



Recent Developments in Exporting Agricultural Goods to China

Workshop on ASEAN-China Free Trade Agreement (ACFTA)

Ha Noi, Viet Nam, 24 February 2017



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Workshop Agenda

Friday, 24 February 2017			
Venue: Press Club – 59A Ly Thai To Street, Hoan Kiem District, Ha Noi			
08:00 – 08:30	Registration		
<p>Background: The ASEAN China Free Trade Agreement (ACFTA) has since it came into effect in 2010 eliminated a large part of all tariffs in the trade with China but stays underutilised.</p> <p>Objective: Provide participants from national ministries and private sector associations with enhanced knowledge and awareness on potential gains and benefits of utilising ACFTA</p> <p>Method: Expert input and moderated discussions</p>			
08:30 – 08:45	Opening and Welcome Remarks Representative from VIETRADE		
08:45 – 09:10	Introduction to workshop and SCSI Magnus Brod, Programme Director, Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI) - GIZ		
09:10 – 09:30	Experience sharing on approaching China market Mr. Alain Chevalier, Senior Technical Advisor of Decentralized Trade Support Services for Strengthening the International Competitiveness of Vietnamese Small and Medium-sized Enterprises Programme - VIETRADE		
09:30 – 10:15	ACFTA - Recent Developments in Exporting Agricultural Goods to China Edmund Sim, Partner Appleton Luff International Lawyers, Adjunct Professor National University of Singapore (NUS)		
10:15 – 10:30	Coffee Break		
10:30 – 11:30	Moderated Discussion 1 Mapping current situation of barriers to trade and utilisation of ACFTA		
11:30 – 12:15	Moderated Discussion 2 Way forward – Strengthening utilisation of ACFTA		
12:15 – 12:30	Concluding Remarks and Evaluation Representative from VIETRADE Magnus Brod, Programme Director, Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI) - GIZ		
12:30 – 14:00	Joint Lunch at the Press Club		
Background information			
Sponsor	German Federal Ministry for Economic Cooperation and Development (BMZ)		
Organiser	<p>Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH „Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI)“ Programme http://connecting-asia.org/</p> <p>Vietnam Trade Promotion Agency, Ministry of Industry and Trade (MOIT) “Decentralized Trade Support Services for Strengthening the International Competitiveness of Vietnamese Small and Medium-sized Enterprises (SMEs)“ Programme http://www.vietrade.gov.vn/ http://www.vietrade.gov.vn/empotec/</p>		
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I. Introduction



On 24 February 2017 the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Programme “Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI)” commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ), conducted a workshop on the topic of ASEAN China Free Trade Agreement (ACFTA) titled “Recent developments in exporting agricultural goods to China”. The event was held in cooperation with the Vietnam Trade Promotion Agency VIETRADE from the Ministry of Industry and Trade (MOIT). The workshop was part of a fact-finding mission of SCSI to Viet Nam, Lao PDR, and Cambodia from 22 February to 03 March 2017. The following pages summarise the purpose, themes, and results of the event in Viet Nam. Detailed information including the content of lectures and discussions can be retrieved from the respective summaries.

Background on ACFTA

The initial framework agreement for ACFTA was signed in November 2002 in Phnom Penh, Cambodia, and came into effect in January 2010. It marked a significant milestone in pursuing greater economic integration in the region. ACFTA became the largest free trade area in the world in terms of population and the third largest in terms of nominal GDP, trailing the European Economic Area (EEA) and North American Free Trade Area (NAFTA). Under the free trade agreement, tariffs are reduced to zero on almost 8,000 product categories. China and the six more advanced ASEAN nations (Brunei, Indonesia, Malaysia, the Philippines, Thailand, and Singapore) had progressively removed 90 per cent of tariffs by 2010, while Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) did so in the fol-

lowing five years. ACFTA significantly led the integration process in the region, even though many non-tariff barriers (NTBs) and other trade obstacles still remain.

