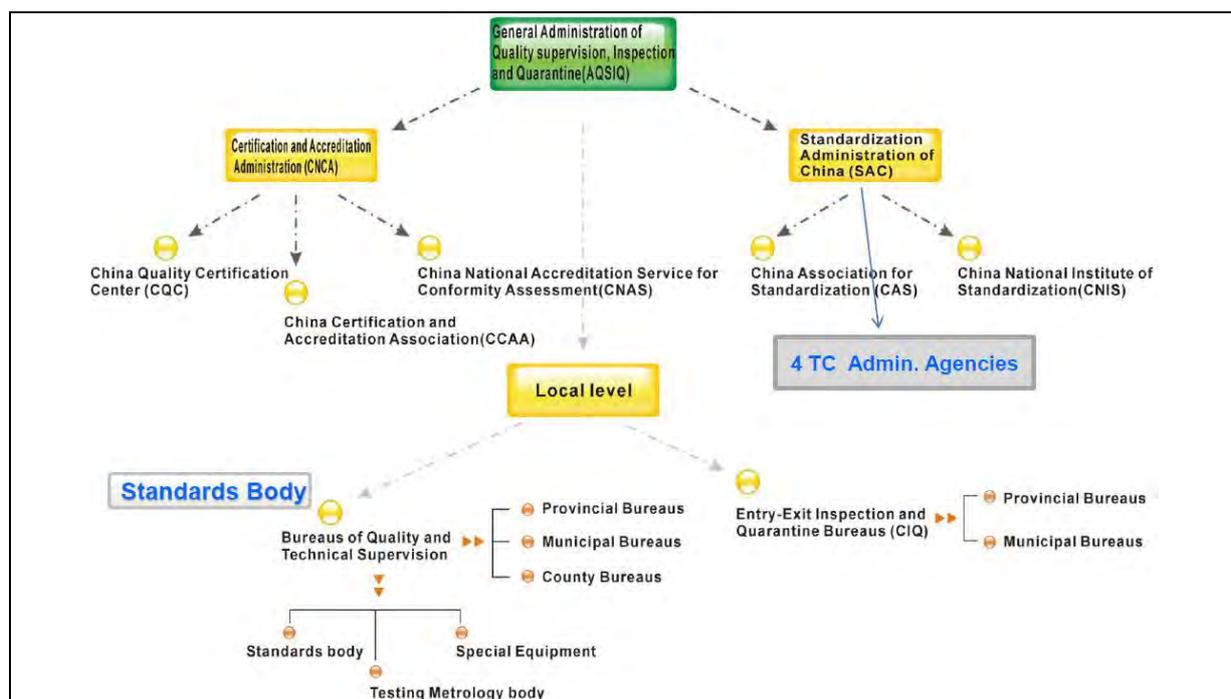


Figure 7: Implementing and Supervising Agencies of Chinese Standards (Source: SIST)

As the leading agency AQSIQ covers several activities in the areas of quality, metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, certification and accreditation, and standardization. Among its major responsibilities, AQSIQ administrates both the Certification and Accreditation Administration of China (CNCA) and the Standardization Administration of China (SAC). CNCA supervises all certification and

accreditation processes throughout China, while SAC is the body for developing, coordinating and administering national standards.

