

# Agricultural Trade Facilitation

IN THE GREATER MEKONG SUBREGION



# Agricultural Trade Facilitation

IN THE GREATER MEKONG SUBREGION



© 2012 Asian Development Bank

All rights reserved. Published 2012.  
Printed in the Philippines.

ISBN 978-92-9092-826-3 (Print), 978-92-9092-827-0 (PDF)  
Publication Stock No. RPT124933-2

#### Cataloging-In-Publication Data

Asian Development Bank.  
Agricultural trade facilitation in the Greater Mekong Subregion.  
Mandaluyong City, Philippines: Asian Development Bank, 2012.

1. Agricultural Trade. 2. Trade facilitation. 3. Greater Mekong Subregion. I. Asian Development Bank.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

By making any designation of or reference to a particular territory or geographic area, or by using the term "country" in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

ADB encourages printing or copying information exclusively for personal and noncommercial use with proper acknowledgment of ADB. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express, written consent of ADB.

#### Note:

In this publication, "\$" refers to US dollars.

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4444  
Fax +63 2 636 2444  
[www.adb.org](http://www.adb.org)

For orders, please contact:  
Department of External Relations  
Fax +63 2 636 2648  
[adbpub@adb.org](mailto:adbpub@adb.org)

 Printed on recycled paper.



# Contents

<b>Background</b>	1
<b>Plan Framework</b>	4
<b>Priority Programs and Projects</b>	6
Integrated Package for Automating the License and Permit System	6
Sanitary and Phytosanitary Facilities	9
Technical Assistance Programs	10
Completing the Cross-Border Transport Agreement	10
Further Greater Mekong Subregion Cooperation	11
Further Studies on Greater Mekong Subregion Agricultural Trade Facilitation	13
<b>Emerging Agricultural Trade and Facilitation Issues</b>	15
<b>Application to Growth Clusters</b>	18
<b>Greater Mekong Subregion Readiness</b>	21
Cambodia	21
People's Republic of China	22
Lao People's Democratic Republic	22
Myanmar	23
Thailand	23
Viet Nam	23



# Background

The main focus of agricultural trade facilitation is on the procedures that such trade undergoes in moving from the country of origin to the country of destination. Many, if not most of these procedures, are bureaucratic in nature involving papers and documents required for the traded products to be cleared and released to consignees (or loaded on the transport facility in case of exports). This follows the general meaning of trade facilitation as defined by the World Trade Organization and the United Nations Conference on Trade and Development as “...*simplification and harmonisation of international trade procedures that include activities, practices and formalities related to the collection, presentation, communication and processing of data required for the movement of goods...*”<sup>1</sup> Traditionally, this was confined to the processes and procedures at the borders, but with the expanded and more integrated logistics approach this has encompassed behind-the-border processes and procedures on both the production and consumption sides.

One assumption in trade facilitation is that the technical requirements for trade to take place are addressed—in the case of agricultural products, the necessary application of treatment for the products (e.g., sanitary and phytosanitary [SPS] requirements of methyl bromide, heat for vegetables, and cooling, water, and fumigation for fruits) is verified by specialized technical personnel of quarantine and related agencies. The capacities needed for SPS requirements are challenging, more so for countries and territories which require treatment levels beyond international standards. The scope of trade facilitation in such countries is in the improvement of procedures such as issuances of certifications, permits, and licenses, application of risk management through data mining, and automation. In the Greater Mekong Subregion (GMS), trade facilitation is focused on those border procedures and processes that are needed in order to move goods among the countries, and between them and the rest of the world. Support to both the capacities for the technical needs for SPS implementation and trade facilitation is mutually reinforcing and contributes to increased trade and eventual poverty reduction.

An agricultural trade facilitation plan lays out systematic ways that achieve a desired situation of increased movement and flow of agricultural products. This plan is derived from the wide range of directions that result from knowing and understanding the extent of current agricultural trade in the subregion; the existing policy environment of agriculture and its trade; the various trade and trade-related measures and agreements that have been undertaken or entered into by the GMS countries, as well as their potential impacts; and the underlying behavior of the sector in general and in specific product groups (e.g., fresh and processed vegetables, fruits, and cereals). It is a strong complement to a companion plan (e.g., SPS plan) for increasing the ability of countries

---

<sup>1</sup> See United Nations Conference on Trade and Development. 2001. *E-Commerce and Development Report 2001*. New York and Geneva. Available at [http://www.unctad.org/en/docs/ecdr2001\\_en.pdf](http://www.unctad.org/en/docs/ecdr2001_en.pdf) (accessed November 2011); World Trade Organization. Global Trade-Related Technical Assistance Database. Available at [http://gtad.wto.org/trta\\_subcategory.aspx?cat=33121](http://gtad.wto.org/trta_subcategory.aspx?cat=33121) (accessed November 2011).

---

and their border agencies in the surveillance of products (in particular, agricultural products) that enter and leave the borders. The trade facilitation plan addresses the efficient movement of goods, while the companion plan ensures that what is being moved has undergone sufficient scrutiny, examination, and even inspection.

This agricultural trade facilitation plan is sifted from the analysis of agricultural trade of selected products in the GMS; the identification of the directions that the analysis implies in terms of strategies, programs, and projects; and the range of policy options that influence the trade behavior of the selected agricultural products in the GMS.

While it is important to develop a plan to guide both policy makers and the private sector, it must be rooted in its clear feasibility. Beyond the rhetoric, therefore, of what needs to be done is the delineation of priority actions (in terms of policies, programs, and projects) that individual countries can consider and the GMS as a region can examine to promote cooperation that would likewise contribute to the overall goal of the plan. What emerges as priorities are thus products of a careful review of the many implications from the analysis, and not just a listing of what needs to be done.

What follows in the second part of this plan is a simplified framework specifying goals, objectives, and development strategies in the short, medium, and long term. Schematically, the framework looks at trade facilitation of agricultural products as the direction. The various components that contribute to this direction are shown as policy measures at the country and subregional levels, cooperation measures and other modalities, specific programs and projects, and further studies. All these are not mutually exclusive and there are potential synergies among them.

The third part identifies and elaborates on some of the priority programs and projects from the range of proposed activities. The rationale for these priorities is indicated as well as indicative resources required to implement them. The descriptions of these priorities, however, are not sufficient to be used as blueprints that can be implemented. Their individual details have to be fleshed out, objectives further specified, resources finely laid out, timelines chronologically indicated, organizational machinery for implementation mobilized, monitoring and review developed, and costs itemized. Beyond these, the priority programs and projects need to be extensively deliberated among the stakeholders in the GMS countries and decided with regard to both their country and subregional directions, and examined in the larger context of developments in the sector and the region, and as part of the overall agricultural development strategy of the GMS.

This listing of priority programs and projects takes into account the existing environment for agriculture in the GMS countries and their aim to facilitate the movement of agricultural products. The fourth part steps back from these priorities to give them a context in terms of their larger issues. While these may be global in character, they have impacts on the GMS countries individually and collectively. It is important to spell out some of these issues, especially where they are relevant to the subregion and its agricultural development. They have to be written up separately along with summaries of their contents, the potential scope of their contexts, and how they weave into agricultural trade and facilitation.