ACFTA was one of the first free trade agreements signed by the PR China. Therefore, in November 2015 it was updated to overcome NTBs to trade which have accumulated since coming into action and are causing obstacles – especially for smaller ASEAN countries – to successfully exporting goods to China. Managing the costs and benefits of ACFTA is one of the unique challenges the region is facing. This particularly applies to the CLMV countries which are all characterised by an agricultural sector of considerable size. Thus, the export of agricultural products plays a crucial role in their development. Gaining a better market access to China and overcoming barriers to successful exporting agricultural goods is a key priority. Trade flows between ASEAN countries and China have constantly grown in recent years. During the period from 2005-2014, overall trade between ASEAN members and China tripled with reaching US\$ 380 billion in 2014 with seeing a slight decline to US\$ 350 billion in 2015. China has become the biggest export market for ASEAN countries outside of ASEAN in 2015 as well as the biggest country of origin for imports.

In recent years, China consistently appears among the top five trading partners for every single ASEAN nation state and was the biggest trading partner of ASEAN outside of the association overall in 2015. Nevertheless, each ASEAN country shows a different degree of dependence on China either as an importer or exporter. The six more advanced economies trade with a diversified group of partners, whereas the less developed CLMV countries rely to different degrees heavily on China. As a consequence, NTBs affect the agricultural exporting sector in these nations seriously.

GIZ SCSI Approach

Since the ASEAN China Free Trade Agreement (ACFTA) came into effect in 2010 it has eliminated a large part of all tariffs in ASEAN trade with China but still stays underutilised. To overcome this situation and to reap the potentials of the agreement, public-private dialogue on existing issues needs to be enhanced and information on ACFTA shared within the private sector. With special regard to the export oriented agricultural sector, the GIZ SCSI Programme facilitates capacity building in Cambodia, Lao PDR, and Viet Nam (CLV) together with respective partners to update the private sector on opportunities and challenges of ACFTA. Through awareness-raising for the potentials of ACFTA and the Chinese market as well as information sharing on existing NTBs in the agricultural field small and medium sized enterprises (SMEs) in the three countries are targeted together with local partner organisations.

Against this backdrop, the GIZ SCSI Programme and the Decentralized Trade Support Service for SMEs programme of VIETRADE jointly conducted a workshop in Ha Noi. The objectives were to provide updated information on ACFTA as well as to get feedback from the private sector on recent issues in exporting agricultural goods to China.

II Welcoming Remarks and Workshop Summary



Mr. Do Kim Lang, Deputy Director General, VIETRADE, Ministry of Industry and Trade (MOIT)



Mr. Do Kim Lang, Deputy Director General, VIETRADE, Ministry of Industry and Trade (MOIT), opened the workshop by welcoming the participants from the public and private sector. He emphasised the importance of private sector development and involvement in Viet Nam in general as well as within the agricultural sector in particular. Mr. Do highlighted the results achieved so far by VIETRADE and private sector associations in improving data and market access. However, he also pointed out that Viet Nam still needs to further improve the efficiency of private sector participation in regional economic cooperation and integration processes. Thus, cooperation in this regard with the Suisse State Secretariat for Economic Affairs (SECO) and GIZ is very much welcomed.

Magnus C.M. Brod, Programme Director, SCSI



Following the welcoming remarks, Mr. Magnus C.M. Brod, SCSI Programme Director, gave an overview of the GIZ SCSI Programme and presented on the main objectives of the workshop. He highlighted that one component of GIZ's Programme aims to support the private sector in unlocking business potentials from regional integration processes with China. The objective is to enhance the involvement of mainly SMEs from Cambodia, Lao PDR, and Viet Nam (CLV) in regional economic cooperation within ACFTA – with special regard to the export oriented agricultural sector. Therefore, it is important to identify the needs and challenges of the actors involved (exporters, associations, chambers, ministerial agencies and departments) but especially to hear from SMEs and exporters directly which are the main obstacles in exporting agricultural goods to China on a day-to-day basis. Mr. Brod closed his introduction by thanking VIETRADE as well as the colleagues from GIZ ASEAN Sustainable Agrifood Systems Programme for their great support in organising the workshop and the SCSI fact-finding mission to Viet Nam.

