Export Promotion and Global Market Access for South Asian Agricultural and Food Products

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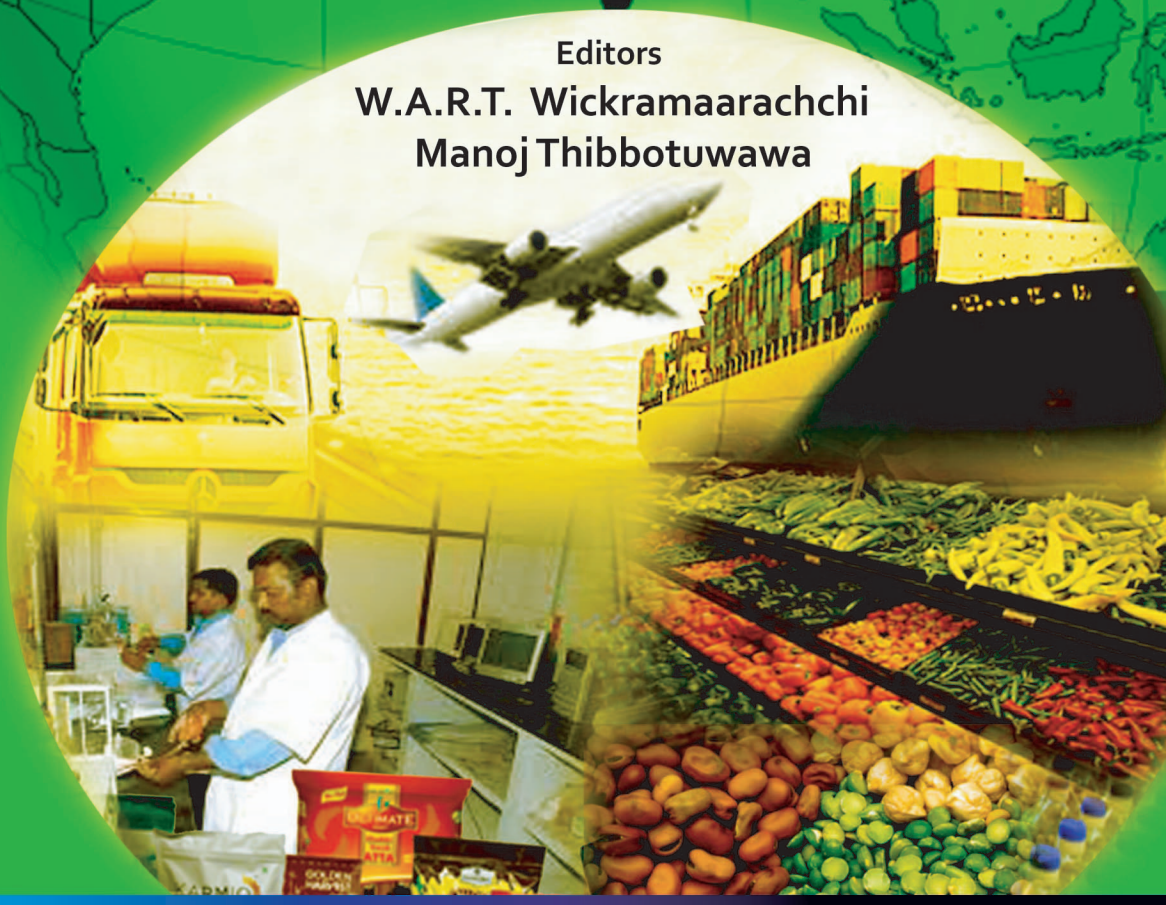
W.A.R.T. Wickramaarachchi
Manoj Thibbotuwawa



SAARC Agriculture Centre (SAC)
South Asian Association for Regional Cooperation

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SAARC Regional Expert Consultation on Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets, 19-21 September 2017, Hotel Renuka, Colombo, Sri Lanka

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Foreword

Exports play a fundamental role for economic growth because they stimulate domestic production and increase the supply of foreign exchange. The South Asian countries exchange goods principally with countries outside the region. Their largest trading partners accounting for more than 50 percent of their total trade are the major industrial countries in the European Union along with the United States and Japan. A substantial portion (40%) of the region's trade is with countries in the Asia-Pacific region including China, the Southeast Asian countries, Australia, New Zealand, and the high-income East Asian countries (Hong Kong, Japan, Korea, Singapore and Taiwan). However, there is huge scope for further promotion of the export of agricultural commodities towards the high-end markets outside the region if major constraints can be addressed appropriately. At the individual firm level, exports are vital for business development, competitiveness and increased market share. However, the common constraints such as poor quality products, long supply chain, low production capacity, high freight cost, lack of financing, lengthy export procedures, contraband trade, lack of skilled manpower, lack of government and other stakeholders supports, lack of market promotion *etc* have contributed a lot for the slow growth of this agricultural export sector. These issues have to be properly addressed and high-value exports led development strategy has to be formulated in order to promote foreign exchange earnings from high-value export products. Government should provide all assistances as much as possible. Even from the exporters' side, there should be strong dedication to help producers with respect to what the market demands. In this context, the private sector in conjunction with the government organization has to play an important role in supporting the producers or undertake contractual agreement with them to produce exportable products.

SAARC Agriculture Centre (SAC) in collaboration with the Institute of Policy Studies of Sri Lanka (IPS) organized this consultation to review the current status of exports of agricultural commodities in the region and out of the region in order to identify the opportunities and challenges in promoting agri-food exports towards high-end other global markets. I strongly believe this publication titled "Export Promotion and Global Market Access for South Asian Agricultural and Food Products" is a comprehensive overview of agricultural trade in the region and bring out valuable recommendations for the promotion of agri-food exports and enhancement of market access beyond the region.

Dr SM Bokhtiar
Director, SAARC Agriculture Centre

Foreword

The agricultural sector continues to play a crucial role for development in South Asian economies in terms of providing rural income and employments, foreign exchange, food and raw materials. Even though a larger share of population is engaged in agricultural activities, the share of agriculture in GDP has been in a declining trend over the years. Despite of the share of agricultural products in total exports is reasonably high in the region, many of the countries have not been able to achieve comparative advantage for exports and remain as net food importers. One of the major reasons for such a scenario would be existing significant barriers to enter into export markets especially in high-end markets in developed countries.

Without limiting to intra-regional exportation, export expansion of agri-food products should be coupled with seeking opportunities in inter-regional and global export markets. However, enhancing export performance by adding new destinations to export profiles requires greater diversification of export baskets. Export performance is primarily influenced by a number of factors including country location and distance to rapidly expanding export markets, domestic supply capacity, quality of the domestic products and stringent quality requirements in export markets. In addition, poor domestic infrastructure facilities such as inadequate and inefficient transport facilities, poor storage facilities and substandard telecommunications can affect either directly or indirectly the access to export market. At the institutional level, lack of transparent legal and regulatory framework does not encourage SMEs to diversify their product portfolios. In most South Asian Countries, the SMEs are constrained by not only lack of financial resources (capital) but also by poor capacity of human resources that include entrepreneurial, managerial, technical and marketing skills.

Thus, entrepreneurs who seek export promotion by diversifying their product and market bases need to have a good understanding of the rules, regulations and procedures governing agri-food trade in target markets and thereby, to develop appropriate promotional strategies to increase market access. Efforts to enhance export performance will require not only technical assistance aimed at strengthening the institutional infrastructure for export, but also initiatives aimed at enhancing the outward orientation of the private sector. Enterprise-oriented technical cooperation programs can underpin efforts to improve international marketing and business development. In order to promote regional export, it is important and appropriate that countries work more closely with each other to facilitate both intra and inter regional trade.

In this backdrop, SAARC Agriculture Centre (SAC) in the collaboration with the Institute of Policy Studies of Sri Lanka (IPS) has organized this consultation to review the status of agri-food exports in the region in order to identify the opportunities and challenges in promoting agri-food exports and to suggest policy strategies to enhance market access.

The main objective of this consultation was to identify rational and feasible policy options for the enhancement of market access and promotion of agri-food exports based on the current status, opportunities and challenges and best practices in the region. Specific objectives include review the current status of agri-food exports in the region; exchange experience and lessons learned from the implementation of various export promotion programs; identify the constraints and challenges in relation to the promotion of agri-food exports and enhancement of market access; identify the best practices in export promotion in the region and suggesting remedial policy measures to enhance market access and to promote export expansion.

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Chapter 1

Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets-Afghanistan Overview

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Abstract

This paper gives information regarding the latest trend in external trade of Afghanistan in light of the recent economic and political changes in Afghanistan and global international trade effects, as well as impact of these changes to the development of the agricultural, industrial and service sectors.

Trade is a key driver for economic growth in Afghanistan. Increased trade creates jobs, uplifts family income, attracts foreign investment and contributes to the country's economic growth while increasing the prospects for peace and security. Trade and tariff policies significantly influence the structural development of the economy. In this review, the analysis of impacts of trade on the Afghan economy and detailed import/export statistics are given.

The Ministry of Commerce and Industry will continue support increased economic integration with other countries as well as more rapid growth and development of the Afghan economy through the implementation of effective trade and tariff policies.

Keywords: Agricultural trade, agricultural export, tariff

Introduction

Afghanistan economic profile

Afghanistan's economy suffers from decades of conflict and war. Although significant progress has been made in the recent years, Afghanistan is extremely poor, landlocked and highly dependent on international aid, agriculture and trade with neighboring countries.

GDP and GDP per capita: Despite ongoing security problems, Afghanistan has been able to sustain relatively high rates of economic growth. Real GDP growth has averaged 7 percent in the last six years with inflation rate at 8 percent. According to different sources in 2014,

the real GDP was estimated around USD 22,000 million and GDP per capita during last five years increased from USD 500 to USD 840 (Estimation of 2012 is varying 750-1,250).

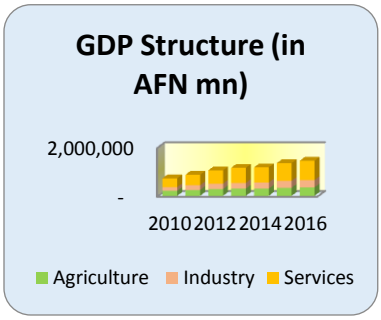

Table 1: Trade of Afghanistan (USD million)

Particulars	2011	2012	2013	2014	2015	2016
Imports	7,574	7,256	6,452	6,405	6,844	6,356
Exports	205.6	226.2	321.2	461	456	604
Trade Turnover	7,780	7,482	6,773	6,866	7,300	6,960
Trade Balance	(7,369)	(7,030)	(6,130)	(5,944)	(6,388)	(5,752)

Production: The agricultural sector remains the main economic activity involving 80 percent of the country population and contributes approximately 25 percent to GDP. The main traditional crops are grain, rice, fruit, nuts and vegetables.

Small scale industries: contributes approximately 15 percent to GDP and it includes handicrafts, textiles, carpets, mining and some food processing.

Services: They are significant and growing rapidly, contributing 60 percent to GDP.

External trade: Most of the goods in Afghanistan are imported. The average rate of growth of imports was more than 10 percent for the last six years. However in the last four years, imports decreased from USD 7.2 billion in 2012 to USD 6.3 billion in 2015.

Exports consist mainly of fruits, nuts, vegetables, cotton, carpets and coal. Exports are growing in the last three years with range of about 20 percent annually.

Average tariff rate: 6.5 percent including agricultural goods 7.3 percent, other 5.9 percent.

Average weighted tariff rate: 6.8 percent including agricultural goods 6.0 percent; non-agricultural 7.0 percent

Population: The population of Afghanistan is about 29 million.

Capital: Kabul (population around 2.5 million)

Exchange rate: The average exchange rate in 2013 was 1 USD = 55.5 AFN and currently at the end of 2016 has increased more than 67 AFN.

Despite the help of International Donors, the Afghan Government continue to confront a number of major development challenges including low revenue collection, low rates of job creation, high levels of corruption, limited government capacity and inadequate physical infrastructure.

Table 2: Afghanistan economic profile

Year	2010	2011	2012	2013	2014	2015	2016
Population thousand	27,961	28,487	29,024	29,024	29,570	29,600	29,896
GDP (AFN mn)	899,996	988,443	1,078,521	1,190,000	1,209,970	1,404,280	1,483,342
GDP (USD mn)	19,313	21,121	21,189	21,403	21,076	23,142	22,113
GDP per capita AFN	32,188	34,698	37,160	41,001	42,862	42,862	42,862
GDP per capita USD	691	741	730	737	747	782	740
Unemployment rate	35%	35%	34%	34%	33%	33%	33%
Imports (AFN mn)	233,494	354,466	369,318	358,713	367,676	415,314	426,290
Imports (USD mn)	5,011	7,574	7,256	6,452	6,405	6,349	6,356
Exports (AFN mn)	6,426	9,623	11,514	17,858	24,370	26,704	40,468
Exports (USD mn)	137.9	205.6	226.2	321.2	424.5	440.1	604
Exchange Rate	46.6	46.79	50.91	55.55	57.41	60.68	67.08

Agriculture: The importance of agriculture remains critical. Up to 80 percent of the total population is engaged in agricultural activities and as a result, most of Afghan household incomes are derived from this sector. Most of sensitive goods, where imports to Afghanistan need to be regulated are agricultural products. A key goal of trade policy is a strategy oriented for the development and diversification of agricultural activities such as promoting adoption of improved technologies, reducing the cost of imported machinery, raw materials and packaging materials, live animals, feed, seeds, fertilizer and chemicals to increase employment, expand the production of agricultural goods and the development of food processing activities. However, the agriculture sector still remains vulnerable.

During the last five years, imports of agricultural products became more than doubled from AFN 70 to 150 billion, In 2016, imports of agricultural goods increased by 10 percent and imports of industrial goods remains on the same level.

Table 3: Import of products by categories (AFN million)

Description	2010	2011	2012	2013	2014	2015	2016	Growth
Agricultural Products	44,059	73,999	95,895	98,851	122,063	142,795	156,396	10%
Industrial Products	189,221	280,357	273,423	259,862	245,613	271,882	269,895	-1%
Total	233,280	354,356	369,317	358,713	367,676	414,677	426,290	3%
Share of Agricultural Products	19%	21%	26%	28%	33%	34%	37%	

Industry: Afghanistan has several major industries, including textiles, furniture, natural resources (*ie* natural gas, coal, oil, copper, gold, salt, etc), handmade carpets and cement. However, most industrial goods are imported. During the last five years imports of non-agricultural goods are set in the range between AFN 250 to 280 billion.

Services: The service sectors have been developing at quite high rates. The leading service activities are transportation, construction, retailing, and telecommunication. The share of services in GDP is more than 60 percent with the largest contributors as transport about 20 percent; construction 10 percent and retail trade 8 percent. The share of telecommunication services in GDP is about 6 percent.

Table 4: Structure of services in GDP of Afghanistan (AFN million)

Description	2012	2013	2014	2015	2016	Share GDP
Construction	81,255	93,868	107,470	119,620	134,000	9%
Wholesale & retail trade, restaurants & hotels	95,295	101,126	99,223	117,965	126,023	8%
Wholesale & retail trade	83,141	86,541	83,409	99,526	105,714	7%
Restaurants & hotels	12,154	14,585	15,814	18,440	20,309	1%
Transport, storage and communication	242,580	293,697	288,114	350,049	388,810	26%

Description	2012	2013	2014	2015	2016	Share GDP
Transport & storage	197,726	241,354	225,597	281,812	312,258	21%
Post and telecommunication	44,854	52,343	62,517	68,236	76,552	5%
Finance, insurance, real estate and business	10,679	10,023	10,019	7,687	8,208	1%
Finance	10,458	9,804	9,804	7,421	7,934	1%
Insurance	99	101	104	145	155	0%
Real estate and business services	121	118	112	122	121	0%
Ownership of dwellings	35,911	34,819	36,264	39,318	40,218	3%
Community, social and personal services	8,282	9,880	9,691	11,333	12,311	1%
Government services	132,607	146,018	156,589	179,842	193,429	13%
Other services	20,454	22,566	22,663	23,766	23,866	2%
Services	627,416	713,448	728,588	849,220	926,110	62%

Besides agricultural sector, the most important industry in Afghanistan is construction industry with nearly 10 percent of employment. Imports of goods related to construction industry such as cement, steel, glass, wood, plastics *etc* are about 25 percent of total imports. Trade Policy together with national policy is focused to develop this sector of economy by development of products to attract foreign investments and technologies into Afghanistan and importing the goods related to construction industry.

Table 5: Exchange rate

Months	2010	2011	2012	2013	2014	2015	2016
January	48.55	45.44	49.68	51.36	56.33	57.76	57.76
February	47.57	45.37	49.42	52.05	57.17	57.40	57.40
March	48.03	45.42	49.43	53.91	57.51	57.77	57.77
April	48.33	45.98	49.98	54.70	57.71	58.01	58.01
May	46.48	45.95	50.19	55.66	57.27	59.47	59.47
June	46.53	46.18	50.46	55.56	57.78	60.53	60.53

Months	2010	2011	2012	2013	2014	2015	2016
July	46.42	48.02	51.65	56.95	57.31	60.79	60.79
August	45.48	47.28	51.35	56.89	57.1	63.29	63.29
September	45.99	47.28	51.68	56.50	57.22	63.94	63.94
October	45.14	47.99	52.28	57.34	57.77	64.54	64.54
November	45.31	48.22	52.65	57.75	57.78	66.93	66.93
December	45.30	48.28	52.20	58.00	58.18	-	-
Average	46.59	46.78	50.91	55.54	57.42	60.95	60.95
Currency Depreciation	-5.4%	0.4%	8.8%	9.1%	3.4%	6.1%	6.1%

In 2009-2012, Afghan currency exchange rate was relatively strong to USD compare to 2013 and as a result consumers buy more imports from foreign countries in 2009-2011. In 2013 and 2014 imports have been decreasing and one of the reasons was depreciation of Afghan currency.

The situation with exports is opposite. When the currency is relatively strong, exports tend to go down since the profits for exporters are lower. In 2013, the Afghani was relatively weaker (depreciated by almost 20 percent compare to 2011) and it was one of the reason that exports in 2013 increased by 40 percent. (Exports will be considered further in the section of "Exports".)

Tariff as a main tool for trade policy

Import tariffs one of the main tools of trade policy and what customs is using to collect revenue. Customs imposes tariffs on imported goods as a percentage of the determined customs value. Import tariff rates vary widely to protect domestic industries. The TPAU together with other governmental institutions are involved with the implementation of tariff policies that are not only focused on revenue collection, promoting imports, but in the same time to support local consumers and producers.

General information on tariff schedule

In 2014-2015, amendments are introduced to HS 2012. The diversified imports tariff lines were increased from 5,207 to total number as of 5915. Later due to conversion of HS code to HS 2017, the total number of tariff lines was reduced to 5,639. In 2015-2016, four sets of amendments were introduced into the Tariff Schedule. Due to these changes the Average Weighted Tariff Rate (AWTR) increased from 6.5 to 6.8 percent.

Table 6: Comparison of tariff schedules

Particulars	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015*	Year 2016*
Number of tariff lines	5,168	5,168	5,207	5,176	5,706	5,915	5,639
Number of tariff lines with actual trade	3,112	3,192	3,295	3,079	3,009	3,145	2,527
Number of tariff bands	13	13	13	14	14	17	17
Simple average tariff	5.6%	5.7%	6.1%	6.5%	6.9%	6.7%	8.7%
Including agricultural products	5.8%	5.8%	6.0%	7.6%	8.6%	9.1%	10.5%
Including industrial and other products	5.6%	5.6%	6.2%	6.3%	6.5%	6.5%	8.1%
Weighted Average Tariff	5.8%	5.9%	6.2%	6.8%	6.5%	6.8%	7.2%
Including agricultural products	3.0%	4.0%	6.3%	6.0%	5.7%	6.1%	5.9%
Including industrial and other products	6.4%	6.5%	6.7%	7.0%	6.7%	7.0%	7.9%

Note: *Schedule for 2016 was introduced in November 2015 and December 2016 with two amendments based on WTO commitments*

The Average Simple Tariff Rate increased from 6.7 to 8.7 percent due to the introduction of higher tariff rates on both agricultural products (10.5%) and industrial products (8.1%) and due to decrease of number lines with lower tariff rates based on initial introduction of HS 2017. The AWTR increased from 6.8 to 7.2 percent mostly due to the increased tariff rates on vehicles and increased consumption of fuel products where applied tariff rates are relatively high.

The AWTR on agricultural products decreased due to increase on trade of products where lower tariff rates are applied. In general, the increased tariff rates have contributed to increased collection of customs revenue and contributed to the protection of local agricultural producers.

The high difference between Simple Average Tariff and Weighted Average Tariff indicates that most imports of agricultural products are coming under relatively low tariff rates. Imports where tariff rates are high were decreased. The small difference in Simple (8.1%) and Weighted (7.9%) Tariff rates on industrial products indicate that few products are the most revenue generated. Number of tariff bands (including “0%”) increased to 17 with introduction new tariff bands, 25 percent and 30 percent.

Table 7: Tariff Bands Structure in 2015

	Bands	Sum of mn	Share	Trade lines	Lines	Share
1	0%	347.9	0%	7	25	0%
2	1%	52.4	0%	9	91	4%
3	2.5%	6,961.7	2%	41	1465	2%
4	3.5%	146,050.7	35%	581	15	26%
5	5%	9,044.3	2%	5	2112	0%
6	8%	99,204.0	24%	604	228	35%
7	10%	13,265.1	3%	64	1176	2%
8	12%	59,083.5	14%	690	49	23%
9	14%	16,353.3	4%	44	2	1%
10	16%	33,353.5	8%	2	191	0%
11	20%	15,377.5	4%	103	43	3%
12	25%	15,387.6	4%	76	65	1%
13	30%	397.7	0%	37	73	1%
14	40%	3,860.7	1%	44	38	1%
15	50%	806.2	0%	21	2	1%
16	60%	31.2	0%	2	41	0%
17	70%	680.5	0%	17	20	1%
18	ممنوع	1	0.0%	14	81	0%
	7.97%	420,385	100.0%	2361	5639	100%

The low tariff rates (not higher than 10%) are applied on about 75 percent of total imports including 40 percent of total imports where tariff rate is less than 5 percent. Total number of lines with tariff rate above 12 percent is less than 400 out of 5639. However these items generate the most revenue where their share of trade is about 35 percent of total trade. The highest tariff rate 70 percent is applied on old imported passenger vehicles.

The impact of trade policy can be summarized into effects on production and services that will be discussed later. The trade policy of Afghanistan regulates domestic and international trade in order to protect national interests, accelerate economic growth and to expand and diversify exports and imports. It does this by facilitating greater access of domestic producers to foreign markets and maintaining a domestic trade regime that allows producers to compete fairly with importers.

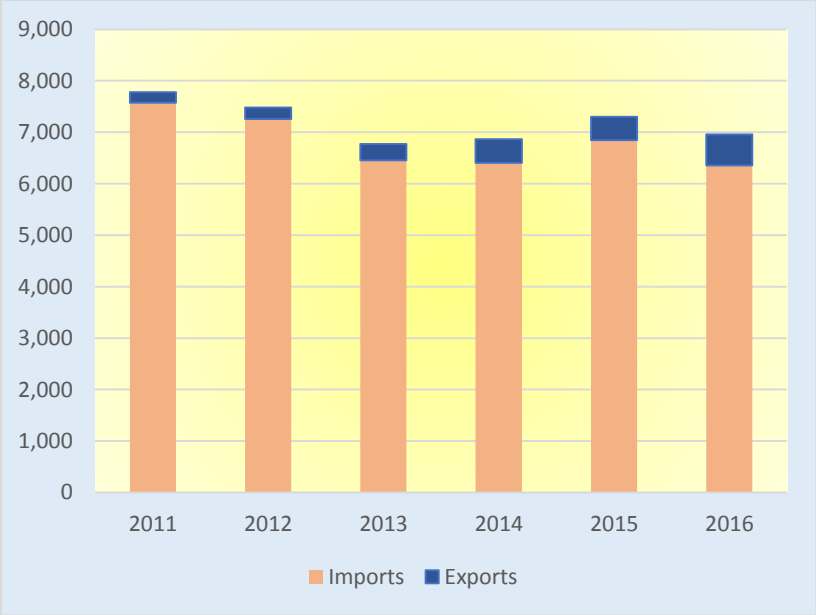

Figure 1: Trade turnover (USD million)

The main tools of trade policy are custom duties, trade quotas, non-tariff barriers, and subsidies. By application of these tools, the government regulates the volume and structure of trade. A key element of trade policy is the imposition of relatively high import duties on certain products to develop specific infant industries and sensitive sectors of economy and to support the state monopoly on trade in certain types of goods.

Imports to Afghanistan slightly decreased in the year 2013 after had been growing steadily for the previous 11 years. In 2014-2016 Afghan exports increased about 40 percent. MoCI is reviewing reasons for these changes and which economic policy or administrative tools could be used to expand trade.

Imports and trade turnover decreased in 2016, but in the same time exports increased by 32 percent to reach the highest in the modern history of Afghanistan as of more than USD 600 million.

Table 8: Import/export of Afghanistan (USD million)

Indicators	2011	2012	2013	2014	2015	2016	Growth
Import	7,574	7,256	6,452	6,405	6,844	6,356	-7%
Export	205.6	226.2	321.2	461	456	604	32%
Trade Turnover	7,780	7,482	6,773	6,866	7,300	6,960	-5%
Trade Balance	-7,368	-7,030	-6,131	-5,944	-6,388	-5,752	

The regulation of foreign trade uses different types of measures. Export measures include organizational and lending practices to stimulate exports. The MoCI's Trade Policy Analysis Unit (TPAU) is working closely with the Export Promotion Agency (EPAA) and the private sectors to stimulate exports by:

- Forecasting exports of Afghanistan
- Providing general information and advisory services to exporters
- Participating in analysis or negotiation of trade deals potentials
- Building capacity for traders
- Supporting organization of fairs and exhibitions abroad
- Assisting in provision of diplomatic support for national companies

Figure 2: Trade turnover in Afghanistan (AFN mn)

Import regulations play an important part in defining the domestic commercial environment. These measures are intended to control/facilitate/restrict imports through tariffs and non-tariff measures and also barriers. The TPAU monitors the situation regarding import regulations. For example, tariff rates on some products may be increased to protect a specific industry or they may be reduced to lower costs for consumers.

As shown in the Figure 2, we can see from the graph, the trade turnover of Afghanistan is grooving (in domestic currency).

Exports

Table 9: Export from Afghanistan to different destinations (AFN million)

Country	2012	2013	2014	2015	2016	Share	Growth
India	4,177.1	4,322.5	7,340.3	9,596.6	18,976.5	47%	98%
Pakistan	3,831.4	6,812.4	8,748.1	10,139.9	15,877.9	39%	57%
Iran	725.3	1,730.9	1,235.4	1,550.1	1,478.5	4%	-5%
UAE	569.5	2,598.8	1,493.4	1,626.1	790.6	2%	-51%
Iraq	615.3	778.1	736.2	974.3	787.8	2%	-19%
Turkey	244.7	955.5	1,597.7	722.5	587.6	1%	-19%
China	457.1	714.8	647.0	360.6	285.9	1%	-21%
Kazakhstan	21.1	47.1	207.0	210.5	272.0	1%	29%
Tajikistan	276.0	452.7	1,542.3	606.5	265.7	1%	-56%
Russia	394.2	258.2	381.8	365.3	237.2	1%	-35%
Germany	41.4	109.5	253.8	154.0	127.4	0%	-17%
Turkmenistan	66.4	561.2	344.8	87.5	105.1	0%	20%
United States	152.1	524.9	640.4	229.0	104.3	0%	-54%
Other	632.8	1,074.1	1,283.9	1,031.4	633.1	2%	-39%
Total (AFN mn)	12,204.4	20,940.7	26,452.1	27,654.5	40,529.8	100%	47%
Total (USD mn)	239.8	376.6	460.8	455.7	599.3		32%

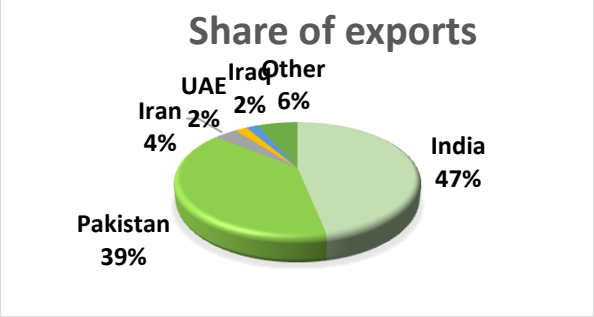

Figure 3: Major export partners of Afghanistan and their share

In 2016, exports of Afghanistan increased by more than 40 percent mostly due to increase of exports to India and Pakistan. Geographic proximity to large markets in India, China, Pakistan and the Middle East is an asset for Afghan agricultural exports. Pakistan and India are largest importers of Afghanistan products together accounting more than 80 percent of total Afghanistan exports. Exports to Iran, Iraq and UAE were not growing in 2016. China, Turkey and Russia are very important market for Afghanistan exports. However in 2016, exports to these countries reduced. Increase of exports in total and reduction of exports in most of countries suggested on vulnerability and dependence of transportation of the goods from Afghanistan. Exports to India are growing for the last 5 years, especially in spices and resins. Total export to India in 2016 has doubled from AFN 9.5 to almost 20 billion.

Table 10: Export from Afghanistan by product (AFN million)

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
08	Edible fruit and nuts	3,986	5,678	9,153	9,512	14,155	35%	49%
10	Cereals	144	494	479	138	6,162	15%	900%
13	Lac; gums, resins and other	2,082	1,547	3,152	4,285	4,554	11%	6%
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit	1,513	2,603	2,945	3,472	3,837	9%	11%
07	Edible vegetables	578	1,814	1,501	3,512	3,134	8%	-11%
09	Mate, Saffron and spices	333	408	921	1,404	1,982	5%	41%
27	Mineral fuels	704	1,115	1,865	669	1,951	5%	192%
57	Carpets and floor coverings	252	614	938	1,525	1,624	4%	7%
52	Cotton	408	2,261	917	515	605	1%	17%
51	Wool, fine	522	702	411	498	520	1%	4%
41	Raw hides and skins	616	601	1,000	427	475	1%	11%
20	Preparations of vegetables	4	4	5	3	313	1%	900%
	Other	1,064	3,098	3,165	1,694	1,218	3%	-28%
	Total in AFN mn	12,204	20,941	26,452	27,654	40,530	100%	47%
	Total in USD mn	152	183	213	345	391		13%

Afghanistan has relatively few tradable products for exports and these are heavily concentrated in a few markets. Most Afghan exports are either raw materials or basic need products like agriculture.

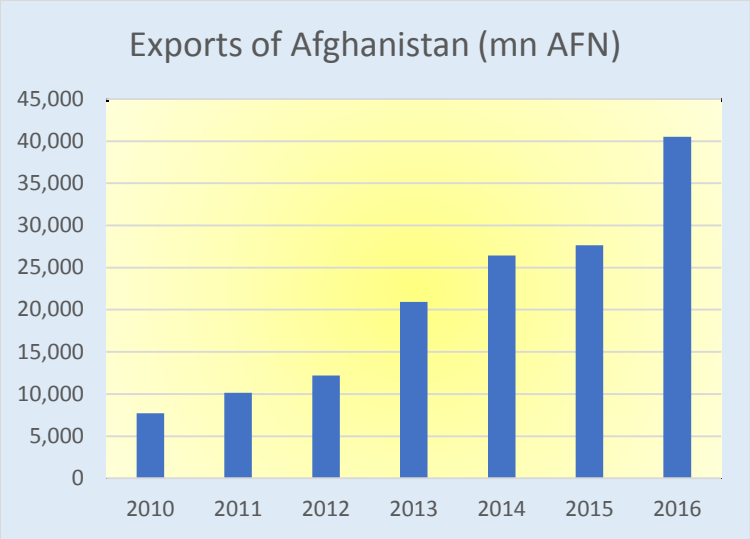

Figure 4: Total export value of Afghanistan (AFN million)

Dry fruits which account for around one-third of official exports increased in 2016 by 50 percent. In 2016, Afghanistan started exports of sorghum that is becoming a new main export product. Carpet exports are another major export item increased in 2014 about 53 percent. This trend is correlated with the depreciation of the Afghani observed during 2012-2016 which in principal should have led to a positive export response. Thereof it demonstrates Afghanistan's potential to increase exports of carpets, wool and textile products. In 2016, Afghanistan started exporting of processed food which has a higher value added than raw materials.

Increase of exports of fruits and vegetables are highly depends on favorable weather conditions.

Table 11: Export of goods by BCP and mode of transportation (AFN million)

Description	2012	2013	2014	2015	2016	Share	Growth
Air transport	2,771	2,151	4,633	6,459	6,948	17%	8%
Pakistan	5,454	10,685	12,606	12,847	25,703	63%	100%
Iran	2,551	4,942	5,278	5,400	4,383	11%	-19%
Tajikistan	303	482	1,531	681	332	1%	-51%
Uzbekistan	394	841	916	800	2,018	5%	152%

Description	2012	2013	2014	2015	2016	Share	Growth
Turkmenistan	732	1,839	1,489	1,467	1,145	3%	-22%
Total (AFN mn)	12,204	20,941	26,452	27,654	40,530	100%	47%
Total (USD mn)	75.3	122.5	151.5	167.1	234.8		41%

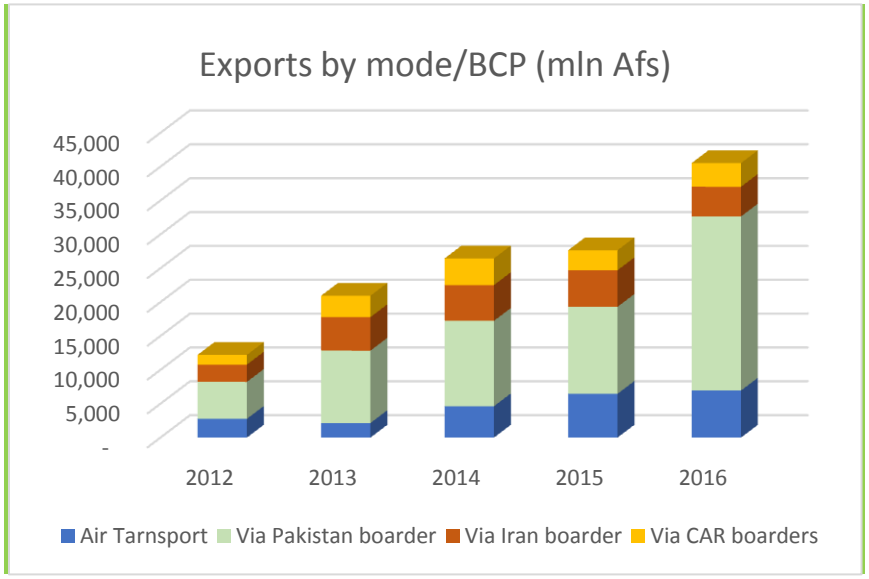

Figure 5: Export by mode / BCP (AFN million)

In 2016, exports to India (Wagah) via Pakistan increased as a result of trade facilitation. Exports of Afghanistan via Pakistan doubled in 2016. Under Islamabad's bilateral agreement with Kabul, Afghanistan could export goods through Pakistan. But Indian goods could not be imported into Afghanistan through Pakistan. In 2016, exports via air increased by 8 percent.

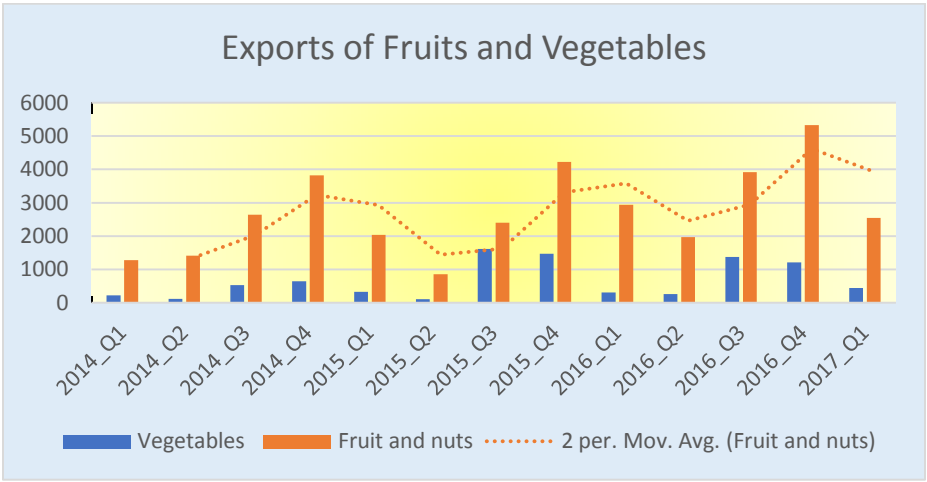

Figure 6: Exports of fruits and vegetables

Exports of fruits and vegetables highly depend on season of production (peak in quarter 3 and 4) unlike other goods (Figure 6 and 7).

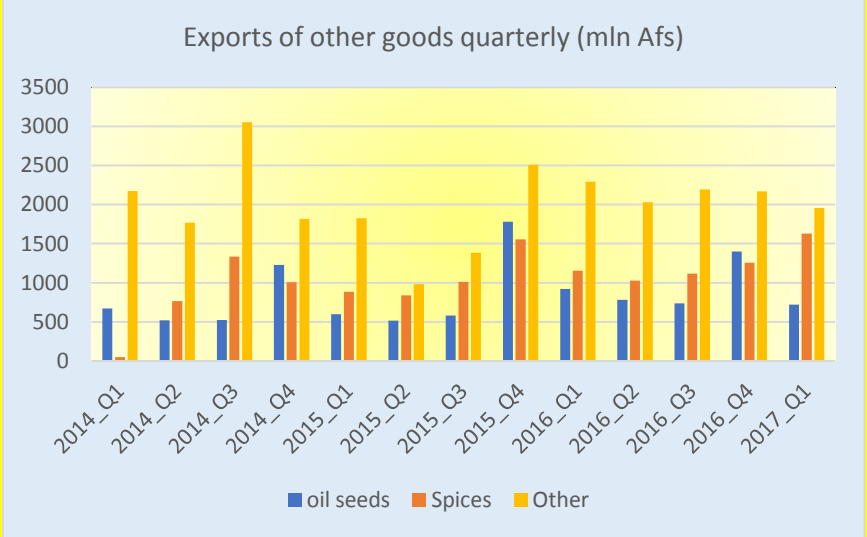

Figure 7: Export of other goods like oil seeds and spices

Table 12: Export from Afghanistan to India by product (AFN million)

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
1007	Grain sorghum				1.8	6,061.0	32%	328%
1302	Vegetable saps and extracts vegetable products	1,979.8	1,344.8	2,826.0	4,009.6	4,516.4	24%	13%
0802	Other nuts, fresh or dried	743.0	585.6	1,017.4	1,559.5	1,856.7	10%	19%
0806	Grapes, fresh or dried	351.1	479.3	1,105.7	1,113.6	1,819.8	10%	63%
0804	Dates, figs	493.3	961.6	1,081.4	909.7	1,759.1	9%	93%
0909	Seeds of anise	117.2	217.2	431.8	278.2	641.2	3%	130%
0811	Fruit and nuts	55.7	165.8	227.3	238.8	524.3	3%	120%
1211	Plants and parts of plants	35.6	33.0	63.7	129.8	396.9	2%	206%
0713	Dried leguminous vegetables	15.7	58.4		155.9	281.1	1%	80%
1104	Cereal grains otherwise				500.7	266.8	1%	-47%
0813	Fruit, dried, other	296.0	235.5	253.3	124.2	231.1	1%	86%
0910	Ginger, saffron,	1.1		94.9	135.2	203.3	1%	50%

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
0809	Apricots, cherries,	3.2	2.1	67.8	63.4	123.3	1%	94%
0808	Apples, pears and quinces	5.2	9.2	0.0	30.8	109.3	1%	255%
0810	Other fruit, fresh	41.3	26.6	38.5	32.7	72.8	0%	122%
	Other	39.0	203.4	132.4	312.7	113.4	1%	-64%
	Total (AFN mn)	4,177.1	4,322.5	7,340.3	9,596.6	18,976.5	100%	98%
	Total (USD mn)	82.1	77.7	127.9	158.1	280.6		77%

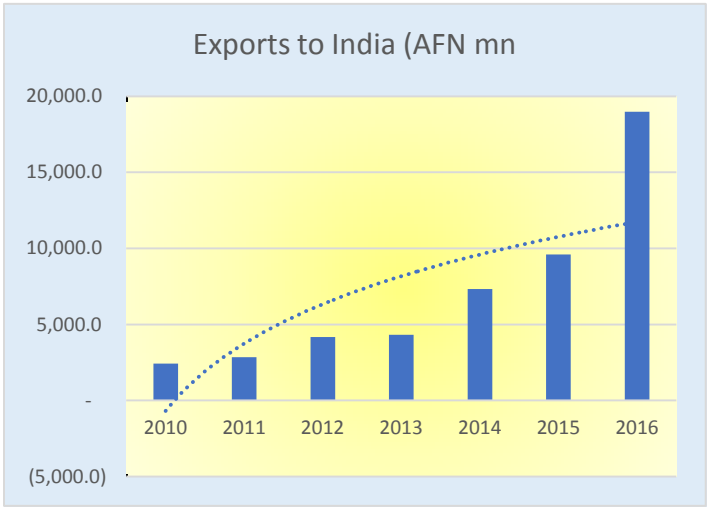

Figure 8: Exports to India

Afghanistan exports variety of fruits and nuts to India. Exports to India increased by almost 100 percent in 2016 compared to 2015 and almost four times during the last five years. In April 2015, it was also agreed that Afghan trucks bound for India would be allowed to reach the Wagah border crossing and on their way back would be allowed to carry Pakistani exports to Afghanistan.

This should help Afghan businessmen significantly reduce the cost of transportation. The truck companies in Afghanistan can become the major beneficiaries of this relaxation by investing in the trucks and the transport systems.

As a result exports to India in 2015 increased by more than 30 percent and reached AFN 9.5 billion. In 2016, Afghanistan diversified list of exported goods to India with sorghum by additional AFN 6 billion.

Table 13: Export to Pakistan from Afghanistan by product (AFN mn)

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
0806	Grapes, fresh or dried	485	377	1,210	2,126	3,042	19%	43%
2701	Coal; briquettes, ovoids and similar solid fuels	657	1,102	1,852	664	1,945	12%	193%
5703	Carpets and other textile floor coverings	146	457	792	1,344	1,399	9%	4%
0808	Apples, pears and quinces, fresh	108	61	116	159	1,163	7%	633%
0702	Tomatoes, fresh or chilled	32	38	187	821	1,158	7%	41%
0802	Other nuts, fresh or dried,	92	98	293	391	959	6%	145%
0909	Seeds of anise, badian, fennel,	26	48	139	309	951	6%	208%
0713	Dried leguminous vegetables,		0		835	860	5%	3%
5202	Cotton waste (including yarn				324	571	4%	76%
1211	Plants and parts of plants	46	42	165	160	539	3%	238%
0813	Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits of this chapter	68	51	348	514	343	2%	-33%
1209	Seeds, fruit and spores, of a kind	129	184	376	54	299	2%	458%
2002	Tomatoes prepared or preserved				2	287	2%	15620%
0810	Other fruit, fresh	79	78	82	106	253	2%	139%
4104	Tanned or crust hides and skins				131	238	2%	83%
0809	Apricots, cherries, peaches	109	160	56	6	209	1%	3125%
0807	Melons (including watermelons)	10	51	173	153	189	1%	23%
	Other	1,843	4,064	2,911	2,041	1,473	9%	-28%
	Total (AFN mn)	3,831	6,812	8,699	10,140	15,878	100%	57%
	Total (USD mn)	75.3	122.5	151.5	167.1	234.8		41%

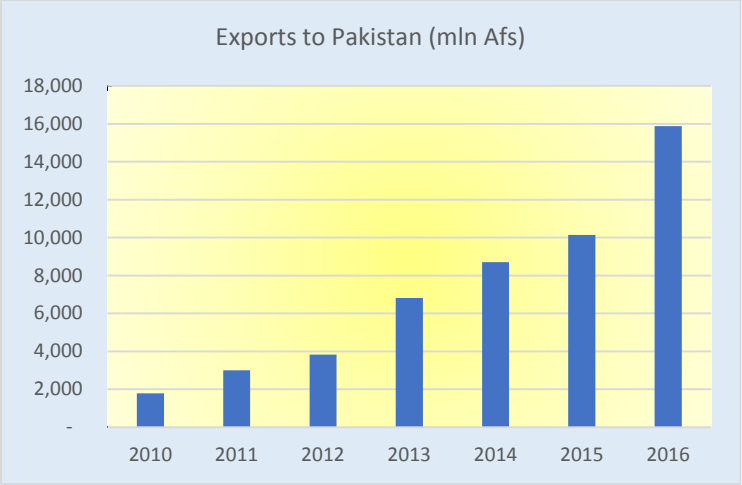

Figure 9: Exports to Pakistan

The depreciation of the Pakistani rupee and Afghan currency against the US dollar might have accounted for higher demand for Afghan carpets. Pakistan is traditionally the most important market for Afghan carpets where they are processed and exported to European markets. Second biggest exports product is coal. Exports of carpets in 2015 increased by 70 percent and remain high in 2016.

Afghanistan increased exports of fruits and vegetables. The total increase of exports to Pakistan is more than 50 percent. Another sign of economic development is increased exports of higher value added products (not raw materials). Particularly, exports of prepared (preserved) tomato products increased by AFN 300 million.

Table 14: Export from Afghanistan to Iran by product (AFN mn)

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
1207	Other oil seeds and oleaginous fruits	538.2	1,076.3	872.1	984.8	1,065.4	72%	8%
1209	Seeds, fruit and spores, of a kind used	37.3	88.0	83.2	106.1	147.0	10%	39%
5001	Silkworm cocoons suitable for reeling	10.3	47.6	33.4	57.4	57.8	4%	1%
5103	Waste of wool or of fine or coarse	68.6	112.9	22.6	40.3	55.2	4%	37%
0713	Dried leguminous vegetables,		19.9	0.4	4.1	37.0	3%	797%
6802	Worked monumental or building stone	5.1	7.7	8.6	12.8	21.9	1%	71%
0802	Other nuts, fresh or dried,	11.0	218.7	91.1	230.0	20.6	1%	-91%
3506	Prepared glues and other prepared adhesives	21.7	36.7	12.5	21.4	19.8	1%	-8%
	Other	33	123	111	93	54	4%	-42%
	Total (AFN mn)	725	1,731	1,235	1,550	1,479	100%	-5%
	Total (USD mn)	14.3	31.1	21.5	25.5	21.9		-14%

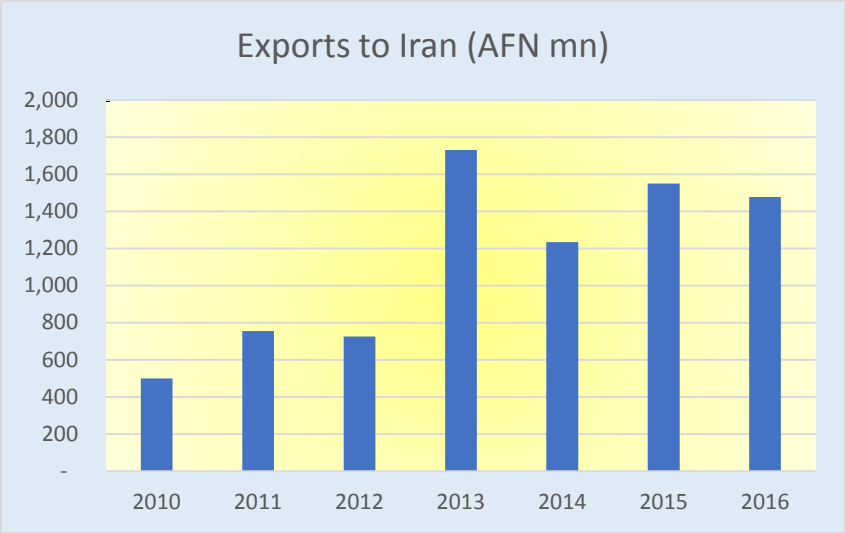

Figure 10: Exports to Iran

In 2015 exports to Iran increased by 27 percent. Afghanistan exporting oil seeds to Iran that is used mostly for production of cooking oil. This is the indicators that Afghanistan can establish its own production of cooking oil and export value added products. And TPAU needs to cooperate with the Ministry of Agriculture and other governmental organizations and private sectors in development of that industry and establish optimal tariff rates for raw material and final goods. Taking total exports to Iran decreased in 2014 by 29 percent compared with 2013 into account, Afghanistan has come back to Iranian market with potential to further increase of exports. Marble can be one of the products with potential to increase exports. Currently for revenue purpose exports duties as 20 percent are applied on marble products.

Table 15: Export from Afghanistan to UAE by product (AFN in mn)

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
0806	Grapes, fresh or dried	5	37	41	55	203	28%	267%
1209	Seeds, fruit and spores	132	264	575	436	145	20%	-67%
0802	Other nuts, fresh or dried	29	342	230	118	109	15%	-7%
5104	Garneted stock of wool				31	56	8%	79%
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries	111	57	95	502	53	7%	-90%

HS2	Description	2012	2013	2014	2015	2016	Share	Growth
2402	Cheroots	9	81			29	4%	
0713	Dried leguminous vegetables, shelled, whether or not skinned or split	18	110	51	82	27	4%	-67%
5701	Carpets and other	17	28	51	48	26	4%	-47%
0910	Ginger, saffron, turmeric	1		2	15	23		
1207	Other oil seeds		4	4	152	21		
	Other	154	1,611	369	107	27	4%	-75%
	Total (AFN mn)	476	2,533	1,419	1,546	718	100%	-54%
	Total (USD mn)	9	46	25	25	11		-58%

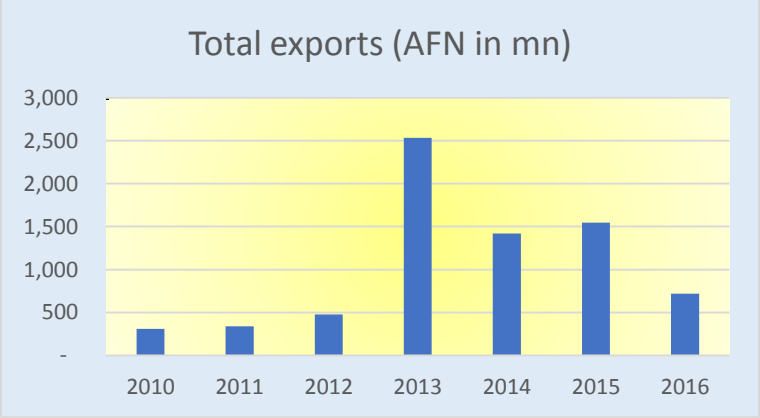

Figure 11: Total exports of Afghanistan

The major commodities that Afghanistan is exporting to UAE are seeds, spices, fruits, nuts and vegetables. Exports to UAE have increased in 2013. However, in 2016 exports to UAE decreased by 54 percent. Transportation cost remains critical for Afghani exporters.

Transit

Development of transport networks in Afghanistan will significantly improve transit opportunities of the country and may drive the economic recovery as well as support peace-building efforts. The Government of Afghanistan is focusing on construction of three additional rail lines which allow developing major regional transit routes and link Central Asia with Iran and Pakistan.

Table 16: Transit of imported goods to Afghanistan by ports and territories (AFN mn)

Particulars	2012	2013	2014	2015	2016	Share	Growth
Via IRAN	96,506	76,288	82,922	81,766	75,349	34%	-8%
Via Pakistan	37,909	48,194	64,651	87,217	81,316	36%	-7%
Via Uzbekistan	42,759	27,118	30,476	36,732	50,631	23%	38%
Via Tajikistan	1,264	1,151	1,524	1,123	253	0%	-77%
Via Turkmenistan	15,022	4,503	3,048	3,323	7,293	3%	120%
Via KIA	13,198	7,368	10,675	12,334	9,477	4%	-23%
Total (AFN mn)	206,657	164,622	193,297	222,495	224,319	100%	1%
Total (USD mn)	4,060	2,961	3,367	3,667	3,317		-10%

In 2015, transit of goods via Iran was not changed and remains on the level as about AFN 80 billion a year. Transit via Pakistan increased by more than 20 percent and reached and it is slightly above AFN 80 billion in 2016.

