UNIDO’s Trade Standards Compliance Activities
An Overview

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Trade Capacity Building Branch

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UNIDO: UN Specialized Agency with three thematic areas:

**Long-term Goal**
To contribute to the achievement of the Millennium Development Goals (MDGs), in particular to **poverty eradication through sustainable industrial development**.

**Thematic Priorities**
- Poverty reduction through productive activities
- Trade capacity-building
- Energy and environment

**Programme Components**
- Industrial Policy, Business Environment and Institutional Support
- Rural and Women’s Entrepreneurship Development
- SME Cluster Development
- Agro-processing and Value Chain Development
- Rural Energy for Productive Use
- Sustainable Production in Poor Communities
- Technology Diffusion
- Promotion of Domestic Investment, FDI and Alliances
- Enterprise Upgrading for Trade Enhancement
- Competitiveness Analysis and Trade-related Policies
- Innovation Systems, Technology Management and Foresight
- Modernization of Export-oriented Agro-industries
- SME Export Consortia
- Corporate Social Responsibility for Market Integration
- Standards, Metrology, Testing and Conformity
- Renewable Energy
- Climate Change and Industrial Energy Efficiency
- Cleaner and Sustainable Production
- Water Management
- Montreal Protocol
- Stockholm Convention
Main Trade–related Challenges – TCB/Quality Responses

**Food Security and Safety:**
- Post Harvest Losses 40-60%
- Dumping of sub-standard products

**Income/Purchase Power:**
- Between 1 and 3 US$ a Day
- Women/gender inequality
- Frequent use of imprecise weights

**Trade Integration/Global VC:**
- 1% trade = 0.5 % more income
- TBT and SPS compliance challenges
- Export losses through non-compliance, rejections

**Health/Access to Medicaments:**
- 60–80 % of fake pharmaceuticals
  (mainly in “open markets”)

**Resource Depletion:**
- Fisheries resources/West Africa, Asia
- Forestry resources/rain forest
- Water

**RESPONSE:**
- Improve competitive supplies
- Verify compliance with market requirements
- Connect to markets
Succeeding Global Trade Participation: **UNIDO 3Cs Approach**

**PRODUCTS**
- Develop Productive Capacity
- Enhance capacity to meet standards
- Upgrade conformity assessment capacities
- Strengthen export promotion activities

**CONFORMITY**
with market requirements

**CONNECTIVITY**
to the market

**MARKET**
- Promote business partnership and trade agreements
- Streamline custom procedures and mechanisms

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Poverty Reduction through Productive Activities • Trade Capacity Building • Energy and Environment
Strategic Partnerships for Trade Capacity Building
TCB Geo-presence 2007 – 2013
Completed, Ongoing and Pipeline Programmes & Projects

- Mauritania
- Cape Verde
- The Gambia
- Senegal
- Guinea Bissau
- Cote D’Ivoire
- Benin
- Burkina Faso
- Mali
- Niger
- Guinea
- Nigeria
- Sierra Leone
- Ghana
- Togo
- Liberia
- ECOWAS

- Egypt
- Libya
- South Sudan
- EAC
- CEMAC
- Cameroon
- Kenya
- Tanzania
- Uganda
- Namibia
- Mozambique
- Malawi
- Zambia

- Mongolia
- China
- Nepal
- Bhutan
- Cambodia
- Laos
- Viet Nam
- Iraq
- Lebanon
- Afghanistan
- Pakistan
- Bangladesh
- India
- Sri Lanka
- Indonesia
- Timor Leste

68% LDCs (35)
61% Africa

Poverty Reduction through Productive Activities • Trade Capacity Building • Energy and Environment
## Funding over US$ 150 Million (2007-2013)

