

Standards, Winning Markets and Trading through Value Chains

Lima, 30 November 2013 (ECA) - At the UNIDO General Conference in Lima, the Economic Commission for Africa (ECA) participated in a Panel on *Meeting Standards Winning Markets: Trading through Value Chains* to provide African perspectives on the issue. Below is a commentary on the theme by the ECA as presented at the Conference:

Standardisation, as a human activity is not new; what is new about standardisation today is its application to industry, science and technology. Reduction in the variety of products or standardisation, as it was found out, could lead to more continuous production and cheaper products. The great demand for consumer products and the tremendous advances in technology have contributed to the modern development of standardisation.

It is now evident that the production networks are more globalised than they were a decade ago and modern industrial development has resulted in mass production and the need to define precisely the characteristics of manufactured goods. The consumers electronics for example are "made in the world" in the sense that they contain parts that are made by different companies in different parts of the world. But what is a common denominator about them is the standards that they are required to meet. Their assembly is possible only because their components are made according to standards.

Standards are crucial for the orderly and efficient flow of goods and services in domestic and international trade. The adoption of international and regional standards as national standards helps to eliminate non-tariff barriers to trade at the international and regional levels, as it turns out to be today, penetration to the global value chains is not being undermined by tariffs, rather by non-tariff barriers in the form of standards requirements or rules of origin.

For many developing countries whose economies are tied to the successful marketing of a small number of agricultural products, standardization can contribute to improved export earnings. Today, purchasers in industrialized countries buy products from developing countries by reference to standards in the contracts. Standardisation brings economic benefits throughout the industrial process, from initial product or project design to ultimate use.

An important question one would ask is who controls what share of the global value chain through which the production takes place? It is obvious that it is the company or country that meets the required industry standards. It is unlikely that many developing countries, particularly those in Africa control in any way, any of the segment of the global value chain. A possible explanation is that there is limited R&D that leads to patents that meet the required standards or the standards in these countries are not recognized.

What then should be done, if African countries have to transform their economies, they must industrialise. If they are to industrialise, they must add value to their natural resources as a viable option. But the goods that they produce through this value addition must meet international standards. How can they do this? To begin with, they must take full advantage of regional integration and cooperate within the Regional Economic Communities in developing regional standards. This is one area where regional integration has the most powerful impact in terms of minimizing individual country costs and at the same time, provide greater opportunities. This means joint investments in standards laboratories and similar infrastructure. One starting point could be to take advantage of successful country experiences.

For instance the Uganda experience on fisheries could benefit other countries that export fish from lake Victoria such as Kenya and Tanzania. What happened in Uganda in the late 1990s, was a total ban on the importation of fish by the European Union. The EU claimed that there were high levels of bacteria and microbiological contamination found in fish products from Uganda. The government of Uganda in partnership with private sector and UNIDO established new laboratory facilities, cold storage transportation, fish processing and improved packaging for export products. This resulted in improved fish management and quality. Afterwards, the ban was lifted in the year 2000, and the fish sector rebounded, fish exports increased by 316% between 2000 and 2012. Fish and fish products sector made up 2.6% of Uganda's GDP and 5.4% of exports in 2012. Fish exports earning recorded US \$128.3 million in revenues in 2012.

The recent trend towards fragmentation of value chains and outsourcing of production to other countries by multinational corporations gives Africa the opportunity to become part of these global value chains. In addition to potentially favouring Africa's exports, such a move would also provide the opportunity for technology transfer, skills upgrading and learning-by-doing if African countries can become attractive locations for higher-tech parts of the value chain. LDCs have a particular advantage in the flexibility afforded to them by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and of the dedicated support to aid technology transfer.

The recent initiative on Pan African Quality Infrastructure (PAQI) to which four regional organisations have been instrumental (namely African Organization for Standardisation ("ARSO"), the African Electrotechnical Standardisation Commission ("AFSEC"), the African Accreditation Cooperation ("AFRAC") and the Intra-Africa Metrology System ("AFRIMETS")), has three key elements: metrology, standardization and accreditation of conformity assessment services such as certification, testing, calibration and inspection.

PAQI could go a long way in helping African countries benchmark in metrology, standards and accreditation and could enable them create competitive markets regionally and also win global market

share. There are also continental frameworks in Africa, such as AIDA, CFTA, 3ADI which all offer great opportunities for the region to create space for promoting and testing standards.

In conclusion, any developing country which is set on the path of industrialization must develop a strong national standards system based on the integrated approach to standardization. However, quick results should not be expected since the development of a viable infrastructure for standardisation, quality control, certification, testing and metrology from scratch will take a considerable time. And the expected results would materialise only if the National Standards Body responsible for integrated standardisation gets full support from its Government.

Issued by: ECA External Communications and Media Relations Section

PO.Box3001

Addis Ababa

Ethiopia

Tel:+251115515826

E-mail: ecainfo@uneca.org

www.uneca.org