The fifth part explores the emergence of “clusters” in the GMS, their beginnings and relation to the commitment of the Association of Southeast Asian Nations (ASEAN) for its Initiative for ASEAN Integration (IAI) which aims for eventual convergence among the ASEAN countries. As a scheme advanced by Thailand, the “clusters” are actually geographic locations among the GMS countries where production (predominantly agricultural commodities) takes place along borders and output moves seamlessly because of the synergies through varying policies and programs put in place

---

(e.g., infrastructure, industrial and agricultural estates, logistics, tariff-free policies, active roles of local governments, etc.). These “clusters” offer unique opportunities for pilot testing some of the priority actions in agricultural trade facilitation. The mechanics of carrying this out is outlined, i.e., a limited application of the facilitation plan is proposed for production clusters, gateway nodes, and border nodes in the GMS.

Finally, the last part of this agricultural trade facilitation plan is a cursory examination of the readiness of the GMS countries in embarking on the initiative to increase and expand agricultural trade within the subregion and with the rest of the world. Policy pronouncements and related measures, as well as programs and projects that reflect a country’s capacity for agricultural production and trade (in particular cross-border production and trade), are flagged. The use of specific institutional interventions (e.g., contract farming) is of particular interest in the plan.

# Plan Framework

**Goal:** To improve the flow of agricultural products between and among the Greater Mekong Subregion (GMS) countries, and between them and the rest of the world.

**Objectives:**

- To encourage the integration of new agriculture and its trade in country agricultural development plans and strategies.
- To promote a GMS subregional plan in agriculture that aims to increase cross-border trade in agricultural products.
- To formulate country-level and region-level programs and projects intended to contribute to the goal of improving trade in agricultural products.

**Short-Term Development Strategies (1–5 years):**

- Implement a package of initiatives to develop and enhance the capacities of GMS quarantine agencies in improving their system of permit issuances, product certifications, and inspection procedures through cooperation, compatible systems, and information exchange.
- Examine and review the regulatory framework pertaining to the flow of agricultural products among the GMS countries.
- Assess the adequacy of agricultural bureaucracies in the light of eco-production as an emerging trend in new agriculture, among others.

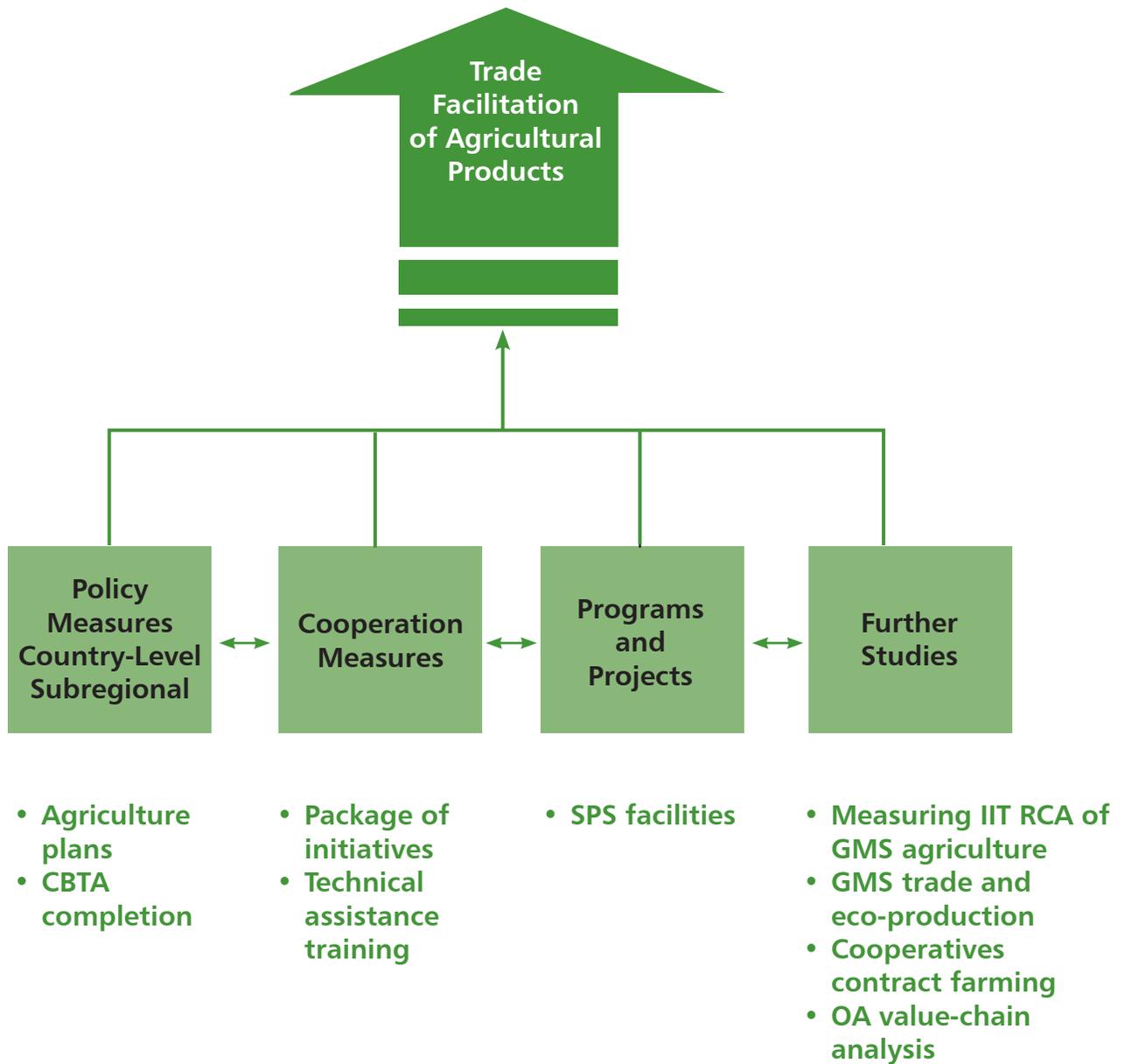
**Medium-Term Development Strategies (6–10 years):**

- Reform land ownership policies.
- Reform agricultural extension.
- Reform cooperatives policies.
- Review foreign investment policies.
- Review pricing policies.

**Long-Term Development Strategies (beyond 10 years):**

- Liberalize trade via bilateral, subregional, and multilateral agreements.
- Formulate strategies for increased eco-production and eco-trade in the subregion.
- Introduce trade facilitation measures including cooperation among customs, border agencies, and the private sector.

# Agricultural Trade Facilitation in the Greater Mekong Subregion



CBTA = Cross-Border Transport Agreement, GMS = Greater Mekong Subregion, IIT = intra-industry trade, OA = organic agriculture, RCA = revealed comparative advantage, SPS = sanitary and phytosanitary.  
Source: ADB study.

# Priority Programs and Projects

## Integrated Package for Automating the License and Permit System

An important outcome of the study is the finding that there is growing agricultural trade among the Greater Mekong Subregion (GMS) countries, through the GMS countries (especially for the Lao People's Democratic Republic [Lao PDR] which is land-locked in the subregion), and with the rest of the world (especially the developed countries of Japan, Europe, and the United States).

Although informal channels of trade are taking place in the GMS, in part because of small volumes and in part because of porous borders, formal channels are the ones that constitute important trade. As growth takes place among the countries' agriculture, informal trade is expected to become a formal trading channel. In all of these, the individual governments of the GMS countries remain central to facilitating trade. Government is the vehicle for securing and negotiating trade concessions; it is the gatekeeper for the flow of goods into and out of the country; it is the provider of border infrastructure and facilities.

It is therefore critical to create the right environment for trade in agricultural products apart from the right environment for eco-production. This pertains to implementing measures that facilitate trade and encourage the cooperation among the GMS countries that will reinforce the facilitation. A package of initiatives is proposed to enhance trade facilitation in agricultural products in the GMS and promote cooperation among the countries in ensuring facilitation.