Infobox 1: SCSI Preliminary Plan 2015-2019



III Presentations by GIZ and VIETRADE

After setting the frame for the workshop in the welcoming remarks, GIZ consultant Edmund W. Sim and VIETRADE Senior Technical Advisor Mr. Alain Chevalier provided key-note presentations with valuable insights and updated information on the latest developments of agricultural trade relations between Viet Nam as well as further ASEAN nations and the PR China.

3.1 Key-Note Presentation “ACFTA – Recent Developments in Exporting Agricultural Goods to China”

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



GIZ legal expert Edmund W. Sim briefly reviewed the structure and modalities of the ACFTA. He emphasised the importance to keep in mind that the ACFTA consists of 10 bilateral FTAs – not a bloc agreement of ASEAN with China – and covers trade in goods, services and investment. It was upgraded in 2015 to improve trade facilitation with regard to the WTO Trade Facilitation Agreement, rules of origin, customs cooperation and other cross-border issues affecting ASEAN-China trade. 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 CLV countries as production costs in China are on the rise, are mainly subject to the sensitive and highly sensitive track and therefore facing barriers to trade.

Apart from the classifications, further barriers to trade include certificates of origin (C/O) as well as complex inspections due to different quality standards in the CLV countries and China. Even though it is mostly technical challenges, it sometimes can also derive from political issues. ACFTA, therefore, provides tools to solve standard or quality challenges and to support exporters in dealing with government regulations. Therefore, the upgrade on ACFTA in 2015 also aimed at upgraded customs cooperation, which was not required in the agreement before. Additionally, it includes advanced ruling, to get access to the highest trade decision making bodies. Furthermore, the use of authorised economic operators (AEO) and post entry audits (to check closer on goods than documents) was introduced.

Infobox 2: ACFTA

Tariffs

- China and ASEAN-6 apply 0% rate for normal track
- CLMV 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 applied 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 | - Palm oil |
| - Rice | - Rapeseed and mustard oil |
| - Flour | - Sugar |
| - Soya oil | - Cigarettes, cigars, tobacco |

Other barriers to trade

- Classification
- Rules of origin
- Certification of origin (C/O)
- Inspection
- Sanitary and phytosanitary measures
- Standards
- Marking and labelling

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

Looking closer at China's agricultural imports from all sources (see Table 1) it becomes clear that the Chinese market offers great opportunities for the CLV countries. In the period from 2011 to 2015, imports of all major agricultural products experienced constant high growth. This particularly applied to cereals imports which more than quadrupled since 2011.

Products	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015	Growth 2011-2015 (in per cent)
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	32020530	38582565	42626755	45891074	39817320	24%
Cereals	2015943	4750662	5053759	6174883	9349598	364%
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	11540146	13040937	10822945	9118235	7894883	-32%
Meat and edible meat offal	3411422	4107752	5929656	5843857	6798207	99%
Fish and crustaceans, molluscs and other aquatic invertebrates	5587562	5488977	5993593	6583728	6335959	13%
Edible fruit and nuts; peel of citrus fruit or melons	3035471	3807879	4100716	5144096	6009606	98%
Residues and waste from the food industries; prepared animal fodder	3102286	3047901	3654224	3980903	4427217	43%
Beverages, spirits and vinegar	2556626	3102473	3058402	2973599	4281448	67%
Preparations of cereals, flour, starch or milk; pastrycooks' products	1625763	1945785	2583892	2809754	3842636	136%
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	2657866	3251392	5245216	6490336	3303849	24%

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 2011 to 2015. Edible vegetables and fruits generated the highest value, whereas the export volume of miscellaneous edible preparations tripled since 2011. In summary, it can be said that all agricultural products that are exported from Thailand to China showed high growth rates since 2011 and, thus, are definitely interesting examples and possible indicators for the CLV countries where to gain market shares.

