



GOMA



Global Organic Market Access

Scoping Study

for

**Equivalence and Harmonization of Organic
Standards and Technical Regulations in the
Asia Region**



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An initiative of the

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PREFACE

The Food and Agriculture Organization of the United Nations (FAO), International Federation of Organic Agriculture Movements (IFOAM) and United Nations Conference on Trade and Development (UNCTAD) began a partnership in 2002 to address barriers to organic trade arising from the proliferation of organic standards and technical regulations. From 2002 to 2008 the partnership organized and supported the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF), which drew together participants from 28 governments, seven intergovernmental organizations and more than 25 civil society/private sector organizations to assess the situation and explore solutions to the problem. By the end of 2008, the ITF issued a set of recommendations for harmonization, equivalence and other forms of cooperation to reduce the barriers and create clearer pathways for organic trade. ITF also produced two practical tools to facilitate equivalence assessments. *The Guide for Assessing Equivalence of Organic Standards and Technical Regulations* (EquiTool) facilitates equivalence assessments of organic production and processing standards. *The International Requirements for Organic Certification Bodies* (IROCB) facilitates assessments of the equivalence of good-practice requirements for organic certification bodies.

In 2009 the three partner organizations began a follow-up project to continue pursuing the aims of harmonization and equivalence. The approach of the Global Organic Market Access (GOMA) project is to increase awareness of the need for harmonization and equivalence for organic trade, to facilitate regional initiatives for cooperation, and to promote the ITF Tools and offer technical assistance for using them. The GOMA project is generously supported by the Norwegian Agency for Development Cooperation (Norad).

The GOMA project supports an initiative in East, South-East, and South Asia to develop a framework for cooperation on organic labelling and trade. A foundation for this initiative is this study. Entitled “Scoping Study for Equivalence and Harmonization of Organic Standards and Technical Regulations in the Asia Region”, the study begins with an overview of the situation of organic agriculture, trade, and regulation in the Region. It then offers ideas for developing a framework for facilitating trade within and beyond the region and suggests steps in that direction. In addition to its utility for the GOMA project, this study is valuable as an overview and reference for anyone seeking to understand the state of the organic sector in Asia. It shows how cooperation on trade policy can foster sector development in a part of the world that is destined to be at least as significant for organic agriculture as Europe and North America.

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ACRONYMS AND ABBREVIATIONS

- ADB:** Asia Development Bank
- AFTA:** ASEAN Free Trade Area
- APEC:** Asia-Pacific Economic Cooperation
- APEDA:** Agriculture and Processed Food Product Export Development Authority (India)
- ASEAN:** Association of South East Asian Nations
- CB:** Certification body
- CCAA:** China Certification and Accreditation Association
- CNCA:** Certification and Accreditation Administration of China
- EquiTool:** The Guide for Assessing Equivalence of Standards and Technical Regulations, produced by the ITF
- EU:** European Union
- FAO:** Food and Agriculture Organization of the United Nations
- FiBL:** Research Institute of Organic Agriculture
- GAP:** Good Agricultural Practices
- GMS:** Greater Mekong Subregion
- GOMA:** Global Organic Market Access (name of project)
- IFOAM:** International Federation of Organic Agriculture Movements
- IOAS:** International Organic Accreditation Service
- ISO:** International Standard Organisation
- ISO 65:** ISO/IEC Guide 65: 1996(E), General requirement for bodies operating product certification systems. In the European standardization it is called EN 45011.
- ISO 17011:** ISO/IEC Guide 17011: 2004, General requirement for bodies providing assessment and accreditation of conformity assessment bodies, an update of ISO 61
- IAASTD:** The International Assessment of Agricultural Knowledge, Science and Technology for Development
- IPCC:** The International Panel on Climate Change
- IROCB:** International Requirements for Organic Certification Bodies
- ITF:** International Task Force on Harmonization and Equivalence in Organic Agriculture
- JAS:** Japan Agriculture Standard
- MAFF:** Ministry of Agriculture, Forestry and Fisheries (Japan)
- NAB:** National Accreditation Body
- NOP:** National Organic Program (USA)
- NPOP:** National Programme for Organic Production (India)
- PGS:** Participatory Guarantee Systems
- UNCTAD:** United Nations Conference on Trade and Development
- USDA:** United States Department of Agriculture
- WTO:** World Trade Organization

¹ A sector association with 750 member organizations in 108 countries.

TERMS

Terms used in this report and in the organic sector:

Accreditation	Procedure by which an authoritative body gives a formal recognition that a body or person is competent to carry out specific tasks.
Approval	Procedure by which a body (other than an accreditation body) gives a formal recognition that a body or person is competent to carry out specific tasks.
Certification	Procedure by which a third party gives written assurance that a clearly identified process has been methodically assessed such that adequate confidence is provided that specified products conform to specific requirements.
Certification body	Organization offering certification services. Can be a limited company, association, government agency etc. Also called a conformity assessment body.
Conformity assessment	Any activity concerned with determining directly or indirectly that relevant requirements are fulfilled.
Conformity assessment body	Body that performs conformity assessment services and that can be the object of accreditation (ISO/IEC17000). Also called a certification body.
Codex	Codex Alimentarius Commission of FAO and WHO.
EU regulation	European Council Regulation (EC) No 834/2007 on organic production and labelling of organic products and implementation rules Commission Regulation (EC) No 1235/2008, Commission Regulation (EC) No 889/2008 and Commission Regulation (EC) No 1254/2008.
Equivalence	The acceptance that different standards or technical regulations on the same subject fulfil common objectives.
Harmonization	The process by which standards, technical regulations and conformity assessment on the same subject approved by different bodies establishes interchangeability of products and processes. The process aims at the establishment of identical standards, technical regulations and conformity assessment requirements (ref. WTO modified).
IFOAM norms	The IFOAM Basic Standards for Production and the Accreditation Criteria for Certification, which form the basis for IFOAM Accreditation.

IFOAM accreditation	Accreditation by the IOAS of a certification body to the IFOAM Norms. The status of which is often referred to as “IFOAM Accredited”.
Inspection / Audit	Visit on site to verify that the performance of an operation is in accordance with the production or processing standards. In other sectors of conformity assessment, this is often referred to as auditing or assessment, e.g. environmental auditing.
Inspection body	Normally a body performing inspection services. Also means “certification body” as is used in the EU regulation on organic farming.
ISO 65 accreditation	Accreditation (by an accreditation body) of a certification body for compliance with the ISO 65. The status is often referred to as “ISO 65 accredited”.
NOP/USDA accreditation	Accreditation of a certification body to the NOP requirements for certification bodies, by the USDA.
Recognition	Used mostly in its common sense, if not linked to a specific expression such as Mutual Recognition.
Requirements for conformity assessment	Any procedure or criteria used directly or indirectly to determine that the assessment relevant technical regulations or standards are fulfilled (ref. WTO modified).
Standard	Document approved by a recognized body that provides for common and repeated use of rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method (ref: WTO/TBT). <i>Note: the recognised body can be any relevant constituency.</i>
Technical regulation	Document that lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method (ref: WTO/TBT). <i>Note: technical regulations can refer to, or be based on, standards.</i>
Third country list	The list of countries that have been recognized as having an equivalent organic regulation as the EU, according to the EU regulation.

EXECUTIVE SUMMARY

Purpose

This study is commissioned by the Global Organic Market Access (GOMA) project, a collaboration among FAO, UNCTAD and IFOAM, to provide information that enables stakeholders and GOMA to develop an optimal strategy for facilitating organic trade (and thereby also organic sector development in Asia) through equivalence, harmonization and/or other forms of regional cooperation. The GOMA project builds on the same partnership that created and facilitated the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) from 2003-2008.

Scope

The study covers East, South East and South Asia. It includes:

- a general overview of the state of organic sector development in the region;
- analysis of existing organic labelling and certification regulations, their application and the implication of enactment of more organic labelling and certification regulations outside and within the region to inter-regional trade;
- sector development issues and opportunities;
- mechanisms for equivalence and harmonization;
- way forward suggestions for recognition of organic labelling
- next steps.

It will be the basis for GOMA's consultation with stakeholders about the best strategy for facilitating Asian regional organic trade using the results of the ITF and possibly other mechanisms. GOMA provides two practical tools developed by the ITF for this purpose. *The Guide for Assessing Equivalence of Standards and Technical Regulations* (EquiTool) and the *International Requirements for Organic Certification Bodies* (IROCB) for use by government or private sector organic schemes as tools for recognizing other organic standards and certification performance requirements as equivalent to their own.

Sector development in the region

The region, with Japan to the North, Indonesia to the South, Philippines to the East and Afghanistan to the West, hosts a wide range of organic sector development scenarios, from early development to highly regulated. Far from the marginal position it held previously, "organic" is now an accepted concept and a growing market trend in the region. Moreover, organic agriculture is proving to be an effective way to deal with high fuel prices while improving rural incomes. It is found by the Asia Development Bank to contribute towards all except one of the UN Millennium Development Goals. It is mentioned in the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) report, "Agriculture at a Crossroads" as a potential contributor to food security, environmental sustainability and climate change mitigation. The International Panel on Climate Change

(IPCC) indicates that 90 percent of global technical mitigation potential in agriculture by 2030 can come from improved cropping and grazing land management techniques to increase carbon storage, to which organic agriculture can contribute.

Export to the EU and United States is the dominant driver of transition to organic systems in the majority of developing countries in the Asia region. However, domestic markets have taken off in affluent economies and big cities throughout the region. Domestic market growth is now also dependent on imports of ingredients and finished products not available locally. Although market size is still relatively small, the high value and profile associated with organic products is precipitating civil society (consumer) calls and governments' interest to regulate the sector. Ironically, government regulations initiated to assist development of the sector may become an inhibiting factor. Without a recognition framework in place, intraregional trade and regional sector development is in danger of being constrained as import rules add more complications, bureaucracy and costs to trade for organic but not for conventional agricultural products.

