



TA 9916-REG: Sustainable Agriculture and Food Security Program

TRADE AND INVESTMENT TASK FORCE

COLLABORATION ENTRY POINT WITH
GMS WORKING GROUP IN AGRICULTURE

AGRICULTURE AND
FOOD SECURITY SECTOR:
DIGITAL VALUE CHAINS

25 April 2023

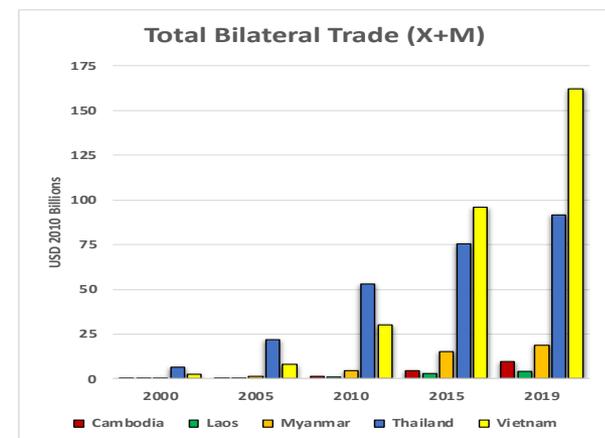
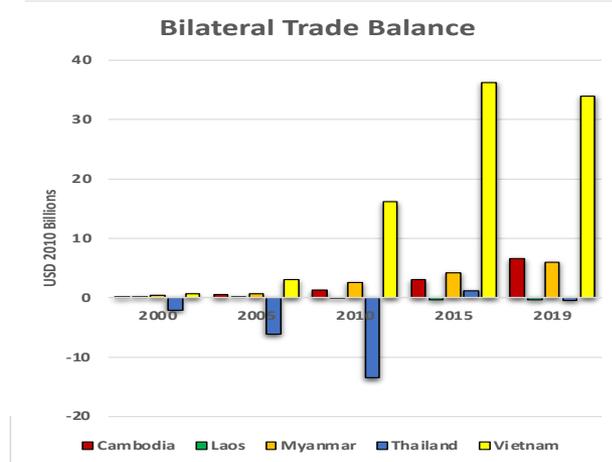
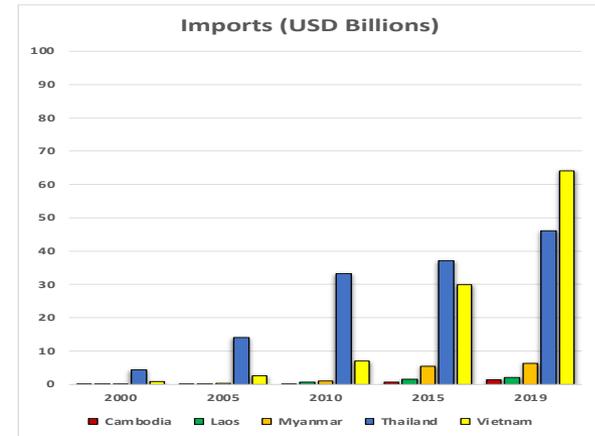
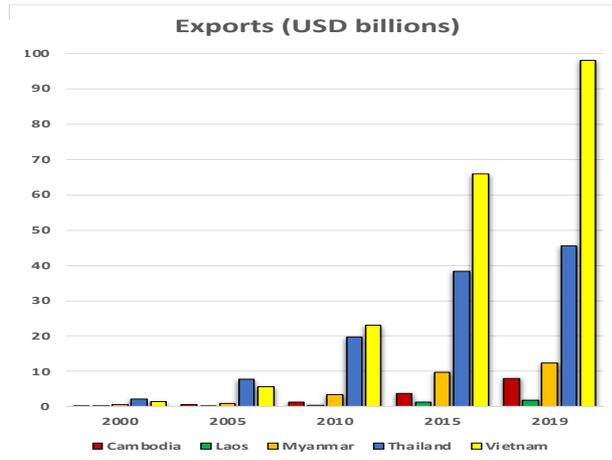


