



TANZANIA: COUNTRY UPDATE NOTE

Towards the 12th WTO Ministerial Conference: Issues of Interest to the East African Community (EAC): Stakeholders' Perspectives in Tanzania

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1. Introduction

The WTO negotiation is an important process for Tanzania in the multilateral trading system. According to its role, WTO arbitrations have considerable impact on Tanzania trade operations and performance of domestic exports as it affects international business operations across borders. It is of no doubt that; it facilitates trade and better integration of the least developing countries like Tanzania into the multilateral trading system. As an important coalition for member countries, Tanzania government in particular, considers the issues related to services, agriculture, Special Differential and Treatment (S&DT), fisheries subsidies, quality standard regulations as the issues of interest in WTO negotiations for the country. So, the political and economic obligations of Tanzania towards trade development and investment are anchored in the Tanzania Development Vision 2025 as well as the Second Five Year Development Plan (5YDPII) 2016/17- 2020/21. These frameworks envisage transforming the Tanzania economy into semi-industrialized, middle-income and competitive economy by facilitating trade, investment and realizing competitiveness – led export growth through upgrading and improved business environment and industrialization. Thus, WTO negotiations in the multilateral trading system is vital for Tanzania as it facilitates the implementation of the national frameworks to achieve the set plans for the national hence improve welfare of Tanzanians.

From the foregoing, this country update note attempts to enlighten about the main issues of interest to the East African Community (EAC), Tanzania in particular, towards the 12th World Trade Organization (WTO) Ministerial Conference (MC12). It captures some views drawn from the national stakeholders' standpoints (i.e., include Tanzania Chambers of Commerce (TCCIA), ministries responsible for trade, agriculture and fisheries, exporters and other individuals) and informs the WTO negotiators on the priority issues and

Tanzania's positions in the ongoing groundworks to the MC12. The views from the national stakeholders were gathered using guiding questions through numerous methods including field visit and electronic communications such as e-mail and phone calls. In general, this update paper first gives a brief overview of the main issues of interest for Tanzania in the WTO negotiations. It will then present the identified priority issues for Tanzania to be pursued to the MC12. Lastly, the note presents the conclusion and recommendations to the Tanzania WTO negotiators.

Overview of the main issues of interest for Tanzania at the WTO negotiations

A great deal of consultation with the national stakeholders exposed the status of a number of the issues of interest for Tanzania in the WTO negotiations. Of all the identified concerns, domestic support in agriculture and fisheries sectors, as well as service waiver are the key issues of interest that appeal to Tanzania in the WTO negotiations.

- ***Domestic supports in agriculture and fisheries***

Domestic support is an ongoing agenda, which is very critical for the agriculture dependent economies like Tanzania. It is one of the prominent issues of interest for the country because of its development role in the Tanzania economy. The sector accounts for about 30 percent of the GDP and more than 66 percent of Tanzania populace subsist thanks to agriculture of which majority are rural dwellers hence makes it to be the greatest employer in the economy. With these sectoral roles, it is imperative to ensure domestic support across global food suppliers is fairly regulated to avoid market distortions. This will facilitate and create good trading environment for the agricultural products hence improve the welfare of individuals as well as the national income.

Although, domestic supports reduction is in built agenda in the WTO Agreement of Agriculture and has been emphasized in the WTO ministerial conferences by the members, its progress is not yet realized. A number of negotiations strides the past on this area since the Doha Development Agenda was launched in 2001. For example, in 2004 the July framework was reached establishing the modalities for negotiations and later 2008 a revised text (Rev4) was adopted with a view that would be the negotiation text. However, in the recent years, all these developments have been rejected by developed countries in particular, for different grounds including unfaithfulness of some countries; having no clear modalities on export subsidies elimination as a result, other sectors or products are heavily subsidized. While negotiations in this area continue to be stagnated, consultations with stakeholders revealed that, *“there are mounting concerns on emerging habits of subsidizing some products more heavily than others (specific products concentrations) from their existing entitlements. This is one of the most trade-distorting domestic support rendering small economies agricultural sector impossible to pick up and hence continue to be imports reliant. Product specific support, particularly by large agricultural producers and large agricultural exporters has a negative impact on the prices for all farmers in the world. World prices are depressed when this heavily subsidized product are exported thus preventing markets from operating efficiently”*. In this context, one of the Tanzania national stakeholders *“questioned why some WTO members are allowed to reject issues already agreed, passed and approved by the WTO General council?”*