Equivalence and harmonization options for the region

The two most used mechanisms for recognition of organic imports are recognition of the foreign country organic regulatory system, and direct approval of certification bodies operating in the exporting country or region. However, there are at least eight different procedures for recognizing or facilitating import of organic products that can be used by governments, competent authorities, accreditation bodies and certification bodies.

There is a diverse mix of scenarios in the region, from highly developed regulatory frameworks to non-regulated developing markets, including government certification programmes, as well as international and local certification bodies operating to national requirements and/or private standards. Consequently, no mechanism is applicable on its own to facilitate recognition of imports throughout the region and beyond. An inclusive regional arrangement would need a combination of two sets of mechanisms to address the regulated and non-legislated scenarios respectively:

- a. **Systems Recognition** mechanisms for regulated markets including those with national standards and accreditation systems in place;
- b. **Recognition of Certification** mechanisms for products from non-regulated markets.

The Systems Recognition process could include Japan, China, South Korea, Taiwan Province of China, Philippines as well as India, Thailand and Indonesia. It would be a multi-party negotiation process based on the ITF tools for reciprocal equivalence or unilateral acceptance by each authority of the others' system. This would result in creating a regional market base among the participating markets. Countries and regions from outside the Asia region could also participate, if interested.

Access for products originating from non-regulated markets could be facilitated through mechanisms to recognize government and/or private inspection/certification from non-regulated markets. This could be based on authorities in regulated markets mandating CBs

under their supervision the right to recognize equivalent certification conducted by CBs in non-regulated markets, or using prior inspection reports for re-certification or contracted inspections through government and local private CBs. The recognition of government or private inspection/certification processes could cover Laos, Malaysia, Nepal, Sri Lanka, Vietnam and products from elsewhere where a qualified credible government or private certification body operates.

Good and best case scenarios

A good case scenario is one where the regional agreement includes all the major regulated markets in the region and use of a regional recognized standard is approved by the EU for imports. In this scenario, CBs in the region will only need three approvals (regional, EU and United States or Canada) to two sets of standards (regional based and Canada or United States rules) to provide a “One Stop” certification service for the Asia region, EU and North America. Organic operators can produce according to their national or regional Asian standard and have access to all Asian and EU markets. They have to additionally meet Canada or NOP rules for the North American market.

A best case scenario is one where the EU, Canada and United States join the regional market. In this scenario, CBs in the region will only need one approval to one set of recognized standards to provide a “One Stop” certification service for the Asia region, EU and North America. Organic operators can produce according to their national or regional Asian standard and have access to all Asian, EU and North American markets.

Next steps

It is proposed that this study is circulated to stakeholders throughout the region for comment on findings and way forward suggestions. In addition, it should be reviewed by participants at GOMA-organised workshops and by the authorities of major regulated markets in the region. Interested authorities will be invited to be part of a regional advisory taskforce to provide guidance to follow up studies in preparation for formal negotiations towards a regional “recognition of organic labelling” agreement.

Follow-up studies should provide sufficient information to enable interested parties to decide on the participation framework and institutional arrangements to implement a regional organic systems recognition agreement.

The GOMA project will run until June 2012. A major event for the region and internationally is the World Organic Congress to be held in South Korea in September 2011. This can be a targeted event for concluding the preparatory round of framework discussions and launching formal negotiations between early interested parties.

A. SITUATION OVERVIEW

Regional Production Status

According to the IFOAM-FiBL *World of Organic Agriculture* publication 2010, total agricultural land area under organic management in Asia reached 3.3 million hectares in 2008, which constituted 9 percent of the world's organic agricultural land.

Top five contributors in Asia in 2008 were China (1.85 million ha); India (1.02 million ha); Indonesia (60 000 ha); Timor-Leste (26 000 ha) and Pakistan (24 000 ha), excluding Middle East, Transcaucasia and Central Asian khanates (see Table 1).

Since the issue of the IFOAM-FiBL publication, the Chinese competent authority, Certification and Accreditation Administration (CNCA), reported in February 2010 that the acreage in China was 2.03 million hectares., with more than 3 000 operators certified in 2009. However, when wild collection acreages are included, India is top with 3.8 million hectares to China's 3.03 million hectares.

At the ten year anniversary celebrations of the Indian National Programme for Organic Production (NPOP), the Agriculture and Processed Food Product Export Development Authority (APEDA) reported 3.95 million hectares are under certification in India for the year 2008-2009. Of this, 960 000 hectares was farm land and 2.99 million hectares wild forest collection areas. With about 338 000 producers, India has the highest number of organic producers worldwide, the majority of whom are organised in groups. The Indian organic sector reportedly sustained an average annual growth rate of 66 percent in production, producing about 1.62 million tons of certified organic products. Of this, around 44 000 tons (2.74 percent) were exported.

Export value recorded at US\$13 million in 2002-3 registered US\$116 million for 2008-9. This included 135 product types under 15 categories, with 70 percent going to Europe, 20 percent to the United States, 5 percent to South East Asia, 3-5 percent to Japan and the rest to South Africa. The largest export by value was cotton, followed by tea, dry fruit, medicinal and herbal plants, basmati rice, honey, spices, sesame and others.

Main production systems and products

Cereals, coffee, tea, textile crops (e.g. cotton) and vegetables are the main identified cultivated crops in the region (see Table 2). Honey and palm sugar are the main products from wild collection, followed by medicinal/aromatic plants (see Table 3). As can be seen from the Indian example, a majority of production and exports from the region are primary products with low value-added processing, e.g. dry/processed raw material with the exceptions of Japan, South Korea and Taiwan Province of China. The majority of production from developing economies in the region (except for China) is organized through grower groups under contract with export companies.

Table 1: Certified organic related land use (ha) in Asia region, 2008 (source: FiBL survey)

Country	Agricultural land	Aquaculture	Grazed non-agricultural land	Wild collection	Total
Afghanistan	42	–	–	–	42
Armenia	600	–	–	500	1 100
Azerbaijan (2007)	21 240	–	–	497	21 737
Bangladesh	526	2 000	–	–	2 526
Bhutan (2007)	59	–	–	1 442	1 501
Cambodia	8 810	–	–	–	8 810
China	2 853 000	415 000	–	759 000	3 027 000
Georgia (2007)	251	–	–	1 051	1 302
India	1 018 470	–	–	2 781 530	3 800 000
Indonesia	60 098	1 317	–	32 700	94 115
Iran	11 745	–	–	–	11 745
Israel (2007)	5 693	–	–	–	5 693
Japan	9 092	–	–	–	9 092
Jordan	1 053	–	–	–	1 053
Kazakhstan	87 563	–	–	1 300	88 863
Korea, Republic of	12 033	–	–	–	12 033
Kyrgyzstan	9 868	–	–	–	9 868
Lao People's Democratic Republic	1 537	–	–	–	1 537
Lebanon	0 180	–	6 000	205	8 385
Malaysia (2009)	1 582	–	–	–	1 582
Nepal	8 498	–	–	25 982	34 479
Occupied Palestinian Territory	1 001	–	–	–	1 001
Oman	34	–	–	–	34
Pakistan	24 466	–	–	–	24 466
Philippines	15 795	–	–	–	15 795
Saudi Arabia	30 000	–	–	–	30 000
Sri Lanka	22 347	–	–	–	22 347
Syria	25 660	–	–	8 000	33 660
Taiwan	2 356	–	–	–	2 356
Tajikistan	70	–	–	–	70
Thailand	16 715	240	–	–	16 955
Timor-Leste	26 101	–	–	–	26 101
United Arab Emirates	310	–	–	–	310
Uzbekistan	2 530	–	–	5 420	7 950
Vietnam	12 622	6 360	–	–	18 982
Total	3 293 945	424 917	6 000	3 617 627	7 342 490

Organic livestock production is not developed due to constraints in meeting typical organic livestock standards, especially regarding organic feed and access to pasture land. Limited amounts of certified animal products, mainly poultry and pork, are available in some places, e.g. Japan, South Korea, Taiwan Province of China and China. Aquaculture is an emerging sector segment in Bangladesh, China, Indonesia, Vietnam, Thailand and Myanmar. With the aquaculture scope being made effective in the EU in July, 2010, it is poised to further boom in the region.

Regional Market Status

According to Organic Monitor (IFOAM-FiBL World of Organic Agriculture 2010), global organic sales reached US\$51 billion in 2008. Demand outpaced supply and prices reached record highs. Demand may be temporarily affected by the financial crisis, but is likely to outpace supply as economic conditions improve. See Figures 1 and 2.

Figure 1: Global market for organic food and drink
(source: Organic Monitor)

