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# Analysis of the prospects for increasing non-resource exports of the Russian Federation through reduction of technical barriers to marketing organic products in foreign markets

**E V Savenkova, A V Lebedeva, I A Adarchenko and A I Kurbatova**

Faculty of Ecology, International Institute for Strategic Development of Sectoral Economics, Peoples' Friendship University of Russia, Moscow, Russia

E-mail: adarchenok@yandex.ru

**Abstract.** The paper analyzes the possibility of reducing technical barriers to marketing organic food in China, examines state regulators of the certification system and standards currently in force in China for various types of organic products. The possibility of recognition of the Russian organic product certification in China is analyzed. The requirements for organic products certification bodies established in China are studied.

## 1. Introduction

At present, organic products form a separate sector in the global food trade annually growing by 20–25%, which is several times faster than the global market as a whole. The development of the agro-industrial sector in Russia, its digitalization, for a number of reasons (both economic and environmental) will greatly expand the opportunities for international cooperation, for export of Russian products to the EAEU countries, EU, ASEAN and BRICS among them [1].

Export to the People's Republic of China (hereinafter PRC, China) is seen as particularly attractive. China is the largest trading partner of the Russian Federation. For example, in 2018, the PRC took the first place in the volume of exports of agro-industrial food products [2]. Despite this, Russia occupies an insignificant share in the food market in China, only 2.5% (ninth place) [3].

The growth of the PRC economy over the past ten years has provided an increase in the level of income of the population [4, 5]. According to Euromonitor forecasts [6], despite the COVID-2019 pandemic, the consumption level in the country in 2024 will grow by 24% compared to 2019, and disposable income will increase by 62% to attain \$ 9.6 thousand [7].

This will provide an active growth of demand for food products in different price categories. China ranks first in the world in terms of the retail food market [7].

## 2. Position of organic products in China

According to forecast estimates, imports of agricultural raw materials and foodstuffs to China will grow due to increased incomes and standard of living of the population. Thus, consumer preferences of the population will change, which can increase the supply of highly processed products (including high-quality meat products, dairy products and wine) and organic products to the Chinese market [2].

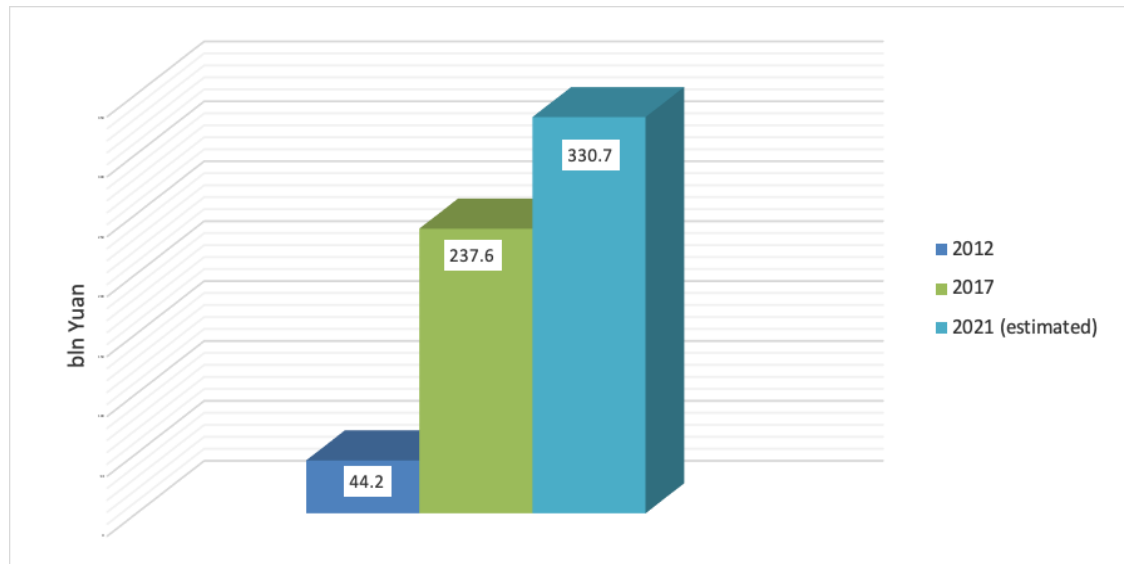
According to experts [8], the total size of the market for organic packaged food and beverages in China in 2017 amounted to \$ 2 839.2 million. The country is the 4th in the world in terms of value of this market. Per capita expenses on packaged organic food and beverages in China amount to \$ 2.050



million, which are the 32nd highest per capita expenses in the world. Organic milk dominates in the total sales value and makes up over 71% of the total market value.

Experts report [9] that by 2021 the mainland healthy food market is expected to exceed 300 billion yuan (Figure 1).

The rise in sales is largely due to an overall health improvement trend in China and growing consumer incomes.



