

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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TRADE POLICY REVIEW MECHANISM

Trade Policy Review of Kenya

Communications from the Discussants

Pursuant to the revised procedures for review meetings circulated in the communication from the Chairman of the Council dated 30 April 1993 (L/7208), following are outlines of the main points to be raised by Mr. Peter May (Australia) and Mr. Suboh Yassin (Malaysia) at the review of Kenya to be held on 7-8 September 1993.

It is recalled that discussants act in their personal capacity.

(a) Mr. Peter May

1. In the past 30 years Kenya's policies have flowed through a similar evolution to many other countries represented in this room, including mine.

- After much trial and error, Kenya is moving from inward to outward looking policies.
- Recognition must be made of the fact that the Kenyan Government's decisions to re-direct its policies were taken at a time of a weakening world economy, greater uncertainty and by a country whose region has been plagued with a wide range of difficulties. Equally, it has to be recognised that the results of these changes will take some time to come to fruition. As this trade policy review process should demonstrate further policy changes will be required.

2. There is, from my perspective, a need for further amplification and explanation of a number of existing policies, e.g.

- Self sufficiency in agriculture: is there not a conflict between self-sufficiency in agriculture and a policy of diversification of the economy as a whole?
- In May 1993, Kenya significantly liberalized its foreign exchange régime, introducing a partial convertibility of the Kenya shilling. What are the Government's first impressions regarding the impact of this liberalization? Does the Government remain committed to the convertibility of the shilling? Is this convertibility going to become total in the near future?
- What are the main causes of the recent growth in Kenya's money supply of over 20 per cent per annum? To what extent has the provision of export credits of various sorts contributed to this growth?

- The Government announced in May that a surrender requirement would remain in place for 50 per cent of export proceeds. If the official rate is higher than the market rate, this would translate into a net loss for the exporters: does the Government therefore intend to maintain a close spread between the official and market rate to minimise this loss.
3. To what extent have macro imbalances (e.g. fiscal deficits) been a cause for demands by industry for increased protection?
4. What are the Government's objectives concerning foreign direct investment?
- (b) Mr. Suboh Yassin
5. As a part of its economic reform, Kenya has abolished import licensing, a very important step towards better allocation and utilization of resources to help set the economy back on track for growth. Stable policy in this regard is important because frequent changes in policy may have dampening effects on the economy.
6. Kenya has put in place an impressive programme to encourage investment to bring about industrial growth and development.
7. Kenya is also emphasizing value added activity and encouraging the development of domestic processing of its natural resources. Policy measures in this regard include the imposition of export taxes.
8. Kenya has undertaken commendable steps towards tariffication and tariff peaks and dispersion have been lowered. Nevertheless, the unweighted tariff average is still high and Kenya's tariff is not bound in GATT. In this context, it would be interesting to know Kenya's objectives in terms of tariff policy.
9. Given the significant geographical diversification of Kenya's exports, particularly to neighbouring African countries, Kenya is less affected by protectionist pressures than countries depending substantially on markets in the developed countries. In this regard, further understanding of the PTA scheme would be useful, particularly the factors that have stimulated its formation and constrained its functioning and expansion.
10. Kenya has introduced numerous schemes to encourage companies to export; these programmes, properly implemented, will enhance Kenya's export performance. However, it may be prudent to evaluate from time to time the impact of the programmes on the economy and to determine whether the objectives are being achieved. Care should also be taken that such programmes are in line with Kenya's GATT obligations.
11. Kenya is also embarking on a divestiture programme to privatize a number of public enterprises. This will relieve the Government of some financial burden and may also encourage market forces. However, it should be recognized that the success of such a programme will depend, among other things, on the strength of competition policy and on business practices.