GMS Trade Overview: Expanded Dramatically Over Two Decades

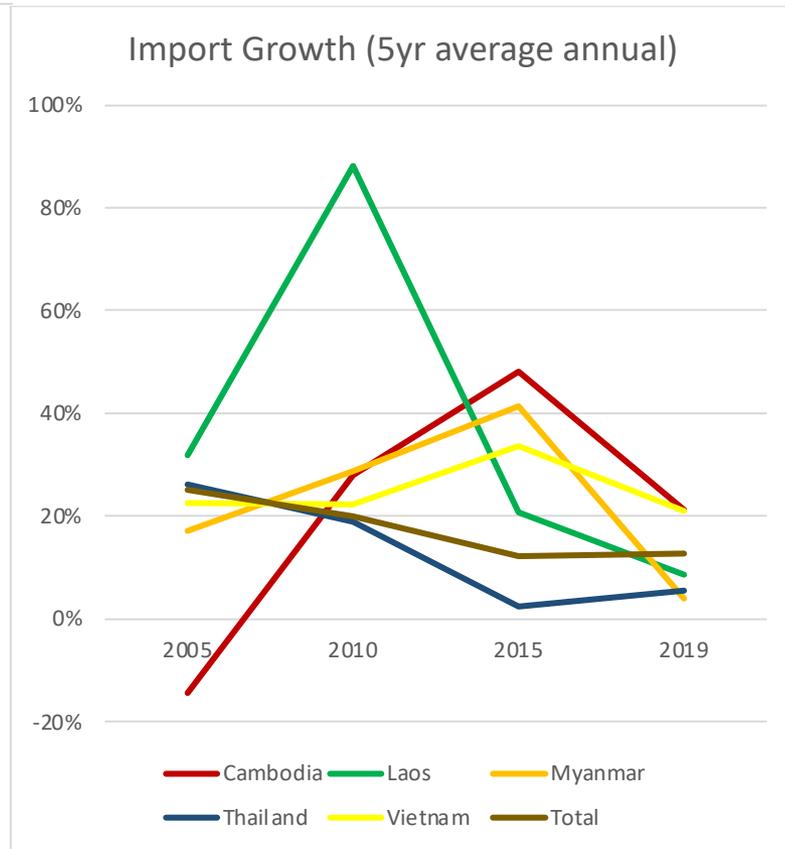
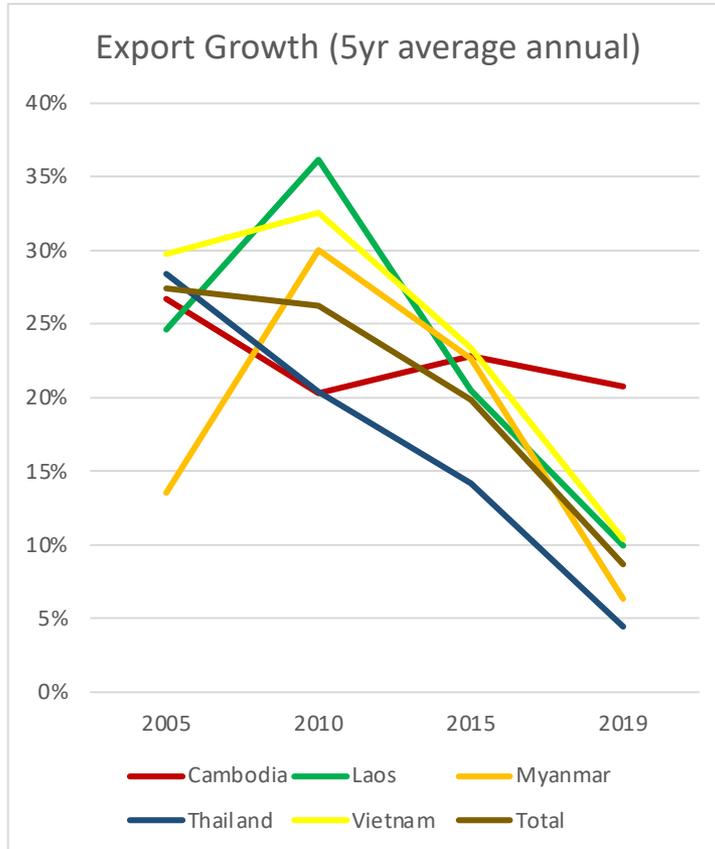
The early years of GMS agrifood trade were largely about formalizing long-established flows of primary agricultural products.