**Figure 1.** Growth of the healthy food market in China [9].

### 3. China's legislation of food sector and ways of breaking technical barriers to trade

The issues related to the import of food products to China are regulated by provisions of the PRC Law On Food Safety of 2009, the PRC Law On Inspection of Import-Export Goods of 2007, Administrative Measures for Inspection and Quarantine of Export and Import dairy products of 2013, and current food safety standards and provisions of Chinese customs law.

Consider a number of mandatory state standards currently in force in the country (Chinese National Standard/Guo Bao – GB) for various types of baby food subject to basic sanitary and hygienic requirements for food quality.

The state regulators of the product certification system are [10]:

1. The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China – AQSIQ [11] is a ministerial-level government body authorized by the State Council of the People's Republic of China to formulate basic rules for application of the certification system, to establish standards in the field of product labeling and exercise general control over their implementation.

2. The PRC's Certification and Accreditation Administration of the PRC (CNCA) develops and introduces the Certification Rules for products included in the catalog of products subject to certification; approves the certification form; appoints authorized certification bodies, organizations, and testing laboratories to check the quality of products subject to certification; publishes a list of competent certification bodies, testing and inspection laboratories; publishes a list of certified products and manufacturers; accepts complaints related to the system of mandatory certification of products, and counteracts offenses related to the system of mandatory certification of products.

3. Authorized certification bodies (Designated Certification Body), which have representations in China and abroad, carry out certification in accordance with the type of activity and the Rules for product certification; issue certificates for products that meet certification requirements; perform subsequent verification of certified products; accept complaints related to the mandatory product certification system; suspend and, if necessary, cancel the certificate validity.

Note that expansion of the import of Russian organic products to the PRC is largely constrained by the presence of technical barriers to trade (TBT) between the countries. These barriers are due to possible differences in requirements:

- to similarly-named organic products;
- to certification bodies that confirm conformity of organic products;
- to testing laboratories that conduct tests of samples (sampling) of organic products.

The World Trade Organization (WTO), whose members are Russia and the PRC, has developed appropriate mechanisms for removing technical barriers to trade under the WTO TBT Agreement [12].

The mechanisms include, in particular:

- provision of information on systems of technical regulation of the partner states for interested parties;
- convergence of requirements for mutually supplied goods, in the considered case, for organic products, based on international standards;
- convergence of conformity assessment (certification) procedures for such goods;
- ensuring confidence in certification bodies based on their equal competence;
- ensuring confidence in the accreditation bodies that form the conformity assessment infrastructure in the partner states;
- formation of agreements on mutual recognition of conformity assessment results (certificates and certification marks).

Agribusiness modernization is of current relevance as well. By modernization, we mean digital transformation globally known as agriculture 4.0. The use of advanced technologies will solve a number of issues, including [1, 13]:

- reduction of production costs;
- increase in labor productivity;
- environmental impact;
- forecasting outbreaks of pests and diseases;
- compatibility and operational adjustment of processes and standards for organic food production with global ones;
- compliance with the needs of the world market;
- increase in export potential.

In addition, agro-industrial complex (AIC) digitalization will help to develop a new generation of healthy food products enriched with vitamins and minerals; products of biocorrective action and products without chemical additives, which will definitely attract foreign consumers. Thus, the use of innovative technologies will contribute to solution of economic, environmental and social issues.

The IFOAM (International Federation of Organic Agriculture Movements) website provides a list of agreements on recognition of the results of organic products certification (at different stages of entering into force). Figure 2 is a schematic diagram summarizing all recognition agreements in the organic area. The analysis of the diagram highlighted the information about the bilateral agreement of equivalence between the PRC and New Zealand (2016). This agreement did not come into force, since later it was decided to form a free trade area (FTA) between China and New Zealand, which will include organic products.

### Global Equivalence Arrangements

Country (click for details)	Argentina	Australia	Canada	Chile	China	Costa Rica	European Union **	India	Israel	Japan	Korea - Rep of	New Zealand	Switzerland	Taiwan	Tunisia	United States
<a href="#">Argentina</a>																
<a href="#">Australia</a>																
<a href="#">Canada</a>																
<a href="#">Chile</a>																
<a href="#">China</a>																
<a href="#">Costa Rica</a>																
<a href="#">European Union **</a>																
<a href="#">French Polynesia</a>																
<a href="#">India</a>																
<a href="#">Israel</a>																
<a href="#">Japan</a>																
<a href="#">Korea - Republic of</a>																
<a href="#">New Zealand</a>																
<a href="#">Switzerland</a>																
<a href="#">Taiwan (ROC)</a>																
<a href="#">Tunisia</a>																
<a href="#">United States</a>																

	Bilateral Equivalence
	Unilateral Equivalence - Beneficiary
	Unilateral Equivalence - Grantor
	Unilateral Recognition of Conformity Assessment only - Beneficiary
	Unilateral Recognition of Conformity Assessment only - Grantor

\*\* Includes all EA full members (European Cooperation for Accreditation)  
\* Under a general trade agreement

**Figure 2.** Scheme describing recognition agreements in the organic area (according to IFOAM).

Foreign and international practice shows that unilateral, bilateral or multilateral recognition of certificates of conformity for organic products is carried out in case the equivalence of the systems for assessing conformity of organic products is established for the country of origin and the country of destination, and appropriate agreements are created. Equivalence should be established at the level of requirements for organic production (organic standards), and at the level of certification procedures and requirements for certification bodies and their activities.

