

Technical Barriers to Trade in ASEAN

Case Study : Nutrition Labelling



Various regulations co-exist in Southeast Asia that require manufacturers to label the nutritional properties of their products. These requirements include on-pack declarations of nutrients such as energy, fat, sugars, proteins and carbohydrates. However, there is considerable variation between the 10 ASEAN member states, both in terms of the product categories and the underlying criteria. These differences place a significant burden on cross-border marketing and can be a major consideration when companies are planning to enter new markets or manufacture regional products.

What is the impact on regional competitiveness?

In many cases, businesses bear the brunt of a multitude of costs for redeveloping products and/or packaging in line with each country's nutrition labelling requirements. The result is: increased costs for consumers; reduced trade and slower growth in specific markets; and an overall loss of regional competitiveness.

Common challenges:

1. *Variances in mandatory and voluntary labelling requirements*

In Malaysia, nutrition labelling is compulsory on foods, such as milk products, canned foods and soft drinks. In Indonesia it is only required on fortified and functional foods, and in Singapore it is mandatory for products bearing nutrition claims. In The Philippines if a product bears any nutrition label, it must include the declaration of protein, fat, energy, carbohydrates, vitamin and mineral content, and specific measurement units.

2. *Differing minimum and maximum limits for vitamins and minerals*

Manufacturers, suppliers and retailers face different minimum and maximum limits for vitamins and minerals. For example, one company, with a manufacturing base in Singapore is required to formulate its product using four different recipes to access eight target markets. This quadruples the complexity in terms of recipe management and validation; increases the cost of – and timeframe for – analysis, as different markets have different testing parameters, safety and efficacy requirements. It also increases the cost and lead-time for the sourcing of raw materials and quality control.

3. *Variances in tolerance levels*

The outlook is even more challenging for companies using a single recipe across multiple countries. Besides different minimum and maximum limits for nutrients, they also face varying tolerance declarations. While most ASEAN countries require products to contain at least 80 percent of the declared value of the nutrient, some countries impose different requirements, i.e. for:

- Naturally occurring nutrients versus fortified nutrients - with more stringent requirements for the latter,
- First laboratory test results versus general monitoring results, and first consignments versus subsequent shipments,
- Nutrients linked to nutrition claims on the front of the pack versus nutrients declared only on the back of the pack in the nutrition information panel (NIP)

Below is an example of this variance for a single-recipe product.

In Singapore, the 80 percent minimum refers only to naturally occurring nutrients. Fortified foods must contain 100 percent of the declared value. In Indonesia, if a nutrient is claimed on the front of the pack, the minimum requirement is 100 percent, while for the Nutrition Information Panel (NIP) on the back it is 80 percent. Manufacturers therefore tend to follow the strictest national nutrition labelling requirements to ensure access to all relevant markets and to bring down the cost of the product for both the sector and consumers. (Fig.1 & 2)

4. *Variances in Nutrition Reference Values (NRVs) used for packaging claims and NIP formats*

Even if companies use the same recipe in multiple markets, they still face costs for having to customise labels for each country. This is because some countries, for example Indonesia, Thailand and The Philippines, require the percentage of the NRV/RDA to be stated in the Nutrition Information Panel but these reference values vary between countries.

Taking the example in Fig.3, where a product contains 20 mg of iron: In Countries 1 and 5, the pack must state that this is 133 percent of the RDA for iron; in Country 2 it's 69 percent of the RDA; in Country 3, it's 143 percent, and in Country 4, it's 74 percent. A uniform standard in line with the Codex NRV would reduce the need for multiple label changes.

These challenges discourage investment in innovation and R&D, particularly for small and medium sized businesses for which the costs are too high. The impact is also felt by consumers, who are deprived of new, potentially beneficial products, and may become confused by or even suspicious of the varying nutrient declarations within the same product categories.

Benefits of Harmonisation

Cost benefits for manufacturers, trade, consumers and governments

If nutrition labelling, levels, values and formats were aligned to international standards this would cut costs by reducing the overall complexity of multi-market compliance. (Fig.4) Common measures for testing and certification, and mutually recognised conformity assessment procedures, will also enable the private sector to access regional and global supply chains. Furthermore, a single regional approach would encourage companies to set-up production bases in ASEAN due to cost savings and ease of product placement.

Clarity of information for consumers and manufacturers

The purpose of nutrition labelling is to provide consumers with the information they need to make informed choices. To be effective, it is necessary for nutrition information to be based on standard parameters and supported by scientific evidence. Consumers, government and the private sector all require, and should expect, that only products meeting the required quality standards are placed on the market. Codex Alimentarius, has already set nutrition labelling guidelines based on sound scientific evidence and most governments are using these to set national standards.

Increased product availability

A single regulatory framework based on sound scientific principles will generate investment incentives for the private sector in the region. By offering a strong platform from which to export to the world's major markets, a system based on internationally recognised guidelines, will reduce trade barriers that arise from overly-complex specifications. This will stimulate a greater flow of import/exports and enhance consumer choice.

Experience from the European Union shows that companies are reluctant to invest in new facilities where regulation is fragmented and marketing opportunities are constrained. Common levels and values would incentivise innovation and free up funds for companies to invest in new food science.

The growth and opportunities that a single regulatory framework can deliver can be achieved through the development of a shared vision and active cooperation between the private sector and governments.

Fig. 1 Declared value of a content claim (micronutrient) is different for same product recipe

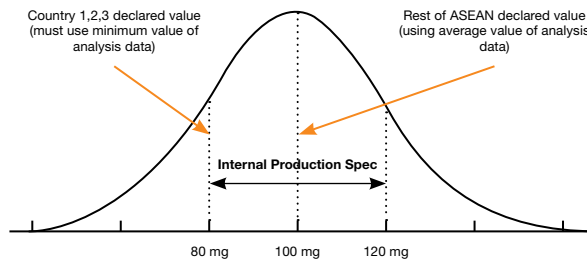
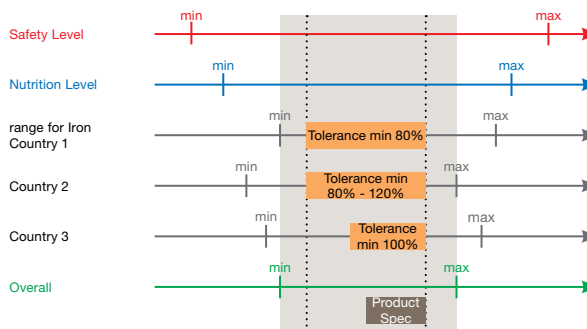


Fig. 2 Restrictive product specification due to different nutrient limits & tolerances in three countries for one nutrient*



* A micronutrient content claim on Front of Pack

Fig. 3 Recommended Average Daily Consumption of Iron for The Purpose of Nutrition Labelling in Different Countries

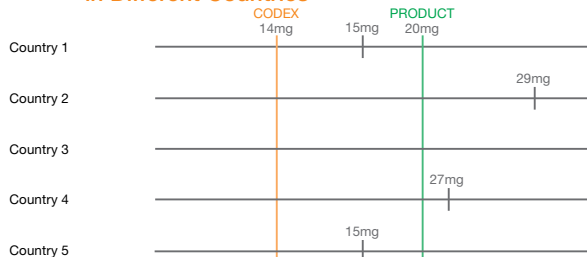


Fig. 4 Example of a less restrictive product specification due to harmonised nutrient limits in three countries for one nutrient: iron

