



Note

WTO G90 Special and Differential Treatment proposals: Significance to EAC Member Countries' Development Policies

By Julian Mukiibi

Summary

This note reviews the critical need for enabling development policies, including through the multilateral trading system that will facilitate achievement of development goals, specifically through implementing policies such as those suggested by the G90. The note highlights the specific issues in this regard from perspectives of stakeholders in the East Africa Community (EAC) member countries.

Introduction

In undertaking commitments and obligations so as to take advantage of the multilateral trading system, it was recognised that developing countries are at different stages of economic, social, financial and technological development, with different productive and export capacities as compared to developed countries. This led to adopting of provisions that provide developing countries special rights and which also give developed countries the possibility to treat developing countries more favourably than others. WTO agreements contain such provisions that are referred to as Special and Differential Treatment (S&D).¹

Despite inclusion of S&D provisions in WTO Agreements, developing countries and Least Developed Countries (LDCs) have found that in their current state, such provisions have not been of benefit because they are not effective and have not facilitated their integration in the multilateral trading system as was envisaged at the time they were agreed. Among other shortcomings, most of the S&D provisions are couched in “best endeavour” language making it difficult to enforce. It is in this context that developing countries and LDCs have made specific proposals focused on *inter alia* obtaining exemption from certain WTO rules so as to implement the requisite policies and measures to address their development concerns and better integrate in the multilateral trading system.

The G90, also known as the group of 90 is an

alliance of certain developing countries and LDCs that emerged during the Cancun WTO Ministerial Conference of 2003. The group includes the African, Caribbean and Pacific (ACP) group; Africa Group; and the LDC group. It is an informal negotiating coalition that pursues common interests of members. Under this arrangement, the G90 has made very specific proposals that should inform review of the S&D provisions in WTO so as to strengthen them in order to allow for the requisite policy space for developing countries and LDCs to pursue their development needs.

This brief note reviews the critical need for enabling development policies, including through the multilateral trading system that will facilitate achievement of development goals, specifically through implementing policies such as those suggested by the G90. The note highlights the specific issues in this regard from perspectives of stakeholders in the East Africa Community (EAC) member countries.

What critical needs in Developing Countries and LDCs?

There is renewed interest in the role of industrialisation to promote sustainable economic growth and development (also reflected in goal 9 of the sustainable development agenda 2030). According to the UNCTAD Trade and Development report 2016² this impetus is due to a number of factors that include the following:

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https://www.wto.org/english/tratop_e/devel_e/dev_special_differential_provisions_e.htm

² http://unctad.org/en/PublicationsLibrary/tdr2016_en.pdf

- Many developing countries have failed to deepen and diversify their existing industrial capacity in a more open global economy
- It is generally perceived that export-led growth strategies in developing countries face more constraints than in the past due to slower growth and global demand, especially from industrialised countries
- Many developing countries remain vulnerable to external trade and financial shocks
- Windfall gains from primary exports as a result of the commodity price boom during the first decade of the 2000's came to an end
- For LDCs the situation is more alarming given that their share of global exports remains very low at 0.98%.

The volatile prices of primary commodities on which many developing countries and LDCs are reliant have made them vulnerable to external shocks. Industrialisation is therefore critical as a means of addressing these challenges given its benefits such as stable prices, increased productive capacity through technological changes and by providing backward and forward linkages with other sectors of the economy.³

Cognisant of the above factors, the development agenda of developing countries and LDCs, specifically in Africa, is guided by the Africa Union Agenda 2063 that places at its centre the eradication of poverty through social and

economic transformation of the continent.⁴

Industrial Policy in the EAC vis-a-vis WTO G90 Proposal for SDT

National Industrial Policies

These have evolved since attainment of Independence when most members adopted import substitution policies to promote industrialisation; later the structural adjustment programmes imposed by World Bank/IMF replaced import substitution policies opting for liberalisation to improve competitiveness and efficiency of industries.

More recently economic recovery strategy papers have been the basis for industrialisation in the EAC, these are complemented with National Industrial development plans that are aligned to respective country visions that are targeted to be achieved within specified timelines ranging from 2020 to 2030.

Generally, the industrial policies aim to achieve the following objectives: (i) Strengthen local production capacity by improving productivity and value addition; (ii) Develop niche products so as to leverage their comparative advantages especially in the agro-processing sector; (iii) Increase FDI inflows by facilitating an enabling environment, however such FDI should be carefully regulated to ensure benefits for the local industries i.e. technological transfer, capacity building, linkages to local sectors; (iv) Establish special economic zones evenly spread

³ Ibid

⁴ Africa and Development Proposal by the WTO African Group WT/MIN(17)/11, JOB/GC/167

beyond urban centres to ensure inclusive development; (v) Manufacturing/industrial sector considered a development priority by all EAC members (e.g. in Kenya among the big 4) since it has the capacity to create more employment opportunities and diversify economic activities from the agriculture sector that presently dominates (though at the lower end of returns).

Ensuring contribution to socio-economic transformation

All EAC member countries have put in place policies, legislative frameworks and regulatory regimes to ensure industrial development results in the desired socio-economic transformation e.g. competition policy and institutions, consumer protection measures; investment conditionalities to ensure beneficial FDI.

Challenges in Industrial sector development

These challenges include: (i) Cost of energy quite high as compared to other competing regions; (ii) Financing structure (also mentioned during recent EIF event on CFTA) not suitable for MSMEs yet they form majority in the industrial sector; (iii) Market access still a real challenge despite extensive liberalisation – i.e. in form of NTB's and NTMs; (iii) TF measures critically required to lower and ease cost of business in the region particularly issues to do with authorisation and licensing requirements; (iv) Consistent access to quality raw materials required to service international markets; and

(v) Requisite skills and technological equipment to enhance competitiveness.

Requisite policies to redress Challenges

To address the aforementioned challenges, possible policy requisites may include: (i) Need for Public Private Partnerships to address critical issues like infrastructure; (ii) Provision of subsidies to strategic industrial sectors where the region is competitive e.g. in the Agro-processing sector; (iii) Protection of infant industries from competition so as to allow their growth and consolidation; (iv) Policies providing for technology transfer and local skills development; and (v) Policy space to utilise policy tools such as export tariffs so as to spur domestic value addition and integration in the higher end of value chains.

Conclusion

All in all, the persistent challenges of high poverty levels, unemployment, slow economic growth, poor infrastructure among others, call for accelerated industrialisation, diversification and structural transformation towards economic and social sustainable development. Besides the substantial financial resources needed to achieve the desired industrialisation, policy space to undertake and implement requisite policies is a critical need, hence the significance of considering and adopting the G90 proposals on S&D in the multilateral trading system.



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