Products	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015	Growth 2011-2015 (in per cent)
Edible vegetables and certain roots and tubers	957773	1248244	1447761	1718406	1706224	78%
Edible fruit and nuts; peel of citrus fruit or melons	749310	1058429	1295043	1105369	1168638	56%
Products of the milling industry; malt; starches; inulin; wheat gluten	316677	308924	570867	726724	616301	95%
Cereals	255662	161123	235870	484869	476542	86%
Sugars and sugar confectionery	191449	584982	75631	220799	251095	31%
Fish and crustaceans, molluscs and other aquatic invertebrates	127691	152403	164663	171184	166177	30%
Residues and waste from the food industries; prepared animal fodder	51430	51698	63302	104978	129439	152%
Miscellaneous edible preparations	24187	37948	82549	99033	103899	330%

Preparations of vegetables, fruit, nuts or other parts of plants	22251	30513	35687	49484	66915	201%
Preparations of cereals, flour, starch or milk; pastrycooks' products	17975	19790	24470	27450	33311	85%

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 in 2011, the export took off in 2012 and increased more than twentyfold in the case of cereals and more than fourfold in the case of edible vegetables. Surprisingly edible fruits play almost no role for Cambodia's export to China, which can partly be explained by Thailand's strong market position.

Products	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015	Growth 2011-2015 (in per cent)
Cereals	2	3006	19033	31690	68946	3447200%
Edible vegetables and certain roots and tubers	0	5343	12846	25654	22080	313%
Products of the milling industry; malt; starches; inulin; wheat gluten	0	1964	349	4040	8561	336%
Residues and waste from the food industries; prepared animal fodder	0	0	0	1930	4905	154%
Fish and crustaceans, molluscs and other aquatic invertebrates	2564	3828	3343	3852	2401	-6%
Sugars and sugar confectionery	0	1	0	898	1039	103800%
Tobacco and manufactured tobacco substitutes	27	0	0	0	814	2915%
Cocoa and cocoa preparations	0	0	0	568	746	31%
Edible fruit and nuts; peel of citrus fruit or melons	120	310	2	460	172	43%

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

For Lao PDR, the export of cereals to China plays a crucial role and has increased almost sixfold since 2011 (see Table 4). The second important category of agricultural goods is milling products, in which shipment value has more than doubled each year since 2011.

Products	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015	Growth 2011-2015 (in per cent)
Cereals	11928	21560	32868	44078	62324	423%
Products of the milling industry; malt; starches; inulin; wheat gluten	113	2200	4426	6863	18437	16216%
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	9069	9956	14553	18469	17070	88%

Live animals	300	0	0	892	2787	829%
Lac; gums, resins and other vegetable saps and extracts	1284	1790	1532	1516	2094	63%
Coffee, tea, maté and spices	279	337	530	1341	1172	320%
Beverages, spirits and vinegar	529	599	622	847	799	51%
Residues and waste from the food industries; prepared animal fodder	2	0	0	405	426	21200%
Miscellaneous edible preparations	0	0	534	501	199	-63%
Vegetable plaiting materials; vegetable products not elsewhere specified or included	135	210	178	189	143	6%

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

Viet Nam is the leading CLV country in terms of agricultural exports to China (see Table 5). Edible fruits and nuts have more than doubled from 2011 to 2015. Cereal shipment values to China have increased more than fivefold from 2011 to 2015.

Products	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015	Growth 2011-2015 (in per cent)
Edible fruit and nuts; peel of citrus fruit or melons	421831	527035	608610	763087	924389	119%
Cereals	123591	682130	616298	626112	732330	493%
Edible vegetables and certain roots and tubers	402748	525118	341905	341880	386068	-4%
Products of the milling industry; malt; starches; inulin; wheat gluten	137993	184801	124705	125612	183581	33%
Residues and waste from the food industries; prepared animal fodder	21539	52536	92659	94551	118372	450%
Miscellaneous edible preparations	7486	11148	9462	17136	88649	1084%
Coffee, tea, maté and spices	77321	93750	66215	101606	84676	10%
Fish and crustaceans, molluscs and other aquatic invertebrates	45454	55238	68439	89661	80996	78%
Preparations of vegetables, fruit, nuts or other parts of plants	4610	3400	10169	14841	21461	366%
Preparations of cereals, flour, starch or milk; pastrycooks' products	3290	6032	11995	14056	17027	418%

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

Finally, Mr. Sim provided a cross-country comparison of the CLV countries' (plus Myanmar) market share and position in terms of exports to China. As can be seen from Table 6, 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 2011. Among the four CLMV countries and Thailand, Viet Nam held the biggest market share in 2015. Taking 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 CLV countries to China. Still, the question of how to tap this potential and overcome barriers to trade remains.