While it is true that agricultural products are destined for areas outside the subregion, the study also showed substantial intra-industry trade taking place. Some products are sent from one country to another for further processing and packaging before eventual export to farther destinations; some (e.g., Lao PDR products) are moved in transit to different ports; and some are directly shipped in various ports in the subregion. In most of these flows, the agricultural products cross borders and are therefore subject to border formalities. While individual exporters may have their own (sophisticated) systems of sorting, processing, classifying, labeling, certifying, distributing and shipping, and logistics for delivery to final customers, they can not avoid dealing with government authorities in the border (i.e., exiting and entering a border). A fully integrated chain must include strengthening the border links that host the movement of goods. Conversely, a weak border environment becomes itself the weak link and puts a serious drag on the movement of goods.

Among these critical authorities are the quarantine agencies in agriculture, i.e., animal, plant, fisheries, and aquatic products. These are the ones which have the responsibility of allowing or denying the passage of specific agricultural products for reasons of health and safety, among others. For this reason, they are the target recipients of the package of initiatives.

**Development of Database and Data Exchange of Agricultural Products in the GMS.** Without a track and historical record of shipments by exporters and importers of agricultural products,

---

individual cargoes will always be potentially subjected to the full procedural steps in crossing borders. Building a database at the country (national) level of accredited shippers, exporters, importers, and agricultural traders gives the quarantine agencies necessary information about products shipped, location of farms, processing establishments, warehouses, etc., essential to determining their safety and compliance with sanitary and phytosanitary (SPS) requirements including history of inspections and treatments. The database also becomes an important instrument to devise appropriate risk management mechanisms to apply to most agricultural goods. At the subregional level, it would be possible to encourage the quarantine agencies among the GMS countries to exchange information (e.g., about product classification, data availability, shipments among the countries' ports and borders, etc.) that would improve individual country profiles of traders and to safeguard revenues by monitoring cargo movements. These kinds of information in the database and their exchanges will contribute to trade facilitation by reducing the number of procedures that certain shipments undergo and thus speed up the movement of goods.

**Formulation of Import and Export Permit System.** For a number of quarantine agencies in the subregion, their operations are often manually performed, procedures are sometimes unsystematic, facilities are inadequate, and they are uncoordinated (e.g., with customs). It is essential that an import and export permit system be reviewed, rationalized, and formulated toward eventually automating the system. Short of automation, however, are many other associated measures—determining critical steps in which interventions and further tests are required, linking with local units of the quarantine agencies (e.g., in the provinces or states where the products have originated), feeding back into the database development, linking with customs authorities in terms of needed compliance for clearance and release, and exchanging information with the immediate GMS country to reduce duplication of procedures and steps. A flowchart for the import and export permit system can be the basis for how traders, importers, exporters, truckers, haulers, forwarders, customs house agents, and others can help facilitate trade. Once the system is automated, access to the (part of the) system can further facilitate trade as the system electronically and automatically moves the flow of information and actions.

**Issuance of Permits and Mutual Recognition.** The quarantine agencies, in the end, are the ones that issue the permits and licenses required for goods to move into or out of the borders (ports), even if the individual importers and exporters already possess private certifications and permits; government issuances are often not substitutable. However, the issuance of legal permits need not be cumbersome. What is important is to ensure that there is sufficient information and data in the issuances that are common in terms of what is required for export and thus for the importing country, and vice versa. Indeed, the ideal setup is one in which the export permit by the exporting country itself becomes acceptable as the import permit by the importing country. This initiative therefore requires that quarantine agencies improve upon or modify existing permits and issuances toward a common template with common core information and data, undertake cooperation activities among the GMS countries to agree and mutually recognize each other's issuances, and work with agricultural exporters and importers about the feasibility of what should be contained in the template.

**Linkage with Certification Bodies within the GMS Countries and outside the GMS Countries.** Especially for food products (plant, animal, or aquatic-based), the private sector in some GMS countries has been at the forefront in ensuring the health and safety qualities of products and that they are acceptable to the buyers and consumers in the export markets. This initiative is not meant to replace these privately driven certification processes which may even be more credible than country-based issuances. However, it is essential to build an equally credible government system that will have wider applications, extending beyond dedicated markets and buyers and sellers. To do

---

this, it would require that the quarantine agencies at the country level and at the subregional level begin the process of technical exchanges with certification bodies (local, regional, and international) about procedures for certification compliance, appreciation of inspection processes and facilities, links with actual farms and establishments, costs in acquiring certification, and other steps. Such exchanges lead to enriching the development of the import and export permit system, the design of government certifications, and the means of transmitting these certifications that facilitate trade.

**Capacity Building and Training Programs for Quarantine Agencies.** An adequately trained staff is necessary to ensure that trade in agricultural products is facilitated and at the same time the concerns of food safety and security are addressed. Since quarantine agencies are at the forefront in agricultural trade, capacity building and training programs are integral to trade facilitation. Capacities need to be built along two fronts: technical (e.g., SPS and related competencies in international standards set in the World Trade Organization [WTO] SPS Agreement) and procedural (e.g., how quarantine officers are to issue certifications, when to apply inspection procedures, etc.). While the other initiatives identified here are developed and carried out, a simultaneous training needs assessment has to be undertaken to ensure that any training program ties closely with the trade facilitation initiatives. At least three modes of capacity building should be considered as part of the initiative: (i) time-intensive (e.g., 2 weeks) quarantine courses laying out the array of hazards in food and related trade following SPS standards of measures, (ii) hands-on training either in frontier and cutting-edge quarantine facilities to acquire modern methods and to devise adjustments in actual GMS country settings, and (iii) a continuing follow-up that may involve new developments in technical aspects of quarantine or better procedures and processes in applying border measures. Such a capacity building and training program can be more efficiently undertaken as a subregional initiative, and the GMS Working Group on Agriculture can appropriately take this as a flagship effort to promote further cooperation. The other training program can take place during the development of the database and formulation of the import and export system to improve the skills of border officers on the facilitation aspects of agricultural trade.

**Pilot Testing of the Agricultural Trade Facilitation Initiative.** The trade facilitation initiative can be pilot-tested in certain borders and ports. What is important is to define criteria for the pilot testing of the package of initiatives which can include, for example, the availability of testing facilities, the appropriate infrastructure (e.g., holding area, common control area, warehouses, sterilized storage, etc.), the cooperation of related agencies such as customs and police, the presence of communications networks, and the volume of trade traffic in the port or border. Such a pilot testing can be tied to the pilot areas for single-stop inspection in the GMS or the economic corridors of the different countries. Even more important is to build into the pilot-testing phase a system of monitoring and evaluation that can be the basis for modifying or revising the initiatives, adding new ones which may not have been anticipated, identifying other sources for cooperation among the countries, and including these into the capacity building and training programs. The pilot testing can also be undertaken bilaterally between juxtaposed borders, or in certain areas with concrete types of trade (e.g., fruit exports and imports). The point of the pilot testing is to build in an analytical component that can provide systematic explanations for possible successes or failures among the initiatives.

The concerns about food safety and the health of consumers of food and related products can not be understated. They require a system of monitors and measures that satisfy national and international standards and simultaneously facilitate their movement from the farm to the consumer. Quarantine agencies of all governments including those from the GMS are at the forefront in safeguarding the welfare of individual countries and ensuring that speedier movement of goods takes place without jeopardizing the safety and health of the citizens. These become more challenging in geographical

---

configurations that have common country borders. The package of initiatives proposed here, arising from the results of the study, addresses these concerns.

