Accelerating implementation of the AfCFTA to achieve policy goals: What's at stake

Incidence and impact of SPS measures

Accra, 21 September 2023

Christian Knebel
Christian.Knebel@unctad.org
Cost and benefit

- While the costs of SPS measures are tricky to estimate, at least they can be expressed in monetary impacts.

- Benefits are multi-dimensional and highly case-specific... maybe impossible to generalize (e.g. compare cancer risks with chances/impacts of invasive species).

Price impact (in %)

<table>
<thead>
<tr>
<th></th>
<th>Agri-food</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPS</td>
<td>3.2</td>
<td>2.7</td>
</tr>
<tr>
<td>TBT</td>
<td>5.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Other NTMs</td>
<td>14.3</td>
<td></td>
</tr>
</tbody>
</table>

UNCTAD, 2015
Comparison of global average and Africa

While the average aggregate cost of SPS measures in Africa is low in global comparison, there are also less SPS measures applied in Africa.
Why we need SPS measures!

- **SPS measures** protect human, animal and plant health
- They directly impact on sustainability
  -> food security/safety (SDG 2),
  -> nutrition and health (SDG 3),
  -> protect endangered species and the environment (SDGs 14&15),
  -> ensure sustainable production, consumption (SDG 12) and energy (SDG 7)

Examples:
- Limits on the use of pesticides ensure safe food -> SPS
- Fumigation requirement to eliminate pests -> SPS

CONCLUSION: no elimination/reduction of SPS measures!
What may turn SPS measures into barriers?

- Lack of transparency/information costs
- Conformity assessment
  - Lack of domestic technical infrastructure
  - Lack of mutual recognition
  - Redundant checks
- Excessive documents
- More stringent requirement than international standards
- Not science-based
- Lack of harmonization of requirements
- Discriminatory

These barriers affect women disproportionately
UNCTAD 2022: “Neutral policies, uneven impacts: Non-tariff measures through a gender lens”
Cost of African NTMs – by sector

- Animals: SPS 9.5, TBT 4.2, Other NTMs 4.6
- Vegetables: SPS 14.2, TBT 2.7, Other NTMs 2.3
- Fats & oils: SPS 7.8, TBT 0.2, Other NTMs 3.9
- Beverages and tobacco: SPS 11.4, TBT 5.8, Other NTMs 2.9
- Minerals: SPS 4.6, TBT 8.2, Other NTMs 1.8
- Chemicals: SPS 5.6, TBT 5.8, Other NTMs 2.9
- Plastics: SPS 8.1, TBT 1.3
- Leather: SPS 5.4, TBT 5.5, Other NTMs 3.6
- Wood products: SPS 4.3, TBT 6.7, Other NTMs 0.6
- Paper: SPS 9, TBT 0.8
- Textile and clothing: SPS 6.4, TBT 2.5
- Footwear: SPS 9.2, TBT 3.3
- Stone and glass: SPS 8.3, TBT 4.3
- Metals: SPS 9.6, TBT 4.8
- Machinery: SPS 11.3, TBT 4.8, Other NTMs 10.4
- Vehicles: SPS 9.2, TBT 4
- Optical and medical: SPS 11.1, TBT 6.1

SPS, TBT, Other NTMs
Who pays the price?  
Looking at obstacles *at home*

<table>
<thead>
<tr>
<th>COMSUMERS</th>
<th>COMPANIES (value chains)</th>
<th>GOVERNMENTS</th>
</tr>
</thead>
</table>
| • Increased cost of imported food / consumer products  
  • Protection of domestic producers, but...  
  • Pass-through of higher prices to consumers = wide population | • Increased cost of imported production inputs (*e.g.* pesticides)  
  - Increased production cost of final product (*food*)  
  - **Loss of competitiveness** of domestic producer in final product market (*food exports*)  
  - Pass-through of higher prices to consumers | • Needs to pay for inspectors, administration staff and infrastructure to handle:  
  - Redundant inspections  
  - Excessive paperwork  
  - ... |
What can be done?

- **Good Regulatory Practices: next session!**
  
  ...but some info on specific aspects:

- **Regulatory convergence**
  - UNCTAD analysis shows that regulatory convergence can reduce SPS-related costs by ~20% (Knebel & Peters, 2019; UNCTAD 2018)

- **International standards**
  - Following the “three sisters” guidelines promotes intra- & extra-regional trade + guarantees health protection. [UNCTAD 2018 on ECOWAS: welfare +1.6bnUS$]
  - Regional standards only promote intra-regional trade, often at the expense of extra-regional trade. [UNCTAD 2018 on ECOWAS: welfare +0.3bnUS$]
  - Copying regulations of highly-developed export markets can promote export to those destinations but can have significantly detrimental effects for domestic production and regional trade.

- **Transparency: next slide**
Global NTM transparency initiative

➢ Transparency can cut costs of SPS measures by 15%
  (Cadot and Gourdon, 2016).

➢ WTO notification system is not enough
  • Good for new policies and gov-to-gov discussion
  • Not good enough for traders who need easy access to
    comprehensive information on all applied regulations

➢ UNCTAD+partners contribution: extensive data collection of the
  stock of NTMs, including SPS + classification of provisions and HS
  product codes → free public access

Same comprehensive data available at:
  ❖ trainsonline.unctad.org → for policy makers
  ❖ globaltradehelpdesk.org → for traders
  ❖ macmap.org → for traders
  ❖ wits.worldbank.org → for researchers
Two-pronged approach to reducing NTBs in the AfCFTA

Case-by-case NTB elimination

➢ NTB Annex
Institutional mechanism and online/offline tools for:
→ Reporting
→ Monitoring
→ Eliminating

Systematic NTB reduction + prevention

➢ TBT Annex
➢ SPS Annex
➢ Trade Facilitation Annex
➢ Customs Co-operation & Mutual Administrative Assistance Annex

Potential welfare gains in the region of +20 billion USD (UNCTAD, 2017)
Thank you!