THE ROLE OF DEVELOPMENTALLY FOCUSED INSTITUTIONS AND AGENCIES IN CREATING A SUSTAINABLE INFRASTRUCTURE FOR REGIONAL AND SUB REGIONAL TRADE FACILITATION

E. J. van Rooyen & M. A. Peet
School of Public Management and Administration
University of Pretoria

ABSTRACT

The article investigates the impact globalisation has had on the trading environment confronting a developing country’s suppliers of goods and services. The gradual reduction in historic methods to protect national markets such as tariffs is bringing more sophisticated technical barriers to the fore. In order to satisfy the sophisticated demands of a developed country’s consumers, it is essential that developing country suppliers have access to appropriate technical infrastructure. The provision of such infrastructure in an African context, under the African Union and NEPAD is discussed. The possible roles of both the regional and sub regional of Regional Economic Co-operations are then explored. The article concludes that the many differences between the member states of the African Union should be considered strengths in harvesting its rightful rewards as respected members in the global community.

INTRODUCTION

Globalisation has manifested itself in a number of ways, including increased global trade, travel and tourism, an increasingly common consumer culture, increasing international migration and technological advancement. These trends create both positive and negative consequences for developing countries including those in the Southern hemisphere and of course, nearer to home, Africa.

The world wide increase in consumer sophistication has created a need to increase the quality of product and service offerings with a consumer expectation of better value
for money. The global economy has also created the real possibility to move production of goods and services from existing, well established but relatively expensive locations to other less well developed parts of the world that can offer similar outputs, but more cost effectively. As products become more complex, the public also needs to be assured that they are safe. In developed nations, it is common for government agencies to investigate and ban potentially unsafe products.

Governments could previously regulate foreign goods coming into their local market through the use of subsidies or quotas. The international trade community now appears to agree that free trade is a better way to encourage stronger economies. According to Dell (1989: 102), “…the view has gained ground that it is the market that knows best, not the Governments, and that the best thing Governments can do is to allow themselves to be guided by the market”.

The recent mantra emanating from the USA, namely Trade not Aid would appear to support and reinforce this trend. If we believe Bhagwati that (2002: 25), “…the proponents of trade have always considered that trade is the policy and development the objective”. He suggests that the experience of the post-war years only proves them right but also concedes that if trade is indeed good for poor countries, there should be something done to enhance its value for them. According to Bhagwati (2002: 25) a great deal can be done, but not until several misconceptions are confronted and discarded.

Research by Bhagwati has determined that (as of today, rich-country tariffs average 3%; poor countries’ tariffs average 13%. The trade barriers of the poor countries against one another are more significant restraints on their own development than those imposed by the rich countries) (Bhagwati, 2002: 25).

In discussing widening trade balances between developed and developing countries as well as increasing developing country debt, Meng (1988: 271) is convinced that the responsibility lies with the industrialised countries because they restrict access to their markets from the debtor countries which are obviously developing countries. A report by the United Nations Conference on Trade and Development (UNCTAD) notes that trade liberalization is the common policy prescription for increasing trade flows. The voluminous literature in this area forms the basis for often-heard claims about the benefits of trade openness; however there is no convincing evidence that economic growth follows trade liberalization (UNCTAD, 2002: 28). The UNCTAD research points to the complexities of opening national markets to global competition. An interesting comment on who might be driving the strategy of increasingly open markets is made by Batley (2004: 54) who notes that the deep involvement of international lenders or donors in the policy making of countries in crisis can lead to the ventriloquizing of policy through national political leaders.