As mentioned above, total imports have been almost unchanged during last 4 years. However, the transit of goods via territories of neighboring countries increased in these 4 years which indicates that Afghanistan is becoming highly involved into global economy. The transit of goods via Uzbekistan is continuing increasing despite decrease price on mineral fuel in 2014-2015.

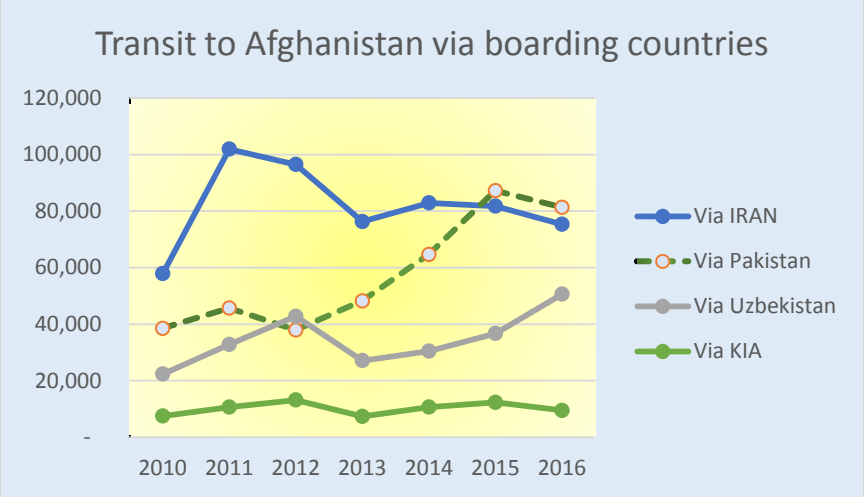

Figure 12: Transit to Afghanistan via boarder countries

Transit via Pakistan increased during the last 4 years, which is an indication of implementation of regional trade agreements. Intra-regional trade is playing a major role in total trade of Afghanistan. From the other side, it is the indicator that neighboring countries, that Afghanistan depends on due to transit are removing non-tariff barriers for traders.

Table 16: Forecast of export of Afghanistan by product (AFN mn)

HS2	Description	2012	2013	2014	2015	2016	2017	2018	2019	Growth
08	Edible fruit and nuts	3,986	5,678	9,153	9,512	14,155	15,177	16,096	18,706	16%
10	Cereals	144	494	479	138	6,162	6,162	6,619	9,425	42%
13	Lac; gums, resins and other vegetable saps and extracts	2,082	1,547	3,152	4,285	4,554	5,085	6,687	9,210	38%
12	Oil seeds and oleaginous fruits	1,513	2,603	2,945	3,472	3,837	4,449	5,567	6,907	24%
07	Edible vegetables	578	1,814	1,501	3,512	3,134	3,923	5,328	7,046	32%
09	Coffee, tea, mate and spices	333	408	921	1,404	1,982	2,137	3,026	4,367	44%
27	Mineral fuels	704	1,115	1,865	669	1,951	1,911	2,314	2,802	21%
57	Carpets and floor coverings	252	614	938	1,525	1,624	1,973	2,725	3,729	37%
52	Cotton	408	2,261	917	515	605	859	859	859	0%
51	Wool, fine or coarse animal	522	702	411	498	520	520	520	520	0%
41	Raw hides and skins	616	601	1,000	427	475	475	475	475	0%
20	Preparations of vegi, fruit, nuts	4	4	5	3	313	211	343	558	63%
	Other	1,064	3,098	3,165	1,694	1,218	1,218	1,218	1,218	0%
	Total	12,204	20,941	26,452	27,654	40,530	43,363	56,265	73,618	31%
	Total (USD mn)	152	183	213	345	391	408	544	700	29%

This forecast is based on general trends in development to realize current capacity, reduction of internal trade barriers and facilitation of market access to other market (EU, Central Asia, Russia and China).

Table 18: Forecast of export of Afghanistan by products (AFN mn)

HS2	Description	2013	2014	2015	2016	2017	2018	2019	Growth
08	Edible fruit and nuts	5,678	9,153	9,512	14,155	15,177	16,096	18,706	16%
10	Cereals	494	479	138	6,162	6,162	6,619	9,425	42%
13	Lac; gums, resins extracts	1,547	3,152	4,285	4,554	5,085	5,350	6,349	19%
12	Oil seeds	2,603	2,945	3,472	3,837	4,449	4,454	4,677	5%
07	Edible vegetables	1,814	1,501	3,512	3,134	3,923	4,263	4,825	13%
09	Coffee, tea, mate and spices	408	921	1,404	1,982	2,137	2,421	3,032	25%
27	Mineral fuels	1,115	1,865	669	1,951	1,911	2,314	2,802	21%
57	Carpets and floor coverings	614	938	1,525	1,624	1,973	2,180	2,568	18%
52	Cotton	2,261	917	515	605	859	859	859	0%
51	Wool, fine	702	411	498	520	520	520	520	0%
41	Raw hides and skins	601	1,000	427	475	475	475	475	0%
20	Preparations of vegetables, fruit, nuts	4	5	3	313	211	343	558	63%
	Other	3,098	3,165	1,694	1,218	1,218	1,218	1,218	0%
	Total (AFN mn)	20,941	26,452	27,654	40,530	44,098	47,110	56,015	19%
	Total (USD mn)	183	213	345	391	408	599	651	9%
	Growth	21%	16%	62%	13%	4%	47%	9%	

This forecast is based on Afghanistan removal of trade barriers and integration to World economy. It is assumed that Afghanistan will get better access to EU and other non region WTO member countries. Volume of trade with regional countries will be growing in the rate of about 10 percent a year.

Table 19: Forecast of exports based on general trend and based on integration to World Economy (AFN mn)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Exports with trade barriers	11,444	14,711	19,285	26,621	29,753	30,646	31,565	32,196	32,518	32,844	33,172
Growth Rate		29%	31%	38%	12%	3%	3%	2%	1%	1%	1%

Export based on removal of trade barriers	11,444	14,711	19,285	26,621	29,753	33,026	35,338	37,811	40,458	43,290	46,321
Growth Rate		29%	31%	38%	12%	11%	7%	7%	7%	7%	7%
Export due to removal of trade barriers and Integration to World Economy	11,444	14,711	19,285	26,621	29,753	33,270	36,655	42,765	48,838	56,583	63,465
Growth Rate		29%	31%	38%	12%	12%	10%	17%	14%	16%	12%

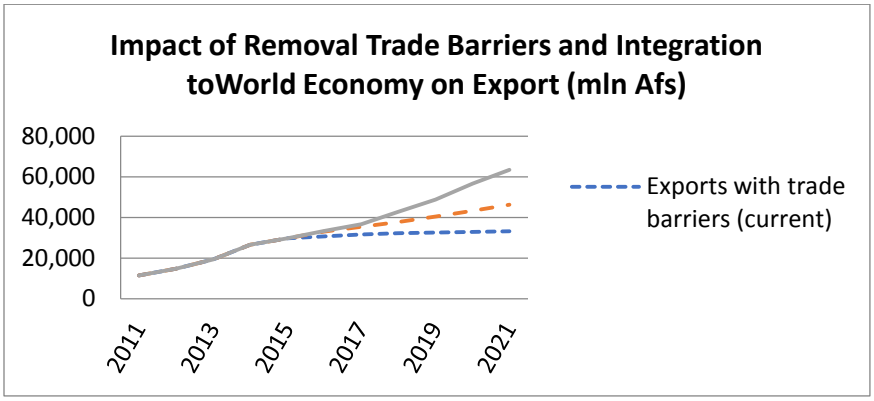

Figure 13: Impact of removal of trade barriers on export scenario of Afghanistan (AFN mn)

In the best case scenario, exports cannot grow more than 5 percent annually with other things remain equal. However, other market with better prices in other countries will be the leverage to increase value of exports. Access to other market via trade facilitation will be considered.

WTO impact and tariff policy

As part of WTO accession, Afghanistan negotiated bound tariff rates on imports. By application of economic models for negotiated tariff policy, MoCI estimated impact of WTO on Afghanistan Economy.

Afghan winners will be mainly those companies with current and potential capacity to export as WTO provides guaranteed, secured, and non-discriminatory market access for Afghan producers in the markets of WTO countries which constitute over 95 percent of world trade in goods and services. The WTO will also guarantee transit for Afghan vehicles and goods through the territory of WTO countries.

The overall economy is expected to gain from WTO accession. The fact that Afghan became a WTO Member with sound legislative framework in place and access to markets will encourage investment which will create jobs, increase real income and standards of living, enlarge tax base and lead to economic growth

The negotiated accession package does no lower the level of protection for Afghan producers. In addition, it provides significant policy space to provide additional protection where needed to Afghan producers. As such, there are no Afghan losers as result of WTO accession.

WTO rules will create a favorable business environment which will reduce the cost from Afghan businesses and make them competitive domestically and abroad.

A partial equilibrium model was developed which shows the following as result of WTO accession:

- Exports will increase by USD 65 million within the next 3-5 to non SAFTA countries
- WTO accession will lead to additional growth of 1.5 percent in GDP within next 3-5 years
- Fiscal revenue resulting from imports will not be impacted

Employment in export industries is expected to grow by around 10 percent (without multiplier effect) in the next 3-5 years.

Table 20: Comparison of Simple Average Tariff Rates applied to import from SAFTA and MFN trade based on Tariff schedule 2014 aggregated by HS2.

HS2	Description	MFN (%)	SAFTA (%)	WTO Bound (%)	Lines
01	Live animals	3.6	3.0	15.6	34
02	Meat and edible meat offal	5.7	4.6	35.7	53
03	Fish Products	3.8	3.8	6.4	189
04	Dairy produce; birds' eggs; natural honey	9.4	9.1	32.1	40
05	Products of animal origin	8.6	8.4	16.8	17
06	Live trees and other plants; cut flowers	8.6	8.6	30.0	20
07	Edible vegetables	16.4	15.5	52.0	76
08	Edible fruit and nuts	24.7	21.3	44.7	79
09	Coffee, tea, mate and spices	8.1	7.6	31.6	44
10	Cereals	2.9	2.9	21.7	27
11	Products of the milling industry	4.8	4.8	31.8	28

HS2	Description	MFN (%)	SAFTA (%)	WTO Bound (%)	Lines
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit	2.6	2.6	25.4	52
13	Lac; gums, resins and other vegetable saps s	5.0	5.0	26.7	9
14	Vegetable plaiting materials	5.0	5.0	20.0	6
15	Cooking Oil	2.2	2.2	12.2	48
16	Preparations of meat/ fish	10.9	9.0	18.9	41
17	Sugars and confectionery	6.6	6.6	35.3	17
18	Cocoa and cocoa preparations	7.2	6.2	18.3	12
19	Preparations of cereals, flour	11.6	10.9	51.6	19
20	Preparations of vegetables, fruit, nuts	17.5	13.2	54.7	55
21	Miscellaneous edible preparations	12.1	11.5	42.4	17
22	Beverages, spirits and vinegar	21.4	15.9	57.3	11
23	Prepared animal fodder	5.4	4.8	20.0	23
24	Tobacco	10.9	7.7	54.5	11
25	Cement, Salt; Plastering materials	8.8	5.2	5.9	55
26	Ores, slag and ash	2.5	2.5	5.4	37
27	Mineral fuels	6.3	6.2	8.5	62
28	Inorganic chemicals	4.8	4.8	5.5	195
29	Rbons and their halogenated	5.0	4.9	6.1	420
30	Pharmaceutical products	2.4	2.5	4.8	34
31	Fertilizers	2.5	2.5	6.5	19
32	Textile dyes, pigments/ paints/ inks	2.6	2.0	6.5	44
33	Perfumery, cosmetic or toilet preparations	11.2	4.2	24.0	14
34	Soap, washing preparations	8.2	4.9	15.6	18
35	Albuminoidal substances	5.0	5.0	6.8	15
36	Explosives; pyrotechnic products; matches	10.1	7.9	17.8	15
37	Photographic or cinematographic goods	6.5	5.8	6.5	31
38	Miscellaneous chemical products	4.8	4.7	6.5	102
39	Plastics and articles thereof	6.8	3.7	7.3	81
40	Rubber and articles thereof	4.9	5.1	4.6	97

HS2	Description	MFN (%)	SAFTA (%)	WTO Bound (%)	Lines
41	Raw hides and skins	3.4	4.0	16.3	46
42	Articles of leather	10.8	7.4	30.0	42
43	Fur skins and artificial fur	9.1	4.9	14.6	13
44	Wood and articles of wood	8.4	5.6	9.6	94
45	Cork and articles of cork	3.7	3.9	4.4	8
46	Manufactures of straw, of plaiting materials	10.0	8.0	20.0	11
47	Pulp of wood	5.0	5.0	8.1	21
48	Paper and paperboard	4.2	3.7	11.0	130
49	Printed books, printing industry	7.0	4.9	10.6	31
50	Silk	3.0	2.9	13.6	14
51	Wool, fine or coarse	2.1	2.1	12.9	38
52	Cotton	3.9	3.9	10.5	125
53	Other vegetable textile fibers	2.5	2.5	11.3	23
54	Man-made filaments	2.5	2.5	10.0	70
55	Man-made staple fibers	2.5	2.5	10.0	107
56	Wadding, felt and nonwovens; special yarns	8.0	7.3	30.0	30
57	Carpets	30.0		40.0	1
58	Special woven fabrics	4.3	4.1	14.7	38
59	Impregnated, coated; textile	6.3	5.8	23.3	24
60	Knitted or crocheted fabrics	5.0	5.0	21.6	43
61	Clothing accessories, knitted or crocheted	10.0	8.6	29.9	106
62	Articles of clothing accessories	10.0	8.1	30.0	112
63	Other made-up textile articles	9.4	7.6	28.8	51
64	Footwear	5.5	5.0	5.0	2
65	Headgear and parts thereof	8.3	7.0	30.0	9
66	Umbrellas, walking/seat-sticks, whips	8.3	7.0	18.3	6
67	Prepared feathers/artificial flowers	13.3	10.3	25.0	8
68	Articles of stone, plaster, cement, concrete	10.3	8.4	25.2	44
69	Ceramic products	9.6	8.4	29.8	29
70	Class and glassware	7.8	6.7	19.2	66
71	Precious or semi-precious stones/ metals	5.5	5.2	0.0	54
72	Iron and steel i. e. Primary	5.4	5.0	8.2	167

HS2	Description	MFN (%)	SAFTA (%)	WTO Bound (%)	Lines
73	Articles of iron or steel	5.1	3.3	11.4	159
74	Copper and articles thereof	5.5	5.0	20.0	51
75	Nickel and articles thereof	6.2	5.7	10.0	17
76	Aluminum and articles thereof	5.4	5.4	7.2	37
78	Lead and articles thereof	5.6	5.4	5.0	8
79	Zinc and articles thereof	5.6	5.3	10.0	9
80	Tin and articles thereof	6.0	5.6	10.0	5
81	Other base metals	6.5	6.0	4.9	49
82	Tools, implements/cutlery/ spoons/forks	9.8	7.8	20.0	64
83	Miscellaneous articles of base metal	5.2	5.1	13.3	43
84	Boilers, machinery	3.4	3.6	4.7	566
85	Electrical machinery and equipment	5.8	5.6	5.5	302
86	Railway or tramway locomotives	3.8	3.7	5.2	23
87	Vehicles and parts	34.5	4.8	32.3	143
88	Aircraft, spacecraft, and parts thereof	5.2	4.6	1.0	15
89	Ships, boats and floating structures	6.8	5.6	0.0	18
90	Optical/ photographic/medical or other instruments	5.2	4.9	4.4	154
91	Clocks and watches and parts thereof	8.2	7.2	8.9	52
92	Musical instruments	20.0	7.1	8.5	17
93	Arms and ammunition	10.9	8.7	13.0	60
94	Furniture, bedding, lamps and lighting fittings, prefabricated buildings	10.2	7.2	14.7	30
95	Toys, games and sports requisites	12.9	10.9	12.5	32
96	Miscellaneous manufactured articles	7.0	6.1	19.4	48
97	Works of art, collectors' pieces and antiques	16.0	15.4	20.0	7
	Total	6.3	5.6	14.0	5639

Table 21: Tariff bands bounded by WTO negotiation

No	Tariff Bands	No of lines	Share (%)	No of Agriculture	Share (%)	No of Other	Share (%)
1	0	555	10	3	0	552	9
2	2.5	1	0		0	1	0
3	5	1,223	22	6	1	1,217	19
4	5.5	320	6	1	0	319	5
5	6.5	518	9	18	2	500	8
6	10	1,103	20	126	17	977	15
7	15	14	0		0	14	0
8	20	660	12	154	20	506	8
9	30	107	2	100	13	7	0
10	35	477	9	6	1	471	7
11	40	68	1	65	9	3	0
12	45	15	0	12	2	3	0
13	50	62	1	51	7	11	0
14	55	4	0	4	1		0
15	60	168	3	168	22		0
16	70	8	0	8	1		0
17	Prohibited	41	1	41	5		0
18	Unbound	183	3		0	183	3
	Total	5,527	100	763	100	6,311	100

About 70 percent of all tariff lines are bounded to the tariff rate less than 20 percent. In the same time most of agricultural products 80 percent are bounded on higher than 29 percent.

Based on consultations with the private sector and relevant ministries, the negotiations strategy was developed to generally protect all sectors of economy but with higher level of protection for agricultural and industrial sectors where Afghanistan has potential to develop production. These protections are permanent and not limited by any time period. Afghanistan managed to secure a favorable package with significant policy space in this respect where bound rates on average exceed the currently applied rates as follows.

Goods	Currently Applied Average Rate	WTO Bound Average Rate
Agricultural	10.15%	35.54%
Industrial	6.52%	10.61%

Afghanistan managed to keep a high number of sensitive industrial products Unbound *ie* Afghanistan can have customs duties for protecting producers as high as needed and without any limit. Goods falling under this category include salt, marble, travertine, gypsum, plasters, lime, cement, ammonium nitrate, beauty products (perfumes, shampoo, soap, deodorant *etc*), candles, plastic products (including construction products), hides ad skins, articles of apparel and clothing accessories, most furniture articles, carpets and other textile floor coverings and footwear.

The package provides very high protection for agricultural goods where Afghanistan can exceed current rates by 500-800 percent for around 325 key sensitive agricultural products.

Bound rates	No. items	Agricultural items
40%	66	Dairy products, olives, mushrooms, wheat, rice, cane sugar, soups
45%	12	Fresh and chilled whole beef and chicken
50%	54	Beans, peas, some nuts, sausages
55%	4	Nuts
60%	181	Vegetables, fruits, berries, some nuts, pasta, ketchup, poppy and other seeds, concentrated and mixture juices, beef, lamb meat
70%	8	Non-alcoholic beer, energy drink, tomato juices, fruit juices

The negotiated package allows Afghanistan to prohibit the import of 65 items including pork related products, alcohol and alcoholic products, and chemicals that can be used for explosives.

In addition to above, Afghanistan can apply, where needed, extra additional protection in cases of unfair trade practices such as dumped and subsidized imports and excessive and sudden imports causing injury to domestic producers.

1. Which tariffs will now have to be reduced?

Approximately, for 8 percent of tariff line items, the bound rate is lower than currently applied rate. Goods which will be affected are mostly some IT products, civil aviation, chemical goods, publication materials (*eg* books) and some special tools for construction machinery. Afghanistan`s production capacity in these areas is limited.

2. What is the expected impact on imports?

Overall, imports are not likely to be affected when most tariffs will not be changed. There might be slight increase in import of IT products which will be good from economic development perspective as it will

increase productivity and reduce costs of doing business and thus increase competitiveness.

3. How will WTO rules affect Afghan agricultural exports?

Agricultural exports are the primary beneficiaries from WTO membership. The markets of WTO countries can no longer prohibit, restrict, discriminate against or impose any arbitrary measures on Afghan agricultural exports. In addition, transit will have to be facilitated which will get Afghan fresh agricultural exports much quicker to destination markets.

WTO Members have obligations to help Afghanistan as a member of Least Developed Countries to improve food safety and quality standards of Afghan agricultural products. This will make these products more competitive in Afghanistan and export markets.

In addition, WTO requires countries to recognize certification and testing procedures and encourages mutual recognition. This will in turn reduce costs of exporting agricultural products and facilitated their entry to WTO markets.

4. What will WTO impacts be on Afghan SMEs?

Again the level of negotiated protection is sufficient for development and protection of SMEs. The application of the WTO rules in Afghanistan is expected to reduce the cost of doing business for SMEs and will facilitate trade transactions by SMEs. In this way, SMEs can focus their limited resources to improve production and capacity.

5. Which Afghan sectors do we expect to see expand as a result of accession?

In general, WTO membership is expected to increase exports. There will be increase in production in those companies with current and potential capacity to export. This is regardless of sectors.

Also as a result of WTO membership, investment is expected to increase given improvements in the business environment based on WTO rules, access to other markets and ease of transit. Sectors where investment is likely to occur is value-added industry in both mining and agricultural sector as well as construction materials and carpets. There will be a need to identify the comparative advantage of Afghanistan where possible new production, particularly manufacturing can be developed given WTO access.

Sensitive goods of Afghanistan in SAFTA

The goods that are deemed sensitive for trade purposes are based on considerations of i) revenue generation, ii) employment creation and iii) strategic importance. MoCI together with other ministries and

governmental institutions identified 850 tariff lines that are viewed as sensitive for the Afghan economy due to these reasons. The tariff rates for these goods are subject to discussion on a regular basis.

These goods are summarized in the Table 22.

Table 22: Sensitive goods of Afghanistan

Hs2	Description	Initial 2008	SL850 2012	ACD Schedule 2013/2014	N_1000 2014	Add/ Del	Reasons
01	Live animals	10	2	2	2		
02	Meat and edible meat offal	35	33	33	33		
03	Fish	54	6	6	6		
04	Dairy produce	23	21	26	26	**5**	Milk production ACCI MoCI
05	Products of animal origin, not elsewhere specified or included	7	3	3	3		
06	Live trees and other plants; bulbs	16	13	13	9	-4	Trees not sensitive MAIL, MoCI
07	Edible vegetables and certain roots and tubers	55	75	75	75		
08	Edible fruit and nuts; peel of citrus fruits or melons and watermelons	35	56	70	58	**2**	HS extended ACD
09	Coffee, tea, mate and spices	14	18	25	21	**3**	HS extended Caraway ACD MAIL
10	Cereals	15	24	22	10	**-14**	Rey Oats removed MAIL MoCI
11	Products of the milling industry; malt; starches; inulin; wheat gluten	20	18	18	18		
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants	28	16	16	12	**-4**	Sugar beet, Licerne Animal feed MAIL MoCI
13	Lac; gums, resins and other vegetable saps and extracts	5	5	5	5		

Hs2	Description	Initial 2008	SL850 2012	ACD Schedule 2013/2014	N_1000 2014	Add/ Del	Reasons
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	5	3	3	3		
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	21	13	13	13		
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	5	5	8	8	**3**	Sausage MoCI
17	Sugars and sugar confectionery	4	12	12	12		
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	14	11	15	15	**4**	Pasta MacaroneMoCI ACCI
20	Preparations of vegetables, fruit, nuts or other parts of plants	36	37	43	43	**6**	Juice of any other single citrus fruit MoCI ACD
21	Miscellaneous edible preparations	11	12	17	17	**5**	Syrups, Extracts, essences and concentrate
22	Beverages, spirits and vinegar	4	11	11	11		
23	Residues and waste from the food industries; prepared animal fodder	11	11	11	11		
24	Tobacco and manufactured tobacco substitutes	8	9	10	10	**1**	HS added
25	Salt; sulphur; earths and stone; plastering materials; lime and cement	66	55	55	31	**-24**	Raw Material Sands MoCI, ACCI
26	Ores, slag and ash	33					
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	41	22	25	25	**3**	HS extra But Not SL Import Safta ZERO

Hs2	Description	Initial 2008	SL850 2012	ACD Schedule 2013/2014	N_1000 2014	Add/ Del	Reasons
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	94					
29	Rbons and therir halogenated, sulphonated, nitrated or nitrosatedderivates	11					
30	Pharmaceutical products	2					
31	Fertilizers	12					
32	Tanning or dyeing extracts; tannins and their derivatives; textile dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	3					
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	21	14	16	16	**2**	Extra HS Unbounded WTO
34	Soap, organic surface-active agents, washing preparations	11	11	12	8	**-3**	Cleaning for Electronics Chemicals
35	Albuminoidal substances; modified starches; glues; enzymes	1	1	1	1		
39	Plastics and articles thereof		27	36	36	**9**	WTO Extra
41	Raw hides and skins with or without hair (other than furskins) and leather	27	21	21	4	**-17**	Raw Material MAIL
42	Articles of leather; saddlery and harness; travel goods; handbags and similar containers; articles of animal gut	19	43	44	44	**1**	HS added
43	Furskins and artificial fur; manufactures thereof	7	6	14	14	**8**	Final Product ACD
49	Printed books, newspapers, pictures and other products of the			11	11	**11**	Cards, Calendars, ACD

Hs2	Description	Initial 2008	SL850 2012	ACD Schedule 2013/2014	N_1000 2014	Add/ Del	Reasons
	printing industry; manuscripts, typescripts and plans						
50	Silk	7	1	1	1		1
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	20	9	9	9		9
52	Cotton	75	69	69	69		69
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	9	6	6		**-6**	Raw Materials ACCI
55	Man-made staple fibres	28	19	19	0	**-19**	Raw Materials ACCI
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	7	7	7	7		
57	Carpets and other textile floor coverings	20	21	21	21		
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	8	8	8	8		
61	Articles of apparel and clothing accessories, knitted or crocheted	34	34	34	34		
62	Articles of apparel and clothing accessories, not knitted or crocheted	6	6	6	6		
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	4	4	4	4		
64	Footwear, gaiters and the like, parts of such articles	2	2	2	2		
68	Articles of stone, plaster, cement, concrete, asbestos, mica or similar materials	16	16	16	16		
69	Ceramic products i. Goods of siliceous fossil meals or of similar siliceous earths,	9	9	9	9		

Hs2	Description	Initial 2008	SL850 2012	ACD Schedule 2013/2014	N_1000 2014	Add/ Del	Reasons
	and refractory goods						
71	Natural or cultured pearls, precious or semi-precious stones	19		6	6	**6**	ACD added
74	Copper and articles thereof	2	2	2	2		
81	Other base metals; cermets; articles thereof	1	1	1	1		
82	Tools, implements, cutlery, spoons and forks, of base metals; parts thereof of base metals	4	3	3	3		
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof		2			**-2**	ACCI Removed Ambulance
94	Furniture, bedding, mattresses, mattress supports, lamps and lighting, prefabricated buildings		4	19	19	**15**	ACCI and ACD
95	Toys, games and sports requisites; parts and accessories thereof		2	4	4	**2**	ACD added
96	Miscellaneous manufactured articles	5	5	17	5		
97	Works of art, collectors' pieces and antiques	6	6	7	7	**1**	HS changed
	Total lines	**1066**	**850**	**962**	**844**		

Under Afghanistan's sensitive list, the highest tariff rates are applied on juices, beverages, fruits, vegetables and nuts, basic construction materials, articles of leather and carpets.

Higher tariff rates are applied in order to encourage development of domestic production. Some other items that are not produced in Afghanistan are also subject to higher tariffs for revenue collection purposes such as tobacco, ceramic products, perfumery, minerals and fuel.

The detailed list of sensitive products for Afghanistan is available in MoCI with TPAU and the Regional Trade Departments. This list is going to be up-dated on regular bases.

National Agricultural Development Framework

I. The strategic development phase

The agriculture sector has benefited from significant work on policy and strategy development resulting in the current National Agriculture Development Framework and its associated programmes.

The importance of reviving the agriculture sector in Afghanistan was recognized at the Bonn Conference (2001) which led to the systematic development of documents addressing the needs of the agriculture sector. The timeline (Figure 14) illustrates the core policy and strategy developments over the last five years in line with the overall strategic development of Afghanistan.

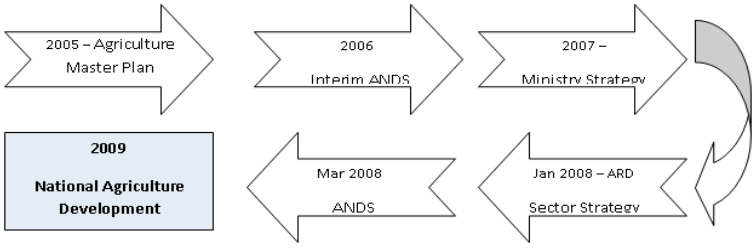

Figure 14: Timeline of policy and strategy development for agriculture

The leadership change within MAIL in October 2008 prompted the review of the ministry structure and programmes in line with the ARD Sector Strategy and resulted in the development of four key programmes.

1. Natural Resource Management
2. Agriculture Production and Productivity
3. Economic Regeneration
4. Programme Support and Change Management

These are based on inputs from earlier documentation from the National Agriculture Development Framework.

II. Framework objective

Economic growth and food security depend upon natural resource management, increasing agricultural production and productivity, improved physical infrastructure and market development. This is the path to poverty reduction, licit crops and national security. This is the mission of the Ministry of Agriculture, Irrigation and Livestock.

III. Implementation principles

MAIL and its development partners will be guided by the following implementation principles while achieving the framework objectives.

Demand-driven, diverse and flexible

Relevance and impact, efficiency and sustainability require agricultural development to be driven by local consumer and market demand, adapting to Afghanistan's changing conditions and agro-ecological, social and cultural diversity.

Inclusiveness, defined roles and community

Farmers, local business and all rural citizens are benefited by first identifying public and private sector roles in development, then building capacity. Consensus will be formed while working through Community Development Councils, Cluster CDCs and District Development Assemblies as well as local producer organisations.

Environmental sustainability

All agricultural and animal husbandry interventions will be designed to minimize negative environmental impact and enhance our natural resource base.

Integration

Programmes organized by technical expertise and government functions, will be implemented in an integrated manner through coordination at central, provincial and district levels and through area-based implementation of field activities.

IV. Structure and description of programmes

In order to comprehensively address the identified issues in an integrated fashion and to achieve the ARD and MAIL objectives, MAIL has prepared the four framework programmes with the aim to move towards a Sector Wide Approach (SWAp).

The four programmes are inter-related and build upon each other. Sustainable and efficient management of the natural resource base is the foundation for increasing agricultural production and productivity which is the basis for ensuring food security and enabling economic regeneration to take place. Emergency issues are addressed under the relevant technical programme, according to the type of emergency that is at hand.

These components and the interactions between them are supported by the Change Management, Public Sector Development and Programme Support process, which aims to strengthen MAIL's capacity to fulfil public sector functions and provide an enabling environment for the private sector and civil society to meet the population's needs. This Programme is inextricably linked to all institutional, organizational and programmatic structures of the Ministry. It will play a crucial role in establishing an intra-ministerial support network which will facilitate the

prioritization and sequencing of change and ensure that programme implementation and the institutional change process is coherent.

The programmes compose a road map for the agricultural sector, providing a structure with which to:

- Map ongoing activities
- Identify the gaps to be addressed through new projects
- Identify key public sector responsibilities and functions which need to be strengthened to support program implementation

While the programmes are organized according to technical areas and/or subject matters to support central and provincial level planning, the different need based interventions will be clearly integrated through the design and implementation of specific projects to be defined according to the requirements of specific farmer groups and geographical areas (see programme implementation modalities below). This approach is designed to lay the foundations for a bottom-up, cohesive, sector-wide approach.

Each programme also provides guidance for establishing effective collaboration within the agricultural sector and with other sectors, by building partnerships with relevant ministries, private sector stakeholders, donors, non-governmental organizations and civil society. In addition, the Comprehensive Agriculture and Rural Development Facility (CARD) is in its final stages of development and will start small but eventually become the core linkage and coordination mechanism for MAIL and Ministry of Rural Rehabilitation and Development (MRRD) programs.

Change Management, Public Sector Development and Programme Support

The objective of the programme is to create a dynamic, well functioning, competent and effective institution (MAIL and its Provincial Departments) through a process of reform and structural adjustment. This prepares it to meet the challenges of the 21st Century and respond to the needs and demands of the agriculture sector.

There is a need to accelerate MAIL's transition process and to rapidly transform the Ministry. The first step in the Change Management process is to identify key public sector responsibilities and functions which need to be strengthened. These include policy and strategy formulation, legal and regulatory framework preparation, quality control and food safety, veterinary public health and plant protection, standards and certification, monitoring and evaluation and the ability to enforce the regulations and standards. The programme implementation and coordination capabilities of MAIL will require further development to meet the expected

expansion of programme and project activities in the agriculture sector. Based on the identification of the future ministry functions and duties, appropriate organizational and institutional frameworks need to be created.

Natural Resource Management

The objective of the Natural Resources Management (NRM) Programme is to ensure that Afghanistan's natural resource base is rehabilitated and used in a productive and sustainable way by Afghanistan's rural population. This requires establishing a supportive policy and regulatory framework at the national level, and by combining participatory planning methods with advanced technical opportunities in natural resource planning and management at the local level.

Sustainable economic growth through enhanced agricultural productivity and production must not be achieved at the cost of environmental and natural resource degradation. On the contrary, it is important not only to conserve but also to enhance the natural resource base to foster agriculture-led economic development especially in rural areas. Thus, the Ministry's strategy for natural resource management will establish regimes of natural resource use (*ie* rangeland and other land use, water, forestry, wildlife and medicinal plants) in relation to (i) systems for natural resource management and (ii) systems of rights and access to natural resources.

The NRM programme comprises three coordinated and mutually complementing sub-programmes:

- Sub-Programme A: Natural Resource Surveillance, Planning and Regulation
- Sub-Programme B: Protection and Conservation
- Sub-Programme C: Community Management of Natural Resources

Agriculture Production and Productivity

The objective of the Agriculture Production and Productivity Programme is to sustainably increase the production and productivity of Afghanistan's farmers and herders through the provision of enhanced inputs, services and research. The goal is to move Afghanistan closer to self sufficiency in basic crops, expand production of cash crops (vegetables, horticulture and industrial crops) to meet domestic and export demands and improve the supply of animal products for the food and handicrafts industry.

The Agriculture Production and Productivity Programme (APP) will address the challenges identified and be based on understanding the complexity of the livelihoods of the poor farmers. Assistance will

attempt to ensure a consolidated impact through a multi-sectoral, broad-based effort over an extended length of time. The proposed programmes will facilitate and support the process of getting more and more farmers from subsistence farming into semi-specialized and/or semi-intensive market-based production systems while maintaining diversification for risk reduction and food security. This will be accompanied by a strong effort to introduce value adding processes and to identify and develop markets aiming at both import substitution and export. The programme will consist of the following sub-programmes:

- Sub-Programme A: Cereals and industrial crops
- Sub-Programme B: Horticulture
- Sub-Programme C: Livestock
- Sub-Programme D: Irrigation (infrastructure, on-farm irrigation)
- Sub-Programme E: Kuchi support

Economic Regeneration

The objective of the Economic Regeneration (ER) programme is to foster sustainable and inclusive economic growth in the licit agricultural sector resulting in increased and diversified incomes and employment opportunities for the Afghan population and increased revenue for the Afghan State.

In the context of MAIL's programmes, economic regeneration is defined as "The process of renovating and developing the human, technical, infrastructural and institutional resources required for generating economic growth, income and employment through the commercialization of products derived from, and/or inputs for, agriculture and animal husbandry." The ER programme is also designed to contribute to reducing poppy production through the development of alternative sources of income, reducing rural migration by increasing local livelihoods opportunities for the rural poor and reducing reliance on imports.

The programme includes the following sub-programmes

- Sub-Programme A: Support to producer, retailer and trader organizations
- Sub-Programme B: Financial services for agricultural development
- Sub-Programme C: Value addition
- Sub-Programme D: Quality control and food safety of agricultural inputs and products
- Sub-Programme E: Marketing and market linkages

1. Programme Implementation

Programme Implementation and Coordination Unit (PICU)

The PICU has been formed to provide implementation and coordination support to all MAIL programs and serve as a focal point for donors and other stakeholders. The functions of the ICU include:

- Mapping of ongoing and new projects to support collaboration between relevant MAIL departments, implementing partners and other programs
- Identification of gaps in program implementation, namely with regards to policies, technical areas and geographical regions
- Collation of relevant monitoring data and report preparation for stakeholders
- Coordination with Policy and Planning Department to incorporate regulatory and policy development with program implementation

Modalities of program implementation

MAIL will at the very least assume a coordinating role for all development programs in the agriculture sector. The focal point for all activities will be the Ministry's Programme Implementation and Coordination Unit (PICU). Three modalities for programme implementation are envisioned as follows:

1) Direct: MAIL's PICU will develop program implementation capacity to directly manage programs and coordinate with units within the Ministry that can provide additional technical and managerial support.

2) Partnership: MAIL's PICU will manage relationships with an implementing partner to carry out donor funded programs. The implementation side of PICU will provide dedicated staff to manage and facilitate program activities.

3) Coordination: MAIL's PICU will coordinate donor lead programs with appropriate units in the Ministry and the provinces. The coordination side of the PICU will also ensure that these programs are developed to complement, and not duplicate, programs outside the Ministry.

The ministry acknowledges that the weakness with development in Afghanistan has been the lack of coordinated activities and therefore has adopted the Comprehensive Agricultural and Rural Development Facility (CARD-F). This joint effort of MAIL and the Ministry of Rural Rehabilitation and Development will work with partners, provinces and localities to identify the unaddressed development issue or the missing component that dramatically increases the impact of existing and

successful development projects. CARD is a facilitator, but not an implementer.

References

MAIL (Ministry of Agriculture Irrigation and livestock)

MOCI (Ministry of Commerce and Industries)

EPAA (Export Promotion Agency of Afghanistan)

Chapter 2

Export Promotion and Market Access for Agricultural and Food Products of Bangladesh in Major Global Markets

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Abstract

Export promotion and market access to the global market is of crucial importance to agricultural exporters of Bangladesh. Middle East and the European Union (EU) represent the most important export market for them. Presently, among LDCs (Least Developed Countries) Bangladesh is the most prominent exporter to the major global market. The principal exports to the EU are textile products. Agricultural products, however, are only a small fraction of overall trade and exports to the global market. The main agricultural export products are jute and jute products, tea, tobacco, vegetables, fruits, potato, frozen vegetables, frozen fruits, food stuff and food items, handicrafts, bamboo basket, aromatic and fine rice, spices *etc*. The main export plant and plant products in year 2012-13 were 1,017,718.56 mt and in year 2016-17 was 884,422.88 mt. The potato exporting is increasing day by day. Market access facilities for Bangladeshi Exportable are admirable. Bangladesh as a Least Developed Country (LDC) is enjoying duty free market access or reduced tariff rate facilities to export to various developed and developing countries in the world. This facility is enhanced and privileged by the membership of World Trade Organization (WTO). Berides, Bangladesh is the member of different regional trade blocks. Thus the country enjoys duty free or reduced tariff rate access to other member countries. WTO members always recognize the necessity of providing Duty free Quota free (DFQF) market access to LDCs. Bangladesh is getting GSP (Generalized System of Preference) from 38 countries viz 28 from European Union countries and others 10 countries like Australia, Belarus, Canada, Japan, New Zealand, Norway, Russian Federation, Switzerland, Turkey and Liechtenstein. Bangladesh is the member of South Asian Free Trade Agreement (SAFTA) and Asia Pacific Trade Agreement (APTA), Bangladesh enjoys DQFQ access in South Korea market (at 4,802 products), china (at 4,788 products), Chile and Duty free tariff preference of India (4,430 products). PRAN is Bangladeshis largest grower and processor of fruits and vegetables.

The export policy 2015-18 is followed for exporting the products the conditions stipulated in this policy or any then related laws and the rules and regulation related foreign currency exchange used from time to time by Bangladesh Bank have to be followed in case of export of goods from Bangladesh and relevant documents as stipulated in the above mentioned policy, laws, rules and regulation have to be submitted.

Bangladesh should have an active promotion strategy to the perception of the country in global market. Bangladesh should also require trade assistance on market access beyond the fulfillment of technical and official requirements. Market penetration in EU, USA, Middle East requires trading links, attendance to trade fairs, promotion of products etc. Infrastructure development which is an important ingredient to attract investors and also to assist the development of local export industries, Bangladesh should seek and assistance from EU's development and facility. Improve quality of products, utilize preferential market access effectively, focus on bilateral free-trade agreement, identify potential preferential market access, improve institutional testing capacity base, monitor technical standards, make rules of origin flexible and strengthen regional connectivity.

Keywords: Agricultural; export promotion, Bangladesh agricultural trade

Introduction

Bangladesh is an agro-based country and agriculture plays a critical role in ensuring food security. It is a special sector as it has a universal role for providing food, a basic need for the survival of mankind. It also nurtures deeply cherished traditions, cultural heritage and social stability over time. According to the Bangladesh Bureau of Statistics (BBS) for FY 2015-16 (provisional estimate), crops, livestock, fisheries and forest products account for about 16 percent of Bangladesh's total GDP and support approximately 47 percent of the total population. Most agricultural production in Bangladesh is characterized by traditional subsistence farming. Main agricultural products include rice, vegetables, fruits, cut flower and foliages, potato, tea, sugarcane, tobacco *etc*. Processed foods are those which are prepared using agricultural products. Spices, rice, puffed rice, juice, canned food, mustered oil, rice bran oil etc. are the agro-based processed foods.

Export promotion and market access to the global market are of crucial importance to agricultural exporters of Bangladesh. Middle East and the EU represent the most important export market for them. Presently, among LDCs (Least Developed Countries), Bangladesh is the most prominent exporter to the major global market. The principal exports to

the EU are textile products. Agricultural exports however are only a small fraction of overall trade and exports to the global Market.

Bangladesh has a positive trade balance on agricultural products with the importers and has seen a rise in the total value of exports in recent years. The performance is mixed. However, as for the food component of these exports has not developed favorably due to noncompliance of phyto-sanitory measures. Some Bangladeshi agribusinesses have improved their processing facilities and food marketing promotions and activities. Bangladeshi agricultural products, such as vegetables, spices and fruits could potentially supply these businesses as they expand operations.

Overview and trend of agri food product exports

Bangladeshi exports to Asian countries are still low due to absence of proper preferential trade agreements and quality products even though there are huge trade opportunities in the region.

Exporters and trade analysts say that removing tariff barriers, signing trade friendly bilateral agreements and proper usage of preferential trade deals can boost Bangladeshi exports to the region. They also said that high dependency on developed countries in North America and Europe could risk export earnings.

According to export promotion Bureau data, Bangladeshi exports to Asian countries were USD 41.6 billion in FY 2016-2017 which is 12 percent of total exports. At the same time, European Union (EU) imported 55.83 percent (USD 9.35 billion) of Bangladeshi total exports and the United States 21.19 percent (USD 7.3 billion).

In the last FY, against a target of USD 37 billion, Bangladesh overall export earnings stood at USD 34.83 bn which is 1.68 percent higher than the previous USD 34.25 bn of the amount, the RMG sector alone earned USD 28.15 bn. Bangladesh has set an export target of USD 37.5 bn for the current FY 2017-18, which is a 1.35 percent rise from last year. More over non tariff barriers, location issues countervailing duty and anti-dumping duty on jute and jute goods by Indian Government are also major obstacles for Bangladesh exporters. Exports in BD decreased to BDT 185.79 billion in June from BDT 216.22 billion in May of 2017. Exports in Bangladesh averaged BDT 40.03 billion from 1972 until 2017 reaching an all time high of BDT 218.38 billion in August of 2017 and a record low of BDT 0.05 billion in February of 2017.

Table 1: Main imports and exports of agricultural commodities of Bangladesh

Main imports (plant and plant products)	Main exports (plant and plant products)
• Rice, wheat, maize	• Jute and jute products
• Raw cotton	• Tea
• Fresh fruits	• Tobacco
• Pulses	• Vegetables, fruits and potato
• Oil seeds	• Frozen vegetables, fruits
• Spices	• Food stuff and food items
• Timbers	• Handy crafts, bamboo basket
• Vegetables	• Aromatic and fine rice
	• Spices

Table 2: Potential export destinations

Item	Country
Vegetable (high value crops)	EU, Middle East, Malaysia, Indonesia, Singapore, USA, Canada
Fruits	EU, Middle East, Malaysia, Indonesia, Singapore, USA, Canada
Potato	Russia, Middle East, Malaysia, Indonesia, Singapore, Thailand, SAARC countries *etc*
Betel leaf	EU, Middle East, Malaysia, Indonesia, Singapore, Thailand, SAARC countries *etc*
Processed food	EU, Middle East, Malaysia, Indonesia, Singapore, USA, Canada, Australia, Africa, South America, SAARC countries *etc*
Frozen vegetable and fruits	EU, Middle East, Malaysia, Indonesia, Singapore, USA, Canada, Australia, Africa, South America, SAARC countries *etc*

Table 3: Export scenario of agricultural products from Bangladesh (in mt)

No	Products	2012-13	2013-14	2014-15	2015-16	2016-17
1	Fiber	709,937	495,674	505,714	677,761	543,052
2	Fruits	1,408	1,540	9,522	5,797	3,604
3	Vegetables (including potato)	43,249	120,561	131,369	65,699	79,653
4	Spices	4,740	5,423	12,580	12,246	4,626
5	Tobacco	26,287	33,169	16,575	29,250	20,908
6	Dry foods	12,490	23,297	57,419	91,108	108,423
7	Cereal foods	1,332	0.03	0.03	217	223
8	Oils seeds	3,285	3,845	1,257	1,846	30,713
9	Medicinal plants/Goods	639	392	895	901	839
10	Wood/Canes/Bamboo	686	380	227	1,019	187
11	Others	213,660	123,069	78,645	99,502	92,190
	Total	1,017,718	807,355	814,207	985,350	884,422

Source: Quarantine Wing, Department of Agricultural Extension, Bangladesh.

Table 4: Export data of DAE and EPB

Year	DAE (000' mt)	EPB (000' mt)
2010-11	13.73	48.42
2011-12	14.13	56.52
2012-13	19.03	80.66
2013-14	18.89	92.7
2014-15	62.23	68.45

Note: Values include vegetables, fruits and betel leaf

Table 5: Potato export

Year	Amount of export (mt)	% change of export (-)/(+) compare to previous year
2010-11	33,418	-
2011-12	20,596	(-) 38
2012-13	27,578	(+)34
2013-14	102,983	(+) 273
2014-15	94,613	(-) 8

Market access facilities for Bangladeshi exporters

Bangladesh as a Least Developed Country (LDC) is enjoying duty free market access or reduced tariff rate facilities to export to various developed and developing countries in the world. This facility is enhanced and privileged by the membership of World Trade Organization (WTO). Besides, Bangladesh is the member of different regional trade blocks. Thus the country enjoys duty free or reduced tariff rate access to other member countries.

WTO members always recognize the necessity of providing Duty Free Quota Free (DFQF) market access to LDCs. It was decided in the 6th WTO Ministerial Conference held in Hong Kong in 2005. All developed countries will provide DFQF market access to LDCs for at least 97 percent tariff lines. Bangladesh is getting DFQF market access to different markets. This is the first legally binding decision on DFQF for LDCs.

Generalized System of Preferences (GSP): Bangladesh is getting GSP facilities from 38 countries including 28 countries in European Union and other 10 countries namely Australia, Belarus, Canada, Liechtenstein, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey.

EU GSP: Generalized System of Preference to developing countries and LDCs which was adopted in 1968 and became effective in 1971. EU GSP offers either lower tariffs or completely duty-free access for imports from 90 developing countries and territories into the EU market.

EU GSP scheme also grants duty free access for the 50 least developed countries under "Everything but Arms (EBA)" scheme. EBA grants duty-free quota-free access to all products, except for arms and ammunitions covering 99 percent of all tariff lines.EU adopted a reformed GSP law on 31 October 2012 which made applicable from 1 January 2014.

SP Scheme of Japan and Bangladesh: Japan originally established its Generalized System of Preferences scheme (GSP) on 1 August 1971. Japan's GSP scheme includes a general preferential regime and a special preferential regime. Japan grants preferential tariff treatment under its GSP scheme to 137 developing countries and 14 territories.

LDCs are granted duty free and quota free market access in 5415 products of which 1383 are agricultural products and 4034 are industrial products.

GSP Scheme of New Zealand: Duty-free quota-free (DFQF) access for all least developed countries on 1 July 2001.The preferential scheme GSP-50 for LDCs offers duty free treatment to all LDCs in case of all tariff lines.

Table 6: SAFTA Sensitive list (SL)

Member State	Number of products in original SL	Number of products in revised SL (Phase-II in 2012)
Afghanistan	1,072	858
Bangladesh	1,233 (LDCs); 1241 (NLDCs)	987 (LDCs); 993 (NLDCs)
Bhutan	150	156
India	480 (LDCs); 868 (NLDCs)	25 (LDCs); 614 (NLDCs)
Maldives	681	154
Nepal	1257 (LDCs); 1295 (NLDCs)	998 (LDCs); 1036 (NLDCs)
Pakistan	1,169	936
Sri Lanka	1,042	837 (LDCs); 963 (NLDCs)

Source: www.saarc-sec.org

Asia Pacific Trade Agreement (APTA):

Bangkok Agreement signed in 1975 was the oldest PTA among developing countries. Revision of the Agreement was made in 2005 and was renamed as the Asia Pacific Trade Agreement (APTA).

Table 7: Tariff reductions (results of 3rd round)

Concession offering country	Tariff concessions as of third round	
	No. of Products*	MoP (%)
Bangladesh	209	14.1
China	1,697 (161)	26.7 (77.9)
India	570 (48)	23.9 (39.7)
Republic of Korea	1,367 (306)	35.4 (64.6)
Sri Lanka	427 (72)	14.0 (12.0)
Total	4,270 (587)	26.8 (58.8)

Note: ***** Figures in parenthesis indicate concessions given to LDCs; MoP = Margin of Preference; Source: APTA Website

Korea DFQF Facilities: Korea provided Preferential Tariff to 48 least-developed countries to 95 percent of tariff lines in 2012. LDCs like Bangladesh enjoy DFQF access in South Korea market at 4,802 products which amounts 95 percent of total HS codes.

China DFQF Facility: China's Duty-Free Quota-Free (DFQF) Scheme is a unilateral non-reciprocal tariff preference scheme for Least Developed Countries (LDCs) under the agreement of APTA, China-ASEAN FTA and diplomatic relations with Africa. The scheme came into effect on 1 July 2010 and was renewed on 1 January 2011 with no date of expiration.The program covers products of 4,788 tariff lines (8-digit level) accounting for 60 per cent of all tariff lines of China.

Chile DFQF Facility: Chile's duty-free and quota-free (DFQF) scheme named "Eliminating Import Tariffs on Goods from the Least Developed Countries" entered into force on 28 February 2014 with no expiry date. Bangladesh started to get benefits in 1 January 2015.

Duty Free Tariff Preference of India: India became the first developing country to extend this facility to all Least Developed Countries (LDCs). India's Duty Free Tariff Preference (DFTPI-LDC) Scheme for LDCs came into effect in August 2008 with tariff reductions spread over five years on 4,430 items (at 6-digit HS code level), which constitutes 85 percent of total tariff lines.

Success stories/innovative applications on agri-food-product exports

Success stories of PRAN

PRAN (Program for Rural Advancement Nationally) Foods holds the first position in the agro-based sector in Bangladesh and has a diverse portfolio of food products. It possesses a large market share and is the undisputed leader when it comes to confectionery.

PRAN is Bangladesh's largest grower and processor of fruits and vegetables. Contract growers of PRAN cultivate the choosy fruits and vegetables which are processed in our modern and hygienic factories to highest quality and international standards.

PRAN' has started its operation in 1981 as a processor of fruit and vegetable in Bangladesh. Over the years, the company has not only grown in stature but also contributed significantly to the overall socio-economic development of the country.

PRAN is currently one of the most admired food and beverages brands among the millions of people of Bangladesh and other 134 countries of the world where PRAN Products are regularly being exported.

All the PRAN products are produced as per international standards maintaining highest level of quality at every stages of its production process.

PRAN is currently producing more than 400 food products under 10 different categories *ie* juices, drinks, mineral water, bakery, carbonated beverages, snacks, culinary, confectionery, biscuits and dairy. The

company has adopted ISO 9001 as a guiding principle of its management system. The company is compliant to HACCP and certified with HALAL which ensures that only the best quality products reaches to the consumers table across the globe.