Growth was quite dramatic, but mainly facilitated resource transfers, exporting low value-added products.

What both sides need today is investment in higher quality, higher value added agrifood.



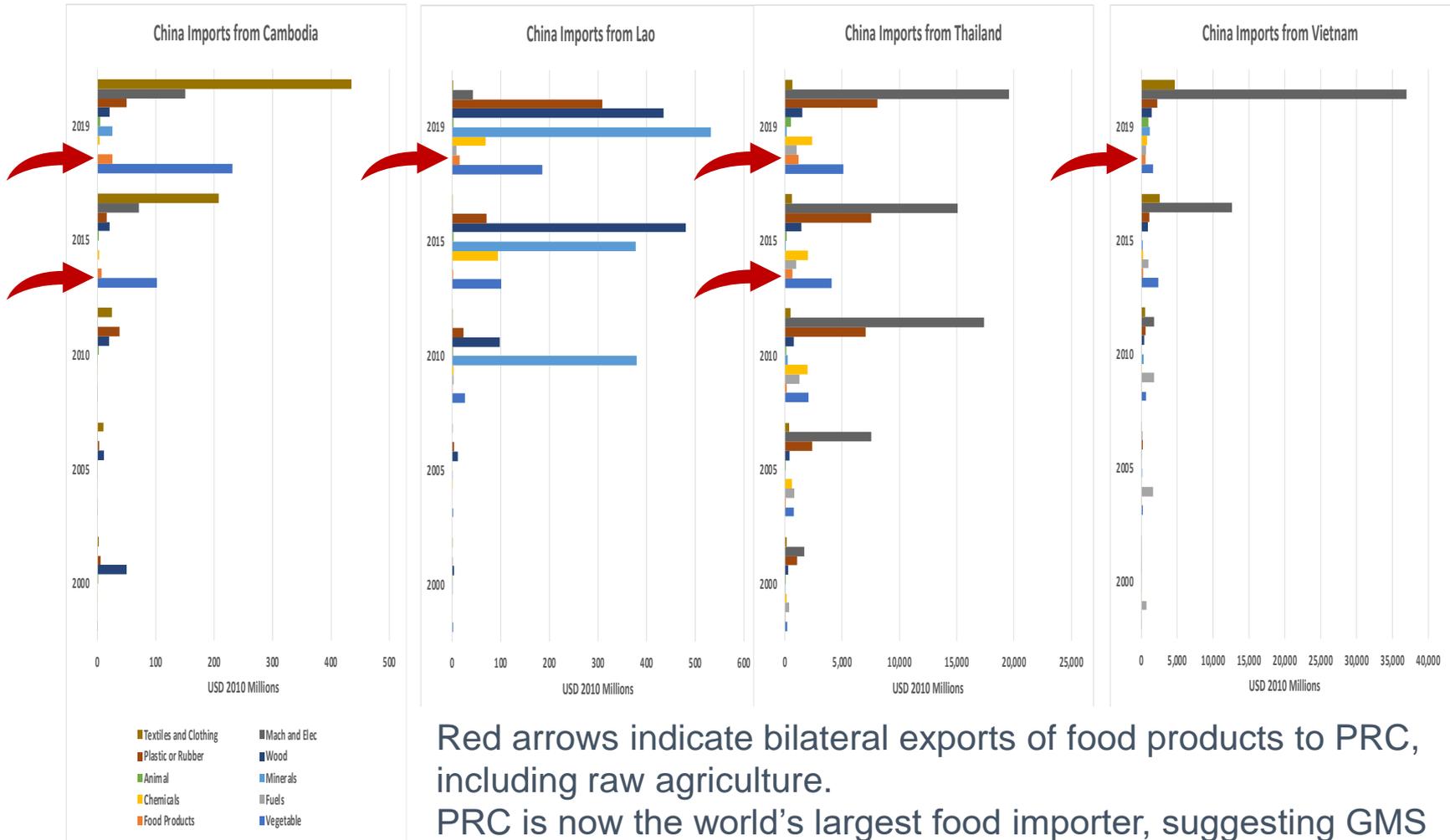
But Export and Import Growth Rates Have Stabilized or Declined



