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# **THE EFFECTS OF EU's SANITARY AND PHYTOSANITARY MEASURES ON VIETNAM'S AGRICULTURAL PRODUCTS**

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## **ABSTRACT**

*Agriculture is critical for job creation and food security, and agricultural products account for a sizable portion of Vietnam's exports. However, with the trend toward lower tariffs and increased non-tariff barriers (sanitary and phytosanitary, technical barriers to trade, etc. ), Vietnam's agricultural products are currently confronted with a slew of significant challenges. After China, the European Union is Vietnam's second largest trading partner and a major export market for agricultural products. While the EU is a market with stringent quality standards, goods sold to this market are frequently more expensive than goods sold to other markets. Under the assumption that the Vietnam-EU Free Trade Agreement enters into force on August 1, 2020, an examination of the European Union's agricultural product regulations in order to re-evaluate Vietnam's responsiveness is a necessary issue in both theory and practice. The purpose of this paper is to analyze the European Union's SPS measure on agricultural imports and to weigh the benefits and drawbacks of Vietnamese agricultural products in the EU market.*

**Keywords:** Agricultural Products, Fruit, Vegetable, Export, Vietnam, EU, SPS Measures

## **INTRODUCTION**

Although vegetable products account for only a tiny proportion of total agricultural exports, they all grow dramatically by the end of 2020. Vegetables have had a noticeable effect on human life as it is indispensable to the Vietnamese's daily life, but they are also an essential source of earnings for more than 60 percent of people living in the back of beyond. According to estimates, exports of vegetables and fruits in December 2020 reached 260 million USD, an increase of 1.3% compared to November 2020, but a decrease of 20.7% compared to December 2019. For the entire year 2020, exports of vegetables and fruits are estimated at 3.26 billion USD, down 13% compared to 2019. The second-largest market in the US with export value reaching 152.50 million USD, up 10.7% over the same period last year and accounting for 5.1%. Next is the Thai market, with an export turnover of 148.957 million USD, with a record increase of 141.5% over the same period in 2019, accounting for 5%. The Korean market ranked third with an export value of 132.98 million USD, up 11.1% over the same period, and the Japanese market with a turnover of 118.22 million USD, up 5.1% (Vietnam News, 2021).

Despite a 13% decrease in 2020 compared to 2019, there are many signs that fruit and vegetable exports will improve in 2021 as a result of the newly implemented Free Trade Agreements. Although the EU is not yet among Vietnam's top fruit and vegetable importers, the EVFTA Agreement went into effect on August 1, 2020, and vegetables and fruits are among the agricultural products that will benefit as much as 94 percent of the total. A total of 547 tariff lines

for vegetables and fruits, as well as products made from vegetables, will be eliminated, causing EU importers to prioritize purchasing goods from Vietnam. EVFTA creates enormous opportunities in the EU market, the world's largest import market. Vietnam, in particular, can export any type of fruit and vegetable through the EU as long as the product is produced in Vietnam. The EU, on the other hand, is a "difficult" market with strict regulations on technical barriers, pesticide residues, prohibited substances, and so on. If the law is broken, the goods will be returned to the enterprise, causing harm not only to the individual business but also to the Vietnamese fruit and vegetable industry. Furthermore, the global market's demand for vegetables is declining as a result of the pandemic, which is likely to increase skepticism about Vietnam's vegetable export.

In addition, the descending trend of global market requirements for vegetables is likely to cause growing hesitancy about Vietnam vegetable export. There are several reasons for that. Firstly, because of the pandemic COVID-19. Secondly, many items with significant export value dropped sharply, such as dragon fruit - the item with the highest market share account for 36% of total export value, down 10%; bananas accounted for over 5%, down 13%; Durian decreased about 56%; fabric down 22%; watermelon declined for 36% (Ha An, 2021). Thirdly, exports of vegetables are still facing many predicaments when the delivery payments fee escalated, increasing by 2-3 times compared to before, making this product less competitive. Administration regulations have greatly affected the international trade, especially trade in agricultural products. Altogether, the developed countries have brought about SPS measures to restrict comestibles imports from developing countries where technical standards and food safety criteria are lower-ranking. Recently, there have been some cases of export disavowal when agricultural products such as fish and aquatic products, animal products, and vegetables have been violated SPS standards. All foods absorbed in the EU such as fresh fruits and vegetables, processed vegetables, alcohol, cereals and grain products, animal products, and plant products comply with policies on Maximum Pesticide Residue Limits (MRLs) (Son & Vang-Phu, 2021).