PRAN takes a comprehensive approach to all kinds of agro processed food products, considering all of the ways their lives can be enriched through ensuring hygienic and quality food products.

With HACCP compliance to ensure best quality products reaching to the consumers, PRAN places great importance on hygienic manufacturing processes. This encompasses everything from choosing quality materials to the use of storage facilities and careful monitoring of products using electronic sorting. Skilled and experienced personnel select finished products which are then examined in a laboratory to verify their quality and check for residual substances both before and after the production process. Currently PRAN has 84,000 employees.

Export history

PRAN, the largest exporter of processed food from Bangladesh, had a vision of creating a huge demand globally of those agro based products produced by native farmers. The key was to process the agro products and increase shelf-life thereby. Starting successful journey to export market since 1996, PRAN currently exports to over 134 countries.

In global market, PRAN truly strive to exceed themselves every year. Therefore, it is growing like anything in whichever market they operate. To accelerate continuous growth, PRAN already set up a production plant in India and production has already been started.

In many countries, especially USA, Australia, UAE, Saudi-Arabia, Qatar, India, Oman, Malaysia, Singapore, Somalia they have got their own sales and distribution network equipped with full fledged office. With office, warehouse, distribution vehicles, sales force and other sophisticated supports, it is extremely aggressive to be the market leader in each and every category they operate.

Along with existing presence in African, Asian and European markets, they eagerly look forward to having a stronger and more vibrant presence in every corners of global market.

PRAN incepted export in 1991 to France. Today, PRAN's exports reach to 134 countries across the globe with 1500 million customers.

Achievement

For excellence in export market including product development, market development *etc*. PRAN has been awarded numerous trophies in home and abroad.

In recognition of contribution towards earning foreign currency, PRAN achieved "Best National Export Award" for 8 consecutive fiscal years (FY 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2007-08, 2008-09, 2009-10, 2010-11). In recent times, PRAN is awarded "UDC BUSINESS AWARDS 2011" as the best food and beverage products manufacturer in Malaysia.

Policy and programmatic responses for agri-food-product exports

This Policy shall be called the Export Policy 2015-18.

Rules and Regulations to be followed in Export of Products

The conditions stipulated in this policy or in any other related laws and the rules and regulations related to foreign currency exchange issued from time to time by Bangladesh Bank have to be followed in case of export of goods from Bangladesh and relevant documents as stipulated in the above mentioned policy, laws, rules and regulation have to be submitted.

Control of export of products

The Export of products under this policy will be controlled in the following ways, such as;

Export prohibited products

Unless otherwise stated, products prohibited under this policy cannot be exported. The list of export prohibited products are soyabean oil, palm oil, jute and "shan" seeds, wheat, rice, onion, garlic, ginger etc.

Conditional export

Exportable products which are subject to fulfilling certain conditions can be exported after fulfilling those conditions. The lists of such products are urea fertilizer, petroleum and petroleum products, sugar, hilsha fish, aromatic rice *etc*.

Exportable products

Unless otherwise stated, all other products except for the products under prohibition as listed and the products under conditional export as shall be freely exportable.

Rules and regulations as stated in this policy shall not be applicable to the following cases:

Store, equipment or spare parts of ships, vehicles or aircrafts bound for abroad and products declared as part of their kitten or the baggage accompanied by the sailors or the crew and passengers of those ships, vehicles or aircrafts.

Export of samples subject fulfillment of the following conditions.

- All products that are not included in the prohibition list
- A maximum of USD 10,000 worth products per exporter annually (except medicine) based on the FOB (free on board) price
- Products sent free of cost as samples in case of medicine
- Any registered exporters who are member of the registered associations can send a maximum of USD 70,000 worth products as sample without export LC (Letter of Credit) or
- Medicine worth 10 percent of the total value of each LC or a maximum of USD 15,000 whichever is less
- Examining on a case-to-case basis, Bangladesh Bank, if necessary, can increase these limits
- Subject to the approval of Bangladesh Bank for 100 percent export-oriented garment industry, a maximum of USD 15,000 worth samples of readymade garment per year

Pre-shipment obligations

Unless otherwise stated, pre-shipment certificate is not obligatory for export of any product.

Quality control certificate

Quality control certificate issued by the competent authority (Bangladesh Standards and Testing Institution/Department of Fisheries/Department of Agricultural Extension/Bangladesh Council of Scientific and Industrial Research) shall have to be submitted to the Customs Authorities in case of export of products for which quality control certificate is obligatory.

Agriculture sector

- Steps will be taken to enhance capacity of the quality control agencies including quarantine wing of the Department of Agriculture Extension and BSTI on the basis of a road-map to be designed for the improvement of quality testing and controlling system of the plant and plant products.
- Contract farming will be encouraged for the production of exportable products such as vegetables, potato, betel leaf, fruits including mango, plant and plant products.
- Steps will be taken to allocate government Khasland (land owned by government), subject to availability in favor of exporters interested in producing vegetables, flower, fruits and foliage. The exporters will be encouraged to establish export village.

- Production of modern and scientific packaging materials necessary for export of vegetables, flower and foliage and fruits will be encouraged. The steps will be taken to provide loan at low interest rate to establish cold storage for preserving exportable plant products.
- Necessary steps will be taken to meet requirements (Phyto-sanitary requirement) of the importing countries for the export of potato, betel leaf, mango and other fruits and vegetables.
- Training program for the producers and exporters of vegetables, flower and foliage and fruits will be continued.
- In the case of export of agro-based products, initiative will be taken to export products free from all kinds of contaminations. Department of Agricultural Extension will play the leading role in this regard.
- Department of Agricultural Extension will take necessary measure to make Salmonella free betel leaf available for export.
- Initiative will be taken to establish Central Warehouse and Packing Centre at Shyampur, Dhaka by following cool chain system.
- Appropriate steps will be taken so that no plant and plant products are exported without fulfilling the import requirements of the importing countries and exporters and cultivators will accordingly be informed through trainings.
- Initiatives will be taken to build Pest Free Area (PFA) and Area of Low Pest Prevalence (ALPP) for producing exportable products such as potato, fruits and vegetables.
- Initiative will be taken to establish production area based packing house and to make phyto-sanitary activities efficient and stronger and e-phyto-sanitary certificate will be introduced and widened.

Current rules, procedures and requirements including sanitary and phyto-sanitary (SPS) for exporting agri-food-products to selected international markets

Plant Quarantine Act-2011

An Act to make provisions, in the context of international traffic in plants and plant products for preventing the introduction of insects or pests into and spread thereof within Bangladesh and for the matters relating to phyto-sanitary and other measures incidental and ancillary thereto.

National Plant Quarantine Authority and its functions

National Plant Quarantine Authority

1) For the purposes of this Act, the Government shall establish an authority to be called the National Plant Quarantine Authority.
2) The Director, Plant Protection Wing, Department of Agricultural Extension shall be deemed to be the National Plant Quarantine Authority and shall exercise all the powers of the Authority under this Act until an independent National Plant Quarantine Authority is established under sub-section (1).
3) All the officers and employees of the Plant Protection Wing, Department of Agricultural Extension shall act as the officers and employees of the Authority until a separate organization established under sub-section (1).

Powers and functions of the Authority

The powers and functions of the Authority shall be as follows.

a) To regulate the import of plants or plant products, beneficial organisms and packing materials for preventing the introduction of quarantine pests into Bangladesh from other countries
b) To regulate the export of plants or plant products, pests, beneficial organisms and packing material according to the phytosanitary requirements of the importing country in consistence with International Agreements
c) To inspect and supervise the consignments of plants or plant products, beneficial organisms and packing materials which are in international traffic and may incidentally be used as carriers of pests
d) To inspect growing plants, areas under cultivation and plants or plant products remaining in storage or in transit and to take regulatory measures in order to prevent the outbreak and spread of pests
e) To make arrangement for issuing phyto-sanitary certificates in accordance with the phyto-sanitary requirements of the importing countries
f) To conduct treatment formalities for disinfestations or disinfection of pests of the consignments of plants or plant products and their containers, packing materials, conservation stores or conveyances
g) To undertake regular review and revision of lists of plants or plant products, pests and beneficial organisms, the importation of which is prohibited and restricted into Bangladesh with a view to updating and harmonizing phyto-sanitary measures
h) Exchange technical information, opinion and report with recognized international, regional or other national plant protection organizations and to keep abreast of the latest advancements in the field of plant protection and quarantine

(i) To conduct activities regarding diagnostics, detection and identification of particular pests

i) To comply with the international agreements, protocols, conventions etc on phyto-sanitary measures of which Bangladesh is a party or a signatory country and to conduct implementation activities thereof and to follow, conduct and coordinate the activities regarding conservation of plant bio-diversity

j) To undertake surveys and surveillance on plant quarantine pests present in Bangladesh and to conduct plant quarantine research

Pre-export examination:

1) In case of export of plants or plant products, each and every consignment shall have to be examined by the plant quarantine officer.

2) Each consignment of plants or plant products submitted for export shall be examined by a plant quarantine officer in such manner as may be prescribed by rules in accordance with the phyto-sanitary requirements of the importing country.

3) If the consignment submitted deems to be fit for issuance of a phyto-sanitary certificate, the plant quarantine officer shall issue a phyto-sanitary certificate in such manner as may be prescribed by rules.

Current initiatives for enhancing export facilities

- Production through contract farming with maintaining GAP and traceability
- Reduction of fraudulent certificate by printing new PC from Security Printing Press, Bangladesh in addition with some safety alternatives
- Enhancement of inspection facilities
- Capacity building through different types of training
- Inter ministerial meeting with different organization for co-ordination
- Procurement and accurate application of Laboratory Equipment
- Pest listing and PRA
- Construction of central pack house
- Exporters and farmers registration
- Preparing new Plant Quarantine Rules
- Prepared Food Safety Act 2013
- Modernization of PQ stations

- Reduction of issuing fraudulent certificate through automation
- Enter in a process of establishing e-phyto system for more transparency

Export certification for plant health

Before applying for phyto-sanitary certificates exporters submit the following documents.

- Application from exporter on prescribed form available from Plant Quarantine Wing
- Trade license
- Export Registration Certificate (ERC)
- Packing list
- Invoice
- VAT Registration Certificate
- TIN Certificate
- Treasury Chalan
- LC or Sales contract of TT
- Other documents as necessary

Co-ordination with International Organization

- Bangladesh got membership of International Plant Protection Convention (IPPC) in 1974, but practically started work from 1978
- Jointly working with Asia Pacific Plant Protection Cooperation (APPPC) and United States Department of Agriculture (USDA)
- Working with WTO especially for SPS and TBT issues

Co-ordination with European Union

- EU is supporting to create a clear structure and division of responsibilities in the plant health service in Bangladesh
- Carried out two missions on 2-10 June 2010 and 30 January-7 February 2013 as part of the Food and Veterinary Officer's (FVO) planned audit program
- Recommendation from last mission
    - Staff performing export inspections should be technically qualified
    - Availability of Laboratory Technical Capacity

- Adequate facilities and equipment to enable appropriate inspections
- Action for internal interceptions
- Declared 6 crops as Critical Commodity (*Amaranthus* spp, *Citrus* spp, *Corchorus* spp, *Ocimum* spp, *Momordica* spp, *Trichosanthes* spp) and we have imposed self ban of three of these

Key issues, constraints and challenges including technical barriers to trade (TBT), gaps in knowledge and capacity development needs in relation to agri-food-products export

Constrains in relation to agri food product export (potential threats to export

- Not complying with the Phyto-sanitary requirement of importing country
- Frequent interception of certain commodities
- Fraudulent activities
- Lack of competencies in phyto-sanitary certification system.
- Lessening market access in Middle East due to poor packaging and product quality
- Poor export control system
- Exporters are reluctant to comply with phyto-sanitary requirement of importing country
- Uneven quarantine facilities between the border of India and Bangladesh (in terms of quarantine stations and laboratories) seriously hampered the export of Bangladesh

Challenges/gaps in knowledge:

- Lack of awareness about plant quarantine system among different stake holders (at policy level, high officials, business men, politicians and mass people level)
- NPPO should have the necessary authority by legislative or administrative means to bear the responsibilities given by IPPC. But NPPO of Bangladesh do not have the sufficient administrative authority, sufficient financial and human resources
- Poor aggressive response from trading partners
- Capacity development or technical assistance not provided when needed.
- Inability of human resources and organization

Limitations

- Plant quarantine rules yet not formulated
- According to IPCC regulation, the director has limited administrative and legal authority as NPPO
- Resistance from other relevant department
- Capacity building needs to operate advanced laboratory equipment's
- Absent of practical skill development program which is require to diagnosis and detection pests of different imported and exported plants and plants products
- Lack of training opportunities to develop efficient and competent quarantine personnel
- Lack of contemporary knowledge of different types of phyto-sanitary treatment
- Shortage of manpower and budgetary allocation
- Poor initiative for updating pest list and PRA
- Lack of infrastructure and logistic facilities
- The quarantine issues are not adduced properly

Capacity development requirements

- Needs Capacity development of phyto-sanitary related personnel
- Access to laboratory facility and treatment
- Conduct regular Pest Risk Analysis (PRA)
- Improvement of package quality
- Establishment of modern packaging facilities
- Cool chain management
- Co-ordination among relevant stake holders
- Establishment of pest Free Area (PFA)/Area of low pest prevalence (ALPP)

Conclusion and Recommendations

Conclusion

Bangladesh has started reaping some benefits from the EBA in the agricultural sector. But the benefits have been slow to materialize and the markets are not guaranteed. Agricultural exports concentrate heavily on a few primary products and the analysis indicates that these are subject to fierce competition from neighboring countries. There is a lack of value added, making the proportional relationship between value and quantity of exports less favorable for Bangladesh.

The reforms of the Common Agricultural Policy of the European Union will improve some market access for Bangladesh in particular for its rice production. In the longer term, however, some of the benefits will be reduced, lost or be at risk following sugar reforms and the developments at the Doha WTO round of trade liberalization.

A WTO reform, however, can open new opportunities. If export subsidies are abolished, the EU will lose its competitive edge in various markets. Bangladesh should study possibilities to take over these markets in particular for rice in the Mediterranean region or Switzerland as an example.

The trade liberalization process is accompanied by an increasingly restrictive set of SPS and rules of origin requirements which can severely damage the export market to the EU. The latest traceability rules proposals of the EU could cause major damage to LDCs including Bangladesh.

As a contracting party to the IPPC and WTO, it is mandatory to comply with the phyto-sanitary principles, the global rules and standards for trade. Otherwise we will be out of the global market.

To comply with the international rules and regulations, Bangladesh Government has taken steps to strengthen plant quarantine services for safe importation and expedite exportation of plants and plants products.

The producers and exporters are to be assisted by providing a technically competent and reliable phyto-sanitary certificate system to meet the requirements of trading partners. Thus, safe global trade is facilitated through better quarantine resulting safe importation and more export.

Recommendations

Bangladesh needs to develop its export strategies to increase the value added of its products. A strategy based solely on cheap export to the Global Market is not sufficient to guarantee success.

Specific market analysis in the developing countries and studies aiming at opening opportunities should be undertaken. This should also include opportunities to enter the markets in developed countries which lose their competitive advantage when their capacity to directly or indirectly subsidies exports falls.

Bangladesh should request support to fulfill the SPS provisions, but should also demand for alternative cost effective ways to ensure food safety. It should also request financing of necessary changes which are based on requirements above the international food safety obligations.

Bangladesh should build the capacity to monitor the development and implications of SPS and other non-trade barriers in association with other

countries to ensure that rules are developed with the full participation of the concerned countries and do not impose excessive costs for unlikely risks.

Local infrastructure is also an important key to development of the poorer regions. Aid to develop the necessary infrastructures may also be requested. The development of a successful export market requires the development of a performing internal economy. Efforts should be undertaken to reduce internal barriers to development due to weak governance or weak legal system if any and difficult labor relations.

- To establish Plant Quarantine Authority
- To establish separate quarantine department
- To prepare skill, experienced and specialized man power and appointment
- Construction and development of different Quarantine Centre
- To establish post Entry Quarantine Centre
- To develop co-ordination among different of department in port
- Implementation of Quarantine Rules and Regulations
- Efficient inspection of consignment
- e- phyto implementation
- Establishment of modern laboratories (Lab accreditation)
- Crop zoning
- Seed Certification Agency (SCA) should be included with the export activities
- To facilitate safe global trade in Agriculture by assisting the producers and exporters by providing a technically competent and reliable phytosanitary certificate system to meet the requirements of trading partners.
- Improve quality of products
- Utilize preferential market access effectively
- Focus on bilateral free-trade agreement
- Identify potential preferential market access
- Improve institutional testing capacity base
- Monitor technical standards
- Make rules of origin flexible
- Strengthen regional connectivity

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Chapter 3

Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets – Bhutan Overview

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Abstract

This paper provides overview of Bhutan's status on agri-food exports and its market access in major global markets. It describes export trends in the past years and points out market destinations. Further, it also describes the experiences of handling of export mandates by government agencies and private organizations. The paper also touched programmatic response made by government to promote exports through enabling policies and key institutions. It also includes the existing rules and regulation and requirement for exporting agri-food products to international markets.

Finally, issues and challenges faced in promoting exports are described, and recommendation for export promotion suggested.

Keywords: Agricultural; export trade, export promotion policies

Introduction

Bhutan is a small land locked country situated between China (in the north) and India (in the south, east and west), measuring 38,394 sq km with population of 768,577. Although 69 percent of population is engaged in agricultural activities only 2.93 percent of land are available for farming. The development of the country is guided by the unique concept of Gross National Happiness (GNH) which has direct influence on its economy and social development policies. GNH

promotes balance development encompassing not only socio economic development but also take cares good governance, culture preservation and environment conservation.

The country's economy is one of the smallest in the world. It is primarily based on agriculture and forests which provide employment to 58 percent of population. The national GDP as of 2016 is USD 2,058.37 million. However, given the small population, Bhutan is third among SAARC countries in terms GDP per Capita which is USD 2,719.11.

Overview and trend of agri-food-product exports of Bhutan

Bhutan started trading outside only during 1980s. While Bhutan trade with about 47 countries, India is the main trading partner. Other significant partners particularly the export includes Bangladesh, USA, Nepal, Germany and Thailand.

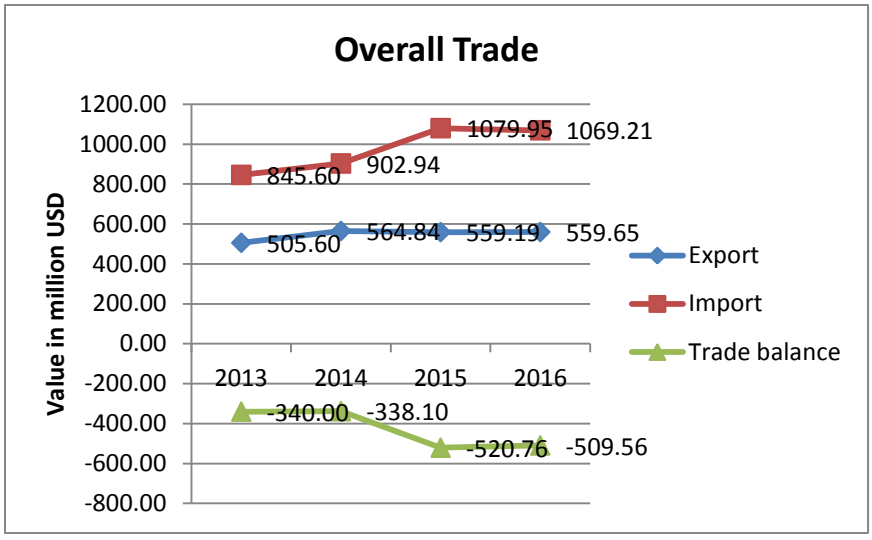

Figure 1: Overall trade in Bhutan (USD mn)

In overall, Bhutan export USD 559.65 million and import USD 1,069.21 million with trade deficit of USD 509.56 million in 2016.

In terms of agricultural trade, Bhutan export USD 45.3 million and import USD 95.6 million (Figure 1). From agriculture trade alone the country is facing deficit of USD 50.3 million. Agriculture trade constitute only 8 percent of the country's total export and 8.9 percent of total import (Figure 2).

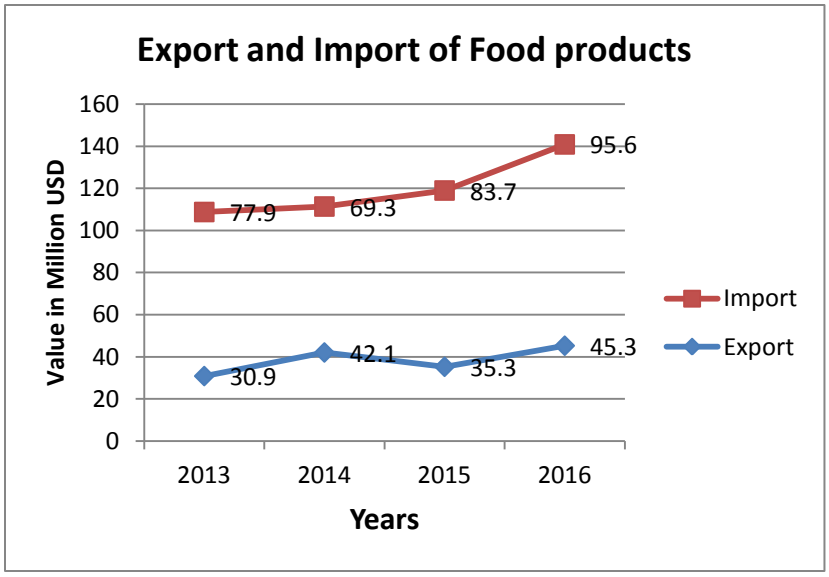

Figure 2: Export and import of agricultural food products in Bhutan (USD mn)

Except for niche products such as cordyceps which is exported to countries other than SAARC, all most all the agricultural products are traded intra-regionally within SAARC countries.

Bhutan Trade Statistics 2016 shows that 91 percent of agriculture export is and 99 percent of import is within the SARRC countries. The main Agricultural export constitutes citrus, apple, potato, cardamom and cordyceps where as import constitutes rice, vegetables, livestock products and edible oil.

Success stories/ innovative applications on agri-food-product exports

Bhutan started its exports in late 1980s. Due to its geographical location as a landlocked country and its low internal supply capacity, no much export has been done in the beginning and remained grossly a net importer.

During the initial period, all its exports were channelled through State Trading Corporation of Bhutan Limited. India and Bangladesh were the main export destinations. Later, the

Food Corporation of Bhutan Limited was engaged, as the agency was entrusted with auctioning of commodities. Indian importers were allowed to participate in the auction and the products were exported directly through the auction. As these two state owned enterprises handled the export, the government negotiated and put in place the bilateral trade agreements with India and Bangladesh, and at the same time, the private exporters were acquainted with the international trade procedures.

In 2003, when the private exporters were sufficiently confident to handle the export themselves, they organized as Bhutan Exporters Association and started exporting citrus and apple in the initial period. They are now exporting mineral products as well. Since then until now, export of any agricultural products are handled by this association.

Experiences thus far indicate that any exports including agriculture produces can, not only be handled efficiently by the private association as compared to the government agencies but also sustainable in long run. When handled by government agency most of the ground realities particularly the trade barriers are not experienced as the consignment gets preference treatment by any official involved in the trade transaction, as a result, the actual realities cannot be experienced. In contrast, if the private exporters are involved themselves, they face the actual situation where every possible barrier are experienced and can feedback to government for negotiating seem less trade regime with the trading partner country.

Since economic development is just one of the four pillars for achieving the overall objective of Gross National Happiness, revenue is not everything. Bhutan was in no hurry to develop economically rather the economic development was pursued in harmony with other pillars. In other words, Bhutan has walked carefully in promoting trade by adopting success stories from other countries and avoiding failures at the same time.

Policy and programmatic responses for agri-food-product export promotion

While Bhutan has inherent limitations to promote export due to land-lock geographical location, limited internal supply capacity, export related infrastructures and market access, Bhutan has put in place all conducive environments for export promotion. Dedicated government institutions such as Department of Trade and Department of Agricultural Marketing and Cooperatives are instituted mainly to promote export. At the private level, Bhutan Chamber of Commerce and Industry (BCCI) and Bhutan Exporters Association are key players for promoting export.

The government has also put in place enabling policy environment for export promotion. Foreign Direct Investment (FDI), Fiscal Incentives, Contract Framing and Economic Development Policy are few of the important legal instruments that focus on export promotion. There are also several MoUs with trading counterparts based on which the exports are promoted.

In addition, the government has established bilateral trade relations with the regional countries and party to important regional economic cooperations such the SARRC and BIMSTEC. It is also the priority of the government to undertake regular bilateral talks on economic cooperation responding to the feedback from private export agencies. Further, Bhutanese embassies and consulates in the region are tasked with economic promotion besides the diplomatic relations.

Current rules, procedures and requirements including sanitary and phyto-sanitory (SPS) for exporting agri-food-products to selected international markets

In general, Bhutan promotes exports to third countries for generating hard currency. With our largest trading partner, India, an agreement on trade and commerce for quota-free duty-free trade is in place. Goods in transit (through India) between India and third countries are not subjected to Indian customs duties. A ten-year preferential trade agreement with Bangladesh which is the second largest trading partner is also in place since December 2014. Bhutan also enjoys preferential access to regional markets under SAPTA, SAFTA and BIMESTEC.

Any exports including agri-food-products have to follow the Micro, Retail and Wholesale Trade Regulation 2006 of Bhutan.

Licences are applied and granted online to all citizens above 18 years of age. It can also be obtained physically from any of regional trade offices should there be any citizen not able to apply online. Documents such security and environmental clearances are required along with personal bio data information to apply business licence. A business licence for either micro, retail or wholesale trade are eligible for exporting goods from the country and there is no specific licence required for export.

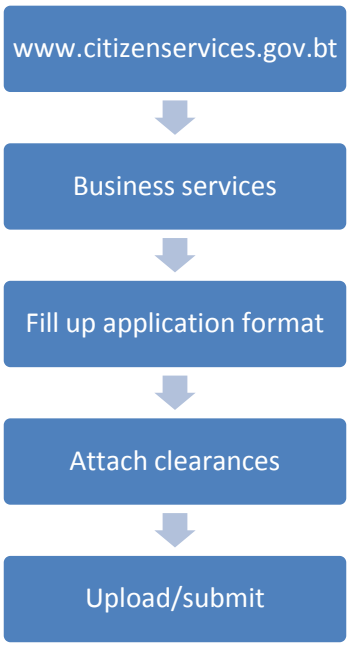

Figure 3: Online application of licences

Export of agri-food products in particular requires phyto-sanitory certificate issued by Bhutan Agriculture and Food Regulatory Authority (BAFRA).

Key issues, constraints and challenges including Technical Barriers to Trade (TBT) gaps in knowledge and capacity development needs in relation to agri-food-products export.

It is a general trend that member states of SARRC trade much more with other countries than within the SARRC countries. Bhutan can be exception that almost 95 percent of our exports are with SARRC countries. One of the reasons that impede exports within the region could be due to restrictive trade regulatory measures of the region.

Although, Bhutan does not have much to export, the little that we have is faced with following challenges.

- *Phytosanitary certification:* It is a regulatory norm that any agri-food products that are exported outside the countr, is issued with phytosanitary certificate after close scrutiny. However, the certification is not recognized by importing countries and the importing countries conduct their own testing all over again. This is not only time consuming but also the products particularly the

perishable goods suffer quality deterioration. In response to such challenge, Bhutan negotiates bilaterally for mutual recognition of certification. Bhutan and Bangladesh has recently signed the mutual recognition agreement in April 2017.

- *Border infrastructure*: Adequate infrastructures and facilities at the trade borders are critical for smooth flow of exports and imports. There are not many trade borders that are well equipped and facilitated due to which the trade suffers to a large extend. Trade borders should serve as a bridge to integrate the economy rather than that divides us.
- *Limited internal supply capacity*: With high mountains and narrow valleys, a very small net arable land (2.39%) is available for farming and provides limited potential for agriculture production. As such, the internal supply itself is limited.
- *Agri-based industries:* Owing to limited internal supply, many industries could not be developed. For the same reason, the processing and value addition of food products is almost non-existence. Most of these are exports are fresh produce and very often suffer quality deterioration during long transportation.

Conclusion and Recommendations

Given the economic size and its capacity, whatever that can be offered as export has not much major issues in accessing the global markets. Understanding the capacity and the stiff market competition, Bhutan is committed to strengthening agricultural marketing by focussing on the export of high value products. The Royal Government of Bhutan is also promoting organic farming and aspiring to become the first completely organic country.

However, considering the challenges faced by Bhutan, following recommendation will help to promote exports further from Bhutan.

- Even after more than 30 years of cooperation, intra-SARRC trade remains stagnant at about 5 percent of total regional trade. It is a popular hypothesis that non-tariff measures (NTMs) and its resulting non-tariff barriers are the main reason behind limited intra-regional trade. Therefore, SARRC must put NTBs to an end to push intra-regional trade forward inorder to avail market access within the region by the member countries.
- Either South Asian Regional Standards Organisation (SARSO) should make efforts for mutual reorganization of Sanitary and Phyto-sanitory (SPS) certifications amongst SARRC countries or trading partner countries should make bilateral agreements/understandings for mutual recognition of SPS certification.

- Adequate infrastructures at the trade borders need to put in place to facilitate trade. In most trade borders that are relevant to Bhutan's export and import, banking and testing facilities are not in the vicinity of border. Such facilities at the trade borders are crucial to facilitate and promote exports.
- Despite Foreign Direct Investment (FDI) Policy of Bhutan in place, the country suffers from negative inflow of USD 12.5 million. FDI and contract farming are some of the ways to improve the limited export diversification base.

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Chapter 4

Export Promotion and Market Access for Agriculturale and Food Products in Major Global Markets-Indian Overview

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Abstract

The country report of India is an attempt to present an overview of India's agriculture and allied trade. More than half of the Indian population is engaged in agriculture and allied activities directly or indirectly. After economic reforms of 1991, agriculture and allied export has gone up significantly from a modest amount of USD 3.5 billion in 1990 to USD 35.4 billion in 2015. India has attained competiveness global markets for items like rice, raw cotton, spices, meat, marine products, fruits and vegetables etc. Export is an important activity and it has a direct relation with the farmers' income. Due to various initiatives taken by the Government, India has been maintaining surplus trade in agriculture over the many years. Despite our competiveness in some agriculture commodities, share of India in global export is quite low at 2.3 percent. There is tremendous potential for enhancing our share in global agriculture trade. India being endowed with varied agro climatic zones, vast resources and soil regimes has great potential for growing a wide variety of crops, fruits and vegetables to meet the demand of the world. There are issues like low productivity, non-availability of high yielding varieties of seeds, inadequate transport network/ cold storage facilities, post- harvest loss, phyto-sanitary/high quality standard of developed countries, changes in trade policy *etc* which needs to be addressed to enhance India's share in global agriculture export.

Keywords: Indian agricultural export trade, export policies

Introduction

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture along with fisheries and forestry is one of the largest contributors to the Gross Domestic Product (GDP). As per the 2nd advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 percent of the Gross Value Added (GVA) during 2016-17 at current prices.

India is naturally endowed with diverse and varied agro climatic conditions and a vast reservoir of resources and soil regimes for growing a wide variety of crops for domestic consumption and export. Promotion of agricultural exports is looked upon as an important instrument for boosting growth in the rural and "real economy" and creating conditions for improving the returns to the farmers with objective doubling farmers' income.

In 2016-17, India's total food grains production is estimated to be 275.7 million mt and horticulture output to be 299.8 million mt. Agricultural and allied export constitutes around 12-14 percent in the country's total global exports and is the fourth-largest exported sector. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, food grains etc.

India's agricultural products have a competitive advantage in several commodities because of near self-sufficiency of inputs (except fertilizers and pesticides), relatively low labor costs and diverse agro-climatic conditions. These factors have enabled export of several agricultural commodities over the years such as marine products, cereals, cashew nut, tea, coffee, spices, oil meals, fruits and vegetables and castor oil. For certain commodities like basmati rice, India has a niche market access in spite of competition. When exports are enhanced, it helps in creating a demand factor in the market as bulk quantities are involved in exports which helps in providing a remunerative price to producer and the benefits of enhanced price is likely to flow back to the farmer.

The ten most important agricultural products that currently cover more than 80 per cent of the trade in the world market are coarse grain, cotton, rice, soybean, sugar, spices, tea, tobacco, vegetable oil and wheat, commodities in which India has a dominant production. Apart from these, fruits and vegetables (the second largest producer with 270 million mt), spices (world's largest producer, with over 8 million mt) milk (being the largest producer with 155 million tons), poultry (5^{th} largest with 82.9 million) meat products (with 417 million livestock, the largest in the world), fisheries (8,000 km of coastline; 7^{th} largest producer with 8.2 million tons) offer tremendous potential for export. India's share in world production is nearly 10 percent in fruits and 14 percent in vegetables. India produces 43 per cent of world's mangoes, 16 percent of banana, 23 percent of cashew nut, more than 15 percent of onion, 35.5 percent of cauliflower *etc*. Despite all this, our share in the world exports of fruits and vegetables is only about 1 percent. It is only about 2 percent of the fruits and vegetables produced in the country which are processed and there is considerable potential to increase.

The Department of Agriculture and Cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India.

Overview and trend of agriculture food products export

Since economic reforms began in 1991, India has remained consistently a net exporter of agriculture products, with highest agri-exports touching USD 44.7 billion in 2013 and imports at USD 27 billion in 2015 (Table 1). It has emerged as a significant agri-exporter in a few agriculture commodity viz marine products, meat, rice, spices, raw cotton, sugar, fresh vegetables, groundnut, cashew nut *etc.* India's share in global agri-exports has also increased from 0.8 percent in 1990 to 2.3 percent in 2015 indicating its growing international competitiveness in agriculture. Overall, agri-trade as a percentage of agri-GDP has also improved from about 5 percent in 1990-91 to more than 17 percent by 2015-16, suggesting India's gradual integration with the global economy.

Table 1: India's global export-import of Agricultural Products (Value in USD billion)

Year	Export	Import	Trade Surplus
1990	3.5	1.7	1.8
1995	6.3	3	3.3
2000	6	4	2
2010	23.1	17.9	5.2
2011	34.5	22.6	11.9
2012	41.9	25.7	16.2
2013	44.7	24.4	20.3
2014	43.5	27.3	16.2
2015	35.4	27.7	7.7

Source: WTO

As per WTO, India is figuring in amongst the world's top fifteen exporters of agricultural products in 2015. In terms of net exports, India is now the world's fourth-largest net exporter of agriculture commodities. India's exports and imports of agri-commodities from 1990-91 to 2015-16 is given in the Figure 1.

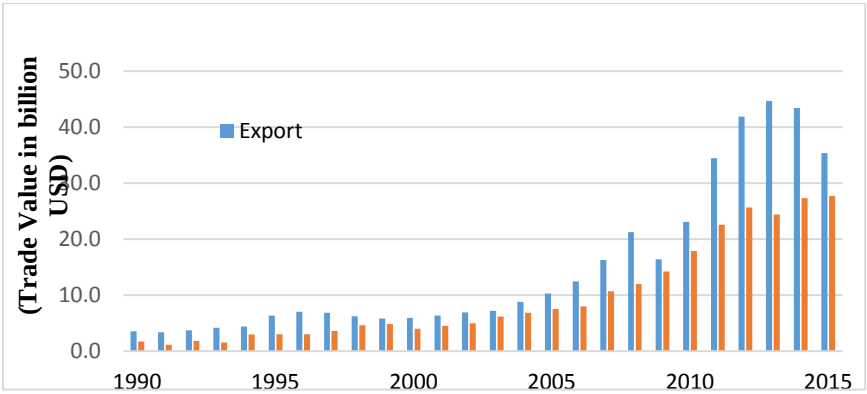

Figure 1: India's global export-import of agricultural products from 1990 to 2015; Source: WTO

India's agricultural exports: India's agri-exports can be divided into three broad categories *ie* export of a) Primary / basic agri products, b) Semi processed products, c) Processed and ready-to-eat products. Primary products exported are essentially of low value high volume nature, while semi processed products are of intermediate value and limited volume and processed ready-to-eat products are of high value but low volume nature.

India has become a very important player in the global market, especially for marine products, rice, cotton, sugar, and beef (buffalo). In addition to these products, India has also become a sizeable exporter of oil meal particularly soybean meal, guar gum, fresh fruits, cashew nut and castor oil as well as a diverse range of other products.

Table 2: India's top agricultural export over the last decade (Value in USD million)

No	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17
1	Marine products	3,464	5,017	5,510	4,768	5,903
2	Buffalo meat	3,201	4,350	4,781	4,069	3,903
3	Rice -basmati	3,564	4,865	4,516	3,478	3,209
4	Spices	2,786	2,497	2,430	2,541	2,852
5	Rice (other than basmati)	2,652	2,925	3,337	2,369	2,525
6	Cotton raw including waste	3,748	3,638	1,900	1,939	1,621
7	Sugar	1,575	1,177	871	1491	1,291

No	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17
8	Fresh vegetables	627	886	763	800	863
9	Coffee	866	799	814	784	843
10	Groundnut	747	526	760	620	810
	India's agri and allied export	41,778	43,367	39,199	32,875	33,797
	India's total export	300,401	314,416	310,352	262,290	275,852
	% share of agri and allied import in total export	14	14	13	13	12

Source: Department of Commerce

India’s top export destinations for agriculture an allied items includes Vietnam, USA and United Arab Emirates (Table 3).

Table 3: India’s top ten export destinations for agriculture and allied exports (USD million)

No	Country	2015-16	2016-17	% share in India's agri export 2016-17	Major items of export
1	Vietnam	3,508	4,352	13	Meat, groundnut, alcoholic beverages
2	U S A	3,265	3,667	11	Mucilage and thickeners, basmati rice, cereals preparation
3	United Arab Emirates	2,003	2,158	6	Basmati rice, other rice, meat
4	Saudi Arab	1,752	1,462	4	Basmati rice, meat, other rice
5	Banglades h	1,279	1,348	4	Onion, fresh fruits, cereal preparation
6	China	945	1050	3	Mucilage and thickeners, groundnut, process fruit and vegetables
7	Iran	905	881	3	Basmati rice, meat, processed fruit and

No	Country	2015-16	2016-17	% share in India's agri export 2016-17	Major items of export
					vegetable
8	Malaysia	974	870	3	Meat, groundnut, onion
9	Nepal	588	817	2	Other rice, other fresh vegetable, maize
10	Indonesia	432	735	2	Meat, groundnut, other rice

Source: DGCIS, Kolkata and APEDA

India's agricultural imports: Agriculture imports constitute only a small proportion of the country's total imports. Over the past decade, agri-imports have been in the range of 4 to 6 percent of the total imports of the country. In recent years, edible oil has become the single largest agri-import accounting for around 50 percent of the value of total agri-imports. Another item which has been accounting for around 15 percent of total agri-imports is pulses. However, import of the remaining agriculture import into the country like fresh fruits, cashew nut in shell, wheat, sugar, and raw cotton was very small of total agri-import.

Table 4: India's top 10 global agricultural import over the past decade (Value in USD billion?)

No	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17
1	Edible vegetable oils	9,851	7,250	10,621	10,492	10,893
2	Pulses	2,450	1,828	2,786	3,902	4,244
3	Fresh fruits	1,139	1,273	1,565	1,695	1,683
4	Cashew	990	774	1,087	1,339	1,347
5	Wheat	1	4	10	135	1,269
6	Sugar	570	392	601	612	1022
7	Cotton raw incld. Waste	456	394	509	394	947
8	Spices	500	571	718	824	859

No	Commodity	2012-13	2013-14	2014-15	2015-16	2016-17
9	Alcoholic beverages	260	341	408	447	536
10	Misc processed items	233	244	292	277	316
	India's agri and allied import	17,594	14,163	19,855	21,429	24,554
	India's total import	49,0737	45,0214	44,8033	38,1007	38,4356
	% share of agri and allied import in total import	4	3	4	6	6

Source: Department of Commerce

India's top import sources of vegetable edible oils and pulses

Table 5: Top import sources of vegetable edible oils

Edible oils	Top import source
Soybean Oil	Argentina (78%) and Brazil (16%)
Palm Oil	Indonesia (60%) and Malaysia (40%)
Sunflower	Ukraine (94%) and Argentina (5%)

Source: Department of Commerce

Table 6: Top import sources of pulses

Pulses	Top import sources
Peas	Canada (54.5%), Russia (10.3%), Lithuania (9.0%)
Chickpeas	Australia (85.1%), Russia (4.7%), Tanzania (3.8%),
Mung bean	Myanmar (70.37%), Kenya (7.43%), Australia (6.32%),
Lentils	Canada (89.58%), USA (7.47%), Australia (2.88%)
Pigeon Peas	Myanmar (46.35%), Tanzania (18.71%), Mozambique (15.36%)

Source: Department of Commerce

Innovative applications on agriculture food products export promotion

Export Promotion: The Agricultural and Processed Food Products Export Development Authority (APEDA) under Government of India

has been actively engaged in the development of markets besides up gradation of infrastructure and quality to promote the export of agro products. APEDA has been undertaking a number of initiatives for market promotion and quality development for Indian agricultural and processed products exports in general. It provides assistance to the registered exporters under the sub scheme namely "Market Development, Infrastructure Development, Quality Development and Transport Assistance".

Traceability: To assure the importing countries that the quality requirements are being maintained at every level of supply chain, APEDA took initiatives to set up traceability mechanism in agricultural products. In order to have clear information and tracking of the consignment, APEDA has introduced a 'traceability system'**,** an IT enabled monitoring system co-opting all stakeholders in the supply chain into a single system. TraceNet system helps in maintaining authentic information and related data of all the organic stakeholders under certification i.e. operators (producers, processors traders) and Certification Bodies operating under the National Programme for Organic Production (NPOP). Peanut.net, Hortinet, Grapenet, Anarnet (pomegranate) and Meat.net are some of the IT-enabled traceability systems established in recent times. Hortinet is an integrated web enabled certification and Traceability system which acts as a surveillance system to ensure that fruits and vegetables exported from India adheres to the International Standards for human consumption. Initially grape, Anar, okra and mango have been integrated in the single sign in system and more products will be added in due course

SWIFT (Single Window Interface for Facilitating Trade): Under the initiative of Ease of Doing Business, Government launched the Customs' SWIFT Clearances Project with effect from 1 April 2016. The Customs' SWIFT enables importers/exporters to file a common electronic 'Integrated Declaration' on the Indian Customs Electronic Commerce/Electronic Data Interchange (EC/EDI) Gateway *ie* ICEGATE portal. The Integrated Declaration compiles the information requirements of Customs, Food Standard & Safety Authority of India (FSSAI), Plant Quarantine, Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee. It replaces nine separate forms required by these 6 different agencies and Customs. With the roll-out of the Single Window, India has introduced an Integrated Risk Management facility for Partner Government Agencies (PGAs) which will ensure that consignments are not selected by agencies routinely for examination and testing, but based on the principle of risk management.

Merchandise Exports from Indian Scheme (MEIS): A new scheme namely Merchandise Exports from Indian Scheme (MEIS) has been

introduced in the Foreign Trade Policy 2015-2020 to provide support for the notified processed and packaged agricultural and food items. Countries have been grouped into three categories--namely Category A: traditional markets, Category B: emerging & focus markets and Category C: other markets--for grant of incentives.

Goods and Services Tax (GST): India has rolled out a new tax regime namely Goods and Services Tax with effect from 1July 2017. GST envisages introducing a single tax on supply of goods and Services or both by amalgamating all the central indirect taxes (excise duty, countervailing duty and service tax) and state indirect taxes (Value Added Tax, luxury tax, entry tax, octroi *etc*). GST is more comprehensive, compliable, simple, harmonized and development oriented tax system. The GST unlike the present system will allow the supplier at each stage to set-off the taxes paid at previous levels in the supply chain. It is essentially a tax on value added at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain with set-off benefits at all the previous stages.

The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

Current rules, procedures and requirement

Director General of Foreign Trade (DGFT) under Ministry of Commerce is responsible for regulation and promotion of foreign trade in India. Export and import procedures, rules, notification dealing with export and import of various items including agriculture items are available on the website of DGFT (http://dgft.gov.in/). In addition to general import policy laid down by DGFT, the import of basic agricultural commodities (crops, pulses, fruits, vegetables, seeds, spices etc) is presently regulated through the Plant Quarantine (Regulation of Import into India) Order-2003, provisions of New Policy on Seed Development 1988 and provisions of Food Safety and Standard Authority of India (FSSAI) under Ministry of Health. Import of meat, chicken, egg *etc* is governed by provisions laid down under Animal Quarantine. The Export Inspection Council of India (EIC) is an apex body under Ministry of Commerce to provide development of export trade through quality control and pre-shipment inspection. Import Export Code (IEC) issued by DGFT is mandatory for export and import from India.

Export and import Policy of important agricultural commodities

Exports

Presently exports of principal agricultural products including rice, wheat, sugar, cotton, fruits and vegetables are "free" without any quantitative restrictions. However, 20 percent export duty has been imposed on export of sugar with effect from 16 June 2016. Export of pulses (excluding kabuli channa) and vegetable edible vegetable oils in bulk (excluding coconut oil, rice bran oil, soya bean oil, groundnut oil, sesamum oil and maize corn oil) is 'restricted' to meet the domestic demand. However, export of vegetable edible oils in branded consumer packs of upto 5 kg is permitted with a Minimum Export Price of USD 900 per mt.

Imports

Imports of principal agriculture products are mostly allowed without any quantitative restrictions subject to the payment of prescribed import duty and fulfillment of laid down phyto-sanitary condition. However quantitative restrictions on import of pigeon pea and beans of *Vigna mungo* or *Vigna radiata* have been imposed recently in view of bumper pulse production (*ie* 22.95 million mt) in India.

Table 7: Summary of current import duties on principal agriculture items

Item	Current import duty structure
Vegetables	30% on most of the vegetables , onion- Nil, potato- 10%
Fruits	30% on most of the fruits, apple-50%, grape- 40%, orange-40%
Wheat	10%
Rice	70% (basmati rice, parboiled, other polished rice) , 80% (Husked (brown) Rice, broken rice)
Cotton	Nil
Vegetable Edible oils	12.5 % on crude and 20% on refined (except palm oil and crude soya bean oil), on crude palm oil- 15%, on refined palm oil- 25% , crude soya bean oil- 15%
Pules	Nil for all pulses (except pigeon pea) , pigeon pea– 10%
Sugar	50%
Oilseeds	30% on most of the oilseeds, 10%- sunflower seed

Source: Central Board of Customs & Excise, Department of Revenue

Key issues, constraints and challenges

With the reduction of import tariff under FTAs, importing countries have started focusing more on enhancing non-tariff measures such as stringent

sanitary and phytosanitary measures. This results in higher cost of compliance for Indian exporters

Market access issues of India with other countries

Important market access issues on phytosanitary ground which India is facing in major countries in the world are given below. India is making efforts to address these issues to facilitate agriculture trade with these countries.

1) USA

Grapes: The market access for Indian grapes in USA is under negotiation. USA provided a list of 14 pests of their concern on importation of Indian table grapes.

2) Canada

Sweet corn and baby corn: On India's request for market access for export of sweet corn and baby corn, Canada submitted an executive summary on PRA of sweet corn and baby corn. The response will be submitted shortly on the pests of concern to Canada.

3) Vietnam

Grapes and anthurium: The market access for grapes and anthurium is under negotiation.

Pearl millet: Request for gaining market access for pearl millet in Vietnam was submitted by India. Response from Vietnam is awaited.

4) Japan

Grape: The market access of grapes in Japan is under progress and Japan desired some information on pesticide test plan and cold dis-infestation treatment. Information is being collected by Indian agency.

Pomegranate: Request has been submitted by India for accessing market for pomegranate in Japan.

5) CHINA

Okra, rape seed meal and rice (basmati and non-basmati): The draft protocol for export of okra, rape seed meal and rice (basmati and non-basmati) to China is under discussion.

Pomegranate (whole fruit and arils) and sapota: Market access of Pomegranate (whole fruit and arils) and sapota from India to China is under negotiation.

Banana, papaya and pineapple: Market access request for banana, papaya and pineapple has been submitted to China.

Soya bean meal: Market access of soya bean meal from India to China is under negotiation.

6) Myanmar

For gaining market access in Myanmar, requests has been submitted by India for the export of pomegranate, okra, tomato, hybrid maize, sunflower, black gram, green gram, bottle gourd, sponge gourd, cucumber, chilli, groundnut, pigeon pea, chick pea, mustard, peas, cotton, wheat and rice seed.

7) South Korea

Fruits and vegetables: Request has been submitted by India for accessing market for pomegranate, grapes, brinjal and okra in South Korea. Further response from South Korea is awaited.

Table 8: Success of India in gaining market access for various products

No	Year market access granted	Country	Products
1.	2005	China	Grapes, mango, bitter gourd
2.	2007	USA	Mango
3.	2011	Australia	Mango
4.	2012	Chile	Grapes, mango, walnut
5.	2012	New Zealand	Mango
6.	2014	New Zealand	Grapes
7.	2014	Australia	Grapes
8.	2015	Mauritius	Mango
9.	2015	Canada	Mango, pomegranate , banana, grapes
10.	2015	USA	Litchi, pomegranate
11.	2016	South Korea	Banana, mango, aubergine
12.	2017	Malaysia	Mango
13.	2017	Iran	Mango
14.	2017	Portugal	Litchi

Source: APEDA

Major constraints of agri-export sector

- Low productivity and poor quality of the produce as compared to the very high levels obtained in the advanced countries
- Despite the WTO and the agreement on agriculture (which focuses primarily on reduction of tariffs, increased market access, reduction in Aggregate Measure of Support in the form of subsidies) subsidies continued by developed countries as a result of which the expected gains have eluded developing countries like India

- Imposition of non-tariff barriers like sanitary and phyto-sanitary (SPS) conditions on imports from developing countries. Lack of awareness and knowledge about the SPS measures and quality standards by the processing industry and exporters
- The low quality of packaging: Importing countries demand specific packaging for each produce and the use of bio-degradable materials resulting in high cost of packaging
- Inadequate infrastructure, particularly transportation, road networks, and freight and cargo facilities, cold storage facilities *etc* coupled with inadequate post-harvest management adversely impact timely processing of the agriculture produces
- The freight rates in India are reported to be around 50 to 100 percent higher than those prevalent in some other countries which adversely impact our export competitiveness
- Lack of a proper marketing strategy geared to meeting the raw material requirement of processing units and ensuring a sustainable export market for the processed products.
- Policies on export of agricultural products have seen changes to protect interest of domestic consumers. Increase in prices of agricultural products in many instances has led to export restrictions

Conclusion and Recommendations

Conclusion

India has tremendous potential for enhancing its share in global export of agriculture and allied items due to diverse and varied agro climatic conditions and a vast reservoir of resources etc. Despite having significant productions in various agriculture commodities, India shares in global export is low vis-à-vis other developing countries. Lower productivity, fragmented land, non-availability of high yielding variety seeds, inadequate infrastructure (like transport, cold storage), poor packing and levelling, post- harvest losses, lack of awareness on SPS regime of other countries *etc* are some of major issues impacting our agriculture exports. India needs to proactively deal with these issues for optimal usages of its resources and manpower to become a leading global exporter in global markets.

A consistent trade policy environment is necessary to adequately incentivise farmers to invest more in productivity increasing techniques which will not only help the agriculture sector to realise its true potential but also assist in meeting the domestic demand. A stable trade policy on agricultural commodities will provide the right price signal and sufficient time to farmers to respond to that.

Besides, trade policy should also aim at providing a stable price environment to reduce the vulnerability of domestic producers and consumers. Steep fall in international prices of edible oils and pulses during recent years has adversely impacted domestic growers. Similarly, import of pulses, particularly, *Vigna mungo* or *Vigna radiata* below minimum support price (MSP) has impacted domestic growers.

