

**EXPERT MEETING
ON
ENVIRONMENTAL REQUIREMENTS
AND
INTERNATIONAL TRADE**

**STRENGTHENING CAPACITIES TO RESPOND
TO ENVIRONMENTAL REQUIREMENTS IN
EXPORT MARKET**

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REQUIREMENTS IN EXPORT MARKET**

INTRODUCTION

Tanzania's economy has been growing at an average rate of about 4.4% for the past five years, whereby the agricultural sector, with a contribution of about 48.1% to the GDP in year 2001, is the country's economic driver. Agriculture also remains the leading sector in export with a contribution of about 65% of foreign exchange earnings for the year 2001, mainly from export of traditional commodities. The export sector is generally weak and is characterized by persistent unfavourable balance of trade.

Performance of the manufacturing sector is also low due to various constraints resulting in over-dependence on the agricultural sector. This has rendered Tanzania's economy vulnerable to natural weather catastrophes, fluctuation of traditional commodity prices in the world market and increasing cost of imported agricultural inputs such as petroleum products. Contribution to export business by the manufacturing sector during the past five years was always below 10% of export earnings and the sector accounted for less than 9% of the GDP during the period.

Basically the industrial sector of Tanzania was structured with import substitution objectives focusing on local market with no incentive to compete in the export market. However, the advent of the new economic system of globalisation has forced many countries, including Tanzania, to liberalise their economies thus opening up their markets for global competition. Tanzania's manufacturing sector has not been able to compete effectively in the international market due to inadequate capitalisation of its industries, outdated technology and ineffective marketing strategies.

The call for inclusion of environmental requirements in the global trade agenda pinpoints the likelihood of future market access for developing countries being constrained by stringent environmental standards. This has raised a number of concerns especially for developing countries. The

challenge for developing countries is then to adopt systems that facilitate trade restrictions in relation to environmental requirements.

Tanzania has endeavored in a way to adopt various measures/strategies in building and strengthening capacities so as to respond to environmental challenges in export markets.

In what follows are some of the areas where intervention has been made or intend to be made in addressing challenges of environmental requirements in the export market.

1. Formulation of Small and Medium Enterprises Development Programme Policy.

Small and medium enterprises, which are potential and account for a significant share of exports, encounter several constraints, many of which have to deal with operations. Environmental requirements particularly in relation to standards and regulations is a critical issue in the development of SMEs in Tanzania.

The main difficulties experienced by SMEs, in the area of market access relate to compliance costs, insufficient facilities and high costs of testing and certification, bias in standard setting process, and lack of financial and technical assistance. In order to stimulate SMEs development and thereby be able to take advantage of the emerging opportunities as provided by globalization and liberalization in the international market, a specific policy is under preparation. The SME Development Policy will guide the development of the sector by assigning clear roles to all stakeholders and lay down a level playing field for SMEs to operate effectively and become competitive.

To attain the desired vision and identified objectives, specific strategies have been identified focusing on areas, which have a maximum impact.

The major areas of focus among others include:

- (i) Improve Access to Business Development Services
 - (a) Information.
 - Support the creation of business information centres
 - Conduct capacity building program for “Information Service Providers” Including Chambers of Commerce/Associations.

- (b) Technology Development
 - Sensitize SMEs on the use of environmentally friendly technologies.
- (c) Marketing Services
 - Sensitize and train SMEs on quality adherence
 - Facilitate provision of market information services for SMEs
- (d) Institutional Support
 - Establish a forum of SME stakeholders
 - Implement capacity building of SME support institutions.

2. *Establishment of Export Processing Zone*

Tanzania has adopted the Export Processing Zones concept to fast-track foreign Direct Investment in export oriented manufacturing activities with a view to penetrating the international market. The same is also aimed at creating backward linkages between the international market and domestic activities to stimulate rapid and export-led economic growth.

Among the dynamic objections of the EPZ strategy is the transfer of technology and skills and building capacity for compliance to international market standards including environmental requirements.

It is therefore envisaged that under the EPZ arrangement Tanzania will be able to access new and modern methods and technologies from the developed nations which will improve and strengthen the country's capacity base.

In the long run, the knowledge and skills applied in EPZ firms will spread over the local community hence improve the overall knowledge and skills of the society.

3. *The African growth and Opportunity Act (AGOA)*

In January 2000, the US congress passed legislation, that authorizes a new trade and investment policy for Sub-Saharan Africa (SSA), renews the Generalized system of preferences (GSP) and re-authorized the trade

adjustment assistance programme. The Act grants eligible SSA countries take advantage of these opportunities. Tanzania has qualified in meeting all the AGOA requirements.