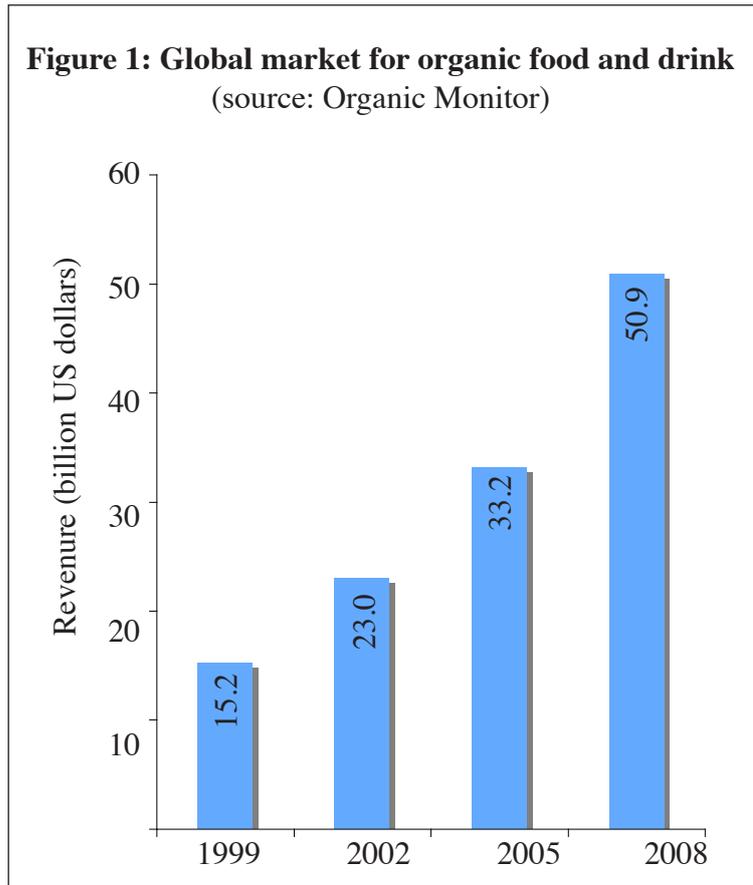
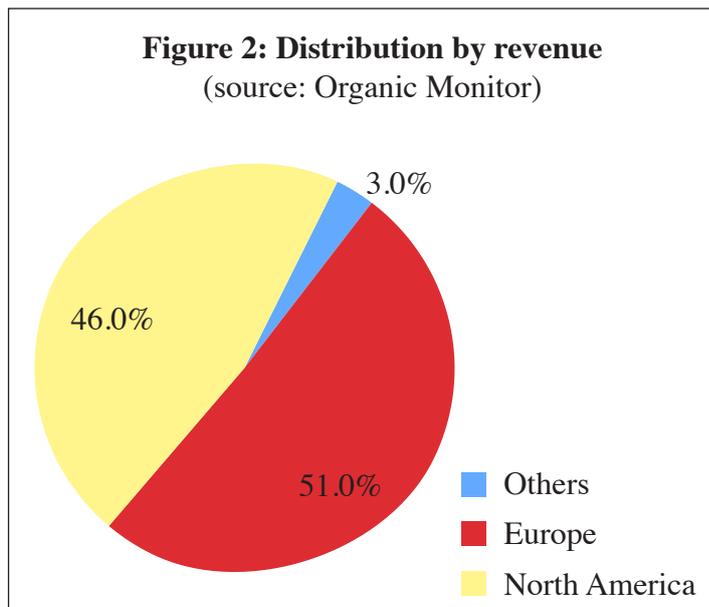


Figure 2: Distribution by revenue
(source: Organic Monitor)



Europe and North America represents 97 percent of the global market for organic food and drinks. Asia contributes significantly to the remaining 3 percent.

As well as in the more affluent countries and regions, i.e. Hong Kong, Japan, Singapore, South Korea and Taiwan Province of China, organic markets have also emerged in major cities in the developing economies of the region, e.g. Beijing, Colombo, Delhi, Bangalore, Jakarta, Kuala Lumpur, Manila and Kathmandu. A diversity of market channels,

Table 2: Cultivated land and crop category, 2008 (source: FiBL survey)

Land use	Crop category	Area (ha)
Agricultural land, no details	Agricultural land, no details	1 258 908.4
Arable crops	Arable crops, no details	3 194.0
	Cereals	94 861.5
	Flowers and ornamental plants	4.2
	Industrial crops	1 943.6
	Medicinal and aromatic plants	6 685.2
	Oilseeds	6 032.0
	Other arable crops	1.5
	Field fodder crops	6 228.0
	Protein Crops	4 060.5
	Root crops	277.4
	Seeds and seedlings	3.0
	Sugarcane	983.3
	Textile crops	27 277.2
	vegetables	21 845.2
	Mushrooms	0.2
Arable crops total		174 297.8
Cropland, no details	Cropland, no details	1 111 843.5
Other agricultural land	Fallowland, crop rotation	306.0
	Unutilized land	22.0
Other agricultural land total		328.0
Permanent crops	Berries	38.7
	Citrus fruit	378.1
	Cocoa	2 590.4
	Coconut	845.3
	Coffee	52 611.5
	Fruit, no details	748.5
	Fruit, temperate	6 649.6
	Fruit, tropical and subtropical	1 934.7
	Grapes	2 413.6
	Medicinal and aromatic plants, permanent	1 829.4
	Nuts	5 645.0
	Olives	1 644.6
	Other permanent crops	40.7
	Permanent crops, no details	387 116.4
	Tea/maté	31 583.2
Permanent crops total		147 065.7
Permanent grassland		601 504.0
Total		3 293 945.0

Table 3: Wild collection and bee keeping, 2008 (source: FiBL survey)

Land use	Crop/product category	Area (ha)
Berries, wild	Blackberries	45
	Blueberries	12
	Buckthorn	97
	Hawthorn	68
	Strawberries	37
Forest honey	Forest honey	13 278
Fruit, wild	Cornel	62
Medicinal and aromatic plants	Lemongrass	1 442
	Other	7 000
Nuts, wild	Chestnuts	75
	Nuts	20
	Walnuts	81
Palm sugar	Palm sugar	12 422
Wild collection, no details	Wild collection, no details	3 582 988
Total		3 617 627

including *ad hoc* organic bazaars, small retail outlets, conventional food retailers, multi-level direct selling and internet marketing, are thriving under diverse market conditions from Tokyo to Kathmandu.

Domestic certified organic prices can range up to 500 percent above conventional prices according to market location, quality and product. A Mintel (market research organization) survey reported a 175 percent increase in new organic product launches in the Asia Pacific region in 2007 as opposed to 90 percent in North America. Consumer interest reflects rising affluence as well as incidences of health scares in recent years, e.g. an incident in 2007 where milk and infant formula was contaminated with melamine in China.

Export, import and intraregional trade

Asia is a large exporter of raw material and a significant importer of finished processed certified organic products. The region hosts about seven annual organic related trade fairs: one in Japan, three in mainland China, one in Hong Kong, one in Taiwan Province of China and one in India. Many conventional fairs in the region now also have organic sections.

Production from developing economies in the region is mainly exported to the EU and the United States. Other market destinations include the Middle East, Australia and within the

Asia region. According to this study's survey respondents, key regional markets reflect the more affluent economies in the region with low domestic organic production, i.e. Japan (9 100 ha), South Korea (12 000 ha), Taiwan Province of China (2 400 ha), Hong Kong, Malaysia (1 600 ha) and Singapore, with the exception of China and India. See Table 4.

The majority of markets in both affluent and developing economies of the region reportedly rely on imports to meet market demand. Imports are made up of products available locally but not in sufficient quantity, e.g. fresh produce and raw material, as well as products that are not available locally, e.g. breakfast cereals, pasta, snack foods, beverages, juice and wine. Imported fresh produce and fruit from Australia, New Zealand and the United States (apples) are commonly found in Malaysia, Singapore and Thailand. Breakfast cereals, pasta, snack foods, beverages and juices, mainly from Europe and the United States are stocked in Indonesia and Vietnam. Examples of regional imports in the Malaysian market include dry beans and grains from China; rice from Thailand, Cambodia and Indonesia; snack foods from Taiwan Province of China and enzyme drinks from South Korea. The majority of imported processed products are from Europe and the United States, some made with raw material exported from the region to Europe and the United States, e.g. Mocovado sugar sachets from Germany based on raw material from the Philippines.

Note: An attempt was made to identify quantitative figures for the size of domestic markets, imports and intraregional trade. However, data is not easily available, as organised data collection of intraregional trade in organic products is not set up in most markets in the region.

Table 4: Summary of survey responses about key regional markets and imports in domestic markets

Respondents	Regional market destinations	Imports
Cambodia	Malaysia; Singapore	None
Indonesia	Hong Kong; Malaysia; Singapore	Low [<10%]
Laos	Japan; China; S. Korea	None
Myanmar	Japan, possibly Hong Kong, S. Korea and Taiwan Province of China	Significant [10-30%]
Malaysia	Hong Kong, Indonesia, Singapore	Dominant [>50%]
Philippines	Japan; China; S. Korea	Significant [10-30%]
Thailand	Malaysia; Singapore	Significant [10-30%]
Vietnam	Japan, possibly Hong Kong, S. Korea and Taiwan Province of China	Dominant [>50%]
Nepal	Japan, S. Korea; India	Low [<10%]
India	South East Asia; Japan	NA
Japan	NA	Dominant [>50%]

Regional Regulatory Frameworks

Driven by export opportunities, organic standards and certification in developing economies in the region are heavily influenced by import requirements of the EU and the United States (see below). Regulators established production, processing and certification rules that reflect export requirements with the hope of establishing recognition by the EU and the United States.

Access to the EU

The new EU regulation Council Regulation (EC) No 834/2007 on organic production and labelling of organic products came into force on January 1, 2009. It is supplemented by the implementation rules Commission Regulation (EC) No 1235/2008, Commission Regulation (EC) No 889/2008 and Commission Regulation (EC) No 1254/2008. The scope includes Crops; Wild collection; Processing; Livestock and Beekeeping. Aquaculture and details on wine production are expected to be incorporated in the second half of 2010. It does not cover textiles, cosmetics, wild catch (fish & animals) and mass catering.

The EU currently recognizes eight countries' systems: Argentina, Australia, Costa Rica, Israel, India, New Zealand, Switzerland and Tunisia. The recognition is one way not reciprocal. The third country approval process in the EU can take time. It reportedly took 7 years with Tunisia. Bilateral equivalence negotiations are currently going on with Canada, Japan and the United States. Negotiations with the United States have been on and off since the NOP was established in 2002.

The EU revised import procedures offer an approval system for inspection bodies operating outside the EU, replacing the current widely used system of import authorizations based on importers' request. More than 80 percent of imports into the EU are based on import authorizations instead of third country recognition.

The first list of certification bodies approved under the new import scheme is due to be published. Under the new regulations, there will be three lists:

1. List of countries whose system of production complies with rules equivalent to the EU's production and inspection provisions.
2. List of approved inspection (certification) bodies that apply an inspection system and production standards equivalent to the EU regulation on organic production.
3. List of approved inspection (certification) bodies that apply an inspection system and production rules compliant with the EU regulation on organic production.

Compliance requires full application of the EU regulation, including a seed database and excluding grower groups with internal control systems. Equivalence allows locally adapted requirements, with Codex Alimentarius taken into account for assessing equivalency.