<b>Resource Requirements</b> (excluding hardware)	
System Design and Development (6 sets for quarantine agencies)	\$120,000
Package of Initiatives, Design and Development of Information and Data Exchange	\$30,000
Capacity Building and Training Program	\$60,000
	<hr/>
<b>Total</b>	<b>\$210,000</b>

## Sanitary and Phytosanitary Facilities

Sanitary and Phytosanitary (SPS) facilities are essential in adhering to the provisions of the WTO Agreement on the Application of SPS Measures. They provide objective bases for determining the imposition of restrictions to trade in food and food-related products. To the extent that these facilities follow international standards in terms of measurement, they provide a vehicle for acceptance in many trading nations.

Official development assistance loans are being considered for the GMS countries in procuring and installing SPS facilities. For example, ADB is considering loan windows for these facilities combined with technical assistance as part of its efforts in supporting trade and investment facilitation in the subregion.

These facilities are necessary to foster the kind of cooperation envisioned in Appendix B of the full study. However, what needs to be flagged down is the needed array of related actions that would optimize the contribution of the SPS facilities to agricultural trade facilitation. These include (i) infrastructure and utilization, (ii) linkages with the private sector, and (iii) capacity building.

SPS-related infrastructure covers the necessary holding areas for suspected cargoes, sterile storage zones for collecting samples, and the actual location of the SPS equipment and other laboratory facilities. Since GMS countries often share common borders—that is, they are contiguous with each other—it may be useful to consider the sharing of SPS facilities (i.e., those installed at the border common to two GMS countries).

If the SPS facilities at the borders do not cover all services, it may be useful to consider introducing primary, secondary, and tertiary services in which the private sector may be involved. For example, initial screening may take place at the border, yet subsequent tests are conducted in the capital through collaborative arrangements between the government and the private sector.

In line with the package of initiatives laid out in Appendix B of the full study, there would be a need for capacity building among quarantine agencies not only in the operation of SPS facilities but in the related tasks of building databases, determining risk factors in evaluating cargoes, and analyzing results of the screening processes when shipments are subjected to inspection.

Since the provision of SPS facilities is already being considered, their necessary resource requirements have been identified. These related actions, if not included in the loan specifications, will entail marginal funding and may fall within the ambit of the technical assistance that would be associated with any loan arrangements for the SPS facilities.

---

## Technical Assistance Programs

Part V of the full study identifies several policy measures and technical assistance programs that would enhance some of the findings of the study. Many of the policy directions suggested are either being currently carried out or are scheduled as part of regional commitments among the GMS countries. On the other hand, program directions are action measures intended to support the necessary policies.

The technical assistance programs found in part V of the full study are toward (i) safeguarding and promotion of eco-trade, (ii) trade facilitation, and (iii) intra-industry trade and stages of agricultural development. SPS facilities are also found in part V of the full study but have been separately prioritized since the initiative is necessary for the Integrated Package for Automating the License and Permit System.

Technical assistance to the GMS countries for promoting eco-production and eco-trade and safeguarding these include (i) standards harmonization, (ii) capacity building for planning eco-production, (iii) support to other government agencies involved in eco-production and eco-trade, and (iv) provision of assistance to public and private organizations in encouraging contract farming (along with the development of systems, extension, contract assistance, dispute settlement, market matching, etc.).

Technical assistance to the GMS countries for trade facilitation include (i) identifying the various steps, signatures, and agencies involved in the clearance and release of cargoes toward reducing these steps or transaction costs for trade, (ii) applying a single document in a manual environment and initiating an electronic automated single window, and (iii) examining ways of border cooperation.

Technical assistance to the GMS countries for intra-industry trade and stages of agricultural development include (i) programs to support eco-entrepreneurship not only in eco-production but also in the development of brands and product differentiation as ways of enhancing intra-industry trade (along with labeling and packaging capacities); (ii) identifying and increasing market access through information dissemination, identification of access barriers, and feedback to country negotiators; and (iii) assistance in developing organic product mixes and marketing strategies to introduce these.

### Resource Requirements

Technical Assistance Grants	\$60,000
-----------------------------	----------

## Completing the Cross-Border Transport Agreement

The main study report argues that the completion of the Cross-Border Transport Agreement (CBTA) can have a significant impact in terms of promoting agricultural trade facilitation. Indeed, the study goes further by suggesting that the pilot schemes related to the CBTA be implemented across the board rather than focusing on specific pilot borders.

A January 2009 review of the CBTA details several reasons why it has not been fully implemented; that is, 10 reasons are given why implementation of the CBTA is lacking. In addition, the review also identifies 15 outstanding legal issues that have kept the agreement from being fully implemented.

---

Consequently, a revised time horizon now anticipates that the completion of the CBTA will not be earlier than 2014.

The way toward completing the CBTA involves several formidable steps. Even though three of the six GMS members have fully ratified all the annexes and protocols (Cambodia, the People's Republic of China [PRC], and the Lao PDR), these have yet to be translated into operational and implementable terms requiring necessary implementing rules, office memorandums, and other bureaucratic orders. On the other hand, Myanmar, Thailand, and Viet Nam have yet to ratify a number of these annexes and protocols, therefore are two steps removed from actual implementation. The step toward the bureaucratic translation of these annexes and protocols requires steering the national governments toward the requirements, especially at the borders. The step toward ratification (even after signing) requires legislation and the concomitant discussions and debates involving various constituencies and organizations in the respective countries.

The suggestion in the study to expand the implementation of the CBTA to all borders adds a dimension that had not been included in earlier consideration. While this may require incremental discussions and negotiations, especially with respect to the requirements in terms of capacities, facilities, and cooperation, there seems to be a compelling argument for the expansion of these facilitation measures (in the CBTA) to be applied to all the borders.

This priority measure of completing the CBTA is clearly a policy measure. What the CBTA does is alter the environment among the GMS countries toward greater movement of goods among them, the recognition of some of the national laws in one member country by the others, and the adoption of common standards with regard to traffic among them. Being a policy measure, it will change the parameters in which the private sector operates its trade transactions among the countries in relation to the rest of the world. While there may be no direct resource costs to the completion of the CBTA, there would be associated requirements in their implementation and initial pilot testing. All these are taken into account in completing the agreement.

## Further Greater Mekong Subregion Cooperation

Part V of the full study enumerates many cooperation modalities that the GMS can adopt toward greater agricultural trade facilitation. The Integrated Package for Automating the License and Permit System is one package of initiatives aimed at strengthening quarantine functions in the GMS. There are several more, and the purpose of this listing of further GMS cooperation is to put under the aegis of the GMS Working Group on Agriculture (WGA) several priority actions that reinforce the formal context of cooperation that is implied in the initiatives.

**Facilities Sharing.** The WGA prepares a program that systematically promotes the use of installed facilities on one side of the border to be shared with the authorities on the other side of the border. In the installation, for example of SPS equipment, a program can be scheduled wherein officials from authorities where facilities are not installed go to those where they are installed and participate in (i) some "hands-on" exercises undertaken to be familiar with the operations of the facilities, (ii) exercises to understand the results that come from the operations, (iii) systematic sharing of interpretation of these results, and (iv) formulation of guidelines in the sharing of the facilities. When such facilities sharing is under the auspices of the WGA, the sharing can in fact extend beyond a single joint border to other GMS borders. The systematic sharing of facilities eventually builds up when quarantine formalities are automated and the use of the facilities is optimized through sharing.

