

Country Update

Technical Barriers to Trade: What Challenges do EAC Exporters Face?

Provided by



Economic and Social Research Foundation (ESRF)
By John Shilinde and Deusdedit Rwehumbiza
www.esrftz.org

Introduction

The importance of TBT for the economy and trade

Evidence suggests that Technical Barriers to Trade (TBT) is among the most important factors that affect international trade. It refers to the use of the domestic regulatory process as a means of protecting domestic producers. TBT covers mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size, shape, design, labelling / marking / packaging, functionality or performance. The specific procedures used to check whether a product is in compliance with these requirements include product testing, inspection and certification activities. Pursuant to the WTO framework, TBT are usually introduced by government authorities with a legitimate public policy objective in mind – for

example, protecting human health and safety, animal and plant life and health or the environment, or safeguarding consumers from deceptive practices. Considering this objective, one official in the Ministry of Industry Trade and Investment (MITI) comments “TBT are a guideline for producing safety products and fulfillment of local and international market requirements, hence through trade as engine of economic growth and development, I consider these as the central role and importance of TBT”.

On the other hand, TBT often have an impact on trade and the competitiveness of exporters, and in particular Small and Medium Enterprises (SMEs). TBT can also limit innovation, and increase trading costs. So adjusting products and production processes to comply with different requirements in export markets, as well as demonstrating compliance with these requirements, increase product costs and time-to-market, and can ultimately hurt the

competitiveness of a given country's exporter manufacturers. Because of this, stakeholders have different views. For instance, "TBTs tend to add operational costs to business in Tanzania. This translates into high cost of doing business to exporters in the regional markets. The complexity of the regulatory environment increases operational costs and pressure for compliance tends to make businesses shy away from regional markets. TBTs play part in shaping the nature of regional trade in Tanzania with its trading partners to take the shape of informal cross-border trading path with manufactured products being smuggled or using unofficial border posts to export goods to regional markets. The need to create conducive trading environment is essential in boosting exports and facilitating exporters to expand their export sales." one official in Tanzania National Business Council (TNBC) commented.

Upturn of the TBT in Tanzania

The importance TBTs on international trade patterns has increased in recent years, due in large part to falling traditional tariff barriers across all countries and the increased prevalence of global value chains that span national boundaries TBTs can help facilitate trade by promoting interoperability and ensuring product safety and environmental stewardship. Outdated and overly burdensome standards-related measures, however, can reduce competition, limit innovation, and increase trading costs. Generally, lowering technical barriers to trade and harmonizing standards can enhance trade competitiveness, promote market access, and decrease unnecessary trade costs. Striving to get rid of such costs MITI official insists "We have a committee that normally discusses and analyses TBT issues based on WTO and

Regional Agreements as part of our obligation". In a similar vein, TNBC notes "We have raised the issues of TBT in the Council deliberations starting with the need to streamline export and import licensing framework at the port of Dar es Salaam. The discussions have focused on setting up a Single Window System to streamline different port process to create easy import and export experience. The other issues raised in the Council include the presence of many police check points that tend to be disturbance to logistics operators in the country".

Analysis of the TBT issue when exporting top-5 manufactured products in Tanzania

The analysis of TBT issue was described based on the opinions and views from different manufacturing and exporters stakeholders as well as academia. According to the TNBC, TBT is described as complex regulations imposed on export manufacturers whereas MITI describes them as all measures established to oversee standard of particular products, conformity assessment and technical regulations which aim at safety and health. It follows that TBTs which have been cited in the reported non-tariff barriers include standards disparities, inadequate or unreasonable testing and certification arrangements, and restrictive technical regulations and standards not being based on international standards.

According to the respondent from TradeMark East Africa, almost all countries impose TBTs especially in the sectors that these countries want to grow or protect their market from foreign competition. For example, agro-

processed products are highly protected through TBTs even in advanced markets such as USA and European Union. This is because the farmers in these economies have a very strong power to lobby their governments and get protected. TradeMark East Africa is of the view that agro-processers in advanced economies are highly protected through TBTs because it is easy for any processors even those based in least developed countries like Tanzania to compete with them at the international market. Agricultural production and agro-processing do not require sophisticated technology as compared to other sectors such as electronics. Much as advanced economies, particularly USA and EU have given African countries a window to export their products through African Growth and Opportunity Act (AGOA) and everything but arms initiative (EBA) respectively, USA and EU markets are still characterised by numerous TBTs that limit African export manufacturers' access to these high value markets. In a similar vein, some exporters mentioned United States of America, European Union and Kenya (in that order) as the export markets where the TBTs are most encountered.