Responsible governments would obviously want to seize the benefits of globalization for their nationals, i.e. larger markets and greater income for their local industries and lower prices for their consumers. The challenge is to achieve this whilst limiting the unintended consequences of such action, such as higher safety risks, due to inferior quality of imported goods, for the local consumer. One way to do this is to create and enforce suitable regulations including technical regulations.
The most liberal advocates of free market economies agree. Research by Kotler and Armstrong (1993: 78), indicate that the economic system works best if subjected to some regulation. It should be noted that effective regulation may encourage competition and may also ensure fair markets for goods and services. The problems with unfettered involvement of private enterprise in establishing transparent norms is also highlighted by Gray (2002: 7) who cautions that the so called free market has not occurred by chance but has been an artefact of power and statecraft.

In accordance with World Trade Organization (WTO) rules, quotas and subsidies are no longer allowed. Governments using quotas and subsidies, including Europe and the United States, have undertaken to phase these out according to an agreed timetable. The WTO encourages members to use tariffs (fees paid at the border) to manage market access rather than non-tariff measures. Tariffs are transparent and can be lowered as the market opens. Lower tariffs are exposing other access restrictions created, supposedly, to protect consumers, such as increasingly sophisticated technical regulatory requirements.

The need, mentioned in the previous paragraph, by governments to regulate has created the situation that exporters often face voluminous paperwork, complex formalities, and many potential delays and errors. Hill (2002: 485) quoting a United Nations (UN) report on trade and development, notes that typical international trade transactions might involve multiple stakeholders, many original documents and a multiplicity of copied documents. All of these would in turn have to be checked, transmitted, re-entered into various information systems, processed, and then filed. This, plus specific technological factors for a product, can have very different consequences for exporters. If the exporting company requires proof of compliance to an international (or local) standard and does not have access to a sufficiently developed, recognised and appropriate national technical infrastructure, retesting may be required on delivery. This could result in inherent delays and associated costs for a large manufacturer and exporter of electrical cable for instance. This, in turn, is very frustrating and time consuming. For a small enterprise that grows and exports agricultural produce, such as is the case in large parts of Africa, this could rapidly lead to bankruptcy. Electrical cable can be sent back to the manufacturer for resale elsewhere, whereas agricultural produce normally cannot.

The growth in global trade and the need to adhere to a set of uniform / common rules of trade therefore place enormous pressures on governments, especially those of developing countries. As parties to international conventions and treaties, they need to intelligently participate in the creation and application of international, trade related, regulations and standards. The difference between a technical regulation and standard is that compliance is mandatory in the former case and voluntary in the latter. This responsibility is highlighted by Mills (2000: 219), who states that future trends in globalization may require careful consideration of the costs and benefits of bilateral and multilateral agreements and the resultant allocation of resources. But what about those countries, such as those in Africa, who are individually unable to exercise this responsibility, but are subject to its far reaching consequences? Exporters frequently face difficulties in gaining access to foreign markets due to requirements to have products tested and assessed in the importing country to ensure that they meet local regulatory requirements.
These activities increase the needs of a supplier, wherever in the world they are situated, to access independent and internationally trusted mechanisms to prove conformity of their products to international standards and norms. This process obviously needs to be performed in a reliable and cost effective way. This article discusses the need to create an appropriate and sustainable technical infrastructure in Africa but especially in SADC to assist trade facilitation.

THE ROLE OF SADC GOVERNMENTS IN DEVELOPMENT

Developed nations expect proven compliance of imported agricultural products and manufactured goods, against increasingly sophisticated technical requirements, before allowing access to their markets. These are normally contained in technical regulations intended to protect the health and safety of their citizens. The problems that will be experienced in developing countries, such as those in the SADC region, are often without credible demonstration of compliance and are increasingly painfully obvious. The public sector is already recognised as having an important role in assisting industry to address such market access issues. This implies that such governments should introduce particular public policies to improve the prospect for sustainable development. Cloete & Wissink (eds). (2000: 78) and Cloete, Wissink and De Coning (eds). (2006: 84) emphasise that the primary task of government is to set policy objectives which continuously respond to changing needs because development trajectories do not remain static in terms of its requirements for success. Developing states normally lack the sophistication and tend to have less-than well-organised interest groups to compete for resources. The public sector, normally lacking in their own way, thus becomes more-and-more involved in undertaking activities of development in society. However, gaps exist as far as the needs and demands for change and the governments’ capacity to fulfil such needs and demands. The result is often ineffective policy formulation and implementation (Cloete, Wissink and De Coning (eds). (2006: 98).