Country	2011		2012		2013		2014		2015	
	1000 USD	Market Share	1000 USD	Market Share	1000 USD	Market Share	1000 USD	Market Share	1000 USD	Market Share
Cambodia	10959	0.01%	18634	0.02%	35630	0.04%	69297	0.07%	109733	0.11%
Laos	24714	0.03%	37194	0.04%	55281	0.06%	76243	0.07%	105484	0.10%
Myanmar	160818	0.21%	190415	0.21%	179956	0.18%	177845	0.17%	172350	0.17%
Vietnam	1281023	1.69%	2175440	2.39%	2001398	2.01%	2225052	2.10%	2684649	2.59%
CLMV	1477514	1.95%	2421683	2.67%	2272265	2.29%	2548437	2.41%	3072216	2.97%
Thailand	2796265	3.69%	3744031	4.12%	4137120	4.16%	4849084	4.58%	4848466	4.68%
Others	73064705	96.31%	87094639	95.88%	95195896	95.84%	101033116	95.42%	98697940	95.32%
Total	75860970	100.00%	90838670	100.00%	99333016	100.00%	105882200	100.00%	103546406	100.00%

Table 6: Market Share (Source: Trademap)

The complete presentation in English and Vietnamese can be downloaded from: <http://connecting-asia.org/activities/kick-off-of-scsi-sme-component-in-viet-nam-lao-pdr-and-cambodia/>

3.2 VIETRADE Export Experience: Opportunities and Challenges in Agricultural Exports

Alain Chevalier, Senior Technical Advisor VIETRADE



Within the presentation, Mr. Chevalier outlined VIETRADE's view on exporting agricultural goods from Viet Nam to the global market in general and the Chinese market in particular. He showed that China is not only an export market for Viet Nam but also a competitor. A comparison between China and Viet Nam showed that both countries had similar markets of import as well as export. Apart from its current advantages, like low production and labour costs as well as favourable natural conditions, Viet Nam faces several challenges. Climate change issues like the salination of the Mekong delta are a severe threat to the agricultural market. Moreover,

the Vietnamese agricultural SME sector is still small scale and deals mostly with raw products that leverage no added value. Additionally, he underlined problems in quality management and food safety. To enter markets more successfully and sustainably, VIETRADE strongly advocates improved market research and planning among Vietnamese SMEs. Therefore, the branding of Vietnamese agricultural goods for a higher recognition on the global market and to better compete with similar Chinese products needs to be enhanced.

Infobox 3: Strengths and Weaknesses of the Vietnamese Agricultural Sector

Strengths

- favourable natural conditions but serious climate change threat
- abundant labour (47 per cent VN labour force)
- low production cost
- high yield in most plants

Weaknesses

- small scale and scattered production
- weak rural infrastructure
- most products are raw products
- post harvest technologies
- processing technology
- quality management, certification of quality and food safety
- trading and distribution networks
- value chain integration (linkages)
- no market research, no market planning
- branding

VIETRADE identified several products (fruits and vegetables, seafood, pepper, coffee, cashew, pig, poultry) with big export potential for Viet Nam. Especially fruits and vegetables have a huge demand globally but at the same time are highly competitive regarding price and quality. In recent years, Viet Nam has diversified its products as well as its markets (76 countries so far) but China remains the main export destination (36 per cent of fruits and vegetables). NTBs like high transport and distribution costs as well as quality issues regarding preservation technologies are among the main obstacles to trade. A best practice can be shown within production and import of lychees: Viet Nam addressed Madagascar as the biggest exporter of lychee and exchanged on sustainable preserving techniques. Nevertheless, challenges in exporting to China remain due to a lack of market education on behalf of Vietnamese farmers.

