

# **Digital GVCs for SMEs:**

## **What do we know from 1'000'000 firm-level observations?**

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# EU import of organic products: The TRACES digital trade platform

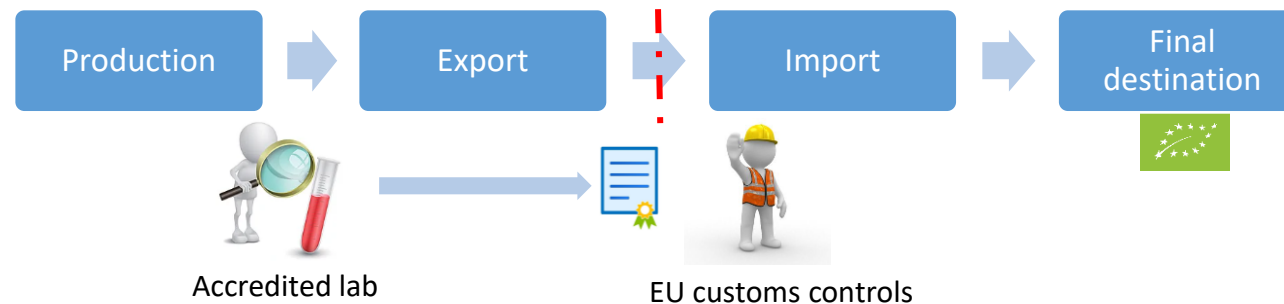



- Since 2017, **TRACES** is the digital trade platform for importing organic products, based on certificates of inspection
  - Used in about **90 countries**, with more than **55.000 exporters** worldwide
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- We used the organics module of the TRACES database, containing around **1 million firm-level EU import transactions** of organic products between 2017 and 2022.
  - The dataset includes several parameters and identifiers (producer, exporter, country of origin, country of exportation, HS code (8 digit), description of the organic product, its organic certification status, quantity).
  - We have enriched the TRACES database with unit values from EU COMEXT import data.

# The TRACES digital certification system:

## how does it work?

- EU organic production standards require the **certification** for all products and the actors involved in their production, handling, processing and marketing. Only products certified can be labelled with the Organic symbol 
- These requirements also apply to **imported products**. To ensure compliance, the EU has put in place **TRACES** - a modern, digital certification system that ensures **traceability, origin verification and quality controls**.



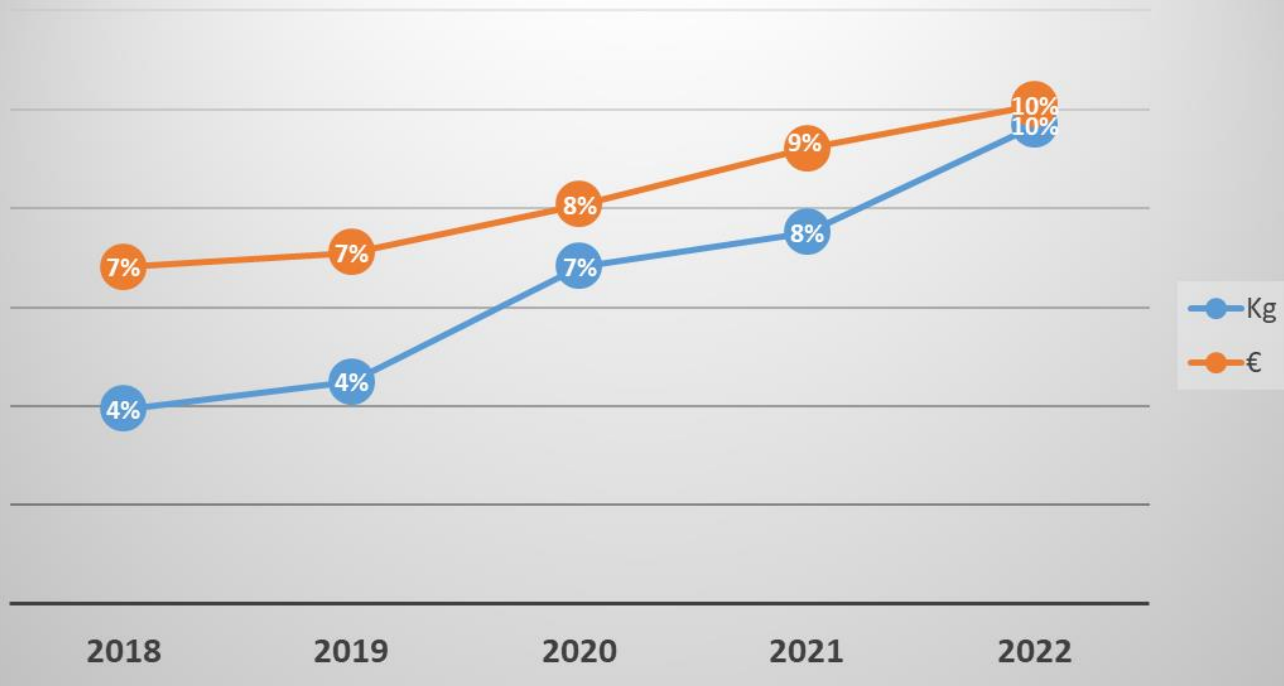
The digital organic certificate  include relevant information for the **traceability of products**. This information is real-time uploaded to the integrated statistical tool in the TRACES platform.

