Role of harmonization of standards within regional value chains

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BACKGROUND

Role of harmonization of standards within RVCs
Why RVCs?

- The development of competitive RVCs is important for Africa’s trade, diversification, industrialization and development
  - In 2014, manufactured goods accounted for 41.9 per cent of intra-African exports, compared with only 14.8 per cent of Africa’s exports outside the continent (ECA, 2017)
- Competitive RVCs are also needed to better position the continent to integrate into GVCs (particularly at higher rungs of the production chain) and benefit from the global trading system
The time is now

- The African Continental Free Trade Area (AfCFTA) is expected to support the development of RVCs in Africa
- Ambitious tariff liberalization - boost incentives to source inputs and intermediates from within Africa
- This potential cannot be realized without African quality standards!
Championing RVCs

- 57th ARSO Council Meeting – ECA agreed to serve as ARSO Champion for RVCs

- Moving forward, ECA plans to fulfill its role as ARSO Champion for Industrialization and RVCs through a number of ways:
  - Incorporating standards development, harmonization and compliance in ECA research work on trade and industrialization;
  - Advising ARSO on what products to prioritize in the area of standards harmonization
  - Building awareness on the importance of standards to the development of competitive industrial RVCs
WHAT ARE THE PRIORITIES FOR STANDARDS HARMONISATION IN AFRICA?

Role of harmonization of standards within RVCs
Prioritize: not all standards need to be harmonized!

- AfCFTA provisions on TBT and SPS call for the harmonization of standards at the continental level…
- BUT harmonization of standards is an expensive task requiring extensive and lengthy negotiations
- Not possible to harmonize all standards at once – lack of finances and time
- Prioritization – How to ensure maximum impact despite these constraints?
Criteria for prioritization

1. Most commonly traded goods
2. Under-exploited intra-African trade
3. Promoting industrialization and RVCs
4. Agricultural development and food security
5. Private sector requests
Most commonly traded goods

• Common criteria for prioritization
  • TMEA Project to support standards harmonization in the EAC - concentrated on harmonizing standards for the top 20 most commonly traded goods in the EAC region by value

• Facilitates the expansion of existing intra-African trade

• According to UNCTADStat data, in 2016, the most commonly traded products between African countries in terms of value were:
  • Machinery; petroleum and petroleum products; non-metallic mineral manufactures; gas; vegetables and fruits; iron and steel; manufactures of metal; cereals; tobacco; paper and paper manufactures; coffee and tea; sugar; animal and vegetable oils; fish
Under-exploited intra-African trade

- Prioritization should not be guided purely by “existing” intra-African trade
- Significant opportunity to tap into “under-exploited” intra-African trade - potential exists for African countries to supply exports to other countries on the continent who currently rely on imports originating from outside Africa
- AfCFTA will support this, but standards harmonization also key
- Intra-African trade in agricultural products is particularly under-exploited
  - In 2016, only 17.6% and 12.8% of Africa’s imports of food items and agricultural raw materials respectively originated from within the continent
  - Yet, agriculture accounts for 32% of Africa’s GDP, employs 65% of Africa’s labor force, and the continent holds 65% of all the arable land left to feed the world by 2050 (ECA, 2017)
Promoting industrialization and RVCs

- Facilitating the import of key inputs/intermediates that can favor value addition, the development of RVCs and industrialization will be critical
  - Intermediates account for 60 percent of Africa’s total imports (ECA, 2015)
  - Although the share of intermediate goods sourced on the continent is growing, it still remains low at 14.5 percent (ECA, 2017)
- ECA is recommending that the modalities on trade in goods be designed to ensure that all intermediate goods are fully liberalized as early as possible under the AfCFTA - to lower the cost of imported intermediates and provide incentives to source intermediates from within the African market
- Harmonisation of standards for industrial intermediates is also crucial!
Agricultural development and food security

- Standards harmonization is particularly important for agricultural exports - agricultural goods face the most stringent TBT and SPS measures.
- Crucial to boosting (under-exploited) intra-African trade in agricultural products and supporting agricultural employment, the development of agro-RVCs and food security in Africa.
- Example: In May 2018 the Eastern Africa Grain Council (EAGC), in partnership with the USAID East Africa Trade and Investment Hub, launched nine priority staple foods for standards harmonization:
  - maize (grain), wheat, milled rice, dry beans, dry soybeans, maize flour, wheat flour, sorghum flour and millet flour.
Private sector requests

• Private sector participation is crucial for ensuring that the harmonization process addresses the most pressing concerns of the end users and drivers of RVC development

• More likely to have buy-in, and be implemented and complied with

• Example: EAC Regional Private Sector Standard Platform (EASP)
  • Focuses on advocacy and engagement on harmonization of standards
  • TMEA worked with the EASP to elicit input from the private sector on the harmonization process
  • The EASP invited private sector representatives to provide input, and ensured that their recommendations were taken into consideration
WHAT IS THE ROLE OF RECS IN PROMOTING HARMONIZED STANDARDS FOR IMPLEMENTATION?

Role of harmonization of standards within RVCs
RECs have a key role to play

- RECs serve as the building blocks for the AfCFTA, and will continue to have a crucial role to play in African standards.
- Efforts to harmonize standards at the REC level will reduce the complexity of the continental harmonization task.
- RECs have made significant efforts to harmonize and coordinate quality policy, and therefore have existing capacities and knowledge in the area of standards, which can provide important inputs to continental harmonization under the AfCFTA.
- ARSO’s 57th Council decision to identify REC champions for standards at the sectoral level is a step in the right direction.
Driving implementation

- ARSO members have been very slow in adopting harmonized standards
  - Although 71 standards have been harmonized for agriculture and food, only two countries have adopted any of these harmonized standards

- RECs can play an important role in advocating for the adoption of African harmonized standards at the member state level

- They can also contribute to the AfCFTA institutional structure for standards harmonization through coordinating implementation at the regional level
  - For example, through working closely with National Standards Bureaus and supporting its member states to share access to their testing infrastructure with neighboring countries (at a low cost)
Role of harmonization of standards within RVCs
The AfCFTA is expected to support the development of RVCs in Africa, but this potential cannot be realized without harmonized African quality standards.

But harmonization of standards is an expensive task requiring extensive and lengthy negotiations – need for prioritization!

This prioritization should be guided by a set of carefully selected criteria.

Private sector participation is crucial to ensure that the harmonization process addresses the concerns of end users and drives RVC development.

RECs will continue to have a crucial role to play in supporting the development, prioritization, adoption and implementation of harmonized African standards.
THANK YOU!

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