Regarding quality and branding alike, tea from Viet Nam is a promising product. Currently tea is mostly sold raw to big tea distributors as a Vietnamese product later on. Premium tea, however, shows great potential to boost value added and thus income and jobs in the Vietnamese agricultural sector. After already officially being recognised for its quality, a stronger marketing promises to be a helpful tool in establishing premium tea from Viet Nam as a brand on the global market. The same applies to fresh fruits like pomelos. As for tea, China is a direct competitor and large exporter of fruits as well, but due to natural conditions pomelos from Viet Nam show a higher quality which needs to be enhanced with the right branding.

China remains a huge producer and consumer of agricultural products and a good potential export market for most Vietnamese agricultural products since Chinese consumption habits are similar to Vietnamese ones. Having a direct border with Vietnam, two-way trade is easier and cheaper than with most other countries. Nevertheless, Mr. Chevalier identified two serious challenges remaining for Viet Nam: quality issues and the prevalence of informal trade. Vietnamese export products need to be in conformance with international standards, thus, learning good practices of quality management in export is a major aspect to improve trade with China. Furthermore, informal distribution channels to China need to be addressed to improve official trade standards.

The complete presentation in English and Vietnamese can be downloaded from: <http://connecting-asia.org/activities/kick-off-of-scsi-sme-component-in-viet-nam-lao-pdr-and-cambodia/>

IV. Key Outcomes of Moderated Discussion



Within this session, participants were encouraged to actively engage in a discussion about obstacles in exporting agricultural goods to China. The discussions were structured by guiding questions regarding potential obstacles in exporting agricultural goods to China as well as potential solutions. Due to the vast experience regarding day-to-day trading business among the participants a vivid discussion arose.

A pressing issue is the Good Agricultural Practice (GAP), ensuring safe and healthy food as well as non-food agricultural products during and post production, while taking economic, social and environmental sustainability into account. GAPs are regarded as key to increase smallholder productivity while building sustainable supply chains to increase production and improve quality. Especially sanitary and phytosanitary (SPS) standards were pointed out to be main barriers when exporting to China. SMEs face further challenges when conducting cross-border trade due to strict border inspections at some border ports but relatively loose restrictions at others, thus, fostering problems of informal border trade and making market approaches more difficult.

Mr. Sim highlighted the fact, that China cannot be regarded as one market but rather various provinces with the size of small countries and a considerable autonomy. Therefore, the biggest export potentials for Viet Nam are in Yunnan and Guangxi Autonomous Province as well as other Southern Chinese provinces. Good communication between the public and private sector of both sides of the border is key to an improved business environment.

Infobox 4: Good Agricultural Practices (GAP)

In recent years, the food industry, producers' organisations, governments, and NGOs have developed standards and regulations in order to codify agricultural practices at farm level for a range of commodities. These Good Agricultural Practices (GAP) build on the four pillars of economic viability, environmental sustainability, social acceptability and food safety and quality. They aim at the fulfilment of general trade and government regulatory requirements but also more specific requirements of speciality or niche markets.

The objectives of the GAP codes include, to a varying degree:

- ensuring safety and quality of produce in the food chain
- capturing new market advantages by modifying supply chain governance
- improving natural resources use, workers health and working conditions, and/or
- creating new market opportunities for farmers and exporters in developing countries.

The concept of GAP is meant to serve as a reference tool for deciding, at each step in the production process, on practices and/or outcomes that are environmentally sustainable and socially acceptable.

Source: UN Food and Agriculture Organisation

However, Mr. Chevalier from VIETRADE emphasised the language barriers, therefore, raising awareness for profound market research across the border before exporting agricultural goods. Desk research via Trade Map or other online tools (a compilation of online tools can be found here: <http://connecting-asia.org/trade-stats/>) followed by a detailed field research is necessary to understand market changes and planning ahead. VIETRADE offers training tools in this regard and can be approached by interested SMEs or associations. Dr. Nguyen van Than, President of VINASME, agreed that the involvement of SMEs from an early stage on in knowledge sharing processes and exchange on best practices needs to be improved. A strengthened public-private dialogue should aim at supporting SMEs in producing high quality goods to narrow the gap between domestically consumed commodities and commodities for export.

Participants pointed out the strategic opportunities of provinces like Bắc Giang which are close to the Chinese border. Nevertheless, it was affirmed that quality is an issue, because traders often prefer to sell high quantities. Furthermore, unofficial cross-border trade is often preferred by the Chinese side.