Recommendations

- **Stable price environment for domestic growers:** Trade policy should also aim at providing a stable price environment to reduce the vulnerability of domestic producers and consumers. This is with particular reference to massive imports of edible oils and pulses to meet the gap between domestic demand and production.
- **Quality issues and Sanitary and phyto-sanitory (SPS) measures: C**ompliance with international quality including hygiene and safety standards are becoming increasingly stringent and we will have to comply with these measures to stay in the international market. Quality and competitive pricing will determine the course of trade in the domestic market and definitely in the international market. There is a need to provide continuous updating of data on market information, market access, procedures and processes *etc*.
- **Product development:** Apart from basmati rice, there are a number of agricultural products which have potential to command better price in international market. A large number of agricultural products have already been registered as GI products.
- **Infrastructure development**: A major impediment for promoting exports is the lack of adequate infrastructure particularly cold storage facilities and transportation. Hence, more investment needs to be directed towards creation of post-harvest and cold storage facilities.
- **Marketing strategy**: In the new scenario, where all the quantitative restrictions have now been removed and there is increased opportunity for the developing countries to have access to global markets. Thus, it is imperative that a marketing strategy is worked out focusing on major items of import by countries and to concentrate on such products using the comparative advantage. The countries in EU, African and the CIS region need to be given greater attention.

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Chapter 5

Export Promotion and Market Access for Agricultural and Food Products of Maldives in Major Global Markets

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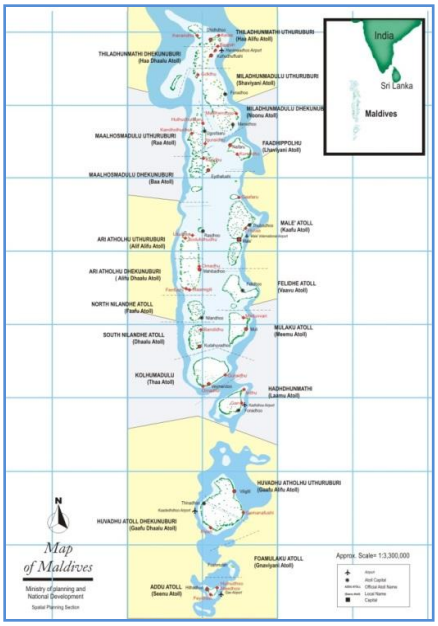
Introduction

Physiography and administration

The Maldives consists of 26 atolls consisting of 1,190 islands spread over an area of 90,000 sq km. For administrative purpose, the islands are grouped into 20 atolls and only 200 islands are inhabited. The islands are small, low lying with an average elevation of 1.6 m above sea level. The exclusive economic zone is 859,000 km and 99 percent of the country is sea. India and Sri Lanka are the nearest neighbors located at a distance of 600 km and 750 km north and northeast of Maldives respectively.

Male is the only urban capital city situated in Male. Atoll is near the geographic centre of the country with an area of approximately 2 square km. However, two new cities in the two Southern most atolls namely Addu and Fuah Mulah City are designated to be developed as urban cities.

Maldives has achieved strong economic growth over the past decade. Driven by the expansion of its tourism industry and other supporting sectors, real GDP growth averaged 6.7 percent in 2008–2014 and nominal GDP reached USD 3,024.5 million by the end of 2014. Maldives is considered one of the fastest growing economies is South Asia with a per capita GDP of USD 9,319. Reflecting the growing and expanding economy, the country graduated from least developed country (LDC) status in January 2011 and is now considered an upper-middle income country.



Agriculture sector in Maldives is made up of the fishery and crop sub sectors. Animal production and forestry is less significant. Fisheries and crop sector is still the principal source of livelihood for a large number of people providing a supplementary source of food and cash income. 100 percent of the staples and 80 percent of the food need is met by import. On average the food import bill is USD 407 million every year which accounts for 20 percent of total imports.

Being a small open economy with limited resources, Maldives has largely relied on its tourism and fisheries sector for its economic growth with tourism being the main foreign exchange earner. Although the significance of the fishing industry has dwindled over the years, it still remains as an important mean of livelihood for the community. Apart from these two industries, GDP growth in the country has also been contributed by other sectors such as transport, construction and wholesale and retail trade which have expanded rapidly to play a significant role in the economy. Moreover, the public sector has played a key role in the provision of socio-economic services and infrastructure.

The main fisheries of the Maldives are the pole and line skipjack tuna fishery and the hand line yellow fin tuna fisheries. In 2013, 768 vessels were licensed to catch tuna and tuna like species using the traditional pole and line hand line fishing gear. The harvesting sector for both these fisheries however is saturated. To further diversify the industry, Maldives is currently developing a local fleet targeting large big eye tuna for the high-end Japanese and Korean markets.

The sector for skipjack and yellow fin tuna is lucrative and the government encourages foreign investments in these areas to improve the quality of fish that is exported while also improving the socioeconomic status of the fishermen and the fishing communities. A large proportion of skipjack is still exported in the raw form as frozen fish to Thailand.

To improve value addition in the fishery sector, the Government of Maldives is promoting other fisheries related service sectors such as the provision of amenities required for fishermen in the form of ice, fuel, water and fishing gear. Development of amenities in close vicinity to fishing communities requires reinforcements in the form of quality investments. Ice particularly is of high demand in the harvesting sector.

Farming is an integral component of the larger natural resources system and hence strengthening the management of agricultural services is considered as essential for sustainable management of the resources and development of the sector in Maldives. Given the limited land resources, agricultural diversification and expansion activities in the country have to a large extent promoted incorporation of modern farming methods and technology including the use of drip irrigation and hydroponics systems.

In an effort to boost the sector's productivity and to commercialize agricultural cultivation activities, the Government of Maldives has leased a number of inhabited islands to scale up cultivation from subsistence to commercial levels. Efforts made in the past has shown that if properly managed, cultivation of certain crop verities such as papaya, watermelon, cucumbers and other tropical fruit and vegetable verities can be grown to a self-sufficient level or to produce exportable products.

In support of its economic diversification objectives, the Government is looking at ways to strengthen land and water use for production purposes, training and extension, agricultural pest and disease management, animal health and veterinary services, facilitate value addition and market linkages and provision of inputs and supplies such as machinery and equipment as well as credit facilitation to develop agricultural services in the country.

Overview and trend of agri-food-product exports in your country

Prior to the growth of tourism, the fishing industry was traditionally the main industry of Maldives. Despite the slowdown in the fisheries industry in recent years, the sector represents a vital component to the Maldivian economy. An estimated 10 percent of the working age group is employed in the fisheries sector while a large number of informal workers are also actively involved in fish preparation and processing stage.

Export of goods from Maldives almost entirely comprises of fish products. In 2014, total earnings from fish exports amounted to USD 140.2 million representing 4 percent of the foreign exchange earned. Fish exports are mainly in the form of frozen, chilled or canned skipjack and yellow fin tuna.

The potential of agriculture in the Maldives is concentrated in about 36 inhabited islands that are large enough to support commercial activity. In addition, Government of Maldives (GoM) has leased 87 islands for long term lease to develop agriculture and fisheries. Although the total land area has been estimated at 300 sq km, only 33 islands have land areas in excess of 1 sq km and 3 islands have an area larger than 3 sq km. Agriculture is important to a large sector of the population that is marginalized from the country's commercial fisheries and tourism industries. Nevertheless, agriculture plays a vital role in the livelihood of the rural population. Approximately, two-thirds of the population of the Maldives resides in the rural areas. Many of these rural residents are involved in fisheries activities and home-garden agriculture. Over one quarter of the rural labor force is engaged in fisheries and it has been estimated that approximately the same number are involved in some form of agriculture. Although agriculture's contribution to the Maldives' gross domestic product (GDP) has is not attractive its contribution to the economy is under estimated because production is mostly subsistence in nature and usually not measured for purposes of national accounting. The sector plays a key role in providing formal and informal employment opportunities, as well as contributing in an important manner to social issues related to poverty alleviation, providing work for women, providing a safety net for the population ensuring food security for the outer atolls and addressing other dimensions not recognized in the national accounts. For these reasons, GoM emphasizes the agriculture sector's importance to the economy as being greater than its contribution to GDP because of its role in generating employment and income opportunities in the atolls, improving food security, and providing greater self-reliance from import substitution of certain agricultural produce.

Interestingly, Maldives has an export market within the country with the booming tourism industry. Food for the tourism sector is met by importation. However horticultural produce and fish is complimented by the local production.

Domestic exports are usually volatile in Maldives as it depends on the favorability of the fish catch during each year, which can vary significantly on external factors such as international tuna prices.

Looking at the direction of trade of exports, 50 percent of the country's exports in 2014 are to Asia and 40 percent to Europe. The major export market in Asia is Thailand accounting for 32 percent of total exports and the main export products are in the form of frozen skipjack and yellow fin tuna. The second largest export market is France accounting for 14 percent of exports in 2014 representing mostly fresh or chilled yellow fin tuna. Other export markets include Sri Lanka (6%), UK (4.7%) and Italy (3.5%).

Table 1: Export of fisheries products from Maldives

Maldives Trade with the World			
Year	2012	2013	2014
Fish Exports (USD mn)	156.86	161.93	140.2
Percentage of total exports (including re-exports) (%)	49.65	48.73	46.23

Policy and programmatic responses for agri-food-product export promotion

Trade policy is geared towards expanding mutual co-operation with our key trade partners with the objective of ensuring market access for our limited export products; facilitate consumer choice for locals and to fill the gaps in the provision of services trade, through a very liberal and transparent services trade regime.

With the graduation of Maldives from the LDC group and with the gradual erosion of previously accorded preferential trade arrangements, the Government of Maldives has intensified efforts to engage with its bilateral partners. The main driver of these initiatives is to improve market access for its limited export products, find new avenues to increase the productive capacity of the country in tradable goods and to widen the scope of services trade beyond the current tourism services.

Maldives is a founding member of the World Trading Organization (WTO) and the South Asian Association for Regional Cooperation (SAARC). In addition, Maldives is a member of the Organization of

Islamic Cooperation (OIC) and is signatory to the Framework Agreement on Trade Preferential System among the Member states of the Organization of the Islamic Conference (ratified on April 2006). Maldives has been an active member of the South Asian Agreement on Regional Co-operation (SAARC) and its trade liberalization initiative, South Asian Free Trade Agreement (SAFTA) since its inception. Maldives is also a signatory of the SAARC Agreement on Trade in Services (SATIS) which was signed in April 2010. The agreement brought in services trade within the ambit of SAFTA.

Maldives enjoyed tariff-free entry to the EU for its canned and fresh fish exports, under the Everything but Arms (EBA) until 31 December 2013 until the scheme expired due to Maldives' graduation from LDC status. The EU market is the second most important market for Maldives exports accounting for more than 30 percent of total exports.

In November 2014, the Government published new regulations governing long line fisheries in the Exclusive Economic Zone (EEZ). Under the regulations, licenses are issued for long line fisheries to catch yellow fin and big eye tuna under a quota system. License for fishing in the EEZ of the country is issued under Article 6 of the Fisheries Act but are issued only to local companies.

To promote fisheries sector industrial development activities and to maximize export receipts, the government encourages value addition in the sector. Effective from January 2012, import duties are exempted for items imported for use in value addition activities in fisheries sector. In addition to tariff incentives, the government promotes and has been supporting formation of co-operatives at the island level and offers financing options under Small and Medium Enterprise Development program of the government to undertake value addition activities.

To address adverse impacts of preference erosion in the main fishery export markets following the country's graduation from LDC status in January 2011 and to promote Maldives fishery industry and products overseas, the Government established a Fisheries Promotion Board in November 2013. The board comprising of private and public sector representatives and established under the auspices of Ministry of Fisheries and Agriculture (MoFA) facilitates participation of Maldives fish exporters in major global fisheries fairs and conferences.

The Government's fisheries sector export promotion strategy aims to ensure high quality and sustainability, obtain premium value for fish products and alleviating supply and market bottle necks faced in the export of such products. To improve export prospects for fishery products and to increase the value of Maldivian fish exports, the pole and line skipjack and yellow fin tuna caught in Maldives has obtained Marine

Stewardship Certification (MSC) in November 2012. Similarly, halal labeling scheme was introduced in 2013 to facilitate exports to non-traditional markets in the middle-east. As the competent authority for ensuring food safety and certification, Maldives Food and Drug Authority (MFDA) ensures fishery exports from Maldives to meet international quality standards including regulations of European Union and conducts regular audits of fish processing factories and vessels to ensure compliance with health and hygiene standards.

As part of its export promotion strategies, strengthening the quality assurance system for Maldivian goods and services remains a priority of the Government. With the technical assistance from UNIDO, efforts are being made to build national institutional capacity to implement a quality assurance system through strengthening capacity of MFDA and national metrology laboratory services, covering calibration, certification, metrology standards and regulation. Metrology services were expanded out of the capital region during the review period to make such services more accessible to MSMEs, traders and exporters operating out of the capital city.

To address low levels of manufacturing and export capacity in the goods sector, the government encourages value addition activities in agriculture sector and handicraft sector. Projects in this area have been piloted with the assistance of FAO and IFAD as SME initiative. The outcomes of the pilot initiatives implemented have been promising with new products introduced targeting the tourist and export markets. Though the initiatives are showing promising results, the level of mechanization and technological advancements and reliance on imported raw materials impacts the production capacity and export potential of these industries.

As a major employment generating sector for local population, bulk of the fish products are exported with little or no processing. Hence measures are being undertaken to promote value addition and to encourage export of value added fishery products. To encourage uptake of new fishing methods, long line fishing is now allowed under a quota based licensing scheme in the EEZ zone to harvest yellow fin and big eye tuna, the latter a rarely harvested and exported species from Maldives.

In addition, new measures such as introduction of mariculture, research and training facilities are currently being implemented as pilot projects to further diversify the sector. Participation of SMEs in the fisheries sector value chain is further fostered under the government's SME development programs and through exemption of import duties for imports used in fishery sector value added activities. Measures are also taken to ensure the sustainable nature of Maldivian fisheries and seek premium value for exports by ensuring compliance with internationally accredited schemes such as MSC certification.

Agriculture in Maldives is limited due to the salinity of the soil and due to smallness of land available for arable production. Yet, agriculture plays a vital role in creating rural livelihood and employment, thereby making substantive contribution to economic and social welfare in the islands. With government's efforts to commercialize agriculture activities, the sector's contribution to GDP has been gradually increasing in the recent years. As a net food importing country, efforts are made to shift small scale farming practices to sizable commercial operations as a means to enhance food security to cater to the needs of the growing tourism market as well as to build economic resilience in the face of the global climate change and its likely impact.

The government encourages investments in new technology such as hydroponics and auto-pot cultivation systems, growing of new crop varieties conducive to the climate and geography and value addition activities to further diversify the sector. Incentives in the form of duty exemption are provided for imports brought for use in agriculture sector development and incentivized loans are provided to SMEs to scale up production and value addition activities.

To further increase agricultural sector output, the government supports and encourages development of poultry and livestock production. Currently, these production activities include rearing of chickens in free range, backyard and cage systems while livestock production is limited to goat husbandry.

Current rules, procedures and requirements including sanitary and phyto-sanitary (SPS) for exporting agri-food-products to selected international markets

Trade policy of the Maldives is geared towards expanding mutual cooperation with its key trade partners with the objective of ensuring market access for export products; enable import of quality merchandise and to facilitate services trade. Maldives has always maintained strong relations with its bi-lateral partners.

Measures relating to export of food items including fish and fishery products and import/export of pharmaceutical products as well as sanitary measures of general food items are overseen by Maldives Food and Drug Authority (MFDA) under Ministry of Health (MOH).

MFDA undertakes inspection of import documentation, compliance with food labeling requirements as well as physical inspection of food items imported at the entry point under the Public Health Protection Act (7/2012). Personnels conducting food safety inspections have been trained by MFDA and follow national standards prepared by MFDA based on WHO/FAO CODEX Alimentarius.

Export standards for fish and fishery products follow the importing countries standards such as following European Union (EU) regulations/Council's Directives when exporting to EU.

MFDA is responsible for ensuring fishery exports meets international quality standards including regulations of European Union Council. MFDA also issues hygiene certification, confirming fish processing factories and vessels meet the minimum HACCP requirements. In this regard, all EU approved factories are audited in compliance with relevant EU regulations by MFDA every six months and samples are tested for both chemical and biological parameters.

Approximately, 34 percent of the tariff lines are subject to a zero rate and is applied to essential goods such as food.

Except for ambergris, no duty or taxes are levied on exports. Environmental grounds, Maldives imposes on export of live tropical aquarium fish. Maldives has also banned export of 20 marine products to protect the endangered fauna. Measures are also taken to ensure the sustainable nature of Maldivian fisheries and seek premium value for exports by ensuring compliance with internationally accredited schemes such as MSC certification.

Fisheries Promotion Board is the independent body working with the Government and state bodies in promotion of fishery products from Maldives. Export promotion is mainly done through participating in major trade fairs with strong leadership from the private sector.

Key issues, constraints and challenges including Technical Barriers to Trade (TBT) gaps in knowledge and capacity development needs in relation to agri-food-products export

Maldives completely lost preferential access to EU market effective from 1 January 2015 following the enactment of the revised EU GSP regulations in June 2012. As part of the smooth transition strategy, Maldives enjoyed preference access to EU market from January 2011 until 31 December 2013 and subsequently as an adjustment measure enjoyed a concession of 3.5 percent up until 31 December 2014. Currently in the EU market, Maldives exports are subjected to an MFN import tariff between 12-24 percent which places exports from Maldives less competitive in relation to exports from competing countries, which enjoys preferential market access to the EU market.

The loss of preferential market access for Maldives fish exports has posed challenges in terms of maintaining its export volumes in the tradition markets due to stiff competition from other more competitive MFN exporters. Nonetheless, following graduation, the combined promotional efforts of the government and the private sector since, have

enabled the country to maintain total export volumes and enter into new markets by positioning Maldives fish as a niche premium product.

To this effect, the current administration has embarked on a number of new initiatives to aid achievement of the above objectives. Such initiatives include convening of annual investment forums to increase interaction and engagement with the global investor community; initiation of negotiations with bilateral trade partners to enter into free trade agreements to improve market access conditions, creating a more transparent and predictable investment climate by initiating discussions with bi-lateral trade partners to sign investment protection and promotion agreements and avoidance of double taxation agreements and signing up to regional initiatives such as SASEC, AIB and silk road initiative to deepened regional level integration. Simultaneously, work is being carried out to roll out a business law reform initiative to modernize the legal framework governing trade, investments and doing business.

With respect to efforts on the investment promotion side, a Special Economic Zones (SEZ) Law has been enacted to solicit large-scale investments into infrastructure and development projects. The Board of Investment has been established and the SEZ office is already operational to realize investments for strategic projects.

Moving forward, the Government intends to step up its efforts to engage with its trade partners, International Financial Institutions and the international donor community to achieve the economic transformation vision for the country. The Government is optimistic, that its efforts to shift trade sector development strategy from an aid to an investment led approach will yield results in the short to medium term.

Success stories

Tuna products from Maldives fetch premium price for its quality and environment friendly practices in catching and processing. Maldives tuna is a world famous fishery product. It has the environment friendly label as it is caught using pole and line with one fish at a time.

Maldives fish is dry fish produce which is also recognized in the export markets. However, there are challenges in promoting the product due to challenges of illegal labeling.

Due to the exclusive tourism sector, Maldives has a niche export market for fisheries and local fruits and vegetables within the country. Improving the standards while increasing productivity though is a challenge due to cheap import of the products from all over the world. With the introduction of the voluntary standards of good agricultural practices in horticultural production, it is expected that more farmers will manage their farms to ensure quality of produce which is required by the niche tourism market.

Conclusion and Recommendations

As a net importer of food products Maldives play a limited role in the export of food products in the region. However, there are opportunities for Maldives to improve its production on niche products with environment friendly taglines.

In order for the SAARC region to take advantage of the potential in the region, the following areas need to be strengthened.

- Improve coordination between institution within countries
- Utilize existing platforms for export promotion efficiently
- Improve collaboration, coordination, networking within the region
- Respect regional and bilateral agreements
- Streamline assistance in SPS, laboratory testing *etc* to vulnerable countries from countries with accredited infrastructure
- Assistance to establish infrastructure and capacity building for all countries should be addressed

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Chapter 6

Export Potential of Agro Food Products of Nepal

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Introduction

Structure of Nepalese economy is changing over a period of time where the share of agriculture to Gross Domestic Product is 31.13 percent in 2015/16 (CBS, 2016) while that was 35.7 percent in 2010/11 (MOF, 2011) and 38.8 percent in 1999/00 (Economic Survey, 2000/01). This is higher in comparison to the South Asian average where only 19.81 percent of GDP comes from agriculture (Stabinsky, 2014). Despite the decreasing the share of agriculture to GDP, it is still the mainstay for economy as the livelihoods of 60.4 percent the population is dependent on agriculture (CBS Census, 2011). This massive dependence on agriculture has been supported by 29 percent of the total land mass under agricultural uses including about 16 percent of arable land and 13 percent of permanent meadow and pastures. Average land holding size of Nepal is 0.68 ha per households (CBS, 2011) whereas the per capita land holding is 0.07 ha which is less than half of worlds average (0.2 ha/person) and less than South Asian average 0.12 ha / person (World Bank, 2017).

Due to limited land availability, 47.3% of farming households have <0.5 ha of lands and .5 ha and 27.4% of farming households have 0.5-1 ha of land. Only 24.5% and 0.8% of households have 1-5 ha land and above 5 ha land (MoAD, 2014).

Nepalese agricultural system

Nepal is very diverse country in term of altitude, topography, climate and social and economic conditions. That diversity is also translated in diversity of farming systems across the nation. The typical cropping pattern in low hills and plains (below 1000 m amsl) is paddy-wheat, paddy-wheat-maize, paddy-mustard, paddy-lentil in irrigated areas and paddy-fallow, paddy-legume or maize-legume in un-irrigated lands. The typical cropping patterns in mid-hill regions (1000-2000 m amsl) are maize-millet, maize-fallow, maize-potato, maize-vegetables, maize-legume and rice-wheat (only in irrigated areas). The dominant crops in high mountains (above 2000 m amsl) are wheat, barley, maize, potato

and buckwheat. The main crops and their harvested areas in Nepal is shown in Figure 1.

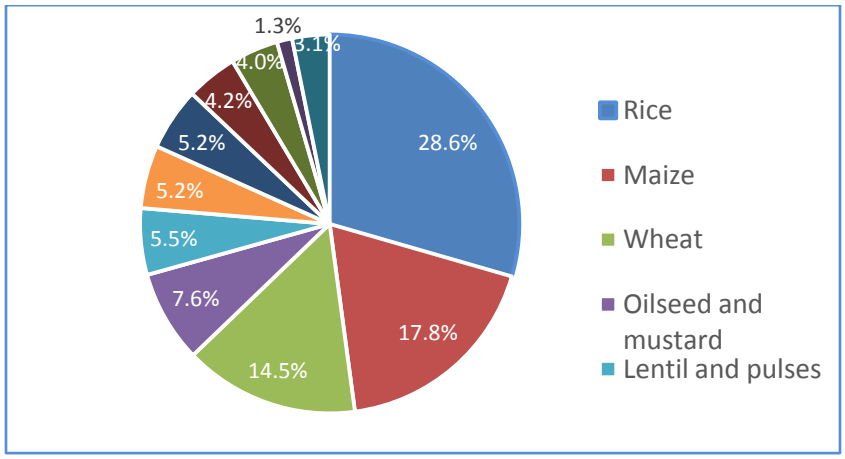

Figure 1: Main crops and their share in total harvested areas in Nepal

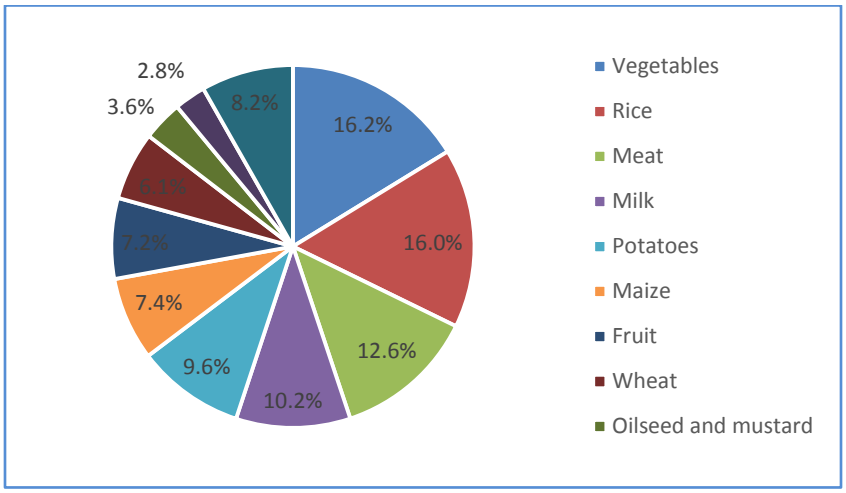

Figure 2: Share of agriculture and livestock products in total value of agriculture production in Nepal, 2014

As shown in Figure 2, livestock is also very important component of Nepalese farming system evidently shown by the fact that meat and milk 12.6 and 10.2 percent of the total value of agriculture production just after vegetables (16.2%) and rice (16%). Crops like potato, maize, fruits, wheat, oilseed, mustard, lentil and pulses that has high share in harvest areas also has high share in total value of agriculture production (FAOSTAT, 2017).

Nepal's national trade

Nepalese economy is integrated with world economy by adopting liberalized economy and globalization having signed bilateral, multilateral and regional trade agreements. Nepal signed the South Asian Association for Regional Cooperation (SAARC) Agreement on a South Asian Free Trade Area (SAFTA) from its commence on 1 January 2006 (SAARC, 2017). Under SAFTA, SAARC countries pledged to cut tariff rates on a product-by-product basis and more than 5,000 items were supposed to face a preferential duty treatment in trade among participating countries. SAFTA also has agreement to create free trade area by reducing customs duties of all traded goods to zero by the year 2016 while Nepal, Bhutan, Bangladesh, Afghanistan and Maldives (least developed countries) would be given an additional three years to reduce tariffs to zero. Nepal became the 147th member of the World Trade Organization (WTO) in April 2004 with commitments to reduce tariff rates for both agriculture and non-agriculture products. Nepal became a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 2004 which included Bangladesh, Bhutan, India, Burma, Sri Lanka and Thailand. BIMSTEC also seeks to establish a comprehensive free-trade area. Nepal has bilateral trade treaties with many trade partners including the United States, United Kingdom, Yugoslavia, India, Russia, South Korea, North Korea, Egypt, Bangladesh, Sri Lanka, Bulgaria, China, Czech Republic, Pakistan, Romania, Mongolia, and Poland. Among all these, the 1996 treaty signed with India (and amended in 2009) is the most important considering high dependence of Nepalese trade with India. The 1996 trade treaty puts Nepal in a unilateral duty-free trade regime with India (although there are commodities that have restricted entry due to quantitative restrictions).

While all these treaties and agreements were signed with visioning to get benefit from the free-trade regimes, Nepal has been unable to support national growth through trade mainly due to inability to increase the export.

Altogether, Nepal has 236 trading partners including overseas partners like China, USA, Germany, United Kingdom and Turkey while South Asia has remained the largest trading partner of Nepal (Table 1). Even within South Asia, most of the Nepalese trade is taking place with India. This is one main reason behind Nepal's inability to exploit the opportunities of free-trade with other countries and Nepal has an enormous USD 4,287 million of trade deficit.

Commodity wise, Nepal imports primary and industrial raw materials (due to declining domestic raw material production) and processed

agriculture products (due to limited investment and competitiveness in high-quality, high-value agro-processing). Nepal's main exports are concentrated in a narrow set of manufactured and agricultural products such as carpets, readymade garments, pashmina, handicrafts, pulses, jute goods and vegetable ghee.

Table 1: Volume of trade of Nepal with South Asia and rest of the World in 2015

Exports	Volume (USD million)	% share
Exports -South Asia	517	(62.8%)
Exports - Rest of the World	306	(37.2%)
Total Export	823	
Imports South Asia	2,976	(58.2%)
Imports Rest of the World	2,133	(41.7%)
Total Import	5,110	
Total Trade	5,933	
Trade Balance ($)	-4,287	

Source: DOTS, 2015

Nepal's agriculture trade

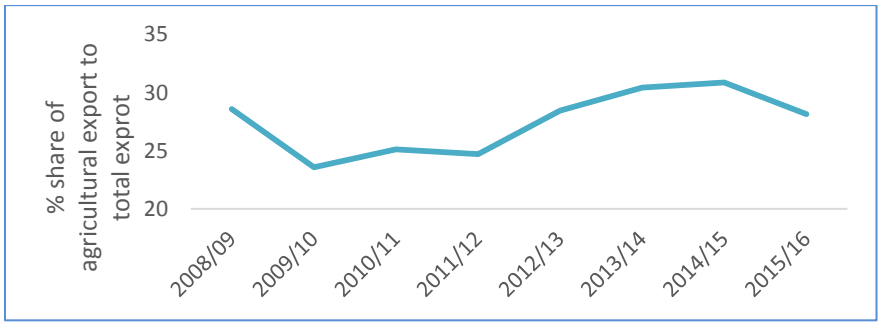

Figure 3: Percent share of agro food in total export; Source: TEPC 2015/16

If the share of agriculture commodities [including animal products (HS code 1 to 5), vegetable products (HS code 6 to 15), food stuffs (HS code 16 to 24) and other agriculture commodities (HS code 41, 50 and 52)] are separated from total export of Nepal, they constitute about 28.15 percent in 2015/16 year (Figure 3). The trend of the agricultural exports from 2008 shows that the share of these exports is remaining higher than 25 percent of the total export throughout the decade. Among the dominant agricultural commodities exported, vegetable products is the most

important which contributes about 16.7 percent of the total export followed by food stuffs which covers about 9.17 percent of the export in 2015/16.

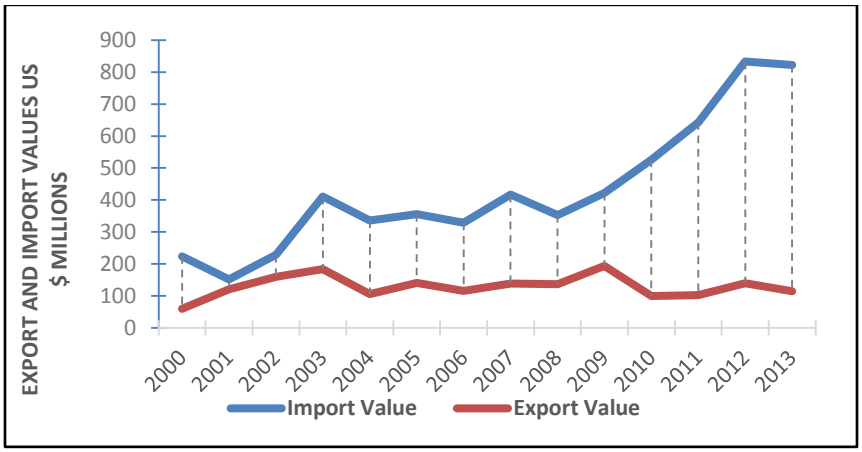

Figure 3:Trend of trade deficit for agricultural products; Source: FAOSTAT, 2017 (http://www.fao.org/faostat/en/#data/TP)

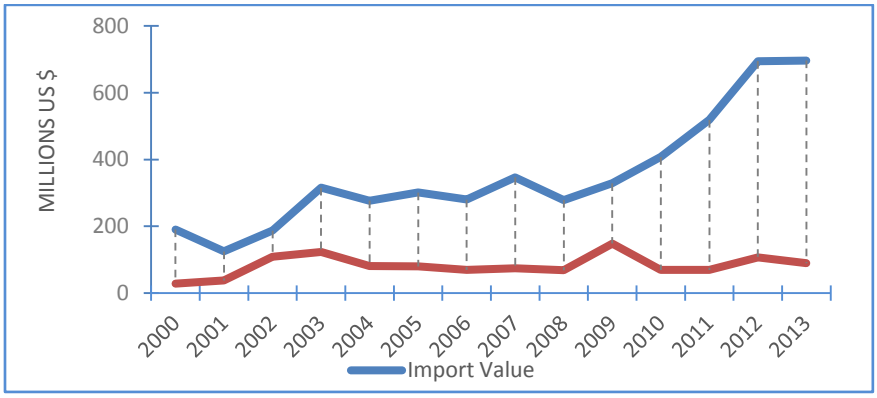

Figure 4: Export and import of Food (excluded fish); Source: FAOSTAT (http://www.fao.org/faostat/en/#data/TI)

There is sharp rise of agricultural trade after new millennium. However, the rate of increment in import is higher than the rise in export, causing a trade deficit in agriculture rising from USD 204 million in 2000 to USD 760 in 2013 (Figure 4). There is no sign of narrowing down the trade deficit of agricultural products even after 2013, but it has increased after that. The trade deficit of Food (excluding fish) also shows the similar trend. The trade deficit of the food is also increasing because of almost stagnant growth for export but a sharp growth in import. The trade deficit of the food products was about USD 606 million in 2013 and it is

continuously rising. This indicates that dependency of Nepal to agro-food products with foreign countries is continuously increasing, which might be due the reason that the domestic production is unable to catch the sharp increase in demand decreasing. This demands more investment on increasing production and productivity and improving trade competitiveness of the agriculture in Nepal.

Nepal exports agricultural goods without processing due to lack of the technologies and linkages in both backward and forward side. Major agricultural exportable items ranked by the value of export are large cardamom, lentil, crude materials, tea, fruit juice, non-alcoholic beverages, ginger, macaroni and cakes (Figure 6).

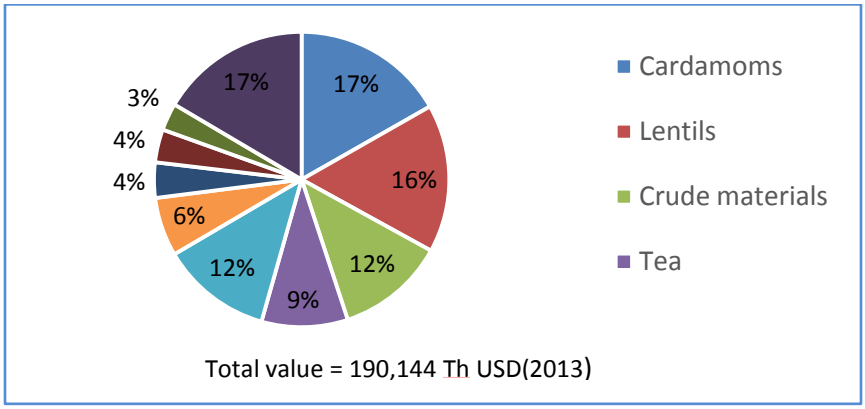

Figure 5: Share of various commodities in agriculture export (%)

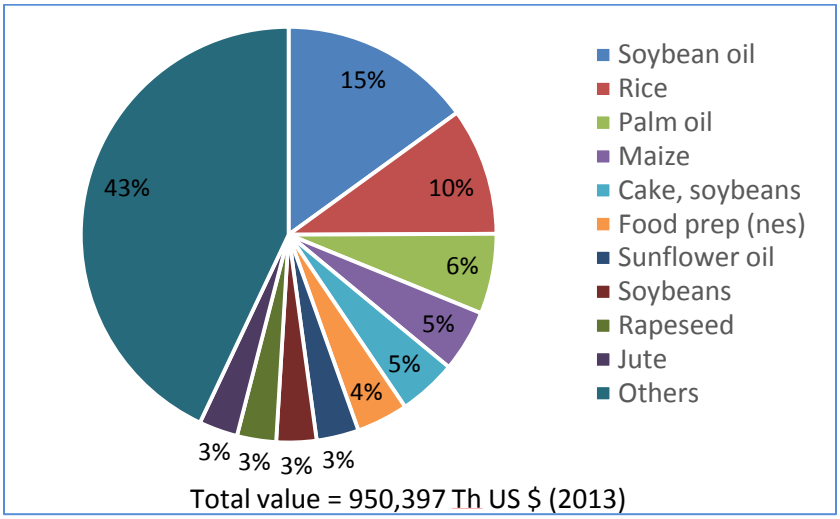

Figure 6: Share of commodities in import of agricultural products in Nepal (%)

In term of import, soybean oil, rice, palm oil, maize, cake, food preparations, sunflower oil, soybean and rapeseed are the main imported agricultural products (Figure 7). Most imports are from India which is also the main destination of agricultural exports from Nepal. The Trade Treaty with India provides reciprocal duty free facility without any quantitative restrictions access for 16 agriculture and primary products, including paddy, wheat, maize, rice, pulses and flour (ADS, 2014).

Table 2: Import and export of high value crops, cereals, MAPs and dairy (average of 2012/13 to 2014/15)

Commodity	Exports (NPR million)	Imports (NPR million)	Surplus/Deficit (NPR million)
Lentils	1,994	1,267	727
Tea	2,027	69	1,957
Cardamom	3,987	619	3,368
Fruit	2,348	9,700	-7,352
Ginger	749	340	409
Vegetables	166	3,301	-3,135
Coffee	66	41	25
Beans	4	4,192	-4,189
Subtotal of High Value Crops	11,340	19,530	-8,190
Cereals	133	30,190	-30,057
MAPs	1,501	455	1,046
Dairy products	184	1,660	-1,475

Source: ADS, 2014

NTIS 2016 identifies priority export potential sectors including agro-foods (cardamom, ginger, tea and medicinal plants), crafts and manufacturing (all fabrics, textiles, yarn and rope, leather, footwear, pashmina and carpets), services (semi-skilled human resources, information technology and business process outsourcing) and tourism.

Due to unique geographical location, Nepal's bargaining/negotiating power with major trade partners is also limited. Nepal has high dependency to regional trade in South Asia. Historically, Nepal has high degree of dependence to trade in South Asian region. In fact, Nepal ranks in top on share of regional trade to total trade highest among all other countries in South Asia. While Nepal's 58 percent trade is with South Asian countries, except Afghanistan (who has 38% share), all other

South Asian countries has less than 20 percent share of regional trade to total trade. Such high dependence on the regional trade especially with India, Nepal's negotiation power is always limited.

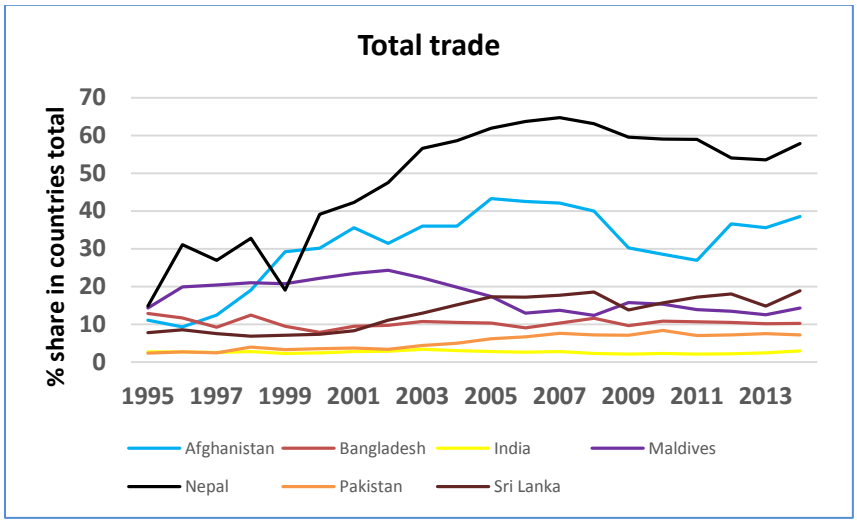

Figure 8: Change of % share of trade with SAARC Countries

Positive signals on agro-food trade promotion

Despite these limitations and challenges, there are few positive results in term of increased export derived from various trade promotion activities in Nepal. The exports of cardamom, tea, fruit juice, lentils, coffee, macaroni *etc* has increased over last decade. Lentils and cardamom are increasing at increasing rate as compared to other products. Export of lentil is always highest almost in all years. Its export was rocketing from 2007 and from 2009. Then, it was drastically falling. This might be due to unfavorable weather condition in lentil production during those years. Similarly, export of cardamoms is increasing over the decade. It is constantly increasing. However, its export is accelerating over lentils during these recent years (Figure 9). The reason behind increased exports of some of these agri-food products is discussed separately.

Large Cardamom (*Amomum sabulatum*):

Nepal's recent export trend of large cardamom is very encouraging case where Nepal has enjoyed the comparatively advantage to increase export. Nepalese hills have best-suited condition for production of large cardamom, hence both the productivity and quality of Nepalese cardamom is competitive. To harness this export potential, Nepal has implemented various cardamom promotion program. As the result, there are 64 nurseries in operation to produce seedling of cardamom. Large

cardamom is cultivating in 48 districts of Nepal. Disease and nursery management program of cardamom is in operation. Total area under cardamom production is 15,700 ha where the productive area is 12,120 ha and its total production is 6,439 mt in 2015/16 (MOAD, 2015/16).

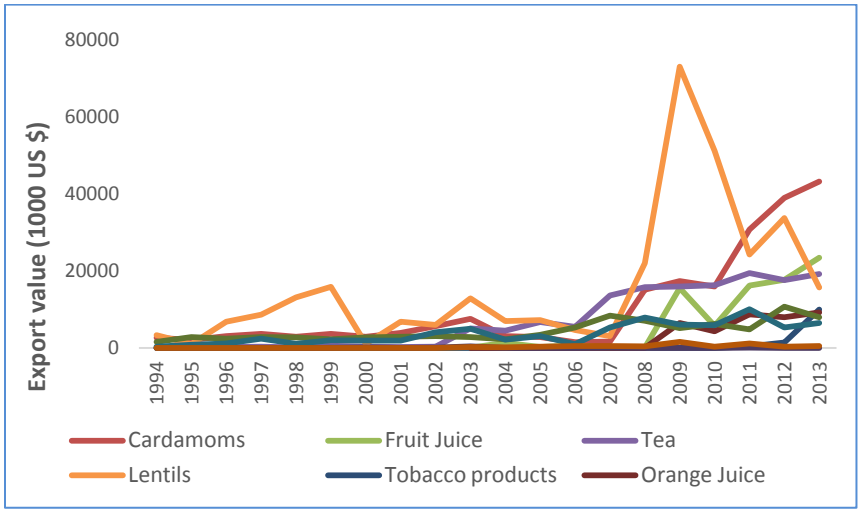

Figure 9: Trend of few fast growing exports of agro-food products from Nepal

Due to this, Nepal has become one main producers of large cardamom and exports 50 percent of worlds export. Due to this, cardamom is considered as a high-value crop and the area of cardamom is increasing rapidly. Export value of large cardamom was USD 20,437 in 2010 and USD 46,146 USD in 2015. This increase in export value during this period has been observed despite a drop in total exported quality with price rise of cardamom during this period.

90 percent of the Nepalese production is exported to India and then often re-exported to Pakistan, UAE and other countries. Little amount cardamom is also exported to Pakistan, UAE, Singapore, Saudi Arabia and Afghanistan. Nepal also enjoys a preferential tariff (0%) on exports to the Indian market and other important markets compared to other exporters.

Ginger

Recently, MoAD has drafted a Nepal Ginger Promotion Strategy. The National Spice Crop Development Program has developed a Five-Year Strategic Plan for its promotion. As a result 235,000 mt of ginger were produced in 2013 and 65 percent were exported.

Tea and Coffee

Tea plantation in Nepal was started in 1950s when first and second tea estate was established in Ilam and Jhapa of Nepal. After the establishment of Nepal Tea Development Corporation (NTDC) in 1966 by Government of Nepal, the first processing factory was established in in 1978. Various efforts were made by the corporation to encourage the growth of tea as a cash crop. In this process, Government of Nepal, declared Jhapa, Ilam, Panchthar, Dhankuta and Terhathum as Tea Zones. Since NTDC was a profit-oriented company, a need of public organization was felt for further development of tea industry and export in Nepal. Hence National Tea and Coffee Development Board was formed by Government of Nepal in 1993. Government of Nepal has approved and implemented National Tea Policy-2000 with focus on market promotion of tea. Import substitution and export promotion are among the important objectives of the policy. All together, there are 50 tea producer cooperatives in Nepal. Due to various these efforts, export of orthodox tea from Nepal was USD 2.7 million in 2013. There are 1,200 ha of tea plantation was certified for organic tea. There is still more potential for increasing export of the organic tea in overseas market.

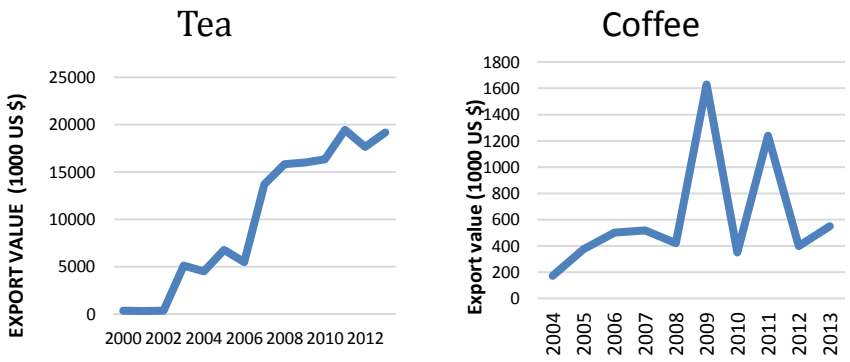

Figure 10: Trend of export of Tea and Coffee from Nepal

The story of coffee is even more recent and interesting. It is heard that in 1938, one farmer brought seeds of coffee from Myanmar (Burma) and planted in Gulmi. This crop was remained unnoticed as a curiosity crop until 1970s, farmer-farmer spread for 4 decades. The first commercial coffee company was established in Nepal in 1983/84 as Nepal Coffee Company (NCCo). Real transformation of coffee as the commercial crop happened after 2000. Until early 2000, coffee producers were not being

able to sell large amount of coffee and to generate good income. However, substantial increase in the export and also increase in domestic market consumption has happened after last millennium which has motivated coffee producers to increase area and production.

Realizing the comparative advantage and export potential of coffee in Nepal, MoAD launched the Coffee Development Program in the country. MoAD formulated Coffee Policy-2003 to promote the export of coffee with a view to substitute the import. The GoN provided technical and financial support to the farmers; its cultivation has gradually spread to about 42 districts (MOAD, 2015). The export of coffee has also increased from USD 171,000 to USD 549,000 from 2004 to 2013, the highest being USD 1619 thousands in 2009. Nepal's organic coffee has been regarded as high quality coffee and there is still good potential to expand the export of organic coffee in Nepal.

Legal and policy framework for promoting export of agro-food commodities

Nepal has adopted various policies and strategies with the intention to increase agricultural exports in recent years. These policies and strategies can be grouped into two categories.

1) Trade and industry policies, strategies related to agro-food export

First group of policies and legal frameworks are devised and managed by the trade-related entities and institutions. These policies and strategies are cross-cutting to all sectors – not specific to agriculture. Some of the notable policies and strategies and their relevance to agriculture trade is shown in Table 3.

2) Agriculture sector policies related to export promotion of agro-food products

These developments in the trade, industry and supply related policies, strategies and legal framework have been paralleled by the development of policies, plans and strategies in agricultural sector to promote agriculture trade. Most of the recent agriculture related policies and strategies have focused on export promotion and import substitution to reduce the trade deficit of the agricultural products. The main policies, strategies and plans connected to export promotion in agriculture is highlighted in Table 4.

Table 3: National trade-related policies, strategies and plans relevant for export of agro-food products

Policy, strategy	Provision, tool or method relevant for import/export of agro-food products
Supply Policy 2012	Necessary arrangements for ensuring national food security • Simplify the import of various food items in schedule 1 • Quality control in import of seed and fertilizers • Control anti-competition on the essential commodities Establish buffer stock for at least 3 months for essential goods
Nepal Trade Integration Strategy 2016	• Objective of strengthening trade and export enabling environment • The 12 sectors with the highest scores were selected as priority export potential sectors, cardamom, ginger, tea and MAPs are the agri-food based products and developed short-term and medium-term strategies to increase export. Previously, in NTIS 2010 coffee, vegetable and fruit juice, honey and lentil were among the top 12 prioritized export commodities. Focuses: – Increase export competitiveness through improved trade and transport facilitation – Enforce WTOTBT Agreement Code of Good Practice – Securing international accreditation for private and public laboratories Enhanced capacity to meet international standards (Traceability schemes in five agro-based export sectors implemented)

Policy, strategy	Provision, tool or method relevant for import/export of agro-food products
Trade Policy 2015 and previous Trade Policy 2009	Aims to promote domestic industries, manage growing imports and boost export Strengthen supply-side capacity, and minimize trade deficit by increasing exports of value-added competitive products and services – Enhance competitive capacity of the products of comparative and competitive advantage for export promotion – Expand market and enhance trade capacity by means of multilateral, regional and bilateral mechanisms and trade diplomacy – Increase access of Nepalese products to world market by promoting and protecting trade related intellectual property rights – Bring anti-dumping and countervailing laws – Pilot GI system for tea, coffee and honey – Lease-based farming of tea, coffee, fruits, MAPs, spices and marketable NTFPs Establishment of Product Development Fund for supporting processing; establishment of Export Trading House
Special Economic Zone act 2016	VAT exemption for the export commodities produced in the special economic zones Income tax exemptions / reduction for the firms established in economic zones
Industrial trade Act 2016	• Separate category for agriculture and NTFP based industries • VAT return for exported amount • Tax exemption in the income from export for manufacturing industries • Identification of agriculture and NTFP based industries as national priority industries

Policy, strategy	Provision, tool or method relevant for import/export of agro-food products
Industrial Policy 2011	• Increase export of the industrial products • Establish Nepal as the highly preferred destination for investment in South Asia and world – Encourage industries in the areas with higher competitive and comparative advantage – Provisions for Anti-dumping Duty and Countervailing Duty – Do new treaties or improve old treaties with India and China for increasing access to their market – 'One village one production' programme to harness special potential of rural areas – Support agriculture and NTFP based industries in local areas – Coordinate agro-industries and exports to establish industries to use local raw materials • Exemption on income tax in 'special economic zones'

Table 4: Agriculture sector policies, strategies and plans relevant for promoting export of agro-food products

Policy	Policy provision, tool or method for promotion export
14th Plan (Agriculture)	Make agriculture sector competitive and self-reliant by promoting commercial and sustainable agriculture – Get self-reliant on food crops with high comparative advantage – Promotion of organic brand for potential crops – Import substitution and export promotion
Agriculture Development Strategy 2014	▪ Targets to reverse 16% trade deficit (USD 1,123 million per year) in food grains (2015) to reach 0-5% trade surplus (USD 508 million) after 20 years ▪ Agricultural exports target is USD 2,598 million after 20 years from USD 225 million in 2015 – Market infrastructure development through PPP

	– Tax incentive and match funds for small and medium agribusiness enterprises – Strengthen trade negotiation capacity, capacity to apply and comply SPS – Review and assess pegged exchange rate with India – Enhance food safety and quality standards
Agriculture Policy, 2001	Increasing commercialization and competitiveness in the regional and world markets – Harnessing geographical potential and comparative and location specific special advantage – Establishment of 'Terms of Trade' – Promotion of 'Large Production Pockets' for commodities having high comparative advantage
Agribusiness promotion policy 2006	Compete in regional and global agricultural market by developing base for commercial and competitive agriculture system – Objective for promotion of agro-based industry for import substitution and import promotion – Provision of 'Special Economic Zone' (to be established under Industry Policy) for 'Agri-Product Export Area' – Plan to establish and strengthen 'Accredited Independent Analytical Laboratories' – Mobilize Nepalese embassies for market information about export market – Emphasis to technology transfer to utilize the comparative advantage for promoting export
National Tea Policy 2000	Market promotion of tea and import substitution and export promotion are among the important objectives of the policy – Planned for establishment of auction system for marketing – Seek multi-stakeholder partnership for export promotion of Nepalese tea – Minimal custom duty for tea packaging materials – Provision of export without LC for small quantity export (<1 container) – Provision of same level of benefits for exporting to India and other countries

National Coffee Policy 2003	Import substitution and export promotion of Nepalese coffee – Tax exemption on import of coffee processing machineries – Provision to put national logo for coffee to be exported – Coordinate with embassies and diplomatic offices for promoting Nepalese coffee – Provision of export without LC for small quantity – Promote organic coffee export
Dairy Development Policy 2007	– Reduction in duty fee for import of dairy equipment, packaging materials – Try to removal of tariff and non-tariff related barriers for accessing bilateral and regional level market of milk
Seed policy 2000	Policy has two objective related to trade as a) production and export of the quality seed; b) making the seed business effective in context of WTO. However, no specific policy instrument is mentioned for export.
Livestock Husbandry Policy 2013	Emphasis on import substitution and export promotion of livestock and livestock products – Harnessing comparative advantage – Increasing comparative advantage and competitiveness of livestock sector to increase access to global market – Support for establishment of 'Export Processing Zone' – Improve market information and research for integrating national market with international market – Reduction in duty fee for import of machines and equipment required for the industry
Floriculture Promotion Policy 2013	One objective for increasing competitiveness in national market for import substitution and export promotion – Facility to do paperwork and pay export duty in production location/collection center/wholesale market for export of flowers – Simplify the export rules and regulations for flower export

	– Prioritize the flowers with high comparative advantage and high international market demand
Forestry Policy 2014	Objective to meet national demand and promote export of the forest based products – Export promotion of MAPs and NTFPs through value chain approach
Bio-technology policy 2007	Ensure IPR, Bio-safety, Bio-surveillance and Bio-ethics
Plant Protection Act 2007 and Plant Protection Rules 2010	– Regulate the trade of plants and plant products – Provision relating to entry permit, sanitary certification and re-export certificate of plant and plant products

Although there are various policies and strategies in trade, industry and agriculture sector, if implemented properly, that would have good impact on enhancing export of agro-food productions in Nepal. However, Nepal's history on implementation of the policies and strategies is not encouraging. Often, the policies or strategies are not referred when the national plans are made. Hence the policies never got implemented. Sometimes, enough resources are not allocated for the plans. Hence the policy provision / tool / methods cannot generate the anticipated results. This kind of problem is more pronounced for the policies and programmes such as export promotion which requires multi-sectoral / multi-ministerial coordination.