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries/Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>Bangladesh, Cameroon, Côte d'Ivoire, Nepal, Pakistan, ECOWAS, UEMOA</td>
</tr>
<tr>
<td>Norway</td>
<td>East Africa, Mekong, Sri Lanka, Bangladesh; SAARC, Zambia, Uganda, Malawi, GLOBAL FORUM</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Vietnam, Tanzania, Ghana, Mozambique, Tanzania, Lebanon, Egypt</td>
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<tr>
<td>Italy</td>
<td>Egypt, Iraq</td>
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<tr>
<td>Sweden</td>
<td>Trade Trust Fund, AIDMO, Iraq</td>
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<tr>
<td>Poland</td>
<td>Ukraine, Moldova</td>
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<tr>
<td>Korea</td>
<td>Mongolia, South-South Metrology Centre</td>
</tr>
<tr>
<td>India</td>
<td>South-South Lab Testing Centre, Timor-Leste</td>
</tr>
<tr>
<td>Finland</td>
<td>Trade Trust Fund</td>
</tr>
<tr>
<td>Spain</td>
<td>China, Egypt</td>
</tr>
<tr>
<td>China</td>
<td>Food Quality Safety and Testing Training Facility, Dali</td>
</tr>
</tbody>
</table>
TCB Global Forum and Publications

✓ ISO-UNIDO Building Trust (Conformity Assessment)
✓ ISO-UNIDO Fast Forward (Standardization)
✓ ISO 17025 – A practical guidebook (Accreditation)
✓ TCB Resource Guide 2010 (CEB Cluster)
✓ Trade Standards Compliance Report (Standardization)
✓ Guide to Private Standards (Standardization)
✓ ISO 9000 impact in Asia (ISO- IAF-UNIDO)

Get these free publications and more at www.unido.org!!!
Trade Standards Compliance Report (TSCR) 2010 and 2013

Partner: Institute of Development Studies (IDS)

Cooperation:
- Border rejection analysis (4 markets): EU DG Sanco, US FDA, Japan MHLW, AQIS/Australia
- Buyer survey: National/international private sector associations
- Emerging Issues chapter:
  - TSCR 2010: FAO, ILO, IPPC, ISO, UNEP, WTO
  - TSCR 2013: major retailers (AEON, Kraft Foods, GFSI), certification organizations (Fairtrade, MSC), NGOs (WWF, Oxfam), etc.

Additional activities:
- Regional TSCRs for Asia (with IDE-JETRO) and Latin America and the Caribbean (with Inter-American Development Bank, IDB)
- Web tool/database (with IDB), incl. TSC Footprints

Dissemination:
3,600 copies of TSCR 2010 distributed among trade standards stakeholders, donors, developing countries, development agencies + website: www.unido.org/tradestandardscompliance
**Rationale**

**Objectives of Report:**

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

→ Support for **informed development policy decision-making**
→ Better (“smarter”) **design of technical assistance programmes**

**Contribution of the Report:**

- Analysis of import rejections
- Estimation of export losses
- Identification of developing countries’ ability to assess & prove compliance
Trade Standards Compliance Footprints (TSCFs)

Purpose & objectives of TSCFs:

- TSCFs are country fact sheets
- Based on import rejection data
- Provide a snapshot on selected countries’ challenges to comply with export market requirements in agri-food trade
- Allow for benchmarking of compliance capacity
- Target policy makers
- Provide policy makers (and also other stakeholders) with a simple decision-making support tool to guide and inform their setting of priorities for trade capacity-building

http://unido.org/tscfootprints/
Towards a Trade Standards Compliance Observatory
Benchmarking Trade Standards Compliance –
(Work in Progress)

Buyer Compliance Confidence Radar
250 Global Buyers

Import Rejection Analysis
Major markets: EU, US, Japan, Australia

Trade Standards Compliance Benchmarking

Quality and Compliance Infrastructure Performance Survey
49 Countries
Regionalizing the Global TSC Report: 2013 ++

UNIDO

African Union Commission

IDS

Norad

UNIDO

IDE-JETRO

Poverty Reduction through Productive Activities • Trade Capacity Building • Energy and Environment
Thank you!
UNIDO’s Trade Standards Compliance Activities
An Overview

Spencer Henson
Professorial Fellow, Institute of Development Studies, UK
Professor, University of Guelph, Canada

Tokyo, 19 September 2013
Background

- Concerns about ability of developing countries to comply with food safety and quality requirements in international trade
- Significant levels of national and donor resources being allocated to compliance capacity-building
- But:
  - Levels of resources available small relative to the evident challenges
  - Need for resources that are available to be used more efficiently
- Need for more rigorous and consistent analysis of the problems:
  - Where are the capacity weaknesses most evident?
  - To what extent and where do these capacity weaknesses curtail trade?
  - What impact does technical assistance have?
Aims and Focus of the Report and the Underlying Analysis

• Provide rigorous and consistent indicators of the compliance capacity challenges faced by developing countries