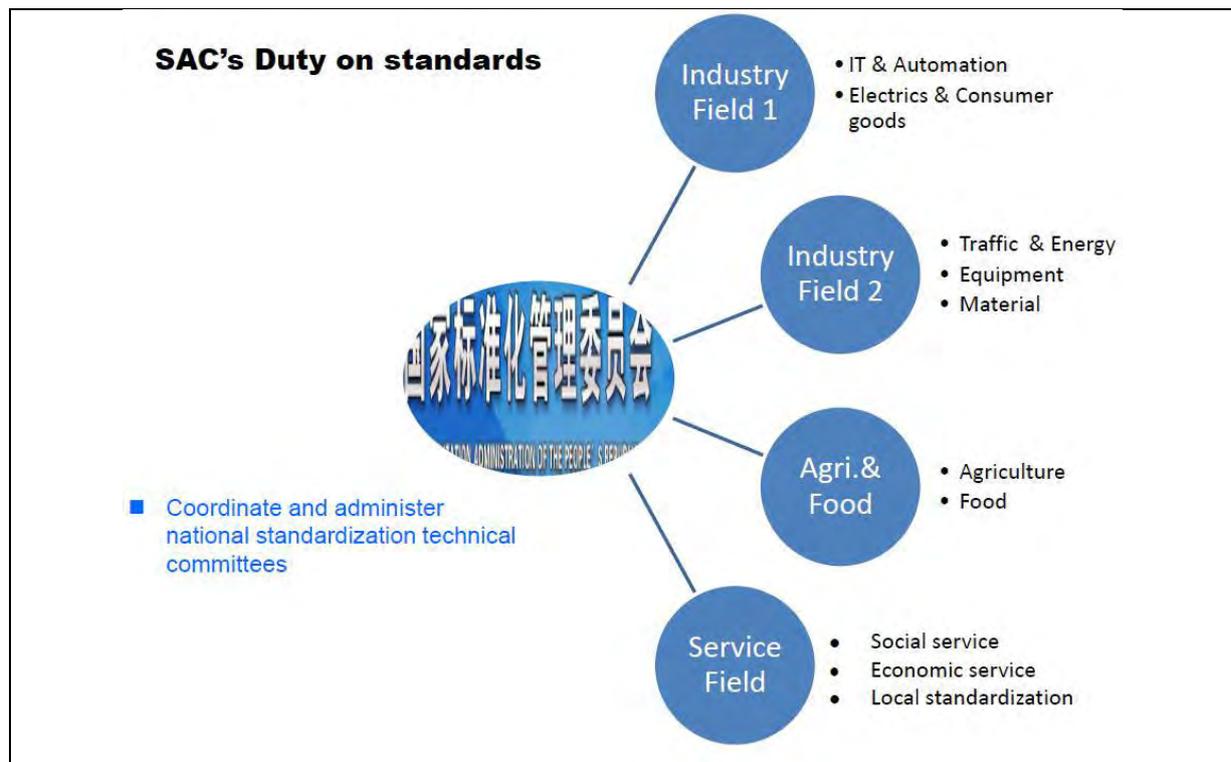


Figure 8: Standardization Administration of China (SAC) (Source: SIST)

The SAC is responsible for the development of Chinese National Standards. Within SAC, the several departments handle the development of national standards. As the workshop focused on agricultural exports to China, Mr. Zhan mainly described the Department of Agriculture and Food Standards, which is responsible for:

- Agriculture (incl. farming/aquaculture)
- Waterpower, supply and marketings
- Food
- Tobaccos
- Forestry
- Inspection and quarantine of plants and animals
- Agricultural input products
- Machining of farm byproducts

### **China Compulsory Certification**

The CCC (China Compulsory Certification) is required for market access in China for many listed products. It was implemented on 1 May 2002, and replaces the earlier mandatory CCEE and CCIB certification.

## V. Conclusion and the Way Forward

Agricultural exports in the CLMV countries primarily involve small and medium-sized enterprises (SMEs). Such companies have limited resources and capabilities for dealing with the linguistic and cultural difficulties in trading with China. Although the ACFTA presents the CLMV agricultural exporters with great opportunities, the competitive challenges of the huge Chinese market is therefore a daunting task.

The workshop showed that the CLMV agricultural exporters can overcome these challenges through mutual cooperation in their home countries and in China. Such cooperation includes mutual efforts in the private sector, jointly working with their home country governments, as well as continuing dialogue with the Chinese government and private sectors, particularly on the provincial level.

GIZ will further support the CLMV countries with trade capacity building measures in order to overcome barriers to trade within the framework of the ACFTA. As a first step, GIZ commissioned SIST to translate the most important Chinese standards in the field of agricultural goods to English. The translation can be downloaded at <http://www.scribd.com/Rci-ASIA> or <http://www.slideshare.net/RCI-Asia>.

A follow-up workshop based on the results of the mapping workshop is in process and will most likely take place towards the end of 2014. For further information please contact Mr. Stefan Hein ([stefan.hein@giz.de](mailto:stefan.hein@giz.de)).

## GIZ “Regional Economic Cooperation and Integration in Asia (RCI)”-Programme

### Background

Regional economic cooperation and integration are consensually seen as key to Asia’s future development, whose architecture is built largely on subregional initiatives with so far only few, lean regional institutions. Subregional economic cooperation initiatives aim at promoting cooperation in specific areas, like trade and transport, investment, tourism, energy or environment. Given the development gaps in the region, it is even more important to make regional cooperation inclusive and to ensure that the smaller countries can access benefit from regional actions.

### Our Approach

The RCI Programme supports regional and national stakeholders in the context of subregional cooperation initiatives by providing capacity building, organising trainings and dialogue events, and conducting sector studies.

Subregional initiatives can foster the development of regional and local pro-

duction networks and help to overcome limitations of domestic markets. Therefore, cooperation projects within this scope have the potential to close development gaps by boosting economic growth through trade facilitation. By these means, resources for poverty reduction can be generated that lead to a more sustainable, inclusive growth within the subregion.