Notable initiatives

Nepal had few notable initiatives from public (government) and non-government sector to promote export of agro-food products. Following are few of the notable initiatives taken to promote export and enhance comparativeness.

Nepal Trade Integration Strategy 2010

NTIS 2010 has following Instrument: strengthen trade negotiations (especially bilateral); investment facilitation; trade facilitation; technical standards; sanitary and phytosanitary measures; intellectual property; and commodity wise SWOT analysis and strategies for market promotion and export. After launching this, It has seen impact on created greater awareness among farmers, producer associations and traders about export potential and Value chain development of Pashmina, ginger and MAPs. Form this strategy new Nepal Trade Integration Strategy 2016 has been launching now.

High Value Agriculture Project (HVAP) (2010-2017)

Agricultural commodities like apple, ginger, turmeric, off-seasons vegetables, goat, Timur (*Zantho xylumarmatum*) and vegetable seeds are targeted under this project. From the analysis, it is found that household assets index was increased by 18 percent after running this project and 9,907 participating households increased their additional net income, on an average of NPR 22,823 in 7 value chains.

Agricultural Commodity Export Promotion Program

These programs has following programs such as subsidized loan for export oriented production and trading; support to develop internal control on organic farming; support on organic certification and support development of value addition, warehouse and processing plans.

Nepal Economic Agriculture and Trade (NEAT) 2010-2013

Because of this program there is USD 26.5 million increase in agricultural sales (ginger, tea, vegetables and lentils); 17,030 lentil-growing households trained in good agricultural practices; 3,000 ginger farmers given contracts with private companies; 718 percent average income increase for farmers who received training and 111 tea, lentil, ginger and vegetable collection centers improved through management capacity and infrastructure strengthening efforts.

Agriculture Commercialization and Trade (PACT) 2012-2017

748 projects implemented and co-financed by 250 cooperatives, 211 farmer groups, 276 small and medium entrepreneurs and 11 producer associations

There is an increase in the volume of selected agricultural commodities. Milk (9598 to 16993 mt), parchment coffee (126 to 176 mt), ginger (930 to 2288 mt) and honey (103 to 144 mt) has been increased per year.

Prime Minister Agriculture Modernization Program (PMAMP)

It is under implementation to assist to Agriculture Development Strategy (2015-2035). It has objectives of becoming self-reliant in cereals (paddy, wheat and maize) within 3 years; in vegetables and fishes within 2 years; and fruits within 7 years. It has four components which are Super Zones, Zones, Blocks, and Pockets. There is needed at least 10 ha of land to implement pocket area, 100 ha land to implement block, 500 hectares to implement zone and super zone should have 1,000 ha of land mass.

Constraints and challenges for export promotion

1. Nepal's low competitiveness for agricultural products

Slow growth rate of agriculture compared to neighboring countries: Average agricultural growth rate of Nepal over 1995-2014 is 3.22

percent where as it 3.9 percent for Bangladesh, 3.9 percent for china and 3.2 percent for India. Due to this, Nepalese agriculture is less competitive in regional market compared to others. The growth of agriculture sector in Nepal is slower than Nepal's main trade partners. Poor adoption of modern technology, poor access to inputs like seed, fertilizer, feed, breed, irrigations are resulting low agricultural productivity in Nepal. Utilization of fertilizer is very low compared to other neighboring countries which is 96 kg/ha whereas it is 364 kg/ha in China and 157 kg/ha in India, 208 kg/ha in Bangladesh, 135 kg/ha in Pakistan, 160 kg/ha in Sri Lanka and 201 kg/ha in Maldives. The large section of farmers have practice of using use their own seed harvested from local or improved varieties which has deteriorated quality and resulting very low yield beyond their capacity. Feed inadequacy is one of the bottlenecks to gain fruitful growth rate form livestock sector.

Lack of economies of scale: Average land holding size of Nepalese farmers is 0.68 ha (CBS, 2011). More than 51 percent of the households in Nepal have less than 0.5 ha of land. The small scale of farm size causes difficulty for adoption of modern agricultural technologies such as mechanization.

The productivity of Nepalese agriculture is lower compared to neighboring countries. In 2014, for example, Bangladesh, China, India and Nepal has 4,406 kg/ha, 5,886 kg/ha, 2,981 kg/ha and 2748 kg/ha, respectively.

Nepalese agriculture is dominated by subsistence farmers, where 55.3 percent of farmers are entirely subsistence farmers. About 44.7 percent of agricultural entities have some level of commercialization, but the even the commercial farms are not as commercialized in other countries.

2. Trade policy and trade agreements with India.

Due to Nepal's geographical location, Nepal does not have much power to increase the export trade to other countries except India. India is very protective of the agriculture trade, as shown by a highest level of bound tariff rates imposed by India for agricultural commodities (Table 5). Although there are mutual preferential treatment for Nepalese products to Indian market, India is enjoying the much of the benefits of these treatments due to greater competitiveness of their agricultural industry. Besides, India has imposed quantity restrictions for some of these crops – e.g. lentil which also limits Nepal's export potential to India.

Table 5: Bound tariff rates of the South Asian countries for agriculture and non-agricultural commodities

Country	Total	Agriculture	Non-Agriculture
Afghanistan	5.9	7.1	5.3
Bangladesh	13.9	16.8	13.4
India	13.5	33.5	10.2
Nepal	12.2	13.8	12.0
Pakistan	13.5	15.4	13.2
Sri Lanka	9.9	25.7	7.5

3. Sanitary and phyto-sanitary measures

Nepal is giving priority to review and reform existing legislation on food safety to comply with international regulations and standards e.g. ADS, NTIS and Trade Policy. However, Nepal has not adopted all international standards and guidelines due to lack of adequate resources. Hazard Analysis and Critical Control Point (HACCP) is still not mandatory for food producers, processor and handlers. Department of Food Technology and Quality Control work as SPS inquiry point and communicate about SPS related rules, regulations and standards and issuing certification for export and import of food.

4. Procedural barriers

There are procedural barriers in export of agro-food products in the country. Governance and bureaucratic mechanism of the government agencies are concerned with the export trade sector. Quarantine approval from India is a major export barrier (hassles in quarantine, custom clearance etc.) for Nepal. Nepal's inland transportation and handling cost is USD 1,650 compared to USD 115 for Sri Lanka (World Bank, 2014).

5. Structural barriers

These barriers rare created by the existing infrastructure, technology and market imperfections created by non-market forces (*eg* insufficient power, infrastructures, problems in labor relations, excessive politicization of labor). Nepal ranks 115th position for quality of road which is lower compared to 32nd, 56th and 76th position for Sri Lanka, Bhutan and India. The quality of air transport is in 129th position, whereas India ranks in 7th position. Nepal do not have rail transportation, which is often cheapest mean of transportation. Nepal ranks 126th position in quality of transportation infrastructure which is one of the lowest after Bangladesh in the region. All these infrastructure barriers cause difficulty for export potential (World Economic Forum, The Global Competitiveness Report 2014-2015).

6. Constraints to access to two main markets

NTIS 2016 has identified main problems / challenges for accessing two main markets – India and China. The challenges for accessing Indian market are:

- Duty-free access for most of its goods exports but similar benefits are also being extended to other LDCs or countries through RTAs, leaving Nepalese exporters with little or no tariff advantage
- SPS quarantine inspection and food testing facilities available at only six of the 27 border crossings
- Weak SPS capacity in Nepal
- High transport costs
- Small size of Nepalese producers/exporters
- Lack of consistent quality is an issue as is the absence of Nepalese branding

Similarly, the problems/challenges to access the Chinese markets as identified by the NTIS, 2016 are as follows:

- Nepal has tabled a list of 497 products and China is ready to offer duty-free on 286 products
- Nepalese exporters complain about arbitrary and non-transparent customs valuation
- Exporters find the system of multiple import permits and licenses required by China confusing
- SPS requirements are rising
- Needs to strengthen bilateral negotiation efforts
- Road transport is difficult and the costs of trade facilitation and transport are high

Conclusion

This country paper analyzed various aspects of agro-food export from Nepal. Based on the analysis, it is recommended that Nepal should prioritize its export promotion activities to harness comparative advantage and increase competitiveness of the agricultural products. There is enough comparative advantages among the SAARC countries can be harnessed in sensitive list of agricultural commodities. There is urgent need of reducing structural and procedural barriers e.g. visa rules, to enhance the intra-regional trade because procedural barriers are one of the main challenges for the increasing export. For the land locked countries like Nepal, special treatments should be legalized. For example Nepal needs an easy passage by India for overseas export but until now

access to India only through Kolkata port is granted by the Indian government. There is need for technical cooperation to improve SPS standards and application of mutually recognizable standards and certifications. There is immediate need for control of non-recorded (illegal trade) across the border. In case of Nepal, negotiating a fair trade deal with India is the most important than any other trade issues in Nepal.

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Chapter 7

Export Promotion and Market Access for Agriculture and Food Products of Pakistan in Major Global Markets

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Abstract

Regional cooperation reinforces the importance that member states give towards connectivity and stronger linkages in the region and with the rest of the world for realizing of shared objectives. More specifically, regional cooperation from SAARC Member States needs to be extended in the area of exchange of technology and technical know-how regarding adaptation of new methods in agriculture. High potential of the agriculture sector in earning valuable foreign exchange has been greatly realized through tapping the potential in value additing sectors. In the country context, the agri-food groups in Pakistan earn USD 3,668 million that contribute 17.64 percent of total exports earnings with major export earners including rice, citrus and potatoes. While it is clear that Pakistan is capable of adding significant value to agricultural raw materials, demographic data show that much of the resources might not be available for significant value-added processing. Cross-cutting issues creating hurdles in the direction of fulfilling maximum potential of agri-food export include inadequate Research and Development funds; on-farm challenges including poor planting material and pre-harvest management practices; absence of modernized tools for in-field handling and harvesting techniques; incurrence of harvesting and post-harvesting losses; nursery proximity; inefficient crop management; limited cold storage facility and outdated sanitary and phyto-sanitary (SPS) measures in compliance with WTO and/or importing country requirements are among others. Given the diversity of the agriculture sector of Pakistan, the aim is to balance staple food crops, higher value horticultural crops and other commercially beneficial and export-oriented produce. Looking forward, Pakistan vows to promote agriculture sector and aims to achieve 5 percent growth rate in the year 2017-18 in Punjab Province alone - which constitutes the largest component of the agriculture sector of the country. An enterprising farming community, commodity exports through CPEC and rural transformation through use of information and communications technology (ICT) in farming will help to implement

farmer-centric and precision agriculture; make the country totally food secure; improve competitiveness and ensure environmental sustainability of agriculture.

Keywords: Pakistan agricultural export promotion

Introduction

Overall regional cooperation:

Food Security and poverty alleviation remains priority areas for cooperation of South Asian countries under SAARC. The international community at large, and the national governments in particular can face these challenges only through sustained increase in agricultural production; improvement of soil fertility and arresting and reversing agricultural land degradation and water loss. Attainment of these objectives requires substantial investment in optimal utilization of appropriate technology and a massive effort to develop human resources. The needs of the SAARC region in the agricultural sector, though different in magnitude are broadly similar. Under SAARC, South Asia can generate enormous benefits from greater integration and more regional cooperation in the areas of trade, water and energy *etc*. As the SAARC Social Charter explains, regional cooperation among the SAARC Member States will provide a platform for complementary action in determining and improving the structure and content of policies; ensuring greater efficiency in the utilization of national, regional and external resources and enhancing equity and sustainability of social programmes and the quality of living of their beneficiaries. Currently, intra-SAARC trade (at 6 percent of the area's worldwide exports) is woefully low compared to trade in other regional blocks (23 percent in ASEAN, 56 percent NAFTA, 61 percent EU, 12 percent MERCOSUR). Thus, cost efficiencies due to proximity are not being fully exploited with several untapped initiatives towards "free trading agreements" between several South Asian countries that can be gained from under the SAARC Development Fund umbrella.

Agriculture in the context to Pakistan

Agriculture sector is a vital component of Pakistan's economy as it provides the raw materials to down the line industries and helps in poverty alleviation. Agriculture contributes 19.8 percent in GDP and is the largest employer absorbing 42.3 percent of the total working population. The importance of agriculture to the economy - both direct and indirect - is seen in three ways: it provides food to consumers and fibers for domestic industry; it is a source of scarce foreign exchange earnings and it provides a market for industrial goods. The country is among the world's top 10 producers of wheat, cotton, sugarcane, mango,

dates and oranges (*Kinnow*) and holds 13th position in rice production. Major crops (wheat, rice, cotton and sugar cane) contribute 6.5 percent to the national GDP. Pakistan produces 25.75 million tons of wheat, 6.849 million tons of rice, 73.6 million mt of sugarcane, 3.85 million mt of potatoes, 2.344 million mt of citrus and 1.785 million mt of mangoes for sufficient not only for national consumption but also for export. Pakistan has a rich and vast natural resource base, covering various ecological and climatic zones allowing the country great potential for producing all types of food commodities.

While it is clear that Pakistan is capable of adding significant value to agricultural raw materials, demographic data show that much of the resources might not be available for significant value-added processing. As the population grows, local demand for unprocessed or semi-processed agricultural raw materials will increase, placing price pressure on raw materials and reducing opportunities for food manufacturing and export. The solution lies in increasing productivity in crops and livestock to ensure adequate raw material supply and to combine this with increased value-addition in food processing, thus tapping the potential of this sector to earn valuable foreign exchange. Given the diversity of the agriculture sector, the aim is to balance staple food crops, higher value horticultural crops and other commercially beneficial and export-oriented produce. Various existing factors fully support the case for change opportunities such as diverse agro-climatic conditions/zones and fertile soils paving the way for increasing intensity. Similarly, rising urbanization and middle class with a large domestic market (200 million) exists with increasing demand for food including high value fruits, vegetables, protein meats, dairy and fisheries are positive incentives for HVA. Pakistan's agriculture economy is predominantly small farmers business with 89 percent of farms less than 5 ha in size[1] having various limitations in their day to day farming practices that have been translated into per yields in the lower to middle ranged scales. An enterprising farming community, commodity exports through CPEC and rural transformation through use of information and communications technology (ICT) in farming will help to implement farmer-centric and precision agriculture; make Pakistan food secure; improve competitiveness and ensure environmental sustainability.

Overview and trends of agri-food exports (export earners) in Pakistan

Agriculture is the backbone of Pakistan's economy as it provides direct employment to 44 percent of the labor force and contributes 41 percent

[1] Source: Agriculture Statistics of Pakistan.

to GDP. The agri sector supplements a major chunk of Pakistan exports (directly or indirectly). The textile sector is dependent on the locally produced cotton while the agri-food sector is dependent on rice (basmati and coarse) and horticulture crops including potatoes, citrus, mangoes and dates *etc*. The agri-food groups earns USD 3,668 million that contribute 17.64 percent of total exports earnings[2]. Major export earners include: rice (4 million mt); citrus (0.435 million mt); and potatoes (0.464 million mt). Overall, the staple crops including wheat, sugarcane, rice, cotton and also maize account for 25.6 percent of value addition in agriculture and 5.4 percent to GDP. Other crops contribute 11.6 percent value addition to agriculture[3].

Rice: Rice is an important cash crop of Pakistan and is the second staple food after wheat. It accounts for 3 percent in the value added in agriculture and 0.6 percent of GDP[4]. During 2016-17, rice crop was cultivated on an area of 2,724,000 ha with a total crop of 6.849 million mt[5]. Rice area and exports fluctuate based on economic returns to farmers which directly correlate with international market prices. Nevertheless, Pakistan is the biggest exporter of long grain aromatic rice in the world. An overview of rice production and exports by Pakistan (Table 1) indicates USD 1,860 million worth of export in 2016[6].

Table 1: Status of rice production and export in Pakistan

Year	Production		Export		Quantity
	Area (‘000) Ha	Production (‘000) mt	Quantity (‘000) mt	USD (mn)	% of production
2011-12	2,571	6,160	3,423	1,882	56%
2012-13	2,309	5,536	3,849	2,111	70%
2013-14	2,789	6,798	3,778	2,199	56%
2014-15	2,891	7,003	4,055	1,927	58%
2015-16	2,739	6,801	3,959	1,860	58%

Source: Agriculture Statistics of Pakistan, Trade Development Authority of Pakistan, Crop Reporting Services of Punjab & Rice Exporters Association of Pakistan

Basmati rice and non-basmati rice: Rice production in Pakistan includes varieties of high yielding coarse varieties along with long grain aromatic basmati rice. For years, Pakistan and India have capitalized on this unique commodity. In recent years, pressure of generating greater

[2] TDAP Export Data, 2015-16
[3]Agriculture Sector Plan, 2015
[4]Economic Survey of Pakistan 2016-17
[5] Source: Economic Survey of Pakistan, 2016-17
[6]Trade Development Authority of Pakistan

revenues has led to the invasion of high-yielding rice varieties that have encroached on the land producing premium-quality basmati rice. This shrinkage of cultivated area coupled with relatively lower yield associated with a niche commodity like basmati has brought rice producers to crossroads.

Pakistan also exports huge quantities of non-basmati coarse varieties that add to the export revenue basket of the country. Pakistan's rice exports to the world have shown an increasing trend over the years. From 2003, the exports increased from USD 626 million to USD 1.8 billion in 2015 recording a three-fold increase. Exports to the world peaked in 2008 with a value of USD 2.4 billion. The average annual growth rate of Pakistan's exports in the years 2012 to 2016 however fluctuated down to -4 percent.

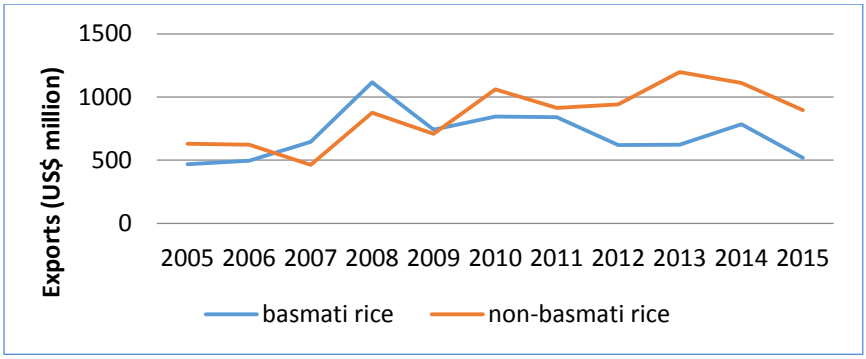

Figure 1: Export value of basmati and non-basmati rice; Source: http://reap.com.pk/links/basmati-export-data.asp

Fruits and vegetables (Horticulture): Pakistan has a thriving horticulture sector which is currently producing a variety of fruits, vegetables and condiments. Horticulture contributes roughly 12 percent to the overall crop sector in agricultural produce of Pakistan. It is centered on the cultivation of high value and high return products. These products are normally considered to be more valuable than other staple crops grown in Pakistan such as wheat and rice. Horticulture products are labor intensive, thereby generating more employment opportunities in existing plantation regions. The total area cultivated is 1.53 million ha with an annual production volume of 16.09 million mt (Table 2)[7]. An increase in per capita income and social awareness of incorporation of natural items into the daily diet has raised the demand for fruits, vegetables and high value condiments over the past decade. The current volume and value of produce is expected to continuously grow to meet the increasing demand for optimum nutrition in domestic consumption whereas surpluses can be exported to newer markets.

[7]Fruit, Vegetables and Condiments (FVC) Statistics of Pakistan 2014-15, published by Ministry of National Food Security and Research

Table 2: Extent, production and export value of fruits, vegetables and condiments

Total Area, Production and Exports (FVC)			
Year	Area (ha)	Production (mt)	Export Value (USD mn)
2011-2012	1,247,400	13,193,700	631.2
2012-2013	1,233,904	13,166,226	747.6
2013-2014	1,214,000	12,559,300	644.3
2014-2015	1,212,300	14,044,000	670.2

Source: Fruit, Vegetables & Condiments Statistics of Pakistan 2014-15, Ministry of National Food Security & Research – Export Data: Trade Development Authority of Pakistan.

Citrus (mandarin): Pakistan is currently considered to be among the top 10 producers of citrus products in the world being the sixth largest producer of Mandarin. Citrus grown in Punjab comes primarily from the Sargodha District, which shares roughly 50 percent of the provincial production followed by Toba Tek Singh, Mandi Bahauddin and Faisalabad Districts and also Sahiwal and Multan Divisions. Since the plantations in the southern districts are new to this region, the incidence of pests and diseases are less contrary to harvests from older regions which is a concern for meeting SPS requirements for export.

Table 3: Mandarin production and export

Year	Production		Export		Quantity
	Area (ha)	Quantity (mt)	Quantity (mt)	USD (‘000)	% of Production
2011-12	193,985	2,147,000	386,910	155,877	18%
2012-13	193,985	2,001,685	405,243	171,384	20%
2013-14	193,669	2,167,719	434,243	192,577	20%
2014-15	193,700	2,396,200	435,637	184,793	18%
2015-16	192,200	2,344,000	402,218	170,581	17%

Source: Fruit, Vegetables and Condiments Statistics of Pakistan 2014-15, Ministry of National Food Security & Research – Export: ITC Trade MAP)

The locally produced variety of Mandarin is known as “*Kinnow*”, technically referred to as the “Citrus Reticula” globally. This variety is said to dominate roughly 95 percent of all Mandarin production in Pakistan with majority produce coming from Punjab. This unique variety of citrus is indigenous to Pakistan featuring high juice content along with the added advantage of being easy to peel. Kinnow is the export leader in

volume and value in the fruit category. Pakistan's major import partners are Afghanistan, Russian Federation, UAE, Indonesia and Philippines adding around USD 185 million to the foreign exchange earnings. Currently, 18-20 percent of the total harvest is exported abroad. Competition for Pakistani produce mainly stems from export leaders in the seedless sector including Spain, Morroco and Turkey but Pakistani *Kinnow* caters to a specific niche in the market due to its unique variety. The development of seedless varieties in addition to SPS certifications can open up newer markets.

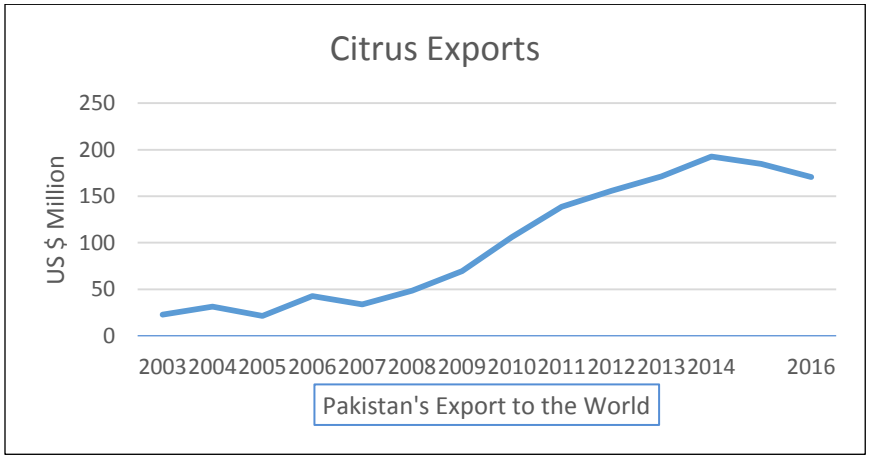

Figure 2: Trend of earning from Pakistan citrus exports

Mango: Pakistan is the sixth largest producer of mangoes in the world known for their bright yellow color, aroma and sweetness in the international market. Mango ranks second to citrus in terms of area utilized and annual production at national and provincial levels. Mango exports contribute roughly USD 65-70 million to national GDP. Considering recent trends, it is expected to grow on an annual basis.

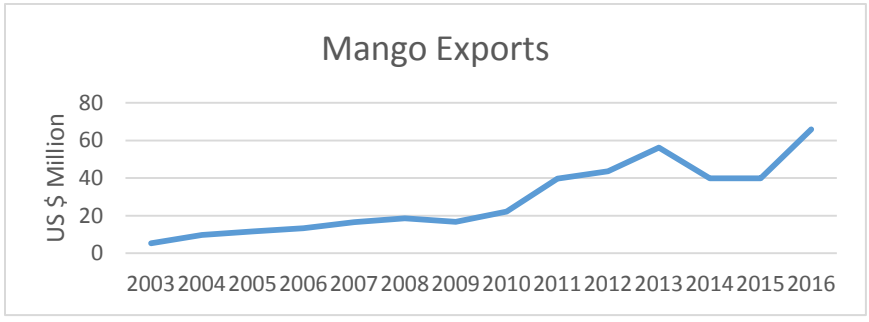

Figure 3: Trend of earning mango exports in Pakistan

The main mango growing districts include Bahawalpur, Multan, Muzaffargarh and Rahim Yar Khan (Punjab Province) and Mir PurKhas, TandoAlayar, Haiderabad, Nawab Shah and Sanghar (Sindh Province). The harvest window of all commercial varieties cultivated in Punjab put together, ranges between the first week of July up to mid September.

Table 4: Mango production and export

Year	Production		Export		Quantity
	Area (ha)	Quantity (mt)	Quantity (mt)	USD ('000)	% of Production
2011-12	172,400	1,700,100	100,022	43,623	6%
2012-13	170,510	1,680,388	97,472	56,229	6%
2013-14	171,289	1,658,562	75,202	39,977	5%
2014-15	170,800	1,716,900	42,284	39,972	2%
2015-16	170,300	1,636,500	82,658	65,835	5%

Source: Fruit, Vegetables & Condiments Statistics of Pakistan 2014-15, Ministry of National Food Security & Research – Export: ITC Trade MAP

Vegetable crops: Pakistan produces a large variety of summer and winter vegetables and condiments including potatoes, onions, chilies and tomatoes. Other harvested vegetables include turnip, cauliflower, carrot, lady finger and peas. Producers have been leaning towards the cultivation of "off-season vegetables" as demand for them has gone up significantly in the past decade.

Potato: Potato is the largest commodity in the vegetable group and the export leader from Pakistan with approximately 4 million mt of annual export to various trading partners. With access to international markets growing under the WTO regime, there has been a constant increase in global demand for this crop that is giving a considerable incentive to farmers to increase production. Pakistan has also experienced a steady growth in the area utilized for potatoes and its volume over the last one decade.

Table 5: Potato production and export

Year	Production		Export		Quantity
	Area (ha)	Quantity (mt)	Quantity (mt)	USD ('000)	% of Production
2011-12	184,900	3,392,500	301,590	83,664	9%
2012-13	172,800	3,785,900	488,114	130,385	13%
2013-14	158,300	2,893,800	153,715	51,211	5%
2014-15	169,100	4,160,100	464,734	122,499	11%
2015-16	177,360	3,977,300	305,423	80,770	7.6%

The average yield of the leading producers of potato range between 40-50 mt/ha for New Zealand, USA and Netherland, whereas it is 24.60 mt/ha in Pakistan. The Figure 4 shows an upward trend in the volume production of potatoes while the area cultivated has gone down. Further improvement in yield and quality would require adoption of good agricultural practices. Potatoes are majorly harvested in autumn. Okara, Pakpattan, Arifwala, Kasur and Chiniot are the largest producers in Punjab while a small percentage of about 3 percent of national produce comes from relatively cooler districts such as Mansehra, Abbottabad, Malakand and Swat located in the Khyber PukhtunKhwa (KPK) province. Main commercial varieties of potatoes cultivated in Pakistan are: Desiree, Cardinal, Ultimus, Raja, Diamant, Ajax and Sante in white skin. Pakistan produces two potato crops a year.

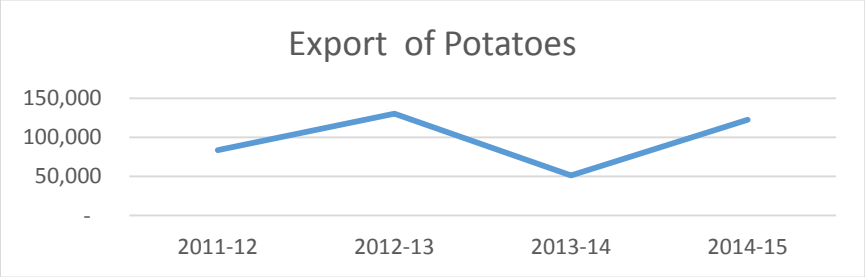

Figure 4: Potato exports in Pakistan; Source: ITC Trade MAP & TDAP

Success stories

Mango exports to the UK and Europe: Home to a large Pakistani migrant community, UK is an important export destination for Pakistani horticultural production. Owing to its unique flavor, sweetness and aroma, Pakistani mango is a highly celebrated fruit within Pakistani communities making it a valuable export item.

A pre-2015 UK authorities' interception of 135 occurrences of Fruit Fly in mango consignments resulted in a serious blow to Pakistan's overall horticulture exports. The Government of Pakistan reacted by suspending all exports to the UK to develop a mechanism that ensure pest-free exports to the European region.

The Government of Punjab initiated a PKR 227 mn specialized program for Management of Fruit Fly with Special Reference to Non-Conventional Methods— for the eradication of Fruit Fly. Demonstration plots were setup for best practices in pest control; Pheromone Traps (methyl eugenol – pest control chemical) was subsidized and an organized system of traceable orchards was developed (registration of farms with the Department of Plant Protection (DPP) to ensure that

exportable fruit is only sourced from farms adhering to best practices. Furthermore, post-harvest care facilities such as hot water treatment plants were also registered to ensure zero tolerance towards any discrepancies in compliance to international standards. Depending on end-destination, fruit sourced from registered orchards is treated at 45–55°C for 45–60 min. Since hot water treatment is an acceptable scientific treatment for mitigation of fruit fly, recorded interceptions during export season 2016/17 are almost nil. Even though export values have suffered during these two years, a renewed trust in Pakistani horticulture exports has been achieved.

Mango exports to the USA: USA being another major high-end mango export destination with a big Pakistani immigrant community, fruit fly concerns were raising flags with the United States Department of Agriculture (USDA) and Animal and Plant Health Inspection System (APHIS).

Department of Plant Protection Pakistan and APHIS authorities had long consultative sessions and alternative measures like hot water treatment, vapor heat treatment and radiation were considered to mitigate pest detection. A mutual agreement between countries was signed on 27 May 2012 to exercise radiation treatment to allow Pakistani mangoes access to US markets; 4 mt of fruit was exported to the US in the first year. During 2012, only one facility was approved by APHIS in IOWA (SADEX) whereas in 2014/15 the US government approved more facilities in the states of Texas and Mississippi.

These irradiation facilities had a positive impact on exports during 2013/14 exports soared to 55 mt, 2014/15 saw a boom to 100 mt whereas 2015/16 witnessed 120 tons of mango exports.

Pakistani mango varieties are a highly demanded commodity within the South Asian communities residing in the USA. A large number of ethnic populations reside in New York but all approved facilities are at long distances from the state which significantly adds to the end-consumer price. On the other hand, Indian mangoes enjoy direct access to the NY market and render much more economical in comparison. Pakistan Government is negotiating with apposite authorities to acquire an approved facility in New York (USA) or Lahore (PK).

Approval of an irradiation facility in Pakistan would entail a huge push to Pakistani mango exports fostering access to a larger consumer base due to managed costs and giving Pakistani exporters direct access to many US markets.

Based on the experiences of the mango sector, Government of Punjab has initiated a PKR 3,261 million (USD 320 million) program through Establishment of Model Farms Linked with Improved Supply Chain and

Value Addition with the primary objective to modernize horticulture extension services and compliance with SPS standards. A quarter of the total area under horticulture shall become SPS compliant by following the export model for Mangoes to Europe. Apart from extension services, support with acquisition of modern technology shall be provided to improve the quality of fruit. Code of Practices compliant to SPS protocols shall be developed and practiced on a large-scale to enhance exports to high-end international markets. Following a systematic approach, the end of LOP 2020/21 expects an increase of 30% in horticulture exports.

Policy and programmatic responses for agri-food-products export promotion

The agriculture and agriculture value added sectors accounts for major chunk of exports from the country with textile and rice exports being the major contributing sub-sectors. The horticulture exports have started to pickup benefiting from the overall growth in the world trade in horticulture. However, horticulture exports from Pakistan have been limited to few products mainly citrus, mango, potato and dates being the primary horticulture products being exported. However, a very wide variety of fruits and vegetables are grown and sold locally. The true potential of horticulture exports is to be realized yet.

Rice: The overall policy response for rice trade trends is to increase efforts in exports and brand development for basmati rice - to benefit from the consistent increase in the unit price and demand for basmati in the international trade, and to maintain market share for the coarse rice while reducing the cost of production to remain competitive. There has been a declining trend in the unit price for course rice. But it remains an important category due to the large volume share. Development of high yielding disease resistant varieties, improvement in mechanization technologies and farming techniques will remain the strategic focus for both rice categories.

Horticulture: The policy response for horticulture trade trends is to increase market share through concentrated efforts in export promotion, expand product portfolio to include more horticulture items to the export basket and encourage investment in the value added sectors. Training of farmers on good practices and SPS measure will increase product quality and will also open doors for Pakistan’s horticulture produce in intra and inter regional markets.

The Citrus dominated by cultivar *Kinnow*, despite the increased competition, has remained strong in international trade. The Kinnow export requires efforts to retain market share with the existing buyers

along with efforts in export promotion to enter into new markets and product development through R&D *ie* development of seedless varieties of *Kinnow*.

The Mango sector has consolidated itself in 2014-15 and since has experienced growth in volume and unit price in international trade. This is due to factors including trade of better and improved varieties of mangoes and up-gradation of mango pack houses. Mango sector can grow pretty quickly with little effort and support in export promotion and building market linkages of exporters with buyers overseas along with encouragement in setting up of more pack houses.

There is a huge year around demand for Potato in Pakistan and with limited production little surplus for export. The international market for potato is competitive and at times local market is more rewarding for the potato growers for sale of their produce. The policy response to increase export of potato requires increase in production and reduction in cost of production. The strategic intervention will include introduction of good practices, use of better seeds, farm mechanization technologies and better cultivation techniques.

Pakistan is a large size producer of a wide range of crops including onions, chilies, tomatoes, turnips, cauliflower, carrot, lady finger, peas *etc* with scope for diversification and broadening of exports portfolio. Government has been actively investing in programs supporting diversification, mechanization, value addition and eventually the export promotion of high value agriculture. Some of the programs are as follows:

- A matching grants program for establishment of 72 high-tech mechanization centers is approved providing subsidy of PKR 25 million on purchase of high-tech farm machinery at each center. These centers will have district specific high-tech machinery which will be available to farmers on rental basis.
- Supply chain development program to build capacity of the farmers on good agriculture practices and SPS protocols, with the target to cover 250,000 ac of cultivation area along with support to farmers in obtaining international certifications and 50 SMEs in setting up horticulture pack houses.
- A branding and export promotion program is currently being developed to support SMEs involved in value addition of horticulture and other high priority agriculture product. The SMEs will be supported through capacity building in export marketing and developing linkages with the international buyers including participation of these SMEs in the international trade fairs.

- Targeted subsidies to small farmers (landless to 12 ac landholding) on various inputs including fertilizers and seeds, encouraging farmers to diversify to high value agriculture and reducing cost of production.
- Establishment of Investment and Innovation Fund with the objective to promote private sector investment in horticulture value chain leading to exports through programs for i) capital market investment, ii) matching grants, iii) establishment of business incubation centers and iv) skills development of labor.
- Significant increase in R&D budget to develop varieties of seeds with increased participation of the private sector.

Current rules procedures and requirements

Plant Quarantine: All countries need to make certain that food is safe for consumers and to prevent the spread of pests or diseases among agricultural products. The right of a country to protect itself is a basic principle of the SPS Agreement. Trade policies to promote exports, need to address the constraints relating to Sanitary and Phyto-Sanitary (SPS) measures in compliance with WTO and/or importing countries' requirements. The objective is to protect agriculture wealth through legislative means and to facilitate free, fair and safe trade of agricultural products and not to use plant quarantine as a technical barrier. The main principles are:

- Assessment of compliance by the exporters as to pest freedom, treatment, packing and packaging
- Inspect material prior to exportation and treat wherever necessary
- Issue a phyto-sanitary certificate and provide information to the importing country
- Import from a country where the pests which are to be guarded against, are either absent or under official control
- Import from a country with an efficient quarantine service
- Inspect material on arrival and treat as required
- Maintain transparency and fair play
- Share information and experience

The documents such as import permit, certificate of origin, phyto-sanitary certificate, treatment certificate, bill of lading, invoice, letter of credit, anchorage permit and the other documents are helpful to follow the principles stated above.

Phyto-sanitary check: Freedom from quarantine pests and application of suitable treatment if necessary is ascertained. The assessment of compliance by the local exporter is also made.

Inspection: It is carried out in godowns, warehouses, dry ports, and entry and exit points. All agricultural products in imports, export or transit are inspected. Propagating material and perishables are given high priority. Standard sampling and examination methods which are followed according to the nature and quantity of commodity are followed. The presence of insects, fungi, nematodes *etc* is determined and where necessary species are confirmed. It is seen that no quarantine pests are transmitted through agricultural trade.

Inspection based actions: On the export side, a phyto-sanitary certificate is issued if the consignment is free of quarantine pest at the time of inspection and or suitably treated. For the import consignments a release order is issued if the material is free of quarantine pests and or suitably treated. The import consignments refused entry may be sent back or destroyed. Some material may be released after segregation. The treatment of plant products include dry dressing, spraying and fumigation with due care to the operators and the environment.

Customs clearance: This follows inspection and issuance of a release order or phyto-sanitary certificate (PC) from the plant quarantine service.

Records and communications: Records of trade, permits, certificates, interceptions, treatments, fees and fines are maintained. Interceptions, refused entries, non-compliance etc., are duly notified. The activities of plant quarantine service are given in the periodical reports of the department and sent to several quarters including the FAO.

Technical audit and procedure review: This is done periodically. Its purpose is improvement in plant quarantine operations.

Pest surveillance and risk analysis: A small unit for pest surveillance and risk analysis has been set up in the quarantine service. The guidelines as contained in ISPM No.2 and 6 of the FAO are followed. The forms for information for pest risk analysis in respect of dates, apples, citrus, rice/paddy, wheat, citrus, mango, apple, onion, potato have been circulated among the prospective foreign exporters such as Kenya, South Africa, Thailand, Sri Lanka, Philippines and many other countries. A pest database and pest distribution maps are maintained.

The procedures adopted (outline above) by the Government of Pakistan shows the seriousness and commitment in regulating SPS compliant trade with the partner countries.

Pakistan agriculture sector and other related stakeholders *viz* the retailers and the buyers recognize that if farmers in the region opt for hygiene and food safety in their production system through Good Agricultural Practices (GAP), they will enjoy access to new markets, have reliable quality inputs, will increase farm value and increase farmer's skill in

farming operations in domestic as well as in the global markets. To enable farm produce to be internationally competitive, incorporating the concept of globally accepted Good Agricultural Practices (GAP) is imperative to innovative farming practices. In this context, Federal Government in collaboration with the Provincial Government is chalking a mechanism to implement a SPS compliant regime. A local GAP standard (Code of Practices) PAK GAP is in the process of formulation and will be implemented at the farm level to ensure food safety and enhance share in the Global Market.

Key issues, constraints and challenges including Technical Barriers to Trade, gaps in knowledge and capacity development needs in relation to agri food processing export

Supply chain infrastructure: A study by USAID (2013) identifies that integration of local agricultural supply chain with global value is also important to export agricultural products which are subject to stringent SPS and TBT requirements. Pakistani agricultural products' marketability can be improved by adopting international standards and principles of Global Partnership for Good Agricultural Practices (GlobalGAP). This is especially true for exporting to India where joint ventures with Indian and global agricultural suppliers would open up the export opportunities to India. Public-private partnership may be best viable option to enhance investments to improve adaptation of global food safety and hygiene standards.

Productivity, competitiveness and domestic regulatory reform: According to Malik (2017) Pakistan's total factor productivity has declined since 1980s where as regional productivities have gone up. There is a constant decline in farm sizes which are one of the reasons of sub optimal productivity. Similarly, there is almost no diversification of agricultural produce in high value agriculture. Similarly lack of domestic regulatory framework, distortion in market prices and lack of market mechanism leads to the issue of competitiveness where Pakistani produce struggles to compete regionally or globally.

Farm mechanization and water management technologies: According to 11th Five-Year Plan of Pakistan accelerated farm mechanization is an important ingredient of the strategy to step up agriculture growth. Range of current power and implements are insufficient to support the need of the sector. Many developmental schemes were initiated for high efficiency irrigation system, provision of the subsidized tractors and farm implements such as laser land leveler, zero or minimum tillage machine, seed-fertilizer drill, raised bed technology, combine harvesters, threshers *etc*. Most of such schemes could not get high success except the tractor scheme which remained continued by the federal as well as provincial

governments. Due to this, the level of farm mechanization is basically confined to tractor cultivation.

Similarly, Malik (2009) identifies that the actual crop use of water in Pakistan is only 41MF, a colossal loss of 61 percent. Malik identifies that the adoption of new technologies is slow and becomes a burden on cost of production.

Capacity development: Input availability and use – Malik (2009) and Malik (2017) identifies that there is lack of availability and of use of new inputs by farmers. This slow adoption of new technologies and inputs increases the cost of production. In Pakistan only 40 percent of total available water is used for crop production. Similarly, there is not much availability of high yielding and disease-free seeds. Same follows for fertilizers, the nutrition mix is unbalanced due to lack of awareness of farmers and traditional inclination towards nitrogenous fertilizers.

Legal and Regulatory Capacity: The country faces shortage on legal and regulatory reforms and capacity. Lack of institutional capacity, policy making and awareness on part of farmers add to the problem.

Trade related issues: Most of the Pakistan agricultural exporters are small traders or growers and lack information technology skills. A check list of the challenges that may arise at the border includes: i) Shipping documents, custom valuation, sampling and inspection requirements; ii) Customs clearance charges, fees and payment (mechanisms) facilities; iii) Complying with sanitary and phyto-sanitary, technical standards and regulatory requirements (like labeling, packaging, storage and handling); iv) Customs clearing and facilitation agents (who can help to comprehend the custom regulations, duties and procedures and facilitate the clearing of shipments well within time); v) Efficient grievance redressal mechanisms; vi) Banking and insurance facilities; vii) Cargo storage, handling and movement of cargo for inland transportation; viii) Bill or instruments for payment for exports (letter of credit, bill of lading); ix) Transportation network.

Challenges beyond the border: In order to enhance trade some of the challenges beyond the border can be categorized as follows; i) Establishing and maintaining contacts with local businessmen and regulatory agencies; ii) Keeping track of business trends, consumers tastes and regulatory changes; iii) Financial, insurance and banking facilities; iv) Transportation and trade facilitation; v) Harmonization of standards, procedures and inspection mechanisms; vi) G2G, P2P and B2B interactions and networking; vi) Managing export competitiveness (trade policy and preferential trade agreements, subsidies, anti-dumping and countervailing regulations and foreign exchange requirements); vii) Sustaining business and trade interactions and volume; Maintaining B2B

interaction to enhance business confidence; viii) Standards, certifications and conformity assessment recognition Issues.

Technical Barriers to Trade: Technical barriers to trade are a form of non-tariff barriers and are widely used by countries for various reasons such as environmental protection, security, human, animal and plant health as well as consumer interests. Under WTO's TBT/SPS agreement, TBTs can be legitimate provided that the measures are transparent and do not promote disguised protectionism. With changing times and incomes, importing countries and consumer preferences change, leading to increased demands for quality, safety and environmental protection. Over time, increased trade liberalization due to international agreements and practices, has rendered traditional protectionist measures as an unsuitable option. While TBTs are generally considered as restrictive and regressive, in actuality they can be used as a tool for either promoting or restricting trade. They can help promote trade by providing greater confidence to consumers with respect to quality, safety and health concerns related to the imported products.

For example, in 2015 Pakistan received serious warning for its mango and other agricultural products from European Union for not meeting TBT/SPS requirements. Ministry of National Food Security and Research issued a notification for agricultural products specifically mango to adopt stricter standards for certification, hot water treatment and pack houses (GoP, 2015)[8].

In a study by Shah and Kiyani (2014) which compares NTBs between Pakistan, India, Srilanka, China states three key differences between the countries:

- Pakistani NTBs protect agriculturists and basic industries where as Chinese and Indian NTBs protect strategic industries.
- While many Pakistani NTBs operate as bans that shut competitors out of the Pakistani market, Indian and Chinese NTBs create costs that make foreign products more expensive (but still available) to their consumers.
- While Indian and Chinese NTBs are narrowly tailored to particular types of businesses, Pakistani NTBs tend to protect very general categories of products.
- Sri Lanka's trade restrictions are low, and are concentrated on tariffs rather than NTBs. Sri Lanka's NTBs focus clearly on safety and health concerns and appear less strategic than the NTBs employed by China and India.

[8]Ministry of national food security and Research, Government of Pakistan, 2015 Notification No. FFMSEU(DDQ)-29/2015

Conclusion and Recommendations

Development of resilient varieties: Research Institute has chalked out a plan to overcome low yield challenge by developing new high output varieties resistant to diseases..

Improved extension services: The Department of Agriculture in Punjab is working to modernize/equip extension services to meet the SPS requirements. Trainings on Good Agricultural Practices to increase crop productivity and mitigate disease/pest control shall be given to farmers.

Storage facilities: Government is initiating projects to promote private sector investment in establishing storage facilities for grains and high value crops

Technology transfer through matching grants: To promote private sector investment in farm mechanization services and value addition sectors, matching grant programs are being introduced by the government

Domestic and international marketing: Reforms to liberalize domestic market and encourage private sector to invest in local marketing gaps is underway along with specialized programs to build capacity of SMEs in value added product for export marketing

Exploiting opportunities for export to China through CPEC road and rail network: Promoting high value agriculture across CPEC route along with establishment of agro processing zones to encourage investment in value addition sectors leading to exports of agriculture produce from Pakistan to China

Chapter 8

Export Performance of Agri-Food Products in Sri Lanka and the Way Forward

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Abstract

Agriculture sector plays an important role in the economy of Sri Lanka contributing to GDP, employment, foreign exchange earning while supplying resource inputs to the industrial sector. The Agriculture sector contributes 7.9 percent of GDP while agricultural exports account 23 percent of total exports. Sri Lanka's export growth has been unimpressive indicating that 6.3 percent decline of agricultural export earnings in 2016. Export earnings from spice sector and tea sector have declined by 16 percent and 5.3 percent respectively. Declining share of agricultural exports is compound by the relatively low commodity prices prevailed in the international market, fragile demand and disrupted supply to the demand in the respective period. Domestic supply has been reduced due to destructive weather conditions and low prices for Sri Lanka's major agricultural commodity exports from destinations such as Russia and some of the Middle East countries.

Increasing exports is vital to reduce the trade deficit in a country and the Government of Sri Lanka aims to transform the current agricultural sector into an agribusiness export industry by 2020. Increasing exports is a challenging task that requires comprehensive economic policies. To perform Sri Lanka's agricultural products globally competitive, it has been proposed 23 Agricultural Development Mega Zones. To overcome the challenges and constraints in the agri-export sector, it is necessary to address significant gaps in the existing laws and procedures for testing, inspection and monitoring of standards and regulations. Moreover, Mutual Recognition Agreements (MRAs) are needed to address numerous Non-Tariff Barriers (NTBs) in foreign countries to benefit fully from Free Trade Agreements in Sri Lanka. Promotion of export-oriented Foreign Direct Investment would enhance abroad market penetration.

Sri Lanka must emphasis the gaps on Non-Tariff Measures (NTM) like sanitary and phytosanitory measures, Technical Barriers to Trade (TBT) and export related measures and the respective remedial measures that undermine export competitiveness. Nearly 70 per cent of the barriers to exporting were within the country (International Trade Center) which include overvalued exchange rates, slow process of approval of exports

by various Ministries that have to issue certificates of compliance of various types and bureaucratic procedures in export process.

Efforts to redirect trade to newer destinations and cautious use of regional free trade agreements could help increase exports, but it is more important to ensure the preconditions for increasing exports.

Keywords: Sri Lanka agricultural trade, food product exports, export policy

Introduction

The manufacturing and services sectors have achieved a remarkable growth compared to food and agriculture sector after the independence in 1948 and from there onwards value of industrial exports had beaten agriculture exports. Agriculture share in GDP has been changed from 26 percent in 1978 to 7.1 percent in 2016 (Central Bank of Sri Lanka, various). Before 1970s, agriculture exports have accounted more than 75 percent of total exports, while industrial exports were stagnated around 15 percent. However, the industrial exports have started to grow rapidly than agriculture exports after the introducing open economic policies in later 1970s (Bandara *et al*., 2014). Thereafter, agricultural exports were beaten by the industrial exports and the Sri Lankan economy has undergone a "structural transformation" from agriculture-based to industrial-based. In 2016 total earning from exports was USD 10.3 billion where the agricultural exports contributed 23 percent and it was 77 percent from industrial exports. The composition of agricultural exports is depicted in Figure 1. Agricultural exports have been contracted by 6.3 percent in 2016 compared to 2015 as the sector influenced by the adverse weather conditions that prevailed throughout the year. Moreover, fragile demand and low prices for Sri Lanka's major agricultural commodity exports from destinations such as Russia and some of the Middle Eastern countries, also explained the contraction in Agriculture activities (Central Bank, 2016).

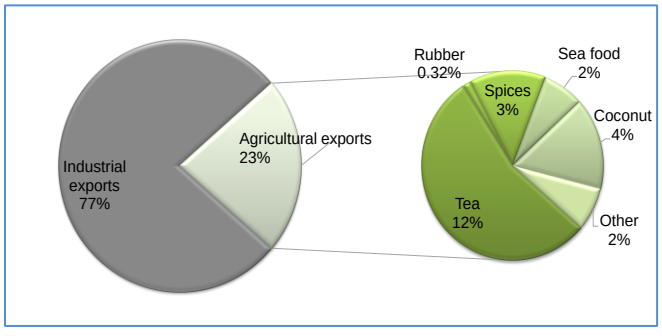


Figure 7: Composition of exports – 2016; Source: Central Bank of Sri Lanka, 2016 (Note: The 2nd pie chart depicts the % share of the total export earnings; % share of the agricultural exports are mentioned in the parenthesis - tea (55 %), coconut products (16%), spices (14%), sea food (7%), minor agriculture products (5%), rubber (1%), unmanufactured tobacco (1%) and vegetables (1%)

Overview and trend of agri-food-product exports

Trend of agri-food-product exports

Since the introduction of open economic policies, export earnings by agricultural products has increased at an increasing rate from around 1998 to 2011 (Figure 2). It was observed a slight declining from 2011 to 2016. Yet, the percentage of agricultural exports to total exports has decreased due to the "Structural transformation" and the share changed from 70-85 percent to 23 percent from 1970s to 2016. The real price of export earning possessed a declining trend.