Still, the province improved the quality within producing lychee through a diversified agricultural policy but the post-harvest processing remains an issue. Therefore, closer cooperation with Chinese border quarantine agencies needs to be improved to facilitate cross-border trade. Participants highlighted that SMEs often felt being left alone with export issues, especially when it comes to necessary documentations and certifications in Viet Nam.

4.1 Main Challenges for the Vietnamese SMEs in Exporting Agricultural Goods to China

Workshop participants especially expressed frustration with the process of exporting to China. Exporters face severe competition by Chinese companies which manage both the export and import functions in the transactions while Vietnamese exporters face many obstacles with customs clearance. This negatively impacts the profitability of Vietnamese growers and fosters unofficial trade channels. Moreover, workshop participants noted that they face difficulties at cross-border ports regarding acceptance of SPS certificates and/or documents of product quality.

Overall main challenges are:

- lack of knowledge of Chinese rules and regulations to access the Chinese market,
- lack of information on market requirements for specific products,
- quality management regarding SPS standards as well as certification of quality, and food safety,
- volatility of Chinese policy regarding imports and exports,
- late notifications and vague communication of new policies or export/import regulations.

4.2 Key Recommendations for Intervention to Overcome Challenges and Way Forward

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

Given that, the evaluation of the workshop showed a demand for further activities to share information between export-oriented SMEs in cooperation with ministerial agencies like VIETRADE and associations like VINASME. Furthermore, more exchange on the Chinese market as well as updates on barriers to trade within exporting goods to China were requested by the participants.

GIZ will further support Viet Nam as well as Lao PDR and Cambodia with trade capacity building measures in order to overcome barriers to trade within the framework of the ACFTA. As a first step, information on Chinese national standards regarding rice were translated into English after an initial workshop in 2014 and can be downloaded at <http://connecting-asia.org/activities/rice-related-national-standards-of-the-pr-china/>

Furthermore, a selection of international, regional and national data bases was compiled on the SCSI website to support desk research on market and trade data as well as data on FTAs like ACFTA. The data bases are segmented into trade stats, trade facilitation indicators, and FTA data. They can be accessed through the respective tab at: <http://connecting-asia.org/>

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

VIETRADE is tackling a number of these issues within their Trade Support Services for SMEs programme as is VINASME together with its private sector members. GIZ could complement ongoing Vietnamese efforts in that regard to enhance the public-private dialogue and further strengthen the involvement of export-oriented SMEs in regional integration processes with China. Therefore, a close cooperation with partners on site is envisaged.

Key recommendations for the way forward to tackle obstacles in exporting agricultural goods to China would be:

- step-by-step guidelines on how to export specific agricultural goods to China,
- information on dealing and complying with Chinese standards,
- translation of respective Chinese national standards and/or legal regulations into Vietnamese,
- accompanying trainings on these materials for export-oriented SMEs as well as workshops in or study tours to the neighbouring Guangxi Province of China to improve cross-border exchange and communication.

A follow-up workshop based on the results of this event is in process and will most likely take place towards the end of 2017. For further information please contact Mr. Florian Miß (florian.miss@giz.de).

Infobox 5: VIETRADE

Founded in 2000, the trade promotion agency VIETRADE is authorised as a governmental organisation to regulate all commercial activities and trade fairs in Viet Nam. It is under direct control of the Ministry of Industry and Trade and provides the following services to assist business development of Vietnamese and foreign enterprises:

- proposing policies and measures to the Government for the development of business support activities
- providing business information to trade support institutions and enterprises
- assisting Vietnamese and foreign enterprises in identifying business opportunities, hosting foreign business missions to Viet Nam, and organising business meetings, seminars and conferences for Vietnamese and foreign enterprises
- administering, in coordination with relevant authorities, the National Trade Promotion Program
- training Vietnamese enterprises and trade support institutions in trade promotion and investment promotion for industry development
- cooperating with international and foreign organisations in trade promotion and in investment promotion for industry development