- ***Fisheries Subsidies Negotiation***

In contrast, negotiations on agreement to regulate fisheries subsidies is progressing well as its importance was underscored during the eleventh WTO Ministerial Conference (MC 11) in Buenos Aires, Argentina. Few issues

remained unresolved such as deep-sea management. Tanzania like most of the LDCs has been not providing subsidies to its fishermen as opposed to developed countries which are granting heavy subsidies to facilitate fishing activities particularly in deep seas across international borders illegally. One of the stakeholders from the Ministry of Livestock and Fisheries argued, *“Uncontrolled fishing practice promotes extinction of fish in the deep seas and lakes. For instance, fishing vessels from abroad fish in the deep seas because they are highly subsidized hence negatively affect the developing countries economy as well as local investors on fish harvest and investment”*. Undoubtedly, Tanzania fully supports the ongoing negotiations on fisheries subsidies. According to FAO data, Tanzania fisheries sector employs about 184'000 full time artisanal fishermen for which about other 2.0 million people make their livelihoods through various fisheries-related activities. In addition, fish and fisheries products contribute about 27% of the total animal proteins intake in the country and is one of main foreign exchange earner after tourism, agriculture and mining.

- **Why are subsidies negotiations relevant Tanzania?**

Tanzania is affected by unfair competition from large players benefiting from subsidies in its main export markets. In light of the socio-economic importance of the sector, the country has a strong interest in developing further the sector including promoting processing and value addition. However, this will require levelling the global playing field in fish trade, including effective disciplines on fisheries subsidies. Furthermore, in the marine sector, a growing concern is also on the control of foreign flag vessels that are fishing in the Exclusive Economic Zone (EEZ) and where illegal, unreported and unregulated (IUU) fishing occur. *“Subsidies identified to have exacerbated the problem of fleet overcapacity and is the only factors that makes it economically viable for distant water fishing*

nations to go such long distance including the invasion of other countries' EEZ. Tanzania is among the coast countries being affected by this challenge", said representatives from TCCIA and the Ministry of Livestock and Fisheries

- **Service waiver**

In light of the recent development in services negotiations in the WTO, it is extremely important to further the discussion on the services waiver as granted since 2011 and further improved in 2013. Tanzania being one of the beneficiaries of the recently granted waiver and the subsequent notified services sectors, is so interested in improving the service waiver in particular to ensure its implementation. The aim of fisheries waiver, was to allow the WTO members to grant preferential market access by reducing some barriers to facilitate LDCs export of services. Until now, utilization of the granted market access has not significantly improved. Most importantly, implementation of the granted service waiver has its time-frame and still fuzzy among the WTO members to the extent that the countries like Tanzania have not yet benefitted from such opportunity. Despite the efforts and progress made, since the Doha round on facilitating the LDC countries to increase participation in international trade, countries like Tanzania face a number of challenges that bound the country to enjoy the service waiver agreements. Such challenges include limited information from the beneficiary side as well as the preference granting members side. There are no special desks or processes established by preference granting members, which facilitate LDCs service providers' applicants. It should remain in the agenda of Tanzania to continue to pursue this matter for more clarity facilitation to ensure the country along with other LDCs benefits from the arrangement. Therefore, *"Tanzania negotiators at the WTO should continue negotiating on this issue for betterment of and development of the country"*, as proposed one of the national stakeholders.

- **Other issues include quality standard regulations:** Views from Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) urge, *"Tanzania negotiators in the WTO to also stress on issues related to improving the quality standard regulations agreement. The Tanzania Bureau of Statistics (TBS) has set up standards to meet requirements, however; regulations in place do not provide a room for product test appeal by importer, agro-processing and infrastructures"*.

2. Stakeholder's perspectives on the priority issues in the multilateral trading system

There is a general feeling from the national stakeholders on trade negotiations that the next Ministerial conference (MC-12) will win their expectations on the left out issues that are beneficial for the LDC like Tanzania. Despite that, it is difficult to reach consensus to all WTO members, stakeholders from Tanzania are enthusiastic to see the national priority issues are given high options at the arbitrations in the multilateral trading system. For Tanzania, the priority issues identified by the national stakeholders include domestic supports in agriculture and fisheries and service waiver. The issues appear to be the common outstanding issues in some of the negotiations.

Doha Development Agenda (DDA) outstanding issues

In Tanzania, as it may be in other WTO members, Doha Development Agenda (DDA) remains on top of the agenda as believed will lead to the reform of the sector globally. Consulted stakeholders view Doha round as the trade and production enhancer of the agricultural trade as it contributes to improve trading prospects of developing countries in the multilateral trading system. They argue that

continual negotiations on the issues like domestic supports in agriculture and fisheries sectors are vital in the context of Tanzania as it was declared during the Doha Ministerial Conference.