Rainey & Chun (2005:648) quoting prior work by Jones and Ketti (2003), assert that criticism about government performance is globally evident. Governments are accused by critics of inefficiency, ineffectiveness and fail to provide either the quantity or quality of services deserved by the taxpaying public. Kennedy and Hobohm (1999:4) also argue that African economies should develop strong private sector enterprises in order to compete effectively in world markets. Diale (2005:59) cautions against such an umbrella approach to replace public sector practices with those of the private sector, without taking cognizance of the peculiar nature of the public sector and its ethos. This is particularly true in developing countries.

Donor effort in the area of conformity assessment is currently directed at public sector capacity building, but doubts on sustainability are beginning to surface. A related problem concerns the creation of appropriate and sustainable private sector conformity assessment capability and capacity to support and supplement existing public funded institutions.

The explosive growth in global trade and the increasing need to adhere to a set of uniform rules of trade places pressures on governments, especially those of developing
countries. As parties to international conventions and treaties, they need to intelligently participate in the creation and application of international, trade related, technical regulations and standards. An important global trend is that regional organisations for Standards, Accreditation and Meterology are increasingly being seen as providing the necessary linkages between emerging regional trade blocs and the relevant international body for a specific activity. This has a major impact on developing economies and emerging regions such as SADC.

The SADC region obviously has little choice but to develop and implement a functioning regional technical regulation framework. The region has to develop the institutional capacity in the Technical Regulatory, Standards, Meterology and Accreditation domain to make it work. Both public and private purchasers of conformity assessment services will be provided with a transparent mechanism for recognising the technical competence of providers. Given the increased confidence, they can be expected to make more use of these independently verified service providers.

The inherent difficulty caused by each and every country defining its own individual regulatory requirements has created increasing international pressure for referencing internationally harmonised standards in national regulations. This strategy is prominent in global bodies such as the World Trade Organisation (WTO) and is seen as a vital component in removing Technical Barriers to Trade (TBT). Sophisticated technical requirements are obviously a major concern to developing countries, including South Africa, due to their potential impact on exports. The current focus on the role of internationally harmonised standards in trade facilitation (OECD, 2005), also logically leads to the issue of satisfactorily proving compliance of a product against such a standard?

To ensure that products and services comply with a technical regulation or standard requires some sort of credible conformity assessment, such as laboratory testing, inspection or third party certification. A demand has been created for appropriate mechanisms that allow both for independent proof of the competence of both local conformity assessment bodies and the integrity of the associated national, and normally publicly funded, support infrastructure.

Donor funding, encouraged by the WTO, is currently being focused on creating sustainable technical infrastructure in developing countries, particularly in Africa. Much of the current donor funded activity in this arena is aimed at creating or expanding public infrastructure, often in a non sustainable way. The role of the private sector is recognised internationally as being an important role player, however, little is done to create suitable conditions for a more active role in this area.

THE ROLE OF INTERNATIONAL BODIES

On 1 January 1995, the World Trade Organisation (WTO), was created to improve existing international trade regimes in goods and services. Concurrently, a series of international agreements relating to international trade came into effect. Seven years of hard negotiations went into the drafting of the WTO and its related agreements.
Vernon (1995: 329) asserts that “…these agreements, if taken at their face value, show promise of reshaping trade relationships throughout the world”. He adds that developing countries in particular hope that many of the practices of more developed countries that restrain access to their markets will be substantially modified as a result of the new agreements.

The great expectations of the WTO and the subsequent reality are perhaps best captured by Micklethwait and Wooldridge (2000: 169), who comment that “…(E)verybody believes in the WTO when it is prying open foreign markets but not when it is prying open domestic ones”. This hints at the long and tortuous process involved in reaching international consensus. In spite of these difficulties, there has been progress in the area of trade liberalisation and the role of technical regulations and standards.