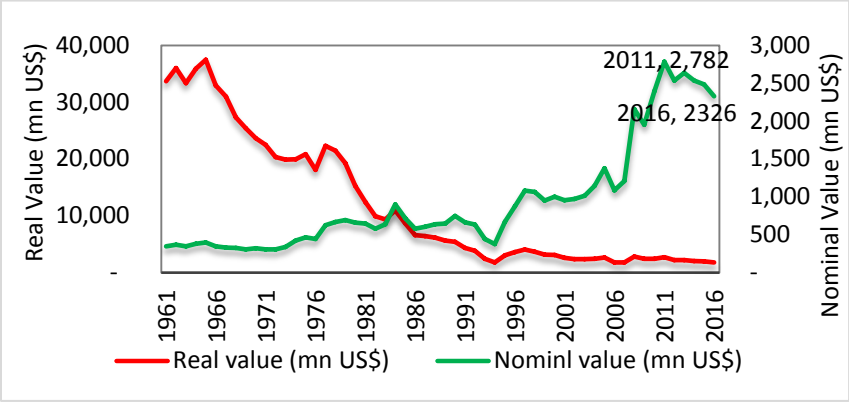


Figure 8: Total agricultural export value (MUSD) – Real vs Nominal;
Note: For real value - GDP deflator, base year = 2010; Data source: FAO

Sri Lanka has experienced with net export earnings except in 1993, 1994, 2006, 2007, from 2014 to 2016 and the trend is more or less steady (Figure 3). Yet, it is observed that the real value of net export earnings has a declining trend.

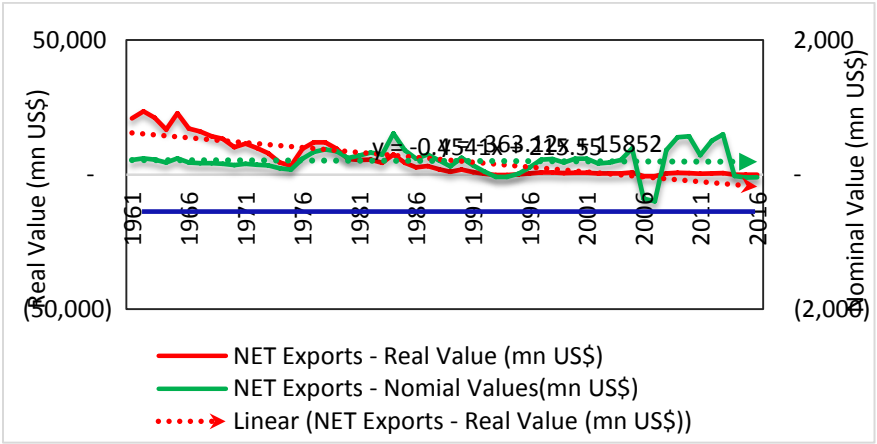


Figure 9: Net agricultural export value (MUSD) – Real vs Nominal

Situation of major agriculture produce

Considering the major agricultural conventional exports, tea production possessed a substantial decline. However, Colombo Tea Auction (CTA) throughout the year was above the corresponding prices recorded in 2015 and the export prices as well. The setback in tea sector was due to both local and global conditions. The tea production recorded during the first half of 2016 was the lowest ever recorded since 2009 (Figure 8). This was due to unfavorable weather conditions and low demand from prime export destinations of Sri Lanka (Central Bank, 2016). Moreover, its position has been hindered due to rigidities in the domestic supply and rising costs of production. Coconut based industries experienced with high export prices. All coconut-based products except coconut milk powder increased its exports. Desiccated coconut, copra and coconut oil, the products of kernel increased by 38.5 percent while exports of fresh nuts, coconut cream and coconut milk increased by 131 percent, 27 percent and 38.9 percent respectively. A sharp decline (16.5%) has recorded by spice exports due to the lower production spice crops affected with adverse weather conditions and cyclical seasonal patterns. Especially the export volumes of cloves and pepper declined sharply. Total vegetable quantity exported was 21,140 mt with a value of USD 29.5 mn (LKR 3.9 billion). It has been observed a great demand for fruits in 2016. Yet Sri Lanka was unable to meet the export demand and exported 33,300 mt of fresh fruits worth USD 34.5 mn (LKR 5.0 billion).

On the other hand, non-conventional agricultural exports recorded a remarkable increasing both quantity and value terms. Preparation of vegetables, fruits, nuts or other parts of plants (Figure 5) and miscellaneous edible preparations have reached export value of USD 96 mn and USD 173.4 mn respectively (Figures 4 and 5). For the same product type, the top 10 exporting countries are as per the Figures 6 and 7.

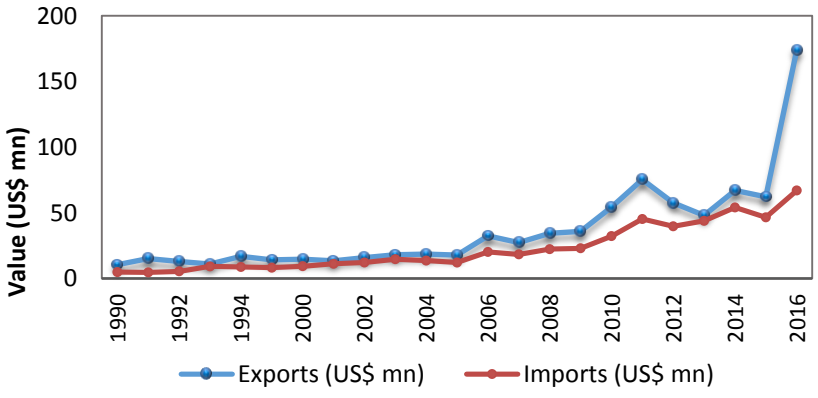


Figure 10 : Miscellaneous edible preparations

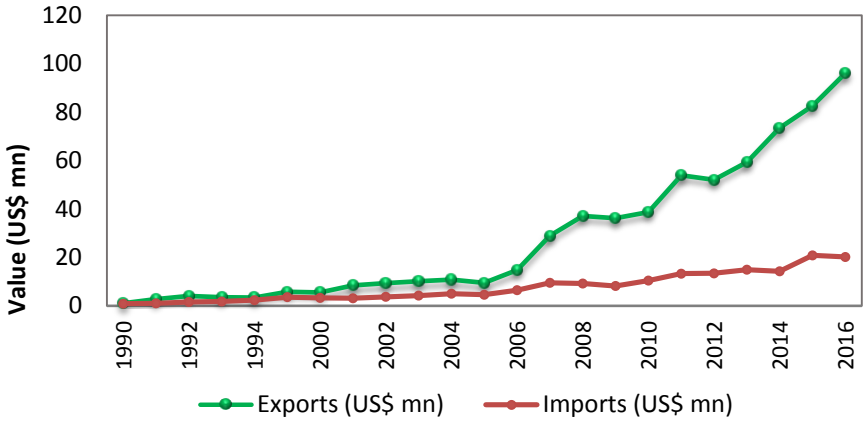


Figure 11: Preparation of vegetables, fruits, nuts or other parts of plants

Considering the major exporting countries, UAE occupies the top most followed by China, Hong Kong exporting 42 percent and 26 percent of prepared vegetables, fruits or other parts of plants (Figure 6). The Figure 7 depicts the top 10 exporting countries of miscellaneous edible preparations and the share of exports for USA and UK are 20 percent and 14 percent respectively.

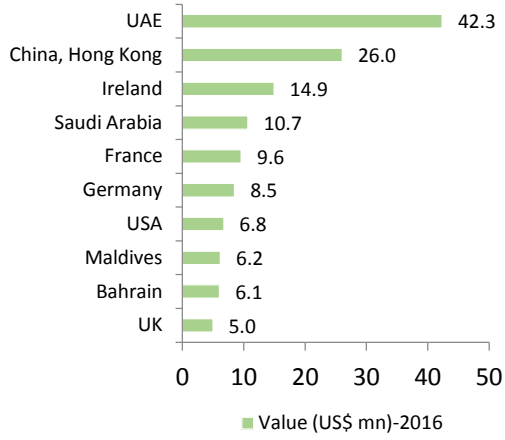


Figure 12: Top 10 exporting countries for preparation of vegetables, fruits, nuts or other parts of plants

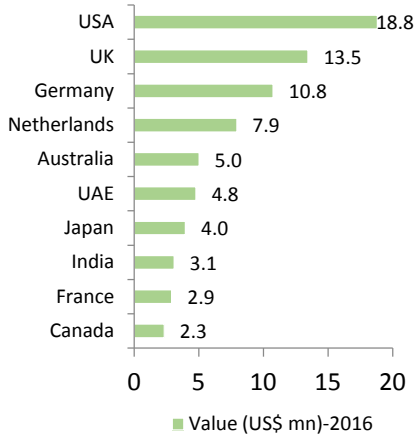


Figure 13: Top 10 exporting countries for miscellaneous edible preparations;
Source: UN Com Trade Data

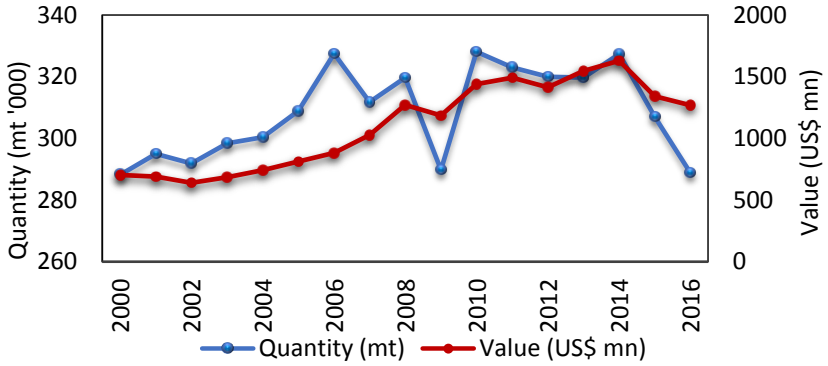


Figure 14: Tea exports-Quantity and value

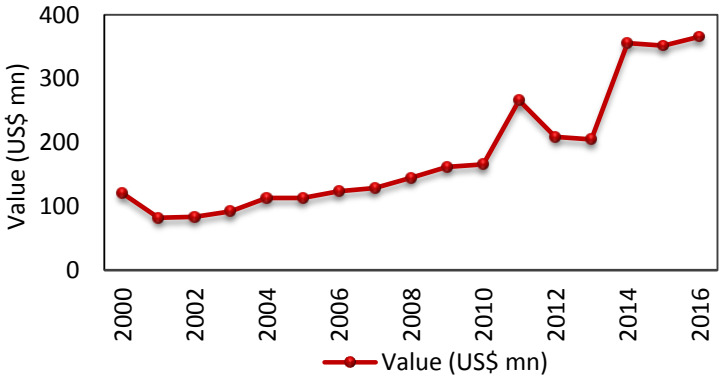


Figure 15: Coconut exports-Value

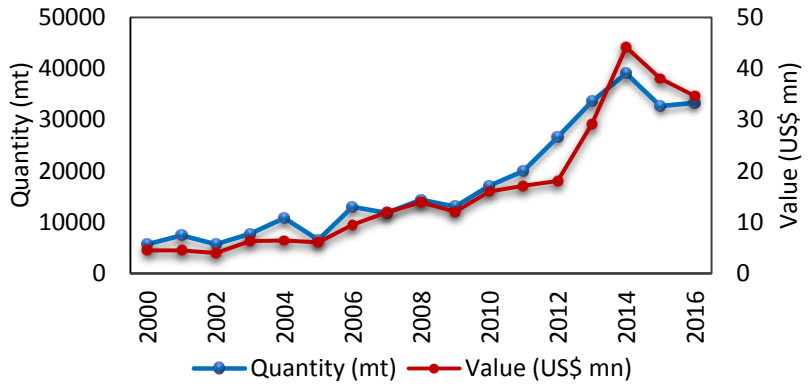


Figure 16: Vegetable exports-Quantity and value

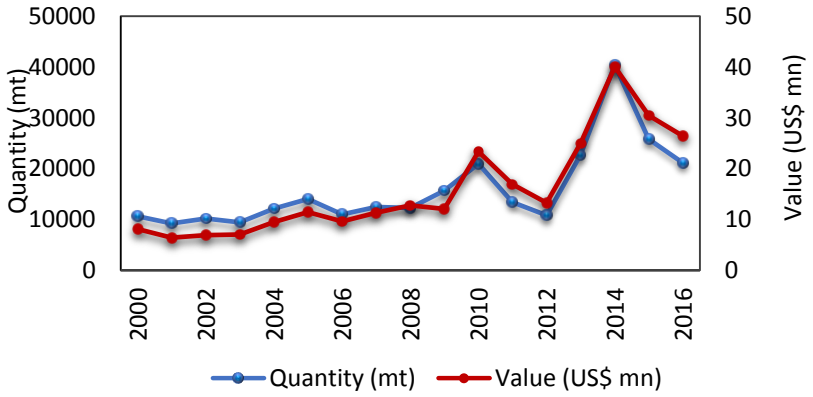


Figure 17: Fresh/Dried fruits exports-Quantity and Value

Changes of export basket

Plantation agriculture crops are given higher contribution to the agriculture exports. The majority of agri-food-products comprised of tea (55 %) followed by coconut products (16%), spices (14%). Hence, it is true that our export basket is still heavily concentrated on a few products.

During the recent decades, the value added agri-food-product range has been widened and an increase has been observed. The agricultural export share can be divided into two components such as fresh produce and manufactured items. Percentage of different categories of fresh/dried produce exported is depicted in the Table 1. Apparently, fresh vegetables, fresh or dried fruits, coconut oil, desiccated coconut, cinnamon, nut meg and mace export has been increased over time. On the other hand, manufactured items comprised of seven product types

namely processed vegetables, fruits and juices, processed foods, confectionery and bakery products, rice and cereals, beverages and animal feed and manufactured tobacco. Thus, the value added products and all sorts of processed products are categorized under manufactured items (Table 2). The percentage share of manufactured product types in value terms are depicted in Table 2 (Narandeniya, 2014).

Table 2: Percentage value of different fresh/dried produce s expotrted

Category	Produce	% of values from the total of fresh/dried produce (other than manufactured items)		
		2000	2010	2016
Ceylon Tea	Tea	77.31	80.59	65.88
Coconuts	Copra	0.85	0.04	0.09
	Coconut oil	0.36	0.29	4.88
	Desiccated coconut	7.20	2.74	6.25
Vegetables and fruits	Vegetables	0.90	1.31	1.37
	Fruits (fresh or dried)	0.49	0.89	1.80
Other Agricultural products	Areca nuts	0.06	0.13	1.76
	Coffee	0.01	0.01	0.01
	Pepper	2.31	2.54	3.97
	Cinnamon	5.01	5.47	8.90
	Cloves	0.45	2.16	0.72
	Nutmeg and Mace	0.61	1.01	2.07
	Cardamoms	0.01	n/a	n/a
	Sesame Seeds	0.01	0.54	0.23
	Other oil seeds	0.00	n/a	n/a
	Betel Leaves	0.18	0.36	0.40
	Unmanufactured Tobacco	4.16	1.80	1.62
	Cashew nuts	0.07	0.13	0.04

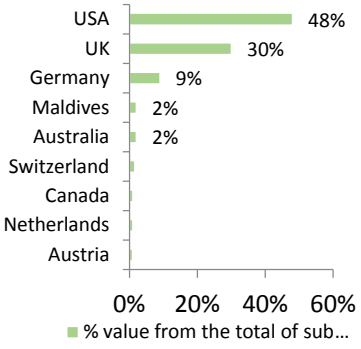
Manufactured items in Sri Lankan export basket have changed. Export share of processed food has sharp increase followed by processed vegetables, fruits and juices. Export shares of rice, cereals have declined from 28 percent to 7 percent, confectionery and bakery products declined from 12 percent to 6 percent and animal feeds from 24 percent to 13 percent (Table 2).

Table 3: % export share of manufacured prodcuts

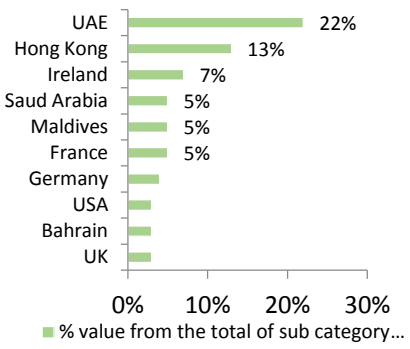
Product category	% of total manufactured items	
	2010	2016
Rice & cereals	28	7
Processed food	24	45
Animal feed	24	13
Confectionary & bakery products	12	6
Processed vegetables, fruits & juices	2	6
Beverages	1	6
Manufactured tobacco	8	17

Source: EDB; Note: Percentage out of the total manufacured prodcuts: Change over time

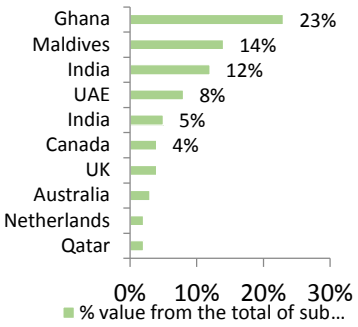
Dependence of Sri Lankan exports on a few markets is a key challenge. It has been evident that 44 percent of Sri Lanka's exports are concentrated in just three markets; USA, UK and India (Abeysinghe and Munas, 2017). Further, Sri Lanka has seen limited success in exporting to key Asian markets like Japan, China, South Korea, and Hong Kong which are among the top 10 markets for exports in the world accounting for 20 percent of the global export market. Thus Sri Lanka needs to explore the possibilities of such markets (Samarawickrama, 2017).



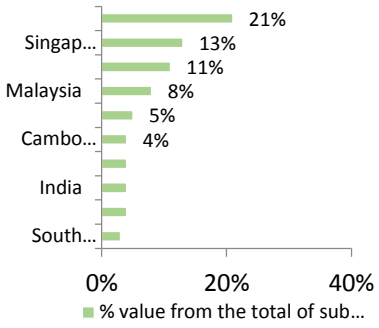
Processed vegetables, fruits and juices



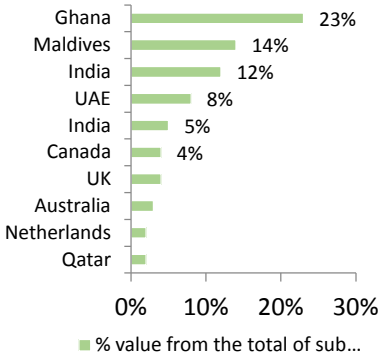
Processed foods



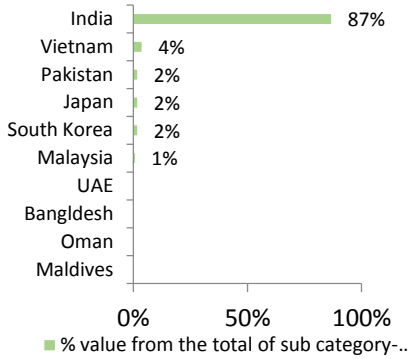
Confectionery and bakery products



Rice and cereals



Beverages



Animal feed

Figure 18: Share of top 10 markets for manufactured products (excluding manufactured tobacco)

Success stories/ innovative applications on agri-food-product exports

Perfect marketing system of Ceylon Tea via Colombo Tea Auction (CTA)

Ceylon tea continues to carry a heritage and success story behind not only its unique taste and the premium quality but also the system of marketing. The Colombo Tea Auction (CTA) has been the ideal channel of marketing of the world famous "Ceylon Tea" for the past seventeen decades in Sri Lanka. Moreover, it is the single largest tea auction in the world. Auctions are held every Tuesday and Wednesday and approximately 6.5 kg mn are sold weekly.

There are over 750 registered tea factories in Sri Lanka. Depending on the elevation of the tea plantations those belongs to the particular factory, the factories are categorized under high, medium and low grown. Each category possesses a different type of manufacturing systems and there are differences within category as well. On average, each estate produces about eight to fifteen different grades. There are many buyers in the world, and they are operating through a network of local intermediaries. There are over 100 shippers are operating regularly at the CTA and supplying tea to their various clients over 70 countries. Buyers are offered with an equal opportunity to purchase as their competitors could buy. Thus, the CTA acts as the key success factor of the tea industry by providing a perfect marketing strategy.

Product range of coconut industry

Over the last 10 years, scope in the coconut processing industry is broadened concentrating in manufacturing and exporting a multiplicity of products. Prior to the recent decade, Sri Lanka's coconut exports heavily depended on coconut oil and later Desiccated Coconut (DC) industry emerged and succeeded in 6-7 decades back. DC industry itself is thriving with novel products like defatted DC, flavored DC and roasted DC. The unique characteristics of the DC in Sri Lanka is unmatched by the other suppliers. Hence the sector is overwhelming year by year. The growth of export of the DC sector is shown in the Figure 13.

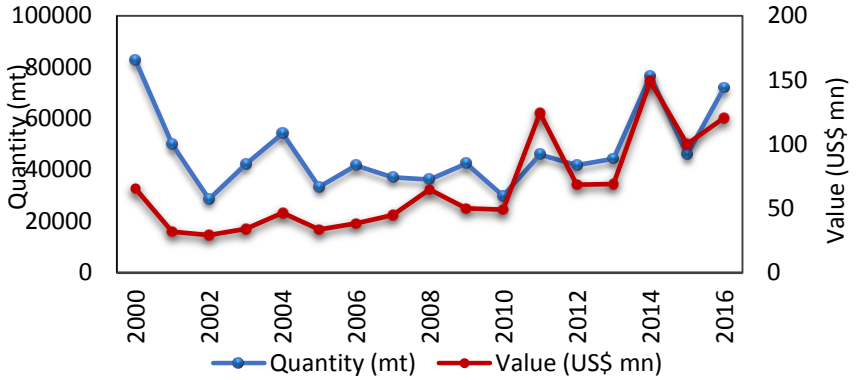


Figure 19: Desiccated coconut exports

During the last decade, coconut industry ventured into value added products like virgin coconut oil, coconut cream, coconut milk, coconut milk powder and exporting coconut water. Pure concentrates of coconut kernel extracts used to manufacture coconut cream, liquid coconut milk, and coconut milk powder (using spray drying technique). Foreign exchange earnings from coconut kernel extracts show an increase.

Coconut water is an isotonic liquid and can be described as a natural energy and health drink (EDB:e-brochure). This product shows an increase in demand due its health properties. Virgin Coconut Oil (VCNO) extracted from the coconut kernel is a natural edible product rich with vitamin E, which is commonly used in cooking and to manufacture cosmetics. The virgin coconut oil (VCNO) extracted by a process called 'cold pressed' is having health properties and has shown increased exportation (Figure 14).

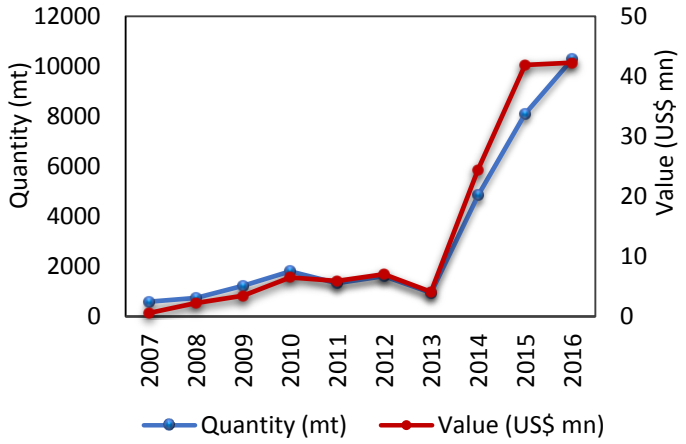


Figure 20: Coconut virgin oil exports

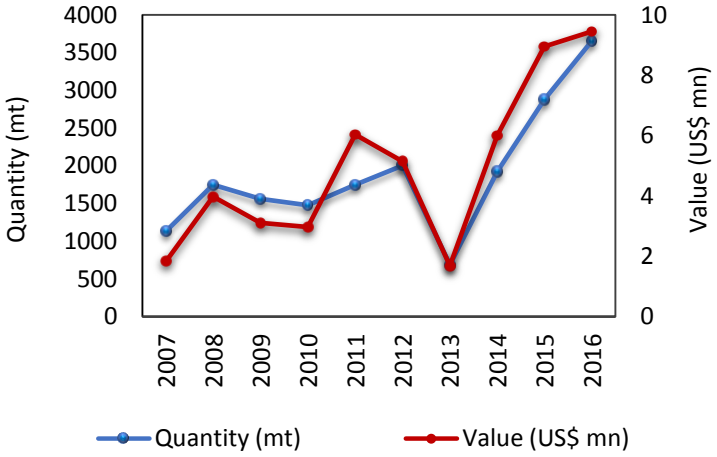


Figure 21: Cream coconut exports

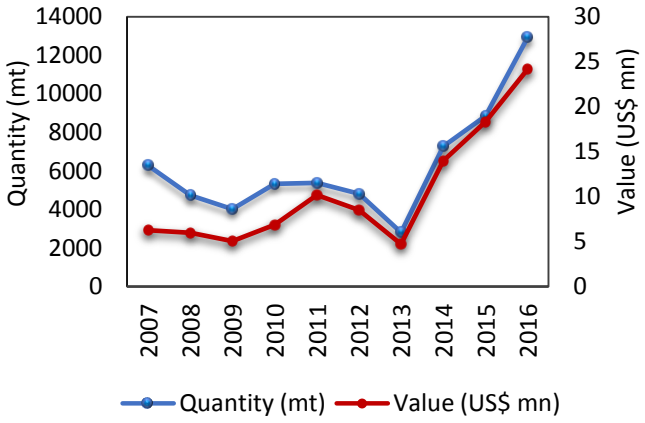


Figure 22: Liquid coconut milk exports

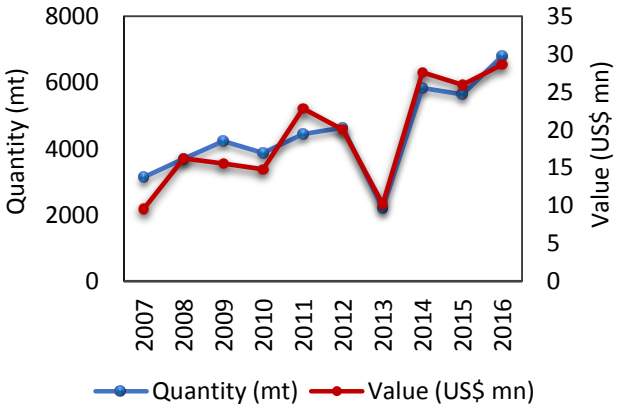


Figure 23: Coconut milk powder exports

Policy and programmatic responses for agri-food-product export promotion

The Government of Sri Lanka has focused the trade policies to enable the country's competitiveness in the global market to ensure sustainable growth. Sri Lanka's trade policy commits towards the objectives of trade liberalization and focuses on value-based measures than non-tariff measures. In general, trade policy structure has improved markedly by eliminating quantitative restrictions and rationalizing tariff schedule and improving the public access to up-to-date information.

A key development in the import and export procedure is the implementation of a single electronic gateway and the payments associated with clearance are made online. Since, 1994 the ASYCUDA system is adhered and it has been improved the processing custom

documents online. In addition to policy developments, Sri Lanka has secured the 20th position in relation to the efficiency of handling port operations which indicates a favorable environment for trade.

One of the key policy directions is the rationalization of the tariff structure into three-band from four bands which continued until 2015. Accordingly, the current tariff bands remain at 0 percent, 15 percent and 30 percent. Out of 6,965 tariff lines at HS eight digit level, 56 percent has zero tariff rate while 19 percent has 15 percent and 21 percent has 30 percent tariff rate. Luxury rates applied to few tariff lines. Import duties on inputs and capital goods have been either reduced or eliminated with the intention of lowering the cost of production and improving competitiveness.

Bilateral and regional trade agreements and free trade agreements currently active are South Asian Preferential Trade Agreement (SAPTA), South Asia Free Trade Agreement (SAFTA), Asia Pacific Trade Agreement (APTA), India-Sri Lanka Free Trade Agreement (ISFTA), Pakistan Sri Lanka Free Trade Agreement (PSFTA) and the Global System of Tariff Preferences (GSTP). However, the full potential of RTAs/FTAs has yet to be reached.

The Food Act No. 26 of 1980 and their subsequent amendments in 2009 and 2011 govern SPS regulations. Sri Lanka as a member of Codex Alimentarius Commission, the World Organization for Animal Health (OIE) and International Plant Protection Convention (IPPC) follows their continuous guidelines to assure food safety and address related issues. Ministry of Health is the National Focal Point for all SPS related matters while the Sri Lanka Standards Institution (SLSI) acts as the National Focal Point for the formulation of National Standards while emphasizing the international standards stipulated by other countries and international organizations. Moreover, Sri Lanka has notified 50 trade related technical regulations and 39 SPS notifications to the WTO as of July 2016.

Sri Lankan trade policy has been focused to move away from protectionism towards greater trade openness. Traditional focus (non-tariff barriers, export policies and phyto-sanitary measures) broadened to intellectual property, government procurement and trade facilitation. The multilateral trading system intends to play a great role in global trading environment. The National Committee on Trade Facilitation (NCTF) has also been setup with joint participation of relevant government institutions and the private sector (WTO, 2016).

Sri Lanka imposes border charges on certain exports. An export Cess is currently levied on agricultural produce such as cashew nuts, coconut products and tea for reasons varying from discouraging exports in raw

form (cashew nuts) and generating funds for cultivation (coconut products, tea). The levies will help to increase domestic processing, so that inputs can be diverted towards the domestic market and lowers domestic prices by penalizing exports (WTO, 2010).

Sri Lanka has an export processing zones (EPZs) scheme under which Board of Investment (BOI) has 13 free-trade zones (export processing zones). Locating an enterprise in an EPZ earns fringe benefits such as tax holidays, duty-free imports and concessionary land prices. Agricultural and fisheries companies are entitled to a five-year tax holiday on profits and income when established either under the BOI Act or the Inland Revenue Act. Exporters of non-traditional goods or services also enjoy a number of tax concessions such as a preferential income tax rate on profits and a full tax holiday for 3-7 years for new investments. These companies are required to export at least 80 percent of their goods production and 70 percent of services (WTO, 2010).

The responsible state agency for the promotion and development of exports is the Sri Lanka Export Development Board (EDB) currently functions under the Ministry of Industry and Commerce. It established under the Sri Lanka Export Development Act No. 40 of 1979. EDB assist producers and exporters of goods and services to identify and penetrate new markets, to enhance the competitiveness of their exports as well as to develop goods and services that will meet market demands. Moreover, the EDB also helps in identifying marketing opportunities through market research as well as advising on international marketing and trade negotiations (EDB, 2017).

Export insurance is done only by the Sri Lanka Export Credit Insurance Corporation (SLECIC) incorporated under Act No. 15 of 1978. It is the accredited Export Credit Agency of Sri Lanka which functions under the Ministry of Finance and Planning. The SLECIC insures exporters of goods and services against non-receipt or delayed receipt of payments resulting from commercial and non-commercial risks.

Current rules, procedures and requirements including sanitary and phyto-sanitory (SPS) for exporting agri-food-products to selected international markets

Technical measures such as food safety regulations, labelling requirements and quality and compositional standards have been focused with the liberalization of tariff and quantitative restrictions on trade in agricultural and food products. This is in line with the significant emphasis of the technical measures set out by the developed countries. Hence, it is paramount Sri Lanka to comply with the requirements of technical and SPS of importing countries to ensure access to international

markets. As the certificates are mandatory for exporting, understanding and addressing SPS issues is important for increasing the export capacity of Sri Lanka.

There are numerous requirements applicable to producers, processors, traders and/or retailers in the agricultural sector. Some of these requirements are mandatory (*eg* food safety requirements) and others are voluntary (*eg* organic standards, fair trade standards). The standards classified by the World Bank are mentioned below. Further, standards required for export of tea, coconut and spices are given in Box 1 and for fruits, vegetables and beverages are in Box 2.

The standards of agri-food-exports as classified by World Bank, 2005

- Food safety: Limits on pesticide use and residues, limits on microbiological pathogens, controls on food, additives, packing house/processing plant hygiene requirements (HACCP), traceability requirements
- Plant and animal health regulations: Surveillance requirements, quarantine requirements, pest risk assessment requirements, sanitation requirements, fumigation requirements, traceability requirements, bio-security measures
- Product quality standards: Product composition standards, product cleanliness specifications, grading schemes, controls on nutritional and other claims, general labeling requirements (rules concerning the indication of the ingredients or of the provenance of a product)
- Environmental regulations: Controls on water environmental contamination, controls on endangered species, environmental protection requirements, protection of biodiversity, recycling requirements, organic production standards
- Social: Labor standards (workers minimum wages, social security), religious considerations (halal, kosher), "Fair trade" standards

It is concerned that emerging food safety and agricultural health measures will be applied in a discriminatory manner due to lack of administrative, technical and other capacities to comply with new or more stringent requirements. In particular, the compliance cost greatly affect on farmers, producers, enterprises and processors in low economies of scale (World Bank, 2005).

Table 4: Requirement of registration/license/certificates for agri-export

Product	Registration	License /permits/certificates	Responsible authority for license/certificate
Tea	Sri Lanka Tea Board	Certification of Average Auction price (AAP) on bulk tea.	Sri Lanka Tea Board
		Quality certificate for each shipment	
Cashew kernels		Compulsory pre- shipment inspection Certificate	Sri Lanka Standard Institution (SLSI) Industrial Technology Institute (ITI)
		Fumigation Certificate(on request by buyers)	National Plant quarantine service/any authorized private fumigation company
All spices		Country of Origin certificate	Department of Commerce/Chamber of Commerce
Cinnamon		License to use Pure Ceylon Cinnamon Logo	Sri Lanka Export Development Board
		Compulsory pre-inspection certificate	Sri Lanka Standard Institution (SLSI)/ SGS Lanka Pvt Ltd
Coconut and coconut based products	Coconut Development Authority (CDA)	Permits for export of DC/fresh coconut/coconut leaf based products	Coconut Development Authority (CDA)
Fruits and vegetables		Phyto-sanitary Certificate	National Plant Quarantine Service (NPQS)

Source: EDB, 2014

Box 1: Requirements, standards, sanitary and phyto-sanitary (SPS) standards required for tea, coconut, spices

TEA	COCONUT	SPICES
Product Standards • Minimum residue levels for pesticides-EU & Japan their own limits (pesticides and residue levels (Cleanest tea)	*Product Standards* • Afalatoxin level • Microbiological and physic-chemical testing for both kernel and non-kernel products • Limits on Polycyclic	*Process/production measures, Inspection and certification* • Cinnamon and pepper for consumption – SLSI standards

• Heavy metals • Microbiological requirements • At the point of imports- limits on moisture *Process/production measures, Inspection and certification* • ISO standards for black/green teas (Ex: ISO3720 basic/minimum standard for black tea) • Factories: local - SLSI standards International - HACCP, ISO 22000, GMP and country specific GMP and EU Standards. • Good Agricultural Practices(GAP) *Packaging and labeling requirements* • Fumigation • Labeling-Packing & expiry date/best before date/Country regulations in their own language • Traceability Quality Standards	aromatic hydrocarbons (PAHs) • Desiccated coconut color- preferred "Snow white" *Process/production measures, Inspection and certification* • Desiccated Coconut - Quality certificate - SLSI standards. • Physical Quality Certificate and Sulphur Dioxide Certificate (from Coconut Development Authority) • Virgin Coconut Oil - ISO 22000 certificate • Phyto-sanitary certificate from the (Department of Health) *Process/production measures, Inspection and certification* • US standards • Packing material (requirements - virgin coconut oil and desiccated coconut- inner plastic liner *Price premium* • Fair Tade Label *Other* • ILO Labour Standards	• Factory-HACCP standards *Packaging and labeling requirements* • Fumigation requirements • Labeling

Source: EDB, 2017 and IPS, 2016

Box 2: Requirements, standards, sanitary and phyto-sanitary (SPS) standards required for fruit and vegetables, food and beverages

FRUITS AND VEGETABLES	FOOD AND BEVERAGES
Product Standards • Minimum residue levels for pesticides ***Process/production measures, Inspection and certification***	***Product Standards*** • EU Food Legislation • Pesticide residues ***Process/production measures, Inspection and certification***

• ISO 26000 • Sustainability Reporting GRI • Good Agricultural Practices(GAP) • Organic standards • Water footprint ***Packaging and labeling requirements*** • Labelling • Traceability of food ***Price premium*** • Fair trade label ***Other*** • ILO Labour Standards • e-marketplace • Carbon Footprint	• ISO 14000 • ISO 22000-International Standard for Food & • ISO 26000Safety • HACCP • WHO Food standards- Codex Alimentarius • EU Directives • PrimusGFS (handling, procesing, storing) • GLOBALG.A.P. • Safe Quality Food Program – SQF • BRC Global Standards – food ***Packaging and labeling requirements*** • EU Directives ***Organic*** • Bio Suisse ***Price premium*** • Fair trade label ***Other*** • LO Fundamental Labour Standards • Food Alliance • Sustainable Agriculture Initiative (SAI) • PlatformWater Footprint • Non-food retailer sustainability initiatives • Sustainability Reporting GRI • Rainforest Alliance – SAN

Source: EDB, 2017 and IPS, 2016

EU food legislation

- Food and Beverage Product Standards General food Law-Regulation (EC) No. 178/2002
- Food Hygiene & Food controls-Regulation (EC) No. 852/2004
- Microbiological criteria for food stuff-Regulation (EC) 2073/2005
- Food contact material-Regulation (EC) No.1935/2004
- Food contaminants-Regulation No.315/93/EEC. No (EC) 406/2001, No. (EC) 401/2006

- Plant Protection Products (PPPs) & pesticide residues-Regulation No. (EC) 396/2005
- Flavorings- Regulation No. 2232/ 96/EC
- GM Food & Feed-Regulation (EC) No. 1829/2003.

EU directives

- Harmful organisms including phyto-sanitary certificate-Directive 200/29/EC
- Packaging-Directive 94/62/EC
- Food irradiation-Directive 1999/2/EC, Directive 1999/3/EC
- Food Supplements-Directive 2002/46/EC
- Food Additives-Directive 89/07/EEC
- Labeling presentation & Advertising of food stuff-Directives 200/13/EC, 90/496/EC
- Quick Frozen Food-Directive 89/108/EEC
- Fruit Juices & similar products-Directive 2001/112/EC
- Fruit jam, jelly, marmalade-Directive 2001/1113/EC
- Honey-Directive 2001/110/EC
- Edible oils & Fats-Directive 76/621/EC

BRC global standards for food safety

- Global standard for Consumer Products
- Global standard for Packaging and Packaging Materials
- Global standard for Storage and Distribution

Key issues, constraints and challenges including Technical Barriers to Trade (TBT) gaps in knowledge and capacity development needs in relation to agri-food-products export

i. Gaps in the existing laws, standards and regulations (testing, inspection and monitoring) have serious implications on export. Cumbersome technical regulations and industrial standards (Technical Barriers to Trade (TBT) that are used as a protectionist tool) and SPS governing agricultural trade can be referred to as regulatory barriers. Therefore, Sri Lanka needs to ensure that these regulations meet the safety and the requirements of the traded products to avoid any drawbacks.

ii. International market is diversifying and becoming more stringent in food quality control measures such as Global GAP, GMP, HACCP, ISO, BRC, FDA and ORGANIC.

iii. Most of the services (measuring, standardizing, assessing and certifying) carried out in fragmented manner by different institutions coming under the purview of different ministries. Thus, Sri Lankan exporters suffer from inefficient procedures at the border. For an instance, excessive and uncoordinated physical inspection for perishables to be exported need to move through four separate inspections conduct by different authorities such as Air Force, National Plant Quarantine Service, Sri Lanka Customs and Sri Lankan Cargo (Munas, 2017). Moreover, there are instances where the inspections carry out by officers who are not trained to handle perishables. Further, in many occasions the inspections are carried out in places without temperature control, sometimes in open air, exposing the products to heat and contamination.

iv. Sri Lanka has not been able to benefit fully from the FTAs due to non-tariff barriers (NTBs) faced by the foreign countries.

v. Emphasizing more trade reforms on manufacturing the agriculture sector occupies the second place. Hence, lack of long-term trade policy as an essential component of agricultural development strategy, which will cater for the needs of food security, livelihood and rural development, employment and productivity. Moreover, Sri Lanka's export basket is concentrated on a few products and a few markets due to lack of innovation.

vi. Sri Lanka is still not up to the level of e-commerce space because low e-commerce sales due to underdeveloped e-platforms, insufficient band-with and lack of compliance/security. Market penetration will ease with the e-commerce sales and internet facilities in Sri Lanka are on the rise.

vii. Lack of export-oriented Foreign Direct Investment (FDI) is a drawback for the improvement of the export sector. Because FDI enhances domestic capital for all uses including exports & trade infrastructure, transfers, management know-how and technology, new products for exports, increases productivity, and enhances capacity to penetrate markets abroad.

viii. Current performance in trade agreements mentioned below are not optimal.

- ISFTA-Indo-Sri Lanka Free Trade Agreement
- PSFTA-Pakistan-Sri Lanka Free Trade Agreement
- SAFTA-South Asia Free Trade Agreement
- APTA-Asia Pacific Trade Agreement

Due to many reasons, Sri Lankan exporters are underutilizing these trade agreements.

ix. There are some lags in accurate and timely information on standards, regulations and procedures in which critical for export success. Limited and outdated information available in the web discourage the exporters as they must often call or visit the place for information. A survey has found that (Munas, 2017) web sites of seven key institutes related to agricultural trade consisted of only 35 percent of the required information (contact details, application forms, procedures, list of restrictions, fees and timelines).

Recommendations

i. Sri Lankan food exports need to comply with the standards such as Global GAP, GMP, HACCP, ISO, BRC, FDA and ORGANIC. Moreover, agri-food-exports need to comply with standards on packaging, labeling, environment and ingredients. Thus, keen attention must be paid on fertilizer and pesticide residual levels and contamination with heavy metals. Establishment of traceability and record keeping systems will help to reduce TBTs in exports.

ii. Coordination of all the work related to SPS and TBT by one national level institution will be important to avoid duplication of work (multiple inspections and tests) resulting high cost of production. Review of the current status of the standards and regulations addressing the gaps will facilitate the exports.

iii. Mutual Recognition Agreements (MRAs) are considered as the most effective measure to address issues on standards and regulations faced by the Sri Lankan exporters in foreign markets. The most prominent non-compliance issues are considered as lengthy inspections, testing procedures, delays in releasing goods and warehouse shortages.

iv. Having limited traditional export base, a diversification is needed to gain a comparative advantage beyond the traditional agricultural exports such as tea, coconut, spices *etc*. Thus, Sri Lanka needs to diversify its export as well export destinations.

v. Sound macro-economic policies are needed to enable Sri Lankan exports more competitive in international markets. The measures that can be taken are a flexible and realistic exchange rate policy, tariff and para-tariff reductions and simplifications to improve the incentives to invest in the export sector, environment encouraging foreign investors enter in to Sri Lankan markets. Moreover, strengthened financial sector will ease the access to credit and insurance by exporters.

vi. Promoting digital payment companies will be a better initiative for the promotion of e-commerce sale.

vii. Liberal and transparent import regime for imported inputs, feasible process for approval of investments, establishment of special export-processing/investment zones, negotiation of bilateral agreements and freedom to invest across a wide array of sectors will be motivate factors which will attract export-oriented FDI.

viii. Corrective measures to address stringent non-tariff barriers, address logistical and infrastructure constraints, removal of stringent rules of origin, measures to overcome lack of supply capacity of Sri Lankan exporters and provision of information about the concessions offered under these trade pacts among the business community will enhance the performance of FTAs.

ix. In many countries, Trade Information Portal serves as the most transparent trade facilitation mode being providing trade related standards, regulations, procedures and forms from all border agencies. Hence, as committed by the 2016 budget in Sri Lanka on establishment of Trade Information Portal will rectify informational barriers.

Conclusion

Due consideration must be attended on sanitary and phyto-sanitary (SPS) issues faced by the local exporters engage in exports of agricultural produce and agri-food. The compliance process can be relaxed on international regulations via having better interactions between Sri Lanka's regulatory bodies (SLSI, SLTB *etc*) and the exporters. There are instances of information asymmetries that bring uncertainty on the requirements of the import countries. Moreover, existing capacity of the regulatory bodies, testing facilities and inspection process in Sri Lanka still lags behind limiting the ability of exporters to compete abroad. To ensure the meeting of standards of the importing countries either Sri Lanka could request technical support or negotiate agreements standards/testing/certification.

Sri Lanka has lagged behind in pursuing Preferential Trade Agreements (PTAs) in recent years, especially in South and Southeast Asia. Sri Lanka must take a strategic approach in future trade agreements whilst addressing shortcomings in existing PTAs. Thus, Sri Lankan trade policies on trade agreements must be clearly focused to achieve the full potential to integrate export market with Asia.

Sri Lanka must focus only on countries or regions that offer greater potential than the rest. To achieve remarkable growth in the export market, European Union, Asia and the Far East Region have emerged as steady trading partners. Asia-Pacific region has great potential due to short transit times and cheaper ocean freight rates.

Over the last few years, it has been observed a growth in the agri-food processing industry/manufactured agro based products in terms of export in Sri Lanka. Being an emerging and lucrative diversified export industry, incentives and conditions must be established to enhance the sector export earnings.

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Chapter 9

Export Promotion for Export Agriculture Crops - Challenges and the Way Forward

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Introduction

Country and Agriculture Sector Background

Sri Lanka is a tiny Indian Ocean island located, near the lower tip of the Republic of India. It has total area of 65,610 sq km with highly diverse agro-climatic zones. Sri Lanka is categorized as a middle lower income country and some key economic indicators of Sri Lanka is given below.

Table 1: Key economic indicators of Sri Lanka

Indicator		Unit	2014	2015	2016
GDP (at the current prices)		LKR bn	10,952	10,952	11,839
GDP growth		%	4.8	4.8	4.4
Per-capita GDP		USD	3,821	3,843	3,835
Average inflation		%	3.8	3.8	4.0
Composition of GDP at current prices	Agriculture, Forestry, Fishing & livestock	%	7.8	7.8	7.1
	Industry	%	33.2	26.8	26.7
	Services	%	56.6	56.5	56.3
Total export earnings		USD mn	10,547	10,547	10,309
Agriculture export earnings		USD mn	2482	2482	2326

Source: Central Bank of Sri Lanka, Annual Reports

Agriculture in Sri Lanka

Unlike in large territories, Sri Lanka has highly diverse climatic zones and weather patterns with varying altitudes and temperatures within a relatively small land block, hence highly rich in bio diversity. Since North-Western and North-Eastern monsoons provide adequate rainfall to

all over the country many rural population have engaged in agriculture related activities and cultivating a variety of crops. Although agriculture contribution to GDP has rapidly declined in past few years, it still plays a major role in domestic food security, generation of export earnings, employment generation and improvement of rural livelihood.

Basically agriculture in Sri Lanka could be categorized into two main areas as food crops sector and export agriculture sector. But it could further be sub divided into a few main areas based on the type of crops and their significance to country's economy. Paddy and food crops sector dominates in the local policy framework and plantation sector mainly tea, rubber and coconut receives the second priority in public policy making arena. Other crops include traditional export crops such as spices (cinnamon, black pepper, cloves, nutmeg, cardamom, ginger and turmeric), beverages other than tea (coffee and cocoa), other traditional crops (betel, areca nut, oil bearing crops), cashew, palmira, fruit crops and floriculture and horticulture crops.

Sri Lanka is almost self sufficient in rice but not for other food crops and a large sum of public revenue is spent for importation of food items. But export agriculture sector generates a considerable amount of export earnings and composes as a main component of the GDP and in the total export earnings of the country (Table 2).

Table 2: Composition of agriculture export earnings on Sri Lanka

Commodity	Export Earnings (USDin M)		
	2014	2015	2016
Tea	1,628.3	1340.5	1269
Rubber	45.3	26.1	32.7
Coconut products	356.4	351.7	366.0
Spices	264.6	377.4	317.1
Minor Ag. Products	165.2	160.4	114.1
Vegetable	40.1	30.5	26.5
Unmanufactured tobacco	41.3	31.8	31.2
Seafood	252.7	163.1	169.6
Total Agriculture (inc. sea food)	2793.9	2481.5	2326.1

Source: Central Bank of Sri Lanka, Annual Reports

As a whole, agriculture exports had shown a mixed performance during 2014-2016 except rubber in which exports are gradually declined due to large local consumption. But spices, tea, minor agriculture products and other agriculture products have shown considerable performances.

Export agriculture crop sector

Export Agriculture crops (EAC) in Sri Lanka means a basket of commodities including spices (pepper, cinnamon, clove, nutmeg, cardamom, ginger, turmeric); some beverages (coffee, cocoa); betel, areca nut and a few essential oil bearing crops such as citronella and lemon grass. More than 60-70 percent of above products produced in Sri Lanka are exported. Sri Lanka was a popular trade hub in the ancient Silk Road where there was a massive export demand for perennial spices and allied products. Though relative export importance of EAC had declined in Sri Lanka with the introduction of plantation crops such as tea and rubber still it brings a considerable amount of foreign exchange to the country. In 2016, EAC sector contributed to 0.4 percent of Sri Lankan GDP, 3.4 percent to total export earnings of the country and 15 percent to Agriculture Export Earnings of Sri Lanka.

EAC are grown in over 100,000 ha in wet and intermediate zones in Sri Lanka and provides way of living for over 800,000 stakeholders. Unlike main plantation crops such as tea and rubber, EAC are largely grown as small blocks, mixed crop in home gardens and as intercrops with coconut and tea. Over 70 percent of cultivations are estimated to be below one acre lands and mainly homesteads. Because of that, majority of those cultivations are not maintained as commercial enterprises and receive very low inputs and management practices resulting low productivity comparative to other producing countries.

World trade of EAC

In the world scenario, there is a sizable market for commodities under EAC and the share is expanding at a considerable rate. With the emerging new research findings on medicinal, culinary and other properties of spices, coffee, cocoa *etc* world demand for such products are increasing significantly and there is a great potential for further expansion. Especially, different value added forms of spices such as extracts, flavors, ingredients, fragrances and nano-products are increasingly invented and sold in the world market for different purposes ranging from foods, medicines to cosmetics. USA and European countries are main users of spices, coffee, cocoa *etc* and Asian countries are major suppliers.

Although Sri Lankan exports are negligible, coffee and cocoa are two main agriculture commodities traded in the world market. Export market for other spices and allied product is comparatively high. But Sri Lankan share is very small except cinnamon where more over 90 percent of true cinnamon is exported from Sri Lanka.

Table 3: World/Sri Lanka export situation of EAC -2016

Crop	World Export		Sri Lanka Export	
	Export Volume (mt)	Export Earnings (USD in mn)	Export Volume (mt)	Export Earnings (USD in mn)
Pepper	373,665	2,887	7,895.6	73
Cinnamon (Cassia)	154,044	484	14,699	159
Cloves	59,496	397	1379	14
Cardamom	55,409	389	780	6
Nutmeg	24,818	173	1,509	14
Coffee (all)	8.71 (mt in M)	30,790	13.7	small
Cocoa (all)	3.8(mt in M)	10,192	1,346	5
Vanilla	5,621	76.3	2.06	small

Exports and export earnings of EAC in Sri Lanka

Sri Lankan export of EAC has increased over time although there were periodic fluctuations in different commodities in the crop group. It is difficult to estimate the rate of growth in export of Sri Lankan EAC due to increasing amount of re-export of imported products, but about 10 percent growth has been reported in the Export of locally produced EAC in past decade.

Among EAC, two major commodities with national importance are pepper and cinnamon. Especially export volume of cinnamon which is indigenous plant to Sri Lanka has increased with constant rate over time after 2010. But the rate of growth is as low as 2-3 percent. Highest ever export volume of cinnamon was recorded in 2016 with 14,699 mt. World cinnamon export includes true cinnamon (Sri Lankan cinnamon) and Cassia (Cassia cinnamon) and according to the ITC reports the growth rate of export of cassia cinnamon is around 150 percent since 2010.