- **Domestic support:**

Tanzania national stakeholders consider domestic supports in agriculture and fisheries as the first priority issue whose negotiation has to be completed. Consulted stakeholders perceive elimination of trade distorting domestic support subsidies as one of the key priorities remaining for the WTO negotiations as they are detrimental facility. For instance, subsidies product concentration, it is an issue of concern in the Tanzania fisheries sector as well as in agriculture. *“Tanzania is one of the small economies among the WTO members whose economy is not stable to the extent of subsidising agricultural production and fisheries activities. Am saying this because I have seen fishing activities going on in the deep seas which is done by other fishermen from abroad because they are heavily subsidised by their countries of which it was tabled in the Doha round to be stopped”*, said one of stakeholder from the fisheries sector. Thus, reverting the negotiation on the domestic support is vital for Tanzania as majority of individuals’(especially coastal dwellers) livelihoods depend on fisheries and agriculture activities.

- **Service:**

Tanzania’s share in the world service trade is scanty albeit the LDC share in the world services exports is only 0.5%. One stakeholder claims that, *“service trade in cross-border, consumption abroad, commercial presence and movement of natural person is very flimsy for Tanzanians, and this is because we are so limited to some preferential treatments as we lack special information desk”*. In this view, it is clear that up to now, service waiver as it was agreed to allow LDC WTO members to be

granted special treatment by enjoying a waiver of some barriers is still anecdote. It would be of interest for the country to revert negotiating on this standing item to be in operation as the council consider it as an issue of concern for not only Tanzania but also other LDC WTO members. Therefore, implementation of service waiver to the LDC WTO members will increase the participation of these countries in the international trade; production and investment hence contribute towards improving the livelihoods of the individuals.

Other issues as per the WTO Ministerial Declarations

- Ecommerce**

Information and communications technology (ICT) has positively influenced economic activities of many countries such as the use of E-commerce. Its importance has grown since 1998 when ecommerce work program was adopted in the WTO. *“Although, e-commerce has shown to bear the potential of being a driver of economic growth, inclusive trade and job creation and seems to be attractive to many economies, yet its dynamic nature is scary. It is constantly changing with the advancement of technology, thus making it impossible to have a set of rules which will not run obsolete and irrelevant over time to regulate the sector. Infant economies like Tanzania, must find it challenging to delve into such rules making without having a transparent discussions among members on the existing challenges and envisioned solution”*, said national stakeholders.

Obviously, the share of digital trade is expanding particularly for developing merger economies as more companies are shifting to online trading. Affordable and high-speed broadband connectivity, cloud-computing solutions, three-dimensional printing, big data and the Internet of Things (including mechatronics, artificial intelligence and robotics) are set to have a profound effect on all sectors as it was highlighted in Geneva early

October at the WTO policy forum. Noting the role of digital economy, national stakeholders revealed, *“Tanzania needs to learn from others and particularly the emerging digital giants like China and India and perhaps to replicate some similar interventions. With such efforts, it should swiftly put in place policies and strategies that are going to attract more investment into this sector. Therefore, before blessing WTO multilateral rules on this area, it should put in place domestic rules and regulations which are trade facilitative by addressing basic challenges of ICT infrastructure; power supply; credit financing, digital payment solutions, and build ICT literacy, among others”*. Should there be external pressure mounting on negotiating rules in the WTO on ecommerce, Tanzania may need not to rush into it before preparing conducive domestic environment for private sector to thrive in the sector in order to compete globally.

•**MSMEs**

We have noted a growing enthusiasm in discussing MSMEs subject from WTO members and particularly among developing members. *“However, there are still some unknowns about this issue in the WTO as there is no clear and internationally agreed definition of MSMEs. Some stakeholders asked if the MSMEs entitlements will be only for enterprises from developing and LDCs?”* The explanation is that, MSMEs discussions will not bring difference than what S&DT were meant to address; something that developed members have been rejecting to accept. They mentioned that the Agriculture sector in Tanzania and many LDCs is dominated by small holder farmers who are similar to MSMEs, therefore if members are passionate and sympathetic with MSMEs they should address Domestic Support which affects the livelihood of MSMEs in the agriculture sector.

•**Trade and Gender**

Consultation with stakeholders found that multilateral trade rules have no gender discrimination. They emphasize that addressing the Doha issues will help women in developing and LDCs benefit more from international trade. Thus, WTO should not lose focus on that as it was established to govern international trade and in so doing helps all people irrespective of their gender to improve their livelihood.