Access to the USA

Organic regulations in the United States are set out in the Organic Foods Production Act

(OFPA) of 1990 and the National Organic Program (NOP) Final Rule 2002. According to the Final Rule, all products including imports for sale as “organic” in the United States must be certified and labelled in accordance with the NOP Final Rule. The scope includes crops; wild collection; processing; livestock and beekeeping. Aquaculture is expected to be incorporated at a later date. The rule does not cover textiles, cosmetics, wild catch (fish and animals) and mass catering.

Most products entering the the United States are certified to the NOP by a certification body accredited by USDA. The USDA offers accreditation of certification bodies worldwide as agents to operate a NOP certification programme. Ninety-nine certification bodies have been accredited by the USDA, i.e. 56 domestic and 43 foreign.

In lieu of direct accreditation by the USDA, the USDA may approve another Government to oversee a certification body (CB) for NOP certification. The USDA has approved a number of foreign Governments’ oversight systems, i.e. Denmark, the United Kingdom, India, Israel, Japan and New Zealand .

The United States did not reach recognition agreement with any country until 2009 when it concluded a historic first reciprocal (mutual) equivalency agreement with Canada. Both the USDA Organic seal and the Canada Organic Biologique logo may be used on certified products certified to either the NOP or Canada Organic Product Regulation (COR) standards in the USA, Canada as well as elsewhere worldwide. The the United States is reportedly currently negotiating equivalency agreements with Australia, the EU, India and Japan.

Access to Japan

Organic regulations took effect from 1 April 2001. All organic produce and processed foods (crop based only) are required to meet the Organic JAS labelling requirements. The regulation requires certification bodies (domestic as well as foreign), to be accredited to ISO65 to qualify for registration with the Ministry of Agriculture, Forestry and Fisheries (MAFF) to offer Organic JAS certification. Registered certification bodies may use prior inspection reports done by non-registered certification bodies outside of Japan for certification – a procedure also known as re-certification.

Intraregional trade is now further complicated with the establishment of organic labelling regulations in the region. Currently six countries and regions, i.e. China, India, Japan, South Korea, Philippines and Taiwan Province of China have implemented organic labelling regulations. Malaysia just revised its food labelling act with implementation scheduled for 2011. See Table 5.

Regulation application

Regulations may require mandatory certification for organic labelling for export only, for domestic only, or both. Previously, India required mandatory certification for export only, but has recently extended the requirements to cover domestic labelling as well. It is currently formulating requirements for imports. Other countries that require mandatory certification for organic labelling for the domestic market include China, Japan, Philippines, South Korea

Table 5: Summary of regulatory frameworks, certification and inspection rules in the region

Country and region	Regulation application	Additional scope	Accreditation	Certification bodies	Inspectors	Recognition export/import
India	Export & domestic	Livestock	Mandatory (NAB)	18 domestic (5 foreign)		EU 3rd country list & USDA equiv
Japan	Domestic & imports	Livestock (optional)	Mandatory (ISO65)	59 domestic 40 external		USDA equiv
China	Domestic & imports	Livestock & aquaculture	Mandatory (NAB)	32 domestic (6 foreign)	National registration	
South Korea	Domestic & Imports	Livestock	Mandatory (x2 NABs)	32 domestic	National registration	
Taiwan Province of China	Domestic & Imports		Mandatory	4 domestic		Canada, NOP & NZ for import
Philippines	Domestic & Imports	Mandatory	1 domestic			
Malaysia	Domestic & Imports		NA	1 Govt prog 1 domestic		
Indonesia	National & Private Std		Voluntary	7 domestic		
Thailand	National & Private Std	Livestock & Aquaculture	Voluntary	3 Govt prog 2 domestic		
Nepal	National & Private Std		NA	1 domestic		
Laos	National Std		NA	1 Govt prog		
Vietnam	National Std	Livestock & Aquaculture	NA	1 domestic (1 foreign)		
Sri Lanka	National draft Private Std		NA	2 domestic (1 foreign)		
Bhutan	National draft		NA	NA		
Cambodia	Private Std		NA	2 domestic		

and Taiwan Province of China. However, unlike India, it is not necessary for all production to be certified to national requirements if they are only meant for export. For example, organic exports from China and Philippines can be certified only to the EU or NOP requirements for export without needing to comply with national requirements.

Voluntary national organic standards by government standard setting bodies have been set in Laos, Malaysia, Nepal, Thailand and Vietnam. Standards are under draft in Bhutan and Sri Lanka.

Additional scope of regulation or private standards

In general crop production, wild harvesting and processing are covered in all national standards or regulations. Many regulations and voluntary standards in the region do not include livestock or aquaculture requirements as yet. Livestock standards are available in India, Japan, China, South Korea, Thailand and Vietnam. Aquaculture is available only in China, Thailand and Vietnam. Where set, feedstuff and access to pasture requirements makes local compliance to livestock standards difficult. The first organic JAS certified beef to be sold in Japan reportedly came from an Australian operation in 2008. Organic livestock certification is optional in Japan, where there is little domestic uptake.

Beekeeping, which was not accounted for in the survey, may be included in Livestock standards or kept separate.

Accreditation

The six countries and regions that have implemented organic labelling regulations (China, India, Japan, South Korea, Philippines and Taiwan Province of China) also require mandatory accreditation of certification bodies working in the country. Malaysia, which recently established domestic labelling regulations, does not have an accreditation system at this time. Of the six, Japan also accepts accreditation by others in addition to that of its national accreditation body for registration of certification bodies working outside of the country. South Korea's system requires two separate accreditations for certification of primary production and processing production respectively.

Indonesia and Thailand offer voluntary accreditation. Bhutan requires simple registration of external certification bodies working in the country.

Certification bodies

Certification bodies (CBs) working in the region include domestically registered and approved certification bodies, some of which are branch offices of international CBs working the country (placed in brackets in summary Table 5), as well as Government operated certification programmes. A total of 162 certification bodies (private and semi-government), of which 13 are offices of international CBs, and five government programmes (Thailand, Malaysia and Laos) work domestically in the region. These may include some of the external CBs registered with MAFF Japan who work outside of Japan. It does not include all international CBs that work ad-hoc in the region with no established branch office or that are not required to register with national authorities.

Inspectors

In addition to the mandatory accreditation of the certification bodies, two countries (China and South Korea) also require registration of inspectors.

Recognition

Of the 14 countries and regions listed, only India has received recognition of its system for export to the EU. India is on the EU Third country list. India's conformity assessment system is accepted as equivalent by USDA for supervision of certification to the NOP. Similarly, Japan MAFF is also approved by USDA to supervise CBs for certification to the NOP.

Regarding imports, Taiwan Province of China recognises products certified to the United States, Canada and New Zealand rules as equivalent for import into the country. None of the other six countries that have established domestic labelling regulations have established recognition of others for import.

Implications for regional trade and domestic market development

Local production throughout the region today does not offer the full range of household consumption and variety to meet domestic market demand. Imports are necessary to compliment local production to meet demand. Imports also play a critical role in introducing products and conducting market tests before local producers and processors decide to get involved. In some places, while market demand is significant, it is not big enough to support local manufacturing. Local processors also need to import ingredients not available from local production.

The most important markets for organic products from the region are the EU, the United States and Japan. With the intention of accessing the three major regulated markets, production for export are usually dual, if not triple certified, i.e. EU, NOP and JAS compliant. Some production is also certified to private standards such as the Soil Association, Naturland or BioSuisse, as required by their respective buyers. In addition to separate certification for the EU and North American markets, an exporter wishing to also trade throughout the Asian region today will need to additionally comply to the Japanese, Chinese and Philippine requirements. By next year, the exporter will need to add on certification for South Korea and Malaysia. In the near future, this will include India and Indonesia.

In setting the Chinese national requirements, China basically integrated the regulatory requirements of the EU, the United States and Japan with some modifications. At the time it was set, the Chinese organic production and processing regulation, including certification requirements, were billed as probably the most rigorous in the world. Nevertheless, China has yet to achieve recognition from the EU, the United States or Japan. Meanwhile, certification for export from China remains facilitated through foreign owned, internationally accredited certification bodies working in collaboration with Chinese accredited certification bodies in the country. And, at the same time, imports are constrained by the high cost to comply with Chinese rules. The Chinese rules require inspectors to be registered with China Certification and Accreditation Association (CCAA), which inspectors of certification bodies outside China are not. Foreign operators have to fly Chinese inspectors in to conduct audits. Moreover, full

product chain compliance requirements mean all suppliers of ingredients including farm operations also have to be audited, all of which add up to prohibitive certification costs.

Up until 2010, the South Korean regulation applied only to primary production and not to finished processed products. While import of farm products must comply with South Korean organic requirements to be labelled as organic, finished processed products can be marketed with their original organic labels without needing to comply with any South Korean organic processes product requirements. The South Korean authorities have since issued regulations for processed products. Implementation was scheduled for the beginning of 2010, but it was postponed to the beginning of 2011 because of difficulties of applying certification rules to imports. In addition to full product chain compliance, South Korean rules require two separate accreditations of certification bodies for primary production and processing respectively. The rules also require inspectors to be registered. Exporters of processed products to South Korea face having to fly two South Korean inspectors to inspect the primary production of ingredients and the processing separately. Based on a clean agriculture concept, South Korean inspections include extensive sampling and testing of soil, water and products.

In Thailand there is no mandatory certification requirement for organic labelling. However, under existing proof of labelling rules, importers must demonstrate that the organic products they import are compliant with the Thai national organic standards to be able to use the Thai word for Organic in the required Thai text label. This has to be done on a batch-to-batch basis. Because there is no clear way to demonstrate such compliance, importers normally chose not to apply to use the Thai term for “Organic” in the Thai label. Products are, nevertheless, sold as organic, based on the original foreign labels, which includes the term “Organic”.