*Case study: A detailed firm-level analysis of LDC organic exports*

# The good news:

## LDC and SMEs are highly competitive in organic products

LDC share in total EU organic imports



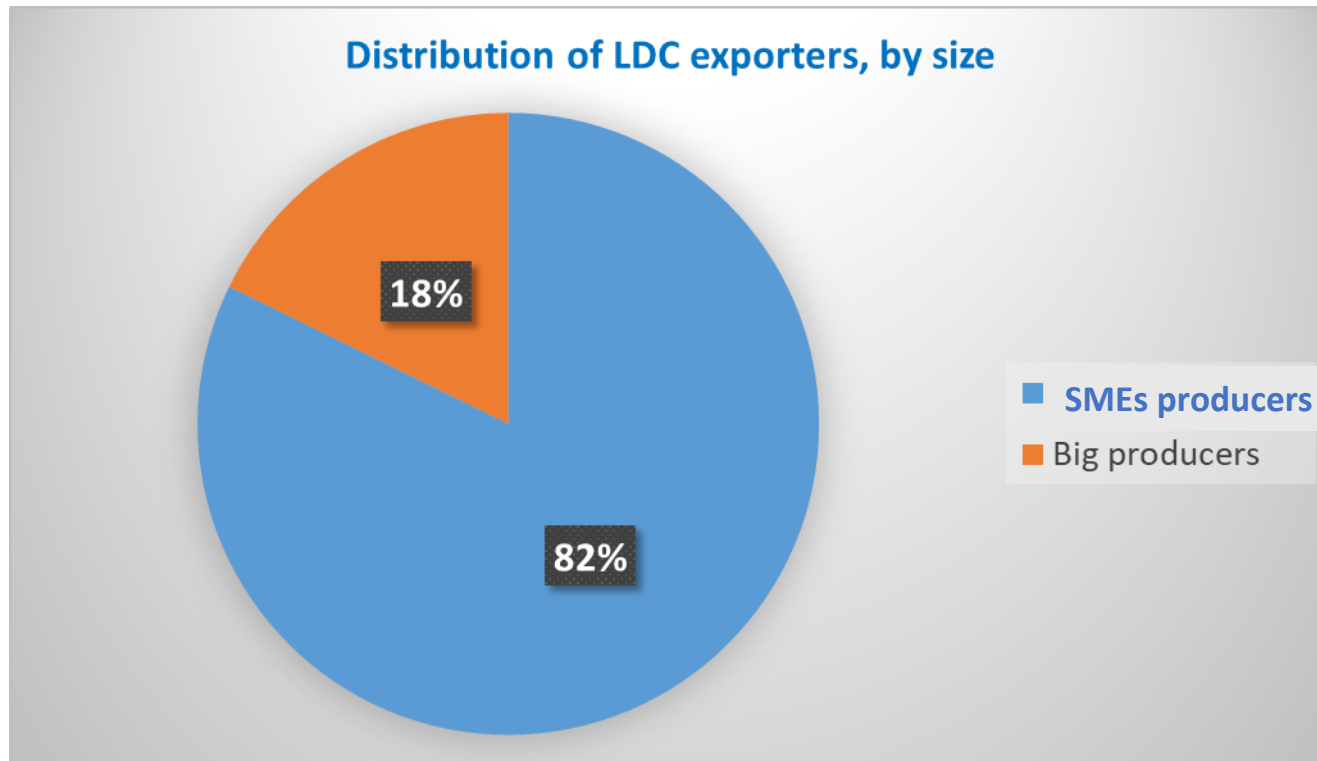
Source: Authors' calculations based on the TRACES database