In the course of our interrogation, TradeMark East Africa revealed that within the East African Community (EAC) framework, the story is not different; countries still impose TBTs on their export manufacturers. For example, Kenya once imposed TBT on dairy products from Tanzania, specifically cheese produced by a competitive company in Arusha. Kenya through Kenya dairy board could not re-new import permit of the local company that was importing cheese from Tanzania on the account that the cheese did not meet the required standards. Kenya has also in some incidences been restricting the importation of maize from Tanzania on the basis that the maize from

Tanzania contains aflatoxines. Restriction is imposed even when authorities in Tanzania have certified the exported maize to be aflatoxine free.

Another case in the EAC is when Uganda restricted the importation of mosquito nets from Tanzania produced by A to Z Textile Company in Arusha on the grounds that the threads used in making the nets were not of the required diameter. This has been like a tit-for-tat exercise because Tanzania also imposes TBTs on various products from Kenya on the basis of standards. For example, for a long time now Tanzania has been restricting importation of table salt from Kenya on the basis that it does not have clear description of its minerals contents. In many other products Tanzania does not recognize standards marks by Kenya Bureau of Standards and hence subjects the imports from Kenya to re-testing.

In Tanzania TBTs are considered to have both positive and negative impacts on business and organizations alike. The positive impact is that they consider safety and health issue in relation to doing business. The negative impact is that they translate into NTBs and hence reduction of exports revenue, firms profits and the corresponding reduction in welfare if those measures are used to restrict trade. According to the interviewed firms, TBTs also inhibit their ability to diversify into various foreign markets. It is not easy to capture the data on TBTs and NTBs in general. There are also very limited studies in Tanzania that have captured the data. Given the sensitivity of the NTBs the authorities are usually not very free to share the data. Also capturing of such data requires very high skilled researchers to come up with meaningful data.

Conclusion and recommendations for possible action

First, there is high need to streamline licenses and regulatory agencies that oversee export and import of products in Tanzania. Secondly, there is need for improving overall business environment in which exporters operate. In Tanzania, this should go hand in hand with improving border posts environment by tackling congestion issues, improve road infrastructure and simplifying and standardising regional trade requirements. There is a need to build cross-border markets that facilitate easy trading among EAC Partner States and between these countries and the rest of the world. This will cut logistical costs and increase penetration of

regional manufactured products into their target markets. Moreover, capacity building on TBT issues and information sharing to key stakeholders especially traders could be useful.

It is equally important for countries to abide by the commitments they make under multilateral agreements, regional agreements and bilateral agreements. Countries should develop policies, regulations and laws that facilitate trade. This can only happen if bureaucrats are adequately exposed to the benefits of international trade for their economies. Companies that are export oriented should study clearly the policy requirements in their target export markets to reduce the risk of failing on compliance.



CUTS International, Geneva

CUTS International, Geneva is a non-profit NGO that catalyses the pro-trade, pro-equity voices of the Global South in international trade and development debates in Geneva. We and our sister CUTS organizations in India, Kenya, Zambia, Vietnam, and Ghana have made our footprints in the realm of economic governance across the developing world.

© 2018. CUTS International, Geneva | ESRF

This country update note is authored by ESRF, Tanzania. CUTS' country updates aim to inform negotiators and policy makers about stakeholders' perspectives on the ground related to a particular issue. Readers are encouraged to quote or reproduce material from this paper for their own use, provided due acknowledgement of the source is made.

37-39, Rue de Vermont, 1202 Geneva, Switzerland

geneva@cuts.org • www.cuts-geneva.org

Ph: +41 (0) 22 734 60 80 | Fax:+41 (0) 22 734 39 14 | Skype: cuts.grc

PROMOTING AGRICULTURE, CLIMATE AND TRADE LINKAGES IN THE EAST AFRICAN COMMUNITY – PHASE 2
The PACT EAC2 project builds capacities of East African stakeholders for climate-aware, trade-driven and food security-enhancing agro-processing in their region. Web: www.cuts-geneva.org/pactec2



The PACT EAC2 project is undertaken with funding support from the Swedish International Development Cooperation Agency (Sida).