

Country Update Note 1

EU (revision of) Minimum Residue Level: Potential Effects on South and Southeast Asia (S&SEA) Exporting Micro-Small and Medium Enterprises (MSMEs)

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1 Introduction

This country note examines the responses of public and private sector stakeholder to an increase in maximum residue limits (MRL) on agricultural products imposed by the EU. MRL indicates the permissible limit of traces of pesticides left on agricultural products which are intended for food or animal feed. These limits are fixed and regulated by the European Commission. These MRL were revised upwards in January 2018. The revision affected a wide range of product groups comprising citrus fruits, tree nuts, pome fruits, stone fruits, berries and small fruits, cereals, spices, vegetables and sugar plant².

This note gives an overview of the current situation in Pakistan based on the data collected from government institutions as well as the responses of public and private sector stakeholders. It aims to inform the discussion at the first forum of the South & South East Asian (S&SEA) delegates under the “Geneva MSMEs Connection” project organized by CUTS International, Geneva. This study uses a mix methodology. It draws upon interviews of exporting firms³ and discussion with the representatives of Customs administration, the Department of Plant Protections (DPP), and Rice Exporters Association. These two agencies, Pakistan Customs and DPP, are responsible for implementing the standards on exports and imports. The study also benefits from the analysis of export data of these restricted products for the recent period, starting from 1-1-2017 to 30-4-2018.

The analysis finds that Pakistan’s exporting firms and implementation agencies, by and large, are familiar with the requirement of residue limits and take appropriate measures, such as testing of products and issuance of certificates to this effect. Pakistan exports MRL-related agricultural products to 21 EU countries, although EU is not major export destination of these products. The most important export destinations within the EU are United Kingdom, Germany and Italy. Firms exporting to these markets do not seem to face any particular difficulty in meeting these standards; however, they are concerned about the operational issues, such as cost of testing, delays in certification and the lack of timely provision of the information.

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²<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018R0070>.

³ Ms BeenishJaved, Research Economist, provided valuable research assistance, including interview of exporting firms and collation of their responses.

This note is structured as follows. Section 2 analyses export data of these products affected by the revision of MRL and Section 3 presents stakeholders viewpoints. Section 4 concludes.

2 Data and Statistics

The detailed analysis of export data of recent period (from 01-01-2017 to 30-04-2018) indicates that Pakistan's firm exports these MRL restricted products to 91 markets including 21 EU countries. But EU is not the most popular destination of these goods. In this period (from 01-01-2017 to 30-04-2018), of 28,406 export transactions of these products, 22,686 (80%) were destined to non-EU countries, mainly to neighbouring markets, India and Afghanistan. Moreover, Pakistan does not export a range of MRL related products, such as spinach, lentils, Brazil nuts, Hazel nuts, grapefruits, kiwifruit, durians, coffee and rye, to any market including the EU member states.

The data shows that rice is mostly commonly exported product to the EU, comprising over 90% of MRL restricted products (Table 1). As discussed in the next section the rice exporting firms do not feel these regulatory restrictions as a barrier to exports. Therefore, keeping in view the narrow range of MRL restricted products shipped from Pakistan, it can be safely interpreted that the effect of recent revision on Pakistan's export would be relatively limited.

Table 1: Exports of MRL Restricted Agricultural Products from Pakistan to the EU (from 01-01-2017 to 30-04-2018)

Product Group	Export Value	
	(PKR M)	(%)
Cereals (Rice, maize, Rye)	19,800	90.63
Miscellaneous Fruits	1710	7.83
Tea, Coffee, Herbal Infusions, Cocoa	144	0.66
Tree Nuts	87.30	0.40
Stone Fruits	59.40	0.27
Berries and Small Fruits	22.30	0.10
Spices	21.90	0.10
Vegetables, Fresh or Frozen	1.49	0.01
Sugar Plants	0.13	0.00
Citrus Fruits	0.02	0.00
All	21,847	

Source: Author's working using Export Dataset for Pakistan

These MRL were recently revised in January 2018. Table 2 presents a comparison of export statistics before and after the revision. Although these time periods are not directly comparable keeping in view the seasonal nature of these products, the number of exporting firms, markets and value of products shipped to the EU member states

before and after the changes in the MRL are quite comparable, indicating no adverse or benign effect of these changes.