Customers now tend to demand a higher quality of vegetables, and they only accept veggies that are likely to meet some specific quality needs. The changes in the standard of quality are increasingly common and stricter. As a result, any adjustments to those importer's quality requirements or country-specific regulations would significantly affect Vietnam's vegetable exports. Technical measures such as SPS measures become essential to several agricultural products, including vegetables, as the problems such as food safety and the protection of plant and animal health have become increasingly sensitive. A set of regulations based on a risk assessment, not discriminatory between nations with homogeneous conditions, are allowed by the World Trade Organization (WTO) Agreement on the SPS measures.

### **Sanitary and Phytosanitary Measures (SPS Measures)**

The Sanitary and Phytosanitary Measures regulatory framework is intended to protect human and plant health in the EU by ensuring that no harmful level of pesticides or other chemicals, micro-organisms capable of harming human health and plant pests or diseases which can cause harm to crops, ornamentals, or wildlife is present on imported fruit, and vegetable products. Residues (of pesticides or veterinary drugs), pollutants (heavy metals), toxins, or disease-causing organisms in foods, beverages, or feedstuffs are all important goals for all governments, as is preventing or limiting the spread of pests, disease outbreaks among plants and animals, and other health threats from pesticides, contaminants (heavy metals), toxins, or disease-causing organisms in foods and beverages. Sanitary (human and animal health) and phytosanitary (plant health) policies are often used to achieve these goals. SPS covers all related regulations, decrees, legislation, standards, and procedures.

The SPS Agreement establishes a set of guidelines to help WTO members create, implement, and execute sanitary (human or animal life or health) and phytosanitary (plant life or health) policies that could impact trade. All WTO members are required to meet and uphold the principles and obligations of the SPS agreement. The SPS Agreement provides WTO members with the right to use SPS measures to protect human, animal, or plant life or health. Each WTO member has the right to preserve a degree of protection in its jurisdiction that it deems necessary to protect human, animal, and plant life and health. This is referred to as the appropriate standard of security (ALOP). The authority to enact SPS measures comes with a set of responsibilities to mitigate the detrimental effects of SPS measures on foreign trade. The essential obligations are that SPS measures must:

Be applied only to the extent necessary to protect human, animal, or plant life or health and not be more trade-restrictive than necessary.

Be based on scientific principles and not maintained without sufficient scientific evidence, and

Not constitute arbitrary or unjustifiable treatment or a disguised restriction on international trade.

A WTO member who introduces a new regulation or wishes to amend an existing one is required by the SPS agreement to inform the WTO Secretariat, which then distributes the notification to other WTO member governments. Governments are expected to notify trading partners of a new rule before its adoption to express their concerns. In a health and safety emergency, this procedure can be skipped if the WTO Secretariat is updated immediately.

### **Vietnam's Vegetable Production and Export**

According to statistics, exports of fruits and vegetables in November 2020 reached 280 million USD, up 15.7% compared to October 2020, but down 6.7% compared to November 2019. Although the turnover has decreased over the same period, in general, in the context of the Covid-19 epidemic, complicated developments in the world and heavily affecting all agricultural trade activities between countries, the achievements of the fruit and vegetable industry in the past 11 months are very remarkable. Regarding the market, by the end of October 2020, China still leads in turnover with more than 1.55 billion USD, down 26.6% over the same period in 2019, accounting for 56.8% of the total export turnover of vegetables and fruits of the country. Notably, exports to the US market reached 136.64 million, up 5% over the same period. This is an impressive number not only because the industry has overcome difficulties in the epidemic to increase exports, but more importantly, it has contributed to asserting Vietnamese vegetables and fruits when continuously increasing turnover in the market has many high requirements like the US.