These trends, from very high to moderate growth, have since been severely disrupted by COVID-19.

Now is an essential moment to increase product safety/quality/value, trade volume, and market inclusiveness.

GMS Agrifood Exports are Underperforming: Despite Comparative Advantage



Red arrows indicate bilateral exports of food products to PRC, including raw agriculture.

PRC is now the world's largest food importer, suggesting GMS investments in this channel are far below their potential.

GMS AGRIFOOD SECTOR CHALLENGES

- Agrifood trade and its economic benefits have increased rapidly in the GMS but remain well below their potential
- Access for GMS Agrifood products to global markets are limited by:
 - Insufficient investment in product quality, food safety, and value-added
 - Gaps in local enforcement of quality assurance certification
 - Disjointed and non-interoperable traceability measures in the GMS

PRC is an important market for products from Thailand, Viet Nam, Lao PDR (and vice versa)—there are many opportunities for cross-border trade expansion especially for agriculture products, but

Numerous **challenges and gaps** have been identified by GMS stakeholders



1. Value chain stakeholders (ie. farmers, traders) **need support in understanding and fulfilling regulations.**
2. **Weak enforcement of quality standards** at the farm level
 - Conformity Certification has to go hand in hand with traceability systems.
 - GMS countries interoperable traceability digitization of their quality assurance programs.
 - Use of Global best practices to pursue regulatory integration.
3. Existence of **counterfeit product certificates**, necessitates a traceability system to be in place.



Challenges and Gaps: Crops

Need to **expand market for GMS agriculture products** (i.e. Lao China Border) to even out trade

Some countries like Lao PDR has limited capacity on production/ processing, dependent on imports from nearby countries.

Weak Capacity at the Border (i.e. SPS at Boten Border), and more investments on border facilities needed to address physical limitations.