Source: Asian Trade Promotion Forum

Infobox 6: VINASME

The Vietnamese Association of Small and Medium Enterprises (VINASME) was established in 2005 on a voluntary basis to represent the interests of SMEs in Viet Nam and is now the country's largest business association. Although VINASME is affiliated with the Ministry of Planning and Investment its officials are elected by the business members rather than being appointed by the ministry. Its main activities and functions are:

- communicating on relevant issues with the government
- keeping members informed of government policies, and participating in policy consultations in support of SMEs
- organising conferences, forums and dialogues on issues pertinent to SMEs with participation from state and business representatives and foreign counterparts
- encouraging coordination within the SMEs sectors to boost economic and social sustainability
- developing partnerships with financial institutions to better support members' needs in the finance sector
- developing programmes to support members' use of technological innovation
- participating in an inter-sector programme, in cooperation with other business associations and government agencies, to support business competitiveness and resolve legal disputes

Sources: APEC; East Asia Forum

GIZ Programme “Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI)”

Background

Initiatives in support of regional cooperation and integration have increasingly come to be understood as key to Asia’s future development as they enhance the region’s division of labour, its capabilities to attract investments, as well as its access to global markets. Moreover, sub-regional initiatives improve the connectivity between interior lands and peripheral areas, whereby they not only contribute to the reduction of regional disparities and thus poverty, but also facilitate the development of regional competitive advantages.

Our Approach

Sub-regional initiatives foster regional economic cooperation and integration and play an important role for economic as well as social development in Asia. Apart from dismantling trade barriers, the initiatives promote cross-border investment and improve the capacity of regions to connect to the global market, thus, establishing new economic corridors. By boosting less developed areas in border regions they contribute to economic development and job creation. The GIZ Programme “Support for Economic Cooperation in Sub-Regional Initiatives in Asia (SCSI)” works with regional economic communities (RECs) like the Greater Tumen Initiative (GTI) and the ASEAN-China Free Trade Area to strengthen selected core processes of regional integration between Cambodia, Lao PDR, Viet Nam, and Mongolia with the PR China. The goal is to contribute to sustainable and inclusive development in the region.

Commissioned by

German Federal Ministry for Economic Cooperation and Development (BMZ)

Focus Countries

Cambodia, Lao People’s Democratic Republic, Viet Nam, Mongolia

Overall Term

2015-2019

Volume

4.5 mio EUR

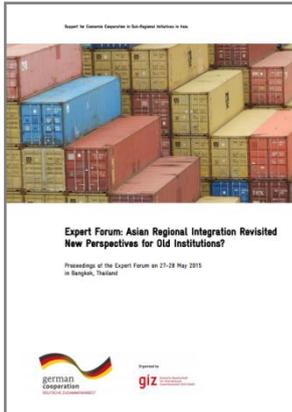
Focus Areas

- strengthening the organisational structure of sub-regional initiatives by provision of international expertise, setting up knowledge sharing platforms and technical trainings regarding internal institutional processes
- strengthening the implementation capacity development of actors involved in sub-regional initiatives regarding project planning, implementation and monitoring within the frame of RECs
- improving the private sector’s utilisation rate of the ASEAN-China Free Trade Agreement (ACFTA) in cooperation with export oriented business associations and chambers to overcome barriers to trade

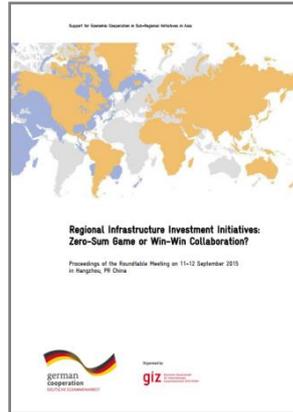
Other publications by SCSI

The GIZ SCSI 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://connecting-asia.org/scsi-in-asia-phase-2-2015-2019/>

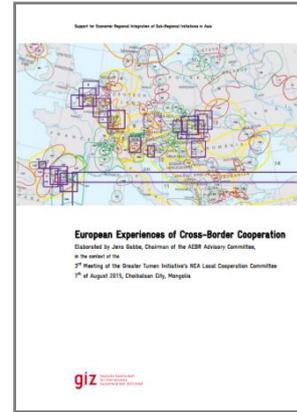
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