The availability of a commonly agreed technical standard is a valuable tool. The international community, especially the WTO, has recognised this by inviting the International Standards Organisation (ISO) as an observer to the Committee on Technical Barriers to Trade (TBT). This, however, presupposes that a sophisticated technical support infrastructure is locally available to ensure compliance to such a standard.

In order to be acceptable, the WTO members have agreed, technical procedures should be based, whenever possible, on relevant guides or recommendations issued by international standardising bodies. With respect to the mutual recognition of conformity assessment procedures, members of the WTO are encouraged to accept the procedures of the other members, even when those procedures differ from their own, provided they are satisfied that those procedures offer an assurance of conformity with applicable technical regulations or standards equivalent to their own procedures. This is great in theory, but rarely easy in practice as many businesses have experienced at their cost. Independent and internationally recognised accreditation of these bodies verifying competence and compliance with relevant international guides and recommendations should be taken into account as an indication of adequate technical competence. Due to the strong technological component associated with competent conformity assessment, developed countries have an inherent suspicion of products originating in developing countries and often insist on re-testing in their own country. The risk to the importer and in some cases the country of the exporter, of being found to be supplying non-conforming products can be severe.

An apparent and ongoing escalation in technical requirements is supported by research by Wilson & Otsuki (2004: 2), orating that standards and technical regulations are essentially used to mitigate food, animal and plant safety risks, and to provide common norms for product characteristics. Such technical requirements can also constitute barriers to trade by imposing unnecessary costly and time consuming tests or by laying out various requirements in different markets.

From the previous paragraphs it should be evident that opening national markets is a strategic imperative with important roles for both the national government and the local public sector. Mills (2000) points to the important role of the state in the globalising world as he argues that although the homogeneous nature of the post-Cold War world does not allow much scope for policy experimentation, policies still require effective strategies for
implementation to enable states to engage advantageously with the global environment (Mills, 2000: 7).

Chomsky (1991: 1) notes that in considering the First Principles of Government, the Scottish philosopher David Hume found nothing more surprising than to see the easiness with which the many are governed by the few. Are there parallels here that others might want to apply to developing countries trying to participate in the international environment? Is there a role for those who might be trusted in future to offer a more representative voice for the silent majority?

Stiglitz (2002: 226) is of the opinion that a fundamental change in governance is required to make globalization work in the way that it should. In his view this entails, a change in the relevant international institutions. He acknowledges that such changes are not going to be easy. Industrialised countries are not likely to give up their votes so that the developing countries can have more votes. How Africa might establish a more unified voice, and specifically the role of the African Union and specifically NEPAD in such a strategy is considered in the next section.

THE ROLE OF THE AFRICAN UNION AND NEPAD

Kennedy & Hobohm (1999: 4) declare that African economies need to open themselves more fully to the international markets in order to be able to enjoy their full share of the benefits of globalization. They should develop strong private sector enterprises, which may compete effectively in world markets and enter into mutually beneficial partnerships with international firms to obtain access to resources such as finance and technology.

The advice contained in the opening paragraph obviously needs to consider current realities in the region. Kwaku (1995: 35) is of the opinion that no African state is economically large enough to construct a modern economy alone. He is also convinced that to fulfil the aspirations, needs and demands of the peoples of Africa, a sustained practice of continental planning, in order to unite the resources, market and capital of Africa in a single substantial economic unit.

Findings from Leshaba (2004: 3) indicate that after African countries achieved their independence, two conflicting predispositions have influenced their efforts at regional cooperation and integration. The first has been to adhere rigidly to colonial borders although these borders militate against economic viability and coherence of the African nation-states created artificially. Their second inclination was to emphasize the indispensability of economic integration across Africa’s sub-regions and the continent as a whole (Leshaba, 2004: 3).