---

**Exchange of Information.** Information is a necessary ingredient to improved management of agricultural trade. In certain borders and in some countries, information is often fragmented, unique to certain border officers and authorities, and lacks processing and analysis. With increasing agricultural trade among the GMS countries and with the rest of the world, information that is accurate, timely, and verifiable is even more essential since it mirrors the flow of goods across borders. In fact, without adequate information, the flow of goods will likely encounter barriers to movement. The WGA becomes the platform and common vehicle for border authorities to get together and undertake a systematic program of information exchange. Such a program designed by the WGA can include (i) classification of border agencies in which information exchange takes place (e.g., immigration, customs, quarantine, police, etc.), (ii) joint determination of the information that may be useful to exchange between and among border authorities, (iii) exchange of how definitions differ within the information, (iv) knowledge of the properties of such information exchanged (e.g., frequency of collection, source, storage, etc.), (v) definition of a protocol under which such information is systematically exchanged and the means of their exchange, and (vi) agreement on a feedback and monitoring process to modify or change the information exchange. Given the numerous border agencies (public and private), the WGA can run a medium-term program in information exchange for them.

**Joint Training.** Capacity building programs are directions suggested in part V of the full study to promote agricultural trade facilitation in the GMS. This partly means training programs for officials of border agencies so that they are able to function more effectively in an environment of increased subregional trade in agricultural products. The WGA can pioneer in joint training programs along two fronts: (i) training of similar border agencies across the GMS countries and (ii) training of different border agencies across the GMS countries. The first may entail common subjects, but with the participation of authorities from different GMS countries. The second may entail common subjects that are functionally related to different border agencies (e.g., the recognition of import or export permits issued by one agency but received and accepted by another agency, such as between agriculture quarantine agencies and customs). These two types of joint training can have demonstration value to agencies and to the subregion about the importance of subjects of mutual interest and concern. The WGA can likewise develop the manuals associated with the training programs, which can then be easily replicated within each of the GMS countries and among them.

**Regular Consultations.** As noted in Exchange of Information, the WGA is a platform where inter-agency, cross-border, and country collaboration takes place in a subregional setting of cooperation. One important initiative that the WGA should promote is the setting up of regular consultations among heads of border agencies. If undertaken on a sustained basis, such consultations (informal and formal) would have clear objectives. Formally, the heads of border agencies (i) define the rules by which cooperation takes place (e.g., exchange of information), (ii) determine the procedures of cooperation, (iii) identify the feedback mechanism by which cooperation modifications are made, and (iv) agree on how disputes are to be resolved between borders. Informal regular consultations, on the other hand, are useful in ensuring that communication lines between borders are open, which in turn helps prevent possible tensions. Furthermore, such consultations ensure that conflicts are initially vetted informally. The WGA can initiate these consultations by the border and eventually systematize the process allowing the agencies themselves to develop their collaboration.

These modalities of further GMS cooperation under the aegis of the WGA help build the network that speeds up trade among the countries, reduce possible conflicts, and accelerate growth among the countries.

---

## Resource Requirements

Facilities Sharing (2 times a year over 2 years @ 3 borders a year)	\$120,000
Exchange of Information (3 times over 2 years @ 3 borders a year)	\$180,000
Joint Training (2 times a year over 2 years @ 3 borders a year)	\$120,000
Regular Consultations (3x over 2 years @ 3 borders a year)	\$90,000
<b>Total</b>	<b>\$510,000</b>

## Further Studies on Greater Mekong Subregion Agricultural Trade Facilitation

The agenda for further studies derived from the study (see part V of the full study) is meant to shed more light about agricultural trade facilitation in the GMS. The following delineates what would be the relative importance of those suggested studies and their priority in terms of implementation.

**Agricultural Intra-Industry Trade.** The illustrative exercise in Appendix A of the full study reveals that intra-industry trade (IIT) in agriculture in the GMS varies widely—pervasive in some, limited in others. Thailand’s agriculture exhibits substantial IIT, while there is minimal IIT in the PRC. Part of the reason for the divergence may be because Thailand has had a longer experience in agricultural trade than the PRC. The illustrative exercise, however, also shows that when broken down into bilateral transactions (between Thailand and the PRC), the magnitude of IIT is small between the two GMS countries (see Table A.3 of the full study). What is needed is to find out how much IIT there is among the GMS countries bilaterally.

A detailed IIT measurement and analysis is useful to pursue in the GMS, and its need seems immediate for several reasons. For one, the GMS countries, individually and collectively, are fashioning policies and programs encouraging coproduction, agricultural processing, and other related agricultural trade transactions across countries. Without some sense of what this IIT is among them, policies and programs may not be effective. For another, critics of openness in the GMS are comparing costs of agricultural production among the countries and arguing loss of competitiveness. Without further knowledge about agricultural IIT, there is a danger of immediately accepting misleading conclusions. Finally, the encouragement of foreign investments, cross-border investments, contract farming, and other instruments of agricultural production can benefit from knowing the importance of IIT. To the extent that such a study can give an explanation of IIT determinants, more insights can be gained that would have more policy implications.

**Revealed Comparative Advantage of GMS Agriculture.** The use of secondary data, limited countries (Cambodia, the Lao PDR, and Viet Nam), and short time frame in the discussion of revealed comparative advantage (RCA) in part IV of the full study call for a more comprehensive and longer-period measure applied to all the GMS countries and in the specific agricultural products of interest in the study. Such a study covering all the GMS countries’ agriculture would allow greater comparability and a measure of relative competitiveness among them. A longer time frame gives a better historical trace of evolving comparative advantages in specific agricultural products in the individual GMS countries. Such a study of RCA in agriculture in the GMS would contribute to some understanding of how strong the agricultural products trade has been to the development of the individual countries. It would give an indication of emerging and waning products in the subregion’s trade.

---

**GMS Trade and Eco-Production.** What makes measuring the extent of eco-production taking place in the GMS difficult is the lack of concrete data about whether products (grown and traded) are organic or not. As noted in part V of the full study, existing statistical systems do not distinguish the process of production, and therefore do not distinguish trade. Yet, it is important to know the extent to which it is taking place in the region. Part V of the full study suggested several directions to detect eco-production and eco-trade which need not be repeated here. Until such time that there is direct data indicating the process of production, the main recourse in further studying eco-production is through more systematic analysis of other related data, accumulation of case studies, and the use of small survey results. One direction suggested in part V of the full study is to examine GMS exports of agricultural products to the countries of the Organisation for Economic Co-operation and Development (OECD) over time and relate changes in these to some scale of import requirements which can then be attributed to eco-production. Other indirect means of validating eco-production and eco-trade should be explored in further studies.

**Cooperatives, Contract Farming, and Organic Agriculture.** Cooperatives, in one form or another, have always been present in most of the GMS countries, even more among those which have previously been communist or socialist states. In recent years, however, many cooperatives have extended their services and functions to reach out to the other end of the supply chain, i.e., linking production and consumption, promoting contract farming as means of greater synchronization of production with markets, and the use of organic farming as a primary source for production. A study on cooperatives, contract farming, and organic agriculture will have three aims: (i) trace the evolution of expanded and extended cooperatives to encompass and link production and consumption, (ii) compare the evolution among countries and explain their similarities and differences, and (iii) evaluate the progress of the cooperatives as vehicles for contract farming and organic agriculture.