Table 2: Comparison of Exports of MR Restricted Products to the EU (Before and After the Revision of MRL)

	Before Revision (1-1-2017 to 16-1-2018)	After Revision (17-1-2018 to to-date)
Exporting Firms	111	75
Markets in the EU	21	16
Product varieties	1037	468
Value (PKR M)	13,300	8,547
Value (%)	60.73	39.03

Source: Author's working using Export Dataset for Pakistan.

3 Stakeholders' Views

The section analyses the responses of exporting firms and customs officials and the representatives of Department of Plant Protection to the specific questions contained the TORs.

3.1 Responses of Private Sector Firms

We interviewed 15 small and medium enterprises (SMEs) that export MRL related agricultural products to various markets and organized their responses around the questions contained in the part 2 of TORs. Most of these firms export agricultural products to the EU but some of them ship to Australia, Russia and Middle Eastern countries. Since rice is the largest exported commodity to the EU (as shown in Table 1 above), we tried to contact a large number of firms that ship this commodity. We also interviewed exporters of fresh fruits (mangoes, citrus) and vegetables (onion and potatoes), which is the second largest commodity shipped to the EU. The detailed responses of these firms are enclosed (Annex-A) and their names have been codes as all of them preferred to be kept anonymous.

Analysis of their responses indicate that:

- Except a few firms, most exporters are aware of MRL restriction imposed by the EU. They send their products regularly to laboratories for testing the residue levels. Some firms use the facilities provided by the Pakistan Council of Scientific and Industrial Research (PCSIR) for the measurement and testing, while others use private labs such as HEJ and DESTO.
- Most firms do not seem to face any difficulty in meeting the standards set by the EU. Some of them, however, complain about the high cost of testing, delays caused by the Quarantine Department in certification and lack of timely provision of information about the regulatory changes.

- There is no systematic evidence of rejection of any export shipment on the basis of EU MRL. Only one firm mentioned that their consignment of mangoes was returned once due to high residue level and presence of fruit flies.

3.2 Response of Public Sector Organizations

In order to explore whether the national or local organizations in charge are aware of the EU MRL requirements and its revision, we conducted interviewed officials of Pakistan Customs and the Department of Plant Protections (DPP) and held discussion with a representative of Rice Exporters Association and leading exporter of rice.

Analysis of these interviews shows that:

- Customs authorities do not directly deal with the issue of MRL. They process export documents for the shipments of rice, fruits and vegetables based on the quarantine certificate issued by the relevant department. In the recent past they have not received any complaint about the rejection of any export shipment on the basis of MRL.
- DPP is well aware of these requirements imposed by the EU and other countries and tries to implement them in a letter and spirit. They frequently examine the shipment of rice and chillies destined for the EU and take samples. These samples are tested in any of the three laboratories (H.E.J laboratories, Pakistan Council of Scientific and Industrial Research (PCSIR) and Defence Science & Technology Organization (DESTO). They also test these MRL for the import of agricultural products into Pakistan. EU law requires endorsement of test by the Department of Plant Protection (DPP). DPP provides the details of all tests on the SPS certificate, which forms an integral part of export documentation. As per requirements of the EU, the DPP have established inquiry points in Pakistan to facilitate trader on these issues.
- According to Rice Exporters Association, the Quarantine Department regularly issues test certificates. They take samples of the products, test them and issue the certificate accordingly. This process is mainly smooth; however, if some products are not fit for human consumption, the certificate is not issued. Some exporters face problems in getting the certificate as DPP's office is located far from trade-processing stations (seaports and airports). Moreover DPP processes documents in the limited time slot (up to 11am only), which forces some firms to defer the processing of export shipment to the next day. Recently Customs department has developed a module for the online filing and issuance of the SPS certificates but this module has not yet become operational.

As for the responses of other public-sector organizations such as the Ministry of Commerce, WTO Wing, Ministry of Science & Technology, etc., we tried to contact them multiple times via email and phone but unfortunately could not get any response from them since all of them were either busy in the preparations of annual budget or were out of station.

4 Conclusion

Most exporting firms are well aware of MRL and send their products for testing before making shipments. They do not seem to face any particular difficulty in meeting these revised MRLs. However, they are concerned about associated constraints such as high cost of testing, delays in the issuance of quarantine certificates and lack of timely provision of information about the SPS requirements. The relevant public sector agencies (Pakistan Customs and the Department of Plant Protection) process export documents on the basis of various test conducted in local laboratories. No particular problem in testing and issuance of these certificates or rejection of shipments has been reported by any stakeholder.