Mathiasen (2005: 667) argues that most of the people in the world do not live in societies with political roots going back to the Middle Ages in Europe. That is excellent advice, but given Africa’s colonial past, change to more indigenous, Afrocentric knowledge and models to assist transformation will need sustained, hard work and strong political commitment. Research by Batley (2004: 35) indicates the extent of the challenge. He contends that in weaker political economies, particularly the African cases in this
study, the bureaucratic arena is itself highly politicized and inter-connected with societal interests. It is where power, employment and patronage are concentrated, so the stakes are high (Batley, 2004: 35). Given the foundational role in both the AU and NEPAD of regional economic co-operations (RECs), Leshaba (2004) also raises an important point. He notes that “…most African countries have multiple memberships to many of the existing RECs. As a result the same country will therefore find itself progressing towards economic integration at different paces in different communities to which it belongs” (Leshaba, 2004: 8).

Melber (2004: 4) expresses doubt about NEPAD. He claims that NEPAD remains controversial among leaders of African states. It has also utterly failed to gain approval from many stakeholders who consider the initiative as an ideological blunder of a neo-liberal capitulation towards the powerful countries. Melber (2004: 7) has also noted that NEPAD offers the opportunity for South African capital to expand further in Africa by creating new market access. NEPAD is hence considered a lubricant for South African expansion into other parts of the continent. This is not a problem for Ngcukana (2006: 86) who argues that South Africa is the number one investor on the African continent. It even outstrips the United Kingdom and the United States combined. This supports the view of Leshaba (2004: 4) who contends:

“that across borders of African countries there is a high level of unrecorded trade between ordinary citizens of the continent. This is a reflection of the continent’s potential to flourish if regional integration is well coordinated.”

What is clear is that trading activities, even across borders, in the African region will continue. The issue is how that might be encouraged and expanded so that the Southern African region can also share in the fruits of globalisation rather than the consequences of marginalisation. It is also apparent that donor related activities will also continue, but tangible benefits will remain different. Mathiasen (2005) offers a clue as to why this will be the case. He mentions that Western technical assistance practitioners working at the ground level refer to the need to understand and take into account the social and political context of the countries in which they operate (2005: 667). This contextual sensitisation obviously takes time if it is to be done properly. A commodity such as time is normally not in abundant supply. Why not use local knowledge and resources from the outset? Ngema (2005) points out that the lack of capacity not only has local or national, but it has regional, continental and global consequences. It is impossible to withdraw from such processes until the capacity for effective engagement is developed (Ngema, 2005: 11).

Given the enormity of building a sustainable technical infrastructure that would address the needs of the region, the use of the existing RECs is more sensible. This would allow a network to be created that could then be integrated at the regional level. A better use, in this area of activity, for the structures of AU and NEPAD, initially at least, is formulating regional views on technical issues. They could also be used to coordinate activities between the various RECs in technical infrastructure capacity building to ensure maximum use is made of the knowledge obtained.
A co-ordinated African voice would probably unearth many other and currently hidden problems. Micklethwait and Wooldridge offer a hint to future difficulties. They state that “it is more than a little dishonest for politicians who have made little headway in modernizing their own national bureaucracies to call for instantaneous revolutions at bodies over which they have even less control” (Micklethwait and Wooldridge, 2000: 169).

ROLE OF SUB REGIONS

The Economist Intelligence Unit in early 2000 posed the question as to which would be the fastest growing economy. Friedman is of the opinion that Mozambique has been one of the world’s fastest-growing economies for the past four years. GDP growth there has averaged 10 percent, whereas Botswana has enjoyed an average growth of seven percent over that period. Despite Africa’s disadvantages, business-friendly reforms can work wonders, even in desperately poor countries (Friedman, 2000: 197).