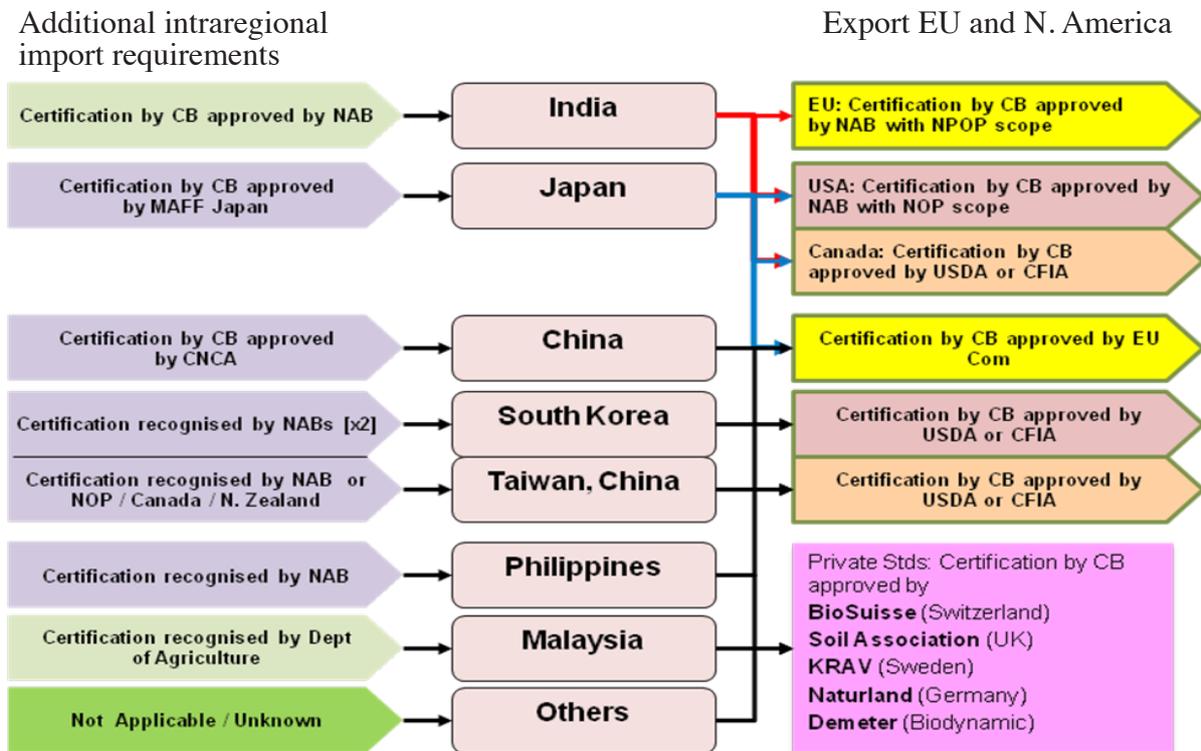
Malaysia recently revised its food labelling rules to require all products to meet the national organic standards for labelling as organic. After discussion with industry implementation was postponed to 2011 due to implementation bottlenecks. The Government operates a certification programme under the Department of Agriculture (DoA) whose scope is only for primary production. Like the South Korean case, the Government has no means to implement full product chain compliance to Malaysian standards for imports. And, as in the Thailand case, there is no clear procedure for importers to submit proof compliance for imports. Figure 3 illustrates diagrammatically the import and export requirements of the individual countries

Certification Development

The Organic Standards (TOS) Certification Directory (August 2009), lists 164 certification bodies in Asia, an increase of seven from 2008. Of these, 136 are found in just four countries: Japan (59); South Korea (32); China (29) and India (16). Since publication India has accredited two more certification bodies to the total of CBs in India to 18. China increased to 32, i.e. 26 local and six foreign CBs¹. Official accreditation or approval/registration of certifica-

¹ This data was taken from the Chinese authorities (CNCA) presentation at the GOMA consultation in Nonthaburi, Thailand, in February 2010.

Figure 3: Regional import and export certification scenario



tion bodies are established in China, Indonesia, Japan, South Korea, Philippines and Taiwan Province of China.

The growth in CB numbers, notably in China, Japan, India and South Korea, came with the introduction of regulations. They include offices of provincial government-related bodies, and local private and international certification bodies registered in the country. The numbers do not include international CBs that, though they work in the region, have not set up offices in there. Not all CBs listed are active. On the busy side, a number of Indian certification bodies certify more than 100 000 farms (mostly in groups).

Malaysia and Thailand implement voluntary government organic certification programmes at highly subsidised rates that are significantly lower than private sector fees in the country. Thailand has three separate government certification programmes for crops, livestock and aquaculture, operated by different authorities respectively. Laos is in the final phase of setting up a government operated certification programme. While a national standard is set, no local certification service is available in Vietnam. Cambodia has no national standard even in draft, but it does have two local private organic certification bodies.

Export certification

In the region, only India has achieved recognition of its National Programme for Organic Production (NPOP) from the EU. Other than those from India and Japan, most exports to the EU, the United States and Japan from the region are facilitated through certification by EU-based CBs for the EU, USDA-accredited CBs for the USA and MAFF[registered CBs for Japan. Achieving and maintaining the necessary recognition and/or accreditation requires substantial resources (financially and personnel) from the certification body. Hence most exports are certified by international certification bodies working in the region accredited by international and EU-based accreditation bodies or directly by the USDA and registered with MAFF Japan, instead of local CBs.

Foreign certification service dominance

Even with the large number of approved local CBs, foreign certification bodies are the main export certification service providers for the majority of exporters in the region. With their focus on export certification, they do not engage in local market promotion in the same way local private certification and labelling schemes do. Few private local certification bodies with private standards labelling schemes operate in the region. Where they operate, they play leading roles in local sector development, e.g. Organic Agriculture Certification Thailand (ACT); Organic Alliance Malaysia (OAM); BioCert (Indonesia); Organic Certification Nepal (OCN); SriCert (Sri Lanka) and Organic Certification Centre Philippines (OCCP).

One Stop Certification service

Critical to success in the conformity assessment industry is the development of a “One Stop Certification service”, where operators can access multiple certifications as required through one certification body or agency. This can be facilitated through the collection of all accreditations and approvals necessary by one CB or through collaboration among different approved CBs to jointly market a menu of certifications. The former is how big international CBs have positioned themselves, but economic restraints make this option impossible for local CBs, including government bodies, working in small to medium size markets to do so. Hence, local certification bodies in the region, in general, are relatively weak and cannot compete with international certification bodies by themselves.

Local CBs have partnered up with international CBs to facilitate export certification. Examples of local-international partnerships can be found throughout the region. An example of a regional collaboration is Certification Alliance (www.certificationalliance.org). Established in January 2008, Certification Alliance is a collaboration of eight local CBs in Asia, including two government linked organizations, and an Italian CB. The collaboration allows producers to approach a local service unit that facilitates application and inspection for multiple certifications as required for access to European and North American markets as well as within the Asia region (China, Laos, Indonesia, Malaysia, Nepal, Philippines, Sri Lanka and Thailand). The Italian CB holds multiple accreditations for access to the United States, EU and Japan and issues the certifications to Asian operators serviced by the local CB partners. Collaboration also offers opportunity for mutual sharing, learning and competency

building in inspection and certification. As well as making it possible for local CBs to operate, such service collaboration offers convenience and cost savings to producers, e.g. communication with distant certification body, translation of documents, inspectors travel.

Participatory Guarantee Systems

The escalation of rules and control measures risk becoming to some more of a cost burden than a value addition solution. For domestic market development, interest is increasing in Participatory Guarantee Systems as an alternative to third party certification. A growing number of organic producers are certified through Participatory Guarantee Systems (PGS) across the world. PGS are locally focused quality assurance systems for local markets. It is estimated that around 10 000 small operators are involved in PGS worldwide. The leading countries with regards to PGS are located in the global South. A number of Latin American countries have included provisions to recognise PGSs in their domestic regulations. The national network established in India with support of the Government is held as the example for others in the region. Initiatives have also developed in Thailand, Sri Lanka, Nepal, Vietnam and Bhutan. At this time, PGSs are not generally recognized for cross-border trade.

B. SECTOR DEVELOPMENT

Relevance of Organic Agriculture

Of late, the positive impact of organic agriculture on local communities and their economies, as well as the debates on climate change and agriculture's carbon footprint, have opened policy-makers' minds to the benefits of organic agriculture. They see that it can offer more than being just a niche foreign currency earner and are considering integrating it into their national sustainable agriculture development. Development in this direction is supported by the Asia Development Bank research findings that organic agriculture is relevant and can contribute towards all but one of the UN Millennium Development Goals. The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) report, "Agriculture at a Crossroads", cites the need to recognize and give increased importance to the multi-functionality of agriculture and account for the complexity of agricultural systems within diverse social and ecological contexts. It mentions organic agriculture among others as a potential contributor to food security, environmental sustainability and climate change mitigation.

According to the International Panel on Climate Change (IPCC), about 90 percent of global technical mitigation potential in agriculture by 2030 could come from improved cropping and grazing land management techniques, of which organic agriculture can be a significant contributor.

Evidence shows that organic agriculture, a low external input form of agriculture, is an effective way of dealing with high fuel prices and improving rural incomes. The mayors of Surallah, Cotabato and Trento, Agusan del Sur, in the Philippines claimed improvements of up to 100 percent in income tax collection due to improved income from the adoption of organic agriculture in their communities. UNCTAD studies in East Africa have shown that organic agriculture improves soil fertility resulting in yields that are higher than those achieved from conventional agriculture. UNCTAD studies have also shown that organic agriculture is very supportive of gender equality, based on higher income and more occupational opportunities. Higher yields and/or higher incomes (from price premiums) improve food security. The non-use of agro-chemical inputs makes organic agriculture fuel and energy efficient, contributing to climate-change mitigation. Export market opportunities for organic produce can make a significant contribution to pro-poor development. Several recent

Organic sector development in the region may be turning a corner. After years of debates, a development consensus incorporating export promotion, domestic market and national sustainable agriculture development seems to be emerging among actors and policy-makers in the region.