Average export volume of pepper in Sri Lanka during 2010-2017 has been significantly higher (212%) than the average of the period of 2000-2010. But higher fluctuations have noticed in annual exports. The highest recorded export volume of pepper was 21,000 mt in 2013. However, other pepper producing counties such as Vietnam who entered the world market in 1980's had shown an excellent progress in past decade with around 120,000 mt of exports in 2016 and comparative to the growth of the world market situation, progress of Sri Lankan export growth of pepper is not very impressive.

Nevertheless total export earnings of EAC in Sri Lanka have increased in several folds since 2010 with crop wise fluctuations due to increased

production over time and the increasing prices of EAC commodities in the world market in past two decade. However, 2017 is an exceptional year for pepper as the international price was almost halved from 2016 prices and the real impact of that steady decline on export and production is yet to be known.

Prices of EAC in Sri Lanka

World market prices of cinnamon, pepper and many export commodities have increased by several folds in past two decades attracting many other countries into production of these commodities and expanding crop extents of current producing countries. Higher production has lead to over supply situations especially for pepper resulting world pepper prices has started to decline since the end of 2016.

Markets for Sri Lankan EAC

There is an increasing global demand for EAC. But Sri Lankan export of EAC is largely concentrated to developing countries. Except cinnamon, many other EAC are traditionally exported to India and to SAARC region. More over 50 percent of Sri Lankan pepper is exported to India while over 40 percent clove, nutmeg and areca nut also exported to India. Pakistan is virtually the only market for betel.

Table 4: Main export destinations of Sri Lankan Spices - 2016

Region/Country	Export from Sri Lanka (mt)				
	Cinnamon	Pepper	Clove	Nutmeg	Cardamom
SAARC region	577	4,912	529	439	664
USA	1,607	563	174	57	-
Germany	173	784	17	46	1.8
Mexico	5,578	74	30	2,6	-
UAE	7	497	1,009	205	-
Egypt	1.8	728	53	9.6	-
Total export	14,692	7,895	1,842	1,509	779

USA is the largest buyer of pepper in the world market. But Sri Lankan export share of pepper to USA is negligible. Sri Lankan cinnamon is mainly exported to Mexico and Latin American countries. USA is also a sizable market. Comparative to cassia cinnamon which has prominent market in Europe, Sri Lankan cinnamon has no good demand from Europe mainly due to higher prices and quality problems. In general, EU implements tougher sanitary and phyto-sanitary measures and it has been difficult for Sri Lanka to comply with these stringent regulations and therefore export of EAC to Europe is insignificant.

Challenges in the Sri Lankan EAC sector

Competitiveness is a key factor for an industry to succeed in export at the world market. The world economy largely depends on international trade and the export revenue is vital for any country's economic health. To be successful in this respect, a country needs to maintain and enhance its competitiveness against its rivals. The failure to do so may result in eroding the market share of that country in the relevant industry and hence decline in export revenue. To become competitive in the international trade, a country should address internal capability through domestic productivity related issues and the relative position against its competitors through market related issues in both at domestic and international level.

Sri Lankan EAC sector is now facing many challenges within the context of international trade as more producers who have comparative advantage of production of EAC are coming into the market. World trade is increasingly integrated with bi-lateral and multinational agreements while exports are being restricted due to ever changing standards and SPS measures. Along with the common national issues such as high cost of labor and inputs, EAC sector has to meet its inherited problems and weaknesses successfully to improve its position in the world market. As the sector still follows traditional pathways in production and marketing, it is important to resolve problems throughout the value chain to be competitive in the world market.

Low production and productivity

The International Trade Centre has estimated that the world supply of spices alone is growing at around 3-5 percent per annum. Higher prices prevailing in the world market has attracted a large number of new producing countries into the industry. Coffee and cocoa are two major agriculture commodities with huge supply base mainly from traditional growers. Altogether world supply of crops in EAC category is continuously increasing due to expansion of cultivated extent in growing countries. But average productivity of these crops largely varies from country to country which has created comparative advantage for some countries over other. The average productivity of pepper in Vietnam is estimated at 2000-2500 kg/ha while the average productivity of pepper in Sri Lanka is around 600-800 kg/ha even in good cropping years. Because of low productivity and limited land expansion, growth rate of production of some EAC is marginal in Sri Lanka. Inadequate local supply has become a major obstacle for the up gradation of the industry, mainly for market promotion, investment for value addition and for seeking FDI in the industry.

EAC in Sri Lanka is largely cultivated by small scale farmers as mono crops in small land blocks or as mixed crops in home gardens. Generally EAC is not the main source of family income, but EAC farmers receive a

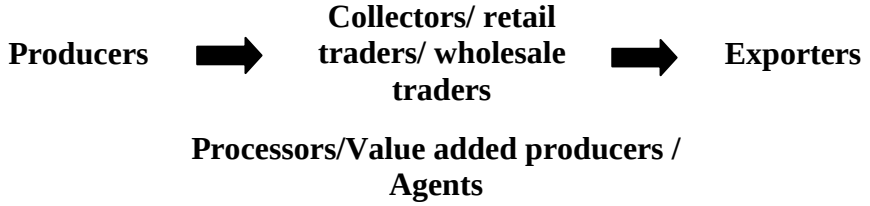
substantial amount of cash income during harvesting season. Majority of farmers spent this money for personal interests but do not pay adequate attention for crop management practices such as fertilizer application, soil conservation, shade management *etc* and they satisfy with what they get from the field. Many have no idea of yield potential of their cultivations and even if they are informed, they don't want to correct situations by themselves but expect government assistance. It could be estimated that only less than 10 percent of EAC holdings are maintained as commercial enterprises.

Similarly, many EAC plants are perennial in nature and once established it gives yield for a long period of time. A considerable extent of EAC in Sri Lanka is over aged and not willing to go for replanting in the fear of losing current income. The yield of these crops are highly weather dependent and with the favorable weather situations crops give good harvests even with less management practices. It discourages farmers further from applying commercial cultural practices. Because of those reasons, average annual productivity of majority of EAC holdings is well below the potential yield in Sri Lanka compared to the productivity other countries. Similarly, production levels in Sri Lankan EAC cultivations show higher annual fluctuations but it is not the same in many other producing countries who maintain these crops as commercial enterprises.

Stagnation in production and productivity and higher annual fluctuations in production have restricted EAC exports of Sri Lanka especially cinnamon, pepper and spice oils to higher demanding markets as exporters cannot fulfill orders of large quantities from such markets after fulfilling orders of regular buyers.

Weaknesses in the domestic value chain

Due to volatile, un-organized production base of EAC, the domestic market channel is long and characterized with weak segmental relationships.



Since there are a large number of small producers, majority of them sell their production to mobile collectors or collectors located in nearest home town. Only a few who sell directly to whole sale buyers or exporters receive higher margin than other people. There are only a handful of farmer organizations who sell their products to known

exporters. Interrelationships among these market segments are very weak with poor forward and backward linkages. Especially, the relationship of market segments with producers of EAC is highly distant and producers do not receive adequate information on current market requirements.

Large bulk of the total export of all EAC is transferred from hands to hands of several market segments before reaching exporters. The accumulated stock comes to exporters without having the identity of owners and cannot trace the producer. Because of that exporters cannot assure traceability of bulk of their export consignments. Traceability is becoming a prime need for exports to developed markets which restricts the capacity of countries like Sri Lanka entering to markets.

The long value chain and weak relationships along the chain have become main reason for quality problems in Sri Lankan EAC. Forward and backward linkages are also very weak and players of the low levels of value chain rarely get information about international market requirements. Product quality is highly varied from producer to producer. Hence the final quality of accumulated stock cannot be held uniform. In many cases, whole sale buyers and exporters are used to re-process the produce received by them. But it is not adequate to assure the final quality criteria in getting test certificates. The ultimate result of this traditional market mechanism is the inability of bulk of Sri Lankan EAC exports to comply with criteria in developed countries resulting concentration of markets to developing regions.

Concentration of markets to developing countries with poor market diversification

Usually main export destinations for Sri Lankan EAC products are India and a few other developing countries with a small number of regular buyers. When considering the world scenario of spice trade, USA and EU are major buyers, consumers and processors of hi-tech value added products of spices. Other producing countries such as Vietnam, Indonesia Malaysia and India has captured higher share in developed country markets and India along has reported to be captured over 50 percent of the world trade of spice semi-value added products.

There are noticeable disadvantages in marketing EAC in developing countries. They pay low price, purchase as bulk largely as raw material for their industries and pay no or insignificant premium for quality. In contrast, developed countries pay higher price, prefer small lots, packages or value added products, have niche market opportunities with very high premiums and give substantial margins for quality. But export to such markets must meet stringent quality criteria and traceability criteria which could not be fulfilled by many Sri Lankan export consignments due to weaknesses in the domestic value chain.

Problems in external quality

Sri Lankan spices such as cinnamon and pepper are world renowned for its unique inherited quality characteristics over the other production origins. However considerable amount of Sri Lankan EAC has external quality problems and food safety issues which have restricted them entering into high value ends. It does not mean that Sri Lanka is producing only poor quality EAC products but as a commercial enterprise the industry does not have the competitiveness in terms of quality to trade its products in high value markets.

As explained earlier, the small holder production base is a main constraint assuring quality and traceability of Sri Lankan EAC. Sun drying is the main processing technique used by small farmers which does not give homogenous products in bulking. It is not economical for farmers to use mechanical methods for processing. Also it has been difficult to assure food safety standards in production chain as majority does not follow recommended management practices in production and harvesting. However the situation is getting improved with the changes introduced to production system by both public and private sectors.

Inadequate regulatory frame work for EAC sector

Although a country should allow free and transparent trade environment for effective transactions in the trade, it does not guarantee that all players in the value chain would comply voluntarily with necessary conditions of the international trade. There should be government interventions in the trade of agriculture commodities in order to assure the quality and food safety.

Unlike for other main export crops such as tea and coconut, (*eg* Tea Board, Coconut Development Authority) there is no strong regulatory agency or mechanism for the spice industry or EAC in Sri Lanka and players in the value chain have the freedom to act individually with their own desires. Farmers have no legal requirement for registration. But traders and exporters have to get business registration and the registration in the Export Development Board. There is no adequate power to any authority to implement effective quality assurance mechanism or to regulate trade in the country and assure food safety, traceability and transparency of the trade to consumers. Exporters who are dealing with the western world have generated their own mechanisms to guarantee quality and traceability but the country badly needs a central mechanism for such actions. Since the value chain payers have no legal responsibility to any agency they are scattered and no strong links have been established due to a weak value chain with poor forward and backward linkages. Because of that dynamic market information is not

adequately passing to low level segments such as farmers, collectors *etc* and they have poor knowledge on international market requirements

Low volume of value added products

Industrial value addition for EAC in Sri Lanka is not at the satisfactory level and the export of value added product is less than 10 percent of the total bulk of export of EAC. Other than a handful of small scale factories, all value addition facilities of EAC are owned by EAC exporters or foreign investors. Major value added products exported by Sri Lanka are crushed and ground spices, spice oil and oleoresins, salted or dehydrated pepper, pepper in brine, pepper sauces, cut cinnamon, different types of packs and gift packs, medicinal applications using spices, cinnamon tea, spicy soft drinks, candies and biscuits mixed with spices.

DEA has introduced some value added products such as pepper sauce, spicy chutneys, jams, sweets *etc* to rural entrepreneurs but only a few had succeeded. Because of the small nature, lack of investment and no adequate market, many small industries could not continue their operations or not competitive in the market. A few large scale factories are operating in production of turmeric powder but their production is largely used by the domestic market.

It is well reported that there is a good market potential for sophisticated products such as fractions, powders, extracts, flavors and medicinal components *etc*. But Sri Lanka has yet to invest more in this field. Modern generation of the western world largely prefers natural flavorings in foods and herbal cosmetics are highly popular among rich westerners. Large number of research publications in prestigious journals has shown significant medicinal properties of spices. It is well renowned that Sri Lankan EAC is having high intrinsic quality with rich in chemical ingredients responsible for taste, smell and aroma. Since there is a strong demand for hygienically produced value added spice products in the developed world at very high prices and Sri Lanka has all potentials to increase such products to demanding niche markets if local situations are corrected.

Inadequacy of market information for exporters

Marketing of EAC in Sri Lanka is totally handled by the private sector and the government has no intervention other than in the tail end logistics part. Export Development Board (EDB) provides a number of services for EAC exporters including supply of trade information, facilitate for attending foreign trade fairs and other events, providing grants for purchasing equipments and to establish GMP processing centers and conducting seminars and workshops for exporters on export related issues. However, more of these benefits are going to existing exporters

and new comers for export business face enormous problems in the survival.

Poor knowledge of market opportunities and international market requirements are main problems faced by new exporters and current institutional mechanism is not adequate to provide such information effectively for expanding exporter base of EAC. Although, there are some sources of information, an efficient mechanism should be there especially to guide newly entering exporters until they are established in the export field. Also there are many information bottle necks in the value chain and a proper study has to be undertaken to identify information gaps which hinder performance of the value chain.

Inadequacy of market promotional programs and branding

Branding of unique products is a very efficient market tool used in the modern world. Commodities which have inherited unique desired qualities than other production origins of same commodity or products which have specific characteristics than similar products in anywhere in the world are branded to protect their identity as well as to market the uniqueness of the product. Countries highly concern to brand their products in current world as it gives a very high margin and increase the competitiveness. Sri Lanka is a country with rich bio diversity and highly diverse soil and climatic conditions within the country. Hence there are specific features in many Sri Lankan plant products either they are indigenous or introduced.

Sri Lanka invests a very little in the overseas market promotion and branding. In the case of branding, only cinnamon is branded under the certification marks of "Pure Ceylon Cinnamon and Lion Logo". True cinnamon is accepted as indigenous to Sri Lanka and cinnamon produced here have unmatchable organoleptic qualities than cassia cinnamon or other production origins of true cinnamon such as Seychelles and Madagascar. However, Sri Lankan supply of true cinnamon is only around 10 percent of the world trade and sub standing products are sold in the name of "Pure Ceylon Cinnamon". To protect the identity, cinnamon is already branded with a certification mark of "Lion Logo" and Export Development Board is working on promotion of the "Lion Logo" mark in the overseas markets.

Moreover, some other Sri Lankan EAC also has unique inherited chemical, physical and organoleptic qualities (*eg* pepper, nutmeg, citronella *etc*) than other production origins, Hence there is a potential for branded internationally. Even inside the country product qualities such as pepper are highly vary and there is a potential for branding in the name of regions. In that sense, there is a high potential to increase export earnings by several fold by exploiting comparative and competitive

advantages of Sri Lankan EAC sector through a well designed, adequately invested sustainable market promotion program in overseas which bring such information to door steps of the consumers.

Measures taken by Sri Lanka to increase exports and improve market Access

Increase production and productivity

Sri Lankan government has taken numerous steps to increase national production of EAC and productivity levels in farmer fields. Department of Export Agriculture has implemented assistance schemes for establishing new cultivations by providing free planting material and necessary technical advices. More attention is directed towards assisting farmers to improve productivity of marginal lands through providing plants for gap filling, supplying fertilizer at subsidized price and providing technical advises for applying correct maintenance practices. Field training programs and demonstrations have been implemented to mobilize farmers and mass media programs have used to convince farmers about benefits of increased crop productivity. The research division of DEA works on generating new technologies such as high yielding varieties, low cost productivity improvement technologies, pest and disease control mechanisms and soil and plant nutrition management techniques. Extension officers of DEA bring all sorts of assistance packages to the ground level farms and also disseminate information of new technology packages to farmers.

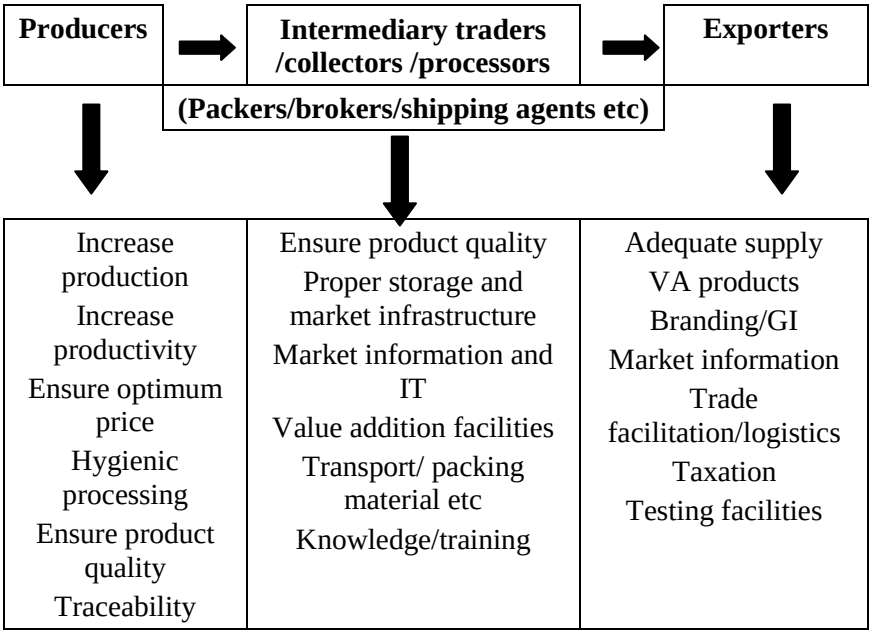
With all these public assistance, EAC farmers do not seem to have very much interested in managing their cultivations as commercial enterprises. Therefore together with above efforts, new concepts of changing mind set have to be evolved to achieve the national interest of increased production and productivity levels in farmer fields .

Develop value chain segments and to improve segmental relationships

As described earlier, spice value chain in Sri Lanka is relatively long and have weak segmental relationships comparative to other export crops in the country such as tea and rubber. Key government policies with regard to spice value chain are to improve and strengthen different segments of value chain individually and also collectively by strengthening linkages along the chain. To achieve that policy objective, Sri Lankan government has implemented numerous programs and projects through many government agencies to strengthen different segments of spice value chain.

Following diagram shows requirements of spice value chain segments where interventions are needed from the government or private sector to

improve the spice industry to a competitive level domestically and internationally.



Sri Lankan government assists in numerous ways to farmers, traders and exporters to upgrade processing facilities to increase quality of products as well as to establish and upgrade value addition facilities. Department of Export Agriculture, Export Development Board, Industrial Development Board and Ministry of Industry and Commerce has implemented a number of assistance schemes and provide cash grants and needed technical advice. Many local banks operate soft loan schemes to upgrade processing facilities and Value Addition industries. Also there are other local and international NGOs support farmers, traders and processors in numerous ways. However it was noted that only a small percentage of traders and collectors take the advantage of such schemes and they prefer to work on traditional way as they used.

Measures to increase quality

The government and the private sector have taken various steps to assist stakeholders to improve quality of EAC exports. DEA has implemented an assistance schemes to establish and upgrade processing facilities owned by farmers, collectors or exporters. Information packages of sanitary practices for post harvest handling have been introduced to farmers through extension officers and equipments and machineries needed for safe post harvest handling are supplied at subsidized rates.

Recently Field officers have been supplied a specialized tool kit to measure product quality at farmer or collector level. Other government agencies such as Export Development Board and Industrial Development Board are also providing cash grants for farmers to upgrade processing facilities to GMP or ISO level and to purchase modern equipments.

Since the quality problem is a main issue in the EAC sector, Trade Chambers in the country have implemented several programs to improve final quality of EAC exports. Different assistance packages are operated for their members, mainly wholesale traders and exporters, to establish necessary infrastructure. Several EU grants and World Bank programs have assisted Chambers to support their clients and to improve their awareness of quality assurance and food safety.

Introduce basic regulatory framework

As explained above, inadequate regulatory frame work is a major obstacle for Sri Lankan EAC mainly for spices to be competitive in the world market. However, no effective action has been taken so far to tackle the problem by introducing a single regulatory mechanism. Instead, numbers of institutions which have limited regulatory powers in their own areas have taken actions to improve the situation. Department of Export Agriculture, Export Development Board, Sri Lanka Standard Institute, Sri Lanka Accreditation Board and Department of Commerce are some of them.

There are strong requests from the trade sector to establish an institution which have authoritative powers to regulate international trade as well as the segments of local supply chain of EAC. It was raised as a priority issue in recently drafted National Export Strategy. But the outcome is yet to be known.

Increased value addition facilities

Traditionally, Sri Lanka has used to export EAC in bulk form and only a small proportion of produce was used for value addition. That proportion has slightly changed during past two decades but the rate of change is not adequate to match with the current international demand. World demand for value added products especially for spice products is increasing at massive speed with the new experimental evidences in culinary and pharmaceutical properties. Also the demand for traditional value added products such as spice powders, oils and oleoresins have surpassed by new form of products such as ingredients, fragrances, flavors *etc*. Despite of these products are fetching very high prices, other than one or two Sri Lankan exporters none of others are exporting those products.

There are no special assistance schemes from the government as it needs a very high investment. In general there are soft loan facilities from

commercial banks but only a few have interested in such facilities. The World Bank has recently introduced two projects to agriculture sector and primary industry sector through which industries of value added products are assisted in substantial way to establish infrastructure, upgrade facilities or to purchase hi-tech machineries. However interest for such facilities is not impressive as there are other problems in value added product industry as inadequate local raw material supply, inadequate market information and market links, quality issues and no proper re-export policy in the country.

Branding and overseas market promotion

Branding is not a common approach in the case of EAC in Sri Lanka at the moment and only cinnamon is branded internationally with national effort. EDB has registered certification mark of "Pure Ceylon Cinnamon Logo" in the European Union as well as in the South America including Mexico. Also actions are taken to register Pure Ceylon Cinnamon as a geographic product in the European Union. There are no other national brands for other crops. But a few Sri Lankan exporters have taken registered their own branded products. At the moment, discussions are underway to establish geographic indicators for pepper and technical information is being collected. Other than those, interest is weak for obtaining commercial brands for EAC mainly for spices as only a small portion of export is directed to branded markets.

The Export Development Board and Ministry of Primary Industries organize overseas promotion programs to increase market exposure of exporters and to establish market links. For that they organize trade exhibitions and facilitate exporters to attend international trade exhibitions and trade forums.

FDI and re-exports

Sri Lanka is a small producer of many EAC and expansion of local production to several folds within a short period is very difficult. However, the government has set a target of reaching USD one billion export earnings by 2020 from spice industry alone. In Sri Lankan context, such target could only be achieved through increased export of value added products, high quality products and niche products. There should be a considerable expansion of value addition industries since only domestic industries cannot fulfill such target. Sri Lanka has to attract foreign investors. But the country should assure them business friendly environment along with assured raw material supply, low cost labor and uninterrupted electricity. Government has already been considering providing facilities for re-export business. But there should be an assurance about the level of value addition to be done within the country. Especially if large bulks of raw material allowed to be imported,

it has to be done under strict regulatory framework and there should be no harm to local industry by leakages of products to local market or through exploiting Sri Lankan brand name.

At the moment, only one large scale foreign value addition facility is operating in Sri Lanka in the field of spice oils and oleoresins. Only a few small foreign companies are dealing with producing and marketing value added products of spices. There are discussions about introducing a value addition policy for spices attracting large scale businesses but no effective actions are taken yet.

Trade facilitation

Trade facilitation is considered as a most effective avenue to connect local exporters and exportable products with the international trade. Trade facilitation requirements are mainly considered at three levels a) before the border, b) at the border and c) beyond the border. Main trade facilitation requirements are trade and export infrastructure, trade and other related information, speedy IT facilities, low cost and easy access to laboratory testing and certification facilities and easing logistics *etc*.

Common and private infrastructure facilities for EAC industry are not at satisfactory levels and have to be upgraded. Especially, Sri Lankan exporters face enormous problems in getting laboratory certificates as only a few accredited laboratories are operating in the country with high cost of certification. Discussions are underway to find avenues to expand number of accredited laboratories, expand facilities with high-tech equipments and to reduce cost of certification.

There are a few trade related information sources in the country and it is extremely difficult for new exporters to establish market links. At the moment, World Bank is designing a National Single Window for exporters of Sri Lanka to fulfill logistics at one glance and Trade Information Portal for providing information on border crossing requirements. The National Export Strategy has planned to establish National Export Trade Information Portal to provide all sort of information to exporters.

Conclusion

Sri Lanka has a long established EAC industry but it has not developed well to line up with other emerging competitors. Sri Lankan EAC products have unmatchable unique properties with comparable to products of other origins but that benefit could not be exploited due to inherited domestic problems in the industry. Government has implemented satisfactory measures to boost the industry and exports but lot more to be done for it to succeed in current competitive environment

Chapter 10

Proceedings of the SAARC Regional Expert Consultation on Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets

Inaugural session

SAARC Regional expert consultation on "**Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets**" was jointly organized by SAARC Agriculture Centre (SAC) and Institute of Policy Studies of Sri Lanka during 19-21 September 2017 at Hotel Renuka, Colombo, Sri Lanka.

The consultation was inaugurated by Dr Manoj Thibbatuwawa, Research Fellow, Institute of Policy Studies Sri Lanka and Dr WART Wickramaarachchi, Senior Program Specialist (Policy Planning) by lighting a traditional lamp. Mr DA Perera, Chairman, The Spice Council of Sri Lanka and Mr WC Deerasekera, Ex-Secretary, Ministry of Industrial Development, Sri Lanka graced the occasion as special guests. All foreign delegates were also invited for lighting the traditional lamp as a customary of Sri Lankan culture.

Dr Manoj Thibbatuwawa addressed the gathering and welcomed the SAARC delegates and all invited guests and participants to the consultation. The workshop started with the introductory speech given by Dr WART Wickramaarachchi, Senior Program Specialist, SAARC Agriculture Centre. He gave an overview about the genesis of SAARC Agricultural Centre which was established in 1988 as SAARC Agricultural Information Centre (SAIC) and later upgraded in 2007 to the full-fledged SAARC Agricultural Centre which is the premier institute in South Asia for sustainable Agricultural Development in South Asia. He stressed the importance of enabling policies for promoting of agricultural commodities in global markets beyond the South Asia. He further urged all participants to make use of this important opportunity to come up with useful recommendations which can be implemented in individual member states and regionally in SAARC Countries as a whole.

Country presentations

National focal point experts from all SAARC member countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) made presentations with a comprehensive information on trends of agri food product exports, innovative applications of agricultural exports, policy and programs for agricultural export

promotion, current legislative, sanitary and phyto-sanitary requirements and procedures for international markets, challenges and constraints for promotion of agricultural exports and recommendations.

Technical Session I: Country paper presentations (19 September 2017)

The session was chaired by Dr Athula Senaratne, Research Fellow, Institute of Policy Studies of Sri Lanka. The session was dedicated to country presentations from Afghanistan, Bangladesh, Bhutan and India. In introductory remarks, Dr Senaratne emphasized the important of promotion of agricultural exports for the economies of SAARC countries and how region as whole can minimize the trade barriers.

Afghanistan (Mr Abdual Jalil Zahid)

Livelihood of nearly about 78 percent of people in Afghanistan is agriculture with sharing of 31.4 percent total GDP. Cereal crops contribute 18 percent of the economy. National Agriculture Development Priority Program 2016/20 is the latest policy initiative for agriculture development in Afghanistan. Afghanistan has indentified potential crops for export region wise which include grapes, apple, apricot, wheat, corn, walnut, almond, figs, melon, watermelon, cumin, pomegranate, pine nuts, oranges, olives, rice, vegetables, saffron, pistachio *etc*. Exporting of dry fruits and saffron is a lucrative venture in Afghanistan. Saffron worth of USD 16 million was exported during 2016 to UAE (40%), India (32%), Pakistan (25%) and other countries (3%). Total export volume of agricultural products has increased by 40 percent during 2016 mostly due to increase of exports to India and Pakistan. Both Pakistan and India account for more than 80 percent of total Afghan exports. Exports to Iran, Iraq and UAE were not shown significant growth in 2016. China, Turkey and Russia are very important markets for Afghanistan exports which need to be promoted in future. Exports to India are growing for the last 5 years especially in spices and resins. Total export to India in 2016 has doubled from AFN 9.5 to 20 billion. Afghanistan is ranked as the 142nd largest export economy in the world. In 2016, Afghanistan had a negative trade balance of USD 5,752 million. Agricultural exports mainly consist of fruit, nuts, vegetables and cotton in addition to non-agric products like carpets and coal. Exports are growing in the last three years at the rate of about 20 percent annually. Average tariff rate for agricultural goods (7.3%) is higher than for other products (5.9%). Afghanistan has been attempting to promote the export through various interventions such as negotiate for reduced air cargo rates for India and UAE; building trade capacity of private sector, MOCI, MAIL, EPAA and other institutions; participation in major global trade shows; provide

assistance in packing, sorting and grading; provide specialized credit facilities to exporters and promote Afghanistan as a brand. However, lack of institutional mechanism; lack of cold chain facilities including reefer containers and pack houses; lack of available credit facilities at international rate and poor quality certification and SPS measures may adversely affect the promotion of exports.

Answering to query regarding the taxation on exportation of agricultural products, Mr Zahid stated that there are no taxes for exporting of agricultural products. However, 2 percent tax is levied for gem stone exportation.

Bangladesh (Dr Alhaz Uddin Ahammed)

Total exports of Bangladesh was USD 34.02 billion in FY 2016-17 consisting of agro products like frozen food (fish and sea food), jute and jute products, leather, agricultural crops and processed products *etc*. Bangladesh major export partners represent USA (13.9%), Germany (12.9%), UK (8.9%), France (5%) and Spain (4.7%) as per 2015 statistics. Total imports (USD 43.49 billion) are significantly higher than exports in FY 2016-17. Major import goods include cotton, machinery and equipments, chemical, iron and steel and food stuffs *etc* from China (22.4%), India (14.1%) and Singapore (5.2%) during 2015.

Organization structure of Plant Quarantine in Bangladesh has made for promotion of agricultural exports and imports which are directly over looked respectively by Deputy Director (Export) and Deputy Detector (Import). There are 33 Quarantine Stations in Bangladesh including 13 of "A" category (3-airports, 3-seaports and 7-land ports), 09 of "B" category and 11 of "C" category across the country.

Bangladesh export basket of plant and plant products includes jute and jute products, tea, tobacco, vegetables, fruits and potato, frozen vegetables, fruits, food stuff and food items, handy crafts, bamboo basket, aromatic and fine rice and spices where as import basket comprises rice, wheat, maize, raw cotton, fresh fruits, pulses, oil seeds, spices, timbers and vegetables.

In addition to exporting of vegetable, fruits, potato, betel leaf, processed food, frozen vegetable and frozen fruits to SAARC countries, there is a huge potential for EU, Middle East, Malaysia, Indonesia, Singapore, USA, Canada, Thailand, Australia, Africa and South America. Major exports of Bangladesh under plant and plant products represents 517,000 mt of jute and jute products, 94,600 mt of potato, 57,400 mt of food items, 37,800 mt of vegetables, 31,700 mt of rice and so on during 2014-15. However, total export was reduced by 8 percent when comparing 2013-14 (102,984 mt) and 2014-15 (94,614 mt).

There is a huge potential of Bangladesh to exploit the global market outside of the region since Bangladesh is getting GSP facilities from 38 countries which comprises 28 countries of European Union and other countries such as Australia, Belarus, Canada, Liechtenstein, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey. There are a number of drawbacks in Bangladesh export supply chain management. Absence of direct linkage, procure through middle men/farmers, poor transportation in heavy loaded trucks, lack of supervised production, poor post harvest handling (PHH) and almost absence of cool chain management, poor infrastructure for grading and packing and no traceability system in place.

Program for Rural Advancement Nationally (PRAN) is Bangladesh's largest grower and processor of fruits and vegetables. PRAN is currently one of the most admired food and beverages brand among the millions of people of Bangladesh and other 134 countries of the world where PRAN products are regularly being exported. PRAN started export business in 1991 and currently exporting products to 134 countries with 1,500 million customer base.

Quality control of export items is regulated through quality control certificates issued by the competent authority (Bangladesh Standards and Testing Institution/ Department of Fisheries/ Department of Agricultural Extension/ Bangladesh Council of Scientific and Industrial Research).

Bangladesh has taken initiatives to promote agricultural exports by encouraging contract farming for the production of exportable products such as vegetables, potato, betel leaf, fruits including mango, plant and plant products; though production of modern and scientific packaging materials necessary for export of vegetables, flower & foliage and fruits; facilitating for financial support as low interest loan to establish vital infrastructures like cold storages; strengthening of phyto-sanitary regulations in order to comply with requirements of the importing countries for the export of potato, betel leaf, mango and other fruits and vegetables; providing training programs for the producers and exporters of vegetables, flower & foliage and fruits; hygiene control for agro-based products; producing Salmonella free betel leaf with help of DAE; establishing Central 'Warehouse & Packing' Centre at Shyampur, Dhaka; organizing awareness and training programs on export requirements and standards; building Pest Free Area (PFA) and Area of Low Pest Prevalence (ALPP) for producing exportable products such as potato, fruits and vegetables; establishing production area based packing house; making the phyto-sanitary activities efficient and stronger and e-phyto-sanitary certificate service.

There are many constraints threatening the agro commodity exports in Bangladesh. Those are listed as not complying with the phyto-sanitary requirement of importing country; frequent interception of certain commodities; fraudulent activities; lack of competencies in phyto-sanitary certification system; lessening market access in Middle East due to poor packaging and product quality; poor export control system; exporters are reluctant to comply with phyto-sanitary requirement of importing country; uneven quarantine facilities between the border of India and Bangladesh in term of Quarantine Stations and Laboratories; lack of awareness about plant quarantine system among different stakeholders at policy level, high officials, business men and mass people level; insufficient authority of NPPO by legislative or administrative means; poor aggressive response from trading partners; lack of capacity development or technical assistance programs. In addition, limitations such as deficiency in plant quarantine rules, limited administrative and legal authority of director as NPPO; resistance from other relevant department; shortage of manpower and budgetary allocation; poor initiative for updating pest list and PRA and lack of infrastructure and logistic facilities hamper the promotion of exports.

Recommendations

- Establish plant quarantine authority as a separate department
- Recruit skill, experienced and specialized man power
- Construction and development of different Quarantine Centers and establish of Post Entry Quarantine Centers.
- Establishment of Pest Free Areas (PFA)
- Strengthen the subject area of Pest Risk Analysis (PRA)
- Improve the co-ordination among different of department in ports
- Establishment of pest museum
- Implement e-phyto service
- Establish laboratories with modern facilities and accreditation
- Crop zoning

Bhutan (Mr Yonten Gyamtsho)

In Bhutan, 79 percent of population is depending on agriculture. Both exports and imports of agricultural commodities have increasing trend over last few years and reached volume of USD 45.3 and 95.6 million respectively by 2016 with trade deficit of USD 50.3 million. Ninety one percent of total volume has been exported to SAARC countries while 99 percent importing also from SAARC countries. Major export commodities are cardamom, apple, potato, oranges, Caterpillar Mushroom (*Cordyceps sinensis*) and asparagus. Bhutan started formal

exportation in 1980s via State Trading Cooperation. Later in 1990s, Trade policies were put in place and Food Cooperation of Bhutan was established. With the establishment of Bhutan Exporters Association, individual exporters are started the export business. Department of Trade; Department of Agricultural Marketing and Cooperatives and Bhutan Chamber of Commerce and Industry are the institutions dedicated for promotion of exports. Policy initiatives such as Economic Development Policy, Foreign Direct Investment Policy and Fiscal Incentives and contract farming have positive impact on agricultural exports. Export promotion in Bhutan is a collective effort of different organization. BAFRA is dealing with SPS certification while DoT issuing certificate of origin. DAMC facilitates for export market. Key challenges for promotion of export promotion include lack of mutual recognition of SPS certification, poor trade border infrastructure and facilities, limited internal supply capacity and lack of agro-based Industries.

Recommendations

- Involvement of SAARC for minimize the non-tariff barriers to push intra-regional trade forward
- South Asian Regional Standards Organization (SARSO) should make efforts for mutual recognition of Sanitary and phyto-sanitary (SPS) certifications amongst SARRC countries

India (Mr Ganesh Singh)

India has remained consistently a net exporter of agriculture products. India's agri-exports value for 2013 is USD 44.7 billion where as imports was about USD 27.0 billion in 2015. Major agri products exported include marine products, meat, rice, spices, raw cotton, sugar, fresh vegetables, groundnut, cashew nut *etc*. Agri-trade as a percentage of agri-GDP has increased from 5 percent (1990-91) to 17 percent (2015-16). India is amongst the world's top 15th exporters of agricultural products and the world's fourth largest net exporter of agriculture commodities. India's agri-exports are divided into 3 categories such as a) basic agri products, b) semi processed products and c) processed and ready-to-eat products. India's top export destinations are Vietnam, USA and UAE. Thus, there is more scope for exploring for more exports at high end export destinations. India's major global imports are vegetable edible oils (50% in total agri import) and pulses (15% of total agri import).

In order to promote export promotion, it needs market development, infrastructure development, quality development and transport

assistance. Traceability is also an import factor for export promotion. This can be achieved through IT enabled monitoring system in the supply chain for agri product, TraceNet (for organic products), Peanut.net, Hortinet, Grapenet, Anarnet (pomegranate) and Meat.net. SWIFT which was launched from 1 April 2016 provides a single point interface for clearance of import goods. Merchandise Exports from Indian Scheme (MEIS) provides support for the processed and packaged agricultural and food items of notified items to notified countries. Goods and Services Tax (GST) is a new tax regime launched from 1 July 2017 based on concept of One Nation, One Tax.

Export and import is regulated by various rules envisaged under EXIM Policy, Plant Quarantine Order-2003, Seed Development Policy-1988, Food Safety and Standards Regulations, Animal Quarantine and Import Export Code (IEC). IEC is mandatory for export and import from India.

Export-Import Policy of India can facilitate export of all agricultural commodities except pulses (kabuli chana, pigeon pea, *Vigna mungo*/*Vigna radiata*) and vegetable edible oils without quantitative restrictions. Similarly, imports of all agricultural products are mostly free without any quantitative restrictions subject to applied import duty.

India has issues of accessing other markets for particular products including USA (grapes), Canada (sweet corn and baby corn), Vietnam (grapes, anthurium and pearl millet), Japan (grape and pomegranate), China (okra, rape seed meal, rice, pomegranate, sapota, banana, papaya, pineapple and soya bean meal) and South Korea **(**pomegranate, grapes, brinjal and okra). Low productivity; subsidies by developed countries impacting expected gains by developing countries; non-tariff barriers like sanitary and phyto-sanitary (SPS) conditions; lack of awareness about the SPS measures/quality standards by industry and exporters; low quality of packaging; inadequate infrastructure (*ie* transportation, freight, cargo, cold storage and postharvest facilities); lack of a proper marketing strategy and change in trade policies have been constraints for promotion of agricultural exports.

Recommendations

- Creating a consistent trade policy environment
- Mechanism to ensure stable price environment for domestic growers
- Immediate attention to solve issues related to quality, sanitary and phyto sanitary (SPS) on India's agriculture exports
- Development of products with Geographical Indication (GI) status
- Development of infrastructure for fostering the agricultural exports
- Efficient Marketing Strategy needs to be worked out

Floor discussion of technical session I:

Q: How could GST of India affect the agreements of trading partners and what are the internal changes in regulations?

A: GST has no hardly any impacts of the imports into the country. There is a consultative mechanism for trading partners to seek assistance on any issue of import export with India. Department of Commerce can readily be contacted to solve the issue and assure the smooth implementation of agreements.

Q: What are the constraints of expanding agricultural exports beyond the SAARC region?

A: Many SAARC countries having trade partners beyond the SAARC countries. However, majority of trade of Afghanistan and Bhutan is confined mostly to SAARC countries. If enough high end regional market is assured in SAARC countries, it is not required to explore for other courtiers with extra logistic difficulties and stringent regulations.

Q: How price stabilizing could affect the import/export of agricultural products?

A: Price stabilization is taken care in Bhutan through contract farming system which assures a fixed price and thus, there are no worries about increase of decrease of market price. Any price reductions in global market are taken care by Maldives by compensation scheme/stabilization fund. Sri Lanka recently started similar strategy for pepper price drop. Global market price for rubber is favourable; the cess will be credited to stabilization fund which can be utilized to pay compensation during price drop. Contract farming system is not much successful in Sri Lanka.

Dr Thibbotuwewa stated that high end markets beyond the region should be exploited as good export promoting strategy and same should be reflected in trade policies.

Technical Session II: Country Paper presentations (19 September 2017)

The session which comprised of country presentations from Maldives, Nepal, Pakistan and Sri Lanka was chaired by Dr WART Wickramaarachchi, Senior Program Specialist, SAARC Agriculture Centre (SAC), Bangladesh.

Maldives (Dr Shafia Aminath)

Agriculture sector in Maldives is made up of the fishery and crop sub sectors. Animal production and forestry is less significant. Fisheries and crop sector is still the principal source of livelihood for a large number of people which provides a supplementary source of food and cash income.

Hundred percent of the staples and 80 percent of the food needs is met by import which accounts USD 407 million every year. It is 20 percent of total imports.

The production as well as marketing system of crop sector is in subsistence nature. The share of agriculture's contribution to GDP has been increasing and in 2014 had a share of 2.2 percent. The sector is also based on high value commodities such as vegetables, fruits (seasonal and perennial). 87 islands (approximately 1,380 ha) have been given on lease for commercial agriculture operations. Economy is mainly depending on tourism market with over one million every year. No crop based commodity is exported from the Maldives. However, there is a potential for producing crops like papaya, chili and cucumbers for export market. Export of food products is entirely comprises of fish products. USD 140.2 million was earned from fish exports (including re export also) during 2014. It is about 46 present of total exports. Fish exports are mainly in the form of frozen, chilled or canned skipjack and yellow-fin tuna. Dry fish is a more informal sector. Crop commodities are exported locally to the tourism sector.

Domestic exports are usually volatile in Maldives as it depends on the favorability of the fish catch during each year which can vary significantly on external factors such as international tuna prices. Thirty two percent worth of USD 40.8 million goes to Thailand followed by 13 percent (USD 16.9 million) to France and 11 percent (USD 11.9 million) to Sri Lanka so on.

The main law governing international trade is the Law on Export and Import of 31/1979 amended in 2013. Maldives as an import dependent country has always maintained an open and liberal trade policy regime and applies very few non-tariff measures. Trade policy of the Maldives is geared towards expanding mutual cooperation with its key trade partners with the objective of ensuring market access for export products; enable import of quality merchandise and to facilitate services trade. Maldives has always maintained strong relations with its bi-lateral partners. Approximately, 34 percent of the tariff lines are subject to a zero rate and is applied to essential goods such as food. Except for ambergris, no duty or taxes are levied on exports.

Environmental grounds, Maldives imposes on export of live tropical aquarium fish. Maldives has also banned export of 20 marine products to protect the endangered fauna. Measures are also taken to ensure the sustainable nature of Maldivian fisheries and seek premium value for exports by ensuring compliance with internationally accredited schemes such as MAC certification. Export promotion of fish is mainly done by Fisheries Promotion Board through participating in major trade fairs with private sector participation.

Sanitary measures relating to export of food items including fish and fishery products are overseen by Maldives Food and Drug Authority (MFDA) under Ministry of Health (MOHR). MFDA undertakes inspection of import documentation, compliance with food labeling requirements as well as physical inspection of food items imported at the entry point under the Public Health Protection Act (7/2012). Personnel conducting food safety inspections have been trained by MFDA and follow national standards prepared by MFDA based on WHO/FARO CODEX Alimentarius. Export standards for fish and fishery products follow the importing countries standards such as following European Union (EU) regulations/Council's Directives when exporting to EU. MFDA is responsible for ensuring fishery exports meets international quality standards including regulations of European Union Council. MFDA also issues hygiene certification confirming fish processing factories and vessels meet the minimum HACCP requirements. EU approved factories are audited in compliance with relevant EU regulations by MFDA every six months and samples are tested for both chemical and biological parameters.

Preferential access to EU market was completely lost from 1 January 2015 following the enactment of the revised EU GSP regulations in June 2012. Currently in the EU market, Maldives exports are subjected to an MFN import tariff between 12-24 percent which places exports from Maldives less competitive in relation to exports from competing countries which enjoys preferential market access to the EU market. Lack of infrastructure (testing labs) and trained personnel to diversify export are considered as major constraints. For example, exporting reef fish to EU market is limited due to lack of capacity to screen for ciguatera toxin in reef fish. Poor implementation of GAP is a key challenge in crop food sector.

Nepal (Ms Januka Pandit)

Agriculture sector in Nepal shares 35 percent to the GDP. 74 percent of people (8 million) are employed in primary production agriculture from which 61 percent and 39 percent are women and men respectively. Small scale farmers with less than 0.5 ha landholding size is about 53 percent where as 20 percent farmers are large scale with more than 1 ha landholding size.

Major agricultural products in Nepal in term of land use include rice (31%), maize (18%), wheat (15%), vegetables (5%), lentil (4%), potato (4%), mustards (4%) and sugarcane (1%). Further, livestock (milk and meat) occupies 13 percent of land use.

Vegetable products shares around 16 percent of total export while food stuffs, animal products and other agricultural products share respectively

9, 1 and 1 percent. The top 10 exported agro products (H1-H24) includes cardamom (NPR 3.9 billion), juices (NPR 4.6 billion), tea (NPR 2.5 billion), vegetable products (NPR 101 million), ginger (NPR 552 million), oil cakes (NPR 1.26 billion), live buffalos, betel nuts and plants accounting a total of NPR 13 billion. Major import agricultural commodities include cooking oils, rice, maize jute and others with total average export value of USD 0.95 billion during 2010-2013. There is a huge trade deficit in agro food products. In 2014/15, Nepal is a net importer of agri food products with trade deficit was USD 1.13 billion. The export value of index and import value of index for agricultural products in 2013/14 are about 150 and 270 indicating the huge trade deficit in Nepal.

Nepal's trade in SAARC region is mainly with India (44%), Bangladesh (15%), Pakistan (12%), Sri Lanka (11%) and Maldives (6%) in 2014. Similarly, Nepal total export share with SAARC region is with India (77%), Pakistan (13%) and Bangladesh (3%).

Nepal has high potential for export promotion of some agricultural products. Nepal is the third largest exporter of large cardamom in the world. The export of cardomamom has shown an increasing trend over the time. Nepal produced 235,000 mt of ginger in 2013 of which 65 percent was exported. MoAD has drafted a Nepal Ginger Promotion Strategy and also developed a five year strategic plan under National Spice Crop Development. Export promotion of coffee has been implemented through Coffee Policy-2003. As per the tea policy, export is being promoted through auction system. Orthodox tea worth of USD 2.7 million was exported during 2013. A number of policy and legal frameworks are in place. Agricultural commodity export is promoted directly or indirectly through these policy and legal frameworks.

Greater awareness about the potential for export agriculture among farmers, producer association and traders and development of value chains of pashmina (goat wool shawls), ginger and MAPs were achieved through strengthening trade negotiations, investment facilitations, technical standards and intellectual property rights under Nepal Trade Integration Strategy 2010 and 2016. Promotion of apple, ginger, turmeric, off-season vegetables, goat, timur (*Zanthoxylum armatum;* Nepal pepper) and vegetable seeds production is achieved through High Value Agriculture Project (HVAP) 2010-2017. Under Agricultural Commodity Export Promotion Program, subsidized loan for export oriented production and trading, support to develop internal control on organic farming and organic certification and support for development of value addition, warehouse and processing plans were provided. The selected farmers were trained under the Nepal Economic Agriculture and Trade (NEAT) 2010-2013 program. This has impacted on the increased

production of ginger, tea, vegetables and lentils and subsequent increase of average income of farmers by 718 percent. Similarly, both Agriculture Commercialization and Trade (PACT) 2012-2017 and Prime Minister Agriculture Modernization Program (PMAMP) finally aim the promotion of agriculture production by assisting the Agriculture Development Strategy (2015-2035).

Low investment, inadequate trade infrastructure and inadequate trade facilitation are considered as constraints for promotion of export in addition to numerous production and supply side constraints. Fruit and vegetable juices, live animals, spices and vegetables are the agricultural food products having comparative advantage for exporting from Nepal. It is not a good sign that number of commodities with comparative advantage for exporting is reducing in several SAARC countries like India (from 5.1 in 2003 to 4.4 in 2011), Bangladesh (from 14.1 in 2003 to 8.1 in 2011) and Sri Lanka (from 11.3 in 2003 to 8.2 in 2011).

In Nepal, slow growth agriculture in term of lower average GDP of 4.2 percent when comparing to other main trade partners (Bangladesh 5.5%, China 9.6% and India 7.0%) is a key constraint. More than 55 percent of agricultural entities in Nepal are substance farming. Further, Nepal agriculture is characterized with too many smallholder farmers. Holdings operating less than 0.5 ha are 51.1 percent of total holdings in 2015/16. Trade policy and trade agreements with India are not strong enough to increase the export to India when compared to other South Asian countries. Broader protection of India is the one of the highest with 33.5 percent applied tariff rates for agriculture commodities.

Nepal is in not in a position to adopt all international standards and guidelines due to lack of adequate resources. It needs giving priority to review and reform existing legislation on food safety to comply with international regulations and standards such as ADS, NTIS and trade policy. Further, Hazard Analysis and Critical Control Point (HACCP) is not mandatory for food manufacturers, processors and handlers in Nepal. However, Department of Food Technology and Quality Control works as SPS inquiry point and communicates about SPS related rules, regulations and standards.

Governance and bureaucratic mechanism of the government agencies such as hassles in quarantine, custom clearance *etc* adversely affects the export trade sector. Structural barriers like poor existing infrastructures, insufficient power supply, issues with labor laws and political unrests can also hinder the promotion of export. World ranks of Nepal on quality of roads (115^{th} position), quality of air transport (129^{th} position) and overall quality of transport infrastructure (126^{th} position) are not satisfactory as compared to even other SAARC countries. Special

constraints to access to Chinese markets include arbitrary and non-transparent customs valuation and confusion of multiple import permits required by China.

Recommendations

- Harnessing the comparative advantages of agricultural products
- Government should make suitable actions to minimize structural and procedural barriers
- Convince India to make easy passage of export products from land-locked countries like Nepal to other destinations via India
- Improve regional technical cooperation to improve SPS standards and develop mutually recognizable standards and certifications
- Minimize the informal trade across the broader
- Make a fare trade arrangement with India
- Increase the investment in agro business including the production and processing

Pakistan (Mr Muhammad Mehmood)

Agriculture is a vital component of economy contributing 21 percent in GDP. 44 percent of labor force is employed by the Agriculture sector in Pakistan. Pakistan is major producer of cotton, sugarcane, wheat, rice, maize, potato, mandarin, mango and dates in the World and also provides raw material for industry including textile and food processing sectors.

Agri-food group earns USD 3.7 billion with 18 percent contribution in total export earnings. 4 million mt of rice is exported worth USD 1.9 billion. Export of USD 670 million includes mandarin (USD 171 million), dates (USD 102 million), potato (USD 81 million) and mango (USD 66 million). Export of potato is affected by domestic market price and annual production. Only surplus supply is exported. The low yield of 25 mt/ha is a major hurdle to growth in export. With increase in yield, export is likely to grow. *Kinnow*, a unique variety of mandarin indigenous to Pakistan is exported to Afghanistan, Russia, UAE, Indonesia and Philippines. Adoption of Global GAP and SPS in orchard management along with increase in processing (pack house) capacity has increase the mango export. Most of the dates in Pakistan are processed to low quality. 85 percent are dehydrated with India being the major buyer for dried dates.

Fruit fly menace which adversely affected the mango export to UK after 135 interceptions of during 2014-15 was managed by Government of Punjab through a specialized program worth PKR 227 million for the eradication of fruit fly.