Similar standards are stated in Order No. 155 of the PRC Administration of Quality Supervision Inspection and Quarantine (AQSIQ) *Administrative Measures for Certification of Organic Products* [14], the main regulatory document of the PRC for certification of organic products.

Article 6 of this Order states that ‘international mutual recognition of organic products certification is carried out within the framework of an international cooperation agreement signed by the country’; according to Articles 17 and 18, the authorities responsible for organic products of countries are verified for equivalence of national certification systems for organic products. Certification and Accreditation Administration of the People’s Republic of China (CNCA) analyzes documents and performs on-site verification (selectively – certification bodies of the country of destination). In case the certification system of a foreign country is recognized as equivalent to that of the PRC, the CNCA can sign a memorandum of mutual recognition with the relevant foreign authorities.

It should be noted that in the PRC, according to Order No. 155 AQSIQ, ‘the state promotes a unified certification system for organic products, unified certification standards and rules, and a unified certification mark.’ Organic certification is regulated by the CNCA; these authorities create rules for conducting certification. The China National Accreditation Service (CNAS) accredits organic certification bodies under a special accreditation program (scheme) provided below and applies its own rules for accreditation.

Analyze the requirements for certification bodies for these products established in China to discuss the possibility of recognition of the results of organic products certification carried out in the Russian Federation by the PRC.

These requirements are developed at three levels:  
general requirements for certification bodies;

requirements for certification bodies for organic products established in the certification rules;  
requirements and criteria for accreditation of bodies involved in organic products certification.

#### 4. Conclusion

Thus, the production and consumption of organic products shows a steady growth throughout the world. According to data provided by the experts from DISCOVERY Research Group in 2015, the world market of organic products increased by 6.4% over two years and amounted to 6 725.5 thousand tons. At the same time, the Swiss Institute of Organic Agriculture (FiBL) and the research company Ecovia Intelligence note that the global organic food market for the first time exceeded US \$ 100 billion [15]. SBS Consulting analysts report that the consumption rate of organic products exceeds twofold the growth rate of the food market as a whole [16].

In Russia, the demand for organic products is many-fold higher than the supply. However, in comparison with the global rate, the demand for organic vegetables and fruits in the Russian Federation is growing much faster – by 23% per year. Nevertheless, the share of organic products in Russia is extremely small and makes up 0.1% of the country's food market [16].

According to the National Organic Union (NOU), production of organic products in Russia is growing: from 2010 to 2015, the volume of organic products increased by 60%; however, this increase is insufficient. In quantitative terms, this is only 150 ha that can be seen from the IFOAM statistics [17].

To increase production, it is necessary to solve a number of environmental, economic and social problems in the agro-industrial sector, most of which can be solved by digital transformation. However, introduction of innovations should not exclude organic products certification, which will undoubtedly increase the value and, consequently, consumer interest in Russian organic products [18].

The above data obviously show that Russian producers are well positioned to increase organic production not only for local consumers, but also for the Chinese market. At the same time, the Russian market for organic products, legal mechanisms for control of organic production and the system for monitoring its compliance with the established requirements are in the stage of formation. The status of organic products was regulated only after adoption of Federal Law No. 280-FZ of August 3, 2018 *On organic products and on amendments to certain legislative acts of the Russian Federation*. On January 1, 2018, the international standard GOST 33980-2016 *Organic production. Production regulations, processing, labelling and implementation* was brought into force. It was developed in accordance with the recommendations of the Codex Alimentarius CAC/GL 32-1999 *Guidelines for the manufacture, processing, labeling and sale of organic food* and harmonized with the Council Regulation (EU) No. 834/2007 of June 28, 2007 on organic production and labeling of organic products and on termination of Regulation EEC No 2092/91 and Commission Regulation (EC) No. 889/2008 of 5 September 2008 with provisions on the implementation of Council Regulation (EC) No 834/2007 on organic production and labeling of organic products in relation to organic production, labeling and control of products, and the basic IFOAM standards. Therefore, now when the Federal Law No. 280-FZ of August 3, 2018 *On organic production and on amendments to certain legislative acts of the Russian Federation* [19] is being put into effect, and Russian organic production is being developed, it is critical to form a correct consumer awareness of organic products equivalent to the international one.

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