The Indian Government pledged to revamp the government extension service so that it offers farmers equal access to conventional and organic cultivation advice. The Government has established a national organic centre with more than a hundred staff, and with offices in several parts of the country. In addition, state governments are complementing the central Government's effort, for example the Maharashtra's State Government has declared that a separate stall in market yards will be allotted exclusively for the sale of organic produce. The Maharashtra's State Government is also establishing a state level organic corporation in consultation with NGOs and allocating 100 000 rupees per year to promote marketing of organic produce. The Sri Lankan government is reportedly working to open its fertilizer subsidy scheme to include organic fertilizers as well. There is also talk of converting farm lands cut off from chemical inputs in the north during the war to organic production.

Future Growth also Lies Within the Region

Market growth in Europe and the United States are currently the main drivers of the conversion to organic production in developing economies in the region. However, regional markets are growing. For example, the majority of Indian organic production is not exported. China, a net exporter of organic products today, is expected to be a significant importer in the near future. According to UNCTAD intra-Asian trade accounts for as much as 70 percent of conventional trade in some key horticultural products with China and Japan as the principal markets. Although intraregional trade in organic products is not significant today, there is great potential for growth based on the structural pattern of intraregional trade flows in conventional agriculture products.

Studies of trade for all agricultural products can illuminate organic trade prospects within the region. According to the Asian Development Bank working paper (Regional Trade Opportunities for Asian Agriculture, February 2010) interregional trade in the Greater Mekong Subregion (GMS) increased faster than trade with the rest of the world. Intra-subregion (excluding China) exports increased at an annual rate of 19 percent from 1994 to 2006, compared to 11 percent for exports to other countries. Rate of trade with China was higher at 22 percent during the same period. However, exports to non-GMS members of the ASEAN Free Trade Area (AFTA) and to other East Asian countries rose slower at 9 percent. Patterns for imports were reportedly similar, except that imports from non GMS AFTA countries rose faster than those from outside the region.

While it may be possible for affluent countries, motivated by environmental concerns, to offer public funding to support organic agriculture development, the majority of conversion to organic agriculture in developing economies to date and possibly well into the future is market driven. To facilitate faster conversion to organic management there is an opportunity to encourage and harness emerging markets in the region to augment the EU and North American markets as drivers.

Although there are other challenges to the development of organic agriculture in the region, this study is focused on issues related to barriers to regional trade arising from the establishment and implementation of organic labelling regulations.

Challenges to Regional Trade

The two year APEC project on Promotion of Mutual Understanding and Cooperation in Organic Certification, including meetings in November 2006 and October 2007 in Beijing, identified the duplication of certification for different markets in the APEC region as being an obstacles to trade. Delegates at the 2nd meeting stressed cooperation and recognition of organic certification within the region as important and necessary for the benefit of consumers, operators, certification bodies as well as governments. A working group to coordinate multilateral cooperation and recognition of organic certification among APEC members was proposed to the APEC Secretariat.

Though Taiwan Province of China recognizes the NOP, Canada and New Zealand rules, no reciprocal recognition agreement has developed between governments within the APEC or elsewhere within the East, South East and South Asia region. It is not clear what development is progressing with the APEC initiative. GOMA has initiated some discussion on regional equivalence and harmonization in organic certification in the Asia region. Some authorities in the region are exploring relations with the EU, the United States, Japan and with each other. Indonesia is conducting trainings on Organic JAS in collaboration with MAFF Japan. India is conducting discussions with Japan and Taiwan Province of China. Chinese authorities are exploring talks with Thai authorities.

As more governments prepare to establish and enforce compliance to national standards further technical complications to trade can be expected if no regional framework for recognition of certification is in place. Small producers, who constitute the majority of farmers in the region, cannot feasibly cope with the increasing, entangling web of regulations.

Mechanisms to Facilitate Recognition of Organic Import

The two most used mechanism for recognition of organic imports are recognition of the foreign country organic regulatory system, and direct approval of certification bodies operating in the exporting country or region. However, there are at least eight different means for recognizing or facilitating import of organic products that can be employed by governments, competent authorities, accreditation bodies and certification bodies. See Figure 4.

1. Equivalence agreements between governments

Equivalence agreements between governments are applicable where similar organic labelling regulations are in place. Negotiations to-date have been conducted on a bilateral basis, where

the exporting country may be the weaker party and negotiating at a disadvantage. As a diplomatic discourse, it is resource demanding and can be slow. Such agreements can be non-reciprocal, as in the case with the EU 3rd country list, or reciprocal as in the United States-Canada agreement. The United States-Canada agreement is the first fully reciprocal agreement in the organic sector. Equivalence agreements among governments may be facilitated through harmonization of organic standards and conformity assessment requirements.

2. Unilateral acceptance of products from equally credible systems

As well as bilateral or multilateral agreements, governments and private labelling scheme owners can also unilaterally recognize other systems without significant formal procedure. The Australian industry is adopting unilateral acceptance of systems they consider to be equally credible, such as the EU, NOP, Organic JAS and IFOAM Accreditation.

3. Foreign government as agents

The recognition of other national authorities oversight as equivalent to USDA accreditation for certifying according to the NOP is an example of employing foreign governments as agents. It is applicable where national accreditation for organic certification is set up. Certification is to the importing country rules not local equivalent national standards.

4. Acceptance of international accreditation

To-date there is no clear example of acceptance of international accreditation, such as the IFOAM Accreditation Programme. Though that will change when Australia's intension to recognise IFOAM Accreditation is finalized. Meanwhile there are examples of acceptance of evaluation carried out by international accreditation bodies such as the International Organic Accreditation Service (IOAS) and some national accreditation bodies for approval of CBs working in third countries by the European Commission.

5. Direct approval/accreditation of foreign CBs

This is currently the main means that governments employ to facilitate and recognize certification of imports. CBs have to apply separately for approval/registration with each regulatory regime. It requires multiple accreditation of CBs and multiple certifications of operators.

6. Recognition between accreditation bodies

Accreditation bodies can negotiate recognition agreements with peer bodies in the same way that governments can. This is applicable where national accreditation for organic certification bodies is set up but there is no organic labelling regulation, e.g. Thailand and Indonesia. Unlike the "Foreign government as agents" option, recognition between accreditation bodies can include use of equivalent national or private standards.

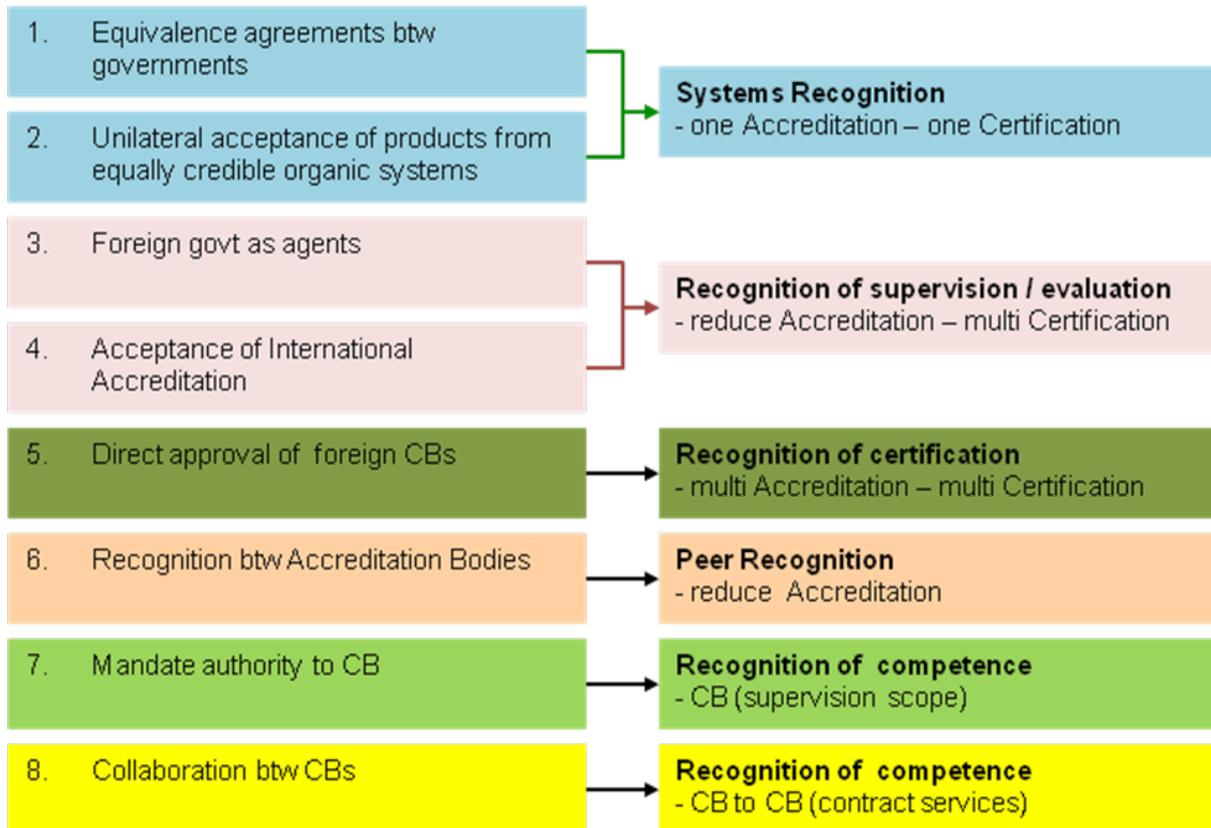
7. Mandate authority to CB

Instead of direct approval of foreign CBs, authorities can mandate their supervised CBs to make the necessary approval of imports based on recognition of equivalent certification, use of prior reports for re-certification or use of inspection services. This will boost collaboration between certification bodies and facilitate access between regulated and non-regulated markets without the need for non-regulated markets to rush regulations.

8. Recognition/collaboration agreements between CBs

Notwithstanding any of the above, certification bodies in regulated importing countries can facilitate imports through collaboration and sub-contracting inspections from certification bodies in the exporting country. Products are certified to the importing country rules as required. However, this mechanism can be constrained by national registration requirements of inspectors such as contained in the Chinese and South Korea rules.