Rice export is promoted by the development of high yielding disease resistant hybrid varieties, improvement in mechanization technology and techniques to remain competitive in export and brand development for Basmati rice. Different efforts have been taken to increase export market share of horticultural crops through capacity building in export marketing, linkage with international buyers, include new products to the export basket such as peach, guava, grapes and olives in fruits; and carrots, capsicum, cabbage and squashes in vegetables and encourage investment in the value added sectors including, individually quick frozen units, pulp and concentrate production, dehydration and oil extraction units. Increased potato yield, adoption of SPS compliance and good agriculture practices, better seeds production in disease free zones, improvement in farm mechanization technologies and cultivation techniques, value addition through grading, washing and drying, manufacturing fries and packaging and dehydration for starch and flakes manufacturing are strategies for promotion of potato. Research is initiated to develop seedless form of mandarin variety *Kinnow* to promote its export to other countries. Similarly, a number of initiatives are made for promotion of exports of mango and dates. Programmatic initiatives such as establishment of High Tech Mechanization Centers for productivity enhancement reduce post-harvest losses and improve competitiveness; Supply Chain Development Project to promote tractability, SPS compliance and GlobalGAP certification among farmers and setup 50 Pack Houses; Branding and Export Promotion Project for capacity building of SMEs in export management and marketing, along with developing linkages with international buyers have been made for promotion of export. Further, Targeted input subsidies are being offered to small farmers to encourage diversification towards high value agriculture. Investment and Innovation Fund has been established to promote investment in innovation, agri-business incubation and horticulture value added sectors. R&D budget for development of new seed varieties is increased. Famer-centric, relevant and precise information and advisory services are being provided through Extension 2.0 program. Good agriculture practices, crop diversification and better market linkages are taken into producers through extension service backed by private sector.

Pakistan has introduced rules and procedures to ascertain food safety and control of spread of pests and diseases through export. Introduction of plant quarantine on export of agriculture produce; phyto-sanitory check and ensure compliance by the local exporter; inspections at go downs, warehouses, dry ports, and entry and exit points; maintain of records of trade, permits, certificates, interceptions, treatments, fees and fines and sharing of information with several quarters including FAO positively

impact the promotion of international trade. Further, technical audit and procedure reviews are done periodically to improve in plant quarantine operations.

Exporters are small traders or growers who lack skills in export management and marketing and face a broad range of challenges including procedural and regulatory challenges at boarders during the time of export *ie* managing documentation and certifications, letter of credit, labeling, packaging, handling and transportation. There are challenges beyond boarders including availability of information and market research, identification of buyers, tracing shift in trends/preference of buyers, quality requirements, change in regulations in importing countries etc. Technical Barriers to Trade, when used by importing countries as disguised protectionism.

Recommendations

- Development of new high yield, disease free and climate change resilient varieties
- Improved extension services to meet international standards of food safety through good agriculture practices; encourage diversification to align production to export market demand
- Establishment of processing and storage facilities such as pack houses, individual quick frozen unit, pulp and concentrate units, dehydration units, oil extraction units *etc* and storage facilities like grain storage warehouses, cold stores and cold chain facilities
- Technology transfer and matching grants for mechanization and value addition
- Support to farmers and SMEs in domestic and international marketing and linkage with the buyers
- Exploiting opportunities for export to China through CPEC road and rail network
- Reform in domestic markets, withdrawal of support prices, land use reform, subsidy disbursement reform *etc*

Sri Lanka (Ms VDN Ayoni)

Industrial exports shares 77 percent of total Sri Lanka's export where as agricultural exports shares 23 percent which comprises of tea (13%), Spices (3%), coconut (2%), seafood (2%), rubber (0.32%) and others (3%). Total export earnings has reduced by 2.2 percent from 2015 (Export volume USD 10.55 billion) to 2016 (Export volume USD 10.31 billion). The agricultural exports has shown 6.3 percent fall from USD 2.48 billion in 2015 to USD 2.33 in 2016 due relatively low commodity

prices in the international market, subdued demand for Sri Lankan products and disputations in the domestic supply of export oriented agricultural products. Agricultural products being exported are categorized into raw materials/traditional or fresh form; value added products and organic products. When looking at the trend of export value in Sri Lanka from 1961 to 2016, decreasing trend of real value indicates the decrease of total tonnage of agricultural exports though nominal value continue to grow.

Processed food of total value USD 190.2 million is mainly exported to UAE, Hong Kong, Ireland, Saudi Arabia and Maldives. Rice and cereals of USD 30.7 million go to Thailand, Singapore, Indonesia, Malaysia and Hong Kong. Similarly, USD 25 million worth of processed vegetables, fruits and juices are exported to USA, UK, Germany, Australia and Maldives. Confectionary and bakery products are mainly exported to Ghana, Maldives, EU, India and UK with a value of USD 25.5 million.

Ellawala Horticulture Pvt Ltd has obtained Global GAP certification for exporting its own mango variety TJC at a rate of 10 mt per week. Greenfield Bio Plantation Pvt Ltd exports organic agricultural products of USD 5-10 million worth to EU (25%), Asia (25%) and Oceania (25%). Similarly, E-Silk Route Ventures Pvt Ltd sent organic products such as species, herbs, coconut products, tea, fruits and vegetables to North America (34%), Oceania (25%) and EU (15%).

Government major initiatives for export promotion include 1) National Export Strategy to make Sri Lanka an export HUB driven by innovation and investment. This strategy is driven by EDB with technical support of International Trade Centre (ITC) focusing of emerging areas and indentifying trade support functions like trade information and promotions, innovation and R&D, logistics, and infrastructure; 2) Border trade policy reforms; 3) Adoption of new national trade policy to make competitiveness through domestic policy reforms, market access and trade facilitation, macroeconomic balance, policy and institutional coherence and trade adjustments for firms and people; 4) Ratification of the WTO Trade Facilitation Agreement and 5) Establishing new Export Processing Zones with private sector engagement. Further, BOI offers incentives for investors. The government institutions are used to provide R&D support for exporters by providing information on global trends, pesticide monitoring facilities, biological control techniques and GAP.

Sri Lanka has identified EU, India, Gulf Cooperation Council (GCC), USA and Canada as major export destinations. It is mandatory to have general food safety measures of GAP, GMP, HACCP *etc* and meeting with specific food hygienic requirements and label traceability for exporting of agri-products to EU. Sri Lanka is within the top 20 suppliers to GCC.

Food Act No. 26 of 1980 and their subsequent amendments in 2009 and 2011 govern the SPS regulation in Sri Lanka. Sri Lanka as a member of Codex Alimentarius Commission, the World Organization for Animal Health (OIE) and International Plant Protection Convention (IPPC) follows their continuous guidelines to assure food safety and address related issues. Sri Lanka has notified 50 trade related technical regulations and 39 SPS notifications to the WTO as of July 2016. Ministry of Health is the National Focal Point for all SPS related matters. Sri Lanka Standards Institution (SLSI)-The National Focal Point for the formulation of National Standards giving due consideration to equivalent standards established by other countries and international organizations.

There are a number of issues related to agricultural commodity exports. Most of the services carry out in fragmented manner by different institutions coming under the purview of different ministries. Thus, coordination of all the work related to SPS and TBT by one national level institution is required. Sri Lanka's export basket is concentrated on a few products and a few markets due to lack of innovations. It needs more diversified products based on the world demand. It is obvious low e-commerce sales due to underdeveloped e-platforms, insufficient band-with, and lack of compliance/security. Promoting of digital payment systems is required. Significant gaps in the existing laws and procedures for testing, inspection and monitoring of standards and regulations adversely affect the promotion of exports. Therefore, measures are to be made to review the current system of standards and regulations and introduce appropriate measures for the gaps and issues related to enforcement. Sri Lanka has not been able to benefit fully from FTAs due to numerous non-tariff barriers (NTBs) in foreign countries such as lengthy inspection and testing procedures, delays in releasing goods and lack of warehouse facilities. Mutual recognition agreements (MRAs) can minimize such barriers. Lack of export-oriented Foreign Direct Investment for exports and trade infrastructure, transfers, management know-how and technology, new products for exports, increases productivity and enhances capacity to penetrate markets abroad is a key problem for promoting exports. Thus, it needs liberal and transparent import regime for imported inputs, feasible process for approval of investments, establishment of special export-processing/investment zones, negotiation of bilateral agreements and freedom to invest across a wide array of sectors. The performance in trade agreements such as ISFTA (Indo-Sri Lanka Free Trade Agreement), PSFTA (Pakistan-Sri Lanka Free Trade Agreement), SAFTA, APTA- Asia Pacific Trade Agreement in place are not optimal. Relax Non-tariff barriers, address logistical and infrastructure constraints, removal of stringent rules of origin, measures to overcome lack of supply capacity of Sri Lankan

exporters and provision of information about the concessions offered under these trade pacts among the business community are to be addressed.

Recommendations

- Sri Lankan food exports need to comply with the standards such as Global GAP, GMP, HACCP, ISO, BRC, FDA, ORGANIC
- Sri Lankan food exports need comply with standards on packaging, labeling, environment and ingredients
- Keen attention needs to be paid on fertilizer and pesticide residual levels and contamination with heavy metals
- Establishment of traceability and record keeping systems

Floor discussion of technical session II

Q: Is there any incentive scheme for GAP farmers?

A: No incentives are given for GAP farmers. However, agricultural products coming from GAP certified farms get a higher market price. Further, specialized extension offers are assigned for continuous monitoring of GAP certified farms. In addition to price benefits, yield benefits and health benefits are assured due to minimum reliance of pesticides.

Q: How is GAP program monitored in community level?

A: Gap program in Sri Lanka is in initial stage. There are dedicated extension officers for each district to provide advisory service, monitoring and facilitate the certification of GAP production.

Q: what is the potential of SAARC region to become export hub of organic products and functional foods?

A: Lot of innovations is required for promotion of health benefited functional foods. Like in Pakistan, other countries should have a fund for making innovations. Pakistan fund is having multiple financial instruments such as capital funds, matching grants and incubation centers to meet the needs of different markets. It is a diversified fund managed by professional private fund managing company. Malaysia has a fund called Malaysia Development Fund which would be a better model even for SAARC countries. This forum can recommend respective governments to have such a fund for innovations and investments.

It is not quite sure that SAARC countries are producing real organic products rather natural foods. International standards have to be met to produce organics. Though there is high premium for organic products, there is a trade off of yield in comparative terms. But in Sri Lanka, A

number of private industries are producing certified organic products. Pakistan has initiated to provide interest free financial loans to small farmers for farming activities with policy directives. There are cultural issues in promoting aquaponics.

Q: How can re-export concept be utilized for export promotion?

A: It is being occurred in the region. Areca nut is being exported to India from Indonesia via Sri Lanka. Similarly, black pepper is being exported to India from Vietnam via Sri Lanka. However, it should be handled with utmost care not to violate bi-lateral agreements.

Trade of all products in SAARC region except tobacco and alcohol has zero tariffs under SAPTA. Therefore, there is no issue of tariff.

Out of 11,000 tariff lines which India is handling, only 465 products (5%) are given in the negative list.

It is suggested by the house that cultivation of sea weed (macrophytic algae) is a potential area for export for countries with coasts. Natural seaweed stocks have become inadequate to meet the industrial requirements and hence cultivation of these important resources has become necessary. Asia stands as the world leader in seaweed cultivation and more than 80 percent is contributed by China, Korea and Japan. Malaysia is having a national strategy for seaweed cultivation and has a variety of value added seaweed products. However, SAARC countries such as India, Bangladesh, Sri Lanka and Maldives have not taken up seaweed cultivation interestingly. There is a huge potential for exporting to Japan and China. Using current technology, extensively available sea areas may be cultivated to produce crops that require no freshwater or fertilizers, while providing a variety of valuable ecosystem services.

Another common product for export market is growing lotus. Lotus (*Nelumbo nucifera*) is a perennial aquatic crop grown and consumed throughout Asia. Young flower stalks, seeds and rhizomes are all edible and flowers are used in religious ceremonies. The largest market exists for the rhizomes which have enormous potential for large scale production. The Japanese alone use over 70,000 mt annually with a wholesale value of more than A$ 400 million. Domestic production in Japan is now falling due to increased pressure on agricultural land which has resulted in importation of more than 16,000 mt of lotus rhizome annually.

The forum vehemently suggested looking into SPS matters and attempting to have harmonized SPS regulations for the SAARC region. Developing countries have already faced difficulties in meeting criterion set by developed countries and suffered huge losses in their attempt to comply with the stringent rules. International bodies like Codex

Alimentarius Commission (CAC), Office of International Epizootics (OIE) and International Plant Protection Convention (IPPC) are actively involved in formulating international standards, guidelines and recommendations pertaining to the human, animal or plant health or life in international agro-food trade. Therefore, it is said that developed countries are standard-setters and developing countries the standard-takers. At the end, the developing countries remain at a disadvantage due to stringent measures set for the standards by the developed countries. The SAARC should expedite the process of regional harmonization, strengthening of infrastructure and developing Referral Laboratories for competent services and accreditation.

The house urged SAARC to make necessary actions for proper implementation of SAFTA. Regional integration in South Asia lags behind other regions in the world despite efforts at institutionalized cooperation through the SAARC. SAARC could greatly benefit from identifying and resolving the unaddressed barriers to regional integration rather than relying on progressive tariff reduction on intraregional trade in goods as the single means for facilitating regional integration. SAARC failed to fully implement its main instrument for improving intraregional trade namely the South Asian Free Trade Agreement (SAFTA) due to a variety of reasons. First, the SAARC-envisioned progressive trade liberalization program has not been sufficient to ensure the full implementation of the SAFTA due to the existence of Non-Tariff Barriers (NTBs) while the SAARCs main focus has remained tariff reduction alone. Second, low levels of regional connectivity as well as the lack of border infrastructure to facilitate the smooth flow of goods and people have hampered the creation of a regional supply chain. Third, the failure of the SAFTA can also be explained by its narrow scope in that it covers only intraregional trade in goods while excluding other important aspects of regional economic cooperation such as trade in services and investment and financial cooperation between South Asian states.

Online or e-marketing is another important area that house felt that need more attention. Strengthening smallholders' access to quality market information especially price information is an area where ICT has great potential and already some success in developing country agriculture. Despite multiple public and private investments in agriculture, there are very few countries that have good basic price information services. Yet this is changing with increases in connectivity and affordability of ICT tools. Market information can be provided through a diverse set of mediums including mobile phones, Internet, and radio. SAARC countries can have one platform for online marketing so that globe can access to our product information instantly.

The forum suggested having a mechanism for regional cooperation and information sharing on trade. The legislation provides the legal basis for cooperation and information sharing with foreign trade partners. .

Field visits (20 September 2018)

In the second day of the consultation, the participants had chance to witness the two private organizations which are directly dealing with exportation of agricultural products to high end markets.

HJS Condiments Limited, Block 61, 62 & 63, Biyagama Export Processing Zone, Biyagama, Sri Lanka (Email: hjs@hjs.hayleys.com)

Ms Thilini Gnanasena, Executive Quality Assurance of HJS Condiments Ltd warmly welcomed the foreign delegates. Dr Manoj Tibbatuwawa and Dr Wickramaarachchi briefly explained the objectives of the consultation. Ms Gnanasena gave an introduction about the company using a video clip. HJS Condiments Limited formed in September 1993 with Joint venture partnership from Japan and Europe to produce value added gherkins and other pickles vegetables in retail packs to fast food chains, restaurants, hotels and supermarkets. Currently, HJS Condiments has expanded markets to cover North American and European countries with several business partners, fast food chains *etc*. The company currently has several production lines and accounts for over 43 percent of the island's total fruit and vegetable exports spanning more than 46 countries worldwide. Since the company has been established under BOI regulations, most of exports tariffs are waived. Thus, BOI model is a better approach for promoting export market.

The sister company, Sunfrost Pvt Ltd is working with more than 15,000 farmers across the country to cultivate vegetables under contract farming system with a guaranteed price. In addition to gherkins, other crops like jalapeno chilli pepper, papaya and pineapples are grown for exports. In case of total crop failures, company has problem of recovery the input costs and company is used to bear the cost. However, no any insurance of compensation system is in place. To keep the continuous supply during adverse climatic conditions like severe drought and heavy rains, company has introduced growing vegetables under protected houses. As product diversification strategy, the company has broadened the product with banana and coconut based products. Manufacturing of organic coconut milk beverages has been started with registered coconut growers. The company has started dwarf moringa (*Moringa oleifera*) cultivation with one million seedlings.

EOAS Organics Pvt Ltd, 34/3, Lumbini Avenue, Ratmalana, Sri Lanka; Email: eoas@sltnet.lk)

EOAS Organics offers organic and conventional value added spices, essential oils, oleoresins, piperine, cur cumin, green, coffee extract and *gotu kola* (centella) extract that conforms to internationally accepted standards for food and flavors and the pharmaceutical industry. EOAS is a name synonymous with spice oils since 1894. The company ventured into production of spice oleoresin in 1999. Today, EOAS is well known and highly regarded throughout the international food and flavor industry for its exclusive produces. These produces have secured firm confidence in sophisticated quality driven markets in USA and Europe. Over the past few years, EOAS has reached unprecedented height under the guidance of its Managing Director DA Perera.

Since 1999 EOAS ranks as the largest essential oil exporter in Sri Lanka. The exquisite produces of EOAS are classified into:

Spice Oils: Steam distillation of spices yields their volatile constituents. The essential oil thus obtained possesses the aromatic flavor and fragrance of the original spice. They include cinnamon bark oil, cinnamon leaf oil, lemon citronella oil, grass oil, mace oil, nutmeg oil, vetiver oil, ginger oil, clove oil, cardamom oil and black pepper oil.

Spice Oleoresins: The spice oleoresin constitutes the volatile and non-volatile components of spices. Oleoresin is a highly concentrated form of flavor and pungency. Solvents are used to extract oleoresins and their residual levels are maintained below 25 ppm. EOAS does not use any chlorinated solvent in the extraction processes. EOAS catalogue of spice oleoresins includes black pepper, ginger, nutmeg, maca turmeric and cinnamon.

Herbal Extracts: green tea extract, *Avera lanata* extract, *Centella asiatica* extract

Organic Essential Oils

Organic Spices: black pepper, lemon grass, nutmeg, cinnamon, green pepper, ginger and clove bud cardamom

An out grower system of spices is in operation since the yield from its own plantations do not meet the required demand. Today, EOAS manages over 1,500 ha of plantation under the out grower system for pepper, nutmeg, and cardamoms in the central part of the country where these spices are found in abundance. The out grower plantations are organic and have been certified by SKAL, IMO and Krosher. These farmers are constantly guided and recommendations given in organic farming in keeping with the rules of nature.

EOAS is fully committed to quality and safety of its products. In addition to stringent quality control measures built into the processing operations, a modern well equipped laboratory monitors and tests the products at all levels of production. Raw materials, intermediate stages and finished goods are checked and tested by a dedicated team of chemists. EOAS laboratory is capable of carrying out special tests such as pesticide residues and aflatoxins stipulated by customers.

Technical Session III: Invited Paper Presentations (21 September 2017)

This session comprised of three invited paper presentations was chaired by Dr Manoj Thibbotuwawa, Research Fellow, Institute of Policy Studies of Sri Lanka. At the very beginning, he provided a recap of the program so far. He highlighted a couple of things including saffron export from India, PRAN network in Bangladesh and SWIFT system in India.

Emerging patterns of processed food trade in Sri Lanka (Prof Jeevika Weerahewa, Department of Agriculture Economics and Business Management, Faculty of Agriculture, University of Peradeniya, Sri Lanka; Email: jeevikaw@pdn.ac.lk)

This presentation was based on the concept note submitted to SAC as a potential area for PhD research under SAARC PhD program initiated by Dr WART Wickramaarachchi, SAC. The Department of Agriculture Economics and Business Management, Faculty of Agriculture is used to promote the international trade.

The paper touched the important of processed food trade including trends in demand of processed foods, situation of supply, regulatory barriers and researchable areas. There is classification issue of processed food products. Most processed food products are belonging to industry segment of the nationals. In addition, Agricultural products which are slightly processed and value added are also called as processed food products. If go by HS classification, food items belonging to HS16-HS24 are classified as processed foods. However, depending on the classification used, certain products are classified as processed foods. There are several concerns in promoting processed foods. Multiple goals can be achieved through processed foods. Process food industry can be directly related to economic benefits. Small farmers can be linked into processed food and there by achieving the poverty alleviation. Many employment opportunities can be created especially at the latter part of the value chain of processed foods. As women are involved, women empowerment can also be achieved. Prof Jeevika quoted the paper written by Dr Asok Gulati, International Food Policy Research Institute

who has highlighted the silence revolution in processed food export. It is demand driven revolution not like green revolution came up with a package of technologies and inputs. There is a tendency of changing dietary patterns due to health reasons, tight employment schedules, children preferences and increased number of working women. Demand for staples like rice and wheat reduces while demand for high value food items like milk products, meat items and other ready take food items increases over the time from 1980s to date. In global demand of food, growth rate of trade rages from 2.2 percent for chocolate and cocoa products to 10.5 percent for rye, oat, grain sorghum, buck wheat product *etc*.

Export basket in Sri Lanka continues to change. The value of total export has increased from USD 3.1 billion in 1995 to USD 10.5 billion in 2015. The processed agricultural products account only 2 percent (USD 77 million) in 1995 and 3 percent (USD 336 million) in 2015. Amount of tea export has increased from 7 percent to 12 percent during the same period of time. The agricultural exports (HS14-HS24) have shown gradual increase until today. It is interesting to note that GDP contribution from processed foods (7.9%) coming under industrial sector is almost comparable with GDP share from agricultural sector (7.9%). Food exports including vegetables, fruits, nuts, food preparations and miscellaneous edible items are in raising trend as per data from 1995 to 2015. USA (USD 18.8 million), UK (USD 13.5 million), Germany (USD 10.8 million), Netherlands, Australia, UAE, Japan. India, France and Canada are the top 10 export destinations for vegetable, fruit, nut *etc* food preparations in 2016. However, UAE, China, Hong Kong, Ireland, Saudi Arabia and France are in the top 10 export markets of Sri Lankan miscellaneous edible preparations in 2016. It is worthwhile to see the comparative advantage of supplying of agricultural products which can be expressed in term of export value or the revealed comparative advantage (RCA). RCA is an index used in international economics for calculating the relative advantage or disadvantage of a certain country in a certain class of goods or services. Product Complexity Index (PCI) can also used see the complexity of the products rather looking at comparative advantage. The simple products produced by developing countries like South Asia is producing by many other countries too. Thus, it does not have strong market for such products. Complex products therefore do have competitive markets. Further, export products should not be taken as isolation rather as group in which products should not be much distance (neighboring products) each other to get better comparative advantage. This shows the proximity between products. Opportunity value summaries the value of countries strategies position towards export promotion of products. Based on the above measures,

frontier products which are emerging in Sri Lanka have been identified. The products are closer to each other in cluster analysis (HS 4 digit level – product category level) maps developed using "UN ComTrade Data" of products as per HS Classification (HS16-HS24) are considered as emerging products with comparative advantages. It is important to see frontier products which are neighboring to main products. Once you identified frontier products with higher PCI, higher opportunity value and lower distance, then prompting strategies should be identified.

When you look at regulatory, institutional and policy interventions for promoting agricultural exports, there is no much investments towards processed food industry. FDI in agriculture is very low due to poor environment for investing in Sri Lanka. Connecting farmers to global value chains is also poor in Sri Lanka. It needs to identify the lucrative and emerging markets in the world and make suitable strategies to penetrate them with appropriate product portfolio. Technical assistance of WTO is sought to address issues of SPS, quality standards and intellectual property rights. Process food manufacturing needs many imported substances other than raw materials. Thus, importation of such materials should be liberalized by way of regulatory mechanisms like export processing zone so that import materials do not reach the local market.

Research should to focus on identification of export potential products, to identify emerging markets and to look on intra/inter regional trade. Determinants for bi-lateral food product trade should be identified and then make suitable measures to eliminate them.

Research needs to focus on identification on critical manufacturing constrains in food manufacturing industry in South Asia and to identify the changes in food manufacturing regulations and frameworks.

The house admired the identification of export categories with highest comparative advantage for Sri Lanka and seek Prof Jeevika's opinion on identification of products categories and particular products for the South Asia so that regional strategic plan can be implements to promote such products. Prof Jeevika stated that product can be identified by private industries who are dealing with export business as these products are highly dynamic. As academicians, some trends can be shown and then the entrepreneurs can do market research to identify the exact products, niche markets and constraints to accessing to these markets.

In order to promote region as an export oriented hub, industrial complementary approach has to be advocated where several countries collaborate in various levels to assure critical mass of raw materials and come up with finished food products.

Export Promotion for Export Agriculture Crops -Challenges and the Way Forward (Ms APP Disna, Director (Regulations), Department of Export Agriculture, Sri Lanka; Email: disnaapp@yahoo.com)

Export agriculture crops (EAC) include crop commodities such as species (cinnamon, pepper, cloves, nutmeg, cardamom, ginger and turmeric), beverages (coffee cocoa and vanilla), stimulants crop (betel, areca nut) and essential oil bearing crops (lemon grass, citronella). More than 60-70 percent of above products produced in Sri Lanka are exported. EAC sector contributed 0.4 percent to GDP, 3.4 percent to total export earnings of the country and 15 percent to Agriculture Export Earnings of Sri Lanka. EAC are grown in over 100,000 ha in wet and intermediate zones in Sri Lanka and provides livelihood for about 800,000 stakeholders.

Sri Lanka's contribution to world market of EAC is comparatively low except cinnamon. However, Sri Lanka can compete with other markets if proper production and export promotions strategies are adopted. When looking at the market behavior of EAC during last couple of years, it shows that cinnamon volume is not increasing but total export price is in increasing trend. Both pepper and cloves productions are highly volatile. Cardamom production is comparatively low. But it has increased during last 3 years due to re-export. Similarly cocoa is also re-exported. Betel leaves are exported only to Pakistan.

There is an increasing global demand for EAC but Sri Lankan export of EAC is largely concentrated to developing countries. Except cinnamon, many other EAC are traditionally exported to India and to SAARC region. More over 60 percent of Sri Lankan pepper is exported to India while over 40 percent clove, nutmeg and areca nut also exported to India. Pakistan is virtually the only market for betel. Free Trade Agreement (FTA) with India provides 100 percent tariff free export except pepper. FTA with Pakistan allows exporting cinnamon, cloves, nutmeg and betel 100 percent duty free. EAC market chains are very long and highly complex.

USA is the largest buyer of pepper in the world market but Sri Lankan export share of pepper to USA is negligible. Sri Lankan cinnamon is mainly exported to Mexico and Latin American countries but USA is also a sizable market which is yet to be exploited. Comparative to cassia cinnamon which has prominent market in Europe; Sri Lankan cinnamon has no good demand from Europe mainly due to higher prices and quality problems. In general, EU implements tougher sanitary and phyto-sanitary measures and it has been difficult for Sri Lanka to comply with these regulations and therefore export of EAC to Europe is insignificant.

More producers with higher comparative advantage coming into the EAC market are a big challenge for Sri Lanka. Further, world trade is now much integrated with bi-lateral and multinational agreements so that it is difficult for new trade partners to enter into their market. Promotion of exports towards developed regions is being restricted by imposing ever changing standards and SPS measures. Common national issues such as high cost of labor and inputs have adverse impact on expanding of extent under EAC. As the sector still follows traditional pathways in production and marketing, it is important to resolve problems throughout the value chain for it to be competitive in the world market.

Because of low productivity and limited land expansion, growth rate of production of some EAC is marginal in Sri Lanka. Average productivity of these crops largely varies from country to country which has created comparative advantage for some countries over other. The average productivity of pepper in Vietnam is estimated at 2000-2500 kg/ha while the average productivity of pepper in Sri Lanka is around 600-800 kg/ha even in good cropping years. Traceability is also a big issue in EAC. Large bulk of the total export of all EAC is transferred from hands to hands of several market segments before reaching exporters. The accumulated stock comes to exporters without having the identity of owners and cannot trace who produced what part of the bulk.

Market Landscape for Ceylon Cinnamon (Mr IC Hetttiarachchi, Lecturer, Department of Agribusiness Management, Faculty of Agricultural Sciences, Sabaragamuwa University of Sri Lanka, Email: isuru.susl@gmail.com)

The collectors freely buy Ceylon cinnamon at the farm gate, irrespective of its quality or grading. Farmers are remunerated based on weight and not based on grade. Thus they focus on producing more cinnamon instead of higher grades. Collectors and exporters tend to pay the price for the lowest grade in the bundle and make more profit from the high-quality quills sorted out from the same bundle upon un-bailing, grade and package later in their warehouses. The long supply chain with numerous actors decreases traceability, monitoring and controllability. Therefore, throughout the industry a climate of mistrust can be observed.

The significant lack of reliable and consistent data on the cinnamon sector, poses big challenge. Thus, industry intelligence was collected through various methods such as study stakeholder websites; subscribe to stakeholder mailing lists; follow stakeholders on social media; perform internet searches on industry keywords; set-up Google alerts; use online surveys; purchase competitive products; discussions with sales force/distribution partners; field and factory visits and attend trade

shows, exhibitions etc in order to facilitate decision making process through which decides optimal market access strategy (critical analysis of production environment, economic environment, unmet industry needs, burdens; skilled labor scarcity, inconvenience and inefficiencies of traditional methods, loss of goodwill of customers due to poor quality exports, cost-effectiveness of competing products/cassia) and to make market mapping (Production system mapping, stakeholder and institutional mapping, brand mapping, competitor mapping and influencer mapping).

Competitive market analysis shows a number of major players throughout the value chain such as niche participants, contenders, emerging participants, market leaders and challengers. Niche Participant aims to satisfy the needs of a specific market in view of the product quality, price range and the demographics that is intended to impact. Contender is a traditional processor, with no/less product diversification and different from a competitor who takes on every unexpected challenge. Emerging participant has a blend of characteristics of "Niche Participants" and "Market Leaders", but does not meet the standards to become a "Niche Participant" or a "Market Leader". Market Leader is with the largest market share in the industry and who can use its dominance to affect the competitive landscape and market direction. Market Challenger tries to expand the market share by aggressively flooding the market with products at competitive prices under his/her brand names.

Upstream stalk holder map includes advisory/extension services; financial services and input supply and subsidiaries. It is clear that there are some stalk holders play a role in more than one domain. Similarly, material, machinery and supportive service providers; logistic and legal/regulatory have been identified as downstream stalk holder categories. Influencer mapping for Ceylon cinnamon shows that three categories of stakeholders namely Government Institutions/Authorities (Ministry of Primary Industries, Department of Agriculture, Department of Export Agriculture, National Chamber of Exports, The Spice Council, Cinnamon Research Institute, Ceylon Chamber of Commerce, Ceylon Cinnamon Association, Spices and Allied Products Producers and Traders Association (SAPPTA); Legal/Regulatory Bodies (Industrial Technology Institute, Sri Lanka Standards Institution, Sri Lanka Accreditation board, Export Development Board, Inland Revenue Department, Ministry of Health, Plant Quarantine Service, Sri Lanka Customs, Consumer Affairs Authority, Organic Certification Bodies *eg* Control Union, IMO etc); Intergovernmental organizations (WTO, FAO,

EU, UNIDO, SAARC, ACD, ITC, ASTA and STDF) and International nonprofit organizations (Rainforest Alliance, Fair Trade).

A couple of strategic recommendations on product development have been identified. High investment upfront product category includes products for pharmaceutical Industry (Cinnamon for weight loss, diabetes, stomach flu, cancers, arthritis, to reduce brain damage etc and cinnamon to produce anti-oxidant, anti-viral, anti-bacterial, anti-fungus, anti-septic, anti-parasitic substances). There is a potential for ultra-processed products category to which cinnamon tea, soft drinks, carbonated drinks, confectionaries, bakery products, skin care products, hair care products, sanitary products, lifestyle products etc are included. Potential export markets (product driven markets) for specific cinnamon products are also identified (Cinnamon bark oil and cinnamon leaf oil for France, Germany, Italy, Netherlands, UK; Alba and C5 Special Cinnamon grades for EU and USA; Organic Cinnamon for Germany, Netherlands, Denmark; M5 Special, M5, M4 Cinnamon grades for Mexican Market; Super Fine Cinnamon Powder for North American Countries). There are markets for Poorly Processed/Non-Certified Products such as Quills, Quills cut pieces, Quillings, Featherings, Chips, Crushed, Ground Powder *etc*.

There is an additional potential for cinnamon as spice gift packs, crafts, cinnamon paper, tooth picks, chopsticks and eco-friendly wood products.

Both producer's average price and international average price of cinnamon follow increasing trend from 2006 to 2015. Producer's average price and international average price reached to LKR 1250 per kg and nearly LKR 1,400 per kg respectively in 2015. In cinnamon industry, share for producer, intermediary and exporter is respectively about 81, 17 and 2 percent.

Working Group and Plenary Session

The working group and plenary session was moderated by Dr WART Wickramaarachchi, Senior Program Specialist, SAC, Bangladesh. The objectives of this session were to brainstorming, prioritizing of key issues and to come with recommendations with action plans which can be implemented nationally by individual member states and regionally by SAARC Member Stares as a whole in future. The participants were distributed into 2 groups. The group I comprised of representatives from Afghanistan, Bhutan, Pakistan and Sri Lanka while group II comprising of representatives from Bangladesh, India, Maldives, Nepal and Sri Lanka. A group leader and a rapporteur were nominated from each group. The outcomes of the working group session were presented by

each group in a given format under strengths/opportunities for export promotion; barriers/issues/challenges to move for export promotion; recommendations for key barriers; proposed implementing agency and time frame.

Strengths/opportunities for export promotion

- SAARC can be utilized as a supportive institution. But it needs proper coordination
- High population in the region. Foreign direct investment seeks high tech human capital.
- Rich in bio diversity in the region can capture the market potential for biodiversity based products and services
- High IT literacy: ICT skills are required for better understanding of the global export market and e-transformation of export industry. Nepal has low literacy level. But the majority of countries in the region such as India, Sri Lanka, Pakistan and Bangladesh have relatively high IT literacy level.
- Indigenous agricultural products and unique production techniques: Authentic indigenous products and products manufactured through unique techniques have their own assured market.
- High potential for processing and value addition: There is a huge scope to enhance the export of value added products.

Barriers/issues/challenges to move for export promotion

- SAARC can be utilized as a supportive institution. But it needs proper coordination.
- Low labor productivity: Export intensity is correlated with labor productivity. No firms are attractive for investing when low labor productivity persists.
- Low mechanization-inadequacy of modern technologies: Mechanization is a prerequisite for transforming conventional export industry into a progressive commercial export industry. Agricultural technology will help unleash export potential of any country.
- Lack of financial capacity to import sophisticated technology though they are available in other region.
- High number of small farmers: There are issues on supply of inputs, market accesses and quality assurance of products when working with small farmers. On the other hand, Small farmers in South Asia are slowly abandoning their agricultural activities and integrating into the workforce putting small holding farming less sustainable.

- Quality and SPS barriers: SPS problems can occur at each step or level of the agricultural export value chains. The meeting SPS requirements set by high end markets is a huge problem for entering into those markets.
- Loopholes in national policies, systems and procedures :

Recommendations

The participants in the SAARC regional expert consultation on "Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets" representing the all SAARC member states come up with following recommendations against key issues of agricultural risk management in South Asia. The participants expressed their collective agreement to these recommendations.

No	Recommendations
1	Ensure easy, affordable and reliable access to all information pertaining to export agricultural trade including foreign market demands, export procedures and regulations through single window database Strengthening smallholders' access to quality market information through online or e-marketing platform
2	Introduction and development of resilient varieties/ breeds with desirable traits for export market through strengthen R&D programs
3	Increase the investment of production of exportable agricultural commodities and development of technologies
4	Ensure the continuous supply of agricultural produce through promotion of contract faming system, producer organizations and cooperative system with effective legal framework considering interested all farmers for export trade
5	Formulate the appropriate policy for implementation of crop zoning to ensure the production of ample amount of potential crops for export
6	Strengthen the institutional capacity to foster the organizations and networking of farmers and related export firms
7	Implementation of the national human resource development program to enhance the skills, knowledge and awareness on

No	Recommendations
	agricultural exports and also provide cooperate support for farmers to enter into export trade
8	Establishment of Special Economic Zone (SEZ) dedicated for agricultural food products exports
9	Establishment of Free Trade and Warehousing Complex to facilitate export as well as re-export
10	Government intervention to provide board range of financial support for agricultural exporters in term of direct export subsidies, interest rate subsidies, export guarantees and export insurances
11	Implementation of government scheme to improve working capital financing of the agribusiness sector and export sector
12	Establishment of a fund for innovations and investments for export development
13	Create a mechanism for better intergovernmental coordination among line ministries and different organizations involved in agricultural product exports to minimize institutional and bureaucratic hassles (*eg* Single window system)
14	Implementation of mechanism to promote private public partnerships for export trade. Engage private sector and agri food business institutions for developing trade promotion activities
15	Make it mandatory to adopt the existing SPS measures and Codex Alimentarius (CA) standards of food safety in the domestic sector which in turn will automatically get replicated in the export sector as well in order to minimize the quality and SPS barriers
16	Identify the niche market products with high comparative advantage for high end markets (*eg* premium organic fruit and vegetable products)
17	Take regional action to minimize the informal trade across the boarders
18	Identify the lucrative high end export markets through systematic market survey and market research

No	Recommendations
19	Analyze the total value chain of potential agricultural food products in order to recognize to way to reduce cost, optimize efforts, eliminate waste and increase the profitability
20	Development of regionally harmonized quality standards for agricultural food products for sustainable market growth
21	Increase investment on development of rural infrastructure and support services rather than for politically inspired subsidies
22	Ensure the strong agricultural extension and advisory service for producing quality agro products for export
23	Government should ensure the right enabling environment to support agribusiness development
24	Address the gaps in laws, regulations and standards in SAARC countries for export promotion into high end markets

Capacity development requirements

No	Capacity development requirements
1	Building of implementing capacity of export promotion institutions for organization and planning
2	Training on export training, trade information and promotion services to stakeholder (producers, processors, traders, exporters, business community, company staff, public sector offices)
3	Training on export procedure, pre-export inspection, export product value addition to small and medium scale exporters
4	Capacity building on implementation of regional and international agreements
5	Scientific cooperation exchange programs to encourage long-term cooperation and to create a positive atmosphere for agricultural trade
6	B2B interactions through seminar and round table discussions to make targeted promotion of South Asian agricultural products

Closing session

A brief closing session of the regional consultation was held at the end of 3rd day (21 September 2017). The group photo and certificates were presented by the delegate from one country to another in alphabetical order. Dr WART Wickramaarachchi, Senior Programme Specialist, SAC made the closing remarks and urged the house to make appropriate arrangements from SAC with member states to implement the recommendations. Dr Manoj Tibbatuwawa, Research Fellow, Institute of Policy Studies of Sri Lanka proposed the vote of thanks.

Regional consultation workshop on "Export Promotion and Market Access for Agriculture and Food Products in Major Global Markets"

Organized by SAARC Agriculture Centre (SAC), Bangladesh and Institute for Policy Studies of Sri Lanka (IPS)

19th-21st September 2017

Colombo, Sri Lanka

Concept Note

BACKGROUND

The agricultural sector continues to play a crucial role for development in South Asian economies in terms of providing rural income and employments, foreign exchange, food and raw materials. Even though a larger share of population is engaged in agricultural activities in some form or the other, the share of agriculture in GDP has been in a declining trend over the years. Despite the fact that the share of agricultural products in total exports is reasonably high in the region, many of the countries have not been able to achieve comparative advantage for exports and remain as net food importers. One of the major reasons for such a scenario would be existing significant barriers to enter into export markets especially in high end markets in developed countries.

Without limiting to intra-regional exportation, export expansion of agri-food products should be coupled with seeking opportunities in inter-regional and global export markets. However, enhancing export performance by adding new destinations to export profiles requires greater diversification of export baskets. Export performance is primarily influenced by a number of factors including country location and distance to rapidly expanding export markets, domestic supply capacity, quality of the domestic products and stringent quality requirements in export markets. Also, the impact of poor domestic infrastructure facilities such as inadequate and inefficient transport facilities, poor storage facilities and substandard telecommunications on limiting, either directly or indirectly, the access to export market cannot be eliminated. At the institutional level, lack of transparent legal and regulatory framework does not encourage SMEs to diversify their product portfolios. In most South Asian Countries, the SMEs are constrained not only by lack of financial resources (capital) but also by poor capacity of human resources that include entrepreneurial, managerial, technical and marketing skills.

Thus, entrepreneurs who seek export promotion by diversifying their product and market bases need to have a good understanding of the rules,

regulations and procedures governing agri-food trade in target markets and thereby, to develop appropriate promotional strategies to increase market access. Efforts to enhance export performance will require not only technical assistance aimed at strengthening the institutional infrastructure for export, but also initiatives aimed at enhancing the outward orientation of the private sector. Enterprise-oriented technical cooperation programmes can underpin efforts to improve international marketing and business development. In order to promote regional export, it is important and appropriate that countries work more closely with each other to facilitate both intra and inter regional trade.

In this backdrop, SAC with the collaboration of IPS has organized this consultation workshop to review the current status of agri-food exports in the region in order to identify the opportunities and challenges in promoting agri-food exports and to suggest policy strategies to enhance market access.

OBJECTIVES

The main objective of the workshop is to identify rational and feasible policy options for the enhancement of market access and promotion of agri-food exports based on the current status, opportunities and challenges and best practices in the region.

Specific objectives to achieve the above main objectives are;

1. To review the current status of agri-food exports in the region
2. To exchange experience and lessons learned from the implementation of various export promotion programs
3. To identify the constraints and challenges in relation to the promotion of agri-food exports and enhancement of market access
4. To identify the best practices in export promotion in the region
5. To suggest remedial policy measures to enhance market access and to promote export expansion

SCOPE AND METHODOLOGY

The workshop will be interactive and participatory focusing on achieving the above objectives and consist of country presentations, interactive sessions on theme presentations, break up group exercises and site visits. Focal Point Experts from each country will prepare the respective country paper to be submitted before the workshop and disseminate in the form of a PowerPoint presentation at the workshop.

Invited speakers and resource persons will share their technical knowledge, experiences and expertise on the country papers and different thematic areas including Basic concepts and principles in marketing and promotion; Use of ICT in marketing and promotion; Key regulations on

food products in major markets; Opportunities for exporters; Formulation of export promotion strategies and Policy implications.

Tentative format of the country paper (approximately 10-15 pages) would be as below.

1. Abstract,
2. Introduction
3. Overview and trend of agri-food-product exports in your country
4. Success stories/ innovative applications on agri-food-product exports
5. Policy and programmatic responses for agri-food-product export promotion
6. Current rules, procedures and requirements including sanitary and phyto-sanitory (SPS) for exporting agri-food-products to selected international markets
7. Key issues, constraints and challenges including Technical Barriers to Trade (TBT) gaps in knowledge and capacity development needs in relation to agri-food-products export
8. Conclusion and Recommendations
9. References

EXPECTED OUTCOME

1. Documentation of lessons learnt on agri-commodities export
2. An outline of holistic approach for promotion of agricultural exports in SAARC countries
3. A policy brief on agricultural exportation
4. Prioritized capacity building needs on exports in SAARC countries

TARGET PARTICIPANTS

Participants	Number
Focal points experts (Participants) from SAARC Member States (each one need to submit a country paper and make a presentation)	08
International experts (each one need to submit a paper and make a presentation)	02
National experts (from other Sri Lankan Organizations) - (each one need to submit a country paper and make a presentation)	02
SAARC Agriculture Centre (SAC) representatives	02
IPS representatives	02
Total	**16**

WORKSHOP AGENDA

Day of Arrival (18 September 2017)	- Arrival of participants at project venue
Day 1 (19 September 2017)	- Opening session - Presentation of resource papers - Country presentations
Day 2 (20 September 2017)	- Field visits to relevant SMEs (companies or organizations)
Day 3 (21 September 2017)	- Group works/exercise/ plenary sessions - Synthesis of recommendations - Presentation of group discussion output - Program evaluation - Summing-up session - Closing session
Day of Departure (22 September 2017)	- Departure of participants

ORGANIZERS AND PARTNERS

S. No.	Collaborative Institution	Major responsibility
1	SAARC Agriculture Centre (SAC), BARC Complex, Farmgate, Dhaka 1215, Bangladesh	Funding, Air ticketing, coordination
2	Institute of Policy Studies of Sri Lanka, 100/20, Independence Avenue, Colombo 7, Sri Lanka,	All local logistic arrangements, In-kind contributions

POST PROJECT ACTIONS

Workshop proceeding will be prepared based on country papers submitted by each participant and other theme papers submitted by resource persons and jointly published by SAC and IPS.

Coordinators

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Regional Expert Consultation on "Export Promotion and Market Access for Agricultural and Food Products in Major Global Markets"

Organized by

SAARC Agriculture Centre (SAC), Bangladesh in Collaboration with the Institute for Policy Studies of Sri Lanka (IPS)

19-21 September, 2017
Hotel Renuka, Colombo, Sri Lanka

Program Schedule

Day 1 (19th September)	
09:00 am – 09:30 am	Registration
09:30 am – 11.00 am	**Inaugural Session**
09.30 am – 09.40 am	**Lighting of the Traditional Oil Lamp / National Anthem**
09.40 am – 09.50 am	**Welcome Address: Dr Manoj Thibbotuwawa** (Research Fellow, Institute of Policy Studies of Sri Lanka)
09.50 am – 10.00 am	**Workshop Background: Dr WART Wickramaarachchi** (Senior Programme Specialist, SAARC Agriculture Centre)
10.00 am – 10.30 am	Tea/ Coffee and Group Photograph
10.30 am - 01.00 pm	**Technical Session I: Country Perspectives on Export promotion and Market Access for Agriculture and Food Products in Major Global Markets** Chairperson: **Dr Athula Senaratne** (Research Fellow, Institute of Policy Studies of Sri Lanka)
10.30 am - 11.00 am	**Afghanistan: Mr Abdual Jalil Zahid** (Director General for Planning and Program Coordination, Ministry of Agriculture, Irrigation and Livestock, Afghanistan)
11.00 am - 11.30 am	**Bangladesh: Dr Alhaz Uddin Ahammed** (Additional Director, Department of Agricultural Extension, Bangladesh)
11.30 am - 12.00 pm	**Bhutan: Mr Yonten Gyamtsho** (Chief Marketing Officer, Department of Agriculture Marketing & Cooperatives, Ministry of Agriculture and Forests, Bhutan)

12:00 pm – 12:30 pm	**India: Mr Ganesh Singh** (Department of Agriculture Cooperation and Farmers Welfare, India
12.30 pm – 01.00 pm	Floor Discussion
01.00 pm – 02.00 pm	Lunch
02.00 pm - 04.30 pm	**Technical Session II : Country Perspectives on Export promotion and Market Access for Agriculture and Food Products in Major Global Markets** Chairperson: **Dr WART Wickramaarachchi** (Senior Programme Specialist, SAARC Agriculture Centre)
02.00 pm – 02.30 pm	**Maldives: Dr (Ms) Aminath Shafia** (Director General, Ministry of Fisheries and Agriculture, Maldives)
02.30 pm – 03.00 pm	**Nepal: Ms Januka Pandit** (Chief-Market Research and Statistics Management Programme, Ministry of Agriculture Development, Nepal)
03.00 pm – 03.30 pm	**Pakistan: Mr Muhammad Mehmood** (Secretary, Punjab Agriculture Department, Pakistan)
03.30 pm – 04.00 pm	**Sri Lanka: Ms VDN Ayoni** (Assistant Director, SEPC, Department of Agriculture, Sri Lanka)
04.00 pm – 04.30 pm	Floor Discussion
04.30 pm - 05.00 pm	Tea/ Coffee and Close of the Day

Day 2 (20 September 2017)	
09:30 am – 06:00 pm	**Visit to agricultural food manufacturing and exporting companies**
09:30 am – 11:30 am	Visit to HJS Condiments Ltd, Biyagama, Sri Lanka
12:30 pm – 01:30 pm	Lunch
02:00 pm – 04:00 pm	Visit to EOAS Organics Pvt Ltd, Ratmalana, Sri Lanka
04:00 pm – 06:00 pm	Visiting Buddhist Temples Shopping

Day 3 (21 September 2017)	
09.00 am-09.30 am	Tea/ Coffee
09:30 am – 12.00 pm	**Technical Session III : Invited Paper Presentations by Resource Persons** Chairperson: **Dr Manoj Thibbotuwawa** (Research Fellow, Institute of Policy Studies of Sri Lanka)
09.30 am – 10.00 am	**Emerging Patterns of Processed Food Trade in Sri Lanka**, **Prof Jeevika Weerahewa** (Professor, University of Peradeniya, Sri Lanka)
10.00 am – 10.30 am	**Market Landscape for Ceylon Cinnamon, Mr IC Hettiarachchi,** (Lecturer ,University of Sabaragamuwa, Sri Lanka)
10.30 am – 11.00 am	**Export Potential for Export Agriculture Crops: Challenges and the Way Forward, Ms APP Disna** (Director Department of Export Agriculture, Sri Lanka)
11.00 am – 12.00 pm	Floor Discussion
12.00 pm – 01.00 pm	Lunch
01.00 pm - 05.00 pm	**Technical Session IV : Working Group Session** Moderator: **Dr WART Wickramaarachchi** (Senior Programme Specialist, SAARC Agriculture Centre)
01.00 pm – 03.00 pm	Group Discussions / Brainstorming
03.00 pm – 03.30 pm	Group 1 presentation
03.30 pm – 04.00 pm	Group 2 presentation
04.00 pm – 04.30 pm	Floor Discussion
04.30 pm – 05.00 pm	Tea/Coffee and Close of the consultation

List of Participants

SAARC Regional Expert Consultation on "Export promotion and market access for agricultural and food products in major global markets"

19 to 21 September 2017, Hotel Renuka, Colombo, Sri Lanka

No	Name and affiliation
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9	Dr (Ms) Jeevika Weerahewa Professor of Agricultural Economics, Department of Agricultural Economics and Business Management, Faculty of Agriculture, University of Peradeniya Peradeniya, Sri Lanka Email: jeevikaw@pdn.ac.lk
10	Ms APP Disna Director (Regulations), Department of Export Agriculture, Peradeniya, Sri Lanka Email: disnapp@yahoo.com
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14	Mr DA Perera Managing Director, EOAS Organics Pvt. Limited, Sri Lanka Email: eoas@sltnet.lk
15	Dr (Ms) Dilini Hemachandra Lecturer, Department of Agricultural Economics and Business Management, Faculty of Agriculture, University of Peradeniya, Peradeniya, Sri Lanka Email: dilinisp@gmail.com

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21	Ms AMIP Abeysinghe Final year Undergraduate, Faculty of Agricultural Sciences, University of Sabaragamuwa, Belihuloya, Sri Lanka
22	Dr Manoj Thibbotuwawa Research Fellow, Institute of Policy Studies of Sri Lanka Email: manoj@ips.lk
23	Dr WART Wickramaarachchi Senior Program Specialist (Priority Setting and Program Development), SAARC Agriculture Centre, Dhaka, Bangladesh Email: wartwa@gmail.com

GLIMPSES OF THE CONSULTATION

Plate 1: Lighting of traditional oil lamp by invited guests and foreighn delegates at the innaguration of the consulation

Plate 2: Welcome address by Dr Manoj Thibbootuwawa at the opening of the consultation

Plate 3: Dr WART Wickramaarchchi making opening remarks at the inauguration of the consultation

Plate 4: A section of the participants following the proceedings during the consultation meeting

Plate 5: Group photo of the participants to the regional consultation at Hotel Renuka, Colombo, Sri Lanka

Plate 6: National Focal Point Experts from SAARC Member States making their country paper presentations at the technical session I (clockwise from top left: Afghanistan, Bangladesh, India and Bhutan)

Plate 7: Dr Athula Senaratne charing the Technical Session I of the consultation (top); Dr WART Wickramaarachchi chairing the Technical Session II of the consultation (bottom)

Plate 8: National Focal Point Experts from SAARC Member States making their country paper presentations at the technical session II (clockwise from top left: Maldives, Nepal, Sri Lanka and Pakistan)

Plate 9: Participants gathered at Hotel Galadari, Colombo for the networking dinner

Plate 10: Dr Manoj Thibbootuwawa chaired the technical session III comprising of invited paper presentations

Plate 11: Prof Jeevika Weeraheva, Mr IC Hettiarachchi and Ms APP Disna (from left) presenting invited papers in the technical session III

Plate 10: Working group session of the consultation moderated by Dr WART Wickramaarachchi

Plate 11: Participants visited HJS Condiments Limited, Sri Lanka - A leading processed fruit and vegetable manufacturer and exporter in Asia

Plate 12: Participants witnessed the processing facility in HJS Condiments Limited

Plate 13: Participants posing for a group picture in the premises of EOAS Organics Pvt Ltd, Sri Lanka – a leading spice oil and organic spice manufacturing and exporting company in Sri Lanka

Plate 14: Participants had a chance to visit Seema Malaka Temple of Gangaramaya Buddhist Complex on Beira Lake, Colombo, Sri Lanka