**Value-Chain Analysis in the GMS.** In part V.4 (Figure V.1) of the full study, a cursory value-chain analysis is used in order to point out the various institutional and technical, and policy and program factors that affect the stages of agriculture from production to consumption. A further study is needed not only to identify these factors but also (i) to test the assertion in the study that there are common institutional and technical, and policy and program factors in the value chain (contract farming in the former and infrastructure in the latter), and (ii) to examine if value-chain analysis varies if the borders are to be crossed along differing stages. This kind of value-chain analysis can be tested through experiences in the GMS countries.

### **Resource Requirements**

5 Studies @ \$20,000

\$100,000

# Emerging Agricultural Trade and Facilitation Issues

The main report of the Greater Mekong Subregion (GMS) Agricultural Trade Facilitation Strategy Study (see part III.5 of the full study) alluded to a number of driving forces that have shaped some of the more critical emerging issues in agriculture. There is the increasing awareness among consumers (partly due to the expanding trade in food products) of the health dimensions of food, the call for more attention to safety conditions of agricultural products, and accuracy in both information and claims of products, especially those that are internationally traded. Given that demand for food and related agricultural products has dramatically increased in the last few decades, these concerns have accentuated. There is the rise of more sophisticated marketing systems that have crossed borders and that now reach more countries than before. These marketing systems (e.g., reflected by the rise of supermarkets) have brought about finer differentiation among food products in terms of quality and safety standards than conventional marketing outlets for traditional food products. Then there is the growing awareness of the global environment and the need to preserve and protect it from inappropriate agricultural practices. Indeed, the continued use of agricultural fertilizers and chemicals, the rapid extraction of water for agriculture, the concomitant pollution from these, and the greenhouse gas emissions from intensive land use are contributing to the inability to sustain the environment.

It is therefore important to spell out some of the critical issues in agriculture and its trade to provide the perspective of priority programs and projects that the GMS countries are proposed to consider. While these programs and projects set the tone for increasing subregional trade and cooperation to raise growth and reduce poverty, one must not lose sight about their larger implications.

In what follows, the Agricultural Trade Facilitation in the GMS steps back and flags down some of these critical issues in agriculture whose implications further define the breadth and depth of the directions the subregion is taking to promote development. Without exhausting these issues, which have a tendency to multiply, several impinge on the array of priority programs and projects laid out in the previous section. These are separate tasks, and the specification of these tasks is summarized in the following limited number of emerging issues (aside from those which have been identified in part III.5 of the main report).

**Food Security and Land Use.** An analysis of food security and land use is an important part of any agricultural trade and facilitation plan, more so in regions composed of contiguous countries. Although there may be many studies on food security, its relationship to land use has seldom been explored. The scope of this work involves three areas:

- (i) The policy meaning of food security and the kinds of trade-off that countries actually adopt in pursuing food security; for example, how much importance is given to self-sufficiency (in food, grains, etc.) against self-reliance which allows trade as a medium to exchange surplus commodities for food. This may be even more relevant for contiguous countries for which movement of products becomes part of cooperation in the form of trade facilitation.

- 
- (ii) Impact on food security from the oil price spiral of 2007–2008, the response of biofuels and eventual price hikes in food, and the experience among the GMS countries in this context.
  - (iii) What changes in land use took place as food security was threatened as a result of competing uses of land, and whether land use policy is sufficient to preserve a country's food security objective. More broadly, some countries have frameworks for physical planning which include land use and zoning as integral parts. These are the basis for determining the degree to which alternative uses of land are considered.

**Changes in Agriculture and the Environment.** This think piece directly compares what might be termed climate-crisis agriculture and climate-friendly agriculture. In particular, this task surveys the changing panorama of agriculture that is becoming more conscious of its harm on the environment and what is happening that is mitigating—the reduction in the use of industrial and chemical fertilizers, and alternative practices that store carbon, produce energy, protect nature's cycles, and rely on nonfossil fuel. While this climate-friendly agriculture returns to the organic nature of production, the more important question is the character of the policy environment that nurtures this kind of system and what the experience has been elsewhere and in the GMS countries. In sum, there would be two parts to this issue's task: (i) the overall changes that have been driven by greater consciousness of impacts on the environment in general, and (ii) changes in the policy milieu that have positively enhanced the climate-friendliness of agriculture and the experience in the GMS countries.

**Agricultural Marketing Systems.** A notable feature in the landscape of modern agriculture is the emergence of marketing systems that form part of the supply chain. What is unique about this feature relative to the past is strong awareness of safety, quality, and health standards; knowledge and record of supply sources of products; and differentiation of products marketed. Because the emergence of these systems resulted from increasing demand by consumers for product properties, the system has evolved into a sustainable and increasingly integral part of agriculture. The marketing systems are best illustrated by the rise of supermarkets in the agricultural supply chain spearheaded by multinational companies that have crossed borders by establishing their presence abroad. It is important to (i) sketch out the evolution of these marketing systems and how their presence in developing countries has evolved; (ii) understand the specific components of these systems and their relationship to agriculture production (e.g., supply contracts, quality, safety, and health standards, delivery mechanisms, etc.) within the country and supplies from other countries; (iii) determine the scope of these systems by national regulatory agencies (e.g., food and drug agencies, quarantine departments, etc.); (iv) measure how far these systems have spread in the GMS countries and how much domestic competition has taken place; and (v) identify the innovations that have been pioneered by these systems that strengthen the ability of agriculture to preserve the environment and reduce loss of biodiversity, among others (e.g., institution of traceability of products, maintenance of private global standards, etc.).

**Institutional Bottlenecks in Agriculture.** Agriculture, whether global or within a region such as the GMS, that is transitioning into a more environment-friendly system requires more than technical changes in the manner of production, harvesting, pricing, marketing, distribution, and linkages with end-consumers. More often, institutional changes are necessary, especially if the scale that is warranted in such changes differs from traditional agriculture. For example, agricultural systems that encompass organic practices, maintenance of health and safety standards, measured quantities of inputs, systematic carbon sequestration, and other knowledge-intensive applications may be biased against small or subsistence farmers. For these farmers to become part of a new agriculture, some institutional bottlenecks have to be systematically addressed, if not removed. One of the accompanying institutional changes along with the more environment-friendly agriculture is the

---

adoption of contract farming, both to consolidate small farmers and to ensure strong linkages between production and consumption, and between farmer-producers and institutional and individual buyers. It is essential to describe how contract farming and other institutional innovations (e.g., farmer cooperatives) can enhance the development of agriculture that preserves nature. Aside from (i) a systematic trace of contract farming as an institutional arrangement for agricultural production, a critical task is to find out (ii) if such an arrangement is a permanent feature of an environment-friendly agriculture or only a means to a commercial farming that behaves differently, and (iii) what might be some of the determinants of such behavioral changes (e.g., policy measures).

There are of course many other emerging issues in agriculture and trade that are of equal importance to what has been suggested to be developed as context for the agricultural trade facilitation plan. What has not been explicitly noted is the emerging issue of eco-trade, which not only highlights organic agriculture but the trade among organic products. Much of this can also be related to food security and land use. If agriculture is to include the fisheries and forestry sectors and other natural resources, the number of issues will expand further.