Figure 4: Recognition mechanisms and impact



Way Forward

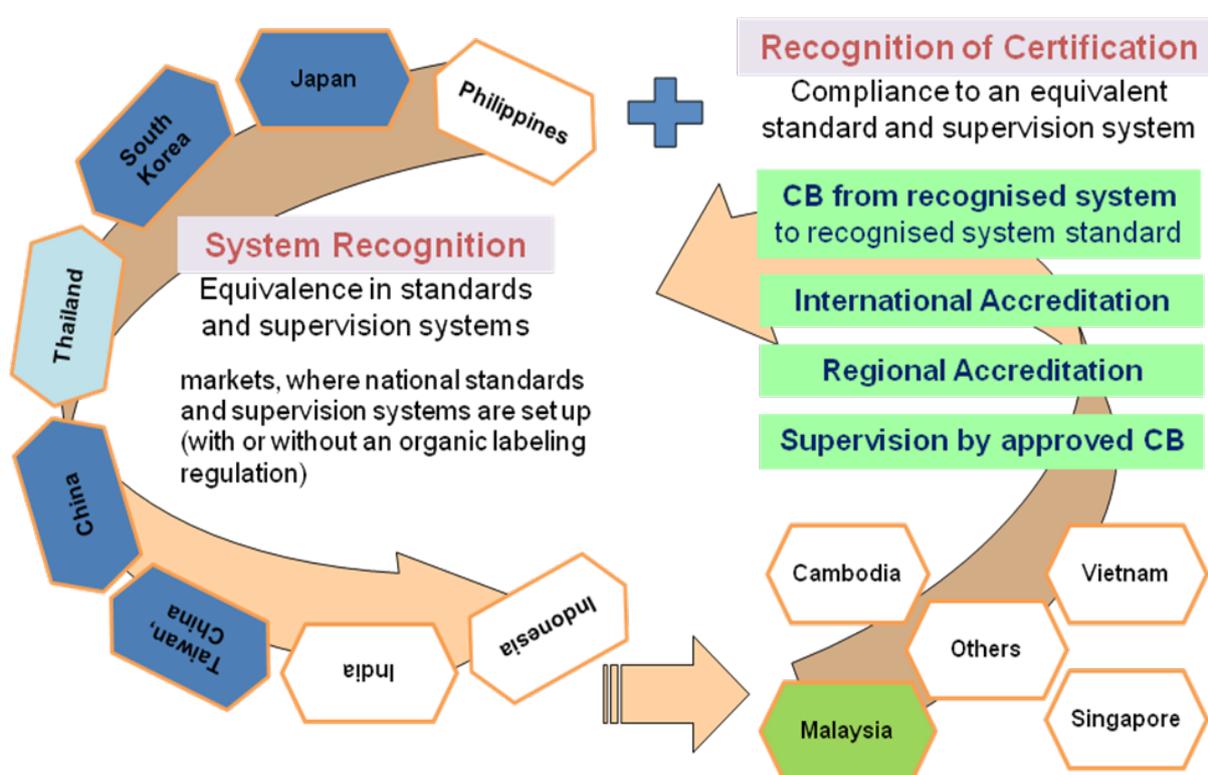
Organic markets in the region include the more affluent countries and big cities throughout the region. The region features a diverse mix of scenarios, ranging from highly developed regulatory frameworks to non-regulated markets. Certification schemes include government certification programmes, as well as international certification bodies and local certification bodies operating to national requirements and/or private standards.

Selected mechanism(s) should allow participation of non-regulated markets without the need to set regulations. They should reduce duplication and cost of certification without compro-

missing prior agreements and ability to access external markets. Solutions should not unduly marginalize poor farmers in less developed countries and reduce their market access. They should also be able to address imports from outside the region as the majority of imports are from the EU and the United States.

Given the mix of different scenarios, none of the eight mechanisms listed above can on their own facilitate recognition of imports throughout the region and beyond. An inclusive regional wide arrangement would need a combination of two sets of mechanisms appropriate to the regulatory regime of the respective market scenarios.

Figure 5: Inclusive way forward – Acceptance of equally reliable systems



The first set of mechanisms relate to **System Recognition**. These are mainly for regulated markets. They can also apply to countries where national standards and accreditation systems are set up for organic certification without an organic labelling regulation. The other is a set of mechanisms relate to **Recognition of Certification**. These are to facilitate recognition of government and/or private inspection/certification bodies from non-regulated markets.

The Systems Recognition process can be a multi-party negotiation process for reciprocal equivalence or unilateral acceptance by each authority of the others' system. This could re-

sult in creating a regional market base within participating markets, including Japan, China, South Korea, Taiwan Province of China, Philippines as well as India, Thailand and Indonesia. Countries and regions from outside the Asia region could also participate, if interested.

Access for products originating from non-regulated markets can be facilitated through mechanisms to recognize government and/or private inspection/certification from non-regulated markets. This can be based on authorities in regulated markets mandating CBs under their supervision the right to recognize equivalent certification conducted by CBs in non-regulated markets. Alternatively, it can be based on the use of prior inspection reports for re-certification (as allowed for in Organic JAS), or the use of contracted inspections through government and local private CBs. The recognition of government or private inspection/certification process can cover Malaysia, Nepal, Sri Lanka, Vietnam and products from elsewhere within as well as outside the region where a qualified credible government or private certification body operates.

Systems recognition

Whether it is done bilaterally, multilaterally or unilaterally, systems recognition normally includes the elements of:

- a. equivalence in technical requirements, i.e. production and processing standards;
- b. equivalence in conformity assessment system, i.e. certification and supervision.

National standards and technical requirements are usually drafted and adopted with the national or regional conditions in mind. Differences in technical requirements and standards for organic production and processing are often justified and even desirable due to the diverse geographic and agronomic conditions, culture and stage of development throughout the world. Equivalence, i.e. the acceptance that different standards or technical requirements can fulfil common objectives, is a well-applied and common pathway in international trade agreements. Use of an international standard as a reference for determination of equivalence is recommended by the WTO. Both WTO and Codex mention that determination of equivalence should be based on objectives.

Having mapped and studied issues related to harmonization and equivalence in organic standards and certification, the International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) has developed two tools to facilitate systems recognition: the EquiTool for Equivalence of Organic Standards and Technical Regulations and the International Requirements for Organic Certification Bodies (IROCB). They can be used by public regulators and private sector organic scheme owners. The European Commission's guidelines on imports of organic products into the European Union refer to the EquiTool and the IROCB as examples of international best practice to be used in assessing equivalency of organic guarantee systems.

Equivalence in technical requirements and/or standards

Equivalence in technical requirements and/or standards between parties has been generally

determined firstly through a side-by-side comparison of the parties' sets of technical requirements/standards. Then variations are negotiated. Ideally, the variances will be assessed according to set criteria for judging these variances, as spelled out in the aforementioned EquiTool. For a regional multiparty process, comparing every set of requirements with each other would be tiresome and inefficient. There is a need to use a common basis for evaluation for all sets of requirements. This can be an international reference standard, e.g. Codex Guidelines or IFOAM Basic Standards, or a common set of objectives for organic production and processing in the region.

Guidance on procedures and assessment tools for equivalence are outlined in the EquiTool, which can be used to frame a regional equivalence determination process. The standard equivalence assessment can also apply to private standards. Where consensus on full equivalence cannot be reached, there can be provisions for exclusion, e.g. full compliance to prohibited use of specific materials.

Common regional standard

Another way to promote regional trade in organic products is to agree upon the elements of an Asian Organic Standard. Compliance with this standard could be the basis for regional trade. This standard could also be adopted or adapted as a national standard, including by countries that have not yet developed and promulgated their own standard. The standard can be developed, based on common regional requirements and core objectives, with international standards (Codex and IFOAM) taken into account. The standard should be developed through a highly inclusive consultative process within the region.

Lessons may be learnt from the consultative regional public-private partnership processes that led to the adoption of a harmonized East African Organic Products Standard in 2007 by the East African Community (Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania), and the Pacific Organic Standard in 2008. An example of collaboration in agriculture standards setting in the Asian region is the ASEAN GAP standards.

Highly influenced by export market requirements, some organic standards and regulations in the region reflect external market requirements rather than local conditions for sustainable agriculture. In the exercise of setting a common regional standard, regulators in the region will have an opportunity to review and set requirements focused towards domestic and regional market development for mainstreaming organic agriculture as a sustainable agriculture practice. Organic management is not new to the region. Many local farmers continue to practice traditional agriculture, which generally is close to organic production methods. Thus, the potential for conversion to certified organic status is high, as demonstrated by the rapid expansion in India.

Scope of recognition

As many regulations and voluntary standards in the region do not include livestock or aquaculture requirements as yet, the scope of the regional equivalence process and minimum standards can start with crop production and processing requirements. Livestock and aquaculture standards can be taken up later on.

Equivalence in conformity assessment (certification and accreditation)

Credibility in conformity assessment is generally based on applicable certification norms and supervision of certification. Recognition of certification on a systems basis in general is based on recognition of the supervision of certification.

Certification requirements

Many but not all major regulations reference ISO 65 plus additional sector-specific requirements for their respective organic certification scheme rules. Similarly, with technical requirements and standards, parties can opt for equivalence or use of common minimum requirements.

Parties can develop regional minimum requirements based on their respective scheme rules. As the majority of producers are smallholders, inclusion of group certification, i.e. based on internal control systems (ICS), should be part of the adopted common regional certification requirements. Parties can consider adopting the IROCB (with modifications where necessary) as the common scheme rule for the region. The IROCB can also be used as a reference for determining equivalence of certification requirements.

Supervision of certification

The common measure of credible supervision is peer reviewed compliance of the supervisory body to ISO guide 17011, which is the norm for accreditation. This can be the basis for recognition of supervision of certification. Parties can conduct peer review of each other's supervision according to ISO17011 or accept proof of equivalent peer review against ISO 17011 done by others. Similarly, international accreditation bodies who are ISO7011 compliant and peer reviewed can also join the regional system.

Recognition of inspection/certification from non-regulated markets

While recognition of certification among regulated markets can be carried out on a system recognition basis, recognition of certification of imports from non-legislated markets can be done as follows.

