

POLICY OPTIONS FOR ACP COUNTRIES IN FACE OF MEGA REGIONALS, by Catherine Grant Makokera

In the May 2016 newsletter, Peter Draper outlined some of the impacts of the mega regional trade negotiations on ACP countries. He identified both potential challenges and opportunities from the expected convergence of TBTs and other regulatory standards among the members of mega regional agreements. In this article, I suggest some of the possible policy responses that could be considered by ACP countries in light of these global shifts.

To recap, the mega regional trade agreements (Trans Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and Regional Comprehensive Economic Partnership (RCEP)) are expected to see a common regulatory framework achieved or at a minimum greater levels of regulatory convergence among members. This is in response to the rising importance of product and process standards in a world where trade is dominated by transactions made as part of global value chains.

The text of the Trans Pacific Partnership, which has been concluded and now awaits ratification by members, provides some greater detail on the approach of mega regionals to TBTs. Chapter 8 of the agreement sets out a series of cooperative provisions that build on the WTO TBT Agreement. Article 8.9 outlines in detail the ways in which collaboration can take place and states that “The Parties shall strengthen their exchange and collaboration on mechanisms to facilitate the acceptance of conformity assessment results, to support greater regulatory alignment and to eliminate unnecessary technical barriers to trade in the region.” (Article 8.9.4 of the Trans Pacific Partnership). This process will be monitored by the Committee on TBT set up under Article 8.11 of the TPP Agreement.

It is expected that the TTIP would likely go a similar route to the TPP, with complete regulatory harmonisation ruled out at this stage. The focus of the agreement could be on mutual recognition of existing regulations and conformity assessment processes between Europe and the United States. Mutual equivalence is also anticipated to be an issue for discussion in the negotiations. This mega regional is however moving at a slower pace than envisaged and could be impacted by political developments in the European Union (e.g. Brexit) and the US (the Presidential election in November 2016).

What does all this mean for ACP countries? As noted by Draper in the May 2016 newsletter, greater harmonisation of TBTs at the global level could reduce transaction costs for exporters from developing countries as well as positively impact on the efficiency and productivity of those firms who are able to meet the standards. These benefits would be much more likely if mutual recognition or equivalence under the mega regionals is extended to third parties. For example, parties to the mega regionals could adopt a decision to automatically extend conformity assessment

recognition to non-parties to the agreements, provided they achieve recognition in at least one member state.

On the other hand, the imposition of higher standards as a result of mega regionals may disadvantage ACP countries given the limited capacity to meet such requirements and also increase costs for exporters. There are very few certified testing facilities, especially in the least-developed ACP states.

It is advisable for ACP countries to consider possible policy options to offset any likely negative impact of the mega regionals while the negotiations are still underway and the agreements are not yet in place. At a regional level, ACP groups could seek to fully implement agreements that already exist to support the development of harmonised TBTs. There are regional initiatives that could bring down the costs of meeting standards by achieving economies of scale for testing etc.

Working closely with the private sector in this regard is critical. It might be appropriate to take a supply chain approach to ensure that the specific regulatory bottlenecks for exports are understood not just at the level of producers but also those that are imposed by retailers and which apply to packaging and logistics, for example. Once the bottlenecks are identified (and there is much work that has already been done in this respect in ACP regions) then the key is to use this information for the implementation of solutions. The private sector can assist with innovative ideas that could position ACP exporters to take advantage of increased standards under the mega regionals. For example, the True Pacific regional quality mark aligns with the greater emphasis on environmental and labour standards in mega regionals.

The ACP countries might not be directly involved in the negotiations of mega regional trade agreements but this does not mean they can simply ignore them. It is important for all stakeholders to become informed of the likely impact and to proactively identify interventions at the national and regional levels that could see the opportunities for exporters outweigh the costs.

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POLICY OPTIONS AVAILABLE TO THE ACP COUNTRIES IN RESPONSE TO MEGA-RTAS TREATMENT OF FOOD STANDARDS AND TO SUPPORT PRODUCERS/EXPORTERS TO MOVE UP THE VALUE CHAIN, by Dr Donald Mmari

Regional trade agreements are growing in number and becoming more focused on subjects other than trade, such as competition policies, mutual recognition, movement of persons, investment and others. In light of that, the RTA dilemma and important question to consider – why are so many countries ready to accept the rules and disciplines at the bilateral level that they are not prepared to accept them at the multilateral level? For the ACP countries it is appropriate to consider policy options available in response to Mega-RTAs treatment of food standards and to support producers/exporters to move up the value chain. Indeed, these RTAs pose significant risks of further marginalization and exclusion from increasingly buyer-driven global commodity chains (tighter regulatory requirements and sanitary measures that increase costs to ACP producers, further reducing competitiveness already caused by low productivity, post-harvest losses, infrastructure gap, lack of skills and facilities). ACP countries may start to contemplate various policy options of negotiations for gradual upgrading of standards from ACP and preferential treatment. In addition, ACP investments are needed in production systems, quality control and post-harvest management systems, starting with abundant but sensitive commodities- vegetables, fruits, meat, milk, etc. – it should be on the agenda as incentives to encourage investment. Crucial would be to concentrate on promoting intra-regional trade in agricultural commodities (food in particular), and more especially processed foods.

These and other issues, such as closing the infrastructure gap; strategies to engage uneven and unequal partners, proactive trade facilitation and further efforts to remove non-tariff barriers, are part of the discussions on the Continental FTA, which would aim at facilitating emergence of stronger African capacity to comply with stringent food standards in major exporting destinations. The AU committed to increase intra-regional trade to 25-30% from around 12% (this decision was made in January 2012). But there are significant challenges to date in terms of implementing existing RECs and their eventual consolidation (COMESA, SADC, EAC - Covering 26 countries in total). Certainly training and organizational innovations to support collective production and marketing of smallholders- scale and quality control efficiency is part of the concerns and very desirable element of technical assistance provided by various donors and in particular, the EU ACP TBT Programme.

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