### Key findings:

- The (growing) **10% LDC share in EU organic** imports is significantly higher than the LDC share in total goods trade and in non-organic agrifood trade
  - LDC share in **total EU imports**: **less than 2%**
  - LDC share in **EU agri imports**: **less than 3%**

# Can SME organic exporters embrace digital solutions and compete globally?

The share of LDC organic exporters: **SMEs** vs **big** companies



The short answer is **“YES”**!

The large share of small exporters in the number of LDC exporters using digital certificates in TRACES indicates that they are:

- capable of complying with the trade formalities and with the organic certification procedures in the TRACES
- benefitting from digital trade facilitation tools

# Are SMEs competitive in organic products?

- As direct exporters to the EU, **SMEs can compete** successfully in organic products, head to head with major trading nations
- **Togo** is in top 10 exporting nations of organic products to the EU, surpassing other top suppliers like UK, Colombia, Brazil, Mexico, South Africa etc.
- **Burkina Faso** exports more organic products to Europe than Costa Rica, Thailand or the Philippines
- **Ethiopia** is ahead of the United States, Indonesia and Vietnam in terms of organics
- **Uganda** exports more organics than Chile, Morocco or New Zealand
- **Madagascar** exports more organics (in value terms) than Japan or Australia

But can they compete and participate as suppliers in long and complex GVCs?

# Do SME organic products travel along GVCs?

- SME organic exporters are *exported indirectly along supply chains* to the EU via 24 other trading partners, plus the re-exports of EU27 countries.
- Digital certification along supply chains facilitate the integration of SMEs in global supply chains.
- Major processors and “re-exporters” of SME organic ingredients are: Mexico, Turkey, UK, United States, Canada, South Africa, Kenya etc.
- Some LDCs (e.g. Uganda, Togo) are also “re-exporting” products that contain organic ingredients from other LDCs