3. Priority issues to be pursued in the preparatory work towards MC 12

It is important to note that, most of the stakeholders from private sectors have failed to expose their perceptions or provide their opinions on the priority issues on the preparation towards the Ministerial Conference (MC12). Of the stakeholders’ consultation, majority are unaware of the priority issues for Tanzania as they consider them as a government responsibility. However, shedding more light on the country’s interest, consulted national stakeholders offered a number of contributions and priorities issues towards the forthcoming MC12 thus acknowledged to be in line with the national agenda. Such recommended priority issues are as follows:

•**Agriculture**

For Tanzania economy, agriculture is the first priority issue in the WTO negotiations. The focus of the WTO negotiations on agriculture centres on reforming agricultural trade through three pillars that are of vital importance to be critically discussed in the next WTO ministerial conference. Such pillars include market access, domestic support and export subsidies. The consulted stakeholders questioned why negotiations on agriculture issues at the WTO has been as issues that are more political since the Uruguay round table in 2000?. Up to now, no agreement has made on agriculture across all the pillars including market access, domestic support and agricultural export subsidies for

some products such as cotton. According to the stakeholders view, negotiations on the agriculture issues such as horticulture exports and agro-processing should be given attention, as it is the key sector of the Tanzania economy. Domestic support is the most important pillar in the agriculture sector that has not been implemented as expected. Tanzania like other developing countries has a great potential in agriculture sector but a number of agricultural products in some countries are produced under heavy subsidies schemes to the extent that affect product competition. Sometimes one product in some countries is highly subsidised as compared to other products from other countries hence lead to product concentration. Therefore, Tanzania would like the negotiation of the agriculture issues such as domestic support to be accomplished.

•*Services waiver*

It is over 20 years now, LDC members of the WTO including Tanzania, agreed on preferential entree for their exports of services to the markets of both developed and developing country WTO members but implementation of this accord still fuzzy. Cognizant to the WTO ministerial decisions of 2011 and 2013 that granted a 'waiver' for LDC services exports obliges WTO members grant the LDC members of the WTO a special treatment on services trade such as market access. As a WTO signatory, Tanzania is constrained with poor participation in services export. In this vein, consulted stakeholders proposing service waiver as the second priority to be revitalized and more improvement be considered in the next WTO ministerial conference as the waiver has time bound of 15 years of implementation.

•*Fisheries subsidies*

Tanzania being one of the affected countries with overfishing, fishing overcapacity as well as illegal fishing is so interested to see the next

WTO MC12 concludes the discussion on fisheries subsidies particularly issues postponed in the WTO MC11 in Buenos Aires in Argentina. It was mentioned by one stakeholder that, *"fishing vessels from abroad fish in the deep seas because they are highly subsidised hence negatively affect the developing countries economy as well as local investors on fish harvest and investment"*. Another stakeholder from Tanzania Ministry of Livestock and Fisheries added, *"consenting on the on agreement to eliminate fisheries subsidies would contribute to reduce or end the harmful subsidies that favour overfishing and illegal fishing which of recent has become a common practice in some places"*. Continual postponing the agreement on fisheries subsidies has negative social economic implications as it contributes to affect the health, safety and nutritional status of individuals especially of coast dwellers and those live along the lakes. In view of this, this update note calls for the WTO MC 12 to have a deliberate reflection on re-executing the negotiation to eliminate fisheries subsidies. Thus, Tanzania will be so interested to see the agreement on the abolishment of fisheries subsidies is implemented, as this decision will facilitate reduction of illegal unreported fishing practices that lead to extinction of fish and sometimes threatens the lives of the individuals.

4. Conclusion and Recommendations

It is not dubious that WTO negotiations at the multilateral trading system contribute to trade facilitation, investment and agricultural production. Review of the outstanding issues and identification of the priority issues of interest for the country is essential to the WTO negotiators for Tanzania in the next ministerial conference (MC12). With this view, this update

note highly recommended the following to be of emphasis in MC12:

- The DDA to be continued on the outstanding issues such as domestic supports in agriculture and fisheries especially specific subsidies threshold and the subsidies product concentration should be given attention in the MC12. In the same vein, national stakeholders also recommend consideration of facilitating value addition especially agro-processing in the LDC like Tanzania;
- Special Services Waiver information desks for LDC WTO members should be considered to facilitate service waiver aspect to the LDC. Thus, countries that provide market access have to establish special desk to facilitate the process;
- Noting the importance of the multilateral trade agreements, it is apparent to say that clear work plan on future trade negotiations needs to be established. The national stakeholders also urge the WTO negotiators to also consider other issues like standards and regulations reforms.
- Moreover, Tanzania will first need to assess its ecommerce readiness to better understand areas of critical concerns needing specific interventions.