Accreditation to a recognized supervision system

Products certified by CBs accredited to a recognized country system operating outside of the country would presumably be recognized. For example, if the Japanese system is part of the regional system, certification to JAS by a MAFF registered CB outside Japan should qualify. It should also be considered that CBs accredited to a recognized international accreditation system can qualify. If not automatically recognized this way, CBs can be approved based on an expert report provided by the recognized international accreditation bodies as in the case of the new EU rules. This will reduce the need for multiple accreditation.

Parties may also consider establishing a joint regional review committee to directly assess certification bodies, where accreditation is not set up, to facilitate recognition of certification.

CBs mandated to develop and recognize equivalent certification

Though meeting certification requirements is possible, the cost of a regional review or inter-

national accreditation may not be economically feasible for small local certification bodies working in emerging sectors. Products flowing from non-regulated markets to regulated markets may not be of high volume. To facilitate such small trade flows, authorities can mandate CBs under their supervision to collaborate and develop equivalent certification with local CBs in non-regulated markets. This can be based on the use of similar or equivalent standards (processed through the regional equivalence process) or adoption of a regional minimum standards (if available) and supervision of certification by the responsible CB in a collaboration contract.

Use of prior inspection and contract inspectors

For *ad-hoc* intermittent trade, where there is not enough activity to establish on-going collaboration, CBs in the regulated importing country could be allowed to use prior inspection reports for re-certification (as allowed for in Organic JAS) on a batch-by-batch basis. CBs can also be encouraged to use contracted inspections through local CBs in the exporting country.

The provisions mandating CB-to-CB development of equivalent certification, use of prior inspection reports for re-certification and use of local inspectors will support developed CBs to collaborate with developing CBs and will strengthen collaboration in certification. A collaboration model is also preferable to a competition model for conformity assessment services.

Access to and imports from outside the region

Most if not all agricultural exporting countries in the region are interested in developing recognition agreements with the EU and the United States. While it does not target participation of countries or regions outside of the Asia region, the above mechanisms can be used to include participation of others outside the Asia region.

Synergizing a common market base between the more affluent markets and cities in the region adds up to a sizeable Asia regional market. Having a regional market base can place all participating parties in a better common position to negotiate reciprocal equivalence with the EU and United States, or any other country or region as a whole.

Notwithstanding a common regional negotiation approach, the revised EU import rules for approval of CBs do provide some room for use of equivalent national or local private organic standards. Approved CBs in the regional system can submit a recognized national or private organic standards or the regional minimum standard (if adopted) for approval by the EU Commission. If the standard is approved, the approved CB in the region will be able to offer certification to the Asia region as well as the EU market, based on a similar standard.

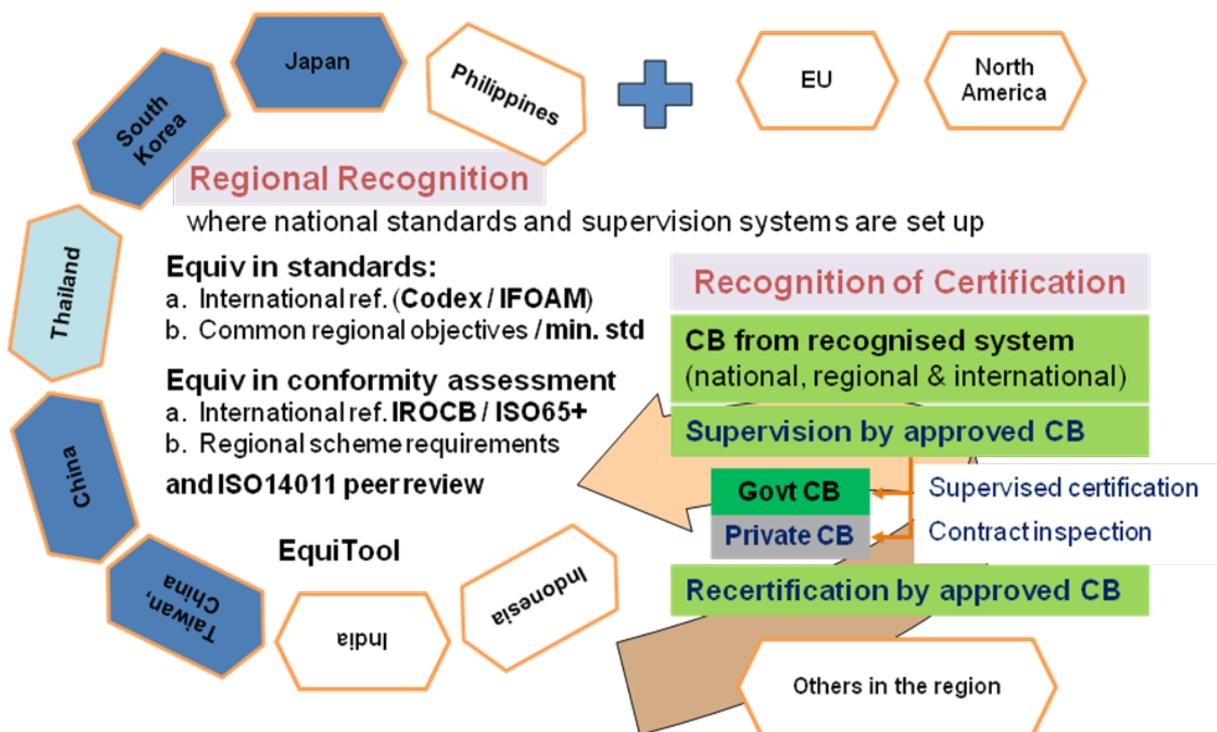
The same is not applicable for North America. However, due to the equivalence agreement between the United States and Canada, CBs in the region will only need to apply for one, not two, approvals to access the North American markets.

A good case scenario would be one where the regional agreement includes all the major regulated markets in the region and the EU approved CBs' use of a regional recognized regional,

national or private standard. In such a scenario, for CBs in the region to provide a One Stop certification service for the Asia region, EU and North America they would only need three approvals (regional, EU and United States or Canada) to two sets of standards (regional based and Canada or United States rules). Organic operators could produce according to their national or regional Asian standard to have access to all Asian and EU markets. They would need to meet Canadian or NOP rules in addition for North American markets.

A best case scenario would be one where the EU, Canada and United States join the regional recognition agreement. CBs in the region would then only need one approval to one set of a recognized standard to provide a One Stop certification service for the Asia region, EU and North America. Organic operators could produce according to their national or regional Asian standard and have access to all Asian, EU and North American markets.

Figure 6: Inclusive Way Forward – Acceptance of equally reliable systems



C. NEXT STEPS

Consultation over findings and suggestions

This study was commissioned to be the basis for GOMA's consultation with stakeholders about the best strategy for facilitating Asian regional organic trade. On approval of the final draft by the GOMA Steering Committee, the study will be circulated to stakeholders throughout the region for comments on findings and way forward suggestions. Consultations will include GOMA-organized workshops as well as consultations with to government authorities in the region. It is important that all stakeholder's concerns and objections are fully understood.

Further preparatory studies

Assuming there is interest to work towards a regional recognition of an organic labelling agreement, additional studies should be initiated by GOMA. The studies should involve all interested parties and should be in preparation for formal discussions on the matter. These could include:

- i. an analysis of existing technical and certification requirements in the region;
- ii. institutional arrangements for implementation of a regional recognition agreement, including a regional systems recognition process, approval and oversight of certification bodies.

The collaborative studies should provide sufficient information to enable interested parties to decide on the system recognition process and procedures (these can be based on the EquiTool) including options related to:

- use of reference standard(s); development of regional objectives; development of regional minimum standards;
- development of regional organic certification scheme rules; adoption of IROCB as the regional organic certification scheme rules; adoption of IROCB as basis of equivalence assessment of certification scheme rules;
- appointment of an assessment panel(s) and decision-making for technical requirements, certification scheme rules and supervision of certification;
- scope of mandate to supervised CBs for CB to CB collaboration in certification;
- monitoring and enforcement of agreement between parties.

Starting with as many as two interested parties

Although it is expected to be a multilateral regional arrangement, the regional system recognition process can start with two interested parties and incorporate others as interest arise. A common Memorandum of Understanding (MoU) may be developed as a participation framework agreement for all early and later interested parties.

Timescale, target objective and implementation

The GOMA project will run until June 2012. A target objective of the GOMA initiative could

be the conclusion of preparatory activities, including a draft regional MoU. The aim would be to define and facilitate the start of a formal discussion process – if not the conclusion of the first round of the recognition agreement between two or more initially interested parties – within the project time frame.

Interested authorities identified from consultations can be invited to be part of a regional advisory task force for the initiative. The task force should include government as well as private sector and civil society representatives. Two key tasks of the regional task force would be to offer guidance to follow-up preparatory studies and to aid in the drafting of a regional MoU for recognition of organic labelling.

Consultation on preparatory studies and regional MoU can be conducted in conjunction with annual organic related trade fairs and conferences held in the region. A major event for the region and internationally is the World Organic Congress to be held in South Korea in September 2011. This can be a target event for concluding the preparatory round of framework discussions and launch of formal negotiations between initially interested parties.



About GOMA

Organic agriculture and trade afford the world a high level of agro-ecosystem services, and present social and economic opportunities for those in need of food security and ways out of poverty.

Among the foremost challenges for further development of organic agriculture is that trade pathways are blocked due to multiple organic standards and technical regulations. A product produced according to one set of organic standards and certification requirements may also need to comply with other organic standards and requirements in order to be traded. This constrains organic market development and denies market access to many, including hundreds-of-thousands of small producers in developing countries.

The Global Organic Market Access (GOMA) project is a partnership of the Food and Agriculture Organization of the United Nations (FAO), International Federation of Organic Agriculture Movements, (IFOAM) and the United Nations Conference on Trade and Development (UNCTAD). GOMA seeks to clear trade pathways for organic products through the mechanisms of harmonization and equivalence. For more information on the project, visit www.goma-organic.org.