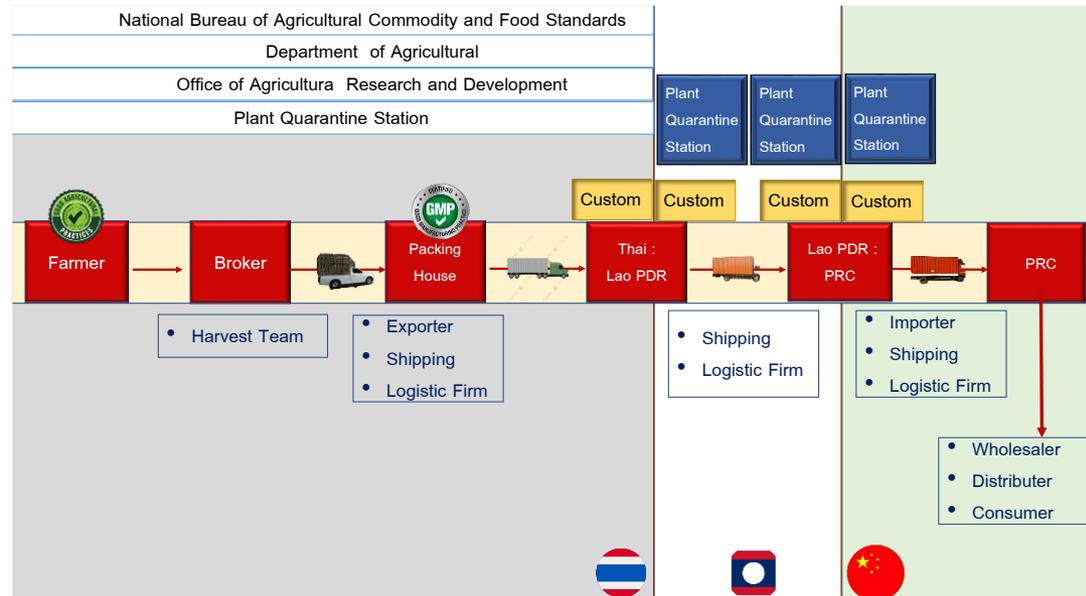
Challenges & Benefits: Livestock

How to utilize **digital livestock traceability** to:

- Reduce disease risks and, in the event of outbreaks
- Facilitate better risk identification and containment
- Improve product quality and value creation
- Overcome information barriers that undermine product safety quality and value creation.
- Improved market access and join larger more advanced value chains to higher value markets

Examples of Country-Specific Barriers: Thailand, Viet Nam and Lao PDR

- Each stakeholder has their **own traceability system**, so data is not shared to each other.
- Plant Quarantine Stations in these three countries use Phytosanitary Certificates (PC), Customs use Certificate of Origin Commercial Invoice and Export Entry, and Shipping and Logistic Firms have **their own documents or systems**.
- In Thailand, PRC consumers can find packing house and exporter names and DOA numbers on durian stem stickers— **but this system needs improvement**.



Country Specific Barriers: Lao PDR and Thailand

The Lao-China Railway can serve as another transport route of agriculture products from Thailand and Lao

Railway is expected to facilitate trade for the GMS countries and expected to help Lao's landlocked challenges.

(alternative to regular routes are via R3, R8, and R9, and maritime transport)

However, agriculture products from Thailand and Lao PDR transported via railway are still limited (currently mostly mineral products).

More agriculture products expected to be traded starting mid-April 2023.



TA9916: Priorities for Agrifood Sector Trade Development

Ensure that GMS countries are better prepared and integrated into regional and global economies:

- Broaden links with regional and global value chains
- Improve **food safety quality standards and digitalization** of traceability systems in the GMS
- Traceability systems that incorporate **globally recognized traceability** standards
- Identify **strategic investments** in digital traceability soft and hard infrastructure

DIGITAL AGRIFOOD VALUE CHAIN TRACEABILITY ACTIVITIES

TA 9916 with WGAs will: *promote low-cost, efficient, and globally recognized traceability standards and technology solutions that can be easily adapted across the GMS*

Three proof-of-concept pilot demonstrations cross border agrifood digital traceability developed:

- Durian (Thailand) exported to the PRC
- Dragon fruit (Viet Nam) exported to the PRC
- Cattle (Laos) exported to the PRC

TA9916 will also:

- Pilot digital agri-finance with agritech and small holders (Cambodia)
- Pilot support for green value chains in Yunnan/PRC

TITF AND WGA COLLABORATION: ENTRY POINTS

Traceability pilots will contribute to enhancing GMS agrifood trade and investment through:

Trade Protocols

- **Pilots will:** *identify where there are any cross-border trade issues with food safety quality standards and digital traceability systems*
- **Advise where cross border trade protocols need further dialogue and development**
 - Mutual Agreement on standards (GAP, etc), with GMS countries, harmonization with international standards
 - Cooperation on Single Window (bilateral, via ASEAN single window) and e-Phyto with Thailand and IPPC.
- **WGAs facilitate inter-ministerial coordination to support connections with TFTI**

TITF AND WGA COLLABORATION: ENTRY POINTS

Investment In Facilities and Equipment

- **Pilots will:** *Highlight potential for wider adoption of traceability systems in all GMS countries*
- **Identify hard infrastructure investments needed to expand use of traceability systems**

Investment in Institutional Capacity and Technologies

- **Pilots will:** *Show traceability systems gaps*
- **Assist to identify what investment in better technologies and institutional capacity and systems**
 - Digitizing the certification process.