In addition, the entire 11 months of 2020 also recorded many new developments of this industry, with shipments being exported to Europe under the Vietnam - EU Free Trade Agreement (EVFTA). Mainly, since September, after EVFTA took effect more than one month, Vina T&T Group Company has exported a container of fresh coconuts by seaways and three tons of dragon fruit, 12 tons of pomelo by airways to the EU market. In addition, the entire 11 months of 2020 also recorded many new developments of this industry, with shipments being exported to Europe under the Vietnam - EU Free Trade Agreement (EVFTA). Mainly, since September, after EVFTA took effect more than one month, Vina T&T Group Company has exported a container of fresh coconuts by seaway and three tons of dragon fruit, 12 tons of pomelo by airway to the EU market. Accordingly, the traceability and labeling, fruit manufacturers and packaging factories apply ISO standards, food safety management system (HACCP), and SPS measures to develop deeply processed products to meet EU market regulations.

## **The EU Import Regime for Vegetables**

The European Union (EU) is a large and challenging market with strict consumer-protection regulations and technical challenges established by the EU with increasingly stringent safety standards with exclusive imported products, including vegetables and fruits. A food item that is deemed safe and imported into the EU must comply with the following requirements: (i) Regulations relating to the EU Food Law, (ii) Equivalent conditions imposed by the EU; (iii) If the EU and the exporting country have a different agreement, the provisions of that agreement must be followed.

The European Commission (EC) established quality standards for fruits and vegetables in Regulation (EC) 2200/96. However, these criteria do not extend to raw or processed fresh vegetable products, such as packaged sliced carrots, primarily used for quality classification and product information labeling. Therefore, to complete the technical barriers to food safety, on November 6, 2007, the EU Community issued Regulation (EC) 1182/2007 specifying the fruit and vegetable sector. Some guiding documents were subsequently revised, including Guideline 2001/112/EC relating to fruit juices and some similar products for human consumption; Guideline 2001/113/EC concerning fruit jams intended for human consumption (Richard, 2020).

The EU's fruit and vegetable exchange regime are confusing, with various policies based on goods, partner countries, and seasonality. This is the result of various and often contradictory priorities outlined in the EU trade policy for the sector. For example, assurance revenue and stabilization for EU fruit and vegetable producers. Integration of the import regime within the EU's international relationships, especially with developed countries; broad and differentiated supply of fruit and vegetable goods to EU consumers at reasonable prices (Foletti & Shingal, 2015).

All foods consumed in the EU, such as fresh fruits and vegetables, processed vegetables, cereals, and other fresh agricultural products, are all processed in compliance with Maximum Pesticide Residue Limits (MRLs). According to the Guideline 79/117/EEC, farm products with highly active ingredients and stimulants which are detrimental to human, animals and the environment will be prohibited. If the EU detects any banned substance in the imported product samples, the shipment will be rejected and destroyed. This means the supplier or exporting country may be prosecuted and even subject to the export ban. Moreover, those banned products would enter a pending investigation conducted by competent authorities to evaluate the reliability and quality (USTR, 2014).

## **Trading State of Fruit and Vegetable from Vietnam to the EU**

Vietnam currently ranks 5th in Asia for the proportion of fruit and vegetable output. Vegetable and fruit products of Vietnam are exporting to over 60 countries around the world. Vietnam's fruit and vegetable exports have grown enormously in recent years. In 2019, the Cultivation industry gained fruit trees to 1 million hectares, the export value of vegetables and fruits reaches about 4.2 billion USD. Vietnam and the EU officially established relations on October 20, 1990. From then until now, the relationship between Vietnam and the EU has had many new developments in all fields, especially in trading. According to the survey, although being the leading importer of vegetables and fruits, accounting for 50% of the world's fruit and vegetable imports, the number of vegetables and fruits imported from Vietnam accounts for 0.0%, which is a tiny proportion. Among EU countries, Vietnam's primary fruit and vegetable export markets are the Netherlands, UK, France, Germany, Italy, and Switzerland (USDA, 2021).