• Provide regular update of challenges faced by developing countries

• Raise the profile of trade standards compliance amongst policy-makers at the national and international levels

• Enhance the level and effectiveness of technical assistance

• Develop and apply rigorous metrics of the compliance capacity challenges faced by developing countries

• Apply these metrics to assess the scale of the challenges faced by developing countries and how these evolve over time
Key Components of the TSC Analyses and Report

Buyer Compliance Confidence Radar
250 Global Buyers

Import Rejection Analysis
Major markets: EU, US, Japan, Australia

Trade Standards Compliance Benchmarking

Quality and Compliance Infrastructure Performance Survey
49 Countries
Lens 1: Import Rejection Data as a Measure of Compliance Performance

• Have access to import rejection data for:
  – European Union
  – United States
  – Japan
  – Australia

• Provides details of import rejections:
  – Product
  – Country of origin
  – Reason for rejection
  – Volume of product consignments

• Time series of varying length over period 2002 to 2010
Making Sense of Import Rejection Data

• Great volume of data

• Various factors can influence level of rejections:
  – Rate of non-compliance
  – Level of exports
  – Rate of inspection

• Rejections can take place at different places (at the border, in the market, etc.)

• Different monitoring systems (as applied by different public authorities) are not easily comparable and compatible across markets – which requires harmonization of datasets

• Need consistent summary measures
# Import Rejection Data – Summary Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of rejections</td>
<td>Simple sum of number of rejections</td>
</tr>
<tr>
<td>Unit rejection rate</td>
<td>Number of rejections per US$1 million of imports</td>
</tr>
<tr>
<td>Relative rejection rate</td>
<td>Ratio of a country’s share in total rejections to its share of imports</td>
</tr>
</tbody>
</table>
Japanese Rejections of Fish and Fishery Product Imports, 2006-2010

- China: 35.9%
- Vietnam: 27.5%
- Thailand: 12.5%
- Indonesia: 6.5%
- South Korea: 5.8%
- Philippines: 3.4%
- Chile: 1.8%

Legend:
- Green bars: Number of rejections
- Red diamonds: Percent of rejections
Unit Rejection Rate for Japanese Imports of Fish and Fishery Products, 2006-2010

Largest 10 importers in order of declining imports:

- Vietnam
- China
- Thailand
- South Korea
- Indonesia
- Chile
- Russia
- United States
- Norway
- Canada
Relative Rejection Rate for Japanese Imports of Fish and Fishery Products, 2006-2010

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

Ln Share of Detentions

Ln Share of Imports

Small exporters

Good performers

Bad performers

Large exporters
Relative Rejection Rate for EU Imports of Fish and Fishery Products, 2002-2010

Bad performers

Good performers
Composition of Japanese import rejections and estimate of average annual value of rejections ("export losses")

On average, every year Japan rejects agri-food import products worth over US$14 million.
Estimate of “export losses”: Average Annual Value of Vietnamese Fish and Fishery Product Rejections, 2002-10

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

Reasons for Rejection of Fish and Fishery Product Exports from Vietnam, 2002-2010
Estimate of “export losses”: Average Annual Value of Chinese Fish and Fishery Products Rejections, 2002-10

Average annual loss across four markets: about US$17 million
Lens 2: Corporate Buyer Compliance Confidence Survey

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

- Political stability
- Economic conditions
- Ease of communication
- Price of produce
- Strength of food safety regulation
- Strength of trade-related infrastructure
- Cost of transport
- Availability/reliability of transport
- Ability to supply required quantities
- Strength of food safety controls within supply chain
- Traceability of produce
- Consistency of supply
- Ability to meet quality requirements
- Consistency of quality
Lens 3: Trade Standards Compliance Capacity Indices

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

• Import rejections represent only the ‘tip of the iceberg’
• ‘Export losses’ are relatively small but indicate reputational risk
• Rejection analysis has to be complemented by other measures such as buyer perception surveys and QI performance assessment
• Combination of different ‘lenses’ constitute a “TSC Observatory”
• TSC Observatory would allow for good policy guidance
• Global TSC Observatory work can be complemented with more in-depth regional and national analyses
• TSC Observatory helps to diagnose compliance challenges – but the essential question is how to overcome them
• In-depth value chain studies can indicate how to improve compliance performance → importance of IDE-JETRO analyses
Thank you!