# Application to Growth Clusters

In 2003, Thailand initiated an Economic Cooperation Strategy with its neighbors Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar, intended to narrow the development gap among them, enhance their comparative advantages, and capture benefits from trade with each other. With the participation of Viet Nam, the initiative became the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). Although this was supplementing the Initiative for ASEAN Integration (IAI), ACMECS was pursued more systematically in the longer-term perspective. Thailand's leadership in ACMECS involved several levels. At the policy level, the Thailand International Development Cooperation Agency (TICA) was tasked to provide technical assistance to Cambodia, the Lao PDR, Myanmar, and Viet Nam (CLMV), while the Neighboring Countries Economic Development Cooperation Agency (NEDA) was tasked to provide soft loans to the CLMV (30% grant and 1.5% interest rate). At the program and project levels, six sectors were initially chosen as priorities; there were master plans for bilateral cooperation between Thailand and each of the four countries; regional growth centers were to be developed; spatial development strategies were designed; and a more prominent role was given to local-level authorities.

ACMECS built on the gains from the Greater Mekong Subregion (GMS) programs, especially the East–West Economic Corridor (EWEC) where target areas of economic activities were to thrive and specific geographic commercial hubs were to take place—across the borders through the corridors. These have been dubbed “clusters,” “gateway nodes,” “interchange nodes,” and “border nodes.” Four core activities compose these nodes or clusters: trade and transport services, agriculture and agro-industries, manufacturing industries, and tourism services. The three pilot “sister cities” under ACMECS are Ko Kong (Cambodia) and Trat (Thailand), Savannakhet (Lao PDR) and Mukdahan (Thailand), and Myawaddy (Myanmar) and Mae Sot (Thailand). These pilot areas and other similar areas are the growth clusters which are (i) infrastructure-intensive, (ii) concentrated around border areas, (iii) hubs for the movement of products between Thailand and a neighboring country, and (iv) the basis for restructuring of Thai industries. In agriculture and agro-processing, the clusters are geared to promote common standards for export products through brand and marketing, and contract farming for continued supplies of raw materials for processing industries. For example, two product groups have been promoted: crops used for biofuels (e.g., palm oil and sugar-cane); and cash crops (e.g., maize, sweet corn, soybean, green bean, peanut, castor bean, potato, cashew nut, eucalyptus, Job's tears, etc.), crops which were imported from third countries but moved to the EWEC countries through exemption from import taxation. Thailand identified 19 topographical clusters covering the northern, central, eastern, northeastern, and southern regions of the country where all these characteristics are to be developed, attracting investments, and creation and expansion of industrial estates, one-stop services, border and special border economic zones, and other infrastructure and facilities.<sup>2</sup>

---

<sup>2</sup> National Economic and Social Development Board (NESDB). n.d. *Development Strategy in Regional Perspective*. Bangkok.

---

These growth clusters now appear to be an overriding principle in regional development in the GMS especially when the Association of Southeast Asian Nations–China free trade area is taken into account. A few observations are worth noting from a scrutiny of the ACMECS evolution. First is the heavy composition of infrastructure and related facilities deployment. From the completion of the various corridors to the creation of industrial estates, the important ingredient is bricks and mortar. Second is the location in or connection to borders between Thailand and the CLMV. Third is the active participation of the private sector, especially in ensuring reliable inputs supplies (e.g., agricultural products) through relocation of industries close to the border or through contract farming to guarantee supply availability. Last is the involvement of local authorities in the clusters, but the mechanics appear to be ambiguous.

These clusters, given the fact that they are to be the prominent fixtures of the development of the GMS, offer an opportunity to apply the trade facilitation plan laid out here. In particular, it is possible to apply the integrated package for the license and permit system on some of the clusters. Indeed, actual observations in some cross-border trade (e.g., between Aranyaphratet and Poipet [Thailand and Cambodia], and Bavet and Moc Bai [Cambodia and Viet Nam]) suggest that there is room for more systematic attention to agricultural trade facilitation.

More specifically, it is proposed to apply some of the components of the agricultural trade facilitation plan to one or two clusters. The purpose of such application is to (i) examine the timing and sequencing of agricultural trade facilitation measures (facilities and resources) in the context of the overall activities of the clusters or “nodes,” i.e., the extent to which the clusters are geared for agricultural trade; (ii) assess the feasibility of developing an information system that would trace production data that feed into the product processing at the other end of the supply chain; and (iii) test alternative institutional arrangements for carrying out agricultural trade facilitation (e.g., where in the movement of commodities across the border issuance of license and certification would take place; which agency would coordinate the procedure, if ever; or whether procedures would be better if taken independently taken; and what the institutional arrangement on the other side of the border would be like).

The application of agricultural trade facilitation measures in the clusters recognizes the reality of the emerging intra-GMS trade and the importance of local areas and capacities in managing the processes and procedures in the immediate borders that would otherwise be in major ports or capital cities. The information challenge is to ensure that the manner and structure of data are integrated at the national level while at the same time providing the basis for decisions at the local level. The institutional challenge is to ensure that local agencies with quarantine responsibilities are integral to the processes and procedures in moving goods and commodities across the border along with other agencies with border functions.

The importance of this proposed application to clusters is to draw up a system that would not only improve the processes and procedures but also increase the efficiency of movement of products. To undertake an application on only one cluster, however, may not provide a comparative basis for determining an optimum process to follow at the border. The cluster approach to regional development has important implications for trade facilitation. For one, the responsibility of procedures shifts to the local authorities (e.g., local offices of quarantine agencies as well as local government officials). For another, it is important that local procedures, which may be varied, remain integrated with national systems, and thus they can not be a separate activity. For another, the deployment and use of sanitary and phytosanitary facilities may be constrained by local conditions, and thus their role in the process flow (e.g., the size of the border and the volume of transactions may not

---

warrant elaborate inspection facilities). Finally, production arrangements (e.g., contract farming) may necessitate different procedures in moving agricultural products across the border.

The application of agricultural trade facilitation measures at the clusters suggests the critical component of evaluating different approaches (procedures and institutional arrangements) and determining the appropriate combination suitable for clusters. Such evaluations, however, are expected to yield substantive insights that would eventually improve the fit among the different components of the cluster approach to regional development in the GMS.

Three pilot areas in the GMS can immediately be used also as a basis for the pilot of the “cluster” approach to agricultural development: (i) the Bavet (Cambodia) and Moc Bai (Viet Nam) border where the provinces in and around Bavet (i.e., Svay Rieng) and Moc Bai (i.e., Tay Ninh) are the clusters; (ii) the Lao Bao (Viet Nam) and Dansavanh (Lao PDR) border with the provinces and districts around the border as clusters; and (iii) Mukdahan (Thailand) and Savannakhet (Lao PDR) where these two provinces are the clusters of economic activities. Agricultural trade facilitation measures (along the areas identified in part III, e.g., the Integrated Package for Automating the License and Permit System, Technical Assistance Programs) can be piloted in these border areas, some of which have already been identified in ACMECS.

# Greater Mekong Subregion Readiness

The Agricultural Trade Facilitation for the Greater Mekong Subregion (GMS) has provided the rationale, the priority programs and projects, their broader contexts in terms of emerging issues, and actual locations where the plan could be tested and validated. What remains to be done is to determine the readiness of the GMS countries in embarking on the promotion of agricultural development. Part of this readiness review is in the main report and will be recalled in this concluding part of the plan. Readiness here refers to the capacities of the GMS countries in undertaking this agricultural trade facilitation plan. This includes institutional measures such as using an alternative farming organization, i.e., contract farming, trade in agricultural products (i.e., openness of the country's agriculture sector), and recognition of environment-friendly production processes. It is important, however, to appreciate that the readiness among the GMS countries for agricultural development and facilitation is an integral part of the larger development plan for the sector.