The cooperation encompasses the focus areas of the Regional Cooperation and Integration within the framework of the ASEAN-China Pan-Beibu Gulf (PBG) Economic Cooperation and within the Greater Tumen Initiative (GTI). In addition, best practices of regional cooperation are transferred among the named Asian regional initiatives as well as Central Asia Regional Economic Cooperation (CAREC) and Greater Mekong Subregion (GMS).

### Focus Areas

- Addressing functional aspects of regional cooperation and integration within PBG by organising studies and capacity building activities.
- Contributing to the implementation of concrete projects in the GTI priority areas of trade, transport, and local cross-border cooperation.

Promoting peer-to-peer learning and exchange of good practices among regional initiatives, leading to pilot replication of lessons learnt.

| Fact Box RCI           |  |
|------------------------|--|
| <b>Project name</b>    | Regional Economic Cooperation and Integration (RCI) in Asia  |
| <b>Commissioned by</b> | German Federal Ministry for Economic Cooperation and Development (BMZ)   |
| <b>Key subjects</b>    | Trade and investment facilitation, port cooperation, local cross-border economic cooperation and social implications of economic integration |
| <b>Duration</b>        | 2011 – 2015  |

## RCI Team



**Lisa Brueckner**, Programme Manager at GIZ in Beijing, holds an interdisciplinary degree in area studies China and international economic law. She has worked in the field of economic policy advice for more than 3 years, focusing on trade and cross-border economic cooperation. In her current position she is responsible for the overall implementation of RCI Programme measures. She also coordinates activities of the Economic Policy Forum, an emerging economies think tank alliance supported by GIZ, in China and maintains working relations with Chinese members of the network. Prior to joining GIZ, Lisa was in charge of liaison management at the German Pavilion during the 2010 World Exposition in Shanghai.



**Magnus C. M. Brod**, an economic sociologist by training, works as Programme Manager at GIZ. He studied in Marburg, Hamburg and London with a focus on regional trade, statistics and social change. Currently based in Beijing, China he is responsible for trade facilitation in Northeast Asia (Mongolia, Korea, Japan, and China) as well as maritime economy in Southeast Asia. Before joining GIZ, Magnus has worked with the German Institute of Global and Area Studies (GIGA) in Hamburg. His professional focus is regional trade networks and trade facilitation. Additional responsibilities revolve around the use of modern media and communications in the context of economic development.



**Stefan Hein**, Programme Manager at GIZ in Beijing, has a background in finance and political economics. He joined the RCI Programme in September 2012 and is primarily responsible for the topics of trade facilitation within the framework of the ASEAN-China Free Trade Agreement (ACFTA), trade finance and social implications of economic integration. Prior to joining GIZ, Stefan has worked at Landesbank Baden-Wuerttemberg (LBBW) in Stuttgart focusing, among others, on structured finance and investment strategies.

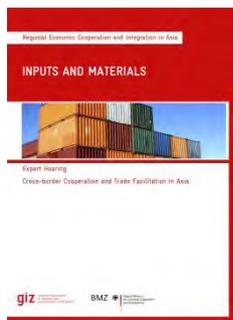


**Torben Niemeier**, a political scientist, currently based in Beijing, working for the RCI Programme as consultant. He studied in Mannheim as well as Paris with a focus on international relations, international political economy and macroeconomics. Prior to joining the RCI Team, he gained first working experience with GIZ in the sector project “Sustainable Economic Development” in GIZ headquarters, Eschborn, Germany. For the RCI Programme, he mainly contributes in the areas of trade facilitation and maritime economy in Southeast Asia.

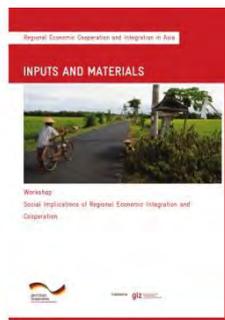
## Other Publications by RCI

The GIZ RCI Programme publishes regular updates on its activities to offer insights and disseminate regional knowledge on integration processes in Asia. To download please refer to <http://www.scribd.com/Rci ASIA> or <http://www.slideshare.net/Rci-Asia>

## Inputs and Materials



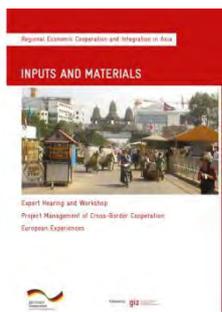
Cross-Border Cooperation and Trade Facilitation in Asia



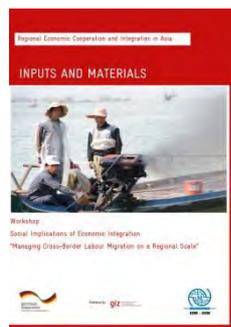
Social Implications of Economic Integration



Economy Policy Dialogue among Asian Transition Countries



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