Impact of trade facilitation, logistics and services liberalisation reforms on the food supply chain

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Agenda

• Importance of Trade Facilitation
• Logistics and Services Liberalisation reforms: An ASEAN Perspective
• The food supply chain: A Thai-Japan case study
Why is Trade Facilitation Important?

• Large increase in international trade
  – Trade represents 30% of world GDP
  – Estimated to grow to 50% by 2020
• Rapid development of information technologies
• Increase in bilateral and regional trade agreements
• Changing nature of internationally traded goods
• Increased cost of cumbersome and unnecessary trade procedures
Why is Trade Facilitation Important?

• United Nations has estimated the preparation of trade documentation represents between 2% and 10% of the value of a typical international trade transaction.

• OECD has estimated potential annual worldwide gains of $40 billion from just a 1% reduction in trade transaction costs.

• World Bank and UN estimates potential savings at US $490,000,000,000!!!
Trade Facilitation Issues

• Excessive data and documentation requirements;
• Lack of transparency and use of pre-ruling systems
• Unclear and unspecified import and export requirements;
• Inadequate procedures and a lack of especially audit-based controls and risk assessment techniques;
• High degree of unpredictability
• Lack of automation and insignificant use of information-technology
• Lack of modernization and co-operation among, Customs and other governmental agencies
International Trade is Complex
What can occur without Trade Facilitation

Failure to Compete in the Global Market

Decreased Economic Activity

Cost of not Facilitating Trade

Loss of Market Share

Social and Economic Decline

AND THE BOTTOM LINE IS THE EFFECTS FALL ON BOTH BUSINESS AND GOVERNMENT
Key Elements of Trade Facilitation

- Trade and customs legislation and regulations
- Trade documentation and procedures
- Customs clearance
- Trade and customs enforcement practices
- Trade finance infrastructure development
- Use of information and communication technology
Results of Trade Facilitation

• Increase transparency and predictability of trade rules;
• Reduce risk and uncertainty in trade;
• Effectively implementing trade-related laws and regulations;
• Effectively moving goods and associated services and information across borders
The ASEAN Economic Community - AEC

• To create stable prosperous and highly competitive ASEAN economic region by the year 2010 - 2015
• Free flow of goods, services, investment, and skilled labor
• Freer flow of capital

Measures used to systematically integrated sectors
- Tariff elimination
- Non-tariff barriers reduction
- Harmonization of standards / licensing
- Mutual recognition arrangement (MRA)
- Customs and trade regulations facilitation
- Outsourcing & industrial complementation
- Investment and service liberalization
- Trade facilitation
- More business – friendly environment

Source: Duangphastra (2011)
Roadmap of Logistics Services Integration in ASEAN

**Objectives of Roadmap**

- To create ASEAN single market by 2015 by strengthening economic integration through liberalization and facilitation measures in area of logistics services
- To enhance competitiveness of ASEAN production base through creation of integrated ASEAN logistics environment
- Measures will cover FREIGHT LOGISTICS and Related Services

1. Liberalization
2. Trade & Logistics Facilitation
3. Service Provider
4. Human Resource
5. Multimodal Transport
Liberalization of Logistics Services in ASEAN in 2013

• **Transport Services**
  – International Maritime Transport
  – International Rail Freight Transport
  – International Road Freight Transport
  – International Air Freight Transport
  – Courier services

• **Non Transport Services**
  – Maritime Cargo handling services
  – Storage & warehousing services
  – Freight transport agency services
  – Freight inspection services
  – Packaging services
  – Customs clearance

Subject to laws / regulations

- 2008: 49% Foreign ownership
- 2011: 51% Foreign ownership
- 2013: 70% Foreign ownership
What are the main drivers behind the integration of Thai food export supply chain to Japan??

What are the key food supply chain issues??

Thailand
Population 66 Mill.
Area 513,120 sq/m
GDP $586.9 billion
GDP per capita $3,893

Japan
Population 126 Mill.
Area 377,915 sq/m
GDP $4.31 trillion
GDP per capita $39,738
Export ratio of Thai food produce to Japan
Source: Department of Export Promotion

- Frozen processed chicken
  - Processed chicken 21%
  - Processed & canned seafood 17%
- Fresh & Frozen fish 7%
- Sugar 8%
- Tapioca 5%
- Meat & meat products 5%
- Others 28%

Case studies

Frozen processed chicken

Processed & canned seafood

Fruits & vegetables
Supply Chain Integration Model

Infrastructure
- Transport & Communication
- Warehouses & Distribution centers
- Information network

Institutional
- Government policy
- Rules & regulations
- Bilateral cooperation
- Trade facilitation
- Food safety standards

Business
- Quality standards
- Cost
- Reliability & Reputation
- Inter-firm information flow

People
- Consumer behavior
- Channel relationship
- Acceptance of Thai produce
Thai-Japanfood supply chain drivers

- Responding to Customers’ need (direct customers & customers of customers)
- Product quality & safety
- Continuous improvement (kaizen)
- Supply Chain “Trust”
Supply Chain issues...at the source...

- Producers suffer from high inventory cost & low delivery capability (post harvest)
- Information flow at origin is lacking
- Lack of cooperation among producers
- Weak information flow within the supply chain
- Lack of understanding of customers’ requirements
“The Food Supply Chain is only as strong as its weakest link.”