## Cambodia

Cambodia's rectangular strategy (there are four main goals, each with four measures and strategies) sees enhancement of the agriculture sector as the top priority (the other three being further rehabilitation and construction of physical infrastructure, private sector development and employment generation, and capacity building and human resource development). There are 19 products targeted for export potential with 10 in agriculture, including rice, cashew nut, cassava, corn, soybean, corn, fruits, and vegetables; and live cattle, buffaloes, processed hides, live fish, and fresh fish. Part of the country's National Strategic Development Plan (2006–2010) is the promotion of organic farming and upgrading of the quality and yields of domestic agriculture to meet local demand and promote agricultural exports. The five crosscutting areas in the strategy include trade facilitation, investment facilitation, technical barriers to trade, sanitary and phytosanitary measures, and intellectual property rights. On the country's readiness for contract farming methods, a sub-decree on its promotion has been drafted with the intent to facilitate trade within the country and the region. This will be spearheaded by the Ministry of Agriculture, Forestry and Fisheries.

With the expected approval of the sub-decree on contract farming methods, the country can devise a national strategy focusing on promoting the farming system around the border areas where "clusters" are taking place (e.g., the Bavet–Moc Bai border area). To the extent that there are in fact informal arrangements between traders and farmers, what could be piloted is a set of trade facilitation measures to transform the informal arrangements into a more formal system (e.g., the creation of a database and eventually a more formal license and permit system).

---

## People's Republic of China

More recent data from the People's Republic of China (PRC) indicate increasing intra-GMS trade—exports from the PRC to other GMS countries expanded 6.8 times between 1998 and 2008, while its imports from the GMS countries likewise expanded 6.2 times during the same period. Intra-industry trade in agriculture is quite common in the PRC (e.g., the PRC exports meat and poultry products but at the same time imports them). The number of eco-products is also increasing, evidenced by the certifications issued by the Ministry of Agriculture, but paucity of data does not permit a more thorough analysis. In terms of its readiness, the PRC places emphasis on agriculture as enhancing the “building of a new socialist countryside,” partly redressing the inequalities resulting from the previous development plans. In addition, supermarkets continue to play a major role in the marketing of agricultural products in the PRC. Contract farming is helpful in facilitating cross-border trade, but this innovation is viewed more as belonging under the trade policy framework.

Investors and traders in the PRC have contracted farmers in Northern Lao People's Democratic Republic (Luang Namtha) for sugar cane production which provides a vehicle for understanding the intricacies of border trade using the innovation of contract farming. Areas where there are no formal border facilitation templates in the PRC can serve as pilots to eventually develop a national strategy for agricultural trade facilitation.

## Lao People's Democratic Republic

Among the GMS countries, the Lao People's Democratic Republic (Lao PDR) has paid particular attention to the underlying institutional instruments for carrying out agricultural development and recognized the importance of the private sector. Contract farming is now a major instrument for promoting agricultural production with a number of variations among the contracts, although it is more dominant in the North (eight provinces) and Central Lao PDR (mostly for concessions). With the systematic zoning of the country into three areas and the limited presence of government in remote areas, the country turned to contract farming as a way of stimulating farming with explicit preference for 2+3 arrangements (farmers provide land and labor, and traders provide technical support, necessary inputs, and market linkages). Along with contract farming as an instrument for drawing farmers into the marketplace, the Lao PDR's other readiness is in its commitment toward “clean agriculture,” meaning an agricultural system that is sustainable, stable, nontoxic, and clean. These are reflected in various official pronouncements and documents.

For the improvement of border measures to facilitate the movement of agricultural products, the Government of the Lao PDR needs to concentrate its focus around Northern and Northwestern Lao PDR (Chaiyaburi, which is also a “sister city” the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy [ACMECS]). Significant contract farming is taking place in this province with Thailand for maize and soybean. Both the Lao PDR and Thailand (especially their local governments) need to cooperate on enhancing facilitation of agricultural trade where products from the Lao PDR cross the borders into Thailand for processing.

---

## Myanmar

Limited, if not restrictive, connections between Myanmar and neighboring countries prevented the country from formally exploiting opportunities to trade in agricultural products. With ACMECS however, the country began to engage not only the GMS countries in cooperation but other neighbors in the region (e.g., Bangladesh and India). The scope of the engagement in the GMS includes contract farming for specific products (e.g., maize, soybean, pineapple, castor oil plants, rubber, and sugar cane) through private sector agreements or through government entities, the processing of agricultural produce at factories to be set up in border areas, and the overseeing of the arrangements by the Ministry of Agriculture and Irrigation. This readiness (reflected in an actual formal agreement for example with Thailand) contrasts with the country's agricultural experience where its 5- and 30-year plans have focused on domestic development, and expansion of certain products into exports (e.g., pulses) has been taking place even without government support in the form of special economic enterprises or policy.

## Thailand

Thailand in 2008 formulated a National Action Plan for the Development of Organic Agriculture (2008–2011) with four strategies: (i) using organic agriculture for the preservation of biodiversity; (ii) changing from chemical-based agriculture to organic agriculture for plant, livestock, and fisheries products; (iii) strengthening and facilitating farmers, and developing model farmer groups; (iv) and reducing chemical fertilizer use. The Ministry of Agriculture and Cooperatives policy implementation focuses on three goals: (i) agriculture for agriculture (farmers enjoy better quality of life), (ii) agriculture for people (people enjoy hygienic food), and (iii) agriculture for economy (nation enjoys higher income). Translating these involves development of a new breed of crops and livestock, raising of agricultural productivity, and encouragement for farmers to go into agribusiness; food safety and restoration of fisheries resources and preservation of agricultural resources for sustainable use; and creation of value addition by processing and quality improvements, research related to agricultural machinery, and promotion of competitive agricultural products.

The activities for enhancing agricultural trade through facilitation measures are reflected in what is being done in the Northwestern Lao PDR areas. Whether this is also going to be a national strategy direction for Thailand depends on the extent of the systems in place for mapping agricultural trade.

## Viet Nam

Viet Nam stands out as the GMS country that centrally decreed the contractual sale of commodity farm produce through contract farming—Decision No. 80/2002 (24 June 2002). Since then, Viet Nam has had extensive experience in contract farming for many agricultural products. On the other hand, the country's Socio-Economic Development Plan talks about the diversification of Viet Nam's typical fruits and vegetables; the intensification of foodstuff hygiene and safety; and the increase of organic products, including the preservation and development of native crop varieties and biodiversity in ethnic and minority areas. The expected smooth flow of agricultural products across a number of

---

pilot border areas has not taken place, not because of weak agricultural development, but due to many reasons that are bureaucratic in nature. Indeed, despite what may seem to be barriers to agricultural trade, commodities have flowed across borders within the GMS.

Where there are mutual interests in facilitating the movement of agricultural commodities, especially along the ACMECS “cluster” areas, these should be pursued as joint pilot national strategies. For example, in the “cluster” areas around the Bavet–Moc Bai border, the efforts in Cambodia are mirrored on the Viet Nam side.

## Agricultural Trade Facilitation in the Greater Mekong Subregion

Trade facilitation of agri-food products can potentially reduce trade barriers, lower transaction costs, foster efficiency along the supply chains, and reduce poverty in the Greater Mekong Subregion (GMS). A comprehensive analysis of a range of policy options that influence trade behaviors of selected agri-food products in the GMS will help policy makers in their decision making. This agriculture trade facilitation plan lays out systematic ways to increase movement and flow of agri-food products and their impacts on the GMS sector. It proposes that the GMS adopt a cluster approach to trade facilitation and develop itself into regional hubs of agri-food trade.

### About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
[www.adb.org](http://www.adb.org)