AGOA provides for development assistance in five main areas:

- (i) Developing relationships between US and SSA firms through a variety of business association and networks.
- (ii) Provide assistance to SSA Country Government to:
 - Liberalise trade and promote exports;
 - Reform and adjust legal regimes to conform to WTO standards;
 - Make financial and fiscal reforms;
 - Promote greater agribusiness linkages.
- (iii) Address Critical Agricultural Policy issues such as market liberalization agricultural export development, agricultural investment in processing and transporting agricultural commodities.
- (iv) Promoting trade missions to growth oriented countries SSA.
- (v) Encouraging greater SSA participation in future WTO negotiations.

4. *Commercialisation of agriculture, beef and dairy industry and organic farming*

Commercialisation in this case infers the attraction of foreign investor into agriculture and livestock development. This is an initiative between the Tanzanian government, which is aimed at providing new opportunities for Tanzania producers and processors to team up with Dutch counterparts through potential joint ventures and partnerships schemes in introducing modern agronomic and value-adding practices.

The initiative at the moment focuses on the horticultural sector (fresh cut flowers, fruits and vegetables). The horticultural sector provides tremendous opportunities for expansion of Tanzania trade flows through product and market diversification as a strategy for more effective participation in the world market through access to Dutch expertise and experience.

It is envisaged that this kind of arrangement will build strengthen capacities to comply with standards and enhance competitiveness. Such commercialisation has taken root in a way for the case of organic farming for specific crops like tea and coffee.

Organic farming is an emerging activity that is gaining popularity and is popularising recourse to exotic farms products that are attracting relatively high premium in the developed markets. Many developing countries are well placed to engage in organic farming. However some of the conditions and demands of organic farming in developed countries are prohibitive. One such condition is the need for elaborate testing and certification requirements for all activities involved in the entire product supply chain, ranging from choice of seeds and soil qualities to agronomic practices and SPS measures.

5. *Economic Co-operation*

Economic co-operation has assumed increasing importance as the building block for the creation of larger markets and increasing trade follows.

Tanzania's participation in bilateral initiatives as an international trade policy investment take the form of the "Joint Commissions" Today Tanzania is party to 11 bilateral "joint commissions". The Joint Commission Agreement is essentially a mutual agreement on trade and investment in the economies of the two contracting parties. The two parties agree on priority areas of co-operation for their mutual benefit and taking into consideration the strengths and comparative advantages of their respective economies. Policy issues and measures, such as need for preferential treatment are also considered.

Regional integration is another form of economic co-operation which stimulates growth through higher trade flows based on the creation of larger markets and higher effective demand between countries with geographic proximity. Tanzania is a member of the East African Community (EAC) and the Southern African Development Community (SADC). Under these arrangements operational regional trading is based on the elimination of trade barriers including tariff and non-tariff barriers.

These kind of co-operations facilitate exports between the party state involved, through dialogue and negotiations. In most cases these arrangements include the harmonisation of trading instruments like standards, environmental requirements etc.

How to Move:

Market access is an issue of key concern of the developing countries. Environmental requirements may be difficult to meet on accounts of several constraints, many of which have to deal with lack of the required infrastructure and the nature of operation of the enterprises from the developing countries.

It is encouraging, however, to note that as the debate on trade and environment is gaining momentum more business partnerships and joint ventures between firms in the developed and developing countries are being established. We are witnessing advanced technologies and management expertise flowing to developing countries on various capacities. Under such circumstances transfer of technology may not be looked as an issue now but the major concern are the capacities required to facilitate export requirements i.e. trade related, environmental requirements. A defined programme for trade-capacity building that will strengthen the overall capacity of the developing countries should be formulated. The programme should consider the involvement of local research institutions and other relevant non-governmental organisations, as well as the private sector who would then build broad based capacity, enrich the debate and help develop strategies that respond to the specific needs of each country. While working on that broad based proposal specific capacity building needs for the case of Tanzania include:

- Establishing branches of the international Certification Companies in the country like it is practised by international Market Ecology (IMO) in the spices industry in Tanzania. This will cut down the costs of certification.
- Establish business information exchange network.
- Build capacity to conduct risk analysis and testing, and monitor enforcement of standards.

Current Technical Assistance

The only technical assistance currently being implemented is the Joint integrated Technical Assistance Programme (JITAP), which is also a capacity building programme. The programme has the following objectives based on country level needs assessment and extensive consultations:

- Building national capacity to understand the WTO Agreements and their implications for the country;
- Conforming the policy and regulatory framework to the Agreements; and
- Enhancing the country's capacity to take advantage of the Agreements through improved export readiness.