Friedman looks at the so-called opportunities offered by globalisation from a first world or developed world perspective. The issue of Technical Barriers to Trade has already begun to surface in African states. Government experts in both Mozambique and Botswana agree that there is no way that they can afford the sophisticated infrastructures that have been created in South Africa to cope with this issue over many years. South Africa has concluded several Mutual Recognition arrangements that prove that its technical infrastructure is equivalent to that of many developed nations. The first of these was concluded in 1993, thirteen years after the activity began (McDowell, 2000: 48). SADC member states have agreed that a regional solution is best, but this is taking time.

Many countries are becoming increasingly aware of the trade facilitation benefits by concluding international Mutual Recognition agreements especially with respect to the harmonisation of standards and mutual recognition of the competence of testing, inspection and certification activities. This recognition of domestic competence could have a positive impact on the ability of firms to conduct international trade. Part of the strategy to realise closer economic integration within the SADC is, therefore, the creation of an appropriate technical infrastructure.

Regional organisations for Standards, Accreditation and Meteorology are increasingly being seen as providing the necessary linkages between the emerging regional trade blocs and the appropriate international body for a specific activity. This has a major impact on developing economies and emerging regions such as the SADC. The regional activities of standards creation in Europe, CEN/CENELEC and the Asia Pacific region, PASC, have also been mirrored in the SADC committee, SADCSTAN. Similar regional bodies exist for Accreditation, SADCA and Meteorology, SADCMET and SADCMEL.

The current problem is that South Africa is the only country on the African continent that has developed the sophisticated infrastructure required to prove equivalence of conformity assessment activities. South Africa’s experience could provide valuable lessons, for donors and recipients are of the opinion that technical infrastructure capacity building
and strengthening projects are a short term remedy. Mathiasen (2005: 667), quoting Pollitt (2002) provides some sage advice in this regard: “What works and what does not tend to be heavily context-dependent. That is to say, a technique or organizational structure that succeeds in one place may fail in another”.

CONCLUSION

Given the global trading environment that has already been created, some restructuring is obviously required in order to promote economic growth for all, rather than for some, at the expense of others. This view is shared by the South African President, Thabo Mbeki, who states that what South Africa is able to achieve in its foreign policy and the related issue of Africa’s rebirth are going to be determined by the manner in which South Africa and the international community alike can reform the global landscape. Mbeki’s view is supported by Gibson who states that in the future global economy, there will be very tough economic competition. The common environment will require global co-operation. More cooperation will be required to create a global economy that works for the benefit of all. This will require a proper commonly agreed upon regulatory framework, new systems for managing trade (Gibson, 1997: 239).

As companies in Africa grow from serving the needs of the local consumer they will be faced with issues accessing other markets that can only be solved by the local availability of appropriate technical support structures. Governments in Africa, as elsewhere, will find it increasingly difficult to prevent competition in their national markets by means of tariffs. A growth in technical requirements can be expected. It is vital therefore, that the African countries involved, investigate regional solutions for their technical infrastructural needs, especially in the area of conformity assessment. Given the long lead times between conception and realisation it is vital that member states in the various African RECs identify this need as a priority project and commit appropriate resources to it.

Based on the evidence presented, it is recommended that for technical capacity building, Africa should use and build onto the RECs. These should be encouraged to co-operate by formal inter-government agreements to encourage commitment to achieve mutually desirable outcomes. The experiences gained through operationalising the various technical capacity building project components should be actively shared with the other RECs in NEPAD.

The many differences between the member states of the African Union should be considered as a strength. Potential technical remedies will have to prove their effectiveness in the various environments that Africa represents. The experience gained during the proposed knowledge building and sharing process under NEPAD should lead to a larger international role. It would firmly establish it as a trusted voice for Africa in various multinational forums dealing with the issues contained in this article. This representational activity would be guided by the need to build ongoing and appropriate regional capacity. The required capacity would have at least two separate thrusts. One, focusing on skilled
representation at the appropriate international centres. The second focus, underpinning research and ongoing communication between African member states.

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