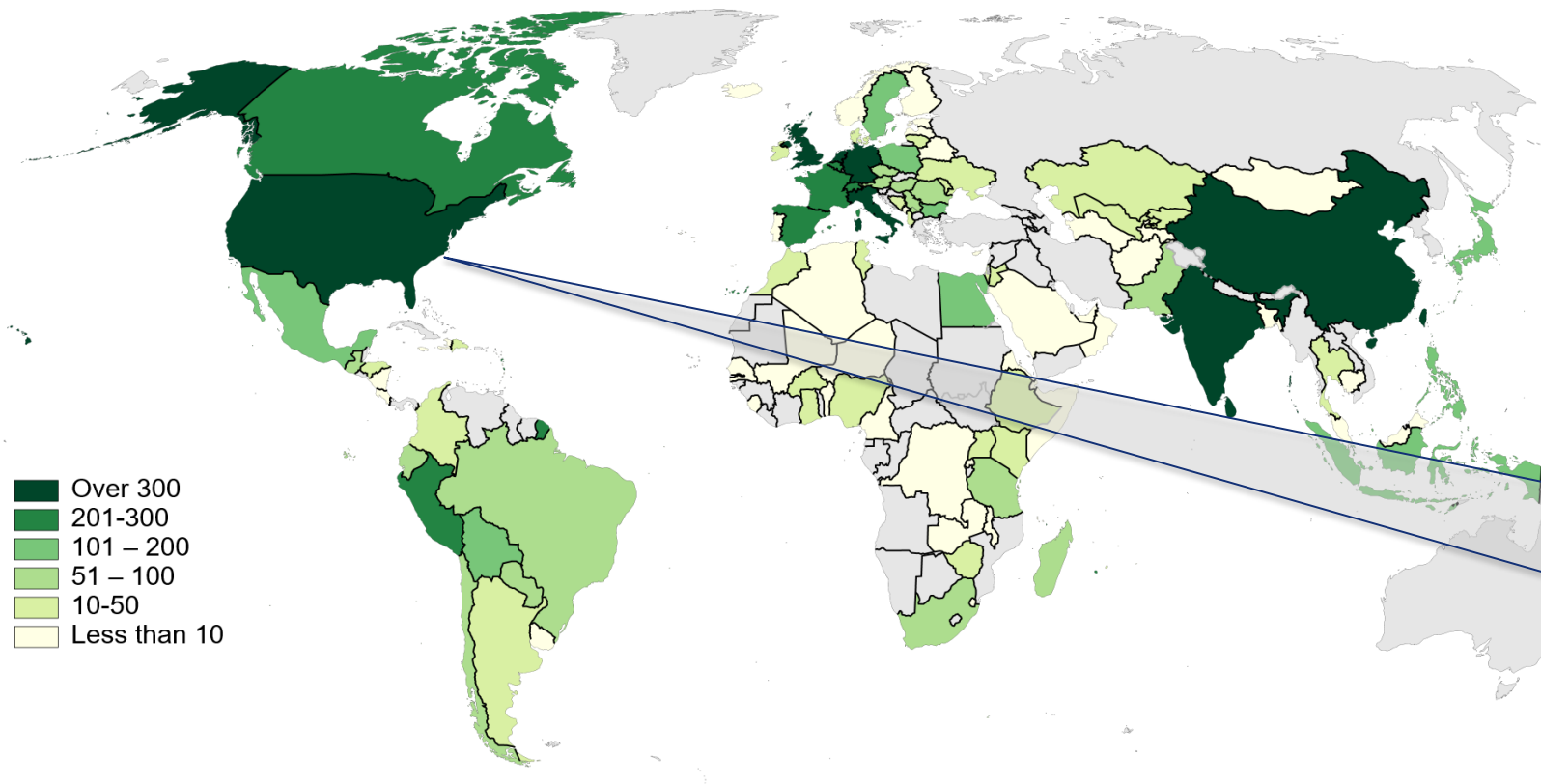


# The critical role of digital traceability along global supply chains

**Organic products cross borders many times and require ingredients from many countries**

## Country participation in organic supply chains

Number of different GVC configurations



**US organic products exported to the EU have over 300 GVCs configurations**

Example: 50 ingredients - apple, beetroot, broccoli, carrot, pineapple, blueberry, cucumber, asparagus, lentils, etc.



# Think big:

Reaping the full potential of **#TradeTech** for greater integration of SMEs in GVCs

# Trade policy is not firm-size neutral !

- Unlike tariffs, non-tariff barriers (NTBs) impose a fixed cost.
- These fixed **NTB costs are higher for small firms** than large firms, simply due to size.
- Large firms can afford more easily to assign resources to address NTBs.
- Despite these challenges, **SMEs remain competitive**.
- However, the **"do nothing" scenario** is not the best option. There are indicators suggesting an increase in trade concentration/fragmentation rather than diversification.

## From SMEs to Unicorns: What Role for #TradeTech?

- **#Access2Markets** portal created by DG TRADE primarily for SMEs has been voted as one of the best examples of good public policy support for SMEs.
  - ❑ SMEs are looking for cost-effective, digital solutions for their export operations, e.g. trade facilitation, rules of origin, compliance with technical standards, conformity assessment, certification.
- **#TRACES is only one example** how we can help tens of thousands of SMEs worldwide level the playing field.