## **The Compliance Levelled with SPS Requirements for Fruits and Vegetables in Vietnam**

Although there are many advantages in processing fruit and vegetable exports, the EU has repeatedly issued alerts about Vietnam's food hygiene and safety conditions. In mid-2011, the European Commission's General Department of Health and Consumers warned that 50 out of 60 Vietnamese fruit and vegetable exporters to this market were of poor quality. The EU discovered that two green vegetable goods imported from Vietnam contained leaf borers in mid-March 2012. The Ministry of Agriculture and Rural Development's Plant Protection Department has been compelled to declare the suspension of five vegetable exports to the European Union.

In 2014, the European Commission's General Department of Health and Consumers reported that bacteria detrimental to human health had been found on basil and bitter melon in three consecutively transported consignments from Vietnam to the EU. The Ministry of Agriculture and Rural Development's Plant Protection Department has decided to suspend the phytosanitary license for various herbs and spices exported to the EU until February 1, 2015. In 2016, the EU increased the pace of dragon fruit product inspections in Vietnam by 20%. The inspection level for certain seasoned vegetables has been raised by 50%. The EU cites the presence of excessive pesticide residues on the substance as the reason for the ban. This is a concerning fact that will significantly affect Vietnam's vegetable and fruit exports shortly (Vang-Phu & Son, 2020).

While vegetables that the EU has repeatedly cautioned account for a small percentage of overall fruit and vegetable export turnover to the EU, if this condition persists, it would erode the reputation and generate a negative image of exported fruit and vegetable products not only in the EU market but also in other markets. In order to comply with SPS regulations and encourage the export of Vietnamese fruits and vegetables to the EU market in the short term, any of the following options must be implemented:

First and foremost, proactive quality management of products before export: The fruit and vegetable industry must closely regulate commodity quality before exporting to ensure sustainable production and encourage exports to challenge markets such as the EU. To do this, vegetables and fruits must be processed in a closed chain from beginning to end. Close cooperation between farmers, companies, and government management agencies is required to achieve the target, with exporting businesses playing a key and pioneering role.

Second, new technologies are being used in post-harvest treatment: Since it costs much money to do this stage properly, companies will need help and assistance in the long term. In terms of policy and finance, local rights are essential.

Third, reinforce quarantine, tighten inspection, audit all shipments 100 percent, and prioritize fruit and vegetable manufacturing areas that reach the Viet Gap and Global Gap. Active ministries and agencies need to coordinate the development and implementation of food safety monitoring measures for vegetables to guarantee that the production, packaging, and production codes for each company or organization and individual exporting vegetables and fruits must be registered in their growing areas, which can be traced to the exact source of the product. Following that, enforcing strict enough penalties for non-compliance with food safety requirements in export, hurting the prestige and right to export Vietnamese vegetables and fruits to foreign markets (Euro Fresh, 2021).

## **CONCLUSION**

Due to the advantages of exporting vegetables and fruits, such as diversity of preferences and a favorable climate for exporting vegetables and fruits, Vietnam has made remarkable gains in total turnover in recent years. Furthermore, there are also flaws in vegetable and fruit exports. For instance, farmers do not undergo adequate instruction in the proper handling of vegetables and fruits. Furthermore, certain companies ignore initiative and honesty when it comes to applying

science, quality, epidemiological, and phytosanitary criteria. Other issues, such as a lack of resources, infrastructure, human resource capacity, and supplier and exporter expertise, are also to blame for returned shipments. Though we have recognized the EU as a new potential market, if Vietnamese exporters wish to export fruits and vegetables to the EU, they must adhere to the SPS law to avoid losing their prestige and money (Vang-Phu et al., 2021).

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